WÄRTSILÄ 2010 AND BEYOND

OLE JOHANSSON, PRESIDENT & CEO
The foundation of Wärtsilä’s competitive edge lies in its continuous focus on innovation and R&D and its aim is to be the technology leader in its industries. Wärtsilä’s ability to focus on long-term business drivers, its strong financial base, and agility in adapting to changing market conditions puts the company in a strong position to pursue its strategy.
Current global markets

Marine
Shipbuilding will further concentrate in Asia

Power Plants
Average net sales by region 2007-2009

- Asia & Australia 6%
- Americas 27%
- Africa 22%
- Middle East 17%
- Europe 28%
Ship Power market - vessel order development

Source data: Clarkson Research Services
Ship Power demand drivers

The one certainty:
Our world needs shipping
• Shipping is the enabler of globalisation
• Shipping is the most efficient way of transporting goods and is working to become more efficient

Drivers for growth in shipping:
• Population growth means increased need for energy, commodities, food and water → increased need for transportation
• Decoupling of emerging economies
  – Strong GDP growth
  – Increased living standards
  – Infrastructure development
  – Further industrialisation
• Environment
Ship Power demand drivers

Key requirements for new ships

• From optimised ships to optimising fleet → and allowing ship owners to grow their business
• Minimised operating and voyage costs
• Efficiency: no trade off between environment and economy
• Reliability
• Safety
• Flexibility for load conditions, speed, fuel, navigation
Power Plants demand drivers

• **Long term increase in electricity demand – need for ENERGY**
  – Electricity demand is increasing faster than primary energy demand
  – Growth in emerging countries - industrialisation
  – Consumer electronics – entertainment, air conditioning etc.
  – Electric vehicles - better overall efficiency, saves primary energy
  – Heat pumps - better overall efficiency, saves primary energy

• **Changes in generation mix as well as consumer behaviour lead to bigger variations in power - need for CAPACITY**
  – Wind and Solar are uncontrollable and largely unpredictable and require significant regulating capacity to support their operation
  – Nuclear and biomass are baseload capacity and cannot be used in capacity management
Power Plants demand drivers

• **Tightening environmental regulations – especially in western countries**
  – Greenhouse gas emissions are in focus, and this favors carbon neutral, low carbon intensity generation (natural gas) and high efficiency generation
  – Local emission requirements lead to further use of secondary cleaning equipment (ECOTECH)

• **Energy security**
  – Domestic fuels receive priority in energy decisions
  – Favors wider fuel mix and renewable generation
  – Independence from oil
Net sales development
Services share of net sales

CAGR = 20%

Services share of net sales

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Wärtsilä’s installed engine base

Installed base CAGR = 2%

Services CAGR = 14%

MW

2005 2006 2007 2008 2009

Power Plants

Ship Power

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Services product lines

- Engine Services
- Electrical & Automation
- Propulsion Services
- Boiler Services
- Environmental Services
- Operations & Management
- Training Services

Customers
Offering adapted to customer’s needs

We have experience in assembling the appropriate products and services in customised solutions.

Basic Products and Services
- Spare Parts
- Field Services
- Technical Services

Packages
- Service Products
- Standard Packages

Solutions & Agreements
- Advanced Packages
- Project & Contracting
- Service Agreements

Partnerships & Integrations
- ‘Trend setter’
- Integration into customers’ value chain
Drivers of Wärtsilä R&D

Customer focus = our focus

ENERGY EFFICIENCY  ULTRA LOW EMISSIONS  RELIABILITY  LIFE CYCLE COST

MEUR

2005  2006  2007  2008  2009

R&D expenses  % of net sales

10 CAPITAL MARKETS DAY Finland

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Main differentiators

- Environmental compatibility
- Lower product cost
- Lower total cost of ownership
- Technology leadership
- Energy efficient solutions
- Fuel flexibility
- Improved reliability
- Modular design
- Solutions integration
- Faster product development
- Shorter time to profit

Diesel engines
GAS/DF engines

World Bank Group, new limits
More competitiveness in large gas plants
- 20V34SG with higher output was introduced in 2009
- 18V50SG, new pure gas engine for large gas plants coming to market introduction in 2010
- Optimised large gas power plant solutions both for simple cycle and combined cycle applications
- Grid stability optimisation – further operational flexibility

Fuel flexibility development
- Continued development on HFO and Natural gas products (conversions, lifecycle cost optimisation for multi fuel plants)
- Continue the development of liquid biofuels – vegetable oils and food industry process byproducts
- R&D for the use of solid biomass through gasification process
Decreasing market demand required restructuring
Task to reduce the capacity but still maintain the possibility to go up to 5000 MW if needed
Flexibility of production required for remaining factories

*) As part of Wärtsilä-Cummins JV
From strategy to practise - Examples 1

Vaasa - 500+ project

Trieste – 3000+ project

Shanghai
From strategy to practice - Examples 2

From cell assembly

MW delivered by Wärtsilä

To line assembly

0 1000 2000 3000 4000 5000 6000 7000 8000

2004 2005 2006 2007 2008 2009

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Global presence and broad offering support future growth

Net sales by business

- Ship Power: 34% (33)
- Power Plants: 31% (27)
- Services: 35% (40)

Net sales by geography

- Europe: 31% (37)
- Asia: 37% (39)
- Americas: 22% (15)
- Other: 9% (9)