Consolidated financial statements

Income statement 1 January – 31 December

mEUR	Note	2015	2014
Revenue	1.1, 1.2	8,423	6,910
Production costs	1.3, 1.4	(6,918)	(5,732)
Gross profit		**1,505**	**1,178**
Research and development costs	1.3, 1.4	(211)	(213)
Distribution costs	1.3, 1.4	(186)	(158)
Administration costs	1.3, 1.4	(248)	(248)
Operating profit (EBIT) before special items		**860**	**559**
Special items	1.6	46	48
Operating profit (EBIT)		**906**	**607**
Income/(loss) from investments accounted for using the equity method	3.4	34	(31)
Financial income	4.3	61	50
Financial costs	4.3	(76)	(103)
Profit before tax		**925**	**523**
Income tax	5.1	(240)	(131)
Profit for the year		**685**	**392**
Earnings per share (EPS)	4.2		
Earnings per share (EUR)		3.10	1.79
Earnings per share (EUR), diluted		3.07	1.77

Statement of comprehensive income 1 January - 31 December

mEUR		2015	2014
Profit for the year		**685**	**392**
Other comprehensive income			
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments relating to foreign entities		62	83
Fair value adjustments of derivative financial instruments designated as cash flow hedges		137	(28)
Fair value adjustments of derivative financial instruments designated as cash flow hedges transferred to the income statement, production costs		(107)	(1)
Tax on fair value adjustments of derivative financial instruments		(8)	8
Share of other comprehensive income of joint venture	3.4	(5)	7
Other comprehensive income after tax		79	69
Total comprehensive income		**764**	**461**

Balance sheet 31 December – Assets

mEUR	Note	2015	2014
Goodwill		252	215
Completed development projects		261	274
Software		61	32
Other intangible assets		20	-
Development projects in progress		93	137
Total intangible assets	3.1	**687**	**658**
Land and buildings		763	695
Plant and machinery		219	211
Other fixtures and fittings, tools and equipment		191	168
Plant and machinery in progress		106	58
Total property, plant and equipment	3.2	**1,279**	**1,132**
Investments accounted for using the equity method	3.4	225	188
Other investments		20	14
Tax receivables	5.1	109	-
Deferred tax	5.2	149	170
Other receivables	2.5, 4.5	39	36
Total other non-current assets		**542**	**408**
Total non-current assets		**2,508**	**2,198**
Inventories	2.2	1,899	1,509
Trade receivables	2.3, 4.5	795	598
Construction contracts in progress	2.4, 4.5	15	104
Tax receivables	5.1	60	65
Other receivables	2.5, 4.5	442	402
Cash and cash equivalents	4.4, 4.5	2,765	2,018
Total current assets		**5,976**	**4,696**
Non-current assets held for sale	6.7	103	103
Total assets		**8,587**	**6,997**

Balance sheet 31 December – Equity and liabilities

mEUR	Note	2015	2014
Share capital	4.1	30	30
Other reserves		138	498
Retained earnings		2,731	1,851
Total equity		**2,899**	**2,379**
Provisions	3.5	314	231
Deferred tax	5.2	20	17
Financial debts	4.5, 4.6	495	3
Tax payables	5.1	44	-
Other liabilities	2.6, 4.5	10	10
Total non-current liabilities		**883**	**261**
Financial debts	4.5, 4.6	-	604
Prepayments from customers		2,258	2,156
Construction contracts in progress	2.4	17	12
Trade payables	4.5	1,760	945
Provisions	3.5	124	142
Tax payables	5.1	147	41
Other liabilities	2.6, 4.5	499	457
Total current liabilities		**4,805**	**4,357**
Total liabilities		**5,688**	**4,618**
Total equity and liabilities		**8,587**	**6,997**

Statement of changes in equity 1 January – 31 December

mEUR	Share capital	Premium	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Total
		Reserves						
Equity at 1 January 2015	**30**	**439**	**37**	**15**	**7**	**498**	**1,851**	**2,379**
Premium transferred to retained earnings	-	(439)	-	-	-	(439)	439	-
Profit for the year	-	-	-	-	-	-	685	685
Other comprehensive income for the year	-	-	62	22	(5)	79	-	79
Total comprehensive income for the year	-	-	62	22	(5)	79	685	764
Transactions with owners:								
Dividends distributed	-	-	-	-	-	-	(116)	(116)
Acquisitions of treasury shares	-	-	-	-	-	-	(176)	(176)
Sale of treasury shares	-	-	-	-	-	-	40	40
Share-based payment	-	-	-	-	-	-	8	8
Total transactions with owners	-	-	-	-	-	-	(244)	(244)
Equity at 31 December 2015	**30**	**-**	**99**	**37**	**2**	**138**	**2,731**	**2,899**

mEUR	Share capital	Premium	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Total
		Reserves						
Equity at 1 January 2014	**27**	**-**	**(46)**	**36**	**-**	**(10)**	**1,507**	**1,524**
Profit for the year	-	-	-	-	-	-	392	392
Other comprehensive income for the year	-	-	83	(21)	7	69	-	69
Total comprehensive income for the year	-	-	83	(21)	7	69	392	461
Transactions with owners:								
Capital increase	3	439	-	-	-	439	-	442
Costs of capital increase	-	-	-	-	-	-	(10)	(10)
Acquisitions of treasury shares	-	-	-	-	-	-	(43)	(43)
Share-based payment	-	-	-	-	-	-	5	5
Total transactions with owners	3	439	-	-	-	439	(48)	394
Equity at 31 December 2014	**30**	**439**	**37**	**15**	**7**	**498**	**1,851**	**2,379**

The proposed dividend of EUR 205m for 2015 is included in retained earnings.

Refer to the parent company's statement of changes in equity on page 138 for information about which reserves are available for distribution. For proposed distribution of profit, refer to page 135 of the parent company's financial statements, and note 4.1 to the consolidated financial statements.

Statement of cash flows 1 January – 31 December

mEUR	Note	2015	2014
Profit for the year		685	392
Adjustments for non-cash transactions	6.6	603	676
Financial income received		14	8
Financial costs paid		(43)	(62)
Income tax paid	5.1	(184)	(148)
Cash flow from operating activities before change in net working capital		1,075	866
Change in net working capital	2.1	397	260
Cash flow from operating activities		**1,472**	**1,126**
Purchase of intangible assets	3.1	(148)	(115)
Purchase of property, plant and equipment	3.2	(220)	(163)
Purchase of other non-current assets		(3)	(16)
Acquisition of subsidiaries, net of cash	6.5	(55)	-
Disposal of property, plant and equipment		1	8
Disposal of other non-current assets		0	1
Cash flow from investing activities		**(425)**	**(285)**
Free cash flow		**1,047**	**841**
Capital increase, net of transaction costs		-	432
Acquisition of treasury shares		(176)	(43)
Disposal of treasury shares		40	-
Dividends paid		(116)	-
Raising of financial debt	4.5	496	-
Repayment of financial debts	4.5	(604)	-
Cash flow from financing activities		**(360)**	**389**
Change in cash at bank and in hand less current portion of bank debt		**687**	**1,230**
Cash at bank and in hand less current portion of bank debt at 1 January		2,014	690
Exchange rate adjustments on cash at bank and in hand		64	94
Cash at bank and in hand less current portion of bank debt at 31 December		**2,765**	**2,014**
The balance is specified as follows:			
Total cash at bank and in hand	4.4	2,765	2,018
Current portion of bank debt	4.5	-	(4)
		2,765	**2,014**

Notes

1. Result for the year

1.1 Segment information

Changed segment information
With effect from 31 March 2015, segment reporting was changed to reflect the following operating and reportable segments:

- Project
- Service

The changes in the segment information are due to a change in the internal reporting to Executive Management, the Chief Operating Decision Maker. The change in the internal reporting has been made to support Executive Management's increased focus on project and service. Organisationally the service business has been segregated from the project business and responsibility for the service business performance has been transferred to the Head of Global Service.

The project segment contains sales of wind power plants, wind turbines, etc. The service business contains sale of service contracts, spare parts and related activities. Costs that are not attributable to any of the reportable segments are presented as 'Not allocated' and consist of headquarter costs.

The reporting to Executive Management has been aligned to the new corporate structure – project and service. Prior period segment information has been restated to reflect the new management structure.

Group accounting policies
The reportable segments are determined based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker ("CODM"), which is defined as the Executive Management. The total external revenue is derived from the two reportable segments and comprise sale of wind turbines and associated service activities. Certain income and costs relating to group functions, investing activities, tax, special items, etc. are managed on group level. These items are not included in the reportable segments, and therefor presented as 'Not allocated'.

The measure of revenues, costs and EBIT included in the segment reporting are the same as those used in the consolidated financial statements. No segment information are provided to CODM on a regular basis for assets and liabilities and the measures below EBIT.

Income and costs included in profit for the year are allocated to the extent that they can be directly or indirectly attributed to the segments on a reliable basis. Costs allocated as either directly or indirectly attributable comprise production costs, research and development costs, distribution costs and administration costs.

The income and costs allocated as indirectly attributable to the segments are allocated by means of allocation keys determined on the basis of the utilisation of key resources in the segment.

1.1 Segment information (continued)

2015 mEUR	Project	Service	Not allocated	Total Group
External revenue	7,285	1,138	-	8,423
Total revenue	**7,285**	**1,138**	**-**	**8,423**
Total costs	**(6,456)**	**(937)**	**(170)**	**(7,563)**
Operating profit (EBIT) before special items	**829**	**201**	**(170)**	**860**
Special items, ref. note 1.6			46	46
Operating profit (EBIT)				**906**
Income from investments accounted for using equity method, ref. note 3.4			34	34
Financial income			61	61
Financial costs			(76)	(76)
Profit before tax				**925**
Amortisation and depreciation included in total costs, ref. note 1.4	(317)	(14)	(18)	(349)

Impairment loss and write-offs on service inventory of EUR 25m has been recognised and consequently negatively impacted the service EBIT before special items.
Write-down on inventory relating to development and construction activities in prior years, EUR 50m has been recognised and consequently negatively impacted the project EBIT before special items.

2015 mEUR	Total reportable segments
OTHER SEGMENT ITEMS	
Income from investment in joint venture accounted for using the equity method, ref. note 3.4	34
Investment in joint venture accounted for using the equity method, ref. note 3.4	224
External revenue specified by country:	
USA	2,994
Germany	1,026
External revenue in Denmark	172
External revenue outside Denmark	8,251

	USA	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)			1,159
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)	567	524	1,091

External revenue specified by country comprises all countries with external revenue that accounts for more than 10 percent of the Group's total external revenue.

In 2015 and 2014, no single customer accounted for more than 10 percent of the Group's total external revenue.

The non-current assets in all other countries did not individually exceed 10 percent of total non-current assets for the Group.

1.1 Segment information (continued)

2014 mEUR	Project	Service	Not allocated	Total Group
External revenue	5,946	964	-	6,910
Total revenue	**5,946**	**964**	**-**	**6,910**
Total costs	**(5,380)**	**(795)**	**(176)**	**(6,351)**
Operating profit (EBIT) before special items	**566**	**169**	**(176)**	**559**
Special items			48	48
Operating profit (EBIT)				**607**
Loss from investments accounted for using equity method, ref. note 3.4			(31)	(31)
Financial income			50	50
Financial costs			(103)	(103)
Profit before tax				**523**
Amortisation and depreciation included in total costs, ref. note 1.4	(324)	(21)	(21)	(366)

2014 mEUR	Total reportable segments
OTHER SEGMENT ITEMS	
Material non-cash items related to the establishment of the joint venture between Vestas and Mitsubishi Heavy Industries Ltd. , ref. note 3.4	67
Income from investment in joint venture accounted for using the equity method, ref. note 3.4	(31)
Investment in joint venture accounted for using the equity method, ref. note 3.4	187
External revenue specified by country:	
Germany	1,462
USA	1,437
External revenue in Denmark	115
External revenue outside Denmark	6,795

	USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)				1,145
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)	386	145	352	883

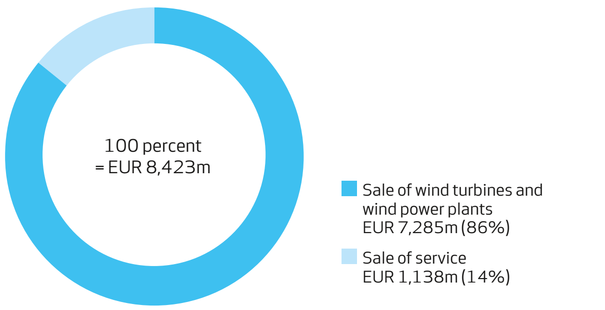
1.2 Revenue

Group accounting policies
Revenue comprises sale of wind turbines and wind power plants, after-sales service and sale of spare parts.

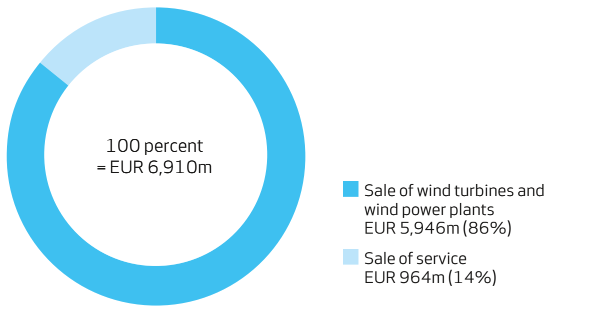
Sale of individual wind turbines and small wind power plants based on standard solutions (supply-only and supply-and-installation projects) as well as spare parts sales are recognised in the income statement provided that risk has been transferred to the buyer in the reporting period, and provided that the income can be measured reliably and is expected to be received. Contracts to deliver wind power plants with a high degree of customisation are recognised as revenue as the wind power plants are constructed based on the stage of completion of the individual contract (turnkey projects). Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the cost incurred to the extent that it is probable that the costs will be recovered.

Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power plants sold, are recognised in the income statement over the term of the agreement as the agreed services are provided.

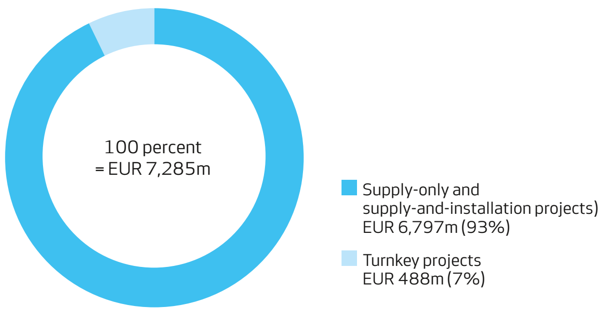
Revenue (2015)
mEUR and percent



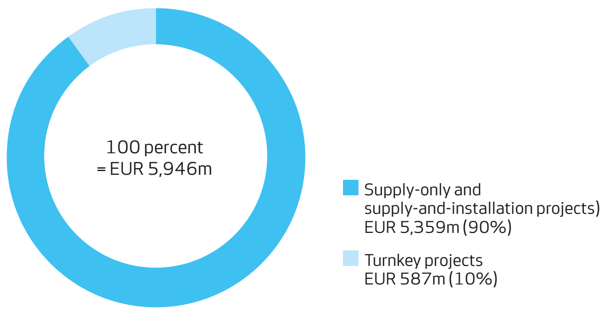
Revenue (2014)
mEUR and percent



Project segment revenue (2015)
mEUR and percent



Project segment revenue (2014)
mEUR and percent



1.3 Costs

Group accounting policies

Production costs

Production costs, including warranty costs, comprise the cost incurred to achieve revenue for the year. Costs comprise raw materials, consumables, direct labour costs, and indirect cost such as salaries, rental and lease cost as well as depreciation of production facilities.

Furthermore, provisions for losses on construction contracts are included in production costs.

Research and development costs

Research and development costs comprise development costs that do not qualify for capitalisation, as well as amortisation of and impairment losses on capitalised development costs.

Distribution costs

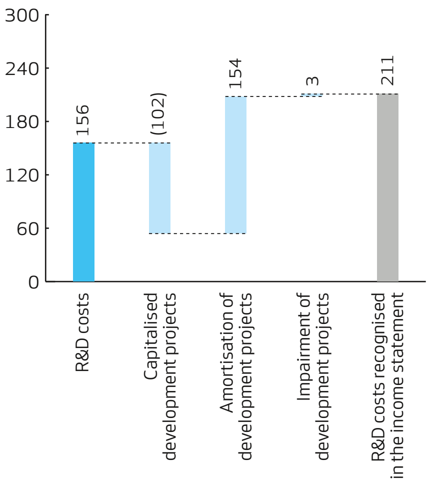
Distribution costs comprise cost incurred for the sale and distribution of products, etc. sold during the year. Also included are cost relating to employees and depreciation.

Administration costs

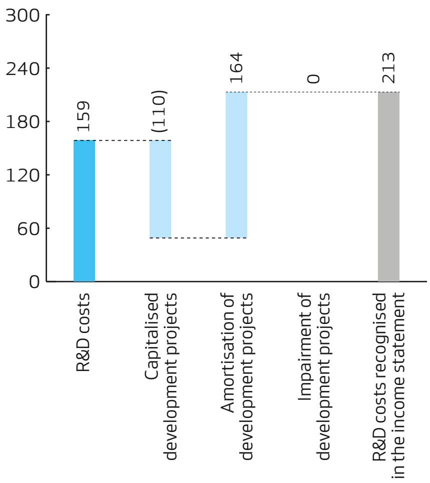
Administration costs comprise cost incurred during the year for management and administration of the Group, including costs for administrative staff, management, office premises, office cost, and depreciation.

Research and development costs

R&D costs (2015)
mEUR



R&D costs (2014)
mEUR

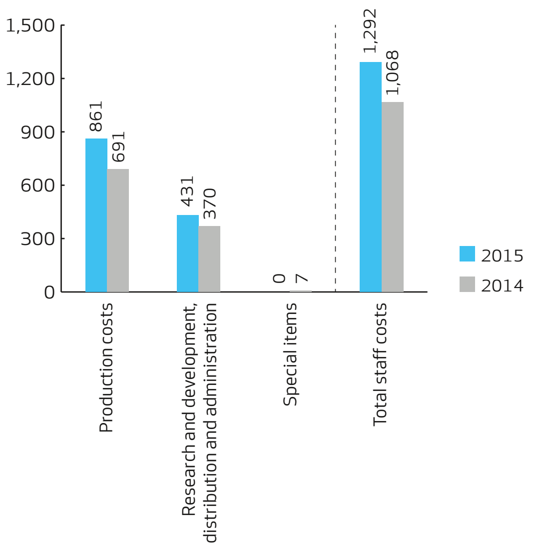


Staff costs

mEUR	2015	2014
Staff costs are specified as follows:		
Wages and salaries, etc.	1,101	898
Share-based payment, ref. note 6.2	8	5
Pension schemes, defined contribution schemes	49	43
Other social security costs	134	122
	1,292	**1,068**
Average number of employees	18,986	16,335
Number of employees 31 December	20,507	17,598

1.3 Costs (continued)

Staff costs recognised in the income statement
mEUR



Key management personnel is defined as Executive Management. Key management personnel disclosures are provided below.

mEUR	2015	2014
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	**1**
Executive Management		
Wages and bonus	7	7
Share-based payment, ref. note 6.2	2	1
Social security costs	0	0
	9	**8**

Board of Directors and Executive Management are not covered by any pension schemes.

1.4 Amortisation, depreciation and impairment

2015 mEUR	Production costs	Research and development costs	Distribution costs	Administration costs	Special items	Total
Amortisation, intangible assets, ref. note 3.1	-	171	-	-	-	171
Depreciation, property, plant and equipment, ref. note 3.2	133	8	29	8	-	178
Impairment losses, intangible assets, ref. note 3.1	-	3	-	-	-	3
Reversal of impairment losses, property, plant and equipment, ref. note 3.2	-	-	-	-	(47)	(47)
Total	**133**	**182**	**29**	**8**	**(47)**	**305**

2014 mEUR	Production costs	Research and development costs	Distribution costs	Administration costs	Special items	Total
Amortisation, intangible assets, ref. note 3.1	-	180	-	-	-	180
Depreciation, property, plant and equipment, ref. note 3.2	142	8	26	10	-	186
Impairment losses, property, plant and equipment, ref. note 3.2	-	4	-	-	20	24
Reversal of impairment losses, property, plant and equipment, ref. note 3.2	-	-	-	-	(13)	(13)
Total	**142**	**192**	**26**	**10**	**7**	**377**

1.5 Government grants

Group accounting policies

Government grants comprise grants for investments, research and development projects, etc. Grants are recognised when there is reasonable certainty that they will be received.

Grants for investments and capitalised development projects are set off against the cost of the assets to which the grants relate. Other grants are recognised in development costs in the income statement so as to offset the cost for which they compensate.

The Group has received government grants in previous years, of which EUR 4m (2014: EUR 1m) has been offset against incurred cost and EUR 0m (2014: EUR 0m) against non-current assets.

1.6 Special items

Group accounting policies

Special items comprise costs and income of a special or non-recurring nature in relation to the main activities of the Group. This includes costs related to significant organisational restructuring and adjustments to production capacity and the product programme. The costs include the write-down of tangible assets as well as provisions for reorganisations and any reversal/ adjustments thereof.

Key accounting judgement

Classification

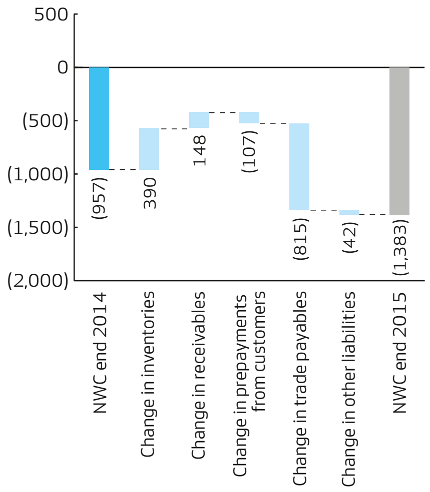
The use of special items entails management judgement in the separation from other items in the income statement. In connection with the use of special items it is crucial that they are of a special or non-recurring nature in relation to the main activities of the Group.

mEUR	2015	2014
Impairment loss on property, plant and equipment	0	(20)
Reversal of impairment loss on property, plant and equipment, ref. note 3.2	47	13
Gain from transfer of net assets to joint venture	-	59
Staff costs	0	(7)
Other items	(1)	3
	46	**48**

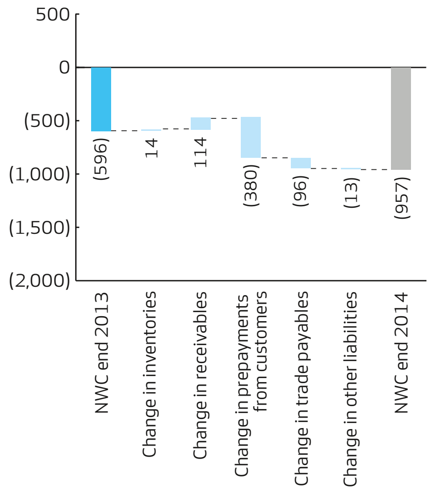
2. Working capital

2.1 Change in net working capital

NWC change over the last 12 months (2015)
mEUR



NWC change over the last 12 months (2014)
mEUR



Included in the 2015 change in net working capital are non-cash adjustments and exchange rates adjustments with a total amount of EUR 29m (2014: EUR 101m).

2.2 Inventories

Group accounting policies
Inventories are measured at the lower of cost, using the weighted average method, and net realisable value (NRV).

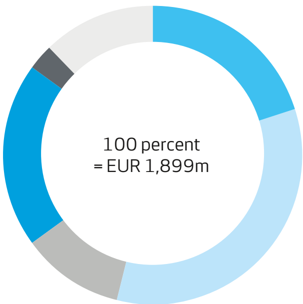
The cost of raw materials and service stock, comprise purchase price of materials, consumables, duties and transportation costs.

The cost of work in progress and finished goods comprises the cost of raw materials, consumables, direct labour, and indirect production costs. Indirect production costs comprise materials and labour costs as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process together with costs of factory administration and management.

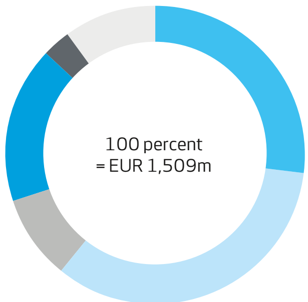
The NRV of inventories is measured at sales price less costs of completion and selling costs. NRV is determined taking into account marketability, obsolescence, and development in the expected selling price'.

Key accounting estimate
Estimate of net realisable value
The Group estimates the net realisable value at the amount at which inventories are expected to be sold. Inventories are written down to net realisable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. Estimates are used when accounting for or measuring inventory provisions, and these estimates depend upon subjective and complex judgments about certain circumstances, taking into account fluctuations in prices, excess quantities, condition of the inventory, nature of the inventory and the estimated variable costs necessary to make the sale.

Inventories (2015)
mEUR and percent



Inventories (2014)
mEUR and percent



mEUR	2015	2014
Inventories consumed for the year, which are included in production costs	6,381	5,216
Write-downs of inventories in the year[1)]	100	57
Utilised write-down in the year	6	5
Reversal of write-downs in the year[2)]	31	40

1) Include write-down of EUR 50m relating to development and construction activities in prior years. Refer to management review, section Financial Performance, page 23.
2) The reversal of write-downs in the year are due to goods previously written down being used or sold at or above original cost.

2.3 Trade receivables

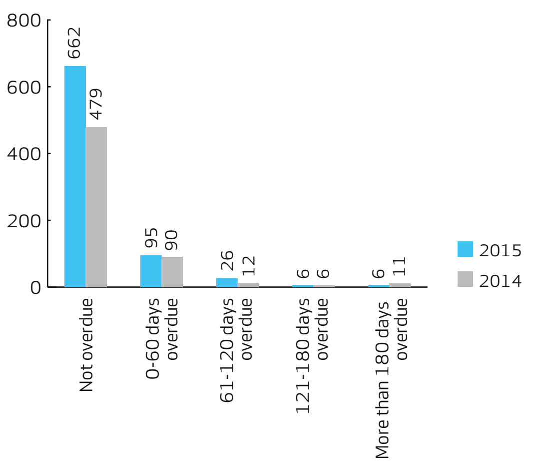
Group accounting policies
Trade receivables are measured at amortised cost or net realisable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

mEUR	2015	2014
Trade receivables	795	598
	795	**598**
Fair value of security received for trade receivables balances outstanding as at 31 December	187	173
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	(10)	(10)
Write-downs utilised	1	3
Write-downs in the year	(6)	(3)
Write-downs at 31 December	**(15)**	**(10)**

All trade receivables are expected to be received within 12 months.

The total write-downs of trade receivables of EUR 6m in 2015 (2014: EUR 3m) are based on an individual assessment of each receivable.

The age distribution of receivables[1)]
mEUR



1) The age distribution of receivables is including write-downs.

2.4 Construction contracts in progress

Group accounting policies
Construction contracts in progress comprise agreements to deliver wind power plants with a high degree of customisation (turnkey projects).

Construction contracts in progress are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses.

The stage of completion is measured by the proportion that the contract costs incurred to date bear to the estimated total contract costs. Where it is probable that total contract costs will exceed total revenues from a contract, the expected loss is recognised immediately as a cost and an obligation.

The value of self-constructed components is recognised as construction contracts in progress upon delivery of the components to the specific wind power plants construction site.

Prepayments from customers are recognised as liabilities. Prepayments from customers recognised in liabilities are measured at cost and comprise prepayments received for wind power plants ordered but not yet delivered and service prepayments received in respect of service on wind turbines and wind power plants to be delivered.

A construction contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Construction contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability.

Costs relating to sales work and the securing of contracts are recognised in the income statement as incurred.

mEUR	2015	2014
Sales value of construction contracts in progress	716	676
Progress billings	(718)	(584)
	(2)	**92**
Specified as follows:		
Construction contracts in progress (assets)	15	104
Construction contracts in progress (liabilities)	(17)	(12)
	(2)	**92**

All receivables relating to construction contracts in progress are expected to be received within 12 months.

2.5 Other receivables

Group accounting policies
Other receivables are measured at amortized cost or net realisable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

Prepayments recognised as assets comprise prepaid expenses and are measured at cost.

Key accounting judgement
Judgement of allowance for doubtful other receivables
Management makes allowance for doubtful other receivables in anticipation of estimated future receipt of payments. If certain circumstances result in lack of receipt of payments, an additional allowance could be required. When evaluating the adequacy of the allowance for doubtful other receivables, Management analyses the nature of the individual receivable and takes into account any relevant historical information that is applicable to the certain circumstance.

mEUR	2015	2014
Prepayments	16	16
Supplier claims	10	11
VAT[1)]	161	220
Derivative financial instruments	103	64
Other receivables	191	127
	481	**438**
Specified as follows:		
0–1 years	442	402
> 1 year	39	36
	481	**438**

1) VAT write-downs at 31 December 2015 amounts to EUR 70m (2014: EUR 12m).

2.6 Other liabilities

Group accounting policies
Other liabilities are measured at amortised cost.

Obligations relating to defined contribution plans, where the Group continuously makes fixed pension contributions to independent pension funds, are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet in other liabilities.

mEUR	2015	2014
Staff costs	209	175
Taxes and duties	203	176
Derivative financial instruments	56	45
Other liabilities	41	71
	509	**467**
Specified as follows:		
0–1 year	499	457
> 1 year	10	10
	509	**467**

3. Other operating assets and liabilities

3.1 Intangible assets

Group accounting policies

Goodwill

Goodwill is initially recognised in the balance sheet as described under consolidated financial statements and business combinations, ref. note 7.1. Subsequently, goodwill is measured at this value less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's operating segments; projects and service. Identification of operating segments is based on management structure and internal financial reporting.

The carrying amount of goodwill is tested at least annually for impairment, together with the other non-current assets of the operating segment to which goodwill has been allocated. If the recoverable amount is lower than the carrying amount of the operating segment, goodwill is written down to its lower recoverable amount in the income statement.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the operating segments to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in a separate line in the income statement, either in production costs, research and development costs, distribution costs or administration costs.

Impairment losses on goodwill are not reversed.

Development projects

Projects for the development and testing of new wind turbines that are clearly defined, identifiable, and for which technical feasibility, sufficient resources and a potential future market or application in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if cost can be measured reliably and sufficient certainty exists that future earnings or the net selling price can cover production costs, distribution costs and administration costs as well as research and development costs. At Vestas this is underpinned by a gate process, where these judgements are made at specific gates. Other development costs are recognised in the income statement as incurred as research and development costs.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, amortisation, and other costs attributable to the Group's development activities.

Following completion of the development work, development projects are amortised on a straight-line basis over their estimated useful lives. The amortisation period is three to five years. The basis of amortisation is calculated net of any impairment losses.

The carrying amount of development projects in progress is tested for impairment at least annually, and where the carrying amount exceeds the net present value of the future net cash flows expected to be generated by the development project, the project is written down to its recoverable amount in the income statement. Finished development projects are tested for impairment if there is indication of impairment from the annual review.

Patents and licences included in development projects are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised over the patent period or term of agreement, the life of the development project or the estimated useful life, whichever is shorter. The basis of amortisation is calculated net of any impairment losses.

Software

Acquired software licences and internally developed software is measured at cost less accumulated amortisation and impairment losses. Cost includes both direct internal and external costs. Software is amortised on a straight-line basis over three to five years. The basis of amortisation is calculated net of any impairment losses.

Other intangible assets

Customer relationship, knowhow and trademarks with a finite useful life acquired from third parties either separately or as part of the business combination are capitalised at cost and amortised over their remaining useful lives.

3.1 Intangible assets (continued)

2015 mEUR	Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total
Cost at 1 January	317	1,092	177	-	137	1,723
Exchange rate adjustments	-	1	-	-	-	1
Additions	-	-	46	-	102	148
Additions from business combination	37	-	-	20	-	57
Disposals	-	-	(2)	-	-	(2)
Transfers	-	146	-	-	(146)	-
Cost at 31 December	**354**	**1,239**	**221**	**20**	**93**	**1,927**
Amortisation and impairment losses at 1 January	102	818	145	-	-	1,065
Exchange rate adjustments	-	3	-	-	-	3
Amortisation for the year	-	154	17	-	-	171
Reversal of depreciation of disposals in the year	-	-	(2)	-	-	(2)
Impairment losses for the year	-	3	-	-	-	3
Amortisation and impairment losses at 31 December	**102**	**978**	**160**	**-**	**-**	**1,240**
Carrying amount at 31 December	**252**	**261**	**61**	**20**	**93**	**687**
Internally generated assets included above	-	261	52	-	93	406
Amortisation period		3–5 years	3–5 years	3–7 years		

Included in software are IT projects in progress amounting to EUR 29m at 31 December 2015.

2014 mEUR	Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total
Cost at 1 January	317	984	171	-	153	1,625
Exchange rate adjustments	-	2	1	-	1	4
Additions	-	-	5	-	110	115
Disposals	-	(6)	-	-	(15)	(21)
Transfers	-	112	-	-	(112)	0
Cost at 31 December	**317**	**1,092**	**177**	**-**	**137**	**1,723**
Amortisation and impairment losses at 1 January	102	653	129	-	-	884
Exchange rate adjustments	-	2	0	-	-	2
Amortisation for the year	-	164	16	-	-	180
Reversal of amortisation of disposals in the year	-	(1)	-	-	-	(1)
Amortisation and impairment losses at 31 December	**102**	**818**	**145**	**-**	**-**	**1,065**
Carrying amount at 31 December	**215**	**274**	**32**	**-**	**137**	**658**
Internally generated assets included above	-	274	32	-	137	404
Amortisation period		3–5 years	5 years			

Included in software are IT projects in progress amounting to EUR 4m at 31 December 2014.

3.2 Property, plant and equipment

Group accounting policies
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of construction of own assets, cost comprises direct and indirect costs for materials, components, sub-suppliers, and labour. Estimated costs for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is broken down into separate components which are depreciated separately.

Subsequent costs, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that the costs incurred will result in future economic benefits to the Group. The carrying amount of the replaced components is derecognised in the balance sheet and recognised as costs in the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings..20–40 years
Building installations..15–25 years
Plant and machinery..3–10 years
Power-operated tools of own construction and newly manufactured test and exhibition turbines..3–5 years
Other fixtures and fittings, tools and equipment..3–5 years
Land is not depreciated.

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

The depreciation periods are determined based on estimates of the expected useful lives and future residual value of the assets. The estimates are based on historical experience. A reassessment is made once a year to ascertain that the depreciation basis reflects the expected life and future residual values of the assets.

If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change of accounting estimate.

Depreciation is recognised in the income statement as either production costs, research and development costs, distribution costs or administration costs to the extent that depreciation is not included in the cost of assets of own construction.

The carrying amounts of non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in use.

Value in use is calculated as the net present value of expected future net cash flows from the asset or a group of assets, cash generating units.

An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation/amortisation had the asset not been impaired.

3.2 Property, plant and equipment (continued)

2015 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	1,116	622	821	58	2,617
Exchange rate adjustments	61	22	32	1	116
Additions	9	47	81	83	220
Additions from business combination	-	4	-	-	4
Disposals	-	(9)	(10)	-	(19)
Transfers	14	13	9	(36)	-
Cost at 31 December	**1,200**	**699**	**933**	**106**	**2,938**
Depreciation and impairment losses at 1 January	421	411	653	-	1,485
Exchange rate adjustments	17	19	23	-	59
Depreciation for the year	41	57	80	-	178
Reversal of depreciation of disposals in the year	-	(7)	(9)	-	(16)
Reversal of impairment losses[1)]	(42)	-	(5)	-	(47)
Depreciation and impairment losses at 31 December	**437**	**480**	**742**	**-**	**1,659**
Carrying amount at 31 December	**763**	**219**	**191**	**106**	**1,279**
Depreciation period	15–40 years	3–10 years	3–5 years		

2014 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	1,193	569	739	48	2,549
Exchange rate adjustments	70	26	36	1	133
Additions	3	29	63	68	163
Disposals	(10)	(31)	(42)	-	(83)
Transfers	5	29	25	(59)	-
Transfers to assets held for sale	(145)	-	-	-	(145)
Cost at 31 December	**1,116**	**622**	**821**	**58**	**2,617**
Depreciation and impairment losses at 1 January	390	350	588	-	1,328
Exchange rate adjustments	21	20	34	-	75
Depreciation for the year	41	68	77	-	186
Impairment losses for the year[2)]	20	4	0	-	24
Reversal of depreciation of disposals in the year	(7)	(21)	(45)	-	(73)
Reversal of impairment losses[1)]	(2)	(10)	(1)	-	(13)
Transfers to assets held for sale	(42)	-	-	-	(42)
Depreciation and impairment losses at 31 December	**421**	**411**	**653**	**-**	**1,485**
Carrying amount at 31 December	**695**	**211**	**168**	**58**	**1,132**
Depreciation period	15–40 years	3–10 years	3–5 years		

1) Reversal of impairment losses is recognised as special item in the income statement.
2) Impairment losses in land and buildings is recognised as special item in the income statement.

3.3 Impairment

Valuation of goodwill
The main part of the carrying amount of goodwill in the Group arose in connection with the acquisition of NEG Micon A/S in 2004.

As a result of the change in operating segments as described in note 1.1, goodwill has been reallocated to the Group's two operating segments: projects (EUR 180m) and service (EUR 35m). Goodwill has been reallocated to projects and service based on relative values.

With the acquisition of UpWind Solutions, Inc. in 2015, the Group has recognised goodwill of EUR 37m, which is allocated to the service segment, ref. note 6.5.

At 31 December 2015, Management performed an impairment test of the carrying amount of goodwill. No basis for impairment was found. In the impairment tests, the carrying amount of the assets is compared to the discounted value of future cash flows.

Basis for impairment test
Budgets and business plans for the next three years are based on the Group's investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and recognised in the expected future cash flows underpinning the impairment test of goodwill. In addition, the budgets and business plans are based on management's expectations of the current market conditions and future growth expectations. Projections for year four onwards are based on general market expectations and risks. More specifically, the following main information is used in determining revenue, hence EBIT and capital expenditure:

Projects and service
- Order backlog as at 31 December 2015
- Expectations on future orders received, among other things based on expected market share of the global market outlook
- Development in new emerging markets
- Support schemes in both mature and emerging markets

Recoverable amount
The terminal value beyond the projections is determined taking into account general growth expectations for the segments in question. Long-term growth rate has been estimated at 2 percent.

At 31 December 2015, the net working capital as a percentage of revenue amounted to (16) percent. In the period 2011–2015 the net working capital as a percentage of revenue moved from (1) to (16) percent, ref. Highlights for the Group for the development in net working capital over this period.

There is no impairment loss recognised in 2015 (2014: EUR 0m).

The table below specifies the key parameters used in the impairment model:

	2015			2014		
	Discount rate before tax (%)	Growth rate in terminal period (%)	Carrying amount of goodwill (mEUR)	Discount rate before tax (%)	Growth rate in terminal period (%)	Carrying amount of goodwill (mEUR)
Projects	11.3	2	180			
Service	11.3	2	72			
EMEA				11.3	2	215

3.3 Impairment (continued)

Valuation of development projects

The main part of the carrying amount in development projects is allocated to the two major platforms underpinning the forecasted business, respectively a 2 MW platform and a 3 MW platform.

Impairment loss on development projects in progress and finished development projects of EUR 3m have been recognised in 2015 (2014: EUR 4m).

Forecast

Business cases are based on a three-year financial forecast approved by Executive Management with a subsequent two year projection period. The risks relating to the key parameters have been assessed and recognised in the business cases, and the financial forecasts are based on management's expectations of the current market conditions and future growth expectations. More specifically, the following main information is used in the platform business cases:

- Expectations about future Transfer of Risk (ToR) volumes based on current firm orders and expected future orders
- Estimated future service contracts, among other things based on expected new wind power installations and renewal rates
- Estimated future margins
- Stable net working capital

Recoverable amount

The value after the three-year forecast period is determined taking into account general growth expectations for the platforms in question. The growth rate in the two year projection period is set to zero.

The table below specifies the key parameters used in the impairment model:

	2015			2014		
	Discount rate before tax (%)	Growth rate in projection period (%)	Net investment (mEUR)	Discount rate before tax (%)	Growth rate in projection period (%)	Net investment (mEUR)
Global MW Platform business case	11.3	0	291	11.3	0	345

The remaining depreciation period for the global MW platform business case is in average 3–5 years (2014: 3–5 years).

Valuation of American factories

Changed cash-generating units

During the year the cash-generating units (CGUs) have been redefined. In prior years the CGUs were determined to be at individual factory level. Due to a highly integrated value chain and sales and sourcing decisions at regional level, the CGU has been defined as the three regions; Americas, EMEA, and Asia Pacific.

Based on the extension of the Production Tax Credit scheme (PTC), on the American market, an impairment review of the Americas region has been performed. Based on the applied assumptions impairment losses from prior years have been reversed, due to greater visibility into the future market conditions within the PTC extension period.

The reversal of prior period impairment losses amounts to EUR 47m recognised in 2015 (2014: EUR 13m), and is recognised as special items in the income statement. With this reversal, all prior period impairment losses have been fully reversed to the extent possible.

The change in the definition of CGUs has had no impact on the reversal assessment, as the reversal would also have been relevant with the same amount under the earlier CGU definition.

Basis for impairment test

The impairment review is based on one year budget, four year forecast and a terminal period. Budgets and forecasts are based on management's expectations about the current and future market conditions and growth. The following main information and assumptions are used in determining revenue, EBIT, and capital expenditure:

- Order backlog as at 31 December 2015
- Expectation about future orders received, among other things based on expected PTC impact
- Estimated future margins
- Terminal value is based on a non-PTC scenario
- Terminal growth rate of 2 percent
- Net working capital reflects the expected development
- Discount rate before tax of 12.8 percent (2014: 12.8 percent)

3.4 Investments accounted for using the equity method

Group accounting policies
Joint ventures are accounted for using the equity method. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Income from investments accounted for using the equity method
The proportionate share of the results of investments accounted for using the equity method after tax and elimination of the proportionate share of intercompany profits/losses is recognised in the consolidated income statement.

mEUR	2015	2014
Cost at 1 January	205	3
Additions	-	197
Adjustment to additions	-	5
Cost at 31 December	**205**	**205**
Value adjustments at 1 January	(17)	(2)
Other adjustments	1	-
Re-measurement of gain consideration (special items)	-	9
Share of profit/(losses)	34	(31)
Share of other comprehensive income	2	7
Value adjustments at 31 December	**20**	**(17)**
Carrying amount at 31 December[1)]	**225**	**188**

1) Included in the carrying amount at 31 December 2015 is EUR 1m related to investments in associates (2014: EUR 1m).

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of entity	Place of business	% of ownership	Nature of relationship	Measurement method
MHI Vestas Offshore Wind A/S	Denmark	50	Refer below	Equity

As part of the agreement Vestas entered into with Mitsubishi Heavy Industries Ltd. (MHI) in 2014, MHI has to transfer up to EUR 200m to the joint venture MHI Vestas Offshore Wind A/S as milestone payments dependent on certain milestones, which were to be achieved after the closing of the transaction. During 2015, the joint venture MHI Vestas Offshore Wind A/S has qualified for and received all milestone payments.

The closing balance sheet at 1 April 2014 of Vestas Offshore A/S was approved by MHI in the first quarter of 2015. This final approval had no significant impact on the measurement of the net gain recognised in 2014.

In the Group's share of profit from the joint venture, income resulting from the sale of wind turbines to the joint venture is recognised in the Group's financial statements, only to the extent that the joint venture has sold the wind turbines to unrelated parties. Profit eliminated in 2014, due to ToR differences between the Group and joint venture, has positively impacted the profit in 2015 as the joint venture now have sold the wind turbines to unrelated parties. The share of profit/(loss) from the joint venture on a standalone basis amounts to EUR (1)m (2014: EUR 4m).

MHI Vestas Offshore Wind is a private company and there is no quoted market price available for its shares.

3.4 Investments accounted for using the equity method (continued)

Illustrative example of how income statement is impacted by joint venture deliveries

Transfer of risk (ToR) timing differences between the Group and the joint venture may result in fluctuations in income statement annually, which will even-out over time. The 50 percent ownership structure is what matters in the long-run.

Firm order intake

Joint venture receives order from customer for project utilising 3 MW turbines

Vestas ToR (delivery)

The Group delivers the 3 MW turbines to the joint venture

Group recognises revenue.

Joint venture ToR

Joint venture delivers the 3 MW project to the customer

Joint venture revenue recognition principles.

time

Group income statement

2014 mEUR	
Revenue	Normal P&L flow
Cost of sales	
Gross profit	
Fixed costs	
EBIT before special items	
Special items	
EBIT after special items	
Income from investments account for using the equity method	Negative

Elimination of proportional profit due to ToR timing difference between Group and joint venture.

"Zero-sum" game:
The elimination and reversal of elimination of profit due to ToR timing differences will even-out over time, but can vary between quarters…

50 percent joint venture ownership matters:
The Group gets 50% of the joint venture's overall net profit, which is also booked under "Income from investments accounted for using the equity method".

Group income statement

2015 mEUR	
Revenue	No P&L flow
Cost of sales	
Gross profit	
Fixed costs	
EBIT before special items	
Special items	
EBIT after special items	
Income from investments account for using the equity method	Positive

Reversal of elimination of proportional profit due to ToR timing difference.

3.4 Investments accounted for using the equity method (continued)

Summarised balance sheet 31 December

mEUR	2015	2014
CURRENT		
Cash and cash equivalents	103	131
Other current assets (excluding cash and cash equivalents)	282	356
Total current assets	385	487
Other current liabilities (including trade and other payables and provisions)	(347)	(448)
Total current liabilities	(347)	(448)
NON-CURRENT		
Assets	424	323
Financial liabilities	(2)	(2)
Total non-current liabilities	(2)	(2)
Net assets	**460**	**360**

Summarised statement of comprehensive income 1 January - 31 December

mEUR	2015	2014
Revenue	668	142
Depreciation and amortisation	(31)	(2)
Net financial income and costs	(2)	(0)
Pre-tax profit/(loss) from continuing operations	(2)	5
Income tax	0	2
Post-tax profit/(loss) from continuing operations	(2)	7
Other comprehensive income	2	15
Total comprehensive income	**0**	**22**

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

Reconciliation of summarised financial information 1 January - 31 December
Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

mEUR	2015	2014
Net assets 1 January	360	-
Opening net assets 1 April	-	137
Capital increase	100	201
Profit/(loss) for the period	(2)	7
Other comprehensive income	2	15
Net assets 31 December	**460**	**360**
Interest in joint venture (50 percent of closing net assets)	230	180
Elimination of internal profit on sale of wind turbines	-	(35)
Capital increase and other adjustments	(6)	42
Carrying value	**224**	**187**

3.5 Provisions

Group accounting policies
Provisions are recognised when as a consequence of a past event the Group has a legal or constructive obligation and it is probable that there will be an outflow of the group's financial resources to settle the obligation.

Provisions are measured at management's best estimate of the costs required to settle the obligation. Discounting is applied where relevant.

The group accrues for the estimated cost of the warranty upon recognition of the sale of the product. The costs are estimated based on actual historical costs incurred and on estimated future costs related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected no later than the balance sheet date.

A provision for loss-making contracts is made where the expected benefits to the Group from the contract are lower than the unavoidable costs of meeting obligations under the contract. Expected losses on construction contracts in progress are, however, recognised in construction contracts in progress.

Provision for legal disputes are recognised where a legal or constructive obligation has been incurred as a result of past events and it is possible that there will be an outflow of resources that can be reliably estimated. In this case, the Group arrives at an estimate on the basis of an evaluation of the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities, ref. note 3.6.

Key accounting estimates
Provisions for warranties
The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the wind turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in the service contracts.

In addition to the above, provisions are made for upgrades of wind turbines sold due to type faults, etc. Such provisions will also include wind turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments of previous estimates, upwards as well as downwards, in the light of factual information about population size, costs of repair and the timing of such repairs.

It is estimated that 10-15 percent of the warranty provisions made for the year relate to adjustments of previous years' estimates of provisions for serial faults, etc. Included in this, is the cost of upgrades of wind turbines sold in previous year, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

Total warranty provisions of EUR 160m have been made in 2015 (2014: EUR 122m), corresponding to 1.9 percent (2014: 1.8 percent) of the Group's revenue.

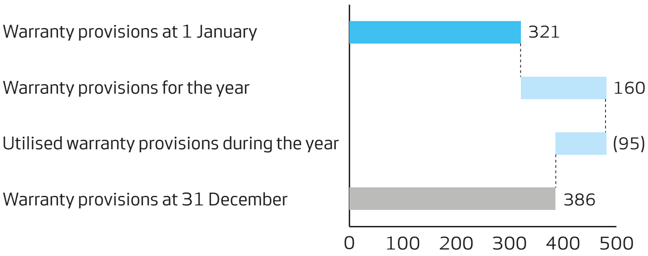
Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when it is virtually certain that we will receive compensation from the sub-suppliers.

The carrying amount of warranty provisions at 31 December 2015 was EUR 386m (2014: EUR 321m).

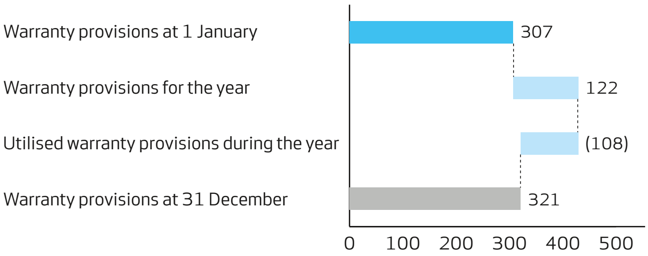
3.5 Provisions (continued)

mEUR	2015	2014
NON-CURRENT PROVISIONS		
Warranty provisions	283	199
Other provisions	31	32
	314	**231**
CURRENT PROVISIONS		
Warranty provisions	103	122
Other provisions	21	20
	124	**142**
Total provisions	**438**	**373**

Warranty provisions (2015)
mEUR



Warranty provisions (2014)
mEUR



3.5 Provisions (continued)

mEUR	2015	2014
The warranty provisions are expected to be consumed as follows:		
0–1 year	103	122
>1 year	283	199
	386	**321**

In line with accounting policies, potential product warranties are recognised as warranty provisions when revenue from sale of wind turbines is recognised.

Product risks
Lack of reliability in several of Vestas' products has previously led to major warranty provisions. In recent years, Vestas has invested significant resources in improving the products and increasing their reliability. This work comprises design, production, installation, and continuous maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitiveness of the products, and to improve customer earnings.

mEUR	2015	2014
OTHER PROVISIONS		
Other provisions at 1 January	52	58
Exchange rate adjustments	(1)	(3)
Other provisions for the year	14	21
Utilised other provisions during the year	(13)	(24)
Other provisions at 31 December	**52**	**52**

Other provisions consist of various types of provisions, including provisions for legal disputes and provisions for onerous service contracts.

mEUR	2015	2014
Other provisions are expected to be payable as follows:		
0–1 year	21	20
> 1 year	31	32
	52	**52**

3.6 Contingent assets and liabilities

mEUR	2015	2014
Guarantees for MHI Vestas Offshore A/S bank facilities	74	74

Contingent liabilities
The Group is involved in some litigation proceedings. However, it is management's opinion that settlement or continuation of these proceedings will not have a material effect on the financial position of the Group.

As many other multinational businesses, the Group recognises the increased focus on the transfer pricing and the consequent allocation of profits to the relevant countries. Even though the Group's subsidiaries pay corporate tax in the countries in which they operate, the group is still part of a number of tax audits on different locations. Some of these disputes concern significant amounts and uncertainties. The Group believes that the provisions made for uncertain tax positions not yet settled with the local tax authorities is adequate. However, the actual obligation may differ and is subject to the result of the litigations and settlements with the relevant tax authorities.

Contingent assets
The Group has made supplier claims for faulty deliveries. However, it is management's opinion that settlement of these are not virtually certain, and therefore not recognised in the financial position of the Group.

The consideration for the sale of the Group's machining and castings units in 2013 included an earn-out set at a maximum of currently EUR 20m (2014: EUR 25m). The Group judges the occurrence of the events triggering a pay-out to be highly uncertain and as a consequence the earn-out has not been recognised as at 31 December 2015.

4. Capital structure and financing items

4.1 Share capital

Group accounting policies

Treasury shares

Treasury shares are deducted from the share capital upon cancellation at their nominal value of DKK 1.00 per share. Differences between this amount and the amount paid to acquire or received for sale of treasury shares are deducted directly in equity.

Dividend

A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The proposed dividend for the year is included in retained earnings.

For the financial year 2015, Vestas Wind Systems A/S proposes to distribute a dividend of EUR 0.91 (DKK 6.82) per share corresponding to total EUR 205m. Dividends of EUR 116m have been paid in 2015 relating to the financial year 2014.

Share capital

	2015	2014
The share capital comprises 224,074,513 shares of DKK 1.00	224,074,513	224,074,513
Number of shares at 1 January	224,074,513	203,704,103
Capital increase	-	20,370,410
Number of shares at 31 December	**224,074,513**	**224,074,513**
Shares outstanding	218,903,925	220,764,663
Treasury shares	5,170,588	3,309,850
Number of shares at 31 December	**224,074,513**	**224,074,513**

The share capital was increased by 20,370,410 shares of DKK 1.00 in 2014. Except for this increase, the share capital has not changed in the period 2011–2015.

All shares rank equally.

Treasury shares

	2015	2014	2015	2014
	Number of shares / Nominal value (DKK)	Number of shares / Nominal value (DKK)	% of share capital	% of share capital
Treasury shares at 1 January	3,309,850	1,955,813	1.5	0.9
Purchases	3,079,786	1,400,000	1.3	0.6
Sales (exercised share options)	(1,219,048)	(45,963)	(0.5)	(0.0)
Treasury shares at 31 December	**5,170,588**	**3,309,850**	**2.3**	**1.5**

The Board of Directors has been authorised at the Annual General Meeting to allow Vestas Wind Systems A/S to acquire treasury shares amounting to a total nominal value of 10 percent of the company's share capital during the period up until the next Annual General Meeting on 30 March 2016.

On 5 November 2015, Vestas initiated a share buy-back programme. The purpose of the programme was to adjust Vestas' capital structure and to meet the obligations arising from employee share option programmes or other allocations of shares to employees of Vestas. Under the programme Vestas bought back shares for an amount of DKK 1,120m (approx EUR 150 million), equivalent to 2,529,786 shares in the period from 5 November 2015 to 18 December 2015.

4.1 Share capital (continued)

Vestas Wind Systems A/S has acquired treasury shares as follows:

	2015	2014
Nominal value, purchases (tDKK)	3,080	1,400
Nominal value, sales (tDKK)	(1,219)	(46)
Average share price, purchases (DKK)	426.79	230.67
Average share price, sales (DKK)	247.78	102.71
Purchase amount (mEUR)	176	43
Sales amount (mEUR)	(40)	(1)

Treasury shares are acquired to cover grants/issues of shares under the Group's incentive programmes or as part of its capital structure strategy.

The share capital has been fully paid.

Net proposed cash distribution to shareholders

	2015	2014
Dividend[1]	200	116

1) Dividend excluding treasury shares.

4.2 Earnings per share

	2015	2014
Profit for the year (mEUR)	**685**	**392**
Weighted average number of ordinary shares	224,074,513	221,674,711
Weighted average number of treasury shares	(3,141,169)	(2,758,133)
Weighted average number of ordinary shares outstanding	220,933,344	218,916,578
Dilutive effect of outstanding options and restricted performance shares	1,962,778	2,162,686
Average number of shares outstanding including dilutive effect of options and restricted performance shares	**222,896,122**	**221,079,264**
Earnings per share (EPS)	3.10	1.79
Earnings per shares, diluted (EPS-D)	3.07	1.77

For information about numbers of shares used for the calculation of earnings per share (EPS), ref. note 4.1.

4.3 Financial items

Group accounting policies
Financial items comprise interest income and costs, realised and unrealised foreign exchange gains and losses, gains and losses related to derivatives used to hedge assets and liabilities and ineffective part of derivatives used to hedge future cash flows.

Financial income

mEUR	2015	2014
Interest income	14	6
Foreign exchange gains	13	0
Hedging instruments	34	42
Other financial income	0	2
	61	**50**

Financial costs

mEUR	2015	2014
Interest costs	19	35
Foreign exchange losses	43	4
Hedging instruments	0	37
Other financial costs	14	27
	76	**103**

4.4 Cash and cash equivalents

Cash at bank and in hand with disposal restrictions, EUR 196m (2014: EUR 199m), are included in day-to-day cash management and fulfills the criteria as cash and cash equivalents.

4.5 Financial risks

The Group's policy for managing financial risks
Financial risks are an inherent part of the Group's operating activities and the Group is exposed to a number of financial risks. Financial risks are managed centrally and the overall objectives and policies for the Group's financial risk management are outlined in the Treasury Policy. The Treasury Policy is approved by the Board of Directors, and revised on a continuous basis to adapt to the changing financial risks and market situation. The Treasury Policy sets the limits for the various financial risks and includes policies for managing liquidity risks, credit risks, foreign currency risks, interest rate risks, and commodity risks.

It is the Group's policy only to hedge commercial exposures and do not enter into any speculative transactions.

Information on financial and capital structure strategy, ref. page 18.

Liquidity risks
The Group ensures that a strong liquidity position is maintained through a combination of liquidity management, committed and uncommitted credit facilities and other debt instruments. The Group manages and optimizes the liquidity through a combination of cash pools and credit facilities.

The Group's main credit facility consist of a EUR 1,050m revolving credit facility expiring in 2020, with two one year extension options. The revolving credit facility is subject to a change of control clause resulting in re-negotiation of the credit facility in the event of change of control. The revolving credit facility is subject to covenants and no breaches has been encountered throughout the year.

On 11 March 2015 Vestas issued a green corporate eurobond with a nominal value of EUR 500m at an interest rate of 2.75 percent. The green corporate eurobond will mature on 11 March 2022.

Considering the Group's strong liquidity position and available credit facilities the Group's liquidity risk is assessed to be low.

2015 **mEUR**	Amount	Drawn	Available	Expiry
Main credit facilities[1)]	1,050	92	958	2020
Other credit facilities[1)]	397	251	146	2017
Corporate bonds	500	500	0	2022
Total credit facilities	**1,947**	**843**	**1,104**	

2014 **mEUR**	Amount	Drawn	Available	Expiry
Main credit facilities[1)]	1,000	106	894	2019
Other credit facilities	392	304	88	2016
Mortgage debt	3	3	0	2023
Corporate bonds	600	600	0	2015
Total credit facilities	**1,995**	**1,013**	**982**	

1) The drawn amount is not cash but related to issuance of bonds.

4.5 Financial risks (continued)

Financial assets by maturity and category

2015 mEUR	Carrying amount	Fair value	Total cash flow, including interests	0-1 year	1-2 years	>2 years
Cash flow hedges	96	96	96	89	7	-
Hedging instruments assets (hedge accounting)	**96**	**96**	**96**	**89**	**7**	**-**
Fair value hedges	7	7	7	7	-	-
Hedging instruments assets	**7**	**7**	**7**	**7**	**-**	**-**
Trade receivables	795	795	795	795	-	-
Construction contracts in progress	15	15	15	15	-	-
Other receivables	362	362	362	330	17	15
Loans and receivables	**1,172**	**1,172**	**1,172**	**1,140**	**17**	**15**
Cash and cash equivalents	2,765	2,765	2,765	2,765	-	-
Cash and cash equivalents	**2,765**	**2,765**	**2,765**	**2,765**	**-**	**-**
Total financial assets	**4,040**	**4,040**	**4,040**	**4,001**	**24**	**15**

2014 mEUR	Carrying amount	Fair value	Total cash flow, including interests	0-1 year	1-2 years	>2 years
Cash flow hedges	57	57	57	57	-	-
Hedging instruments assets (hedge accounting)	**57**	**57**	**57**	**57**	**-**	**-**
Fair value hedges	7	7	7	7	-	-
Hedging instruments assets	**7**	**7**	**7**	**7**	**-**	**-**
Trade receivables	598	598	598	598	-	-
Construction contracts in progress	104	104	104	104	-	-
Other receivables	358	358	358	322	36	-
Loans and receivables	**1,060**	**1,060**	**1,060**	**1,024**	**36**	**-**
Cash and cash equivalents	2,018	2,018	2,018	2,018	-	-
Cash and cash equivalents	**2,018**	**2,018**	**2,018**	**2,018**	**-**	**-**
Total financial assets	**3,142**	**3,142**	**3,142**	**3,106**	**36**	**-**

4.5 Financial risks (continued)

Financial liabilities by maturity and category

2015 mEUR	Carrying amount	Fair value	Total cash flow, including interests	0-1 year	1-2 years	>2 years
Cash flow hedges	46	46	46	45	1	-
Hedging instruments liabilities (hedge accounting)	**46**	**46**	**46**	**45**	**1**	**-**
Fair value hedges	10	10	10	10	-	-
Hedging instruments liabilities	**10**	**10**	**10**	**10**	**-**	**-**
Green corporate eurobond	495	497	602	12	15	575
Trade payables	1,760	1,760	1,760	1,760	-	-
Other liabilities	453	453	453	444	9	-
Financial liabilities measured at amortised cost	**2,708**	**2,710**	**2,815**	**2,216**	**24**	**575**
Total financial liabilities	**2,764**	**2,766**	**2,871**	**2,271**	**25**	**575**

2014 mEUR	Carrying amount	Fair value	Total cash flow, including interests	0-1 year	1-2 years	>2 years
Cash flow hedges	41	41	41	41	-	-
Hedging instruments liabilities (hedge accounting)	**41**	**41**	**41**	**41**	**-**	**-**
Fair value hedges	4	4	4	4	-	-
Hedging instruments liabilities	**4**	**4**	**4**	**4**	**-**	**-**
Mortgage debt	3	3	3	0	1	2
Financial debts	4	4	4	4	-	-
Corporate bond	600	604	626	626	-	-
Trade payables	945	945	945	945	-	-
Other liabilities	422	422	422	412	10	-
Financial liabilities measured at amortised cost	**1,974**	**1,978**	**2,000**	**1,987**	**11**	**2**
Total financial liabilities	**2,019**	**2,023**	**2,045**	**2,032**	**11**	**2**

4.5 Financial risks (continued)

Credit risks

The Group ensures that the credit risks are managed according to the Treasury Policy. The Group is exposed to credit risks arising from the risk of counterparty default. The credit risks arise primarily from cash and cash equivalents, trade and other receivables and derivative financial instruments. The Treasury Policy sets forth limits for the credit risk exposure based on the counterparty credit rating for financial institution counterparties and mitigating actions for other counterparties.

Vestas has entered into netting agreements with all financial institution counterparties used for trading of derivative financial instruments, which mean that the Group's credit risk is limited to the net assets per counterparty.

Other counterparties mainly consists of companies within the energy sector. The credit risk is among other things dependent on the development within this sector.

In some sales agreements a foreign currency element is incorporated. In cases where the sales currency is not closely related to the functional currency nor a commonly used currency in the country in which the sales takes place, the foreign currency element is treated as an embedded financial derivative. The embedded financial derivative is designated as a cash flow hedge, however the counterparty is not a financial institution.

At 31 December 2015 the Group considers the maximum credit risk to financial institution counterparties to be EUR 2,792m (2014: EUR 2,036m). The total credit risk is considered to be EUR 4,040m (2014: 3,142m), which is the total of the financial assets.

The commercial credit risk relating to the outstanding trade receivables balance as at 31 December was mitigated by the EUR 187m (2014: EUR 173m) received as security, ref. note 2.3. Historically, the Group has not incurred significant losses on trade receivables.

Considering the Group's management of credit risk exposure the total credit risks are assessed to be low.

The overview below shows the Group's risk exposure based on the counterparty's credit rating.

Percent	2015	2014
AA	41.7	44.4
A	52.2	40.0
BBB	3.6	3.5
Other	2.5	12.1

4.5 Financial risks (continued)

Foreign currency risks

The international business activities of the Group involve foreign currency risks, meaning that the Group's income statement, other comprehensive income, balance sheet and cash flows is exposed to foreign currency risks. The foreign currency exposure arises primarily from purchase and sale of goods and services outside the eurozone. The foreign currency risks are reduced by balancing the different currencies to the largest extent possible and by hedging the net exposure in each individual currency according to the Treasury Policy. Foreign currency risks are primarily hedged through foreign currency forward contracts.

The Group objective on managing foreign currency risks is to reduce the short-term fluctuations in the income statement and to increase the predictability of the financial results. Foreign currency risks related to long-term investments are not hedged based on an overall risk, liquidity and cost perspective.

The Group is to a large extent exposed to USD, due to the significant business activities in this region. The project nature of the business changes the foreign currency risk picture towards specific currencies from one year to another, depending on in which geographical areas the group has activity. Considering the international business activities and the Group's management of foreign currency risks exposure the total foreign currency risk is assessed to be medium.

The sensitivity analysis shows the gain/(loss) on net profit for the year and other comprehensive income of a 10 percent increase in the specified currencies towards EUR. The analysis includes the impact from hedging instruments. The below analysis is based on the assumption that all other variables, interest rates in particular, remain constant.

2015 **mEUR**	Change	Net profit/ (loss) for the year	Other comprehensive income
USD	10%	(22)	(43)
SEK	10%	(1)	(24)
GBP	10%	(8)	(19)
CLP	10%	0	(19)
BRL	10%	(3)	(8)

2014 **mEUR**	Change	Net profit/ (loss) for the year	Other comprehensive income
USD	10%	(27)	7
ZAR	10%	0	(30)
SEK	10%	(6)	(25)
MXN	10%	1	(13)
PLN	10%	(0)	(39)

4.5 Financial risks (continued)

Interest rate risk
The Group ensures that the interest rate risk is managed according to the Treasury Policy. The Group is exposed to interest rate risk arising from cash and cash equivalents and interest-bearing debt. The Group is exposed to limited interest rate risks on cash and cash equivalents. No cash has been withdrawn from the credit facilities and the green corporate eurobond has fixed interest terms. It is therefore assessed that the Group's interest rate risk is low.

The development in cash and cash equivalents and interest-bearing debt is monitored on an ongoing basis to address any potential interest rate risks.

2015	Carrying amount	Interest rate	Nominal interest rate %	Effective interest rate %	Expiry of current interest terms
Main credit facilities	0	Floating	-	-	-
Other credit facilities	0	Floating	-	-	-
Corporate bonds	495	Fixed	2.75	2.84	2022
Total credit facilities					

2014	Carrying amount	Interest rate	Nominal interest rate %	Effective interest rate %	Expiry of current interest terms
Main credit facilities	0	Floating	-	-	-
Other credit facilities	4	Floating	2.5	2.5	2015
Mortgage debt	3	Fixed	4.5	4.6	2023
Corporate bonds	600	Fixed	4.6	4.8	2015
Total credit facilities					

4.6 Derivative financial instruments

Group accounting policies
On initial recognition derivative financial instruments are recognised in the balance sheet at fair value and subsequently re-measured at fair value.

Fair value changes of derivative financial instruments are recognized in the balance sheet. In case of changes in fair values of derivative financial instruments designated as a cash flow hedge the effective part of any gain or loss is recognized in other comprehensive income. Any ineffective portions of the cash flow hedges are recognized in the income statement as financial items. Gains or losses on cash flow hedges are upon realisation transferred from the equity hedging reserve into the income statement in the same item as the hedged item.

Any changes in the fair values of derivative financial instruments designated as fair value hedges are recognised in the income statement as financial items.

Fair values of derivative financial instruments are calculated on the basis of market data as well as recognised valuation methods. Positive and negative values are off-set only to the extent that the Group has the right to settle on a net basis.

In some sales agreements a foreign currency element is incorporated. In cases where the sales currency is not closely related to the functional currency nor a commonly used currency in the country in which the sales takes place, the foreign currency element is treated as an embedded financial derivative. The embedded financial derivative is designated as a cash flow hedge.

2015 **mEUR**	Contract amount	Net fair value adjustment	Expected recognition 2016	 2017	 After
Cash flow hedges	1,211	50	44	6	-
Fair value hedges	(381)	(3)	(3)	-	-
Total derivative financial instruments	**830**	**47**	**41**	**6**	**-**

2014 **mEUR**	Contract amount	Net fair value adjustment	Expected recognition 2015	 2016	 After
Cash flow hedges	1,997	16	16	-	-
Fair value hedges	(71)	3	3	-	-
Total derivative financial instruments	**1,926**	**19**	**19**	**-**	**-**

Fair value adjustment recognised as follows:	**2015**	**2014**
Income statement, gains/(losses)	(3)	3
Other comprehensive income, gains/(losses)	50	16
Other receivables, current	96	64
Other receivables, non-current	7	-
Other liabilities, current	55	45
Other liabilities, non-current	1	-

4.6 Derivative financial instruments (continued)

Cash flow hedges
The following net outstanding forward exchange contracts and embedded derivatives of the Group at 31 December are used and qualify as cash flow hedges:

2015 mEUR	Contract amount	Fair value adjustment
USD	433	9
SEK	244	(4)
GBP	191	(2)
CLP	195	20
BRL	78	12
Other	70	15
Total cash flow hedges	**1,211**	**50**

2014 mEUR	Contract amount	Fair value adjustment
USD	(65)	(30)
ZAR	296	10
SEK	249	6
MXN	130	23
PLN	387	2
Other	1,000	5
Total cash flow hedges	**1,997**	**16**

mEUR	2015	2014
Cash flow hedge ineffectiveness recognised in the income statement, gains/(losses), ref. note 4.3	34	(37)

Positive contract amounts represents a net sale of the respective currency.

The Group's cash flow hedges relate primarily to net cash flows outside euro-based countries, primarily in above currencies with equivalents in DKK and EUR.

No hedging contracts are subject to set-off agreements.

4.6 Derivative financial instruments (continued)

Fair value hedges

The following net outstanding forward exchange contracts of the group at 31 December are used as fair value hedging of assets and liabilities included in the balance sheet. All changes in fair values are recognised in the income statement.

2015 **mEUR**	Contract amount	Fair value adjustment
USD	(10)	2
CAD	(109)	(7)
GBP	(42)	(0)
CNY	(42)	2
SEK	(107)	1
Other	(71)	(1)
Total fair value hedges	**(381)**	**(3)**

2014 **mEUR**	Contract amount	Fair value adjustment
USD	(201)	(3)
AUD	14	0
CAD	16	0
GBP	15	0
JPY	48	0
Other	37	6
Total fair value hedges	**(71)**	**3**

mEUR	**2015**	**2014**
Gains/(losses) on fair value hedges recognised in the income statement	106	27

The Group's fair value hedges relate to receivables and payables outside euro-based countries, primarily in above currencies with equivalents in DKK and EUR.

4.7 Fair value hierarchy

Fair value hierarchy
Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments.
Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
Level 3: Valuation techniques primarily based on unobservable prices.

2015 **mEUR**	Level 1	Level 2	Level 3	Total
Renewable energy certificates (RECs)	-	-	0	0
Non-current assets held for sale	-	-	103	103
Derivative financial instruments	-	103	-	103
Financial assets	**-**	**103**	**103**	**206**
Green corporate eurobond	497	-	-	497
Derivative financial instruments	-	56	-	56
Financial liabilities	**497**	**56**	**-**	**553**

2014 **mEUR**	Level 1	Level 2	Level 3	Total
RECs	-	-	0	0
Non-current assets held for sale	-	-	103	103
Joint venture milestone considerations	-	-	34	34
Derivative financial instruments	-	64	-	64
Financial assets	**-**	**64**	**137**	**201**
Corporate bonds	604	-	-	604
Financial debts	-	7	-	7
Derivative financial instruments	-	45	-	45
Financial liabilities	**604**	**52**	**-**	**656**

Fair value of bonds is measured as level 1, as the fair value is set from the price observed in an active market. The fair value of other financial debts/credit facilities are measured at level 2 based on the most recent agreement.

Fair value of the derivative financial instruments is measured as level 2, as the fair value can be established directly based on exchange rates published and forward interest rates and prices specified at the balance sheet date.

Fair value of milestone considerations in connection with the joint venture transaction is measured as level 3, as the fair value is based on estimates on whether certain criteria will be achieved after the closing of the transaction. The estimates and assumptions are based on experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain. Non-financial assets and liabilities have been transferred at fair value which has been assessed to equal book value. Movement in fair values recognised in profit and loss are disclosed in note 3.4.

Fair value of non-current assets held for sale are measured as level 3, as the fair value less cost to sell is based on market indicators on fair values of properties held for sale. Movement in fair values recognised in profit and loss are disclosed in note 6.8.

The Group has entered into an agreement to acquire Renewable Energy Certificates (RECs) based on production of MW in the period 2023 to 2032, at a fixed price. It has been assessed that the contract qualifies as a financial instrument. The fair value measurement is based on level 3 input. The maximum nominal commitment under the contract is estimated at EUR 46m (2014: EUR 41m). Currently RECs are trading at a higher price than the Group's agreed purchase price. Management has determined that the best evidence of fair value is the transaction price. Given the uncertainties underpinning the future market for selling RECs, the market price has been assessed to be equal to the purchase price. Consequently, the net fair value of the contract has been measured at EUR 0. Had the estimated market price been EUR 22 per REC (2014: EUR 28 per REC) on average, the contract would have had a positive value of EUR 51m (2014: EUR 75m) as of 31 December 2015. Had the estimated market price been EUR 0 per REC (2014: EUR 0 per REC), the contract would have had a negative value of EUR 37m (2014: EUR 32m) as of 31 December 2015.

There have been no changes in fair values of recurring assets and there has been no transfers between levels in 2015.

5. Tax

5.1 Income tax

Group accounting policies
Tax for the year consists of current tax and deferred tax for the year including adjustments to previous years and changes in provision for uncertain tax positions. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Following developments in ongoing tax disputes primarily related to transfer pricing cases, uncertain tax positions are presented individually as part of deferred tax assets, non-current tax receivables and non-current tax payables.

Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

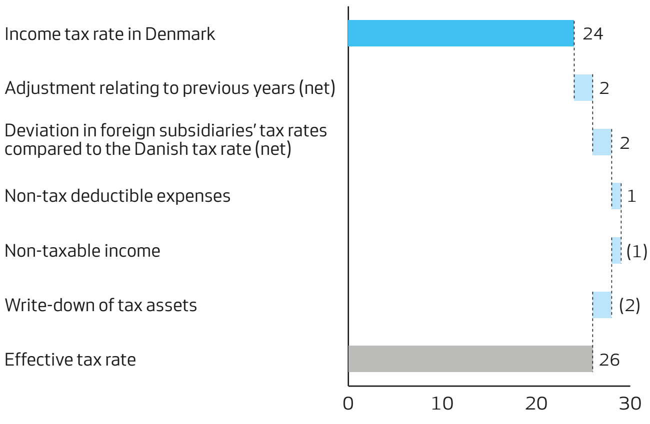
Key accounting estimate - Income taxes
The Group continuously wants to be a compliant corporate tax citizen in collaboration with our operations and stakeholders and to support shareholder interest and our reputation. To ensure compliance, national and international tax laws as well as the OECD Guidelines are acknowledged and followed throughout the world.

The Group is subject to income taxes around the world and therefore recognize that significant judgement is required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities and provision for uncertain tax positions.

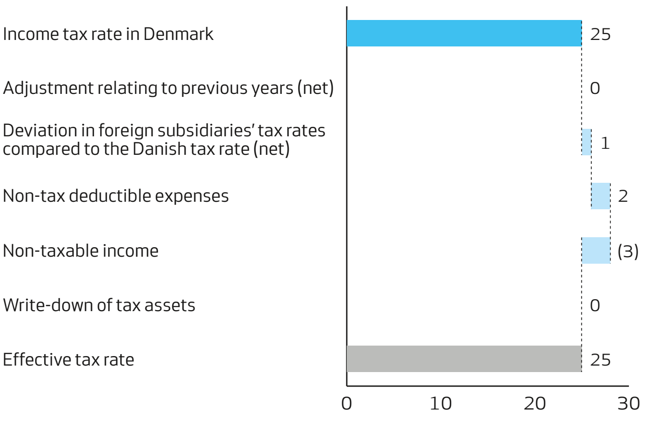
The global business implies that the Group may be subject to disputes on allocation of profits between different jurisdictions. Management judgement is applied to assess the expected outcome of such tax disputes which is provided for in provision for uncertain tax positions. Management believes that provisions made for uncertain tax positions not yet settled with local tax authorities at yearend is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

mEUR	2015	2014
Current tax on profit for the year	191	56
Deferred tax on profit for the year	34	75
Tax on profit for the year	225	131
Change in income tax rate	3	1
Adjustments relating to previous years (net)	12	(1)
Income tax for the year recognised in the income statement, expense	**240**	**131**
Deferred tax on other comprehensive income for the year	8	(8)
Tax recognised in other comprehensive income, expense/(income)	**8**	**(8)**
Total income taxes for the year, expense	**248**	**123**

Computation of effective tax rate (2015)
Percent



Computation of effective tax rate (2014)
Percent



5.1 Income tax (continued)

mEUR	2015	2014
Income tax at 1 January, net assets	24	18
Exchange rate adjustments	(3)	2
Income tax for the year	(191)	(56)
Adjustments relating to previous years	14	(33)
Non-current income tax	(50)	-
Income tax paid in the year	184	148
Tax disputes prepayment	-	(55)
Income tax at 31 December, net assets/(liabilities)	**(22)**	**24**
Receivables specified as follows:		
0-1 year	60	65
> 1 year	109	-
Income tax receivables	**169**	**65**
Liabilities specified as follows:		
0-1 year	(147)	(41)
> 1 year	(44)	-
Income tax liabilities	**(191)**	**(41)**

5.2 Deferred tax

Group accounting policies

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognised in respect of temporary differences on initial recognition of goodwill and other items, apart from business acquisitions, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in other non-current assets at the value at which the asset is expected to be realised, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets are reviewed on an annual basis and are only recognised when it is probable that they will be utilised in future periods.

Adjustments are made to deferred tax to take account of the elimination of unrealised inter-company profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement except for items recognised directly in equity.

Key accounting estimate - Valuation of deferred tax assets

The Group recognises deferred tax assets, including the tax value of tax loss carry–forwards, where management assesses that the tax assets may be utilised in the foreseeable future for set-off against positive taxable income. The assessment is made on an annual basis and is based on the budgets and business plans for future years, including planned business initiatives. Key parameters are expected revenue- and EBIT development considering expected allocation of future taxable income based on the transfer pricing policy in place. Due to the uncertainties relating to allocation of profits management has limited the forecast period used to determine the utilisation to three years.

The assessment in 2015 resulted in the reversal of write-down of deferred tax assets by EUR 76m (2014: EUR 183m writedown) primarily due to the fact that the tax losses are expected to be utilised in the foreseeable future.

At 31 December 2015, the value of recognised deferred tax assets amounted to EUR 149m (2014: EUR 170m), of which EUR 124m (2014: EUR 140m) relates to tax loss carry-forwards. Of the total tax loss carry-forwards, EUR 50m (2014: EUR 12m) is expected to be realised within 12 months, and EUR 74m (2014: EUR 128m) is expected to be realised later than 12 months after the balance sheet date. The value of provisions for uncertain tax positions recognized in deferred tax assets and non-recognised tax assets totals EUR 292m (2014: EUR 421m), of which EUR 162m (2014: EUR 238m) relating to write-downs are not expected to be utilised in the foreseeable future.

5.2 Deferred tax (continued)

mEUR	2015	2014
Deferred tax at 1 January, net assets	153	134
Exchange rate adjustments	6	(1)
Deferred tax on profit for the year	(34)	(75)
Adjustment relating to previous years	(26)	34
Changes in income tax rate	(3)	(1)
Transferred to non-current tax receivables/payables	50	-
Transferred to assets held for sale	-	2
Tax dispute prepayment	-	52
Acquisitions as part of business combinations	(9)	-
Tax on other comprehensive income	(8)	8
Deferred tax at 31 December, net assets	**129**	**153**
Deferred tax assets specified as follows:		
Tax value of tax loss carry-forwards (net)	124	186
Intangible assets	(63)	(56)
Property, plant and equipment	61	133
Current assets	216	172
Provisions	107	172
Tax dispute	(130)	(183)
Write-down of tax assets	(162)	(238)
Other	(4)	(18)
	149	**168**
Deferred tax assets (net) transferred to assets held for sale	-	2
Deferred tax assets	**149**	**170**
Deferred tax provisions specified as follows:		
Intangible assets	9	-
Property, plant and equipment	9	15
Current assets	2	2
Deferred tax provisions	**20**	**17**

No provision is made for deferred tax regarding undistributed earnings in subsidiaries, as the Group controls the release of the obligation.

Deferred tax recognized on tax losses is mainly in jurisdictions where there are no expiry limits. Out of total tax losses recognized EUR 13m (2014: EUR 35m) are subject to expiry limits of which EUR 0m (2014: EUR 6m) is recognised in jurisdictions with subsequent losses. Following the Group transfer pricing policy these losses are expected to be utilised within the foreseeable future.

Of the total deferred tax relating to tax loss carry-forwards written down, EUR 0m (2014: EUR 0m) relates to Denmark.
The recognised loss carry-forward relating to Denmark amounts to EUR 43m (2014: EUR 131m).

6. Other disclosures

6.1 Audit fees

mEUR	2015	2014
Audit:		
PricewaterhouseCoopers	2	3
Total audit	**2**	**3**
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	0	0
Tax assistance	2	2
Other services	1	1
Total non-audit services	**3**	**3**
Total	**5**	**6**

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the preferable choice due to business knowledge, confidentiality and costs considerations. Vestas has a policy for non-audit services ensuring that the provision of non-audit services to the Group does not impair the auditors' independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy and monitors compliance.

6.2 Management's incentive programmes

Group accounting policies
The value of the services received in exchange for the granting of options and issuance of shares is measured at the fair value of the options/shares.

Equity settled share options granted and restricted shares issued to employees are measured at fair value at the time of granting and are recognised in staff expenses in the income statement over the vesting period. The opposite entry is recognised directly in equity.

On initial recognition of the share options/restricted shares, the number of options/shares expected to vest is estimated. Subsequently, the estimate is revised so that the total expense recognised is based on the actual number of options granted and shares vested.

The fair value of the options granted is estimated using an option pricing model (Black-Scholes). In determining fair value, the terms and conditions relating to the share options granted are taken into account. The fair value of restricted shares is determined based on Vestas quoted share price at grant adjusted for expected dividend payout (based on historic dividend payout ratio).

The Group operates a number of share-based compensation schemes (share options and restricted share programmes) under which it awards Vestas shares and share options to members of the Executive Management and certain key employees in Vestas Wind Systems A/S or its subsidiaries.

Share option programme
A share option programme was established in 2006 and has since been expanded with new options granted year on year until 2012. Since 2012 there has not been awarded new share option programmes.

The members may exercise their options in specified periods and choose to purchase the company's shares at the determined strike price according to the terms of the programme. Exercise of the options can only occur in the periods during which executives are allowed to trade shares in accordance with the Group's internal rules, being within the four weeks following the companies announcement of the annual report and interim financial reports. The members of the scheme lose the right to the options if they terminate their employment before the end of the vesting period.

Options are allotted to members when the Board of Directors approves the final annual report relating to the year of grant.

For 2010 onwards, only the Executive Management, Presidents (former) and Group Senior Vice Presidents reporting directly to the Executive Management must for a period of three years after exercise of the options, hold shares in the company corresponding to 50 percent of the gains, after tax, they have earned on the options.

The share options were exercisable three years after the issue date and will expire after five years.

6.2 Management's incentive programmes (continued)

The exercise of the options can not occur, if the members themselves have terminated their employment at the time of the exercise. Options granted in 2009 (expansion of 2007 programme) and 2010 can be exercised in 2015 and options granted in 2011 and 2012 can be exercised in 2015–2016 and 2016–2017, respectively.

The options are valued on the date of grant, based on the Black-Scholes valuation model. The share prices and the exercise prices are based on the closing share prices obtained from Bloomberg Financial Markets on the day the options were granted. The risk free interest rate is estimated as the effective interest rate on a Danish government bond with the same economic life, in this case two, five, six and seven-year bonds. The future volatility, which means fluctuations in the shares' total yield, is calculated based on historic weekly closing share prices for a period corresponding to time to maturity of the options.

	Executive Management pcs	Other executives pcs	Total pcs	Weighted average exercise price per option DKK
Outstanding at 1 January 2015[1]	**110,010**	**2,538,863**	**2,648,873**	**192**
Exercised	(15,475)	(1,203,573)	(1,219,048)	247
Expired	(9,376)	(248,507)	(257,883)	363
Cancelled	-	(16,754)	(16,754)	125
Outstanding at 31 December 2015	**85,159**	**1,070,029**	**1,155,188**	**90**
Outstanding at 1 January 2014	**119,687**	**2,815,176**	**2,934,863**	**201**
Exercised	-	(45,963)	(45,963)	103
Expired	(9,677)	(135,508)	(145,185)	381
Cancelled	-	(94,842)	(94,842)	222
Outstanding at 31 December 2014	**110,010**	**2,538,863**	**2,648,873**	**192**
Number of exercisable options at 31 December 2015	17,023	285,613	302,636	181[2]
Number of exercisable options at 31 December 2014	24,581	865,693	890,274	333[2]

1) Share options held by former members of the Executives Management have been reclassified (200,361 stock options) from the "Executive Management" to "Other executives".
2) Weighted average.

The exercise price for the outstanding options are DKK 57.76 and DKK 181.16 for the 2012 and 2011 programmes respectively. The weighted average remaining life of the options outstanding at 31 December 2015 was two years (2014: two years).

The exercise price for the exercisable options at 31 December 2015 are DKK 181.16. Average share price for the exercised share options in 2015 was DKK 363 (2014: DKK 236).

During 2015, 44,730 share options were exercised at an exercise price of 57.76 DKK, 545,150 share were exercised at an exercise price of 181.16 DKK and 629,168 shares were exercised at an exercise price of 317.70 DKK.

A member of the Board of Directors, had 1,106 options outstanding as at 31 December 2015 (2014: 3,217).

6.2 Management's incentive programmes (continued)

Restricted performance share programme
In March 2013, the share based incentive programme was revised and after this the programme is based on restricted performance shares instead of share options which were used in previous programmes. The purpose of the restricted performance shares is to ensure common goals for management, certain key employees and shareholders.

The terms and conditions governing the restricted performance share programme are as follows:

- Only participants employed by the Group as of 31 December are eligible for participation in the restricted performance share programme.
- The number of restricted performance shares available for distribution depends on Vestas' performance on EBIT margin and free cash flow. In addition, specific KPIs have been defined for each of the business areas.
- Depending on the performance, the total number of shares to be granted will range between 50 percent and 150 percent of the target level and is determined by Vestas' performance in the financial year as defined in Vestas' global bonus programme.

In April 2015, the Board of Directors launched new restricted performance shares programme. The new share-based incentive programme is an adjustment of the previous programme and is still based on restricted performance shares. The programme is adjusted to a performance period of three years, replacing the previous one-year performance period and a performance measurement based on financial key performance indicators as well as the Group's market share as defined by the Board of Directors.

The total number of shares granted amounts to 411,491 shares (out of which 136,000 are shares to the Executive Management). With the total fair value calculated on the basis of the market share price at measurement date, the value of the grant amounts to EUR 15m (value at close of Nasdaq Copenhagen on 14 April 2015).

The 2013 grant (performance year 2013) will vest in 2016 and 2018, the 2014 grant (performance year 2014) will vest in 2017 and 2019 and the 2015 grant (performance years 2015-2017) will vest in 2018 and 2020.

	Awards held at 1 January 2015[1)	Adjusted[2)	Awards issued in 2015	Cancelled	Awards held at 31 December 2015
Executive Management	313,917	4,143	136,000	-	454,060
Other executives	748,127	25,059	275,491	(17,972)	1,030,705
Outstanding restricted performance shares	**1,062,044**	**29,202**	**411,491**	**(17,972**	**1,484,765**

1) Performance shares held by former members of the Executive Management have been reclassified (77,083 restricted performance shares) from the "Executive Management" to "Other executives".
2) Adjustments due to final calculation of entitlement based on performance in prior year. Allocation of performance shares for the 2015-2017 performance programme will be adjusted based on the level of target achievement in the measurement period.

A member of the Board of Directors, had 2,498 restricted shares outstanding as at 31 December 2015 (2014: 1,736).

Ref. note 1.3 for the total expense recognised in the income statement for share options and restricted performance shares granted to Executive Management and other executives.

6.3 Contractual obligations

mEUR	2015	2014
The minimum lease obligations relating to operating leases fall due:		
0–1 year	55	41
1–5 years	97	63
> 5 years	101	114
Total	**253**	**218**

Operating leases primarily comprise irrevocable operating leases regarding land, buildings and vehicles. The main obligations relate to buildings in the USA and Germany and run for up to 17 years after the balance sheet date and a contractual commitment with a third party to pay on average EUR 4m annually until 2022 for the use of certain technology rights. The lease agreements will not result in any restrictions in relation to the raising of other debts or payment of dividends.

Costs recognised in the income statement relating to operating leases amount to EUR 39m in 2015 (2014: EUR 30m).

The Group has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2016 and future periods at a value of EUR 66m (2014: EUR 25m).

6.4 Related party transactions

Vestas Wind Systems A/S has no shareholders with controlling influence.

Related parties are considered to be the Board of Directors and the Executive Management of the Company together with their immediate families. Related parties also include entities which are significantly influenced by the aforementioned individuals.

Transactions with the Board of Directors and Executive Management
Transactions with the Executive Management only consist of normal management remuneration, see note 1.3 to the consolidated financial statements, and the transactions mentioned below.

Transactions with the Board of Directors and Executive Management in the year comprise the following:

Anders Vedel has full and partly ownerships of wind turbines for which he has a service contract with the Vestas Group. These transactions take place at arm's length and in total amounted to EUR 0.1m in 2015 (2014: EUR 0.1m). The outstanding amount of purchases at 31 December 2015 amounted to EUR 0.0m. (2014 EUR 0.0m).

There have been no other transactions with members of the Board of Directors and the Executive Management during the year.

With the exception of the Board members elected by the employees, no members of the Board of Directors have been employed by the Group in 2015.

Transactions with joint venture
Related parties also include joint venture over whom Vestas Wind Systems A/S has joint control.

mEUR	2015	2014
Revenue for the period (2014: 1 April - 31 December)	310	324
Receivable at 31 December	24	1

Transactions with associates
Related parties also include associates over whom Vestas Wind Systems A/S has significant influence. No material transactions with associates have occurred.

6.5 Business combinations

Acquisition of Upwind Solutions, Inc.
On 7 December 2015, the Group acquired 100 percent of the share capital of UpWind Solutions, Inc. ("UpWind") and its subsidiaries for EUR 55m.

As a result of the acquisition, the Group is expected to accelerate its profitable growth strategy to help the Group to capture the full potential of the service business, in particular in the North American market. The acquisition is a strong strategic fit to the Group as it broadens the Group's capabilities and increases the size of the Group's addressable market for all major turbine technologies.

The goodwill of EUR 37m arising from the acquisition is attributable to synergies expected from combining the operations of the Group and UpWind. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

Consideration

2015 mEUR	UpWind
Cash	58
Total consideration	**58**

The acquisition price for UpWind is EUR 55m on a debt and cash free basis. The consideration has been paid in cash from readily available sources.

Recognised amounts of identifiable assets acquired and liabilities assumed

2015 mEUR	UpWind
Know-how (included in intangible assets)	4
Customer relationship (included in intangible assets)	16
Trademark (included in intangible assets)	0
Property, plant and equipment	4
Inventory	1
Trade receivables	8
Other receivables	1
Cash	3
Deferred tax liability	(9)
Trade payables	(4)
Other liabilities	(3)
Total identifiable net assets	**21**
Goodwill	37
Total	**58**

6.5 Business combinations (continued)

The fair value of the acquired identifiable asset of EUR 20m (including know-how, customer relationships and trademarks) is provisional pending final valuations for those assets.

Had UpWind been consolidated from 1 January 2015, the consolidated income statement would have been impacted with revenue of approx EUR 50m and profit after tax of approx EUR 0m.

Acquisition of Availon
On 20 January 2016, the Group agreed to acquire the share capital of Availon Holding GmbH ("Availon"). The acquisition is the next step in accelerating the Group's profitable growth strategy in the service business.

The acquisition price for Availon is EUR 88m on a debt and cash free basis.

The transaction is subject to closing conditions, including approval from relevant competition authorities. Closing of the transaction is expected to take place during the first quarter of 2016. The Group expects to gain control at closing. Availon will be consolidated in the Group's financials from the time of closing.

6.6 Non cash transactions

mEUR	2015	2014
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment	305	377
Share of (profit)/loss in investments accounted for using the equity method	(34)	31
Warranty provisions in the year (net)	65	14
Other provisions in the year	0	(6)
Exchange rate adjustment	4	(4)
Deferred rent	0	8
Financial income	(61)	(50)
Financial expenses	76	103
Income tax for the year	240	131
Cost of share-based payments	8	5
Non-cash transactions related to joint venture transaction	-	67
	603	**676**

6.7 Non-current assets held for sale

Group accounting policies
Non-current assets (or disposal groups) are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets held for sale are presented separately on the balance sheet. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with their applicable accounting policy. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are not depreciated.

Key accounting estimate
Valuation and classification
Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Market indications on fair value are used as basis for valuation of properties held for sale. As there is no liquid market for the sale of this type of properties these valuations are subject to measurement uncertainty. The assets are expected to be sold within one year from the reporting date.

mEUR	2015	2014
Non-current assets classified as held for sale:		
Property, plant and equipment	103	103
	103	**103**
Total assets	**103**	**103**

Properties
As part of the site simplification project, Vestas expects to sell a number of its office facilities, which are classified as assets held for sale at EUR 103m (2014: EUR 103m). The measurement basis is fair value less cost to sell.

6.8 Subsequent events

Acquisition of Availon
On 20 January 2016, the Group agreed to acquire Availon Holding GmbH, ref. note 6.5 and company announcement no. 2/2016.

6.9 Legal entities[1)]

Name	Place of registered office	Share capital		Votes and ownership
Parent company				
Vestas Wind Systems A/S	Aarhus, Denmark	tDKK	224,075	-
Production units				
Vestas Nacelles America Inc.	Brighton (CO), USA	tUSD	20,000	100%
Vestas Towers America Inc.	Pueblo (CO), USA	tUSD	70,000	100%
Vestas Blades America Inc.	Windsor(CO), USA	tUSD	12,000	100%
Vestas Manufacturing A/S	Aarhus, Denmark	tDKK	100,000	100%
Vestas Blades Deutschland GmbH	Lauchhammer, Germany	tEUR	26	100%
Vestas Blades Italia S.r.l.	Taranto, Italy	tEUR	21,364	100%
Vestas Wind Technology (China) Co. Ltd.	Tianjin, China	tUSD	133,640	100%
Vestas Manufacturing Spain S.L.U	Daimiel, Spain	tEUR	25,500	100%
Vestas Control Systems Spain S.L.U.	Olvega, Spain	tEUR	384	100%
Vestas Nacelles Italia S.r.l. (under liquidation)	Taranto, Italy	tEUR	8,423	100%
Vestas Nacelles Deutschland GmbH	Lübeck, Germany	tEUR	25	100%
Vestas Estonia, OÜ (under liquidation)	Tallinn, Estonia	tEUR	100	100%

1) Companies of immaterial significance have been left out of the overview.

6.9 Legal entities (continued)

Name	Place of registered office	Share capital		Votes and ownership
Sales and service units				
Vestas Americas A/S	Aarhus, Denmark	tDKK	100,000	100%
Vestas America Holding, Inc.	Portland (OR), USA	tUSD	1,200,000	100%
Vestas - Wind 50, LLC	Portland (OR), USA	USD	1	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD	108,856	100%
Vestas - Canadian Wind Technology Inc.	Portland (OR), USA	tCAD	92,010	100%
Vestas - Portland HQ LLC	Portland (OR), USA	tUSD	10	100%
Vestas Upwind Solutions Inc.	San Diego (CA), USA	tUSD	0	100%
Vestas Asia Pacific A/S	Aarhus, Denmark	tDKK	33,000	100%
Vestas Asia Pacific Wind Technology Pte. Ltd.	Singapore, Singapore	tSGD	10,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Melbourne, Australia	tAUD	53,000	100%
Vestas Korea Wind Technology Ltd.	Seoul, South Korea	tKRW	500,000	100%
Vestas New Zealand Wind Technology Ltd.	Wellington, New Zealand	tNZD	100	100%
Vestas Taiwan Ltd.	Taipei City, Taiwan	tTWD	500	100%
Vestas Wind Technology (Beijing) Co. Ltd. under liquidation	Beijing, China	tUSD	1,000	100%
Vestas Wind Technology India Pvt Limited	Chennai, India	tINR	1,490,150	100%
Vestas Wind Technology Japan Co. Ltd.	Tokyo, Japan	tJPY	110,000	100%
Vestas Wind Technology Pakistan (Private) Limited	Lahore, Pakistan	tPKR	500	100%
Vestas Wind Technology (Thailand) Ltd.	Bangkok, Thailand	tBHT	100	100%
Vestas Central Europe A/S	Aarhus, Denmark	tDKK	60,000	100%
Vestas Deutschland GmbH	Husum, Germany	tEUR	16,873	100%
Vestas Services GmbH	Husum, Germany	tEUR	25	100%
Vestas Benelux B.V.	Arnhem, The Netherlands	tEUR	1,362	100%
Vestas Österreich GmbH	Vienna, Austria	tEUR	7,035	100%
Vestas Czechia Republic S.R.O.	Prague, Czech Republic	tCZK	200	100%
Vestas Hungary Kft.	Budapest, Hungary	tHUF	500	100%
Vestas Bulgaria EOOD	Sofia, Bulgaria	tBGN	5	100%
Vestas CEU Romania S.R.L	Bucharest, Romania	tRON	570	100%
Vestas Central Europe-Zagreb d.o.o	Zagreb, Croatia	tHRK	20	100%
Vestas Slovakia spol S.r.o.	Bratislava, Slovakia	tEUR	5	100%
Vestas RUS LLC	Moscow, Russia	tRUB	4,333	100%
Vestas Eastern Africa Ltd.	Nairobi, Kenya	tKHS	100	100%
Vestas Southern Africa Pty. Ltd.	Sunninghill, South Africa	tZAR	1	80%
Vestas Ukraine LLC	Kiev, Ukraine	tEUR	150	100%
Vestas Central Europe d.o.o. Beograd	Belgrade, Serbia	tRSD	11,400	100%
Vestas Belgium SA	Brussels, Belgium	tEUR	500	100%
Vestas Mediterranean A/S	Aarhus, Denmark	tDKK	50,000	100%
Vestas Italia S.r.l.	Rome, Italy	tEUR	3,000	100%
Vestas Hellas Wind Technology S.A.	Athens, Greece	tEUR	601	100%
Vestas Eólica SAU	Madrid, Spain	tEUR	12,680	100%
Vestas France SAS	Perols, France	tEUR	5,040	100%
Vestas (Portugal) - Serviços de Tecnología Eólica Lda.	Lisbon, Portugal	tEUR	6,000	100%
Vestas WTG Mexico S.A. de C.V.	Mexico City, Mexico	tMXN	454	100%
Vestas Mexicana del Viento S.A. de C.V.	Mexico City, Mexico	tMXN	10,050	100%
Vestas do Brasil Energia Eolica Ltda.	Sao Paolo, Brazil	tBRL	2,538	100%
Vestas Argentina S.A.	Buenos Aires, Argentina	tARS	66	100%
Vestas Chile Turbinas Eólica Limitada	Santiago, Chile	tCLP	5,080	100%
Vestas Rüzgar Enerjisi Sistemleri Sanayi ve Ticaret Ltd. Sirketi	Istanbul, Turkey	tTRY	11,500	100%
Vestas Turbinas Eólicas de Uruguay S.A.	Montevideo, Uruguay	tURU	720	100%
Vestas MED (Cyprus) Ltd.	Nicosia, Cyprus	tEUR	300	100%
Vestas Nicaragua SA	Managua, Nicaragua	tNIO	50	100%
Vestas CV Limitada	Cidade de Praia, The Republic of Cape Verde	tCVE	200	100%
Vestas Wind Systems Dominican Republic S.R.L.	Santo Domingo, The Dominican Republic	tDOP	100	100%

6.9 Legal entities (continued)

Name	Place of registered office	Share capital		Votes and ownership
Sales and service units (continued)				
Vestas Peru S.A.C.	Lima, Peru	tPEN	1	100%
Vestas Middle East S.L.U.	Madrid, Spain	tEUR	25	100%
Vestas Costa Rica S.A.	San José, Costa Rica	tCRC	1	100%
Vestas Moroc SARLAV	Casablanca, Morocco	tMAD	10	100%
Vestas Jamaica Wind Technology Ltd.	Kingston, Jamaica	tJMD	1,000	100%
Vestas Guatemala	Guatemala city, Guatemala	tGTQ	5	100%
Vestas Northern Europe A/S	Aarhus, Denmark	tDKK	100,000	100%
Vestas - Celtic Wind Technology Ltd.	Edinburgh, UK	tGBP	8,200	100%
Vestas Northern Europe AB	Malmö, Sweden	tSEK	1,000	100%
Vestas Poland Sp.z.o.o.	Szczecin, Poland	tPLN	435	100%
Vestas Ireland Ltd.	Dublin, Ireland	tEUR	100	100%
Vestas Norway AS	Oslo, Norway	tNOK	1,100	100%
Vestas Finland Oy	Helsinki, Finland	tEUR	3	100%
MHI Vestas Offshore Wind A/S	Aarhus, Denmark	tEUR	13,690	50%
Other subsidiaries and associates				
Vestas Spare Parts & Repair UK, Ltd. (under liquidation)	London, England	tGBP	1,000	100%
Vestas Wind Systems (China) Co. Ltd.	Hohhot, China	tEUR	32,220	100%
Vestas Switzerland AG	Zürich, Switzerland	tCHF	100	100%
Vestas Services Philippines, Inc.	Makati City, Philippines	tPHP	9,336	100%
Vestas India Holding A/S	Aarhus, Denmark	tDKK	267,110	100%
Wind Power Invest A/S	Aarhus, Denmark	tDKK	25,000	100%
Vestas Technology (UK) Limited	Isle of Wight, England	tGBP	90	100%
Vestas Technology R&D Singapore Pte. Ltd.	Singapore, Singapore	tSGD	3,805	100%
Vestas Technology R&D Chennai Pte. Ltd.	Chennai, India	tINR	40,000	100%
Vestas Technology R&D (Beijing) Co., Ltd.	Beijing, China	tEUR	737	100%
Vestas Shared Service (Spain), S.L.U.	Madrid, Spain	tEUR	3	100%
Vestas Middle East A/S	Aarhus, Denmark	tDKK	12,000	100%
GREP Svenska AB	Falkenberg, Sweden	tSEK	1,824	100%
Vestas BCP Philippines Inc.	Makai City, Philippines	tPHP	60,700	100%
Vestas Shared Service A/S	Aarhus, Denmark	tDKK	50,000	100%
Vestas Shared Service A/S Philippines ROHQ	Manila, Philippines	tUSD	200	100%

7. Basis for preparation

7.1 General accounting policies

The annual report of Vestas Wind Systems A/S comprises the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries and separate financial statements of the parent company, Vestas Wind Systems A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional Danish disclosure requirements for listed companies, cf. the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost method, except for the derivative financial instruments, which are measured at fair value and non-current assets held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

The accounting policies remain unchanged for the consolidated financial statements compared to 2014.

The consolidated financial statements are presented in million euro.

This note describes the general accounting policies. Other accounting policies are described in the separate notes to the consolidated financial statements.

Materiality in the financial reporting

For the preparation of the consolidated financial statements, the Group discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.

A judgement is made of whether more detailed specifications are necessary in the presentation of the Group's assets, liabilities, financial position, and results. All judgements are made with due consideration of legislation and the consolidated financial statements as a whole presenting a true and fair view.

Consolidated financial statements and business combinations

The consolidated financial statements comprise Vestas Wind Systems A/S (the parent company) and the subsidiaries over which Vestas Wind Systems A/S exercises control. Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An overview of Group legal entities is provided on pages 119-121.

The consolidated financial statements are prepared from the financial statements of the parent company and subsidiaries by combining accounting items of a uniform nature, with subsequent elimination of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as unrealised profits and losses on transactions between consolidated entities.

The consolidated financial statements are based on financial statements prepared under the accounting policies of the Group.

Newly acquired or newly founded subsidiaries are recognised from the date of obtaining control. Upon acquisition of subsidiaries, the acquisition method is applied.

Cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn-outs.

Expenses related to the acquisition are recognised in the income statement in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the entity acquired are recognised at the fair value at the date of acquisition calculated in accordance with the Group accounting policies.

In connection with every acquisition, goodwill and a non-controlling interest (minority) are recognised according to one of the following methods:

1) Goodwill relating to the entity acquired comprises a positive difference, if any, between the total fair value of the entity acquired and the fair value of the total net assets for accounting purposes. The non-controlling interest is recognised at the share of the total fair value of the entity acquired (full goodwill).

2) Goodwill relating to the entity acquired comprises a positive difference, if any, between the cost and the fair value of the Group's share of the net assets for accounting purposes of the acquired enterprise at the date of acquisition. The non-controlling interest is recognised at the proportionate share of the net assets acquired (proportionate goodwill).

Goodwill is recognised in intangible assets. It is not amortised, but reviewed for impairment once a year and also if events or changes in circumstances indicate that the carrying value may be impaired. If impairment is established, the goodwill is written down to its lower recoverable amount.

Sold or liquidated entities are recognised up to the date of disposal. Any gain or loss compared to the carrying amount at the date of disposal is recognised in the income statement to the extent the control of the subsidiary is also transferred.

Translation policies

Functional currency and presentation currency

Assets, liabilities and transactions of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK); however, due to the Group's international relations, the consolidated financial statements are presented in Euro (EUR).

Translation into presentation currency

The balance sheet is translated into the presentation currency at the EUR rate at the balance sheet date. In the income statement the transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transactions.

Translation of transactions and amounts

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

Translation of Group entities

On recognition in the consolidated financial statements of foreign entities with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign entities at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Exchange adjustments of balances with foreign entities that are treated as part of the total net investment in the entity in question are recognised in other comprehensive income in the consolidated financial statements.

On recognition in the consolidated financial statements of investments accounted for using the equity method with functional currencies that differ from the presentation currency of the Group, the shares of results for the year are translated at average exchange rates, and the shares of equity including goodwill are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign investments accounted for using the equity method at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

On full or partial disposal of foreign entities, resulting in a loss of control or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised in other comprehensive income, is recognised in the income statement at the same time as any profit or loss on the disposal.

Income statement

Leases

For accounting purposes, lease contracts are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset had been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straight line basis in the income statement over the lease term.

Equity

Translation reserve

The translation reserve in the consolidated financial statements comprises exchange rate adjustments arising on the translation of the financial statements of foreign entities from their functional currencies into the presentation currency of the Group (EUR).

Upon full or part realisation of the net investment in foreign entities, exchange adjustments are recognised in the income statement.

Cash flow hedging reserve

The cash flow hedging reserve in the consolidated financial statements comprises gains and losses on fair value adjustments of forward exchange contracts concerning future transactions as well as hedging in connection with commodities.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year. Cash flows relating to acquired entities are recognised from the date of acquisition. Cash flows relating to entities disposed of are recognised until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions and changes in working capital, interest received and paid and income tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from business acquisitions and disposals and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately. The establishment of finance leases is treated as non-cash transactions.

Cash flows from financing activities

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, acquisition and sale of treasury shares together with distribution of dividends to shareholders. Cash flows from finance lease assets are recognised as interest payments and repayments of debts.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and in hand and current bank debt. Assets and short term debts included as cash at bank and in hand in the cash flow statement are those included in the Group's cash management.

7.2 Key accounting estimates and judgements

When preparing the consolidated financial statements of the Group, management makes a number of accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The Group's accounting policies are described in detail in the notes to the consolidated financial statements.

Critical judgements and estimates
The calculation of the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions relating to future events.

The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual amounts deviating from these estimates. Key risks of the Group have been described on pages 52-53 of the Management report, and in the individual notes to the consolidated financial statements.

It may be necessary to change estimates made previously due to changes in the assumptions on which the previous estimates were based or due to new knowledge or subsequent events.

The areas involving a high degree of judgment and estimation that are significant to the consolidated financial statements are described in more detail in the related notes.

Group accounting policies	Critical accounting judgements and estimates	Note	Page
Special items	Judgement regarding classification in the income statement	1.6	079
Intangible assets	Assumptions underpinning impairment test	3.3	089
Property, plant and equipment	Assumptions underpinning impairment test	3.3	089
Provisions	Estimates for warranty provisions	3.5	094
Income tax	Assumptions included in income tax assessment	5.1	110
Deferred tax	Estimate of deferred tax assets valuation	5.2	111
Non-current assets held for sale	Assumptions underpinning valuation and judgement of classification in the balance sheet	6.7	118
Inventories	Estimates of net realisable value	2.2	081
Other receivables	Judgement of allowance for doubtful other receivables	2.5	084

7.3 Changes in accounting policies and disclosures

Impact of new accounting standards
The Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2015 financial year, including:

- Annual Improvements Cycle 2010-2012 (effective date 1 July 2014)
- Annual Improvements Cycle 2011-2013 (effective date 1 July 2014)

None of these new or amended accounting standards and interpretations resulted in any changes to the accounting policies for the Group or had significant impact on recognition or measurement in the consolidated financial statements in 2015, but they have led to further specifications in the notes. Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

New accounting standards not yet adopted
The IASB has issued a number of new or amended accounting standards and interpretations with effective date after 31 December 2015. The Group expects to implement the following new or amended accounting standards and interpretations when they become mandatory:

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date 1 January 2016)
- IFRS 15, Revenue from Contracts with Customers (effective date 1 January 2018)
- IFRS 9, Financial Instruments (effective date 1 January 2018)
- IFRS 16, Leases (effective date 1 January 2019)

The following new or amended accounting standards and interpretations, not yet adopted, are expected to have most significant impact on recognition, measurement and disclosures for the Group:

IFRS 15, Revenue from Contracts with Customers
The standard includes a new control-based model for recognition of revenue from contracts with customers. Revenue is recognised at a point in time or over time depending on the transfer of control of the goods or services concerned by the buyer. The standard includes a number of specific criteria for division of contracts into separate performance obligations which must be recognised in a separate transaction. Moreover, the standard includes guidance in a number of areas which have previously been open for interpretation, e.g. warranties, right of return, variable considerations, up-front fees, etc. The Group is assessing the impact of IFRS 15.

IFRS 9, Financial Instruments
A new impairment model is introduced based on expected losses. The Group expects to apply the simplified model as the Group in all material respects only has trade receivables without any material credit elements. Credit losses are recognised at the time of sale and classified as a cost and not as a reduction of revenue. Moreover, a new hedge accounting model is introduced which is expected to be more closely aligned with the way that the Group undertakes risk management activities when hedging financial and non-financial risk exposures. The Group is assessing the impact of IFRS 9.

IFRS 16, Leases
The IASB has issued a new standard on accounting for leases. As a Lessee, the Group is required to recognise all lease contracts on the Balance sheet. The Group will not be required to recognise lease contracts with a term of less than 12 months on the balance sheet. The Group is assessing the impact of IFRS 16.

7.4 Financial definitions

FINANCIAL RATIOS

EBIT margin: Profit/loss before income from associates, financial income and expenses and tax as a percentage of revenue.

EBITDA margin: Profit/loss before depreciation and amortisation, income from associates, financial income and expenses and tax as a percentage of revenue.

Gearing (%): Interest-bearing liabilities at year-end divided by equity at year-end.

Gross margin (%): Gross profit/loss as a percentage of revenue.

Net working capital (NWC): Inventories, trade receivables, construction contracts in progress, other receivables minus trade and other payables, prepayments from customers and construction contracts in progress.

Net interest-bearing debt/EBITDA: Net interest-bearing debt divided by profit/loss before financial income and expenses, depreciation and amortisation.

Return on equity (%): Profit/loss after tax for the year divided by average equity.

Return on invested capital (ROIC) (%): Operating profit/loss (EBIT) before special items after tax (effective tax rate) as a percentage of average assets (excluding investments accounted for using the equity method and assets held for sale) less non-interest bearing debt including provisions.

Solvency ratio (%): Equity at year-end divided by total assets.

SHARE RATIOS

Book value per share: Equity at year-end divided by the number of shares at year-end.

Cash flow from operating activities per share: Cash flows from operating activities divided by the average number of shares.

Dividend per share: Dividend percentage multiplied by the nominal value of the share.

Earnings per share (EPS): Profit/loss for the year divided by the average number of shares outstanding.

Payout ratio: Total dividend distribution divided by profit/loss for the year.

P/E ratio: The official closing price on the Nasdaq Copenhagen divided by earnings per share for the year.

Price/book value: The official closing price on the Nasdaq Copenhagen divided by year-end book value per share.

OTHER DEFINITIONS

FTE: The employee counting practice has changed from 1 January 2015. With the new employee counting practice the Group does no longer include external hourly paid employees working for Vestas. Only employees on Vestas payroll are counted and reported as Vestas employees. The change is made to give a direct correlation to staff cost. The Group still keeps track of contractors managed by Vestas to have a measure of the combined workforce and overall safety performance.

TERMINOLOGY USED IN ACCOUNTING POLICIES

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IFRIC/SIC: International Financial Reporting Interpretations Committee/Standing Interpretations Committee

Management's statement

The Executive Management and Board of Directors have today considered and adopted the annual report of Vestas Wind Systems A/S for the financial year 2015.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of Vestas Wind Systems A/S are prepared in accordance with the Danish Financial Statements Act. Moreover, the consolidated financial statements and the financial statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The management report is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the financial position at 31 December 2015 of the Group and the company and of the results of the Group and company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the management report includes a true and fair account of the development in the operations and financial circumstances of the Group and the company, of the results for the year and of the financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company.

In our opinion, the Group has prepared the social and environmental statements in accordance with the accounting policies applied.

We recommend that the annual report be approved at the Annual General Meeting.

Aarhus, 9 February 2016

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Torben Ballegaard Sørensen

Lykke Friis

Kim Hvid Thomsen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

Kim Bredo Rahbek

The independent auditor's report

To the Shareholders of Vestas Wind Systems A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2015, pages 065-128 and pages 134-148, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Statement on Management's Review
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 9 February 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company Reg. No.: 33771231

Claus Lindholm Jacobsen	Kim Tromholt
State Authorised Public Accountant	State Authorised Public Accountant