WÄRTSILÄ’S STRONG FINANCIAL POSITION

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Executive Vice President, CFO
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Growth over the cycle – fulfills targeted levels

* Including acquisitions.

Note: World nominal GDP growth 2003–2011 averages 8.2% USD denominated (source: IMF)
Net sales – emphasis on high growth areas

Net sales by market area 2011 (MEUR):

- Europe: 1,249 (30%)
- Asia: 520 (12%)
- The Americas: 845 (20%)
- Others: 594 (38%)

Forecasted GDP growth 2012:
- Global: 2.4%
- Euro Area: 2.8%
- UK: 0.2%
- Emerging Europe: 2.0%
- Latin America: 3.7%
- US: 4.2%
- Emerging Asia: 6.9%
- Japan: 2.0%
- Africa and Middle East: 2.8%

Forecasted GDP growth 2013:
- Global: 3.0%
- Euro Area: 3.7%
- UK: 1.0%
- Emerging Europe: 3.7%
- Latin America: 4.4%
- US: 7.3%
- Emerging Asia: 7.3%
- Japan: 1.4%
- Africa and Middle East: 5.1%

Notes: Estimates by Citigroup Global Markets (22 February 2012)

Europe accounted for some 30% of Wärtsilä 2011 sales, while the rest of the world accounted for more than 70% of the sales, offering diversification from the weak European economy.
Net sales by currency – small impact on profitability

Net sales by currency 2011:

- **EUR**: 68%
- **USD**: 18%
- **NOK**: 2%
- **Other currencies**: 2%

Sensitivity analysis

Impact of EUR exchange rate compared to other currencies 2012:

- +/- 10% (compared to Feb 2012) would result in +/- 4% change in net sales
- Impact on profitability would be marginal
Operating costs by currency – diversification shows

Operating costs by currency 2011:

- EUR: 61%
- USD: 28%
- NOK: 6%
- Other currencies: 5%

Graph showing the percentage distribution of operating costs by currency from 2007 to 2011.
Joint venture performance – supporting strategy

Growing sales

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<th>Year</th>
<th>Sales in JVs</th>
<th>Sales in WCME</th>
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<td>2009</td>
<td>100</td>
<td></td>
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<tr>
<td>2010</td>
<td>150 (+18%)</td>
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<td>2011</td>
<td>200 (+23%)</td>
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Strategic target

- Gain market share in the main growth markets
- Team up with the leading local players
- Establish manufacturing capacity within the main markets

Outcome

- Market shares developed favourably
- Growth exceeds the global average
- Profitability supports overall Wärtsilä targets

JOINT VENTURES:

- **WQDC**: Wärtsilä Qiyao Diesel Co. Ltd., ownership 50%
- **WHEC**: Wärtsilä-Hyundai Engine Company Ltd., ownership 50%
- **QMD**: Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd, ownership 34%
- **WTEC**: Wärtsilä-Transmasholding Diesel Engine Company, ownership 50%
- **WCME**: Wärtsilä CME Zhenjiang Propeller Co. Ltd, ownership 55%

  100% consolidation in Wärtsilä P&L, minority 45% deducted as minority interest

  - W20 auxiliary engines
  - W50DF gas engines
  - 2-stroke engines
  - Locomotive engines
  - FPP/CPP propellers
Uncertainty in the financial markets has an impact on investments

- Projects may be delayed because of increased level of scrutiny by financiers
- Some weaker projects may not proceed at all
- Financially solid projects can always attract financing

Wärtsilä has a strong track record, which mitigates the risks for financiers

- Turnkey delivery, short delivery and construction time
- Long-term Operations & Maintenance (O&M) contracts reduce operational risks and support project returns
- Our customer finance team arranges third-party financing for projects, offers IPP development support and provides carbon finance consulting

Financially solid projects can always attract financing and Wärtsilä supports customers in sourcing funding for their projects
Export Credit Agency (ECA) transaction with a 12-year Finnvera guarantee and financing for a combined cycle floating power barge project

Key details of project:

- **Location:** Santo Domingo, Dominican Republic
- **Equipment:** 6x18V50DF Dual-fuel engines
- **Fuel:** Natural gas (HFO as backup)
- **Size:** 108 MW
- **Customer:** Seaboard Corporation
- **Export loan amount:** USD114m
- **Export guarantee and funding:** Finnvera
- **Lender:** Standard Chartered Bank
- **Tenor:** 12 years from commissioning
- **Financial close:** September 2010
- **Commercial operations date:** Q1 2012

Wärtsilä’s offering:
- Engineering, Procurement, Construction (EPC)
- Arranging Export Guarantee and funding

The importance of guarantees and funding by Export Credit Agencies has increased as a result of the uncertainty in the financial markets
Impact of purchase price allocations on profitability

- Net Sales
- EBITA %
  (bef. depreciation of PPA)
- EBITDA %
- EBIT %
- EBITA %
  (bef. all intang. depreciation)
Working capital – volatile but under control

% of 12 month cumulative sales

MEUR

0% 3% 6% 9% 12%

0 100 200 300 400 500 600 700 800

Q4/2005 Q1 Q2 Q3 Q4 2006 2007 2008 2009 2010 2011 Q1 Q2 Q3 Q4

212 268 310 176 164 175 100 102 123 107 102 267 354 591 511 482 332 314 232 170 142 116 276 285
Services working capital – favourable trend continues

- Working capital
- Total inventories
- Receivables
- Payables
- Working capital / Net sales


MEUR

2005: 344
2006: 393
2007: 369
2008: 493
2009: 462
2010: 311
2011: 367

Percentage:
- 2005: 31%
- 2006: 31%
- 2007: 24%
- 2008: 27%
- 2009: 25%
- 2010: 17%
- 2011: 20%
Cash flow from operating activities: including changes in working capital, financial items, and taxes
Maintenance CAPEX has historically been low, and below depreciation
Wärtsilä has a solid financial standing and the availability of funding has remained good throughout the recent years of uncertainty in the financial markets.
Acquisition of Hamworthy enhances growth

Transaction closed
- Acquisition closed on Jan 31st
- Hamworthy will be consolidated into Wärtsilä FY12 numbers from February

Price paid and indicative PPA
- Total consideration is GBP 381m (EUR 455m), while net price of GBP 326m (EUR 399m) due to Hamworthy’s cash balance at closing
- The Purchase Price Allocation (PPA) is currently under evaluation, with initial results indicating:
  - identified intangible assets have a value of EUR 110-130m and will be recognised on the balance sheet as technologies, customer relationships and trademarks
    - annual intangibles amortisation during first two years would be in the range of EUR 16-18m
  - the transaction would create goodwill of EUR 280-300m
- The negative impact of the PPA will be diluted in the coming years

Current performance
- Hamworthy’s performance for its financial year ending March 2012 is currently expected to exceed the latest analyst consensus (end October 2011), which indicated sales of EUR 280m and operating result of 8%
Sales guidance for 2012 – growth expected

Sales, EUR millions

- 200+
- 250-300
- 1850
- 600
- 2900

Expected Ship Power and Power Plants order intake within 2012 for 2012 delivery

Expected Hamworthy sales for 2012 (11 months)

Services’ sales for 2012, assuming flat sales of which Services’ order book for 2012


The Hamworthy acquisition enhances 2012 EBITA, EBIT and EPS

Group profitability (EBIT%) is impacted by the PPA depreciation and will be 10-11%

Quarterly sales and EBIT have traditionally been volatile, first quarter expected to be weakest and last quarter strongest
Financial strength and solid outlook for growth

- Resilient profitability
- Unleveraged balance sheet
- Good cash flow
- W Cap under control
- Financing secured
- Solid outlook for 2012
- Growth agenda has substance