Well positioned to capture growth opportunities

Juan Araluze, Executive Vice President & CSO

London, 21 June 2016
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Introducing your speaker

Juan Araluce

- Executive Vice President & CSO.
- Joined Vestas in 2007 as President for Vestas Mediterranean.
- Appointed CSO in 2012 based in Copenhagen, Denmark.

Education:
- Complutense, Economics and Business Administration.
- ICADE, PhD Courses in Economics.
- IESE Business School – AMP.
- Kellogg University (Chicago), Marketing Postgraduate program.

1. Introduction and commercial strategy

2. Growth opportunities

3. Summary and questions & answers
Our track record speaks for itself
We have performed well on our set targets

Firm order intake (FOI)
GW

<table>
<thead>
<tr>
<th>Year</th>
<th>FOI</th>
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<tbody>
<tr>
<td>2012</td>
<td>3.7</td>
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<tr>
<td>2013</td>
<td>6.0</td>
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<tr>
<td>2014</td>
<td>6.5</td>
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<tr>
<td>2015</td>
<td>8.9</td>
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X 2.4

FOI by customer account type
% of cumulative FOI 2012-2015

- Strategic & Key Accounts: 44%
- Others: 56%

Transfer of Risk
GW

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2012</td>
<td>6.0</td>
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<tr>
<td>2013</td>
<td>4.9</td>
</tr>
<tr>
<td>2014</td>
<td>6.3</td>
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<tr>
<td>2015</td>
<td>7.5</td>
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+7%
Markets moving at different speeds and levels of stability

Mature and emerging markets: two parallel tracks, different challenges.

To be the undisputed global wind leader

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

Deliver best-in-class wind energy solutions and set the pace in the industry to the benefit of Vestas’ customers and the planet

Grow profitably in mature and emerging markets

Capture the full potential of the service business

Reduce levelised cost of energy (LCOE)

Improve operational excellence

Accountability, Collaboration, and Simplicity

Looking ahead:

Executing on both tracks
Focus remains on both mature and emerging markets

Varying characteristics and requirements in mature and emerging markets call for different approaches. To succeed, we must master both tracks.

### Mature market strategy

**Objective**

Grow market share profitably

**Main initiatives and enablers**

- A Key account management.
- B Value engineering & pricing.
- C Sales force development.

### Emerging market strategy

**Objectives**

Build and hold leadership position in new markets and profitably increase market share in China, India and Brazil

**Main initiatives and enablers**

- A Key account management.
- B Value engineering & pricing.
- C Business development.
- D Localisation.
Overall stable pricing, but outliers can distort the ratios

Pricing has come down since 2012, but has reached a new steady-state level

**Average selling price of order intake (Vestas)**

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<tr>
<td>H1</td>
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<td>0.99</td>
<td>1.05</td>
<td>0.92</td>
<td>0.90</td>
<td>0.91</td>
<td>0.92</td>
<td>0.82</td>
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<td>Increase in share of supply-only orders.</td>
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<td>Impact from 1 GW Norwegian order.</td>
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**Average selling price of order intake (BNEF)**

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</thead>
<tbody>
<tr>
<td>H1</td>
<td>1.05</td>
<td>0.92</td>
<td>0.87</td>
<td>0.91</td>
<td>0.92</td>
<td>0.84</td>
<td>0.91</td>
<td>0.88</td>
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<tr>
<td>Increase in share of supply-only orders.</td>
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</tbody>
</table>

- Price per MW is impacted by many variables.
- Optimisation of unique projects can influence the price (e.g. 1 GW Norwegian order).
- It provides some insight when the composition of order intake is comparable.
- However, geography, scope, WTG mix, and uniqueness of offering can distort the picture.

**Source:** BNEF Wind Turbine Price Index H1 2016, April 2016.
Value Selling
Pricing and unlocking the value

Pricing… is only the tip of the iceberg!

Complexity
many drivers / variables

Value levers
many disciplines
1. Introduction and commercial strategy

2. Growth opportunities
   - New opportunities from repowering and decommissioning
   - Successful positioning in auctions and tenders
   - Continued success in the US and Germany
   - Profitable Growth in China, India, and Brazil
   - Building on our strong track record in emerging markets

3. Summary and questions & answers
New opportunities arise as the industry evolves

Planned decommissioning and an increasingly ageing installed base to drive wind growth

**Decommissioned capacity between 2020-30**

- A total of 255 GW expected to be decommissioned between 2020-2030.
- New onshore wind projects are the cheapest new energy source to replace fossil fuel and nuclear capacity.

**Wind power fleet 15-20 years old in main repowering markets**

- Today, 11 GW.
- By 2020, 27 GW.
- Vestas has the largest installed base.
- Access to 3rd-party WTGs through servicing.

*Main markets are those with +1 GW installed capacity by 2000 plus China.*

**Source:** BNEF New Energy Outlook June 2015. MAKE Consulting Global Wind Power Project Installation Database, April 2016.
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3. Summary and questions & answers
Auctions and tenders – the new normal

Auctions and tenders are not new phenomena. And they will increase in number going forward.

The use of auctions and tenders will only increase:
- From approx 75% in 2015 to approx 100% in 2018 in markets with a RE policy in place.

Countries with auction programmes or renewable energy tenders

- Onshore wind bids
- Solar PV bids

* Pay-as-bid auctions – price is lowest winning bid

Source: BNEF New Energy Finance, IRENA, own analysis.
Our customers succeed in auctions and tenders

We helped our customers succeed in numerous auction systems throughout Latin America, Europe and Africa

Only between these markets, Vestas helped customers secure +3 GW in the most various auction systems over the past 5 years


* Announced firm order intake as of Q1 2016.

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** Argentina **
- 700 MW of wind projects were allocated PPAs in 2010.
- Only a few were built, most of them with Vestas WTGs.

** Brazil **
- Vestas installed 713 MW in Brazil, most of them under the current auction system.
- Since new FINAME accreditation, Vestas secured 557 MW of firm orders*.

** Italy **
- Vestas continues building profitable wind farms even after the PPA is now half of pre-auction levels.
- Vestas was market leader before the auctions and has then improved cumulative market shares to 41% with 65% in 2015 alone**.

** Uruguay **
- Implemented reverse auctions similar to Brazil.
- Vestas’ customers have been able to secure +350 MW.
- Vestas is market leader with 35% market share**.

** South Africa **
- Vestas supported 7 different customers including local developers and international powerhouses to win +1.2 GW.
- Vestas is the only OEM that has been able to secure MWs throughout the five rounds so far.
- 31% market share** for Vestas (2nd at 20%).
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3. Summary and questions & answers
US market introducing long-term stability

Unprecedented PTC certainty underwrites market stability and industry growth. But not without challenges.

### PTC extension and IRS guidance provide US policy certainty

<table>
<thead>
<tr>
<th>Qualification period</th>
<th>Installation period</th>
<th>PTC amount</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>2016-19</td>
<td>100%</td>
</tr>
<tr>
<td>2016</td>
<td>2017-20</td>
<td>100%</td>
</tr>
<tr>
<td>2017</td>
<td>2018-21</td>
<td>80%</td>
</tr>
<tr>
<td>2018</td>
<td>2019-22</td>
<td>60%</td>
</tr>
<tr>
<td>2019</td>
<td>2020-23</td>
<td>40%</td>
</tr>
</tbody>
</table>

- “Place in Service” deadline extended from two to four years.
- Non-exclusive list of "exusable disruptions" for place in service deadline.
- Repowering guidelines (80/20 rule).
- Year-end+105 days delivery period for PTC eligible components (given payment).

### Strategic challenges:
- Market certainty invites new entrants.
- Increasing competitiveness of solar.
- Natural gas prices remain low.

### Strategic initiatives:
- Support customers’ Safe Harbour ambitions.
- Focus on key account management.
- Site customisation and optimisation.
- Capture repowering opportunity.
- Growing 3rd party service strategy.
Germany moving towards auctions with effect from 2018

Increase market share through key accounts, technology leadership, and operational excellence

German auction system
- Technology-specific auctions.
- Volume 2.8 GW/year 2017-2019 (2.9 GW from 2020).
  
  *Historical avg. 2-2.8GW*  
  - 3-4 auction rounds per year by law.
  - Building permit and bid bond of EUR 30k/MW as prequalification.
    - FiT based on bid value**.
  - From auction to installation: 24 months.
    - Support granted for 20 years.

Strategic challenges:
- Shift from FiT to auctions.
- Generous transition rule – permit before end 2016 with installation before end 2018 will grant "old" FiT support***.

Strategic initiatives:
- Revitalisation of management team.
- Key account management.
- Repowering and EPC.
- Value engineering.
- Plan to capture market share.

* Average annual additions from 2010-2015 was 2.8 GW. Excluding peak years in 2014 and 2015 it was 2 GW. Source: DEWI.
** Correction for wind resources after winning bid approval allows for fair competition across Germany. *** Proposed one-off cut of 5% in FiT on 1 June 2017.
Agenda

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3. **Summary and questions & answers**
Update on China, India, and Brazil

Good momentum in 2015 to be further increased by targeted sales and customer intimacy

China

Dominated by local OEMs.
Highly competitive.
Curtailment issues, now being addressed.

Strategic initiatives
- Diversified product portfolio (3 MW platform).
- Service tailored to China.
- Value Engineering.

India

Strong commitment to wind.
“Land bank” and regional differences in regulatory framework.
Lengthy development lead times.

Strategic initiatives
- Localisation of manufacturing.
- Adapt business models.
- Adjust product to local needs.

Brazil

Auction system drives highly competitive market.
Accreditation of BNDES a prerequisite.

Strategic initiatives
- Localisation of manufacturing.
- Forward selling.
- Technological enhancements.

Annual wind additions, China

<table>
<thead>
<tr>
<th>Year</th>
<th>GW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>28.7</td>
</tr>
<tr>
<td>2016</td>
<td>22.3</td>
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<tr>
<td>2017</td>
<td>24.5</td>
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<td>2018</td>
<td>25.1</td>
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<td>2019e</td>
<td>25.4</td>
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<td>2020e</td>
<td>25.0</td>
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Recent FOI: 652 MW* Vestas

* Announced firm order intake since 1 January 2015.

Source: BNEF Q2 2016 Global Wind Market Outlook, June 2016, GWEC.
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3. Summary and questions & answers
Efforts across emerging markets
Localisation and customer intimacy are key to succeed

**Strategic challenges:**
- Governmental regulations.
- Auction systems.
- Proximity.

**Strategic initiatives:**
- Localisation.
- Value engineering.
- Key account management.
- Emerging market business development.

Vestas has...

... a global presence in **75 countries**, more than any other OEM.

... pioneered in **37 countries**.

... a cumulative **market share of 35%** in non-BRIC emerging markets.

... entered **new markets in 2015**: Guatemala, Georgia, and Serbia.

... recently secured **exclusivity agreements** in e.g. Laos, Pakistan, and Ethiopia.

**Source:** MAKE Consulting Global Wind Power Project Installation Database, April 2016.
1. Introduction and commercial strategy

2. Growth opportunities

3. Summary and questions & answers
Summary

1. Strongest commercial track record on a global level.

2. Well positioned to utilise growth opportunities in both mature and emerging markets.

3. Successfully delivering profitable growth in China, India, and Brazil.
Thank you for your attention