MHI Vestas Offshore Wind A/S

Dusager 4, DK-8200 Aarhus N

CVR no. 27 91 80 42

Annual report 2017/18

Approved at the Company's annual general meeting on 6 June 2018

Chairman:

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Contents

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 2017 - 31 March 2018.

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 2018 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 April 2017 - 31 March 2018.

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, 29 May 2018
Executive Board:

Philippe Matthieu Kegam Kavafyan CEO	Lars Bondo Krogsgaard	Tatsuichiro Honda

Board of Directors:

Anders Erik Runevad Chairman	Michisuke Nayama	Anders Jakob Vedel
Yoshiyuki Hanasawa	Hiroki Kato	Juan Araluce Martinez de Azagra

Independent auditor's report

To the shareholders of MHI Vestas Offshore Wind A/S

Opinion

We have audited the financial statements of MHI Vestas Offshore Wind A/S for the financial year 1 April 2017 - 31 March 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2018 and of the results of the Company's operations and cash flows for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 29 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Jakobsen

Jens Weiersøe Jakobsen
State Authorised
Public Accountant
MNE no.: mne30152

M.D.

Michael Dahl Christiansen
State Authorised
Public Accountant
MNE no.: mne34515

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	Anders Erik Runevad, Chairman Michisuke Nayama, Deputy Chairman Anders Jakob Vedel Yoshiyuki Hanasawa Hiroki Kato Juan Araluce Martinez de Azagra
Executive Board	Philippe Matthieu Kegam Kavafyan Lars Bondo Krogsgaard Tatsuichiro Honda
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.

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
- 100% — MVOW Portugal, Unipessoal, Lda.
  Portugal
  Nom. EUR 1
- 100% — MHI Vestas Offshore Wind US, Inc.
  United States
  Nom. USD 100
- 100% — MHI Vestas Offshore Wind Japan Ltd.
  Japan
  Nom. tJPY 25,000
- 100% — MHI Vestas Offshore Wind Taiwan Ltd.
  Taiwan
  Nom. tTWD 500

Management's review

Financial highlights for the Group

EUR'000	2017/18 (12 months)	2016/17 (12 months)	2015/16 (12 months)	2014/15 (15 months)	*2013 (12 months)
Key figures					
Revenue	942,155	531,243	535,906	402,664	282,449
Gross profit	20,001	-11,892	30,848	49,595	42,955
Profit before financial items and depreciation/amortisation (EBITDA)	-7,775	-38,558	-981	17,709	36,251
Operating profit (EBIT)	-98,566	-119,453	-46,312	14,217	35,508
Profit/loss from financial income and expense	1,587	5	2,351	-7,165	-2,186
Profit for the year	**-98,287**	**-120,525**	**-44,216**	**8,320**	**25,555**
Total assets	1,376,666	1,369,898	840,652	791,539	642,291
Investments in property, plant and equipment	60,615	54,259	48,198	17,938	2,644
Equity	**195,749**	**313,171**	**436,990**	**415,561**	**91,995**
Cash flows from operating activities	113,682	113,055	62,187	136,945	17,195
Cash flows from investing activities	-91,260	-103,554	-141,091	-350,226	-2,426
Cash flows from financing activities	-20,000	40,000	50,000	293,637	0
Total cash flows	**2,422**	**49,501**	**-28,904**	**80,356**	**14,769**
Financial ratios					
Gross margin	2.1%	-2.2%	5.8%	12.3%	15.2%
EBITDA margin	-0.8%	-7.3%	-0.2%	4.4%	12.8%
EBIT margin	-10.5%	-22.5%	-8.6%	3.5%	12.6%
Return on invested capital	-57.5%	-38.7%	-13.3%	7.2%	-
Solvency ratio	14.2%	22.9%	52.0%	52.5%	14.3%
Return on equity	-38.6%	-32.1%	-10.4%	3.3%	29.0%
Average number of full-time employees	**2,052**	**1,435**	**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.

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

- Industry development
- Securing MHI Vestas' future
- Strong service culture creating additional value
- Building the future of offshore wind
- World class manufacturing facilities
- Continued improvement to remain at the forefront
- The year ahead

Financial performance

- Income statement
- Balance sheet
- Cash flow
- Subsequent events

Risk management

- New markets
- Competitive auction processes
- Ensuring V164 manufacturing capability

Statutory corporate social responsibility and diversity statement

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- Certification standards
- Health and safety
- Operation review
- Environment
- The CSR strategy
- Governance structure
- Human rights
- Code of Conduct
- Employees
- Engagement survey
- Diversity
- Global bonus programme

Management's review

Operating review

Executive summary

The year was a historic year for the offshore wind sector: "zero bids" where developers accepted wholesale pricing for their energy production; large MegaWatt (MW) project allocations awarded in the UK, Germany and the Netherlands, an increasing volume targets in emerging markets; and technological advances that saw wind turbines producing more power than ever before.

MHI Vestas Offshore Wind continued to grow and further cemented its position as a leader of the offshore wind industry.

MHI Vestas secured orders in established as well as emerging markets, adding further volume to a strong order backlog. Several large preferred supplier agreements were signed in the UK and Taiwan, and it is expected that these agreements will become firm and unconditional contracts over the next 12 months laying the foundation for strong and sustainable growth.

The company also continued to ramp up manufacturing to meet demand for the V164.

The uprated 8MW platform reached 9.5MW. In December 2017 the V164-9.5MW was recognized by Wind Power Monthly as the offshore wind turbine of the year.

MHI Vestas' short-term earnings are still being impacted by ramp-up costs pertaining to the expansion of the company's activities and amortisation relating to the 8MW platform.

The end of the 2017/18 financial year completes the first four-year management cycle in the joint venture. In accordance with the joint venture agreement, both MHI and Vestas agreed to a change in the executive management of the company with Philippe Kavafyan and Lars Bondo Krogsgaard being appointed as CEO and Co-CEO respectively. The Chair of the Board of Directors now turns to Vestas and the Vice Chair role to MHI. The said changes took effect on 1 April 2018.

MHI Vestas' main priorities in 2018/19 will be to continue to set the industry standard for safety, drive competition in the market, build on its parent company footprints in emerging markets and ensure its products continue to offer the best value for its customer. The expansion of the company's business activities will help to reach profitability.

Industry development

The rapid emergence of volume targets in developing markets, combined with relatively stable volume in established Northern European markets, provides a foundation for accelerated growth of the offshore wind segment over the next decade. Industry analysts are projecting volumes growing at 15-20 percent annually from a small annual base of roughly 3 GW installed in 2017 (compared to 2GW in 2016) up to 13GW by 2026 (CAGR 19% from 2016).

The UK, Germany, the Netherlands and Belgium have provided the market with ambitious short to medium term volume. In Germany and the Netherlands, the latest auction rounds delivered "zero bids", where developers are prepared to accept wholesale power prices for their energy. These bids are in part due to increased competition in the market, expected technological advancements being commercially available at the time of project installation and being able to achieve economies of scale through larger MW allocations driving optimized asset management.

In the UK, a second round of the Contract for Difference (CfD) auctions, with more than 3 GW of offshore wind power awarded, were held in September 2017. The total cost for the projects was significantly under the government's allocated budget, with the actual auction results being reduced by 50% on the previous round. Buoyed by the rapid reduction in price, the UK Government decided to roll the residual budget over to the third auction round scheduled for 2019. The extra funds are expected to result in unprecedented volume being awarded in a single auction round.

As more and more European member states submit their National Clean Energy Plans for 2030, there is expected to be even greater demand in core European markets. Belgium, France, and Denmark are all expected to commit to volume targets over the course of the year.

Management's review

Operating review

In order for Europe to capitalize on the volume, industry has called on North Sea member states to work together as part of the North Sea Alliance. The alliance will ensure a co-ordinated build out of offshore projects, as well as agreeing on standards to reduce the regulatory cost of offshore wind.

Taiwan will allocate 5.5GW in 2018 which will be installed between 2020 and 2025. China has a target of 5GW by 2020, India is looking at 5GW before 2023 and the Eastern seaboard of the USA is seeing an increase in the number of lease areas, with the Northeastern states leading the way.

The emergence of offshore wind in the Baltic nations can also add greater volume in the core European market. Sweden, Poland and Lithuania have all expressed interest in becoming more active in offshore wind, yet no firm offshore volume targets have been set.

On the technology front, all major Original Equipment Manufacturers (OEMs) in the industry announced a planned increase in the capacity and/or rotor sizes of their wind turbines. The cost of energy improvements from these upgrades are significant drivers for the continued expansion of offshore wind.

According to Wind Europe's annual offshore statistics, based on the MWs installed last year, MHI Vestas' market share rose from 3.6% in 2016 to 24.7% (up more than 20%).

Significant cost reductions in offshore wind power in 2017 have been a major catalyst for the broader acceptance and adoption of offshore wind. As the offshore wind industry grows and technology improves, more and more nations are turning to offshore as a realistic solution for deploying large-scale wind power plants.

MHI Vestas will look to its proven and scalable technology to capture opportunities in emerging markets while consolidating its position in Europe.

Securing MHI Vestas' future

In the financial year 2017/18, the 252 MW Deutsche Bucht project comprised of 31 units of the V164-8.0 MW wind turbine became firm and unconditional.

From the 3GW awarded in the last CfD round in the UK, MHI Vestas announced that it had been awarded preferred supplier for over 1.8GW, signing agreements regarding the Triton Knoll (860 MW) and Moray Firth East (950 MW) projects.

In March 2018, the company was selected preferred supplier with Copenhagen Infrastructure Partners (CIP) and China Steel Corporation (CSC) for several projects in Taiwan.

Based on the level of order activity, MHI Vestas is set to remain one of the strongest players in the offshore wind market.

Strong service culture creating additional value

MHI Vestas has installed 1.031 wind turbines across 27 projects with over 2.7GW currently under service. As an OEM, the company has demonstrated that wind parks being serviced by its experienced service technicians often outperform parks being serviced by third parties.

With access to over 20 years of operational data from its existing fleet, MHI Vestas has extensive insight and processing capabilities, which it applies to create transparency on the performance of each and every individual wind turbine.

MHI Vestas is continually working to develop innovative service offerings for its customers. To that end, in December 2017 the company signed a 10 year lease agreement for a state of the art service vessel that allows for up to 36 people to stay at sea for over two weeks. The vessel is designed to reduce service costs and is well-suited for servicing wind parks that are being constructed further and further out to sea.

Recently two key service trends have emerged in the market. Many of the traditional utilities opting for short- to mid-term service contracts. Other developers are seeking to rely on the original equipment manufacturers' skillset by opting for long to full lifetime service contracts. MHI Vestas has positioned its service offering to optimize both business cases.

Management's review

Operating review

The year saw a very low level of Lost Production Factor across the entire fleet of wind turbines serviced by MHI Vestas. In fact, most wind parks currently under service are running with high availability, including the first V164 projects.

MHI Vestas also has an excpetional track record when it comes to safety at its service sites.

Building the future of offshore wind

May 2017 saw the official inauguration of the first V164 wind park (32 turbines at Burbo Bank off the coast of Liverpool in the UK). Since then, MHI Vestas has completed the installation of its second UK project with Ørsted, the 40 units of V164-8.25MW at the Walney extension.

The company also completed construction of its largest order to date, E.ON's 400MW Rampion Project in the UK. The project consists of 116 units of the V112-3.45MW. The project is set to be inaugurated in Q2, 2018.

MHI Vestas completed the installation of the Blyth Offshore Demonstrator Project for EDF Energy Renewables. The 41.5 MW Blyth Project tests several innovative technologies, including a 66 kV electrical infrastructure and gravity-based foundations.

The V164-8.0 MW turbines - rated with a capacity of 8 MW - are optimized for the project, utilizing a power mode to be able to deliver a maximum output of 8.3 MW, further increasing the value for the customer. The project also came with a 15-year full scope service contract.

Construction is currently underway at the 450MW Borkum Riffgrund 2 project in Germany and the 92.4MW Aberdeen Bay project in Scotland.

As a project based company, MHI Vestas' unparalleled experience in offshore wind power construction has seen the company optimize its process with a greater emphasis on works being carried out onshore.

The pre-assembly or marshalling harbor is important to cost effective project delivery. In 2017/18, MHI Vestas signed a contract with the Port of Vlissingen in the Netherlands to serve as a strategic port for the delivery of projects in the Netherlands and beyond.

World class manufacturing facilities

With the continued ramp up of manufacturing to meet the demand for new V164 orders, MHI Vestas expanded its manufacturing footprint and increased its manufacturing capacity over the past year.

A new Power Converter Module (PCM) factory was opened at Esbjerg harbor in Denmark. Moving the PCM factory out of the Lindø nacelle assembly site freed up space, which is being utilized to increase the capacity of the site.

The company also started construction of a blade painting and logistic facility at Fawley in the UK. Once complete, the facility will significantly improve the logistical footprint for blade manufacturing in the UK.

Over the course of the year, MHI Vestas manufacturing facilities played host to a number of VIP's including the crown prince of Japan, the Danish Prime Minister and international delegations from the USA, Japan, Taiwan, China and India. Visitors were inspired by the economic value that offshore wind is creating in regional areas. Many of the delegates from the leading emerging markets are looking for a blueprint for their own supply chain strategy.

The increase in volume outside of the core European market will result in a range of investments in new geographical locations. MHI Vestas signed a series of MoUs with several leading Taiwanese companies to investigate manufacturing opportunities in Taiwan. The trigger for progressing these MoUs will be the award of a number of large projects that can support a business case for bringing manufacturing to the region.

The challenge for manufacturing over the next 12 months will be to ensure the highest level of safety and quality standards are maintained, while ramping up production. The company continues to optimize its manufacturing footprint to ensure greater capacity without increase to its fixed costs base.

Management's review

Operating review

Continued improvement to remain at the forefront

MHI Vestas is committed to ensuring that its wind turbine technology is the most reliable and most powerful on the market. In 2017/18, the company announced that the V164 would now have a rated capacity of 9.5MW, well on the way to becoming the first wind turbine to reach the magical, double-digit MW power output.

The 9.5MW wind turbine was the turbine of choice for both the Moray Firth East and the Triton Knoll projects in the UK, giving both projects a distinct advantage in power generation.

The V164 prototype turbine suffered a setback in August 2017, after catching fire at Østerild. A root cause analysis would later reveal that the incident occurred as a result of a component being damaged during installation. The component was specific to the prototype and therefore did not affect serial production. Fortunately, the impact on test and verification was also minimal with the majority of tests already completed and those outstanding could be conducted on the turbines at Måde in Denmark.

MHI Vestas also made headlines in the USA, when the company announced in October 2017 that it would be moving the testing and verification of its gearbox and main bearings to Clemson University in South Carolina. The site was chosen because it was the best facility in the world with its state-of-the-art test bench. Testing is set to commence in October 2018.

Next year will also see a focus on smart products and the utilization of big data to reduce fatigue on components and increase the overall output and reliability of the turbines.

The year ahead

2018/19 is set to be a watershed year for MHI Vestas as EBIT is expected to reach break-even by the end of the year. A new management team is focused on positioning the company in new markets, while consolidating its position of strength in core markets.

In order to prepare the company for a successful expansion, the focus for the forthcoming year will be on:

1. **Setting the industry standard for safety**
   The flawless execution of projects is important for continued success. Nothing is more important than the health and safety of MHI Vestas employees. The new management team will continue to drive a zero harm culture throughout the organization.
2. **Continue to drive competition in the market**
   MHI Vestas is one of the major drivers of competition in offshore wind. Having the most powerful wind turbine on the market, combined with over 20 years of delivering offshore projects, marks MHI Vestas as a leader in the industry.
3. **Synergies of parent companies in emerging markets**
   Both MHI and Vestas have significant footprints and experience in countries where offshore wind is expected to grow. MHI Vestas is also committed to creating value for the communities where it has a presence and will partner with the local supply chain to support entry into new markets.
4. **Product road map for a winning future**
   MHI Vestas is committed to continuously creating value for its customers by offering the best technology and innovation. 2018/19 is likely to see further clarification on MHI Vestas products of the future.

Management's review

Operating review

Financial performance

Income statement

Revenue for the year was realised with EUR 942m, which was driven by the turbine projects Walney / Blyth V164 8MW and Rampion / Nobelwind V112 3MW as well as activity from our entire service contract portfolio. As expected the revenue increased significantly compared to last year due to high activity in UK.

The project and service activity, offset by indirect production costs related to the V164 production facilities, resulted in a gross profit of EUR 20m. The corresponding gross margin was 2.1% compared to -2.2% last year.

The significant research and development costs were on par with last year and again heavily driven by amortisation of the V164 development project. Administration and distribution costs increased in the range 20-25% reflecting the general increase in activity levels.

The developments above resulted in an Operating profit (EBIT) for the year of negative EUR 99m. Despite being in line with expectations and improved compared to last year, the EBIT level is not considered satisfactory. Likewise, the profit for the year ended at EUR 98m.

Balance sheet

The value of the completed V164 development project after further capitalisation and amortisation in the year amounted to EUR 311m at 31 March 2018, which was a decrease of EUR 30m compared to last year.

Property, plant and equipment increased from EUR 94m to EUR 127m as the ramp-up of production facilities including tools and transport equipment continued.

The net working capital amounted to a net liability of EUR 335m compared to a net liability of EUR 214m last year. The main drivers for the net working capital were again inventories (EUR 681m) and prepayments from customer (EUR 787m), which were both related to on-going turbine projects.

The equity ended at EUR 196m compared to EUR 313m last year, corresponding to a solvency ratio of 14%.

Cash flow

Despite the negative earnings the free cash flow was improved and ended at EUR 22m for the year. As in previous years a major reason for the negative earnings was the V164 amortisation, which has no cash impact.

Operating cash flow amounted to EUR 114m, which was on par with last year. The positive operating cash flow was a result of the net working capital development.

Cash flow from investment activities were at a continued high level and amounted to EUR 91m compared to EUR 104m last year. The net investment split on intangible assets and property, plant and equipment was EUR 31m and EUR 60m respectively.

After repayment of EUR 20m financial debt the total net cash flows for the year ended at EUR 2m and the cash at bank and in hand was EUR 115m at 31 March 2018.

Subsequent events

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

Management's review

Operating review

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:

New markets

Description

MHI Vestas Offshore Wind experiences a high interest in offshore wind energy projects from countries outside Europe, hereunder in countries where there is very limited or no experience within offshore wind energy projects. Consequently, there may be no experienced value chain within the offshore wind industry in such countries and no mature regulatory framework.

Potential impact

Operating in markets with no experienced value chain within the offshore wind industry and no mature regulatory framework means that the likelihood of unforeseen challenges rises and that likewise the likelihood of project delay, cost overrun and ultimately distressed wind power projects may appear.

Mitigation

MHI Vestas Offshore Wind identifies and mitigates the risks of entering into new markets where there is no or limited experience in offshore wind energy projects by applying thorough due diligence- and planning processes prior to entering into such new markets. Further, MHI Vestas Offshore Wind ensures that projects in new markets are subject to focused contractual risk management, advice from skilled local advisors and that experience from the value chain in markets with high experience in offshore wind energy projects are used in new markets, including in relation to logistics, installation and service.

Competitive auction processes

Description

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. The bidding prices in the competitive auction processes have continued to decline substantially and most recently subsidy free bids have been awarded projects in Germany and the Netherlands.

Potential impact

The substantial decline in bidding prices in the competitive auction processes means that the customers of MHI Vestas Offshore Wind will have a continued 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

HSE Strategy and policy

The scope of the HSE policy is not only closely related to but an integral part of the CSR strategy supporting and promoting a sustainable working life, sustainable innovation and managing and mitigating risks throughout the value chain. Promoting a healthy and safe working environment and minimizing the environmental impact requires a highly qualified and dedicated workforce collaborating across the value chain supported by HSE functions and a management system to provide a structured and systematic approach towards legal compliance, business standards and alignment, knowledge-sharing and continuous improvement.

Management's review

Operating review

Certification standards

During the year, the certification activity has been initiated in relation to the implementation of the two new updated standards; ISO 9001:2015 (quality) and ISO 14001:2015 (environment). The OHSAS 18001:2008 (occupational health and safety) certificate has been reclassified for 3 additional years for MHI Vestas Offshore Wind. This resulting in 15 external and 28 internal audits being carried out in 2017/18. In this context, several locations have been visited by DNV GL embracing all areas of the MHI Vestas Offshore Wind value chain which opened for improvements, but at the same time demonstrated that the MHI Vestas Offshore Wind management system was successfully implemented as part of the PIT (Process Integration Tool) also including satisfactory introduction of process roles throughout the entire organization.

Health and safety

The continued company growth in the year combined with a steadily increasing activity level documented in almost 4.5 million manhours being registered, is making an increased focus on safety paramount in all areas of the MHI Vestas Offshore Wind organization. Consequently, additional efforts are put into preparing risk assessments for design, work instructions and processes in the entire value chain.

The successful implementation of the MHI Vestas Offshore Wind Safety Organization set-up has proven very valuable to the business, resulting in specific area targeted improvements based on initiatives from all levels of the organization. Improvements regarding both the physical and the psychological work environment encompassing both Health and Safety related issues. The Safety Organization plays an essential role in making people "Think Health & Safety" making these an integral part of the MHI Vestas Offshore Wind mind-set, which again is positively reflected in the human behavior factor driving down the level of injuries. In addition, the Works Council and the Safety Organization collaborates when there are issues overlapping between conditions of employment and the physical/psychological working environment.

Focus on behavioral safety and the recognition of the fact that communication is key in continuously improving the company safety performance have been anchored in the successful implementation of the Safety Dialogue performed by selected Manager roles throughout the entire organization. Hence, various core safety issues are addressed in regularly conducted dialogues based on the observation of an act or as a scheduled dialogue, resulting in either a positive finding or a hazardous observation and consequently enabling Management to maintain the safety mind-set at any level in the company.

The Safety Dialogues is regarded as a Management tool in support of the successfully implemented Safety Awareness Programme and related internal training efforts.

Operation review

The Safety Awareness Programme rolled out in 2016/17 in acknowledgement of the human factor being the most critical factor in any safety effort has now resulted in impressive 2,042 persons being trained of which 1,539 are internal employees and 503 external contractors. The Safety Awareness Programme has its turning point around the MHI Vestas Offshore Wind 5 Safety Principles and behavioral safety. In addition, Management has performed Safety Dialogues with equal attention to positive and negative behaviors to enhance the one-to-one safety communication out in the business, leading to 836 Hazardous Observations and 1,070 Positive Findings.

MHI Vestas Offshore Wind has decided to maintain the proactive safety focus by the leading KPI "Hazardous Observation rate" for Operations and Manufacturing respectively (the total number of Hazardous Observations per 100,000 working hours), this to measure the potential harm where proactive and positive safety work can be carried out to minimize the potential risk. The target was set by a rate >135 and the performance was realized with 154 by Operations and 174 by Manufacturing.

Management's review

Operating review

Having faced a steady increasing activity level throughout the year, MHI Vestas Offshore Wind has managed to realize the LTI (Lost Time Injuries) rate with 1.3 against a target of 2.0 (per 1,000,000 working hours). The TRI (Total Recordable Injury) rate was realized with 12.7 against a target of 12.0 (total number of LTIs, Restricted Work Injuries and Medical Treatment Injuries per 1,000,000 working hours).

To further improve the safety performance and drive down the above injury rates, MHI Vestas Offshore Wind will continue to dedicate high attention to the human factor; In addition to the Safety Awareness Programme and Safety Dialogue continuity, the HSE department will on an ongoing basis launch several local and area targeted HSE campaigns throughout the entire organization to anchor the safety message and awareness in all areas of the business.

Environment

The most significant environmental aspects associated with the lifecycle of an off-shore wind turbine are the use of resources including energy and the generation of wastes. The objective is to minimize the environmental impact of our business through careful use of resources, process optimization and responsible waste management. Improving the environmental impact from our product requires a substantial knowledge of all processes throughout the business and with consideration to all the life cycle stages of the product.

The KPI "Environmental Frequency Rate (EFR)" was officially introduced to the organization in 2016/17 with a target of 4.5 and lowered to 3.0 in 2017/18. The EFR is defined as environmental incidents being of medium, major or catastrophic severity per 1,000,000 working hours. The EFR was realized with 0,89 due to four medium environmental incidents which is a significant improvement compared to last year.

The target for waste recycling or energy recovery > 80% was continued in the year and achieved with a result of 92 % thus very little waste is disposed of in landfills. Most of the landfill waste derives from the production of blades highlighting the challenges for the wind turbine industry developing a sustainable solution for disposal of composites as the end-of-life stage for any turbine will result in a significant amount of reinforced fiberglass waste with limited recycling prospects if considering the current available technologies.

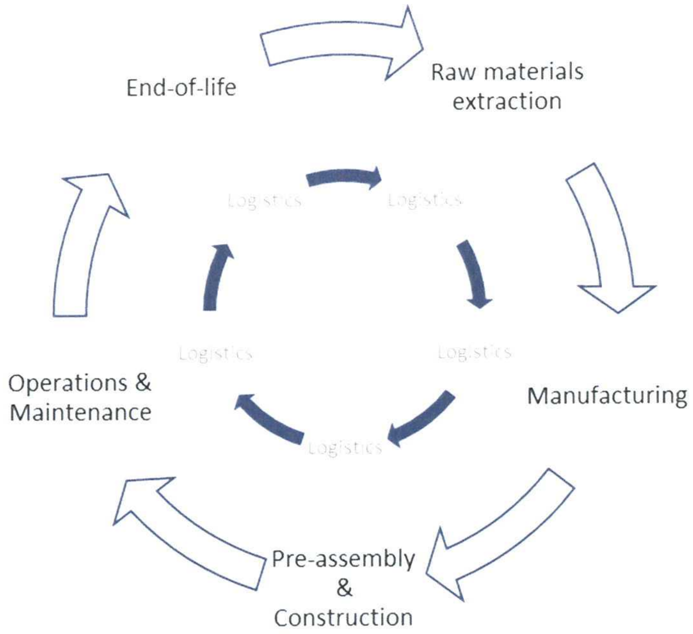
Since August 2017 no green electricity has been registered as the test engine in Østerild accidently caught on fire and had to be decommissioned. Since the test engine was not replaced MHI Vestas Offshore Wind now consumes more electricity than produced thus our electricity consumption is no longer considered CO2-neutral if we look solely at manufacturing and construction life stages of our turbine.

In 2017/18 the focus has been to consolidate the environmental reporting culture and ensure the validity of scope of data for all MHI Vestas Offshore Wind entities in the value chain. The complexity of the environmental impacts associated with all life stages of our product requires us to look more deeply into the aspects of each process and define how the reported data is put into use, improving our product by e.g. minimizing the carbon footprint and achieving a sustainable choice of non-problematic materials of which a major part will be either reusable or recyclable, possessing no or only manageable risks to neither our health, safety or our surroundings. Thus as an integrated part of the CSR strategy several tasks are being initiated forward on to ensure the reported data can be used actively to target any significant aspects when considering the entire product and its lifecycle from the extraction of raw materials, the manufacturing of the individual wind turbine components, the pre-assembly/construction of the turbine, the operation and maintenance and to the point of de-commissioning (end-of-life) from which a major part preferably should be reused or recycled.

Management's review

Operating review

Using e.g. Life Cycle Assessment (LCA) as a tool is qualitative way of addressing both negative and positive effects associated with our offshore wind turbine and compare project locations, design and material changes etc.



Management's review

Operating review

The CSR strategy

With MHI Vestas Offshore Wind expanding business, the company recognizes CSR as an essential element and key driver for achieving sustainable results. Therefore, a cross-functional working group was appointed, to develop the CSR strategy. The final strategy document was approved during the year, and builds upon a solid foundation consisting of more than 25 operational initiatives. Based on a materiality assessment it has been decided to take 10 of these and elevate them to a strategic level in the period 2018-2022.

The CSR strategy is embedded in the overall mission and vision of MHI Vestas Offshore Wind and consists of 3 overall prioritized areas.

Our Mission	Co-develop offshore wind as an economically viable and sustainable energy resource to benefit future generations		
Our Vision	To be a responsible leading player in the offshore wind industry To be the most value adding partner through reliable wind power solutions		
Our Creeds	Value Creation We will create optimal value for our stakeholders and ourselves with dedication passion and integrity	Innovation and Solutions We will strive to provide innovative, best-in-class solutions to meet the challenges of our industry	Sustainable Growth We will lead the industry in driving down the Cost of Energy through sustainable wind turbine technology, project management offshore experience and powerful partnerships
Priorities We prioritize three areas where we make the biggest contribution to MVOW and society	**Sustainable working life** Where we have a responsibility to prevent or mitigate risks to employees and society in the form of a significant potential negative impact on people or society	**Sustainable innovation** Where we, through our business, have the capacity to pursue and scale solutions to significant systemic challenges to the benefit of society and, at the same time, deliver a positive return for the business	**Risk** Where CSR issues pose a significant financial or reputational risk to MVOW and the offshore wind industry
Sustainability Programs 10 CSR Focal Points are the foundation of our CSR strategy. Several identified issues are not mentioned, but this does not mean that these areas are not addressed	❑ Ensure workplace safety and health (own and contractors) ❑ Continuously improve employee satisfaction and motivation ❑ Offer employee competence and development • Equal opportunities for employees	❑ Address customers' CSR focal points ❑ Resource Management (Reuse/recycle production materials/scraps) • *Sustainable innovation and development* • *Reduce own GHG emissions and energy consumptions*	❑ Major non-compliance with corruption regulation ❑ Supplier non-compliance with MVOW Code of Conduct ❑ Communication of CSR performance ❑ Prevent spills and environmental damage ❑ Phase out dangerous materials and substances

Governance structure

A cross-departmental CSR Steering Committee has been established with the overall responsibility of ensuring fulfilment of the strategy and an overall responsible for the CSR program was onboarded during the year.

The composition of the CSR Steering Committee ensures that the value chain of MHI Vestas Offshore Wind is represented and that the Steering Committee is competent to transact business.

Human rights

MHI Vestas Offshore Wind commits to respect, support and act in consideration of human rights, social, environmental, and climate conditions. Consequently, the company will in all business activities and strategies ensure to prevent causing or contributing to adverse human rights impacts. Compliance with the International Bill of Human Rights is part of the company standards for acceptable behavior for anyone acting on behalf of MHI Vestas Offshore Wind.

MHI Vestas Offshore Wind's respect for human rights is reflected throughout the business, and is one of the foundations for the Mission, Vision and Creeds, Code of Conduct and the business principles and policies.

Management's review

Operating review

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. The suppliers are evaluated in a Supplier Assessment Tool, screening them on sustainability issues, including human rights and labour standards, ensuring that the company is able to spot and address breaches of the supplier Code of Conduct.

A report by Action Aid and SOMO 'Human Rights in wind turbine supply chains' has highlighted that several materials and components - used in offshore wind turbines - are mined in places that arguably cause adverse human rights impacts for communities near the mines and the local environment. Part of the plan for 2018/19 is thus to make a human rights risk assessment and based on those conclusions analyze whether new elements needs to be added to the established due diligence process.

Code of Conduct

MHI Vestas Offshore Wind recognizes that being an international company operating in various countries and cultures implies that we have the responsibility to equip our 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 when they are on-boarded, while consultants, business partners and agents are introduced to the Code of Conduct upon commencement of the collaboration with MHI Vestas Offshore Wind.

The Code of Conduct serves as a moral compass guiding how we conduct business and covers areas of health and safety, human rights, bribery and corruption, environment, and protect company assets, information and reputation. With this we set 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.

The Code of Conduct is becoming more and more embedded in the company culture and employees who experience or suspect any violation of the Code of Conduct, are expected to report this. There have been no severe violations of the Code of Conduct throughout the year and any potential violations has led to investigation cases.

To maintain ethical behavior in all MHI Vestas Offshore Wind, the company will further be strengthening the implementation of the Code of Conduct in 2018/19 with training sessions and awareness.

Employees

Throughout the year, MHI Vestas Offshore Wind has steadily extended the business activity level and the company has continued its steady growth. As a result of this, MHI Vestas Offshore Wind increased the overall number of employees from 1,836 employees per March 2017 to 2,528 per March 2018, which means that 692 employees have been recruited and trained.

In- and direct production cost employees	1,379
Fixed cost employees	850
Service and Construction direct cost employees	299
Total	**2,528**

MHI Vestas Offshore Wind expects to continue building up the organization with highly qualified, dedicated and diverse people to manage the planned execution of the company strategy, which means that especially the factories will be ramping up over the coming year.

Management's review

Operating review

Engagement survey

In the year MHI Vestas Offshore Wind conducted the first employee engagement survey to measure how the employees perceive their daily workplace, and subsequently finds areas where MHI Vestas Offshore Wind can become an even better place to work. The response rate was 89%,

The overall result was very positive and especially loyalty and the reputation of MHI Vestas Offshore Wind were the highest scores. The score for satisfaction and motivation were also in the high end but it is an area that will be focused on in 2018/19.

Assessment

- High assessment (75 - 100)
- Medium assessment (60 - 74)
- Low assessment (0 - 59)

Satisfaction & Motivation

69

Satisfaction	68
Motivation	71

Loyalty

82

Faithfulness	80
Dedication	83

The result of the employee survey has been broken down into action plans for the entire organization and the individual managers.

Diversity

It is MHI Vestas Offshore Wind's policy 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 of always choosing the best person for the job.

MHI Vestas Offshore Wind's workforce is per March 2018 represented by 42 different nationalities.

In MHI Vestas Offshore Wind we strive for a more equal distribution of gender among employees in leadership positions, and have over the year almost doubled the number of members of the underrepresented gender. Amongst our people managers in MHI Vestas Offshore Wind we now have 13 different nationalities and an average age of 44.

The Board of Directors recognizes the benefits of a diverse board and continuously works to increase the diversity in particular regarding 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 will never compromise the recruitment criteria's and overall competences of the candidate.

Management's review

Operating review

Current overview of the diversity of the board:

Nationalities	4
Men	6
Women	0
Average age	60

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. In 2017/18 new candidates for the Board of Directors were assessed according to the policy described above. No suitable candidates among the underrepresented gender was found.

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 realize 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 based on the same KPI's. The extent to which each organizational 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	2017/18	2016/17	2017/18	2016/17
2	**Revenue**	942,155	531,243	745,338	454,567
4	Production costs	-922,154	-543,135	-749,807	-517,304
	Gross profit	20,001	-11,892	-4,469	-62,737
3,4	Research and development costs	-65,984	-64,031	-65,908	-64,031
4	Distribution costs	-11,568	-9,263	-10,052	-7,959
4	Administration costs	-41,015	-34,267	-36,619	-31,734
	Other operating income	0	0	12,228	20,599
	Operating profit (EBIT)	-98,566	-119,453	-104,820	-145,862
	Share of profit in group companies after tax	0	0	8,219	25,084
5	Financial income	2,731	1,352	796	774
6	Financial costs	-1,144	-1,347	-3,221	-1,324
	Profit before tax	-96,979	-119,448	-99,026	-121,328
7	Tax	-1,308	-1,077	739	803
	Profit for the year	-98,287	-120,525	-98,287	-120,525
	Proposed distribution of profit				
	Transfer to reserve under the equity method	0	0	8,219	25,084
	Transfer to reserve under development costs	0	0	17,588	36,624
	Retained earnings	-98,287	-120,525	-124,094	-182,233
		-98,287	-120,525	-98,287	-120,525

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 2018	31 March 2017	31 March 2018	31 March 2017
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Software	22,460	19,248	22,460	19,248
	Development projects in progress	6,859	13,026	6,859	13,026
	Completed development projects	310,869	341,222	310,869	341,222
		340,188	373,496	340,188	373,496
9	**Property, plant and equipment**				
	Plant and machinery	33,441	33,318	25,595	24,433
	Other fixtures and fittings, tools and equipment	73,445	49,177	66,480	43,622
	Property, plant and equipment under construction	19,704	11,768	16,327	11,272
		126,590	94,263	108,402	79,327
	Other non-current assets				
	Other receivables	927	723	903	712
10	Investments in group companies	0	0	62,451	54,960
		927	723	63,354	55,672
	Total non-current assets	467,705	468,482	511,944	508,495
	Current assets				
11	**Inventories**	681,153	628,899	635,103	551,621
	Receivables				
12	Trade receivables	86,270	111,666	1,731	209
	Receivables from group companies	0	0	35,298	55,700
	Receivables from shareholders	2,055	1,081	1,220	582
	Other receivables	16,014	39,555	13,478	38,100
13	Deferred tax asset	0	0	0	0
14	Tax receivables	761	739	738	739
	Prepayments	8,084	7,766	4,587	4,708
		113,184	160,807	57,052	100,038
	Cash at bank and in hand	114,624	111,710	100,581	102,410
	Total current assets	908,961	901,416	792,736	754,069
	TOTAL ASSETS	1,376,666	1,369,898	1,304,680	1,262,564

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 2018	31 March 2017	31 March 2018	31 March 2017
	EQUITY AND LIABILITIES				
	Equity				
15	Share capital	13,690	13,690	13,690	13,690
	Reserve under the equity method	0	0	26,722	19,231
	Reserve for development costs	0	0	54,212	36,624
	Retained earnings	182,059	299,481	101,125	243,626
	Total equity	195,749	313,171	195,749	313,171
	Provisions				
16	Other provisions	30,448	12,792	30,448	12,792
	Total provisions	30,448	12,792	30,448	12,792
	Liabilities				
	Current liabilities				
17	Financial debts	20,000	40,000	20,000	40,000
	Prepayments from customers	787,131	702,977	748,040	636,305
	Trade payables	262,028	160,447	215,622	121,570
	Payables to group companies	0	0	36,584	37,638
	Payables to shareholders	30,217	82,314	29,139	79,913
14	Tax payables	1,461	1,348	0	0
	Other liabilities	49,632	56,849	29,098	21,175
		1,150,469	1,043,935	1,078,483	936,601
	Total liabilities	1,150,469	1,043,935	1,078,483	936,601
	TOTAL EQUITY AND LIABILITIES	1,376,666	1,369,898	1,304,680	1,262,564

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

Statement of changes in equity

Note	EUR'000	Consolidated Share capital	Consolidated Retained earnings	Consolidated Total
	Equity at 1 April 2016	13,690	423,300	436,990
	Exchange rate adjustments, EUR conversion	0	757	757
	Exchange rate adjustments on foreign entities	0	-3,788	-3,788
	Fair value adjustments of derivative financial instruments	0	-263	-263
18	Profit for the year	0	-120,525	-120,525
	Equity at 1 April 2017	13,690	299,481	313,171
	Exchange rate adjustments, EUR conversion	0	-417	-417
	Exchange rate adjustments, foreign entities	0	-617	-617
	Fair value adjustments of derivative financial instruments	0	-18,101	-18,101
18	Profit for the year	0	-98,287	-98,287
	Equity at 31 March 2018	13,690	182,059	195,749

Note	EUR'000	Parent company Share capital	Reserve under the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 April 2016	13,690	7,809	0	415,491	436,990
	Exchange rate adjustments, EUR conversion	0	133	0	624	757
	Exchange rate adjustments on foreign entities	0	-3,788	0	0	-3,788
	Fair value adjustments of derivative financial instruments	0	0	0	-263	-263
	Dividend	0	-10,007	0	10,007	0
18	Profit for the year	0	25,084	36,624	-182,233	-120,525
	Equity at 1 April 2017	13,690	19,231	36,624	243,626	313,171
	Exchange rate adjustments, EUR conversion	0	-111	0	-306	-417
	Exchange rate adjustments, foreign entities	0	-617	0	0	-617
	Fair value adjustments of derivative financial instruments	0	0	0	-18,101	-18,101
18	Profit for the year	0	8,219	17,588	-124,094	-98,287
	Equity at 31 March 2018	13,690	26,722	54,212	101,125	195,749

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

Cash flow statement

Note	EUR'000	Consolidated 2017/18	Consolidated 2016/17
	Profit for the year	-98,287	-120,525
	Depreciation and amortisation, reversed	90,791	80,895
	Financial items, reversed	-1,587	-5
	Tax, reversed	1,308	1,077
	Other adjustments	17,371	9,536
19	Changes in working capital	103,711	141,761
	Cash flows from operating activities before financial items and tax	113,307	112,739
	Financial items paid	1,587	5
	Cash flows from operating activities before tax	114,894	112,744
	Corporation tax paid/received	-1,212	311
	Cash flows from operating activities	113,682	113,055
20	Purchase of intangible assets	-36,421	-49,198
	Disposal of intangible assets	5,847	0
	Purchase of property, plant and equipment	-60,615	-54,259
	Disposal of property, plant and equipment	133	0
	Purchase of other non-current assets	-204	-97
	Cash flows from investing activities	-91,260	-103,554
	Free cash flow	22,422	9,501
	Change in financial debt	-20,000	40,000
	Cash flows from financing activities	-20,000	40,000
	Net cash flows from operating, investing and financing activities	2,422	49,501
	Cash at bank and in hand at the beginning of the year	111,710	63,646
	Exchange rate adjustment of cash	492	-1,437
	Cash at bank and in hand at the end of the year	114,624	111,710

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

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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 2017/18 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Effective 1 April 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Reserve for development costs

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

Re 2: An amount corresponding to development costs recognised will, in future, be tied up in the Parent Company in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes impacts on the income statement or the balance sheet for 2017/18 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

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
- Corporation tax — note 7
- Intangible assets — note 8
- Property, plant and equipment — note 9
- Investment in group companies — note 10
- Inventories — note 11
- Trade receivables — note 12

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

Notes to the financial statements

1 Accounting policies (continued)

- Deferred tax asset note 13
- Tax payables and receivables note 14
- Other provisions note 16

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.

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.

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

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries compared to cost according to the equity method is recognized in the reserve for net revaluation.

The reserve can be eliminated in case of losses, recognized of investments or a change in accounting estimates.

The reserve cannot be recognized at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividend

Dividend proposed for the year is recognized as a liability at the date when it is adopted at the annual general meeting. Dividend expected to be distributed for the year is disclosed as a separate item under equity.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

Financial ratios

Gross margin	=	Gross profit x 100 / Net revenue
EBITDA margin	=	Profit before financial items and depreciation/amortisation x 100 / Net revenue
EBIT margin	=	Operating profit (EBIT) x 100 / Net revenue
Return on invested capital	=	Operating profit (EBIT) x 100 / Average assets excluding cash and non-interest bearing debt
Solvency ratio	=	Equity at year end x 100 / Total assets
Return on equity	=	Profit for the year x 100 / 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	2017/18	2016/17	2017/18	2016/17
Sale of turbines	829,264	440,728	743,940	450,824
Sale of service	112,891	90,515	1,398	3,743
	942,155	531,243	745,338	454,567

All revenue is generated in Europe as specified below:

Benelux	124,784	171,386	0	0
United Kingdom	813,654	354,166	0	0
Other	3,717	5,691	1,256	1,632
Internal sales	0	0	744,082	452,935
	942,155	531,243	745,338	454,567

3 Research and development costs

R&D costs	35,979	44,726	35,903	44,726
Capitalised development projects	-27,168	-39,747	-27,168	-39,747
Amortisation and impairment of development projects	57,173	59,052	57,173	59,052
	65,984	64,031	65,908	64,031

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

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

	Consolidated		Parent company	
EUR'000	2017/18	2016/17	2017/18	2016/17
Software	6,001	5,392	6,001	5,392
Completed development projects	57,173	59,052	57,173	59,052
Plant and machinery	8,733	6,552	5,433	4,129
Other fixtures and fittings, tools and equipment	18,884	9,899	17,806	8,828
	90,791	80,895	86,413	77,401
Expensed as follows:				
Production costs	26,087	15,164	21,709	11,670
Research and development costs	57,173	59,052	57,173	59,052
Distribution costs	185	200	185	200
Administration costs	7,346	6,479	7,346	6,479
	90,791	80,895	86,413	77,401

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	2017/18	2016/17	2017/18	2016/17
Interest from group companies	0	0	790	84
Exchange rate adjustments	2,725	1,287	0	684
Other financial income	6	65	6	6
	2,731	1,352	796	774

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	2017/18	2016/17	2017/18	2016/17
Interest to group companies	0	0	0	15
Exchange rate adjustments	0	0	2,185	0
Other financial costs	1,144	1,347	1,036	1,309
	1,144	1,347	3,221	1,324

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	2017/18	2016/17	2017/18	2016/17
Corporation tax	1,460	1,175	-739	-739
Adjustment to corporation tax, previous years	-152	-98	0	-64
	1,308	1,077	-739	-803

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 2017	27,058	13,026	431,039	471,123
Exchange rate adjustments	-37	-1	-663	-701
Additions for the year	9,253	11,683	15,485	36,421
Transfers for the year	0	-17,849	17,849	0
Disposals for the year	0	0	-8,771	-8,771
Cost at 31 March 2018	36,274	6,859	454,939	498,072
Amortisation at 1 April 2017	7,810	0	89,817	97,627
Exchange rate adjustments	3	0	4	7
Amortisation for the year	6,001	0	57,173	63,174
Reversal of amortisation on disposals for the year	0	0	-2,924	-2,924
Amortisation 31 March 2018	13,814	0	144,070	157,884
Carrying amount at 31 March 2018	22,460	6,859	310,869	340,188
Amortised over	3-5 years		5-8 years	

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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 2017	27,058	13,026	431,039	471,123
Exchange rate adjustments	-37	-1	-663	-701
Additions for the year	9,253	11,683	15,485	36,421
Transfers for the year	0	-17,849	17,849	0
Disposals for the year	0	0	-8,771	-8,771
Cost at 31 March 2018	36,274	6,859	454,939	498,072
Amortisation at 1 April 2017	7,810	0	89,817	97,627
Exchange rate adjustments	3	0	4	7
Amortisation for the year	6,001	0	57,173	63,174
Reversal of amortisation on disposals for the year	0	0	-2,924	-2,924
Amortisation 31 March 2018	13,814	0	144,070	157,884
Carrying amount at 31 March 2018	22,460	6,859	310,869	340,188
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 2017	44,341	65,040	11,768	121,149
Exchange rate adjustments	-246	-317	-58	-621
Additions for the year	11,835	29,076	19,704	60,615
Transfer	-3,978	15,688	-11,710	0
Disposals for the year	-756	-69	0	-825
Cost at 31 March 2018	51,196	109,418	19,704	180,318
Depreciation at 1 April 2017	11,023	15,863	0	26,886
Exchange rate adjustments	-38	-45	0	-83
Depreciation for the year	8,733	18,884	0	27,617
Transfer	-1,290	1,290	0	0
Reversal of depreciation on disposal for the year	-673	-19	0	-692
Depreciation at 31 March 2018	17,755	35,973	0	53,728
Carrying amount at 31 March 2018	33,441	73,445	19,704	126,590
Depreciated over	3-7 years	3-5 years		

	Parent company			
EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 April 2017	30,995	58,019	11,272	100,286
Exchange rate adjustments	-27	-130	-30	-187
Additions for the year	10,823	26,897	16,327	54,047
Transfer	-3,978	15,220	-11,242	0
Disposals for the year	-2,157	0	0	-2,157
Cost at 31 March 2018	35,656	100,006	16,327	151,989
Depreciation at 1 April 2017	6,562	14,397	0	20,959
Exchange rate adjustments	-2	33	0	31
Depreciation for the year	5,433	17,806	0	23,239
Transfer	-1,290	1,290	0	0
Reversal of depreciation on disposal for the year	-642	0	0	-642
Depreciation at 31 March 2018	10,061	33,526	0	43,587
Carrying amount at 31 March 2018	25,595	66,480	16,327	108,402
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 2017	35,729
Additions for the year	0
Cost at 31 March 2018	35,729
Value adjustment at 1 April 2017	19,231
Exchange rate adjustments foreign entities	-617
Exchange rate adjustments EUR conversion	-111
Share of profit in group companies after tax	8,219
Elimination of internal profit	0
Dividends	0
Value adjustments at 31 March 2018	26,722
Carrying amount at 31 March 2018	62,451

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
MVOW Portugal, Unipessoal, Lda.	Portugal	EUR	1
MHI Vestas Offshore Wind US, Inc.	United States	USD	100
MHI Vestas Offshore Wind Japan Ltd.	Japan	JPY'000	25,000
MHI Vestas Offshore Wind Taiwan Ltd.	Taiwan	TWD'000	500

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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 2018	31/3 2017	31/3 2018	31/3 2017
Raw materials and consumables	123,881	150,297	116,602	139,449
Work in progress	12,876	37,969	11,825	35,614
Finished goods	539,870	399,128	504,561	335,053
Prepayment for goods	4,526	41,505	2,115	41,505
	681,153	628,899	635,103	551,621

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 2018	31/3 2017	31/3 2018	31/3 2017
Trade receivables	86,270	111,666	1,731	209
Provisions for bad debts	0	0	0	0
	86,270	111,666	1,731	209

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 2018	31/3 2017	31/3 2018	31/3 2017
Deferred tax asset at 1 April	0	0	0	0
Adjustment of deferred tax asset, previous years	0	0	0	0
Deferred tax asset at 31 March	0	0	0	0

The parent/group has a deferred tax asset of EUR 60 million, which has not been recognised due to timing uncertainties.

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 2018	31/3 2017	31/3 2018	31/3 2017
Tax receivables (assets)	761	739	738	739
Tax payables (liabilities)	-1,461	-1,348	0	0
Net tax receivable/payable at 31 March	-700	-609	738	739

15 Share capital

Share capital

The share capital is made up of 13,689,676 shares of EUR 1 each. All shares rank equally.

The following changes have been made to the share capital the past 5 years:

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.

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Notes to the financial statements

16 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		Parent company	
EUR'000	31/3 2018	31/3 2017	31/3 2018	31/3 2017
Other provisions at 1 April	12,792	0	12,792	0
Exchange rate adjustments	-26	0	-26	0
Provisions for the year	17,682	12,792	17,682	12,792
Other provisions at 31 March	30,448	12,792	30,448	12,792

Other provisions are expected to be payable as follows:

0-1 years	7,612	4,264	7,612	4,264
1-5 years	22,836	8,528	22,836	8,528
	30,448	12,792	30,448	12,792

17 Financial debts

Financial debts consist of external bankloans falling due within 1 year.

18 Proposed distribution of profit

	Consolidated		Parent company	
EUR'000	2017/18	2016/17	2017/18	2016/17
Transfer to reserve under the equity method	0	0	8,219	25,084
Transfer to reserve under development costs	0	0	17,588	36,624
Retained earnings	-98,287	-120,525	-124,094	-182,233
	-98,287	-120,525	-98,287	-120,525

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Notes to the financial statements

19 Change in working capital

	Consolidated	
	2017/18	2016/17
Change in inventories	-52,254	-358,696
Change in receivables	30,518	-103,255
Change in prepayments from customers	84,154	450,449
Change in trade payables	101,581	63,197
Change in other liabilities	-7,217	37,167
Change in receivables/payables with group companies and shareholders	-53,071	52,899
	103,711	141,761

20 Purchase of intangible assets

	Consolidated	
	2017/18	2016/17
Additions	36,421	49,198
Not paid within current year	0	0
Paid regarding previous years	0	0
	36,421	49,198

21 Employee information

	Consolidated		Parent company	
EUR'000	2017/18	2016/17	2017/18	2016/17
Wages and salaries, etc.	154,289	107,984	119,172	79,022
Pension schemes	10,353	6,757	8,501	5,308
Other social security costs	5,124	4,568	2,134	2,532
	169,766	119,309	129,807	86,862
Average number of employees	2,052	1,435	1,432	901
Executive Management remuneration including incentive schemes	2,046	1,972	2,046	1,972
Board of Directors remuneration	0	0	0	0

22 Fees to auditors

Fees to auditors appointed at the annual meeting

	Consolidated	
	2017/18	2016/17
Statutory audit	349	283
Assurance engagements	107	87
Tax assistance	228	198
Other assistance	47	37
	731	605

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Notes to the financial statements

23 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.

Related party transactions are on arm's length.

24 Contractual obligations

	Consolidated		Parent company	
EUR'000	31/3 2018	31/3 2017	31/3 2018	31/3 2017
Operating lease commitments falling due within 1 year	16,735	20,783	6,460	8,618
Operating lease commitments falling due within 1-5 years	31,783	44,037	3,357	9,317
Operating lease commitments falling due after 5 years	23,151	29,777	0	0
	71,669	94,597	9,817	17,935

Operating lease commitments include buildings, equipment, vehicles and boats mainly in Denmark, UK and Benelux and run for up to 12 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.

25 Derivate financial instruments

The Group uses hedging instruments such as forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods.

	Contractual value		Gains and losses recognised in equity	
EUR'000	31/3 2018	31/3 2017	31/3 2018	31/3 2017
Forward exchange contracts EUR/GBP	59,022	329,434	1,009	19,241
Forward exchange contracts EUR/USD	4,379	0	131	0