

Vestas[®]

Wind. It means the world to us.[™]

Welcome to Vestas Capital Markets Day 2014

Lars Villadsen, SVP, Investor Relations

Aarhus, 12 June 2014

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Safety First

If the fire alarm starts you **MUST** leave the building following the EXIT signs and go to the assembly point at the parking lot.



Practical information

Coffee/tea and lunch will be served in the basement. Food and beverages except water are not allowed in the auditorium.

No photos.

Rest rooms are also located in the basement.

Drinks and dinner will take place in the canteen at 5.45 pm.



Agenda for Vestas Capital Markets Day 2014

Time	Topic	Speakers
09.30-10.00	Introduction	Anders Runevad, Group President & CEO Marika Fredriksson, Executive VP & CFO
10.00-11.00	Grow profitably in mature and emerging markets	Juan Araluce, Executive VP & CSO
11.00-11.30	Break	
11.30-12.30	Capture full potential of the service business	Christian Venderby, Group SVP and Head of Service
12.30-13.30	Lunch	
13.30-15.30	Reduce Levelised Cost of Energy	Anders Vedel, Executive VP & CTO Jorge Magalhaes, SVP, Engineering Solutions Johnny Thomsen, SVP, Product Management
15.30-16.00	Break	
16.00-17.30	Improve operational excellence	Jean-Marc Lechêne, Executive VP & COO Albie Van Buel, Group SVP, Global Sourcing
17.30-17.45	Closing remarks	Anders Runevad, Group President & CEO
17.45-18.00	Drinks at Vestas' Headquarters	
18.00-20.00	Dinner at Vestas' Headquarters	

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Introduction

Anders Runevad, Group President & CEO

Marika Fredriksson, Executive VP & CFO

Aarhus, 12 June 2014

Agenda



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Capital Markets Day,
12 June 2014

- 1. Profitable Growth for Vestas**
2. Capital structure and net working capital

Profitable Growth for Vestas

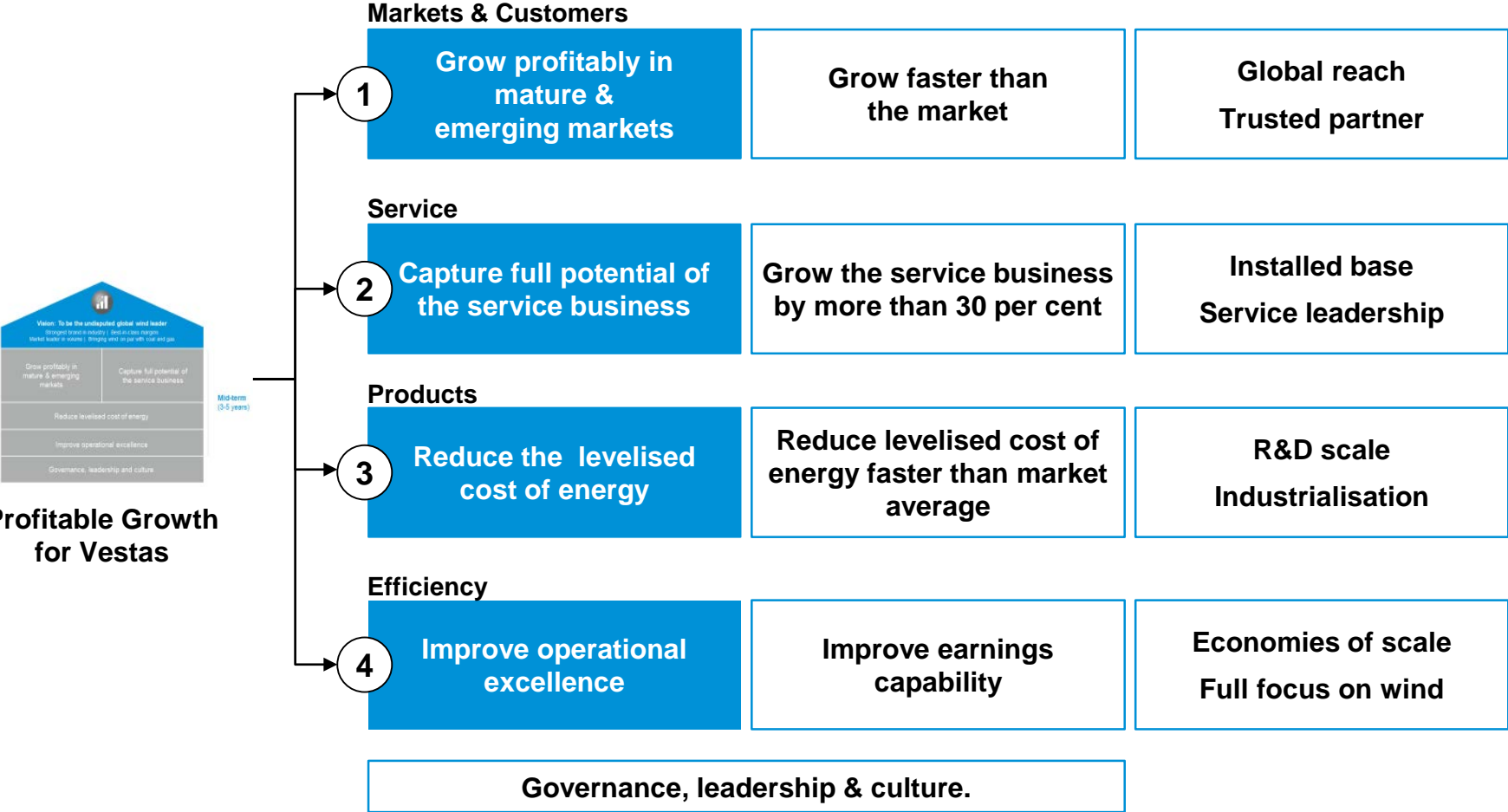
From paper to implementation and execution mode



Recap: Focus on Profitable Growth for Vestas

Profitable growth strategy to strengthen global leadership

STRATEGY	OBJECTIVES	AMBITIONS	KEY ENABLERS
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Everything ties together

Collaboration, simplicity and accountability unite Vestas in order to reach its mid-term ambitions

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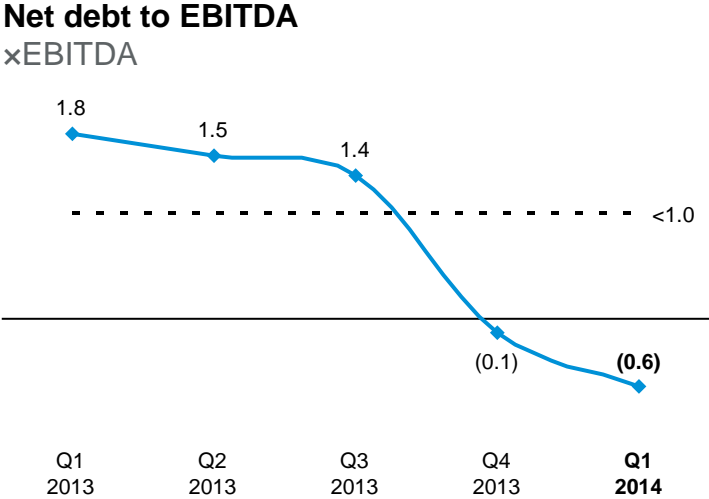


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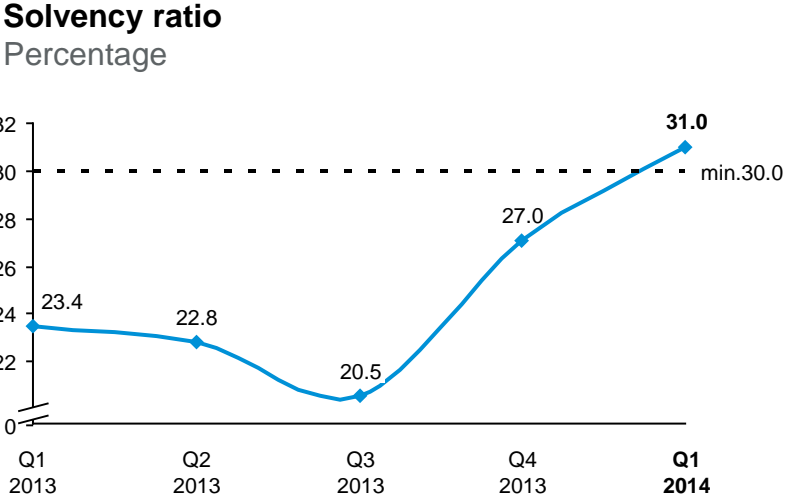
1. Profitable Growth for Vestas
2. **Capital structure and net working capital**

Stronger and more resistant capital structure

Significant improvement in net debt to EBITDA and solvency ratio



— Net debt to EBITDA before special items, last 12 months
- - - Net debt to EBITDA, mid-term financial target



— Solvency ratio
- - - Solvency ratio, mid-term financial target

... but why is that so important?

Profitable Growth for Vestas

The current capital structure supports the strategy



Mid-term
(3-5 years)

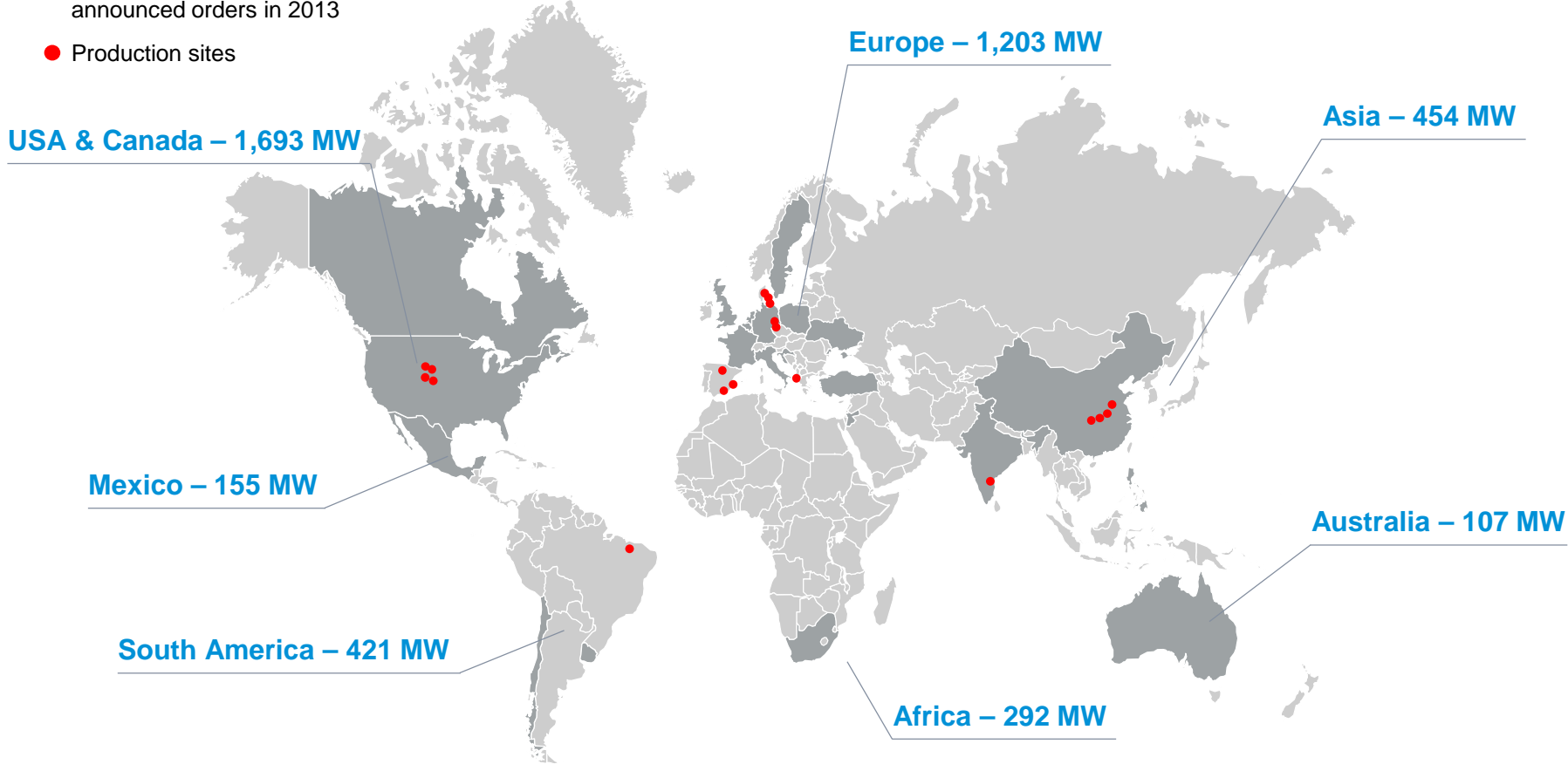
Vestas – a global project-driven organisation

Last year, we had an order intake of 6 GW from 37 countries

Announced orders 2013

■ Wind markets with announced orders in 2013

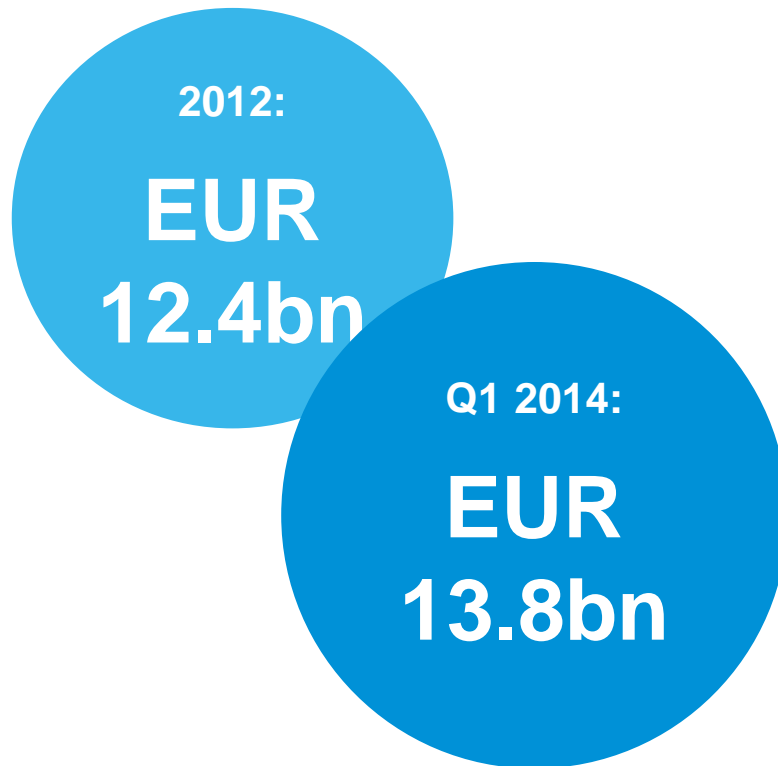
● Production sites



Backlog: Wind turbines and service

Market development calls for a strong balance sheet and access to bonding lines

Our growing project pipeline...



... is a main driver for increasing our bonding lines

New EUR 1bn bank agreement and capital increase in 2014:

- Improved **flexibility** towards customers.
- Improved **terms** with suppliers, customers and banks.
- More **unsecured bonding lines** (committed for 5 years).
- Bilateral **uncommitted guarantee facilities** with surety providers.

Project lifecycle and associated guarantees

The complexity and size of a wind project imply high demand on payment and risk mitigations



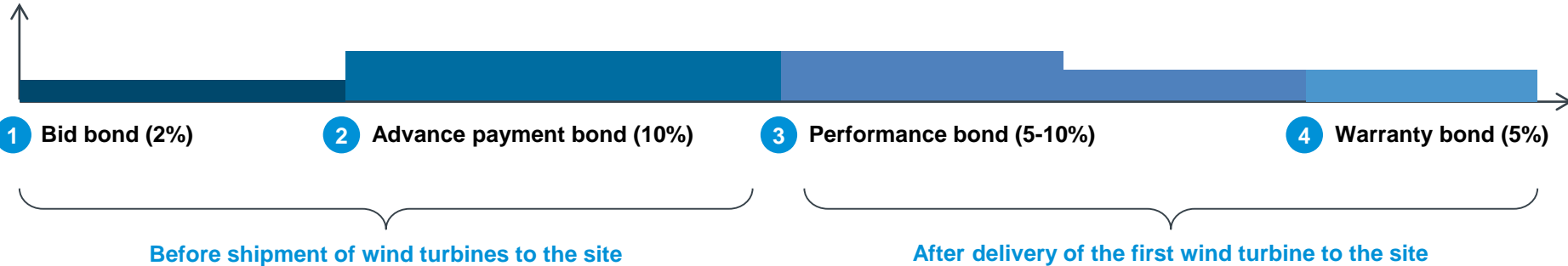
1 Quotation/offer

2 Signing of contract

3 First shipment / delivery on site

4 Taking over

Types of guarantees



Importance of operational excellence

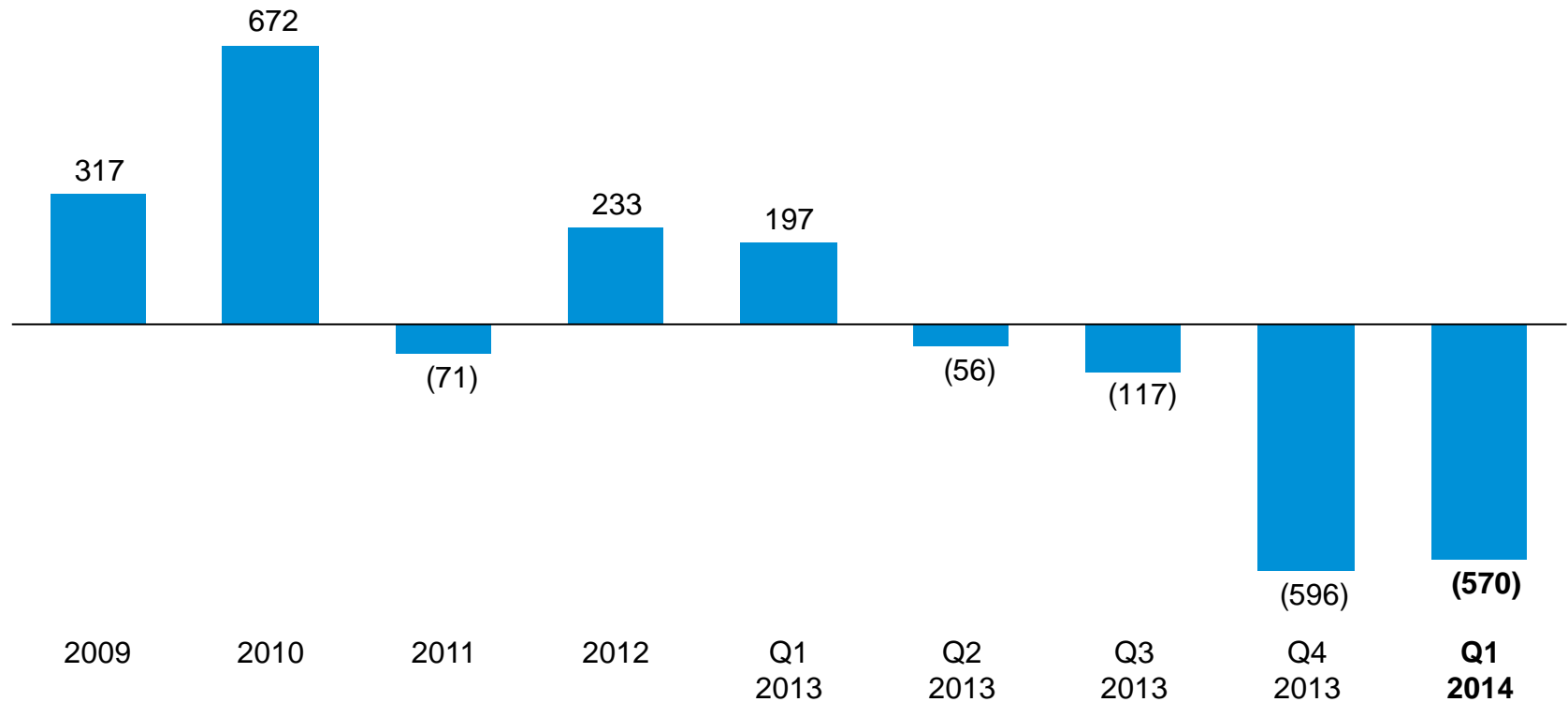
Complex and large projects call for careful management, timing and control of cash flows



Working capital optimisations paying off

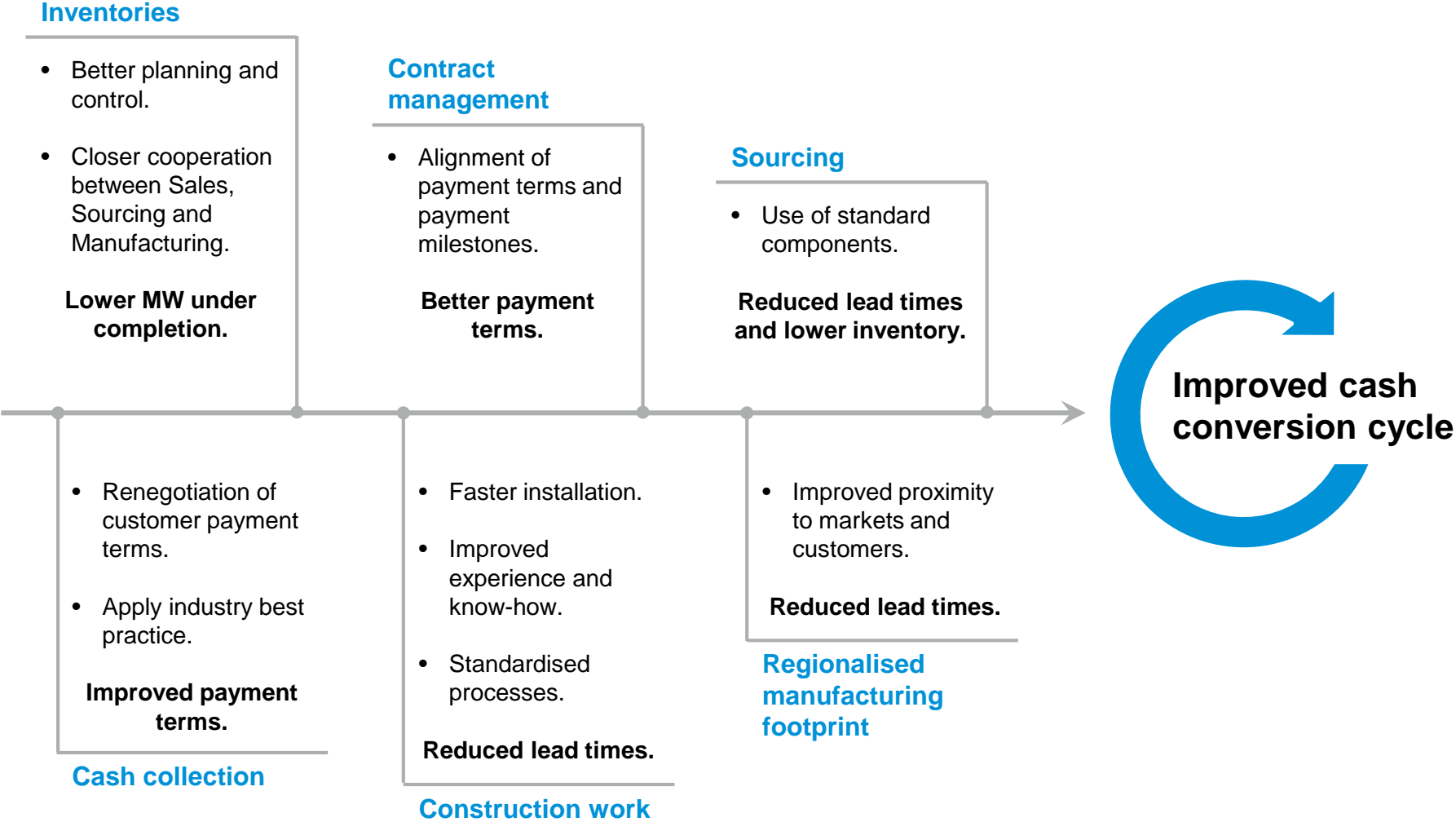
Release of more than EUR 1.2bn since peak...

Net working capital
mEUR



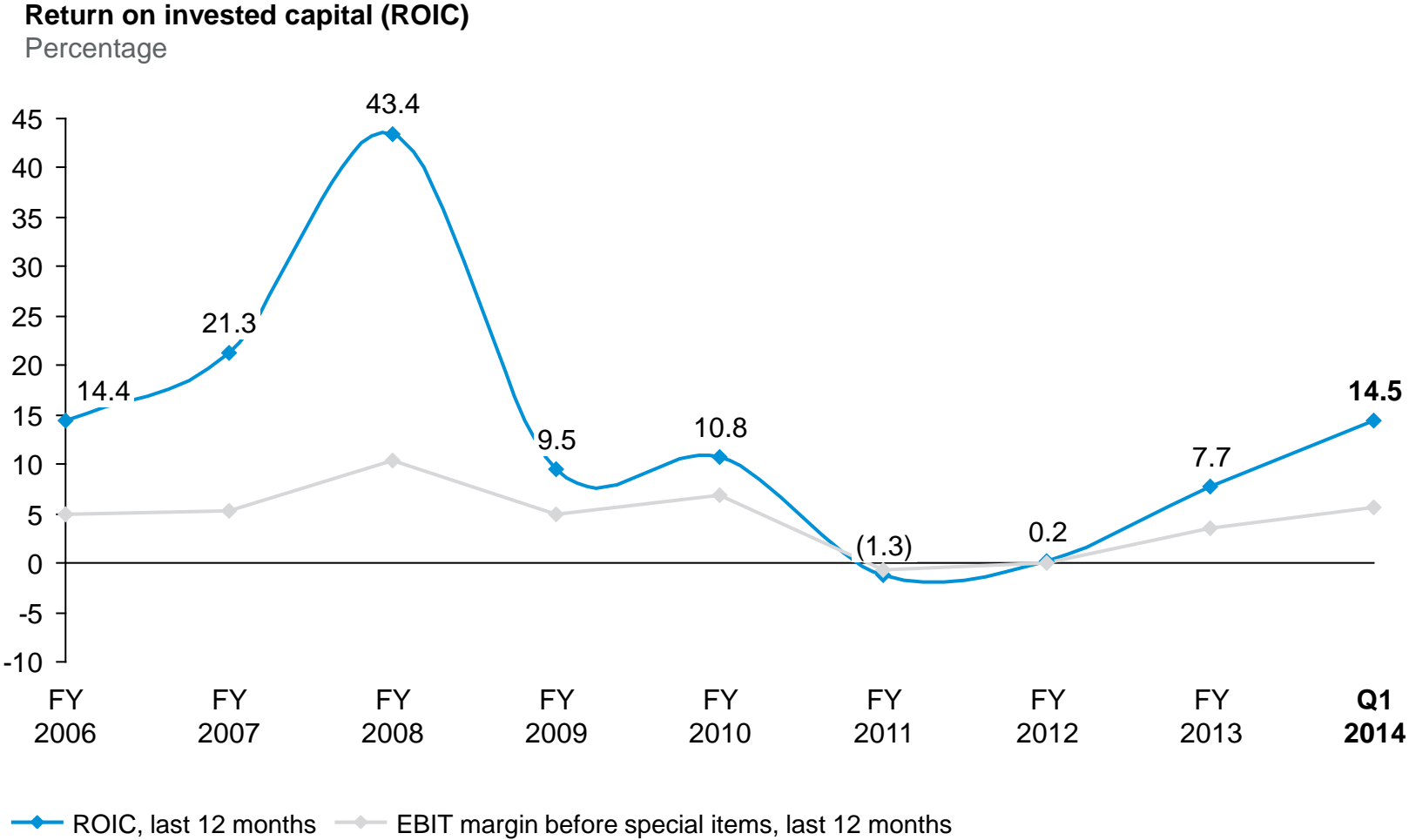
Continuous working capital management

... mainly driven by better inventory control and cash collection implying improved cash conversion



Return on invested capital

Going forward, ROIC must be above 10 per cent – even in trough years



The Vestas logo is positioned in the top left corner of the image. It features the word "Vestas" in a bold, italicized, white sans-serif font, followed by a registered trademark symbol (®). The background of the top half of the image is a vibrant blue sky filled with wispy white clouds, suggesting a clear, sunny day. A subtle, curved white graphic element is visible on the left side, partially overlapping the sky and the logo area.

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Thank you for your attention

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Grow profitably in mature and emerging markets

Juan Araluce, Executive VP & CSO

Aarhus, 12 June 2014

Agenda

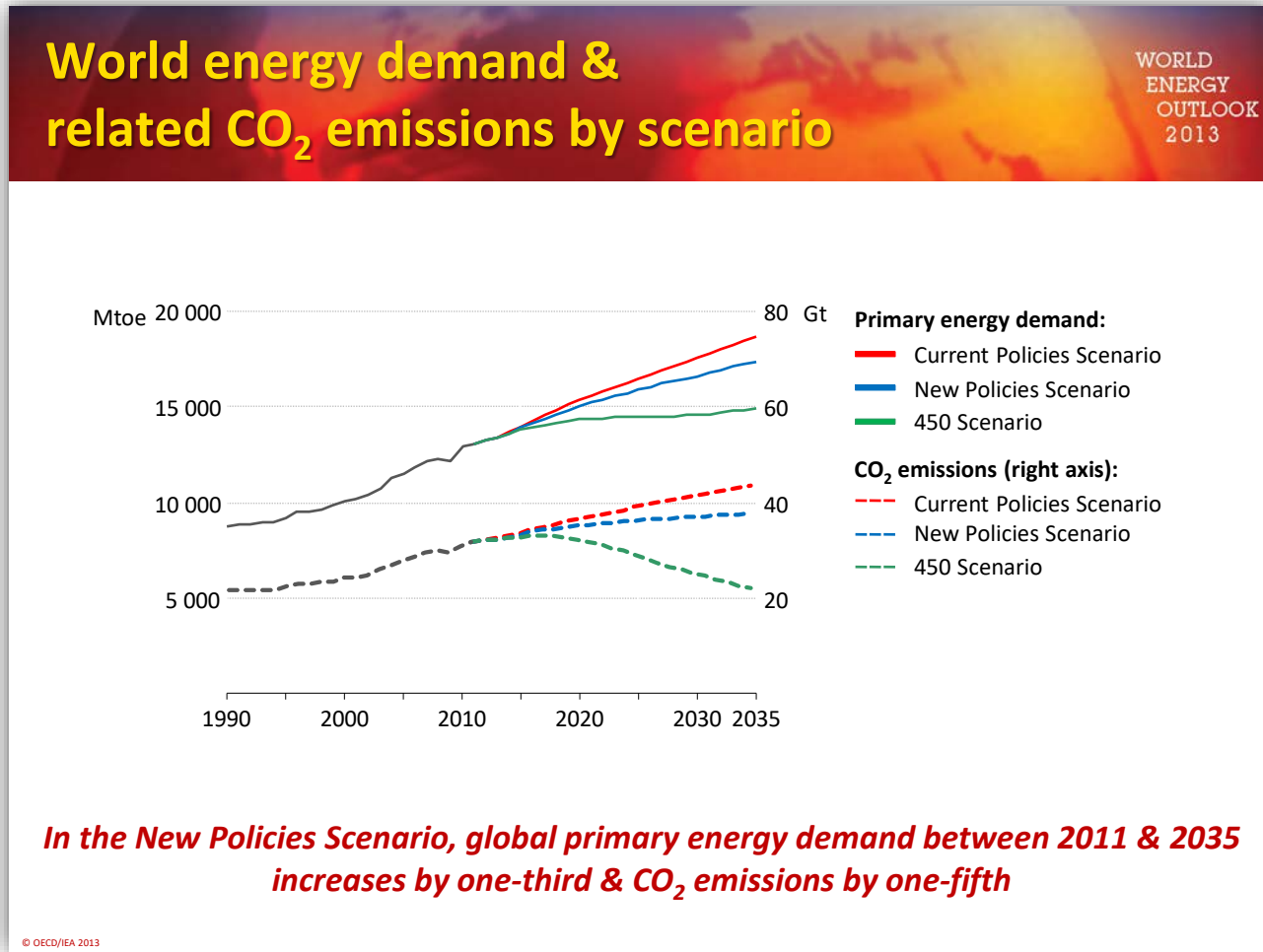


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12 June 2014

- 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?

IEA forecasts increase in energy demand and CO₂ emissions

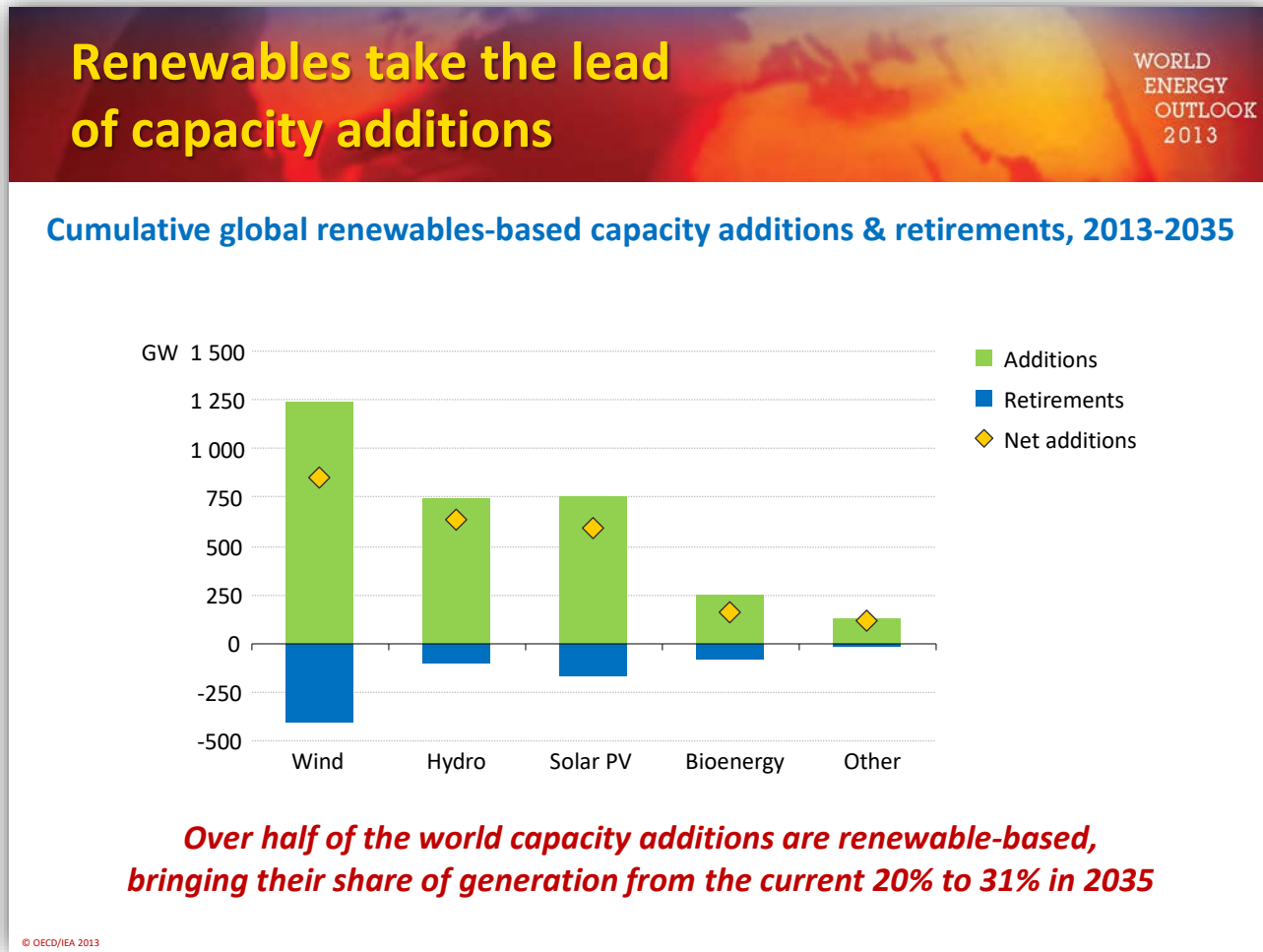
Low-carbon energy at a reasonable price will be a market for the future



Source: IEA World Energy Outlook 2013.

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

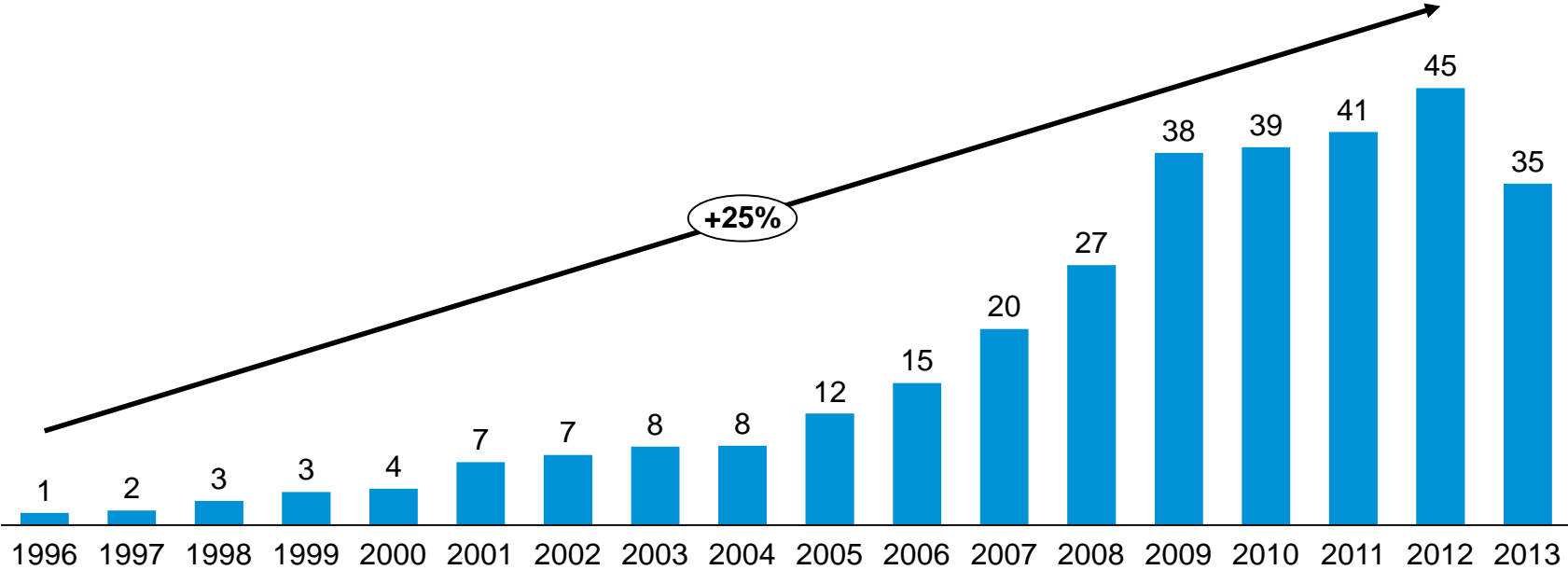


Source: IEA World Energy Outlook 2013.

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



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

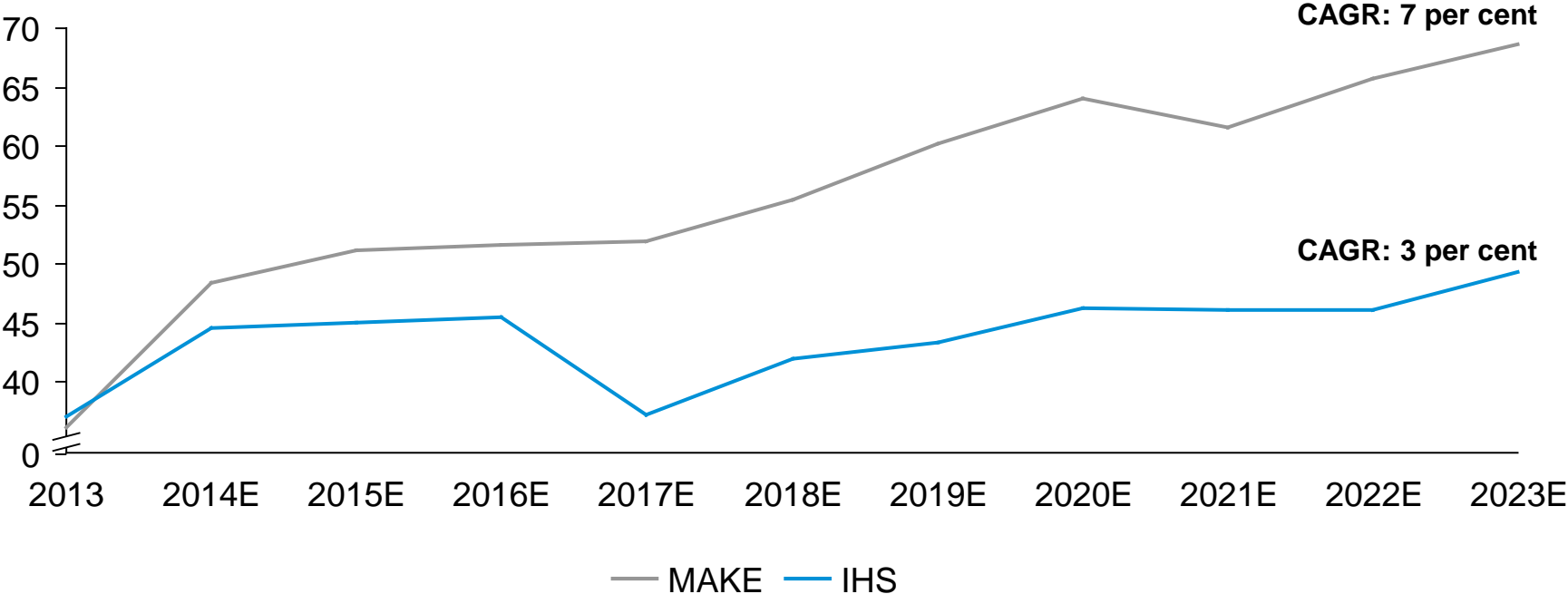
Source: GWEC Global Wind Report Annual Market Update 2013.

Wind market forecast 2013-2023

Annual average growth rates of 3-7 per cent expected

Wind market forecast, net additions

GW

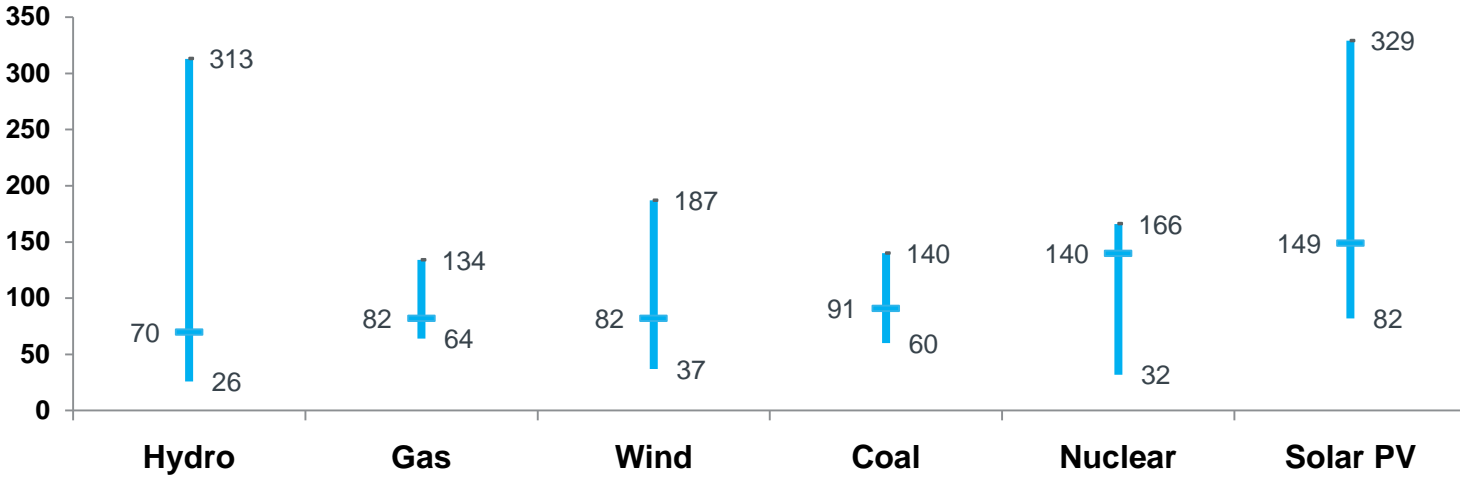


Source: MAKE Consulting March 2014, IHS Energy Spring 2014.

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



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

Emerging markets

- Emerging legislation

USA

- PTC extension

Europe

- Subsidy scheme revisions

Brazil

- BNDES financing

Australia

- RET review

Vestas' global reach to counterbalance local political uncertainties.

Agenda



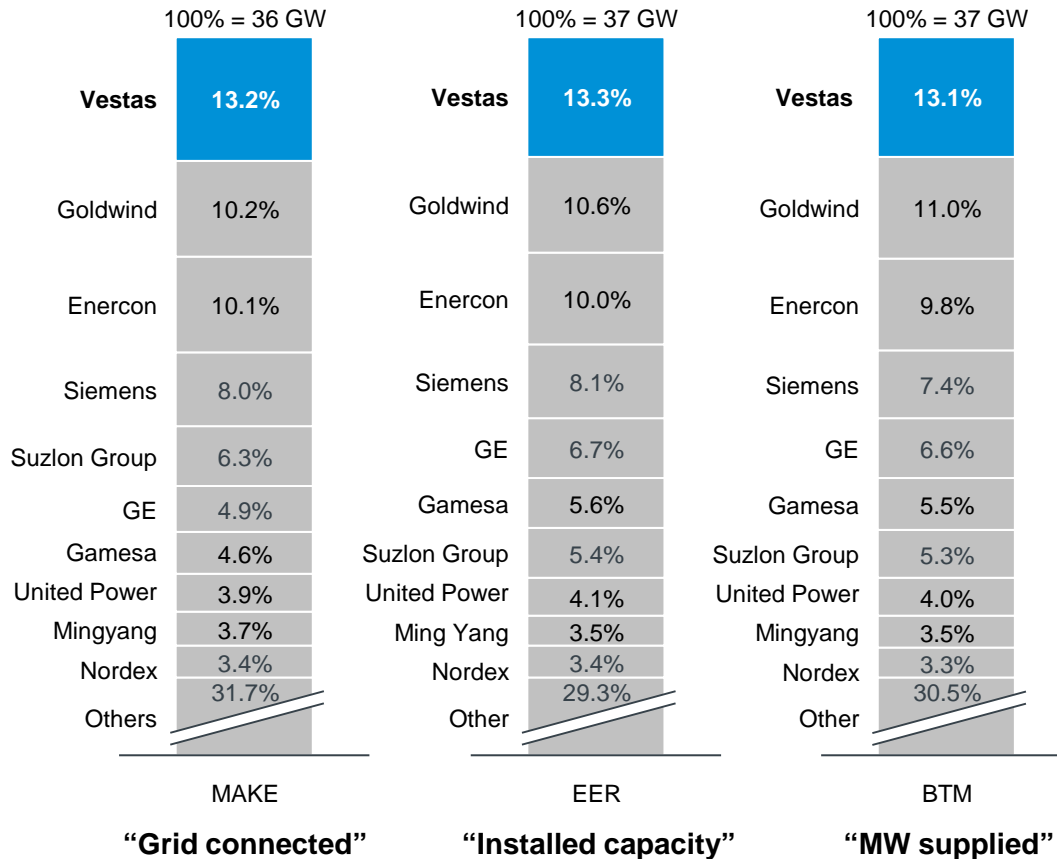
1. What does our market environment look like?
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Market shares 2013

External analysts have Vestas as a clear No. 1 with a market share of more than 13 per cent

Market shares 2013 (onshore and offshore)

Percentage



Key takes:

- Three leading external analysts place Vestas as No. 1 in wind.
- Despite drop in US installations in 2013, Vestas was still able to claim No. 1 position.
- Vestas' strong global position balances the dependency on single markets:
 - Deliveries in 31 countries.
 - Order intake in 37 countries.

Source: MAKE Consulting, EER, BTM part of Navigant.

Vestas has a strong position in the top-10 markets

Except for China and India, Vestas is among the leading three players in the top-10 markets

Country	New installations 2013 (MW)*	Rank #1	Rank #2	Rank #3	Vestas rank 2012 - 2013	Source
1. China	16,100	Goldwind	Guodian United Power	Mingyang	11 - 13 ↓	CWEA
2. Germany	2,988	Enercon	Vestas	Nordex	2 - 2 →	DEWI
3. India	1,729	Gamesa	World of Wind India	Suzlon	5 - 6 ↓	BTM
4. Canada	1,600	Enercon	Suzlon Group	Vestas	3 - 3 →	MAKE
5. UK	1,150	Siemens	Senvion/Repower	Vestas	2 - 3 ↓	BTM
6. USA	1,131	GE Wind	Siemens Wind Power	Vestas	3 - 3 →	MAKE
7. Poland	893	Vestas	Senvion/Repower	Acciona	1 - 1 →	MAKE
8. Sweden	724	Vestas	Siemens	Enercon	1 - 1 →	BTM
9. Romania	695	Vestas	Enercon	GE	3 - 1 ↑	MAKE
10. Australia	655	Vestas	GE	n. a.	1 - 1 →	MAKE

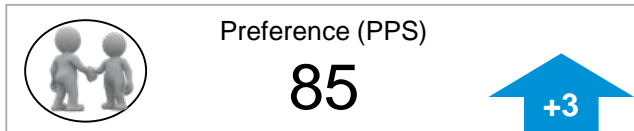
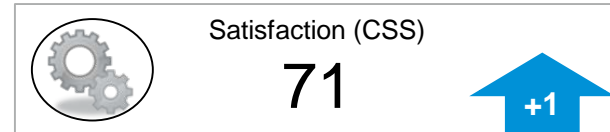
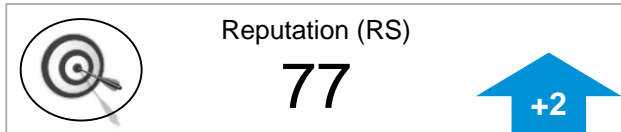
Vestas has been able to keep a stable position in the top-10 markets.

* Only covers onshore.

Customers have regained trust in Vestas

Customers have renewed trust in Vestas' future and offerings

– CRSI increases 3 index points vs 2012

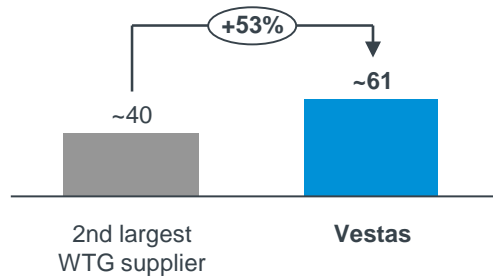


- Reputation back on track.
- Satisfaction generally stable.
- 85 per cent of respondents call Vestas a top-two supplier.
- NPS – the “ambassador effect” – at highest point ever.

Vestas' major key differentiators

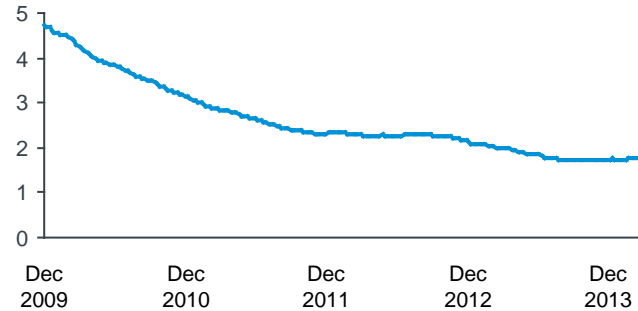
Largest installed base, world-class products, global reach and a high quality

Total installed base (GW)



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

Lost production factor



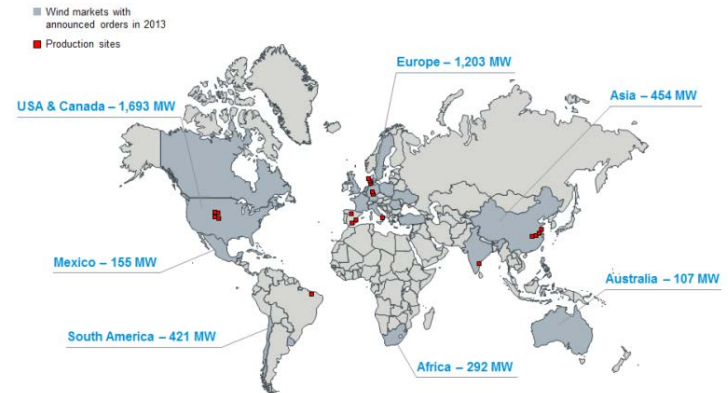
- World-class product portfolio: geographical fit and reach, siting flexibility, best-in-class quality.

Latest product launches

	Low wind	Medium wind	High wind
2 MW platform	V110-2.0 MW	V100-2.0 MW	
3 MW platform	V126-3.3 MW V117-3.3 MW	V117-3.3 MW V112-3.3 MW	V112-3.3 MW V105-3.3 MW

- Very strong and competitive product offering.

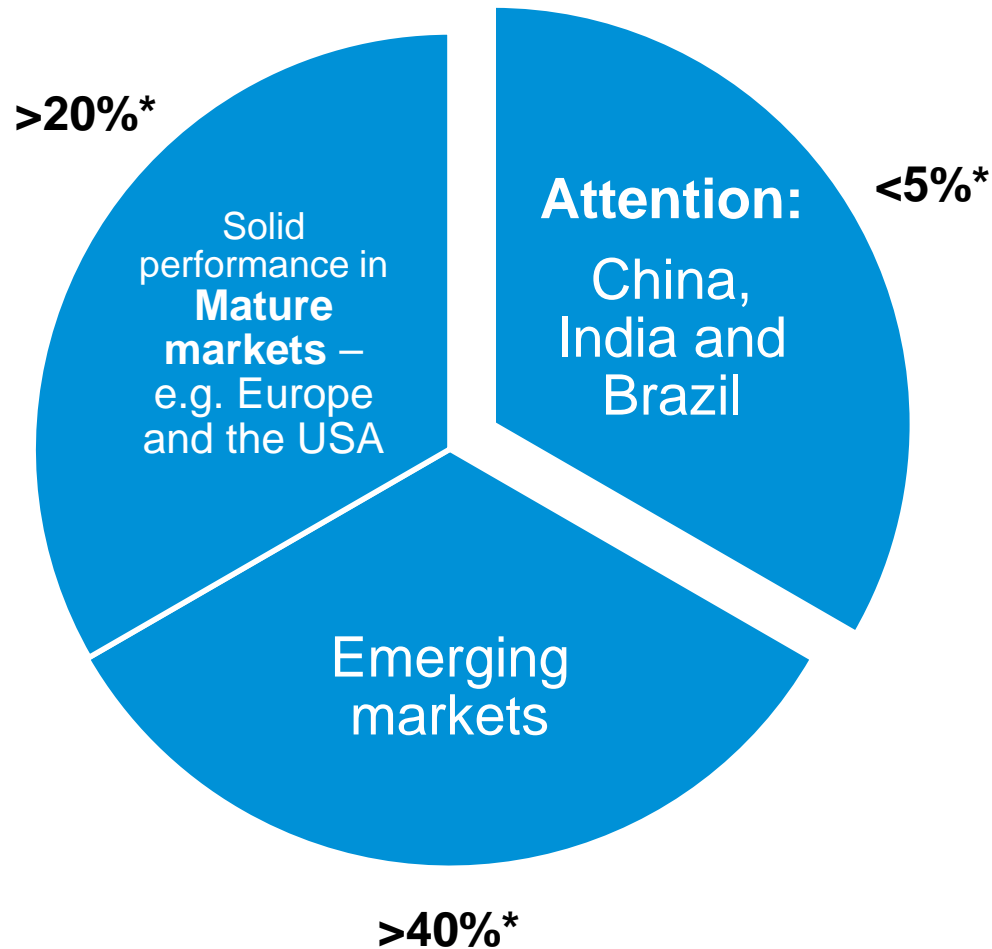
Global reach in sales, installation and manufacturing



- 2013 order intake of 6 GW from 37 countries.

First mover in 35 countries around the world

While Vestas has a strong position in new wind markets and mature markets there is room for improvement in China, India and Brazil



Key takes:

- Solid performance in North America and Europe.
- Pioneers in 35 out of 73 markets – more than any other wind turbine manufacturer.
- Signed orders in 37 countries on six continents in 2013.
- In 2013, orders from many emerging markets including:
 - Croatia, Romania, Ukraine, Turkey, Chile, Uruguay, South Africa, the Philippines and Jordan.

* MAKE Consulting 2013 market shares. Mature markets include: North America, Northern Europe and Southern Europe.

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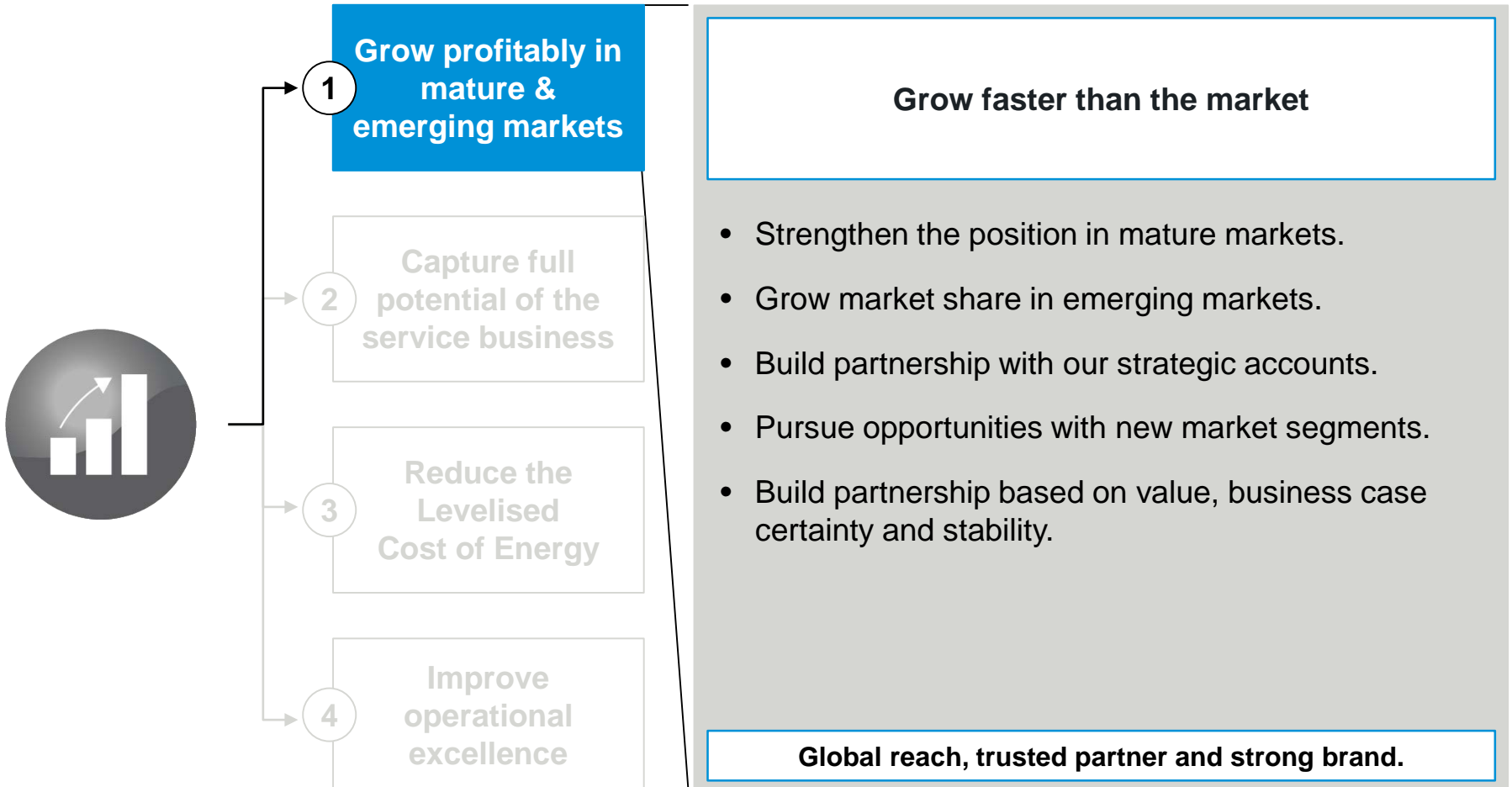
Grow faster than the market

Build partnerships and generate new opportunities to enable growth

STRATEGY

OBJECTIVE

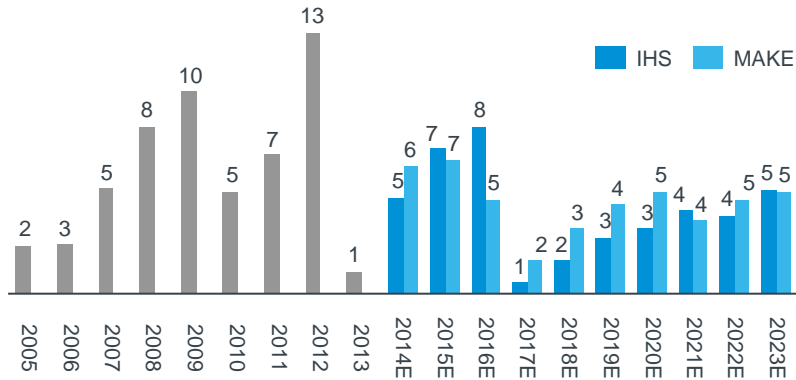
MID-TERM AMBITIONS & INITIATIVES



Vestas maintains strong position in volatile US market

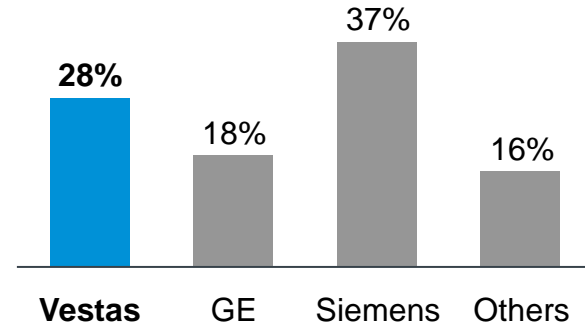
Significant near-term potential from non-exercised MSA/TSAs

US wind installations shrink and stabilise



Source: AWEA (historic), MAKE Consulting March 2014, IHS Energy Spring 2014.

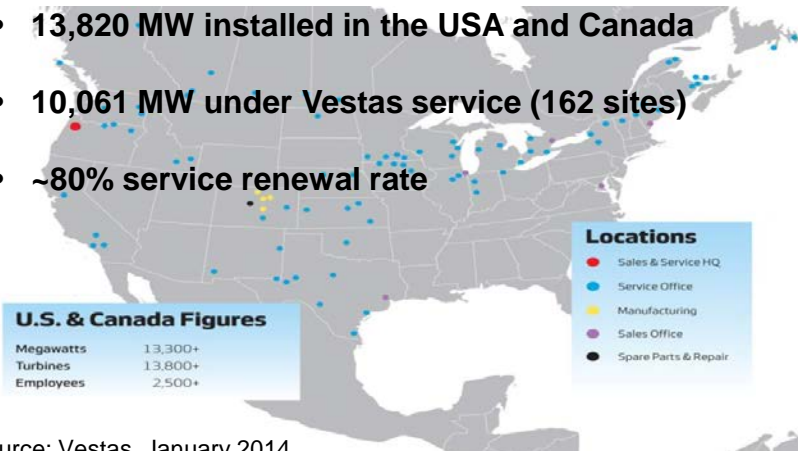
Vestas captured a solid share of 2013 orders



Source: IHS Energy, Vestas.

Large installed base drives service business

- 13,820 MW installed in the USA and Canada
- 10,061 MW under Vestas service (162 sites)
- ~80% service renewal rate



Source: Vestas, January 2014.

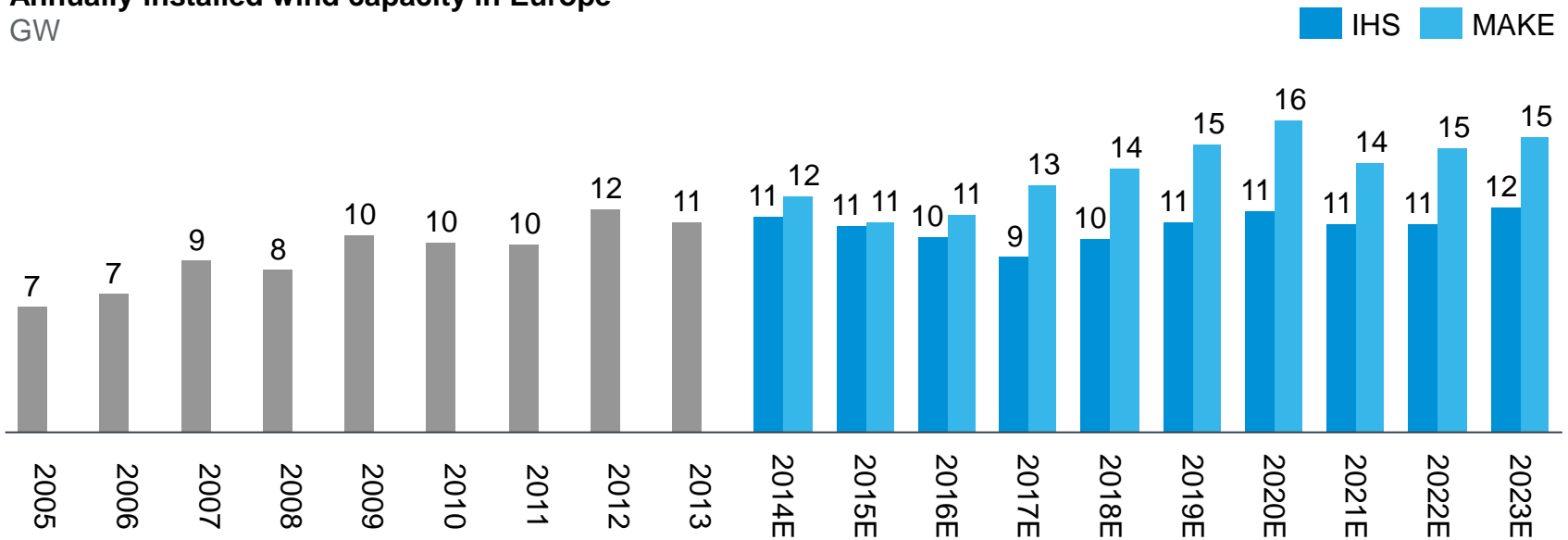
Key 2013 and 2014 agreements position Vestas for coming years

- 1.9 GW FOI from 2013 to June 2014.
- +2.1 GW TSA/MSA – EDF, Enel, RES Americas and First Wind

European market expected to be fairly stable

Low energy demand and focus on reducing LCoE

Annually installed wind capacity in Europe
GW



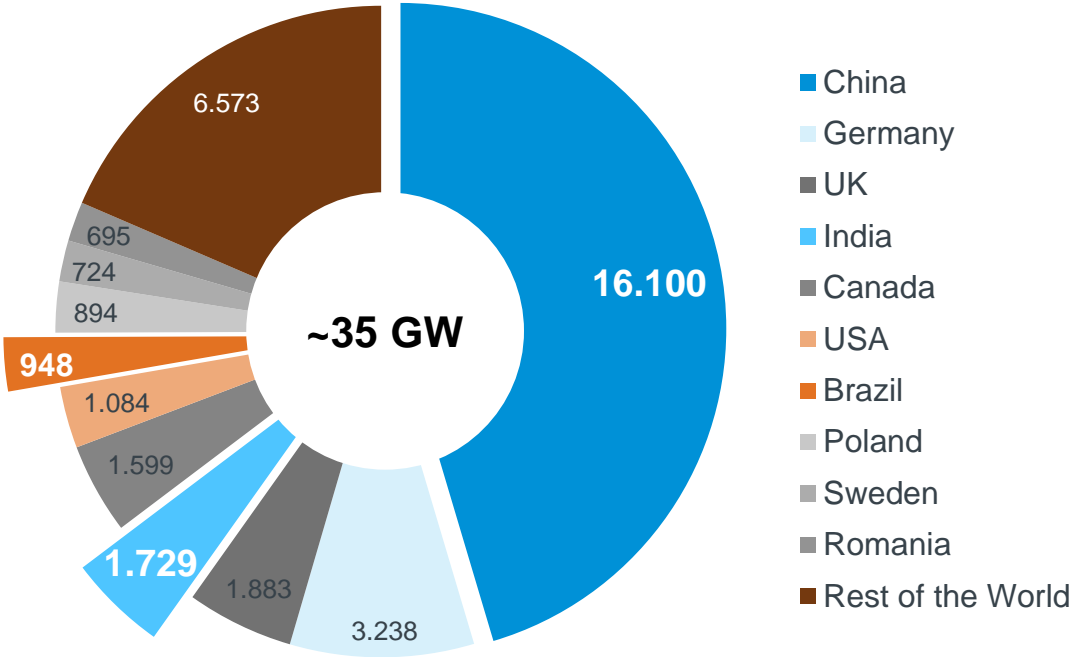
- Vestas to build on its strong European presence.
- Dampening tendency on subsidies creates uncertainty.
- Lowering LCoE to mitigate the effect of lower subsidies.

Source: EWEA (historic), MAKE Consulting March 2014, IHS Energy Spring 2014. **Note: differences might exist in how Europe is defined.**

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
Percentage



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

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

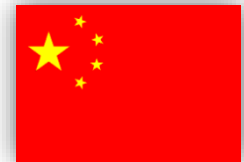
- Cost out of products
- Strengthening of local sourcing
- “On-the-ground” leadership



Ruben Lazo
Brazil



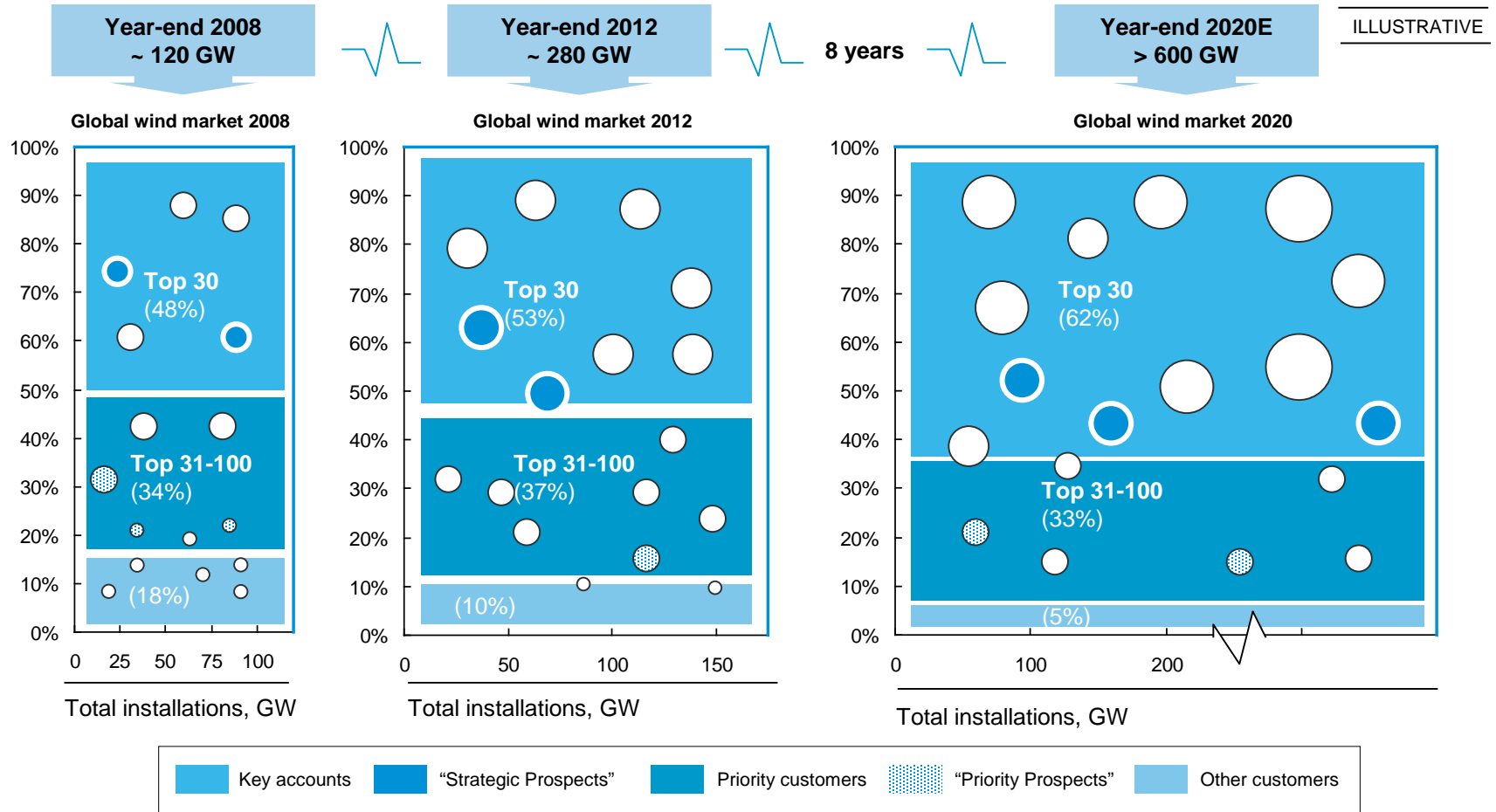
Jorn Hammer
India



Chris Beaufait
Asia Pacific & China

Importance of strategic accounts

Strategic accounts are becoming increasingly important as the customer landscape is changing



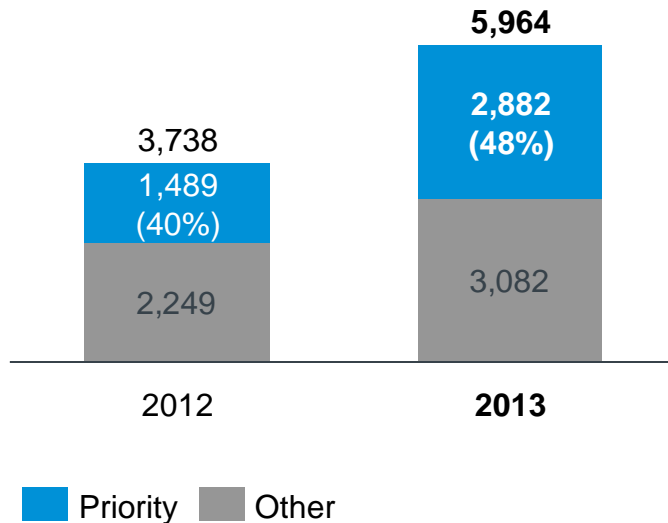
Importance of the largest and fastest-growing owners of wind

Source: MAKE Consulting, EER market forecasts.

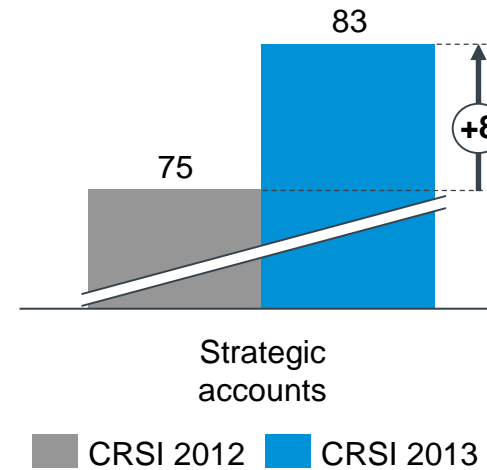
Greater focus on developing strategic accounts

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

WTG order intake
MW



Customer Loyalty Survey 2013
CRSI index



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.

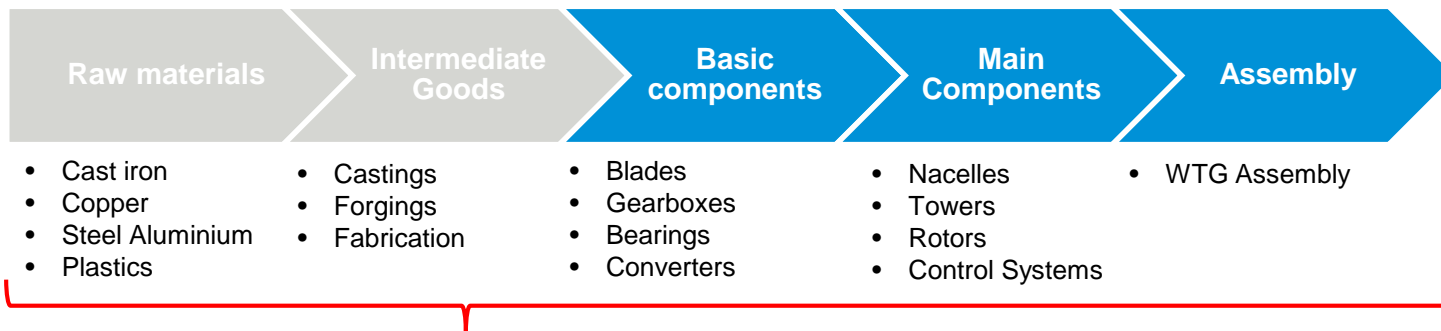
Becoming originators is about locking the sales opportunities earlier on in the value chain by engaging much earlier with developers, policy makers and with financial institutions.



Deal origination early in the value chain

Value chain considerations and potential for expansion to secure profitable growth

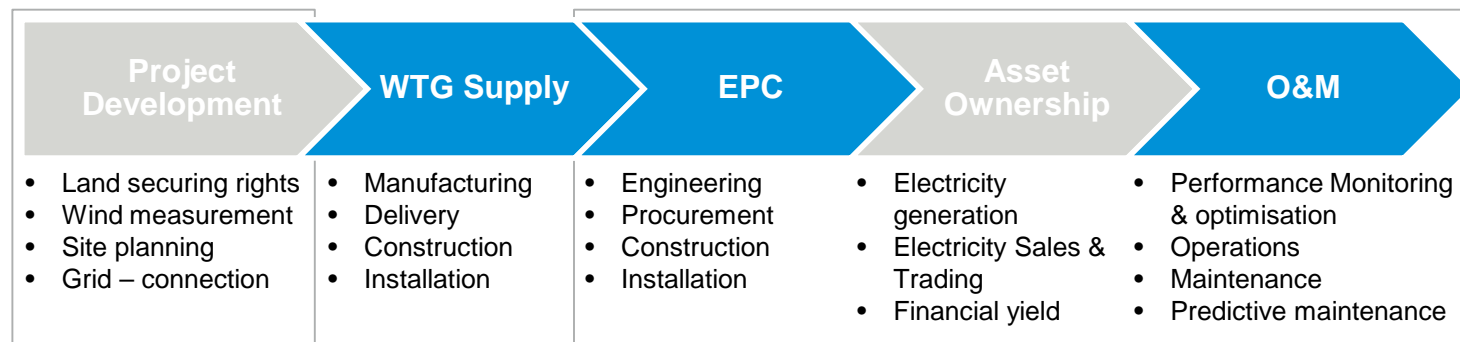
WTG value chain



- Vestas has reorganised its business model to become more asset-light.
- Outsourcing of low margin activities such as castings

Activities of key clients

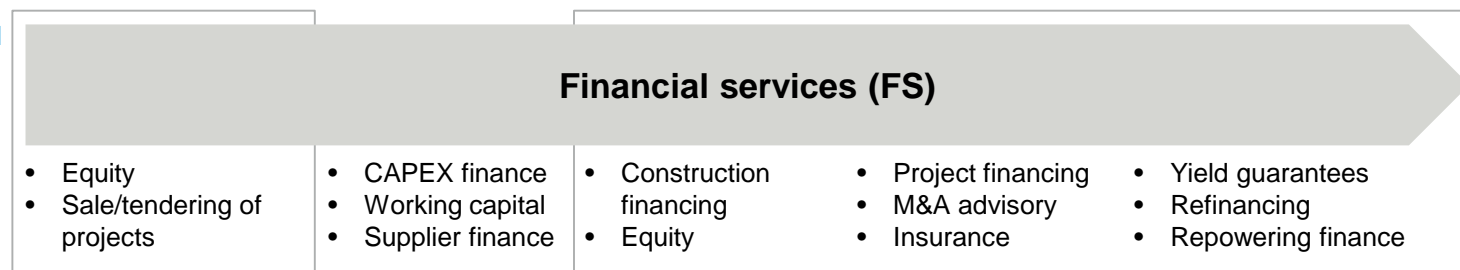
Wind Energy value chain



- Focused on WTG supply, EPC and O&M.
- Technological core competence
- Least capital intensive parts of value chain

Financial services required by key clients

Financial Services value chain



- Significant FS required along Wind Value Chain

Vestas current activity

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.

The Vestas logo is positioned in the top left corner of the slide. It features the word "Vestas" in a white, italicized, sans-serif font, followed by a registered trademark symbol (®). The background of the slide is a vibrant blue sky with wispy white clouds, and a semi-transparent blue curved shape is visible in the upper left corner.

Wind. It means the world to us.™

Thank you for your attention

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Q&A

Agenda for Vestas Capital Markets Day 2014

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Vestas

Wind. It means the world to us.™



Capture full potential of the service business

Christian Venderby, Group SVP and Head of Service

Aarhus, 12 June 2014

Agenda



Vestas[®]
Capital Markets Day,
12 June 2014

- 1. Introduction**
2. The successful transformation of the service business
3. Capturing the full service potential

Introducing your speaker

Christian Venderby

- Group Senior Vice President and Head of Service.
- Joined Vestas in 2006 as CFO for North America and was appointed COO in 2010 with responsibility for Construction, Service, Supply Chain and Technology.
- Degree in Finance from Copenhagen Business School and E-MBA from INSEAD, Paris.
- 15 years with FLSmidth, leading finance and construction teams in Japan, Brazil, Egypt and India.
- 20 years of international business experience.

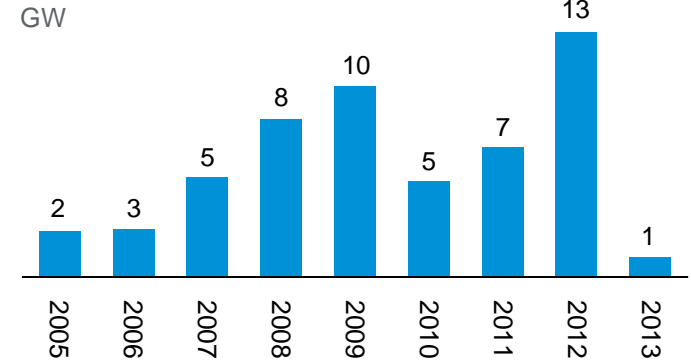


My Vestas journey

Christian Venderby

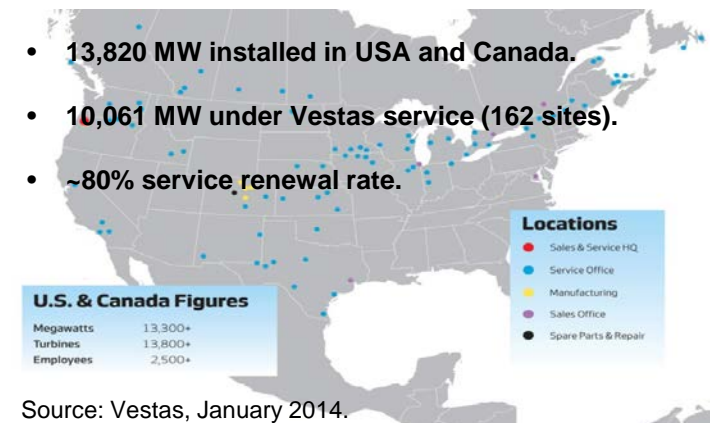
- CFO during the US wind industry's boom and burst years 2006-10.
- P&L responsibility for North American construction and installation of > 4 GW wind turbines.
- P&L responsibility for > 8,000 turbines under long-term service agreement.
- Managed the US restructuring in 2012-13.
- Won > 1.5 GW large and complex North American wind turbine and service deals in 2013.

USA annual wind installations



Source: AWEA.

North America key figures



Source: Vestas, January 2014.

Service customers, create value and acquire fair share of it

Building on our strong performance and long-term customer relationships

- Always delivering a **high level of safety** performance.
- Being **transparent** to our customers and having an **open dialogue** and **collaboration** about performance and opportunities.
- **Closer integration** with our strategic customers to **optimise value creation** across the value chain.
- Deliver high-quality service solutions in order to **lower the Levelised Cost of Energy** irrespective of the customers' preferred service strategy.
- **Growing our knowledge and insight** from the installed base of Vestas wind turbines in order to offer optimised turbine performance throughout the entire turbine life cycle.
- Continuously improving service maintenance and spare parts solutions to support **optimised maintenance costs**.

Agenda



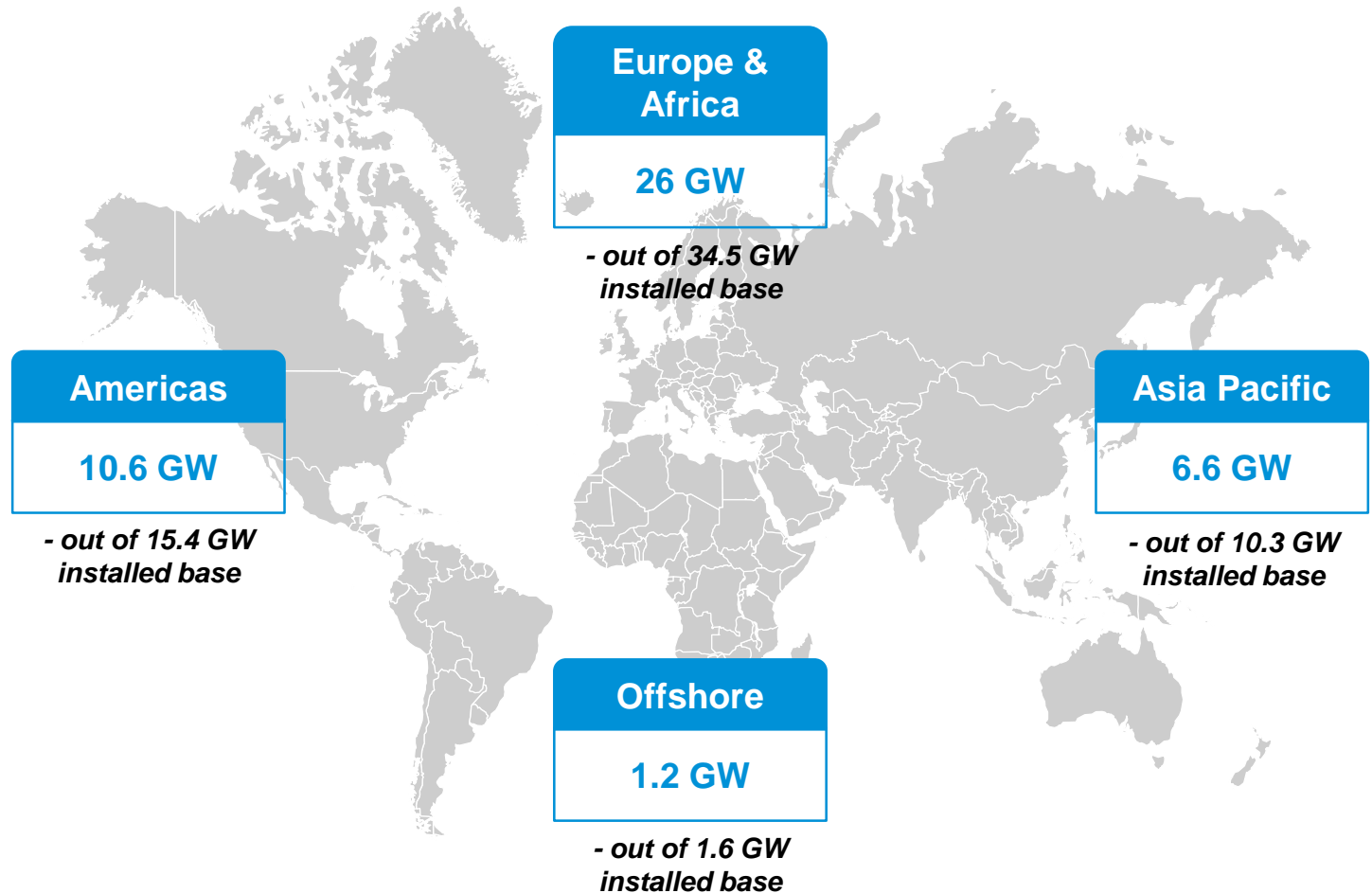
Vestas[®]
Capital Markets Day,
12 June 2014

1. Introduction
- 2. The successful transformation of the service business**
3. Capturing the full service potential

The service business today

Today, Vestas has more than 45 GW under service from a total installed base of more than 61 GW

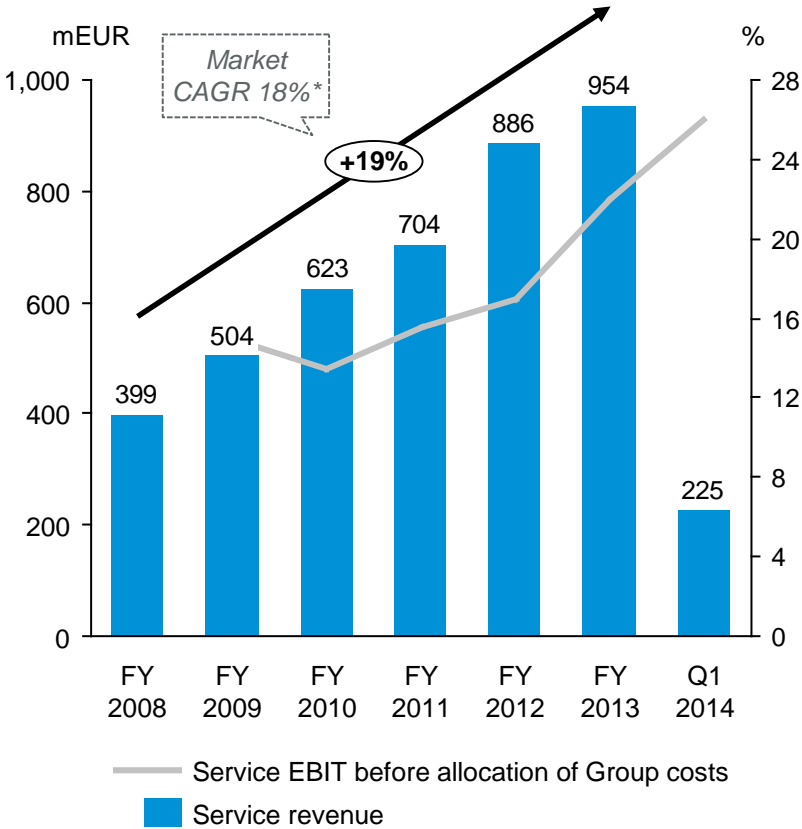
MW under service and track record **end 2013**



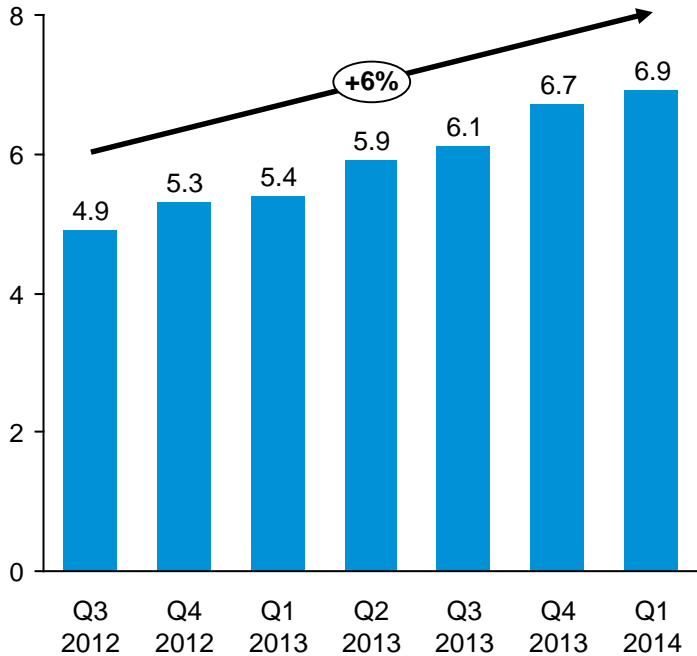
Satisfactory development in service business' financials...

Continuous growth in revenue and order backlog while earnings have improved significantly

Service revenue and EBIT margin
mEUR and percentage



Service order backlog
bnEUR



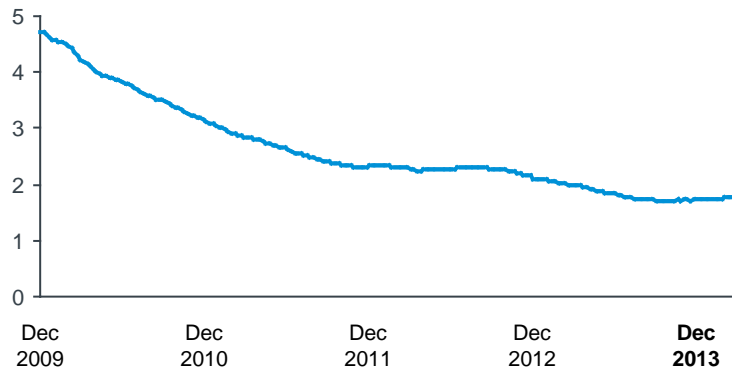
* Source: Bloomberg New Energy Finance, O&M Price Index (24 January 2014).

... driven by successful transformation of service activities

Improved operational performance, leverage and customers' demand for business case certainty

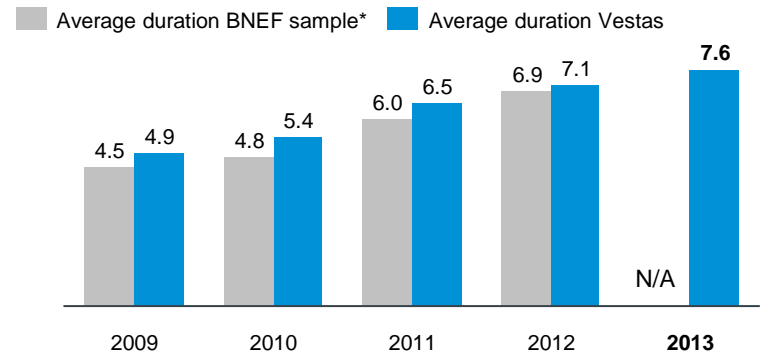
Lost Production Factor (LPF)

Percentage



Average duration of service contracts

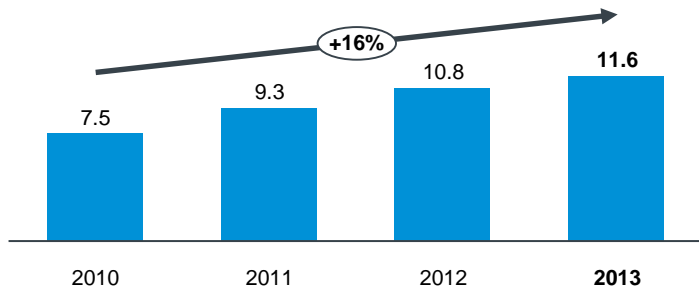
Number of years



* Source: Bloomberg New Energy Finance, O&M Price Index (23 October 2012).

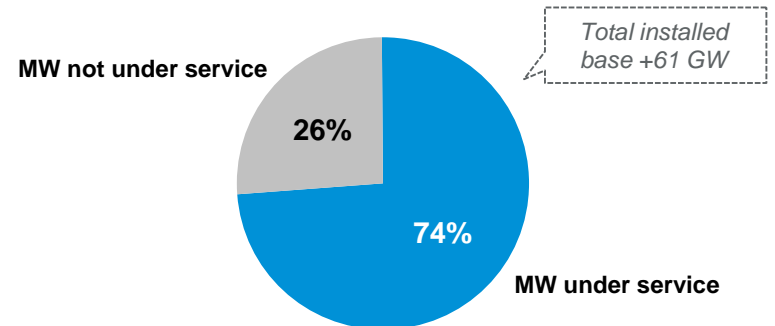
Leverage and improved performance

MW serviced per service technician



Size of service fleet (acc. Q1 2014)

Percentage



Agenda



Vestas[®]
Capital Markets Day,
12 June 2014

1. Introduction
2. The successful transformation of the service business
3. **Capturing the full service potential**

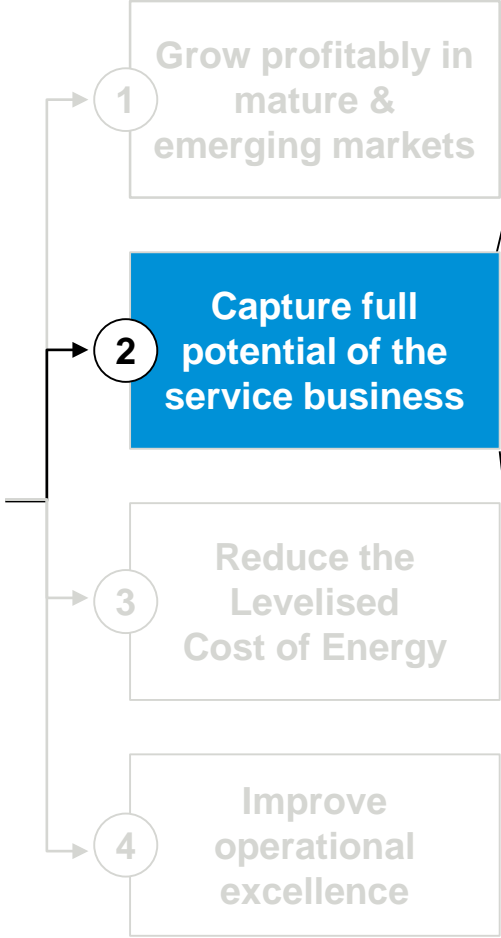
Grow the service business by more than 30 per cent

Leverage on the installed base and establish a new service organisation

STRATEGY

OBJECTIVE

MID-TERM AMBITIONS & INITIATIVES



Grow the service business by more than 30 per cent

- Capture service business on all new orders.
- Establish a new service organisation, with direct report to the CEO.
- Grow revenue through new service solutions and products.
- Efficiency from knowledge and scale.

Leverage on the largest installed base in the world.

Current growth drivers in the service business

Current trend in performance indicators and value drivers point in the direction of growth

1. Keep the existing service renewal level

----- AND -----

2. Ensure a stable price development

----- AND -----

3. Continue the cost-out efforts

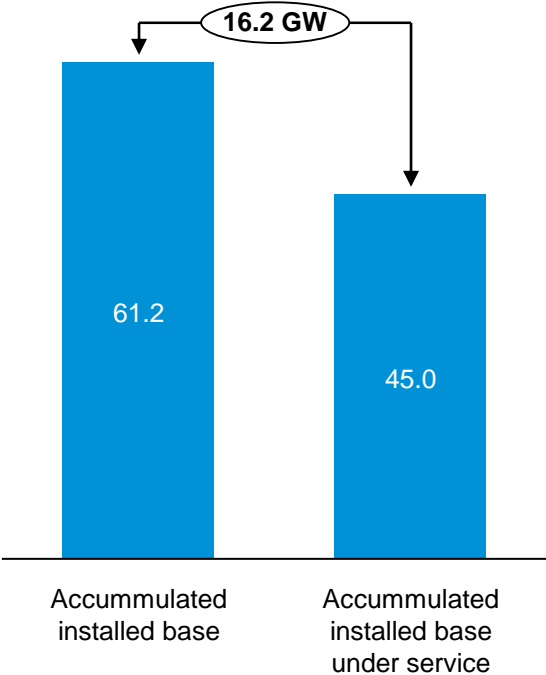
----- AND -----

4. Grow with the market in terms of installations

Capture full service sales potential

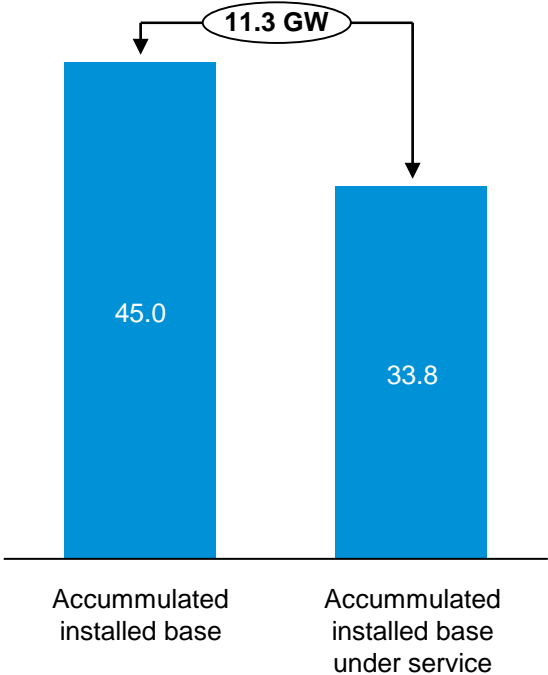
Examples: Recapture share of the lost GW; and increase current renewal rate

Recapture opportunity (acc. Q1 2014)
GW



16.2 GW ≈ **EUR 340m**
recapture opportunity yearly business value

Renewal opportunity (acc. Q1 2014)
GW



11.3 GW ≈ **EUR 34m***
recapture opportunity yearly business value

* With 75 per cent renewal rate and an average duration of seven years.

Initiatives to grow the service business

PowerPlus™ improves annual energy production (AEP) on existing plants

Service solution

Customer value

Power Uprate

- **Modify control parameters** that allows the wind turbines to increase their maximum power output.

- Vestas is able to increase AEP, generally by **1.0-4.0 per cent**.

Extended Cut Out

- **Modify control parameters** that allows wind turbines to capture more wind at higher speeds by extending the maximum wind speed limit.

- Vestas is able to increase AEP, generally by **0.5-2.0 per cent**.

Aerodynamic Upgrades

- **Vortex Generators** a cost-effective solution using small fins that optimise air flow over the blades to improve the aerodynamics.

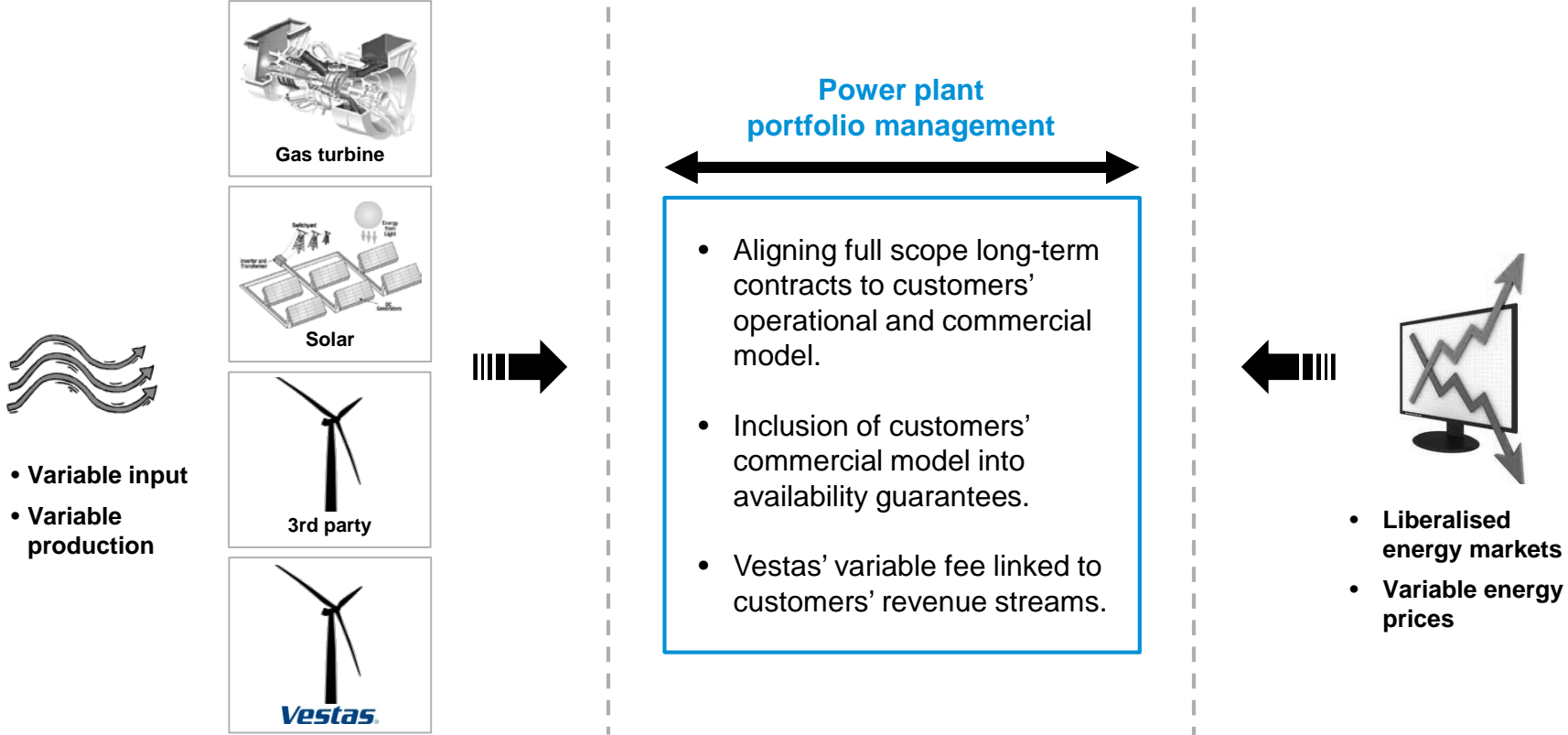
- Vestas is able to increase AEP, generally by up to **0.8 per cent**.

Vestas value

- Vestas will **share the additional upside with the customer** through a revenue sharing model or an upfront payment.

Initiatives to grow the service business

Aligning full scope service offerings to match a liberalised energy market



Summary

What have we learned

- 1** We have a large and profitable service business with an order backlog of approx EUR 7bn.
- 2** We have a significant growth potential to be captured with a robust commercial strategy.
- 3** We have an opportunity to improve our service delivery model leveraging our size and creating synergies.

Q&A

The Vestas logo is positioned in the top left corner of the image. It consists of the word "Vestas" in a white, italicized, sans-serif font, followed by a registered trademark symbol (®). The background of the top half of the image is a vibrant blue sky with wispy white clouds, suggesting a clear, sunny day. A subtle, curved white graphic element is visible on the left side, partially overlapping the sky and the logo area.

Wind. It means the world to us.™

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Reduce Levelised Cost of Energy

Anders Vedel, Executive VP & CTO

Johnny Thomsen, SVP, Product Management

Jorge Magalhaes, SVP, Engineering Solutions

Aarhus, 12 June 2014

Agenda



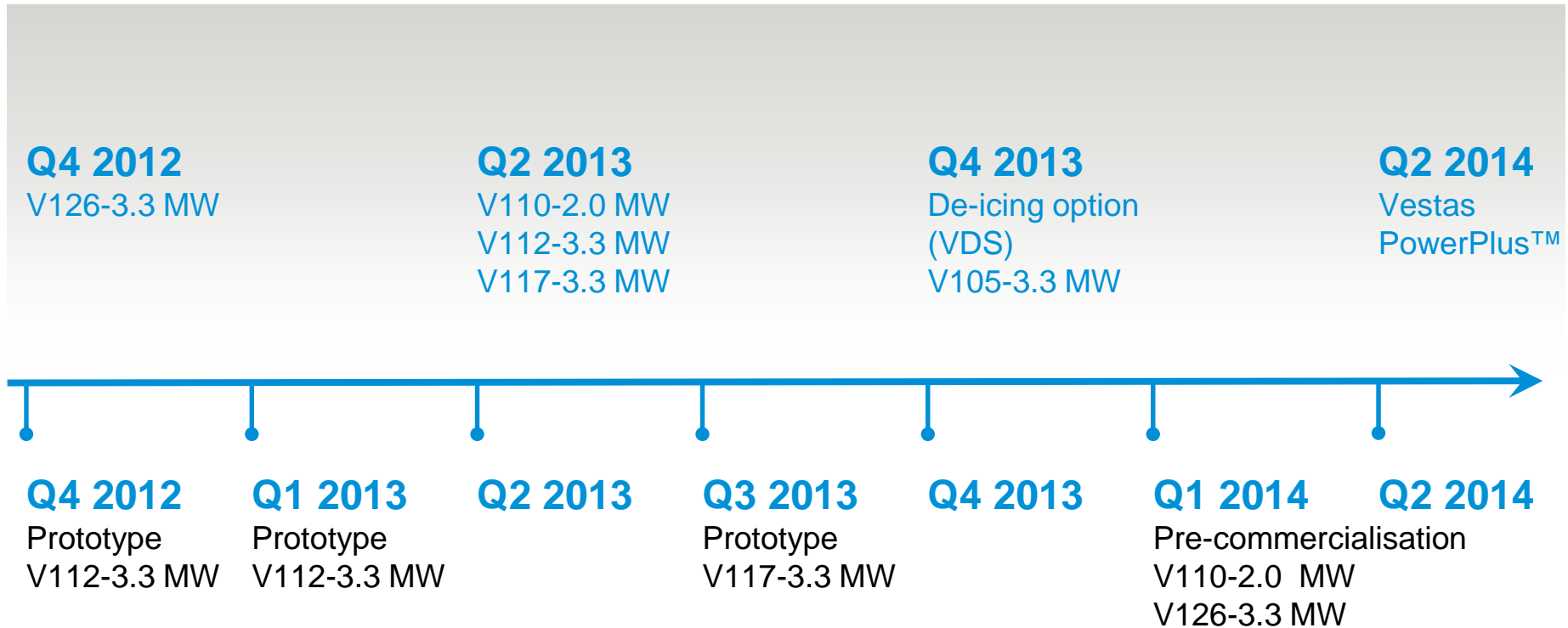
Vestas[®]
Capital Markets Day,
12 June 2014

1. **Looking back: What have we done since 2012?**

2. **Looking forward: What are the main strategic focus areas for product and service solutions?**
 - **Reducing the Levelised Cost of Energy**
 - **Innovation**
 - **Industrialisation and modularisation**

Faster delivery of wind turbines and services to the market

Harvesting the full potential of our 2 and 3 MW platforms

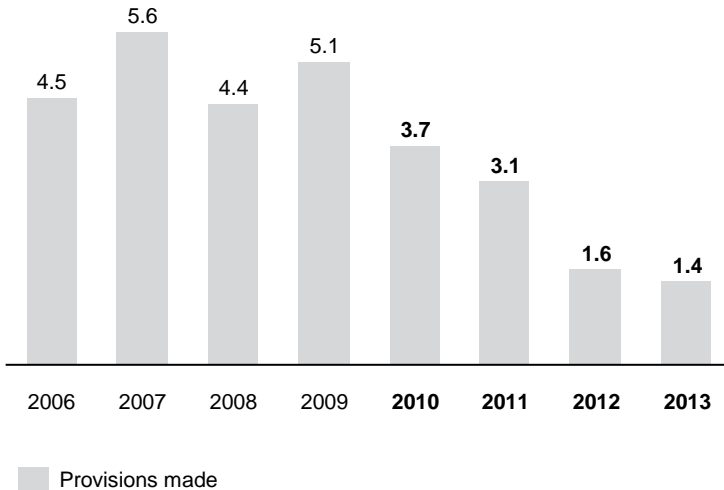


We have developed **new competitive products** while **reducing R&D cash spend by more than 40 per cent.**

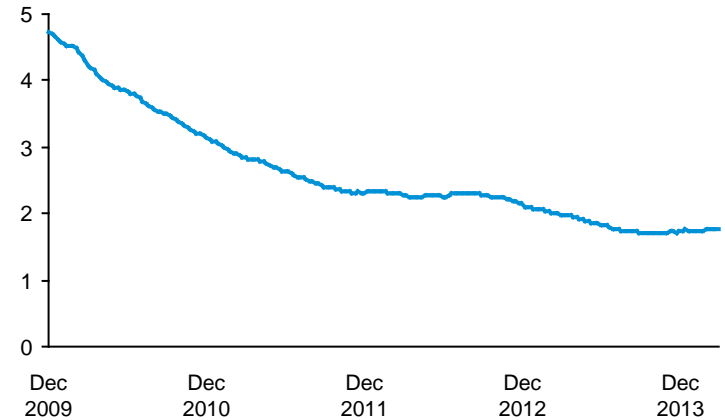
Vestas' turbines are performing well

Warranty consumption and LPF continue at a low level

Warranty provisions consumed
Percentage



Lost Production Factor (LPF)
Percentage



Key takes:

- Warranty consumption constitutes approx **1.5 per cent of revenue over the last 12 months**.

Key takes:

- LPF continues at a low level **below 2.0**.
- LPF measures potential energy production not captured by the wind turbines.

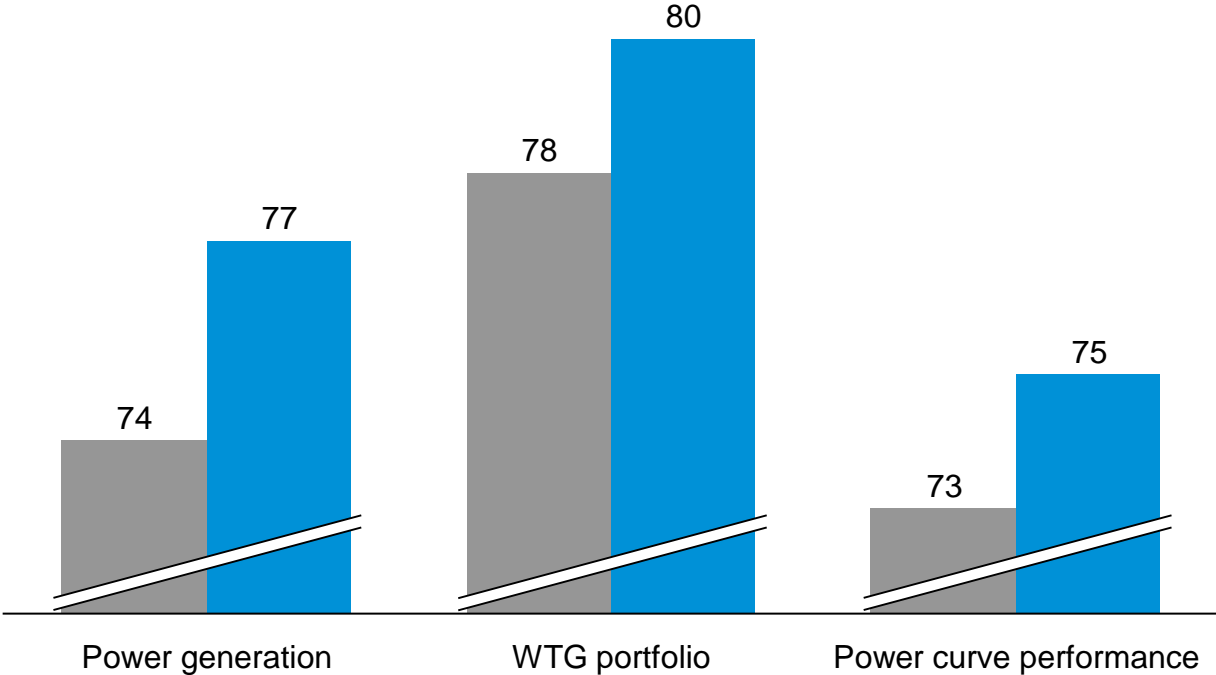
Our customers are satisfied with our products

Positive trend from the Customer Loyalty Survey 2013

Customer Loyalty Survey 2013

Index number

2012 2013



Agenda



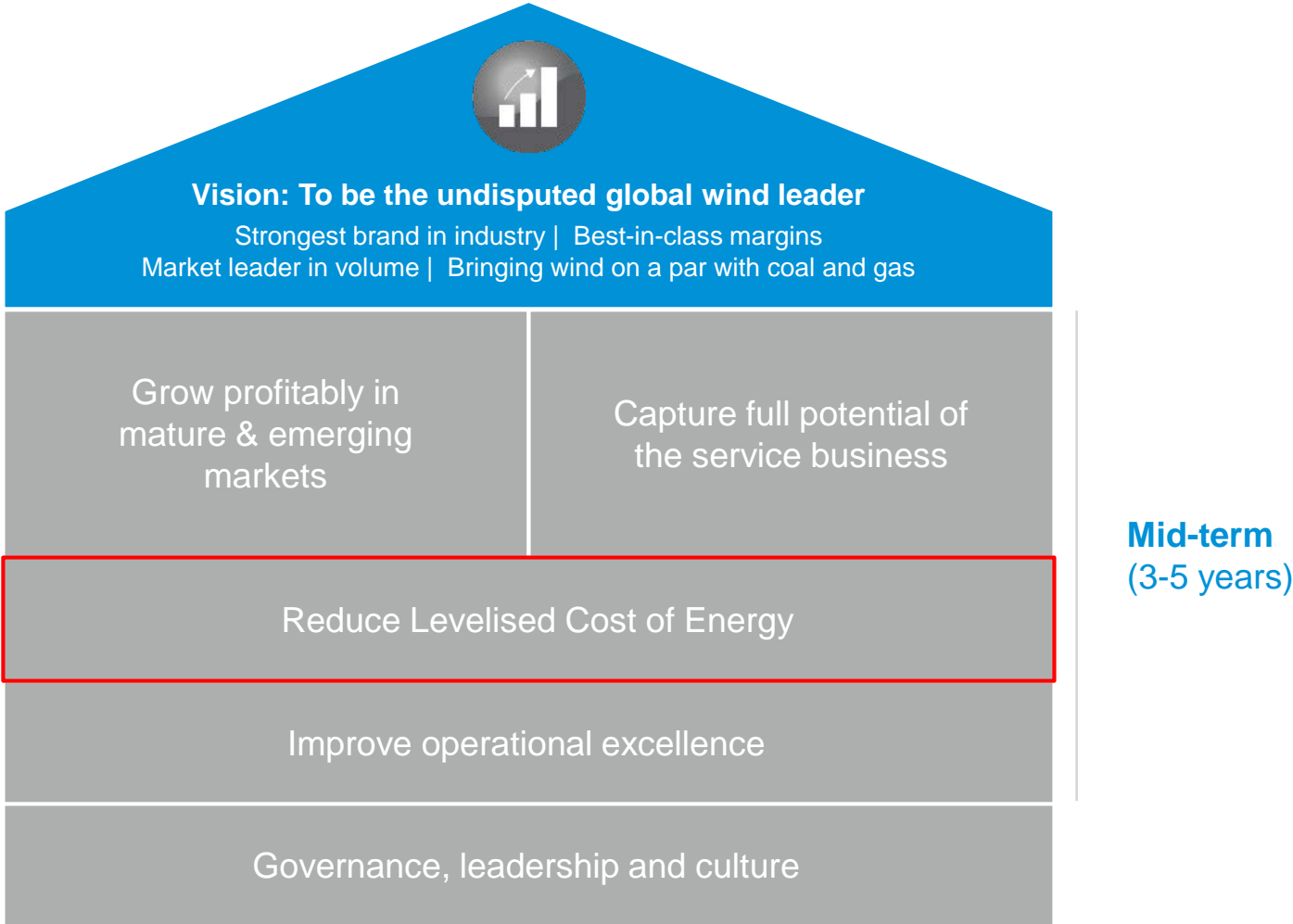
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Profitable Growth for Vestas

Reducing Levelised Cost of Energy to support Vestas' mid-term ambitions



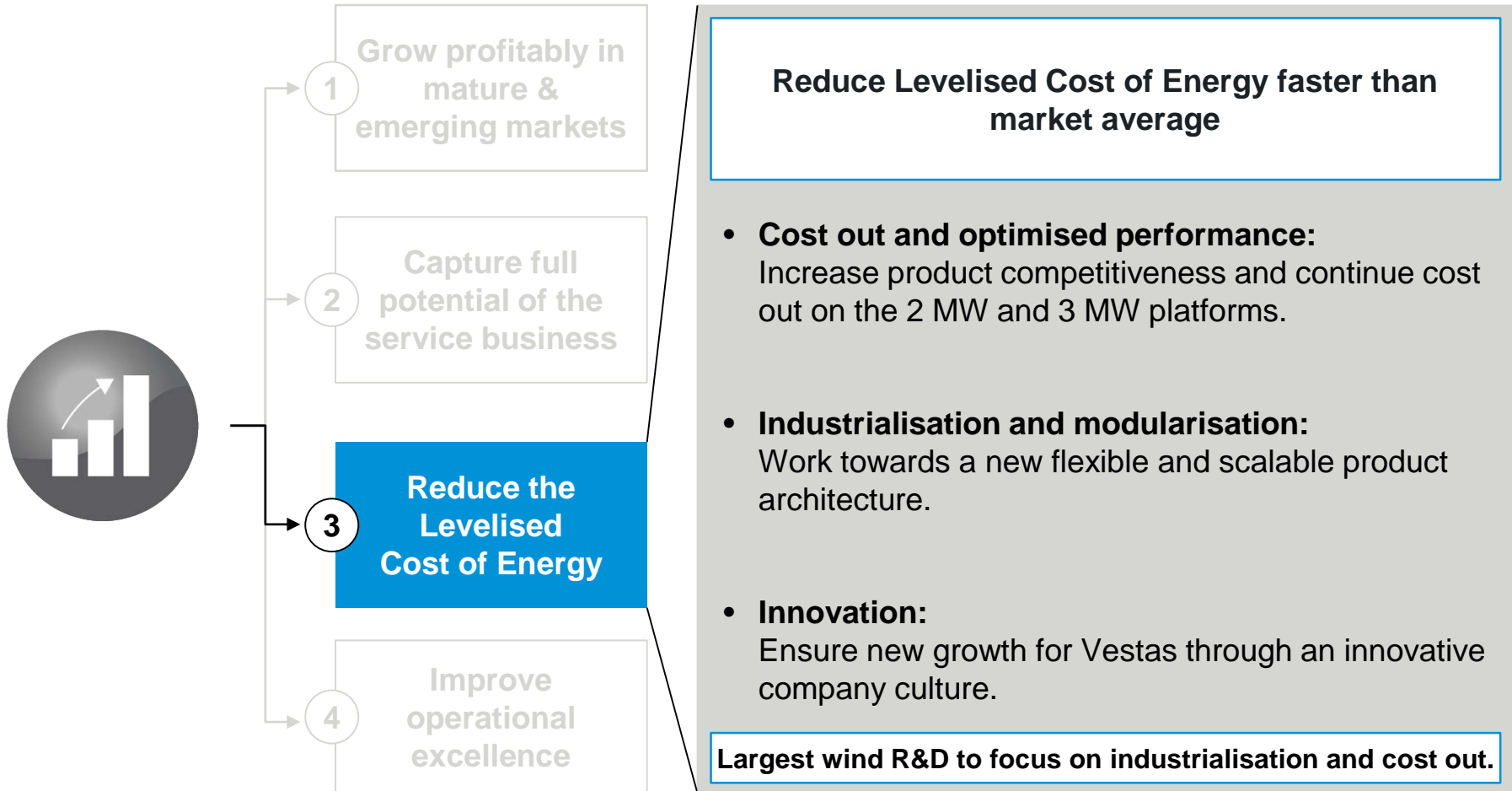
Reduce cost of energy faster than market average

Reducing Levelised Cost of Energy to support Vestas' mid-term ambitions

STRATEGY

OBJECTIVE

MID-TERM AMBITIONS & INITIATIVES



Introducing deep dives into strategic focus areas

Reduce Levelised Cost of Energy, innovation and industrialisation



Reduce levelised cost of energy

Johnny Thomsen, SVP, Product Management



Industrialisation and modularisation

Jorge Magalhaes, SVP, Engineering Solutions



Innovation

Jorge Magalhaes, SVP, Engineering Solutions

Agenda



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Capital Markets Day,
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1. Looking back: What have we done since 2012?

2. **Looking forward: What are the main strategic focus areas for product and service solutions?**
 - **Reducing the Levelised Cost of Energy**
 - Innovation
 - Industrialisation and modularisation

Hmmm, is that what we are talking about?

Complicated formula to be simplified into...

$$\text{LEC} = \frac{\sum_{t=1}^n \frac{I_t + M_t + F_t}{(1+r)^t}}{\sum_{t=1}^n \frac{E_t}{(1+r)^t}}$$

LEC = Average lifetime levelised electricity generation cost.

I_t = Investment expenditures in year t .

M_t = Operations and maintenance expenditures in the year t .

F_t = Fuel expenditures in the year t .

E_t = Electricity generation in the year t .

r = Discount rate.

n = Life of the system.

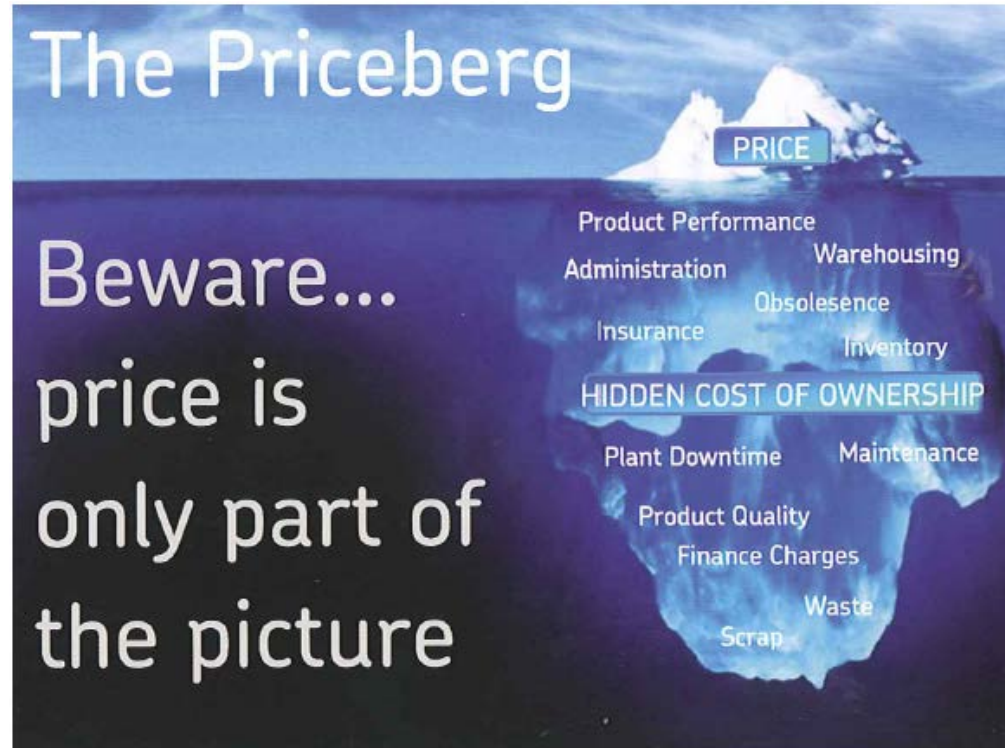
Hmmm, is that what we are talking about?

... something more tangible

$$\text{LCoE} = \frac{\text{Annualised CAPEX} + \text{Annualised OPEX}}{\text{Average Annual Energy Production}}$$

Being competitive

Cost of ownership is important...



... and in our industry it is called **Levelised Cost of Energy**.

Why is Levelised Cost of Energy important?

LCoE is important because...

1. Vestas needs to stay **competitive** and **increase shareholder value**.
2. **Customers request** wind power at lower cost of energy.
3. Wind **support schemes** are under pressure.
4. The world needs **clean, affordable and predictable energy**.

Levelised Cost of Energy for onshore wind

LCoE depends on different factors resulting in different cost of energy ranges for different sites

USD 37-187 per MWh



Production/wind climate



CAPEX



OPEX

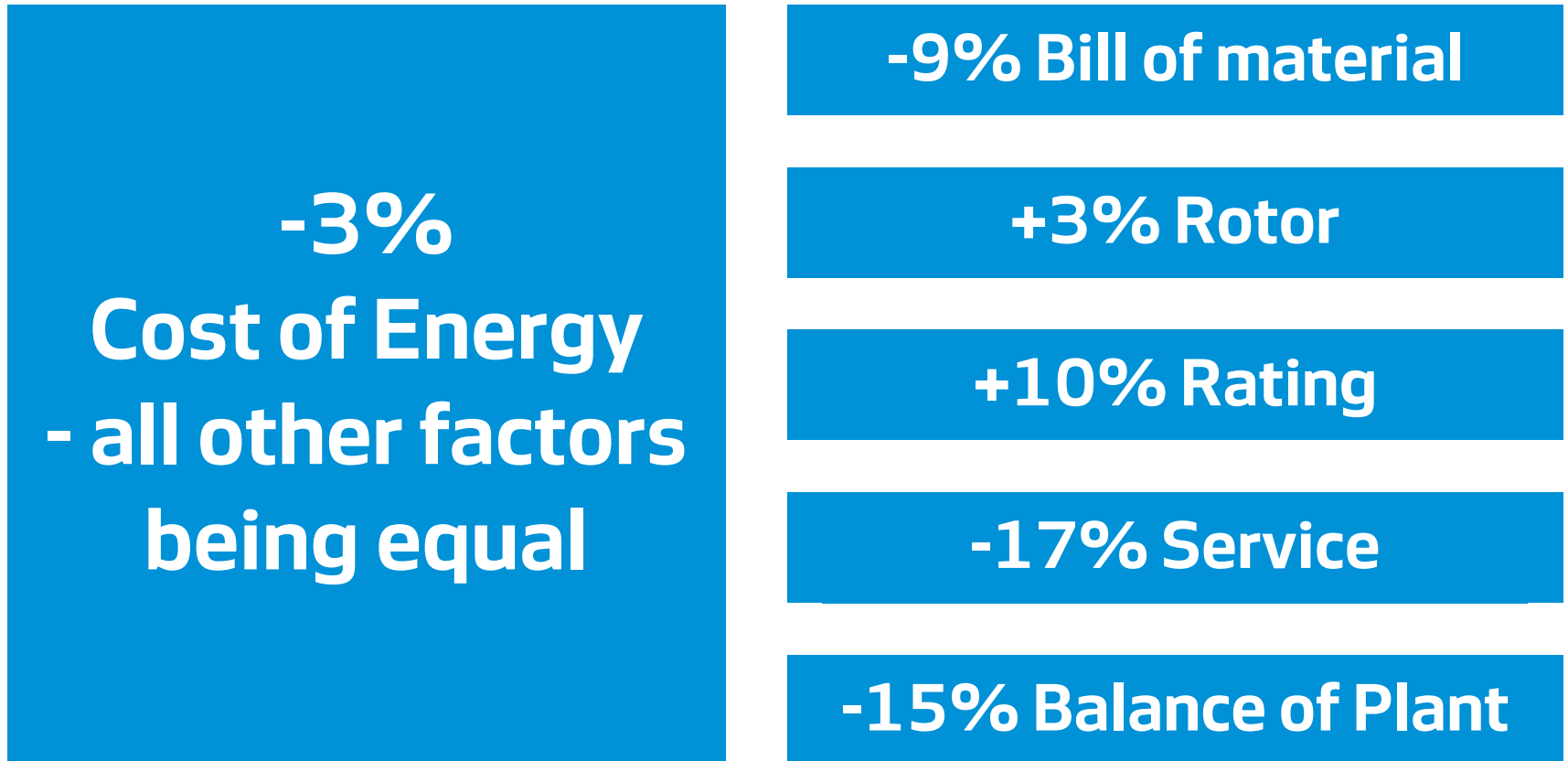


Finance cost

Source: Bloomberg New Energy Finance, January 2014.

What does it take to lower LCoE by 3 per cent?

Approximate figures

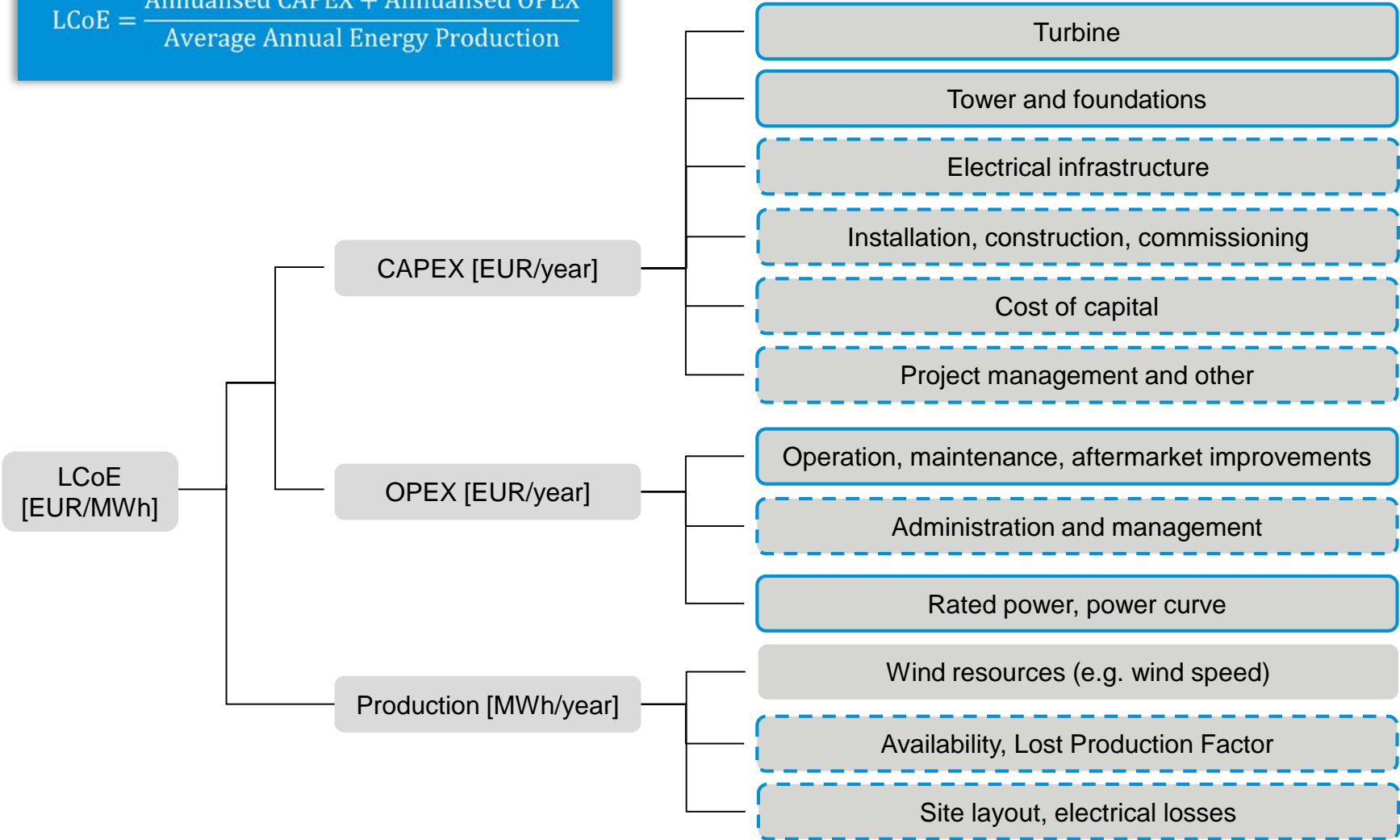


Levelised Cost of Energy

How much can Vestas affect?

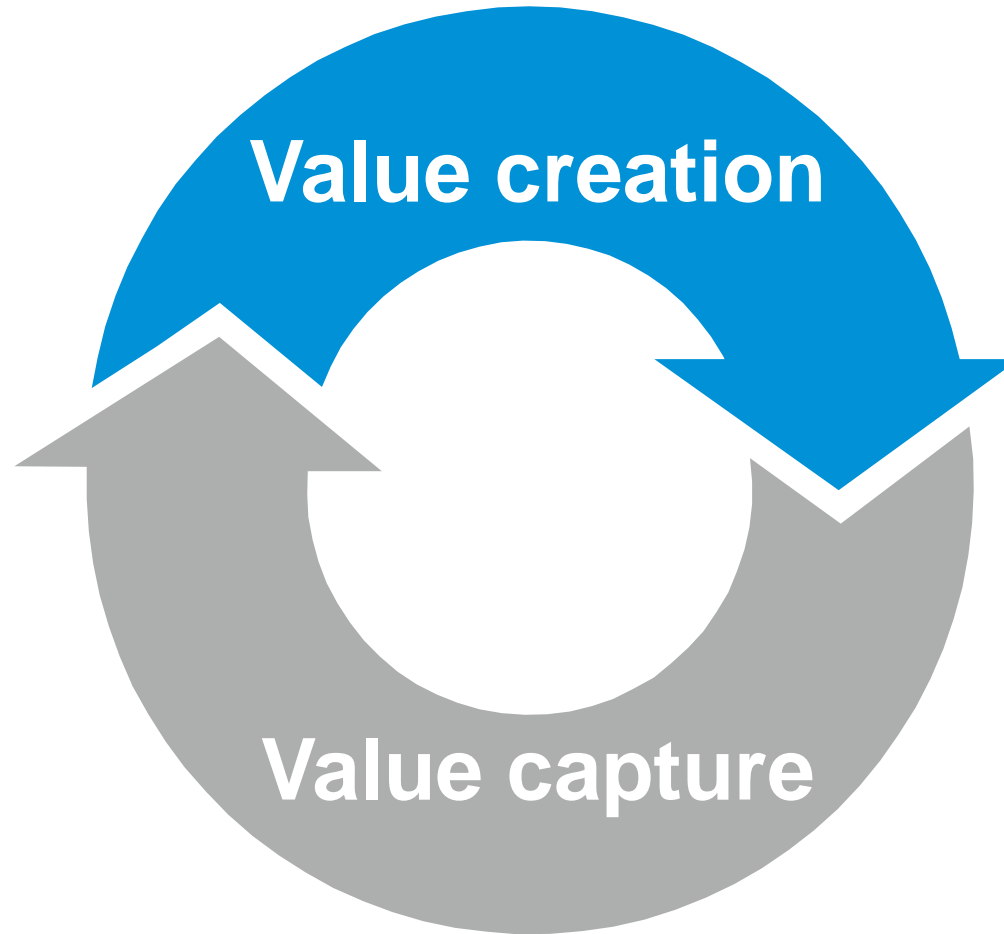
 Fully influenced by Vestas
 Partially influenced by Vestas

$$\text{LCoE} = \frac{\text{Annualised CAPEX} + \text{Annualised OPEX}}{\text{Average Annual Energy Production}}$$



Value creation and capture

A business case has to consider all aspects to improve ROIC and/or to create growth



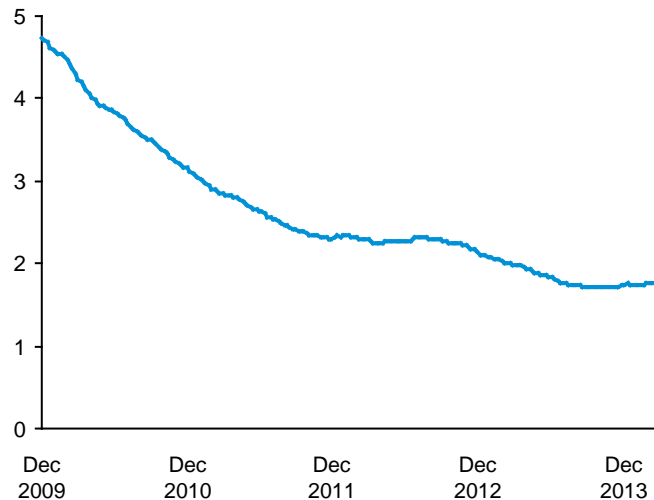
Examples

Turbine quality and operation strategies lowers LCoE

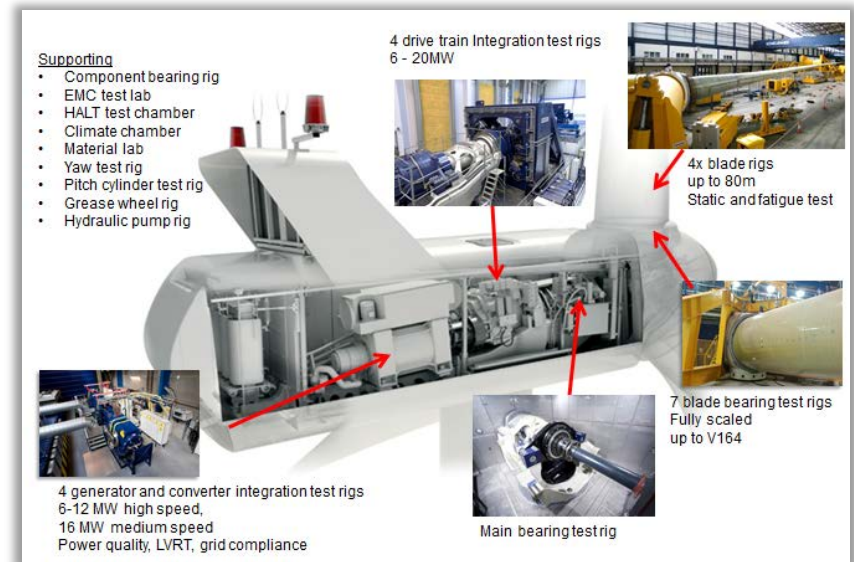
Examples on lowering cost of energy

Lost Production Factor (LPF)

Percentage



Testing facilities



Translates into 2.8 per cent more annual energy production on the installed base and for new turbines.

3 MW platform – standardising and modularising

Examples of lowering cost of energy

2012

2014



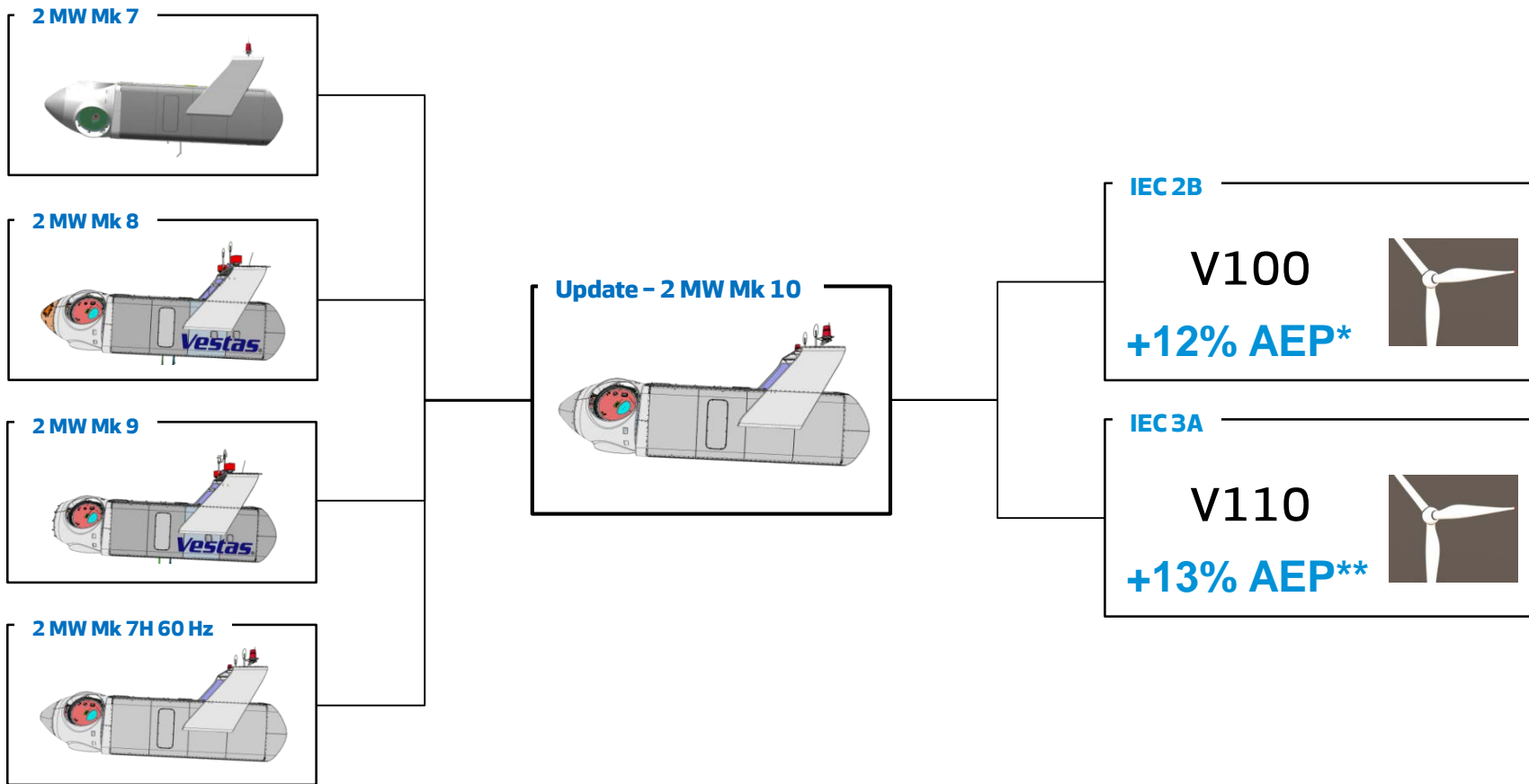
Note: AEP improvements depend on assumptions.
* Compared to V112-3.0 MW. ** Compared to V90-3.0 MW.

2 MW platform transition - simplification and AEP

Examples of lowering cost of energy

2012

2014



Note: AEP improvements depend on assumptions.

* Compared to V90-1.8/2.0 MW. ** Compared to V100-1.8/2.0 MW.

Large diameter steel tower for the 3 MW platform

Examples of lowering cost of energy



- 137 m tower for V126-3.3 MW.
- 141.5 m tower for V117-3.3 MW.

Vestas PowerPlus™ – LCoE improvements in the aftermarket

Examples on lowering cost of energy

Vestas PowerPlus™ is the newly launched product bundle for production improvement solutions dedicated to the aftermarket.

It currently consists of the following solutions:

- Power Uprate
- Extended Cut Out
- Aerodynamic Upgrades

Up to

5% AEP

Site-specific optimisation of control parameters and aerodynamic performance.

Building on extensive wind turbine knowledge and industry-leading R&D.

Note: AEP improvements depend on assumptions.

Summary

What have we learned

- 1** LCoE **continues to go down year-on-year.**
- 2** Vestas' ambition is **to lower LCoE faster than the market in general.**
- 3** The **new product roadmap** focus initiated in 2012 resulted in products and services with lower LCoE. This contributes to a **strong order intake and growth possibilities.**
- 4** To create profitable growth, Vestas will maintain a strong focus on **capturing the value of the LCoE improvements.**
- 5** Vestas **focuses on all parts of the value chain.** Vestas uses its **global reach and combined knowledge about wind technology & operations.**

Agenda



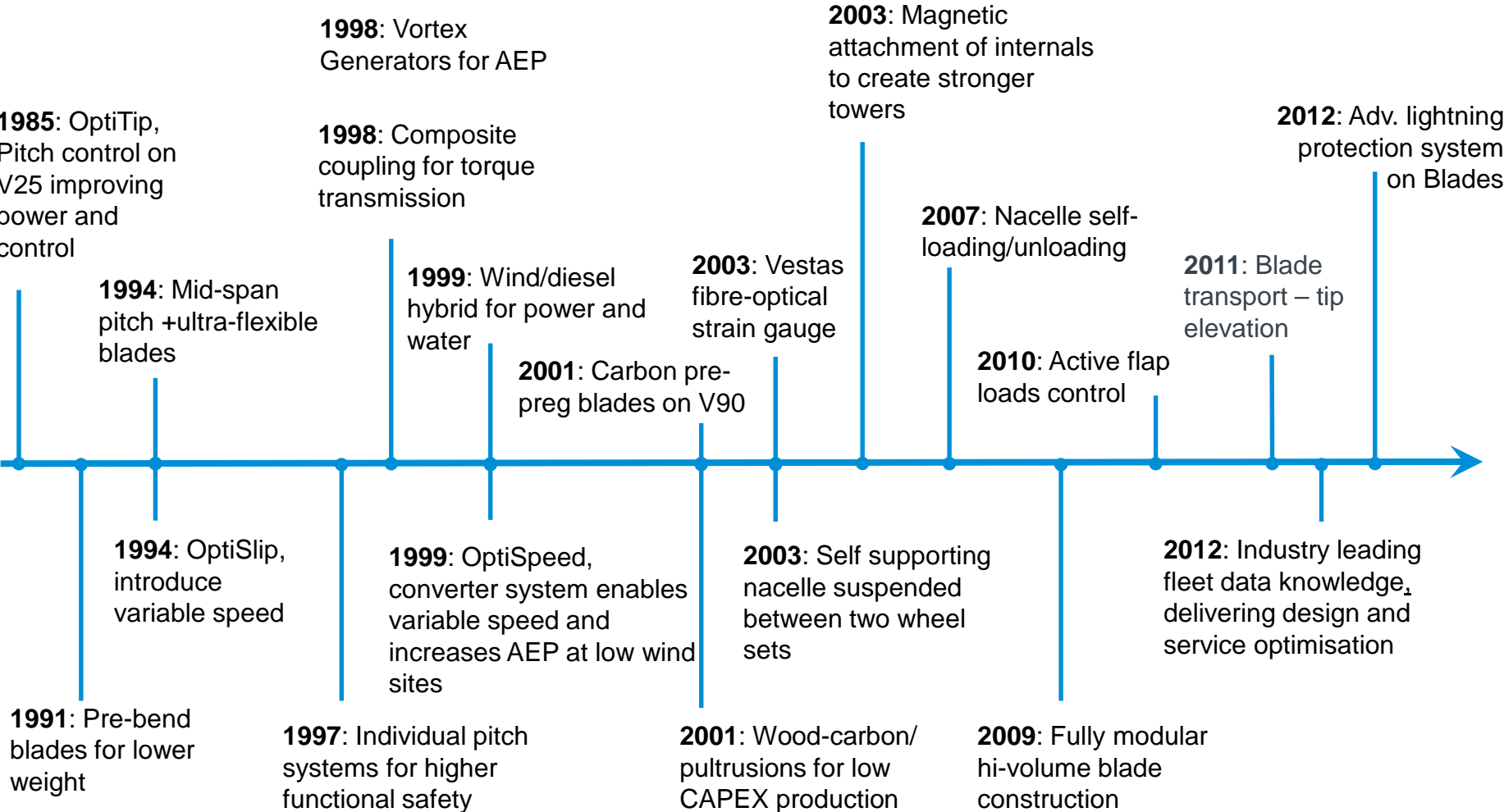
Vestas[®]
Capital Markets Day,
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1. Looking back: What have we done since 2012?

2. **Looking forward: What are the main strategic focus areas for product and service solutions?**
 - Reducing the Levelised Cost of Energy
 - **Innovation**
 - Industrialisation and modularisation

Building on a strong innovation heritage as pioneer in wind

1,100 patent applications filed and ability to commercialise innovation at scale



What is the purpose of innovation at Vestas?

Ensuring competitive products and capabilities also in the long-term

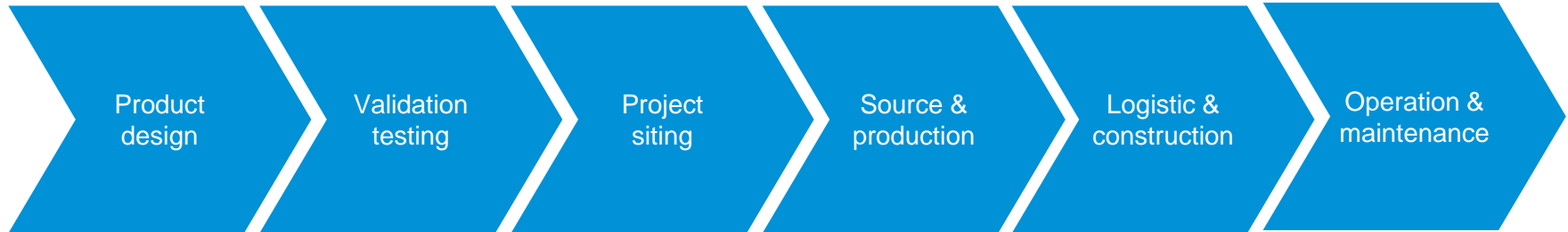
To bring **commercially relevant, game-changing ideas** to the market in a **profitable** way, enabling Vestas to fulfill its vision:

“To be the undisputed global wind leader.”



How will we do that?

Focus on the entire value chain



Innovation culture

- Build on Vestas' capability to innovate across the value chain ... unleash it throughout the organisation.
- Share knowledge and collaborate.

External leverage

- Highly networked with thought leaders in academia and in the industry.
- Complementary competences to solve application-specific challenges.

Business driven

- Efficient and effective idea selection and incubation.
- Commercially driven innovation in selected target areas: managed as a portfolio of time-to-market and risk/reward opportunities.



Example Product: New generation structural shell blades

Innovation across the value chain: Design, manufacturing and transportation

Enables delivery of a 110 m rotor on the proven 2 MW platform:

- Innovative aeroelastic carbon design ensures light-weight, low-load blades.
- Flexible, scalable, low-CAPEX architecture
- Vertical integration enables rapid roll-out of structural shell technology across all wind turbine platforms
- New transportation mechanism allows low-cost delivery to customer

Example Product: Large diameter steel tower (LDST)

Innovation across the value chain: Design, manufacturing and transportation

Vestas has launched the Large Diameter Steel Tower, a **cost effective solution to increase tower height** for 3 MW turbines to over 140 m. The new solution **boosts annual energy production and reduces cost significantly** compared to concrete/hybrid towers.

- **Faster, mature and 100 per cent recyclable.**



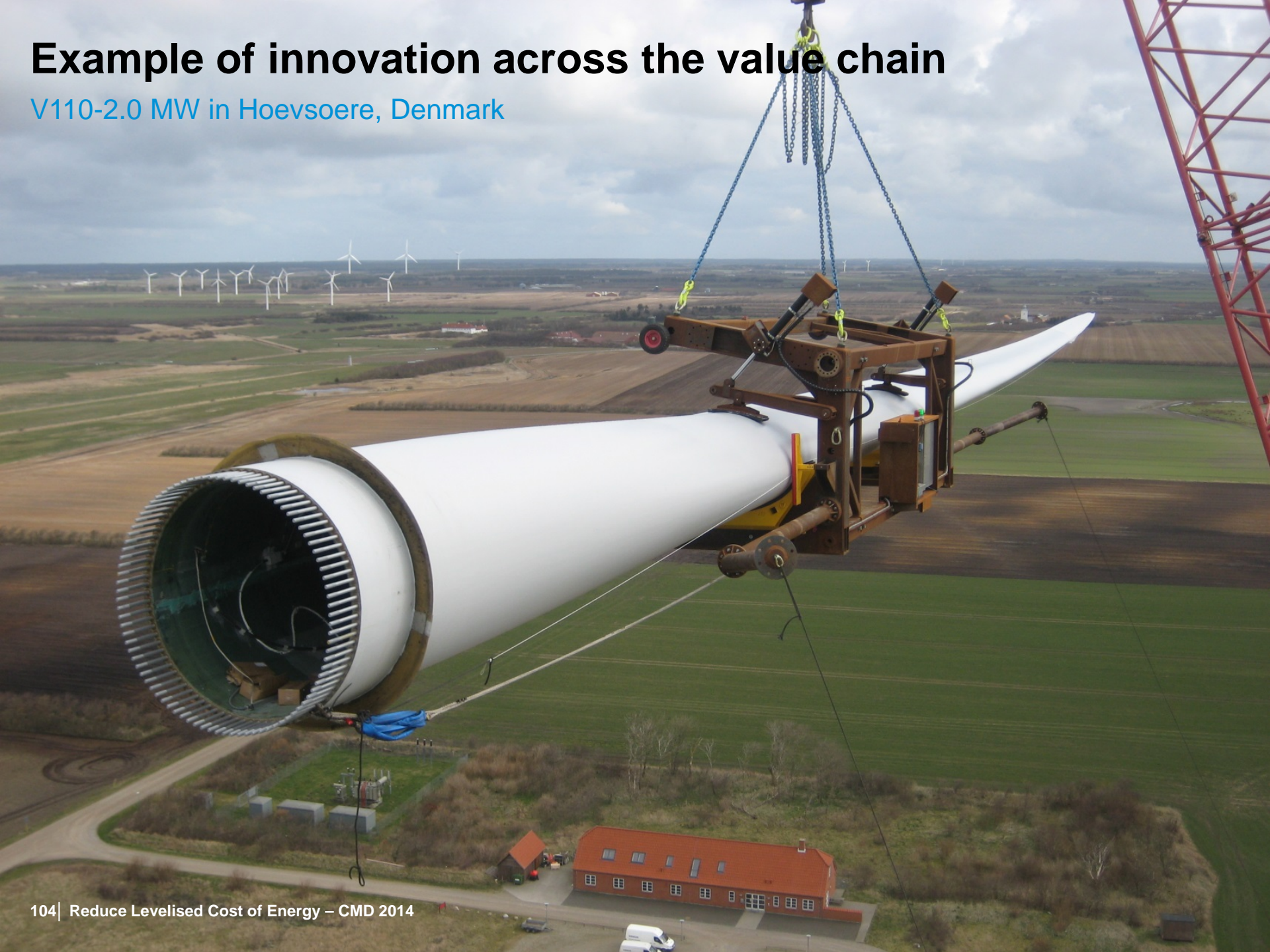
Example of innovation across the value chain

Foundation for the V126-3.3 MW prototype at Oesterild, Denmark



Example of innovation across the value chain

V110-2.0 MW in Høvsøre, Denmark



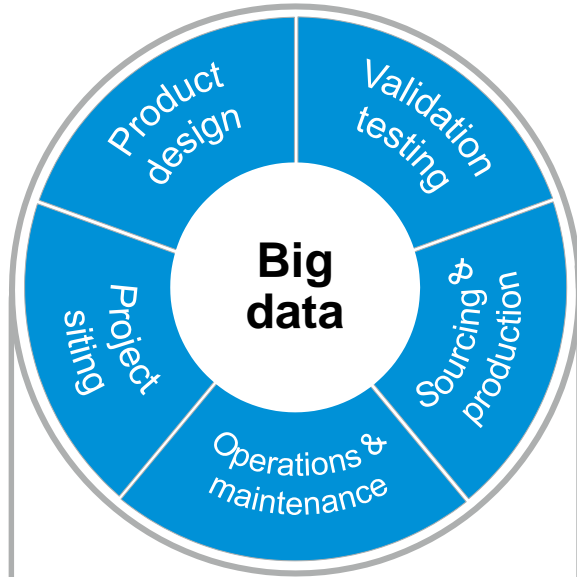
Example of innovation across the value chain

Tooling and transport: V126-3.3 MW blade lift test in Lem, Denmark



Example: Big data-driven solutions for wind power plants

Integrating data insights from value chain with state-of-art analytics and supercomputing



47 GW Monitored:

+25.000 wind turbines

Data every **10th minute**

24/7 surveillance

Up to **500** data points



Continued leadership in design capability for WPP* (Siting) & Operations



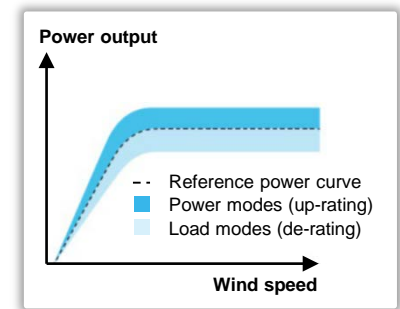
* Wind Power Plant.

Example: Maximising site-optimality of wind power plants

The ability to optimise every link of the WPP- from the wind to electrons to local conditions

Via sentient controls that allow turbines to run harder and smarter (load & power modes)

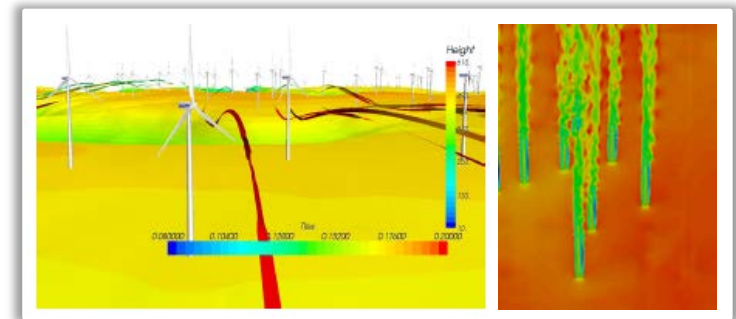
- PowerPlus™ commercial launch: up to 5 per cent increase of Annual Energy Production (AEP) when combined with aero upgrades.
- Load Dependent Operation: allows siting in harsher climates or conditions.



Via site-specific towers to reduce cost

Via smarter wind power plant operations

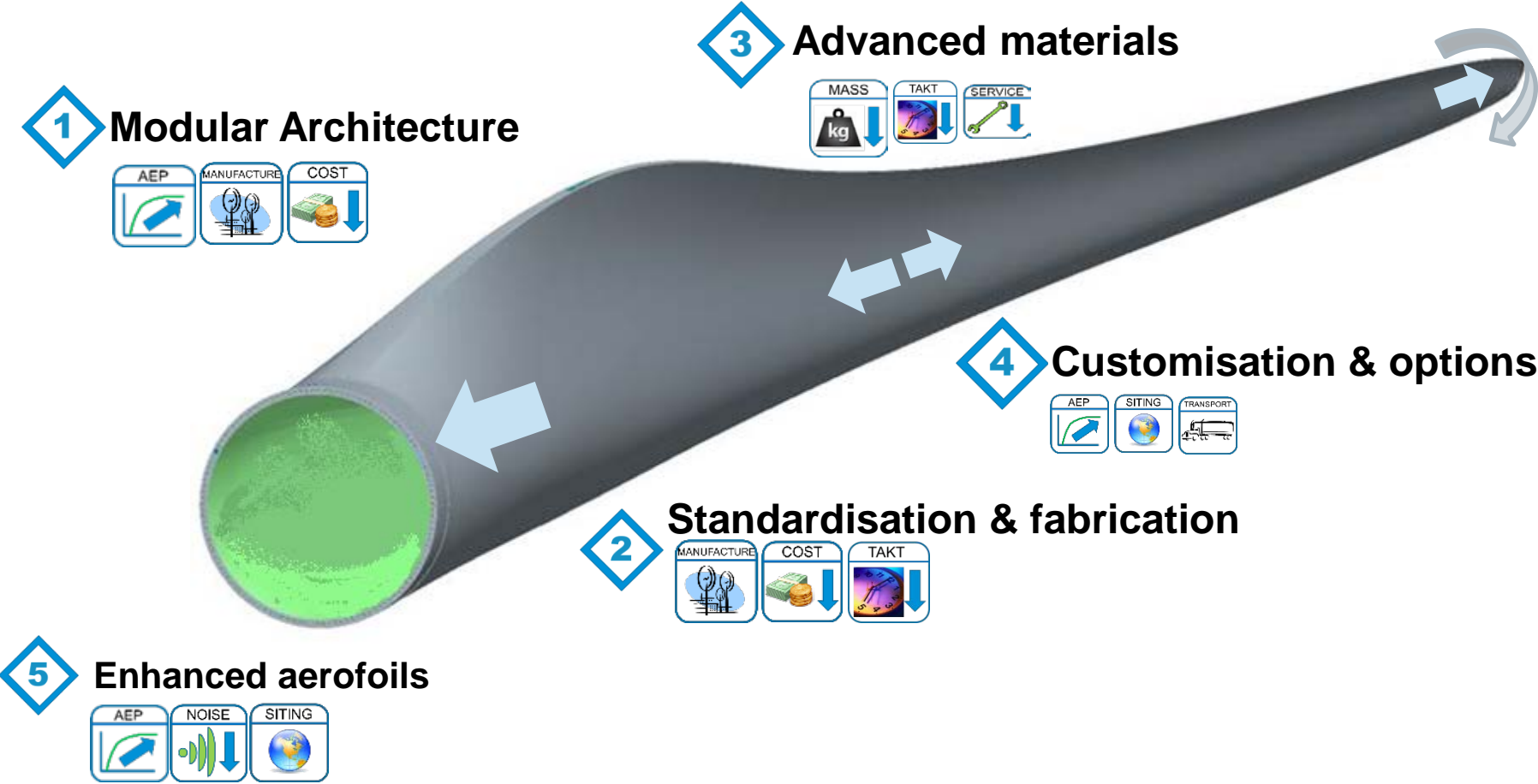
- Increased energy and reliability/life.



Hi-fidelity simulations to characterize farm-level phenomena.

Vestas blades – architecture and focus

High performance, manufacturability, supply chain efficiency and lowered costs



Challenges and focus areas across the value chain

High performance, manufacturability, supply chain efficiency and lowered costs

Future power plants and services

- Wind turbines which are simple, auto-configured on set-up, self-monitoring and self-adapting to site and specific conditions.



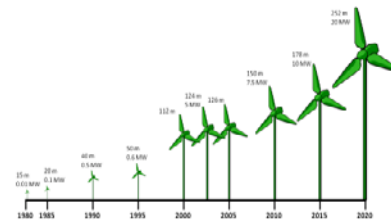
New capabilities for construction

- Minimise the need for cranes.



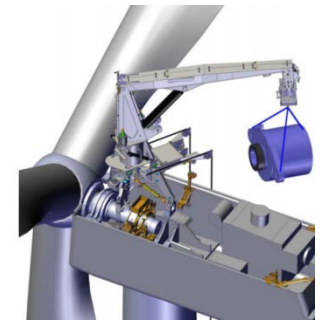
Innovation to ensure future transportability

- Modularity to enable more cost-effective transportation.



New capabilities for maintenance

- Continued focus on creative ways to reduce OPEX.



Agenda



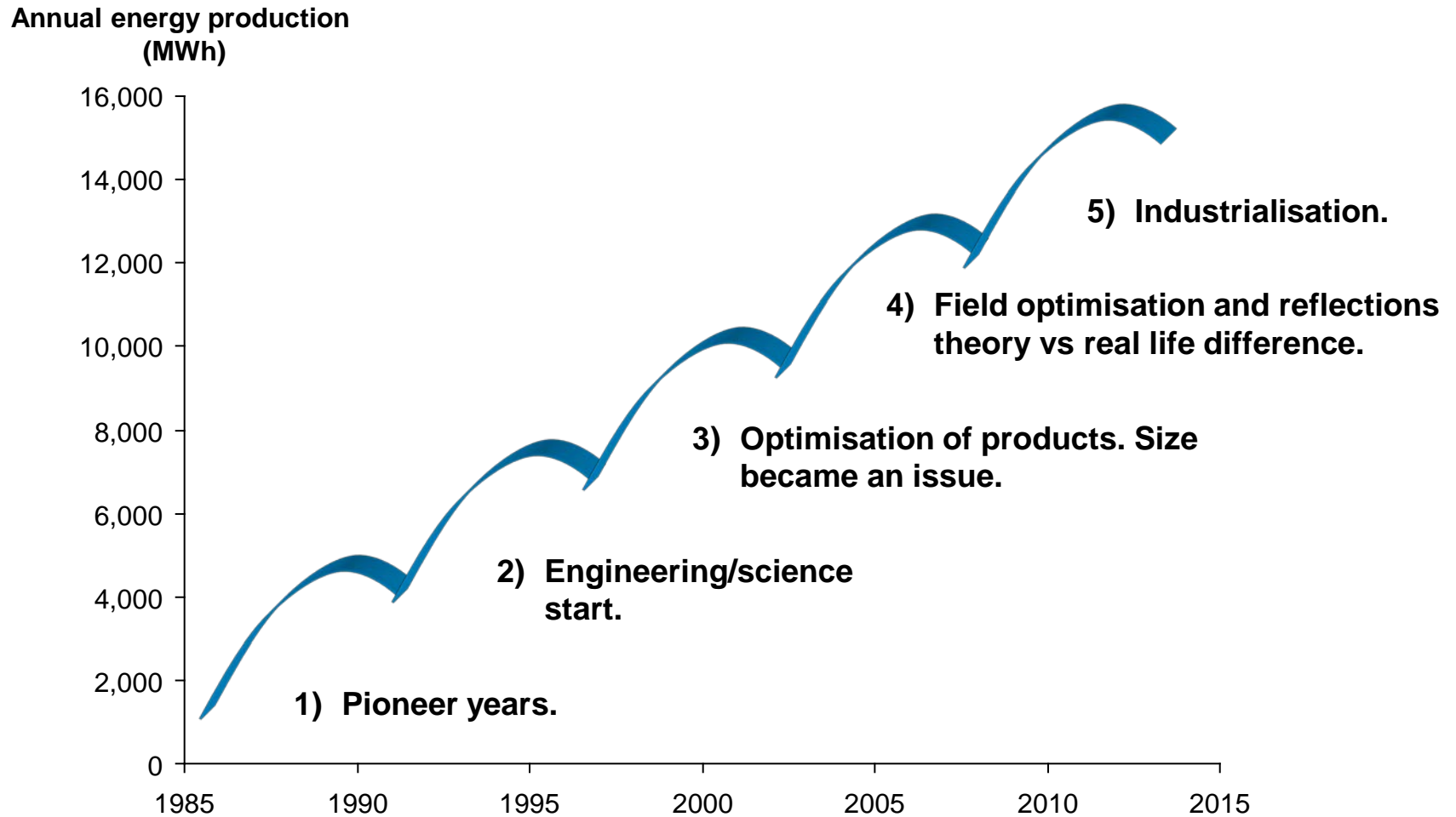
Vestas[®]
Capital Markets Day,
12 June 2014

1. Looking back: What have we done since 2012?

2. **Looking forward: What are the main strategic focus areas for product and service solutions?**
 - Reducing the Levelised Cost of Energy
 - Innovation
 - **Industrialisation and modularisation**

25 times more Annual Energy Production now than in 1985

From pioneer years to industrialisation



What is the objective of industrialisation?

Flexibility, speed and cost

To offer more **options** and **flexibility** to the market and supply chains **faster** and with significantly **reduced internal complexity and cost.**

What is industrialisation?

Moving from “one-size-fits all” to customer configurability based on standardised building blocks

Modularisation

- All products share the same architecture and the same interfaces, enabling configurability through a selection of modules suiting the actual customer needs.

Standardisation

- Scalable modules and components are reused across product families to focus the engineering effort, ensure economy of scale, and ease operations.

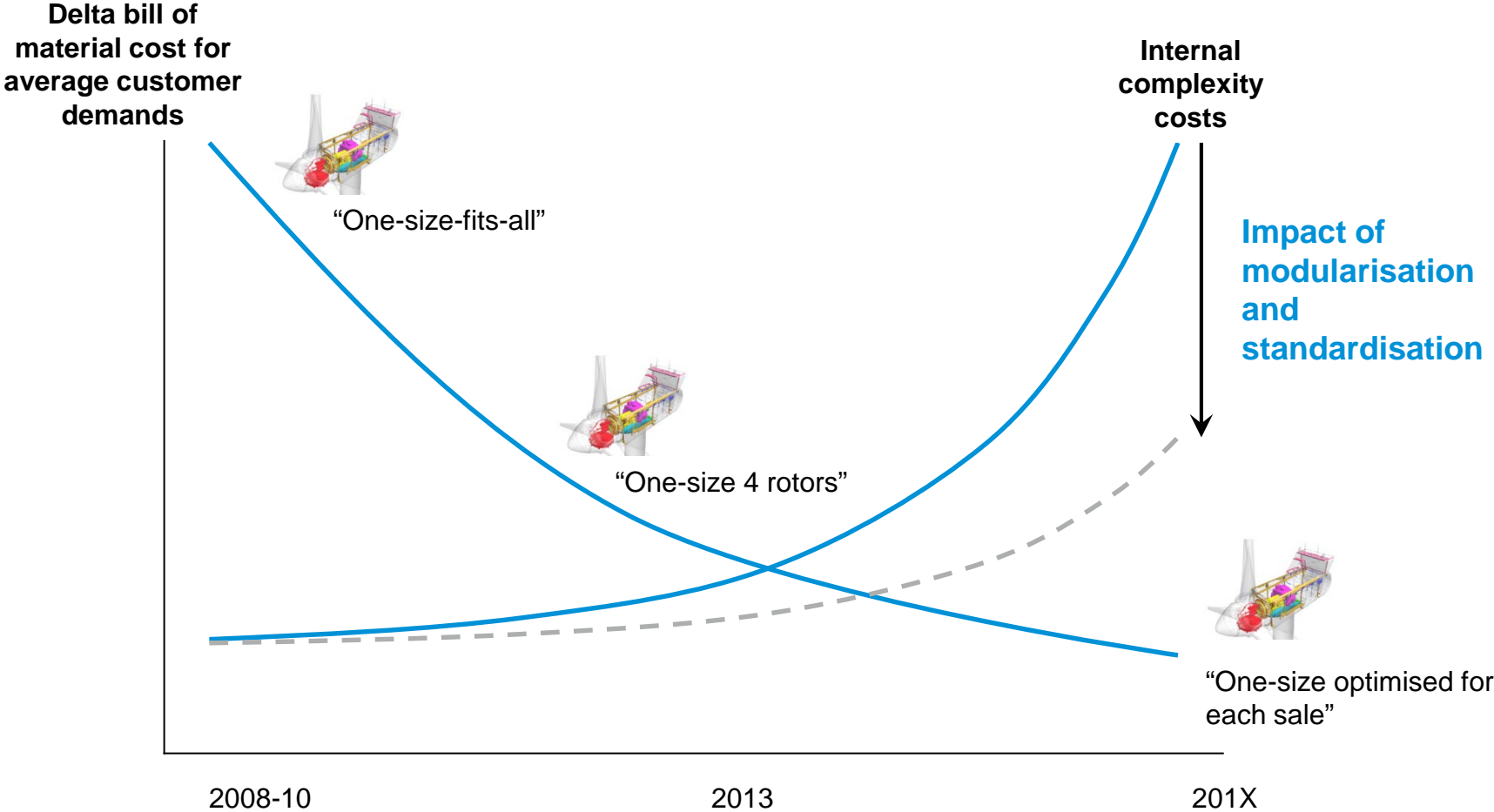
Industrialisation addresses key market challenges

Enabling flexibility in design to enable right market requirements at right time and right cost

1. **Global varying and diverse requirements:** Being the most global player, Vestas is exposed to the largest demand for variety in performance, compliance, service and supply chain requirements.
2. **Market uncertainty:** It is challenging to predict the markets' needs for turbine configurations, but we can foresee how variation will impact the design.
3. **Increasing local content:** Demand for local content requires design to accommodate cost effectively.
4. **Supply chain flexibility through asset-light strategy:** Vestas has historically been highly vertically integrated. Going forward, we will to a greater extent leverage and source from suppliers.

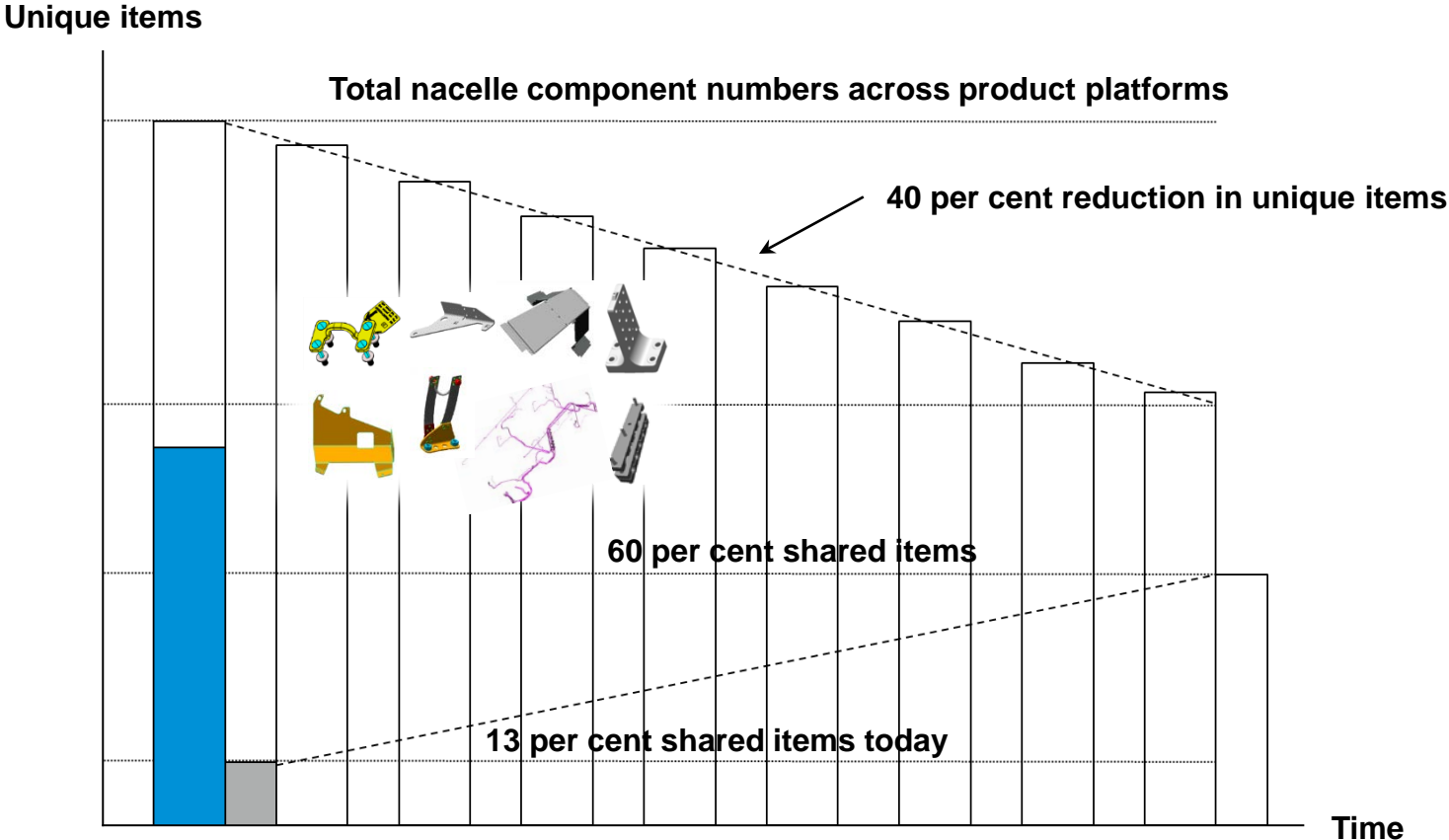
More value propositions at lower complexity

Illustration



Part simplification and re-use across platforms

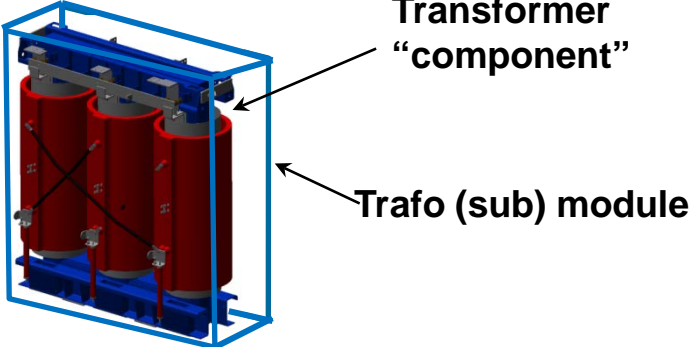
Illustration



Modularity on sub-module level in practice

Examples

Transformer component




Transformer
"component"

Trafo (sub) module


Sales configurator linked to BoM*.

Hydraulic module design across 2 and 3 MW

Old



New



Sub-module level – still ensure use of standard components.

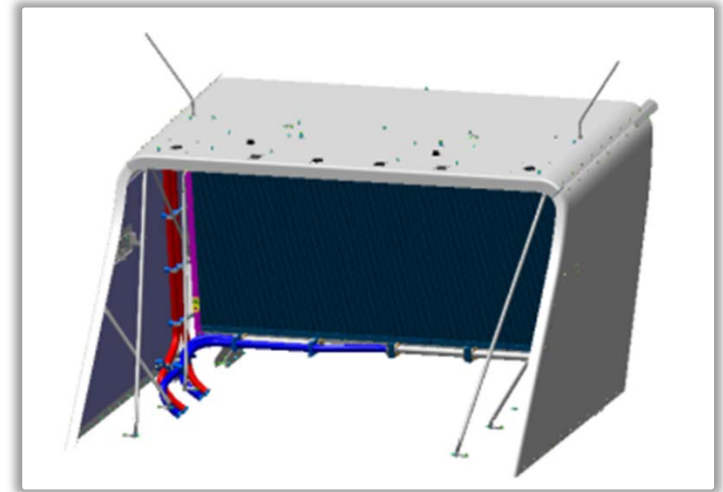
* Bill of Material.

Sourcing of design and assembly at sub-system level

Close collaboration with suppliers

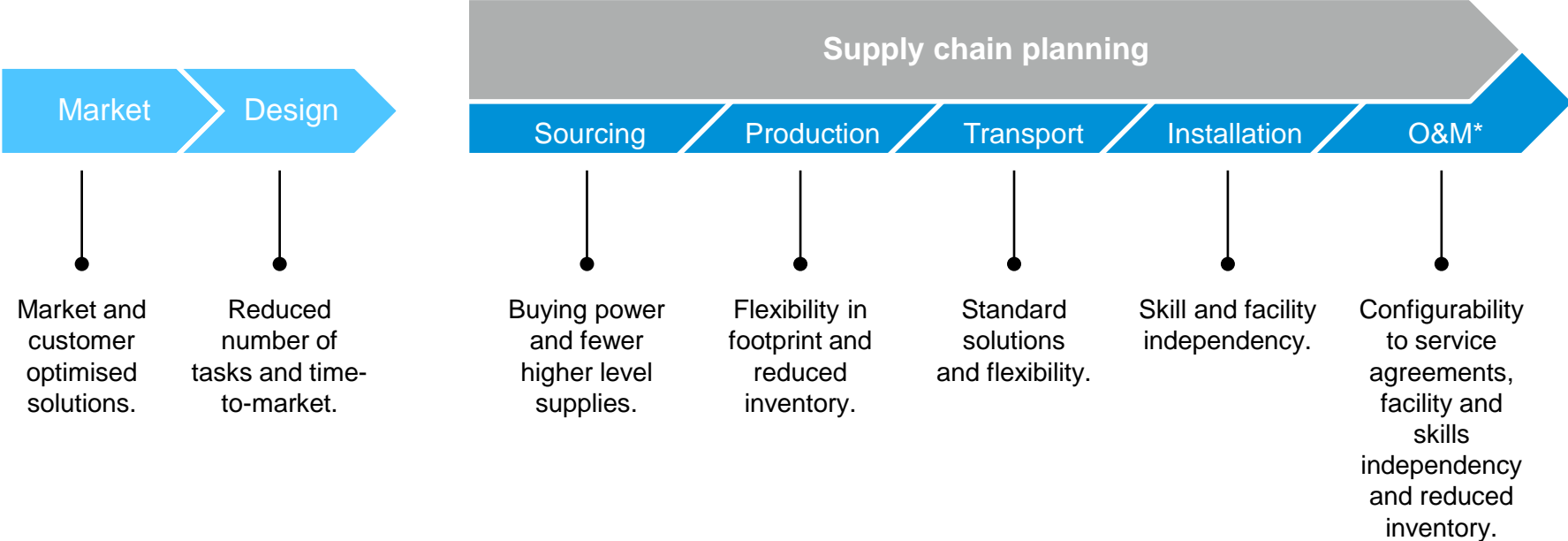
Benefits for Vestas

- Part simplification – 150 to 1.
- Supplier simplification – from 30 to 1.
- Transferred value chain responsibility.
- Reduced number of internal transactions.
- More resources for core technology projects.



Full value chain and life cycle impact

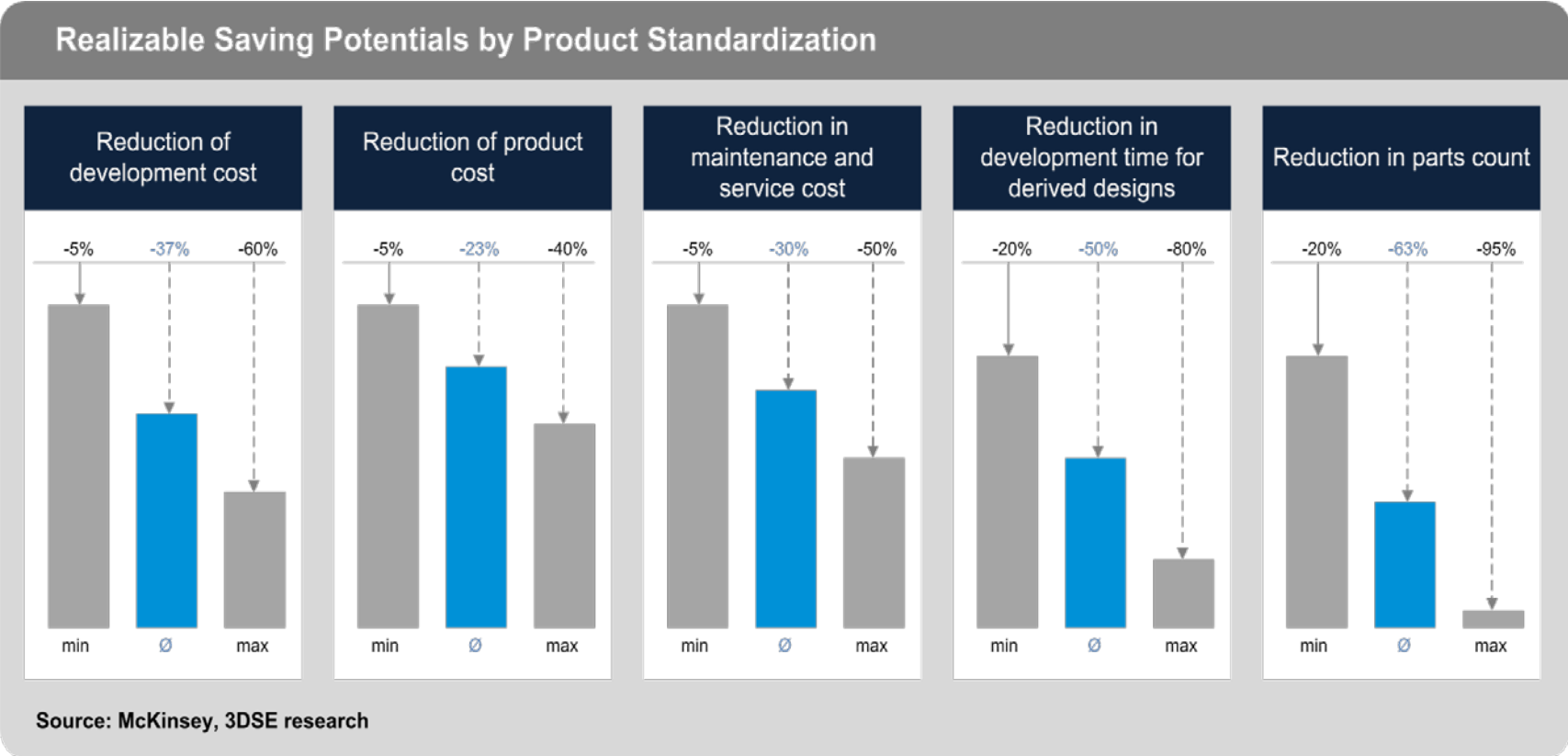
Cost model used for holistic cost and trade-off analyses



* Operations & maintenance.

Externals' view on potential savings by standardisation

Significant reduction in bill of material, fixed costs and time-to-market



Summary

What have we learned

- 1** Innovation, building on creative heritage and **commercially focused, highly leveraged and networked** and focused on developing a **sustainable culture** that delivers **game changing profitable ideas**.
- 2** Innovation focused across the **entire value chain**.
- 3** Industrialisation will offer more **options** and **flexibility** to the market and supply chain **faster** and with significantly **reduced internal complexity and cost**.
- 4** Industrialisation focused on **modularisation** and **standardisation**.
- 5** Benefits of industrialising platform are **significant** across the **value chain**.

The Vestas logo is positioned in the top left corner of the image. It features the word "Vestas" in a white, italicized, sans-serif font, followed by a registered trademark symbol (®). The background of the top half of the image is a vibrant blue sky filled with wispy white clouds, suggesting a clear, sunny day. A subtle, curved white graphic element is visible on the left side of the sky.

Wind. It means the world to us.™

Thank you for your attention

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Q&A

Agenda for Vestas Capital Markets Day 2014

Time	Topic	Speakers
09.30-10.00	Introduction	Anders Runevad, Group President & CEO Marika Fredriksson, Executive VP & CFO
10.00-11.00	Grow profitably in mature and emerging markets	Juan Araluce, Executive VP & CSO
11.00-11.30	Break	
11.30-12.30	Capture full potential of the service business	Christian Venderby, Group SVP and Head of Service
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Improve operational excellence

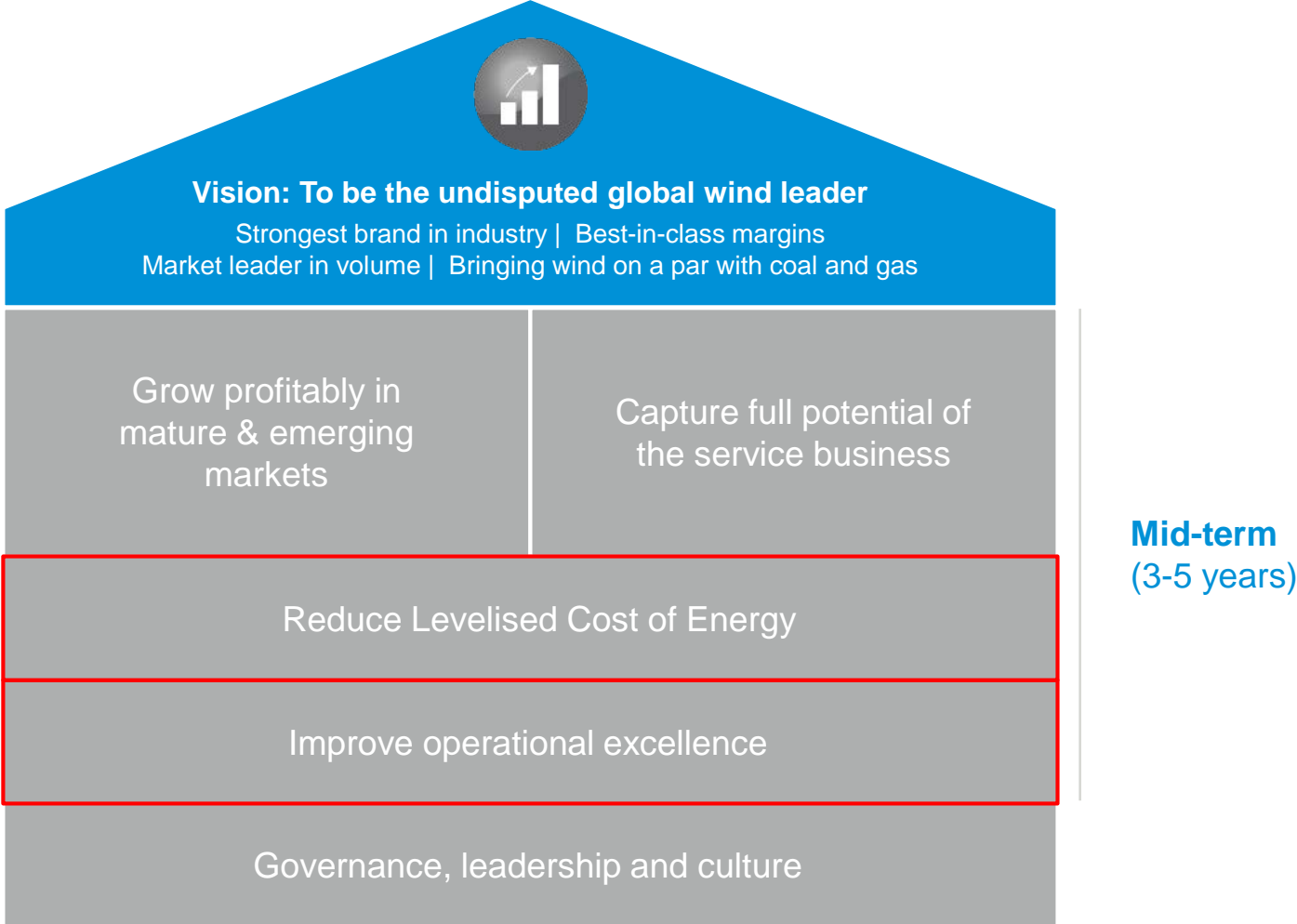
Jean-Marc Lechêne, Executive VP & COO

Albie Van Buel, GSVP, Global Sourcing

Aarhus, 12 June 2014

Profitable Growth for Vestas

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



Agenda



Vestas[®]
Capital Markets Day,
12 June 2014

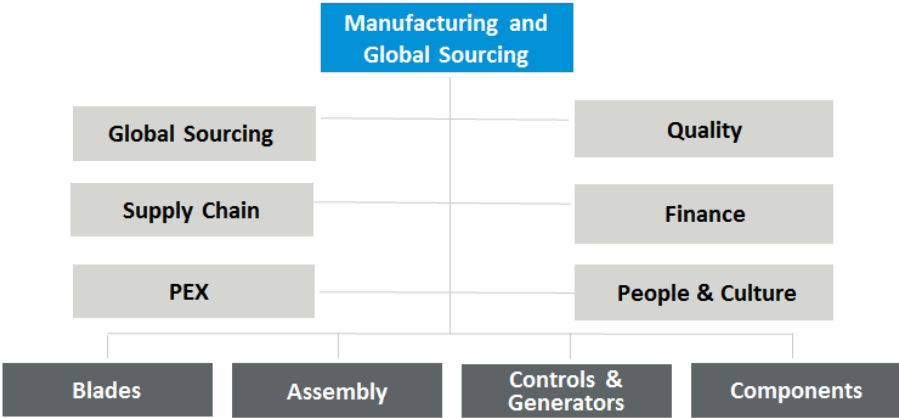
- 1. Lower costs while more flexible and asset-light**
2. Global Sourcing

A leaner and more streamlined organisation

Merging the four production business units into one and reducing employees by +40 per cent

New organisational setup

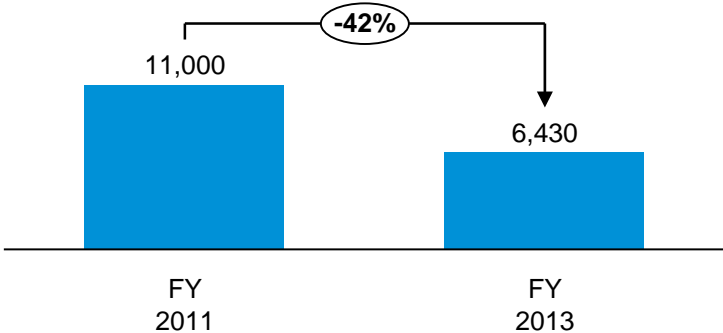
From 4 to 1



Employee reduction

42 per cent

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



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:

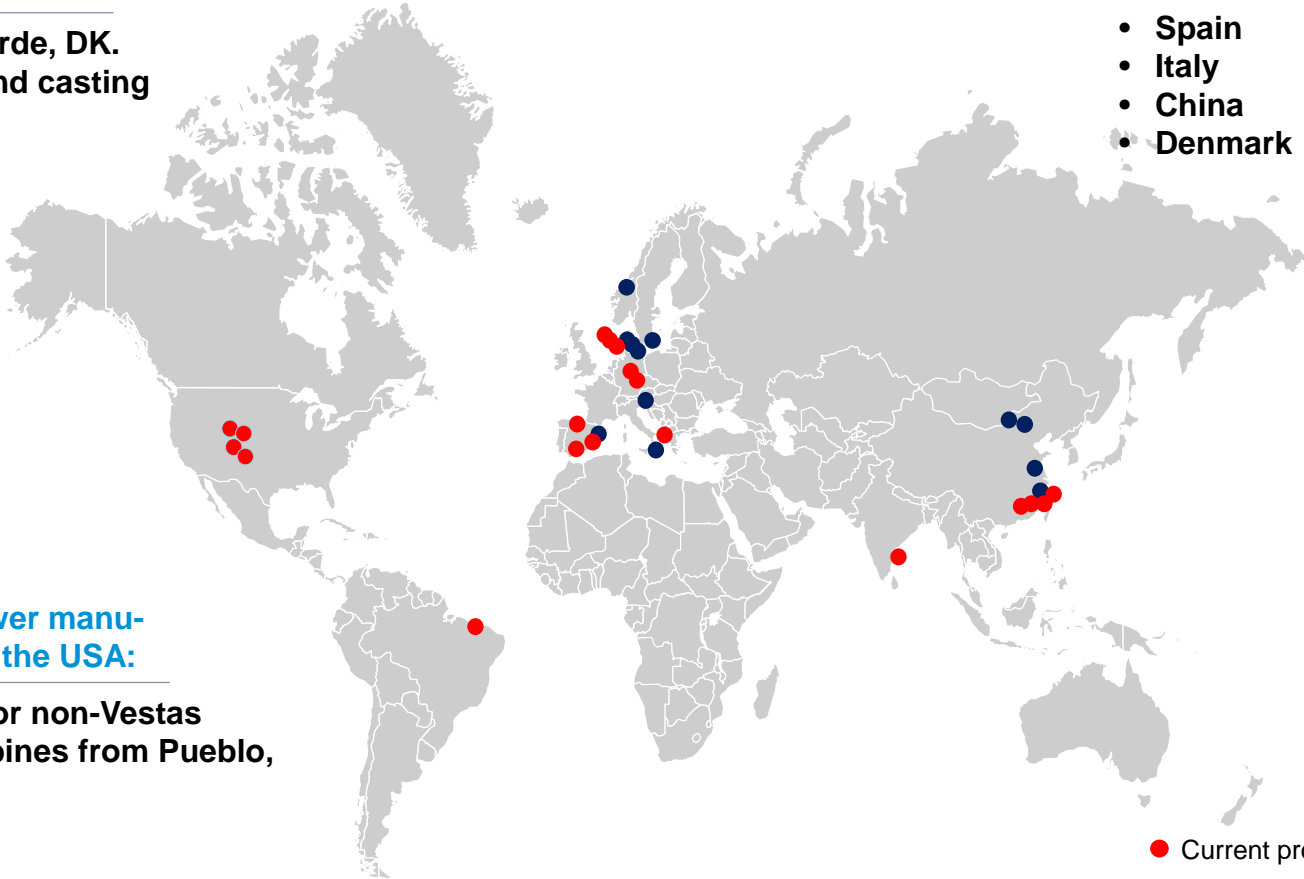
- Towers in Varde, DK.
- Machining and casting units.

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

Nacelles:

- Phase in and ramp up 3.3 MW nacelles for V105, V112, V117 and V126.
- Ramp up 2 MW production to meet US demand.
- Preparation of factory in Brazil.

Blades:

- Ramp up production to meet demand.
- Phase in new blades in the manufacturing process.

Controls & Generators:

- Ramp up production to meet demand.
- Establish supply chain as required in emerging markets, e.g. local content.
- Implementation of standardisation/-industrialisation processes.

Towers:

- Update surface treatment facility to add capacity to meet demand in the USA.
- Implementation of five new tower designs in production, including the V110 and V117.

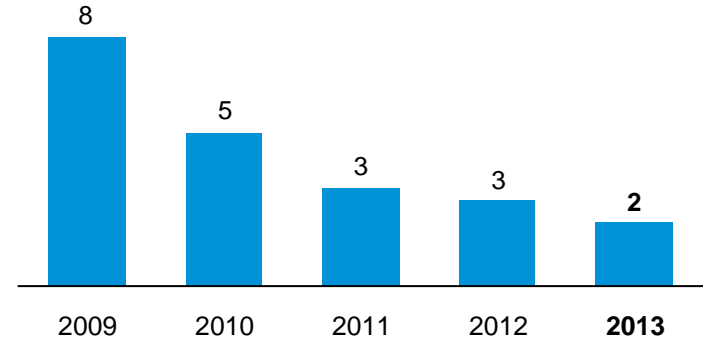
But we must not forget safety and quality

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.

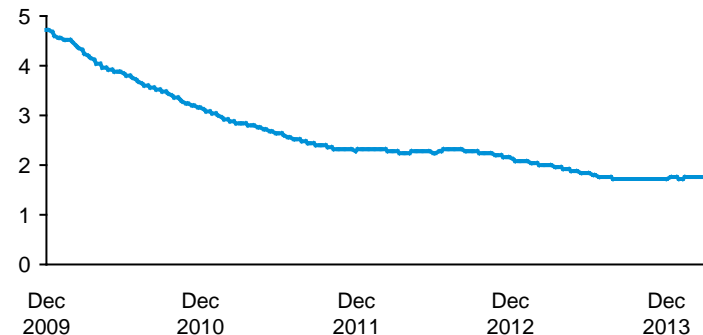
Incidence of lost time injuries (LTI)
Per one million working hours



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.

Lost Production Factor (LPF)
Percentage



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.

Agenda



Vestas[®]
Capital Markets Day,
12 June 2014

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**.



Agenda



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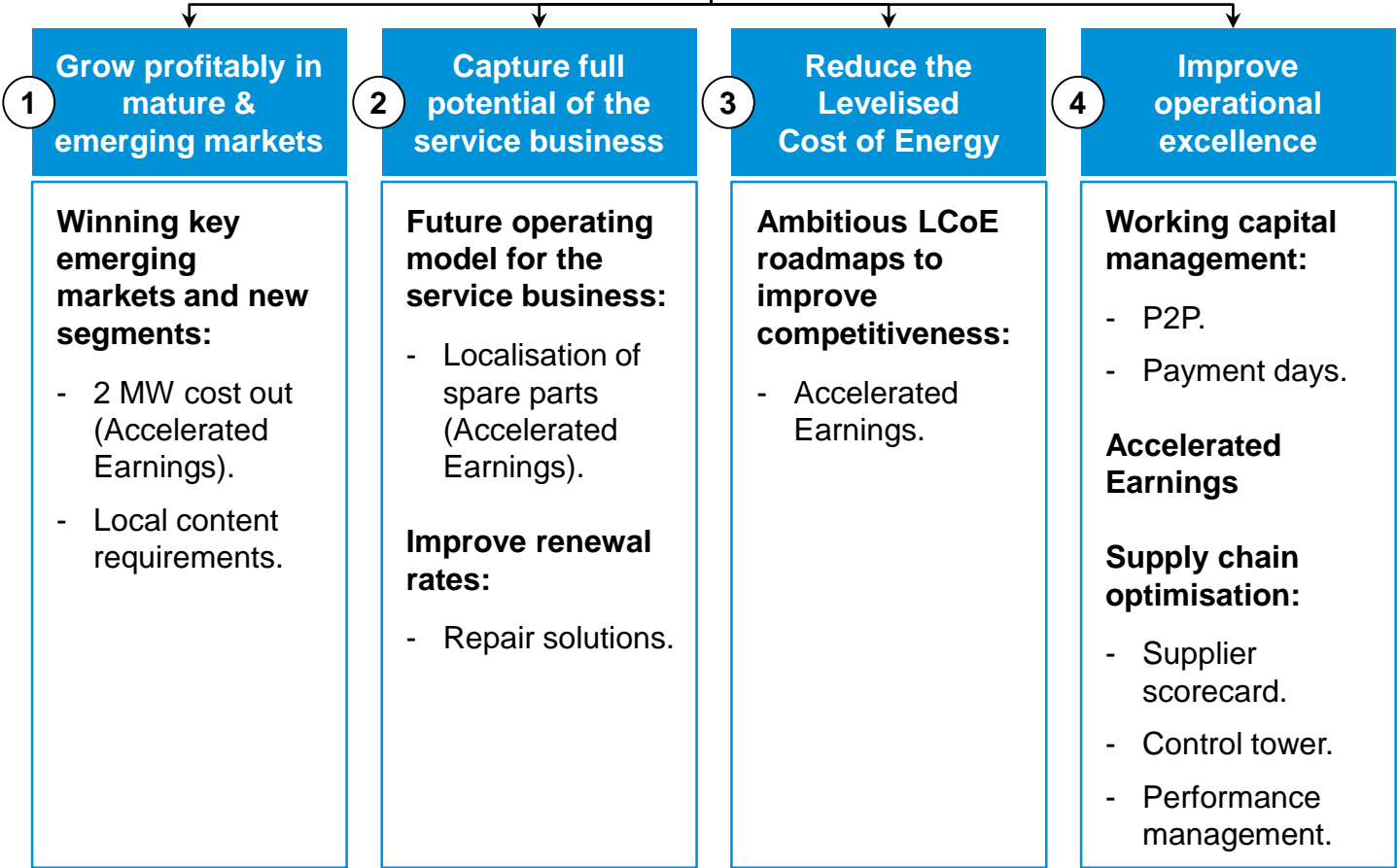
Profitable Growth for Vestas

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

STRATEGY

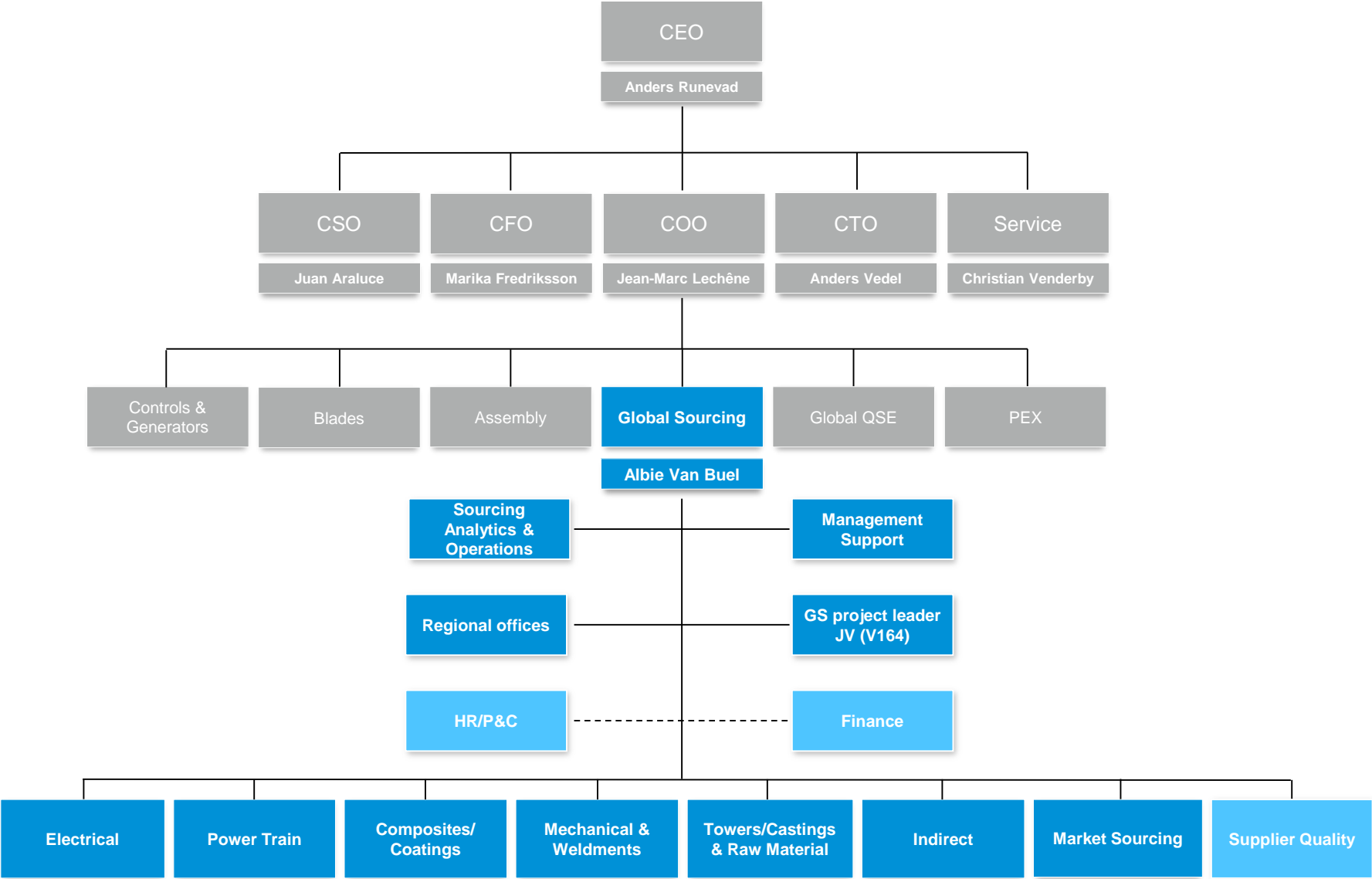


OBJECTIVE



MID-TERM AMBITIONS & INITIATIVES

Global Sourcing Organisation



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

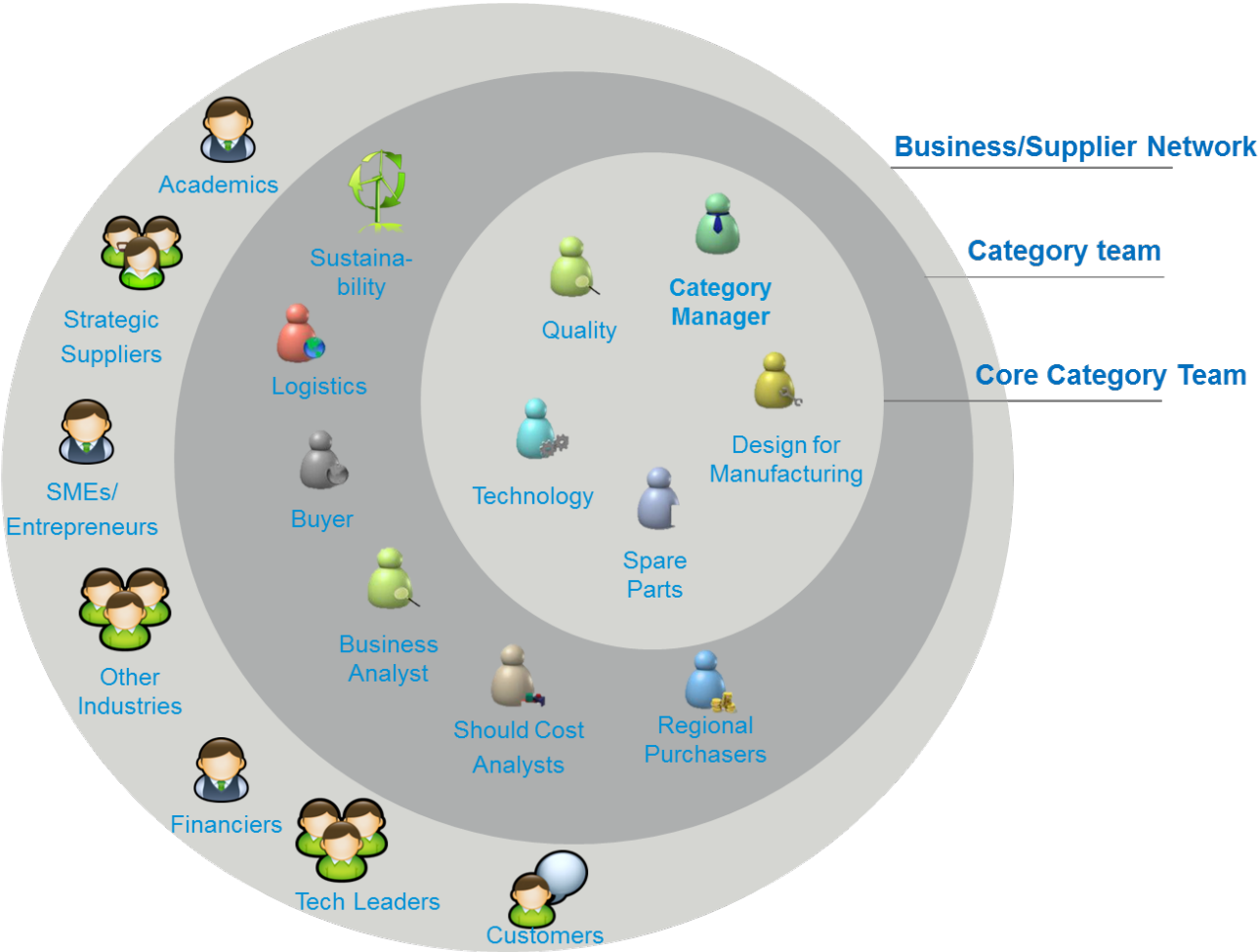
- Indirect products and services (car hire, office consumables, travel, MRO*)



* 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.

Agenda



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Capital Markets Day,
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1. Lower costs while more flexible and asset light

2. **Global Sourcing**

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How are we measuring our business

Key ingredients “6 Cs”



Customer (satisfaction)

- Acquire substantial innovation from suppliers.
- 100% reliable performances.
- Service provider.



Commitment (employees)

- Employee engagement.
- Build and retain talent.
- Resource to win in Global Sourcing.



Cash (lean)

- Best-in-class supplier payment terms.
- (In)direct & market sourcing savings.



Complexity

- Consolidation.
- Contingency plans availability.
- Flexibility.



Cost (competitive)

- Spend consolidation.
- Cost of purchasing.
- “Should-cost” modelling.
- Zero waste.




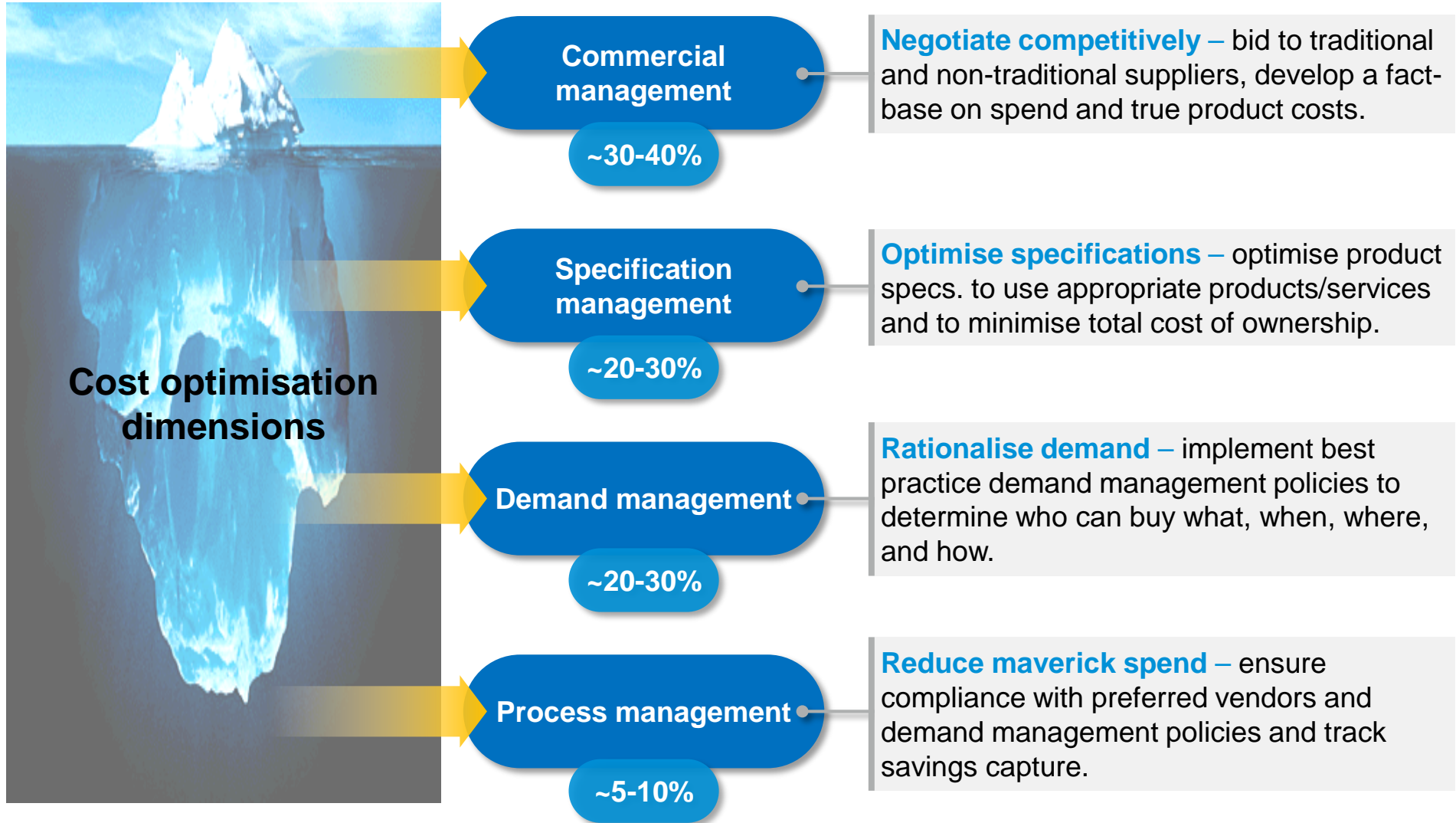
Compliance

- Code of conduct.
- Safety # 1.
- Sustainability.
- Quality management.

Global teams with focus on total cost reductions

Generic model representing typical contribution to total obtainable savings

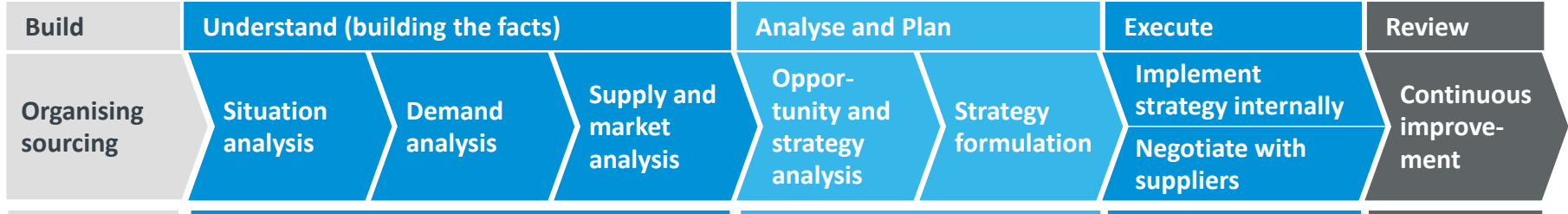
 Typical share of savings potential



Implement professional global standards

In control

1. Vestas sourcing process

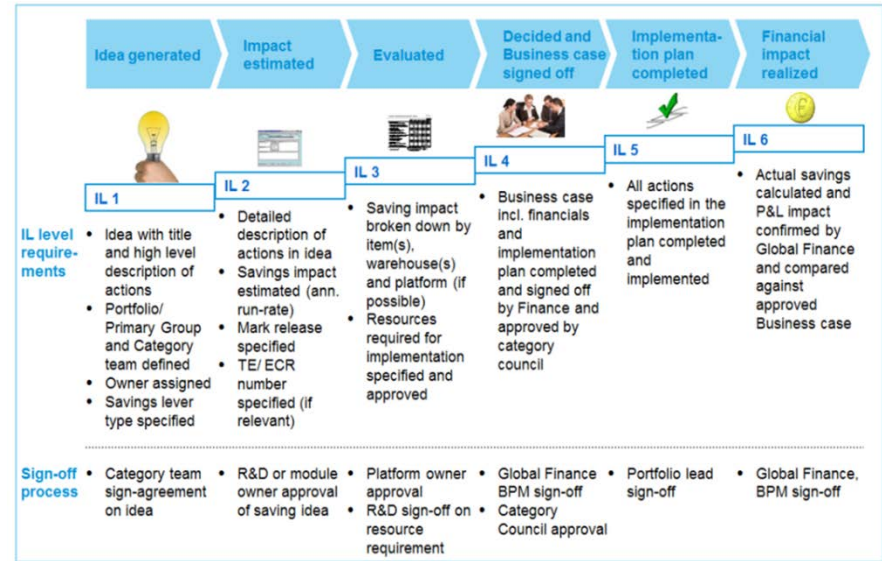


2. Structured opportunity identification

Main levers in category		Current level of advantage (1=low)
A Commercial	A1. Leverage low cost countries	1 2 3 4 5
	A2. Consolidate volumes across Vestas	1 2 3 4 5
	A3. Volume commitment	1 2 3 4 5
	A4. Clear supplier strategy (single/dual/multi)	1 2 3 4 5
	A5. Supplier collaboration	1 2 3 4 5
	A6. TCO Analysis	1 2 3 4 5
	A7. Leverage seasonality (raw material, idle capacity, etc.)	1 2 3 4 5
	A8. Optimized price model	1 2 3 4 5
	A9. Transportation optimization	1 2 3 4 5
B Specifications	B1. Clean sheet analysis	1 2 3 4 5
	B2. Design to Cost – R&D collaboration	1 2 3 4 5
	B3. Buy at higher BOM level	1 2 3 4 5
	B4. Standardizing components	1 2 3 4 5
C Process	C1. Payment terms	1 2 3 4 5
	C2. Procure-to-pay process working	1 2 3 4 5
	C3. S&OP process working	1 2 3 4 5

All categories in assessment rated across levers on scale of 1-5, where:
 1 = lever not exploited
 3 = lever partially exploited
 5 = level fully exploited

3. Tight monitoring and follow-up

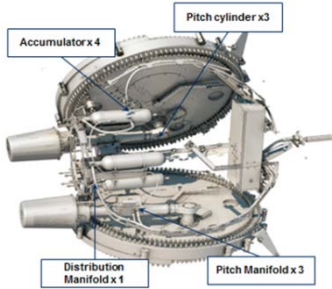


Examples

Direct sourcing

Examples

Pitch cylinder



Hydraulic station



Blade bearing



Market sourcing

Examples

Global vessel tender



Freight: standard

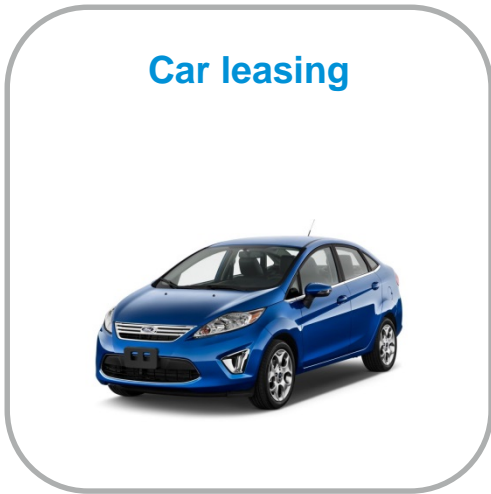


Site infrastructure /
Balance of Plant



Indirect spend

Examples



Agenda



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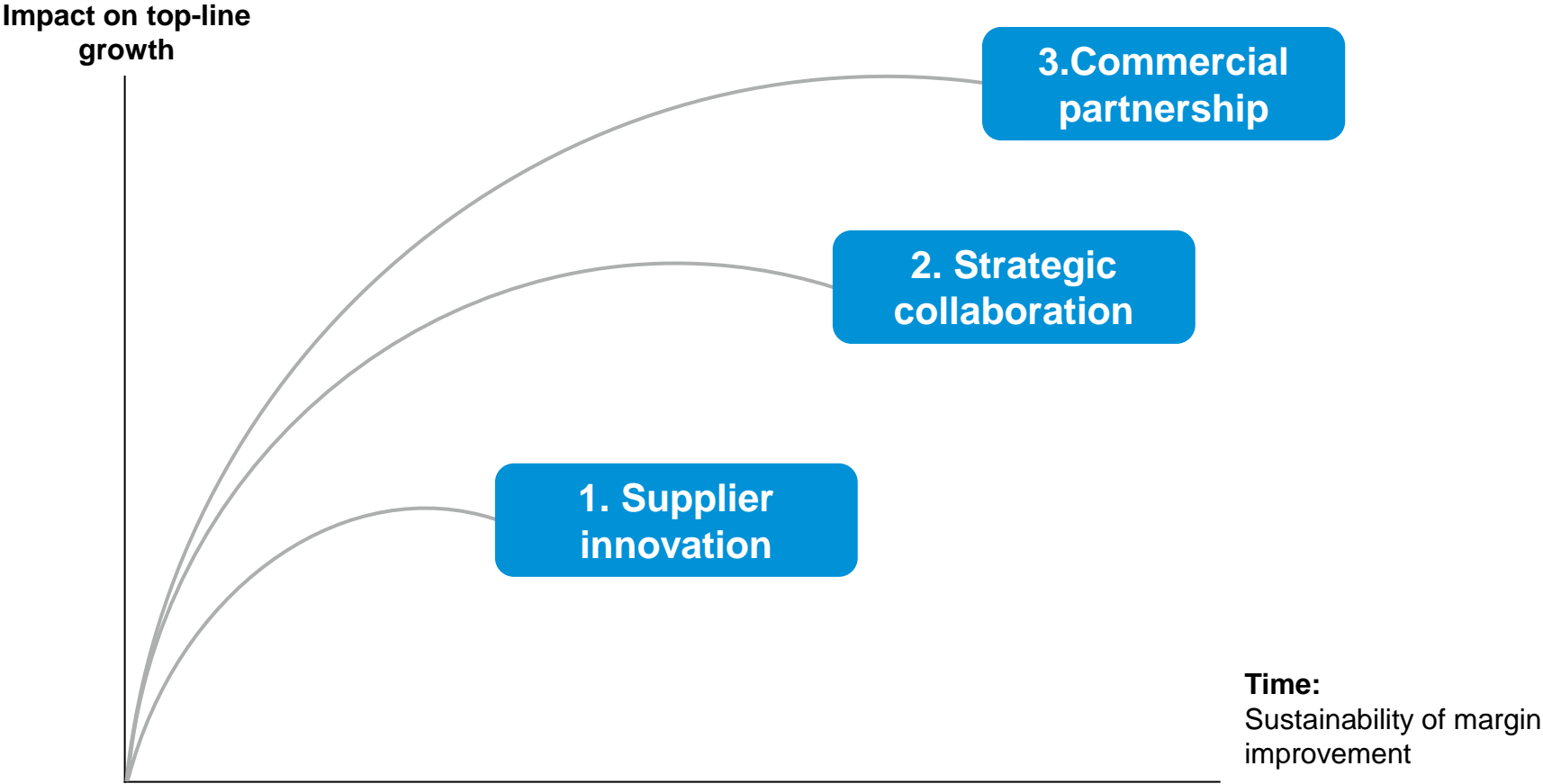
1. Lower costs while more flexible and asset light

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How Global Sourcing can provide additional value creation?

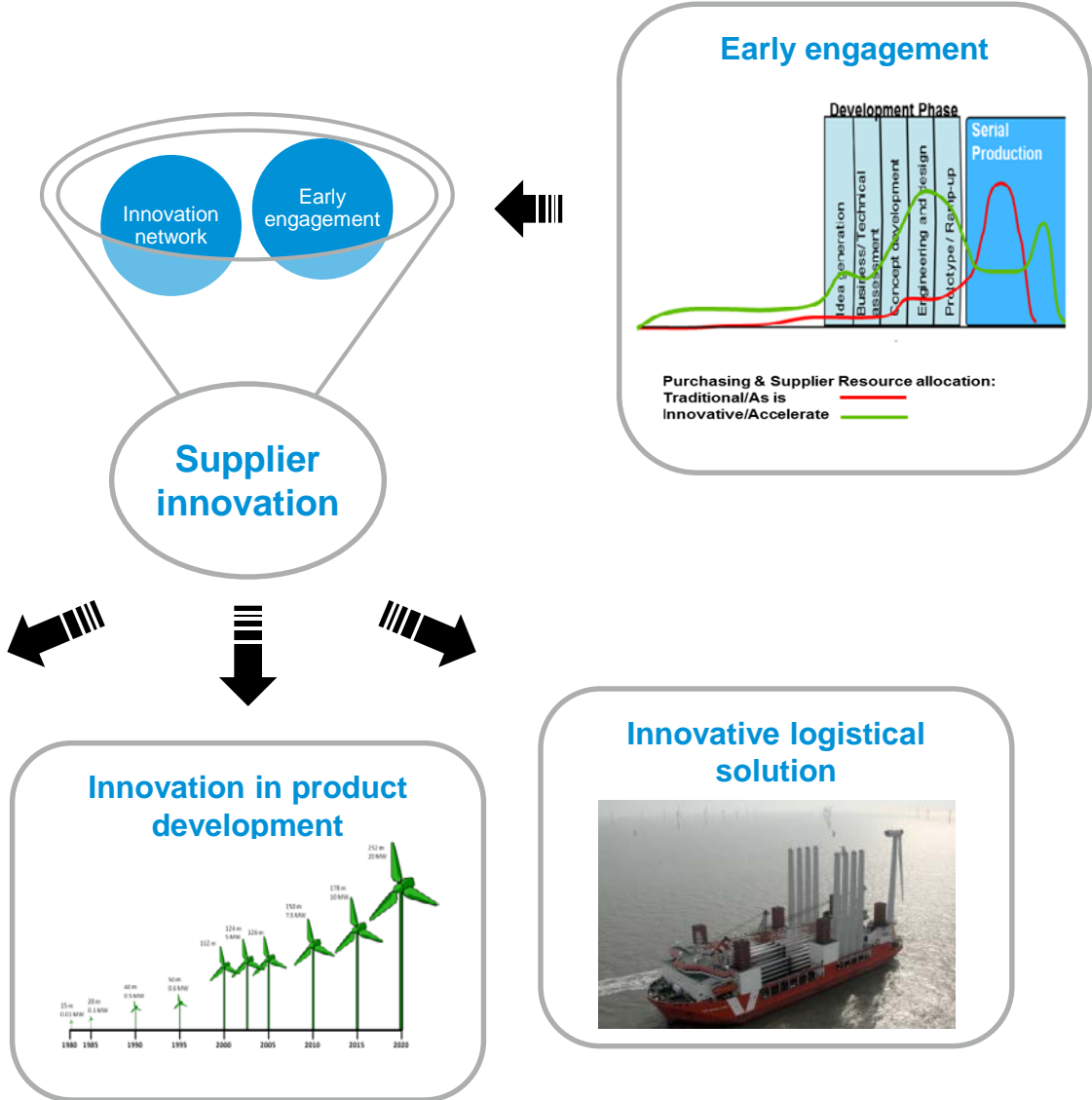
Going from traditional cost reductions to top-line value creation



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.

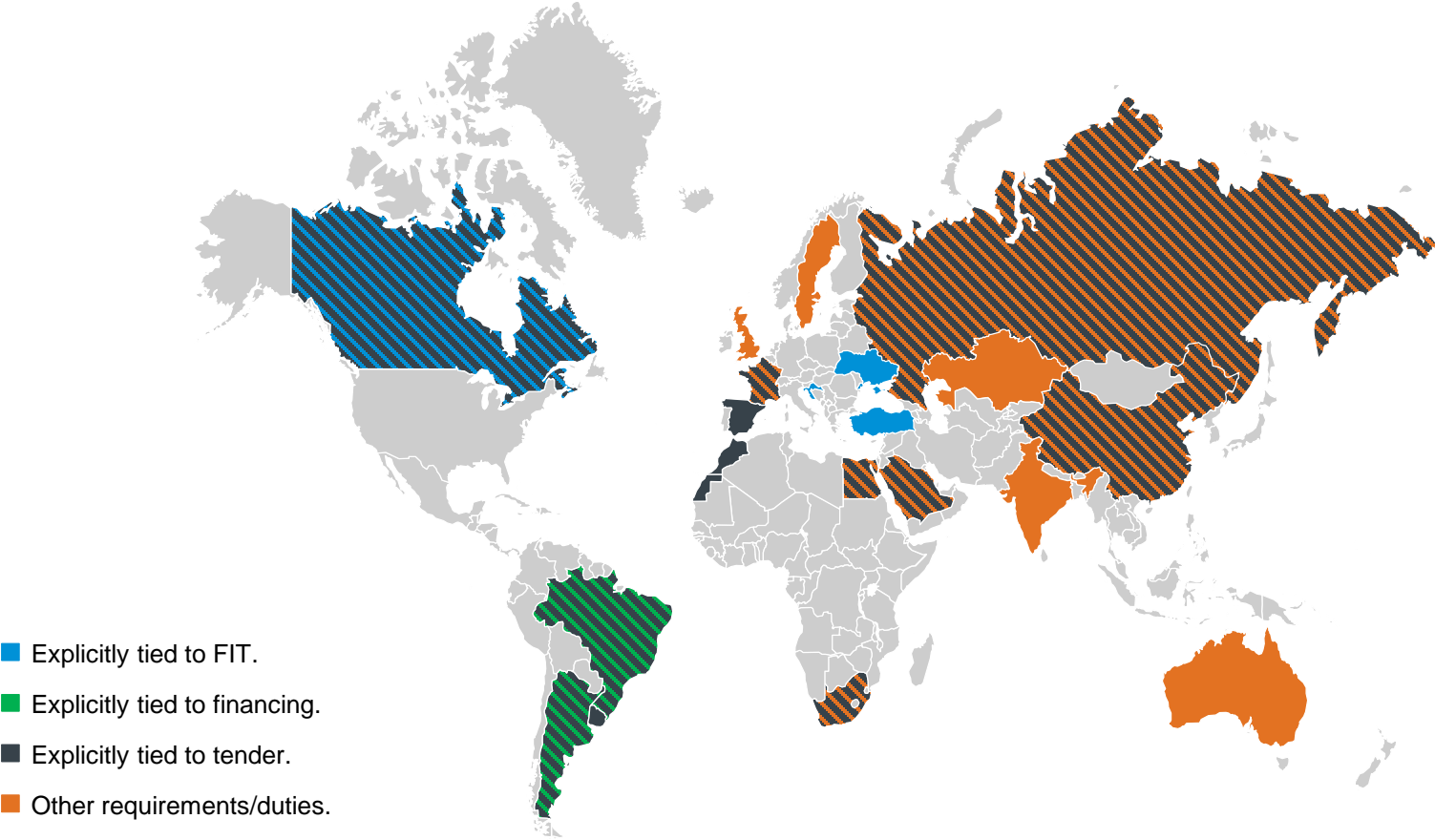
Supplier innovation through early engagement

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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We have a gift for you...

... or for your children

