

20.11.2007

WÄRTSILÄ CAPITAL MARKETS DAY

Wärtsilä as an investment case

RAIMO LIND, EXECUTIVE VICE PRESIDENT AND CFO

Themes for discussion

Growth	Guidance 2008
	Conversion of order book to sales
	Growth over the cycle
	Acquisitions as a growth vehicle
Profitability	Profitability over the cycle
	From operating profit to ROI
Cash flows	Guidance 2008
	Working capital drivers
	Breakdown of cash flows
	Maintenance vs. growth capex
Room to maneuver	Balance sheet strength
	Growth capex capacity
	Acquisition capacity



Prospects for 2007 unchanged

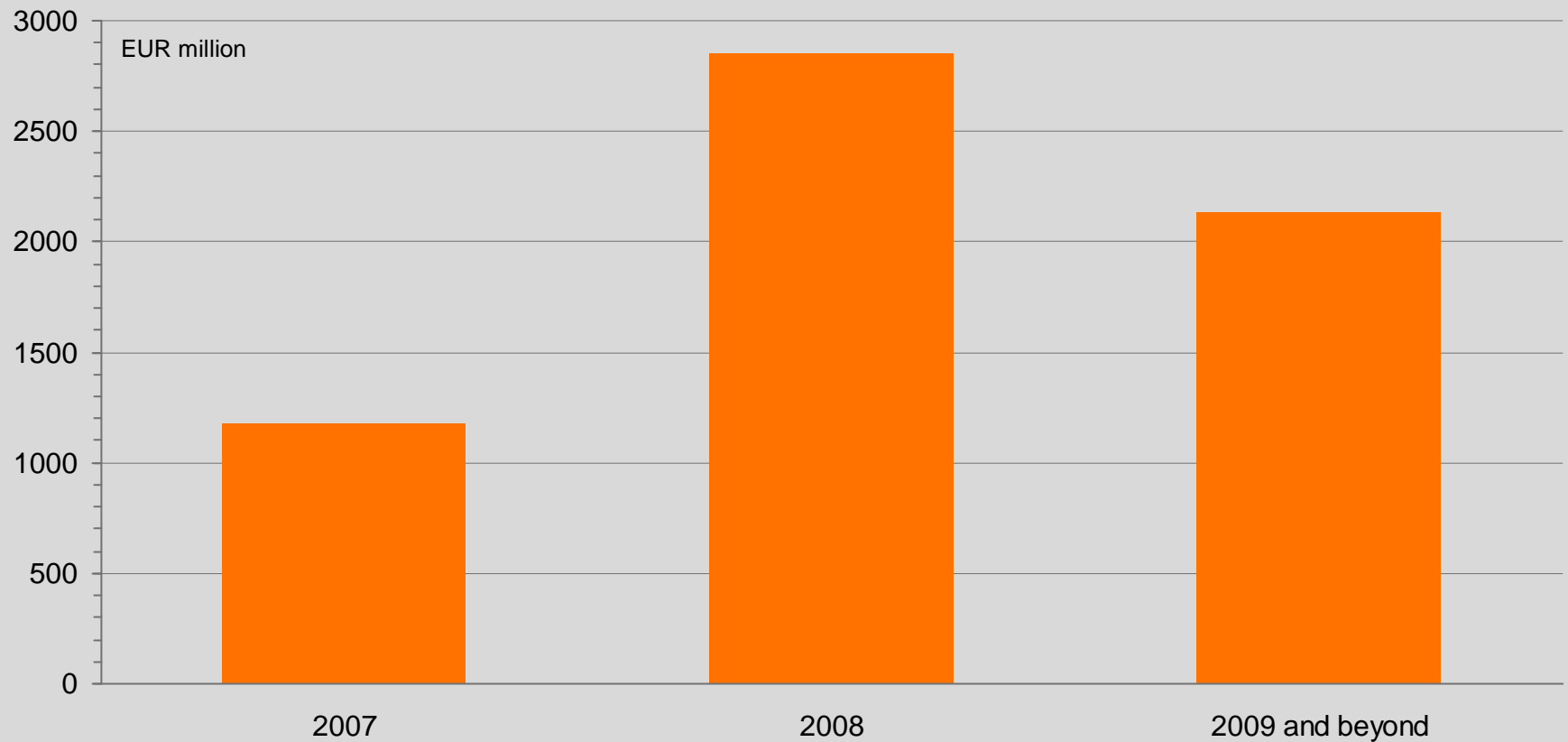
- Based on the strong order book, Wärtsilä's net sales are expected to grow this year by around 15%. Profitability will exceed 9%

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

Order book to sales 2007 and beyond

Order book



Note: Based on order book end of Q3/2007

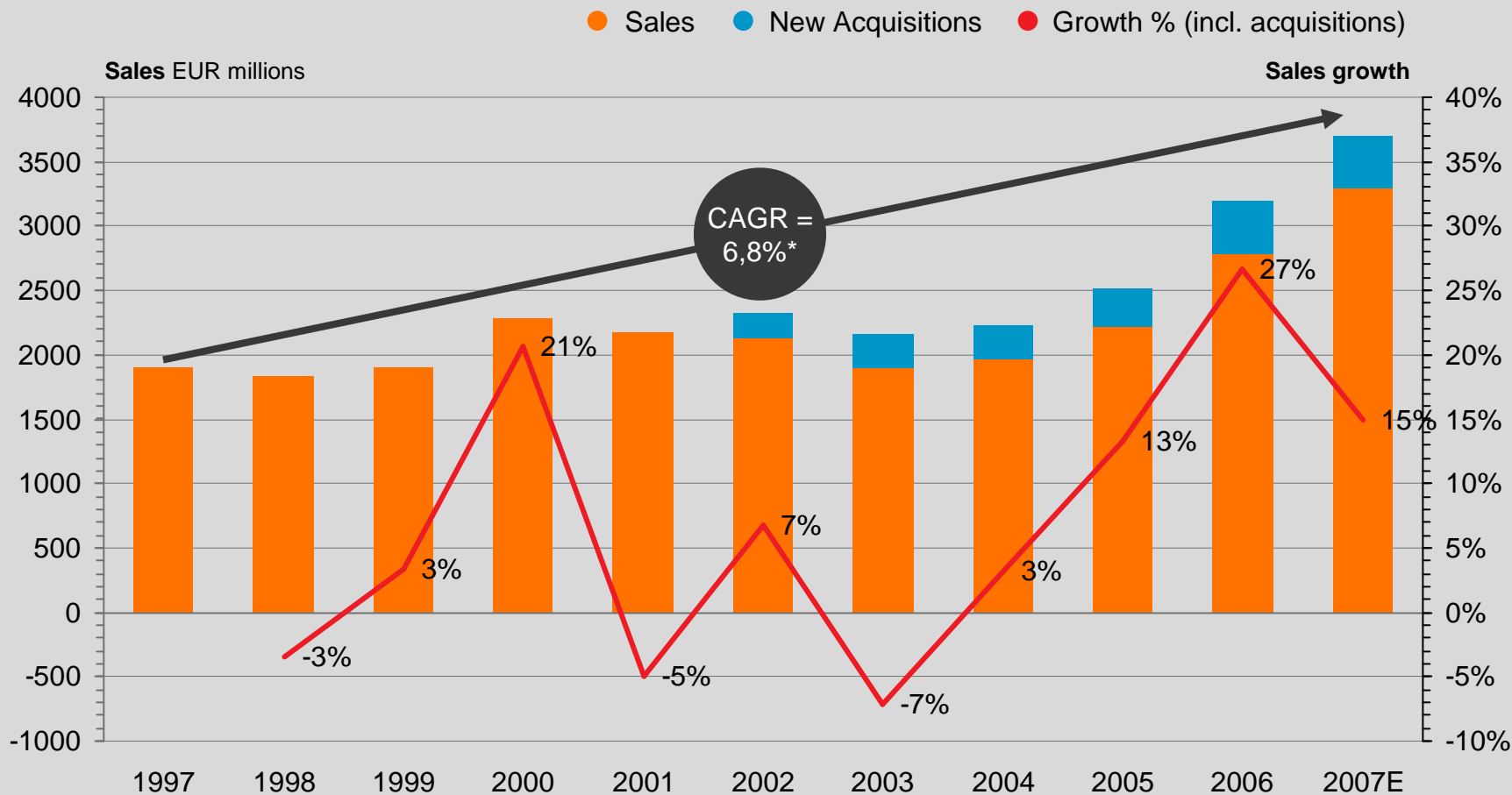
Financial targets set in 2001



- The average growth target for corporate annual sales is 6–7%.
- The growth target of the Ship Power and Power Plants businesses is 4%, and for the Services business 10–15%.
- Operating profit target (EBIT) is 8% of net sales over the cycle.
- Dividend target 50% of operational earnings per share



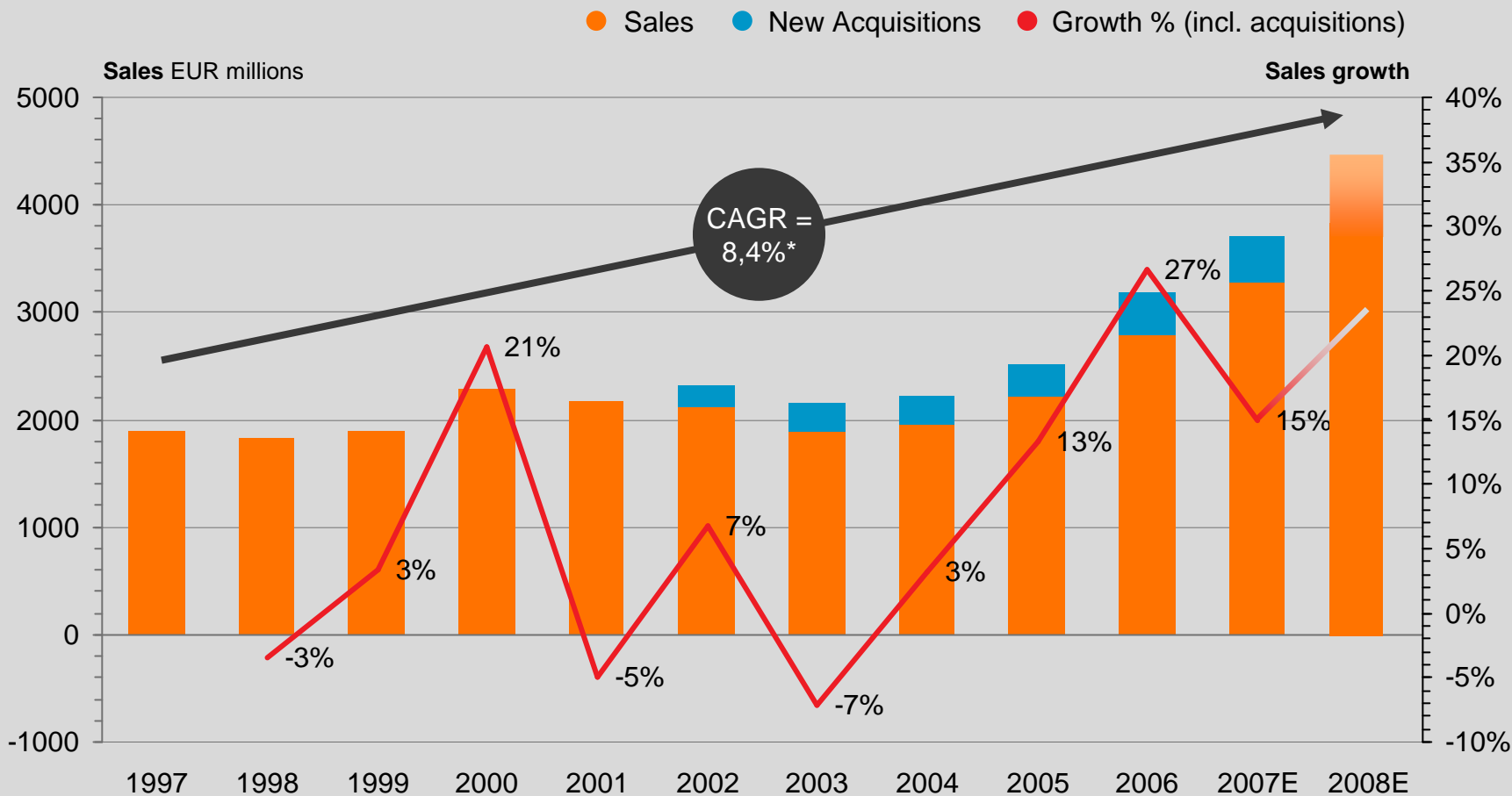
Growth over the cycle



- Historic growth around 1.35 x GDP (incl. acquisitions)

* Including acquisitions; growth excluding acquisitions 5.7%
 Note: World nominal GDP growth 1997 – 2007 averages 5.06% (source: IMF)

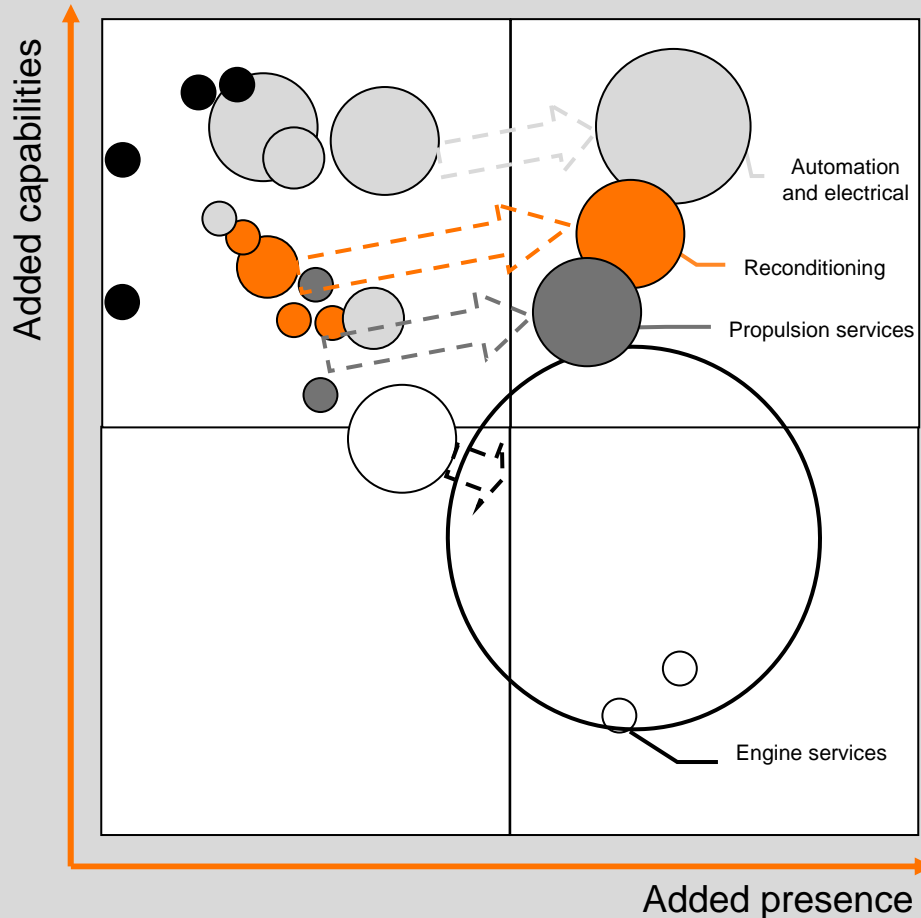
Growth over the cycle



- Historic growth around 1.7 x GDP (incl. acquisitions)
- Major acquisitions provide *additional* growth

* Including acquisitions; growth excluding acquisitions 7.4%
 Note: World nominal GDP growth 1997 – 2007 averages 5.06% (source: IMF)

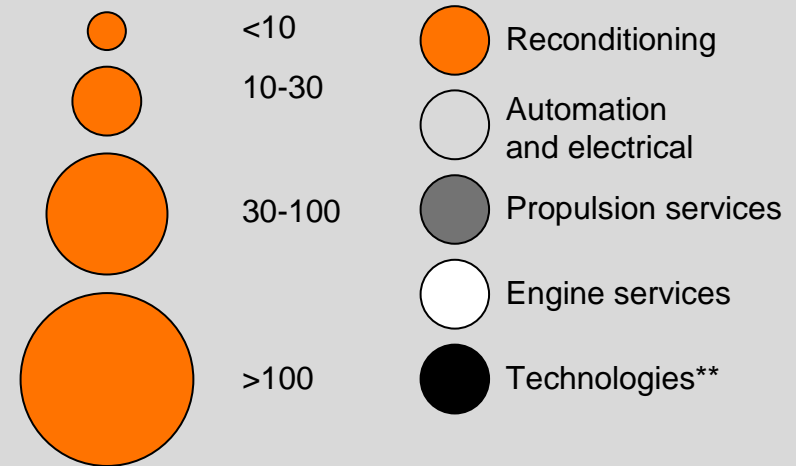
Acquisitions build global capabilities



Development to date of selected acquisitions (2001 – 2007)

Sales (Eur m)*

Product / service category



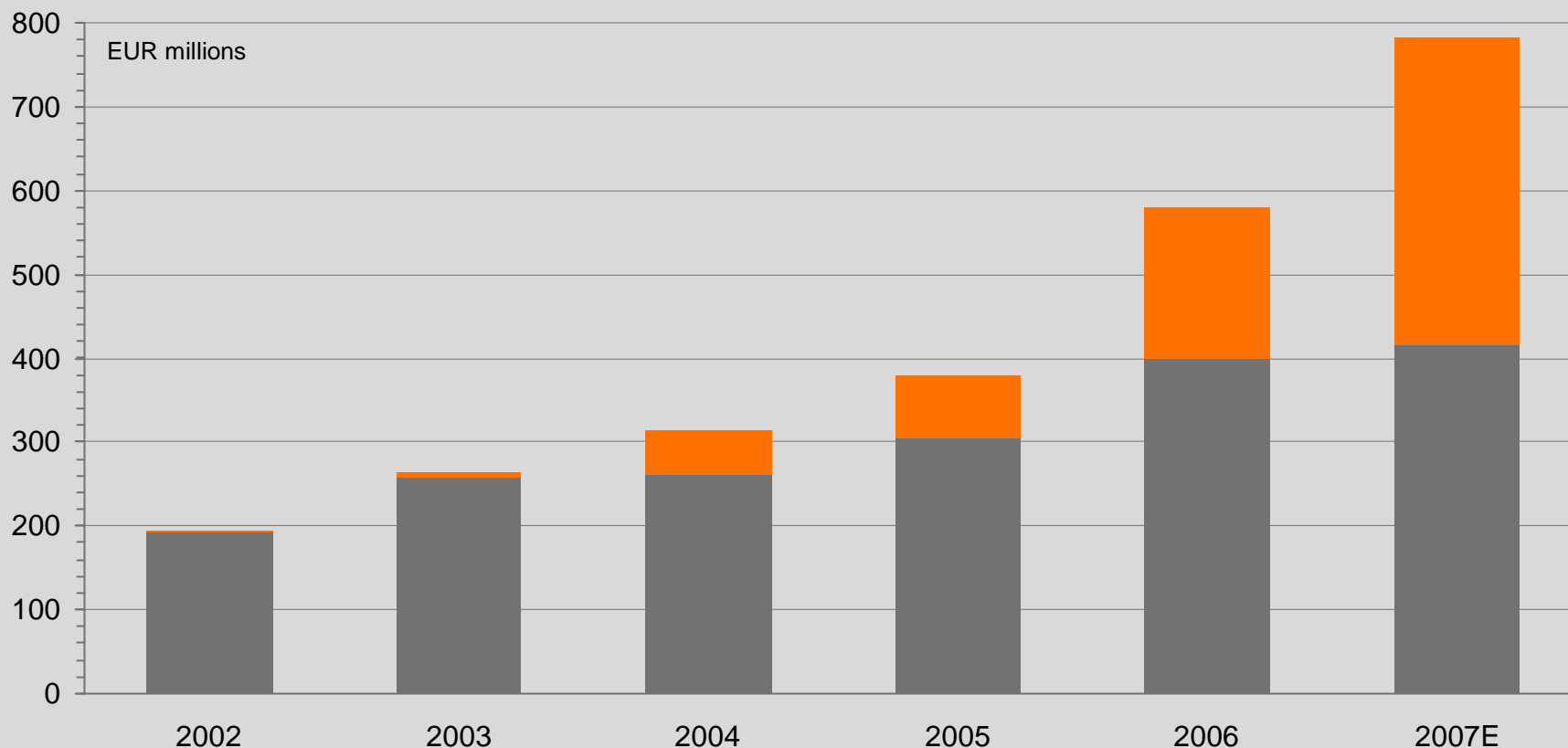
Local leading enterprises consolidated and grown further in size and reach to create global business lines

* Annualized, ** Integrated to enhance broader offering globally

Acquisitions 2002–2006 – A catalyst for growth

Sales

● Growth of acquisitions (cumul.) ● New acquisitions (cumul.)



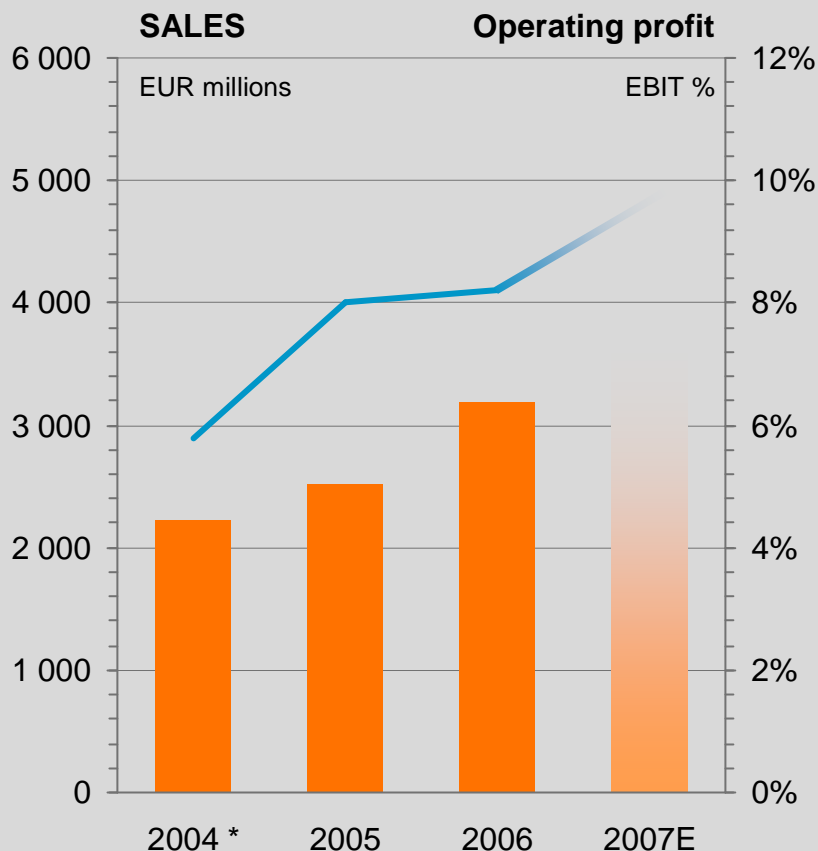
Organic growth of acquisitions has averaged 22% per annum, Wärtsilä overall (excl. acquisitions) 8%

Note: Includes the following transactions: John Crane Lips, Ciserv Gothenburg, Metalock Singapore, CGL, JMC, Caltax, Ciserv Baltica (JV), Decam, Deutz Marine Services, Gerhardt, Akpas, and Total Automation

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Revised profitability target over the cycle



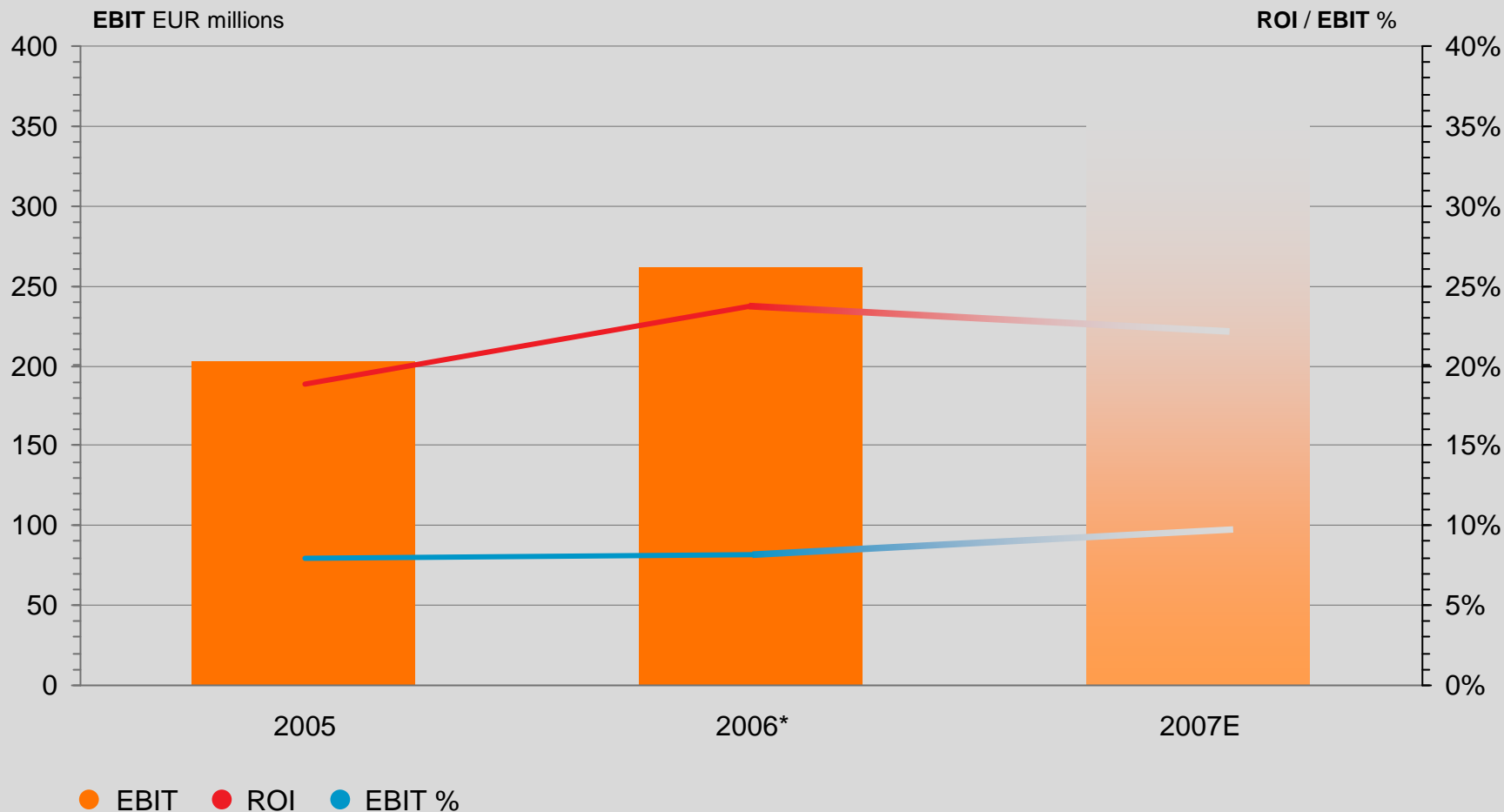
Elements of a more robust business model:

- Business mix more stable
 - Offering in all businesses broadened
 - 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

An operating profit of 8 -10% over the cycle, with a variation of +/- 2 % points, is now possible

* 2004 according to IFRS, restructuring costs adjusted

Power Business – EBIT and ROI development



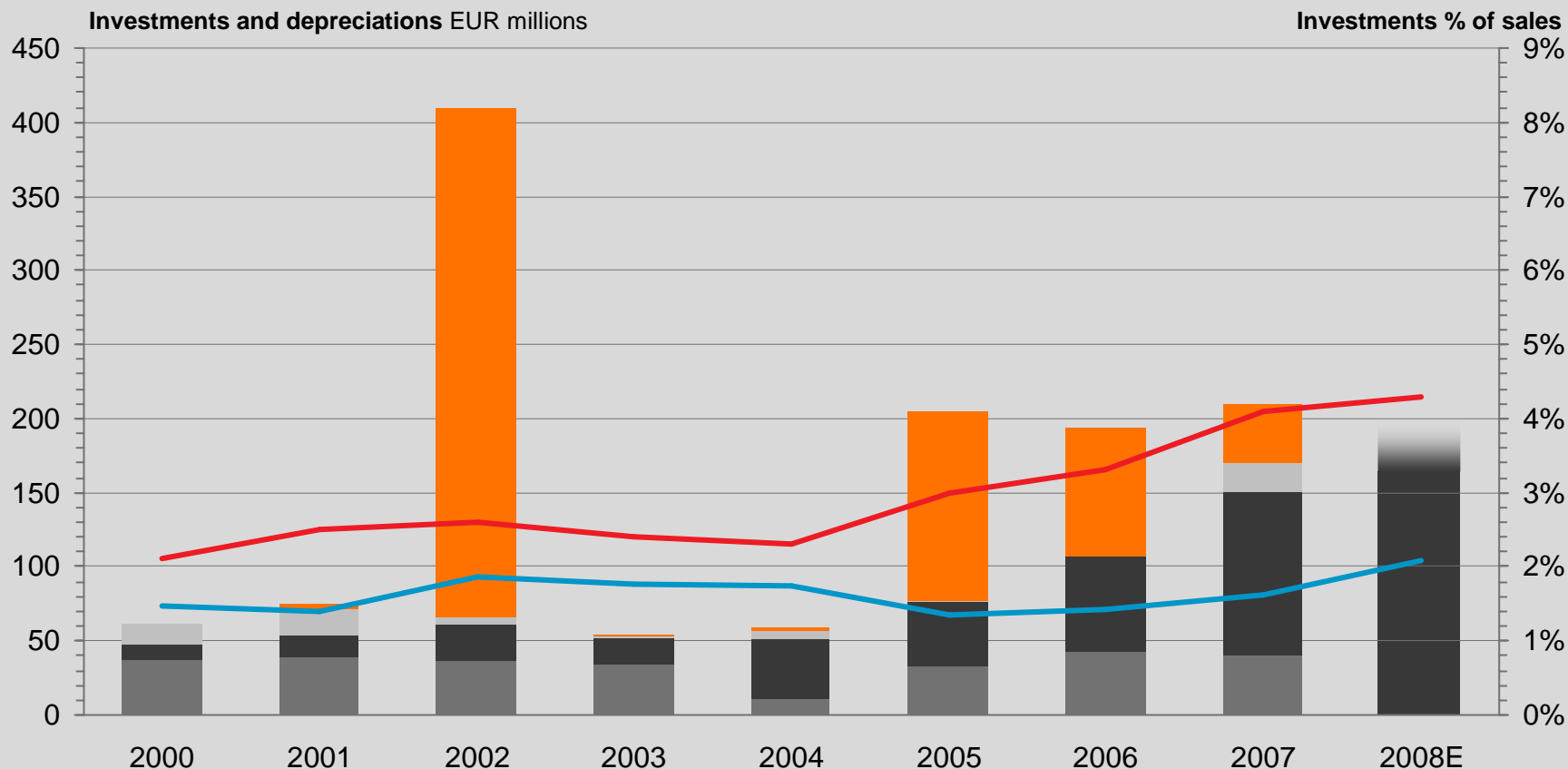
* 2006 ROI has been corrected by eliminating the net income from 'Assets available for sale' and 'Share of profit of associates' (€123,9M and € 67,4M), the related assets have been eliminated also from holdings (2005: € 385,3M and 2006: € 202,0M)

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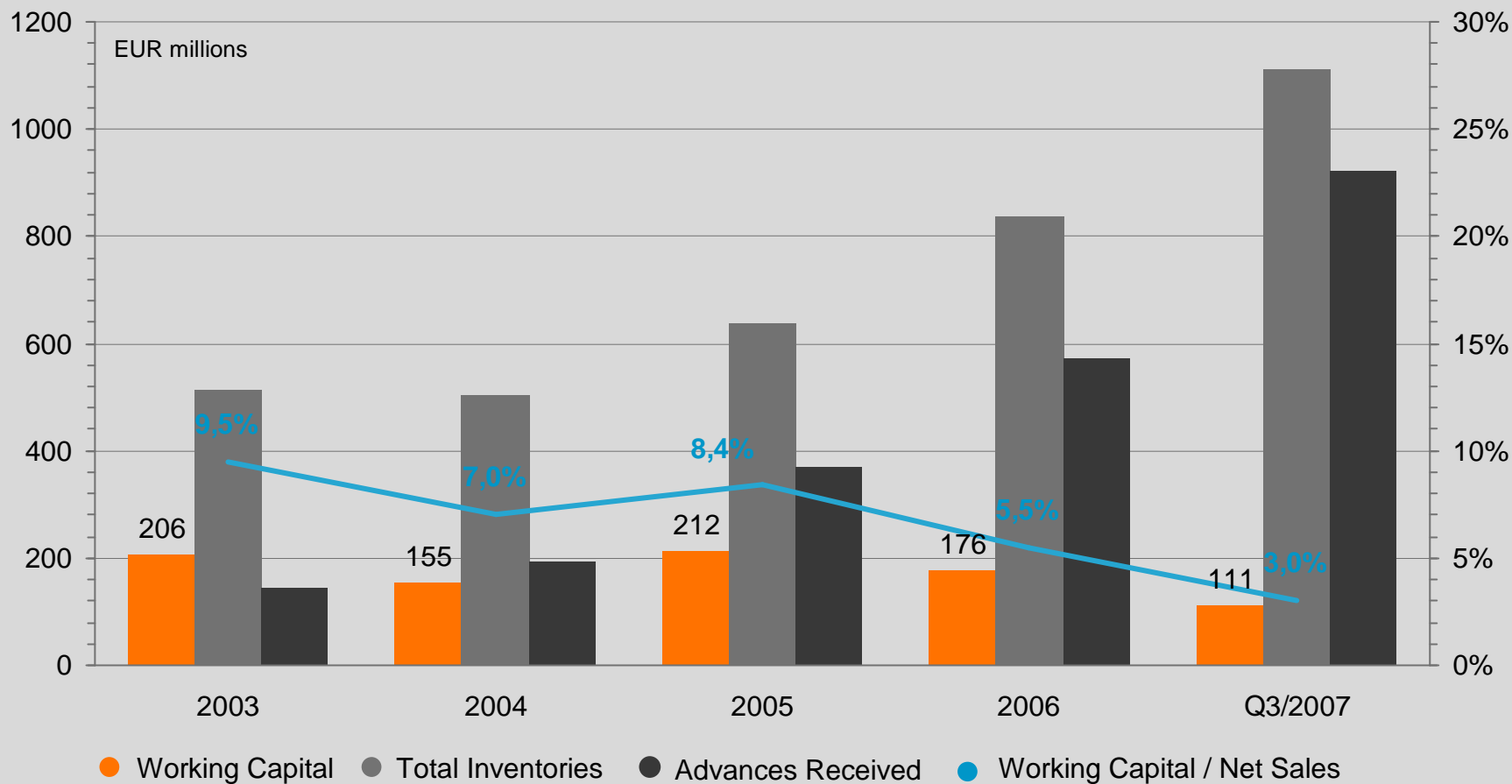
Investment CAPEX analysis

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

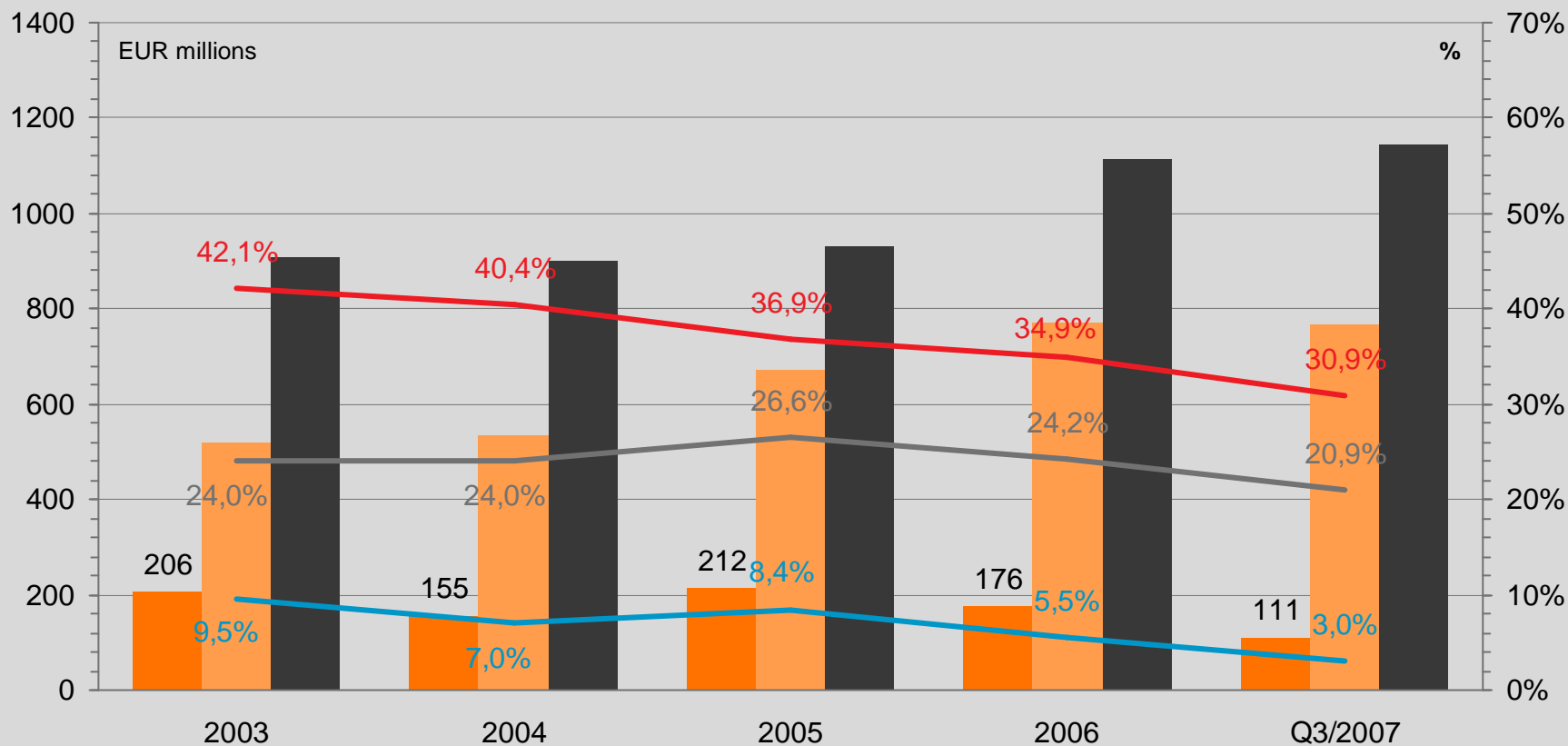


- Maintenance CAPEX has historically been low, and always below depreciation

Power Businesses – Working capital



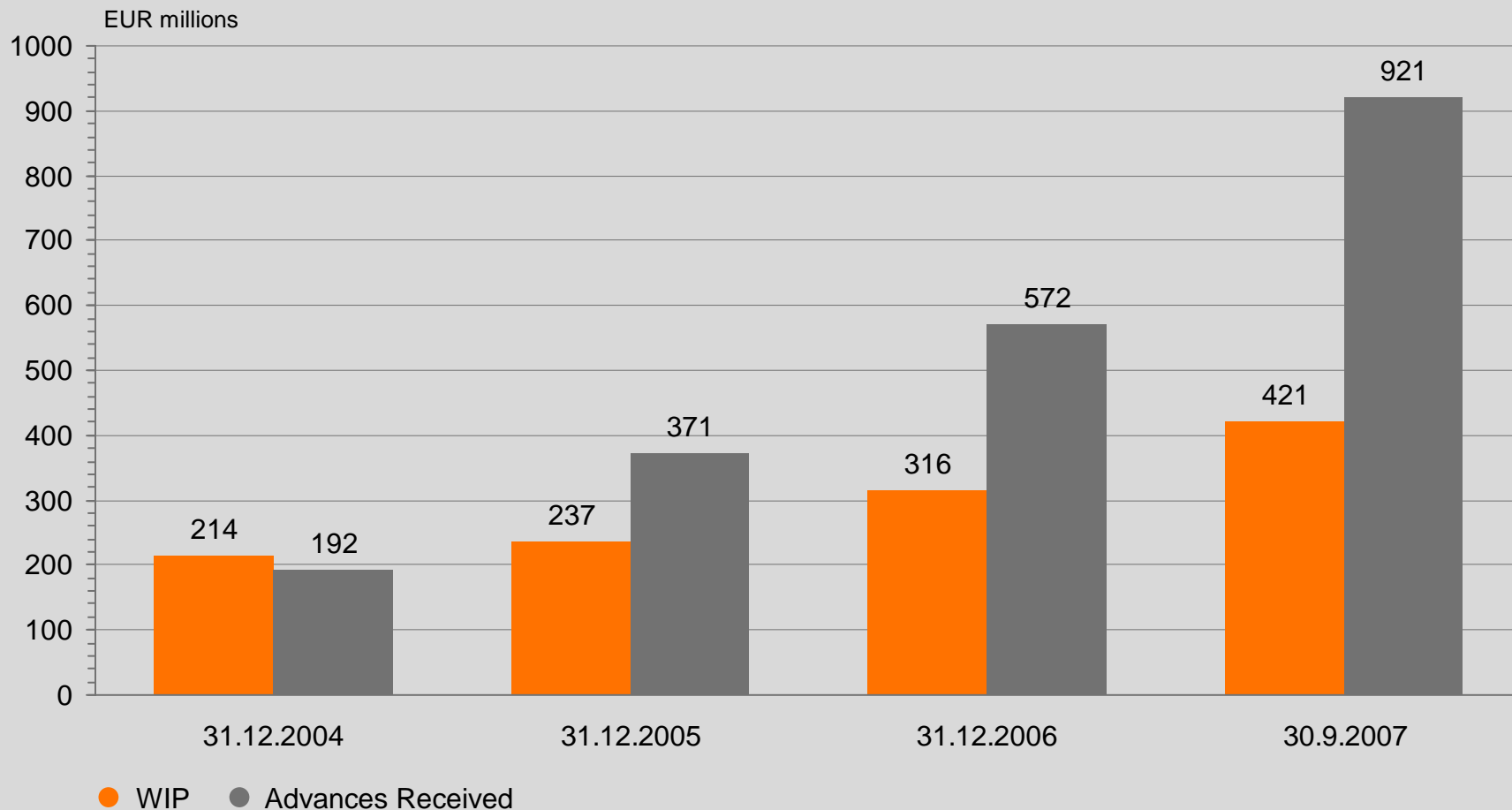
Power Businesses – Working Capital



- Working Capital ● Accounts Receivable - Trade ● Accounts payable & other non-ib items (excl. adv rec)
- Working Capital / Net Sales ● Accounts Receivable – Trade / Net Sales
- Accounts payable & other non-ib items (excl. adv rec) / Net Sales

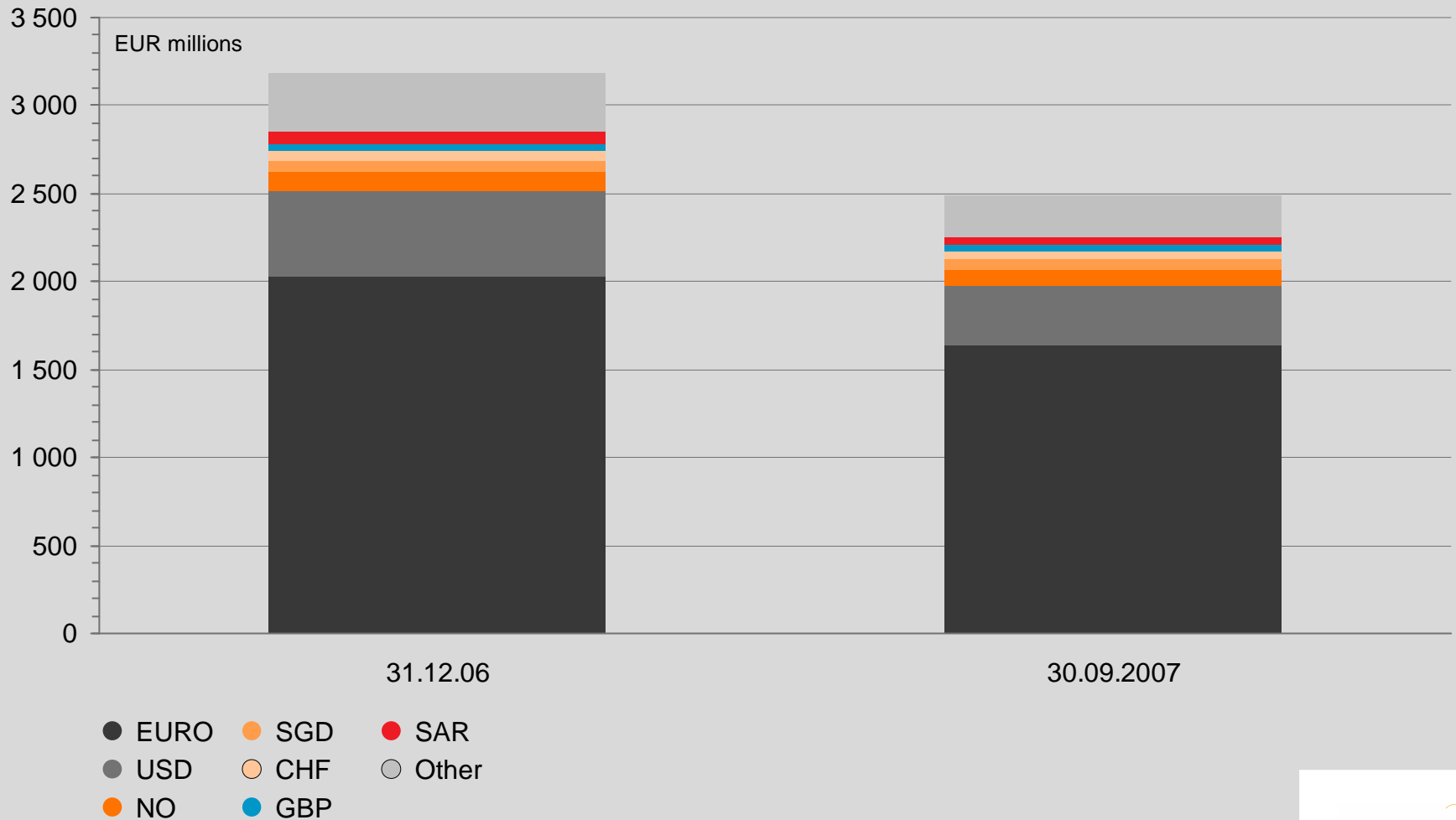
Work in progress and Advances received

Wärtsilä Power Businesses 2004 - 2007



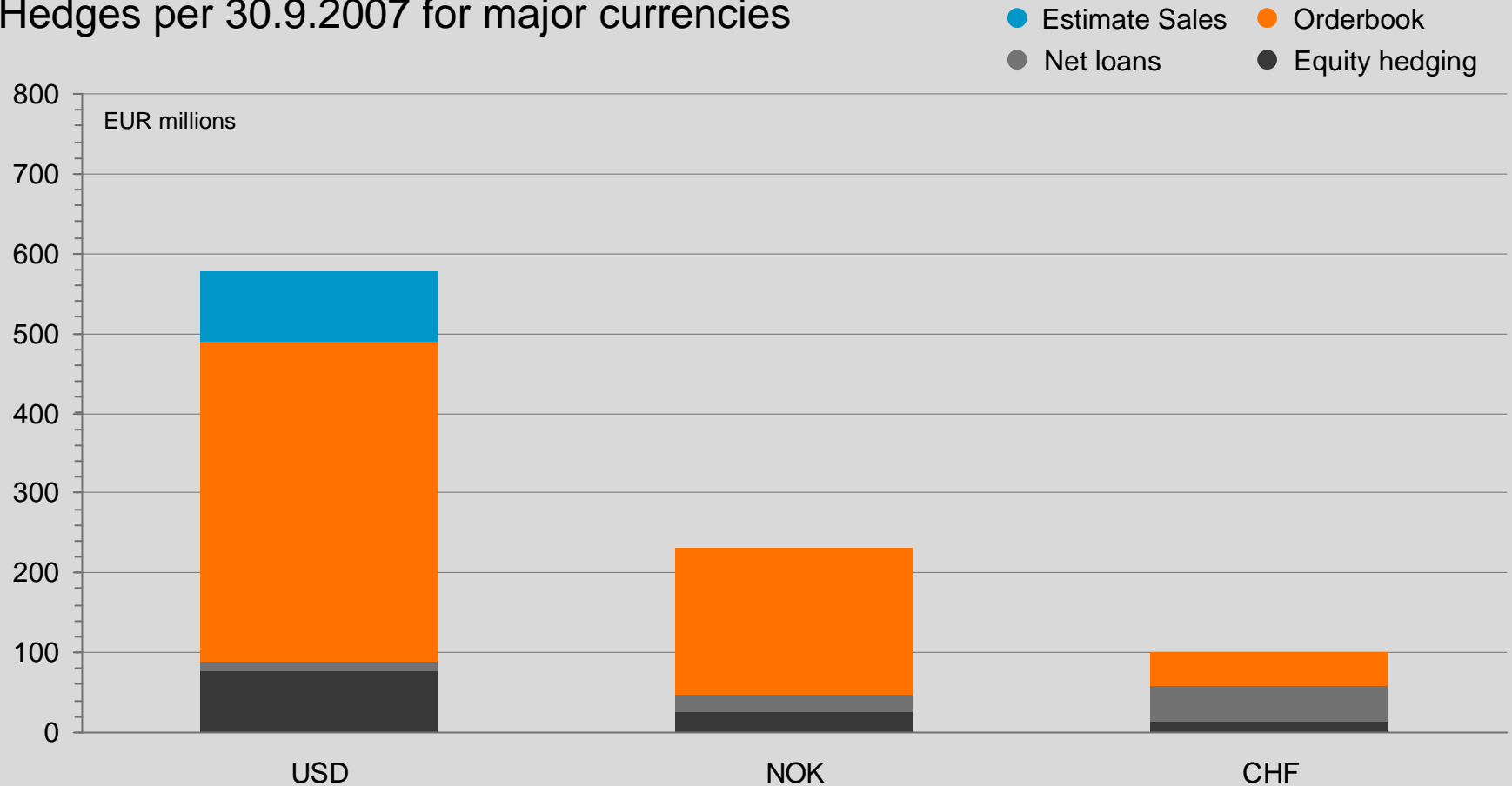
Net sales, Currency distribution

Wärtsilä Group



Hedges for major currencies

Hedges per 30.9.2007 for major currencies



Themes for discussion

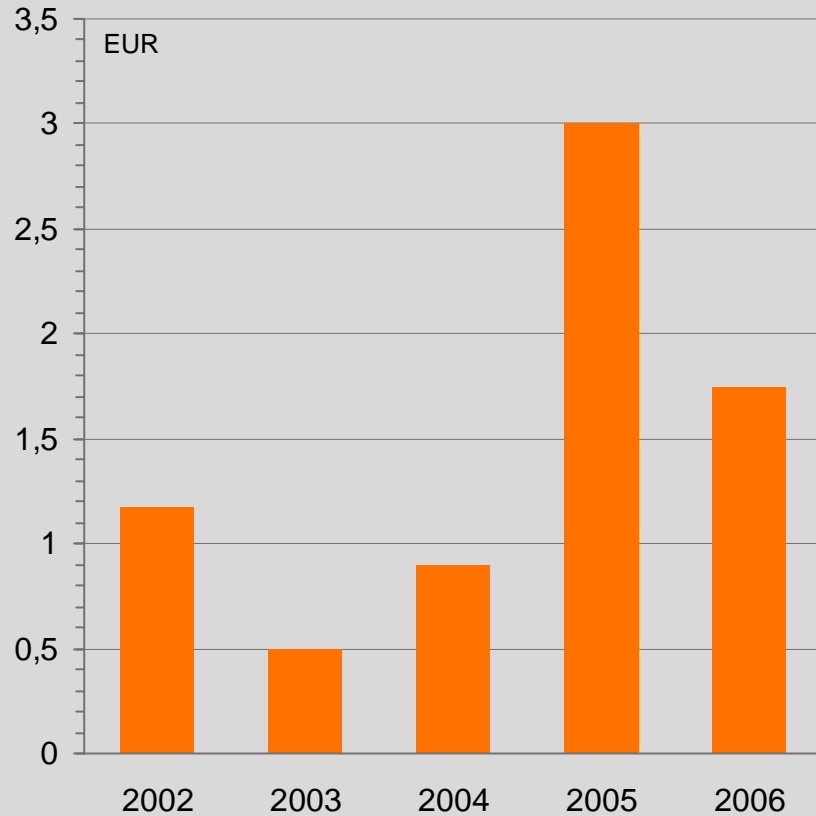
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Strong balance sheet gives us room to maneuver

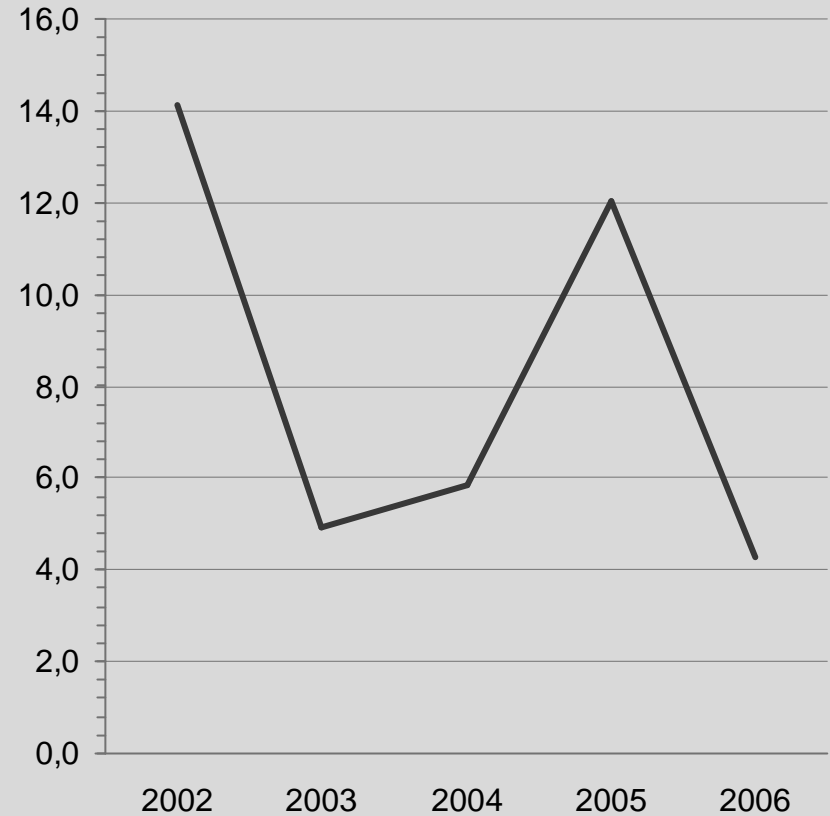
- Wärtsilä has a strong balance sheet
- Capex requirements of the business are moderate and continued organic growth can easily be funded out of cash flows
- A growth strategy driven by synergistic mid-sized acquisitions is possible to execute during the next few years while retaining investment grade status
- Alternatively, if feasible acquisitions can't be made, there is room to increase dividend payouts

Dividends

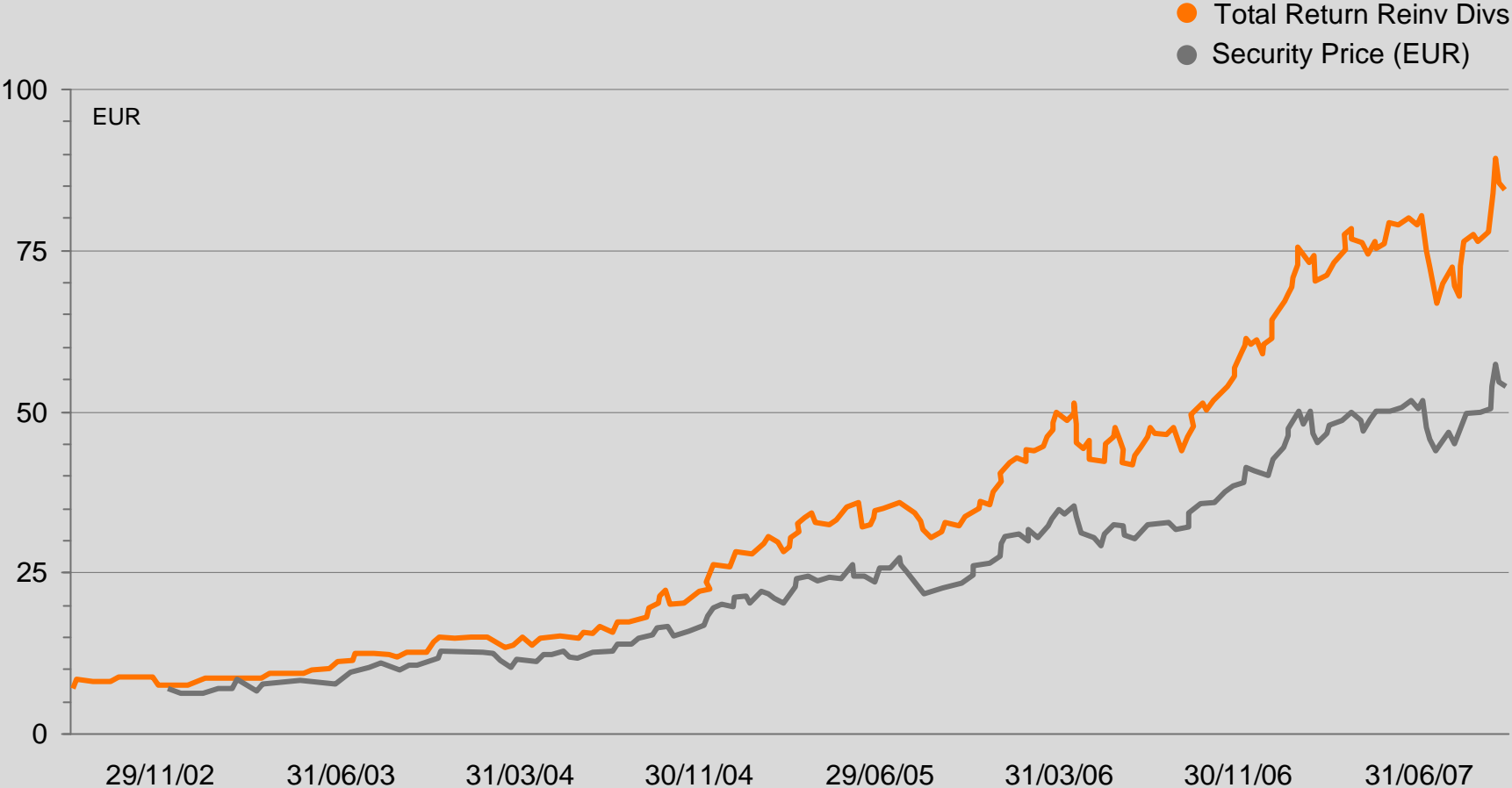
Dividend/share



Dividend yield



Wärtsilä has been an excellent investment



Source: Bloomberg

