WÄRTSILÄ CORPORATION

Citi Global Industrials Conference

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VESA RIIHIMÄKI

GROUP VICE PRESIDENT, POWER PLANTS

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This is Wärtsilä

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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.

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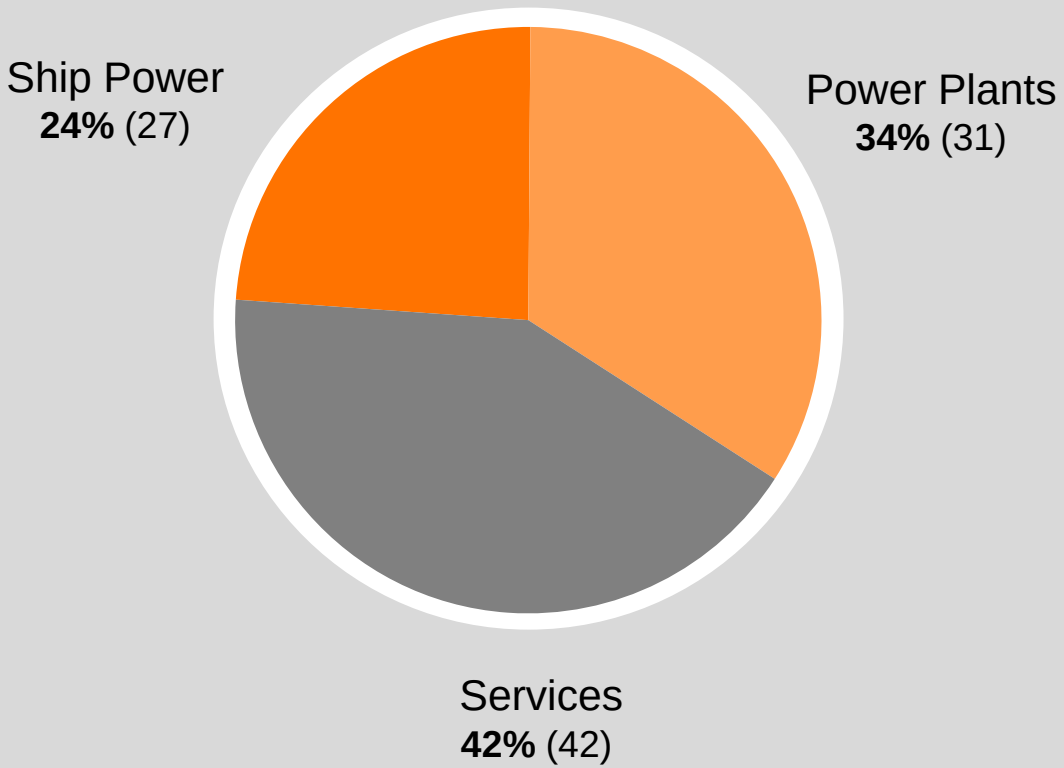
Net sales by business 1-6/2011



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Our offering covers all key shipping segments

Merchant	Offshore	Cruise and Ferry	Navy	Special Vessels
				

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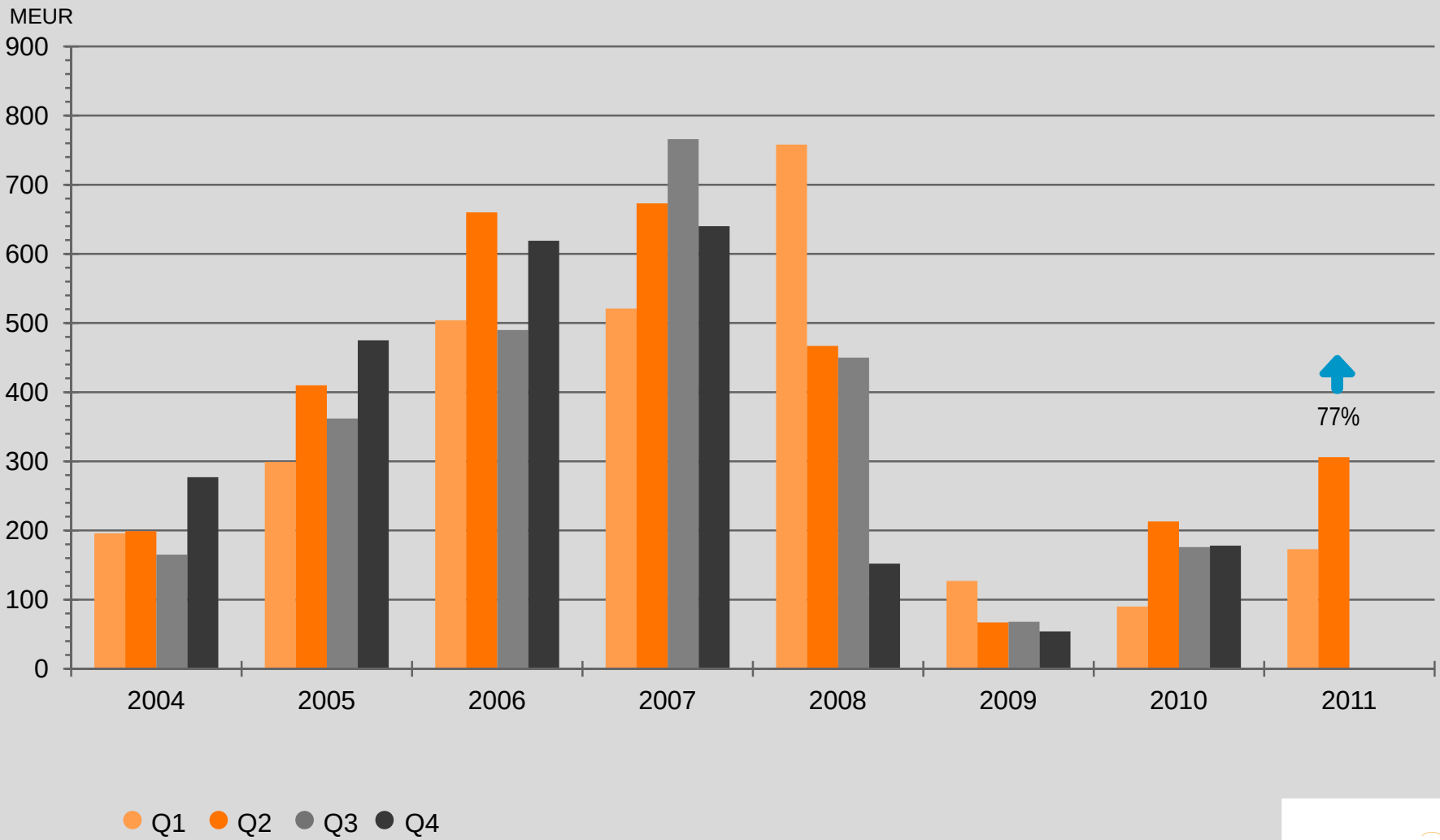
Ship Power quarterly order intake



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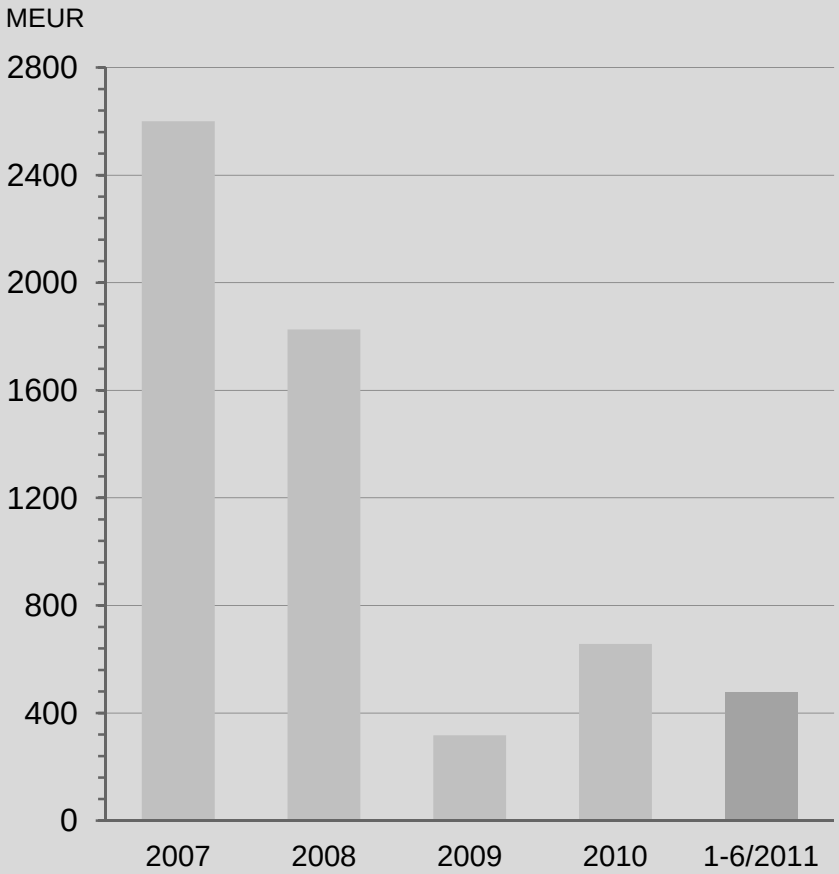
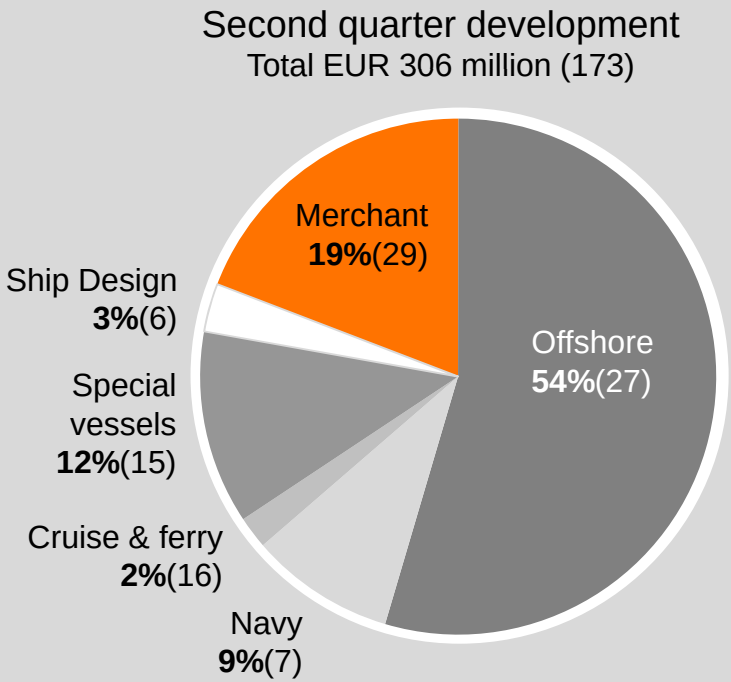
Ship Power order intake by segment





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

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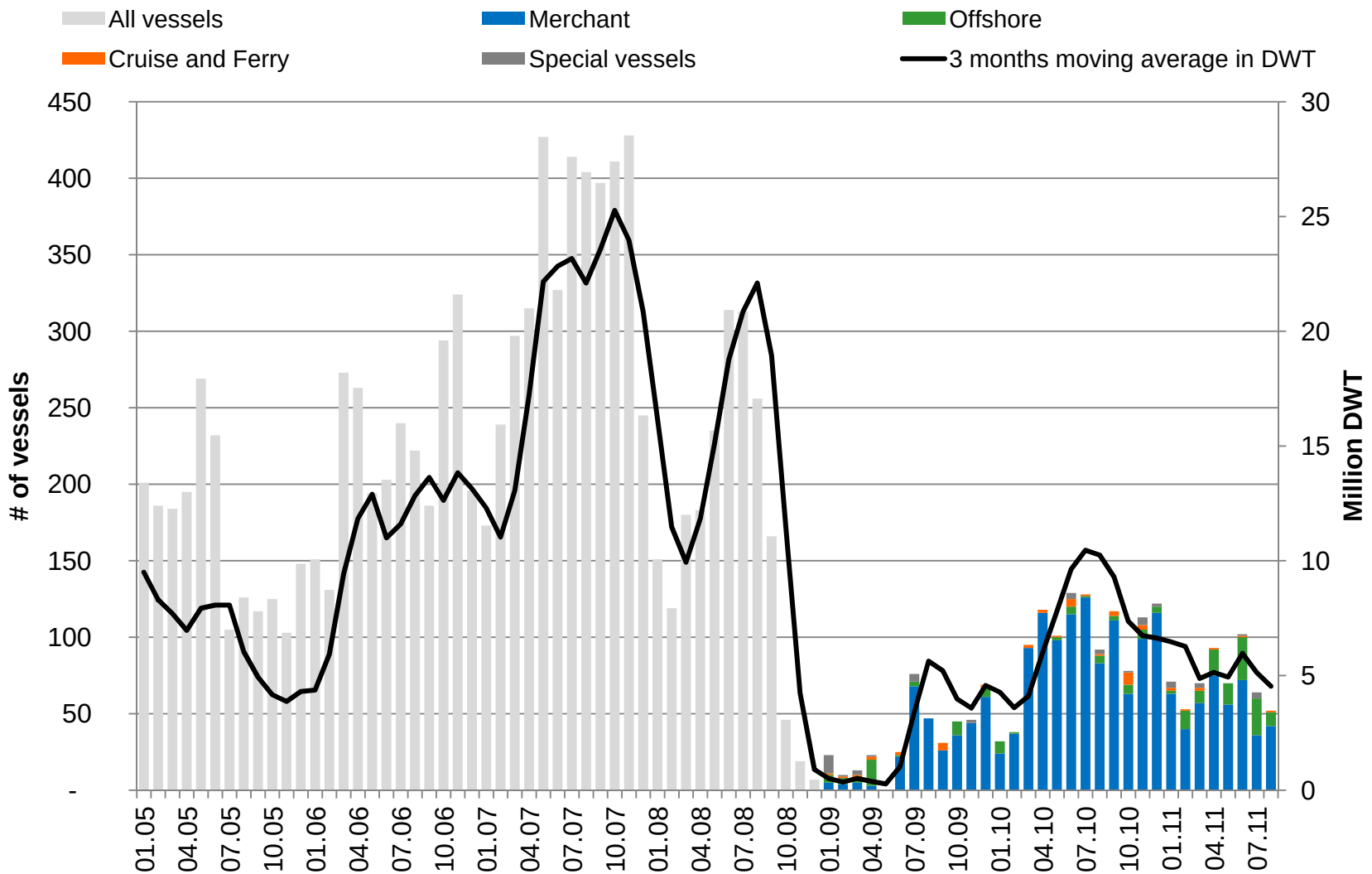
Ship Power market
Contracting activity



Source: Clarkson Research Services Limited

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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

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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

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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

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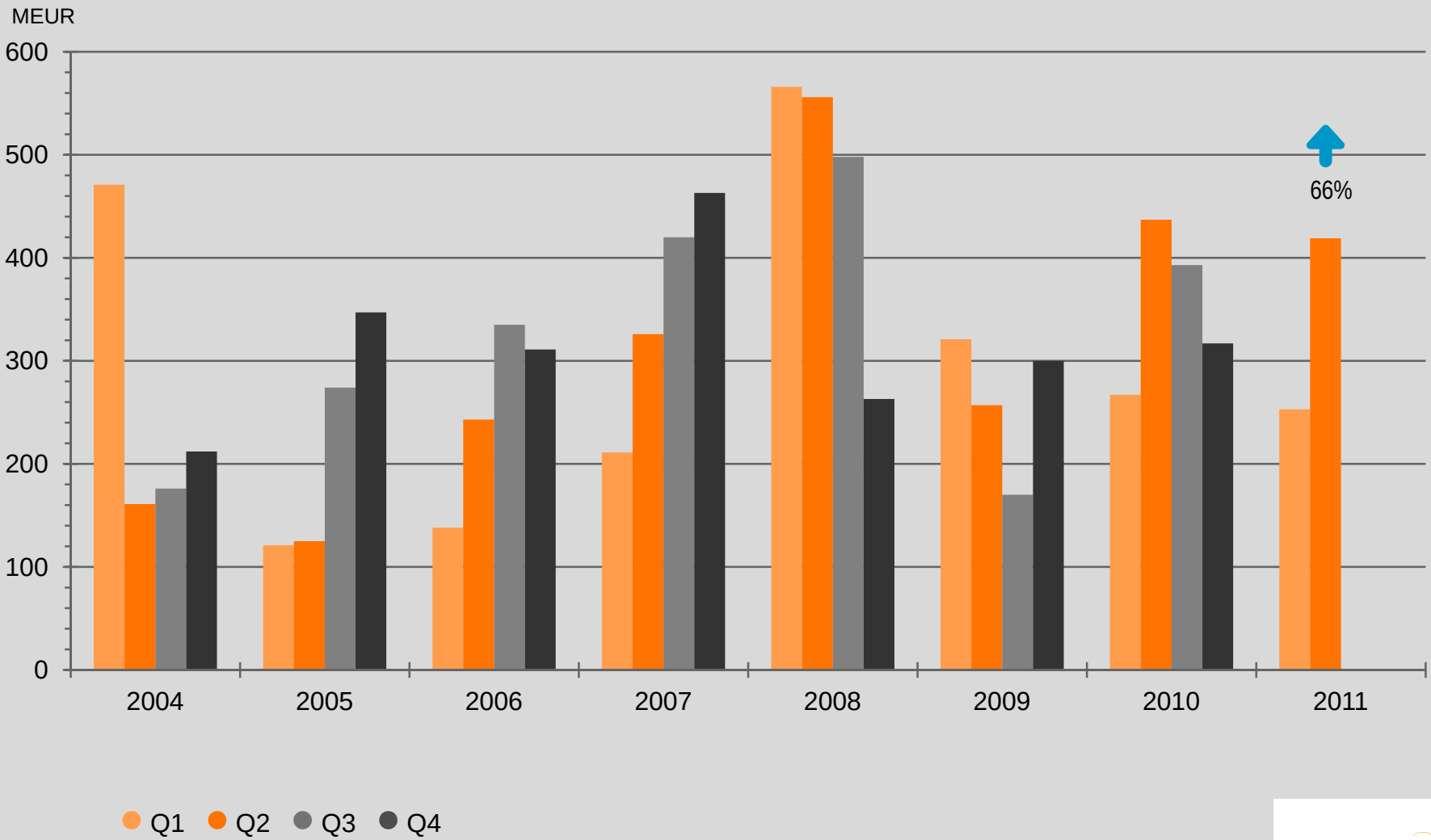
Power Plants quarterly order intake



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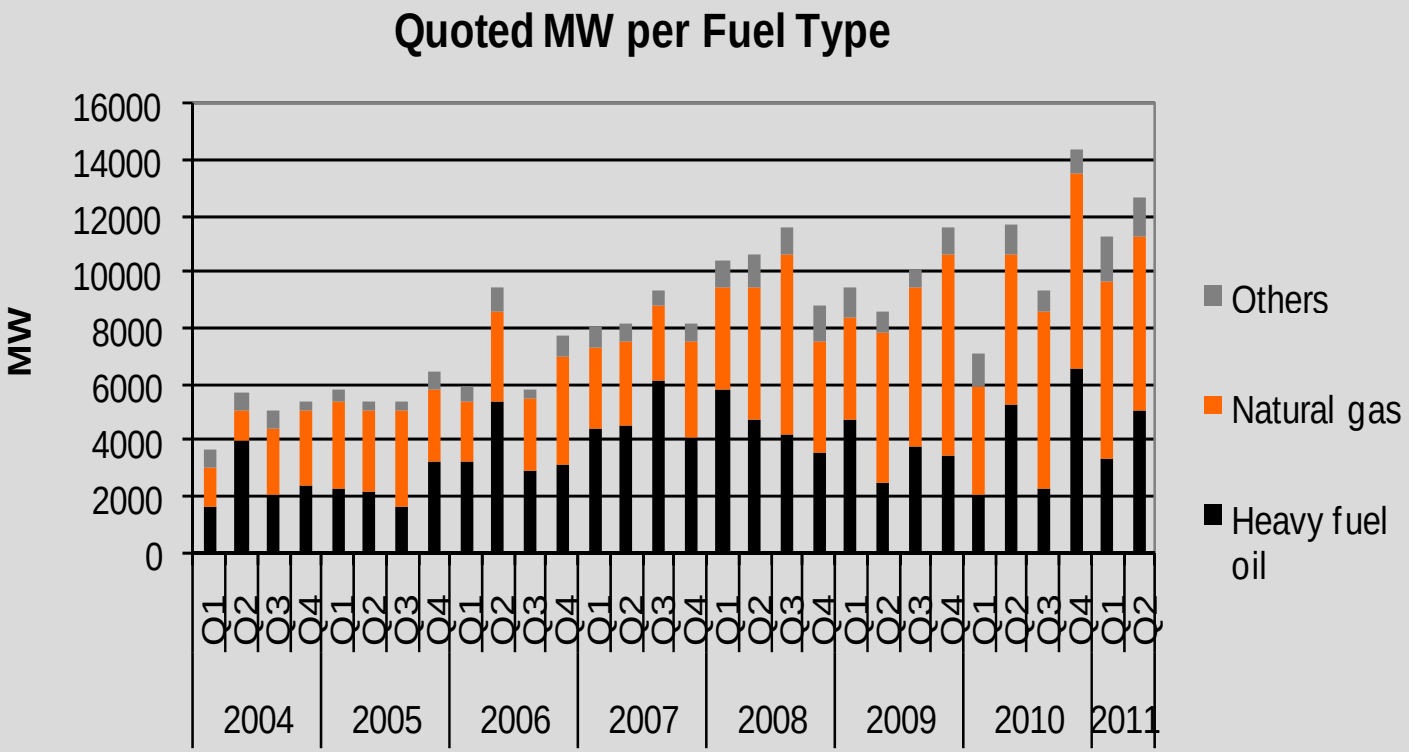
Power Plants - Markets remain solid



Share of natural gas is consistently increasing

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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

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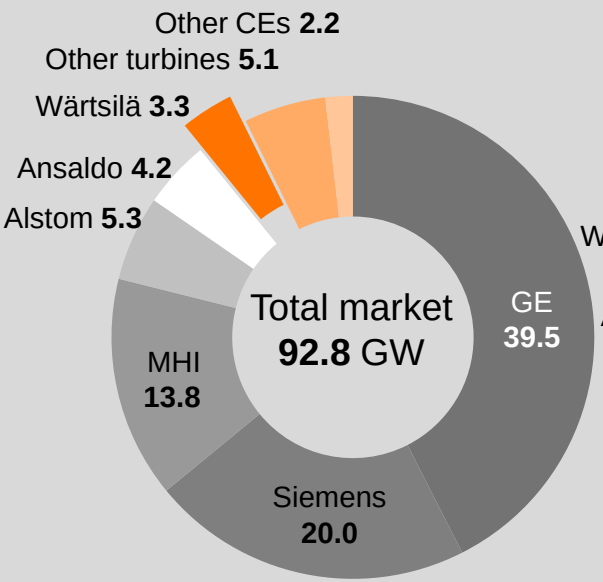
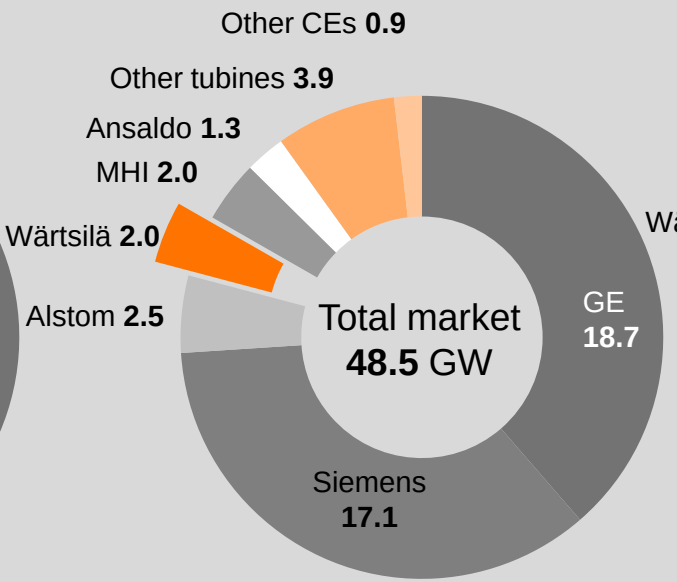
Power Plants market
Gas turbine and engine manufacturers

2008



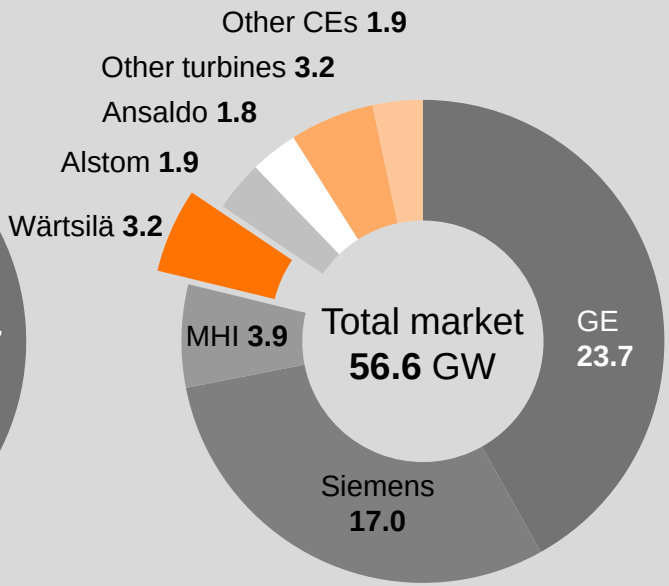
Wärtsilä's market share 3.6%

2009



Wärtsilä's market share 4.1%

2010



Wärtsilä's market share 5.6%

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.

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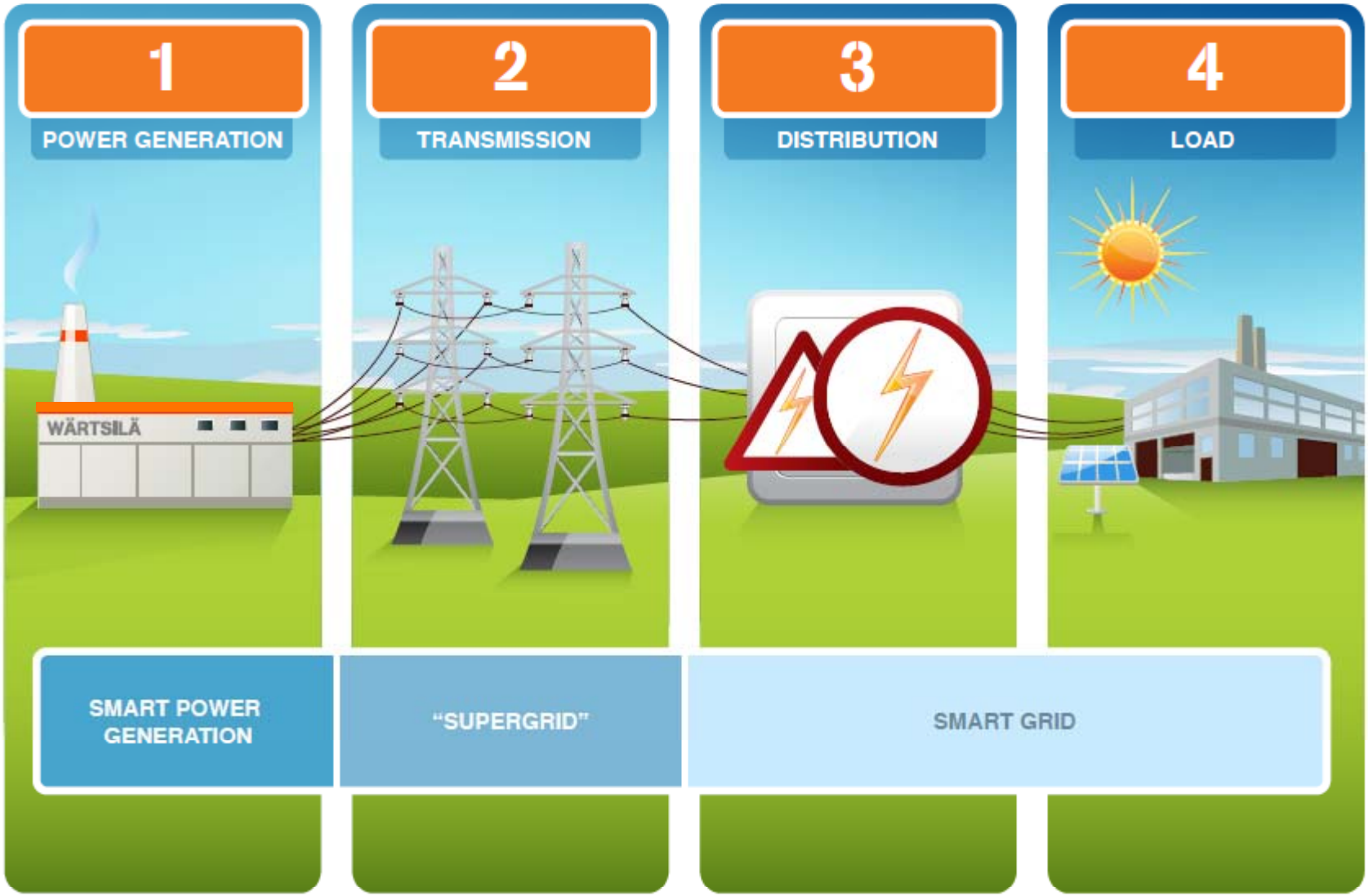
Smart Power System



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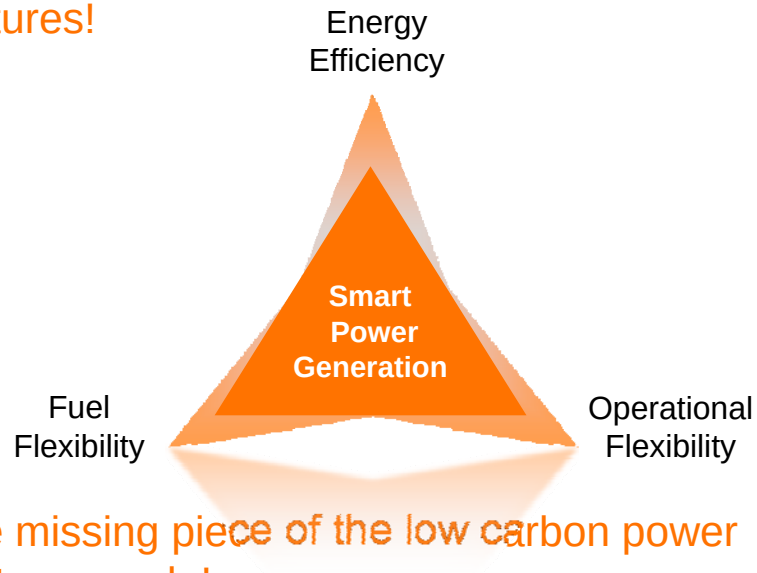
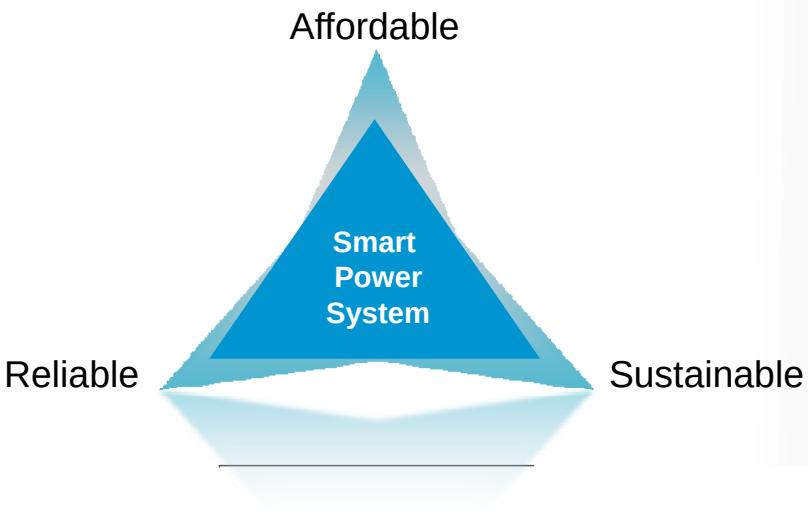
Smart Power Generation

1) All in One! A unique combination of valuable features!



2) The missing piece of the low carbon power system puzzle!



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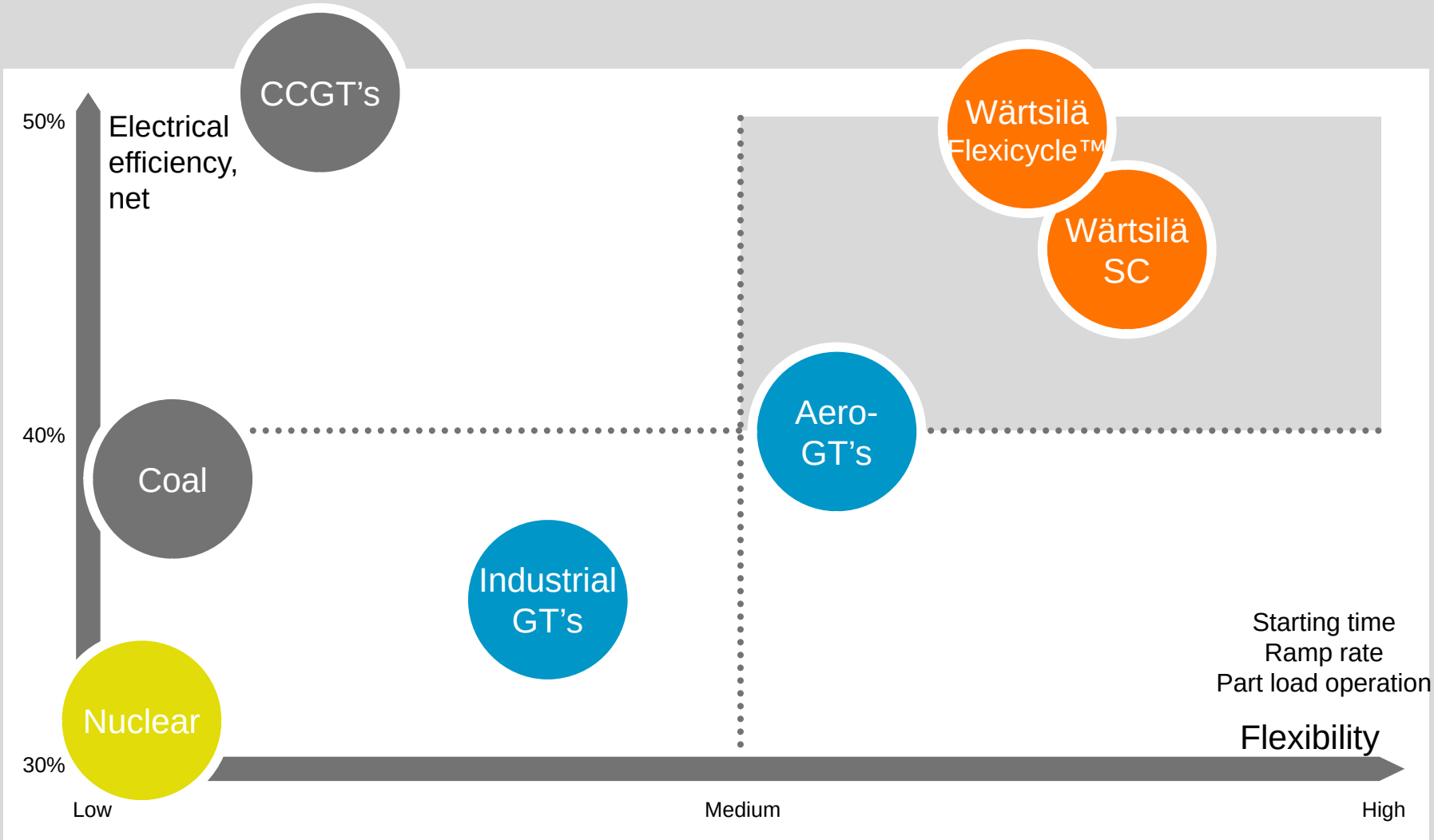
Operational flexibility vs. electrical efficiency



Steam Power Plants Simple Cycle Combustion Engines

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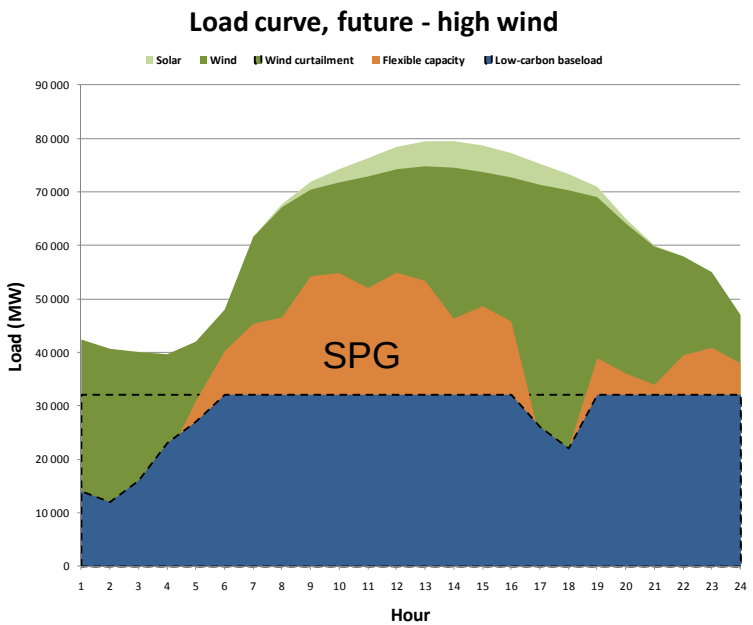
Benefits to power systems

Smart Power System

- 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



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Smart Power Generation: Elering

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

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All in one features

Smart Power Generation

- **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 CO_2 and local emissions even when ramping and on part load
- **Fast track delivery**
  - 12-15 months full EPC

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Technology comparison

	Electrical efficiency full load, %	Typical plant size, MW	Normal starting time to full load, minutes	Dynamic capabilities	CO_2, g/kWh
Nuclear	31-33	1000 - 2000	>2000	Poor	-
Coal	33-45	300 - 4000	>180	Poor	820 - 1050
CCGT gas	50-57	200 - 1500	80	Not good	370
SPG Gas engine	46	10 - 500	5-10	Excellent	430
Aero GT	33-41	20-300	10-13	Good	500
HDGT	30-35	100-1000	13-30	Decent	560
SPG Flexicycle*	46/50	100-500	10/60 *	Excellent	400

*) Simple cycle / combined cycle

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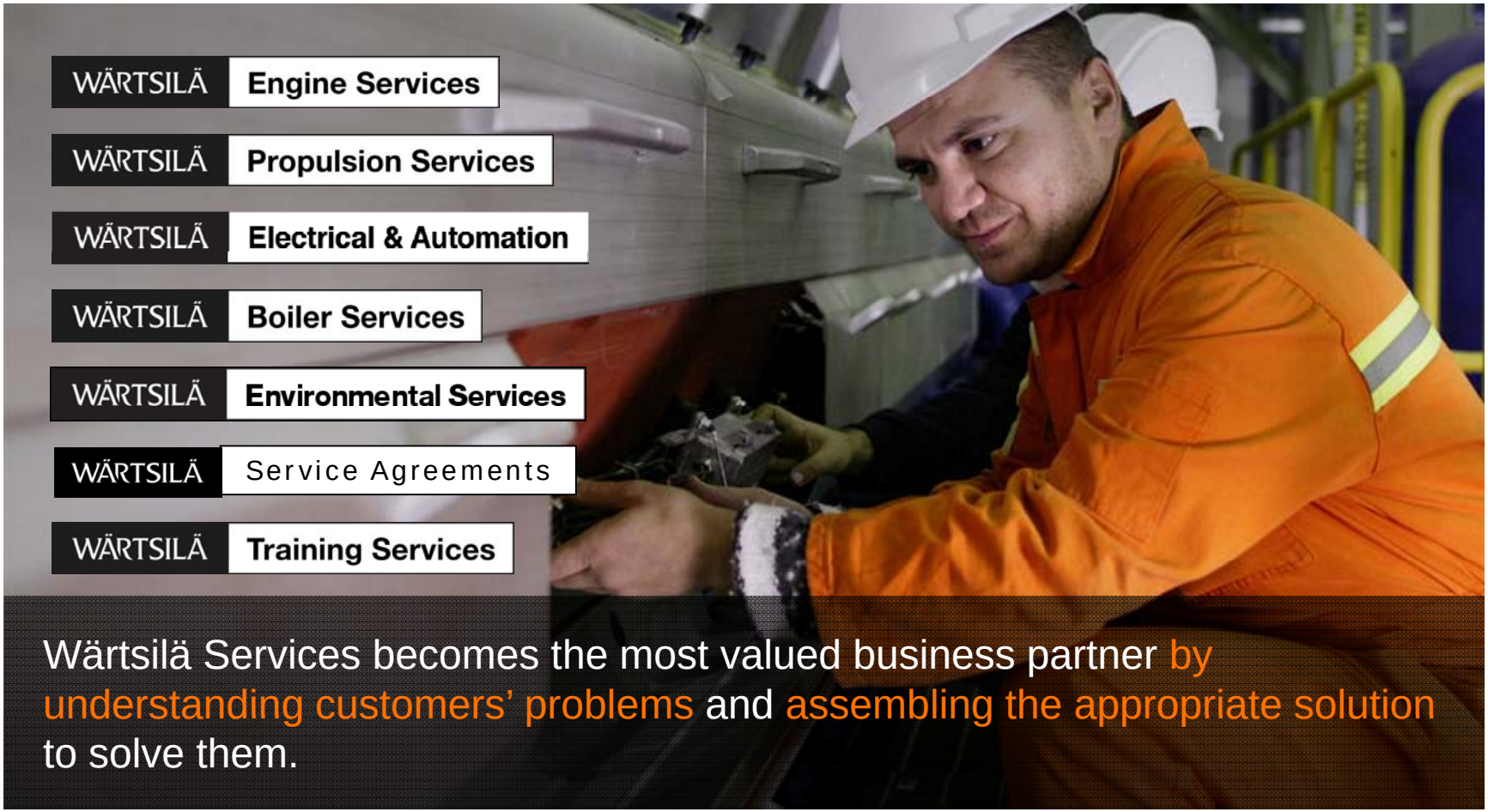
Services expertise areas



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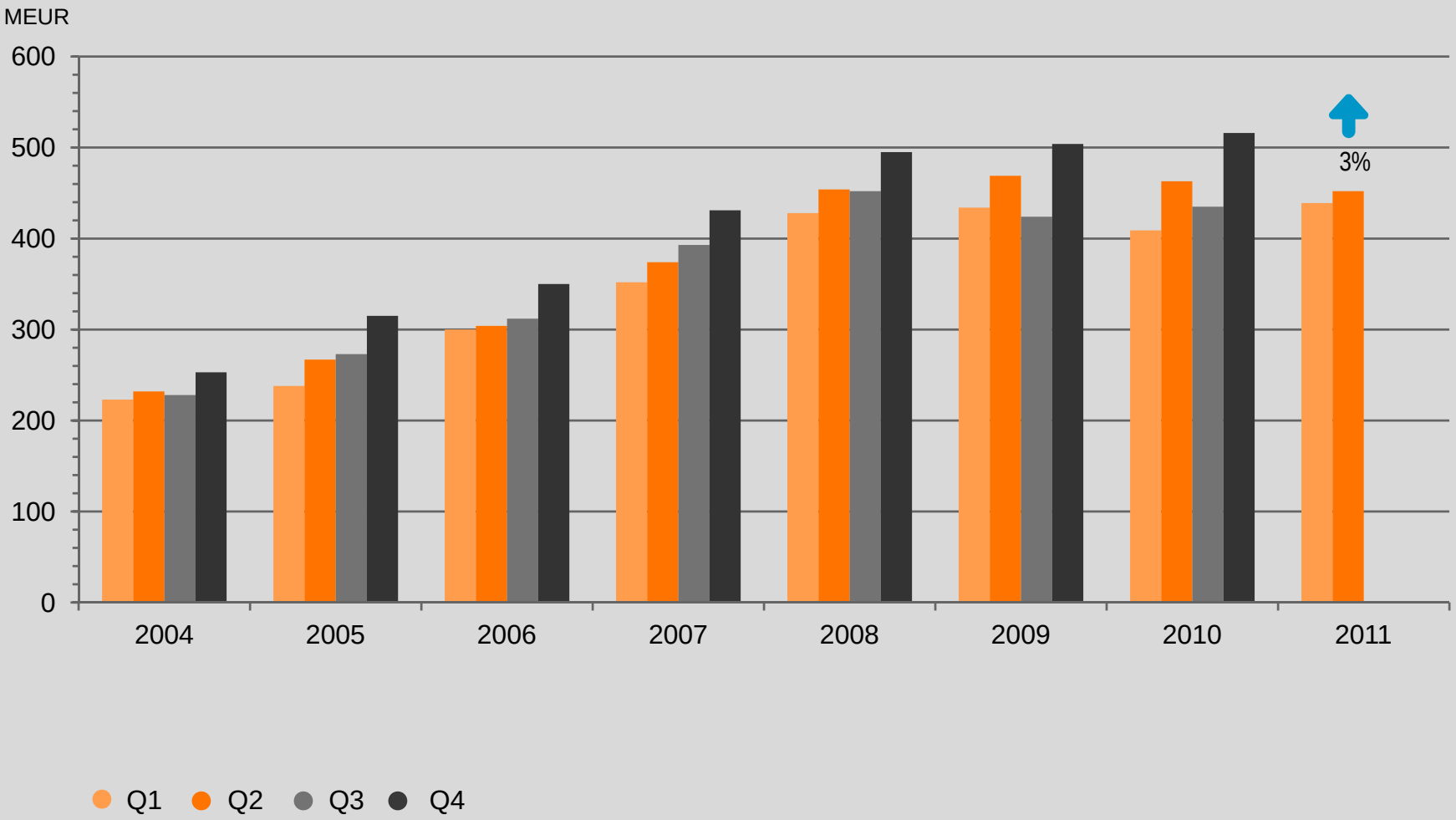
Services - Net sales by quarter



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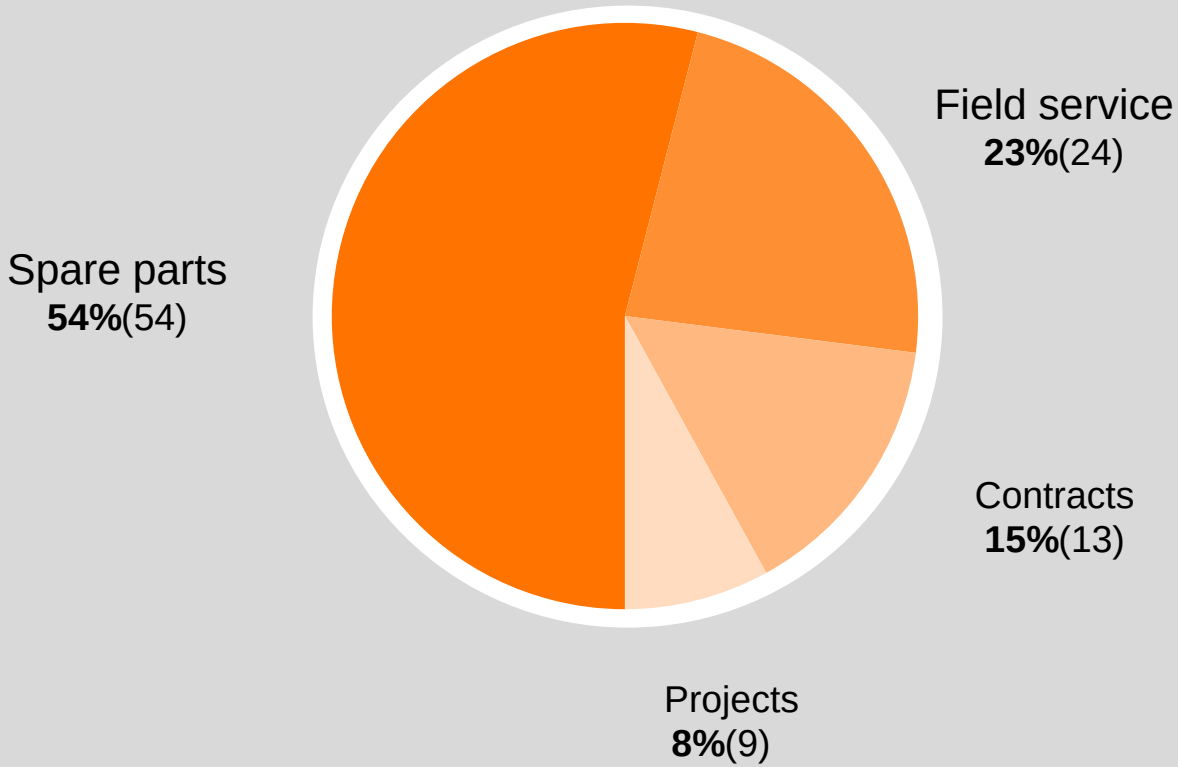
Services net sales distribution 1-6/2011



Numbers in brackets are from 1-6/2010

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Services distribution per business

Net sales distribution

Installed base distribution

Total 178,865 MW

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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

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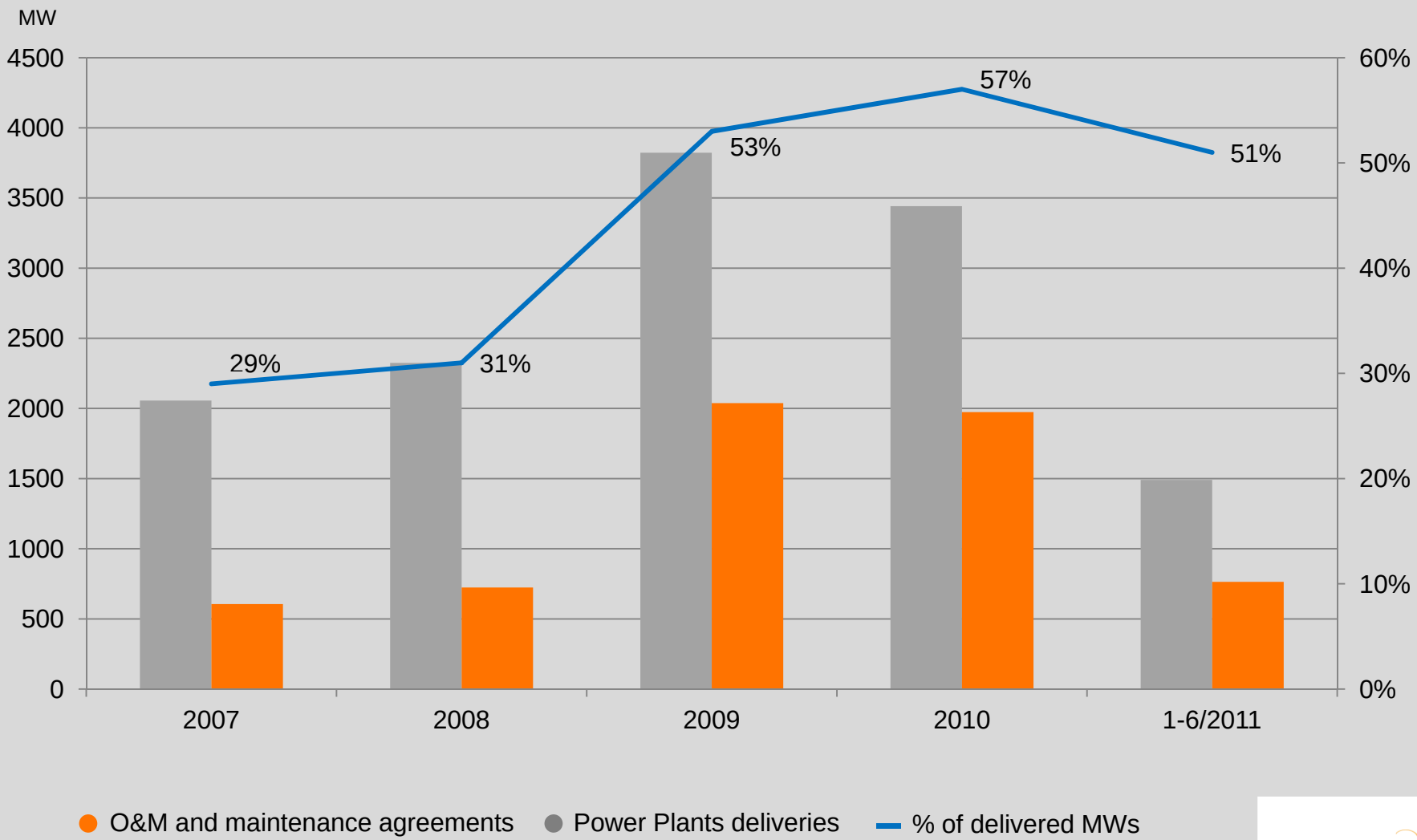
Development of Power Plants service agreements



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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

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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.

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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%.

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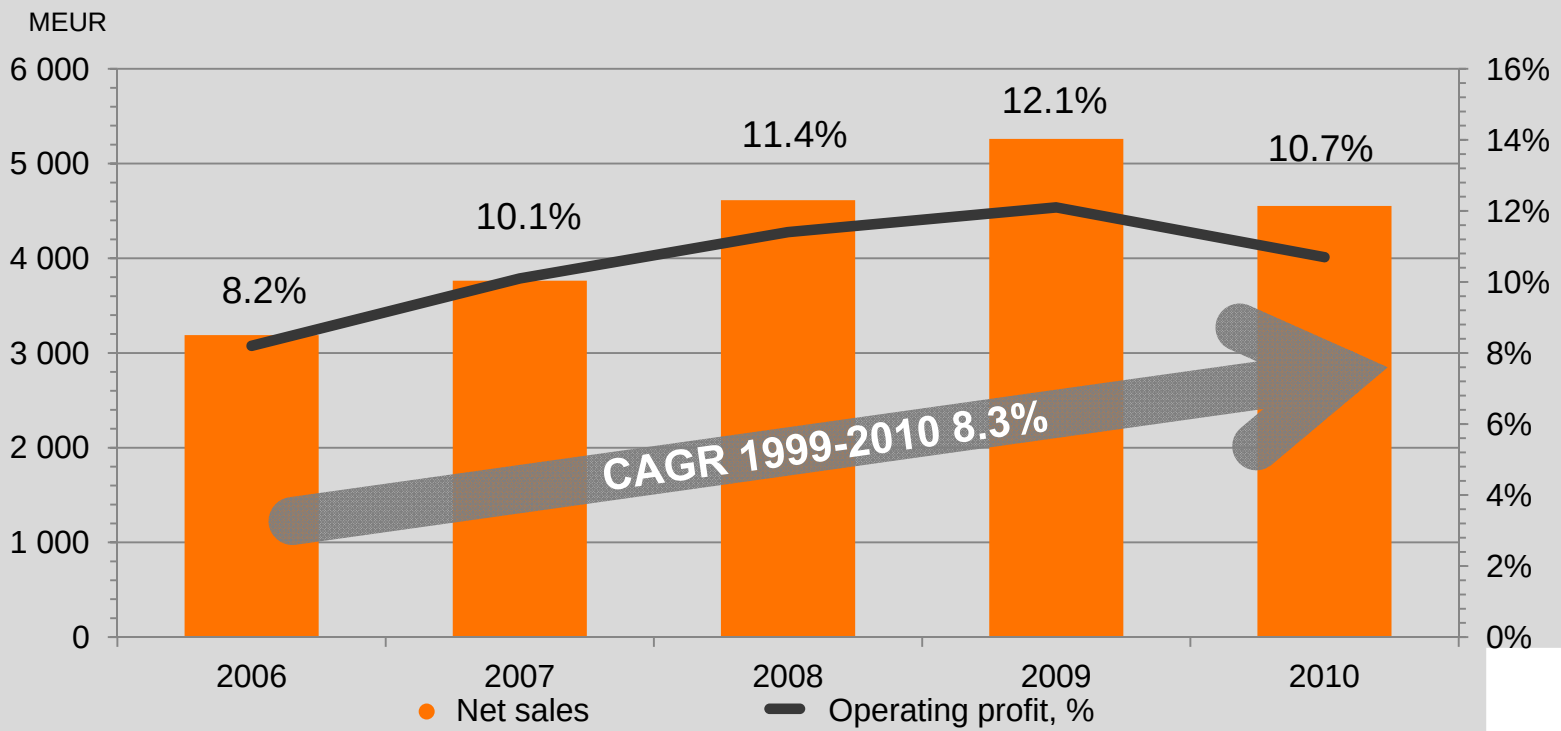
Long-term growth and profitability

- 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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