Wärtsilä Capital Markets Day

Streamlining for a less cyclical future
Raimo Lind, Executive Vice President and CFO
Trieste, Italy, May 31 2005
1. Streamlined capacity and increased flexibility
   - Restructuring
   - Power Plant focus

2. Future efficiency and growth
   - Future growth
   - Product cost

1. Imatra (increased and stable earnings)
Restructuring target – eliminate overcapacity in manufacturing

- Old capacity level
- New capacity level
- Flexibility through subcontracting
- China

Closure of the Turku factory
Wärtsilä Power Plants – former and current scenario

Sales

Current power plants capacity

Profit

Loss

Previously outsourced

Be selective in sales

Increase outsourcing on projects exceeding the capacity

Profit

Reduce capacity and breakeven point

Loss

2005

Years

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Streamlined offering

Outsourced customer engineering

Slim organization
- closure of France
- sales of high speed products to Waukesha
- production facilities and 70 people to Mitsubishi

Order intake 2004 > 1000 MEUR
Service Sales vs Total Power Businesses

Note: Service sales as a % of total Power Businesses sales in parenthesis above the bar

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Service Sales vs Total Power Businesses

Note: Data for 2005-06 is only for indicative purposes and should not be considered as Wärtsilä guidance.
Ciserv net sales and personnel development

![Graph showing net sales and personnel development from 31.12.2001 to 31.12.2004.](image)
Product cost
1) Design

Auxpac

46F
2) Initiatives on the Asian market

- Majority owned joint venture propeller manufacturing company in China with CME Zhenjiang Propeller Co Ltd.

- Transvere thrusters factory in China. Investment EUR 6.6 million

- Letter of intent with China Shipbuilding Industry Corporation (CSIC), 50/50 joint venture marine auxiliary engines manufacturing company in China

- Subsupplier/Sourcing network for own production

- Marine reduction gear factory in India
Productivity in Imatra Steel improved through modernisation of the base metallurgical line

In February Wärtsilä, Rautaruukki and the Swedish SKF signed a Memorandum of Understanding of a new long steel company

Wärtsilä’s holding is 26.5%

Consolidated to Ovako 1.5.2005

Ovako has the critical mass to participate in European restructuring

Current good cycle gives good start to the new Ovako. Demand for special steels has remained buoyant and delivery volumes of both steels and forgings has increased
## Implications to Wärtsilä

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<thead>
<tr>
<th>Imatra Steel</th>
<th>Q1/2005</th>
<th>2004</th>
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<tbody>
<tr>
<td>MEUR</td>
<td>17</td>
<td>24</td>
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<tr>
<td>EBIT</td>
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**PRO FORMA: Ovako**

<table>
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<tr>
<th>MEUR</th>
<th>EBIT</th>
<th>26.5%</th>
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<td>86</td>
<td>~23</td>
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- Supports Wärtsilä’s strategy to focus on core businesses, clarifies the group structure
- Upside on EPS through synergies (approx 40 million of synergies within 3 years)
- Annual net sales will decrease - Imatra Steel 2004 sales €254 million
- Capital release of €25-30 million following the planned refinancing of NewCo debt - Solvency will improve
- Pro forma book value of Wärtsilä’s investment approximately €110 million following refinancing

- Q2
  - April into Wärtsilä
  - May-June into Ovako
Power Businesses order book

MEUR


2004

2005

2006

2007 +
Power Businesses operational EBIT and profitability

Note: the dashed line indicates the margin outlook for 2005 2001-2004 according to FAS and 2005 according IFRS