

[20560001]



At the same time, Westinghouse hopes its venture with Mitsubishi will help fend off growing competition, particularly in the U.S., from such European competitors as Asea Brown Boveri AG, Siemens AG, and British General Electric Co.

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Under the agreement, Westinghouse will be able to purchase smaller combustion turbines from its Japanese partner, and package and sell them with its own generators and other equipment.

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Westinghouse also jointly will bid on projects with Mitsubishi, giving it an edge in developing Asian markets.

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In addition, the two companies will develop new steam turbine technology, such as the plants ordered by Florida Power, and even utilize each other's plants at times to take advantage of currency fluctuations.

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"Even though we'll still compete against Mitsubishi, we can also work jointly on some projects, and we'll gain a lot of sourcing flexibility," Mr. Stern contends.

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The Westinghouse-Mitsubishi venture was designed as a non-equity transaction, circumventing any possible antitrust concerns.

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Westinghouse carefully crafted the agreement because the Justice Department earlier this year successfully challenged a proposed steam turbine joint venture with Asea Brown Boveri.

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It is expected that the current surge in demand for new power will be filled primarily by independent producers which, unlike utilities, are not regulated and therefore do not need government approval to construct new plants.

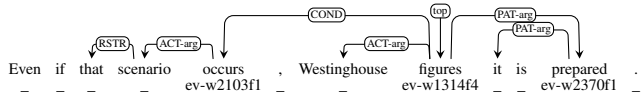
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Westinghouse expects about half of its new orders for turbines to come from independent producers for at least the next six years.

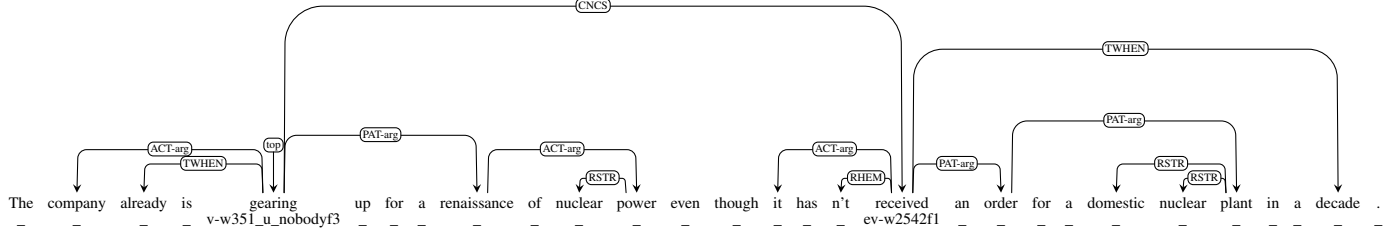
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Despite shutdowns of the company's Lester and East Pittsburgh plants, the company believes it has sufficient capacity to meet near-term demand with its much smaller and more efficient manufacturing facilities in North Carolina.

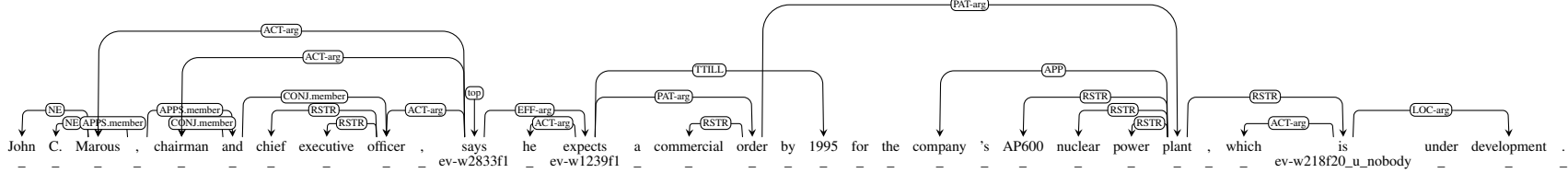
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