Company announcement No. 27 2018

Interim financial report
Second quarter 2018

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

Wind. It means the world to us.™

Contents

Information meeting (audiocast)
On Wednesday 15 August 2018 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 9806
USA:	+1 855 83159 44
Denmark:	+45 3544 5579

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 on par with last year's second quarter while earnings and free cash flow decreased. Solid order intake and combined order backlog at high level. Guidance for 2018 narrowed.

In the second quarter of 2018, Vestas generated revenue of EUR 2,260m – an increase of 2 percent compared to the year-earlier period. EBIT decreased by EUR 20m to EUR 259m. The EBIT margin was 11.5 percent compared to 12.6 percent in the second quarter of 2017 and free cash flow* amounted to EUR (173)m compared to EUR (158)m in the second quarter of 2017.

The intake of firm and unconditional wind turbine orders amounted to 3,807 MW in the second quarter of 2018. The value of the wind turbine order backlog amounted to EUR 10.2bn as at 30 June 2018. In addition to the wind turbine order backlog, Vestas had service agreements with expected contractual future revenue of EUR 12.8bn at the end of June 2018. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 23.0bn – an increase of EUR 2.8bn compared to the year-earlier period.

Vestas narrows the 2018 guidance on revenue to range between EUR 10.0bn and EUR 10.5bn (compared to previously EUR 10.0bn-11.0bn), and on EBIT margin to 9.5-10.5 percent (compared to previously 9-11 percent). Total investments* are still expected to amount to approx. EUR 500m, and free cash flow* is expected to be minimum EUR 400m in 2018. The adjustments are based on improved visibility for the remainder of the year.

Group President & CEO Anders Runevad said: *"In the first half of 2018, the wind industry strengthened its position as the cheapest form of energy generation in many markets, which drove strong global demand. This development saw Vestas' second quarter order intake increase 43 percent year over year, contributing to the continued growth of our order backlog to an all-time high. In the second quarter, price per MW stabilised around the levels in recent quarters, but continues to impact short-term results. External factors such as existing and potential tariffs, however, are creating some uncertainty in the industry. In this environment, I am very pleased that Vestas continues to deliver best-in-class margins and achieved a 17 percent organic growth in service, while free cash flow is negative because activity levels in 2018 will be back-end loaded. With long-term perspectives for renewable energy getting stronger, Vestas continues to effectively manage its costs and invest in the solutions that together will help us lead the global energy transition."*

Key highlights

Strong order intake
Order intake of 3.8 GW; an increase of 43 percent year over year, leading to all-time high order backlog.

EBIT of EUR 259m
EBIT margin at 11.5 percent.

Good service performance
Organic revenue growth of 17 percent, and EBIT margin of 25 percent.

Free cash flow
Free cash flow negative as a result of a back-end loaded activity level in the year.

Share buy-back programme
New EUR 200m share buy-back programme launched.

Outlook 2018
Guidance for 2018 narrowed for revenue and EBIT margin based on improved visibility.

*) Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments.

Financial and non-financial highlights

mEUR	Q2 2018	Q2 2017[1)]	H1 2018	H1 2017[1)]	FY 2017[1)]
Financial highlights					
Income statement					
Revenue	2,260	2,206	3,954	4,091	9,953
Gross profit	416	484	697	861	1,963
Operating profit before amortisation, depreciation and impairment (EBITDA)	369	398	594	699	1,651
Operating profit (EBIT)	259	279	385	490	1,230
Net financial items	(1)	(11)	(8)	3	2
Profit before tax	245	247	382	461	1,192
Profit for the period	184	186	286	346	894
Balance sheet					
Balance sheet total	11,270	10,198	11,270	10,198	10,871
Equity	2,919	3,142	2,919	3,142	3,112
Investments in property, plant and equipment	65	67	123	107	268
Net working capital	(1,143)	(1,225)	(1,143)	(1,225)	(1,984)
Net invested capital	662	350	662	350	(397)
Interest-bearing position (net), end of the period	2,070	2,636	2,070	2,636	3,359
Cash flow statement					
Cash flow from operating activities	(52)	(42)	(520)	(46)	1,625
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(121)	(116)	(240)	(104)	(407)
Free cash flow before acquisitions of subsidiaries and financial investments	(173)	(158)	(760)	(150)	1,218
Free cash flow	(438)	(158)	(1,090)	(150)	1,218
Financial ratios[2)]					
Financial ratios					
Gross margin (%)	18.4	21.9	17.6	21.0	19.7
EBITDA margin (%)	16.3	18.0	15.0	17.1	16.6
EBIT margin (%)	11.5	12.6	9.7	12.0	12.4
Return on invested capital[3)] (ROIC) (%)	346.4	400.8	346.4	400.8	(9,044.1)
Net interest-bearing debt / EBITDA[3)]	(1.3)	(1.4)	(1.3)	(1.4)	(2.0)
Solvency ratio (%)	25.9	30.8	25.9	30.8	28.6
Return on equity[3)] (%)	27.1	31.9	27.1	31.9	28.1
Share ratios					
Earnings per share[4)] (EUR)	4.1	4.6	4.1	4.6	4.2
Dividend per share (EUR)	-	-	-	-	1.24
Payout ratio (%)	-	-	-	-	29.9
Share price at the end of the period (EUR)	53.0	80.8	53.0	80.8	57.6
Number of shares at the end of the period (million)	206	215	206	215	215
Operational key figures					
Order intake (bnEUR)	2.7	2.2	3.9	4.0	8.9
Order intake (MW)	3,807	2,667	5,436	4,716	11,176
Order backlog – wind turbines (bnEUR)	10.2	9.1	10.2	9.1	8.8
Order backlog – wind turbines (MW)	13,521	10,667	13,521	10,667	11,492
Order backlog – service (bnEUR)	12.8	11.1	12.8	11.1	12.1
Produced and shipped wind turbines (MW)	3,356	3,095	5,819	5,466	11,237
Produced and shipped wind turbines (number)	1,122	1,192	2,012	2,075	4,241
Deliveries (MW)	1,971	1,834	3,163	3,387	8,779

1) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.
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 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Social and environmental key figures[1)]					
Occupational health & safety					
Total recordable injuries (number)	52	57	109	124	243
- of which lost time injuries (number)	24	19	45	47	92
- of which fatal injuries (number)	0	0	0	0	1
Consumption of resources					
Consumption of energy (GWh)	130	125	314	278	569
- of which renewable energy (GWh)	70	71	142	141	325
- of which renewable electricity (GWh)	64	69	123	127	264
Consumption of fresh water (1,000 m^3)	120	117	229	202	454
Waste disposal					
Volume of waste (1,000 tonnes)	20	17	39	34	71
- of which collected for recycling (1,000 tonnes)	11	10	20	19	39
Emissions					
Emission of direct CO_2 (1,000 tonnes)	14	12	37	29	60
Emission of indirect CO_2 (1,000 tonnes)	7	6	16	14	26
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	0	0
Employees					
Average number of employees	24,202	22,355	23,963	22,129	22,504
Number of employees at the end of the period	24,351	22,573	24,351	22,573	23,303
Social and environmental indicators[1)]					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	3.9	5.1	4.3	5.5	5.3
Incidence of lost time injuries per one million working hours	1.8	1.7	1.8	2.1	2.0
Absence due to illness among hourly-paid employees (%)	2.1	2.2	2.2	2.4	2.3
Absence due to illness among salaried employees (%)	1.2	1.2	1.2	1.3	1.2
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	89	87	155	154	317
Utilisation of resources					
Renewable energy (%)	54	57	45	51	57
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in the Board of Directors[2)] and Executive Management (%)	21	23	21	23	23
Women at management level[3)] (%)	19	19	19	19	19
Non-Danes at management level[3)] (%)	64	62	64	62	63

1) Accounting policies for social and environmental key figures for the Group, see page 62 of the Annual report 2017.
2) Only Board members elected by the general meeting are included.
3) Employees at management level comprise Leadership Track positions, i.e. managers, specialists, project managers, and above.

Financial performance*

Income statement

Revenue

In the second quarter of 2018, revenue amounted to EUR 2,260m, which was on par with second quarter of 2017. The second quarter of 2018 reflected a negative impact of approx. EUR 135m, compared to second quarter of 2017, from foreign exchange effects, which primarily stemmed from the US dollar.

Gross profit

Gross profit amounted to EUR 416m, corresponding to a gross margin of 18.4 percent which is a 3.5 percentage point decrease from the second quarter of 2017. The gross profit decrease was driven by lower average project margins in Power solutions. However, the gross profit decrease was partly offset by improved Service profitability, benefitting from reliable performance of the wind turbines under service contracts in combination with an efficient cost management.

Research and development costs, Distribution costs, and Administration costs

Research and development costs recognised in the income statement amounted to EUR 57m. This was less than the comparable EUR 85m in the second quarter of 2017, which included an impairment loss of EUR 28m related to facilities.

Distribution costs amounted to EUR 37m in the second quarter of 2018 compared to EUR 52m in the second quarter of 2017.

Administration costs corresponded to EUR 63m in the second quarter of 2018, a reduction of 7 percent compared to the second quarter of 2017.

Operating profit (EBIT)

EBIT amounted to EUR 259m in the second quarter of 2018, equivalent to an EBIT margin of 11.5 percent. The EBIT margin decreased by 1.1 percentage points compared to the second quarter of 2017 driven by the decreased gross profit.

Depreciation, amortisation and impairment amounted to EUR 110m in the second quarter of 2018, compared to EUR 119m in the second quarter of 2017. This decrease is explained by the impairment losses of net EUR 20m related to R&D facilities and production facilities reflected in second quarter of 2017, but offset due to higher depreciation and amortisation in the Power solution segment from development and introduction of new product variants.

Income from investments in joint ventures

Income from investments in joint ventures amounted to a loss of EUR 13m in the second quarter of 2018, compared to a loss of EUR 21m in the second quarter of 2017, coming from Vestas' share of loss in MHI Vestas Offshore Wind on a standalone basis.

Financial items

In the second quarter of 2018, net financial items amounted to a net cost of EUR 1m against a net cost of EUR 11m in the second quarter of 2017. The development was mainly driven by various currency effects.

Income tax

Income tax amounted to a cost of EUR 61m in the second quarter of 2018, equivalent to an effective tax rate of 25 percent which is unchanged compared to the second quarter of 2017.

Profit for the period

Profit amounted to EUR 184m in the second quarter of 2018, which is largely on par with net profit in the second quarter of 2017, corresponding to EUR 186m.

Balance sheet

Working capital

Net working capital amounted to a net liability of EUR 1,143m at 30 June 2018, which is a slight worsening compared to the net liability of EUR 1,225m as per 30 June 2017. The development was negatively impacted by inventory build-up for deliveries later in the year, though for the majority funded by increasing prepayments from customers.

Capital structure and financing items

Equity

As at 30 June 2018, total equity amounted to EUR 2,919m, a 7.1 percent reduction from EUR 3,142m as at 30 June 2017. This was mainly a result of share buy-backs and transition impact from change in accounting policy (IFRS 15 – ref. note 5.3).

Share buy-back programme

Earlier in the year, Vestas' Board of Directors initiated a share buy-back programme of up to DKK 1,500m (approx. EUR 200m) to be executed during the period 12 February 2018 to 3 May 2018. The share buy-back programme has been completed and in the second quarter of 2018, transactions of a total value of EUR 89m were made under the programme.

Net interest-bearing position and cash position

At the end of the second quarter of 2018, the net interest-bearing position was positive of EUR 2,070m, a decrease of EUR 566m, compared to the end of the second quarter of 2017 with a positive net interest-bearing position of EUR 2,636m. Cash and cash equivalents amounted to EUR 2,100m, including bank overdraft, as per 30 June 2018 which is a decline of 28.3 percent compared to same time last year. The development in net interest-bearing position as well as cash and cash equivalents can be attributed to negative free cash flow in the first half of 2018 combined with distribution to Vestas' shareholders through share buy-back of EUR 201m and paid dividend of EUR 250m.

Solvency ratio

As at 30 June 2018, the solvency ratio was 25.9 percent, which is a decline of 4.9 percentage points from 30 June 2017, driven by the combination of high total assets and lower equity.

Cash flow

Operating activities

Cash flow from operating activities was negative EUR 52m in the second quarter of 2018, a level on par with second quarter of 2017 reflecting negative EUR 42m of cash flow from operating activities.

Investing activities

Cash flow from investing activities amounted to negative EUR 386m in the second quarter of 2018, however, with EUR 265m attributable to cash placed in short-term financial investments. The remaining EUR 121m is largely on par with net investments of EUR 116m in the second quarter of 2017.

Free cash flow

Free cash flow, excluding investments in short-term financial investments amounted to negative EUR 173m which is largely in line with negative free cash flow of EUR 158m in the second quarter of 2017.

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 1,500m (approx. EUR 200m) to be executed during the period 15 August 2018 to 28 December 2018. The 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.

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.

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

Power solutions

Result for the period

In the second quarter of 2018, revenue from the Power solutions segment amounted to EUR 1,847m, which was on par with EUR 1,835m in the second quarter of 2017. The quarter was impacted negatively by foreign exchange effects of approx. EUR 115m.

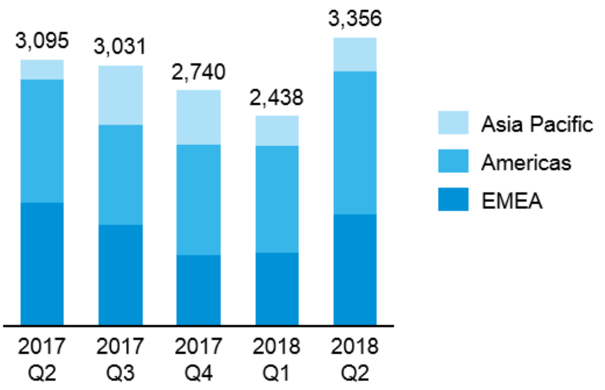
EBIT amounted to EUR 212m in the second quarter of 2018, equal to 11.5 percent. This is a decline of 2.9 percentage point compared to the second quarter of 2017. The decrease was mainly a consequence of lower average project margins, due to competitive markets.

Notwithstanding the competitive markets, it should be emphasised that project margins depend on a variety of factors, i.e. wind turbine type, geography, scope, and uniqueness of the offering.

Level of activity

Vestas experienced yet another busy quarter with a high activity level in its factories. In the second quarter of 2018, Vestas produced and shipped wind turbines with an aggregated output of 3,356 MW against 3,095 MW in the second quarter of 2017. This corresponds to an increase of 8.4 percent.

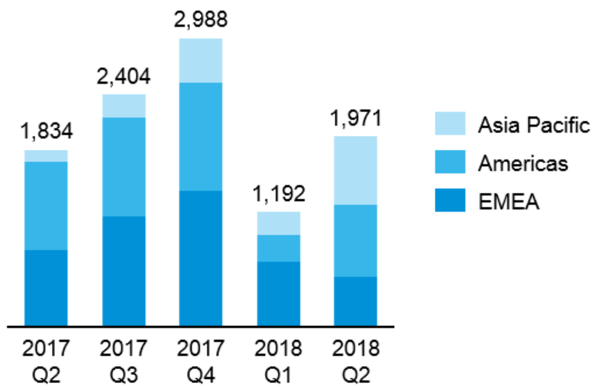
Produced and shipped
MW



Deliveries to customers amounted to 1,971 MW, which constitutes an increase of 7.4 percent compared to the second quarter of 2017. The increase was in particular strong in the Asia Pacific region with a broad-based activity in the region.

By the end of June 2018, Vestas had installed a total of 94 GW onshore capacity in 79 countries.

Deliveries
MW



Wind turbine order intake

In the second quarter of 2018, wind turbine order intake amounted to 3,807 MW, corresponding to EUR 2.7bn, which reflects an increase of 43 percent compared to an order intake of 2,667 MW in the second quarter of 2017. 71 percent of total orders were announced.

Order backlog

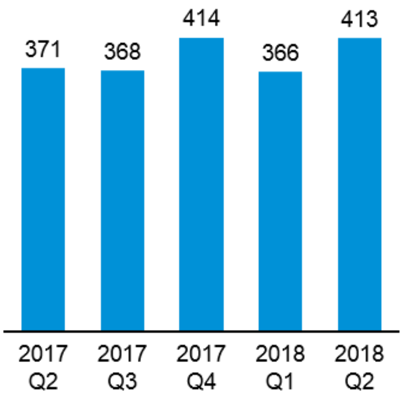
At the end of the second quarter of 2018, the order backlog amounted to 13,521 MW, equalling EUR 10.2bn. Compared to the order backlog of 10,667 MW at the end of the second quarter of 2017 the order backlog in MW increased by 27 percent.

Service

Result for the period

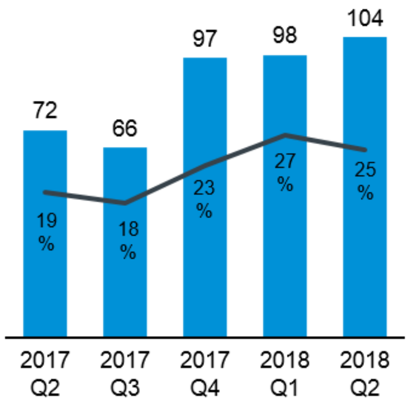
The service business generated revenue of EUR 413m in the second quarter of 2018, which is an 11 percent increase compared to the second quarter of 2017, despite a negative impact of foreign exchange effects of approx. EUR 20m.

Service revenue
mEUR



EBIT for the Service segment amounted to EUR 104m in the second quarter of 2018, corresponding to 25.2 percent, an increase of 5.8 percentage points compared to the second quarter of 2017. The increase is driven by improved profitability benefitting from reliable performance of the wind turbines under service contracts in combination with an efficient cost management.

Service EBIT
mEUR and percentage

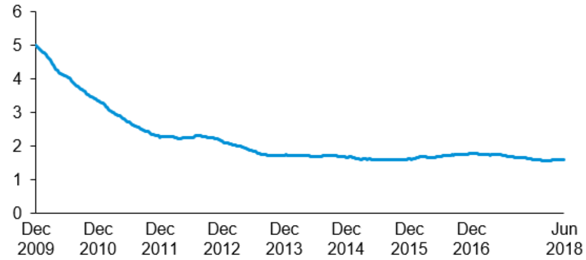


Level of activity

By the end of June 2018, Vestas had more than 40,000 wind turbines under service, equivalent to approx. 79 GW.

At the end of June 2018, the overall average Lost Production Factor for the wind power plants was below 2 percent where Vestas guaranteed the performance.

Lost Production Factor*
Percent



*) Data calculated across approx. 25,000 Vestas wind turbines under full-scope service.

Order backlog

At the end of June 2018, Vestas had service agreements in the order backlog with expected contractual future revenue of EUR 12.8bn, an increase of EUR 1.7bn compared to end of June 2017. At the end of the quarter, the average duration in the service order backlog was approx. seven years; an improvement compared to an average duration of six years end of June 2017, however, in line with the average duration a quarter ago end of March 2018.

Market development

Deliveries and wind turbine backlog per region

The order backlog amounted to 13,521 MW as at 30 June 2018, an increase compared to the order backlog level of 10,667 MW as at 30 June 2017.

Order intake and wind turbine order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q2 2018	1,623	1,899	285	**3,807**
Backlog as at 30 June 2018	6,257	6,023	1,241	**13,521**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 525 MW compared to 797 MW in the previous year. Deliveries were distributed throughout a number of countries in the region, with France being the country where most capacity was delivered.

The order intake for the region amounted to 1,623 MW, up from 1,019 MW in the second quarter of 2017. The order intake in the quarter was coming mainly from Spain, Sweden, and Norway. The order backlog comprised 6,257 MW as at 30 June 2018.

Americas

Deliveries in the Americas region amounted to 736 MW, compared to 920 MW in the second quarter of 2017. The lower level of activity was attributable to a decrease in deliveries in the USA and Brazil.

In the quarter, order intake amounted to 1,899 MW for the Americas region, of which 970 MW came from the USA. The order backlog for the region amounted to 6,023 MW as at 30 June 2018, of which the majority relates to orders in the USA. As a consequence of the implementation of tariffs in the USA, prices of both domestically sourced material (US steel) and imported components are expected to go up.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 710 MW compared to 117 MW in the previous year. The improvement in activity was distributed throughout a number of countries in the region, with China, Thailand, and India being the countries where most capacity was delivered.

The 285 MW order intake for the region was on the same level as last year's second quarter order intake of 298 MW. Orders were mainly coming from Australia and Japan. The order backlog amounted to 1,241 MW as at 30 June 2018.

Deliveries
MW

	Q2 2018	Q2 2017	FY 2017
France	122	31	568
Germany	114	261	1,336
Sweden	79	-	186
United Kingdom	49	135	499
Austria	47	23	83
Greece	31	48	128
Italy	31	20	35
Norway	22	-	73
Ireland	14	17	111
Belgium	10	24	97
Turkey	4	-	136
Belarus	2	-	-
Denmark	-	42	304
Finland	-	79	303
Spain	-	-	22
Morocco	-	117	120
Ukraine	-	-	62
EMEA	**525**	**797**	**4,063**
USA	428	712	2,988
Argentina	188	-	26
Brazil	117	180	448
Dominican Rep.	3	-	-
Uruguay	-	3	57
Mexico	-	-	50
Canada	-	8	224
Curaçao	-	17	17
Honduras	-	-	46
Americas	**736**	**920**	**3,856**
China	192	108	578
Thailand	180	-	-
India	176	-	94
Australia	133	-	70
Mongolia	29	-	50
South Korea	-	-	46
Japan	-	9	22
Asia Pacific	**710**	**117**	**860**
Total	**1,971**	**1,834**	**8,779**

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual report 2017.)

Vestas' strategy – the route to continuing leadership in sustainable energy

The decarbonisation of the energy sector is underway, and estimates show that renewable energy will dominate future power generation. Wind energy is becoming a mainstream source of energy, and the long-term outlook for renewable energy creates multiple opportunities for the wind energy sector.

Vestas remains committed to its vision to be the global leader in sustainable energy solutions. Wind power will remain the core of Vestas' offerings, but at the same time the company envisions that a broadened focus on sustainable energy solutions will enlarge the wind turbine market, enable new revenue streams, and expand Vestas' presence in the market. In 2017, Vestas show-cased what future sustainable energy solutions would look like by combining wind, solar, and battery energy storage in the world's first utility-scale on-grid hybrid project.

To support its overall vision, Vestas remains dedicated to its four strategic objectives of being the global leader in the wind power plant solutions market and global leader in the wind power service market, while delivering the lowest cost of energy solutions and best-in-class global operations.

Strategic objectives

The strategy towards 2020 continues to revolve around the four strategic objectives that enable realising Vestas' vision:

- Global leader in the wind power plant solutions market
- Global leader in the wind power service solutions market
- Lowest cost of energy solutions
- Best-in-class global operations

For each of the strategic objectives, Vestas has set clear targets and defined a sub-set of strategic enablers to drive its organisation forward. Below, Vestas' high-level ambitions and selected strategic enablers tied to the four strategic objectives are outlined.

1. Global leader in the wind power plant solutions market

Vestas' ambition is to grow faster than the market to uphold its global leadership position in wind power, while delivering industry-leading margins. To achieve this, Vestas will continue to focus on profitable growth in mature and emerging markets, partnering more closely with customers on project origination and collaborating to develop fully optimised solutions. Furthermore, Vestas will continuously focus on transforming its commercial capabilities to support a gradual transition of its offerings and enable customers to win in auctions and other competitive tendering schemes.

2. Global leader in the service solutions market

Vestas' ambition is to organically grow its service business by more than 50 percent towards 2020 versus 2016 revenue, while also delivering best-in-class margins. To achieve this, Vestas will continue to fast-track its multibrand business, further develop its digital service offerings, and lower costs through an end-to-end value chain optimisation logic.

3. Lowest cost of energy solutions

Vestas' ambition is to reduce levelised cost of energy faster than market average. By doing so, Vestas aims to provide its customers with the highest returns on investment in the industry. Vestas' investments in new technology are the largest in the industry. Going forward, it is Vestas' ambition to sustain leadership in R&D investments in order to support an industry-leading portfolio of sustainable energy solutions. Furthermore, Vestas will increase focus on accelerating cost reductions through an end-to-end value chain focus.

4. Best-in-class global operations

Vestas' ambition is to have the most flexible and lowest cost of operations within the industry. Vestas' size and subsequent scale provide a competitive foundation for lowering costs at every stage of the value chain. To fully leverage its scale, Vestas will continuously optimise its production footprint and level of outsourcing to further improve flexibility, labour cost efficiency, and capital expenditure. Finally, working capital management remains a high priority for Vestas. Consequently, the company's focus remains on improving the cash conversion cycle and improving working capital.

As the industry is currently going through a transition, during which new opportunities will emerge, Vestas also needs to continually change and expand its ambitions.

Looking ahead to 2020, three key themes span across Vestas' strategic targets:

- **Raising the bar** – Vestas will set more ambitious targets to push the company to stay ahead of competition
- **Refining initiatives** – Expanding Vestas' strategic enablers to reflect new market realities
- **Accelerating execution** – Accelerating execution of new and existing enablers to deliver on the targets

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.

Long-term financial ambitions
Vestas envisions market conditions which in the long term will reflect wind power having achieved merchant levels in the vast majority of markets. The wind industry is undergoing a transition towards a more mature, unsubsidised renewable energy industry. This transition leads to a highly competitive market, and will likely drive a further consolidation in the industry. Beyond the transition, a matured market for wind energy creates opportunities for Vestas to leverage and strengthen its leadership position.

Within this context, Vestas aims to grow faster than the market and be the market leader in revenue, to achieve an EBIT margin of at least 10 percent and to generate a 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.

During the transition, revenue in the Service business is expected to grow organically by at least 10 percent annually, with stable EBIT margins compared to 2017.

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 of minimum 25 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' 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

UN Sustainable Development Goals

Vestas is committed to supporting the UN Sustainable Development Goals (SDGs). Six SDGs have been identified, which support the approach on how sustainability is powering development for Vestas and for its stakeholders, including the many communities where the company is present. With SDG No. 7, Affordable and clean energy as the overarching goal, the other five selected SDGs are: Quality education (4); Decent work and economic growth (8); Responsible consumption & production (12); Climate action (13); and Partnerships for the goals (17).

How does Vestas work with the SDGs?

On an operational basis, Vestas works with the SDGs in connection with the construction of wind parks around the world. A recent example of putting the goals into practice is the 100 MW Taralkatti wind farm, a turnkey project in India which was commissioned in May, where Vestas worked specifically with SDGs No. 4 and 8.

India, despite being the fastest growing economy in the world, is faced with many development challenges, especially in rural areas, where Vestas builds wind farms. To ensure the success of a wind power project, it is furthermore important to gain the acceptance of local community and minimise potential resistance that can affect the project's development and create delays.

In conjunction with the project team, Vestas' CSR team assessed that the key needs in the surrounding villages primarily evolved around education and skills training. During the construction, initiatives were started that focused on:

- Education: Students from local schools gained access to a solar-powered digital content platform which is used to teach the local school curriculum
- Skills training: Young rural women have learnt skills in tailoring and stitching and can now generate income for themselves sitting at home
- Critical material support: Machinery and computers have been provided to a local training institute to improve the quality of learning among the young rural population

During the construction period of 12 months, Vestas moreover provided employment opportunities to more than one third of the local workforce through its contractors and subcontractors.

Employees

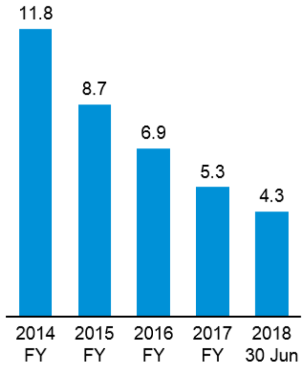
During the second quarter of 2018, the number of Vestas employees increased by 441 to 24,351. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

Safety

In the second quarter of 2018, the number of total recordable injuries decreased to 52 compared to the year-earlier quarter. The incidence of total recordable injuries decreased from 5.1 per one million working hours in the second quarter of 2017 to 3.9 in the second quarter of 2018, within the 2018 target of maximum 4.8.

Incidence of total recordable injuries

Per one million working hours



Environmental performance

The increase that can be seen in the total environmental impact quarter on quarter – the waste generation and energy and water consumption from Vestas' manufacturing and service activities – stems from an continued increase in production and service activities in the second quarter of 2018.

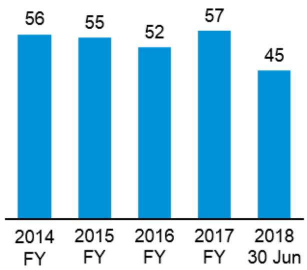
Renewable energy

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 second quarter of 2018, 45 percent of all energy consumption came from renewable energy sources, which was lower than the year-earlier period due to increased activity in second quarter of 2018. The decrease in the share of renewable energy for the quarter compared to full year is attributable to seasonality.

Renewable energy

Percentage of total energy consumption



Outlook 2018

Based on the visibility for the remainder of the year, Vestas narrows guidance on revenue and EBIT margin.

- Revenue is expected to range between EUR 10.0bn and EUR 10.5bn (compared to previously EUR 10bn-11bn) including Service revenue, which is expected to grow. The updated range reflects the fact that during first half of 2018, several large projects turned into firm and unconditional orders later than anticipated. Consequently, revenue recognition for those projects will materialise later than originally expected.

- Vestas expects to achieve an EBIT margin before special items within a range of 9.5-10.5 percent (compared to previously 9-11 percent), with the Service EBIT margin expected to increase compared to 2017 (previously expected to be stable). The adjustment reflects lower volumes than originally anticipated in Power solutions, but offset by improved Service profitability.

Total investments* are still expected to amount to approx. EUR 500m, and free cash flow* is expected to be minimum EUR 400m in 2018.

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 2018. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2018.

Outlook 2018

Revenue (bnEUR)	10.0-10.5
EBIT margin (%)	9.5-10.5
Total investments* (mEUR)	approx. 500
Free cash flow* (mEUR)	min. 400

*) Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments.

Capital Markets Day 2018

On 29 November 2018, Vestas will be hosting a Capital Markets Day for analysts, investors, and the media. The event will be held in Copenhagen.

Find information on how to register at vestas.com/ Investor under Calendars > Capital Markets Days. The deadline for registration is 22 November 2018.

More details to follow.

Consolidated financial statements 1 January – 30 June

Condensed income statement 1 January – 30 June

mEUR	Note	Q2 2018	Q2 2017*	H1 2018	H1 2017*
Revenue	1.1, 1.2	**2,260**	**2,206**	**3,954**	**4,091**
Production costs		(1,844)	(1,722)	(3,257)	(3,230)
Gross profit		**416**	**484**	**697**	**861**
Research and development costs		(57)	(85)	(105)	(127)
Distribution costs		(37)	(52)	(86)	(114)
Administration costs		(63)	(68)	(121)	(130)
Operating profit (EBIT)	1.1	**259**	**279**	**385**	**490**
Income from investments in joint ventures and associates		(13)	(21)	5	(32)
Net financial items		(1)	(11)	(8)	3
Profit before tax		**245**	**247**	**382**	**461**
Income tax		(61)	(61)	(96)	(115)
Profit for the period		**184**	**186**	**286**	**346**
Profit is attributable to:					
Owners of Vestas		184	186	286	346
Non-controlling interests		(0)	-	(0)	-
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.92	0.87	1.42	1.62
Earnings per share for the period (EUR), diluted		0.92	0.87	1.41	1.61

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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 2018	Q2 2017*	H1 2018	H1 2017*
Profit for the period	**184**	**186**	**286**	**346**
Items that may be reclassified subsequently to the income statement:				
Exchange rate adjustments relating to foreign entities	30	(80)	7	(85)
Fair value adjustments of derivative financial instruments for the period	(17)	39	43	60
Derivative financial instruments transferred to the initial carrying amount of hedged items	(24)	24	(27)	16
Gain/(loss) on derivative financial instruments transferred to the income statement (financial items)	(3)	-	(5)	-
Exchange rate adjustments relating to joint ventures	0	(1)	0	(1)
Share of fair value adjustments of derivatives financial instruments of joint ventures for the period	(0)	(2)	(0)	(9)
Tax on items that may be reclassified subsequently to the income statement	8	(16)	(3)	(19)
Other comprehensive income after tax for the period	(6)	(36)	15	(38)
Total comprehensive income for the period	**178**	**150**	**301**	**308**

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2018	30 June 2017*	31 December 2017*
Goodwill		378	306	304
Completed development projects		276	311	309
Software		107	82	95
Other intangible assets		57	48	49
Development projects in progress		202	98	144
Total intangible assets		**1,020**	**845**	**901**
Land and buildings		690	718	704
Plant and machinery		226	213	248
Other fixtures, fittings, tools and equipment		218	213	222
Property, plant and equipment in progress		126	103	73
Total property, plant and equipment		**1,260**	**1,247**	**1,247**
Investments in joint ventures and associates	4.1	152	156	150
Other investments		35	25	30
Tax receivables		68	49	51
Deferred tax		230	209	218
Other receivables	3.4	102	64	72
Financial investments	3.3, 3.5	202	204	196
Total other non-current assets		**789**	**707**	**717**
Total non-current assets		**3,069**	**2,799**	**2,865**
Inventories		4,182	3,056	2,696
Trade receivables		1,057	983	1,144
Contract assets		27	26	82
Tax receivables		66	37	53
Other receivables	3.4	496	369	371
Financial investments	3.3, 3.5	265	-	7
Cash and cash equivalents	3.2	2,108	2,928	3,653
Total current assets		**8,201**	**7,399**	**8,006**
Total assets		**11,270**	**10,198**	**10,871**

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2018	30 June 2017*	31 December 2017*
Share capital	3.1	28	29	29
Other reserves		52	23	37
Retained earnings		2,835	3,090	3,046
Attributable to owners of Vestas		2,915	3,142	3,112
Non-controlling interests		4	-	-
Total equity		**2,919**	**3,142**	**3,112**
Provisions	2.2	414	461	483
Deferred tax		64	101	61
Financial debts	3.4	497	496	497
Tax payables		166	37	166
Other liabilities	3.4	32	55	19
Total non-current liabilities		**1,173**	**1,150**	**1,226**
Financial debt	3.2	8	-	-
Prepayments from customers		3,833	2,636	2,923
Contract liabilities		166	170	159
Trade payables		2,497	2,436	2,660
Provisions	2.2	195	146	148
Tax payables		70	101	108
Other liabilities	3.4	409	417	535
Total current liabilities		**7,178**	**5,906**	**6,533**
Total liabilities		**8,351**	**7,056**	**7,759**
Total equity and liabilities		**11,270**	**10,198**	**10,871**

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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

Condensed statement of changes in equity – 6 months 2018

mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Non-controlling interests	Total
		Reserves						
Equity as at 1 January 2018	**29**	**(21)**	**60**	**(2)**	**37**	**3,046**	**-**	**3,112**
Impact on change in accounting policy IFRS 15	-	-	-	-	-	(54)	-	(54)
Adjusted equity as at 1 January 2018	**29**	**(21)**	**60**	**(2)**	**37**	**2,992**	**-**	**3,058**
Profit for the period	-	-	-	-	-	286	(0)	286
Other comprehensive income for the period	-	7	8	0	15	-	-	15
Total comprehensive income for the period	-	7	8	0	15	286	-	301
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	-	4	4
Reduction of share capital*	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(267)	-	(267)
Dividends distributed related to treasury shares	-	-	-	-	-	17	-	17
(Acquisition) /disposal of treasury shares	-	-	-	-	-	(201)	-	(201)
Share-based payments	-	-	-	-	-	7	-	7
Tax on equity transactions	-	-	-	-	-	0	-	0
Total transactions with owners	(1)	-	-	-	-	(443)	4	(440)
Equity as at 30 June 2018	**28**	**(14)**	**68**	**(2)**	**52**	**2,835**	**4**	**2,919**

* The share capital was reduced by 9,800,944 shares of DKK 1.00 in second quarter of 2018, due to cancellation of treasury shares. Furthermore, the share capital was changed in second quarter of 2017, second quarter of 2016 and first quarter of 2014. Except of these changes, the share capital has not changed in the period 2014-2018. Refer to note 3.1.

Condensed statement of changes in equity – 6 months 2017*

mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
		Reserves					
Equity as at 1 January 2017	**30**	**107**	**(61)**	**15**	**61**	**3,099**	**3,190**
Profit for the period	-	-	-	-	-	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 (-) /disposal (+) 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 as at 30 June 2017	**29**	**22**	**(4)**	**5**	**23**	**3,090**	**3,142**

* Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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

Condensed cash flow statement 1 January – 30 June

mEUR	Note	Q2 2018	Q2 2017*	H1 2018	H1 2017*
Profit for the period		184	186	286	346
Adjustment for non-cash transactions		223	255	266	488
Income tax paid		(24)	(23)	(139)	(141)
Financial items paid, net		(6)	(7)	(19)	(24)
Cash flow from operating activities before change in net working capital		377	411	394	669
Change in net working capital		(429)	(453)	(914)	(715)
Cash flow from operating activities		**(52)**	**(42)**	**(520)**	**(46)**
Purchase of intangible assets		(63)	(49)	(123)	(93)
Purchase of property, plant and equipment		(65)	(67)	(123)	(107)
Disposal of non-current assets held for sale		-	-	-	99
Purchase of other non-current financial assets		-	-	-	(3)
Proceeds from investment in joint venture	4.1	9	-	9	-
Addition of share in joint venture	4.1	(2)	-	(3)	-
Cash flow from investing activities before acquisitions of subsidiaries and financial investments		**(121)**	**(116)**	**(240)**	**(104)**
Free cash flow before acquisitions of subsidiaries and financial investments		**(173)**	**(158)**	**(760)**	**(150)**
Acquisition of subsidiaries, net of cash	4.2	-	-	(65)	-
Purchase of financial investments	3.5	(265)	-	(265)	-
Free cash flow		**(438)**	**(158)**	**(1,090)**	**(150)**
Dividend paid		(250)	(278)	(250)	(278)
Sales of own shares		-	1	-	1
Purchase of treasury shares		(106)	(43)	(201)	(98)
Transactions with non-controlling interests	3.6	4	-	4	-
Cash flow from financing activities		**(352)**	**(320)**	**(447)**	**(375)**
Net decrease in cash and cash equivalents		**(790)**	**(478)**	**(1,537)**	**(525)**
Cash and cash equivalents at the beginning of period		2,901	3,487	3,653	3,550
Exchange rate adjustments of cash and cash equivalents		(11)	(81)	(16)	(97)
Cash and cash equivalents at the end of the period	3.2	**2,100**	**2,928**	**2,100**	**2,928**

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

Notes

1 Result for the period

1.1 Segment information

mEUR	Power solutions	Service	Not allocated	Total Group
Q2 2018				
Revenue	1,847	413	-	2,260
Total revenue	**1,847**	**413**	**-**	**2,260**
Total costs	**(1,635)**	**(309)**	**(57)**	**(2,001)**
Operating profit (EBIT)	**212**	**104**	**(57)**	**259**
Income from investments in joint ventures and associates				(13)
Net financial items				(1)
Profit before tax				**245**
Amortisation and depreciation included in total costs	(85)	(9)	(10)	(104)

In second quarter of 2018, impairment losses of EUR 6m related to patents impacted the Power solutions segment.

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 joint ventures and associates				(21)
Net financial items				(11)
Profit before tax				**247**
Amortisation and depreciation included in total costs	(85)	(8)	(6)	(99)

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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.

1.1 Segment information (continued)

mEUR	Power solutions	Service	Not allocated	Total Group
H1 2018				
Revenue	3,175	779	-	3,954
Total revenue	**3,175**	**779**	**-**	**3,954**
Total costs	**(2,885)**	**(577)**	**(107)**	**(3,569)**
Operating profit (EBIT)	**290**	**202**	**(107)**	**385**
Income from investments in joint ventures and associates				5
Net financial items				(8)
Profit before tax				**382**
Amortisation and depreciation included in total costs	(167)	(16)	(20)	(203)

In second quarter of 2018, impairment losses of EUR 6m related to patents impacted the Power solutions segment.

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 joint ventures and associates				(32)
Net financial items				3
Profit before tax				**461**
Amortisation and depreciation included in total costs	(160)	(17)	(12)	(189)

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

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.

1.2 Revenue

Vestas has applied IFRS 15 using the modified retrospective application, with the cumulative effect of initially applying the standard to be adjusted to the opening balance of retained earnings 2018, and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from these under IFRS 15 and the impact of changes is disclosed in Note 5.3.

Group accounting policies
Revenue is measured based on the consideration specified in a contract with a customer. Vestas recognises revenue when it transfers control over a product or service to a customer.

In comparative period, sale of individual wind turbines and wind power plants based on standard solutions (supply-only and supply-and-installation) was recognised in the income statement, provided that risk was transferred to the buyer. Revenue from contracts to deliver wind power plants with a high degree of customisation was recognised as the wind power plants was constructed based on the stage of completion of the individual contracts (turnkey projects). Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power plants sold, were recognised as revenue over the term of the agreement as the services were provided. Spare parts sales were recognised in the income statement provided that risk was transferred to the buyer.

Revenue recognition under IFRS 15
Revenue comprises sale of wind turbines and wind power plants, after-sales service, and sale of spare parts. The following is a description of the principal activities from which Vestas generates its revenue.

Supply-only projects
Revenue from sale of individual wind turbines based on standard solutions is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Vestas recognises revenue at a point in time, when control is transferred to the customer, and the consideration agreed is expected to be received. Control is generally deemed to be transferred upon delivery of the components in accordance with the agreed delivery plan.

Supply-and-installation projects
Revenue from sale of wind power plants based on standard solutions with alternative use is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Vestas recognises revenue when control of the fully operational turbine is transferred to the customer, and the consideration agreed is expected to be received. Control is deemed to be transferred at the point in time when the turbine is fully operational.

Turnkey projects
Revenue from contracts to deliver wind power plants with a high degree of customisation are recognised over time as the wind power plants are constructed based on the stage of completion of the individual contracts. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the cost incurred to the extent that it is probable that the costs will be recovered.

Service sales
Revenue from service sales, comprising services and maintenances agreements as well as extended warranties regarding wind turbines and wind power plants sold, are recognised over the term of the agreement as the services are provided. Spare parts sales are recognised at a point in time when control has been transferred to the customer, and provided that consideration agreed is expected to be received.

Key accounting estimates and judgements
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.

Vestas applies the percentage-of-completion method in accounting for service contracts and certain wind power plants, in general projects with a high degree of customisation. The use of the percentage-of-completion method requires Management to determine the stage of completion by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs (cost-to-cost method). Based on the estimated stage of completion, a respective portion of the consideration is recognised.

Disaggregation of revenue

In the following section, revenue is disaggregated by sale of projects and sale of service, by primary geographical market, major contract types, and timing of revenue recognition.

mEUR	Power solutions		Service		Total	
	Q2 2018	**Q2 2017***	**Q2 2018**	**Q2 2017***	**Q2 2018**	**Q2 2017***
Timing of revenue recognition						
Products and services transferred at a point in time	1,553	1,720	68	66	1,621	1,786
Products and services transferred over time	294	115	345	305	639	420
	1,847	1,835	413	371	2,260	2,206
Revenue from contract types						
Supply-only	500	892	-	-	500	892
Supply-and-installation	1,140	828	-	-	1,140	828
Turnkey (EPC)	207	115	-	-	207	115
Service	-	-	413	371	413	371
	1,847	1,835	413	371	2,260	2,206
Primary geographical markets						
EMEA	484	735	247	210	731	945
Americas	766	973	120	121	886	1,094
Asia Pacific	597	127	46	40	643	167
	1,847	1,835	413	371	2,260	2,206

mEUR	Power solutions		Service		Total	
	H1 2018	**H1 2017***	**H1 2018**	**H1 2017***	**H1 2018**	**H1 2017***
Timing of revenue recognition						
Products and services transferred at a point in time	2,538	3,170	114	122	2,652	3,292
Products and services transferred over time	637	181	665	618	1,302	799
	3,175	3,351	779	740	3,954	4,091
Revenue from contract types						
Supply-only	827	1,689	-	-	827	1,689
Supply-and-installation	1,883	1,481	-	-	1,883	1,481
Turnkey (EPC)	465	181	-	-	465	181
Service	-	-	779	740	779	740
	3,175	3,351	779	740	3,954	4,091
Primary geographical markets						
EMEA	1,217	1,428	471	408	1,688	1,836
Americas	1,135	1,723	228	255	1,363	1,978
Asia Pacific	823	200	80	77	903	277
	3,175	3,351	779	740	3,954	4,091

*) Vestas has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

2 Other operating assets and liabilities

2.1 Investments in associates and joint ventures

In May 2018, Vestas has entered into a partnership with Swedish utility, Vattenfall, and Danish pension fund, PKA, for a 353 MW wind energy project in Sweden. For the project, Vestas will become a shareholder through a share purchase agreement for 40 percent of the project. PKA and Vattenfall will own 30 percent project equity each. No capital contribution has been recognised in the interim report for second quarter of 2018. Financial close is expected to be finalised in the second half of 2018.

2.2 Warranty provisions (included in provisions)

mEUR	30 June 2018	30 June 2017	31 December 2017
Warranty provisions, 1 January	566	524	524
Impact on change in accounting policy – IFRS 15	(13)	-	-
Provisions for the period	64	76	185
Warranty provisions consumed during the period	(77)	(59)	(143)
Warranty provisions	**540**	**541**	**566**
The provisions are expected to be payable as follows:			
< 1 year	162	124	132
> 1 year	378	417	434

In the first half of 2018, warranty provisions charged to the income statement amounted to EUR 64m, equivalent to 1.6 percent of revenue. Warranty consumption amounted to EUR 77m – compared to EUR 59m in the second quarter of 2017. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.6 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.

2.3 Contingent assets and liabilities

On 31 July 2017, General Electric (GE) filed a complaint against Vestas Wind System A/S and Vestas-American Wind Technology, Inc. (Vestas) in the US federal court in Los Angeles, California. GE claims infringement of its US Patents No. 7,629,705 and No. 6,921,985 (the “705 Patent” and the “985 Patent”). The 705 Patent addresses Zero Voltage Ride Through technology. The 985 Patent addresses techniques to maintain functioning of the blade pitch system during low voltage events. Vestas answered and counterclaimed on 15 December 2017. As set forth in its counterclaims, it is Vestas’ assessment that GE’s patents are invalid and unenforceable, and that Vestas does not infringe. Consequently, Vestas has made no provision to cover the complaint. However, in the event that Vestas is not successful in its defence in this case, and GE prevails, this case could potentially have significant financial impact on Vestas. As GE has not claimed any specific amount from Vestas, it is not possible for Vestas to estimate such financial impact any further at this point in time.

No other significant changes have occurred to contingent assets and liabilities or types and scale of assets and liabilities compared to what is disclosed in the consolidated financial statements in the Annual report 2017, note 3.6, page 92.

3 Capital structure and financing items

3.1 Share capital

Pursuant to authorisation granted to the Board of Directors by the Annual General Meeting on 6 April 2017, which authorised Vestas to acquire treasury shares at a nominal value not exceeding 10 percent of the share capital at the time of authorisation, Vestas initiated a share buy-back programme during 2018 on 12 February 2018.

The purpose of the share buyback programme was to adjust Vestas' share capital and to meet obligations arising from the share-based incentive programmes to employees of Vestas.

Treasury shares

Number of shares / Nominal value (DKK)	30 June 2018	30 June 2017	31 December 2017
Treasury shares as at 1 January	11,843,929	7,770,888	7,770,888
Purchases for the period	3,498,469	1,298,749	10,503,515
Cancellation for the period	(9,800,944)	(6,047,780)	(6,047,780)
Sale of treasury shares for the period	(586,449)	(318,196)	(382,694)
Treasury shares	**4,955,005**	**2,703,661**	**11,843,929**

3.2 Cash and cash equivalents

mEUR	30 June 2018	30 June 2017	31 December 2017
Cash and cash equivalents without disposal restrictions	1,908	2,523	3,197
Cash and cash equivalents with disposal restrictions	192	405	456
Cash and cash equivalents	**2,100**	**2,928**	**3,653**
The balance is specified as follows:			
Cash and cash equivalents	2,108	2,928	3,653
Financial debt	(8)	-	-
Cash and cash equivalents	**2,100**	**2,928**	**3,653**

3.3 Financial risks

Financial risks, including liquidity, credit, and market risks were addressed in the notes to the Consolidated financial statements in the Annual report 2017, note 4.5, page 96-101. The risks remain similar in nature compared to 2017.

3.4 Financial instruments

As at 30 June 2018, the fair value of financial investments was EUR 467m, equal to book value. Derivative financial instruments was positive with a market value of net EUR 85m, equal to book value, and included in other receivables and other liabilities with EUR 180m and EUR 95m, respectively.

Financial instruments measured at fair value has been categorised into level 1, 2, and 3 as addressed in the Annual report 2017, note 4.7, page 105. There have been no significant new items compared to 2017 and there have been no significant transfers between levels.

The book value of the Green Corporate Eurobond was EUR 497m with a corresponding fair value of EUR 531m as at 30 June 2018.

3.5 Financial investments

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. On initial recognition, financial investments are recognised in the balance sheet at fair value and subsequently re-measured at fair value through profit and loss. Any change in the fair values of the financial investments are recognised in the income statement as financial items.

mEUR	30 June 2018	30 June 2017	31 December 2017
Marketable securities	202	204	203
Deposits	265	-	-
Financial investments	**467**	**204**	**203**
Financial investments specified as follows:			
0-1 year	265	-	7
> 1 year	202	204	196
Financial investments	**467**	**204**	**203**

3.6 Change in Vestas' ownership interest in a subsidiary

In April 2018, Vestas disposed 49 percent of its interest in Vestas Manufacturing Rus through capital injections from third parties, reducing its continuing interests to 51 percent. The proceeds from third parties of EUR 4m were received in cash. An amount of EUR 4m (being the proportionate share of the carrying amount of the net assets of Vestas Manufacturing Rus) has been transferred to non-controlling interest.

4 Other disclosures

4.1 Related party transactions

Vestas has had the following material transactions with joint ventures:

mEUR	Q2 2018	Q2 2017	H1 2018	H1 2017
MHI Vestas Offshore Wind A/S				
Revenue for the period	34	108	71	234
Receivables as at 30 June	40	50	40	50
Roaring Fork Wind, LLC				
Proceeds from sale of projects	9	-	9	-
Capital increase	(2)	-	(3)	-
Prepayments balance as at 30 June	82	74	82	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 2017, note 6.4, page 113.

4.2 Business combinations

Acquisition of Utopus Insights, Inc.

On 4 February 2018, Vestas acquired 100 percent of the share capital of Utopus Insights, Inc. (”Utopus”), a leading energy analytics and digital solutions company. The acquisition significantly improves Vestas’ existing market-leading capabilities for advanced analytics and integrated energy software solutions.

The goodwill of EUR 70m arising from the acquisition is attributable to synergies expected from combining the operations of Vestas and Utopus. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the considerations paid for Utopus, the fair value of assets acquired and liabilities assumed at the acquisition dates.

mEUR	Utopus
Cash	70
Contingent consideration	11
Total consideration	**81**

The acquisition price for Utopus is EUR 65m on a debt and cash free basis. The consideration has been paid in cash from readily available sources.

mEUR	Utopus
Technology (included in Other intangible assets)	13
Cash	5
Deferred tax liability	(3)
Trade payables	(1)
Other liabilities	(3)
Total identifiable net assets	**11**
Goodwill	70
Total	**81**

The contingent consideration arrangement requires Vestas to pay, in cash, to the former owners of Utopus, an earn-out up to EUR 16m, undiscounted, contingent on revenue in 2020.

The fair value of the acquired identifiable net asset of EUR 11m (including Technology) is provisional pending final valuations for those assets.

The revenue included in the consolidated income statement since 14 February 2018 contributed by Utopus was EUR 0m. Utopus also contributed loss after tax of EUR 2m over the same period.

Had Utopus been consolidated from 1 January 2018, the consolidated income statement would have been impacted with revenue of approx. EUR 4m and profit after tax of approx. EUR 0m.

The revenue, costs and EBIT from Utopus are allocated to the Service segment.

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 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 2017 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 for the year ended 31 December 2017, note 7.2, page 119.

5.3 Changes in accounting policies and disclosures

Except for the changes below, the accounting policies remain unchanged compared to the annual report for the year ended 31 December 2017, to which reference is made.

Impact of new accounting standards for second quarter 2018
Vestas has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2018 financial year, including:

- IFRS 15, Revenue from Contracts with Customers (effective date 1 January 2018)
- Clarifications to IFRS 15, Revenue from Contracts with Customers (effective date 1 January 2018)
- IFRS 9, Financial Instruments (effective date 1 January 2018)

None of these new or amended accounting standards and clarifications resulted in any significant changes to the accounting policies for Vestas or had significant impact on recognition or measurement in the consolidated financial statements in the first half of 2018. Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

IFRS 15, Revenue from Contracts with Customers and Clarifications to IFRS 15
IFRS 15 has been implemented in Vestas' consolidated financial statements for the financial year beginning on 1 January 2018. Vestas has applied 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. The transition impact and the opening equity has been impacted negatively by EUR 54m as at 1 January 2018.

Consequently, 2017 comparative figures are reported according to IAS 11/IAS 18 and are not restated to reflect the numbers according to IFRS 15. In the table below, 2018 numbers according to both IFRS 15 and IAS 11/IAS 18 are disclosed so as to provide comparability between 2017 and 2018 and to disclose the effect from the changed regulation.

Under IFRS 15, total revenue of a contract will remain unchanged compared to IAS 11/IAS 18; however, the timing of the revenue recognition will be deferred for supply-only and turnkey contracts. The details of the changes and quantitative impact of the changes are set out below.

Supply-only projects
Vestas continues to recognise revenue for supply-only projects at a point in time; however, under IFRS 15 revenue is deferred as control is deemed to be transferred to the customer upon delivery of the components in accordance with the agreed delivery plan, which is at a later stage compared to IAS 11/IAS 18.

Turnkey projects

Vestas continues to recognise revenue for turnkey projects over time applying the percentage-of-completion method; however, under IFRS 15 work performed as part of the percentage-of-completion method is assessed to be executed at a later stage, which is deferring revenue.

Impact on financial statements

The following table summarise the impacts of adapting IFRS 15 in the consolidated financial statements. There is no material impact on Vestas' basic or diluted earnings per share for the first six months of 2018.

Impact on income statement	**Q2 2018**			**H1 2018**		
mEUR	**As reported**	**Adjustments Total**	**Balances without adoption of IFRS 15**	**As reported**	**Adjustments Total**	**Balances without adoption of IFRS 15**
Revenue	**2,260**	**(185)**	**2,075**	**3,954**	**(239)**	**3,715**
Production costs	(1,844)	166	(1,678)	(3,257)	209	(3,048)
Gross profit	**416**	**(19)**	**397**	**697**	**(30)**	**667**
Research and development costs	(57)	-	(57)	(105)	-	(105)
Distribution costs	(37)	-	(37)	(86)	-	(86)
Administration costs	(63)	-	(63)	(121)	-	(121)
Operating profit (EBIT)	**259**	**(19)**	**240**	**385**	**(30)**	**355**
Income from investments in joint ventures and associates	(13)	-	(13)	5	-	5
Net financial items	(1)	-	(1)	(8)	-	(8)
Profit before tax	**245**	**(19)**	**226**	**382**	**(30)**	**352**
Income tax	(61)	3	(58)	(96)	5	(91)
Profit for the period	**184**	**(16)**	**168**	**286**	**(25)**	**261**

The following table summarises the impact on net working capital of adapting IFRS 15 in Vestas' consolidated financial statements.

Impact on Net working capital 30 June 2018

mEUR	**As reported**	**Adjustments Total**	**Balances without adoption of IFRS 15**
Inventories	4,182	(38)	4,144
Receivables	1,553	-	1,553
Contract assets / liabilities*	(139)	107	(32)
Prepayments from customers	(3,833)	(12)	(3,845)
Trade payables	(2,497)	-	(2,497)
Other current liabilities	(409)	-	(409)
Net Working Capital as at 30 June 2018	**(1,143)**	**57**	**(1,086)**

*) As part of the implementation of IFRS 15, Vestas has changed the name of Construction contracts in progress to Contract assets and Contract liabilities

IFRS 9, Financial Instruments

As stated in the Annual report 2017, Vestas has adopted IFRS 9 effective from 1 January 2018. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments. The implementation of IFRS 9 has not affected the recognition, measurement and classification of Vestas' financial instruments, but has aligned the way that Vestas undertakes risk management activities with the hedge accounting qualification criteria.

Figures and disclosures for the comparative periods are not restated as the classification and measurement requirements are not impacting Vestas.

The effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is considered immaterial due to the low credit risk in Vestas. The immaterial effects of implementing IFRS 9 end of 2017 have been recognised in the first quarter of 2018.

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 2018.

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 2017 of Vestas and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion the accounting policies used are appropriate and the interim financial report gives a true and fair view of Vestas' assets, liabilities, and financial position as at 30 June 2018 and of the results of Vestas' operations and cash flow for the period 1 January to 30 June 2018.

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 2017.

Aarhus, Denmark, 15 August 2018

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

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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 2017 (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.