Company announcement No. 43 2017

Interim financial report
Third quarter 2017

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

Wind. It means the world to us.™

Contents

Information meeting (audiocast)
On Thursday 9 November 2017 at 10 a.m. CET (9 a.m. GMT), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com/investor.

The meeting will be held in English and questions may be asked through a conference call. The telephone numbers for the conference call are:

Europe:	+44 203 008 9810
USA:	+1 855 8315 947
Denmark:	+45 3544 5575

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

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Summary

Compared to the third quarter of 2016, revenue and earnings decreased, but remain at a healthy level. Free cash flow increased compared to last year's third quarter due to favourable working capital movements. Solid order intake in the quarter, and combined order backlog at high level. Guidance for 2017 adjusted.

In the third quarter of 2017, Vestas generated revenue of EUR 2,743m – a decrease of 6 percent compared to the year-earlier period. EBIT decreased by EUR 78m to EUR 355m. The EBIT margin was 12.9 percent compared to 14.9 percent in the third quarter of 2016 and free cash flow* amounted to EUR 193m compared to EUR 155m in the third quarter of 2016.

The intake of firm and unconditional wind turbine orders amounted to 2,615 MW in the third quarter of 2017. The value of the wind turbine order backlog amounted to EUR 8.8bn as at 30 September 2017. In addition to the wind turbine order backlog, Vestas had service agreements with expected contractual future revenue of EUR 11.4bn at the end of September 2017. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 20.2bn – an increase of EUR 3.1bn compared to the year-earlier period

Vestas adjusts the 2017 guidance on revenue to range between EUR 9.50bn and EUR 10.25bn (compared to between EUR 9.25bn and EUR 10.25bn previously), EBIT margin before special items of 12-13 percent (compared to 12-14 percent previously), and free cash flow* to range between EUR 450m to EUR 900m (compared to minimum EUR 700m previously). The adjustments are based mainly on delivery visibility for the remainder of the year. Vestas also adjusts 2017 guidance on total investments* from approximately EUR 350m to approximately EUR 400m.

Group President & CEO Anders Runevad said*: "In the third quarter, Vestas delivered increased order intake and healthy earnings in a market that is seeing accelerated competition and decreasing profitability. Our order backlog and service revenue both increased 18 percent year-on-year, while nine-month revenue is on par with 2016. As the market continues to evolve at a fast pace, we remain focused on continuing our leadership position by executing our strategy and increasing efficiency."*

Key highlights

Increased order intake
Order intake in the quarter reached 2,615 MW – up 48 percent compared to Q3 2016

Revenue of EUR 2,743m
Revenue 9M 2017 of EUR 6,834m – on par with 2016

EBIT of EUR 355m
EBIT decreased 18 percent compared to Q3 2016

Service revenue continues to increase
Revenue increased 18 percent with an EBIT margin of 17.9 percent

Free cash flow* reached EUR 193m
Free cash flow improved 25 percent year-on-year*

Outlook 2017
Guidance for 2017 adjusted – mainly based on visibility for the remainder of the year

*) Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.

Highlights for the Group

mEUR	Q3 2017[1)]	Q3 2016[1)]	9 months 2017[1)]	9 months 2016[1)]	FY 2016
Financial highlights					
Income statement					
Revenue	2,743	2,903	6,834	6,924	10,237
Gross profit	526	591	1,387	1,459	2,126
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	453	527	1,152	1,225	1,826
Operating profit (EBIT)	355	433	845	917	1,421
Net financial items	0	(2)	3	(32)	(33)
Profit before tax	337	411	798	829	1,287
Profit for the period	253	309	599	622	965
Balance sheet					
Balance sheet total	10,562	9,337	10,562	9,337	9,931
Equity	3,163	3,073	3,163	3,073	3,190
Investments in property, plant and equipment	80	79	187	191	304
Net working capital	(1,053)	(787)	(1,053)	(787)	(1,941)
Net invested capital	423	772	423	772	(361)
Interest-bearing position (net), end of the period	2,609	2,116	2,609	2,116	3,255
Cash flow statement					
Cash flow from operating activities	320	268	274	580	2,181
Cash flow from investing activities	(127)	(113)	(231)	(391)	(817)
Free cash flow	193	155	43	189	1,364
Financial ratios[2)]					
Financial ratios					
Gross margin (%)	19.2	20.4	20.3	21.1	20.8
EBITDA margin (%)	16.5	18.2	16.9	17.7	17.8
EBIT margin (%)	12.9	14.9	12.4	13.2	13.9
Return on invested capital[3)] (ROIC) (%)	452.5	162.5	452.5	162.5	265.2
Net interest-bearing debt / EBITDA[3)]	(1.5)	(1.2)	(1.5)	(1.2)	(1.8)
Solvency ratio (%)	29.9	32.9	29.9	32.9	32.1
Return on equity[3)] (%)	29.7	31.9	29.7	31.9	32.6
Share ratios					
Earnings per share[4)] (EUR)	5.9	3.7	5.9	3.7	4.4
Dividend per share (EUR)	-	-	-	-	1.31
Payout ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	75.9	73.2	75.9	73.2	61.7
Number of shares at the end of the period (million)	215	222	215	222	222
Operational key figures					
Order intake (bnEUR)	2.1	1.6	6.1	5.2	9.5
Order intake (MW)	2,615	1,769	7,331	5,962	10,494
Order backlog – wind turbines (bnEUR)	8.8	7.2	8.8	7.2	8.5
Order backlog – wind turbines (MW)	10,762	8,268	10,762	8,268	9,530
Order backlog – service (bnEUR)	11.4	9.9	11.4	9.9	10.7
Produced and shipped wind turbines (MW)	3,031	2,697	8,497	7,413	9,957
Produced and shipped wind turbines (number)	1,168	1,197	3,243	3,158	4,264
Deliveries (MW)	2,404	2,782	5,791	6,487	9,654

1) Neither audited nor reviewed.
2) The ratios have been calculated in accordance with the guidelines from “Finansforeningen” (The Danish Finance Society) (Recommendations and Financial ratios 2015), and financial definitions addressed in the notes to the consolidated financial statements, see page 113, note 7.4 in the annual report 2016.
3) Calculated over a 12-month period.
4) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

	Q3 2017[1]	Q3 2016[1]	9 months 2017[1]	9 months 2016[1]	FY 2016
Social and environmental key figures[2]					
Occupational health & safety					
Total recordable injuries (number)	77	65	201	227	303
- of which lost time injuries (number)	28	22	75	58	82
- of which fatal injuries (number)	1	0	1	0	0
Consumption of resources					
Consumption of energy (GWh)	141	128	419	412	567
- of which renewable energy (GWh)	82	78	223	225	296
- of which renewable electricity (GWh)	75	76	202	206	268
Consumption of fresh water (1,000 m^3)	149	136	351	332	428
Waste disposal					
Volume of waste (1,000 tonnes)	18	17	52	56	75
- of which collected for recycling (1,000 tonnes)	9	7	28	26	37
Emissions					
Direct emission of CO_2 (1,000 tonnes)	14	12	43	40	58
Indirect emission of CO_2 (1,000 tonnes)	6	6	20	20	26
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	1	1
Employees					
Average number of employees	22,605	21,864	22,288	21,525	21,625
Number of employees at the end of the period	22,712	21,907	22,712	21,907	21,824
- of which outside Europe and Africa	10,492	10,078	10,492	10,078	9,975
Social and environmental indicators[2]					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	6.6	6.0	5.9	7.0	6.9
Incidence of lost time injuries per one million working hours	2.4	2.0	2.2	1.8	1.9
Absence due to illness among hourly-paid employees (%)	2.2	2.1	2.3	2.2	2.2
Absence due to illness among salaried employees (%)	1.2	1.1	1.3	1.1	1.2
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	85	76	239	209	281
Utilisation of resources					
Renewable energy (%)	58	61	53	55	52
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in Board of Directors[3] and Executive Management (%)	23	23	23	23	23
Women at management level[4] (%)	19	19	19	19	19
Non-Danes at management level[4] (%)	62	59	62	59	60

1) Neither audited nor reviewed.
2) Accounting policies for social and environmental key figures for the Group, see page 52 of the annual report 2016.
3) Only Board members elected by the general meeting are included.
4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

Financial performance

Power solutions performance

(Power solutions refers to the segment that was previously called Projects, read more in note 1.1, Segment information)

Order intake

The order intake in the third quarter of 2017 totalled 2,615 MW, of which 67 percent was announced. Compared to the third quarter of 2016, the order intake increased by 846 MW, equal to 48 percent. Nineteen countries contributed to the order intake, with Mexico and the USA as the main contributors, followed by France, the UK, Denmark, and Thailand.

Order intake in the quarter came with an average selling price of EUR 0.80m per MW. Price per MW in Q3 is negatively impacted by highly competitive markets leading to price pressure.

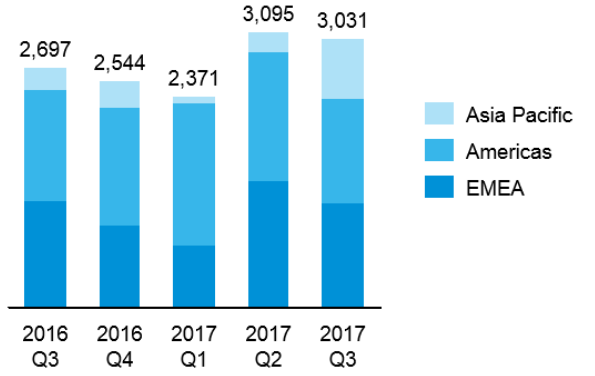
Level of activity

Vestas' third quarter of 2017 had a high manufacturing activity level compared to the year-earlier period.

In the third quarter of 2017, Vestas produced and shipped wind turbines with an aggregate output of 3,031 MW (1,168 wind turbines) against 2,697 MW (1,197 wind turbines) in the third quarter of 2016.

Produced and shipped

MW

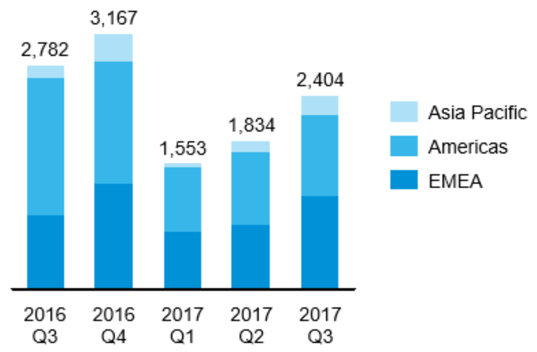


Deliveries to customers amounted to 2,404 MW – a decrease of 14 percent compared to the third quarter of 2016. The decrease was driven by Americas due to high deliveries in third quarter of 2016.

As a result of the high manufacturing activity not fully reflected in deliveries to customers, wind turbine projects with a total output of 4,948 MW were under completion end of September 2017, compared to 2,865 MW at the end of September 2016. The amount of MW under completion is reflected in the level of inventories as a large share of these MW has not yet been recognised as revenue. Revenue is recognised either when risk has been transferred to the customer or based on stage of completion, depending on type of contract.

Deliveries (Transfer of risk)

MW



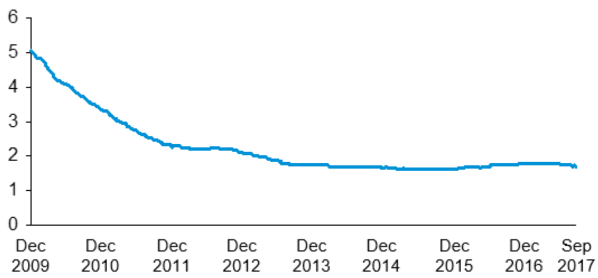
Fleet performance

By the end of September 2017, Vestas had installed 87 GW in 76 countries.

At the end of September 2017, the overall average Lost Production Factor for the wind power plants was below 2 percent where Vestas guaranteed the performance.

Lost Production Factor*

Percent



* Data calculated across approx. 22,900 Vestas wind turbines under full-scope service.

Order backlog

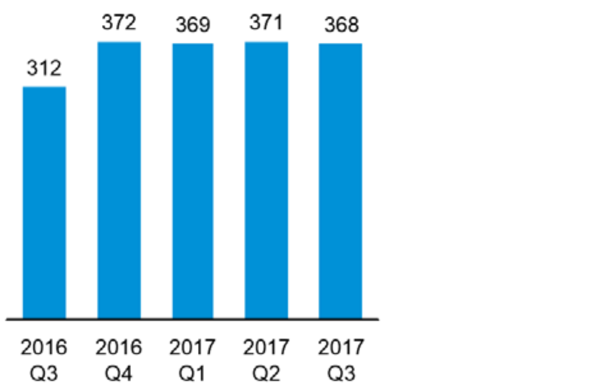
The order backlog amounted to 10,762 MW at the end of September 2017, well above the backlog level of 8,268 MW as at 30 September 2016. Europe, Middle East, and Africa (EMEA) accounted for 46 percent of the backlog, and Americas and Asia Pacific accounted for 38 and 16 percent, respectively. The value of the order backlog was EUR 8.8bn as at 30 September 2017, compared to EUR 7.2bn as at 30 September 2016 – an increase of 22 percent.

Service performance

Level of activity

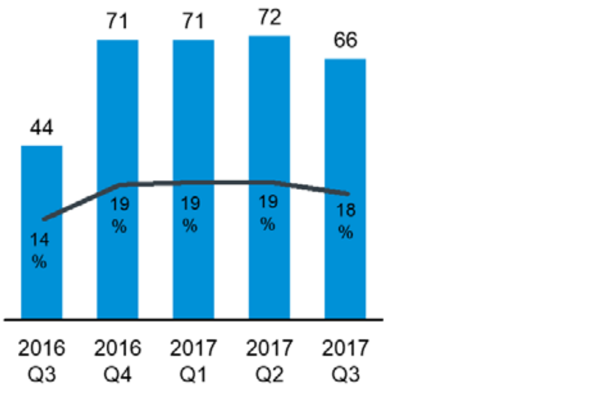
The service activity was at a higher level in the third quarter of 2017 compared to the third quarter of 2016.

Service revenue
mEUR



Service revenue amounted to EUR 368m in the third quarter of 2017 – an increase of 18 percent compared to the third quarter of 2016. The increase in service revenue continues to be driven by the increased service order backlog.

Service EBIT
mEUR and percentage



The service EBIT margin amounted to 17.9 percent – an increase of 3.8 percentage points compared to the third quarter of 2016. The improvement was driven by increased activity and improved performance. Even though revenue and earnings from the service business are more stable than from the wind turbine business, the activities that generate revenue and earnings in the various types of service contracts may vary from quarter to quarter.

Order backlog

At the end of September 2017, Vestas had service agreements with expected contractual future revenue of EUR 11.4bn compared to EUR 9.9bn as at 30 September 2016 – an increase of 15 percent. At the end of September 2017, the average duration in the service order backlog was approximately six years, unchanged compared to 30 September 2016.

By the end of September 2017, Vestas had more than 37,500 wind turbines under service equivalent to approximately 73 GW.

Result for the period

Revenue

In the third quarter of 2017, revenue amounted to EUR 2,743m – a decrease of 6 percent compared to the third quarter of 2016, driven by lower revenue in the Power solutions segment, but partly offset by higher revenue in the Service segment.

Gross profit

Gross profit decreased by 11 percent to EUR 526m compared to the third quarter of 2016, corresponding to a gross margin of 19.2 percent – a 1.2 percentage point decrease relative to the gross margin of 20.4 percent in the third quarter of 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.

It should be emphasised that developments in quarterly gross margins may show substantial fluctuations due to volume and composition relating to country, project complexity, order, and wind turbine type as well as customers' demand for delivery flexibility.

Research and development costs, Distribution costs and Administration costs

Research and development costs, Distribution costs and Administration costs amounted to total EUR 171m in the third quarter of 2017 (third quarter of 2016: EUR 158m).

EBIT

EBIT decreased by 18 percent to EUR 355m in the third quarter of 2017, relative to the third quarter of 2016. The decrease in EBIT was driven by lower gross profit. Consequently, the EBIT margin decreased by 2.0 percentage points to 12.9 percent compared to the third quarter of 2016.

Income from investments in joint ventures

Income from investments in joint ventures amounted to a loss of EUR 18m compared to a loss of EUR 20m in the third quarter of 2016. This was fully attributable to Vestas' share of loss in MHI Vestas Offshore Wind on a standalone basis.

Financial items

In the third quarter of 2017, net financial items amounted to EUR 0m compared to a net cost of EUR 2m in the third quarter of 2016.

Profit before and after tax

Profit before tax amounted to EUR 337m in the third quarter of 2017 compared to EUR 411m in the third quarter of 2016. In the third quarter of 2017, income tax expense was EUR 84m, compared to EUR 102m in the third quarter of 2016. Profit after tax amounted to EUR 253m compared to EUR 309m in the third quarter of 2016.

Working capital

Net working capital amounted to a net liability of EUR 1.1bn at the end of September 2017, which is an improvement of EUR 0.3bn compared to the level at the end of September 2016. The positive development in net working capital was primarily driven by an increase in prepayments from customers as well as higher trade payables exceeding the negative effect from inventory build-up.

Other operating assets and liabilities

Return on invested capital (ROIC)

Return on invested capital was 452.5 percent in the third quarter of 2017, up from 162.5 percent in the third quarter of 2016, primarily driven by working capital elements.

Capital structure and financing items

Equity

Vestas' equity amounted to EUR 3,163m as at 30 September 2017 – an increase of 3 percent compared to 30 September 2016. The positive development in equity was mainly driven by the profit for the period exceeding distribution to shareholders through the EUR 278m dividend payment and share buy-backs of EUR 561m in total over a 12-month period.

Solvency ratio

The solvency ratio decreased by 3.0 percentage points to 29.9 percent compared to 30 September 2016. The solvency ratio is just slightly below the target for the year of 30-35 percent, due to dividend pay-out and share buy-backs made during 2017.

Cash flow

Net investments

Total net investments amounted to an outflow of EUR 127m in the third quarter of 2017. Net investments was EUR 14m above last year's level of EUR 113m, primarily driven by tangible blade investments.

Free cash flow

The free cash flow amounted to positive EUR 193m for the quarter (EUR 155m for the third quarter of 2016), primarily driven by operating cash flow.

Share buy-back programme

In August 2017, the Board of Directors of Vestas Wind Systems A/S initiated a share buy-back programme of up to DKK 4,460m (approximately EUR 600m) to be executed during the period 17 August 2017 to 29 December 2017. The share buy-back programme is structured in accordance with the EU Safe Harbour regulation. In the third quarter of 2017, transactions of a total value of DKK 1,466m (approximately EUR 197m) were made under the programme.

The main purpose of the share buy-back programme is to adjust the capital structure of Vestas.

Share buy-backs are intended to be used from time to time to adjust the capital structure and/or if excess cash arises. Any such decision will be made in appropriate consideration of capital structure targets, while still maintaining adequate flexibility to invest in Vestas' strategy, Profitable Growth for Vestas.

The stated dividend policy of Vestas will be unaffected by the share buy-back programme, and hence remains at a pay-out ratio of 25-30 percent of the net result of the year.

Market development

Deliveries and wind turbine backlog per region

The order backlog amounted to 10,762 MW at the end of September 2017 compared to 8,268 MW as at 30 September 2016.

Order intake and wind turbine backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q3 2017	978	1,163	474	**2,615**
Backlog as per 30 September 2017	5,005	4,048	1,709	**10,762**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 1,148 MW, compared to 909 MW in the previous year. Deliveries were distributed in several countries in the region, Germany being the country where most capacity was delivered.

The order intake for the region amounted to 978 MW, up from 599 MW in the third quarter of 2016. The order intake in the quarter was coming mainly from France, the UK, and Denmark. The order backlog comprised 5,005 MW as at 30 September 2017.

Americas

Deliveries in the Americas amounted to 1,025 MW, compared to 1,733 MW in the third quarter of 2016. The lower level is attributable to a decrease in deliveries in the USA, only partly compensated by increased deliveries in Latin America.

In the quarter, order intake amounted to 1,163 MW for the Americas, of which 536 MW came from Mexico, and 522 MW came from the USA. The order backlog for the region amounted to 4,048 MW as at 30 September 2017, of which the majority was from the USA.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 231 MW, compared to 140 MW in the previous year. Deliveries in the quarter were mainly in China, but also in other Asia Pacific markets such as Mongolia, South Korea, and Australia.

The order intake for the region more than doubled in the quarter and amounted to 474 MW, up from 205 MW in the third quarter of 2016. The order intake in the quarter came mainly from Thailand, India, and China. The order backlog amounted to 1,709 MW as at 30 September 2017.

Deliveries (Transfer of risk)
MW

	Q3 2017	Q3 2016	FY 2016
Germany	407	181	1,119
France	235	97	534
Finland	92	109	340
Sweden	82	64	343
United Kingdom	62	67	310
Ireland	57	-	-
Norway	52	-	-
Austria	33	-	43
Turkey	28	63	221
Greece	27	26	174
Belgium	22	125	224
Ukraine	21	7	7
Spain	20	27	35
Denmark	7	49	171
Morocco	3	-	-
Italy	-	32	110
South Africa	-	20	181
Netherlands	-	14	26
Switzerland	-	13	13
Serbia	-	7	7
Portugal	-	8	20
Poland	-	-	77
Georgia	-	-	21
Romania	-	-	15
EMEA	**1,148**	**909**	**3,991**
USA	707	1,544	3,940
Canada	184	-	12
Brazil	134	68	182
Chile	-	85	297
Mexico	-	26	198
Uruguay	-	10	160
Jamaica	-	-	36
Americas	**1,025**	**1,733**	**4,825**
China	124	130	490
Mongolia	46	-	-
South Korea	24	-	122
Australia	14	-	40
Japan	13	-	-
India	10	10	66
Thailand	-	-	90
Vietnam	-	-	30
Asia Pacific	**231**	**140**	**838**
Total	**2,404**	**2,782**	**9,654**

Strategy, and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the annual report 2016.)

Raising the bar towards 2020

After completing a successful turnaround, Vestas launched the Profitable Growth Strategy in 2014, with the objective to deliver profitable growth. Vestas is executing on the strategic objectives and meeting the targets with the result that Vestas is now stronger than ever across the business.

In the coming years, the strategic ambition is to further develop and expand Vestas' market position. Profitable growth will continue to set the direction. Vestas will continue to work diligently on strengthening its position further by also taking advantage of the opportunities ahead. Vestas wants to grow in a profitable way, as generating profit will allow Vestas to further expand its business and achieve its ambitions.

At the same time, Vestas needs to prepare for the future to beat the increasing competition on all parameters. To do so, Vestas will build further on its capabilities to integrate new technologies in its product portfolio and at the same time ensure the lowest possible levelised cost of energy. Improving its competitiveness also requires Vestas to adapt its organisation to succeed in rapidly evolving market conditions.

To achieve this, Vestas must balance and utilise its three key differentiators:

- Expand global reach (i.e. by increasing market presence and further localising manufacturing)
- Increase technology and service leadership (i.e. by reducing levelised cost of energy across the product portfolio and by strengthening product and service offerings)
- Leveraging global scale (i.e. by utilising installed base and sourcing opportunities)

To this end, Vestas has defined four strategic objectives which provide the operational basis for the implementation of the strategy.

1. Global leader in the wind power plant solutions market

Vestas will continue to focus on profitable growth in all markets, partnering more closely with its customers, expanding its key account programme, involving customers in product development, and working closely with them to deliver tailored solutions.

With its strong global footprint, Vestas has a competitive edge, allowing it to grow profitably in both mature and emerging markets. Vestas will continue to scale production up and down in accordance with demand in different regions. Building on its long-standing global presence, Vestas will continue to pursue opportunities in markets where wind energy is set to expand.

As part of Vestas' ambitions to grow profitably, Vestas is participating in project development to a limited extent as some markets require this. By entering into co-development activities under a more structured approach, Vestas expects to be able to engage earlier with certain customers and thereby potentially lock deals earlier than it would in some cases otherwise be possible, whilst simultaneously offering significant value to the customer. The short to medium-term financial effects from such initiatives are expected to be limited in the context of Vestas' overall financials.

The repowering potential is increasing rapidly and Vestas is well-positioned to capture value in this market segment. The main repowering opportunity towards 2020 is in Germany with additional potential in Denmark, the USA, and India. Beyond 2020, the repowering potential will become global.

Vestas' mid-term ambition to grow faster than the market remains unchanged for 2017-2020. Vestas' ambition is to uphold its No. 1 global position in installed wind power capacity.

2. Global leader in the service solutions market

Vestas has installed 87 GW on six continents and services 73 GW across the globe at the end of September 2017. Together with Vestas' industry-leading quality and a Lost Production Factor under 2 percent, Vestas has an unparalleled track record within operation and service of wind turbines.

As the majority of Vestas' wind turbine contracts are sold with service agreements, typically running for five to 10 years, the stable revenue stream from the service business is set to continue its growth as the installed base of wind turbines increases.

As part of Vestas' goal to become the leader in the service solutions market, Vestas will grow its multi-brand service solutions. Multi-brand service solutions offer a large opportunity as Vestas turbines cover approximately 16 percent of the total installed fleet worldwide. With the acquisitions of UpWind Solutions Inc. and Availon Holding GmbH, Vestas accelerated its competences within multi-brand service solutions.

Vestas' large installed base and unmatched data processing and analytics capabilities within the wind power industry serve as an important enabler for developing and expanding the service business further. Vestas already use data to optimise operation and maintenance, but Vestas' data expertise should enable the company to bring new value creating solutions to the market.

As a result of higher than anticipated growth in the service business, Vestas has decided to increase its strategic ambition for the area. The new target is to grow its service business by more than 50 percent organically towards 2020 versus 2016 revenue, while at the same time deliver best-in-class margins.

3. Lowest cost of energy solutions

For more than 35 years, Vestas has been driving down the cost of energy in the wind power industry and been at the heart of the technological progress. Vestas has a clear ambition to sustain this downward trend and lower the cost of energy faster than anyone in the wind power industry by bringing commercially valuable products and services to the market. Vestas' technology strategy derives its strength from market-driven product development and extensive testing at the wind power industry's largest test facility, located in Denmark.

Coupled with utilising Vestas' smart data capabilities across the entire value chain, Vestas' approach to technology enables it to continuously integrate new and effectively innovate proven technologies to create high-performing products and services in pursuit of its over-riding objective: lowering the levelised cost of energy (LCOE).

During 2016, Vestas introduced new variants and solutions to support its ambition to reduce LCOE faster than market average. By reducing LCOE faster than market average, Vestas aims to provide its customers with the highest returns in the industry. Vestas' investments in new technology are the highest in the wind power industry.

4. Best-in-class global operations

Vestas will continue to build its strength within its core business in 2017 and beyond. The overall strategic ambition is to ensure profitable growth for Vestas and expand its global leadership. Vestas has come a long way and will continue its journey to create an even more flexible and robust company.

Vestas' size provides a competitive foundation for lowering costs at every stage of the value chain. Vestas will optimise its production footprint to further improve its flexibility, labour cost efficiency, and CAPEX efficiency. Vestas will also continue to increase efficiency by leveraging on the scale of its operations.

Finally, working capital management remains an area of high priority for Vestas. Consequently, the focus remains on improving the cash conversion cycle and lowering the working capital tied up while transporting and installing the wind turbine projects.

Financial and capital structure targets and priorities

Vestas' financial and capital structure targets, as well as related dividend policy, link to the strategic aspirations of the company. Financial stability and structural strength of the balance sheet remain key priorities for the company. Both the Board of Directors as well as Executive Management believe that strong financial performance and stability are prerequisites for delivering excellent commercial results, and therefore adopt a conservative approach to the structure of the company's balance sheet, whilst at the same time ensuring that management focuses on delivering strong financial results.

Mid-term financial targets

By increasing earnings and keeping investment and net working capital requirements low, Vestas aims to generate a double-digit return on invested capital (ROIC) each year over the cycle. Vestas expects to be able to finance its own growth and hence the free cash flow is expected to be positive each financial year.

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 interest-bearing debt/EBITDA ratio remains unchanged at below 1 at any point in the cycle. In addition, the target is a solvency ratio in the range of 30-35 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' corporate strategy, Profitable Growth for Vestas.

The general intention of the Board of Directors is to recommend a dividend of 25-30 percent of the net result of the year after tax.

In addition, Vestas may from time to time supplement with share buy-back programmes in order to adjust the capital structure. Such share buy-backs, if any, will likely be initiated in the second half of the year based on realised performance.

In years without major extraordinary investments, the total distribution to shareholders through dividends and share buy-backs may constitute the majority of the free cash flow.

Social and environmental performance

Standards, goals and priorities

As the global wind leader, Vestas wants to reduce the cost of renewable energy and accelerate the global shift to sustainable energy solutions.

The United Nations has defined 17 Sustainable Development Goals (SDGs) that aim to tackle poverty, climate change and inequality for people around the world by 2030. Vestas has decided to set the goals as aspirational points of orientation in the day-to-day business, and the SDGs will be guiding principles in the ongoing and coming initiatives to help power a sustainable future. Vestas has chosen to focus initiatives on six key SDGs with Goal 7 (Ensure access to affordable, reliable, sustainable, and modern energy for all) as guiding star.

Sustainable products and sustainable operations are integral for Vestas. Standards and goals are reflected in the social and environmental priorities:

- The lowest possible incidence of recordable injuries
- CO_2 impact from wind power must excel against other energy forms
- The lowest possible percentage of waste from the wind turbines
- Avoid or minimise negative impacts on communities where Vestas operates, while enhancing Vestas' positive impacts

The standards and goals build on global certificates for the three standards: ISO 9001 for quality, ISO 14001 for environment, and OHSAS 18001 for health and safety, as well as recognised conventions established by international organisations such as the United Nations, ILO, and OECD.

Employees

During the third quarter of 2017, the number of employees increased to 22,712, up by 139 compared to the end of the previous quarter.

Safety

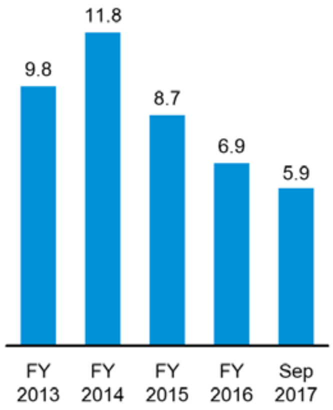
In the first nine months of 2017, the total recordable injury rate has improved compared to the same period in 2016.

In the third quarter of 2017, however, the number of total recordable injuries increased by 18 percent compared to the year-earlier quarter, with an incidence rate of total recordable injuries per one million working hours of 6.6, up from 6.0 in the third quarter of 2016. As at 30 September, the incidence rate was 5.9, below the target of maximum 6.0 for 2017.

While the overall incidence rate on injuries was kept at a satisfactory low level in the first three quarters of 2017, a Vestas service technician employee unfortunately died when he fell from the top of a wind turbine in third quarter of 2017. The root cause of the incident has been identified as human error and non-compliance of Vestas lifesaving rule number three; always use fall protection when working at heights.

Incidence of total recordable injuries

Per one million working hours



Environmental performance

Energy consumption from Vestas' manufacturing and service activities is at the same level as the same quarter last year. However, the direct CO_2 emissions have increased as service activities increased, resulting in higher fuel consumption. Waste generation has decreased in the first nine months of 2017 and at the same time, the share of recycled waste has increased, both are results of improvements in blade production. Water consumption has increased since same period last year as production has started at the new blades factory in India.

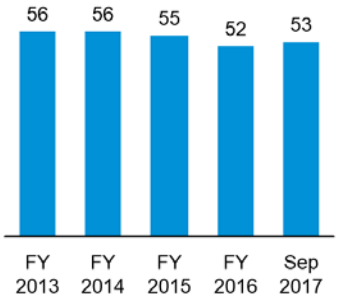
Renewable energy

Vestas has achieved 100 percent renewable electricity consumption, partly by purchasing renewable electricity when available, and partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants.

In the first nine months of 2017, 53 percent of all energy consumption came from renewable energy sources, which was lower than in the year-earlier period. The decrease in the share of renewable energy for the first nine months compared to the same period last year is attributable to increased service activities.

Renewable energy

Percentage of total energy consumption



Outlook 2017

Based mainly on the delivery visibility for the remainder of the year, Vestas adjusts guidance on revenue, EBIT margin before special items, investments and free cash flow.

- Revenue is expected to range between EUR 9.50bn and EUR 10.25bn (compared to between EUR 9.25bn and EUR 10.25bn previously) including service revenue, which is expected to grow. The updated range reflects a good activity level, but also the introduction of some uncertainty linked to the US tax reform.

- Vestas expects to achieve an EBIT margin before special items of 12-13 percent (compared to 12-14 percent previously) with the service EBIT margin remaining stable. The adjustment is a consequence of additional execution costs, and an increased competitive environment which impacts the average project margin.

- Total investments[1] are expected to amount to approx. EUR 400m (compared to approx. EUR 350m previously). Vestas adjusts guidance on total investments primarily due to high activity levels.

- Free cash flow[1] is expected to range between EUR 450m and EUR 900m (compared to minimum EUR 700m previously). The updated range mainly reflects the uncertainty around the US market, and especially the expected level of 80 percent PTC component orders.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation activities as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped, and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections, and similar matters may thus cause delays that could affect Vestas' financial results for 2017. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2017.

Outlook 2017[2)]

Revenue (bnEUR)	9.50-10.25
EBIT margin (%)[3)]	12-13
Total investments (mEUR)[1)]	approx. 400
Free cash flow (mEUR)[1)]	450-900

1) Before investments in marketable securities and short-term financial investments, and incl. proceeds of EUR 99m from sale of office building facilities.
2) Based on current foreign exchange rates.
3) Before special items.

Financial calendar 2018

07.02.2018	Disclosure of annual report 2017 and outlook for 2018
28.02.2018	Convening for Annual General Meeting
03.04.2018	Annual General Meeting in Aarhus, Denmark
04.05.2018	Disclosure of Q1 2018
15.08.2018	Disclosure of Q2 2018
07.11.2018	Disclosure of Q3 2018

The financial calendar lists the expected dates of publication of financial announcements and the Annual General Meeting in the 2018 financial year for Vestas Wind Systems A/S.

Consolidated financial statements 1 January – 30 September

Condensed income statement 1 January – 30 September

mEUR	Note	Q3 2017	Q3 2016	9 months 2017	9 months 2016
Revenue	1.1	**2,743**	**2,903**	**6,834**	**6,924**
Production costs		(2,217)	(2,312)	(5,447)	(5,465)
Gross profit		**526**	**591**	**1,387**	**1,459**
Research and development costs		(49)	(54)	(176)	(184)
Distribution costs		(59)	(41)	(173)	(143)
Administration costs		(63)	(63)	(193)	(215)
Operating profit (EBIT)	1.1	**355**	**433**	**845**	**917**
Income from investments in associates and joint ventures		(18)	(20)	(50)	(56)
Net financial items		0	(2)	3	(32)
Profit before tax		**337**	**411**	**798**	**829**
Income tax		(84)	(102)	(199)	(207)
Profit for the period		**253**	**309**	**599**	**622**
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		1.19	1.41	2.81	2.83
Earnings per share for the period (EUR), diluted		1.19	1.40	2.80	2.82

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 September

mEUR	Q3 2017	Q3 2016	9 months 2017	9 months 2016
Profit for the period	**253**	**309**	**599**	**622**
Items that may be subsequently reclassified to the income statement:				
Exchange rate adjustments relating to foreign entities	(32)	(16)	(117)	(45)
Fair value adjustments of derivative financial instruments for the period	7	(37)	67	(132)
Fair value adjustments of derivative financial instruments transferred to the income statement (Production costs)	(11)	6	5	14
Exchange rate adjustments relating to joint ventures	0	-	(1)	-
Share of fair value adjustments of derivatives financial instruments of joint ventures for the period	(5)	3	(14)	18
Tax on items that may be subsequently reclassified to the income statement	1	8	(18)	30
Other comprehensive income after tax for the period	(40)	(36)	(78)	(115)
Total comprehensive income for the period	**213**	**273**	**521**	**507**

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

Condensed balance sheet – Assets

mEUR	Note	30 September 2017	30 September 2016	31 December 2016
Goodwill		304	307	309
Completed development projects		306	173	300
Software		85	67	80
Other intangible assets		45	56	54
Development projects in progress		118	181	85
Total intangible assets		**858**	**784**	**828**
Land and buildings		707	835	767
Plant and machinery		217	249	233
Other fixtures, fittings, tools and equipment		203	188	221
Property, plant and equipment in progress		120	78	108
Total property, plant and equipment		**1,247**	**1,350**	**1,329**
Investments in associates and joint ventures		131	185	201
Other investments		27	21	26
Tax receivables		49	91	49
Deferred tax		193	101	208
Other receivables	3.3	70	25	55
Marketable securities		203	-	190
Total other non-current assets		**673**	**423**	**729**
Total non-current assets		**2,778**	**2,557**	**2,886**
Inventories		3,045	2,374	1,985
Trade receivables		1,318	1,320	1,038
Construction contracts in progress		55	27	19
Tax receivables		42	85	25
Other receivables	3.3	421	362	322
Marketable securities		-	-	11
Cash and cash equivalents		2,903	2,612	3,550
Total current assets		**7,784**	**6,780**	**6,950**
Non-current assets held for sale	4.2	-	-	95
Total assets		**10,562**	**9,337**	**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 September 2017	30 September 2016	31 December 2016
Share capital	3.1	29	30	30
Other reserves		(17)	23	61
Retained earnings		3,151	3,020	3,099
Total equity		**3,163**	**3,073**	**3,190**
Provisions	2.1	491	402	457
Deferred tax		27	34	34
Financial debts	3.2	496	496	496
Tax payables		37	44	37
Other liabilities	3.3	62	10	90
Total non-current liabilities		**1,113**	**986**	**1,114**
Financial debts		1	-	-
Prepayments from customers		2,653	2,452	3,002
Construction contracts in progress		131	26	73
Trade payables		2,662	1,935	1,666
Provisions	2.1	159	133	131
Tax payables		234	275	191
Other liabilities	3.3	446	457	564
Total current liabilities		**6,286**	**5,278**	**5,627**
Total liabilities		**7,399**	**6,264**	**6,741**
Total equity and liabilities		**10,562**	**9,337**	**9,931**

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

Condensed statement of changes in equity – 9 months 2017

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Total
Equity as at 1 January 2017	**30**	**107**	**(61)**	**15**	**61**	**3,099**	**3,190**
Profit for the year	-	-	-	-	-	599	599
Other comprehensive income for the period	-	(117)	54	(15)	(78)	-	(78)
Total comprehensive income for the period	-	(117)	54	(15)	(78)	599	521
Transactions with owners:							
Reduction of share capital*	(1)	-	-	-	-	1	-
Dividends distributed	-	-	-	-	-	(289)	(289)
Dividends distributed related to treasury shares	-	-	-	-	-	11	11
Acquisition of treasury shares	-	-	-	-	-	(292)	(292)
Disposal of treasury shares	-	-	-	-	-	1	1
Share-based payments	-	-	-	-	-	11	11
Tax on equity transactions	-	-	-	-	-	10	10
Total transactions with owners	(1)	-	-	-	-	(547)	(548)
Equity as at 30 September 2017	**29**	**(10)**	**(7)**	**-**	**(17)**	**3,151**	**3,163**

**The share capital was reduced by 6,047,780 shares of DKK 1.00 in second quarter of 2017, through 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 – 9 months 2016

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total other reserves	Retained earnings	Total
Equity as at 1 January 2016	**30**	**99**	**37**	**2**	**138**	**2,731**	**2,899**
Profit for the period	-	-	-	-	-	622	622
Other comprehensive income for the period	-	(45)	(88)	18	(115)	-	(115)
Total comprehensive income for the period	-	(45)	(88)	18	(115)	622	507
Transactions with owners:							
Reduction of share capital**	(0)	-	-	-	-	(0)	-
Dividends distributed	-	-	-	-	-	(205)	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	4	4
Acquisition of treasury shares	-	-	-	-	-	(150)	(150)
Disposal of treasury shares	-	-	-	-	-	10	10
Share based payments	-	-	-	-	-	8	8
Total transactions with owners	-	-	-	-	-	(333)	(333)
Equity as at 30 September 2016	**30**	**54**	**(51)**	**20**	**23**	**3,020**	**3,073**

***The share capital was reduced from nominally DKK 224,074,513 to nominally DKK 221,544,727 through cancellation of treasury shares. This was carried out during the second quarter of 2016.*

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

Condensed cash flow statement

mEUR	Q3 2017	Q3 2016	9 months 2017	9 months 2016
Profit for the period	253	309	599	622
Adjustments for non-cash transactions	239	299	727	681
Financial cost (paid)/received, net	4	(4)	(20)	(14)
Income tax paid, net	(3)	(41)	(144)	(5)
Cash flow from operating activities before change in net working capital	493	563	1,162	1,284
Change in net working capital	(173)	(295)	(888)	(704)
Cash flow from operating activities	**320**	**268**	**274**	**580**
Purchase of intangible assets	(54)	(47)	(147)	(137)
Purchase of property, plant and equipment	(80)	(66)	(187)	(178)
Disposal of property, plant and equipment	7	-	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	**(127)**	**(113)**	**(231)**	**(391)**
Free cash flow	**193**	**155**	**43**	**189**
Purchase of treasury shares	(177)	(125)	(275)	(143)
Disposal of treasury shares	-	3	1	9
Dividend paid	-	-	(278)	(201)
Repayment of financial debts	-	-	-	(4)
Cash flow from financing activities	**(177)**	**(122)**	**(552)**	**(339)**
Net increase/(decrease) in cash and cash equivalents	**16**	**33**	**(509)**	**(150)**
Cash and cash equivalents at the beginning of period	2,928	2,579	3,550	2,765
Exchange rate adjustments of cash and cash equivalents	(42)	0	(139)	(3)
Cash and cash equivalents at the end of the period	**2,902**	**2,612**	**2,902**	**2,612**
The amount can be specified as follows:				
Cash and cash equivalents without disposal restrictions	2,496	2,283	2,496	2,283
Cash and cash equivalents with disposal restrictions	406	329	406	329
Total cash and cash equivalents	**2,902**	**2,612**	**2,902**	**2,612**

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
Q3 2017				
Revenue	2,375	368	-	2,743
Total revenue	**2,375**	**368**	**-**	**2,743**
Total costs	**(2,034)**	**(302)**	**(52)**	**(2,388)**
Operating profit (EBIT)	**341**	**66**	**(52)**	**355**
Income from investments in associates and joint ventures				(18)
Net financial items				0
Profit before tax				**337**
Amortisation and depreciation included in total costs	(79)	(7)	(9)	(95)

mEUR	Power solutions	Service	Not allocated	Total Group
Q3 2016				
Revenue	2,591	312	-	2,903
Total revenue	**2,591**	**312**	**-**	**2,903**
Total costs	**(2,153)**	**(268)**	**(49)**	**(2,470)**
Operating profit (EBIT)	**438**	**44**	**(49)**	**433**
Income from investments in associates and joint ventures				(20)
Net financial items				(2)
Profit before tax				**411**
Amortisation and depreciation included in total costs	(81)	(7)	(6)	(94)

In third quarter of 2016 a write-down on inventory relating to development and construction activities in prior years of EUR 54m has been recognised and consequently negatively impacted the Power solutions EBIT.

1.1 Segment information (continued)

mEUR	Power solutions	Service	Not allocated	Total Group
9 months 2017				
Revenue	5,726	1,108	-	6,834
Total revenue	**5,726**	**1,108**	**-**	**6,834**
Total costs	**(4,931)**	**(899)**	**(159)**	**(5,989)**
Operating profit (EBIT)	**795**	**209**	**(159)**	**845**
Income from investments in associates and joint ventures				(50)
Net financial items				3
Profit before tax				**798**
Amortisation and depreciation included in total costs	(239)	(24)	(21)	(284)

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
9 months 2016				
Revenue	5,987	937	-	6,924
Total revenue	**5,987**	**937**	**-**	**6,924**
Total costs	**(5,062)**	**(783)**	**(162)**	**(6,007)**
Operating profit (EBIT)	**925**	**154**	**(162)**	**917**
Income from investments in associates and joint ventures				(56)
Net financial items				(32)
Profit before tax				**829**
Amortisation and depreciation included in total costs	(250)	(20)	(23)	(293)

In second quarter of 2016, an impairment loss 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).

In third quarter of 2016 a write-down on inventory relating to development and construction activities in prior years of EUR 54m has been recognised and consequently negatively impacted the Power solutions EBIT.

2 Other operating assets and liabilities

2.1 Warranty provisions (included in provisions)

mEUR	30 September 2017	30 September 2016	31 December 2016
Warranty provisions, 1 January	524	386	386
Provisions for the period	130	128	228
Warranty provisions consumed during the period	(100)	(64)	(90)
Warranty provisions	**554**	**450**	**524**
The provisions are expected to be payable as follows:			
< 1 year	127	99	110
> 1 year	427	351	414

In the first nine months of 2017, warranty provisions charged to the income statement amounted to EUR 130m, equivalent to 1.9 percent of revenue. Warranty consumption amounted to EUR 100m – compared to EUR 64m in the first nine months of 2016. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.2 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.

2.2 Contingent assets and liabilities

In July 2017 General Electric (GE) filed a complaint against Vestas in the US federal court in Los Angeles, California. GE claims infringement of its U.S. Patents No. 7,629,705 and No. 6,921,985 (the "'705 Patent" and the "985 Patent"). Patent 705 addresses Zero Voltage Ride Through technology. The 985 Patent addresses techniques to maintain functioning of the blade pitch system during low voltage events. Vestas rejects the validity of the complaint and will vigorously defend itself in the US courts. The case entails risks inherent in court cases of this nature.

No other significant changes have occurred to contingent assets and liabilities or types and scale of assets and liabilities compared to what is disclosed in the consolidated financial statements in the annual report 2016, note 3.6, page 83.

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.

The book value of assets or liabilities equal fair value, except the book value of Green Corporate Eurobond was EUR 496m with a corresponding fair value of EUR 540m as at September 2017.

3.3 Derivative financial instruments

Derivative financial instruments were negative with a market value of net EUR 15m, equal to book value, and included in other receivables and other liabilities with EUR 69m and EUR 84m, respectively.

3.4 Fair value hierarchy

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.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q3 2017	Q3 2016	9 months 2017	9 months 2016
MHI Vestas Offshore Wind A/S				
Revenue for the period	26	116	260	206
Receivable balance as at 30 September	5	118	5	118
Roaring Fork Wind, LLC				
Prepayment balance as at 30 September	72	-	72	-

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 sold office buildings as a sale and leaseback agreement. The Group 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.

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 approximately EUR 100m.

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 September 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 as at 30 September 2017 and of the results of the Group's operations and cash flow for the period 1 January to 30 September 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, 9 November 2017

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Torben Ballegaard Sørensen

Lykke Friis

Kim Hvid Thomsen

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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.