The Annual General Meeting on 12 March 2003,
Speech of Mr Ole Johansson, President & CEO:

Dear Shareholders,

At the extraordinary shareholders' meeting held in September 2000 the company's name was changed from Metra to Wärtsilä and the Group's new visual identity was launched. At the same time we outlined the direction we would follow in our future development.

The core of the Group then, and also now, was the Power Divisions: that is, Marine, Power Plants and Service. Our other assets, like Imatra Steel, either support this portfolio or form a capital reserve such as the Assa Abloy shares we still own today and our various real estate assets.

Since that shareholders' meeting we have resolutely continued to develop the Group based on these choices. The year now behind us, 2002, was no exception.

Our Marine division is the world's leading supplier of complete marine propulsion systems today. This covers both total systems comprising engines, propellers, gearboxes, bearings and seals; and also electronic control systems designed to ensure that ships operate in the most economical and environmentally friendly way possible. Last year we succeeded in significantly strengthening this position with the acquisition of the propeller manufacturer John Crane-Lips, which increased Marine's sales by some 25 per cent. Moreover, almost half of all the marine main engines that we ourselves produced last year were also sold with Lips propellers and this segment of the business is showing continued growth.

The acquisition I just mentioned also enabled the Marine division to grow last year despite the extremely low volume of orders for new vessels, especially during the first half of the year. Shipyard orderbooks showed higher order activity towards the year end, however, and today the shipbuilding business is fairly lively despite the unsettled global political and economic climate. In this market Wärtsilä's global position guarantees we are a player to be reckoned with in all major shipbuilding projects. Our market share varies between 25 and 34 per cent depending on the engine type.

Our Power Plants business concentrates on supplying power plants for decentralized power and heat production. These plants are designed to operate on oil or natural gas, and today also on biofuels.

The situation in the power plant market is challenging. The uncertainty I referred to earlier is having a major impact on investment decisions both in developing countries and in the industrialized world. And despite the fact that a large number of developing countries are suffering shortages of electricity, very few are willing to make investments. We are currently working on dozens of projects around the world while rationalizing our operations to match costs to volume. In a strongly shrinking market we have managed to maintain our market share, which is roughly half of global heavy fuel oil power plants and we have also raised our low share of the market for gas power plants.

Service is the business where we have the highest growth targets, 10-15 per cent a year. Last year we did not reach this level, though, and growth remained at some seven per cent. The reason was the general economic slump that prevailed in the marine sector, especially during the first six months of the year.

More than half of all employees in the Power Divisions, some 5,600 people, now work in our Service business. Service is not dependent on investment activity in the same way as sales of new products. Our aim is to sign fixed, long-term operation and maintenance contracts with customers that use our engines. Today such agreements cover less than 10 per cent of the engines we have supplied and we are making strenuous efforts to increase this volume. Last year this segment grew almost 20 per cent.

Another source of growth within our Service business is acquisitions. During the past couple of years we have acquired five new service companies in different parts of the world. All of these are situated close to major ports and offer a wide range of ship and marine engine repair and reconditioning services. The new companies operate under the CISERV name and they are capable of handling not only Wärtsilä engines but engines designed and produced by other manufacturers as well.

The core of Wärtsilä’s products, both its power plants and marine propulsion systems, are engines that are designed and often also manufactured by Wärtsilä itself. Engine design and manufacturing is the responsibility of our Engine division, which last year experienced big changes. Engine manufacturing today is focused on four factories; three larger ones – in Vaasa and Turku in Finland and in Trieste, Italy – and one smaller factory in Mulhouse, France. We also design engines in Winterthur, Switzerland. Factory closures and ongoing temporary layoffs, at the Turku factory for example, have been absolutely essential for maintaining profitability during times of low demand, like last year.

Rationalization measures are expensive and their costs have had an adverse impact on the performance of the Power Divisions in recent years. These costs did not have a significant impact on our result in 2002 but neither did we gain the fully benefit of the streamlining programmes still in progress. This year we expect the Power Divisions to show a slight improvement in profitability.

The Group’s steel business, Imatra Steel, took further steps to modernize its production structure aiming for a higher degree of processing and better productivity. An important step in this direction was the acquisition of a forge in Scotland in 2001. Upgrading of the base metallurgical process line continued at Imatra, where last summer the company brought the new heavy rolling mill on stream. At the same time negotiations were started with personnel representatives at the steel works to reduce the number of employees in line with production volume. This caused extra costs which depressed Imatra Steel’s profitability last year. Nevertheless the company still reported an operating profit, which in this business was far from self-evident. This year we expect Imatra’s result to improve.

Last year the Group took further steps to liquidate assets that do not directly support our core business. Accordingly we sold 10 million Assa Abloy shares in May and recorded a capital gain of EUR 111 million. We also sold certain properties including the company's head office building in Helsinki, for a total of EUR 17 million.

Wärtsilä continues to be a major shareholder in Assa Abloy with a 7.6 per cent holding worth some EUR 220 million at current rates. The book value of this holding is EUR 67 million.

Operational earnings last year totalled 72 cents per share. The asset disposals I mentioned generated a further 1.33 euros per share, so the Group's total earnings per share were 2.05 euros. The Board of Directors proposes that a normal dividend of 25 cents per share be distributed on the Group's result of operations and an extra dividend of 1.50 euros per share be distributed based on the capital gain from the disposal of assets, giving a total dividend of 1.75 euros per share.

Mr Chairman, Shareholders,

I often get asked if, after all the changes we have been through, Wärtsilä has now found its final form. The answer, of course, is no!

We will make sure that Wärtsilä handles an ever increasing proportion of the world's marine service business. At the same time we will forge even closer ties with the world's shipyards especially in the growing Asian markets, to ensure that total ship power systems by Wärtsilä are always the natural choice for those designing economical and environmentally friendly marine vessels. And we will further develop our power business in a way that reduces the impact of large single projects and markets on our net sales and profit-making potential.