

Financial performance

Order backlog and activities

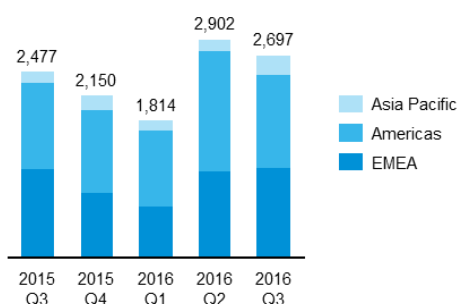
Projects

The quarterly order intake was 1,769 MW, of which 76 percent was announced. The quarterly order intake increased by 261 MW equal to 17 percent compared to the third quarter of 2015. The order intake came from a total of 18 countries.

The order backlog amounted to 8,268 MW at the end of September 2016 and, due to high activity levels in the third quarter, declined by 685 MW compared to the backlog at 30 September 2015. Europe, Middle East, and Africa (EMEA) accounted for 56 percent of the backlog, and Americas and Asia Pacific accounted for 35 and 9 percent, respectively. The value of the order backlog was EUR 7.2bn at 30 September 2016 compared to EUR 8.2bn at 30 September 2015; a decrease of 12 percent.

Produced and shipped

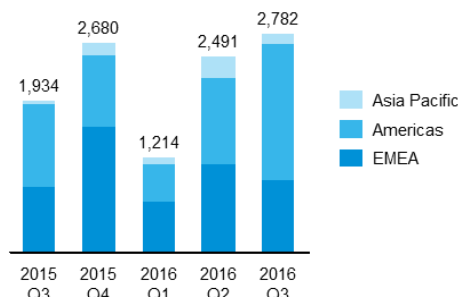
MW



In the third quarter of 2016, Vestas produced and shipped wind turbines with an aggregate output of 2,697 MW (1,197 wind turbines) against 2,477 MW (1,048 wind turbines) in the third quarter of 2015, reflecting the higher activity level in the supply chain in the quarter.

Deliveries (Transfer of Risk)

MW



Final capacity delivered (transfer of risk) to customers amounted to 2,782 MW; an increase of 848 MW (equal to 44 percent) compared to the third quarter of 2015.

The improvement was mainly driven by increased deliveries in USA.

Overview per region as per Q3 2016

MW

	EMEA	Americas	Asia Pacific	Total
Under completion, 30 June 2016	1,294	1,578	78	2,950
Delivered (TOR) to customers during the period	(909)	(1,733)	(140)	(2,782)
Produced and shipped during the period	1,203	1,236	258	2,697
Under completion, 30 September 2016	1,588	1,081	196	2,865

At the end of September 2016, wind turbine projects with a total output of 2,865 MW were under completion compared to 2,469 MW at the end of September 2015. The amount of MW under completion is reflected in the level of prepayments and inventories as a large share of these MW has not yet been recognised as revenue. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

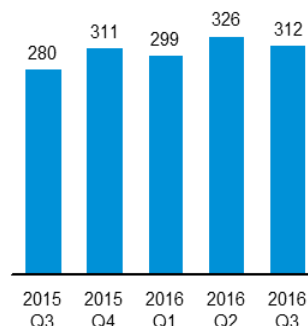
Revenue in the project segment increased by 41 percent to EUR 2,591m compared to EUR 1,840m in third quarter of 2015, primarily driven by the increase in MW deliveries. Vestas improved the EBIT margin of the project segment from 13.1 percent in third quarter 2015 to 16.9 percent in the third quarter of 2016, an increase of 3.8 percentage points.

Service

At the end of September 2016, Vestas had service agreements with expected contractual future revenue of EUR 9.9bn compared to EUR 8.2bn at 30 September 2015; an increase of 21 percent.

Service revenue

mEUR



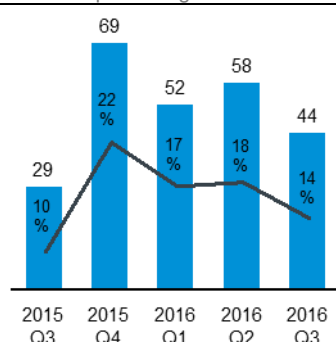
Service revenue amounted to EUR 312m in the third quarter of 2016 – an increase of 11 percent compared to the third quarter of 2015. The increase was primarily driven by the acquisitions of the US independent service provider UpWind Solutions, Inc. in December

2015 and the German independent service provider Availon Holding GmbH in March 2016 and to a lesser extent by organic growth.

Service EBIT margin amounted to 14.1 percent – an increase of 3.7 percentage points compared to the third quarter of 2015. In the third quarter of 2015, the service EBIT margin before special items was negatively impacted by impairments and write-offs on service inventories of EUR 19m. 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.

Service EBIT before special items

mEUR and percentage



By the end of September 2016, Vestas had installed more than 78 GW in 75 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, more than 36,000 wind turbines under service equivalent to approx 68 GW is one of the foundations of Vestas' service business' growth strategy.

At the end of September 2016, the average duration in the service order backlog was approx six years, at the same level as compared to end of September 2015.

Income statement

Result for the period

In the third quarter of 2016, revenue amounted to EUR 2,903m – an increase of 37 percent compared to the third quarter of 2015, primarily driven by higher MW deliveries in the project segment.

The gross profit in the third quarter of 2016 amounted to EUR 591m – an increase of 52 percent compared to the third quarter of 2015. The increase in gross profit was mainly driven by higher MW deliveries and to a lesser extent improved average project margins due to favourable mix, amongst others. The gross profit was negatively impacted by a write-down of EUR 54m on inventory relating to development and construction activities in prior years. Gross margin increased by 2.1 percentage points to 20.4 percent compared to 18.3 percent in the previous year period.

It should be emphasised that developments in quarterly gross margins may show substantial fluctuations due to volume and composition relating to countries, project complexities, orders, and wind turbine types as well as customers' demands for delivery flexibility.

Operating profit (EBIT) before and after special items amounted to EUR 433m – an increase of 87 percent compared to the third quarter of 2015. The increase in EBIT was mainly driven by the higher gross profit. Consequently, the EBIT margin increased by 4.0 percentage points to 14.9 percent compared to the third quarter of 2015.

Income from investments accounted for using equity method

Income from investments accounted for using the equity method amounted to a loss of EUR 20m compared to an income of EUR 13m in the third quarter of 2015. This was mainly driven by Vestas' share of loss from MHI Vestas Offshore Wind on a standalone basis and elimination of margin on MW sold to MHI Vestas Offshore Wind not yet sold to end customer, which increased compared to the third quarter of 2015.

Financial items

In the third quarter of 2016, net financial items amounted to a net loss of EUR 2m against a net gain of EUR 34m in the third quarter of 2015. The development in net financials was mainly driven by reduced currency effects due to lower currency fluctuations.

Profit before and after tax

Profit before tax amounted to EUR 411m in the third quarter of 2016 compared to EUR 279m in the third quarter of 2015. In the third quarter of 2016, the income tax expense was EUR 102m, compared to EUR 73m in the third quarter of 2015. The profit after tax amounted to EUR 309m – an improvement of 50 percent compared to the third quarter of 2015.

Balance sheet

Vestas had total assets of EUR 9,337m as of 30 September 2016 – 12 percent higher than 30 September 2015. The increased balance sheet was mainly driven by working capital movements attributable to the increased activity level and the increased cash position.

Net working capital

At the end of September 2016, Vestas' net working capital amounted to EUR (787)m, largely in line with the level at the end of September 2015 (EUR (783)m). The development in net working capital was primarily driven by higher receivables, but offset by an increase in payables – all largely driven by higher activity levels.

Other operating assets and liabilities

Warranty provisions

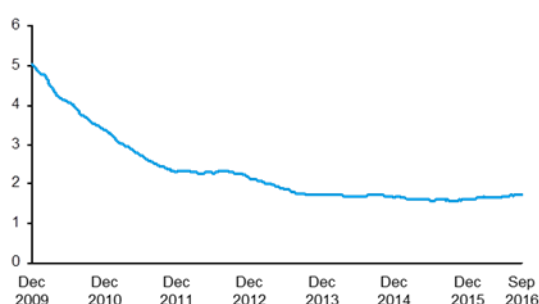
In the third quarter of 2016, warranty provisions charged to the income statement amounted to EUR 52m, equivalent to 1.8 percent of revenue. Warranty

consumption amounted to EUR 27m – compared to EUR 26m in the third quarter of 2015. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 0.9 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.

Lost Production Factor*

Percentage



* Data calculated across 31,527 Vestas wind turbines under full-scope service.

The ongoing improvement of the Lost Production Factor (LPF) on Vestas wind turbines implies that the customers achieve a consistently better return on their investment. At the end of September 2016, the overall average LPF for the wind power plants where Vestas guaranteed the performance was below 2 percent.

Capital structure

Total equity

Vestas' equity amounted to EUR 3,073m at 30 September 2016 – an increase of 9 percent compared to 30 September 2015. The positive development has mainly been driven by profit for the period, partly offset by dividends and share buy-back programme.

The solvency ratio decreased by 0.9 percentage points to 32.9 percent compared to 30 September 2015. The development in solvency ratio was impacted by the approved dividend and the share buy-back programme in combination with net working capital effects.

Acquisitions

Since 30 September 2015 two independent service providers, UpWind Solutions, Inc. and Availon Holding GmbH, have been acquired and are reflected in the balance sheet as per 30 September 2016. Reference is made to the interim financial report for the first quarter 2016 for further information.

Cash flow

In the third quarter of 2016, cash flow from operating activities increased by EUR 31m to EUR 268m compared to the third quarter of 2015. The development was mainly driven by improved earnings, which was largely offset by a change in net working capital.

Cash flow from investing activities amounted to EUR (113)m in the third quarter of 2016, which is an increase of EUR 34m compared to the same period last year. The development was driven by higher R&D activity and a transfer of the blades facility in Lauchhammer, Germany from leased to owned.

In the third quarter of 2016, the free cash flow was EUR 155m, which was in line with the same period last year.

At the end of September 2016, Vestas had a net cash position of EUR 2,116m, representing an improvement of EUR 307m compared to the end of September 2015, mainly driven by improved underlying earnings.

Share buy-back programme for 2016

Under the share buy-back programme initiated by the Board of Directors, Vestas have executed share buy-back of EUR 204m out of the approx EUR 400m (DKK 2,984m) as per 31 October 2016. The remainder is expected to be executed before 30 December 2016.

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

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