

# **WÄRTSILÄ CORPORATION**

**2006 RESULT PRESENTATION**

**OLE JOHANSSON, PRESIDENT & CEO**

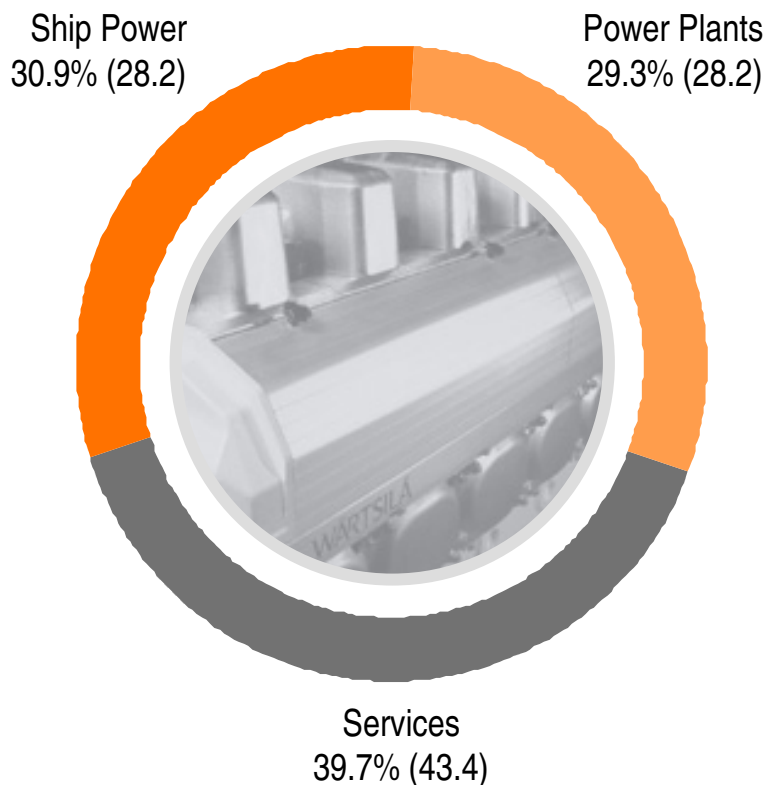
**6 FEBRUARY 2007**



- Order intake +32.4%
- Order book +52.8%
- Net sales +26.6%
- Operating income +29.2%
- Profitability 8.2% (8.0)
- EPS EUR 3.72 (1.80), EUR 1.49 refers to capital gains
- Good demand continues

# Key figures 2006

## Net sales by business 2006



MEUR	2006	2005*	Change(%)
Net sales	3,189.6	2,520.3	26.6
Operating income	261.6	202.5	29.2
% of net sales	8.2	8.0	
Income before taxes	446.8 <sup>2</sup>	212.4 <sup>1</sup>	
Earnings/share, EUR	3.72	1.80	

<sup>1</sup> The figure in the comparison period includes Imatra Steel's pre-tax profit of EUR 21.4 million and Wärtsilä's share of Ovako's profit after taxes EUR 10.4 million..

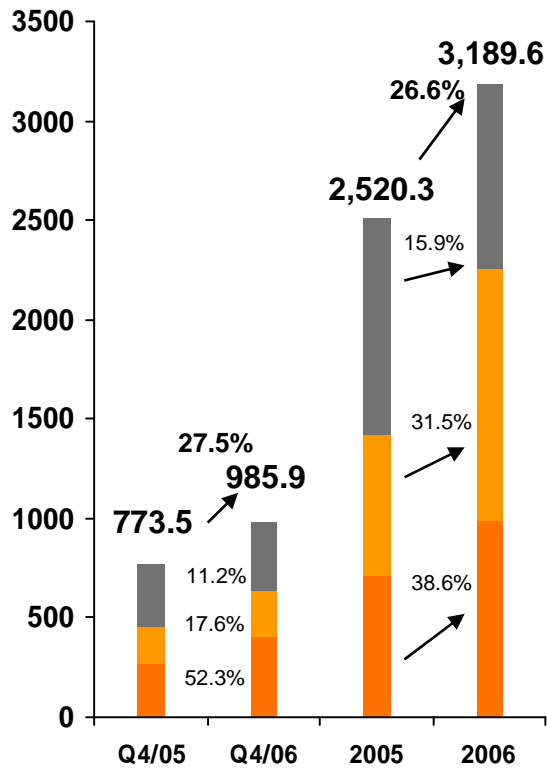
<sup>2</sup> The January – December result 2006 includes Wärtsilä's share of Ovako's profit after taxes EUR 18.1 million and a tax-free capital gain of EUR 49.3 million from the sale of Oy Ovako Ab and a capital gain of EUR 123.9 million from the sales of Assa Abloy B shares.

\*For comparability reasons net sales and operating income for 2005 are presented without Imatra Steel.

# Key figures

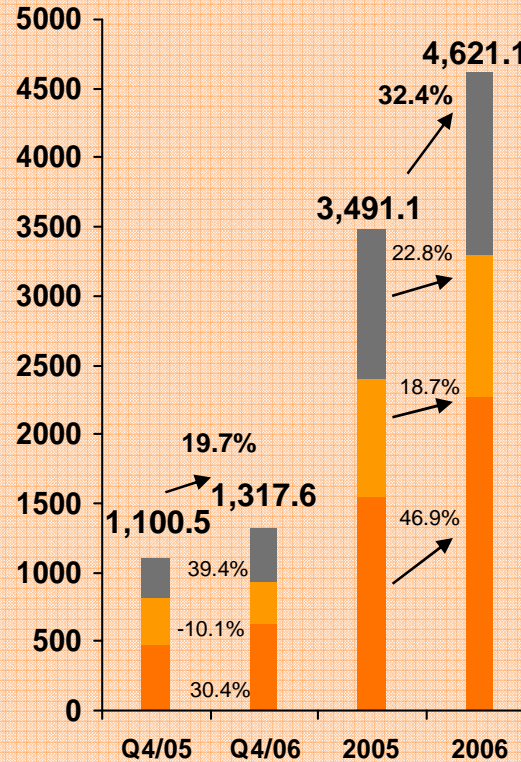
MEUR

## Net sales

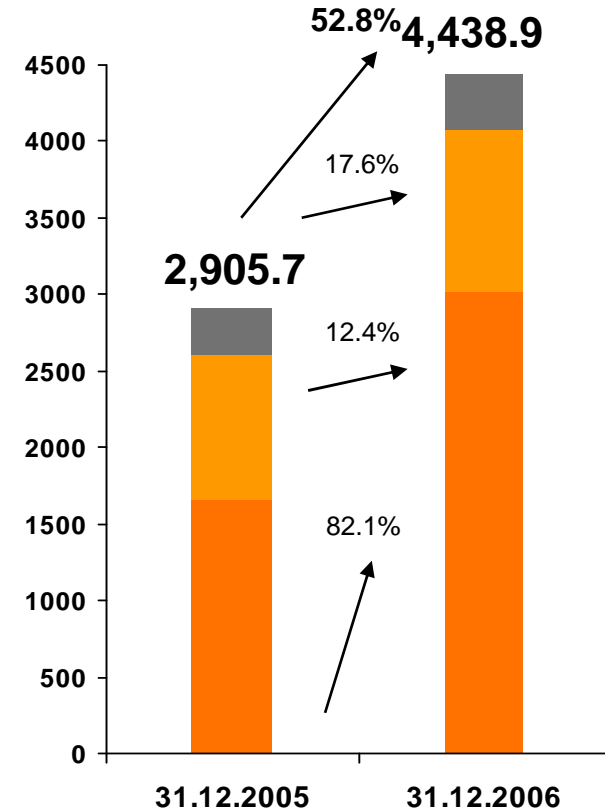


- Services
- Power Plants
- Ship Power

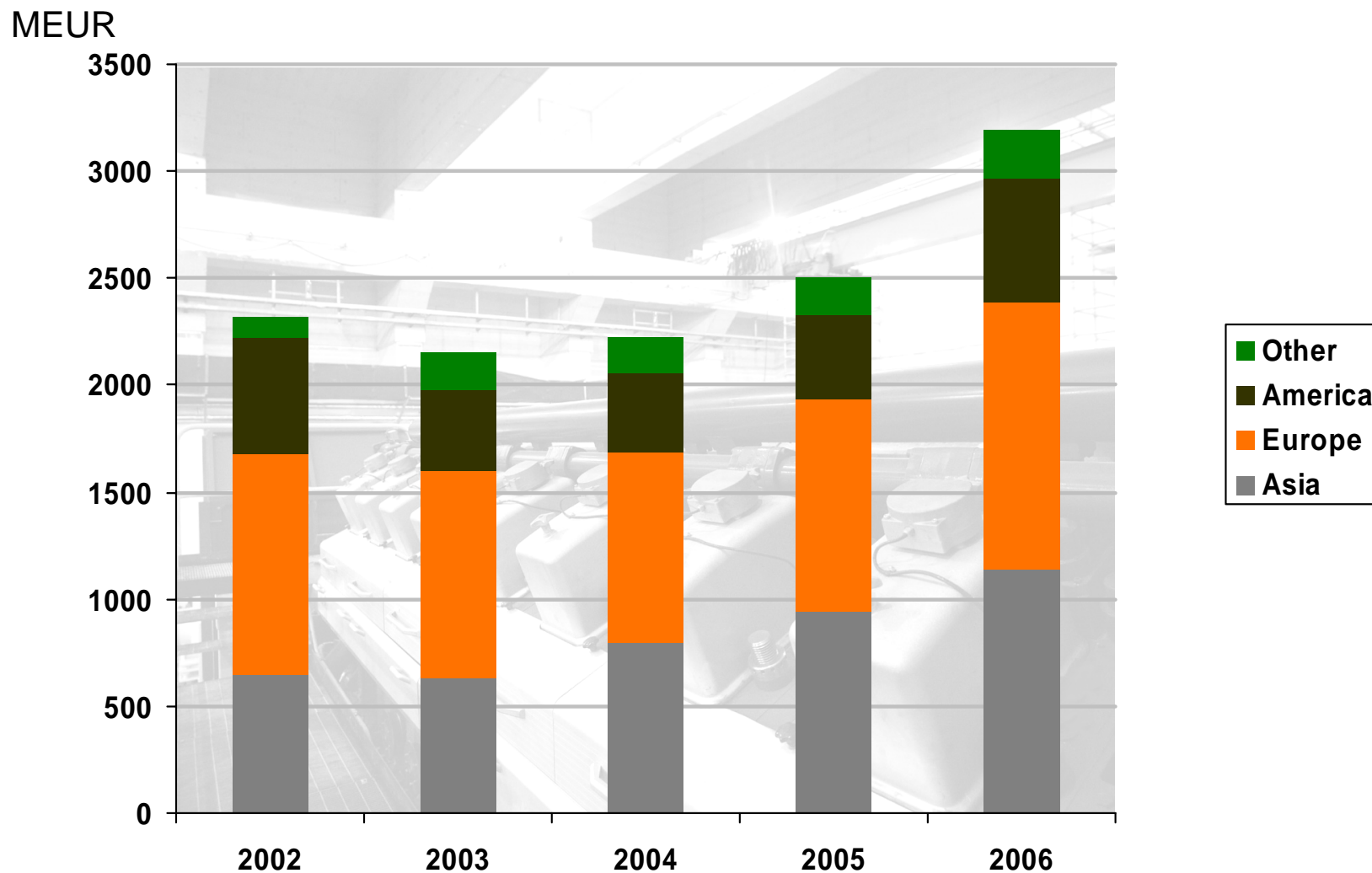
## Order intake



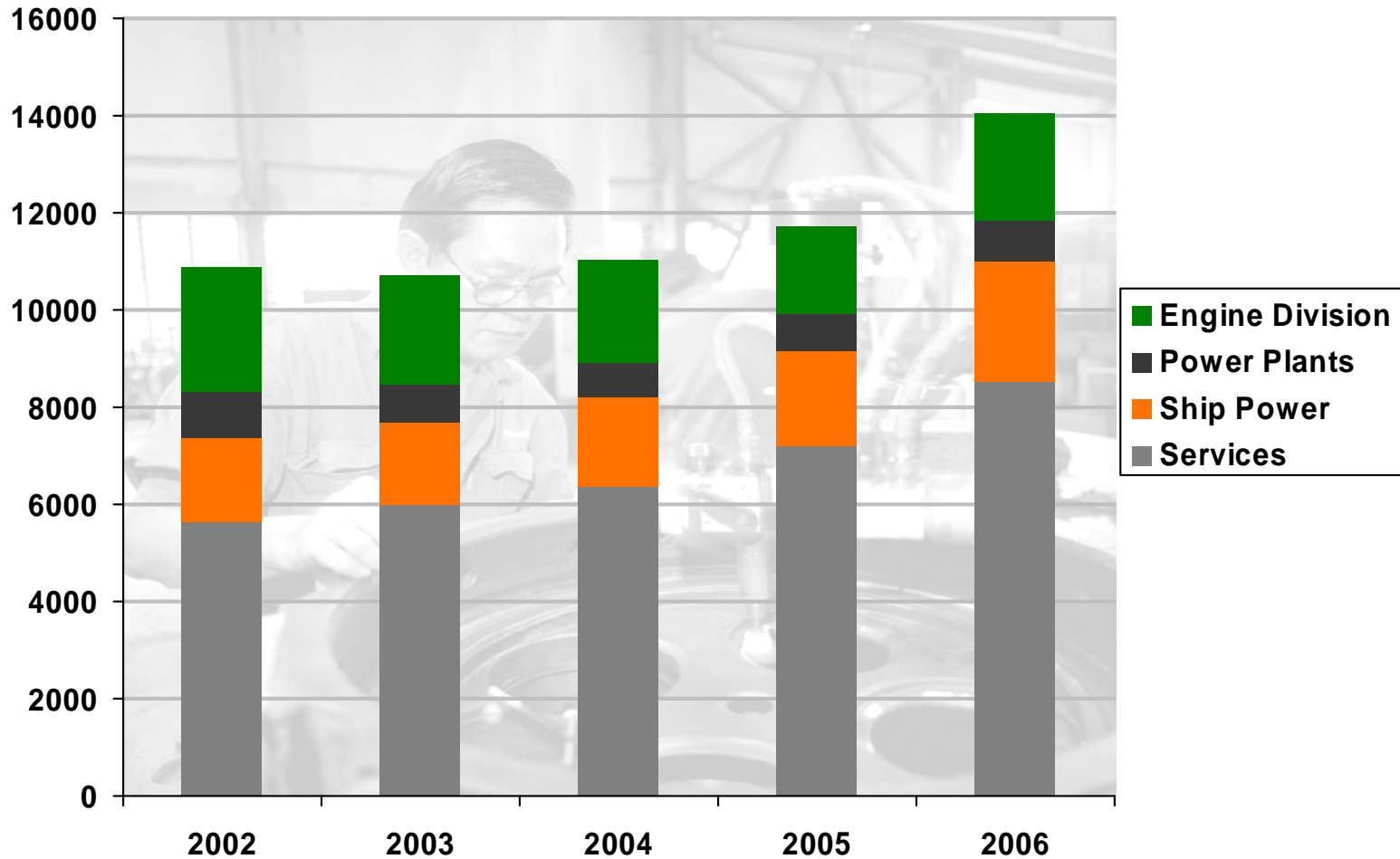
## Order book



# Comparable sales by market area 2002 - 2006

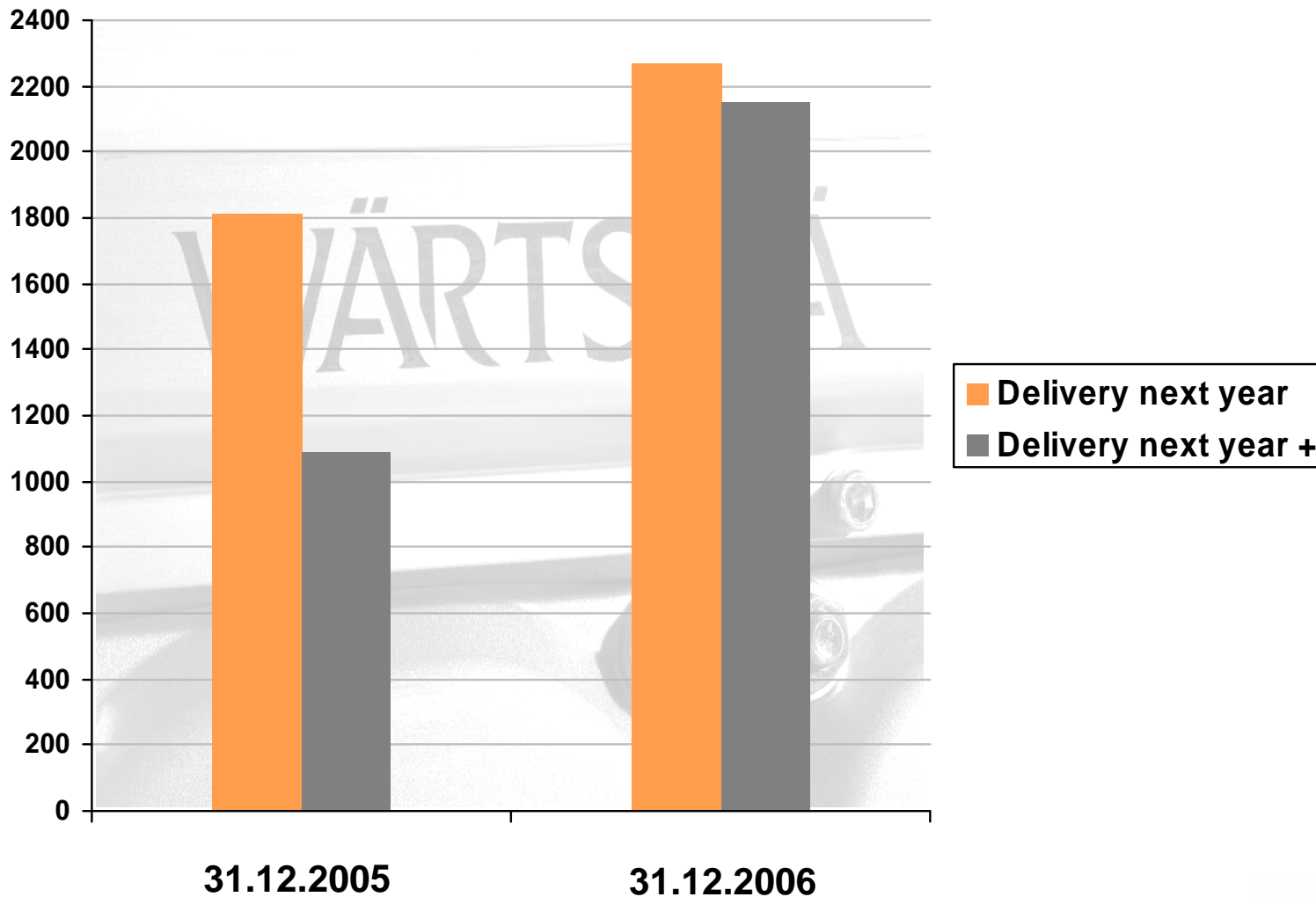


# Personnel development 2002 - 2006



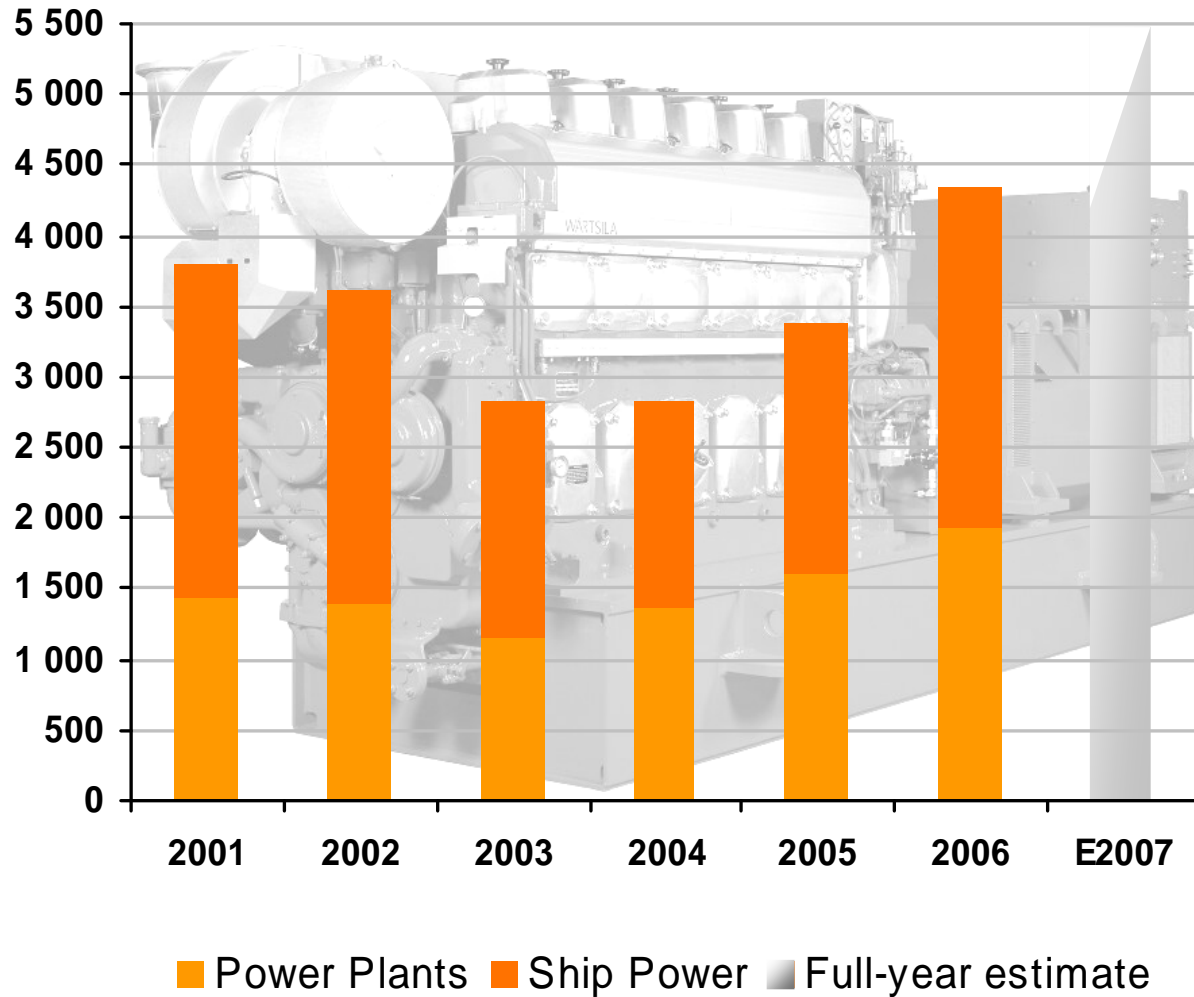
# Order book distribution – good visibility for 2007 and beyond

MEUR



# Delivered engine megawatts from own factories

MW



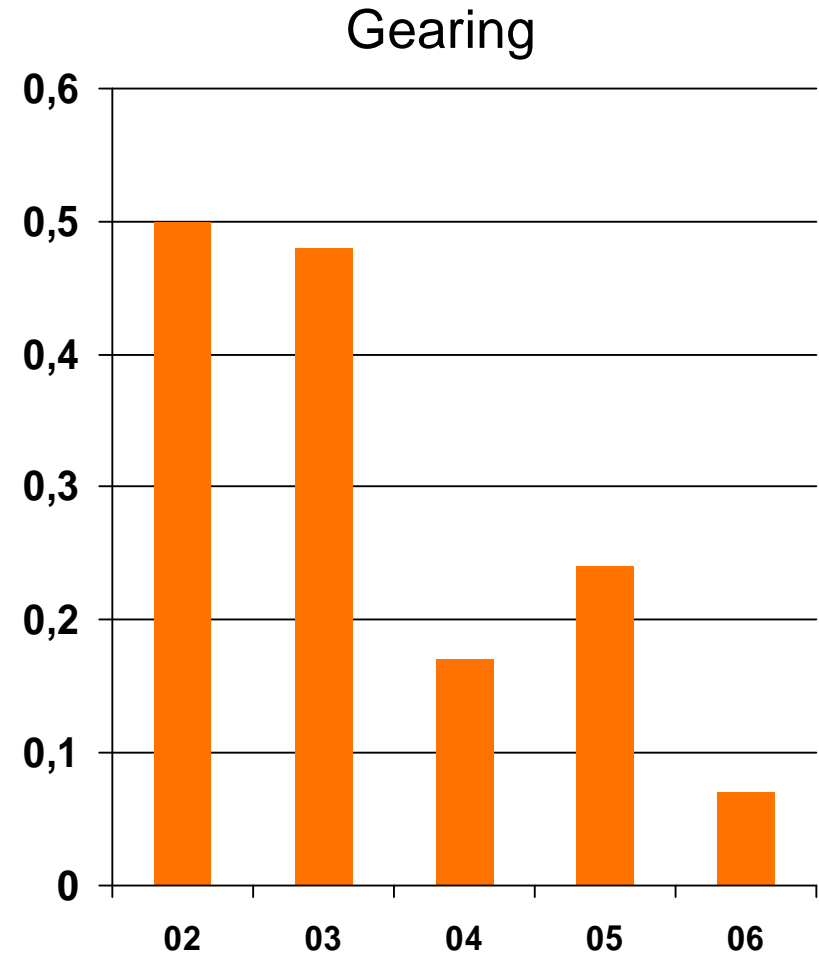
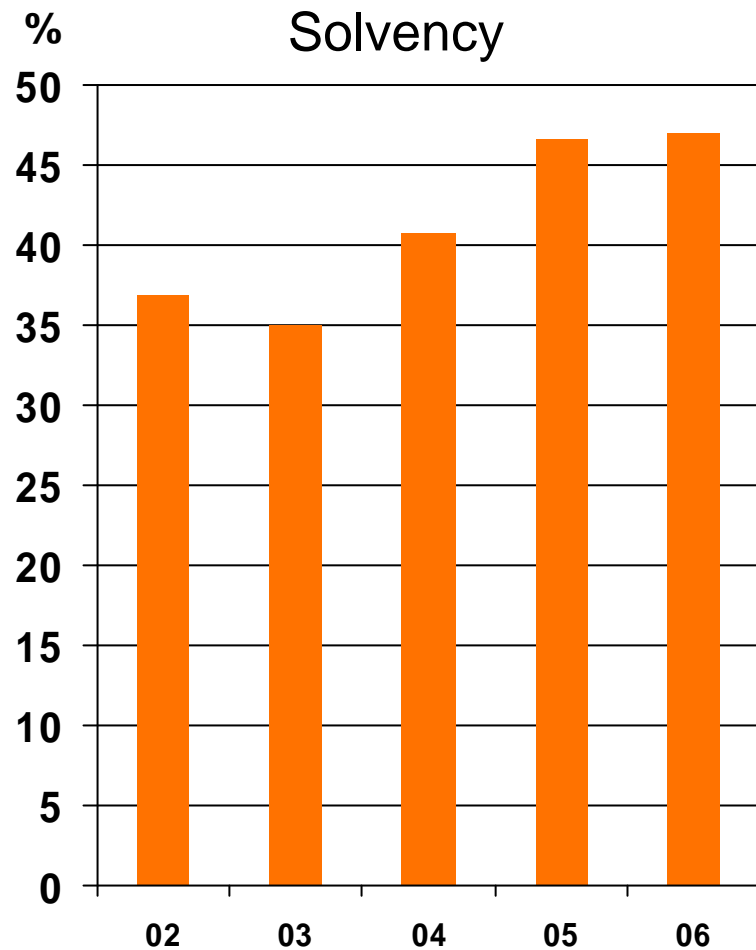


# Strong cash flow



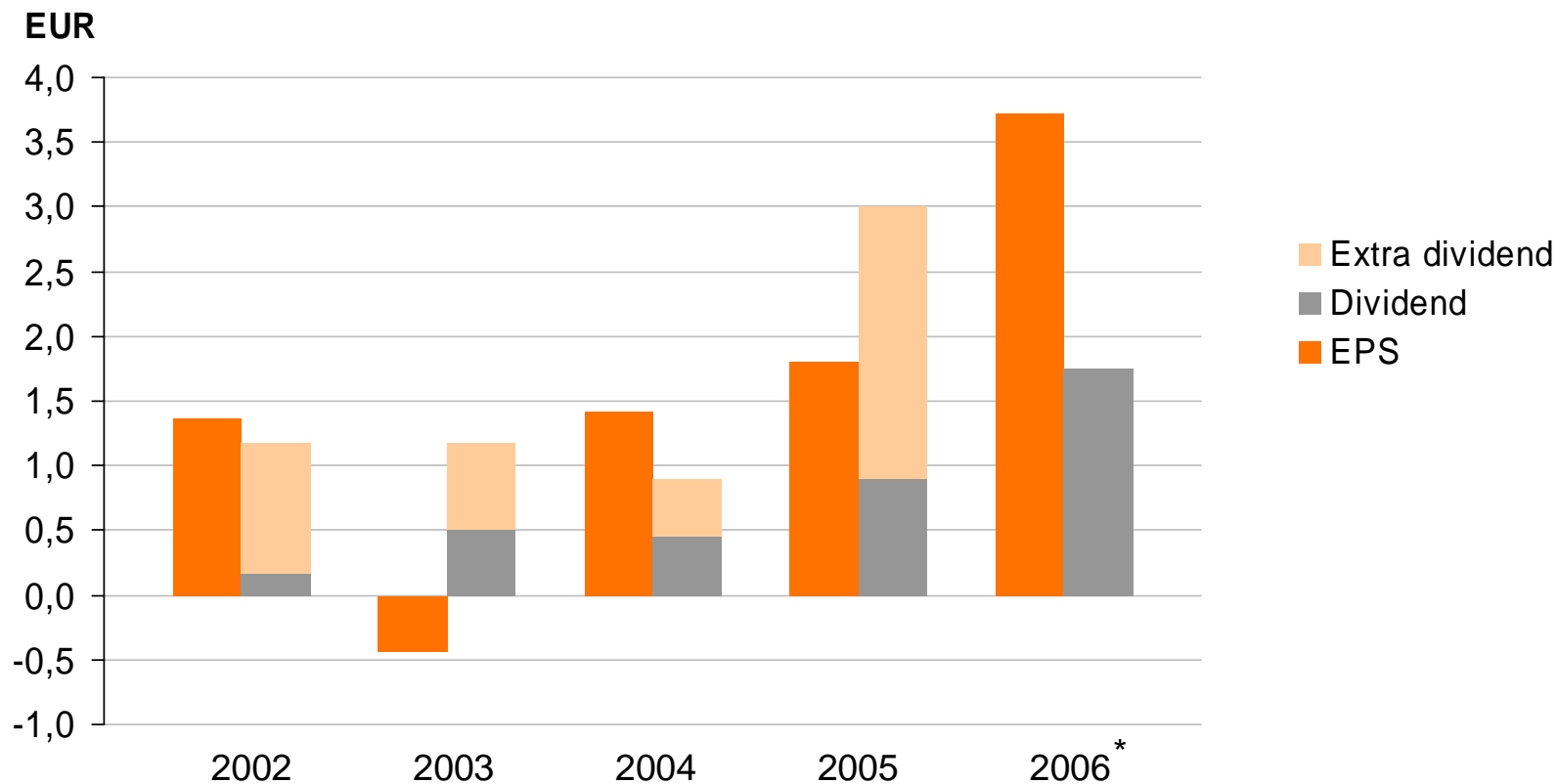
<u>MEUR</u>	<u>2006</u>	<u>2005</u>
Cash flow from operating activities	302.4	76.0
Cash flow from investing activities	148.0	-178.3
Cash flow from financing activities	-387.0	47.6
Liquid funds at the end of period	179.4	119.6

# Strong financial position enables further growth



NOTE: 2002-2003 according to FAS, 2004- IFRS  
Convertible subordinated debentures treated as equity

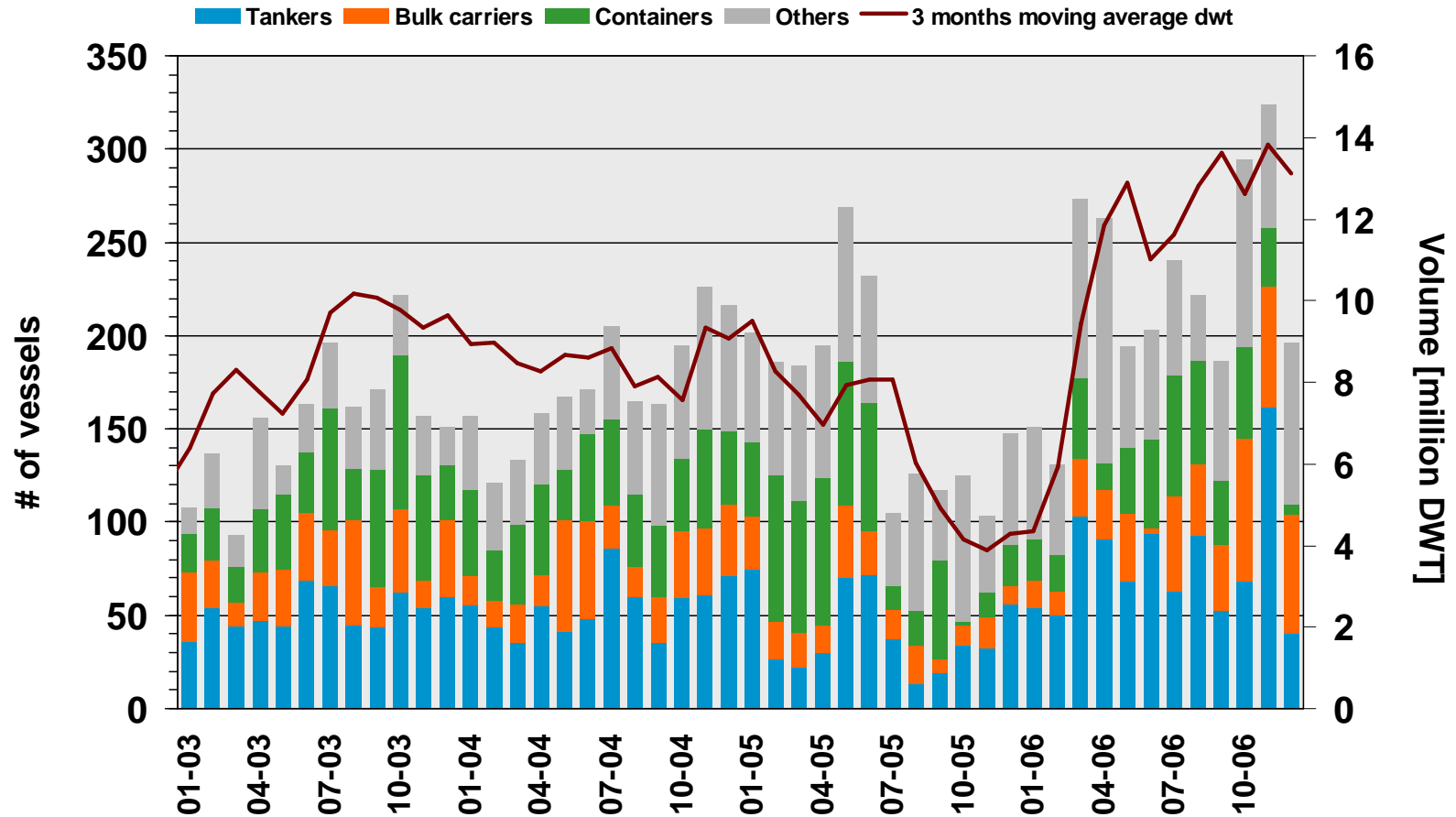
# EPS and dividend/share



\*Board's proposal

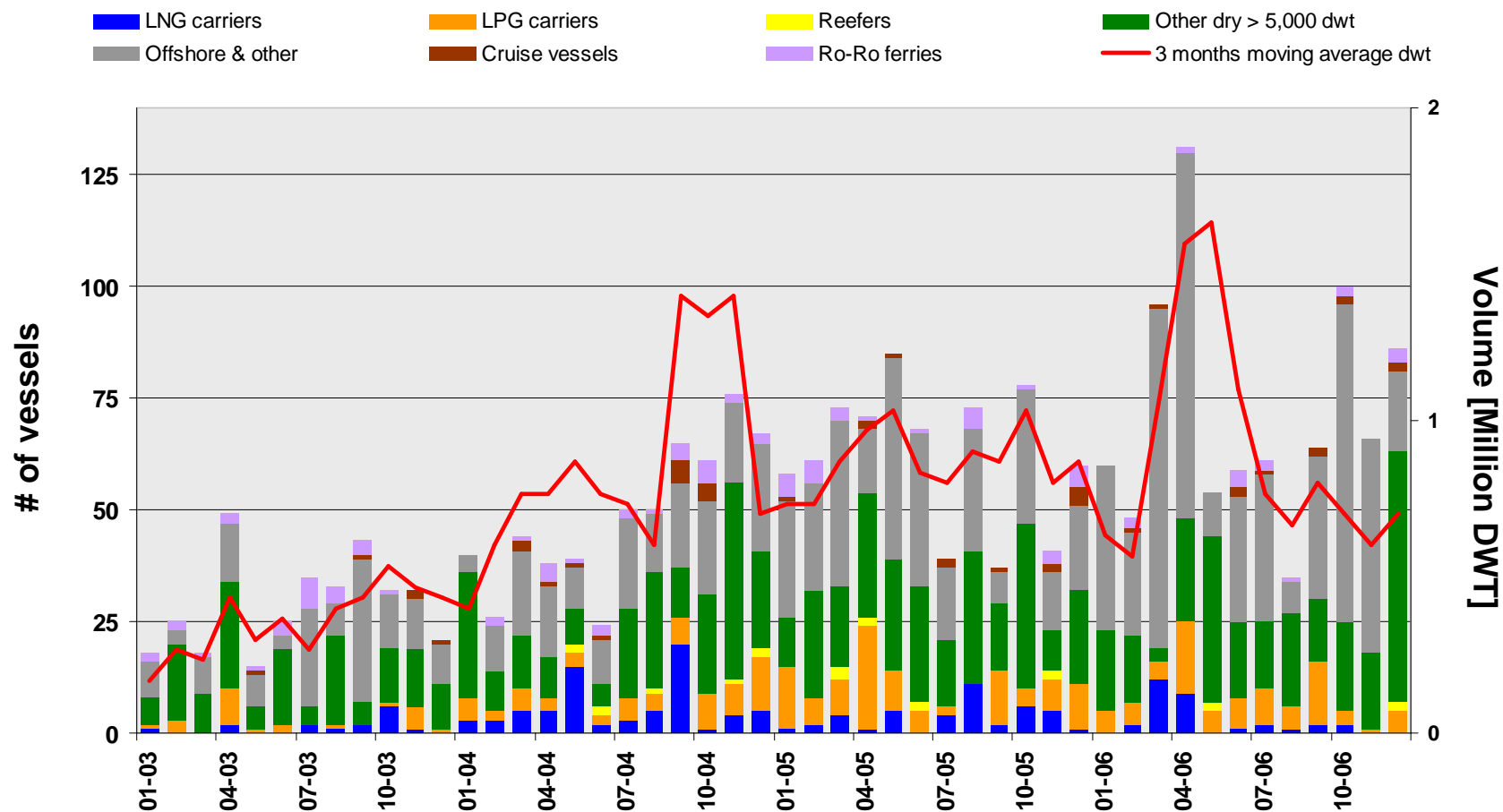
NOTE: 2002-2003 according to FAS, 2004- IFRS

# Vessel orders, # of vessels



Source: Based on data from Clarkson Research Studies

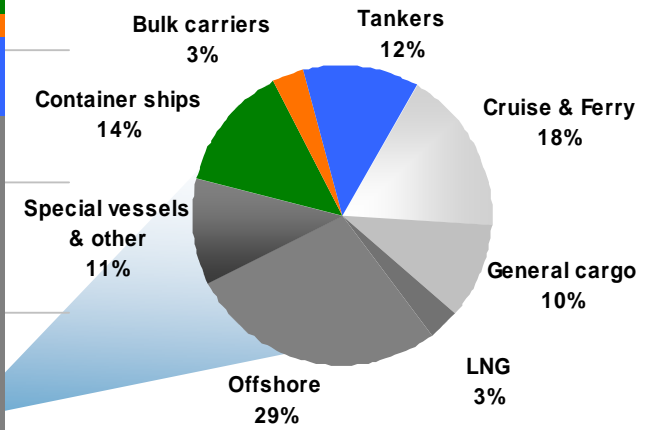
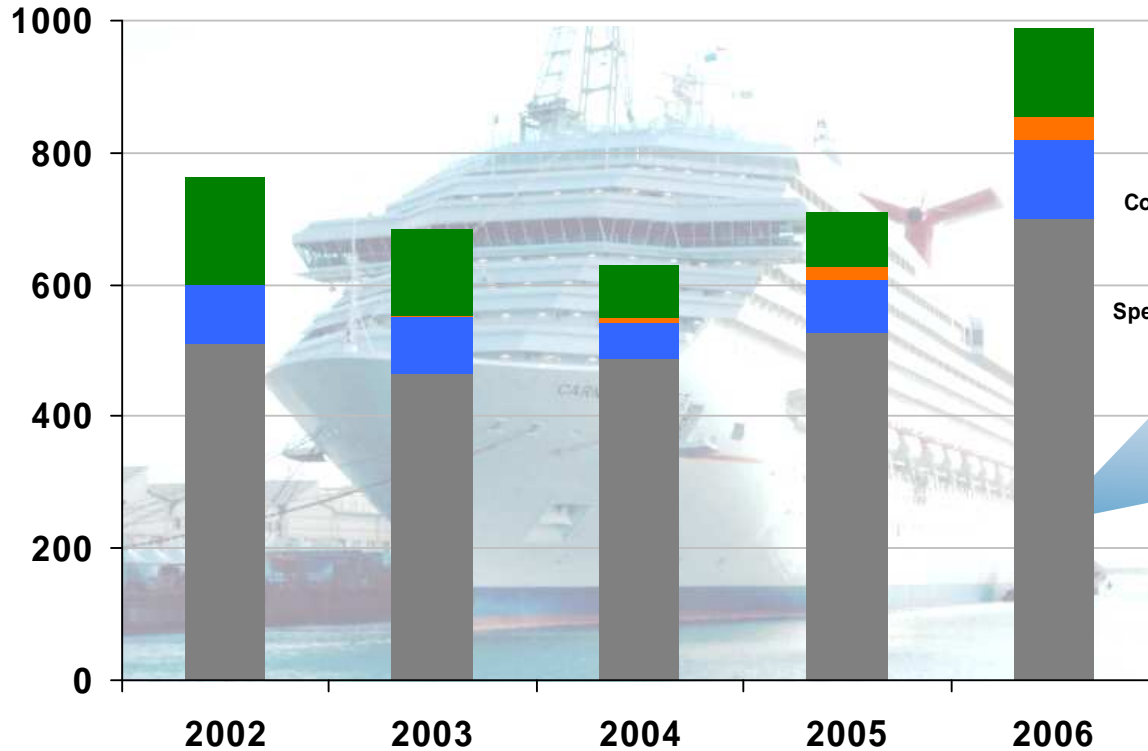
# Vessel orders - other vessels, # of vessels



Source: Based on data from Clarkson Research Studies

# Net sales of Ship Power by vessel type

MEUR

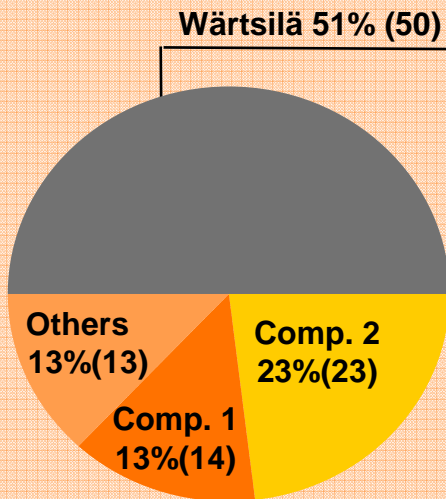


Others
  Tankers
  Bulk carriers
  Container ships

# The market position of Wärtsilä's marine engines Q4/2006

## Own production

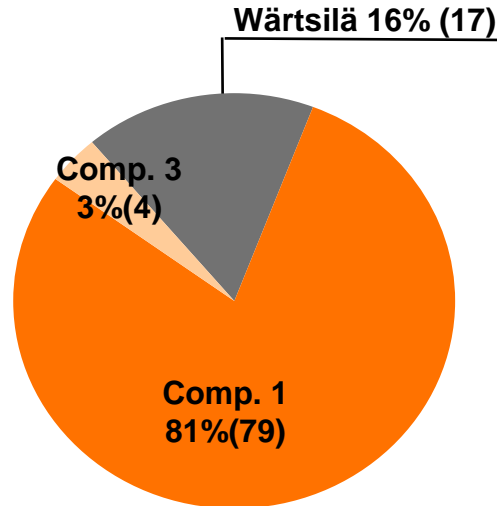
### Medium-speed main engines



Total market volume last 12 months:  
9,200 MW (9,600)

## Production by licensees

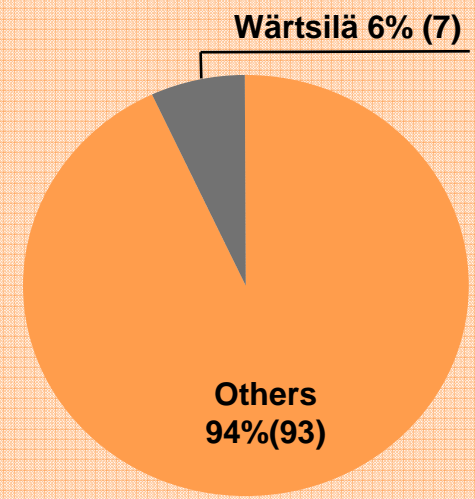
### Low-speed main engines



Total market volume last 12 months:  
26,600 MW (21,900)

## Own production

### Auxiliary engines

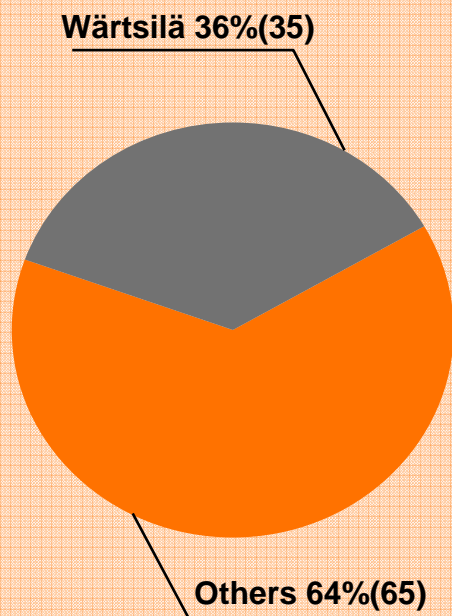


Total market volume last 12 months:  
7,600 MW (6,700)

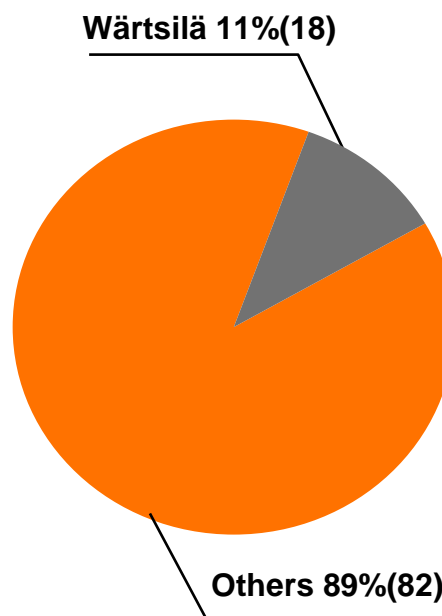
Wärtsilä's own calculation is based on: Lloyd's Register – Fairplay, Clarkson's Research Studies and BRL Shipping Consultants. Market shares based on installed power, numbers in brackets are from the end of the previous quarter. The total market is based on the volume of the last 12 months. Numbers in brackets reflect the volume of the last 12 months at the end of the previous quarter.

# The market position of Wärtsilä's propellers Q4/2006

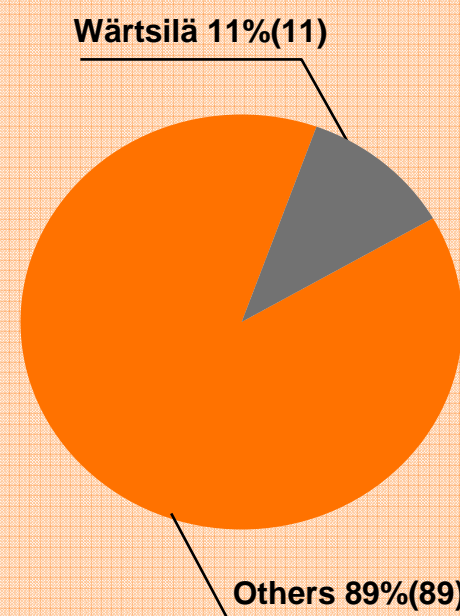
## Controllable pitch propellers



## Fixed pitch propellers (includes JV)



## Steerable thrusters



Wärtsilä own calculation based on: Lloyd's Register – Fairplay & Wärtsilä Ship Power  
Market shares based on number of installations, numbers in brackets are from the end of the previous quarter.

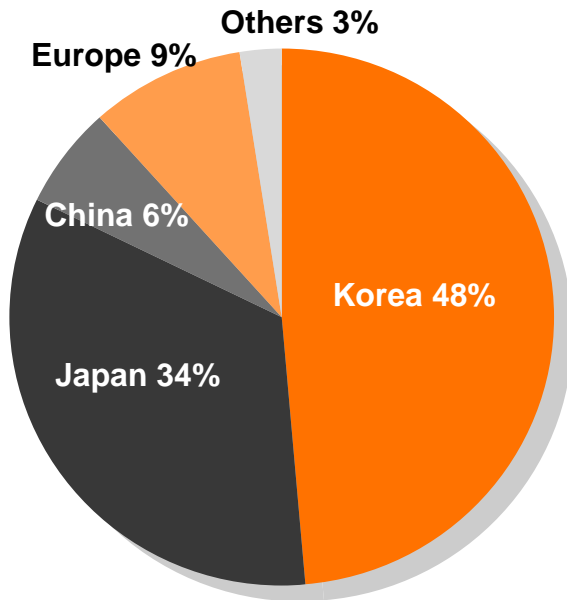


# Global market development

## China growing fast in shipbuilding

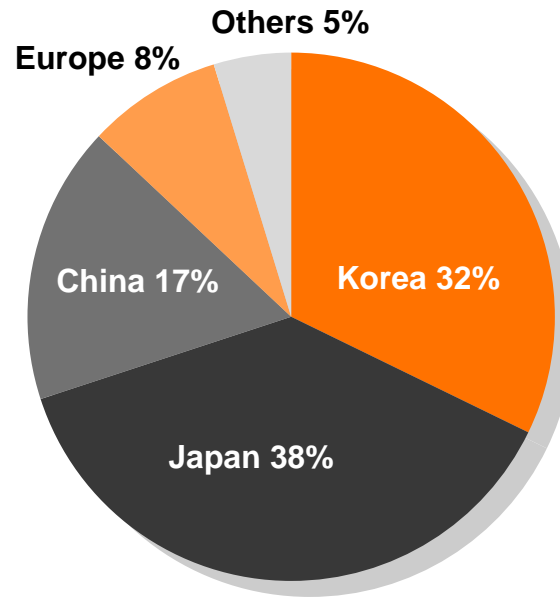
Vessel orders 2000

67,595,039 dwt



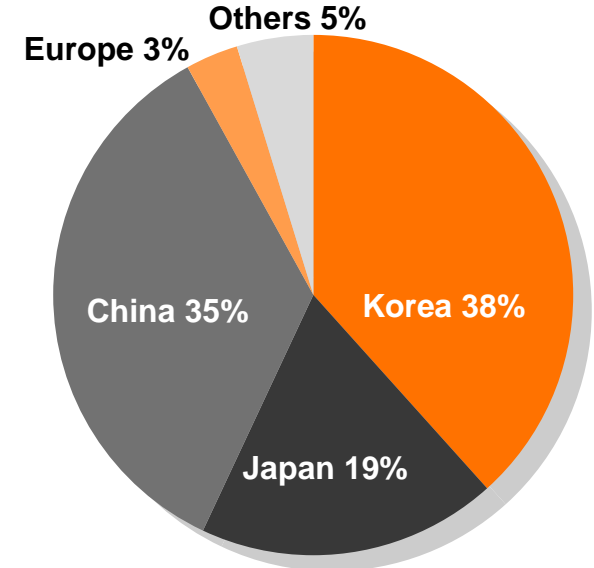
Vessel orders 2004

104,940,490 dwt



Vessel orders 2006

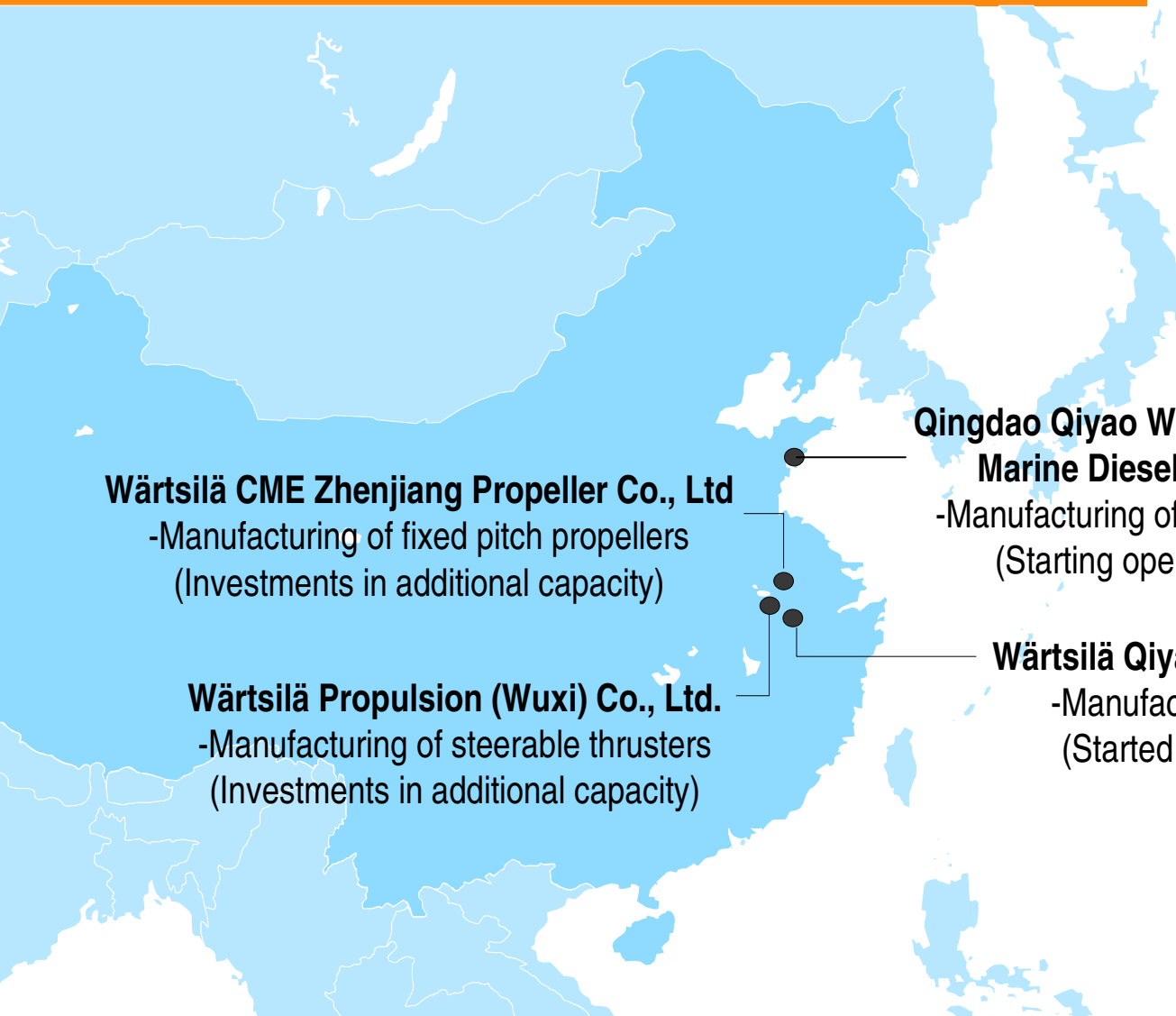
141,589,105 dwt



Market share of dwt. Vessels > 1000gt.

Source: Clarkson Research Studies December 2006

# Wärtsilä in China - growing presence



**Wärtsilä CME Zhenjiang Propeller Co., Ltd**  
-Manufacturing of fixed pitch propellers  
(Investments in additional capacity)

**Wärtsilä Propulsion (Wuxi) Co., Ltd.**  
-Manufacturing of steerable thrusters  
(Investments in additional capacity)

**Qingdao Qiyao Wärtsilä MHI Linshan  
Marine Diesel Co Ltd (QMD)**  
-Manufacturing of low-speed engines  
(Starting operations in 2008)

**Wärtsilä Qiyao Diesel Shanghai Co., Ltd.**  
-Manufacturing of auxiliary gensets  
(Started operations in June 2006)

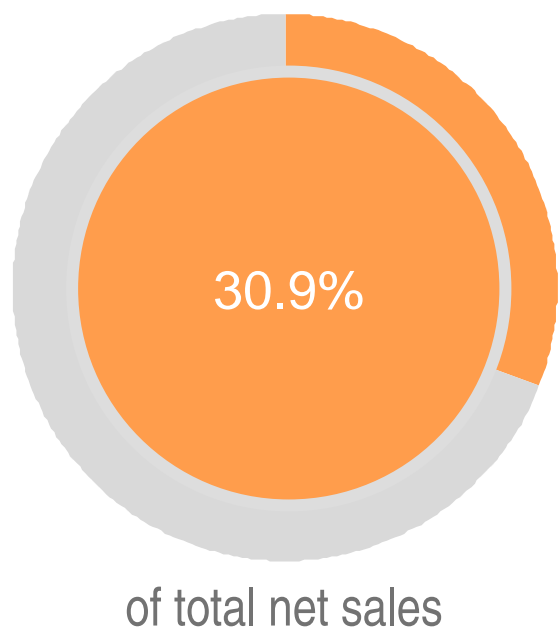
● Wärtsilä production sites

## To meet demand of growing LNG market



- Joint Venture 50/50 with Hyundai Heavy Industries, Korea
- New factory to produce Wärtsilä 50DF (dual-fuel engines)
- Production volume: 100 engines a year
- Additional capacity for LNG-carrier market
- Investment EUR 58 million, Wärtsilä's share EUR 29 million
- Intended location: South Korea
- Start of operations in the 2nd half of 2008

## Ship Power net sales 2006



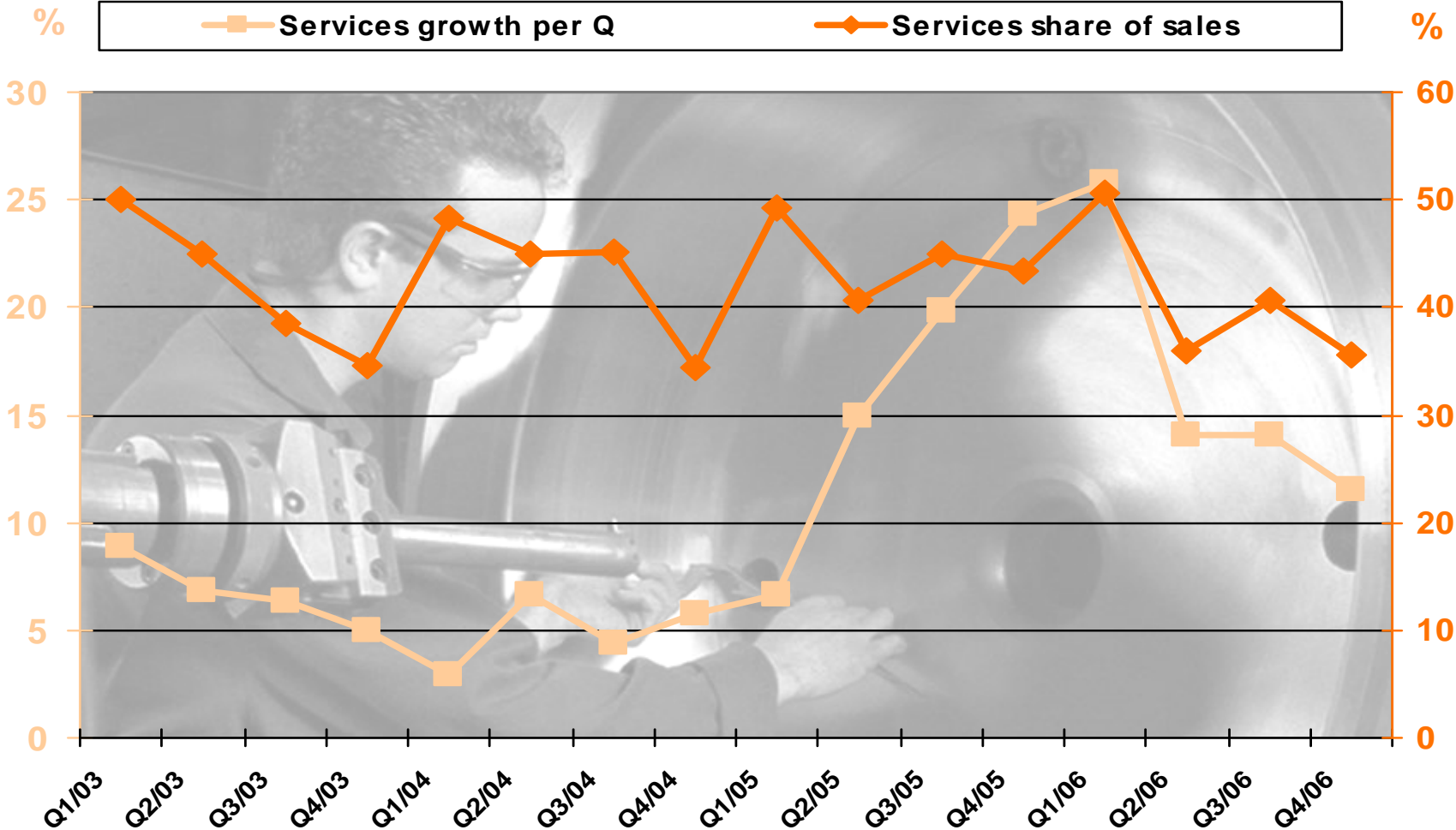
MEUR	Q4/06	Q4/05	Change(%)
Net sales	404.3	265.5	52.3
Order intake	619.5	475.1	30.4

MEUR	2006	2005	Change(%)
Net Sales	984.7	710.3	38.6
Order intake	2,270.5	1,545.3	46.9
Order book*	3,019.7	1,658.5	82.1

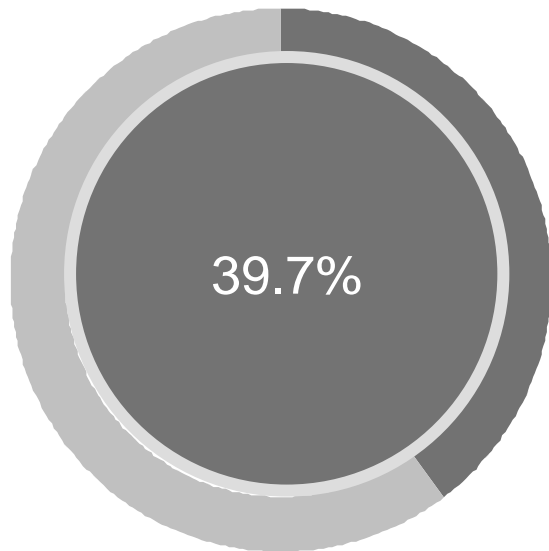
- 2006 new record year in orders received
- Offshore and LNG dominated new orders

\* End of period

# Services



## Services net sales 2006



of total net sales

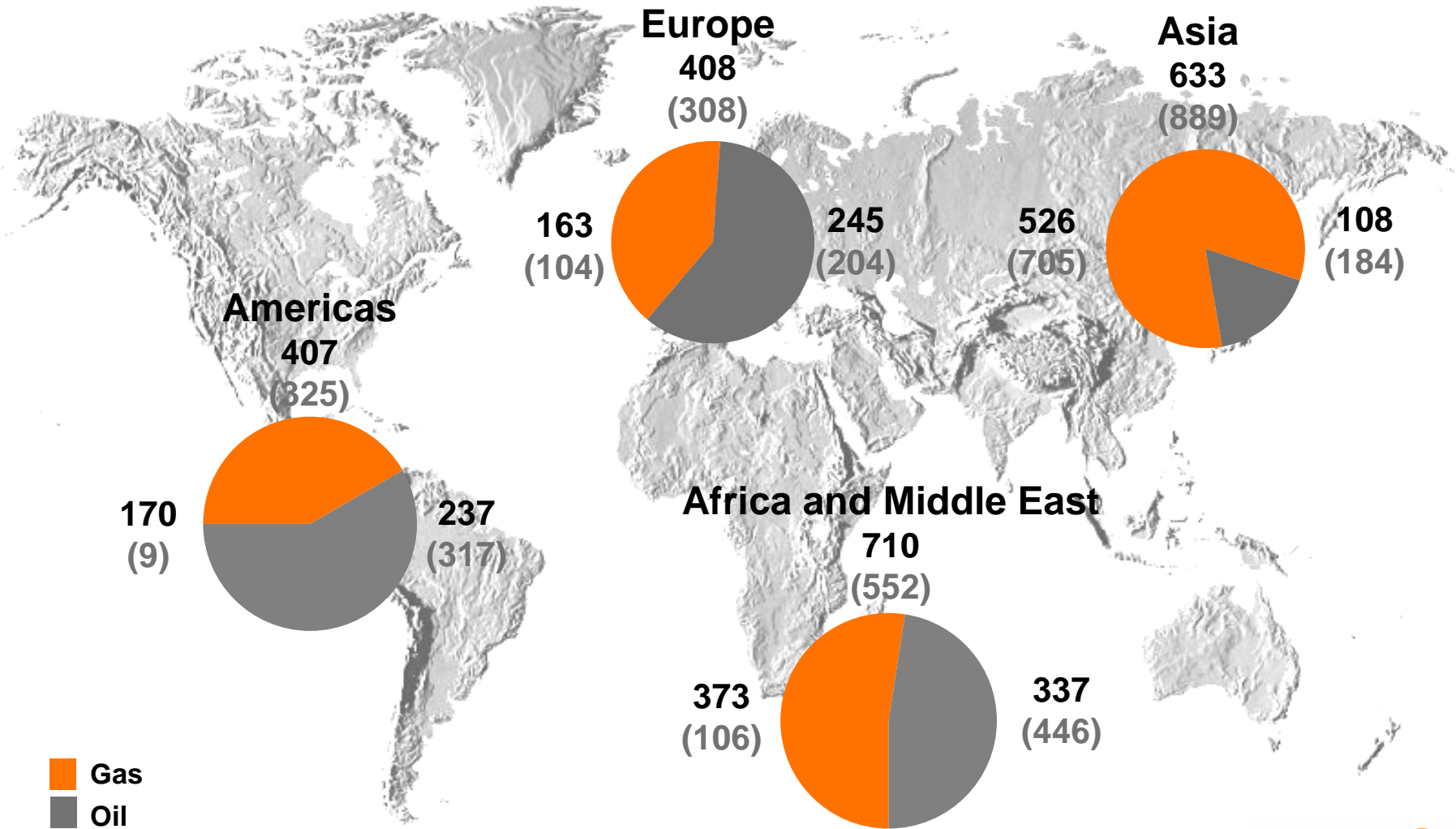
MEUR	Q4/06	Q4/05	Change(%)
Net sales	350.4	315.0	11.2

MEUR	2006	2005	Change(%)
Net Sales	1,266.5	1,093.1	15.9
Personnel*	8 539	7 200	18.6

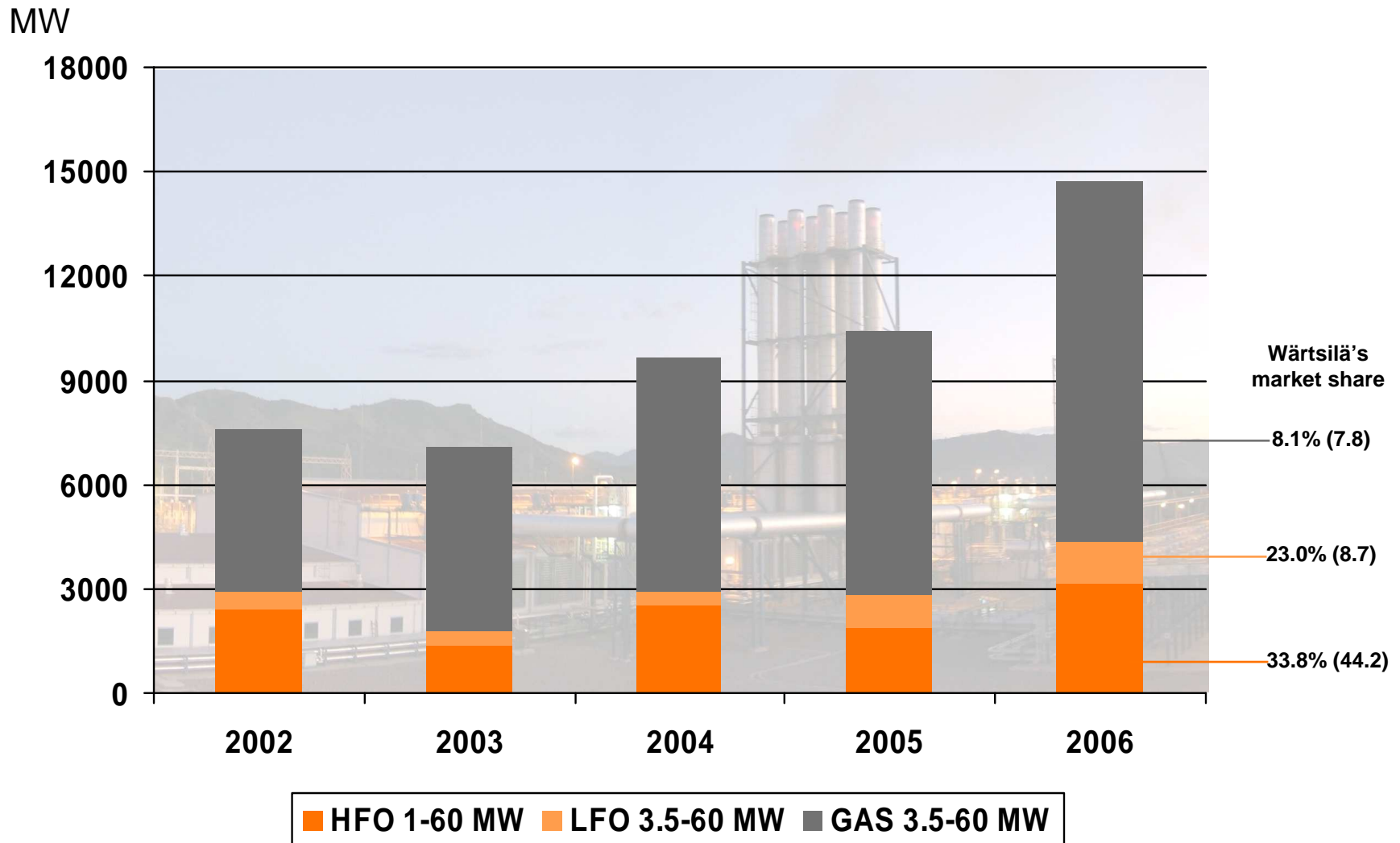
- Strong growth continued
- Offering complemented with automation services

\* End of period

# Power Plants - order intake 2006: 2,158 MW (2,075)



# Power Plants - target markets per fuel 2002 - 2006

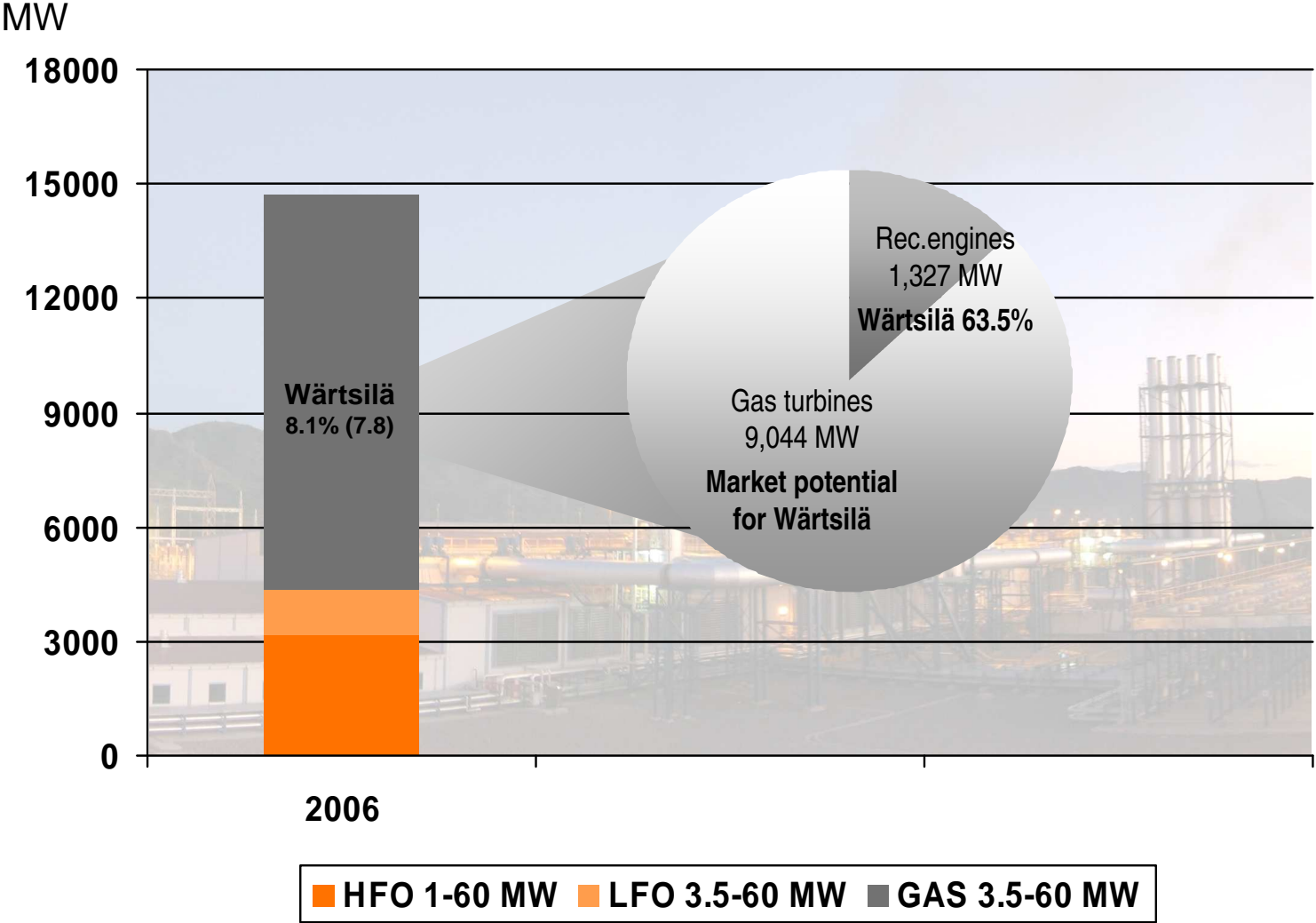


Note I: Wärtsilä's gas power plant target markets have changed since Wärtsilä stopped manufacturing and selling high speed engines (power range < 3,5 MW)  
 Note II: The 2006 LFO figure includes liquid biofuels.

Source: Diesel & Gas turbine worldwide, June 2005-May 2006



# Gas power plant market

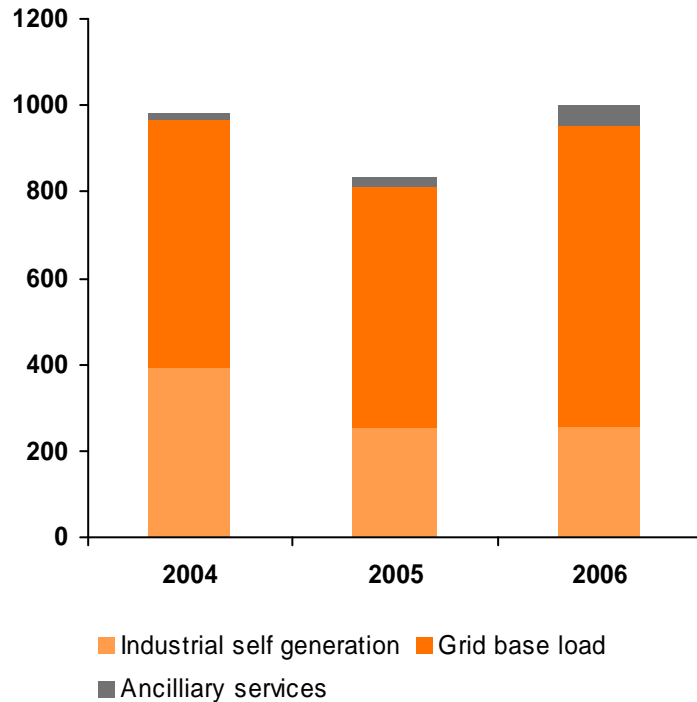


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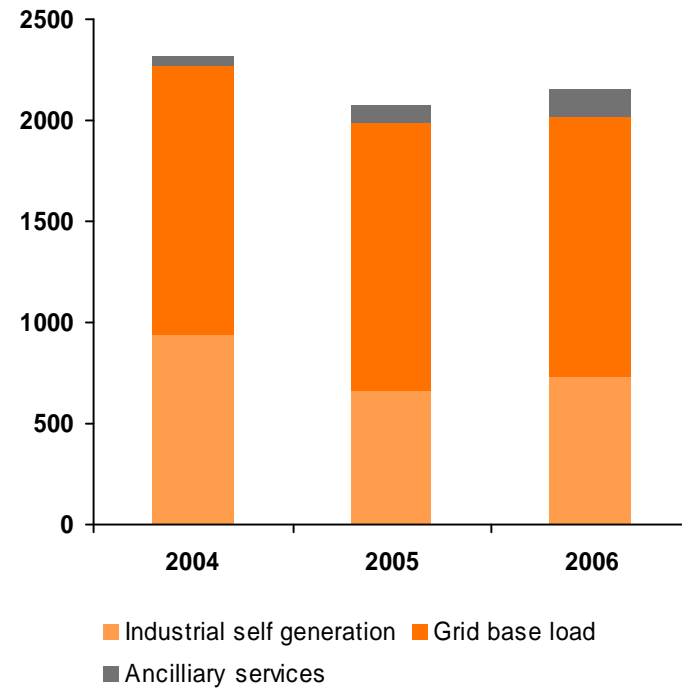
Source: Diesel & Gas turbine worldwide, June 2005-May 2006

# Power Plants order intake by segment

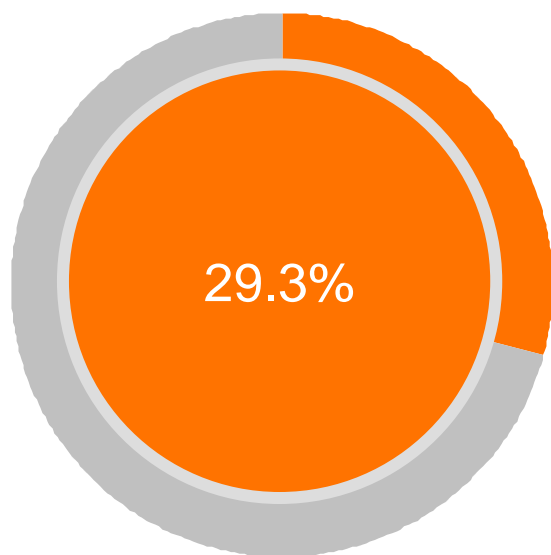
Order intake by segment, MEUR



Order intake by segment, MW



## Power Plants net sales



of total net sales

MEUR	Q4/06	Q4/05	Change(%)
Net sales	227.8	193.7	17.6
Order intake	311.4	346.6	-10.1

MEUR	2006	2005	Change(%)
Net Sales	934.2	710.3	31.5
Order intake	1,027.3	865.2	18.7
Order book*	1,061.4	943.9	12.4

- Gas power plants over 50% of total order intake
  - biggest gas orders from Azerbaijan, US and Africa
- High demand in oil and liquid biofuels as well
  - orders for more than 160 MW biofuel power plants to Italy

\* End of period

## ASSA ABLOY

- Wärtsilä owns 7,270,350 B shares or 2.0% (4.7) of Assa Abloy shares.
- The holding's market value EUR 119,8 million (31 December 2006).

## OVAKO

- During the reporting period the operating companies of Oy Ovako Ab were sold.
- Wärtsilä has recorded a tax-free capital gain of EUR 49.3 million.

# Wärtsilä's prospects in 2007



- Demand in the ship power and energy markets will remain active for Wärtsilä for at least the first half of 2007.
- Based on the strong order book, Wärtsilä's net sales are expected to grow this year by around 15%.
- Profitability will exceed 9%.
- Wärtsilä sees further possibilities for growth in 2008.



**WÄRTSILÄ**