Company announcement No. 16/2021

Interim Financial Report
Second Quarter 2021

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

Wind. It means the world to us.™

Contents

Note on business segments
With the acquisition at the end of 2020 of the offshore business in the previous joint venture MHI Vestas Offshore Wind A/S, the offshore business is now to be regarded as and will be reported as an integrated part of the two segments “Power Solutions” and “Service”.

The two business segments:

Power Solutions

Service

Information meeting (audiocast)
On Wednesday 11 August 2021 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/en/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: 99835184#

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

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

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

Summary

Revenue overall at the same level as in second quarter 2020, while EBIT increased. Record high combined order backlog as a consequence of strong order intake and the integration of offshore. Full-year guidance revised.

In the second quarter of 2021, Vestas generated revenue of EUR 3,536m – in line with the year-earlier period. EBIT before special items increased by EUR 67m to EUR 101m. This resulted in an EBIT margin before special items of 2.9 percent, compared to 1.0 percent in the second quarter of 2020. Free cash flow* amounted to EUR 183m compared to EUR (106)m in the second quarter of 2020.

The quarterly intake of firm and unconditional wind turbine orders amounted to 5,290 MW. The value of the wind turbine order backlog was EUR 21.2bn as at 30 June 2021. In addition to the wind turbine order backlog, at the end of June 2021, Vestas had service agreements with expected contractual future revenue of EUR 26.9bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 48.1bn – an increase of EUR 13.0bn compared to the year-earlier period.

To reflect the current environment characterised by supply chain constraints, cost inflation, and restrictions in key markets caused by COVID-19, and the impacts this is likely to continue to have in the second half of the year, Vestas is revising its full-year guidance. The expectations are now a revenue of EUR 15.5-16.5bn (previously EUR 16-17bn), including Service, with an overall EBIT margin before special items of 5-7 percent (previously 6-8 percent). Total investments*) are now expected to be below EUR 1,000m in 2021 (previously approx. EUR 1,000m).

Group President & CEO Henrik Andersen said: *"In the second quarter of 2021, Vestas underlined our market-leading position although the first half of the year has been slower than anticipated due to supply chain constraints in key markets. We achieved revenue of EUR 3.5bn and an EBIT margin of 2.9 percent, which is an improvement of 1.9 percentage points year-over-year. This increase was primarily driven by underlying improved operations and execution, but hampered by the continued cost inflation impacting global industrials. In this environment, our Service business and wind turbine order intake grew 23 percent and 28 percent respectively year-over-year, which resulted in an all-time high order backlog of more than EUR 48bn. Combined with an average selling price of 0.79 EUR/MW for onshore, new offshore orders and our first preferred supplier agreement for our V236-15.0 MW turbine, the quarter was commercially very strong. To reflect the challenges from cost inflation and the global environment we operate in, we have revised our guidance for 2021 and we remain focused on executing our priorities for the year, which enable us to deliver on our commitments, drive the energy transition, and strengthen our market leadership."*

Key highlights

Strong order intake and first preferred supplier agreement on the 15 MW platform
Wind turbine order intake of 5.3 GW with both onshore and offshore contributing.

Revenue of EUR 3.5bn
Revenue impacted by lower onshore activity level and continued supply chain constraints.

EBIT margin of 2.9 percent
Profit impacted by higher fixed costs base from offshore integration and cost inflation.

Solid performance in Service
Revenue growth of 23 percent compared to Q2 2020; EBIT margin of 28.6 percent.

An important step towards zero-waste turbines
CETEC project launched to provide circular economy for epoxy materials in blades.

Outlook for the year revised
Guidance updated to reflect supply chain constraints and cost inflation.

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

Financial and operational key figures

mEUR	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
FINANCIAL HIGHLIGHTS					
Income statement					
Revenue	3,536	3,541	5,498	5,776	14,819
Gross profit	376	228	565	387	1,538
Operating profit before amortisation, depreciation, and impairment (EBITDA) before special items	321	188	457	285	1,391
Operating profit (EBIT) before special items	101	34	30	(20)	750
Operating profit before amortisation, depreciation, and impairment (EBITDA)	321	183	457	270	1,382
Operating profit (EBIT)	101	34	30	(78)	698
Net financial items	(12)	(35)	(30)	(37)	(95)
Profit before tax	122	(7)	45	(114)	934
Profit for the period	90	(5)	33	(85)	771
Balance sheet					
Balance sheet total	19,557	14,934	19,557	14,934	18,160
Equity	4,522	3,162	4,522	3,162	4,703
Net working capital	(616)	(411)	(616)	(411)	(1,127)
Capital employed	6,001	4,095	6,001	4,095	6,057
Interest-bearing position (net), at the end of the period	334	1,145	334	1,145	1,920
Cash flow statement					
Cash flow from operating activities	360	51	(386)	(709)	743
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates, and financial investments	(177)	(157)	(329)	(317)	(687)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates, and financial investments	183	(106)	(715)	(1,026)	56
Free cash flow	166	96	(924)	(823)	476
FINANCIAL RATIOS[1]					
Financial ratios					
Gross margin (%)	10.6	6.4	10.3	6.7	10.4
EBITDA margin (%) before special items	9.1	5.3	8.3	4.9	9.4
EBIT margin (%) before special items	2.9	1.0	0.5	(0.3)	5.1
EBITDA margin (%)	9.1	5.2	8.3	4.7	9.3
EBIT margin (%)	2.9	1.0	0.5	(1.4)	4.7
Return on capital employed (ROCE)[2] (%) before special items	12.3	15.4	12.3	15.4	13.5
Net interest-bearing debt / EBITDA[2]	(0.2)	(0.8)	(0.2)	(0.8)	(1.4)
Solvency ratio (%)	23.1	21.2	23.1	21.2	25.9
Return on equity[2] (%)	21.6	15.4	21.6	15.4	21.4
Share ratios[3]					
Earnings per share[4] (EUR)	0.9	0.5	0.9	0.5	0.8
Dividend per share (EUR)	-	-	-	-	0.23
Pay-out ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	32.9	18.1	32.9	18.1	38.7
Number of shares at the end of the period (million)	1,010	985	1,010	985	1,010
OPERATIONAL KEY FIGURES[5]					
Order intake (bnEUR)	4.5	3.2	6.1	5.6	12.7
Order intake (MW)	5,290	4,148	7,306	7,459	17,249
Order backlog – wind turbines (bnEUR)	21.2	16.2	21.2	16.2	19.0
Order backlog – wind turbines (MW)	26,334	22,183	26,334	22,183	24,630
Order backlog – service (bnEUR)	26.9	18.9	26.9	18.9	23.9
Produced and shipped wind turbines (MW)	5,775	4,667	10,305	9,584	17,055
Produced and shipped wind turbines (number)	1,445	1,423	2,572	2,899	5,239
Deliveries (MW)	3,767	4,020	5,692	6,248	17,212

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) As of 28 April 2021, a share split at a ratio of 1:5 of the Vestas share was carried out. Comparative figures have been restated to reflect the change in number of shares.
4) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.
5) The order backlog for Vestas Offshore Wind A/S (former MHI Vestas Offshore Wind A/S) is included as of 31 December 2020. The remaining operational key figures include Vestas Offshore Wind A/S from 14 December 2020.

Sustainability key figures

	Q2 2021	Q2 2020	H1 2021	H1 2020	FY 2020
ENVIRONMENTAL[1]					
Utilisation of resources					
Consumption of energy (GWh)	192	144	406	311	621
- of which renewable energy (GWh)	70	76[2]	150	145[2]	295
- of which renewable electricity (GWh)	59	68[2]	121	127[2]	261
Renewable energy (%)	36	53[2]	37	47[2]	48
Renewable electricity for own activities (%)	100	100[2]	100	100[2]	100
Withdrawal of fresh water (1,000 m^3)	111	115	211	206	421
Waste					
Volume of waste from own operations (1,000 t)	20	24	39	46	89
- of which collected for recycling (1,000 t)	9	12	19	24	46
Recyclability rate of hub and blade[2] (%)	//	//	//	//	41
Carbon emissions					
Direct emissions of CO_2e (scope 1) (1,000 t)	29	15	57	35	71
Indirect emissions of CO_2e (scope 2) (1,000 t)	1	2[2]	2	2[2]	2
Indirect emissions of CO_2e from the supply chain (scope 3)[3] (million t)	//	//	//	//	9.79
Indirect emissions of CO_2e from the supply chain (scope 3)[3] (kg per MWh generated)	//	//	//	//	6.49
Products					
Expected CO_2e avoided over the lifetime of the MW produced and shipped during the period (million t)	167	119	298	244	493
Annual CO_2e avoided by the total aggregated installed fleet (million t)	201	176	201	176	186
SOCIAL					
Safety					
Total Recordable Injuries (number)	51	44	100	90	185
- of which Lost Time Injuries (number)	21	17	37	30	65
- of which fatal injuries(number)	0	0	0	0	0
Total Recordable Injuries per million working hours (TRIR)	3.1	3.1	3.1	3.2	3.3
Lost Time Injuries per million working hours (LTIR)	1.3	1.2	1.1	1.1	1.2
Employees					
Average number of employees (FTEs)	29,097	25,856	29,188	25,806	26,121
Employees at the end of the period (FTEs)	29,081	25,865	29,081	25,865	29,378
Diversity and inclusion					
Women in the Board[3] and Executive Management at the end of the period (%)	27	27	27	27	27
Women in leadership positions[4] at the end of the period (%)	20	20	20	20	19
Human rights					
Community grievances[3] (number)	//	//	//	//	20
Community beneficiaries[3] (number)	//	//	//	//	14,770
Social Due Diligence on projects in scope[3] (%)	//	//	//	//	78
GOVERNANCE					
Whistleblower system					
EthicsLine compliance cases[3] (number)	//	//	//	//	287
- of which substantiated	//	//	//	//	54
- of which unsubstantiated	//	//	//	//	199

[1] The increase seen compared to second quarter 2020 in consumption of energy, withdrawal of fresh water, and carbon emissions, is mainly due to the inclusion of the offshore business.
[2] Calculation for first half of 2020 changed to reflect that renewable energy certificates were subsequently bought for non-renewable electricity.
[3] Only Board members elected by the general meeting are included.
[4] Employees in leadership positions comprise managers, specialists, project managers, and above.

Group financial performance

Income statement

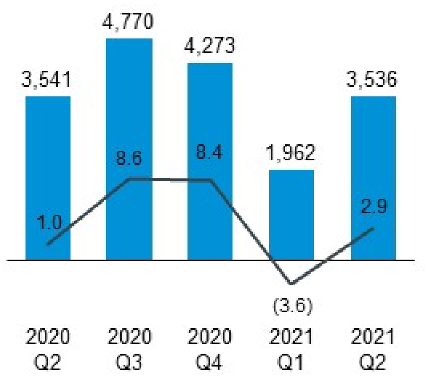
Revenue

Revenue in the second quarter of 2021 amounted to EUR 3,536m largely on par with same quarter last year (Q2 2020: EUR 3,541m).

For the first half of the year, revenue amounted to EUR 5,498m (H1 2020: EUR 5,776m), out of which EUR 892m relates to offshore, a decrease of 5 percent which was primarily driven by lower onshore wind turbine deliveries mainly in the USA and as well impacted by supply chain constraints. The decline in Power Solution deliveries was partly offset by an increase in Service revenue. Revenue for the first half of 2021 reflected a negative impact of approx. EUR 200m from foreign exchange rate translation effects compared to the first half of 2020.

Revenue and EBIT margin before special items*

mEUR and percentage



*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore revenue only.

Gross profit

Gross profit amounted to EUR 376m in the second quarter of 2021 corresponding to a gross margin of 10.6 percent (Q2 2020: EUR 228m; 6.4 percent). The second quarter of 2020 was negatively impacted by extraordinary warranty provisions of EUR 175m.

Gross profit in the first half of 2021 amounted to EUR 565m equal to a margin of 10.3 percent of revenue (H1 2020: EUR 387m; 6.7 percent). The gross margin increase was mainly attributable to the extraordinary warranty provisions in the second quarter of 2020. Excluding the effect of warranty provisions, the gross margin for the first half of 2021 increased by 0.6 percentage points from the same period in 2020. This increase was positively impacted by growth in Service revenue and improved underlying profitability in the Power Solutions segment, while the gross margin was still negatively impacted by cost inflation.

Warranty provisions

Costs for warranty provisions amounted to EUR 109m in the second quarter of 2021 (Q2 2020: EUR 283m). This was equivalent to a warranty ratio of 3.1 percent of revenue in the second quarter of 2021 (Q2 2020: 8.0 percent). The costs for warranty provisions in the second quarter of 2020 reflected extraordinary warranty provisions of EUR 175m to cover a specific repair and upgrade of a confined, albeit considerable number of blades that were already installed. Warranty provisions in relation to revenue was in the second quarter of 2021, on par with same period last year, apart from the extraordinary warranty provision in the second quarter of 2020.

For the first half of 2021, warranty costs amounted to 3.1 percent of revenue compared to 6.1 percent in the first half of 2020 driven by the same factor as for the quarter.

Research and development costs, Distribution costs and Administration costs

Research and development costs recognised in the income statement amounted to EUR 94m (Q2 2020: EUR 64m). The increase was mainly attributable to the inclusion of the offshore business and to research and development activities as part of bringing new onshore and offshore technology to the market.

Distribution costs amounted to EUR 96m in the second quarter of 2021 (Q2 2020: EUR 66m). The increase was mainly a consequence of the inclusion of the offshore business and overall depreciation of investments.

Administration costs amounted to EUR 85m (Q2 2020: EUR 64m). The increase was mainly attributable to the inclusion of the offshore business.

Depreciation, amortisation, and impairment

In the second quarter of 2021, overall depreciation, amortisation, and impairment amounted to EUR 220m (Q2 2020: EUR 149m). The increase was primarily attributable to the inclusion of the offshore business and secondarily a result of investments related to recent years' more frequent introduction of new technologies and product variants.

Operating profit (EBIT)

EBIT before special items amounted to EUR 101m in the second quarter of 2021, equivalent to an EBIT margin of 2.9 percent (Q2 2020: EUR 34m; 1.0 percent). EBIT before special items in the first half of 2021 amounted to EUR 30m, equal to an EBIT margin of 0.5 percent (H1 2020: EUR (20)m; (0.3) percent). The increase in EBIT margin in both periods was mainly driven by the same factors impacting gross profit and as well the lower absorption of fixed costs from the offshore integration.

In the first half of 2021, no income or costs have been classified as special items, compared to EUR 58m in the first half of 2020 related to the optimisation and simplification of the product portfolio.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 33m in the second quarter of 2021 compared to a EUR (6)m in the second quarter of 2020. The profit was primarily derived from gains related to co-development activities in the USA and secondarily from the investment in Copenhagen Infrastructure Partners P/S.

Net financial items

Financial items amounted to a net loss EUR 12m in the second quarter of 2021 (Q2 2020: EUR (35)m) and EUR (30)m in the first half of 2021 (H1 2020: EUR (37)m), driven by interests, fees, and currency related items.

Income tax

Income tax amounted to an expense of EUR 32m in the second quarter and EUR 12m in the first half of the year. For both the quarter and first half of the year, income tax represented an effective tax rate of 26 percent, up 1 percentage point from the same periods in 2020.

Net result for the period

Net result amounted to a profit of EUR 90m in the second quarter of 2021 (Q2 2020: EUR (5)m). The increase in net result was mainly a result of higher gross profit in the second quarter of 2021. The net result for the first half of 2021 was a profit of EUR 33m (H1 2020: EUR (85)m). An increase also driven by positive development in gross profit, but further amplified by the lack of costs related to special items in first half of 2021 and higher income from investments in joint ventures and associates.

Financial ratios

Earnings per share amounted to EUR 0.9 in second quarter of 2021 (Q2 2020: EUR (0.01)) and EUR 0.03 in the first half of 2021 (H1 2020: EUR (0.08)), driven by the improved results in the periods.

Return on capital employed (ROCE) before special items was 12.3 percent in the second quarter of 2021 (Q2 2020: 15.4 percent), a decline attributed to an increase in equity and financial debt, despite the higher EBIT before special items in the second quarter of 2021 compared to second quarter of 2020.

Return on equity was 21.6 percent in the second quarter of 2021 (Q2 2020: 15.4 percent), an increase which can be attributed to higher net result, despite an increase in total equity.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 616m as of 30 June 2021 (30 June 2020: net liability of EUR 411m). This was an improvement of EUR 205m to the same time last year, an effect of higher down- and milestone payments from customers and higher trade payables to suppliers more than offsetting an increase in inventory levels.

Cash flow from operating activities

Cash flow from operating activities was positive EUR 360m in the second quarter of 2021 (Q2 2020: EUR 51m). The development was mainly a result of a positive development in net working capital and in particular driven by collections from customers.

Cash flow from investing activities

Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments amounted to a net outflow of EUR 177m in the second quarter of 2021 (Q2 2020: EUR 157m). The increased net investment level was driven by the integration of offshore.

Free cash flow

Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to positive EUR 183m in the second quarter of 2021 (Q2 2020: EUR (106)m) and EUR (715)m in the first half of 2021 (H1 2020: EUR (1,026)m). The positive development was driven by the improved cash flow from operating activities due to a favourable change in net working capital.

Capital structure and financing items

Equity and solvency ratio

As at 30 June 2021, total equity amounted to EUR 4,522m (30 June 2020: EUR 3,162m), an increase mainly attributable to net profit development in the past four quarters and capital increase in December 2020 in relation to the acquisition of MHI Vestas Offshore Wind A/S. These were also the main drivers of the increase in Vestas' solvency ratio, closing 30 June 2021 at 23.1 percent (30 June 2020: 21.1 percent).

Net interest-bearing position and cash position

As at 30 June 2021, the net interest-bearing position was EUR 334m (30 June 2020: EUR 1,145m), a decline of EUR 811m. Despite positive free cash flow in the past four quarters, this was more than offset by the impact of investments in Copenhagen Infrastructure Partners P/S and MHI Vestas Offshore Wind A/S combined with dividend payment in April 2021.

Cash and cash equivalents were driven by the same factors as above and amounted to EUR 1,596m as at 30 June 2021 (30 June 2020: EUR 1,867m).

The ratio of net interest-bearing debt/EBITDA was (0.2) as at 30 June 2021 (30 June 2020: (0.8)), negatively impacted by the deterioration of the net interest-bearing position.

Assets held for sale

On 3 June 2021, Vestas signed an agreement with CS Wind Corporation for the acquisition of Vestas' tower manufacturing facility in Pueblo, Colorado. As the transaction was pending regulatory approval, assets and liabilities directly part of the divestment have been classified as held for sale as at 30 June 2021 with assets corresponding to EUR 111m and liabilities of EUR 3m.

Assets held for sale are primarily related to production facility, machinery, and tools. The transaction was closed on 30 July 2021 following regulatory approval.

Power Solutions

Result for the period

In the second quarter of 2021, revenue from the Power Solutions segment amounted to EUR 2,914m (Q2 2020: EUR 3,036m). The decrease was mainly attributable to less onshore wind turbine deliveries mainly in the USA with high level of deliveries in the first half of 2020 where customers were incentivised to complete projects early in the year through the mechanisms of the Production Tax Credit (PTC). The offshore business contributed with EUR 719m of revenue in the second quarter of 2021 driven by strong installation levels in the UK.

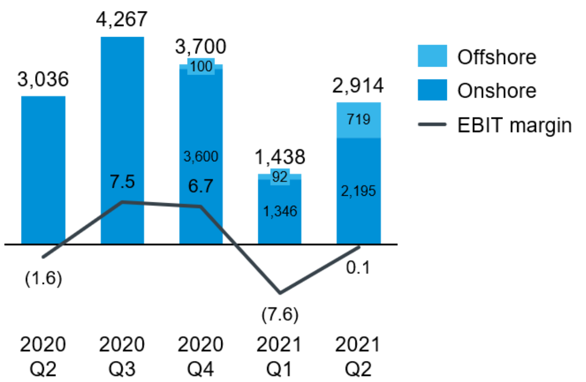
The first half of 2021 reflected revenue in the Power Solutions segment of EUR 4,352m, a decrease of 9 percent compared to the same period last year (H1 2020: EUR 4,797m), with the US market as the main decline.

EBIT before special items amounted to EUR 2m in the second quarter of 2021, equal to an EBIT margin of 0.1 percent (Q2 2020: EUR (50)m; (1.6) percent), an improvement of 1.7 percentage points. The second quarter of 2020 was negatively impacted by extraordinary warranty provisions of EUR 175m. Excluding this impact, the second quarter of 2021 was impacted by improved average project margins, but more than offset by cost inflation and a higher level of fixed costs from the integration of offshore.

In the first half of 2021, EBIT before special items amounted to EUR (108)m, equal to an EBIT margin before special items of (2.5) percent (H1 2020: EUR (167)m; (3.5) percent), an improvement of 1 percentage point compared to same period last year. This development was primarily driven by same factors as for the quarter.

Power Solutions revenue and EBIT margin before special items*

mEUR and percentage



*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore revenue only.

Wind turbine order intake

In the second quarter of 2021, wind turbine order intake amounted to 5,290 MW, corresponding to a value of EUR 4.5bn (Q2 2020: 4,148 MW; EUR 3.2bn), an increase of 28 percent mainly contributed by the EMEA (Europe, the Middle East, and Africa) region. In the same region, Vestas also secured 733 MW for two larger offshore projects located in Germany, marking the first firm offshore order intake since Vestas acquired full ownership of its offshore activities.

The average price per MW was EUR 0.84m in the second quarter of 2021 (Q2 2020: EUR 0.78m), a positive development impacted by the two offshore orders which represented an average price of EUR 1.18m. For onshore alone, the average price per MW was EUR 0.79m in the second quarter of 2021, highlighting the continued underlying stability in pricing.

Wind turbine order intake, second quarter 2021

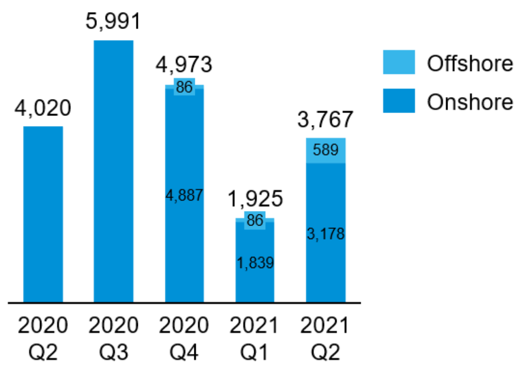
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order intake	2,758	1,302	497	**4,557**
Offshore order intake	733	-	-	**733**
Total order intake	3,491	1,302	497	**5,290**

Wind turbine deliveries

Deliveries to customers amounted to 3,767 MW in the second quarter of 2021 (Q2 2020: 4,020 MW), a decrease driven mainly by the US market with a high level of deliveries in the second quarter of 2020. The offshore business contributed with 589 MW in the second quarter of 2021 from deliveries in the United Kingdom.

Deliveries*
MW



*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore deliveries only.

By the end of June 2021, Vestas had installed a total capacity of 140 GW across 85 countries.

Deliveries (onshore and offshore)
MW

	Q2 2021	Q2 2020	FY* 2020
United Kingdom	661	-	78
Russian Fed.	185	108	390
Finland	142	54	222
Poland	130	-	413
Sweden	130	114	424
Germany	120	58	499
France	118	124	679
Saudi Arabia	110	80	159
Portugal	46	-	34
Belgium	45	-	140
Italy	43	-	87
Netherlands	38	38	270
Denmark	29	-	92
Turkey	22	50	324
South Africa	13	1	132
Greece	13	31	297
Jordan	5	8	40
Austria	4	-	3
Spain	2	43	135
Norway	2	148	792
Senegal	-	-	23
Kazakhstan	-	-	48
Ukraine	-	-	8
EMEA	**1,858**	**859**	**5,289**
Hereof offshore	*589*	-	*86*
USA	621	1,934	6,779
Brazil	396	260	1,236
Chile	97	121	249
Mexico	45	39	194
Panama	19	-	40
Bolivia	15	-	35
Colombia	4	-	-
El Salvador	-	1	46
Argentina	-	99	240
Canada	-	109	130
Americas	**1,197**	**2,563**	**8,949**
Hereof offshore	-	-	-
Vietnam	336	30	199
Japan	143	-	-
China	128	165	1,465
Australia	47	327	898
Taiwan	28	1	62
India	15	17	68
New Zealand	12	22	95
Sri Lanka	2	36	80
South Korea	-	-	107
Asia Pacific	**712**	**598**	**2,974**
Hereof offshore	-	-	-
Total	**3,767**	**4,020**	**17,212**
Hereof offshore	*589*	-	*86*

*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore deliveries only

Wind turbine order backlog

At the end of the second quarter of 2021, the wind turbine order backlog amounted to 26,334 MW, which corresponds to a value of EUR 21.2bn (30 June 2020: 22,183 MW; EUR 16.2bn), an increase of 31 percent in value. Of the backlog end of June 2021, EUR 4.2bn relates to offshore wind power projects mainly in Europe, but also in Asia Pacific.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	12,256	7,626	2,674	**22,556**
Offshore order backlog	3,050	-	728	**3,778**
Total backlog as at 30 June 2021	15,306	7,626	3,402	**26,334**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa amounted to 15,306 MW as at 30 June 2021, an increase of 54 percent from end of second quarter of 2020. Inclusion of the offshore backlog contributed with 3,050 MW in the United Kingdom and Germany. The increase in the onshore MW backlog isolated was 23 percent with Finland as the main contributor.

Americas

The total order backlog for Americas amounted to 7,626 MW as at 30 June 2021, a decrease of 14 percent from the end of second quarter of 2020 as a result of a high level of deliveries in USA in the period from second to fourth quarter of 2020, partly mitigated by a strong development in Brazil and Colombia.

Asia Pacific

The total order backlog for Asia Pacific amounted to 3,402 MW, an increase of 2 percent from the end of second quarter of 2020. Inclusion of the offshore backlog contributed with 728 MW in Japan and Taiwan. The onshore backlog decreased by 20 percent in the same period, led by China.

Service

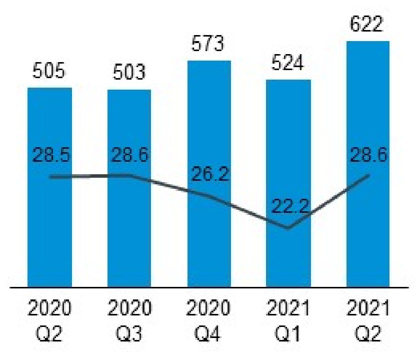
Result for the period

The Service business generated revenue of EUR 622m in the second quarter of 2021 (Q2 2020: EUR 505m), a 23 percent increase year on year.

Revenue from the Service business amounted to EUR 1,146m in the first half of 2021 (H1 2020: EUR 979m), a 17 percent increase compared to the first half of 2020. The service revenue growth in the first half of 2021 was mainly driven by higher onshore activity levels and integration of the offshore business.

Service revenue and EBIT margin before special items*

mEUR and percentage



*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore only.

EBIT before special items amounted to EUR 178m in the second quarter of 2021, corresponding to an EBIT margin of 28.6 percent, which was in line with the same period last year (Q2 2020: EUR 144m; 28.5 percent). The stable EBIT margin was a result of reliable performance of the wind turbines under service contracts.

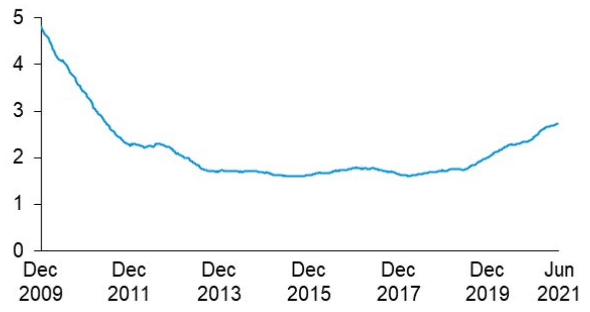
In the first half of 2021, EBIT before special items amounted to EUR 294m with an EBIT margin of 25.7 percent, a 1.7 percent decrease compared to the first half of 2020 (H1 2020: EUR 268m; 27.4 percent). The development was mainly attributable to external factors in the first quarter of 2021 as well as the integration of the offshore business to capture future synergies between the onshore and the offshore service business.

Wind turbines under service

At the end of June 2021, Vestas had approx. 50,300 wind turbines under service, equivalent to approx. 119 GW.

Lost Production Factor*

Percent



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

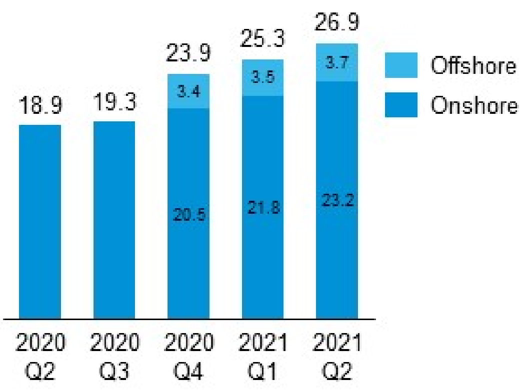
At the end of June 2021, the overall average Lost Production Factor continued to be impacted by the level of extraordinary repairs and upgrades.

Service order backlog

At the end of June 2021, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 26.9bn, an increase of EUR 8bn compared to 30 June 2020, driven by the inclusion of the offshore business and strong order intake levels in the onshore service market.

Service order backlog*

bnEUR



*The service order backlog for the offshore business is included as of 31 December 2020.

At the end of the quarter, the average duration in the service order backlog was approx. ten years, unchanged from end of the first quarter of 2021.

Sustainability

The Vestas Sustainability Strategy

A passion for sustainability has always been driving Vestas, and the company is working to embed sustainability into everything it does – including its value chain and own operations. 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 company is currently integrating offshore into its sustainability activities and remains committed to its ambitious sustainability goals regardless of its increased scope.

Carbon footprint

Vestas is committed to become carbon-neutral in its own operations without using offsets and to reduce emissions from its supply chain by 45 percent per MWh delivered to the market by 2030. Because of the offshore integration, in the second quarter of 2021 Vestas' total scope 1 and 2 emissions increased by 76 percent compared to the second quarter of 2020. Vestas' scope 1 and 2 carbon emissions from its onshore activities increased by 8 percent year-on-year in the second quarter of 2021 due to increased service activity. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

During the second quarter of 2021, Vestas continued its transition to e-mobility in its benefit and service vehicle fleet. For benefit cars, 37 percent of the fleet is now plug-in hybrids or battery electric vehicles, up with 6 percentage points from last quarter. For the service fleet, 17 additional sustainably fueled vehicles were introduced, bringing the total to 167.

Circularity

Vestas aims to produce zero-waste turbines by 2040, meaning that the company will work to create a value chain that generates no waste materials.

In May 2021, Vestas, as part of the Circular Economy for Thermosets Epoxy Composites (CETEC) Initiative, announced the development of a new technology to enable circularity for composites used in wind turbine blades. Partly funded by Innovation Fund Denmark (IFD), CETEC is spearheaded by Vestas and involves both industrial and academic leaders including Olin, the world leading producer of Epoxy, the Danish Technological Institute (DTI), and Aarhus University. Developed by DreamWind, an innovation initiative driven by the same partners, the new technology consists of a two-step process. Firstly, thermoset composites are disassembled into fibre and epoxy. Secondly, through a novel chemcycling process, the epoxy is further broken up into base components similar to virgin materials. These materials can then be reintroduced into the manufacturing of new turbine blades, constituting a new circularity pathway for epoxy resin.

Wind turbines are 85-90 percent recyclable, with turbine blade material constituting the remaining percentage that cannot be recycled, due to the nature of thermoset composites. CETEC is aiming to close this recycling gap and enable a significant step forward in the elimination of waste across the wind energy industry.

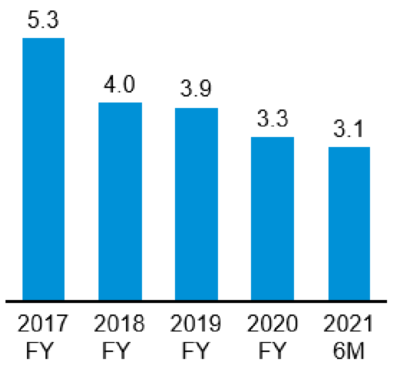
In June 2021, WindEurope, with full support from Vestas, called for a Europe-wide landfill ban on decommissioned wind turbine blades by 2025. The ban should enter into force by 2025 and will also apply to other large composite components in the nacelles of modern wind turbines, as the first turbines are soon reaching the end of their operational life in Europe's most mature markets for wind energy. WindEurope expects around 25,000 tonnes of blades to reach the end of their operational life annually by 2025, where Germany and Spain will see the highest number of decommissioned blades, followed by Denmark.

Safety

Committing to be the safest workplace in the energy industry, Vestas wants to reduce the Total Recordable Injury Rate (TRIR) to 1.5 by 2025 and 0.6 by 2030, equivalent to a 15 percent year-on-year reduction from 2019. In the second quarter of 2021, 51 Recordable Injuries were registered, resulting in a TRIR of 3.1 (including offshore). The rate year to date was also 3.1, a slight improvement from 3.2 for the first half year of 2020.

Incidence of total recordable injuries*

Per million working hours



*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore only.

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual Report 2020.)

The beginning of a sustainable era

Energy is one of the fundamental building blocks of society. It powers life and prosperity, defines entire eras in human history, and dictates how we live our lives. When energy sources change, societies change with them, and we are currently on the brink of a new era defined by renewables. Renewables are now the cheapest source of electricity in most parts of the world,[1] and global efforts to combat the climate crisis and create sustainable societies are gaining momentum. The need for change is urgent, and the sustainable energy solutions to deliver it are available today.

The sustainable era will be characterised by unprecedented change to energy systems as well as societies at large. Entire industries and mobility systems will need to be electrified in order to take advantage of renewable energy sources, and as a result renewable energy sources will redefine how we produce, distribute, and use energy. As such, the entire planet is embarking on an industrial and societal transition never seen before, opening up new opportunities for value creation for sustainable companies.

Today, electricity constitutes just 20 percent of the global energy system, and of this wind energy provides around 6 percent. With less than 2 percent of all energy coming from wind turbines, it is clear the growth potential for renewables is enormous. Global electricity demand is expected to have grown almost 60 percent by 2050 as electrification accelerates and energy demand in developing economies increases. Wind and solar PV are expected to play a key role in this expansion and supply 56 percent of global electricity, up from just 9 percent in 2019.[1]

For the last 40 years, Vestas has pioneered wind energy, and this will remain our key focus. To create a sustainable planet for future generations and continue to provide an economic return to our shareholders, we must, however, also look beyond wind energy. Today, we are therefore increasingly investing in solutions that enable both the continued deployment of renewables and allow us to integrate sustainability in everything we do.

A strategy to lead from the front

In 2020, Vestas celebrated its 75th anniversary, and its 40-plus years of pioneering the development and deployment of wind energy. Since 1979, when we installed our very first wind turbine, we have been leading the wind energy industry from the front. Today, wind and/or solar PV are the cheapest new sources of electricity in countries making up around 73 percent of world GDP,[1] and Vestas' total installed capacity displaces more CO_2 emissions than any other company in the sustainable energy sector.

Vestas has the scale, reach, track record, and technological expertise to continue leading the buildout of renewable energy and the electrification of societies. Leveraging these qualities, our strategy revolves around three pillars:

- Enabling electrification through low-cost renewable energy
- Driving increased deployment of renewable energy
- Pioneering new solutions to indirect electrification

As part of our strategy, and as part of our efforts to play a leading role in the energy transition, in 2020 we took major steps towards the realisation of our vision. These steps will affect Vestas in the short term and shape the future Vestas of 2030. They include:

- Making an emphatic move in offshore by acquiring MHI Vestas Offshore Wind
- Launching the industry's most ambitious sustainability strategy
- Making Vestas the first OEM in renewable energy with verified climate targets in line with the 1.5°C scenario
- Expanding our development activities and investing in Copenhagen Infrastructure Partners
- Forming a partnership with Mitsubishi Heavy Industries focused on green hydrogen

In the mid-term, our priorities remain to integrate sustainability in everything we do and lead the market in both wind power plant solutions and in service. We also aim to ensure industry-leading profitability, sustaining our preferred partner status with customers, and attracting the best talent in the energy industry.

To achieve our goals and lead the energy transition, we focus on three strategic business areas: onshore, offshore, and service. For an elaborated version of priorities and ambitions for those three business areas, please refer to the Annual Report 2020.

Strategy execution

To drive our strategic priorities and ensure we focus on the key challenges we face, Vestas runs a yearly strategy cycle and review where we discuss, adjust and optimise our strategy based on market changes and future scenarios. The yearly cycle ensures close alignment on strategic priorities between the Board of

[1] Source: Bloomberg New Energy Finance: Bloomberg New Energy Outlook. September 2020.

Directors and Executive Management, providing the organisation with a strong focus and ensuring clear direction for all of our colleagues around the world.

In 2020, our key strategic priorities included among others the following 'Must Win Battles':

- Modularisation: Modularisation is both a tool and a mindset. It will guide Vestas' continued transformation to meet the future demand for wind energy and customer requirements – onshore as well as offshore. In this way, modularisation combines customisation and standardisation, making it possible for us to serve broad market requirements at competitive costs. Our platforms have served us well until now, but the increasing number of variants has increased the competitive pressure; our response is continued standardization and cost-out, without compromising on providing the solutions our customers need. To succeed, we must remain disciplined by investing in the right initiatives, while discontinuing projects that look unlikely to provide the returns we originally expected. As an example, in April 2020 we discontinued the development of a specific aspect of our technology programme.

- Quality: New product introductions, accelerated cost-out and high activity levels have challenged production ramp-ups and delivery plans, which in turn has put pressure on the entire Vestas value chain, including our quality. As a result, we are now seeing higher warranty provisions and consumption due to increased rework and delays in the launch and execution of new products, which reduces our profitability. Addressing these challenges and enforcing a strong quality culture across the value chain is a strategic priority for Vestas. Our aim is to ensure issues are contained and solved close to their origin, while providing best-in-class quality for future customer solutions.

- Talent & Leadership: Vestas' growth ambitions require us to have the right employees with the right capabilities. We need to attract, recruit, develop, and retain business-critical talents, not only in established markets but in new markets where the Vestas brand may not be so well known. To fulfil our strategy, we therefore must build a strong talent pipeline, improve leadership capabilities, and increase diversity to foster sustainable success and growth. We already have around 30,000 skilled and dedicated employees, but we are on a journey and we must do even more to be successful in the future – especially in terms of diversity and succession.

Long-term financial ambitions

Wind power has outcompeted fossil fuel alternatives in most parts of the world, volumes in the global wind turbine market are good, and the prospects for the coming years promising, with wind power's expected central role in the electrification of societies, industries and mobility systems and forecasts of average annual growth of wind power capacity of 8 percent towards 2030.[1] At the same time, the wind power industry has seen consolidation, giving way for a more stable competitive environment. The profitability, however, is still not at a satisfactory level, and hence this needs to be a focus area for wind turbine manufacturers in the coming years.

Ambitions for the three business areas

Onshore

The demand for onshore wind power globally is expected to remain stable or grow slightly from the current high level the next two-to-three years. After that, a new phase of growth is expected, driven by new policies, increased electrification, and corporate ambitions and activities. Adding to that, Vestas expects to see increasing contributions from its development activities. On this background, Vestas maintains its long-term ambition for the onshore wind power segment to grow faster than the market and be market leader in revenue.

Offshore

The projections for the offshore market suggest a development in three phases for Vestas' newly acquired offshore segment. Based on the order backlog, Vestas will see a couple of years with high activity levels and solid financial performance. Then, from 2023, the company expects to see a decline in activity towards 2025. These first two phases will be under the influence of heavy investments both in the organisation, supply chain, and technology. By 2025, when a steep increase in annual offshore installations is expected, and Vestas' new platform will be gaining traction in the market, Vestas aims to be a leading player in offshore wind power. Based on these assumptions, Vestas has an ambition to achieve revenue in the offshore segment of EUR +3bn by 2025, with an EBIT margin on par with the Group's overall margin.

Service

The wind power service market is expected to continue growth at the current rate, and Vestas maintains its ambitions for the long-term for the Service revenue to grow faster than the market. The Service EBIT margin is expected at a level of around 25 percent in the coming years, accounting for the integration of the offshore business, which currently generates lower margins than onshore.

Ambitions on Group level

Vestas maintains its ambition on an overall level to grow faster than the market and be market leader in revenue. Even with the integration of the offshore business, the company is targeting to reach a 10 percent EBIT margin. The introduction of a new offshore wind power platform will impact free cash flow, but Vestas nevertheless expects to generate a positive cash flow each year. The ambition is still to achieve a long-term ROCE of minimum 20 percent over the cycle.

[1] Source: Wood Mackenzie: Market Outlook Update Q4/2020. December 2020.

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.

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.

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.

Outlook 2021

The wind power market continues to be challenged by supply chain constraints as well as cost inflation and restrictions in key markets caused by COVID-19. As a consequence, Vestas experienced lower activity than expected with regards to deliveries during the first half of the year. To reflect the current environment and the impacts this is likely to continue to have in the second half of the year, Vestas is revising its full-year guidance.

The expectations are now a revenue of EUR 15.5-16.5bn (previously EUR 16-17bn), including Service, with an overall EBIT margin before special items of 5-7 percent (previously 6-8 percent). Total investments*) are now expected to be below EUR 1,000m in 2021 (previously approx. EUR 1,000m).

The expectations to revenue and EBIT margin in Service isolated are unchanged: Vestas expects Service revenue to grow approx. 15 percent in 2021, with an EBIT margin for full year of approx. 24 percent.

Vestas expects warranty provisions at a level of around 3 percent of revenue. Special items are expected to amount to approx. EUR 100m relating to the integration of MHI Vestas Offshore Wind A/S.

It should be emphasised that there is greater uncertainty than usual around forecasts related to execution in the second half of 2021, and the adjusted outlook seeks to take into account the current situation and constraints. Vestas continues to focus on its priorities for the year, which will enable delivering on the company's commitments.

In relation to forecasts on financials from Vestas in general, it should be noted that Vestas' accounting policies only allow the recognition of revenue when the control has passed to the customer, either at a point in time or over time. Disruptions in production and challenges in relation to shipment of wind turbines and installation hereof, for example bad weather, lack of grid connections, and similar matters, may thus cause delays that could affect Vestas' financial results for 2021. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2021.

Outlook 2021

	New guidance	**Initial guidance**
Revenue (bnEUR)	**15.5-16.5**	16-17
EBIT margin (%) before special items	**5-7**	6-8
Total investments*) (mEUR)	**below 1,000**	approx. 1,000

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

Consolidated financial statements 1 January - 30 June

Condensed income statement 1 January – 30 June

mEUR	Note	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue	1.1, 1.2	**3,536**	**3,541**	**5,498**	**5,776**
Production costs		(3,160)	(3,313)	(4,933)	(5,389)
Gross profit		**376**	**228**	**565**	**387**
Research and development costs		(94)	(64)	(181)	(136)
Distribution costs		(96)	(66)	(182)	(156)
Administration costs		(85)	(64)	(172)	(115)
Operating profit (EBIT) before special items	1.1	**101**	**34**	**30**	**(20)**
Special items	1.3	-	(0)	-	(58)
Operating profit (EBIT)		**101**	**34**	**30**	**(78)**
Income from investments in joint ventures and associates		33	(6)	45	1
Net financial items		(12)	(35)	(30)	(37)
Profit before tax		**122**	**(7)**	**45**	**(114)**
Income tax		(32)	2	(12)	29
Profit for the period		**90**	**(5)**	**33**	**(85)**
Profit is attributable to:					
Owners of Vestas		89	(7)	28	(82)
Non-controlling interests		1	2	5	(3)
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.09	(0.01)	0.03	(0.08)
Earnings per share for the period (EUR), diluted		0.09	(0.01)	0.03	(0.08)

Condensed statement of comprehensive income 1 January - 30 June

mEUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Profit for the period	**90**	**(5)**	**33**	**(85)**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(9)	(14)	63	(46)
Fair value adjustments of derivative financial instruments for the period	30	(96)	23	208
Gain/(loss) on derivative financial instruments transferred to the income statement	(8)	(26)	(14)	(49)
Exchange rate adjustments relating to joint ventures	-	(1)	3	(2)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	-	6	-	28
Share of fair value adjustments of derivatives financial instruments transferred to the income statement of joint ventures and associates	-	1	-	4
Tax on items that may be reclassified to the income statement subsequently	4	28	1	(44)
Other comprehensive income after tax for the period	17	(102)	76	99
Total comprehensive income for the period	**107**	**(107)**	**109**	**14**

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2021	30 June 2020	31 December 2020
Goodwill		1,276	387	1,274
Completed development projects		571	305	621
Software		134	152	164
Other intangible assets		480	20	512
Development projects in progress		427	349	317
Total intangible assets		**2,888**	**1,213**	**2,888**
Land and buildings		528	635	598
Plant and machinery		303	333	336
Other fixtures, fittings, tools and equipment		514	360	481
Right-of-use assets		500	218	438
Property, plant and equipment in progress		197	128	169
Total property, plant and equipment	2.1	**2,042**	**1,674**	**2,022**
Investments in joint ventures and associates	2.3	589	173	57
Other investments		75	64	69
Tax receivables		201	157	201
Deferred tax		321	382	335
Other receivables	3.4	265	94	241
Financial investments	3.4	217	100	100
Total other non-current assets		**1,668**	**970**	**1,003**
Total non-current assets		**6,598**	**3,857**	**5,913**
Inventories		7,002	5,121	5,289
Trade receivables		1,355	1,462	1,538
Contract assets		1,059	758	775
Contract costs		692	656	369
Tax receivables		182	114	121
Other receivables	3.4	962	988	981
Financial investments	3.4	-	111	111
Cash and cash equivalents	3.2	1,596	1,867	3,063
Total current assets		**12,848**	**11,077**	**12,247**
Assets held for sale	2.2	111	-	-
Total assets		**19,557**	**14,934**	**18,160**

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2021	30 June 2020	31 December 2020
Share capital	3.1	27	26	27
Other reserves		(100)	40	(146)
Retained earnings		4,554	3,048	4,773
Attributable to owners of Vestas		4,481	3,114	4,654
Non-controlling interests		41	48	49
Total equity		**4,522**	**3,162**	**4,703**
Provisions	2.4	642	452	696
Deferred tax		184	189	158
Financial debts	3.4	737	698	867
Tax payables		331	296	331
Other liabilities	3.4	136	85	173
Total non-current liabilities		**2,030**	**1,720**	**2,225**
Contract liabilities		6,989	5,214	5,613
Trade payables		3,860	3,438	3,608
Provisions	2.4	537	418	580
Financial debts	3.4	742	235	487
Tax payables		37	3	86
Other liabilities	3.4	837	744	858
Total current liabilities		**13,002**	**10,052**	**11,232**
Liabilities associated with assets held for sale	2.2	3	-	-
Total liabilities		**15,035**	**11,772**	**13,457**
Total equity and liabilities		**19,557**	**14,934**	**18,160**

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

Condensed statement of changes in equity – six months 2021

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2021	**27**	**(114)**	**(21)**	**(11)**	**(146)**	**4,773**	**49**	**4,703**
Profit for the period	-	-	-	-	-	28	5	33
Other comprehensive income for the period	-	59	10	3	72	-	4	76
Total comprehensive income for the period	-	59	10	3	72	28	9	109
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(26)	-	(26)	-	-	(26)
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	(5)	(17)	(22)
Dividends distributed	-	-	-	-	-	(230)	-	(230)
Dividends distributed related to treasury shares	-	-	-	-	-	2	-	2
Acquisition of treasury shares	-	-	-	-	-	(12)	-	(12)
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(6)	-	(6)
Total transactions with owners	-	-	-	-	-	(247)	(17)	(264)
Equity as at 30 June 2021	**27**	**(55)**	**(37)**	**(8)**	**(100)**	**4,554**	**41**	**4,522**

Condensed statement of changes in equity – six months 2020

mEUR	Share capital	Reserves: Transla-tion 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**

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 2021	Q2 2020	H1 2021	H1 2020
Profit for the period		90	(5)	33	(85)
Adjustment for non-cash transactions		49	339	193	453
Income tax paid		(18)	(37)	(81)	(144)
Interest paid / received, net		(6)	(1)	(23)	(13)
Cash flow from operating activities before change in net working capital		115	296	122	211
Change in net working capital		245	(245)	(508)	(920)
Cash flow from operating activities		**360**	**51**	**(386)**	**(709)**
Purchase of intangible assets		(96)	(76)	(183)	(146)
Purchase of property, plant and equipment		(115)	(81)	(194)	(171)
Proceeds from investments in joint ventures and associates		34	-	48	-
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(177)**	**(157)**	**(329)**	**(317)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**183**	**(106)**	**(715)**	**(1,026)**
Investment in joint ventures and associates		(11)	(1)	(197)	(1)
Purchase of other non-current financial assets		(6)	(1)	(7)	(2)
Disposal of other non-current financial assets		-	-	-	2
Disposal of investment in joint ventures and associates		-	30	-	30
Purchase of financial investments		-	-	(116)	-
Disposal of financial investments		-	174	111	174
Cash flow from investing activities		**(194)**	**45**	**(538)**	**(114)**
Free cash flow		**166**	**96**	**(924)**	**(823)**
Dividend paid		(228)	(208)	(228)	(208)
Payment of lease liabilities		(34)	(24)	(68)	(35)
Payment of financial debt		-	(6)	(291)	(6)
Proceeds from borrowings		19	48	35	101
Acquisition of treasury shares		(12)	-	(12)	-
Cash flow from financing activities		**(255)**	**(190)**	**(564)**	**(148)**
Net decrease in cash and cash equivalents		**(89)**	**(94)**	**(1,488)**	**(971)**
Cash and cash equivalents at the beginning of period		1,677	1,965	3,063	2,888
Exchange rate adjustments of cash and cash equivalents		8	(4)	21	(50)
Cash and cash equivalents at the end of the period	3.2	**1,596**	**1,867**	**1,596**	**1,867**

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

As disclosed in the Annual Report 2020, following the acquisition of MHI Vestas Offshore Wind A/S, Vestas established a new offshore operating segment. The new operating segment for offshore forms part of the reportable segment Power Solutions and is presented with the onshore activities in the table below. The offshore service operations acquired have been integrated in the existing reportable Service segment.

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

mEUR	Power Solutions	Service	Not allocated	Total Group
Q2 2021				
Total revenue	**2,914**	**622**	**-**	**3,536**
Total costs	**(2,912)**	**(444)**	**(79)**	**(3,435)**
Operating profit (EBIT)	**2**	**178**	**(79)**	**101**
Income from investments in joint ventures and associates				33
Net financial items				(12)
Profit before tax				**122**
Amortisation and depreciation included in total costs	(177)	(26)	(17)	(220)

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)	-	-	(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)

1.1 Segment information (continued)

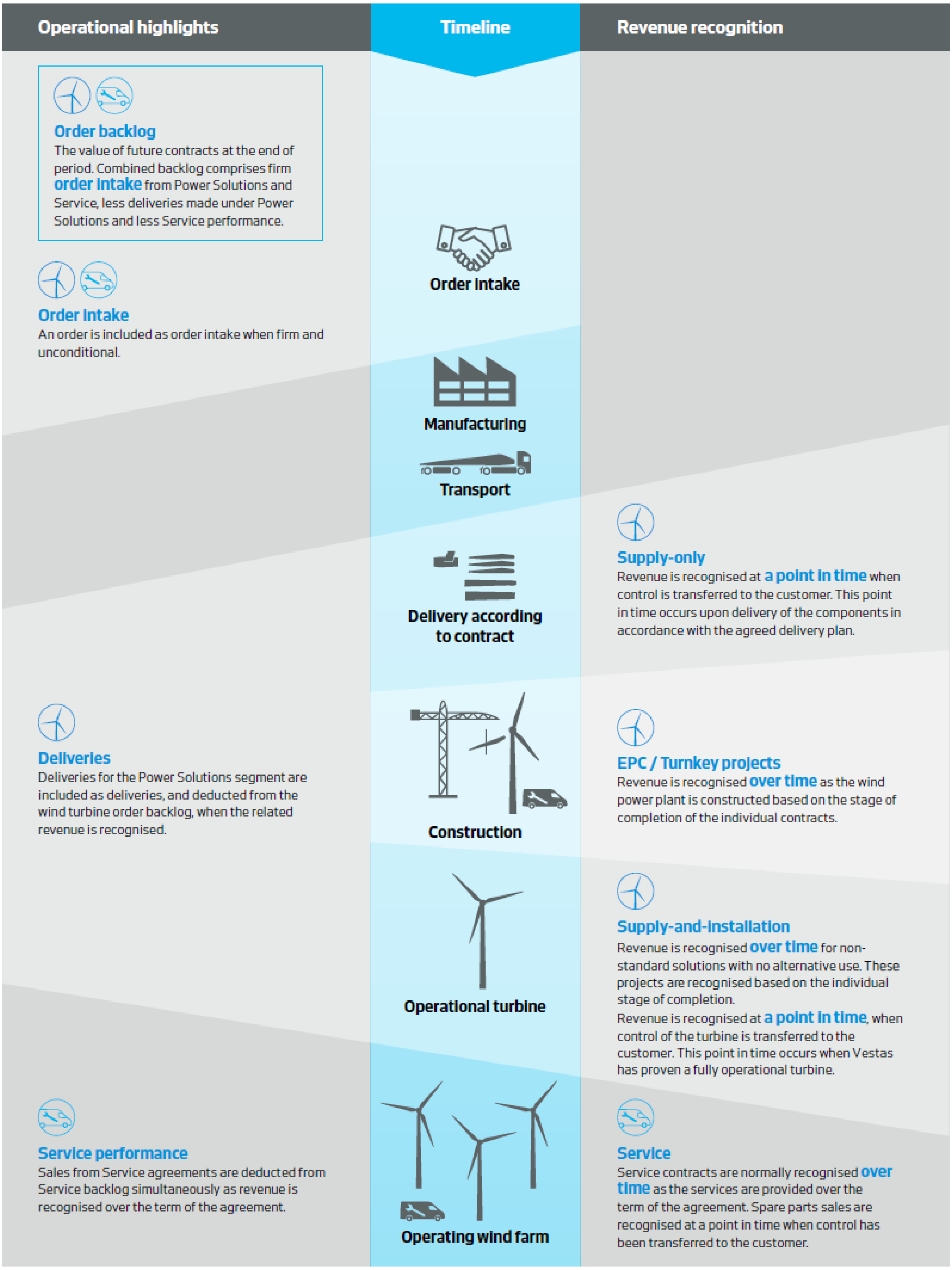
mEUR	Power Solutions	Service	Not allocated	Total Group
H1 2021				
Total revenue	**4,352**	**1,146**	**-**	**5,498**
Total costs	**(4,460)**	**(852)**	**(156)**	**(5,468)**
Operating profit (EBIT)	**(108)**	**294**	**(156)**	**30**
Income from investments in joint ventures and associates				45
Net financial items				(30)
Profit before tax				**45**
Amortisation and depreciation included in total costs	(341)	(51)	(35)	(427)

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, 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.

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 for the two reportable segments, by primary geographical market, major contract types, and timing of revenue recognition.

mEUR	Power Solutions		Service		Total	
	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020
Timing of revenue recognition						
Products and services transferred at a point in time	2,002	2,142	93	84	2,095	2,226
Products and services transferred over time	912	894	529	421	1,441	1,315
	2,914	3,036	622	505	3,536	3,541
Revenue from contract types						
Supply-only	621	1,757	-	-	621	1,757
Supply-and-installation (at a point in time)	1,381	385	-	-	1,381	385
Supply-and-installation (over time)	675	512	-	-	675	512
Turnkey (EPC)	237	382	-	-	237	382
Service	-	-	622	505	622	505
	2,914	3,036	622	505	3,536	3,541
Primary geographical markets						
EMEA	1,662	680	406	284	2,068	964
Americas	791	1,884	170	165	961	2,049
Asia Pacific	461	472	46	56	507	528
	2,914	3,036	622	505	3,536	3,541

mEUR	Power Solutions		Service		Total	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Timing of revenue recognition						
Products and services transferred at a point in time	2,701	3,255	165	155	2,866	3,410
Products and services transferred over time	1,651	1,542	981	824	2,632	2,366
	4,352	4,797	1,146	979	5,498	5,776
Revenue from contract types						
Supply-only	814	2,308	-	-	814	2,308
Supply-and-installation (at a point in time)	1,887	947	-	-	1,887	947
Supply-and-installation (over time)	1,213	788	-	-	1,213	788
Turnkey (EPC)	438	754	-	-	438	754
Service	-	-	1,146	979	1,146	979
	4,352	4,797	1,146	979	5,498	5,776
Primary geographical markets						
EMEA	2,430	1,244	707	543	3,137	1,787
Americas	1,250	2,699	344	340	1,594	3,039
Asia Pacific	672	854	95	96	767	950
	4,352	4,797	1,146	979	5,498	5,776

2.1 Property, plant and equipment

In the first half of 2021, Vestas acquired assets with a cost of EUR 194m mainly related to manufacturing blade moulds, transport equipment and construction tools, compared to EUR 171m in the first half of 2020.

Lease contracts recognised as right-of-use assets during the first half of 2021 amounted to EUR 126m, compared to EUR 68m in the first half of 2020.

2.2 Divestment of tower manufacturing facility

Assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sales transaction rather than through continuing use and when the assets are expected to be disposed of within 12 months. Liabilities of a disposal group that are directly related to assets held for sale are presented correspondingly. Assets and liabilities held for sale are presented separately on the balance sheet. Immediately before the initial classification as held for sale, the carrying amounts of the assets and liabilities are measured in accordance with their applicable accounting policy. Assets and liabilities held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are not depreciated.

On 3 June 2021, Vestas signed an agreement with CS Wind Corporation for the acquisition of Vestas' tower manufacturing facility in Pueblo, Colorado. As the transaction was pending regulatory approval, assets and liabilities directly part of the divestment have been classified as held for sale as at 30 June, 2021. Assets held for sale are primarily related to production facility, machinery, and tools. The transaction was closed on 30 July 2021 following regulatory approval.

2.3 Investments in joint ventures and associates

As disclosed in the Annual Report 2020, Vestas entered into an agreement to acquire a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies on 18 December 2020. The consideration was agreed at a price of EUR 500m in the form of a EUR 180m upfront payment and a maximum of EUR 320m paid as a performance contingent consideration in the period 2023 to 2029, refer to note 3.4.

Following the completion of the transaction in February 2021, an investment of EUR 500m in associated companies has been recognised.

2.4 Warranty provisions (included in provisions)

mEUR	30 June 2021	30 June 2020	31 December 2020
Warranty provisions, 1 January	1,189	619	619
Provisions for the period	187	353	693
Warranty provisions consumed during the period	(353)	(163)	(326)
Additions from business combinations	55	-	203
Reclassification	57	-	-
Warranty provisions	**1,135**	**809**	**1,189**
The provisions are expected to be payable as follows:			
< 1 year	522	402	524
> 1 year	613	407	665
	1,135	**809**	**1,189**

In the first half of 2021, net warranty provisions charged to the income statement amounted to EUR 172m, equivalent to 3.1 percent of revenue. The net amount consists of a gross warranty provision of EUR 187m and a claim towards sub-suppliers of EUR 15m. Warranty consumption amounted to EUR 353m compared to EUR 163m in the first half of 2020. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 3.5 percent.

In second quarter of 2021, the provisional purchase price allocation regarding MHI Vestas Offshore Wind A/S was adjusted with an increase in warranty provision and a reduction in service contract liability of EUR 55m respectively. The adjustment is related to alignment on the classification of commitments to replace and repair main components.

Reclassification of EUR 57m consists of warranty claims against Vestas for which it is virtually certain that Vestas will receive compensation from sub-suppliers. These have been reclassified from provisions to other receivables and therefore the reclassification does not have impact on the result nor cash flow for the period.

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 8 April 2021, 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.

With effect as of 28 April 2021, a share split of Vestas' shares with a ratio 1:5 was carried out. Consequently, each share of nominally DKK 1.00 was split into five new shares of nominally DKK 0.20.

Treasury shares

Nominal value (DKK)	30 June 2021	30 June 2020	31 December 2020
Treasury shares as at 1 January	1,098,495	3,559,449	3,559,449
Purchases for the period	78,225	-	-
Cancellation for the period	-	(1,977,848)	(1,977,848)
Vested treasury shares for the period	(232,088)	(483,106)	(483,106)
Treasury shares	**944,632**	**1,098,495**	**1,098,495**

3.2 Cash and cash equivalents

mEUR	30 June 2021	30 June 2020	31 December 2020
Cash and cash equivalents without disposal restrictions	1,572	1,842	3,039
Cash and cash equivalents with disposal restrictions	24	25	24
Cash and cash equivalents	**1,596**	**1,867**	**3,063**

3.3 Financial risks

Financial risks, and how Vestas manages its risks, including liquidity, credit, and market risks, are addressed in the notes to the consolidated financial statements in the Annual Report 2020, note 4.2, pages 091-095. The risks in 2021 remain similar in nature.

As announced on 29 April 2021, Vestas has signed a EUR 2,000m revolving multi-currency credit facility with an interest margin linked to Vestas' sustainability KPIs to refinance the existing EUR 1,150m RCF maturing in 2024 and EUR 1,000m loan facilities established in 2020. The new sustainability-linked revolving credit facility will mature in 2026 and will include a two-year extension option to 2028. Subsequently to the establishment, Vestas has credit facilities of EUR 2,000m available for cash drawing and/or issuance of guarantees.

3.4 Financial instruments

Financial instruments measured at fair value have been categorized into level 1, 2, and 3 as addressed in the Annual Report 2020, note 4.4, page 102. In February 2021, Vestas acquired a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies. The consideration includes a performance-contingent consideration amounting to a maximum of EUR 320m to be paid in the period 2023 to 2029. The contingent consideration is classified as financial debt and amounts to a discounted amount of EUR 308m as at 30 June 2021. The debt instrument is measured based on expected maximum payments of EUR 320m in the period 2023 to 2026 and discounted using a 1 percent normalized financing interest rate. The contingent consideration is categorised as a level 3 financial instrument. Other than the contingent consideration, no significant new financial instruments have been recognized compared to 2020 and there have been no transfers between fair value levels.

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. As at 30 June 2021, the fair value of financial investments amounted to EUR 217m, equal to book value. Marketable securities amounted to EUR 100m and deposits amounted to EUR 117m.

Derivative financial instruments were negative with a market value of net EUR 108m, equal to book value, and were included in other receivables and other liabilities with EUR 275m and EUR 383m, respectively.

Financial instrument assets categorized within level 3 comprise other equity investments and renewable energy certificates. Valuation methods remain unchanged from the description in the Annual Report 2020 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 507m as at 30 June 2021. The book value of the SoWiTec corporate bond was EUR 15m with a corresponding fair value of EUR 16m as at 30 June 2021.

4 Other disclosures

4.1 Subsequent events

On 3 June 2021, Vestas signed an agreement with CS Wind Corporation for the acquisition of 100 percent of the shares in Vestas Towers America, Inc. owning Vestas' tower manufacturing facility in Pueblo, Colorado, refer to section 2.2.

The regulatory approval has been received whereafter the transaction was closed on 30 July 2021.

4.2 Related party transactions

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

mEUR	Q2 2021	Q2 2020	H1 2021	H1 2020
Joint ventures				
Revenue for the period	-	209	13	265
Proceeds from sale of projects	-	-	10	-
Capital increase	-	-	21	-
Receivable as at 30 June	6	82	6	82
Received prepayments balance as at 30 June	55	191	55	191
Associates				
Proceeds from investments in associates	6	-	10	-
Capital increase	3	-	3	-
Payable capital contribution as at 30 June	45	42	45	42

The volume and scale of transactions with related parties have decreased as a result of the acquisition of MHI's 50 percent shares in MHI Vestas Offshore Wind A/S on 14 December 2020, and consequently all transactions with MHI Vestas Offshore Wind A/S and subsidiaries are included in the consolidated figures.

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 2020, note 6.3, page 110.

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 2020 of Vestas and additional Danish disclosure requirements for interim financial reporting of listed companies.

This interim financial report does not include all the notes included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 December 2020 and any public announcements made during the interim reporting period.

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

5.2 Key accounting estimates and judgements

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

Reference is made to the consolidated financial statements in the Annual Report 2020, note 7.2, page 118 for further description of Vestas' key accounting estimates and judgements.

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

Estimate regarding measurement of warranty provisions
Measurement of warranty provisions is associated with significant estimation uncertainty and arises from component defects and functional errors. Warranty provisions made also include wind turbines sold in prior years, but where serial defects are identified later and comprise management's best estimate of the costs required to settle the obligation from such defects and functional errors.

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 2021.

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 2020 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 2021 and of the results of Vestas' operations and cash flows for the period 1 January to 30 June 2021.

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 2020.

Aarhus, Denmark, 11 August 2021

Executive Management

Henrik Andersen
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Board of Directors

Bert Nordberg
Chairman

Anders Runevad
Deputy Chairman

Lars Josefsson

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Kentaro Hosomi

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 2020 (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.