

WÄRTSILÄ CORPORATION

HANDELSBANKEN MARINE AND CRANE SEMINAR

JAAKKO ESKOLA
GROUP VICE PRESIDENT, SHIP POWER
23 NOVEMBER 2012



**POWER
PLANTS**



SHIP POWER



SERVICES



Ship Power's offering covers all key segments

Merchant



Offshore



Cruise and Ferry



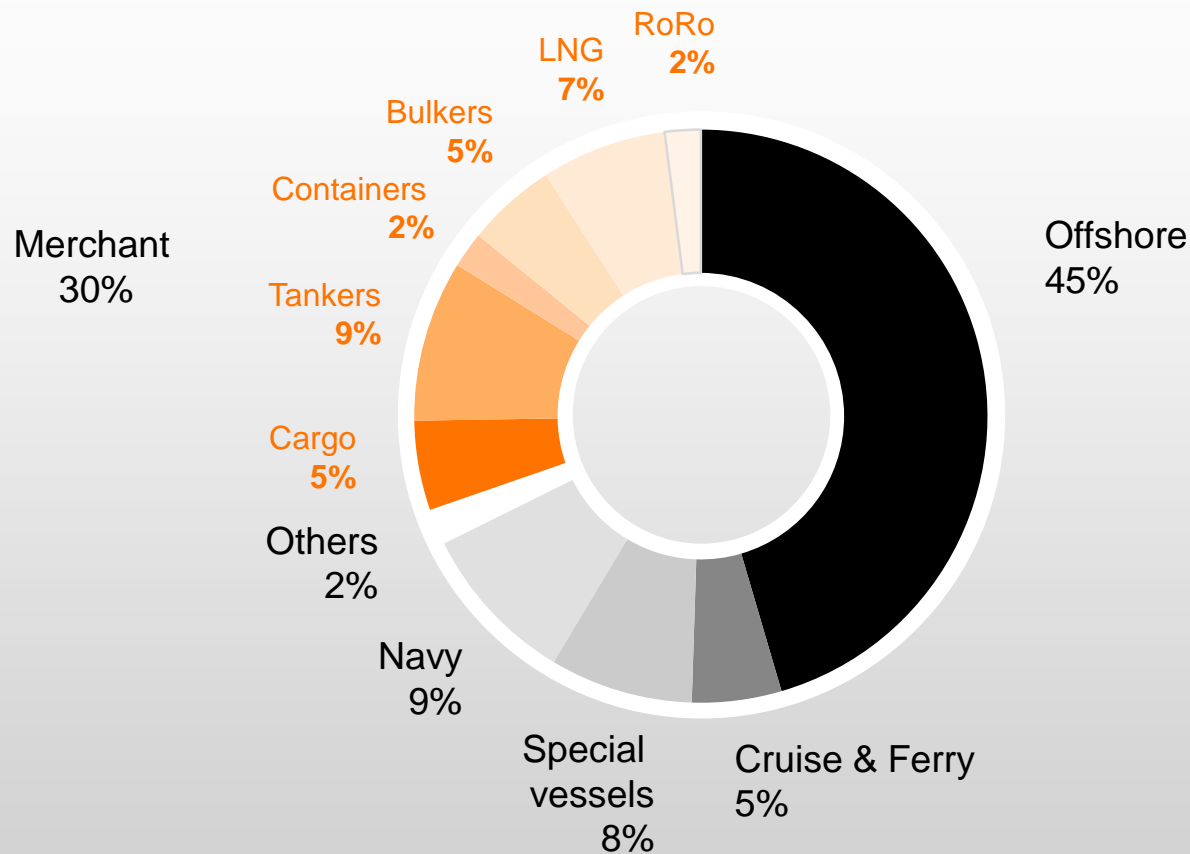
Navy

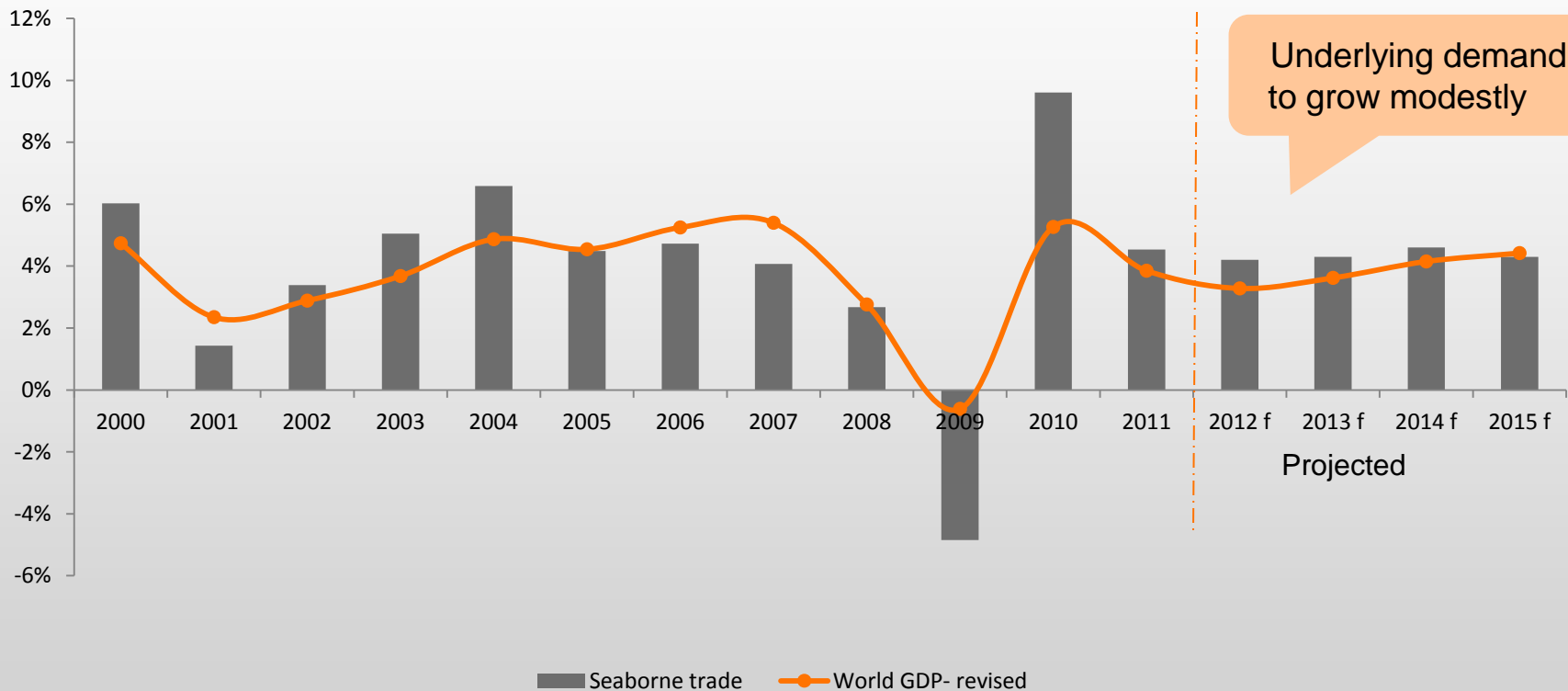


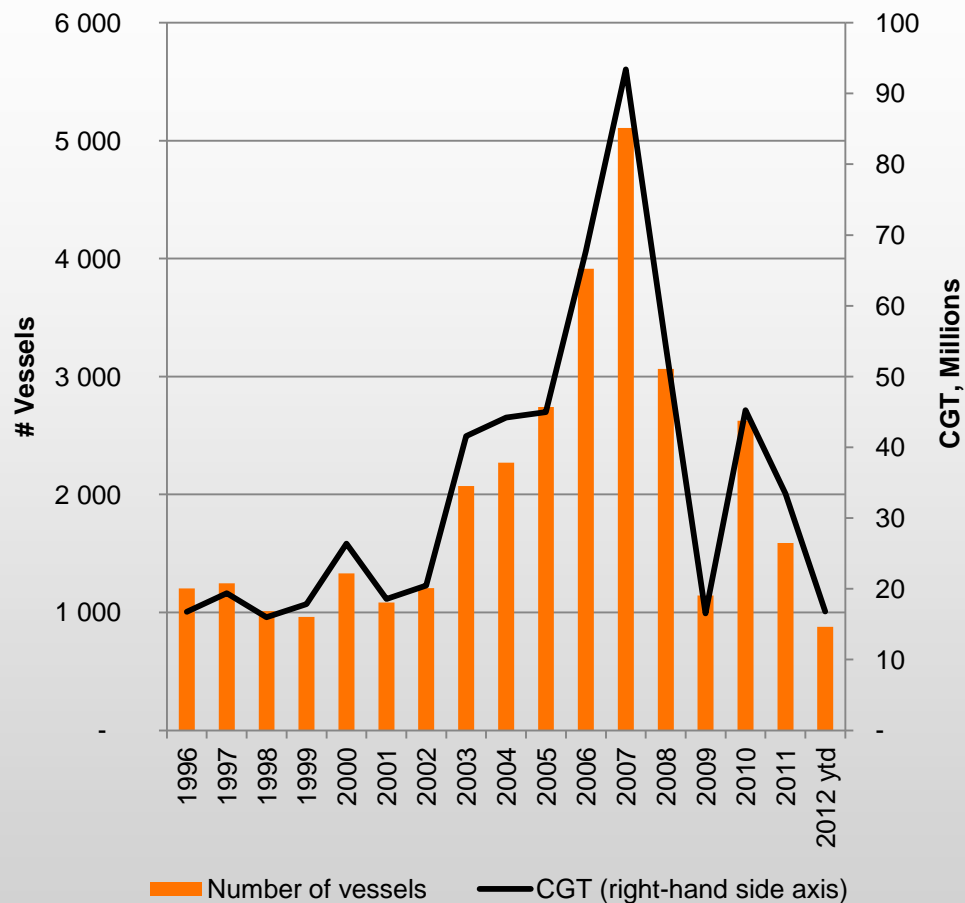
Special Vessels



Ship Power order book 30 September 2012

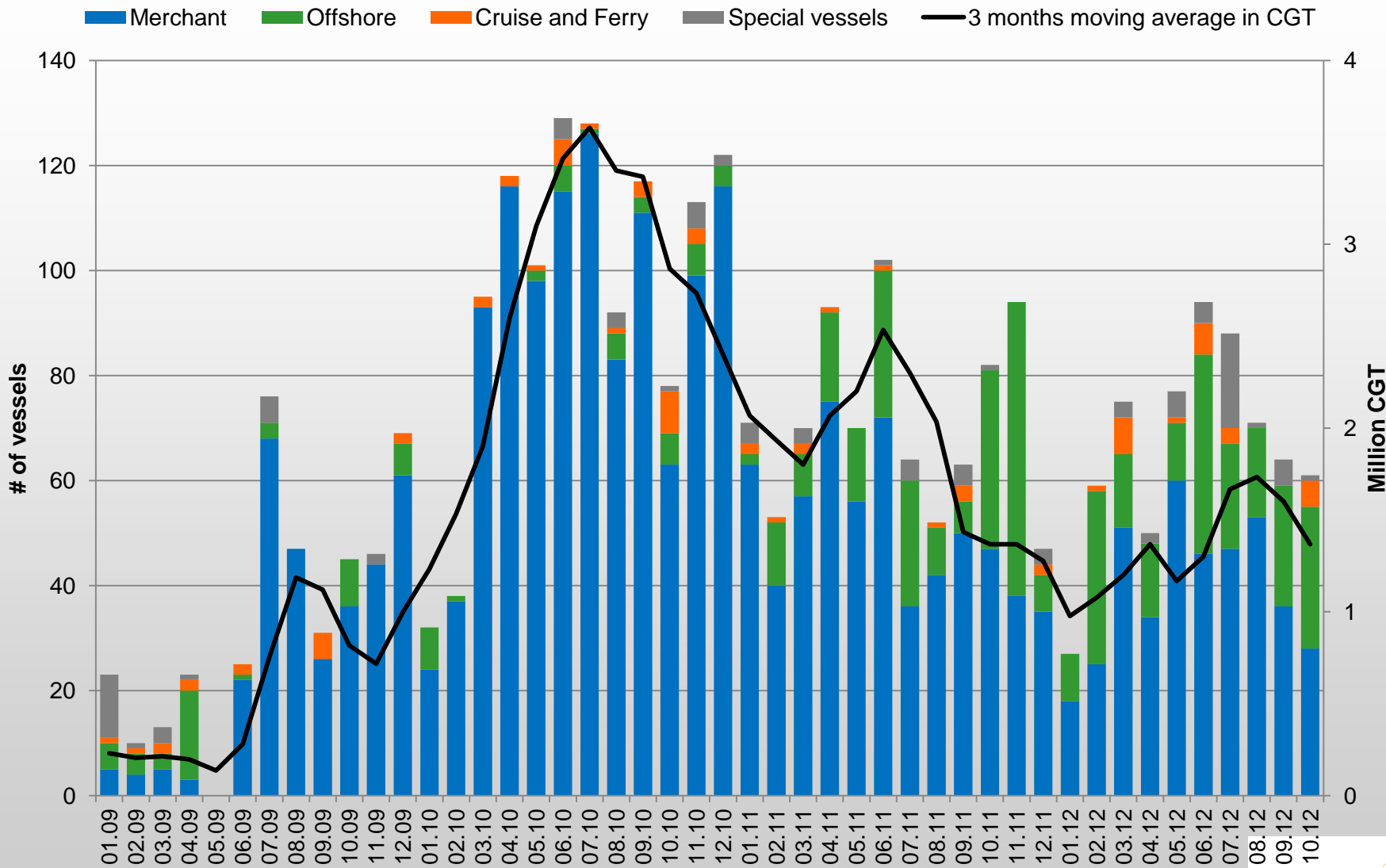






- Contracting activity has slowed down during 2012
- Finance and poor freight markets are clouding recovery
- A change in mix of vessels contracted is favouring specialised tonnage
- Offshore importance is growing

Contracting activity development



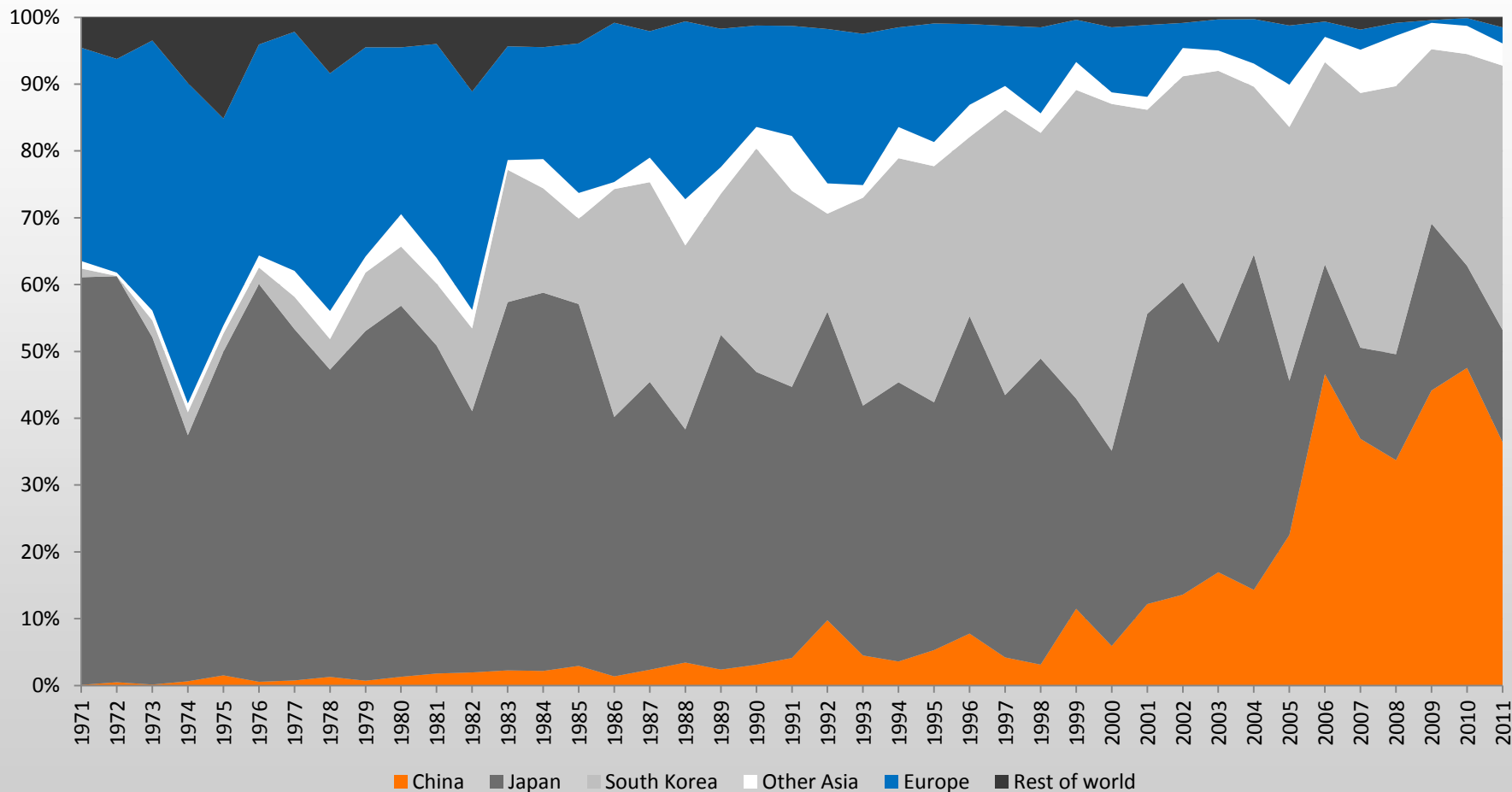
Source: Clarkson Research Services
 *Contracting activity as per 3rd November 2012



Shipbuilding has moved to Asia

China has gained the top merchant builder position...

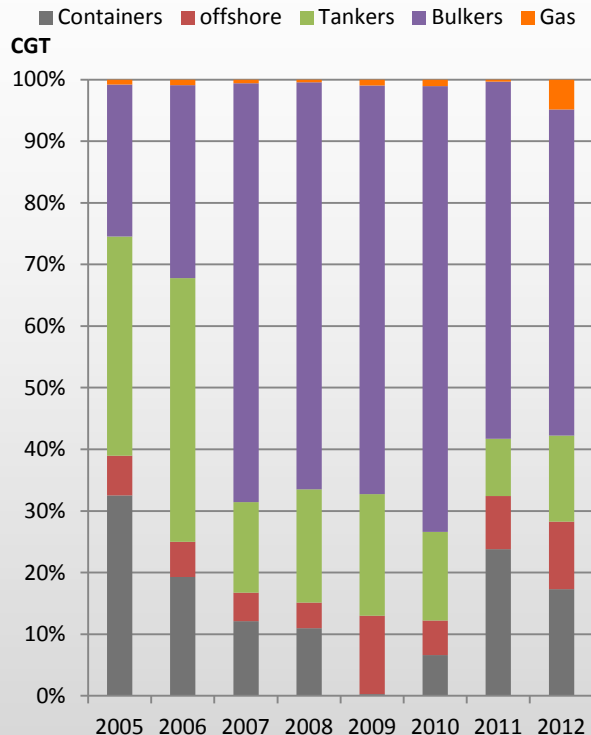
Merchant contracting volumes (DWT): share by region



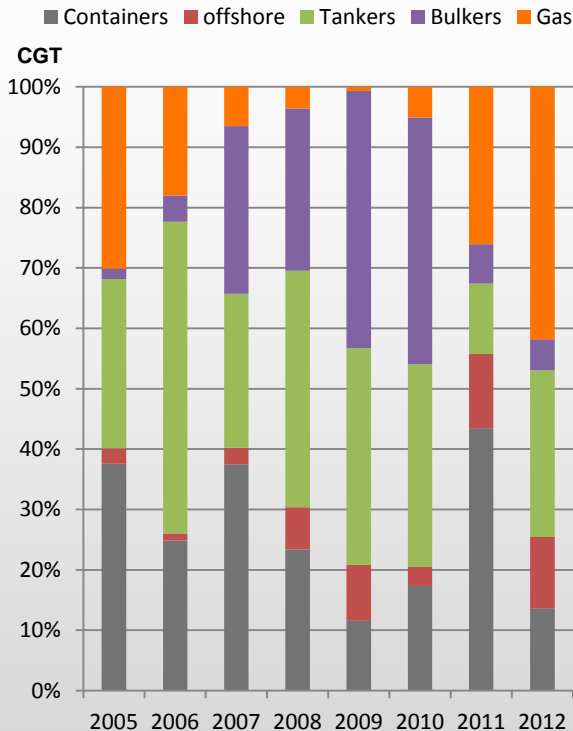
Source: Wärtsilä's Internal Marine Market Database (MMDB)

Asian builders are diversifying their product mix

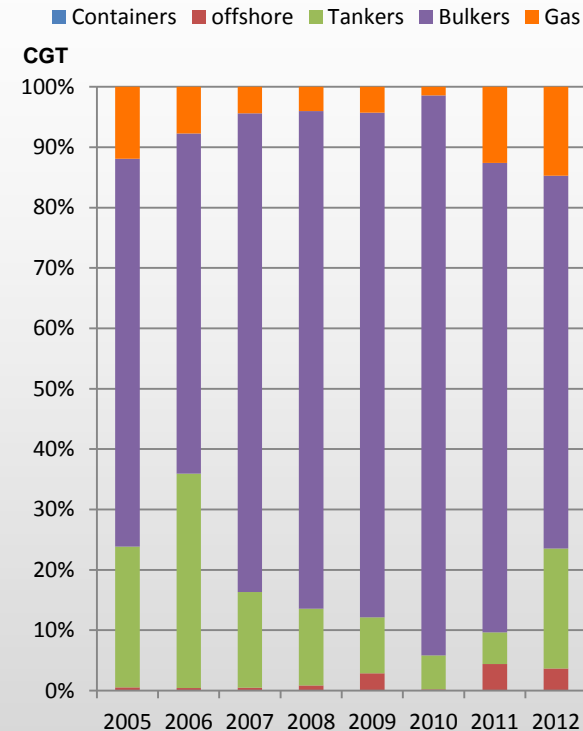
China



South Korea



Japan

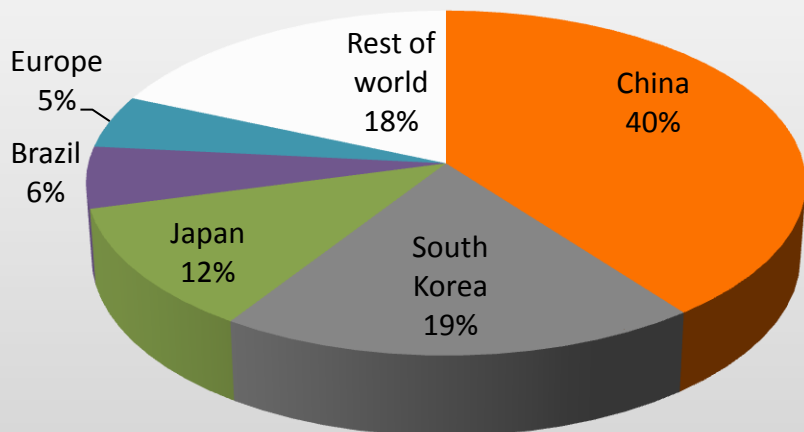


Weak merchant shipbuilding demand forcing builders to look for new growth avenues

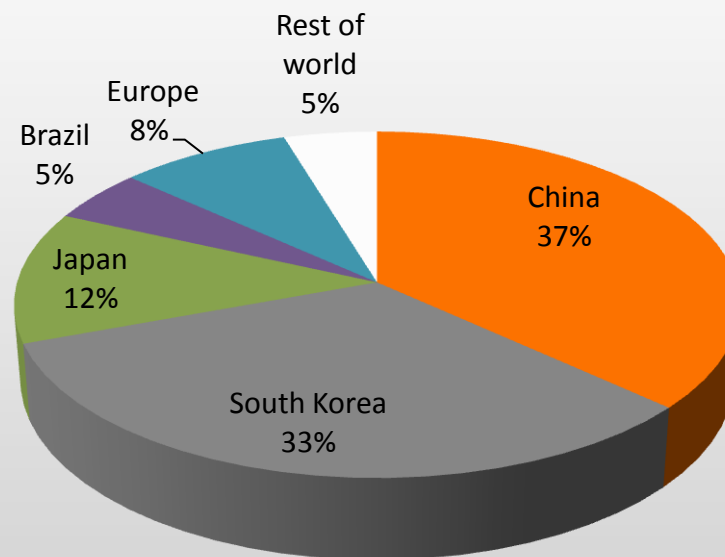
- South Korean yards have shifted their focus from low to high value segments i.e. offshore, LNG and ultra large containerships
- Chinese builders entering new segments i.e. gas and offshore support vessels
- Japanese position remains weak, hugely impacted by a strong currency which has affected new business in local yards

Contracting activity by ship building region

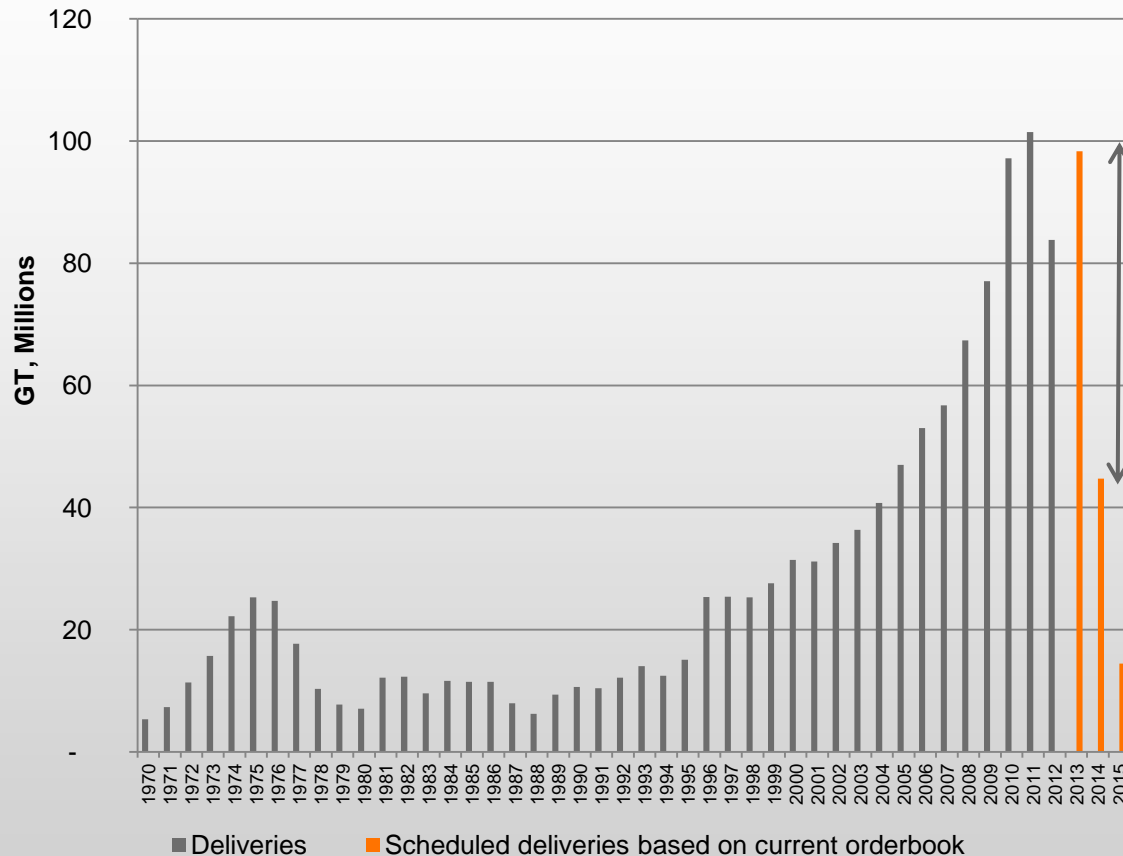
**Contracting by builder country,
No. of vessels 2012 YTD**



**Contracting by builder country,
CGT 2012 YTD**

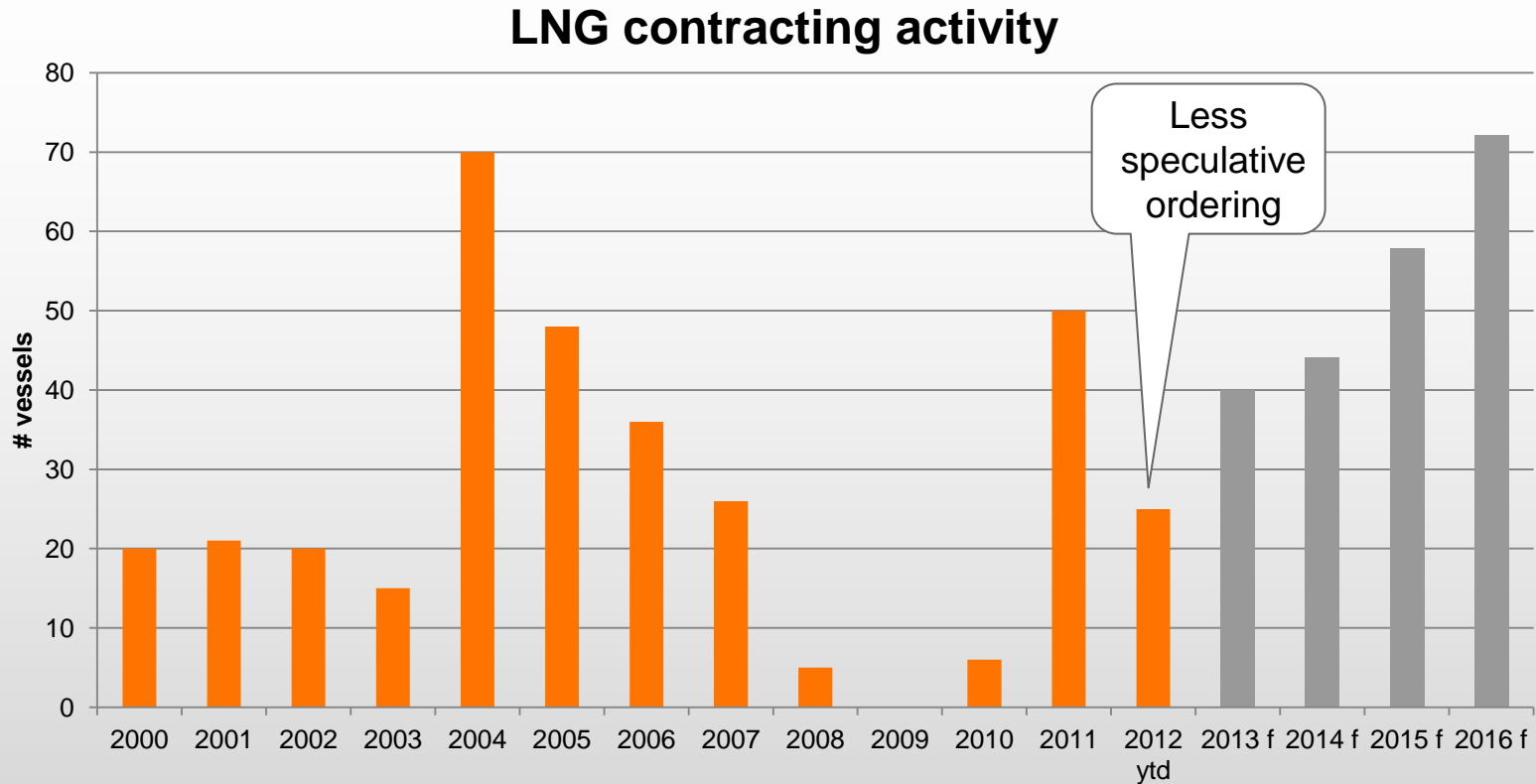


Shipyard overcapacity – how to adapt?



- Deliveries growing faster than seaborne trade
- Order book declining more rapidly
- Yards have to re-think their strategies if they are to survive
- Restructuring unavoidable?

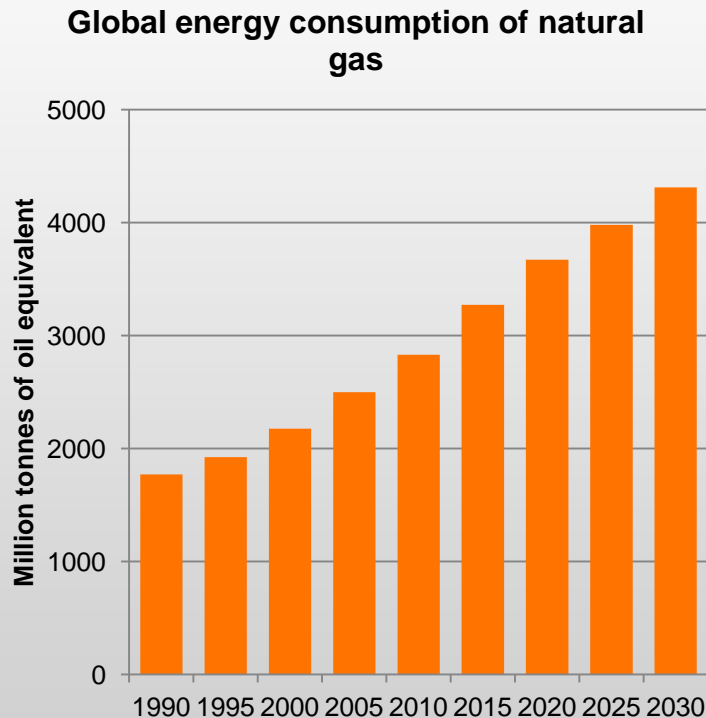
LNGC – current slow down, but near-term optimism



- New build potential looks promising
- Long liquefaction project list → boosting enquiries
- Closure of nuclear plants in Asia and Europe brings good news to this market

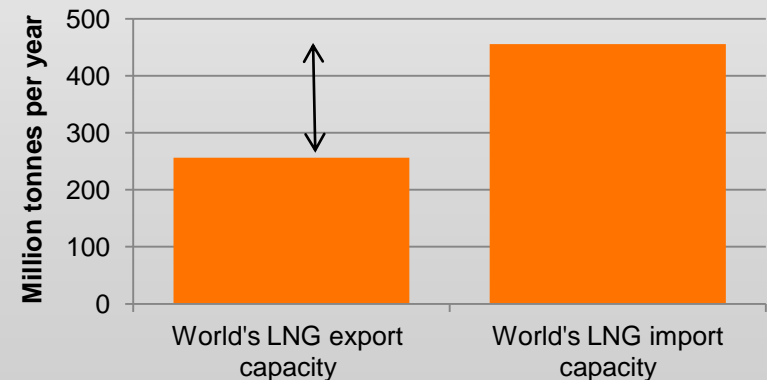
A view on the fundamentals of LNG transport

- Demand for natural gas is expected to grow

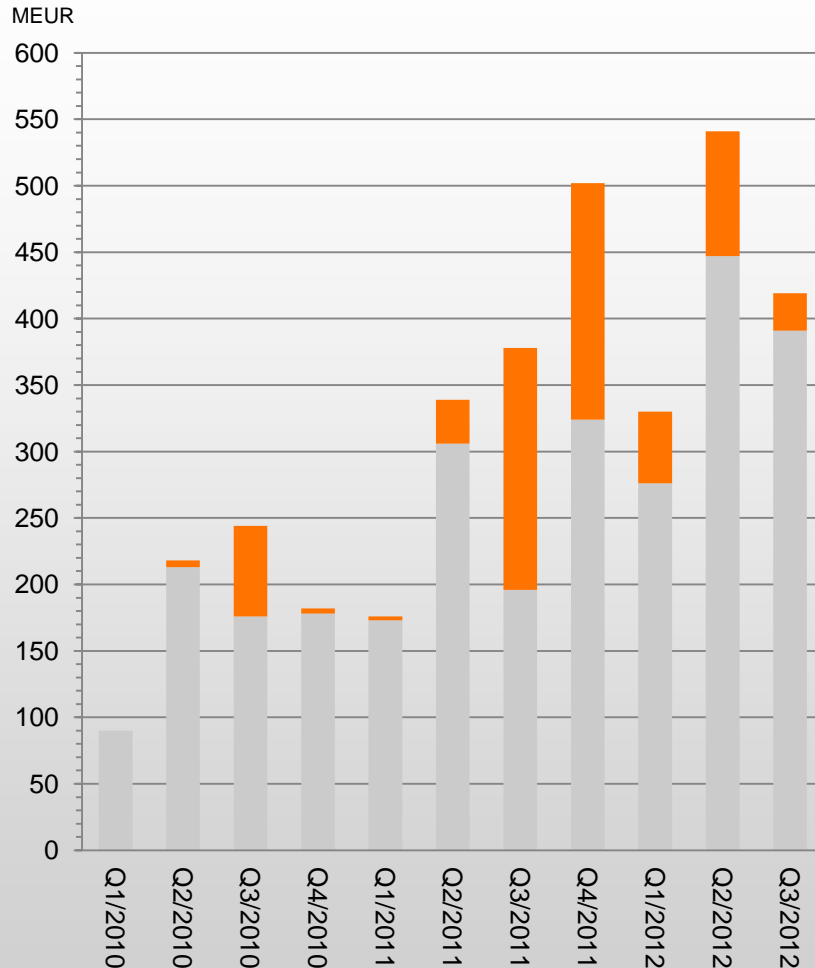


An imbalance between export and import capacity exists today:

- Export capacity set to grow with a number of projects already on the pipeline
- As new export plants start to come onstream more LNG will be available for transportation



Source: Demand for natural gas from BP's energy outlook, LNG import vs export capacity from Petroleum Economist

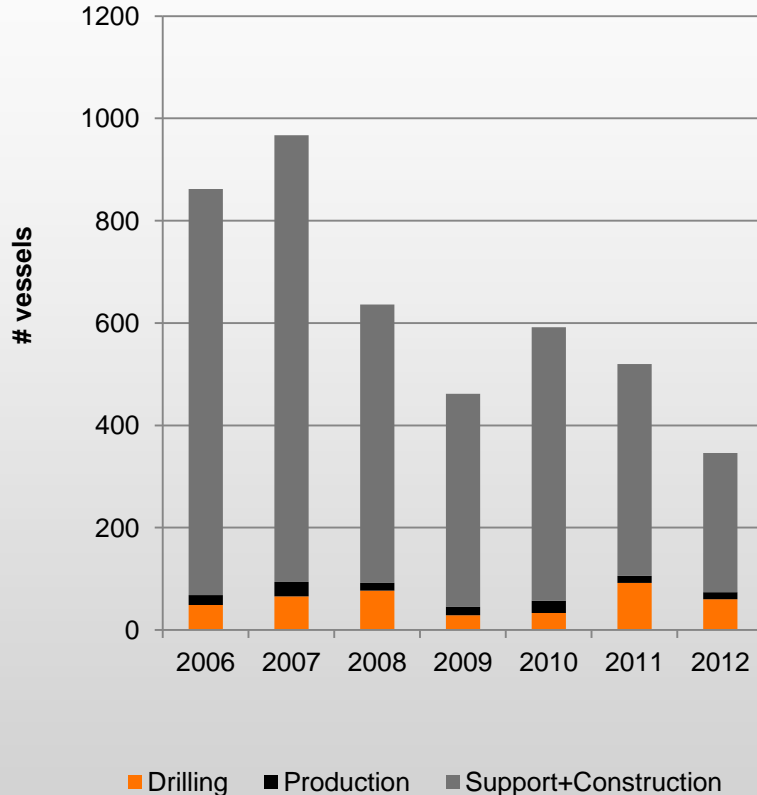


- Joint venture order intake
(Wärtsilä Hyundai Engine Company Ltd and Wärtsilä Qiyao Diesel Company Ltd)
- Ship Power order intake

- Order intake in the South Korean joint venture producing dual-fuel engines and the Chinese joint venture producing auxiliary engines totalled EUR 175 million (216) during the review period January-September 2012
- Wärtsilä's share of ownership in these companies is 50%, profits are reported as a share of result in associates and joint ventures

Offshore contracting activity – healthy market

Offshore Contracting activity



- High oil price above US\$100 driving strong exploration and production activity
- Oil and gas fields are getting deeper, harsher and more remote, stimulating demand requirement for high spec units
- Long term energy demand remains positive for both oil and gas, more so for gas
- Strong regional field developments, i.e. Brazil, East Africa, Gulf of Mexico and Asia Pacific

Development vessels include: survey, mobile drilling and construction vessels
 Production vessels include: mobile production and logistics vessels
 Support vessels include: AHTS, PSV, rescue salvage vessels
 Source: Clarkson Research Services. November 2012

Brazilian offshore markets active



- Contract to supply main generating engines and thrusters for six new deep water drill ships to be built in Brazil
- Each ship will be powered by six 16-cylinder Wärtsilä 32 main generating sets and six thrusters
- Considerations in the award of the contract:
 - Strong presence and support capabilities in Brazil
 - Considerable experience in supplying propulsion equipment for operations in demanding offshore conditions

Increasing activity in scrubber markets



- Wärtsilä has to date 45 exhaust gas cleaning scrubbers delivered or on order, for a total of 23 vessels
- Price range EUR 1-5 million, depending on size of vessel and technology of equipment
- Wärtsilä's scrubber portfolio is the widest in the market and consists of:
 - Open-loop scrubbers, well established
 - Closed-loop scrubbers, in operation and new projects under delivery
 - Hybrid scrubbers, first orders received

Short term

- Uncertainty over global economy casting shadows of uncertainty in shipping and shipbuilding
- Mix of vessels will continue to favor specialised tonnage
- LNG carriers and Offshore continue to have strong fundamentals
- Interest for gas as a fuel arising in different vessel types (OSV's, ferries, etc)

Medium term

- New owner base
- Fuel flexibility and fuel efficiency
- Increased interest over LNG powered ships
- Environmental compliance and optimisation

OUR STRATEGIC GOAL

To be recognised as the leading solutions provider in the marine industry for:

LEADER IN

Efficiency



Gas and dual-fuel solutions



Environmental solutions



THROUGH
OFFERING

- Lifecycle solutions for ship owners and operators
- Enhanced system integration for the ship building industry
- The best product sales and delivery process for the marine industry



WÄRTSILÄ

IR Contact:

Pauliina Tennilä

Director, Investor Relations

Tel. +358 (0) 40 570 5530

E-mail: pauliina.tennila@wartsila.com

WARTSILA.COM