Wärtsilä Corporation

Corporate presentation 2004
Wärtsilä operates in two markets

Wärtsilä is The Ship Power Supplier for builders, owners and operators of vessels and offshore installations. We are the only company with a global service network to take complete care of customers’ ship machinery at every lifecycle stage.

Wärtsilä is a leading provider of power plants, operation and lifetime care services in decentralized power generation.
Values

Energy
Capture opportunities and make things happen

Excellence
Do things better than anyone else in your industry

Excitement
Foster openness, respect and trust to create excitement
1834
Wärtsilä is established in the municipality of Tohmajärvi.

1898
The sawmill and iron works company is renamed Wärtsilä Ab.

1898
The sawmill and iron works company is renamed Wärtsilä Ab.

1934
Wärtsilä acquires the Onkilahti engineering workshop in Vaasa.

1936
Wärtsilä signs a licence agreement and the first diesel engine sees the light of day in Turku in 1942.

1938
Wärtsilä to be quoted on the London stock exchange.

1942
The company is renamed Oy Wärtsilä Ab.

1978
Acquisition of 51% of the NOHAB diesel business and the remaining shares are acquired in 1984.

1984
Wärtsilä Diesel acquires SACM and Stork Werkspoor B.V. This company is renamed Stork-Wärtsilä Diesel B.V.

1989
Wärtsilä Diesel acquires SACM and Stork Werkspoor B.V. This company is renamed Stork-Wärtsilä Diesel B.V.

1988
A company is set up in India and floated on the Bombay stock exchange.

1990
Wärtsilä will be merged into Lohja Corporation, later renamed Metra Corporation.
1991
Imatra Steel is created when Ovako AB is split up between its owners, Metra and SKF.

1995
Wärtsilä Diesel and Cummins Engine Company Inc. set up a joint venture.

1997
Wärtsilä NSD Corporation is created.

1999
The split-up of the Cummins-Wärtsilä joint venture.

2000
Wärtsilä NSD and John Crane-Lips sign an alliance. Metra group renamed as Wärtsilä Corporation.

2001
Wärtsilä sells its holding in Sanitec. Wärtsilä takes ownership of service company Ciserv AB.

2002
The Ciserv-group expands in Singapore, Denmark and Canada. Wärtsilä acquires John Crane-Lips, which will operate within Wärtsilä under the name Wärtsilä Propulsion.

2003
Wärtsilä and Volvo Penta to cooperate.
### Group key figures 2003

<table>
<thead>
<tr>
<th>MEUR</th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,357.5</td>
<td>2,519.0</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Operational EBITA¹</td>
<td>127.0</td>
<td>100.6</td>
<td>26.2%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>100.0</td>
<td>77.8</td>
<td>28.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>-18.4</td>
<td>188.9</td>
<td></td>
</tr>
<tr>
<td>Result before extraordinary items</td>
<td>-34.4</td>
<td>170.4</td>
<td></td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>-0.66</td>
<td>2.05</td>
<td></td>
</tr>
</tbody>
</table>

¹EBITA is the operating profit before amortization of goodwill on consolidation.

The figures for 2002 include MEUR 111.1 one-time profit on sales of Assa Abloy’s shares.

#### Net sales by business 2003

- **Service**: 38% (34%)
- **Ship Power**: 29% (30%)
- **Power Plants**: 25% (26%)
- **Imatra Steel**: 9% (8%)
Wärtsilä’s worldwide network

Wärtsilä is close to its customers through subsidiaries in roughly 60 countries.
### Power Businesses, net sales 2003

<table>
<thead>
<tr>
<th>MEUR</th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,155.8</td>
<td>2,319.9</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>95.0</td>
<td>74.6</td>
<td></td>
</tr>
<tr>
<td>% of net sales</td>
<td>4.4%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Operating result</td>
<td>-35.0</td>
<td>74.6</td>
<td></td>
</tr>
<tr>
<td>% of net sales</td>
<td>-1.6%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>2,148.7</td>
<td>1,882.8</td>
<td>14.1%</td>
</tr>
<tr>
<td>Order book, end of year</td>
<td>1,245.0</td>
<td>1,206.6</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

1Includes restructuring cost of EUR 130 million.
### Personnel

#### Personnel 2003

- **Power Businesses**: 90%
- **Imatra Steel**: 10%

#### Personnel by market area

- **Europe**: 73%
- **Asia**: 17%
- **Americas**: 8%
- **Other countries**: 2%

#### Personnel in figures 2003

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees on 31 Dec. 2003</td>
<td><strong>12,110</strong></td>
</tr>
<tr>
<td>On average</td>
<td></td>
</tr>
<tr>
<td>Power Businesses</td>
<td><strong>10,976</strong></td>
</tr>
<tr>
<td>Imatra Steel</td>
<td><strong>1,317</strong></td>
</tr>
<tr>
<td>Group</td>
<td><strong>12,293</strong></td>
</tr>
<tr>
<td>Average age of employees</td>
<td><strong>34.4 years</strong></td>
</tr>
<tr>
<td>Total wage and salary costs in 2003</td>
<td><strong>EUR 554.4 million</strong></td>
</tr>
<tr>
<td>Aggregate coverage of profit-sharing and bonus schemes</td>
<td><strong>65%</strong></td>
</tr>
</tbody>
</table>
Main focuses during recent decades

- **1970's**: R&D-oriented
- **1980's**: Demand-driven
- **1990's**: Quality of living
- **2000's**: Sustainable development
- **2010's?**: Virtual products
Continuous investments in R&D secure competitiveness

Market needs
Product development
Research
Innovations

Environment
Life cycle cost
Reliability
Sustainable Development

Sustainable development

Reporting of results
Continuous improvement
Target setting and monitoring
Wärtsilä Operative Excellence System
Values, strategy, policies, corporate manual, directives and instructions

Corporation acts in a sustainable way

Economics
Environment
Social

Values, strategy, policies, corporate manual, directives and instructions

Corporation acts in a sustainable way

Wärtsilä Operative Excellence System

Target setting and monitoring

Continuous improvement

Reporting of results

Sustainable development

Sustainable Development
Wärtsilä is The Ship Power Supplier. Wärtsilä supplies engines, propulsion and control systems for all types of marine vessels and offshore applications.
Ship Power

- Deep Sea Seals and JMT seals and bearings
- CP and FP Propellers
- Efficiency Rudders
- Water jets
- Gears
- Wärtsilä engines
- Generating set
- Transverse thruster
- Controls
- Steerable thruster
Vessel orders

Source: Based on data from Clarkson Research Studies
Note: Cargo vessels > 5,000 dwt

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Global market development

Vessel orders 2000

- Asia: 87%
- Europe: 11%
- Others: 2%

Source: Lloyd's Register-Fairplay, March 2004

Vessel orders 2003

- Asia: 95%
- Europe: 5%
- Others: 0%

Vessel orders 2000 and 2003, Market share of dwt. Vessels > 100gt.

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Market share by yard country

Long-term trends in market shares by yard country

Percent of CGT

Sources: MSR-Consult, Clarkson Research Studies, Lloyd's Register-Fairplay
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Wärtsilä’s marine engine market position

Medium speed main engines
- Wärtsilä: 38% (34%)*
- Total market volume: 3 182 MW * (2 774 MW) *

Low speed main engines
- Wärtsilä: 33% (25%)*
- Total market volume: 13 521 MW * (7 521 MW) *

Auxiliary engines
- Wärtsilä: 8% (11%)*
- Total market volume: 3 431 MW * (2 842 MW) *

Medium speed main engines (includes Diesel Electric), orders June 02 – May, 03.
Note! Diesel engines and gas turbines > 0.5 MW. Figures between brackets indicate last year’s results
* Estimate. Source: Diesel & Gas Turbine Worldwide - issue 11-03.
Wärtsilä and CSSC/CME joining forces

Wärtsilä-CME Zhenjiang Propeller Co., Ltd.
- one of the leading propeller manufacturers in China
- market share 35% in China
- well-known propeller brands Lips and Kaida

CSSC
- The leading shipbuilding group in China
- 14 shipyards

CSSC

CME 45%

Wärtsilä 55%

Wärtsilä-CME Zhenjiang Propeller Co., Ltd.

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For Wärtsilä, licensing brings the company close to its customers.

This is of critical importance as the global hub of shipbuilding is gradually shifting to Asia.

We have granted a license to sell, manufacture and service Sulzer low-speed, 2-stroke diesel engines to fourteen companies.

The license rights are valid for a certain territory.
<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>686.1</td>
<td>772.9</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Order intake</td>
<td>626.4</td>
<td>522.8</td>
<td>19.8%</td>
</tr>
<tr>
<td>Order book at end of the year</td>
<td>606.8</td>
<td>662.6</td>
<td>-8.4%</td>
</tr>
</tbody>
</table>

Power Businesses, net sales 2003 totally EUR 2,155.8 million.

- Ship Power 32%

Every third vessel has Ship Power equipment supplied by Wärtsilä.
Wärtsilä provides service and reconditioning both for ship machinery and power plants. Wärtsilä is expanding its service business by providing innovative services that support its customers’ business, service for several engine brands in key ports, long-term service contacts, predictive and condition-based maintenance, and operations and maintenance contracts.
Developing the service business – major trade routes

Five acquired and two Wärtsilä established CISERV companies since 2001.
A power system is a long-term investment. Wärtsilä’s Total Service strategy, therefore, is to add value to its customers’ business by maximizing the performance, availability and reliability of the power system during its entire lifecycle.

- Condition Based Maintenance
- Reconditioning
The Total Service Supplier

- WLSA – Wärtsilä Land and Sea Academy

- Online services

- Operations & Maintenance
### Service

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales, MEUR</td>
<td>885.5</td>
<td>843.4</td>
<td>5.0%</td>
</tr>
<tr>
<td>Personnel, end of year</td>
<td>5,993</td>
<td>5,644</td>
<td>6.2%</td>
</tr>
<tr>
<td>Long-term service agreements, MW</td>
<td>9,629</td>
<td>9,756</td>
<td>-1.3%</td>
</tr>
<tr>
<td>O&amp;M (operations and maintenance) - agreements, MW</td>
<td>2,289</td>
<td>2,056</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

Power Businesses, net sales 2003 totally EUR 2,155.8 million.

- Service 41%
Wärtsilä is a leading supplier of power plants for decentralized power generation. We offer power plant solutions based on oil, gas and dual-fuel engines.
Wärtsilä’s focus in Power Plants business

Operational perspective

Infrastructure perspective

Base load

Intermediate

Focus markets in Power Plants business

Centralised

Decentralised

Directed

Peaking
Reciprocating engine and gas turbine orders to power plants

Total market: 17,096 MW
(17,243 MW)

- Wärtsilä: 4.8% (8.3%)
- Gas turbines: 32.1% (28.8%)
- Other engine makers: 63.1% (62.9%)

From June 02 to May 03.
Source: Diesel & Gas Turbine Worldwide, Wärtsilä
Figures between brackets indicate last year's results
Unit size: 1-60 MW
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Power Plants, order intake 2003: 1,468 MW (832)

- **Europe**
  - 228 (226)
  - Gas: 117 (170)
  - Oil: 111 (57)

- **Asia**
  - 432 (195)
  - Gas: 360 (161)
  - Oil: 72 (34)

- **Americas**
  - 331 (329)
  - Gas: 228 (226)
  - Oil: 103 (103)

- **Africa and other regions**
  - 476 (81)
  - Gas: 455 (65)
  - Oil: 21 (16)
Decentralised power production

**Baseload power plants**
Wärtsilä offers both stationary and floating baseload power plants with multifuel capability. High efficiency, low emissions and proven long-term reliability have made Wärtsilä the leader in the demanding 1-300 MW market segment.

**Peaking/intermediate power plants**
are designed to run parallel to the transmission grid when demand is at its highest. The power system is modularized in 3–15 MW units, for plants with outputs up to 200 MW.

**Standby power plants**
are designed for fast-track power outputs from 2 MW to 40 MW, marks the latest development in modern distributed power solutions.

**Combined heat and power plants**
The 3–100 MW CHP power plants incorporate both power generation and heat recovery, which raises the total plant efficiency up to 90%.
**Mechanical drives**
Wärtsilä Mechanical drives are based on proven Wärtsilä engines tuned to meet the special needs of gas compression and pumping applications. The engines can run on light fuel oil, heavy fuel oil, crude oil or natural gas. Dual-fuel solutions are also available.

**Biopower**
The BioEnergy or BioPower plants, in the 3–25 MWₜₜ power range, either produce thermal energy for district heating or for drying and other industrial processes, or they can be built as combined heat and power plants.

**Power plant services**
Our power plant services add value to our customers’ businesses at every stage in the lifecycle of their installation.
<table>
<thead>
<tr>
<th>MEUR</th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>577.5</td>
<td>666.0</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Order intake</td>
<td>639.3</td>
<td>427.9</td>
<td>49.4%</td>
</tr>
<tr>
<td>Order intake (MW)</td>
<td>1,468</td>
<td>832</td>
<td>76.4%</td>
</tr>
<tr>
<td>HFO</td>
<td>1,249</td>
<td>539</td>
<td>131.6%</td>
</tr>
<tr>
<td>gas</td>
<td>219</td>
<td>293</td>
<td>-25.2%</td>
</tr>
<tr>
<td>Biopower, MW&lt;sub&gt;th&lt;/sub&gt;</td>
<td>133</td>
<td>107</td>
<td>25.3%</td>
</tr>
<tr>
<td>Order book at the end of the year</td>
<td>357.2</td>
<td>255.2</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Power Businesses’ net sales 2003 totally EUR 2,155.8 million.

- Power Plants 27%
Special Steel and Forged Components

Modernization of the base metallurgical line at the Imatra Steel Works will further enhance product quality, strengthen competitiveness and raise the service capabilities of the Works.

<table>
<thead>
<tr>
<th>Key figures, MEUR</th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>202.7</td>
<td>200.4</td>
<td>1.2%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>5.1</td>
<td>3.2</td>
<td>59.1%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>2.5%</td>
<td>1.6%</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>0.7</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>% of net sales</td>
<td>0.3%</td>
<td>1.6%</td>
<td></td>
</tr>
</tbody>
</table>

Imatra Steel’s net sales by market segment 2003

- Trucks 51%
- Engineering industries 34%
- Cars 15%
Wärtsilä owns 4.7% of Assa Abloy shares.

Holding’s market value EUR 176.7 million (16 March 2004).

Book value in group balance sheet EUR 41.8 million.
Prospects for 2004

Power Divisions

- Demand in traditional passenger ship and RoPax markets picking up
- Record demand in low-speed engine market expected to slow down
- Signs of recovery in power plant market
- Service will grow at last year’s level. Unfavourable exchange rates will intensify pressure on prices.
- Impact of capacity reductions visible in 2005
- Net sales of Power Divisions will increase and operational profitability will slightly improve
- 7-8% operating margin target will be reached by end of 2005.

Imatra Steel

- Demand improves. Net sales will grow. Investments and streamlining measures will improve result.