

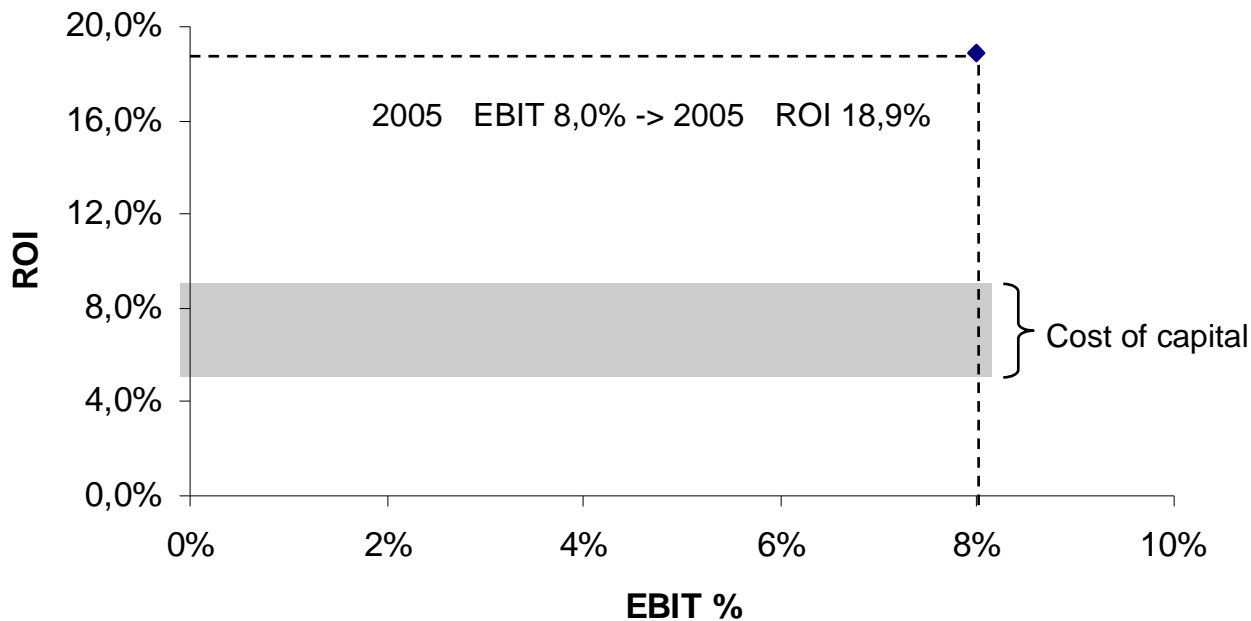
Strategy in the light of numbers

Executive Vice President, CFO Raimo Lind

Capital Markets Day, 16 June 2006

Current EBIT level provides a strong ROI

Wärtsilä Power businesses: EBIT % versus 2005 ROI



Wärtsilä could satisfy a ROI > cost of capital criteria at a significantly lower EBIT

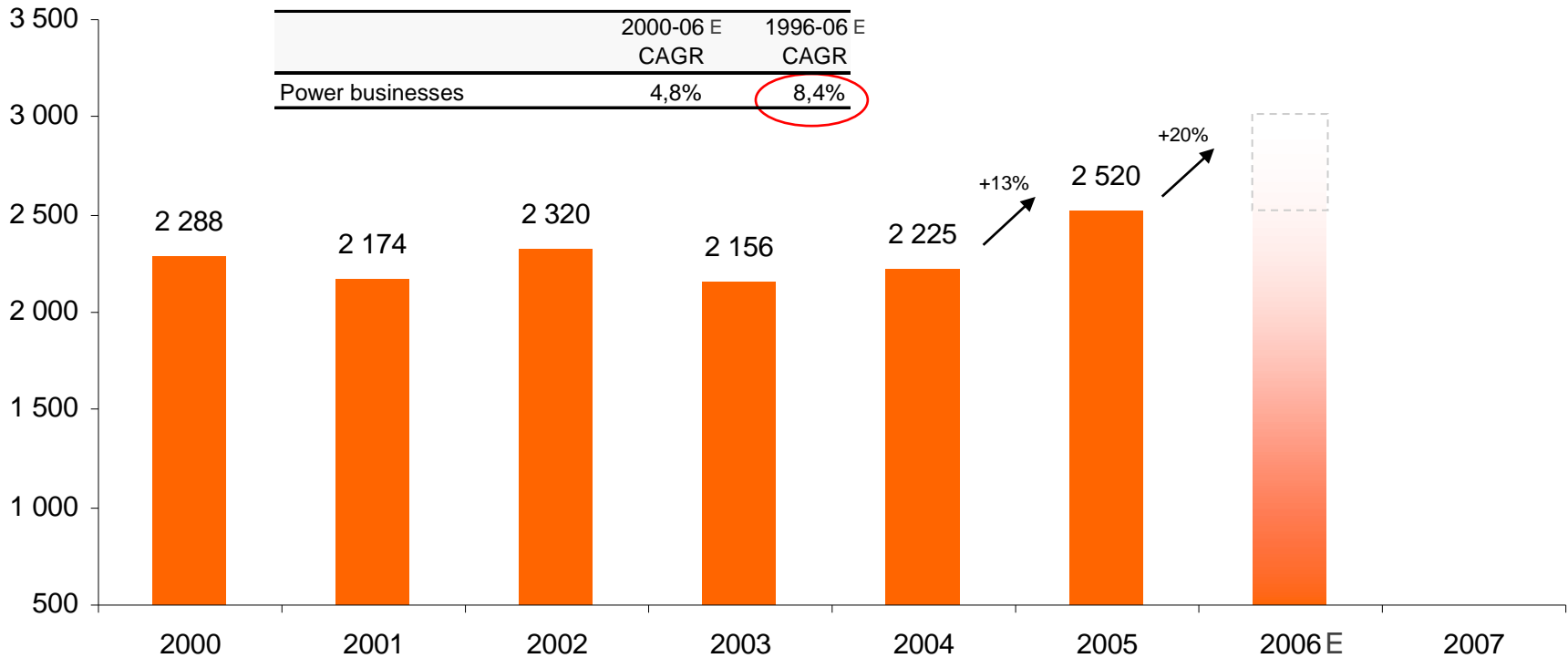
Source: Wärtsilä

Note: ROI = Return on investment = (Profit before extraordinary items + interest and other financial expenses) / (balance sheet total – non-interest-bearing liabilities – provisions, average over the year),

Sales growth is developing well

Wärtsilä Power businesses: 2000-06 sales development

Power businesses
(Eur 000)

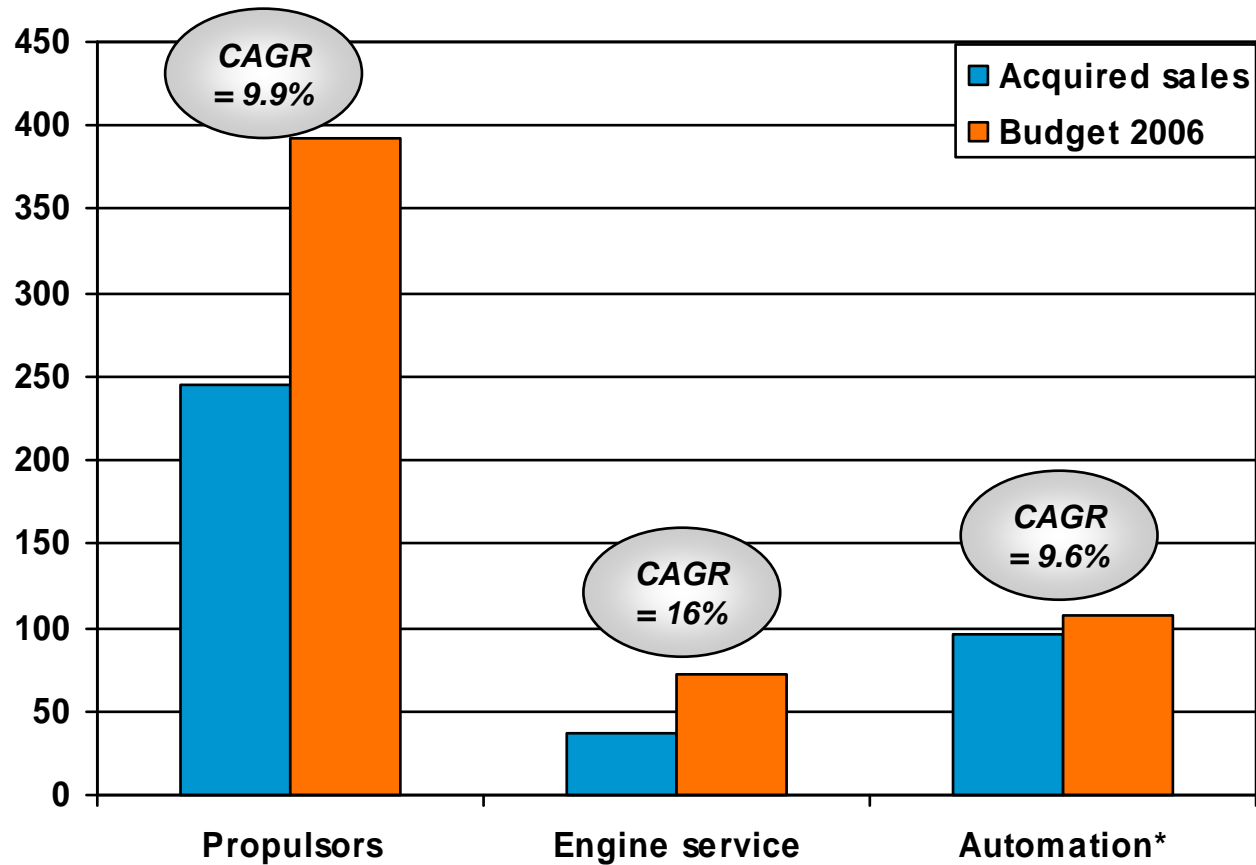


Source: Wärtsilä
Note: CAGR = Compound Annual Growth Rate

Good growth record from M&A

Acquired sales 2000 – 2006

EUR millions



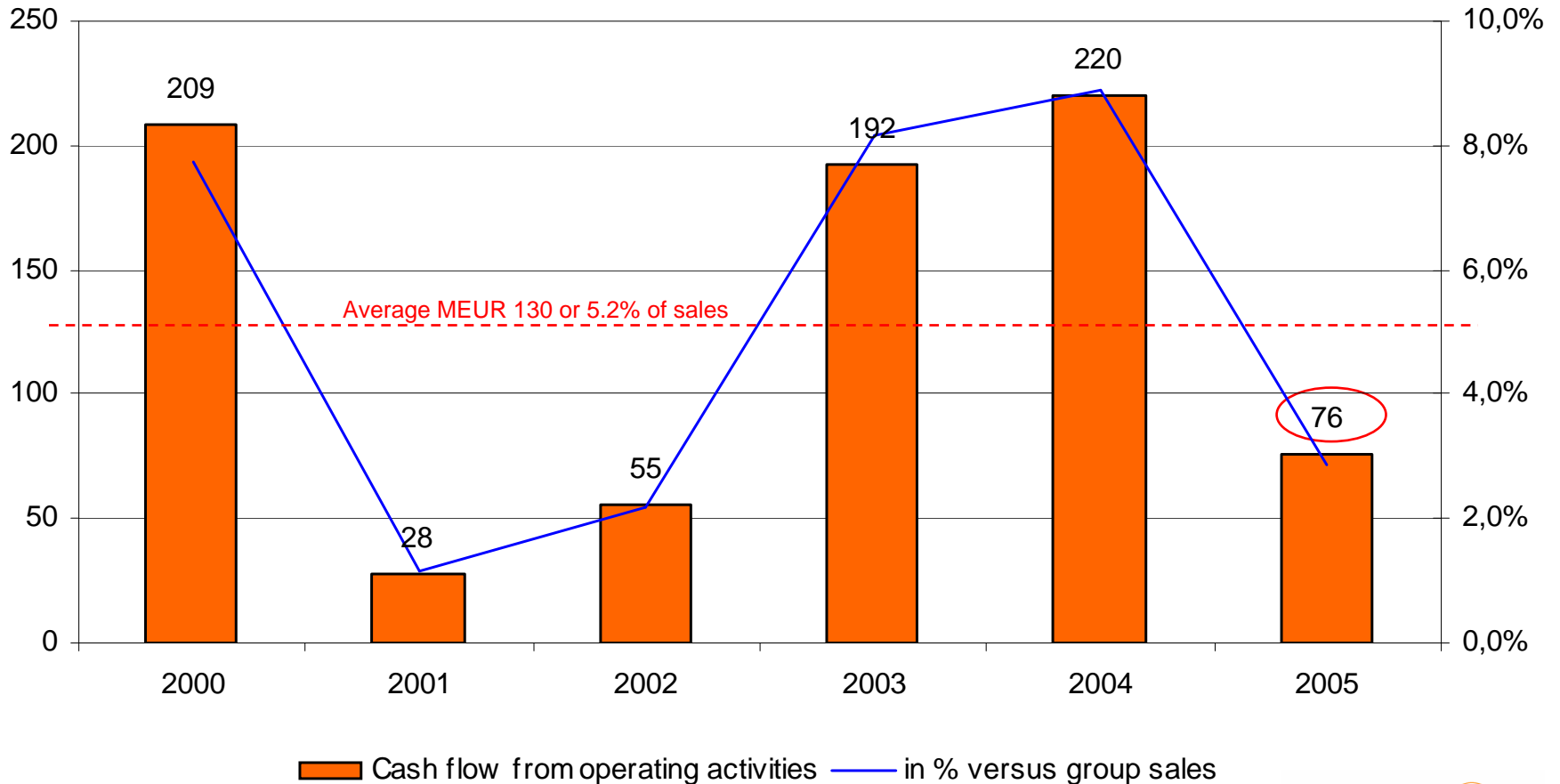
- 380 MEUR of sales
- Additional growth 180 MEUR

* Includes Total Automation

Strong operating cash flow

Cash flow
from operating
activities (Eur 000)

In % versus
group sales
(Eur 000)



Source: Wärtsilä 2000-05 Annual reports

Working capital at a low level

Wärtsilä working capital as of December 2005

		Ship Power	Power Plants	Service
Working capital	Inventory	++	+	+++
	Total: MEUR 639	+	+	+
	Accounts Receivables	++	++	+++
	Total: MEUR 876	+	+	+
TOTAL: MEUR 199 or 7.5% of 2005 sales	Accounts Payable ¹	---	---	--
	Total: MEUR 1289	=	=	=
	Total per division	-	-	+++

Source: Wärtsilä
Note: ¹ Includes advances received

Maintenance capital expenditure reasonable

Wärtsilä Power businesses: Gross capital expenditure / depreciation 2001-2006E

	2001	2002	2003	2004	2005	2006E
Gross capital expenditure	57	59	51	56	76	90
Depreciation	64	68	59	57	67	74
Gross capital expenditure / depreciation	89%	86%	87%	97%	113%	122%

Source: Wärtsilä

Note: 2006 maintenance capital expenditure excludes the announced investments into assembly and testing capacity. Adjusted for write downs and reversals of fixed assets

Capital expenditure to depreciation ratio is on average 99% for 2001-2006E

Solvency could be at a lower level

- Current EBIT level provides a strong ROI
- Sales growth is developing well
- Good growth record from M&A
- Strong operating cash flow
- Working capital at a low level
- Maintenance capital expenditure reasonable

+ Reported Q1/06 gearing at 0,41 (or 0,10 if all shares sold) at respective values booked in Q1/06

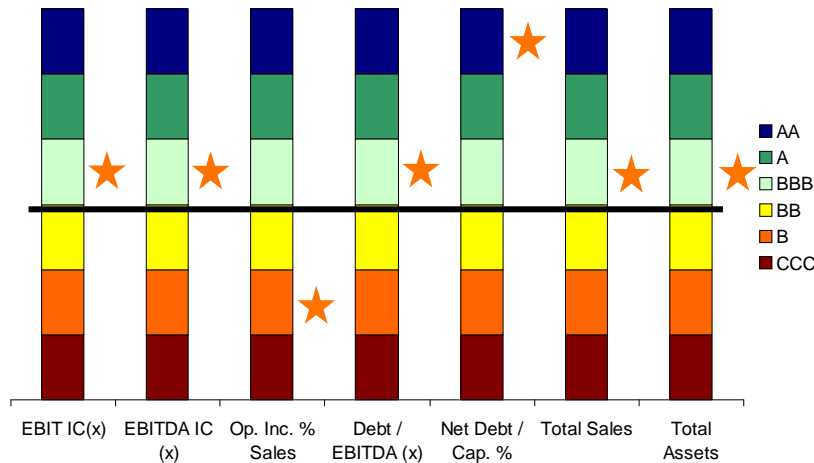
Solvency ratio of 35-40% sufficient

Investment grade rating at 35% solvency (I)

As reported (Q106)

Wärtsilä with a solvency of **41,9%** (Q106, last 12m)

Wärtsilä figures versus Standard & Poor's credit rating bands



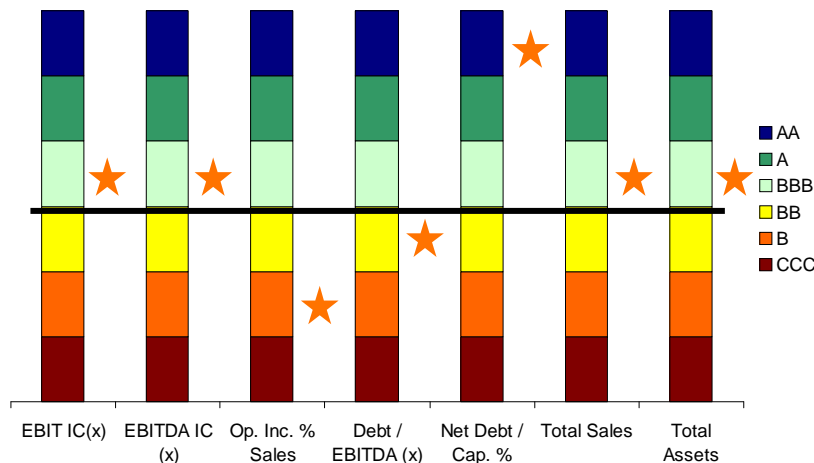
★ = Wärtsilä

Probable investment grade rating

Theoretical scenario

Wärtsilä with a solvency of **35,0%** (Q106, last 12m adjusted¹)

Adjusted Wärtsilä figures versus Standard & Poor's credit rating bands



Probable investment grade rating

Source: Theoretical credit rating bands sourced from Standard & Poor's rating agency, Wärtsilä

Note: ¹ = Adjusted scenario includes the effect of the sale of 10m Assa B shares announced 12 May 2006 (cash assumed to have been used to reduce debt and interest expense adjusted accordingly). The scenario is further adjusted to include Eur240m of additional debt that has been distributed to shareholders leading to a theoretical 35% solvency rate

Wärtsilä's Capital Markets Day 2006

Investment grade rating at 35% solvency (II)

Wärtsilä figures versus Moody's credit rating bands

	Wärtsilä with a solvency of <u>41,9%</u> (Q106, last 12m)	Wärtsilä with a solvency of <u>35,0%</u> (Q106, last 12m adjusted ¹)
Financial policy, liquidity and capital structure:		
Gross debt / Book capital	✓	✓
(Cash & marketable securities) / Gross debt	✓	✓
Gross debt / EBITDA	✓	✓
Credit metrics:		
EBIT / Interest expense	✓	✓
RCF (pre-WC) / Net debt	✓	✗
FCF / Gross debt	✗	✗
	Probable <u>investment grade</u> rating	Probable <u>investment grade</u> rating

Source: Theoretical credit rating bands sourced from Moody's rating agency, Wärtsilä

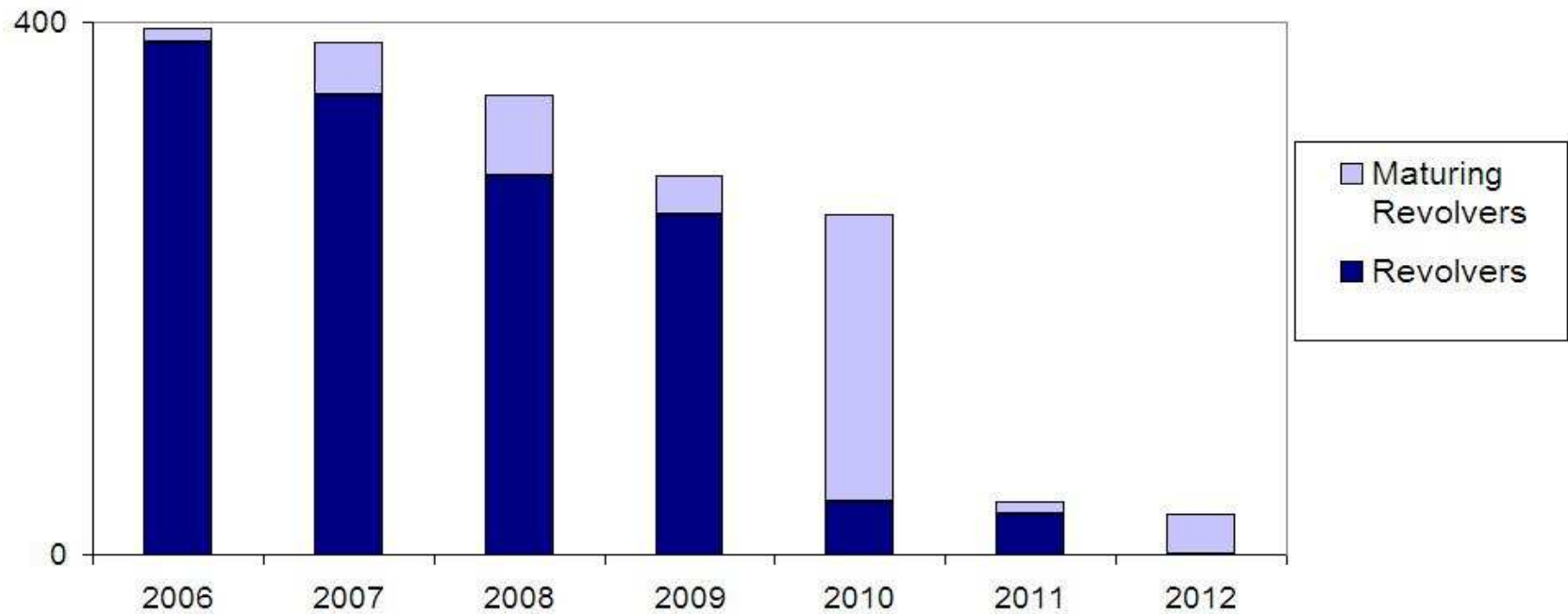
Note: ¹ = Adjusted scenario includes the effect of the sale of 10m Assa B shares announced 12 May 2006 (cash assumed to have been used to reduce debt and interest expense adjusted accordingly). The scenario is further adjusted to include Eur240m of additional debt that has been distributed to shareholders leading to a theoretical 35% solvency rate

Loan portfolio as of 31 December 2005:

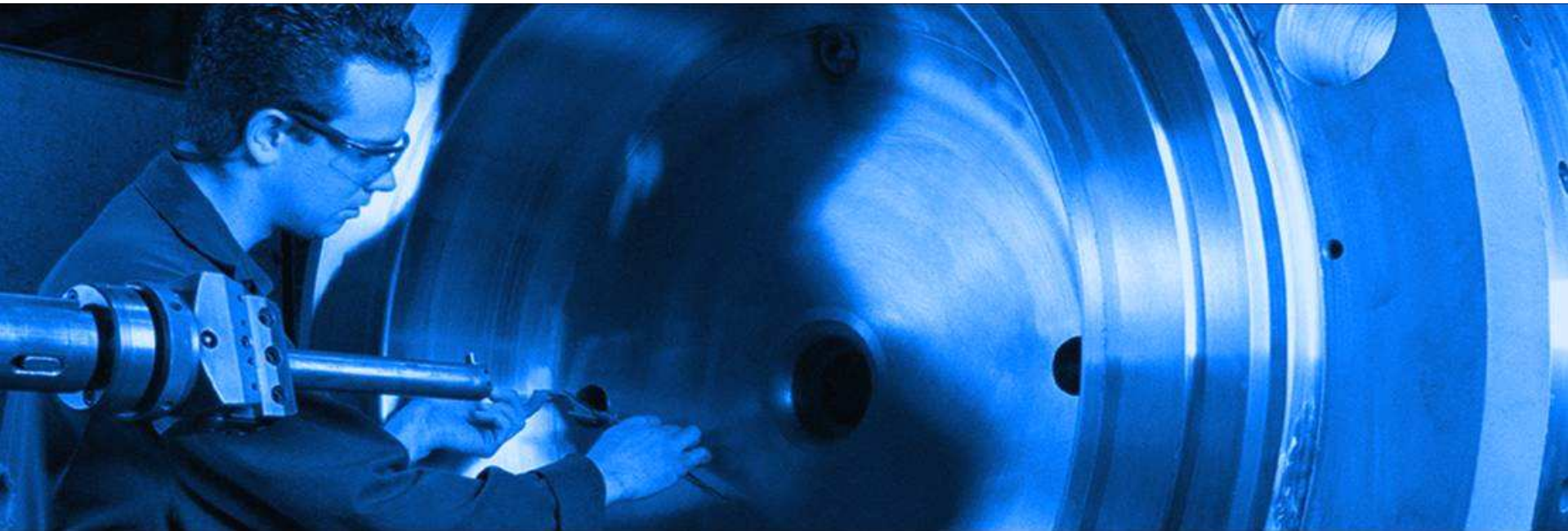
- Average interest rate 3.0%
- Average maturity
 - Short-term loans (average <1 year) **MEUR 141**
 - Long-term loans (average 4.25 years) **MEUR 263**
 - Committed credit lines (average 4.7 years) **MEUR 385 (all undrawn)**
- Interest rate hedges
 - Amount **MEUR 210**
 - Average fixed interest **3%**
 - Average maturity **3.2 years**
- WACC
 - Pre tax **7.8%**
 - Post tax **6.0%**

Source: Wärtsilä

Wärtsilä revolving credits

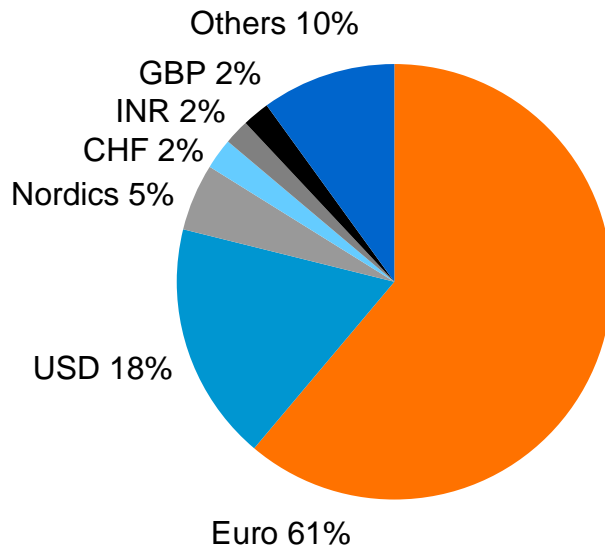


- Total not recognized tax assets amount to MEUR 71.8 as of December 2005 of which MEUR 25.5 was realised during Q1 2006
- Run rate for income taxes is between 26 and 30% on the group level



USD currency exposure limited

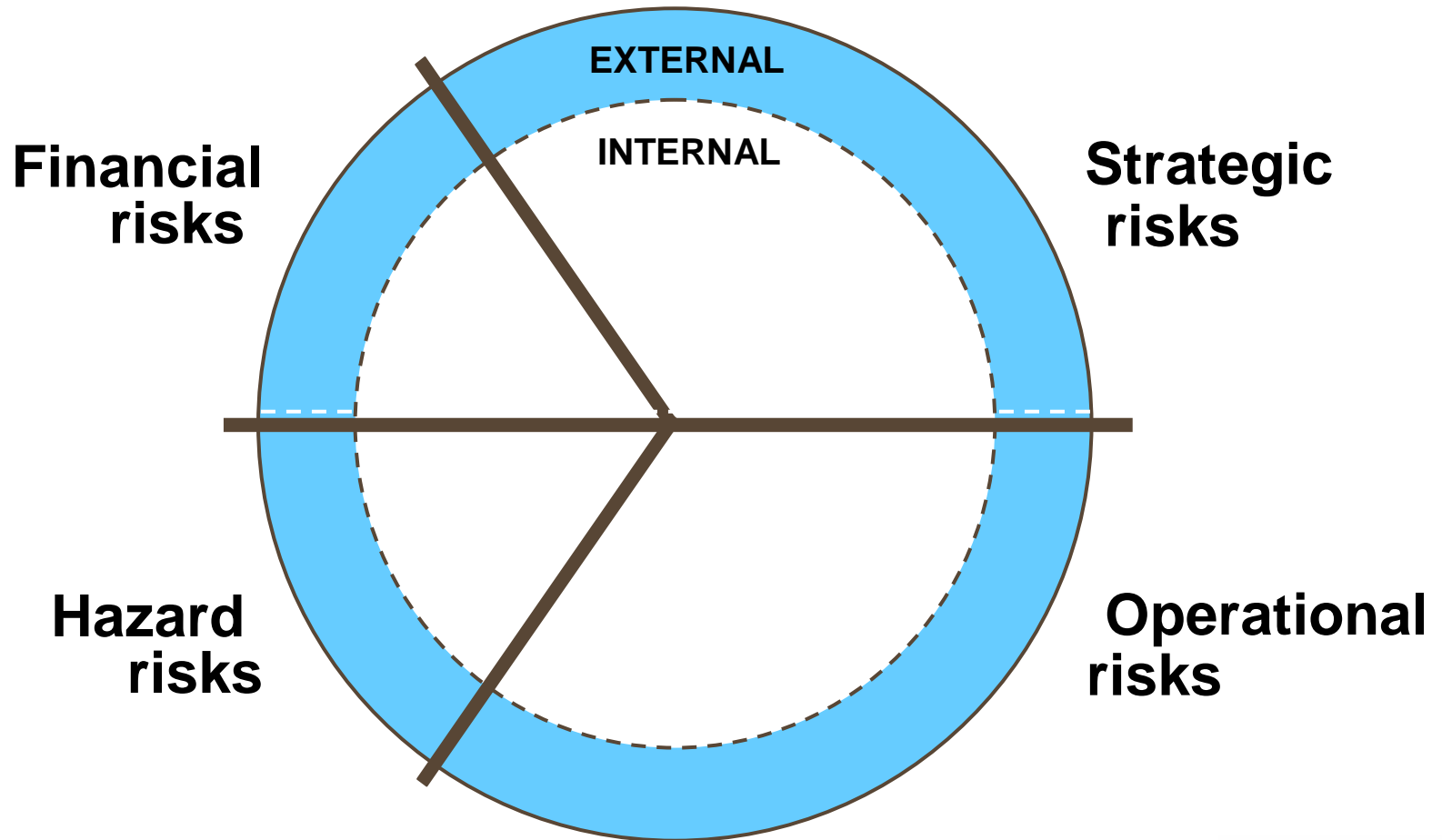
Wärtsilä invoiced sales in 2005



- Impact of changes in USD/Eur fx rate rather limited
 - Short-term
 - a) impact hedged
 - Long-term
 - a) 5% decrease in the USD/Eur fx rate translates into a 1% long-term decrease in sales
 - b) indirect impact mitigated as competitors also Euro denominated (with the exception of some competitors in the gas segment)
 - c) main risk related to customers' competitiveness
- USD denominated subsidiaries (2005):
 - 18% of group sales
 - 11% of operating costs

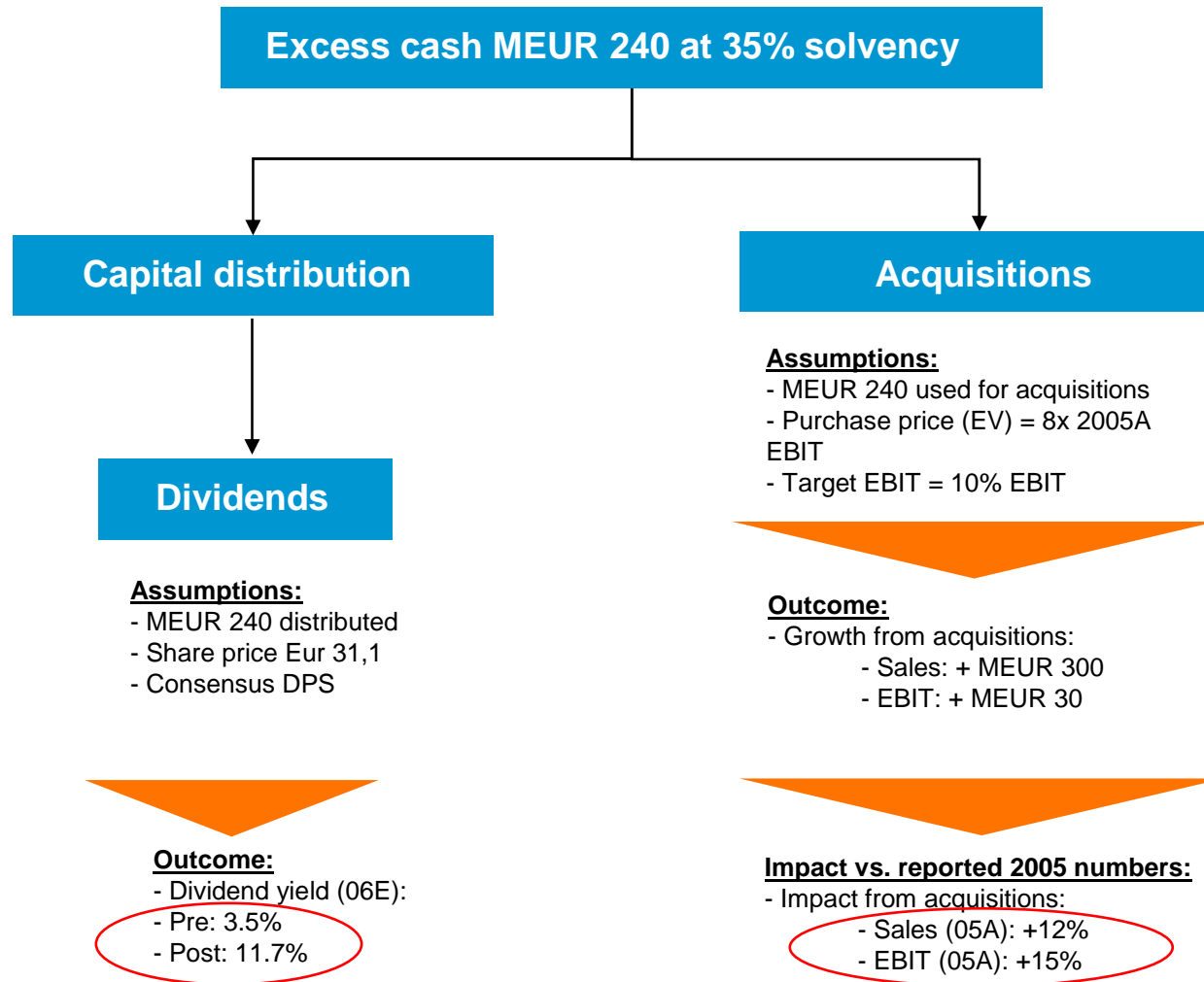
Source: Wärtsilä

Comprehensive approach to risks



Capital distribution & acquisitions

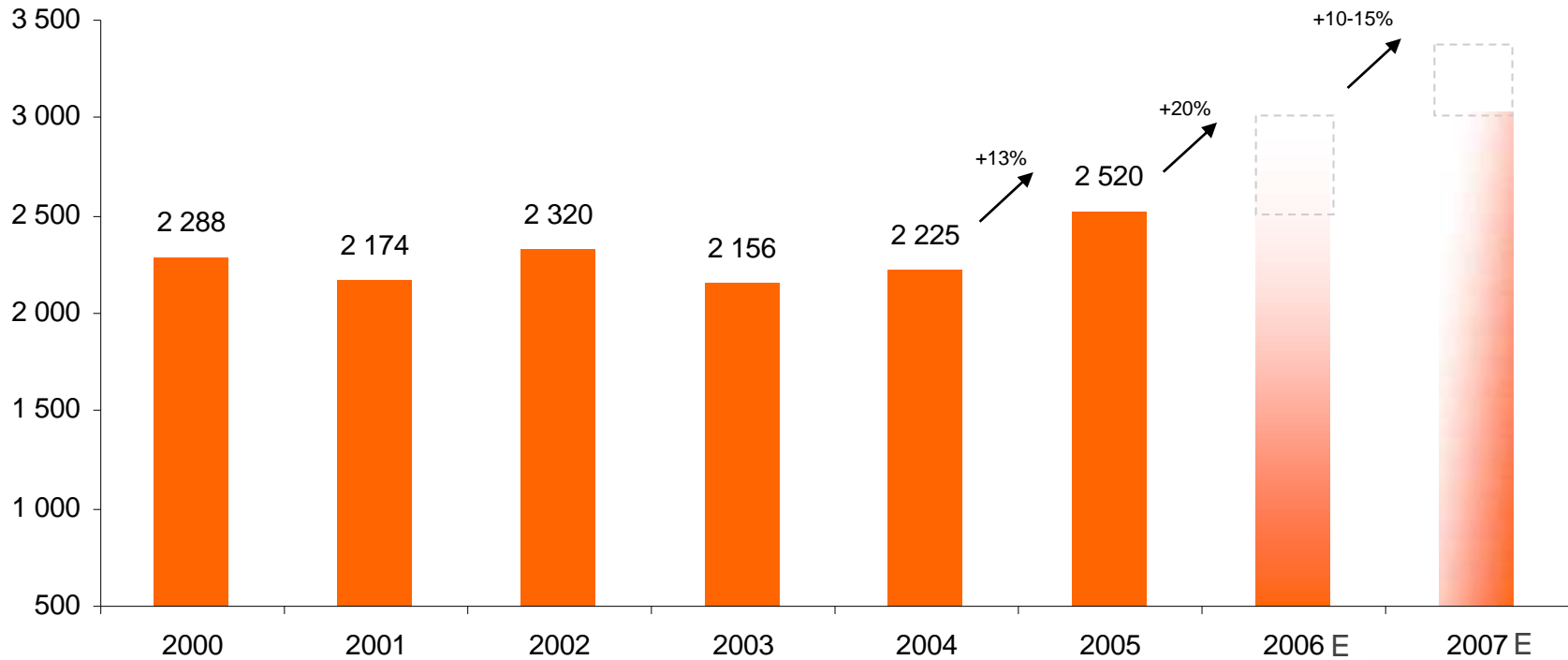
NOTE: Only theoretical scenario for discussion purposes only



Sales growth will continue in 2007

Wärtsilä Power businesses: 2000-07E sales development

Power businesses
(Eur 000)

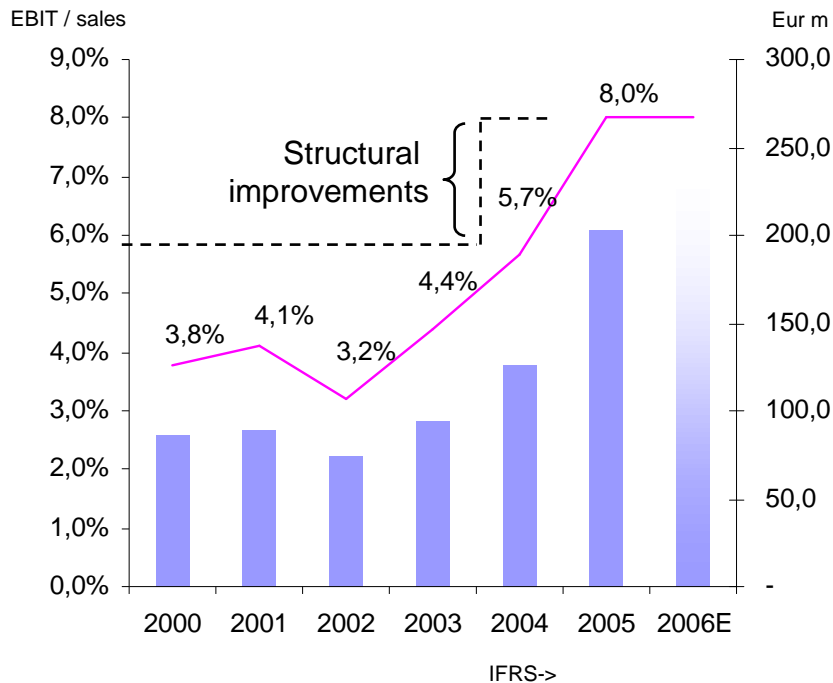


Source: Wärtsilä

- Based on current order book, project pipeline and outlook for the service business; we foresee 10-15% growth in net sales
- Capacity increase, available mid 2007, makes further growth possible in 2008

We target an average EBIT of 8% over the business cycle

Power businesses reported EBIT 2000-05



Source: Wärtsilä

Note: 2002-04 excluding restructuring provisions and effect from treatment of Finnish pension system

- The following structural improvements have an impact on the level of the EBIT % from 2004 onwards
 - Restructuring impact: 2%
 - Abolishment of goodwill amortisation under IFRS: 0,6%
- Increased outsourcing has reduced fluctuations by transferring fixed costs (and some margin) to sub contractors
- Growth in service business volume provides further stability

Thank you!



WÄRTSILÄ