Company announcement No. 10/2021

Interim Financial Report
First 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

Summary 3
Financial and operational key figures 4
Sustainability key figures 5
Group financial performance 6
Power Solutions 9
Service 11
Sustainability 12
Strategy and financial and capital structure targets 13
Outlook 2021 16
Consolidated financial statements 1 January - 31 March 17
Management's statement 28

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 are:

Power Solutions

Service

Information meeting (audiocast)
On Wednesday 5 May 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: 29163702#

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

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Summary

Revenue and EBIT decreased compared to same quarter 2020. Record high combined order backlog as a consequence of the integration of offshore. Full-year guidance maintained.

In the first quarter of 2021, Vestas generated revenue of EUR 1,962m – a decrease of 12 percent compared to the year-earlier period. EBIT before special items decreased by EUR 17m to EUR (71)m. This resulted in an EBIT margin before special items of (3.6) percent, compared to (2.4) percent in the first quarter of 2020. Free cash flow* amounted to EUR (898)m compared to EUR (920)m in the first quarter of 2020.

The quarterly intake of firm and unconditional wind turbine orders amounted to 2,016 MW. The value of the wind turbine order backlog was EUR 19.4bn as at 31 March 2021. In addition to the wind turbine order backlog, at the end of March 2021, Vestas had service agreements with expected contractual future revenue of EUR 25.3bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 44.7bn – an increase of EUR 10.6bn compared to the year-earlier period.

Vestas maintains its full-year guidance for 2021, with revenue expected to range between EUR 16bn and 17bn, including service revenue, which is expected to grow by approx. 15 percent. Vestas expects to achieve an EBIT margin before special items of 6-8 percent, with a service EBIT margin of approx. 24 percent. Total investments*) are expected to amount to approx. EUR 1,000m in 2021.

Group President & CEO Henrik Andersen said: *"Following a strong end to 2020, continued impact from COVID-19 and lower activity levels affected Vestas' results for the first quarter of 2021. Our order backlog reached an all-time high of EUR 45bn, and as a reflection of the continued positive price development, our underlying profitability improved in the quarter. Logistical challenges and supply chain bottlenecks were, however, amplified by COVID-19 restrictions in strategic markets and extraordinary events, and as a result our EBIT margin decreased year-over-year. Our service backlog and revenue increased significantly in the first quarter, and we started welcoming around 3,000 new colleagues in our offshore business as well as partnering with customers on upcoming offshore projects. At the same time, we continued the build-out of our global development business to capture a larger share of the value chain and accelerate the deployment of renewables. Although we have started the year a bit slower than expected, we remain positive we will catch up throughout the rest of the year by maintaining a strong focus on executing our 2021 goals and mid-term strategic priorities."*

Key highlights

All-time high order backlog
Combined order backlog of EUR 45bn despite lower order intake in Q1 2021.

Integration of offshore ongoing
Approx. 3,000 new colleagues welcomed in Vestas to capture future values.

Revenue of EUR 2bn
Decreased compared to Q1 2020 due to lower activity levels and impact from supply chain constraints.

EBIT margin of (3.6) percent
Slightly down from Q1 2020, impacted by lower revenue and logistical challenges.

Annual displacement of CO_2 reaches 192m tonnes
Vestas' installed fleet at the end of Q1 displaces 192m tonnes of CO_2 on an annual basis.

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

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Financial and operational key figures

mEUR	Q1 2021	Q1 2020	FY 2020
FINANCIAL HIGHLIGHTS			
Income statement			
Revenue	1,962	2,235	14,819
Gross profit	189	159	1,538
Operating profit before amortisation, depreciation and impairment (EBITDA) before special items	136	97	1,391
Operating profit (EBIT) before special items	(71)	(54)	750
Operating profit before amortisation, depreciation and impairment (EBITDA)	136	87	1,382
Operating profit (EBIT)	(71)	(112)	698
Net financial items	(18)	(2)	(95)
Profit before tax	(77)	(107)	934
Profit for the period	(57)	(80)	771
Balance sheet			
Balance sheet total	19,098	14,885	18,160
Equity	4,696	3,449	4,703
Net working capital	(380)	(631)	(1,127)
Capital employed	6,049	4,317	6,057
Interest-bearing position (net), at the end of the period	445	1,482	1,920
Cash flow statement			
Cash flow from operating activities	(746)	(760)	743
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(152)	(160)	(687)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(898)	(920)	56
Free cash flow	(1,090)	(919)	476
FINANCIAL RATIOS[1)]			
Financial ratios			
Gross margin (%)	9.7	7.1	10.4
EBITDA margin (%) before special items	6.9	4.3	9.4
EBIT margin (%) before special items	(3.6)	(2.4)	5.1
EBITDA margin (%)	6.9	3.9	9.3
EBIT margin (%)	(3.6)	(5.0)	4.7
Return on capital employed (ROCE)[2)] (%) before special items	12.2	17.4	13.5
Net interest-bearing debt / EBITDA[2)]	(0.3)	(1.0)	(1.4)
Solvency ratio (%)	24.6	23.2	25.9
Return on equity[2)] (%)	20.3	18.4	21.4
Share ratios[3)]			
Earnings per share[4)] (EUR)	0.8	0.6	0.8
Dividend per share (EUR)	-	-	0.23
Pay-out ratio (%)	-	-	30.0
Share price at the end of the period (EUR)	35.0	15.6	38.7
Number of shares at the end of the period (million)	1.010	995	1.010
OPERATIONAL KEY FIGURES[5)]			
Order intake (bnEUR)	1.6	2.4	12.7
Order intake (MW)	2,016	3,311	17,249
Order backlog – wind turbines (bnEUR)	19.4	15.9	19.0
Order backlog – wind turbines (MW)	24,814	22,049	24,630
Order backlog – service (bnEUR)	25.3	18.2	23.9
Produced and shipped wind turbines (MW)	4,530	4,917	17,055
Produced and shipped wind turbines (number)	1,127	1,476	5,239
Deliveries (MW)	1,925	2,228	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

	Q1 2021	Q1 2020	FY 2020
ENVIRONMENTAL[1)]			
Utilisation of resources			
Consumption of energy (GWh)	214	167	621
- of which renewable energy (GWh)	80	69[2)]	295
- of which renewable electricity (GWh)	62	59[2)]	261
Renewable energy (%)	37	41[2)]	48
Renewable electricity for own activities (%)	100	100[2)]	100
Withdrawal of fresh water (1,000 m^3)	100	90	421
Waste			
Volume of waste from own operations (1,000 t)	19	22	89
- of which collected for recycling (1,000 t)	10	11	46
Recyclability rate of hub and blade[3)] (%)	//	//	41
Carbon emissions			
Direct emissions of CO_2e (scope 1) (1,000 t)	28	20	71
Indirect emissions of CO_2e (scope 2) (1,000 t)	1	1[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)	126	125	493
Annual CO_2e avoided by the total aggregated installed fleet (million t)	192	169	186
SOCIAL			
Safety			
Total Recordable Injuries (number)	49	46	185
- of which Lost Time Injuries (number)	16	13	65
- of which fatal injuries(number)	0	0	0
Total Recordable Injuries per million working hours (TRIR)	3.1	3.4	3.3
Lost Time Injuries per million working hours (LTIR)	1.0	1.0	1.2
Employees			
Average number of employees (FTEs)	29,279	25,757	26,121
Employees at the end of the period (FTEs)	29,229	25,948	29,378
Diversity and inclusion			
Women in the Board[4)] and Executive Management at the end of the period (%)	27	23	27
Women in leadership positions[5)] at the end of the period (%)	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 first 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 quarter of 2020 changed to reflect that renewable energy certificates were subsequently bought for non-renewable electricity.
[3] Data only available from 2019 onwards.
[4] Only Board members elected by the general meeting are included.
[5] Employees in leadership positions comprise managers, specialists, project managers, and above.

Group financial performance

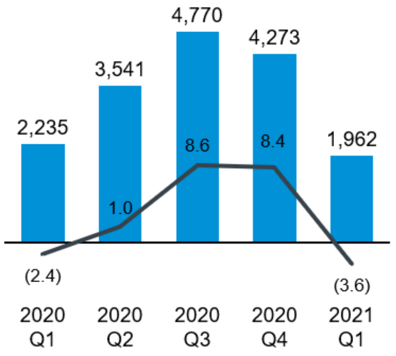
Income statement

Revenue

Revenue in the first quarter of 2021 amounted to EUR 1,962m, a decrease of 12 percent compared to EUR 2,235m in the first quarter of 2020. The decrease was particularly driven by lower wind turbine deliveries and as well impacted by supply chain constraints. Compared to the foreign exchange rates in the first quarter of 2020, revenue for the first quarter of 2021 reflects a negative impact of approx. EUR 100m from foreign exchange rate translations effects.

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 189m, corresponding to a gross margin of 9.7 percent, which is a 2.6 percentage point increase compared to the first quarter of 2020. The gross margin increase was mainly attributable to improved average project margins in the Power Solutions segment, but the margin continued to be negatively affected by logistical challenges and supply chain bottlenecks, among other things attributable to COVID-19.

Warranty provisions

Costs for warranty provisions amounted to EUR 63m in the first quarter of 2021, compared to EUR 70m in the first quarter of 2020. This is equivalent to a warranty ratio of 3.2 percent of revenue in the first quarter of 2021, which was close to on par with the ratio in the first quarter of 2020 at 3.1 percent.

Research and development costs, Distribution costs and Administration costs

Research and development costs recognised in the income statement amounted to EUR 87m, which is above the level in the first quarter of 2020 of EUR 72m, mainly from the inclusion of the offshore business.

Distribution costs amounted to EUR 86m in the first quarter of 2021 compared to EUR 90m in the first quarter of 2020.

Administration costs amounted to EUR 87m, compared to EUR 51m in the first quarter of 2020. The increase was mainly attributable to the inclusion of the offshore business and approx. 3,000 new employees.

Depreciation, amortisation, and impairment

In the first quarter of 2021, overall depreciation, amortisation, and impairment amounted to EUR 207m. This compares to EUR 199m in the same quarter of 2020, of which EUR 48m impairment loss was reflected in special items in the income statement. The underlying depreciation, amortisation, and impairment thereby increased by EUR 56m. The increase is primarily attributable to the inclusion of the offshore business and secondarily a result of recent years' more frequent introduction of new technologies and product variants.

Operating profit (EBIT) before special items

EBIT before special items amounted to negative EUR 71m in the first quarter of 2021, compared to negative EUR 54m in the first quarter of 2020, and equivalent to an EBIT margin of negative 3.6 percent. The EBIT margin before special items decreased by 1.2 percentage points compared to the first quarter of 2020, driven by the lower revenue and consequently lower absorption of fixed costs.

Special items

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

Operating profit (EBIT) after special items

In the first quarter of 2021, EBIT after special items amounted to negative EUR 71m, equivalent to an EBIT margin after special items of negative 3.6 percent. In the first quarter of 2020, EBIT after special items amounted to negative EUR 112m, equivalent to an EBIT margin after special items of negative 5 percent.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 12m in the first quarter of 2021, compared to a profit of EUR 7m in the first quarter of 2020. The profit was mainly derived from the investment in Copenhagen Infrastructure Partners P/S and from gains related to co-development activities in the USA.

Net financial items
Financial items for the first quarter of 2021 amounted to negative EUR 18m compared to negative EUR 2m in the first quarter of 2020 driven by interests, fees, and currency related items.

Income tax
Income tax amounted to an income of EUR 20m, equivalent to an effective tax rate of 26 percent, largely in line with 25 percent in the first quarter of 2020.

Net result for the period
Net result amounted to a loss of EUR 57m in the first quarter of 2021 compared to a loss of EUR 80m in the first quarter of 2020. The increase in net result was mainly a result of higher gross profit in the first quarter of 2021, and the negative impact in the first quarter of 2020 from special items.

Financial ratios
Earnings per share amounted to negative EUR 0.06 in the first quarter of 2021, an improvement of EUR 0.02 compared to negative EUR 0.08 in the first quarter of 2020, driven predominantly by the improved result of the period.

Return on capital employed (ROCE) before special items was 12.2 percent in the first quarter of 2021, a decline compared to 17.4 percent for the first quarter of 2020. This negative development can be attributed to an increase in equity and financial debt in combination with lower EBIT before special items in the first quarter of 2021.

Return on equity was 20.3 percent in the first quarter of 2021, compared to 18.4 percent in the first quarter of 2020, an increase of 1.9 percentage points which can be attributed to a higher net profit, 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 380m as at 31 March 2021, compared to a net liability of EUR 631m as at 31 March 2020. The increase was mainly driven by build-up of inventory for onshore and offshore deliveries during the remainder of 2021. Despite the deterioration compared to 2020, the overall net working capital level remains negative.

Cash flow from operating activities
Cash flow from operating activities was negative EUR 746m in the first quarter of 2021, slightly up from negative 760m in the first quarter of 2020.

Cash flow from investing activities
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to a net outflow of EUR 152m, compared to EUR 160m in the first quarter of 2020. The EUR 8m decrease in the net investment level was driven by net proceeds from investments in joint ventures.

Free cash flow
Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 898m, a level close to negative EUR 920m in the first quarter of 2020, excluding acquisitions of financial investments and investment in Copenhagen Infrastructure Partners. The negative development was driven by negative cash flow from operating activities reflecting net working capital build-up in the first quarter of the year.

Acquisition of 25 percent stake in Copenhagen Infrastructure Partners
On 18 December 2020, Vestas announced that it would acquire a 25 percent stake in the parent companies of Copenhagen Infrastructure Partners P/S (CIP). The transaction was completed on 5 February 2021 and has from that point been recognised as an investment in associates. A EUR 180m cash payment has been recognised during the first quarter of 2021, while the remaining maximum EUR 320m earn-out is to be paid in the period from 2023 to 2029.

Capital structure and financing items
Equity and solvency ratio
As at 31 March 2021, total equity amounted to EUR 4,696m, an increase from the level at the end of March 2020 of EUR 3,449m, mainly attributable to the net profit development in the last nine months of 2020.

As at 31 March 2021, the solvency ratio was 24.6 percent, which is an increase of 1.4 percentage points from the first quarter of 2020. The solvency ratio was positively impacted by a higher total equity, despite the higher overall asset balance mainly from acquisition and consolidation of offshore business and inventory build-up.

Net interest-bearing position and cash position
As at 31 March 2021, the net interest-bearing position was positive EUR 445m, a decline of EUR 1,037m, compared to a positive position of EUR 1,482m at the end of the first quarter of 2020. This development was primarily a result of the lower cash position the investment in Copenhagen Infrastructure Partners P/S and MHI Vestas Offshore Wind A/S.

As announced on 29 April 2021, Vestas has refinanced its existing credit facilities by obtaining a EUR 2,000m revolving multi-currency credit facility with an interest margin linked to Vestas' sustainability KPIs. 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 total available financial resources of EUR 3,893m.

Cash and cash equivalents amounted to EUR 1,677m as at 31 March 2021 compared to EUR 1,965 at the end of the first quarter of 2020.

The ratio net interest-bearing debt/EBITDA of negative 0.3 as at 31 March 2021 deteriorated compared to negative 1.0 at the end of the first quarter of 2020. The ratio was negatively impacted by the deterioration of the net interest-bearing position.

Power Solutions

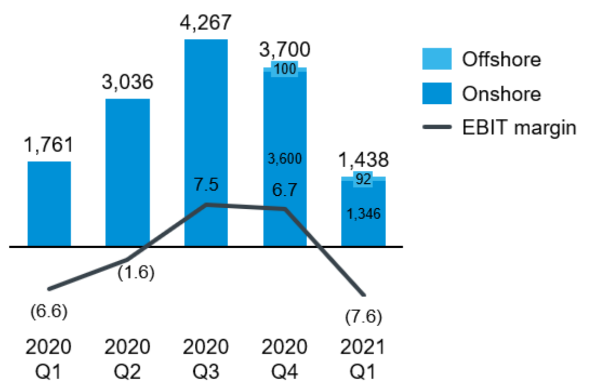
Result for the period

In the first quarter of 2021, revenue from the Power Solutions business amounted to EUR 1,438m, which is below the first quarter 2020 revenue of EUR 1,761m. The decrease is mainly attributable to the US and Australian markets. Offshore contributed with EUR 92m, a contribution which is expected to increase significantly for the remainder of the year.

EBIT before special items amounted to negative EUR 110m in the first quarter of 2021, equal to an EBIT margin of negative 7.6 percent. Compared to the first quarter of 2020, this is a deterioration of 1 percentage point. This development was positively impacted by a higher gross margin from improved average project margins, but more than offset by logistical challenges and a higher level of fixed costs from the integration of offshore.

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 first quarter of 2021, onshore wind turbine order intake amounted to 2,016 MW, corresponding to a value of EUR 1.6bn. This represents a decrease of 39 percent compared to an order intake of 3,311 MW in the first quarter of 2020, the decrease mainly relating to China and Brazil. Offshore did not account for any order intake in the quarter. In the quarter however, the new offshore product, the V236-15.0 MW™ turbine was launched in the market to support customers in ongoing and upcoming tender activities.

The average price per MW was EUR 0.80m in the first quarter of 2021, compared to EUR 0.72m in the first quarter of 2020 and EUR 0.74m for full-year 2020, highlighting the continued underlying stability in pricing.

Wind turbine order intake, first quarter 2021

MW

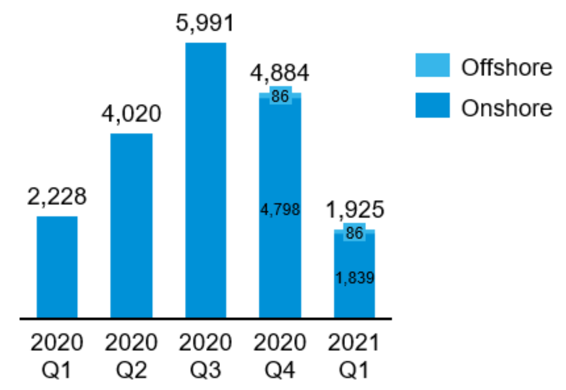
	EMEA	Ameri-cas	Asia Pacific	Total
Onshore order intake	1,497	226	293	**2,016**
Offshore order intake	-	-	-	**-**
Total order intake	1,497	226	293	**2,016**

Wind turbine deliveries

Deliveries to customers amounted to 1,925 MW in the first quarter of 2021, compared to 2,228 MW in the first quarter of 2020. The decrease was driven by deliveries in the Americas and Asia Pacific regions, with the most significant declines in the US and Australian markets.

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 March 2021, Vestas had installed a total capacity of 136 GW in 84 countries.

Deliveries (onshore and offshore)
MW

	Q1 2021	Q1 2020	FY* 2020
Germany	147	110	499
France	129	94	679
United Kingdom	109	4	78
Saudi Arabia	96	-	159
Turkey	66	41	324
Russian Fed.	65	131	390
Netherlands	63	17	270
Poland	50	42	413
South Africa	49	2	132
Sweden	49	68	424
Jordan	33	8	40
Denmark	31	-	92
Finland	20	4	222
Belgium	18	-	140
Austria	11	-	3
Italy	11	4	87
Greece	6	105	297
Spain	4	-	135
Egypt	4	-	-
Norway	1	4	792
Senegal	-	22	23
Kazakhstan	-	-	48
Portugal	-	-	34
Ukraine	-	8	8
EMEA	**962**	**664**	**5,289**
Hereof Offshore	*86*	-	*86*
Brazil	398	263	1,236
Mexico	127	115	194
USA	89	523	6,779
Chile	70	46	249
Bolivia	20	1	35
El Salvador	9	23	46
Panama	1	40	40
Argentina	-	60	240
Canada	-	21	130
Americas	**714**	**1,092**	**8,949**
Hereof Offshore	-	-	-
China	136	61	1,465
Australia	41	312	898
Vietnam	30	4	199
India	18	23	68
New Zealand	18	17	95
Japan	6	-	-
South Korea	-	-	107
Sri Lanka	-	19	80
Taiwan	-	36	62
Asia Pacific	**249**	**472**	**2,974**
Hereof Offshore	-	-	-
Total	**1,925**	**2,228**	**17,212**
Hereof Offshore	*86*	-	*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 first quarter of 2021, the wind turbine order backlog amounted to 24,814 MW, which corresponds to a value of EUR 19.4bn, of which EUR 3.9bn relates to offshore wind power projects. The value of the total order backlog constitutes an increase of 22 percent compared to EUR 15.9bn at the end of the first quarter of 2020, mainly driven by the inclusion of the offshore business.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	10,780	7,526	2,873	**21,179**
Offshore order backlog	2,907	-	728	**3,635**
Total backlog as at 31 March 2021	13,687	7,526	3,601	**24,814**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa increased 50 percent from end of first quarter of 2020 to 13,687 MW at the end of first quarter 2021. Inclusion of the offshore backlog contributed with 2,907 MW in the United Kingdom. The increase in the onshore backlog isolated was 18 percent mainly driven by the United Kingdom, the Netherlands, and Poland.

Americas

The total order backlog for Americas decreased 25 percent from the end of first quarter 2020 to 7,526 MW at the end of first quarter 2021. This was largely driven by the onshore order backlog in the USA, declining after high deliveries in the period from second to fourth quarter of 2020. The onshore order backlog in Americas in turn was positively impacted by a strong development in Brazil and Colombia.

Asia Pacific

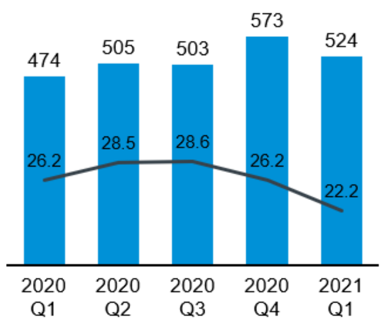
The total order backlog for Asia Pacific increased 28 percent from the end of first quarter 2020 to 3,601 MW at the end of first quarter 2021. Inclusion of the offshore backlog contributed with 728 MW in Japan and Taiwan. The onshore backlog isolated increased by 2 percent in the same period, led by order intake in Vietnam.

Service

Result for the period

The Service business generated revenue of EUR 524m in the first quarter of 2021, which corresponds to a 10 percent increase compared to the first quarter of 2020. The increase was driven by the inclusion of the offshore business but as well supported by growth in onshore service revenue.

Service revenue and EBIT margin before special items*
mEUR and percentage



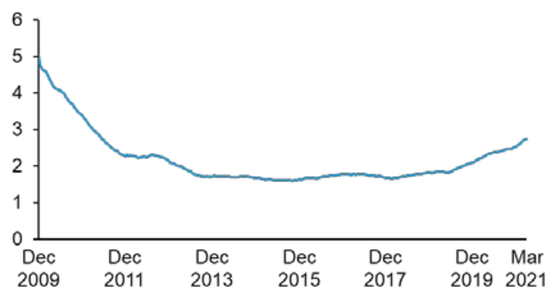
*Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect onshore only.

EBIT before special items amounted to EUR 116m in the first quarter of 2021, corresponding to an EBIT margin of 22.2 percent, which is a 4 percentage points decrease compared to the same period last year, at 26.2 percent. This development was mainly driven external factors 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 March 2021, Vestas had approx. 49,400 wind turbines under service, equivalent to approx. 118 GW.

Lost Production Factor*
Percent



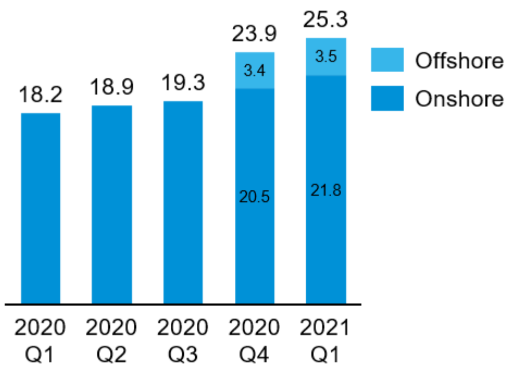
*) Data calculated across approx. 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

At the end of March 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 March 2021, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 25.3bn, an increase of EUR 7.1bn compared to 31 March 2020 partly driven by the inclusion of the offshore business.

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 2020.

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. As a consequence of the integration of the offshore business, in the first quarter of 2021 Vestas' total scope 1 and 2 emissions increased by 32 percent compared to the fourth quarter of 2020. Vestas' scope 1 and 2 carbon emissions from its onshore activities increased by 12 percent year-on-year in the first quarter of 2021 due to increased service activity. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

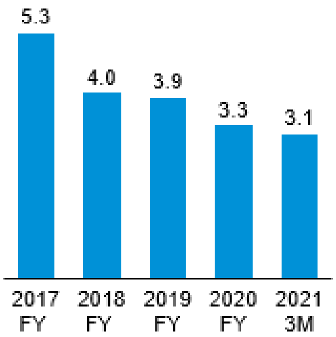
During the quarter, Vestas continued its transition to e-mobility in its benefit and service vehicle fleet. For benefit cars, 31 percent of the fleet is now plug-in hybrids or battery electric vehicles, down 4 percentage points from last quarter due to the integration of offshore. For the service fleet, 23 additional sustainably fueled vehicles were introduced, bringing the total to 150.

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. To support this goal, in January 2021 Vestas launched the DecomBlades project, a large cross-sector collaboration focusing on value chains for recycling end-of-life (EOL) wind turbine blades. Through collaboration with other major wind OEMs, recycling companies and knowledge partners, DecomBlades aims to identify one or more sustainable, globally available and economically feasible recycling routes for EOL blades. Specifically, Vestas will support the development of material and value streams for three recycling routes, with all recycling technologies undergoing a complete lifecycle analysis including global warming potential. The project will run for three years and is partly funded by Innovation Fund Denmark (IFD).

Diversity & Inclusion
Vestas is committed to achieve a 25 percent share of women in leadership positions by 2025 and 30 percent by 2030. The company is therefore progressing on a number of initiatives to help achieve this ambition. In the first quarter of 2021, a new project was launched to generate deep insights about why women leave Vestas, with the aim of creating targeted solutions to retaining women. In January, Vestas was included in the 2021 Bloomberg Gender Equality (GEI) index for the first time, which demonstrates its commitment to measuring and disclosing data related to gender equality, and to benchmarking against other companies for improvement. To further advance Vestas' commitment to this area, a new team, "Diversity, Inclusion, and Well-being" was formed in February and will continue to drive the D&I agenda at Vestas.

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 first quarter of 2021, 49 Recordable Injuries were registered, resulting in a TRIR of 3.1 (including offshore). This is an improvement from the TRIR of 3.4 in the first quarter of 2020 (not including offshore). During the quarter, integrating the offshore activities under the existing safety initiatives was a key priority.

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.

Energy transition
In February 2021, Vestas' newly established corporate venture capital arm, entitled Vestas Ventures, invested in the Swedish wood technology company Modvion A/B. With the investment in Modvion, Vestas becomes a minority investor in the bio-composite specialist, which focuses on the development and manufacturing of modular, sustainable wind turbine towers. When compared directly with the value chain of a conventional steel tower, Modvion towers are proven to reduce carbon emissions by 80 percent from tower manufacturing operations, again proving Vestas' dedication to scaling technologies that enable the world to be powered by sustainable energy.

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

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

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 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.

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

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 based on the current market conditions and projections. 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.

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

Revenue for full-year 2021 is expected to range between EUR 16bn and 17bn, including service revenue, which is expected to grow approx. 15 percent. Vestas expects to achieve an EBIT margin before special items of 6-8 percent with a service EBIT margin of approx. 24 percent. Total investments*) are expected to amount to approx. EUR 1,000m in 2021.

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 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

Revenue (bnEUR)	16-17
EBIT margin (%) before special items	6-8
Total investments*) (mEUR)	approx. 1,000

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

Consolidated financial statements 1 January - 31 March

Condensed income statement 1 January - 31 March

mEUR	Note	Q1 2021	Q1 2020
Revenue	1.1, 1.2	**1,962**	**2,235**
Production costs		(1,773)	(2,076)
Gross profit		**189**	**159**
Research and development costs		(87)	(72)
Distribution costs		(86)	(90)
Administration costs		(87)	(51)
Operating profit (EBIT) before special items	1.1	**(71)**	**(54)**
Special items		-	(58)
Operating profit (EBIT)		**(71)**	**(112)**
Income from investments in joint ventures and associates		12	7
Net financial items		(18)	(2)
Profit before tax		**(77)**	**(107)**
Income tax		20	27
Profit for the period		**(57)**	**(80)**
Profit is attributable to:			
Owners of Vestas		(61)	(75)
Non-controlling interests		4	(5)
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic		(0.06)	(0.08)
Earnings per share for the period (EUR), diluted		(0.06)	(0.08)

Condensed statement of comprehensive income 1 January - 31 March

mEUR	Q1 2021	Q1 2020
Profit for the period	**(57)**	**(80)**
Items that may be reclassified to the income statement subsequently:		
Exchange rate adjustments relating to foreign entities	71	(32)
Fair value adjustments of derivative financial instruments for the period	(7)	304
Gain/(loss) on derivative financial instruments transferred to the income statement	(6)	(23)
Exchange rate adjustments relating to joint ventures	-	(1)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	3	22
Share of fair value adjustments of derivatives financial instruments transferred to the income statement of joint ventures and associates	-	3
Tax on items that may be reclassified to the income statement subsequently	(2)	(72)
Other comprehensive income after tax for the period	59	201
Total comprehensive income for the period	**2**	**121**

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

Condensed balance sheet – Assets

mEUR	Note	31 March 2021	31 March 2020	31 December 2020
Goodwill		1,279	389	1,274
Completed development projects		595	341	621
Software		149	160	164
Other intangible assets		504	23	512
Development projects in progress		369	285	317
Total intangible assets		**2,896**	**1,198**	**2,888**
Land and buildings		606	648	598
Plant and machinery		336	299	336
Other fixtures, fittings, tools and equipment		484	355	481
Right-of-use assets		495	192	169
Property, plant and equipment in progress		177	154	438
Total property, plant and equipment	2.1	**2,098**	**1,648**	**2,022**
Investments in joint ventures and associates	2.2	595	203	57
Other investments		72	64	69
Tax receivables		201	156	201
Deferred tax		337	316	335
Other receivables	3.4	299	154	241
Financial investments	3.4	216	211	100
Total other non-current assets		**1,720**	**1,104**	**1,003**
Total non-current assets		**6,714**	**3,950**	**5,913**
Inventories		6,723	4,900	5,289
Trade receivables		1,317	1,456	1,538
Contract assets		895	556	775
Contract costs		537	518	369
Tax receivables		169	175	121
Other receivables	3.4	1,066	1,191	981
Financial investments	3.4	-	174	111
Cash and cash equivalents	3.2	1,677	1,965	3,063
Total current assets		**12,384**	**10,935**	**12,247**
Total assets		**19,098**	**14,885**	**18,160**

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	31 March 2021	31 March 2020	31 December 2020
Share capital	3.1	27	27	27
Other reserves		(100)	118	(146)
Retained earnings		4,706	3,259	4,773
Attributable to owners of Vestas		4,633	3,404	4,654
Non-controlling interests		63	45	49
Total equity		**4,696**	**3,449**	**4,703**
Provisions	2.3	625	453	696
Deferred tax		168	205	158
Financial debts	3.4	1,225	674	867
Tax payables		331	296	331
Other liabilities	3.4	210	89	173
Total non-current liabilities		**2,559**	**1,717**	**2,225**
Contract liabilities		6,575	5,473	5,613
Trade payables		3,526	3,064	3,608
Provisions	2.3	634	234	580
Financial debts	3.4	223	194	487
Tax payables		68	39	86
Other liabilities	3.4	817	715	858
Total current liabilities		**11,843**	**9,719**	**11,232**
Total liabilities		**14,402**	**11,436**	**13,457**
Total equity and liabilities		**19,098**	**14,885**	**18,160**

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

Condensed statement of changes in equity – 3 months 2021

mEUR	Share capital	Reserves: Translation reserve	Cash flow hedging reserve	Other 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	-	-	-	-	-	(61)	4	(57)
Other comprehensive income for the period	-	67	(15)	3	55	-	4	59
Total comprehensive income for the period	-	67	(15)	3	55	(61)	8	2
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(9)	-	(9)	-	-	(9)
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	(6)	6	-
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(4)	-	(4)
Total transactions with owners	-	-	-	-	-	(6)	6	-
Equity as at 31 March 2021	**27**	**(47)**	**(45)**	**(8)**	**(100)**	**4,706**	**63**	**4,696**

Condensed statement of changes in equity – 3 months 2020

mEUR	Share capital	Reserves: Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2020	**27**	**(4)**	**(4)**	**(59)**	**(67)**	**3,333**	**52**	**3,345**
Profit for the period	-	-	-	-	-	(75)	(5)	(80)
Other comprehensive income for the period	-	(30)	209	24	203	-	(2)	201
Total comprehensive income for the period	-	(30)	209	24	203	(75)	(7)	121
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(18)	-	(18)	-	-	(18)
Transaction with owners:								
Share-based payments	-	-	-	-	-	6	-	6
Tax on equity transactions	-	-	-	-	-	(5)	-	(5)
Total transactions with owners	-	-	-	-	-	1	-	1
Equity as at 31 March 2020	**27**	**(34)**	**187**	**(35)**	**118**	**3,259**	**45**	**3,449**

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

Condensed cash flow statement 1 January - 31 March

mEUR	Note	Q1 2021	Q1 2020
Profit for the period		(57)	(80)
Change in net working capital		(753)	(675)
Adjustment for non-cash transactions		144	114
Income tax paid		(63)	(107)
Interest paid / received, net		(17)	(12)
Cash flow from operating activities		**(746)**	**(760)**
Purchase of intangible assets		(87)	(70)
Purchase of property, plant and equipment		(79)	(90)
Proceeds from investments in joint ventures and associates		14	-
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments		**(152)**	**(160)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(898)**	**(920)**
Investments in joint ventures and associates		(186)	-
Purchase of other non-current financial assets		(1)	(1)
Disposal of other non-current financial assets		-	2
Purchase of financial investments		(116)	-
Disposal of financial investments		111	-
Cash flow from investing activities		**(344)**	**(159)**
Free cash flow		**(1,090)**	**(919)**
Payment of lease liabilities		(34)	(11)
Proceeds from borrowings		16	53
Payment of financial debt		(291)	-
Cash flow from financing activities		**(309)**	**42**
Net decrease in cash and cash equivalents		**(1,399)**	**(877)**
Cash and cash equivalents at the beginning of period		3,063	2,888
Exchange rate adjustments of cash and cash equivalents		13	(46)
Cash and cash equivalents at the end of the period		**1,677**	**1,965**

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 has been integrated in the existing Service operating segment.

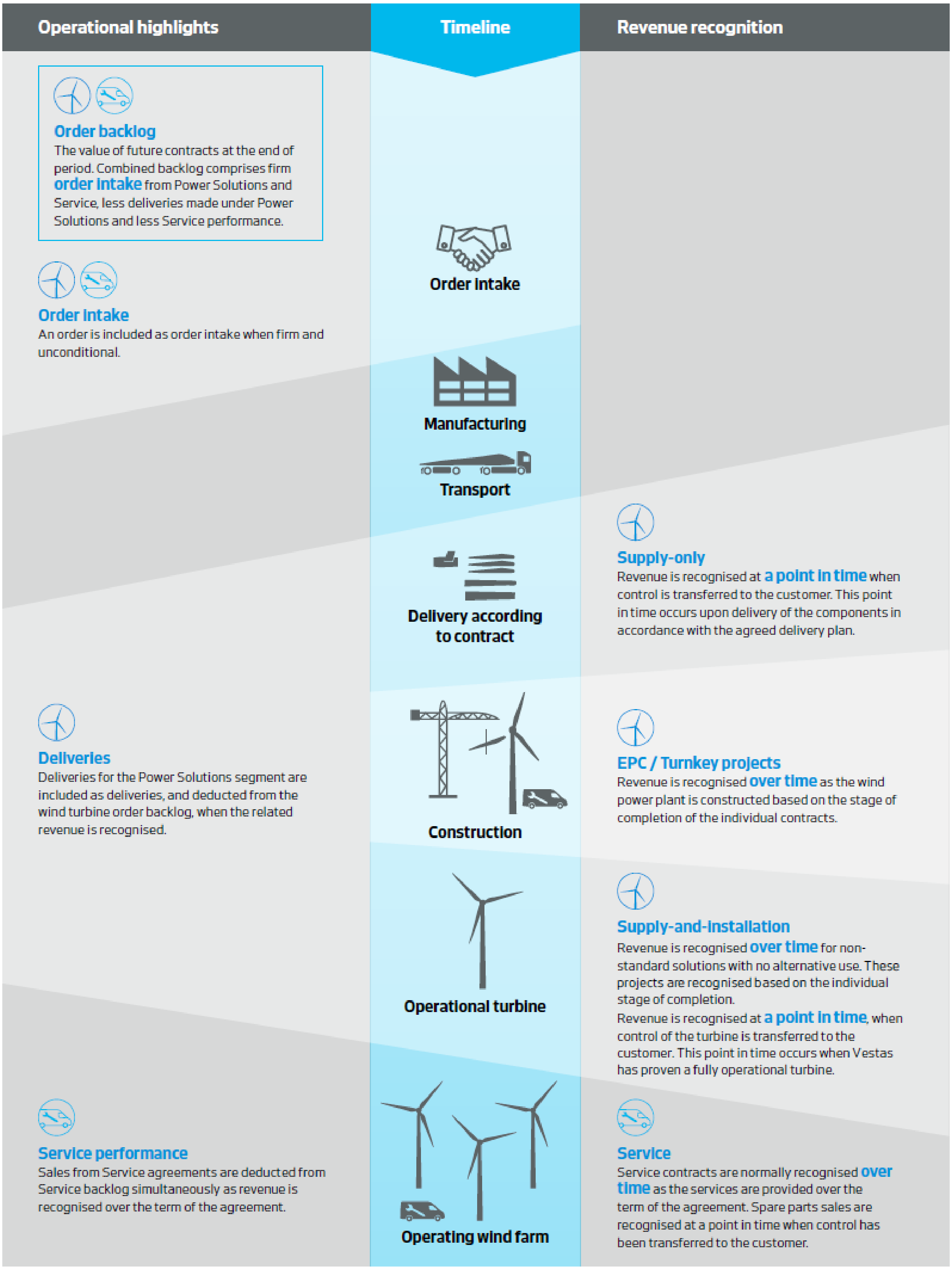
mEUR	Power Solutions	Service	Not allocated	Total Group
Q1 2021				
Total revenue	**1,438**	**524**	**-**	**1,962**
Total costs	**(1,548)**	**(408)**	**(77)**	**(2,033)**
Operating profit (EBIT)	**(110)**	**116**	**(77)**	**(71)**
Income from investments in joint ventures and associates				12
Net financial items				(18)
Profit before tax				**(77)**
Amortisation and depreciation included in total costs	(164)	(25)	(18)	**(207)**

mEUR	Power Solutions	Service	Not allocated	Total Group
Q1 2020				
Total revenue	**1,761**	**474**	**-**	**2,235**
Total costs	**(1,878)**	**(350)**	**(61)**	**(2,289)**
Operating profit (EBIT) before special items	**(117)**	**124**	**(61)**	**(54)**
Special items	(58)	-	-	(58)
Operating profit (EBIT)	**(175)**	**124**	**(61)**	**(112)**
Income from investments in joint ventures and associates				7
Net financial items				(2)
Profit before tax				**(107)**
Amortisation and depreciation included in total costs	(119)	(17)	(15)	(151)

In the first quarter of 2020, impairment losses of EUR 48m and provision for purchase commitments of EUR 10m 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	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Timing of revenue recognition						
Products and services transferred at a point in time	699	1,113	72	71	771	1,184
Products and services transferred over time	739	648	452	403	1,191	1,051
	1,438	1,761	524	474	1,962	2,235
Revenue from contract types						
Supply-only	193	551	-	-	193	551
Supply-and-installation (at a point in time)	506	562	-	-	506	562
Supply-and-installation (over time)	538	276	-	-	538	276
Turnkey (EPC)	201	372	-	-	201	372
Service	-	-	524	474	524	474
	1,438	1,761	524	474	1,962	2,235
Primary geographical markets						
EMEA	768	564	301	259	1,069	823
Americas	459	815	174	175	633	990
Asia Pacific	211	382	49	40	260	422
	1,438	1,761	524	474	1,962	2,235

2.1 Property, plant and equipment

In the first quarter of 2021, Vestas acquired assets with a cost of EUR 79m mainly related to investments in the transport equipment and construction tools, compared to EUR 90m in the first quarter of 2020.

Lease contracts recognised as right-of-use assets during the first quarter of 2021 amounted to EUR 85m, compared to EUR 18m in the first quarter of 2020.

2.2 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.

2.3 Warranty provisions (included in provisions)

mEUR	31 March 2021	31 March 2020	31 December 2020
Warranty provisions, 1 January	1,189	619	619
Provisions for the period	63	70	693
Warranty provisions consumed during the period	(117)	(73)	(326)
Additions from business combinations	-	-	203
Reclassification	57	-	-
Warranty provisions	**1,192**	**616**	**1,189**
The provisions are expected to be payable as follows:			
< 1 year	596	215	524
> 1 year	596	401	665
	1,192	**616**	**1,189**

In the first quarter of 2021, warranty provisions charged to the income statement amounted to EUR 63m, equivalent to 3.2 percent of revenue. Warranty consumption amounted to EUR 117m compared to EUR 73m in the first quarter of 2020. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.1 percent.

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 recognised as 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)	31 March 2021	31 March 2020	31 December 2020
Treasury shares as at 1 January	1,098,495	3,559,449	3,559,449
Purchases for the period	-	-	-
Cancellation for the period	-	-	(1,977,848)
Vested treasury shares for the period	(128,013)	(359,893)	(483,106)
Treasury shares	**970,482**	**3,199,556**	**1,098,495**

3.2 Cash and cash equivalents

mEUR	31 March 2021	31 March 2020	31 December 2020
Cash and cash equivalents without disposal restrictions	1,653	1,940	3,039
Cash and cash equivalents with disposal restrictions	24	25	24
Cash and cash equivalents	**1,677**	**1,965**	**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 categorised 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 31 March 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 normalised 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 recognised 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 31 March 2021, the fair value of financial investments amounted to EUR 216m, equal to book value. Marketable securities amounted to EUR 100m and deposits amounted to EUR 116m.

Derivative financial instruments were negative with a market value of net EUR 17m, equal to book value, and were included in other receivables and other liabilities with EUR 59m and EUR 76m, respectively.

Financial instrument assets categorised 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 498m with a corresponding fair value of EUR 510m as at 31 March 2021. The book value of the SoWiTec corporate bond was EUR 15m with a corresponding fair value of EUR 16m as at 31 March 2021.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q1 2021	Q1 2020
Joint ventures		
Revenue for the period	13	56
Proceeds from investments in joint ventures	10	-
Capital increase	21	-
Receivable as at 31 March	34	67
Received prepayments balance as at 31 March	56	179
Associates		
Payable capital contribution as at 31 March	44	41
Proceeds from investments in associates	4	-

The volume and scale of transactions with related parties has 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 31 March 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 31 March 2021 and of the results of Vestas' operations and cash flows for the period 1 January to 31 March 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, 5 May 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*

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Disclaimer and cautionary statement

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

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

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