

20.11.2007

WÄRTSILÄ CAPITAL MARKETS DAY

Welcome

OLE JOHANSSON , PRESIDENT & CEO

Wärtsilä's prospects



Prospects for 2007 unchanged

- Based on the strong order book, Wärtsilä's net sales are expected to grow this year by around 15%. Profitability will exceed 9%

Prospects for 2008

- In 2008 Wärtsilä's net sales will grow about 25%, profitability will improve
- Investments in capacity expansion, process improvements and maintenance approximately EUR 200 million

Long-term profitability target specified

- Long-term profitability target (EBIT%) 8 - 10 percent, plus/minus 2 percent, of net sales over the cycle

20.11.2007

WÄRTSILÄ CAPITAL MARKETS DAY

CURRENT MARKET SITUATION – THREAT OR POSSIBILITY FOR WÄRTSILÄ?

OLE JOHANSSON , PRESIDENT & CEO

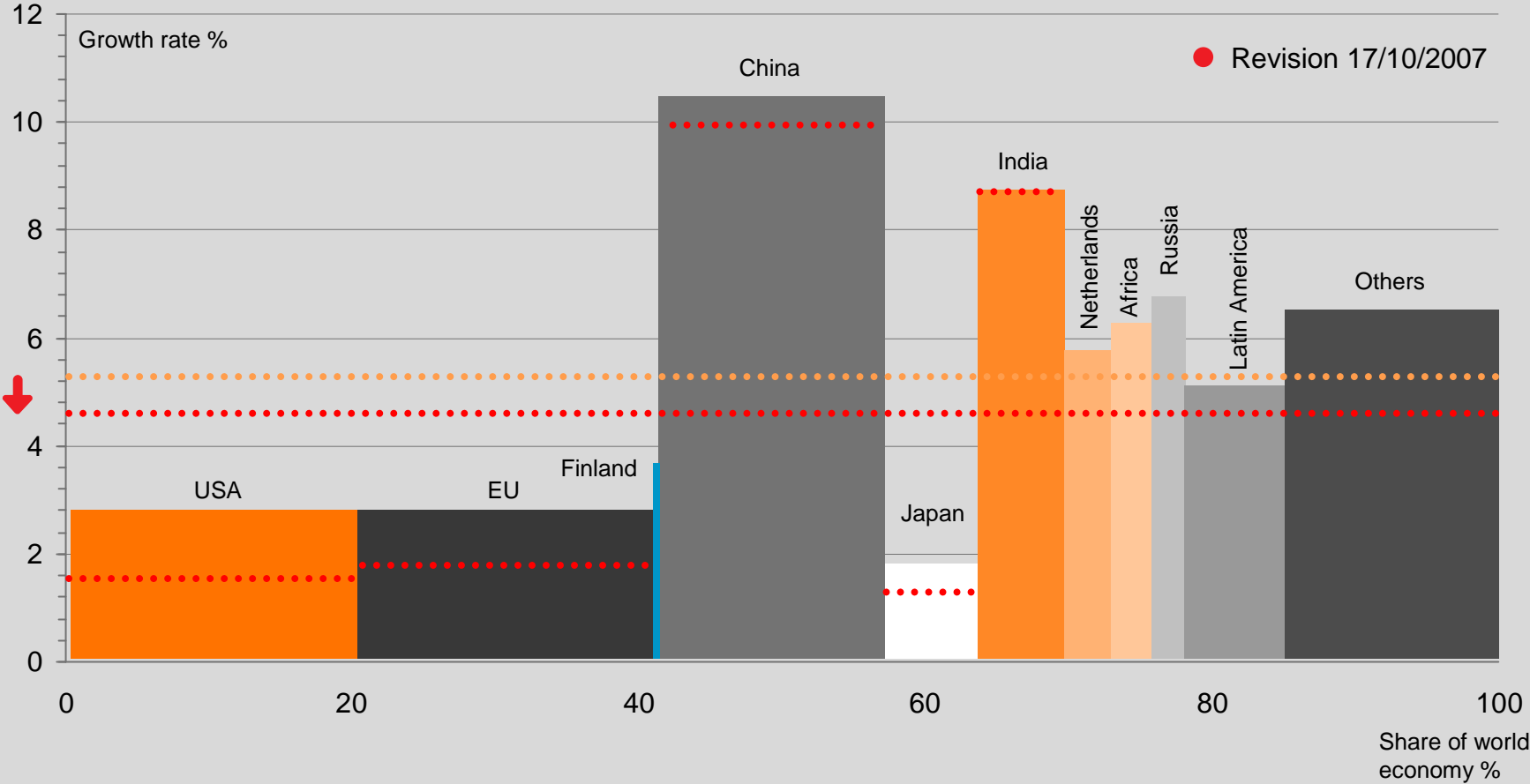
Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

World economy sources 2008



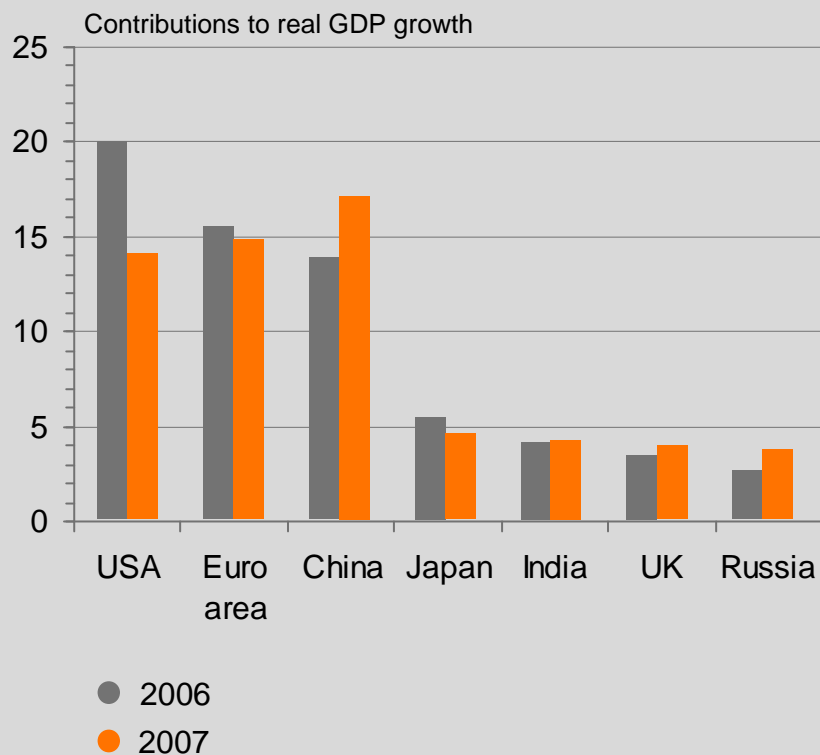
Source: IMF 10/2007



China to be nr 1 – no matter how you count

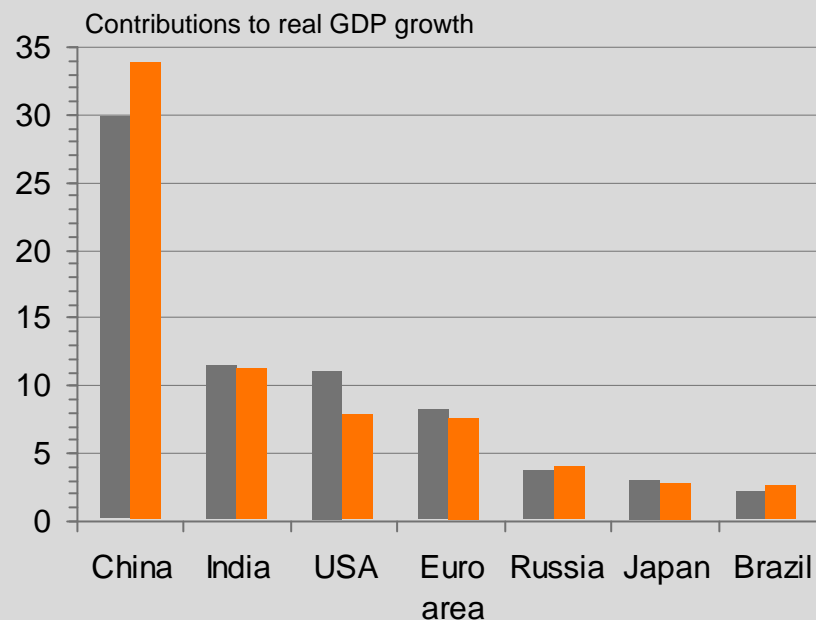
Pulling its weight

China is also making the largest contribution to world growth at market prices.



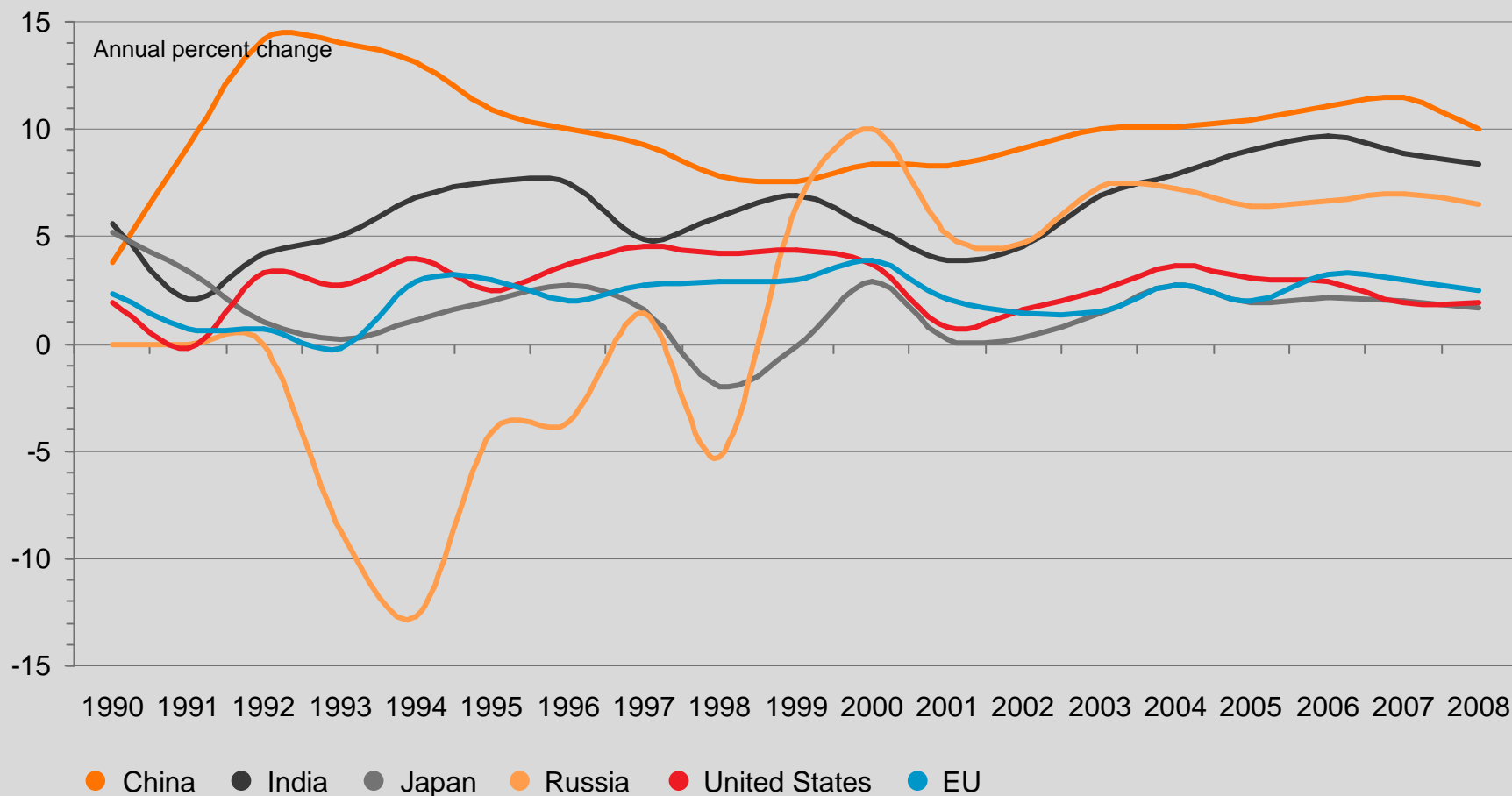
New driving force

The major emerging markets have become the main engines of world growth. For the first time, China and India are making the largest country-level contributions to global growth



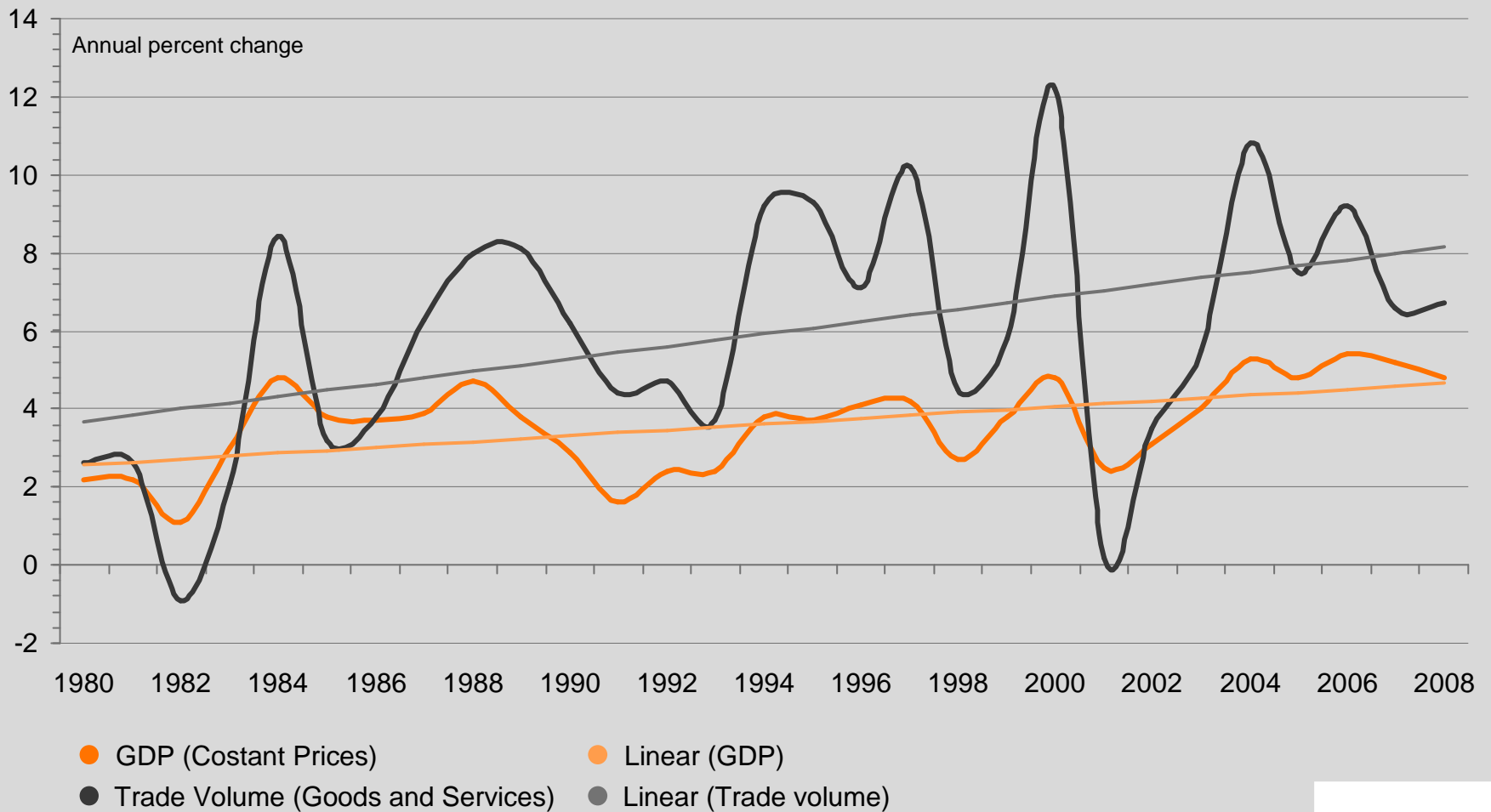
Source: International Monetary Fund (IMF)

GDP Growth in Selected Countries



Source: International Monetary Fund (IMF)

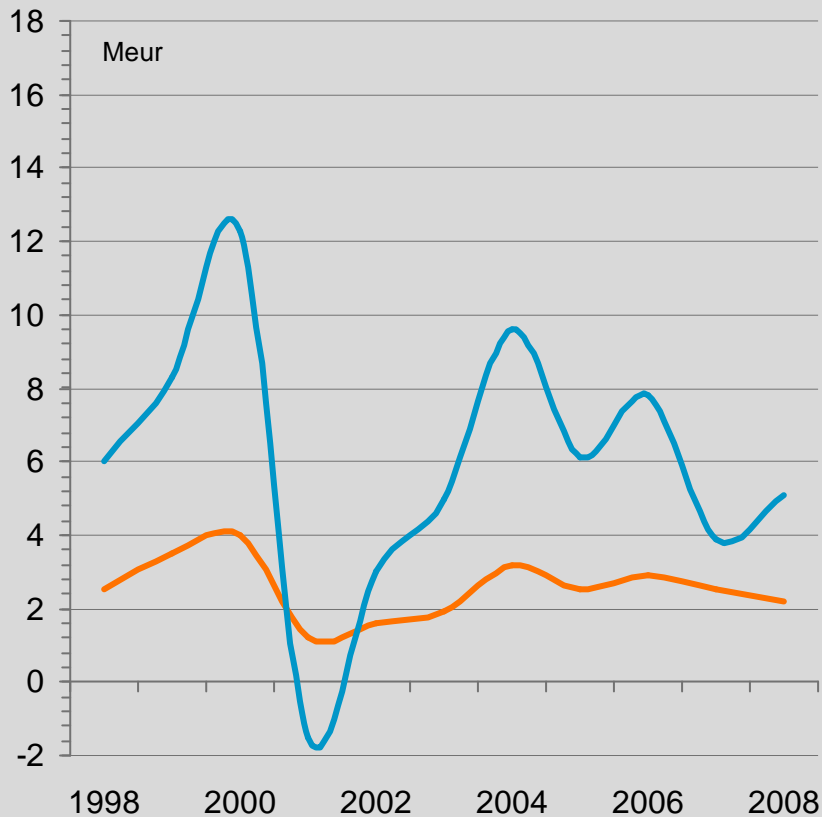
World GDP and Trade Volume



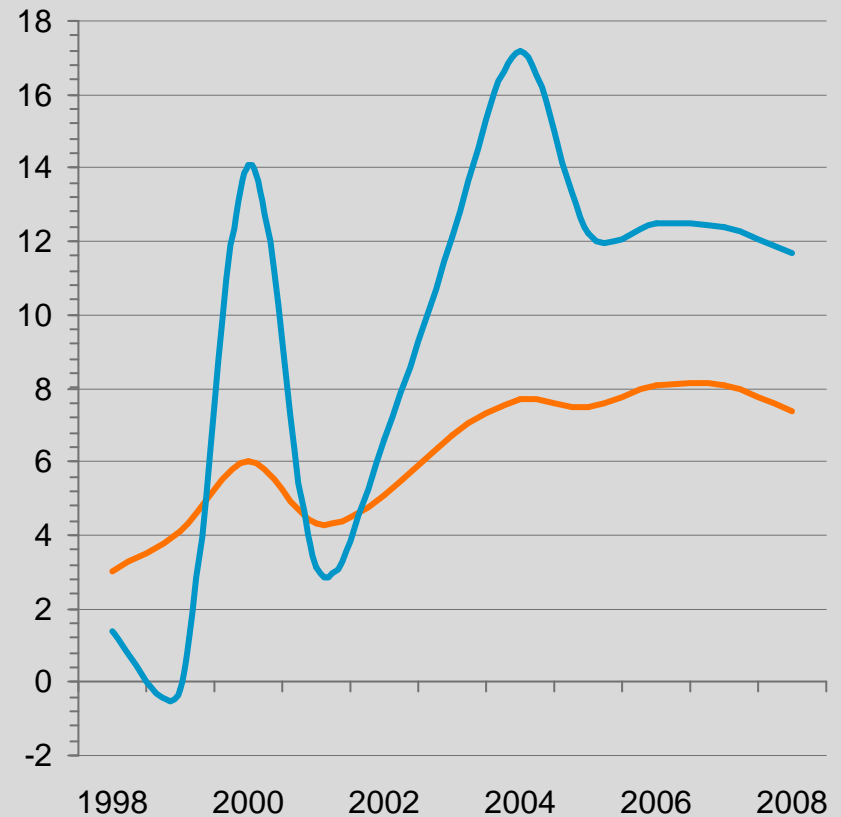
Source: International Monetary Fund (IMF)

World GDP and Trade Volume

Advanced Economies



Emerging / Developing Economies



- GDP (Costant Prices)
- Import volume of goods

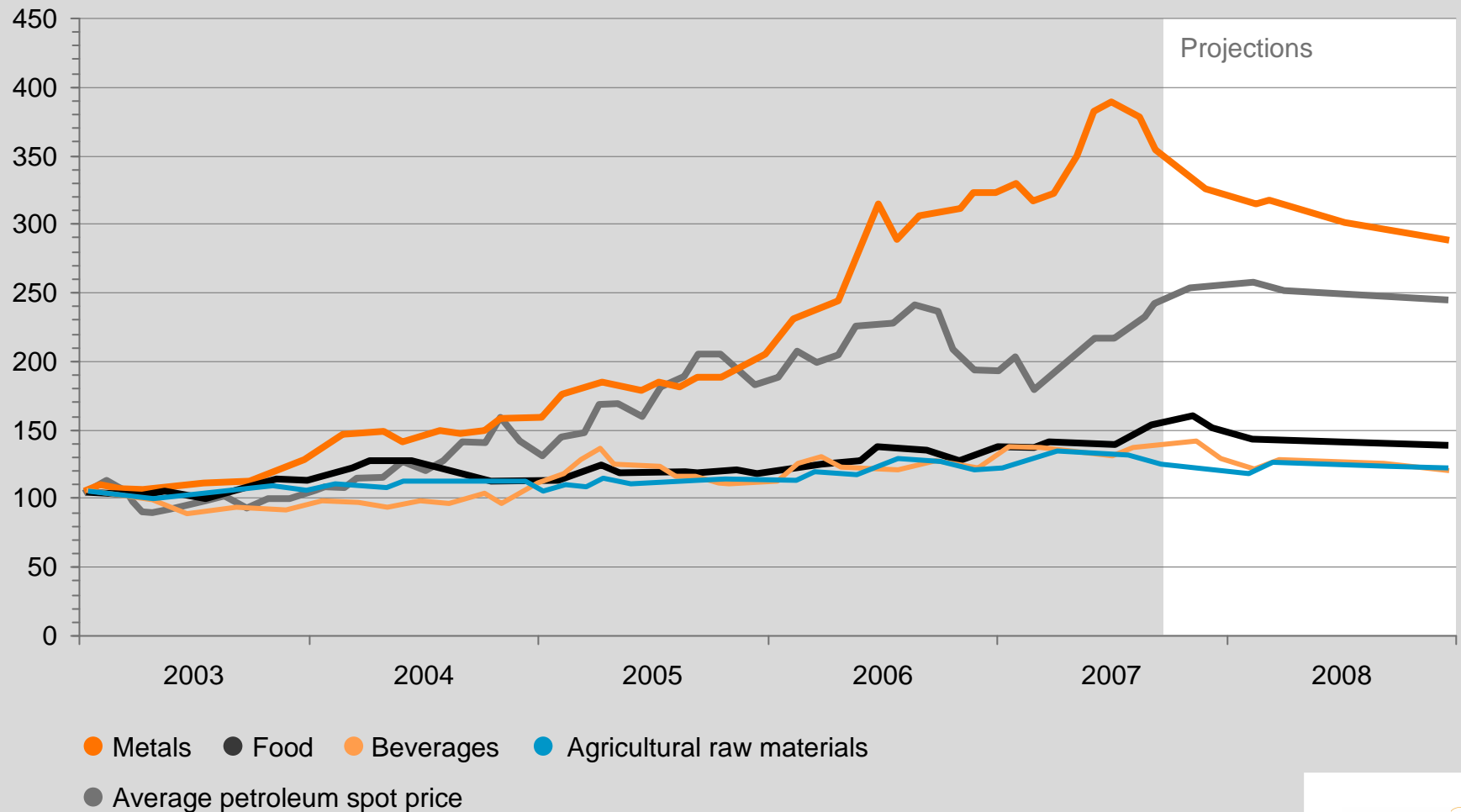
Source: International Monetary Fund (IMF)

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

Raw material prices

Commodity price indices, January 2003 = 100



Source: International Monetary Fund (IMF)

High energy prices are here to stay

- There is a premium on efficiency
 - Total efficiency a priority
 - Demand for upgrades and quality overhauls
 - Resort to cheaper fuels ↔ emissions permitting
- Our R & D will continue to focus on efficiency while our global services support customers' operations

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- **Shipping is the enabler of globalisation**
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

”Shipping is a great industry, facing a challenge”¹⁾

- ”Shipping carries over **90% of world trade**
- It is the **most cost-efficient and energy-efficient** primary mode of transportation
- Barring an unforeseen dramatic downturn in the global economy, shipping is forecast to continue its strong growth, with the **potential to double by 2020**
- The shipping industry now faces a **great challenge**: how to continue to deliver this extraordinary expansion, **critical to delivering the benefits of a growing world economy**, whilst addressing its **environmental responsibility**”

1) ”Shipping emissions: critical decisions for a global industry” Shells perspective as a Shipper and

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

Pressure to reduce emissions

Only primary methods (combustion)
reduce CO₂ (and fuel consumption)

- High entry barriers

Multiple ways to reduce So_x
(Various fuels and secondary methods)

- Refurbishing opportunity

→ Work closely with customers and competition
to develop new methods for emission
management

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- **Shortfall in availability of key personnel**
- Need for further specialization in the shipping sector

Opportunity for Wärtsilä

- Skilled seafarers in short supply
- Modern machinery require new skills (electronics, emissions..)
- Short harbor times do not permit shopping
- High fuel price requires efficient operation

Availability of personnel - Business opportunity for Wärtsilä

- Becomes HR challenge
- Total headcount 15,811 people at end of Q3/07
- Addition Q1-Q3/07 1,465 people, new recruitment over 2,000
- Attractiveness
- Training

Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO_x, CO₂)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector

Wärtsilä's offering covers all key shipping segments

Merchant



Offshore



Cruise
and ferry



Navy



Special
vessels



The shipping markets - Cruise & Ferry



Owners

- Carnival
- Royal Caribbean
- Grimaldi Group
- MSC



Builders

- Fincantieri
- Aker Yards
- Meyer Werft
- Austal



Markets

- Cruise shipping
- Passenger vessels
- Car & Passenger Ferries
- Mega yachts

■ Builder countries ■ Owner countries ■ Both

Cruise and ferry outlook



- Continued demand growth in cruise
- Ferry market expected to be steady
- Mega Yachts ordering still active and ships getting bigger



The shipping markets - Merchant



Owners

- Cosco, China
- AP Möller/Maersk, Denmark
- CSG, China
- MOL, Japan
- NYK, Japan



Builders

- Hyundai
- Samsung
- Daewoo
- CSSC
- CSIC



Markets

- Container shipping
- Oil&Gas Transport
- Dry bulk cargo
- Car transport

■ Builder countries ■ Owner countries ■ Both

Merchant vessel outlook

- Ship earnings on high level
- Bulk Carrier market red hot
- Container growth continues
- Tanker prospects a concern
- Car carrier and Ro-Ro more steady

The shipping markets - Offshore



Owners

- Cosco, China
- AP Möller/Maersk, Denmark
- CSG, China
- MOL, Japan
- NYK, Japan



Builders

- ABG
- Keppel
- Aker
- Samsung
- Yangzhou Dayang



Markets

- Oil&Gas production
- Oil&Gas Exploration

■ Builder countries ■ Owner countries ■ Both

Offshore outlook



- Continued investment into offshore platforms
- FPSO and drillship market active
- Ordering boom of supply vessels seems to have eased off



The shipping markets - Special Vessels



Owners

- Chinese Government
- AP Möller , DK
- Indian Government
- SMIT, NL
- Crowley, US

Builders

- Hyundai
- Samsung
- Daewoo
- CSSC
- CSIC

Markets

- Fishing vessels
- Tugs, dredgers
- Ice breakers
- Research vessels
- ...

■ Builder countries ■ Owner countries ■ Both

Special vessels outlook



- The least cyclical market
- Port expansions create demand for tugs
- Demand growing for dredgers



Shipyard order books are record high

- China and South Korea dominate
- New building prices on record level
- Material and component costs extreme
- Availability of equipment a concern



Wärtsilä Ship Power Segment portfolio

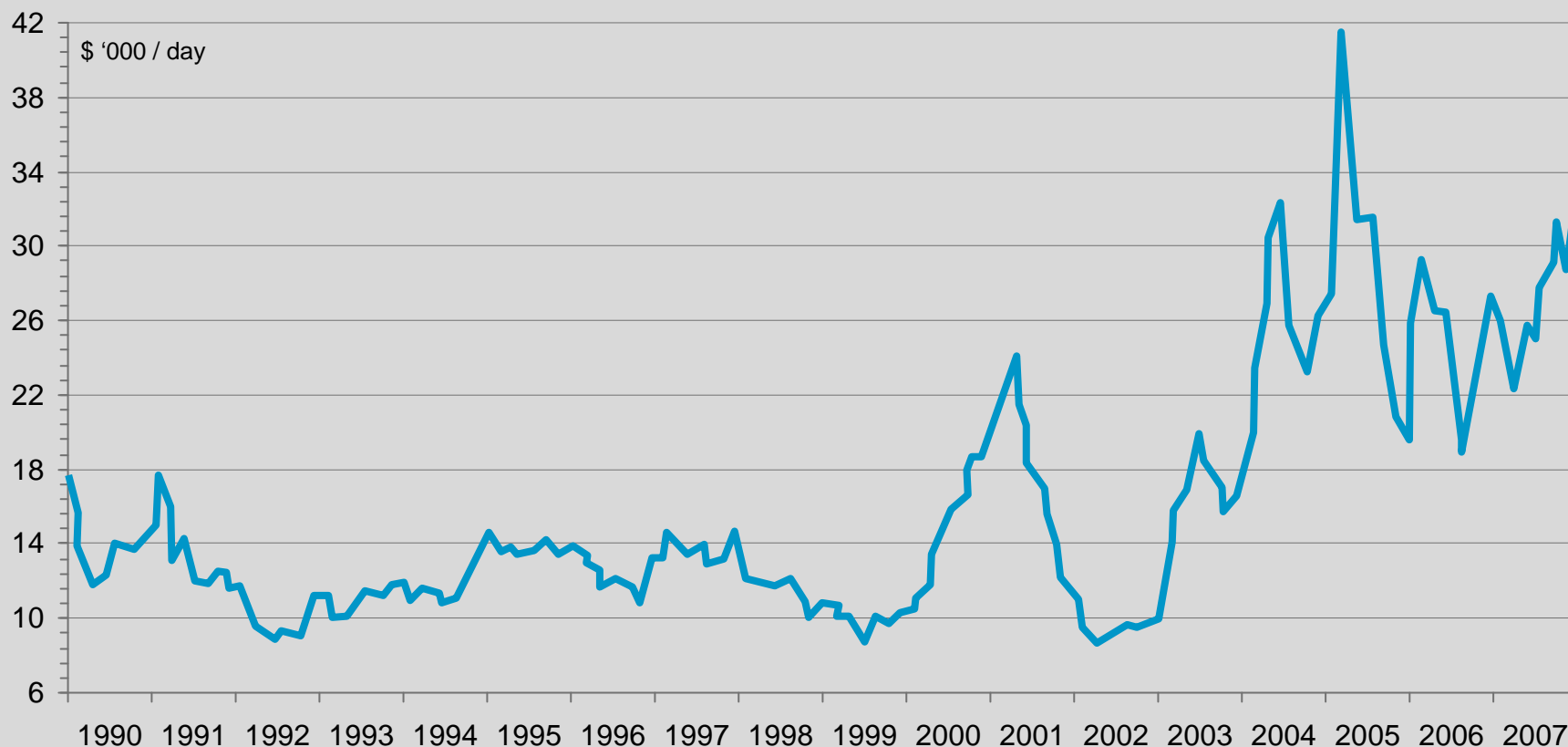
Segments	2-stroke engines	4-stroke engines	Gensets	Propulsors	Seals & Bearings	Power & Automation	Ship Design
Merchant	■	■	■	■	■		■
Offshore		■	■	■	■	■	■
Cruise&Ferry		■	■	■	■		
Special Vessels		■	■	■	■		
Navy		■	■	■	■		

Wärtsilä Ship Power competitive landscape

Companies	2-stroke engines	4-stroke engines	Gensets	Turbines	Propulsors	Seals & Bearings	Power & Autom.	Ship Design	Fuel cells
Wärtsilä	█	█	█		█	█	█	█	█
MAN	█	█	█		█				
Mitsubishi Heavy	█	█	█	█	█		█	█	█
Caterpillar		█	█	█					
Rolls-Royce		█	█	█	█		█	█	█
Tognum/MTU		█	█	█			█		█
Niigata		█	█		█				
Hyundai/Himssen		█	█		█			█	
Schottel					█				
Converteam							█		
Siemens				█			█		█
ABB					█		█		█
Kawasaki				█	█				
Kolbeco Eagle						█			
Others		█	█	█	█	█	█	█	█

Shipping company earnings have increased dramatically

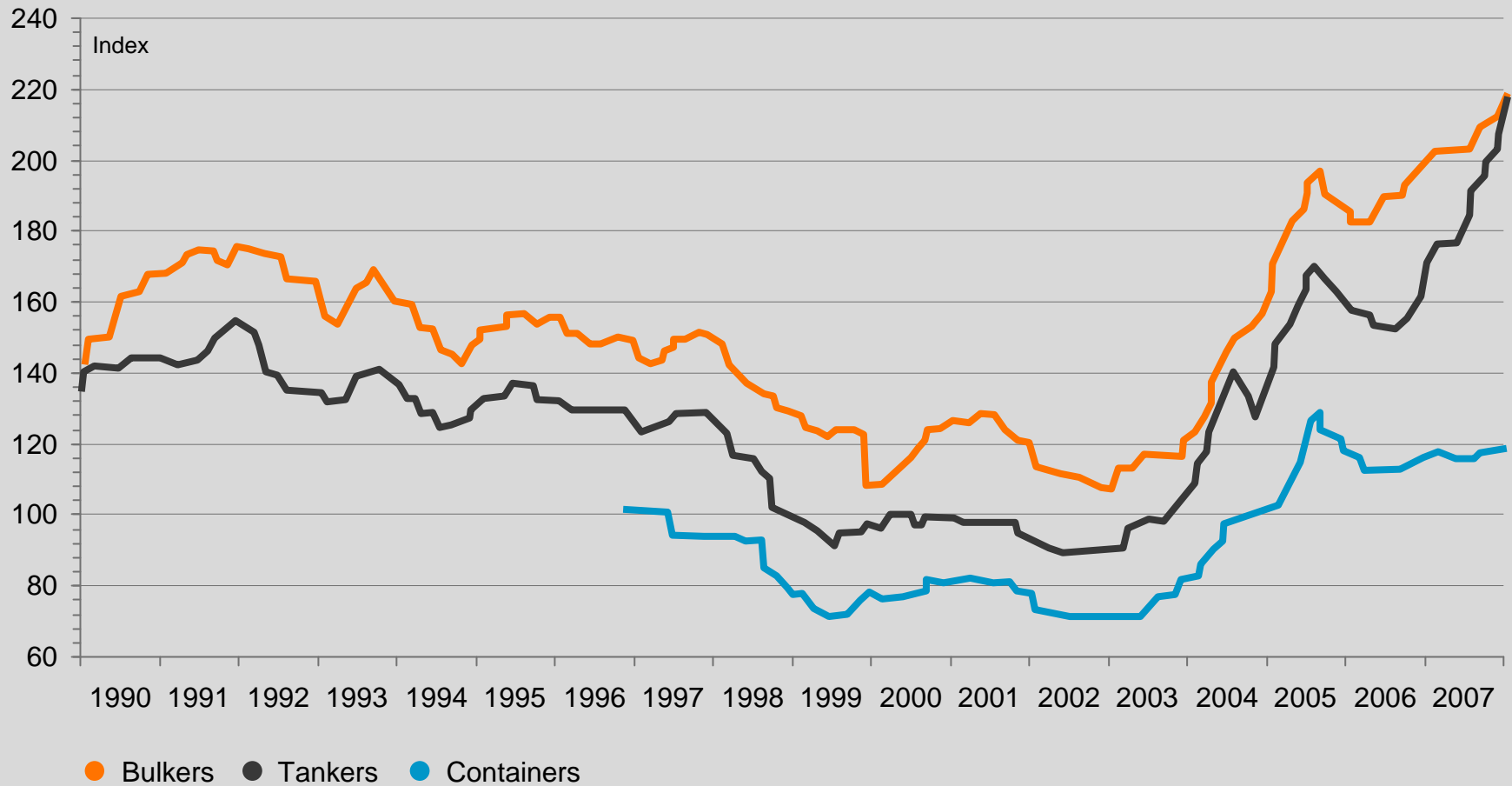
A weighted average earnings index for all sectors



ClarkSea Index

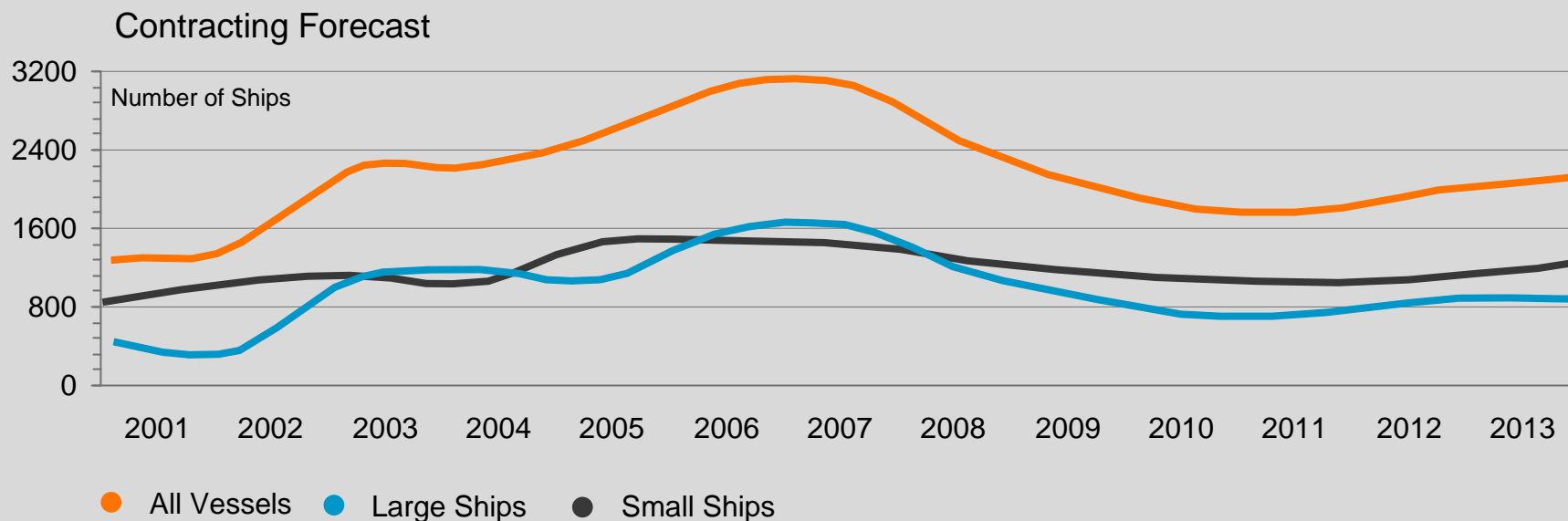
Newbuilding prices have never been this high

New building Price Indices



Long-term market outlook

- Contracting of big merchant ships is expected to slow down
- In the period 2008-13 small ships will form a larger proportion of contracts than large ships and will not suffer the same magnitude of downturn as the larger ships. Contracting of small ships is expected to remain relatively stable
- Investments in offshore are expected to continue



Conclusions

- The strong orderbooks give time to react
 - The pressures on emissions and efficiency requires technologies
 - Quality services will be in high demand
- we will continue to develop our product offering in terms of new products as well as services to match these new demand patterns



WÄRTSILÄ