20220610224 76

Blakliden Fäbodberget Holding AB

Org nr 559148-3408

Fastställelseintyg

Undertecknad styrelseledamot intygar härmed att en med denna undertecknade kopia likalydande resultat- och balansräkning blivit fastställd på årsstämman den 2022-06-25
Årsstämman beslöt tillika godkänna styrelsen förslag till vinstdisposition.

Ort Datum

Solna 2022-06-07

Signatur



Namnförtydligande

ALLER ELNAS

Confidentiality: C2 - Internal

20220610224777

Årsredovisning

för

Blakliden Fäbodberget Holding AB

559148-3408

Räkenskapsåret

2021–01–01 – 2021–12–31

Innehållsförteckning

Förvaltningsberättelse	2
Resultaträkning	4
Balansräkning	5
Noter	7
Underskrifter	15

Confidentiality: C2 - Internal

Styrelsen för Blakliden Fäbodberget Holding AB avger följande årsredovisning för räkenskapsåret 2021–01–01 – 2021–12–31.

Förvaltningsberättelse

Verksamheten
Bolaget äger Blakliden Fäbodberget Wind AB.

Viktiga förhållanden
Blakliden Fäbodberget Holding AB var ett helägt dotterbolag till Vattenfall Vindkraft AB. I oktober 2018 sålde Vattenfall Vindkraft AB 70% av sina andelar till PKA BlaFa Equity K/S (nuvarande AIP BlaFa Equity K/S) och Wind Power Invest A/S.

Blakliden Fäbodberget Holding AB är ett delägt bolag. Vattenfall Vindkraft AB äger 30% av bolaget, medan AIP BlaFa Equity K/S äger 30% och Wind Power Invest A/S äger resterande 40%.

Detta är bolagets fjärde räkenskapsår. Denna årsredovisning avser perioden 2021-01-01 - 2021-12-31.

Årsredovisningen är skriven i tusentals euro (eur) om inte annat anges.

Väsentliga händelser under räkenskapsåret
Vindparkerna Blakliden- och Fäbodberget med 84 vindkraftverk och total kapacitet 352,8 MW byggstartades våren 2018. Under räkenskapsåret 2021 har nätanslutning färdigställts och installationsarbetet av vindkraftverken påbörjats. Vid utgången av 2021 var 73 av totalt 84 vindkraftverk resta och spänningssatta. Vindparkerna ska enligt plan färdigställas under det första halvåret 2022.
Till bolaget utsåg styrelsen 2021-09-14 ny verkställande direktör.

Covid-19
Nedstängningen av samhället har inneburit viss försening i leveranserna av huvudkomponenter såsom torn, maskinhus och blad. Installationsarbetet har dock kunnat genomföras utan större påverkan och de sammantagna förseningarna bedöms inte ha någon signifikant påverkan på bolagets verksamhet.

Flerårsöversikt (teur)	**2021**	**2020**	**2019**	**2018**
Nettoomsättning	0	0	0	0
Resultat efter avskrivningar	-9	-3	-8	0
Resultat efter finansiella poster	-10	-3	-9	0
Balansomslutning	11	6	11	5
Eget kapital	-20	-10	-6	3
Soliditet (%)	-176,9	-158,6	-56,3	55,5

Personal
Bolaget har under året inte haft någon personal anställd.

Confidentiality: C2 - Internal

20220610224778

Väsentliga risker och osäkerhetsfaktorer som bolaget står inför

Ingenting väsentligt har hänt efter räkenskapsårets slut.

Förslag till behandling av ansamlad förlust

Styrelsen föreslår att den ansamlade förlusten (euro):

ansamlad förlust	-14 594
årets förlust	-10 464
	-25 058
behandlas så att	
i ny räkning överföres	-25 058

Förändring av eget kapital

	Aktie-kapital	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång	5	-11	-3	**-9**
Disposition enligt beslut av årets årsstämma:		-3	3	**0**
Årets resultat			-10	**-10**
Belopp vid årets utgång	**5**	**-14**	**-10**	**-19**

Som framgår är det redovisade egna kapitalet negativt per 31 december 2021. Styrelsen har med beaktande av de särskilda reglerna för värdering och redovisning i en kontrollbalansräkningssituation som går att läsa i aktiebolagslagens 25:e kapitel genomfört en utvärdering. Styrelsens slutsats, beaktande dessa särskilda regler, är att bolagets egna kapital är intakt dels vid tidpunkten för räkenskapsårets slut och dels vid tidpunkten för årsredovisningens undertecknande. Något behov av kallelse till kontrollstämma finns därmed inte.

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

Confidentiality: C2 - Internal

Resultaträkning
Teur

	Not	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Nettoomsättning exkl. punktskatter		0	1
Administrationskostnader		-9	-4
Bruttoresultat		**-9**	**-3**
Övriga rörelsekostnader		0	1
		0	**1**
Rörelseresultat	2	**-9**	**-2**
Resultat från finansiella poster			
Räntekostnader och liknande resultatposter		-1	-1
		-1	**-1**
Resultat efter finansiella poster		**-10**	**-3**
Resultat före skatt		**-10**	**-3**
Årets resultat		**-10**	**-3**

Confidentiality: C2 - Internal

20220610224479

Balansräkning
Teur

	Not	2021-12-31	2020-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	3	5	5
		5	**5**
Summa anläggningstillgångar		**5**	**5**
Omsättningstillgångar			
Kassa och bank		7	1
Summa omsättningstillgångar		7	**1**
SUMMA TILLGÅNGAR		**12**	**6**

Confidentiality: C2 - Internal

EGET KAPITAL OCH SKULDER

Eget kapital			
Bundet eget kapital			
Aktiekapital		5	5
		5	**5**
Fritt eget kapital			
Balanserad vinst eller förlust		-15	-11
Årets resultat		-10	-3
		-25	**-15**
Summa eget kapital		**-20**	**-9**
Långfristiga skulder	4		
Skulder till koncernföretag		24	12
Summa långfristiga skulder		**24**	**12**
Kortfristiga skulder			
Leverantörsskulder		5	0
Upplupna kostnader och förutbetalda intäkter	5	3	3
Summa kortfristiga skulder		**8**	**3**
SUMMA EGET KAPITAL OCH SKULDER		**12**	**6**

Confidentiality: C2 - Internal

20220610224800

Noter

Teur

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen har upprättats enligt årsredovisningslagen och Bokföringsnämndens allmänna råd 2012:1 Årsredovisning och koncernredovisning (K3).

De viktigaste redovisnings- och värderingsprinciperna som använts vid upprättande av de finansiella rapporterna sammanfattas nedan.

Resultaträkning

Intäktsredovisning

Nettoomsättningen omfattar försäljningsintäkter från kärnverksamheten, det vill säga produktion och försäljning av el.

Belopp som erhålls för annans räkning ingår inte i företagets intäkter. I de fall varor och tjänster byts mot likartade varor och tjänster redovisas ingen intäkt.

Samtliga intäkter värderas till det belopp som influtit eller beräknas inflyta, dvs. med hänsyn till rabatter och efter avdrag för moms och energiskatter, och redovisas i posten Nettoomsättning.

Försäkringsersättningar

Försäkringsersättningar avseende driftstopp, skador etc. som helt eller delvis täcks av försäkring redovisas löpande som en övrig intäkt

Ränteintäkter

Ränteintäkter redovisas i takt med att de intjänas. Beräkning av ränteintäkter görs på basis av den underliggande tillgångens avkastning enligt effektivräntemetoden.

Erhållna utdelningar

Intäkter från utdelningar redovisas när utdelningen erhålls.

Låneutgifter

Låneutgifter kostnadsförs i den period som de hänförs till och redovisas i posten Räntekostnader och liknande resultatposter.

Utdelningar från dotterföretag

Utdelningar från dotterföretag intäktsredovisas när moderföretagets erhåller utdelningen från dotterföretaget.

Koncernbidrag

Samtliga lämnade och erhållna koncernbidrag redovisas som bokslutsdispositioner.

Confidentiality: C2 - Internal

Balansräkning

Andelar i intresseföretag
Innehav i intresseföretag värderas till anskaffningsvärde eventuellt minskat med nedskrivningar.
Utdelningar från intresseföretag redovisas som finansiell intäkt.

Finansiella instrument
Allmänna principer
Finansiella instrument redovisas initialt till anskaffningsvärde, i förekommande fall med tillägg för transaktionskostnader.

En finansiell tillgång eller finansiell skuld redovisas i balansräkningen när företaget blir part enligt instrumentets avtalsenliga villkor. Kundfordringar redovisas när faktura har skickats till kund. Skuld tas upp när motparten har utfört sin prestation och företaget därmed har en avtalsenlig skyldighet att betala även om faktura inte har erhållits. Leverantörsskulder redovisas när faktura har mottagits.

En finansiell tillgång tas bort från balansräkningen när rättigheterna i avtalet realiseras, förfaller eller när företaget förlorar kontrollen över rättigheterna. Detsamma gäller för del av en finansiell tillgång. En finansiell skuld tas bort från balansräkningen när förpliktelsen i avtalet fullgörs eller på annat sätt utsläcks. Detsamma gäller för del av en finansiell skuld. Övervägande del av finansiella tillgångar och skulder tas bort från balansräkningen genom erhållande eller erläggande av betalning.

Kundfordringar och liknande fordringar
Kundfordringar och liknande fordringar är finansiella tillgångar med fasta betalningar eller betalningar som går att fastställa med belopp. Kundfordringar och liknande fordringar värderas till nominellt belopp. Kundfordringar värderas till det värde som beräknas inflyta efter avdrag för osäkra fordringar. Nedskrivning av kundfordringar redovisas i posten Försäljningskostnader.

Fordringar och skulder i utländsk valuta
Monetära fordringar och skulder i utländsk valuta värderas till balansdagens kurs.

Valutakursvinster och -förluster avseende rörelseposter redovisas i posterna Övriga rörelseintäkter och Övriga rörelsekostnader. Finansiella valutakursvinster och -förluster redovisas under rubriken Resultat från finansiella poster.

Inkomstskatter
Inkomstskatter utgörs av aktuell skatt och uppskjuten skatt. Inkomstskatt redovisas i resultaträkningen utom då den underliggande transaktionen redovisas i eget kapital varvid även tillhörande skatteeffekt redovisas i eget kapital. Aktuella skattefordringar och skatteskulder samt uppskjutna skattefordringar och skatteskulder kvittas om det finns en legal rätt till kvittning.

Aktuell skatt
Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats. Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller per balansdagen och nuvärdesberäknas inte.

Confidentiality: C2 - Internal

20220610224481

Övrigt

Not 2 Arvode till revisorer

Med revisionsuppdrag avses granskning av årsredovisningen och bokföringen samt styrelsens förvaltning, övriga arbetsuppgifter som det ankommer på bolagets revisor att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförandet av sådana övriga arbetsuppgifter.

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Ernst & Young		
Revisionsuppdrag	0	3
	0	**3**
PwC		
Revisionsuppdrag	4	0
	4	**0**

Not 3 Andelar i koncernföretag

	2021-12-31	2020-12-31
Ingående anskaffningsvärden	5	5
Utgående ackumulerade anskaffningsvärden	**5**	**5**
Utgående redovisat värde	**5**	**5**

Koncernföretag	Org.nr	Säte	Andel %	Antal
Blakliden Fäbodberget Wind AB	559148-3390	Solna	100	50 000

Eget kapital	Årets resultat	Bokfört värde
-11027	-2165	4807

Not 4 Långfristiga skulder

Not 5 Upplupna kostnader och förutbetalda intäkter

	2021-12-31	2020-12-31
Upplupna revisionskostnader	4	3
	4	**3**

Not 6 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter räkenskapsårets slut.

Confidentiality: C2 - Internal

Not 7 Koncernuppgifter

Bolaget ägs till 30% av Vattenfall Vindkraft AB, orgnr 556731-0866, med säte i Solna. 30% ägs av AIP BlaFa Equity K/S med säte i Hellerup i Danmark. 40% ägs av Wind Power Invest A/S med säte i Aarhus N i Danmark. Med hänvisning till Årsredovisningslagen 7 kap 2 § ingår bolaget i Wind Power Invest A/S Koncernredovisning.

Företaget upprättar enligt 7 kap 31 a§ ÅRL inte någon lagstadgad hållbarhetsrapport.

Solna. Årsredovisningen är påskriven den dag som framgår av vår elektroniska underskrift.

Mattias Persson
Verkställande direktör

William Wason
Styrelseordförande

Thomas Gunner Arendt
Ledamot

David Jensen
Ledamot

Alper Elmas
Ledamot

Domenico Tripodi
Ledamot

Thomas Brøndum Mortensen
Ledamot

Revisionsberättelsen har lämnats den dag som framgår av vår elektroniska underskrift.
PricewaterhouseCoopers AB

Aleksander Lyckow
Auktoriserad revisor

Confidentiality: C2 - Internal

20220610224B2

The following documents were signed Sunday, May 22, 2022

ÅR 3381 2021 slutlig.pdf
(419155 byte)
SHA-512: 8d6faa831a639723baf4a69aa8b7b4ac5a745
cfb2b52ffa9995cbbf132de6c30fd7c28671a2bbb5668a
3c77e1cde7b38cf3231f8c9d979392d1e2631d12a5ed9

Signatures

5/19/2022 4:51:23 PM (CET)

Mattias Persson
mattias.persson2@vattenfall.com
+46704532250
Signed with electronic ID (BankID)

5/19/2022 4:37:58 PM (CET)

William Wason
will.wason@vattenfall.com
+447824515660
Signed with SMS

5/22/2022 10:37:28 AM (CET)

Thomas Gunnar Arendt
thgua@vestas.com
+4540122475
Signed with SMS

5/20/2022 1:00:44 PM (CET)

Thomas Brøndum Mortensen
tbmor@vestas.com
+4526692589
Signed with SMS

5/20/2022 10:23:59 AM (CET)

David Jensen
dj@aipmanagement.dk
+4531639759
Signed with SMS

5/20/2022 5:00:48 PM (CET)

Alper Elmas
alper.elmas@vattenfall.com
+46707543605
Signed with electronic ID (BankID)

5/20/2022 12:49:22 PM (CET)

Domenico Tripodi
dt@aipmanagement.dk
+4553735525
Signed with SMS

Assembly: 4f475d461e556f0d540ff97e8fdae68248764609e6d7f399f2e720bea5285f4154dff0651e50d120c21b52924e2edc6ce70be6e4050df6922e155dcedf687da522

assently

Signature is certified by Assently

ÅR 3381 2021 slutlig

Verify the integrity of this receipt by scanning the QR-code to the left.
You can also do this by visiting https://app.assently.com/case/verify
SHA-512:
3c8642ffeded51cb395f0ac22a4bd9ab4ca00797c274e3e0e6277f5403d39de81d2836cf3f91a3f25bbdcfc612711d701a48d25067c7d27933bda9f5cf10d59ed

About this receipt

This document has been electronically signed using Assently E-Sign in accordance with eIDAS, Regulation (EU) No 910/2014 of the European Parliament and of the Council. An electronic signature shall not be denied legal effect and admissibility as evidence in legal proceedings solely on the grounds that it is in an electronic form or that it does not meet the requirements for qualified electronic signatures. A qualified electronic signature shall have the equivalent legal effect of a handwritten signature. Assently E-Sign is provided by Assently AB, company registration number 556828-8442. Assently AB's Information Security Management System is certified according to ISO/IEC 27001:2013.

Assently: 4f475d461e559f0d549ff97e81ee682407f609e6d7399f2a220bea6289f4154dff0051af0dd130e21b62024e2ef6ec7f0e6e4059df5ff22e165dee697dea28

20220610224B3

The following documents were signed Monday, May 23, 2022

ÅR 3381 2021 slutlig - receipt.pdf
(1030836 byte)
SHA-512: 30cc54754df4e4bf75234dcfa076bdd80f7f7
dd63e42dc91c0a865df2ebc4aca8151ffa9a728a877bca
b8a45b343850f235261c83dd424715d36f691196b2013

Signatures

5/23/2022 2:31:16 PM (CET)

Aleksander Lyckow

aleksander.lyckow@pwc.com
+46709293723
Signed with electronic ID (BankID)

assently

Signature is certified by Assently

AR 3381 2021 slutlig receipt

Verify the integrity of this receipt by scanning the QR-code to the left.
You can also do this by visiting https://app.assently.com/case/verify
SHA-512:
4f475d461a556f0d540ff97e8fdac382497f609a6d7f399f2a720bee5289f4154dff0651e50d138e21b52924e2edc6cc70be6c4059df6822e155deed687daa22

About this receipt

This document has been electronically signed using Assently E-Sign in accordance with eIDAS, Regulation (EU) No 910/2014 of the European Parliament and of the Council. An electronic signature shall not be denied legal effect and admissibility as evidence in legal proceedings solely on the grounds that it is in an electronic form or that it does not meet the requirements for qualified electronic signatures. A qualified electronic signature shall have the equivalent legal effect of a handwritten signature. Assently E-Sign is provided by Assently AB, company registration number 556828-8442. Assently AB's Information Security Management System is certified according to ISO/IEC 27001:2013.

20220610224 84

pwc

Revisorns yttrande över granskning av kontrollbalansräkning enligt 25 kap. 13 § aktiebolagslagen

Till styrelsen i Blakliden Fäbodberget Holding AB, org.nr 559148–3408

Vi har granskat styrelsens kontrollbalansräkning per 2022-02-10.

Styrelsens ansvar för kontrollbalansräkningen

Det är styrelsen som har ansvaret för att upprätta en kontrollbalansräkning som uppfyller kraven i 25 kap. 14 § aktiebolagslagen och för den interna kontroll som styrelsen bedömer är nödvändig för att upprätta en kontrollbalansräkning som inte innehåller väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Revisorns ansvar

Vårt ansvar är att granska kontrollbalansräkningen så att vi kan lämna ett skriftligt yttrande över om kontrollbalansräkningen uppfyller aktiebolagslagens krav. Vi har utfört granskningen i enlighet med RevR 1 *Granskning av kontrollbalansräkning*. Denna rekommendation kräver att vi följer yrkesetiska krav samt planerar och utför granskningen för att i yttrandet med begränsad säkerhet kunna uttala oss om kontrollbalansräkningen uppfyller aktiebolagslagens krav.

Granskningen innefattar att genom olika åtgärder inhämta bevis om belopp och annan information i kontrollbalansräkningen. Revisorn väljer vilka åtgärder som ska utföras, bland annat genom att bedöma risken för väsentliga felaktigheter i kontrollbalansräkningen, vare sig dessa beror på oegentligheter eller misstag. Vid denna riskbedömning beaktar revisorn de delar av den interna kontrollen som är relevanta för hur styrelsen upprättar kontrollbalansräkningen i syfte att utforma granskningsåtgärder som är ändamålsenliga med hänsyn till omständigheterna, men inte i syfte att göra ett uttalande om effektiviteten i bolagets interna kontroll. Granskningen har i huvudsak begränsats till analytisk granskning av kontrollbalansräkningen och underlag till denna samt förfrågningar hos bolagets personal. Vårt bestyrkande grundar sig därmed på en begränsad säkerhet jämfört med en revision. Vi anser att de bevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för vårt uttalande.

Uttalande

Grundat på vår granskning har det inte framkommit något som tyder på att kontrollbalansräkningen inte uppfyller aktiebolagslagens krav.

Övriga upplysningar

Detta yttrande är endast avsett som underlag till styrelsens beslut huruvida det finns skäl att kalla till första kontrollstämma enligt 25 kap. 15 § aktiebolagslagen och är inte avsett att användas för något annat ändamål.

Stockholm den dag som framgår av vår elektroniska signatur

PricewaterhouseCoopers AB

Aleksander Lyckow
Auktoriserad revisor

✔ Signerat 2022-05-23 12:31:55 UTC

20220610224855

Deltagare

PRICEWATERHOUSECOOPERS AB Sverige

Signerat med Svenskt BankID	*2022-05-23 12:31:55 UTC*
Namn returnerat från Svenskt BankID: ALEKSANDER LYCKOW	Datum

Aleksander Lyckow

Auktoriserad revisor

Leveranskanal: E-post

Granskare

Felix Andersson Persson

Revisor

Leveranskanal: E-post

20220610224866

Revisionsberättelse

Till bolagsstämman i Blakliden Fäbodberget Holding AB, org.nr 559148-3408

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Blakliden Fäbodberget Holding AB för år 2021.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Blakliden Fäbodberget Holding ABs finansiella ställning per den 31 december 2021 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Blakliden Fäbodberget Holding AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Blakliden Fäbodberget Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Övrig upplysning

Revisionen av årsredovisningen för räkenskapsåret 2020 har utförts av en annan revisor som lämnat en revisionsberättelse daterad 08 juni 2021 med omodifierade uttalanden i Rapport om årsredovisningen.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på RevisorsInspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

✔ Signerat 2022-05-23 12:32:30 UTC Oneflow ID 3093055 Sida 1 / 3

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Blakliden Fäbodberget Holding AB för år 2021 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman behandlar förlusten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Blakliden Fäbodberget Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den dag som framgår av vår elektroniska signatur

PricewaterhouseCoopers AB

Aleksander Lyckow
Auktoriserad revisor

✔ Signerat 2022-05-23 12:32:30 UTC Oneflow ID 3093055 Sida 2 / 3

20220610224487

Deltagare

PRICEWATERHOUSECOOPERS AB Sverige

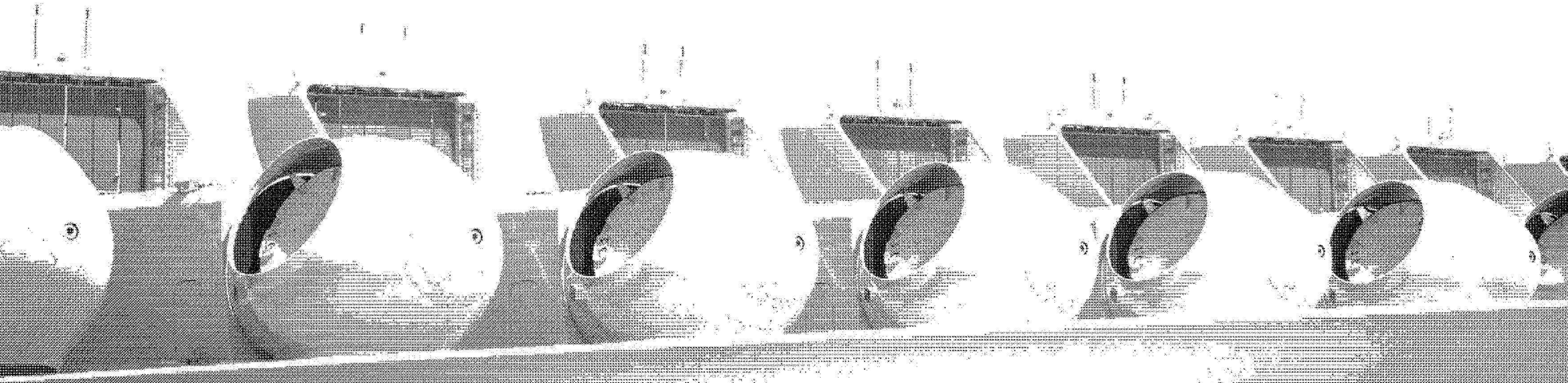
Signerat med Svenskt BankID	*2022-05-23 12:32:30 UTC*
Namn returnerat från Svenskt BankID: ALEKSANDER LYCKOW	Datum

Aleksander Lyckow

Auktoriserad revisor

Leveranskanal: E-post

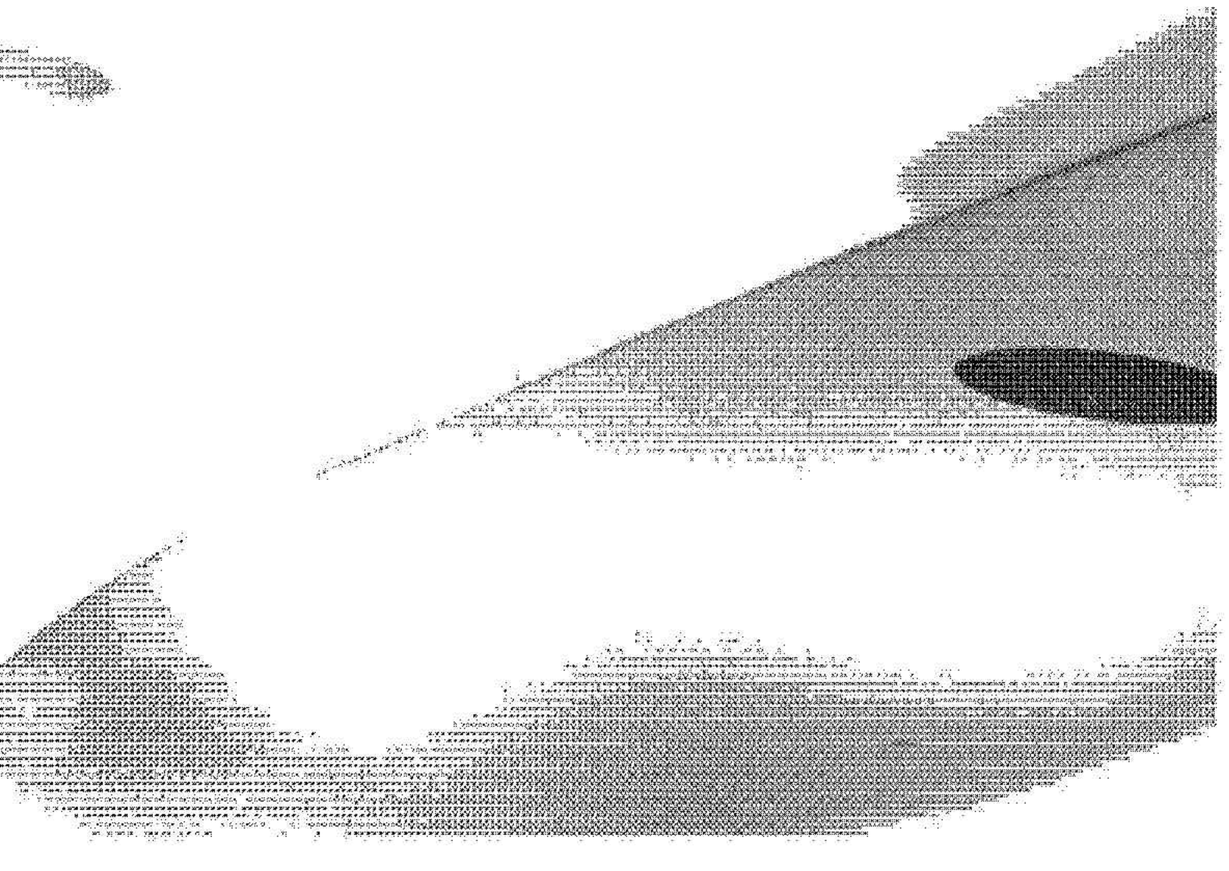
Annual Report 2021



Wind. It means the world to us.

Vestas

Contents



In brief 3
Key achievements 4
Letter from the Chairman & CEO 5
Key figures 8
Outlook 10

Strategy and ambitions 11
Who we are 12
Our business model 13
Our corporate strategy 14
In focus: Industry perspective 21
Capital structure strategy 22

The year in Vestas 23
Performance in 2021 24
Modularisation 27
Scaling the business 29
Development in Service 31
Circular economy 34
Sustainability targets 35
In focus: Zero-waste turbines 36
Sustainable investments 38

Our people 39
One Vestas 40

Governance 43
Risk management 44
Corporate governance 47
A sustainable investment 62

Financial statements 65
Consolidated financial statements, financial performance, and notes 66
Parent company financial statements and notes 121

Statements 130
Management's statement 131
The Independent Auditor's Reports 132
Independent limited assurance report on the Sustainability key figures 135

Additional information 136
Quarterly key figures 137
Deliveries 139
Glossary 140
TCFD reporting 141
Notes to Sustainability key figures 142
Disclaimer 144

In brief

→ Key achievements
→ Letter from the Chairman & CEO
→ Key figures
→ Outlook

63°43N
10°15E

Project Fosen Vind, Norway – 1 GW
Despite heavy snowfall and the COVID-19 pandemic, our team still managed to install the last blade on schedule. But apparently they spent more time shovelling snow than installing the 277 turbine towers!

Resilience and determination in challenging market conditions

2021 was once again a year characterised by supply chain disruptions, causing severe cost inflation and lack of capacity. However, despite the adverse underlying conditions, Vestas ensured to deliver on our commitments to our customers and to push the energy transition forward. Achieving record-high revenue and a positive free cash flow of EUR 183m thereby is a true testament to what can be achieved when more than 29,000 employees pull together as one force with shared dedication and ambition.

Within our Service business, we once again managed to deliver strong performance with a 21 percent increase in revenue and an EBIT margin of 24 percent.

Our focus on protecting the value of our products and solutions has remained throughout the year and required strong discipline to address the increased cost of raw materials and components in customer dialogues, which have prolonged negotiations with customers somewhat and required Vestas to provide alternative solutions to provide value. As a result, order intake amounted to 13.9 GW across both Onshore and Offshore in 2021 with an average selling price that increased to EUR 0.83m per MW for 2021.

Revenue

bnEUR



In a very challenging environment, Vestas achieved a record-high revenue of EUR 15.6bn, which is a testament to Vestas' shared dedication, determination, and resilience.

EBIT margin

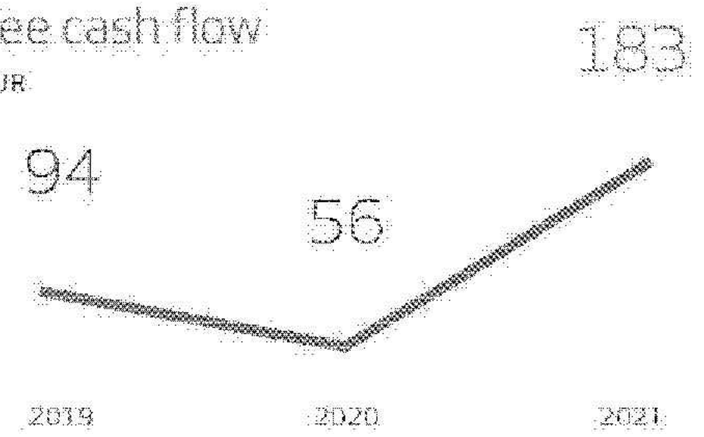
before special items

3.0%

The underlying conditions severely impacted both profitability and visibility. Therefore, with installation delays and increased warranty provisions, the year resulted in an EBIT margin of 3.0 percent, compared to an outlook of around 4.0 percent.

Free cash flow

mEUR



In 2021, free cash flow before acquisitions of subsidiaries and financial investments increased, amounting to EUR 183m. The continued positive free cash flow underlines Vestas' strong focus on financial strength, while emphasising positive operational progress.

Safety

Total Recordable Injury Rate

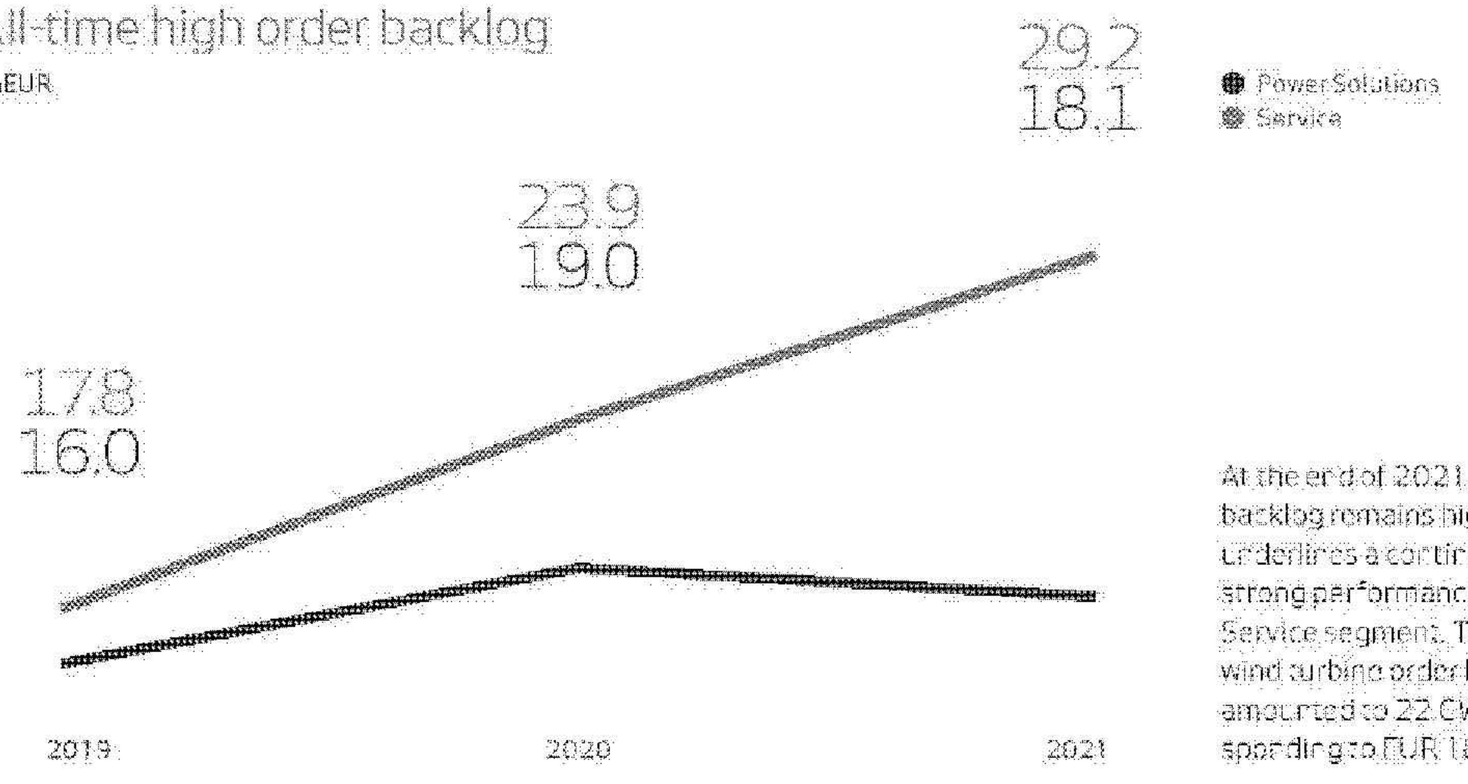
A ↓21% reduction since 2019 to:

3.1 TRIR

In Vestas, safety always comes first, and keeping our employees safe during a pandemic has been a key priority. Over the last two years, the Total Recordable Injury Rate has declined by 21 percent.

All-time high order backlog

bnEUR



At the end of 2021, the backlog remains high and underlines a continued strong performance in Vestas' Service segment. The total wind turbine order backlog amounted to 22 GW, corresponding to EUR 18.1bn.



Letter from the Chairman & CEO

Welcome to the decade of the energy transition

Dear partner

In our 2020 Annual Report, we announced that despite COVID-19 we believed we were on the brink of a new sustainable era. One year later, as we reflect on the past 12 months, we are delighted to say that our belief is even stronger today, despite the fact that 2021 did its best to challenge our determination and resilience. In 2021, we were challenged by COVID-19's re-emergence, which impacted health and wellbeing the world over, and drove up the costs of logistics and raw materials. We also experienced a vicious attack by cyber criminals on our IT infrastructure. Despite these challenges, 2021 was another year of achievement for Vestas and the renewables industry. Our strengthened competitiveness, our resilience and our technological improvements, combined with an ever-growing acknowledgement among populations and politicians that we must act on the climate crisis, made 2021 the energy transition's point of no return. We want to thank all our partners, customers, colleagues, and other stakeholders for their support in helping to drive progress for Vestas and the global energy transition.

In 2021, we underlined our market-leading position on revenue and profitability, achieved an installed base of 151 GW, and drove the energy transition forward by displacing 210 million tonnes of CO_2.

2021 was characterised by strong strategic progress that was hampered by operational challenges partly caused by internal factors, which negatively impacted profitability.

During the year, our more than 29,000 Vestas colleagues showed tremendous spirit and resilience, which will remain pivotal as we continue to operate in a challenging environment in 2022. However, in spite of our employees' great efforts, the support of our partners and customers, and the strategic progress we made, 2021 did not provide satisfactory results from a Vestas perspective. The outlook for Vestas and renewables certainly improved, but if we are to move forward profitably and benefit fully from future growth, we must further enhance our value creation and continue to mature our organisation and operations.

The momentum for climate action continues to grow

In 2021, the need to urgently address the climate crisis was once again underscored by extreme weather events across the globe. Floods, wildfires, extreme cold, and hurricanes dominated the media picture for prolonged periods, making the impact on people and local communities more tangible. Together with the continued maturation and competitiveness of renewables, the momentum for climate action grew, as showcased in numerous national elections in which climate and renewable energy were often the prevailing issues.

The growing momentum culminated as the world's largest economies – and polluters – committed to net zero targets, with COP 26 focused on the phasing out of coal, and the level of capital available to fund renewable energy projects continuing to increase. Unfortunately, 2021 also showed why our reliance on fossil fuels is not only harmful to the planet, but to our daily lives as well. During the year, we witnessed the emergence of an energy crisis caused by geopolitics and fossil fuel volatility. In some parts of the world, this resulted in dramatic increases in energy prices for both consumers and companies. But we are yet to see politicians and markets address the root cause of the crisis – for example, by speeding up the energy transition, accelerating permitting, and creating an energy market based on renewables. As such, the momentum we saw in 2021 is positive, but we need to translate it into action. 2021 visibly highlighted the need for urgency, but to succeed in protecting our planet, we need to shift away from long-term goals and make renewable energy projects possible here and now. The technology, capital, and demand are all there, but policy frameworks and permitting continue to stand in the way.

Leading from the front under difficult circumstances

For Vestas, 2021 was characterised by strong strategic progress that was hampered by operational challenges partly caused by internal factors, which negatively impacted profitability. We therefore made strides to strengthen Vestas' foundation and customer focus. We did this through the integration of offshore activities, the ramp-up of Vestas Development, and the establishment of one global organisational blueprint and operating model across our five Regions and Group functions. With a clear goal to be One Vestas, Onshore, Offshore and Service now operate on equal terms across Vestas, strengthening our customer focus by making it easy for partners and customers to engage with Vestas – from project development to operations and maintenance – through a single point of contact.

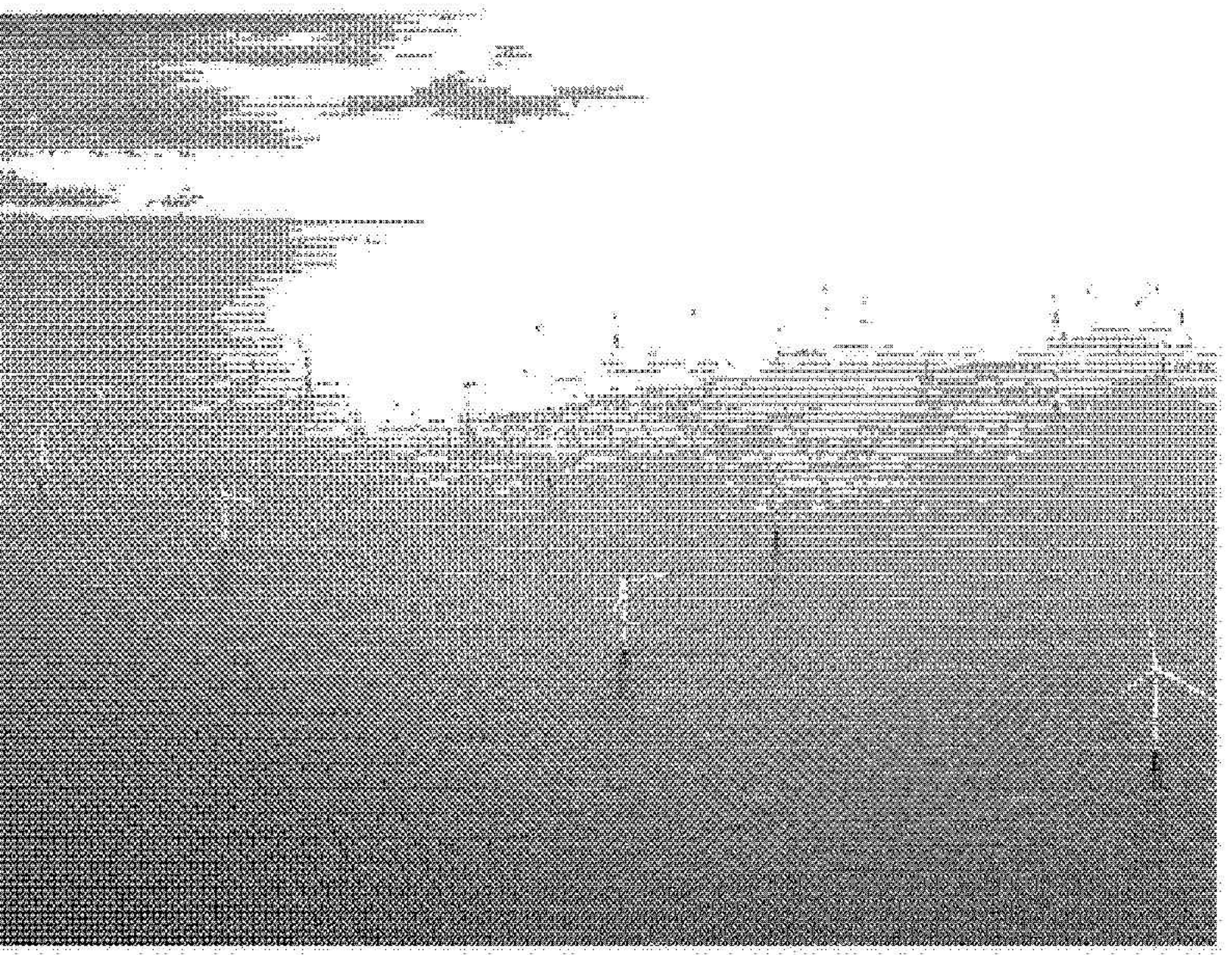
In terms of key figures, we achieved an industry-leading revenue and EBIT margin before special items of EUR 15.6bn and 3.0 percent respectively, and a positive cash flow of EUR 183m. We secured preferred supplier agreements for the V236 in both Europe and the USA and led the industry with an onshore wind turbine order intake of 13.9 GW. With an average selling price of EUR 0.81m/MW for onshore wind, we also managed to increase pricing and showed the discipline needed to improve long-term value creation.

True to our purpose and heritage, Vestas continued to lead the industry on sustainability. Although we have supported our partners with avoiding more than 1.7 billion tonnes of CO_2 emissions over the past four decades, Vestas is dedicated to taking our sustainability commitments even further. In January 2022, we were recognised as the world's most sustainable company, a testament to the progress of our sustainability strategy. This positioning is crucial to strengthen our ongoing leadership journey. We see many indications that sustainability performance is growing into a key differentiator in the global market space as well as a key aspect of the industry's license to operate, and therefore critical to our leadership position in the future energy system.

Bert Nordberg
Chairman of the Board of Directors

Henrik Andersen
Group President & CEO





In 2021, we successfully implemented a robust circularity roadmap to accelerate our progress towards achieving zero-waste turbines. We have also engaged more than 50 of our strategic suppliers to expand their own sustainability commitments, in an effort to elevate sustainability as a key priority for the industry, and throughout our supply chain. This directly supports our progress towards building a more sustainable future, for generations to come.

To accelerate the energy transition and serve our customers better, in 2021 we ramped up our project development business. Vestas Development seeks to play a leading role in progressing the deployment of renewable energy. And with a 20 GW pipeline, a 25 percent ownership of Copenhagen Infrastructure Partners, and multiple successful divestments, over the course of the year Vestas Development made great progress.

Another key aspect to accelerating the energy transition is for wind and renewable energy technology to continue to progress and mature. Following our re-entrance into offshore, we introduced market-leading technology in both offshore and onshore wind, with the introduction of the V236-15.0 MW™ turbine and the continued evolution of turbine modularity. Across offshore, onshore, and new areas such as Power-to-X, modularity remains vital to achieve the scalability, reliability and profitability needed for renewables to prosper in the long term. We will also continue our relentless focus on ensuring the industry-leading quality our customers expect from us.

For renewable technology to progress and provide the energy solutions for today and tomorrow, the industry must become more profitable. In 2021, the impact of COVID-19, in particular the increasing costs of raw materials and logistics, dented profitability across the industry. But these factors also led to increased pricing for wind energy, better reflecting its overall value. Increased pricing did lead to lengthier negotiation times and delays in orders, but it remains pivotal to ensure long-term profitability, which requires our products, services, and solutions to be fairly and accurately priced – both in terms of rising costs and the value they create.

In 2021, two of our most prominent figures of the last ten years, CFO Marika Fredriksson and CSO Juan Araluce, announced their intention to pass on the baton. Both Marika and Juan played a key role in Vestas' successful turnaround almost a decade ago, and have been instrumental in our sustained industry leadership and growth. They have helped mature and scale both Vestas and the industry to a level where we can now realistically meet the needs of the energy transition. The fact that we have two strong internal candidates, Hans Martin Smith and Javier Rodriguez Diez, taking over from Marika and Juan, underlines the progress we have made in succession planning. On behalf of everyone at Vestas, we want to thank Marika and Juan for their great contributions and congratulate Hans and Javier on their new roles.

Lastly, 2021 once again showed the close collaboration between our Executive Management team and the Board, which helped Vestas to work as one team as we updated and executed our strategy. This collaboration also meant we remained closely aligned on operational challenges linked to COVID-19, raw materials and logistics, and quality. To this end, the Board and Executive Management team continue to engage through a well-established process, consisting of a yearly strategy seminar, regular board meetings and frequent operational follow-ups.

Achieving a successful energy transition

As we embark on 2022 and look to 2025 and beyond, we remain focused on executing our strategy, which seeks to accelerate the deployment of renewable energy, drive society-wide electrification, and implement solutions for non-electrifiable use. Key to achieving our strategy is leveraging our updated operating model to become even more customer focused, and driving profitability to a sustainable level. The industry has made tremendous technological progress, which is key for a successful energy transition. But technology won't do it alone and we must build the discipline that is a prerequisite to ensure viable returns.

The energy transition is the greatest industrial revolution the world has ever witnessed, and wind energy companies can't drive this revolution alone. At Vestas, we need to ensure our products and solutions are of sufficiently high quality and reliability to enable wind energy to be the backbone of the world's energy systems. To achieve this, however, the renewable value chain must mature and scale significantly. Whether standardising parts, collaborating on localisation, improving quality, or ensuring more even value distribution, the entire renewables value chain must mature if we want to create a net zero future. As an industry, the need to address rising costs and increasing energy prices in a sustainable manner shows why strengthening our foundation, and implementing well-known and successful practices from other industries, remains a key focus for Vestas.

There is no doubt that the world is on the brink of a sustainable era, and with the progress we have seen in 2021, it is safe to bid welcome to 'the decade of the energy transition'. The 2020s will be key to the long-term wellbeing of our planet, and everyone at Vestas, together with our partners and customers, will continue to lead the way. We therefore want to say a sincere thank you to our partners, customers, colleagues and all other stakeholders who supported Vestas in 2021 and helped to drive the energy transition forward.

Thank you.

Financial and operational key figures

Financial highlights

mEUR	2021	2020	2019	2018	2017
Income statement					
Revenue	15,587	14,819	12,147	10,134	9,953
Gross profit	1,560	1,538	1,761	1,631	1,963
Operating profit before amortisation, depreciation and impairment losses (EBITDA) before special items	1,382	1,391	1,550	1,394	1,651
Operating profit (EBIT) before special items	461	750	1,004	959	1,230
Operating profit before amortisation, depreciation and impairment losses (EBITDA)	1,311	1,382	1,550	1,379	1,651
Operating profit (EBIT)	322	698	1,004	921	1,230
Net operating profit after tax (NOPAT)	316	619	773	719	923
Net financial items	(101)	(95)	(98)	(51)	2
Profit before tax	257	934	909	910	1,192
Profit for the year	176	771	700	683	894
Balance sheet					
Balance sheet total	19,712	18,160	14,331	11,899	10,871
Equity	4,761	4,703	3,345	3,104	3,112
Investments in property, plant and equipment	476	379	451	312	268
Net working capital	(1,049)	(1,127)	(1,583)	(2,040)	(1,984)
Capital employed	6,197	6,057	4,165	3,602	3,609
Interest-bearing position (net), at the end of the period	1,200	1,920	2,452	3,046	3,359
Interest-bearing debt, at the end of the period	1,436	1,354	820	498	497
Cash flow statement					
Cash flow from operating activities	996	743	823	1,021	1,625
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(813)	(687)[1]	(729)	(603)	(407)
Free cash flow before acquisitions of subsidiaries and financial investments	183	56[1]	94	418	1,218
Free cash flow	57	476	332	(69)	1,218

1 Comparative fig. figures have been restated to reflect change in classification of investments. Comparative fig. figures from 2017 to 2019 have not been restated.

Financial ratios[2]	2021	2020	2019	2018	2017
Gross margin (%)	10.0	10.4	14.5	16.1	19.7
EBITDA margin (%) before special items	8.9	9.4	12.8	13.8	16.6
EBIT margin (%) before special items	3.0	5.1	8.3	9.5	12.4
EBITDA margin (%)	8.4	9.3	12.8	13.6	16.6
EBIT margin (%)	2.1	4.7	8.3	9.1	12.4
Return on capital employed (ROCE) (%)	5.2	13.5	19.7	20.4	25.1
Net interest-bearing debt/EBITDA before special items	(0.9)	(1.4)	(1.6)	(2.2)	(2.0)
Solvency ratio (%)	24.2	25.9	23.3	26.1	28.6
Return on equity (%)	3.8	21.4	22.1	22.6	28.1
Share ratios[3]					
Earnings per share (EUR)	0.2	0.8	3.6	3.4	4.2
Book value per share (EUR)	4.7	4.7	16.8	15.1	14.4
P/E ratio	162.1	49.6	25.4	19.3	13.6
Dividend per share (EUR)	0.05[4]	0.23	1.06	1.00	1.24
Payout ratio (%)	30.0[4]	30.0	30.0	30.0	29.9
Share price at the end of the period (EUR)	26.9	38.7	90.1	65.9	57.6
Number of shares at the end of the period	1,009,867,260	1,009,867,260	198,901,963	205,696,003	215,496,947

Operational key figures

Order intake (bnEUR)	11.6	12.7	13.8	10.6	8.9
Order intake (MW)	13,896	17,249	17,877	14,214	11,176
Order backlog – wind turbines (bnEUR)	18.1	19.0	16.0	11.9	8.8
Order backlog – wind turbines (MW)	21,984	24,630	20,974	15,646	11,492
Order backlog – service (bnEUR)	29.2	23.9	17.8	14.3	12.1
Produced and shipped wind turbines (MW)	17,845	17,055	12,618	10,876	11,237
Produced and shipped wind turbines (number)	4,456	5,239	4,185	3,729	4,241
Deliveries (MW)	16,594	17,212	12,884	10,847	8,779

2 The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios).
3 As of 28 April 2021, a share split at a ratio of 1:5 of the Vestas share was carried out. Comparative figures for 2020 have been restated. Comparative figures from 2017 to 2019 have not been restated.
4 Based on proposed dividend.

Sustainability key figures[1]

Environmental	2021	2020	2019	2018	2017
Utilisation of resources					
Consumption of energy (GWh)	738	621	638	614	569
– of which renewable energy (GWh)	283	295	258	211	204
– of which renewable electricity (GWh)	233	261	227	178	175
Renewable energy (%)	38	48	40	34	36
Renewable electricity for own activities (%)	100	100	82	68	66
Withdrawal of fresh water (1,000 m^3)	378	421	473	470	454
Waste					
Volume of waste from own operations (1,000 t)	70	89	86	81	71
– of which collected for recycling (1,000 t)	35	46	43	42	39
Recyclability rate of hub and blade[2] (%)	42	41	42	–	–
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	2.0	2.5	3.3	3.6	2.9
CO_2 emissions adjusted for acquisitions and divestments[3]					
Direct emissions of CO_2e (scope 1) (1,000 t)	99	83	66	69	60
Indirect emissions of CO_2e (scope 2) (1,000 t)	3	14	48	61	70
Indirect emissions of CO_2e from the supply chain (scope 3)[2] (million t)	10.56	10.59	7.83	–	–
Indirect emissions of CO_2e from the supply chain (scope 3)[2] (kg per MWh generated)	6.65	6.63	6.82	–	–
Products					
Expected CO_2e avoided over the lifetime of the capacity produced and shipped during the period (million t)	532	493	322	275	317
Annual CO_2e avoided by the total aggregated installed fleet (million t)	210	186	154	134	120

Social	2021	2020	2019	2018	2017
Safety					
Total Recordable Injuries (number)	201	185	213	210	243
– of which Lost Time Injuries (number)	67	65	67	80	92
– of which fatal injuries (number)	0	0	1	0	1
Total Recordable Injuries per million working hours (TRIR)	3.1	3.3	3.9	4.0	5.3
Lost Time Injuries per million working hours (LTIR)	1.0	1.2	1.2	1.5	2.0
Employees					
Average number of employees (FTEs)	29,164	26,121	24,964	24,221	22,504
Employees at the end of the period (FTEs)	29,427	29,378	25,542	24,648	23,303
Diversity and inclusion					
Women in the Board and Executive Management at the end of the period (%)	27	27	23	15	23
Women in leadership positions at the end of the period (%)	21	19	19	19	19
Human rights					
Community grievances[2] (number)	17	20	10	–	–
Community beneficiaries[2] (number)	8,236	14,770	6,093	–	–
Social Due Diligence on projects in scope[2] (%)	0[4]	78	32	–	–

Governance					
Whistle-blower system					
EthicsLine cases[5] (number)	465	287	226	173	138
– of which substantiated (number)	96	65	58	48	43
– of which unsubstantiated (number)	292	222	168	125	95

1 For definitions and accounting policies for the sustainability key figures, see the Notes on pages 142–143. Comments to the development can be found in the Sustainability Report 2021, with commentary specifically to the sustainability strategy targets and performance on page 35.
2 Data only available from 2019 onwards.
3 In alignment with the GHG protocol standard, data for 2019–2021 has retroactively been adjusted for acquisitions and divestments in 2020 and 2021 in accordance with our policy for baseline adjustments for CO_2 emissions and related indicators. For detailed data please see page 142.
4 Only four projects were in scope (only 5%) for Social Due Diligence (SDD), two in Ukraine and two in Brazil. However, SDD was not conducted due to the ESG strategy still being in the implementation phase in their respective regions. Additionally, Vestas has conducted SDD on projects in scope, but not yet final.
5 As of the Annual Report 2021, the most recent data will reflect a status quo, where the final substantiation rate can only be seen in connection with full year reporting the following year. EthicsLine data for 2017–2020 have been adjusted in connection with this change in methodology. Read more in the Notes to Sustainability key figures, page 143.

Outlook 2022

Outlook for full year 2022[1]

The supply chain instability caused by the pandemic and leading to increasing transportation and logistics costs, is expected to continue to impact the wind power industry throughout 2022. In addition, Vestas expects to experience increased impact from cost inflation within raw materials, wind turbine components and energy prices.

Revenue for full year 2022 is expected to range between EUR 15.0bn and 16.5bn, including Service revenue, which is expected to grow approx. 5 percent. Vestas expects to achieve an EBIT margin before special items of 0-4 percent, with a Service EBIT margin of approx. 25 percent. Total investments[2] 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.

Outlook 2022

Revenue (bnEUR)	15.0-16.5
EBIT margin (%) before special items	0-4
Total investments[2] (mEUR)	approx. 1,000

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 average annual growth in total wind power capacity of 9 percent towards 2030.[3]

At the same time, the wind power industry has seen consolidation, giving way for a more stable competitive environment. The profitability, however, is not at a satisfactory level, and hence this needs to be a focus area for OEMs 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 on par with the Group's overall margin.

Service
The wind power service market is expected to grow at a 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. 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 each year. The ambition is still to achieve a long-term ROCE of minimum 20 percent over the cycle.

1 [illegible]
2 [illegible]
3 [illegible]

Long-term financial ambitions

Revenue	Grow faster than the market and be market leader in revenue
EBIT margin before special items	At least 10 percent by 2025
Free cash flow	Positive each year
ROCE	Minimum 20 percent over the cycle

Strategy and ambitions



→ Who we are
→ Our business model
→ Our corporate strategy
→ In focus: Industry perspective
→ Capital structure strategy

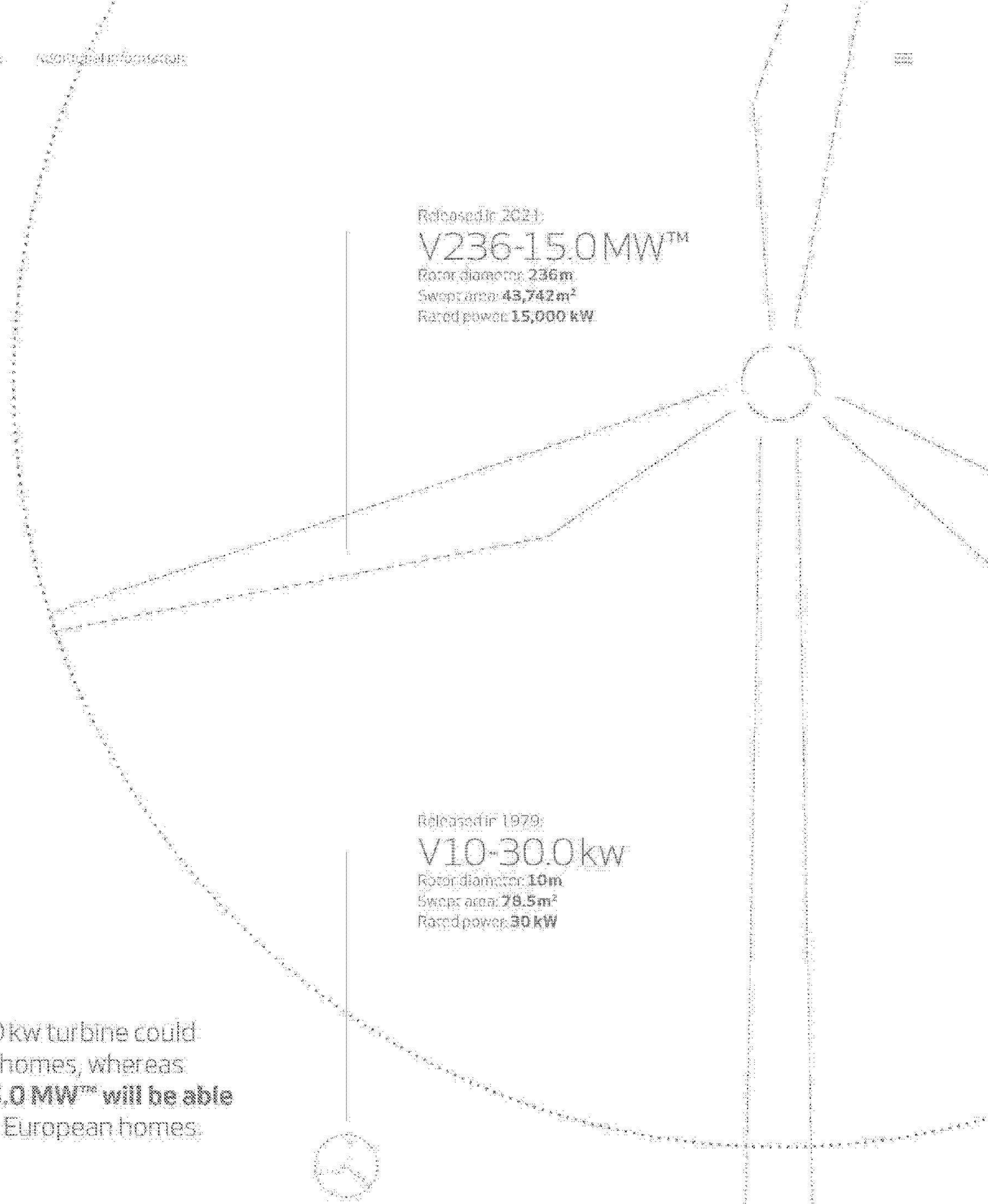
Dedicated to decarbonising energy

At Vestas, we are determined to transform the global energy system. To achieve our vision, we are paving the way for wind energy to play a central role in energy systems across the world. We are also working to accelerate the expansion of renewables by collaborating closely with key stakeholders across the energy landscape. We do this because we believe in building a more sustainable planet for future generations.

We are confident we can succeed with this transformation by leading across our three business areas: Onshore, Offshore, and Service. Over four decades, we have installed more renewable energy, across more countries, than anyone else in the world. In that time, we have prevented almost 1.7bn tonnes of carbon emissions from entering the atmosphere. And our more than 29,000 employees are dedicated to establishing a strong value chain for wind energy, applying our industry-leading expertise across design, manufacturing, development, installation, operations, and not least life cycle management.

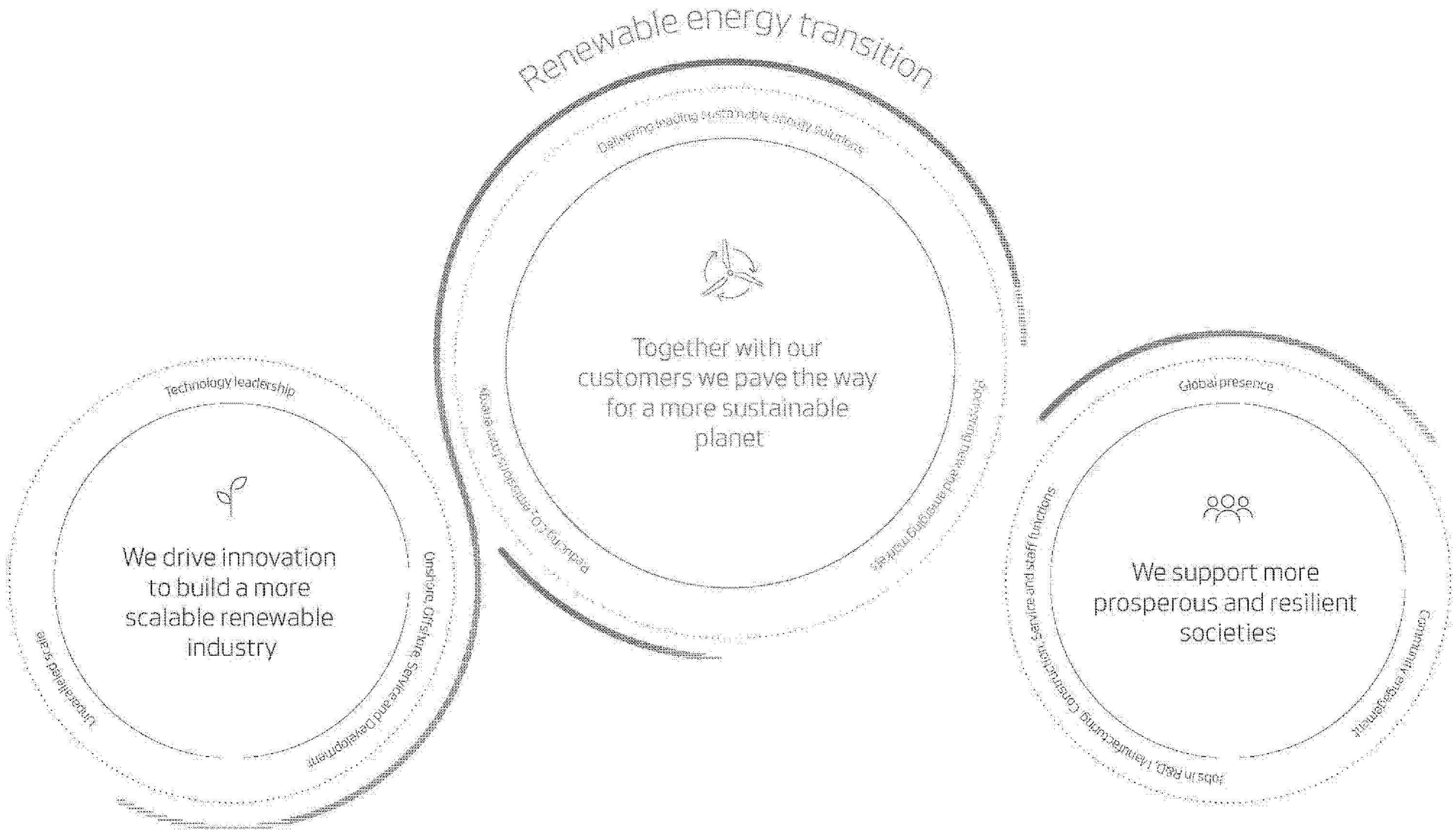
Wind energy is our heritage, and continues to be the core of our business. We also know that a truly sustainable energy system requires capabilities beyond power generation. This is why we are committed to exploring and deploying game-changing innovations, from new approaches to improving our own sustainability performance, to new capabilities around power storage, system flexibility, and electrification. Through these efforts, we aim to lead global energy into a new era, and to accelerate worldwide progress towards net zero.

We are powering the fight against the climate crisis by driving innovation, supporting our partners, and laying a strong foundation for resilience in the communities we work in. These areas are the core of our business model, ensuring that our success as a business is directly tied to building a more sustainable planet.



A single V10-30.0 kw turbine could power around 40 homes, whereas **a single V236-15.0 MW™ will be able to power 20,000** European homes.

How we create value



Accelerating the journey to net zero to create a sustainable world

The first Vestas wind turbine was designed when the magnitude of climate change was generally unknown. Vestas' entrepreneurs and engineers acted on a vision to replace fossil fuels, because they realised we needed alternatives to energy resources that were finite and polluting. Today, more than 40 years on, we have a better understanding of the impact of CO_2 emissions. We know now that the magnitude of climate change observed back then amounts, in fact, to a climate crisis. We also know that this crisis, which is the greatest challenge humanity has ever faced, can only be solved through another major industrial revolution: the global energy transition.

The need to act has never been clearer. When the Intergovernmental Panel on Climate Change (IPCC) released its sixth report in August 2021, UN Secretary-General António Guterres declared "code red for humanity". After decades of inaction, we learned that global temperature levels have already increased by 1.2°C and continue to rise, highlighting the urgency with which we must act if we are to stay within the 1.5°C scenario.[1] This urgency was underscored 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.

> The solutions we deploy must be safe; they must create societies and energy systems that are resilient and reliable.

As COP26 demonstrated, in parallel with increased evidence of the climate crisis, and improvements in sustainable energy solutions, political momentum has grown significantly. In the USA, China, the EU, and Japan, among other dominant economies, climate targets are becoming more ambitious and consequently more challenging to execute and fulfil.

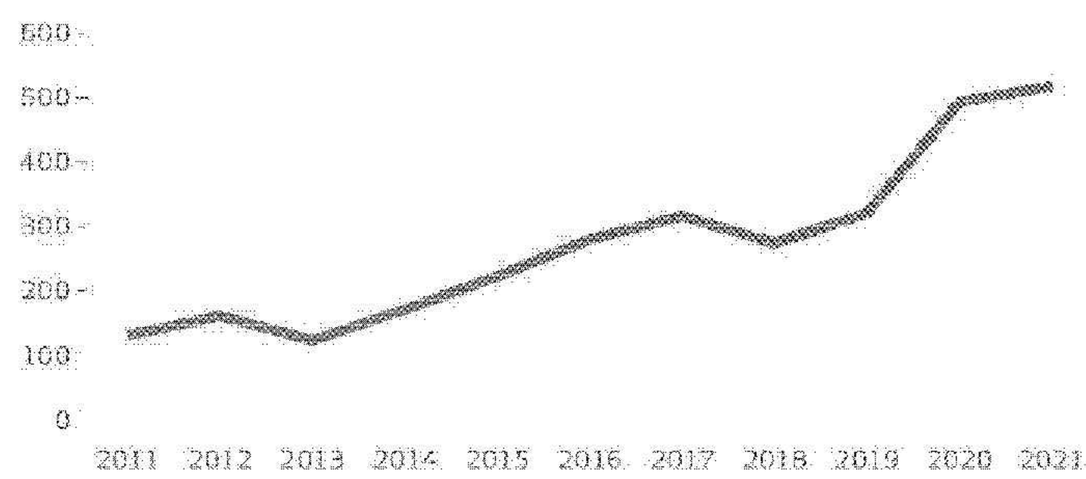
However, according to the International Energy Agency (IEA), these plans are still not accelerating the deployment of renewable energy fast enough.[2] During 2020, the COVID-19 pandemic caused a temporary drop in emissions; but with recovery schemes focused on rebuilding existing structures instead of prioritising sustainable solutions,[3] emissions are now rising again. Indeed, with post-lockdown activity levels increasing, electricity demand has grown faster than new renewable energy capacity has been installed, deepening the world's dependence on gas and coal and creating price and supply volatility.

Maturing the industry to meet net zero

If the energy transition is to succeed, the expansion of renewable energy must become more sustainable. The solutions we deploy must be safe; they must create societies and energy systems that are resilient and reliable. Crucially, they must also create a renewables industry that is profitable and mature.

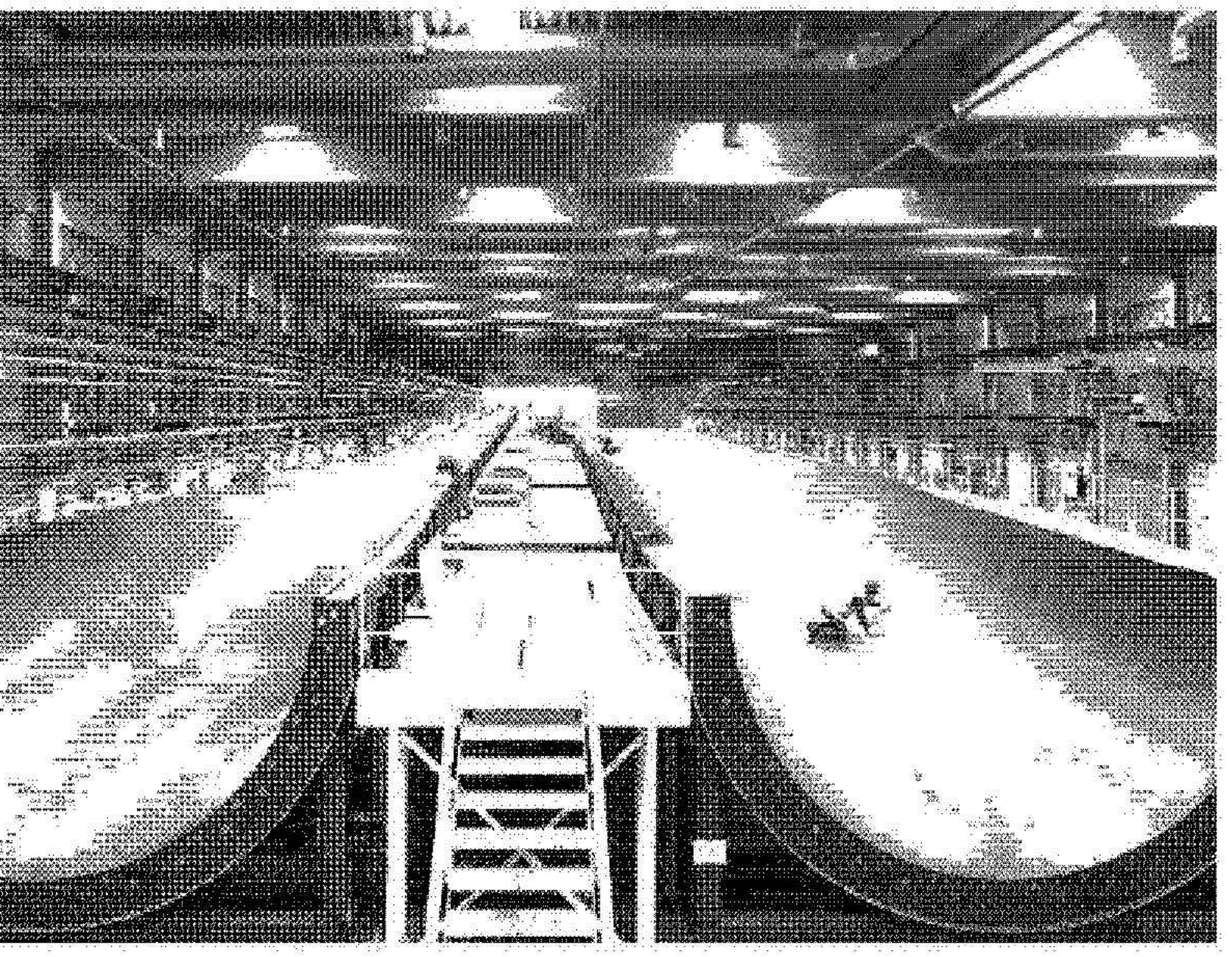
For 40+ years, we have driven the global energy transition. Initially, our efforts were limited in scale; but as wind technology developed and turbines became bigger and better, our reach extended to the whole world. Today, a single turbine can power 20,000 homes at a globally competitive levelised cost of energy. With further technology innovations to come, we remain firmly at the heart of the energy transition and a major driving force in the journey to net zero.

Expected lifetime CO_2e avoided by turbines produced and shipped in the year
Million tonnes



↑
Over the past 10 years, the volume of lifetime carbon emissions avoided by Vestas' annual production of wind turbines has increased by almost 290 per cent.

However, much work remains to be done before we reach a truly sustainable era. Energy is one of the building blocks of modern life, and the efforts required to achieve net zero are therefore monumental. According to the IEA, net zero will require USD 1,300bn of annual global investments in renewables from 2025 to 2030, equalling four times the average investment from 2016 to 2020.[4] Reaching 1,000 GW of wind and solar energy capacity within two decades[5] was a tremendous achievement; but to reach net zero we must accelerate deployment and make our solutions, and our industry, sustainable in every way.



The offshore, thin, V236-15.0MW™, is moving closer to commercialisation. Once the prototype is ready it will be installed at the Østerild National Test Centre. The blade mould has already been installed at the blades factory in Nakskov, Denmark.

The energy transition is more than a technology revolution. It also fuels a fundamental shift in mindset – from mitigating negative impacts to ensuring full sustainability by design. This shift requires us to think and act across our entire value chain, decarbonising our own as well as our suppliers' operations. It also requires us to employ circularity and collaborate with the industry to safeguard our planet's biodiversity, upon which all economic activity depends. Through our sustainability strategy and circularity roadmap, we are living this regenerative mindset, with the aim of becoming sustainable in every possible way.

The value of wind turbines and other renewable technologies is already well established. As renewables become the dominant energy source, they need to make societies more resilient by creating jobs across the value chain, and by ensuring energy is available when needed to avoid price and supply volatility. This requires renewable energy capacity to exceed demand. It also requires a strengthening of supply chains to ensure flexibility and alleviate challenges linked to extreme weather, pandemics, and conflicts.

A key obstacle for accelerating the deployment of renewables is the discrepancy between the available capital for renewable energy projects, and the number of available renewable energy projects. As such, permitting, red tape, and non-technical risks are delaying projects, causing certain projects to take more than ten years to be realised. Not only are these obstacles slowing down the decarbonisation of our energy system, they also pose numerous lost opportunities as investments are delayed.

Finally, the pathway to a sustainable era depends upon our industry being profitable. The renewables industry has achieved impressive operational efficiency and driven tremendous technological progress, creating the primary solutions needed to reach net zero. However, for this journey to continue, the industry must become more profitable with appropriate return measurements on equity and capital being applied for both localisation and new technology. The industry has grown fast, but to scale further it must also mature fast. And for the industry to mature, it must become more industrialised, standardised, and disciplined. Only in this way will it capture the required value to generate sustainable returns and enable further investments. As a leader in sustainable energy solutions, with a vision to become the leader, Vestas is deeply committed to ensuring the renewables industry achieves full maturity.

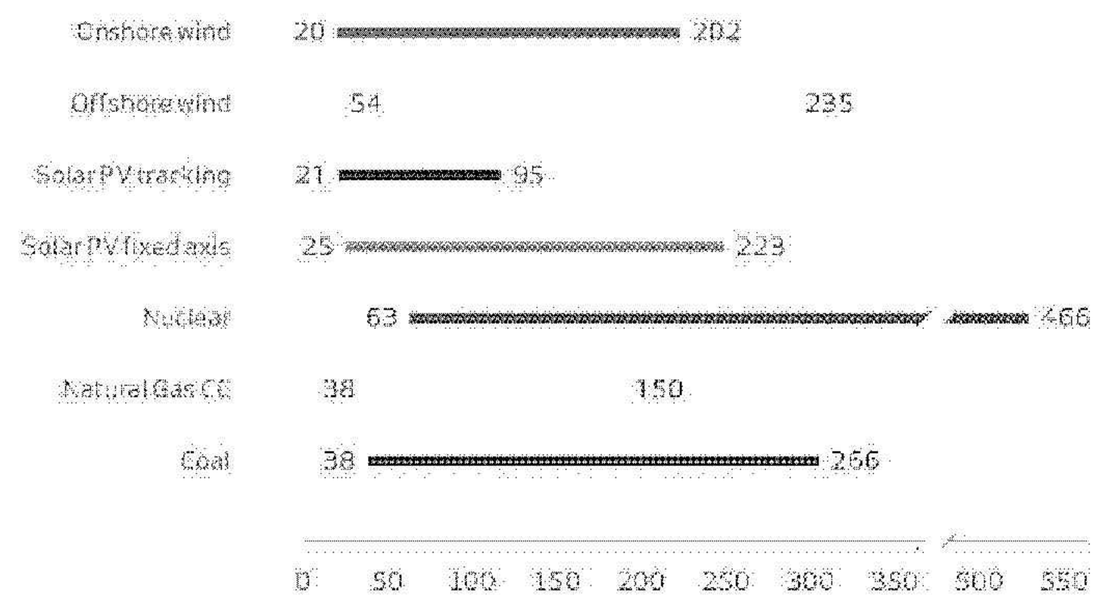
Becoming the global leader in sustainable energy solutions

For more than 40 years, Vestas has delivered solutions to one of the world's biggest challenges. This commitment has taken us from early wind turbine prototypes, harnessing the wind resources of Western Jutland in Denmark, to global wind leadership with a presence in more than 80 countries. During this period, we have made wind energy competitive and paved the way for a sustainable energy system, but there is still a long way to go. In fact, in 2020 wind energy accounted for only 6 percent of global electricity use, equalling 1 percent of global energy use.[6] This means that to reach net zero, among other priorities the world needs to build 5.8 Terawatt (TW) of wind capacity by 2040.[7]

The world's current energy mix is both a major challenge and opportunity for Vestas. With wind energy accounting for only 6 percent of global electricity use today, the growth opportunity within the electricity system alone is tremendous.

According to Bloomberg New Energy Finance, either wind or solar PV is now the cheapest "new-build electricity generator" in almost all major markets, covering two-thirds of world population. How to read the chart: Depending on country and site, the Levelised Cost of Energy of an offshore and onshore wind as energy source ranges between 20-202 and 54-235 USD per MWh, respectively – compared to for instance 38-266 USD per MWh for coal.

Energy source cost comparison
USD/MWh



Solving the climate crisis entails decarbonising the entire energy system. Our aim, therefore, is to expand renewable energy through the following core areas:

- Increase the renewable energy penetration of electricity
  A key element in reaching net zero and creating a sustainable energy mix is replacing fossil fuel power plants to meet present and future electricity demand. As the global leader in wind energy, replacing fossil fuel power plants faster than electricity demand grows is a prerequisite on our journey to reach net zero.
- Drive direct electrification
  Electricity accounts for only a fraction of global energy use today. Electrification of the entire energy system is therefore essential to the global shift away from fossil fuels. Most prominently, and in the short- to medium-term, this will entail replacing fossil fuel use in industry, heat, and transport.
- Develop and implement solutions for indirect electrification
  As evidenced by the rapid rise of electric vehicles for personal transportation, electrification can quickly become a technology lever in mature parts of society. However, other areas of society are unlikely to become electrified anytime soon; there are various reasons for this, including the sheer energy intensiveness of given processes, such as steel and aluminium production. Replacing non-electrifiable processes with e-fuels is therefore the third key lever to expand renewable energy and decarbonise the world.

By focusing our efforts in these areas, we want to lead the energy transition and create a sustainable world for future generations.

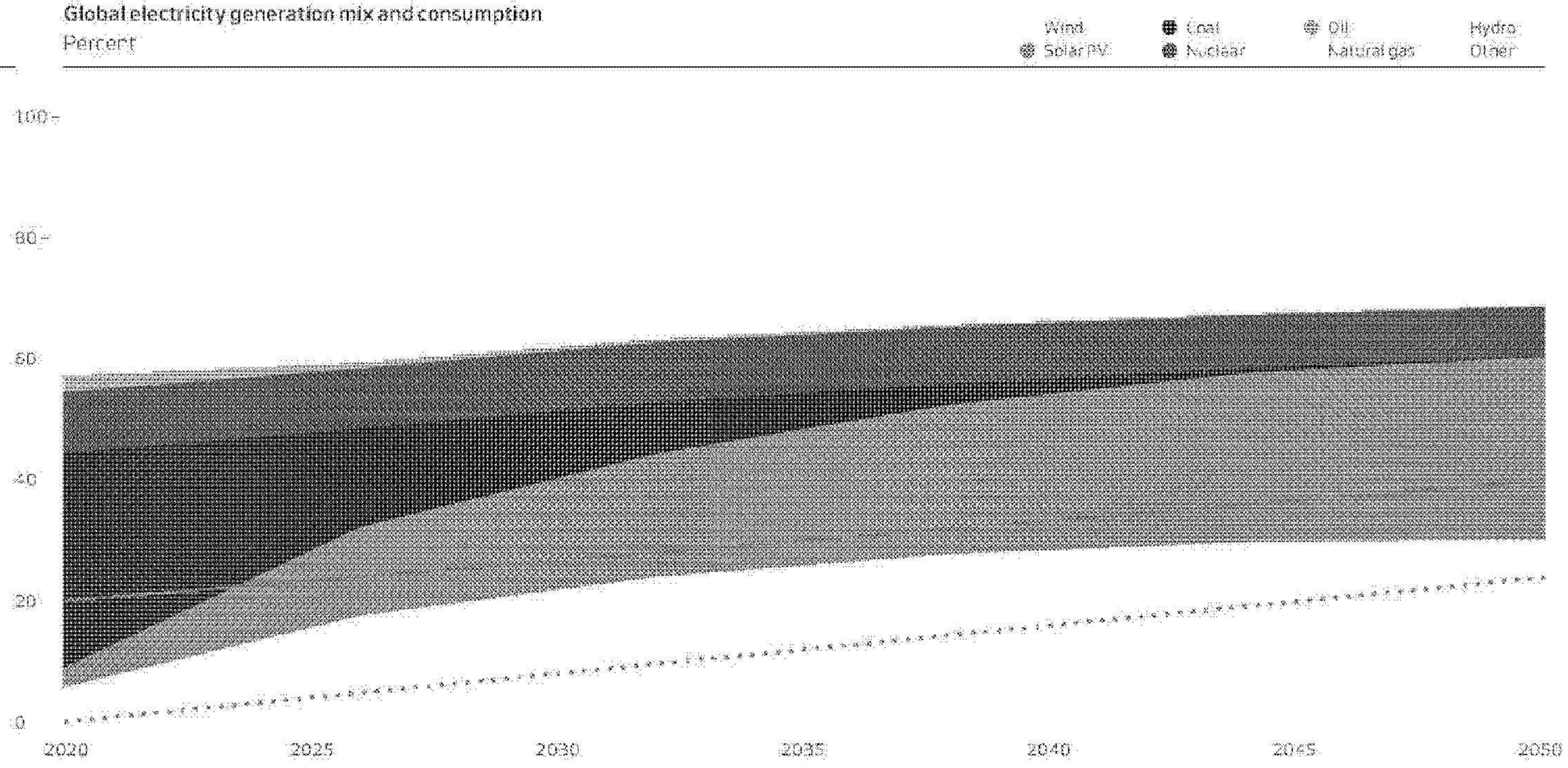
Energy market transition, 2020–2050*

Energy consumption 2020
Percent

20%
of the total energy consumption is **electricity**

1%
Wind only accounts for 1% of total energy consumption and 6% of electricity

Global electricity generation mix and consumption
Percent



Energy consumption 2050
Percent

40%
of the total energy consumption is **electricity**

24%
Wind and solar account for 24% of total energy consumption and 60% of electricity

Extending our industry leadership while challenging new fields

In 2021, despite the challenges of the COVID-19 pandemic, we made significant strides towards achieving our vision of becoming the global leader in sustainable energy solutions. We also continued to deliver against our strategy, to the benefit of our stakeholders and the planet.

Vestas' core business consists of the three strategic business areas: onshore wind and offshore wind (which together form our Power Solutions segment), and Service. To strengthen our core business, we finalised the integration of Offshore in 2021, establishing one globally aligned organisational blueprint for Vestas. Through the integration and organisational evolution we strengthened our shared culture across all of Vestas and ensured customers engage with one Vestas across Onshore, Offshore and Service. In onshore wind and Service, we have built our leading position through focused, industry-leading investments in technology development. We have also matured our business across the entire value chain, achieving both unparalleled scale and global reach. To realise our vision and increase the penetration of renewable energy, we aim to extend our lead in onshore wind and Service, while building a leading position in offshore wind and challenging new fields.

Having finalised the acquisition of MHI Vestas Offshore Wind in early 2021 and introduced the V236-15.0 MW™ offshore wind turbine in May, we have already sent a clear signal of intent. Further, we are also increasing our focus in areas such as project development, Power-to-X, and Vestas Ventures.

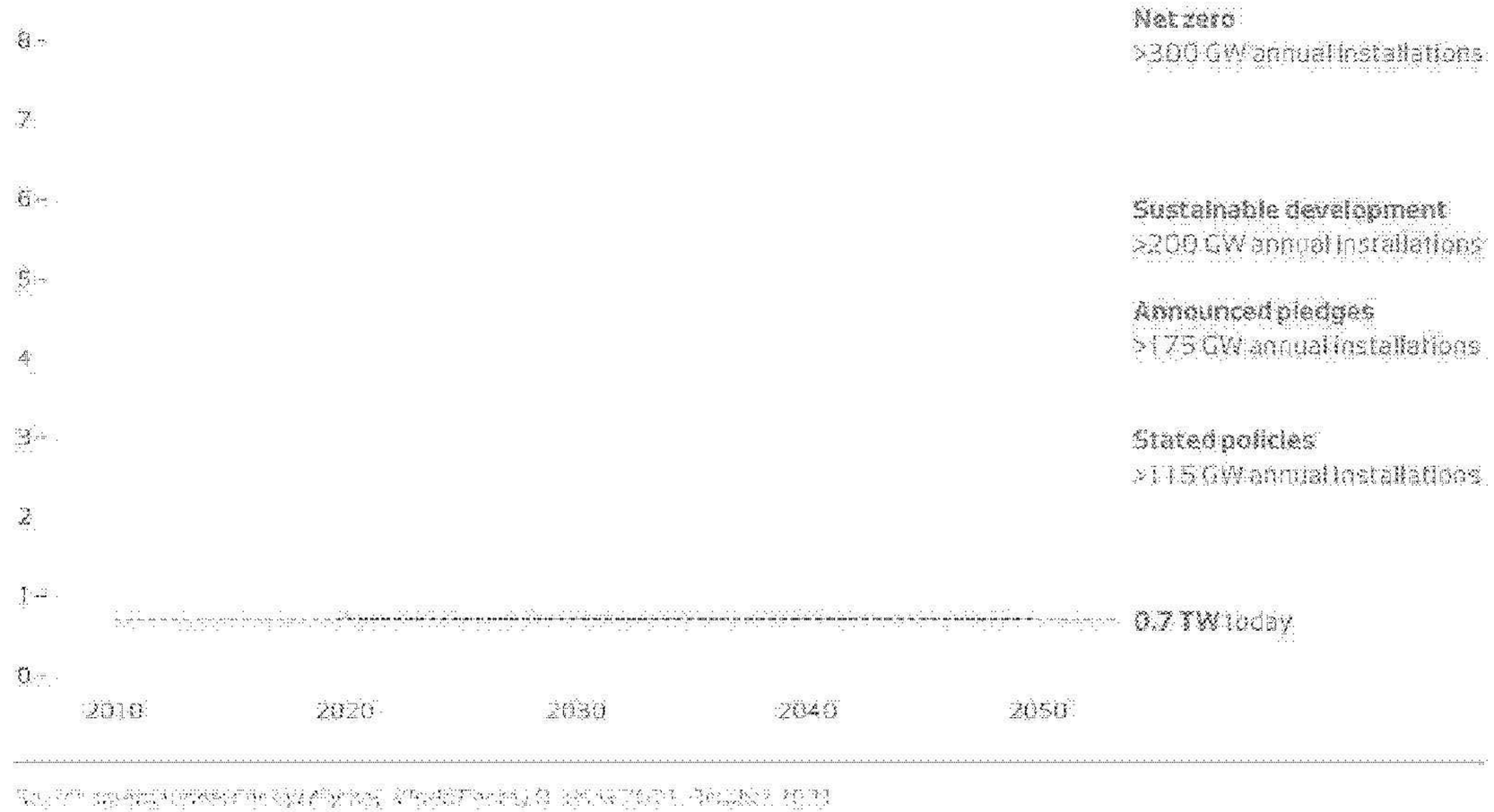
>50%

Renewables are predicted to account for more than 50 percent of electricity generation by 2050.[4]

1. [illegible]
2. [illegible]
3. [illegible]
4. [illegible]
5. [illegible]
6. [illegible]

Global wind generation capacity scenarios

Terawatt (TW)



[illegible]

→ To reach net zero, it is estimated that annual wind power installations will need to increase to more than 300 GW. Even as stated policies and announced pledges indicate significant increases compared to current levels, the discrepancy is still striking.

High expectations in a growing renewable market

Onshore

Large market, healthy growth

Market position: **Global lead**

Nº 1

Market expectation 2021-2025
New installations (GW)*

CAGR:

↑2-4%

- Near-term readjustment of the market
- Increased climate ambitions to drive upsides
- Repowering, Power-to-X, and hybrid projects increasingly important
- Strong expansion in Europe and new markets such as the USA and the broader Asia region
- Growth to accelerate post 2024
- Upsides from floating and Power-to-X

Service

Mid-sized market, high growth

Market position: **Global lead**

Nº 1

Market expectation 2021-2025
Installed base (GW)*

CAGR:

↑7-10%

- Solid growth from high base
- Expanded solution scope
- Focus on digitalisation and global scale

* As disclosed in Vestas' Capital Markets Day 2021, page 124 and 125.

Global leader in onshore wind

The energy transition is moving at pace. As new solutions help accelerate change, onshore wind remains a key pillar of the energy transition and our business. With a global cumulative potential for onshore wind of around 800 GW towards 2030, onshore wind will be a key driver of the energy transition in the short to medium-term.* The market for onshore wind is expected to be dominated by selected key markets, including China, the USA, Brazil, and markets in the EU.* To sustain and extend our leading position, and thereby maximise value creation from expected growth, our key priorities within onshore wind are:

Offering market-leading products and solutions

- Bring new leading products to market globally to capture growth opportunities through growing shares in core markets. We also intend to strengthen our position in other important markets such as Brazil, China, and India, and fast-growing markets like South Africa, the Middle East, and Vietnam.
- Leverage modularisation to industrialise the wind power value chain. This process will involve enabling customisation and standardisation to accelerate the delivery of new product variants at competitive costs and improved quality.

Maturing our supply chain and operations

- Optimise our operations in a cost-effective manner. This will help to minimise risk for Vestas and our supply-chain partners, while safeguarding the delivery and quality of our products for customers globally.
- Mitigate supply chain disruptions and cost increases through partnerships with suppliers and cost sharing with customers. Strategic partnerships, such as our partnerships with Maersk and DSV, will also enable us to lock in volumes and capacity to ensure on-time delivery.

Strengthening our culture and customer-focus

- Continue to prioritise quality in everything we do, making us the preferred choice among our customers. Quality is essential to optimising customer value creation and operational reliability. Meanwhile, strong collaboration is key to determining causes and resuming operations in the event of unforeseen incidents.

A leader in offshore wind

Following a tremendous decrease in the levelised cost of energy, and an expansion from Northern Europe to North America and Asia, offshore wind's prominence has grown in recent years. Indeed, offshore wind is now expected to reach more than 200 GW of cumulative installed capacity by 2030,[1] compared to more than 35 GW at the end of 2020.[2] Following the acquisition of MHI Vestas Offshore Wind, which was announced and approved ultimo 2020, we introduced new technology, strengthened our commercial offshore setup, and expanded our manufacturing footprint – steps that will enable us to mirror our position and presence in onshore wind. Our strategic priorities for offshore wind are as follows:

Offering market-leading products and solutions
- Maximise value for customers by introducing forward-looking competitive technology.
- Execute the development of the V236-15.0 MW™ product on time and on budget. We also aim to achieve technical readiness to install the prototype in 2022.

Maturing our supply chain and operations
- Deliver on our customer projects based on the V164/V174 platform and service commitments.
- Set up a competitive supply chain for the V236 by balancing costs, local content requirements, and value for customers. This supply chain should leverage our existing footprint, scale, and modularisation between onshore and offshore turbines.
- Strengthen our global offshore functions by retaining and ramping up commercial and technical capabilities to meet higher levels of activity.

Strengthening our culture and customer focus
- Continue creating synergies from the integration of MHI Vestas Offshore Wind. These synergies will help us build a One Team Vestas culture that creates scale in the development, manufacturing, and operations of onshore and offshore turbines.
- Get closer to our customers to better understand their business drivers and early engagement in new markets. This will help us achieve higher value creation and maximise the volume of our product portfolio.

Global leader in wind energy service solutions

Since Vestas established a separate Service business unit in 2011, we have evolved and grown that business to become the undisputed segment leader. As renewable energy's share of the energy mix grows, expanding our Service capabilities is central to ensuring a sustainable supply of energy to societies all over the world. It is also critical to the performance of our customers' renewable energy power plants.

Today, the global Operations and Maintenance (O&M) market is worth around EUR 18bn. And with a 7 percent compound annual growth rate (CAGR) per year from 2020 to 2030,[3] the growth in service is expected to be substantial. Keeping our leading position in service, and expanding the fleet of wind energy assets we maintain, is therefore key to our growth and profitability. Our strategic priorities in Service are as follows:

Offering market-leading products and solutions
- Continue to focus on developing new offerings and revenue streams. This will help us increase value creation for our customers and for Vestas, while ensuring a stable and resilient energy system. Our work in this area includes digital solutions via Utopus Insights, repowering, life extension to create value from ageing turbines, and multibrand solutions. Most recently we launched Covento, a marketplace that connects buyers and sellers in a one-stop shop for all parts and repairs services in the industry.
- Develop a winning offshore service offer with a competitive pricing model; this will enable us to unlock scale efficiencies, ensuring a competitive solution for customers and value capture for Vestas.

↑7%

With a 7 percent compound annual growth rate (CAGR) per year[3] from 2020 to 2030,[3] the growth in service is expected to be substantial.

Maturing our supply chain and operations
- Safeguard profitability by establishing one global operating model and optimising the value of our Service order backlog. By leveraging digital technologies, our Service performance will be elevated to deliver the best customer experience in the renewables industry. This will enable all our people to work together to improve the scalability and efficiency of our operating model.

Strengthening our culture and customer focus
- Continue the digitalisation of our Service business as a key lever for improving efficiency and strengthening collaboration and customer focus. The global digitalisation and standardisation of our Service operating model will enable us to leverage scale and offer our customers the best experience and value in the industry. Among other things, this operating model has introduced best-in-class digital tools and platforms, which improves our customer engagement and empowers us to connect with each other in a smarter, more seamless way.



Improving performance and driving industry maturity

Vestas' vision and strategy set a clear direction for the company. However, to ensure our strategic priorities are aligned with market changes, challenges, and future scenarios, we continuously adjust our strategy during our yearly cycle. Value creation remains key for Vestas to continue driving the industry forward both for customers and suppliers. And as the industry leader, a key aspect of our strategy is also to drive maturation and industrialisation, which will help Vestas and the industry become truly sustainable. In 2021, our key strategic priorities in this area were:

Sustainability
To address the climate crisis while meeting the growing expectations of our stakeholders, we have mobilised internal functions to accelerate our sustainability journey. Some of the challenges we face to achieve our vision cannot be solved overnight, and we are therefore pleased with the substantial steps we took in 2021. A full update and outlook are available in our Sustainability Report 2021, including further information on the following key highlights:

- Despite the inclusion of new offshore activities, we remain committed to carbon neutrality in our own operations by 2030. To account for acquisitions and divestments in 2020 and 2021, the 2019 baselines for CO_2e emissions have been recalculated.
- We launched our Circularity Roadmap and accelerated progress towards zero waste turbines, for example through our DecomBlades Project and our CETEC initiative.
- We continued to invest in sustainable mobility, with Electric Vehicles (EVs) or Plug-in Hybrid Vehicles (PHEVs) now accounting for 67 percent of our benefit car fleet. We also introduced an additional 147 EVs or sustainably fuelled cars into our service fleet.

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.

In 2021, we reinforced our quality culture and focus through several initiatives. For example, we strengthened and simplified our processes and governance, and developed a strong quality community across Vestas. This community consists of approximately 3,000 Quality Champions who drive company-wide initiatives to improve quality performance and collaboration across all functions.

Talent & Leadership
Our growth ambitions require us to attract, recruit, develop, and retain business critical talents. We therefore seek to strengthen our recruitment setup, build a strong talent pipeline, improve leadership capabilities, and increase diversity to foster sustainable success.

In 2021, we launched several initiatives to achieve these talent objectives. We strengthened our position as an attractive employer through the launch of our Employer Value Proposition. We enhanced our talent development and graduate programmes to improve succession planning and create a more diverse talent pipeline. We also conducted the first Vestas Leadership Forum for the top 250 leaders. The aim of the forum was to align on strategic direction, and to build the leadership and communications competencies we need to succeed in the global energy transition.

Fueling growth beyond our core business

The energy transition is moving fast, generating strong growth across our core business of Onshore wind, Offshore wind, and Service. At the same time, the transition creates technology and business model opportunities that are needed to achieve a sustainable and stable energy system. We continue to explore such opportunities in order to become truly sustainable, protect competitiveness, create synergies, and improve profitability.

The opportunities within this space are many. The key for Vestas is to remain strategically disciplined, working to ensure that part of our business acts as a strong pipeline for growth and innovation, without detracting from our core business. In 2021, it became clear that project development, Vestas Ventures, and Power-to-X will play an increasing role in the strategic journey towards our vision. In the coming years, we will therefore continue to exploit these opportunities based on the following priorities:

Project development
To fully leverage the competencies that Vestas has built up in more than 80 countries around the world, we seek to create a systematic and flexible approach to development investments. Our aim here is to generate a resilient and diversified pipeline of projects to the benefit of our customers, partners, and Vestas.

Power-to-X
To drive the expansion of renewables and capture value in emerging segments, Vestas invests in Power-to-X. This includes defining our value proposition and product offering for priority segments, and engaging in demo projects to generate learnings. It also involves building technical and commercial capabilities to orient Vestas towards customers, suppliers, and policymakers.

Vestas Ventures
Vestas Ventures invests in start-ups that are aligned to our corporate vision and strategy. More specifically, we identify areas of clear synergy, whereby Vestas Ventures can support the start-up and create value for mutual benefit, while helping it scale for success.

In focus: Industry perspective: What lies ahead for wind?

The energy transition is moving fast, fuelled by increasing global political momentum.

Across the world, pledges to accelerate national journeys towards net zero are stimulating a strong outlook for renewables generally and wind energy specifically. However, when viewed through the lens of climate goals, political pledges are still a long way from shifting the planet's trajectory towards the 1.5-degree scenario of the Paris Agreement. As Kristen Ørnberg, Vice President of Global Public Affairs at Vestas, observes:

> "Political pledges are still a long way from shifting the planet's trajectory towards the 1.5-degree scenario of the Paris Agreement."

"To limit global warming to safe levels, global carbon emissions must be halved by 2030. But reaching this milestone would require political commitments to green energy to be significantly more ambitious. The transition to a sustainable global energy system signals exponential growth for renewables, but the right policies have to be in place."

Accelerating electrification is critical to shaping decarbonised energy systems. Green electricity, however, must be the foundation for global electrification. And at present, global political commitment to nurturing grid infrastructure, demand-side flexibility, and renewable capacity is lagging behind what's needed to meet net zero targets.

A shift from commitment to action

In 2021, fossil fuels are estimated to have received a higher share of investment than renewables and electricity networks.[1] COVID-19 also cast a long shadow over the global economy, and at present green recovery commitments make up a mere 21 percent of total recovery spending.[2] If we are to reach net zero commitments, the next decade must see a marked shift from political commitment to political action. And such action must involve new investment patterns, plus the removal of regulatory bottlenecks that currently obstruct renewable power installation.

While the rate of change is lagging, global demand for renewable capacity is increasing rapidly, particularly as momentum around electrification continues to build. Hydrogen is on the rise, with more and more national strategies focusing on green hydrogen. These strategies will call for extensive amounts of renewable power, paving the way for wind to address growing demand.

"Enel's 2021-30 comprehensive investment plan will enable to reinvest on from the previous decade of renewable energy discovery. In the current decade of electrification, Enel Green Power will continue to grow in renewables, leveraging on what is already the world's leading private renewable asset base. We are bringing forward the Group's full decarbonisation target by 10 years reaching net zero by 2040. Many of the technologies to drive decarbonisation already exist and can be deployed at scale," declares Salvatore Bernabei, CEO of Enel Green Power.

Accelerating green electrification

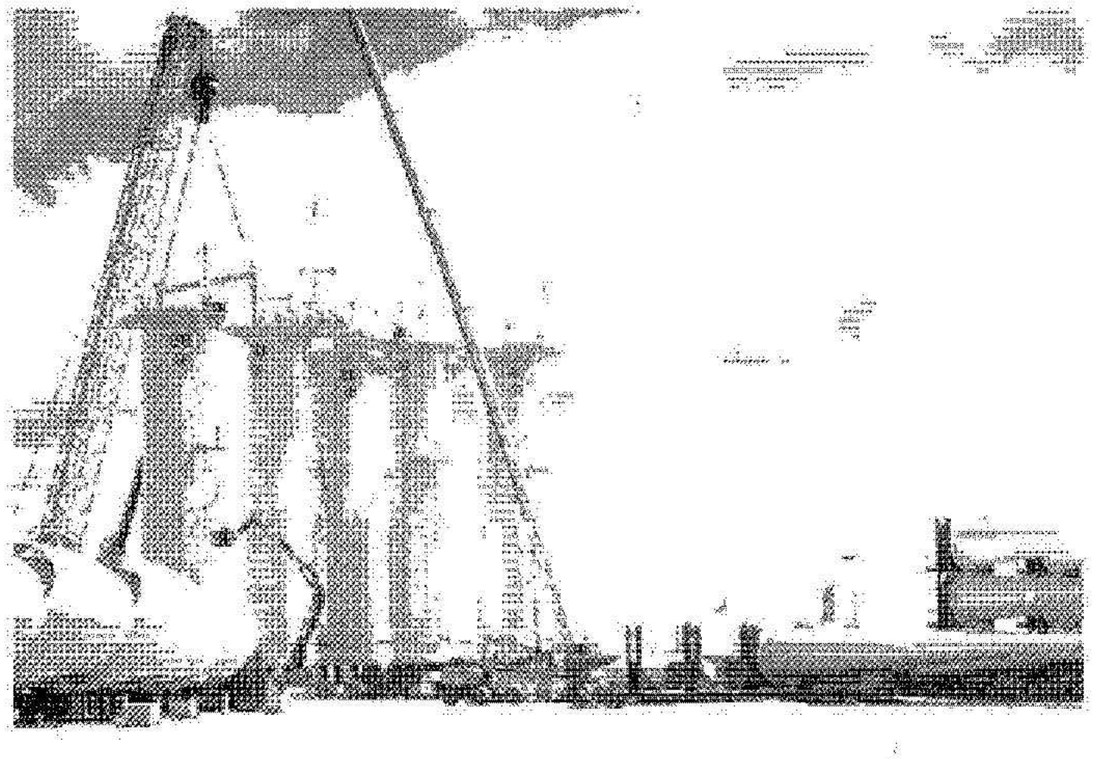
Overall, annual capacity additions for wind must increase significantly to meet the Paris Agreement and accelerate green electrification. To shift the trajectory of the global energy system drastically enough to align with the 1.5 degree scenario, annual wind installations must be increase to 310 GW for onshore, and 80 GW for offshore by 2030.[3] A shift from commitment to action is paramount to ensuring this growth potential translates into tangible progress for the global journey towards decarbonisation.



Flexible, stable, competitive – our capital structure

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), we have started planning for issuing of a sustainability-linked eurobond in 2022. The proceeds from the potential issue of such a bond 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.

> During 2021, we continued to focus on our financial priorities, invested in two strategic ventures, and prepared for the issuance of a sustainability-linked eurobond in 2022.
>
> Marika Fredriksson – Executive Vice President & CFO

The year in Vestas

→ Performance in 2021
→ Modularisation
→ Scaling the business
→ Development in Service
→ Circular economy
→ Sustainability targets
→ In focus: Zero-waste turbines
→ Sustainable investments



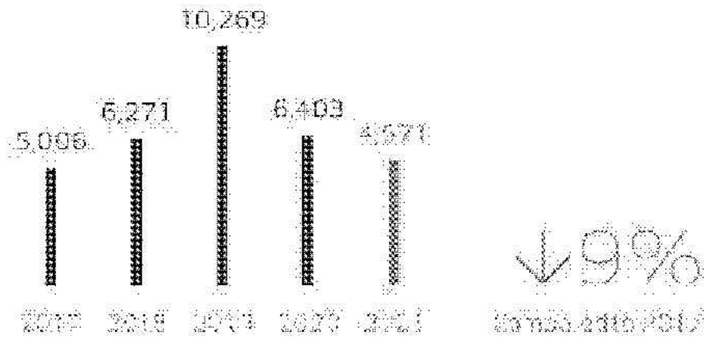
From 40 to 86

– in just 20 years
In 2001, Vestas' technology reached 40 countries. In 2021, we brought sustainable energy solutions to 86 countries in total.

Performance on the global market

Americas

Order intake
MW



↓9% YoY

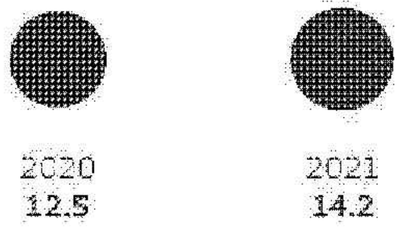
Deliveries
MW

5,747 ↓36% YoY

Top three markets:

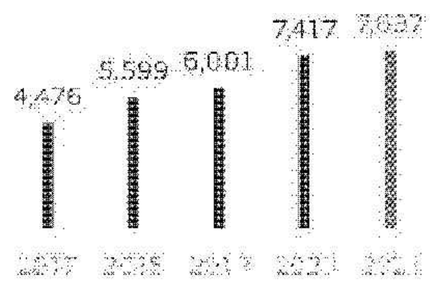
USA	Brazil	Chile
3,065 MW	1,892 MW	314 MW

Total order backlog
Power Solutions and Service
(bn EUR)



Europe, Middle East and Africa

Order intake
MW



↑71% YoY

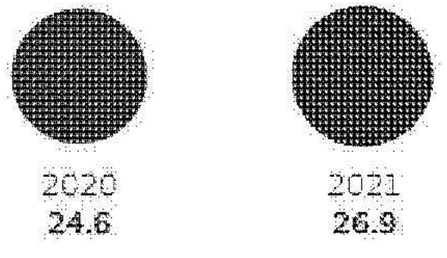
Deliveries
MW

8,611 ↑63% YoY

Top three markets:

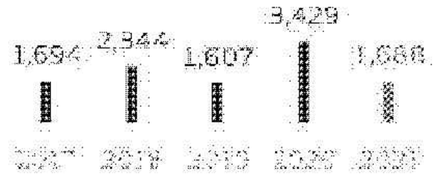
UK	Finland	Poland
2,129 MW	838 MW	739 MW

Total order backlog
Power Solutions and Services
(bn EUR)



Asia Pacific

Order intake
MW



0% YoY

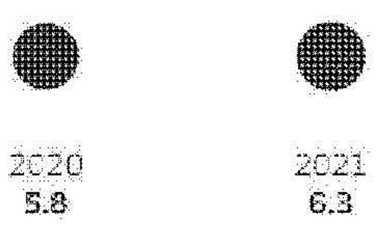
Deliveries
MW

2,236 ↓25% YoY

Top three markets:

Vietnam	Australia	China
1,132 MW	389 MW	319 MW

Total order backlog
Power Solutions and Services
(bn EUR)



A year of integration and innovation
The year 2021 marked a cornerstone for the renewable energy industry. A year that was heavily impacted by the global pandemic, with multiple ripple effects for renewables, while the world simultaneously strengthened its commitment to decarbonisation. During this period, the underlying cost structure of renewable assets increased several times, compressing OEM value creation thresholds while fostering uncertain perspectives. Meanwhile, wind power became increasingly important in generating momentum towards the achievement of net zero, with Vestas strengthening the foundations that will support this journey over the long term. With offshore now fully integrated and an intrinsic part of the business, we are well positioned to explore the renewable growth perspectives alongside our customers, globally, while pursuing the needed localisation.

It was also a year of record order backlogs, which reached EUR 47bn across wind turbines and service. Globally, order intake reached 14 GW, with all regions contributing. Collectively, several key markets accounted for more than 60 percent of the total order activity, with the USA, Finland, Germany, Brazil, and France leading.

Partnerships and joint value creation with our customers will lead the future renewable transition.

Javier Rodriguez Diez – Executive Vice President & CSO (Sales)



Successfully navigating industry headwinds
The year concluded with a sustained high level of deliveries, 17 GW, which was mainly driven by the USA, see also overview on page 139.

Our key delivery markets were severely hit by lockdowns and restrictions on business operations and cross-border movements, which led to project postponements. However, through dedicated efforts and close collaboration, we were able to mitigate the challenges and continue business critical operations, while taking care of our colleagues' safety and wellbeing.

Brazil continued to be one of the main volume drivers, with positive momentum generated by new projects awarded through auctions. We announced a 1.2 GW order intake and achieved 1.9 GW of deliveries in the country, leveraging our newly established manufacturing hub for V150 turbines. In 2021, Vestas surpassed 5.3 GW in order intake of V150-4.2 MW™ wind turbines in Brazil, milestone marked by a 348 MW order from an important customer.

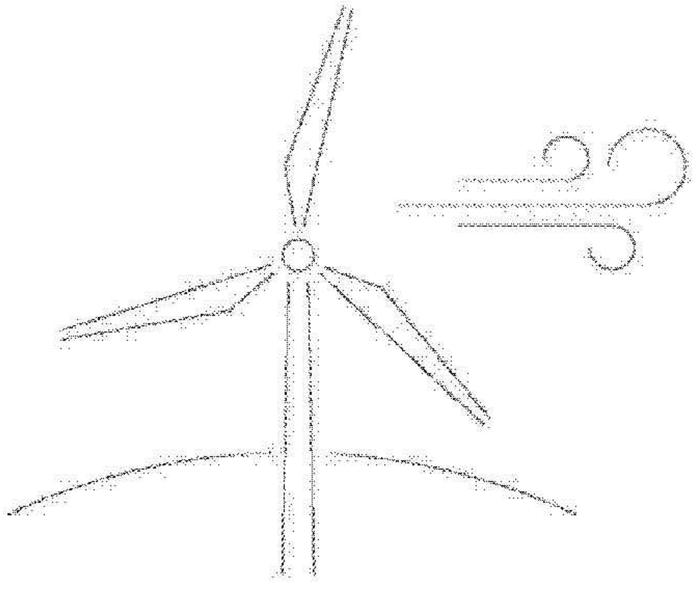
After a long period of increasing activity in the USA, the market entered a period of decline due to the phasing out of the Production

Tax Credit (PTC). During the year, we received orders in the USA of 2.6 GW, compared to more than 2.9 GW in 2020, while deliveries reached 3.1 GW. Of the order intake, 1.2 GW came from development activities in the country.

Indeed, the development business globally holds a significant potential over the long term, with a current pipeline of 20 GW. As mentioned at the Capital Markets Day in Copenhagen in December 2021, we see the high potential of this business area starting to materialise, with approximately EUR 30m EBIT contribution in 2021.

Setting the pace for renewables
Within Europe, Germany recorded a positive trend in auction subscription rates, which led to the highest-ever awarded volume in onshore wind auctions. This was an important step for the country towards its 2030 renewable energy goals. Germany continued to be one of the largest drivers of order intake, with 1.3 GW during the year.

Along with other Northern European markets like Finland, Germany also became one of the major adopters of the EnVentus™ platform.



A Vestas wind turbine is energy neutral after only five months of operation and delivers the highest energy payback across all technologies – 20 to 50 times.

On a global level, EnVentus™ orders constituted 26 percent of our total wind turbine order mix in 2021. The year marked several EnVentus™ milestones among which the first EnVentus™ project in Asia Pacific with Neoen. The close to 400 MW project was also the largest EnVentus™ order during the year, closely followed by a 372 MW Ukrainian order with DTEK and the 301 MW US order with TransAlta Corporation in Oklahoma.

On 9 July 2021, our first preferred supplier agreement in Offshore was announced for a 900 MW subsidy free project with EnBW in Germany, with installations planned for 2025. In total, Vestas has been selected as preferred supplier for 3.0 GW, marking an important milestone on our offshore journey. During the first half of 2021, we inaugurated our new organisational footprint, with Offshore now an intrinsic part of the business. In the second half of the year, we focused on aligning and maturing our operating model and processes. We also began redefining our supply chain to pursue synergies between Onshore and Offshore.

Within Asia Pacific, Australia continues to be an important market. The country is one of the frontrunners in exploring the role of renewables in grid stabilisation and increased electrification. During 2021, we received 0.8 GW of firm and unconditional orders in Australia. The largest project in 2021 at nearly 400 MW was firmed with long standing customer Tilt Renewables in New South Wales, Australia.

Continued global momentum for Service
Our Service segment once again continued its positive growth momentum. In 2021, our global serviced volume reached 129 GW, while the year concluded with an all-time high Service order backlog of EUR 29bn. The average contract length on newly signed contracts continues to increase, standing at approximately 17 years at the end of 2021. We partnered with several customers including Taaleri in Finland, RES and Tilt in Australia, and V-ridium Power Group and KGAL in Poland for service contracts reaching beyond 30 and up to 35 years, highlighting customers' confidence in our solutions throughout the full lifetime of the assets. In summer 2021, we introduced Coventa, a digital platform providing a marketplace to efficiently connect buyers and sellers of parts and services from across various renewable energy technologies.

Beyond Vestas assets, we have expanded further to service other turbine types, with the total number of multibrand active service contracts reaching close to 9 GW in 2021.

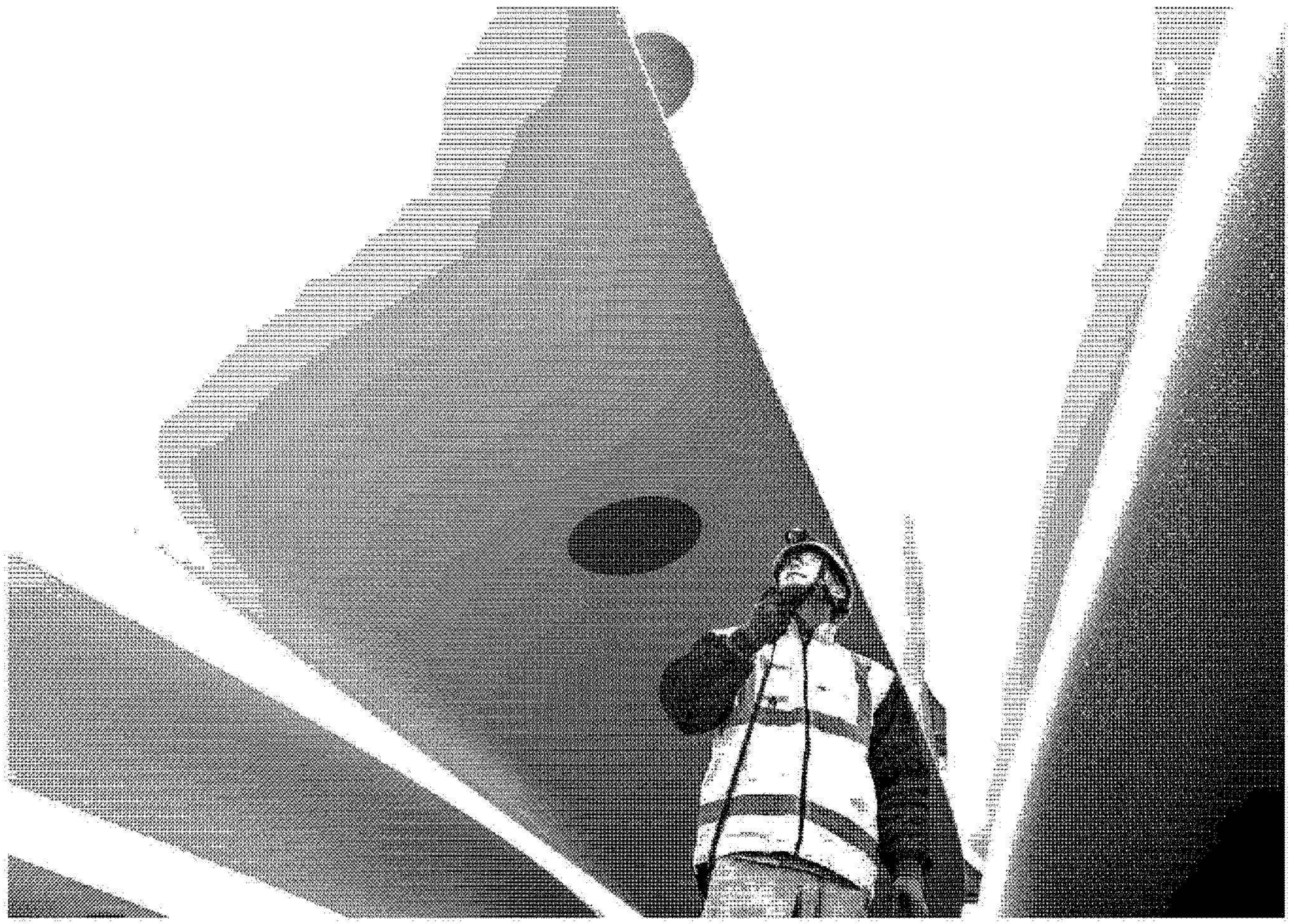
An ageing fleet calls for repowering
During 2021, Vestas received several orders to repower older wind farms, amounting to 0.5 GW across the USA, Germany, and Austria. Towards 2030, several core European markets with older installed fleets will likely see a significant share of new installations being realised through repowering. As installed fleets continue to age, the repowering market is expected to become a major driver of medium- and long-term demand.

Ageing of the installed onshore base towards 2030
GW



Increasing opportunities in repowering
In 2020, 12 GW of the worldwide installed fleet was between 20 and 25 years old. In 2025 and 2030, this will increase to 42 GW and 118 GW, respectively.

Modularising turbine solutions to further unlock value

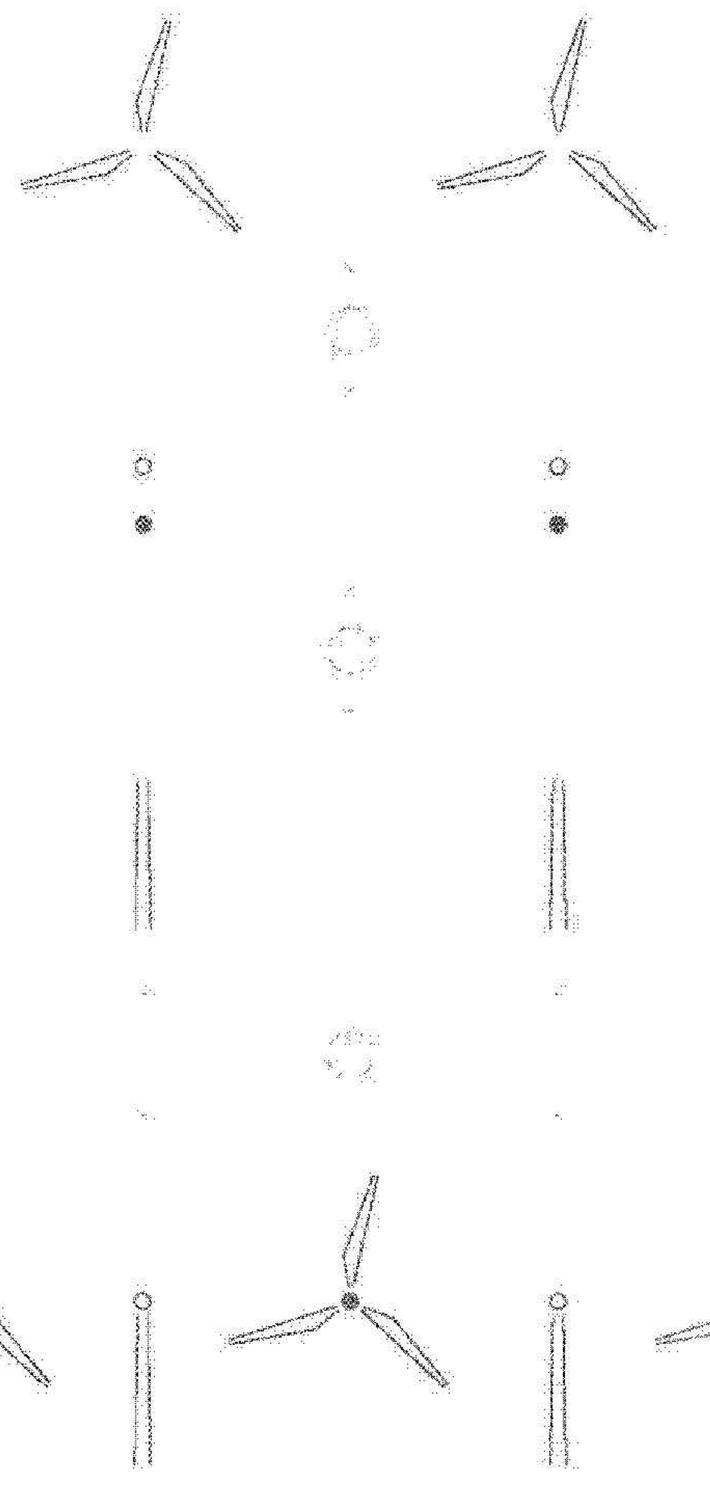


Vestas and the wind energy industry have been instrumental in developing competitive renewable energy solutions and making clean energy mainstream. Renewables are fast becoming a critical component of the global energy supply and continued scale and technology development play an increasingly important role in ensuring a balanced and stable supply of energy to communities all over the world. We are changing the energy system, but we need to scale efficiently to meet the growing renewable energy demand and realise tomorrow's energy system.

Vestas plays a significant role in accelerating the energy transition towards a more sustainable future, and we continue to be committed to delivering high-quality solutions optimised for project-specific conditions. To drive industry scaling and meet the logistics challenges of increasingly larger wind turbine components, we are changing how our products, services, and solutions are designed and produced. This includes improving the way we work to accommodate truly modular products and solutions, as well as considering the entire value chain in product development and project execution and operation.

With the launch of the EnVentus™ platform in 2019, Vestas has furthered its modularisation journey and laid the vital foundation for the next level of innovation. Among others, standard interfaces between interchangeable components allow for flexibility in our offerings and enable efficiency in technology response. Vestas' modular approach ensures a customer-centric product development cycle, increasing configurability to meet market demands. It also helps ensure project certainty through carrying over technologies across product generations and platforms.

Maturing the modular approach



1)
Continued scaling and technology development plays a key role in making renewables the dominant energy source in all parts of the world. To lead the expansion of wind energy, leveraging our modular products, digitalisation will be key in order to go for enhanced customisation while, at the same time securing the scalability needed.

In 2021, we took several key steps towards our modularisation goals:

- Applying modularisation to the offshore business
  Integrating our offshore business and commercialising V236-15.0 MW™, are key priorities for Vestas. As part of these efforts, in 2021 we began implementing modularisation within our offshore portfolio. This helps to secure cross-portfolio synergies in terms of design, sourcing, volume, and localisation.

  For instance, the V236-15.0 MW™ will utilise shared control system technology, leading to reusable plug-and-play solutions, which offer flexibility in manufacturing and allows us to match market demands rapidly.

  Another example on system level is the nacelle side-compartment applied to both the V236-15.0 MW™ offshore variant and V162-6.8 MW™ onshore variant. Over time, establishing commonality between offshore and onshore will provide a competitive advantage.

- The modularised nacelle
  With the introduction of V236-15.0 MW™ and V162-6.8 MW™, Vestas took the next step in the modularisation journey by optimising the form and dimension of our wind turbine design at system level, starting with the nacelle and subsequently expanding to encompass the whole turbine.

  Specifically, the nacelle is divided into a main nacelle house on which side-compartments can be mounted depending on configuration. Utilising a simple click-on system, the modular concept facilitates smart servicing solutions and enables upgrade and innovation possibilities over the lifetime of the operating asset. By dividing the turbine into manageable modular building blocks, Vestas aims to take advantage of industrial standards rather than challenging them, taking the entire value chain into account in the efforts to ensure continued renewable energy competitiveness.

> We are changing the energy system, and we need to take new steps. I am proud that we are now taking the next natural step in our modularisation journey to be able to realise tomorrow's scalable energy system.
>
> Anders Nielsen – Executive Vice President & CTO

Scaling the business with a focus on quality solutions

Over the past three years, Vestas has been scaling its business with momentum, leading to a revenue base increase of 50 percent. However, to keep scaling and improving wind energy's competitiveness for our customers, in 2021 we sharpened our focus on quality solutions.

During the year, we took important steps to strengthen our underlying supply chain foundation. These steps were taken to enable a sustainable and profitable scaling of our operations and to support future growth. As a global leader in sustainable energy, we take seriously our responsibility to carve out a scalable quality pathway for our industry, and we live by it daily.



In an increasingly challenging external environment, we reinforced short-term initiatives and initiated long-term ones. We took measures to advance our approach to root cause analysis and embed learnings into relevant processes. We also achieved closer collaboration with our partners and customers. Our aim here is to move from quality control towards quality assurance, with a focus on active risk prevention and management.

Beyond strengthening processes and systems, quality is powered by our people. In 2021, we initiated a renewed company-wide effort to drive clear ownership for quality across the value chain. Through this work, we set the foundation for an engrained quality culture driven by teams and individuals, from early stages of product development through to wind farm completion.

Focusing on the Vestas core

In 2021, we took further steps to consolidate and optimise our global footprint, with the aim of positioning our future setup across both Onshore and Offshore. We divested our last tower factory, continuing the trend of outsourcing certain components. This will allow us to focus on the core; leveraging increased flexibility and developing better supplier partnerships. We also closed our blade factory in Lauchhammer, Germany, and our generator factory in Viveiro, Spain. Our pre-assembly factory for offshore conversion modules in Esbjerg, Denmark, will be closed by mid-2022. These were the first steps towards a global optimised footprint across Onshore and Offshore. As always, customers come first and we have initiated discussions to plan the localisation of the offshore factories together.

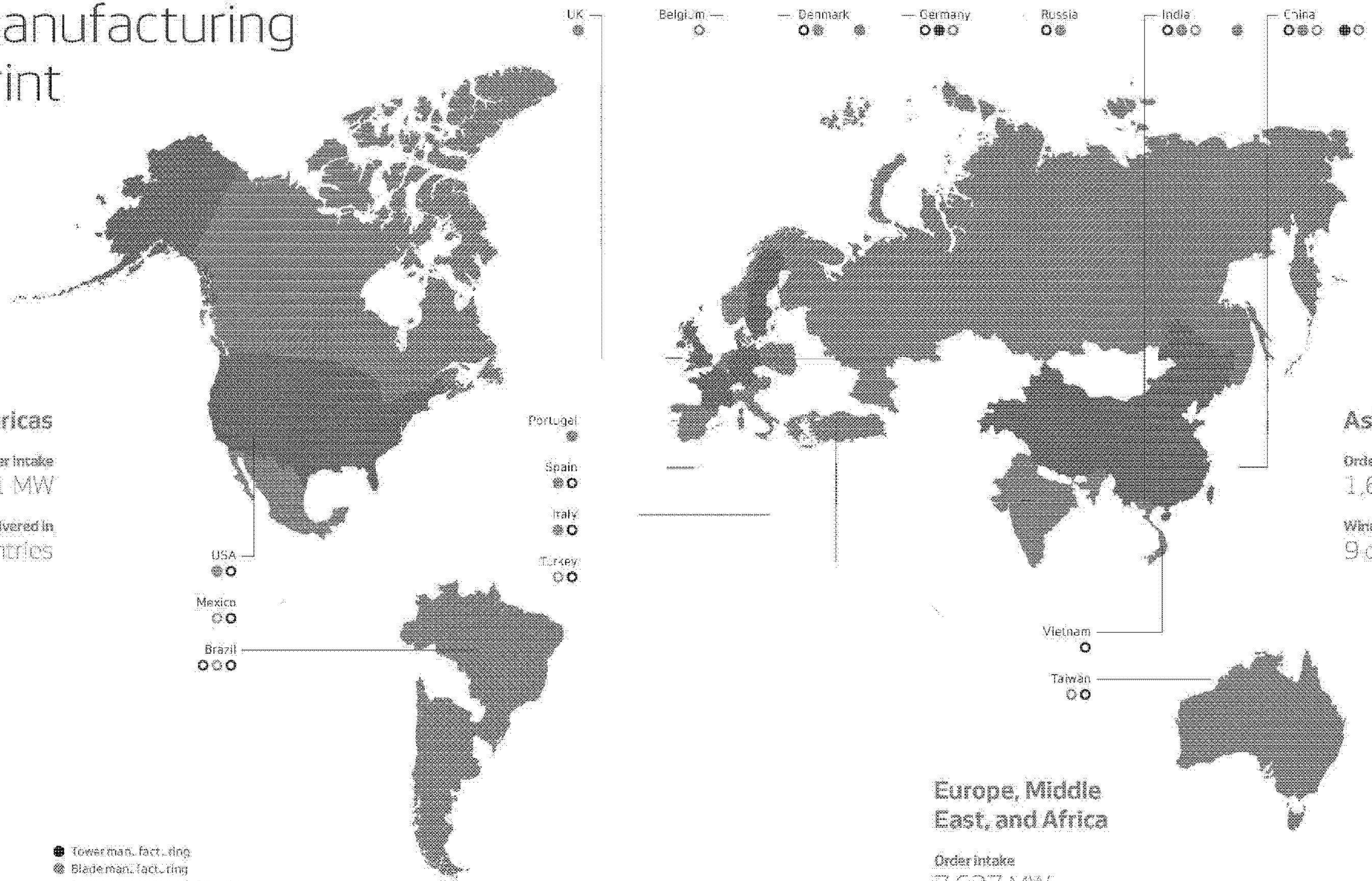
The COVID-19 pandemic has triggered higher volatility in cost levels and volume movements. Going forward, it will be increasingly important to flexibly manage volume swings and mitigate volatility in the transport cost base. To this end, during 2021 we matured our approach to partnering for the longer term. We launched key initiatives to strengthen collaborations, with the aim of expanding specialised supply chain partnerships and deepening mutual commitments.

In India, we increased our already prominent manufacturing footprint by establishing a new converter factory and a new nacelle and hub factory in Chennai. We also expanded our current blade factory in Ahmedabad, adding more than 600 new jobs. Our expanded production setup here will serve the growing regional wind power market, while also acting as a strategic export hub.

Leveraging the entire global supply chain, in 2021 Vestas produced and shipped 18 GW of wind turbines, an increase of 1 GW compared to 2020. Through our renewed focus on long-term supply chain partnerships, we aim to build on this performance in the years ahead.

> "Today's fast-moving energy transition requires us to further mature our supply chain network and manufacturing footprint.
>
> Tommy Rahbek Nielsen – Executive Vice President & COO

Our manufacturing footprint



Americas

Order intake
4,571 MW

Wind turbines delivered in
10 countries

Asia Pacific

Order intake
1,688 MW

Wind turbines delivered in
9 countries

Europe, Middle East, and Africa

Order intake
7,637 MW

Wind turbines delivered in
22 countries

Cumulative capacity installed per country:

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

- Tower manufacturing
- Blade manufacturing
- Power converter manufacturing
- Generator manufacturing
- Power train manufacturing
- Hub and nacelle assembly*
- Research and development

- Vestas facility
- Vestas partnership

Maturing our service operating model

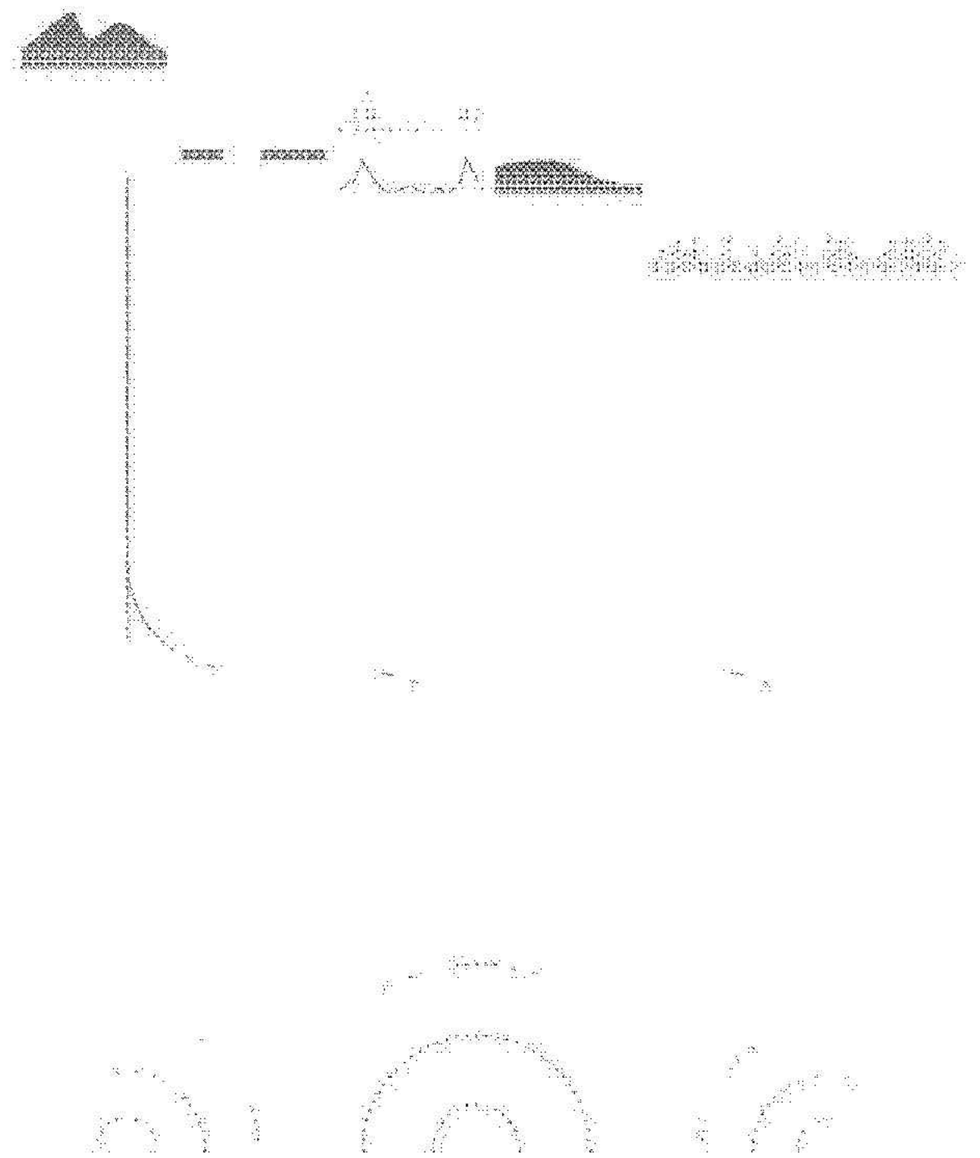
Vestas continued its service leadership during 2021, with 129 GW of wind turbines under service across more than 70 countries by the end of the year. These results reinforce our position as the largest wind operations and maintenance provider in the world. Throughout the year, we executed a number of activities to further strengthen and leverage our core business. Firstly, our offshore service business was successfully integrated, allowing Service to focus on synergies across onshore and offshore and lay the foundations for future growth. In order to deliver on growth perspectives, we continued to optimise our service operating model.

This model places the customer at the centre and standardises ways of working for our 12,000 service colleagues around the globe. We also started to implement the platform Salesforce as our customer relationship management system, enabling our service organisation to drive excellence through a single digital platform.

Servicing beyond Vestas
With almost 9 GW multibrand technology under service, Vestas has continued to invest during 2021 in the long-term growth and operational excellence of Vestas' multibrand service offerings. The scope of services has continued to evolve as we were awarded the first contract to service GE turbines beyond their design life span. The contract secures the German wind farm until its 25th operational year under a competitive full-scope Vestas AOM service agreement. A milestone this year was the five-year renewal on around 1 GW of Gamesa technology in the Vestas Mediterranean Region.

Reaffirming Vestas leading multibrand presence in Latin America, Vestas also secured a long-term service contract on Senvion turbines in Argentina. Further growth was experienced in Brazil with the commencement of a new service contract on Alstom technology of more than 400 MW. In total Vestas is now servicing 1 GW of multi-brand turbines in the region.

Shaping new service markets
Vestas continues to redefine industry wind power service standards and shape new markets. One example of this is our approach to ageing fleets. Around the world, the share of ageing wind turbines is increasing, with 8 percent of turbines having reached 15+ years by the end of 2021.[1] With an ageing fleet, additional needs occur, such as lifetime extensions, repowering activities, and decommissioning, all of which we are uniquely positioned to address. To deliver in these areas, we have redefined our fleet optimisation offering for pre-owned turbines. We have also repositioned our repowering offerings, by re-applying our vast expertise and leveraging the industry's largest supply chain and repair organisations. These measures have allowed us to create additional value for our customers and make wind power even more sustainable, giving a second life to ageing fleets.



[1] Together with Uptake Insights as our software-as-a-service subsidiary, Vestas offers customers a suite of best-in-class products that support the digitalisation of renewable energy assets and energy systems. Giving easy access to portfolio-wide asset visualisation, predictive maintenance, and renewable energy power forecasting, these solutions are a critical business decision-making tool for renewable energy asset owners and operators.



Covento. Simplified, transparent, and value-adding customer experience



"By combining existing capabilities with innovative digital solutions, we further improve our operational excellence to support new renewable technologies and to service our customers in the best way possible.

Christian Venderby – Executive Vice President & CSO (Service)

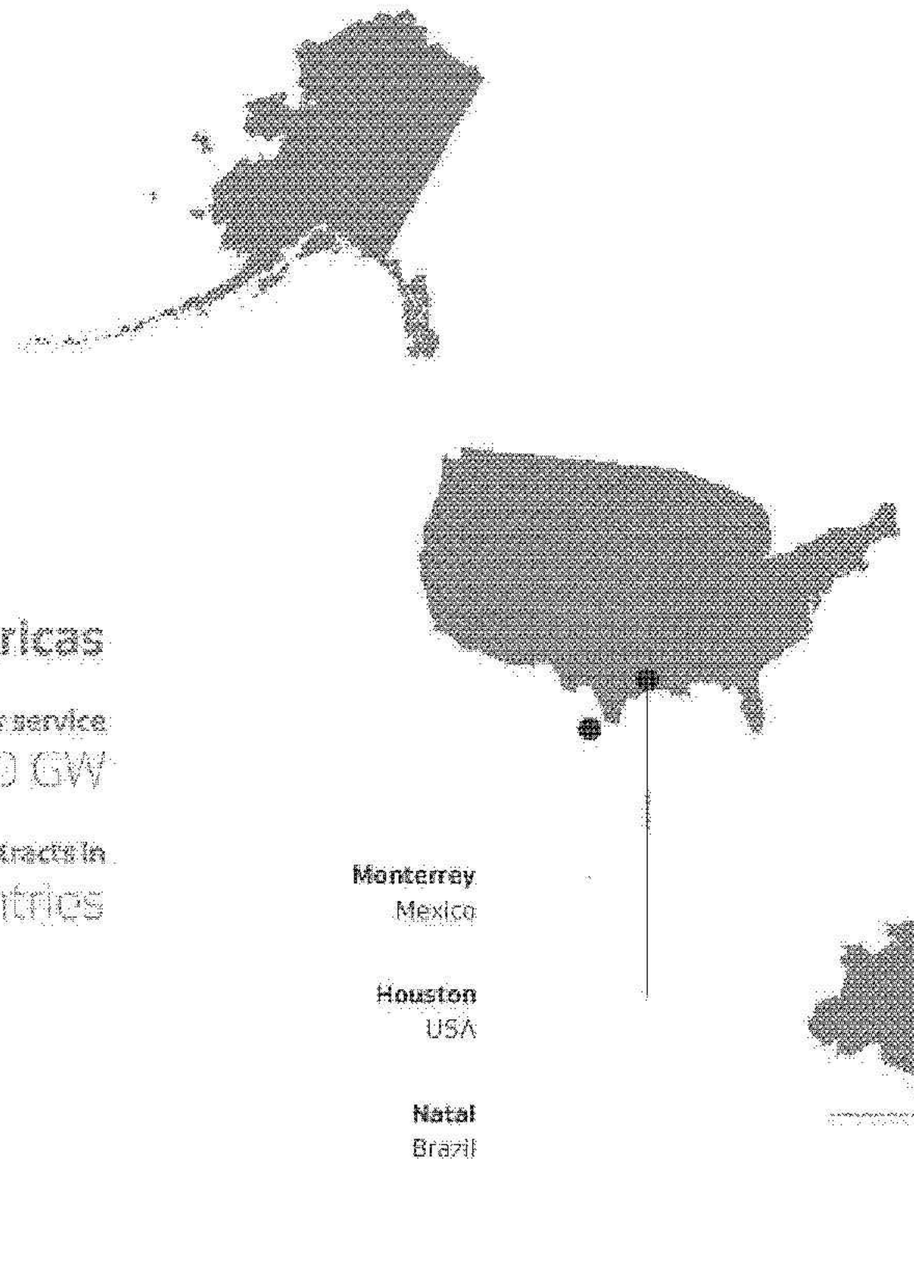
Covento: a new centralised platform

For many years, the renewable aftermarket has been fragmented, without a central platform to bring value chain players together. In August 2021, we announced the introduction of Covento, a digital platform providing a simplified and centralised marketplace to connect buyers and sellers across the renewable energy industry.

The platform lists products and services from Vestas and third-party sellers and facilitates delivery, making it easier for customers to purchase and procure. Covento was launched in selected countries on the European market at the end of 2021, with important partners such as Schneider Electric committed to the platform. It will expand to the USA and Canada in 2022, and then to other regions around the world soon after. If successful, Covento has the potential to capture great value in an increasingly important industry segment.

1 Source: IHS Markit Global Renewable Power & Wind Turbine Database, August 2021

Our service footprint



Americas

Under service
51,720 GW

Service contracts in
21 countries

Asia Pacific

Under service
15,933 GW

Service contracts in
12 countries

Europe, Middle East, and Africa

Under service
61,375 GW

Service contracts in
40 countries

Cumulative capacity under service per country:

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

Pursuing a circular economy

To achieve full sustainability of our products, developing a circular economy has become increasingly important and urgent for the wind power industry. To date, most materials are managed in a linear process; they are extracted from the environment, manufactured into a product, then discarded to be landfilled or incinerated. Within a circular economy, materials are kept in circulation, with a focus on reuse, repair, and refurbishment, thereby avoiding waste.

Turbine circularity
With the launch of our sustainability strategy in 2020, we committed to produce a zero-waste wind turbine by 2040. In 2021, we became the first renewable energy manufacturer to release a holistic plan for a circular wind turbine. A turbine capable of decarbonising global energy demand without using virgin materials. In design, the roadmap raised the ambition level by adding commitments to increase material efficiency by 90 percent, achieve 100 percent rotor recyclability, and reduce supply chain waste by 50 percent, all by 2030. Furthermore, across our operations we are expanding efforts to refurbish and reuse turbine components, while regionalising our repair and refurbishment infrastructure where possible.

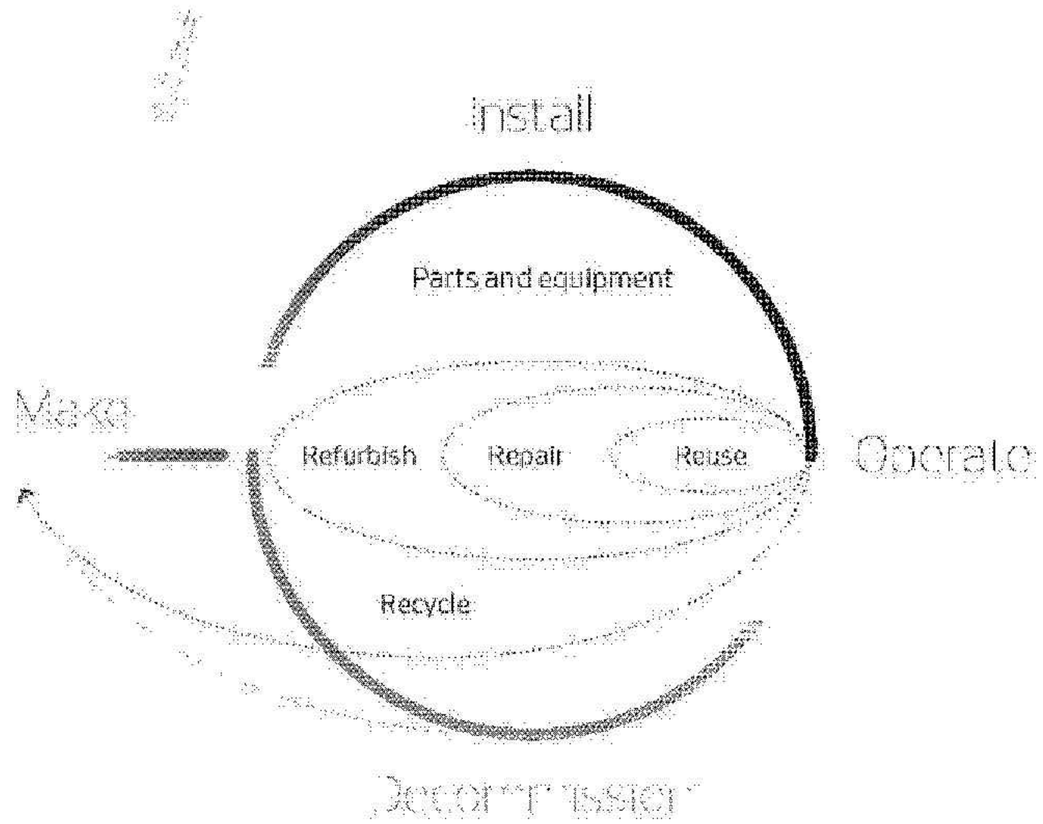
In support of these goals, in 2021 we:
- Increased our material efficiency by 20 percent compared to 2020
- Worked with our partners to develop a recyclable resin, beginning the process of creating the first truly circular blade through our CETEC project
- Mobilised our supply chain to collect waste data from the products we purchase
- Achieved a major component utilisation rate of 65 percent
- Piloted projects in our US factories to move away from landfilling

However, these initiatives are just the beginning of our journey towards full circularity. For a comprehensive breakdown of our roadmap and targets for circularity, see our Sustainability Report 2021, pages 19-21.

Our plan for circularity is a significant opportunity for Vestas to reduce the cost of wasted materials, create a desirable and sustainable product, and address one of the major challenges facing the wind power industry – end-of-life waste from turbines. Some countries, notably France and the Netherlands, took early steps in 2021 to codify circular economy principles into law. Our customers have also begun to introduce circularity metrics into their calculations for cost of energy.

An industry-wide calling
For circular solutions to be commercially more attractive, fostering strong collaborations across the industry will be key. During 2021, Vestas started to engage with partners across the value chain to build out a shared circularity infrastructure for wind turbine components. In the short term, the focus is on shared facilities to recycle legacy blades cost-effectively, and on the development of localised recycling infrastructures.

As part of our overall sustainability strategy, "Sustainability in everything we do", producing zero-waste wind turbines by 2040 is one of our four strategic sustainability commitments, which address the areas where we have deemed that we can have the most impact as a company. The full overview of these commitments, as well as our concrete targets and performance in 2021 for each, can be found on the following page.



Circularity roadmap*
The roadmap outlines circularity pathways for Vestas' entire value chain by setting new targets across three key areas: design, operations, and material recovery.

Design for circularity
- Technically and commercially fully recyclable blades by 2030
- 90 percent increase in material efficiency by 2030
- 50 percent reduction in supply chain waste by 2030

Operational circularity
- 55 percent total refurbished component utilisation

Material recovery
- <1 percent of manufacturing waste landfilled by 2030
- >94 percent of manufacturing waste recycled by 2030

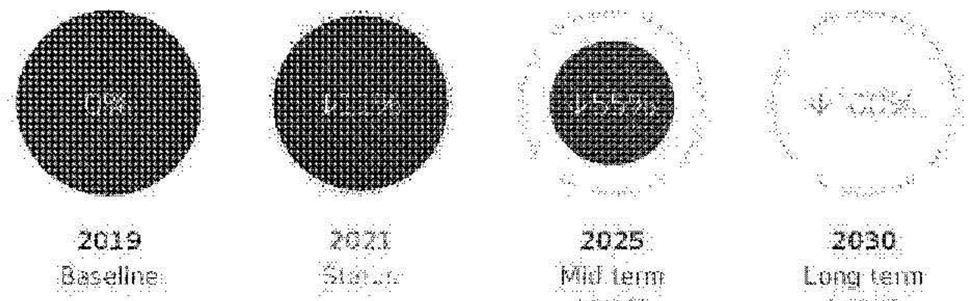
* [illegible]

Our sustainability commitments and results

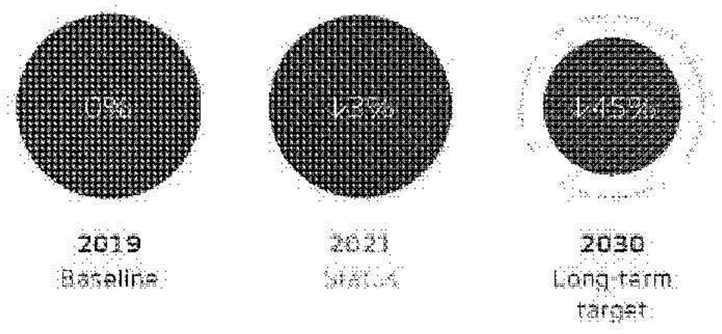
Continuously leading the transition towards a world powered by renewable energy

Carbon neutrality by 2030*

Initiative: Reduce absolute carbon emissions in own operations (scope 1 and 2) without using any carbon offsets.**
KPI: Percent reduction CO_2e



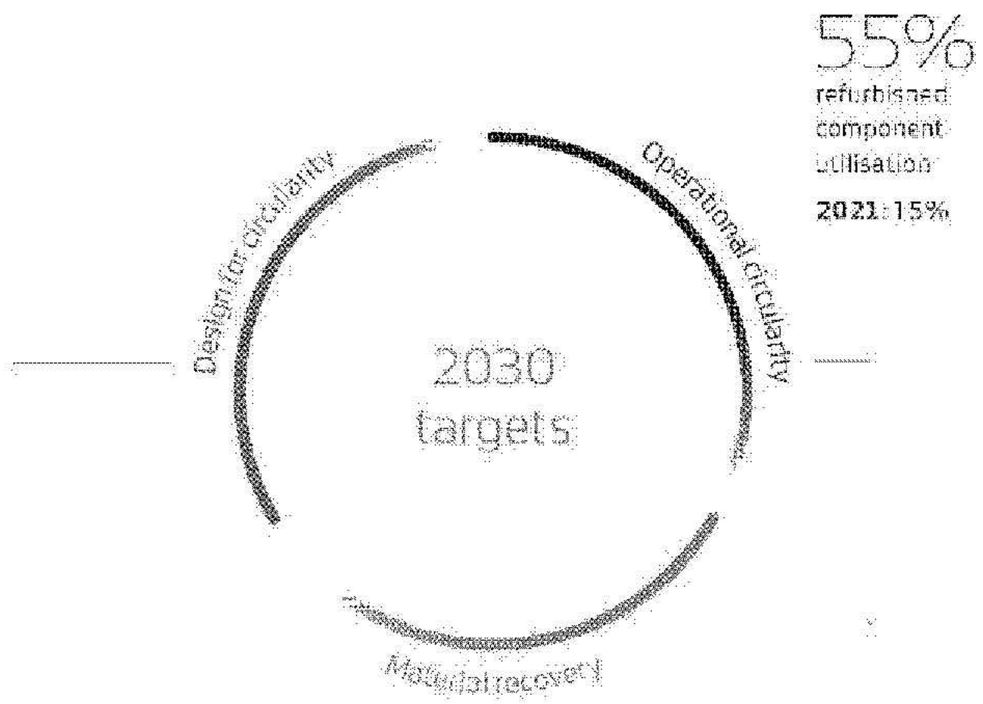
Initiative: Reduce carbon emissions in the supply chain (scope 3) per MWh generated.**
KPI: Percent reduction CO_2e per MWh



* Scope 1 and 2 emissions for 2019 and 2021 have been verified by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PwC). See the assurance statement on page 152.
** Vestas applies the definitions of the Greenhouse Gas Protocol (GHG Protocol) when calculating its carbon footprint. Vestas' carbon footprint is calculated using the GHG Protocol's operational control approach. Vestas' carbon footprint is calculated using the GHG Protocol's operational control approach. Vestas' carbon footprint is calculated using the GHG Protocol's operational control approach.

Zero-waste wind turbines by 2040

Initiative: Increase circularity of wind turbine components.
KPI: Multiple KPIs, see below. Where nothing else is stated, baseline year is 2020.



↑90%
increase in material efficiency
2021, Baseline year

↓50%
reduction in supply chain waste
2021, Baseline year

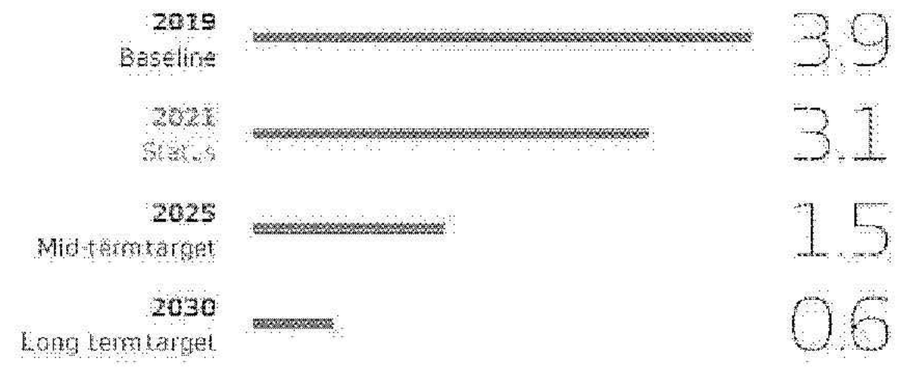
<1%
of waste landfilled
2021: 15%

100%
commercial rotor recyclability
2021: <2%

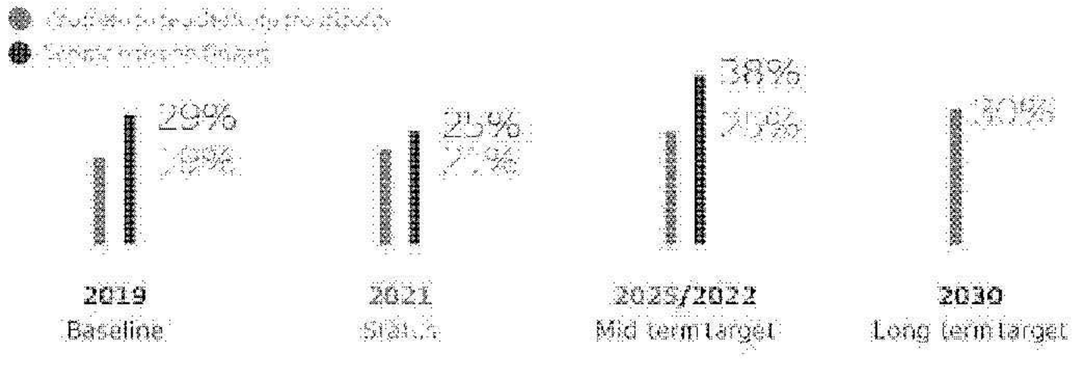
>94%
of materials recycled
2021: 90%

Socially responsible*

Initiative: Reduce Total Recordable Injuries.
KPI: Total Recordable Injury Rate



Initiative: Increase the share of women in leadership positions and in the Board.
KPI: Percentage of women in leadership positions and in the Board



Initiative: Create long-term value and engagement in local communities.
KPI: Number of beneficiaries through community engagement initiatives since 2019. Long-term target: **35,000 in 2025**.
Cumulative number of beneficiaries by the end of 2021: **29,099**.



In focus:
Full speed ahead to achieve zero-waste wind turbines

The future of blades: spearheading circularity technologies

When we launched our global sustainability strategy, "Sustainability in everything we do" we committed to building zero-waste wind turbines, including a fully recyclable product by 2040. In October 2021, we revealed a more specific circularity roadmap, including key targets in the areas of design, operations, and material recovery. Through these ambitions, we are setting a new benchmark for circularity and waste reduction within the wind power industry.

In the area of design, our roadmap builds on the existing sustainability strategy by adding commitments to increase material efficiency and reduce supply chain waste. Furthermore, it also includes plans to accelerate our rotor recyclability target, with the goal of reaching 100 percent rotor recyclability by 2030.

To achieve this target, we are working on several strategic initiatives – one of which is the blade circularity project known as CETEC (Circular Economy for Thermosets Epoxy Composites), spearheaded by Vestas in partnership with the Danish Technological Institute, Aarhus University, Olin, and the Innovation Fund Denmark.

Rotor revolution

Today, Vestas wind turbines are 85–90 percent recyclable. However, our wind turbine rotors consist of a relatively large amount of non-recyclable composite materials, primarily glass fibres and epoxy

adhesives. As Simon Frølich, Team Manager, PhD, at the Danish Technological Institute, explains:

"The key characteristic of composite materials is their unique combination of low weight and high strength. This is governed by the strong bonding of two different materials – fibre and epoxy. The dilemma is that this strong bond is also the feature that renders these materials difficult to recycle."

Launched in May 2021, the CETEC project addresses the issue of dissolving the strong bond between fibre and epoxy when the blades reach their end of life. It also strives for full circularity by recycling old blade materials back into the production of new blades.

Currently, there are very few recycling pathways for epoxy resin which do not downcycle the material. Uniquely, CETEC technology converts epoxy into chemical compounds that can be reused to manufacture new turbine blades.

> "It's crucial to ensure our industry can scale sustainably, which includes minimising our environmental footprint."
>
> Mie Elholm Birkbak, Materials Specialist, Vestas Innovation and Concepts

Game-changing technology

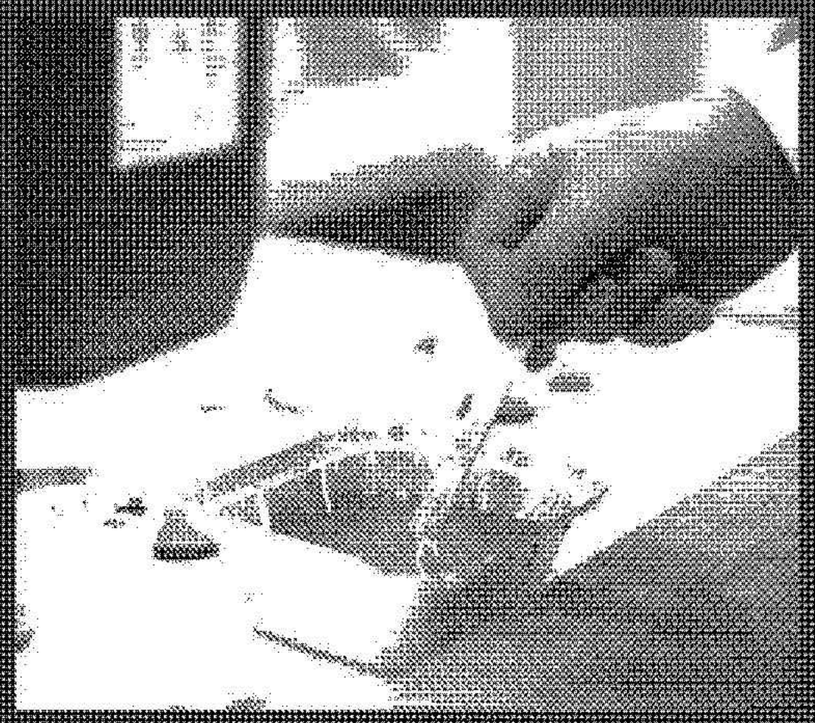
To achieve material circularity, the three-year project leverages existing technologies for the recycling of fibre components. Simultaneously, it introduces new innovations to address the lack of available recycling options for epoxy resins.

"The novel technology behind CETEC focuses on disassembling blade composites into fibre and epoxy. Then, in a process known as 'chemcycling', the epoxy is further broken down into its base components, which have identical properties to virgin epoxy, enabling their use in new blade production. This innovation will help the industry minimise consumption of virgin material resources and increase the reuse and recycling of materials," says Leif Ole Meyer, TS&D Leader EMEAI at Olin.

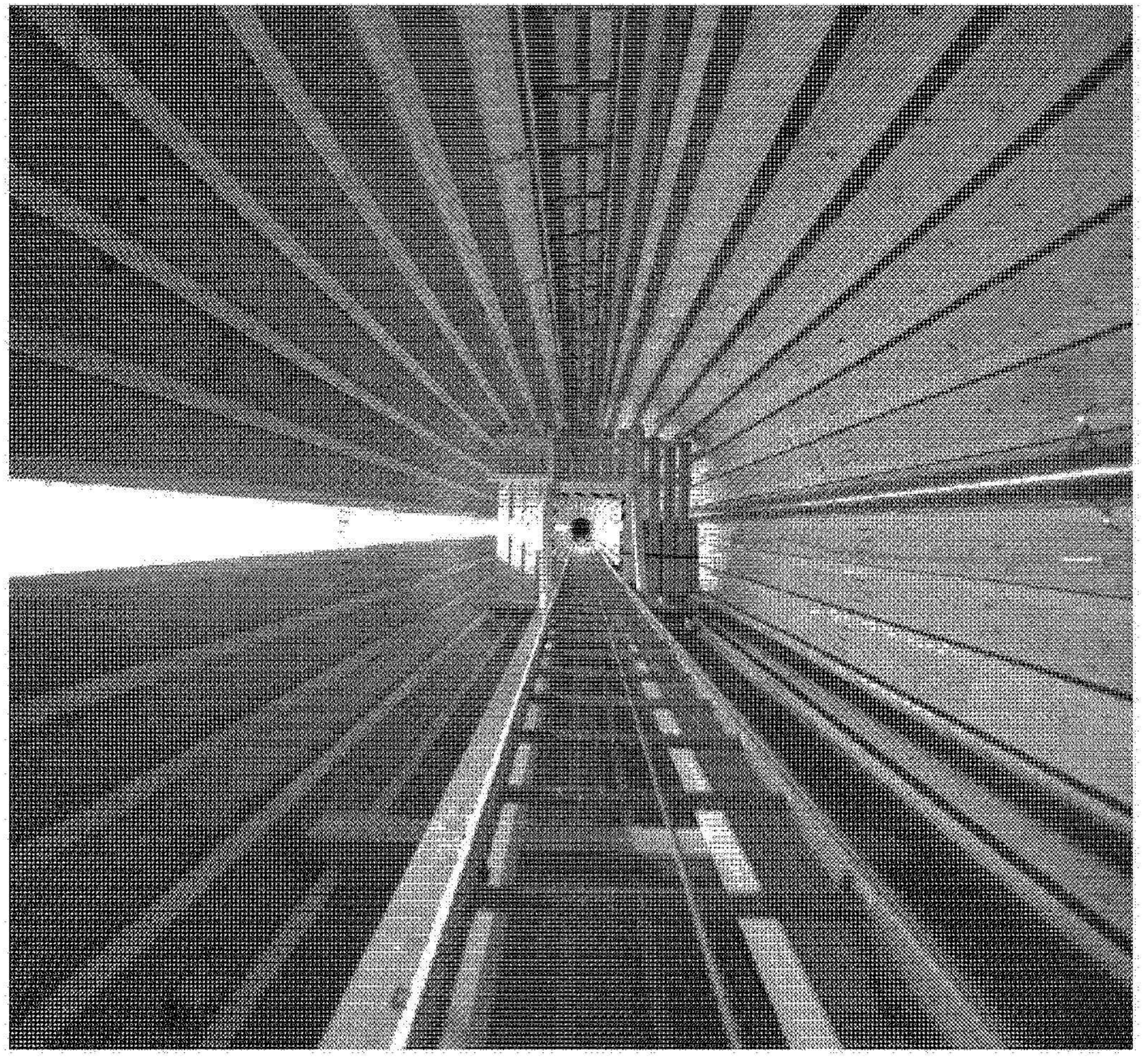
Once matured, CETEC technology will be a game changer, supporting a fully circular wind turbine value chain. In this way, CETEC will help us reach our zero-waste wind turbine targets as we strive to embed sustainability across Vestas and the wider industry. As Mie Elholm Birkbak, Materials Specialist, Vestas Innovation and Concepts, concludes:

"The technology developed in CETEC allows us to transform composite waste into a valuable resource. With its holistic recycling approach combining technological and commercial developments, CETEC will not only enable us to reach our goal of producing sustainable energy without waste, but will also position the wind industry as a front runner in the race towards a circular economy. And these efforts will pave the way for other industries to follow."





Venturing into sustainable investments



←
View from inside the first Modvion™ wooden prototype tower. The 30 meter towers installed in the archipelago by Gothenburg, eg. Sweden.

In 2020, we established a corporate venture capital arm within Vestas, called Vestas Ventures. The purpose of Vestas Ventures is to accelerate the deployment of sustainable energy and the electrification of societies, and to unlock new growth opportunities through relevant investments.

In February 2021, Vestas Ventures made its first investment in the Swedish wood technology company, Modvion™, to become minority shareholder. Later, in August 2021, Vestas Ventures invested in the unique Salamander Quick Lift Crane Technology, becoming the minority investor in Swedish S&L Access Systems, a subsidiary of Stena AB.

Through both investments, we underlined our commitment to reducing our carbon footprint across the supply chain and accelerating the green energy transition. Looking ahead, we aim to strengthen our ability to support customers in their sustainability journey, while continuing to offer cost-competitive solutions.

Bringing the forest into the turbine
Modvion's™ wooden towers, made from a bio-composite and sustainably sourced material, can potentially lead to a significant reduction in CO_2 emissions, compared to conventional steel towers. With their modular design, Modvion's™ towers align well with our modular approach to product architecture and allows for ease of transportation. Modvion™ expects to install its first commercial demonstrator during 2022.

A smarter way to lift
The ambition behind the investment in the Salamander Quick Lift Crane Technology is to develop a crane technology suitable for the installation and maintenance of any turbine type. It enables heavy lifts on hub heights well beyond 200 meters, with reduced wind sensitivity for up-tower works. The innovative top crane technology can drive significant savings in CO_2 emissions and costs when compared to conventional cranes. Further operational advantages include improved transportability, with a 75 percent reduction in the number of trucks required; faster installation; increased safety; and faster relocation and decommissioning.

Our people



↑ 47.09%

Employee engagement index

Building an inclusive and winning culture

Vestas is shaped by a passion to make the world a better place and to contribute to a sustainable future. Our more than 29,000 passionate employees are the foundation upon which our achievements are built. Vestas' culture is anchored in more than 40 years of sustainable leadership and pioneering, which our employees showcase every day as they drive the energy transition forward and help Vestas sustain its leading position in sustainable energy. As we continue to accelerate the deployment of renewables and make Vestas the global leader in sustainable energy solutions, we seek to constantly develop and sustain a winning culture that allows everyone to thrive and reach their full potential.

From a People & Culture perspective, 2021 was characterised by welcoming our colleagues from the offshore business into the organisation, implementing our new organisational blueprint, making sure we have the right employee communication and feedback channels, continuing our efforts to increase diversity, and strengthening and unifying our leadership across the company.

> We are building a company where every individual can fulfil their potential no matter where they work or which role they perform.
>
> Henrik Andersen – Group President & CEO

Offshore integration – one Vestas family

We started 2021 embedding One Team Vestas, our new organisational setup, as we welcomed our newly acquired offshore business to Vestas. The integration of offshore called for us to align our operations and streamline our regional structures, paving the way for future global growth. To exploit the synergies in onshore and offshore, the offshore activities have been incorporated into the existing business. First and foremost, this creates great upsides for our customers, who will from now on be met by the same business partner in sustainable energy solutions, regardless of whether their needs of wind turbines or service are for an offshore or onshore wind park, but also internally whether in the design process, in operations or procurement.

As part of this process, on 1 February 2021, we welcomed more than 3,000 new colleagues into the Vestas family, mostly in the Northern & Central Europe Region. Nine months later, full system and process integration, including People & Culture system integration, was complete.

While the merger makes sense from a business perspective, the integration process was no simple undertaking. Many employees acquired new roles, new teams, and new colleagues. New systems and procedures had to be learned. To ensure we achieve our One Team Vestas ambitions, we will continue to focus on the cultural aspects of the integration throughout 2022.

One Vestas, one communication

An inclusive culture means reaching all our employees through open, effective, and transparent communication. Our factory employees represent one-third of our workforce and are an essential part of our journey to becoming the global leader in sustainable energy solutions.



In 2021, we therefore focused on improving communication with this group of employees and giving them real-time updates, putting them on an equal footing with employees who have PC access.

In October 2021, we launched our new internal mobile communications app, MyVestas, to our frontline employees in two factories: Ringkøbing in Denmark, and Daimiel in Spain. MyVestas provides employees with news updates relevant to their job function or location. It is an example of how we are working to unite the organisation across departments and geographies. In the coming years we will expand the app to all Vestas locations.



↑
Utilising augmented and virtual reality in training allows Service technicians to be trained and upskilled that especially during the ongoing pandemic, ensures their fleets are trained and upskilled as needed. This form of training is a supplement to other training.

Building a diverse organisation
To build a truly global and inclusive culture, we aim to ensure the organisation has the right people in the right positions at the right time. In doing so, we set clear expectations for our key roles and strategic capabilities, making it possible to match current and potential talent with our business needs and long-term outlook.

Vestas has committed to reach 25 percent female representation in leadership positions by 2025 and 30 percent by 2030. As part of our overall strategic priority to increase diversity in general and the share of female leaders specifically, we have in 2021 continued the focus on initiatives such as systematic, software-aided elimination of bias from job ads and training recruiters in unconscious bias. At the end of 2021, 15.0 percent of Vestas' employees were women, and the share of women in leadership positions increased from 19 to 21 percent.[1]

To embed inclusive leadership across our internal talent population, in 2021 we dedicated an entire module in our Rising Executives talent programme to Inclusive Leadership. Programme participants also learned about how to unleash the benefits of diverse teams.

In addition, to understand why turnover rates for women in leadership positions are high, and to gain insight into how to improve their retention, in 2020 and 2021 we interviewed female leaders who had decided to leave the company. In 2022, we will convert these learnings into action and pilot initiatives to improve the employee experience across Vestas, regardless of background and gender.

Investing in leadership
When pursuing ambitious goals it is key to have the right leaders and leadership culture in the organisation. This goes beyond mere talent acquisition, and touches on more intangible aspect such as the values we live by and the energy, team spirit and drive that make us all a unity working for the same goals. One of the initiatives we introduced in 2021 to this end was the Vestas Leadership Forum (VLF), which gathered our most senior leaders across functions and locations to unite in conversations and development. It is also an opportunity to strengthen leadership commitment to building an even stronger and better Vestas together.

A two-day event designed to benefit all of Vestas by providing new inputs, ideas, and leadership skills to be shared across the entire value chain, the VLF is a catalyst for companywide leadership engagement and commitment to improving how we work and win together as one team. Apart from inspiring and connecting leaders from all parts of the organisation, the event also worked as leadership lab for both current and future leaders.

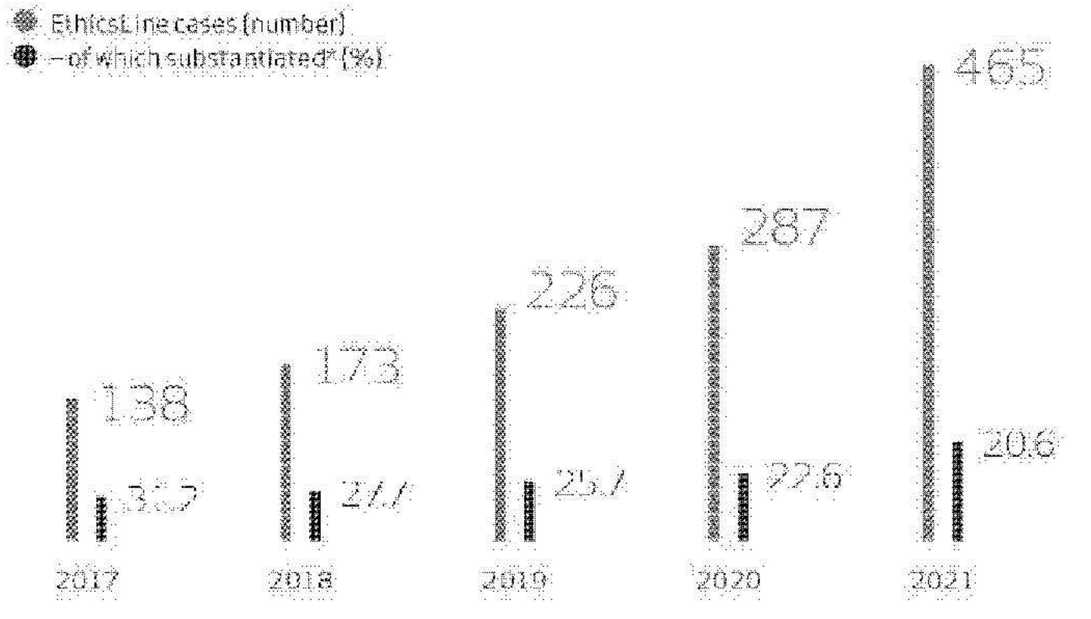
The theme for the 2021 VLF was 'One Winning Team'. The forum itself comprised strategic briefings and inspiring presentations on key topics, such as customer partnerships, servicing our future, efficient scalability, future technology and leading with a global and inclusive mindset. Our leaders are the drivers of performance and engagement. To support the high energy levels needed to fuel our growth journey, we will roll out the forum on an annual basis going forward.

> "We are building on a Vestas DNA from four decades and we will combine the best to build on what is required for the decades to come – perspective, scalability and growth to the benefit of the individual, Vestas and our stakeholders.
>
> Kerstin Knapp – Executive Vice President & CPCO

EthicsLine: Our whistleblower platform
Vestas is committed to providing a safe environment in which our employees can speak up if they witness misconduct. If employees or business partners see or suspect behaviour that violates our Code of Conduct, we depend on them to report it to EthicsLine, the Vestas whistleblower platform. Even if employees are not sure about what they have witnessed or question the strength of their evidence, we encourage them to share what information they have with EthicsLine.

In mid-2020, we introduced a new EthicsLine platform, including a new user interface, which has made it very easy to access the system and report a potential issue. This improvement, together with a strong, global communication and awareness campaign, and the launch in 2021 of our updated Employee Code of Conduct, has greatly increased awareness, both of what is considered non-compliant, as well as of how to raise a case on a very practical level.

Development in EthicsLine cases and substantiation rate



The total number of cases raised in 2021 was 465, an increase of 62 percent compared to the year before. Of these cases, 96 were substantiated at the end of the year, leading to various disciplinary actions, including 38 warnings and 45 dismissals. We perceive the increase in EthicsLine reports as a positive sign that our awareness campaigns and user interface improvements have been successful, and that employees and partners are comfortable speaking up and reporting non-compliant behaviour, knowing that this can be done anonymously and without fear of repercussion.

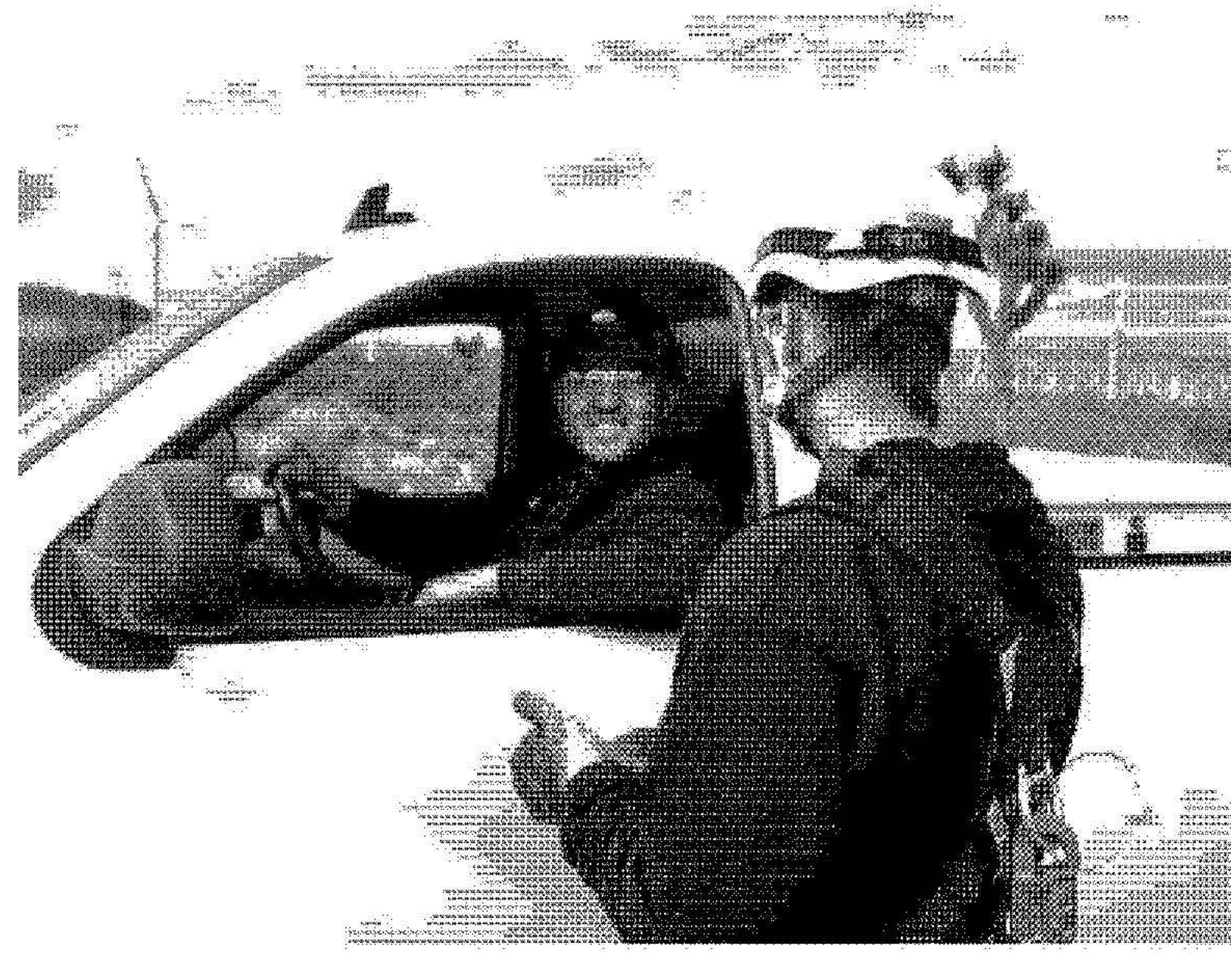
Continuous listening, continuous actions
In 2021, we continued to listen to our employees through our Employee Engagement Survey. With its frequency now doubled and its setup more interactive, the survey provides a stronger mechanism for engagement and feedback than ever before. Moreover, in addition to the now bi-annual engagement surveys, we use quarterly pulse surveys, with short feedback loops, to focus on themes of specific relevance throughout the year. These developments are helping us to make Vestas an even better place to work.

Due to the changes we have made to both the composition and delivery of our Employee Engagement Survey, we cannot directly compare scores with previous years. In the third quarter of 2021, our survey achieved a strong response rate of 87 percent, a 2 percent increase from the first quarter. We reached an overall satisfaction score (eSat) of 73, and our score on collaboration, one of Vestas' four core values, is on par with the global top 20 percent benchmark.

The survey results on employee engagement and satisfaction are shared with and discussed by both the Executive Management team and the Board.

Power the Solution – Vestas' Employer Value Proposition
Becoming the leader in sustainable energy solutions depends upon our ability to attract, develop, and retain the best talent. To support this goal, in the third quarter of 2021 we launched the Vestas Employer Value Proposition (EVP). Building on input from more than 7,800 colleagues, the EVP sets aspirations and will support our journey to become the employer of choice in the energy industry by 2023.

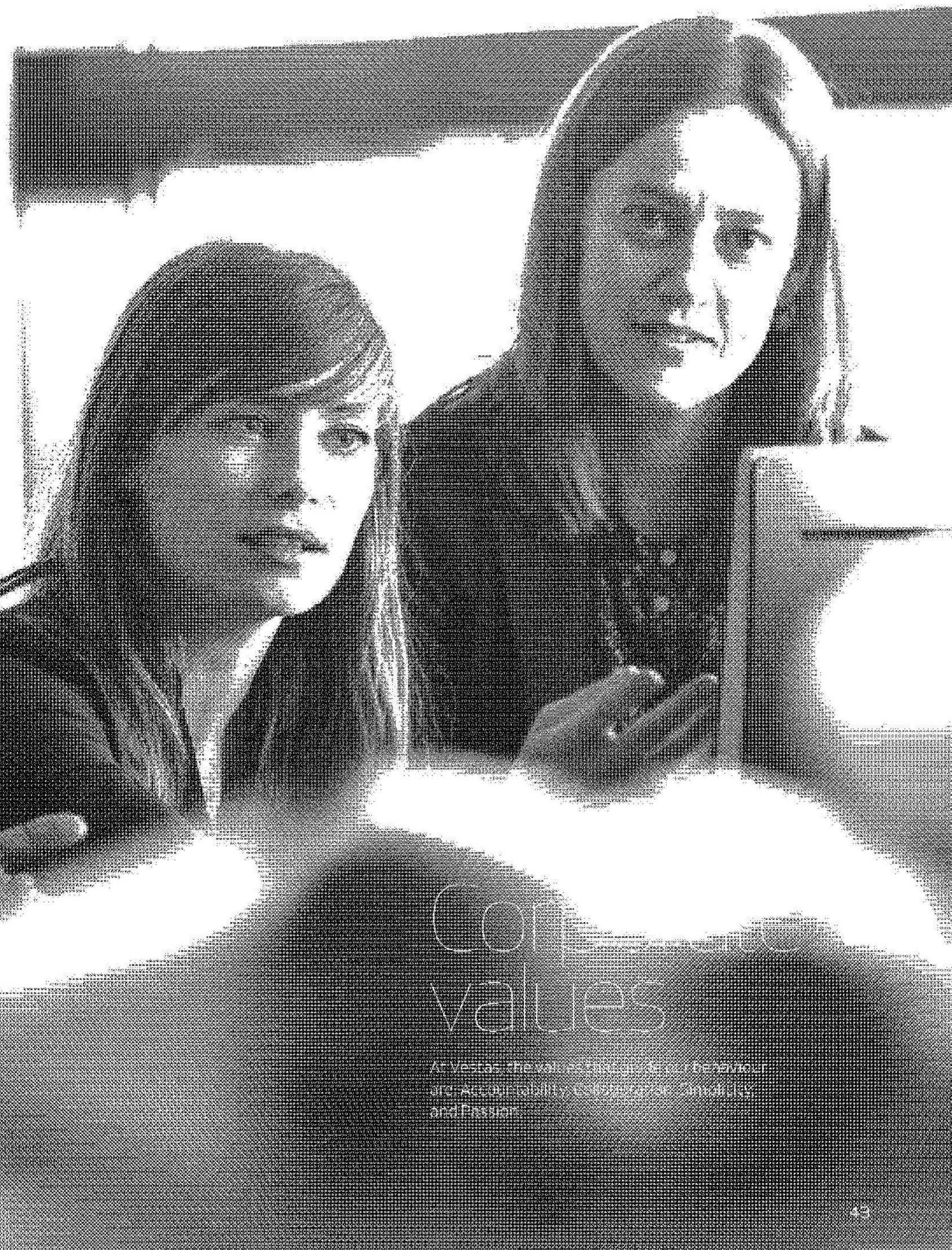
As part of this process, we developed an EVP toolbox and tone-of-voice to define and articulate exactly what makes Vestas an attractive place to work, and to help us attract and retain the diverse workforce we need. Following the successful launch of the EVP, our focus in 2022 will be to develop and anchor our value proposition narrative across the regions.



→
Tariq Islam is one of the 9,000 Vestas technicians who service, retrofit and overhaul wind farms – always in teams.

Governance

- Risk management
- Corporate governance
- A sustainable investment



core values

At Vestas are values are: Passion, Innovation, Accountability, Collaboration, Ambition and Respect

Our main risks identified in 2021

As a multinational company and global leader in wind power, Vestas is exposed to a variety of risks in its daily business. In order for us to protect and create shareholder value and achieve our strategic objectives, we must manage the broad spectrum of risks that we face. These include operational risks relating to the design and manufacturing of wind turbines, execution risks relating to the transportation, installation and servicing of wind turbines, and risks of a macro-economic and regulatory nature. We strive to ensure that such risks are understood, monitored, and managed with a view to minimising any negative impact on our strategic and financial ambitions.

Risk management is an integral part of the decision-making process at Vestas and is supported by our corporate Enterprise Risk Management (ERM) framework. The ERM framework provides a holistic and transparent view of Vestas' strategic and operational risk position, with the aim of continuously assessing and adjusting the company's risk exposure.

It is important to note that ERM is not only about preventing and containing individual operational and commercial risks and challenges. It is also about communication and establishing the necessary foundations for business decisions, including balancing risk and opportunity appropriately.

Governance

At Vestas, risk management is the responsibility of everyone. All parts of the organisation engage in risk management daily. We work systematically with risks, including climate risks, and we follow a plan for the year known as 'the ERM annual wheel'. According to this plan, each region, corporate function, and selected support functions identify, assess, prioritise, and report on relevant risks on a regular basis in line with the ERM framework.

We identify and assess risks using our Group Risk Criteria based on probability and impact. The potential impact can be either financial and/or non-financial – i.e. reputational, environmental, regulatory, or related to climate or safety. Conceptually, risks may be considered enterprise risks if the combination of probability and impact scores are proportionally high or very high.

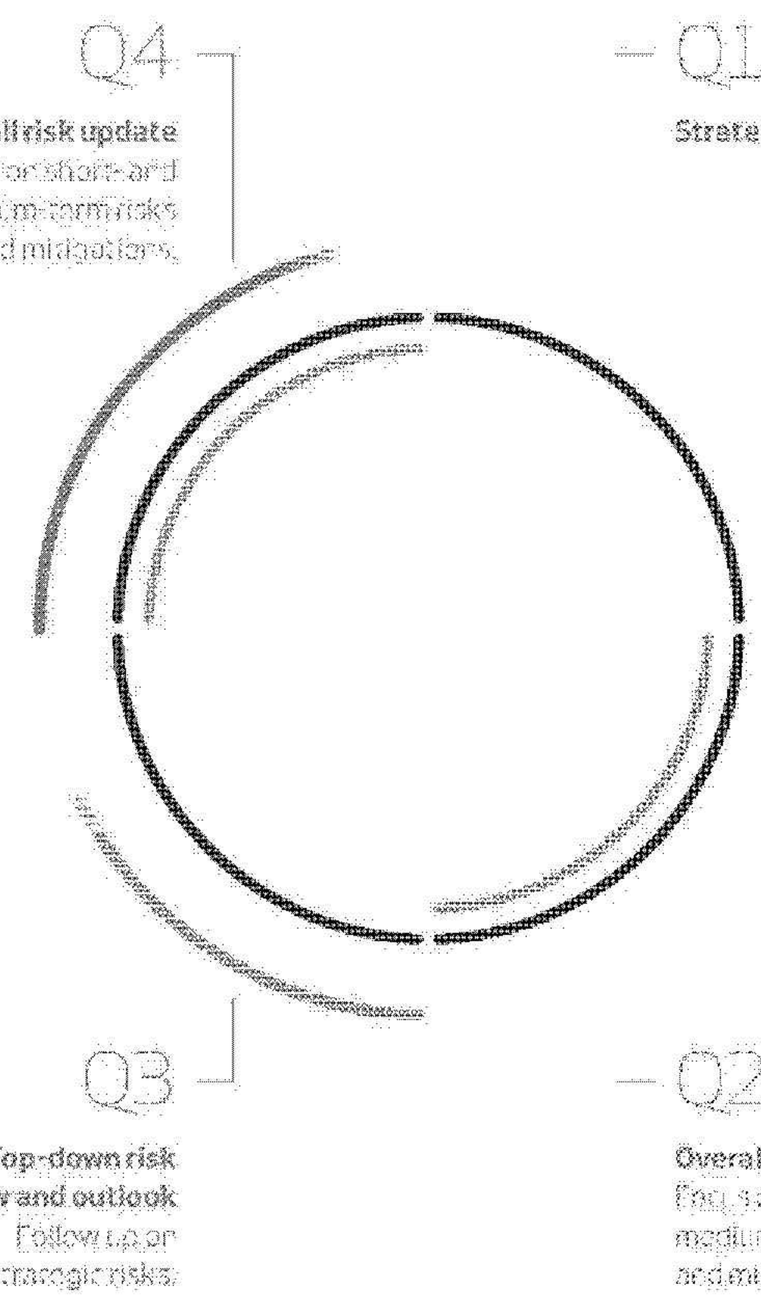
The identified risks are mapped as either being short term, medium term, or strategic, as follows:

- Short-term risks typically have financial impact within the current year and therefore often relate to execution and single events.
- Medium-term risks have a time horizon of one-to-three years and are often characterised as emerging risks.
- Strategic risks are linked to the execution of our strategy and are defined as future uncertainties – internal as well as external – that have the potential to significantly impact our ability to achieve our long-term vision.

The identified risks are reported to, consolidated, and reviewed by Global Risk Management and the key enterprise risks are then presented to and discussed by the Risk Committee, always with the aim of driving understanding and improvements across the organisation. The Risk Committee consists of all the members of the Executive Management team, with the exception of the Group President & CEO, and is chaired by the Executive Vice President & CFO. Twice a year, the risks are reported to the Audit Committee as well as the Board. The illustration shows the frequency of the Risk Committee meetings and higher-level reporting on ERM at Vestas.

Enterprise Risk Management annual wheel

Risk Committee
Audit Committee
Board of Directors



Risk	Rating	Trend
Operating in complex markets	●	↓
Protectionism and trade barriers	●	→
Supply chain disruption	●	↑
Fast product cycles	●	→
Cyber risks	●	→
People risks*		↑

*New risk category identified in 2021.

Risk rating
● Very high
● High
Medium
Low

Trend
↑ Increasing
→ Unchanged
↓ Decreasing

In accordance with the ERM annual wheel, in the first quarter of 2021 we conducted a strategic risk review, engaging all parts of the organisation.

Main risks
The six key risks for Vestas identified in 2021, based on their potential impact and probability, are shown in the illustration to the left. The risk rating follows the risk levels determined through the application of the Vestas Risk Matrix. The trend arrows reflect the expected direction for each risk.

A description of each risk, its impact, and the current mitigation actions are described on the next page.

Climate risks
Transparency around sustainability is essential in order to maintain the trust of our external stakeholders. Furthermore, there is a growing demand among investors and political decision makers for greater transparency regarding climate risks and how they are managed.

Like other responsible companies, we are looking into the risks and opportunities that will arise from climate change and have integrated climate change scenarios into our risk management processes. Climate-related risks and opportunities are addressed as an integral part of our daily business, as they are directly linked to our business model and strategy. Our processes for identifying and assessing climate-related risks follow the same procedures as for any other risks, see the Governance section on page 43 for more information.

We use the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) as the framework for our disclosure of climate-related financial risks. Our work to introduce the recommendations of the TCFD continued during the year, and annually we disclose our climate-related risks and opportunities through the CDP. We have included an overview which explains where relevant information can be found, see page 141.

In 2021, we did not define any climate-related risks among our principal risks. However, such risks are continuously monitored and evaluated by the Risk Committee, the board committees, and the Board.

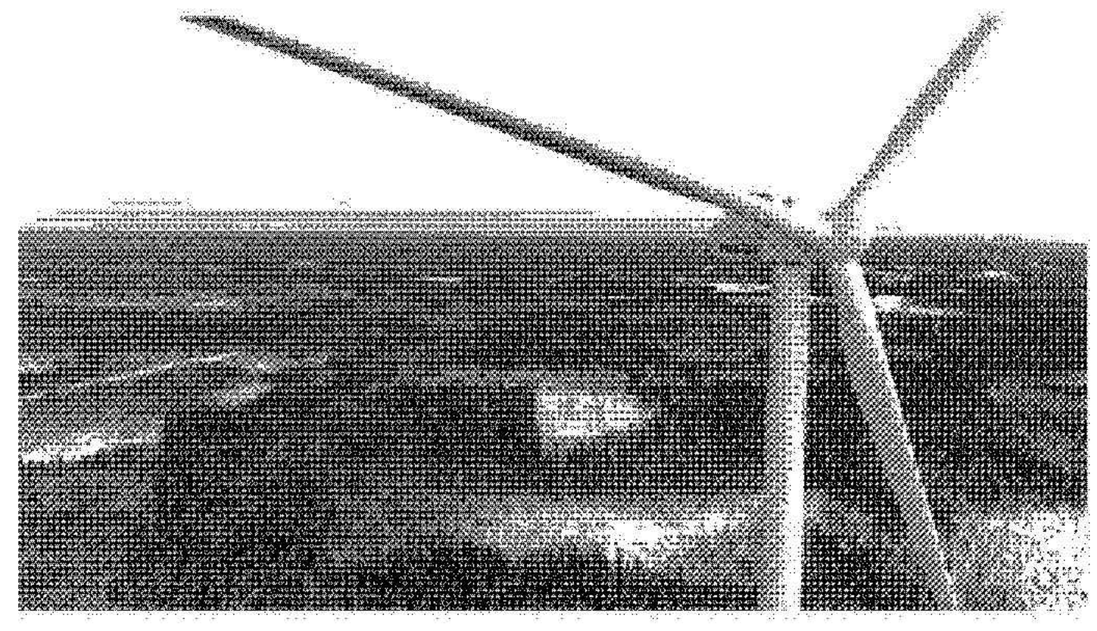
Financial risks
Financial risks, including risks related to currency, interest rates, tax, credit, and commodity exposures, are addressed in the notes to the Consolidated financial statements, see an overview on page 66.

2021 in a resilience perspective
The COVID-19 pandemic has heightened the importance of our ability to manage a crisis and use the learnings to become a stronger and more resilient organisation. 2021 brought continued challenges primarily rooted in the COVID-19 pandemic but also influenced by other extraordinary events.

Logistical challenges continued to cause increasing supply chain instability which has required continuous focus, redirection of goods and materials as well as forward looking scenario assessments in order to mitigate the significant implications and hereunder delays and increased cost. This demanded us to turn crisis management into an operational risk management alongside dealing with other operational risks, including those threatening the safety of our employees.

In November 2021, we experienced a cyber security incident, in which cyber criminals succeeded to deploy what is known as ransomware to internal IT systems, and managed to perform a partial exfiltration of mainly internal data. This incident activated our Global Crisis Management response, and internal specialists together with external specialists achieved containment, eradication, and restoration of the IT systems affected. After the incident, we have engaged with customers, stakeholders, and relevant authorities to present known facts regarding the impact and the data exfiltration. Continuous focus on maintaining and improving cyber security remains of utmost importance for Vestas, and the learnings from the 2021 incident are utilised in increasing Vestas' resilience, including in dealing with attacks from cyber criminals.

1 The Danish Energy Agency, Energinet, Annual Report 2021, available at www.ens.dk/en/about-us/publications



	Operating in complex markets	Protectionism and trade barriers	Supply chain disruption	Fast product cycles	Cyber risks	People risks
Risk & impact	Vestas operates and/or explores business opportunities on all continents. Around the world, many markets have complex characteristics, adversely different to the more mature markets in Europe and the USA. Developing wind projects and delivering of the expanded project scopes with multiple subcontractors is highly complex, with various potential risk impacts. Such risk impacts include security challenges, impacts on local communities, and corruption. There is also the risk of breach or theft of intellectual property rights, leading to financial impacts and limitations on our freedom to operate. Other potential risks include exposure to currency fluctuations and local currency restrictions and controls, as well as general project delay risks leading to liquidated damages.	Local content requirements and other trade protectionist measures, such as the imposition of tariffs and duties on traded goods and commodities continued to create barriers to global trade in 2021. This situation, which is expected to continue into 2022 and beyond, leads to reduced supply chain flexibility and additional procurement and transportation costs. The imposition of sanctions and export controls also affects our ability to plan a cost efficient supply chain in certain regions.	Vestas manufactures, delivers, and installs significant volumes of wind turbines. A significant proportion of deliveries and installations takes place in the second half of the year. This makes us vulnerable to general supply chain disruptions and constraints, such as port congestions, shortages in the transportation sector and installation infrastructure, as well adverse weather conditions. COVID-19 continues to impose added logistical challenges. Disruptions to Vestas's supply chain and shortage of goods lead to increased procurement costs and potential delivery delays at project level. Furthermore, price fluctuations and increases in raw material, component, transport, and installation costs impact our ability to achieve budgeted profitability.	The competitive landscape drives wind turbine manufacturers towards fast-paced development and the launch of new technology and products. The rapid pace of innovation has in recent years allowed for a significant reduction in the Levelised Cost of Energy (LCoE) for wind-generated power. Short product life cycles, early market introductions and faster time to market challenge the wind power industry's ability to achieve a profitable scale of new products. This can lead to quality and execution issues, which in turn can create reputational impacts as well as direct cost impacts.	Our dependence on our commercial, technical, and operational IT infrastructure is significant. A cyber security event, whether caused by malicious hacking activities, unintentional human error, or system failure, can have significant direct and indirect impacts on our operations and our customers' operations. Such impacts can include theft of intellectual property and/or personal data, inability to meet contractual obligations, cessation or slowdown of operations, and wider brand damage and loss of business opportunities.	We operate in all regions of the world and our employees are exposed to various risks in the execution of their jobs. In a growing organisation with an expanded operational scope, the personal safety and security of our employees remains our key priority. Individual safety measures must be tailored to local circumstances, which vary across different geographies and operational tasks. By way of example, for personnel working in manufacturing plants, installing wind turbines or providing service activities, special attention to safe execution is required to avoid injuries. In 2021, COVID-19 also continued to be a health risk across the world, especially in countries with low vaccination rates and immunity. The fast transitioning towards renewables has created increased competition for talent among our suppliers, competitors and customers, including new entrants to the renewables sector.
Mitigating measures	Apply a stage gate based process to systematically evaluate project risks and adapt project offerings during contracting, construction, and servicing of projects. Focus on identifying mitigations of non-technical risks, for example through the Vestas Social Due Diligence process. Ensure strict, global compliance governance and focus, leveraging our updated Supplier and Employee Codes of Conduct (launched in 2021), as well as our trusted and efficient whistle-blower system, EthicsLine.	Monitor existing and potential local content regulations as well as trade tariffs and duties. Increase public affairs efforts. Leverage our global footprint, buying power and procurement options, while ensuring the highest possible flexibility in the value chain. Develop and maintain strong strategic supplier partnerships as a priority.	Apply contractual risk allocations and financial safeguards (e.g. indexation clauses, hedging instruments, and contingency buffers in budgets at sales project level). Exercise disciplined pricing during sales project negotiations. Maintain partnerships and longer term framework agreements as part of procurement strategy.	Facilitate shorter design and product industrialisation cycles through the modularisation of wind turbine platforms. This enables a variety of product configurations by reusing design components and value chain concepts to ensure stability, cost effectiveness and quality in the supply chain. Vestas will as the market leader continue to expand its product application range enabled via the modularisation strategy. Our comprehensive quality assurance programme enables early identification and correction of potential quality issues during the phase in to manufacturing and wind turbine delivery at project site.	To minimise the likelihood of cyber security risks, we have defined cross-organisational capabilities, including quantitative and threat-based Cyber Risk Management disciplines to identify, analyse, evaluate, and treat cyber security risks. This is monitored by our Risk Committee. We will continue to invest in a multi-year cyber security programme to provide medium- and long-term deliveries addressing local requirements in the markets where we operate, aimed at reducing the risk exposure related to cyber security incidents.	Maintain relentless tracking and reporting of recordable injuries to ensure our focus remains on continuous safety improvement across all of our operations. Ensure proactive security assessments and mitigation plans at manufacturing, construction and service sites are integrated in our operating model. Focus on safe business continuity during the COVID-19 pandemic. Conduct employee satisfaction measurements bi-annually, enabling awareness and laying the foundations for employee engagement and motivation. Support employee engagement and retention through people development programmes, with a focus on leadership as well as diversity and inclusion.

Managing our affairs transparently and effectively

Our corporate structure reflects how we, as a global and listed company, are managed to ensure Simplicity, Accountability, Passion, and Collaboration.

Our two-tier management structure provides a clear, transparent, and effective separation between the responsibilities of the Board and the Executive Management team, and between the Executive Vice Presidents and their management of the company's affairs. No one can serve as a member of both the Board and the Executive Management team.



Shareholders

Our shareholders have ultimate authority over the company. They exercise their right to make decisions at general meetings and, with a few formal requirements, are entitled to submit proposals, vote, and speak at these meetings. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require two thirds of the votes cast and capital represented, unless other adoption requirements are imposed by the Danish Companies Act.

The right of a shareholder to attend a general meeting is determined by the holding of shares at the record date. Shareholders who wish to attend a general meeting must notify Vestas no later than three days before the meeting in question. For additional information about the Vestas share, see "A sustainable investment", page 62.

In 2021, the Annual General Meeting took place in April. The minutes of the meeting and an overview of the votes cast are available on our corporate website.

The company's auditor
Each year, Vestas' annual report is audited by an independent external audit firm appointed annually by the shareholders at the Annual General Meeting. The Board maintains a regular dialogue with the auditor. However, it is the responsibility of the Audit Committee to make arrangements for the necessary exchange of information.

For the Independent Auditor's Report, and the Independent limited assurance report on the Sustainability key figures, see pages 132 and 135, respectively.

Annual General Meeting 2022

The agenda for the Annual General Meeting will be published on 4 March 2022.

Distribution of dividends will always be decided with due consideration for the Group's plans for growth, sustainable investments, and liquidity requirements.

For 2021, the parent company has posted a profit for the year of EUR 82m. The Board therefore recommends that the Annual General Meeting approves the payment of a dividend of DKK 0.37 (approx. EUR 0.05) per share.

The Board proposes that PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab be re-appointed as the company's auditor.

The Board will also propose that the Board is granted an authority to acquire treasury shares in the period until 31 December 2023 up to an aggregate of 10 percent of the company's share capital.

Leading us on our journey – the Vestas Board

It is crucial we have the right board members to lead us on our journey to become the global leader in sustainable energy solutions. We also want a Board that creates long-term value and promotes a strong company culture and values.

The Board has responsibility for the general and strategic management of the company's affairs. It must ensure proper organisation of the company's business in accordance with the Articles of Association and applicable law. This is another reason why it is essential the Board is composed of the right people with the right capabilities.

Our shareholders have decided that the company must be managed by a board composed of five to 10 members, elected by the shareholders. Shareholder-elected board members serve for a one-year term and may be re-elected.

In addition, the Board includes members elected by our employees under the relevant provisions of the Danish Companies Act, equalling half of the shareholder-elected members. They have the same rights, duties, and responsibilities as their shareholder-elected counterparts.

Board members elected by the Annual General Meeting may be recommended for election by our shareholders or by the Board. When proposing candidates for board membership, the Board aims to ensure they have the right attitude, competences, and experience.

Evaluation
Once a year, the Board evaluates its working methods, the results of its work, and the skills of its members, including whether each board member participates actively in board discussions and contributes with independent judgement. The Board brings in external consultants to support these evaluations at least once every third year.

In 2021, the Board evaluation was facilitated externally by a consultancy firm that works exclusively on board effectiveness reviews. First, a questionnaire was submitted to the participants (the members of the Board, the CEO, CFO, and the Board Secretary). Individual interviews were then conducted.



The Board
In October 2021, our Board gathered for the annual strategy seminar, which included an extensive tour of our offshore blades factory in Nakskov, Denmark.

From left: Michael Ushbjerg, Kim Hvid Thomsen, Karl Henrik Sundström, Lars Josefsson, Helle Thorning-Schmidt, Susse Dvinge, Bert Nordberg, Eva Berneke, Bruce Grant, Pia Kvorning Jensen, Anders Runevad and Kentaro Hosomi.

Overall, the evaluation revealed that the Board's operational processes are in place and the dialogue is positive, constructive, direct, and without politics. Meetings are run in a structured way and board members feel they can say what they mean. Furthermore, the Board and Executive Management trust and respect each other.

Looking back to a decade ago at the company's challenges, it is evident that the Board has succeeded in putting the company back on track and secured the needed industrialisation.

Today, the Board is well composed, well organised, and has a positive overall track record. Even though 2021 was characterised by severe cost inflation and supply chain instability following the spread of a global pandemic, the company is in good shape, with a strong position in the market and led by a Chairman who has been in his role for about 10 years. The evaluation identified focus areas to improve the Board's performance and value-add during 2022.

The Board's activities in 2021
In addition to its standard tasks, in 2021 the Board dedicated time to the following matters:

- Integrating the newly acquired offshore business into Vestas, while capturing offshore growth opportunities.
- Securing the right manufacturing footprint to support our operations.
- Enabling frequent business updates across all geographic areas, and launching a new regional organisation blueprint.
- Launching Global Development as a stand-alone business unit within Vestas.
- Reviewing IT organisation and systems, including cyber security safeguards.
- Defining the internal authority to make decisions within Vestas, including the authority to approve third-party transactions.
- Launching the new Vestas Employer Value Proposition.
- Reviewing employee feedback from the employee surveys launched in 2021.
- Reviewing customer feedback from the customer loyalty surveys launched in 2021.

The Board also defined the ambitions for sustainability at Vestas, including sustainability in our supply chain. Activities undertaken by the Board and Board Committees include:

- Reviewing our sustainability reporting, including a follow-up on diversity and underrepresented gender targets.
- Launching the new Codes of Conduct for employees and suppliers and reviewing compliance and governance requirements in general, as well as tracking EthicsLine cases in Vestas.
- Reviewing safety issues on a quarterly basis.

The Board's strategy seminar is an important part of our annual cycle. During the seminar, the Board and the Executive Management team review and align on our business outlook and strategic priorities. In 2021, the Board and Executive Management team addressed short-term execution needs and aligned on our long-term growth journey. They also engaged in the following:

- Review of current business performance priorities
- Alignment on the updated business plan 2022-2024, including Must-Win Battles
- Introduction to the offshore business at the Nakskov blade factory
- Discussions on the company's strategic direction and future growth path and priorities
- Meeting talent from within the organisation
- Recycling of blades and reducing production waste

Board committees
To benefit from individual members' competences, and to make it possible for members to dive into special topics, the Board has established three committees. Although not authorised to make independent decisions, these committees prepare reports and recommendations for the Board's approval.

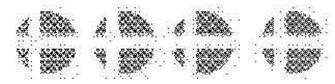
The members of these committees are elected by the Board from among its members. For additional information about the committees, see pages 54-56. Furthermore, the committees' terms of reference (charter) can be downloaded from our corporate website.

Diversity in the Board

Nationalities, end year:

Danish: **6**

Swedish: **4**



American: **1**

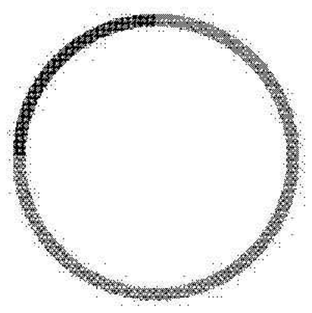


Japanese: **1**



Gender, end year:*

Women: **3**
25%

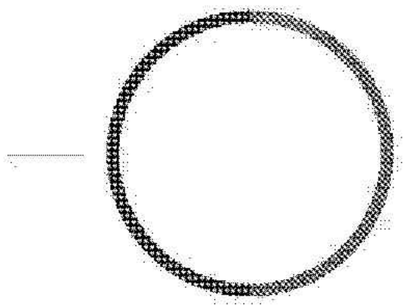


Men: **9**
75%

*Vestas considers gender diversity within the Board of Directors to be achieved when the proportion of the underrepresented gender is at least 40%.

Age, end year:

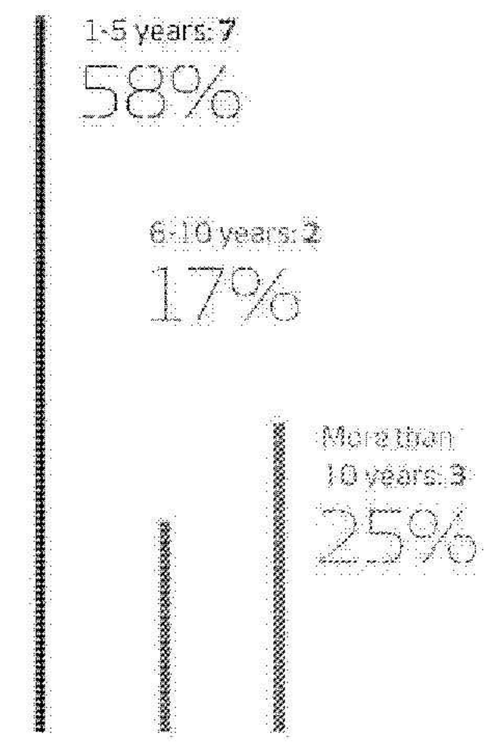
40-49 years: **1**
8%



60-69 years: **6**
50%

50-59 years: **5**
42%

Tenure, end of year:



Our day-to-day management team and operating model

The world needs a historical surge in investments in renewable energy to reach net zero by 2050. With the vision to become the global leader in sustainable energy solutions, we aim to play an instrumental role in helping the world eliminate CO_2 emissions. As the market leader in onshore wind and increasing presence across the value chain, including offshore wind and development, Vestas is well-positioned to benefit from this development and has already grown tremendously in the last 10 years. We are therefore taking steps to scale and structure our organisation efficiently to support our customers across the globe and meet current and future demand for sustainable energy solutions.

As an organisation, Vestas has done well to scale the business to its current size, but to further enhance and ensure our growth in the future, we implemented a revised global organisational blueprint in 2021, leveraging a distributed model with strong decentralised teams in the regions. The aim has been to create one, simple and globally aligned organisation that allows us to meet the growing requirements from local and global customers.

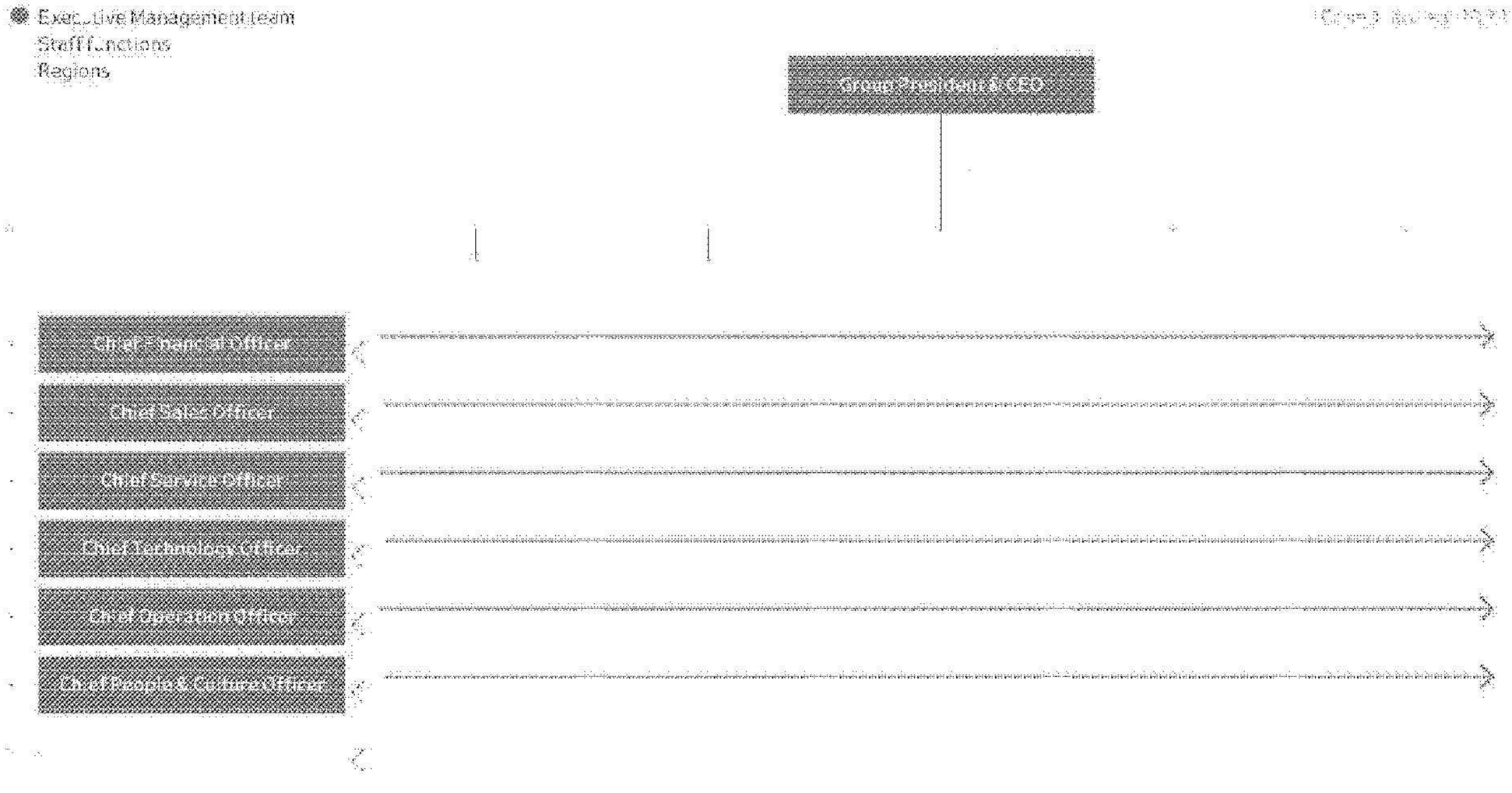
Concretely, some of the major changes entailed a full integration of offshore and project development into our operating model and an optimised as well as aligned global organisational blueprint. Furthermore, to scale efficiently and strengthen the commercial setup, we simplified Vestas' reporting setup, whereby as of June 2021 all Regional Presidents report directly to the Group President & CEO. During the year, long-term member of the Executive Management team, Juan Araluce, was succeeded by Javier Rodriguez Diez, previously President of Vestas Mediterranean, as the CSO of Sales.

On 3 November 2021, it was announced that after almost nine years as Executive Vice President & CFO of Vestas, Marika Fredriksson will be stepping down. She will officially hand over to her successor Hans Martin Smith, currently the regional CFO in Northern & Central Europe, on 1 March 2022.

The upgraded organisational structure and aligned regional blueprint seek to enable our future growth journey and build on our values of accountability, simplicity, collaboration, and passion as well as four key organising principles:

- **Leadership:** Ensure Vestas has the right organisational structure for global leadership in Onshore and Offshore wind, Service and Global Development. This entails collaborating to fully integrating Offshore and project development into our global and Regional structure to create synergies and customer centricity.
- **Scalability:** Create one aligned Regional setup that mirrors our global operating model to ensure scalability and accountability, and which enables us to benefit fully from our two-dimensional structure.
- **Simplicity:** Simplify management structures and EVP areas in Regions to strengthen execution, increase collaboration and reinforce accountability.
- **Empowerment:** Empower Regions to strengthen execution through wider value chain impact and responsibility directly towards our key customers as well as empowering succession and mobility to provide development opportunities, nurture talent, and apply passion.

Our operating model



The operating model has two dimensions:
- Applying a regional focus to implementing and living Vestas' strategy
- Securing global alignment and best practice to be shared and implemented, with a view to achieving 'one enterprise' thinking across global functions

Vestas' operating model

Vestas' organisation is structured in a two-dimensional matrix with one dimension being six global functional areas, representing the key disciplines of our company and employees, as follows: Finance, Sales, Service, Technology, Manufacturing & Global Procurement, and People & Culture. These six areas are headed by members of the Executive Management team, who ensure Vestas' all-round operational and organisational performance.

In 2021, an addition to the global functional areas was created with the new Global Development business unit being fully scaled and integrated into both our global and Regional operating model.

The Regions represent the other dimension, and following the organisational blueprint alignment in 2021, these include a simpler but more empowered Regional organisation with a management team consisting of the key business areas Sales, Construction, Service, Global Development, and Strategy & MarCom as well as a support structure consisting of a Regional CFO, a Regional COO, a Regional CTO, a Regional Head of Legal, and a Regional Head of P&C.

> "110 years of expertise, willpower, and passion has formed the Vestas we know today. This has only been possible with the right management team, whose members show Simplicity, Accountability, Passion, and Collaboration.
>
> Henrik Andersen – Group President & CEO

In 2021, we announced that from the beginning of January 2022 we would create a new Vestas Region, Vestas Latin America, to further strengthen our commercial setup and operating model. Furthermore, the two Regions Vestas China and Vestas Asia Pacific will be consolidated into one strong business region, Vestas Asia Pacific, covering Greater Asia, to help us improve customer focus and intimacy in these markets.

As a structurally lean organisation, we have offices in more than 30 countries and as of January 2022 we have five commercial Regions: Mediterranean, Latin America, North America, Northern & Central Europe, and Asia Pacific, all reporting directly into the Group President & CEO.

The success of the new organisation will depend on our ability to embrace our global operating model. The Regions will mirror Vestas' operating model, meaning they assume larger executional responsibility across functions, which in turn – and in alignment with our two dimensions – entails increased coordination across functions that are only possible if we collaborate as one team across the value chain and align accountability towards one common goal: profitable execution and growth with our customers.

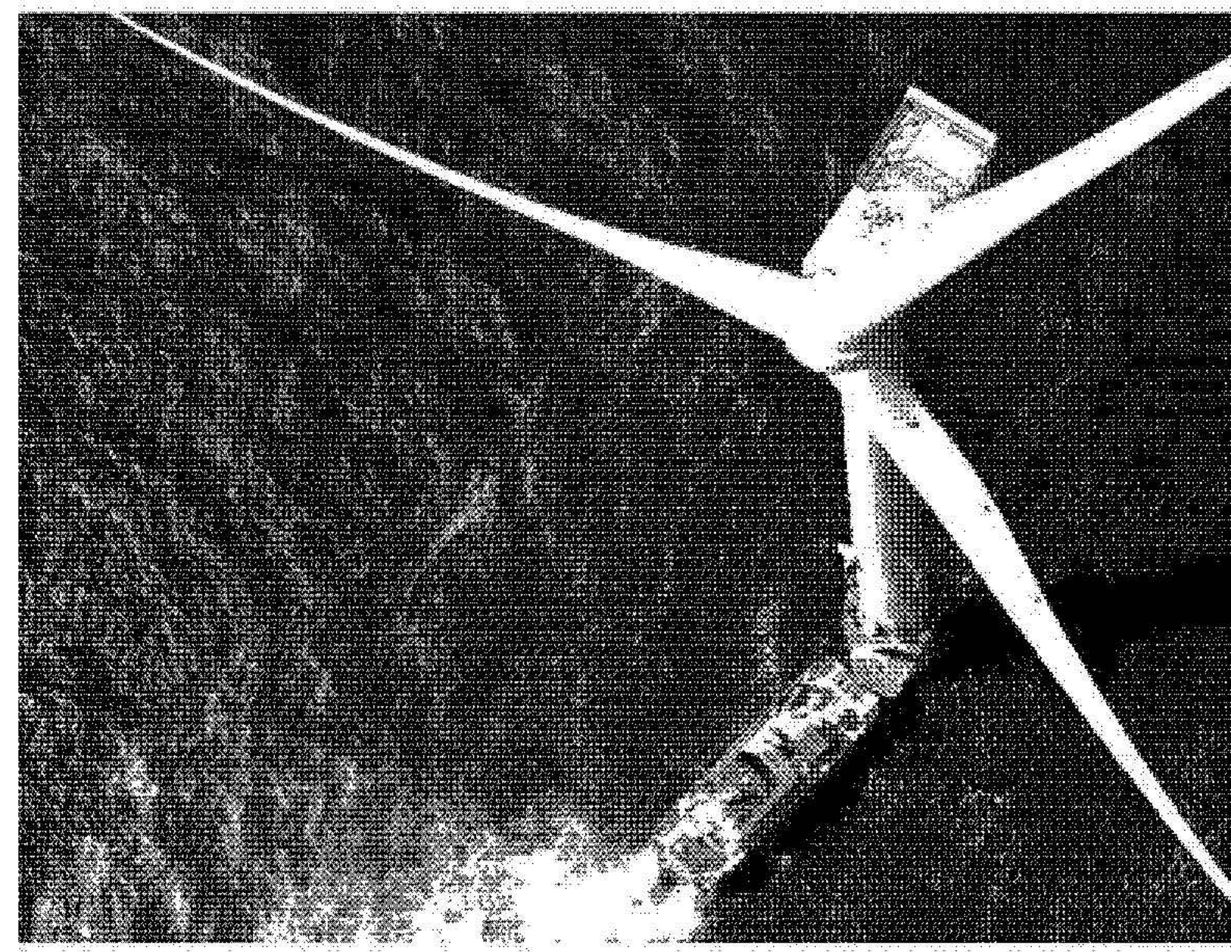
Besides strengthening Vestas' regular operations, the updated operating model has also played a key role in Vestas' ability to address the ongoing challenges from COVID-19 as well as the sudden impact from a cyberattack, which we experienced in November 2021. As such, the globally aligned operating model ensures clear accountability and efficient mobilisation of colleagues and resources across Vestas, which is key for the company to address an urgent global challenge in a coordinated manner.

Responsibilities of the Executive Management team

The Board has established guidelines for the Executive Management team in a 'Rules of Procedure' document, which also applies to delegated authorities. These guidelines describe who has powers to enter into agreements on behalf of the company.

The Executive Management team's responsibilities include the overall day-to-day management of the company; observing the guidelines and recommendations issued by the Board; and ensuring timely reporting and provision of information to the Board, our shareholders and stakeholders. Furthermore, the Executive Management team is responsible for presenting proposals for the company's objectives, strategies, and action plans. It also makes proposals for operating, investment, financing, and liquidity budgets to the Board, and monitors compliance with relevant legislation and financial reporting regulations and provisions.

For additional information about individual members of the Executive Management team, see page 57.



Our Board in 2021

Mr Bert Nordberg

Chairman

Position: Professional board member
Born: 1956
Nationality: Swedish

First elected: 2012
Term: 2022
Independence: Independent
Meeting attendance: 9/10

Trading in Vestas shares, 2021:
Number of shares, end 2021: 23,000[1]

Fiduciary positions: Chairman of the board of Sigma Connectivity AB. Member of the boards of Fastighets AB[2], Saab Group AB[2], and Svenska Cellulosa Aktiebolaget SCA[2].

Special competencies: Restructuring, services, and infrastructure business, several years of international business experience, development market knowledge.

Education: Courses in International Management, Marketing and Finance at INSEAD University (1986), Engineer in the Swedish Marines from Berga (1980), and Degree in Electronics Engineering (1979).

Mr Anders Runevad

Deputy Chairman

Position: Professional board member
Born: 1960
Nationality: Swedish

First elected: 2020
Term: 2022
Independence: Not independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 10,480

Fiduciary positions: Chairman of the boards of Peab AB[2] and PGA Sweden National AB. Member of the boards of Copenhagen Infrastructure Partners GP Interests Holding K/S, Copenhagen Infrastructure Partners Holding P/S, and Schneider Electric SE[2].

Special competencies: In depth knowledge of the renewable energy industry. Experience from leading an international listed company. Knowledge in international business, strategy development and implementation, corporate management, sales, product development, and operation.

Education: MBA studies, University of Lund (1989) and Master of Science in Electrical Engineering, University of Lund (1984).

Mr Bruce Grant

Position: Executive Chairman, Applied Value LLC
Born: 1959
Nationality: American

First elected: 2019
Term: 2022
Independence: Independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 0

Fiduciary positions: Chairman of the boards of Applied Invest. LLC, Applied VentCap. LLC, and Human Care Corporation. Deputy chairman of the board of CosmosID, Inc. Member of the boards of River Meadow ... C and Swedish American Chamber of Commerce, Inc.

Position of trust: Chairman of the board of Hand in Hand International.

Special competencies: In depth knowledge of strategy and turnaround implementation in the renewable industry and large, global industrial companies. Expert on sourcing in the steel market and in depth knowledge of the US market.

Education: PhD Candidate, Industrial Management, Chalmers University of Technology (1984) and MSc., Business Economics, University of Gothenburg (1981).

Ms Eva Berneke

Position: Chief Executive Officer, Unicef
Born: 1969
Nationality: Danish

First elected: 2019
Term: 2022
Independence: Independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021: 46,900
Number of shares, end year: 17,295[3]

Fiduciary positions: Member of the boards of École Polytechnique and LEGO A/S.

Positions of trust: Chair of the Audit committee of École Polytechnique. Member of the audit committee of LEGO A/S.

Special competencies: In depth knowledge of corporate management, including knowledge of strategy execution, management of a listed company, digitalisation and IT.

Education: MBA program, INSEAD University (1995), Master of Mechanical Engineering, Technical University of Denmark (1992), and Master studies, Economics, École Centrale Paris (1991).

Ms Helle Thorning-Schmidt

Position: Professional board member
Born: 1966
Nationality: Danish

First elected: 2019
Term: 2022
Independence: Independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 2,770

Fiduciary positions: Member of the boards of Carlsberg Group A/S, DJE Holdings Limited, Safeland Global Limited, and Fuel Utility Partnership Limited.

Positions of trust: Chair of the Danish Football Union (DBU)'s Governance and Development Committee. Co-Chair of The Oversight Board. Member of the boards of Islamic Development Bank and Schwab Foundation for Social Entrepreneurship. Member of the advisory boards of The Atlantic Council, Council on Foreign Relations, and JS Council on Foreign Relations. Member of the councils of 21st Century Council, The Berggruen Institute and European Council on Foreign Relations. Member of the board of trustees of the International Crisis Group.

Special competencies: In-depth knowledge of governmental affairs and political environments as well as strategic management of international and political organisations.

Education: Master's Degree in Political Science from the University of Copenhagen (1994) and Master's Degree in European Studies from the College of Europe in Bruges (1995).

Mr Karl-Henrik Sundström

Position: Professional board member
Born: 1960
Nationality: Swedish

First elected: 2020
Term: 2022
Independence: Independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 8,200

Fiduciary positions: Vice Chairman of the board of Boliden AB[2]. Member of the boards of Mölnlycke Health Care AB, NXP Semiconductors N.V. and Ahlström Munksjö Oyj.

Positions of trust: Chairman of the tax delegation for Swedish Business and Commerce, the Committee for Swedish participation in Expo 2020, and Climate Leaders and Coalition. Member of the board of the Marcus Wallenberg Foundation.

Special competencies: In depth knowledge of sustainability, strategy, accounting, and finance. International experience of marketing and sales of capital goods.

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

Our Board in 2021 – continued

Mr Kentaro Hosomi

Position: Chief Regional Officer, Europe, Middle East & Africa Mitsubishi Heavy Industries, Ltd.
Born: 1957
Nationality: Japanese

First elected: 2021
Term: 2022
Independence: Independent
Meeting attendance: 8/8

Trading in Vestas shares, 2021: –
Number of shares, end year: 0

Special competencies: Commercial skills specifically essential to the work of the Board of Vestas Wind Systems A/S. In-depth knowledge of power systems and energy industries. Wide experience in business development and sales of power systems ranging from thermal, nuclear and renewable energy.

Education: Earned Bachelor of Economics degree from University of Tokyo (1980).

Mr Lars Josefsson

Position: Independent consultant
Born: 1958
Nationality: Swedish

First elected: 2012
Term: 2022
Independence: Independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 17,500

Fiduciary positions: Chairman of the board of TimeZynk AB. Member of the boards of Lelman AB, Duman Oy, and Nevel Oy.

Special competencies: In-depth knowledge of managing international companies, including research and development, technology and production.

Education: International Advanced Management Programme (IAMP) (1990), Degree in Business Economics, University of Uppsala (1980), and Master of Science, School of Engineering Physics, Chalmers University of Technology (1977).

Mr Kim Hvid Thomsen

Employee representative

Position: HR Business Partner, People & Culture, Vestas Wind Systems A/S
Born: 1963
Nationality: Danish

First elected: 1996
Term: 2024
Independence: Not independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 10,900**

Education: Logistics, Erhvervsakademi MidtVest (2014), Project Management, Erhvervsakademi MidtVest (2014), Leadership in Practice, Erhvervsakademi Sjælland (2013), and Industry technician (1984).

Mr Michael A. Lisbjerg

Employee representative

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

First elected: 2008
Term: 2024
Independence: Not independent
Meeting attendance: 9/10

Trading in Vestas shares, 2021:
Number of shares, end year: 4,140

Fiduciary positions: Deputy chairman of the boards of DM Skjern Ringkøbing F/S and DMSR af 24. oktober 2016 ApS.

Education: Quality Optimization with Six Sigma, Erhvervsakademi MidtVest (2017), Economy Erhvervsakademi MidtVest (2015), Logistics, Erhvervsakademi MidtVest (2014), Project Management, Erhvervsakademi MidtVest (2014), Leadership in Practice, Erhvervsakademi Sjælland (2013), Produktie Optimization, Erhvervsakademi MidtVest (2013), Project management, Erhvervsakademi MidtVest (2011), Higher Preparatory Course – single subject (1995), Military service, Royal Danish Life Guards and discharged as technical sergeant (1999), and A.to Mechanic (1995).

Ms Pia Kirk Jensen

Employee representative

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

First elected: 2020
Term: 2024
Independence: Not independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021:
Number of shares, end year: 790

Education: Language secretary, English, Omnicad certificate (1994) and Office assistant (1989).

Ms Sussie Dvinge

Employee representative

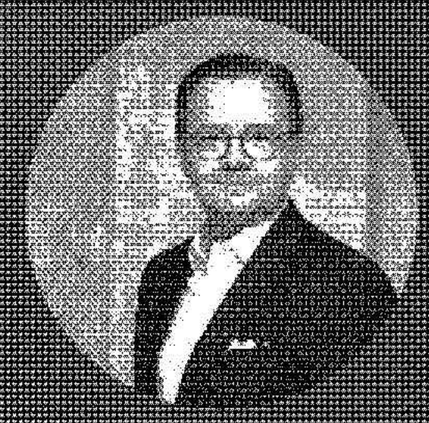
Position: Management Assistant, Technology & Service Solution, Vestas Wind Systems A/S
Born: 1970
Nationality: Danish

First elected: 2005
Term: 2024
Independence: Not independent
Meeting attendance: 10/10

Trading in Vestas shares, 2021: –
Number of shares, end year: 2,500

Education: IT Administrator, Ringkøbing Business College/Vestjysk Business College, Skjern (2005), Language secretary, German, Open education at HTH Herning (1997), Language secretary, English, Open education at HTH Herning (1995), and Commercial upper secondary examination and office assistant (1992).

Report from the Audit Committee



In 2021, there were no changes to the composition of the Audit Committee.

The experience of the committee members presented on pages 52-53 demonstrates that the committee as a whole has competence that is entirely relevant to the sector in which Vestas operates. The committee also has the necessary commercial, regulatory, financial and audit expertise required to fulfil its responsibilities. The Chair of the Committee, Karl-Henrik Sundström, holds the financial accounting qualifications required by the Danish Auditors Act. Furthermore, all committee members have acquired sector knowledge and experience as a result of their Board membership.

External auditor

In April 2021, at the Annual General Meeting, the shareholders re-elected PricewaterhouseCoopers as Vestas' external auditor for the financial year. Furthermore, the leading auditors participated in all four Audit Committee meetings.

Purpose and responsibilities

The Audit Committee supports the Board in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing, the need for an internal audit function and Vestas' ethics and anti-corruption programmes.

A detailed description of the committee's responsibilities is available in the committee's charter which can be found on our corporate website.

Activities

During 2021, the committee received comprehensive reports from management and the external auditor on a variety of topics related to management controls and accounting policies, practices and reporting. The committee also reviewed the Group risk report and EthicsLine reports, and considered responses and conclusions to the various findings.

Other activities carried out by the committee include:

- Review of work performed by the external auditor, including the audit plan, audit fee, and auditor's independence. The tender process to appoint a new statutory auditor as of January 2024 was also reviewed.
- Review of all reports before disclosure, including four financial reports and the annual Sustainability Report (including a report on underrepresented gender and diversity), the Remuneration Report, and the Corporate Governance Report.
- Assessment of capital structure and dividend proposal, which involved the refinancing of existing revolving credit facilities, share splits and the dividend per share.
- Analysis of Information Security, including an update on the cyber security programme.
- Review of related parties and compliance with Vestas' "Corporate Policy on Related Party Transactions" and threshold for 2021.
- Evaluation of the need for an internal audit function.
- Update on topics discussed in the Disclosure Committee.
- Review of tax topics, tax policy, risks and the development of VAT receivables, including related provisions.
- Review of insurance, with an update on the global insurance programme and development.
- Review of treasury policy, including the framework for financial risks related to Vestas' business.
- Evaluation and assessment of work performed by the Audit Committee in 2021.
- Update of Codes of Conduct, incorporating the Offshore and Global Development businesses.

Composition and meetings of the committee

Members	Member since	Meeting attendance*	Independence**
Karl-Henrik Sundström	April 2020	4/4	Independent
Bert Nordberg	April 2020	4/4	Independent
Eva Merete Søfelde Berneke	April 2020	4/4	Independent

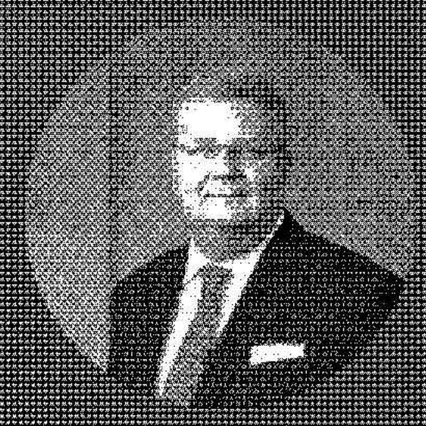
* Of 4 meetings held in connection with the scheduling of the possible number of meetings for committee members appointed during the year. All meetings were held as virtual meetings.
** Assessed by the Board of Directors in connection with the Board's Corporate Governance Report. All members are considered to be independent.

Report from the Technology & Manufacturing Committee

In 2021, Anders Runevad was designated by the Board as chair of the Technology & Manufacturing Committee.

The competence of the committee members presented on pages 52-53 and therefore, of the committee as a whole, is entirely relevant to the sector in which Vestas operates. Furthermore, all committee members have acquired sector knowledge and experience as a result of their Board membership or previous employment at Vestas.

Due to the COVID-19 situation, the committee did not visit any facilities or sites in the period from first quarter 2020 to third quarter 2021.



Purpose and responsibilities

The Technology & Manufacturing Committee assists the Board in assessing technological matters, IPR strategy, and product development plans. The committee also supports the Board in production matters, monitors and evaluates the company's short- and long-term manufacturing footprint, evaluates sustainability performance, and supports various forums within technology and manufacturing.

A detailed description of the committee's responsibilities is available in the committee's charter, which can be downloaded from our corporate website.

Activities

During 2021, the committee received comprehensive reports from management on a variety of topics related to the product and technology portfolio, IP strategy and status, innovation activities, service product portfolio and strategy, manufacturing footprint, and quality, which includes review of warranty provisions, supplier quality, as well as the overall quality of Vestas' products and solutions. The committee was also updated on the status of sustainability and compliance.

Other activities carried out by the committee include:

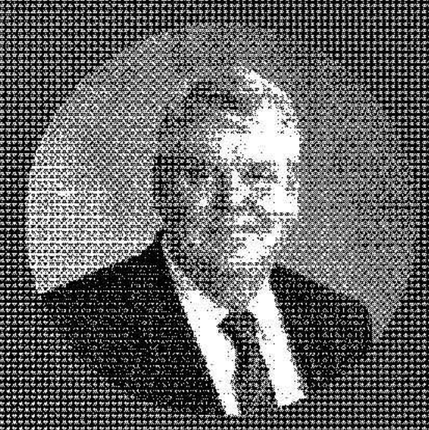
- Review of safety performance, which was regularly shared with the committee both generally and through deep dives in specific regions.
- Assessment of COVID-19 business impact, with updates from across the business.
- Analysis of logistics challenges, focused particularly on increased supply constraints. The committee considered the breakdown of the global supply chain, linked to the shutting of harbours in Asia and the USA, together with the temporary blockage of the Suez Canal, all of which have had a ripple effect on Vestas.
- Review of offshore strategy and integration, focusing on the impact of the merger and acquisition of MHI Vestas Offshore Wind on Vestas' manufacturing footprint and strategy.
- Update and review of main Continuous Improvement Management cases and related risks.
- Execution of our sustainability strategy – Review of our sustainability strategy with focus on e.g. CO_2 emission within our own operations as well as in the supply chain and recyclability of turbine components and blades in particular.
- Evaluation of the Technology & Manufacturing Committee, with an assessment of work performed by the committee in 2021.

Composition and meetings of the committee

Members	Member since	Meeting attendance*	Independence**
Anders Runevad	April 2020	4/4	Not independent
Bruce Grant	April 2019	4/4	Independent
Lars Josefsson	March 2012	4/4	Independent

* Attendance is based on the number of meetings held during the period in which the member served and the possible number of meetings during the period in which the member served.
** Assessed in accordance with recommendation 3.2.1 of the Danish Corporate Governance Recommendations applicable to Vestas in 2021.

Report from the Nomination & Compensation Committee



In 2021, there were no changes to the composition of the Nomination & Compensation Committee.

The competence of the committee members presented on pages 52-53 and therefore of the committee as a whole, is entirely relevant to the sector in which Vestas operates. Furthermore, all committee members have acquired sector knowledge and experience as a result of their Board membership or previous employment at Vestas.

Expertise and knowledge of the committee*

Members	Member since	Meeting attendance*	Independence**
Bert Nordberg	March 2021	8/8	Independent
Anders Runevad	April 2020	8/8	Not independent
Eva Merete Søfelde Berneke	April 2020	8/8	Independent
Helle Thorning-Schmidt	April 2020	8/8	Independent

* Each member's knowledge and experience is the possession of special skills, sector experience and financial expertise relevant to the performance of the committee's duties and responsibilities.
** Independence is assessed in accordance with the Danish Corporate Governance Recommendations.

Purpose and responsibilities

The Nomination & Compensation Committee supports the Board on staff-related topics, including assessment of remuneration, and on the evaluation of the performance and achievements of the Board and Executive Management.

A detailed description of the committee's responsibilities is available in the committee's charter, which can be found on our corporate website.

Activities

During 2021, the committee assisted the Board on issues such as the nomination of candidates, the evaluation of the Board, and the review of the Remuneration Policy and Remuneration Report. It also reviewed the strategy and guidelines around incentive earnings and remuneration schemes for the Group in general. Furthermore, the committee received comprehensive reports from management on a variety of topics, including the employee survey, the people review process and progress on diversity and inclusion.

Other activities carried out by the committee include:

- Preparation of the annual evaluation, which involved working with an external partner on the evaluation of the Board and its committees in October 2021.
- Incentive programme assessment, looking at the ongoing status of current incentive programmes and approving the coming year's activities.
- Evaluation of the composition of the Executive Management team, including the appointment of a new CFO and CSO, Sales.
- Preparation of the appointment of new Regional Presidents in Vestas Americas and Vestas Mediterranean, and the new Region Vestas Latin America, as well as a new head of Offshore Commercial.
- Performance review and succession planning for Executive Management, ensuring a richer and more proactive talent pool for future appointments.
- Review of completed and planned activities to ensure diversity and inclusion.
- Executive compensation review, looking at all Group Senior Vice Presidents, Regional Presidents and Executive Management against the market for position level and compensation.
- Review of 2021 Remuneration Report for approval at the Annual General Meeting in April 2022.
- Review of results from the performance/potential evaluation, talent programmes and succession planning for all Vestas.
- Review of results from the Vestas employee survey.
- Evaluation of the Nomination & Compensation Committee, with an assessment of work performed by the committee in 2021.

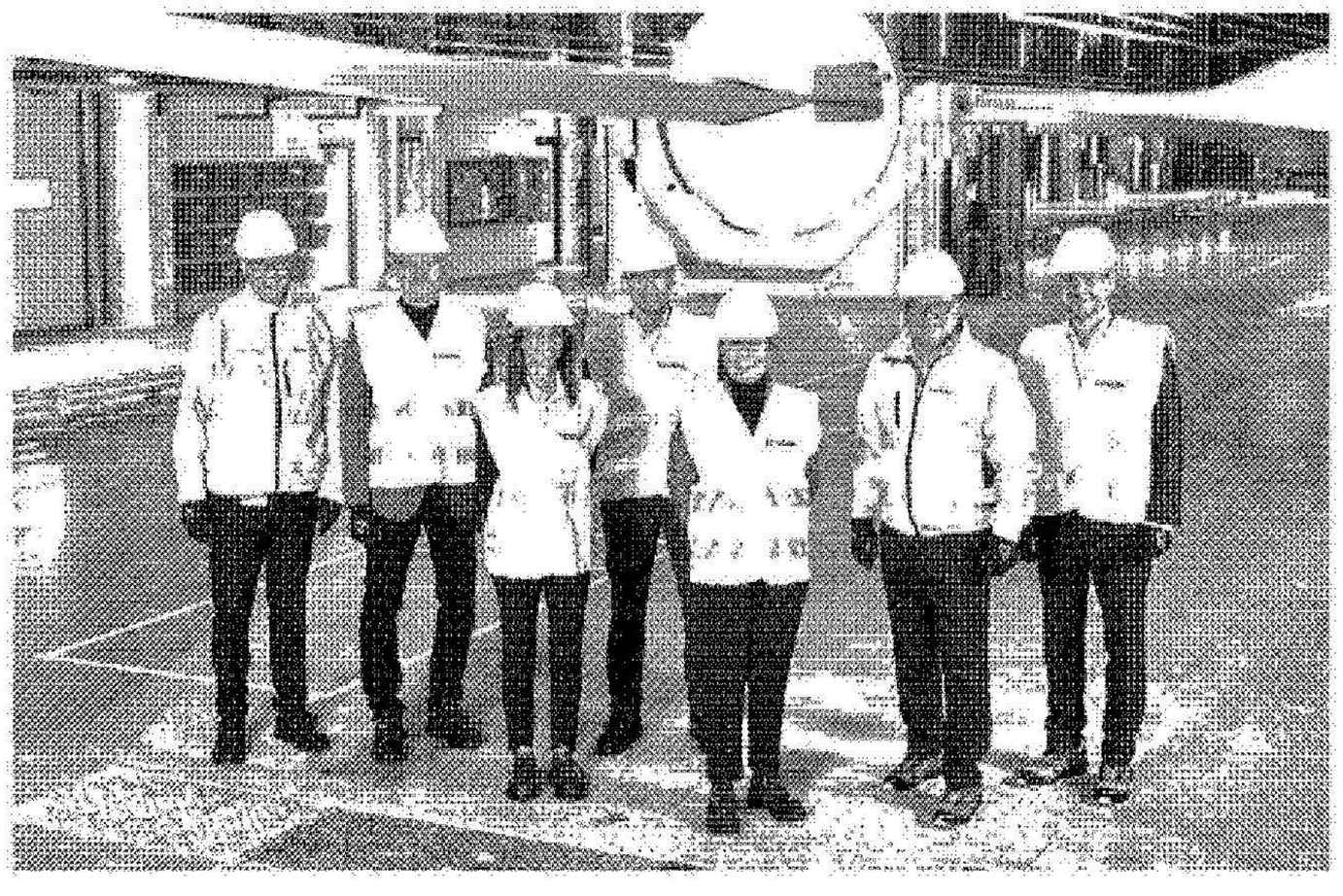
Our Executive Management team

Appointments: The Board appoints all members of the Executive Management team and allocates their roles and responsibilities.

Remuneration: The Board determines the Executive Management team's remuneration.

Meetings: The Executive Management team gathers at least once a month and often more frequently.

Assessment of work: The Nomination & Compensation Committee is responsible for conducting an annual evaluation of the contributions and performance of the Executive Management team, as individual members and as a collective body. It also evaluates the cooperation between the Board and Executive Management. The assessment conducted in 2021 revealed a good collaboration and an open dialogue between the Board and the Executive Management team.



←
Members of the Executive Management team from left: Tommy Rahbek Nielsen (COO), Anders Nielsen (CTO), Kerstin Knapp (CPCO), Javier Rodriguez Diez (CSO, Sales), Marika Fredriksson (CFO), Henrik Andersen (CEO), and Christian Venderby (CSO, Service).

Henrik Andersen
Group President & CEO

Born: 1967
Nationality: Danish
Appointed: 2019
Number of shares, end year: 64,825*

Fiduciary positions:
Member of the boards of Copenhagen Infrastructure Partners GP Interests Holding K/S, Copenhagen Infrastructure Partners Holding P/S, and Investment Committee for Maj Invest PE Fund V & V.

Marika Fredriksson
Executive Vice President & CFO

Born: 1963
Nationality: Swedish
Appointed: 2013
Number of shares, end year: 244,747*

Fiduciary positions:
Member of the boards of AB Industrivärden** and Sandvik AB**.

Anders Nielsen***
Power Solutions (CTO)

Born: 1962
Nationality: Swedish
Appointed: 2019

Javier Rodriguez Diez***
Sales (CSO)

Born: 1974
Nationality: Spanish
Appointed: 2021

Kerstin Knapp***
People & Culture (CPCO)

Born: 1975
Nationality: Austrian
Appointed: 2019

Tommy Rahbek Nielsen***
Manufacturing & Global Procurement (COO)

Born: 1970
Nationality: Danish
Appointed: 2019

Christian Venderby***
Service (CSO)

Born: 1969
Nationality: Danish
Appointed: 2019

* Including shares held by closely related persons and pension shares.
** Not independent of the Company's major shareholders.
*** Not independent of the Company and its management.

Our governance principles

With the right strategy, business model and management, and with the right governance principles in place, we believe we can become the global leader in sustainable energy solutions.

To achieve our strategy and vision, it is essential we build strong foundations through our organisational principles and values. We therefore emphasise leadership and good corporate governance to anchor and embed these values, which are: Accountability, Collaboration, Simplicity, and Passion. Underpinning everything we do, these values guide the actions we all need to take, individually and as one.

> The Board is continuously vigilant of the guidelines and processes that are in place for the running of Vestas. This ensures that management has the necessary framework to be able to conduct business in the spirit of Vestas' values.
>
> Bent Nordberg – Chairman of the Board of Directors

Solid foundations for management

To the Board, corporate governance is an ongoing process that supports value creation and accountable management, thereby contributing to the company's long-term success.

To ensure our management's responsibilities are clearly defined, we have drawn up a number of policies and guidelines. The Board and/or management annually review these documents to confirm we have the right governance processes in place. Examples are provided in the box to the right with additional information in our Sustainability Report 2021, which can be downloaded from our corporate website.

Codes of Conduct

In 2021, we launched an updated version of both the Vestas Employee and Supplier Code of Conduct, adding new topics and strengthening existing ones to reflect current and upcoming international standards and best practices.

The Employee Code reflects our values and outlines the behaviours expected of our employees. Our local communities, suppliers, and customers place their trust in Vestas to conduct business with integrity, and to respect human rights wherever we operate. Our employees play an important role in maintaining this trust and safeguarding Vestas' reputation.

We require suppliers to respect and comply with the Vestas Supplier Code of Conduct when conducting business. Our suppliers play a central role in our mission to become the global leader in sustainable energy solutions, and we rely on their commitment to conduct business ethically and responsibly.

We are guided by a number of principles and policies on our journey to become the global leader in sustainable energy solutions.

Articles of Association
The rules laid down by our shareholders according to applicable law. The articles regulate the company's conditions, such as our company name, investments, purpose, management bodies, and general meetings.

Board Charter
Clarifies how Vestas' leadership and management focuses the value chain and commitment to avoid and focus on quality, health, safety and environmental risks.

Code of Conduct
The Vestas Employee Code of Conduct is a guide for employees to make the right decisions in their everyday work at Vestas. The Code lays out the behavioural expectations Vestas has of its employees and reflects our values.

The Supplier Code of Conduct outlines the requirements that suppliers must respect and comply with when conducting business with Vestas.

Communication Policy
Outlines how we, as a listed company, make every attempt to give all stakeholders a true and fair view of Vestas. Also describes how we provide the market with timely, reliable, accurate, and up-to-date information about Vestas.

Corporate Policies
We are committed to the principles of responsible business conduct and have been a signatory to the UN Global Compact. As a global company, we align our strategies and operations with universal principles on human rights, labour, the environment, and anti-corruption.

Our Human Rights Policy outlines our pledge to respect all human rights and includes our expectations to business partners.

Diversity Policy
Outlines our diversity and inclusion strategy, setting the overall aims and objectives while specifying our global focus areas.

Investor Relations Communication Policy
Outlines how we, as a listed company, make every attempt to give all stakeholders a true and fair view of Vestas. Also describes how we provide the market with timely, reliable, accurate, and up-to-date information about Vestas.

Tax Policy
Defines our global tax management, including governance, structuring and risk management.

Statement of Support for Human Rights
Confirms our commitment to Principle 3 of the UNGC, the Freedom of Association and Protection of the Right to Organise Convention, and the Right to Organise and Collective Bargaining Convention.



Sustainable tax approach

We take a commercial approach to managing the impact of taxes, while remaining true to our values of operating in a responsible and transparent manner. This means we pay tax where value is generated and always respect international and domestic tax rules.

Income tax paid in the year

mEUR	2021
Denmark	62
Asia Pacific	64
Americas	11
EMEA, excl. Denmark	37
Total	**174**

Transparent and fair taxes are vital to our efforts to make a positive contribution to local communities and create a sustainable planet for future generations. Therefore, in the Sustainability Report 2021 we have included an overview of taxes borne and collected in 2021.

Transparent and fair tax payment is vital to our efforts to make a positive contribution to local communities and create a sustainable planet for future generations. Therefore, in the Sustainability Report 2021 we have included an overview of taxes borne and collected in 2021.

Reporting on Corporate Governance topics

We report on Corporate Governance topics according to all applicable laws. We also follow additional reporting requirements, such as the recommendations of the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board (SASB). Please see below for further information.

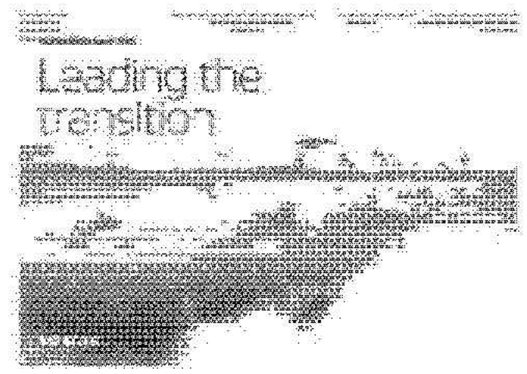
Sustainability Report
At Vestas, we are working to make our company – and the world – a more sustainable place. In our Sustainability Report 2021, we communicate our recent progress in this area. We also explain how, during 2021, we worked to embed the 10 principles of the United Nations Global Compact into our strategies and operations.

Furthermore, the report includes information on Vestas' sustainability strategy, corresponding initiatives, general Environmental, Social and Governance (ESG) approaches and principles, as well as full reporting for the year. Combined with our annual report, it constitutes Vestas' COP report under the UN Global Compact. The Sustainability Report 2021 is prepared in accordance with section 99a of the Danish Financial Statements Act and can be downloaded from our corporate website.

Diversity and Underrepresented Gender Report
According to section 99b and 107d of the Danish Financial Statements Act, we are obligated to report on our activities and development regarding gender and diversity. Our reporting on these two topics is available in the Vestas Sustainability Report 2021, pages 46-48.

We believe that a diverse and inclusive workforce is vital for accelerating the green energy transition globally. We know that our differences make us stronger, more innovative, and better equipped to address the challenges that lie ahead. Therefore, we are committed to making sure all current and future Vestas employees enjoy equal opportunities, regardless of social identity. Everyone must feel safe and valued, and know their voice will be heard. This journey has only just begun; together, we will keep moving forward and become sustainable in everything we do.

Our Diversity & Inclusion Policy sets standards and requirements for the everyday conduct of our employees. It provides more information about diversity and inclusion, and our responsibilities as an equal opportunities employer. Our target is to have equal gender distribution[1] among the board members elected by our shareholders no later than 2022.



Our **Sustainability Report 2021** contains detailed information about:

Our sustainability strategy and targets
- Carbon neutrality
- Zero waste
- Social responsibility
- Leading the energy transition

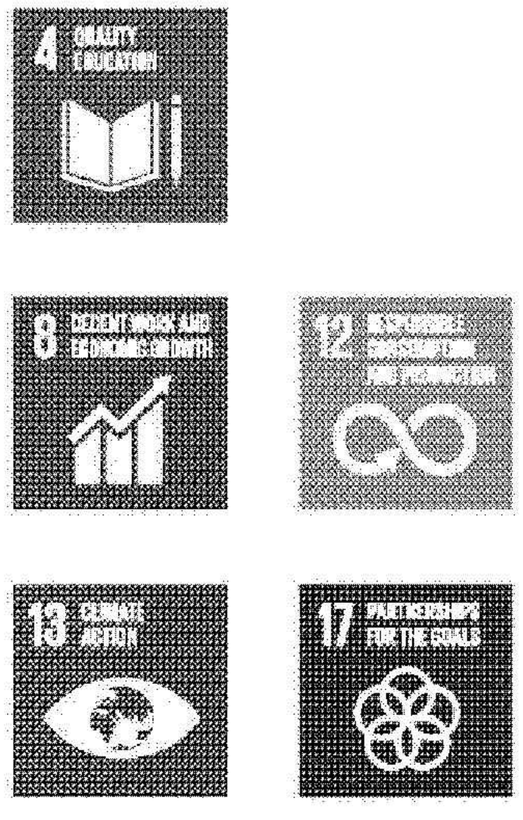
Our progress in areas such as:
- Climate
- Circular economy
- Biodiversity
- Safety
- Diversity and inclusion
- Sustainable tax

Additional reporting on sustainability standards and performance

We strive to report on our ESG performance in accordance with relevant standards. One of these is the Taskforce on Climate-related Financial Disclosures (TCFD), here, we take a stepwise approach to incorporating climate-related disclosures into our annual report. A summary of how we address climate change risks can be found on page 45.

In addition, we adhere to the SASB disclosures that apply to our industry, demonstrating our commitment to transparency and accountability in how we operate, see page 71 of the Sustainability Report 2021.

Vestas is also committed to supporting the UN Sustainable Development Goals (SDGs), which we integrate into our sustainability approach. We focus our efforts on six out of the 17 SDGs. These six goals have been selected as those areas where we can maximise our positive impact and best support development for our company, our stakeholders, and the many communities where Vestas operates. For more information, see the Vestas Sustainability Report 2021, pages 62-64.



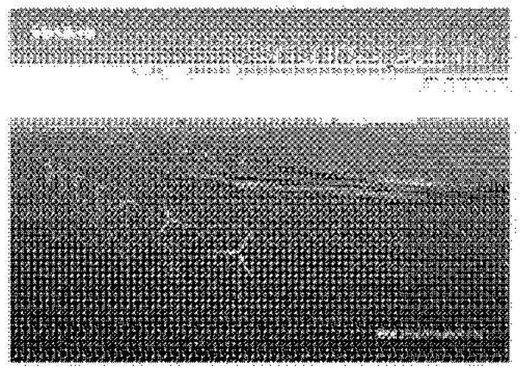
←
Vestas' contribution to the UN Sustainable Development Goals in 2021
Vestas' business model links directly to UN Goal no. 7 "Affordable and clean energy", but the company wants to contribute actively to other global goals as well. For this reason, we have selected six SDGs to support specifically: goals on which we can have the greatest possible impact. For more information about the six SDGs and our contribution in 2021, see the Vestas Sustainability Report 2021, page 62-65.

Remuneration Report

Our Remuneration Policy has been prepared in accordance with the EU Shareholder Rights Directive II. In 2021, the Board updated the policy, which was subsequently approved by the Annual General Meeting in April 2021.

The new policy is applicable to Board and Executive Management remuneration as of 2021. The remuneration report includes the total remuneration received by each member of the Board and Executive Management of Vestas Wind Systems A/S registered with the Danish Business Authority from 2017 to 2021. The report has been prepared in accordance with section 139b of the Danish Companies Act.

Our Remuneration Policy and the Remuneration Report 2021 can be downloaded from our corporate website: https://www.vestas.com/content/dam/vestas-com/global/en/investor/reports-and-presentations/esg/remuneration-reports/Remuneration_Report_2021.pdf.



Our **Remuneration Report 2021** covers:

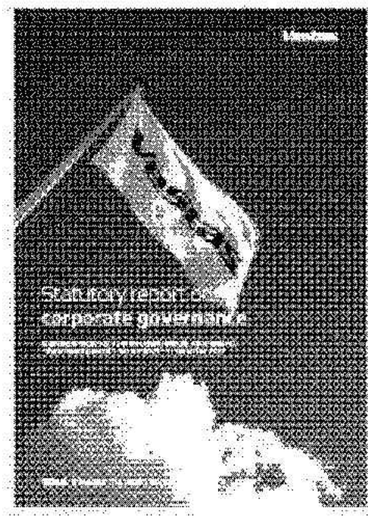
- Compliance with the Remuneration Policy
- Remuneration of the Board
- Remuneration of members of the Executive Management registered with the Danish Business Authority
- Development in financial performance and remuneration

Corporate Governance Report

The recommendations prepared by the Danish Committee on Corporate Governance supplement Danish law, in particular the Danish Companies Act, the Danish Financial Statements Act, EU corporate law rules, and the OECD Principles of Corporate Governance.

In 2020, the Committee updated its recommendations issued in 2017 in order to reflect the implementation of the Shareholder Rights Directive II in Denmark. The new recommendations entered into force at the start of the 2021 financial year. As a Danish listed company, we are guided by and comply with the 40 recommendations issued by the Committee.

Our Corporate Governance Report for the financial year 2021 has been prepared in accordance with section 107b of the Danish Financial Statements Act and can be downloaded from our website: https://www.vestas.com/content/dam/vestas-com/global/en/investor/reports-and-presentations/esg/corporate-governance/CorporateGovernance_2021.pdf



Our **Corporate Governance Report 2021** describes our compliance with respect to the following topics:

- Interaction with the company's shareholders, investors and other stakeholders
- The duties and responsibilities of the Board
- The composition, organisation and evaluation of the Board
- Remuneration of management
- Risk management

EU taxonomy

The European Commission adopted on 21 April 2021 an ambitious and comprehensive package of measures to help improve the flow of money towards sustainable activities across the European Union. By enabling investors to re-orient investments towards more sustainable technologies and businesses, these measures will be instrumental in making Europe climate neutral by 2050. The taxonomy is a catalogue of environmentally sustainable economic activities, each with criteria to determine their positive contribution.

For 2021, Vestas has assessed which of its activities are included in the taxonomy and can thereby be classified as taxonomy-eligible, subsequently determining the revenue (turnover), operating expenses (OPEX) and capital expenditures (CAPEX) associated with these activities.

Vestas derives its revenue from manufacturing and installing sustainable energy solutions in the form of electricity generating equipment, as well as from providing operation & maintenance and repair services on the same equipment. We have therefore assessed that our 2021 revenue fully derives from taxonomy-eligible activities.[2]

With regards to our operating expenses, the proportion being taxonomy-eligible in 2021 was assessed to be 97 percent, with the proportion carved out as deemed non-eligible comprising special items and administration costs.[3]

91 percent of our capital expenditures in 2021 has been assessed to be taxonomy-eligible, the non-eligible part comprising administrative activities.[4]

EU taxonomy reporting 2021	mEUR	Eligible (%)	Non-eligible (%)
Revenue (turnover)	15,587	100	0
Operating expenses (OPEX)	14,344	97	3
Capital expenditure (CAPEX)	1,106	91	9

Data ethics report

The overall objective of our Data Ethics Policy is to encourage and motivate all employees of the Vestas Group to handle data with utmost care and respect and to adhere to a responsible and sustainable use of data by following our guiding principles on data ethics. As a global company we align with universal principles on fundamental rights.

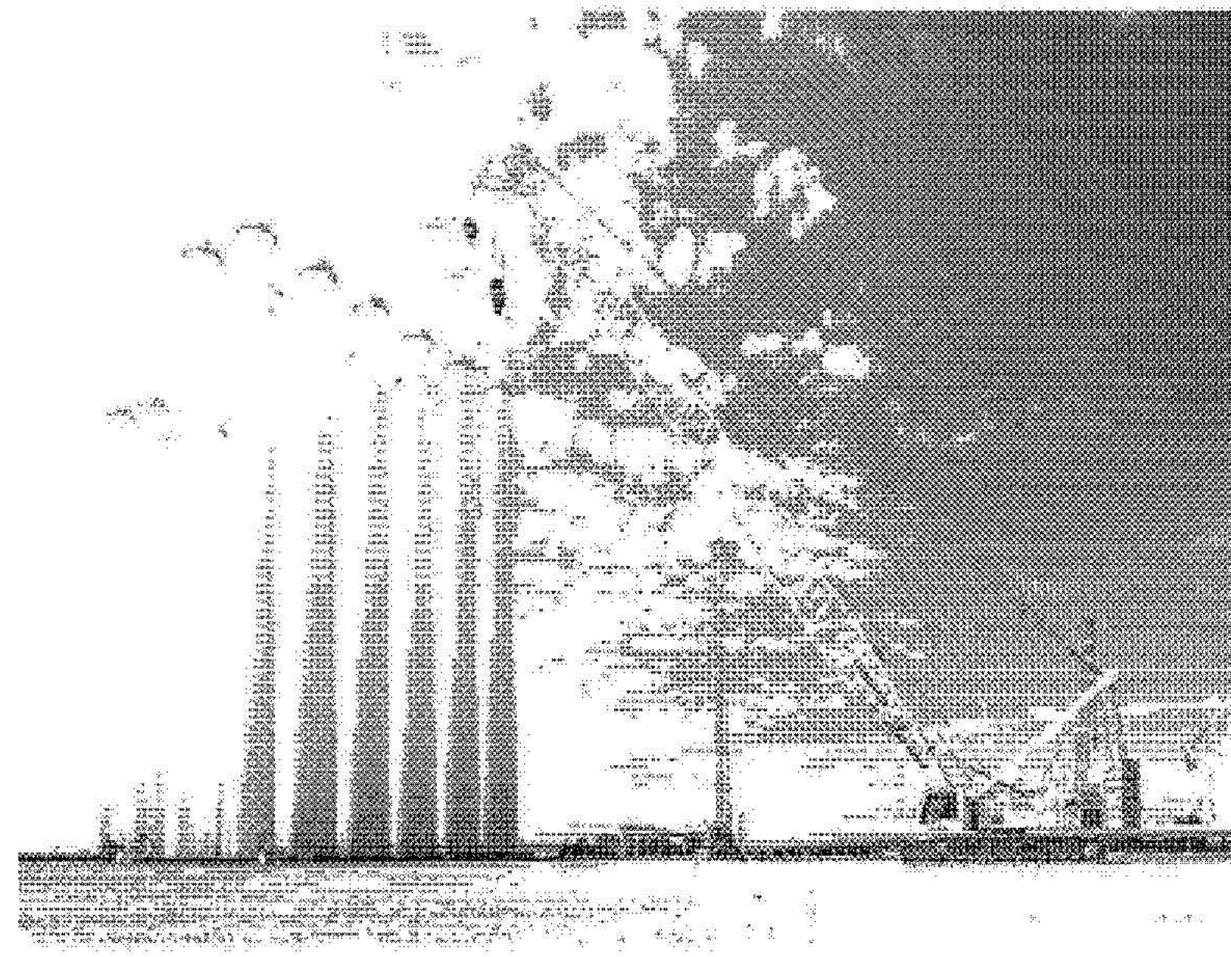
Through ethical use of our smart data capabilities and groundbreaking new technologies our aim is to achieve our long-term business objectives and extend our position as the energy industry's leading global partner on sustainable energy.

We report on this in accordance with section 99d of the Danish Financial Statements Act.

Transactions with related parties

A related party transaction is defined as any transaction, direct or indirect, between Vestas or any of its subsidiaries and/or affiliates and a related party. A related party transaction is defined as having a value greater than the lowest 10 percent of Vestas' total assets, and 25 percent of Vestas' operating profit/loss. All such transactions shall be published on our corporate website.

For 2021, the threshold corresponded to a value of EUR 175m. During the year, there were no significant transactions between Vestas and members of the Board or Executive Management, their close family members, or companies in which they have significant influence. Similarly, in 2021 Vestas had no significant transactions with its associates or joint ventures.



Financial strength and flexibility

Share capital and ownership

The Vestas share price ended 2021 at DKK 200.00. This was a decrease of 28 percent on the earlier opening price of DKK 277.50, recorded on 28 April after the share split.

Overall, our share performance was below the general trend in the Danish OMXC25 stock index, which increased by 17 percent. Furthermore, the Vestas share was the second most traded share on the Nasdaq Copenhagen stock exchange, with an average daily turnover of DKK 741m.

Share capital

At the Annual General Meeting 2021, the Board proposed to change the denomination per share from DKK 1.00 to DKK 0.01, or multiples thereof. This move would enable a share split without changing the underlying value of the company. The proposal was approved by the shareholders, and on 28 April 2021 we carried out a share split at a ratio of 1:5, in accordance with article 2(1) of Vestas' Articles of Association. After the split, our share capital of nominally DKK 201,973,452 was divided into 1,009,867,260 shares of nominally DKK 0.20, each carrying 20 votes.

Broad base of international shareholders

At the end of 2021, we had approx. 200,000 shareholders. Our shareholders come from over 100 different countries, ranging from Indonesia to Ghana, Norway to Chile.

At the end of 2021, an analysis of our shareholder structure showed that institutional investors accounted for around 85 percent, while shareholders from the USA and Denmark held 41 percent and 18 percent of Vestas' shares, respectively.

Major shareholder

One Vestas shareholder, BlackRock Inc. (Wilmington, DE, USA), currently has a holding of 5 percent or more of our total share capital. BlackRock Inc. notified Vestas of this on 8 October 2020, at which point its holding corresponded to 5.36 percent of the share capital.

Analysts' recommendations

Around 25 equity analysts cover the Vestas share. Their recommendations and consensus estimates relating to our future financial performance are available on the investor section of our website. Our financial reports, remuneration reports, sustainability reports and investor presentations, along with news updates and other information resources, can also accessed from this section.

> Together with our more than 200,000 registered shareholders we are bringing prosperity and sustainable energy solutions to citizens worldwide.

Financing strategy and funding

We finance our operations and investments through a combination of our own generated cash flow and external funding. We are a reliable and valued partner in financial markets, and cultivating relationships with our key debt capital investors is an inherent part of our financing strategy.

Our overall funding goal is to secure adequate and sufficient supply of capital and to minimise, within stipulated internal directives and adopted risk limits, long-term funding costs. Our business operations are capital intensive with major seasonal fluctuations. This makes it necessary to have both short- and long-term funding available to secure our financial flexibility needs.



Green corporate eurobond – redeemed

In 2015, Vestas issued a EUR 500m green corporate eurobond. On 13 December 2021, Vestas exercised its option to redeem in full all of the outstanding Notes in compliance with Condition 5(d) (Issuer Call) of the terms and conditions of the Notes.

Sustainability-linked revolving credit facility

Our main credit facility, a EUR 2,000m sustainability-linked revolving credit facility, was signed in April 2021. The facility has a five-year duration, with an option to extend the maturity with one or two additional years. It is available for general corporate purposes, including issuance of guarantees in relation to wind power projects.

As part of our sustainability strategy to achieve "Sustainability in everything we do", the facility's interest rate margin will initially be adjusted based on sustainability-linked performance targets. These targets measure our ability to reduce our carbon footprint and enhance workplace safety, while adding ambitious targets to improve the carbon footprint of our supply chain. Performance targets also cover ambitions around increased use of sustainable materials, and increased recyclability across the turbine value chain. Currently, 12 banks participate in the revolving credit facility.

Credit rating

Vestas remains investment grade-rated and holds a Baa1 long-term rating from Moody's Investors Service. Moody's assesses Vestas according to two main parameters:

- Business risk analysis, comprising industry characteristics, competitive position, management, and business strategy.
- Financial risk analysis, comprising financial policy, cash flow protection, profitability, capital structure, and financial flexibility.

The Vestas share

Basic data as at 31 December 2021

Stock exchange	Nasdaq Copenhagen
Stock exchange quotation	1998
SIN code	DK0061539921
Ticker symbol	VWS
Share capital	201,973,452
Nominal denomination	DKK 0.20
Number of shares	1,009,867,260
Share classes	One share class
Voting rights	One share carries 20 votes
Free float	100 pct.
Trading lot (minimum)	None, one share is tradable
Share price	DKK 200.00
Number of registered shareholders*	200,300

* Shareholders registered by name, including custodian banks.



"Our overall funding goal is to secure adequate and sufficient supply of capital and to minimise, within stipulated internal directives and adopted risk limits, long-term funding costs.

The year in Vestas

Below is an overview of some of the important events in 2021. An overview of the orders announced during the year is available on our corporate website, where you also can sign up for our news services.

01 February
Baa1 credit rating from Moody's

10 February
Annual Report 2021

08 April
Annual General Meeting 2021
—
Decision to carry out share split in Vestas at a ratio of 1:5

13 April
Dividend payment for the financial year 2020

28 April
Announcement of the share-based incentive programme 2021
—
Share split at a ratio of 1:5

29 April
New EUR 2bn sustainability-linked revolving credit facility signed

05 May
Interim Financial Report, Q1 2021

09 July
The first preferred supplier agreement on our new offshore platform V236-15.0 MW™

11 August
Interim Financial Report, Q2 2021
—
Full-year guidance revised

03 November
Interim Financial Report, Q3 2021
—
Full-year guidance revised

20 November
Announcement regarding cyber security incident

13 December
Redemption of EUR 500m green bond

15 December
Capital Markets Day in Copenhagen, Denmark

January February March April May June July August September October November December

Financial statements

→ Consolidated financial statements, financial performance, and notes

→ Parent company financial statements and notes

57%

in four years, we have been able to increase the revenue by 57% – from EUR 9,953 mln in 2017 to EUR 15,587 mln in 2021

Consolidated financial statements, financial performance, and notes

Financial performance 67
Income statement 69
Statement of comprehensive income 69
Balance sheet 70
Shareholder return 71
Statement of changes in equity 72
Cash flows 73
Statement of cash flows 74

1. Result for the year 75
1.1 Segment information 76
1.2 Revenue 78
1.3 Costs 81
1.4 Employee costs 81
1.5 Share based payment 82
1.6 Special items 83
1.7 Financial items 83

2. Working capital 84
2.1 Change in net working capital 85
2.2 Inventories 85
2.3 Contract balances 86
2.4 Contract costs 87
2.5 Other receivables 87
2.6 Other liabilities 87

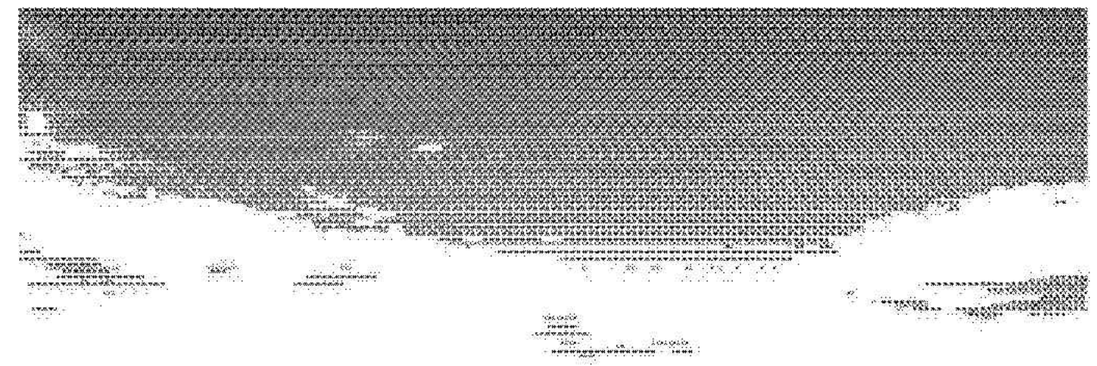
3. Other operating assets and liabilities 88
3.1 Intangible assets 89
3.2 Property, plant and equipment 91
3.3 Leases 93
3.4 Impairment 94
3.5 Investments in joint ventures and associates 95
3.6 Provisions 97

4. Risk management and capital structure 98
4.1 Financial risk management 99
4.2 Hedge accounting 103
4.3 Financial assets and liabilities 105
4.4 Share capital 107
4.5 Earnings per share 107

5. Tax 108
5.1 Income tax 109
5.2 Deferred tax 110

6. Other disclosures 112
6.1 Audit fees 113
6.2 Business combinations 113
6.3 Related party transactions 113
6.4 Contingent assets, liabilities, and contractual obligations 114
6.5 Non-cash transactions 114
6.6 Subsequent events 114
6.7 Legal entities 115

7. Basis for preparation 117
7.1 General accounting policies 118
7.2 Change in accounting policies 119
7.2 Key accounting estimates and judgements 120





Financial performance

Result for the year

Revenue
Revenue in 2021 amounted to EUR 15,587m, an increase of 5 percent compared to 2020, primarily driven by the inclusion of the Offshore business, as well as an increase in revenue from the Service segment. Partly offsetting this, installation of some Onshore projects was delayed due to supply chain instability. Vestas closed the year with revenue within the updated guidance range of EUR 15.5bn-16.5bn.

The geographical area Europe, Middle East, and Africa (EMEA) accounted for 56 percent of revenue, an increase from 36 percent in 2020. The share of revenue from Americas, on the other hand, decreased to 31 percent, down from 49 percent in 2020. This decrease was attributable to the USA, where 2020 was positively impacted by the original 100 percent PTC window. Asia Pacific accounted for 13 percent of revenue in 2021,

Geographical distribution of revenue

mEUR	2021	2020
EMEA	8,818	5,304
Americas	4,807	7,291
Asia Pacific	1,962	2,224
Total	**15,587**	**14,819**

Gross profit
Gross profit in 2021 amounted to EUR 1,560m, corresponding to a gross margin of 10.0 percent, a 0.4 percentage point decrease compared to 2020. The gross profit margin was negatively impacted by an accelerating cost inflation throughout the year from raw materials, transport, and turbine components.

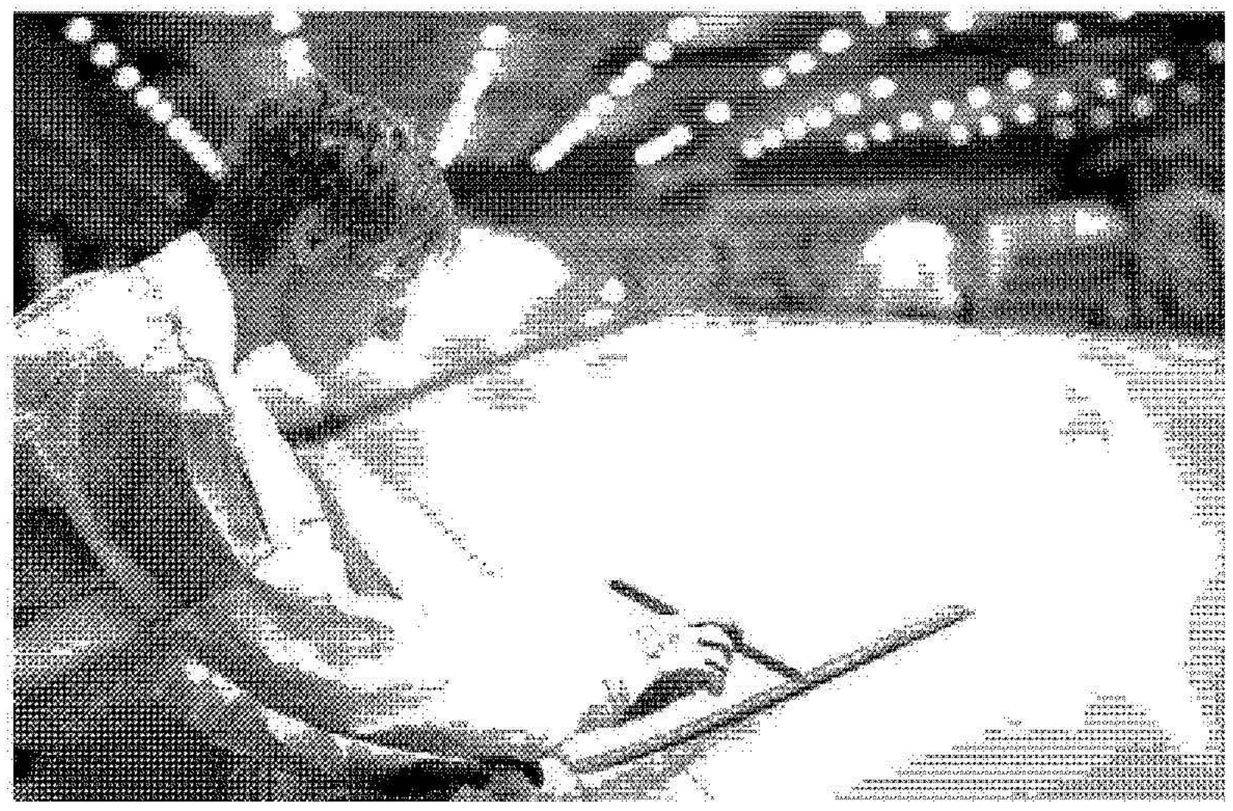
Warranty provisions
The warranty provisions in 2021 amounted to EUR 679m net of supplier claims, equivalent to a net warranty ratio of 4.4 percent of revenue in the year, which was 0.3 percentage points below the ratio in 2020. Despite a decrease compared to last year, the net warranty expense in 2021 reflected EUR 197m of additional warranty expense (2020: EUR 242m). The additional warranty expense was a result of increased repair and upgrade costs for existing cases also challenged by the supply chain instability causing significant cost inflation and delay in execution.

Research and development costs
Research and development costs recognised in the income statement amounted to EUR 364m, significantly higher than the 2020 level (2020: EUR 265m). The total research and development expenditure prior to capitalisation and amortisation increased to EUR 444m in 2021 (2020: EUR 331).

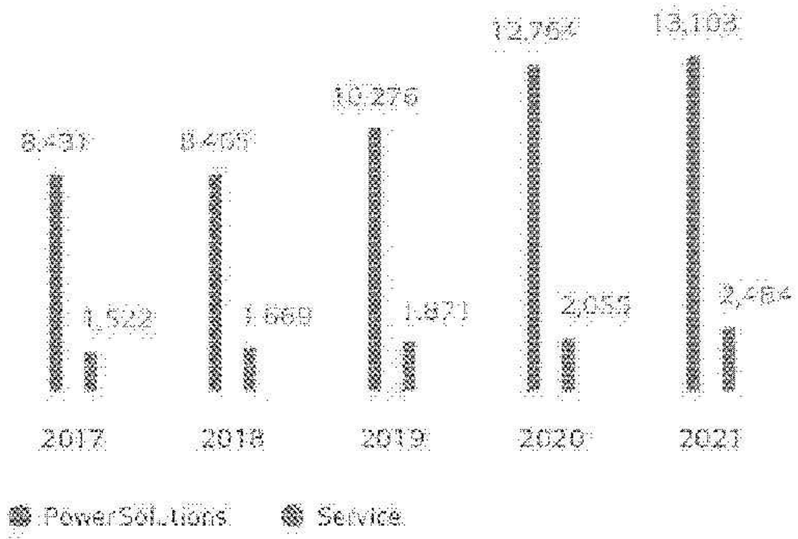
The increase was mainly attributable to the inclusion of the offshore business and to research and development activities as part of bringing new Onshore and Offshore technology to the market.

Distribution costs
Distribution costs amounted to EUR 367m in 2021 (2020: EUR 281m). The increase was mainly a consequence of the inclusion of the offshore business combined with an increase in depreciation in the supply chain area for transport equipment to handle new blade types.

Administration costs
Administration costs amounted to EUR 368m (2020: EUR 242m) and constituted 2.4 percent of revenue in 2021, an increase of 0.8 percentage points compared to 2020. The increase was due to the inclusion and integration of the Offshore business including IT costs as well as other increased costs.



Revenue
mEUR



↑57%

With the addition in late 2020 of the offshore business, we achieved a record-high level of revenue in 2021 of EUR 15.6bn, a four-year increase of 57 percent.

Financial performance – continued

Depreciation, amortisation, and impairment
Depreciation, amortisation, and impairment amounted to EUR 921m before special items in 2021 (2020: EUR 641m). The increase was attributable to the inclusion of the offshore business and investments related to recent years' more frequent introduction of new technologies and product variants.

Operating profit (EBIT)
EBIT before special items amounted to EUR 461m in 2021 (2020: EUR 750m), equivalent to an EBIT margin before special items of 3.0 percent, compared to the updated guidance of around 4 percent. The EBIT margin before special items decreased by 2.1 percentage points compared to 2020. The decrease is mainly driven by decreasing gross profit margin as well as higher research and development and SG&A costs, driven by the inclusion and integration of the Offshore business.

EBIT after special items amounted to EUR 322m with costs in special items of EUR 139m in 2021, as a consequence of a planned and announced adjustment of Vestas' manufacturing footprint ceasing production at Vestas' factories in Lauchhammer, Germany; Viveiro, Spain and Esbjerg, Denmark; as well as a write down of tangible assets in the production factory in Isle of Wight, United Kingdom.

Income from investments in joint ventures
Income from investments in joint ventures amounted to a profit of EUR 36m in 2021 (2020: EUR 331m). This negative development was primarily due to the net positive impact in 2020 of EUR 383m in relation to Vestas' acquisition of Mitsubishi Heavy Industries, Ltd. (MHI)'s shares in the MHI Vestas Offshore Wind joint venture driven by the remeasurement of the value of Vestas' existing 50 percent ownership. The profit of EUR 36m in 2021 was mainly pertaining to gains related to the investment in Copenhagen Infrastructure Partners P/S and to co-development activities in the USA.

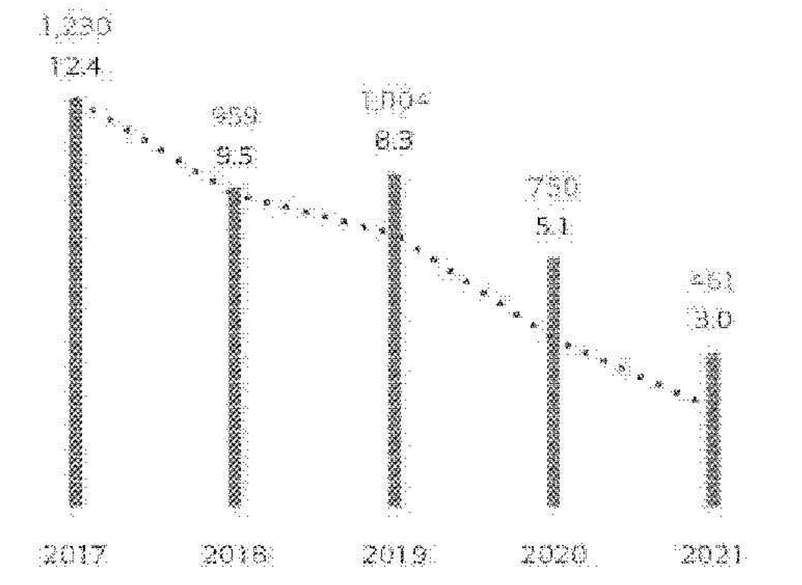
Net financial items
Financial items for 2021 amounted to negative EUR 101m (2020: negative EUR 95m) and comprised interests, fees, and currency related items.

Income tax
Income tax amounted to EUR 81m in 2021, equivalent to an effective tax rate of 32 percent (2020: 17 percent). The increase in the effective tax rate compared to 2020 is primarily due to the non-taxable gain in 2020 from Vestas' acquisition of MHI's shares in the MHI Vestas Offshore Wind joint venture and in 2021 from an increase in net tax operating losses subject to impairment and higher non-deductible expenses in 2021.

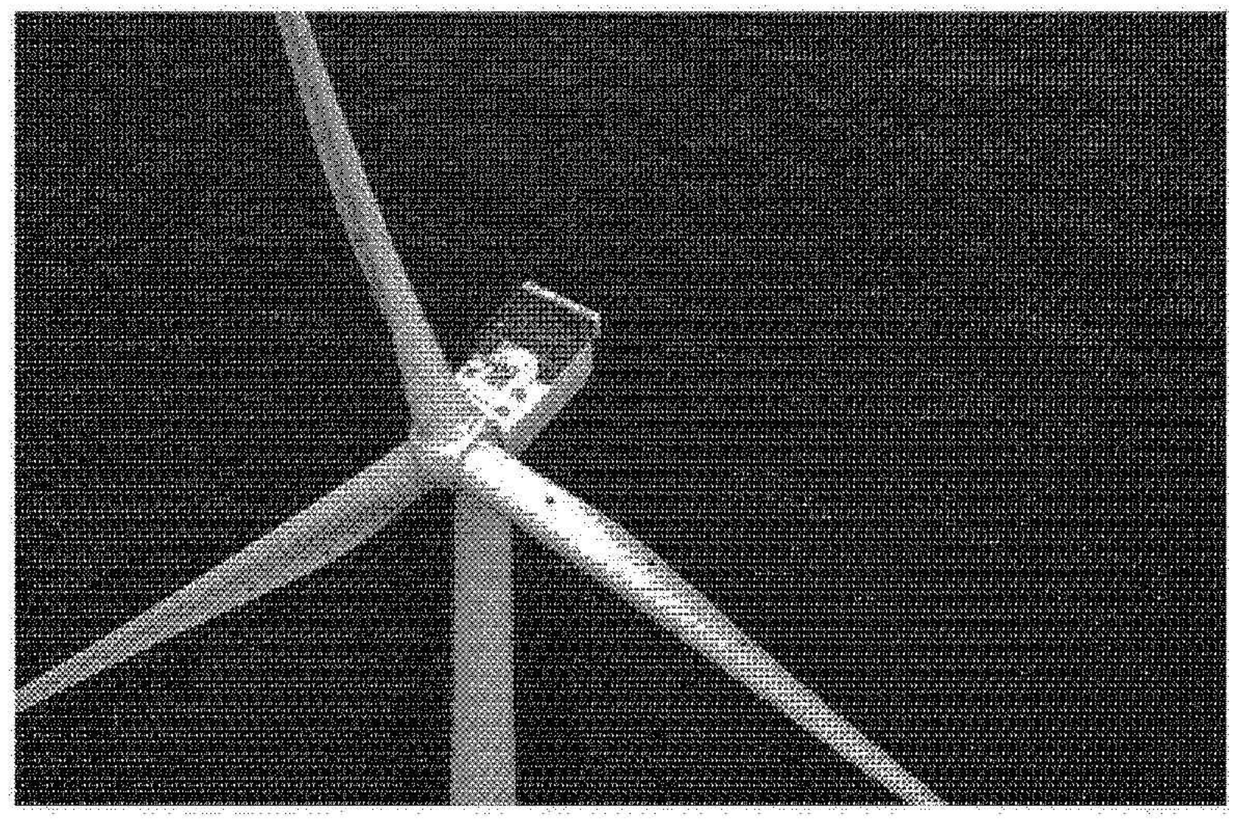
Profit for the year
Profit for the year amounted to EUR 176m in 2021 (2020: EUR 771m). The decrease compared to last year was mainly the result of a lower operating profit in 2021 and a much higher income from investments in joint ventures in 2020.

Profitability ratios
Earnings per share amounted to EUR 0.17 in 2021, a decrease of EUR 0.61 compared to 2020. The decrease is mainly attributable to a lower profit margin in 2021 and to the gain in 2020 related to Vestas' acquisition of MHI's shares in MHI Vestas Offshore Wind A/S. Return on capital employed (ROCE) was 5.2 percent in 2021 (2020: 13.5 percent). The negative development can be attributed to a combination of lower operating profit, higher effective tax rate and an increase in equity and net financial debt. Return on equity was 3.6 percent in 2021 (2020: 21.4 percent), a decrease of 17.8 percentage points. The decrease can be attributed to the lower profit for the year as well as a higher average equity balance compared to 2020.

Operating profit (EBIT) before special items
mEUR – percent



Profitability
Operating profit decreased due to supply chain instability and cost inflation, resulting in an EBIT margin before special items of 3.0 percent.



Income statement

1 January - 31 December

mEUR	Note	2021	2020
Revenue	1.1, 1.2	**15,587**	**14,819**
Production costs	1.3, 1.4, 2.2	(14,027)	(13,281)
Gross profit		**1,560**	**1,538**
Research and development costs	1.3, 1.4	(364)	(265)
Distribution costs	1.3, 1.4	(367)	(281)
Administration costs	1.3, 1.4	(368)	(242)
Operating profit (EBIT) before special items		**461**	**750**
Special items	1.6	(139)	(52)
Operating profit (EBIT)		**322**	**698**
Income/(loss) from investments in joint ventures and associates	3.5	36	331
Financial income	1.7	21	18
Financial costs	1.7	(122)	(113)
Profit before tax		**257**	**934**
Income tax	5.1	(81)	(163)
Profit for the year		**176**	**771**
Profit is attributable to:			
Owners of Vestas Wind Systems A/S		167	765
Non-controlling interests		9	6
Earnings per share (EPS)	4.6		
Earnings per share (EUR)		0.17	0.78
Earnings per share (EUR), diluted		0.17	0.78

Statement of comprehensive income

1 January - 31 December

mEUR	Note	2021	2020
Profit for the year		**176**	**771**
Other comprehensive income			
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments relating to foreign entities		131	(133)
Exchange rate adjustments relating to foreign entities transferred to the income statement		-	14
Fair value adjustments of derivative financial instruments	4.2	78	114
Gain/(loss) on derivative financial instruments transferred to the income statement	4.2	6	(104)
Exchange rate adjustments relating to joint ventures and associates	3.5	-	1
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	3.5	3	22
Share of fair value adjustments of derivative financial instruments transferred to the income statement of joint ventures and associates	3.5	-	25
Tax on fair value adjustments that may be subsequently reclassified to the income statement		(19)	(6)
Other comprehensive income after tax		**197**	**(67)**
Total comprehensive income		**373**	**704**

Balance sheet

31 December

Assets

mEUR	Note	2021	2020
Intangible assets	3.1, 3.4	3,130	2,888
Property, plant and equipment	3.2, 3.3	2,091	2,022
Investments in joint ventures and associates	3.5	609	57
Other investments	4.3	81	69
Tax receivables	5.1	229	201
Deferred tax	5.2	374	335
Other receivables	2.5, 4.3	234	241
Financial investments	4.3	100	100
Total non-current assets		**6,848**	**5,913**
Inventories	2.2	5,673	5,289
Trade receivables	4.1, 4.3	1,531	1,538
Contract assets	2.3, 4.3	1,227	775
Contract costs	2.4	690	369
Tax receivables	5.1	102	121
Other receivables	2.5, 4.3	1,105	981
Financial investments	4.3	116	111
Cash and cash equivalents	4.1, 4.3	2,420	3,063
Total current assets		**12,864**	**12,247**
Total assets		**19,712**	**18,160**

Liabilities

mEUR	Note	2021	2020
Share capital	4.4	27	27
Other reserves		22	(146)
Retained earnings		4,699	4,773
Equity attributable to Vestas		**4,748**	**4,654**
Non-controlling interests		13	49
Total equity		**4,761**	**4,703**
Provisions	3.6	686	696
Deferred tax	5.2	362	158
Financial debts	4.1, 4.3	732	867
Tax payables	5.1	326	331
Other liabilities	2.6, 4.1, 4.3	145	173
Total non-current liabilities		**2,251**	**2,225**
Financial debts	3.3, 4.1, 4.3	704	487
Contract liabilities	2.3	6,180	5,613
Trade payables	4.1, 4.3	4,286	3,608
Provisions	3.6	646	580
Tax payables	5.1	75	86
Other liabilities	2.6, 4.1, 4.3	809	858
Total current liabilities		**12,700**	**11,232**
Total liabilities		**14,951**	**13,457**
Total equity and liabilities		**19,712**	**18,160**

Shareholder return

Capital structure and financing items

Equity and solvency ratio
As at 31 December 2021, total equity amounted to EUR 4,761m, an increase from the year before of EUR 588m, which can be attributed to a positive net result of EUR 176m and favourable currency developments, partly offset by dividend payment of EUR 228m to Vestas' shareholders in 2021. As at 31 December 2021, the solvency ratio was at 24.2 percent, a decrease compared to 25.9 percent the year before, due to higher total assets, reflecting strategic investments and high ongoing activity.

Net interest-bearing position and cash position
As at 31 December 2021, cash and cash equivalents amounted to EUR 2,420m (2020: EUR 3,063m) and net interest-bearing debt was positive of EUR 1,200m, a decline of EUR 720m compared to 2020. This development was primarily the result of the strategic decision to acquire a 25 percent stake in Copenhagen Infrastructure Partners P/S, combined with the dividend payment to shareholders in April 2021.

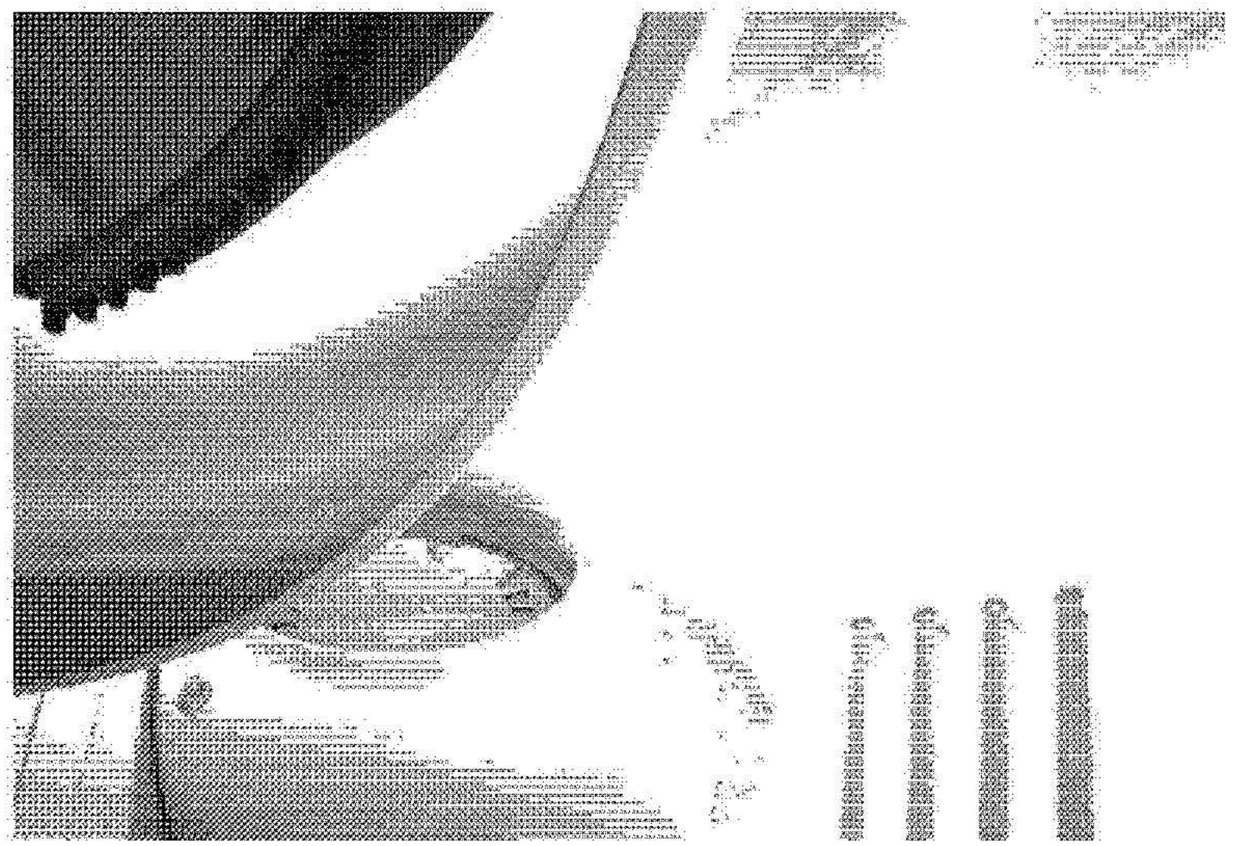
The ratio of net interest-bearing debt/EBITDA was negative 0.9 as at 31 December 2021 compared to negative 1.4 at the end of 2020. This unfavourable development year over year was driven by a decline in EBITDA and a decline in the net interest-bearing position. Despite the decline of the ratio during 2021, the ratio remains well below the capital structure target of a net interest-bearing debt/ EBITDA ratio below 1x.

Distribution to shareholders
The general intention of the Board is to recommend a dividend of 25-30 percent of the company's annual net result after tax, which will be paid out following approval by the Annual General Meeting, see Capital structure strategy, page 22.

The financial year 2021
The results achieved in 2021 has led the Board to recommend a dividend of DKK 0.37 (EUR 0.05) per share, equivalent to 30 percent of the net result for the financial year 2021 after tax and corresponding to EUR 50m in total. The proposed dividends are included in retained earnings.

Distribution to shareholders	2021	2020
Dividend per share (DKK)	0.37[1]	1.69[1]
Dividend per share (EUR), approx.	0.05[1]	0.23[1]
Dividend (mEUR)[2]	50	230
Payout ratio (%)	30.0	30.0
Share buy-back (mEUR)	-	-

1. Based on n. mber of shares issued as at 31 December 2021
2. Based on recommended dividend.



Treasury shares	2021 Number of shares / Nominal value (DKK)	2020 Number of shares / Nominal value (DKK)	2021 % of share capital	2020 % of share capital
Treasury shares as at 1 January	1,098,495	3,559,449	0.5	1.8
Share split 1:5	4,393,980	-	-	-
Purchases	391,125	-	0.1	-
Cancellation	-	(1,977,848)	-	(1.0)
Vested treasury shares	(1,160,440)	(483,106)	(0.1)	(0.2)
Treasury shares as at 31 December	**4,723,160**	**1,098,495**	**0.5**	**0.5**

1. Pursuant to authorisation granted to the Board by the Annual General Meeting on 8 April 2021, Vestas has been authorised to acquire treasury shares at a nominal value not exceeding 10 percent of the share capital at the time of the authorisation.

Statement of changes in equity

1 January - 31 December

	2021								2020							
		Reserves								Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling interest	Total	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling interest	Total
Equity as at 1 January	**27**	**(114)**	**(21)**	**(11)**	**(146)**	**4,773**	**49**	**4,709**	**27**	**(4)**	**(4)**	**(59)**	**(67)**	**3,333**	**52**	**3,345**
Profit for the year	-	-	-	-	-	167	9	176	-	-	-	-	-	765	6	771
Other comprehensive income for the year	-	128	63	3	194	-	3	197	-	(110)	4	48	(58)	-	(9)	(67)
Total comprehensive income for the year	**-**	**128**	**63**	**3**	**194**	**167**	**12**	**373**	**-**	**(110)**	**4**	**48**	**(58)**	**765**	**(3)**	**704**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items, net	-	-	(26)	-	(26)	-	-	(26)	-	-	(21)	-	(21)	-	-	(21)
Transactions with owners:																
Transaction with non-controlling interest	-	-	-	-	-	(5)	(48)	(53)								
Capital increase	-	-	-	-	-	-	-	-	1	-	-	-	-	860	-	861
Reduction of share capital	-	-	-	-	-	-	-	-	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(230)	-	(230)	-	-	-	-	-	(213)	-	(213)
Dividends distributed related to treasury shares	-	-	-	-	-	2	-	2	-	-	-	-	-	4	-	4
Acquisition of treasury shares	-	-	-	-	-	(12)	-	(12)	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	13	-	13	-	-	-	-	-	16	-	16
Tax on equity transactions	-	-	-	-	-	(9)	-	(9)	-	-	-	-	-	7	-	7
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(241)**	**(48)**	**(289)**	**-**	**-**	**-**	**-**	**-**	**675**	**-**	**675**
Equity as at 31 December	**27**	**14**	**16**	**(8)**	**22**	**4,699**	**13**	**4,761**	**27**	**(114)**	**(21)**	**(11)**	**(146)**	**4,773**	**49**	**4,709**

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

Cash flows

Working capital and cash flow

Net working capital
Net working capital amounted to a net liability of EUR 1,049m as at 31 December 2021, a slight unfavourable development compared to a net liability at the end of 2020 of EUR 1,127m.

Cash flow from operating activities
Cash flow from operating activities was EUR 996m in 2021, an improvement of 34 percent compared to last year. The increase was mainly driven by a more stable development in net working capital during 2021 compared to 2020.

Cash flow from investing activities before acquisitions
Cash flow from investing activities before acquisitions amounted to a net outflow of EUR 813m compared to an outflow of EUR 687m in 2020. The higher net investment levels were driven by the development of new technologies and product variants, now both covering onshore and offshore.

Free cash flow

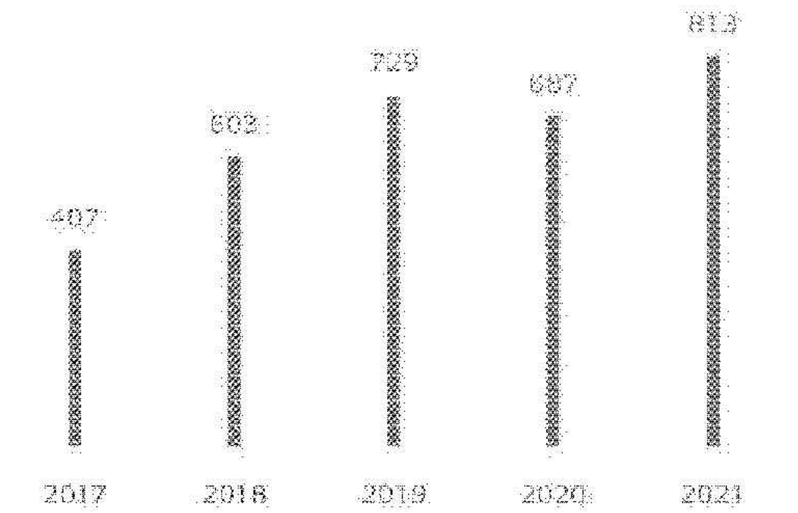
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments amounted to positive EUR 183m (2020: EUR 56m), an improvement from 2020 driven by cash flow from operating activities and a stable net working capital development with continued focus on building Vestas' financial strength while also underlining the operational resilience.

Strategic acquisitions and divestments

In February 2021, Vestas acquired a 25 percent stake in the parent companies of Copenhagen Infrastructure Partners P/S (CIP). The stake was acquired at a price of EUR 500m and the transaction has been recognised as an investment in associates with a EUR 180m cash payment recognised in 2021 while the remaining maximum EUR 320m earn-out is to be paid in the period from 2023 to 2029.

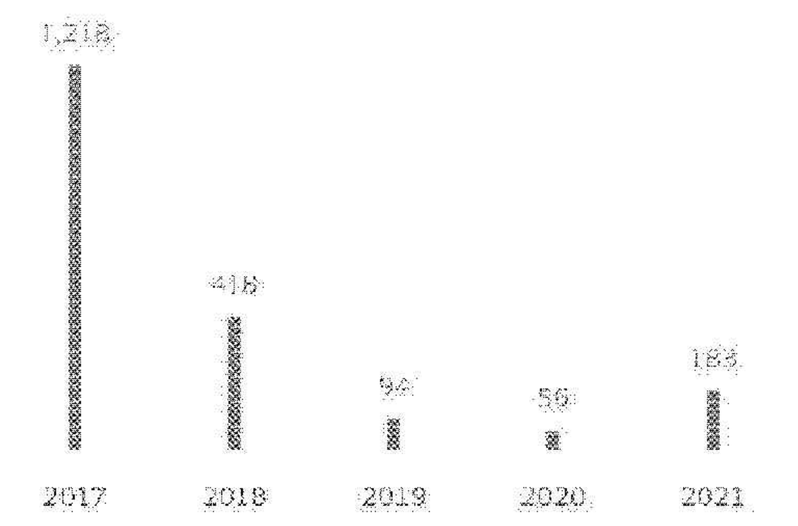
In July 2021, Vestas's strategic supply chain partner, CS Wind Corporation, acquired Vestas' tower factory in Pueblo, Colorado, allowing the factory to be run by a company specialised in tower manufacturing. The transaction was recognised in 2021 with a cash payment of EUR 99m.

Net investment
mEUR



Value-adding investments
Over the last five years we have invested in a new, modular platform, and taken full ownership of the offshore business.

Free cash flow before acquisitions
mEUR



EUR 183m

In 2021, Vestas generated free cash flow before acquisitions of EUR 183m.

Statement of cash flows

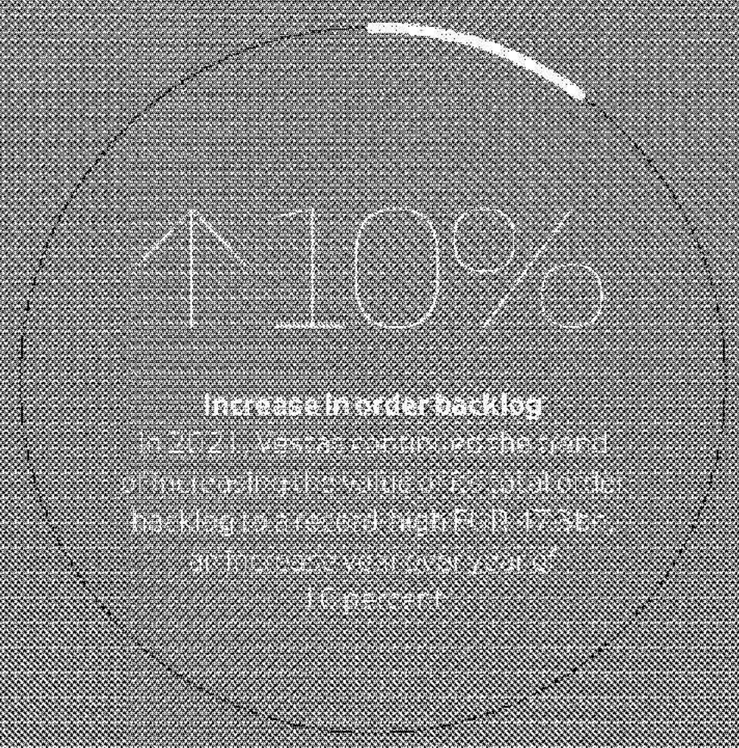
1 January - 31 December

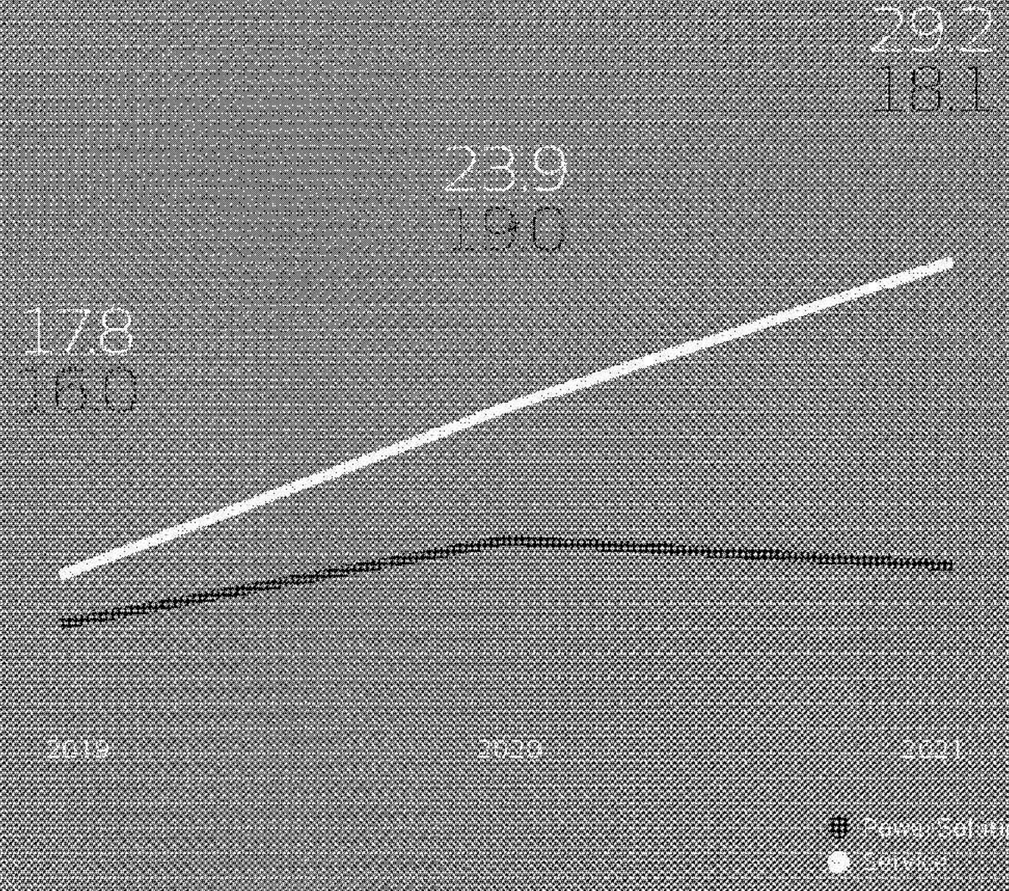
mEUR	Note	2021	2020
Profit for the year		176	771
Adjustments for non-cash transactions	6.5	1,005	803
Interest received		19	16
Interest paid		(39)	(40)
Income tax paid	5.1	(174)	(219)
Cash flow from operating activities before change in net working capital		987	1,331
Change in net working capital	2.1	9	(588)
Cash flow from operating activities		**996**	**743**
Purchase of intangible assets	3.1	(400)	(309)
Purchase of property, plant and equipment	3.2	(476)	(379)
Disposal of property, plant and equipment		3	1
Dividends from investments in joint ventures and associates	3.5	60	-
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(813)**	**(687)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**183**	**56**

mEUR	Note	2021	2020
Acquisition of subsidiaries	6.2	-	218
Purchase of shares in joint ventures and associates	3.5	(208)	(3)
Net purchase of other financial assets		(8)	(1)
Disposal of subsidiary, net of cash		99	-
Disposal of investment in joint ventures and associates	3.5	-	32
Net cash flow from deconsolidation of subsidiary		(4)	-
Purchase/disposal of financial investments		(5)	174
Cash flow from investing activities		**(939)**	**(267)**
Free cash flow		**57**	**476**
Acquisition of treasury shares		(12)	-
Dividends paid		(228)	(209)
Payment of lease liabilities	4.1	(135)	(82)
Proceeds from borrowings	4.1	642	94
Payment of financial debt	4.1	(960)	(37)
Transactions with non-controlling interest		(22)	-
Cash flow from financing activities		**(715)**	**(234)**
Net increase in cash and cash equivalents		**(658)**	**242**
Cash and cash equivalents as at 1 January		3,063	2,888
Exchange rate adjustments on cash and cash equivalents		15	(67)
Cash and cash equivalents as at 31 December	4.1	**2,420**	**3,063**

1 Result for the year

→ 1.1 Segment information
→ 1.2 Revenue
→ 1.3 Costs
→ 1.4 Employee costs
→ 1.5 Share based payment
→ 1.6 Special items
→ 1.7 Financial items





1.1 Segment information

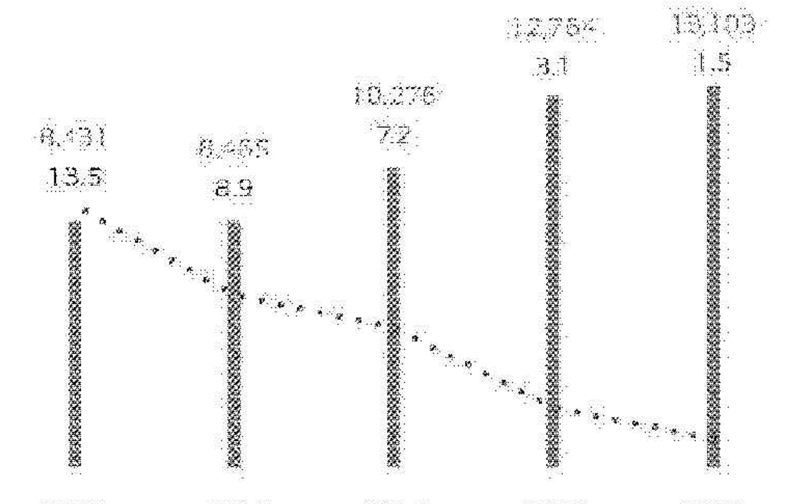
Power Solutions
The segment contains sale of onshore and offshore wind power plants, wind turbines, development sites, etc.

Power Solutions – Result for the period

In 2021, revenue from the Power Solutions segment amounted to EUR 13,103m (2020: EUR 12,764m), an increase of 3 percent compared to 2020. This increase was mainly driven by the inclusion of the Offshore business, partly offset by delay in installation of some Onshore projects due to supply chain instability. Deliveries in Americas declined compared to 2020, particularly in the USA, where 2020 was positively impacted by the original 100 percent PTC window. Europe, Middle East and Africa on the other hand saw increasing deliveries driven by core European markets both within onshore and offshore.

EBIT before special items from the Power Solutions segment amounted to EUR 193m, a 51 percent decrease compared to 2020. Consequently, the EBIT margin before special items was 1.5 percent (2020: 3.1 percent). This decrease was primarily attributable to supply chain instability and accelerating cost inflation throughout the year from raw materials, transport and turbine components.

Revenue and EBIT margin before special items
mEUR - percent



↑55%

Revenue from Power Solutions increased over the last four years by 55 percent.

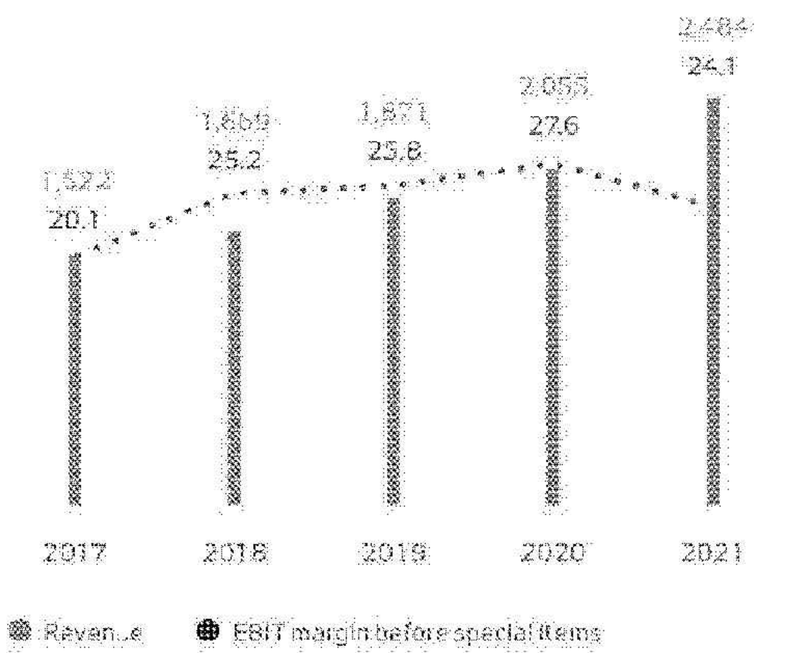
Service
The segment contains sale of service contracts, spare parts and related activities

Service – Result for the period

In 2021, the Service business generated revenue of EUR 2,484m, a year-on-year growth rate of 21 percent. The revenue development in the Service business was positively impacted by the inclusion of the offshore service business and a growing fleet of installed wind turbines.

In 2021, the EBIT margin was 24.1 percent (2020: 27.6 percent). Similar to the Power Solutions segment, the EBIT margin was impacted by blade repair and upgrade challenges as well as supply-chain bottlenecks.

Revenue and EBIT margin before special items
mEUR - percent



24%

Although a decrease was seen year over year, the Service business EBIT margin continued at high level with 24.1 percent in 2021.

1.1 Segment information – continued

Revenue

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

mEUR	2021	2020
USA	2,973	5,787
United Kingdom	2,632	122
Denmark	811	827
Other countries	9,171	8,083
Total	**15,587**	**14,819**

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

Intangible assets and property, plant and equipment

mEUR	2021	2020
Denmark	3,707	3,509
USA	413	500
Other countries	1,101	901
Total	**5,221**	**4,910**

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

With the exception of Denmark, no country has intangible assets and property, plant and equipment exceeding 10 percent of the group's total intangible assets and property, plant and equipment as at 31 December 2021. USA is included in 2021 to enable comparison to the 2020 level.

	2021				2020			
mEUR	Power Solutions	Service	Not allocated	Total	Power Solutions	Service	Not allocated	Total
Revenue	13,103	2,484	-	15,587	12,764	2,055	-	14,819
Total revenue	**13,103**	**2,484**	**-**	**15,587**	**12,764**	**2,055**	**-**	**14,819**
Total costs	(12,910)	(1,885)	(331)	(15,126)	(12,367)	(1,487)	(215)	(14,069)
Operating profit (EBIT) before special items	**193**	**599**	**(331)**	**461**	**397**	**568**	**(215)**	**750**
Special items, refer to note 1.6	(139)	-	-	(139)	(52)	-	-	(52)
Operating profit (EBIT)	**54**	**599**	**(331)**	**322**	**345**	**568**	**(215)**	**698**
Income/(loss) from investments in joint ventures and associates, refer to notes 3.5, 6.4	-	-	36	36	-	-	331	331
Financial income, refer to note 1.7	-	-	21	21	-	-	18	18
Financial costs, refer to note 1.7	-	-	(122)	(122)	-	-	(113)	(113)
Profit before tax				**257**				**934**
Amortisation and depreciation included in total costs, refer to notes 3.1, 3.2	(734)	(112)	(72)	(921)	(499)	(70)	(61)	(630)
Investments in joint ventures and associates, refer to note 3.5				609				57

Accounting policies

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

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

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

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

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

1.2 Revenue

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. Significant judgement is also involved in assessing whether project or service contracts contain multiple performance obligations which should be accounted for separately.

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

Judgement regarding method for recognition of revenue from Supply-and-installation contracts
Management applies judgement when determining whether revenue from Supply-and-installations contracts shall be recognised at a point in time or over time. Management has determined that Supply-and-installation projects based on standard solutions have an alternative use. Consequently, revenue of such contract is recognised at the point in time when the turbine is fully operational and control is transferred to the customer.

For certain projects, Vestas agrees to delivery of wind power plants based on non-standard solutions to the customer. Management assesses whether such non-standard solutions have an alternative use. The judgements made take into consideration technology used, or the degree of customization including remoteness of the wind power plant. Revenue from sale of non-standard solutions, which are judged to have no alternative use is recognised over time (percentage-of-completion).

Judgement regarding sale of onshore wind power plant under development
On 30 December 2021, Vestas entered into a binding share purchase agreement with an associate to sell its shareholding in an onshore wind power plant under development by Vestas at a consideration of EUR 64m. The share sale is subject to approval by the relevant authorities. During the approval process period, Vestas has the obligation to continue development according to the agreed development plan. If the approval has not been obtained by 30 September 2022, the customer has the right to put back the shares at transaction price. Along with this process, Vestas and the customer will negotiate on further elements of the final project. Should the parties not agree on such elements, the customer has the right to either pay Vestas an additional amount for the shares and exit the negotiations, or put back the shares at cost price.

Management applied judgement in determining that upon entering into the share purchase agreement, the customer has obtained control over the underlying project rights. Consequently, revenue in the amount of EUR 64m and related production costs in the amount of EUR 19m were recognised.

Management's conclusion is based on the following:
- The project rights have significant stand-alone value to the customer irrespective of whether subsequent supply agreements are entered into with Vestas or another supplier
- Approval from authorities is considered virtually certain, and throughout the approval process period, project development continues according to the agreed development plan
- It is considered highly probable that the customer's contingent option to put back the shares will either not materialise or not be exercised should it materialise

Accounting policies

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

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

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

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

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

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

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

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

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

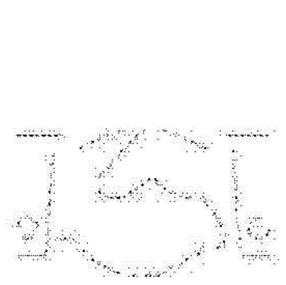
All wind turbine and wind power plant contracts include a standard warranty clause. For further details on warranty, refer to note 3.6.

1.2 Revenue – continued

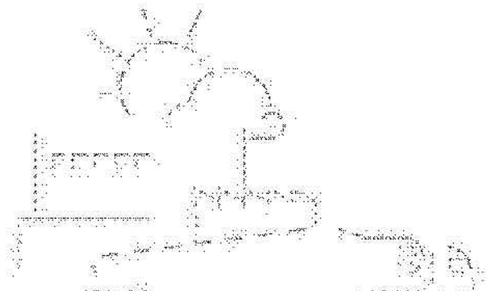
From order intake to revenue recognition

Order backlog

[illegible]



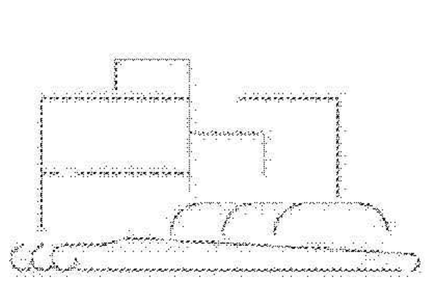
Order intake



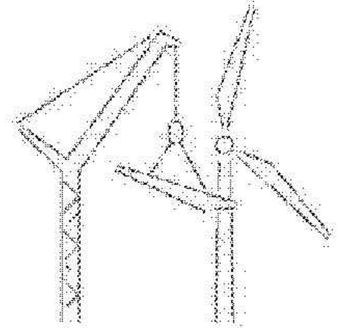
Manufacturing and transport

Deliveries

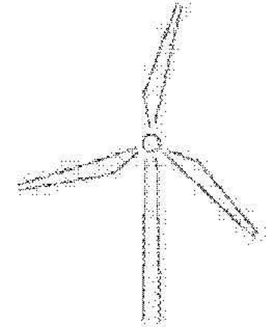
Deliveries for the Power Solutions segment are included as deliveries, and deducted from the wind turbine order backlog, when the related revenue has been recognised.



Delivery according to contract



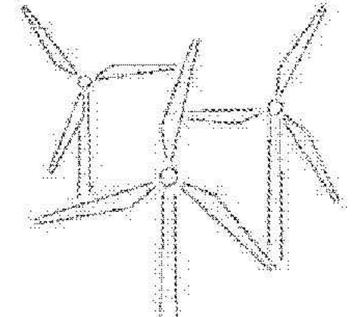
Construction



Operational turbine

Service

Sales from service agreements are recognised from service backlog and tracked by delivery of hours and specific events during the agreement.



Operating wind power plants

Supply-only

2.8

Revenue, EURbn

Revenue recognition

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

EPC / Turnkey projects

0.9

Revenue, EURbn

Revenue recognition

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

Supply-and-installation

9.4

Revenue, EURbn

Revenue recognition

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

Revenue is recognised **at a point in time** when control of the turbine is transferred to the customer. Control is transferred at a point in time when Vestas has provided fully operational turbines.

Service

2.5

Revenue, EURbn

Revenue recognition

Service contracts are continually recognised **over time** as the services are provided over the term of the agreements. Spare parts sales are recognised **at a point in time** when control has passed, which is the in-store.

1.2 Revenue – continued

Disaggregation of revenue

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

As disclosed in the Annual Report 2020, the demand for site-specific and remote wind power plants and customisation of wind turbines have increased the number of supply-and-installation projects with no alternative use, and consequently the revenue recognised over time for supply-and-installation projects. For the financial year 2021, supply-and-installation projects recognised over time (percentage-of-completion) constituted 32 percent of the total supply-and-installation revenue compared to 35 percent in 2020. The projects are mainly located in Brazil, but also include projects in other countries such as the United Kingdom and Russia.

	Power Solutions		Service		Total	
mEUR	2021	2020	2021	2020	2021	2020
Timing of revenue recognition						
Products and services transferred at a point in time	9,161	9,853	412	374	9,573	10,227
Products and services transferred over time	3,942	2,911	2,072	1,681	6,014	4,592
Total	**13,103**	**12,764**	**2,484**	**2,055**	**15,587**	**14,819**
Revenue from contract types						
Supply-only	2,814	6,600	-	-	2,814	6,600
Supply-and-installation (at a point in time)	6,347	3,253	-	-	6,347	3,253
Supply-and-installation (over time)	3,006	1,781	-	-	3,006	1,781
Turnkey (EPC)	936	1,130	-	-	936	1,130
Service	-	-	2,484	2,055	2,484	2,055
Total	**13,103**	**12,764**	**2,484**	**2,055**	**15,587**	**14,819**
Primary geographical markets						
EMEA	7,427	6,163	1,391	1,141	8,818	7,304
Americas	3,967	6,588	840	703	4,807	7,291
Asia Pacific	1,709	2,013	253	211	1,962	2,224
Total	**13,103**	**12,764**	**2,484**	**2,055**	**15,587**	**14,819**

Transaction price allocated to the remaining sales contracts

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

Order backlog

bnEUR	2021	2020
Power Solutions, onshore	15.4	15.0
Power Solutions, offshore	2.7	4.0
Wind turbines total	**18.1**	**19.0**
Service, onshore	25.5	20.5
Service, offshore	3.7	3.4
Service total	**29.2**	**23.9**

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

At the end of 2021, the average remaining duration in the service order backlog is approximately 10 years (2020: nine years), with a range up to 36 years (2020: 30 years). For the Power Solutions segment, projects are normally to be delivered within one to three years (2020: one to three years).

Power Solutions – order backlog
At the end of the year, the total wind turbine order backlog amounted to EUR 18.1bn. Of this, EUR 15.4 bn relates to onshore wind turbines. Compared to last year, the onshore order backlog increased by 3 percent. The offshore backlog amounted to EUR 2.7bn as at 31 December 2021, a decline of 33 percent from last year driven by offshore deliveries in 2021. For information on development in MW, refer to operational key figures on page 8.

Service – order backlog
At the end of 2021, Vestas had service agreements in the order backlog with expected contractual revenue of EUR 29.2bn, which is an increase of EUR 5.3bn compared to 2020.

Accounting policies

It should be emphasised 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 the timing of the satisfaction of the future performance obligations within the backlog.

Furthermore, it should be emphasised that the order backlog is forward-looking in nature and a subset of Vestas' potential future revenue.

1.3 Costs

Accounting policies

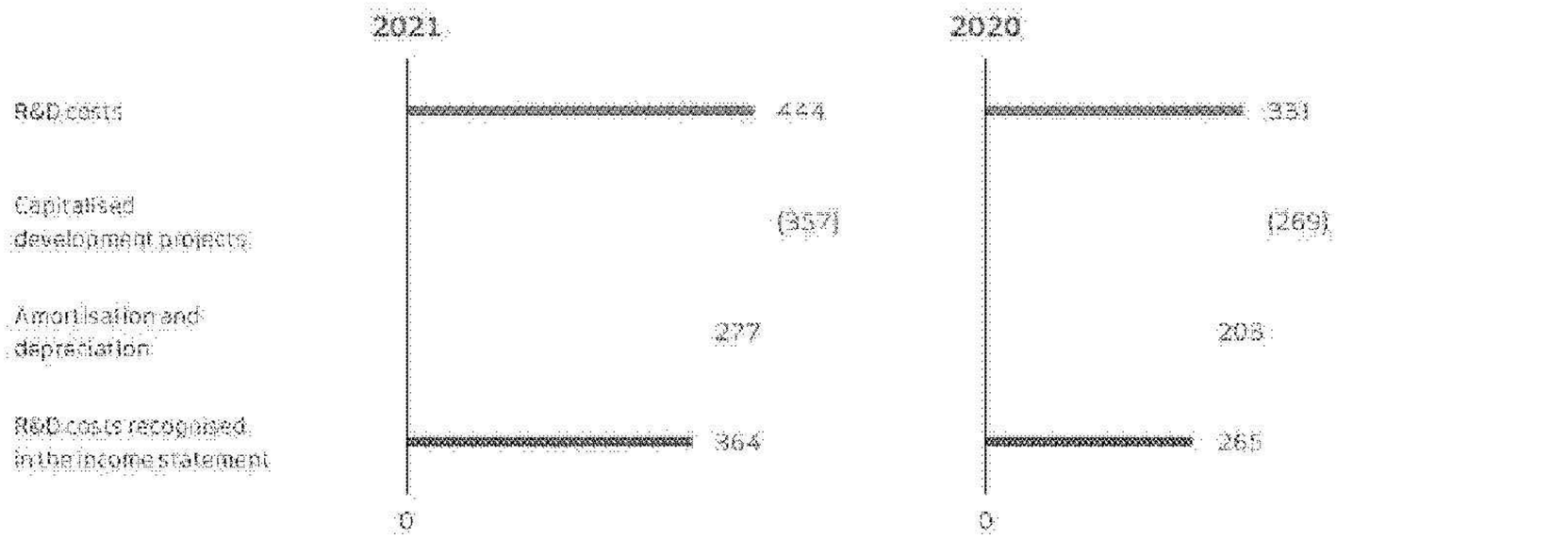
Production costs
Production costs, including warranty costs, comprise the costs incurred to achieve revenue for the year. Costs consist of raw materials, consumables, direct labour costs, transportation costs and indirect costs such as salaries, rental and lease costs as well as depreciation of production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

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

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

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

Research and development costs
mEUR



1.4 Employee costs

Staff costs

mEUR	2021	2020
Staff costs are specified as follows:		
Wages and salaries, etc.	1,395	1,240
Share-based payment, refer to note 1.5	13	16
Pension schemes, defined contribution schemes	85	68
Other social security costs	187	178
Total	**1,680**	**1,502**
Average number of employees	29,164	26,121
Number of employees as at 31 December	29,427	29,378

Board of Directors and Executive Management

mEUR	2021	2020
Staff costs attributable to:		
Board of Directors		
Board remuneration	1	1
Total	**1**	**1**
Executive Management		
Wages and bonus	7	6
Share-based payment	6	4
Social security costs	-	-
Total	**13**	**10**

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

In 2021, share-based payment and wages to the registered members of the Executive Management amounted to EUR 5m (2020: EUR 4m).

Key management personnel is defined as Executive Management.

1.5 Share based payment

Restricted performance share programme

The purpose of the restricted performance shares is to ensure common goals for management, certain key employees, and shareholders.

The number of shares available for grant may be adjusted in the event of changes in Vestas' capital structure. Further, in the event of a change of control, merger, winding-up or demerger of Vestas, an accelerated grant may extraordinarily take place. In the event of certain transfers of activities or changes in ownership interests within Vestas, adjustment, replacement of the programme and/or settlement in cash of the programme entirely or partly may also take place.

In May 2021, the Board of Directors of Vestas Wind Systems A/S (the Board) launched a new restricted performance share programme. The performance share programme has been revised for the sake of simplification. The 2021 performance share programme will fully vest after a three-year performance period with all shares vesting at once, instead of the previous split vesting in two portions. The performance measurements are based on financial key performance indicators as well as Vestas' market share as defined by the Board of Directors.

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

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

In 2021, the total number of shares issued amounts to 783,747 shares with a fair value of EUR 26m (out of which 280,870 shares with a fair value of EUR 9m were issued to the Executive Management). The fair value calculated is based on share price at measurement, close of Nasdaq Copenhagen on 16 April 2021, EUR 33.

Employee elected members of the Board, had 0 restricted shares outstanding as at 31 December 2021 (2020: 0).

Refer to note 1.4 for the total expense recognised in the income statement for restricted performance shares (share-based payment) granted to Executive Management and other executives.

Accounting policies

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

The value of the services received in exchange for the issuance of shares is measured at the fair value of the shares.

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

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

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

Management's incentive programmes	2021	2020	2019	2018	2017	2016
Year awarded:	April 2021	May 2020	May 2019	April 2018	May 2017	April 2016
Performance year[1]	2021-2023	2020-2022	2019-2021	2018-2020	2017-2019	2016-2018
Vesting conditions (KPIs):	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share
Vesting years:	2024	2023/25	2022/2024	2021/2023	2020/2022	2019/2021

1 Performance years defined as Vestas' financial year.

Number of restricted performance shares	Executive Management pcs	Other executives pcs	Total pcs
Outstanding as at 1 January 2021	**1,169,045**	**3,629,165**	**4,798,210**
Adjusted	(135,247)	(266,679)	(401,926)
Awards issued	280,870	502,877	783,747
Vested	(191,950)	(967,240)	(1,159,190)
Cancelled	(100,830)	(310,894)	(411,724)
Outstanding as at 31 December 2021	**1,021,888**	**2,587,229**	**3,609,117**
Outstanding as at 1 January 2020	**1,374,050**	**4,603,745**	**5,977,795**
Adjusted	(374,400)	460,390	85,990
Awards issued	466,490	917,020	1,383,510
Vested	(268,835)	(2,146,695)	(2,415,530)
Cancelled	(28,260)	(205,295)	(233,555)
Outstanding as at 31 December 2020	**1,169,045**	**3,629,165**	**4,798,210**

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

Allocation of performance shares for the 2019-2021, 2020-2022 and 2021-2023 performance programmes will be adjusted based on the level of target achievement in the measurement period.

As of 28 April 2021, a share split at a ratio of 1:5 was carried out. Comparative figures have been restated to reflect the change in number of shares.

1.6 Special items

Adjusting manufacturing footprint

Vestas continues to develop the products and solutions offered to customers as well as expand partnerships with specialised partners in the supply chain. As part of this development, as per the announcement on 20 September 2021, Vestas adjusted its manufacturing footprint and ceased production in 2021 at factories in Lauchhammer, Germany and Viveiro, Spain. In addition, Vestas will cease the production in the factory in Esbjerg, Denmark.

This adjustment of the manufacturing footprint event qualifies as special items in accordance with Vestas' accounting policy. In total, special items of EUR 139m have been recognised, EUR 68m as impairment of tangible assets, EUR 61m as staff costs, and EUR 10m as other costs.

Basis for recognition

The impairment loss is primarily related to land and buildings which are written down to fair value less expected cost to sell. The facility in Lauchhammer has been written down with EUR 34m to EUR 10m and the facility in Viveiro has been written down with EUR 6m to zero as no significant value is expected from the disposal of the facility considering costs to sell. Furthermore, a right of use asset related to the building in Esbjerg has been written down with EUR 8m to zero as the building is not expected to be utilised after production has ended.

Vestas has initiated negotiations with workers' representatives and local work councils for all affected employees. The total staff cost recognised include severance packages and salaries during leave. The expected costs are dependent on the outcome of the negotiations including the length of the negotiation period. The provision for staff costs amounts to EUR 61m related to employees in Lauchhammer, Viveiro, and Esbjerg.

Other costs are primarily related to write-down of inventory and other receivables as well as costs to maintain facilities during idle period.

Further to the above, the facility on Isle of Wight has been written down with EUR 10m to EUR 3m.

Special items

mEUR	2021	2020
Impairment loss on intangible and tangible assets	(68)	(43)
Staff costs	(61)	(3)
Other	(10)	(6)
Special items	**(139)**	**(52)**

Key accounting judgements

Classification

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 they are of a significantly 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.

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. The costs include the write-down of intangible and tangible assets as well as provisions for re-organisations and any reversal/adjustments thereof.

1.7 Financial items

Financial income

mEUR	2021	2020
Interest income	19	16
Other financial income	2	2
Total	**21**	**18**

Financial costs

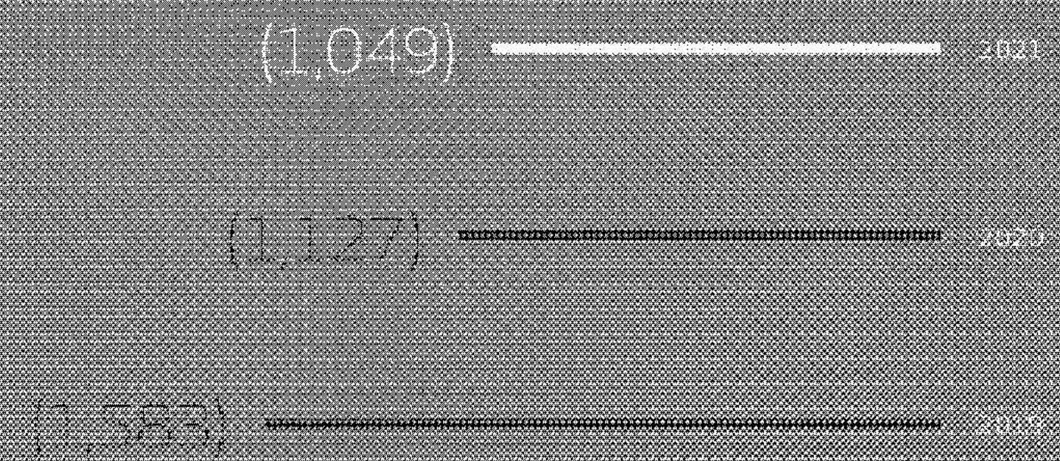
mEUR	2021	2020
Interest income	39	33
Interest on lease liabilities	13	7
Foreign exchange losses	45	40
Hedging instruments	7	12
Other financial costs	18	21
Total	**122**	**113**

Accounting policies

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

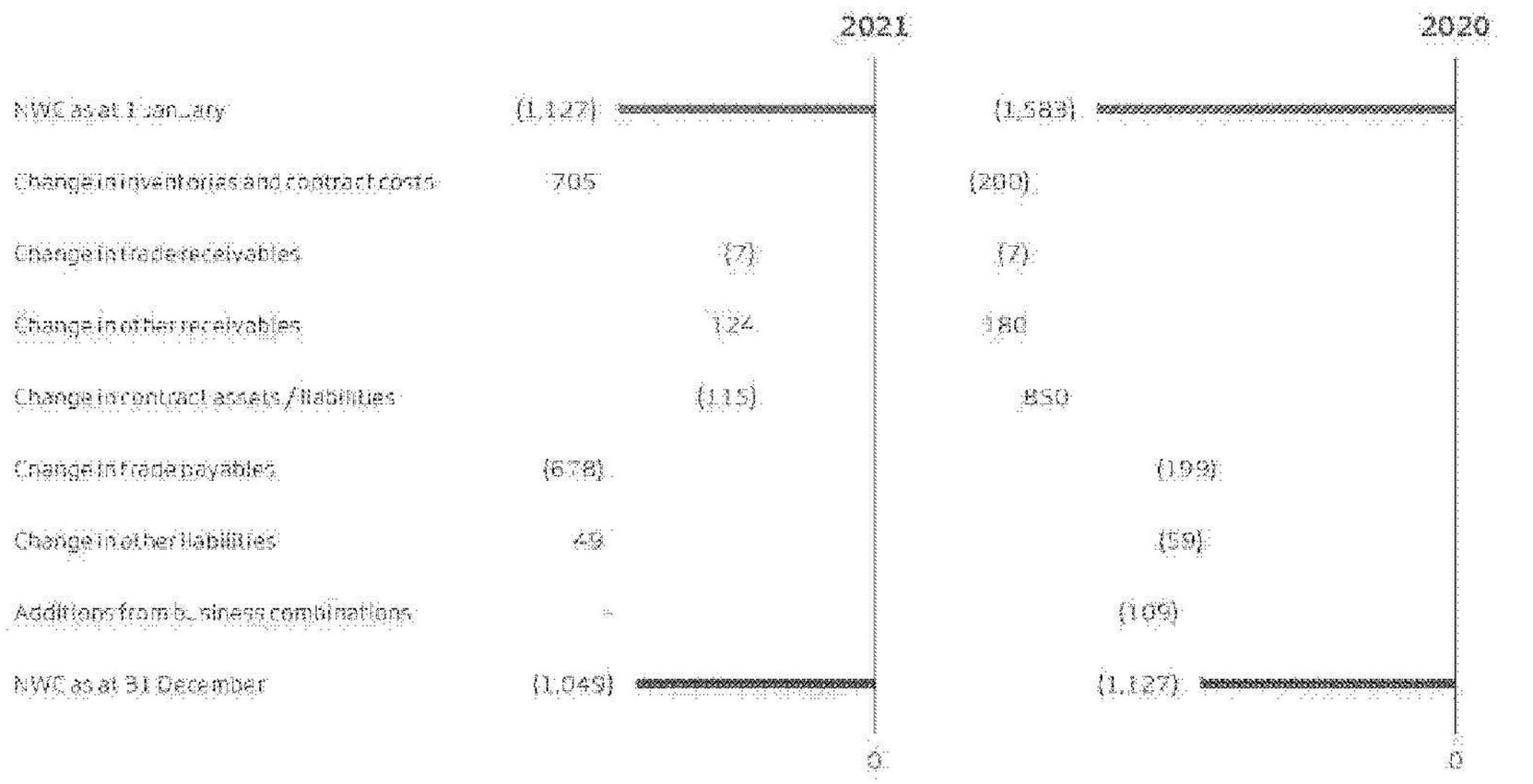
2 Working capital

→ 2.1 Change in net working capital
→ 2.2 Inventories
→ 2.3 Contract balances
→ 2.4 Contract costs
→ 2.5 Other receivables
→ 2.6 Other liabilities



Net working capital (mEUR)
Net working capital amounted to a negative EUR 1,049m as at 31 December 2021.

2.1 Change in net working capital



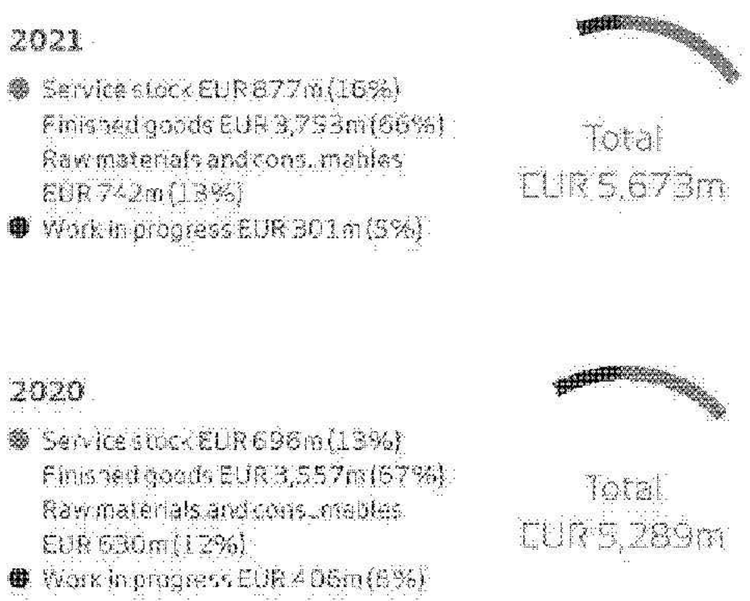
The change in net working capital (NWC) include non-cash adjustments and exchange rate adjustments with a total amount of EUR 87m (2020: EUR (132)m). Consequently, the cash flow impact of change in NWC is EUR 9m (2020: EUR (588)m).

Vestas is facilitating a supply chain financing program funded by credit institutions. Use of this programme by suppliers takes place in the ordinary course of business with the same payment terms offered to other suppliers and without credit enhancement. Supplier financing therefore fulfills the criteria as trade payables and has been presented in the balance sheet as ordinary trade payables with a total amount of EUR 637m (2020: EUR 381m).

2.2 Inventories

mEUR	2021	2020
Inventories consumed		
Inventories consumed for the year, which are included in production costs	9,236	8,545
Write-downs of inventories		
Write-downs of inventories in the year	8	11
Utilised write-downs in the year	(3)	(9)
Reversal of write-downs in the year[1]	(11)	(13)

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



Key accounting estimates

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

Accounting policies

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

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

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

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

2.3 Contract balances

mEUR	2021 Contract assets	2021 Contract liabilities	2020 Contract assets	2020 Contract liabilities
1 January	**775**	**5,613**	**528**	**5,020**
Additions from business combinations	-	-	66	1,262
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	(3,202)	-	(3,409)
Increases as a result of changes in the measure of progress and other adjustments	829	-	422	-
Payments received, excluding amounts recognised as revenue during the period (prepayments)	-	3,645	-	3,121
Transfers from contract assets recognised at the beginning of the period to receivables	(387)	-	(221)	-
Exchange rate adjustments	10	124	(20)	(381)
31 December	**1,227**	**6,180**	**775**	**5,613**
Contract assets and liabilities comprise the following:				
Construction contract in progress (turnkey)	60	209	72	230
Service contracts	931	932	647	801
Supply-only contracts	-	846	-	642
Supply-and-installation contracts point in time	-	2,801	-	3,139
Supply-and-installation over time	236	1,390	56	801
Total	**1,227**	**6,180**	**775**	**5,613**

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

Accounting policies

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

Vestas receives payments from customers based on a billing schedule, as established in the contracts and generally represents Vestas' engagements. Contract assets relate to Vestas' conditional right to consideration for Vestas' completed performance under the contract. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) Vestas performs under the contract.

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

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

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

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

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

2.4 Contract costs

mEUR	2021	2020
Asset recognised from costs to fulfil a contract	690	369
Total	**690**	**369**

Capitalised costs as a result of fulfilling sales contracts are recognised as part of production cost in the income statement when related revenues are recognised. In 2021, EUR 599m (2020: EUR 1,710m) was recognised as cost.

Accounting policies

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

2.5 Other receivables

mEUR	2021	2020
Prepayments	151	177
Supplier claims	120	14
VAT[1]	465	599
Derivative financial instruments	387	314
Other receivables	216	318
Total	**1,339**	**1,222**
Specified as follows:		
0-1 year	1,105	981
> 1 year	234	241
Total	**1,339**	**1,222**

1 Incl. decl. loss provision on VAT receivables of EUR 59m as at 31 December 2021 (2020: EUR 52m).

Key accounting estimates

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

Accounting policies

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

2.6 Other liabilities

mEUR	2021	2020
Staff costs	188	307
Taxes and duties	267	215
Derivative financial instruments	386	393
Other liabilities	113	116
Total	**954**	**1,031**
Specified as follows:		
0-1 year	809	858
> 1 year	145	173
Total	**954**	**1,031**

Accounting policies

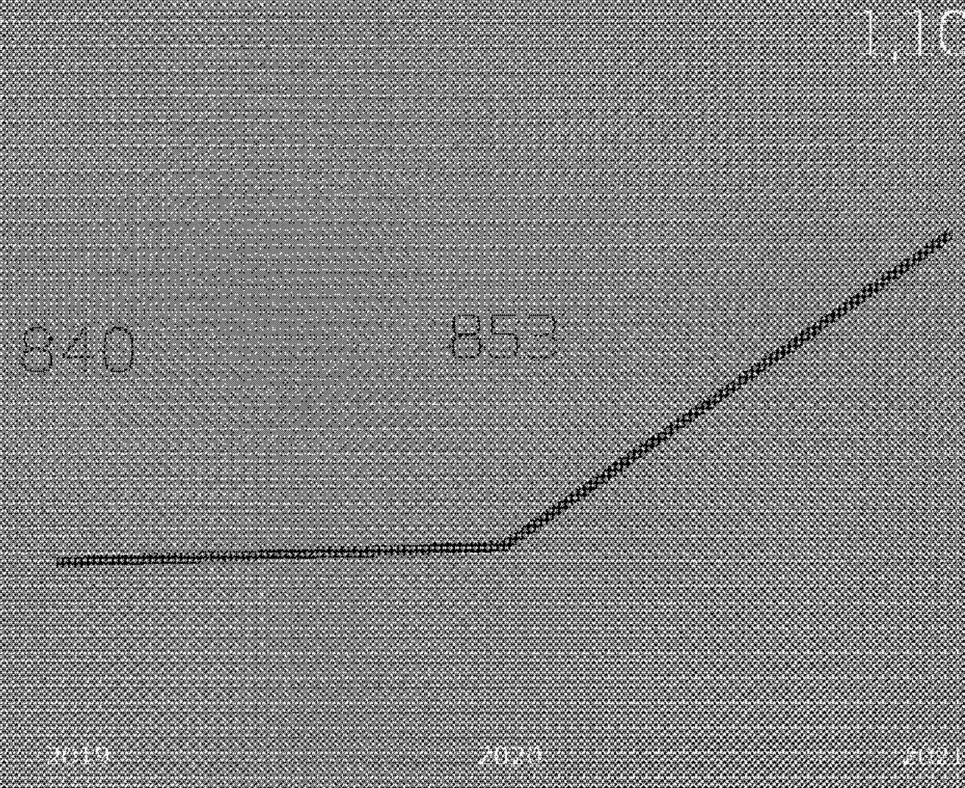
Other liabilities are measured at amortised cost.

Derivative financial instruments are measured at fair value.

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

3 Other operating assets and liabilities

→ 3.1 Intangible assets
→ 3.2 Property, plant and equipment
→ 3.3 Leases
→ 3.4 Impairment
→ 3.5 Investments in joint ventures and associates
→ 3.6 Provisions



Total investments (mEUR)
From 2019 to 2021, investments increased significantly as we stayed ahead of the curve – developing the next generation of wind turbines.

3.1 Intangible assets

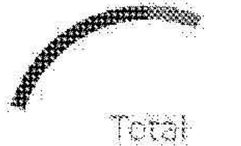
mEUR	2021 Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total	2020 Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total
Cost as at 1 January	1,377	2,327	535	562	317	5,118	489	1,883	458	74	261	3,165
Exchange rate adjustments	9	1	2	1	1	14	(8)	8	-	(3)	-	(3)
Additions	-	-	3	2	395	400	-	-	1	1	307	309
Adjustments from business combination	230	-	-	(5)	-	225	896	95	15	497	144	1,647
Disposal	(5)	-	(186)	-	-	(191)	-	-	-	-	-	-
Transfers	-	233	54	-	(287)	-	-	341	61	(7)	(395)	-
Cost as at 31 December	**1,611**	**2,561**	**408**	**560**	**426**	**5,566**	**1,377**	**2,327**	**535**	**562**	**317**	**5,118**
Amortisation and impairment losses as at 1 January	103	1,706	371	50	-	2,230	103	1,509	301	44	-	1,957
Exchange rate adjustments	-	1	2	1	-	4	-	6	1	(4)	-	3
Amortisation for the year	-	235	81	72	-	388	-	168	69	9	-	246
Impairment losses for the year	-	-	-	-	-	-	-	23	-	1	-	24
Disposal	-	-	(186)	-	-	(186)	-	-	-	-	-	-
Amortisation and impairment losses as at 31 December	**103**	**1,942**	**268**	**123**	**-**	**2,436**	**103**	**1,706**	**371**	**50**	**-**	**2,230**
Carrying amount as at 31 December	**1,508**	**619**	**140**	**437**	**426**	**3,130**	**1,274**	**621**	**164**	**512**	**317**	**2,888**
Internally generated assets included above	-	619	82	-	418	1,121	-	525	103	-	165	793
Amortisation period		2–5 years	3–5 years	3–7 years				2–5 years	3–5 years	3–7 years		

Amortisation, intangible assets
mEUR and percent

2021
- Production costs EUR 80m (20%)
  Research and development costs EUR 247m (64%)
  Distribution costs EUR 4m (1%)
- Administration costs EUR 57m (15%)
- Special items EUR 0m (0%)



2020
- Production costs EUR 16m (6%)
  Research and development costs EUR 177m (72%)
  Distribution costs EUR 4m (2%)
- Administration costs EUR 49m (20%)
- Special items EUR 0m (0%)



Impairment loss, intangible assets
mEUR and percent

2021
- Production costs EUR 0m (0%)
  Research and development costs EUR 0m (0%)
  Distribution costs EUR 0m (0%)
- Administration costs EUR 0m (0%)
- Special items EUR 0m (0%)



2020
- Production costs EUR 0m (0%)
  Research and development costs EUR 0m (0%)
  Distribution costs EUR 0m (0%)
- Administration costs EUR 0m (0%)
- Special items EUR 24m (100%)



3.1 Intangible assets – continued

Development projects and other intangible assets

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

As part of the acquisition of MHI Vestas Offshore Wind A/S in 2020, Vestas acquired an order backlog amounting to EUR 497m related to both the wind turbine and the service business recognised in other intangible assets.

Accounting policies

Goodwill
Goodwill is initially recognised in the balance sheet as described in business combinations, refer to note 6.2. Subsequently, goodwill is measured at this value less accumulated impairment losses. Goodwill is not amortised.

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

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

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

Impairment losses on goodwill are not reversed.

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

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

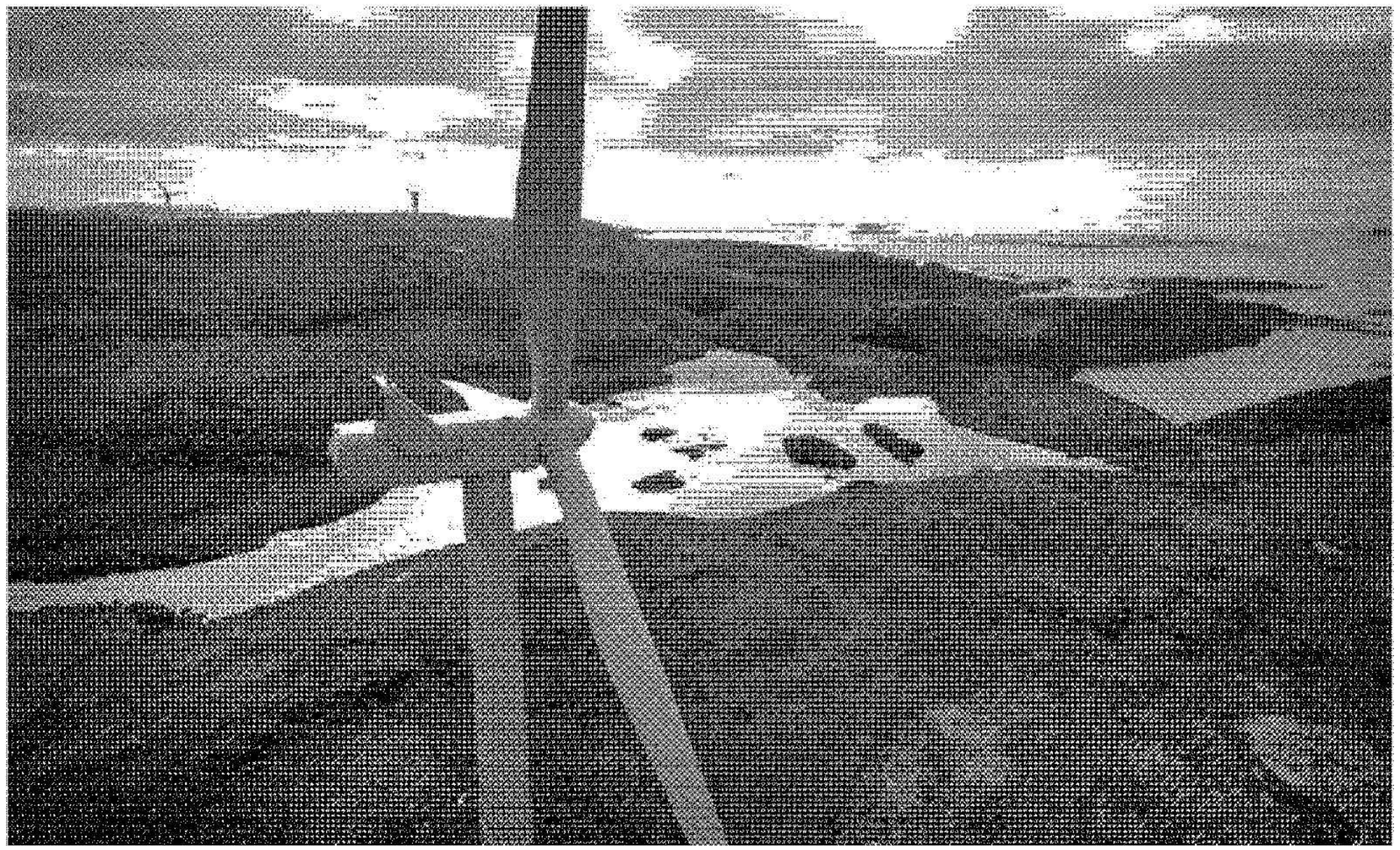
Following completion of the development work, development projects are amortised on a straight-line basis over their estimated useful lives. The amortisation period is two to five years. The basis of amortisation is calculated net of any impairment losses.

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

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

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

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

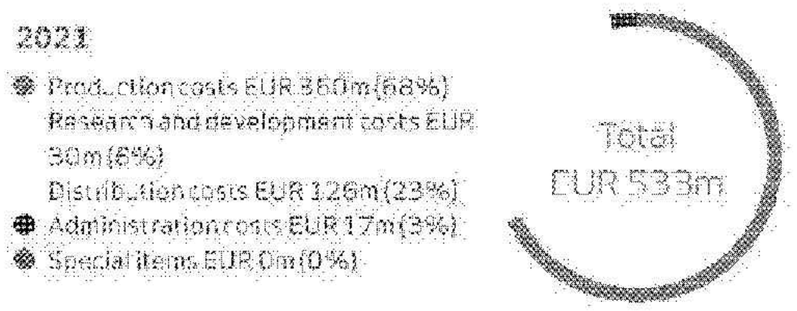


3.2 Property, plant and equipment

mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Right-of-use assets	Total	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Right-of-use assets	Total
	2021						2020					
Cost as at 1 January	**1,166**	**1,096**	**1,530**	**169**	**581**	**4,542**	**1,202**	**1,036**	**1,351**	**139**	**265**	**3,993**
Exchange rate adjustments	57	40	47	(4)	12	152	(52)	(43)	(49)	(5)	(11)	(160)
Additions	4	16	180	276	230	706	4	8	161	206	165	544
Additions from business combinations	-	-	-	-	-	-	-	25	73	33	169	300
Disposals	(121)	(146)	(157)	-	(15)	(439)	(5)	(63)	(60)	-	(7)	(135)
Transfers	29	98	178	(305)	-	-	17	133	54	(204)	-	-
Cost as at 31 December	**1,135**	**1,104**	**1,778**	**136**	**808**	**4,861**	**1,166**	**1,096**	**1,530**	**169**	**581**	**4,542**
Depreciation and impairment losses as at 1 January	568	760	1,049	-	143	2,520	549	698	1,006	-	69	2,322
Exchange rate adjustments	26	25	35	-	1	87	(22)	(29)	(37)	-	(6)	(94)
Depreciation for the year	42	102	243	-	146	533	45	109	151	-	79	384
Impairment losses for the year	45	16	-	-	7	68	-	25	1	-	4	30
Transfers	-	-	-	-	-	-	-	15	(15)	-	-	-
Reversal of depreciation of disposals in the year	(56)	(122)	(148)	-	(12)	(338)	(4)	(58)	(57)	-	(3)	(122)
Depreciation and impairment losses as at 31 December	**625**	**781**	**1,179**	**-**	**285**	**2,870**	**568**	**760**	**1,049**	**-**	**143**	**2,520**
Carrying amount as at 31 December	**510**	**323**	**599**	**136**	**523**	**2,091**	**598**	**336**	**481**	**169**	**438**	**2,022**
Depreciation period	10–40 years	3–10 years	3–5 years		2–20 years		10–40 years	3–10 years	3–5 years		2–20 years	

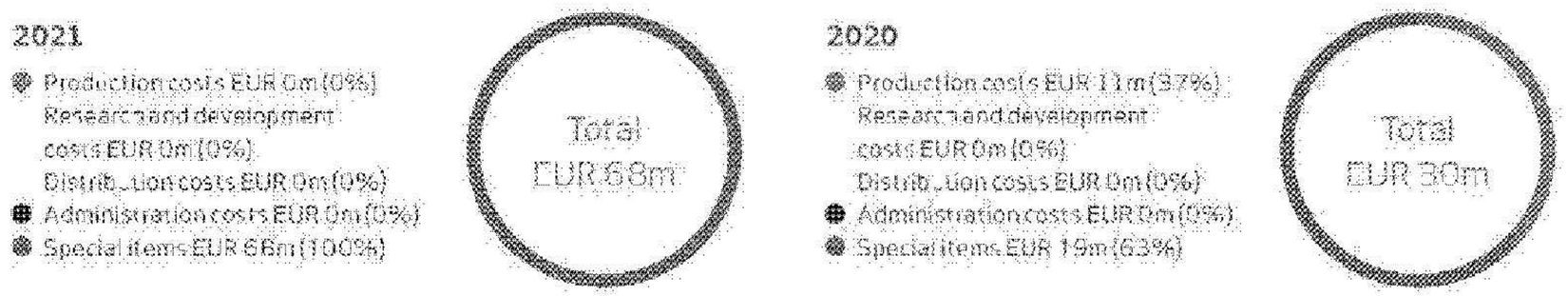
Depreciation, property, plant and equipment

mEUR and percent



Impairment loss, property, plant and equipment

mEUR and percent



3.2 Property, plant and equipment – continued

Accounting policies

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

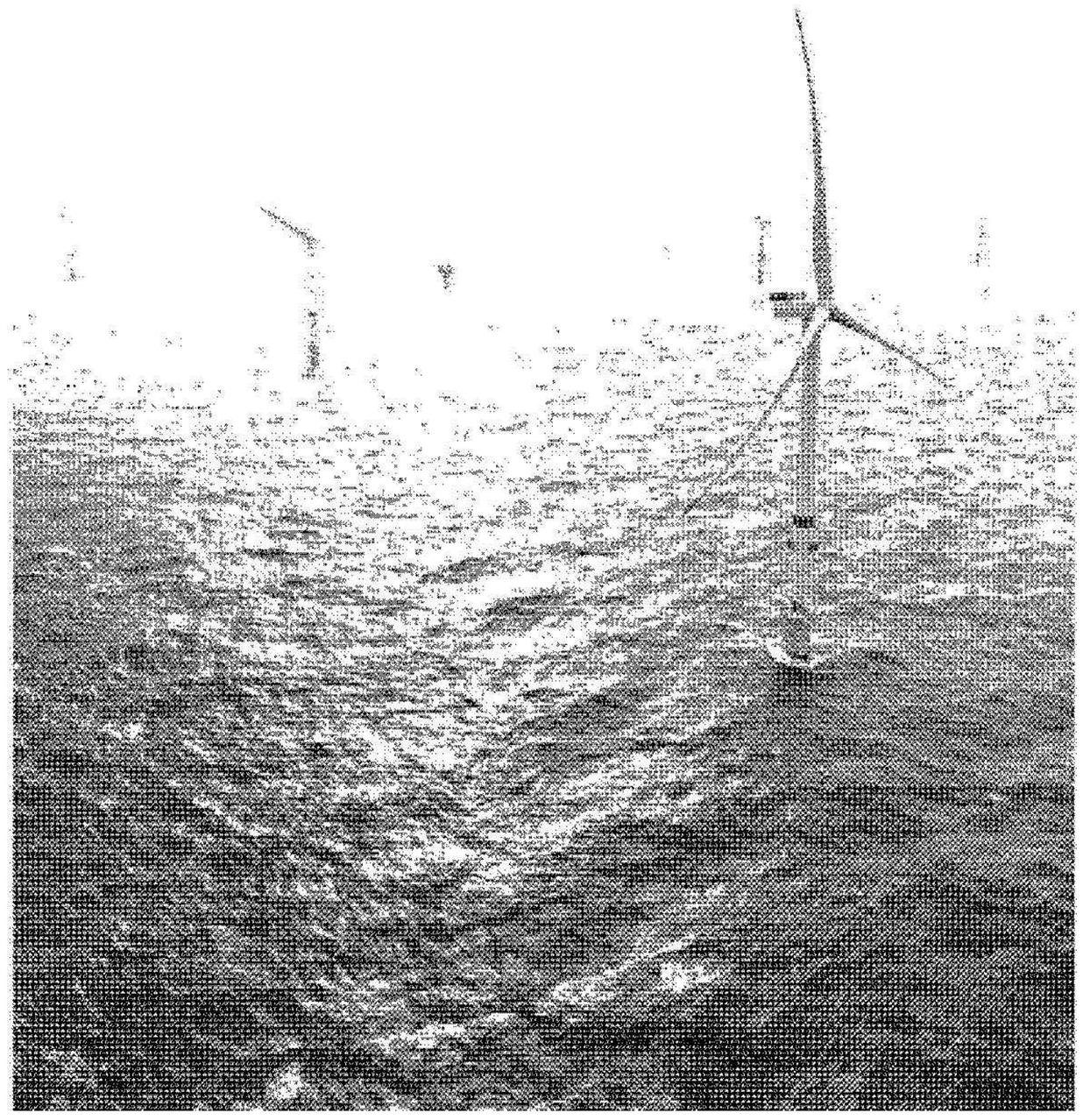
The carrying amounts of non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in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

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

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

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

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



3.3 Leases

	2021					2020				
mEUR	Property	Vehicles	Equipment	Vessels	Total	Property	Vehicles	Equipment	Vessels	Total
Right-of-use assets as at 1 January	**241**	**63**	**41**	**93**	**438**	**132**	**50**	**14**	**-**	**196**
Exchange rate adjustments	11	-	-	-	11	(4)	(1)	-	-	(5)
Depreciation charge for the year including transfers	(74)	(37)	(17)	(18)	(146)	(36)	(29)	(14)	-	(79)
Impairment charge for the year	(7)	-	-	-	(7)	(4)	-	-	-	(4)
Addition of right-of-use assets for the year including transfers	132	33	21	44	230	84	43	39	-	166
Additions from business combinations	-	-	-	-	-	70	4	2	93	169
Disposal of right-of-use assets for the year	(3)	-	-	-	(3)	(1)	(4)	(0)	-	(5)
Right-of-use assets as at 31 December	**300**	**59**	**45**	**119**	**523**	**241**	**63**	**41**	**93**	**438**

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

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

Total lease expenses recognised in the income statement

mEUR	2021	2020
Variable lease payments not included in the measurement of lease liabilities	1	0
Expenses relating to short-term leases and leases of low-value	31	16

Total leases recognised in the statement of cash flows

mEUR	2021	2020
Short-term leases and leases of low value	31	16
Payment of lease liability including interest	148	89
Total cash outflow for leases	**179**	**105**

Lease liabilities

Lease liabilities are included in financial debts and amount to EUR 545m as at 31 December 2021 (2020: EUR 446m). Refer to note 4.1 for disclosure on contractual cash flows.

Accounting policies

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

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

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

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

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

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

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

3.4 Impairment

Valuation of goodwill

As at 30 September 2021, Management performed the annual impairment tests of the carrying amount of goodwill. No basis for impairment was found for 2021 (2020: EUR 0m). In the impairment tests, the carrying amount of the assets are compared to the discounted value of future expected cash flows.

The annual tests of goodwill were performed on three operating segments: Power Solutions Onshore, Power Solution Offshore and Service, these being the lowest level of cash-generating units as defined by Management.

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

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

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

For the Power Solutions Onshore and Service, projections for 2025 and onwards are based on general market expectations and risks in the impairment test.

The acquisition of MHI Vestas Offshore Wind A/S in 2020 was based on a business case related to the introduction of a new wind turbine platform. The expected cash flows from this new technology are not expected until after 2024. For this reason, the impairment test of Power Solutions Offshore include the same business case and an extended budget and forecast period including the years 2022 to 2028. Projections for year 2029 and onwards are based on general market expectations and risks in the impairment test.

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

Power Solutions Onshore	Power Solutions Offshore	Service
Order backlog of EUR 15.4bn as at 31 December 2021	Order backlog of EUR 2.7bn as at 31 December 2021	Service order backlog of EUR 29.2bn as at 31 December 2021
Expectations on changing market environment, including future market prices and high cost pressure	Expectations on changing market environment, including future market prices and high cost pressure	Expectations on changing market environment, including future market prices and future development in cost reductions
Expectations on future orders received, among other things based on expected market share of the global market outlook	Expectations on future orders received, among other things based on expected market share of the global market outlook including expectation of high growth in offshore market	Expectations on continued servicing of the existing installed base of wind turbines as well as future service contracts received, among other things based on expected market share
Expectations on continuing developments in mature and emerging markets	Expectations on continuing developments in mature and emerging markets	Capture full potential and accelerate profitable growth strategy from historically technology acquisitions and developments
Expectations on support schemes in both mature and emerging markets	Expectations on support schemes in both mature and emerging markets	Growth supported by market developments and organic growth

The above main information is used for determining growth, EBIT, and capital expenditure.

	2021			2020		
	Discount rate before tax (%)	Growth rate in terminal period (%)	Carrying amount of goodwill (mEUR)	Discount rate before tax (%)	Growth rate in terminal period (%)	Carrying amount of goodwill (mEUR)
Power Solutions Onshore	9.5	2	180	8.9	2	185
Power Solutions Offshore	9.8	2	893	-	-	-
Service	10.1	2	435	8.9	2	193

3.5 Investments in joint ventures and associates

Amounts in the balance sheet

mEUR	2021	2020
Investments in joint ventures	25	19
Investments in associates	584	38
Carrying amount as at 31 December	**609**	**57**

Amounts in the income statement

mEUR	2021	2020
Joint ventures	18	(60)
Gain from disposal of joint venture	-	383
Associates	18	(1)
Gain from disposal of associate	0	9
Income/(loss) from investments in joint ventures and associates	**36**	**331**

Investments in joint ventures and associates	Joint ventures		Associates	
mEUR	2021	2020	2021	2020
Cost as at 1 January	53	260	52	69
Additions	36	3	533	4
Disposals	-	(206)	(1)	(21)
Effect of exchange rate adjustment	2	(4)	1	-
Cost as at 31 December	**91**	**53**	**585**	**52**
Value adjustments as at 1 January	(34)	(148)	(14)	(12)
Proceeds from sale of projects	-	-	-	-
Dividends received	(50)	(1)	(10)	-
Share of profit/(loss)	18	(60)	18	(1)
Share of other comprehensive income	-	26	3	(1)
Effect of exchange rate adjustment	-	-	2	-
Disposals	-	149	-	-
Value adjustments as at 31 December	**(66)**	**(34)**	**(1)**	**(14)**
Carrying amount as at 31 December	**25**	**19**	**584**	**38**

Material investment in associates

In February 2021, Vestas acquired a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies. The total consideration of EUR 500m included a EUR 180m upfront payment and EUR 320m paid as a performance contingent consideration in the period 2023 to 2029. Refer to note 4.3 for further information on the fair value measurement of the contingent consideration.

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

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

Accounting policies

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

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

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

3.5 Investments in joint ventures and associates – continued

Summarised financial information for joint ventures and associates

Set out below is the summarised financial information for Copenhagen Infrastructure Partners P/S and Blakliden Fäbodberget Holding AB as of 31 December 2021, which are accounted for using the equity method. The information below reflects the amounts presented in the financial statements of the entities (and not Vestas' share of those amounts) material to Vestas in 2021. The investment in Copenhagen Infrastructure Partners P/S include investment in companies related to and managed by Copenhagen Infrastructure Partners P/S and for this reason the financial amounts presented below include financial information from several consolidated and none consolidated entities related to Copenhagen Infrastructure Partners P/S.

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

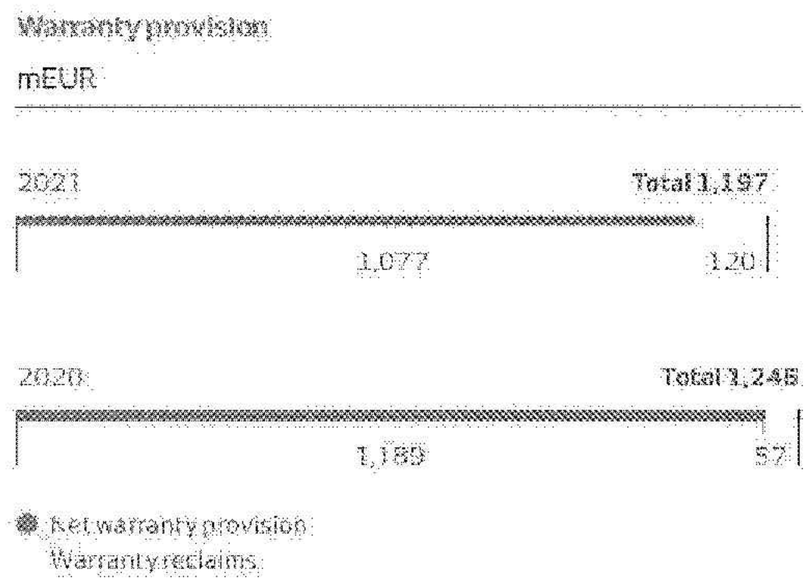
Summarised statement of comprehensive income	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2021	2020	2021	2020
Revenue	114	-	-	-
Depreciation and amortisation	(2)	-	-	-
Interest income	-	-	-	-
Interest cost	(1)	-	(3)	(2)
Profit before tax	138	-	(3)	(2)
Income tax	-	-	-	-
Post-tax profit from continuing operations	**138**	-	**(3)**	**(2)**
Other comprehensive income	-	-	9	(3)
Total comprehensive income	**138**	-	**6**	**(5)**

Summarised balance sheet	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2021	2020	2021	2020
Current				
Cash and cash equivalents	26	-	8	6
Other current assets (excluding cash)	19	-	10	3
Total current assets	**45**	-	**18**	**9**
Other current liabilities				
Total current liabilities	(14)	-	(91)	(38)
Non-current				
Total non-current assets	296	-	228	126
Total non-current liabilities	(3)	-	(163)	(131)
Net assets	**324**	-	**(28)**	**(34)**

Reconciliation of summarised financial information	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2021	2020	2021	2020
Opening net assets as at 1 January	-	-	(34)	(29)
Acquired net assets	229	-	-	-
Distributions	(43)	-	-	-
Profit/(loss) for the year	138	-	(3)	(2)
Other comprehensive income	-	-	9	(3)
Closing net assets	**324**	-	**(28)**	**(34)**
Interest in joint venture and associate (ownership of net assets)	81	-	(11)	(13)
Re-assessment of milestone payments, PPA adjustments, and other adjustments	439	-	54	50
Carrying value	**520**	-	**43**	**37**

3.6 Provisions

mEUR	2021 Warranty provision	2021 Other provisions	2021 Total provisions	2020 Warranty provision	2020 Other provisions	2020 Total provisions
Provision as at 1 January	1,189	87	1,276	619	61	680
Exchange rate adj.	-	-	-	-	(1)	(1)
Addition during the year	748	70	818	693	56	749
Utilised during the year	(852)	(4)	(856)	(326)	(10)	(336)
Addition from business combination	55	-	55	203	-	203
Reclassification	57	-	57	-	-	-
Reversed during the year	-	(18)	(18)	-	(19)	(19)
Provision as at 31 December	**1,197**	**135**	**1,332**	**1,189**	**87**	**1,276**
Non-current	655	31	686	624	56	580
Current	542	104	646	665	31	696



Product risks

Vestas invests significant resources in improving products and increasing their reliability to mitigate major warranty provisions. This work comprises design, production, installation, and continuous maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, and increase the competitiveness of the products.

Key accounting estimates

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

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

In addition to the above, provisions are made for upgrades of wind turbines sold due to defects, etc. Such provisions will also include wind turbines sold in prior years, but where serial defects, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the serial defects, etc. identified may lead to adjustments of previous estimates, upwards as well as downwards, in light of factual information about population size, costs of repair and the timing of such repairs.

Additional warranty provisions, EUR 748m, net of supplier reclaims of EUR 69m, in total EUR 679m (net warranty provision) have been made in 2021 (2020: EUR 693m), corresponding to 4.4 percent (2020: 4.7 percent) of Vestas' revenue. Warranty provision includes EUR 197m of additional warranty provisions as a result of increases in costs to repair and upgrade a considerable number of blades already installed.

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

The carrying amount of warranty provisions was EUR 1,197m as at 31 December 2021 (2020: EUR 1,189m), including addition of EUR 55m from the acquisition of MHI Vestas Offshore Wind.

Accounting policies

Provisions are recognised as a consequence of a past event when Vestas has a legal or constructive obligation and it is probable that there will be an outflow of Vestas' financial resources to settle the obligation.

Provisions are measured at management's best estimate of the costs required to settle the obligation. Discounting is applied where relevant.

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

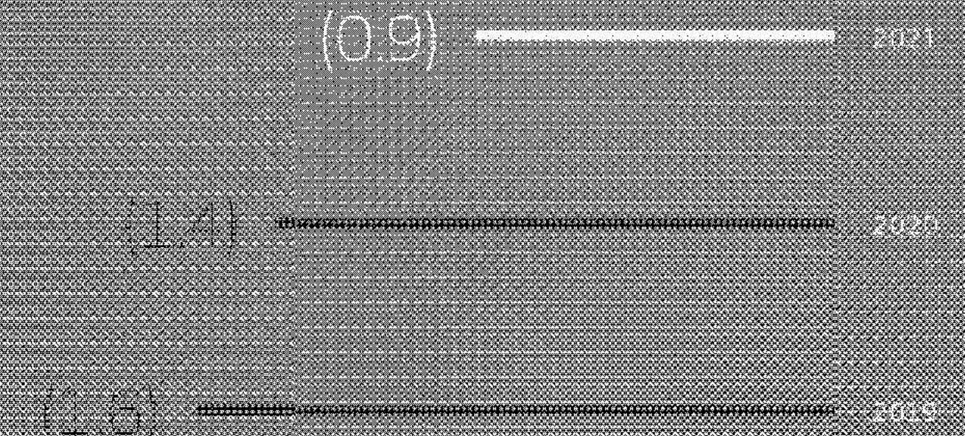
Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected no later than the balance sheet date.

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

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

4 Risk management and capital structure

→ 4.1 Financial risk management
→ 4.2 Hedge accounting
→ 4.3 Financial assets and liabilities
→ 4.4 Share capital
→ 4.5 Earnings per share



Net interest bearing debt/EBITDA
Net interest bearing debt/EBITDA was (0.9)x. Our capital structure remains robust, leaving room for debt-financed investments.

4.1 Financial risk management

Vestas' policy for managing financial risks

Financial risk management is an integrated part of Vestas' operating activities. Vestas is exposed to a number of financial risks through its international operations.

Financial risks are monitored and managed centrally. The Treasury Policy outlines the overall objectives and policies for Vestas' financial risk management. The Treasury Policy is approved by the Board, and revised on a continuous basis to adapt to the changing financial risks and market situation.

The Treasury Policy sets the limits for the various financial risks as well as Vestas' hedging policy. It is Vestas' policy only to use derivatives to hedge commercial exposures and not to enter into any speculative transactions.

Financial risk	How Vestas manages the risk
Liquidity risk	Availability of committed credit lines and borrowing facilities
Credit risk	Diversification of bank exposure, credit limits and guarantees
Market risk, foreign exchange	Currency forward contracts and currency swaps
Market risk, interest risk	Fixed interest loans
Market risk, commodity price	Fixed price agreements with suppliers and financial commodity contracts

Liquidity risks

Vestas manages its liquidity risks in line with the Treasury Policy to ensure having sufficient financial resources to service its financial obligations. Financial resources are managed through a combination of cash and money market deposits, committed credit facilities, and highly rated marketable securities. Liquidity is managed and optimised centrally by using cash pools and in-house bank solutions.

Vestas' main credit facility, a EUR 2,000m revolving multi-currency credit facility with a group of leading banks, was signed in April 2021. The facility, which is available for general corporate purposes, including guarantees issuance, carries a five-year tenor with two one-year extension options, replacing Vestas' undrawn EUR 1,150m revolving credit facility signed in 2017. As at end of 2021, EUR 671m of the revolving credit facility was converted into ancillary bank guarantees issuance facilities leaving EUR 1,329m available for cash drawings. The revolving credit facility is subject to a change of control clause resulting in repayment of the credit facility in the event of change in control.

(5) Accounting policies

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

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

mEUR	2021	2020
Liquidity position		
Financial investments	216	211
Cash and cash equivalents without disposal restrictions	2,394	3,039
Cash and cash equivalents with disposal restrictions	26	24
Cash and cash equivalents as at 31 December	**2,420**	**3,063**
Credit facilities		
Main credit facility	1,329	560
Other credit facilities	80	1,105
Total available financial resources	**4,045**	**4,929**

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

4.1 Financial risk management – continued

	2021					2020				
	Contractual cash flows				Carrying amount financial	Contractual cash flows				Carrying amount financial
mEUR	0-1 year	1-2 years	>2 years	Total	instruments	0-1 year	1-2 years	>2 years	Total	instruments
Total financial assets, non-current and current	**6,475**	**26**	**1**	**6,502**	**6,466**	**6,206**	**62**	**149**	**6,417**	**6,393**
Financial liabilities, non-current and current										
Leasing liabilities	144	110	354	608	545	110	95	263	468	446
Other financial debts	571	0	0	571	571	399	518	22	939	908
Total financial debts	**715**	**110**	**354**	**1,179**	**1,116**	**509**	**613**	**285**	**1,407**	**1,354**
Foreign currency derivatives	254	119	4	377	377	333	46	14	393	393
Commodity derivatives	9	-	-	9	9	-	-	-	-	-
Other liabilities	107	8	-	115	115	58	46	-	104	104
Other liabilities and derivative financial instruments	**370**	**127**	**4**	**501**	**501**	**391**	**92**	**14**	**497**	**497**
Trade payables	4,286	-	-	4,286	4,286	3,604	-	-	3,604	3,604
Contingent consideration	3	115	213	331	320	4	-	-	4	4
Financial guarantee contracts	17	-	-	17	-	52	-	-	52	-
Total financial liabilities, non-current and current	**5,391**	**352**	**571**	**6,314**	**6,223**	**4,560**	**705**	**299**	**5,564**	**5,459**

	2021					2020			
Changes to financial liabilities mEUR	Lease liabilities	Issued bonds	Credit facilities	Contingent consideration	Total	Lease liabilities	Issued bonds	Credit facilities	Total
Balances as at 1 January	**446**	**513**	**395**	**0**	**1,354**	198	513	109	820
Addition from business combination and investments in associates	-	-	-	320	320	171	-	245	416
Loss of control of subsidiary	-	-	(26)	-	(26)	-	-	-	-
Proceeds from borrowings	-	-	642	-	642	-	-	94	94
Additional lease liabilities	230	-	-	-	230	170	-	-	170
Payment of lease liabilities	(135)	-	-	-	(135)	-	-	-	-
Disposal of righ-of-use asset	(2)	-	-	-	(2)				
Payments of financial debt	-	(513)	(447)	-	(960)	(82)	-	(37)	(119)
Exchange rate adjustments	6	-	7	-	13	(11)	-	(16)	(27)
Balances as at 31 December	**545**	**0**	**571**	**320**	**1,436**	**446**	**513**	**395**	**1,354**

4.1 Financial risk management – continued

Credit risks

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

As at 31 December 2021, Vestas considers the maximum credit risk related to financial institution counterparties to be EUR 3,136m (2020: EUR 3,299m), and the total credit risk is considered to be EUR 6,194m (2020: EUR 6,035m).

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

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

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

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

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

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

As at 31 December 2021, Vestas' trade receivables and contract assets per geographical areas can be specified as follows: 70 percent in EMEA, 18 percent in America, and 12 percent in Asia Pacific (31 December 2020: 51 percent in EMEA, 35 percent in America and 14 percent in Asia Pacific).

As at 31 December 2021, no single customer accounted for more than 10 percent of Vestas' total trade receivables (31 December 2020: 0).

The commercial credit risk relating to the outstanding trade receivables balance as of 31 December 2021 was mitigated by EUR 552m (31 December 2020: EUR 448m) received as security, such as third party guarantees. Historically, Vestas has not incurred significant losses on trade receivables.

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

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

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

Expected credit losses on trade receivables and contract assets mEUR	2021 Carrying amount	2021 Expected loss rate	2021 Loss allowance	2020 Carrying amount	2020 Expected loss rate	2020 Loss allowance
Not overdue	2,402	0.1%	(2)	1,977	0.3%	(5)
Overdue 0-60 days	186	0.1%	0	172	0.3%	(0)
Overdue 61-120 days	72	2.2%	(2)	82	2.1%	(2)
Overdue 121-180 days	15	4.7%	(1)	26	5.8%	(2)
Overdue 181-365 days	44	9.1%	(4)	28	11.3%	(3)
Overdue more than 365 days	39	41.4%	(27)	28	31.5%	(13)
Total	**2,758**		**(36)**	**2,313**		**(25)**
Write-down as at 1 January			(25)			(32)
Reversal of write-downs			2			30
Write-downs realised			2			0
Write-downs in the year			(15)			(23)
Write-down as at 31 December			(36)			(25)

Netting of financial assets and liabilities mEUR	2021 Carrying amount balance sheet	2021 Netting agreements not offset in the balance sheet	2021 Net amount	2020 Carrying amount balance sheet	2020 Netting agreements not offset in the balance sheet	2020 Net amount
Foreign currency derivatives	377	(188)	189	314	(226)	88
Financial assets	**377**	**(188)**	**189**	**314**	**(226)**	**88**
Foreign currency derivatives	377	(188)	189	393	(226)	167
Financial liabilities	**377**	**(188)**	**189**	**393**	**(226)**	**167**

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

4.1 Financial risk management – continued

Market risks

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

Foreign currency risks
Vestas' international business activities involve foreign currency risks and consequently, Vestas's income statement, balance sheet and cash flows are exposed to foreign currency risks. The foreign currency exposures arise primarily from purchases of materials and sales of wind turbines and service agreements where these transactions are not made in the functional currency of the entity making the transaction.

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

Vestas hedges foreign currency exposures related to its firm wind turbine order backlog. It is Vestas' aim to hedge between 80 percent and 100 percent of the consolidated exposure. For committed exposures with durations of 18 months or more, hedging is performed with shorter maturity. Furthermore, Vestas hedges foreign currency exposure relating to monetary balances. It is Vestas' aim to hedge between 90 percent and 100 percent of all exposures.

Vestas distinguishes between entities in restricted and unrestricted countries, when determining the level of exposure to be hedged. Foreign currency risks related to long-term investments and it's service business are not hedged based on an overall risk, liquidity and cost perspective.

Foreign currency exposures are primarily hedged through foreign currency forward contracts and foreign currency swaps. Vestas hedge strategy is to centralise foreign currency exposure in Vestas Wind Systems A/S through internal contracts and trade the net currency exposures in the market.

The majority of Vestas's sales are in USD and EUR. The EUR exchange rate risk is regarded as low in Danish entities due to Denmark's fixed exchange rate policy towards EUR. EUR sales outside Europe are limited. Despite the significant sales in USD, Vestas' currency exposure in USD has decreased as a result of increased sourcing of materials and components in USD. Due to Vestas being by nature a project business, the risk exposures towards specific foreign currencies changes from one year to another, depending on the geographical areas in which Vestas has its activities.

Interest rate risks
Interest rate risk relates to cash flows from interest-bearing short-term investments in cash and cash equivalents, marketable securities with floating interest rate and outstanding interest-bearing debt with floating interest rates.

Vestas has no significant long-term outstanding interest-bearing debt with floating interest, and therefore fluctuations in the market interest rates will not have a significant impact on Vestas.

Commodity price risks
Commodity price risks in Vestas mainly relate to fluctuations in raw materials which are used directly or indirectly in the production of wind turbines. The commodity price risk can be divided into a direct exposure and an indirect exposure. The direct exposure is related to purchase of the raw material. The indirect exposure is related to the purchase of components where the price is linked to the prices of raw materials. The risk is managed in accordance with the Treasury Policy, primarily by entering into fixed price agreements with suppliers where possible. Significant fluctuations in market prices during 2021 were mitigated by entering into commodity swaps in iron ore, coking coal and copper.

		Effect on equity before tax	
mEUR	Change	2021	2020
Copper	10%	4	2
Coking coal	10%	3	0
Iron ore	10%	4	0

↑
The sensitivity analysis shows the gain/(loss) on other comprehensive income of a 10 percent increase in raw materials used directly or indirectly in our production. The analysis is made to the impact from cash flow hedging instruments on equity before tax but does not comprise the impact from the hedged exposure comprising future purchases.

		2021		2020	
mEUR	Change	Effect on profit/ (loss) before tax	Effect on equity before tax	Effect on profit/ (loss) before tax	Effect on equity before tax
USD	10%	(20)	146	7	90
SEK	10%	(2)	(41)	(13)	(92)
NOK	10%	5	0	(1)	(34)
GBP	10%	7	(58)	0	(250)
CNY	10%	(26)	122	(14)	105

←
The sensitivity analysis shows the gain/(loss) on net profit for the year and other comprehensive income of a 10 percent increase in our most significant currencies towards the Euro. The analysis includes the impact from cash flow hedging instruments on equity before tax but does not include the impact from the hedged exposures comprising future purchases or sales since these are not recognised in the balance sheet. The hedged exposures were included the impact from hedging instruments would be offset in their entirety. The analysis is based on the assumption that all other variables, in particular interest rates, remain constant.

4.2 Hedge accounting

In 2021, Vestas used derivative financial instruments to manage foreign currency risk exposures and commodity price risk exposures.

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

Changes in the effective portion of the fair value of cash flow hedges are recognised in other comprehensive income. Upon realisation of the hedged item, gains or losses on the cash flow hedges are transferred from the equity hedging reserve into the initial carrying amount of the hedged item.

Changes in any ineffective portion of the fair value of cash flow hedges are recognised in the income statement as financial items. Ineffectiveness is mainly resulting from differences in the timing of the cash flows of the hedged items and the hedging instruments and resulting from changes to the forecasted amount of cash flows of hedged items.

Changes in the fair value of fair value hedges are recognised in the income statement as financial items.

	2021				2020			
		Expected recognition				Expected recognition		
mEUR	Contract notional amount	2022	2023	After 2023	Contract notional amount	2021	2022	After 2022
Cash flow hedges								
Foreign currency risk	**159**	**236**	**(65)**	**(12)**	**(3,738)**	**(2,849)**	**(313)**	**(576)**
USD	1,346	893	408	45	325	215	109	1
GBP	(239)	(219)	(20)	-	(2,496)	(2,077)	(153)	(266)
NOK	(42)	(42)	-	-	(330)	(324)	(6)	-
SEK	(398)	(330)	(67)	(1)	(786)	(601)	(185)	-
CNY	1,484	1,197	287	-	1,197	958	240	(1)
Other	(1,992)	(1,263)	(673)	(56)	(1,648)	(1,020)	(318)	(310)
Commodity	**93**	**80**	**13**	**-**	**29**	**29**	**-**	**-**
Copper	33	20	13	-	29	29	-	-
Coking coal	25	25	-	-	-	-	-	-
Iron Ore	35	35	-	-	-	-	-	-
Fair value hedges	**(2,264)**	**(2,281)**	**11**	**6**	**(515)**	**(553)**	**23**	**15**
USD	(329)	(329)	-	-	(309)	(309)	-	-
GBP	23	6	11	6	42	18	9	15
NOK	-	-	-	-	19	19	-	-
SEK	(110)	(110)	-	-	112	112	-	-
CNY	309	309	-	-	75	66	9	-
Other	(2,157)	(2,157)	-	-	(454)	(459)	5	-
Total	**(2,012)**	**(1,965)**	**(41)**	**(6)**	**(4,224)**	**(3,373)**	**(290)**	**(561)**

The table shows the contract notional amounts and expected timing of recognition of hedging instruments as at 31 December 2021. Positive amounts reflect that Vestas on a net basis have contracts to purchase the respective foreign currencies or commodities, and negative amounts reflect that Vestas on a net basis have contracts to sell the respective foreign currencies or commodities.

Foreign currency risk

The foreign currency risk arising from the purchases and sales in other currencies than the functional currency of the entity making the transaction is hedged using foreign currency forward contracts and foreign currency swaps. Currency forward contracts and currency swaps relating to highly probable forecasted sales and purchases are designated as cash flow hedges. Currency forward contracts and currency swaps relating to recognised monetary balances are designated as fair value hedges.

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

Commodity price risk

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

4.2 Hedge accounting – continued

	2021			2020		
	Contract notional amount	Carrying amount		Contract notional amount	Carrying amount	
mEUR		Asset	Liabilities		Asset	Liabilities
Foreign currency risk						
Cash flow hedges	159	365	361	(3,738)	294	387
Fair value hedges	(2,264)	12	16	(515)	16	6
Commodity price risk						
Cash flow hedges	93	10	9	29	4	0
Total	**(2,012)**	**387**	**386**	**(4,224)**	**314**	**393**
Recognised in income statement	(2,264)	12	16	(3,709)	298	387
Recognised in other comprehensive income	252	375	370	(515)	16	6
Total	**(2,012)**	**387**	**386**	**(4,224)**	**314**	**393**

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

	2021			2020		
	Carrying amount of hedged items		Change in fair value used for measuring ineffectiveness	Carrying amount of hedged items		Change in fair value used for measuring ineffectiveness
mEUR	Asset	Liabilities		Asset	Liabilities	
Currency risk						
Forecast sales and purchases			74			113
Monetary balances	2,845	3,230	(5)	1,963	1,819	104
Commodity risk						
Forecast sales and purchases	-	-	2	-	-	1
Total	**2,845**	**3,230**	**71**	**1,963**	**1,819**	**218**

Cash flow hedge reserve

mEUR	2021	2020
Hedge reserve as at 1 January	**(21)**	**(4)**
Change in fair value		
Foreign currency hedges	74	113
Commodity price hedges	2	1
Amount reclassified to profit and loss		
Foreign currency hedges recognised in revenue	20	(42)
Foreign currency hedges recognised in production costs	(14)	(62)
Commodity hedges recognised in production costs	-	2
Amount transferred to non-financial items		
Foreign currency hedges recognised as prepayment from customers	0	10
Foreign currency hedges recognised as inventory	(28)	(38)
Commodity hedges recognised as inventory	(6)	-
Tax effect	(11)	1
Hedge reserve as at 31 December	**16**	**(21)**

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

←
The effect from hedge items on the balance sheet is shown in the table.

4.3 Financial assets and liabilities

		2021						2020					
		Total carrying amount in the balance sheet	Carrying amount non-financial instruments	Carrying amount financial instruments	Categories of financial instruments			Total carrying amount in the balance sheet	Carrying amount non-financial instruments	Carrying amount financial instruments	Categories of financial instruments		
mEUR	Note				Fair value – hedging instruments	Fair value through profit or loss	Amortised cost				Fair value – hedging instruments	Fair value through profit or loss	Amortised cost
Financial assets, non-current and current													
Other investments		81	-	81	-	58	23	69	-	69	-	49	20
Financial investments		216	-	216	-	100	116	211	-	211	-	100	111
Foreign currency derivatives		377	-	377	377	-	-	310	-	310	310	-	-
Commodity derivatives		10	-	10	10	-	-	4	-	4	4	-	-
Other receivables		952	348	604	-	-	604	908	485	423	-	-	423
Other receivables and derivatives	2.5	**1,339**	**348**	**991**	**387**	**-**	**604**	**1,222**	**485**	**737**	**314**	**-**	**423**
Trade receivables		1,531	-	1,531	-	-	1,531	1,538	-	1,538	-	-	1,538
Contract assets	2.3	1,227	-	1,227	-	-	1,227	775	-	775	-	-	775
Cash and cash equivalents		2,420	-	2,420	-	-	2,420	3,063	-	3,063	-	-	3,063
Total financial assets, non-current and current		**6,814**	**348**	**6,466**	**387**	**158**	**5,921**	**6,878**	**485**	**6,393**	**314**	**149**	**5,930**
Financial liabilities, non-current and current													
Financial debts		1,116	-	1,116	-	-	1,116	1,354	-	1,354	-	-	1,354
Foreign currency derivatives		377	-	377	377	-	-	393	-	393	393	-	-
Commodity derivatives		9	-	9	9	-	-	-	-	-	-	-	-
Other liabilities		568	453	115	-	-	115	638	534	104	-	-	104
Other liabilities and derivatives	2.6	**954**	**453**	**501**	**386**	**-**	**115**	**1,031**	**534**	**497**	**393**	**-**	**104**
Trade payables		4,286	-	4,286	-	-	4,286	3,604	-	3,604	-	-	3,604
Contingent consideration		320	-	320	-	320	-	4	-	4	-	4	-
Total financial liabilities, non-current and current		**6,676**	**453**	**6,223**	**386**	**320**	**5,517**	**5,993**	**534**	**5,459**	**393**	**4**	**5,062**

Other investments and financial investments
Other investments include investments in non-listed equity shares and rental deposits. The equity investments were irrevocably designated at fair value through profit and loss. Financial investments comprise short-term deposits and marketable securities managed on a fair value basis with a continuously observation of their performance.

Financial debts
At 31 December 2021, financial debts comprise a bilateral bridge facility (EUR 500m), other credit facilities (EUR 71m) and lease liability (EUR 545m) as well as contingent consideration (EUR 320m). The bridge facility is subject to change of control clause resulting in repayment of the facility in the event of change in control.

As at 31 December 2020, financial debts comprise the green corporate Eurobond (EUR 498m), SoWiTec bond (EUR 15m), leasing liabilities (EUR 446m) and other credit facilities (EUR 395m).

Contingent consideration
Contingent consideration relates to Vestas' acquisition of a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies in February 2021. The contingent consideration is classified as financial debt in the Balance sheet.

4.3 Financial assets and liabilities – continued

Fair value hierarchy

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

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

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

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

Renewable energy certificates
Vestas has a commitment in the US to purchase Renewable Energy Certificates (RECs) during a 4 year period from 2028-31 based on production of MW in this period at a fixed price. It has been assessed that the contract qualifies as a financial instrument. The fair value measurement is based on level 3 input. As per 31 December 2021, the estimated maximum nominal commitment under the contract is EUR 18m (2020: EUR 42m for a 10 year commitment period). Market prices depend on which market the RECs are traded, ranging from an estimated average market price of 6.1 USD/MWh to 23.4 USD/MWh (2020: USD 5.32/MWh to USD 29.09/MWh), hence the contract would have had an estimated value in the range of EUR (6)m to EUR 21m (2020: EUR (1.8)m to EUR 73m) as at 31 December 2021. Given the uncertainties underpinning the future market for selling RECs, Management has determined that the best evidence of fair value for the RECs is the transaction price. Consequently, the net fair value of the contract has been measured at EUR 0.

Financial instruments measured at fair value		2021					2020				
			Fair value					Fair value			
mEUR	Valuation technique	Carrying amount	Total	Level 1	Level 2	Level 3	Carrying amount	Total	Level 1	Level 2	Level 3
Other investments	**Market prices/ Discounted cash flow**	**58**	**58**	**-**	**-**	**58**	**49**	**49**	**-**	**-**	**49**
Financial investments	**Market prices**	**100**	**100**	**100**	**-**	**-**	**100**	**100**	**100**	**-**	**-**
Renewable energy certificates (RECs)	**Forward pricing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency derivatives	Forward pricing and swap models	377	377	-	377	-	310	310	-	310	-
Commodity derivatives	Forward pricing	10	10	-	10	-	4	4	-	4	-
Other receivables and derivative financial instruments		**387**	**387**	**-**	**387**	**-**	**314**	**314**	**-**	**314**	**-**
Financial assets		**545**	**545**	**100**	**387**	**58**	**463**	**463**	**100**	**314**	**49**
Financial debts	**Market prices**	**-**	**-**	**-**	**-**	**-**	**513**	**524**	**524**	**-**	**-**
Foreign currency derivatives	Forward pricing and swap models	377	377	-	377	-	393	393	-	393	-
Commodity derivatives	Forward pricing	9	9	-	9	-	-	-	-	-	-
Other liabilities and derivative financial instruments		**386**	**386**	**-**	**386**	**-**	**393**	**393**	**-**	**393**	**-**
Contingent consideration	Discounted cash flow	320	320	-	-	320	4	4	-	-	4
Financial liabilities		**706**	**706**	**-**	**386**	**320**	**910**	**921**	**524**	**393**	**4**

Financial debts
At 31 December 2021, the Group had no financial debts measured at fair value. At 31 December 2020, financial debts comprised the green corporate eurobond with a fixed interest rate of 2.75 percent (EUR 498) and the SolarRec Group bond with a fixed interest rate of 6.75 percent (EUR 15m). Both were valued based on observable market prices.

Contingent consideration
Contingent consideration relating to Vestas' acquisition of a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies in February 2021 is classified as financial debt and measured at fair value. As at 31 December 2021, the fair value amounted to EUR 320m based on expected total payments of EUR 331 m in the period 2023 to 2026 discounted using a 1 percent normalised financing interest rate. The contingent consideration is categorised as Level 3.

4.4 Share capital

Number of shares	2021	2020
Number of shares as at 1 January	201,973,452	198,901,963
Share split 1:5	807,893,808	-
Cancellation	-	(1,977,848)
Increase	*	5,049,337
Number of shares as at 31 December	**1,009,867,260**	**201,973,452**
Shares outstanding	1,005,144,100	200,874,957
Treasury shares	4,723,160	1,098,495
Number of shares as at 31 December	**1,009,867,260**	**201,973,452**

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

	2021	2020
Average share price, purchases (DKK)	237	-
Purchase amount (mEUR)	32	-

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

Net proposed cash distribution to shareholders

mEUR	2021	2020
Dividend	50	228

Dividend excluding treasury shares.

Movements in share capital

During 2017 there was a reduction of share capital by DKK 6,047,780 nominally by cancelling 6,047,780 shares from Vestas' holding of treasury shares. During 2018 there was a reduction of share capital by DKK 9,800,944 nominally by cancelling 9,800,944 shares from Vestas' holding of treasury shares. During 2019, there was a reduction of share capital by DKK 6,974,040 nominally by cancelling 6,794,040 shares from Vestas' holding of treasury shares. During 2020, there was a reduction of share capital by DKK 1,977,848 nominally by cancelling 1,977,848 shares from Vestas' holding of treasury shares. Vestas Wind Systems A/S has completed a capital increase of nominally DKK 5,049,337, representing 5,049,337 shares of nominally DKK 1 each. During 2021, a share split of Vestas' shares with a ratio 1:5 was carried out with effect as of 28 April 2021. Consequently, each share of nominally DKK 1.00 was split into five new shares of nominally DKK 0.20. Except for these six transactions, the share capital has not changed in the period 2017-2021. All shares rank equally.

Accounting policies

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

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

4.5 Earnings per share

	2021	2020
Profit for the year (mEUR) – owners of Vestas Wind Systems A/S	**167**	**765**
Weighted average number of ordinary shares	1,008,867,260	989,280,994
Weighted average number of treasury shares	(4,818,797)	(9,314,146)
Weighted average number of ordinary shares outstanding	**1,003,048,463**	**979,966,848**
Dilutive effect of restricted performance shares	2,922,121	2,988,033
Average number of shares outstanding including restricted performance shares	**1,007,970,584**	**982,954,880**
Earnings per share, EPS (EUR)	0.17	0.78
Earnings per shares, diluted, EPS-D (EUR)	0.17	0.78

* On 28 April 2021, Vestas carried out a share split at a ratio of 1:5 with the record date 28 April 2021. Comparative figures have been restated to reflect the change in the number of shares.

5 Tax

→ 5.1 Income tax

→ 5.2 Deferred tax

EUR 64 mn

Tax paid globally, the best it's ever been.

32%

The effective tax rate 2021
Our corporate tax rate reflects the geographical mix of our corporate results.

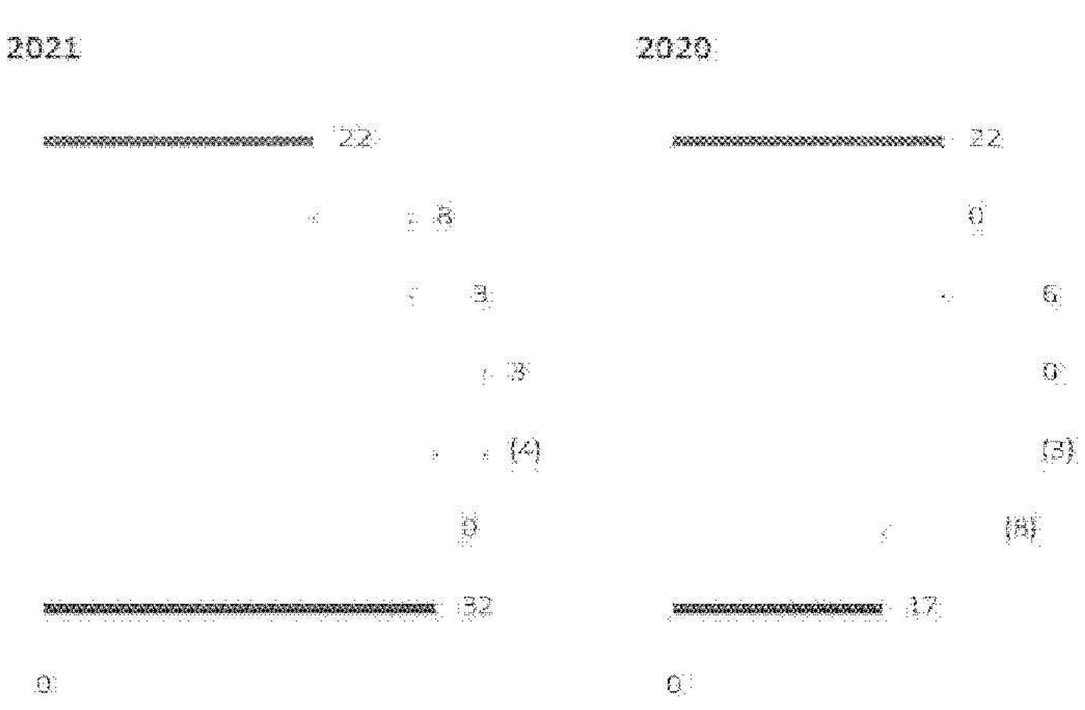
Transparency of our tax is one of our core efforts to make a positive contribution to the communities and societies we operate in for future generations.

5.1 Income tax

mEUR	2021	2020
Current tax on profit for the year	(60)	158
Deferred tax on profit for the year	123	-
Tax on profit for the year	**63**	**158**
Change in income tax rate	(2)	-
Adjustments relating to previous years (net)	20	5
Income tax for the year recognised in the income statement, expense	**81**	**163**
Deferred tax on other comprehensive income for the year	11	(1)
Tax recognised in other comprehensive income, expense/(income)	**11**	**(1)**
Deferred tax on equity transactions	9	(7)
Tax recognised in equity	**9**	**(7)**
Total income taxes for the year, expense	**101**	**155**

Computation of effective tax rate

Percent



Key accounting estimates

Income taxes and uncertain tax position

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

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

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

Accounting policies

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

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

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

5.1 Income tax – continued

mEUR	2021	2020
Income tax as at 1 January, net assets/(liabilities)	(95)	(143)
Exchange rate adjustments	0	(15)
Adjustment from business combination	(235)	-
Income tax for the year	60	(158)
Adjustments relating to previous years	5	19
Addition as part of business combination	-	(40)
Settlements against VAT receivables	21	23
Income tax paid in the year	174	219
Income tax as at 31 December, net assets/(liabilities)	**(70)**	**(95)**
Receivables specified as follows:		
0-1 year	102	121
> 1 year	229	201
Income tax receivables	**331**	**322**
Liabilities specified as follows:		
0-1 year	(75)	(86)
> 1 year	(326)	(331)
Income tax liabilities	**(401)**	**(417)**

5.2 Deferred tax

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

Deferred tax recognised on tax losses is mainly in jurisdictions where there are expiry limits. Out of total tax losses recognised EUR 30m (2020: EUR 14m) are subject to expiry limits. Following the Group transfer pricing policy these losses are expected to be utilised within the foreseeable future.

Of the total deferred tax relating to tax loss carry-forwards written down, EUR 0m (2020: EUR 0m) relates to Denmark. The recognised loss carry-forward relating to Denmark amounts to EUR 0m (2020: EUR 45m).

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

Key accounting estimates

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

Of the total tax loss carry-forwards, EUR 31m (2020: EUR 14m) is expected to be realised within 12 months, and EUR 65m (2020: EUR 65m) is expected to be realised later than 12 months after the balance sheet date.

The assessment in 2021 resulted in an additional write-down of deferred tax assets by EUR 32m (2020 EUR 7m reversal of write-down) with the write down being primarily due to the fact that certain jurisdictions have more tax assets than what is expected to be utilised in the foreseeable future.

As at 31 December 2021, the value of recognised deferred tax assets amounted to EUR 374m (2020: EUR 335m), of which EUR 86m (2020: EUR 34m) relates to tax loss carry-forwards. The value of non-recognised tax assets totals EUR 101m (2020: EUR 69m), of which EUR 101m (2020: EUR 69m) relates to write-down of tax assets that are not expected to be utilised in the foreseeable future.

5.2 Deferred tax – continued

mEUR	2021	2020
Deferred tax as at 1 January, net assets	177	177
Exchange rate adjustments	0	(1)
Deferred tax on profit for the year	(123)	-
Adjustment relating to previous years	(25)	(24)
Changes in income tax rate	2	-
Deferred tax on equity transactions	(9)	7
Addition related to acquisitions and equity adjustments	1	17
Tax on other comprehensive income	(11)	1
Deferred tax as at 31 December, net assets	**12**	**177**
Deferred tax assets specified as follows:		
Tax value of tax loss carry-forwards (net)	86	34
Intangible assets	(12)	-
Property, plant and equipment	(32)	(22)
Current assets	182	112
Provisions	139	171
Write-down of tax assets	(101)	(69)
Other[1]	112	109
Deferred tax assets	**374**	**335**
Deferred tax provisions specified as follows:		
Tax value of tax loss carry-forwards (net)	(13)	(45)
Intangible assets	318	301
Property, plant and equipment	50	11
Current assets	71	(5)
Provisions	(17)	(63)
Other	(47)	(41)
Deferred tax provisions	**362**	**158**

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

Accounting policies

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

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

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

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

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

6 Other disclosures

→ 6.1 Audit fees
→ 6.2 Business combinations
→ 6.3 Related party transactions
→ 6.4 Contingent assets, liabilities, and contractual obligations
→ 6.5 Non-cash transactions
→ 6.6 Subsequent events
→ 6.7 Legal entities

>130 entities

registered in more than 30 countries

6.1 Audit fees

mEUR	2021	2020
Audit:		
PricewaterhouseCoopers	3	3
Total audit	**3**	**3**
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	-	-
Tax assistance	1	1
Other services	1	-
Total non-audit services	**2**	**1**
Total	**5**	**4**

Vestas's policy is to follow the 70 percent fee cap restriction on non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, the auditor of the parent company. PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab complies with the 70 percent fee cap restriction in 2021.

Non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to EUR 2m, relating to advisory services and tax compliance advices.

6.2 Business combinations

On 14 December 2020, Vestas completed the acquisition of 50 percent of the shares in MHI Vestas Offshore A/S (MVOW), whereafter Vestas obtained control of MVOW. As part of the acquisition, Vestas provisionally recognised net asset acquired at fair value and goodwill in compliance with Vestas' accounting policy as the difference between the net assets acquired and the consideration transferred.

Key accounting judgement

Recognition of tax effects from post-acquisition transactions
As part of the MVOW business acquisition, Vestas planned to integrate the MVOW business in Vestas' legal structure transferring all tangible and intangible assets to Vestas Wind Systems A/S. The restructuring and transfer of MVOW's assets have been completed during Q4 2021 resulting in taxation of the transactions between MVOW and Vestas Wind Systems A/S. The restructuring and derived taxation is considered directly related to the acquisition of MVOW. Consequently, Vestas has adjusted the provisional acquisition balance impacting tax liabilities and goodwill in the fourth quarter of 2021. The adjustment increases goodwill with EUR 235m and tax liabilities with EUR 235m, respectively. Refer to note 3.1 and 5.1, where the impact from the adjustment on goodwill and tax liabilities has been presented.

Except from the above, no material change has been recognized impacting the provisional acquisition balance considered finalised as at 31 December 2021.

6.3 Related party transactions

Related party transactions:

mEUR	2021	2020
Joint ventures		
Revenue for the period	402	535
Proceeds from investments in JV's	50	-
Capital contribution	38	1
Receivables as at 31 December	52	52
Prepayments received balance as at 31 December	11	-
Other receivables balance as at 31 December	6	3
Associates		
Revenue for the period	106	16
Proceeds from investments in associates	10	-
Capital contribution	3	-
Payable capital contribution as at 31 December	47	43
Receivables	23	-
Prepayments paid balance as at 31 December	10	-
Other assets balance at 31 December	28	-

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

Related parties are considered to be the Board and the Executive Management of Vestas Wind Systems A/S together with their immediate families. Related parties also include entities which are controlled or jointly controlled by the aforementioned individuals.

Transactions with the Board and Executive Management
Transactions with the Executive Management only consist of normal management remuneration, refer to note 1.4.

With the exception of the board members elected by the employees, no members of the Board of Directors have been employed by Vestas in 2021.

On 30 December 2021, Vestas entered into a binding share purchase agreement with an associate to sell its shareholding in an onshore wind power plant project under development by Vestas at a consideration of EUR 64m. The related production costs amounted to EUR 19m. As at 31 December 2021, receivable sales price relating to the sale amounted to EUR 23m. Further information is provided in note 1.2.

6.4 Contingent assets, liabilities, and contractual obligations

Guarantees and indemnities

Vestas provides indemnities and guarantees to third parties on behalf of non-Vestas entities and joint ventures with a notional amount of EUR 17m (2020: EUR 52m). No guarantees have been utilised during 2021 or in previous years and none of the indemnities are expected at the balance sheet date to be utilised.

Contingent liabilities

Vestas has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2022 and future periods at a value of EUR 85m (2020: EUR 105m). In addition, the Group has a contractual commitment to pay EUR 3m in 2022 for the use of certain technology rights owned by a third party.

Vestas is involved in a number of litigation proceedings. However, it is Management's opinion that settlement or continuation of these proceedings will not have a material effect on the financial position of the Group. Refer to note. 5.2 concerning contingent liabilities on transfer pricing.

Contingent assets

Vestas has made supplier claims for faulty deliveries. However, it is Management's opinion that settlement of these are not virtually certain, and therefore not recognised in the financial position of Vestas, except for supplier claims accounted for as other receivables, refer note 2.5.

6.5 Non-cash transactions

mEUR	2021	2020
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment	989	684
Gain from disposal of joint venture	-	(383)
Share of (profit)/loss from investments in joint ventures and associates, incl. other relating transactions	(36)	52
Warranty provisions in the year (net)	(104)	367
Other provisions in the year	48	26
Interest income	(19)	(16)
Interest expenses	39	40
Income tax for the year	81	163
Cost of share-based payments	19	16
Gains from property, plant and equipment	6	9
Adjustments for staff related accruals	-	(33)
Other adjustments for non-cash transactions incl. foreign currency adjustments	(12)	(122)
Total	**1,005**	**803**

6.6 Subsequent events

Other than the events recognised or disclosed in the consolidated financial statements, no events have occurred subsequent to 31 December 2021 which could have a significant impact on the consolidated financial statements.

6.7 Legal entities[1]

Name and country	Ownership (%)
Parent company	
Vestas Wind Systems A/S, Denmark	
Production units	
Vestas Nacelles America, Inc., USA	100
Vestas Blades America, Inc., USA	100
Vestas Manufacturing A/S, Denmark	100
Vestas Blades Deutschland GmbH, Germany[2]	100
WPT Nord GmbH, Germany	100
Vestas Blades Italia S.r.l., Italy	100
Vestas Wind Technology (China) Co. Ltd., China	100
Vestas Manufacturing Spain S.L.U., Spain	100
Vestas Control Systems Spain S.L.U., Spain	100
Vestas Nacelles Deutschland GmbH, Germany[2]	100
Vestas Offshore Wind A/S, Denmark	100
Vestas Manufacturing RUS OOO, Russia	100

Name and country	Ownership (%)
Sales and service units	
Vestas Americas A/S, Denmark	100
Vestas America Holding Inc., USA	100
Vestas - American Wind Technology Inc., USA	100
Vestas - Canadian Wind Technology Inc., USA	100
Vestas - Portland HQ LLC, USA	100
Vestas Upwind Solutions Inc., USA	100
Avallon Inc., USA	100
Steelhead Americas, LLC, USA	100
Steelhead Wind 1 LLC, USA	100
Steelhead Wind 2 LLC, USA	100
Steelhead Wind 2a LLC, USA	100
Vestas Asia Pacific A/S , Denmark	100
Vestas Asia Pacific Wind Technology Pte. Ltd., Singapore	100
Vestas - Australian Wind Technology Pty. Ltd., Australia	100
Vestas Korea Wind Technology Ltd., South Korea	100
Vestas New Zealand Wind Technology Ltd., New Zealand	100
Vestas Taiwan Ltd., Taiwan	100
Vestas Wind Technology (Beijing) Co. Ltd., China	100

Name and country	Ownership (%)
Vestas Wind Technology India Pvt Limited, India	100
Vestas Japan Co. Ltd., Japan	100
Vestas Wind Technology Pakistan (Private) Limited, Pakistan	100
Vestas Wind Technology (Thailand) Ltd., Thailand	100
Vestas Wind Technology Vietnam LLC, Vietnam	100
Vestas Mongolia LLC, Mongolia	100
Vestas Central Europe A/S, Denmark	100
Vestas Deutschland GmbH, Germany[2]	100
Vestas Services GmbH, Germany[2]	100
Vestas Benelux B.V., The Netherlands	100
Vestas Österreich GmbH, Austria	100
Vestas Czech Republic s.r.o., Czech Republic	100
Vestas Hungary Kft., Hungary	100
Vestas Bulgaria EOOD, Bulgaria	100
Vestas CEU Romania S.R.L, Romania	100
Vestas Central Europe-Zagreb d.o.o, Croatia	100
Vestas Slovakia spol S.r.o., Slovakia	100
Vestas RUS OOO, Russia	100
Vestas Eastern Africa Ltd, Kenya	100

Name and country	Ownership (%)
Vestas Southern Africa Pty. Ltd., South Africa	80
Vestas Ukraine LLC, Ukraine	100
Vestas Central Europe d.o.o. Beograd, Serbia	100
Vestas Belgium SA, Belgium	100
Vestas Georgia LLC, Georgia	100
Avallon Holding GmbH, Germany	100
Avallon GmbH, Germany[2]	100
Vestas Mediterranean A/S, Denmark	100
Vestas Italia S.r.l., Italy	100
Vestas Hellas Wind Technology S.A., Greece	100
Vestas Eólica S.A., Spain	100
Vestas France SAS, France	100
Vestas WTG Mexico S.A. de C.V., Mexico	100
Vestas Mexicana del Viento S.A. de C.V., Mexico	100
Vestas do Brasil Energia Eolica Ltda., Brazil	100
Vestas Argentina S.A., Argentina	100
Vestas Chile Turbinas Eólica Limitada Santiago, Chile	100
Vestas Rüzgar Enerjisi Sistemleri Sanayi Ve Ticaret Ltd. Sirketi, Turkey	100
Vestas Turbinas Eólicas de Uruguay S.A., Uruguay	100

1 Companies of immaterial significance have been left out of the overview.
2 Vestas Deutschland GmbH, Vestas Blades Deutschland GmbH, Vestas Nacelles Deutschland GmbH, Vestas Services GmbH and Avallon GmbH, wholly owned subsidiaries of Vestas Wind Systems A/S, claiming not to prepare notes and management report to its financial statement(s), pursuant to the relief provision of section 264 Abs. 3 HGB.

6.7 Legal entities[1] – continued

Name and country	Ownership (%)
Vestas MED (Cyprus) Ltd., Cyprus	100
Vestas Nicaragua SA, Nicaragua	100
Vestas CV Limitada, The Republic of Cape Verde	100
Vestas Wind Systems Dominican Republic S.R.L., Dominican Republic	100
Vestas Peru S.A.C., Peru	100
Vestas Middle East S.L.U., Spain	100
Vestas Costa Rica S.A., Costa Rica	100
Vestas Moroc SARLAV, Casablanca, Morocco	100
Vestas Jamaica Wind Technology Ltd., Jamaica	100
Vestas Guatemala, Guatemala	100
Availon LDA Portugal, Portugal	100
Availon Iberia S.L., Spain	100
Vestas Northern Europe A/S, Denmark	100
Vestas - Celtic Wind Technology Ltd., United Kingdom	100
Vestas Northern Europe AB, Sweden	100
Vestas Poland Sp.z.o.o., Poland	100
Vestas Ireland Ltd., Ireland	100
Vestas Norway AS, Norway	100
Vestas Finland Oy, Finland	100
Vestas Mediterranean A/S Sucursal, Bolivia	100

Name and country	Ownership (%)
UpWind Solutions Canada, Ltd., Canada	100
Vestas Kazakhstan LLP, Kazakhstan	100
Vestas Overseas Panamá S.A., Panama	100
Vestas Portugal, LDA, Portugal	100
Vestas Senegal S.A.R.L.U, Senegal	100
Vestas Wind Lanka (PVT) Ltd., Sri Lanka	100
Vestas Kompozit Kanat Sanayi Ve Ticaret Anonim Şirketi Şirketi, Turkey	100
UpWind Holdings, LLC, USA	100
Utopus Insights, Inc., USA	100
NEG Micon UK Ltd., United Kingdom	100
NEG Micon Australia Pty. Ltd., Australia	100
Vestas Honduras, S.A. De C.V., Honduras	100
Vestas Colombia S.A.S, Colombia	100
Vestas Saudi Arabia Limited Co., Saudi Arabia	100
Vestas El Salvador, S.A. De C.V., El Salvador	100
Roaring Fork Wind, LLC, USA	100
Vestas Offshore Wind Sweden AB, Sweden	100
Vestas Offshore Wind UK Ltd., United Kingdom	100
Vestas Offshore Wind Blades UK Ltd., United Kingdom	100
Vestas Offshore Wind France SAS, France	100

Name and country	Ownership (%)
Portugal Unipessoal Lda, Portugal	100
Vestas Offshore Wind Poland Z.O.O, Poland	100
Vestas Offshore Wind Belgium NV, Belgium	100
Vestas Offshore Wind US Inc., USA	100
Vestas Offshore Wind Taiwan Ltd., Taiwan	100
Vestas Offshore Wind Japan Ltd, Japan	100
Other subsidiaries	
Vestas Wind Systems (China) Co. Ltd., China	100
Vestas Switzerland AG, Switzerland	100
Vestas Services Philippines Inc., Philippines	100
Vestas India Holding A/S, Denmark	100
Wind Power Invest A/S, Denmark	100
Vestas Technology (UK) Limited, United Kingdom	100
Vestas Technology R&D Singapore Pte. Ltd., Singapore	100
Vestas Technology R&D Chennai Pte. Ltd., India	100
Vestas Technology R&D (Beijing) Co. Ltd., China	100
Vestas Shared Service (Spain), S.L.U., Spain	100
Vestas BCP Philippines Inc., Philippines	100
Vestas Shared Service A/S, Denmark	100

Name and country	Ownership (%)
Vestas Service Delivery Center - Szczecin sp Z.o.o., Poland	100
Vestas Cantabria Prototype SL, Spain	100
Joint ventures	
Emerging Markets Power (Holdings) Limited, Ireland	50
Airpower Windfarms Private Ltd., India	50
AQN SRW2 Holdings, LLC, USA	21
Helena Wind Holdco, LLC, USD	20
Panorama Wind, LLC, USD	20
BSW US Holdings, LLC, USA	20
Associates	
Blakliden Fäbodberget Holding AB, Sweden	40
SoWiTec Group GmbH, Germany	25
Copenhagen Infrastructure Partners P/S, Denmark	25

1 Companies of immaterial significance have been left out of the overview.
2 Vestas Deutschland GmbH, Vestas Blades Deutschland GmbH, Vestas Nacelles Deutschland GmbH, Vestas Services GmbH and Availon GmbH, wholly owned subsidiaries of Vestas Wind Systems A/S, claiming not to prepare notes and management report to its financial statements pursuant to the relief provision of section 264 Abs. 3 HGB.

7 Basis for preparation

→ 7.1 General accounting policies
→ 7.2 Change in accounting policies
→ 7.3 Key accounting estimates and judgements

7.1 General accounting policies

The Annual Report of Vestas Wind Systems A/S comprises the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries and separate financial statements of the parent company Vestas Wind Systems A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements for listed companies, the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost method, except for the derivative financial instruments and marketable securities, which are measured at fair value and non-current assets held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in million Euro.

This note describes the general accounting policies. Other accounting policies are described in the separate notes to the consolidated financial statements.

Materiality in the financial reporting

For the preparation of the consolidated financial statements, Vestas discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.

A judgement is made of whether more detailed specifications are necessary in the presentation of Vestas' assets, liabilities, financial position, and results. All judgements are made with due consideration of legislation and the consolidated financial statements as a whole presenting a true and fair view.

Consolidated financial statements

The consolidated financial statements comprise Vestas Wind Systems A/S (the parent company) and the subsidiaries over which Vestas Wind Systems A/S exercises control. Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Vestas has assessed the nature of its joint arrangements and determined them to be joint ventures.

An overview of Vestas legal entities is provided on pages 115-116.

The consolidated financial statements are prepared from the Financial statements of the parent company and subsidiaries by combining accounting items of a uniform nature, with subsequent elimination of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as unrealised profits and losses on transactions between consolidated entities.

The consolidated financial statements are based on financial statements prepared under the accounting policies of Vestas.

Translation policies

Functional currency and presentation currency
Assets, liabilities and transactions of each of the reporting entities of Vestas are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK); however, due to Vestas' international relations, the consolidated financial statements are presented in Euro (EUR).

Translation into presentation currency
The balance sheet is translated into the presentation currency at the Euro rate at the balance sheet date. In the income statement the transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transactions.

Translation of transactions and amounts
Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial costs in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial costs in the income statement.

Translation of Vestas entities
On recognition in the consolidated financial statements of foreign entities with a functional currency that differs from the presentation currency of Vestas, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign entities at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Exchange adjustments of balances with foreign entities that are treated as part of the total net investment in the entity in question are recognised in other comprehensive income in the consolidated financial statements.

On recognition in the consolidated financial statements of investments accounted for using the equity method with functional currencies that differ from the presentation currency of Vestas, the shares of results for the year are translated at average exchange rates. The shares of equity including goodwill are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign investments accounted for using the equity method at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

On full or partial disposal of foreign entities, resulting in a loss of control or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised in other comprehensive income, is recognised in the income statement at the same time as any profit or loss on the disposal.

Income statement

Financial investments
Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. On initial recognition financial investments are recognised in the balance sheet at fair value. Subsequently assets held within the business model hold to collect are re-measured at amortised cost and assets held to sell are remeasured at fair value through profit or loss. Any changes in the fair values of financial investments remeasured at fair value are recognised in the income statement as financial items.

7.1 General accounting policies – continued

Equity

Translation reserve
The translation reserve in the consolidated financial statements comprises exchange rate adjustments arising on the translation of the financial statements of foreign entities from their functional currencies into the presentation currency of Vestas (EUR).

Upon full or part realisation of the net investment in foreign entities, exchange adjustments are recognised in the income statement.

Cash flow hedging reserve
The cash flow hedging reserve in the consolidated financial statements comprises gains and losses on fair value adjustments of forward exchange contracts concerning future transactions as well as hedging in connection with commodities.

Cash flow statement

The cash flow statement shows Vestas' cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as Vestas' cash and cash equivalents at the beginning and end of the year. Cash flows relating to acquired entities are recognised from the date of acquisition. Cash flows relating to entities disposed of are recognised until the date of disposal.

Cash flows from operating activities
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions, changes in working capital, interest received and paid and income tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

Cash flows from investing activities
Cash flows from investing activities comprise cash flows from business acquisitions and disposals and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately. The establishment of leases is treated as non-cash transactions.

Cash flows from financing activities
Cash flows from financing activities comprise changes to the amount or composition of Vestas' share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, repayment of lease liabilities, acquisition and sale of treasury shares together with distribution of dividends to shareholders.

ESEF Regulation

The ESEF Regulation sets out the following main requirements: (1) Issuers shall draw up and disclose their annual financial reports using the XHTML format; and (2) issuers that draw-up their primary consolidated financial statements in accordance with IFRS as endorsed by the EU shall tag those consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL) and with effect from the 2022 Annual Report block-tag the notes to the consolidated financial statements.

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named VWS-2021-12-31.zip.

7.2 Change in accounting policies

Implementation of new accounting standards, amendments and interpretations
The following accounting standards, amendments (IAS and IFRS) and interpretations have been implemented as at 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2021 and is not expected to have significant impact on the financial reporting for future periods.

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision relating to Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

Vestas' accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the Balance sheet. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the balance sheet and/or recognition as an expense in the income statement, impacting both the current and/or prior periods presented.

Vestas has not adopted this IFRIC agenda decision. The Group expects to adopt this IFRIC agenda decision in its first quarter financial statements ending on 31 March 2022. Vestas' preliminary analysis indicates that this change in policy will reduce the 2022 opening balance of intangible assets and retained earnings by approximately EUR 50m to EUR 80m.

Effective from 1 January 2023, IFRS 17 Insurance Contracts (IFRS 17), will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. Vestas is yet to access the impact of this standard; however it is expected to apply to certain services agreements.

New standards and interpretations, not yet adopted by EU

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2021. Vestas will adopt the accounting standards and interpretations when they become mandatory.

7.3 Key accounting estimates and judgements

When preparing the consolidated financial statements of Vestas, Management makes several accounting estimates and assumptions which impact the recognition and measurement of Vestas' financial statements.

The key accounting estimates and judgements, which may have a significant impact on the financial statements are listed below. The nature of accounting impact of key accounting estimates and judgements is described in the relevant notes.

The impact of key accounting estimates and judgements is divided into three categories from low to high. The rating is based on a combined assessment of materiality, complexity, subjectivity and estimation uncertainty and indicates the impact on amounts recognised and carrying values of assets or liabilities:

● **Low** ●● **Medium** ●●● **High**

Key accounting estimates

The key accounting estimates made are based on assumptions, that are supported by experience, historical trends and other factors that Management assesses to be reasonable, but that by nature are associated with inherent uncertainty and unpredictability.

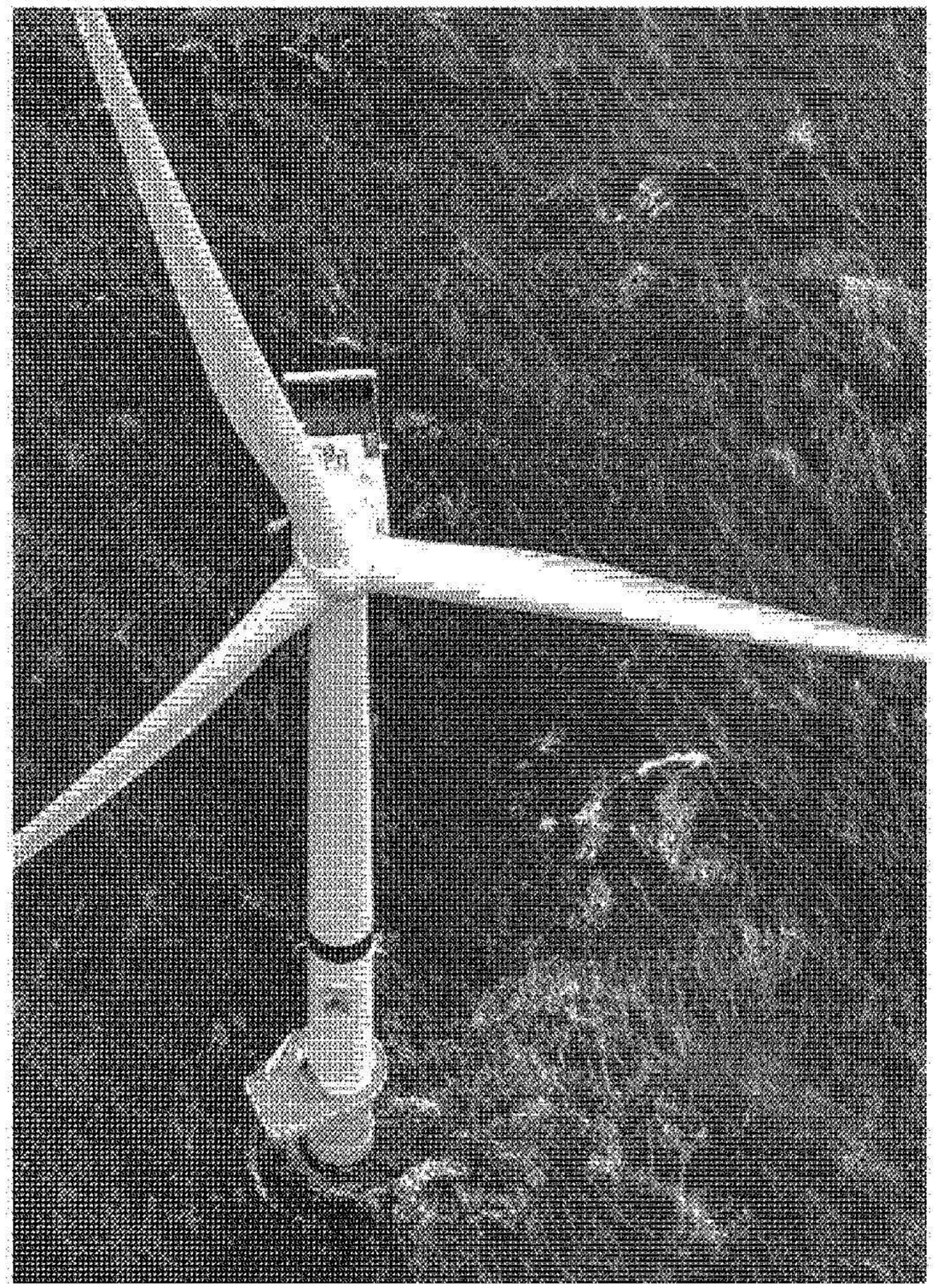
The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognised in the period in which the estimate is revised. Management considers the key accounting estimates to be reasonable and appropriate based on currently available information.

Key accounting judgements

Key accounting judgments are made when applying certain accounting policies. Management considers the accounting judgements made are consistent and reflect the most fair and true view of Vestas' financial position and results of the Group's operations.

Note	Key accounting estimates and judgements	Estimate/ judgement	Impact of accounting estimates and judgements
1.2 Revenue	Estimate regarding recognition of contract elements	Estimate	●●
	Estimate of stage of completion	Estimate	●●●
	Judgement regarding method for recognition of revenue from Supply-and-installation contracts	Judgement	●●
	Judgement regarding sale of onshore wind farm project	Judgement	●●
1.6 Special items	Judgement regarding classification in the income statement	Judgement	●
2.2 Inventories	Estimates of net realisable value	Estimate	●
2.5 Other receivables	Estimates of allowance for doubtful VAT receivables	Estimate	●●
3.6 Provisions	Estimates for warranty provisions	Estimate	●●●
5.1 Income tax	Estimates included in income tax assessment and uncertain tax position	Estimate	●●●
5.2 Deferred tax	Estimate of deferred tax assets valuation	Estimate	●●
6.2 Business combinations	Judgement regarding post-acquisition transaction being an integrated part of the business combination	Judgement	●●

Parent company financial statements and notes



Income statement ... 122
Balance sheet ... 123
Statement of changes in equity ... 124

1. Result for the year ... 125
1.1 Revenue ... 125
1.2 Costs ... 125

2. Working capital ... 125
2.1 Inventories ... 125

3. Other operating assets and liabilities ... 125
3.1 Intangible assets ... 125
3.2 Property, plant, equiptment ... 126
3.3 Leases ... 126
3.4 Investments in subsidiaries and associates including joint venture ... 127
3.5 Prepayments ... 128
3.6 Provisions ... 128
3.7 Contingent assets, liabilities, and contractual obligations ... 128

4. Capital structure and financing items ... 128
4.1 Financial risks ... 128
4.2 Financial liabilities ... 128
4.3 Financial items ... 128

5. Tax ... 129
5.1 Income tax ... 129
5.2 Deferred tax ... 129

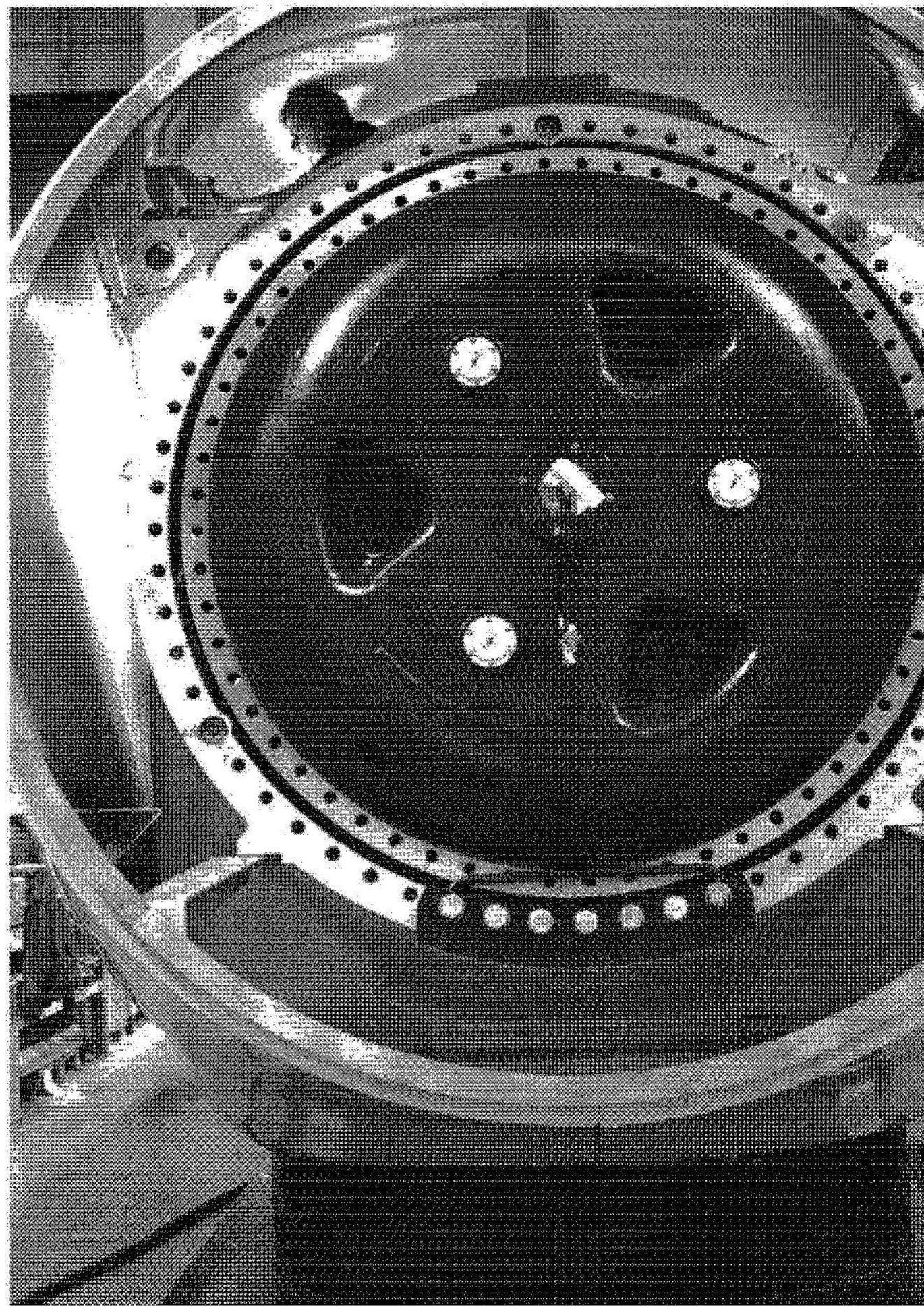
6. Other disclosures ... 129
6.1 Audit fees ... 129
6.2 Related party transactions ... 129
6.3 Ownership ... 129

7. Basis for preparation ... 129
7.1 General accounting policies ... 129

Income statement

1 January - 31 December

mEUR	Note	2021	2020
Revenue	1.1	**1,443**	**1,755**
Production costs	1.2	(1,447)	(1,250)
Gross profit		**(4)**	**505**
Administration costs	1.2	(460)	(300)
Operating profit (EBIT)		**(464)**	**205**
Income/loss from investments in subsidiaries	3.4	353	197
Income/loss from investments in associates including joint venture	3.4	0	340
Financial income	4.3	84	64
Financial costs	4.2	(111)	(87)
Profit before tax		**(138)**	**719**
Income tax	5.1	220	33
Profit for the year		**82**	**752**
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		353	154
Retained earnings		(321)	368
Proposed dividends		50	230
Profit for the year		**82**	**752**



Balance sheet

31 December

Assets

mEUR	Note	2021	2020
Intangible assets	3.1	**2,668**	**889**
Property, plant, and equipment	3.2,3.3	**402**	**257**
Investments in subsidiaries	3.4	4,245	3,738
Investments in associates including joint venture	3.4	4	1
Marketable securities		100	100
Other investments		5	5
Other receivables		67	71
Tax receivables		339	201
Total financial fixed assets		**4,760**	**4,116**
Total non-current assets		**7,830**	**5,262**
Inventories	2.1	**202**	**169**
Receivables from subsidiaries		7,005	3,776
Other receivables		345	324
Prepayments	3.5	28	21
Tax receivables		312	33
Total receivables		**7,690**	**4,154**
Marketable securities		-	-
Cash and cash equivalents		**1,963**	**2,294**
Total current assets		**9,855**	**6,617**
Total assets		**17,685**	**11,879**

Equity and liabilities

mEUR	Note	2021	2020
Share capital		27	27
Reserve for net revaluation under the equity method		843	340
Reserve for capitalised development cost		706	629
Translation reserve		15	13
Dividend		50	230
Retained earnings		2,801	3,194
Total equity		**4,442**	**4,433**
Warranty provisions	3.6	541	456
Deferred tax	5.2	229	98
Total non-current provisions		**770**	**554**
Other liabilities		6	37
Financial debts	33,4.2	146	590
Total non-current debt		**152**	**627**
Total non-current liabilities		**922**	**1,181**
Financial debts	33,4.2	536	20
Warranty provisions	3.6	649	523
Trade payables		354	230
Payables to subsidiaries		10,589	5,203
Other liabilities		193	289
Total current liabilities		**12,321**	**6,265**
Total liabilities		**13,243**	**7,446**
Total equity and liabilities		**17,685**	**11,879**

Statement of changes in equity

1 January - 31 December

2021 mEUR	Share capital	Reserves			Dividend	Retained earnings	Total
		Reserve under the equity method	Reserve for capitalised development cost	Translation reserve			
Equity as at 1 January	**27**	**340**	**629**	**15**	**230**	**3,194**	**4,433**
Exchange rate adjustments relating to foreign entities	-	122	-	-	-	-	122
Exchange rate adjustments	-	-	-	2	-	-	2
Fair value adjustments of derivative financial instruments	-	51	-	-	-	-	51
Tax on fair value adjustments of derivative financial instruments	-	(12)	-	-	-	-	(12)
Paid dividend	-	-	-	-	(226)	-	(226)
Paid dividend related to treasury stock	-	-	-	-	(2)	2	-
Proposed dividend	-	-	-	-	50	(50)	-
Proposed dividend related to treasury stock	-	-	-	-	0	0	-
Capitalised development cost	-	-	99	-	-	(99)	-
Tax on capitalised development cost	-	-	(22)	-	-	22	-
Aquisition of treasury shares	-	-	-	-	-	(12)	(12)
Share-based payments	-	(11)	-	-	-	24	13
Tax on share-based payments	-	-	-	-	-	(9)	(9)
Profit for the year	-	353	-	-	-	(271)	82
Equity as at 31 December	**27**	**843**	**706**	**15**	**50**	**2,801**	**4,442**

1 Result for the year

1.1 Revenue

Revenue in the parent company consists of sale of spare parts and royalty income from other Group companies.

1.2 Costs

For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company ref. note 1.4 to the consolidated financial statements. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For management incentive programmes, refer to note 1.5 to the consolidated financial statements.

mEUR	2021	2020
Staff costs are specified as follows:		
Wages and salaries, etc.	256	238
Pension schemes	17	15
Other social security costs	2	2
Total	**275**	**255**
Average number of employees in Vestas Wind Systems A/S	2,452	2,161

2 Working capital

2.1 Inventories

Inventories relate to spare part activities.

mEUR	2021	2020
Raw materials and consumables	197	164
Work in progress	5	5
Total	**202**	**169**

3 Other operating assets and liabilities

3.1 Intangible assets

Included in software are internally completed IT projects amounting to EUR 82m as at 31 December 2021 (2020: EUR 103m).

For development projects in progress, refer to note 3.1 to the consolidated financial statements.

Goodwill
Goodwill is included in the item "Goodwill" or in the item "Investments accounted for using the equity method" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is a maximum of 20 years.

mEUR	Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total
Cost as at 1 January	75	2,227	502	15	165	2,984
Additions	1,070	79	3	494	533	2,179
Transfers	-	230	50	-	(280)	-
Cost as at 31 December	**1,145**	**2,536**	**555**	**509**	**418**	**5,163**
Amortisation as at 1 January	25	1,702	356	12	-	2,095
Amortisation for the year	53	215	65	67	-	400
Amortisation as at 31 December	**78**	**1,917**	**421**	**79**	**-**	**2,495**
Carrying amount as at 31 December	**1,067**	**619**	**134**	**430**	**418**	**2,668**
Amortisation period	20 years	2–5 years	3–5 years	3–7 years		

3 Other operating assets and liabilities – continued

3.2 Property, plant, equipment

Property, plant, and equipment, 2021 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools, and equipment	Property, plant and equipment in progress	Right-of-use assets	Total
Cost as at 1 January	201	99	233	11	141	685
Additions	3	5	79	36	101	224
Disposals	-	-	(47)	-	-	(47)
Cost as at 31 December	**204**	**104**	**265**	**47**	**242**	**862**
Depreciation as at 1 January	144	73	175	-	36	428
Depreciation for the year	7	4	31	-	34	76
Depreciations on disposals for the year	-	-	(44)	-	-	(44)
Depreciation as at 31 December	**151**	**77**	**162**	**-**	**70**	**460**
Carrying amount as at 31 December	**53**	**27**	**103**	**47**	**172**	**402**
Depreciation period	10–40 years	3–10 years	3–5 years		2–20 years	

	2021				2020			
mEUR	Property	Vehicles	Equipment	Total	Property	Vehicles	Equipment	Total
Right-of-use assets as at 1 January	**73**	**5**	**27**	**105**	**36**	**4**	**5**	**45**
Exchange rate adjustments	-	-	-	-	1	-	-	1
Depreciation charge for the year	(24)	(4)	(6)	(34)	(8)	(4)	(7)	(19)
Impairment charge for the year	-	-	-	-	(4)	-	-	(4)
Addition of right-of-use assets for the year	90	5	6	101	48	5	29	82
Right-of-use assets as at 31 December	**139**	**6**	**27**	**172**	**73**	**5**	**27**	**105**

3.3 Leases

Vestas leases several assets including properties, vehicles and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, index-regulations, maintenance, deposits and guarantees etc.

Some property leases contain variable payments terms that are linked to an index e.g. a consumer price index. Overall the variable payments constitute less than 1 percent of Vestas' entire lease payments. Extension and termination options may be included in leases. These terms are used to maximise operational flexibility in terms of managing contracts.

Maturity analysis - contractual undiscounted cash flow

mEUR	2021	2020
Less than one year	35	21
One to five years	93	61
More than five years	63	34
Total undiscounted lease liabilities as at 31 December	**191**	**116**
Lease liabilities included in the statement of financial position as at 31 December	**182**	**111**
Current	146	20
Non-current	36	91

Lease liabilities
Lease liabilities are included in financial debts which amounts to EUR 182m as at 31 December 2021 (2020: EUR 111m). The lease liabilities included in financial debts can be specified as described above.

Total lease expenses recognised in the income statement

mEUR	2021	2020
Interest expense on lease liabilities	2	1
Variable lease payments not included in the measurement of lease liabilities	0	0
Expenses relating to short-term leases and leases of low-value	15	11

3 Other operating assets and liabilities – continued

3.4 Investments in subsidiaries and associates including joint venture

Refer to note 6.7 to the consolidated financial statements for an overview of the legal entities within the Group.

Investments in subsidiaries, joint venture, and associates

mEUR	2021	2020
Subsidiaries	4,245	3,738
Associates	4	1
Carrying amount as at 31 December	**4,249**	**3,739**

Income/(loss) from investments in subsidiaries, joint venture, and associates

mEUR	2021	2020
Subsidiaries	353	197
Joint venture	-	340
Associates	(0)	(0)
Total	**353**	**537**

Income from subsidiaries

mEUR	2021	2020
Share of profit in subsidiaries after tax	384	210
Amortisation of goodwill	(31)	(13)
Total	**353**	**197**

Income/(loss) from joint venture

mEUR	2021	2020
Share of profit(loss) in joint venture after tax	-	(43)
Gain on existing 50% ownership	-	383
Total	**-**	**340**

Investments in subsidiaries

mEUR	2021	2020
Cost as at 1 January	3,398	2,065
Exchange rate adjustments	3	11
Additions	1	1,322
Cost as at 31 December	**3,402**	**3,398**
Value adjustments as at 1 January	340	560
Reclassification	-	6
Exchange rate adjustments	122	(125)
Share of profit/loss for the year after tax	384	210
Changes in equity, share-based payment	(11)	(10)
Changes in equity, derivative financial instruments	39	(19)
Dividend	-	(269)
Amortisation of goodwill	(31)	(13)
Value adjustments as at 31 December	**843**	**340**
Carrying amount as at 31 December	**4,245**	**3,738**
Remaining positive difference included in the above carrying amount as at 31 December	509	1,014

Investments in joint venture

mEUR	2021	2020
Cost as at 1 January	-	202
Transfers	-	(202)
Cost as at 31 December	**-**	**-**
Value adjustments as at 1 January	-	(131)
Share of profit(loss) for the year after tax	-	(43)
Changes in equity	-	25
Transfers	-	149
Value adjustments as at 31 December	**-**	**-**
Carrying amount as at 31 December	**-**	**-**

Accounting policies

Investments in subsidiaries and associates including joint venture are recognised and measured in the financial statements of the parent company under the equity method.

On acquisition of subsidiaries and associates including joint ventures, the difference between cost of acquisition and net asset value of the entity acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the entity acquired. Any remaining positive differences in connection with the acquisition of subsidiaries and associates including joint ventures are included in the items "Investments in subsidiaries" and "Investments in associates including joint venture". The items "Income/(loss) from investments in subsidiaries" and "Income/(loss) from investments in associates including joint venture" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The items "Investments in subsidiaries" and "Investments in associates including joint venture" in the balance sheet includes the proportionate ownership share of the net asset value of the entities calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of the positive differences (goodwill).

Subsidiaries and associates including joint ventures with a negative net assets value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value, if impaired. Any legal or constructive obligation of the parent company to cover the negative balance of the subsidiaries and associates including joint venture is recognised as provisions.

The total net revaluation of investments in subsidiaries and associates including joint venture is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries and associates including joint venture are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected loss of disposal or winding up. The gains or losses are included in the income statement.

3 Other operating assets and liabilities – continued

3.5 Prepayments

Prepayments comprise of prepaid software license, insurance, and rent.

3.6 Provisions

In line with accounting policies, potential product warranties are recognised as warranty provisions when revenue from sale of wind turbines is recognised.

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

Warranty provisions

mEUR	2021	2020
Warranty provisions as at 1 January	979	617
Warranty provisions for the year	748	688
Addition from business combination	258	-
Reclassification	57	-
Used warranty provisions for the year	(852)	(326)
Warranty provisions as at 31 December	**1,190**	**979**
The warranty provisions are expected to be consumed as follows:		
0-1 year	649	523
> 1 year	541	456
Total	**1,190**	**979**

3.7 Contingent assets and liabilities, and contractual obligations

Vestas provides indemnities and guarantees to third parties on behalf of non-Vestas entities with a notional amount of EUR 17m (2020: EUR 52m). No guarantees have been utilised during 2021 or in previous years and none of the indemnities are expected at the balance sheet date to be utilised.

Vestas provides indemnities and guarantees for bank and bonding facilities to third parties on behalf of subsidiaries. In addition, the company provides indemnities and guarantees to third parties in connection with project supplies in subsidiaries, and their warranty obligations to customers. To secure guarantees issued by banks, the company has given securities in cash and cash equivalents with disposal restrictions, refer to note 4.1 to the consolidated financial statements.

Vestas has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2021 and future periods at a value of EUR 36m (2020: EUR 23m). In addition, the company has a contractual commitment to pay EUR 3m in 2022 for the use of certain technology rights owned by a third party.

For pending lawsuits, refer note 3.6 to the consolidated financial statements. For disclosure of contingent assets, refer note 6.4 to the consolidated financial statements.

The company is jointly taxed with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

4 Capital structure and financing items

4.1 Financial risks

For the use of derivative financial instruments and risks and capital management refer to note 4.1 to the consolidated financial statements.

4.2 Financial liabilities

mEUR	2021	2020
Green corporate eurobond	-	499
Credit facilities	500	-
Lease liabilities	182	111
Total	**682**	**610**
Financial debts break down as follows:		
< 1 year	536	20
1-2 years	32	517
> 2 years	114	73
Total	**682**	**610**

4.3 Financial items

mEUR	2021	2020
Financial income		
Interest income	5	7
Interest income from subsidiaries	59	55
Financial instruments	16	-
Other financial income	4	2
Total	**84**	**64**
Financial costs		
Interest costs	20	16
Interest costs to subsidiaries	48	33
Interest on lease liabilities	2	1
Exchange rate adjustments	28	15
Financial instruments	2	9
Other financial costs	11	13
Total	**111**	**87**

5 Tax

5.1 Income tax

mEUR	2021	2020
Current tax on profit for the year	(386)	(96)
Deferred tax on profit for the year	159	60
Foreign taxes	2	2
Adjustment relating to previous years	5	1
Income tax for the year recognised in the income statement, (income)	**(220)**	**(33)**
Deferred tax on equity	9	(8)
Tax recognised in equity, expense/(income)	**9**	**(8)**
Total income taxes for the year, (income)	**(211)**	**(41)**

5.2 Deferred tax

mEUR	2021	2020
Deferred tax as at 1 January, net liabilities	(98)	(123)
Deferred tax on profit for the year	(159)	(60)
Tax on entries in equity	(9)	8
Adjustment relating to previous years	37	77
Deferred tax as at 31 December, net liabilities	**(229)**	**(98)**

6 Other disclosures

6.1 Audit fees

mEUR	2021	2020
Audit:		
PricewaterhouseCoopers	1	1
Total audit	**1**	**1**
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagement	0	0
Tax assistance	0	1
Other services	1	0
Total non-audit services	**1**	**1**
Total	**2**	**2**

6.2 Related party transactions

All transactions with related parties have been carried out at arm's length principle. Definition of related parties and concerning other transactions with related parties, refer to note 6.3 to the consolidated financial statement.

6.3 Ownership

The company has registered the following shareholders with more than 5 percent of the share capital or nominal value:
- BlackRock Inc, Wilmington, DE U.S.A.

7 Basis of preparation

7.1 General accounting policies

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act (DK GAAP) applying to entities of reporting class D, as well as the requirements laid down by Nasdaq Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

For adopted accounting policies see the notes to the consolidated financial statements. The denomination of the items in the parent company's financial statements complies with the requirements under DK GAAP. The accounting policies applied are unchanged from those applied in the previous year.

Development cost
An amount equivalent to the capitalised development cost in the balance sheet incurred after 1 January 2016 is recognised in the category "Reserve for capitalised development cost" in the equity. The value of the reserve is reduced by the value of the depreciations.

Cash flow statement
Vestas Wind Systems A/S applies an exemption under DK GAAP whereby the parent company is not required to prepare a separate cash flow statement as it is included in the consolidated cash flow statement, refer to page 74 in the consolidated financial statements.

Statements

→ Management's statement

→ Independent Auditor's Reports

→ Independent limited assurance report on the Sustainability key figures

EUR 444m

We invest in the future. In 2021 we invested 5% of our revenue in development of new technologies.

Management's statement

The Executive Management and Board of Directors have today considered and adopted the annual report of Vestas Wind Systems A/S for the financial year 2021.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The parent company financial statements of Vestas Wind Systems A/S have been prepared in accordance with the Danish Financial Statements Act. The Management's Review is also prepared in accordance with the Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and parent company as at 31 December 2021 and of the results of Group's and parent company's operations and consolidated cash flows for the financial year 1 January to 31 December 2021.

In our opinion, the Management's Review includes a true and fair review of the development in the operations and financial circumstances of the Group and parent company, of the results for the year and of the financial position of the Group and parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and parent company.

In our opinion, the social and environmental statements have been prepared in accordance with the accounting policies applied. They give a fair review of the Group's social and environment performance.

In our opinion, the annual report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2021 identified as VWS-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual General Meeting approve the Annual Report.

Aarhus, 10 February 2022

Executive Management

Henrik Andersen
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Board of Directors

Bert Nordberg
Chairman

Anders Runevad
Deputy Chairman

Kentaro Hosomi

Karl-Henrik Sundström

Helle Thorning-Schmidt

Michael Abildgaard Lisbjerg

Bruce Grant

Sussie Dvinge

Eva Merete Søfelde Berneke

Kim Hvid Thomsen

Lars Josefsson

Pia Kirk Jensen

Independent Auditor's Reports

To the shareholders of Vestas Wind Systems A/S

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and the Parent Company Financial Statements of Vestas Wind Systems A/S, pages 65-129, for the financial year 1 January to 31 December 2021 comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Vestas Wind Systems A/S on 5 May 1999 for the financial year 1999. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 23 years including the financial year 2021.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Recognition of the Group's revenue is complex due to several types of customer contracts utilised, including sale of wind turbines and wind power plants (supply-only, supply-and-installation and turnkey), service sales and sale of spare parts. We focused on this area as recognition of revenue involves significant judgement and accounting estimates made by Management including, whether contracts contain multiple performance obligations which should be accounted for separately and the most appropriate method for recognition of revenue for the identified performance obligations in the contracts. This includes assessing whether performance obligations in supply-and-installation contracts are satisfied at a point in time or over time. Further, it comprises the point in time when transfer of control has occurred regarding sale of wind turbines and sale of spare parts, and assessing the degree of completion of project and service contracts, which are accounted for over time. The total consideration for service contracts is subject to estimates regarding variable elements and the degree of completion for project and service contracts is subject to estimates regarding the remaining cost to complete the contracts. Furthermore, the reduction in revenue related to damages or penalties regarding project and service contracts is subject to estimates. Finally, significant estimates are involved in allocation of the consideration to the individual performance obligations in a contract. Refer to Note 1.2, Note 2.3 and Note 2.4 in the Consolidated Financial Statements.	We obtained an understanding of the Group's applied revenue recognition policies. We tested the relevant internal controls in this area implemented by Management to ensure the completeness, accuracy and timing of recognised revenue, including controls over the degree of completion of relevant project and service contracts. We reviewed a sample of both project and service contracts to assess whether the method for recognition of revenue was relevant and consistent with the Group's accounting policy. We focused on contract classification, allocation of fixed and variable consideration and cost to the individual performance obligations and timing of transfer of control. For supply-and-installation projects with revenue recognition over time we reviewed a sample of projects and challenged the judgement made by Management in terms of no alternative use of the project. Where a contract contained multiple elements, we considered Management's judgements as to whether they comprised performance obligations that should be accounted for separately, and, in such cases, challenged the significant assumptions used in the allocation of the consideration to each performance obligation. We evaluated and challenged the significant judgements and accounting estimates made by Management in applying the Group's accounting policy to a sample of specific contracts and separable performance obligations of contracts. We tested the point in time when transfer of control occured by obtaining evidence, including inspecting signed contracts, delivery records, cash receipts and project plans and reconciled the revenue recognised to the underlying accounting records. We obtained a sample of Management's calculations of the degree of completion of project and service contracts, which are accounted for over time, and matched a sample of source data used in Management's calculation to evidence, and evaluated the judgements and assumptions applied. We further challenged the estimated cost to complete for the sampled contracts. We also considered the historical outcome of accounting estimates made in prior periods. We reviewed the disclosures included in the notes and sample tested additional disclosure information to accounting records.

Independent Auditor's Reports – continued

Key audit matter	How our audit addressed the key audit matter
Warranty provisions The Group's product warranties primarily cover expected costs to repair or replace components with defects or functional errors. Warranties are usually granted for a two-year period from legal transfer of the turbine, however, in certain cases, a warranty of up to five years is granted. We focused on this area as the amounts involved are significant and the completeness and valuation of the expected outcome of warranty provisions requires significant Management judgement and estimates. This includes the use of significant assumptions concerning expected failure rates and expected repair costs. Refer to Note 3.6 in the Consolidated Financial Statements.	We obtained an understanding of the Group's applied warranty provision policy. We tested the relevant internal controls regarding completeness of warranty provisions and evaluated how Management assessed valuation of provisions. We performed substantive audit procedures on the methodology, data, assumptions and model used by Management to calculate the provisions and reviewed a sample of specific warranty cases. We challenged the significant assumptions applied in the valuation of provisions by checking and corroborating the inputs used to calculate the provisions, including interviewing project managers, cost controllers and Management regarding individual cases. We assessed specific warranty provisions held for individual cases to evaluate whether the warranty provisions were sufficient to cover expected costs at year-end and whether the disclosures included in the notes appropriately reflected the risk. Further, we assessed the level of historical warranty claims to assess whether the total warranty provisions held at year-end were sufficient to cover expected costs in light of known and expected cases.
Tax risks The Group operates in a complex multinational tax environment and the Group is part in tax cases with domestic and foreign tax authorities. The Group has recognised provisions in respect of uncertain tax positions. Furthermore, the Group has recognised write-downs on deferred tax assets related to the uncertainty about potential future utilisation of these tax assets. We focused on this area as the amounts involved are material and as the valuation of the provision and deferred tax assets is associated with significant accounting estimates and judgements. Refer to Note 5.1 and Note 5.2 in the Consolidated Financial Statements.	We obtained an understanding of the Group's applied tax accounting policy. We evaluated the design of relevant internal controls regarding completeness of records of uncertain tax positions and Management's procedure for estimating the provision for uncertain tax provisions and write-down of deferred tax assets. In understanding and evaluating Management's accounting estimates and judgements, we considered the status of recent tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and estimates and developments in the tax environment. We used PwC tax specialists to evaluate and challenge the adequacy of Management's significant assumptions and read correspondence with tax authorities to assess Management's significant accounting estimates. We evaluated the Group's model for valuation of deferred tax assets, including the data used to estimate the expected future taxable income. We also considered the historical outcome of accounting estimates made in prior periods. We reviewed the disclosures included in the notes and sample tested additional disclosure information to accounting records.

Statement on Management's Review
Management is responsible for Management's Review, pages 3-64 and pages 136-144.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty

Independent Auditor's Reports – continued

exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2021 with the filename VWS-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for the preparation of an Annual Report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2021 with the file name VWS-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 10 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Kim Tromholt
State Authorised Public Accountant
mne33251

Independent limited assurance report on the Sustainability key figures

To the Stakeholders of Vestas Wind Systems A/S

Vestas Wind Systems A/S engaged us to provide limited assurance on the Sustainability key figures stated in the Annual Report for the period 1 January to 31 December 2021.

Our conclusion
Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the Sustainability key figures as stated on page 9 in the Annual Report for 2021 are free of material misstatements and prepared, in all material respects, in accordance with the accounting policies in the Notes to sustainability key figures as stated on page 142-143.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring
The scope of our work was limited to assurance over the Sustainability key figures on page 9 in the Annual Report for 2021.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions stated on pages 142-143, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' issued by the International Auditing and Assurance Standards Board. Greenhouse Gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control
We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The Sustainability key figures need to be read and understood together with the accounting policies on pages 142-143, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work to consider the risk of material misstatements of the Sustainability key figures. In doing so and based on our professional judgement, we:

- Obtained an understanding of Vestas Wind Systems A/S' control environment and information systems relevant to quantification and reporting of the Sustainability key figures, through inquiries;
- Conducted conference calls with sites in Denmark, Italy, UK and USA to assess the completeness of the data sources, data collection methods, source data and relevant assumptions for the Sustainability key figures applicable to the sites;
- On a sample basis agreed and reconciled reported data to underlying documentation for sites in Denmark, Italy, UK and USA. The sites selected for testing were chosen taking into consideration their size and whether selected in prior periods;
- Conducted interviews and show-me meetings with Group functions to assess consolidation processes, use of company-wide systems and controls performed at Group level as well as test of the Sustainability key figures prepared at Group level to underlying documentation;
- Conducted analytical review of the data and trend explanations submitted by all reporting entities for consolidation at Group level; and
- Evaluated the obtained evidence.

Management's responsibilities
Management of Vestas Wind Systems A/S is responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of Sustainability key figures that are free from material misstatement, whether due to fraud or error;
- establishing objective accounting policies for preparing data;
- measuring and reporting the Sustainability key figures based on the accounting policies and evidencing the data; and
- the content of the Sustainability key figures for 2021.

Our responsibility
We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Sustainability key figures for the period 1 January – 31 December 2021 are free from material misstatements, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to the stakeholders of Vestas Wind Systems A/S.

Hellerup, 10 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Claus Lindholm Jacobsen
State Authorized Public Accountant
mne23328

Kim Tromholt
State Authorized Public Accountant
mne33251

Additional information

→ Quarterly key figures

→ Deliveries

→ Glossary

→ TCFD reporting

→ Notes to Sustainability key figures

→ Disclaimer

88.1% recyclable

A V150 - 4.2MW* turbine is already more than 88% recyclable, but with new innovations we aim to increase this to 95% by 2030.



Quarterly financial and operational key figures

Financial highlights

mEUR	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Income statement				
Revenue	**1,962**	**3,536**	**5,538**	**4,551**
- of which onshore wind turbines	1,346	2,195	3,730	3,494
- of which offshore wind turbines	92	719	1,191	336
- of which Service	524	622	617	721
Gross profit	189	376	600	395
Operating profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	136	321	567	358
Operating profit (EBIT) before special items	(71)	101	325	106
Operating profit (EBIT) after special items	(71)	101	206	86
Profit before tax	(77)	122	170	42
Profit for the period	(57)	90	123	20
Balance sheet				
Net working capital	(380)	(616)	(526)	(1,049)
Cash flow statement				
Cash flow from operating activities	(746)	360	523	859
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(152)	(177)	(223)	(261)
Free cash flow before acquisitions of subsidiaries and financial investments	(898)	183	300	598
Free cash flow	(1,090)	166	385	596

Financial ratios[1]

mEUR	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Gross margin (%)	9.7	10.6	10.8	8.7
EBITDA margin (%) before special items	6.9	9.1	10.2	7.9
EBIT margin (%) before special items	(3.6)	2.9	5.9	2.3
EBIT margin (%)	(3.6)	2.9	3.7	1.9
Net interest-bearing debt / EBITDA before special items	(0.3)	(0.2)	(0.4)	(0.9)

Operational key figures

Order intake (bnEUR)	1.6	4.5	3.0	2.5
- of which onshore	1.6	3.6	3.0	2.5
- of which offshore	-	0.9	-	-
Order intake (MW)	2,016	5,290	3,727	2,863
- of which onshore	2,016	4,557	3,727	2,863
- of which offshore	-	733	-	-
Order backlog – wind turbines (bnEUR)	19.4	21.2	19.3	18.1
- of which onshore	15.5	17.0	16.3	15.4
- of which offshore	3.9	4.2	3.0	2.7
Order backlog – service (bnEUR)	25.3	26.9	28.0	29.2
- of which onshore	21.8	23.2	24.1	25.5
- of which offshore	3.5	3.7	3.9	3.7
Produced and shipped wind turbines (MW)	4,530	5,775	3,945	3,595
Deliveries (MW)	1,925	3,767	6,020	4,882
- of which onshore	1,839	3,178	5,048	4,522
- of which offshore	86	589	972	360

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

Quarterly financial and operational key figures – continued

Financial highlights

mEUR	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Income statement				
Revenue	2,236	3,641	4,770	4,273
Gross profit	159	228	612	539
Operating profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	97	188	575	531
Operating profit (EBIT) before special items	(54)	34	412	358
Operating profit (EBIT) after special items	(112)	34	418	358
Profit before tax	(107)	(7)	391	657
Profit for the period	(80)	(5)	290	566
Balance sheet				
Net working capital	(631)	(411)	(711)	(1,127)
Cash flow statement				
Cash flow from operating activities	(760)	51	688	784
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(159)	(129)	(142)	(229)
Free cash flow before acquisitions of subsidiaries and financial investments	(919)	(78)	546	535
Free cash flow	(919)	96	546	753

Financial ratios[1]

mEUR	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Gross margin (%)	7.1	6.4	12.8	12.6
EBITDA margin (%) before special items	4.3	5.3	12.1	12.4
EBIT margin (%) before special items	(2.4)	1.0	8.6	8.4
EBIT margin (%)	(5.0)	1.0	8.8	8.4
Net interest-bearing debt / EBITDA before special items	(1.0)	(0.8)	(1.1)	(1.4)

Operational key figures[2]

Order intake (bnEUR)	2.4	3.2	3.1	4.0
Order intake (MW)	3,311	4,148	4,232	5,556
Order backlog – wind turbines (bnEUR)	15.9	16.2	14.6	19.0
Order backlog – service (bnEUR)	18.2	18.9	19.3	23.9
Produced and shipped wind turbines (MW)	4,917	4,667	4,329	3,142
Deliveries (MW)	2,228	4,020	5,991	4,973

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

2 The order backlog for Vestas Offshore Wind A/S (former MHI Vestas Offshore Wind A/S) is included as at 31 December 2020. The remaining operational key figures incl. de Vestas Offshore Wind A/S for the period 14 December 2020 to 31 December 2020.

Overview of deliveries

MW	2021	2020[1]
United Kingdom	2,129	78
Finland	838	222
Poland	739	413
Sweden	679	424
France	668	679
Germany	598	499
Russian Fed.	478	390
Norway	413	792
Netherlands	388	270
South Africa	330	132
Italy	321	87
Saudi Arabia	245	159
Denmark	235	92
Portugal	97	34
Austria	91	3
Belgium	90	140
Turkey	88	324
Spain	76	135
Greece	40	297
Jordan	38	40
Egypt	24	0
Faroe Islands	11	0
Kazakhstan	0	48
Senegal	0	23
Ukraine	0	8
EMEA	**8,611**	**5,289**
Hereof offshore	2,007	86

MW	2021	2020[1]
USA	3,065	6,779
Brazil	1,692	1,236
Chile	314	249
Mexico	200	194
Canada	151	130
Colombia	41	-
Bolivia	39	35
Panama	25	40
Puerto Rico	11	0
El Salvador	9	46
Argentina	0	240
Americas	**5,747**	**8,949**
Hereof offshore	0	-
Vietnam	1,132	199
Australia	389	898
China	319	1,465
Japan	170	-
India	157	68
Taiwan	35	62
New Zealand	30	95
Sri Lanka	3	80
South Korea	1	107
Asia Pacific	**2,236**	**2,974**
Hereof offshore	0	-
Total	**16,594**	**17,212**
Hereof offshore	2,007	86

1. Up until 1st December 2020, when Vestas acquired Mitsubishi Vestas Offshore Wind A/S, numbers reflect onshore deliveries only.



Definition of terms

Capital Employed
Capital Employed is the sum of (carrying value) total equity and interest-bearing debt.

Deliveries
Deliveries for the Power Solutions segment are included as deliveries, and deducted from the wind turbines backlog, when the related revenue is recognised. Sales from turnkey projects are deducted from the wind turbines backlog simultaneously as the customer has taken delivery of the wind turbines under the term of the contract.

Dividend per share
Dividend multiplied by the nominal value of the share.

EBIT margin
Operating profit as a percentage of revenue.

EBITDA margin
Operating profit before amortisation, depreciation and impairment as a percentage of revenue.

Earnings per share (EPS)
Profit/loss for the year divided by the average number of shares outstanding.

EnVentus™
Introduced in 2019, the EnVentus™ platform architecture connects proven system designs from the 2 MW platform, 4 MW platform and 9 MW platform turbine technology. The result is one versatile platform architecture that delivers a higher level of robustness and performance with the ability to create an even more finely matched combination of turbines to harness available wind energy in any specific location. EnVentus™ based variants are designed with global applicability in mind. As part of the suite of Vestas offerings, EnVentus™ turbines offer a wide range of standard hub heights and modes of operation that can be combined with an extensive list of technology options to create customised solutions to suit the needs of each unique project.

Free cash flow
Cash flow from operating activities less cash flow from investing activities.

Free cash flow before acquisitions of subsidiaries and financial investments
Cash flow from operating activities less cash flow from investing activities before acquisition of subsidiaries, any investments in marketable securities and short-term financial investments.

Gross margin
Gross profit/loss as a percentage of revenue.

IFRS
International Financial Reporting Standards

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC/SIC
International Financial Reporting Interpretations Committee/ Standing Interpretations Committee

Investments
Same as 'Cash flow from investing activities'.

iXBRL
iXBRL tags (or Inline XBRL tags) are hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

Management's Review
Management's Review comprises:
- In brief
- Strategy and ambitions
- The year in Vestas
- Our people
- Governance
- Additional information

Net interest bearing debt
Net interest-bearing debt is the sum of cash and cash equivalents and financial investments less financial debts.

Net interest-bearing debt/EBITDA
Net interest-bearing debt divided by operating profit before amortization, depreciation, impairment and special items.

Net working capital (NWC)
Inventories, trade and other receivables, contract assets, contract cost, less trade and other payables and contract liabilities.

Order backlog
The value of future contracts end of period.

Order intake
An orders is included as order intake when it becomes effective, meaning when the contract becomes firm and unconditional.

Payout ratio
Total dividend distribution divided by profit/loss for the year.

Power-to-X
Power-to-X conversion technologies allow for the decoupling of power from the electricity sector for use in other sectors (such as transport or chemicals), possibly using power that has been provided by additional investments in generation.

Return on Capital Employed (ROCE)
Operating profit/loss (EBIT) before special items adjusted for tax (effective tax rate) as a percentage of average capital employed calculated as a 12-month average.

Return on equity
Profit/loss after tax for the year divided by average equity.

Solvency ratio
Equity at year-end divided by total assets.

Tagging process
The tagging process is a process where iXBRL tags are applied to financial statement line items, etc.

Taxonomy
Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

XHTML
XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in an updated standard Web browser like Chrome and Internet Explorer.

TCFD reporting overview

We are taking a step-wise approach to incorporate climate-related disclosures as per the TCFD recommendations into our reporting. Below an overview of the 11 TCFD recommendations and where to find additional information.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

TCFD Recommended Disclosures	
Describe the board's oversight of climate-related risks and opportunities.	Annual Report 2021, Risk management, pages 44-45 CDP1, Climate questionnaire 2021, section C2
Describe management's role in assessing and managing climate related risks and opportunities	Annual Report 2021, Our corporate strategy, pages 14-20 CDP, Climate questionnaire 2021, section C2

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

TCFD Recommended Disclosures	
Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.	Annual Report 2021, Our corporate strategy, pages 14-20 CDP, Climate questionnaire 2021, section C3
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Annual Report 2021, Our corporate strategy, pages 14-20 CDP, Climate questionnaire 2021, section C3
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Annual Report 2021, Risk management, pages 44-45 CDP, Climate questionnaire 2021, section C3

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

TCFD Recommended Disclosures	
Describe the organisation's processes for identifying and assessing climate related risks.	Annual Report 2021, Risk management, pages 44-45 CDP, Climate questionnaire 2021, section C3
Describe the organisation's processes for managing climate-related risks.	Annual Report 2021, Risk management, pages 44-45 CDP, Climate questionnaire 2021, sections C1 and C2
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Annual Report 2021, Risk management, pages 44-45 CDP, Climate questionnaire 2021, section C1 and C2

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCFD Recommended Disclosures	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Annual Report 2021, Our sustainability commitments and results, page 35 Sustainability Report 2021, Sustainability strategy, page 17-18, Climate Progress, pages 30-31
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Annual Report 2021, Our sustainability commitments and results, page 35 Sustainability Report 2021, Climate progress, pages 30-31 CDP, Climate questionnaire 2021, sections C2 and C4
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	Annual Report 2021, Our sustainability commitments and results, page 35 Sustainability Report 2021, Sustainability key figures and Selected environmental data, pages 66-67

1 The Carbon Disclosure Project, Climate Change Questionnaire 2021, available on corporate website.

Notes to Sustainability key figures

Basis for preparation of the statement

General reporting standards
The below description of accounting policies refers to the environmental, social, and governance indicators presented on page 9.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start, and companies are excluded from the reporting from the time when they leave Vestas' control. Acquired companies are included from the time when coming under Vestas' control. For the offshore business in the joint venture, MHI Vestas Offshore Wind, however, of which Vestas took full ownership on 14 December 2020, data was not included in the 2020 reporting, as the impact was insignificant.

From 2021 and onwards, data from the offshore business is included in the sustainability key figures. The existing sustainability strategy targets will be maintained and include offshore performance, with the adjustment that the 2019 baselines for carbon emissions have been recalculated to include the acquisition in 2020 of MHI Vestas Offshore Wind A/S and exclude the divestment of the towers factory in Pueblo, Denver, USA in 2021. See the table "Carbon emissions adjusted for acquisitions and divestments" below for detailed data.

Defining materiality
Vestas bases its materiality assessment on an analysis of significant economic, environmental, and social impacts of the company's activities. The analysis is based on internal priorities as well as experience from dialogue with and direct involvement of customers, investors, policy makers, employees, and media. The result of the analysis is incorporated in the Vestas Sustainability Report, which is published on an annual basis.

Change in accounting policies
The total number of reports made to the whistle-blower hotline EthicsLine within a reporting year will going forward be reflected as a status quo, where the total is the sum of substantiated and unsubstantiated cases after ended investigation, plus any open cases. The open cases will then, in connection with reporting for the following year retroactively be defined as either substantiated or unsubstantiated. In connection with the change in methodology, the EthicsLine data for 2017-2020 have furthermore been adjusted.

Environmental

Energy consumption, water withdrawal, waste generation, and carbon emissions are reported for the accounting period on the basis of significance. All production facilities are included as well as larger offices, warehouses, and other facilities, ensuring a comprehensive and sufficient statement of these environmental aspects. All data are registered in Vestas' HSE system.

Utilisation of resources
Electricity, gas, and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally. Oil for heating is stated on the basis of external purchases and meter readings at the end of the reporting period. Fuel for internal transportation, including for cars owned by the company or fuel for employees' benefit cars for which the company pays the fuel per credit card as well as fuel used for internal transport on project sites and production such as forklifts, has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements. Only 100 percent renewable electricity is counted as renewable electricity.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water, biomass, and geothermal heat. Nuclear power is not considered to be renewable energy.

The withdrawal of water is stated as measured withdrawal of fresh water on the basis of supplier statements and meter readings.

Waste
Volume of waste is stated on the basis of weight slips received from the waste recipients for deliveries, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load. Waste disposal method is based on supplier statements.

Recyclability rate of hub and blade is calculated as the recyclable share of the total rotor (i.e. hub and blade) mass. The measure is based upon the material composition of all turbine types that were produced and shipped in the reporting year. Recyclability rates of different materials and component types are quantified and estimated based upon information from life cycle assessment (LCA) reports of each type of turbine shipped in the year, which can be found on our corporate website.

Material efficiency, an indicator which has been introduced in the Annual Report 2021, is defined as the total tonnes of non-recycled waste from Vestas own manufacturing per MW capacity produced and shipped during the reporting period. Non-recycled waste includes waste that is incinerated or landfilled.

Carbon emissions
Carbon emissions are measured using the carbon dioxide equivalent (CO_2e) to include relevant greenhouse gasses according to the Greenhouse Gas Protocol. A distinction is made between scope 1, 2, and 3 emissions, as also defined by the Greenhouse Gas Protocol.

In alignment with the GHG protocol standard, carbon emissions for 2019-2021 have retroactively been adjusted for acquisitions and divestments in 2020 and 2021 in accordance with our policy for baseline adjustments for CO_2e emissions and related indicators.

Carbon emissions adjusted for acquisitions and divestments

	2021			2020				2019			
	Emissions before adjustment (including offshore)	Divestment in tower production	GHG Protocol aligned emissions	Emission before adjustment	Divestment in tower production	M&A – MHI Vestas Offshore Wind A/S	GHG Protocol aligned emissions	Emission before adjustment	Divestment in tower production	M&A – MHI Vestas Offshore Wind A/S	GHG Protocol aligned emissions
Direct emission of CO_2e (1000 tonnes)	105	(6)	99	71	(9)	21	83	71	(11)	6	66
Emission of indirect CO_2e (1000 tonnes)	3	0	3	2	0	12	14	38	0	10	48
Indirect emissions of CO_2e from the value chain (scope 3) (million t)	10.56		10.56	9.79		0.80	10.59	6.90		0.93	7.83
Indirect emissions of CO_2e from the value chain (scope 3) (kg per MWh generated)	6.65		6.65	6.49		0.14	6.63	6.45		0.37	6.82

Notes to Sustainability key figures – continued

Scope 1: Direct emissions of CO_2e are calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs (2021).

Scope 2: Covers emissions released in connection with the consumption of purchased electricity, steam, heat, and cooling, of which steam and cooling are not used by Vestas. Indirect emissions of CO_2e from consumption of electricity outside Europe are calculated using national grid emission factors published by the International Energy Agency (2021). Indirect CO_2e emissions from consumption of electricity in Europe are calculated with residual mix emission factors from the Association of Issuing Bodies (2018). Indirect CO_2e emissions from district heating are calculated using the emission factor from the UK Department for Environment, Food & Rural Affairs (2021).

Scope 3: Indirect emissions of CO_2e from the value chain are reported based on the Greenhouse Gas Protocol which divides the scope 3 inventory into 15 subcategories. The largest part of the emissions is in the category 'Purchased goods and services', where emissions from materials going into products are calculated based on LCAs following ISO 14040 & 14044, publicly available at vestas.com. The measure is based upon the material composition of all turbine types that were produced and shipped in the reporting year. CO_2e emission data of different materials and component types are quantified and estimated based upon information from LCA reports on each type of wind turbine shipped in the year. Similarly, the CO_2e emissions of all produced and shipped turbines in the reporting year are derived from the LCA reports, accounting for specific material quantities purchased. LCA reports can be found at the corporate website. Other purchased goods and services as well as Capital goods and Waste generated in operations are estimated based on spend using DEFRA factors for indirect emissions from the supply chain (2011). Fuel- and energy-related activities are calculated using DEFRA factors for emissions related to the production of fuel and energy. Emissions from upstream transportation are estimated for global transportation based on the LCA reports for weight and distance of components transported and DEFRA carbon emissions factors. Business travel emissions are provided by the travel agency. Employee commuting is estimated based on average number of employees with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs (2021). End-of-life treatment of sold products is estimated based upon material composition of all produced and shipped wind turbines in the reporting year and DEFRA emission factors for waste treatment. Up until 2021, Vestas' 50 percent share of the scope 1 & 2 emissions in the joint venture MHI Vestas Offshore Wind were included in Vestas' scope 3 emissions. The subcategories C8-11 and C13-C14 are not relevant for Vestas, as there are no greenhouse gas emissions within these categories.

In relation to the target to reduce carbon emissions in the value chain, indirect emissions of CO_2e from the value chain per MWh generated include 70 percent of the scope 3 emissions. The amount of MWh generated is based on the number and type of wind turbines produced and shipped in the financial year along with contracted values for wind turbine capacity factor and lifetime.

Products
CO_2e avoided is to be understood as the volume of emissions avoided by using the wind turbines as source, compared to the average level of CO_2e impact involved in electricity generation.

Expected CO_2e avoided over the lifetime of the MW produced and shipped during the period is calculated on the basis of the wind turbines (MW) produced and shipped during the reporting period, a capacity factor of 34 percent in 2020, an expected lifetime of 21 years, and the latest updated standard factor of global average carbon emissions for electricity from the International Energy Agency (2021), at present 477 grams of CO_2e per kWh.

Annual CO_2e avoided by the total aggregated installed fleet is calculated on the basis of total annual installed capacity (MW) and global average CO_2e emissions avoided per year of operation. The total CO_2e avoided is an aggregation of each year since 1981, accounting for decommissioned turbines, based on an estimate of the average lifetime of a turbine.

Social

Safety
The occupational safety data in the Sustainability key figures are reported for all activities in Vestas. Lost Time Injuries (LTIs) of all employees are stated on the basis of registration in Vestas' Incident Management System of occupational incidents that have caused at least one workday of absence after the day of the injury, and the number includes fatalities. Total Recordable Injuries (TRI) include LTIs, restricted work injuries, and medical treatment injuries. Injuries and working hours for externally employed workers under Vestas' supervision are included in both measures.

The incidence of injuries is defined as the number of injuries per one million working hours. The number of working hours is measured on the basis of daily timecards registered in the payroll system for hourly-paid employees, and prescribed working hours for salaried employees excluding e.g. holidays, absence due to illness and maternity leave. For externally employed workers under Vestas' supervision, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

Employees, diversity, and inclusion
The number of employees is calculated as the number of full-time equivalents (FTE) with a direct contract with Vestas registered in Vestas' HR system. Employee indicators (the share of women in the Board, Executive Management, and leadership positions) are calculated based on headcounts at the end of the reporting period. Employees in Utopus Insights, Inc. are not included in the calculations of gender representation as gender statistics covering this entity are not available. Women in the Board is to be understood as the share of women among the members of the Board who are elected by the Annual General Meeting. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of gender and management level. Leadership positions comprise managers, specialists, project managers, and above.

Human rights
Vestas registers and handles community concerns or complaints caused by Vestas or its contractors in the Vestas Incident Management System (IMS). The measure "Community grievances" covers the total number of community complaints registered in IMS in the reporting year in connection with a wind farm project and associated facilities, a Vestas factory, or an R&D Centre.

"Community beneficiaries" are individuals that have benefitted directly, financially or by way of upgraded skills, from Vestas' community development initiatives implemented during the reporting period in connection to a wind farm project and associated facilities, a Vestas factory, or a R&D Centre. Where a household is a beneficiary, Vestas calculates the household size based on the country average defined by the UN Department of Economic and Social Affairs (UN 2017). Community development initiatives are identified in collaboration with local stakeholders, including community members, and centred around the UN SDGs with special focus on the six primary SDGs selected by Vestas.

The measure "Due diligence on projects in scope" reflects the share of wind power projects in scope, which have materialised as firm orders during the reporting period, and on which the Social Due Diligence (SDD) process has been applied. The wind farm projects in scope for Vestas' SDD are 1) all Engineering, Procurement and Construction (EPC) projects in emerging markets, 2) all Supply-and-installation projects of 100 MW or above in emerging markets, and 3) projects in OECD countries with a risk rating of 'Extreme' or 'High' according to the Verisk Maplecroft's "Indigenous People" risk index on risks related to indigenous people's lands, territories or livelihoods under threat (via a risk mapping performed each year in January). In this context, 'emerging markets' are non-OECD, high-income countries, as defined by OECD.

Governance

Whistle-blower system
All reports made to the EthicsLine whistle-blower hotline are investigated thoroughly, with the purpose of identifying whether a violation of the Code of Conduct has taken place. Upon the completion of the investigation, cases are classified as either substantiated or unsubstantiated. At the end of the reporting year, the total number of whistle-blower cases are calculated.

Any potential gap between the total number of reported cases and the substantiated and non-substantiated cases combined reflects the number of cases that are still under investigation at the end of the year. The gap will be closed the following year, when the final number of substantiated and unsubstantiated cases will be settled.

Disclaimer and cautionary statement

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

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

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



→
The 48 MW wind farm, Kårehamn Offshore Wind Farm, is located in the Swedish part of the Baltic Sea, approximately 2 km from the coastal town Kårehamn in Sweden.

Vestas Wind Systems A/S
Hedeager 42
8200 Aarhus N

Tel: +45 9730 0000
VESTAS@vestas.com

vestas.com

© Vestas 2023
This document was created by Vestas Wind Systems A/S and contains copyright material, trademarks and other proprietary information. All rights reserved. No part of the document may be reproduced or copied in any form or by any means such as graphic, electronic or mechanical, including photocopying, recording, taping or storage in an electronic retrieval system or otherwise without the prior written permission of Vestas Wind Systems A/S. All specifications are for information only and are subject to change without notice. Vestas cannot accept any responsibility for possible errors or deficiencies in any calculations included in this document.

Vestas