Vestas®

Company announcement No. 36 /2020

Interim financial report
Third quarter 2020

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

Wind. It means the world to us.™

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 Wednesday 4 November 2020 at 10 a.m. CET (9 a.m. GMT), 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 6319 131 422
Denmark:	+45 3544 5577

Conference PIN code: 52293946#

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

Contact details

Vestas Wind Systems A/S, Denmark

Patrik Setterberg, Vice President,
Investor Relations
Tel: +45 6122 1913

Mathias Dalsten, Specialist
Investor Relations
Tel: +45 2829 5383

Summary

Strong performance with highest ever quarterly deliveries in spite of challenging environment; revenue increased compared to same quarter last year. Full-year guidance maintained.

In the third quarter of 2020, Vestas generated revenue of EUR 4,770m – an increase of 31 percent compared to the year-earlier period. EBIT before special items amounted to EUR 412m, resulting in an EBIT margin before special items of 8.6 percent, compared to 11.8 percent in the third quarter of 2019. Free cash flow* amounted to EUR 546m, compared to EUR 205m in the third quarter of 2019.

The quarterly intake of firm and unconditional wind turbine orders amounted to 4,232 MW. The value of the wind turbine order backlog was EUR 14.6bn as at 30 September 2020. In addition to the wind turbine order backlog, at the end of third quarter 2020, Vestas had service agreements with expected contractual future revenue of EUR 19.3bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 33.9bn – an increase of EUR 1.1bn compared to the year-earlier period.

Vestas maintains its full-year guidance for 2020: Revenue of EUR 14-15bn, an EBIT margin before special items of 5-7 percent, and total investments*) below 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: *"Vestas achieved its highest ever deliveries in a single quarter and grew revenue 31 percent year-on-year to EUR 4.8bn, although the widespread impact of COVID-19 continued in the third quarter. Our momentum towards the end of the year continued to grow, which contributed to an EBIT margin before special items of 8.6 percent. With total order intake of 4.2 GW from all regions and stable pricing, the demand for wind energy remained strong in the quarter, even though green stimulus packages are yet to materialise. Service achieved a high EBIT margin of 28.6 percent and grew by 14 percent compared to the same quarter last year, ensuring a combined order backlog of EUR 34bn and stable energy supply in 75 countries. Although uncertainty around COVID-19 will continue for the rest of the year, our sustained leadership in onshore wind energy and the acquisition of MHI Vestas Offshore Wind underline our progress towards becoming the global leader in sustainable energy solutions."*

Key highlights

Highest ever quarterly deliveries
Continued strong activity level in challenging COVID-19 environment.

Revenue increase of 31 percent compared to Q3 2019
Revenue of EUR 4.8bn; EBIT margin before special items of 8.6 percent.

Solid performance in Service
Revenue growth of 14 percent in Service compared to Q3 2019; EBIT margin of 28.6 percent.

Continued contribution to Paris Agreement target
Vestas' installed fleet at the end of Q3 displaces 165m tonnes of CO_2 on an annual basis.

Vestas and Mitsubishi Heavy Industries to strengthen partnership
Long-term move to increase competitiveness and leadership in growing offshore wind market.

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

Financial highlights

mEUR	Q3 2020	Q3 2019	9 months 2020	9 months 2019	FY 2019
Financial highlights					
Income statement					
Revenue	4,770	3,646	10,546	7,497	12,147
Gross profit	612	615	999	1,151	1,761
Operating profit before amortisation, depreciation and impairment (EBITDA) before special items	575	565	860	989	1,550
Operating profit (EBIT) before special items	412	429	392	600	1,004
Operating profit before amortisation, depreciation and impairment (EBITDA)	581	565	851	989	1,550
Operating profit (EBIT)	418	429	340	600	1,004
Net financial items	(28)	(43)	(65)	(76)	(98)
Profit before tax	391	390	277	543	909
Profit for the period	290	303	205	418	700
Balance sheet					
Balance sheet total	14,636	14,242	14,636	14,242	14,331
Equity	3,394	3,313	3,394	3,313	3,345
Net working capital	(711)	(962)	(711)	(962)	(1,583)
Capital employed	4,342	4,130	4,342	4,130	4,165
Interest-bearing position (net positive), end of the period	1,615	1,849	1,615	1,849	2,452
Cash flow statement					
Cash flow from operating activities	688	351	(21)	(249)	823
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(142)	(146)	(430)	(497)	(729)
Free cash flow before acquisitions of subsidiaries and financial investments	546	205	(451)	(746)	94
Free cash flow	546	265	(277)	(510)	332
Financial ratios[1)]					
Financial ratios					
Gross margin (%)	12.8	16.9	9.5	15.4	14.5
EBITDA margin (%) before special items	12.1	15.5	8.2	13.2	12.8
EBIT margin (%) before special items	8.6	11.8	3.7	8.0	8.3
EBITDA margin (%)	12.2	15.5	8.1	13.2	12.8
EBIT margin (%)	8.8	11.8	3.2	8.0	8.3
Return on capital employed (ROCE)[2)] (%) before special items	14.3	18.3	14.3	18.3	19.7
Net interest-bearing debt / EBITDA before special items[2)]	(1.1)	(1.3)	(1.1)	(1.3)	(1.6)
Solvency ratio (%)	23.2	23.3	23.2	23.3	23.3
Return on equity[2)] (%)	14.6	20.7	14.6	20.7	22.1
Share ratios					
Earnings per share[3)] (EUR)	2.5	3.2	2.5	3.2	3.6
Dividend per share (EUR)	-	-	-	-	1.06
Pay-out ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	138.3	71.2	138.3	71.2	90.1
Number of shares at the end of the period (million)	197	199	197	199	199
Operational key figures					
Order intake (bnEUR)	3.1	3.5	8.7	10.2	13.8
Order intake (MW)	4,232	4,738	11,691	13,438	17,877
Order backlog – wind turbines (bnEUR)	14.6	16.5	14.6	16.5	16.0
Order backlog – wind turbines (MW)	20,399	21,393	20,399	21,393	20,974
Order backlog – service (bnEUR)	19.3	16.3	19.3	16.3	17.8
Produced and shipped wind turbines (MW)	4,329	4,398	13,913	10,518	12,618
Produced and shipped wind turbines (number)	1,386	1,424	4,285	3,441	4,185
Deliveries (MW)	5,991	4,150	12,239	7,820	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.

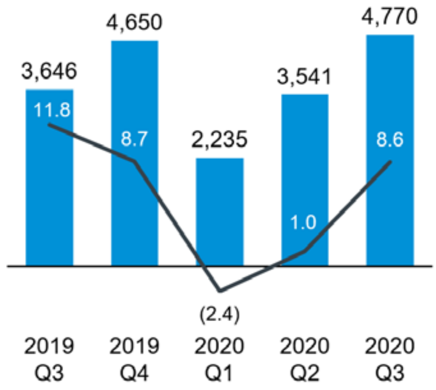
Vestas financial performance

Income statement

Revenue

Revenue in the third quarter of 2020 amounted to EUR 4,770m, an increase of 31 percent compared to the third quarter of 2019. The increase was primarily driven by a higher volume of wind turbine deliveries in the USA. Compared to the third quarter of 2019, revenue for the third quarter of 2020 included a negative impact of approx. EUR 300m from foreign exchange rate translation effects.

Revenue and EBIT margin before special items
mEUR and percentage



For the first nine months of the year, revenue amounted to EUR 10,546m, an increase of 41 percent from the reported revenue for the first nine months of 2019, again primarily driven by wind turbine deliveries in the USA.

Gross profit

Gross profit amounted to EUR 612m in the third quarter of 2020, corresponding to a gross margin of 12.8 percent, compared to 16.9 percent in the third quarter of 2019, which benefitted from a reversal of write-downs on inventory of EUR 120m related to the sale of 80 percent shares in subsidiaries owning three wind power plants in Romania. Excluding this impact, the gross margin decreased 0.8 percentage points compared to the third quarter of 2019. This decrease was mainly attributable to increased ordinary warranty provisions as well as logistical challenges and supply-chain bottlenecks, amplified by the COVID-19 situation, impacting both the quarter and the first nine months.

Gross profit in the first nine months of 2020 amounted to EUR 999m, equal to a margin of 9.5 percent of revenue relative to 15.4 percent in the first nine months of 2019. The second quarter of 2020 was negatively impacted by extraordinary warranty provisions of EUR 175m, whereas 2019 benefitted from EUR 120m reversal of write-down of inventory in the third quarter. Excluding the extraordinary warranty provisions in the second quarter of 2020 and the reversal of inventory write-downs in the third quarter of 2019, the gross margin for the first nine months decreased by 2.7 percentage points from 2019 to 2020.

Warranty provisions

Costs related to warranty provisions amounted to EUR 146m in the third quarter of 2020, equivalent to a warranty ratio of 3.1 percent of revenue. Comparing to third quarter of 2019, the warranty ratio increased 0.5 percentage points from 2.6 percent of revenue.

For the first nine months, warranty amounted to 4.7 percent of revenue compared to 2.3 percent in the first nine months of 2019. The increase included an extraordinary provision of EUR 175m in the second quarter of 2020 to cover a specific repair and upgrade of a confined, albeit considerable number of blades that are already installed.

Research and development costs, distribution costs and administration costs

Research and development costs recognised in the income statement amounted to EUR 67m, an increase from EUR 62m in the third quarter of 2019 from development activities as part of bringing new technology to the market.

Distribution costs amounted to EUR 74m in the third quarter of 2020, compared to EUR 66m in the third quarter of 2019. The increase was mainly due to additional depreciation in the supply chain area for transport equipment driven by new blade types and a high activity level.

Administration costs amounted to EUR 59m in the third quarter of 2020, in line with the level in the third quarter of 2019.

Total capacity costs above amounted to EUR 200m in the third quarter of 2020, equal to 4.2 percent of revenue in the quarter. Relative to four quarters of rolling revenue, capacity costs made up 5.4 percent, which was a reduction of 1.5 percentage points from the third quarter of 2019.

Depreciation, amortisation and impairment

In the third quarter of 2020, overall depreciation, amortisation and impairment amounted to EUR 163m relative to EUR 136m in the same quarter of 2019, a result of recent years' higher capitalisation of costs related to the development and introduction of new technologies and product variants, including transport equipment.

Operating profit (EBIT)

EBIT before special items amounted to EUR 412m in the third quarter of 2020, compared to EUR 429m in the third quarter of 2019. This corresponds to an EBIT margin of 8.6 percent, a decline of 3.2 percentage points compared to the third quarter of 2019, primarily driven by the lower gross margin. EBIT after special items amounted to EUR 418m in the third quarter for 2020, reflecting EUR 6m in special items from reassessment of provisions for purchase commitments with suppliers related to the discontinuation of development projects made in the second quarter 2020.

EBIT before special items in the first nine months amounted to EUR 392m, equal to an EBIT margin of 3.7 percent. Same period last year amounted to EUR 600m corresponding to 8.0 percent. EBIT after special items amounted to EUR 340m with costs in special items of EUR 52m in the first nine months of 2020. Special items were the outcome of the decision in the first quarter of 2020 to optimise and simplify the product portfolio for the coming years resulting in impairment of capitalised development costs and associated equipment, purchase commitments with suppliers, and lay-offs.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 1m in the third quarter of 2020, compared to a profit of EUR 4m in the third quarter of 2019. The profit in the third quarter of 2020 was mainly driven by EUR 15m profit from Vestas' share in the joint venture investment in MHI Vestas Offshore Wind A/S but offset by elimination of profit upon delivery of components to co-development projects in the USA. In the first nine months of 2020, a gain of EUR 2m was recognised, compared to a gain of EUR 19m in 2019.

Net financial items

Financial items for the third quarter of 2020 amounted to negative EUR 28m, compared to negative EUR 43m in the third quarter of 2019. For the first nine months of the year, financial items amounted to negative EUR 65m compared to a similar level of negative EUR 76m in the first nine months of 2019. The development in net financial items for the quarter as well as for the first nine months was primarily driven by currency-related items.

Income tax

Income tax amounted to an expense of EUR 101m in the third quarter and EUR 72m in the first nine months of the year. For both the quarter and first nine months, income tax represented an effective tax rate of 26 percent, up 3.7 percentage points from third quarter 2019 and 3 percentage points from the first nine months of 2019. 2019 benefitted from a non-taxable gain from reversal of write-downs on inventory of EUR 120m.

Net result for the period

The net result for the third quarter of 2020 amounted to a profit of EUR 290m, compared to a profit of EUR 303m in the third quarter of 2019. The net result for the first nine months of 2020 was a profit of EUR 205m, compared to EUR 418m in the first nine months of 2019, mainly driven by the development in EBIT and special items.

Financial ratios

Earnings per share amounted to EUR 1.45 in the third quarter of 2020, a decrease of EUR 0.08 compared to EUR 1.53 in the third quarter of 2019, driven by the reduced net profit. Earnings per share in the first nine months of 2020 was EUR 1.03, a decline of EUR 1.09 from the first nine months of 2019, due to lower net profit.

Return on capital employed (ROCE) before special items was 14.3 percent in the third quarter of 2020, 4 percentage points down from the 18.3 percent reported for the third quarter of 2019 from lower net profit as well as from higher average capital employed.

Return on equity was 14.6 percent in the third quarter of 2020, a decrease of 6.1 percentage points compared to the third 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 711m as at 30 September 2020, compared to a net liability of EUR 962m as at 30 September 2019. The decrease was mainly driven by a higher balance of receivables combined with lower down- and milestone payments from customers, partly offset by a lower level of inventories and contract costs for projects in progress, 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 688m in the third quarter of 2020, compared to positive EUR 351m in the third quarter of 2019. The increase was primarily attributable to a favourable development in net working capital and an improvement in operating income.

Cash flow from investing activities

Cash flow from investing activities amounted to net outflow of EUR 142m on par with EUR 146m in the third quarter of 2019.

Free cash flow

Free cash flow amounted to positive EUR 546m, compared to positive EUR 205m in the third quarter of 2019, excluding short-term purchase and sale of financial investments. For the first nine months of 2020, free cash flow, excluding any sale or purchase of marketable securities and short-term financial investments, amounted to negative EUR 451m, compared to negative EUR 746m the year before. The upside year-on-year for the third quarter as well as the first nine months was linked to high activity and improved operating cash flow.

Capital structure and financing items

Cash flow from financing activities

Cash flow from financing activities amounted to negative EUR 38m in the third quarter of 2020, compared to positive EUR 17m in the third quarter of 2019. In the first nine months of 2020, this amounted to negative EUR 186m, compared to negative EUR 139m in the prior year. Repayment of borrowings in 2020 was the primary driver for the development, both quarter-on-quarter and year-on-year.

Equity and solvency ratio

As at 30 September 2020, total equity amounted to EUR 3,394m, an increase of 2 percent from the level at the end of September 2019 of EUR 3,313m.

The solvency ratio was 23.2 percent at the end of September 2020, a decline of 0.1 percentage points from the third quarter of 2019. Despite growth in the equity balance, the solvency ratio was negatively impacted by a higher overall asset balance mainly driven by higher receivables.

Net interest-bearing position and cash position

As at 30 September 2020, the net interest-bearing position was positive EUR 1,615m, a decline of EUR 234m, compared to a position of EUR 1,849m at the end of the third 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 2,352m as at 30 September 2020 compared to EUR 2,279m at the end of the third quarter of 2019.

The ratio net interest-bearing debt/EBITDA reported negative 1.1 at 30 September 2020, a slight deterioration compared to negative 1.3 at the end of the third quarter of 2019. Despite this development, the ratio remains in line with the capital structure target of a net interest-bearing debt/EBITDA ratio below positive 1x.

Power solutions

Result for the period

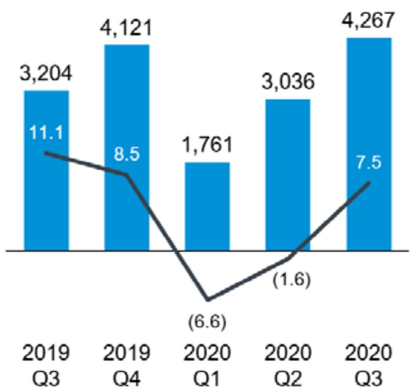
In the third quarter of 2020, revenue from the Power solutions business amounted to EUR 4,267m, well above the third quarter 2019 revenue at EUR 3,204m, primarily driven by a higher volume of wind turbine deliveries in the USA.

The first nine months reflected revenue in the Power solutions business of EUR 9,064m, an increase of 47 percent compared to the same period last year. The increase applied to all regions, with the Americas region as the largest contributor.

EBIT before special items amounted to EUR 318m in the third quarter of 2020, equal to an EBIT margin of 7.5 percent. Compared to the third quarter of 2019, this was a decrease of 3.6 percentage points, mainly driven by the reversal of write-downs on inventory last year of EUR 120m. Excluding this impact, the EBIT margin before special items in the third quarter of 2020 increased slightly compared to last year, driven by increased volumes but offset by higher costs for warranty provisions and COVID-19 impacts.

Power solutions revenue and EBIT margin before special items

mEUR and percentage



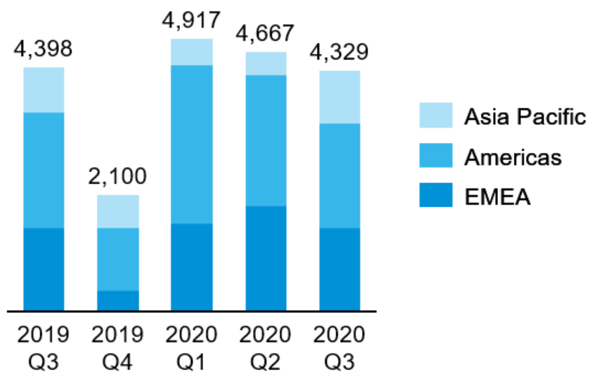
In the first nine months of 2020, EBIT before special items amounted to EUR 151m, equal to an EBIT margin before special items of 1.7 percent. Compared to the same period last year, the EBIT margin before special items decreased by 4.7 percentage points, mainly impacted by extraordinary warranty provisions in the second quarter of 2020, and reversal of write-downs of inventory in the third quarter 2019. Excluding these effects, the EBIT margin for the first nine months decreased by 0.8 percentage points from 2019 to 2020, driven by higher ordinary warranty provisions as well as logistical challenges and supply-chain bottlenecks, amplified by the COVID-19 situation.

Level of activity

In the third quarter of 2020, Vestas produced and shipped wind turbines with an aggregated output of 4,329 MW against 4,398 MW in the third quarter of 2019, which corresponds to a decrease of 2 percent.

Produced and shipped

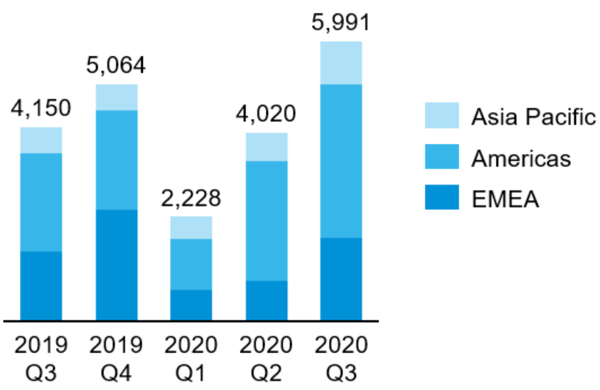
MW



Deliveries to customers amounted to 5,991 MW in the third quarter of 2020, a 44 percent increase compared to the third quarter of 2019, driven mainly by deliveries in the Americas region.

Deliveries

MW



By the end of September 2020, Vestas had installed a total capacity of 123 GW in 82 countries.

Wind turbine order intake

In the third quarter of 2020, the wind turbine order intake amounted to 4,232 MW, corresponding to EUR 3.1bn, a decrease of 11 percent compared to the high order intake of 4,738 MW in the third quarter of 2019. The average selling price per MW was EUR 0.73m, compared to EUR

0.75m in the third quarter of 2019 and EUR 0.77m for full year 2019. Fluctuations can be attributed to variations in geography, turbine type, currency developments, scope, and uniqueness of the offering.

Order backlog

At the end of the third quarter of 2020, the wind turbine order backlog amounted to 20,399 MW, which corresponds to EUR 14.6bn. This was a decrease of 11 percent, compared to EUR 16.5bn at the end of the third quarter of 2019.

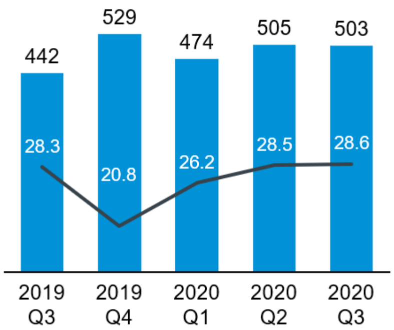
Service

Result for the period

The Service business generated revenue of EUR 503m in the third quarter of 2020, a 14 percent increase compared to the third quarter of 2019. Revenue from the Service business amounted to EUR 1,482m in the first nine months of 2020, a 10 percent increase compared to the first nine months of 2019. The revenue was driven by increased activity, leveraging from the high level of wind turbine deliveries in recent years.

EBIT before special items amounted to EUR 144m in the third quarter of 2020, corresponding to an EBIT margin before special items of 28.6 percent, in line with the EBIT margin before special items in the same period last year of 28.3 percent. In the first nine months of 2020, EBIT before special items amounted to EUR 412m with an EBIT margin of 27.8 percent, a margin on par with the 27.7 from the first nine months of 2019. The stable EBIT margins were a result of reliable performance of the wind turbines under service contracts.

Service revenue and EBIT margin before special items
mEUR and percentage

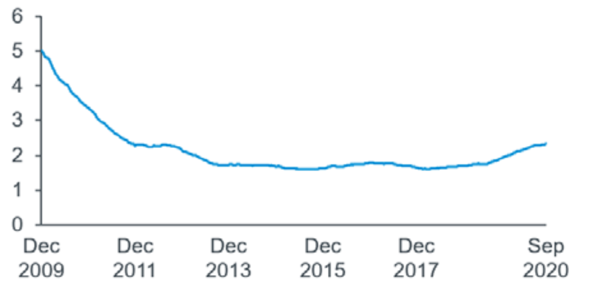


Level of activity

At the end of September 2020, Vestas had approx. 49,000 onshore wind turbines under service, equivalent to approx. 108 GW.

During the third 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



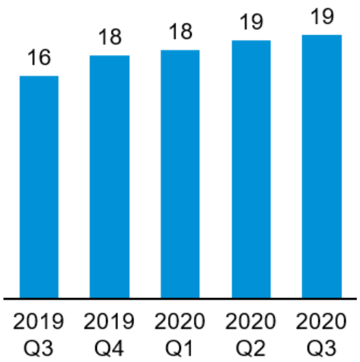
*) Data calculated across approx. 30,600 Vestas wind turbines under full-scope service.

Order backlog

At the end of September 2020, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 19.3bn, an increase of EUR 3.0bn compared to 30 September 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 the third quarter of 2019.

Service order backlog
bnEUR



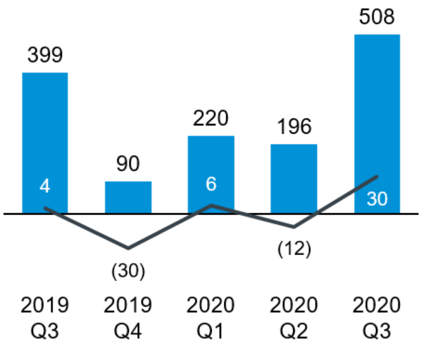
Offshore

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 508m in the third quarter of 2020, an increase of EUR 109m compared to the same quarter last year. The revenue in the third quarter of 2020 reflected delivery of 42 wind turbines for the Borssele project in the Netherlands. Revenue in the first nine months of 2020 amounted to EUR 924m, likewise dominated by deliveries to the Borssele project, as well as the Northwester project in Belgium. Compared to same period last year, this reflected a decrease of 31 percent, driven by lower delivery activity.

MHI Vestas Offshore Wind revenue and net result
mEUR and percentage



Net profit in the joint venture amounted to EUR 30m in the quarter on a stand-alone basis, compared to EUR 4m in the third quarter of 2019. Net profit for the first nine months amounted to a profit of EUR 24m on a stand-alone basis, compared to a profit of EUR 36m in the first nine months of 2019.

Wind turbine order intake

MHI Vestas Offshore Wind announced no firm and unconditional orders in the third quarter of 2020. Firm orders totalled 1,803 MW for the first nine months 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 profit corresponded to EUR 15m for the third quarter and EUR 12m for the first nine months 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 20,399 MW as at 30 September 2020, a decrease compared to the order backlog level of 21,393 MW as at 30 September 2019.

Order intake and wind turbine order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q3 2020	2,202	1,247	783	**4,232**
Backlog as at 30 September 2020	10,365	6,855	3,179	**20,399**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 1,773 MW compared to 1,498 MW in the previous year. Deliveries were distributed throughout a number of countries in the region, with Norway, France, Poland, and Sweden being the countries where most capacity was delivered.

The order intake for the region amounted to 2,202 MW, up from 2,053 MW in the third quarter of 2019. The order intake in the quarter was coming mainly from the UK, Poland, Russia, and Egypt. The order backlog comprised 10,365 MW as at 30 September 2020.

Americas

Deliveries in the Americas region amounted to 3,287 MW, compared to 2,095 MW in the third 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 1,247 MW for the Americas region, down from 2,549 MW in the third quarter of 2019. The order backlog for the region amounted to 6,855 MW as at 30 September 2020, of which the majority related to orders in the USA and Brazil.

Asia Pacific

Deliveries in the markets in Asia Pacific totalled 931 MW, compared to 557 MW in the same quarter the previous year. The increase in activity was mainly related to China.

The order intake for the region amounted to 783 MW, up from 136 MW in the third quarter of 2019, mainly driven by Vietnam and China. The order backlog amounted to 3,179 MW as at 30 September 2020.

Deliveries
MW

	Q3 2020	Q3 2019	FY 2019
Norway	489	277	470
France	263	51	710
Poland	152	-	76
Sweden	151	326	995
Turkey	143	-	-
Russia	123	-	151
Germany	110	113	445
Greece	72	17	184
Saudi Arabia	59	-	-
Finland	54	50	126
Belgium	32	74	79
Kazakhstan	31	7	52
Netherlands	28	-	45
Denmark	22	-	17
Portugal	20	-	-
United Kingdom	10	61	114
South Africa	8	2	3
Jordan	4	28	70
Austria	1	84	121
Senegal	1	40	128
Spain	-	251	597
Ukraine	-	63	319
Italy	-	29	322
Ireland	-	18	29
Czech Republic	-	4	20
Serbia	-	3	72
Romania	-	-	171
Kenya	-	-	3
EMEA	**1,773**	**1,498**	**5,319**
USA	2,745	1,527	4,379
Brazil	403	-	-
Argentina	64	83	502
Chile	58	15	29
El Salvador	10	-	1
Mexico	6	165	395
Bolivia	1	34	41
Canada	-	242	410
Dominican Rep.	-	29	58
Panama	-	-	24
Americas	**3,287**	**2,095**	**5,839**
China	565	173	515
Australia	182	226	666
South Korea	67	-	-
Vietnam	41	-	33
New Zealand	29	6	13
Sri Lanka	25	3	26
India	22	131	401
Taiwan	-	18	25
Thailand	-	-	47
Asia Pacific	**931**	**557**	**1,726**
Total	**5,991**	**4,150**	**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

	Q3 2020[1)]	Q3 2019[1)]	9 months 2020[1)]	9 months 2019[1)]	FY 2019
Social and environmental key figures[2)]					
Occupational health & safety					
Total Recordable Injuries (number)	57	57	147	164	213
- of which Lost Time Injuries (number)	18	17	48	48	67
- of which fatal injuries (number)	0	0	0	1	1
Consumption of resources					
Consumption of energy (GWh)	150	138	461	473	638
- of which renewable energy (GWh)[3)]	65	80	188	234	258
- of which renewable electricity (GWh)[3)]	60	74	166	211	227
Consumption of fresh water (1,000 m^3)	123	134	329	364	473
Waste disposal					
Volume of waste (1,000 tonnes)	22	21	68	62	85
- of which collected for recycling (1,000 tonnes)	12	10	32	32	43
Emissions					
Direct emission (scope 1) of CO_2 (1,000 tonnes)	16	13	52	52	71
Indirect emission (scope 2) of CO_2 (1,000 tonnes)[3)]	9	8	24	23	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	25,822	25,032	25,812	24,750	24,964
Number of employees at the end of the period	25,828	25,074	25,828	25,074	25,542
Social and environmental indicators[2)]					
Occupational health and safety					
Incidence of Total Recordable Injuries per one million working hours	4.0	4.1	3.5	4.0	3.9
Incidence of Lost Time Injuries per one million working hours	1.3	1.2	1.1	1.2	1.2
Absence due to illness among hourly-paid employees (%)	1.5	2.1	1.9	2.1	2.0
Absence due to illness among salaried employees (%)	0.5	0.9	0.7	1.0	1.0
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	110	113	355	271	322
Utilisation of resources					
Renewable energy (%)[3)]	43	58	41	49	40
Renewable electricity for own activities (%)[3)]	80	100	82	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).

Vestas' CSR blueprint

During the third quarter of 2020, Vestas introduced an updated CSR approach as a part of the third key ambition of the Sustainability Strategy: to become the safest, most inclusive, and socially responsible workplace in the energy industry. To support this goal, Vestas has adopted a unique approach to respecting Human rights within the development of wind energy projects.

The strengthened approach adds more focus and structure to Vestas' Human rights work that was started already a decade ago. It consists of three pillars, focusing on: 1) Responsibility, strengthening human rights governance and management; 2) Inclusiveness, creating long-term value and engagement where Vestas is present; and 3) Leadership, ensuring the integration of Human rights in the energy transition.

Employees

During the third quarter of 2020, the number of employees decreased by 37 to 25,828. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

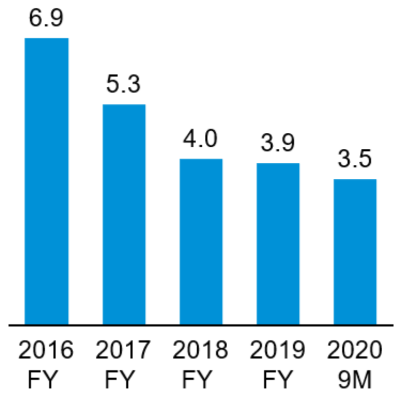
Safety

In the third quarter of 2020, 57 Total Recordable Injuries were registered, giving an incidence rate of 4.0 for the quarter. The incidence rate for the first nine months of 2020 was hence 3.5, 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.

While the overall injury incident rate declined, a tragic incident occurred in July when a Vestas contractor was lost at sea in connection with the installation of an intertidal wind power project in Vietnam. Investigations by the local authorities are still ongoing. The incident is a stark reminder of the importance of following Vestas' safety procedures and Life Saving Rules at all times.

Incidence of Total Recordable Injuries

Per one million working hours



Environmental performance

On the journey to becoming a carbon-neutral company, by the end of September 2020, more than 100 green service vehicles were in operation and 26 percent Vestas' company cars had been replaced with more sustainable alternatives.

A new partnership between Vestas and world-leading supplier of coating solutions, Hempel, will improve the CO_2 footprint of the production of wind turbines. In Vestas' tower manufacturing, initial calculations demonstrate that changing the processes surrounding the surface treatment application will potentially generate a 60 percent reduction in CO_2 emissions, equal to 1,100 tonnes CO_{2e} per year.

An increased level of installations in the quarter led to an increase in direct CO_2 emissions from the use of fossil fuels compared to the same quarter last year. However, an increased share of renewable electricity and switching from natural gas to partly renewable district heating at a location in Denmark have led to a 7 percent decrease in the overall CO_2 emissions from Vestas' own operations compared to the same quarter last year.

Despite increased activity in both manufacturing, service, and installations, the energy and water consumption decreased compared to the same period last year, due to efficiency improvements implemented in 2019, which took full effect this year, as well as reduction in the use of office facilities due to COVID-19.

The increase in waste disposal compared to same quarter last year was mainly a result of a build-up of waste from second quarter, which was stored for disposal in the third quarter 2020.

Outlook 2020

Vestas expects full-year revenue of EUR 14-15bn.

The EBIT margin before special items is expected to be between 5-7 percent, which includes the extraordinary warranty provisions of EUR 175m made in second quarter of 2020. As it was the case in the third quarter of 2020, warranty provisions are expected to correspond to 3.1 percent of revenue in the fourth quarter of 2020.

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

Further, for the Service segment, based on the performance year-to-date, revenue growth for the year is now expected to be minimum 7 percent (compared to previously approx. 7 percent), with an EBIT margin before special items of minimum 25 percent (compared to previously 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

Revenue (bnEUR)	14-15
EBIT margin (%) before special items	5-7
Total investments*) (mEUR)	below 700

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

Financial calendar 2021

10.02.2021	Disclosure of the Annual report 2020 and outlook for 2021
24.02.2021	Deadline for the company's shareholders to submit a written request to the Board of Directors that a specific matter be included in the agenda for the Annual General Meeting
05.03.2021	Convening for Annual General Meeting
08.04.2021	Annual General Meeting in Aarhus, Denmark
05.05.2021	Disclosure of the Interim financial report, Q1 2021
11.08.2021	Disclosure of the Interim financial report, Q2 2021
03.11.2021	Disclosure of the Interim financial report, Q3 2021

The financial calendar lists the expected dates of disclosure of financial results and the Annual General Meeting in the financial year 2021 for Vestas Wind Systems A/S.

Consolidated financial statements 1 January – 30 September

Condensed income statement 1 January - 30 September

mEUR	Note	Q3 2020	Q3 2019	9 months 2020	9 months 2019
Revenue	1.1, 1.2	**4,770**	**3,646**	**10,546**	**7,497**
Production costs		(4,158)	(3,031)	(9,547)	(6.346)
Gross profit		**612**	**615**	**999**	**1,151**
Research and development costs		(67)	(62)	(203)	(191)
Distribution costs		(74)	(66)	(230)	(168)
Administration costs		(59)	(58)	(174)	(192)
Operating profit (EBIT) before special items	1.1	**412**	**429**	**392**	**600**
Special items	1.3	6	-	(52)	-
Operating profit (EBIT)		**418**	**429**	**340**	**600**
Income from investments in joint ventures and associates		1	4	2	19
Net financial items		(28)	(43)	(65)	(76)
Profit before tax		**391**	**390**	**277**	**543**
Income tax		(101)	(87)	(72)	(125)
Profit for the period		**290**	**303**	**205**	**418**
Profit is attributable to:					
Owners of Vestas		284	306	202	421
Non-controlling interests		6	(3)	3	(3)
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		1.45	1.53	1.03	2.12
Earnings per share for the period (EUR), diluted		1.45	1.53	1.03	2.11

Condensed statement of comprehensive income 1 January – 30 September

mEUR	Q3 2020	Q3 2019	9 months 2020	9 months 2019
Profit for the period	**290**	**303**	**205**	**418**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(49)	20	(95)	40
Exchange rate adjustments relating to foreign entities reclassified to the income statement	14	-	14	-
Fair value adjustments of derivative financial instruments for the period	28	1	236	(3)
Gain/(loss) on derivative financial instruments reclassified to the income statement	(36)	(13)	(85)	(33)
Exchange rate adjustments relating to joint ventures	0	0	(2)	0
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	3	(8)	31	(36)
Share of fair value adjustments of derivatives financial instruments reclassified to the income statement of joint ventures and associates	(0)	0	4	1
Tax on items that may be reclassified to the income statement subsequently	0	3	(44)	8
Other comprehensive income after tax for the period	(40)	3	59	(23)
Total comprehensive income for the period	**250**	**306**	**264**	**395**

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

Condensed balance sheet – Assets

mEUR	Note	30 September 2020	30 September 2019	31 December 2019
Goodwill		383	390	386
Completed development projects		271	378	374
Software		139	109	157
Other intangible assets		17	35	30
Development projects in progress	1.3	395	248	261
Total intangible assets		**1,205**	**1,160**	**1,208**
Land and buildings		611	660	653
Plant and machinery		310	285	338
Other fixtures, fittings, tools and equipment	1.3	373	293	345
Right-of-use assets		260	180	196
Property, plant and equipment in progress		139	193	139
Total property, plant and equipment	2.1	**1,693**	**1,611**	**1,671**
Investments in joint ventures and associates		177	231	169
Other investments		61	42	65
Tax receivables		158	160	156
Deferred tax		364	333	324
Other receivables	3.4	282	103	85
Financial investments	3.4	100	212	211
Total other non-current assets		**1,142**	**1,081**	**1,010**
Total non-current assets		**4,040**	**3,852**	**3,889**
Inventories		4,404	4.720	4,098
Trade receivables		1,619	1.216	1,460
Contract assets		773	518	528
Contract costs		423	620	418
Tax receivables		129	110	125
Other receivables	3.4	785	752	752
Financial investments	3.4	111	175	173
Cash and cash equivalents	3.2	2,352	2.279	2,888
Total current assets		**10,596**	**10,390**	**10,442**
Total assets		**14,636**	**14,242**	**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 September 2020	30 September 2019	31 December 2019
Share capital	3.1	26	27	27
Other reserves		(19)	(6)	(67)
Retained earnings		3,335	3,238	3,333
Attributable to owners of Vestas		3,342	3,259	3,293
Non-controlling interests		52	54	52
Total equity		**3,394**	**3,313**	**3,345**
Provisions	2.2	487	433	459
Deferred tax		238	90	147
Financial debts	3.4	738	655	661
Tax payables		306	317	296
Other liabilities	3.4	84	62	76
Total non-current liabilities		**1,853**	**1,557**	**1,639**
Contract liabilities		4,731	5,267	5,020
Trade payables		3,281	2,912	3,119
Provisions	2.2	462	213	221
Financial debts	3.4	210	162	159
Tax payables		2	209	128
Other liabilities	3.4	703	609	700
Total current liabilities		**9,389**	**9,372**	**9,347**
Total liabilities		**11,242**	**10,929**	**10,986**
Total equity and liabilities		**14,636**	**14,242**	**14,331**

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

Condensed statement of changes in equity – 9 months 2020

		Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other 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	-	-	-	-	-	202	3	205
Other comprehensive income for the period	-	(78)	107	33	62	-	(3)	59
Total comprehensive income for the period	-	(78)	107	33	62	202	0	264
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(14)	-	(14)	-	-	(14)
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	-	-	-	-	-	0	-	0
Total transactions with owners	(1)	-	-	-	-	(200)	-	(201)
Equity as at 30 September 2020	**26**	**(82)**	**89**	**(26)**	**(19)**	**3,335**	**52**	**3,394**

Condensed statement of changes in equity – 9 months 2019

		Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other 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	-	-	-	-	-	421	(3)	418
Other comprehensive income for the period		38	(28)	(35)	(25)	-	2	(23)
Total comprehensive income for the period	-	38	(28)	(35)	(25)	421	(1)	395
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(3)	-	(3)	-	-	(3)
Transaction with owners:								
Acquisition of non-controlling interests	-	-	-	-	-	-	43	43
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(205)	-	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	8	-	8
Share-based payments	-	-	-	-	-	15	-	15
Tax on equity transactions	-	-	-	-	-	(1)	-	(1)
Total transactions with owners	(1)	-	-	-	-	(182)	43	(140)
Equity as at 30 September 2019	**27**	**16**	**16**	**(38)**	**(6)**	**3,238**	**54**	**3,313**

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

Condensed cash flow statement 1 January – 30 September

mEUR	Note	Q3 2020	Q3 2019	9 months 2020	9 months 2019
Profit for the period		290	303	205	418
Adjustment for non-cash transactions		356	179	809	508
Income tax paid		(33)	(37)	(177)	(140)
Interest paid / received, net		(2)	5	(15)	(2)
Cash flow from operating activities before change in net working capital		611	450	822	784
Change in net working capital		77	(99)	(843)	(1,033)
Cash flow from operating activities		**688**	**351**	**(21)**	**(249)**
Purchase of intangible assets		(57)	(69)	(203)	(212)
Purchase of property, plant and equipment		(84)	(104)	(255)	(316)
Disposal of property, plant and equipment		-	-	-	4
Purchase of other non-current financial assets		-	-	(2)	(3)
Disposal of other non-current financial assets		-	-	2	5
Proceeds from investments in joint venture		-	30	-	36
Disposal of investment in joint ventures and associates		-	-	30	-
Acquisition of joint ventures and associates		(1)	(3)	(2)	(11)
Cash flow from investing activities before acquisitions of financial investments		**(142)**	**(146)**	**(430)**	**(497)**
Free cash flow before acquisitions of financial investments		**546**	**205**	**(451)**	**(746)**
Acquisition of subsidiaries, net of cash		-	(3)	-	(3)
Purchase of financial investments		-	(185)	-	(304)
Disposal of financial investments		-	248	174	543
Cash flow from investing activities		**(142)**	**(86)**	**(256)**	**(261)**
Free cash flow		**546**	**265**	**(277)**	**(510)**
Dividend paid		-	-	(208)	(197)
Payment of lease liabilities		(18)	(12)	(53)	(42)
Payment of financial debt		(26)	-	(32)	-
Proceeds from borrowings		6	29	107	100
Cash flow from financing activities		**(38)**	**17**	**(186)**	**(139)**
Net change in cash and cash equivalents		**508**	**282**	**(463)**	**(649)**
Cash and cash equivalents at the beginning of period		1,867	1,995	2,888	2,918
Exchange rate adjustments of cash and cash equivalents		(23)	2	(73)	10
Cash and cash equivalents at the end of the period	3.2	**2,352**	**2,279**	**2,352**	**2,279**

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
Q3 2020				
Total revenue	**4,267**	**503**	**-**	**4,770**
Total costs	**(3,949)**	**(359)**	**(50)**	**(4,358)**
Operating profit (EBIT) before special items	**318**	**144**	**(50)**	**412**
Special items	6	-	-	6
Operating profit (EBIT)	**324**	**144**	**(50)**	**418**
Income from investments in joint ventures and associates				1
Net financial items				(28)
Profit before tax				**391**
Amortisation and depreciation included in total costs	(129)	(18)	(16)	(163)

mEUR	Power solutions	Service	Not allocated	Total Group
Q3 2019				
Total revenue	**3,204**	**442**	**-**	**3,646**
Total costs	**(2,847)**	**(317)**	**(53)**	**(3,217)**
Operating profit (EBIT)	**357**	**125**	**(53)**	**429**
Income from investments in joint ventures and associates				4
Net financial items				(43)
Profit before tax				**390**
Amortisation and depreciation included in total costs	(108)	(15)	(13)	(136)

In the third quarter of 2019, reversal of write-downs on inventory of EUR 120m related to development and construction activities in prior years has been recognised and consequently impacted EBIT of the Power solutions segment positively.

1.1 Segment information (continued)

mEUR	Power solutions	Service	Not allocated	Total Group
9 months 2020				
Total revenue	**9,064**	**1,482**	**-**	**10,546**
Total costs	**(8,913)**	**(1,070)**	**(171)**	**(10,154)**
Operating profit (EBIT) before special items	**151**	**412**	**(171)**	**392**
Special items	(52)	-	-	(52)
Operating profit (EBIT)	**99**	**412**	**(171)**	**340**
Income from investments in joint ventures and associates				2
Net financial items				(65)
Profit before tax				**277**
Amortisation and depreciation included in total costs	(371)	(51)	(46)	(468)

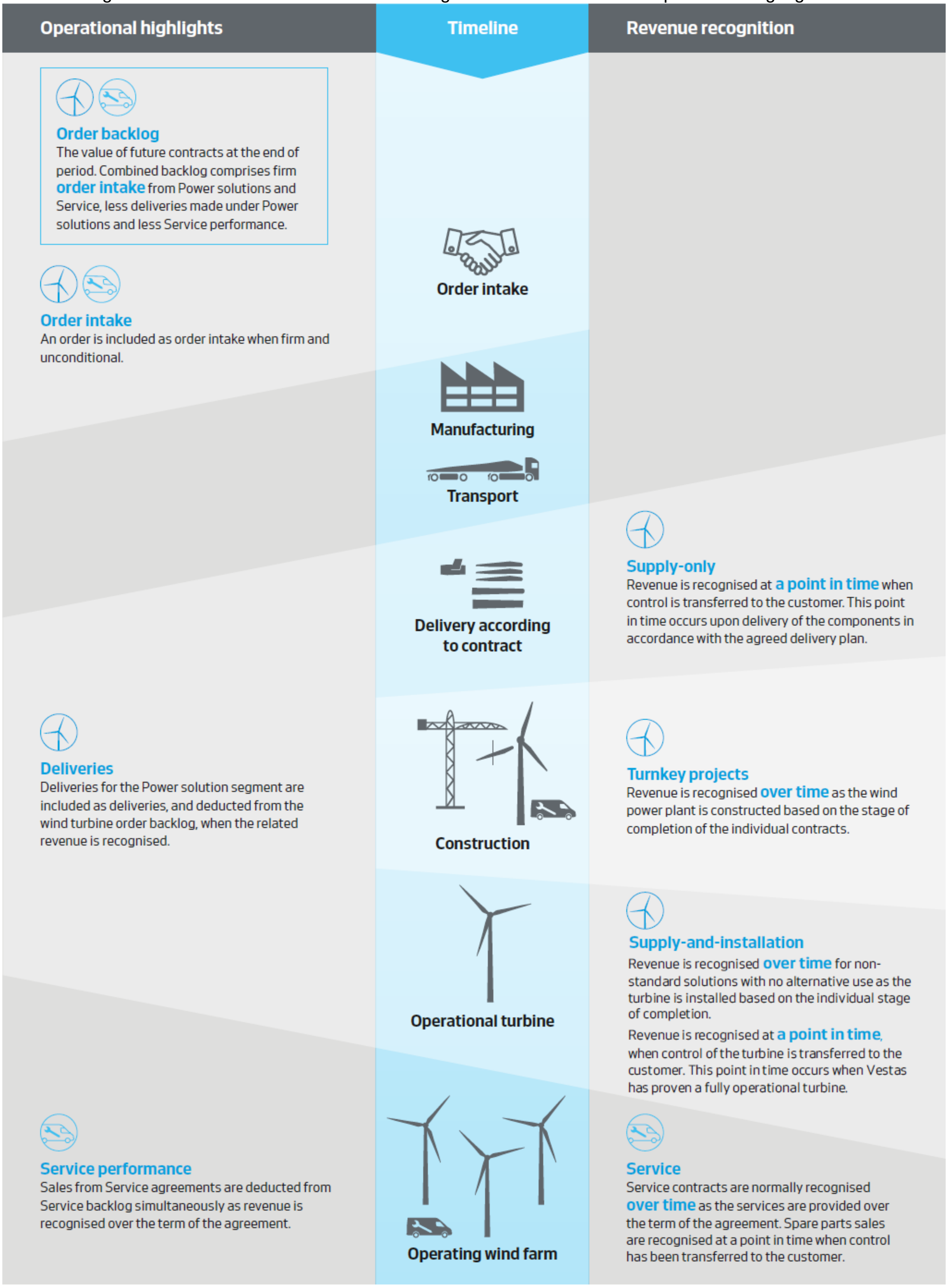
In the first nine months of 2020, impairment losses of EUR 43m and provision for purchase commitments of EUR 6m and staff costs of EUR 3m related to the discontinuation of development projects have been recognised in special items, impacting the Power solutions segment.

mEUR	Power solutions	Service	Not allocated	Total Group
9 months 2019				
Total revenue	**6,155**	**1,342**	**-**	**7,497**
Total costs	**(5,763)**	**(970)**	**(164)**	**(6,897)**
Operating profit (EBIT)	**392**	**372**	**(164)**	**600**
Income from investments in joint ventures and associates				19
Net financial items				(76)
Profit before tax				**543**
Amortisation and depreciation included in total costs	(306)	(44)	(39)	(389)

In the third quarter of 2019, reversal of write-downs on inventory of EUR 120m related to development and construction activities in prior years has been recognised and consequently impacted EBIT of the Power solutions segment positively.

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 markets, 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 nine months of 2020, Supply-and-installation projects with no alternative use constituted 42 percent of the total Supply-and-installation revenue for the period, compared to 15 percent in the first nine months 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	
	Q3 2020	**Q3 2019**	**Q3 2020**	**Q3 2019**	**Q3 2020**	**Q3 2019**
Timing of revenue recognition						
Products and services transferred at a point in time	3,446	2,735	82	64	3,528	2,799
Products and services transferred over time	821	469	421	378	1,242	847
	4,267	3,204	503	442	4,770	3,646
Revenue from contract types						
Supply-only	2,463	1,500	-	-	2,463	1,500
Supply-and-installation (at a point in time)	983	1,235	-	-	983	1,235
Supply-and-installation (over time)	586	104	-	-	586	104
Turnkey (EPC)	235	365	-	-	235	365
Service	-	-	503	442	503	442
	4,267	3,204	503	442	4,770	3,646
Primary geographical markets						
EMEA	1,323	1,191	272	246	1,595	1,437
Americas	2,375	1,619	179	150	2,554	1,769
Asia Pacific	569	394	52	46	621	440
	4,267	3,204	503	442	4,770	3,646

mEUR	Power solutions		Service		Total	
	9 months 2020	**9 months 2019**	**9 months 2020**	**9 months 2019**	**9 months 2020**	**9 months 2019**
Timing of revenue recognition						
Products and services transferred at a point in time	6,701	4,977	237	184	6,938	5,161
Products and services transferred over time	2,363	1,178	1,245	1,158	3,608	2,336
	9,064	6,155	1,482	1,342	10,546	7,497
Revenue from contract types						
Supply-only	4,771	2,679	-	-	4,771	2,679
Supply-and-installation (at a point in time)	1,930	2,298	-	-	1,930	2,298
Supply-and-installation (over time)	1,374	420	-	-	1,374	420
Turnkey (EPC)	989	758	-	-	989	758
Service	-	-	1,482	1,342	1,482	1,342
	9,064	6,155	1,482	1,342	10,546	7,497
Primary geographical markets						
EMEA	2,567	2,483	815	756	3,382	3,239
Americas	5,074	2,862	519	448	5,593	3,310
Asia Pacific	1,423	810	148	138	1,571	948
	9,064	6,155	1,482	1,342	10,546	7,497

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 52m has been recognised. EUR 43m as impairment of intangible and tangible fixed assets, EUR 6m 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 nine months 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 September 2020	30 September 2019	31 December 2019
Impairment loss on intangible and tangible assets	(43)	-	-
Staff costs	(3)	-	-
Purchase commitments	(6)	-	-
Special Items	**(52)**	**-**	**-**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first nine months of 2020, Vestas acquired assets with a cost of EUR 255m mainly related to investments within the manufacturing area in blade moulds, transport equipment, and tools, compared to EUR 316m in the first nine months of 2019.

Lease contracts recognised as right-of-use assets during the first nine months of 2020 amounted to EUR 133m, compared to EUR 17m in the first nine months of 2019.

2.2 Warranty provisions (included in provisions)

mEUR	30 September 2020	30 September 2019	31 December 2019
Warranty provisions, 1 January	619	546	546
Provisions for the period	499	173	291
Warranty provisions consumed during the period	(225)	(138)	(218)
Warranty provisions	**893**	**581**	**619**
The provisions are expected to be payable as follows:			
< 1 year	444	203	214
> 1 year	449	378	405
	893	**581**	**619**

In the first nine months of 2020, warranty provisions charged to the income statement amounted to EUR 499m, equivalent to 4.7 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 225m, compared to EUR 138m in the first nine months of 2019. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 2.0 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 September 2020**	**30 September 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)	(368,230)
Treasury shares	**1,098,495**	**1,256,590**	**3,559,449**

3.2 Cash and cash equivalents

mEUR	**30 September 2020**	**30 September 2019**	**31 December 2019**
Cash and cash equivalents without disposal restrictions	2,327	2,247	2,864
Cash and cash equivalents with disposal restrictions	25	32	24
Cash and cash equivalents	**2,352**	**2,279**	**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 nine months 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 September 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 126m, equal to book value, and were included in other receivables and other liabilities with EUR 350m and EUR 224m, respectively. The net market value is impacted by various currencies being weakened during 2020 due to the COVID-19 pandemic among other.

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 516m as at 30 September 2020. The book value of the SoWiTec corporate bond was EUR 15m with a corresponding fair value of EUR 16m as at 30 September 2020.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q3 2020	Q3 2019	9 months 2020	9 months 2019
Joint ventures				
Revenue for the period	294	41	504	143
Proceeds from sale of projects	-	45	-	41
Capital increase	-	2	-	5
Receivable as at 30 September	87	69	87	69
Received prepayments balance as at 30 September	61	171	61	171
Associates				
Payable capital contribution as at 30 September	43	37	43	37
Received prepayments balance as at 30 September	30	-	30	-

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.

4.2 Subsequent events

On 29 October 2020, Vestas signed an agreement to acquire the remaining 50 percent of the share capital in MHI Vestas Offshore Wind A/S (”MVOW”) from Mitsubishi Heavy Industries, Ltd. (“MHI”). With the acquisition, Vestas makes an emphatic long-term move in offshore wind energy to become a leading player in offshore wind.

MHI will acquire a 2.5 percent shareholding in Vestas through an emission of 5,049,337 new shares subscribed at a share price of DKK 1,045, which at the time of announcement corresponded to a transaction value of approx. EUR 709m.

The transaction is subject to closing conditions, including third-party approvals, which is why Vestas does not yet have full insight into fair value of assets acquired and liabilities assumed. As a result, it is not possible to include the disclosures required under IFRS 3. Closing of the transaction, including assessment of assets acquired and liabilities assumed, is expected to take place within either the fourth quarter of 2020 or the first quarter of 2021. Vestas will obtain the ability to exercise control of MVOW at closing, and MVOW will therefore be consolidated in Vestas’ financials from the time of closing.

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 nine months 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 September 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 September 2020 and of the results of Vestas' operations and cash flows for the period 1 January to 30 September 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, 4 November 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*

Sussie Dvinge Agerbo*

Pia Kirk Jensen*

Kim Hvid Thomsen*

*) Employee representative

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

Disclaimer and cautionary statement

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

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

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