Company announcement No. 13, 2019

Vestas

Vestas Wind Systems A/S

Interim financial report Second quarter 2019

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

Wind. It means the world to us.™

Contents

How to read this interim financial report – definitions:

Vestas
"Vestas" is the entity covering the two business areas Power solutions and Service. The entity includes all subsidiaries over which Vestas has control.

The Group
"The Group" refers to activities in all three business areas, including the offshore business area in the joint venture MHI Vestas Offshore Wind A/S.

The three business areas are:

Power solutions   Service   Offshore

The offshore business area is accounted for using the equity method and the net result for the period for the joint venture is recognised in the income statements as "Income from investments in joint ventures and associates".

Information meeting (audiocast)
On Thursday 15 august 2019 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:	+44 333 300 9265
USA:	+1 646 722 4956
Denmark:	+45 7815 0109

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

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Summary

Revenue and earnings decreased compared to last year's second quarter while free cash flow improved. Highest ever quarterly order intake and combined order backlog at all-time high level. Guidance for 2019 narrowed.

In the second quarter of 2019, Vestas generated revenue of EUR 2,121m – a decrease of 6 percent compared to the year-earlier period. EBIT before special items decreased by EUR 131m to EUR 128m. The EBIT margin was 6.0 percent compared to 11.5 percent in the second quarter of 2018 and free cash flow* amounted to EUR (75)m compared to EUR (173)m in the second quarter of 2018.

The intake of firm and unconditional wind turbine orders amounted to 5,696 MW in the second quarter of 2019.

The value of the wind turbine order backlog amounted to EUR 15.9bn as at 30 June 2019. In addition to the wind turbine order backlog, Vestas had service agreements with expected contractual future revenue of EUR 15.6bn at the end of June 2019. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 31.5bn – an increase of EUR 8.5bn compared to the year-earlier period.

Vestas narrows the 2019 guidance on revenue to range between EUR 11.0bn and 12.25bn (compared to previously EUR 10.75bn-12.25bn), and on EBIT margin before special items to 8-9 percent (compared to previously 8-10 percent). Total investments* are expected to amount to approx. EUR 800m (compared to previously approx. EUR 700m). The adjustments are based on performance and improved visibility for the remainder of the year.

Group President & CEO Henrik Andersen said: *"In the second quarter of 2019, continued high demand for wind energy helped Vestas achieve a record-high order intake of 5.7 GW and 15 percent growth in Service revenue. Based on these strong sales results, our order backlog soared by EUR 8.5bn year-over-year to an all-time high of EUR 31bn, again demonstrating our global leadership in a highly competitive market. Together with our Offshore business' increased profits, the first half of 2019 highlights the complementarity of our business model's three main areas, creating a great long-term outlook for Vestas. Prices remained stable in the quarter, but further increases in tariffs, raw material prices and transport costs, continue to increase execution costs, causing our gross margin to decline compared to the same period last year. To finish the year as strongly as possible and prepare for high activity levels in 2020, we remain focused on executing our strategy and delivering an extraordinarily busy second half of 2019."*

Key highlights

Highest ever quarterly order intake and all-time high order backlog
5.7 GW of order intake in Q2 including first order for the new EnVentus platform

Total revenue of EUR 2,121m
Six percent decrease compared to Q2 2018

EBIT of EUR 128m
EBIT margin at 6.0 percent impacted by competitive markets, tariffs, and back-end loaded activity level

Strong service performance
Revenue growth of 15 percent, and EBIT margin of 28.4 percent

Increasing profit in MHI Vestas Offshore Wind
Net profit of EUR 22m; an underlying improvement of EUR 49m YoY

Outlook 2019
Guidance for 2019 narrowed for revenue and EBIT margin based on performance and improved visibility

*) Excl. the acquisition of SOWITEC Group GmbH, any investments in marketable securities, and short-term financial investments.

Financial and non-financial highlights

mEUR	Q2 2019	Q2 2018[4)]	H1 2019	H1 2018[4)]	FY 2018[4)]
Financial highlights					
Income statement					
Revenue	2,121	2,260	3,851	3,954	10,134
Gross profit	301	416	536	697	1,631
Operating profit before amortisation, depreciation and impairment (EBITDA) before special items	255	369	424	594	1,394
Operating profit (EBIT) before special items	128	259	171	385	959
Operating profit before amortisation, depreciation and impairment (EBITDA)	255	369	424	594	1,379
Operating profit (EBIT)	128	259	171	385	921
Operating profit (EBIT) before special items adjusted for tax	96	194	128	289	719
Net financial items	(18)	(1)	(33)	(8)	(51)
Profit before tax	119	245	153	382	910
Profit for the period	90	184	115	286	683
Balance sheet					
Balance sheet total	13,352	11,270	13,352	11,270	11,899
Equity	2,957	2,919	2,957	2,919	3,104
Investments in property, plant and equipment	107	65	212	123	312
Net working capital	(1,197)	(1,143)	(1,197)	(1,143)	(2,040)
Capital employed	3,723	3,424	3,723	3,324	3,602
Interest-bearing position (net), end of the period	1,679	2,070	1,679	2,070	3,046
Cash flow statement					
Cash flow from operating activities	100	(52)	(600)	(520)	1,021
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(175)	(121)	(351)	(240)	(603)
Free cash flow before acquisitions of subsidiaries and financial investments	(75)	(173)	(951)	(760)	418
Free cash flow	120	(438)	(775)	(1,090)	(69)
Financial ratios[1)]					
Financial ratios					
Gross margin (%)	14.2	18.4	13.9	17.6	16.1
EBITDA margin (%) before special items	12.0	16.3	11.0	15.0	13.8
EBIT margin (%) before special items	6.0	11.5	4.4	9.7	9.5
EBITDA margin (%)	12.0	16.3	11.0	15.0	13.6
EBIT margin (%)	6.0	11.5	4.4	9.7	9.1
Return on capital employed[2)] (ROCE) (%)	15.5	23.6	15.5	23.6	20.4
Net interest-bearing debt / EBITDA[2)]	(1.4)	(1.3)	(1.4)	(1.3)	(2.2)
Solvency ratio (%)	22.1	25.9	22.1	25.9	26.1
Return on equity[2)] (%)	17.1	27.1	17.1	27.1	22.6
Share ratios					
Earnings per share[3)] (EUR)	2.6	4.1	2.6	4.1	3.4
Dividend per share (EUR)	-	-	-	-	1.00
Payout ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	76.0	53.0	76.0	53.0	65.9
Number of shares at the end of the period (million)	199	206	199	206	206
Operational key figures					
Order intake (bnEUR)	4.3	2.7	6.7	3.9	10.6
Order intake (MW)	5,696	3,807	8,700	5,436	14,214
Order backlog – wind turbines (bnEUR)	15.9	10.2	15.9	10.2	11.9
Order backlog – wind turbines (MW)	20,753	13,521	20,753	13,521	15,646
Order backlog – service (bnEUR)	15.6	12.8	15.6	12.8	14.3
Produced and shipped wind turbines (MW)	3,375	3,356	6,120	5,819	10,676
Produced and shipped wind turbines (number)	1,126	1,122	2,017	2,012	3,729
Deliveries (MW)	2,069	1,971	3,670	3,163	10,847

1) The ratios have been calculated in accordance with the guidelines from The Danish Finance Society (Recommendations & Financial ratios 2019).
2) Calculated over a 12-month period. The impact from the implementation of IFRS 16 and IFRIC 23 is included as at 1 January 2019.
3) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share. The impact from the implementation of IFRS 16 is included as at 1 January 2019.
4) Vestas has initially applied IFRS 16 and IFRIC 23 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Social and environmental key figures[1)]					
Occupational health & safety					
Total recordable injuries (number)	57	52	107	109	210
- of which lost time injuries (number)	11	24	31	45	80
- of which fatal injuries (number)	0	0	1	0	0
Consumption of resources					
Consumption of energy (GWh)	150	130	335	314	614
- of which renewable energy (GWh)	79	70	154	142	294
- of which renewable electricity (GWh)	73	64	137	123	262
Consumption of fresh water (1,000 m^3)	127	120	230	229	470
Waste disposal					
Volume of waste (1,000 tonnes)	20	20	41	39	81
- of which collected for recycling (1,000 tonnes)	11	11	22	20	42
Emissions					
Emission of direct CO_2 (1,000 tonnes)	16	14	39	37	69
Emission of indirect CO_2 (1,000 tonnes)	5	7	14	16	32
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	24,740	24,202	24,608	23,963	24,221
Number of employees at the end of the period	24,837	24,351	24,837	24,351	24,648
Social and environmental indicators[1)]					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	4.1	3.9	4.0	4.3	4.0
Incidence of lost time injuries per one million working hours	0.8	1.8	1.2	1.8	1.5
Absence due to illness among hourly-paid employees (%)	2.1	2.1	2.1	2.2	2.1
Absence due to illness among salaried employees (%)	0.9	1.2	1.0	1.2	1.1
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	87	89	158	155	275
Utilisation of resources					
Renewable energy (%)	53	54	46	45	48
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in the Board of Directors[2)] and Executive Management (%)	23	21	23	21	15
Women at management level[3)] (%)	19	19	19	19	19

1) Accounting policies for social and environmental key figures for Vestas Wind Systems A/S, see page 32 of the Annual report 2018.
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.

Vestas financial performance

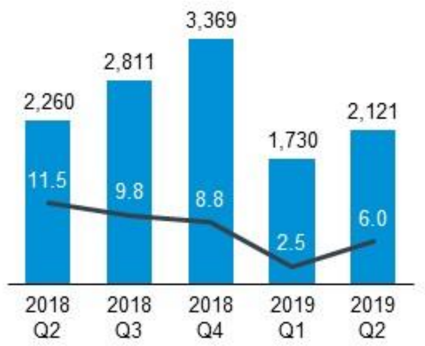
Income statement

Revenue

Revenue amounted to EUR 2,121m in the second quarter of 2019, which was 6 percentage below second quarter of 2018. Comparing the quarter to the same period last year, this reflects a positive impact of approx. EUR 23m from translation effect in relation to foreign exchange rate development, primarily from USD.

In the first half of 2019, revenue amounted to EUR 3,851m which is on par with the reported revenue for the first half of 2018 of EUR 3,954m.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 301m, corresponding to a gross margin of 14.2 percent, which is a 4.2 percentage point decrease from second quarter of 2018. The gross profit decrease was driven by lower average project margins in the Power solutions business impacted by orders received during the price decline in 2017. Furthermore, external factors such as trade tariffs, transport, and raw material prices increased costs.

This is partly offset by improved profitability within the Service business benefitting from continuous cost-out and reliable performance of the turbines under service contracts.

Research and development costs, Distribution costs, and Administration costs

R&D, Distribution and Administration costs recognised in the income statement amounted to EUR 173m in the second quarter of 2019, corresponding to an increase of EUR 16m from second quarter of 2018.

R&D costs increased by EUR 6m mainly as a result of bringing new product offerings to the market, including the EnVentus modular platform and digital service offerings.

Distribution costs increased by EUR 8m compared to second quarter of 2018, reflecting higher activity in the market.

Administration costs was largely in line with second quarter of 2018.

Depreciation, amortisation and impairment amounted to EUR 127m in the second quarter of 2019, compared to EUR 110m in the second quarter of 2018. The increase was driven by higher depreciations and amortisations related to new product variants as well as impact of change in accounting principles from capitalisation of operating lease contracts as per implementation of IFRS 16.

Operating profit (EBIT)

EBIT amounted to EUR 128m in the second quarter of 2019, equivalent to an EBIT margin of 6.0 percent, a decrease in the EBIT margin of 5.5 percentage points compared to the second quarter of 2018. This was a result of decline in gross margin and higher capacity costs.

The EBIT margin showed a decrease of 5.3 percentage points to 4.4 percent in the first half of 2019 and amounted to an EBIT of EUR 171m. The lower margin was impacted by orders received during the price decline in 2017 which impacted project margins in the Power solutions business negatively, where the Service business reported a higher EBIT and EBIT margin compared the same period last year. The EBIT margin was furthermore impacted by higher capacity costs due to the addition of new products and digital services in the market.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 9m in the second quarter of 2019, compared to a net loss of EUR 13m in the second quarter of 2018. The profit mainly stems from Vestas' share of profit in MHI Vestas Offshore Wind on a standalone basis.

In the first half of 2019, income from investments in joint ventures and associates amounted to a profit of EUR 15m compared to EUR 5m in the first half of 2018. The increase was mainly related to income from MHI Vestas Offshore Wind, where a higher activity level and successful installations of V164 turbines contributed to the positive development.

Financial items

In the second quarter of 2019, net financial items amounted to a net cost of EUR 18m against EUR 1m in the second quarter of 2018. The development was mainly driven by various currency effects and fees.

Income tax

Income tax amounted to a cost of EUR 29m in the second quarter of 2019, equivalent to an effective tax rate of approx. 25 percent which is in line with the second quarter of 2018.

Profit for the period

Profit for the period amounted to EUR 90m in the quarter compared to a profit of EUR 184m in the second quarter of 2018 driven by the lower operating profit.

Financial ratios

Earnings per share amounted to EUR 0.45 in second quarter of 2019, a decrease of EUR 0.47 compared to EUR 0.92 in the same quarter of 2018 driven by lower net profit.

In the first half of 2019, earnings per share amounted to EUR 0.58 compared to EUR 1.42 for the same period in 2018, due to lower net profit in the first half year of 2019. Return on capital employed (ROCE) was 15.5 percent for rolling 12 months, compared to 23.6 percent for the same period a year ago. Return on equity was 17.1 percent in current period, compared to 27.1 percent in same period a year ago, which was a decrease of 10.0 percentage points. For both ratios, this decline was mainly a result of the lower operating and net profit.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 1,197m as at 30 June 2019, an improvement compared to a net liability of EUR 1,143m as at 30 June 2018. Though, net working capital development was negatively impacted by inventory build-up for deliveries later in the year, it was partly funded by down- and milestone payments from customers.

Cash flow from operating activities

Cash flow from operating activities was positive EUR 100m in the second quarter of 2019, compared to negative EUR 52m in second quarter of 2018. The development in cash flow from operating activities was driven by the change in net working capital, which in the second quarter last year was negatively impacted by increased inventory, only partly offset by higher down- and milestone payments whereas this year reflects a larger impact from the down- and milestone payments.

Cash flow from investing activities

Cash flow from investing activities before acquisitions of subsidiaries and short-term financial investments amounted to negative EUR 175m in the second quarter of 2019, compared to negative EUR 121m in the second quarter of 2018. The development in cash flow from investing activities was mainly a result of investments in blade moulds, transport equipment, and tools to cater for new turbine variants as well as a high activity level.

In the second quarter of 2019, net disposal of short-term financial investments amounted to EUR 195m.

Free cash flow

Free cash flow, excluding acquisitions of subsidiaries and investments in short-term financial investments, amounted to negative EUR 75m compared to negative EUR 173m in the second quarter of 2018. This development was mainly driven by cash flow from operating activities including net working capital development.

In the first half of 2019, the free cash flow excluding acquisitions of subsidiaries and investments amounted to negative EUR 951m mainly driven by the change in net working capital due to inventory build-up in the first half of 2019. The development compared to the first half of 2018, was driven by increased investments in blade moulds, transport equipment, and tools over the two first quarters of 2019.

Capital structure and financing items

Equity and solvency ratio

As at 30 June 2019, total equity amounted to EUR 2,957m which is on par with the level 30 June 2018. The development in equity compared to 30 June 2018, was mainly impacted by Vestas initiated a share buy-back programme in the first half of 2018 which offset the higher net profit in the first half of 2018 compared to the first half of 2019.

As at 30 June 2019, the solvency ratio was 22.1 percent, which is a decline of 3.8 percentage points from 30 June 2018, mainly as a result of higher total assets driven by build-up of inventory and other net working capital items for deliveries later in the year. To a lesser degree, the solvency ratio is impacted by implementation of changes to accounting policies as per 1 January 2019. This includes capitalisation of operating lease contracts as per implementation of IFRS 16 and implementation of IFRIC 23 clarifying the accounting treatment for uncertain tax positions. Combined, these changes have an impact of decreasing equity by EUR 43m and increasing total assets by EUR 251m corresponding to a negative impact of 0.9 percentage points to the solvency ratio as per 1 January 2019.

Net interest-bearing position and cash position

At the end of the second quarter of 2019, the net interest-bearing position was positive of EUR 1,679m, a decrease of EUR 391m compared to the end of the second quarter of 2018 with a positive net interest-bearing position of EUR 2,070m.

Cash and cash equivalents as at 30 June 2019, including bank overdraft, amounted to EUR 1,995m which is a decrease of EUR 113m compared to 30 June 2018.

Cash flow from financing activities

Cash flow from financing activities amounted to negative EUR 175m in the second quarter of 2019 compared to negative EUR 352m in second quarter 2018 impacted from share buy-back programme executed in the second quarter of 2018.

Power solutions

Result for the period

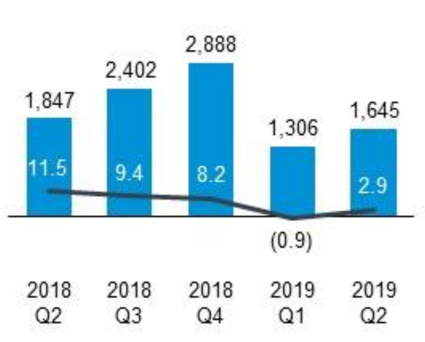
In the second quarter of 2019, revenue from the Power solutions business amounted to EUR 1,645m, which is below second quarter of 2018. Comparing the second quarter of 2019 to the same period last year, there was a positive impact of approx. EUR 19m from foreign exchange rate development primarily from USD.

The Power solutions business reported in the first half of 2019 revenue of EUR 2,951m compared to EUR 3,175m in the same period last year. The decrease is driven by the decrease of revenue in the second quarter of 2019, whereas the first quarter of 2019 was on par with the first quarter of 2018.

EBIT amounted to EUR 47m in the second quarter of 2019, equal to an EBIT margin of 2.9 percent. Compared to the second quarter of 2018, this is a decline of 8.6 percentage points, driven by lower average project margins, which mainly reflects increased competition and costs related to trade tariffs, transportation, and raw material prices.

In the first half of 2019, EBIT amounted to EUR 35m and an EBIT margin of 1.2 percent. Compared to the same period last year, the EBIT margin decreased 7.9 percentage points driven by an increased competition and costs related to trade tariffs, transportation and raw material prices in both the first and second quarter of 2019.

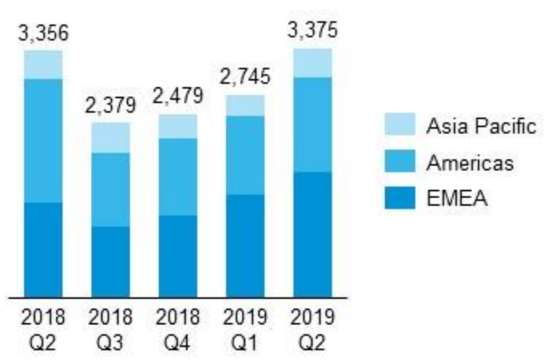
Power solutions revenue and EBIT margin before special items
mEUR and percentage



Level of activity

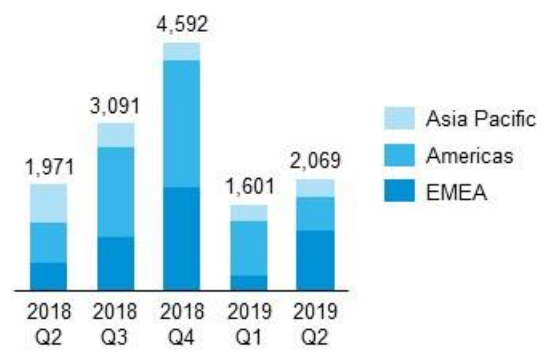
In the second quarter of 2019, Vestas produced and shipped wind turbines with an aggregated output of 3,375 MW against 3,356 MW in the second quarter of 2018, which corresponds to an increase of 1 percent.

Produced and shipped
MW



Deliveries to customers amounted to 2,069 MW in second quarter of 2019, compared to 1,971 MW in the second quarter of 2018. The increase was mainly driven by deliveries in Europe, Middle-east, and Africa region which reflects a large share of deliveries in France, Italy, and Spain.

Deliveries
MW



The level of activity of both produced and shipped wind turbines and deliveries to customers in the first half of 2019 exceeded the activity level in the same period of 2018.

Produced and shipped wind turbines amounted to 6,120 MW compared to 5,819 MW in the first two quarters of 2018. The positive development was primarily driven by higher deliveries in the Americas region in the first quarter of 2019. Deliveries to customers increased with 16 percentage in the two first quarters of 2019 and amounted to 3,670 MW, compared to the same period last year of

3,163 MW. The increase in produced and shipped wind turbines was derived by an increase in the EMEA region in both the first quarter and the second quarter of 2019.

By the end of June 2019, Vestas had installed a total of 105 GW onshore capacity in 80 countries.

Wind turbine order intake

In the second quarter of 2019, wind turbine order intake amounted to 5,696 MW, corresponding to EUR 4.3bn, which reflects an increase of 50 percent compared to an order intake of 3,807 MW in the second quarter of 2018 and was in particular driven by the US and Brazil.

Order backlog

At the end of the second quarter of 2019, the wind turbine order backlog amounted to 20,753 MW, which equals EUR 15.9bn. This is an increase of 56 percent compared to EUR 10.2bn at the end of second quarter of 2018.

Service

Result for the period

The Service business generated revenue of EUR 476m in the second quarter of 2019, which is a 15 percent increase compared to the second quarter of 2018, including a positive impact of EUR 4m from foreign exchange rate development primarily from USD.

Service revenue and EBIT margin before special items
mEUR and percentage

The increase in revenue in the second quarter of 2019 was primarily driven by the service contract business.

Revenue from the Service business amounted to EUR 900m in the first half of 2019, which is a 16 percent increase compared to the first half of 2018, evenly driven by the first two quarters of 2019.

EBIT amounted to EUR 135m in the second quarter of 2019, corresponding to an EBIT margin of 28.4 percent. This is a result of reliable performance of the wind turbines under service contracts in combination with efficient cost management.

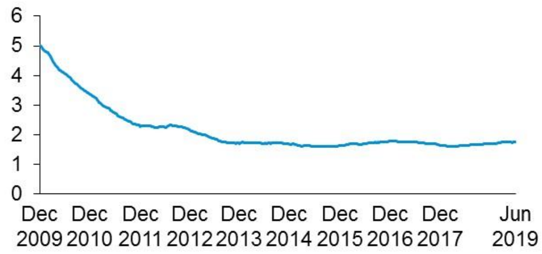
In the first half of 2019, EBIT amounted to EUR 247m and an EBIT margin of 27.4 percent. Compared to the first half of 2018, the EBIT margin increased with 1.5 percent points in the first half of 2019 due to reliable performance of the wind turbines as well as efficient cost management in both the first and second quarter of 2019.

Level of activity

By the end of June 2019, Vestas had approx. 42,000 wind turbines under service, equivalent to approx. 86 GW.

At the end of June 2019, the overall average Lost Production Factor was below 2 percent for the wind power plants where Vestas guarantees the performance.

Lost Production Factor*
Percent



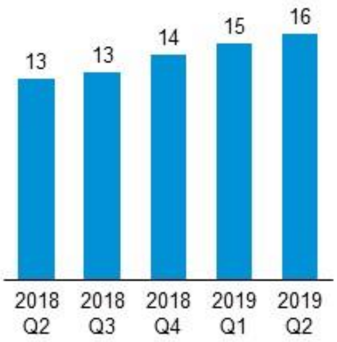
*) Data calculated across approx. 40,500 Vestas wind turbines under full-scope service.

Order backlog

At the end of June 2019, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 15.6bn, an increase of EUR 2.8bn compared to end of June 2018.

At the end of the quarter, the average duration in the service order backlog was approx. eight years which is unchanged from the previous quarter but an improvement compared to the average of seven years at the end of June 2018.

Service backlog
bnEUR



Offshore

MHI Vestas Offshore Wind A/S (MHI Vestas Offshore Wind) is a 50:50 joint venture between Mitsubishi Heavy Industries, Ltd. and Vestas Wind Systems A/S.

Order intake

MHI Vestas Offshore Wind confirmed no firm orders in the second quarter 2019.

Result for the period in MHI Vestas Offshore Wind

Revenue for MHI Vestas Offshore Wind amounted to EUR 534m in the second quarter 2019, an increase of EUR 508m compared to same period last year. The revenue in the second quarter 2019 reflected deliveries to two offshore wind parks; Norther in Belgium (V164-8.4 MW™); Horns Reef 3 wind park in Denmark (V164-8.3 MW™ turbine).

MHI Vestas Offshore Wind revenue and net result
mEUR

In the first half of 2019, revenue amounted to EUR 946m compared to EUR 251m in the first half of 2018. Revenue in the first half of 2019 was driven by deliveries to the projects Norther in Belgium and Horns Reef 3 wind park in Denmark, where the project Norther was fully recognised in the second quarter of 2019.

Net profit in the joint venture amounted to EUR 22m in the quarter on a stand-alone basis, compared to a net loss of EUR 27m in the second quarter of 2018. The positive net profit result was due to higher activity level with successful installations of V164 turbines.

MHI Vestas Offshore Wind reported a net profit for the first half of 2019 of EUR 32m, compared to a loss of EUR 44m in the first half of 2018. The positive net result in the first half of 2019 was driven by the higher activity level in the second quarter of 2019.

Vestas' accounting for MHI Vestas Offshore Wind

The joint venture is accounted for using the equity method, and Vestas' share of MHI Vestas Offshore Wind's overall net result of EUR 11m for the second quarter of 2019 is recognised in the income statement as "Income from investments in joint ventures and associates". Vestas' share in the first half of 2019 amounted to EUR 16m compared to a recognised negative net result in the first half of 2018 of EUR 22m.

Market development

Deliveries and wind turbine backlog per region

Vestas order backlog amounted to 20,753 MW as at 30 June 2019, an increase compared with the order backlog level of 13,521 MW as at 30 June 2018.

Order intake and wind turbine order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q2 2019	1,326	4,067	303	**5,696**
Backlog as per 30 June 2019	7,648	10,187	2,918	**20,753**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 1,133 MW compared to 525 MW in the previous year. Deliveries were distributed throughout a number of countries in the region, with Italy and Spain being the countries where most capacity was delivered.

The order intake for the region amounted to 1,326 MW, down from 1,623 MW in the second quarter of 2018. The order intake in the quarter was coming mainly from Finland, Poland, France, and Ukraine. The order backlog comprised 7,648 MW as at 30 June 2019.

Americas

Deliveries in the Americas region amounted to 617 MW, compared to 736 MW in the second quarter of 2018. The lower level of activity was attributable to a decrease in deliveries in Argentina and Brazil.

In the quarter, order intake amounted to 4,067 MW for the Americas region, of which 2,820 MW came from the USA and 1,193 MW from Brazil. The order backlog for the region amounted to 10,187 MW as at 30 June 2019, of which the majority relates to orders in the USA.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 319 MW compared to 710 MW in the previous year. The decrease in activity was mainly related to Thailand, China, and India.

The order intake for the region amounted to 303 MW, up from 285 MW in the second quarter of 2018. The orders were mainly coming from Australia. The order backlog amounted to 2,918 MW as at 30 June 2019.

Deliveries
MW

	Q2 2019	Q2 2018	FY 2018
Italy	250	31	278
Spain	225	-	70
France	187	122	636
Sweden	83	79	482
Norway	69	22	471
Germany	63	114	638
Kazakhstan	45	-	-
Ukraine	43	-	32
Serbia	39	-	-
Senegal	37	-	8
Jordan	24	-	94
Netherlands	22	-	61
United Kingdom	18	49	431
Czech Republic	15	-	11
Austria	7	47	178
Greece	4	31	158
Belgium	2	10	45
Ireland	-	14	14
Turkey	-	4	25
Belarus	-	2	4
Kenya	-	-	310
Denmark	-	-	123
Russia	-	-	50
Finland	-	-	7
Bahrain	-	-	2
EMEA	**1,133**	**525**	**4,128**
USA	432	428	2,827
Argentina	104	188	688
Canada	50	-	192
Chile	16	-	15
Mexico	12	-	1,027
Bolivia	3	-	-
Brazil	-	117	170
Dominican Rep.	-	3	48
Martinique	-	-	14
Honduras	-	-	13
Uruguay	-	-	2
Americas	**617**	**736**	**4,996**
Australia	117	133	547
China	103	192	373
India	98	176	543
Sri Lanka	1	-	-
Thailand	-	180	180
Mongolia	-	29	55
South Korea	-	-	25
Asia Pacific	**319**	**710**	**1,723**
Total	**2,069**	**1,971**	**10,847**

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual report 2018.)

Today, the world is faced with two primary energy challenges: meeting the growing global energy needs sustainably and addressing climate change by making the existing energy system sustainable. As a consequence, the world has taken steps to fight climate change that make a 4°C warming of the planet much less likely than it was a decade ago[1], while renewables have become the cheapest source of electricity, making wind and solar the preferred source of new energy capacity. In fact, today's renewable energy solutions are at a scale and cost that can meet both the world's energy demand and bring the world to the 1.5°C warming scenario that will limit impact from climate change.[2]

Vestas – creates the energy system for future generations

Vestas has been and continues to be a cornerstone in making the world's energy mix sustainable and with growing global energy needs and the 1.5ºC warming scenario far away, renewable energy's growth potential is enormous.

In this environment, Vestas wants to drive the necessary change of the existing energy system and create a sustainable energy system for future generations. By doing so, Vestas aspires to be the global leader in sustainable energy solutions and will develop and offer the sustainable energy solutions that can replace fossil energy and meet the growing electricity demand across the globe.

The planet's sustainable development is therefore both an integral part of Vestas' business and a tremendous growth opportunity for the renewables industry as energy demand increases. Compared to 2017, this demand is set to increase by more than 40 percent in 2035 due to population growth and electrification of transport, industrial processes as well as heating and cooling.[3]

At the same time, more than 30 percent of all current electricity generation capacity is expected to be retired by 2040, which equals around 1,500 GW of coal, oil, gas, and nuclear plants alone.[4] Moreover, renewables will grow from around 10 percent today to more than 30 percent of the world's electricity demand by 2035.[3]

Due to renewables' progress, developing countries added more renewables than fossil fuels in 2017, highlighting renewables' competitiveness, and societal benefits.[5] In total, Bloomberg New Energy Finance projects around USD 4.5tr to be invested in onshore and offshore wind energy up to 2050.[6]

As such, Vestas' vision, Global Leader in Sustainable Energy Solutions, sets a clear purpose and direction for Vestas' employees and fuels its ambitions for the global energy transition: Vestas wants to lead the industry on volume, revenue, and margins, and together with its key stakeholders wants to make the positive impact on the planet Vestas has the potential to create.

Strategic framework to ensure Vestas stays in the lead

While Vestas' strategy has delivered industry-leading profitable growth and shareholder value since 2013, it is important that Vestas both understands and adapts to the mid-to-long term changes in the markets for renewable energy.

Technologies, policies and markets are maturing, which entails the success parameters and business models along the renewable energy value chain are expected to adapt. The key underlying trends include increasingly market-based remuneration for renewable projects, an expanding set of low-cost renewable technologies and hybrids, a focus on delivering high system-value, and shifting patterns in types and sources of funding for new renewable installations. To reflect this reality, Vestas' 2019-2021 strategy update includes a new set of mid-term strategic objectives and priorities.

Vestas' mid-term objective, Global leader in wind power plant solutions and Global leader in wind service solutions, entail:

- Leading in innovating products, services, and digital solutions that deliver the lowest cost of energy, increase the penetration of renewables, and help customers fully optimise value from renewable power plants.
- Being the preferred solutions provider and partner to the customers.
- Leading by market share in established markets and competing for leadership in emerging markets.
- Leading in profitability to enable us to reinvest into Vestas futures innovation and competitiveness.

[1] Source: UN Environment; Emissions Gap Report 2018. November 2018.
[2] Source: The Boston Consulting Group; The Economic Case for Combating Climate Change. September 2018.
[3] Source: Bloomberg New Energy Finance: New Energy Outlook 2018. June 2018.
[4] Source: International Energy Agency (IEA): World Energy Outlook 2018. November 2018.
[5] Source: Bloomberg New Energy Finance: Emerging Markets Outlook 2018 – Climatescope. November 2018.
[6] Source: Bloomberg New Energy Finance: Data Viewer. June 2018.

Mid-term priorities, the route to continuing leadership in sustainable energy solutions by:

Transform commercial capabilities

- Combining all of Vestas' strengths to help customers win in auctions and achieve the optimal business case.
- Develop more advanced solutions, with hybrids and digital solutions.

Expand industry-leading wind turbine portfolio

- Continuously develop technology to be competitive in all priority wind markets globally.
- Take full advantage of Vestas' global scale and operational excellence to deliver lowest cost of energy.

Expand service value and cost leadership

- Expand customer value and continue to deliver service at the lowest cost utilising its scale, processes, and new tools.
- Further develop digital solutions that improve internal efficiency and output from installed wind turbines creating customer value.

Pioneer solutions to increase wind penetration

- Constantly addressing the challenges created by the intermittency of wind.
- Ease the integration of wind energy into electrical grids by using solutions like hybrids and storage facilities that can store and release renewable energy it into the grid when it is needed.

Actively build project pipeline to grow margin

- Accelerate the replacement of older wind turbines with new, more productive ones.
- Selectively engage in co-/development of projects to grow the pipeline of future projects.

In order to achieve the mid-term priorities, Vestas will need an organisation that is talented, agile, and cost-effective. Vestas' organisation is inspired by its values of Accountability, Collaboration, and Simplicity. These reflect guiding principles in terms of how Vestas' employees work and engage with each other internally and with the full range of stakeholders externally.

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.

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 return on capital employed (ROCE) of minimum 20 percent 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.

In the coming years, revenue in the Service segment is expected to grow faster than the market with an EBIT margin of approx. 24 percent.

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.

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 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

Sustainability in Vestas

Vestas produces renewable energy solutions across the globe. From manufacturing, to installing, and servicing wind turbines, the heart of the business is anchored in producing affordable and clean energy for the benefit of the world's population.

Vestas understands that reaching its vision to be the global leader in sustainable energy solutions also requires delivering on its social and environmental performance. Continuous improvements in these areas form the baseline for how Vestas works, and partnerships are an important element contributing to this work.

One approach, globally

Vestas is a signatory to the international initiatives in the United Nations Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. These public commitments form the foundation of Vestas' global business approach and are expressed in the company's Code of Conduct for employees and business partners.

Furthermore, 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 and the many communities where the company plays a role. 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).

Connected with Vestas' ambition to show how the company is making a difference in the everyday lives of local communities, the recent 45 MW Winchai Project located in Mukdahan – a north-eastern province of Thailand, serves as a fine demonstration. After the Winchai Project began, local businesses flourished in the area – including shops and different forms of accommodation. Not only did this inject capital into the local area, it contributed to the Gross Provincial Product (GPP) – currently built largely on agriculture.

Former inhabitants were able to move home, after construction of the Rom Klao Wind Farm offered employment opportunities as technicians and on-site staff. This provided crucial training, and the ability to demonstrate skill - exemplified by the completion of the Wind Farm seven weeks ahead of schedule. Efforts were taken to repair roads in the local area - providing easier and more efficient transportation access thereafter. Overall, the provision of access to clean and renewable energy transforms a community previously without access to reliable energy of this kind. As of June 2019, the Rom Klao Wind Farm is now home to the tallest turbines in Asia – leaving ample space for the plantation of rubber trees, sugar cane, cassava and eucalyptus below. In turn, this allows local citizens to continue the agricultural practises so crucial to their local economy.

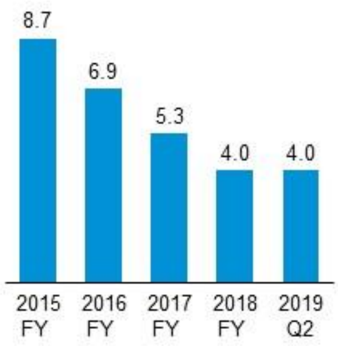
Employees

During the second quarter of 2019, the number of employees increased by 259 to 24,837. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

Safety

In the second quarter of 2019, the number of total recordable injuries increased to 57 compared to the year-earlier quarter. The incidence of total recordable injuries decreased from 4.3 in the first half of 2018 to 4.0 in the first half of 2019. The target for 2019 is 3.6.

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 energy and water consumption from Vestas' manufacturing and service activities - stems from increase in production and service activities in second quarter of 2019.

Renewable electricity

Vestas has achieved 100 per cent 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 2019, more renewable electricity has been sourced in the local region, thereby reducing the compensation with Vestas-owned wind power plants in other regions. In 2017, Vestas joined the organisation RE100, whose members commit to 100 per cent renewable electricity.

Outlook 2019

Based on performance and improved visibility for the remainder of the year, Vestas narrows guidance on revenue and EBIT-margin before special items for 2019.

- Vestas revenue is expected to range between EUR 11.0bn and 12.25bn (compared to previously EUR 10.75bn-12.25bn), including Service revenue, which is expected to grow by approx. 10 percent.

- Vestas expects to achieve an EBIT margin before special items of 8-9 percent (compared to previously 8-10 percent). Factors such as escalation of tariffs and increased transportation complexity related to rerouting and scarcity in the market has increased costs for the Power solutions area. The increased costs in Power solutions are only partly expected to be offset by improved profitability within the Service business, which is now expected to deliver an EBIT margin of minimum 24 percent (compared to approx. 24 percent previously)

Total investments* are expected to amount to approx. EUR 800m (compared to approx. EUR 700m previously). Vestas adjusts its guidance on total investments due to high activity levels and strong order intake.

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 2019. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2019.

Outlook 2019

Revenue (bnEUR)	11.0-12.25
EBIT margin (%) before special items	8-9
Total investments* (mEUR)	approx. 800

*) Excl. the acquisition of SOWITEC Group GmbH, any investments in marketable securities, and short-term financial investments

Consolidated financial statements 1 January - 30 June

Condensed income statement 1 January - 30 June

mEUR	Note	Q2 2019	Q2 2018	H1 2019	H1 2018
Revenue	1.1, 1.2	**2,121**	**2,260**	**3,851**	**3,954**
Production costs		(1,820)	(1,844)	(3,315)	(3,257)
Gross profit		**301**	**416**	**536**	**697**
Research and development costs		(63)	(57)	(129)	(105)
Distribution costs		(45)	(37)	(102)	(86)
Administration costs		(65)	(63)	(134)	(121)
Operating profit (EBIT)	1.1	**128**	**259**	**171**	**385**
Income from investments in joint ventures and associates		9	(13)	15	5
Net financial items		(18)	(1)	(33)	(8)
Profit before tax		**119**	**245**	**153**	**382**
Income tax		(29)	(61)	(38)	(96)
Profit for the period		**90**	**184**	**115**	**286**
Profit is attributable to:					
Owners of Vestas		90	184	115	286
Non-controlling interests		0	(0)	0	(0)
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.45	0.92	0.58	1.42
Earnings per share for the period (EUR), diluted		0.45	0.92	0.58	1.41

Condensed statement of comprehensive income 1 January - 30 June

mEUR	Q2 2019	Q2 2018	H1 2019	H1 2018
Profit for the period	**90**	**184**	**115**	**286**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(29)	30	20	7
Fair value adjustments of derivative financial instruments for the period	8	(17)	(4)	43
Gain/(loss) on derivative financial instruments transferred to the income statement	(16)	(3)	(20)	(5)
Exchange rate adjustments relating to joint ventures	(1)	0	(0)	0
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	23	(0)	(28)	(0)
Share of fair value adjustments of derivatives financial instruments transferred to the income statement of joint ventures and associates	1	(0)	1	(0)
Tax on items that may be reclassified to the income statement subsequently	0	1	5	(10)
Other comprehensive income after tax for the period	(14)	11	(26)	35
Total comprehensive income for the period	**76**	**195**	**89**	**321**

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2019	30 June 2018	31 December 2018
Goodwill		380	378	379
Completed development projects		241	276	270
Software		116	107	118
Other intangible assets		43	57	52
Development projects in progress		362	202	277
Total intangible assets		**1,142**	**1,020**	**1,096**
Land and buildings		650	690	662
Plant and machinery		246	226	258
Other fixtures, fittings, tools and equipment		281	218	268
Right-of-use assets	5.3	193	-	-
Property, plant and equipment in progress		201	126	130
Total property, plant and equipment	2.1	**1,571**	**1,260**	**1,318**
Investments in joint ventures and associates	2.2	273	152	233
Other investments		37	35	35
Tax receivables		160	68	98
Deferred tax		299	230	281
Other receivables	3.4	86	102	79
Financial investments	3.4, 3.5	100	202	204
Total other non-current assets		**955**	**789**	**930**
Total non-current assets		**3,668**	**3,069**	**3,344**
Inventories		4,588	3,688*)	2,987
Trade receivables		886	908*)	967
Contract assets		484	176*)	330
Contract costs		615	494*)	328
Tax receivables		96	66	88
Other receivables	3.4	670	496	515
Financial investments	3.4, 3.5	350	265	422
Cash and cash equivalents	3.2	1,995	2,108	2,918
Total current assets		**9,684**	**8,201**	**8,555**
Total assets		**13,352**	**11,270**	**11,899**

*) Comparative numbers updated to reflect classifications and presentations made under IFRS 15 in the Annual report 2018.

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2019	30 June 2018	31 December 2018
Share capital	3.1	27	28	28
Other reserves		(12)	52	22
Retained earnings		2,929	2,835	3,042
Attributable to owners of Vestas		2,944	2,915	3,092
Non-controlling interests		13	4	12
Total equity		**2,957**	**2,919**	**3,104**
Provisions	2.3	412	414	491
Deferred tax		134	64	120
Financial debts	3.4,5.3	642	497	498
Tax payables		317	166	212
Other liabilities	3.4	67	32	69
Total non-current liabilities		**1,572**	**1,173**	**1,390**
Contract liabilities		5,027	3,999*)	4,202
Trade payables		2,884	2,497	2,417
Provisions	2.3	202	195	126
Financial debts	3.2,3.4,5.3	124	8	-
Tax payables		57	70	112
Other liabilities	3.4	529	409	548
Total current liabilities		**8,823**	**7,178**	**7,405**
Total liabilities		**10,395**	**8,351**	**8,795**
Total equity and liabilities		**13,352**	**11,270**	**11,899**

*) Comparative numbers updated to reflect classifications and presentations made under IFRS 15 in the Annual report 2018.

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

Condensed statement of changes in equity – 6 months 2019

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Non-control-ling interests	Total
Equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**3,042**	**12**	**3,104**
Impact from change in accounting estimates (IFRIC 23)	-	-	-	-	-	(43)	-	(43)
Adjusted equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**2,999**	**12**	**3,061**
Profit for the period	-	-	-	-	-	115	0	115
Other comprehensive income for the period	-	19	(19)	(27)	(27)	-	1	(26)
Total comprehensive income for the period	-	19	(19)	(27)	(27)	115	1	89
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(7)	-	(7)	-	-	(7)
Transaction with owners:								
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(205)	-	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	8	-	8
Share-based payments	-	-	-	-	-	11	-	11
Tax on equity transactions	-	-	-	-	-	(0)	-	(0)
Total transactions with owners	(1)	-	-	-	-	(185)	-	(186)
Equity as at 30 June 2019	**27**	**(3)**	**21**	**(30)**	**(12)**	**2,929**	**13**	**2,957**

Condensed statement of changes in equity – 6 months 2018

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Non-control-ling interests	Total
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	28	0	35	-	-	35
Total comprehensive income for the period	-	7	28	0	35	286	-	321
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(20)	-	(20)	-	-	(20)
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 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 2019	Q2 2018	H1 2019	H1 2018
Profit for the period		90	184	115	286
Adjustment for non-cash transactions		129	223	329	266
Income tax paid		(43)	(24)	(103)	(139)
Financial items paid, net		2	(6)	(7)	(19)
Cash flow from operating activities before change in net working capital		178	377	334	394
Change in net working capital		(78)	(429)	(934)	(914)
Cash flow from operating activities		**100**	**(52)**	**(600)**	**(520)**
Purchase of intangible assets		(74)	(63)	(143)	(123)
Purchase of property, plant and equipment		(107)	(65)	(212)	(123)
Disposal of property, plant and equipment		-	-	4	-
Purchase of other non-current financial assets		(2)	-	(3)	-
Disposal of other non-current financial assets		5	-	5	-
Proceeds from investment in joint venture		6	9	6	9
Acquisition of joint ventures and associates		(3)	(2)	(8)	(3)
Cash flow from investing activities before acquisitions of subsidiaries and financial investments		**(175)**	**(121)**	**(351)**	**(240)**
Free cash flow before acquisitions of subsidiaries and financial investments		**(75)**	**(173)**	**(951)**	**(760)**
Acquisition of subsidiaries, net of cash		-	-	-	(65)
Purchase of financial investments	3.5	(100)	(265)	(119)	(265)
Disposal of financial investments	3.5	295	-	295	-
Free cash flow		**120**	**(438)**	**(775)**	**(1,090)**
Dividend paid		(197)	(250)	(197)	(250)
Payment of lease liabilities		(16)	-	(30)	-
Proceeds from borrowings		38	-	71	-
Purchase of treasury shares		-	(106)	-	(201)
Transactions with non-controlling interests		-	4	-	4
Cash flow from financing activities		**(175)**	**(352)**	**(156)**	**(447)**
Net decrease in cash and cash equivalents		**(55)**	**(790)**	**(931)**	**(1,537)**
Cash and cash equivalents at the beginning of period		2,054	2,901	2,918	3,653
Exchange rate adjustments of cash and cash equivalents		(4)	(11)	8	(16)
Cash and cash equivalents at the end of the period	3.2	**1,995**	**2,100**	**1,995**	**2,100**

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 2019				
Revenue	1,645	476	-	2,121
Total revenue	**1,645**	**476**	**-**	**2,121**
Total costs	**(1,598)**	**(341)**	**(54)**	**(1,993)**
Operating profit (EBIT)	**47**	**135**	**(54)**	**128**
Income from investments in joint ventures and associates				9
Net financial items				(18)
Profit before tax				**119**
Amortisation and depreciation included in total costs	(104)	(14)	(9)	(127)

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

1.1 Segment information (continued)

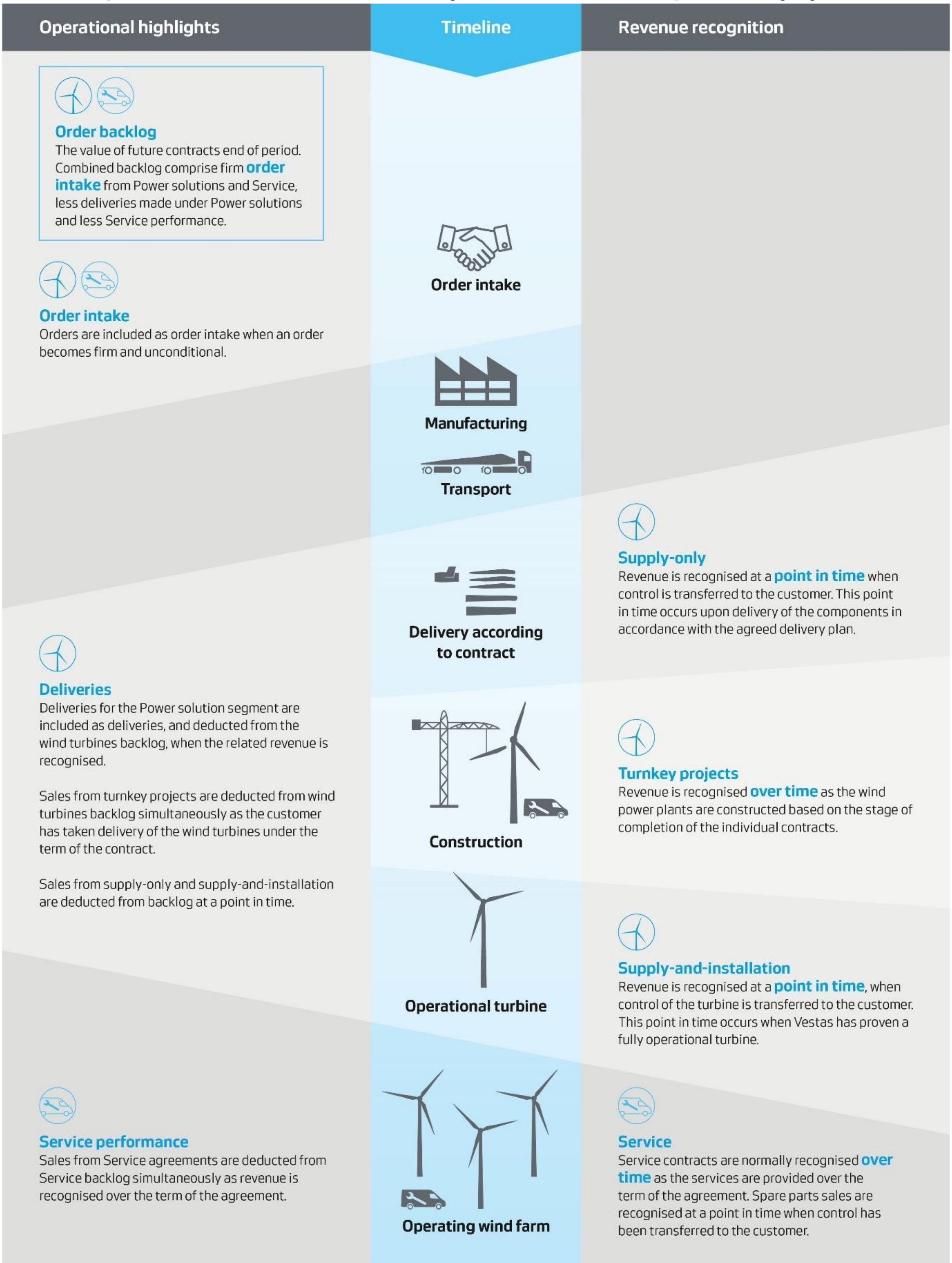
mEUR	Power solutions	Service	Not allocated	Total Group
H1 2019				
Revenue	2,951	900	-	3,851
Total revenue	**2,951**	**900**	**-**	**3,851**
Total costs	**(2,916)**	**(653)**	**(111)**	**(3,680)**
Operating profit (EBIT)	**35**	**247**	**(111)**	**171**
Income from investments in joint ventures and associates				15
Net financial items				(33)
Profit before tax				**153**
Amortisation and depreciation included in total costs	(198)	(29)	(26)	(253)

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

1.2 Revenue

The following illustration shows Vestas' revenue recognition and the link to the operational highlights.



Disaggregation of revenue

In the following section, revenue is disaggregated 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 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Timing of revenue recognition						
Products and services transferred at a point in time	1,275	1,553	63	68	1,338	1,621
Products and services transferred over time	370	294	413	345	783	639
	1,645	1,847	476	413	2,121	2,260
Revenue from contract types						
Supply-only	497	500	-	-	497	500
Supply-and-installation	933	1,140	-	-	933	1,140
Turnkey (EPC)	215	207	-	-	215	207
Service	-	-	476	413	476	413
	1,645	1,847	476	413	2,121	2,260
Primary geographical markets						
EMEA	947	484	272	247	1,219	731
Americas	485	766	155	120	640	886
Asia Pacific	213	597	49	46	262	643
	1,645	1,847	476	413	2,121	2,260

mEUR	Power solutions		Service		Total	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Timing of revenue recognition						
Products and services transferred at a point in time	2,242	2,538	120	114	2,362	2,652
Products and services transferred over time	709	637	780	665	1,489	1,302
	2,951	3,175	900	779	3,851	3,954
Revenue from contract types						
Supply-only	1,179	827	-	-	1,179	827
Supply-and-installation	1,379	1,883	-	-	1,379	1,883
Turnkey (EPC)	393	465	-	-	393	465
Service	-	-	900	779	900	779
	2,951	3,175	900	779	3,851	3,954
Primary geographical markets						
EMEA	1,292	1,217	510	471	1,802	1,688
Americas	1,243	1,135	298	228	1,541	1,363
Asia Pacific	416	823	92	80	508	903
	2,951	3,175	900	779	3,851	3,954

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first half of 2019, Vestas acquired assets with a cost of EUR 212m mainly related to investments within the manufacturing area in blade moulds, transport equipment and tools, compared to EUR 123m in the first half of 2018.

Right-of-use assets recognised during the first half of 2019 due to the implementation of IFRS 16 Leases amounts to EUR 221m gross of depreciations. The transition impact from applying IFRS 16 Leases is further described in note 5.3.

2.2 Investments in joint ventures and associates

During the first half of 2019, Vestas has entered into a couple of joint ventures for wind energy projects to which Vestas is expected to deliver wind turbines, wind power plants and service agreements. The total investment in joint ventures amounts to EUR 57m.

2.3 Warranty provisions (included in provisions)

mEUR	**30 June 2019**	**30 June 2018**	**31 December 2018**
Warranty provisions, 1 January	546	552	552
Provisions for the period	80	65	161
Warranty provisions consumed during the period	(80)	(77)	(167)
Warranty provisions	**546**	**540**	**546**
The provisions are expected to be payable as follows:			
< 1 year	190	162	115
> 1 year	356	378	431

In the first half of 2019, warranty provisions charged to the income statement amounted to EUR 80m, equivalent to 2.1 percent of revenue. Warranty consumption amounted to EUR 80m – compared to EUR 77m in the first half of 2018. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.7 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.

2.4 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. With reference to the press release of 25 June 2019, Vestas and GE have reached an amicable settlement of all disputes related to multiple patent infringement claims in the U.S., resulting in the discontinuation of the case pending in the U.S. District Court for the Central District of California as well as all other pending proceedings related to the patents-in-suit. With this settlement, any past infringements of the patents-in-suit are fully released. In addition, the settlement includes a cross-license to the patents-in-suit and their family members, as well as a confidential payment from Vestas to GE. The cross-license applies globally to the parties' and their affiliates' respective onshore and offshore wind businesses and ensures that they can use the technology covered by such patents. The financial impact of the settlement is reflected in this Q2 2019 interim financial report.

3 Capital structure and financing items

3.1 Share capital

Pursuant to authorisation granted to the Board of Directors at the Annual General Meeting 3 April 2019, the Board of Directors was authorised to acquire treasury shares on behalf of Vestas at a nominal value not exceeding 10 per cent of the share capital at the time of authorisation. Vestas has not yet initiated a share buy-back programme.

The purpose of the share buyback programme is 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 2019	30 June 2018	31 December 2018
Treasury shares as at 1 January	8,418,860	11,843,929	11,843,929
Purchases for the period	-	3,498,469	6,962,324
Cancellation for the period	(6,794,040)	(9,800,944)	(9,800,944)
Sale of treasury shares for the period	(368,230)	(586,449)	(586,449)
Treasury shares	**1,256,590**	**4,955,005**	**8,418,860**

3.2 Cash and cash equivalents

mEUR	30 June 2019	30 June 2018	31 December 2018
Cash and cash equivalents without disposal restrictions	1,963	1,908	2,886
Cash and cash equivalents with disposal restrictions	32	192	32
Cash and cash equivalents	**1,995**	**2,100**	**2,918**
The balance is specified as follows:			
Cash and cash equivalents	1,995	2,108	2,918
Financial debt	-	(8)	-
Cash and cash equivalents	**1,995**	**2,100**	**2,918**

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 2018, note 4.7, pages 078-082. The risks remain similar in nature compared to 2018.

3.4 Financial instruments

As at 30 June 2019, the fair value of financial investments was EUR 450m, equal to book value. Derivative financial instruments were positive with a market value of net EUR 31m, equal to book value, and included in other receivables and other liabilities with EUR 150m and EUR 119m, respectively.

Financial instruments measured at fair value has been categorised into level 1, 2, and 3 as addressed in the Annual report 2018, note 4.8, page 083. There have been no significant new items compared to 2018, and there have been no significant transfers between levels.

Financial instrument assets categorised within level 3 comprise other equity investments and renewable energy certificates, where financial instrument liabilities comprise contingent consideration to the acquisition of Utopus Insights, Inc. in 2018. Valuation methods remain unchanged to the description in the Annual Report 2018 and with no significant changes in fair values.

The book value of the Green Corporate Eurobond was EUR 498m with a corresponding fair value of EUR 531m as at 30 June 2019.

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 2019	30 June 2018	31 December 2018
Marketable securities	100	202	204
Deposits	350	265	422
Financial investments	**450**	**467**	**626**
Financial investments specified as follows:			
0-1 year	350	265	422
> 1 year	100	202	204
Financial investments	**450**	**467**	**626**

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q2 2019	Q2 2018	H1 2019	H1 2018
Joint ventures				
Revenue for the period	65	34	102	71
Proceeds from sale of projects	6	9	6	9
Capital increase	2	2	3	3
Receivable as at 30 June	63	40	63	40
Prepayments balance as at 30 June	145	82	145	82
Associates				
Payable capital contribution as at 30 June	37	-	37	-

No other significant changes have occurred with related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated financial statements in the Annual report 2018, note 6.4, page 092.

4.2 Business combinations

Acquisition of SOWITEC

On 11 April 2019, Vestas announced the acquisition of 25.1 percent of the share capital of SOWITEC Group GmbH ("Sowitec"), with the option of acquiring 100 percent of the share capital. The acquisition supports Vestas' position as global leader in wind power plant solutions and increases its ability to offer full-scope wind power plant solutions including development services.

The acquisition price for the 25.1 percent interest in Sowitec is EUR 20m. The consideration has been paid in cash from readily available sources.

The excess fair value of the acquired identifiable net asset is expected to be attributable to sustainable energy development projects and to a lesser extent goodwill.

As of 1 July 2019, the transaction passed regulatory approval, and Vestas has thereby obtained the ability to exercise control of Sowitec as of this date. Vestas has however not full insight into the assets acquired and liabilities assumed, and as a result, it is not possible to include the full disclosures required under IFRS 3. Assessment of assets acquired and liabilities assumed, is expected to take place during the third quarter of 2019.

The revenue, costs, and EBIT from Sowitec will be allocated to the Power solutions 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 2018 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 note 5.3 related to IFRIC 23, and the consolidated financial statements in the Annual report for the year ended 31 December 2018, note 7.2, page 097.

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 2018, to which reference is made.

Impact of new accounting standards for the financial year beginning 1 January 2019
Vestas has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2019 financial year, including:

- Annual improvements to IFRSs 2015-2017 (effective date 1 January 2019)
- IFRS 16, Leases (effective date 1 January 2019)
- IFRIC 23, Uncertainty over Income Tax Treatment (effective date 1 January 2019)

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 2019. Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

IFRS 16, Leases

IFRS 16 has been implemented in Vestas' consolidated financial statements for the financial year beginning on 1 January 2019. Vestas has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Consequently, 2018 comparative figures are reported according to IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease) and are not restated to reflect the numbers according to IFRS 16. There has not been any cumulative effect of initial application.

IFRS 16 replaces IAS 17 and changes the accounting treatment of lease contracts that were previously treated as operating lease contracts. The change in lease accounting requires capitalisation of operating lease contracts as right-of-use assets under property, plant and equipment with a related lease liability in liabilities.

Vestas accounting policies - Vestas as Lessee

Vestas assesses whether a contract is or contains a lease at inception of the contract. Vestas recognises a right-of-use assets and corresponding lease liabilities at the lease commencement date, except for short term leases and leases of low value. For these leases Vestas normally recognises the lease payments as an operating expense on a straight-line basis over the term of term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities, e.g. revised discount rate, change in the lease term or change in future lease payments resulting from a change in an index.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Vestas' incremental borrowing rate. Generally, Vestas uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if Vestas is reasonably certain to exercise the options; and
- amounts expected to be payable lease under residual value guarantees.

The lease liabilities are subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if Vestas changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

IFRS 16 impact to financial statements

On transition to IFRS 16, Vestas recognised EUR 208m of right-of-use assets and lease liabilities. Vestas used the practical expedients not to recognise right-of-use assets and liabilities for leases less than 12 months of lease term, when applying IFRS 16 to leases previously classified as operating leases under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using Vestas's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to these lease liabilities was 3.10 percent on 1 January 2019. Right-of-use assets are calculated at transition date and equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Vestas has elected not to capitalise low-value assets and short-term lease contracts with a lease term of 12 month or less.

Vestas leases properties, vehicles and equipment. Lease contracts are typically made for fixed periods but may have extension options included in the lease term. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, maintenance, deposits and guarantees etc. Some property leases contain variable payments terms that are linked to an index e.g. a consumer price index. Overall the variable payments constitute less than 1 percent of Vestas entire lease payments.

mEUR	1 January 2019
Operating lease commitment as disclosed in annual report as at 31 December 2018	227
Discounted using the incremental borrowing rate at 1 January 2019	209
Recognition exemption for short-term leases and leases of low-value assets	(20)
Extension and termination options reasonably certain to be exercised	12
Variable lease payments based on an index	7
Lease liabilities recognised at 1 January 2019	**208**

Right-of-use assets amounts to EUR 193m as at 30 June 2019. Lease liabilities are included in Financial debts. The lease liabilities included in financial debts as at 30 June 2019 can be specified as following:

mEUR	30 June 2019
Lease liabilities - non-current	144
Lease liabilities - current	54

Interest related to the lease liabilities and depreciation related to the right-of-use assets are recognised in income statement and amounts to:

mEUR	Q2 2019	H1 2019
Depreciation for right-of-use assets recognised in income statement	15	29
Interest on lease liabilities recognised in income statement	2	3

IFRIC 23, Uncertainty over Income Tax Treatment

As of 1 January 2019, Vestas adopted the interpretation IFRIC 23 which clarifies the accounting treatment for uncertainties in income taxes as a part of the application of IAS 12.

The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed, and uncertain tax positions are measured at the most likely outcome.

With the application of IFRIC 23 a change in estimates for uncertain tax positions have been recognised related to prior years, with a net impact in the opening equity of EUR 43m. Non-current tax receivables and tax payables have been impacted with an increase of EUR 47m and EUR 90m accordingly.

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 2019.

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 2018 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 2019 and of the results of Vestas' operations and cash flow for the period 1 January to 30 June 2019.

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 2018.

Aarhus, Denmark, 15 August 2019

Executive Management

Henrik Andersen
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Jens Hesselberg Lund

Kim Hvid Thomsen*

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