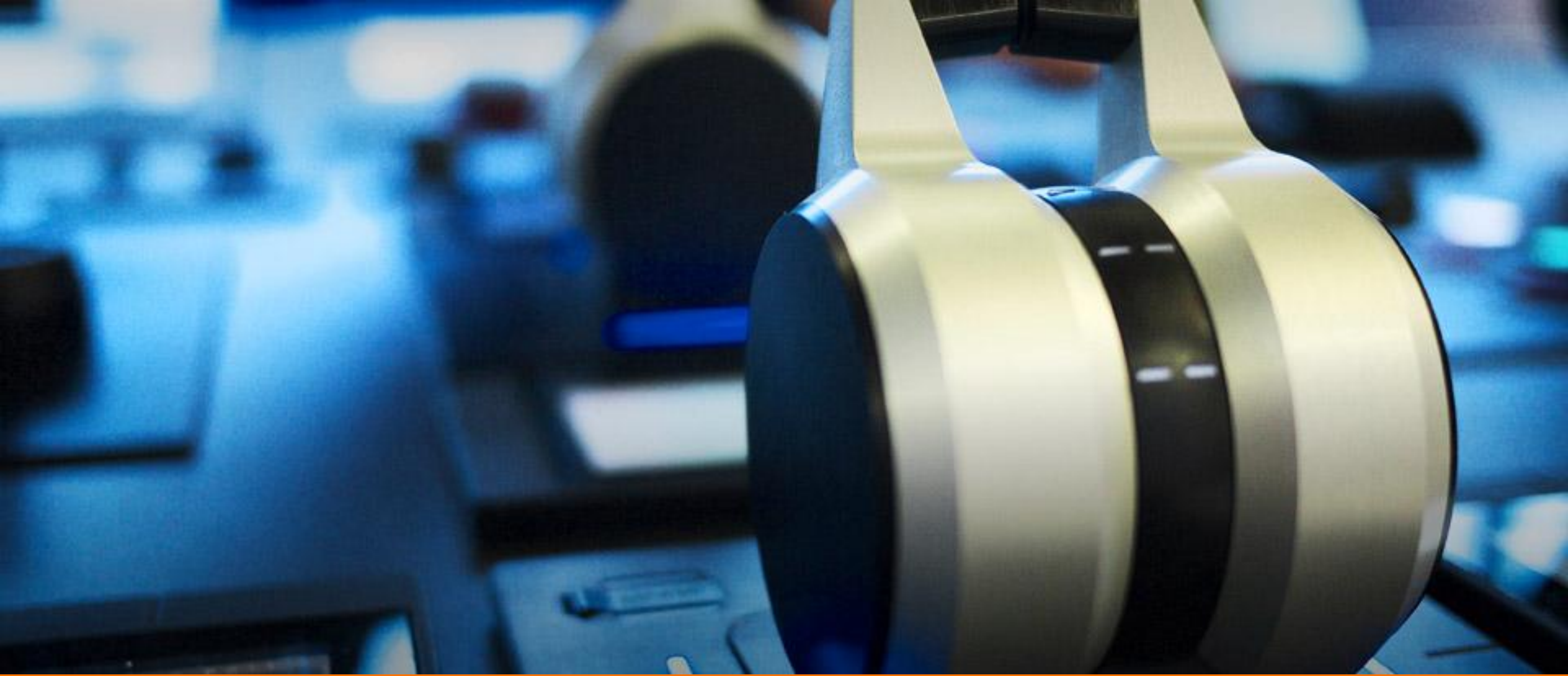


WÄRTSILÄ SHIP POWER

JAAKKO ESKOLA

SENIOR EVP
DEPUTY TO THE CEO
PRESIDENT, SHIP POWER

The most complete Marine Offering on earth

Market trends and drivers

- Development of the global economy drives marine trade and transportation growth
- Development of oil & gas prices stimulates investments in exploration and production of offshore oil & gas
- Environmental regulations drive demand for environmental solutions and LNG as a marine fuel
- Increasing focus on energy efficiency and environmental performance

> The development of efficient vessels, environmental solutions and gas technology will be our priority in meeting your evolving needs.

Strategic focus

Wärtsilä's strategy for the marine and oil & gas market

To be recognised as the leading provider of innovative products and integrated solutions in the marine and offshore oil & gas industry.

LEADER IN

THROUGH OFFERING

- Lifecycle solutions for ship owners and operators
- Integrated solutions for the shipbuilding industry, owners and operators
- The most competitive products and delivery process for the marine industry

Why do our customers choose us?

The fundamentals has not changed just the order of importance

Wärtsilä does:

- Continuously responsive to customer needs, competent and reliable
- Integrated system supplier, total solution provider
- Provide high-quality life-cycle power solutions, maintenance and service suitable to customers
- Enhancing customers' business through superior energy, operational and environmental efficiency

Trusted partner

Customer needs:

- Customer understanding
  - Understands customers business and needs
  - Matching offering that suits the needs
- Trustworthy partner
  - Has good references
  - Reliable
  - Takes responsibility
- Customer management
  - Easy to work with
  - Competent personnel
  - Response time
- Efficient systems
  - High quality
  - Innovative

This is what we bring to the market

Project services
Support during project development and execution

- Marine lifecycle services
- Ship design and naval architecture
- Financial services
  Integration engineering
- Project transport & logistics
  Project management
- Site management and supervision Commissioning

Comprehensive product portfolio

- Environmental technologies
- Engines and gensets
- Propulsion equipment
- Power distribution
- Automation & Control
- Power drives
- Pumps and valves
- LNG liquefaction and regasification

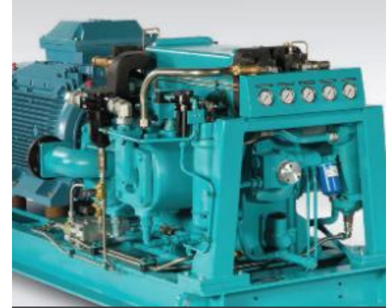
Operational support

- All maintenance (schedule & unscheduled)
- Performance optimization
- Fixed & variable pricing
- Performance guarantees
- Lifecycle cost guaranteed

THE MOST COMPLETE MARINE OFFERING ON EARTH

Automation

Ballast Water Management



Compressors

Engines & Generating Sets

Exhaust Gas Cleaning

Gas Systems

Gears

Inert Gas

Integrated solutions

Marine Lifecycle Solutions

Oil Separation

Power Electric Systems

Project Management

Propulsors

Pumps & Valves

Seals, Bearings & Stern Tubes

Services

Ship Design

Waste & Fresh Water Management

The most complete Marine Offering on earth

Truly global

→ 70 countries → 160 locations → 18000 people

The only player in the market with a truly global presence and capability to service customers 24/7 on all continents

Every second ship in the world is equipped or served by Wärtsilä

Market drivers and Competitive landscape

Market drivers

Environment

- Emissions legislation (Nox) 2015-2016 postponed (sulphur still to be implemented)
- Financial impact for owners & increased uncertainty with fleet renewals/upgrades

LNG

- LNG bunkering availability
- Wärtsilä proven technology
- Fuel types being used

Offshore

- Deepwater requiring more power
- High oil price
- Brazil and China

Merchant

- Fleet supply and demand volatility
- Low cost manufacturing

Increasing environmental regulation and alternatives for decreasing emissions

NO_x	SO_x	PARTICULATE MATTER	GREENHOUSE GAS	BALLAST WATER
Acid rains Ozone depletion	Acid rains	Impact on air quality	Global warming	Damage to local eco-systems
Tier II (2011) Tier III in ECA* (2016)	3.5% (2012) ECA 0.1% (2015) Global 0.5% (2020)	Along with SO_x reduction	Under evaluation by IMO	Global ballast water convention

Wärtsilä is offering a multi-solution approach to meet requirements for different owner needs, ship types and operating profiles.

LNG

- Simultaneous reduction of GHG / SO_x / NO_x / PM
- Market: mainly ships with regular routes and limited autonomy requirements operating in ECAs
- Infrastructure development is needed for larger uptake
- Conversion solution available

HFO

NO_x: SCR or wet methods
SO_x: Scrubbers
Market: mostly merchant ships operating a significant time in ECAs

MGO

- NO_x: SCR or primary methods
- Market: ships operating a limited time in ECAs, small ships

*Emissions Control Areas

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Regulation

2014 Jul 1: Ecdis mandatory for existing passengerships (<500 gt)

2016 Jan 1: IMO ballast water convention applies to all other vessels (implies treatment technology needs installing on vessels with ballast water)

2016 Jul 1: Ecdis mandatory existing tankers (>3,000 gt)

2018 Jan 1: Ecdis mandatory existing cargo vessels (<20,000 gt)

2024 Jan 1: Sulphur in fuels global limit drops from 3.5% to 0.5% (2018 survey pending)

2012 Jan 1: Europe confirmed draft changes to sulphur in fuel directive.

2014 Jul 1: Ecdis mandatory for newbuilding cargoships (>3,000gt and <10,000 gt)

2016 Jan 1: US ballast water requirements for existing ships (ballast Water capacity less than 1,5000 cu m or greater than 5,000 cu m)

2018 Jul 1: IMO low-sulphur fuel availability survey completed (to determine if 2020 global reduction to 0.4% should be deferred to 2024)

2012 Jul 1: Ecdis mandatory for newbuilding passengerships (>500 gt) and newbuild tankers (>3,000gt)

2014 Jan 1: IMO ballast water convention applies to vessels built pre 2009 (implies treatment technology needs installing on vessels with ballast capacity 1,500 gt to 5,000 gt)

2016 Jan 1: IMO NOx tier III rules in force (newbuildings operating in an ECA)

2014 Jan 1: US ballast water requirements for existing ships (ballast water capacity 1,500 cu m to 5,000 cu m)

2014 Jul 1: Noise levels: The code on noise levels onboard ships will come into effect when the new regulation enters into force.

2020 Jan 1: European rules on sulphur in fuels forces drop to 0.5% regardless of IMO 2018 availability study

2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020

2013 Jul 1: Ecdis mandatory for newbuilding cargoships (> 10,000 gt).

2015 Jul 1: Ecdis mandatory existing tankers (>3,000 gt)

2013 Jan 1: EEDI becomes mandatory for newbuildings. Benchmark set.

2015 Jan 1: SOx ECA limits sulphur in fuel drops from 1.0% to 0.1% (SOx in emissions should be equivalent if post combustion exhaust gas cleaning technology is used)

2020 Jan 1: Potential start of market-based measure to further curb CO2 emissions from shipping (and contribute to the UNFCCC initiated climate

2013 Jan 1: US ballast water requirements start for newbuildings.

2013 Jan 1: Ship Energy Efficiency Management plan and EEDI comes into force.

2013 Aug 1: Maritime Labour Convention.

2017 Jul 1: Ecdis mandatory existing cargo vessels (20,000 gt to 50,000 gt)

2020 Jan 1: Sulphur in fuels global limit drops from 3.5% to 0.5% (2018 survey pending)

Source : Lloyd's List.
ECDIS=Electronic chart Display and Information system, EEDI=Energy Efficiency Design index

The competition has changed

E&A

Propulsion

Gas Systems

4-stroke medium speed

SHIP POWER

Flow Systems

Local pumps makers

MARIC

Major Shipyards

Ship Design

2-stroke

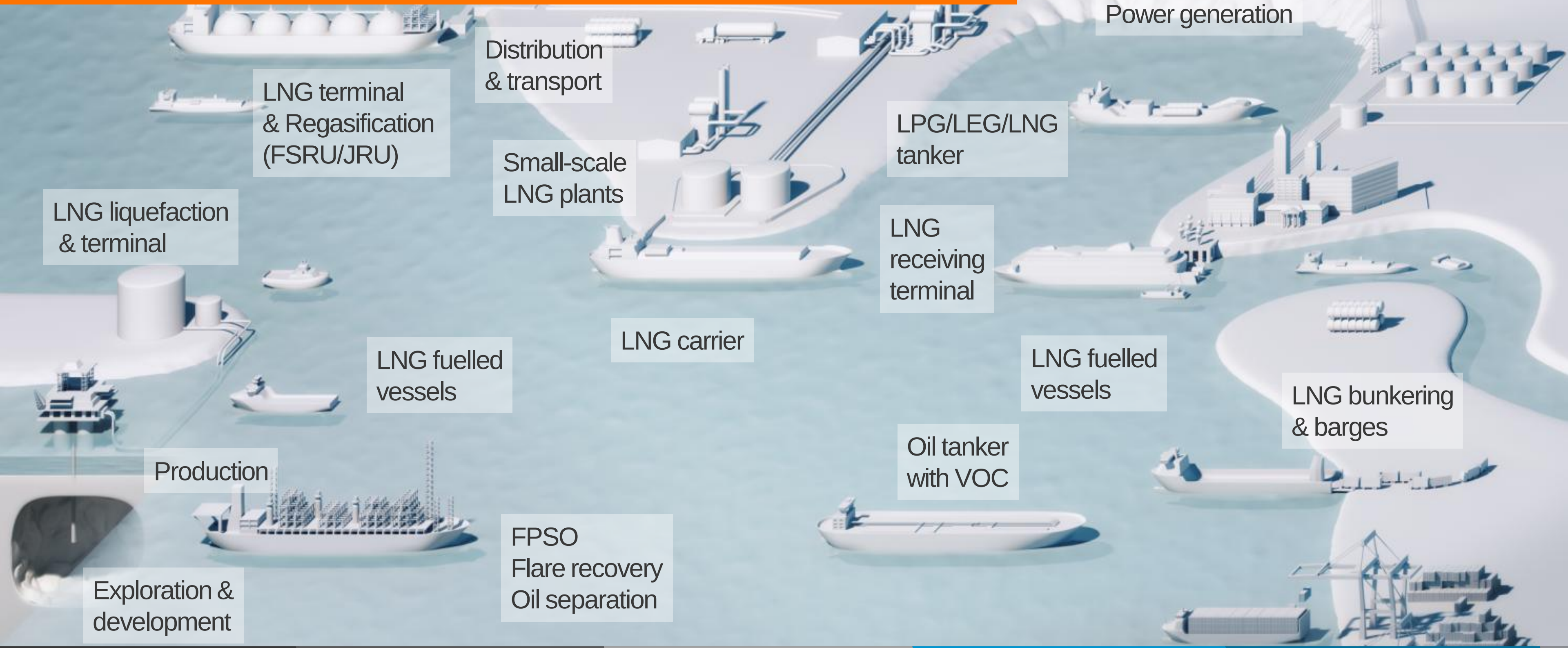
Environ-mental solutions

EGCS

IGS

BWMS

Our expertise in the gas value chain



Exploration & Drilling	Production & liquefaction	Transport & storage	Receiving terminals & regasification	Distribution & transport to the users
• LNG fuel gas systems for OSVs	• On- & Offshore small scale liquefaction • Antiflaring/VOC • Oil separation • Gas FPSO	• LNG fuel gas systems • LPG, LEG & LNG cargo handling	• Jetty & Floating regasification • Bunkering & barges • Receiving terminals	• Gas/LNG distribution/logistics • Feed gas to Power plants

WÄRTSILÄ

Clear leadership in dual-fuel applications

Power Plants

DF Power Plant
- 67 installations
- 354 engines
- Output 4600 MW
- Online since1997

Merchant

LNGC
- 141 vessels
- 567 engines

Multigas Carrier
- 5 vessels
- 20 engines

Conversion
- 1 Chem. Tanker

Ro-Ro
- 2 vessels
- 8 engines

Offshore

OSV's
- 31 vessels
- 96 engines

Production
- 2 platform
- 9 FPSO's
- 1 FSO
- 40 engines

Cruise and Ferry

LNG Cruise ferry
- 1 vessels
- 4 engines
- Complete gas train

LNG ferries
- 5 ferries
- 20 engines
- Complete gas train

Navy

Coastal Patrol
- DF-propulsion
- DF main and auxiliary engines

Others

TUG
- 2 vessel
- 2 engines each
- Mechanical drive

Guide Ship
- 1 vessel /engine

IWW
- 2 vessel
- 3 engines

→ 6 segments → > 1'000 engines → > 9'000'000 running hours

R & D

2S DualFuel engines

New 4S engine portfolio

Wärtsilä 3C

New generation X engines

Medium voltage power drive

LNGPac™ ISO

WST – 45U

BWMS aquarius

EGC

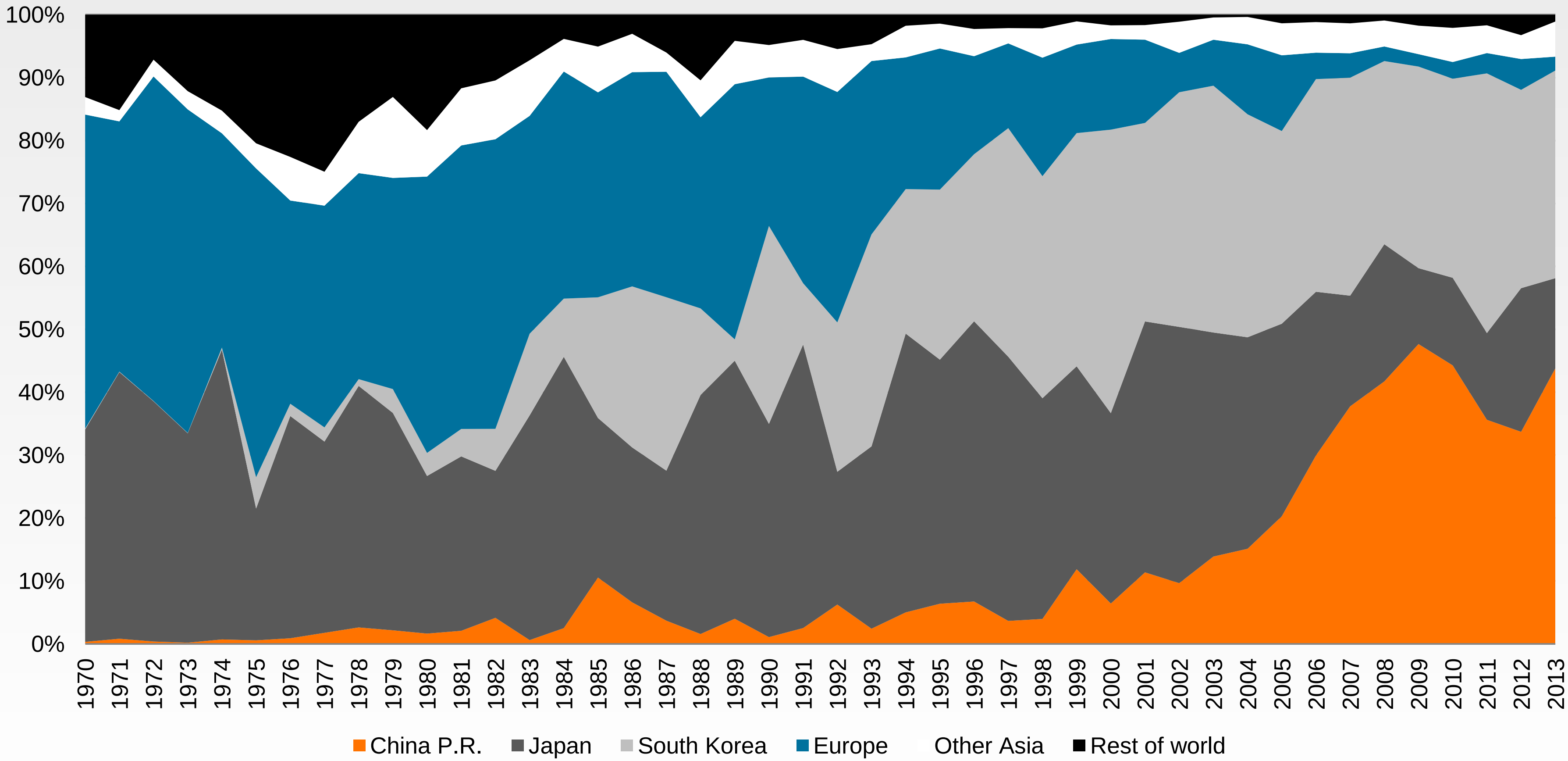
Gas reformer

System Integration at its best Evergas

Shipping outlook

Shipbuilding has moved to Asia
China has gained the top merchant builder position

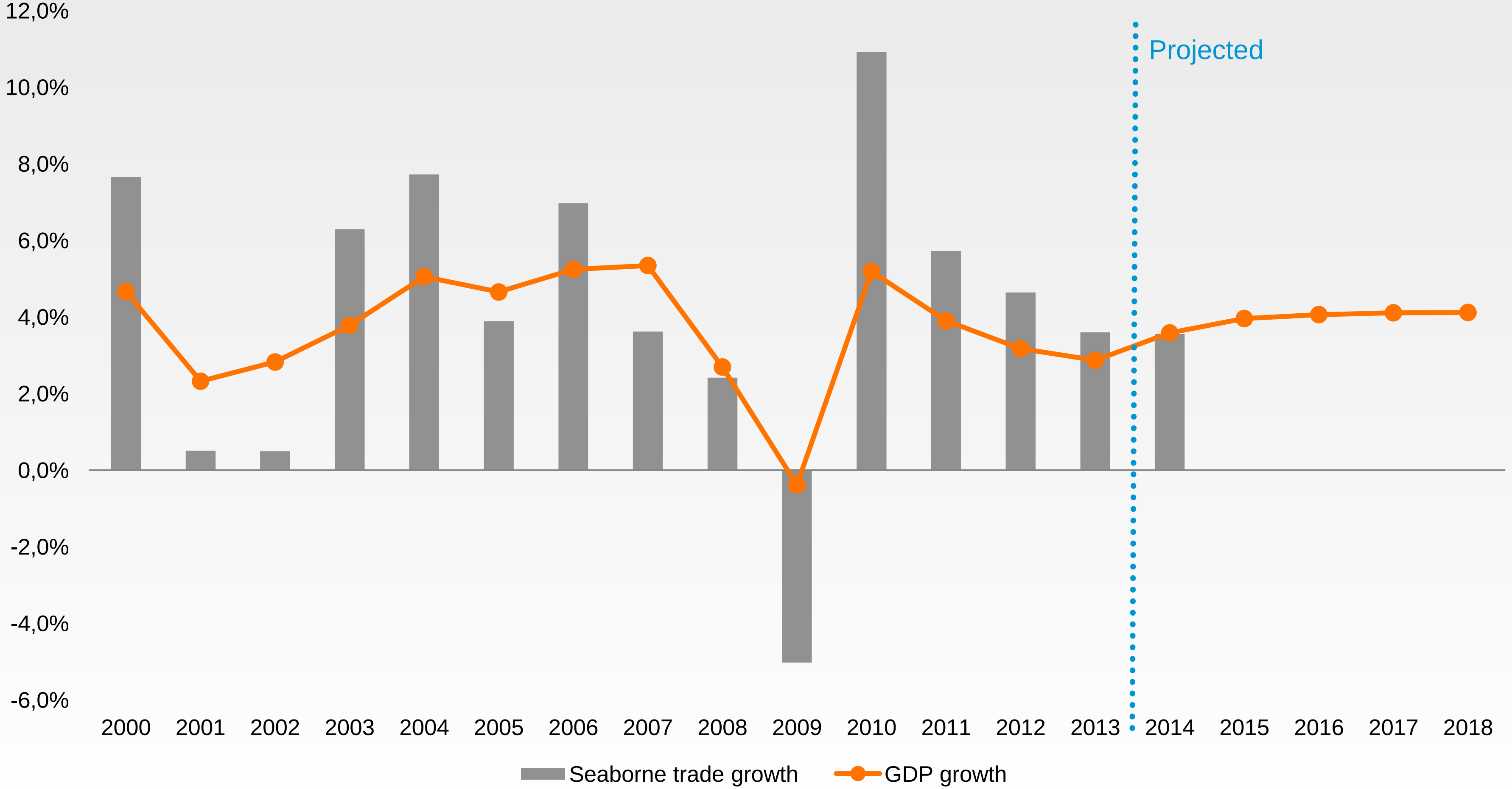
Contracting volumes - Share by region (GT)



In 2012, Chinese yards won back some of the contracting share they lost to South Korea in 2011. This continued in 2013.

Source: Clarkson Research Services

Shipping and shipbuilding demand depends on global economy



Political and economic issues continue to limit growth in the short-term. The global economic outlook for the medium- to long-term is more positive due to more robust growth projections for developing economies and the concurrent recovery of western economies.

Source: IMF, Clarkson Research Services

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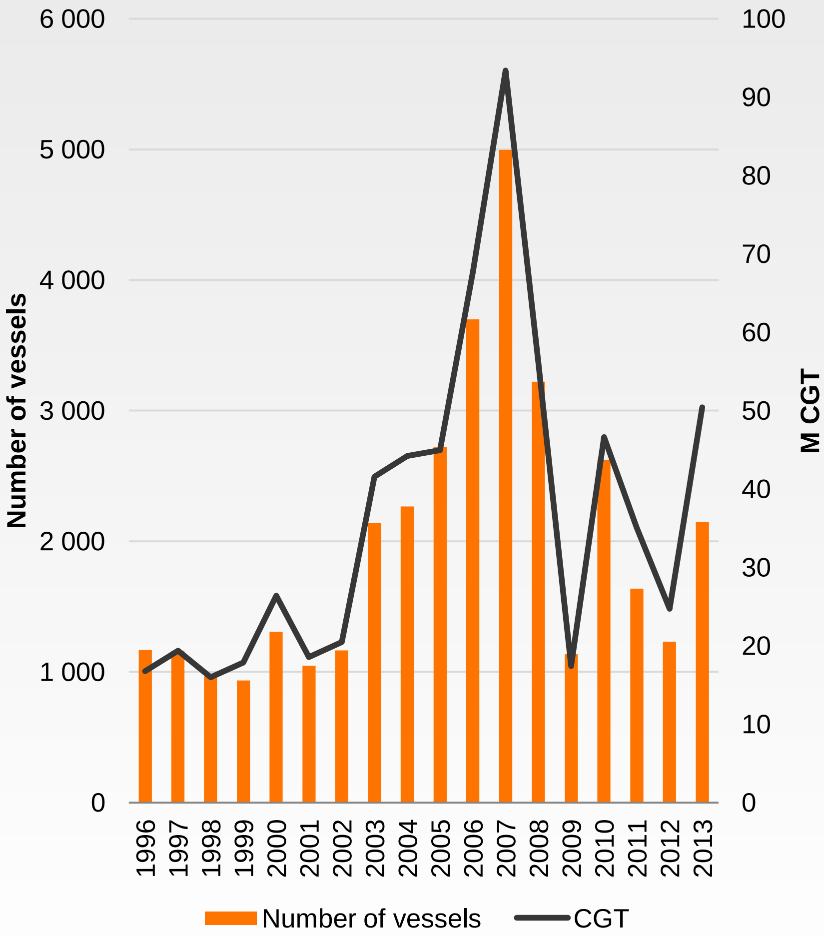
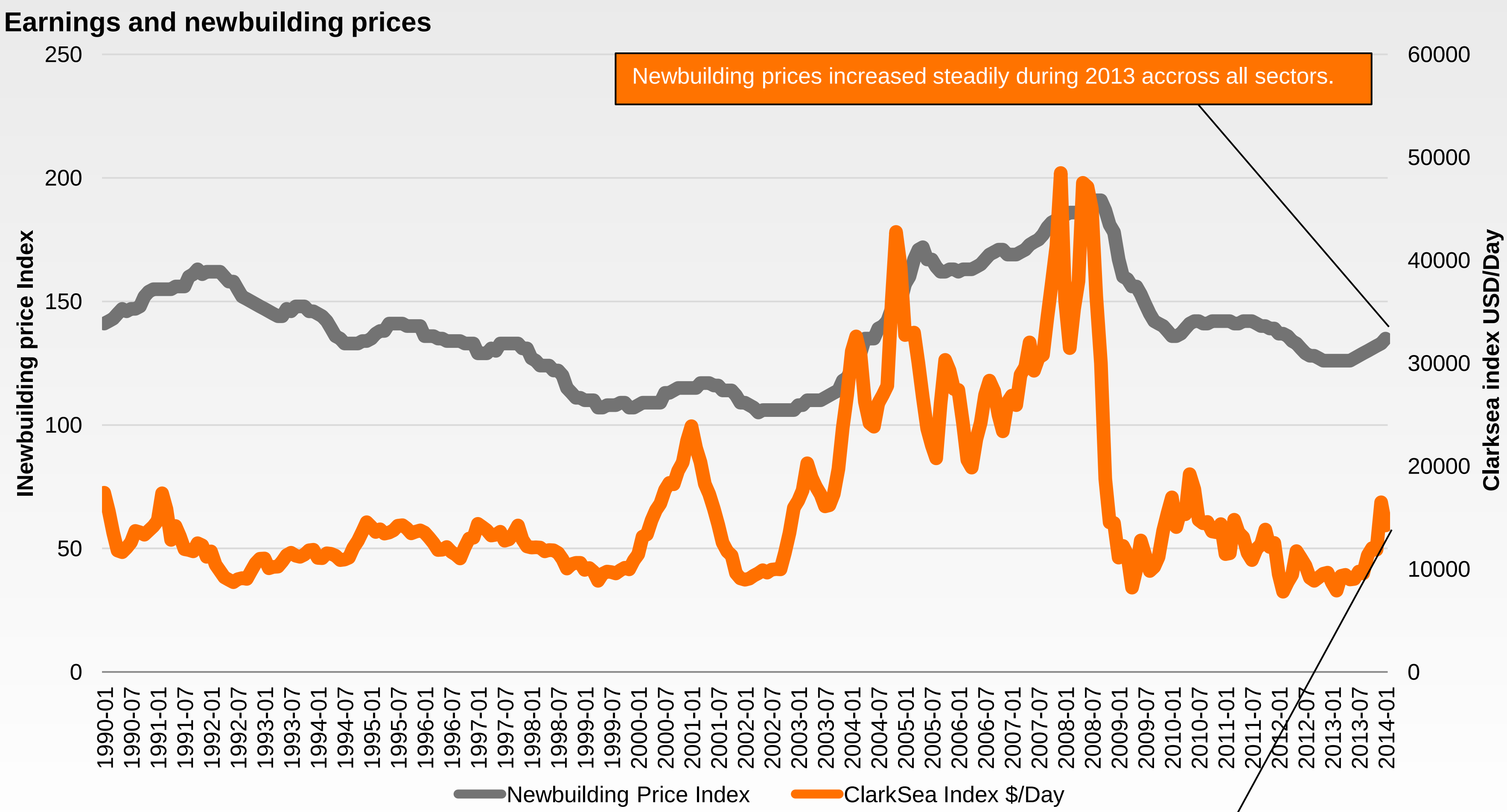
Contracting activity development



Source: Clarkson Research Services

- Contracting activity improved in 2013
- Finance and poor freight markets are clouding recovery
- The contracting product mix has been spread across the various vessel sectors
- Regulations and fuel prices driving towards eco designs and gas as a fuel
  - Accelerated demolition creating additional demand
- High proportion of contracts with options attached in 2013
  - Owners wanted to take advantage of the attractive newbuilding prices in a rising market

Earnings and newbuilding prices



Earnings dropped in January from December highs, however remain in an improved level . VLCC rates fell dramatically during the last week of January bringing average earnings down by 58% w-o-w to $20,387/day.

Source : Clarkson Research Services

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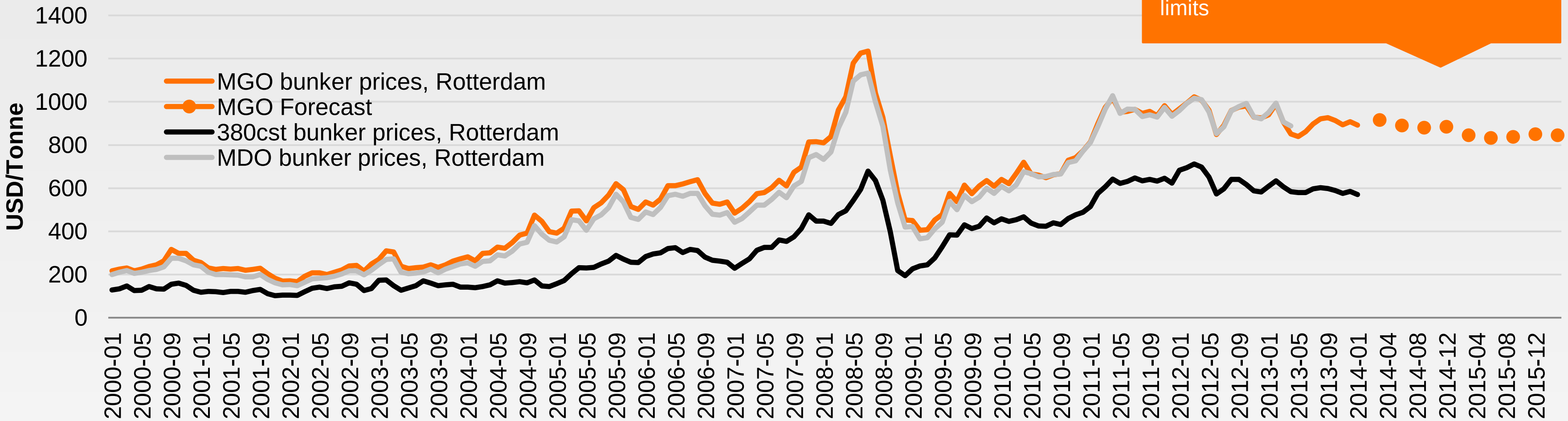
Bunker fuels – Focus on fuel efficiency, regulatory issues

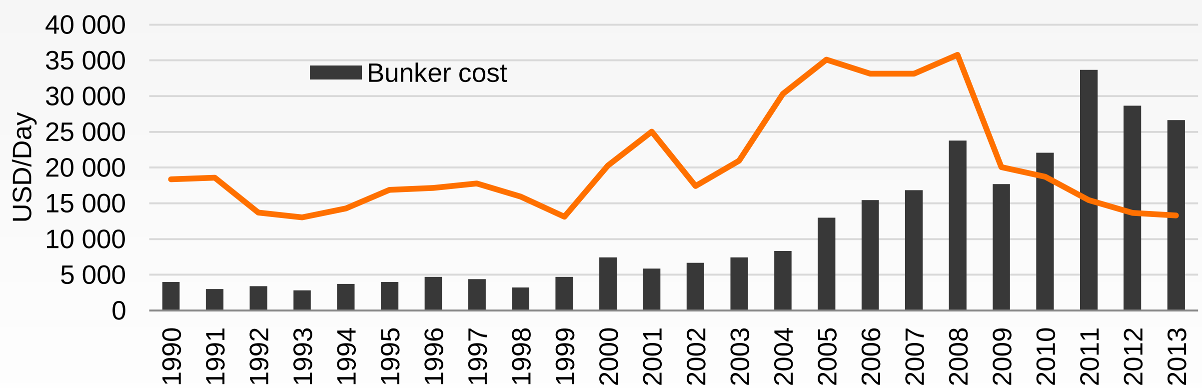
MGO forecasts do not seem to have any response to the upcoming SECA limits



Issues of fuel efficiency and impending environmental regulations are making owners increasingly conscious of more ‘eco’ designs.

In addition the owners may increasingly wish to scrap more inefficient tonnage at an age below the historical norm.

Price of fuel for the ship vs. price of the ship



Source: Clarkson Research Services, Consensus Economics Inc.

Fundamental change in the economics of shipping

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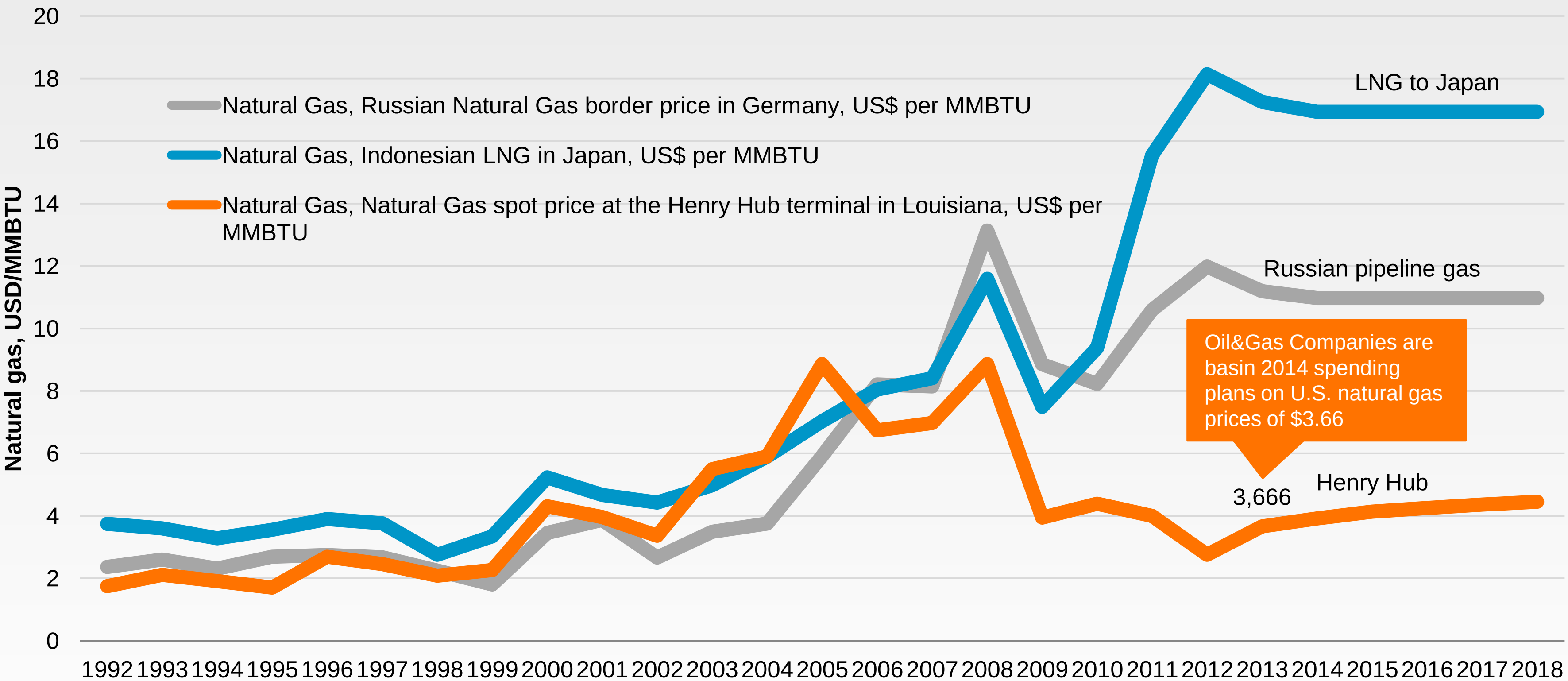
Gas prices

Natural gas price historical and forecast (IMF)



Source : IMF

As LNG gains a more substantial share of the gas market, **it is expected that the traditional oil indexed long term gas transportation contracts are likely to switch to an independent, hub or spot based pricing method.**

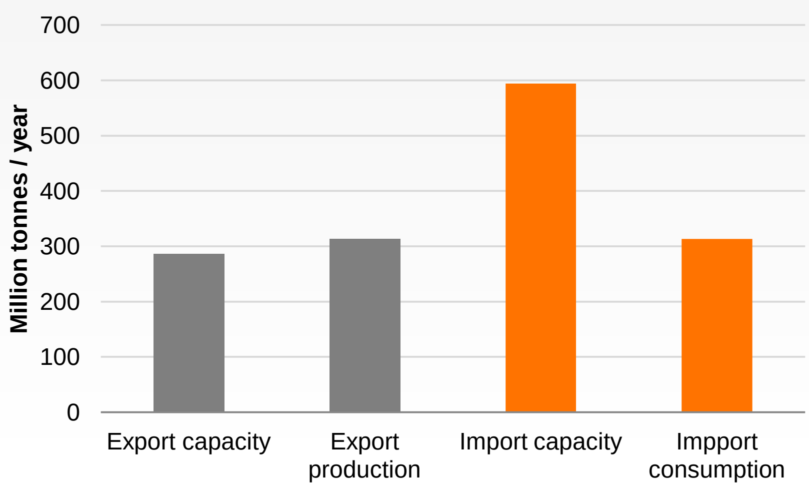
The effects of this movement in the gas markets are **expected to lower gas prices**, as the differential between current oil and gas prices increases and individual gas futures markets help to mitigate risks associated with the spot market, increasing the attraction of gas as a fuel versus coal and oil.

Offshore outlook

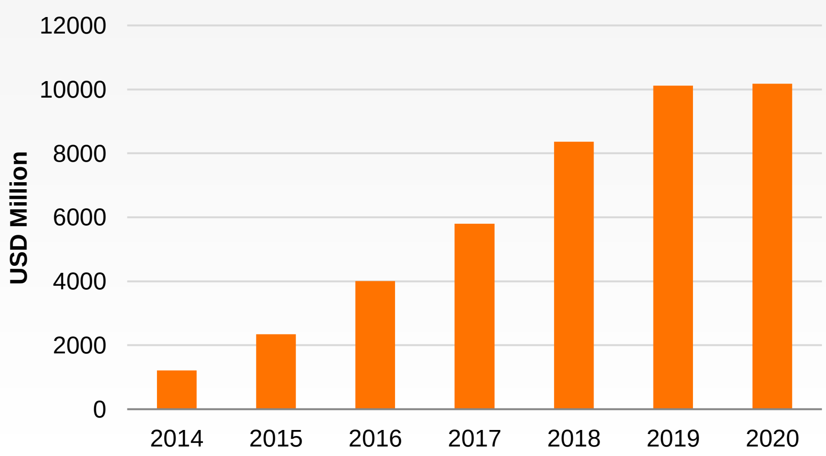
Strong growth in LNG supply and demand

- Natural gas is becoming an increasingly popular fuel for power generation offering a relatively safe (compared to nuclear); cheap (compared to oil); and clean (compared to coal) energy source.
- Demand for natural gas to increase by 55% over the next 20 years
- 30% of global gas imports are via LNG
- Lack of new LNG export capacity limited trade in 2012 and 2013
- Growth supply in recent years driven by Middle East, demand driven by Asia
- Significant project delays and cost overruns
- Large Australian projects coming online
- Potential future supply from Russia, US shale gas, W & E Africa & Mediterranean
- CAPEX on FLNG expected to increase significantly
- Asia will dominate FLNG regas projects as domestic gas demand grows.

Wordl LNG exports and imports 2012

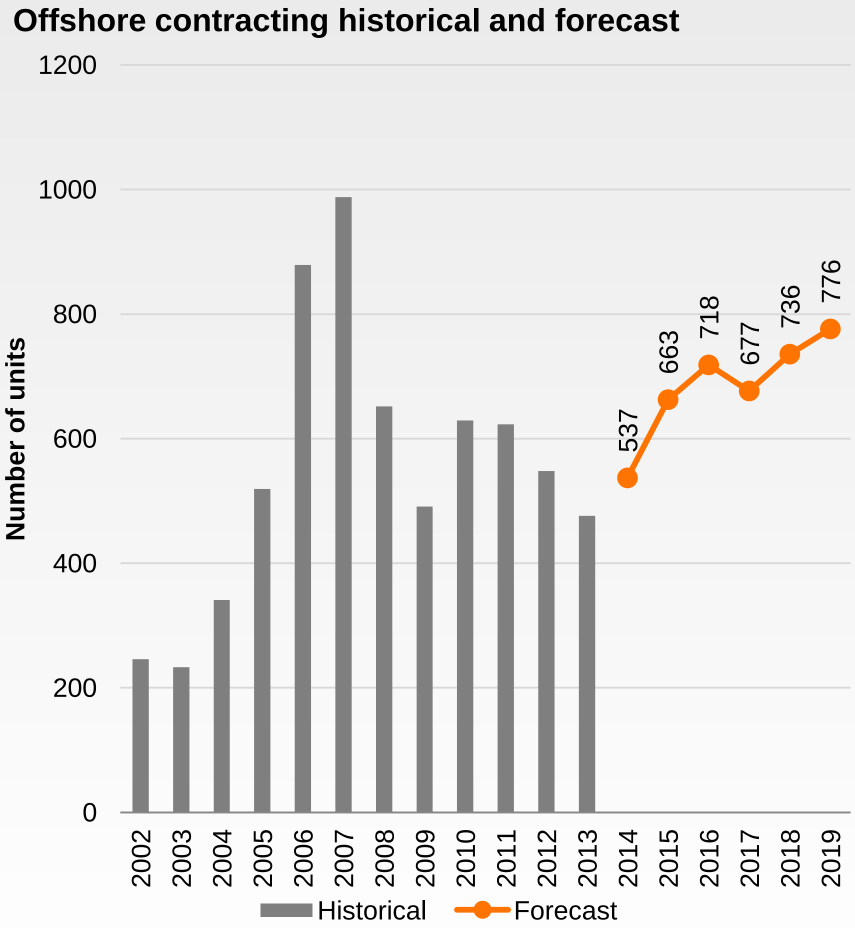


CAPEX on FLNG Liquefaction vessels



Source: Douglas-Westwood, Petroleum Economist, SP BI

Offshore contracting outlook

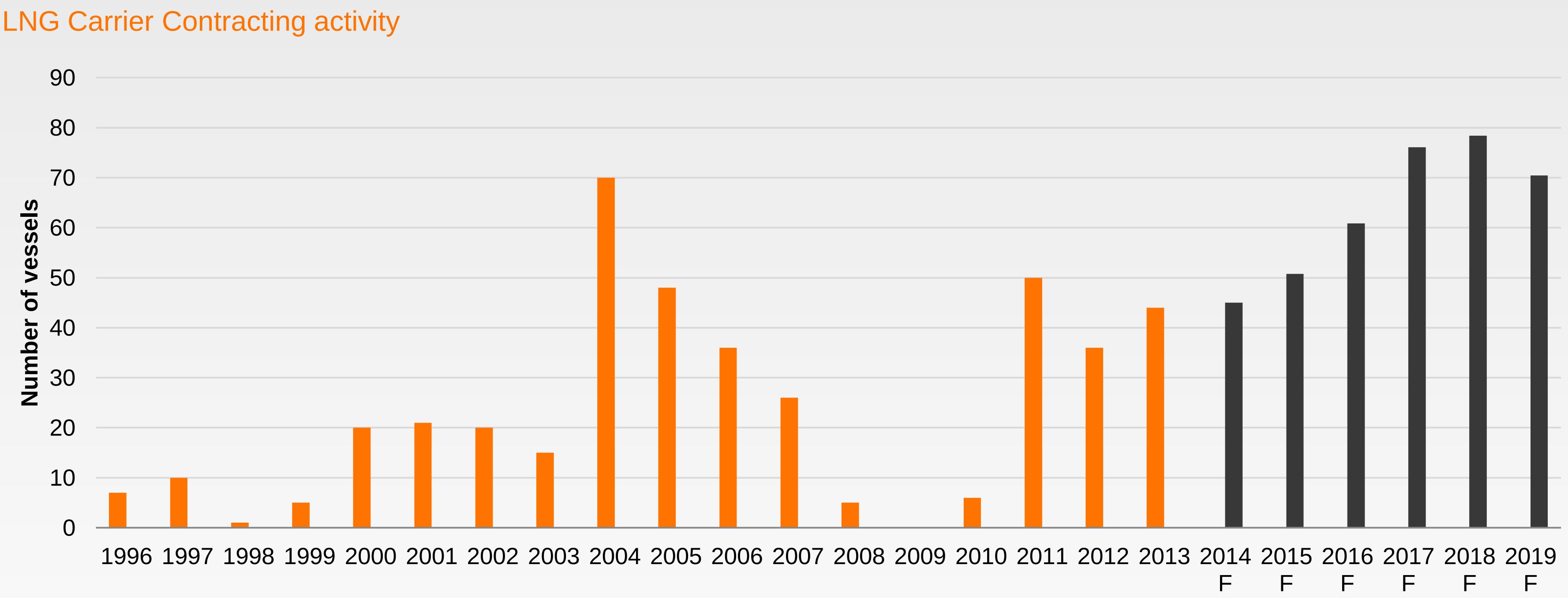


Source : Clarkson Research Services, OFC September 2013

- The offshore oil and gas industry is recognised as a key growth area for the future of oil production and fleet growth. Whilst some oil producing areas are in long term decline, this has only encouraged exploration in less conventional areas, resulting in a need for more specialised and technologically advanced structures.
- The long-term forecast requirement for structures engaged in the offshore oil and gas business is based upon analysis and modelling of future fields coming online.
- Offshore mobile contracting is expected to total 537 in 2014, slightly up from 2013.
- Long-term projections suggest an average of 661 contracts p.a. (2013-2019) compared to an average of 589 p.a. (2008-2012).
- Despite the supplyside growth in the OSV and rig sectors, demand is still expected to increase significantly, leading to further contracting in these sectors.
- The expectation for offshore supply-side expansion is supported by the future field developments, notably by those in the deep water.

Contracting update

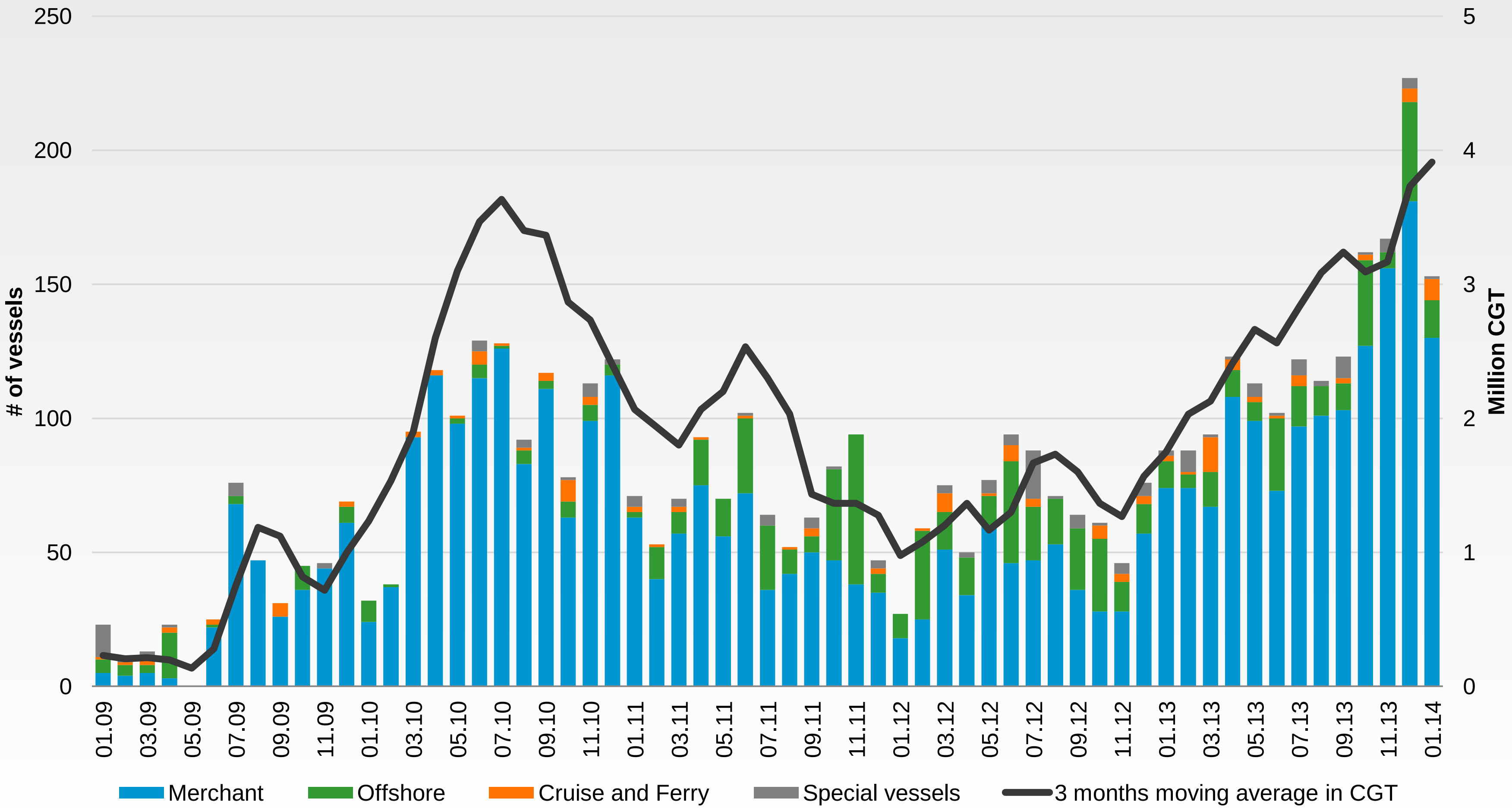
LNG Carriers



- Medium- and long-term new build potential are promising - long liquefaction and regasification project list
- Short term overcapacity - export project delays
- Closure of nuclear plants and environmental issues associated with coal use in Asia and Europe bring good news to LNG market

Source: Clarkson Research Services, SP BI

Contracting Activity Development – All vessels



Source: Clarkson Research Services, Contracting activity as per 3rd of February 2014

Thank you!

www.wartsila.com