Company announcement No.25/2020

Interim financial report
Second quarter 2020

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

Contents

How to read this interim financial report – definitions:

Vestas
"Vestas" is the entity covering the two business areas Power solutions and Service. The entity includes all subsidiaries over which Vestas has control.

The Group
"The Group" refers to activities in all three business areas, including the offshore business area in the joint venture MHI Vestas Offshore Wind A/S.

The three business areas are:

Power solutions   Service   Offshore

The offshore business area is accounted for using the equity method and the net result for the period for the joint venture is recognised in the income statements as "Income from investments in joint ventures and associates".

Information meeting (audiocast)
On Tuesday 11 August 2020 at 10 a.m. CEST (9 a.m. BST), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com/investor.

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

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

Conference PIN code: 75495841#

Presentation material for the information meeting will be available at vestas.com/investor approximately one hour before the meeting.

Contact details

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Summary

Strong performance in spite of challenging environment; revenue increased compared to same quarter last year. Combined order backlog at all-time high level. Full-year guidance reintroduced with unchanged outlook for revenue of EUR 14-15bn, and an updated EBIT margin before special items of 5-7 pct.

In the second quarter of 2020, Vestas generated revenue of EUR 3,541m – an increase of 67 percent compared to the year-earlier period. EBIT before special items decreased by EUR 94m to EUR 34m. This resulted in an EBIT margin before special items of 1.0 percent, compared to 6.0 percent in the second quarter of 2019. The decrease was primarily a result of extraordinary warranty provisions made in the quarter of EUR 175m, covering a specific repair and upgrade of a confined number of blades already installed; excluding these provisions, the underlying margin was 5.9 percent. Free cash flow* amounted to EUR (78)m compared to EUR (75)m in the second quarter of 2019.

The quarterly intake of firm and unconditional wind turbine orders amounted to 4,148 MW. The value of the wind turbine order backlog was EUR 16.2bn as at 30 June 2020. In addition to the wind turbine order backlog, at the end of June 2020, Vestas had service agreements with expected contractual future revenue of EUR 18.9bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 35.1bn – an increase of EUR 3.6bn compared to the year-earlier period.

Based on the results for first half of 2020, Vestas now provides the market with new guidance. The outlook for full-year revenue is unchanged at EUR 14-15bn. The EBIT margin before special items is updated to range between 5 and 7 percent (initially 7-9 percent), including extraordinary warranty provisions of EUR 175m. Vestas' total investments*) are expected to be below EUR 700m in 2020 (initially approx. EUR 700m). This guidance, it should be emphasised, is based on assumptions that are subject to greater uncertainty than under normal circumstances, due to COVID-19.

Group President & CEO Henrik Andersen said: *"The COVID-19 pandemic continued to impact the renewable energy industry and the global economy in the second quarter of 2020. In these challenging circumstances and without state aid, Vestas' almost 26,000 employees have performed strongly, growing our revenue by 67 percent compared to the same quarter last year and achieving an order intake of 4.1 GW as well as a record high total order backlog of more than EUR 35bn. Service continued to grow with high margins in the quarter and played a key role in ensuring stable and renewable energy supply during lockdowns across the globe. Extraordinary warranty provisions impacted our EBIT margin negatively in the quarter, but our underlying EBIT margin of 5.9 percent showcases good execution that gives us confidence to deliver improving results throughout the remainder of the year. The global pandemic and economic downturn will continue to create uncertainty in 2020, but we remain confident in our ability to ensure business continuity across our value chain and are therefore reintroducing guidance for 2020 with unchanged outlook for revenue of EUR 14-15bn, while the EBIT margin is updated to range between 5 and 7 percent."*

Key highlights

Strong performance in a challenging environment without state aid
Revenue of EUR 3.5bn; up 67 percent compared to Q2 2019.

Order intake continues at high level with stable prices
Firm order intake of 4.1 GW; all-time high combined order backlog of more than EUR 35bn.

Underlying EBIT margin of 5.9 percent
Impacted by extraordinary warranty provisions of EUR 175m; reported EBIT margin of 1.0 percent.

Solid performance in Service
Organic growth of 6 percent in Service compared to Q2 2019; EBIT margin of 28.5 percent.

CO_2 targets scientifically approved and verified as Paris Agreement compliant
Carbon emission reduction targets approved by the Science Based Targets initiative.

*) Excl. any investments in marketable securities and short-term financial investments.

Financial highlights

mEUR	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Financial highlights					
Income statement					
Revenue	3,541	2,121	5,776	3,851	12,147
Gross profit	228	301	387	536	1,761
Operating profit before amortisation, depreciation and impairment (EBITDA) before special items	188	255	285	424	1,550
Operating profit (EBIT) before special items	34	128	(20)	171	1,004
Operating profit before amortisation, depreciation and impairment (EBITDA)	183	255	270	424	1,550
Operating profit (EBIT)	34	128	(78)	171	1,004
Net financial items	(35)	(18)	(37)	(33)	(98)
Profit before tax	(7)	119	(114)	153	909
Profit for the period	(5)	90	(85)	115	700
Balance sheet					
Balance sheet total	14,934	13,352	14,934	13,352	14,331
Equity	3,162	2,957	3,162	2,957	3,345
Net working capital	(411)	(1,197)	(411)	(1,197)	(1,583)
Capital employed	4,095	3,723	4,095	3,723	4,165
Interest-bearing position (net positive), end of the period	1,145	1,679	1,145	1,679	2,452
Cash flow statement					
Cash flow from operating activities	51	100	(709)	(600)	823
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(129)	(175)	(288)	(351)	(729)
Free cash flow before acquisitions of subsidiaries and financial investments	(78)	(75)	(997)	(951)	94
Free cash flow	96	120	(823)	(775)	332
Financial ratios[1)]					
Financial ratios					
Gross margin (%)	6.4	14.2	6.7	13.9	14.5
EBITDA margin (%) before special items	5.3	12.0	4.9	11.0	12.8
EBIT margin (%) before special items	1.0	6.0	(0.3)	4.4	8.3
EBITDA margin (%)	5.2	12.0	4.7	11.0	12.8
EBIT margin (%)	1.0	6.0	(1.4)	4.4	8.3
Return on capital employed (ROCE)[2)] (%) before special items	15.4	15.5	15.4	15.5	19.7
Net interest-bearing debt / EBITDA before special items[2)]	(0.8)	(1.4)	(0.8)	(1.4)	(1.6)
Solvency ratio (%)	21.2	22.1	21.2	22.1	23.3
Return on equity[2)] (%)	15.4	17.1	15.4	17.1	22.1
Share ratios					
Earnings per share[3)] (EUR)	2.6	2.6	2.6	2.6	3.6
Dividend per share (EUR)	-	-	-	-	1.06
Pay-out ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	90.6	76.0	90.6	76.0	90.1
Number of shares at the end of the period (million)	197	199	197	199	199
Operational key figures					
Order intake (bnEUR)	3.2	4.3	5.6	6.7	13.8
Order intake (MW)	4,148	5,696	7,459	8,700	17,877
Order backlog – wind turbines (bnEUR)	16.2	15.9	16.2	15.9	16.0
Order backlog – wind turbines (MW)	22,183	20,753	22,183	20,753	20,974
Order backlog – service (bnEUR)	18.9	15.6	18.9	15.6	17.8
Produced and shipped wind turbines (MW)	4,667	3,375	9,584	6,120	12,618
Produced and shipped wind turbines (number)	1,423	1,126	2,899	2,017	4,185
Deliveries (MW)	4,020	2,069	6,248	3,670	12,884

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

Vestas financial performance

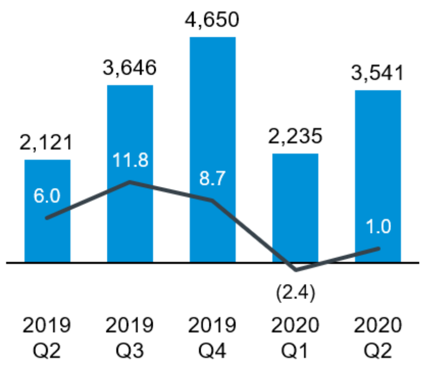
Income statement

Revenue

Revenue in the second quarter of 2020 amounted to EUR 3,541m, an increase of 67 percent compared to the second quarter of 2019. The increase was primarily driven by a higher volume of wind turbine deliveries in the USA in the quarter. Compared to the second quarter of 2019, revenue for the second quarter of 2020 included a negative impact of approx. EUR 100m from foreign exchange rate translations effects.

For the first half of the year, revenue amounted to EUR 5,776m, an increase of 50 percent from the reported revenue for the first half of 2019, again primarily driven by US wind turbine deliveries.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 228m in the second quarter of 2020, corresponding to a gross margin of 6.4 percent, a 7.8 percentage point decrease relative to the second quarter of 2019. The decrease was driven by increased cost levels derived from warranty provisions as well as logistical challenges and supply-chain bottlenecks, amplified by the COVID-19 situation. The lower share of Service revenue in the quarter was also a contributing factor to the lower gross margin. Gross profit in the first half of 2020 amounted to EUR 387m, equal to a margin of 6.7 percent of revenue, a decrease from last year of 7.2 percentage points, impacted by the same factors as the quarter.

Warranty provisions

Costs related to warranty provisions amounted to EUR 283m in the second quarter of 2020, equivalent to a warranty ratio of 8.0 percent of revenue. The warranty provisions increased due to a one-off provision of EUR 175m in the second quarter but were otherwise in line with the expected provision level for 2020. In total, this corresponds to a 5.9 percentage point increase compared to the second quarter of 2019. Total warranty provisions amounted to EUR 44m in second quarter of 2019.

The extraordinary provisions in the second quarter of 2020 are not related to current or future production but cover a specific repair and upgrade of a confined, albeit considerable number of blades that are already installed. For the remainder of the year, warranty provisions are expected to be 3.1 percent of revenue.

Research and development costs, distribution costs and administration costs

Research and development costs recognised in the income statement amounted to EUR 64m, which was on par with the level in the second quarter of 2019 of EUR 63m.

Distribution costs amounted to EUR 66m in the second quarter of 2020, compared to EUR 45m in the second quarter of 2019. The increase was mainly due to additional depreciation costs for transport equipment driven by new blade types, combined with higher costs for increased sales efforts and supply chain resources to support higher activity.

Administration costs amounted to EUR 64m, in line with the level in the second quarter of 2019 of EUR 65m. Administration costs constituted 1.8 percent of revenue in the second quarter of 2020, a reduction of 1.3 percentage points compared to the second quarter of 2019.

Total capacity costs above amounted to EUR 194m in the second quarter of 2020, equal to 5.5 percent of revenue in the quarter. Relative to four quarters of rolling revenue, capacity costs make up 5.7 percent, which is a reduction of 1.5 percentage points from the second quarter of 2019.

Depreciation, amortisation and impairment

In the second quarter of 2020, overall depreciation, amortisation and impairment amounted to EUR 149m. This compares to EUR 127m in the same quarter of 2019; the increase in depreciation and amortisation level primarily being a result of recent years' introduction of new technologies and product variants, including new transport equipment required in handling such.

Operating profit (EBIT)

EBIT before special items amounted to EUR 34m in the second quarter of 2020, compared to EUR 128m in the second quarter of 2019. This corresponds to an EBIT margin of 1.0 percent, a decline of 5.0 percentage points compared to the second quarter of 2019, primarily driven by the lower gross margin. Excluding the extraordinary warranty provisions, the underlying EBIT margin was 5.9 percent in the quarter.

EBIT before special items in the first six months amounted to EUR (20)m, equal to an EBIT margin of (0.3) percent. EBIT after special items amounted to EUR (78)m. Special items reflected costs of EUR 58m in the first half of 2020 from impairment of capitalised development costs and associated equipment, purchase commitments with suppliers, and lay-offs, resulting from the decision to optimise and simplify the product portfolio for the coming years.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a loss of EUR 6m in the second quarter of 2020, compared to a profit of EUR 9m in the second quarter of 2019. In the first half of 2020, a gain of EUR 1m was recognised compared to a gain of EUR 15m in 2019. The main driver of the development in both the second quarter and the first half of the year was Vestas' joint venture investment in MHI Vestas Offshore Wind A/S, in which the first half of 2020 has been characterised by low wind turbine delivery activity.

Net financial items

Financial items for the second quarter of 2020 amounted to negative EUR 35m, compared to negative EUR 18m in the second quarter of 2019. For the first half of the year, financial items amounted to negative EUR 37m compared to a similar level of negative EUR 33m in the first half of 2019. The development in net financials both for the quarter and for half year was primarily driven by currency-related items.

Income tax

Income tax amounted to an income of EUR 2m in the second quarter and EUR 29m in the first half of the year. For both the quarter and the half year, income tax represented an effective tax rate of 25 percent, in line with the same periods in 2019.

Net result for the period

The net result for the quarter amounted to a loss of EUR 5m in the second quarter of 2020, compared to a profit of EUR 90m in the second quarter of 2019. The net result for the first six months of 2020 was EUR (85)m, compared to a gain of EUR 115m in the first six months of 2019, driven by the development in EBIT and special items.

Financial ratios

Earnings per share amounted to negative EUR 0.04 in the second quarter of 2020, a decrease of EUR 0.49 compared to EUR 0.45 in the second quarter of 2019, driven by the reduced net profit. Earnings per share in the first half of 2020 was negative EUR 0.42 due to negative net profit, a decline of EUR 1.00 from the first half of 2019.

Return on capital employed (ROCE) before special items was 15.4 percent in the second quarter of 2020, largely in line with the 15.5 percent reported for the second quarter of 2019.

Return on equity was 15.4 percent in the second quarter of 2020, a decrease of 0.1 percentage points compared to the second quarter of 2019, which can be attributed to an increasing equity balance combined with a lower net result year-over-year for the past rolling four quarters.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 0.4bn as at 30 June 2020, compared to a net liability of EUR 1.2bn as at 30 June 2019. The increase was mainly driven by build-up of inventory for deliveries during the rest of 2020 combined with higher balance of receivables. This effect was only partly offset by higher down- and milestone payments from customers and higher trade payables to suppliers. Despite the deterioration compared to 2019, the overall net working capital level remains negative, corresponding to a net funding of operating activities.

Cash flow from operating activities

Cash flow from operating activities was positive EUR 51m in the second quarter of 2020, a decrease of 49 percent compared to the second quarter of 2019. The development was mainly driven by the warranty consumption for the period and negative development in net working capital.

Cash flow from investing activities

Cash flow from investing activities amounted to a net outflow of EUR 129m, compared to EUR 175m in the second quarter of 2019. The EUR 46m decrease in the net investment level is mainly explained by lower investments in property, plant and equipment.

Free cash flow

Free cash flow amounted to negative EUR 78m, compared to negative EUR 75m in the second quarter of 2019, excluding short-term purchase and sale of financial investments. For the first half of 2020, free cash flow, excluding any sale or purchase of marketable securities and short-term financial investments, amounted to negative EUR 997m, compared to negative EUR 951m the year before, mainly driven by the change in net working capital due to inventory build-up in the first half of 2020.

Capital structure and financing items

Cash flow from financing activities

Cash flow from financing activities amounted to EUR (190)m in the second quarter of 2020, compared to EUR (175)m in second quarter of 2019. In the first half of 2020, this amounted to EUR (148)m compared to EUR (156)m in the prior year. The dividend payment in April 2020 was the primary driver for the development quarter-on-quarter, while this was offset by proceeds from borrowings when looking at the whole six months.

Equity and solvency ratio

As at 30 June 2020, total equity amounted to EUR 3,162m, an increase of 7 percent from the level at the end of June 2019 of EUR 2,957m. The growth can mainly be attributed to the net profit development in the second part of 2019.

The solvency ratio was 21.2 percent at the end of June 2020, a decline of 0.9 percentage points from the second quarter of 2019. Despite growth in the equity balance, the solvency ratio was negatively impacted by a higher overall asset balance, mainly driven by net working capital components, in particular by higher inventory and receivables.

Net interest-bearing position and cash position

As at 30 June 2020, the net interest-bearing position was positive EUR 1,145m, a decline of EUR 534m compared to a position of EUR 1,679m at the end of the second quarter of 2019. This development was primarily a result of dividend payment of EUR 208m and a share buy-back programme, corresponding to EUR 201m performed within the past 12 months.

Cash and cash equivalents amounted to EUR 1,867m as at 30 June 2020 compared to EUR 1,995m at the end of the second quarter of 2019.

The ratio net interest-bearing debt/EBITDA reported negative 0.8 as at 30 June 2020, an increase compared to negative 1.4 at the end of the second quarter of 2019. Despite this development, the ratio remains well below the capital structure target of a net interest-bearing debt/EBITDA ratio below 1x.

Power solutions

Result for the period

In the second quarter of 2020, revenue from the Power solutions business amounted to EUR 3,036m, which was well above the second quarter of 2019 revenue at EUR 1,645m. Comparing the second quarter of 2020 to the same period last year, there was a negative impact of approx. EUR 100m from translation effects in relation to foreign exchange rate developments.

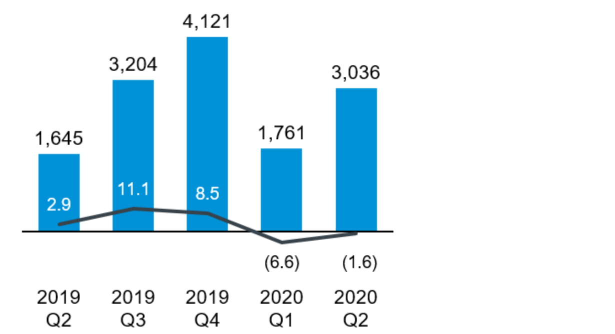
The first six months reflected revenue in the Power solutions business of EUR 4,797m, compared to EUR 2,951m in same period last year, a development mainly driven by US wind turbine deliveries.

EBIT before special items amounted to EUR (50)m in the second quarter of 2020, equal to an EBIT margin of (1.6) percent. Compared to the second quarter of 2019, this is a decrease of 4.5 percentage points. The decrease was driven by increased cost levels related to warranty provisions, as well as logistical challenges and supply-chain bottlenecks, amplified by the COVID-19 situation.

In the first half of 2020, EBIT before special items amounted to negative EUR 167m, resulting in an EBIT margin before special items of negative 3.5 percent. Compared to the same period last year, the EBIT margin before special items decreased 4.7 percentage points, primarily driven by same factors as for the quarter.

Power solutions revenue and EBIT margin before special items

mEUR and percentage

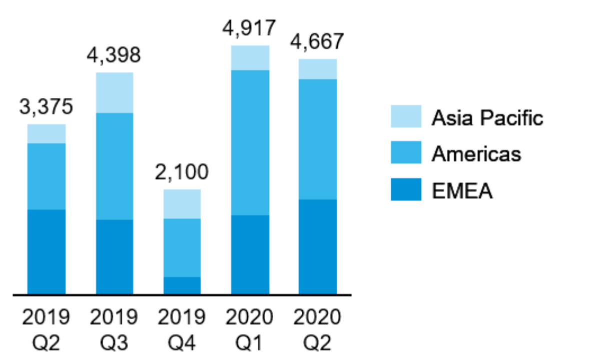


Level of activity

In the second quarter of 2020, Vestas produced and shipped wind turbines with an aggregated output of 4,667 MW against 3,375 MW in the second quarter of 2019, which corresponds to an increase of 38 percent.

Produced and shipped

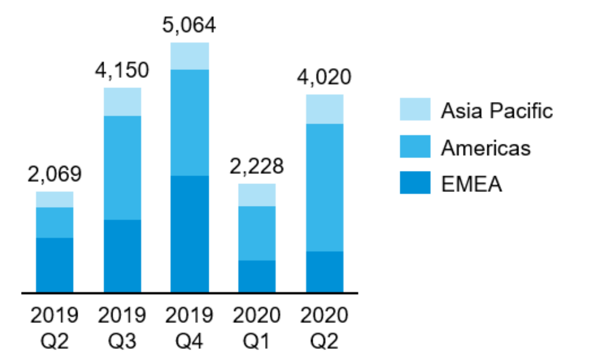
MW



Deliveries to customers amounted to 4,020 MW in the second quarter of 2020, almost doubling the volume compared to the second quarter of 2019, driven by deliveries in Americas and Asia Pacific.

Deliveries

MW



By the end of June 2020, Vestas had installed a total capacity of 118 GW in 81 countries.

Wind turbine order intake

In the second quarter of 2020, the wind turbine order intake amounted to 4,148 MW, corresponding to EUR 3.2bn, which reflects a decrease of 27 percent compared to the record-high order intake of 5,696 MW in the second quarter of 2019. The average selling price per MW was EUR 0.78m, compared to EUR 0.75m in the second quarter of 2019 and EUR 0.77m for full year 2019.

Order backlog

At the end of the second quarter of 2020, the wind turbine order backlog amounted to 22,183 MW, which corresponds to EUR 16.2bn. This was an increase of 2 percent compared to EUR 15.9bn at the end of the second quarter of 2019.

Service

Result for the period

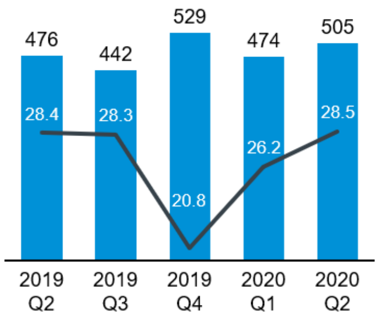
The Service business generated revenue of EUR 505m in the second quarter of 2020, a 6 percent increase compared to the second quarter of 2019. The increase in revenue was driven by increased service contract activity and as well as sale of spare parts.

Revenue from the Service business amounted to EUR 979m in the first half of 2020, a 9 percent increase compared to the first six months of 2019 and driven by same activity increase as the quarterly performance.

EBIT before special items amounted to EUR 144m in the second quarter of 2020, corresponding to an EBIT margin before special items of 28.5 percent, in line with the EBIT margin before special items in the same period last year of 28.4 percent, a result of reliable performance of the wind turbines under service contracts.

In the first half of 2020, EBIT amounted to EUR 268m with an EBIT margin of 27.4 percent, a margin unchanged compared to the first half of 2019.

Service revenue and EBIT margin before special items
mEUR and percentage

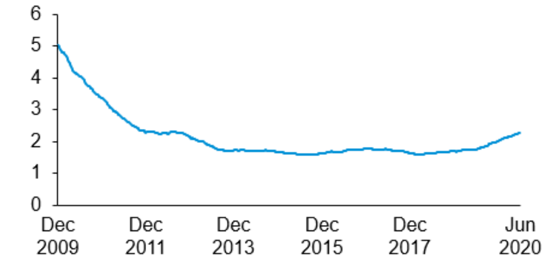


Level of activity

At the end of June 2020, Vestas had approx. 48,000 onshore wind turbines under service, equivalent to approx. 104 GW.

During the second quarter of 2020, the average Lost Production Factor increased as a consequence of the extraordinary repair and upgrade level, ref. the section “Warranty provisions”, page 05. Overall, the Lost Production Factor continued at a low level for the wind power plants where Vestas guarantees the performance.

Lost Production Factor*
Percent



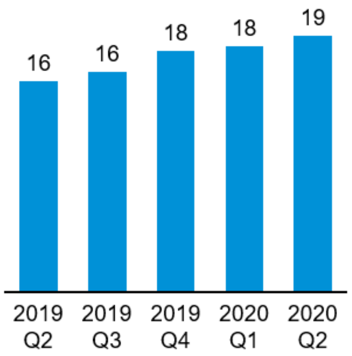
*) Data calculated across approx. 30,200 Vestas wind turbines under full-scope service.

Order backlog

At the end of June 2020, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 18.9bn, an increase of EUR 3.3bn compared to 30 June 2019.

At the end of the quarter, the average duration in the service order backlog was approx. nine years; up by one year compared to end of the second quarter 2019, but in line with the average duration at the end of first quarter of 2020.

Service order backlog
bnEUR



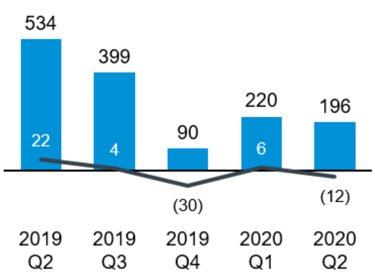
Offshore

MHI Vestas Offshore Wind A/S (MHI Vestas Offshore Wind) is a 50:50 joint venture between Mitsubishi Heavy Industries, Ltd. and Vestas Wind Systems A/S.

Result for the period in MHI Vestas Offshore Wind

Revenue for MHI Vestas Offshore Wind amounted to EUR 196m for the second quarter of 2020, a decrease of EUR 338m compared to the same period last year. The revenue in the second quarter of 2020 reflected deliveries for Northwester 2 project in Belgium, but generally the second quarter of 2020 has been characterised by a low level of deliveries. Revenue in the first six months of 2020 amounted to EUR 416m, likewise dominated by deliveries to the Northwester 2 project. This reflected a decrease of 56 percent from same period last year driven by lower delivery activity.

MHI Vestas Offshore Wind revenue and net result
mEUR



Net profit in the joint venture amounted to negative EUR 12m in the quarter on a stand-alone basis, compared to EUR 22m in the second quarter of 2019. Net profit for the first six months amounted to a loss of EUR 6m on a stand-alone basis compared to a profit of EUR 32m in the first six months of 2019. Both the quarterly and half-year negative development can be attributed to lower delivery activity.

Wind turbine order intake

MHI Vestas Offshore Wind announced one firm and unconditional order in the second quarter of 2020 for 1,075 MW equal to 114 wind turbines for Scotland's largest offshore wind farm. This adds to 728 MW firm orders in the first quarter totalling 1,803 MW for the first half of 2020 with expected installation in 2022 and 2023.

Vestas' accounting for MHI Vestas Offshore Wind

The joint venture is accounted for using the equity method, and Vestas' share of MHI Vestas Offshore Wind's overall net loss corresponded to EUR 6m for the second quarter and EUR 3m for the first half of 2020. Vestas' share of the result has been recognised in the income statement as "Income from investments in joint ventures and associates".

Market development

Deliveries and wind turbine backlog per region

Vestas' order backlog amounted to 22,183 MW as at 30 June 2020, an increase compared to the order backlog level of 20,753 MW as at 30 June 2019.

Order intake and wind turbine order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q2 2020	1,647	1,346	1,155	**4,148**
Backlog as at 30 June 2020	9,932	8,901	3,350	**22,183**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 859 MW compared to 1,133 MW in the previous year. Deliveries were distributed throughout a number of countries in the region, with Norway, France, Sweden and Russia being the countries where most capacity was delivered.

The order intake for the region amounted to 1,647 MW, up from 1,326 MW in the second quarter of 2019. The order intake in the quarter was coming mainly from the Netherlands, Poland, Russia, and France. The order backlog comprised 9,932 MW as at 30 June 2020.

Americas

Deliveries in the Americas region amounted to 2,563 MW, compared to 617 MW in the second quarter of 2019. The higher level of activity was primarily attributable to an increase in deliveries in the USA and Brazil.

In the quarter, order intake amounted to 1,346 MW for the Americas region, down from 4,067 MW in the second quarter of 2019. The order backlog for the region amounted to 8,901 MW as at 30 June 2020, of which the majority related to orders in the USA and Brazil.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 598 MW, compared to 319 MW in the same quarter the previous year. The increase in activity was mainly related to Australia.

The order intake for the region amounted to 1,155 MW, up from 303 MW in the second quarter of 2019, mainly driven by Vietnam. The order backlog amounted to 3,350 MW as at 30 June 2020.

Deliveries
MW

	Q2 2020	Q2 2019	FY 2019
Norway	148	69	470
France	124	187	710
Sweden	114	83	995
Russia	108	-	151
Saudi Arabia	80	-	-
Germany	58	63	445
Finland	54	-	126
Turkey	50	-	-
Spain	43	225	597
Netherlands	38	22	45
Greece	31	4	184
Jordan	8	24	70
Poland	2	-	76
South Africa	1	-	3
Italy	-	250	322
Kazakhstan	-	45	52
Ukraine	-	43	319
Serbia	-	39	72
Senegal	-	37	128
United Kingdom	-	18	114
Czech Republic	-	15	20
Austria	-	7	121
Belgium	-	2	79
Romania	-	-	171
Ireland	-	-	29
Denmark	-	-	17
Kenya	-	-	3
EMEA	**859**	**1,133**	**5,319**
USA	1,934	432	4,379
Brazil	260	-	-
Chile	121	16	29
Canada	109	50	410
Argentina	99	104	502
Mexico	39	12	395
El Salvador	1	-	1
Bolivia	-	3	41
Dominican Rep.	-	-	58
Panama	-	-	24
Americas	**2,563**	**617**	**5,839**
Australia	327	117	666
China	165	103	515
Sri Lanka	36	1	26
Vietnam	30	-	33
New Zealand	22	-	13
India	17	98	401
Taiwan	1	-	25
Thailand	-	-	47
Asia Pacific	**598**	**319**	**1,726**
Total	**4,020**	**2,069**	**12,884**

Strategy and financial and capital structure targets

(For an extended introduction to Vestas' strategy, please refer to the Annual report 2019.)

Leadership through unprecedented change

Energy is the cornerstone of modern society and the key to a better quality of life for those living in less developed areas. At the same time, energy today accounts for two-thirds of total global greenhouse gas emissions, making it the main contributor to the climate crisis.[1] Moreover, burning of fossil fuels results in millions of deaths per year caused by air pollution.[2] Unless the world fundamentally changes the way it produces, distributes, and uses energy, these figures will continue to rise as energy demand increases.

To limit global warming to 1.5°C requires unprecedented transitions in all areas. In response to this challenge, countries, governments, states, cities, and companies are beginning to introduce increasingly ambitious climate and renewable energy targets. But there is still much to be done. With availability today at a scale and cost that can meet the world's energy demand and limit the impact of human activity,[3] the case for renewables has become too strong to ignore. As the leader and pioneer in wind energy, Vestas is well positioned to lead the global energy transition. But the company is also aware that although renewables are now cheaper than fossil fuel in two-thirds of the world, this transition – and Vestas' journey within it – has only just begun.

For the last 40 years, Vestas has worked passionately to develop solutions to address both the climate crisis and the world's growing need for energy. Today, as Vestas works towards becoming the global leader in sustainable energy solutions, with wind at its core, Vestas remains as committed to protecting the environment as Vestas was in 1979, when it installed the very first wind turbine. Ensuring a healthy planet for future generations is a key part of what Vestas does – it is Vestas' purpose as a company and as individuals.

To guide its efforts in the future, Vestas has introduced a goal: **To lead the transition towards a world powered by sustainable energy.** Through this goal, Vestas commits to taking a leading role in driving electrification and decarbonisation beyond the power sector; to team up with sustainability leaders to drive change and; to support Vestas' partners in their journey to become more sustainable. But preventing the release of billions of tonnes of CO_2 into the atmosphere is not enough. Vestas therefore expands its ambitions beyond leading the global energy transition and introduces three additional goals that will ensure sustainability in everything Vestas does. They are:

- Carbon neutrality, without carbon offsets, by 2030.
- Zero-waste wind turbines by 2040.
- The safest, most inclusive, and socially responsible workplace in the energy industry.

Through these goals, Vestas aims to integrate sustainability across and through all businesses and operations. Vestas will also use them to explore the real meaning of its vision of being the Global Leader in Sustainable Energy Solutions. In doing so, Vestas will embark on the next phase of its journey.

Strategic focus areas

Vestas is driving the energy transition forward by focusing on three core business areas: **onshore wind**, **service solutions** and **offshore wind**. Vestas is present in all key markets globally and offers the most compelling and sustainable wind power plant and service solutions, thereby expanding the global reach of renewable energy.

Through its operational scope and efficiency, as well as its investments and innovations, Vestas is able to keep pushing the technology and economics of wind power. In particular, Vestas' global scale and operating model are critical to driving supply chain industrialisation and sustaining cost leadership. With localisation becoming a requirement in an increasing number of markets, close partnerships with suppliers and local governments remain key to sustaining Vestas' competitiveness across the globe. Because of its stable leadership position, Vestas is able to re-invest more of its profit into new technology than any other player in the renewables sector. As the industry continues to consolidate, its ability to generate sustainable profits, which can be reinvested to drive innovation, becomes increasingly important, and Vestas remains committed to sustaining its industry-leading profitability and investing in new technology. In this way, Vestas is able to maintain and expand its leadership – for the benefit of the planet, Vestas' customers and shareholders.

Global leader in onshore wind energy solutions

Vestas' legacy and current position as the global leader in wind power is measured on scale, market reach, innovation, and global footprint. Vestas uses this position to expand the reach of wind energy and develop, sell, and deliver superior onshore wind power plant solutions. These solutions ensure enhanced performance for both owners of wind power plants and operators of broader electricity systems. In 2019, for example, Vestas introduced the EnVentus™ platform, leveraging its

1) Source: International Energy Agency (IEA): Global Energy & CO2 Status Report 2019. March 2019.
2) Source: World Health Organization: COP24 Special Report, Health & Climate Change. 2018.
3) Source: The Boston Consulting Group: The Economic Case for Combating Climate Change. September 2018.

unparalleled scale, research and development investments, and experience to deliver further improvements in the annual output, cost and value of wind energy.

Global leader in wind energy service solutions
With a tremendous short- and long-term outlook for renewables, there is also a major growth potential for wind energy service solutions. The value of the service solutions market is expected to continue growing at a rate of more than 5 percent a year towards 2025,[4)] driven by growth in the number of wind turbines globally and the need for predictable energy production and revenues.

Being the service partner of choice for customers, asset owners, and operators therefore puts Vestas on a strong value and growth trajectory. To sustain its position and accelerate its growth in the service segment, Vestas aims to enhance customer and shareholder value through expanded offerings, service scope, and more integrated digitised operations and solutions.

Global leader in offshore wind energy solutions
Within wind energy, the offshore segment is set to expand by 13 percent per year under current investment plans and policies, becoming a USD 1 trillion business by 2040.[5)] The outlook for offshore wind power is underpinned by volume certainty (linked to long-term planning horizons) extending to the mid-to-late 2020s. Annual installed volumes are expected to experience double-digit percentage growth until late 2020s.[6)]

The impressive expansion of offshore wind power is being driven by rapid reductions in cost of energy. Investor appetite and regulatory support are also strong due to the size of projects and the consistency and predictability of electricity generation. This has led to increased offshore capacity and land area allocations in established markets, plus growth in new markets such as the USA, Taiwan, and Japan.

Financial and capital structure targets and priorities
Vestas' financial and capital structure targets, as well as related dividend policy, link to the strategic aspirations of the company. Financial stability and structural strength of the balance sheet remain key priorities for the company.

Long-term financial ambitions
The wind power industry is maturing into a commercially viable, unsubsidised industry. On the global agenda is now an acute call for renewable energy to replace fossil fuels in the energy mix, and hence the growth potential is immense. There is furthermore a strong demand for technology that can improve energy efficiency and displace CO_2 emissions created by conventional sources of electricity. With its global reach, scale, and leading technology, Vestas is well positioned to explore the unprecedented opportunities that the great growth potential and demand for innovation create.
The company observes an industry that despite moving towards the end of the transition period is still highly competitive and impacted from current trade restrictions.

Vestas' long-term financial ambitions reflect the projected market conditions as well as the company's strategy and priorities. Within this context, Vestas aims to grow faster than the market and be the market leader in revenue, to achieve an EBIT margin of at least 10 percent and to generate a return on capital employed (ROCE) of minimum 20 percent over the cycle. Vestas expects to be able to finance its own growth and hence the free cash flow is expected to be positive each financial year.

In the coming years, revenue in the Service segment is expected to grow faster than the market with an EBIT margin of approx. 24 percent.

Capital structure targets
As a player in a market where projects, customers, and wind energy investors are becoming larger, Vestas aims to be a strong financial counterpart. Capital resources will be maintained to secure compliance with Vestas' capital structure target:

Net interest-bearing debt/EBITDA ratio below 1x at any point in the cycle – as well as related dividend policy, linked to the strategic aspirations of the company.

Dividend policy and priorities for excess cash allocation
Any decision to distribute cash to shareholders will be taken in appropriate consideration of capital structure targets and availability of excess cash. Determining excess cash will be based on the company's growth plans and liquidity requirements, thus securing adequate flexibility to invest in Vestas' strategy.

The general intention of the Board of Directors is to recommend a dividend of 25-30 percent of the net result of the year after tax.

In addition, Vestas may from time to time supplement with share buyback programmes in order to adjust the capital structure. Such share buy-backs, if any, will likely be initiated in the second half of the year based on realised performance.

In years without major investments or extraordinary events, the total distribution to shareholders through dividends and share buy-backs may constitute the majority of the free cash flow.

4) Source: Wood Mackenzie: 2019 Global Onshore Wind Operations & Maintenance Report. December 2019.
5) Source: International Energy Agency (IEA): Offshore Wind Outlook 2019. 25 October 2019.
6) Source: Wood Mackenzie: Q4 Global Wind Power Market Outlook Update. 25 November 2019.

Sustainability highlights and performance

	Q2 2020[1]	Q2 2019[1]	H1 2020	H1 2019	FY 2019
Social and environmental key figures[2]					
Occupational health & safety					
Total recordable injuries (number)	44	57	90	107	213
- of which lost time injuries (number)	17	11	30	31	67
- of which fatal injuries (number)	0	0	0	1	1
Consumption of resources					
Consumption of energy (GWh)	144	150	311	335	638
- of which renewable energy (GWh)[3]	63	79	123	154	258
- of which renewable electricity (GWh)[3]	55	73	105	137	227
Consumption of fresh water (1,000 m^3)	115	127	206	230	473
Waste disposal					
Volume of waste (1,000 tonnes)	24	20	46	41	85
- of which collected for recycling (1,000 tonnes)	13	11	24	22	43
Emissions					
Direct emission (scope 1) of CO_2 (1,000 tonnes)	15	16	35	39	71
Indirect emission (scope 2) of CO_2 (1,000 tonnes)[3]	8	5	15	14	38
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	0	0
Employees[4]					
Average number of employees	25,856	24,740	25,806	24,608	24,964
Number of employees at the end of the period	25,865	24,837	25,865	24,837	25,542
Social and environmental indicators[2]					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	3.1	4.1	3.2	4.0	3.9
Incidence of lost time injuries per one million working hours	1.2	0.8	1.1	1.2	1.2
Absence due to illness among hourly-paid employees (%)	2.1	2.1	2.0	2.1	2.0
Absence due to illness among salaried employees (%)	0.6	0.9	0.8	1.0	1.0
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	119	87	244	158	322
Utilisation of resources					
Renewable energy (%)[3]	44	53	39	46	40
Renewable electricity for own activities (%)[3]	82	100	83	100	82
Employees					
Women in Board of Directors[4] and Executive Management at the end of the period (%)	27	23	27	23	23
Women in leadership positions at the end of the period (%)[5]	20	19	20	19	19

1) Neither audited nor reviewed.
2) Notes to Sustainability highlights, see page 042 of the Annual report 2019.
3) Note that the calculation method for the share of renewable electricity was changed in connection with the Annual report 2019 to reflect that non-renewable electricity is no longer compensated with Vestas-owned wind power plants. Hence the historical numbers here have been recalculated accordingly.
4) Only Board members elected by the general meeting are included.
5) Employees in leadership positions comprise managers, specialists, project managers, and above.

The Vestas Sustainability Strategy

A passion for sustainability has been driving Vestas, and the company is working to embed sustainability into everything it does – including the value chain and Vestas' own operations. To drive this, in the beginning of 2020, Vestas launched its Sustainability Strategy with four key ambitions: to become carbon-neutral by 2030, without using carbon offsets; to produce zero waste wind turbines by 2040; to become the safest, most inclusive and socially responsible workplace in the energy industry; and to lead the transition to a world powered by sustainable energy.

The UN Sustainable Development Goals

Vestas is committed to supporting the UN Sustainable Development Goals (SDGs). Six SDGs have been identified, which support the approach of how sustainability is powering development for Vestas, its stakeholders, and the many communities where the company plays a role. With SDG No. 7, Affordable and clean energy as the overarching goal, the other five selected SDGs are: Quality education (4); Decent work and economic growth (8); Responsible consumption & production (12); Climate action (13); and Partnerships for the goals (17).

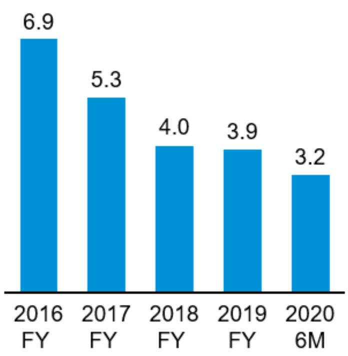
Employees

During the second quarter of 2020, the number of employees decreased by 83 to 25,865. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

Safety

In the second quarter of 2020, 44 total recordable injuries were registered, resulting in an incidence rate of 3.2 for the first half of 2020, compared to 4.0 in the same period the year before. The target for 2020 is a max. of 3.1 total recordable injuries per one million working hours.

Incidence of total recordable injuries
Per one million working hours



Environmental performance

In 2019, Vestas formally signed on to the Science Based Targets Initiative (SBTi). In the Annual report 2019, Vestas announced the goal of becoming a carbon-neutral company in scope 1 & 2 emissions (own operations) by 2030 without using carbon offsets. Vestas will furthermore reduce CO_2 emissions in scope 3 (in the supply chain) by 45 percent per MWh generated by 2030.

In June 2020, the company's carbon emission reduction targets were reviewed and approved as science based by SBTi experts. The target validation confirms that Vestas' approach to achieving carbon neutrality is aligned with the 1.5°C scenario of the Paris Agreement. Reporting on the progress on each of the targets will take place on an annual basis.

For a start, company cars are gradually being replaced with more sustainable alternatives, and close to 100 green service vehicles are now in operation.

A partnership with DSV Panalpina A/S is enabling Vestas to optimise and scale its transport operations, not only for the year ahead, where implementation will begin, but for years to come. The partnership includes a commitment to reduce and eliminate CO_2 emissions related to transport and logistics.

In 2019, Vestas decided no longer to compensate for non-renewable electricity with Vestas-owned wind power plants. Without this compensation, in the first six months of 2020, the share of renewable electricity in Vestas' own operations increased by 5 percentage points compared to the same period last year due to the increased use of local renewable electricity certificates (I-RECs)[7]. As a member of RE100, Vestas remains committed to sourcing 100 percent of its electricity from renewable sources.

The increased share of renewable electricity and switching from natural gas to partly renewable district heating at a location in Denmark have led to an 8 percent decrease in CO_2 emissions from Vestas' own operations compared to the same quarter last year.

Mainly owing to efficiency improvements implemented in 2019, which took full effect this year, the energy and water consumption decreased compared to the same period last year, despite increased activity in both manufacturing, service, and installation.

The waste generation in manufacturing increased compared to second quarter 2019 as the activity level increased.

[7] International renewable electricity certificates (I-RECs) are not considered carbon offsets. Each I-REC guarantees that one additional MWh of renewable electricity is generated.

Outlook 2020

On 7 April 2020, Vestas suspended its financial guidance for 2020 as a consequence of great uncertainty regarding the full-year impact of COVID-19.

Based on the results for first half of 2020, Vestas now provides the market with new guidance.

With the reported revenue growth in the first half of 2020 despite a challenging environment, the original guidance on full-year revenue of EUR 14-15bn is reinstated.

The EBIT margin before special items is now expected to range between 5 and 7 percent (initially 7-9 percent). The update relates to extraordinary warranty provisions of EUR 175m made in second quarter of 2020, as well as additional costs resulting from the increased complexity around logistics and supply-chain caused by the pandemic. For the second half of the year, warranty provisions are expected to be in line with past quarters, corresponding to 3.1 percent of revenue.

Vestas' total investments*) are expected to be below EUR 700m in 2020 (initially approx. EUR 700m).

Further, for the Service segment, revenue growth for the year is still expected to be approx. 7 percent, with an EBIT margin before special items of approx. 25 percent.

This guidance, it should be emphasised, is based on assumptions that are subject to greater uncertainty than under normal circumstances, due to COVID-19.

Outlook 2020

	New guidance	**Initial guidance**
Revenue (bnEUR)	14-15	14-15
EBIT margin (%) before special items	5-7	7-9
Total investments*) (mEUR)	below 700	approx. 700

*) Excl. investments in marketable securities and short-term financial investments

Consolidated financial statements 1 January – 30 June

Condensed income statement 1 January - 30 June

mEUR	Note	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenue	1.1, 1.2	**3,541**	**2,121**	**5,776**	**3,851**
Production costs		(3,313)	(1,820)	(5,389)	(3,315)
Gross profit		**228**	**301**	**387**	**536**
Research and development costs		(64)	(63)	(136)	(129)
Distribution costs		(66)	(45)	(156)	(102)
Administration costs		(64)	(65)	(115)	(134)
Operating profit (EBIT) before special items	1.1	**34**	**128**	**(20)**	**171**
Special items	1.3	(0)	-	(58)	-
Operating profit (EBIT)		**34**	**128**	**(78)**	**171**
Income from investments in joint ventures and associates		(6)	9	1	15
Net financial items		(35)	(18)	(37)	(33)
Profit before tax		**(7)**	**119**	**(114)**	**153**
Income tax		2	(29)	29	(38)
Profit for the period		**(5)**	**90**	**(85)**	**115**
Profit is attributable to:					
Owners of Vestas		(7)	90	(82)	115
Non-controlling interests		2	0	(3)	0
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		(0.04)	0.45	(0.42)	0.58
Earnings per share for the period (EUR), diluted		(0.04)	0.45	(0.42)	0.58

Condensed statement of comprehensive income 1 January – 30 June

mEUR	Q2 2020	Q2 2019	H1 2020	H1 2019
Profit for the period	**(5)**	**90**	**(85)**	**115**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(14)	(29)	(46)	20
Fair value adjustments of derivative financial instruments for the period	(96)	8	208	(4)
Gain/(loss) on derivative financial instruments transferred to the income statement	(26)	(16)	(49)	(20)
Exchange rate adjustments relating to joint ventures	(1)	(1)	(2)	(0)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	6	23	28	(28)
Share of fair value adjustments of derivatives financial instruments transferred to the income statement of joint ventures and associates	1	1	4	1
Tax on items that may be reclassified to the income statement subsequently	28	0	(44)	5
Other comprehensive income after tax for the period	(102)	(14)	99	(26)
Total comprehensive income for the period	**(107)**	**76**	**14**	**89**

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2020	30 June 2019	31 December 2019
Goodwill		387	380	386
Completed development projects		305	241	374
Software		152	116	157
Other intangible assets		20	43	30
Development projects in progress	1.3	349	362	261
Total intangible assets		**1,213**	**1,142**	**1,208**
Land and buildings		635	650	653
Plant and machinery		333	246	338
Other fixtures, fittings, tools and equipment	1.3	360	281	345
Right-of-use assets		218	193	196
Property, plant and equipment in progress		128	201	139
Total property, plant and equipment	2.1	**1,674**	**1,571**	**1,671**
Investments in joint ventures and associates		173	273	169
Other investments		64	37	65
Tax receivables		157	160	156
Deferred tax		382	299	324
Other receivables	3.4	94	86	85
Financial investments	3.4	100	100	211
Total other non-current assets		**970**	**955**	**1,010**
Total non-current assets		**3,857**	**3,668**	**3,889**
Inventories		5,121	4,588	4,098
Trade receivables		1,462	886	1,460
Contract assets		758	484	528
Contract costs		656	615	418
Tax receivables		114	96	125
Other receivables	3.4	988	670	752
Financial investments	3.4	111	350	173
Cash and cash equivalents	3.2	1,867	1,995	2,888
Total current assets		**11,077**	**9,684**	**10,442**
Total assets		**14,934**	**13,352**	**14,331**

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2020	30 June 2019	31 December 2019
Share capital	3.1	26	27	27
Other reserves		40	(12)	(67)
Retained earnings		3,048	2,929	3,333
Attributable to owners of Vestas		3,114	2,944	3,293
Non-controlling interests		48	13	52
Total equity		**3,162**	**2,957**	**3,345**
Provisions	2.2	452	412	459
Deferred tax		189	134	147
Financial debts	3.4	698	642	661
Tax payables		296	317	296
Other liabilities	3.4	85	67	76
Total non-current liabilities		**1,720**	**1,572**	**1,639**
Contract liabilities		5,214	5,027	5,020
Trade payables		3,438	2,884	3,119
Provisions	2.2	418	202	221
Financial debts	3.4	235	124	159
Tax payables		3	57	128
Other liabilities	3.4	744	529	700
Total current liabilities		**10,052**	**8,823**	**9,347**
Total liabilities		**11,772**	**10,395**	**10,986**
Total equity and liabilities		**14,934**	**13,352**	**14,331**

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

Condensed statement of changes in equity – 6 months 2020

mEUR	Share capital	Reserves: Translation reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2020	**27**	**(4)**	**(4)**	**(59)**	**(67)**	**3,333**	**52**	**3,345**
Profit for the period	-	-	-	-	-	(82)	(3)	(85)
Other comprehensive income for the period	-	(45)	115	30	100	-	(1)	99
Total comprehensive income for the period	-	(45)	115	30	100	(82)	(4)	14
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	7	-	7	-	-	7
Transaction with owners:								
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(211)	-	(211)
Dividends distributed related to treasury shares	-	-	-	-	-	3	-	3
Share-based payments	-	-	-	-	-	7	-	7
Tax on equity transactions	-	-	-	-	-	(3)	-	(3)
Total transactions with owners	(1)	-	-	-	-	(203)	-	(204)
Equity as at 30 June 2020	**26**	**(49)**	**118**	**(29)**	**40**	**3.048**	**48**	**3.162**

Condensed statement of changes in equity – 6 months 2019

mEUR	Share capital	Reserves: Translation reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**3,042**	**12**	**3,104**
Effect of initially applying IFRIC 23	-	-	-	-	-	(43)	-	(43)
Adjusted equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**2,999**	**12**	**3,061**
Profit for the period	-	-	-	-	-	115	0	115
Other comprehensive income for the period	-	19	(19)	(27)	(27)	-	1	(26)
Total comprehensive income for the period	-	19	(19)	(27)	(27)	115	1	89
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(7)	-	(7)	-	-	(7)
Transaction with owners:								
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(205)	-	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	8	-	8
Share-based payments	-	-	-	-	-	11	-	11
Tax on equity transactions	-	-	-	-	-	(0)	-	(0)
Total transactions with owners	(1)	-	-	-	-	(185)	-	(186)
Equity as at 30 June 2019	**27**	**(3)**	**21**	**(30)**	**(12)**	**2,929**	**13**	**2,957**

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

Condensed cash flow statement 1 January – 30 June

mEUR	Note	Q2 2020	Q2 2019	H1 2020	H1 2019
Profit for the period		(5)	90	(85)	115
Adjustment for non-cash transactions		339	129	453	329
Income tax paid		(37)	(43)	(144)	(103)
Interest paid / received, net		(1)	2	(13)	(7)
Cash flow from operating activities before change in net working capital		296	178	211	334
Change in net working capital		(245)	(78)	(920)	(934)
Cash flow from operating activities		**51**	**100**	**(709)**	**(600)**
Purchase of intangible assets		(76)	(74)	(146)	(143)
Purchase of property, plant and equipment		(81)	(107)	(171)	(212)
Disposal of property, plant and equipment		-	-	-	4
Purchase of other non-current financial assets		(1)	(2)	(2)	(3)
Disposal of other non-current financial assets		-	5	2	5
Disposal of investment in joint ventures and associates		30	6	30	6
Acquisition of joint ventures and associates		(1)	(3)	(1)	(8)
Cash flow from investing activities before acquisitions of financial investments		**(129)**	**(175)**	**(288)**	**(351)**
Free cash flow before acquisitions of financial investments		**(78)**	**(75)**	**(997)**	**(951)**
Purchase of financial investments		-	(100)	-	(119)
Disposal of financial investments		174	295	174	295
Cash flow from investing activities		**45**	**195**	**(115)**	**176**
Free cash flow		**96**	**120**	**(823)**	**(775)**
Dividend paid		(208)	(197)	(208)	(197)
Payment of lease liabilities		(24)	(16)	(35)	(30)
Payment of financial debt		(6)	-	(6)	-
Proceeds from borrowings		48	38	101	71
Cash flow from financing activities		**(190)**	**(175)**	**(148)**	**(156)**
Net decrease in cash and cash equivalents		**(94)**	**(55)**	**(971)**	**(931)**
Cash and cash equivalents at the beginning of period		1,965	2,054	2,888	2,918
Exchange rate adjustments of cash and cash equivalents		(4)	(4)	(50)	8
Cash and cash equivalents at the end of the period	3.2	**1,867**	**1,995**	**1,867**	**1,995**

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

Notes

1 Result for the period

1.1 Segment information

mEUR	Power solutions	Service	Not allocated	Total Group
Q2 2020				
Total revenue	**3.036**	**505**	**-**	**3.541**
Total costs	**(3.086)**	**(361)**	**(60)**	**(3.507)**
Operating profit (EBIT) before special items	**(50)**	**144**	**(60)**	**34**
Special items	(0)	-	-	-
Operating profit (EBIT)	**(50)**	**144**	**(60)**	**34**
Income from investments in joint ventures and associates				(6)
Net financial items				(35)
Profit before tax				**(7)**
Amortisation and depreciation included in total costs	(123)	(16)	(15)	(154)

mEUR	Power solutions	Service	Not allocated	Total Group
Q2 2019				
Total revenue	**1,645**	**476**	**-**	**2,121**
Total costs	**(1,598)**	**(341)**	**(54)**	**(1,993)**
Operating profit (EBIT)	47	135	(54)	**128**
Income from investments in joint ventures and associates				9
Net financial items				(18)
Profit before tax				**119**
Amortisation and depreciation included in total costs	(104)	(14)	(9)	(127)

1.1 Segment information (continued)

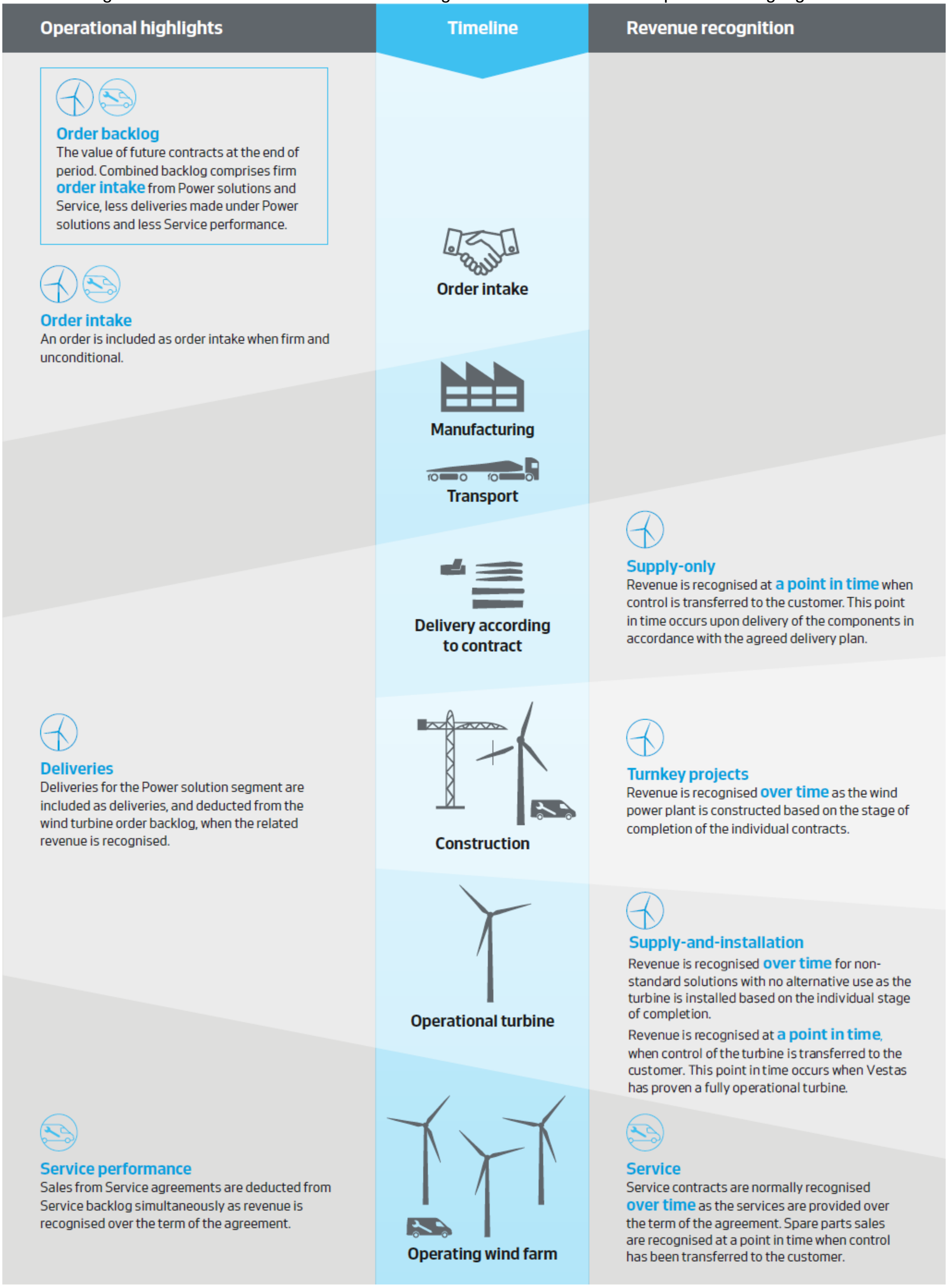
mEUR	Power solutions	Service	Not allocated	Total Group
H1 2020				
Total revenue	**4.797**	**979**	**-**	**5.776**
Total costs	**(4.964)**	**(711)**	**(121)**	**(5.796)**
Operating profit (EBIT) before special items	**(167)**	**268**	**(121)**	**(20)**
Special items	(58)	-	-	(58)
Operating profit (EBIT)	**(225)**	**268**	**(121)**	**(78)**
Income from investments in joint ventures and associates				1
Net financial items				(37)
Profit before tax				**(114)**
Amortisation and depreciation included in total costs	(242)	(33)	(30)	(305)

In the first half of 2020, impairment losses of EUR 43m and provision for purchase commitments of EUR 12m and staff costs of EUR 3m related to the discontinuation of development projects have been recognised in special items, impacting the Power solutions segment.

mEUR	Power solutions	Service	Not allocated	Total Group
H1 2019				
Total revenue	**2,951**	**900**	**-**	**3,851**
Total costs	**(2,916)**	**(653)**	**(111)**	**(3,680)**
Operating profit (EBIT)	**35**	**247**	**(111)**	**171**
Income from investments in joint ventures and associates				15
Net financial items				(33)
Profit before tax				**153**
Amortisation and depreciation included in total costs	(198)	(29)	(26)	(253)

1.2 Revenue

The following illustration shows Vestas' revenue recognition and the link to the operational highlights.



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 2019, the number of Supply-and-installation projects with no alternative use is increasing, including projects with customised towers. With reference to Vestas' key accounting estimates related to revenue recognition described in the Annual report 2019 page 064, revenue from such contracts is recognised over time (percentage-of-completion). During the first half of 2020, Supply-and-installation projects with no alternative use constituted 45 percent of the total Supply-and-installation revenue for the period, compared to 23 percent in the first half of 2019. For the full year 2020, this share is expected to increase compared to 2019. The projects are mainly located in Russia and in Latin America, primarily Brazil.

mEUR	Power solutions		Service		Total	
	Q2 2020	**Q2 2019**	**Q2 2020**	**Q2 2019**	**Q2 2020**	**Q2 2019**
Timing of revenue recognition						
Products and services transferred at a point in time	2,142	1,275	84	63	2,226	1,338
Products and services transferred over time	894	370	421	413	1,315	783
	3,036	1,645	505	476	3,541	2,121
Revenue from contract types						
Supply-only	1,757	497	-	-	1,757	497
Supply-and-installation (at a point in time)	385	778	-	-	385	778
Supply-and-installation (over time)	512	155	-	-	512	155
Turnkey (EPC)	382	215	-	-	382	215
Service	-	-	505	476	505	476
	3,036	1,645	505	476	3,541	2,121
Primary geographical markets						
EMEA	680	947	284	272	964	1,219
Americas	1,884	485	165	155	2,049	640
Asia Pacific	472	213	56	49	528	262
	3,036	1,645	505	476	3,541	2,121

mEUR	Power solutions		Service		Total	
	H1 2020	**H1 2019**	**H1 2020**	**H1 2019**	**H1 2020**	**H1 2019**
Timing of revenue recognition						
Products and services transferred at a point in time	3,255	2,242	155	120	3,410	2,362
Products and services transferred over time	1,542	709	824	780	2,366	1,489
	4,797	2,951	979	900	5,776	3,851
Revenue from contract types						
Supply-only	2,308	1,179	-	-	2,308	1,179
Supply-and-installation (at a point in time)	947	1,063	-	-	947	1,063
Supply-and-installation (over time)	788	316	-	-	788	316
Turnkey (EPC)	754	393	-	-	754	393
Service	-	-	979	900	979	900
	4,797	2,951	979	900	5,776	3,851
Primary geographical markets						
EMEA	1,244	1,292	543	510	1,787	1,802
Americas	2,699	1,243	340	298	3,039	1,541
Asia Pacific	854	416	96	92	950	508
	4,797	2,951	979	900	5,776	3,851

1.3 Special items

Group accounting policies
Special items comprise significant unusual and/or infrequently occurring items that are not attributable to Vestas' normal operations. Special items comprise income and costs related to significant organisational restructuring and significant adjustments to production capacity and the product programme. The costs include the write-down of intangible and tangible assets as well as provisions for re-organisations and any reversal/adjustments thereof.

Key accounting judgement
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 these are of a significant unusual and/or infrequently occurring nature that are not attributable to Vestas' normal operations, as such classification highlights to users of financial statements the items to which the least attention should be given when understanding current and future performance.

Optimising and simplifying the product portfolio
With reference to the press release dated 20 April 2020, Vestas has decided to optimise and simplify the product portfolio for the coming years to ensure Vestas' long-term success and to ensure that it, despite the COVID-19 situation, exits 2020 in the position of strength with which it was entered. This event qualifies as special items in accordance with Vestas' accounting principles. In total, special items of EUR 58m has been recognised. EUR 43m as impairment of intangible and tangible fixed assets, EUR 12m recognised as provision for purchase commitments and EUR 3m related to staff costs.

Basis for impairment test
The decision to optimise and simplify the product portfolio includes the discontinuation of certain development projects including the V138-3.0 MW™ turbine. This has led to the recognition of an impairment loss of EUR 43m in the first half of 2020. The impairment loss is allocated to the Power solutions segment and is the result of the impairment loss of development projects in progress and other equipment.

mEUR	30 June 2020	30 June 2019	31 December 2019
Impairment loss on intangible and tangible assets	(43)	-	-
Staff costs	(3)		
Purchase commitments	(12)	-	-
Special Items	**(58)**	**-**	**-**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first half of 2020, Vestas acquired assets with a cost of EUR 171m mainly related to investments within the manufacturing area in blade moulds, transport equipment, and tools, compared to EUR 212m in the first half of 2019.

Lease contracts recognised as right-of-use assets during the first half of 2020 amounted to EUR 68m, compared to EUR 14m in the first half of 2019.

2.2 Warranty provisions (included in provisions)

mEUR	30 June 2020	30 June 2019	31 December 2019
Warranty provisions, 1 January	619	546	546
Provisions for the period	353	80	291
Warranty provisions consumed during the period	(163)	(80)	(218)
Warranty provisions	**809**	**546**	**619**
The provisions are expected to be payable as follows:			
< 1 year	402	190	214
> 1 year	407	356	405
	809	**546**	**619**

In the first half of 2020, warranty provisions charged to the income statement amounted to EUR 353m, equivalent to 6.1 percent of revenue. The warranty provisions increased due to a one-off provision of EUR 175m in the second quarter. The extraordinary provisions in the second quarter are not related to current or future production but cover a specific repair and upgrade of a confined, albeit considerable number of blades that are already installed. Warranty consumption amounted to EUR 163m, compared to EUR 80m in the first half of 2019. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 2.1 percent.

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

3 Capital structure and financing items

3.1 Share capital

Pursuant to authorisation granted to the Board of Directors at the Annual General Meeting 7 April 2020, the Board of Directors was authorised to acquire treasury shares on behalf of Vestas at a nominal value not exceeding 10 percent of the share capital at the time of authorisation.

Treasury shares

Number of shares / Nominal value (DKK)	**30 June 2020**	**30 June 2019**	**31 December 2019**
Treasury shares as at 1 January	3,559,449	8,418,860	8,418,860
Purchases for the period	-	-	2,302,859
Cancellation for the period	(1,977,848)	(6,794,040)	(6,794,040)
Awarded treasury shares for the period	(483,106)	(368,230)	(586,449)
Treasury shares	**1,098,495**	**1,256,590**	**3,559,449**

3.2 Cash and cash equivalents

mEUR	**30 June 2020**	**30 June 2019**	**31 December 2019**
Cash and cash equivalents without disposal restrictions	1,842	1,963	2,864
Cash and cash equivalents with disposal restrictions	25	32	24
Cash and cash equivalents	**1,867**	**1,995**	**2,888**

3.3 Financial risks

Financial risks, and how Vestas manages the risk, including liquidity, credit, and market risks, were addressed in the notes to the Consolidated financial statements in the Annual report 2019, note 4.6, pages 087-091. The risks in 2020 remain similar in nature.

On 1 May 2020, Vestas established new committed loan facilities totalling EUR 1,000m to supplement Vestas' existing EUR 1,150m credit facility, maturing in 2024. The new credit facilities will mature in 2021. Subsequent to the establishment, Vestas has EUR 1,550m credit facilities available for cash drawing.

3.4 Financial instruments

Financial instruments measured at fair value have been categorised into level 1, 2, and 3 as addressed in the Annual report 2019, note 4.7, page 092. During the first half of 2020, there have been no significant new items compared to 2019, and there have been no significant transfers between levels.

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. As at 30 June 2020, the fair value of financial investments amounted to EUR 211m, equal to book value. Marketable securities amounted to EUR 100m and deposits amounted to EUR 111m.

Derivative financial instruments were positive with a market value of net EUR 170m, equal to book value, and were included in other receivables and other liabilities with EUR 361m and EUR 191m, respectively. The net market value is impacted by various weakened currencies related to especially developing markets due to the COVID-19 pandemic.

Financial instrument assets categorised within level 3 comprise other equity investments and renewable energy certificates, where financial instrument liabilities comprise contingent consideration regarding the acquisition of Utopus Insights, Inc. in 2018. Valuation methods remain unchanged from the description in the Annual report 2019 and with no significant changes in fair values.

The book value of the Green Corporate Eurobond issued by Vestas was EUR 499m with a corresponding fair value of EUR 515m as at 30 June 2020. The book value of the SoWiTec corporate bond was EUR 15m with a corresponding fair value of EUR 16m as at 30 June 2020.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q2 2020	Q2 2019	H1 2020	H1 2019
Joint ventures				
Revenue for the period	209	65	265	102
Proceeds from sale of projects	-	6	-	6
Capital increase	-	2	-	3
Receivable as at 30 June	82	63	82	63
Received prepayments balance as at 30 June	191	145	191	145
Associates				
Payable capital contribution as at 30 June	42	37	42	37

No other significant changes have occurred with related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated financial statements in the Annual report 2019, note 6.3, page 102.

5 Basis for preparation

5.1 General accounting policies

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

The interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, accounting policies set out in the Annual report 2019 of Vestas and additional Danish disclosure requirements for interim financial reporting of listed companies.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual report for the year ended 31 December 2019 and any public announcements made during the interim reporting period.

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

5.2 Key accounting estimates and judgements

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

As described in the Annual report 2019, Vestas has over recent years experienced an increasing number of Supply-and-Installation projects with no alternative use, among other things arising from an extended number of projects with customised towers. Revenue from such projects is accounted for under the percentage-of-completion method, whereas revenue from Supply-and-Installation projects with alternative use is recognised at a point in time when control is transferred to the customer. Application of the percentage-of-completion method is described on page 064 of the Annual report 2019.

As of 1 January 2020, revenue from Supply-and-Installation projects with no alternative use is presented as a separate contract type when disaggregating revenue, ref. note 1.2. Comparative figures have been restated accordingly.

Accounting estimates and assumptions made when calculating the carrying amount of certain assets and liabilities have not been impacted significantly in the first half of 2020 by the COVID-19 outbreak.

Reference is made to the consolidated financial statements in the Annual report 2019, note 7.2, page 107 for further description of Vestas' key accounting estimates and judgements.

Estimate regarding recognition of contract elements
Management performs significant accounting estimates in connection with determining the appropriate income recognition of contract elements. In certain situations, Supply-only projects contain elements that in nature are associated with a high degree of estimations regarding allocation of consideration under a contract to elements already delivered and elements to be delivered in the future. Management has assessed that the project specific margin is a fair estimate of a reasonable margin used to allocate consideration under a contract to the contract elements.

Estimate regarding measurement of warranty provisions
As described in the Annual report 2019, measurement of warranty provisions is associated with significant estimation uncertainty. Specific estimation uncertainty is associated with the specific blade provisions made in the second quarter of 2020 due to the fact that it has not arisen as part of the ordinary warranty activities.

Management's statement

The Executive Management and the Board of Directors have today discussed and approved the interim financial report of Vestas Wind Systems A/S for the period 1 January to 30 June 2020.

The interim financial report has been prepared in accordance with IAS 34 on interim financial reporting as adopted by the EU, accounting policies set out in the Annual report 2019 of Vestas and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion the accounting policies used are appropriate and the interim financial report gives a true and fair view of Vestas' assets, liabilities, and financial position as at 30 June 2020 and of the results of Vestas' operations and cash flows for the period 1 January to 30 June 2020.

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

Besides what has been disclosed in the interim financial report, no changes in Vestas' most significant risks and uncertainties have occurred relative to what was disclosed in the Annual report 2019.

Aarhus, Denmark, 11 August 2020

Executive Management

Henrik Andersen
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Anders Runevad

Karl-Henrik Sundström

Michael Abildgaard Lisbjerg*

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Disclaimer and cautionary statement

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

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

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual report for the year ended 31 December 2019 (available at vestas.com/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.