

The Vestas logo is displayed in a bold, blue, italicized sans-serif font in the upper left corner of the image.

Wind. It means the world to us.™



Securing product cost out

A value based approach - not jeopardising quality

by Jorge Magalhaes, SVP, Engineering Solutions

My role at Vestas

Jorge Magalhaes

- SVP Engineering Solutions.
- Joined Vestas in December 2010.
- MBA and Undergraduate Degree in Engineering.
- 20 years of international Management experience at Emerson, Motorola and Philips.
- 10 years in telecom and computing sectors in R&D, Marketing, Sales, Operations and Strategy.

Using my experience at Vestas

Utilising industry similarities

From strong engineering/technology tradition...



... to a value based and differentiated solution and services based focus

From primarily vertically integrated across the entire value chain...



... to more selective core competencies and more partnering with suppliers and key partners

From discrete independent development of platforms...



... to greater re-use through standardisation and modularisation allowing for more customer flexibility

Agenda

- 1. Looking back**
- 2. Cost out focus**
- 3. Cost out approach**
- 4. Cost out achievements**
- 5. Looking ahead – 2013**

Looking back

Q4 2011

- Commissioning problems at the generator factory in Travemünde, Germany.
- Costs significantly higher than expected among other things related to the development costs.
- Announcement of restructuring.

How to **mitigate unsatisfactory earnings**
by bringing down cost on products
without jeopardising quality?

V112 and 2 MW platforms

Cost out focus



Core objectives of initiatives

Cost out approach

**Value based
selection**



New setup

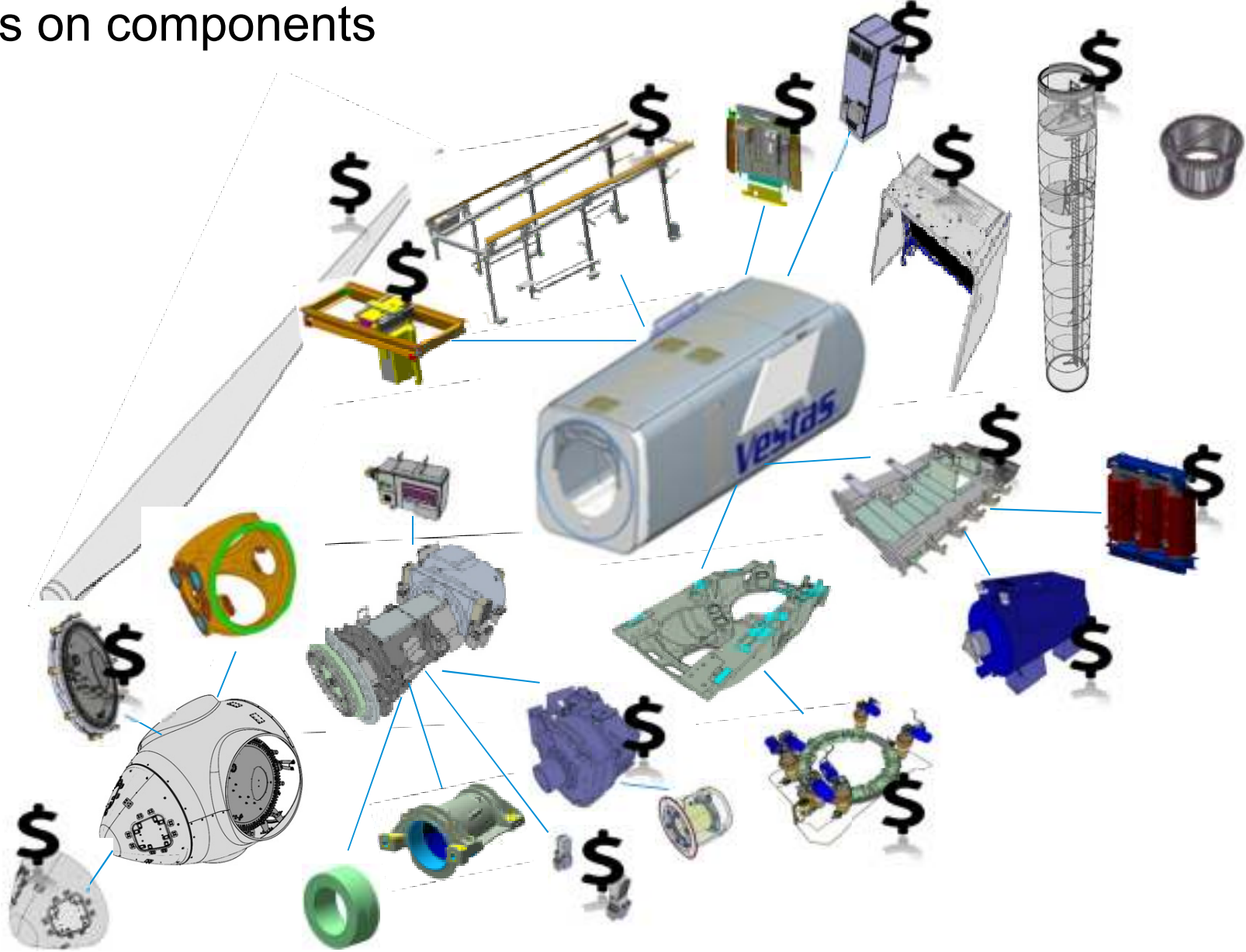


**Quality &
functionality
first**



EUR 30m

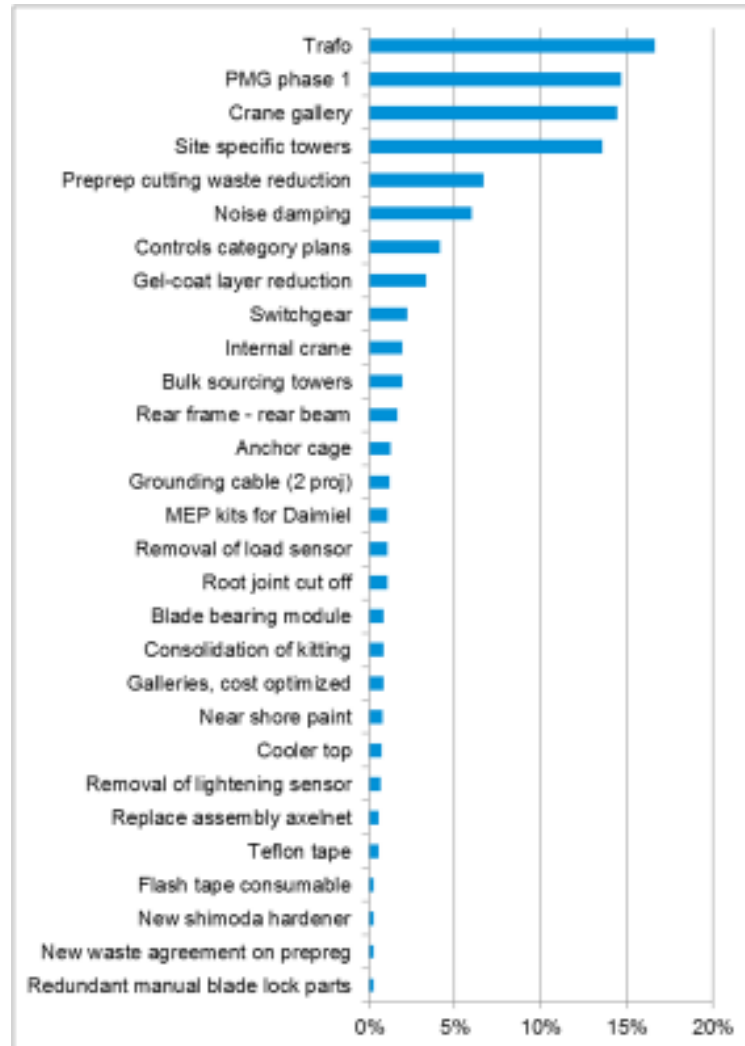
Focus on components



Impact of initiatives – short and long term

Cost out achievements

Impact on EBIT 2012



Roughly 100 initiatives

Rail transport

Cost out example 1

Challenge

Transport blades more cost efficiently.

Rail transport

Cost out example 1

Solution

Rail replacing trucks.

Rail transport

Cost out example 1

Result

15%
on cost

... and positive environmental improvements.

Permanent magnet generator

Cost out example 2



15 Vestas' capital markets day 2012

Challenge

Lower bill of material (BoM) by reducing costs of rare earth magnets.

Improve first pass yield in factory.

Permanent magnet generator

Cost out example 2



Solution

Test different rare earth magnet grade variants.

Qualify multiple vendors for multiple rare earth gradients.

Permanent magnet generator

Cost out example 2



Result

35%
on BoM

V112 rear frame

Cost out example 3



Challenge

Safely reduce production costs on the updated V112-3.0 MW release while maintaining quality and making it easier to manufacture.

V112 rear frame

Cost out example 3



Solution

Changing the turbine's rear frame, the gallery that holds the internal crane and support structure for other elements in the nacelle.

V112 rear frame

Cost out example 3

Result

EUR 32,000

on BoM

and

20%

assembly time

How about **quality**?

What about the 2013 cost out **potential?**

The journey has just begun

Looking ahead – 2013

2012 initiatives pays off – significant EBIT effect next year

- EUR 30m savings in late 2012 through roughly 100 initiatives will generate significant larger impact in 2013.

Keep focus on value creating

- Focus on value creating cost out approach and culture has resulted in new opportunities created across Vestas.

Reusing existing platforms

- Continued focus on reuse of existing V112 and 2 MW platforms and standardisation of critical and non-critical items within and across platforms.

Q&A

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