Capacity for growth - products for the future

Group Vice President, Engine Division Lars Hellberg

Capital Markets Day, June 16 2006
WED priorities

1. Quality
   - First time ok

2. Delivery
   - As promised

3. Cost
   - Competitive, controlled and transparent

People

Competent and engaged
Wärtsilä low speed engine portfolio

- RTA/RT-flex 96C
- RTA/RT-flex82C/T
- RTA/RT-flex84T-D
- RTA72U-B
- RTA/RT-flex68-B
- RTA62U-B
- RT-flec60
- RTA/RT-flex58T-B
- RTA52U
- RT-flex50
- RTA48T-B

Engine output (MW)
Wärtsilä medium speed engine portfolio

- Wärtsilä 64
- Wärtsilä 46/46F
- Wärtsilä 50DF, Wärtsilä 46GD
- Wärtsilä 38
- Wärtsilä 34SG
- Wärtsilä 32DF
- Wärtsilä 32
- Wärtsilä 26
- Wärtsilä 20

Engine output (MW)
Commonality for future simplicity
- What is commonality? Why commonality? -

Commonality between different products is sharing:

- **Components** (e.g., Same parts)

- **Concepts** (e.g., different parts but same architecture)

- **Suppliers** (e.g., different parts but same supplier)

- **Processes** (e.g., different parts but same assembly process)

Typical benefits from commonality are:

- Lower spare parts investment costs

- Lower assembly costs

- Lower logistic costs

- Lower complexity costs

- Lower warranty and goodwill costs

- Lower R&D costs

- Increase of economies of scale

- Shorter lead times

- Create a win-win case with the vendors
Commonality for future simplicity
- How commonality? -

Commonality as dominant strategy
DTC* as dominant strategy

As for example, illustrative only
* DTC = Design-To-Cost

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Priority engine for cost reduction given by product lifecycle management

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A Changing Environment

Global competition
Quality – a prerequisite
Business cycles up/down
Legal regulations
Product renewal
Nationalism
Customization
Cost competition
Fast deliveries

Need for flexibility and speed
• concentrating on core competencies
• lean management

External solution
• supplier network
Internal solution
• core processes
Integration
Optimal Delivery Process

Supplier

Change Management

Customer

Supply Chain Integration

Continuous Flow

Pull Production Control

Information & Material flow
Delivery Centre Vaasa

- R&D Testing
- Test run & painting W32, W34
- Assembly W32, W34
- Sub assembly W32, W34
- Machining blocks W32, W34
- Assembly, Test run & Painting W20
- Machining blocks W20
Delivery Centre Trieste

- Warehouse services
- Sub assembly
- Component manufacturing
- Machining blocks
- Assembly W38, W46, W50
- Test run W38, W46, W50
- Painting & finishing
- Assembly & Test run W26
Delivery Centre Trieste

18 M€
Delivery Centre Shanghai

Inauguration June 29, 2006

Auxpac 20, Auxpac 26
Thank you!