

More than 23,000 dedicated employees are working for Vestas across more than 50 countries – and their mission is to deliver best-in-class sustainable energy solutions for the benefit of Vestas' customers and the planet.



## How Vestas **performed** and created value in 2017

Realised 2017	Guidance 2017	
EUR 10bn	EUR 9.5bn-10.25bn	<b>Revenue</b> reflecting high activity levels – albeit a 3 percent decline compared to record-high revenue in 2016
12.4%	12%-13%	<b>EBIT margin</b> impacted by lower volumes combined with lower average project margins in the Power solutions segment, partly offset by higher Service margins
EUR 1,218m	EUR 1,150m-1,250m	<b>Free cash flow*</b> generated from solid results in the underlying business; guidance updated in January 2018
EUR 407m	approx. EUR 400m	<b>Net investments*</b> in line with expectations driven by tangible blade investments and capitalised R&D projects, partly offset by sale of office buildings

\* Before investments in marketable securities and short-term financial investments and incl. proceeds from sale of office buildings.

## Income statement

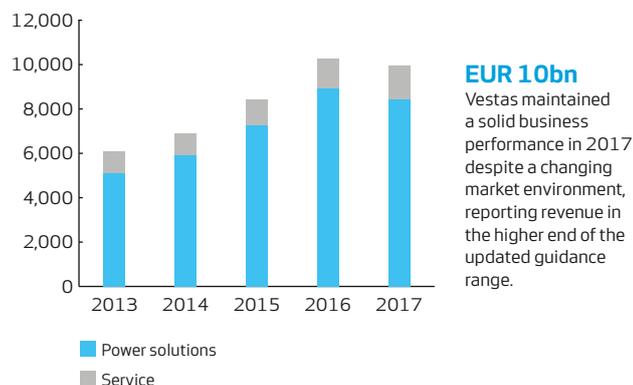
### Result for the year

#### Revenue

Revenue amounted to EUR 9,953m, which was within the updated guidance range of EUR 9.5bn-10.25bn announced on 9 November 2017. Revenue reflects high activity levels, although representing a 3 percent decline compared to record-high revenue in 2016. Revenue in 2017 was impacted by a negative currency effect of EUR 161m, primarily driven by the EUR/USD development.

#### Revenue

mEUR



Europe, Middle East, and Africa (EMEA) accounted for 49 percent (2016: 45 percent) of revenue, while Americas and Asia Pacific accounted for 42 percent (2016: 47 percent) and 9 percent (2016: 8 percent), respectively.

#### Distribution of revenue

mEUR

	2017	2016
Europe, Middle East, and Africa	4,859	4,641
Americas	4,175	4,823
Asia Pacific	919	773
<b>Total</b>	<b>9,953</b>	<b>10,237</b>
- of which service revenue	1,522	1,309

#### Gross profit

Gross profit amounted to EUR 1,963m, corresponding to a gross margin of 19.7 percent – a 1.1 percentage point decrease relative to 2016. The gross profit decrease was mainly driven by lower volumes, combined with lower average project margins in the Power solutions segment, but partly offset by improved performance within the Service segment.

#### Research and development costs

Research and development costs recognised in the income statement amounted to EUR 235m, which was slightly higher compared to EUR 227m in 2016. The total R&D expenditure prior to capitalisation and amortisation increased to EUR 225m in 2017, against EUR 198m in 2016, due to continued research activities and improvement initiatives as part of bringing new technology to the market as a response to market demands.

#### Distribution costs

Distribution costs amounted to EUR 229m in 2017, equivalent to an increase of 0.4 percentage points of revenue compared to 2016, driven by additional execution costs and allowances for doubtful receivables combined with increased sales and marketing costs.

#### Administration costs

Administration costs constituted 2.7 percent of revenue in 2017, compared to 2.8 percent in 2016.

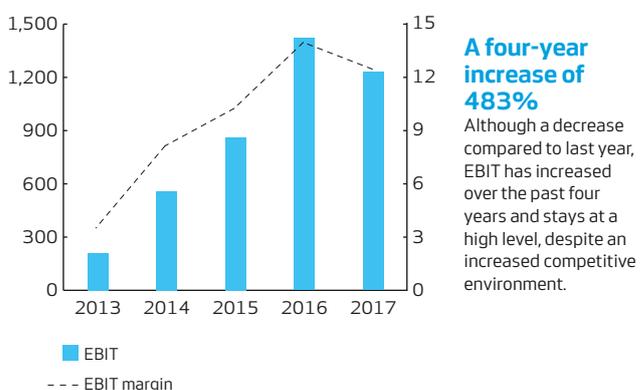
#### Operating profit (EBIT)

EBIT amounted to EUR 1,230m in 2017, equivalent to an EBIT margin of 12.4 percent, which is within the updated guidance range of 12-13 percent disclosed on 9 November 2017. The EBIT margin decreased by 1.5 percentage points mainly driven by the decreased gross profit due to increased price pressure and competitive environment, combined with additional execution costs.

Depreciation, amortisation and impairment amounted to EUR 421m in 2017, compared to EUR 405m in 2016. The increase was due to reassessment of useful life of certain assets as well as impairment losses and reversal of impairment losses on assets.

#### Operating profit (EBIT)

mEUR



#### Income from investments in joint ventures

Result from investments in joint ventures amounted to a loss of EUR 40m in 2017, compared to a loss of EUR 101m in 2016. The improvement was mainly attributable to Vestas' share of loss in MHI Vestas Offshore Wind on a standalone basis being reduced during 2017, combined with timing difference in elimination of proportional profit on deliveries from the Group to MHI Vestas Offshore Wind.

#### Income tax

Income tax amounted to EUR 298m, equivalent to an effective tax rate of 25 percent. Effective tax rate is unchanged compared to 2016.

#### Profit for the year

Profit for the year amounted to EUR 894m in 2017, which was a decrease of 7 percent compared to 2016. The decline in profit for the year is mainly a result of the decreased gross profit and EBIT.

As the targets for bonus payout were achieved in 2017, a global bonus of EUR 112m will be paid out to all employees (cash effect 2018), compared to EUR 120m in 2016 (cash effect 2017).

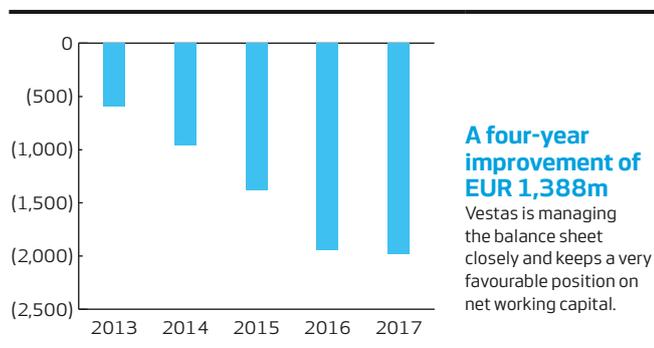
## Balance sheet

### Working capital

Net working capital amounted to a net liability of EUR 2.0bn at the end of 2017, which is on par with last year. The level was impacted by inventory build-up, offset by increasing trade payables, whereas the level last year was impacted by high prepayments from customers in relation to Production Tax Credit (PTC) projects in the USA.

### Net working capital

mEUR



### Capital structure and financing items

#### Equity

As at 31 December 2017, total equity amounted to EUR 3,112m; a 2 percent reduction from EUR 3,190m end of 2016. Equity was maintained at the 2016 level, despite dividend payout and share buy-back programmes of a combined value of EUR 975m.

To adjust the capital structure and to meet the obligations arising from employee share option programmes, Vestas bought 10,503,515 shares under the two share buy-back programmes active during 2017.

The strength of the balance sheet combined with the results achieved in 2017 has led the Board of Directors to recommend a dividend of DKK 9.23 (EUR 1.24) per share, equivalent to 29.9 percent of the net result for the year after tax.

#### Earnings per share

Earnings per share amounted to EUR 4.2 in 2017, a decrease of EUR 0.2 compared to EUR 4.4 in 2016, mainly driven by lower net profit but partly offset by cancellation of treasury shares.

#### Net interest-bearing position and cash position

At the end of 2017, the net interest-bearing position was positive of EUR 3,359m, an improvement of EUR 104m, compared to the end of 2016 with a positive net interest-bearing position of EUR 3,255m.

The ratio net interest-bearing debt/EBITDA of (2.0) by the end of 2017 was comparable to (1.8) in 2016 driven by the high cash balance maintained throughout the year.

Cash and cash equivalents amounted to EUR 3,653m in 2017, up 3 percent from EUR 3,550m in 2016. The cash position was maintained at the record-high level from last year, significantly impacted by cash flow from operating activities and a well-executed working capital management strategy.

#### Solvency ratio

At the end of December 2017, the solvency ratio was 28.6 percent, which was a decline of 3.5 percentage points from 2016. The solvency ratio is below the target of 30-35 percent as a result of the high balance sheet combined with dividend payout and share buy-backs made during 2017.

## Return on equity

Return on equity was 28.1 percent in 2017, which was a decrease of 4.5 percentage points compared to 2016. The decrease was a result of the lower net profit, partly offset by the decrease in equity.

## Cash flow

### Operating activities

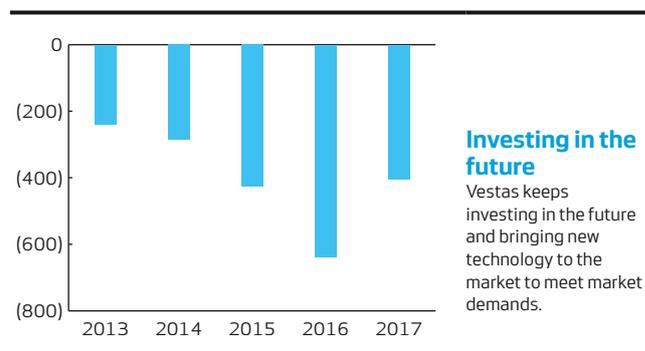
Cash flow from operating activities was EUR 1,625m in 2017, which was a decrease of 26 percent compared to last year. The decrease was a result of lower profit for the year, lower non-cash adjustments and lower change in net working capital.

### Net investments

Cash flow used for investing activities amounted to EUR 407m in 2017, which was in line with the updated guidance of approx. EUR 400m announced on 9 November 2017. Investments were mainly driven by tangible blade investments as well as capitalised R&D projects, but also impacted by the sale of office buildings.

### Net investments\*

mEUR



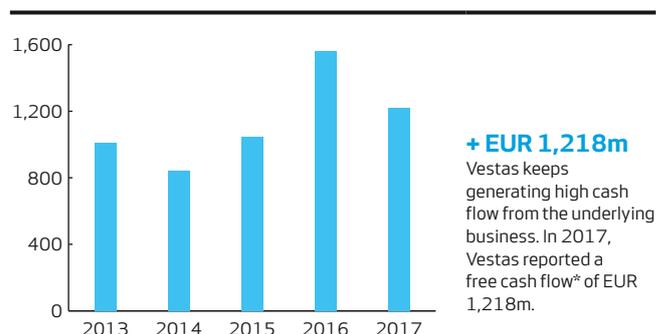
\* Before investments in marketable securities and short-term financial investments and for 2017 including proceeds from sale of office buildings.

## Free cash flow

The free cash flow, excluding investments in marketable securities and short-term financial investments, and including proceeds from sale of office buildings, amounted to EUR 1,218m, which was in line with the updated guidance of EUR 1,150m-1,250m disclosed on 8 January 2018.

### Free cash flow\*

mEUR



\* Before investments in marketable securities and short-term financial investments and for 2017 including proceeds from sale of office buildings.