

# **WÄRTSILÄ CORPORATION**

**Handelsbanken Nordic Large Cap Seminar**

**12 September 2011**

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**GROUP VICE PRESIDENT, SERVICES**



# This is Wärtsilä

SHIP  
POWER

POWER  
PLANTS

SERVICES



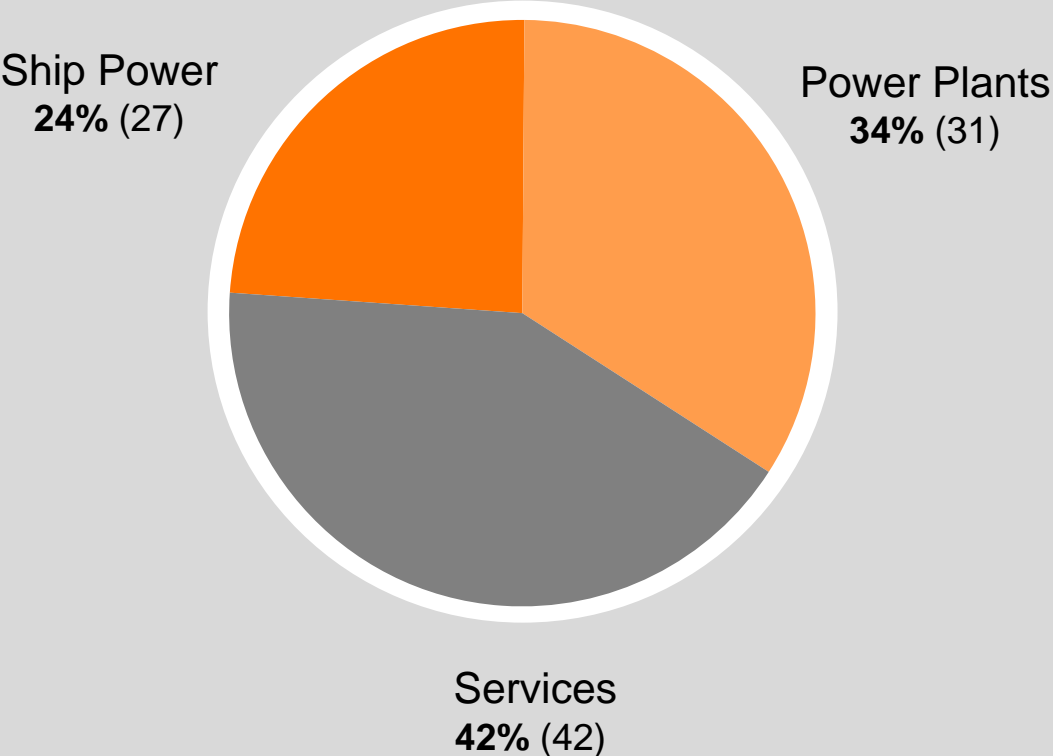
# Q2/11 Highlights



- 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



# Our offering covers all key shipping segments

SHIP POWER

Merchant



Offshore



Cruise  
and Ferry



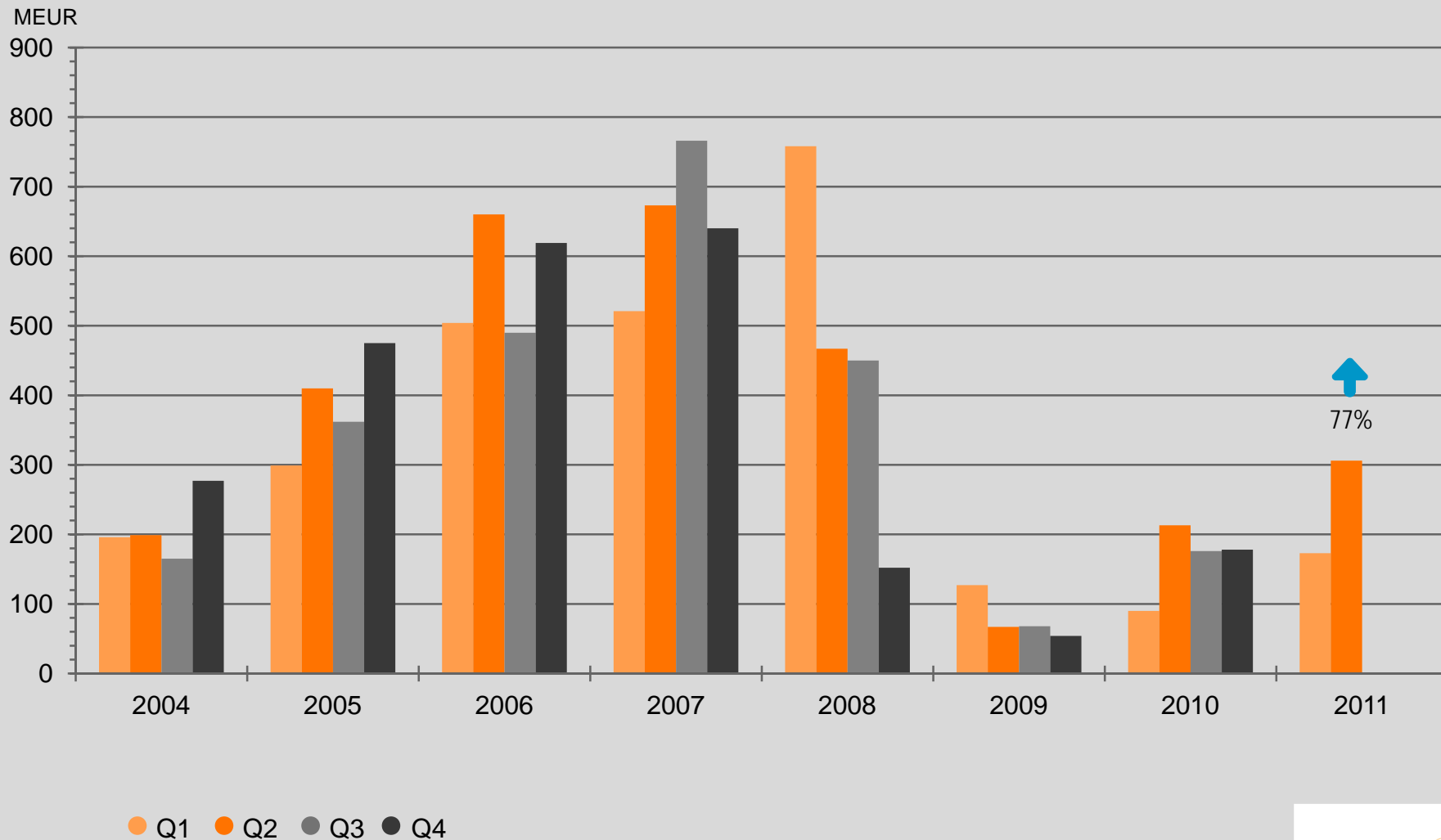
Navy

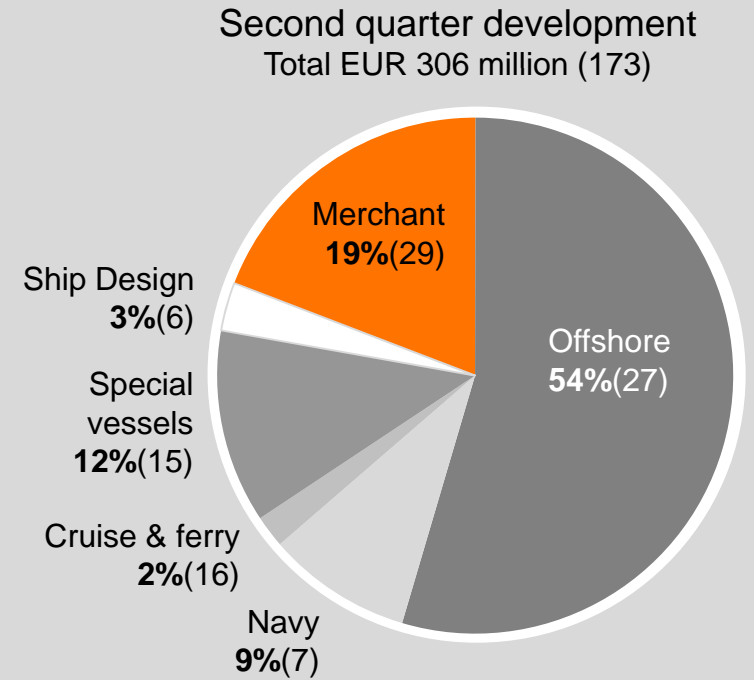
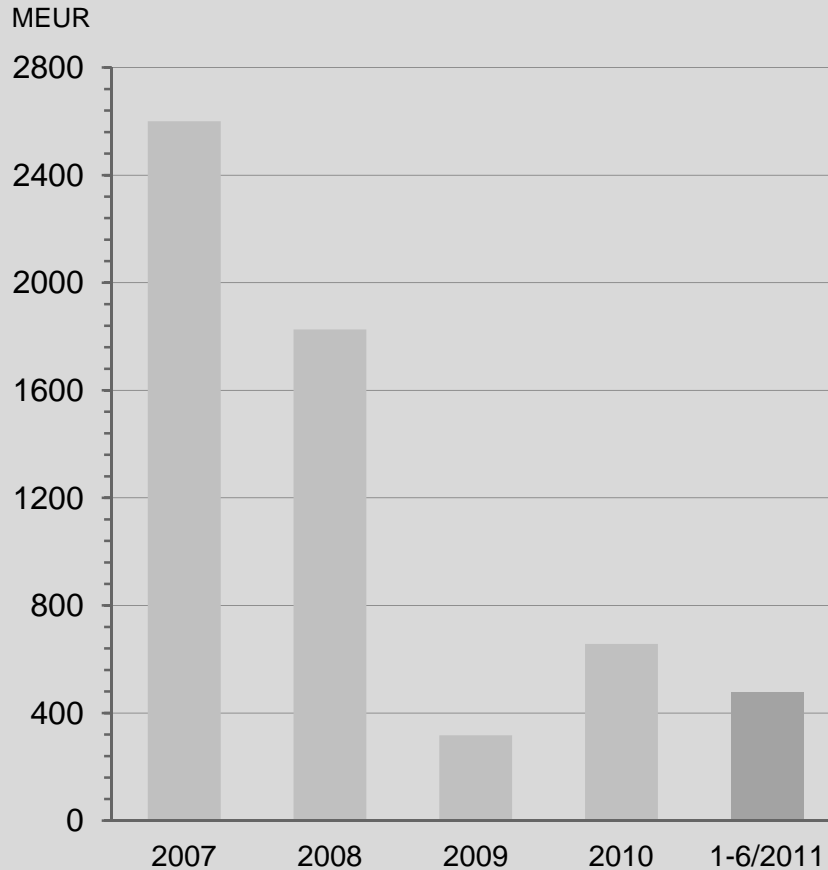


Special  
Vessels



# Ship Power quarterly order intake

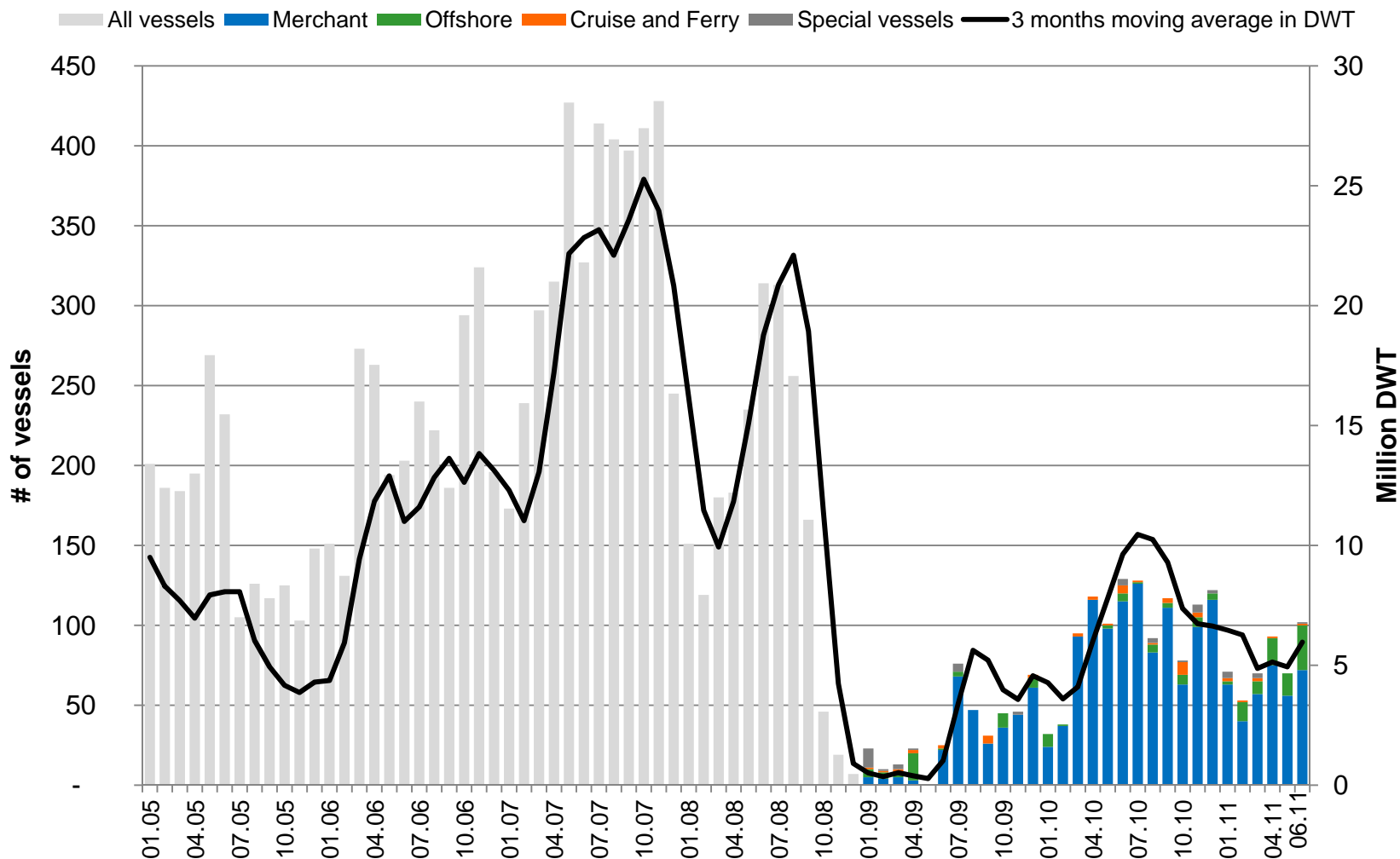




Dual-fuel engine orders for LNG carriers are booked as the joint venture Wärtsilä Hyundai Engine Company Ltd's order intake. Numbers in brackets are from Q1/2011

# Ship Power market

## Contracting activity continued stable



Source: Clarkson Research Services Limited



- **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





## Target to be the leading system integrator in the ship building industry

Benefits of single-source supply capability:

- Reduced building time and lower costs
- Minimised project risks
- Ship design key to early lifecycle entry

Several significant orders for delivery of total solutions received during January-June 2011 from the Offshore segment

- Scope of supply includes e.g. ship design, propulsion machinery, automation and other equipment
- Several vessels will be equipped with Wärtsilä dual-fuel engines

## 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





Flexible base-load power generation



Grid stability and peaking



Industrial self-generation



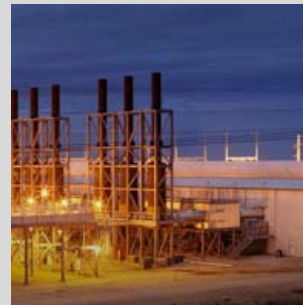
Solutions for oil and gas industry



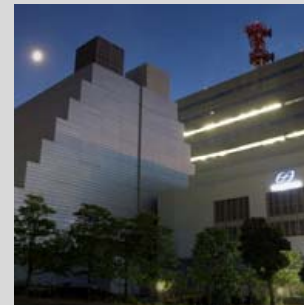
Oil, dual-fuel and gas fired power plants



Liquid biofuel power plants



Flexible grid stability power plants



Combined heat & power plants (CHP)

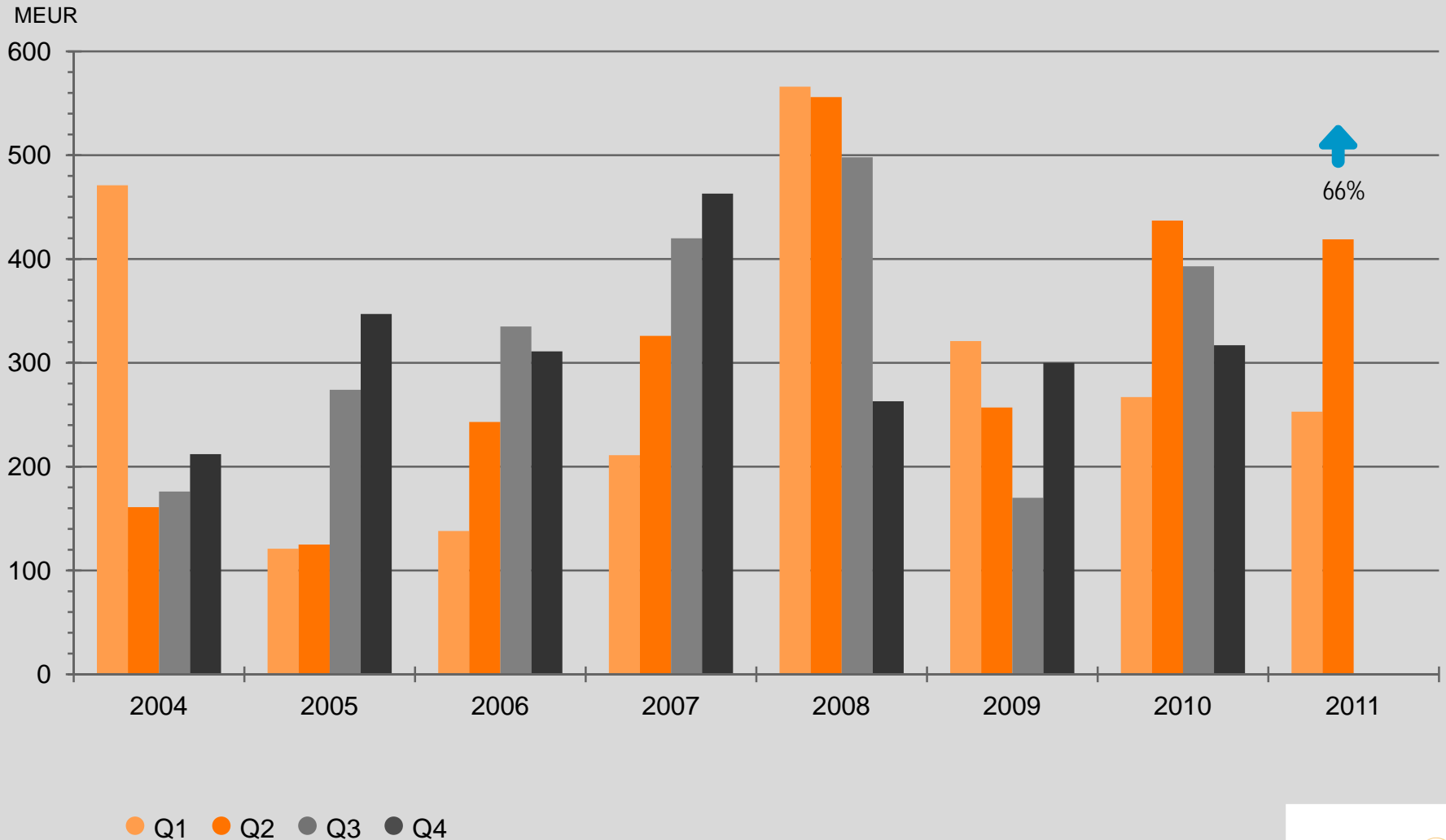


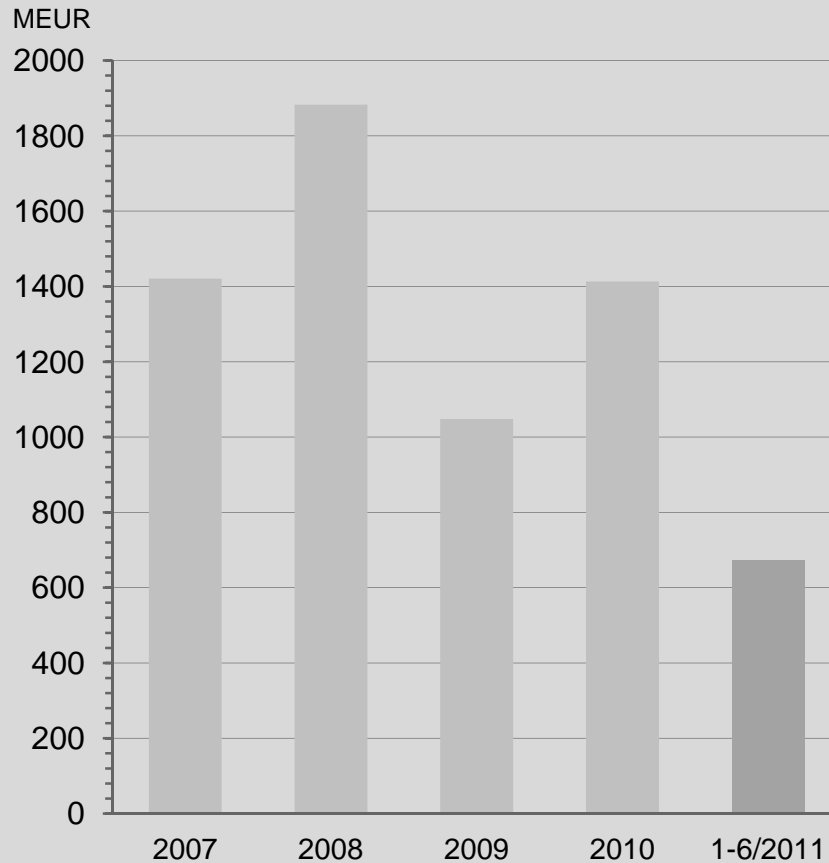
Pumping and compression applications



# Power Plants quarterly order intake

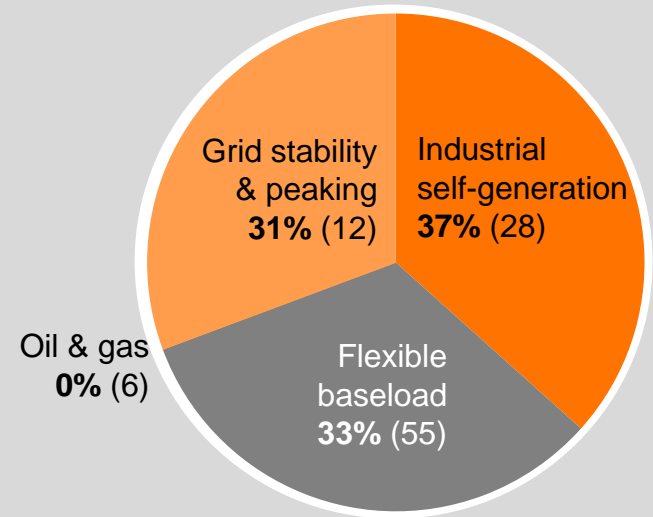
POWER PLANTS



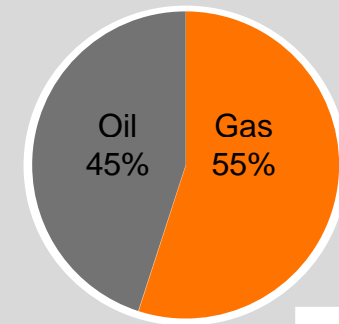


## Second quarter development

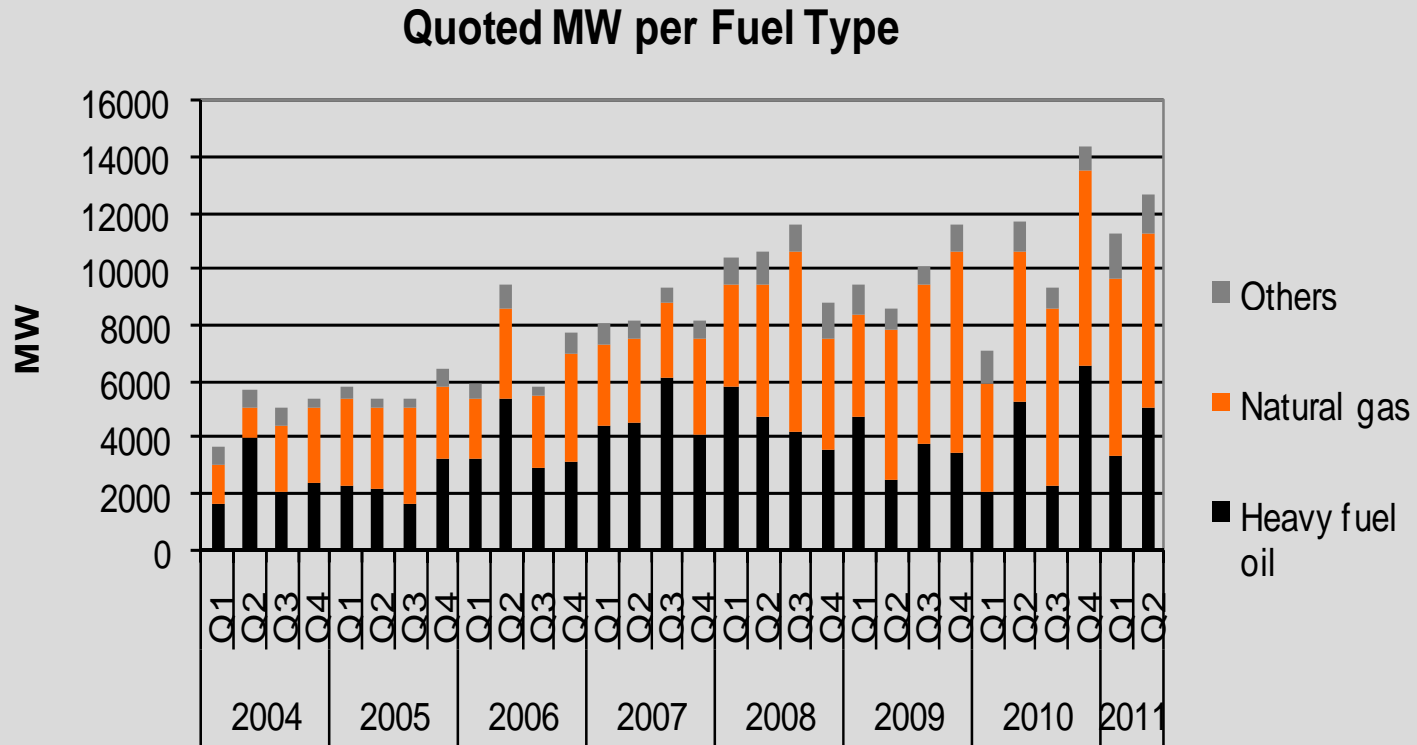
Total EUR 419 million (253)



## Order intake by fuel Q2/2011 in MW



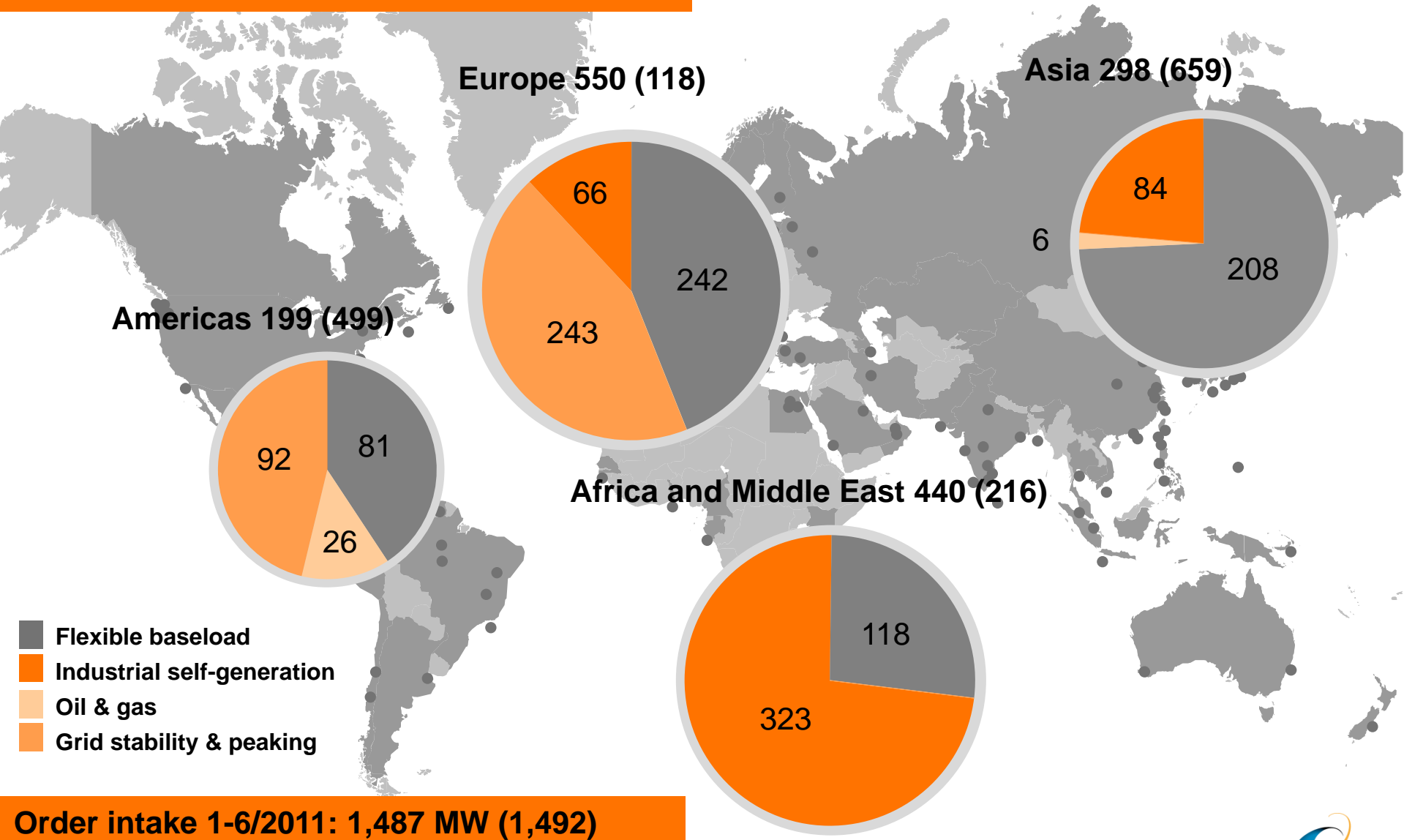
Numbers in brackets are from Q1/2011



Share of natural gas is consistently increasing

# Power Plants order intake

## EMEA regions strongest



- Flexible baseload
- Industrial self-generation
- Oil & gas
- Grid stability & peaking



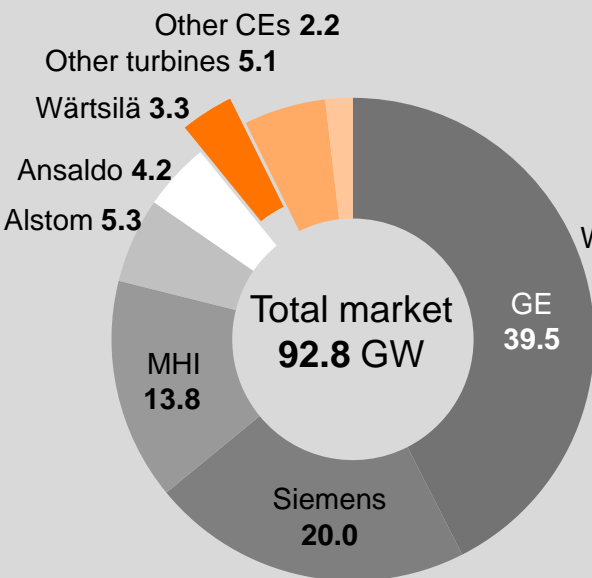
- Maintain our leading position in HFO power plants by enhancing our value proposition
- Grow strongly in large utility gas power plants by capturing market share from other technologies
- Grow in power plants based on renewables by enabling a wide fuel range
- Grow in oil and gas and emergency power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



# Power Plants market

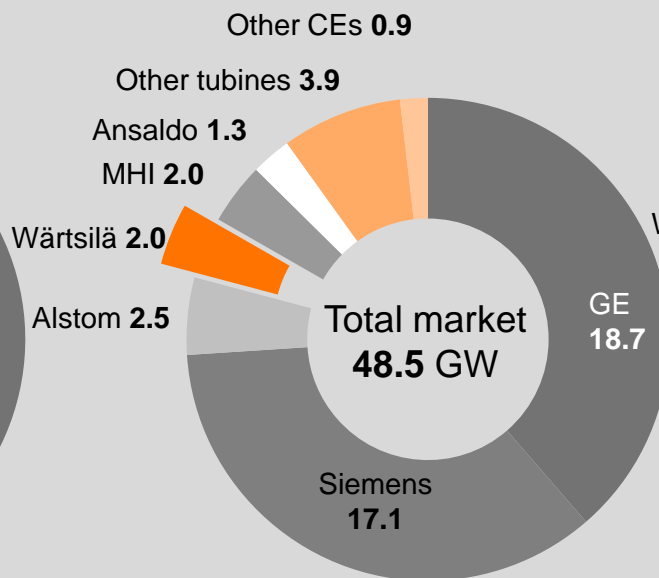
## Gas turbine and engine manufacturers

2008



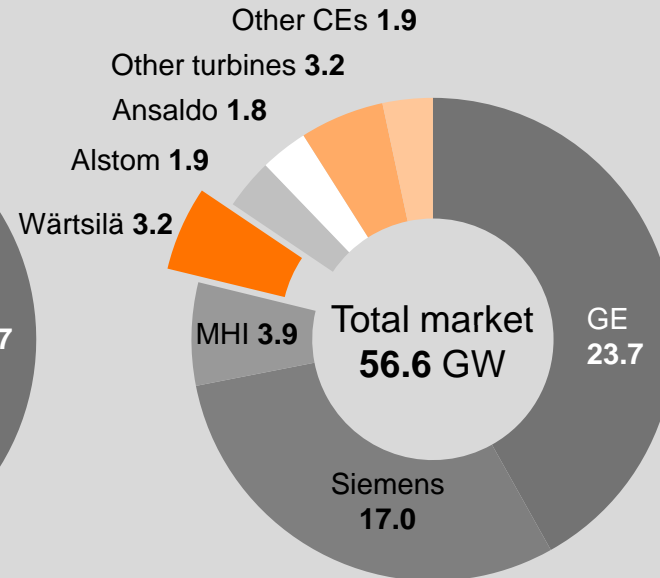
Wärtsilä's market share 3.6%

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.



## 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

WÄRTSILÄ **Engine Services**

WÄRTSILÄ **Propulsion Services**

WÄRTSILÄ **Electrical & Automation**

WÄRTSILÄ **Boiler Services**

WÄRTSILÄ **Environmental Services**

WÄRTSILÄ **Service Agreements**

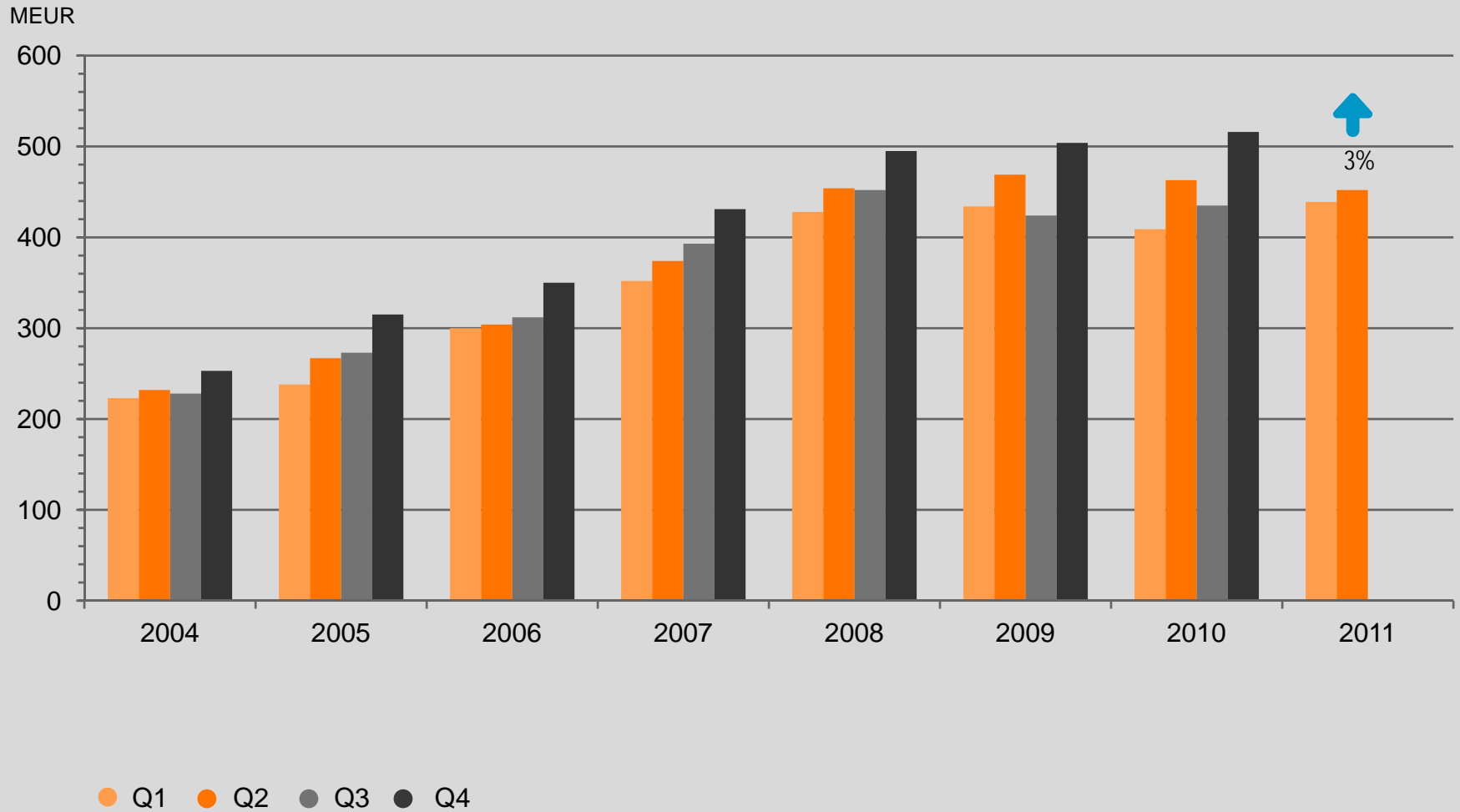
WÄRTSILÄ **Training Services**

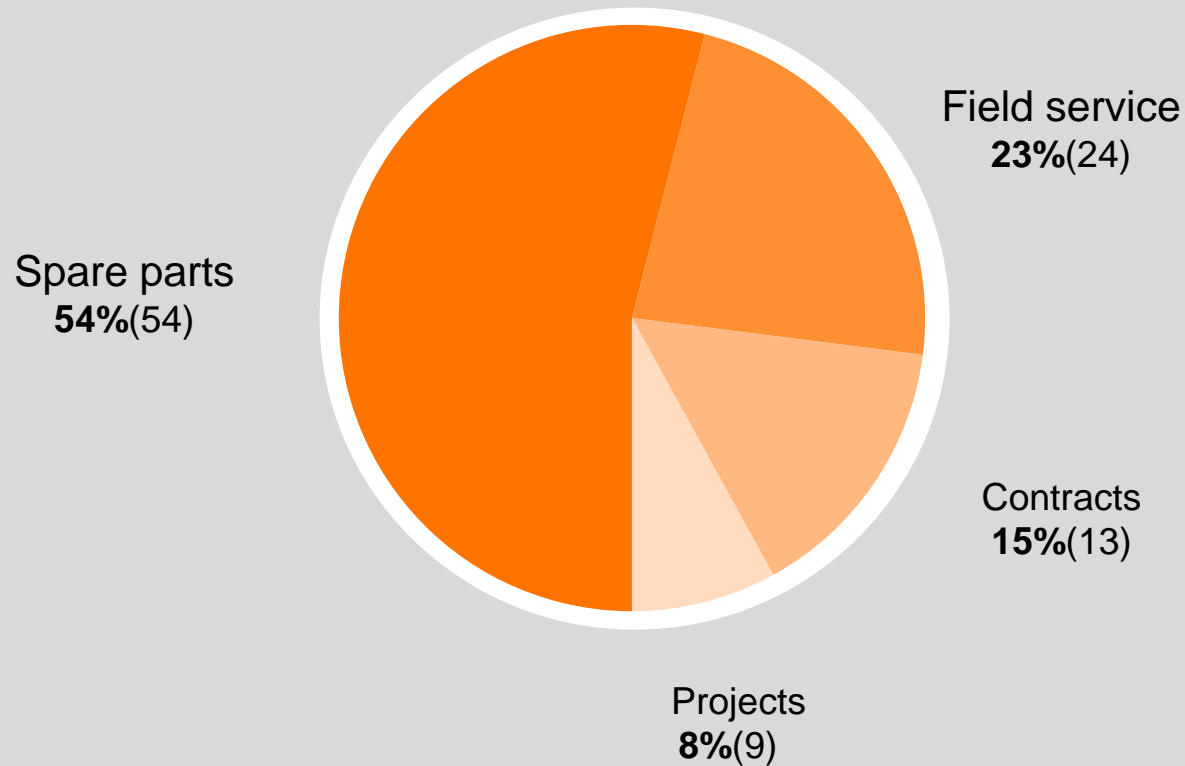
Wärtsilä Services becomes the most valued business partner by **understanding customers' problems** and **assembling the appropriate solution** to solve them.



# Services - Net sales by quarter

SERVICES





Numbers in brackets are from 1-6/2010

# Services distribution per business

## Net sales distribution



## Installed base distribution

Total 178,865 MW

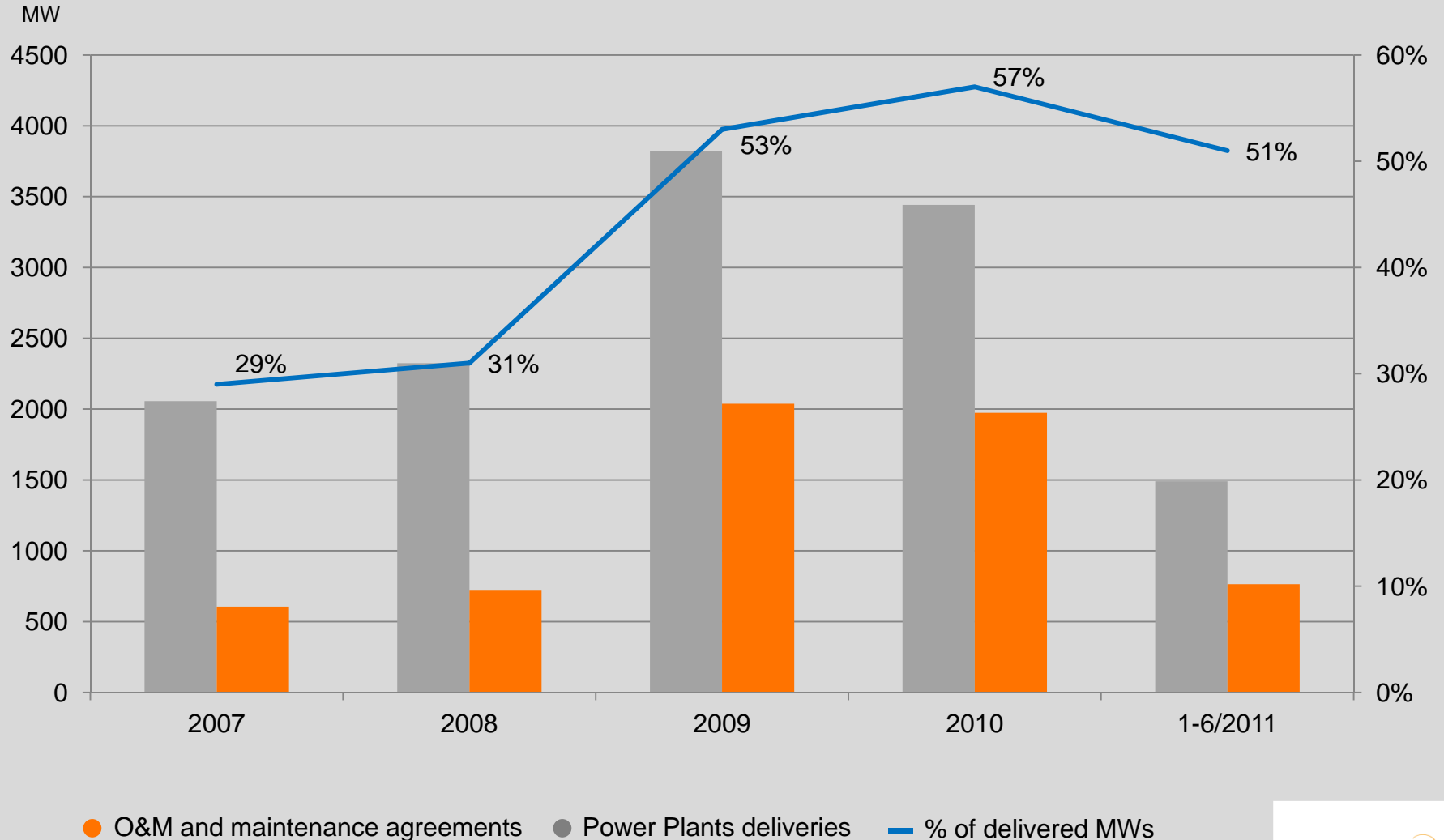


- Maximize our market share with our present customer base and present portfolio
- Constantly develop our offering proposition with value-enhancing products in existing customer segments
- Grow strongly with service agreements, together with Ship Power and Power Plants
- Become the market leader in our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



# Development of Power Plants service agreements

SERVICES







## 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



- **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

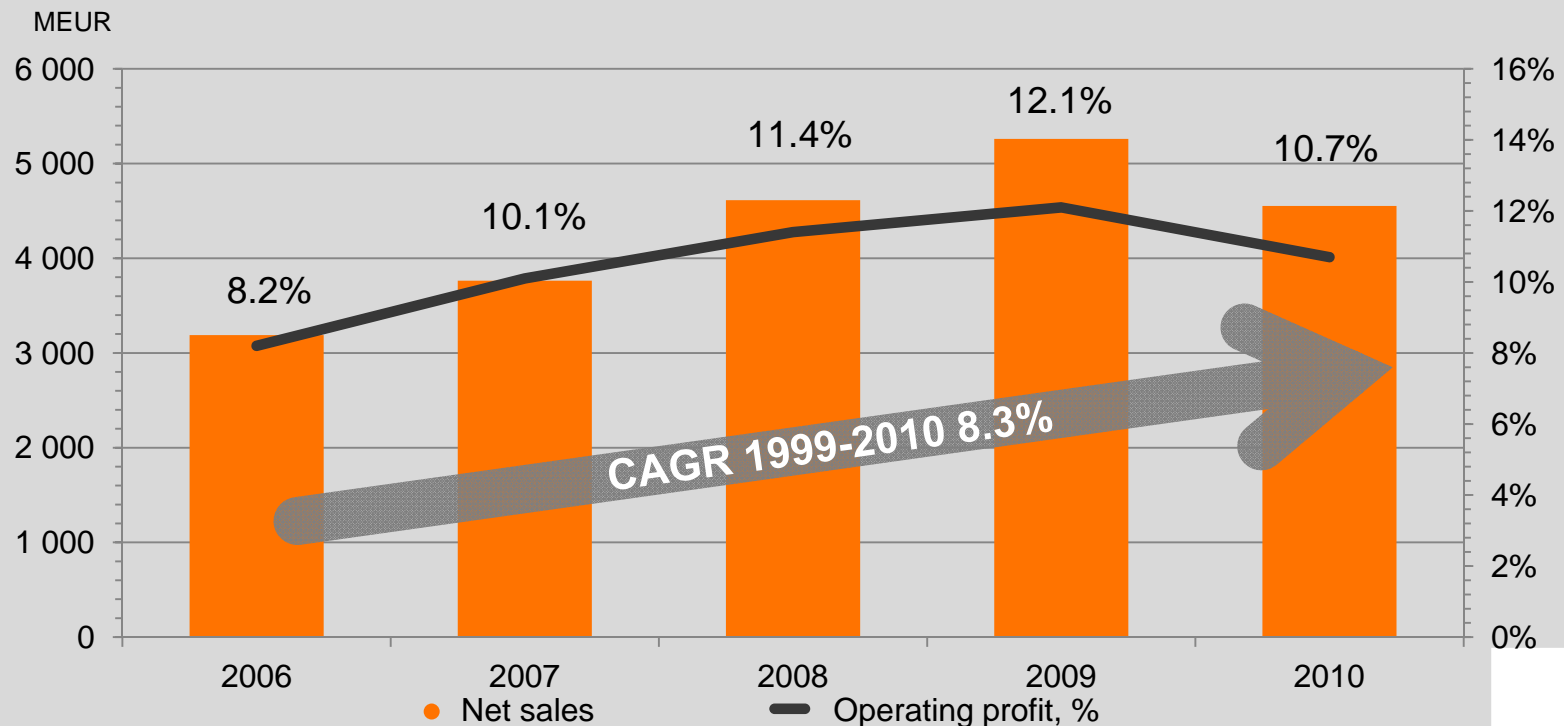


Due to weaker than expected marine service markets and the timing of power plant deliveries, Wärtsilä expects its net sales for 2011 to decline by 0-5% compared to last year.

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





# WÄRTSILÄ

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