Welcome
OLE JOHANSSON, PRESIDENT & CEO
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

Long-term profitability target specified

- Long-term profitability target (EBIT%) 8 - 10 percent, plus/minus 2 percent, of net sales over the cycle
CURRENT MARKET SITUATION – THREAT OR POSSIBILITY FOR WÄRTSILÄ?

OLE JOHANSSON, PRESIDENT & CEO
Our environment

- Growth in world economy slowing down
- High energy prices are here to stay
- Shipping is the enabler of globalisation
- We have seen only the beginning of the pressures to reduce emissions (particles, NO$_x$, CO$_2$)
- Shortfall in availability of key personnel
- Need for further specialization in the shipping sector
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World economy sources 2008

Growth rate %

Source: IMF 10/2007
China to be nr 1 – no matter how you count

Pulling its weight
China is also making the largest contribution to world growth at market prices.

New driving force
The major emerging markets have become the main engines of world growth. For the first time, China and India are making the largest country-level contributions to global growth.

Source: International Monetary Fund (IMF)
GDP Growth in Selected Countries

Source: International Monetary Fund (IMF)
World GDP and Trade Volume

Source: International Monetary Fund (IMF)
World GDP and Trade Volume

Advanced Economies

Emerging / Developing Economies

- GDP (Costant Prices)
- Import volume of goods

Source: International Monetary Fund (IMF)
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Raw material prices

Commodity price indices, January 2003 = 100

- Metals
- Food
- Beverages
- Agricultural raw materials
- Average petroleum spot price

Source: International Monetary Fund (IMF)
High energy prices are here to stay

- There is a premium on efficiency
- Total efficiency a priority
- Demand for upgrades and quality overhauls
- Resort to cheaper fuels ↔ emissions permitting

➡ Our R & D will continue to focus on efficiency while our global services support customers’ operations
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"Shipping is a great industry, facing a challenge"¹)

- "Shipping carries over 90% of world trade
- It is the most cost-efficient and energy-efficient primary mode of transportation
- Barring an unforeseen dramatic downturn in the global economy, shipping is forecast to continue its strong growth, with the potential to double by 2020
- The shipping industry now faces a great challenge: how to continue to deliver this extraordinary expansion, critical to delivering the benefits of a growing world economy, whilst addressing its environmental responsibility"

¹) "Shipping emissions: critical decisions for a global industry" Shells perspective as a Shipper and refiner
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Pressure to reduce emissions

Only primary methods (combustion) reduce CO$_2$ (and fuel consumption)

- High entry barriers

Multiple ways to reduce SO$_x$
(Various fuels and secondary methods)

- Refurbishing opportunity

=> Work closely with customers and competition to develop new methods for emission management
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Availability of personnel - Challenge for customers

Opportunity for Wärtsilä

- Skilled seafarers in short supply
- Modern machinery require new skills (electronics, emissions..)
- Short harbor times do not permit shopping
- High fuel price requires efficient operation
Availability of personnel - Business opportunity for Wärtsilä

- Becomes HR challenge
- Total headcount 15,811 people at end of Q3/07
- Addition Q1-Q3/07 1,465 people, new recruitment over 2,000
- Attractiveness
- Training
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Wärtsilä’s offering covers all key shipping segments

Merchant

Offshore

Cruise and ferry

Navy

Special vessels
The shipping markets - Cruise & Ferry

Owners
- Carnival
- Royal Caribbean
- Grimaldi Group
- MSC

Builders
- Fincantieri
- Aker Yards
- Meyer Werft
- Austal

Markets
- Cruise shipping
- Passenger vessels
- Car & Passenger Ferries
- Mega yachts

Builder countries
Owner countries
Both
Cruise and ferry outlook

- Continued demand growth in cruise
- Ferry market expected to be steady
- Mega Yachts ordering still active and ships getting bigger
The shipping markets - Merchant

Owners
- Cosco, China
- AP Møller/Maersk, Denmark
- CSG, China
- MOL, Japan
- NYK, Japan

Builders
- Hyundai
- Samsung
- Daewoo
- CSSC
- CSIC

Markets
- Container shipping
- Oil&Gas Transport
- Dry bulk cargo
- Car transport

Builder countries  Owner countries  Both
Merchant vessel outlook

- Ship earnings on high level
- Bulk Carrier market red hot
- Container growth continues
- Tanker prospects a concern
- Car carrier and Ro-Ro more steady
The shipping markets - Offshore

Owners
• Cosco, China
• AP Möller/Maersk, Denmark
• CSG, China
• MOL, Japan
• NYK, Japan

Builders
• ABG
• Keppel
• Aker
• Samsung
• Yangzhou Dayang

Markets
• Oil&Gas production
• Oil&Gas Exploration
Offshore outlook

- Continued investment into offshore platforms
- FPSO and drillship market active
- Ordering boom of supply vessels seems to have eased off
The shipping markets - Special Vessels

Owners
• Chinese Government
• AP Møller, DK
• Indian Government
• SMIT, NL
• Crowley, US

Builders
• Hyundai
• Samsung
• Daewoo
• CSSC
• CSIC

Markets
• Fishing vessels
• Tugs, dredgers
• Ice breakers
• Research vessels
• …

Builder countries  Owner countries  Both
Special vessels outlook

- The least cyclical market
- Port expansions create demand for tugs
- Demand growing for dredgers
Shipyard order books are record high

- China and South Korea dominate
- New building prices on record level
- Material and component costs extreme
- Availability of equipment a concern
## Wärtsilä Ship Power Segment portfolio

<table>
<thead>
<tr>
<th>Segments</th>
<th>2-stroke engines</th>
<th>4-stroke engines</th>
<th>Gensets</th>
<th>Propulsors</th>
<th>Seals &amp; Bearings</th>
<th>Power &amp; Automation</th>
<th>Ship Design</th>
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<tbody>
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<td>Merchant</td>
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# Wärtsilä Ship Power competitive landscape

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<th>Companies</th>
<th>2-stroke engines</th>
<th>4-stroke engines</th>
<th>Gensets</th>
<th>Turbines</th>
<th>Propulsors</th>
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Shipping company earnings have increased dramatically

A weighted average earnings index for all sectors
Newbuilding prices have never been this high

New building Price Indices

- **Index**
- **1990** to **2000**
  - Bulkers
  - Tankers
  - Containers
Long-term market outlook

- Contracting of big merchant ships is expected to slow down
- In the period 2008-13 small ships will form a larger proportion of contracts than large ships and will not suffer the same magnitude of downturn as the larger ships. Contracting of small ships is expected to remain relatively stable
- Investments in offshore are expected to continue
Conclusions

- The strong orderbooks give time to react
- The pressures on emissions and efficiency requires technologies
- Quality services will be in high demand

⇒ we will continue to develop our product offering in terms of new products as well as services to match these new demand patterns