

# Consolidated financial statements 1 January - 30 September

## Condensed income statement 1 January - 30 September

mEUR	Note	Q3 2016	Q3 2015	9 months 2016	9 months 2015
<b>Revenue</b>	1.1	<b>2,903</b>	<b>2,120</b>	<b>6,924</b>	<b>5,388</b>
Production costs		(2,312)	(1,731)	(5,465)	(4,458)
<b>Gross profit</b>		<b>591</b>	<b>389</b>	<b>1,459</b>	<b>930</b>
Research and development costs		(54)	(45)	(184)	(147)
Distribution costs		(41)	(45)	(143)	(136)
Administration costs		(63)	(67)	(215)	(191)
<b>Operating profit (EBIT) before special items</b>	1.1	<b>433</b>	<b>232</b>	<b>917</b>	<b>456</b>
Special items		-	0	(0)	0
<b>Operating profit (EBIT)</b>		<b>433</b>	<b>232</b>	<b>917</b>	<b>456</b>
Income from investments accounted for using the equity method		(20)	13	(56)	44
Net financial items		(2)	34	(32)	23
<b>Profit before tax</b>		<b>411</b>	<b>279</b>	<b>829</b>	<b>523</b>
Income tax		(102)	(73)	(207)	(136)
<b>Profit for the period</b>		<b>309</b>	<b>206</b>	<b>622</b>	<b>387</b>
<b>Earnings per share (EPS)</b>					
Earnings per share for the period (EUR), basic		1.41	0.93	2.83	1.75
Earnings per share for the period (EUR), diluted		1.40	0.92	2.82	1.73

## Condensed statement of comprehensive income 1 January - 30 September

mEUR	Q3 2016	Q3 2015	9 months 2016	9 months 2015
<b>Profit for the period</b>	<b>309</b>	<b>206</b>	<b>622</b>	<b>387</b>
Items that may be subsequently reclassified to the income statement:				
Exchange rate adjustments relating to foreign entities	(16)	(26)	(45)	38
Fair value adjustments of derivative financial instruments for the period	(37)	145	(132)	240
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	6	(62)	14	(78)
Share of other comprehensive income of joint venture	3	7	18	3
Tax on items that may be subsequently reclassified to the income statement	8	(20)	30	(42)
Other comprehensive income after tax for the period	(36)	44	(115)	161
<b>Total comprehensive income for the period</b>	<b>273</b>	<b>250</b>	<b>507</b>	<b>548</b>

## Condensed balance sheet – Assets

mEUR	Note	30 September 2016	30 September 2015	31 December 2015
Goodwill		307	215	252
Completed development projects		173	278	261
Software		67	27	32
Other intangible assets		56	-	20
Development projects in progress		181	97	122
<b>Total intangible assets</b>		<b>784</b>	<b>617</b>	<b>687</b>
Land and buildings	2.1	835	711	763
Plant and machinery		249	207	219
Other fixtures, fittings, tools and equipment		188	168	191
Property, plant and equipment in progress		78	92	106
<b>Total property, plant and equipment</b>		<b>1,350</b>	<b>1,178</b>	<b>1,279</b>
Investments accounted for using the equity method		185	235	225
Other investments		21	18	20
Tax receivables		91	-	109
Deferred tax		101	75	149
Other receivables		25	35	39
<b>Total other non-current assets</b>		<b>423</b>	<b>363</b>	<b>542</b>
<b>Total non-current assets</b>		<b>2,557</b>	<b>2,158</b>	<b>2,508</b>
Inventories		2,374	2,340	1,899
Trade receivables		1,320	747	795
Construction contracts in progress		27	74	15
Tax receivables		85	51	60
Other receivables	3.3	362	545	442
Cash and cash equivalents		2,612	2,304	2,765
<b>Total current assets</b>		<b>6,780</b>	<b>6,061</b>	<b>5,976</b>
Non-current assets held for sale	2.1	-	103	103
<b>Total assets</b>		<b>9,337</b>	<b>8,322</b>	<b>8,587</b>

## Condensed balance sheet – Equity and liabilities

mEUR	Note	30 September 2016	30 September 2015	31 December 2015
Share capital	3.1	30	30	30
Other reserves		23	659	138
Retained earnings		3,020	2,124	2,731
<b>Total equity</b>		<b>3,073</b>	<b>2,813</b>	<b>2,899</b>
Provisions	2.2	402	277	314
Deferred tax		34	20	20
Financial debts	3.3	496	495	495
Tax payables		44	-	44
Other liabilities		10	10	10
<b>Total non-current liabilities</b>		<b>986</b>	<b>802</b>	<b>883</b>
Prepayments from customers		2,452	2,499	2,258
Construction contracts in progress		26	34	17
Trade payables		1,935	1,598	1,760
Provisions	2.2	133	130	124
Tax payables		275	88	147
Other liabilities	3.3	457	358	499
<b>Total current liabilities</b>		<b>5,278</b>	<b>4,707</b>	<b>4,805</b>
<b>Total liabilities</b>		<b>6,264</b>	<b>5,509</b>	<b>5,688</b>
<b>Total equity and liabilities</b>		<b>9,337</b>	<b>8,322</b>	<b>8,587</b>

## Condensed statement of changes in equity – 9 months 2016

mEUR	Share capital	Premium	Trans- lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
<b>Equity at 1 January 2016</b>	<b>30</b>	<b>-</b>	<b>99</b>	<b>37</b>	<b>2</b>	<b>138</b>	<b>2,731</b>	<b>2,899</b>
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
Transaction with owners:								
Dividend approved	-	-	-	-	-	-	(205)	(205)
Dividend, treasury shares	-	-	-	-	-	-	4	4
Acquisition(-) /disposal (+) of treasury shares	-	-	-	-	-	-	(140)	(140)
Share based payments	-	-	-	-	-	-	8	8
<b>Equity at 30 September 2016</b>	<b>30</b>	<b>-</b>	<b>54</b>	<b>(51)</b>	<b>20</b>	<b>23</b>	<b>3,020</b>	<b>3,073</b>

## Condensed statement of changes in equity – 9 months 2015

mEUR	Share capital	Premium	Trans- lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
<b>Equity at 1 January 2015</b>	<b>30</b>	<b>439</b>	<b>39</b>	<b>13</b>	<b>7</b>	<b>498</b>	<b>1,851</b>	<b>2,379</b>
Profit for the year	-	-	-	-	-	-	387	387
Other comprehensive income for the period	-	-	38	120	3	161	-	161
Total comprehensive income for the period	-	-	38	120	3	161	387	548
Transaction with owners:								
Dividend to shareholders	-	-	-	-	-	-	(116)	(116)
Acquisition(-) /disposal (+) of treasury shares	-	-	-	-	-	-	(3)	(3)
Share based payments	-	-	-	-	-	-	5	5
<b>Equity at 30 September 2015</b>	<b>30</b>	<b>439</b>	<b>77</b>	<b>133</b>	<b>10</b>	<b>659</b>	<b>2,124</b>	<b>2,813</b>

## Condensed cash flow statement

mEUR	Q3 2016	Q3 2015	9 months 2016	9 months 2015
Profit for the period	309	206	622	387
Adjustments for non-cash transactions	299	203	681	424
Income tax received/(paid)	(41)	(11)	(5)	(17)
Interest received/(paid)	(4)	0	(14)	(29)
Cash flow from operating activities before change in net working capital	563	398	1,284	765
Change in net working capital	(295)	(161)	(704)	(57)
<b>Cash flow from operating activities</b>	<b>268</b>	<b>237</b>	<b>580</b>	<b>708</b>
Investments in intangible assets	(47)	(33)	(137)	(83)
Investments in property, plant and equipment	(66)	(46)	(178)	(136)
Sale of property, plant and equipment	-	-	7	1
Acquisition of subsidiaries, net of cash	-	-	(83)	-
Other	-	-	-	(3)
<b>Cash flow from investing activities</b>	<b>(113)</b>	<b>(79)</b>	<b>(391)</b>	<b>(221)</b>
<b>Free cash flow</b>	<b>155</b>	<b>158</b>	<b>189</b>	<b>487</b>
Disposal/(acquisition) of treasury shares	(122)	(15)	(134)	(3)
Dividend paid	-	-	(201)	(116)
Repayment of financial debts	-	(4)	(4)	(604)
Raising of financial debts	-	-	-	496
<b>Cash flow from financing activities</b>	<b>(122)</b>	<b>(19)</b>	<b>(339)</b>	<b>(227)</b>
<b>Change in cash and cash equivalents less current portion of bank debt</b>	<b>33</b>	<b>139</b>	<b>(150)</b>	<b>260</b>
Cash and cash equivalents less current portion of bank debt at the beginning of period	2,579	2,208	2,765	2,014
Exchange rate adjustments of cash and cash equivalents	0	(43)	(3)	30
<b>Cash and cash equivalents less current portion of bank debt at the end of the period</b>	<b>2,612</b>	<b>2,304</b>	<b>2,612</b>	<b>2,304</b>
The amount can be specified as follows:				
Cash and cash equivalents without disposal restrictions	2,283	2,114	2,283	2,114
Cash and cash equivalents with disposal restrictions	329	190	329	190
<b>Total cash and cash equivalents</b>	<b>2,612</b>	<b>2,304</b>	<b>2,612</b>	<b>2,304</b>

## Notes

### 1 Result for the period

#### 1.1 Segment information

mEUR	Project	Service	Not allocated	Total Group
<b>Q3 2016</b>				
External revenue	2,591	312	-	2,903
<b>Total revenue</b>	<b>2,591</b>	<b>312</b>	<b>-</b>	<b>2,903</b>
<b>Total costs</b>	<b>(2,153)</b>	<b>(268)</b>	<b>(49)</b>	<b>(2,470)</b>
<b>Operating profit (EBIT) before special items</b>	<b>438</b>	<b>44</b>	<b>(49)</b>	<b>433</b>
Special items	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>438</b>	<b>44</b>	<b>(49)</b>	<b>433</b>
Income from investments accounted for using equity method				(20)
Net financial items				(2)
<b>Profit before tax</b>				<b>411</b>
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 project EBIT before special items.

mEUR	Project	Service	Not allocated	Total Group
<b>Q3 2015</b>				
External revenue	1,840	280	-	2,120
<b>Total revenue</b>	<b>1,840</b>	<b>280</b>	<b>-</b>	<b>2,120</b>
<b>Total costs</b>	<b>(1,599)</b>	<b>(251)</b>	<b>(38)</b>	<b>(1,888)</b>
<b>Operating profit (EBIT) before special items</b>	<b>241</b>	<b>29</b>	<b>(38)</b>	<b>232</b>
Special items	-	-	0	0
<b>Operating profit (EBIT)</b>	<b>241</b>	<b>29</b>	<b>(38)</b>	<b>232</b>
Income from investments accounted for using equity method				13
Net financial items				34
<b>Profit before tax</b>				<b>279</b>
Amortisation and depreciation included in total costs	(79)	(4)	(5)	(88)

In third quarter of 2015, an impairment loss and write-offs on service inventory of EUR 19m has been recognised and consequently negatively impacted the service EBIT before special items.

## 1.1 Segment information (continued)

mEUR	Project	Service	Not allocated	Total Group
<b>9 months 2016</b>				
External revenue	5,987	937	-	6,924
<b>Total revenue</b>	<b>5,987</b>	<b>937</b>	<b>-</b>	<b>6,924</b>
<b>Total costs</b>	<b>(5,062)</b>	<b>(783)</b>	<b>(162)</b>	<b>(6,007)</b>
<b>Operating profit (EBIT) before special items</b>	<b>925</b>	<b>154</b>	<b>(162)</b>	<b>917</b>
Special items	-	-	(0)	(0)
<b>Operating profit (EBIT)</b>	<b>925</b>	<b>154</b>	<b>(162)</b>	<b>917</b>
Income from investments accounted for using equity method				(56)
Net financial items				(32)
<b>Profit before tax</b>				<b>829</b>
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 before special items, related to R&D activities (EUR 10m in Project) 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 project EBIT before special items.

mEUR	Project	Service	Not allocated	Total Group
<b>9 months 2015</b>				
External revenue	4,561	827	-	5,388
<b>Total revenue</b>	<b>4,561</b>	<b>827</b>	<b>-</b>	<b>5,388</b>
<b>Total costs</b>	<b>(4,110)</b>	<b>(695)</b>	<b>(127)</b>	<b>(4,932)</b>
<b>Operating profit (EBIT) before special items</b>	<b>451</b>	<b>132</b>	<b>(127)</b>	<b>456</b>
Special items	-	-	0	0
<b>Operating profit (EBIT)</b>	<b>451</b>	<b>132</b>	<b>(127)</b>	<b>456</b>
Income from investments accounted for using equity method				44
Net financial items				23
<b>Profit before tax</b>				<b>523</b>
Amortisation and depreciation included in total costs	(229)	(12)	(14)	(255)

In third quarter of 2015, an impairment loss and write-offs on service inventory of EUR 19m has been recognised and consequently negatively impacted the service EBIT before special items.



## 2 Other operating assets and liabilities

### 2.1 Key development in Property, plant and equipment and Non-current asset held for sale

During second quarter of 2016, properties held for sale was declassified to property, plant and equipment, due to significant uncertainty about whether the properties will be sold within the next year. The declassification has impacted Administration costs with EUR 12m, due to catch-up depreciations and impairment.

### 2.2 Warranty provisions (included in provisions)

mEUR	30 September 2016	30 September 2015	31 December 2015
Warranty provisions, 1 January	386	321	321
Provisions for the period	128	104	160
Warranty provisions consumed during the period	(64)	(67)	(95)
<b>Warranty provisions</b>	<b>450</b>	<b>358</b>	<b>386</b>
The provisions are expected to be payable as follows:			
< 1 year	99	115	103
> 1 year	351	243	283

## 3 Capital structure and financing items

### 3.1 Share capital

On 30 March 2016, it was approved at the Annual General Meeting to reduce the share capital 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.

### 3.2 Financial risks

Financial risks and other risks, including liquidity, credit, and market risks are addressed in the notes to the consolidated financial statements in the annual report 2015, note 4.5, page 100. Vestas has during second quarter of 2016 extended the maturity of the revolving credit facility by 1 year to expiry in 2021. Other risks remain unchanged from 2015.

### 3.3 Financial instruments

The book value of the Eurobond was EUR 496m with a corresponding fair value of EUR 532m at 30 September 2016. The fair value of derivative financial instruments at 30 September 2016 amounts to a negative market value of EUR 66m, included in other liabilities, which equals book value.

## 4 Other disclosures

### 4.1 Related party transactions

Transactions with joint venture:

mEUR	Q3 2016	Q3 2015	9 months 2016	9 months 2015
Revenue for the period	116	29	206	278
Receivable / (Payable) at 30 September	118	(11)	118	(11)

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 2015, note 6.4, page 116.

### 4.2 Business combinations

#### Acquisition of Availon

On 1 March 2016, the Group acquired 100 percent of the share capital of Availon Holding GmbH ("Availon"). The acquisition is the next step in accelerating the Group's profitable growth strategy in the service business.

The goodwill of EUR 56m arising from the acquisition is attributable to synergies expected from combining the operations of the Group and Availon. None of the goodwill recognised is expected to be deductible for income tax purposes.

mEUR	Availon
Cash	84
<b>Total consideration</b>	<b>84</b>

The acquisition price for Availon is EUR 88m on a debt and cash free basis. The consideration has been paid in cash from readily available sources.

mEUR	Availon
Know-how (included in other intangible assets)	9
Customer relationship (included in other intangible assets)	26
Trademark (included in other intangible assets)	1
Other intangible assets	1
Property, plant & equipment	3
Inventory	8
Trade receivables	9
Other receivables	3
Cash and cash equivalent	1
Deferred tax asset	1
Deferred tax liability	(12)
Bank debt	(4)
Trade payables	(5)
Other liabilities	(13)
<b>Total identifiable net assets</b>	<b>28</b>
Goodwill	56
<b>Total</b>	<b>84</b>

## 4.2 Business combinations (continued)

The fair value of the acquired identifiable net asset of EUR 28m including allocations is provisional pending final valuations for those assets.

Had Availon been consolidated from 1 January 2016, the consolidated income statement would have been impacted with revenue of approx. EUR 45m and profit after tax of approx EUR 0m.

## 5 Other disclosures

### 5.1 Subsequent events

Between the end of the quarter and the publication of this interim financial report, the Group has made investment in marketable securities of nominal EUR 196m to be presented as 'Securities' under Total other non-current assets.

## 6 Basis for preparation

### 6.1 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.

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

### 6.2 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. There have been no changes to the accounting estimates in third quarter of 2016 or the first nine months, except for declassification of asset held for sale in second quarter of 2016, ref. note 2.1. Reference is made to the consolidated financial statements in the annual report 2015, note 7.2, page 124.

### 6.3 Changes in accounting policies and disclosures

The accounting policies remain unchanged compared to the annual report 2015, to which reference is made for full description of the accounting policies. 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 2016. These IFRSs have not had any impact on the Group's interim financial report.

# 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 2016.

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 2015 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 September 2016 and of the results of the Group's operations and cash flow for the period 1 January to 30 September 2016.

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 2015.

Aarhus, Denmark, 8 November 2016

## 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

Kim Hvid Thomsen

Peter Lindholst

Lykke Friis

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

Torben Ballegaard Sørensen