

Capital 2008 MarketsDay

18 NOVEMBER, HELSINKI, FINLAND

CRACKING THE FINANCIALS

RAIMO LIND, EXECUTIVE VICE PRESIDENT & CFO

Growth & Profitability

Growth over the cycle

Profitability target over the cycle

Order book distribution

Order book risks

Cash flow and financial position

Investment CAPEX analysis

Working Capital development

Work in progress and Advances received

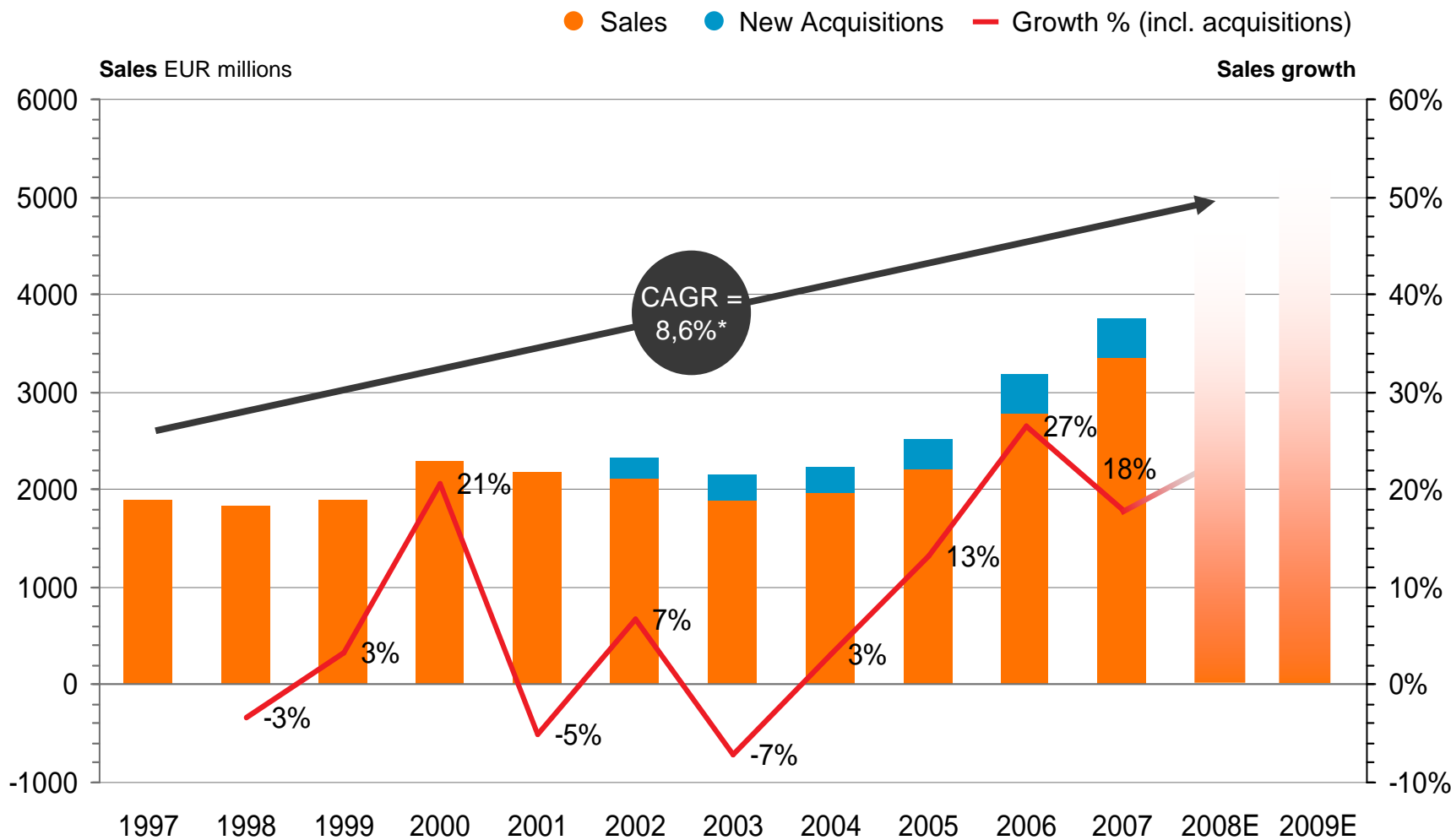
Wärtsilä's financial position

Reporting issues

Segments in IFRS

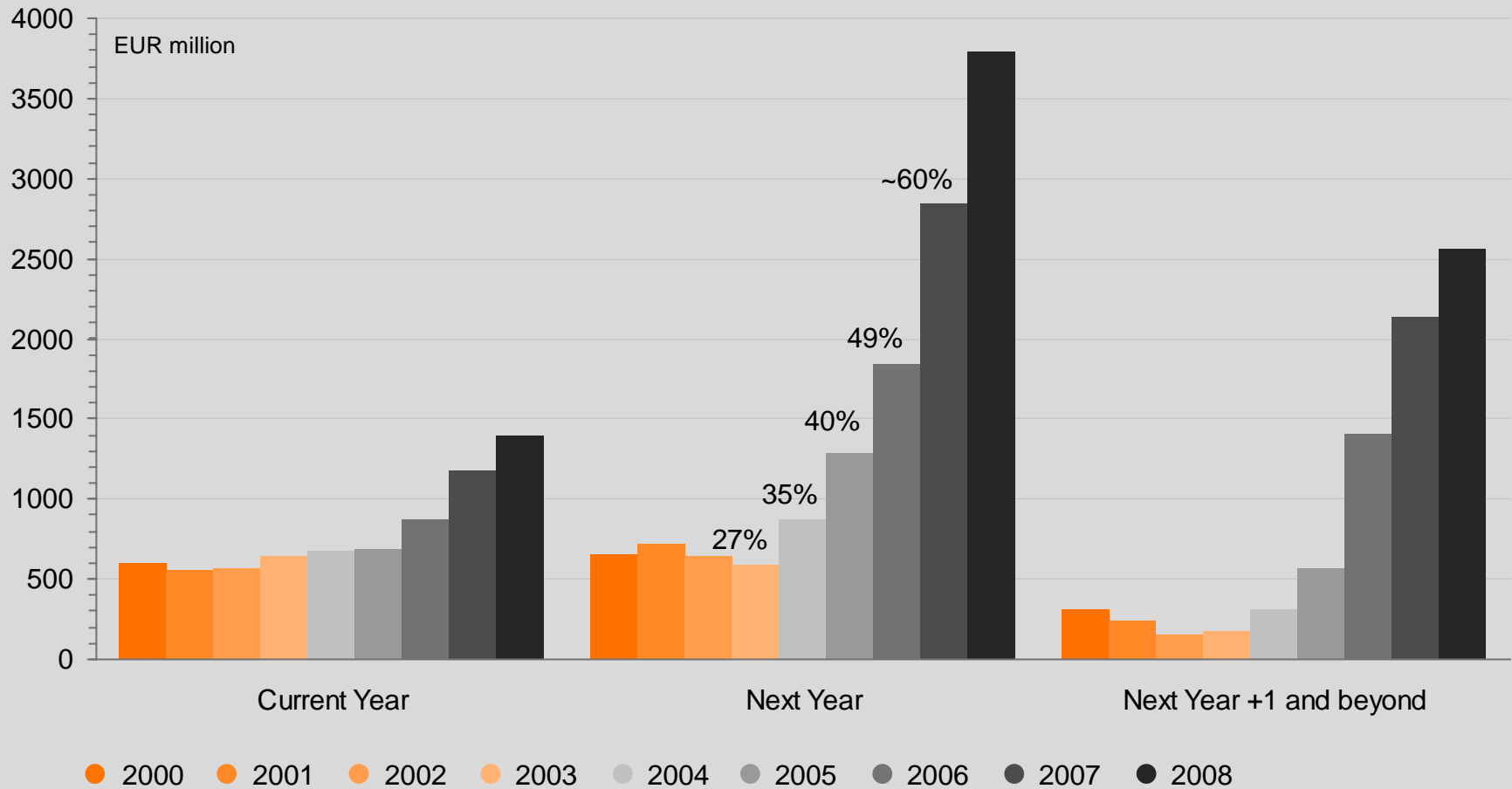
Corporate governance in Wärtsilä according to new rules

Growth over the cycle



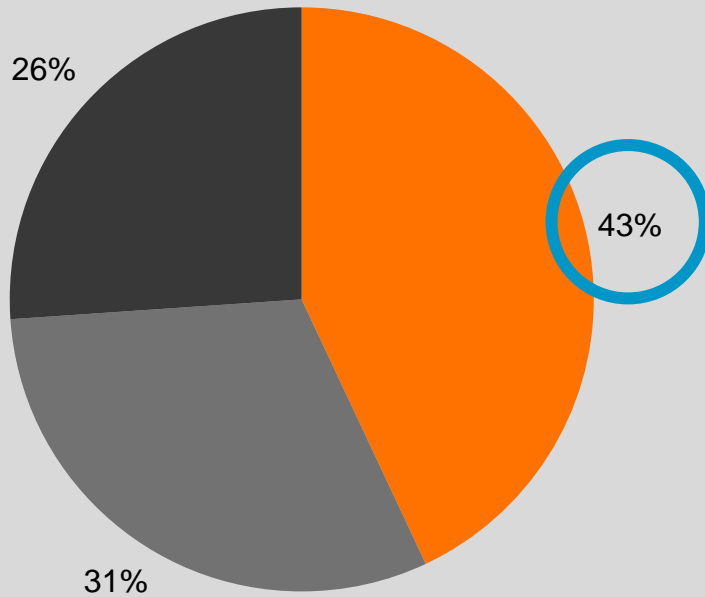
* Including acquisitions; growth excluding acquisitions 7.6%
 Note: World nominal GDP growth 1997 – 2008 averages 6.77% USD denominated (source: IMF)

Orderbook



Note: Based on order book end of Q3

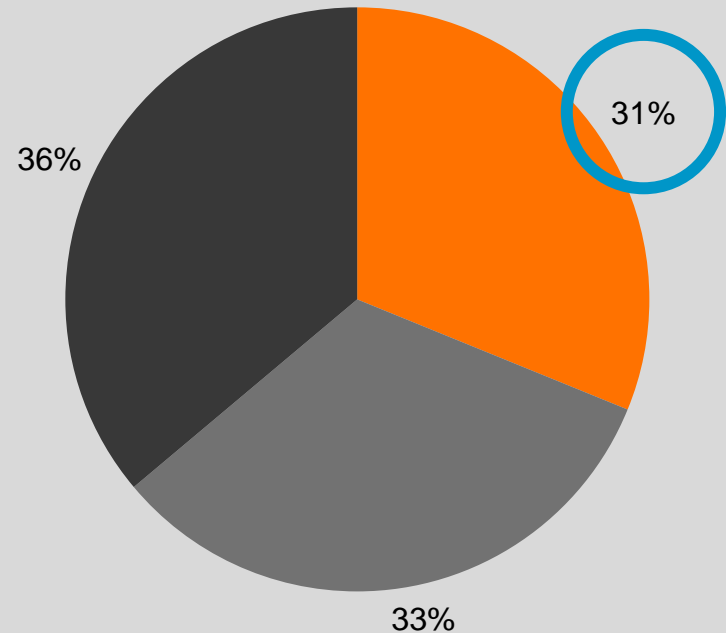
Net sales by business 1-9/2008



● Ship Power ● Power Plants ● Services

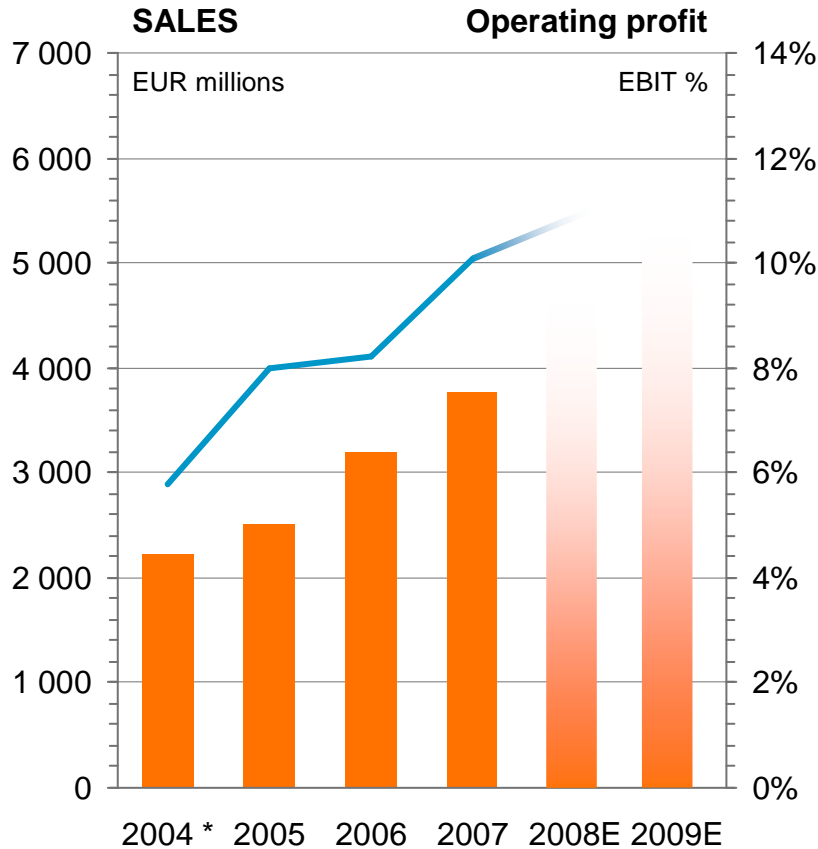
Total net sales 1-9/2008: EUR **3,082** million
 Services: EUR **1,335** million

Net sales by business 2000 *



Total net sales 2000: EUR **2,288** million
 Services: EUR **702** million

* Net sales for Power Divisions

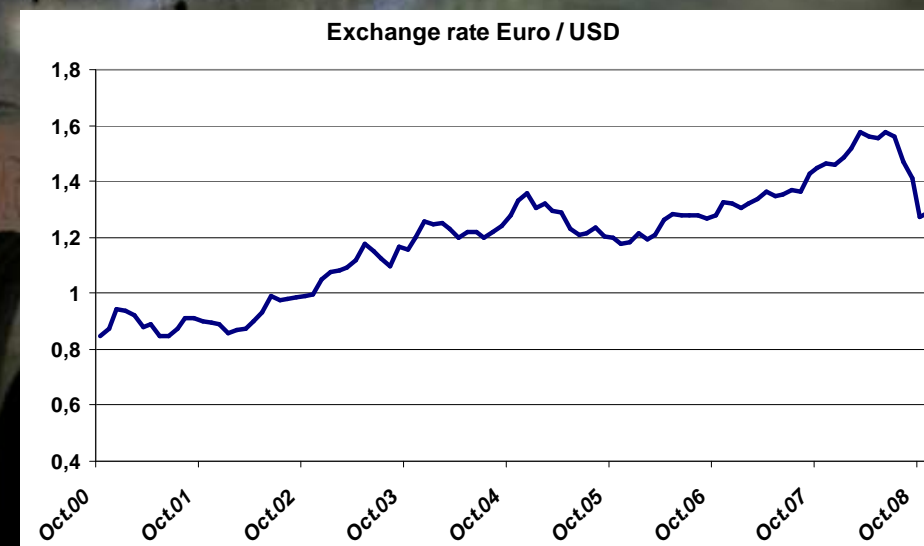
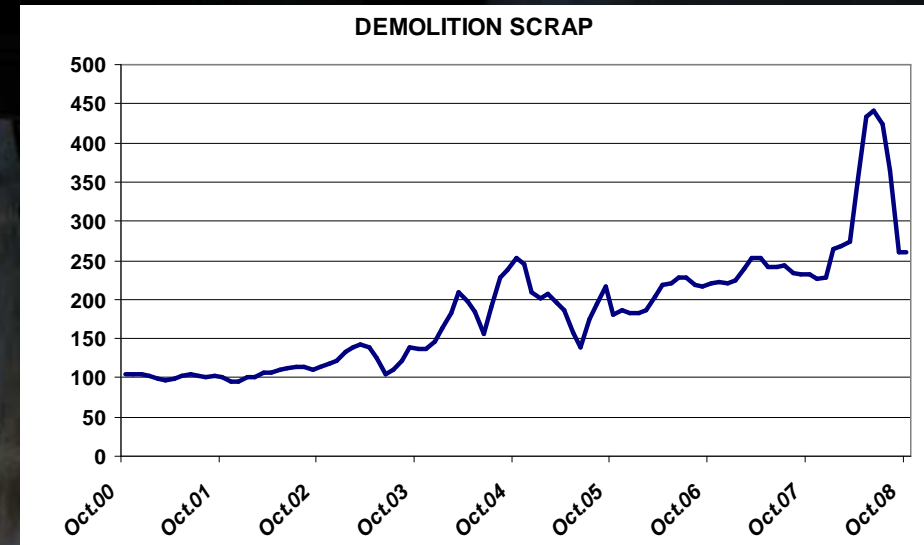


Elements of a more robust business model:

- Business mix more stable
 - Offering in all businesses broadened, latest addition Ship Design
 - Services' share of sales increased
 - Global presence increased
 - Multiple fuel offering (fuel oils, bio-oil, gas, multifuel)
- Capacity outsourcing in Industrial Operations
- More flexible business model in Power Plants

* 2004 according to IFRS, restructuring costs adjusted

- Cancellations
- Delays
 - Due to finance
 - Yard schedules
 - Wärtsilä schedules
 - Subsupplier schedules
- Labour cost development
- Material cost development
- Scrap price development
- Currencies



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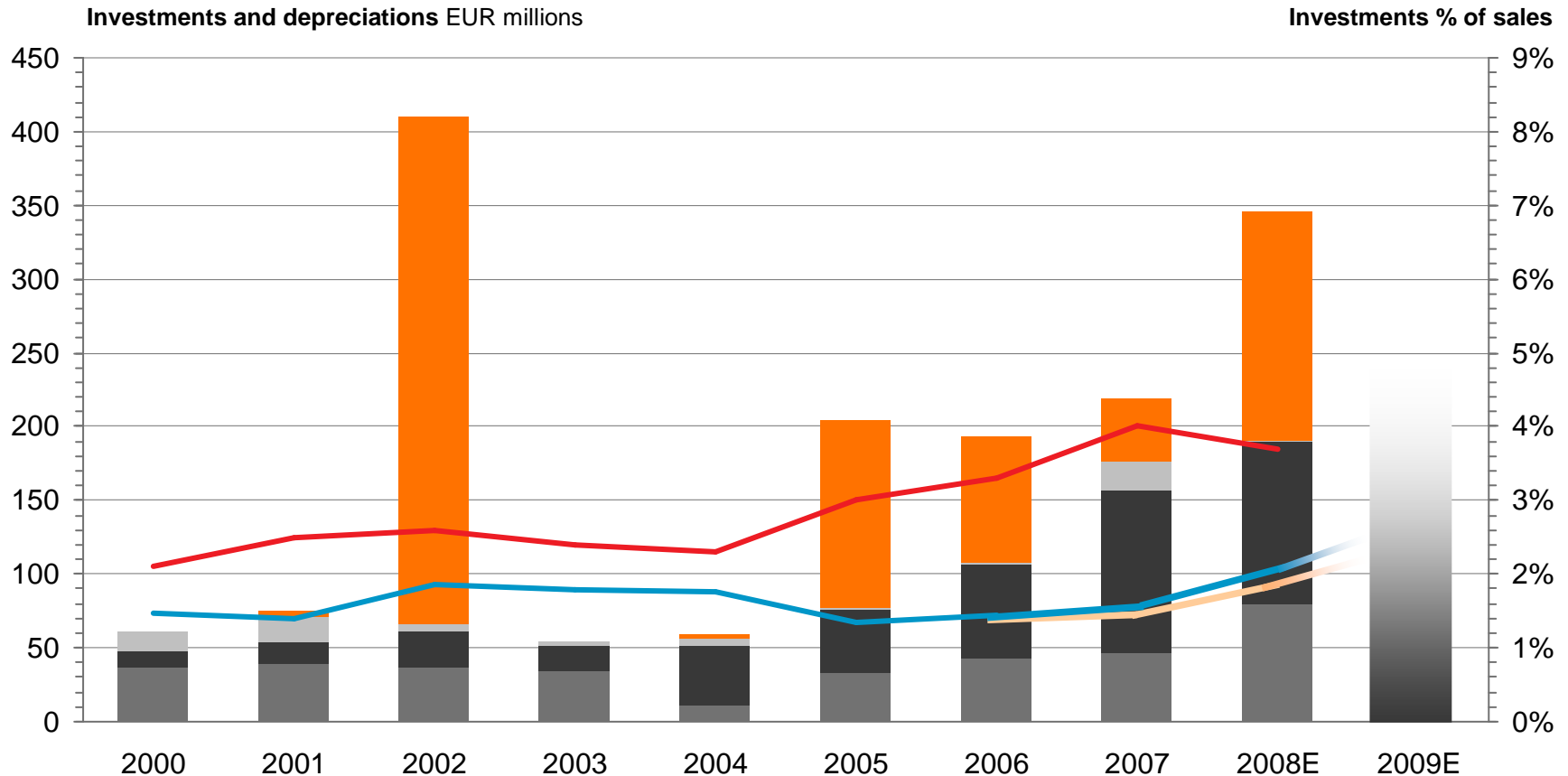
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Investment CAPEX analysis

- Acquisitions ○ Other shares ● Investments in growth / process development ● Investments in maintenance
- Investments % of sales (no acq. & shares) — Depreciation — Depreciation w/o acquisition intangibles



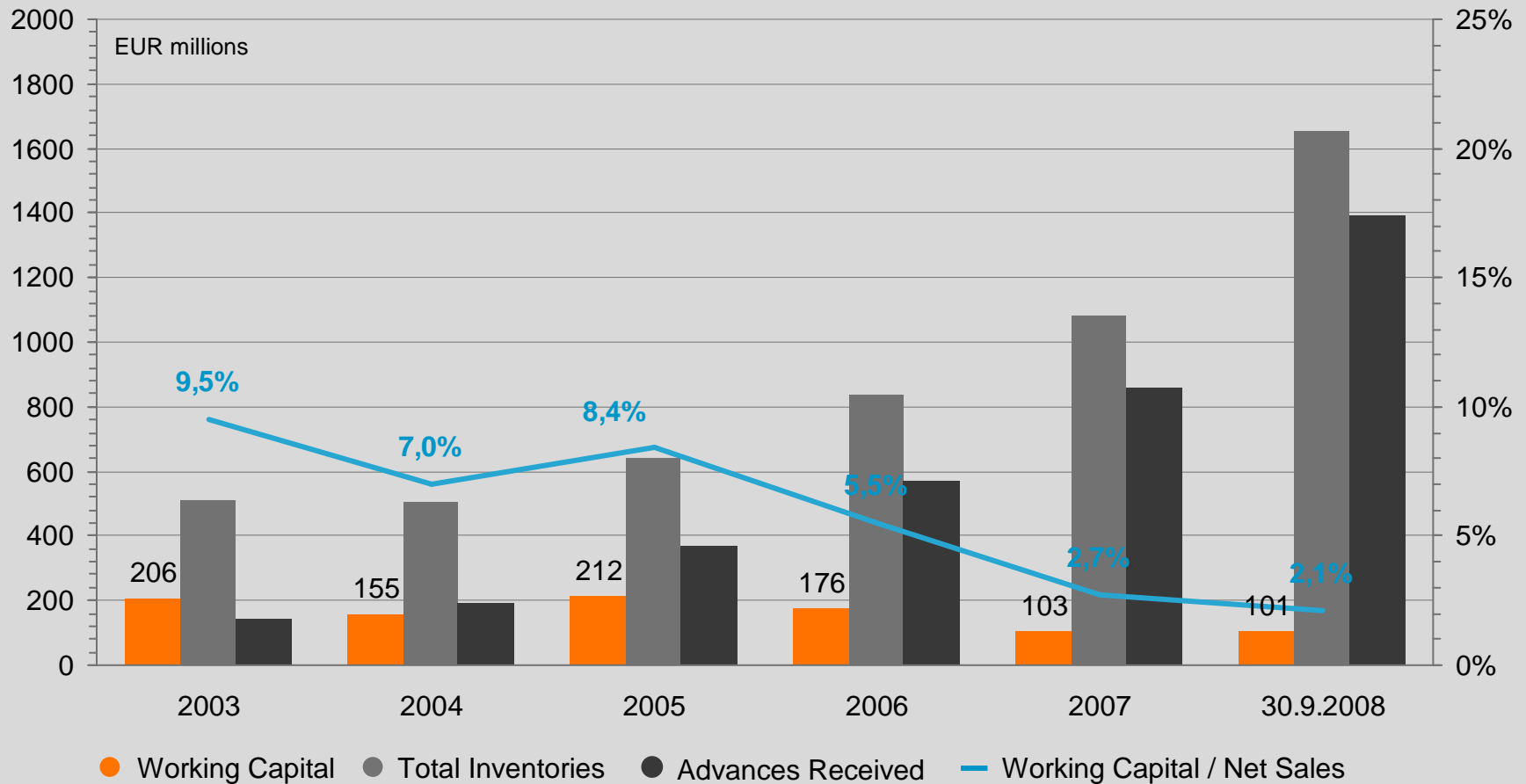
- Maintenance CAPEX has historically been low, and always below depreciation

Corporate transactions – last 12 months

Name	Transaction	Locations	Business	Sales* MEUR	Head-count
Maritime Service A/S	Acquisition	Ålesund	Engine and ship service	3,2	28
International Combustion Engineering A/S	Acquisition	Aalborg, Dubai	Boiler services	6,3	39
Claus D.Christophel Mess- und Regeltechnik GmbH	Acquisition	Hamburg	Automation and controls services	2,1	12
Vik-Sandvik group	Acquisition	Fitjar	Ship design	54,6	410
Navelec S.A.S.	Acquisition	Le Havre	Automation and controls services	6,9	45
Conan Wu & Associates Pte Ltd	Acquisition	Singapore	Ship Design	10,7	66
BioPower / Metso Heat & Power	JV (40/60)	Helsinki	Medium- and small-scale power and heating plants, focusing on renewable fuel solutions	130	200

* Last available fiscal year

Working capital is exceptionally low

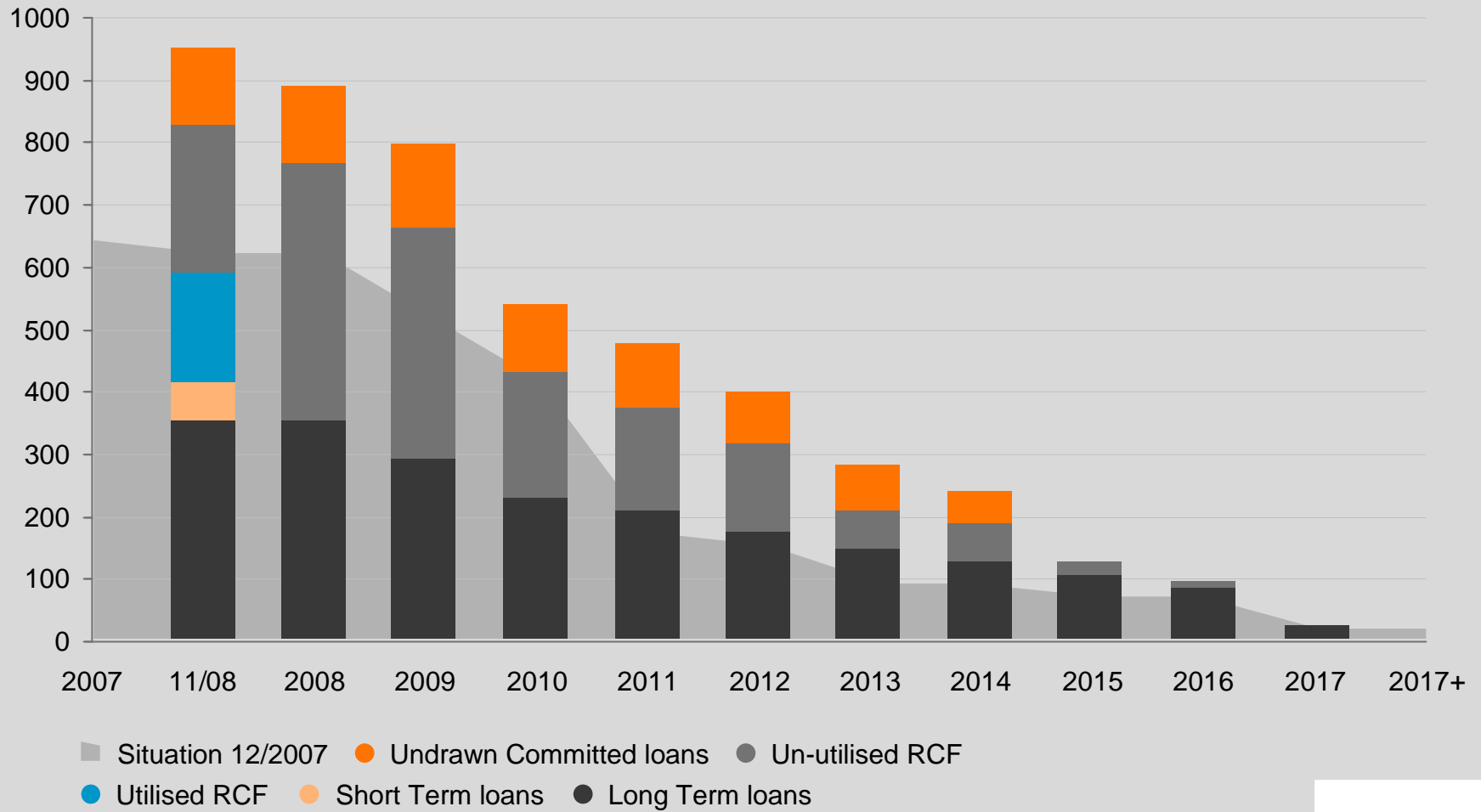


All figures relate to the Power Businesses

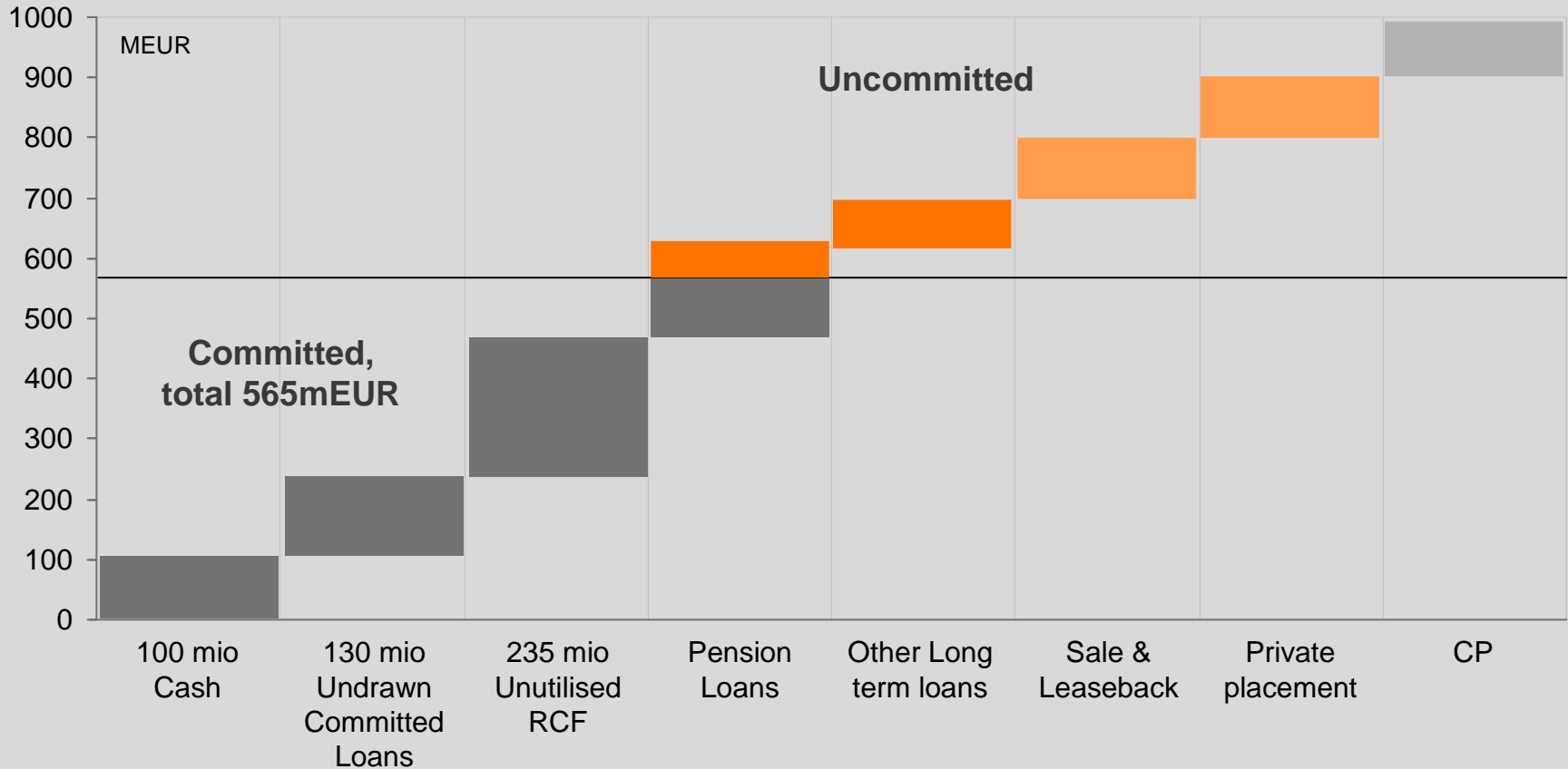
Breakdown of cash flow

MEUR	1-9/2008	2007	2006
EBITDA	395	462	333
Other operating cash flow	-3	-12	-6
Change in working capital	-62	135	52
Cash flow from operating activities before financial items and taxes	331	585	379
Net financial items and taxes	-75	-154	-77
Cash flow from operating activities	255	431	302
Investments in shares and acquisitions	-131	-65	-86
Net investments in tangibles and intangibles	-103	-166	-99
Proceeds from sale of shares	9	7	318
Other investing activities	7	9	16
Cash flow from investing activities	-219	-214	148
Cash flow after investing activities	36	217	450
Dividends paid	-411	-168	-283
Cash flow from financing activities	-164	-95	-387
Change in liquid funds	-127	122	63

Wärtsilä Credits (end of period)



Cash reserves 31.10.2008



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General

- Chief Operating Decision Maker (CODM)
 - CODM of Wärtsilä is the President & CEO, supported by the Board of Management and when necessary the Board of Directors
 - CODM appraises the economic performance and the development of the group as one entity, not based on individual divisional results
 - Since the integration level of the group is very high, the divisional numbers do not correctly reflect the Group's performance or its development
- Management reporting
 - Follows the development of business through market based business areas
 - Performs as a management tool in target setting and budget follow up
- Incentives
 - The top management is rewarded solely based on group economic performance, since it is the only objective measurement available
 - The same measurement is used on all other organizational layers, to complement personal or local targets. Reaching the group targets is a prerequisite of any bonus payments

One segment or several segments?

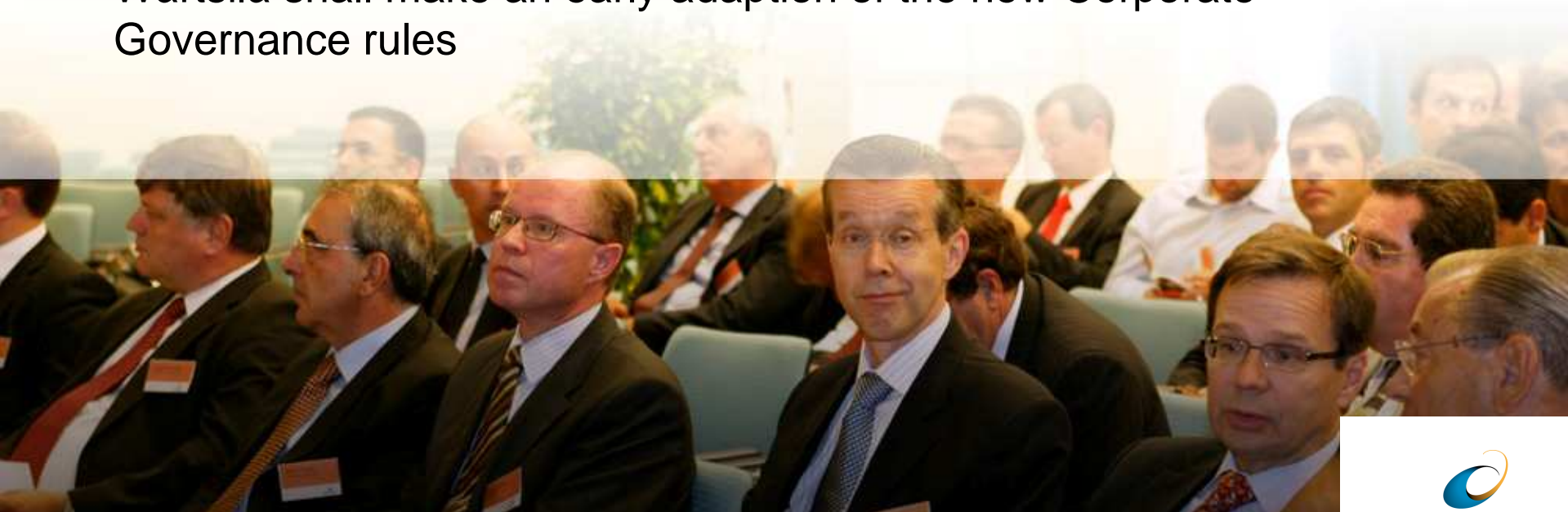
- Wärtsilä serves two markets, the Marine and Power plant market with an integrated structure
- Life cycle of customer support is the same for all products
- Customers around the world use mainly the same criteria in decision making
- Products and service are distributed by the same Group companies for Marine and Power plant market
 - The same personnel sells, assembles and supplies services for all products
 - Products and services are sold globally
 - Products and services are priced globally by uniform principles
- Technology of all engines is the same, also the R&D is joint
- Product manufacturing is done by same plants around the world and the manufacturing capacity is the same
- A centralized purchase organization is assuring functional subcontracting chain as well as component purchase for Wärtsilä's production and service worldwide

Wärtsilä's segment reporting

- IFRS 8 – core principle
"An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates."
 - IFRS 8:31-34
 - Information about products and services
 - Information about geographical areas
 - Information about majos customers
 - Wärtsilä Group reporting: shipping, energy and service businesses' external net sales, personnel, order intake and orderbook;
 - geographically the external net sales of Europe, Asia, America and other in total as well as non-current assets according to IFRS 8:33b



- New Corporate Governance (CG) rules approved in October 2008 (replaces the guidelines given in December 2003)
- CG in force 1st January 2009, early adaption possible
- Changes which require the decision of General Meeting shall be made in the 2009 Annual General Meeting
- Wärtsilä shall make an early adaption of the new Corporate Governance rules



Corporate Governance rules October, 2008

- 52 guidelines in total of which
 - 48 consistent with guidelines
 - 3 differing

Guideline 1: Potential misalignment in Articles of Association – publication days of the notice of the meeting

Guideline 21: Lacking the participation of the members of the Committees

Guideline 25: Evaluation of competence of Audit Committee members

- Guideline 51: Corporate Governance Statement shall be added in the Annual Report 2008 and in the internet www.wartsila.com

Disclosure on the issuer's corporate governance system

- The issuer shall disclose in its annual report the following information on its system of corporate governance.
 1. Reference to such regulations on the system of corporate governance that the issuer shall conform to, or to such recommendations on the system of corporate governance that the issuer has committed itself to complying with;
 2. **Description of the main aspects of the systems of internal control and risk management related to the issuer's financial reporting;**
 3. Description of the composition and activities of the supervisory board, the board of directors and of their subordinate committees, including the organ that is responsible for monitoring the issuer's financial reporting, internal control, risk management and external auditing as well as for assessing the independence of the issuer's external auditor and any additional services provided by the issuer's external auditor.
- The issuer's external auditor shall verify that the issuer has disclosed the necessary information on its system of corporate governance.
- This decree shall take effect the 1st of September 2008 (and shall be applied to accounting periods starting on, or after, the 1st of January 2009).



WÄRTSILÄ