Operational excellence contributes to lowering LCOE

Jean-Marc Lechêne, Executive Vice President & COO

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Introducing your speaker
Jean-Marc Lechêne

• Executive Vice President & COO.

• Joined Vestas in 2012 as COO based in Aarhus, Denmark.

• Master degree in Engineering from École des Mines de Paris and has completed a MBA at INSEAD, Fontainebleau.

• Prior to joining Vestas, Jean-Marc Lechêne served as Executive Vice President at Michelin in France. For a period of almost 15 years Jean-Marc Lechêne held various top positions in the Lafarge Group and he has lived in China, Canada and the US.
Agenda

1. Introduction and status

2. Enabling reduction of LCOE

3. Summary and questions & answers
Sticking to strategy pays off

Unchanged Vestas and COO strategy pays off with well executed plans

- 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

Consistently executing in accordance with the strategy
Safety is always number one
Improving operational excellence while building strong safety culture

Industrial injuries
Number per 1 million working hours

Total Recordable Injuries:
‘lost time injuries’ +
‘restricted work injuries’ +
‘medical treatment injuries’

2015 target: 10.1
achieved: 8.7

2016 target: 8.0
YTD: 7.1

Vestas life saving rules.
.. and ensuring high quality

Vestas quality ensures strong reliability and supports our technology and service leadership

Lost Production Factor (LPF)
Percent

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<td>LPF:</td>
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<td>Steady reductions year-on-year.</td>
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<td>Warranty consumption:</td>
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<td>Continues at low level</td>
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<td>- approx 1.1 percent of revenue over the last 12 months.</td>
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Agenda

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Operational Excellence to reduce the Levelised Cost of Energy

Flexible, asset-light and low cost manufacturing footprint

Reducing the Levelised Cost of Energy

- Minimising working capital
- Reducing product cost across the whole value chain
Flexible, asset-light, and low-cost manufacturing footprint

- Lowest delivered cost.
- Outsourcing.
- Supply chain managed at worldwide scope.
## Evolution of manufacturing footprint

Driven according to a set of guiding principles

<table>
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<th>Optimisation logic</th>
<th>Strategy</th>
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<td><strong>Assembly</strong></td>
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<tr>
<td>• Transport &amp; Lead Time &gt;&gt; Labor</td>
<td>• Implementing 2-3 MW flexibility as market requires (USA, China).</td>
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<td>→ Factory close to market</td>
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<td><strong>Blades</strong></td>
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<tr>
<td>• Labor &gt;&gt; Transport</td>
<td>• Growth and Outsourcing are enablers to optimize delivered cost in the region.</td>
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<td>→ Factory in the region</td>
<td>• Local content as &quot;business case booster&quot;.</td>
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<td><strong>Controls &amp; generators</strong></td>
<td>• Optimise setup by moving to low cost countries (China, Spain) and adapt to local content requirements (Brazil, India).</td>
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<td>• Labor &gt;&gt; Transport</td>
<td>• Dual sourcing internal / external for continuous benchmark and reliability of supply.</td>
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<tr>
<td>→ Global factories</td>
<td>• Leveraging Denmark / Germany as development / industrialisation centers.</td>
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Assembly footprint

Assembly consists of six factories, three of them being flexible to produce both the 2 and 3 MW platform
Blades footprint

Blades comprises 11 factories, three of them subcontracted. Footprint based on regional and global presence – supported by cross-regional supply e.g. China/India to USA.
Generators and Controls footprint

Generators and controls consists of both an in-house and subcontracted setup

- Hammel, Denmark
- Travemunde / Lubeck, Germany
- Viveiro, Spain
- Hammel, Denmark
- Tianjin, China
- Brazil

Vestas Generators

Vestas Controls

Subcontracted generators

Classification: Public
Reducing product cost across the whole value chain

- **Product & Value Chain cost-out:**
  - Commercial negotiation.
  - Design optimization.
  - Best cost countries.
  - Scale.

- **Reducing complexity:**
  - Buy more systems and less parts
  - Standard parts and reuse.

- **Design for Manufacturing, Transport, Construction and Service.**
AE to AEPRO - from cost to built-in value

Unchanged targets but more value chain focused levers to execute on plan

Focus:
- Category cost-out.
- From price to value.

Accelerated earnings PRO

2014 - 2015

2016 - 2018
Minimising working capital

- Make to order.
- Lean manufacturing.
- Standard lead times.
- Industry 4.0 @ Vestas.

Flexible, asset-light and low cost manufacturing footprint

Reducing the Levelised Cost of Energy

Reducing product cost across the whole value chain
1. Introduction and status

2. Enabling reduction of LCOE

3. Summary and questions & answers
Summary

1. Consistently executing in accordance with the strategy delivering operational excellence.

2. A flexible, asset-light and low cost global manufacturing footprint contributes to securing competitive products and lowering LCOE.

3. Continued focus on cost-out. Accelerated Earnings PRO programme on track with additional actions focused on value chain to further support execution of plan.
Thank you for your attention