

Management's statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Vestas Wind Systems A/S for the financial year 2020.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The financial statements of Vestas Wind Systems A/S have been prepared in accordance with the Danish Financial Statements Act. The Management's Review is also prepared in accordance with the Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the financial position of Vestas and Parent Company as at 31 December 2020 and of the results of Vestas' and Parent Company's operations and consolidated cash flows for the financial year 1 January to 31 December 2020.

In our opinion, the Management's Review includes a fair review of the development in the operations and financial circumstances of Vestas and Parent Company, of the results for the year and of the financial position of Vestas and Parent Company as well as a description of the most significant risks and elements of uncertainty facing Vestas and Parent Company.

In our opinion, the social and environmental statements have been prepared in accordance with the accounting policies applied. They give a fair review of Vestas' social and environment performance.

In our opinion, the Annual Report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2020 identified as VWS-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual General Meeting approve the Annual Report.

Aarhus, 10 February 2021

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

Helle Thorning-Schmidt

Bruce Grant

Eva Merete Søfelde Berneke

Anders Runevad

Karl-Henrik Sundström

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

Kim Hvid Thomsen

Pia Kirk Jensen

The independent auditor's reports

To the Shareholders of Vestas Wind Systems A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2020 comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company, and statement of comprehensive income and statement of cash flows for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Vestas Wind Systems A/S on 5 May 1999 for the financial year 1999. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 22 years including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Recognition of the Group's revenue is complex due to several types of customer contracts utilised, including sale of wind turbines and wind power plants (supply-only, supply-and-installation and turnkey), service sales and sale of spare parts.</p> <p>We focused on this area as recognition of revenue involves significant judgement and accounting estimates made by Management including, whether contracts contain multiple performance obligations which should be accounted for separately and the most appropriate method for recognition of revenue for the identified performance obligations in the contracts. This includes assessing whether performance obligations in supply-and-installation contracts are satisfied at a point in time or over time. Further, it comprises the point in time when transfer of control has occurred regarding sale of wind turbines and sale of spare parts, and assessing the degree of completion of project and service contracts, which are accounted for over time. The total consideration for service contracts is subject to estimates regarding variable elements and the degree of completion for project and service contracts is subject to estimates regarding the remaining costs to complete the contracts. Furthermore, the reduction in revenue related to damages or penalties regarding project and service contracts is subject to estimates.</p> <p>Finally, significant estimates are involved in allocation of the consideration to the individual performance obligations in a contract.</p> <p>Refer to Note 1.2, Note 2.3 and Note 2.4 in the Consolidated Financial Statements.</p>	<p>We obtained an understanding of the Group' applied revenue recognition policies. We tested the relevant internal controls in this area implemented by Management to ensure the completeness, accuracy and timing of recognised revenue, including controls over the degree of completion of relevant project and service contracts at year-end.</p> <p>We reviewed a sample of both project and service contracts to assess whether the method for recognition of revenue was relevant and consistent with IFRS 15, and had been applied consistently. We focused on contract classification, allocation of fixed and variable consideration and cost to the individual performance obligations and timing of transfer of control. For supply-and-installation projects with revenue recognition over time we reviewed Management's assessment of a sample of projects and challenged the judgement made by Management in terms of no alternative use of the project. Where a contract contained multiple elements, we considered Management's judgements as to whether they comprised performance obligations that should be accounted for separately, and, in such cases, challenged the significant assumptions used in the allocation of the consideration to each performance obligation.</p> <p>We evaluated and challenged the significant judgements and accounting estimates made by Management in applying Vestas' accounting policy to a sample of specific contracts and separable performance obligations of contracts. As part of this we obtained evidence to support them, including inspecting signed contracts, delivery records, cash receipts and project plans and reconciled the revenue recognised to the underlying accounting records. We obtained a sample of Management's calculations of the degree of completion of project and service contracts, which are accounted for over time, and matched a sample of source data used in Management's calculation to supporting evidence, and evaluated the judgements and assumptions applied. We further challenged the estimated cost to complete for the sampled contracts. We also considered the historical outcome of accounting estimates used in prior periods.</p> <p>We reviewed the disclosures included in the notes and sample tested additional disclosure information to accounting records.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Warranty provisions</p> <p>The Group's product warranties primarily cover expected costs to repair or replace components with defects or functional errors and financial losses suffered by the Group's customers in connection with unplanned suspension of operations. Warranties are usually granted for a two-year period from legal transfer of the turbine, however, in certain cases, a warranty of up to five years is granted.</p> <p>We focused on this area as the completeness and valuation of the expected outcome of warranty provisions requires significant Management judgement and the use of significant assumptions concerning expected failure rates and expected repair costs giving rise to inherent uncertainty in the accounting estimates recorded in the financial statements.</p> <p>Refer to Note 3.6 in the Consolidated Financial Statements.</p>	<p>We tested the relevant internal controls regarding completeness of warranty provisions and how Management assesses valuation of provisions.</p> <p>We performed substantive audit procedures on the methodology, data, assumptions and model used by Management to calculate the provision and through selection of a sample of specific provisions.</p> <p>We challenged the significant assumptions underlying the valuation of provisions by checking and corroborating the inputs used to calculate the provisions, including interviewing project managers, cost controllers and Management regarding individual cases. We assessed specific warranty provisions held for individual cases to evaluate whether the warranty provisions were sufficient to cover expected costs at year-end and whether the disclosures included in the notes appropriately reflected the risk.</p> <p>Further, we assessed the level of historical warranty claims to assess whether the total warranty provisions held at year-end were sufficient to cover expected costs in light of known and expected cases and standard warranty periods provided.</p>

<p>Tax risks</p> <p>The Group operates in a complex multinational tax environment and the Group is part in tax cases with domestic and foreign tax authorities.</p> <p>The Group has recognised provisions in respect of uncertain tax positions.</p> <p>Furthermore, the Group has recognised write-downs on deferred tax assets related to the uncertainty about potential future utilisation of these tax assets.</p> <p>We focused on this area as the amounts involved are material and as the valuation of the provision and deferred tax assets is associated with significant accounting estimates and judgements.</p> <p>Refer to Note 5.1 and 5.2 in the Consolidated Financial Statements.</p>	<p>We evaluated relevant internal controls regarding completeness of records of uncertain tax positions and Management's procedure for estimating the provision for uncertain tax provisions and write-down of deferred tax assets.</p> <p>In understanding and evaluating Management's accounting estimates and judgements, we considered the status of recent tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and estimates and developments in the tax environment.</p> <p>We used PwC tax specialists to evaluate and challenge the adequacy of Management's significant assumptions and read correspondence with tax authorities to assess Management's accounting estimates.</p> <p>We evaluated the Group's model for valuation of deferred tax assets, including the data used to estimate the expected future taxable income.</p> <p>We reviewed the disclosures included in the notes and sample tested additional disclosure information to accounting records.</p>
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Statement on Management's Review

Management is responsible for Management's Review pages 003-062 and pages 133-139.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with Inter-

national Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2020 with the filename VWS-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for the preparation of an Annual Report that complies with the ESEF Regulation. This responsibility includes:

- The preparation of the Annual Report in XHTML format;
- The selection and application of appropriate iXBRL tags including extensions and the anchoring thereof for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of annual reports that are compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Annual Report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Annual Report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2020 with the file name VWS-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 10 February 2021

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Statsautoriseret Revisionspartnerselskab
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