Company announcement No. 16, 2019

Interim financial report Third quarter 2019

Vestas Wind Systems A/S
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Company Reg. No. 10403782

Wind. It means the world to us.™

Contents

How to read this interim financial report – definitions:

Vestas
"Vestas" is the entity covering the two business areas Power solutions and Service. The entity includes all subsidiaries over which Vestas has control.

The Group
"The Group" refers to activities in all three business areas, including the offshore business area in the joint venture MHI Vestas Offshore Wind A/S.

The three business areas are:

Power solutions   Service   Offshore

The offshore business area is accounted for using the equity method and the net result for the period for the joint venture is recognised in the income statements as "Income from investments in joint ventures and associates".

Information meeting (audiocast)
On Thursday 7 November 2019 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:	+44 333 300 0804 (conference code 83452829#)
USA:	+1 631 913 1422 (conference code 83452829#)
Denmark:	+45 3544 5577 (conference code 83452829#)

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

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Summary

Revenue, earnings, and free cash flow increased compared to last year's third quarter. Solid order intake in the quarter and combined order backlog at all-time high level. Guidance for 2019 maintained.

In the third quarter of 2019, Vestas generated revenue of EUR 3,646m – an increase of 30 percent compared to the year-earlier period. EBIT before special items increased by EUR 153m to EUR 429m. The EBIT margin was 11.8 percent compared to 9.8 percent in the third quarter of 2018 and free cash flow* amounted to EUR 205m compared to EUR (223)m in the third quarter of 2018.

The intake of firm and unconditional wind turbine orders amounted to 4,738 MW in the third quarter of 2019.

The value of the wind turbine order backlog amounted to EUR 16.5bn as at 30 September 2019. In addition to the wind turbine order backlog, Vestas had service agreements with expected contractual future revenue of EUR 16.3bn at the end of September 2019. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 32.8bn – an increase of EUR 9.1bn compared to the year-earlier period.

Vestas maintains its 2019 guidance on revenue of EUR 11bn-12.25bn, EBIT margin before special items of 8-9 percent, and total investments* of approx. EUR 800m.

Group President & CEO Henrik Andersen said: *"Vestas' performance in the third quarter of 2019 was in line with expectations with a 30 percent increase year-over-year in revenue driven by all regions, reflecting unprecedented high activity levels. Our order backlog increased to a record-high EUR 32.8bn, which corresponds to a 38 percent increase year-over-year that underlines the continued strong global demand for Vestas' wind energy solutions. Although our Service business continued to grow with high margins and the average selling price was stable in the quarter, our profitability remains impacted by tariffs and increased execution costs. With an order intake of more than 13 GW already in 2019 and a very busy 2020 ahead, we continue our relentless focus on execution and profitability, which enable us to sustain our competitiveness and lead the way towards a sustainable planet".*

Key highlights

Increased order intake and all-time high order backlog
4.7 GW of order intake in Q3; combined backlog up 38 percent YoY.

Total revenue of EUR 3,646m driven by all regions
30 percent increase compared to Q3 2018.

EBIT of EUR 429m
EBIT margin at 11.8 percent.

Strong service performance
Revenue growth of 8 percent, and EBIT of EUR 125m.

Share buy-back programme
EUR 200m share buy-back programme launched to adjust the capital structure.

Outlook 2019
Unchanged guidance for revenue, EBIT margin, and total investments; service revenue growth upgraded.

*) Excl. the acquisition of SoWiTec Group GmbH, any investments in market able securities, and short-term financial investments.

Financial and non-financial highlights

mEUR	Q3 2019	Q3 2018[4]	9 months 2019	9 months 2018[4]	FY 2018[4]
Financial highlights					
Income statement					
Revenue	3,646	2,811	7,497	6,765	10,134
Gross profit	615	435	1,151	1,132	1,631
Operating profit before amortisation, depreciation and impairment (EBITDA) before special items	565	386	989	980	1,394
Operating profit (EBIT) before special items	429	276	600	661	959
Operating profit before amortisation, depreciation and impairment (EBITDA)	565	372	989	966	1,379
Operating profit (EBIT)	429	236	600	621	921
Net financial items	(43)	(21)	(76)	(29)	(51)
Profit before tax	390	238	543	620	910
Profit for the period	303	178	418	464	683
Balance sheet					
Balance sheet total	14,242	11,281	14,242	11,281	11,899
Equity	3,313	2,926	3,313	2,926	3,104
Investments in property, plant and equipment	104	83	316	206	312
Net working capital	(962)	(765)	(962)	(765)	(2,040)
Capital employed	4,130	3,428	4,130	3,428	3,602
Interest-bearing position (net), end of the period	1,849	1,754	1,849	1,754	3,046
Cash flow statement					
Cash flow from operating activities	351	(65)	(249)	(585)	1,021
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(146)	(158)	(497)	(398)	(603)
Free cash flow before acquisitions of subsidiaries and financial investments	205	(223)	(746)	(983)	418
Free cash flow	265	(380)	(510)	(1,470)	(69)
Financial ratios[1]					
Financial ratios					
Gross margin (%)	16.9	15.5	15.4	16.7	16.1
EBITDA margin (%) before special items	15.5	13.7	13.2	14.5	13.8
EBIT margin (%) before special items	11.8	9.8	8.0	9.8	9.5
EBITDA margin (%)	15.5	13.2	13.2	14.3	13.6
EBIT margin (%)	11.8	8.4	8.0	9.2	9.1
Return on capital employed[2] (ROCE) (%)	18.3	22.2	18.3	22.2	20.4
Net interest-bearing debt / EBITDA[2]	(1.3)	(1.2)	(1.3)	(1.2)	(2.2)
Solvency ratio (%)	23.3	25.9	23.3	25.9	26.1
Return on equity[2] (%)	20.7	25.0	20.7	25.0	22.6
Share ratios					
Earnings per share[3] (EUR)	3.2	3.7	3.2	3.7	3.4
Dividend per share (EUR)	-	-	-	-	1.00
Payout ratio (%)	-	-	-	-	30.0
Share price at the end of the period (EUR)	71.2	58.3	71.2	58.3	65.9
Number of shares at the end of the period (million)	199	206	199	206	206
Operational key figures					
Order intake (bnEUR)	3.5	2.5	10.2	6.4	10.6
Order intake (MW)	4,738	3,261	13,438	8,697	14,214
Order backlog – wind turbines (bnEUR)	16.5	10.5	16.5	10.5	11.9
Order backlog – wind turbines (MW)	21,393	13,800	21,393	13,800	15,646
Order backlog – service (bnEUR)	16.3	13.2	16.3	13.2	14.3
Produced and shipped wind turbines (MW)	4,398	2,379	10,518	8,198	10,676
Produced and shipped wind turbines (number)	1,424	863	3,441	2,875	3,729
Deliveries (MW)	4,150	3,091	7,820	6,254	10,847

1) The ratios have been calculated in accordance with the guidelines from The Danish Finance Society (Recommendations & Financial ratios 2019).
2) Calculated over a 12-month period. The impact from the implementation of IFRS 16 and IFRIC 23 is included as at 1 January 2019.
3) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share. The impact from the implementation of IFRS 16 is included as at 1 January 2019.
4) Vestas has initially applied IFRS 16 and IFRIC 23 using the cumulative effect method. Under this method, the comparative information is not restated. Refer to note 5.3.

	Q3 2019	Q3 2018	9 months 2019	9 months 2018	FY 2018
Social and environmental key figures[1)]					
Occupational health & safety					
Total recordable injuries (number)	57	54	164	163	210
- of which lost time injuries (number)	17	17	48	62	80
- of which fatal injuries (number)	0	0	1	0	0
Consumption of resources					
Consumption of energy (GWh)	138	139	473	453	614
- of which renewable energy (GWh)	80	85	234	227	294
- of which renewable electricity (GWh)	74	81	211	204	262
Consumption of fresh water (1,000 m^3)	134	123	364	352	470
Waste disposal					
Volume of waste (1,000 tonnes)	21	21	62	60	81
- of which collected for recycling (1,000 tonnes)	10	12	32	32	42
Emissions					
Emission of direct CO_2 (1,000 tonnes)	13	12	52	49	69
Emission of indirect CO_2 (1,000 tonnes)	8	9	23	25	32
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	0	0
Employees					
Average number of employees	25,032	24,441	24,750	24,122	24,221
Number of employees at the end of the period	25,074	24,486	25,074	24,486	24,648
Social and environmental indicators[1)]					
Occupational health and safety					
Incidence of total recordable injuries per one million working hours	4.1	4.3	4.0	4.3	4.0
Incidence of lost time injuries per one million working hours	1.2	1.3	1.2	1.6	1.5
Absence due to illness among hourly-paid employees (%)	2.1	2.3	2.1	2.3	2.1
Absence due to illness among salaried employees (%)	0.9	1.0	1.0	1.0	1.1
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	113	63	271	218	275
Utilisation of resources					
Renewable energy (%)	58	61	49	50	48
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in the Board of Directors[2)] and Executive Management (%)	23	13	23	13	15
Women at management level[3)] (%)	19	19	19	19	19

1) Accounting policies for social and environmental key figures for Vestas Wind Systems A/S, see page 32 of the Annual report 2018.
2) Only Board members elected by the general meeting are included.
3) Employees at management level comprise Leadership Track positions, i.e. managers, specialists, project managers, and above.

Vestas financial performance

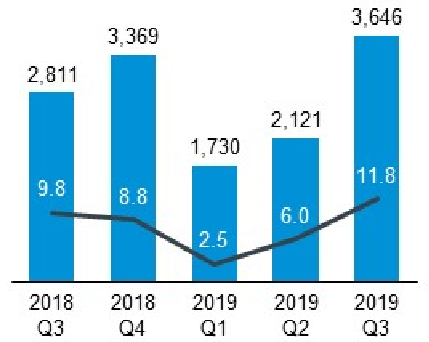
Income statement

Revenue

Revenue amounted to EUR 3,646m in the third quarter of 2019, which was 30 percentage ahead of third quarter of 2018. Comparing the quarter to the same period last year, this quarter reflects a positive impact of approx. EUR 50m from translation effect in relation to foreign exchange rate development primarily from USD.

In the first nine months of 2019, revenue amounted to EUR 7,497m which was above the reported revenue for the first nine months of 2018 of EUR 6,765m. Of this approx. EUR 130m can be contributed to translation effect in relation to foreign exchange rate development primarily from USD.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 615m, corresponding to a gross margin of 16.9 percent in the third quarter of 2019, which was a 1.4 percentage point increase from third quarter of 2018. The gross profit increase was driven mainly by reversal of write-downs on inventory of EUR 120m related to the sale of 80 percent shares in subsidiaries owning three wind power plants in Romania. Closing of the sale took place in October 2019, with sold inventory expected to impact revenue by EUR 157m in the fourth quarter of 2019, but with no impact to gross profit. The positive effect was partly offset by lower average project margins in the Power solutions business in the quarter as well as the first nine months of 2019. The lower average projects margins were impacted by delivery of orders received during the price decline in 2017 as well as external factors such as trade tariffs, transport and raw material prices increasing costs. The Service business improved profitability in the third quarter and first nine months of 2019 benefitting from continuous cost-out and reliable performance of the turbines under service contracts.

Research and development costs, Distribution costs, and Administration costs

R&D, Distribution and Administration costs recognised in the income statement amounted to EUR 186m in the third quarter of 2019, corresponding to an increase of EUR 27m from third quarter of 2018.

R&D costs increased by EUR 9m mainly as a result of bringing new product offerings to the market, including the EnVentus™ modular platform and digital service offerings.

Distribution costs increased by EUR 20m compared to third quarter of 2018, driven by higher activity and increased costs in the supply chain with the latter to a large extend driven by equipment to transport of new and larger blades.

Administration costs were largely in line with third quarter of 2018.

Depreciation, amortisation and impairment amounted to EUR 136m in the third quarter of 2019, compared to EUR 110m in the third quarter of 2018. The increase was driven by higher depreciations and amortisations related to new product variants and transport equipment. Additionally, there was an impact of change in accounting principles from capitalisation of operating lease contracts as per implementation of IFRS 16.

Operating profit (EBIT)

EBIT before special items amounted to EUR 429m in the third quarter of 2019. This is equivalent to an EBIT margin before special items of 11.8 percent, an increase of 2.0 percentage points compared to the third quarter of 2018. The increase could largely be attributed to the higher revenue and before mentioned reversal of write-downs on inventory of EUR 120m.

The EBIT margin before special items showed a decrease of 1.8 percentage points to 8.0 percent in the first nine months of 2019 and amounted to an EBIT before special items of EUR 600m. The margin was impacted by lower average project margins in the Power solutions business impacted by orders received during the price decline in 2017 as well as higher costs from external factors such as trade tariffs, transport, and raw material prices, partly offset by reversal of write-downs on inventory of EUR 120m in the third quarter of 2019. Furthermore, contributing positively, the Service business reported a higher EBIT and EBIT margin compared to the same period last year.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 4m in the third quarter of 2019, compared to a profit of EUR 23m in the third quarter of 2018. The profit in the third quarter of 2019 was driven by EUR 2m profit from the co-development activities with RES Americas as well as EUR 2m from Vestas' share of profit in MHI Vestas Offshore Wind.

Financial items

In the third quarter of 2019, net financial items amounted to a net cost of EUR 43m against EUR 21m in the third quarter of 2018. The decrease was mainly driven by the negative development in various currencies particularly in the emerging markets.

Income tax

Income tax amounted to a cost of EUR 87m in the third quarter of 2019, equivalent to an effective tax rate of 22.3 percent in the quarter which was 2.9 percentage points below third quarter of 2018 due to the non-taxable gain from reversal of write-downs on inventory of EUR 120m. An effective tax rate of 23.0 percent has been reported for the first nine months of 2019.

Profit for the period

Profit for the period amounted to EUR 303m in the quarter compared to a profit of EUR 178m in the third quarter of 2018 driven by the higher operating profit.

Financial ratios for profitability

Earnings per share amounted to EUR 1.53 in third quarter of 2019, an increase of EUR 0.65 compared to EUR 0.88 in the same quarter of 2018 driven by higher net profit. In the first nine months of 2019, earnings per share amounted to EUR 2.12 compared to EUR 2.30 for the same period in 2018, due to lower net profit in the first nine months of 2019.

Return on capital employed (ROCE) was 18.3 percent for rolling 12 months, compared to 22.2 percent for the same period a year ago. Return on equity was 20.7 percent in current period, compared to 25.0 percent in same period a year ago. For both ratios, the decline was mainly a result of the lower operating and net profit.

Warranty provisions

Warranty provisions in the third quarter amounted to EUR 93m, equivalent to a warranty ratio of 2.6 percent of revenue in the quarter which was 1.0 percentage point above the ratio in third quarter 2018. The increased warranty provisions are a consequence of a steep delivery ramp-up and the acceleration of new product introductions, which require additional rework and repairs on new blade variants.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 962m as at 30 September 2019, an improvement compared to a net liability of EUR 765m as at 30 September 2018. Though, net working capital development was negatively impacted by inventory build-up for deliveries later in the year, it was funded by down- and milestone payments from customers and trade payables from suppliers.

Cash flow from operating activities

Cash flow from operating activities was positive EUR 351m in the third quarter of 2019, compared to negative EUR 65m in third quarter of 2018. The development in cash flow from operating activities was driven by higher net profit and positive impact from change in net working capital. The positive change in net working capital was driven by a higher cash inflow in third quarter of 2019 mainly from a higher level of order intake and deliveries, leading to down- and milestone payments.

Cash flow from investing activities, before the acquisition of SoWiTec Group GmbH (Sowitec), any investments in marketable securities and short-term financial investments, amounted to negative EUR 146m in the third quarter of 2019 compared to negative EUR 158m in the third quarter of 2018. The cash flow from investments in property, plant and equipment exceeded same quarter last year by EUR 21m and EUR 110m for the first nine months. Increased investments are mainly related to blade moulds, transport equipment, and tools to cater for new turbine variants, as well as a high activity level.

Free cash flow

Free cash flow, excluding the acquisition of Sowitec, any investments in marketable securities and short-term financial investments, amounted to positive EUR 205m compared to negative EUR 223m in the third quarter of 2018. This development was mainly driven by cash flow from operating activities.

For the first nine months of 2019, free cash flow, excluding the acquisition of Sowitec, any investments in marketable securities and short-term financial investments, amounted to negative EUR 746m compared to negative EUR 983m the year before, mainly driven by the change in net working capital due to inventory build-up in the first nine months of 2019.

Acquisitions

Sowitec

In the third quarter of 2019, Vestas acquired 25.1 percent of the share capital of Sowitec to support Vestas' co-development strategy and to improve hybrid offerings. Vestas has the option to acquire 100 percent of the share capital and consequently, Sowitec has been fully consolidated in Vestas' consolidated financial statements as per note 4.2.

Capital structure and financing items

Equity and solvency ratio

As at 30 September 2019, total equity amounted to EUR 3,313m which was an increase of EUR 387m from 30 September 2018.

As at 30 September 2019, the solvency ratio was 23.3 percent, which was a decline of 2.6 percentage points from 30 September 2018, mainly as a result of higher total assets driven by build-up of inventory and other net working capital items for deliveries later in the year. To a lesser degree, the solvency ratio was impacted by implementation of changes to accounting policies as per 1 January 2019. This includes capitalisation of operating lease contracts as per implementation of IFRS 16 and implementation of IFRIC 23 clarifying the accounting treatment for uncertain tax positions. Combined, these changes have an impact of decreasing equity by EUR 43m and increasing total assets by EUR 255m, corresponding to a negative impact of 0.9 percentage points to the solvency ratio as at 1 January 2019.

Net interest-bearing position and cash position
At the end of the third quarter of 2019, the net interest-bearing position was positive of EUR 1,849m, an increase of EUR 95m compared to the end of the third quarter of 2018 with a positive net interest-bearing position of EUR 1,754m.

Cash and cash equivalents as at 30 September 2019, including bank overdraft, amounted to EUR 2,279m which was an increase of EUR 651m compared to 30 September 2018.

Cash flow from financing activities
Cash flow from financing activities amounted to positive EUR 17m in the third quarter of 2019 compared to negative EUR 82m in third quarter 2018 impacted by the share buy-back programme executed in the third quarter of 2018.

Power solutions

Result for the period

In the third quarter of 2019, revenue from the Power solutions business amounted to EUR 3,204m, which was above third quarter of 2018. Comparing the third quarter of 2019 to the same period last year, there was a positive impact of approx. EUR 50m from translation effects in relation to foreign exchange rate development primarily from USD.

The first nine months reflected revenue in the Power solution business of EUR 6,155m compared to EUR 5,577m in same period last year. 2019 revenue included approx. EUR 100m from translation effects in relation to foreign exchange rate development primarily from USD.

EBIT amounted to EUR 357m in the third quarter of 2019, equal to an EBIT margin of 11.1 percent. Compared to the third quarter of 2018, this was an increase of 1.7 percentage point, mainly driven by reversal of write-downs on inventory of EUR 120m related to the sale of 80 percent shares in subsidiaries owning three wind power plants in Romania. This was partly offset by lower average project margins adversely impacted by external factors such as trade tariffs, transport, and increasing raw material costs.

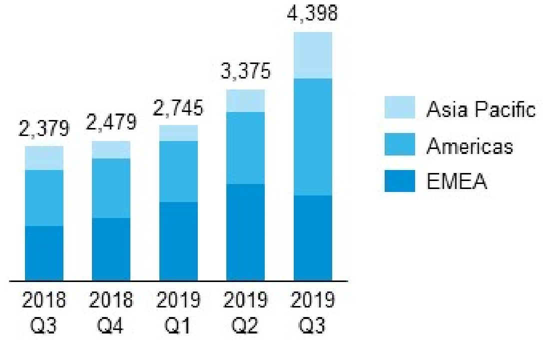
In the first nine months of 2019, EBIT amounted to EUR 392m and an EBIT margin of 6.4 percent. Compared to the same period last year, the EBIT margin decreased 2.9 percentage points driven by orders received during the price decline in 2017 as well as higher costs from external factors such as trade tariffs, transport, and raw material prices but positively impacted by reversal of the before mentioned write-downs on inventory of EUR 120m.

Power solutions revenue and EBIT margin before special items
mEUR and percentage

Level of activity

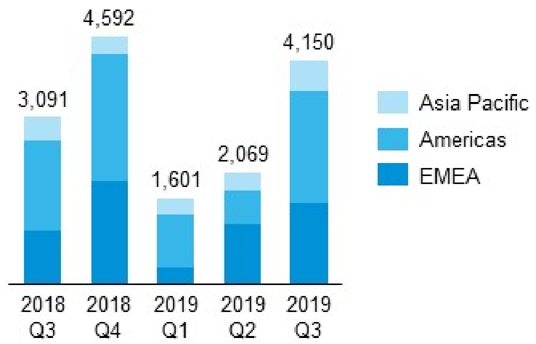
In the third quarter of 2019, Vestas produced and shipped wind turbines with an aggregated output of 4,398 MW against 2,379 MW in the third quarter of 2018, which corresponds to an increase of 85 percent.

Produced and shipped
MW



Deliveries to customers amounted to 4,150 MW in the third quarter of 2019, compared to 3,091 MW in the third quarter of 2018. The increase was mainly driven by deliveries in the EMEA and Americas regions which reflects a large share of deliveries in the USA, Canada, Sweden, and Norway.

Deliveries
MW



By the end of September 2019, Vestas had installed a total of 108 GW onshore capacity in 80 countries.

Wind turbine order intake

In the third quarter of 2019, wind turbine order intake amounted to 4,738 MW, corresponding to EUR 3.5bn, which reflects an increase of 45 percent compared to an order intake of 3,261 MW in the third quarter of 2018 and was in particular driven by the EMEA region.

Order backlog

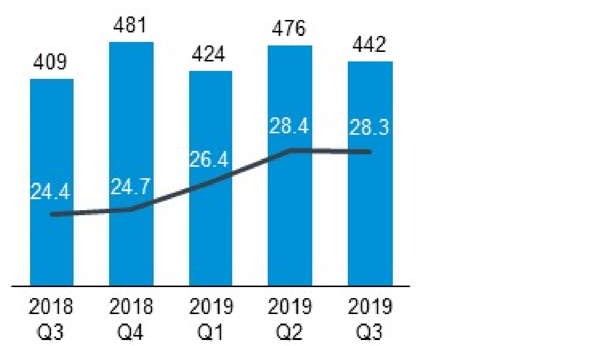
At the end of the third quarter of 2019, the wind turbine order backlog amounted to 21,393 MW, which equals EUR 16.5bn. This was an increase of 57 percent compared to EUR 10.5bn at the end of third quarter of 2018.

Service

Result for the period

The Service business generated revenue of EUR 442m in the third quarter of 2019, which corresponded to an 8 percent increase compared to the third quarter of 2018. Compared to third quarter of 2018, the translation effects in relation to foreign exchange rate developments were insignificant.

Service revenue and EBIT margin before special items
mEUR and percentage



The increase in revenue in the third quarter of 2019 was primarily driven by the service contract business.

Revenue from the Service business amounted to EUR 1,342m in the first nine months of 2019, which was a 13 percent increase compared to the first nine months of 2018, evenly driven by the first three quarters of 2019. Translation effects in relation to foreign exchange rate development was insignificant compared to the first nine months of 2018.

EBIT amounted to EUR 125m in the third quarter of 2019, corresponding to an EBIT margin of 28.3 percent, a result of reliable performance of the wind turbines under service contracts in combination with efficient cost management.

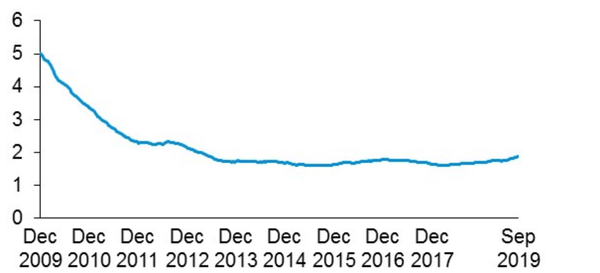
In the first nine months of 2019, EBIT amounted to EUR 372m and an EBIT margin of 27.7 percent. Compared to the first nine months of 2018, the EBIT margin increased with 2.3 percent points due to same drivers as seen in the development quarter on quarter.

Level of activity

By the end of September 2019, Vestas had approx. 43,000 wind turbines under service, equivalent to approx. 91 GW.

At the end of September 2019, the overall average Lost Production Factor was below two percent for the wind power plants where Vestas guarantees the performance.

Lost Production Factor*
Percent



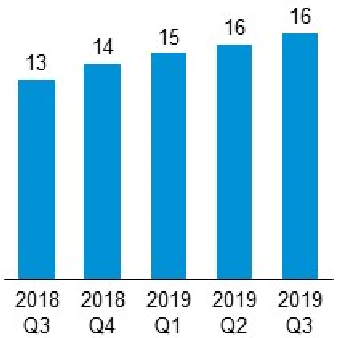
*) Data calculated across approx. 43,000 Vestas wind turbines under full-scope service.

Order backlog

At the end of September 2019, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 16.3bn, an increase of EUR 3.1bn compared to end of September 2018.

At the end of the quarter, the average duration in the service order backlog was approx. eight years; in line with the previous quarter but an improvement compared to average seven years end of September 2018.

Service backlog
bnEUR



Offshore

MHI Vestas Offshore Wind A/S (MHI Vestas Offshore Wind) is a 50:50 joint venture between Mitsubishi Heavy Industries, Ltd. and Vestas Wind Systems A/S.

Order intake

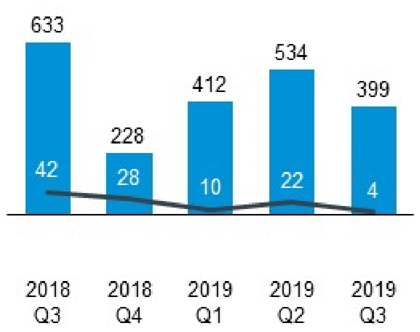
MHI Vestas Offshore Wind announced no firm orders in the third quarter of 2019.

Result for the period

Revenue for MHI Vestas Offshore Wind amounted to EUR 399m for third quarter 2019, a decrease of EUR 235m compared to same period last year. The revenue in the period mainly reflected deliveries to one offshore wind park, the Deutsche Bucht (V164-8.0 MW™).

In the first nine months of 2019, revenue amounted to EUR 1,345m compared to EUR 885m in the first nine months of 2018, and was driven by deliveries to the projects Deutsche Bucht (V164-8.0 MW™), Norther in Belgium and Horns Reef 3 wind park in Denmark. Revenue from the project Norther was fully recognised in the second quarter of 2019 and the Horns Reef 3 wind park was inaugurated in August 2019.

MHI Vestas Offshore Wind revenue and net profit
mEUR



Net profit in the joint venture amounted to EUR 4m in the quarter on a stand-alone basis, compared to EUR 42m in the third quarter of 2018. Third quarter 2019 reflects a negative impact from additional costs in relation to a delayed project.

MHI Vestas Offshore Wind reported a net profit for the first nine months of 2019 of EUR 36m, compared to a loss of EUR 2m in the first nine months of 2018. The positive net result in the first nine months of 2019 was driven by the higher activity level.

Vestas' accounting for MHI Vestas Offshore Wind

The joint venture is accounted for using the equity method, and Vestas' share of MHI Vestas Offshore Wind's overall net result of EUR 2m for the third quarter of 2019 was recognised in the income statement as "Income from investments in joint ventures and associates". Vestas' share of the net result in the first nine months of 2019 amounted to EUR 18m compared to a recognised negative net result in the first nine months of 2018 of EUR 26m.

Onshore market development

Deliveries and wind turbine backlog per region

Vestas' onshore order backlog amounted to 21,393 MW as at 30 September 2019, an increase compared with the order backlog level of 13,800 MW as at 30 September 2018.

Order intake and wind turbine order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Order intake Q3 2019	2,053	2,549	136	**4,738**
Backlog as at 30 September 2019	8,191	10,707	2,495	**21,393**

Europe, Middle East, and Africa (EMEA)

Deliveries in EMEA in the quarter totalled 1,498 MW compared to 999 MW in the previous year. Deliveries were distributed throughout a number of countries in the region, with Sweden and Norway being the countries where most capacity was delivered.

The order intake for the region amounted to 2,053 MW, up from 823 MW in the third quarter of 2018. The order intake in the quarter was coming mainly from Saudi Arabia, Finland, Turkey, and Greece. The order backlog comprised 8,191 MW as at 30 September 2019.

Americas

Deliveries in the Americas region amounted to 2,095 MW, compared to 1,650 MW in the third quarter of 2018. The higher level of activity was attributable to an increase in deliveries in USA and Canada.

In the quarter, order intake amounted to 2,549 MW for the Americas region, of which 1,444 MW came from the USA. The order backlog for the region amounted to 10,707 MW as at 30 September 2019, of which the majority relates to orders in the USA and Brazil.

Asia Pacific

Deliveries to the markets in Asia Pacific totalled 557 MW compared to 442 MW in the same quarter the previous year. The increase in activity was mainly related to China.

The order intake for the region amounted to 136 MW, down from 480 MW in the third quarter of 2018. The order backlog amounted to 2,495 MW as at 30 September 2019.

Onshore deliveries
MW

	Q3 2019	Q3 2018	FY 2018
Sweden	326	125	482
Norway	277	331	471
Spain	251	-	70
Germany	113	44	638
Austria	84	33	178
Belgium	74	2	45
Ukraine	63	-	32
United Kingdom	61	124	431
France	51	191	636
Finland	50	-	7
Senegal	40	-	8
Italy	29	8	278
Jordan	28	-	94
Ireland	18	-	14
Greece	17	85	158
Kazakhstan	7	-	-
Czech Republic	4	2	11
Serbia	3	-	-
South Africa	2	-	-
Netherlands	-	51	61
Turkey	-	3	25
Kenya	-	-	310
Denmark	-	-	123
Russia	-	-	50
Belarus	-	-	4
Bahrain	-	-	2
EMEA	**1,498**	**999**	**4,128**
USA	1,527	1,252	2,827
Canada	242	68	192
Mexico	165	180	1,027
Argentina	83	91	688
Bolivia	34	-	-
Dominican Rep.	29	41	48
Chile	15	-	15
Brazil	-	18	170
Martinique	-	-	14
Honduras	-	-	13
Uruguay	-	-	2
Americas	**2,095**	**1,650**	**4,996**
Australia	226	219	547
China	173	100	373
India	131	123	543
Taiwan	18	-	-
New Zealand	6	-	-
Sri Lanka	3	-	-
Thailand	-	-	180
Mongolia	-	-	55
South Korea	-	-	25
Asia Pacific	**557**	**442**	**1,723**
Total	**4,150**	**3,091**	**10,847**

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual report 2018.)

Today, the world is faced with two primary energy challenges: meeting the growing global energy needs sustainably and addressing climate change by making the existing energy system sustainable. As a consequence, the world has taken steps to fight climate change that make a 4°C warming of the planet much less likely than it was a decade ago[1], while renewables have become the cheapest source of electricity, making wind and solar the preferred source of new energy capacity. In fact, today's renewable energy solutions are at a scale and cost that can meet both the world's energy demand and bring the world to the 1.5°C warming scenario that will limit impact from climate change.[2]

Vestas – creates the energy system for future generations

Vestas has been and continues to be a cornerstone in making the world's energy mix sustainable and with growing global energy needs and the 1.5ºC warming scenario far away, renewable energy's growth potential is enormous.

In this environment, Vestas wants to drive the necessary change of the existing energy system and create a sustainable energy system for future generations. By doing so, Vestas aspires to be the global leader in sustainable energy solutions and will develop and offer the sustainable energy solutions that can replace fossil energy and meet the growing electricity demand across the globe.

The planet's sustainable development is therefore both an integral part of Vestas' business and a tremendous growth opportunity for the renewables industry as energy demand increases. Compared to 2017, this demand is set to increase by more than 40 percent in 2035 due to population growth and electrification of transport, industrial processes as well as heating and cooling.[3]

At the same time, more than 30 percent of all current electricity generation capacity is expected to be retired by 2040, which equals around 1,500 GW of coal, oil, gas, and nuclear plants alone.[4] Moreover, renewables will grow from around 10 percent today to more than 30 percent of the world's electricity demand by 2035.[3]

Due to renewables' progress, developing countries added more renewables than fossil fuels in 2017, highlighting renewables' competitiveness, and societal benefits.[5] In total, Bloomberg New Energy Finance projects around USD 4.5tr to be invested in onshore and offshore wind energy up to 2050.[6]

As such, Vestas' vision, Global Leader in Sustainable Energy Solutions, sets a clear purpose and direction for Vestas' employees and fuels its ambitions for the global energy transition: Vestas wants to lead the industry on volume, revenue, and margins, and together with its key stakeholders wants to make the positive impact on the planet Vestas has the potential to create.

Strategic framework to ensure Vestas stays in the lead

While Vestas' strategy has delivered industry-leading profitable growth and shareholder value since 2013, it is important that Vestas both understands and adapts to the mid-to-long term changes in the markets for renewable energy.

Technologies, policies and markets are maturing, which entails the success parameters and business models along the renewable energy value chain are expected to adapt. The key underlying trends include increasingly market-based remuneration for renewable projects, an expanding set of low-cost renewable technologies and hybrids, a focus on delivering high system-value, and shifting patterns in types and sources of funding for new renewable installations. To reflect this reality, Vestas' 2019-2021 strategy update includes a new set of mid-term strategic objectives and priorities.

Vestas' mid-term objective, Global leader in wind power plant solutions and Global leader in wind service solutions, entail:

- Leading in innovating products, services, and digital solutions that deliver the lowest cost of energy, increase the penetration of renewables, and help customers fully optimise value from renewable power plants.
- Being the preferred solutions provider and partner to the customers.
- Leading by market share in established markets and competing for leadership in emerging markets.
- Leading in profitability to enable us to reinvest into Vestas futures innovation and competitiveness.

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1 Source: UN Environment; Emissions Gap Report 2018. November 2018.
2 Source: The Boston Consulting Group; The Economic Case for Combating Climate Change. September 2018.
3 Source: Bloomberg New Energy Finance: New Energy Outlook 2018. June 2018.
4 Source: International Energy Agency (IEA): World Energy Outlook 2018. November 2018.
5 Source: Bloomberg New Energy Finance: Emerging Markets Outlook 2018 – Climatescope. November 2018.
6 Source: Bloomberg New Energy Finance: Data Viewer. June 2018.

Mid-term priorities, the route to continuing leadership in sustainable energy solutions by:

Transform commercial capabilities

- Combining all of Vestas' strengths to help customers win in auctions and achieve the optimal business case.
- Develop more advanced solutions, with hybrids and digital solutions.

Expand industry-leading wind turbine portfolio

- Continuously develop technology to be competitive in all priority wind markets globally.
- Take full advantage of Vestas' global scale and operational excellence to deliver lowest cost of energy.

Expand service value and cost leadership

- Expand customer value and continue to deliver service at the lowest cost utilising its scale, processes, and new tools.
- Further develop digital solutions that improve internal efficiency and output from installed wind turbines creating customer value.

Pioneer solutions to increase wind penetration

- Constantly addressing the challenges created by the intermittency of wind.
- Ease the integration of wind energy into electrical grids by using solutions like hybrids and storage facilities that can store and release renewable energy it into the grid when it is needed.

Actively build project pipeline to grow margin

- Accelerate the replacement of older wind turbines with new, more productive ones.
- Selectively engage in co-/development of projects to grow the pipeline of future projects.

In order to achieve the mid-term priorities, Vestas will need an organisation that is talented, agile, and cost-effective. Vestas' organisation is inspired by its values of Accountability, Collaboration, and Simplicity. These reflect guiding principles in terms of how Vestas' employees work and engage with each other internally and with the full range of stakeholders externally.

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.

Long-term financial ambitions

Vestas envisions market conditions which in the long term will reflect wind power having achieved merchant levels in the vast majority of markets. The wind industry is undergoing a transition towards a more mature, unsubsidised renewable energy industry. This transition leads to a highly competitive market and will likely drive a further consolidation in the industry. Beyond the transition, a matured market for wind energy creates opportunities for Vestas to leverage and strengthen its leadership position.

Within this context, Vestas aims to grow faster than the market and be the market leader in revenue, to achieve an EBIT margin of at least 10 percent and to generate a return on capital employed (ROCE) of minimum 20 percent 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.

In the coming years, revenue in the Service segment is expected to grow faster than the market with an EBIT margin of approx. 24 percent.

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 debt/EBITDA ratio remains unchanged at below 1 at any point in the cycle. In addition, the target is a solvency ratio of minimum 25 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' strategy.

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 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

Sustainability in Vestas

Vestas produces renewable energy solutions across the globe: From manufacturing, to installing, and servicing wind turbines, the heart of the business is anchored in producing affordable and clean energy for the benefit of the world's population.

As a global force in the green energy transition, it is also Vestas' responsibility to ensure sustainable practises are embedded into every aspect of the company. Vestas understands that reaching its vision to be the global leader in sustainable energy solutions also requires strong delivery on its social and environmental performance. Continuous improvements in these areas form the baseline for how Vestas works, and partnerships, are an important element contributing to this work.

One approach, globally

Vestas is a signatory to the international initiatives in the United Nations Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. These public commitments form the foundation of Vestas' global business approach and are expressed in the company's Code of Conduct for employees and business partners.

Furthermore, Vestas is committed to supporting the UN Sustainable Development Goals (SDGs). Six SDGs have been identified, which support the approach on how sustainability is powering development for Vestas and for its stakeholders and the many communities where the company plays a role. With SDG No. 7, Affordable and clean energy as the overarching goal, the other five selected SDGs are: Quality education (4); Decent work and economic growth (8); Responsible consumption & production (12); Climate action (13); and Partnerships for the goals (17).

Employees

During the third quarter of 2019, the number of employees increased by 237 to 25,074. Vestas will continue to scale the organisation according to - among other things, the expected activity level.

Safety

In the first nine months of 2019, the number of total recordable injuries increased by 1 to 164 compared to the year-earlier period. The incidence of total recordable injuries decreased from 4.3 in the first nine months of 2018 to 4.0 in the first nine months of 2019. The target for 2019 is 3.6.

Vestas is placing focus on incidents with high potential for serious injury or fatality. Such incidents are prioritised and immediately acted upon to ensure any potential risk to life is eliminated, and subsequently control mechanisms follow up to ensure that no reoccurrence will take place. Despite this focus a tragic incident occurred in September when a Vestas subcontractor suffered fatal injuries. A full investigation is taking place. An action plan based on investigation findings will be implemented.

Incidence of total recordable injuries
Per one million working hours

Environmental performance

The increase that can be seen in the water consumption from Vestas' manufacturing activities, stems from an increase in production activities in the third quarter of 2019.

Renewable electricity

Vestas has achieved 100 percent sustainable 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 2019, more renewable electricity has been sourced in the local region; thereby reducing the compensation with Vestas-owned wind power plants in other regions. In 2017, Vestas joined the organisation RE100, whose members commit to 100 per cent renewable electricity.

Climate change

Electrification beyond the power sector is critical to fight the climate crisis. Therefore, Vestas has joined the Getting to Zero Coalition that was launched at UN Climate Action Summit in New York. The coalition of leading companies within the maritime, energy, infrastructure and finance sectors are committed to the decarbonisation of the shipping industry by getting commercially viable deep-sea zero emission vessels powered by zero emission fuels into operation by 2030. Joining the coalition underlines Vestas' commitment to take a leading role in a future powered by renewable energy.

Outlook 2019

Vestas' revenue is expected to range between EUR 11.0bn and 12.25bn, including service revenue, which is expected to grow by minimum 10 percent (compared to approx. 10 percent previously). Vestas expects to achieve an EBIT margin before special items of 8-9 percent with a service EBIT margin of minimum 24 percent.

Total investments* are expected to amount to approx. EUR 800m in 2019.

It should be emphasised that Vestas' accounting policies only allow the recognition of revenue when the control has passed to the customer, either at a point in time or over time. Disruptions in production and challenges in relation to shipment of wind turbines and installation hereof, for example bad weather, lack of grid connections, and similar matters, may thus cause delays that could affect Vestas' financial results for 2019. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2019.

Outlook 2019

Revenue (bnEUR)	11.0-12.25
EBIT margin (%) before special items	8-9
Total investments* (mEUR)	approx. 800

*) Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments

Financial calendar 2020

05.02.2020	Disclosure of the Annual report 2019 and outlook for 2020
05.03.2020	Convening for Annual General Meeting
07.04.2020	Annual General Meeting in Aarhus, Denmark
05.05.2020	Disclosure of the Interim financial report, Q1 2020
12.08.2020	Disclosure of the Interim financial report, Q2 2020
04.11.2020	Disclosure of the Interim financial report, Q3 2020

The financial calendar lists the expected dates of publication of financial announcements and the Annual General Meeting in the financial year 2020 for Vestas Wind Systems A/S.

Consolidated financial statements 1 January - 30 September

Condensed income statement 1 January - 30 September

mEUR	Note	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Revenue	1.1, 1.2	**3,646**	**2,811**	**7,497**	**6,765**
Production costs		(3,031)	(2,376)	(6.346)	(5,633)
Gross profit		**615**	**435**	**1,151**	**1,132**
Research and development costs		(62)	(53)	(191)	(158)
Distribution costs		(66)	(46)	(168)	(132)
Administration costs		(58)	(60)	(192)	(181)
Operating profit (EBIT) before special items	1.1	**429**	**276**	**600**	**661**
Special items		-	(40)	-	(40)
Operating profit (EBIT)	1.1	**429**	**236**	**600**	**621**
Income from investments in joint ventures and associates		4	23	19	28
Net financial items		(43)	(21)	(76)	(29)
Profit before tax		**390**	**238**	**543**	**620**
Income tax		(87)	(60)	(125)	(156)
Profit for the period		**303**	**178**	**418**	**464**
Profit is attributable to:					
Owners of Vestas		306	179	421	465
Non-controlling interests		(3)	(1)	(3)	(1)
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		1.53	0.88	2.12	2.30
Earnings per share for the period (EUR), diluted		1.53	0.88	2.11	2.29

Condensed statement of comprehensive income 1 January - 30 September

mEUR	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Profit for the period	**303**	**178**	**418**	**464**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	20	(20)	40	(13)
Fair value adjustments of derivative financial instruments for the period	1	(87)	(3)	(44)
Gain/(loss) on derivative financial instruments transferred to the income statement	(13)	(1)	(33)	(5)
Exchange rate adjustments relating to joint ventures	0	(0)	0	(0)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	(8)	(6)	(36)	(5)
Share of fair value adjustments of derivatives financial instruments transferred to the income statement of joint ventures and associates	0	(1)	1	(1)
Tax on items that may be reclassified to the income statement subsequently	3	19	8	8
Other comprehensive income after tax for the period	3	(96)	(23)	(60)
Total comprehensive income for the period	**306**	**82**	**395**	**404**

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

Condensed balance sheet – Assets

mEUR	Note	30 September 2019	30 September 2018	31 December 2018
Goodwill		390	378	379
Completed development projects		378	267	270
Software		109	104	118
Other intangible assets		35	54	52
Development projects in progress		248	242	277
Total intangible assets		**1,160**	**1,045**	**1,096**
Land and buildings		660	658	662
Plant and machinery		285	225	258
Other fixtures, fittings, tools and equipment		293	227	268
Right-of-use assets	5.3	180	-	-
Property, plant and equipment in progress		193	133	130
Total property, plant and equipment	2.1	**1,611**	**1,243**	**1,318**
Investments in joint ventures and associates	2.2	231	170	233
Other investments		42	35	35
Tax receivables		160	68	98
Deferred tax		333	233	281
Other receivables	3.4	103	65	79
Financial investments	3.4, 3.5	212	202	204
Total other non-current assets		**1,081**	**773**	**930**
Total non-current assets		**3,852**	**3,061**	**3,344**
Inventories		4.720	3,607*)	2,987
Trade receivables		1.216	1,131*)	967
Contract assets		518	363*)	330
Contract costs		620	418*)	328
Tax receivables		110	79	88
Other receivables	3.4	752	568	515
Financial investments	3.4, 3.5	175	422	422
Cash and cash equivalents	3.2	2.279	1,632	2,918
Total current assets		**10,390**	**8,220**	**8,555**
Total assets		**14,242**	**11,281**	**11,899**

*) Comparative numbers updated to reflect classifications and presentations made under IFRS 15 in the Annual report 2018.

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 September 2019	30 September 2018	31 December 2018
Share capital	3.1	27	28	28
Other reserves		(6)	(44)	22
Retained earnings		3,238	2,930	3,042
Attributable to owners of Vestas		3,259	2,914	3,092
Non-controlling interests	4.2	54	12	12
Total equity		**3,313**	**2,926**	**3,104**
Provisions	2.3	433	435	491
Deferred tax		90	62	120
Financial debts	3.4,5.3	655	498	498
Tax payables		317	147	212
Other liabilities	3.4	62	38	69
Total non-current liabilities		**1,557**	**1,180**	**1,390**
Contract liabilities		5,267	4,159*)	4,202
Trade payables		2,912	2,239	2,417
Provisions	2.3	213	196	126
Financial debts	3.2,3.4,5.3	162	4	-
Tax payables		209	123	112
Other liabilities	3.4	609	454	548
Total current liabilities		**9,372**	**7,175**	**7,405**
Total liabilities		**10,929**	**8,355**	**8,795**
Total equity and liabilities		**14,242**	**11,281**	**11,899**

*) Comparative numbers updated to reflect classifications and presentations made under IFRS 15 in the Annual report 2018.

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

Condensed statement of changes in equity – 9 months 2019

		Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**3,042**	**12**	**3,104**
Impact from change in accounting estimates (IFRIC 23)	-	-	-	-	-	(43)	-	(43)
Adjusted equity as at 1 January 2019	**28**	**(22)**	**47**	**(3)**	**22**	**2,999**	**12**	**3,061**
Profit for the period	-	-	-	-	-	421	(3)	418
Other comprehensive income for the period		38	(28)	(35)	(25)	-	2	(23)
Total comprehensive income for the period	-	38	(28)	(35)	(25)	421	(1)	395
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(3)	-	(3)	-	-	(3)
Transaction with owners:								
Acquisition of non-controlling interests	-	-	-	-	-	-	43	43
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(205)	-	(205)
Dividends distributed related to treasury shares	-	-	-	-	-	8	-	8
Share-based payments	-	-	-	-	-	15	-	15
Tax on equity transactions	-	-	-	-	-	(1)	-	(1)
Total transactions with owners	(1)	-	-	-	-	(182)	43	(140)
Equity as at 30 September 2019	**27**	**16**	**16**	**(38)**	**(6)**	**3,238**	**54**	**3,313**

Condensed statement of changes in equity – 9 months 2018

		Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2018	**29**	**(21)**	**60**	**(2)**	**37**	**3,046**	-	3,112
Impact on change in accounting policy IFRS 15	-	-	-	-	-	(54)	-	(54)
Adjusted equity as at 1 January 2018	**29**	**(21)**	**60**	**(2)**	**37**	**2,992**	**-**	**3,058**
Profit for the period	-	-	-	-	-	465	(1)	464
Other comprehensive income for the period	-	(13)	(41)	(6)	(60)	-	-	(60)
Total comprehensive income for the period	-	(13)	(41)	(6)	(60)	465	(1)	404
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(21)	-	(21)	-	-	(21)
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	-	13	13
Reduction of share capital	(1)	-	-	-	-	1	-	-
Dividends distributed	-	-	-	-	-	(267)	-	(267)
Dividends distributed related to treasury shares	-	-	-	-	-	17	-	17
(Acquisition) /disposal of treasury shares	-	-	-	-	-	(292)	-	(292)
Share-based payments	-	-	-	-	-	18	-	18
Tax on equity transactions	-	-	-	-	-	(4)	-	(4)
Total transactions with owners	(1)	-	-	-	-	(527)	13	(515)
Equity as at 30 September 2018	**28**	**(34)**	**(2)**	**(8)**	**(44)**	**2,930**	**12**	**2,926**

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

Condensed cash flow statement 1 January - 30 September

mEUR	Note	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Profit for the period		303	178	418	464
Adjustment for non-cash transactions		179	230	508	496
Income tax paid		(37)	(26)	(140)	(165)
Financial items paid / received, net		5	(0)	(2)	(19)
Cash flow from operating activities before change in net working capital		450	382	784	776
Change in net working capital		(99)	(447)	(1,033)	(1,361)
Cash flow from operating activities		**351**	**(65)**	**(249)**	**(585)**
Purchase of intangible assets		(69)	(73)	(212)	(196)
Purchase of property, plant and equipment		(104)	(83)	(316)	(206)
Disposal of property, plant and equipment		-	-	4	-
Purchase of other non-current financial assets		-	-	(3)	-
Disposal of other non-current financial assets		-	-	5	-
Proceeds from investment in joint venture		30	1	36	10
Acquisition of joint ventures and associates		(3)	(3)	(11)	(6)
Cash flow from investing activities before acquisitions of subsidiaries and financial investments		**(146)**	**(158)**	**(497)**	**(398)**
Free cash flow before acquisitions of subsidiaries and financial investments		**205**	**(223)**	**(746)**	**(983)**
Acquisition of subsidiaries, net of cash	4.2	(3)	-	(3)	(65)
Purchase of financial investments	3.5	(185)	(157)	(304)	(422)
Disposal of financial investments	3.5	248	-	543	-
Free cash flow		**265**	**(380)**	**(510)**	**(1,470)**
Dividend paid		-	-	(197)	(250)
Payment of lease liabilities		(12)	-	(42)	-
Proceeds from borrowings		29	-	100	-
Purchase of treasury shares		-	(91)	-	(292)
Transactions with non-controlling interests		-	9	-	13
Cash flow from financing activities		**17**	**(82)**	**(139)**	**(529)**
Net decrease in cash and cash equivalents		**282**	**(462)**	**(649)**	**(1,999)**
Cash and cash equivalents at the beginning of period		1,995	2,100	2,918	3,653
Exchange rate adjustments of cash and cash equivalents		2	(10)	10	(26)
Cash and cash equivalents at the end of the period	3.2	**2,279**	**1,628**	**2,279**	**1,628**

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

Notes

1 Result for the period

1.1 Segment information

mEUR	Power solutions	Service	Not allocated	Total Group
Q3 2019				
Revenue	3,204	442	-	3,646
Total revenue	**3,204**	**442**	**-**	**3,646**
Total costs	**(2,847)**	**(317)**	**(53)**	**(3,217)**
Operating profit (EBIT)	**357**	**125**	**(53)**	**429**
Income from investments in joint ventures and associates				4
Net financial items				(43)
Profit before tax				**390**
Amortisation and depreciation included in total costs	(108)	(15)	(13)	(136)

In the third quarter of 2019, reversal of write-downs on inventory of EUR 120m related to development and construction activities in prior years has been recognised and consequently impacted the Power solution EBIT positively.

mEUR	Power solutions	Service	Not allocated	Total Group
Q3 2018				
Revenue	2,402	409	-	2,811
Total revenue	**2,402**	**409**	**-**	**2,811**
Total costs	**(2,176)**	**(309)**	**(50)**	**(2,535)**
Operating profit (EBIT) before special items	**226**	**100**	**(50)**	**276**
Special items			(40)	(40)
Operating profit (EBIT)				**236**
Income from investments in joint ventures and associates				23
Net financial items				(21)
Profit before tax				**238**
Amortisation and depreciation included in total costs	(87)	(10)	(11)	(108)

In third quarter of 2018, impairment losses of EUR 26m and provision of EUR 14m related to the León assembly factory has been recognised in special items where impact is not allocated.

1.1 Segment information (continued)

mEUR	Power solutions	Service	Not allocated	Total Group
9 months 2019				
Revenue	6,155	1,342	-	7,497
Total revenue	**6,155**	**1,342**	**-**	**7,497**
Total costs	**(5,763)**	**(970)**	**(164)**	**(6,897)**
Operating profit (EBIT)	**392**	**372**	**(164)**	**600**
Income from investments in joint ventures and associates				19
Net financial items				(76)
Profit before tax				**543**
Amortisation and depreciation included in total costs	(306)	(44)	(39)	(389)

In the third quarter of 2019, reversal of write-downs on inventory of EUR 120m related to development and construction activities in prior years has been recognised and consequently impacted the Power solution EBIT positively.

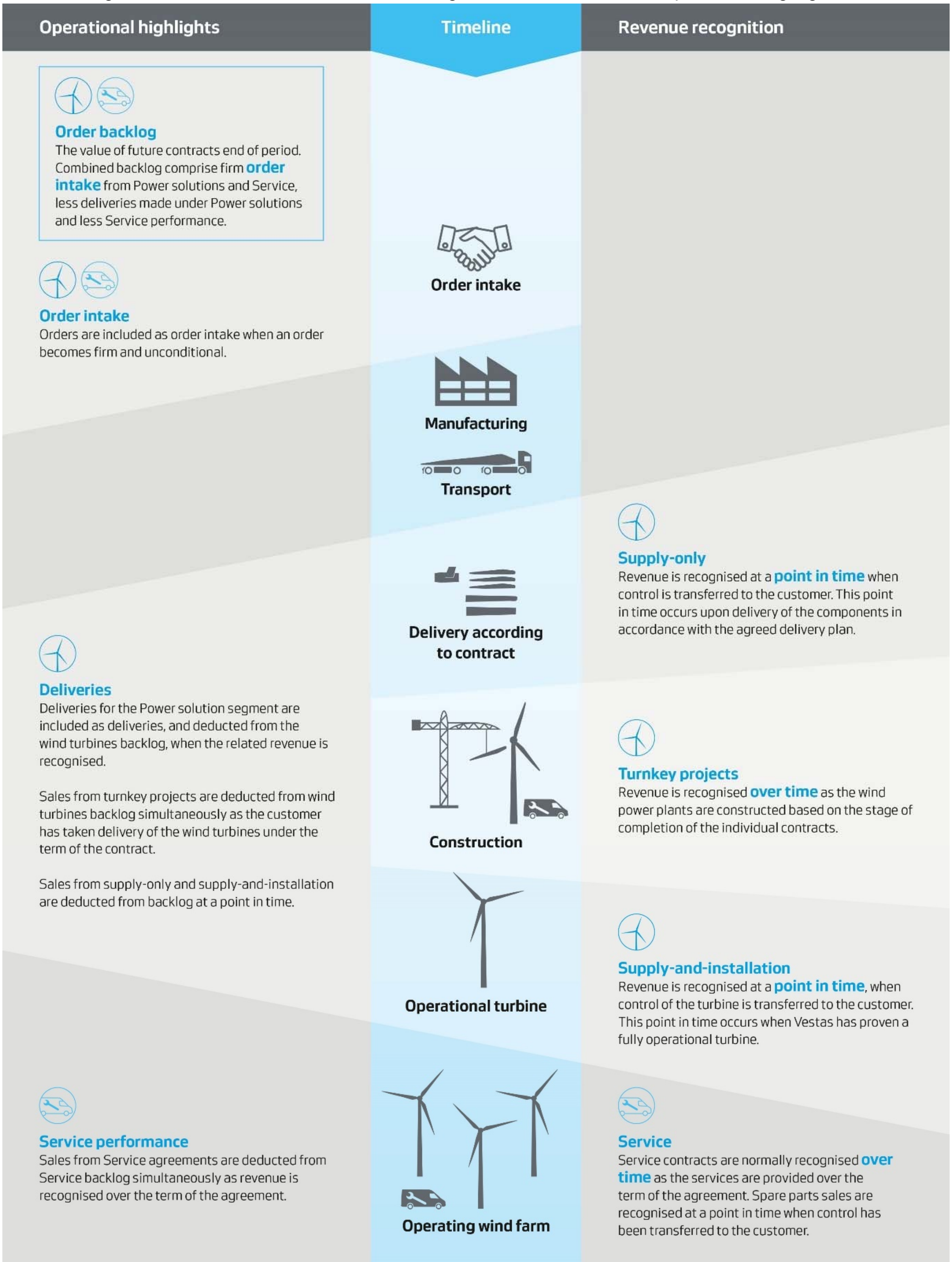
mEUR	Power solutions	Service	Not allocated	Total Group
9 months 2018				
Revenue	5,577	1,188	-	6,765
Total revenue	**5,577**	**1,188**	**-**	**6,765**
Total costs	**(5,061)**	**(886)**	**(157)**	**(6,104)**
Operating profit (EBIT) before special items	**516**	**302**	**(157)**	**661**
Special items			(40)	(40)
Operating profit (EBIT)				**621**
Income from investments in joint ventures and associates				28
Net financial items				(29)
Profit before tax				**620**
Amortisation and depreciation included in total costs	(254)	(26)	(31)	(311)

In the second quarter of 2018, impairment losses of EUR 6m related to patents impacted the Power solutions segment.

In third quarter of 2018, impairment losses of EUR 26m and provision of EUR 14m related to the León assembly factory has been recognised in special items where impact is not allocated.

1.2 Revenue

The following illustration shows Vestas' revenue recognition and the link to the operational highlights.



Disaggregation of revenue

In the following section, revenue is disaggregated by sale of projects and sale of service, by primary geographical market, major contract types and timing of revenue recognition.

mEUR	Power solutions		Service		Total	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Timing of revenue recognition						
Products and services transferred at a point in time	2,735	2,134	64	73	2,799	2,207
Products and services transferred over time	469	268	378	336	847	604
	3,204	2,402	442	409	3,646	2,811
Revenue from contract types						
Supply-only	1,500	1,126	-	-	1,500	1,126
Supply-and-installation	1,339	1,109	-	-	1,339	1,109
Turnkey (EPC)	365	167	-	-	365	167
Service	-	-	442	409	442	409
	3,204	2,402	442	409	3,646	2,811
Primary geographical markets						
EMEA	1,191	820	246	230	1,437	1,050
Americas	1,619	1,374	150	138	1,769	1,512
Asia Pacific	394	208	46	41	440	249
	3,204	2,402	442	409	3,646	2,811

mEUR	Power solutions		Service		Total	
	9 months 2019	9 months 2018	9 months 2019	9 months 2018	9 months 2019	9 months 2018
Timing of revenue recognition						
Products and services transferred at a point in time	4,977	4,672	184	187	5,161	4,859
Products and services transferred over time	1,178	905	1,158	1,001	2,336	1,906
	6,155	5,577	1,342	1,188	7,497	6,765
Revenue from contract types						
Supply-only	2,679	1,953	-	-	2,679	1,953
Supply-and-installation	2,718	2,992	-	-	2,718	2,992
Turnkey (EPC)	758	632	-	-	758	632
Service	-	-	1,342	1,188	1,342	1,188
	6,155	5,577	1,342	1,188	7,497	6,765
Primary geographical markets						
EMEA	2,483	2,037	756	701	3,239	2,738
Americas	2,862	2,509	448	366	3,310	2,875
Asia Pacific	810	1,031	138	121	948	1,152
	6,155	5,577	1,342	1,188	7,497	6,765

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first nine months of 2019, Vestas acquired assets with a cost of EUR 316m mainly related to investments within the manufacturing area in blade moulds, transport equipment and tools, compared to EUR 206m in the nine months of 2018.

Right-of-use assets recognised during the first nine months of 2019 due to the implementation of IFRS 16 Leases amounts to EUR 225m gross of depreciations. The transition impact from applying IFRS 16 Leases is further described in note 5.3.

2.2 Investments in joint ventures and associates

During the first nine months of 2019, Vestas has entered into new joint ventures and associates for wind energy projects to which Vestas is expected to deliver wind turbines, wind power plants, and service agreements. The total investment in joint ventures and associates amounts to EUR 60m.

2.3 Warranty provisions (included in provisions)

mEUR	**30 September 2019**	**30 September 2018**	**31 December 2018**
Warranty provisions, 1 January	546	552	552
Provisions for the period	173	109	161
Warranty provisions consumed during the period	(138)	(118)	(167)
Warranty provisions	**581**	**543**	**546**
The provisions are expected to be payable as follows:			
< 1 year	203	163	115
> 1 year	378	380	431

In the nine months of 2019, warranty provisions charged to the income statement amounted to EUR 173m, equivalent to 2.3 percent of revenue. Warranty consumption amounted to EUR 138m – compared to EUR 118m in the first nine months of 2018. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.7 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.

2.4 Contingent assets and liabilities

On 31 July 2017, General Electric (GE) filed a complaint against Vestas Wind System A/S and Vestas-American Wind Technology, Inc. (Vestas) in the US federal court in Los Angeles, California. With reference to the press release of 25 June 2019, Vestas and GE have reached an amicable settlement of all disputes related to multiple patent infringement claims in the U.S., resulting in the discontinuation of the case pending in the U.S. District Court for the Central District of California as well as all other pending proceedings related to the patents-in-suit. With this settlement, any past infringements of the patents-in-suit are fully released. In addition, the settlement includes a cross-license to the patents-in-suit and their family members, as well as a confidential payment from Vestas to GE. The cross-license applies globally to the parties' and their affiliates' respective onshore and offshore wind businesses and ensures that they can use the technology covered by such patents. The financial impact of the settlement is reflected as of second quarter 2019.

3 Capital structure and financing items

3.1 Share capital

Pursuant to authorisation granted to the Board of Directors at the Annual General Meeting 3 April 2019, the Board of Directors was authorised to acquire treasury shares on behalf of Vestas at a nominal value not exceeding 10 percent of the share capital at the time of authorisation.

The purpose of the share buyback programme is to adjust Vestas' share capital and to meet obligations arising from the share based incentive programmes to employees of Vestas.

Treasury shares

Number of shares / Nominal value (DKK)	30 September 2019	30 September 2018	31 December 2018
Treasury shares as at 1 January	8,418,860	11,843,929	11,843,929
Purchases for the period	-	5,082,734	6,962,324
Cancellation for the period	(6,794,040)	(9,800,944)	(9,800,944)
Sale of treasury shares for the period	(368,230)	(586,449)	(586,449)
Treasury shares	**1,256,590**	**6,539,270**	**8,418,860**

3.2 Cash and cash equivalents

mEUR	30 September 2019	30 September 2018	31 December 2018
Cash and cash equivalents without disposal restrictions	2,247	1,591	2,886
Cash and cash equivalents with disposal restrictions	32	37	32
Cash and cash equivalents	**2,279**	**1,628**	**2,918**
The balance is specified as follows:			
Cash and cash equivalents	2,279	1,632	2,918
Financial debt	-	(4)	-
Cash and cash equivalents	**2,279**	**1,628**	**2,918**

3.3 Financial risks

Financial risks, including liquidity, credit, and market risks were addressed in the notes to the Consolidated financial statements in the Annual report 2018, note 4.7, pages 078-082. The risks remain similar in nature compared to 2018.

3.4 Financial instruments

As at 30 September 2019, the fair value of financial investments was EUR 387m, equal to book value. Derivative financial instruments were positive with a market value of net EUR 18m, equal to book value, and included in other receivables and other liabilities with EUR 225m and EUR 207m, respectively.

Financial instruments measured at fair value has been categorised into level 1, 2, and 3 as addressed in the Annual report 2018, note 4.8, page 083. There have been no significant new items compared to 2018, and there have been no significant transfers between levels.

Financial instrument assets categorised within level 3 comprise other equity investments and renewable energy certificates, where financial instrument liabilities comprise contingent consideration to the acquisition of Utopus Insights, Inc. in 2018. Valuation methods remain unchanged to the description in the Annual report 2018 and with no significant changes in fair values.

The book value of the Green Corporate Eurobond issued by Vestas was EUR 498m with a corresponding fair value of EUR 528m as at 30 September 2019. With the acquisition of Sowitec, Vestas has recognised a Corporate bond issued by Sowitec. The book value of the bond was EUR 15m with a corresponding fair value of EUR 16m as at 30 September 2019.

3.5 Financial investments

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. On initial recognition, financial investments are recognised in the balance sheet at fair value and subsequently re-measured at fair value through profit and loss. Any change in the fair values of the financial investments are recognised in the income statement as financial items.

mEUR	30 September 2019	30 September 2018	31 December 2018
Marketable securities	100	202	204
Deposits	287	422	422
Financial investments	**387**	**624**	**626**
Financial investments specified as follows:			
0-1 year	175	422	422
> 1 year	212	202	204
Financial investments	**387**	**624**	**626**

4 Other disclosures

4.1 Related party transactions

Vestas has had the following material transactions with joint ventures and associates:

mEUR	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Joint ventures				
Revenue for the period	41	31	143	102
Proceeds from sale of projects	45	1	51	10
Capital increase	2	3	5	6
Receivable as at 30 September	69	32	69	32
Prepayments balance as at 30 September	171	83	171	83
Associates				
Payable capital contribution as at 30 September	37	-	37	-

No other significant changes have occurred with 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 2018, note 6.4, page 092.

4.2 Business combinations

Acquisition of Sowitec

On 11 April 2019, Vestas announced the acquisition of 25.1 percent of the share capital of SoWiTec Group GmbH ("Sowitec"), with the option of acquiring 100 percent of the share capital. The acquisition supports Vestas' position as global leader in wind power plant solutions and increases its ability to offer full-scope wind power plant solutions including development services. As of 1 July 2019, the transaction passed regulatory approval, and Vestas has thereby obtained the ability to exercise control of Sowitec as of this date.

The goodwill of EUR 5m arising from the acquisition is attributable combining Sowitec's and Vestas' development capabilities, strengthening Vestas' development portfolio. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the considerations paid for Sowitec, the fair value of assets acquired and liabilities assumed at the acquisition date.

mEUR	Sowitec
Cash	6
Capital contribution	14
Total consideration transferred	**20**

The acquisition price for Sowitec is EUR 20m on a debt and cash free basis. The consideration has been partly paid in cash and partly through a capital contribution from readily available sources.

mEUR	Sowitec
Property, plant & equipment	2
Other equity investments	5
Inventory	58
Trade receivables	5
Other receivables	8
Cash	17
Financial debts	(24)
Trade payables	(1)
Other liabilities	(12)
Total identifiable net assets	**58**
Non-controlling interest	(43)
Goodwill	5
Purchase price	**20**

Acquisition-related costs of EUR 1m have been charged to Administration costs in the consolidated income statement for the period ended 30 September 2019.

The fair value of the acquired identifiable net asset of EUR 58m is provisional pending final valuations for those assets. The non-controlling interest in Sowitec, an unlisted company, was measured based on its proportionate share of the total identifiable net assets at the acquisition date.

The revenue included in the consolidated income statement since 1 July 2019 contributed by Sowitec was EUR 1m. Sowitec also contributed a loss after tax of EUR 3m over the same period.

Had Sowitec's financial statements been consolidated with Vestas' financial statements from 1 January 2019, Vestas' consolidated income statement would have been impacted with revenue of EUR 6m and a loss after tax of EUR 7m.

The revenue, costs, and EBIT from Sowitec is allocated to the Power solutions segment.

4.3 Subsequent events

On 15 October 2019, the sale of 80 percent shares in subsidiaries owning three wind power plants in Romania passed regulatory approval. The sale is expected to impact Vestas' revenue with EUR 157m in the fourth quarter of 2019, but with no impact to gross profit. Consequently, a reversal of prior years' impairment has been recognised in the third quarter 2019 with EUR 120m in production costs.

5 Basis for preparation

5.1 General accounting policies

The interim financial report of Vestas 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 2018 and any public announcements made 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 Vestas, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of Vestas' 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 note 5.3 related to IFRIC 23, and the consolidated financial statements in the Annual report for the year ended 31 December 2018, note 7.2, page 097.

Estimate regarding recognition of contract elements
Management performs significant accounting estimates in connection with determining the appropriate income recognition of contract elements. In certain situations, Supply-only projects contain elements that in nature are associated with a high degree of estimations regarding allocation of consideration under a contract to elements already delivered and elements to be delivered in the future. Management has assessed that the project specific margin is a fair estimate of a reasonable margin used to allocate consideration under a contract to the contract elements.

5.3 Changes in accounting policies and disclosures

Except for the changes below, the accounting policies remain unchanged compared to the Annual report for the year ended 31 December 2018, to which reference is made.

Impact of new accounting standards for the financial year beginning 1 January 2019
Vestas has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2019 financial year, including:

- Annual improvements to IFRS 2015-2017 (effective date 1 January 2019)
- IFRS 16, Leases (effective date 1 January 2019)
- IFRIC 23, Uncertainty over Income Tax Treatment (effective date 1 January 2019)

None of these new or amended accounting standards and clarifications resulted in any significant changes to the accounting policies for Vestas or had significant impact on recognition or measurement in the consolidated financial statements in the first nine months of 2019. Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

IFRS 16, Leases
IFRS 16 has been implemented in Vestas' consolidated financial statements for the financial year beginning on 1 January 2019. Vestas has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial

application is recognised in retained earnings at 1 January 2019. Consequently, 2018 comparative figures are reported according to IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease) and are not restated to reflect the numbers according to IFRS 16. There has not been any cumulative effect of initial application.

IFRS 16 replaces IAS 17 and changes the accounting treatment of lease contracts that were previously treated as operating lease contracts. The change in lease accounting requires capitalisation of operating lease contracts as right-of-use assets under property, plant and equipment with a related lease liability in liabilities.

Vestas accounting policies - Vestas as Lessee

Vestas assesses whether a contract is or contains a lease at inception of the contract. Vestas recognises a right-of-use assets and corresponding lease liabilities at the lease commencement date, except for short term leases and leases of low value. For these leases Vestas normally recognises the lease payments as an operating expense on a straight-line basis over the term of term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities, e.g. revised discount rate, change in the lease term or change in future lease payments resulting from a change in an index.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Vestas' incremental borrowing rate. Generally, Vestas uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if Vestas is reasonably certain to exercise the options; and
- amounts expected to be payable lease under residual value guarantees.

The lease liabilities are subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if Vestas changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

IFRS 16 impact to financial statements

On transition to IFRS 16, Vestas recognised EUR 208m of right-of-use assets and lease liabilities. Vestas used the practical expedients not to recognise right-of-use assets and liabilities for leases less than 12 months of lease term, when applying IFRS 16 to leases previously classified as operating leases under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using Vestas's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to these lease liabilities was 3.10 percent on 1 January 2019. Right-of-use assets are calculated at transition date and equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Vestas has elected not to capitalise low-value assets and short-term lease contracts with a lease term of 12 month or less.

Vestas leases properties, vehicles and equipment. Lease contracts are typically made for fixed periods but may have extension options included in the lease term. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, maintenance, deposits and guarantees etc. Some property leases contain variable payments terms that are linked to an index e.g. a consumer price index. Overall the variable payments constitute less than 1 percent of Vestas entire lease payments.

mEUR	1 January 2019
Operating lease commitment as disclosed in annual report as at 31 December 2018	227
Discounted using the incremental borrowing rate at 1 January 2019	209
Recognition exemption for short-term leases and leases of low-value assets	(20)
Extension and termination options reasonably certain to be exercised	12
Variable lease payments based on an index	7
Lease liabilities recognised at 1 January 2019	**208**

Right-of-use assets amounts to EUR 180m as at 30 September 2019. Lease liabilities are included in Financial debts. The lease liabilities included in financial debts as at 30 September 2019 can be specified as following:

mEUR	30 September 2019
Lease liabilities - non-current	132
Lease liabilities - current	51

Interest related to the lease liabilities and depreciation related to the right-of-use assets are recognised in income statement and amounts to:

mEUR	Q3 2019	9 months 2019
Depreciation for right-of-use assets recognised in income statement	12	41
Interest on lease liabilities recognised in income statement	2	5

IFRIC 23, Uncertainty over Income Tax Treatment
As of 1 January 2019, Vestas adopted the interpretation IFRIC 23 which clarifies the accounting treatment for uncertainties in income taxes as a part of the application of IAS 12.

The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty is followed, and uncertain tax positions are measured at the most likely outcome.

With the application of IFRIC 23 a change in estimates for uncertain tax positions have been recognised related to prior years, with a net impact in the opening equity of EUR 43m. Non-current tax receivables and tax payables have been impacted with an increase of EUR 47m and EUR 90m accordingly.

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 2019.

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 2018 of Vestas 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 Vestas' assets, liabilities, and financial position as at 30 September 2019 and of the results of Vestas' operations and cash flow for the period 1 January to 30 September 2019.

Further, in our opinion the management report gives a true and fair review of the development in Vestas' operations and financial matters, the results of Vestas' operations for the period and Vestas' financial position as a whole and describes the significant risks and uncertainties pertaining to Vestas.

Besides what has been disclosed in the interim financial report, no changes in Vestas’ most significant risks and uncertainties have occurred relative to what was disclosed in the Annual report 2018.

Aarhus, Denmark, 7 November 2019

Executive Management

Henrik Andersen
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Jens Hesselberg Lund

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 2018 (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.