MHI Vestas Offshore Wind A/S

Dusager 4, DK-8200 Aarhus N

CVR no. 27 91 80 42

Annual report 2015/16

Approved at the Company's annual general meeting on 27 May 2016

Chairman:

....

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Group relationship	5
Group chart	6
Financial highlights for the Group	7
Operating review	8
Consolidated financial statements and parent company financial statements for the period 1 April – 31 March	18
Income statement	18
Balance sheet	19
Statement of changes in equity	21
Cash flow statement	22
Notes	24

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of MHI Vestas Offshore Wind A/S for the financial year 1 April 2015 - 31 March 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 March 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 April 2015 - 31 March 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 20 May 2016
Executive Board:

Jens Tommerup CEO	Jin Kato	Takao Arai

Board of Directors:

石山 理介 Michisuke Nayama Chairman	Anders Erik Runevad	Anders Jakob Vedel
Yoshiyuki Hanasawa	松浦 一郎 Ichiro Matsuura	Juan Araluce Martinez de Azagra

Independent auditors' report

To the shareholders of MHI Vestas Offshore Wind A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of MHI Vestas Offshore Wind A/S for the financial year 1 April 2015 - 31 March 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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.

Auditors' 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 as to 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 auditors' judgement, 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 auditors consider 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 opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 March 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 April 2015 - 31 March 2016 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 20 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Weiersøe Jakobsen
State Authorised
Public Accountant

Michael Dahl Christiansen
State Authorised
Public Accountant

Management's review

Company details

Name	MHI Vestas Offshore Wind A/S
Address	Dusager 4, DK-8200 Aarhus N
CVR no.	27 91 80 42
Financial year	1 April - 31 March
Website	www.mhivestasoffshore.com
E-mail	contact@mhivestasoffshore.com
Telephone	+45 88 44 89 00
Board of Directors	Michisuke Nayama, Chairman Anders Erik Runevad, Deputy Chairman Anders Jakob Vedel Yoshiyuki Hanasawa Ichiro Matsuura Juan Araluce Martinez de Azagra
Executive Board	Jens Tommerup Jin Kato Takao Arai
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vaerkmestergade 25, DK-8000 Aarhus C.

Group relationship

The Company is owned 50% by MHI Holding Denmark ApS and 50% by Vestas Wind Systems A/S.

MHI VESTAS OFFSHORE WIND

Management's review

Group chart

Parent company

MHI Vestas Offshore Wind A/S
Denmark
Nom. EUR 13,689,676

Subsidiaries

100%	MHI Vestas Offshore Wind UK Ltd. United Kingdom Nom. tGBP 11,500
100%	MHI Vestas Offshore Wind The Netherlands B.V. The Netherlands Nom. tEUR 18
100%	MHI Vestas Offshore Wind Bligh Bank NV Belgium Nom. tEUR 62
100%	MHI Vestas Offshore Wind Northwind (Belgium) NV Belgium Nom. tEUR 1,000
100%	MHI Vestas Offshore Wind Sweden AB Sweden Nom. tSEK 100
100%	MHI Vestas Offshore Wind Germany GmbH Germany Nom. tEUR 1,275
100%	MHI Vestas Offshore Wind Belgium NV Belgium Nom. tEUR 1,000
100%	MHI Vestas Offshore Wind Blades UK Ltd United Kingdom Nom. tGBP 7,000

Management's review

Financial highlights for the Group

EUR'000	2015/16 (12 months)	2014/15 (15 months)	*2013 (12 months)
Key figures			
Revenue	535,906	402,664	282,449
Gross profit	30,848	49,595	42,955
Profit before financial items and depreciation/amortisation (EBITDA)	-981	17,709	36,251
Operating profit (EBIT)	-46,312	14,217	35,508
Profit/loss from financial income and expense	2,351	-7,165	-2,186
Profit for the year	**-44,216**	**8,320**	**25,555**
Total assets	840,652	791,539	642,291
Investments in property, plant and equipment	48,198	17,938	2,644
Equity	**436,990**	**415,561**	**91,995**
Cash flows from operating activities	62,187	136,945	17,195
Cash flows from investing activities	-141,091	-350,226	-2,426
Cash flows from financing activities	50,000	293,637	0
Total cash flows	**-28,904**	**80,356**	**14,769**
Financial ratios			
Gross margin	5.8%	12.3%	15.2%
EBITDA margin	-0.2%	4.4%	12.8%
EBIT margin	-8.6%	3.5%	12.6%
Return on invested capital	-13.3%	7.2%	-
Solvency ratio	52.0%	52.5%	14.3%
Return on equity	-10.4%	3.3%	29.0%
Average number of full-time employees	**882**	**444**	**310**

* The result for 2013 is positively impacted by a transfer pricing adjustment regarding previous years of EUR 33m received from Vestas Wind Systems A/S. The adjustment is included in production costs.

The financial ratios have been prepared in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

The operating review is structured into the following sections:

Executive summary

- Building on a successful start
- Company mission
- Industry development
- Four key pillars are the foundation for future growth
- Solid order book
- V164 continues its strong performance
- Manufacturing and sourcing
- Operational performance according to plan

Financial performance

- Income statement
- Balance sheet
- Subsequent events
- Outlook

Risk management

- Regulatory financial support for offshore wind
- Ensuring V164 manufacturing capability

Statutory corporate social responsibility and diversity statement

- Certification standards
- Safety
- Environment and energy
- Human rights
- Employees
- Diversity
- Code of conduct
- Global bonus programme

Management's review

Operating review

Executive summary

The year 2015 was characterized by securing a solid order intake, maturing the technology of the V164-8MW, preparing extensive ramp-up of manufacturing, and ensuring a strong performance of the existing installed wind turbine fleet.

During the year, MHI Vestas Offshore Wind added approximately 1.6GW of firm and conditional orders to its order book since its inception.

"This year's solid order intake and continued strong performance of the existing fleet provide a firm base for the years ahead, to carry out the V164 activities and to absorb the extensive start-up costs of the V164 introduction", CEO Jens Tommerup says.

Furthermore, the prototype turbine at Østerild in Denmark continued its strong performance and two turbines were successfully erected onshore during the year in Måde to allow MHI Vestas Offshore Wind to test and refine its offshore installation methods.

The last defined milestone payment of the total EUR 200m from Mitsubishi Heavy Industries (MHI) in the joint venture plan was received in the second half of 2015, due to a satisfying operational and commercial performance.

However, the year was also characterized by being the first year with extensive start-up costs for the V164-8MW introduction, and significant costs were incurred from the amortisation of the V164 development project, which had impact on the profit level as anticipated in our business plan.

Building on a successful start

When MHI Vestas Offshore Wind was created on April 1, 2014 by MHI and Vestas Wind Systems (Vestas), the company was born with a mandate to become a leading player in the offshore wind turbine space.

Having a dedicated focus, namely the development, manufacturing, installation and servicing of offshore wind turbines, has ensured that MHI Vestas Offshore Wind adopts a collaborative approach to its customers and key stakeholders in order to deliver optimizations throughout the entire offshore wind value chain.

During the current year, MHI Vestas Offshore Wind continued to build on the success of its inaugural year. The year was characterized by solid order entry, maturing technology, increased manufacturing efficiency and reliable revenue derived from the operations and maintenance of the existing fleet.

Company mission

MHI Vestas Offshore Wind has an ambition to be the company that helps offshore wind power to become affordable, while creating value for our key stakeholders.

Recently the UK government set a ceiling for its 2025 targets to under GBP 85 per MWH. MHI Vestas Offshore Wind believes that we can meet these targets if we continue to have transparency and volume in key markets.

Our Mission
Co-develop offshore wind as an economically viable and sustainable energy resource to benefit future generations.

Working in partnerships with leading industry players is a key to driving down the cost of energy. MHI Vestas Offshore Wind is an active participant in various strategic renewables and offshore wind initiatives at the commercial, governmental and industry level. It is through collaboration and participation with the industry that real cost savings can be garnered.

Management's review

Operating review

Industry development

The calendar year 2015 was the most successful year in offshore wind power to date, with over 3GW of capacity connected to the grid. Even though a portion of the newly connected capacity was attributed to former connection delays, the overall market was still stronger than previous years.

From a cost of energy perspective, energy prices continue to fall, with governments in the United Kingdom and Denmark achieving huge cost reductions for their projects. Horns Reef III in Denmark, for example, was awarded to Vattenfall at EUR 103 per MWH with the V164 as their wind turbine of choice at the site.

Looking forward to the coming year and MHI Vestas Offshore Wind can see a change in the auction tendering systems for many of its key markets. While the new market design is garnering cost reductions, it is also adding a degree of complexity to the sales process as there is reduced visibility of potential bidders in the pre-auction phase. It is also shortening the traditional project to order cycle. As an agile company, MHI Vestas is in a strong position to take advantage of this new trend.

In the Original Equipment Manufacturers (OEMs) space 2015/16 saw further consolidation in the market amongst wind turbine manufacturers. As the first joint venture in offshore wind, MHI Vestas Offshore Wind has led the way in bringing increased competition to the market. As a result of fewer, more qualified players in the market, the industry is gaining in maturity as new supply chains have been established to meet the industry targets.

Northern European markets remain the most mature offshore markets with UK and Germany expected to continue to be the largest. Installations are, however, also expected in countries such as the Netherlands, France, Belgium, Sweden, and Denmark in coming years.

Outside of Europe both Asian and the North American markets are starting to express a dedicated interest in offshore, with activity anticipated to ramp up around 2020.

MHI Vestas Offshore Wind remain in a strong position to capitalize on the opportunities arising from both the traditional and emerging markets.

Four key pillars are the foundation for future growth

MHI Vestas Offshore Wind draws on synergies from both MHI and Vestas to create a strong company with the business imperatives to thrive in the offshore wind sector. There are four key pillars on which the company is based;

1) Project experience: With over 2GW of installed capacity, representing the second largest market share in the industry, MHI Vestas Offshore Wind draws on the experience from over 20 years in offshore installation across nearly 20 projects in seven countries. Tunø Knob installed in 1995 is the world's oldest operating offshore wind park. Utilization of the insights gained from this extensive track record allows the company to mitigate risks and ensure greater business case certainty for key customers.

2) Service setup: In 2015/16 the lost production factor across the entire fleet of turbines currently under service (approximately 1.2GW) was 2.8, which is industry leading. The service packages which range from a yield based approach to time and material based approach allow customers to construct the optimum service profile for their investment. MHI Vestas Offshore Wind continues to look for new ways to enhance its service offerings.

3) Strong Brand and Reputation: MHI Vestas Offshore Wind has strong relationships with all the major players in the offshore wind industry. The partnership between MHI and Vestas has opened up a range of possibilities for bringing in new partners into the industry all throughout the value chain, from finance to manufacturing, technology and beyond. Since its commencement, MHI Vestas Offshore Wind has been an active participant in the market and has generally had a presence in most tenders taking place since its formation.

Management's review

Operating review

4) Risk Management and safety track record: As a responsible organization MHI Vestas Offshore Wind is committed to safety and mitigating risks for offshore projects. During the year, the Egmond aan Zee wind park in the Netherlands past 10 years without a Lost Time Incident (LTI), meaning there have been no recorded incidents in either the construction or operation phases - An industry record.

Solid order book

During the year, MHI Vestas Offshore Wind continued to add to its order book, with approximately 1.6GW of firm and conditional orders added to the company since its inception.

While there is much focus on the roll out and ramp up of the V164-8.0MW turbine, there is still strong interest in the 3MW platform. In fact, the company's Rampion project in the UK, which was signed during the year, will be its largest offshore project to date at 400MW (116 x V112-3.45). And MHI Vestas Offshore Wind strengthened its number one market position in Belgium when it signed the 165MW Nobelwind project (50 x V112-3.3).

The 3MW platform currently makes up over 30% of new orders for the company.

In relation to the 8MW platform, there were several announcements for conditional orders and preferred supplier status for the turbine, including Borkum Riffgrund 2 (450MW project in Germany), Horns Reef III (400MW project in Denmark) and Norther (370MW project in Belgium). The 330MW Walney Extension project became firm and unconditional, as did the two pedigree turbine project at Måde in Denmark.

Based on these levels of order activity, the joint venture finds itself well positioned as one of the strongest players in the offshore market.

V164 continues its strong performance

MHI Vestas Offshore Wind has taken an open book approach to the development of the V164-8.0MW turbine, meaning that key customers have been privy to the performance of the turbine all the way through its development.

The single prototype turbine at Østerild in Denmark continues to perform well and has demonstrated encouraging availability figures through its first two years of operation.

Two pedigree turbines were erected in Måde as part of the V164's first commercial project with European Energy and BMC Energi. The Måde project is significant for the development of the 8.0MW platform as it allows the company to test and refine its offshore installation methods as well as assess the turbine in a "park formation".

About the V164-8.0MW

- 8 MW rated power
- 80 m blades
- Each blade weighs 35 tonnes
- Swept area of 21.124 m2
- The nacelle is 20 m long, 8 m wide and 8 m high, weighing approximately 390 tonnes
- Approximate hub height of 105 m (Østerild prototype 140 m)
- Approximate tip height of 187 m (Østerild prototype 220 m)

With the baseline development of the turbine complete, MHI Vestas Offshore Wind is currently looking at extracting even more energy from the turbine. Through the implementation of "power modes" the turbine can already generate up to 8.25MW of power. The company expects to continue the expanding the energy generating capacity of the turbine.

Management's review

Operating review

Manufacturing and sourcing

Major components for the 3MW platform continue to be sourced from Vestas and manufactured at Vestas facilities. The major components for the V164-8.0MW turbine however have been sourced by MHI Vestas Offshore Wind and are being manufactured in the company's own production facilities.

In 2015, MHI Vestas Offshore Wind established a blade factory on the Isle of Wight in the UK, the first original equipment manufacturer (OEM) to have locally sourced UK content in its supply chain. In order to meet the demand for blades, the company has opened a secondary facility in Nakskov, Denmark, to compliment the highly utilized facility on Isle of Wight.

Nacelles are being produced at Lindø in Denmark.

Pre-assembly for the first two projects at Burbo Banks and Walney will take place in Belfast Harbour in the United Kingdom.

MHI Vestas Offshore Wind continues to work with its suppliers to drive continuous quality improvement and look for efficiencies to reduce the overall cost of energy. The company believes that its current "asset light" manufacturing set-up provides the most flexible and robust production footprint that can ensure the timely delivery of the new technology.

Operational performance according to plan

As part of the formation of the joint venture, MHI initially injected EUR 100m into the joint venture at its formation, with an additional EUR 200m to be injected as milestone payments based on certain commercial and technical achievements.

In the latter half of 2015, all of these milestone payments had been received by the joint venture, a testament to the satisfying operating performance of the joint venture throughout the period.

During the year, MHI Vestas Offshore Wind completed delivery of the 129MW Eneco Luchterduinen project located in the Netherlands, and the 216MW Humber Gateway and 50MW Kentish Flats projects, both located in the UK. The Kentish Flat Extension project saw MHI Vestas Offshore Wind reach over 2GW of installed capacity, over half of which is still under service.

Financial performance

Income statement

Revenue for the year was realised with EUR 536m resulting in a gross profit of EUR 31m. This was driven by sales of turbines and service contracts from the V112 3MW platform, however partly offset by indirect production costs related to the V164 production start-up for the three factories.

Furthermore, significant costs were incurred from the amortisation of the V164 development project and the profit for the year thus amounted to negative EUR 44m. The negative result is considered satisfactory as this was in line with the expectations at the joint venture establishment. Compared to last year the result dropped as profit from the increased project activity was heavily absorbed by the V164 related costs as explained above.

Management's review

Operating review

Balance sheet

The V164 development project was finalised during the year and after further capitalisation and amortisation the value of the completed development project amounted to EUR 362m at 31 March 2016.

At the end of the year the equity was EUR 437m. As part of the agreed joint venture establishment the shareholders made capital increases of EUR 50m during the year.

Other material balance sheet items at 31 March 2016 was inventories of EUR 270m and prepayments from customers of EUR 253m. In all material aspects both of these balance sheet items relate to on-going turbine projects.

Subsequent events

No events materially affecting the financial position and thereby assessment of the annual report have occurred after the balance sheet date.

Outlook

Management expects that the activity level will continue to increase in the coming year with three factories ramping up for full production capacity related to the V164 8MW-turbine and installation of the first offshore V164 project. At the same time the backlog of service contracts and turbine projects from the existing V112 3MW portfolio also needs to be executed.

Although the increased activity will result in higher revenue, the earnings will decline due to the extensive start-up cost for the V164 introduction. These costs will in particular be driven by indirect production costs, non-cash depreciation of the tangible assets in the new factories, and non-cash amortisation of the V164 development project.

The expected development is in line with previous internal expectations and the strong financial position secured during the first two years in operation is tailored to cope with this.

Risk management

The major and special risks in MHI Vestas Offshore Wind are continuously identified, monitored and managed by the Management Board and the Board of Directors. Mitigating actions are initiated, when appropriate in order to reduce relevant risks to an acceptable level. The major and special risks facing MHI Vestas Offshore Wind are currently:

Regulatory financial support for offshore wind

Description

Offshore wind energy projects are still dependent on government based financial support. In our core markets in Europe, there is a trend to grant regulatory financial support for offshore wind energy projects based on applying competitive auction processes with various factors applying in different markets, but in general the bid price is the key competitive factor.

Potential impact

Applying competitive auction processes means that the customers of MHI Vestas Offshore Wind will have a high focus on lowering the cost of energy in order for them to succeed with their bid. This focus on the bid price will put pressure on prices and efficiency in the complete value chain of the offshore wind industry, hereunder on the wind turbine manufacturers.

Management's review

Operating review

Mitigation

With our competitive wind turbine technology, MHI Vestas Offshore Wind is currently well positioned in the market to offer wind turbines that will help our customers offering competitive bidding prices. To mitigate potential future impact of the competitive auction processes, MHI Vestas Offshore Wind is continuously focusing on driving down the cost of energy in our scope of the value chain of the offshore wind industry. MHI Vestas Offshore Wind is in particular focused on developing the wind turbine technology, increasing our system integration and interface management abilities and our logistic- and installation efficiency. MHI Vestas Offshore Wind is at the same time maintaining a constant focus on lowering costs in order to drive down the accumulated costs of energy in the future offshore wind energy projects.

Ensuring V164 manufacturing capability

Description

The launch of the V164 wind turbine has been successful and our manufacturing facilities are running at high capacity. It is important that our manufacturing facilities and sub-suppliers continue to manufacture and deliver as planned in order to meet the delivery requirements under the turbine supply agreements with our customers.

Potential impact

A material delay in our manufacturing value chain can potentially impact our ability to timely deliver wind turbines and related equipment to our customers under the turbine supply agreements. Such delayed delivery may be subject to payment of delay liquidated damages by MHI Vestas Offshore Wind. Another potential consequence of a material delay in delivery is that the market confidence in MHI Vestas Offshore Wind may be negatively affected.

Mitigation

MHI Vestas Offshore Wind has a strong and continuous focus on ensuring that our manufacturing value chain comply with all time-, quality- and safety requirements. The management is closely following and monitoring the manufacturing performance and compliance with key performance indicators. In addition MHI Vestas Offshore Wind has a tight focus on ensuring that our sub-suppliers deliver components to us that are fully compliant with all requirements of MHI Vestas Offshore Wind.

Statutory corporate social responsibility and diversity statement, see section 99a and 99b of the Danish Financial Statements Act

Certification standards

For the current year, the certification activity has been just as intense as the first year of MHI Vestas Offshore Wind in relation to the ISO 9001 (quality), ISO 14001 (environment) and OSHAS 18001 (occupational health and safety) certifications. This both in relation to external and internal audit activities. It was the year where MHI Vestas Offshore Wind had to achieve certification of the facility at the Isle of Wight (IOW) and follow-up visits with the rest of the organisation. MHI Vestas Offshore Wind had a visit from of DNV GL for follow-up at Head Quarters at Dusager in Aarhus, DK, and the Service sites in Benelux. In addition to this, there was an audit according to the Danish requirement Bek.73, which is a demand for being allowed to service wind turbines in Denmark set by the Danish authorities. The result opened up for improvements, but also showed the importance of ensuring adequate training in the usage of a well-implemented Management System and the related IT platform.

Management's review

Operating review

Safety

Safety is a key parameter as MHI Vestas Offshore Wind continues the rapid growth in both number of company locations and employees. We ensure that people "Think Safety" by making safety an integral part of our mind-set and behaviour, business plans, design, procedures and processes in the entire organization; This in relation to all employees, external contractors as well as internal and external stakeholders. This has been communicated in the MHI Vestas Offshore Wind 5 Safety Principles:

1. Every injury can be prevented
2. All hazards can be managed
3. Management is accountable for safety
4. Employees are the most critical factor in any safety effort
5. We operate a "No Blame Culture".

We do everything we can to reduce the risk of workplace hazards and provide a safe work environment to all our employees throughout the entire value chain and in all areas of our business. This was stipulated by the introduction of a proactive safety KPI in the year, The Haz Obs / Near Miss rate (the total number of Hazardous Observations and Near Misses per 100.000 working hours), by which we measure the potential harm where we are capable of conducting proactive and positive safety work to minimize the risk. The target was set by a rate >95 and the performance was realized by 113.

The safety performance during the year was to some extent influenced by the fact that MHI Vestas Offshore Wind turned into a full scale production company with own manufacturing sites, pre-assembly and post-manufacturing tagging along the construction and service side of the business. MHI Vestas Offshore Wind experienced 9 LTIs (Lost Time Injuries), which resulted in a LTI rate of 4.2 against a target of 2.0 (per 1.000.000 million working hours). The TRI (Total Recordable Injury) rate was realized by 18 against a target of 12 (total number of LTIs, Restricted Work Injuries and Medical Treatment Injuries per 1.000.000 working hours).

To improve the safety performance and drive down the injury rates, we will dedicate our main efforts on the human factor as people are the most critical factor in any safety effort: Competencies, training and behaviour. Two major initiatives have been launched in the beginning of April 2016; The Safety Dialogue and Safety Awareness training. The Safety Dialogue is a tool for managers to define safer ways to work and further strengthen and enhance good safety behaviour and practices throughout the company by means of dialogue with equal attention to positive and negative behaviours. The Safety Awareness training has its main focus around the MHI Vestas Offshore Wind 5 Safety Principles and behavioural safety, and is rolled out with an official company target - KPI - related to it as well as underlying targets for the MHI Vestas Offshore Wind key processes. All employees including external contractors must attend this training to anchor the safety culture and create the necessary awareness in all areas of the business.

Environment and energy

In general, MHI Vestas Offshore Wind aims at an overall waste recycle target for all waste streams of more than 80%, and MHI Vestas Offshore Wind continues to focus on initiatives for continuous improvements in waste handling in order to meet this target in the coming year. This is further enhanced by the implementation of a zero-landfill target and the strong attention to chemical storage, usage and disposal.

A new environmental KPI will be introduced to the organization in the coming year, the Environmental Frequency Rate (EFR). The EFR, which is commonly used within the industry, is defined as environmental incidents being of medium, major or catastrophic severity per 1.000.000 working hours. MHI Vestas Offshore Wind registered the EFR already in current year with a performance of 5.5 due to 10 medium and 2 major environmental incidents.

Management's review

Operating review

To deal with the energy challenges in the EU and to contribute to an energy reduction of 20% in 2020, all large companies in the EU shall perform a so-called energy review ('Energisyn' in Denmark, 'ESOS Energy Savings Opportunity Scheme' in UK). During the year, Lindø Nacelle factory (LIN) in DK and the blades factory on the Isle of Wight (IOW) have been subject to this energy review in MHI Vestas Offshore Wind. The future step will be to implement Energy Management in MHI Vestas Offshore Wind's ISO14001 certification and also include the blade factory in Nakskov, DK, in the energy review.

Human rights

MHI Vestas Offshore Wind recognises its responsibility to respect and act in consideration of human rights, social, environmental, and climate conditions. Consequently, the company ensures to prevent causing or contributing to adverse human rights impacts in all business activities and strategies. Compliance with the International Bill of Human Rights will be integrated as a part of the company Code of Conduct, which sets out the standards for acceptable behaviour for anyone acting on behalf of MHI Vestas Offshore Wind.

Additionally, MHI Vestas Offshore Wind sets clear requirements for compliance with human rights to all business relationships that are directly linked to the company operations, products or service. This means that all suppliers are evaluated in a Supplier Assessment Tool ensuring that the company will not do business with anyone acting in dispute with the International Bill of Human Rights.

MHI Vestas Offshore Wind considers employee rights to be an integrated part of human rights. To protect and respect human rights and the well-being of all employees, the company has two fora where employee representatives and management can discuss relevant issues, especially with regard to safe work places, employee welfare, education of employees, and relationship to unions.

Our respect for human rights is also reflected in MHI Vestas Offshore Wind's Mission, Vision and Creeds, Code of Conduct, business principles and policies.

Employees

Since MHI Vestas Offshore Wind was established in April 2014, the company has steadily extended the business activity level. During the year, MHI Vestas Offshore Wind increased the overall number of employees from 578 employees per March 2015 to 1,134 employees per March 2016, mainly driven by the start-up of the factory in Nakskov and ramp-up at the factories in Lindø and Isle of Wight.

The employees are based in different locations across Denmark, Sweden, Germany, The Netherlands, Belgium and the United Kingdom.

MHI Vestas Offshore Wind expects to continue building up the organisation with highly qualified, dedicated and diverse people to manage the planned execution of the company strategy.

Diversity

MHI Vestas Offshore Wind strive to offer all employees equal opportunities. When recruiting, MHI Vestas Offshore Wind always pursues the goal of having both genders and several nationalities represented, as well as a diverse age distribution. This also applies to the development and advancement opportunities offered to employees and the focus on diversity is an integral part of the HR processes. However, this focus must not compromise the principle to always choose the best person for the job.

MHI Vestas Offshore Wind's workforce is per March 2016 represented by 26 different nationalities. Also the management team in MHI Vestas Offshore Wind consists of different nationalities, genders and age groups. In the daily management team the number of members of the underrepresented gender has increased since 2014 and per March 2016 the daily management team comprises 8 different nationalities and has an average age of 45.

Management's review

Operating review

The Board of Directors continuously works to increase diversity on the Board in particular in connection with assessments of new Board candidates.

When proposing new Board candidates, the Board of Directors pursues the goal of having both genders and several nationalities represented as well as a diverse age distribution. However, this goal must not compromise the other recruitment criteria.

Current overview of the diversity of the board:

Nationalities	4
Men	6
Women	0
Average age	59

In accordance with Danish legislation, MHI Vestas Offshore Wind has defined a target outlining that members of the underrepresented gender should constitute one board member no later than 2018.

Code of Conduct

MHI Vestas Offshore Wind has implemented a Code of Conduct to serve as a moral compass guiding how we conduct business. Through a set of clear standards and guidelines the Code of Conduct sets out the principles for how our employees, consultants, business partners, and agents are expected to behave in the pursuit of achieving MHI Vestas Offshore Wind's strategic objectives.

Being an international company operating in various countries and cultures we have the responsibility to equip employees and stakeholders with the right foundation to handle any ethical challenges they might face in the course of their work for MHI Vestas Offshore Wind. Therefore all employees are introduced to the Code of Conduct during their on-boarding, while consultants, business partners and agents are introduced to the Code of Conduct upon commencement of the collaboration with MHI Vestas Offshore Wind.

In order to make sure that the Code of Conduct is embedded in the company culture and continues guide the behaviour of all employees additional training in handling ethical dilemmas is being planned for employee groups especially exposed to ethical challenges.

Violation of the Code of Conduct may lead to disciplinary proceedings and potentially dismissal. If employees experience or become aware of a violation of the Code of Conduct, the employee is expected to report this.

Global Bonus Programme

MHI Vestas Offshore Wind acknowledges that all employees are essential for the company to be able to achieve its business objectives and therefore rewards all employees through the Global Bonus Programme when annual goals are achieved. The Bonus Programme is based on measurable focus areas, also known as Bonus Targets/KPIs, which help to realise our strategic priorities and internal targets. As all employees contribute to the same value chain and support the same customers, whether working in a support function or developing, producing, marketing, selling, installing or servicing wind turbines all employees are rewarded on the basis of the same KPI's. The extent to which each organisational area will be rewarded depends on the extent to which this area has delivered on the Bonus KPI's.

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Income statement

		Consolidated		Parent company	
Note	EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
2	**Revenue**	535,906	402,664	201,557	24,175
4	Production costs	-505,058	-353,069	-217,072	-26,319
	Gross profit	30,848	49,595	-15,515	-2,144
3,4	Research and development costs	-43,732	-5,503	-43,732	-5,503
4	Distribution costs	-7,664	-6,060	-6,316	-4,111
4	Administration costs	-25,764	-23,829	-22,180	-20,548
	Other operating income	0	14	52,653	37,930
	Operating profit (EBIT)	-46,312	14,217	-35,090	5,624
	Share of profit in group companies after tax	0	0	-10,595	3,823
5	Financial income	3,784	322	1,788	322
6	Financial costs	-1,433	-7,487	-1,313	-3,573
	Profit before tax	-43,961	7,052	-45,210	6,196
7	Tax	-255	1,268	994	2,124
	Profit for the year	-44,216	8,320	-44,216	8,320
	Proposed distribution of profit				
	Transfer to reserve under the equity method	0	0	-10,595	3,823
	Retained earnings	-44,216	8,320	-33,621	4,497
		-44,216	8,320	-44,216	8,320

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Balance sheet

Note	EUR'000	Consolidated 31 March 2016	Consolidated 31 March 2015	Parent company 31 March 2016	Parent company 31 March 2015
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Software	15,157	7,311	15,157	7,311
	Development projects in progress	10,736	325,034	10,736	325,034
	Completed development projects	362,176	0	362,176	0
		388,069	332,345	388,069	332,345
9	**Property, plant and equipment**				
	Plant and machinery	31,279	1,205	21,278	1,205
	Other fixtures and fittings, tools and equipment	24,002	4,599	21,531	4,308
	Property, plant and equipment under construction	2,192	11,778	0	113
		57,473	17,582	42,809	5,626
	Other non-current assets				
	Other receivables	626	603	617	582
10	Investments in group companies	0	0	43,538	49,144
		626	603	44,155	49,726
	Total non-current assets	446,168	350,530	475,033	387,697
	Current assets				
11	**Inventories**	270,203	271,144	271,992	125,816
	Receivables				
12	Trade receivables	17,045	9,502	1,117	221
	Receivables from group companies	0	0	130	0
	Receivables from shareholders	2,974	43,449	2,329	43,158
	Other receivables	33,745	16,937	32,100	13,577
13	Deferred tax asset	0	230	0	230
14	Tax receivables	1,666	0	1,355	0
	Prepayments	5,205	1,197	1,564	1,196
		60,635	71,315	38,595	58,382
	Cash at bank and in hand	63,646	98,550	49,659	91,934
	Total current assets	394,484	441,009	360,246	276,132
	TOTAL ASSETS	840,652	791,539	835,279	663,829

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Balance sheet

		Consolidated		Parent company	
Note	EUR'000	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	13,690	13,590	13,690	13,590
	Reserve under the equity method	0	0	7,809	23,170
	Retained earnings	423,300	401,971	415,491	378,801
	Total equity	436,990	415,561	436,990	415,561
	Provisions				
15	Other provisions	0	0	0	0
	Total provisions	0	0	0	0
	Liabilities				
	Non-current liabilities				
16	Financial debts	0	2,000	0	2,000
		0	2,000	0	2,000
	Current liabilities				
16	Financial debts	2,002	0	2,002	0
	Prepayments from customers	252,528	241,192	230,019	27,204
	Trade payables	97,250	39,373	63,882	22,195
	Payables to group companies	0	0	60,311	128,965
	Payables to shareholders	31,308	71,614	28,679	59,328
14	Tax payables	892	1,010	0	0
	Other liabilities	19,682	20,789	13,396	8,576
		403,662	373,978	398,289	246,268
	Total liabilities	403,662	375,978	398,289	248,268
	TOTAL EQUITY AND LIABILITIES	840,652	791,539	835,279	663,829

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Statement of changes in equity

	Consolidated		
EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2014	13,002	78,993	91,995
Exchange rate adjustments, EUR conversion	0	-176	-176
Exchange rate adjustments on foreign entities	0	5,068	5,068
Fair value adjustments of derivative financial instruments	0	16,717	16,717
Capital increases	588	293,049	293,637
Profit for the year	0	8,320	8,320
Equity at 1 April 2015	13,590	401,971	415,561
Exchange rate adjustments, EUR conversion	0	1,031	1,031
Exchange rate adjustments, foreign entities	0	-4,890	-4,890
Fair value adjustments of derivative financial instruments	0	19,504	19,504
Capital increases	100	49,900	50,000
Profit for the year	0	-44,216	-44,216
Equity at 31 March 2016	13,690	423,300	436,990

	Parent company			
EUR'000	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January 2014	13,002	35,190	43,803	91,995
Exchange rate adjustments, EUR conversion	0	-62	-114	-176
Exchange rate adjustments on foreign entities	0	5,068	0	5,068
Fair value adjustments of derivative financial instruments	0	16,717	0	16,717
Dividend	0	-37,566	37,566	0
Capital increases	588	0	293,049	293,637
Profit for the year	0	3,823	4,497	8,320
Equity at 1 April 2015	13,590	23,170	378,801	415,561
Exchange rate adjustments, EUR conversion	0	124	907	1,031
Exchange rate adjustments, foreign entities	0	-4,890	0	-4,890
Fair value adjustments of derivative financial instruments	0	0	19,504	19,504
Dividend	0	0	0	0
Capital increases	100	0	49,900	50,000
Profit for the year	0	-10,595	-33,621	-44,216
Equity at 31 March 2016	13,690	7,809	415,491	436,990

Share capital

The share capital is made up of 13,689,676 shares of EUR 1 each. All shares rank equally.
The share capital has been increased by 39 shares of EUR 1 in 2013.
The share capital has been increased by 588,170 shares of EUR 1 in 2014/15.
The share capital has been increased by 100,006 shares of EUR 1 in 2015/16.

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Cash flow statement

		Consolidated	
Note	EUR'000	2015/16 (12 months)	2014/15 (15 months)
	Profit for the year	-44.216	8,320
	Depreciation and amortisation, reversed	45.331	3,492
	Financial items, reversed	-2.351	7,165
	Tax, reversed	255	-1,268
	Other adjustments	2.215	5,148
20	Changes in working capital	60.361	117,896
	Cash flows from operating activities before financial items and tax	61.595	140,753
	Financial items paid	2,351	-7,165
	Cash flows from operating activities before tax	63,946	133,588
	Corporation tax paid	-1,759	3,357
	Cash flows from operating activities	62,187	136,945
19	Purchase of intangible assets	-92.878	-331,730
	Purchase of property, plant and equipment	-48.198	-17,938
	Disposal of property, plant and equipment	8	45
	Purchase of other non-current assets	-23	-603
	Cash flows from investing activities	-141,091	-350,226
	Free cash flow	-78,904	-213,281
	Capital increase	50,000	293,637
	Change in non-current debt	0	0
	Cash flows from financing activities	50,000	293,637
	Net cash flows from operating, investing and financing activities	-28,904	80,356
	Cash at bank and in hand at the beginning of the year	98,550	18,159
	Exchange rate adjustment of cash	-6,000	35
	Cash at bank and in hand at the end of the year	63,646	98,550

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Contents

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

1	Accounting policies	24
2	Revenue	29
3	Research and development costs	29
4	Depreciation/amortisation	30
5	Financial income	30
6	Financial costs	31
7	Corporation tax	31
8	Intangible assets	31
9	Property, plant and equipment	33
10	Investment in group companies	35
11	Inventories	36
12	Trade receivables	36
13	Deferred tax asset	36
14	Tax payables and receivables	37
15	Other provisions	37
16	Financial debts	38
17	Employee information	38
18	Fees to auditors	39
19	Purchase of intangible assets	39
20	Change in working capital	39
21	Related parties and ownership	40
22	Contractual obligations	40

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

1 **Accounting policies**

The annual report of MHI Vestas Offshore Wind A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year, except for the presentation of research and development costs, which are now segregated from production costs (EUR 44m in 2015/16 and EUR 6m in 2014/15) and excluded from gross profit.

The annual report is presented in EUR 1,000.

This note describes the general accounting policies. Accounting policies described in the separate notes to the financial statements form part of the general description of accounting policies:

- Revenue note 2
- Research and development costs note 3
- Depreciation/amortisation note 4
- Financial income note 5
- Financial costs note 6
- Tax note 7
- Intangible assets note 8
- Property, plant and equipment note 9
- Other non-current assets, parent company note 10
- Inventories note 11
- Trade receivables note 12
- Deferred tax asset note 13
- Tax payables and receivables note 14
- Other provisions note 15

Consolidated financial statements

The consolidated financial statements comprise the parent company, MHI Vestas Offshore Wind A/S, and subsidiaries in which MHI Vestas Offshore Wind A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date. Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

1 **Accounting policies (continued)**

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Foreign currency translation

The functional currency of MHI Vestas Offshore Wind A/S is DKK, but due to the Company's international relations, the annual report is presented in EUR. Transactions in other currencies than the functional currency are transactions in foreign currency.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity. Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. Income and expenses related to such hedges are transferred from equity by realisation of the hedged item and recognised in the same financial statement item as the hedged item.

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Group has not entered into any finance leases. Operational lease expenses are recognised in the income statement over the term of the lease.

Income statement

Production costs

Production costs, including warranty costs, comprise expenses incurred in generating the revenue for the year. Cost comprises raw material, consumables, direct labour costs and indirect expenses such as salaries, rental, tools and minor acquisitions as well as depreciation of production facilities.

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 costs incurred for the sale and distribution of products, etc. sold during the year. Also costs relating to staff and depreciation/amortisation are recognised.

Administration costs

Administration costs include costs incurred in the year for management and administration of the Group, including costs relating to administrative staff, management, office premises, office expenses and depreciation/amortisation.

Other operating income

Other operating income comprises items secondary to the activities of the enterprises, including service charges and gains on disposal of property, plant and equipment.

Balance sheet

Other receivables

Other receivables include VAT receivable, deposits etc. and are measured at amortised cost.

Prepayments

Prepayments recognised as assets comprise prepaid expenses concerning subsequent financial years.

Equity and dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting. The expected dividend payment for the year is disclosed as a separate item under equity.

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

1 Accounting policies (continued)

Prepayments from customers

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

Other liabilities

Other liabilities include VAT payable, salary and holiday pay obligations, personal taxes, etc.

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 for the year adjusted for non-cash operating items such as depreciation, amortisation, provisions and changes in working capital.

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.

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 and distribution of dividends to shareholders.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and in hand and current bank debt.

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Gross margin	=	$\frac{\text{Gross profit x 100}}{\text{Net revenue}}$
EBITDA margin	=	$\frac{\text{Profit before financial items and depreciation/amortisation x 100}}{\text{Net revenue}}$
EBIT margin	=	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Net revenue}}$
Return on invested capital	=	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Average assets excluding cash and non-interest bearing debt}}$
Solvency ratio	=	$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

2 Revenue

Accounting policies

Revenue comprises the sale of wind turbines and wind power systems, sale of after-sales service and sale of spare parts. Sale of individual wind turbines and small wind power systems based on standard solutions as well as spare parts sales are recognised in the income statement provided that the risk has been transferred to the buyer prior to the year end, and provided that the income can be reliably measured and is expected to be received.

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

	Consolidated		Parent company	
EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
Sale of turbines	420,688	293,918	198,628	0
Sale of service	115,218	108,746	2,929	24,175
	535,906	402,664	201,557	24,175

All revenue is generated in Europe as specified below:

Benelux	214,874	181,383	0	0
United Kingdom	295,625	211,341	0	0
Other	25,407	9,940	20,910	8,101
Internal sales	0	0	180,647	16,074
	535,906	402,664	201,557	24,175

3 Research and development costs

R&D costs	90,752	81,752	90,752	81,752
Capitalised development projects	-83,488	-76,249	-83,488	-76,249
Amortisation of development projects	36,468	0	36,468	0
	43,732	5,503	43,732	5,503

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

4 Depreciation/amortisation

Accounting policies

Depreciation/amortisation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Software	3-5 years
Completed development projects	3-8 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-5 years

	Consolidated		Parent company	
EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
Software	1,570	812	1,570	812
Completed development projects	36,468	0	36,468	0
Plant and machinery	3,785	1,082	1,341	1,082
Other fixtures and fittings, tools and equipment	3,508	1,598	3,068	1,557
	45,331	3,492	42,447	3,451
Expensed as follows:				
Production costs	6,481	2,289	3,597	2,252
Research and development costs	36,468	0	36,468	0
Distribution costs	177	36	177	36
Administration costs	2,205	1,168	2,205	1,163
	45,331	3,492	42,447	3,451

5 Financial income

Accounting policies

Financial income comprises interest income, exchange gains on securities, payables and transactions denominated in foreign currencies.

	Consolidated		Parent company	
EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
Interest from group companies	0	0	88	0
Exchange rate adjustments	3,713	0	1,634	0
Other financial income	71	322	66	322
	3,784	322	1,788	322

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

6 Financial costs

Accounting policies

Financial costs comprise interest expenses, exchange losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities etc.

	Consolidated		Parent company	
EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
Interest to group companies	0	0	44	1,476
Exchange rate adjustments	0	4,773	0	1,163
Other financial costs	1,433	2,714	1,269	934
	1,433	7,487	1,313	3,573

7 Corporation tax

Accounting policies

Corporation tax for the year comprises tax payable for the year and changes in deferred tax for the year. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

	Consolidated		Parent company	
EUR'000	2015/16 (12 months)	2014/15 (15 months)	2015/16 (12 months)	2014/15 (15 months)
Corporation tax	1,026	1,437	-738	0
Adjustment to corporation tax, previous years	-1,001	-3,021	-486	-1,894
Change in deferred tax	0	-230	0	-230
Adjustment to deferred tax, previous years	230	546	230	0
	255	-1,268	-994	-2,124

8 Intangible assets

Accounting policies

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

Projects for the development and testing of new wind turbines that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or application in the enterprise are evidenced, and where the Company intends to manufacture, market or use the project, are recognised as intangible assets provided that the cost can be reliably measured and that there is sufficient assurance that future earnings or the net selling price can cover cost of sales, distribution and administrative expenses as well as research and development costs. This is underpinned by a gate process, where these judgments are made at specific gates. Other development costs are recognised in the income statement as incurred.

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

8 Intangible assets (continued)

Accounting policies (continued)

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, amortisation and other expenses 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 life. The basis of amortisation is calculated net of impairment losses, if any.

The carrying amount of intangible assets is subject to an annual test for indications of impairment. If so, write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Critical accounting estimates

The carrying amount of development projects relates to the development of the 8 MW turbine platform. An impairment test based on discounted future cash flows has been performed without given rise to any impairment losses.

The fair value of the estimated future earnings is determined based on assumptions in relation to elements such as future sales of projects, interest rates etc.

	Consolidated			
EUR'000	Software	Development projects in progress	Completed development projects	Total
Cost at 1 April 2015	8,145	325,034	0	333,179
Exchange rate adjustments	30	904	0	934
Additions for the year	9,390	83,488	0	92,878
Transfers for the year	0	-398,690	398,690	0
Disposals for the year	0	0	0	0
Cost at 31 March 2016	17,565	10,736	398,690	426,991
Amortisation at 1 April 2015	834	0	0	834
Exchange rate adjustments	4	0	46	50
Amortisation for the year	1,570	0	36,468	38,038
Amortisation 31 March 2016	2,408	0	36,514	38,922
Carrying amount at 31 March 2016	15,157	10,736	362,176	388,069
Amortised over	3-5 years		3-8 years	

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

8 Intangible assets (continued)

	Parent Company			
EUR'000	Software	Development projects in progress	Completed development projects	Total
Cost at 1 April 2015	8,145	325,034	0	333,179
Exchange rate adjustments	30	904	0	934
Additions for the year	9,390	83,488	0	92.878
Transfers for the year	0	-398.690	398,690	0
Disposals for the year	0	0	0	0
Cost at 31 March 2016	17,565	10,736	398,690	426,991
Amortisation at 1 April 2015	834	0	0	834
Exchange rate adjustments	4	0	46	50
Amortisation for the year	1,570	0	36,468	38,038
Amortisation 31 March 2016	2,408	0	36,514	38,922
Carrying amount at 31 March 2016	15,157	10,736	362,176	388,069
Amortised over	3-5 years		3-8 years	

9 Property, plant and equipment

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less expected selling costs and the carrying amount at the date of disposal. Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. If so, write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

9 Property, plant and equipment (continued)

	Consolidated			
EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 April 2015	2,284	7,135	11,778	21,197
Exchange rate adjustments	-509	-82	-566	-1,157
Additions for the year	13,237	22,987	11,974	48,198
Transferred	20,994	0	-20,994	0
Disposals for the year	0	-27	0	-27
Cost at 31 March 2016	36,006	30,013	2,192	68,211
Depreciation at 1 April 2015	1,079	2,536	0	3,615
Exchange rate adjustments	-137	-14	0	-151
Depreciation for the year	3,785	3,508	0	7,293
Reversal of depreciation on disposals for the years	0	-19	0	-19
Depreciation at 31 March 2016	4,727	6,011	0	10,738
Carrying amount at 31 March 2016	31,279	24,002	2,192	57,473
Depreciated over	3-7 years	3-5 years		

	Parent company			
DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 April 2015	2,284	6,783	113	9,180
Exchange rate adjustments	29	39	0	68
Additions for the year	11,588	20,260	9,686	41,534
Transferred	9,799	0	-9,799	0
Disposals for the year	0	0	0	0
Cost at 31 March 2016	23,700	27,082	0	50,782
Depreciation at 1 April 2015	1,079	2,475	0	3,554
Exchange rate adjustments	2	8	0	10
Depreciation for the year	1,341	3,068	0	4,409
Reversal of depreciation on disposals for the year	0	0	0	0
Depreciation at 31 March 2016	2,422	5,551	0	7,973
Carrying amount at 31 March 2016	21,278	21,531	0	42,809
Depreciated over	3-7 years	3-5 years		

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

10 Investment in group companies

Accounting policies

Investments in group companies are recognised and measured under the equity method. The item "Share of profit in group companies after tax" in the income statement includes the proportionate share of the profit after tax.

Group companies with negative net asset values are measured at EUR 0, and any amounts owed by such enterprises are written down by the Company's share of the negative net asset value. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Total net revaluation of investments in group companies is transferred upon the distribution of profit to "Reserve under the equity method" under equity.

EUR'000	Investments in group companies
Cost at 1 April 2015	25,974
Additions for the year	9,755
Cost at 31 March 2016	**35,729**
Value adjustment at 1 April 2015	23,170
Exchange rate adjustments foreign entities	-4,890
Exchange rate adjustments EUR conversion	124
Share of profit in group companies after tax	8,105
Elimination of internal profit	-18,700
Dividends	0
Value adjustments at 31 March 2016	**7,809**
Carrying amount at 31 March 2016	**43,538**

Investments comprise the following entities:

Name	Registered office	Share capital	
MHI Vestas Offshore Wind UK Ltd.	United Kingdom	GBP'000	11,500
MHI Vestas Offshore Wind The Netherlands B.V.	The Netherlands	EUR'000	18
MHI Vestas Offshore Wind Bligh Bank NV	Belgium	EUR'000	62
MHI Vestas Offshore Wind Northwind (Belgium) NV	Belgium	EUR'000	1,000
MHI Vestas Offshore Wind Sweden AB	Sweden	SEK'000	100
MHI Vestas Offshore Wind Germany GmbH	Germany	EUR'000	1,275
MHI Vestas Offshore Wind Belgium NV	Belgium	EUR'000	1,000
MHI Vestas Offshore Wind Blades UK Ltd.	United Kingdom	GBP'000	7,000

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

11 Inventories

Accounting policies

Inventories are measured at the lower of cost, using the weighted average method, and net realisable value (NRV). 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. The cost of goods for resale and consumables comprises direct costs and transportation expenses.

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Raw materials and consumables	47,931	8,912	44,762	4,808
Work in progress	48,486	15,236	47,263	15,236
Finished goods	81,379	228,704	87,571	87,480
Prepayment for goods	92,407	18,292	92,396	18,292
	270,203	271,144	271,992	125,816

12 Trade receivables

Accounting policies

Trade receivables are measured at amortised cost. Provisions are made for bad debts.

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Trade receivable	17,045	9,502	1,117	221
Provisions for bad debts	0	0	0	0
	17,045	9,502	1,117	221

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

13 Deferred tax asset

Accounting policies

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax.

In case of use of alternative taxation rules for determination of tax base, deferred tax is measured on the basis of planned realisation of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

13 Deferred tax asset (continued)

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Deferred tax asset at 1 April	230	525	230	0
Exchange rate adjustments	0	21	0	0
Adjustment of deferred tax asset, previous years	-230	-546	-230	0
Adjustment of deferred tax asset for the year	0	230	0	230
Deferred tax asset at 31 March	0	230	0	230

14 Tax payables and receivables

Accounting policies

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.

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Tax receivables (assets)	1,666	0	1,355	0
Tax payables (assets)	-892	-1,010	0	0
Net tax receivable/payable at 31 March	774	-1,010	1,355	0

15 Other provisions

Accounting policies

Provisions are recognised when - in consequence of an event that has occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that there will be an outflow of the Company's financial resources to settle the obligation. Provisions are measured at Management's best estimate of the expenses required to settle the obligation.

Warranty provisions comprise warranty obligations made in respect of delivered wind turbines and wind power systems based on experience. At the start of the warranty period, calculated provisions are made for each type of wind turbine and are released to the income statement over the warranty period as warranty costs are incurred. Subsequently, periodic reviews are performed based on an overall assessment of the need for provisions.

A provision for loss-making service or turbine contracts is made where the expected benefits to the company from the contract are lower than the unavoidable costs of meeting obligations under the contract (loss-making contracts).

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

15 Other provisions (continued)

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Other provisions at 1 April	0	329	0	328
Exchange rate adjustments	0	0	0	0
Utilised provisions for the year	0	-329	0	-328
Provisions for the year	0	0	0	0
Other provisions at 31 March	0	0	0	0

Other provisions are expected to be payable as follows:

0-1 years	0	0	0	0
1-5 years	0	0	0	0
	0	0	0	0

16 Financial debts

Financial debts consist of loan from the two shareholders falling due within 1 year.

17 Employee information

	Consolidated		Parent company	
EUR'000	31/3 2016	31/3 2015	31/3 2016	31/3 2015
Wages and salaries, etc.	69,500	53,344	45,145	33,734
Pension schemes	3,825	3,233	2,818	1,895
Other social security costs	3,062	2,766	1,261	1,076
	76,387	59,343	49,224	36,705
Average number of employees	882	444	466	241
Executive Management remuneration including incentive schemes	2,035	2,038	2,035	2,038
Board of Directors remuneration	0	0	0	0

Consolidated financial statements and parent company financial statements for the period 1 April – 31 March

Notes to the financial statements

18 Fees to auditors

Fees to auditors appointed at the annual meeting

	Consolidated 2015/16 (12 months)	2014/15 (15 months)
Statutory audit	266	244
Assurance engagements	89	44
Tax assistance	112	103
Other assistance	48	29
	515	420

19 Purchase of intangible assets

	Consolidated 2015/16 (12 months)	2014/15 (15 months)
Additions	92,878	84,414
Not paid within current year	0	-2,000
Paid regarding previous years	0	249,316
	92,878	331,730

20 Change in working capital

	Consolidated 2015/16 (12 months)	2014/15 (15 months)
Change in inventories	941	-157,136
Change in receivables	-8,855	-20,304
Change in prepayments from customers	11,336	32,847
Change in trade payables	57,877	22,551
Change in other liabilities	-1,107	6,081
Change in receivables/payables with group companies and shareholders	169	233,857
	60,361	117,896

Consolidated financial statements and parent company financial statements for the period 1 April - 31 March

Notes to the financial statements

21 Related parties and ownership

The Group is jointly owned with a 50/50 share by:

- MHI Holding Denmark ApS, Denmark and
- Vestas Wind Systems A/S, Denmark.

22 Contractual obligations

	Consolidated		Parent company	
EUR'000	2015/16	2014/15	2015/16	2014/15
Operating lease commitments falling due within 1 year	15,839	9,238	6,475	2,842
Operating lease commitments falling due within 1-5 years	47,884	23,133	13,866	4,848
Operating lease commitments falling due after 5 years	37,693	9,596	5	0
	101,416	41,967	20,346	7,690

Operating lease commitments include buildings, equipment, vehicles and boats mainly in Denmark, UK and Benelux and run for up to 13 years after the balance sheet date.

The parent company provides performance bonds in connection with project supplies in subsidiaries and their warranty obligations to customers.