Q2/11 Highlights

• Net sales EUR 1,036 million, -8%
• Order intake EUR 1,170 million, +5%
• Book-to-bill increased to 1.13 (0.99)
• Operating result EUR 117 million, 11.3% of net sales
• Cash flow from operating activities EUR -49 million
• EPS EUR 0.39 (0.43)

Operating result and EPS are shown excluding nonrecurring items. EPS figures have been calculated based on the new amount of shares.
Net sales by business 1-6/2011

- Ship Power: 24% (27)
- Power Plants: 34% (31)
- Services: 42% (42)
Our offering covers all key shipping segments

- Merchant
- Offshore
- Cruise and Ferry
- Navy
- Special Vessels
Dual-fuel engine orders for LNG carries are booked as the joint venture Wärtsilä Hyundai Engine Company Ltd’s order intake. Numbers in brackets are from Q1/2011
Ship Power market
Contracting activity

All vessels
Merchant
Cruise and Ferry
Special vessels
Offshore

3 months moving average in DWT

# of vessels

Million DWT

Source: Clarkson Research Services Limited
Ship Power strategy

- **Seek further growth** through offering lifecycle solutions for ship owners and operators
- **Be the leading system integrator** in the ship building industry with further enhancement in our offering and capabilities
- **Complement** the system integration success with the best product sales and delivery process in the marine industry
Short, medium and long term considerations

Fundamentals show risks and opportunities on the short term

- Risks of downturn in global economy are tangible
- High oil prices represent a risk towards global economic growth, however they also stimulate investments in exploration and production for oil and gas
- Expansion of emerging economies continues to support growth of demand for transportation of raw materials and energy

The future brings interesting opportunities

- Ship owners base is shifting
- Good fundamentals for offshore production and exploration
- Increasing interest in the market for gas powered applications
- Increasing focus on energy efficiency and environmental performance
- Changes in trade routes powered by emerging economies
- New vessel types
Target markets and solutions

- Flexible base-load power generation
- Grid stability and peaking
- Industrial self-generation
- Solutions for oil and gas industry
- Oil, dual-fuel and gas fired power plants
- Liquid biofuel power plants
- Flexible grid stability power plants
- Combined heat & power plants (CHP)
- Pumping and compression applications
Power Plants quarterly order intake
Power Plants - Markets remain solid

Quoted MW per Fuel Type

Share of natural gas is consistently increasing
Power Plant strategy going forward

• Maintain our leading position in HFO power plants by enhancing our value proposition
• Grow strongly in large utility gas power plants by capturing market share from other technologies
• Grow in power plants based on renewables by enabling a wide fuel range
• Grow in oil and gas and emergency power applications by introducing our value proposition to the industry globally
**Power Plants market**
**Gas turbine and engine manufacturers**

- **2008**
  - Total market: 92.8 GW
  - Wärtsilä: 3.3
  - Other CEs: 2.2
  - Other turbines: 5.1
  - Ansaldo: 4.2
  - Alstom: 5.3
  - Siemens: 20.0
  - MHI: 13.8

- **2009**
  - Total market: 48.5 GW
  - Wärtsilä: 2.0
  - Other CEs: 0.9
  - Other turbines: 3.9
  - Ansaldo: 1.3
  - MHI: 2.0
  - Alstom: 2.5
  - Siemens: 17.1

- **2010**
  - Total market: 56.6 GW
  - Wärtsilä: 3.2
  - Other CEs: 1.9
  - Other turbines: 3.2
  - Ansaldo: 1.8
  - Alstom: 1.9
  - Siemens: 17.0
  - MHI: 3.9

Wärtsilä’s market share:
- **2008**: 3.6%
- **2009**: 4.1%
- **2010**: 5.6%

**Note:** Market data includes all prime mover units over 5 MW and estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report and IESG.

In oil and gas engine technology, Wärtsilä has a leading position.
1) All in One! A unique combination of valuable features!

2) The missing piece of the low carbon power system puzzle!
Operational flexibility vs. electrical efficiency

- **CCGT’s**
  - Electrical efficiency, net: 50%
- **Aero-GT’s**
- **Wärtsilä SC**
- **Wärtsilä Flexicycle™**

**Starting time**
- Ramp rate
- Part load operation

**Flexibility**
- Steam Power Plants
- Simple Cycle
- Combustion Engines

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Benefits to power systems

- Secures the supply of affordable and sustainable power
  - Enable highest penetration of wind and solar power capacity
  - Maximizing the use of wind power capacity by minimizing wind curtailment
  - Ensure system stability in wind variability and contingency situations
  - Avoid negative prices
- Ensures true optimization of the total power system operation
  - Remove abusive starts and stops, and cyclic load from base load plants that are not designed for cycling
  - Improves system total efficiency
- Enables reaching the high renewable energy share targets
Target to grow strongly in the large utility gas power plants

- Market for gas driven power plants growing
- Ramp down of older coal based generation and uncertainty over nuclear power will increase demand for gas based generation
- Demand increasing also in emerging markets
- Variations in renewable generation and power demand require dynamic and flexible capacity

Turnkey project order from Estonia

- Contract signed with Elering AS, the Estonian transmission system operator
- Order value EUR 129 million, covers two dynamic grid reserve power plants with a total output of 250 MW
- Fast start-up capability enables response to sudden and unexpected drops in electricity supply
- Maintenance agreement to be signed
All in one features

- **Agility of dispatch**
  - Megawatts to grid in 1 minute from start
  - 5 minutes to full load from start
  - Fast shut down in 1 minute
  - Fast ramp rates up & down
  - Unrestricted up/down times
  - High starting reliability
  - Remote dispatch access including start & stop
  - Black start capability

- **Low generation costs**
  - High efficiency (46% open cycle, 50 % Flexicycle)
  - Wide economic load range
  - Multiple units
  - Any plant output with maintained high efficiency
  - No derating → higher dispatch in hot climate and at high altitude
  - Low maintenance costs, not influenced of frequent starts and stops, and cyclic operation
  - Low/no water consumption

- **High plant reliability and availability**
  - Multiple units enable firm (n-2) power (n=number of installed units)
  - Typical unit availability > 96%
  - Typical unit reliability ~ 99%
  - Typical unit starting reliability > 99 %

- **Optimum plant location and size**
  - Industrial outlook - Location in load pockets (cities)
  - Flexible, expandable plant size
  - Step by step investment
  - Low pipeline gas pressure requirement (5 bar)

- **Fuel flexibility**
  - Natural gas and biogases - with back-up fuel
  - Liquid fuels (LBF, LFO, HFO)
  - Fuel conversions

- **Low environmental impact**
  - Low CO₂ and local emissions even when ramping and on part load

- **Fast track delivery**
  - 12-15 months full EPC
## Technology comparison

<table>
<thead>
<tr>
<th>Technology</th>
<th>Electrical efficiency full load, %</th>
<th>Typical plant size, MW</th>
<th>Normal starting time to full load, minutes</th>
<th>Dynamic capabilities</th>
<th>CO₂, g/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Normal starting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Nuclear</td>
<td>31-33</td>
<td>1000 - 2000</td>
<td>&gt;2000</td>
<td>Poor</td>
<td>-</td>
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<tr>
<td>Coal</td>
<td>33-45</td>
<td>300 - 4000</td>
<td>&gt;180</td>
<td>Poor</td>
<td>820 - 1050</td>
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<tr>
<td>CCGT gas</td>
<td>50-57</td>
<td>200 - 1500</td>
<td>80</td>
<td>Not good</td>
<td>370</td>
</tr>
<tr>
<td>SPG Gas engine</td>
<td>46</td>
<td>10 - 500</td>
<td>5-10</td>
<td>Excellent</td>
<td>430</td>
</tr>
<tr>
<td>Aero GT</td>
<td>33-41</td>
<td>20-300</td>
<td>10-13</td>
<td>Good</td>
<td>500</td>
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<tr>
<td>HDGT</td>
<td>30-35</td>
<td>100-1000</td>
<td>13-30</td>
<td>Decent</td>
<td>560</td>
</tr>
<tr>
<td>SPG Flexicycle*</td>
<td>46/50</td>
<td>100-500</td>
<td>10/60 *</td>
<td>Excellent</td>
<td>400</td>
</tr>
</tbody>
</table>

*) Simple cycle / combined cycle

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Wärtsilä Services becomes the most valued business partner by understanding customers’ problems and assembling the appropriate solution to solve them.
Services net sales distribution 1-6/2011

- Field service: 23% (24)
- Contracts: 15% (13)
- Projects: 8% (9)
- Spare parts: 54% (54)

Numbers in brackets are from 1-6/2010
Services distribution per business

**Net sales distribution**
- Ship Power ~60%
- Power Plants ~40%

**Installed base distribution**
- Total 178,865 MW
- Ship Power ~80%
- Power Plants ~20%
Services strategy

• Maximize our market share with our present customer base and present portfolio
• Constantly develop our offering proposition with value-enhancing products in existing customer segments
• Grow strongly with service agreements, together with Ship Power and Power Plants
• Become the market leader in our industry in environmental solutions
Development of Power Plants service agreements

O&M and maintenance agreements  Power Plants deliveries  % of delivered MWs

- 2007: 29%
- 2008: 31%
- 2009: 53%
- 2010: 57%
- 1-6/2011: 51%
Continued interest in marine service agreements

Target to grow through service agreements
Continued interest in maintenance agreements seen in marine and power plant markets
• Reduction of fixed costs
• Enhanced performance and reliability

Technical management contract signed with Ceres LNG Services Ltd
• Five-year contract, based on Dynamic Maintenance Planning
• Covers twenty-four Wärtsilä 50DF dual-fuel engines in six LNG carriers
• Reduced operating costs through predictive maintenance principles and optimised engine performance
Market outlook

• **Ship Power:** Competition and price pressure among shipbuilding suppliers expected to remain intense. Ship Power order intake expected to be significantly better in 2011 than in 2010.

• **Power Plants:** Recovery in the power generation market expected to continue in 2011. Power Plants’ order intake expected to increase in 2011 compared to the previous year.

• **Services:** While Wärtsilä expects steady demand for power plant services, the overall marine service market is still expected to suffer from overcapacity and the high level of anchored fleet in 2011.
Prospects for 2011 revised

Due to weaker than expected marine service markets and the timing of power plant deliveries, Wärtsilä expects its net sales for 2011 to decline by 0-5% compared to last year.

We reiterate our expectation that operational profitability (EBIT% before nonrecurring items) will be around 11%.
Long-term growth and profitability

- Target to grow faster than global GDP
- Operating profit margin (EBIT%) target 10-14%
- Maintain gearing below 50%
- Target to pay a dividend equivalent to 50% of earnings per share
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