

Capital 2008 MarketsDay

18 NOVEMBER, HELSINKI, FINLAND

**SERVICES STRATEGY AND
COMPETITIVE ADVANTAGES**

TAGE BLOMBERG, GROUP VICE PRESIDENT

Why is Wärtsilä in the Service business?



Defensive ?

A defensive strategy aims to protect a core product or enhance its features to make it more competitive.

Offensive ?

An offensive strategy aims to develop a business as a stand alone platform, self-profitable and sustainable.

What is the competitive advantage?

Skills?

Differentiation?

A skill-based competitive advantage focuses on expertise and customisation.



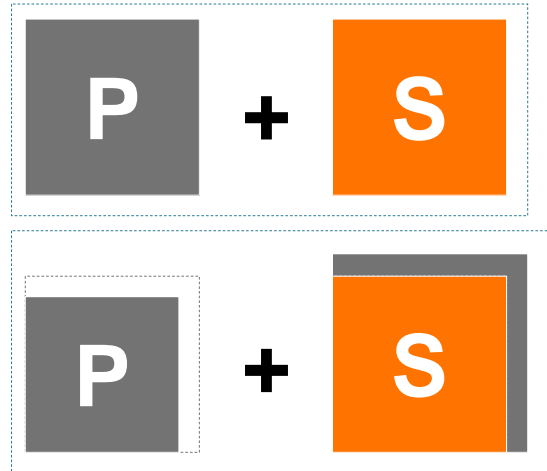
Scale?

Low Cost?

A scale-based competitive advantage sees its source of margin in large volume, hence standardization.

«The basis of the above-average performance within an industry is sustainable competitive advantage, which is of 2 types: Cost leadership or Differentiation»

Defensive



Bundle Service to the product.

Overprice Services in “entry price” market driven for core products.

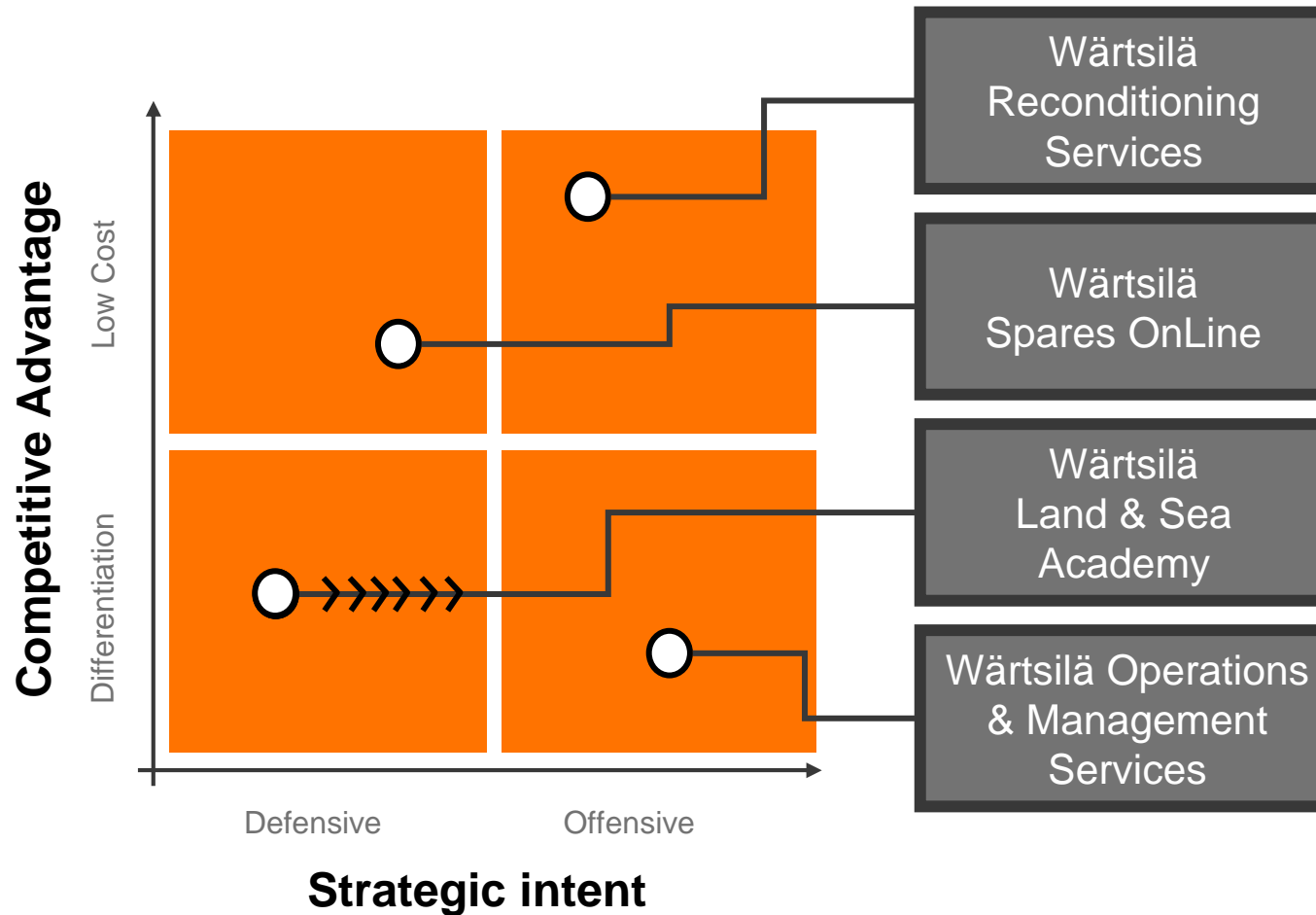
Offensive



Premium Services.

Add performance guarantee into Service Agreement to limit risks for customers.

Several strategies are implemented at the same time...
Wärtsilä Services has a large portfolio... for all needs.



Corporate Vision

We will be the most **valued**
business **partner** of all our
customers.

“Best services” - How?

We provide a **wide range** of
innovative solutions that
optimize the lifecycle **efficiency**
of the serviced **equipment**.

ONE vision for all.

A mission for each,
towards the vision.

Service Mission

Wärtsilä Services supports
customers' business by
providing the **best services** in
the industry and optimizing their
operations and product **lifecycle**.

Innovative solutions

We go beyond standard products and always seek out the best technologies and customized solutions. In terms of vocabulary, “Solutions” carries more values than “Products”.

Wide range

A lot of solutions and expertises from one single source. We have grouped our offering in order to help customers identify our expertise.

“Best services” - How?

We provide **wide range of innovative solutions** that optimize the lifecycle **efficiency** of the serviced **equipment**.

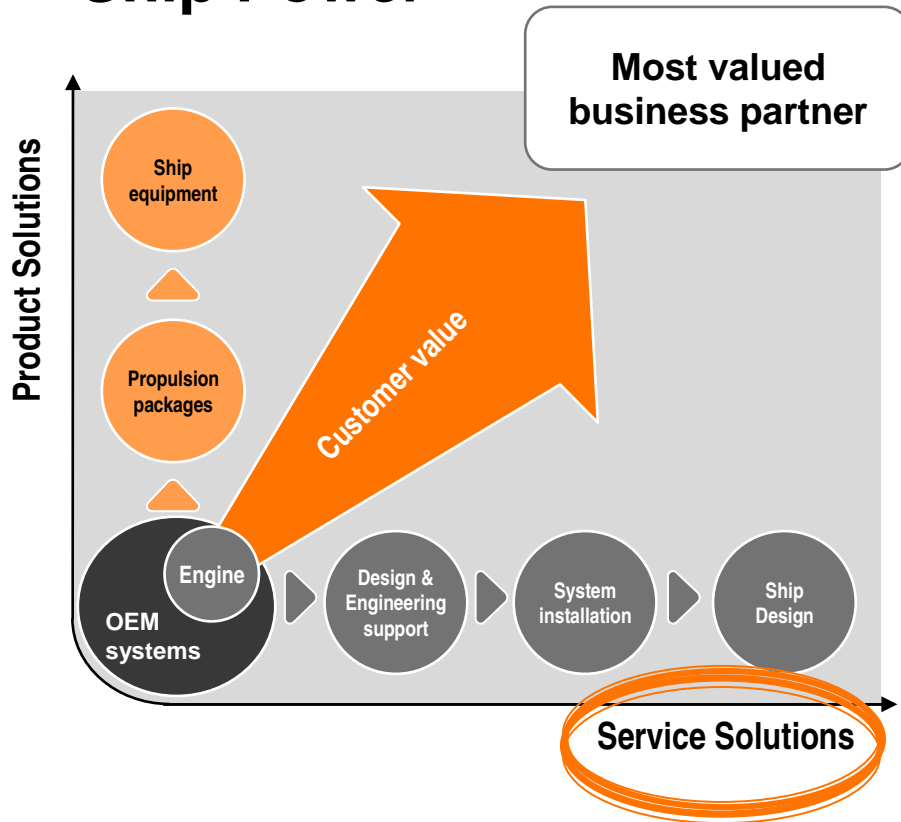
Equipment

This term includes engines, but also automation, propulsion, boilers...
It also means any brand.

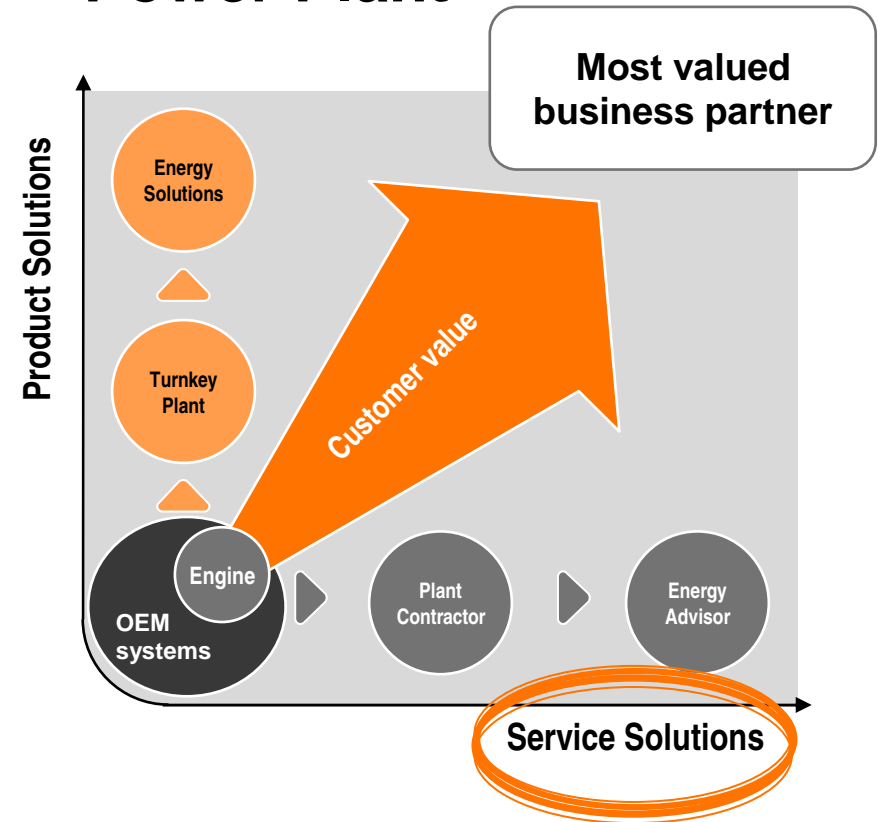
Efficiency

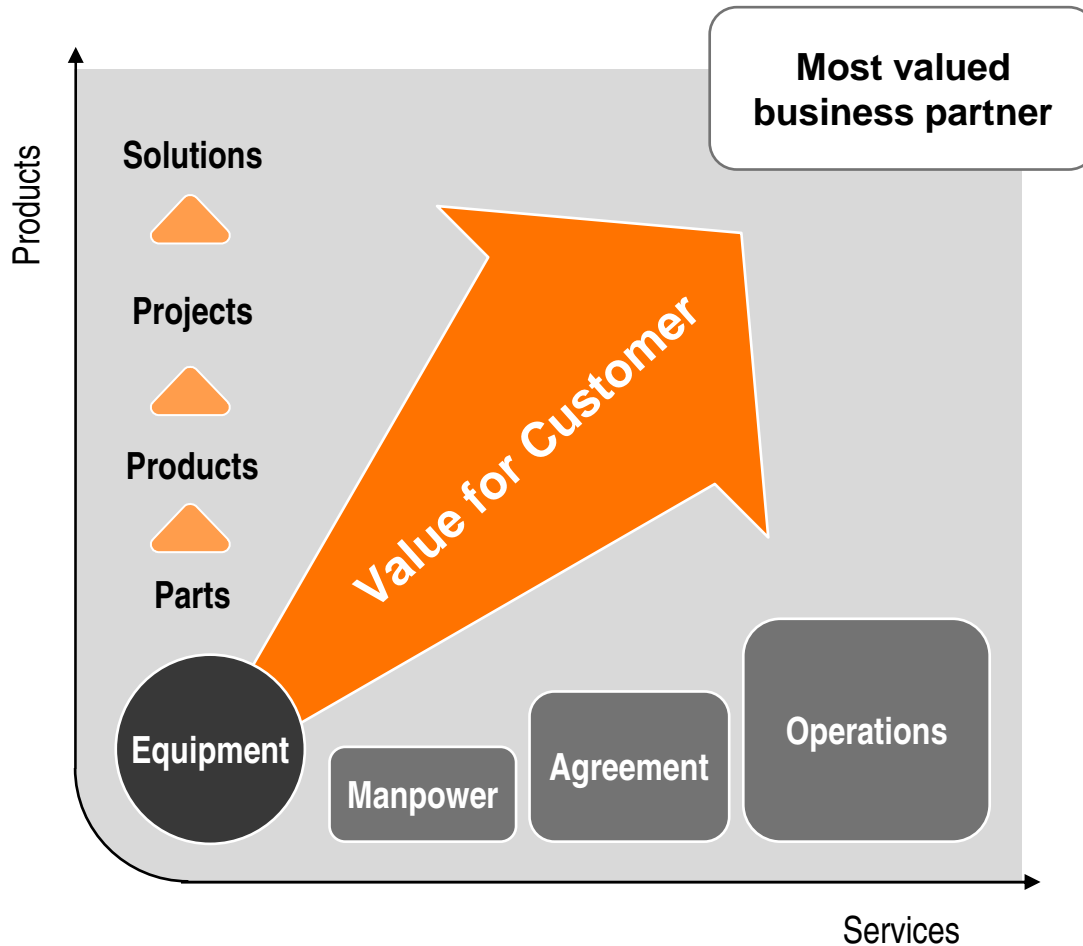
Efficiency must be explained in its larger sense: Economical, Performance, Safety, Environmental efficiency or any combination of these.

Ship Power



Power Plant

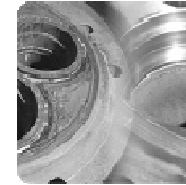
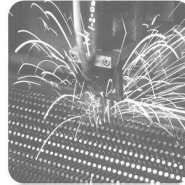
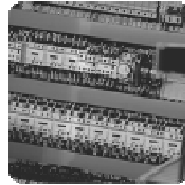
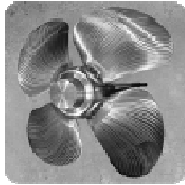




As we expand our portfolio of Products and Services, we create more solutions for customers.

As we can apply it to several equipment types, we stand for being a single source of service, a one-stop-shop partner, a total service provider..

This is how we create value for customers.



WÄRTSILÄ Engine Services

WÄRTSILÄ Reconditioning Services

WÄRTSILÄ Propulsion Services

WÄRTSILÄ Operations & Management

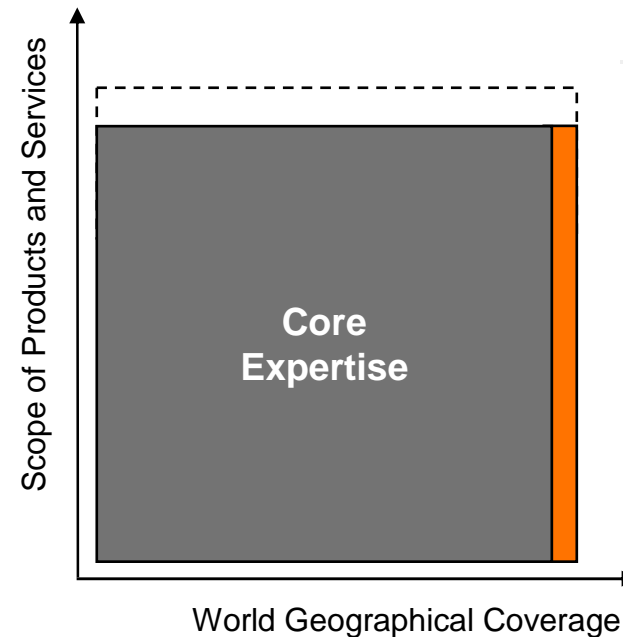
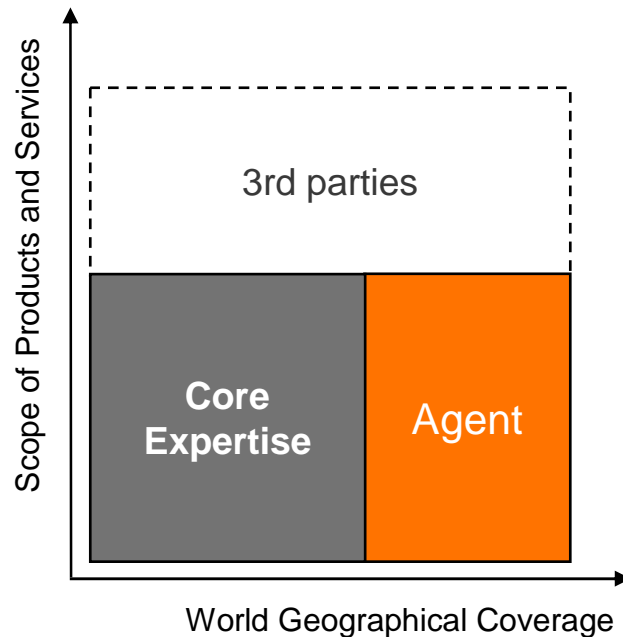
WÄRTSILÄ Automation Services

WÄRTSILÄ Training Services

WÄRTSILÄ Boiler Services

WÄRTSILÄ Ship Services

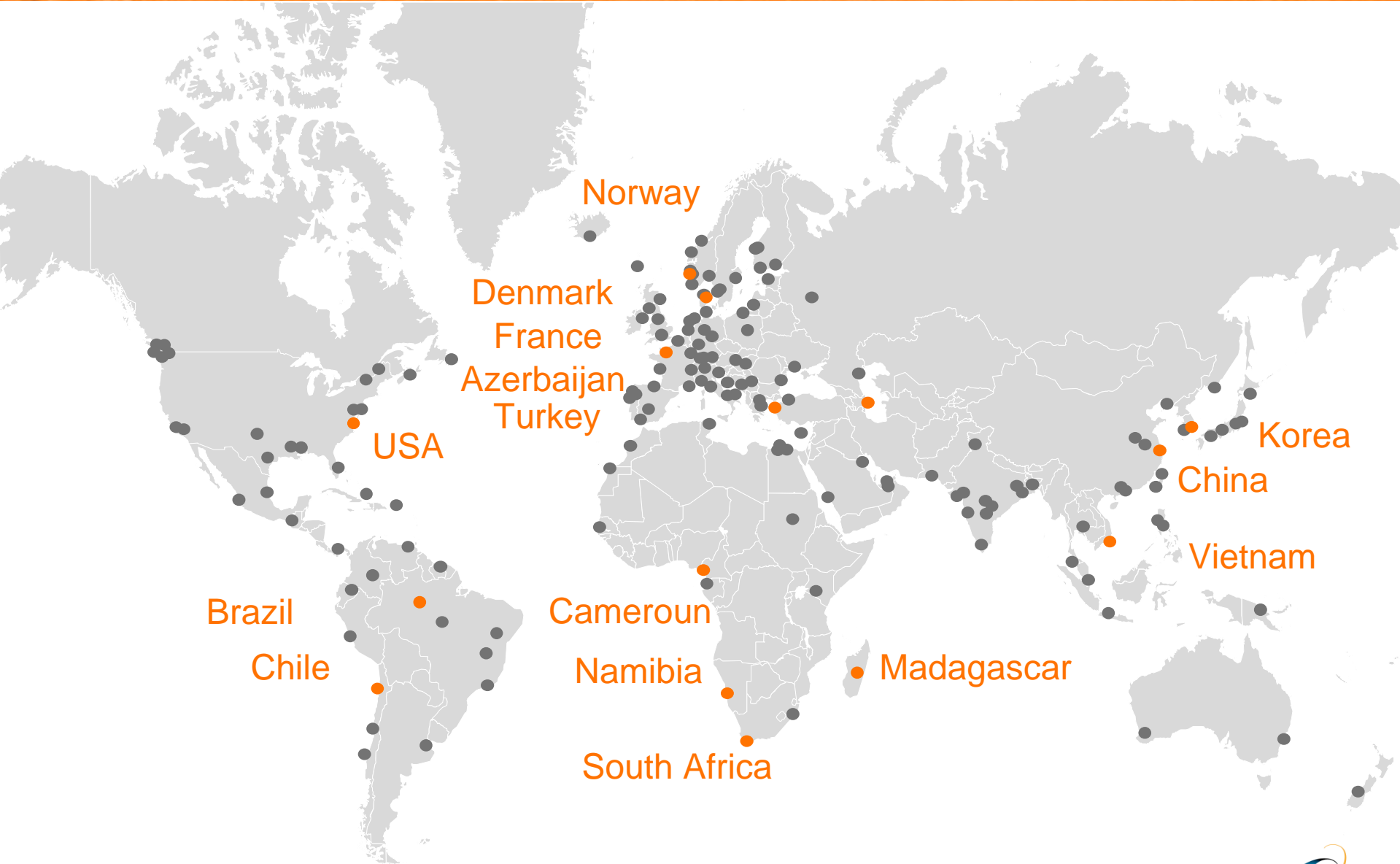
Wärtsilä Services is the leader in the industry as we are **UNIQUE** in our offering of the **largest scope of Services** from a **wholly owned organization**.



COMPETITORS

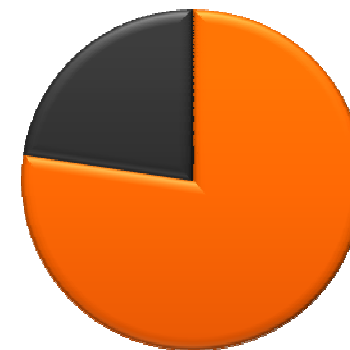


New premises and expansions in 2007 & 2008





Wärtsilä OEM brands include:

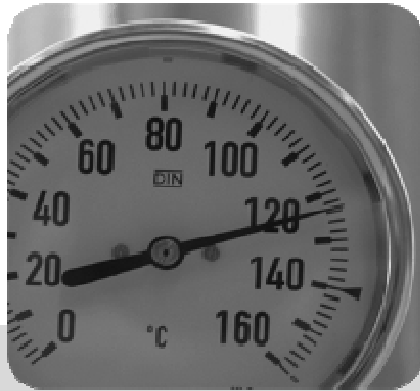
- Wärtsilä
- Sulzer
- DEUTZ marine engines
- Nohab Diesel
- Wärtsilä Diesel
- GMT
- Wichmann
- SACM
- Stork SW Diesel
- Werkspoor
- Moteurs Duvant Crepelle
- Nordberg
- Poyaud
- Bolnes



159'600 MW

 Ship Power

 Power Plants



Performance Optimizers

- Upgrades
- Conversions
- Safety Solutions
- Monitoring Solutions

WÄRTSILÄ Propulsion Services

RETROFIT – PROPULSION CONTROL SYSTEM UPGRADE

All ships need a safe, reliable and easy-to-use control system for maneuvering. Wärtsilä has years of experience in making control systems.

WHAT IS A RETROFIT?
A retrofit is an upgrade of an existing remote control system, an upgrade of the mechanical parts of the propulsion control system, or a combination of these two. A retrofit optimizes the entire installation, resulting in better accuracy and an up-to-date system.

WHY RETROFIT?
After being in use for years, the elements of a control system wear out and age as well as spare parts becoming obsolete and scarce. This causes unexpected maintenance and repair periods, resulting in high operational costs and off hire.

A new remote control system can contribute to considerable savings:

- Decrease in fuel consumption by optimum scheduling of pitch and shaft speed
- Reducing maintenance costs by avoiding too quick loading and unloading of machinery for running-up/down

- WaveStar: more effective load control reduces wear of the engine and propeller

WHY WÄRTSILÄ?

- Over a century of experience in the shipping industry
- Integrated know-how of propulsion systems, engines and control systems
- Large installed base
- Both Wärtsilä and other OEMs
- Reliable, cost-effective and environmentally sound solutions
- Global networks
- Lifetime service support

PROPULSION CONTROL SYSTEM UPGRADE
A control system consists of a control panel, bridge and ECR panels, actuators and sensors. The following upgrades are possible:

- Replacement of the entire control system including panels
- Replacement of only the control cabinet
- Hydraulic system upgrade or replacement
- Digital system upgrades
- Upgrade as part of a propulsion improvement package
- Mechanical upgrade or replacement of the OD box
- Mechanical upgrade of pitch positioner
- Mechanical upgrade by means of new hub design and/or blade design (propulsion improvement)
- Upgrade by means of high efficiency blades (propulsion improvement)

HEAVY FUEL OIL CONVERSION WÄRTSILÄ DEUTZ 628



CUTTING YOUR OPERATING COSTS

COUNTING THE COSTS

Many marine installations equipped with the 628 engine were originally designed to operate on marine diesel oil (MDO). However, with the price of heavy fuel oil (HFO) being substantially less than MDO, it is not surprising that there is considerable interest amongst customers in converting their installations to HFO operation.

Wärtsilä's knowledge and expertise of HFO in medium-speed engines can also be applied to conversions for 628 engines that are fully certified (EIAPP). Extensive research and design modifications have been done in order to make a conversion package for this engine type as well as for the auxiliary and propulsion sets.

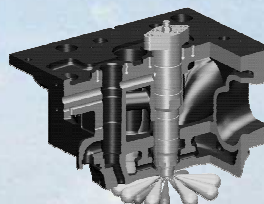
THE CONVERSION

The following engine components are key in the HFO conversion package:

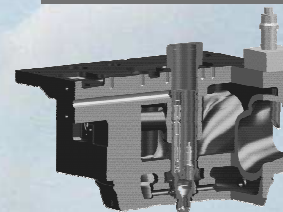
- newly designed cylinder head with valve rotators, cooled exhaust seat, new exhaust valve type
- cooled injector nozzle
- modified fuel pump
- turbo washing system
- modified HT/LT cooling system
- two-stage air cooler.



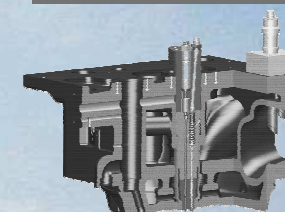
GD



SG



DF



Project	Country	Year	Conversion type
Tintrofa	Portugal	2004	1 x 12V32 HFO → 12V34SG
Almeida	Portugal	2004	1 x 12V32 HFO → 12V32DFc
Tearfil	Portugal	2005	1 x 12V32 HFO → 12V32DFc
Century Power	Pakistan	2005	3 x 12V32 HFO → 12V32DFc
Denizli	Turkey	2006	1 x 16V46 HFO → 16V50DF
Cerestar	German	2006	1 x 16V46 HFO → 16V50DF
Batamindo I	Indonesia	2005	5 x 18V32 HFO → 18V32DFc
Batamindo II	Indonesia	2006	7 x 18V32 HFO → 18V32DFc
Batamindo III	Indonesia	2007	4 x 18V32 HFO → 18V32DFc
Arenko	Turkey	2006	2 x 18V32 HFO → 18V34SG
Crescent Textile	Pakistan	2007	1 x 16V32 HFO → 16V32DFc
Bilag	India	2007	1 x 18V32 HFO → 18V32DFc
Tacna	Peru	2008	4 x 18V32 HFO → 18V34SG
Lucky Cement	Pakistan	2008	7 x 18V32 HFO → 18V32DFc
Lucky Cement	Pakistan	2009	3 x 12V46 HFO → 12V50DF
Cengiz	Turkey	2009	7 x 18V46 HFO → 18V50DF

Water Separator



MS FinnClipper



SOx reduction



MV Suula



NOx reduction

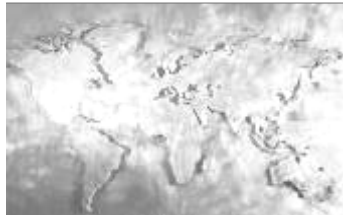


Birka Princess





Inventory management
Condition-based maintenance
Remote monitoring
Regular technical visits
Exclusive training plan
Wärtsilä personnel for major OH



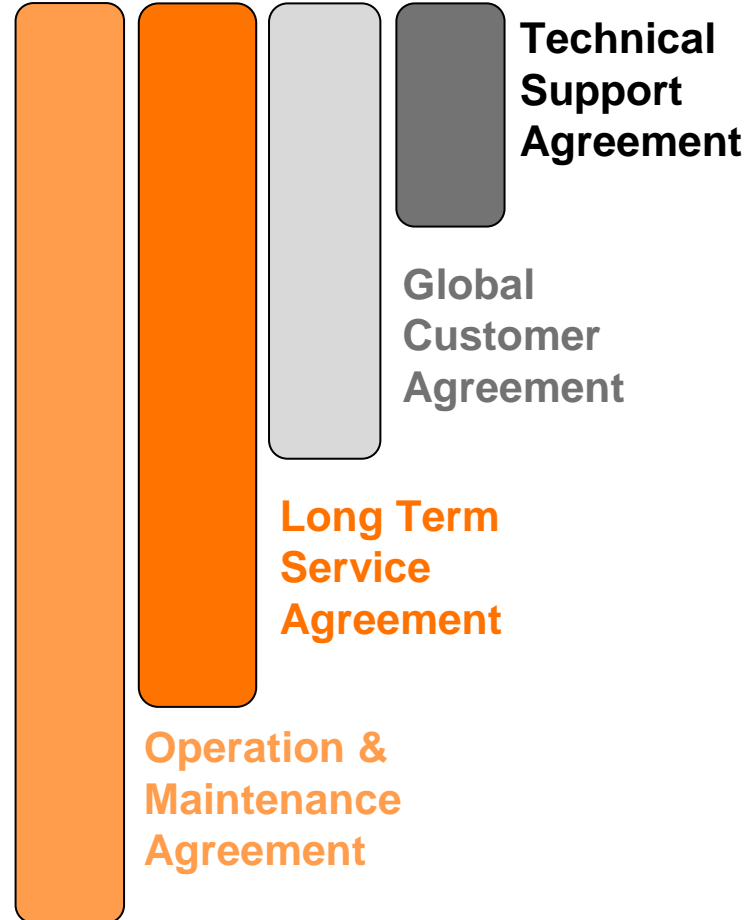
Technical Support Agreement +
Covers several vessels
along their trade routes
Fixed agreed fee
and performance targets



Global Customer Agreement +
On-board Wärtsilä crew
Safety stock onboard
Minimum downtime
with exchange part policy
Monthly reporting



Long Term Agreement +
Wärtsilä personnel
for operation & installation
Management
Performance guarantee
Monthly business report



What Services can do for Power Plants

WÄRTSILÄ Engine Services

WÄRTSILÄ Automation Services

WÄRTSILÄ Boiler Services



WÄRTSILÄ Reconditioning Services

WÄRTSILÄ Operations & Management

WÄRTSILÄ Training Services

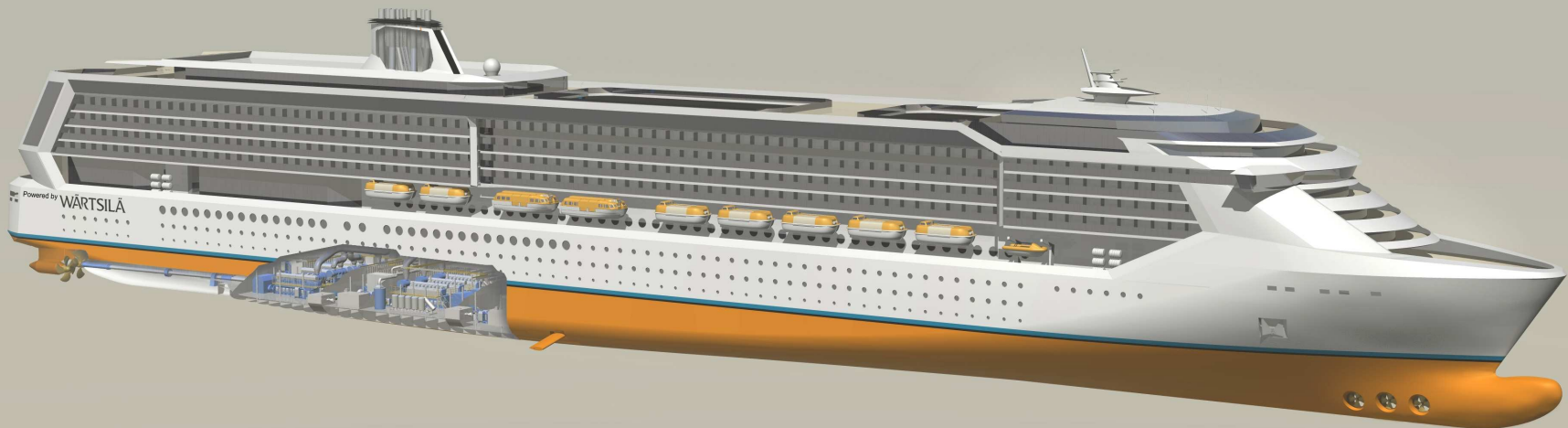
What Services can do for Ship Power

WÄRTSILÄ Reconditioning Services

WÄRTSILÄ Operations & Management

WÄRTSILÄ Training Services

WÄRTSILÄ Ship Services



WÄRTSILÄ Engine Services

WÄRTSILÄ Automation Services

WÄRTSILÄ Propulsion Services

WÄRTSILÄ Boiler Services





ONE STOP SHOP
Several centres
of expertise
around the
globe



After six months resting on the sea bottom the vessel was lifted and towed to Dormac shipyard in **South Africa** where the main engines were removed and transported to **Wärtsilä South Africa** for inspection and repair.

WÄRTSILÄ Engine Services

€3.0m

WÄRTSILÄ Propulsion Services

€2.4m

- Propulsion was done in Cape Town, South Africa.
- Engine was overhauled in Zwolle, The Netherlands.
- Vessel was rehabilitated in a Grand Bahama shipyard.



WÄRTSILÄ Engine Services

€1.2m 5 Aux. + 2 Main Engines

WÄRTSILÄ Ship Services

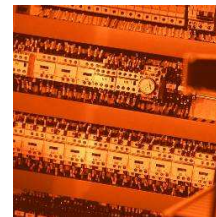
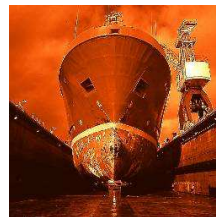
€1.4m Refurbishment of 31 cabins

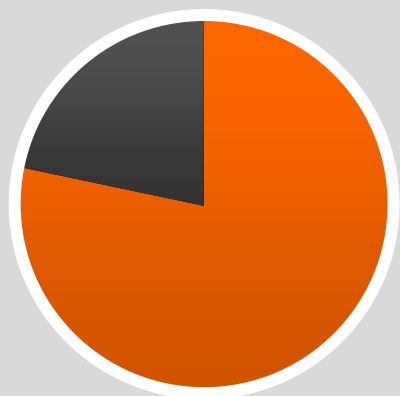
WÄRTSILÄ Automation Services

€7.0m Complete electrical system

ONE STOP SHOP
Several centres
of expertise
around the
globe

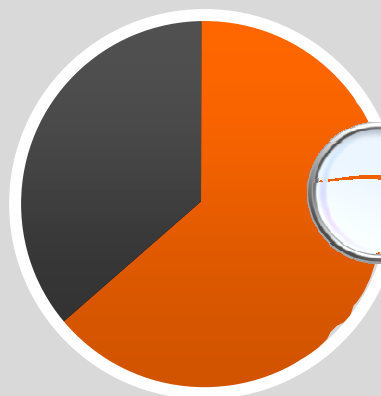
The project took 18 work weeks, and was completed in Frederikshavn yard in Denmark in the spring of 2008.





Installed base

159'600 MW

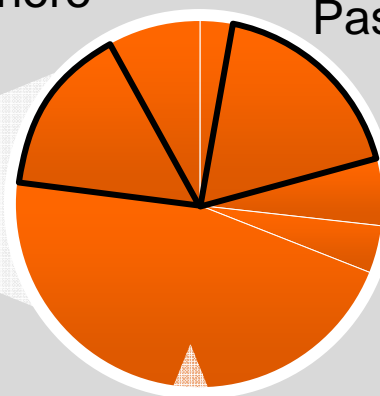


Net Sales (1-9/08)

1'335 M€

 Ship Power  Power Plants

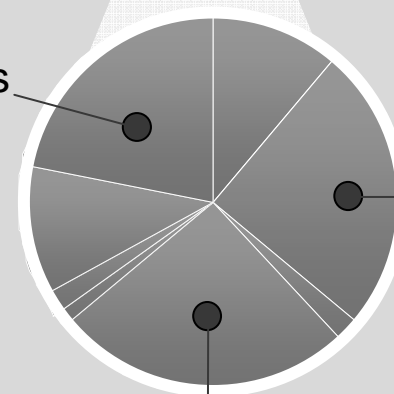
Offshore
Cruise & Passenger



Merchant
Shipping

Tankers

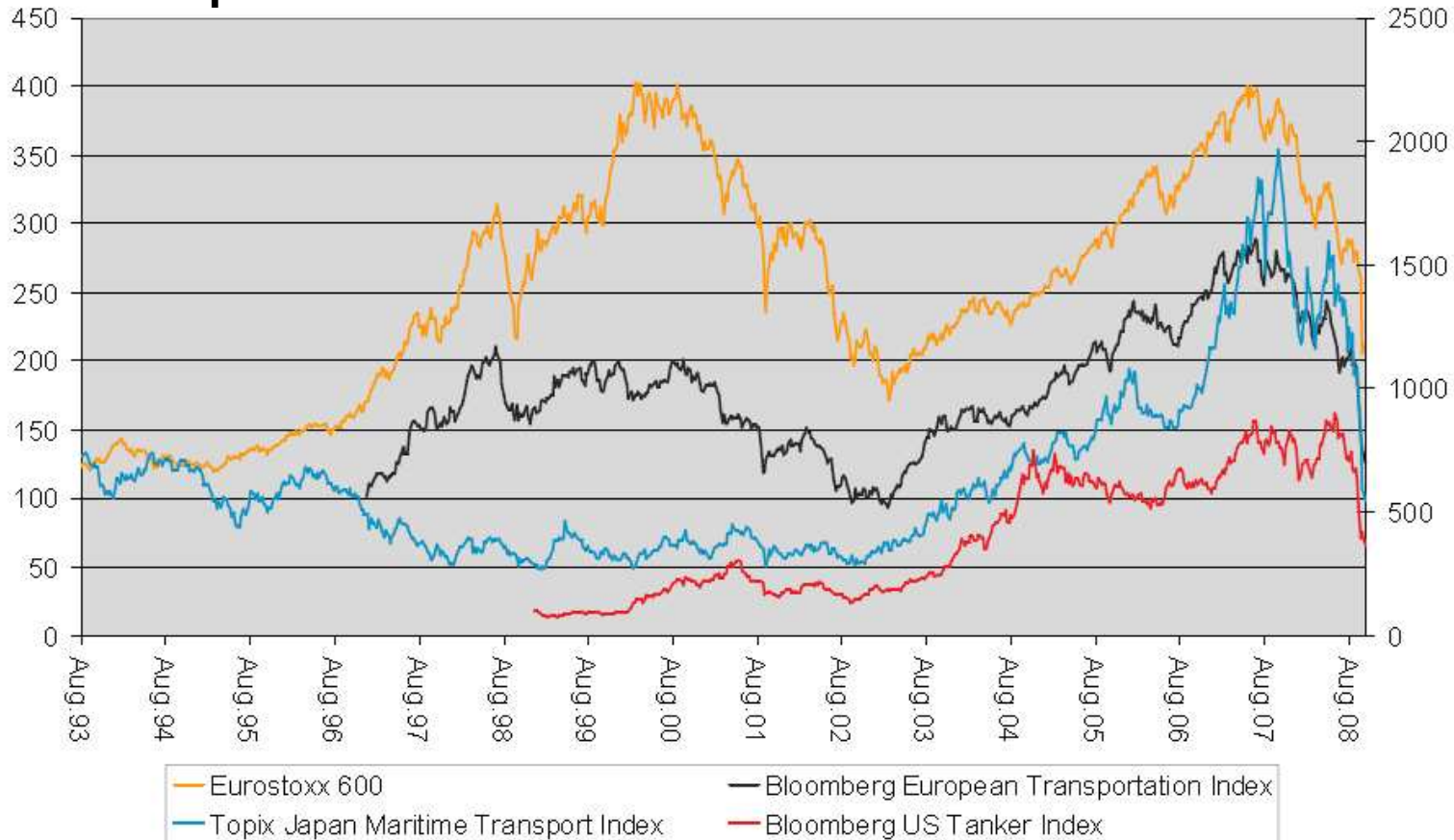
Cargo
vessels



Container
vessels

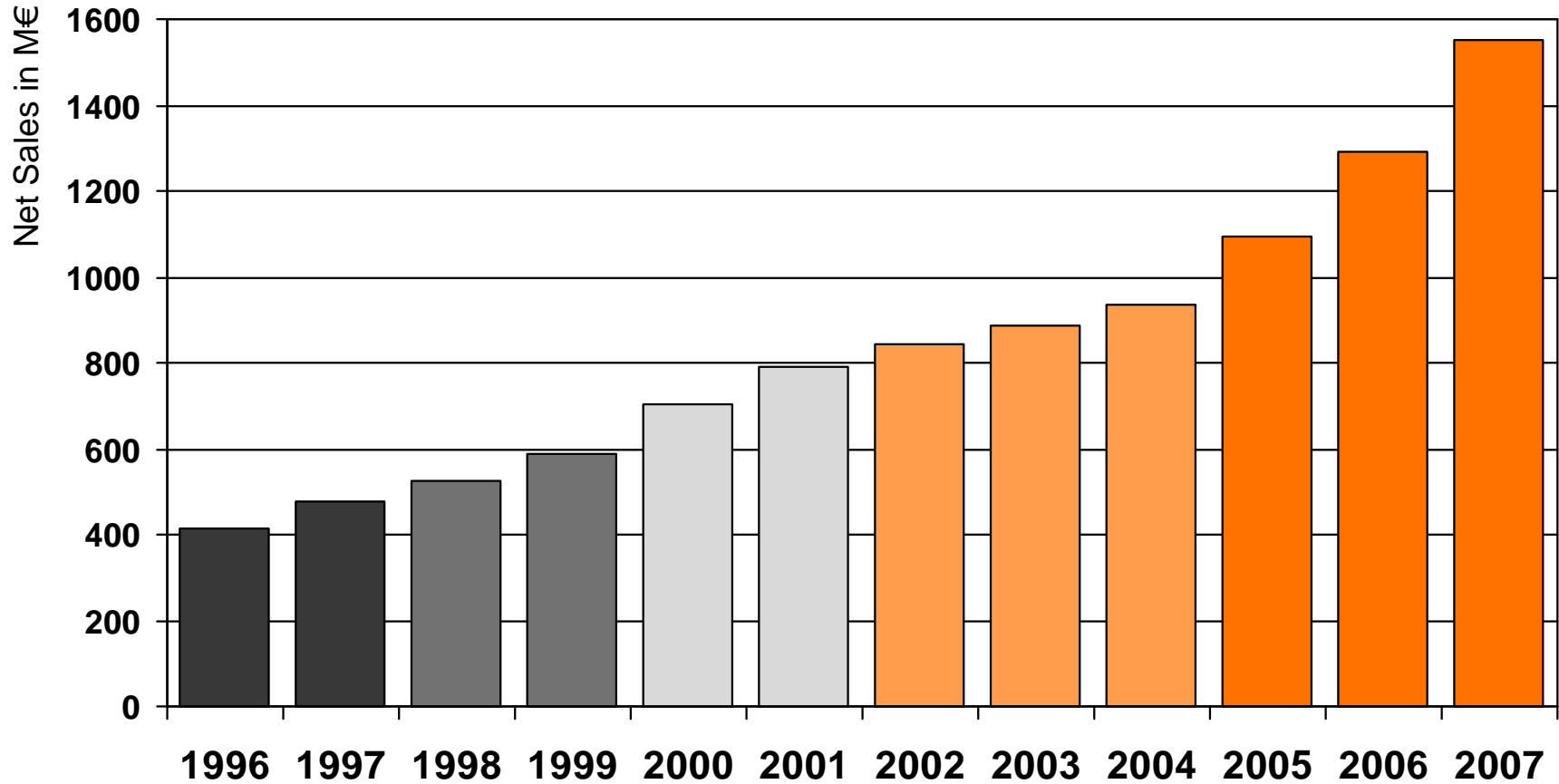
The diversity of our business limits our exposure to market fluctuation.

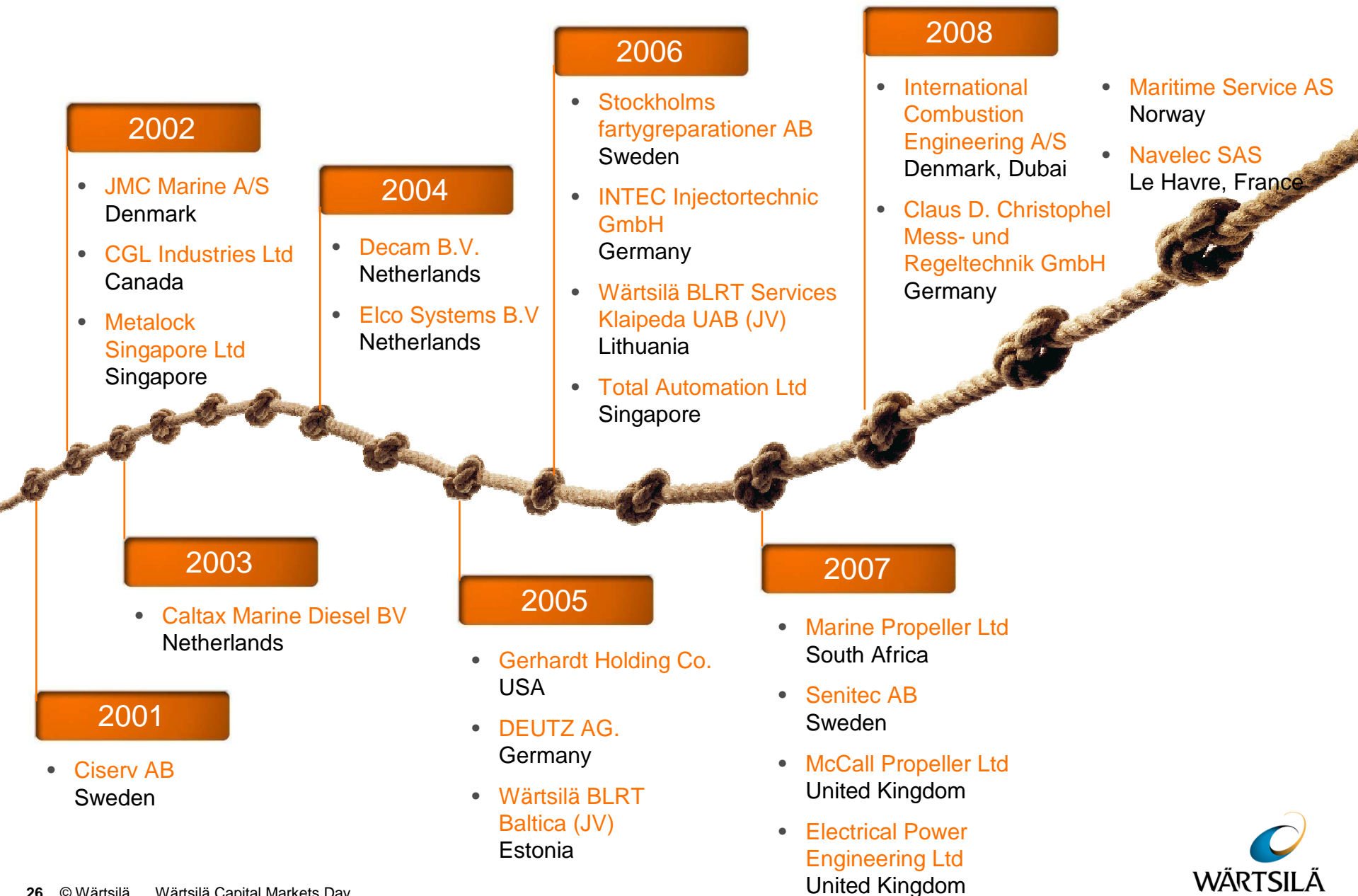
Transportation Indexes



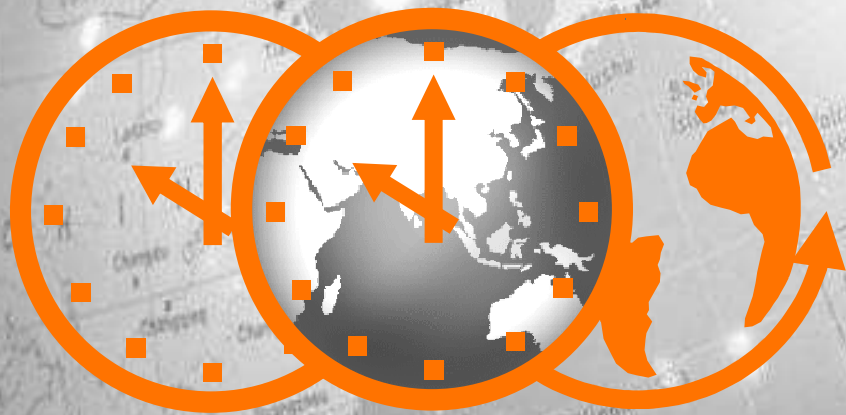
A selection of transport and marine related equity indexes are plotted in combination with Eurostoxx 600, which in this case represents the overall performance of the stock market. By comparing the indexes from different regions and comparing to the overall stock market performance it is possible to get some insights in the performance of the shipping industry worldwide.

... but Wärtsilä Services has grown steadily.





Total Service



24/7 Globally

- Offensive service development worldwide
- Portfolio development through acquisitions & innovations
- 24/7 Services





WÄRTSILÄ