

Consolidated financial statements 1 January - 30 June

Condensed income statement 1 January - 30 June

mEUR	Note	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	1.1	2,557	1,749	4,021	3,268
Cost of sales		(1,936)	(1,434)	(3,153)	(2,727)
Gross profit		621	315	868	541
Research and development costs		(76)	(58)	(130)	(102)
Distribution costs		(56)	(49)	(102)	(91)
Administration costs		(90)	(63)	(152)	(124)
Operating profit (EBIT) before special items	1.1	399	145	484	224
Special items		0	0	(0)	0
Operating profit (EBIT)		399	145	484	224
Income from investments accounted for using the equity method		(17)	27	(36)	31
Net financial items		(10)	(4)	(30)	(11)
Profit before tax		372	168	418	244
Income tax		(94)	(43)	(105)	(63)
Profit for the period		278	125	313	181
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		1.27	0.57	1.43	0.82
Earnings per share for the period (EUR), diluted		1.26	0.56	1.42	0.81

Condensed statement of comprehensive income 1 January - 30 June

mEUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Profit for the period	278	125	313	181
Items that may be subsequently reclassified to the income statement:				
Exchange rate adjustments relating to foreign entities	12	(29)	(29)	64
Fair value adjustments of derivative financial instruments for the period	(118)	159	(95)	95
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	4	(36)	8	(16)
Share of other comprehensive income of joint venture	7	(5)	15	(4)
Tax on items that may be subsequently reclassified to the income statement	28	(33)	22	(22)
Other comprehensive income after tax for the period	(67)	56	(79)	117
Total comprehensive income for the period	211	181	234	298

Condensed balance sheet – Assets

mEUR	Note	30 June 2016	30 June 2015	31 December 2015
Goodwill		307	215	252
Completed development projects		191	256	261
Software		61	26	32
Other intangible assets		51	-	20
Development projects in progress		162	129	122
Total intangible assets		772	626	687
Land and buildings	3.1	823	722	763
Plant and machinery		247	211	219
Other fixtures, fittings, tools and equipment		177	167	191
Property, plant and equipment in progress		110	86	106
Total property, plant and equipment		1,357	1,186	1,279
Investments accounted for using the equity method		202	216	225
Other investments		21	20	20
Tax receivables		109	-	109
Deferred tax		70	140	149
Other receivables	4.3	25	35	39
Total other non-current assets		427	411	542
Total non-current assets		2,556	2,223	2,508
Inventories		2,648	2,234	1,899
Trade receivables		1,021	712	795
Construction contracts in progress		16	82	15
Tax receivables		71	58	60
Other receivables	2.1	688	381	442
Cash and cash equivalents		2,579	2,208	2,765
Total current assets		7,023	5,675	5,976
Non-current assets held for sale	3.1	-	103	103
TOTAL ASSETS		9,579	8,001	8,587

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2016	30 June 2015	31 December 2015
Share capital	4.1	30	30	30
Other reserves		59	615	138
Retained earnings		2,836	1,932	2,731
Total equity		2,925	2,577	2,899
Provisions	3.2	357	240	314
Deferred tax		52	21	20
Financial debts	4.3	496	499	495
Tax payables		44	-	44
Other liabilities		10	10	10
Total non-current liabilities		959	770	883
Prepayments from customers		2,640	2,597	2,258
Construction contracts in progress		37	51	17
Trade payables		2,000	1,464	1,760
Provisions	3.2	132	148	124
Tax payables		174	72	147
Other liabilities	2.1, 4.3	712	322	499
Total current liabilities		5,695	4,654	4,805
Total liabilities		6,654	5,424	5,688
TOTAL EQUITY AND LIABILITIES		9,579	8,001	8,587

Condensed statement of changes in equity – 6 months 2016

mEUR	Share capital	Premium	Trans-lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
Equity at 1 January 2016	30	-	99	37	2	138	2,731	2,899
Profit for the period	-	-	-	-	-	-	313	313
Other comprehensive income for the period	-	-	(29)	(65)	15	(79)	-	(79)
Total comprehensive income for the period	-	-	(29)	(65)	15	(79)	313	234
Transaction with owners:								
Dividend approved	-	-	-	-	-	-	(205)	(205)
Dividend, treasury shares	-	-	-	-	-	-	4	4
Acquisition(-) /disposal (+) of treasury shares	-	-	-	-	-	-	(12)	(12)
Share based payments	-	-	-	-	-	-	5	5
Equity at 30 June 2016	30	-	70	(28)	17	59	2,836	2,925

Condensed statement of changes in equity – 6 months 2015

mEUR	Share capital	Premium	Trans-lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
Equity at 1 January 2015	30	439	37	15	7	498	1,851	2,379
Profit for the period	-	-	-	-	-	-	181	181
Other comprehensive income for the period	-	-	64	57	(4)	117	-	117
Total comprehensive income for the period	-	-	64	57	(4)	117	181	298
Transaction with owners:								
Dividend approved	-	-	-	-	-	-	(116)	(116)
Acquisition(-) /disposal (+) of treasury shares	-	-	-	-	-	-	12	12
Share based payments	-	-	-	-	-	-	4	4
Equity at 30 June 2015	30	439	101	72	3	615	1,932	2,577

Condensed cash flow statement

mEUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Profit for the period	278	125	313	181
Adjustments for non-cash transactions	224	105	382	221
Income tax received/(paid)	51	(22)	36	(6)
Interest received/(paid)	4	(1)	(10)	(29)
Cash flow from operating activities before change in net working capital	557	207	721	367
Change in net working capital	(131)	55	(409)	104
Cash flow from operating activities	426	262	312	471
Investments in intangible assets	(54)	(29)	(90)	(50)
Investments in property, plant and equipment	(49)	(50)	(112)	(90)
Sale of property, plant and equipment	7	1	7	1
Acquisition of subsidiaries, net of cash	-	-	(83)	-
Other	-	(1)	-	(3)
Cash flow used for investments	(96)	(79)	(278)	(142)
Free cash flow	330	183	34	329
Disposal/(acquisition) of treasury shares	(17)	5	(12)	12
Dividend paid	(201)	(116)	(201)	(116)
Repayment of financial debts	(4)	-	(4)	(600)
Raising of financial debts	-	-	-	496
Cash flow from financing activities	(222)	(111)	(217)	(208)
Change in cash and cash equivalents less current portion of bank debt	108	72	(183)	121
Cash and cash equivalents less current portion of bank debt at the beginning of period	2,457	2,184	2,765	2,014
Exchange rate adjustments of cash and cash equivalents	14	(48)	(3)	73
Cash and cash equivalents less current portion of bank debt at the end of the period	2,579	2,208	2,579	2,208
The amount can be specified as follows:				
Cash and cash equivalents without disposal restrictions	2,327	2,022	2,327	2,022
Cash and cash equivalents with disposal restrictions	252	186	252	186
Total cash and cash equivalents	2,579	2,208	2,579	2,208

Notes

1 Result for the period

1.1 Segment information

mEUR	Project	Service	Not allocated	Total Group
Q2 2016				
External revenue	2,231	326	-	2,557
Total revenue	2,231	326	-	2,557
Total costs	(1,820)	(268)	(70)	(2,158)
Operating profit (EBIT) before special items	411	58	(70)	399
Special items	-	-	0	0
Operating profit (EBIT)	411	58	(70)	399
Income from investments accounted for using equity method				(17)
Net financial items				(10)
Profit before tax				372
Amortisation and depreciation included in total costs	(90)	(7)	(12)	(109)

Impairment losses of EUR 15m has negatively impacted the group EBIT before special items, related to R&D activities (EUR 10m in Project) and declassification of properties held for sale (EUR 5m in Not allocated).

mEUR	Project	Service	Not allocated	Total Group
Q2 2015				
External revenue	1,457	292	-	1,749
Total revenue	1,457	292	-	1,749
Total costs	(1,316)	(243)	(45)	(1,604)
Operating profit (EBIT) before special items	141	49	(45)	145
Special items	-	-	0	0
Operating profit (EBIT)	141	49	(45)	145
Income from investments accounted for using equity method				27
Net financial items				(4)
Profit before tax				168
Amortisation and depreciation included in total costs	(76)	(4)	(5)	(85)

1.1 Segment information (continued)

mEUR	Project	Service	Not allocated	Total Group
H1 2016				
External revenue	3,396	625	-	4,021
Total revenue	3,396	625	-	4,021
Total costs	(2,909)	(515)	(113)	3,537
Operating profit (EBIT) before special items	487	110	(113)	484
Special items	-	-	(0)	(0)
Operating profit (EBIT)	487	110	(113)	484
Income from investments accounted for using equity method				(36)
Net financial items				(30)
Profit before tax				418
Amortisation and depreciation included in total costs	(169)	(13)	(17)	(199)

Impairment losses of EUR 15m has negatively impacted the group EBIT before special items, related to R&D activities (EUR 10m in Project) and declassification of properties held for sale (EUR 5m in Not allocated).

mEUR	Project	Service	Not allocated	Total Group
H1 2015				
External revenue	2,721	547	-	3,268
Total revenue	2,721	547	-	3,268
Total costs	(2,511)	(444)	(89)	(3,044)
Operating profit (EBIT) before special items	210	103	(89)	224
Special items	-	-	0	0
Operating profit (EBIT)	210	103	(89)	224
Income from investments accounted for using equity method				31
Net financial items				(11)
Profit before tax				244
Amortisation and depreciation included in total costs	(150)	(8)	(9)	(167)

2 Working capital

2.1 Key development in working capital since 31 December 2015

Developments in working capital are driven by the activity level, except for development in Other receivables and Other liabilities. Other receivables and Other liabilities have both increased primarily due to VAT of EUR 295m from intercompany invoicing which is expected to be settled within the next quarter.

3 Other operating assets and liabilities

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

Properties held for sale have been declassified to property, plant and equipment, as there is significant uncertainty about whether the properties will be sold within the next year. The declassification has impacted Administration costs with EUR 12m, due to catch-up depreciations and impairment.

3.2 Warranty provisions (included in provisions)

mEUR	30 June 2016	30 June 2015	31 December 2015
Warranty provisions, 1 January	386	321	321
Provisions for the period	76	60	160
Warranty provisions consumed during the period	(37)	(41)	(95)
Warranty provisions	425	340	386
The provisions are expected to be payable as follows:			
< 1 year	106	129	103
> 1 year	319	211	283

4 Capital structure and financing items

4.1 Share capital

On 30 March 2016, it was approved at the Annual General Meeting to reduce the share capital from nominally DKK 224,074,513 to nominally DKK 221,544,727 through cancellation of treasury shares. This was carried out during the second quarter of 2016.

4.2 Financial risks

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

4.3 Financial instruments

The book value of the Eurobond was EUR 496m with a corresponding fair value of EUR 514m at 30 June 2016. The fair value of derivative financial instruments at 30 June 2016 amounts to a negative market value of EUR 33m which equals book value.

5 Other disclosures

5.1 Related party transactions

Transactions with joint venture:

mEUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue for the period	49	107	90	249
Receivable at 30 June	56	31	56	31

No other significant changes have occurred to related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated financial statements in the annual report 2015, note 6.4, page 116.

5.2 Business combinations

Acquisition of Availon

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

The goodwill of EUR 56m arising from the acquisition is attributable to synergies expected from combining the operations of the Group and Availon.

mEUR	Availon
Cash	84
Total consideration	84

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

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

5.2 Business combinations (continued)

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

Had Availon been consolidated from 1 January 2016, the consolidated income statement would have been impacted with revenue of approx. EUR 31m and profit after tax of approx EUR 0m.

6 Basis for preparation

6.1 General accounting policies

The interim financial report of Vestas Wind Systems A/S comprises a summary of the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries.

The interim financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

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

6.2 Key accounting estimates and judgements

When preparing the interim financial reporting of the Group, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of the Group's assets and liabilities. The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances. There have been no changes to the accounting estimates in Q2 2016, except for declassification of asset held for sale, ref. note 3.1. Reference is made to the consolidated financial statements in the annual report 2015, note 7.2, page 124.

6.3 Changes in accounting policies and disclosures

The accounting policies remain unchanged compared to the annual report 2015, to which reference is made for full description of the accounting policies. The Group has implemented all new, amended, or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2016. These IFRSs have not had any impact on the Group's interim financial report.