

WÄRTSILÄ CORPORATION

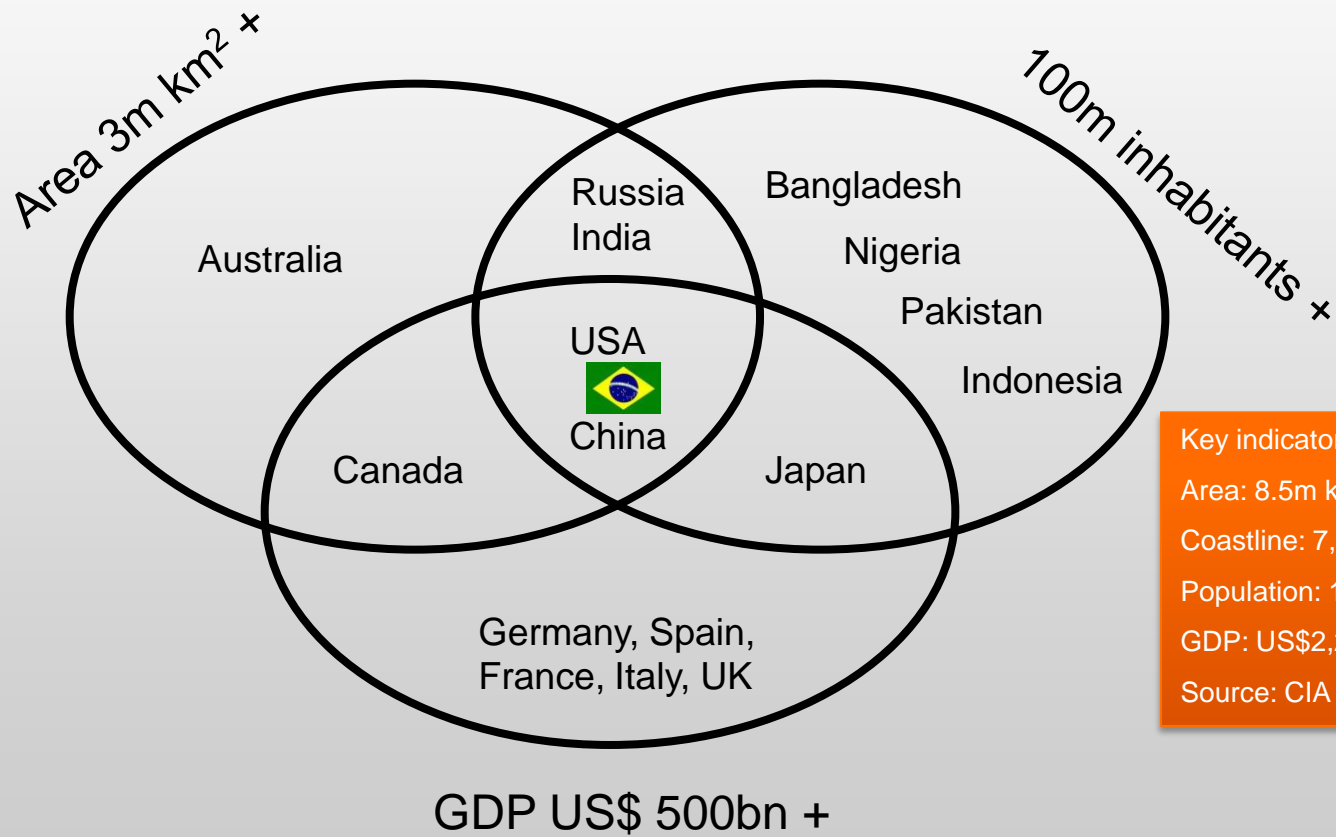
BRAZIL TAKES OFF

Investor meeting Rio de Janeiro
November 2012 (Handelsbanken)



Benchmarking Brazilian economy against other large economies

Brazil is uniquely positioned amongst world's top economies: Indeed, the size of its territory, population and GDP put Brazil in a prominent position among the largest economies in the world.



Key indicators: 

- Area: 8.5m km²
- Coastline: 7,491km
- Population: 198.7m
- GDP: US\$2,29 trillion (2011)
- Source: CIA

Where is Wärtsilä in Brazil

Wärtsilä Brasil Ltda founded in 1990
Total 600+ employees today



More than 25 power plants
with installed power in
excess of 2,5 GW

New workshop to support
the PP installations and
local shipping market

Existing location to support
the local PP installations)
and facilitate training of
personnel in Wärtsilä own
Sea & Land Academy

New Office and Workshops
to support the Offshore
(O&G) business

Existing workshop and
offices (RJ)

Significant Offshore
installed base

Recent key developments

| | |
|----------------------|---|
| Locations | <ul style="list-style-type: none"> • Rio de Janeiro <ul style="list-style-type: none"> • Workshop type B • SP, PP & Services mgmt; Fin. & Adm. HR and IT • Manaus <ul style="list-style-type: none"> • Workshop type C • Service sales, Contract management, WLSA |
| Current capabilities | <ul style="list-style-type: none"> • PP and SP new project sales, PP project execution • Broad scope of services <ul style="list-style-type: none"> • O&M + maintenance agreements • Engines, propulsion, automation and reconditioning services • Training services • Ship design (sales and local contact) – no full design capabilities |
| Employees | <ul style="list-style-type: none"> • 547 employees (1,2 M man-hours worked in 2011 serving our customers) |

Current strengths

- Recognized brand name
- Large installed base (over 3 GW)
- Local presence / proven track record in Brasil
- Largest after Sales organization and footprint
- Only company with a 2-stroke license in Brazil
- Recognized EPC and project management capabilities
- Good reputation as an employer

At present, Wärtsilä has a broader footprint and a larger after sales force than any competitor. Yet, to meet our ambitious targets and to fulfill our customers' needs, our footprint needs to expand further. In practice, this requires moving to new facilities in Rio, establishing a service outlet in the NE and products to become increasingly localized.



- 2011



- 2012



Rio + 20
- 2013



Confederations Cup
- 2014

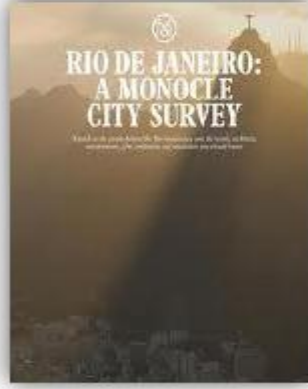
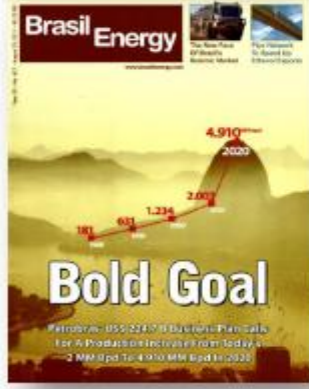


FIFA WORLD CUP
BRASIL
- 2015



450th Anniversary
- 2016

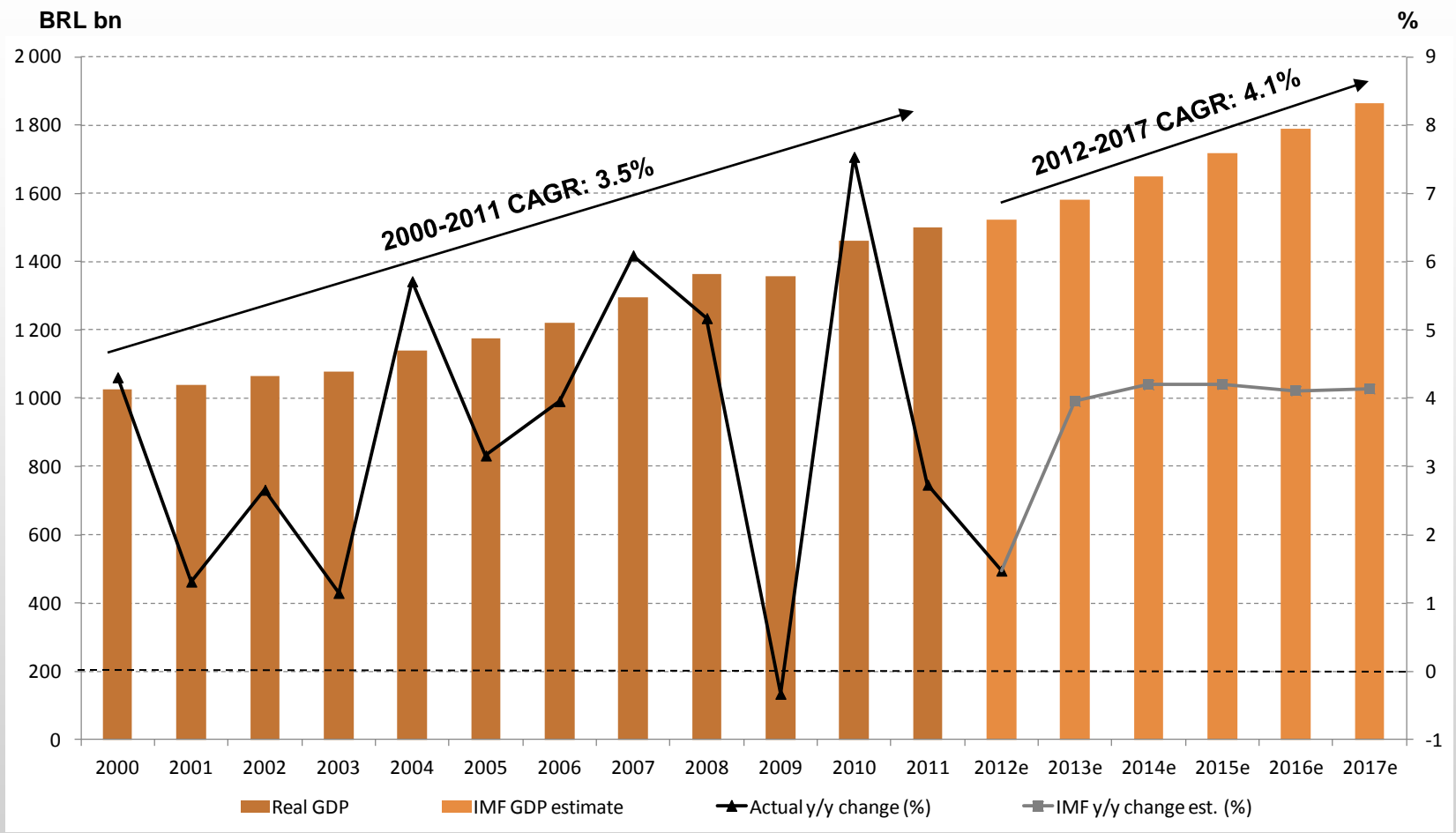




- The global financial crisis affects the Brazilian Banking System mainly by lack of USD-Liquidity, but not in terms of weak assets in the portfolio, credit losses, trading losses etc. This was prevented to a large extent by the restrictive legal framework which doesn't allow Brazilian banks to trade CDS. Actually the stable and very profitable banking system will be a strong pillar for the Brazilian economy development.
- After a soft landing during the world financial crisis in 2008, Brazilian economy is now stagnant growth, however showing mixed signals. Having flirted with recession the last year, it seems the economy is finally reacting and posting a timid growth. The government is actively stimulating consumption by tax reductions, injecting capital into the economy for investments and by continuously reducing interest rates. GDP rose second Q2-2012 by 0.4% slightly above first quarter at 0.1% mainly due to strong agricultural expansion. Annual GDP growth has been reduce again to 1.57%.
- Anyway, Brazil has important players in the commodity segments with a strong domestic and international demand on the long-term and therefore might get back to higher growth rates. Besides, high international reserves give much more fiscal headroom to the current administration to take fiscal initiatives and stimulate/subsidize investments and employment programs.
- Unemployment remains at record low level around 5.3%. Labor market is considered to be “hot” and work forces at all levels; both blue and whiter collar, are in high demand. There is currently a lack of skilled labor at all levels.
- Year-end projections:
 - Annual GDP growth has been reduce again to 1.57%.
 - Inflation year-end forecast at 5.42%
 - Trade surplus in the external accounts at USD 18 billion;
 - Foreign direct investment at USD 58.8 billion and current account deficit of USD 56.1 billion.
 - The SELIC interest rate is expected to end 2012 at 7.50% p.a. and the foreign exchange rate BRL 2.00 per USD
 - The net public sector debt is expected to end 2012 at 35.25% of GDP.
 - For 2013 the main estimates are; GDP growth at 4.0% and IPCA inflation at 5.44%, current account deficit at USD 68.16 billion, foreign direct investments at USD 60 billion and trade surplus at USD 14.57 billion.

Economic growth is expected to pick up from 2013 onwards

Real GDP and annual growth %

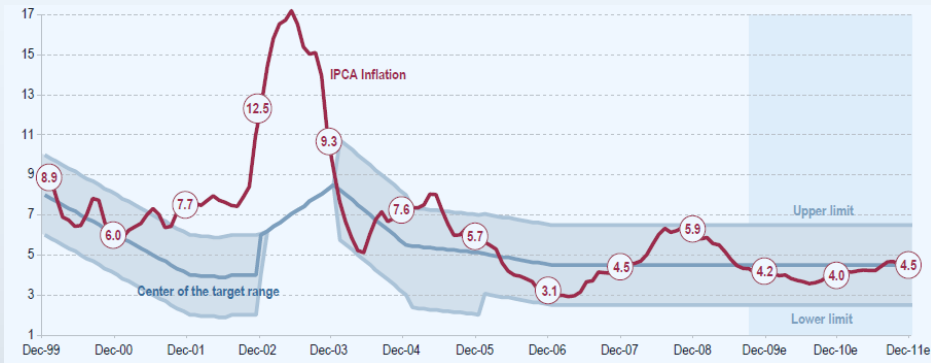


The Brazilian government is actively stimulating consumption by tax reductions, injecting capital through investments and by continuously reducing interest rates. Inflation at 5.3% is somewhat over the Central Bank's target of 4.5%. There is lack of skilled labour at all levels while unemployment remains record low at around 5.3% (being even lower in the offshore hub of Rio de Janeiro).

At this point the economy rests on quite strong fundamentals...

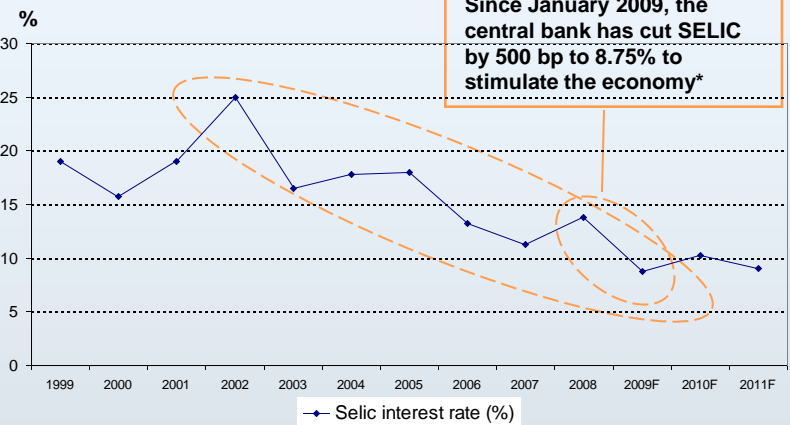
Inflation has been at historically low levels ...

12-month IPCA inflation and inflation targets (%)



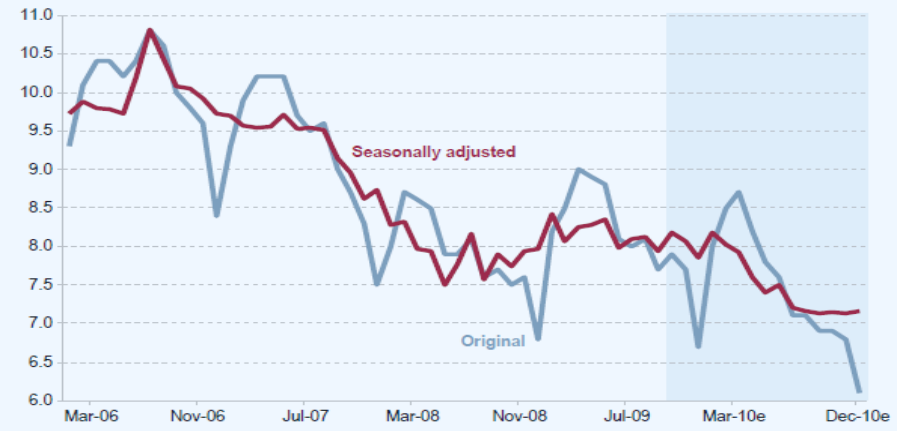
... enabling the central bank to lower the steering rate *

Central bank steering rate



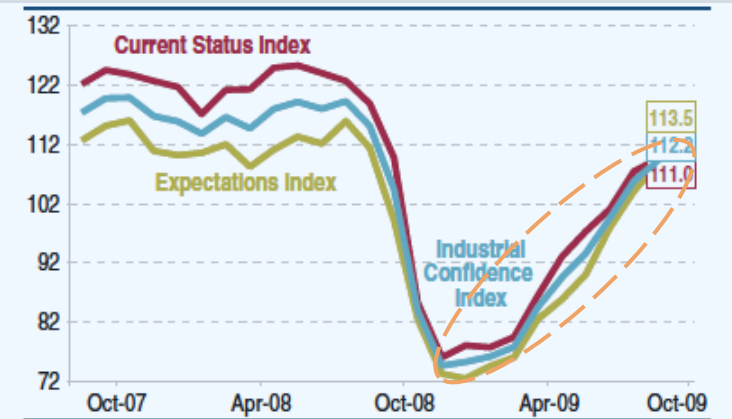
Unemployment continues to decline...

Unemployment rate (%)



... while industrial confidence is approaching pre-crisis levels

Industrial confidence index



* Additionally, the central bank has injected R\$99.8 billion of liquidity into the banking system by cutting reserve requirements.

Source: Credit Suisse research and forecasts Dec-2009; the shown forecasts are in line with other investment banks

... however, some risks will always prevail

1. A reversal in global economic recovery

A new recession cycle in central economies would likely be accompanied by higher risk aversion to risk and lower investor appetite for emerging market investments.

2. The expansionary monetary and fiscal policies

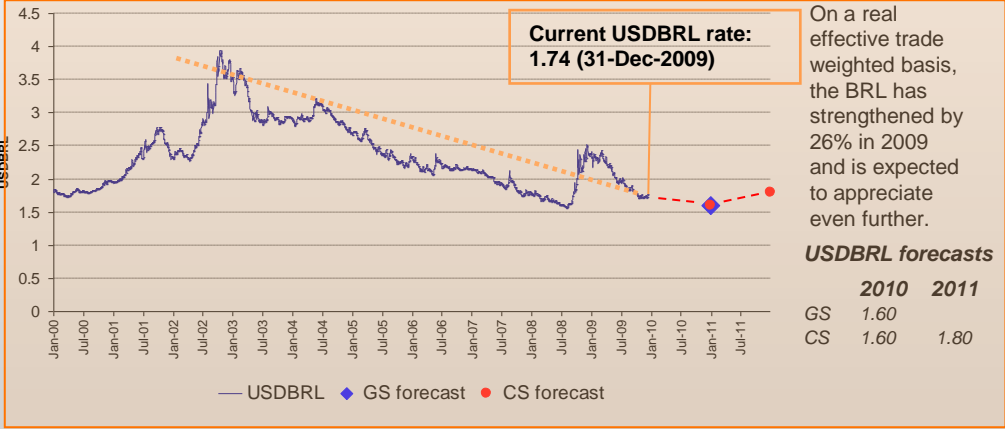
For the past decade, government spending has exceeded GDP growth*. In the long-term, government spending should converge to GDP growth or Brazil could become too indebted to foreign investors.

Credit from public banks, namely National Development Bank BNDES, has grown faster than private lending. Also private sector banks must carry their fare share.

Large monetary stimulus from the Central Bank was necessary to avert a financial crunch in 4Q2008. Now that the economy is showing signs of a solid base, the CB has started to withdraw surplus liquidity from the market through repurchase operations.

3. Further strengthening of the Real (BRL)**

An "excessively" strong Brazilian Real (BRL) would favor imports over exports and thus reduce future GDP growth.

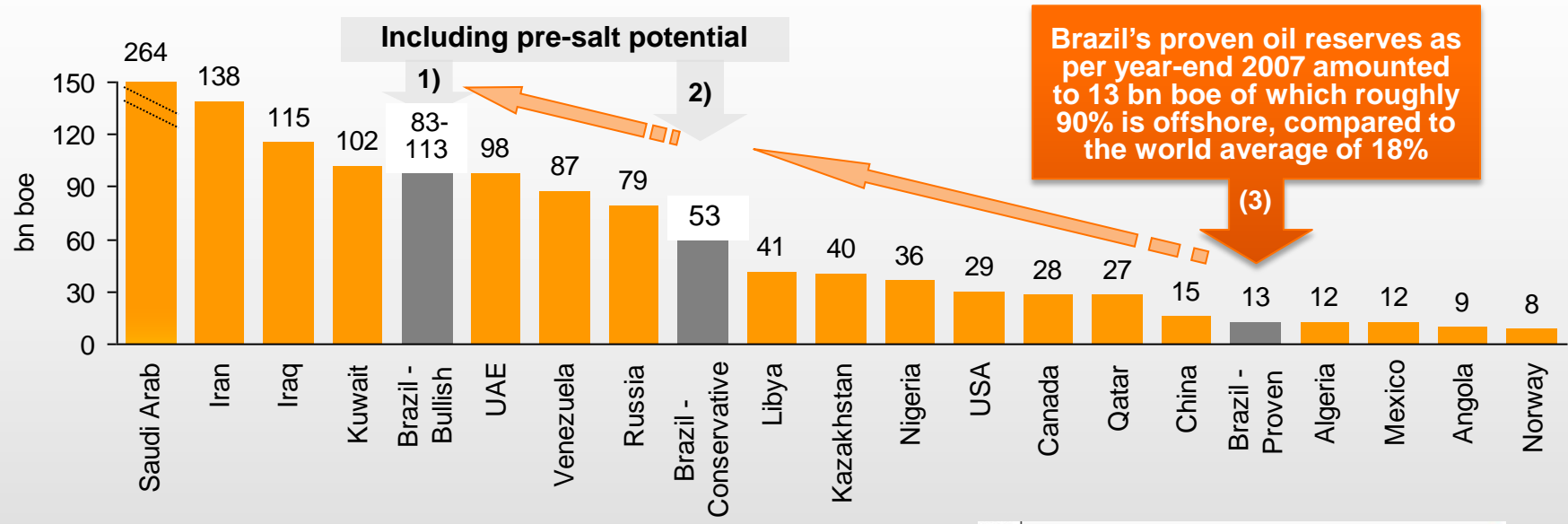


Challenges facing Brazilian businesses are, amongst several; strong Real, high taxes, poor infrastructure, tight labour market, bureaucracy, expensive credit and escalating costs amongst others



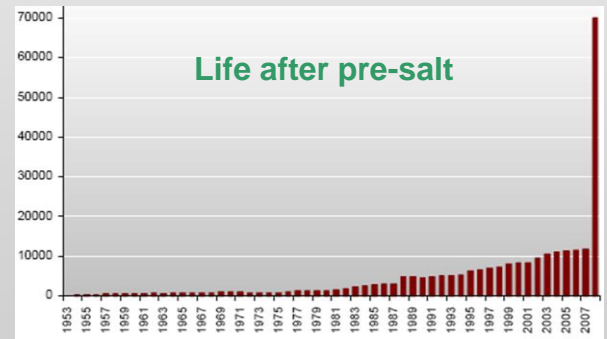
Pre-salt reserves are likely to turn Brazil into a true oil major...

World Proven Oil Reserves by Country



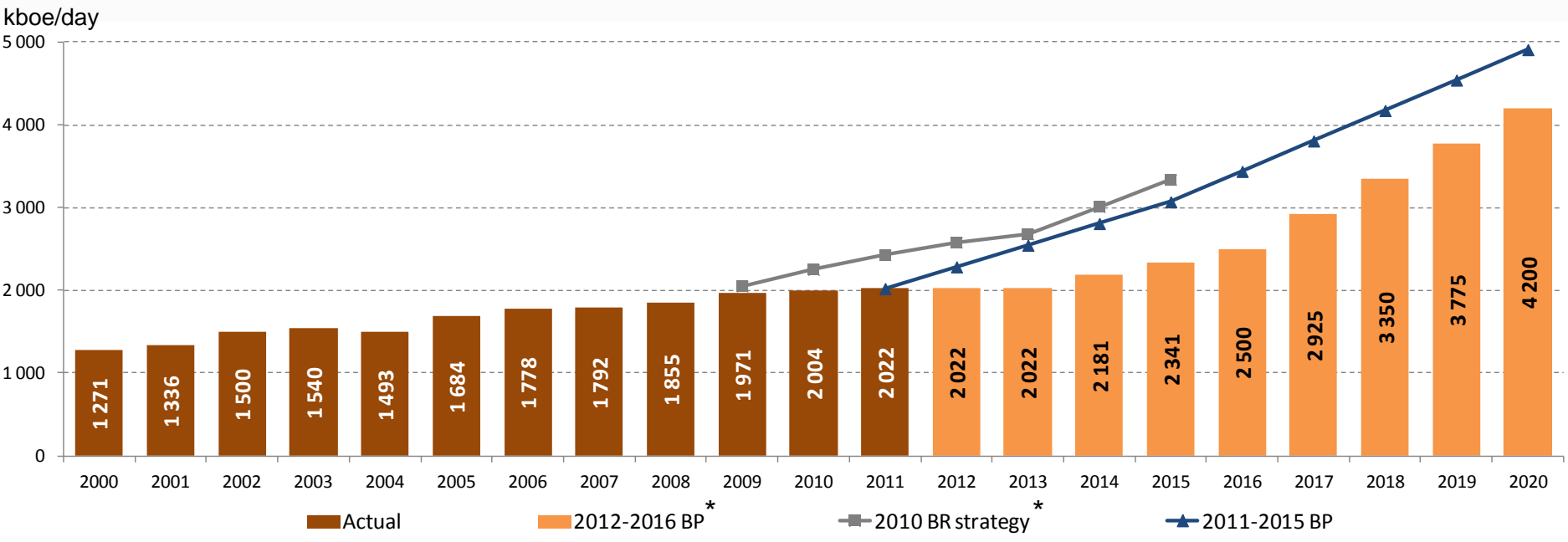
Brazil's proven oil reserves as per year-end 2007 amounted to 13 bn boe of which roughly 90% is offshore, compared to the world average of 18%

Inclusion of pre-salt discoveries - to date - should move Brazil well into the top-10 in world-wide proven reserves.



- 1) According to statements made by Brazilian government officials and Petrobras' CEO, the potential reserves of the recently discovered pre-salt area in Brazil could be as large as 70-100 bn boe
- 2) Our internal analysis, when only taking into account high- and medium-probability blocks* from the Santos Basin, arrives at minimum of 40 bn boe in pre-salt reserves.
- 3) IEA World Energy Outlook 2008 worldwide proven and probable (2P) reserves used as a proxy as the BP estimates did not provide a split into onshore and offshore

Petrobras' domestic oil production forecasts (OGX could offer upside)



Petrobras' oil reserves (Sep-2012)

- Proven Reserves : 15.7 bn boe
- Potential Recoverable Volumes: 15.8 bn boe
- Of which roughly 90% is offshore vs. the world average of 18%
- Growth in the oil & gas market driven by pre-salt development

Petrobras' 2012-2016 business plan

- Domestic exploration & production spending totals USD 131.6 billion
- Of which USD 25.4 billion (19%) is earmarked for exploration

Petrobras has been known for not reaching its production targets and its projects being delayed. To change this, they introduced a new project management structure which should give more reliability to their targets.

Main obstacles when doing business in Brazil

- Bureaucracy and complex tax legislation
- Lack of skilled manpower, specially in the shipbuilding & offshore market
- Expensive real estate in the main cities
- Lack and/or expensive financing solutions
- Local content rules potentially affecting competitive landscape
- Lack of some infrastructure might impact the logistics
- Security constrains in some areas



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The development of environmental solutions and gas technology will be our priority in meeting the evolving needs of our customers.



Name: Luiz Barcellos

Age: 54

Mechanical engineer

Married, 2 daughters

Wärtsilä:

Working at WBR since Nov. 1997

1st contact with Wärtsilä in 1987

**Long experience in shipbuilding and
marine businesses**

**Current position: General Manager Ship
Power Director Wärtsilä Brasil**

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

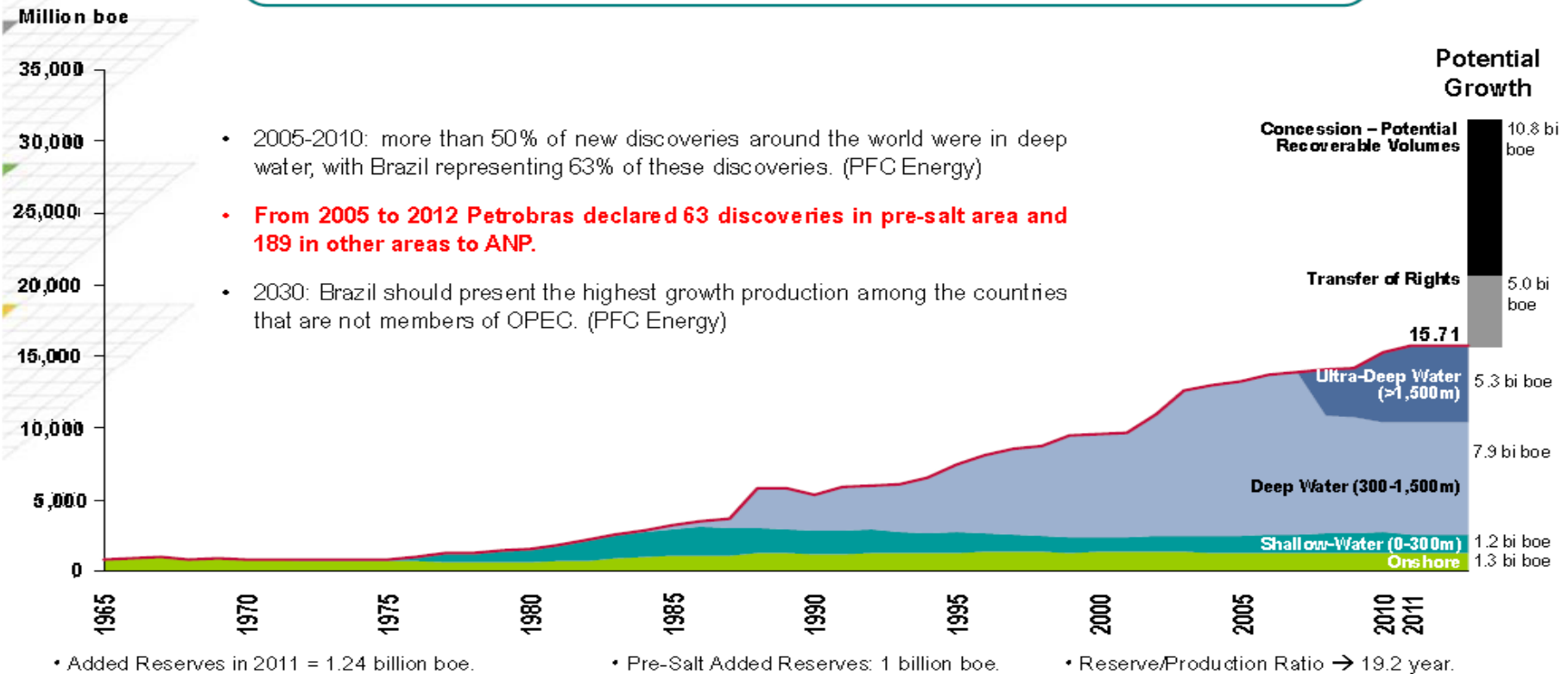
Petrobras Today:

Proved Reserves + Potential Recoverable Volumes: 31.5 bi boe



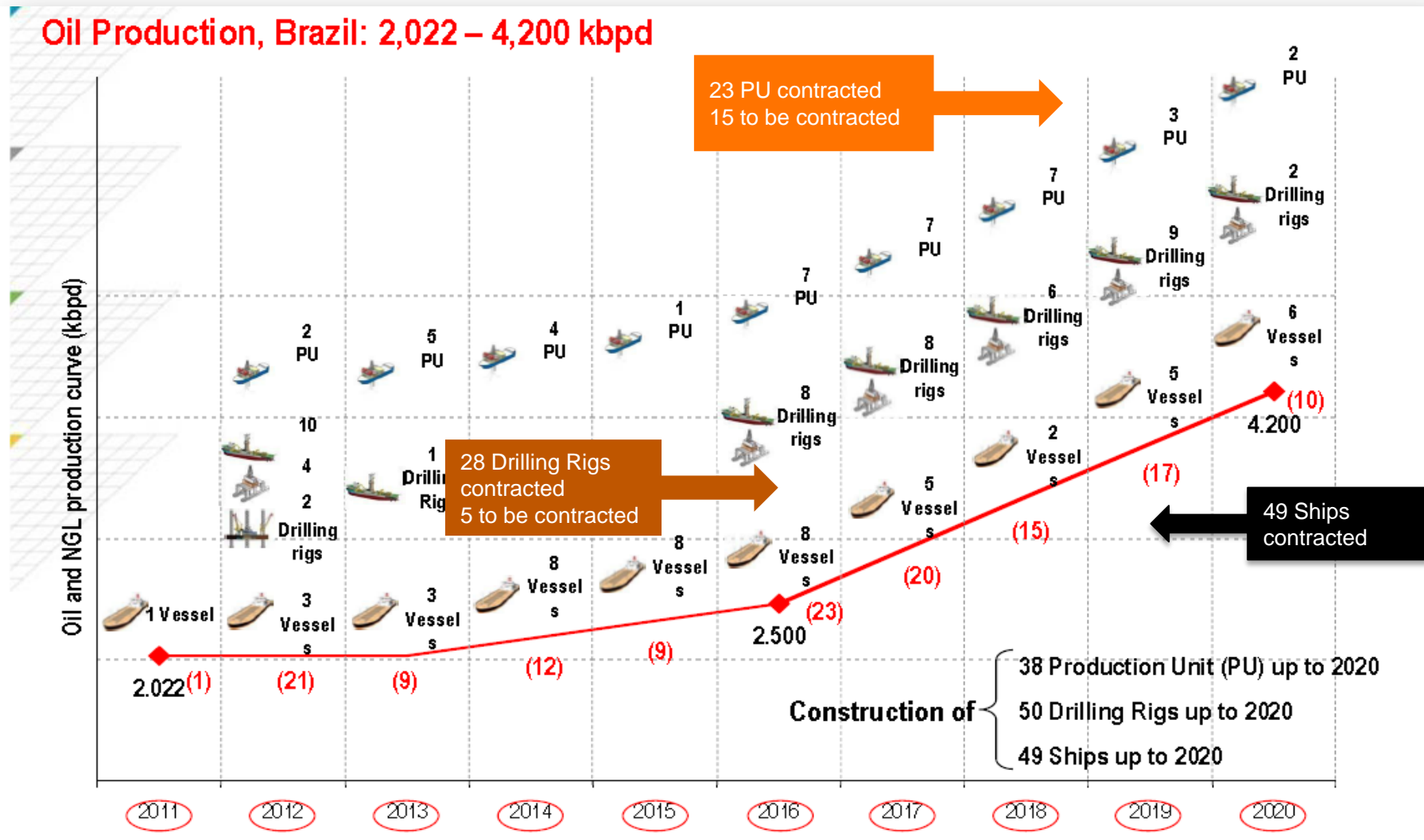
Petrobras' Proved Reserves : 15.7 bi boe

Potential Growth: + 15.8 bi boe

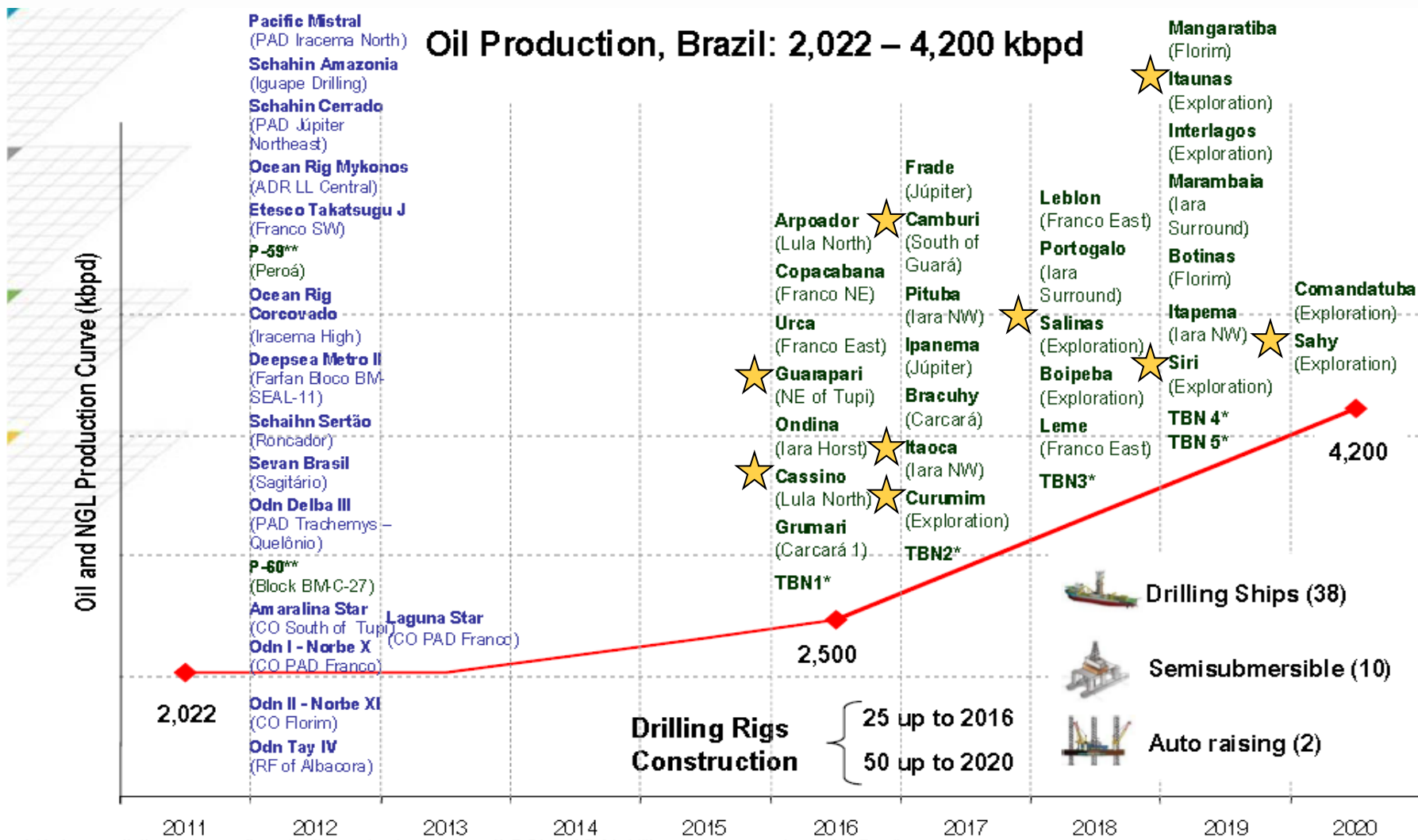
Petrobras' CEO presentation 20th September 2012

Construction of 137 Units: Drilling, Production and Vessels

Oil Production, Brazil: 2,022 – 4,200 kbpd



DRU - 50 Drilling Rigs: 2012 - 2020



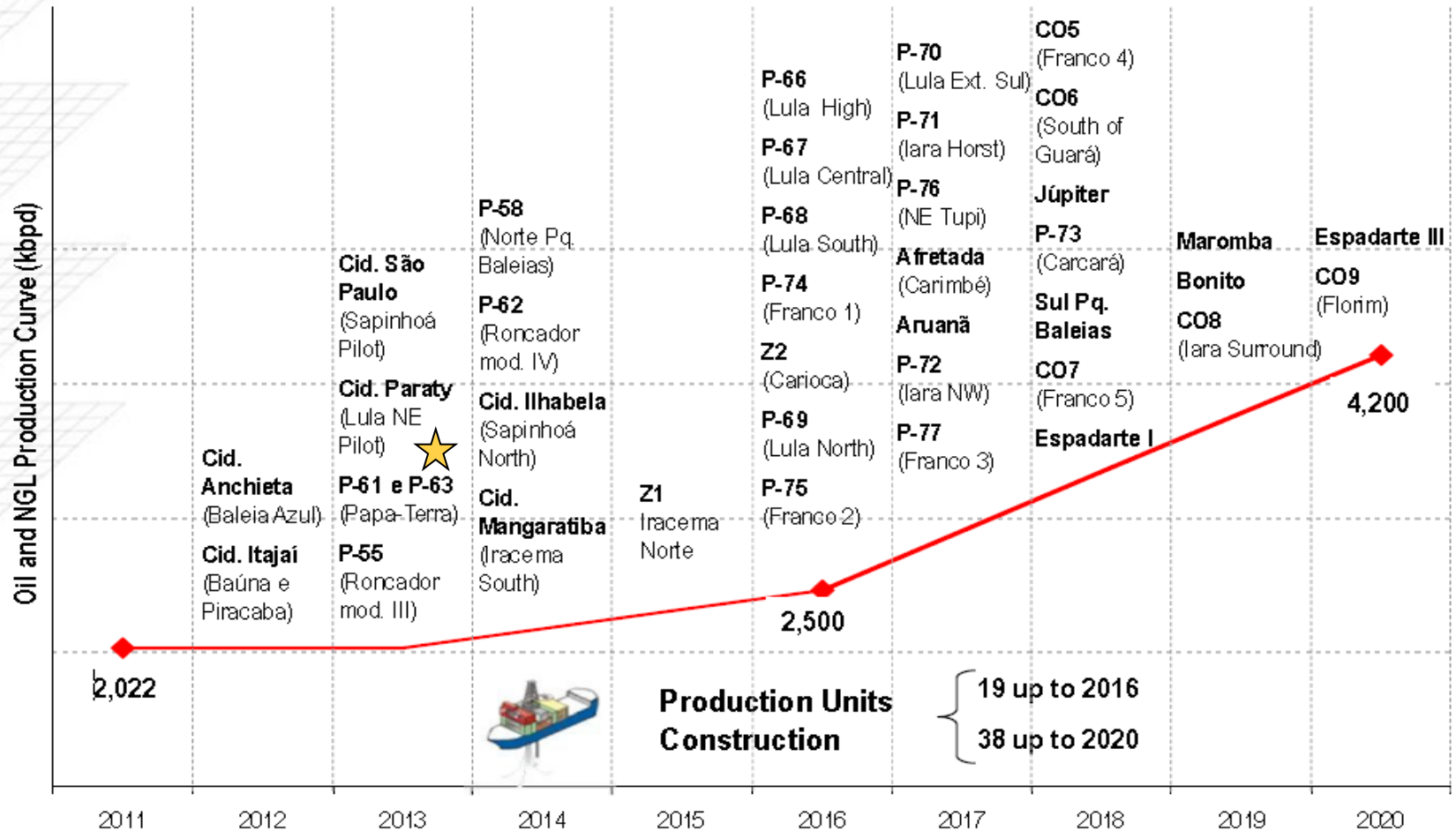
* Under negotiation, to be confirmed in the contracts signature; ** P-59 and P-60 drilling rigs were constructed in Brazil

Petrobras' CEO presentation 20th September 2012



FPSO - 38 Production Units: 2012 - 2020

Oil Production, Brazil: 2,022 – 4,200 kbpd



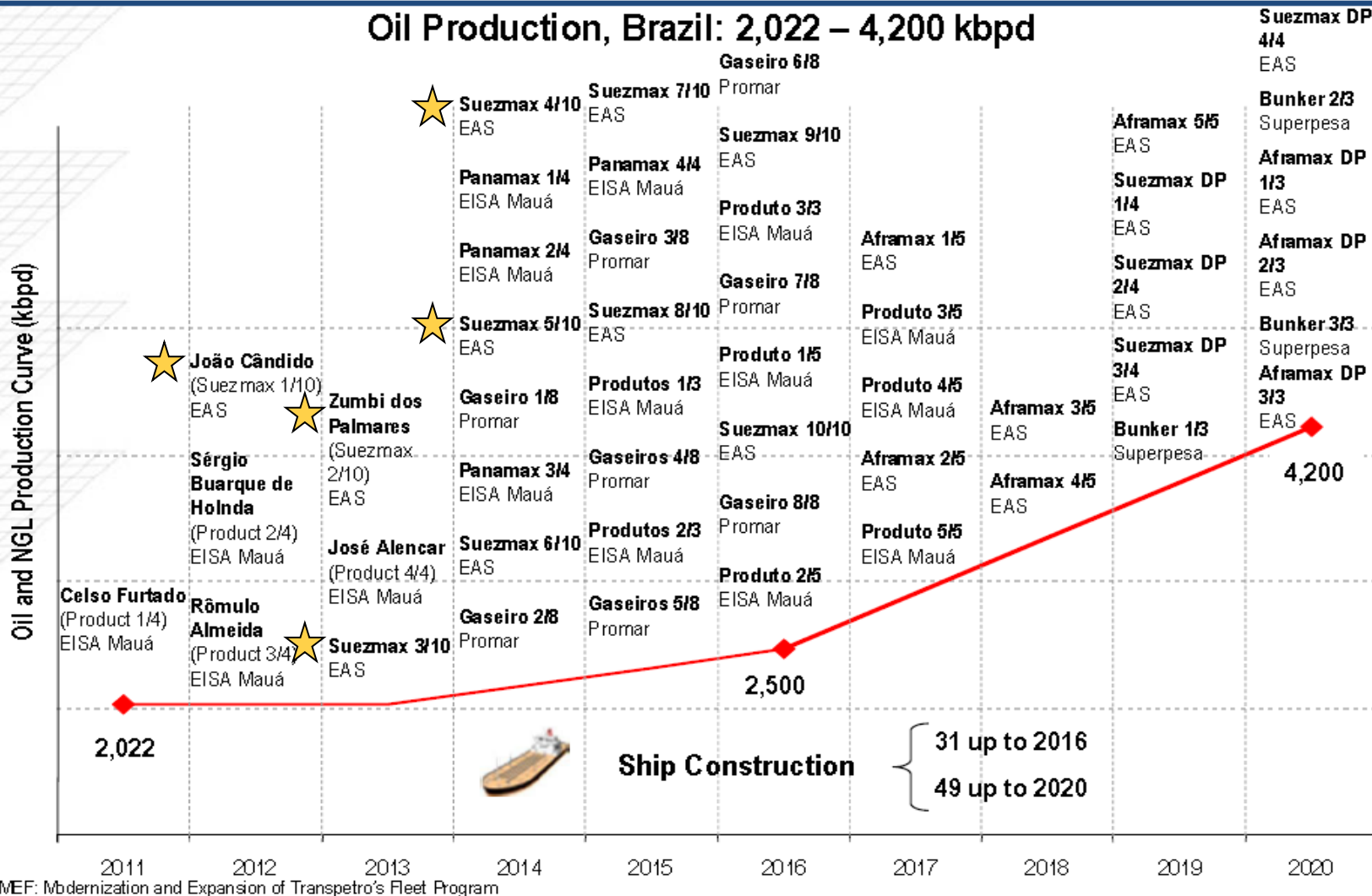
P-63 Papa-Terra (Genset Modules)

- More than 100MWe
 - 6x 18V50DF in 3 modules
 - Wärtsilä design and manufacture
 - Running on tri-fuel: treated crude, MDO and treated well gas
 - Reducing Carbon Footprint with as much as 93,000 tons per year
 - Fully operational modules
-
- Official test concluded in October 2012.



Tankers - 49 Promef's Ships: 2012 - 2020

Oil Production, Brazil: 2,022 – 4,200 kbpd



Petrobras' CEO presentation 20th September 2012

Today's business environment

- 47 Shipyards;
- 11 New yards under construction;
- 59.000 workers directly employed;
- 6.2 Million DWT order book;
- 18 Offshore Oil Platforms under construction;
- 28 Offshore Deepwater Drilling Rigs contracted to be built in Brazil.
- 7 Offshore Deepwater Drilling Rigs being negotiated.

Petrobras demand

Demand assured for the coming years (2012-2020) in the world's largest E&P investment program:

- 38 Production platforms;
- 50 Drill rigs;
- 500 Offshore supply vessels;
- 80 Tankers.



| Ranking | Estate | DWT | Orders | DWT Part. % |
|--------------|-------------------|------------------|------------|-------------|
| 1º | Pernambuco | 3,072,000 | 30 | 49.79 |
| 2º | Rio de Janeiro | 1,367,900 | 76 | 22.17 |
| 3º | Rio Grande do Sul | 1,120,000 | 13 | 18.15 |
| 4º | São Paulo* | 330,500 | 108 | 5.36 |
| 5º | Santa Catarina | 146,736 | 48 | 2.38 |
| | Others | 133,000 | 37 | 2.16 |
| Total | | 6,170,136 | 312 | 100 |



”

The world needs affordable, clean, flexible and reliable power.



Name: Jorge Alcaide

Age: 47

Mechanical engineer – 1988

MBA in Energy Business –2005

Married, 3 children

Wärtsilä:

Working at WBR since Jan 2008

**Long experience in the Power market
since 1997**

**Current position: Regional Director,
Power Plants**

From where the Brazilian electricity comes?

Total installed capacity: 127 GW (July 2012)

Annual growth: 4% per year

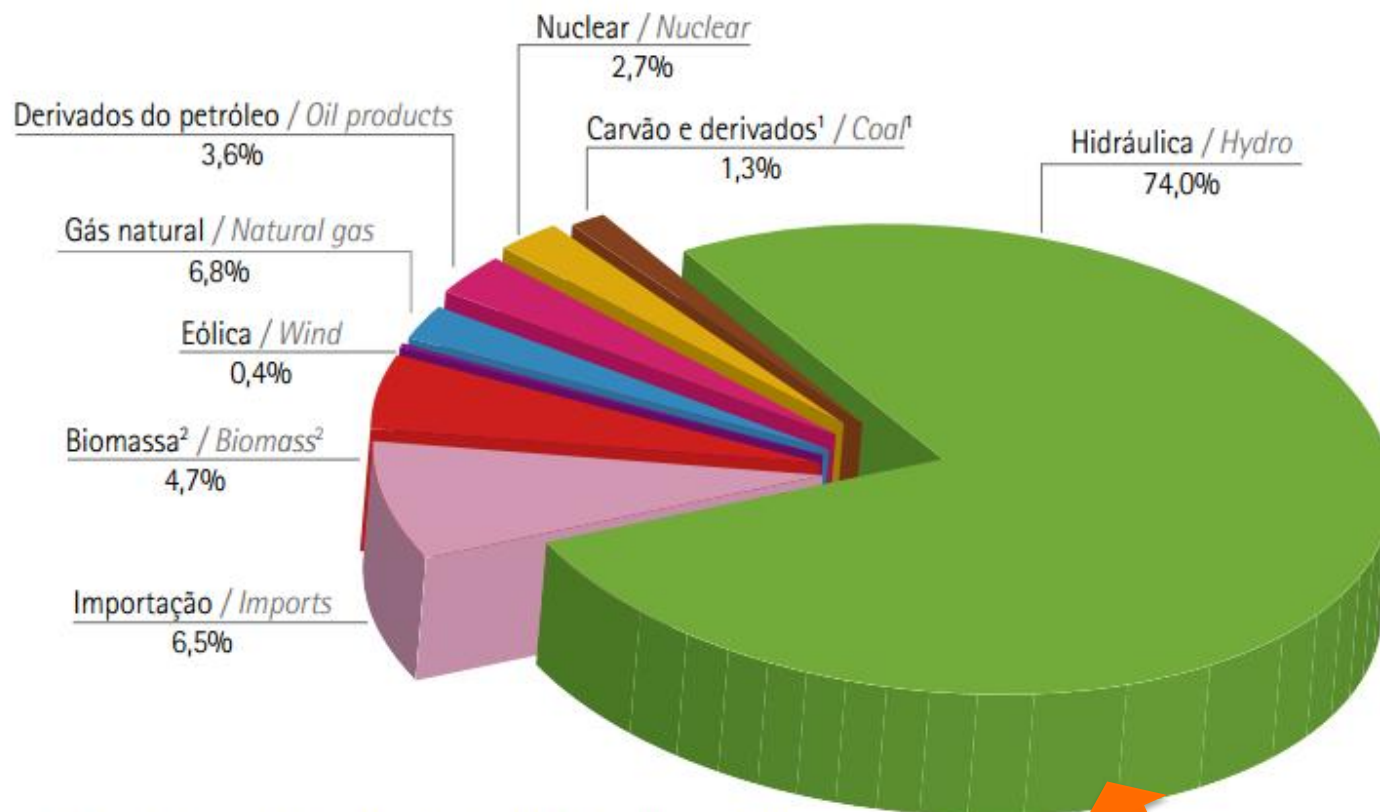
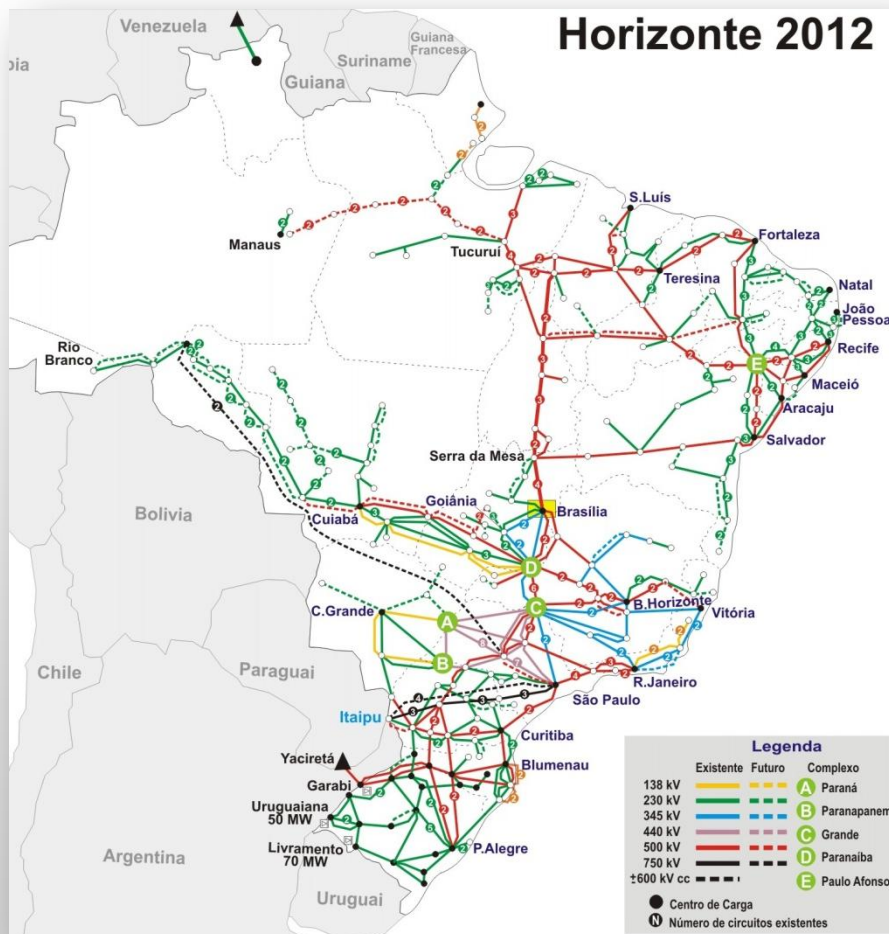


Chart 1.1 – Domestic Electricity Supply by Source – 2010
BRAZILIAN ENERGY BALANCE 2011 | year 2010

**Hydro has limited growth potential
(Amazon jungle)**

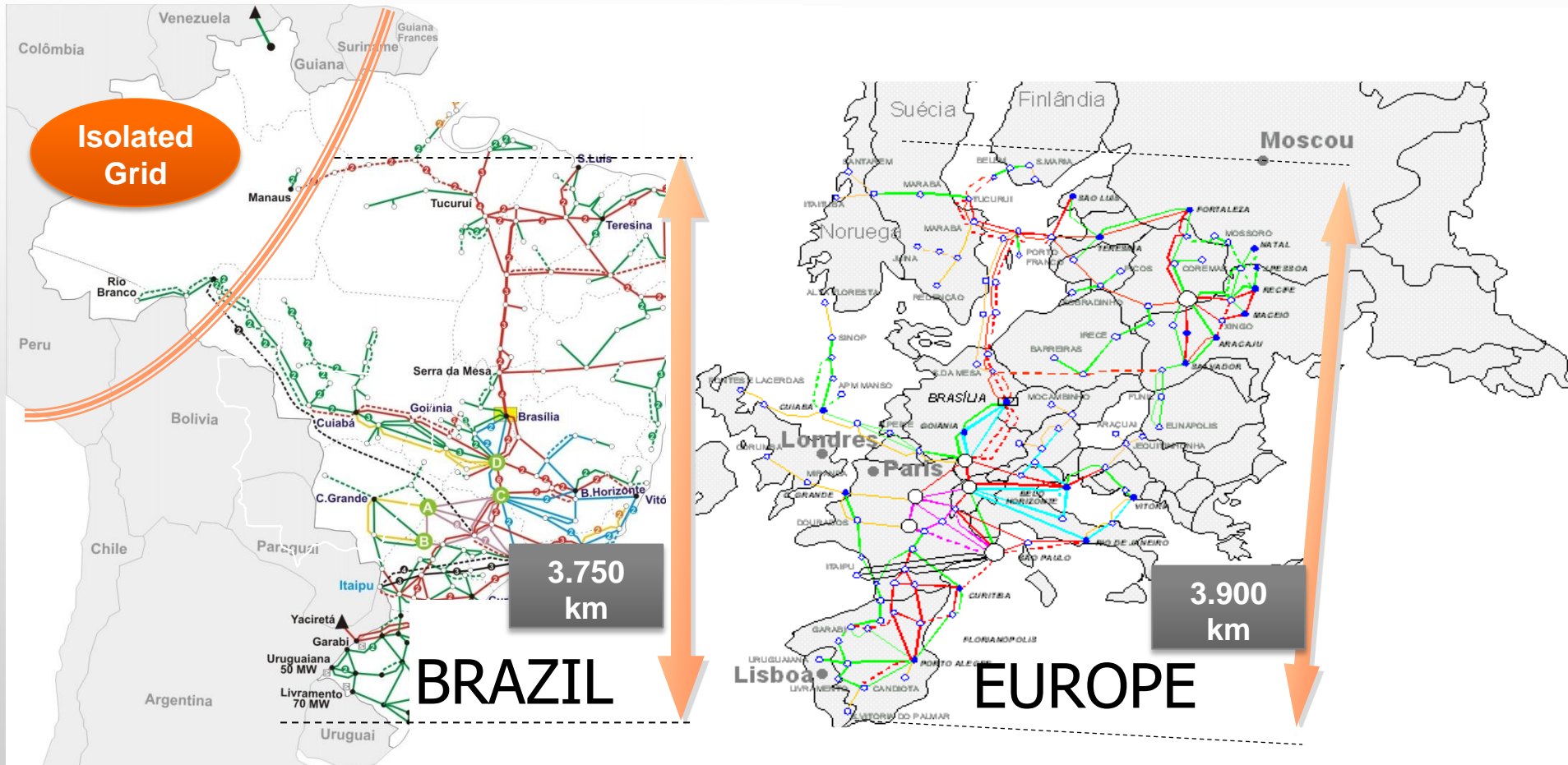
The Interconnected grid – 95,500 km and growing



- Annual increase of 3,000 km;
- 230kV = 41,500 km
- 345kV = 9,800 km
- 440kV = 6,700 km
- 500kV = 33,200 km
- 600kV = 1,600 km [DC]
- 750kV = 2,700 km

Source: ONS

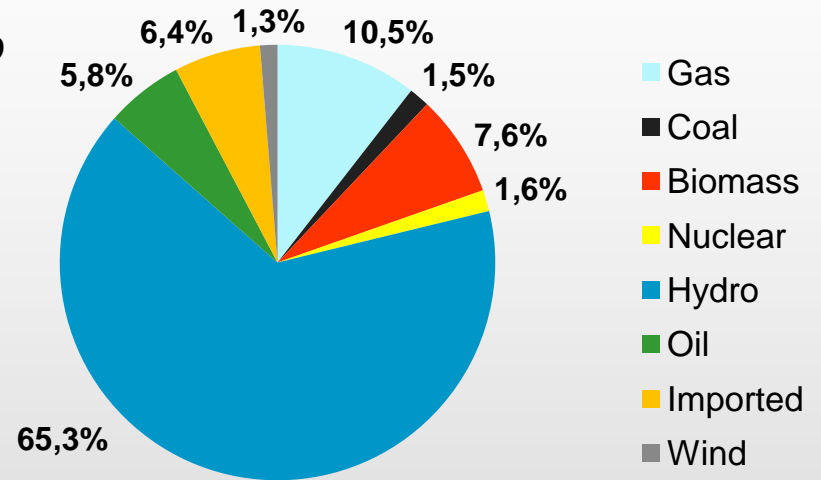
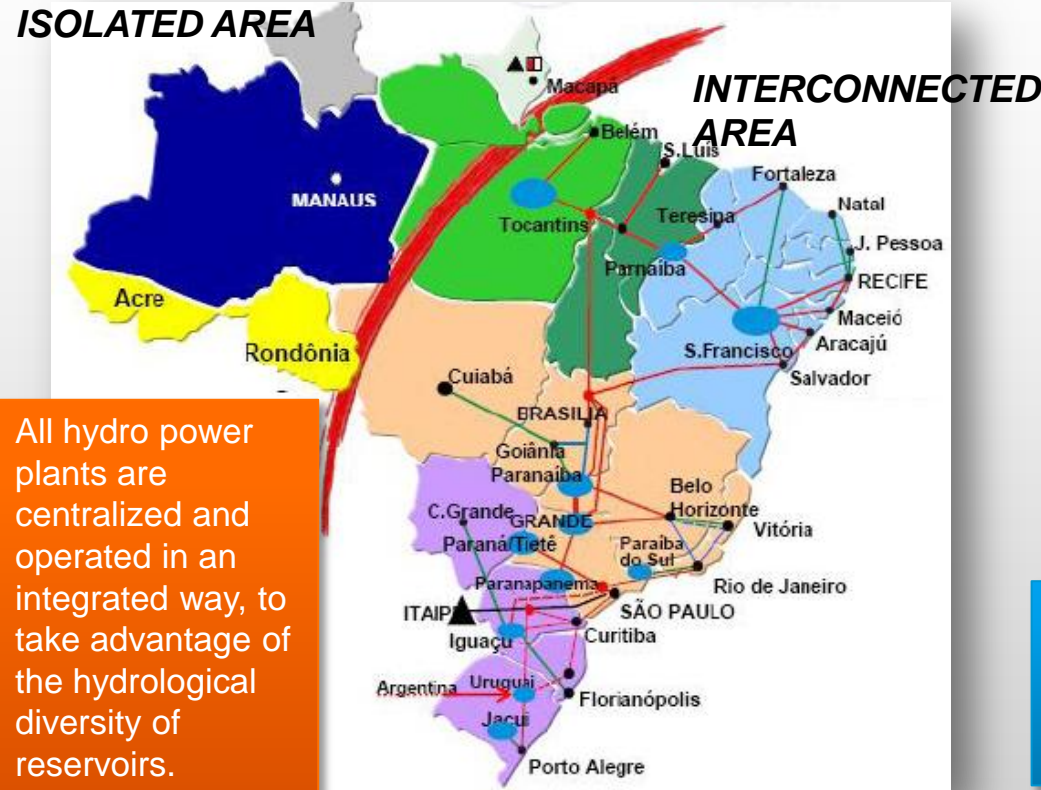
To put it in prospective - From Finland to Portugal



Brazilian energy market – overview

98% of total consumption is in the interconnected area

National energy by generation type
Total installed capacity: 127 GW (July 2012)



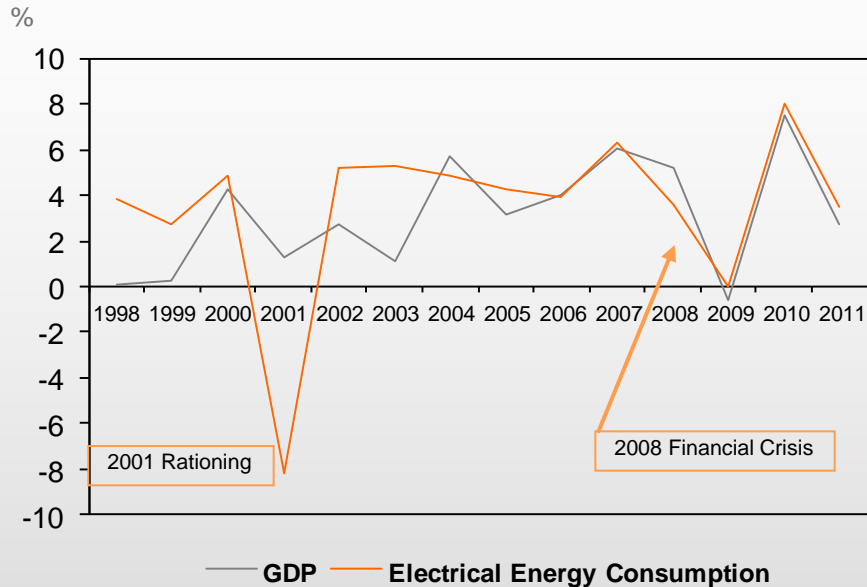
| | |
|-----------------|---------------------------------------|
| ❖ Generation : | 85% State-owned 15% Private sector |
| ❖ Transmission: | 26 companies (15 private) |
| ❖ Distribution: | 64 companies (80% private) |

- The majority of potential locations suitable for large hydropower plants are located in the Amazon region, far from the consumer centers. Environmental issues could avoid the full development of the existing hydropower potential in that region.
- Thermal power generation is the only source capable to provide reliability to the interconnected grid.

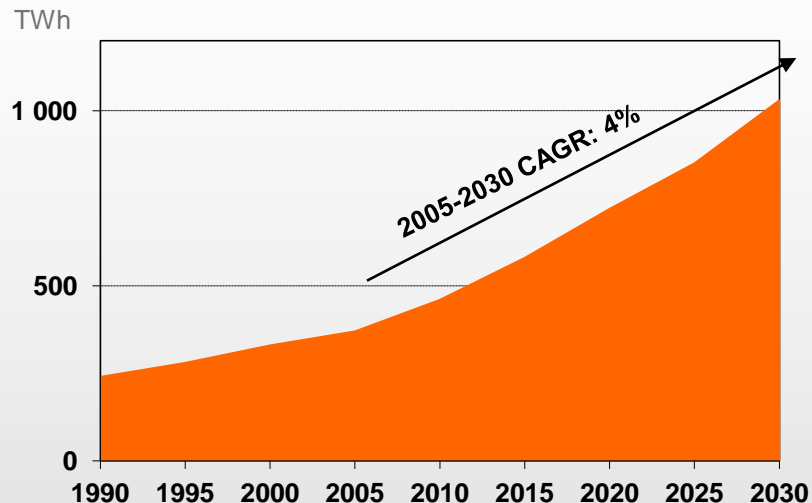
Note: Most of Wärtsilä power plants located in the interconnected area have been used as stand-by capacity for the renewable plants (hydro/wind/biomass)

Economic growth to drive the increase in installed power

Annual change in GDP vs. increase in electrical energy consumption (% p.a.)



National energy demand (TWh / year)

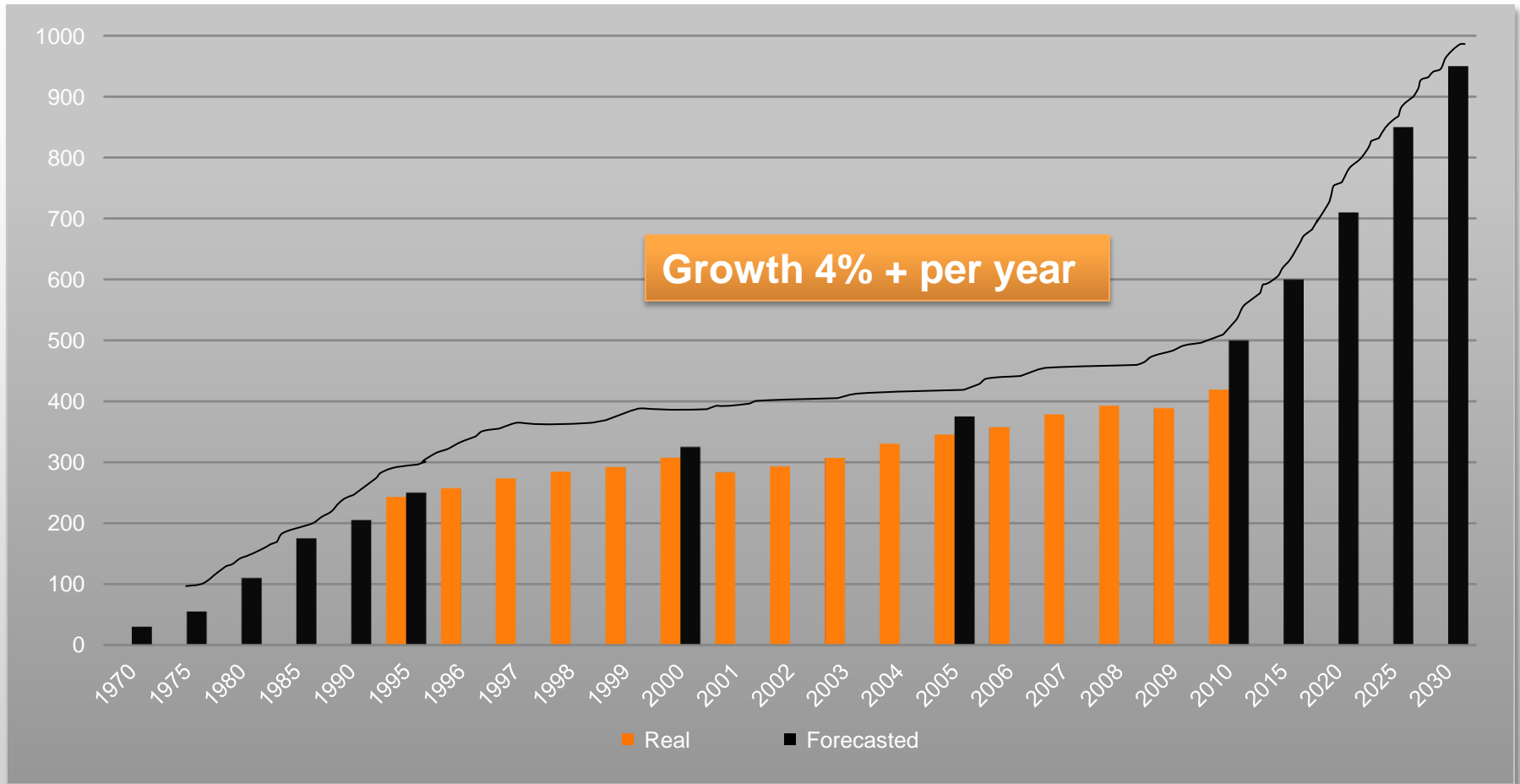


The historically strong correlation between real GDP growth and the annual increase in electrical energy consumption suggests that the strong demand for power plants is to continue.

The National Energy Agency EPE anticipates the annual energy demand to more than double during 2010 - 2030, from less than 500 TWh to more than 1000 TWh.

Source: EPE Plano Nacional de Energia 2030; IBGE; MME

Energy consumption Real x Forecast (TWh x year)



Brazil – Real Electrical Energy Consumption 1995 / 2010



- **Demand Growth:**

- Government forecasts minimum 4% load growth per year until 2020



over 5,000 MW per year for the next years!

- New large hydroelectric projects are no longer available close to the load centers



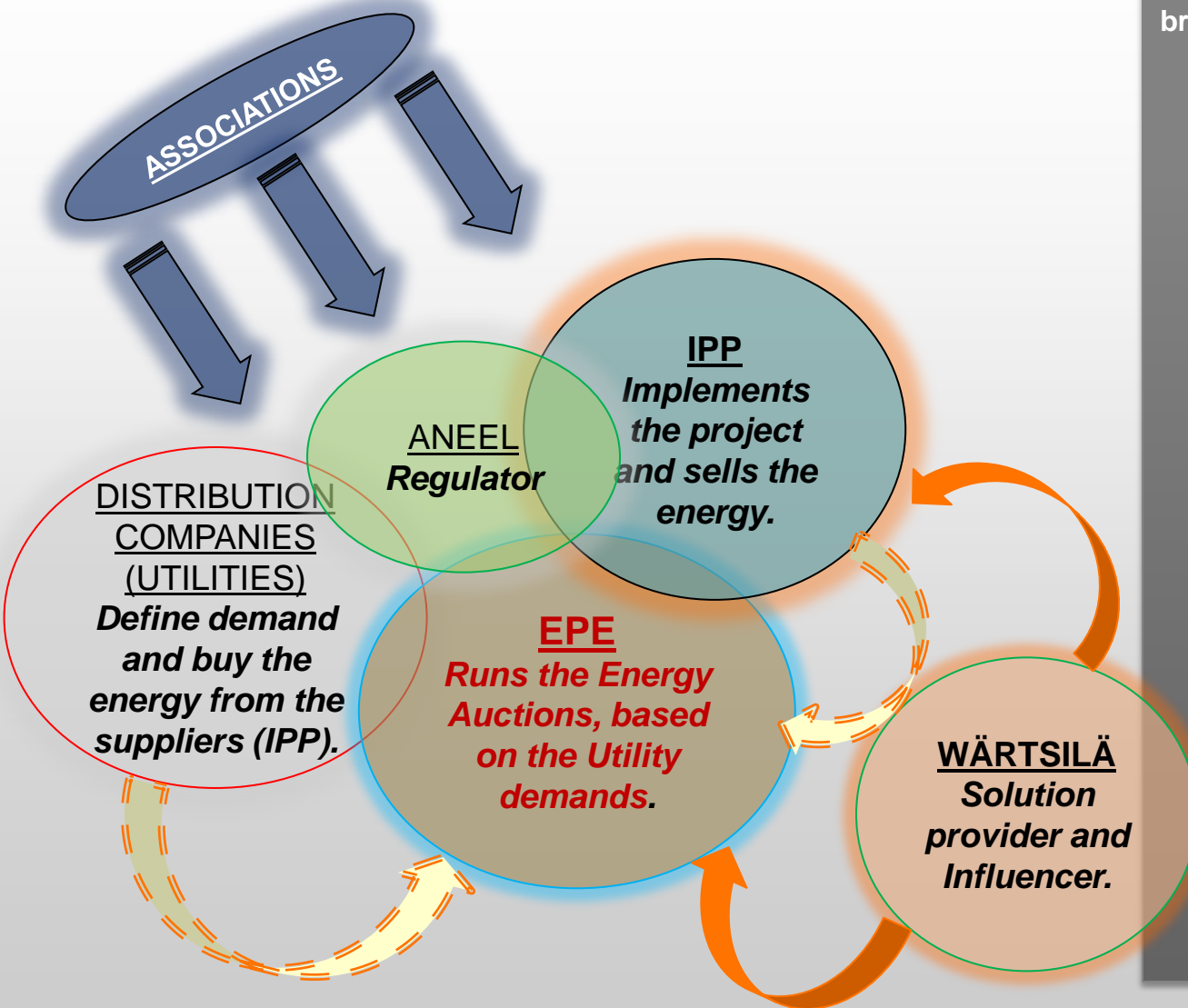
New hydro plants are designed to be run-of-rivers → need of thermal back-up.

- New offshore discoveries will lead to an increase of natural gas availability



Natural Gas thermal plants opportunities!

Auction in brief: New electricity is purchased through auction



Annual energy auction system in brief

- Purchase of new energy to meet consumption growth
- Electricity demand based on distribution companies evaluation
- Three types of auctions for new energy
 - **A-3** (thermal and biofuel projects; COD in three years time)
 - **A-5** (long lead-time projects such as hydro; COD in five years time)
 - **Reserve and Emergency** (in case energy demand requirements are not met with the above)
- New energy only: for new power plants or expansion of existing ones
- Open for all technologies (hydro, thermal, biomass, wind)
 - Thermolectric power provides supply reliability in dry periods
- Long-term PPA (15 years for thermal plants)

Note: See the Appendices for full details.

Brazil - December 2012

- **25 Power Plants**
+ 4 under construction = 29 total
- **2,283 MW installed capacity**
+ 356MW under construction = 2,639MW
- **1,836 MW under O&M contract**

Gera Manaus – 85MW



Petrolina – 140MW



Termocabo – 52MW



Linhares – 204MW (Gas)



Borborema – 175MW



Manauara – 85MW



Viana – 175MW



Geramar I & II – 330MW



Maracanaú – 168MW



Suape II – 380MW





” Services business landscape



Name: Robson Campos

Age: 42

Lawyer – 1995

Corporate Finance – 2004

Married, 2 children

Wärtsilä:

Working at WBR since Jul 1990

**Long experience in the Finance, Power
and Services market since 1995**

**Current position: President, Wärtsilä Brazil
Head of Services**

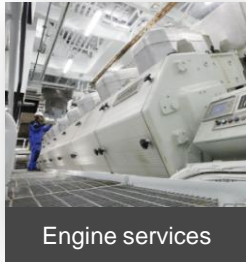
- Strong presence in Brazil
- High quality services, especially in propulsion and O&M
- O&M agreement or maintenance agreement for every power plant commissioned since 2002
- Established relationships with Offshore customers
- Underlying market potential in both power plants and services provides strong future market potential

- Opening Ceremony Q1 2013

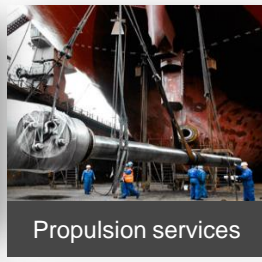


- Service for: engines, thrusters, Electrical and Automation, etc.

- Training Center for yards, local manufacturing and operators.



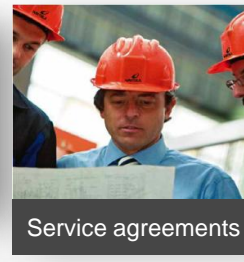
Engine services



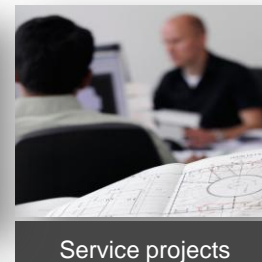
Propulsion services



Electrical & automation services



Service agreements



Service projects



Training services

WÄRTSILÄ Engine Services

WÄRTSILÄ Reconditioning Services

WÄRTSILÄ Propulsion Services

WÄRTSILÄ Operations & Management

WÄRTSILÄ Automation Services

WÄRTSILÄ Training Services

- Service locations and workshops
 - Rio de Janeiro: Area 2332 m² (B type)
 - Manaus: Area 3400 m² (C type)
- Power Plants and Offshore O&M and maintenance agreements, 1.2 GW covered by O&M agreements
- Maintenance agreements: 2
- More than 620,000 man-hours worked in 2009 serving our customers

- Brazilian cabotage owners current port calls: 152 per month
- Main ports: Santos and Suape (resp. 26 and 23 monthly calls)
- Petrobras offshore expansion: ~300 new installations by 2020

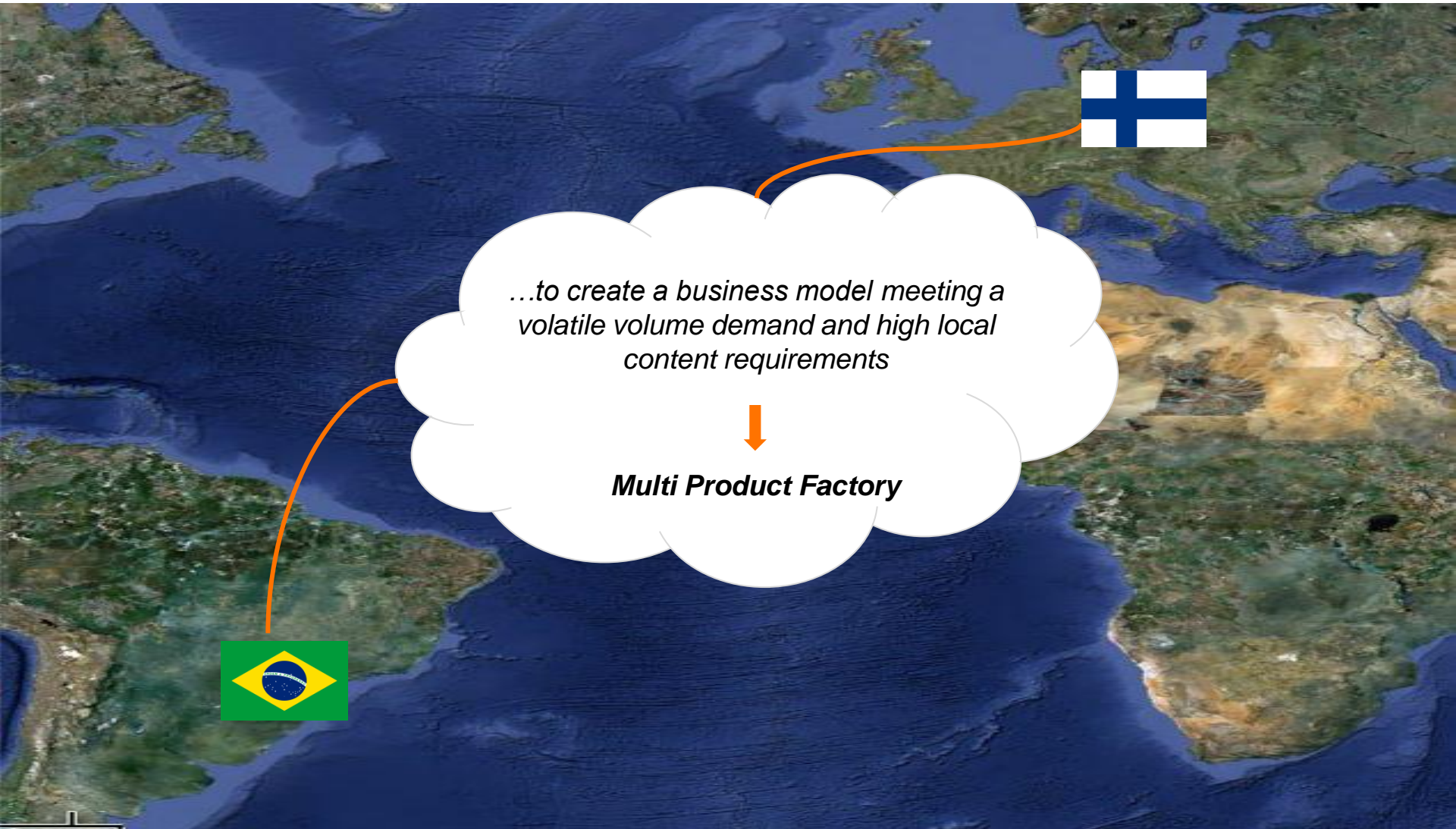
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| Growth area: | Offshore services |
| Strategy: | Capture the after-sales to the suppliers to the Brazilian offshore market. Partner-up with them from DAY 1 they are commencing work off the Brazilian coast. |

| | |
|--------------|---|
| Growth area: | Propulsion services |
| Strategy: | Build up our own capabilities to perform the works in-house. Offer services together with the engine and offshore services. |

| | |
|--------------|---|
| Growth area: | O&M services |
| Strategy: | Secure orders with IPP's in energy auctions and projects in the isolated grids. Industry self generation projects and O&G installations |

Main focus:

- *Footprint in offshore market*
- *Merchant fleet customers (O&M agreements and propulsion services)*
- *IPP new customers (O&M agreements)*



THANK YOU!



WÄRTSILÄ