Grow profitably in mature and emerging markets

Juan Araluce, Executive VP & CSO

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1. What does our market environment look like?

2. How is Vestas doing today?

3. What are we doing to grow profitably in mature and emerging markets?
Renewables to dominate capacity additions from 2013-2035

IEA predicts that renewables will increase their share of energy generation from 20 to 31 per cent

Over half of the world capacity additions are renewable-based, bringing their share of generation from the current 20% to 31% in 2035
Historical annual wind installations

Annual wind installations dropped for the first time in 2013 after more than 15 years with an annual average growth rate of 25 per cent.

Global annual installed wind capacity

GW


1 2 3 3 4 7 7 8 8 12 15 20 27 38 39 41 45 35

+25%

US market dropped by around 12 GW in 2013 due to late extension of the PTC.

Wind is competitive against other energy sources

While LCoE for many energy sources increases, wind has lowered its LCoE by 15 per cent over the last five years.

Levelised Cost of Energy (LCoE), January 2014
USD/MWh

Hydro: 70-26, LCoE mid 2009-H1 2014 - 5%
Gas: 82-64, 68%
Wind: 82-37, -15%
Coal: 91-60, 65%
Nuclear: 140-32, 51%
Solar PV: 149-82, -52%

Vestas aims at lowering LCoE faster than market average.

Source: Bloomberg New Energy Finance, January 2014. (Note: wind only covers onshore. Hydro and nuclear have only been covered since Q2 2012).
Politics and regulations still matter
Continued focus on local content and LCoE reductions to lower dependency on politics

Policy and regulatory examples

- **USA**
  - PTC extension

- **Europe**
  - Subsidy scheme revisions

- **Brazil**
  - BNDES financing

- **Australia**
  - RET review

- **Emerging markets**
  - Emerging legislation

Vestas’ global reach to counterbalance local political uncertainties.
Agenda

1. What does our market environment look like?

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Customers have regained trust in Vestas

Customers have renewed trust in Vestas’ future and offerings – CRSI increases 3 index points vs 2012

- Reputation back on track.
- Satisfaction generally stable.

- 85 per cent of respondents call Vestas a top-two supplier.
- NPS – the “ambassador effect” – at highest point ever.
Vestas’ major key differentiators

Largest installed base, world-class products, global reach and a high quality

- Largest global installed base, providing significant service business potential.

Total installed base (GW)

Lost production factor

- World-class product portfolio: geographical fit and reach, siting flexibility, best-in-class quality.

Latest product launches

<table>
<thead>
<tr>
<th></th>
<th>Low wind</th>
<th>Medium wind</th>
<th>High wind</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 MW platform</td>
<td>V110-2.0 MW</td>
<td>V100-2.0 MW</td>
<td></td>
</tr>
<tr>
<td>3 MW platform</td>
<td>V126-3.3 MW</td>
<td>V117-3.3 MW</td>
<td>V112-3.3 MW</td>
</tr>
<tr>
<td>V117-3.3 MW</td>
<td>V112-3.3 MW</td>
<td>V105-3.3 MW</td>
<td></td>
</tr>
</tbody>
</table>

- Very strong and competitive product offering.

Global reach in sales, installation and manufacturing

- 2013 order intake of 6 GW from 37 countries.
Agenda

1. What does our market environment look like?

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**Grow faster than the market**

Build partnerships and generate new opportunities to enable growth

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>OBJECTIVE</th>
<th>MID-TERM AMBITIONS &amp; INITIATIVES</th>
</tr>
</thead>
</table>
| 1        | Grow profitably in mature & emerging markets | Grow faster than the market
| 2        | Capture full potential of the service business | - Strengthen the position in mature markets.
| 3        | Reduce the Levelised Cost of Energy | - Grow market share in emerging markets.
| 4        | Improve operational excellence | - Build partnership with our strategic accounts.
|          |                                      | - Pursue opportunities with new market segments.
|          |                                      | - Build partnership based on value, business case certainty and stability.

Global reach, trusted partner and strong brand.
China, India and Brazil constitute a large part of the market

China, India and Brazil accounted for more than 50 per cent of the world market in 2013 measured in MW – a trend that is expected to continue.

Wind capacity installations 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>MW</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>16,100</td>
<td>45%</td>
</tr>
<tr>
<td>Germany</td>
<td>3,238</td>
<td>9%</td>
</tr>
<tr>
<td>UK</td>
<td>1,883</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>1,729</td>
<td>5%</td>
</tr>
<tr>
<td>Canada</td>
<td>1,599</td>
<td>5%</td>
</tr>
<tr>
<td>USA</td>
<td>1,084</td>
<td>3%</td>
</tr>
<tr>
<td>Brazil</td>
<td>948</td>
<td>3%</td>
</tr>
<tr>
<td>Poland</td>
<td>894</td>
<td>3%</td>
</tr>
<tr>
<td>Sweden</td>
<td>724</td>
<td>2%</td>
</tr>
<tr>
<td>Romania</td>
<td>695</td>
<td>2%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>6,573</td>
<td>19%</td>
</tr>
<tr>
<td>Total Top 10</td>
<td>28,894</td>
<td>81%</td>
</tr>
<tr>
<td>World Total</td>
<td>35,467</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: GWEC 2014.
Vestas to focus on China, India and Brazil

Strong leadership appointed and local market strategy process initiated

Local market strategies being developed

- Cost out of products
- Strengthening of local sourcing
- “On-the-ground” leadership

Ruben Lazo
Brazil

Jorn Hammer
India

Chris Beaufait
Asia Pacific & China
Greater focus on developing strategic accounts

In 2013, priority accounts constituted almost 50 per cent of order intake

WTG order intake

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>MW</td>
<td>3,738</td>
<td>5,964</td>
</tr>
<tr>
<td>Priority</td>
<td>1,489</td>
<td>2,882 (48%)</td>
</tr>
<tr>
<td>Other</td>
<td>2,249</td>
<td>3,082</td>
</tr>
</tbody>
</table>

Customer Loyalty Survey 2013

<table>
<thead>
<tr>
<th></th>
<th>CRSI 2012</th>
<th>CRSI 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic accounts</td>
<td>75 (CRSI 2012)</td>
<td>83 (CRSI 2013)</td>
</tr>
<tr>
<td>+8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key takes:

- Vestas continues to focus on account management, but with greater focus on moving towards strategic relationships with fewer global players: the future top-20 accounts.

- Today, Vestas is only number 1 or 2 supplier with five out of top-20 customers.
Becoming ‘opportunity originator’
Head of new Global Deal Structuring function appointed

On 1 May 2014, Søren Elbech joined Vestas as Senior Vice President of Global Deal Structuring.

– a newly established function with direct report to Juan Araluce, Chief Sales Officer.

Becoming originators is about locking the sales opportunities earlier on in the value chain by engaging much earlier with developers, policy makers and with financial institutions.
Deal origination early in the value chain

Value chain considerations and potential for expansion to secure profitable growth

WTG value chain

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>Intermediate Goods</th>
<th>Basic components</th>
<th>Main Components</th>
<th>Assembly</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cast iron</td>
<td>• Castings</td>
<td>• Blades</td>
<td>• Nacelles</td>
<td>• WTG Assembly</td>
</tr>
<tr>
<td>• Copper</td>
<td>• Forgings</td>
<td>• Gearboxes</td>
<td>• Towers</td>
<td></td>
</tr>
<tr>
<td>• Steel Aluminium</td>
<td>• Fabrication</td>
<td>• Bearings</td>
<td>• Rotors</td>
<td></td>
</tr>
<tr>
<td>• Plastics</td>
<td></td>
<td>• Converters</td>
<td>• Control Systems</td>
<td></td>
</tr>
</tbody>
</table>

Activities of key clients

Wind Energy value chain

<table>
<thead>
<tr>
<th>Project Development</th>
<th>WTG Supply</th>
<th>EPC</th>
<th>Asset Ownership</th>
<th>O&amp;M</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Land securing rights</td>
<td>• Manufacturing</td>
<td>• Engineering</td>
<td>• Electricity generation</td>
<td>• Performance Monitoring</td>
</tr>
<tr>
<td>• Wind measurement</td>
<td>• Delivery</td>
<td>• Procurement</td>
<td>• Electricity Sales &amp; Trading</td>
<td>&amp; optimisation</td>
</tr>
<tr>
<td>• Site planning</td>
<td>• Construction</td>
<td>• Construction</td>
<td>• Financial yield</td>
<td></td>
</tr>
<tr>
<td>• Grid – connection</td>
<td>• Installation</td>
<td>• Installation</td>
<td></td>
<td>• Operations</td>
</tr>
</tbody>
</table>

Financial services required by key clients

Financial services (FS)

<table>
<thead>
<tr>
<th>Financial services</th>
<th>Vestas current activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Vestas current activity</td>
</tr>
<tr>
<td>Sale/tendering of projects</td>
<td></td>
</tr>
<tr>
<td>CAPEX finance</td>
<td>Construction financing</td>
</tr>
<tr>
<td>Working capital</td>
<td>Equity</td>
</tr>
<tr>
<td>Supplier finance</td>
<td>Project financing</td>
</tr>
<tr>
<td></td>
<td>M&amp;A advisory</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
</tr>
<tr>
<td></td>
<td>Yield guarantees</td>
</tr>
<tr>
<td></td>
<td>Refinancing</td>
</tr>
<tr>
<td></td>
<td>Repowering finance</td>
</tr>
</tbody>
</table>

- Vestas has reorganised its business model to become more asset-light.
- Outsourcing of low margin activities such as castings
- Focused on WTG supply, EPC and O&M.
- Technological core competence
- Least capital intensive parts of value chain
- Significant FS required along Wind Value Chain
Summary
What have we learned

1. Greater focus on cost of energy in the market environment.

2. Vestas is well-positioned globally
   – Special attention on China, India and Brazil.

3. Strategic account development and deal origination
   – Key elements of commercial strategy.
Thank you for your attention