



Vestas[®]

Company announcement No. 29, 2017

Interim financial report **Second quarter 2017**

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
Highlights for the Group.....	4
Financial performance.....	6
Strategy and financial and capital structure targets.....	10
Social and environmental performance	12
Outlook 2017.....	14
Consolidated financial statements 1 January – 30 June	16
Management’s statement	27

Information meeting (audiocast)

On Thursday 17 August 2017 at 10 a.m. CEST (9 a.m. BST), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com/investor.

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

Europe: +44 203 008 9813
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Denmark: +45 3544 5575

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, earnings, and free cash flow decreased compared to last year's very strong second quarter of 2016. Solid order intake and combined order backlog at high level. Guidance for 2017 maintained.

In the second quarter of 2017, Vestas generated revenue of EUR 2,206m – a decrease of 14 percent compared to the year-earlier period. EBIT decreased by EUR 120m to EUR 279m. The EBIT margin was 12.6 percent compared to 15.6 percent in the second quarter of 2016 and free cash flow* amounted to EUR (158)m compared to EUR 330m in the second quarter of 2016.

The intake of firm and unconditional wind turbine orders amounted to 2,667 MW in the second quarter of 2017. The value of the wind turbine order backlog amounted to EUR 9.1bn at 30 June 2017. In addition to the wind turbine order backlog, Vestas had service agreements

with expected contractual future revenue of EUR 11.1bn at the end of June 2017. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 20.2bn – an increase of EUR 2.1bn compared to the year-earlier period.

Vestas maintains its 2017 guidance on revenue of EUR 9.25bn-10.25bn, EBIT margin before special items of 12-14 percent, total investments* of approximately EUR 350m, and free cash flow* of minimum EUR 700m.

Group President & CEO Anders Runevad said: *"In a changing market, Vestas delivered another solid quarter with healthy earnings and maintained our leadership position. Our second quarter results showed improved order intake across all regions, increased order backlog, strong performance in service and half-year revenue on par with 2016. Looking ahead, we need to continue to put all of our focus on effectively executing on our strategy."*

Key highlights

Increased order intake

Order intake in the quarter reached 2,667 MW.

Revenue of EUR 2,206m

Revenue in H1 2017 of EUR 4,091m – on par with H1 2016.

Solid earnings

Q2 2017 EBIT margin at 12.6 percent.

Strong service performance

Revenue increased 14 percent with an EBIT margin of 19.4 percent.

Share buy-back programme

EUR 600m share buy-back programme launched to adjust the capital structure.

*) Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.

Highlights for the Group

mEUR	Q2 2017 ¹⁾	Q2 2016 ¹⁾	H1 2017 ¹⁾	H1 2016 ¹⁾	FY 2016
Financial highlights					
Income statement					
Revenue	2,206	2,557	4,091	4,021	10,237
Gross profit	484	621	861	868	2,126
Operating profit before financial income and costs, depreciation and amortisation (EBITDA)	398	523	699	698	1,826
Operating profit (EBIT)	279	399	490	484	1,421
Net financial items	(11)	(10)	3	(30)	(33)
Profit before tax	247	372	461	418	1,287
Profit for the period	186	278	346	313	965
Balance sheet					
Balance sheet total	10,198	9,579	10,198	9,579	9,931
Equity	3,142	2,925	3,142	2,925	3,190
Investments in property, plant and equipment	67	49	107	112	304
Net invested capital	350	640	350	640	(361)
Net working capital	(1,225)	(1,016)	(1,225)	(1,016)	(1,941)
Cash flow statement					
Cash flow from operating activities	(42)	426	(46)	312	2,181
Cash flow from investing activities	(116)	(96)	(104)	(278)	(817)
Free cash flow	(158)	330	(150)	34	1,364
Financial ratios²⁾					
Financial ratios					
Gross margin (%)	21.9	24.3	21.0	21.6	20.8
EBITDA margin (%)	18.0	20.5	17.1	17.4	17.8
EBIT margin (%)	12.6	15.6	12.0	12.0	13.9
Interest-bearing position (net), end of the period	2,636	2,083	2,636	2,083	3,255
Return on invested capital ³⁾ (ROIC) (%)	400.8	148.2	400.8	148.2	265.2
Solvency ratio (%)	30.8	30.5	30.8	30.5	32.1
Return on equity ³⁾ (%)	31.9	29.3	31.9	29.3	32.6
Share ratios					
Earnings per share ⁴⁾ (EUR)	4.6	3.7	4.6	3.7	4.4
Cash flow from operating activities per share (EUR)	(0.2)	1.9	(0.2)	1.4	9.8
Dividend per share (EUR)	-	-	-	-	1.31
Payout ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	80.8	60.8	80.8	60.8	61.7
Number of shares at the end of the period (million)	215	222	215	222	222
Operational key figures					
Order intake (bnEUR)	2.2	1.6	4.0	3.6	9.5
Order intake (MW)	2,667	1,790	4,716	4,193	10,494
Order backlog – wind turbines (bnEUR)	9.1	8.2	9.1	8.2	8.5
Order backlog – wind turbines (MW)	10,667	9,361	10,667	9,361	9,530
Order backlog – service (bnEUR)	11.1	9.9	11.1	9.9	10.7
Produced and shipped wind turbines (MW)	3,095	2,902	5,466	4,716	9,957
Produced and shipped wind turbines (number)	1,192	1,226	2,075	1,961	4,264
Deliveries (MW)	1,834	2,491	3,387	3,705	9,654

1) Neither audited nor reviewed.

2) The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios 2015).

3) Calculated over a 12-month period.

4) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

	Q2 2017 ¹⁾	Q2 2016 ¹⁾	H1 2017 ¹⁾	H1 2016 ¹⁾	FY 2016
Social and environmental key figures²⁾					
Occupational health & safety					
Total recordable injuries (number)	57	92	124	162	303
- of which lost time injuries (number)	19	17	47	36	82
- of which fatal injuries (number)	0	0	0	0	0
Consumption of resources					
Consumption of energy (GWh)	125	123	278	284	567
- of which renewable energy (GWh)	71	73	141	147	296
- of which renewable electricity (GWh)	69	67	127	130	268
Consumption of fresh water (1,000 m ³)	117	104	202	196	428
Waste disposal					
Volume of waste (1,000 tonnes)	17	20	34	39	75
- of which collected for recycling (1,000 tonnes)	10	10	19	19	37
Emissions					
Direct emission of CO ₂ (1,000 tonnes)	12	11	29	28	58
Indirect emission of CO ₂ (1,000 tonnes)	6	6	14	14	26
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	1	1
Employees⁴⁾					
Average number of employees	22,355	21,676	22,129	21,356	21,625
Number of employees at the end of the period	22,573	21,781	22,573	21,781	21,824
- of which outside Europe and Africa	10,415	10,063	10,415	10,063	9,975
Social and environmental indicators²⁾					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	5.1	8.2	5.5	7.5	6.9
Incidence of lost time injuries per one million working hours	1.7	1.5	2.1	1.7	1.9
Absence due to illness among hourly-paid employees (%)	2.2	2.2	2.4	2.3	2.2
Absence due to illness among salaried employees (%)	1.2	1.0	1.3	1.1	1.2
Products					
CO ₂ savings over the lifetime on the MW produced and shipped (million tonnes of CO ₂)	87	82	154	133	281
Utilisation of resources					
Renewable energy (%)	57	59	51	52	52
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in Board of Directors ³⁾ and Executive Management (%)	23	23	23	23	23
Women at management level ⁴⁾ (%)	19	19	19	19	19
Non-Danes at management level ⁴⁾ (%)	62	58	62	58	60

1) Neither audited nor reviewed.

2) Accounting policies for social and environmental key figures for the Group, see page 52 of the annual report 2016.

3) Only Board members elected by the general meeting are included.

4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

Financial performance

Power solutions performance

(Power solutions refers to the segment that was previously called Projects, read more in note 1.1 on Segment information.)

Order intake

The quarterly order intake was 2,667 MW, of which 73 percent was announced. The order intake increased by 877 MW, equal to 49 percent, compared to the second quarter of 2016. Seventeen countries contributed to the order intake, with USA as the main contributor followed by Sweden, Argentina, Germany, and China.

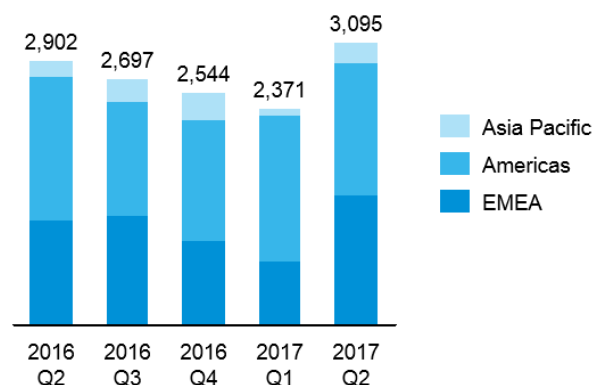
Level of activity

Vestas had a second quarter of 2017 with a high manufacturing activity level compared to second quarter of 2016.

In the second quarter of 2017, Vestas produced and shipped wind turbines with an aggregate output of 3,095 MW (1,192 wind turbines) against 2,902 MW (1,226 wind turbines) in the second quarter of 2016.

Produced and shipped

MW

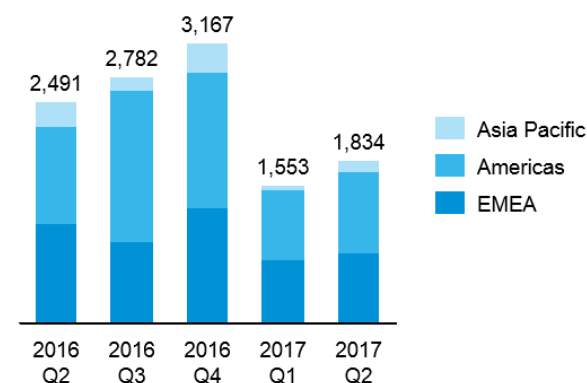


Deliveries to customers amounted to 1,834 MW – a decrease of 26 percent compared to the second quarter of 2016. The decrease was driven by all regions but in particular Europe, Middle East, and Africa (EMEA).

As a result of the high manufacturing activity not fully reflected in deliveries to customers, wind turbine projects with a total output of 4,321 MW were under completion end of June 2017, compared to 2,950 MW at the end of June 2016. The amount of MW under completion is reflected in the level of inventories as a large share of these MW has not yet been recognised as revenue. Revenue is recognised either when risk has been transferred to the customer or based on stage of completion, depending on type of contract.

Deliveries (Transfer of risk)

MW



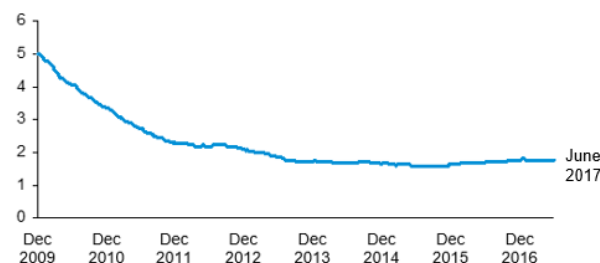
Fleet performance

By the end of June 2017, Vestas had installed 85 GW in 75 countries.

At the end of June 2017, the overall average Lost Production Factor for the wind power plants where Vestas guaranteed the performance was below 2 percent.

Lost Production Factor*

Percent



* Data calculated across approx. 22,900 Vestas wind turbines under full-scope service.

Order backlog

The order backlog amounted to 10,667 MW at the end of June 2017, well above the backlog level of 9,361 MW at 30 June 2016. The order backlog has developed positively due to the order intake achieved in the quarter. Europe, Middle East, and Africa (EMEA) accounted for 49 percent of the backlog, and Americas and Asia Pacific accounted for 37 and 14 percent, respectively. The value of the order backlog was EUR 9.1bn at 30 June 2017 compared to EUR 8.2bn at 30 June 2016 – an increase of 11 percent.

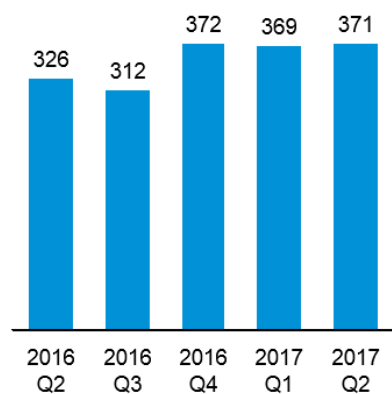
Service performance

Level of activity

The service activity was at a higher level in the second quarter of 2017 compared to the second quarter of 2016.

Service revenue

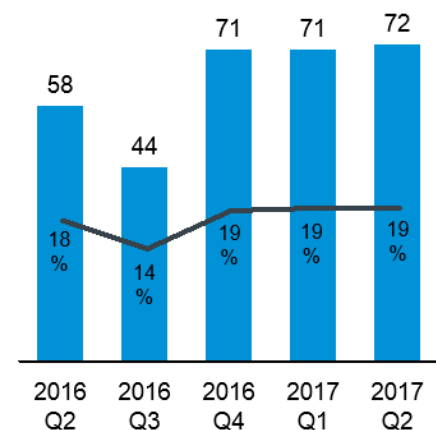
mEUR



Service revenue amounted to EUR 371m in the second quarter of 2017 – an increase of 14 percent compared to the second quarter of 2016. The increase in service revenue continues to be driven by the increased service order backlog.

Service EBIT

mEUR and percentage



The service EBIT margin amounted to 19.4 percent – an increase of 1.6 percentage points compared to the second quarter of 2016. The improvement was driven by increasing activity and improved performance. Even though revenue and earnings from the service business are more stable than from the wind turbine business, the activities that generate revenue and earnings in the various types of service contracts may vary from quarter to quarter.

Order backlog

At the end of June 2017, Vestas had service agreements with expected contractual future revenue of EUR 11.1bn

compared to EUR 9.9bn at 30 June 2016 – an increase of 12 percent. At the end of June 2017, the average duration in the service order backlog was approximately six years, unchanged compared to end of June 2016.

By the end of June 2017, Vestas had more than 38,000 wind turbines under service equivalent to approximately 71 GW.

Result for the period

Revenue

In the second quarter of 2017, revenue amounted to EUR 2,206m – a decrease of 14 percent compared to the second quarter of 2016, driven by lower revenue in the Power solutions segment. Despite the revenue shortfall in the second quarter compared to last year's very strong second quarter, revenue in the first six months increased by 2 percent compared to 2016.

Gross profit

Gross profit decreased by 22 percent to EUR 484m compared to the second quarter of 2016, corresponding to a gross margin of 21.9 percent – a 2.4 percentage point decrease relative to the gross margin of 24.3 percent in the second quarter of 2016. The decreased revenue and lower average margins in the Power solutions segment drove the decrease in gross profit only partly offset by improved performance in the Service segment.

It should be emphasised that developments in quarterly gross margins may show substantial fluctuations due to volume and composition relating to country, project complexity, order, and wind turbine type as well as customers' demand for delivery flexibility.

EBIT

EBIT decreased by 30 percent to EUR 279m in the second quarter of 2017 relative to the second quarter of 2016. The decrease in EBIT was driven by lower gross profit and an impairment of R&D building facilities of EUR 28m. Consequently, the EBIT margin decreased by 3.0 percentage points to 12.6 percent compared to the second quarter of 2016. Comparing the first six months, the level is unchanged at 12.0 percent between 2016 and 2017.

Income from investments in joint ventures

Income from investments in joint ventures amounted to a loss of EUR 21m compared to a loss of EUR 17m in the second quarter of 2016. This was driven by Vestas' share of loss in MHI Vestas Offshore Wind on a standalone basis, combined with elimination of proportional profit on deliveries from Group to the joint venture.

Financial items

In the second quarter of 2017, net financial items amounted to a net cost of EUR 11m compared to a net cost of EUR 10m in the second quarter of 2016.

Profit before and after tax

Profit before tax amounted to EUR 247m in the second quarter of 2017 compared to EUR 372m in the second

quarter of 2016. In the second quarter of 2017, income tax expense was EUR 61m, compared to EUR 94m in the second quarter of 2016. Profit after tax amounted to EUR 186m compared to EUR 278m in the second quarter of 2016.

Working capital

Net working capital amounted to a net liability of EUR 1.2bn at the end of June 2017, which is an improvement of EUR 0.2bn compared to the level at the end of June 2016. The positive development in net working capital was primarily driven by an increase in prepayments from customers as well as higher trade payables exceeding the negative effect from inventory build-up.

Other operating assets and liabilities

Return on invested capital (ROIC)

Return on invested capital was 400.8 percent in the second quarter of 2017 from 148.2 percent in the second quarter of 2016, primarily driven by working capital elements as well as the improved operating result after tax for the last 12 months.

Capital structure and financing items

Equity

Vestas' equity amounted to EUR 3,142m at 30 June 2017 – an increase of 7 percent compared to 30 June 2016. The positive development was mainly driven by the profit for the period exceeding distribution to shareholders through the EUR 278m dividend payment and share buy-backs of approximately EUR 495m in total.

Solvency ratio

The solvency ratio increased by 0.3 percentage points to 30.8 percent compared to 30 June 2016. The solvency ratio remained within the target for the year of 30-35 percent despite dividend pay-out and share buy-back programme.

Cash flow

Net investments

Total net investments amounted to an outflow of EUR 116m in the second quarter of 2017. Net investments was EUR 20m above last year's level amounting to EUR 96m.

Free cash flow

The free cash flow amounted to negative EUR 158m for the quarter, primarily driven by inventory build-up.

New share buy-back programme

The Board of Directors of Vestas Wind Systems A/S has decided to initiate a new share buy-back programme of up to DKK 4,460m (approximately EUR 600m) to be executed during the period 17 August 2017 to 29 December 2017. The new share buy-back programme will be structured according to the safe harbour regulation.

The main purpose of the share buy-back programme is to adjust the capital structure of Vestas.

Share buy-backs are intended to be used from time to time to adjust the capital structure and/or if excess cash arises. Any such decision will be taken in appropriate consideration of capital structure targets, while still maintaining adequate flexibility to invest in Vestas' strategy, Profitable Growth for Vestas.

The stated dividend policy of Vestas will be unaffected by the share buy-back programme, and hence remains at 25-30 percent of the net result of the year.

Market development

Deliveries and wind turbine backlog per region

The order backlog amounted to 10,667 MW at the end of June 2017 compared to an order backlog level of 9,361 MW at 30 June 2016.

Order intake and wind turbine backlog per region

MW	EMEA	Americas	Asia Pacific	Total
Order intake Q2 2017	1,019	1,350	298	2,667
Backlog as per 30 June 2017	5,202	3,962	1,503	10,667

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 797 MW compared to 1,126 MW in the previous year. Deliveries were distributed in several different countries of the region, with Germany being the country in the region where most capacity was delivered.

The order intake for the region amounted to 1,019 MW, up from 818 MW in the second quarter of 2016. The order intake in the quarter was coming mainly from Sweden, Germany, and Greece. The order backlog comprised 5,202 MW as of 30 June 2017.

Americas

Deliveries in the Americas region amounted to 920 MW compared to 1,090 MW in the second quarter of 2016. The slightly lower level is attributable to a small decrease in deliveries in the USA and Latin America.

In the quarter, order intake amounted to 1,350 MW for the Americas region, of which 924 MW came from the USA, 374 MW from Argentina and the remaining from Mexico. The order backlog for the region amounted to 3,962 MW as of 30 June 2017, of which the majority relates to orders in the USA.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 117 MW compared to 275 MW in the previous year. Deliveries in the quarter were in China and Japan.

Order intake in the markets in Asia Pacific was 298 MW, almost three times as high as in the second quarter of 2016. Orders were mainly coming from China, but orders received in Australia and South Korea supported the development as well. The order backlog amounted to 1,503 MW as of 30 June 2017.

Deliveries (Transfer of risk)

MW	Q2 2017	Q2 2016	FY 2016
Germany	261	320	1,119
United Kingdom	135	-	310
Morocco	117	-	-
Finland	79	96	340
Greece	48	69	174
Denmark	42	32	171
France	31	162	534
Belgium	24	73	224
Austria	23	7	43
Italy	20	52	110
Ireland	17	-	-
Sweden	-	130	343
Turkey	-	40	221
Poland	-	77	77
South Africa	-	68	181
Spain	-	-	35
Georgia	-	-	21
Netherlands	-	-	26
Portugal	-	-	20
Romania	-	-	15
Switzerland	-	-	13
Serbia	-	-	7
Ukraine	-	-	7
EMEA	797	1,126	3,991
USA	712	779	3,940
Brazil	180	36	182
Curacao	17	-	-
Canada	8	12	12
Uruguay	3	61	160
Mexico	-	56	198
Chile	-	110	297
Jamaica	-	36	36
Americas	920	1,090	4,825
China	108	154	490
Japan	9	-	-
India	-	56	66
Australia	-	-	40
South Korea	-	20	122
Thailand	-	45	90
Vietnam	-	-	30
Asia Pacific	117	275	838
Total	1,834	2,491	9,654

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the annual report 2016.)

Raising the bar towards 2020

After completing a successful turnaround, Vestas launched the Profitable Growth Strategy in 2014, with the objective to deliver profitable growth. Vestas is executing on the strategic objectives and meeting the targets with the result that Vestas is now stronger than ever across the business.

In the coming years, the strategic ambition is to further develop and expand Vestas' market position. Profitable growth will continue to set the direction. Vestas will continue to work diligently on strengthening its position further by also taking advantage of the opportunities ahead. Vestas wants to grow in a profitable way, as generating profit will allow Vestas to further expand its business and achieve its ambitions.

At the same time, Vestas needs to prepare for the future to beat the increasing competition on all parameters. To do so, Vestas will build further on its capabilities to integrate new technologies in its product portfolio and at the same time ensure the lowest possible levelised cost of energy. Improving its competitiveness also requires Vestas to adapt its organisation to succeed in rapidly evolving market conditions.

To achieve this, Vestas must balance and utilise its three key differentiators:

- Expand global reach (i.e. by increasing market presence and further localising manufacturing).
- Increase technology and service leadership (i.e. by reducing levelised cost of energy across the product portfolio and by strengthening product and service offerings).
- Leveraging global scale (i.e. by utilising installed base and sourcing opportunities).

To this end, Vestas has defined four strategic objectives which provide the operational basis for the implementation of the strategy.

1. Global leader in the wind power plant solutions market

Vestas will continue to focus on profitable growth in all markets, partnering more closely with its customers, expanding its key account programme, involving customers in product development, and working closely with them to deliver tailored solutions.

With its strong global footprint, Vestas has a competitive edge, allowing it to grow profitably in both mature and emerging markets. Vestas will continue to scale production up and down in accordance with demand in different regions. Building on its long-standing global presence, Vestas will continue to pursue opportunities in markets where wind energy is set to expand.

As part of Vestas' ambitions to grow profitably, Vestas is participating in project development to a limited extent as some markets require this. By entering into co-development activities under a more structured approach, Vestas expects to be able to engage earlier with certain customers and thereby potentially lock deals earlier than it would in some cases otherwise be possible, whilst simultaneously offering significant value to the customer. The short to medium-term financial effects from such initiatives are expected to be limited in the context of Vestas' overall financials.

The repowering potential is increasing rapidly and Vestas is well-positioned to capture value in this market segment. The main repowering opportunity towards 2020 is in Germany with additional potential in Denmark, the USA, and India. Beyond 2020, the repowering potential will become global.

Vestas' mid-term ambition to grow faster than the market remains unchanged for 2017-2020. Vestas' ambition is to uphold its No. 1 global position in installed wind power capacity.

2. Global leader in the service solutions market

Vestas has installed 85 GW on six continents and services 71 GW across the globe at the end of June 2017. Together with Vestas' industry-leading quality and a Lost Production Factor under 2 percent, Vestas has an unparalleled track record within operation and service of wind turbines.

As the majority of Vestas' wind turbine contracts are sold with service agreements, typically running for five to 10 years, the stable revenue stream from the service business is set to continue its growth as the installed base of wind turbines increases.

As part of Vestas' goal to become the leader in the service solutions market, Vestas will grow its multi-brand service solutions. Multi-brand service solutions offer a large opportunity as Vestas turbines cover approximately 16 percent of the total installed fleet worldwide. With the acquisitions of UpWind Solutions Inc. and Availon Holding GmbH, Vestas accelerated its competences within multi-brand service solutions.

Vestas' large installed base and unmatched data processing and analytics capabilities within the wind power industry serve as an important enabler for developing and expanding the service business further. Vestas already use data to optimise operation and maintenance, but Vestas' data expertise should enable the company to bring new value creating solutions to the market.

As a result of higher than anticipated growth in the service business, Vestas has decided to increase its strategic ambition for the area. The new target is to grow its service business by more than 50 percent organically towards 2020 versus 2016 revenue, while at the same time deliver best-in-class margins.

3. Lowest cost of energy solutions

For more than 35 years, Vestas has been driving down the cost of energy in the wind power industry and been at the heart of the technological progress. Vestas has a clear ambition to sustain this downward trend and lower the cost of energy faster than anyone in the wind power industry by bringing commercially valuable products and services to the market. Vestas' technology strategy derives its strength from market-driven product development and extensive testing at the wind power industry's largest test facility, located in Denmark.

Coupled with utilising Vestas' smart data capabilities across the entire value chain, Vestas' approach to technology enables it to continuously integrate new and effectively innovate proven technologies to create high-performing products and services in pursuit of its overriding objective: lowering the levelised cost of energy (LCOE).

During 2016, Vestas introduced new variants and solutions to support its ambition to reduce LCOE faster than market average. By reducing LCOE faster than market average, Vestas aims to provide its customers with the highest returns in the industry. Vestas' investments in new technology are the highest in the wind power industry.

4. Best-in-class global operations

Vestas will continue to build its strength within its core business in 2017 and beyond. The overall strategic ambition is to ensure profitable growth for Vestas and expand its global leadership. Vestas has come a long way and will continue its journey to create an even more flexible and robust company.

Vestas' size provides a competitive foundation for lowering costs at every stage of the value chain. Vestas will optimise its production footprint to further improve its flexibility, labour cost efficiency, and CAPEX efficiency. Vestas will also continue to increase efficiency by leveraging on the scale of its operations.

Finally, working capital management remains an area of high priority for Vestas. Consequently, the focus remains on improving the cash conversion cycle and lowering the working capital tied up while transporting and installing the wind turbine projects.

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. Both the Board of Directors as well as Executive Management believe that strong financial performance and stability are prerequisites for delivering excellent commercial results, and therefore adopt a conservative approach to the structure of the company's balance sheet, whilst at the same time ensuring that management focuses on delivering strong financial results.

Mid-term financial targets

By increasing earnings and keeping investment and net working capital requirements low, Vestas aims to generate a double-digit return on invested capital (ROIC) each year over the cycle. Vestas expects to be able to finance its own growth and hence the free cash flow is expected to be positive each financial year.

Capital structure targets

As a player in a market where projects, customers, and wind turbine investors become larger, Vestas aims to be a strong financial counterpart. In line with the prudent balance sheet approach, the target for the net debt/EBITDA ratio remains unchanged at below 1 at any point in the cycle. In addition, the target is a solvency ratio in the range of 30-35 percent by the end of each financial year.

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' corporate strategy, Profitable Growth for Vestas.

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 buy-back 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 extraordinary investments, the total distribution to shareholders through dividends and share buy-backs may constitute the majority of the free cash flow.

Social and environmental performance

Standards, goals, and priorities

As the global wind leader, Vestas wants to reduce the cost of clean energy and accelerate the global shift to sustainable energy solutions.

The United Nations has defined 17 Sustainable Development Goals (SDGs) that aim to tackle poverty, climate change and inequality for people around the world by 2030. Vestas has decided to set the goals as aspirational points of orientation in the day-to-day business, and the SDGs will be guiding principles in the ongoing and coming initiatives to help power a sustainable future. Vestas has chosen to focus initiatives on six key SDGs with Goal 7 (Ensure access to affordable, reliable, sustainable and modern energy for all) as guiding star.

Sustainable products and sustainable operations are integral for Vestas. Standards and goals are reflected in the social and environmental priorities:

- The lowest possible incidence of recordable injuries.
- CO₂ impact from wind power must excel against other energy forms.
- The lowest possible percentage of waste from the wind turbines.
- Avoid or minimise negative impacts on communities where Vestas operates, whilst enhancing Vestas' positive impacts.

The standards and goals build on global certificates for the three standards ISO 9001 for quality, ISO 14001 for environment, and OHSAS 18001 for health and safety as well as recognised conventions established by international organisations such as the UN, ILO, and OECD.

Employees

During the second quarter of 2017, the number of employees increased by 490 to 22,573.

Safety

In the first half of 2017, the total recordable injury rate has improved significantly compared to half year 2016. The improvement is attributed to a committed leadership and workforce safety focus in manufacturing, including a successful competition between factories in the first half of 2017, heightening safety awareness.

The same development can be seen quarter-on-quarter, where the number of total recordable injuries decreased considerably by 38 percent in the second quarter of 2017 compared to the year-earlier quarter. The incidence of total recordable injuries decreased from 8.2 in the second quarter of 2016 to 5.1 in the second quarter of 2017, below the target of maximum 6.0 for 2017.

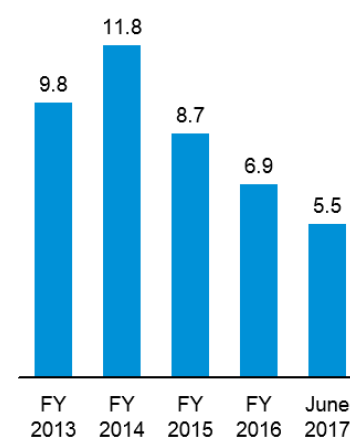
A key behavioural safety training programme has been developed which, when implemented, will support the

development and maturity of the Vestas safety culture. The programme, called My Team My Responsibility (MTMR), compliments existing Vestas safety tools and will eventually cover all Vestas employees, customised to the particular environment and job roles. Vestas' contractors will likewise be introduced to the programme.

MTMR introductory pilots have been successfully conducted in Northern Europe and several factories globally. A full internal MTMR implementation roll-out plan dependent on the safety maturity of the region will be identified by year end. MTMR contractor safety workshops have also been held in both Europe and the USA, with additional workshops planned for later this year.

Incidence of total recordable injuries

Per one million working hours



Environmental performance

The energy consumption from Vestas' manufacturing and service activities is at the same level as the same quarter last year. However, the direct CO₂ emissions have increased as service activities increased, resulting in higher fuel consumption. The waste generation has decreased in the first half of 2017 relative to the first half of 2016, and at the same time the share of recycled waste has increased, both are results of improvements in the blade production. Water consumption has increased compared to same quarter last year as production has started at the new blades factory in India.

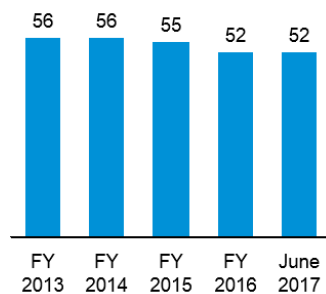
Renewable energy

Vestas has achieved 100 percent sustainable renewable electricity consumption, partly by purchasing renewable electricity when available, and partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants.

In the first half of 2017, 51 percent of all energy consumption came from renewable energy sources, which was lower than in the year-earlier period. The decrease in the share of renewable energy for the first half year compared to the same period last year is attributable to increased service activities.

Renewable energy

Percentage of total energy consumption



WindEurope sustainability forum

Vestas has been a driving force in establishing the Sustainability forum in the WindEurope association (previously EWEA) for consolidating best practice in the wind power industry and driving improvements. The forum is open to all members and was established in 2016. As a first outcome, two public papers were published in spring 2017 consolidating insights on “Blade waste” and “Circular economy”*. By collaborating across company borders, companies can share experiences and best practice and identify innovative ways of designing, planning, building, and maintaining wind power plants, ensuring that, even in the early stages of a project, all aspects of sustainability are considered.

*The papers are available at <https://windeurope.org/policy/topics/sustainability/>

Outlook 2017

Outlook for 2017 is unchanged.

Revenue is expected to range between EUR 9.25bn and 10.25bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of 12-14 percent with the service EBIT margin remaining stable.

Total investments¹ are expected to amount to approximately EUR 350m, and the free cash flow¹ is expected to be minimum EUR 700m in 2017.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation activities as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped, and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections, and similar matters may thus cause delays that could affect Vestas' financial results for 2017. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2017.

Outlook 2017²⁾

Revenue (bnEUR)	9.25-10.25
EBIT margin (% ³⁾)	12-14
Total investments (mEUR) ¹⁾	approx. 350
Free cash flow (mEUR) ¹⁾	min. 700

1) Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.

2) Based on current foreign exchange rates.

3) Before special items.

Consolidated financial statements 1 January – 30 June

Condensed income statement 1 January – 30 June

mEUR	Note	Q2 2017	Q2 2016	H1 2017	H1 2016
Revenue	1.1	2,206	2,557	4,091	4,021
Production costs		(1,722)	(1,936)	(3,230)	(3,153)
Gross profit		484	621	861	868
Research and development costs		(85)	(76)	(127)	(130)
Distribution costs		(52)	(56)	(114)	(102)
Administration costs		(68)	(90)	(130)	(152)
Operating profit (EBIT)	1.1	279	399	490	484
Income from investments in associates and joint ventures		(21)	(17)	(32)	(36)
Net financial items		(11)	(10)	3	(30)
Profit before tax		247	372	461	418
Income tax		(61)	(94)	(115)	(105)
Profit for the period		186	278	346	313
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.87	1.27	1.62	1.43
Earnings per share for the period (EUR), diluted		0.87	1.26	1.61	1.42

The above condensed income statement for the period should be read in conjunction with the accompanying notes.

Condensed statement of comprehensive income 1 January – 30 June

mEUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Profit for the period	186	278	346	313
Items that may be subsequently reclassified to the income statement:				
Exchange rate adjustments relating to foreign entities	(80)	12	(85)	(29)
Fair value adjustments of derivative financial instruments for the period	39	(118)	60	(95)
Fair value adjustments of derivative financial instruments transferred to the income statement (Production costs)	24	4	16	8
Exchange rate adjustments relating to joint ventures	(1)	-	(1)	-
Share of fair value adjustments of derivatives financial instruments of joint ventures for the period	(2)	7	(9)	15
Tax on items that may be subsequently reclassified to the income statement	(16)	28	(19)	22
Other comprehensive income after tax for the period	(36)	(67)	(38)	(79)
Total comprehensive income for the period	150	211	308	234

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2017	30 June 2016	31 December 2016
Goodwill		306	307	309
Completed development projects		311	191	300
Software		82	61	80
Other intangible assets		48	51	54
Development projects in progress		98	162	85
Total intangible assets		845	772	828
Land and buildings		718	823	767
Plant and machinery		213	247	233
Other fixtures, fittings, tools and equipment		213	177	221
Property, plant and equipment in progress		103	110	108
Total property, plant and equipment		1,247	1,357	1,329
Investments in associates and joint ventures		156	202	201
Other investments		25	21	26
Tax receivables		49	109	49
Deferred tax		209	70	208
Other receivables	3.3	64	25	55
Marketable securities	3.3	204	-	190
Total other non-current assets		707	427	729
Total non-current assets		2,799	2,556	2,886
Inventories		3,056	2,648	1,985
Trade receivables		983	1,021	1,038
Construction contracts in progress		26	16	19
Tax receivables		37	71	25
Other receivables	3.3	369	688	322
Marketable securities	3.3	-	-	11
Cash and cash equivalents		2,928	2,579	3,550
Total current assets		7,399	7,023	6,950
Non-current assets held for sale	4.2	-	-	95
Total assets		10,198	9,579	9,931

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2017	30 June 2016	31 December 2016
Share capital	3.1	29	30	30
Other reserves		23	59	61
Retained earnings		3,090	2,836	3,099
Total equity		3,142	2,925	3,190
Provisions	2.1	461	357	457
Deferred tax		101	52	34
Financial debts	3.3	496	496	496
Tax payables		37	44	37
Other liabilities		55	10	90
Total non-current liabilities		1,150	959	1,114
Prepayments from customers		2,636	2,640	3,002
Construction contracts in progress		170	37	73
Trade payables		2,436	2,000	1,666
Provisions	2.1	146	132	131
Tax payables		101	174	191
Other liabilities		417	712	564
Total current liabilities		5,906	5,695	5,627
Total liabilities		7,056	6,654	6,741
Total equity and liabilities		10,198	9,579	9,931

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

Condensed statement of changes in equity – 6 months 2017

mEUR	Reserves					Retained earnings	Total
	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves		
Equity at 1 January 2017	30	107	(61)	15	61	3,099	3,190
Profit for the year	-	-	-	-	-	346	346
Other comprehensive income for the period	-	(85)	57	(10)	(38)	-	(38)
Total comprehensive income for the period	-	(85)	57	(10)	(38)	346	308
Transaction with owners:							
Reduction of share capital*	(1)	-	-	-	-	1	-
Dividends distributed	-	-	-	-	-	(289)	(289)
Dividends distributed related to treasury shares	-	-	-	-	-	11	11
Acquisition of treasury shares	-	-	-	-	-	(95)	(95)
Disposal of treasury shares	-	-	-	-	-	1	1
Share-based payments	-	-	-	-	-	6	6
Tax on equity transactions	-	-	-	-	-	10	10
Total transactions with owners	(1)	-	-	-	-	(355)	(356)
Equity at 30 June 2017	29	22	(4)	5	23	3,090	3,142

*The share capital was reduced by 6,047,780 shares of DKK 1.00 in second quarter of 2017, due to cancellation of treasury shares. Furthermore, the share capital was changed in second quarter of 2016 and first quarter of 2014. Except for these changes, the share capital has not changed in the period 2013-2017. Ref. note 3.1.

Condensed statement of changes in equity – 6 months 2016

mEUR	Reserves					Retained earnings	Total
	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves		
Equity at 1 January 2016	30	99	37	2	138	2,731	2,899
Profit for the period	-	-	-	-	-	313	313
Other comprehensive income for the period	-	(29)	(65)	15	(79)	-	(79)
Total comprehensive income for the period	-	(29)	(65)	15	(79)	313	234
Transaction with owners:							
Dividends distributed	-	-	-	-	-	(205)	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	4	4
Acquisition of treasury shares	-	-	-	-	-	(18)	(18)
Disposal of treasury shares	-	-	-	-	-	6	6
Share based payments	-	-	-	-	-	5	5
Total transactions with owners	-	-	-	-	-	(208)	(208)
Equity at 30 June 2016	30	70	(28)	17	59	2,836	2,925

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

Condensed cash flow statement

mEUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Profit for the period	186	278	346	313
Adjustments for non-cash transactions	255	224	488	382
Income tax paid	(23)	51	(141)	36
Financial cost paid, net	(7)	4	(24)	(10)
Cash flow from operating activities before change in net working capital	411	557	669	721
Change in net working capital	(453)	(131)	(715)	(409)
Cash flow from operating activities	(42)	426	(46)	312
Purchase of intangible assets	(49)	(54)	(93)	(90)
Purchase of property, plant and equipment	(67)	(49)	(107)	(112)
Sale of property, plant and equipment	-	7	-	7
Disposal of non-current assets held for sale	-	-	99	-
Purchase of other non-current financial assets	-	-	(3)	-
Acquisition of subsidiaries, net of cash	-	-	-	(83)
Cash flow from investing activities	(116)	(96)	(104)	(278)
Free cash flow	(158)	330	(150)	34
Purchase of treasury shares	(43)	(18)	(98)	(18)
Disposal of treasury shares	1	1	1	6
Dividend paid	(278)	(201)	(278)	(201)
Repayment of financial debts	-	(4)	-	(4)
Cash flow from financing activities	(320)	(222)	(375)	(217)
Net increase/(decrease) in cash and cash equivalents	(478)	108	(525)	(183)
Cash and cash equivalents at the beginning of period	3,487	2,457	3,550	2,765
Exchange rate adjustments of cash and cash equivalents	(81)	14	(97)	(3)
Cash and cash equivalents at the end of the period	2,928	2,579	2,928	2,579
The amount can be specified as follows:				
Cash and cash equivalents without disposal restrictions	2,523	2,327	2,523	2,327
Cash and cash equivalents with disposal restrictions	405	252	405	252
Total cash and cash equivalents	2,928	2,579	2,928	2,579

The above condensed cash flow statement should be read in conjunction with the accompanying notes. The cash flow statement cannot be inferred from the disclosed financial information only.

Notes

1 Result for the period

1.1 Segment information

In 2017, the operating and reportable segment Projects was renamed Power solutions. The change did not have any impact on the corporate structure nor internal reporting. Consequently, no change to the segment information has occurred.

mEUR	Power solutions	Service	Not allocated	Total Group
Q2 2017				
Revenue	1,835	371	-	2,206
Total revenue	1,835	371	-	2,206
Total costs	(1,572)	(299)	(56)	(1,927)
Operating profit (EBIT)	263	72	(56)	279
Income from investments in associates and joint ventures				(21)
Net financial items				(11)
Profit before tax				247
Amortisation and depreciation included in total costs	(85)	(8)	(6)	(99)

In second quarter of 2017, impairment losses of EUR 28m related to R&D facilities and reversal of impairment losses from prior years of EUR 8m related to manufacturing facilities were reflected. Net EUR 20m has negatively impacted the Power solutions segment.

mEUR	Power solutions	Service	Not allocated	Total Group
Q2 2016				
Revenue	2,231	326	-	2,557
Total revenue	2,231	326	-	2,557
Total costs	(1,820)	(268)	(70)	(2,158)
Operating profit (EBIT)	411	58	(70)	399
Income from investments in associates and joint ventures				(17)
Net financial items				(10)
Profit before tax				372
Amortisation and depreciation included in total costs	(90)	(7)	(12)	(109)

In second quarter of 2016, impairment losses of EUR 15m has negatively impacted the Group EBIT, related to R&D activities (EUR 10m in Power solutions) and declassification of properties held for sale (EUR 5m in Not allocated).

1.1 Segment information (continued)

mEUR	Power solutions	Service	Not allocated	Total Group
H1 2017				
Revenue	3,351	740	-	4,091
Total revenue	3,351	740	-	4,091
Total costs	(2,897)	(597)	(107)	(3,601)
Operating profit (EBIT)	454	143	(107)	490
Income from investments in associates and joint ventures				(32)
Net financial items				3
Profit before tax				461
Amortisation and depreciation included in total costs	(160)	(17)	(12)	(189)

In first quarter of 2017, write-offs on service inventory of EUR 14m has been recognised and consequently negatively impacted the service EBIT.

In second quarter of 2017, impairment losses of EUR 28m related to R&D facilities and reversal of impairment losses from prior years of EUR 8m related to manufacturing facilities were reflected. Net EUR 20m has negatively impacted the Power solutions segment.

mEUR	Power solutions	Service	Not allocated	Total Group
H1 2016				
Revenue	3,396	625	-	4,021
Total revenue	3,396	625	-	4,021
Total costs	(2,909)	(515)	(113)	3,537
Operating profit (EBIT)	487	110	(113)	484
Income from investments in associates and joint ventures				(36)
Net financial items				(30)
Profit before tax				418
Amortisation and depreciation included in total costs	(169)	(13)	(17)	(199)

In second quarter of 2016, impairment losses of EUR 15m has negatively impacted the Group EBIT, related to R&D activities (EUR 10m in Power solutions) and declassification of properties held for sale (EUR 5m in Not allocated).

2 Other operating assets and liabilities

2.1 Warranty provisions (included in provisions)

mEUR	30 June 2017	30 June 2016	31 December 2016
Warranty provisions, 1 January	524	386	386
Provisions for the period	76	76	228
Warranty provisions consumed during the period	(59)	(37)	(90)
Warranty provisions	541	425	524
The provisions are expected to be payable as follows:			
< 1 year	124	106	110
> 1 year	417	319	414

In the first half year of 2017, warranty provisions charged to the income statement amounted to EUR 76m, equivalent to 1.9 percent of revenue. Warranty consumption amounted to EUR 59m – compared to EUR 37m in the first half year of 2016. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.1 percent.

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

3 Capital structure and financing items

3.1 Share capital

On 6 April 2017, it was approved at the Vestas Wind Systems A/S' Annual General Meeting to reduce the share capital from nominally DKK 221,544,727 to nominally DKK 215,496,947 through cancellation of treasury shares of nominally DKK 6,047,780, corresponding to 6,047,780 shares of nominally DKK 1.

3.2 Financial risks

Financial risks, including liquidity, credit, and market risks were addressed in the notes to the consolidated financial statements in the annual report 2016, note 4.5, page 87-92. The risks remain similar in nature compared to 2016.

3.3 Financial instruments

At 30 June 2017, the fair value of marketable securities was EUR 204m, equal to book value. Derivative financial instruments was negative with a market value of net EUR 6m, equal to book value, and included in other receivables and other liabilities with EUR 60m and EUR 66m, respectively.

Financial instruments measured at fair value has been categorised into level 1, 2, and 3 as addressed in the annual report 2016, note 4.7, page 96. There have been no significant new items compared to 2016 and there have been no significant transfers between levels.

The book value of the Green Corporate Eurobond was EUR 496m with a corresponding fair value of EUR 540m at 30 June 2017.

4 Other disclosures

4.1 Related party transactions

The Group has had the following material transactions with joint ventures:

mEUR	Q2 2017	Q2 2016	H1 2017	H1 2016
MHI Vestas Offshore Wind A/S				
Revenue for the period	108	49	234	90
Receivable balance at 30 June	50	56	50	56
Roaring Fork Wind, LLC				
Prepayment balance at 30 June	74	-	74	-

No other significant changes have occurred to 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 2016, note 6.4, page 103.

4.2 Non-current assets held for sale

In the first quarter of 2017, the Group has sold the office buildings classified as held for sale as a sale and leaseback agreement. The Group has received EUR 99m in cash for the office buildings, and less cost to sell this is equivalent to the carrying amount of EUR 95m. As such, the sale impacts the income statement by EUR 0m. At the same time, Vestas has entered into an irrevocable operating lease agreement, which runs for 10 years after the interim financial reporting period. The minimum lease obligations, relating to the operating lease, amounts to EUR 35m.

4.3 Subsequent events

Between the end of the quarter and the publication of this interim financial report, General Electric (GE) has filed a patent complaint against the Vestas Group. The Group is in the process of assessing the claim.

5 Basis for preparation

5.1 General accounting policies

The interim financial report of Vestas Wind Systems A/S 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 and additional Danish disclosure requirements for interim financial reporting of listed companies.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Vestas Wind Systems A/S 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 the Group, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of the Group's 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 for the year ended 31 December 2016, note 7.2, page 112.

5.3 Changes in accounting policies and disclosures

The accounting policies remain unchanged compared to the annual report for the year ended 31 December 2016, to which reference is made. The Group has implemented all new, amended, or revised accounting standards and interpretations

(IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2017. These IFRSs have not had any impact on the Group's interim financial report.

IFRS 15, Revenue from Contracts with Customers and Clarifications to IFRS 15

The Group continues the process of preparing for the implementation of IFRS 15, which becomes effective 1 January 2018. The Group expects to apply IFRS 15 using modified retrospective application, with the cumulative effect of initially applying the standard to be adjusted to the opening balance of retained earnings 2018. Consequently, 2017 comparative figures will be reported according to IAS 11/IAS 18 and will not be restated to reflect the numbers according to IFRS 15. Note disclosures will be available stating 2018 numbers according to both IFRS 15 and IAS 11/IAS 18, to provide comparability between 2017 and 2018 and to disclose the effect from the changed regulation.

Under current IAS 11/IAS 18 regulation, timing of revenue recognition is primarily dependent on the transfer of risks and rewards to the customer of the goods and services. Under future IFRS 15 regulation, timing of revenue recognition is primarily dependent on the transfer of control to the customer for the relevant performance obligations in a contract.

IFRS 15 does not change the underlying principles of how the Group accounts for the main revenue streams. Total revenue of a contract will remain unchanged, however the timing of the revenue recognition will be deferred for Supply-only contracts and Turnkey contracts.

IFRS 15 does not impact the cash flows for the Group.

The Group expects an impact on the note disclosures, due to the new IFRS 15 disclosure requirements.

The project nature of the business causes significant uncertainties in the estimated transition impact, as current project projections related to end 2017 may change, due to various matters; such as weather conditions, delays, etc. These matters may potentially change the numbers significantly. Based on current information available, a preliminary estimate has been made on the transition impact and it is expected that opening equity 1 January 2018 will be impacted by less than EUR 50m.

Management's statement

The Executive Management and the Board of Directors have today discussed and approved the interim financial report of Vestas Wind Systems A/S for the period 1 January to 30 June 2017.

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 2016 of the Group 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 the Group's assets, liabilities, and

financial position at 30 June 2017 and of the results of the Group's operations and cash flow for the period 1 January to 30 June 2017.

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

Besides what has been disclosed in the interim financial report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the annual report 2016.

Aarhus, Denmark, 17 August 2017

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Torben Ballegaard Sørensen

Lykke Friis

Kim Hvid Thomsen

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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 2016 (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.