Consolidated financial statements 1 January – 30 June

Condensed income statement 1 January – 30 June

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

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

Condensed statement of comprehensive income 1 January – 30 June

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

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

Condensed balance sheet – Assets

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

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

Condensed balance sheet – Equity and liabilities

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

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

Condensed statement of changes in equity – 6 months 2017

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

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

Condensed statement of changes in equity – 6 months 2016

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

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

Condensed cash flow statement

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

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

Notes

1 Result for the period

1.1 Segment information

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

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

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

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

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

1.1 Segment information (continued)

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

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

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

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

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

2 Other operating assets and liabilities

2.1 Warranty provisions (included in provisions)

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

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

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

3 Capital structure and financing items

3.1 Share capital

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

3.2 Financial risks

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

3.3 Financial instruments

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

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

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

4 Other disclosures

4.1 Related party transactions

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

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

No other significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated financial statements in the annual report 2016, note 6.4, page 103.

4.2 Non-current assets held for sale

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

4.3 Subsequent events

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

5 Basis for preparation

5.1 General accounting policies

The interim financial report of Vestas Wind Systems A/S comprises a summary of the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries.

The interim financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Vestas Wind Systems A/S during the interim reporting period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected annual profit or loss.

5.2 Key accounting estimates and judgements

When preparing the interim financial reporting of the Group, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of the Group's assets and liabilities. The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances. Reference is made to the consolidated financial statements in the annual report for the year ended 31 December 2016, note 7.2, page 112.

5.3 Changes in accounting policies and disclosures

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

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

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

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

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

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

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

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

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

Management's statement

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

The interim financial report has been prepared in accordance with IAS 34 on interim financial reporting as adopted by the EU, accounting policies set out in the annual report 2016 of the Group and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion the accounting policies used are appropriate and the interim financial report gives a true and fair view of the Group's assets, liabilities, and financial position at 30 June 2017 and of the results of the Group's operations and cash flow for the period 1 January to 30 June 2017.

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

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

Aarhus, Denmark, 17 August 2017

Executive Management

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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 2016 (available at vestas.com/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.