

20.11.2007

WÄRTSILÄ CAPITAL MARKETS DAY

Services, the growth engine

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Topics of this presentation

Wärtsilä Services grows steadily and brings stability to cyclical businesses. How does it work?

- ⊙ Is there a cyclicality in service business?
How does Wärtsilä Services sustain growth over time?
- ⊙ During an upturn is it common to service more, or less?
- ⊙ How much service does older equipment need?
- ⊙ Market potential and market share for Wärtsilä services?
- ⊙ What is Wärtsilä's competitive advantage?



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**Is there a cyclicity in service business?
How does Wärtsilä Services sustain growth
over time?**

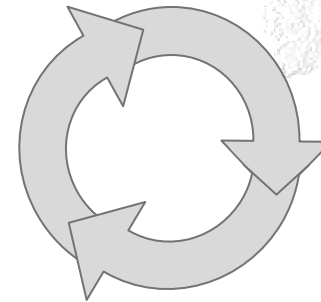


Market demand for our services in different segments

- Peaks and lows are often regional or within a segment. They can be caused by a global market economy incident, but always only for a limited period of time or a defined segment.
 - e.g. 9/11 slowed down the cruise industry business for some months only
 - fuel price rise also has low influence as it impacts MGO, MDO and HFO.
- Concerning Operation & Management services, lower electricity purchase price can reduce work load on engine for Independent Power Producers (IPP), hence reduce variable revenues of O&M contract, but it is often limited to 1 country out of the 70 where we are.

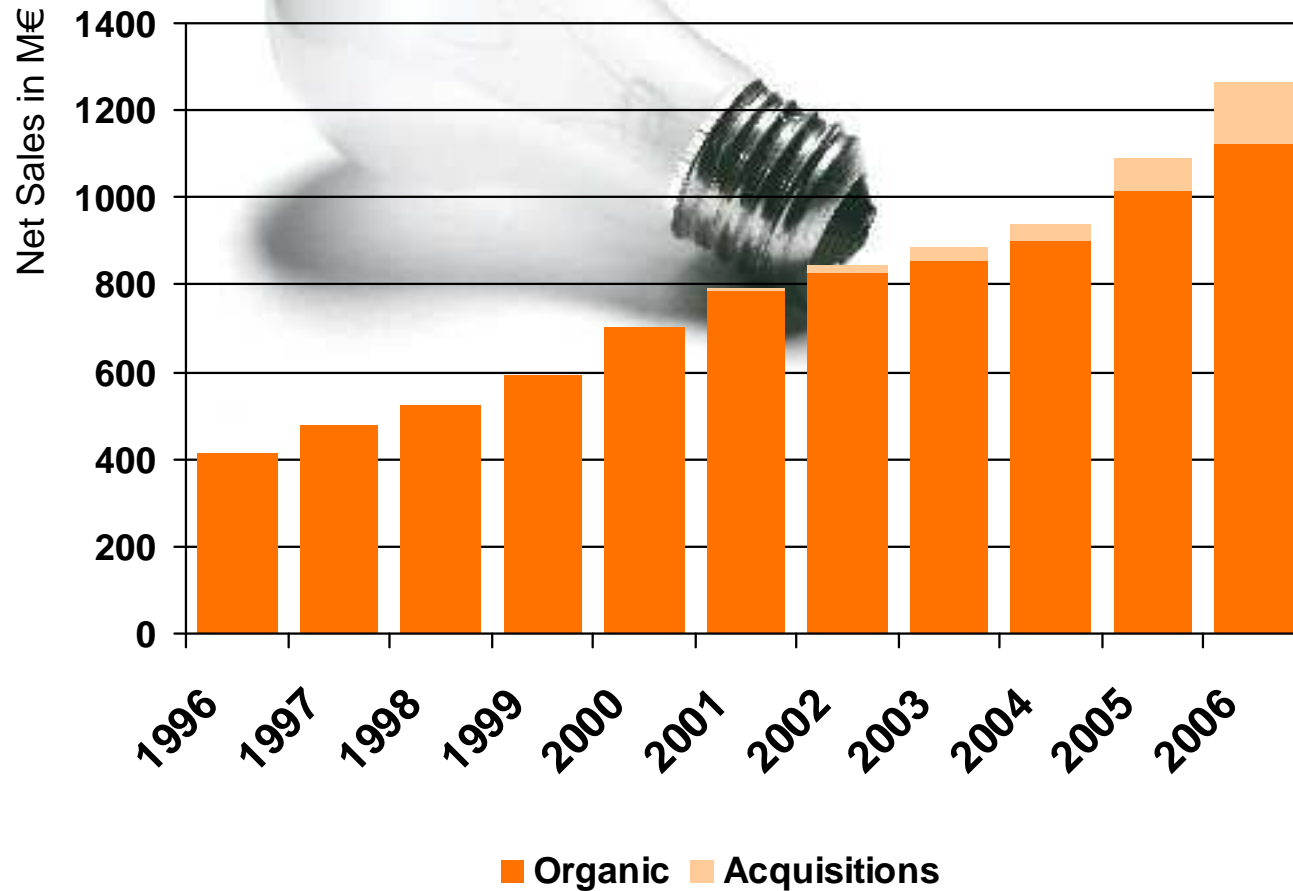
There is only limited cyclicity
in service business.

It can be seen from our net sales history.



Wärtsilä Services Net Sales Development

Innovation is a core factor for growth.



Acquisitions & Joint Ventures

2002

- JMC Marine A/S
Denmark
- CGL Industries Ltd
Canada
- Metalock Singapore Ltd
Singapore

2004

- Decam B.V.
Netherlands
- Elco Systems B.V.
Netherlands

2006

- Stockholms fartygparationer AB
Sweden
- INTEC Injectortechnik GmbH
Germany
- Wärtsilä BLRT Services
Klaipeda UAB (JV)
Lithuania
- Total Automation Ltd
Singapore

2003

- Caltax Marine Diesel BV
Netherlands

2001

- Ciserv AB
Sweden

2005

- Gerhardt Holding Co.
USA
- DEUTZ AG.
Germany
- Wärtsilä BLRT Baltica (JV)
Estonia

2007

- Marine Propeller Ltd
South Africa
- Senitec AB
Sweden
- McCall Propeller Ltd
United Kingdom
- Electrical Power
Engineering Ltd
United Kingdom

Service growth steadily between 10% and 15%



Wärtsilä Services maintain its leading position and further growth by:

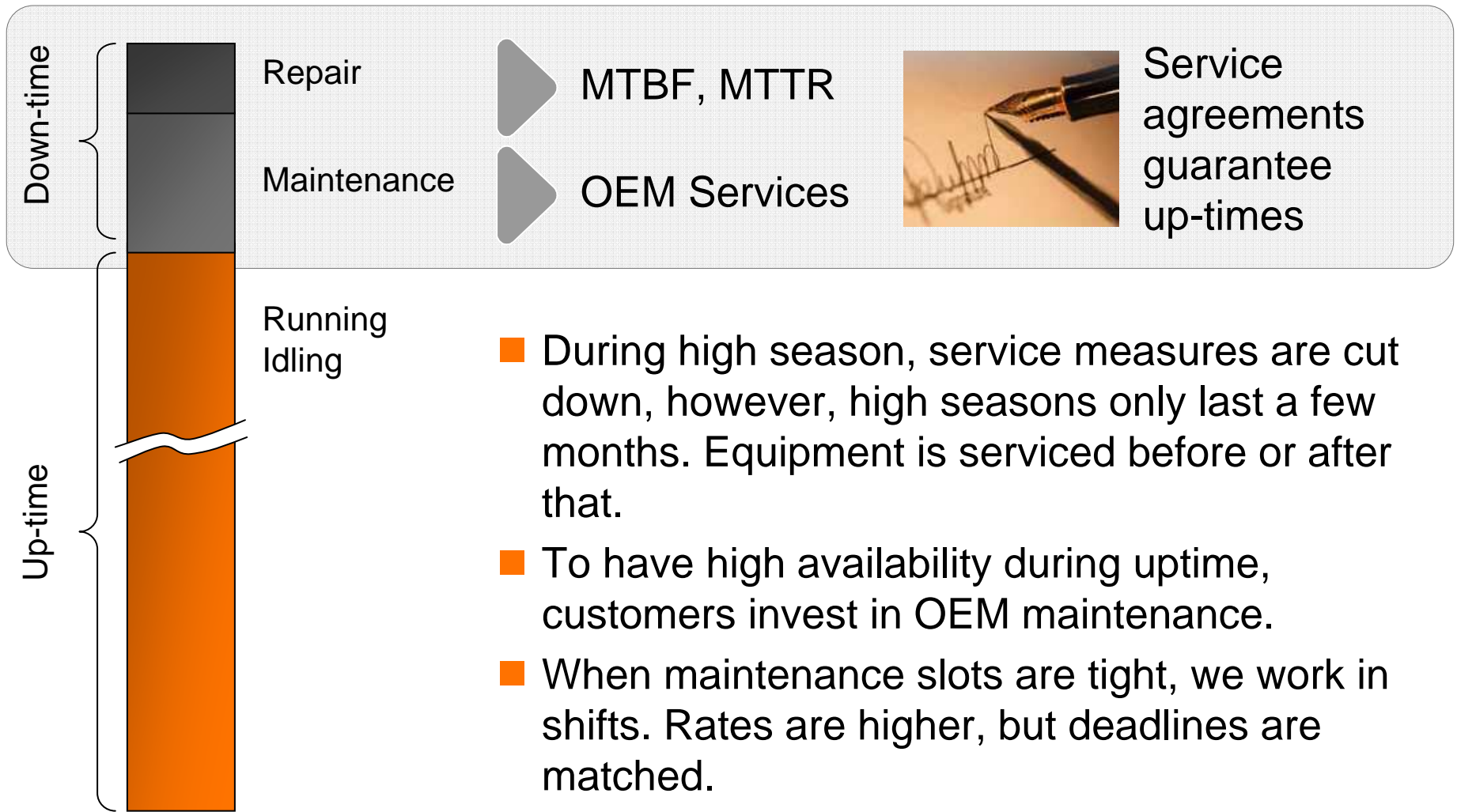
- Developing the service scope and the customer base through strategic **acquisitions** and continuous **innovation**
- Expanding within the **installed base** and moving into **new markets** outside the traditional marine and power segments



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**During an upturn is it common to
service more or less?**

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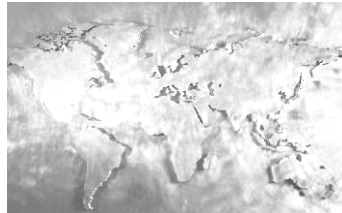


- During high season, service measures are cut down, however, high seasons only last a few months. Equipment is serviced before or after that.
- To have high availability during uptime, customers invest in OEM maintenance.
- When maintenance slots are tight, we work in shifts. Rates are higher, but deadlines are matched.

During upturn is it more common to service more or less?

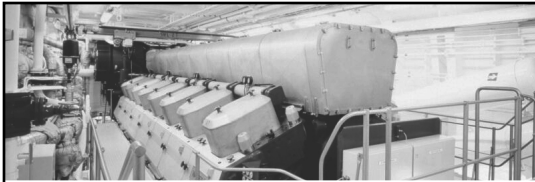
To maintain high availability, Wärtsilä Services has developed a large portfolio of support services:

- Condition Based Maintenance (CBM),
- Support with visits on board,
- Training and competence development programs,
- Service agreements...



In case of emergency, our field service can be mobilized in record time and Wärtsilä spare part centres have increased availability of parts to face such demands.

Condition Based Operations & Maintenance



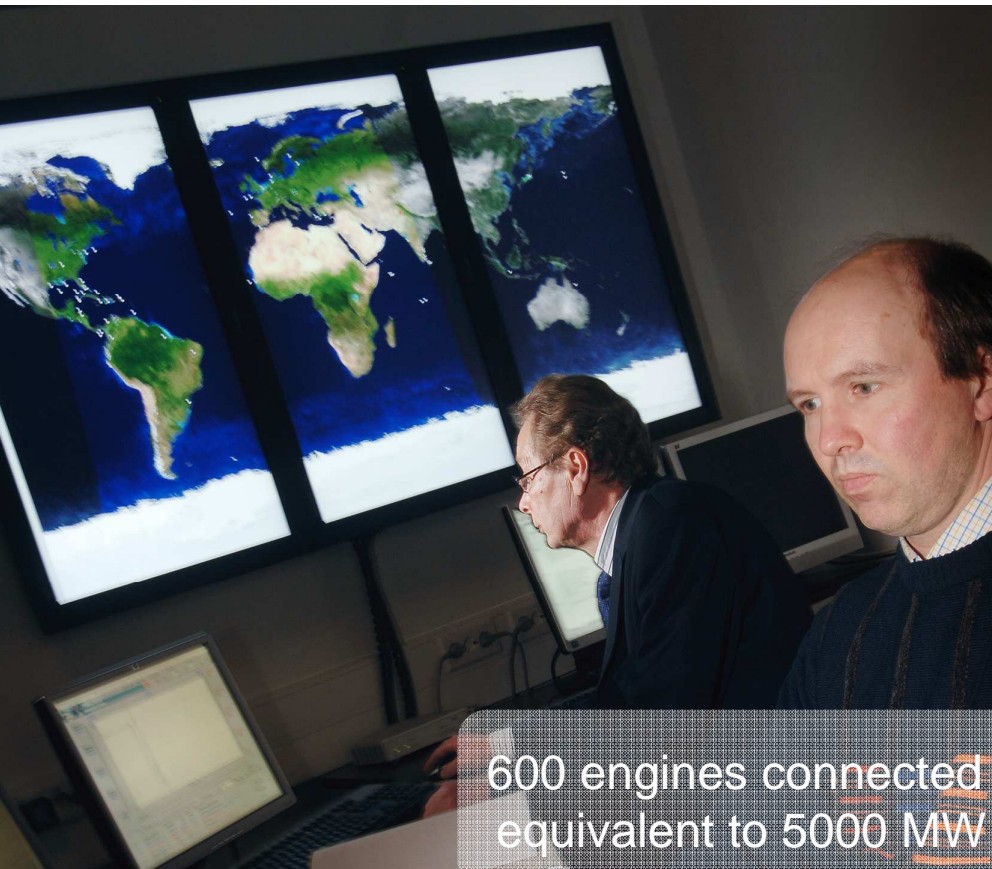
Measuring the important equipment parameters



Data transfer & Communications



Monitoring, Analysis and feed-back



80%
of critical cases

identified

7 to 30 days

90%
of required maintenance

predicted

1 to 4 month

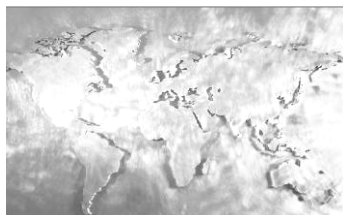
in advance

The Best Services in the Industry

WÄRTSILÄ Operations & Management



Inventory management
Condition-based maintenance
Remote monitoring
Regular technical visits
Exclusive training plan
Wärtsilä personnel for major OH



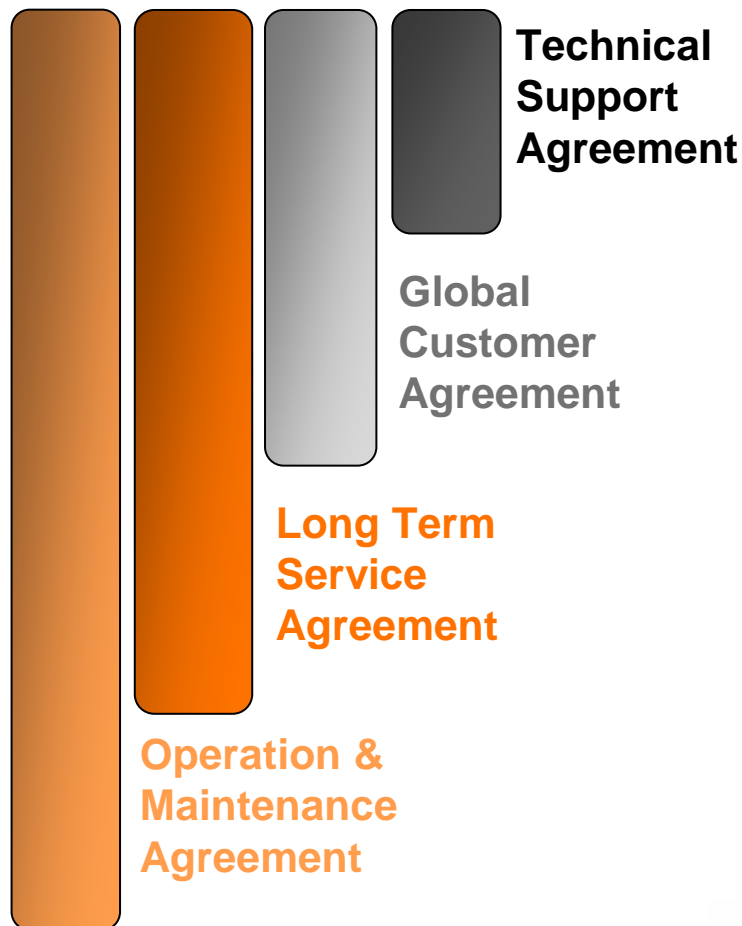
Technical Support Agreement +
Covers several vessels
along their trade routes
Fixed agreed fee
and performance targets



Global Customer Agreement +
On-board Wärtsilä crew
Safety stock onboard
Minimum downtime
with exchange part policy
Monthly reporting



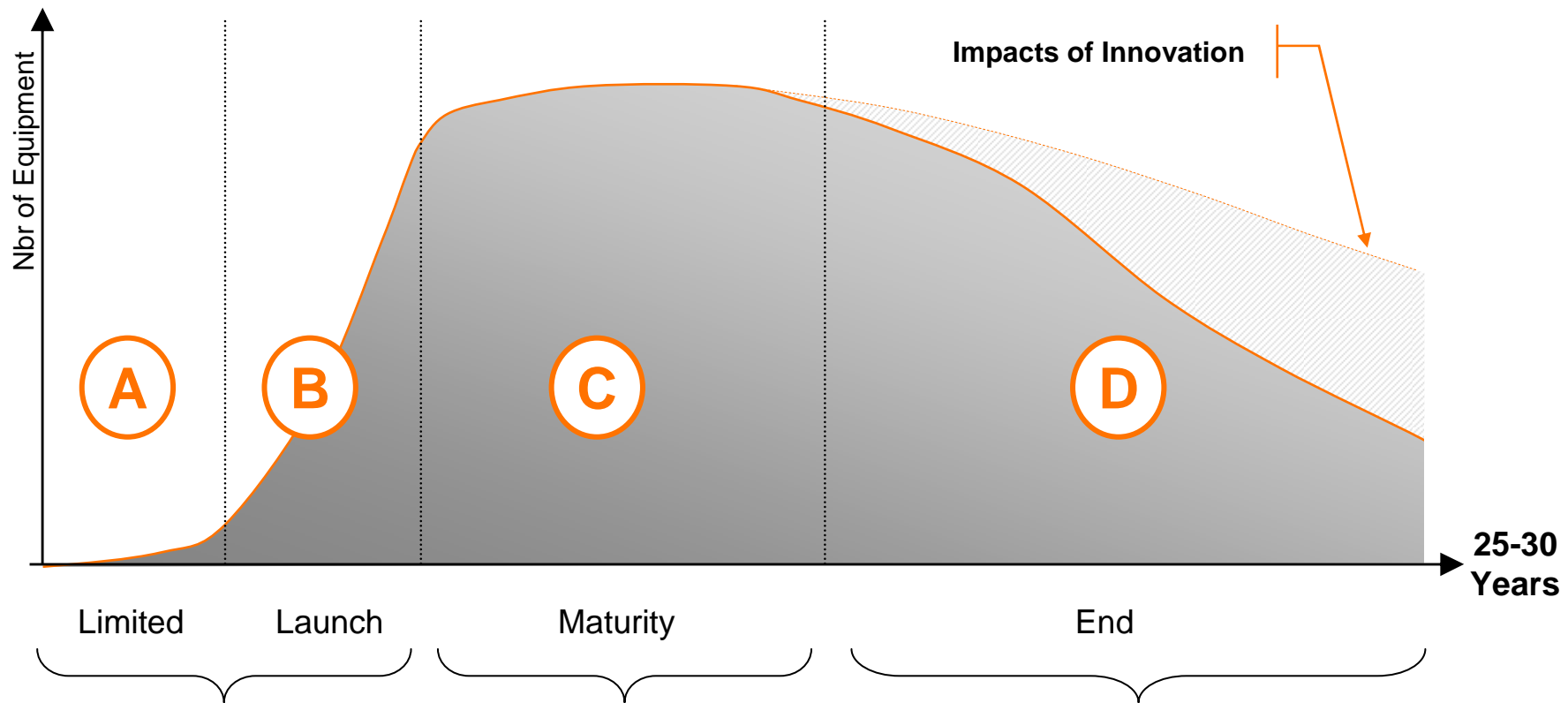
Long Term Agreement +
Wärtsilä personnel
for operation & installation
Management
Performance guarantee
Monthly business report



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**How much service does older
equipment need?**

Typical customer needs versus Product Lifecycle



- High technical support
- Customer Assistance
- New product training
- Monitoring
- Commissioning

- World class logistic
- Service agreement
- CBM
- Performance optimizer packages

- Specific assortment
- Upgrading packages
- Environmental solutions
- Safety solutions
- Fuel conversions

How much service does older equipment need?

There are about 60'000 vessel in shipping industry, all of them with engines, auxiliary equipment, control and automation, propellers.



Environmental and Safety Regulations have greatly increased pressure on ship owners. Most of them are not only applicable to new buildings, but also to existing installations.

Today's knowledge and way of designing equipment is much more advanced compared to 5-10 years ago. Efficiency, Safety and Performance have improved by providing newest technology to mid-life equipment.



That is why lifecycle support is an important driver for growth

Wärtsilä Services offer a large range of solutions

Basic Services



- Parts
- Field Services
- Technical Support
- Workshop Services
- Tools
- ...

Management Support



- Service Agreements
- Operation & Maintenance
- CBM
- Custom Projects
- ...

Performance Optimizers



- Upgrades
- Conversions
- Safety Solutions
- Monitoring Solutions
- ...

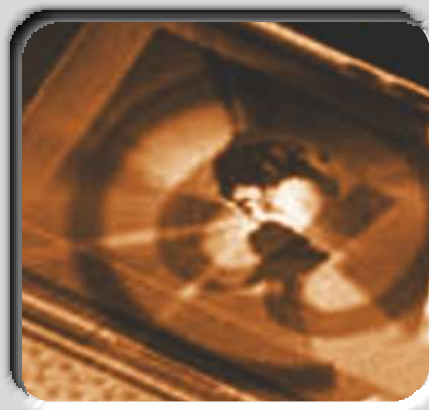
Wärtsilä Services offer a large range of solutions

Environment Solutions



- Emission Control System for SO_x, NO_x, Smoke
- Emission measurement
- Certification Support IEAPP documentation
- Oily water separation
- ...

Online Services



- Interactive Electronic Technical Manuals
ELDOC, Bulletin Online, MAMA, FAKS
- e-Services
*Spares Online, Report Online
Human Capital Development & Management System*
- e-Learning
Live e-Learning, Self-paced e-Learning



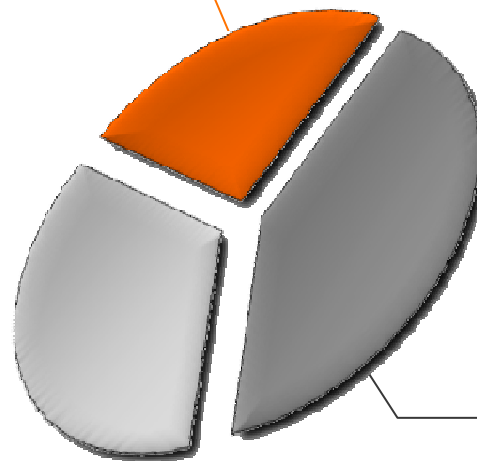
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**Market potential and market share
for Wärtsilä Services?**

Service business for a customer depends on:

Customer dependent

- Engine load
- Fuel quality
- Maintenance team
- Operation procedure
- Installation workload
- Operators' skills



Market dependent

- Fuel Price
- Market dynamics
- Customer's competitors
- Macro economy & risks

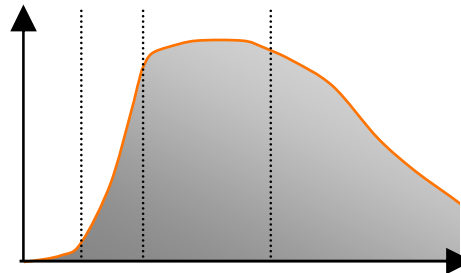
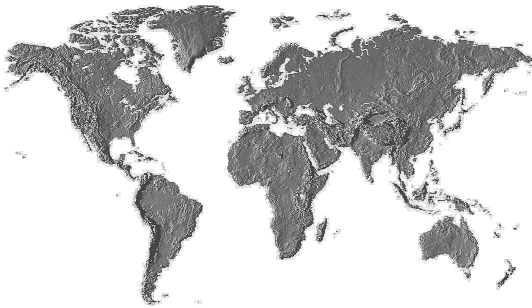
Wärtsilä dependent

- Expertise
- Availability
- Reactivity
- Adequate solution
- Price & ROI
- Guarantee
- Customer care
- Customer satisfaction

Market shares for Services?

- 30'000 equipment in marine market
- 4'000 engines in land markets
- Equipment in different stages in their lifecycle
- Markets in >70 countries
- Markets in >12 industries
- Customer & market dependent parameters
- Other local service company activities

too
many variables
makes
estimation of market
share irrelevant



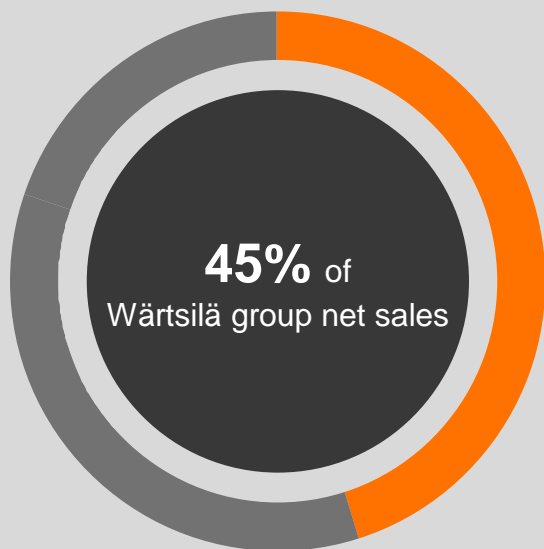
Merchant
Offshore
Cruise & Ferry
Navy
Special Vessels
Nuclear
Railways

Flexible baseload
Industrial self-generation
Grid stability & Peaking
Oil & Gas Industrial
Military
Hydropower
...

We follow net sales development and organic growth as an indicator of customer satisfaction and incremental business

Services Jan-Sept 2007 in short

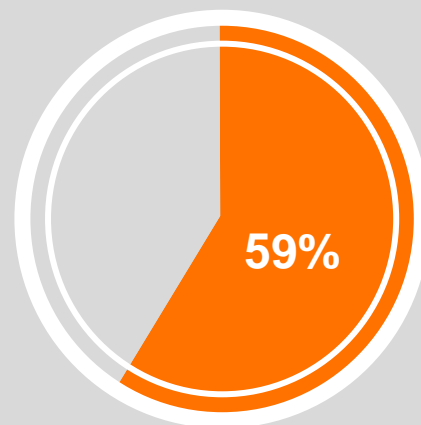
Net
Sales



Net Sales [MEUR]	1-9/2007	1-6/2006	Change
Services	1.119	916	22,2%
Wärtsilä group	2.491	2.204	13,0%

Personnel	1-9/2007	1-6/2006	Change
Services	9.288	8.387	10,7%
Wärtsilä group	15.811	13.986	13,0%

personnel

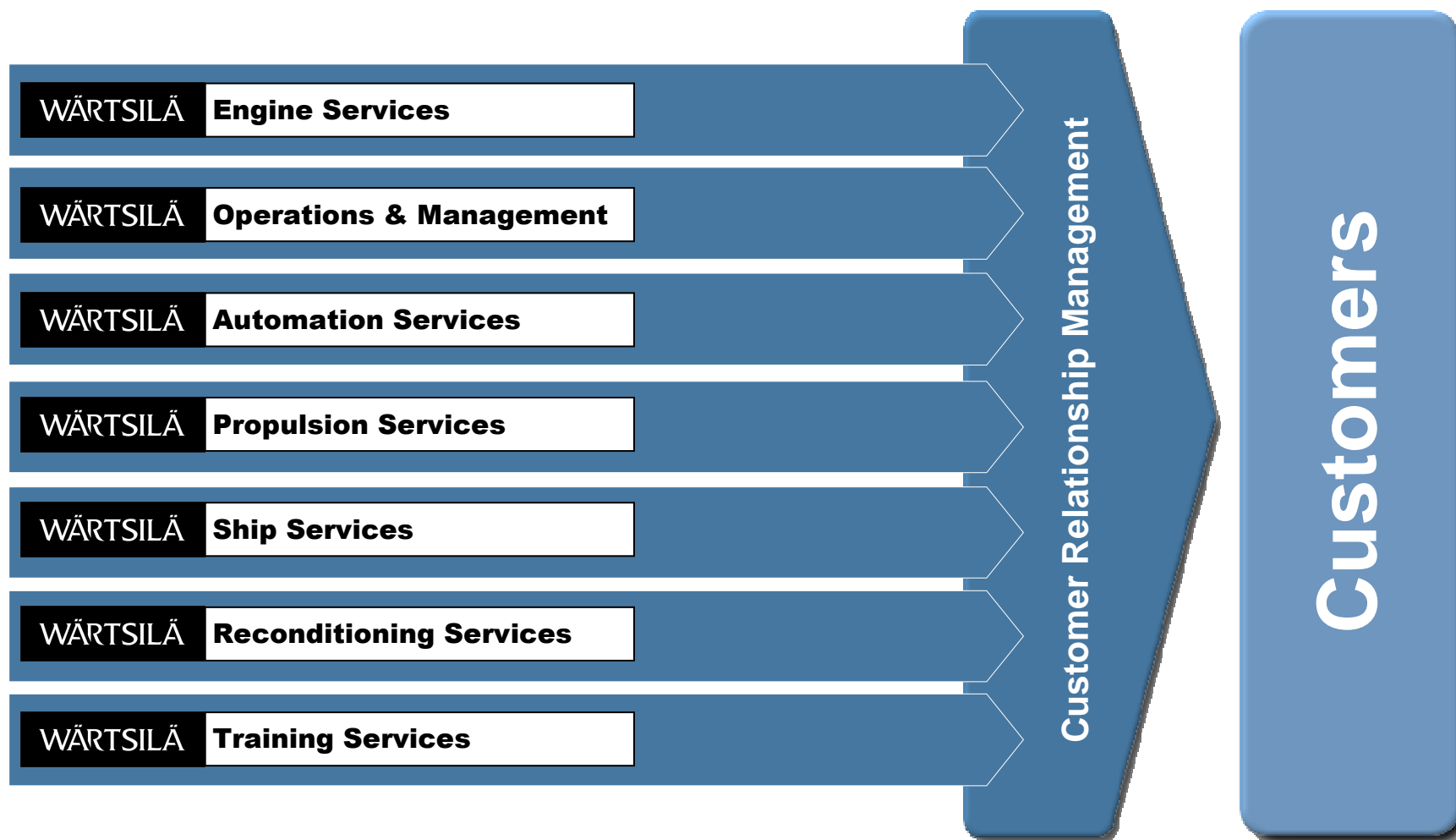




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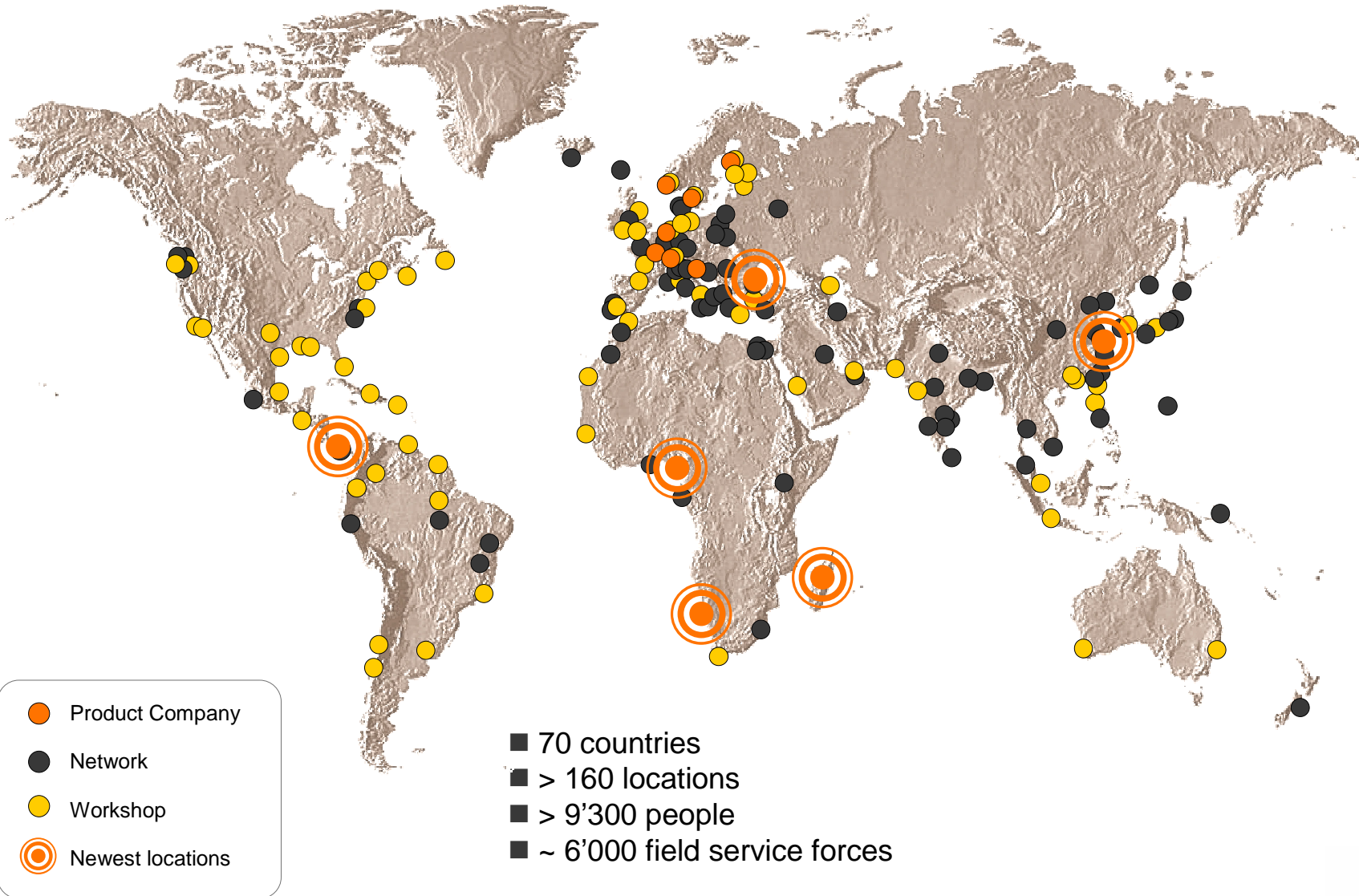
What is Wärtsilä's competitive advantage?

Multiple expertise to serve customer's needs



Wäartsilä Services becomes the most valued business partner by understanding customer needs and through **its experience in assembling the appropriate expertise, products and services** to address these needs.

Continuously expanding the own network



Innovation, a state of mind in Wärtsilä

Secondary Technologies

- SCR
- Scrubbers
- Oily Water Separation
- Low Loss Concept
- ...

Primary Technologies

- Common Rail
- Direct Water Injection
- Propeller design
- Thruster design
- ...



Ship Design

- Hull optimization
- Podded Contra Rotating Propeller
- Double Acting Pusher Puller Barge
- Conceptual Design

Fuel & Gas

- Dual Fuel engine
- Bio fuel engine
- Gas Engines
- Conversions
- ...

Efficiency & Innovations

- Fuel Cell
- Oil lubricating stern tube bearings
- Pulse lubrication System
- Combo module
- Training concepts
- Reconditioning & Repair techniques
- ...



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