Improve operational excellence

Jean-Marc Lechêne, Executive VP & COO
Albie Van Buel, GSVP, Global Sourcing

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Profitable Growth for Vestas

Optimised manufacturing footprint, closer collaboration with suppliers and working capital management to support Vestas’ mid-term ambitions

Vision: To be the undisputed global wind leader

Strongest brand in industry | Best-in-class margins
Market leader in volume | Bringing wind on a par with coal and gas

Grow profitably in mature & emerging markets

Capture full potential of the service business

Reduce Levelised Cost of Energy

Improve operational excellence

Governance, leadership and culture

Mid-term (3-5 years)
Agenda

1. Lower costs while more flexible and asset-light

2. Global Sourcing
A leaner and more streamlined organisation
Merging the four production business units into one and reducing employees by +40 per cent

New organisational setup

From 4 to 1

Employee reduction

42 per cent

Employees in Manufacturing & Global Sourcing
Number of employees end of year

-42%

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
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<tbody>
<tr>
<td>FY 2011</td>
<td>11,000</td>
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<tr>
<td>FY 2013</td>
<td>6,430</td>
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Wind. It means the world to us.
Focus on core activities and rightsizing capacity
From 31 to 19 factories resulting in a cost-effective, flexible and global manufacturing footprint

Divestment of non-core activities:

- Towers in Varde, DK.
- Machining and casting units.

Closure where growth was lower than expected:

- Spain
- Italy
- China
- Denmark

3rd party tower manufacturing in the USA:

- Towers for non-Vestas wind turbines from Pueblo, USA.

Current production sites
Production sites divested or closed since end of 2011.
Added flexibility and scalability

Working conditions and manufacturing set-up initiatives to add flexibility and scalability in order for Vestas to achieve cost leadership within the industry

- Flex working conditions at Leon factory, Spain.

- Shifts between blades factories in the USA.

- Manufacturing set-up to produce multiple wind turbine types at Leon factory, Spain.

- Adjusting manufacturing workforce according to demand (e.g. hiring in Ringkoebing, Denmark, and Brighton, USA, during H1).
Manufacturing’s main priorities for 2014
Focus on ramping up production to meet demand and phase in new technology

<table>
<thead>
<tr>
<th>Nacelles:</th>
<th>Blades:</th>
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<tbody>
<tr>
<td>Phase in and ramp up 3.3 MW nacelles for V105, V112, V117 and V126.</td>
<td>Ramp up production to meet demand.</td>
</tr>
<tr>
<td>Ramp up 2 MW production to meet US demand.</td>
<td>Phase in new blades in the manufacturing process.</td>
</tr>
<tr>
<td>Preparation of factory in Brazil.</td>
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<table>
<thead>
<tr>
<th>Controls &amp; Generators:</th>
<th>Towers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramp up production to meet demand.</td>
<td>Update surface treatment facility to add capacity to meet demand in the USA.</td>
</tr>
<tr>
<td>Establish supply chain as required in emerging markets, e.g. local content.</td>
<td>Implementation of five new tower designs in production, including the V110 and V117.</td>
</tr>
<tr>
<td>Implementation of standardisation/-industrialisation processes.</td>
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</table>
But we must not forget safety and quality
We remained focused during the turnaround

Vestas’ safety improved substantially

- Further improvements must be done.
- LTI target of 0.5 in 2015 (some segments are already close).
- Major stage in electrical safety journey completed.

Vestas’ Cost of Poor Quality (COPQ) continues to decline

- Warranty and LPF continue to decline.
- Internal COPQ about 50 per cent of 2012 level.
- Improvements in COPQ via collaboration between Sourcing, Manufacturing and Technology & Service Solutions.
Summary

We are ramping up in a prudent manner

Safety, Delivery on time and at quality and NWC control…

… are key KPIs for Manufacturing & Global Sourcing.

… but so are product costs, which is why we have launched a program called Accelerated Earnings.
1. Lower costs while more flexible and asset light

2. Global Sourcing
   • Global Sourcing today
   • Objectives
   • Priorities
Introducing your speaker

Albie Van Buel

• Joined Vestas in 2012 as Group Senior Vice President for Global sourcing.

• 20+ years background in the automotive industry holding various positions in supply management for Mitsubishi, Ford Motor Company and Volvo (SVP Purchasing, Sweden and member of the Board of Volvo Car Corporation until 2008).

• From 2008 to 2012 worked for Royal Philips responsible for procurement in the sector Lighting and member of Philips Lighting management team.

• Master degree in Business and Strategic Management, as well as a degree in business economics.
1. Lower costs while more flexible and asset light

2. Global Sourcing
   • Global Sourcing today
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   • Priorities
Profitable Growth for Vestas

Global Sourcing can support all four strategic objectives of Profitable Growth for Vestas

STRATEGY

OBJECTIVE

1. Grow profitably in mature & emerging markets
   - Winning key emerging markets and new segments:
     - 2 MW cost out (Accelerated Earnings).
     - Local content requirements.

2. Capture full potential of the service business
   - Future operating model for the service business:
     - Localisation of spare parts (Accelerated Earnings).
   - Improve renewal rates:
     - Repair solutions.

3. Reduce the Levelised Cost of Energy
   - Ambitious LCoE roadmaps to improve competitiveness:
     - Accelerated Earnings.

4. Improve operational excellence
   - Working capital management:
     - P2P.
     - Payment days.
   - Accelerated Earnings
   - Supply chain optimisation:
     - Supplier scorecard.
     - Control tower.
     - Performance management.
Global Sourcing scope
All spend with external suppliers is in scope

Direct spend
• All item parts of the wind turbine (bill of material spend).

Market sourcing
• All materials and services that are used in the sales business units for installation and servicing of wind turbines (transport, cranes, spare parts).

Indirect spend
• Indirect products and services (car hire, office consumables, travel, MRO*)

* Maintenance, Repairs and Operations.
Category team development

The importance of cross-functional networks
Challenges
Global Sourcing faces challenges related to customers, markets and products

Our challenges consist of:

Customer expectations are changing and more demanding
- Reliability of performance and output.
- Flexibility and shorter lead times.
- Cost competitiveness.

Markets are changing
- New (non-traditional) markets.
- Seasonality in demand. Stop and go of requests.
- Globalisation and local content requirements.

Product development
- Shorter time to market.
- Standardisation and modularisation.
- Product variety is increasing.
1. Lower costs while more flexible and asset light

2. Global Sourcing
   - Global Sourcing today
   - Objectives
   - Priorities
How are we measuring our business

Key ingredients “6 Cs”

<table>
<thead>
<tr>
<th>Customer (satisfaction)</th>
<th>Commitment (employees)</th>
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<tr>
<td>• Acquire substantial innovation from suppliers.</td>
<td>• Employee engagement.</td>
</tr>
<tr>
<td>• 100% reliable performances.</td>
<td>• Build and retain talent.</td>
</tr>
<tr>
<td>• Service provider.</td>
<td>• Resource to win in Global Sourcing.</td>
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<table>
<thead>
<tr>
<th>Cash (lean)</th>
<th>Complexity</th>
</tr>
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<tr>
<td>• Best-in-class supplier payment terms.</td>
<td>• Consolidation.</td>
</tr>
<tr>
<td>• (In)direct &amp; market sourcing savings.</td>
<td>• Contingency plans availability.</td>
</tr>
<tr>
<td></td>
<td>• Flexibility.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost (competitive)</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Spend consolidation.</td>
<td>• Code of conduct.</td>
</tr>
<tr>
<td>• Cost of purchasing.</td>
<td>• Safety # 1.</td>
</tr>
<tr>
<td>• “Should-cost” modelling.</td>
<td>• Sustainability.</td>
</tr>
<tr>
<td></td>
<td>• Quality management.</td>
</tr>
<tr>
<td>• Zero waste.</td>
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Global teams with focus on total cost reductions

Generic model representing typical contribution to total obtainable savings

**Cost optimisation dimensions**

**Commercial management**
- ~30-40%
- **Negotiate competitively** – bid to traditional and non-traditional suppliers, develop a fact-base on spend and true product costs.

**Specification management**
- ~20-30%
- **Optimise specifications** – optimise product specs. to use appropriate products/services and to minimise total cost of ownership.

**Demand management**
- ~20-30%
- **Rationalise demand** – implement best practice demand management policies to determine who can buy what, when, where, and how.

**Process management**
- ~5-10%
- **Reduce maverick spend** – ensure compliance with preferred vendors and demand management policies and track savings capture.
Implement professional global standards

In control

1. Vestas sourcing process

<table>
<thead>
<tr>
<th>Build</th>
<th>Understand (building the facts)</th>
<th>Analyse and Plan</th>
<th>Execute</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Situaction analysis</td>
<td>Demand analysis</td>
<td>Supply and market analysis</td>
<td>Opportunity and strategy analysis</td>
<td>Strategy formulation</td>
</tr>
</tbody>
</table>

2. Structured opportunity identification

3. Tight monitoring and follow-up
Examples
Direct sourcing

Examples

Pitch cylinder

Hydraulic station

Blade bearing
Market sourcing

Examples

Global vessel tender

Freight: standard

Site infrastructure / Balance of Plant
Indirect spend

Examples

- Factory consumables
- Car leasing
- Canteen and cleaning
1. Lower costs while more flexible and asset light

2. Global Sourcing
   • Global Sourcing today
   • Objectives
   • Priorities
How Global Sourcing can provide additional value creation?

Going from traditional cost reductions to top-line value creation

The above development can only happen if the traditional view of procurement – only contributing to cost reduction – is replaced by the organisational recognition that procurement can in fact contribute to top-line growth.
Supplier innovation through early engagement

Top-line growth as the result of a well-functioning process
Strategic collaboration via early engagement

Regulatory frameworks call for a strategic collaboration with suppliers in order to meet customer requirements.
Commercial partnerships delivering top-line growth

Opportunities identified via strong relationships and business acumen
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