Vestas Central Europe from a Supplier’s Perspective

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Agenda

1. Insights into Vestas Organizational Set up

2. Vestas needs
   Demand planning and Sourcing process

3. Vestas expectations
   Supplier Quality and Development
Vestas is a global company. So is the production set-up.

**Production Business Unit**

**Production of nacelles**
Namely casting, generator and assembly, takes place in Denmark, Norway, Sweden, Germany, China, India, Italy, USA and Spain.

**Production of blades**
Takes place in highly specialised factories located in Denmark, Italy, Germany, China, USA and Spain.

**Production of towers**
Takes place in Denmark and the USA. Towers can be produced in all countries if the project is large enough and if the suppliers comply with Vestas' quality standards.

The global presence in terms of production set-up gives Vestas an unmatched local expertise.

**Production and assembly of control unit**
Takes place in Spain, Denmark and China.

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Vestas Americas  Vestas Northern Europe  Vestas Mediterranean  Vestas Central Europe  Vestas Asia Pacific
Vestas China  Vestas Offshore

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Overview on the Sourcing responsibility

PBU – Production Business Unit
- Hubs
- Blades
- Control systems
- Towers

SBU – Sales Business Unit
- Transport
- Crane
- Installation
- Turnkey

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   *Demand planning and Sourcing process*

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   *Supplier Quality and Development*
Vestas Supply Chain Organization

Supply Chain Performance
→ Monitors and improves the organization and operational performance

Supplier Quality & Development
→ Ensures a continuous improvement focused on supplier quality and development

Sourcing
→ Monitors and improves the organizational and operational performance

Logistics
→ Ensures the best supplier contracts and deals via category management and strategies

Planning
→ Ensures efficient resource allocation
Who purchases within Vestas Wind Systems?

<table>
<thead>
<tr>
<th>Vestas Wind Systems A/S</th>
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<tbody>
<tr>
<td>Vestas Americas</td>
<td>Corporate functions</td>
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<tr>
<td>Vestas Asia Pacific</td>
<td>Vestas People &amp; Culture</td>
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<tr>
<td>Vestas Central Europe</td>
<td>Vestas Technology R&amp;D</td>
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<td>Vestas China</td>
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<td>Vestas Mediterranean</td>
<td>Vestas Control Systems</td>
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<tr>
<td>Vestas Northern Europe</td>
<td>Vestas Nacelles</td>
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<tr>
<td>Vestas Offshore</td>
<td>Vestas Spare Parts</td>
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<tr>
<td></td>
<td>Vestas Towers</td>
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</tbody>
</table>
What PBUs need

• Mechanical and electrical components
• Hydraulics: pumps, unions, cylinders, etc.
• Plastics & Elastomers
• Structural components: heating, ventilation, welded structures, composites, etc.
Taking Vestas Nacelles as an example

Nacelles Sourcing Overview

• The Nacelles SCM organisation is responsible for sourcing for the Nacelles Assembly production sites

• Forecasted Spend for 2011: ~ EUR 1,5 billion.

• Sourcing is structured around the 4 main Systems, which are then further broken down into 11 Global Categories managed by cross-functional Category Teams and 5 Regional Categories

• The intention of the organisation is to locally support the Regional production facilities, whilst also evolving the Global Supplier base to optimise Supplier relations.
What SBUs need

Sales Business Units (SBUs)

This is us within the SBUs

- TCI Services
  - Trucking
  - Shipping
  - Crane
  - Installation
- Turnkey & Equipment
  - Foundations
  - Transformers
  - Substations
  - PPE (Personal Protective Equipment)
All Purchasing Groups will be organized into four Categories

Spend analysis per Category

**Sub Contracting**
- Installation
- Maintenance
- Rotor Works
- Oil Changes
- Repair Works

**Balance of Plant (Turnkey)**
- (Engineering, Civil Works, Electrical Works)
- Tools
- Spare Parts
- Product Commodity & Equipment
- Safety Equipment

**Crane & Transport**
- WTG per truck
- WTG
- Sea Transport
- Tool and Parts
- Trucking
- Main Crane
- Service Crane

**Indirect**
- Rents
- Real Estate
- Interior Fittings
- Temporary
- Workers and Training
- Job Fairs
- Insurances & Legal Fees
- Consulting & Auditing Fees

**Spend analysis per Category**

- Sub Contracting: 17.12%
- Indirect: 45.43%
- Balance of Plant (Turnkey): 26.53%
- Crane & Transport: 10.91%
All Purchasing Groups will be organized into four Categories

Total Number of Suppliers per Category

- **Crane & Transport**
  - WTG per truck
  - WTG
  - Sea Transport
  - Tool and Parts
  - Trucking
  - Main Crane
  - Service Crane

- **Balance of Plant (Turnkey)**
  - (Engineering, Civil Works, Electrical Works)
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   Supplier Quality and Development
Supplier Selection Process
Standardized & Professional Processes and Tools

Need for new Supplier:
- New scope of supply
- New Region / Volume
- Cost / Performance

rfi
Self-assessment

nda
Invite for Tender

tps
Scope of Supply

rfq
Offer Evaluation

supplier assessment → Supplier Approval

draft contract
negotiation
sign contract
Supplier Selection Process
How to become a Vestas Supplier?

1. Proven track record within Scope of Supply

2. Share our Safety Philosophy
   - Safety for own employees
   - Sustainability

3. Quality Excellence
   - Own Processes & Performance under control
   - Continuous Improvement Culture
   - Valid Permits / Certification

4. Competitive price

Fulfill TPS / Technical & Knowledge requirements
Supplier Quality & Development

Operational

- Collaboration
  - Single point of Contact
  - Clear Standards & Expectations
  - Forecast and Demand Communication

- Quality
  - Day to day Delivery Performance
  - Follow up on near misses & Risks
  - Operational problem solving

Strategic

- Development
  - Assessment Program
  - Performance Monitoring „Supplier Scorecard“
  - Communication of results

- Performance Improvement*
  - Supplier workshops
  - Knowledge Sharing
  - Vestas Training
  - Lean / Six Sigma

* Only for Vestas Preferred Suppliers
Vestas Preferred Supplier Pool
How to become a Vestas Preferred Supplier?

„Prove the pyramid“

- **Price**
  - Total Cost of Ownership (TOC)

- **Quality Excellence**
  - High performance delivered
  - Proven experience

- **Safety First**
  - No accidents or near misses
  - Vestas Safety Training
  - Employee skills & proactiveness

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Vestas Preferred Supplier Pool

Be a Vestas Preferred Supplier

• Always first choice for assignment

• Early involvement in the planning

• Developing and growing together as partners

• Mutual transparency

• Performance Improvement

1. Preferred Supplier Concept
2. Necessary Suppliers
3. Phase Out

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Thank you for your attention
Vestas Nacelles SCM Organization

• The SCM organisation is headed by a Senior Vice President, who reports to the President of Nacelles.

• Key functions within SCM: Sourcing, Quality and Logistics

• Regional Sourcing & Global Category Management

• The Global Category Manager is the key interface between the Suppliers and all other functions across Vestas, such as Technology and Assembly

• The Global Category Manager ultimately controls the Supplier relationship within Nacelles.
Vestas Nacelles SCM KPI’s

SCM KPIs

- Safety
- Quality
- Delivery
- Cost

- Standard KPI and reporting structure
- Suppliers understand our requirements
- Supplier engagement in pro-active activities to deliver these goals
- Supplier scorecard established to give Suppliers full transparency of their performance
- The establishment of these controls and measures have also supported the strategy of working towards a long term Supplier relationship

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<tr>
<td>Supplier Quality</td>
<td>Percentage</td>
<td>99.9%</td>
<td>99.970%</td>
<td>99.9692%</td>
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<tr>
<td>Supplier on-time delivery</td>
<td>Percentage</td>
<td>99.38%</td>
<td>99.65%</td>
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<tr>
<td>Cost savings</td>
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<td>Year-on-year cost savings</td>
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