Vestas®

Annual report 2015

Vestas Wind Systems A/S,
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Company Reg. No.: 10 40 37 82

Wind. It means the world to us.™

Our vision is to be the undisputed global wind leader

Since Vestas was established in 1979, we have been committed to harvesting the potential wind holds for our planet's energy supply. This has made us the market leader within wind power with 74 GW installed to date – 56,860 wind turbines on six continents, which generate more than 145 million MWh of electricity per year, enough electricity to e.g. supply over 80 million Europeans' residential electricity consumption and reduce carbon emissions per year by more than 75 million tonnes of CO_2.

We intend to continue down this path, and in order to fulfil our vision we want to be the market leader in revenue, we want to deliver best-in-class margins, we want to have the strongest brand in the wind power industry, and we want to bring wind on a par with coal and gas.

Our mission is to deliver best-in-class wind energy solutions and set the pace in our industry to the benefit of our customers and our planet

Our mission statement captures the essence of our business, our commitment to our customers' objectives, and the well-being of our planet. It highlights the quality of our wind energy solutions and how we want to meet the needs of our customers and drive the industry forward – whether it's within construction, R&D, manufacturing, or service.

2015 – another step in the right direction

" 2015 proved to be another step in the right direction for Vestas. The Board is pleased to observe the profitable growth delivered, which allows the company to continue its track record of providing stable shareholder returns."

Bert Nordberg
Chairman of the Board of Directors

The future is wind

2015 ended with the historical agreement at the COP21 conference in Paris. While one could always argue that a better deal could have been reached, the broad global backing of the agreement does highlight the fact that climate change is an issue that ranks top of the global agenda. At Vestas, we could not agree more. We have for long been advocating the benefits of renewable energy and wind power specifically. Wind power is a cost-competitive, reliable energy source that is CO_2 neutral and does not pollute and I am as thrilled to chair the wind market leader today as I was when I joined the board three years ago.

The wind power industry has matured in recent years and we are now seen as one of the main contributors to a more sustainable power generation footprint. Some years ago, some people were asking "why should wind power be part of the energy mix?" Today, people are asking "how can we best make use of wind power in the energy mix?" Thus, the outlook for the industry certainly remains positive. The industry now finds itself on a stable trajectory – one that still includes attractive levels of growth as seen in 2015, but which at the same time increasingly has characteristics typically observed in mature, mainstream industries, exemplified by the fact that approx 20 percent of all installed electricity generation in 2015 was coming from wind power.

Strategy on track

For Vestas, 2015 has indeed been a year that has been characterised by growth and improved financial results, and as such continued to bring us closer to realising our vision to be the undisputed global wind leader. More specifically, the aspirations that follow from our vision are to:

- Be the market leader in revenue.
- Deliver best-in-class margins.
- Have the strongest brand in the wind power industry.
- Bring wind on a par with coal and gas.

We continuously work to deliver on all those four aspirations and 2015 was a year in which significant progress was achieved on each one of them. Our mission – to deliver best-in-class wind energy solutions and set the pace in the wind power industry to the benefit of Vestas' customers and the planet – is also more relevant than ever. As the topic of climate change becomes more and more important, Vestas finds itself in a sweet spot as a strong leader in an industry that provides the energy solutions for the future.

Our vision and mission serve as the beacons for executing our strategy, Profitable Growth for Vestas. The year was yet another step in the right direction as we saw significant progress within all the main objectives and targets that define the strategy:

- We have grown profitably in mature and emerging markets;
- the service business has grown well while delivering stable margins;
- our products and technologies continue to lower the cost of energy; and
- the operational efficiency of the company has further improved during the year.

Shareholder value creation continues

The Board and I are pleased to see that the operational results, Vestas has achieved during the year have also manifested themselves into strong financial performance, allowing us to continue the journey we started last year by paying a dividend for the first time in 12 years. The Board's ambition is to continue to provide value to the shareholders, and it will probably come as no surprise that the Board recommends that dividend payments will continue on the back of the 2015 results. On top of that, we also initiated and completed the first share buy-back programme in the history of the company.

In many ways, the combined dividend and share buy-back structure illustrates the Board's view on how to manage the capital structure of the company. The clear intent of the Board is to adopt a long-term approach to the balance sheet but at the same time ensure that the shareholders benefit from the value a dividend provides. The share buy-back programme then serves as a more flexible tool to adjust the capital structure and further increase the total shareholder return.

In summary, it is the Board's view that Vestas finds itself well positioned for the future. The direction has been set by a clear strategy which, combined with a strong management team and a dedicated group of employees, provides the best thinkable basis for taking a lead role in tomorrow's energy market.

Bert Nordberg
Chairman of the Board of Directors

Hard work has brought us to where we are today

" The results achieved in 2015 reaffirm our strategic direction and we will continue the strong execution of our strategy, Profitable Growth for Vestas."

Anders Runevad
Group President & CEO

Strong results yet again

Vestas and the wind power industry continued to grow in 2015. Supported by a stable, regulatory environment in several countries, Vestas was, as the industry in general, given a good backdrop for finding itself in a better and more stable position today, than perhaps ever seen before.

Our financial performance continued to improve in 2015. Both revenue and EBIT margin came out at strong levels in 2015. We once again realised strong cash flows, and I believe it is important to highlight that the cash flow is increasingly created by the profits generated by earnings. With total investments of EUR 425m, we are also investing in the future, and we continue to believe that we can sustainably develop our business with investments in a corridor around the levels seen in recent years, though.

The execution of the Group's strategy is well on track, as the financial results and achievements in general in 2015 bear witness to. We have made some adjustments to the strategy during 2015, but our four strategic cornerstones remain unchanged as they have proven to provide a strong foundation for bringing Vestas to the next level.

An order intake and deliveries in 2015 of 8,943 and 7,486 MW, respectively, clearly support our ambition to grow profitably in both mature and emerging markets. We have seen good activity levels across all regions with an order intake from 34 countries. I'm pleased to see that the order intake in emerging markets is both substantial and well diversified and, importantly, order intake has grown significantly in our three strategic focus markets, Brazil, India, and China.

The year has obviously also been characterised by strong demand in the USA caused by the Production Tax Credit (PTC), which now seems set to continue. Vestas has historically been committed to the US market and with the recent PTC extension, that prioritisation has resulted in an excellent platform for us to remain a leading player in this attractive market.

So all in all, I'm pleased to be able to state that our global model continues to be a great asset for Vestas in securing a stable stream of orders.

During the year, the service business grew by 20 percent – without impact from currency rate development, the growth would have been 15 percent. Thus, I'm pleased to increase our ambitions for organic growth for the segment from previous 30 percent to now 40 percent over the mid-term. On top of that, we acquired the American independent service provider UpWind Solutions, and, in early 2016, we announced that we have agreed to acquire the Germany-based company Availon. Both acquisitions will further support the acceleration of our growth in the service business.

It is still crucial to Vestas that growth does not collide with product quality and safety considerations, which have high priority by our customers and Vestas. Sadly, one of our colleagues died in a tragic industrial accident in Denmark on 23 October 2015. This accident was a reminder to all of us in Vestas that we must always put safety first to prevent injury and loss of life – no matter where in Vestas we work.

Delivering strong technology to our customers

We continued to lower the cost of energy for our customers in 2015. Amongst other things, we launched the V136-3.45 MW™ turbine and we also announced a broader upgrade of the entire 3 MW platform. I personally find it of utmost importance to ensure that Vestas remains the technology leader in the industry. The investments we are making in R&D and technology allow us to maintain that advantage. It is hard work and a never-ending race to stay ahead. But it's a race we intend to continue to lead.

I have had the immense pleasure of spending a lot of time with our customers during the year. Whenever I meet them, I'm reminded about the strong position we have in the industry but also that the industry is highly competitive and one, in which satisfying our customers' needs for high quality, continuously lowering the cost of energy, and generally providing clean and reliable wind power solutions remain of key importance. We enjoy good relationships with our customers but should never rest on our laurels. It takes hard work and a committed company to achieve, and not least maintain, the position we enjoy today.

On that note, let me conclude by thanking all employees in Vestas for their hard work and dedicated efforts throughout the year. The employees' performance has been remarkable during a busy 2015 and I look forward to continuing the journey with my colleagues in what looks like an even more busy 2016.

Anders Runevad
Group President & CEO

Contents

Highlights for the Group

mEUR	2015	2014	2013	2012	2011
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	8,423	6,910	6,084	7,216	5,836
Gross profit	1,505	1,178	896	796	725
Profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	1,212	929	610	473	305
Operating profit/(loss) (EBIT) before special items	860	559	211	4	(38)
Profit before financial income and costs, depreciation and amortisation (EBITDA) after special items	1,258	977	530	299	305
Operating profit/(loss) (EBIT) after special items	906	607	102	(697)	(60)
Net financial items	(15)	(53)	(138)	(14)	(93)
Profit/(loss) before tax	925	523	(36)	(713)	(153)
Profit/(loss) for the year	685	392	(82)	(963)	(166)
BALANCE SHEET					
Balance sheet total	8,587	6,997	5,640	6,972	7,689
Equity	2,899	2,379	1,524	1,622	2,576
Provisions	458	390	388	353	329
Average interest-bearing position (net)	1,721	494	(862)	(1,189)	(990)
Net working capital	(1,383)	(957)	(596)	233	(71)
Investments in property, plant and equipment	220	163	73	167	406
CASH FLOW STATEMENT					
Cash flow from operating activities	1,472	1,126	1,248	(73)	840
Cash flow from investing activities	(425)	(285)	(239)	(286)	(761)
Free cash flow	1,047	841	1,009	(359)	79
Cash flow from financing activities	(360)	389	(1,150)	832	(13)
Change in cash at bank and in hand less current portion of bank debt	687	1,230	(141)	473	66
RATIOS[1]					
FINANCIAL RATIOS					
Gross margin (%)	17.9	17.0	14.7	11.0	12.4
EBITDA margin (%) before special items	14.4	13.4	10.0	6.6	5.2
EBIT margin (%) before special items	10.2	8.1	3.5	0.1	(0.7)
EBITDA margin (%) after special items	14.9	14.1	8.7	4.1	5.2
EBIT margin (%) after special items	10.8	8.8	1.7	(9.7)	(1.0)
Return on invested capital (ROIC) (%) before special items[2]	117.2	35.3	7.7	0.2	(1.3)
Solvency ratio (%)	33.8	34.0	27.0	23.3	33.5
Net interest-bearing debt/EBITDA before special items	(1.9)	(1.5)	(0.1)	1.9	1.8
Return on equity (%)	26.2	20.1	(5.2)	(45.9)	(6.2)
Gearing (%)	17.1	25.5	39.9	108.0	35.7
SHARE RATIOS					
Earnings per share (EUR)	3.1	1.8	(0.4)	(4.8)	(0.8)
Book value per share (EUR)	12.9	10.6	7.5	8.0	12.6
Price / book value (EUR)	5.0	2.9	2.9	0.5	0.7
P / E ratio	21.2	17.2	neg.	neg.	neg.
Cash flow from operating activities per share (EUR)	6.6	5.0	6.1	(0.4)	4.1
Dividend per share (EUR)	0.91[3]	0.52	0.0	0.0	0.0
Payout ratio (%)	29.9[3]	29.9	0.0	0.0	0.0
Share price 31 December (EUR)	64.8	30.4	21.5	4.3	8.3
Average number of shares	224,074,513	221,674,711	203,704,103	203,704,103	203,704,103
Number of shares at the end of the year	224,074,513	224,074,513	203,704,103	203,704,103	203,704,103

1) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2015), ref. note 7.4 to the consolidated financial statements. Vestas annual report 2015.
2) Adjustment for tax based on expected future effective tax rate of 26 percent.
3) Based on proposed dividend.

	2015	2014	2013	2012	2011
OPERATIONAL KEY FIGURES					
Order intake (bnEUR)	8.2	5.8	5.8	3.8	7.3
Order intake (MW)	8,943	6,544	5,964	3,738	7,397
Order backlog – wind turbines (bnEUR)	7.9	6.7	6.8	7.1	9.6
Order backlog – service (bnEUR)	8.9	7.0	6.7	5.3	3.9
Produced and shipped wind turbines (MW)	7,948	6,125	4,513	6,171	5,054
Produced and shipped wind turbines (number)	3,330	2,527	2,025	2,765	2,571
Deliveries (MW)	7,486	6,252	4,862	6,039	5,217
SOCIAL AND ENVIRONMENTAL KEY FIGURES[1)]					
OCCUPATIONAL HEALTH & SAFETY					
Total recordable injuries (number)[2)]	335	384	307	417	480
– of which lost time injuries (number)	56	53	66	110	132
– of which fatal injuries (number)	1	0	1	0	1
CONSUMPTION OF RESOURCES					
Consumption of energy (GWh)	516	501	586	630	586
– of which renewable energy (GWh)	283	278	325	327	223
– of which renewable electricity (GWh)	257	255	309	310	208
Consumption of fresh water (1,000 m^2)	427	366	512	581	562
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	67	51	71	87	89
– of which collected for recycling (1,000 tonnes)	33	27	42	44	48
EMISSIONS					
Emission of direct CO_2 (1,000 tonnes)	49	50	56	59	58
Emission of indirect CO_2 (1,000 tonnes)	25	29	44	59	90
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	3	1	1	3
EMPLOYEES[2)]					
Average number of employees	18,986	16,325	16,598	20,284	21,503
Number of employees at the end of the period	20,507	17,598	15,192	17,238	22,084
– of which outside Europe, Middle East, and Africa	9,121	7,441	5,790	6,596	8,518
SOCIAL AND ENVIRONMENTAL INDICATORS[1)]					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of total recordable injuries per one million working hours	8.7	11.8	9.8	10.7	11.8
Incidence of lost time injuries per one million working hours	1.5	1.6	2.1	2.8	3.2
Absence due to illness among hourly-paid employees (%)	1.9	2.3	2.5	2.4	2.3
Absence due to illness among salaried employees (%)	1.1	1.3	1.2	1.1	1.3
PRODUCTS					
CO_2 savings over the life time on the MW produced and shipped (million tonnes of CO_2)	224	173	125	163	133
UTILISATION OF RESOURCES					
Renewable energy (%)	55	56	56	52	38
Renewable electricity for own activities (%)	100	100	100	89	68
EMPLOYEES					
Women in Board of Directors[3)] and Executive Management (%)	23	23	15	8	0
Women at management level (%)[4)]	18	18	17	17	18
Non-Danes at management level (%)[4)]	57	54	53	56	53

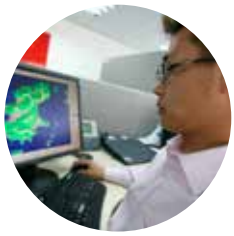
1) Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129.
2) In 2015, the accounting principles regarding counting of injuries and employees have been changed. Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129. Comparison figures have been updated.
3) Only Board members elected by the general meeting are included.
4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

This is Vestas
- from wind to customer

Wind. It means the world to us.™ This is true today, was true 30 years ago, and will be true in 30 years. Wind is Vestas' business and passion.

Vestas' commitment to continuous improvement in technology, service, and operational excellence will ensure that Vestas is the undisputed global wind leader. Something Vestas can achieve if it continues to put all its efforts into delivering best-in-class wind energy solutions. That is Vestas' vision, and this is Vestas' value proposition:

Developing and building wind turbines and service solutions are only part of Vestas' business. Today, Vestas is involved in projects whose scope of work ranges from "simple" supply and commissioning projects to turnkey projects involving the supply, installation, and commissioning of wind turbines, as well as access roads, foundations, cabling, electrical substations, communication systems, and more. Hence, Vestas' value chain stretches from project and planning to procurement and manufacture to construction and installation to operation and maintenance. It is a complex process that depends on a highly skilled and dedicated workforce.



Project planning and design

Starting up to several years before wind power plant construction, Vestas engages with its customer to find the most optimal wind sites, designing the most optimal layout, and securing grid compliance.

Efforts like these make it easier to get the wind power project financed and meet regulations, while providing the conditions for maximising return on investment over the wind power project's lifetime.

- **Big data.** By monitoring more than 29,000 wind turbines 24/7 across the world and having the wind power industry's largest wind data library, Vestas has an unparalleled insight into global wind and weather conditions.
- **SiteHunt®** is an advanced analytical tool that examines a broad spectrum of wind and weather data to evaluate potential sites and establish which of them can provide the optimum conditions for the wind power project.
- **SiteDesign®** optimises the layout of the wind power plant by finding the most effective balance between the estimated ratio of annual revenue to operating costs through a sophisticated analysis of lifetime energy costs for each wind turbine.
- **Electrical PreDesign.** By identifying the varying, complex, and specific grid code requirements across the globe and simulating extreme operating conditions, Electrical PreDesign provides an ideal way to optimise the design of electrical components for the wind turbines, creating a grid compliant, predictable, and reliable wind power plant.

Procurement and manufacture

Working closely with its customer in the project and planning phase gives Vestas a competitive advantage in the procurement phase. With a broad range of product offerings, Vestas offers industry leading, high quality wind turbines covering all wind speeds and wind classes, thereby securing an optimal fit to the wind power project's needs and requirements. In general, Vestas follows a make to order principle.

- **Product offering.** Armed with multiple variants based on the 2 MW and 3 MW platforms, the customer can choose the wind turbines best suited to the specific site.
- **Options.** In addition, Vestas' technology leadership continuously ensures that options like the Large Diameter Steel Tower and Vestas De-Icing are available for site specific conditions.
- **Outsourcing.** Depending on the type of component and in consideration of market specific local content requirements, Vestas outsources various parts of the wind turbines.
- **R&D.** Vestas has a strong focus on continuously developing and optimising the performance of the wind turbines, thereby meeting customer needs and remaining the technology leader in the wind power industry.

Construction and installation

During the construction phase, the wind power plant is built and connected to the grid. Depending on the customer risk profile, Vestas can provide everything from simply supplying the individual wind turbines to an all-inclusive package, including supply, installation, and calibration of the wind power plant as well as civil and electrical works.

- **Supply-only** includes simply supplying the wind turbines and can include supervising, commissioning, and transporting tasks.
- **Supply-and-install.** In addition to supply-only, supply-and-install further includes installation tasks such as cranes and manpower.
- **EPC/turnkey.** In addition to supply-and-install, EPC/turnkey projects also include balance of plant tasks such as roads, foundations, cabling, and substation.

Operation and maintenance

Once constructed and installed, the operation and maintenance phase begins, which is the longest phase, lasting up to 20 years or more. Wind turbines need to be continually serviced to perform consistently at their best. With its substantial knowledge of optimising wind power plants, Vestas offers a wide range of innovative service solutions ranging from pay-as-you-go to full-scope energy-based availability guarantees as well as completely customised solutions, which can help increase the production and profitability of the wind power plant – thereby reducing risks, increasing business case certainty, and ultimately lowering cost of energy.

- **Active Output Management** (AOM) 1000-5000 refers to Vestas' standard service packages that ensure the highest possible output at all times.
- **Customised solutions.** Tied specifically to the customers' needs, Vestas also tailor-makes service solutions to optimise the business case.
- **Spare parts.** Often included in various service packages, Vestas also provides spare parts and repairs via its global supply chain and local presence.

The market situation and Vestas' strategy – Profitable Growth for Vestas

" We have created a strong momentum. The key is now to keep a diligent eye on executing our strategy to maintain and expand market leadership, while we prepare ourselves for the future opportunities and challenges we are facing."

Anders Runevad
Group President & CEO

Industry dynamics

2015 was again a year, in which renewables continued to improve its position in the public domain. Not only wind, but also other types of renewables are increasingly being recognised as important elements of the future energy mix. Global warming, and the fact that it is a man-made phenomenon, is now generally accepted. Renewables are seen as one of the few solutions that can actually support a world where energy consumption is expected to continue to increase, whilst simultaneously lowering CO_2 emissions.

Late in 2014, the USA and China entered into a climate accord and thereby ensured that 2015 was off to a good start in terms of signalling a commitment to a less polluted future. Late in 2015, at the COP21 conference in Paris, France, the world's nations entered into an important agreement to reduce CO_2 emissions to levels reducing the risks and impacts of climate changes. While the final COP21 agreement does contain a lot of uncertainty as it relates to implementation and execution, it is Vestas' view that the agreement forms a good basis for continuing the positive development for renewables observed in numerous countries, not just in industrialised nations, but across the globe.

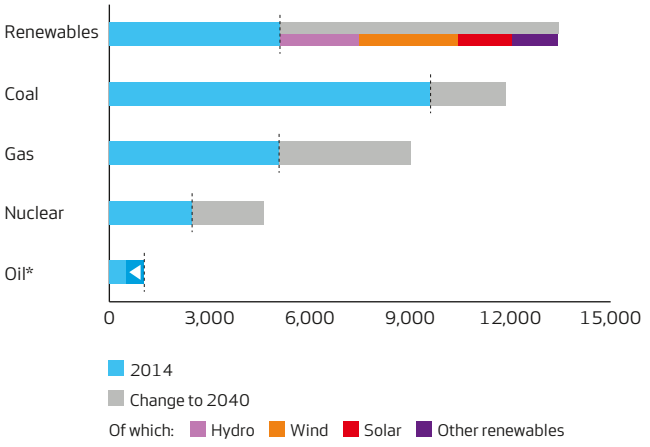
Power market shifting towards sustainable future

The International Energy Agency (IEA) expects electricity generation to grow by more than 40 percent over the next 15 years, whereas emissions from power generation are expected to remain fairly stable over the same period.[1)]

Further, IEA is expecting renewables as a whole to be the world's largest power source by 2040. And measured by additional TWhs fed into the electricity grid over that period, wind energy is expected to be the largest contributor in the renewables space and second largest overall, only surpassed by gas.

Global electricity generation by source in 2014 and 2040

TWh



Source: International Energy Agency (IEA): World Energy Outlook 2015. November 2015.
* 1,044 TWh in 2014 and only 533 TWh in 2040.

Levelised cost of energy continues to improve

Over the last many years, levelised cost of energy (LCOE) has been the primary competitive parameter in the wind power industry. Customers directly and indirectly look to the metric when assessing the viability of a wind power project and as a result, Vestas and its competitors have been focusing on bringing down LCOE. This, in turn, has meant that the wind power industry has become more and more competitive when compared to other energy sources and today, wind finds itself able to compete with the likes of coal and gas. Bloomberg New Energy Finance has assessed that LCOE for wind power in various regions can indeed be lower than for other types of energy sources.[2)] Similarly, in a study issued by the American investment bank Lazard, wind comes out as one of the most competitive energy sources on the US market.[3)]

For Vestas, reducing cost of energy remains one of the four main pillars of its strategy. While the general drive to reduce cost of energy does increase competition in the industry, the sector also reaps the benefits from e.g. more developed supply chains and the improved overall perception of wind from various decision makers. Hence, Vestas generally finds it positive overall that the industry continues to improve its LCOE.

Where LCOE shows the cost of the energy source installed in a given market, including financing costs, the market price is often influenced by different support mechanisms of both direct and indirect nature. Although the objective of these varies across markets, a common driver is to incentivise investments in renewable electricity production, promoting energy sources with minimal environmental impact and external costs, i.e. costs borne by the society, as opposed to electricity production from fossil fuels or nuclear.

A 2014 study by the European Commission found that the external costs per unit of energy produced at a hard coal fired power plant is more than 20 times that of onshore wind power. The same study concluded that 96 percent of the external costs from electricity generation in Europe stems from fossil and nuclear sources totalling EUR 122.4bn every year.[4)]

In 2015, the International Monetary Fund issued similar types of analyses, once again highlighting that direct subsidies offered to various types of renewable energy sources are dwarfed by the consequential external effects from more traditional types of energy.[5)]

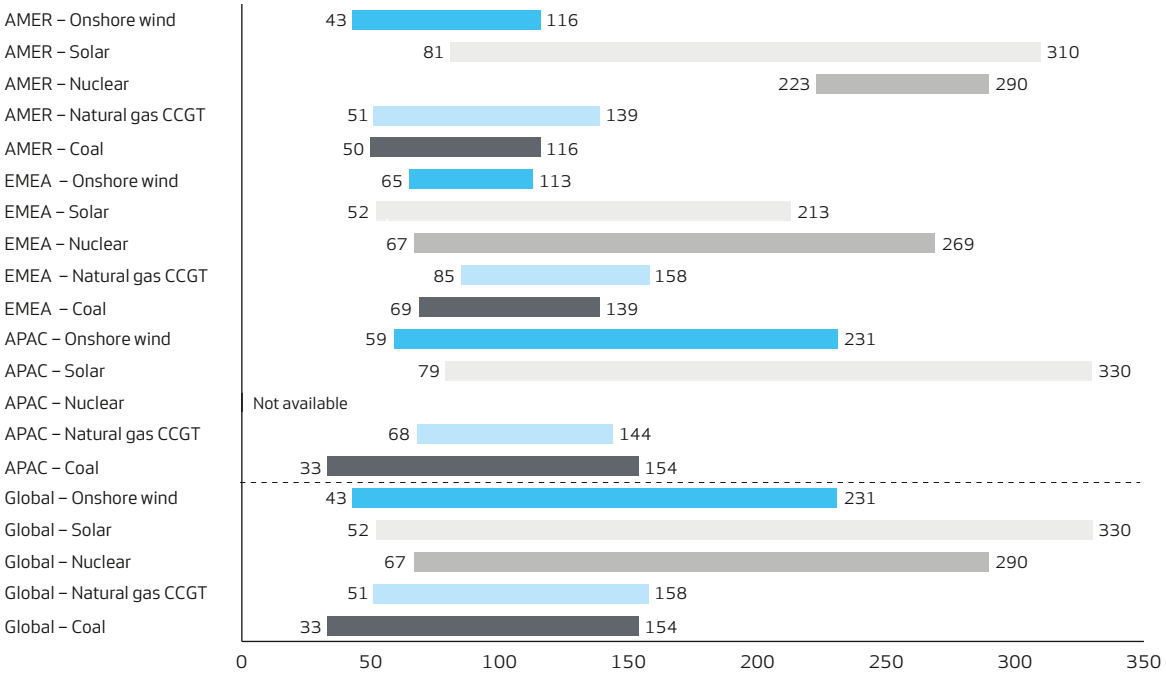
Political and regulatory environment dynamic, but supportive

Policy support and the regulatory environment is an important part of most infrastructure industries and the wind power industry is not an exception to that rule. Historically, support schemes in the industry have evolved over time, but a general tendency in recent years has been the emergence of systems and schemes that play a role in the increased competitiveness of wind energy.

In some regions, support systems are becoming more market-based and moving towards systems providing support in addition to the market price – not in place of it. The EU has asked all member states to decide by 2017 which form of market-based support they will introduce and thus, several EU countries are moving in the direction of using such systems, the most well-known being the transition in Germany to an auction-based system. As long as such market-based systems are structured in a way to create a level playing field for the different energy sources, Vestas does not expect this transition to be a disadvantage to the wind power industry.

1) Source: International Energy Agency (IEA): World Energy Outlook 2015. November 2015.
2) Source: Bloomberg New Energy Finance (BNEF): H2 2015 Global Levelised Cost of Electricity Update. October 2015.
3) Source: Lazard: Lazard's Levelized Cost of Energy Analysis - version 9.0. November 2015.
4) Source: European Commission: Subsidies and costs of EU Energy. November 2014.
5) Source: International Monetary Fund: How Large Are Global Energy Subsidies? May 2015.

Levelised cost of energy (LCOE)
USD/MWh



Source: Bloomberg New Energy Finance (BNEF): H2 2015 Global Levelised Cost of Electricity Update. October 2015.

In the USA, an extension of the Production Tax Credit (PTC) was approved in December 2015, which had as its main element a two-year extension of the scheme in its current form followed by a three-year phase-down period. The extension and phase-down plan gives the industry the longer-term certainty that it has been looking to achieve. Together with wind energy's natural competitiveness against other power generation sources, the PTC extension agreement would help ensure a solid future for wind energy in the USA.

In Asia, the two largest markets, China and India, reaffirmed their commitment to a greener future through various measures in 2015. The Chinese 2016-2020 five-year plan has an overall unchanged commitment to wind power, but calls for increased competition, and as a result, feed-in tariff reductions. In India, the government remains committed as well.

Overall, Vestas continues to generally see strong support for wind power across the regions. Incentive systems and schemes may vary across countries, but the overall picture is one of stability and a continued desire to use renewables, and wind specifically, to secure a long-term sustainable energy supply.

The corporate strategy continues to deliver strong results

Vestas has a strong global reach in both the wind turbine and service market and will continue to build its strength in those markets in 2016 and beyond. The overall strategic ambition to ensure profitable growth for Vestas remains, as does Vestas' ambition to maintain and expand its global leadership and create an even more flexible and robust company, able to consistently deliver best-in-class margins.

Vestas has taken a large step forward since the last strategy review in 2014 and is now more than ever capable of delivering profitable growth to its shareholders. The strong performance observed in recent years is a result of a clear strategic direction, the employees' commitment to implementing the priorities, and a supportive market situation in many of Vestas' core markets.

The 2015 strategy planning cycle once again had an aim to secure alignment of strategic priorities across the organisation, while at the same time ensuring that adequate adjustments are made. The strategic review has not given reason to materially change any parts of the Vestas strategy, neither have the vision and mission been changed.

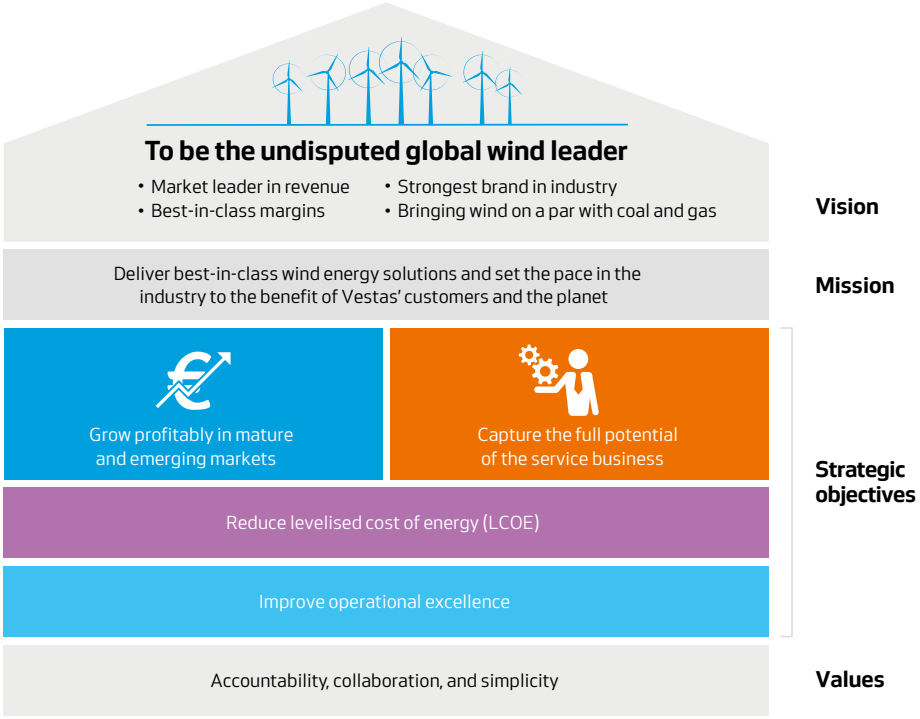
Vision and mission
Vestas' vision and mission serve as important beacons for uniting all Vestas' key stakeholders and not least its employees, setting a clear purpose and direction for where the company is heading and how the employees as individuals can support that journey.

Vision: To be the undisputed global wind leader, meaning:

- Be the market leader in revenue.
- Deliver best-in-class margins.
- Have the strongest brand in the wind power industry.
- Bring wind on a par with coal and gas.

Mission: Deliver best-in-class wind energy solutions and set the pace in the wind power industry to the benefit of Vestas' customers and the planet.

The building blocks of the strategy – Profitable Growth for Vestas



Strategic plan adjusted

Vestas' strategy revolves around four strategic objectives which remain unchanged:

- Grow profitably in mature and emerging markets.
- Capture the full potential of the service business.
- Reduce levelised cost of energy.
- Improve operational excellence.

Grow profitably in mature and emerging markets

Vestas will continue to focus on profitable growth in mature and emerging markets, partnering more closely with its customers, expanding its key account programme, involving customers in product development, and working closely with them to deliver tailored solutions.

With its strong global footprint, Vestas has a competitive edge, allowing it to grow profitably in both mature and emerging markets. Vestas will continue to scale production up and down in accordance with the level of demand in the different regions. Building on its long-standing global presence, Vestas will continue to pursue opportunities in markets where wind energy is set to expand.

As part of Vestas' ambitions to grow profitably in certain markets, Vestas has revised its current policy of only participating in project development to a limited extent. By entering into co-development activities under a more structured approach, Vestas expects to be able to engage earlier with certain customers and thereby potentially lock deals earlier than what would in some cases otherwise be possible whilst simultaneously offering significant value to the customer. The short to medium term expected financial effect from such initiatives is expected to be limited in the context of the Vestas' overall financials.

Vestas' mid-term ambition to grow faster than the market remains unchanged and for 2015, it is Vestas' view that the ambition has been met as well.

Capture the full potential of the service business

Having delivered an accumulated amount of 74 GW of wind power – a significantly higher amount than the closest competitor – Vestas has a unique platform from which to grow its service business, which today is already the largest in the wind power industry. With the acquisition of UpWind Solutions, Inc. in 2015, and the announcement of the agreement to acquire the Germany-based company Availon Holding GmbH in 2016, Vestas further accelerated that part of the strategy.

74 GW

Accumulated, Vestas has delivered 74 GW (56,860 wind turbines) in 75 countries around the world and have manufacturing facilities in North and Latin America, Europe, and Asia.

As the majority of Vestas' wind turbine contracts are sold with service agreements, typically running for five to ten years, the stable revenue stream from the service business is set to continue its growth as the installed base of wind turbines increases.

As a result of higher than anticipated growth in the service business, Vestas has decided to increase its strategic ambition for the area. The previous target of 30 percent organic growth in the service business over the mid-term has now been increased to 40 percent.

Reduce levelised cost of energy

Vestas wants to remain the technology leader of the wind power industry. Continuing the recent years' focus on improvement and optimisation of the product and service offerings will be one of the most important enablers for Vestas to continue to hold that position in the future.

While complexity has been reduced and offerings simplified as part of that journey, Vestas is now able to even better meet the demands of its customers and markets.

Also, Vestas will further reduce the LCOE by outsourcing and using standard components. With this, Vestas reduces manufacturing costs and time-to-market, and thereby lowers the cost of energy for its customers.

During 2015, Vestas introduced new variants and solutions to support the mid-term ambition to reduce LCOE faster than market average and as the strategic objective is on track, Vestas' ambition remains unchanged.

Improve operational excellence
The lessons learned and the experiences gained through the turnaround period have not been forgotten and thus, cost savings and operational efficiency remain a priority area for everyone at Vestas.

Vestas has continued its site simplification programme and continues to increase its use of shared services, where various process and transactional tasks are relocated to low-cost areas, in particular Vestas' shared service centre in the Philippines. Vestas will also continue to increase efficiency by leveraging on the scale of its operations. In support of the Profitable Growth for Vestas strategy, cost savings and achieving cost leadership within the wind power industry is still a priority for the company.

The first Accelerate Earnings programme was concluded by the end of 2014 with a considerable achievement in the area of short-term cost-out. The next phase, called Accelerate Earnings Pro, is planned to run until 2017, and will aim at a sustainable optimisation of the total cost on the full value chain. The ambition to achieve cost leadership within the wind power industry remains unchanged.

Financial and capital structure strategy

Vestas' financial and capital structure targets, as well as related dividend policy, link to the strategic aspirations of the company.

Targets achieved through ambitious performance management
By increasing earnings and keeping investment and net working capital requirements low, Vestas aims to generate a double-digit return on invested capital (ROIC) each year over the cycle. Vestas expects to be able to finance its own growth and thus, the free cash flow is expected to be positive each financial year.

Conservative capital structure
As a player in a market where projects, customers, and wind turbine investors become larger, Vestas aims to be a strong financial counterpart. In line with the prudent balance sheet approach the target for the net debt/EBITDA ratio remains unchanged at below 1 at any point in the cycle. In addition, the target is a solvency ratio in the range of 30-35 percent by the end of each financial year.

The solvency target has been adjusted by the end of 2015 to increase flexibility to balance the need for a strong balance sheet and intent to distribute excess cash.

Dividend policy and priorities for excess cash allocation
Any decision to distribute cash to shareholders will be taken in appropriate consideration of capital structure targets and availability of excess cash. Determining excess cash will be based on the company's growth plans and liquidity requirements, thus securing adequate flexibility to invest in Vestas' strategy, Profitable Growth for Vestas.

The general intention of the Board of Directors is to recommend a dividend of 25-30 percent of the net result of the year after tax.

In addition, Vestas may from time to time supplement with share buy-back programmes.

Corporate strategy on track

In summary, Vestas strategy, Profitable Growth for Vestas, remains well on track as the company continues to leverage from our three main differentiators, global reach, technology and service leadership, and scale.

And as a result, Vestas is indeed well positioned to remain the undisputed wind leader in an industry that looks set to continue its trajectory of becoming an even more integrated and important part of the future's energy landscape.

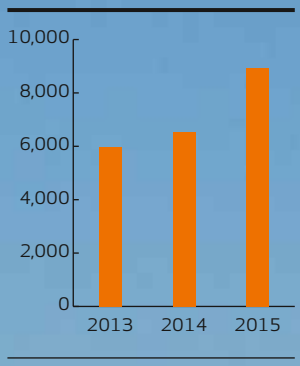

Vestas
Vestas

2015's contribution to Profitable Growth

7,486 MW

In 2015, Vestas delivered 7,486 MW (3,117 turbines) to 34 countries.

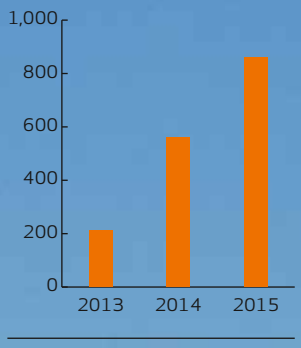
Order intake
MW



Growth in service business

Year-on-year, growth in the service business of 20 percent, leading to a revised mid-term growth target for the service business of 40 percent.

EBIT before special items
mEUR



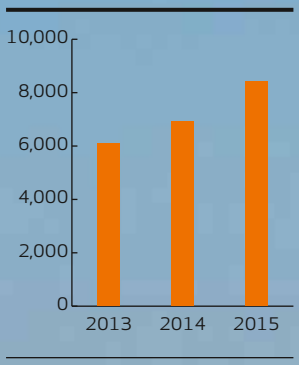
V136-3.45 MW™

A new 3 MW platform variant – the V136-3.45 MW™ turbine – was announced in September – and the first order was signed in December.

EUR 16.8bn

Vestas entered the year 2016 with a combined wind turbine and service order backlog of EUR 16.8bn.

Revenue
mEUR



Scope of installed capacity

The 56,860 Vestas turbines installed globally can generate enough green power to meet the electricity needs of more than 80 million Europeans.

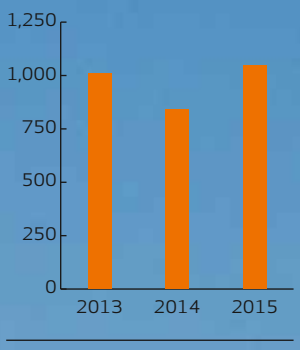
3 MW platform

The 3 MW platform was upgraded, resulting in an increase in annual energy production and a lower Lost Production Factor.

CO_2 target reached

In 2015, the set target for a reduction of carbon footprint by 15 percent from 2011 to 2015 on the V112 turbine was reached.

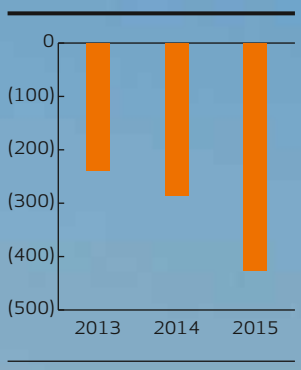
Free cash flow
mEUR



New facilities

In November, Vestas announced that a new blade factory is planned to be built in India, and in December, Vestas opened its new factory in Brazil.

Investments
mEUR



DKK 1.1 bn

Bought for DKK 1.1bn equal to 2.5m shares in connection with a share buy-back program and will propose to the shareholders to reduce the capital with 2.5m shares in 2016.

7,948 MW

In 2015, Vestas produced and shipped 7,948 MW (3,330 wind turbines) from its factories around the globe.

29.9%

For the financial year 2015, it is proposed to pay out a dividend of DKK 6.82 (EUR 0.91) per share – equivalent to a payout ratio of 29.9 percent.

Financial performance

" 2015 continued the positive trend with a double-digit EBIT margin and free cash flow above EUR 1bn – a strong piece of evidence that we are executing well on our strategy of profitable growth."

Marika Fredriksson
Executive Vice President & CFO

Order backlog and activities – wind turbines

Compared to 2014, the order intake in MW for the year increased by 37 percent to 8,943 MW corresponding to EUR 8.2bn. All regions contributed to this increase, but with the US market leading with a significant growth. This was supplemented by a continued steady growth in the European market and a pick-up in order intake in China and the emerging markets, particularly in Latin America and Asia. From a regional view, Europe, Middle East, and Africa (EMEA) accounted for 43 percent, Americas for 46 percent, and Asia Pacific for 11 percent of the order intake in 2015. 76 percent of total orders in 2015 were announced publicly.

At the end of 2015, the wind turbine order backlog amounted to 8,732 MW corresponding to EUR 7.9bn against 7,513 MW and EUR 6.7bn at the end of 2014. The size of the MW backlog was positively impacted by the strong order intake. The average pricing as measured in EUR/MW in the year-end backlog was stable compared to 2014. In terms of MW in the backlog, the EMEA region accounted for 44 percent, Americas for 45 percent, and Asia Pacific for 11 percent, making the Americas region on a par with the EMEA region when considering backlog volume.

Level of activity

In 2015, Vestas produced and shipped 3,330 wind turbines with an aggregate capacity of 7,948 MW, which (as measured in MW) was a 30 percent increase compared to 2014, when Vestas produced and shipped 2,527 wind turbines totalling 6,125 MW. In 2015, final capacity delivered to the customers amounted to 7,486 MW – an increase of 20 percent compared to 2014. The growth was in particular driven by increased deliveries to the US market where deliveries almost doubled from 1,517 MW in 2014 to 2,999 MW in 2015. Deliveries in the Americas and EMEA regions increased by 45 and 8 percent in 2015, respectively, while the Asia Pacific region decreased by 16 percent.

At the end of the year, wind turbine projects with a total output of 1,939 MW were under completion – an increase of 462 MW, or 31 percent, compared to the end of 2014. MW under completion is reflected in the level of inventories, as a large share of these MW has not yet been recognised as revenue. However, inventory is to a large extent funded by down and milestone payments from customers reflected in prepayments in the balance sheet. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

Overview per region

MW

	Europe, Middle East, and Africa	Americas	Asia Pacific	Total
Under completion, 1 January 2015	945	446	86	1,477
Delivered to customers during 2015	(3,672)	(3,357)	(457)	(7,486)
Produced and shipped during 2015	3,643	3,795	510	7,948
Under completion, 31 December 2015	**916**	**884**	**139**	**1,939**

Revenue from sale of wind turbines increased by 23 percent to EUR 7,285m compared to EUR 5,946m in 2014 which was driven by the abovementioned growth in deliveries to customers as well as positive impacts from currency rate developments of approx EUR 450m, mainly attributable to the EUR/USD development.

Vestas achieved an improvement in the EBIT margin before special items of the project segment from 9.5 percent in 2014 to 11.4 percent in 2015, corresponding to EUR 829m before special items compared to EUR 566m in 2014.

Order backlog and activities – service

At the end of 2015, Vestas' service order backlog totalled EUR 8.9bn which is an increase from 2014 of EUR 1.9bn equal to 27 percent. This increase was mainly driven by a strong service order intake. At the end of December 2015, the average duration in the service order backlog was approx six years.

Service revenue increased to EUR 1,138m from EUR 964m in 2014 – an increase of EUR 174m. The increase was mainly driven by organic growth supported by positive impact from currency rate development of approx EUR 50m. The increased revenue was reflected in the 2015 service EBIT before special items of EUR 201m compared to EUR 169m in 2014, maintaining the EBIT margin before special items for the service business at 18 percent, in line with 2014 despite the occurrence of impairment and write-offs on service inventories of EUR 25m impacting the service segment EBIT.

In December 2015, Vestas acquired US independent service provider UpWind Solutions, Inc. and along with the agreement to acquire Germany-based independent service provider Availon Holding GmbH announced 20 January 2016, Vestas accelerates its profitable growth strategy to capture the full potential of the service business through strengthening the ability to service a broad range of wind turbine technologies.

Income statement

Revenue

Revenue increased by 22 percent to EUR 8.4bn in 2015 – within the revised guidance range announced in November 2015 of EUR 8.0bn-8.5bn. The revenue increase was for the majority driven by an increase in volumes. Revenue was also supported by positive currency developments with an effect of approx EUR 500m primarily driven by the EUR/USD development. EMEA accounted for 52 percent of annual revenue, while Americas and Asia Pacific accounted for 41 and 7 percent, respectively.

Distribution of revenue

mEUR

	2015	2014
Europe, Middle East, and Africa	4,357	4,167
Americas	3,476	2,131
Asia Pacific	590	612
Total	**8,423**	**6,910**
– of which service revenue	1,138	964

Gross profit and EBITDA

Vestas' gross profit increased by 28 percent from EUR 1,178m in 2014 to EUR 1,505m in 2015, equal to a gross margin of 17.9 percent – a 0.9 percentage point increase relative to 2014. The gross profit increase was mainly driven by the increased volumes, better average project margins, and growth in the service business.

Further, gross profit was negatively impacted by a EUR 50m write-down of inventory incurred in the fourth quarter of 2015 related to development and construction activities in prior years.

EBITDA before special items increased by 30 percent to EUR 1,212m, which translates into an EBITDA margin before special items of 14.4 percent – an increase of 1.0 percentage points compared to 2014.

Depreciation and amortisation decreased by EUR 17m to EUR 349m due to the reduced investment level in recent years.

Research and development costs
Research and development costs recognised in the income statement amounted to EUR 211m which is in line with EUR 213m in 2014. The total R&D expenditure prior to capitalisation and amortisation decreased to EUR 156m in 2015, against EUR 159m in 2014.

Distribution costs
Distribution costs amounted to EUR 186m, which was EUR 28m higher than in 2014. The increase was driven by the growth in deliveries.

Administration costs
2015 administration costs were maintained at EUR 248m, equivalent to the level in 2014, despite a growth in revenue of 14 percent excluding the impact from currency developments. Administration costs constituted 2.9 percent of revenue in 2015 compared to 3.6 percent in 2014.

Operating profit (EBIT) before special items
Vestas secured an operating profit (EBIT) before special items of EUR 860m in 2015 – an improvement of EUR 301m compared to 2014. The EBIT margin before special items was 10.2 percent in 2015 against 8.1 percent in 2014. This was slightly higher than the expected range of 9-10 percent announced in November 2015.

10.2%

EBIT margin before special items amounted to 10.2 percent – an increase of 2.1 percentage points compared to 2014.

The increased operating profit was positively impacted by the increased gross profit combined with the leverage effect from R&D, distribution and administration costs increasing less than the overall activity level.

Special items
Vestas has recognised special items of positive EUR 46m in 2015, mainly linked to a gain of EUR 47m from reversal of a previous impairment loss related to US factories. The reversal is a result of an improved outlook for the US market driven by the 2015 extension of the Production Tax Credit (PTC) scheme in the USA adopted in 2015.

Income from investments accounted for using the equity method
Income from investments accounted for using the equity method amounted to an income of EUR 34m, of which a net loss of EUR 1m relates to Vestas' share of loss in the offshore joint venture on a stand-alone basis. The residual amount of positive EUR 35m relates to timing differences linked to delivery and revenue recognition in the offshore joint venture.

It should be noted that the net effect of the timing differences accounting-wise will be zero over time and that underlying profitability of the joint venture is the amount reported as Vestas' share of profits on a stand-alone basis.

Financial items
In 2015, financial items represented a net cost of EUR 15m compared to a net cost of EUR 53m in 2014. The improvement was caused by lower interests and fees cost compared to 2014, amongst others attributable to reduced interest cost for the renewed eurobond which has a coupon of 2.75 percent and principal of EUR 500m – compared to a coupon of 4.625 percent and principal of EUR 600m for the bond that was replaced early in 2015.

Profit before and after tax
Profit before tax amounted to EUR 925m in 2015 compared to EUR 523m in 2014. In 2015, the income tax expense was EUR 240m, equalling an effective tax rate of 26 percent against 25 percent in 2014. The resulting profit after tax increased by 75 percent to EUR 685m in 2015 compared to EUR 392m in 2014, driven by the growth in revenue and EBIT.

EUR 860m

Vestas reached an operating profit (EBIT) before special items for the year of EUR 860m – compared to EUR 559m in 2014.

Balance sheet

Vestas' total assets increased by EUR 1,590m to EUR 8,587m in 2015, driven by increased activity in the value chain to prepare for a busy 2016. Furthermore, Vestas' cash balance increased by EUR 0.7bn which also impacted total assets.

Non-current assets
Non-current assets amounted to EUR 2,508m at the end of 2015 – an increase of EUR 310m compared to 2014. The increase was driven by investments during the year, reversal of a previously recognised impairment loss related to US factories and a valuation adjustment of Vestas' share of the equity in the offshore joint venture with Mitsubishi Heavy Industries Ltd., MHI Vestas Offshore Wind. The acquisition of US independent service provider UpWind Solutions, Inc. increased non-current assets by EUR 61m of which EUR 37m related to goodwill.

Current assets
At the end of 2015, current assets amounted to EUR 5,976m – an increase of EUR 1,280m compared to the end of 2014. This increase was mainly related to a higher cash balance as well as an increase in activity-driven items such as inventories and trade receivables.

Net working capital
At 31 December 2015, Vestas' net working capital amounted to a net liability of EUR 1,383m, which is an improvement of EUR 426m compared to a net liability of EUR 957 in 2014. The net working capital improvement during 2015 is an outcome of Vestas' working capital management strategy which among other things target financially sustainable inventory build-up through management of trade payables, reduction of lead times in production and construction processes to lower work-in-progress and adequate timing of prepayments from customers.

Inventories
Inventories amounted to EUR 1,899m at the end of 2015, an increase of EUR 390m relative to the end of 2014. The increase can mainly be attributed to higher activity in the fourth quarter of 2015 in anticipation of the continued increased activity levels expected in 2016.

Net debt and cash equivalents
The average interest-bearing position (net) was positive EUR 1,721m in 2015, against positive EUR 494m in 2014. At the end of 2015, Vestas had a net cash position of EUR 2,270m, which was an improvement of EUR 859m compared to the end of 2014. Positive free cash flow driven by higher profit from the underlying operations combined with active working capital management were the main drivers for the growth in net cash position. Cash and cash equivalents stood at EUR 2,765m and financial debt at EUR 495m representing the green corporate eurobond. In March 2015, Vestas replaced its existing corporate eurobond of EUR 600m with a new green corporate Eurobond for a principal amount of EUR 500m with maturity in March 2022.

The net debt/EBITDA ratio improved to (1.9) by the end of 2015, compared to (1.5) in 2014.

Warranty provisions
In 2015, Vestas made total warranty provisions of EUR 160m, equalling 1.9 percent of revenue. Vestas continues its efforts to improve the reliability of its wind turbines through increased investments in development, testing, monitoring, and servicing of the wind power plants and in 2015, Vestas consumed warranty provisions totalling EUR 95m, corresponding to 1.1 percent of revenue. In 2014, warranty provisions represented 1.8 percent of revenue and warranty consumption amounted to 1.6 percent of revenue.

Changes in equity
Vestas' equity amounted to EUR 2,899m at the end of 2015 compared to EUR 2,379m at 31 December 2014. Equity was positively impacted by net profit in 2015, however, offset by the impact of dividend pay-out and the share buy-back programme.

In April 2015, Vestas paid a dividend for 2014 to its shareholders amounting to EUR 116m, or EUR 0.52 per share, equivalent to a dividend percentage of 29.9 percent measured against the net profit for 2014. Furthermore, to adjust Vestas' capital structure and to meet the obligations arising from employee share option programmes and/or other allocations of shares to employees of Vestas, the Board of Directors initiated a share buy-back programme of EUR 150m, which was successfully completed on 18 December 2015.

At the end of December 2015, the solvency ratio was 34 percent – at the same level as 31 December 2014.

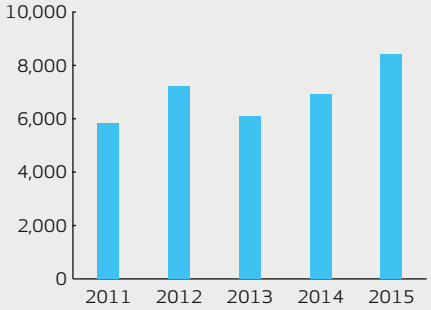
Cash flow and investments
In 2015, cash flow from operating activities before changes to net working capital amounted to EUR 1,075m – an increase of EUR 209m compared to 2014 as a result of higher profit from the underlying operations. Additionally, the cash flow benefitted from changes to net working capital of EUR 397m compared to EUR 260m in 2014. The resulting cash flow from operating activities was EUR 1,472m in 2015 – an increase of EUR 346m compared to 2014.

Cash flow from investing activities amounted to an outflow of EUR 425m which is in line with the guidance of approx EUR 400m and EUR 140m higher than in 2014. The increase was mainly driven by investments in property, plant and equipment and by the EUR 55m acquisition of US independent service provider UpWind Solutions, Inc.

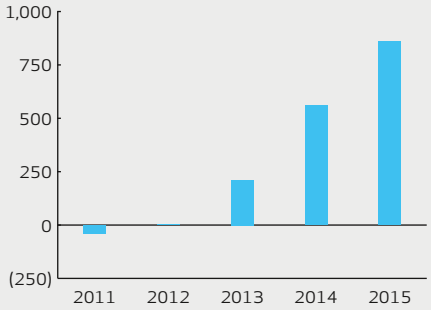
Consequently, free cash flow increased by EUR 206m to EUR 1,047m, which slightly exceeded Vestas' updated guidance of approx EUR 750m-950m from December 2015.

VESTAS **FACTS**

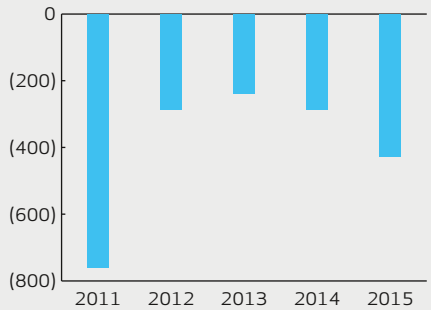
Revenue
mEUR



EBIT before special items
mEUR

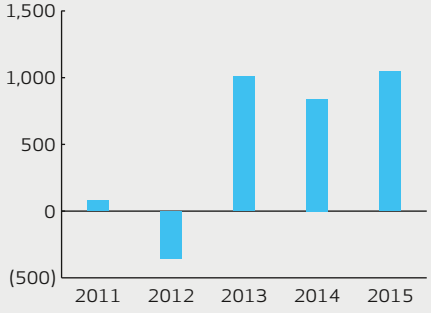


Total investments
mEUR



* Including the acquisition of UpWind Solutions, Inc. of EUR 55m.

Free cash flow
mEUR



Wind turbines – Sales and market development

" Order intake in 2015 was strong, driven by improvements across all regions and especially in the US market. Our strategic efforts in China, India, and Brazil are also paying off. Moreover, we managed to expand our geographic diversity."

Juan Araluce
Executive Vice President & CSO

Global trends in the onshore wind energy market 2015

2015 was again a positive year for the wind power industry with an increase in onshore installations of 21 percent to 58 GW compared to 2014.[1] According to MAKE Consulting, the order intake for 2015 was higher than in 2014 as well, especially in North and Latin America.[2] And most importantly, Bloomberg New Energy Finance predicts the wind energy market to continue its growth. It is estimated that approx 20 percent of the new installed electricity generation capacity in 2015 was coming from wind which is furthermore expected to make up 14 percent of the projected total installed electricity generation capacity by 2040.[3]

Policy decisions, particularly on a national level, continue to be a primary driver for renewable energy demand, making the market exposed to changes and some unpredictability. Notable examples historically are the developments in the USA, UK, and Poland. A general trend can be seen, nonetheless, towards applying market-based mechanisms such as auctions, renewable certificates, and renewable portfolio standards. Auctions are taking place in markets like Brazil, Russia, and South Africa. Mexico is introducing rules for an auctioning system. And European markets like Poland and Germany are preparing to enter into auction systems.

The signs for renewables and the wind power industry are positive and with its global footprint, Vestas finds itself well positioned to reap the benefits from these developments.

Vestas' market development in 2015

Vestas' installed capacity increased from 66 GW in 2014 to 74 GW in 2015 – an increase of 12 percent.

With deliveries across 34 countries in 2015, Vestas' wide geographic diversification remains a key strategic strength, allowing it to balance out the inevitable ups and downs in any given market. Vestas' global presence in 75 countries across six continents underlines its ability to provide wind energy solutions anywhere in the world.

34 countries

In 2015, Vestas delivered CO_2 neutral wind power systems in 34 countries all over the world, and signed contracts for new orders in the same number of countries.

During 2015, Vestas continued its focus on early engagement, thereby offering more attractive cost-effective wind energy solutions to the benefit of both the customer and Vestas. By early engagement with the customer on for example site design, Vestas is able to unlock value and offer a more optimised solution.

Combined with the ongoing efforts to build closer and expand already existing customer relationships and partner with new customers in both mature and new markets to wind power, Vestas experienced growth in order intake across all regions and signed orders in a total of 34 countries in 2015. Demand for both Vestas' 2 MW and 3 MW platforms remains strong with 2015 order intake largely split equally between the two platforms.

2015 order intake and backlog per region

MW

	Europe, Middle East, and Africa	Americas	Asia Pacific	Total
Order intake	3,889	4,113	941	8,943
Wind turbine order backlog	3,872	3,924	936	8,732

Europe, Middle East, and Africa

Vestas delivered 3,672 MW to the markets in the Europe, Middle East, and Africa region in 2015, up from 3,385 MW in 2014. In 2015, Vestas had an order intake of 3,889 MW in the region, while the order backlog amounted to 3,872 MW as of 31 December 2015.

The European onshore markets have proven to be stable in 2015, adding 11 GW of new installations, the same as in 2014.[1] Despite the stable overall market development, Europe is still characterised by varying growth patterns on a national level due to differences in regulatory, economic, and geopolitical conditions. Combined with an increased focus on decarbonisation, energy independence, and a general demand for electricity, Europe continues to be driven by the EU member states' approach towards achieving their renewable energy targets for 2020. By demand of the EU state aid guideline, European markets are moving towards more market-based support systems, putting more focus on the development in power prices and cost of energy.

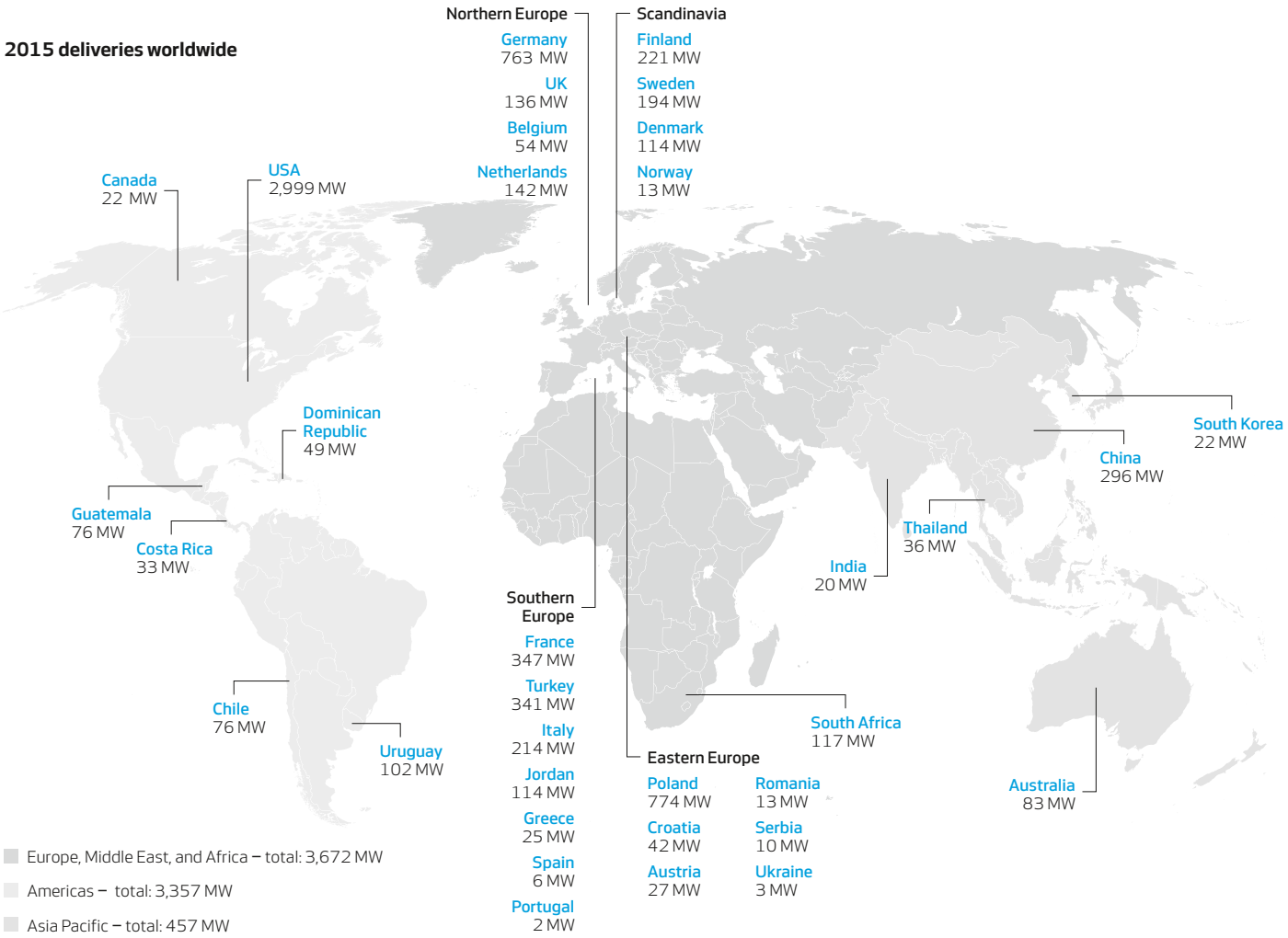
Northern Europe

The markets in Northern Europe, home to some of the most mature wind energy markets, showed good activity levels and continued support and commitment in 2015. Markets like Finland, Germany, and Sweden were among the main drivers, while the radical policy shifts in the UK remain a challenge.

Following the record-breaking level of installations in 2014 (4.7 GW)[4], due to uncertainty regarding the impact of regulatory changes, the German onshore market experienced a decline in 2015; however, installations remained at a very high level of 3.7 GW.[5] While legislation remains at a draft stage, Germany's transition process towards a market-based auction system is getting more final, with the first auctions expected to take place in May 2017. Repowering constituted approx 480 MW of German installations in 2015[5], and hence continues to be an interesting segment in Europe's largest onshore market. Vestas delivered 763 MW to the German market in 2015, while order intake amounted to 877 MW.

In 2015, Finland added as much as 379 MW in installations,[6] representing an increase of 106 percent compared 2014 and almost a doubling of the total installed capacity.[7] The Finnish market continues to be driven by a feed-in tariff mechanism implemented in 2011 and is expected to transition to an auction-based system as of 2018. Supported by its De-Icing and Large Diameter Steel Tower solutions, Vestas managed to cement its market-leading position in the Finnish market in 2015 with deliveries of 221 MW and an order intake of 448 MW.

1) Source: Bloomberg New Energy Finance (BNEF): Q1 2016 Market Outlook. February 2016.
2) Source: MAKE Consulting: Global Order Intake Database. January 2016.
3) Source: Bloomberg New Energy Finance (BNEF): Bloomberg New Energy Outlook 2015. June 2015.
4) Source: Deutsche WindGuard (DEWI): Wind Energy Use in Germany - Status 31.12.2014. DEWI Magazin no. 46, February 2015.
5) Source: Deutsche WindGuard (DEWI): Status des Windenergieausbaus an Land in Deutschland. Jahr 2015. January 2016.
6) Source: The Finnish Wind Power Association: Ennätyksellinen tuulivoimavuosi 2015 - tuplattu tuotanto ja jätti-investoinnit. 20 January 2016.
7) Source: The European Wind Energy Association (EWEA): Wind in power. 2014 European statistics. February 2015.



Despite broad and strong political support for wind energy in Sweden, the low pricing on electricity and renewable energy certificates in the Swedish market continues to put further pressure on lowering the cost of energy. With an order intake of 278 MW in 2015 – an increase of 20 percent compared to 2014 – Vestas demonstrated its ability to provide attractive wind power solutions in an otherwise challenging market.

The UK market has been driven by developers seeking to qualify for the existing support scheme that requires projects to be operational by the end of March 2017. The regulatory environment for the development of onshore wind is increasingly very challenging in the UK, as exemplified by the recent proposal to end the existing support scheme one year ahead of schedule. Vestas delivered 136 MW to the UK market in 2015, including 50 MW offshore, while order intake amounted to a total of 671 MW, of which 400 MW was offshore.

Southern Europe

In Southern Europe, electricity demand by and large remains constrained by economic conditions, also leaving little national budgetary room for regulatory support mechanisms. However, a move towards more market-based support schemes could open up for near-term growth in these markets, recently exemplified by the 500 MW auction in Spain.

In contrast, France continues to show good movement. Driven by a feed-in tariff restoration in 2014, installations amounted to 1 GW[8] in 2015, – the same level as last year.[9] Vestas delivered 347 MW in France in 2015 and managed to sign orders totalling 328 MW. The approval of a new ambitious energy law during 2015 combined with a focus on simplifying permitting processes bodes well for the future of the French renewable energy market.

Also contrasting the general trend in Southern Europe, Turkey's wind power market continues to be driven by a growing demand for electricity. With an increase of 17 percent compared to 2014, Turkey achieved another record year in terms of installations in 2015 and continued its steady growth path.[10] Still being highly dependent on imported fossil fuels, Turkey is expected to continue its journey towards more renewable energy. Vestas delivered 341 MW to the Turkish market in 2015, an increase of 76 percent compared to 2014. Order intake amounted to 175 MW.

Eastern Europe

Despite the long-term growth potential, regulatory uncertainty and geopolitical conflicts are taking their toll on the markets in Eastern Europe. Romania is struggling to get a clearer and stable regulatory framework to support its otherwise good wind resources, while Ukraine remains impacted by the Crimea conflict with Russia. Russia, on the other hand, took a step forward in 2015, addressing its challenging local content requirements by easing the rules for wind power development.

8) Source: France Energie Eolienne: Performances de l'éolien en 2015 et perspectives d'avenir. 21 January 2016.
9) According to BNEF the 2014 added installations amounted to 1.0 GW. Source: Bloomberg New Energy Finance (BNEF): Q1 2016 Market Outlook. February 2016.
10) Source: Bloomberg New Energy Finance (BNEF): Q1 2016 Market Outlook. February 2016.

Due to the uncertainty regarding the move to an auction-based support system from 2016, market activity in Poland was high in 2015, with annual installations having reached more than 1 GW by the end of the year.[11] Vestas was able to benefit from the higher activity levels with deliveries up from 146 MW the year before to 774 MW in 2015 and an order intake of 344 MW. The Polish market is expected to continue to be an important market following the adaption to the new system.

Africa and the Middle East

While Europe generally remains stable, the markets in Africa and the Middle East offer growth potential, although from a low base. The region is characterised by good wind resources and holds an enormous potential due to the historical untapped nature of these markets. In 2015, close to 1 GW was installed in the region, approx at the same level as the year before.[11] Vestas made its mark on the region by delivering 117 MW in South Africa and 114 MW in Jordan.

Americas

Vestas delivered 3,357 MW to the markets in the Americas region in 2015, up from 2,323 MW in 2014. In 2015, Vestas had an order intake of 4,113 MW in the region, while the order backlog amounted to 3,924 MW as of 31 December 2015.

With the US market being the dominant driving force in the Americas region, the Production Tax Credit (PTC) once again stole the headlines for the region as a whole in 2015. Despite economic weakness across some of the Latin American markets in the second half of 2015, leaving the sub-region in a state of uncertainty, these markets have increased in importance. Amounting to 4 GW, the added capacity in Latin America makes up 7 percent of the total added onshore installations in 2015. In the whole Americas region, the added capacity in 2015 represents 14 GW in total, an increase of 19 percent compared to 2014.[11]

In the USA, an extension of the PTC was approved in December 2015, which had as its main element a two-year extension of the scheme in its current form followed by a three-year phase-down period. The extension and phase-down plan gives the industry the longer -term certainty that it has been looking to achieve. Together with wind energy's natural competitiveness against other power generation sources, the PTC extension agreement would help ensure a solid future for wind energy in the USA.

Following the plan set out in 2014, Vestas obtained qualification status in the Brazilian market in late 2015, thereby deemed to be compliant with the local content rules securing the important financing terms from the Brazilian Development Bank (BNDES) for its customers. Despite the uncertainty caused by the economic weakness, Vestas expects the underlying drivers for renewable energy to remain intact in the Brazilian market – a market in which Vestas secured orders of 385 MW in 2015, showcasing its reignited efforts in the market in accordance with the local strategic plan.

Driven by demand for energy security and diversity of supply, the potential in the remaining Latin American markets is strong. In 2015, Vestas increased its presence in these markets with an order intake of 652 MW, compared to 390 MW in 2014. Activity was mainly seen in Mexico and Uruguay, but also in Chile where renewable energy sources, mainly wind and solar, won the entirety of new electricity contracts in its 2015 power auction.

Asia Pacific

With a total of added installations in 2015 of 32 GW representing an increase of around 35 percent compared to 2014,[11] activity levels in the Asia Pacific region were high. According to the International Energy Agency (IEA), the growth level of electricity demand in Asia Pacific will be higher than in any other region of the world.[12] While China and India remain the dominant driving forces, the remaining markets in the region are also expected to grow due to increased electricity demand, limited domestic energy resources, and a wish to be more energy independent from imported fossil fuels.

In 2015, according to preliminary data, China had a record year in terms of installations of around 30 GW,[13] confirming its position as the largest global wind energy market and continued support for renewable energy. Part of the development in 2015 could also be attributed to the planned Chinese feed-in tariff reduction to begin in 2016, creating a rush in the market for securing subsidies under the previous scheme. It remains to be seen how the change to the feed-in tariffs will impact the current level of installations going forward. In light of the high level of installations, grid curtailment remains a challenge for the Chinese market.

As a testament to the progress of implementing the new local strategic initiatives launched in October 2014, Vestas gained good momentum in the Chinese market in 2015, more than doubling the order intake level of 2014 to 556 MW and delivering 296 MW. Vestas thus continues to show commitment to its China strategy by focusing entirely on the relatively smaller but still attractive segment of the market addressable for Vestas.

The Indian market is back on track. With the two main incentive schemes, Generation Based Incentive and Accelerated Depreciation, reintroduced in early 2013 and late 2014, respectively, and the 2014 newly elected government's positive stance on wind power, India has set the course to meet its ambitious wind energy target of 60 GW installed capacity by 2022. At the end of 2014, India's total installed capacity amounted to approx 22 GW, thereby indicating a large potential towards 2022.[14] Despite the high ambitions, the Indian market continues to be a challenging market to operate in. Launched in 2014, Vestas continues the implementation of its new local Indian strategy and as part of the execution of the Group's strategic plan, Vestas took an important step forward in 2015 by announcing its plans to build a new blade facility in the country. Once completed, this new blade facility is expected to improve Vestas' competitiveness in the Indian market by for example reducing lead times and in general creating a closer proximity to the market. Vestas secured orders of 74 MW in the Indian market in 2015.

After almost two years of complete standstill due to uncertainty of the political commitment towards renewable energy, Australia's two major political parties agreed on a new Renewable Energy Target (RET) in 2015. Although at a lower level, the new RET will give much needed clarity for the future of the Australian wind energy market. Historically, Australia has proven to be a Vestas stronghold, and with a market share of approx 50 percent based on total installed capacity as of 2015,[15] Vestas is welcoming the new RET resolution.

Vestas delivered 457 MW to the markets in the Asia Pacific region in 2015, compared to 544 MW in 2014. In 2015, Vestas had an order intake of 941 MW in the region, where also a 126 MW order in Thailand and orders of 122 MW in South Korea contributed positively. The order backlog amounted to 936 MW as of 31 December 2015.

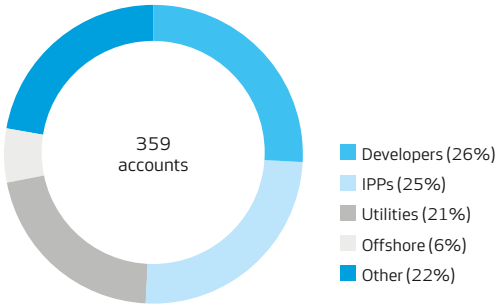
11) Source: Bloomberg New Energy Finance (BNEF): Q1 2016 Market Outlook. February 2016.
12) Source: International Energy Agency (IEA): World Energy Outlook 2015. November 2015.
13) Source: News on the homepage of the Chinese Wind Energy Association (CWEA) dated 18 January 2016.
14) Source: Global Wind Energy Council (GWEC): Global Wind Report 2014. March 2015.
15) According to the Global Wind Energy Council, total installed capacity in Australia by end 2014 amounted to 3.8 GW (Source: Global Wind Energy Council (GWEC): Global Wind Report 2014. March 2015) and with added installations in 2015 (Source: Bloomberg New Energy Finance (BNEF): Q1 2016 Market Outlook. February 2016), total capacity by end 2015 is around 4.1 GW. At the end of 2015, Vestas had installed 1.9 GW in Australia.

Customer relations

Vestas maintains its focus on its key account management programme and has expanded the programme in 2015. The largest customers now cover 48 percent of Vestas' order intake, an increase of 5 percent compared to last year.

With a diverse set of offerings encompassing both products and services, Vestas has broad access to all relevant segments and markets and an undisputed global ability to target value driving growth. Vestas directly or indirectly serves a broad base of customers, including but not limited to utilities, developers, independent power producers, pension funds, and large corporations.

Customer segmentation based on order intake 2015
Percent



Vestas measures its customer relationships through an annual survey. The most recent survey took place from 7-27 January 2016, and included more than 1,000 respondents in 46 countries, representing more than 500 customers.

Overall, the customers' perception of Vestas improved from 2014 to 2015. Overall satisfaction increased from index 77[16] to 78, and the same increase as was also seen within the overall reputation index. The net promoter score increased from index 39 to 40 on a scale from -100 to +100.

The survey also shows that the share of Vestas' customers, based on the respondents, who prefer Vestas as one of their top two partners increased from 89 to 92 percent, once again testifying to the fact that Vestas has succeeded in building solid and trust-based relationships with its customers.

16) The reported overall satisfaction index for 2014 (70) has been adjusted in connection with the transition to a new calculation method in 2015.

VESTAS **FACTS**

Global presence

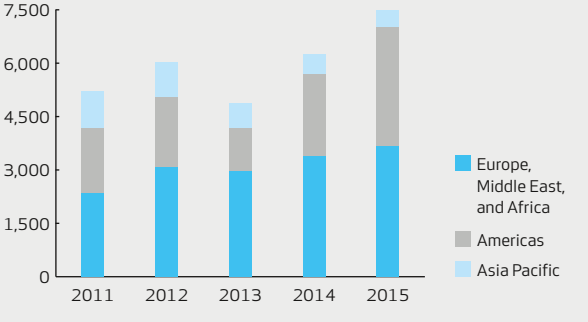
In 2015, Vestas installed wind turbines for the first time in Guatemala and Serbia. As per 31 December Vestas has installed 56,860 wind turbines in 75 countries around the world.

All the Vestas turbines generate more than 145 million MWh of electricity per year, enough electricity to e.g. supply over 80 million European people's residential electricity consumption and reduce carbon emissions by more than 75 million tonnes of CO_2.

+ 20%

In 2015, Vestas delivered wind power systems with an aggregate capacity of 7,486 MW – an increase of 20 percent compared to 2014.

Deliveries per region
MW



Service – Sales and market development

" With improved market opportunities and service order intake, we have raised the ambition for the mid-term and now aim at organic growth of the service business by 40 percent."

Christian Venderby
Group Senior Vice President of Global Service

Market trends and outlook for the service business

The latest market reports indicate the service market is expected to grow by 10 percent over the next five years, with the installed base expected to reach 700 GW in 2020,[1] and the competition in the market continues to intensify. In 2015, news about new service offerings and digitalisation proves that the wind turbine service market is taking further steps. Eventually, to succeed in the service market, understanding the commercial needs and the strategies of the asset owners is crucial.

700 GW

Global installed capacity of wind power is expected to reach 700 GW in 2020, and hence provide a large potential future base for the service business.

The trend toward long-term service agreements continues. Hence, driven by customer demand, the ability of wind turbine manufacturers to offer attractive long-term service contracts along with wind turbine supply agreements is becoming more and more of an important differentiator.

Another general trend that can be observed within wind turbine operations and maintenance is the phasing out of the traditional time-based guarantees which are gradually being replaced by the output-oriented guarantees as the competitive environment forces service providers to offer differentiated solutions.

Capturing the full potential of the service business

The service market is growing faster than the market for wind turbines, and is becoming more and more important to Vestas as customers shift their focus from capital expenditure to total cost of ownership.

More customers choose to build in-house service capabilities, and at the same time, more independent service providers arriving at the scene increase competition. Thus, to maintain its leading position in the service market, Vestas continues to invest in its service business, as described below.

57 GW

By year end 2015, Vestas provided service on 57 GW (more than 30,000 wind turbines) in 56 countries and the service revenue for the year amounted to EUR 1,138m.

Vestas' service business is expanding with an installed base of more than 30,000 wind turbines under service by the end of 2015, and with a revenue increase of 174m from EUR 964m in 2014 to EUR 1,138m in 2015. Combined with the global footprint of the service organisation and the unmatched ability to analyse big data and predict wind and weather conditions, the installed base of wind turbines gives Vestas a distinctive advantage which provides ideal conditions for stable growth going forward.

During the year, the service business grew by 20 percent – excluding impact from currency rate developments, the growth would have been 15 percent.[2]

Vestas will continue to expand the catalogue of service offerings and improve existing solutions to increase the customers' output and lower the cost of energy. Based on improved market opportunities and order intake, Vestas has now raised the ambition for the mid-term and aims at organically growing the service business by 40 percent against the previous 30 percent.

Vestas' extensive data processing and asset management capabilities enable anticipating and planning service requirements. This means that Vestas has been able to keep a Lost Production Factor consistently under 2 percent. Vestas' technology and service know-how are mutually reinforcing elements in maximising wind power plant output and lowering the cost of energy.

During 2015, Vestas has further built its capabilities in servicing non-Vestas turbines based on a larger fleet covering more platforms and markets.

In December, Vestas acquired the independent US service provider UpWind Solutions, Inc., followed by the announcement in early 2016 of the agreement to acquire the Germany-based company Availon Holding GmbH. These acquisitions will strengthen Vestas' offerings within servicing of both Vestas and non-Vestas turbines in the USA and Europe especially and are expected to further accelerate the Profitable Growth strategy within the service area, and contribute to the ambition of being the preferred fleetwide lifetime service partner globally.

In 2015, Vestas' service order backlog increased by EUR 1.9bn to EUR 8.9bn, and the expectation is that the service business will continue to grow with stable margins in 2016.

Three service business areas

Vestas' service offerings are divided into three business areas:

- maintenance partnering,
- parts & repair, and
- fleet optimisation

– each of which contributes to lowering the customers' levelised cost of energy. Service packages are tailored to specific customer needs and site-specific wind power plant requirements. In response to the industry changing and customers' evolving demands, Vestas offers a new generation of flexible fleet optimisation capabilities such as advanced plant and data management, diagnostics, and forecasting.

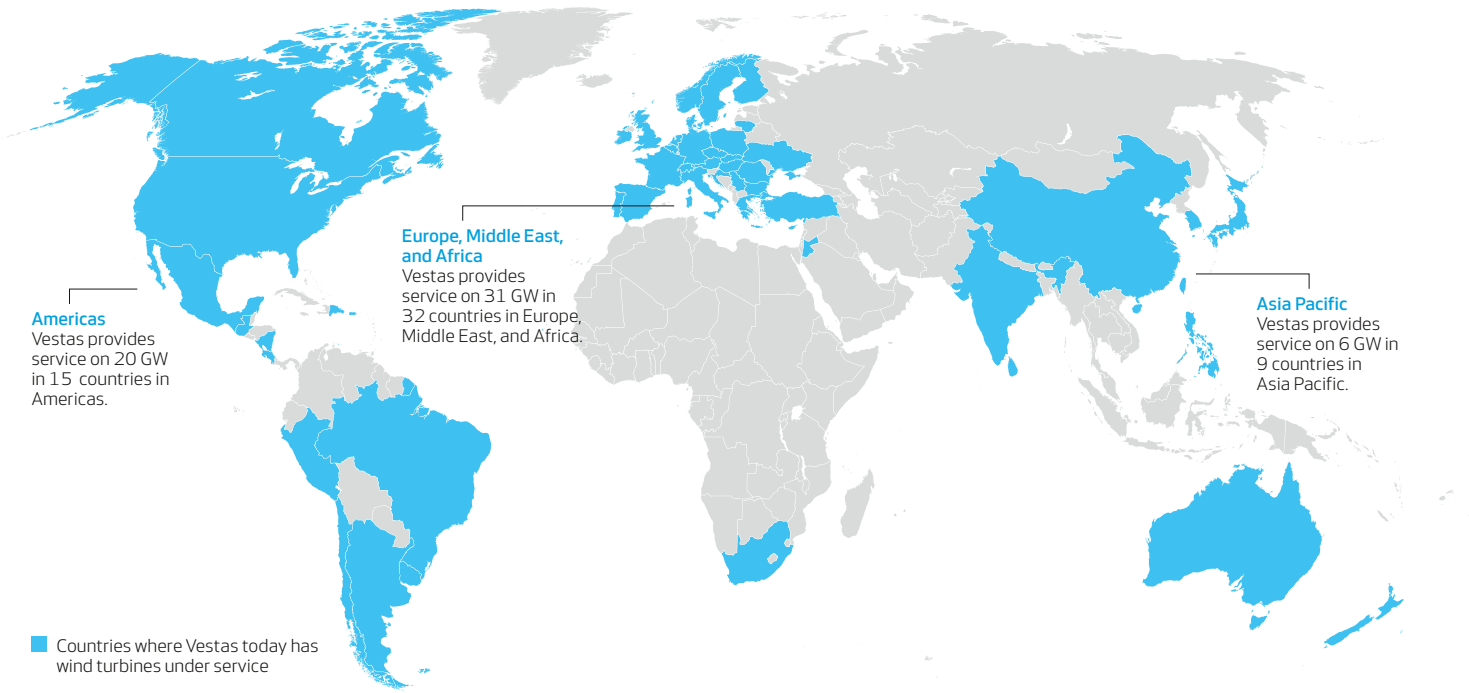
Maintenance partnering

The core of Vestas' service business is the partnerships the company engages in with customers that need Vestas to monitor the wind energy production, do preventive maintenance, and basically ensure constant maximum performance of the wind power plant throughout its lifetime.

The Active Output Management® (AOM) concept addresses this need: The service programme ensures the highest output at all times, giving customers a predictable return on investment.

1) Source: MAKE Consulting: Service Aftersales Market Update. September 2015.
2) The growth figures do not include offshore revenue incurred prior to divestment of the offshore business to the joint venture 1 April 2014.

Vestas' service market share in 2015 and global footprint of service organisation



AOM 5000

AOM 5000 is Vestas' most comprehensive service package and includes everything necessary to maximise output from the wind power plants.

The AOM catalogue covers the range AOM 1000-5000 with service models for five types of customers and risk profiles: From services on a pay-as-you-go basis in the AOM 1000, to the full-scope service solution offered with AOM 5000, a concept based on Vestas providing a guaranteed minimum exploitation of the available wind.

Vestas' Active Output Management® offerings

AOM 1000	Without charging a basic fee, Vestas offers the customer a range of services on a pay-as-you-go basis.
AOM 2000	The wind turbine is regularly serviced, and the customer has an option to buy additional services.
AOM 3000:	A full service solution which includes spare parts and labour. Wind turbine reliability is maximised through both scheduled and unscheduled service.
AOM 4000	A full service solution aimed at maximising output and uptime, including all required components and a guarantee of traditional time-based availability.
AOM 5000	A full service solution designed to minimise production loss. Under the AOM 5000 service concept, Vestas guarantees a minimum exploitation of the available wind.

The advanced, full-scope AOM 4000 and 5000 service agreements have already for a series of years been best-sellers in connection with new wind turbine contracts. The AOM 5000 service package, where the availability guarantee is based on energy output and incentives and risks are shared between Vestas and the customer, was the most sold in 2015 in connection with new wind turbine orders, comprising 59 percent of the MW covered by these new service contracts, an increase from 2014.

Service agreements signed with new wind turbine orders*
Percent (of MW service order intake)

Type of contract	2015	2014
AOM 2000	0.4	0.2
AOM 3000	0.0	1.3
AOM 4000	40.6	40.9
AOM 5000	59.0	57.6

* AOM 1000 not included as it conceptually registers as pay-as-you-go services on demand.

Vestas can leverage its scale and give customers the benefit of a global supply chain that is reliable, efficient, and cost-effective, which gives the company a great advantage in the competitive market. Vestas' service organisation operates on a global basis, with warehouses and service centres distributed across more than 50 countries, plus three 24-hour surveillance centres located in Portland, USA, Madrid, Spain and Chennai, India.

Parts & repair offerings
In 2015, Vestas strengthened its parts & repair offerings by establishing a separate business area devoted to supply of spare parts and corrective maintenance service. This was done to put more focus on capturing the part of the service business which is not covered by service contracts, e.g. the transactional part of the market, including independent service providers with specialised ad hoc tasks.

In recent years, there has been heightened focus on pushing existing gearbox and generator repair solutions, i.e. offering the same reliable and proven repair solutions that are used on wind turbines under Vestas maintenance contracts, and strengthening the spare parts sale.

+250 warehouses

More than 200,000 deliveries a year leave Vestas' more than 250 warehouses to reach about 700 different destinations in 55 countries.

During the year, development of up-tower gearbox repair solutions for the V82 turbine and the 2 MW platform has been initiated in order to carry out repairs that previously would have had to be carried out down-tower or in a workshop repair facility – a solution that can save the customer up to 80 percent of repair costs, depending on component specific conditions.

While the parts & repair business is more volatile, it remains an interesting area to further develop as it supplements the offerings provided under the maintenance partnering concepts.

Fleet optimisation solutions
Vestas continues to broaden its catalogue of aftermarket upgrade solutions to match the needs of its varied customer base, and at the same time to further refine existing solutions for optimising the output of wind power plants.

Vestas PowerPlus™, a suite of upgrades introduced in 2014, is Vestas' key offering targeted existing wind power plants. With three advanced technology solutions, PowerPlus™ optimises the performance of the wind power plant by up to 5 percent. During 2015, Vestas expanded the PowerPlus™ offering by adding more aerodynamic upgrades, and by expanding the wind turbines covered to include the V112.

In addition, a wind turbine life extension programme was developed, called Vestas LifePlus™ that allows the owners to continue operating the wind turbines beyond their initially estimated design lifetime.

Customer relations

Vestas measures the customer satisfaction on both the wind turbine manufacturing and the service leg of the business through an annual customer satisfaction survey.

On the service part, the 2015 survey results show that overall, the customers' perception of Vestas Service improved from 2014 to 2015, with overall satisfaction having increased from index 73 to 75.

As it is of great importance to Vestas to build long-lasting partnerships with its customers, it is also worth noting that according to the survey results and based on the respondents, 83 percent of the customers count Vestas as one of their two preferred service suppliers.

VESTAS **FACTS**

Honoured for using big data to optimise wind turbine performance

In June 2015, Vestas received Deloitte's Big Data Award for using smart data to optimise the maintenance of wind power plants all over the world, receiving data from more than 29,000 wind turbines on a regular basis. Data has become part of the Vestas DNA and data driven business development is an integrated part of the company culture.

By using big data Vestas is able to foresee when wind turbine components are malfunctioning and need maintenance – before they actually do. According to Deloitte, this type of sophisticated data is one of the key competitive parameters in the business world right now.

UpWind Solutions, Inc.

In 2015, Vestas acquired UpWind Solutions, Inc. (UpWind Solutions) and its subsidiaries (UpWind Solutions), a leading independent service provider in North America, with headquarters in San Diego, California. The acquisition price for UpWind Solutions was USD 60m (approx EUR 55m) on a debt and cash free basis.

With about 310 employees, UpWind Solutions currently services wind power plants in nine US states with a total capacity of more than 3 GW. The wind power plants under service represent a diverse customer base and include wind turbines from a number of manufacturers. UpWind Solutions also supplies parts for most major wind turbine technologies, performs blade inspections, and offers various performance upgrades.

Together, Vestas and UpWind Solutions will service approx 17 GW of Vestas and non-Vestas wind turbines in the USA and Canada with ambitions for further growth.

Technology

" The introduction of the V136-3.45 MW™ turbine as well as various other upgrades once again proves our ability to develop very competitive offerings based on our existing product portfolio – and with a time-to-market consistent with our customers' needs."

Anders Vedel
Executive Vice President & CTO

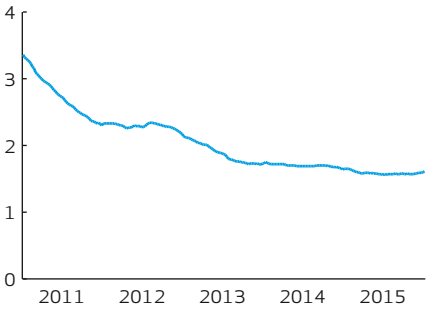
Vestas' technology strategy

Being the global wind leader requires a long-term line of sight in technology development. Vestas continuously strives to bring commercially relevant products to the market in a profitable way. The Vestas technology strategy derives its strength from a market-driven product development and extensive testing at Vestas' test facility in Denmark – the largest test facility in the wind power industry. This enables Vestas to continuously innovate new and integrate proven technologies to create high-performing products and services in pursuit of the over-riding objective: lowering the cost of energy.

By building on existing platforms – the 2 MW and 3 MW – and using standardised and modularised "building blocks", it has been possible to offer energy-effective solutions for a wide variety of wind regimes across the global wind energy markets, but with minimal additional supply chain complexity. This product strategy has accelerated and streamlined product development, thereby meeting the customers' needs by reducing the time it takes to bring new products to the market while maintaining a broad product offering.

The technology strategy has furthermore resulted in steady reductions in the Lost Production Factor year-on-year.

Lost Production Factor
Percent



In 2015, the Lost Production Factor – the share of the wind not harvested by Vestas' turbines – was 1.6 percent across almost 19,000 wind turbines with performance guarantee.

The versatile product portfolio is developed to address the conditions and constraints at all kinds of sites, whether in well-known, mature markets, or in new markets, and meeting specific local requirements, e.g. related to climate, geology, wildlife, population, industry standards, regulatory matters, etc.

Evolution of the 3 MW platform

From the design of the first wind turbine on the 3 MW platform years back, comprising just one size and suitable for a single type of site, Vestas has now developed a whole family of wind turbines within the same platform, based on relatively few, interchangeable parts.

With the variants added to the 3 MW platform since the V112-3.0 MW™, a scalable product architecture has been developed, which allows adding larger rotors and higher generator ratings, but utilising largely the same nacelle. With innovations such as the Large Diameter Steel Tower, adding more flexibility on tower heights, Vestas is now able to offer numerous combinations based on five rotor sizes, two nacelles, and 15 standard hub heights.

The flexible portfolio means that Vestas can offer the optimal wind turbine configuration and maximise energy production under all types of wind and site conditions across the world, underpinning Vestas' aim to expand its global reach.

During 2015, the 3 MW variants have increased their potential and were upgraded to a higher wind class. Also included was an upgrade of standard rating to 3.45 MW, power modes of up to 3.6 MW (except on the V136-3.45 MW™), tower heights of up to 166 metres and the introduction of a next-generation advanced control system. The new control system is significantly faster, and available input/output signals are significantly increased to secure availability to meet future requirements.

V136-3.45 MW™ turbine introduced

In September 2015, Vestas introduced the V136-3.45 MW™ turbine, the latest and as yet largest addition to the 3 MW wind turbine family, demonstrating the strong technological capabilities of the platform and how far Vestas has come in utilising the advantages of standardisation and modularisation. The V136-3.45 MW™ represents a performance upgrade in the low wind segment, making it possible to increase annual energy production (AEP) by more than 10 percent compared to the existing product (V126-3.3 MW™) depending on site-specific conditions.

136 metres

The V136-3.45 MW™ turbine with its 66.7 metre blades has a rotor diameter of 136 metres – larger than the London Eye, the ferris wheel on the bank of the River Thames in London, UK.

The V136 blade has been designed to balance loads, mass, and stiffness with performance to optimise cost of energy, without making significant changes to the nacelle. The blades make use of structural shell technology which, as with the V126-3.45 MW™ and V110-2.0 MW™ turbines, decreases weight while improving structural integrity and stability. The larger rotor diameter, implied by the longer blades, offsets the relatively low wind speeds it is designed for and in effect produces an output equivalent to that of shorter blades in high wind speed conditions.

With its 67 meter long blades, the V136-3.45 MW™ covers a swept area close to 40 percent larger than the first wind turbine on the 3 MW platform (the V112-3.0 MW™), and with the largest swept area in the Vestas product portfolio, the V136-3.45 MW™ turbine is optimised to deliver high output on low-wind sites, such as a typical mainland European site.

The new wind turbine is introduced with a standard generator rating of 3.45 MW, made possible by the innovation of a modularised full-scale converter, and features a higher torque gearbox, which lowers the sound emissions, and thereby makes the wind turbine suitable for populated areas.

Vestas received the first firm order for a project using V136-3.45 MW™ by the end of 2015, demonstrating customer confidence in Vestas' development process and supply chain capabilities.

The first V136-3.45 MW™ turbine is expected to be put into production and tested at the Østerild test facility in Denmark ultimo 2016, with IEC type certificate and serial production start planned for 2017.

Increasing versatility of the 2 MW platform

Vestas' 2 MW platform provides industry-leading reliability, serviceability and availability. To date, the wind turbines installed globally within the current 2 MW product platform amount to more than


Vesta
Vesta
Vestas
Vestas

16,000. The 2 MW platform is a strong offering especially for infrastructure constrained locations. This platform, too, has undergone an evolution since its introduction in 1996, and has been gradually improved with e.g. increased rotor, improved wind turbine control, and optimised drivetrain technology including an increase in nominal output of up to 37.5 percent from the original 1.6 MW.

With V110-2.0 MW™, V100-1.8/2.0 MW™, and V90-1.8/2.0 MW®, the 2 MW platform offers a competitive selection of wind turbines for all wind segments. The platform's reliability, defined by a very low Lost Production Factor, is key to business case certainty, while the tried-and-tested design as a result of reliability ensures lower cost of energy for low, medium and high-wind onshore sites, even in extreme weather conditions.

Another evolution of the 2 MW platform in the past year is the expansion of the tower offering targeted at different turbulence classes. With now three standard tower types instead of just one, Vestas is able to cover all turbulence classes, achieving lower cost of energy for sites with lower turbulence levels.

Service solutions

Service solutions are to an increasing degree being integrated in the development of new wind turbine variants, e.g. by preparing up-tower repair solutions in the design of the wind turbine.

During the year, the PowerPlus™ programme, a series of upgrades designed to improve the performance of existing wind power plants, was extended to include a wider range of wind turbines. New aerodynamic upgrades have also been developed, so, in addition to the proved vortex generator solution, the wind power plant owners can now benefit from the latest development, the gurney flap. On the 2 MW platform, Vestas is combining vortex generators with the gurney flaps for the V90 and V100 turbines, delivering an AEP increase of up to 1.2 percent. This is a solution which is available across products.

In 2015, Vestas Online Enterprise was also introduced, enabling customers to access the data output from their wind turbines via a webserver. This makes it possible to actively manage the output of the wind turbines from anywhere in the world. The solution has also been made available for non-Vestas turbines.

Customer engagement

The Customer Advisory Board, which Vestas established in 2013 with participation of selected key customers, is creating great value, working as a compass for the medium to long-term technology strategy. At the annual meetings, the customers provide feedback on the broader product vision and have the opportunity to advise on specific challenges that Vestas can help overcome from a technological standpoint.

VESTAS **FACTS**

Large Diameter Steel Tower

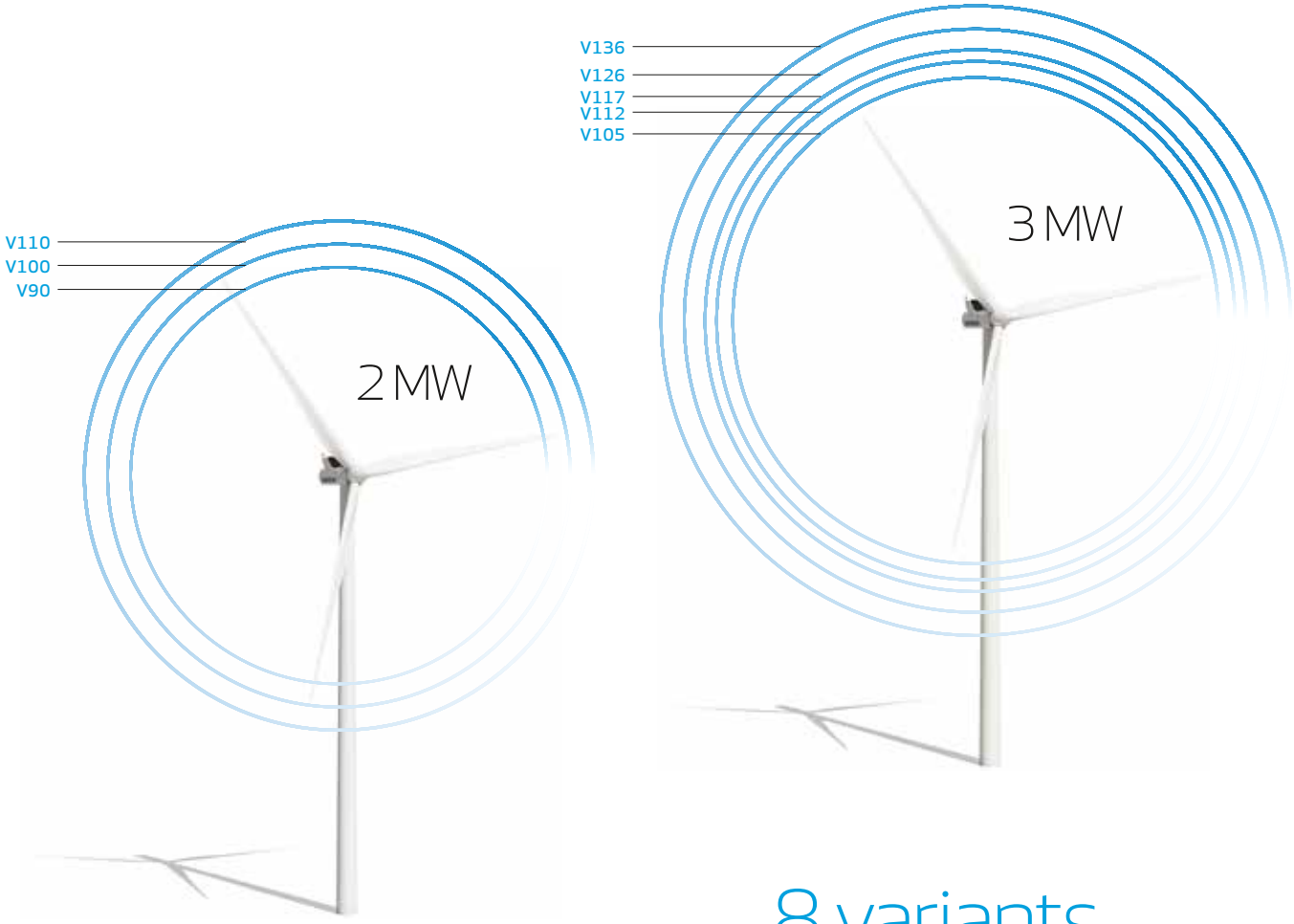
The Large Diameter Steel Tower (LDST) is a cost-effective technological solution especially suited for higher towers. LDST consists of standard tower sections in the middle and upper part and special sections with a larger diameter, the so-called LDST sections, in the bottom. By using a widened bottom section, the steel plate thickness can be reduced without sacrificing the strength of the tower. This decreases the amount of steel used and hence lowers production costs.

Due to regional transport restrictions, the LDST sections are sliced into three segments after production. Before slicing the sections, vertical flanges are welded on and used to re-assemble on site.

The LDST segments can be transported cost-effectively on flatbed trucks. The standard middle and upper sections are transported similar to a standard steel tower.

Vestas has year-to-date installed approx 150 LDST towers in Northern and Central Europe.

Vestas' product portfolio



8 variants

With two product platforms and a total of eight wind turbine variants, Vestas covers all wind classes. The turbine variants can furthermore be tailored to specific sites with e.g. a wide range of options, towers, and power modes.

Wind classes - IEC ■ Standard IEC conditions ■ Site dependent

	IEC III (6.0 – 7.5 m/s)	**IEC II** (7.5 – 8.5 m/s)	**IEC I** (8.5 – 10.0 m/s)	Above 10.0 m/s
2 MW PLATFORM*				
V90-1.8/2.0 MW® IEC IIA/ IEC IIIA	■	■	■	
V100-1.8/2.0 MW™ IEC IIIA/IEC S	■	■		
V100-2.0 MW® IEC IIB		■	■	
V110-2.0 MW™ IEC IIIA	■	■		
3 MW PLATFORM*				
V105-3.45 MW™ IEC IA			■	■
V112-3.45 MW™ IEC IA			■	■
V117-3.45 MW™ IEC IB/IEC IIA		■	■	■
V126-3.45 MW™ IEC IIA		■	■	
V126-3.45 MW™ IEC IIB	■	■		
V126-3.45 MW™ IEC IIIA	■	■		
V136-3.45 MW™ IEC IIIA	■	■		

* Wind turbine application is flexible depending on site specific conditions.

Vestas turbine evolution

V10-30 kW
(1979)
Swept area: 78.5 m²
Hub height: 18 metre
Rated power: 30 kW

V136-3.45 MW
(2016)
Swept area: 14,527 m²
Hub height: Up to 149 metre
Rated power: 3.45 MW

Manufacturing and sourcing

" 2015 was a busy year. Not only did we manage to increase MW produced and shipped by 30 percent, we also successfully continued the implementation of new production processes and technologies without compromising quality."

Jean-Marc Lechêne
Executive Vice President & COO

Manufacturing footprint

As is often the case in infrastructural businesses, national political climates around the world change, which calls for an agile organisation that can adjust quickly to changes in demand. By continuing to manufacture core components in-house, while acquiring non-core wind turbine components from a group of sub-suppliers chosen through a careful selection process, the current manufacturing setup of Vestas is established as one that is lean and scalable, but nonetheless with the Vestas quality stamp on every single wind turbine sold.

The geographical distribution of countries in which Vestas receives wind turbine orders makes the company less vulnerable to the constant fluctuations in the market. Vestas uses its geographic reach to generate economies of scale on new projects and to ensure its manufacturing, transportation, and sourcing costs are continuously optimised. The global manufacturing setup allows timely optimisation of production to match various shifts in demand across geographies.

Flexibility and scalability

The year 2015 has been very busy as the number of MW produced and shipped reached 7,948 (3,330 wind turbines), compared to 6,125 MW (2,527 wind turbines) in 2014. Due to the high activity level, a further ramp-up of the production was called for in 2015 to meet demand, especially in the USA, where the MW produced and shipped increased by 70 percent compared to 2014.

Produced and shipped per region in 2015 compared to 2014
Percent

Produced and shipped, Europe, Middle East, and Africa:	
Vestas produced and shipped 3,643 MW to Europe, Middle East, and Africa - an increase of 5 percent	+ 5%
Produced and shipped, Americas:	
Vestas produced and shipped 3,795 MW to Americas - an increase of 83 percent	+ 83%
Produced and shipped, Asia Pacific:	
Vestas produced and shipped 510 MW to Asia Pacific - an decrease of 10 percent	- 10%
Total produced and shipped:	**+ 30%**

In addition to the general high activity, resources have also been deployed for the implementation across the blades factories of the new structural shell production setup.

The installation of the new moulds and the process for the new production lines for the V110 and V126 blades were fully rolled-out by the end of 2015, with the V136 blades to follow in the coming years. The new blade design reduces the capital investment in new production lines because of a much-reduced use of equipment required in the production. Further, the less specialised materials needed in the new design make production more flexible and outsourcing to third party suppliers an option, as seen with TPI Composites in China and Aeris Energy in Brazil.

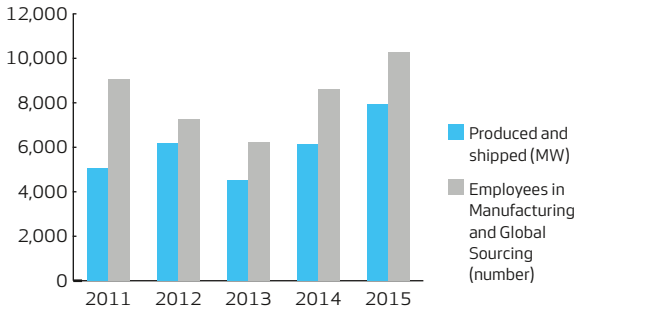
Work continues in close collaboration with R&D to phase in the various new subsystems for the 3 MW platform at the factories.

Despite the conversion to a new production line for blades and the phasing in of other new upgraded components, combined with a general, demand-driven ramp-up, Vestas continued the positive trend in productivity per employee with an increase of 9 percent compared to 2014.

At the same time, warranty consumption was EUR 95m in 2015 compared to EUR 108m the year before – which is also true of the Lost Production Factor, both indicators that the quality of the products has been maintained at the industry's highest levels and that Vestas has managed to maintain a well-functioning operation throughout the ramp-up.

Globally in 2015, Vestas increased the workforce at the factories by 20 percent compared to last year, where a similar expansion took place. Despite the number of new employees, the rate of lost time injuries was reduced, showing the strength of Vestas' safety culture.

Productivity
MW · Number



Intensified focus on specific growth markets

To ensure profitability in new markets with high growth potential, Vestas has outlined separate plans for the target markets China, India, and Brazil. Local presence and local sourcing is of great importance in these countries, be it for reasons of proximity to customers, cost-effectiveness, or fulfilment of requirements to local content in production.

In China, after the successful engagement in 2014 with TPI Composites to supply blades, further sourcing efforts have led to identifying and establishing agreements with a series of suitable Chinese suppliers, for e.g. weldments, castings, and generator parts.

The Brazilian Development Bank (BNDES) has in recent years required increasing levels of local content supply for developers seeking the low-rate BNDES financing through the FINAME programme, which in turn reflects on the wind turbine manufacturers.

To comply with these local content requirements, Vestas has signed partnership agreements with local suppliers, as well as invested in a new factory, the construction of which was carried out according to plan in 2015.

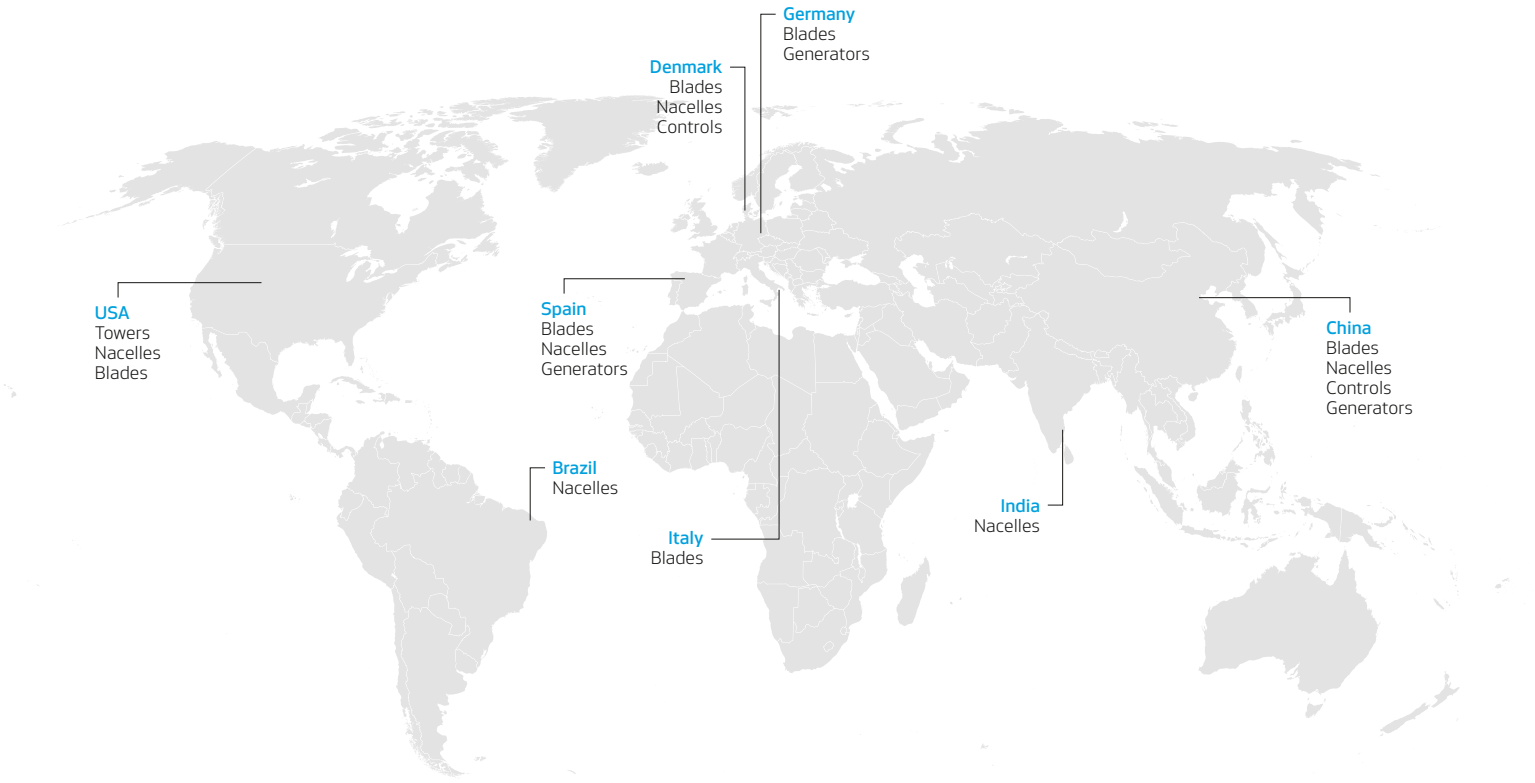
The new Vestas facility, which will also encompass a warehouse and training facility, started operations in December 2015. In the same month, Vestas' investments and focused strategy allowed Vestas to be included in the attractive approved supplier list of BNDES.

2 new facilities

In November 2015, Vestas announced that a new blade factory is planned to be built in India, and in December, Vestas opened its new factory in Brazil.

As announced earlier this year, Vestas also intensifies its efforts in India, where a new blade factory is planned to be built, supplementing the existing nacelle factory in Chennai. Vestas' CEO and Chairman of the Board of Directors met with Indian Prime Minister Modi in connection

Manufacturing footprint



with revealing the investment plans. The new factory will support Vestas' operations in the Indian market as well as potentially servicing activities in other markets. It is expected to be fully operational by early 2017.

In addition to these three specific growth markets, Vestas continues working on establishing supply chains in new markets around the world with growth potential. Strategic collaboration with large, global suppliers that have an understanding of the market conditions to be able to meet regulatory and customer requirements in new markets is key to succeed. As the company is maturing, the need for flexibility and agility is also extended to supplier partnerships, requiring key suppliers to be able to act quickly and adapt to market shifts.

Sourcing and suppliers

The collaboration with suppliers has generally moved to a new level of maturity, and now a supplier account management programme is being rolled out, similar to the one on the customer side.

Vestas is forming close partnerships with large suppliers and involve these in the development of products and processes, as the suppliers often possess many years of knowledge and experience that can be utilised to the benefit of both parties. Exemplified by Vestas' 2015 annual supplier day, during which workshops were held to identify initiatives by which suppliers could become more active contributors.

In support of the Profitable Growth for Vestas strategy, cost savings and achieving cost leadership within the wind power industry is still a priority for the company.

The first Accelerate Earnings programme was concluded by the end of 2014 with a considerable achievement in the area of short-term cost-out. The next phase, called Accelerate Earnings Pro, is planned to run until 2017, and will aim at a sustainable optimisation of the total cost on the full value chain.

One of the means by which this is to be achieved is by embedding category management to a higher degree throughout the organisation.

With an end-to-end perspective, cross-functional teams are identifying commercial, technical, and value chain levers to maximise the value of the supply base.

8 countries

Vestas has delivered wind turbines in 75 countries around the world and have manufacturing facilities in eight countries – in North and Latin America, Europe, and Asia.

Timely crisis management in 2015

During the year, Vestas' crisis management and business continuity capability was put to the test when a chemical goods warehouse exploded in the port of Tianjin in China. The Vestas manufacturing facility itself was not affected, neither had any of the employees suffered any injuries in the accident, however, the incident caused a huge disruption in the supply chain as well as uncertainty of the exposure to the chemicals involved in the explosion.

Mitigation plans were quickly identified and executed, both in terms of assuring the safety of the employees, as well as identification and proper handling of the components that had been affected.

Crisis management was handled as an efficient joint effort between Vestas' headquarter and the factories located 17 kilometres away from the blast zone and the resulting impact proved to be very limited.

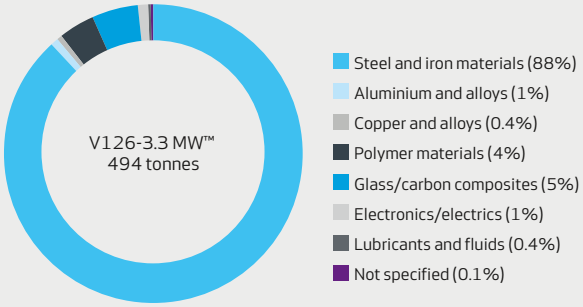
Working capital management

Due to the high activity in 2015, focus has been mainly on keeping working capital under control. Improvements have been made to increase efficiency through further process standardisation and system automation, e.g. by introducing an electronic procurement system, which is to be rolled-out globally during 2016.

The Vestas working capital initiative is continuing the improvement journey from previous years, exceeding the internal targets for the Cash Conversion Cycle. Different improvement projects have been successfully executed, targeting both payment terms and controlling of inventory levels by running a rigorous sales & operations planning process and operationally reducing supply chain lead times.

VESTAS **FACTS**

Material breakdown of a V126-3.3 MW™ wind turbine
Percent



Did you know?

Manufacturing and Global Sourcing facts:

- 10,282 dedicated employees.
- 7,948 MW (3,330 wind turbines) produced and shipped in 2015 – an increase of 30 percent compared to 2014.
- 100 percent of electricity consumption coming from renewable sources in 2015.
- 0 significant environmental accidents or breaches of internal control in 2015.

Social and environmental performance

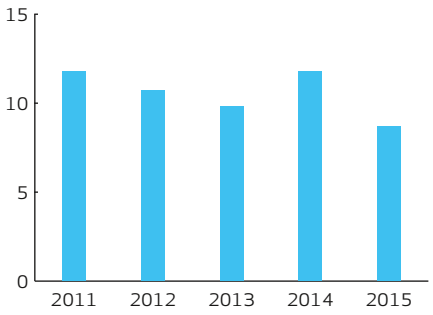
100%

100 percent of Vestas' electricity consumption comes from renewable sources.

CO_2 emissions

Vestas saved the environment of 110,000 tonnes of CO_2 emissions in 2015 by using electricity from renewable sources.

Total recordable injuries
Per one million working hours



Sustainability inherent in Vestas' way of working

Vestas' vision is to be the undisputed global wind leader and this requires excellence in everything that Vestas engages in. Not only does Vestas create sustainable products, it also strives to produce them in a sustainable way.

Vestas believes that in the long term, it is in the best interests of the company, its employees, and its owners to be accountable for Vestas' impact on its surroundings: the environment as well as the local, national, and global communities.

Standards, goals, and priorities

Vestas' standards and goals within sustainability build on global certificates for the three standards ISO 9001 for Quality, ISO 14001 for Environment and OHSAS 18001 for Health and Safety as well as recognised conventions established by international organisations such as the UN, ILO, and OECD.

These standards and goals are reflected in Vestas' social and environmental priorities:

- The lowest possible incidence of recordable as well as lost time injuries – the ultimate goal being to avoid accidents altogether.
- CO_2 impact from wind power must excel against other energy forms.
- As much of the wind turbine as possible must be recyclable after decommissioning.

Vestas joined the UN Global Compact in 2009. The UN Global Compact is a commitment to ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.

Combined with additional information about Vestas' sustainability initiatives at vestas.com, this annual report constitutes Vestas' 'Communication on Progress' (COP)[1] under the UN Global Compact. In this way Vestas applies the option stipulated in section 99a of the Danish Financial Statements Act concerning the duty of large enterprises to prepare a corporate social responsibility report by referring to the COP report.

To take sustainability at Vestas to the next level, a Sustainability Committee with cross-functional participation has been established. The role of the Sustainability Committee is to oversee, prioritise, and coordinate cross-functional sustainability initiatives in Vestas and ensure sustained conformity according to UN Global Compact. The committee reports to the Executive Management and the first meeting was held in 2015, with a planned meeting frequency of four times a year going forward.

Code of Conduct

Vestas' Code of Conduct is an inherent part of Vestas' approach to pursuing its strategic objectives and it is continuously being refined and improved as Vestas conducts its business. Such improvements would for instance include revising the Code of Conduct, strengthening the third-party programme, and raising awareness of the whistle-blower system EthicsLine. During 2015, Vestas has also undertaken a bribery risk assessment to ensure that bribery and corruption risks are understood and appropriately managed.

Vestas' Code of Conduct outlines the principles by which the company expects its employees and partners to behave. As a global company operating in many countries and being exposed to a wide range of business cultures, it is essential that the Code of Conduct is continuously reviewed to reflect the changing regulatory and business environment, and ensure it is clearly understood by both employees and partners.

In order to help embed the values and principles outlined in the Code of Conduct, employees must acknowledge Vestas' Code of Conduct during onboarding and at regular intervals, depending on their position within Vestas. It continues to be expected that should any employee become aware of a violation of the Code of Conduct or unethical behaviour, the employee will report this to a manager or EthicsLine.

EthicsLine

Vestas' employees and stakeholders should feel empowered to anonymously report unethical behaviour; to this aim the company has continued to raise awareness of the EthicsLine throughout 2015, in particular the visibility of the reporting facility.

Vestas received a total of 91 inquiries through EthicsLine in 2015 compared to 46 in 2014. For all substantiated compliance cases closed in 2015, various disciplinary sanctions and other actions such as training, policy updates etc. have been taken leading to eight warnings and 15 dismissals.

Reporting categories

Number

	2015	2014
Questions submitted to EthicsLine	4	3
Compliance cases reported	87	43
– hereof substantiated	21	7[2]
– hereof non-substantiated	53	36[2]
– Case under investigation end year	13	0
Total	**91**	**46**

Safety

Through the dedicated efforts of its employees and supervised contractors, Vestas reduced the rate of lost time injuries in 2015. At the end of 2015, the incidence rate was 1.5 compared to 1.6 in 2014. By putting safety first, Vestas has significantly improved its lost time injuries per one million working hours for ten years in a row.

Total recordable injuries

In 2015, a new safety KPI was introduced in Vestas focusing on 'total recordable injuries', which in addition to 'lost time injuries' includes 'restricted work injuries' and 'medical treatment injuries'. Total recordable injuries represents a broader number of injuries giving a broader perspective of where unsafe behaviour takes place and unsafe material is used. This allows Vestas to evaluate and target injury reduction programmes more effectively. The target for 2015 was 10.1 total recordable injuries per million working hours and with a year-end incidence rate of 8.7, the target was reached. The target for 2016 is 8.0.

While the overall incidence rate on injuries was kept at a satisfactory low level, tragically, during 2015 a Vestas employee and an employee of a Vestas contractor suffered fatal injuries. The root causes of the accidents have been identified as human errors due to lack of compliance with existing safety processes.

New safety initiatives implemented

The Vestas Behaviour Change (VBC) program uses observation and feedback conversations to correct behaviour and decision-making processes that still result in risks of accidents and ill health. Behaviour programmes have been implemented in nine factories globally and all wind power plants in Australia, New Zealand, Canada, and the USA. Another four factories are in the pipeline and the remaining Vestas factories

1) Read more: www.unglobalcompact.org/participant/9947-Vestas-Wind-Systems-A-S.
2) Numbers updated with cases that were open end 2014 and were closed in 2015.

are implementing safety culture maturity programmes in preparation for the VBC. Sites implementing the program have experienced more employee involvement and ownership of safety and a greater focus on working in a safe way.

As Vestas' own internal safety performance has improved and matured strongly over the years, increased focus has been placed on contractors to improve their safety performance. To support this initiative, Vestas has established a set of Global Contractor Health and Safety requirements. These requirements clearly define the health, safety, and training standards mandatory for its contractors on any Vestas site. And in 2015, subcontractor health and safety workshops were established to harmonise standards.

The Global Wind Organization

Vestas also plays an important and instrumental role in actively supporting and promoting the Global Wind Organization (GWO). The GWO has become the recognised industry organisation that has identified and established the basic safety training for all people working on wind turbine sites.

This is in line with Vestas' strategy to never compromise Vestas' leading position within the areas of quality, technology, and safety.

Human rights and labour practices

Vestas recognises its responsibility to respect the Bill of Human Rights. Commitments, including expectations to Vestas' business partners, are outlined in the Vestas Human Rights Policy implemented across the organisation. The policy is available at vestas.com.

To ensure that social and environmental risks and impacts are identified, prevented, and mitigated, Vestas conducts Social and Environmental Due Diligence (SEDD) on its wind power projects. The SEDD follows the Environmental and Social Performance standards of the International Finance Corporation and the World Bank Environmental, Health, and Safety guidelines for wind power plants. The due diligence process generates a Social Risk Report with mitigation actions that are integrated into project plans to ensure integrity in the project execution.

A recent example of applying this framework is the wind energy project in Tafila, Jordan, where Vestas has installed 38 V112-3.0 MW™ turbines. In the planning phase, social risks were identified within the area of local employment and livelihood, and the mitigation actions involved setting up a local employment system that took into consideration a balance in the workforce between the different villages. To ensure awareness of the project and communication about the project development, Vestas engaged with the affected communities.

Employees

Throughout 2015, Vestas has experienced an increase in activity level within the production area. As a result, Vestas has increased the number of employees with 2,909 compared to 2014. The increase can primarily be attributed to an increase in the amount of hourly-paid employees.

Diversity

As stipulated as a requirement in section 99b of the Danish Financial Statements Act, Vestas has a policy to offer all employees equal opportunities. Vestas aims for a more equal distribution of gender among employees in leadership positions. In 2015, the share of women at management level within Vestas was 18.2 percent, compared to 17.9 percent in 2014.

When recruiting, Vestas has always strived at assuring that both genders are represented in the search process and continues to do so. Where possible, both genders are always represented in the shortlist for management positions. Further, Vestas is making an effort to expose the engineering opportunities to women, in order to attract more female candidates to the company.

By the end of 2015, Vestas' workforce represented 85 nationalities. Non-Danish nationals held 57 percent of the positions in the top management layers – an increase of 8 percentage points over the course of the last five years. The development mirrors the continued globalisation of the Vestas Group with Vestas' Executive Management team itself as an example of increased diversity with members from Denmark, France, Spain, and Sweden.

The Board of Directors believes that its members should be chosen for their overall competences, yet it also recognises the benefits of a diverse board in respect of culture and gender etc.

The Board of Directors pursues the goal of having several nationalities of both genders. In addition, the Board of Directors focuses on having a diverse age distribution. However, these goals must not compromise the other recruitment criteria.

The Board of Directors consists of eight members elected by the shareholders:

- two women and six men;
- one from Finland, three from Sweden, and four from Denmark; and
- mean age of approx 56.

The Board of Directors' ambition regarding diversity is unchanged – the under-represented gender should constitute two to three board members elected by the general meeting no later than in 2017.

Global bonus programme

All employees contribute to the same value creation and provide support to the same customers, regardless of whether they work in a support function or in developing, manufacturing, marketing, selling, installing, or servicing wind turbines. As such, all employees are rewarded when Vestas achieves a set of KPIs, which helps accomplish Vestas' strategic goals.

As the targets for bonus pay-out were achieved in 2015, a global bonus of EUR 101m will be paid out to all employees (cash effect 2016), compared to EUR 82m in 2014 (cash effect 2015).

Satisfaction survey

Each year, Vestas conducts an employee engagement/satisfaction survey to measure how Vestas employees perceive their daily workplace, and subsequently finds areas where Vestas can become an even better place to work. Vestas conducted the annual employee satisfaction survey in October 2015, and the response rate was 94 percent – 1 percent higher than in 2014. The overall satisfaction and motivation index was 71 in 2015, compared to 69 in 2014, which is a very satisfactory development, and the best result ever for Vestas.

Environmental footprint

Manufacturing, transporting, installing, and servicing wind turbines consume large volumes of steel and concrete and require energy-intensive global logistics. A V112-3.3 MW™ turbine weighs more than 340 tonnes, and thousands of wind turbines are installed every year. A prerequisite for Vestas' continued development is therefore a constant focus on minimising its environmental footprint.

Carbon footprint target for the V112 turbine reached

Vestas had set a goal to reduce the CO_2 emissions by 15 percent from 2011 to 2015, based on the Life Cycle Assessment (LCA) of the V112-3.0 MW™ turbine and medium wind speed conditions. With the new LCA report that was released in the third quarter of 2015, the data show that Vestas has reached this ambitious product-related reduction target and that the environmental impacts of Vestas' turbines have improved.

The main reasons for the improvements are environmentally-led initiatives (for example SF_6 gas take-back scheme) and product upgrade initiatives (increased energy production and product optimisation such as reduced steel needed in the tower).

Environmental strategy
Vestas' environmental strategy has been set for 2016-2020 aiming to support our business offering and operational excellence.

Turbine performance
The target for reduction in product carbon footprint will be 5 percent by 2020 from a baseline of 6.9 grams CO_2 per kWh in 2015. An improved performance measure covering all wind classes of the 3 MW platform and aligning more closely with Vestas' wind turbine range and commercial offering has been implemented. As such, the carbon footprint performance over the previous five years has been adjusted, which gives a slight increase in CO_2 emissions due to these accounting changes.

The target for recyclability is replaced with a measure for the amount of waste per kWh with a 3 percent reduction by 2020 from a baseline of 3.7 grams waste per kWh in 2015. The product waste target is adjusted to reflect the same scope as for carbon footprint.

Vestas performance
The target for Vestas' energy consumption is to reach a 60 percent share of renewable energy in 2020 from 55 percent in 2015. The road to the target will be both improvements in energy efficiency and further transition to renewable energy.

Renewable electricity
Vestas has defined a goal that all electricity consumption in Vestas must come from renewable energy sources, subject to availability, which continued to be fulfilled in 2015. This was achieved partly by purchasing renewable electricity where available, partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants, which at the end of 2015 comprise approx 180 MW.[3] As a result, Vestas also lives up to the WindMade™ criteria by having all of its electricity coming from WindMade™ compliant energy.

Life Cycle Assessment
In 2015, 97 percent of the MW delivered by Vestas was covered by a publicly available, full ISO 14040/44 LCA. LCA is used to identify and evaluate the environmental impact throughout the lifetime of a wind power plant. Based on the LCA, informed decisions are made to minimise overall environmental impacts.

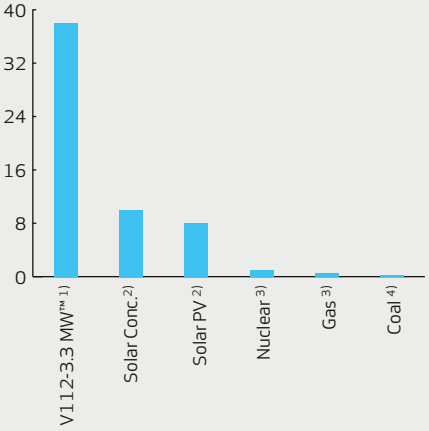
3) Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129.

VESTAS **FACTS**

Energy payback
A V112-3.3 MW™ turbine is energy neutral within six and a half months of operation. This means, that within six and a half months, the wind turbine has generated as much energy as the suppliers and Vestas together spend on manufacturing, transporting, installing, and dismantling the wind turbine in its 20-year lifetime.

Over the life cycle of a V112-3.3 MW™ wind power plant, it will return 38 times more energy back to society than it consumed. So when 1 kWh is invested in a wind energy solution, the return is 38 kWh. Whereas an investment of 1 kWh in coal typically provides 0.28 kWh in return.

Energy payback by energy source
Number of times



1) Vestas, (2015). Life Cycle Assessment of Electricity Production from an onshore V112-3.3 MW Wind Plant – 21 September 2015, version 2.1. Vestas Wind Systems A/S, Hedeager 42, Aarhus N, 8200, Denmark.
2) The Offshore Valuation: A valuation of the UK's offshore renewable energy resource. Published in the United Kingdom 2010 by the Public Interest Research Centre. ISBN 978-0-9503648-8-9.
3) PE International (2012). PE International - GaBi 6 databases 2011, LBP, University of Stuttgart and PE INTERNATIONAL GmbH.
4) World Coal Association. Coal & the Environment - Coal Use & the Environment - Improving Efficiencies.

MHI Vestas Offshore Wind

Order status as per 31 December 2015

1,176 MW

Firm orders:
- A total of 1,176 MW of firm orders since the formation in April 2014.

450 MW

Conditional order:
- Current conditional agreement for the Borkum Riffgrund II project with a total capacity of 450 MW.

400 MW

Preferred supplier agreement:
- Appointed preferred supplier for the 400 MW Horns Rev 3 offshore project in Denmark.

Market increasingly maturing

The offshore market is experiencing increased commercial interest, and compared to past years, this interest seems to be based on more sound assessments of the potential for the market. As the offshore business matures and technology improves, various players now start to turn to offshore as a realistic solution for deploying large-scale wind power plants in situations where onshore solutions are less viable.

Observers of the global offshore industry expect it to grow by approx 10 to 20 percent per year over the medium term,[1] however, coming from a small base of approx 12 GW of accumulated installations in 2015.[2]

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

Increasingly, forecasters are also expecting the Chinese market to see significant growth, driven by separate regulation aimed at increasing offshore installation to cater for the continued demand for clean energy in China.

Order activity at satisfying levels

2015 was the first full year of operation for Vestas' joint venture MHI Vestas Offshore Wind and the year proved to be busy on all fronts.

During the year, the joint venture announced three firm and unconditional orders for the Rampion project in the UK (400 MW), the Nobelwind project in Belgium (165 MW), and the Walney Extension project in the UK (330 MW). Furthermore, the joint venture announced that it had entered into a conditional agreement for the Borkum Riffgrund II project in Germany (450 MW). Finally, the joint venture also announced that it had been appointed preferred supplier for the Horns Reef 3 project in Denmark (400 MW).

Based on these levels of order activity, the joint venture finds itself well positioned as one of the strongest players in the offshore market. MHI Vestas Offshore Wind has been a very active participant in the market, and has generally had a presence in most tenders taking place since its formation.

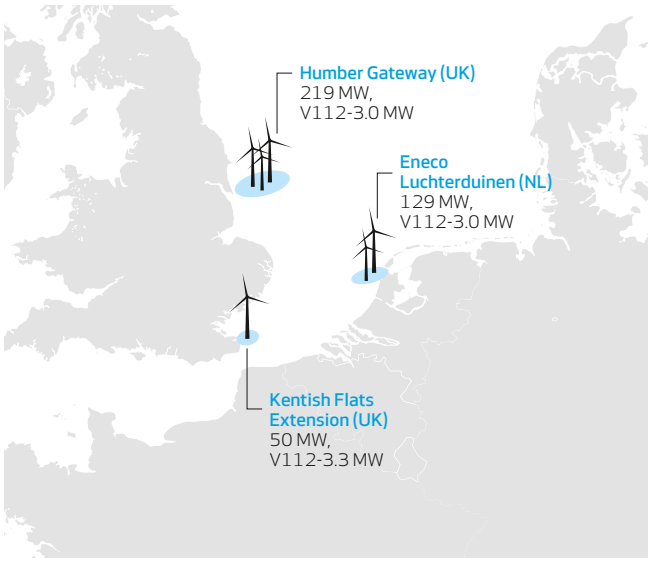
V164 prototype performing well

The development of the V164-8.0 MW® turbine is well on schedule and the prototype wind turbine has been seen to display excellent performance.

2015 commenced well when the V164 turbine was named the best offshore machine in the WindPower Monthly Turbines of the year competition for 2014, with the magazine citing that the V164 "combines a clever mix of state-of-the-art and innovative solutions in a largely evolutionary design and scaling process".[3] Later in the year, in March, MHI Vestas Offshore Wind was granted type certification for the V164 from leading classification group DNV GL.

MHI Vestas Offshore Wind also installed two additional onshore V164-8.0 MW® wind turbines in Denmark, as part of the Måde project close to the port of Esbjerg. In addition to verifying the technical performance of the wind turbine, the Måde project provided valuable testing of its installation and service techniques before taking the wind turbine offshore.

Deliveries of 3 MW offshore projects in 2015



Operational performance according to plan

As part of the formation of the joint venture, MHI initially injected EUR 100m into the joint venture at its formation, with an additional EUR 200m to be injected as milestone payments based on certain commercial and technical achievements. In the latter half of 2015, all of these milestone payments had been received by the joint venture, a testament to the satisfying operating performance of the joint venture throughout the period.

During the year, MHI Vestas Offshore Wind completed delivery of the 216 MW Humber Gateway and 50 MW Kentish Flats projects, both located in the UK, and the 129 MW Eneco Luchterduinen project located in the Netherlands.

As planned, the joint venture initiated ramp-up of production of the V164 turbine in anticipation of delivery of the 258 MW Burbo Bank Extension project in the UK in 2016. MHI Vestas Offshore Wind has recruited and is training over 200 employees at the blade manufacturing facility on the Isle of Wight, off the southern coast of the UK. The facility is the former Vestas blade prototyping facility and it will be leased by the joint venture. Furthermore, the joint venture also started the ramping up process at a leased nacelle assembly facility at Lindø, Denmark. The production ramp-up is generally progressing according to plan with serial production having started in 2015.

1) Sources: Bloomberg New Energy Finance (BNEF): Q4 2015 Global Wind Market Outlook. November 2015; MAKE: Global Offshore Wind Power Market. December 2015.
2) Based on 11 GW of total installed offshore capacity in Europe by end 2014 (Source: The European Wind Energy Association (EWEA): Offshore statistics 2014 report. January 2015) and an estimated 700 MW of added capacity in China in 2015 (Source: Bloomberg New Energy Finance (BNEF): H1 2015 Offshore Wind Market Outlook. May 2015).
3) WindPower Monthly: Turbines of the year - Offshore turbines. 31 December 2014..

Risk management

The Group is exposed to a variety of risks in the daily business. Vestas works actively to ensure that such risks are understood, monitored and, to the extent possible, mitigated so as to ensure that they do not adversely impact the realisation of Vestas' strategic and financial targets.

In order for the Group to take risk-adjusted decisions, Vestas has integrated a group-wide enterprise risk management framework. This framework focuses on identification, evaluation, treatment, monitoring, and communication of risks, where risk owners are responsible for managing risks within their area of responsibility.

The risks are reported on a quarterly basis and consolidated into a Group report, which is discussed in the Group Risk Management Committee each quarter. The Group Risk Management Committee is chaired by Vestas' CFO and includes other senior management members from relevant parts of the business.

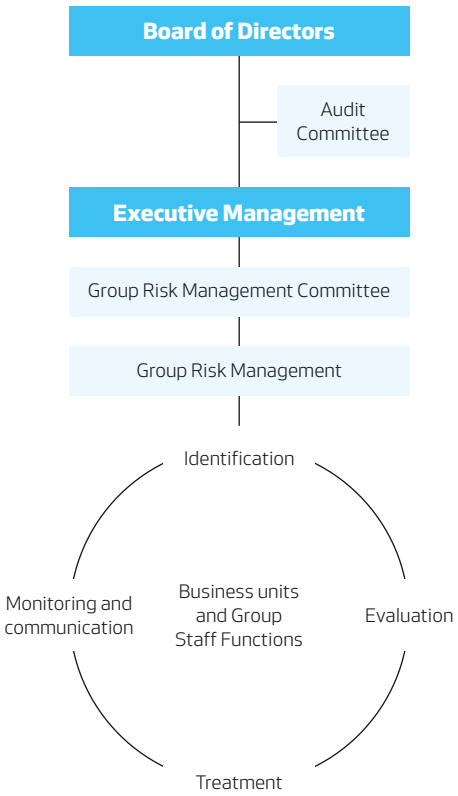
Key risks are reviewed and considered, by the Executive Management and presented to the Board of Directors on a semi-annual basis. Key risks include risks related, but not limited, to product development, changes to legislation, intellectual property rights, product quality, supply chain management, and entering new markets.

Financial risks, including risks related to currency, interest rate, tax, credit and commodity exposures are addressed in the notes to the consolidated financial statements. These risks are also reported to the Board and evaluated by the Audit Committee.

The main risks of the Group are:

- Continued uncertainty for regulatory financial support for wind energy.
- Adapting to markets with greater complexity.
- Ramp-up for growth.

Risk management



Continued uncertainty for regulatory financial support for wind energy

Description
Government support for expansion of wind power is uncertain in the light of tightened government spending and budgets resulting in lack of clarity in a number of markets.

The EU shows a continued commitment to renewable energy, however, with a focus on transitioning support mechanism to more market-based systems, which could, express or implied, reduce the level of financial support.

In the USA, the American Production Tax Credit (PTC) was renewed for a five year period with a gradual reduction of the incentive offered over that period. On short to medium term, this will create a more stable and predictable business environment. On the longer term it may continue to put pressure on Vestas ability to stay competitive compared to other energy sources.

In Asia Pacific, a reduction of the financial support mechanisms in China has been announced, while the build-out target for wind power has been increased, thus the Chinese market looks set to remain an attractive wind energy market.

Potential impact
Changes and/or reductions to support mechanisms may negatively impact order intake due to uncertainties or withdrawal of incentive schemes, which may discourage potential customers from investing in wind power plants.

Mitigations
Vestas will continue to focus on product development to further reduce the cost of energy for wind power. This will further reduce the dependency on regulatory financial support to the wind power industry.

Vestas' global footprint and continued global expansion further serves as mitigant as broad, diversified market access assist in reducing the dependency on single markets with varying degrees of financial support.

Adapting to markets with greater complexity

Description
As part of Vestas' strategic objective to grow profitably in both mature and emerging markets, Vestas does on a regular basis enter into and operate in markets with dynamics that are different from what is observed in more mature markets.

The main areas of complexity typically found within such areas would include, but not be limited, to:

- Political or economic instability or unrest.
- Differences and changes to regulatory requirements and exposure to political and economic conditions; local customers' preference for local providers; local content rules, tariffs, or other protectionist policies.
- Restrictions on the withdrawal of non-Danish investments and earnings, including potential tax liabilities if Vestas repatriates any of the cash generated by its international operations back to Denmark.
- Nationalisation or expropriation of assets as well as reduced ability to legally enforce Vestas' contractual rights in less developed legal systems.
- Differences in contractual provisions in different markets with which Vestas may have difficulty monitoring and complying.

Potential impact
If unable to sustainably adapt to the challenges posed by entering into complex markets, Vestas may experience reduced order intake and reduced revenue in these markets.

Mitigation actions
It is important that Vestas has the capabilities and knowledge to evaluate and understand these dynamics.

Thorough risk assessment including country-specific mitigation plans are normally initiated and implemented prior to market entry. This is facilitated by Vestas' Emerging Markets Risk Mitigation Group that monitors the mitigation plans related to these markets.

Based on the assessments made by Vestas, the company may for instance adapt its products to comply with local conditions. Vestas' manufacturing and supply chain may be adjusted to local requirements.

Ramp-up for growth

Description
Vestas' current order intake as well as the requirement for local content necessitates an expansion of Vestas' production and sourcing capabilities.

In some cases, the combination of a relatively short time frame for delivery of projects combined with long lead time for sourcing of certain components create additional pressure on the Vestas organisation.

Thus, serious disruptions to the production or supply chain will have a negative impact on Vestas' performance, including the company's ability to achieve its strategic and financial targets.

Potential impact
Disruptions to the production and supply chain may lead to financial impact in the form of reduced or delayed revenue and/or additional costs being incurred. Furthermore, Vestas may be subject to loss of market confidence if Vestas is not able to deliver in accordance with contractually agreed timetables and delivery plans.

Mitigation actions
Vestas allocates significant resources to supply chain and production planning activities which is expected to secure adherence to production plans and delivery schedules. Tight control and following up with key suppliers of important components furthermore supports Vestas' ability to operate its supply chain as planned.

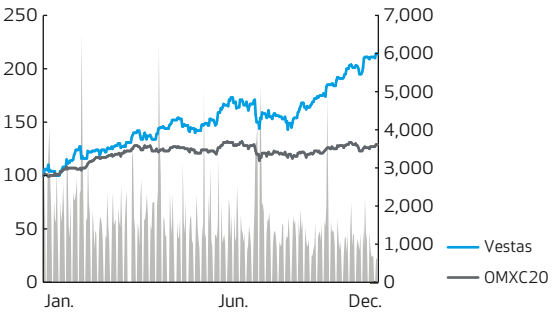
Finally, in 2015, Vestas has increased the use of outsourcing of key components, such as blades, in several geographic areas, thereby further diversifying its supply of this type of components.

Shareholders and governance

29.9%

The Board recommends a dividend of DKK 6.82 (EUR 0.91) per share be paid for 2015 equivalent to a payout ratio of 29.9.

Share price development · Trading in Vestas shares
Index · Number in 1,000



DKK 1.1bn

Vestas bought 2,529,786 shares (DKK 1.1bn) in connection with a share buy-back programme initiated in 2015, and will propose to the shareholders to reduce the capital with 2,529,786 shares in 2016.

The Vestas share

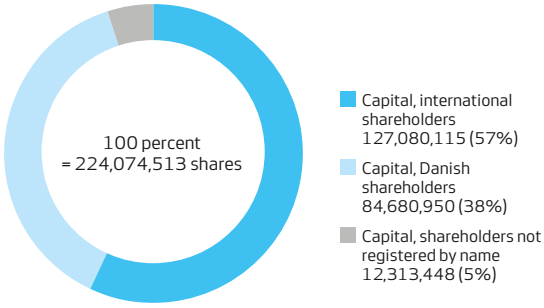
Vestas Wind Systems A/S' total share capital amounts to DKK 224,074,513, and its shares are listed on Nasdaq Copenhagen. Vestas has one share class and a total of 224,074,513 shares, which are 100 percent free float.

In 2015, the turnover of the company's share on Nasdaq Copenhagen totalled EUR 142.3bn. The share price ended the year at DKK 483.80 as compared to DKK 226.50 at year-end 2014 – an increase of 114 percent.

Ownership

At the end of the year, the company had 149,507 shareholders registered by name (211,761,065 shares), including custodian banks – a decrease of approx 6 percent during 2015.

Share capital distribution at 31 December 2015
Number of shares · Percent



In accordance with the Danish Companies Act, article 55, no shareholders have reported that they have a shareholding of 5 percent or more.

Authorities granted to the Board of Directors

Vestas' articles of association include an authority to Vestas' Board of Directors concerning an increase of the company's capital in one or more issues of new shares up to a nominal value of DKK 22,407,451 (22,407,451 shares), ref. article 3 of the articles of association. The authority is valid until 1 March 2019.

At the Annual General Meeting in 2015, the shareholders authorised the Board of Directors to let the company acquire treasury shares in the period until the next annual general meeting within a total nominal value of up to 10 percent of the company's share capital from time to time, ref. section 198 of the Danish Public Companies Act.

In 2015, the Board of Directors has used the authority to buy 2,529,786 – corresponding to 1.4 percent of the company's share capital.

Holding of treasury shares as per 31 December 2015
Shares

	2015
Treasury shares as per 31 December 2014	3,309,850
- bought prior the initiation of the share buy-back program	550,000
- bought according to the share buy-back program 2015	2,529,786
Exercised share options	1,219,048
Total holding of treasury shares as per 31 December 2015	5,170,588

Share buy-back

On 5 November 2015, the Board of Directors initiated a share buy-back programme. It was completed on 18 December 2015. In total, Vestas paid DKK 1.1bn for 2.5m shares.

The share buy-back programme was initiated pursuant to the authorisation granted to the Board of Directors by the general meeting. The purpose of the share buy-back programme was to adjust Vestas' capital structure and to meet the obligations arising from employee share option programmes or other allocations of shares to employees of Vestas.

At Vestas' Annual General Meeting in 2016, a resolution will be proposed that shares acquired, which are not used for hedging purposes of the ongoing incentive programmes, will be cancelled.

Annual General Meeting 2016

The general meeting, consisting of the company's shareholders, is the highest management body of Vestas Wind Systems A/S and is the highest authority in all company matters, subject to the limits laid down by Danish legislation and the company's articles of association.

The Annual General Meeting of Vestas Wind Systems A/S will be held on 30 March 2016 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

Time schedule

16 February	Deadline for proposals for the agenda
26 February	Convening for the Annual General Meeting
23 March	The record date
23 March	Deadline for registration and submission of proxy
29 March	Deadline for submission of correspondence vote

Voting and amendment requirements

Vestas has a single class of shares, and no shares carry any special rights. Each share carries one vote. Proposals put to the vote are adopted by a simple majority of votes, unless the Danish Companies Act or the articles of association prescribe special rules regarding the adoption. Amendment to the articles of association, dissolution, demerger and merger, which under Danish law must be passed by the general meeting, can only be passed by a majority of no less than two-thirds of all votes cast and of the voting capital represented at the general meeting unless otherwise prescribed by the Danish Companies Act.

Dividend

In general, the intention of the Board of Directors is, in the future, to recommend a dividend of 25-30 percent of the net result of the year. However, distribution of dividends will always be decided with due consideration for the Group's plans for growth and liquidity requirements and the Group's priorities for excess cash.

The Board of Directors recommends to the Annual General Meeting that a dividend of DKK 6.82 (EUR 0.91) per share be paid for 2015. This is equivalent to a dividend payout ratio of 29.9 percent measured against the net profit for the year.

Election of board members

The board members' election terms expire in 2016, as board members elected by the general meeting must retire at the following annual general meeting. However, board members are eligible for re-election. Board members elected by the general meeting may be recommended for election by the shareholders or by the Board of Directors.

30 March 2016

The Annual General Meeting of Vestas Wind Systems A/S will be held on 30 March 2016 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

When proposing candidates for board membership, the Board of Directors seeks to ensure that it is possible for the general meeting to elect a continuing Board of Directors that:

- is able to act independently of special interests;
- represents a balance between continuity and renewal;
- suits the company's situation;
- is knowledgeable of the industry and has the business and financial competencies necessary to ensure that the Board of Directors can perform its duties in the best way possible; and
- reflects the competencies and experience required in order to manage a company with shares registered for trade on a stock exchange and fulfils its obligations as a listed company.

When proposing new board candidates, the Board of Directors pursues the goal of having different nationalities of both genders. In addition, the Board of Directors focuses on having a diverse age distribution. However, these goals must not compromise the other recruitment criteria. Candidates proposed by the Board of Directors must not have reached the age of 70.

The board members elected by the general meeting have all informed the Board of Directors that they will stand for re-election.

Appointment of auditors
The Board of Directors proposes that PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab be re-appointed as the company's auditor.

Proposals from the Board of Directors
The Board of Directors expects to propose that the share capital be reduced by 2,529,786 number of treasury shares.

The Board of Directors will also propose a renewal of the authorisation for the Board of Directors to acquire treasury shares corresponding to approx 10 percent of the share capital in the period until the next Annual General Meeting. After such acquisition, Vestas' combined portfolio of treasury shares must not exceed 10 percent of the share capital. The proposal can be adopted by a simple majority of votes.

Corporate governance

The Board of Directors and the Executive Management are responsible for managing the company's affairs. The Board of Directors deals with the overall management of the company, including appointment of the Executive Management, responsible organisation of the company's business and evaluation of the applicability of the company's capital contingency programme. The Executive management deals with the day-to-day running of the company and is therefore obliged to follow the guidelines and recommendations issued by the Board of Directors.

The goal of the management is to achieve internal controls of a high standard. These controls are based on written policies, business processes and procedures. The system can only attempt to limit the risk of conscious or unconscious errors; they cannot rule them out completely. The management is of the opinion that there has been nothing to suggest that these controls, procedures and systems have been inadequate at any time during the past financial year.

Statutory report on corporate governance
Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of "Rules for Issuers of Shares – Nasdaq Copenhagen", listed companies shall give a statement on how they address the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance. The recommendations of the report specify that the circumstances of each company will govern the extent to which the recommendations are complied with or not, as the key issue is to create transparency in corporate governance matters.

Danish recommendation regarding corporate governance
Number

	2015	2014
Complies with the recommendation	44	43
Partly complies with the recommendation	3	3
Does not comply with the recommendation	0	1
Number of recommendations	**47**	**47**

Vestas' statutory report, which is part of the annual report, is only available at www.Vestas.com/investor/corporate_governance#!statutoryreports.

Communication with shareholders

Vestas aims to be visible and accessible to existing and potential shareholders and other stakeholders with due consideration to legislative requirements and based on corporate governance standards.

To keep the interest in the Vestas share at a high level, Vestas regularly provides information to the company's stakeholders by means of:

- broad distribution of the company's financial reports and company announcements;
- live audiocasts in connection with the company's presentation of financial results;
- an informative website;
- roadshow activities following each financial presentation;
- meetings for investors and analysts, investor seminars, exhibitions, conference calls, capital markets days, company visits, and other arrangements; and
- daily contact and correspondence through Investor Relations.

Vestas aims to continuously improve the communication with its shareholders to inform them about Vestas' goals and to safeguard long-term shareholder interests.

However, in order to optimise communications it is necessary for Vestas to know the identity of its shareholders. Vestas therefore recommends that its shareholders have their Vestas shares registered by name in the company's register of shareholders.

VESTAS **FACTS**

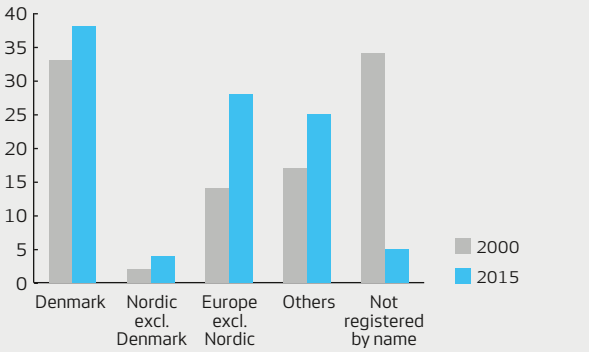
Distribution of shareholders

Vestas has registered shareholders in 112 countries – from South Korea to Mozambique – on 6 continents.

Visited on roadshows in 2015
In 2015, Vestas has visited 24 cities in connection with roadshows.

- Amsterdam, Holland
- Beijng, China
- Boston, USA
- Brussels, Belgium
- Copenhagen, Denmark
- Dublin, Ireland
- Edinburgh, Scotland
- Frankfurt, Germany
- Geneva, Switzerland
- Helsinki, Finland
- Hong Kong, China
- London, UK
- Los Angeles, USA
- Luxembourg, Luxembourg
- Madrid, Spain
- Milan, Italy
- New York, USA
- Oslo, Norway
- Paris, France
- San Francisco, USA
- Seoul, Korea
- Stockholm, Sweden
- Tokyo, Japan
- Zurich, Switzerland

Geographical distribution of shares
Percent



Members of the Board of Directors

	Born	Independent	Date of election	Expiry of election period	Share trading in 2015	Number of shares 2015[1]
Mr Bert Nordberg	23/03/1956	Yes	March 2012 and re-elected for subsequent terms, most recently in 2015	2016	0	14,000
Mr Lars Josefsson	31/05/1953	Yes	March 2012 and re-elected for subsequent terms, most recently in 2015	2016	0	2,000
Mr Carsten Bjerg	12/11/1959	Yes	March 2011 and re-elected for subsequent terms, most recently in 2015	2016	0	4,019
Ms Eija Pitkänen	23/04/1961	Yes	March 2012 and re-elected for subsequent terms, most recently in 2015	2016	+100	1,250
Mr Henrik Andersen	31/12/1967	Yes	March 2013 and re-elected for subsequent terms, most recently in 2015	2016	0	4,500
Mr Henry Sténson	10/06/1955	Yes	March 2013 and re-elected for subsequent terms, most recently in 2015	2016	0	10,700
Mr Kim Bredo Rahbek	06/07/1959	-	July 2014	2016	0[2]	0
Mr Kim Hvid Thomsen	08/08/1963	-	May 1996 and re-elected for subsequent terms, most recently for 2016-2020	2020	0	5,810
Ms Lykke Friis	27/10/1969	Yes	March 2014 and re-elected in 2015	2016	+446	1,711
Mr Michael Abildgaard Lisbjerg	17/09/1974	-	April 2008 and re-elected for subsequent terms, most recently for 2016-2020	2020	0	834
Ms Sussie Dvinge Agerbo	05/10/1970	-	November 2005 and re-elected for subsequent terms, most recently for 2016-2020	2020	0	3,300
Mr Torben Ballegaard	07/02/1951	Yes	March 2015	2016	0	5,500

Members of the Executive Management

	Born	Position	Date of appointment	Fiduciary positions / positions of trust	Share trading in 2015	Number of shares 2015[1]
Mr Anders Runevad	16/03/1960	Group President & CEO	September 2013	Deputy chairman of the board of MHI Vestas Offshore Wind A/S (DK). Member of the General Council of the Confederation of Danish Industries (DK) and The Industrial Policy Committee of the Confederation of Danish Industries (DK).	0	5,000
Mr Anders Vedel	06/03/1957	Executive Vice President & CTO	February 2012	Member of the boards of Hvide Sande Harbour (DK) and MHI Vestas Offshore Wind A/S (DK).	0[3]	4,941
Mr Jean-Marc Lechêne	29/10/1958	Executive Vice President & COO	July 2012	Member of the board of Norican A/S (DK).	0	2,000
Mr Juan Araluce	17/01/1963	Executive Vice President & CSO	February 2012	Member of the board of MHI Vestas Offshore Wind A/S (DK).	0[4]	12,602
Ms Marika Fredriksson	04/11/1963	Executive Vice President & CFO	May 2013	Member of the boards of Ferronordic Machines AB (SE) and AF AB (SE).	0	5,500

1) The mentioned number of shares includes both own and related parties' total shareholdings. At 31 December 2015, the shares of the Board of Directors and the Executive Management represented a combined market value of approx EUR 5.4m.
2) In 2015, Mr Kim Bredo Rahbek has exercised 2,111 share options – and sold the shares. Employee elected members of the Board of Directors participate in incentive programmes on equal terms with other Vestas employees.
3) In 2015, Mr Anders Vedel has exercised 3,997 share options – and sold the shares.
4) In 2015, Mr Juan Araluce has exercised 11,478 share options – and sold the shares.

Fiduciary positions of the members of the Board of Directors

The members of the Board of Directors have informed the company of the following competencies and fiduciary positions in Danish and foreign companies and organisations.

Bert Nordberg
Director

Chairman of the Board of Directors
Chairman of the Nomination & Compensation Committee

Fiduciary positions
Chairman of the board of: Imagination Technologies Group plc (UK).
Member of the boards of: AB Electrolux (SE), Axis AB (SE), Rothschild Nordic AB (SE), Sigma Connectivity AB (SE), Skistar AB (SE), and Svenska Cellulosa Aktiebolaget SCA (SE).

Special competencies
Thoroughly knowledge of restructuring, services, and infrastructure business; several years of international business experience; developing market knowledge.

Lars Josefsson
Independent consultant

Deputy Chairman of the Board of Directors
Chairman of the Technology & Manufacturing Committee
Member of the Nomination & Compensation Committee

Fiduciary positions
Chairman of the Boards of: Driconeq AB (SE), Ouman Oy (FI) and TimeZynk AB (SE).

Member of the Board of: Metso Oyj (FI).

Special competencies
In-depth knowledge of managing international companies including research and development, technology and production.

Carsten Bjerg
Director

Member of the Board of Directors
Member of the Technology & Manufacturing Committee
Member of the Audit Committee

Fiduciary positions
Chairman of the boards of: PCH Engineering A/S (DK) and PCH Investment A/S (DK).

Deputy chairman of the boards of: Højgaard Holding A/S (DK) and Rockwool International A/S (DK).

Member of the boards of: K. Nissen International A/S (DK), MT Højgaard A/S (DK), and Nissens A/S (DK).

Positions of trust
Chairman of: The Market Development Fund (DK).

Special competencies
In-depth knowledge of managing an international group including thorough knowledge of R&D, manufacturing and strategic management.

Eija Pitkänen
Sustainability and Compliance Officer Sonera

Member of the Board of Directors
Member of the Technology & Manufacturing Committee

Positions of trust
Member of the board of: Finnish Refugee Council (FI).

Special competencies
Extensive international experience in developing and executing global sustainability strategy as part of business in several international companies.

Henrik Andersen
Director[5)]

Member of the Board of Directors
Chairman of the Audit Committee[6)]
Member of the Nomination & Compensation Committee

Fiduciary positions
Member of the board of: Godt Smil Holding ApS (DK).

Positions of trust
Member of: The investment committee of Maj Invest Equity 4 K/S (DK).

Special competencies
In-depth knowledge of accounting, finance and capital markets, international business experience including restructuring and strategic management of international companies.

Henry Sténson
Executive Vice President of Corporate Communication & Sustainability Affairs, Volvo Group

Member of the Board of Directors
Member of the Audit Committee

Fiduciary positions
Member of the boards of: Braathens Regional AB (SE) and Stonghold Invest AB (SE).

Special competencies
More than 20 years' experience from executive teams in global business and extensive experience from communications with media, capital markets, and international public affairs. Furthermore, experience from industrial turnaround processes and crisis management.

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5) On 1 March 2016, Mr Henrik Andersen will take up the position as Group President & CEO of Hempel A/S.
6) Fulfils the demand for qualifications within financial accounting and meets the definition of independence of audit committee members as set out in the Danish Auditors Act.

Kim Bredo Rahbek
Chief Specialist, Technology & Service Solutions
Vestas Wind Systems A/S

Member of the Board of Directors (elected by company employees)

Special competencies
In-depth knowledge of R&D of wind turbines, especially in the value chain areas of transportation, installation and maintenance, and experience in managing R&D activities in an international set-up.

Kim Hvid Thomsen
HR Business Partner, People & Culture, Vestas Wind Systems A/S

Member of the Board of Directors (elected by Group employees)
Member of the Technology & Manufacturing Committee

Fiduciary positions
Deputy chairman of the board of: Metal Skjern-Ringkøbing (DK).

Special competencies
In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Lykke Friis
Prorector for Education, University of Copenhagen

Member of the Board of Directors
Member of the Nomination & Compensation Committee

Fiduciary positions
Member of the boards of: European Council of Foreign Relations (UK), Rockwool Foundation, European Institute of Innovation and Technology (EIT) (EU), and VELUX A/S (DK).

Positions of trust
Chairman of: the Danish Foreign Policy Society (DK).

Member of: The board of directors of International Crisis Group (ICG) (USA), and The Danish-German Chamber of -Commerce (DK).

Special competencies
In-depth knowledge of international energy policy and European Union regulation. Furthermore, experience from public affairs and managing research and development.

Michael Abildgaard Lisbjerg
Senior Shop Steward and Skilled Worker, Production,
Vestas Manufacturing A/S

Member of the Board of Directors (elected by Group employees)

Special competencies
In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Sussie Dvinge Agerbo
Management Assistant, Technology & Service Solutions, Vestas Wind Systems A/S

Member of the Board of Directors (elected by company employees)

Special competencies
In-depth knowledge of project management and organizational structures including human resources and staff development.

Torben Ballegaard Sørensen
Director

Member of the Board of Directors
Member of the Audit Committee

Fiduciary positions
Chairman of the boards of: AS3 Companies A/S (DK), CAPNOVA A/S (DK), and Tajco Group A/S (DK).

Deputy chairman of the boards of: AB Electrolux (SE) and Systematic A/S (DK).

Member of the board of: Egmont International Holding A/S (DK).

Positions of trust
Chairman of: The board of directors of AB Electrolux's Audit Committee (SE) and the Foundation Capnova Invest Zealand (DK).

Member of the board of directors of: The Egmont Foundation (DK) and Centre for Advanced Technology (CAT) Foundation (DK).

Special competencies
Experience from growth and continuous improvement of global and complex industrial organizations. Leadership development. Product- and business innovation and strategic execution. International sales and marketing. Value adding board work, financial controlling and interaction with capital markets.

Remuneration report 2015 · Board of Directors

Remuneration policy and incentive pay
The remuneration policy for members of the Board of Directors and Executive Management of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long term goals for safeguarding the company's interests.

The remuneration policy and the general guidelines for incentive pay were approved by the shareholders at the Annual General Meeting in March 2015. The policy and guidelines are available at vestas.com.

Fixed remuneration
Members of the Board of Directors receive a fixed cash amount (basic remuneration), which is approved by the general meeting for the current financial year. The chairman receives a triple basic remuneration and the deputy chairman receives a double basic remuneration for their extended board duties.

In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees. The chairman receives double committee remuneration.

Board members elected by the employees receive the same remuneration as the board members elected by the general meeting.

At the Annual General Meeting in March 2015, the shareholders approved a 10 percent increase of the level of remuneration for the Board of Directors for the financial year 2015.

- Basic remuneration of EUR 52,763
- Basic committee remuneration of EUR 26,382

Remuneration for ad hoc tasks
Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed remuneration for the work carried out in relation to those tasks. The fixed remuneration will be presented for approval at the following annual general meeting.

Social security taxes and similar taxes
In addition to the remuneration, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

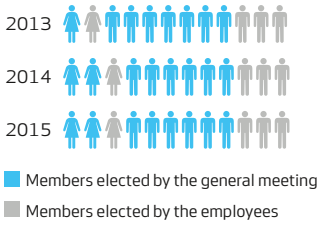
Incentive programme, bonus pay, etc.
According to the remuneration policy the members of the Board of Directors are not included in incentive programmes (share programmes, bonus pay, or similar plans).[1)]

Compensation on takeover of Vestas Wind Systems A/S
On any takeover, retiring board members will not receive any compensation for their lost board remuneration and similar benefits.

Reimbursement of expenses
Expenses in connection with board and committee meetings are reimbursed as per account rendered.

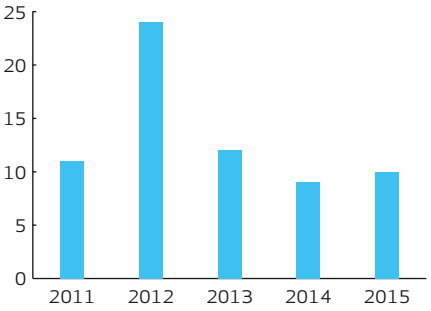
Pension scheme
The Board of Directors is not covered by any Vestas pension scheme or a defined benefit pension scheme.

Members of the Board of Directors
Number



The Board of Directors has defined a target outlining that members of the underrepresented gender should constitute two to three board members elected by the general meeting no later than in 2017.

Board meetings
Number



In 2015, the Board of Directors held 10 board meetings, 7 Audit Committee meetings, 4 Nomination & Compensation Committee meetings, and 4 Technology & Manufacturing Committee meetings.

Board of Directors remuneration for the financial year [2)]

	2015		2014	
	Number of members	EUR	Number of members	EUR
Board	12	791,445	12	719,490
Committees:				
Audit	4	131,910	4	119,920
Nomination & Compensation	4	131,910	4	119,920
Technology & Manufacturing	4	131,910	5	143,904

1) Employee elected members of the Board of Directors participate in incentive programmes, bonus pay, etc. on equal terms with other Vestas employees, ref. note 6.2 to the consolidated financial statements. Vestas annual report 2015, page 113.
2) Exclusive of social security taxes and similar taxes.

Remuneration report 2015 · Executive Management

Remuneration policy and incentive pay
The remuneration policy for members of the Board of Directors and Executive Management of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long term goals for safeguarding the company's interests.

Fixed salary
The fixed salary is based on market level to attract and retain talented executives with the required competencies.

Cash bonus
The bonus scheme is based on the results for the year and is paid out annually after adoption of the annual report for the relevant financial year.

The bonus pay-out-level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at 50 percent and 75 percent of the annual base salary respectively.

The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT as well as any other targets approved by the Board of Directors. No pay-out will be made if the target for EBIT is not met at the defined minimum acceptable performance level.

Share-based incentives
The focus of the share-based programme is to retain executive talent and create long-term shareholder value.

The targets may be based on financial key performance indicators as well as the Group's market share as defined by the Board of Directors. For any financial year, the number of shares to be granted to the combined Executive Management may amount to a total of 120,000 performance shares based on an initial target level. The programme is based on three performance years.

The maximum size of the grant is 150 percent of the target, corresponding to a total grant to the Executive Management of 180,000 performance shares. The number of shares available for grant may be adjusted in the event of changes in the company's capital structure. The performance shares will be granted in two portions; the first half of the shares will be granted after the three performance years following the disclosure of the programme and the second half of the shares will be granted five years after the disclosure, with the total grant size based on the results in the three performance years. If the minimum requirements for financial performance are not met, there will be no grant of performance shares.

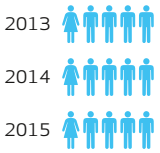
Personal benefits
Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home and work-related newspapers and magazines.

Compensation on takeover of Vestas Wind Systems A/S
The members of the Executive Management will not receive any compensation in the event of termination in connection with a change of ownership of the company's voting majority or if the company is dissolved through a merger or demerger. The Executive Management's notice of termination will, however, be extended to 36 months.

Redundancy pay
There is no agreed redundancy pay or compensation for voluntary or non-voluntary termination.

Pension scheme
Members of the Executive Management are not covered by Vestas' employer administered pension plan or a defined benefit pension scheme. Pension is considered included in the fixed salary.

Members of the Executive Management
Number



In 2015, there has been no change in the composition of the Executive Management.

Executive Management's remuneration*

	2015	2014
Fixed salary (EUR)	4,214,731	4,147,072
Bonus (EUR)	2,840,118	2,612,655
Performance shares:		
For the financial year (number)	136,000**	151,413***
Options:		
Total outstanding options for the period 2008-2012 (number)	85,159	110,010
Expired options (number)	9,376	9,677
Options exercised (number)	15,475	0

* Ref. note 3.1 and note 6.2 to the consolidated financial statements.
** The number of shares has been adjusted based on current estimate of performance in 2015. Allocation of performance shares for the 2015-2017 performance programme will be adjusted based on the level of actual achievement in the measurement period. The 2015 performance shares will be granted to the Executive Management in 2018 and 2020.
*** The 2014 performance shares will be granted to the Executive Management in 2017 and 2019.

Outlook 2016

Revenue is expected to be minimum EUR 9bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 11 percent with the service EBIT margin remaining stable.

Total investments are expected to amount to approx EUR 500m (incl. the acquisition of Availon Holding GmbH), and the free cash flow is expected to be minimum EUR 600m (incl. the acquisition of Availon Holding GmbH) in 2016.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped, and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections, and similar matters may thus cause delays that could affect Vestas' financial results for 2016. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2016.

Outlook 2016

Revenue (bnEUR)	min. 9
EBIT margin (%) before special items	min. 11
Total investments (mEUR)*	approx 500
Free cash flow (mEUR)*	min. 600

* Incl. the acquisition of Availon Holding GmbH.

Consolidated financial statements

Income statement 1 January – 31 December

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

Statement of comprehensive income 1 January - 31 December

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

Balance sheet 31 December – Assets

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

Balance sheet 31 December – Equity and liabilities

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

Statement of changes in equity 1 January – 31 December

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

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

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

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

Statement of cash flows 1 January – 31 December

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

Notes

1. Result for the year

1.1 Segment information

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

- Project
- Service

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

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

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

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

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

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

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

1.1 Segment information (continued)

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

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

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

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

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

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

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

1.1 Segment information (continued)

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

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

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

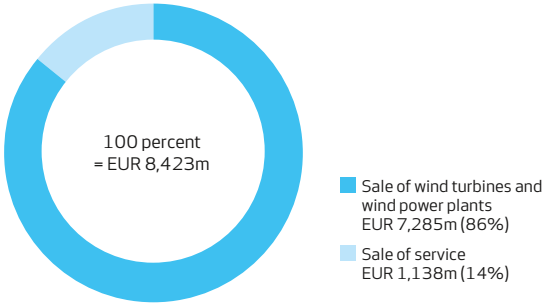
1.2 Revenue

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

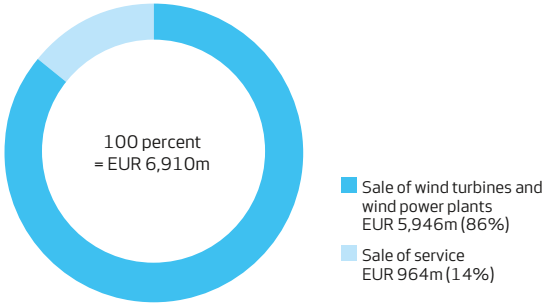
Sale of individual wind turbines and small wind power plants based on standard solutions (supply-only and supply-and-installation projects) as well as spare parts sales are recognised in the income statement provided that risk has been transferred to the buyer in the reporting period, and provided that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

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

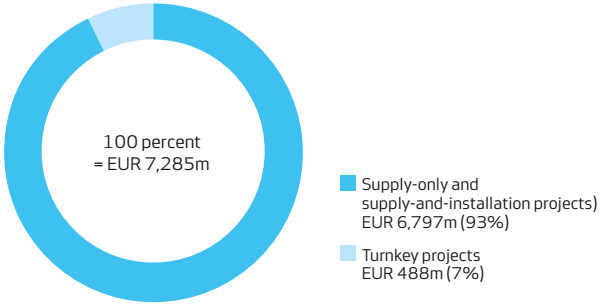
Revenue (2015)
mEUR and percent



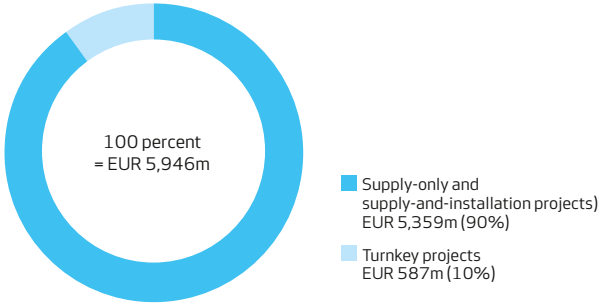
Revenue (2014)
mEUR and percent



Project segment revenue (2015)
mEUR and percent



Project segment revenue (2014)
mEUR and percent



1.3 Costs

Group accounting policies

Production costs

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

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

Research and development costs

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

Distribution costs

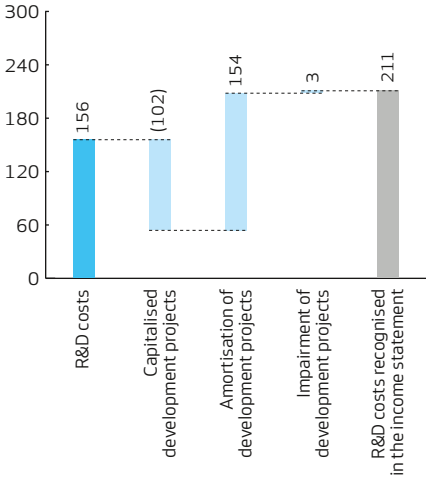
Distribution costs comprise cost incurred for the sale and distribution of products, etc. sold during the year. Also included are cost relating to employees and depreciation.

Administration costs

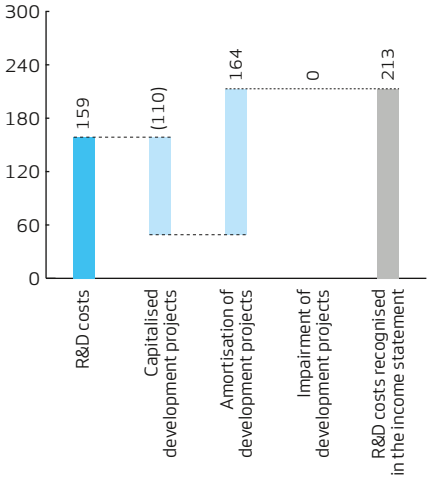
Administration costs comprise cost incurred during the year for management and administration of the Group, including costs for administrative staff, management, office premises, office cost, and depreciation.

Research and development costs

R&D costs (2015)
mEUR



R&D costs (2014)
mEUR

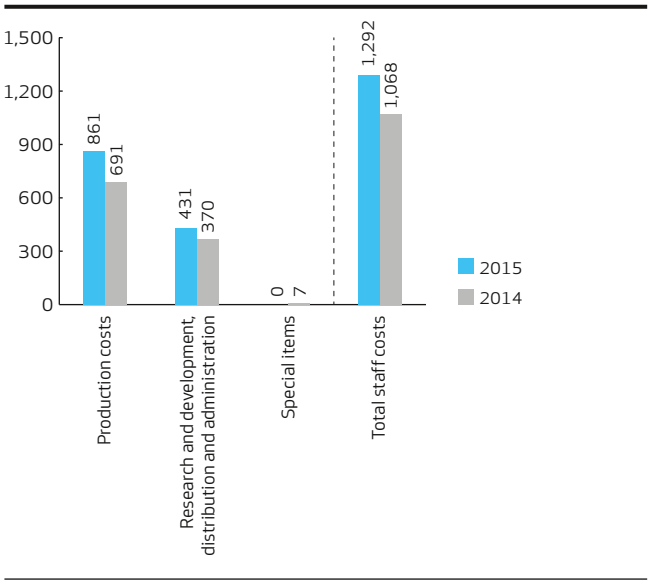


Staff costs

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

1.3 Costs (continued)

Staff costs recognised in the income statement
mEUR



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

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

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

1.4 Amortisation, depreciation and impairment

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

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

1.5 Government grants

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

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

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

1.6 Special items

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

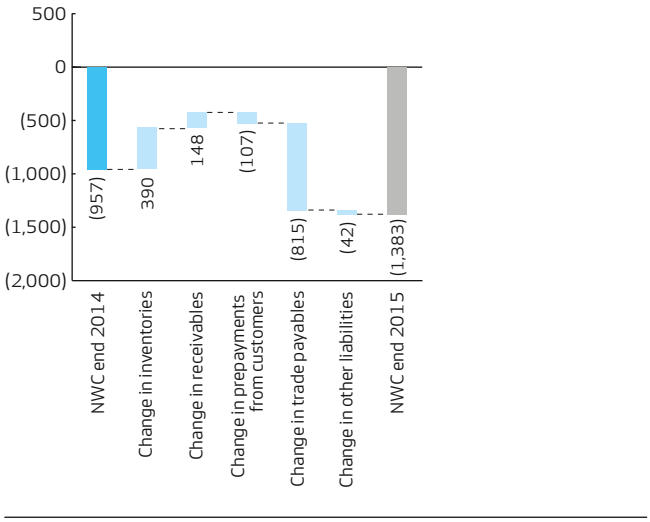
Key accounting judgement
Classification
The use of special items entails management judgement in the separation from other items in the income statement. In connection with the use of special items it is crucial that they are of a special or non-recurring nature in relation to the main activities of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

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

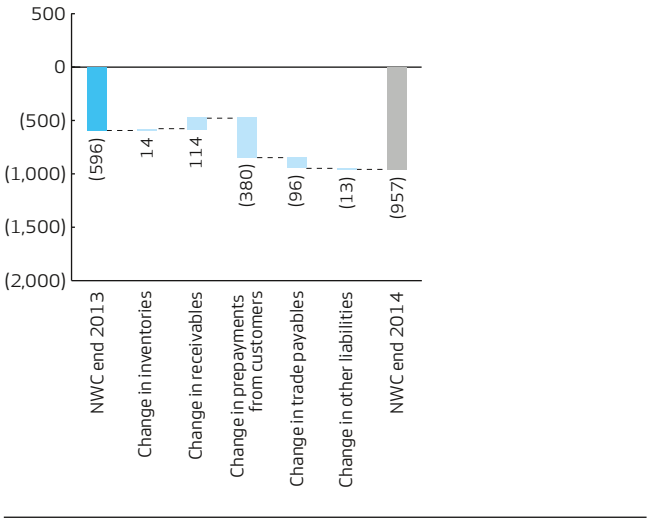
2. Working capital

2.1 Change in net working capital

NWC change over the last 12 months (2015)
mEUR



NWC change over the last 12 months (2014)
mEUR



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

2.2 Inventories

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

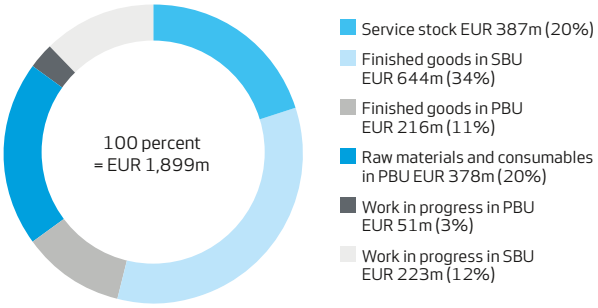
The cost of raw materials and service stock, comprise purchase price of materials, consumables, duties and transportation costs.

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

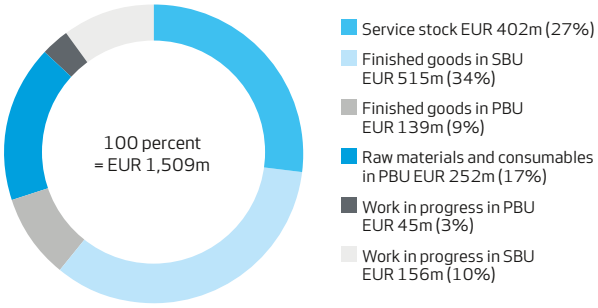
The NRV of inventories is measured at sales price less costs of completion and selling costs. NRV is determined taking into account marketability, obsolescence, and development in the expected selling price.'

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

Inventories (2015)
mEUR and percent



Inventories (2014)
mEUR and percent



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

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

2.3 Trade receivables

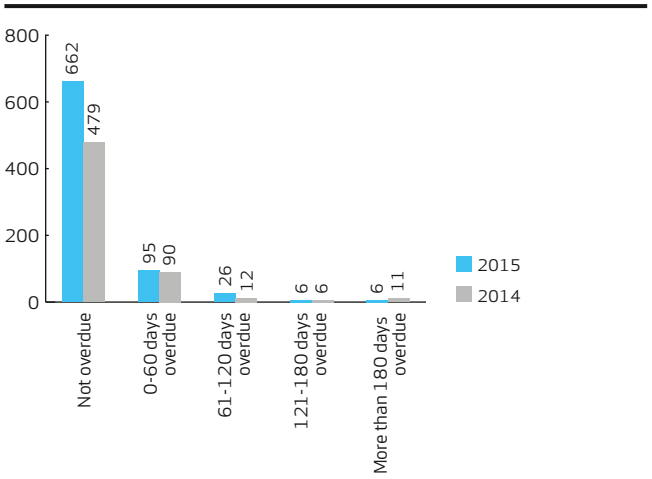
Group accounting policies
Trade receivables are measured at amortised cost or net realisable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower.

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

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

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

The age distribution of receivables[1)]
mEUR



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

2.4 Construction contracts in progress

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

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

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

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

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

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

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

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

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

2.5 Other receivables

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

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

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

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

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

2.6 Other liabilities

Group accounting policies
Other liabilities are measured at amortised cost.

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

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

3. Other operating assets and liabilities

3.1 Intangible assets

Group accounting policies

Goodwill

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

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

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

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

Impairment losses on goodwill are not reversed.

Development projects

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

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

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

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

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

Software

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

Other intangible assets

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

3.1 Intangible assets (continued)

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

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

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

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

3.2 Property, plant and equipment

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

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

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

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

Buildings	20–40 years
Building installations	15–25 years
Plant and machinery	3–10 years
Power-operated tools of own construction and newly manufactured test and exhibition turbines	3–5 years
Other fixtures and fittings, tools and equipment	3–5 years

Land is not depreciated.

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

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

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

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

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

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

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

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

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

3.2 Property, plant and equipment (continued)

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

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

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

3.3 Impairment

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

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

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

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

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

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

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

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

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

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

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

3.3 Impairment (continued)

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

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

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

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

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

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

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

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

Valuation of American factories

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

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

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

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

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

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

3.4 Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

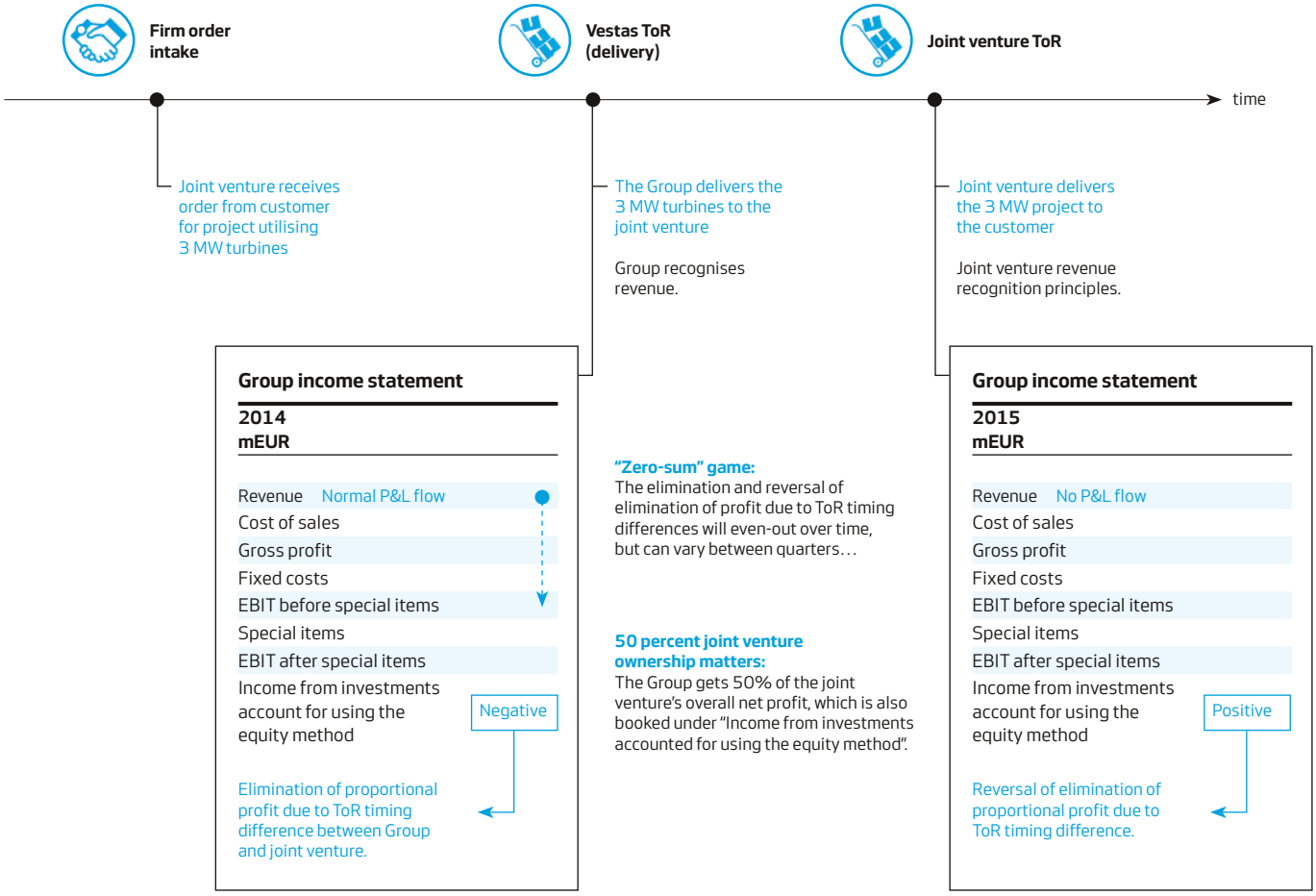
In the Group's share of profit from the joint venture, income resulting from the sale of wind turbines to the joint venture is recognised in the Group's financial statements, only to the extent that the joint venture has sold the wind turbines to unrelated parties. Profit eliminated in 2014, due to ToR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

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

3.4 Investments accounted for using the equity method (continued)

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

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



3.4 Investments accounted for using the equity method (continued)

Summarised balance sheet 31 December

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

Summarised statement of comprehensive income 1 January - 31 December

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

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

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

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

3.5 Provisions

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

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

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

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

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

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

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

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

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

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

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

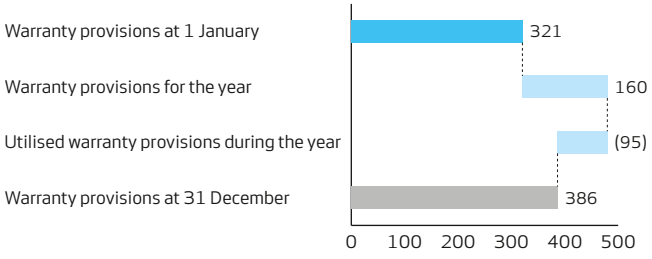
Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when it is virtually certain that we will receive compensation from the sub-suppliers.

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

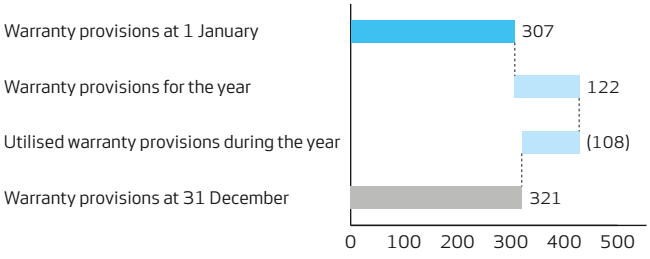
3.5 Provisions (continued)

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

Warranty provisions (2015)
mEUR



Warranty provisions (2014)
mEUR



3.5 Provisions (continued)

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

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

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

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

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

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

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

3.6 Contingent assets and liabilities

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

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

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

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

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

4. Capital structure and financing items

4.1 Share capital

Group accounting policies

Treasury shares

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

Dividend

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

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

Share capital

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

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

All shares rank equally.

Treasury shares

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

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

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

4.1 Share capital (continued)

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

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

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

The share capital has been fully paid.

Net proposed cash distribution to shareholders

	2015	2014
Dividend[1]	200	116

1) Dividend excluding treasury shares.

4.2 Earnings per share

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

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

4.3 Financial items

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

Financial income

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

Financial costs

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

4.4 Cash and cash equivalents

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

4.5 Financial risks

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

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

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

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

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

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

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

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

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

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

4.5 Financial risks (continued)

Financial assets by maturity and category

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

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

4.5 Financial risks (continued)

Financial liabilities by maturity and category

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

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

4.5 Financial risks (continued)

Credit risks

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

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

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

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

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

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

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

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

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

4.5 Financial risks (continued)

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

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

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

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

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

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

4.5 Financial risks (continued)

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

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

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

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

4.6 Derivative financial instruments

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

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

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

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

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

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

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

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

4.6 Derivative financial instruments (continued)

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

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

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

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

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

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

No hedging contracts are subject to set-off agreements.

4.6 Derivative financial instruments (continued)

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

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

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

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

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

4.7 Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

5. Tax

5.1 Income tax

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

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

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

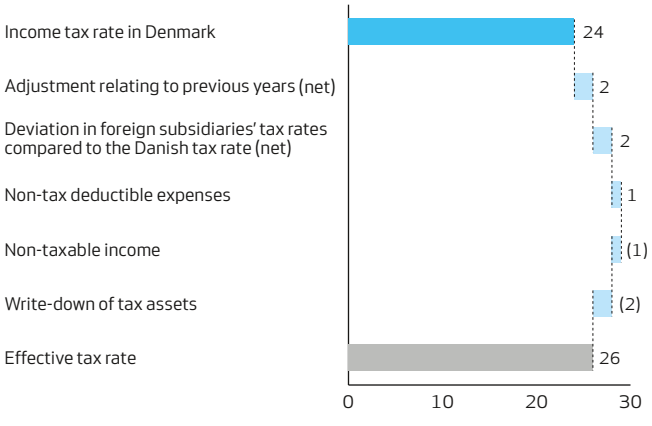
Key accounting estimate - Income taxes
The Group continuously wants to be a compliant corporate tax citizen in collaboration with our operations and stakeholders and to support shareholder interest and our reputation. To ensure compliance, national and international tax laws as well as the OECD Guidelines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

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

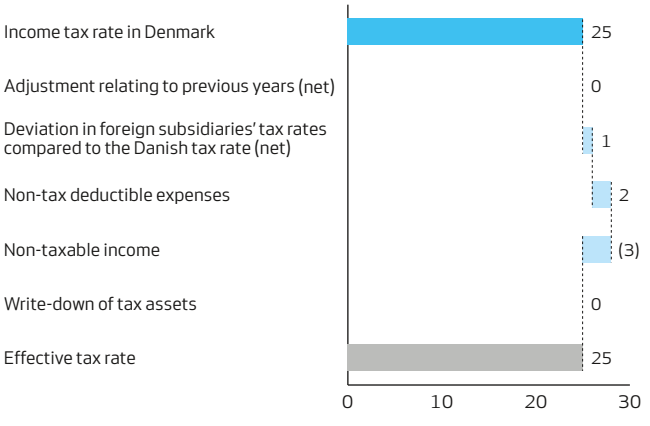
The global business implies that the Group may be subject to disputes on allocation of profits between different jurisdictions. Management judgement is applied to assess the expected outcome of such tax disputes which is provided for in provision for uncertain tax positions. Management believes that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

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

Computation of effective tax rate (2015)
Percent



Computation of effective tax rate (2014)
Percent



5.1 Income tax (continued)

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

5.2 Deferred tax

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

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

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

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

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

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

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

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

5.2 Deferred tax (continued)

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

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

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

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

6. Other disclosures

6.1 Audit fees

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

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

6.2 Management's incentive programmes

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

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

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

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

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

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

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

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

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

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

6.2 Management's incentive programmes (continued)

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

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

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

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

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

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

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

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

6.2 Management's incentive programmes (continued)

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

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

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

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

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

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

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

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

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

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

6.3 Contractual obligations

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

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

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

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

6.4 Related party transactions

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

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

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

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

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

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

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

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

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

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

6.5 Business combinations

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

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

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

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

Consideration

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

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

Recognised amounts of identifiable assets acquired and liabilities assumed

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

6.5 Business combinations (continued)

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

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

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

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

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

6.6 Non cash transactions

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

6.7 Non-current assets held for sale

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

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

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

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

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

6.8 Subsequent events

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

6.9 Legal entities[1)]

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

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

6.9 Legal entities (continued)

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

6.9 Legal entities (continued)

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

7. Basis for preparation

7.1 General accounting policies

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

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

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

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

The consolidated financial statements are presented in million euro.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income statement

Leases

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

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

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

Equity

Translation reserve

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

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

Cash flow hedging reserve

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

Cash flow statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash at bank and in hand

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

7.2 Key accounting estimates and judgements

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

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

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

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

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

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

7.3 Changes in accounting policies and disclosures

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

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

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

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

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

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

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

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

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

7.4 Financial definitions

FINANCIAL RATIOS

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

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

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

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

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

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

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

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

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

SHARE RATIOS

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

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

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

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

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

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

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

OTHER DEFINITIONS

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

TERMINOLOGY USED IN ACCOUNTING POLICIES

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

IASB: International Accounting Standards Board

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

Management's statement

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

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

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

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

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

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

Aarhus, 9 February 2016

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Torben Ballegaard Sørensen

Lykke Friis

Kim Hvid Thomsen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

Kim Bredo Rahbek

The independent auditor's report

To the Shareholders of Vestas Wind Systems A/S

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

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

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

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

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

The audit has not resulted in any qualification.

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

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

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

Copenhagen, 9 February 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company Reg. No.: 33771231

Claus Lindholm Jacobsen
State Authorised
Public Accountant

Kim Tromholt
State Authorised
Public Accountant

Consolidated social and environmental statement

Basis for preparation of the statement

General reporting standards

Combined with additional information about Vestas' sustainability initiatives at www.vestas.com, this annual report constitutes Vestas' Communication on Progress (COP) under the UN Global Compact. Vestas' reporting contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The below description of accounting policies and development of social and environmental performance refers to the social and environmental key figures and indicators presented on page 11 of the annual report.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start and for acquired companies from the time when coming under Vestas' control. Companies are excluded from the reporting from the time when they leave Vestas' control.

Defining materiality

Vestas bases its materiality assessment on an analysis of significant economic, environmental, and social impacts of the Group's activities. The analysis is based on internal priorities as well as experience from dialogue with and direct involvement of customers, investors, policy makers, employees, and media. The result of the analysis is incorporated in Vestas' COP.

Vestas has previously selected a number of social and environmental key figures that are relevant to understand Vestas' development, results and financial position. These key figures have been maintained after the materiality assessment. The status of the key figures is monitored closely and for relevant key indicators specific targets have been defined.

Change in accounting policies

The same measurement and calculation methods are applied at all Vestas' sites. There have been no significant changes from previous reporting periods in the scope and boundary applied in the report.

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

In 2015, a new safety KPI was introduced in Vestas focusing on 'total recordable injuries', which in addition to 'lost time injuries' includes 'restricted work injuries' and 'medical treatment injuries'.

Social performance

Occupational health & safety

Accounting policies

Occupational health & safety is measured for all activities under the organisational structure. Lost time injuries of all employees are stated on the basis of registration of incidents that have caused at least one workday of absence after the day of the injury including fatalities. Total recordable injuries include lost time injuries, restricted work injuries, and medical treatment injuries.

Injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of injuries per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

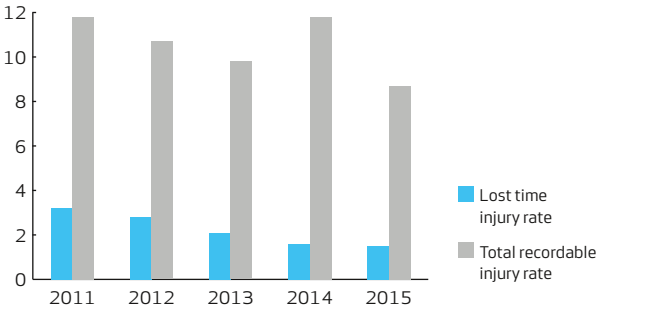
Absence due to illness does not include absence caused by lost time injuries, maternity leave, and child's illness leave. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards for hourly-paid employees and absence records for salaried employees, respectively.

Development

In 2015, the incidence of lost time injuries was 1.5 per one million working hours. The incidence of total recordable injuries was 8.7 per one million working hours, reaching the target for 2015. Absence due to illness decreased by 0.4 percentage points for hourly-paid and decreased by 0.2 percentage points for salaried employees.

Incidence of injuries

Per one million working hours



Employees

Accounting policies

The number of employees is calculated as the number of employees who have a direct contract with Vestas. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of nationality, gender, and IPE level (Mercer's International Position Evaluation).

Development

During 2015, the overall number of employees increased from 17,598 to 20,507, mainly driven by the ramp-up at the factories.

Vestas employees at 31 December 2015

Number

	Europe, Middle East, and Africa	Americas	Asia Pacific	Total
Manufacturing & Global Sourcing	4,499	3,418	2,365	10,282
Sales and service	4,695	1,877	1,110	7,682
Technology & Service Solutions	1,025	32	235	1,292
Others	741	114	396	1,251
Total	**10,960**	**5,441**	**4,106**	**20,507**

The share of women in leadership positions increased by 0.3 percentage point compared to 2014. Non-Danish nationals hold 57 percent of the positions in the top management layers, which is an increase of 3 percentage points compared to 2014.

Environmental performance

Energy consumption, water consumption, waste generation, and CO_2 emission are reported on the basis of significance. All production facilities are included as well as larger offices, warehouses, and other facilities, ensuring a comprehensive and sufficient statement of these environmental aspects.

Increased production in 2015 compared to 2014 was not to the same degree reflected in the consumption of water and energy and the related emission of CO_2, which increased relatively less than the increased production level due to higher efficiency usage. The increase in waste emission corresponded to the increase in production level.

Utilisation of resources

Accounting policies

Electricity, gas, and district heating are measured on the basis of quantities consumed according to direct meter readings per site, including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind power plants. Gas for heating is stated on the basis of external purchases adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water, and geothermal heat. Nuclear power is not considered to be renewable energy. Consumption of electricity from non-renewable sources, purchased as a result of not being able to purchase renewable electricity at some locations, is in the Group statement balanced with renewable electricity produced by wind power plants owned by Vestas and sold to the local grid.

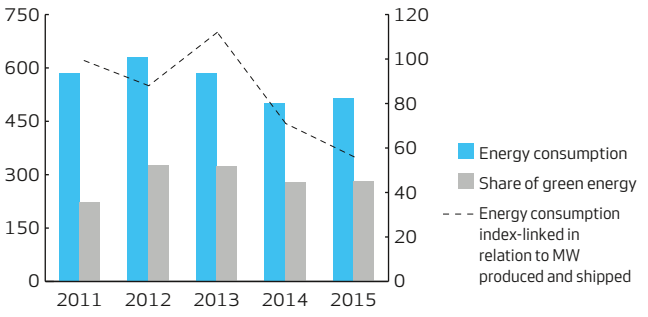
The consumption of water is stated as measured consumption of fresh water. Cooling water from streams, rivers, lakes, etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

Development

In 2015, Vestas' total energy consumption increased by 3 percent. When index-linked to MW produced and shipped, Vestas' energy consumption decreased 21 percent compared to 2014.

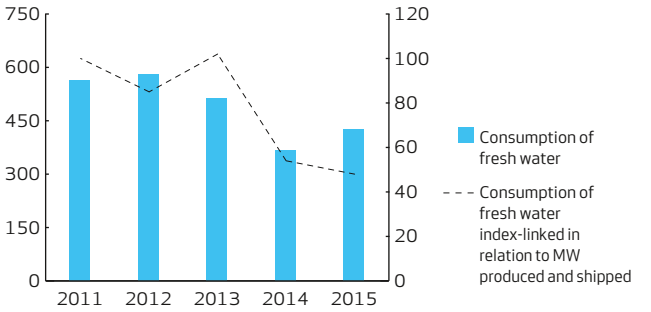
With the share of renewable energy in Vestas' total energy consumption amounting to 55 percent, the company reached the target for 2015. Renewable electricity remained at 100 percent in 2015.

Energy consumption and share of green energy
1,000 MWh · Index



In 2015, water consumption increased by 17 percent. When index-linked to MW produced and shipped, water consumption decreased 10 percent compared to 2014.

Consumption of fresh water
1,000 m^3 · Index



Waste disposal

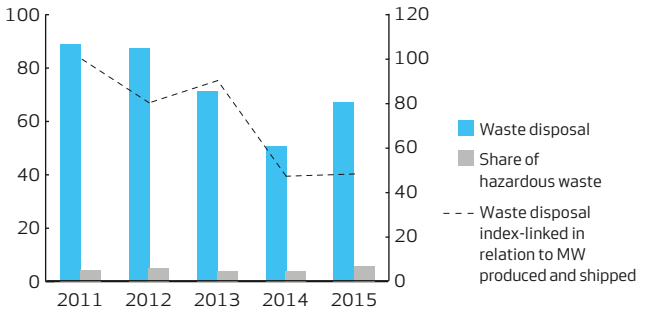
Accounting policies

Waste is stated on the basis of weight slips received from the waste recipients for deliveries affected in the accounting period, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load. Waste disposal is based on supplier statements.

Development

In 2015, the amount of waste increased by 31 percent compared to 2014. When index-linked to MW produced and shipped in 2015, Vestas increased its amount of waste by 3 percent compared to 2014.

Waste disposal and share of hazardous waste
1,000 tonnes · Index



In 2015, 49 percent of the total volume of waste was recycled, against 53 percent the year before. In 2015, the share of hazardous waste was 5,930 tonnes compared to 4,085 tonnes in 2014.

Emissions of CO_2

Accounting policies

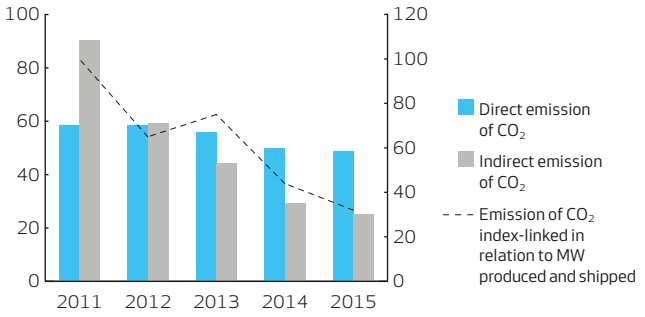
Direct emission of CO_2 is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs. Indirect emission of CO_2 is calculated on the basis of direct consumption of electricity and district heating, with the usage of national grid emissions factors published by the International Energy Agency (IEA). Indirect CO_2 emissions from electricity consumption based on non-renewable sources is balanced out by CO_2 emission savings in the production and sale to the grid from Vestas-owned wind turbines.

Development

Vestas decreased its direct CO_2 emissions by 2 percent in 2015, and the indirect CO_2 emissions by 14 percent. When index-linked to MW produced and shipped in 2015, Vestas decreased its CO_2 emissions by 28 percent compared to 2014. The CO_2 emissions decreased due to changes in the underlying emission factors, mainly for grid electricity in Romania.

Direct and indirect emission of CO_2

1,000 tonnes · Index



Local community

Accounting policies

Environmental accidents are accidental releases of substance and chemicals which are considered by Vestas to have a significant impact on the environment. Breaches of internal inspection conditions are stated as the conditions for which measurements are required, and where measurements show breaches of stated conditions.

Development

In 2015, Vestas did not experience any environmental accidents or breaches of internal control.

Products

Accounting policies

CO_2 savings from the produced and shipped MW are calculated on the basis of a capacity factor of 30 percent of the MW produced and shipped, an expected lifetime of 20 years of the MW produced and shipped, and the latest updated standard factor from the IEA of average CO_2 emission for electricity in the world, at present 536 grams of CO_2 per kWh.

Development

The CO_2 savings over the lifetime on the MW produced and shipped in 2015 increased by 29 percent compared to 2014, due to a higher amount of MW produced and shipped in 2015.

The independent auditor's limited assurance report concerning the consolidated social and environmental statement for 2015

To the stakeholders of Vestas Wind Systems A/S
We have undertaken a limited assurance engagement of the consolidated social and environmental statement in the annual report of Vestas Wind Systems A/S for the financial year 2015, as included on pages 130-132 in the annual report for 2015. A multidisciplinary team including assurance practitioners, engineers and other experts conducted this engagement.

Management's responsibility
Management is responsible for preparation of the consolidated social and environmental statement in accordance with Group accounting policies for the social and environmental data as expressed on pages 130-132. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation of the social and environmental data ensuring that data are free from material misstatement, whether due to fraud or error.

Vestas Wind Systems A/S' accounting policies for the consolidated social and environmental statement contain management's reasoning for the selection of topics and indicators as well as defined reporting scope for each data type.

Our independence and quality control
We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers applies International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility
Our responsibility is to express a limited assurance conclusion on the consolidated social and environmental statement stated on pages 130-132 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform this engagement to obtain limited assurance about whether the consolidated social and environmental statement is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Vestas Wind Systems A/S' use of stated accounting policies as the basis for the preparation of the consolidated social and environmental statement. Furthermore, it involves assessing the risks of material misstatement, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the consolidated social and environmental statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries, obtained an understanding of Vestas Wind Systems A/S' control environment and information systems relevant to quantification and reporting of social and environmental data;
- Made site visits in Denmark, Germany, and USA to assess the completeness of social and environmental data sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their size and sites selected in prior periods. Our procedures included testing to underlying documentation as well as input data controls performed at these sites;
- Planned and conducted interviews and show-me meetings with Group functions to assess consolidation processes, use of company-wide systems and controls performed at Group level as well as test of social and environmental data prepared at Group level to underlying documentation.

Limited assurance conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated social and environmental statement presented on pages 130-132 in the annual report of Vestas Wind Systems A/S for the financial year 2015 is not free of material misstatements and is not prepared, in all material respects, in accordance with the stated accounting policies for social and environmental data as included on pages 130-132.

Copenhagen, 9 February 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company Reg. No.: 33771231

Claus Lindholm Jacobsen
State Authorised
Public Accountant

Kim Tromholt
State Authorised
Public Accountant

Financial statements for Vestas Wind Systems A/S

Income statement 1 January – 31 December

mEUR	Note	2015	2014
Revenue	1.1	706	732
Cost of sales	1.2	(592)	(499)
Gross profit		**114**	**233**
Administration cost	1.2	(278)	(301)
Operating profit/(loss) (EBIT)		**(164)**	**(68)**
Income/(loss) from investments accounted for using the equity method	3.3	672	483
Financial income	4.1	72	59
Financial costs	4.1	(46)	(113)
Profit before tax		**534**	**361**
Income tax	5.1	127	13
Profit for the year		**661**	**374**
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		557	455
Retained earnings		(101)	(197)
Proposed dividends		205	116
Profit for the year		**661**	**374**

Balance sheet 31 December - Assets

mEUR	Note	2015	2014
Intangible assets	3.1	422	451
Property, plant and equipment	3.2	257	268
Investments accounted for using the equity method	3.3	3,156	2,529
Total fixed assets		**3,835**	**3,248**
Tax receivables		114	-
Deferred tax	5.2	73	87
Total other non-current assets		**187**	**87**
Total non-current assets		**4,022**	**3,335**
Inventories	2.1	93	125
Receivables from subsidiaries		1,539	1,634
Receivable from joint venture		18	0
Other receivables		44	25
Prepayments		4	4
Joint taxation contribution		154	-
Tax receivables		4	0
Total receivables		**1,763**	**1,663**
Cash and cash equivalents		2,307	1,701
Total current assets		**4,163**	**3,489**
Total assets		**8,185**	**6,824**

Balance sheet 31 December - Equity and liabilities

mEUR	Note	2015	2014
Share capital		30	30
Reserve for net revaluation under the equity method		1,199	593
Retained earnings		1,525	1,611
Total equity		**2,754**	**2,234**
Warranty provisions	3.4	381	316
Other provisions		2	0
Total non-current provisions		**383**	**316**
Mortgage debt	4.3	-	3
Debt to credit institutions	4.3	495	-
Total non-current debt		**495**	**3**
Total non-current liabilities		**878**	**319**
Short-term share of mortgage debt and debt to credit institutions	4.3	-	600
Trade payables		112	66
Payables to subsidiaries		4,401	3,498
Debt to joint venture		-	12
Other liabilities		40	95
Total current liabilities		**4,553**	**4,271**
Total liabilities		**5,431**	**4,590**
Total equity and liabilities		**8,185**	**6,824**
Contingent assets and liabilities	3.5		
Financial risks	4.2		
Financial liabilities	4.3		
Contractual obligations	6.1		
Related party transactions	6.2		
Subsequent events	6.3		
Ownership	6.4		

Statement of changes in equity 1 January – 31 December

2015 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	**30**	**593**	**1,611**	**2,234**
Exchange rate adjustments relating to foreign entities	-	74	-	74
Fair value adjustments of derivative financial instruments	-	(20)	58	38
Fair value adjustments of derivative financial instruments, joint venture	-	-	3	3
Tax on changes in equity	-	-	(12)	(12)
Paid divided	-	-	(116)	(116)
Proposed dividend	-	-	205	205
Acquisition of treasury shares	-	-	(176)	(176)
Sale of treasury shares	-	-	40	40
Share-based payments	-	(5)	13	8
Profit for the year	-	557	(101)	446
Equity at 31 December	**30**	**1,199**	**1,525**	**2,754**

2014 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	**27**	**119**	**1,264**	**1,410**
Exchange rate adjustments relating to foreign entities	-	82	-	82
Fair value adjustments of derivative financial instruments	-	(21)	(21)	(42)
Fair value adjustments of derivative financial instruments, joint venture	-	7	-	7
Tax on changes in equity	-	7	2	9
Capital increase	3	-	439	442
Disposal	-	(56)	56	0
Costs of capital increase	-	-	(10)	(10)
Proposed dividend	-	-	116	116
Acquisition of treasury shares	-	-	(43)	(43)
Share-based payments	-	-	5	5
Profit for the year	-	455	(197)	258
Equity at 31 December	**30**	**593**	**1,611**	**2,234**

Notes

1. Result for the year

1.1 Revenue

Revenue in the parent company consists of sale of spare parts to and royalty income from other Group companies.

1.2 Costs

mEUR	2015	2014
Staff costs are specified as follows:		
Wages and salaries, etc.	212	201
Pension schemes	12	12
Other social security costs	3	1
	227	**214**

For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company ref. note 1.3 to the consolidated financial statements. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For management incentive programmes, ref. note 6.2 to the consolidated financial statements.

Average number of employees	1,904	1,883

1.3 Audit fees

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

2. Working capital

2.1 Inventories

mEUR	2015	2014
Raw materials and consumables	92	124
Work in progress	1	1
	93	**125**

Raw materials and consumables relates to the spare parts activity.

3. Other operating assets and liabilities

3.1 Intangible assets

2015 mEUR	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	19	1,092	166	137	1,414
Exchange rate adjustments	0	(3)	0	(1)	(4)
Additions	-	0	46	101	147
Transfers	-	146	-	(146)	-
Cost at 31 December	**19**	**1,235**	**212**	**91**	**1,557**
Amortisation at 1 January	9	818	136	-	963
Exchange rate adjustments	1	(3)	0	-	(2)
Amortisation for the year	1	154	16	-	171
Impairment for the year	-	3	0	-	3
Amortisation at 31 December	**11**	**972**	**152**	**-**	**1,135**
Carrying amount at 31 December	**8**	**263**	**60**	**91**	**422**
Amortisation period	5–20 years	3–5 years	3-5 years		

Included in software are IT projects in progress amounting to EUR 16m at 31 December 2015 (2014: EUR 4m). Amortisation is recognised in profit and loss as cost of sales with EUR 171m (2014: EUR 181m) and as administration expenses with EUR 0m (2014: EUR 0m).

Goodwill
Goodwill is included in the item "Goodwill" or in the item "Investments accounted for using the equity method" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is a maximum of 20 years, and is longest for entities acquired for strategic purposes with a long-term earnings profile.

3.2 Property, plant and equipment

2015 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	399	69	94	4	566
Additions	2	8	6	6	22
Disposals	0	(4)	0	0	(4)
Transfers	1	1	1	(3)	-
Cost at 31 December	**402**	**74**	**101**	**7**	**584**
Depreciation at 1 January	186	35	77	-	298
Depreciation for the year	15	8	9	-	32
Reversal of amortisation on disposals in the year	0	(3)	0	-	(3)
Depreciation at 31 December	**201**	**40**	**86**	**-**	**327**
Carrying amount at 31 December	**201**	**34**	**15**	**7**	**257**
Depreciation period	15–40 years	3–10 years	3–5 years		

Depreciation is recognised in the income statement as cost of sales with EUR 24m (2014: EUR 32m) and as administration costs with EUR 8m (2014: EUR 7m).

3.3 Investments accounted for using the equity method

Accounting policies
Investments in subsidiaries are recognised and measured in the financial statements of the parent company under the equity method.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the entity acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the entity acquired.

Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item "Investments accounted for using the equity method". The item "Income/(loss) from investments accounted for using the equity method" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments accounted for using the equity method" in the balance sheet includes the proportionate ownership share of the net asset value of the entities calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of the positive differences (goodwill).

Subsidiaries with a negative net assets value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value, if impaired. Any legal or constructive obligation of the parent company to cover the negative balance of the subsidiaries is recognised as provisions.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to " Reserve for net revaluation under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected loss of disposal or winding up. The gains or losses are included in the income statement.

Income/(loss) from investments accounted for using the equity method recognised in the income statement

mEUR	2015	2014
Subsidiaries	638	514
Joint ventures	34	(31)
	672	**483**

Income/(loss) from subsidiaries

mEUR	2015	2014
Share of profit in subsidiaries before tax	1,003	663
Gain on disposal	-	59
Share of tax of subsidiaries	(351)	(194)
Amortisation of goodwill	(14)	(14)
	638	**514**

Income/(loss) from joint ventures
Ref. note 3.4 to the consolidated financial statements.

3.3 Investments accounted for using the equity method (continued)

Investments accounted for using the equity method recognised in the balance sheet

mEUR	2015	2014
Subsidiaries	2,932	2,342
Joint ventures	224	187
Carrying amount at 31 December	**3,156**	**2,529**

Investments in subsidiaries

mEUR	2015	2014
Cost at 1 January	1,749	1,804
Exchange rate adjustments	(3)	4
Additions	-	45
Disposals	-	(104)
Cost at 31 December	**1,746**	**1,749**
Value adjustments at 1 January	593	119
Exchange rate adjustments	74	82
Disposal	-	(56)
Profit shares for the year after tax	652	469
Changes in equity	(25)	(7)
Dividend	(94)	0
Amortisation of goodwill	(14)	(14)
Value adjustments at 31 December	**1,186**	**593**
Carrying amount at 31 December	**2,932**	**2,342**
Remaining positive difference included in the above carrying amount at 31 December	65	79

Ref. note 6.9 to the consolidated financial statements for an overview of the legal entities within the Group.

Investments in joint ventures

Ref. note 3.4 to the consolidated financial statements.

3.4 Provisions

Warranty provisions

mEUR	2015	2014
Warranty provisions at 1 January	316	302
Warranty provisions for the year	158	122
Used warranty provisions for the year	(93)	(108)
Warranty provisions at 31 December	**381**	**316**
The warranty provisions are expected to be consumed as follows:		
0–1 year	103	120
> 1 year	278	196
	381	**316**

In line with accounting policies, potential product warranties will always be recognised as warranty provisions when revenue from sale of wind turbines is recognised. This may result in commercial constructive obligations beyond the specified legally binding warranty period for the wind turbine being recognised as a warranty obligation.

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

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

3.5 Contingent assets and liabilities

mEUR	2015	2014
Guarantees for bank debt of investments and joint venture	74	115

In addition to this, the parent company provides performance bonds in connection with project supplies in subsidiaries, and their warranty obligations to customers.

The company is jointly taxed with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

For pending lawsuits ref. note 3.6 to the consolidated financial statements. For disclosure of contingent assets ref. note 3.6 to the consolidated financial statements.

4. Capital structure and financing items

4.1 Financial items

mEUR	2015	2014
Financial income		
Interest income	-	0
Interest income from subsidiaries	36	46
Exchange rate adjustments	0	13
Financial instruments	34	-
Other financial income	2	0
	72	**59**
Financial costs		
Interest costs	19	32
Interest costs to subsidiaries	1	5
Exchange rate adjustments	15	-
Financial instruments	0	53
Other financial costs	11	23
	46	**113**

4.2 Financial risks

For the use of derivative financial instruments and risks and capital management ref. note 4.5 to the consolidated financial statements.

4.3 Financial liabilities

Financial debts

mEUR	2015	2014
Mortgage debt	-	3
Corporate eurobond	495	600
	495	**603**
Financial debts break down as follows:		
< 1 year	-	600
1–2 years	-	1
> 2 years	495	2
	495	**603**

Mortgages and security

The credit facilities of the Group are provided on unsecured basis.

mEUR	2015	2014
Total mortgage loans	-	3
Mortgage deeds:		
Nominal value of mortgage deeds	-	6
Carrying amount of pledged assets	-	11
Provided work and payment guarantees	343	410

5. Tax

5.1 Income tax

mEUR	2015	2014
Current tax on profit for the year	(117)	12
Deferred tax on profit for the year	76	0
Foreign taxes	5	0
Revaluation of tax assets	(91)	0
Adjustments relating to previous years (net)	0	(25)
Income tax for the year recognised in the income statement, (income)	**(127)**	**(13)**
Deferred tax on equity	12	(2)
Tax recognised in equity, expense/(income)	**12**	**(2)**
Total income taxes for the year, (income)	**(115)**	**(15)**

5.2 Deferred tax

mEUR	2015	2014
Deferred tax at 1 January, net assets	87	3
Deferred tax on profit for the year	(76)	0
Prepaid tax	(56)	56
Tax on entries in equity	(12)	3
Revaluation of tax assets	144	0
Deferred tax in joint taxation	(14)	0
Adjustment relating to previous years	0	25
Deferred tax at 31 December, net assets	**73**	**87**

6. Other disclosures

6.1 Contractual obligations

mEUR	2015	2014
The lease obligations relating to operating leases fall due:		
0–1 year	7	5
1–5 years	4	8
> 5 years	0	3

Operating leases comprise irrevocable operating leases regarding land, buildings and cars. The main obligations relate to land. In addition, the company has a contractual commitment to pay on average EUR 4m annually until 2022 for the use of certain technology rights owned by a third party.

The company has entered into binding contracts concerning purchase of plant and machinery to be delivered in 2016 at a value of EUR 10m (2014: EUR 3m).

6.2 Related party transactions

All transactions with related parties has been carried out at arm's length principle. Ref. note 6.4 to the consolidated financial statement for the definition of related parties and concerning other transactions with related parties.

6.3 Subsequent events

For subsequent events ref. note 6.8 to the consolidated financial statements.

6.4 Ownership

The company has no shareholders that are holding more than five percent of the voting share capital.

7. Basis of preparation

7.1 General accounting policies

The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to entities of reporting class D, as well as the requirements laid down by Nasdaq Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

Vestas Wind Systems A/S' functional currency is Danish kroner (DKK), but due to the international relations of the Group the financial statements are presented in euro (EUR).

For adopted accounting policies see the notes to the consolidated financial statements . The denomination of the items in the parent company's financial statements complies with the requirements of the DK GAAP. Refer to the section "Financial definition", below for a description of the differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year.

Cash flow statement
Vestas Wind Systems A/S applies on exemption under DK GAAP whereby the parent company is not required to prepare a separate cash flow statement. See the consolidated cash flow statement on page 71.

7.2 Financial definitions

Net revenue (DK GAAP): Revenue (IFRS)

Fixed assets (DK GAAP): Non-current assets (IFRS)

Provisions (DK GAAP): Non-current and current liabilities (IFRS)

Long-term debt (DK GAAP): Non-current liabilities (IFRS)

Short-term debt (DK GAAP): Current liabilities (IFRS)

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Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer-created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.