Current EBIT level provides a strong ROI

Wärtsilä’s Capital Markets Day 2006

2005 EBIT 8.0% -> 2005 ROI 18.9%

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),
Wärtsilä’s Capital Markets Day 2006

Sales growth is developing well

Wärtsilä Power businesses: 2000-06 sales development

Source: Wärtsilä
Note: CAGR = Compound Annual Growth Rate
Good growth record from M&A

Acquired sales 2000 – 2006
EUR millions

- **Propulsors**: CAGR = 9.6%
- **Engine service**: CAGR = 16%
- **Automation**: CAGR = 9.9%

- 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
Wärtsilä working capital as of December 2005

<table>
<thead>
<tr>
<th></th>
<th>Ship Power</th>
<th>Power Plants</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>+</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Accounts Receivables</td>
<td>+</td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>Accounts Payable¹</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total:
- Inventory: MEUR 639
- Accounts Receivables: MEUR 876
- Accounts Payable: MEUR 1289
- Total: MEUR 199 or 7.5% of 2005 sales

Source: Wärtsilä
Note: ¹ Includes advances received
Maintenance capital expenditure reasonable

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

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross capital expenditure</td>
<td>57</td>
<td>59</td>
<td>51</td>
<td>56</td>
<td>76</td>
<td>90</td>
</tr>
<tr>
<td>Depreciation</td>
<td>64</td>
<td>68</td>
<td>59</td>
<td>57</td>
<td>67</td>
<td>74</td>
</tr>
<tr>
<td><strong>Gross capital expenditure / depreciation</strong></td>
<td><strong>89%</strong></td>
<td><strong>86%</strong></td>
<td><strong>87%</strong></td>
<td><strong>97%</strong></td>
<td><strong>113%</strong></td>
<td><strong>122%</strong></td>
</tr>
</tbody>
</table>

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

Solvency ratio of 35-40% sufficient

+ Reported Q1/06 gearing at 0.41 (or 0.10 if all shares sold) at respective values booked in Q1/06
Wärtsilä figures versus Standard & Poor’s credit rating bands

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

Investment grade rating at 35% solvency (I)

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

<table>
<thead>
<tr>
<th>Financial policy, liquidity and capital structure:</th>
<th>Wärtsilä with a solvency of 41.9% (Q106, last 12m)</th>
<th>Wärtsilä with a solvency of 35.0% (Q106, last 12m adjusted¹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross debt / Book capital</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Cash &amp; marketable securities) / Gross debt</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Gross debt / EBITDA</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

### Credit metrics:

<table>
<thead>
<tr>
<th>Credit metrics:</th>
<th>Wärtsilä with a solvency of 41.9% (Q106, last 12m)</th>
<th>Wärtsilä with a solvency of 35.0% (Q106, last 12m adjusted¹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT / Interest expense</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>RCF (pre-WC) / Net debt</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>FCF / Gross debt</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>

### 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.

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

**Wärtsilä’s Capital Markets Day 2006**
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
Funding in place (II)

Wärtsilä revolving credits

- Maturing Revolvers
- Revolvers

Tax assets unused

- 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

- 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

- Financial risks
- Hazard risks
- Strategic risks
- Operational risks

EXTERNAL
INTERNAL
Capital distribution & acquisitions

Excess cash MEUR 240 at 35% solvency

Capital distribution

Dividends

Assumptions:
- MEUR 240 distributed
- Share price Eur 31,1
- Consensus DPS

Outcome:
- Dividend yield (06E):
  - Pre: 3.5%
  - Post: 11.7%

Acquisitions

Assumptions:
- MEUR 240 used for acquisitions
- Purchase price (EV) = 8x 2005A EBIT
- Target EBIT = 10% EBIT

Outcome:
- Growth from acquisitions:
  - Sales: + MEUR 300
  - EBIT: + MEUR 30

Impact vs. reported 2005 numbers:
- Impact from acquisitions:
  - Sales (05A): +12%
  - EBIT (05A): +15%

NOTE: Only theoretical scenario for discussion purposes only

Source: Wärtsilä, IBES consensus estimates via Bloomberg
Wärtsilä’s Capital Markets Day 2006
Sales growth will continue in 2007

Wärtsilä Power businesses: 2000-07E sales development

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

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!