WÄRTSILÄ CORPORATION
SEB ENSKILDA FINNISH INDUSTRIALS SEMINAR

OLE JOHANSSON, PRESIDENT & CEO
23 MARCH 2011
2010 – Solid performance at all levels

- Order intake EUR 4,005 million, +22%
- Net sales EUR 4,553 million, -13%
- Operating result EUR 487 million, 10.7% of net sales
- All time high cash flow EUR 663 million (349)
- EPS EUR 3.35 (4.30)
- Dividend proposal 1.75 euro per share (1.75) and extra dividend 1.00 euro per share, total 2.75 euro/share

All numbers are shown excluding nonrecurring items and selling profits
Order intake increased

**Order intake**

- Power Plants: 823 MEUR (8%)
- Ship Power: 500 MEUR (5%)
- Services: 1,003 MEUR (227%)

**Fourth quarter development**

- Q4/2009: 823 MEUR
- Q4/2010: 1,003 MEUR (22%)
Order book distribution

- **31.12.2009**
  - Delivery next year: MEUR 3000
  - Delivery next year +: MEUR 1000

- **31.12.2010**
  - Delivery next year: MEUR 2500
  - Delivery next year +: MEUR 1000
Net sales developed as expected

Fourth quarter development

- Net sales
- Power Plants
- Ship Power
- Services

Q4/2009: 1,519 MEUR, -4% growth
Q4/2010: 1,462 MEUR, 2% growth
Net sales by business 2010

- Ship Power: 26% (34)
- Power Plants: 34% (31)
- Services: 40% (35)
Net sales by market area
Strong presence in Asia

MEUR
6000
5000
4000
3000
2000
1000
0

2006 2007 2008 2009 2010

Asia | Europe | Americas | Other

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Solid profitability

Operating result before nonrecurring restructuring items

- 2006
- 2007
- 2008
- 2009
- 2010

MEUR

Q1 Q2 Q3 Q4

2006 2007 2008 2009 2010

10.9%
Ship Power - market drivers

- **Global demand for new vessels**, in particular regarding ships built for seaborne cargo transportation, offshore oil exploration and support, cruise and ferry services, and for naval contracting.

- Development of the global economy and its impact on trade and needed transport capacity.

- **Fuel prices**, influenced by global economy, have both a direct and an indirect impact on the shipping and offshore industries.

- Other factors such as:
  - shipyard capacity
  - new build prices
  - decommissioning and scrapping
  - interest and freight rates
  - environmental considerations
Ship Power market – vessel order development
2010 contracting activity stronger than expected

Source: Clarkson Research Services
Ship Power quarterly order intake

MEUR

0  100  200  300  400  500  600  700  800  900

2004  2005  2006  2007  2008  2009  2010

Q1  Q2  Q3  Q4

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Ship Power order intake by segment Q4/2010
Offshore strongest segment

- Offshore: 34%
- Cruise & Ferry: 21%
- Special vessels: 19%
- Merchant: 20%
- Ship Design: 4%
- Navy: 2%

Total EUR 178 million (54)
Ship Power market
Market position of Wärtsilä’s marine engines

Medium-speed main engines
- Wärtsilä: 42% (32)
- MAN Diesel: 25% (31)
- Caterpillar (MAK): 15% (8)
- Others: 18% (29)

Total market volume last 12 months: 1,639 MW (914)

Low-speed main engines
- Wärtsilä: 13% (12)
- MAN Diesel: 84% (85)
- Mitsubishi: 3% (3)

Total market volume last 12 months: 15,681 MW (6,752)

Auxiliary engines
- Wärtsilä: 4% (3)
- Others: 96% (97)

Total market volume last 12 months: 3,880 MW (2,775)

Wärtsilä’s market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. Wärtsilä’s own calculation is based on Marine Market Database.
Ship Power order book Dec. 31, 2010
All vessel segments represented

- Merchant: 45%
- Containers: 6%
- Tankers: 8%
- Cargo: 12%
- LNG: 5%
- RoRo: 3%
- Special vessels: 9%
- Cruise & Ferry: 8%
- Ship Design: 2%
- Navy: 5%
- Offshore: 31%

Total EUR 1,825 million (2,553)
Wärtsilä is a frontrunner in LNG fuelled ships

- Wärtsilä has received an order to supply gas engines and equipment for Viking Line’s new environmentally sound passenger ferry
- Wärtsilä has installed dual fuel technology in over 60 LNG carriers

**Contract awarded by STX Finland Oy**
- Four Wärtsilä 8L50DF dual fuel engines
- The largest liquefied natural gas (LNG) fuelled passenger ferry
- Wärtsilä LNGPac and Compact Silencer System added to scope of supply

**Environmental and economical drivers for gas as a marine fuel**
- IMO and EU emission regulations etc.
- High oil prices and high demand for low sulphur grades make gas a viable alternative
Power Plants - market trends and drivers

- Growth of electricity demand
  - Electrification
  - GDP growth
  - Increasing standard of living
- Search for sustainability
  - Climate change (CO₂)
- Rapid growth of renewable generation
  - Politically created markets & subsidies

- Increasing need for flexibility
  - Increasing daily, weekly and seasonal demand fluctuation
  - Rapid introduction of intermittent renewable energy (wind & solar)
- Changing roles of fuels
  - New coal power plants difficult to permit
  - Emerging nuclear renaissance?
  - Gas becoming intermittent and balancing fuel
Power Plants - Market demand remains strong

Quoted MW per Fuel Type

- Natural gas
- Heavy fuel oil
- Others

Share of natural gas is consistently increasing
Power Plants quarterly order intake

![Bar chart showing quarterly order intake in MEUR from 2004 to 2010. The chart includes data for Q1, Q2, Q3, and Q4.]
Power Plants order intake
Asia strongest region

Order intake 2010: 3,175 MW (2,007)

Europe 762 (649)
Asia 1,346 (148)
Americas 745 (441)
Africa and Middle East 321 (768)

Flexible baseload
Industrial self-generation
Oil & gas
Grid stability & peaking
Power Plants order book Dec. 31, 2010

Flexible baseload 61%

Grid stability and peaking 19%

Industrial self-generation 11%

Oil & gas 9%

Total EUR 1,299 million (1,362)
Services – Net sales stable

Fourth quarter development

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (MEUR)</th>
<th>Change (%)</th>
</tr>
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<tbody>
<tr>
<td>Q4/2009</td>
<td>504</td>
<td>2%</td>
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<tr>
<td>Q4/2010</td>
<td>516</td>
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Services – Net sales by quarter
Q4/2010 all time high

MEUR

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Q1  Q2  Q3  Q4
Service contract development

**Net sales**

**Total MW (O&M and Maintenance)**
Services – Net sales distribution 2010

- Spare parts 53%
- Field service 24%
- Contracts 14%
- Projects 9%
In addition to Engine Services, Wärtsilä’s Services portfolio includes: Electrical & Automation Services, Propulsion Services, Boiler Services, Environmental Services, O&M and Training Services.
Services
Laid up vessels decreased from early 2010

* Anchored (reported navigation status at anchor). Source Bloomberg (AISLive). More than 25 000 vessels (>299 GT) covered.

** Idle (no movement for 19 days for containerships, others 35 days). Source Lloyd’s MIU. Around 15 000 vessels (>299 GT) covered.
Services
Broken up vessels and fleet average speed

Fleet Average Speed

Vessels Broken Up
All time high cash flow from operating activities

Fourth quarter development

Q4/2009: 207
Q4/2010: 171
All figures relate to the Power Businesses
### Restructuring measures

- **May 2009**: Ship Power adjustment program
- **January 2010**: Adaption of manufacturing capacity initiated
- **October 2010**: Processes initiated for reduction of 400 jobs in global staff functions

### Impacts of all restructuring measures

- Personnel to be reduced by approx. 1,800 employees
- Total cost savings approx. EUR 130 million, of which EUR 60 million have materialised by the end of 2010 and the remainder will gradually materialise in 2011.
- Total non-recurring costs EUR 150 million, of which 40 million recognised in 2009. In January-December 2010 Wärtsilä recorded EUR 75 million nonrecurring items related to restructuring measures. EUR 35 million, out of which EUR 10 million is non-cash, will be recognised during the first half of 2011.
Market outlook

- **Ship Power**: Competition and price pressure among shipbuilding suppliers will continue. Order intake in 2011 expected to be moderately better than in 2010.

- **Power Plants**: Recovery in the power generation market is expected to continue in 2011. Order intake estimated to remain at a good level in 2011.

- **Services**: A sustainable recovery in the marine service market expected to begin during 2011. Power plant installations will continue to be run at high operating levels.
Wärtsilä in Japan

Wärtsilä Japan’s share of net sales around 1%
- All Wärtsilä personnel are safe
- The natural disaster did not have a direct impact on Wärtsilä facilities

Some important sub-suppliers are located in Japan
- No direct impact from the natural disaster
- Should power shortages result in delays or other problems, Wärtsilä has alternative suppliers elsewhere in the world

Impact on customers and markets
- Wärtsilä Ship Power is mainly involved in licensing business; freight rates and demand for new LNG vessels expected to rise further due to Japanese situation.
- Wärtsilä Power Plants has around 600 MW installed capacity in the country. Due to nuclear accident, Japan will need new fossil based capacity. Worldwide impact on both existing and new build nuclear plants.
- Some Wärtsilä Power Plants have suffered damage and Wärtsilä Services is involved in the repairs.
Long-term growth and profitability

- Target to grow faster than global GDP
- Operating profit margin target 10-14%

CAGR 1999-2010 8.3%
Wärtsilä expects its net sales for 2011 to grow 3-5% and operational profitability (EBIT% before nonrecurring items) to be around 11%.