Second quarter 2017

Vestas Wind Systems A/S

Copenhagen, 17 August 2017

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Key highlights

Solid performance in Q2.

Increased order intake

Order intake in the quarter reached 2,667 MW.

Revenue of EUR 2,206m

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

Solid earnings

EBIT margin at 12.6 percent.

Strong service performance

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

Share buy-back programme

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

Agenda

Q2 Vestas
Interim financial report, second quarter 2017

1. **Orders and markets**
2. Financials
3. Outlook and questions & answers

The wind industry is evolving

Market is transitioning to more competitive tenders and auctions.

Americas

PTC timing in USA…

- Continued strong US demand driven by current PTC structure and competitiveness of wind energy.

Latin America auctions…

- New auction announced for October in Mexico.
- Argentina and Bolivia expected to announce auctions.
- Auction expected in Brazil for Q4.

EMEA

EU moving towards 2020 and 2030 targets by introduction of auctions…

- First two auctions held in Germany – one more to come in 2017.
- RE auctions of 8 GW held in Spain.
- Extension of Green Certificate system in Sweden.
- Auctions in Turkey and Russia.

Positive signals in MEA…

- Steady growth and continued commitment but coming from a low base.
- 400 MW wind auction expected in Saudi Arabia in Q4.

Asia Pacific

Continued commitment in China…

- 13th 5-year plan wind target of 205 GW cumulative installations by 2020.
- Curtailment being addressed.
- Green Certificate system in place since 1 July.

India remains interesting…

- Target of 60 GW by 2022 remains in place, but transition to auctions creating some short-term uncertainty.

Broader Asia Pacific region on the move…

- Renewable targets in most markets.

Vestas is maintaining and building its leadership position in the midst of this long-term fundamentally positive market transformation.

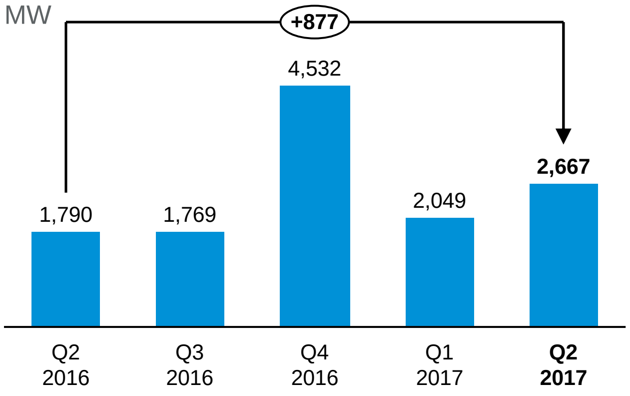
Vestas is confident in its strategy and its financial ambitions. Vestas continues to lower the cost of energy and optimize its products and service offerings.

Solid Q2 order intake

Order intake at 2,667 MW. Average selling price of EUR 0.81m per MW in the quarter.

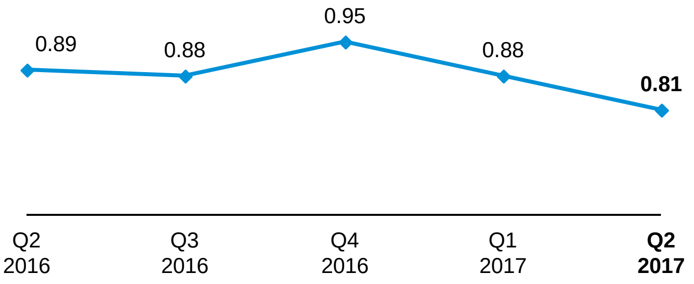
Order intake

MW



Average selling price of order intake

mEUR per MW



Key takes:

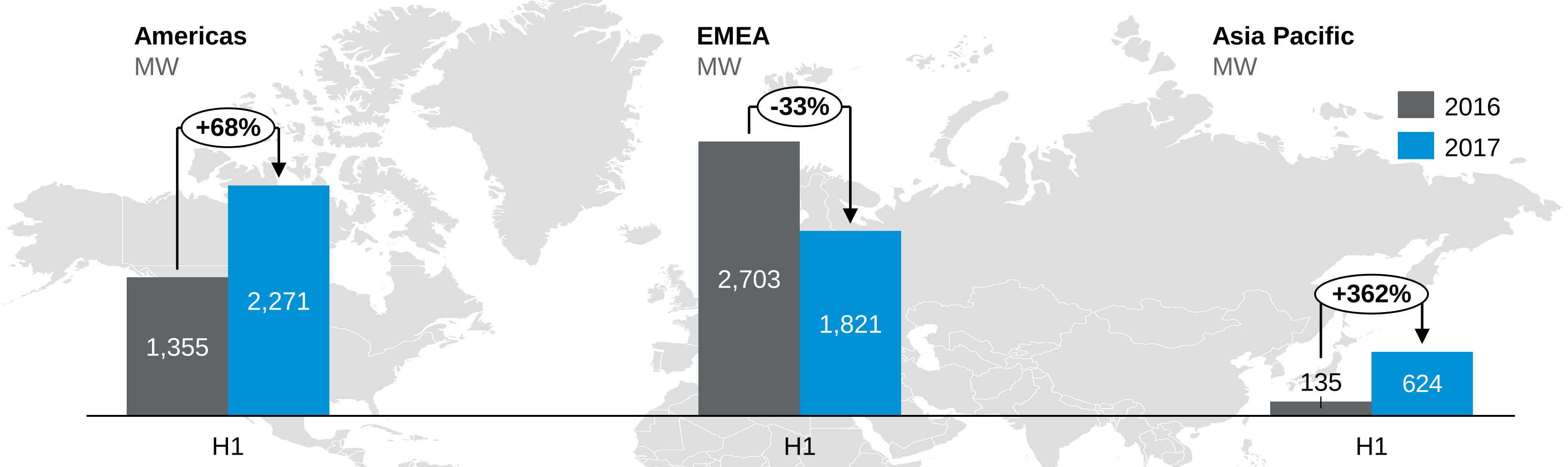
- Q2 2017 order intake was 877 MW higher than in Q2 2016, an increase of 49 percent.
- USA, Sweden, Argentina, Germany, and China were the main contributors to order intake in Q2 2017, accounting for more than 70 percent.

Key takes:

- Selling price in Q2 negatively impacted by exchange rates, high proportion of Chinese orders, absence of turnkey orders, and competitive markets.
- Price per MW depends on a variety of factors, i.e. wind turbine type, geography, scope, and uniqueness of the offering.

Solid order intake across all regions

Order intake in H1 2017 increased 12 percent compared to H1 2016, mainly driven by US, China, Argentina, and Germany.



- Increase primarily driven by strong US order intake.
- Good development in Argentina offsets decline in Canada and Brazil.

- Good activity level across Europe primarily driven by Germany and Sweden.
- Difference mainly driven by the 1 GW Statkraft order in Q1 2016.

- Strong development in China.
- Activity seen in India, Australia, and South Korea.

Vestas

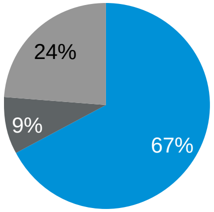
Further strengthening our two competitive platforms

Vestas is the only company in the industry with significant volume and track record in both 2 and 4 MW segments.

2 MW platform

Order intake by region, H1 2017

MW



- Americas
- EMEA
- Asia Pacific

Total 2 MW

2,282 MW

- *V90-1.8/2.0 MW*
- *V100-1.8/2.0 MW*
- *V100-2.0 MW*
- *V110-2.0 MW*
- *V116-2.0 MW*
- *V120-2.0 MW*

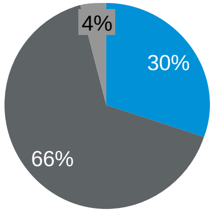
Demand for proven performance remains strong:

- Two new rotor sizes introduced, increasing AEP by 4-7 percent.
- Continued demand highlights flagship status of the V110-2.0 MW in the US market.

4 MW platform

Order intake by region, H1 2017

MW



- Americas
- EMEA
- Asia Pacific

Total 4 MW

2,434 MW

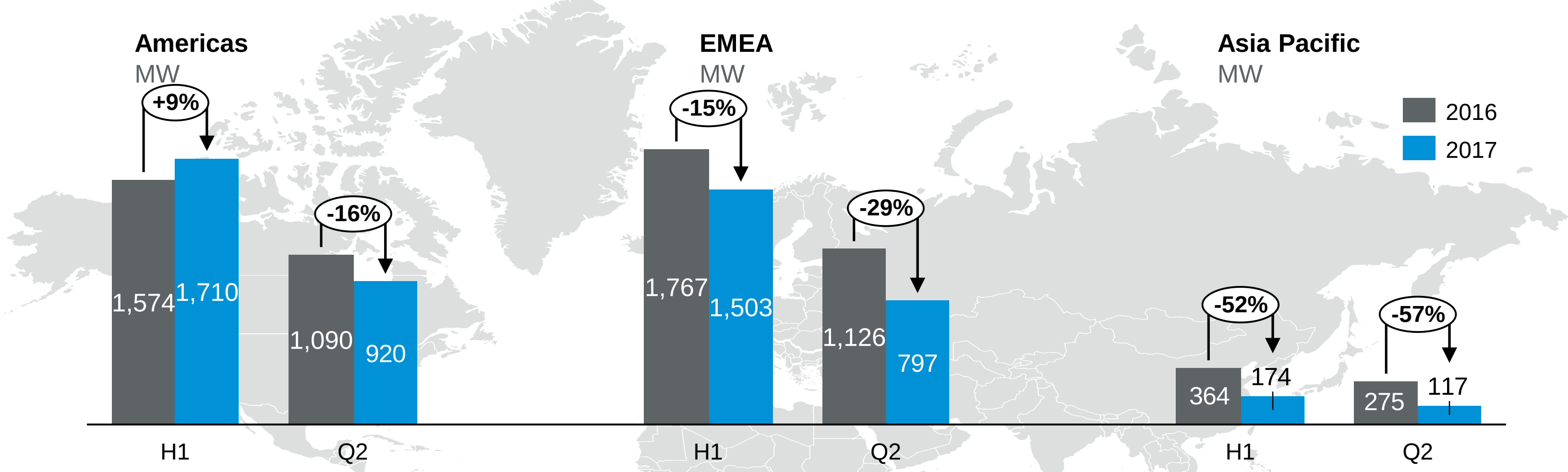
- *V105-3.45 MW*
- *V112-3.45 MW*
- *V117-3.45 MW*
- *V117-4.0/4.2 MW*
- *V126-3.45 MW*
- *V136-3.45 MW*
- *V136-4.0/4.2 MW*
- *V150-4.0/4.2 MW*

Largest onshore rotor in the market unlocks new opportunities:

- Upgrading to a 4 MW platform and introduction of V150 rotor. Potential to increase AEP by more than 20 percent.
- Suitable for weather conditions ranging from typhoon to ultra-low wind.

Regional delivery split

Declines mainly seen in Europe and Asia.



- Deliveries primarily driven by strong US market.
- Good activity in Brazil, Uruguay, and Mexico.

- Strong development in UK deliveries.
- Good activity in Germany, France, and Turkey not compensating for drops in South Africa and Sweden.

- China and India stable.
- Low activity in other markets in Asia Pacific.

Vestas

Combined order backlog at more than EUR 20bn

Combined backlog increased by EUR 200m in the quarter, despite a negative FX impact of approx. EUR 600m.

Wind turbines:

EUR 9.1bn

EUR +0.1bn*

Service:

EUR 11.1bn

EUR +0.1bn*

* Compared to Q1 2017.

JV continues positive development

Burbo Bank Extension fully commissioned, V164-9.5 MW launched.

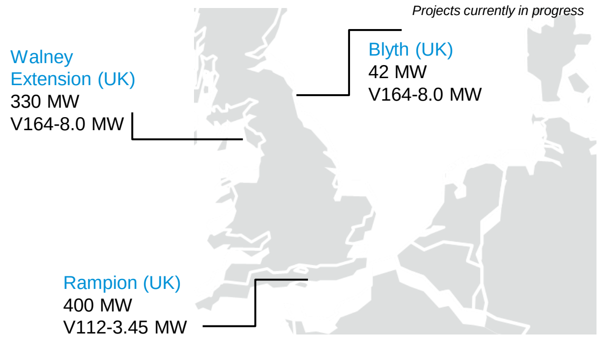
MHI VESTAS OFFSHORE WIND

Since JV formation…

~2.5 GW — **Announced FOI**

~1.0 GW — **Announced conditional & preferred supplier agreements**

Manufacturing ramp-up and near-term project execution



- Final installation and commissioning of Nobelwind (BE) and Burbo Bank Extension (UK), the world's first wind farm with V164-8.0 MW turbines.
- Began construction of state-of-the-art PCM assembly facility at Port of Esbjerg, Denmark.
- Uprated the V164-8.0 MW platform to reach 9.5 MW at specific site conditions.

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Income statement

EBIT margin at 12.6 percent. Tough comparison to a strong Q2 2016.

mEUR	Q2 2017	Q2 2016	% change
Revenue	2,206	2,557	(14)%
Production costs	(1,722)	(1,936)	11%
Gross profit	484	621	(22)%
SG&A costs*	(205)	(222)	8%
EBIT	279	399	(30)%
Income from investments in associates and joint ventures	(21)	(17)	(24)%
Net profit	186	278	(33)%
Gross margins	21.9%	24.3%	(2.4)%-pts
EBITDA margin	18.0%	20.5%	(2.5)%-pts
EBIT margin	12.6%	15.6%	(3.0)%-pts

Key takes:

- Revenue decreased 14 percent, primarily driven by lower MW-deliveries.
- Gross profit down by 2.4 percentage points, mainly driven by the decreased revenue and lower average margins.
- EBIT down by 30 percent mainly driven by the lower gross profit and impact from facility write-down.

* R&D, administration, and distribution.

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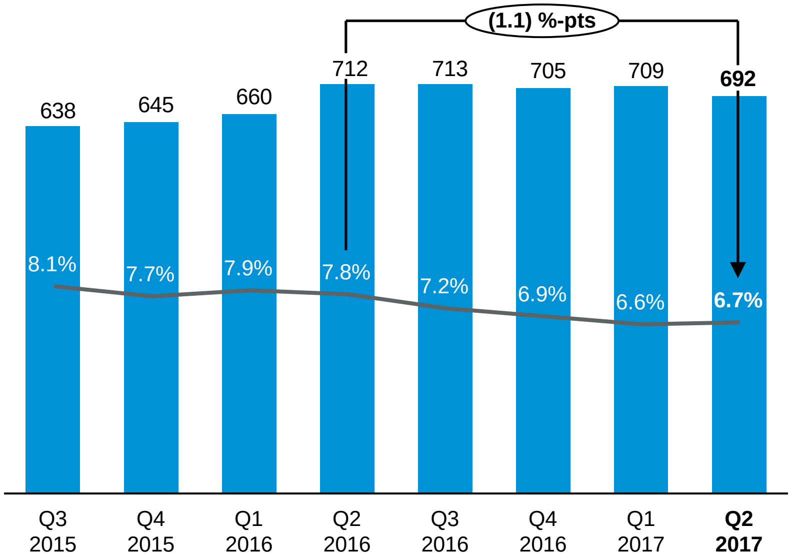
SG&A costs

SG&A costs continue to be under control, providing leverage YoY.

SG&A costs (TTM)*
mEUR and percent of revenue



Key takes:

- SG&A costs slightly down YoY.
- Relative to activity levels, SG&A costs amounted to 6.7 percent – a decrease of 1.1 percentage points compared to Q2 2016.

* R&D, administration, and distribution on trailing 12 months basis.

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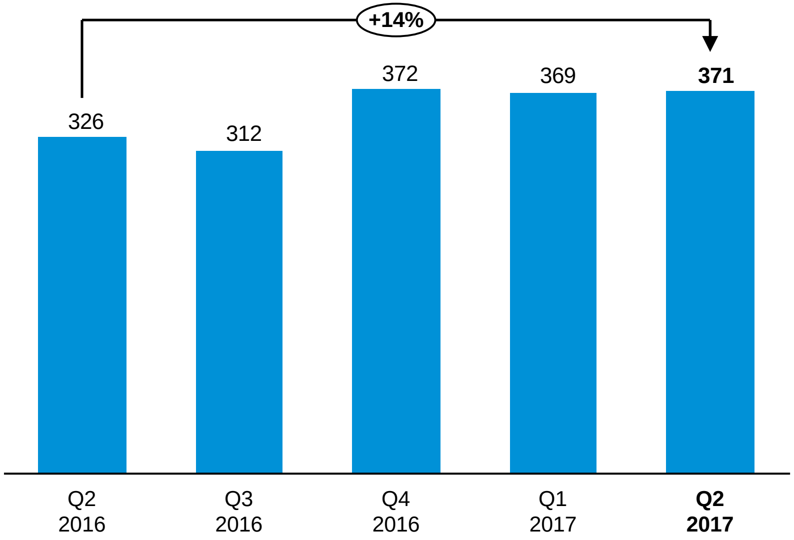
Service

Strong service performance driven by high activity levels.

Service revenue
mEUR



Key takes:

- Service revenue increased by 14 percent compared to Q2 2016 mainly due to higher activity levels.
- Q2 2017 EBIT: EUR 72m.
  Q2 2017 EBIT Margin: 19.4 percent.
- Service order backlog growth of EUR 0.1bn compared to Q1 2017, despite FX headwind of approx. EUR 300m.

Balance sheet

Balance sheet remains strong.

Assets (mEUR)	Q2 2017	Q2 2016	Abs. change	% change
Non-current assets	2,799	2,556	243	10%
Current assets	7,399	7,023	376	5%
Total assets	10,198	9,579	619	6%
Liabilities (mEUR)				
Equity	3,142	2,925	217	7%
Non-current liabilities	1,150	959	191	20%
Current liabilities	5,906	5,695	211	4%
Total equity and liabilities	10,198	9,579	619	6%
Key figures (mEUR)				
Interest bearing position (net)	2,636	2,083	553	27%
Net working capital	(1,225)	(1,016)	(209)	21%
Solvency ratio (%)	30.8	30.5	-	0.3%-pts

Key takes:

- Net cash position increased to EUR 2,636m.
- Positive net working capital development of EUR 209m.
- Solvency ratio at 30.8 percent.

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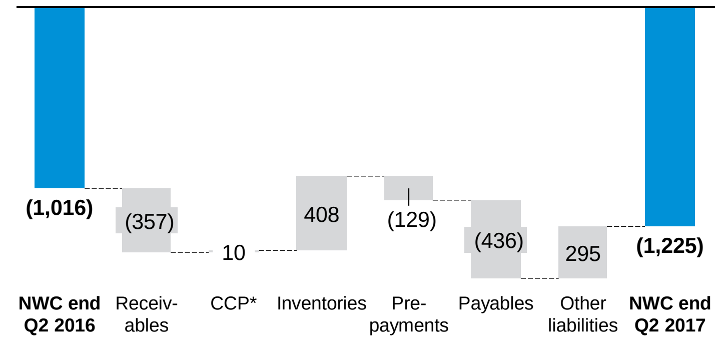
Change in net working capital

Satisfactory net working capital management despite impact from high activity levels.

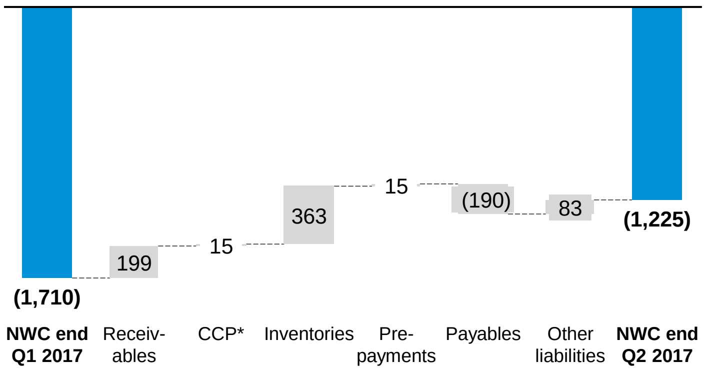
NWC change over the last 12 months
mEUR



Key takes:

- Improvement driven by receivables, prepayments, and trade payables mainly offset by higher inventory.

NWC change over the last 3 months
mEUR



Key takes:

- Net working capital increased by EUR 485m in Q2 2017 due to higher activity levels.
- Development mainly driven by higher inventories and receivables slightly offset by trade payables.

* Construction contracts in progress.

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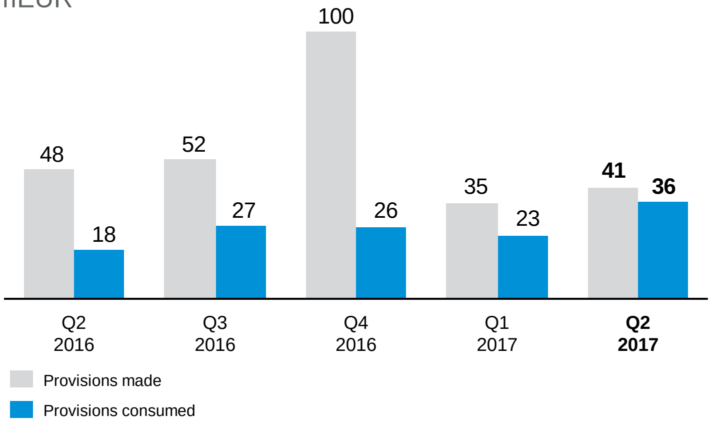
Warranty provisions and Lost Production Factor

Warranty consumption and LPF continue at a low level.

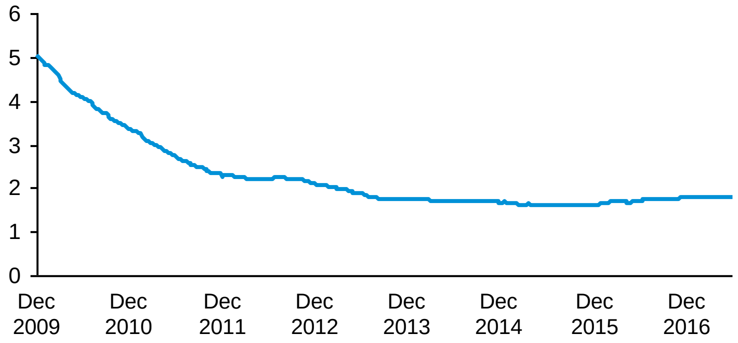
Warranty provisions made and consumed

mEUR



Lost Production Factor (LPF)

Percent



Key takes:

- Warranty consumption increased, however in line with past provisions made.
- Warranty provisions made correlates with revenue in the quarter, corresponding to approx. 1.9 percent in Q2 2017.

Key takes:

- LPF continues at a low level below 2.0.
- LPF measures potential energy production not captured by the wind turbines.

Cash flow statement

Solid underlying cash generation from operating activities. Negative impact from NWC as expected.

mEUR	Q2 2017	Q2 2016	Abs. change
Cash flow from operating activities before change in net working capital	411	557	(146)
Change in net working capital*	(453)	(131)	(322)
Cash flow from operating activities	(42)	426	(468)
Cash flow from investing activities*	(116)	(96)	(20)
Free cash flow**	(158)	330	(488)
Cash flow from financing activities	(320)	(222)	(98)
Net decrease in cash and cash equivalents	(478)	108	(586)

Key takes:

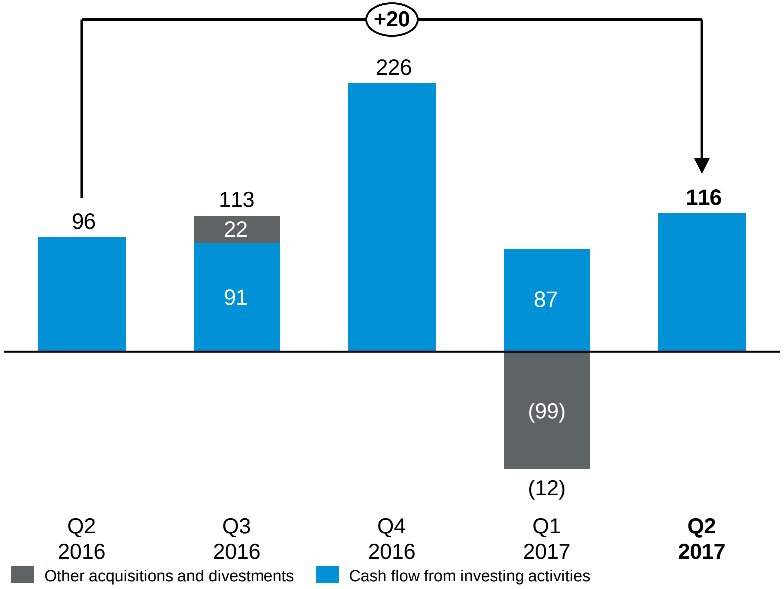
- Free cash flow of EUR (158)m.
- Underlying cash flow from operating activities at EUR 411m, driven by activity levels.
- NWC primarily impacted by inventory build-up.
- Cash flow from financing activities impacted by dividend payment.

* Change in net working capital in Q2 2017 impacted by non-cash adjustments and exchange rate adjustments with a total amount of EUR (32)m.
****** Before investments in marketable securities and short-term financial investments.

Total investments

Total investments in line with expectations.

Net investments*
mEUR



Key takes:

- Investments increased by EUR 20m compared to Q2 2016, primarily driven by tangible blade investments and capitalised R&D.

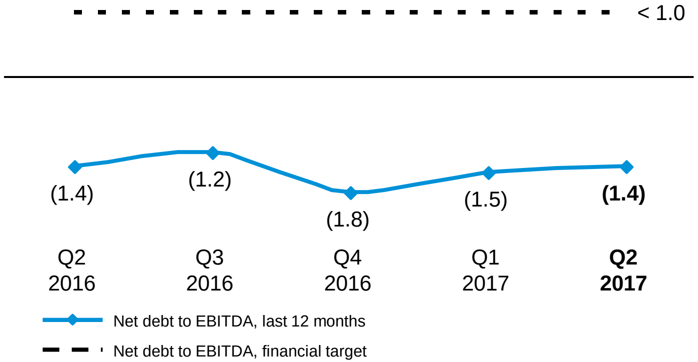
* Before investments in marketable securities and short-term financial investments.

Capital structure

Capital structure targets within set boundaries.

Net debt to EBITDA

xEBITDA

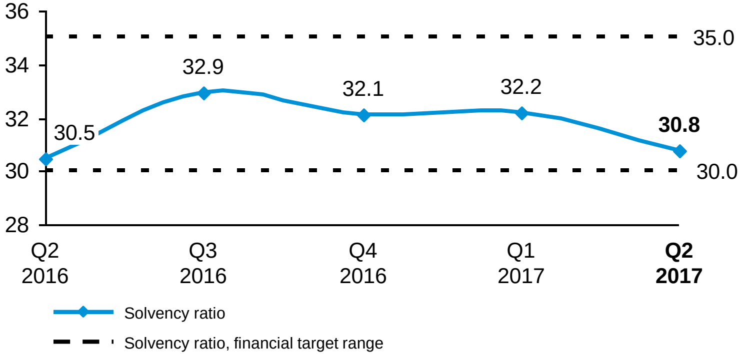


Key takes:

- Net debt to EBITDA of (1.4) in Q2 2017.
- Development primarily driven by lower net cash position.

Solvency ratio

Percent



Key takes:

- Solvency ratio of 30.8 percent in Q2 2017.
- Q2 2017 level remains within the set boundaries and is largely in line with Q2 2016.

Share buy-back programme of up to EUR 600m launched

Adjusting capital structure to address strong cash position, total EUR ~700m buy-backs in 2017.

Rationale and purpose

The expected strong 2017 cash flow allows Vestas to continue to adjust its capital structure. Combined with the approx. EUR100m share buy-back programme launched in first quarter 2017, Vestas will return approx. EUR 700m to its shareholders through share buy-backs in 2017, whilst continuing to maintain a strong balance sheet. Additionally, EUR 278m was returned as dividends in Q2.

Size and timing

Share buy-back programme of up to DKK 4,460m (EUR 600m) in accordance with the safe harbour rules. Programme launched on 17 August 2017 and running until 30 December 2017.

Dividend policy

Dividend policy of 25-30 percent of net profit will remain and not be affected by this share buy-back programme.

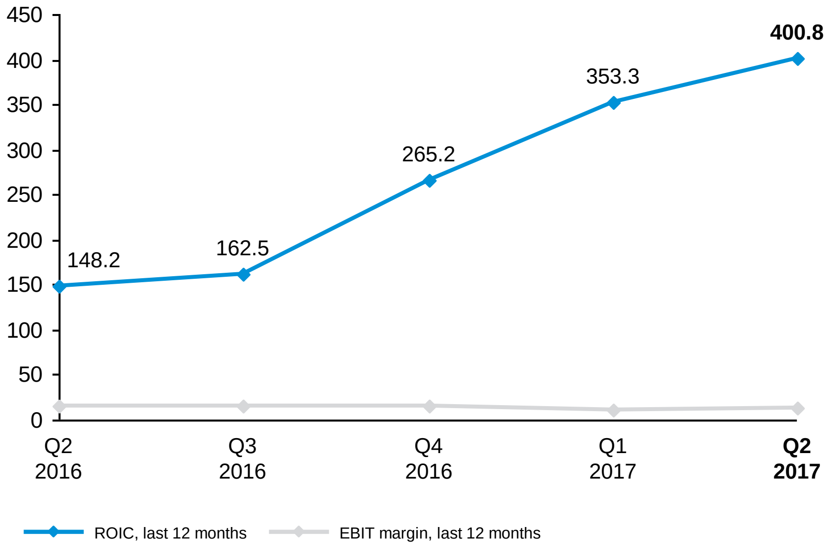
Priorities for capital allocation unchanged

Focus on organic growth and potentially bolt-on acquisitions. Dividend payment during H1 given AGM approval and share buy-backs in H2 if relevant.

Return on invested capital

ROIC at very high level of 400.8 percent.

Return on invested capital (ROIC)
Percent



Key takes:

- ROIC increased to 400.8 percent in Q2 2017, an improvement of 252.6 percentage points compared to Q2 2016.
- Development primarily driven by working capital elements as well as the improved operating result after tax.

Vestas

Agenda

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Second quarter 2017

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3. **Outlook and questions & answers**

Outlook 2017

	Outlook
Revenue (bnEUR)	9.25-10.25
EBIT margin before special items (%)	12-14
Total investments (mEUR) *(Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.)*	approx. 350
Free cash flow (mEUR) *(Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.)*	min. 700

The 2017 outlook is based on current foreign exchange rates.

Q&A

Financial calendar 2017:

- Disclosure of Q3 2017 (9 November)

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Thank you for your attention