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.
Highlights of the year 2003

- Ship power systems and service defined as Wärtsilä’s growth area. In power plants business, focus on fewer products.

- Operational profitability improved significantly.

- Manufacturing of propellers and ship engines to be started the growing shipbuilding market in China.

- Overcapacity will be reduced and sensitivity to economic fluctuations decreased by concentrating engine manufacturing, restructuring cost MEUR 130 million.
Engine production capacity MW 1997 - 2004

Current capacity

Power Plants
Ship Power

MW

1997
1998
1999
2000
2001
2002
2003
Indication 2004

Result 2003 / 04SER008
© Wärtsilä

4
Medium speed engine production

[Map showing locations: Vaasa, Mantes, Turku, Mulhouse, Trieste, Trollhättan, Zwolle]
Power divisions’ personnel development 2000 - 2005

Service growth

- Wärtsilä Propulsion is part of the Ship Power business.
Wärtsilä operates in two markets

Ship Power

Service

Power Plants

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

- Ship Power 32%
Global shipyard orders and deliveries

Vessel deliveries

- **Asia**: 52%
- **Europe**: 38%
- **Others**: 10%

Total deliveries: 75 million dwt

Vessel orders

- **Asia**: 94%
- **Europe**: 5%
- **Others**: 1%

Total orders: 76 million dwt

July 2002 – June 2003
Source: Clarkson Research Studies and Lloyd’s Register-Fairplay
Result 2003 / 04SER008
Vessel orders

Source: Based on data from Clarkson Research Studies
Note: Cargo vessels > 5,000 dwt
Result 2003 / 04SER008
© Wärtsilä
Ship Power, net sales by vessel type
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.
Ships using FPPs are mainly built in Asia.

- 80% Asia
- 20% Rest of the world

Source: CSSC and Wärtsilä.
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
<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q4/2003</th>
<th>Q4/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>176.5</td>
<td>268.2</td>
<td>-34.2%</td>
</tr>
<tr>
<td>Order intake</td>
<td>138.7</td>
<td>184.8</td>
<td>-24.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEUR</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>
Wärtsilä operates in two markets

- **Ship Power**
- **Service**
- **Power Plants**

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

- Power Plants 27%

Result 2003 / 04SER008
© Wärtsilä
Wärtsilä’s focus in Power Plants business

Operational perspective

Infrastructure perspective

Base load

Centralised

Intermediate

Decentralised

Peaking

Directed

Focus markets in Power Plants business
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
Result 2003 / 04SER008
© Wärtsilä
Power Plants, order intake 2003: 1,468 MW (832)

Europe
- Gas: 112 (57)
- Diesel: 117 (170)

Asia
- Gas: 360 (161)
- Diesel: 72 (34)

Americas
- Gas: 322 (257)
- Diesel: 9 (73)

Africa and other regions
- Gas: 455 (65)
- Diesel: 21 (16)
## Power Plants

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q4/2003</th>
<th>Q4/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>261.2</td>
<td>165.5</td>
<td>57.8%</td>
</tr>
<tr>
<td>Order intake</td>
<td>134.7</td>
<td>95.7</td>
<td>40.8%</td>
</tr>
<tr>
<td>Order intake (MW)</td>
<td>293</td>
<td>139</td>
<td>110.3%</td>
</tr>
<tr>
<td>HFO</td>
<td>232</td>
<td>92</td>
<td>150.7%</td>
</tr>
<tr>
<td>gas</td>
<td>61</td>
<td>47</td>
<td>30.4%</td>
</tr>
<tr>
<td>Biopower, MW&lt;sub&gt;th&lt;/sub&gt;</td>
<td>5</td>
<td>52</td>
<td>-90.4%</td>
</tr>
</tbody>
</table>

<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>
Wärtsilä operates in two markets

Power Divisions
net sales 2003
totally EUR 2,155.8 million.
- Service 41%

Service

Power Plants

Ship Power
Products & Services

- O&M agreements
- Field service
- Workshops and ship repair
- Technical service
- Training
- Software solutions
- OEM spare parts
- repair and reconditioning
- Ciserv
Wärtsilä’s engine base

Engine base 130 GW

Year
1999 2000 2001 2002 2003

Ship Power
Power Plants

MW
0 20 40 60 80 100 120 140 160 180 200 220 240 260 280 300 320 340 360 380 400 420 440 460 480 500 520 540 560 580 600 620 640 660 680 700 720 740 760 780 800 820 840 860 880 900 920 940 960 980 1000
## Service

<table>
<thead>
<tr>
<th></th>
<th>Q4/2003</th>
<th>Q4/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales, MEUR</td>
<td>232.2</td>
<td>231.0</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td><strong>2002</strong></td>
<td></td>
</tr>
<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</td>
<td>9,629</td>
<td>9,756</td>
<td>-1.3%</td>
</tr>
<tr>
<td>agreements, MW</td>
<td></td>
<td></td>
<td></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>
<tr>
<td>Key figures, MEUR</td>
<td>Q4/2003</td>
<td>Q4/2002</td>
<td>Change</td>
</tr>
<tr>
<td>------------------</td>
<td>---------</td>
<td>---------</td>
<td>--------</td>
</tr>
<tr>
<td>Net sales</td>
<td>51.6</td>
<td>52.5</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2.6</td>
<td>-0.5</td>
<td></td>
</tr>
<tr>
<td>% of net sales</td>
<td>5.1%</td>
<td>-1.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</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 7.6% of Assa Abloy shares.


Book value in group balance sheet EUR 67.4 million.
<table>
<thead>
<tr>
<th></th>
<th>Q4/2003</th>
<th>Q4/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>671.0</td>
<td>674.1</td>
<td>-0.5%</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>-84.2 (^1)</td>
<td>24.5</td>
<td></td>
</tr>
<tr>
<td>% of net sales</td>
<td>-12.6%</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Order intake</strong></td>
<td>490.6</td>
<td>529.0</td>
<td>-7.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>2,155.8</td>
<td>2,319.9</td>
<td>-7.1%</td>
</tr>
<tr>
<td><strong>Operational EBIT</strong></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><strong>Operating result</strong></td>
<td>-35.0 (^1)</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><strong>Order intake</strong></td>
<td>2,148.7</td>
<td>1,882.8</td>
<td>14.1%</td>
</tr>
<tr>
<td><strong>Order book, end of year</strong></td>
<td>1,245.0</td>
<td>1,206.6</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

\(^1\) Includes restructuring cost of eur 130 million.
Power Divisions’ profitability target 7-8%

Service growth
Power Plants division restructuring
Production centralisation

MEUR

0 25 50 75 100 125 150 175

2002 2003 2004 2005 2006

3.2% 4.4%
Wärtsilä Corporation, key figures

<table>
<thead>
<tr>
<th></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</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.
## Cash Flow

<table>
<thead>
<tr>
<th>MEUR</th>
<th>2003</th>
<th>2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>192.1</td>
<td>55.4</td>
<td>246.8%</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-22.2</td>
<td>-286.5</td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-205.8</td>
<td>232.3</td>
<td>-188.6%</td>
</tr>
<tr>
<td>Liquid funds at the end of period</td>
<td>150.0</td>
<td>185.8</td>
<td>-19.3%</td>
</tr>
</tbody>
</table>
Earnings per share and dividend

- Operational EPS
- Non-operational EPS
- Normal dividend
- Extra dividend

* Board’s proposal

Result 2003 / 04SER008
© Wärtsilä
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.