WÄRTSILÄ’S PROFITABILITY AND RESTRUCTURING

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Growth over the cycle 7-8%

Sales growth CAGR = ~7-8%*

* Including acquisitions
Orderbook back to normal

Orderbook at end of year

MEUR

Next Year

Next Year +1 and beyond

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009
Elimination of overcapacity in 2004 set a base EBIT of 8%

Streamlined capacity and increased outsourcing improved our overall long-term profitability

- The following restructuring measures were completed in 2004 and had a significant impact on the profitability in the following years;
  - Closure of the Turku factory in Finland
    - Moving the volumes to Trieste
  - Refocus of the Power Plants business
    - Closure of the Mulhouse plant
      - Production of high-speed engines sold
    - Streamlined offering
    - Outsourced Power Plant engineering

* 2004 according to IFRS, restructuring costs adjusted
Top of the cycle EBIT above 12%

Key elements driving the profitability increase

- Leveraging the market upturn in Ship Power and Power Plants, while managing the supply chain and capacity
- Validated technology for power plants and increased project size
- Service sales increased through engine base growth and broad offering
- Cost efficiency
- Increased flexibility through outsourcing

While…
- R&D spendings increased

Sales in MEUR EBIT %

* 2004 according to IFRS, restructuring costs adjusted
Elements of a more robust business model

- Business mix more stable
  - Offering in all businesses broadened, latest addition Ship Design
  - Services’ share of sales will increase
  - Global presence increased
    - 14 greenfield companies established since 2005 with combined sales of approx. MEUR 80 in 2009
    - Bolt on acquisitions fuel growth
  - Multiple fuel offering (fuel oils, bio-oil, gas, multi-fuel)
- Capacity outsourcing in Industrial Operations will continue
- Moving production towards growth markets

* 2004 according to IFRS, restructuring costs adjusted
Ongoing restructuring measures

Adjust Ship Power organisation
• Impact on all Ship Power personnel in all functions globally
• Reduction of 400-450 jobs
• Expected annual savings of EUR 30 million, with full effect by the end of 2010
• Restructuring costs of EUR 6 million, all recognised in 2009

Reduce manufacturing capacity
• Manufacturing of propellers in Drunen and components in Zwolle, is planned to end
• In Vaasa, the W20-generating set production is planned to end
• Plans to reduce 1,400 jobs globally within the Group during 2010
  – 570 of these in the Netherlands, the rest will mainly impact manufacturing
• Expected annual savings of EUR 80-90 million, with full effect in the first half of 2011
• Restructuring costs of approx. EUR 140 million, including non-cash write-offs of approx. EUR 50 million recognised in 2009
Where we are today

Adjust Ship Power organisation

- 365 people have left/been transferred
- 80% of savings realised
- Targets will be realised, full effect by end 2010

Reduce manufacturing capacity

- Negotiations with Dutch unions initiated
- Provision of 40 MEUR will be made on Group level according to IFRS rules
- Remaining reservations will be taken as local negotiations will start (50 MEUR cash, 10 non-cash)

Adjust support functions

- Support functions will be streamlined for lower volumes
• Maintenance CAPEX has historically been low, and always below depreciation
Working capital development

All figures relate to the Power Businesses.
Services working capital is stable

WCAP % of Net Sales

2003: 30%
2004: 28%
2005: 31%
2006: 31%
2007: 24%
2008: 27%
2009: 25%

MEUR

-500 0 500 1000 1500 2000

Investories
Receivables
Payables

WCAP

MEUR

0 10% 20% 30% 40%

-10% 0% 10% 20% 30% 40%
Prospects for 2010

Driven by

• a significant service business,
• stable demand for power plants, and
• initiated restructuring measures

... we expect

• Net sales to decline by 10 – 20%,
• EBIT (before nonrecurring items) to be between 9 and 10%, and
• Free cash flow to be clearly positive