

WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY-JUNE 2011

OLE JOHANSSON, PRESIDENT & CEO

20 JULY 2011



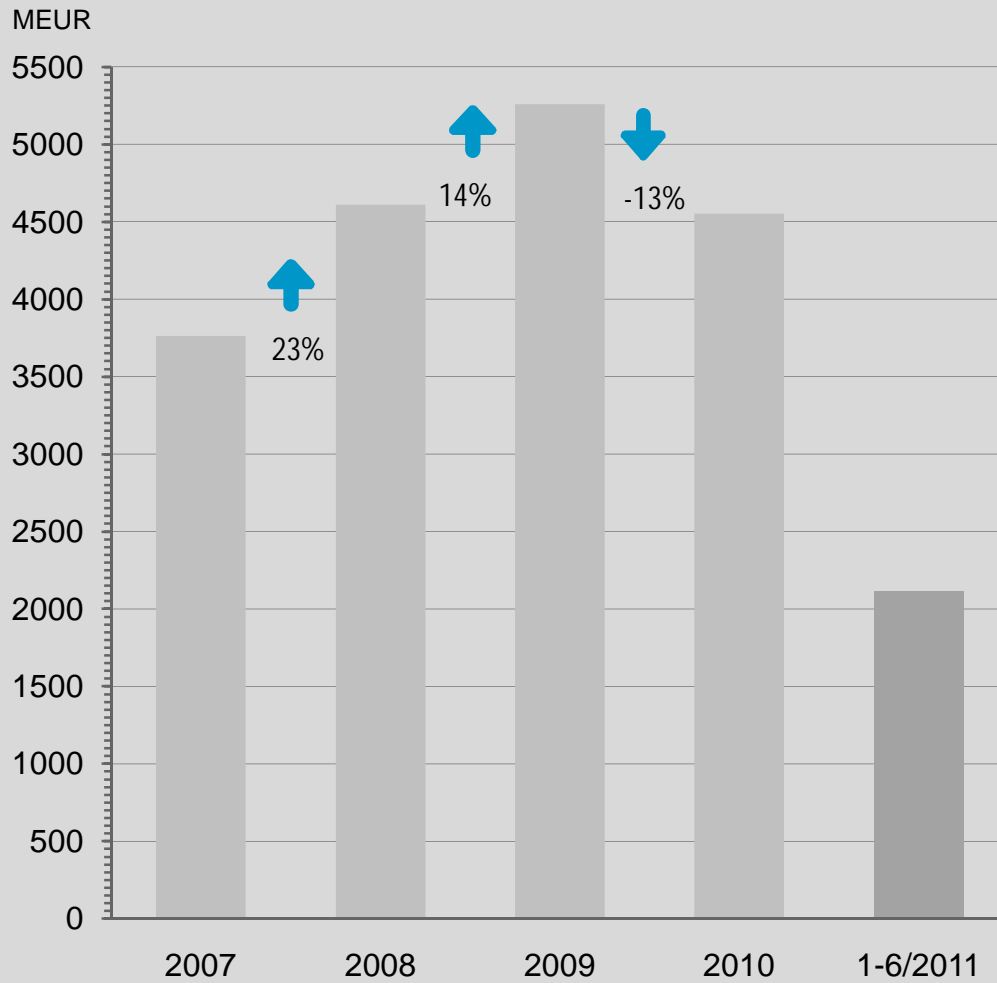
Q2/11 Highlights



- 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)

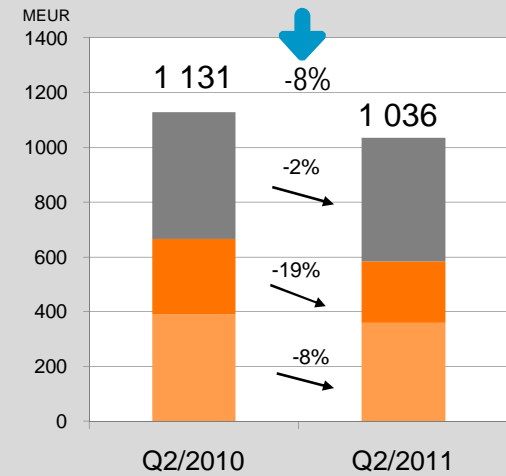
Operating result and EPS are shown excluding nonrecurring items.
EPS figures have been calculated based on the new amount of shares.

Slight decrease in net sales

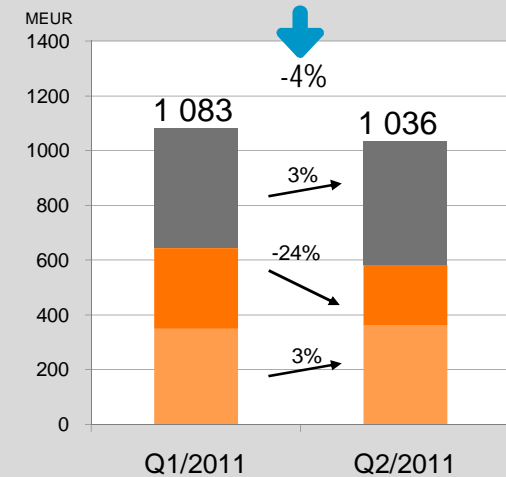


● Power Plants ● Ship Power ● Services

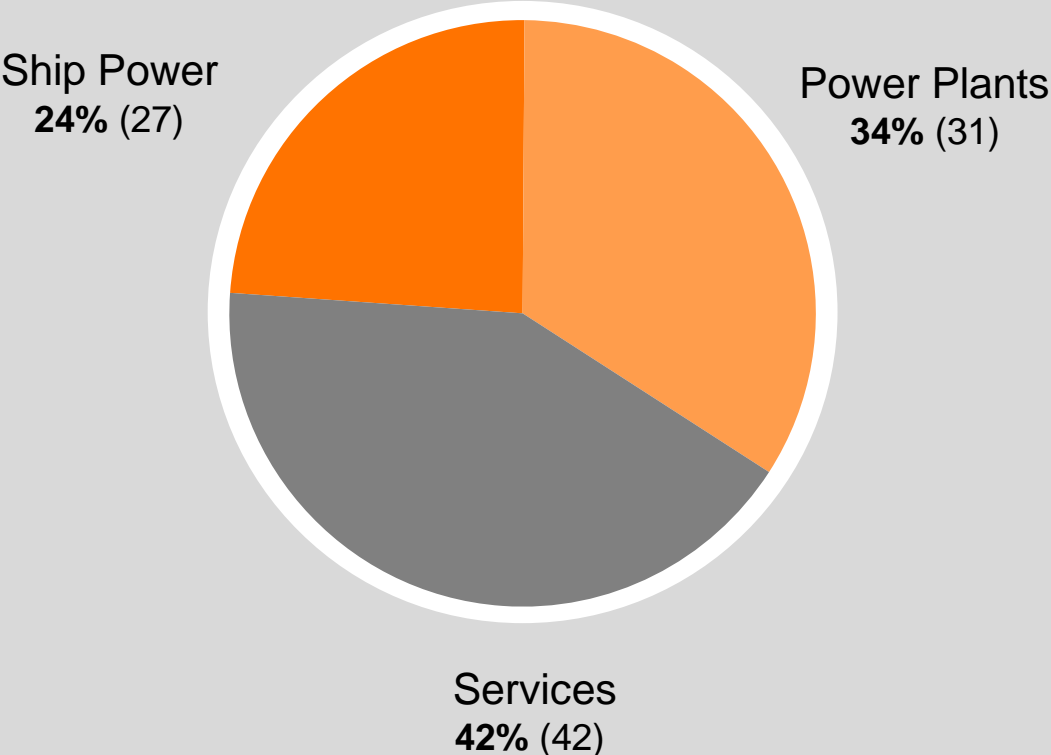
Q2 on Q2 development



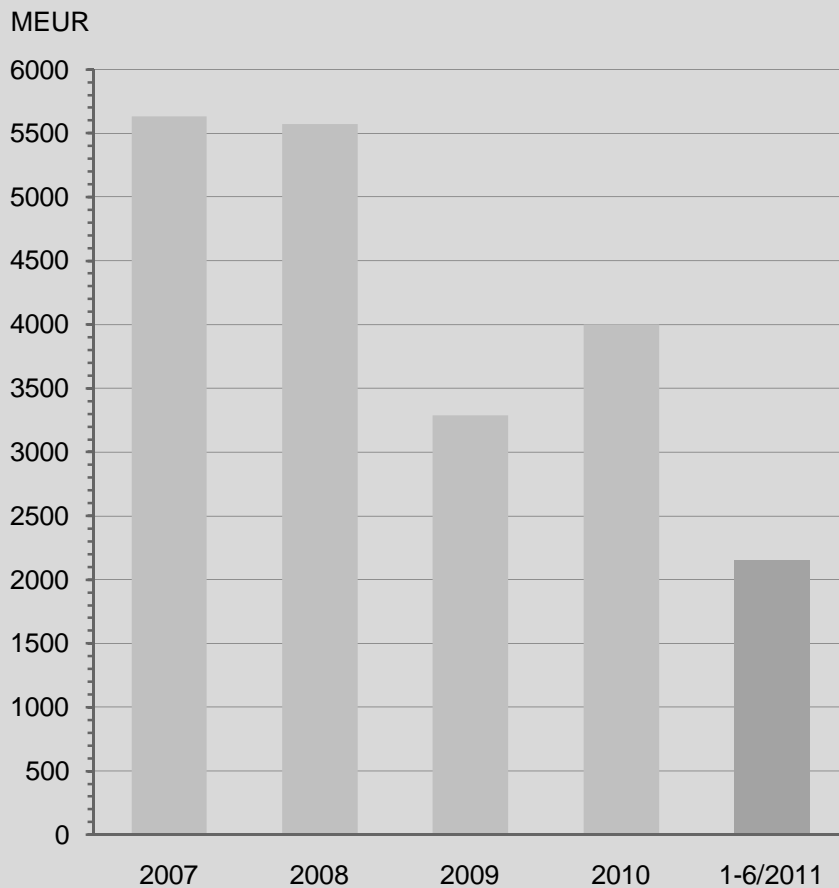
Q2 on Q1 development



Net sales by business 1-6/2011

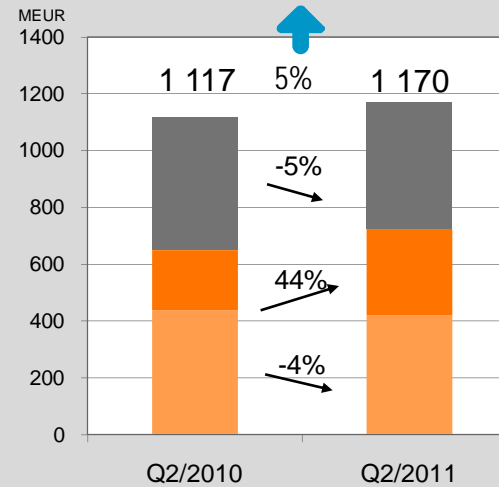


Solid order intake

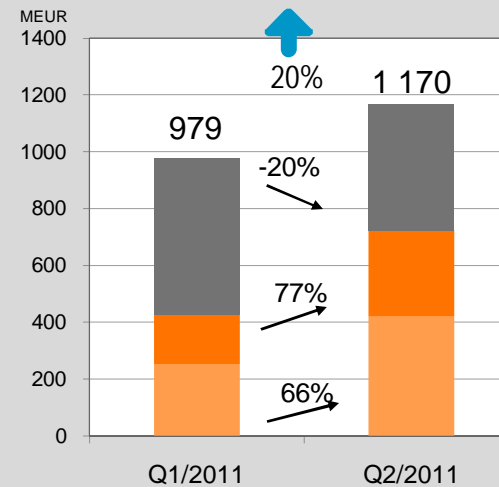


● Power Plants
 ● Ship Power
 ● Services

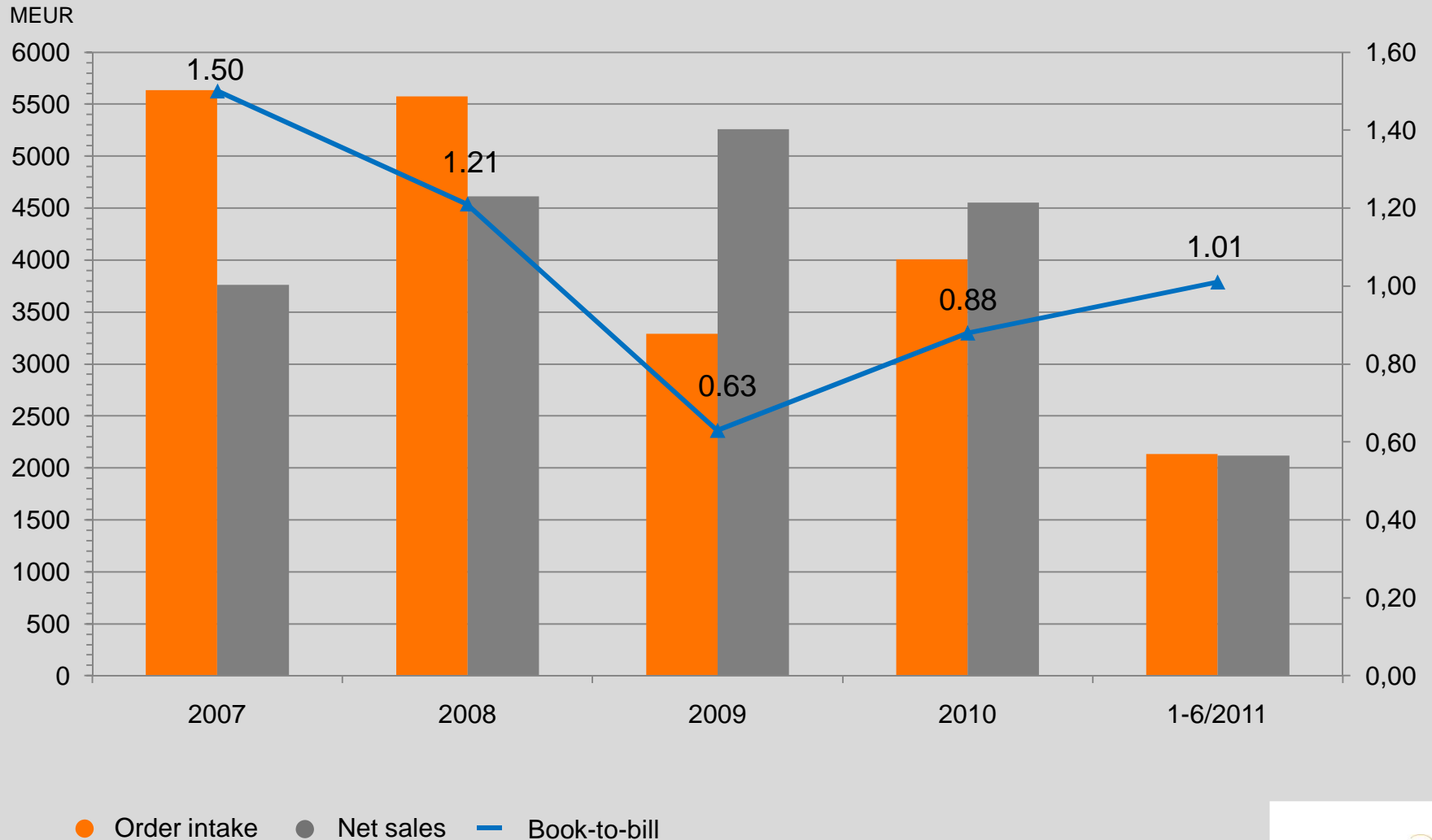
Q2 on Q2 development



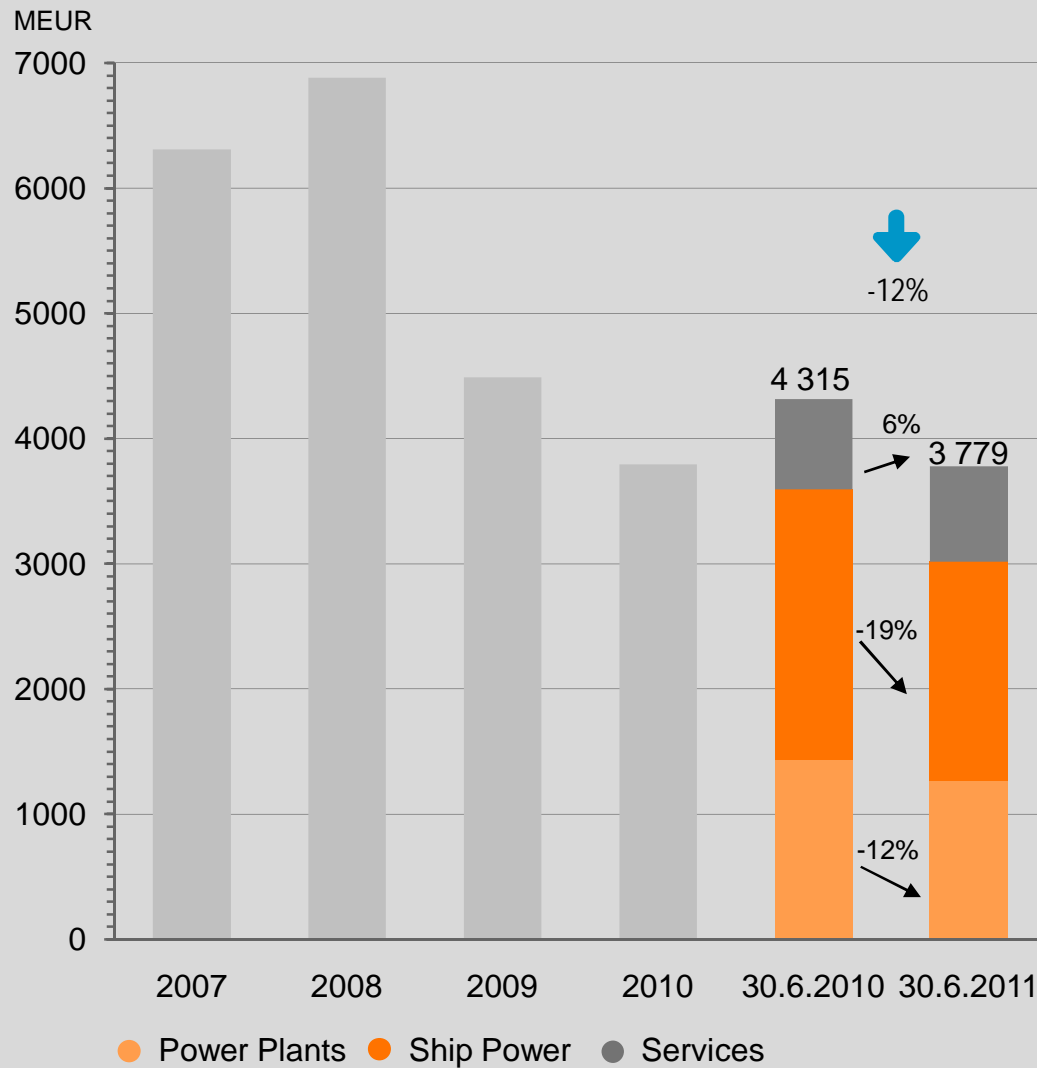
Q2 on Q1 development



Book-to-bill ratio exceeds one



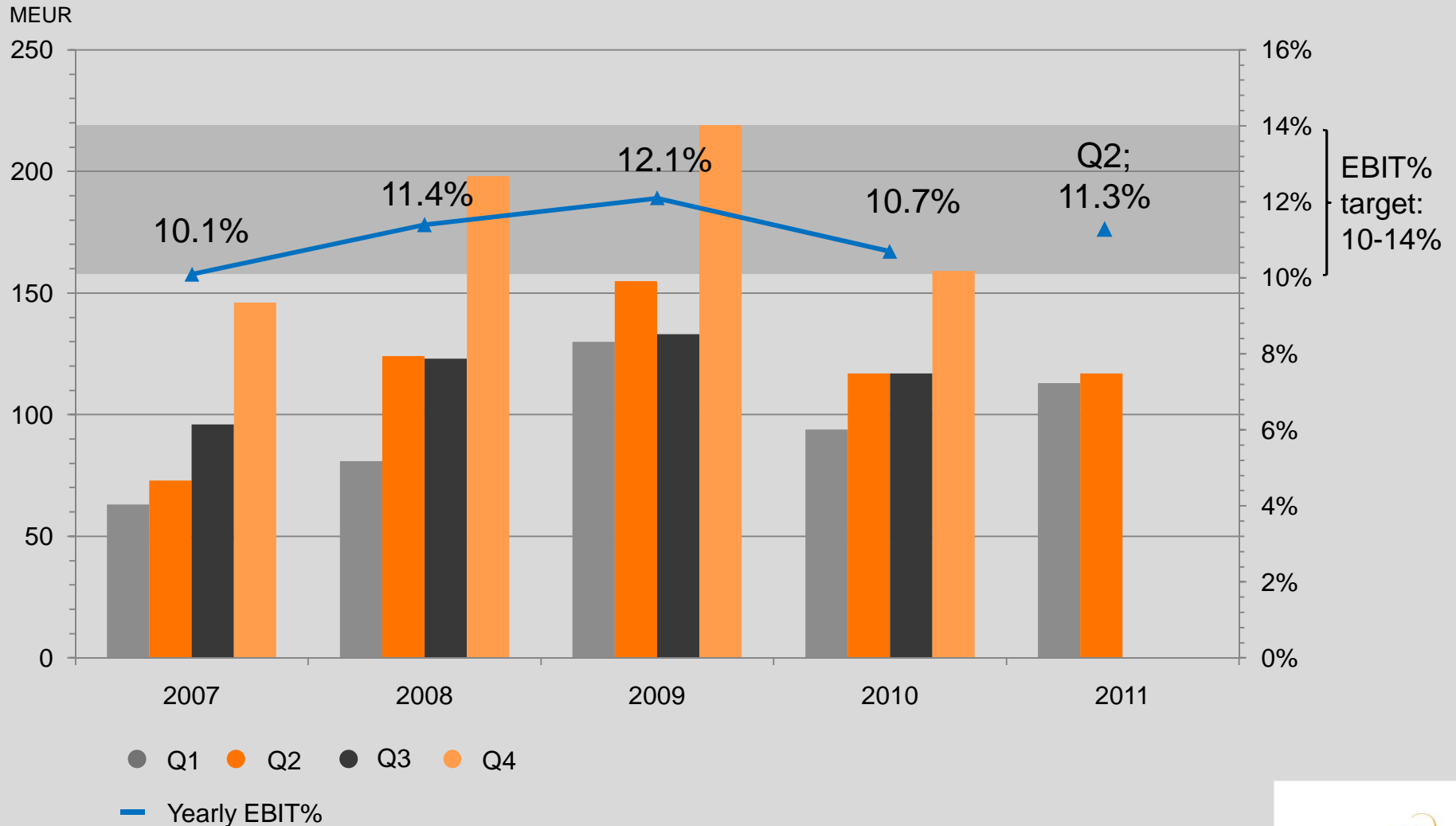
Order book development



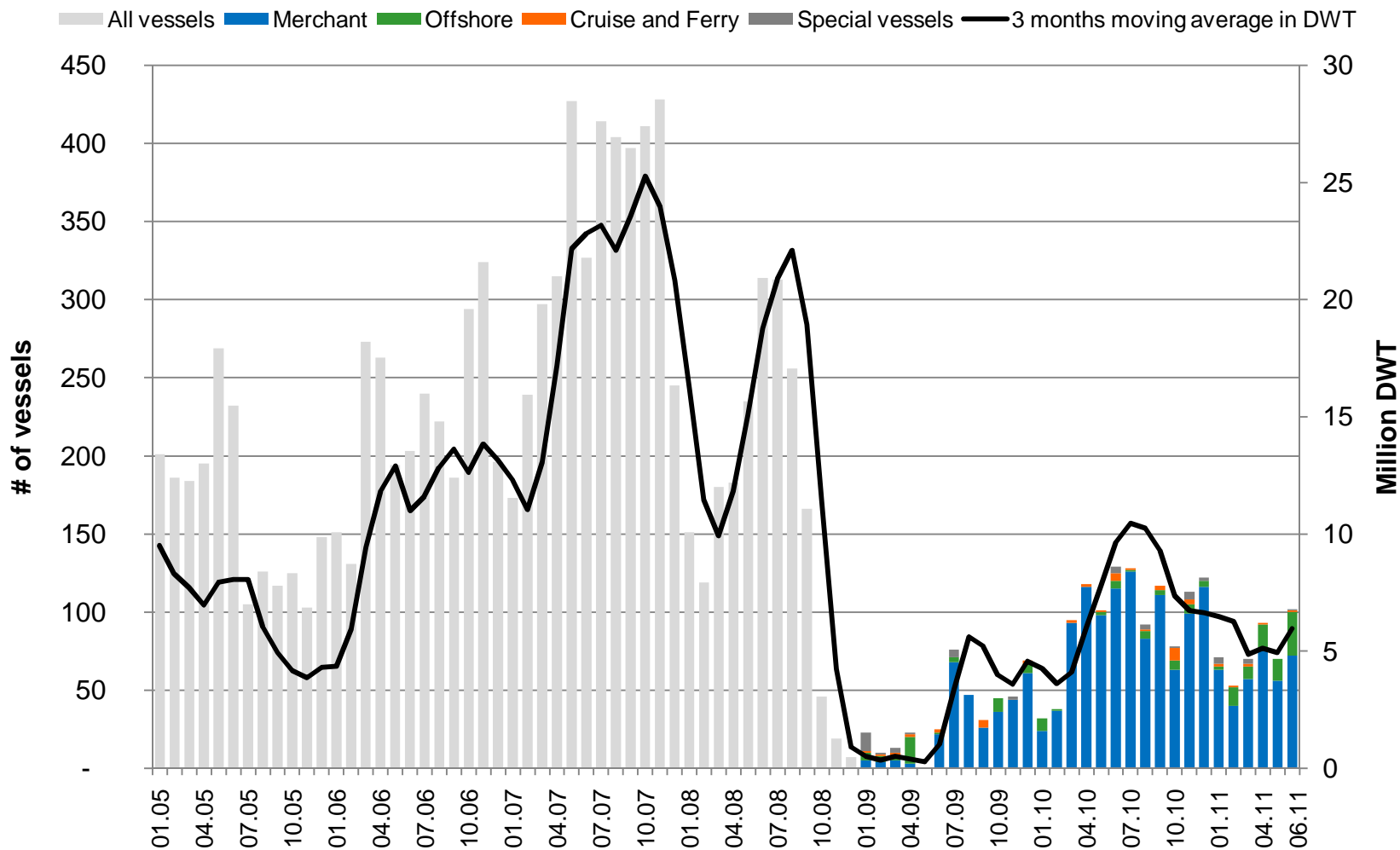
Order book distribution



Improved profitability

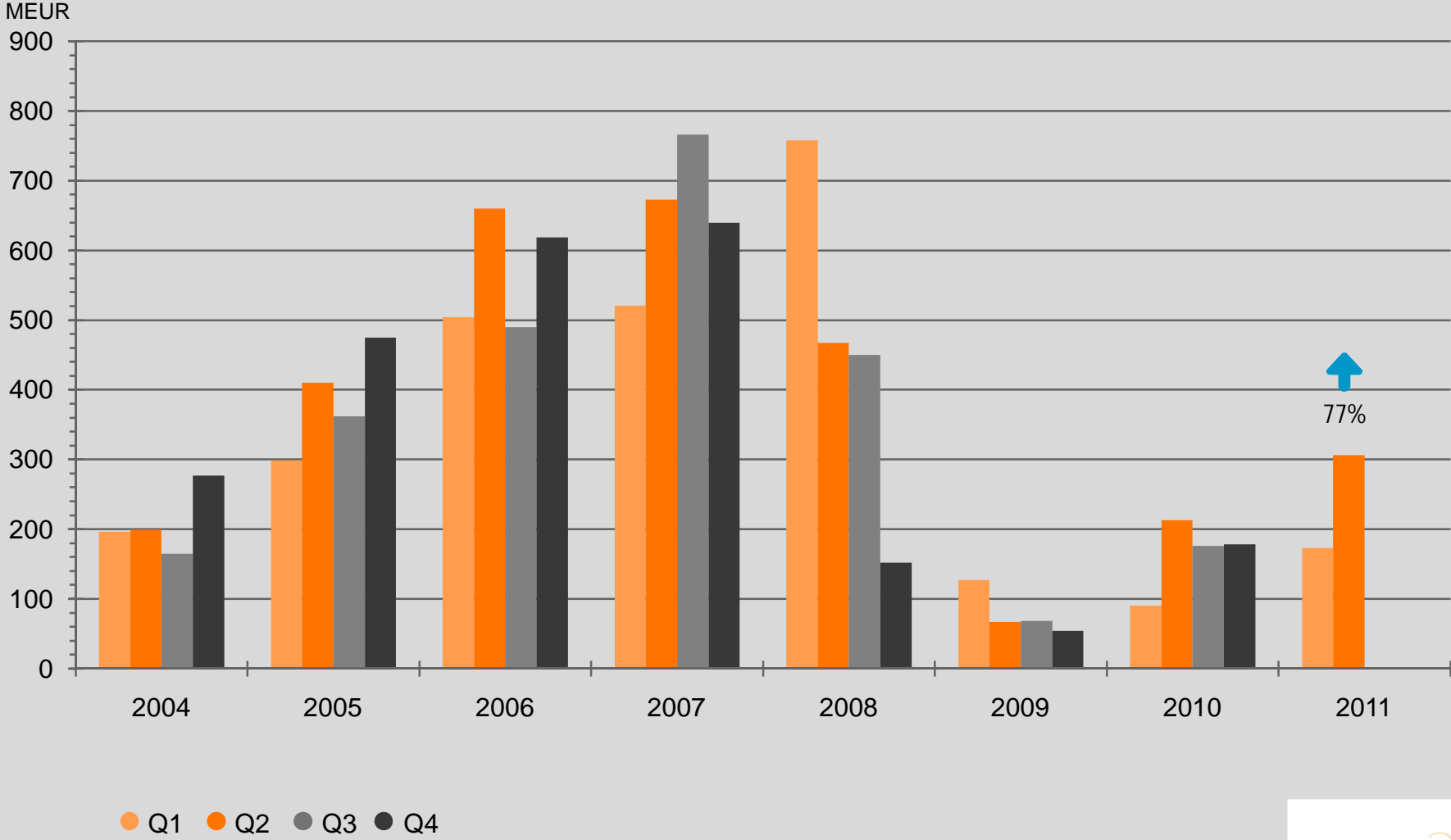


Ship Power market - contracting activity continued stable

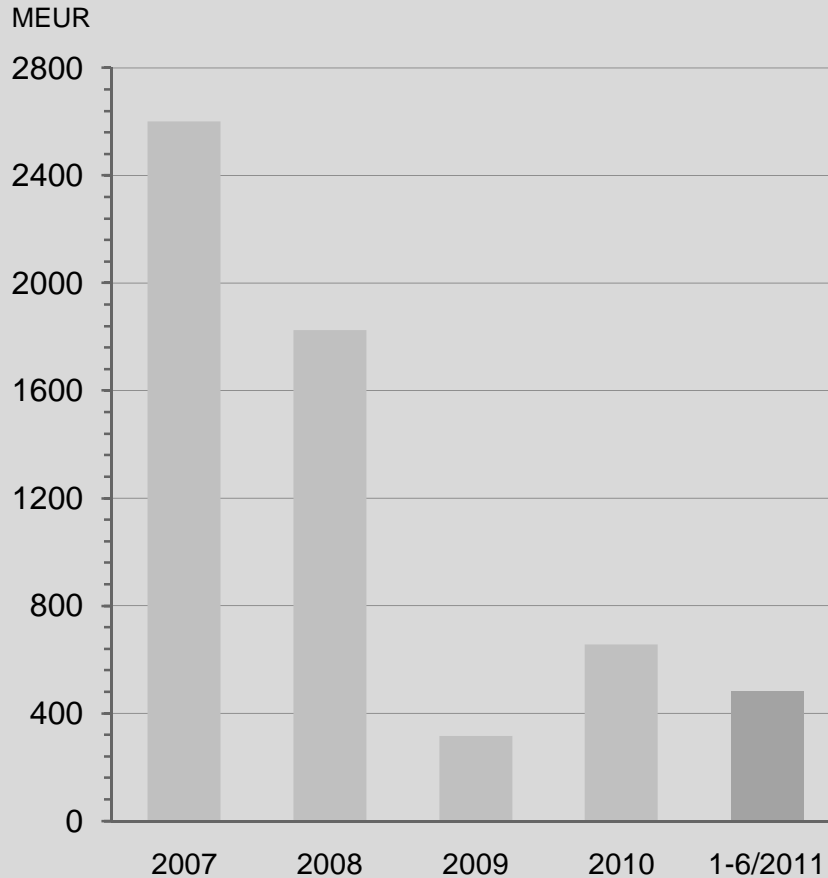


Source: Clarkson Research Services Limited

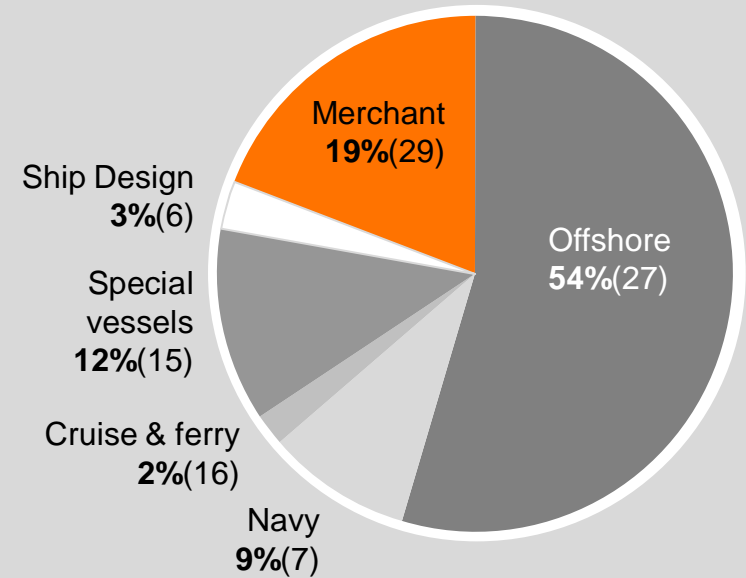
Ship Power quarterly order intake



Ship Power order intake by segment



Second quarter development
Total EUR 306 million (173)

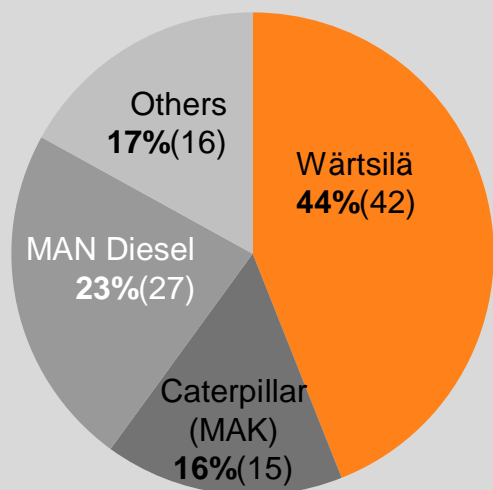


Dual-fuel engine orders for LNG carriers are booked as the joint venture Wärtsilä Hyundai Engine Company Ltd's order intake. Numbers in brackets are from Q1/2011

Ship Power market

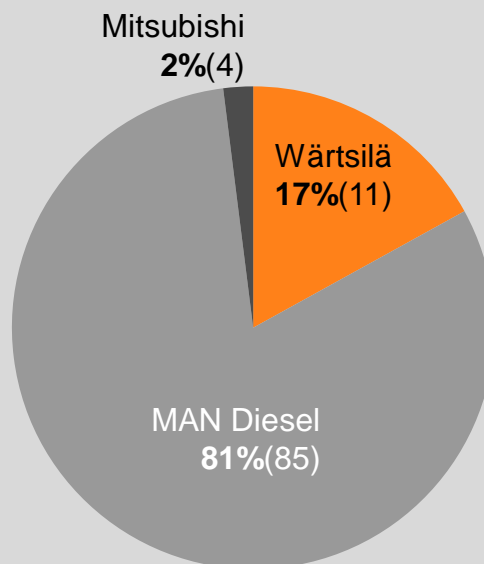
Market position of Wärtsilä's marine engines

Medium-speed main engines



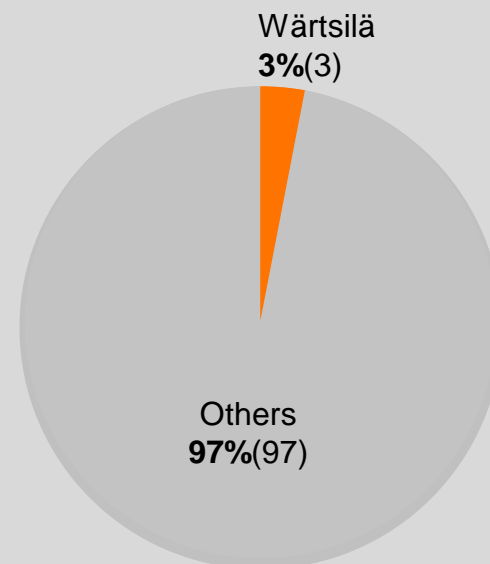
Total market volume last 12 months:
1,404 MW (1,628)

Low-speed main engines



Total market volume last 12 months:
18,994 MW (17,220)

Auxiliary engines

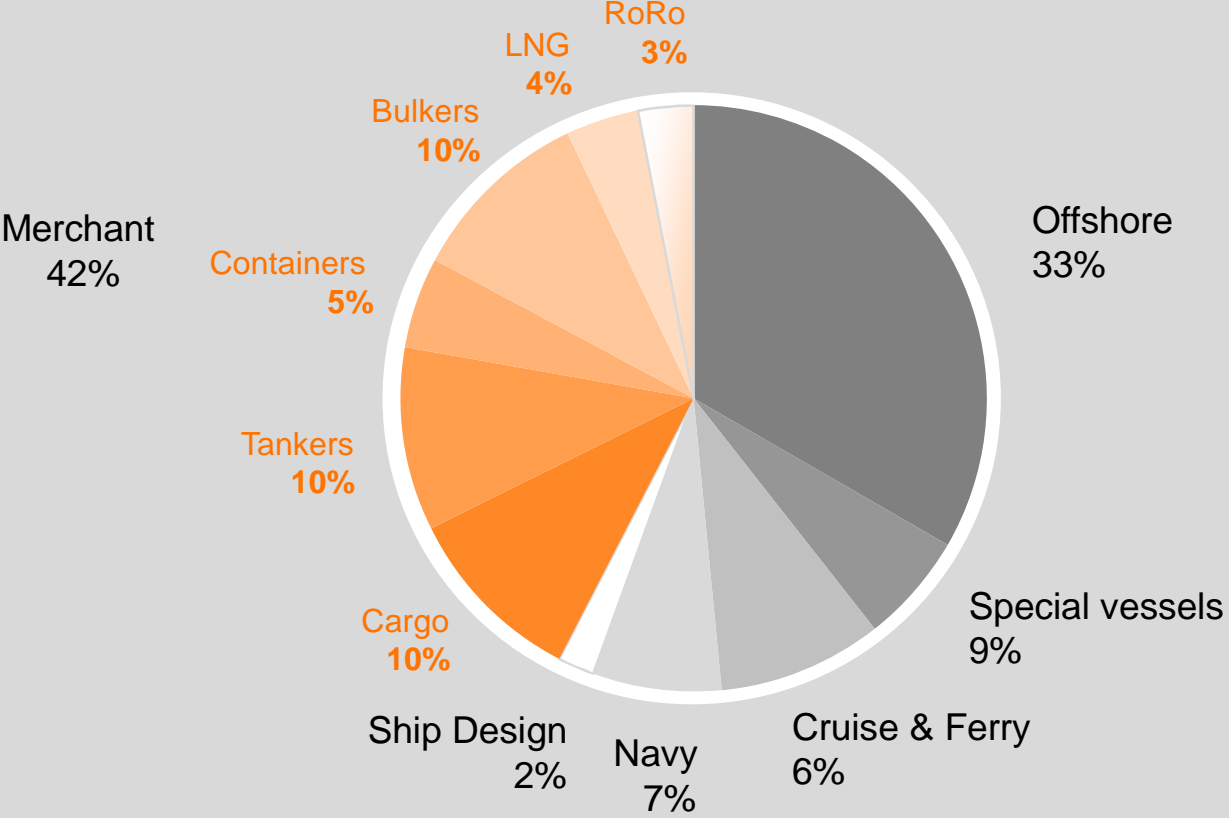


Total market volume last 12 months:
3,787 MW (4,271)

Wärtsilä's market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. Wärtsilä's own calculation is based on Marine Market Database.

Ship Power order book 30 June 2011

All vessel segments represented



Total EUR 1,753 million (2,157)





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

Benefits of single-source supply capability:

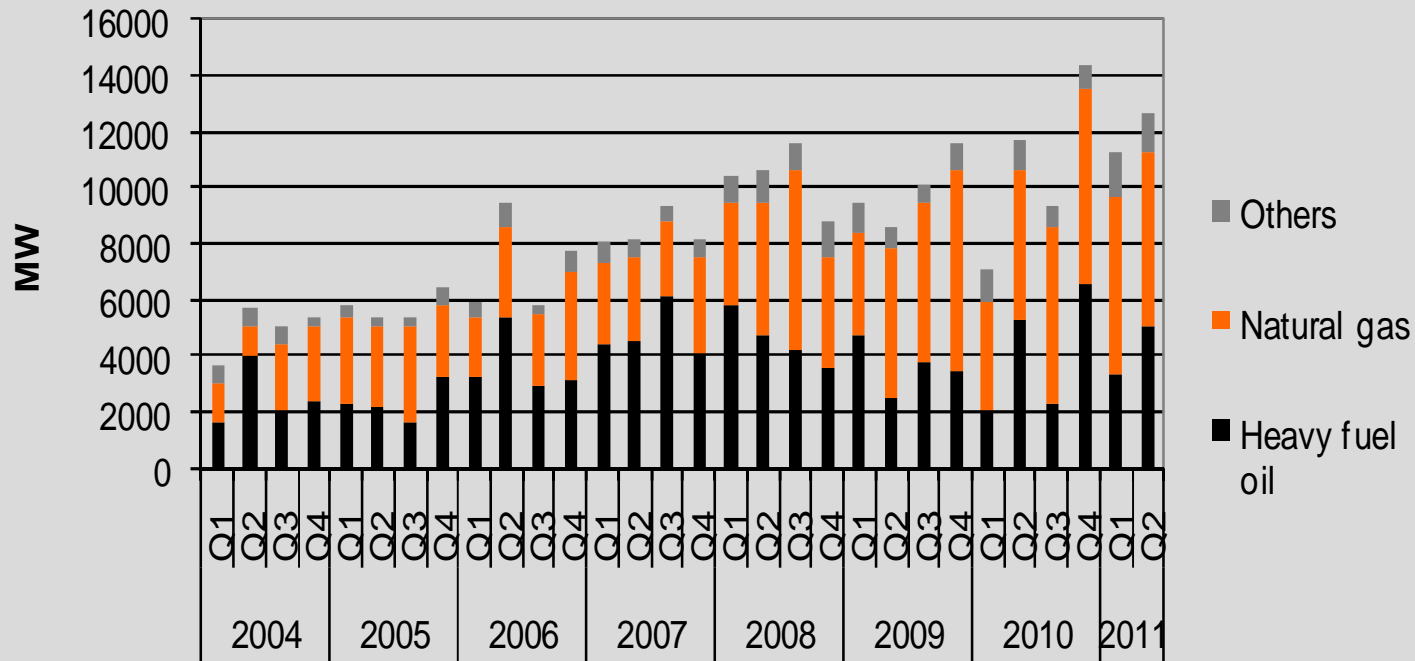
- Reduced building time and lower costs
- Minimised project risks
- Ship design key to early lifecycle entry

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

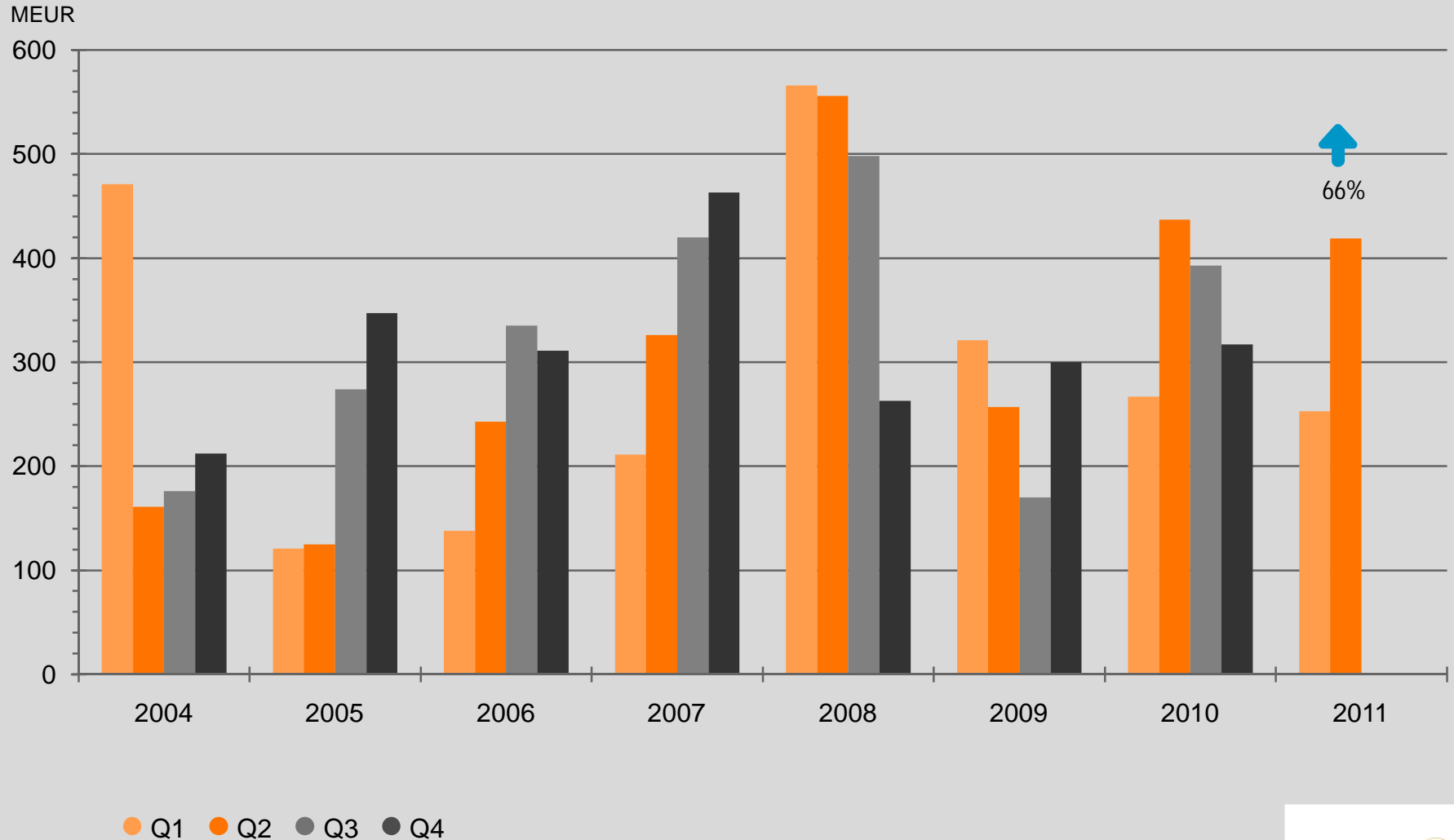
Power Plants - Markets remain solid

Quoted MW per Fuel Type

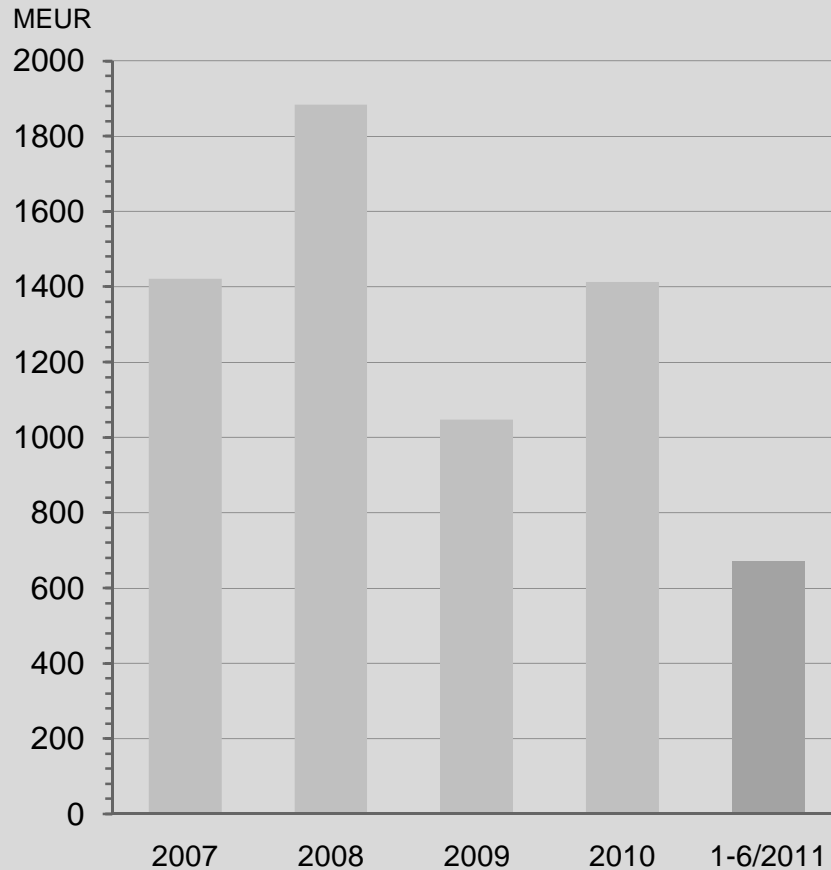


Share of natural gas is consistently increasing

Power Plants quarterly order intake



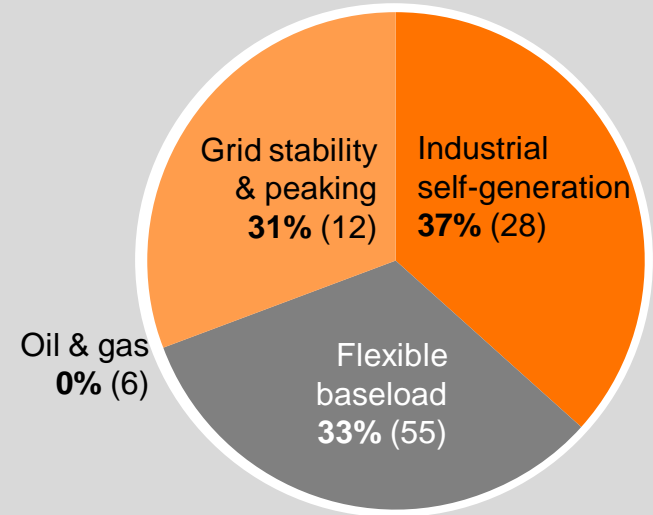
Power Plants order intake by application



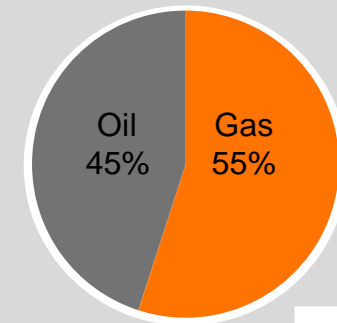
Numbers in brackets are from Q1/2011

Second quarter development

Total EUR 419 million (253)

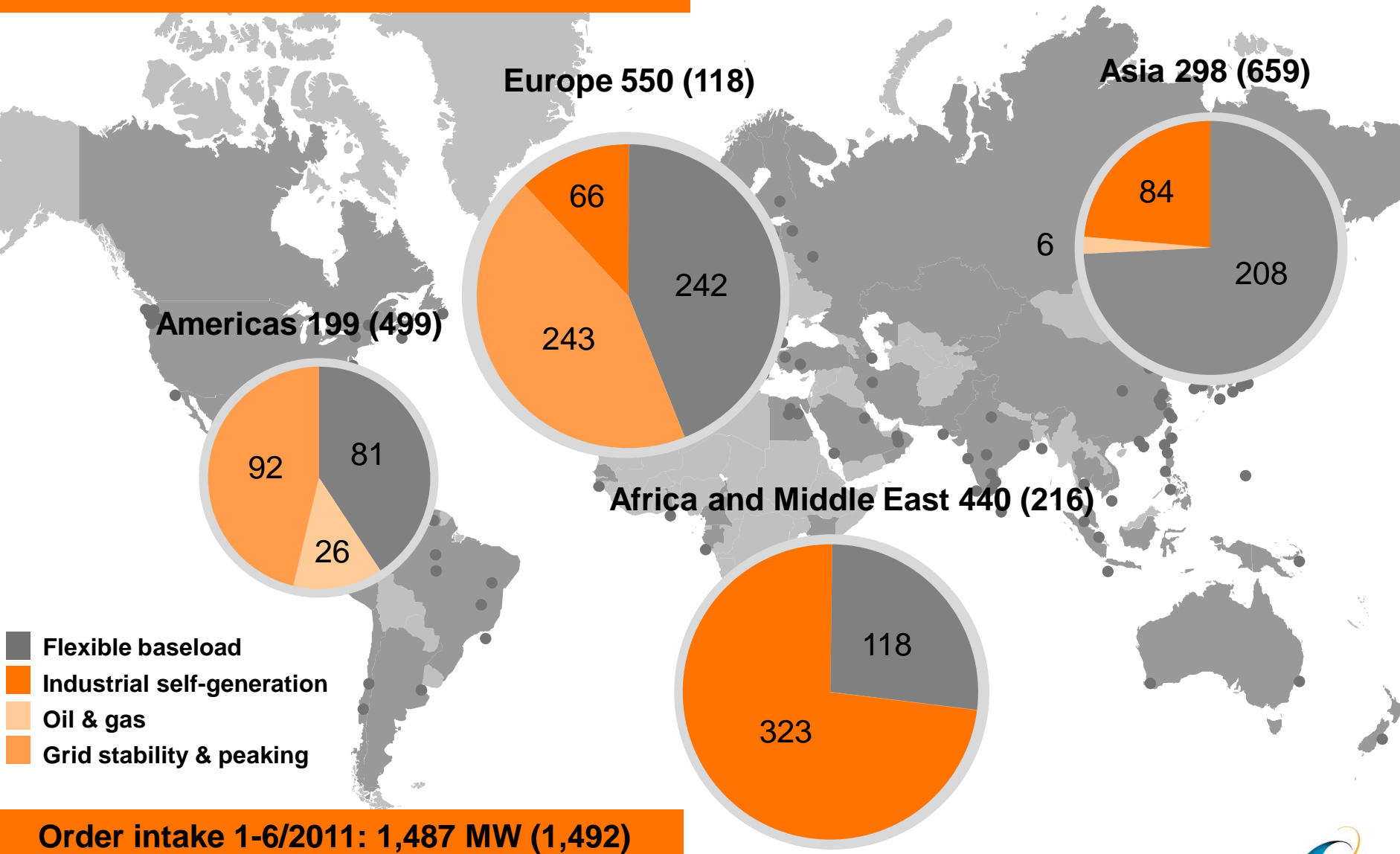


Order intake by fuel Q2/2011 in MW



Power Plants order intake

EMEA regions strongest

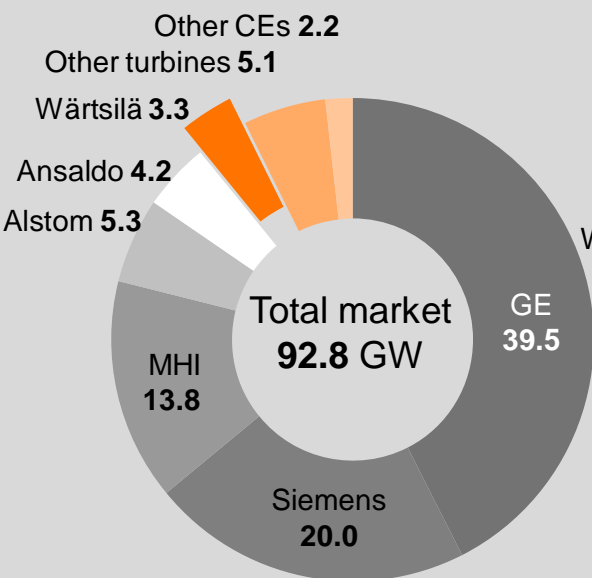


- Flexible baseload
- Industrial self-generation
- Oil & gas
- Grid stability & peaking

Power Plants market

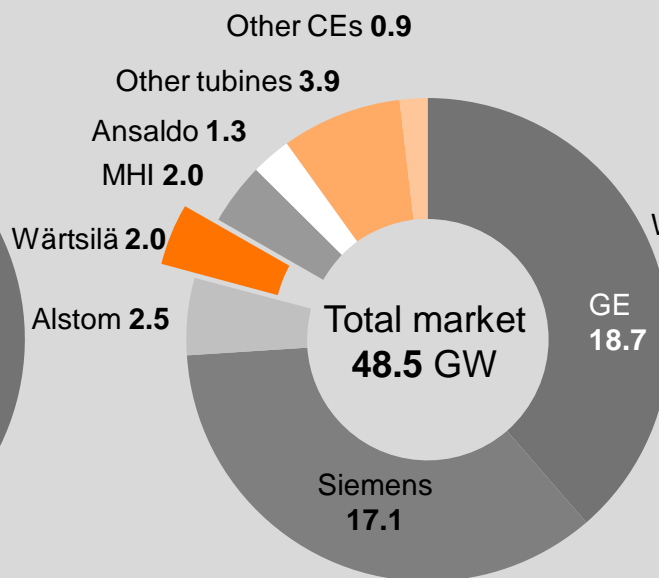
Gas turbine and engine manufacturers

2008



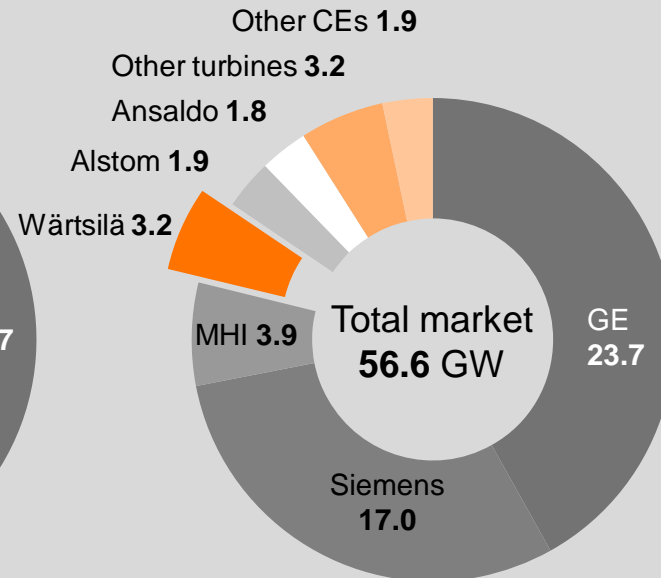
Wärtsilä's market share 3.6%

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.



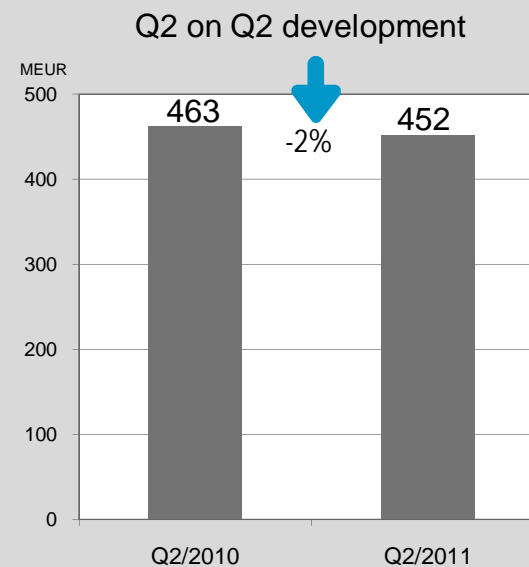
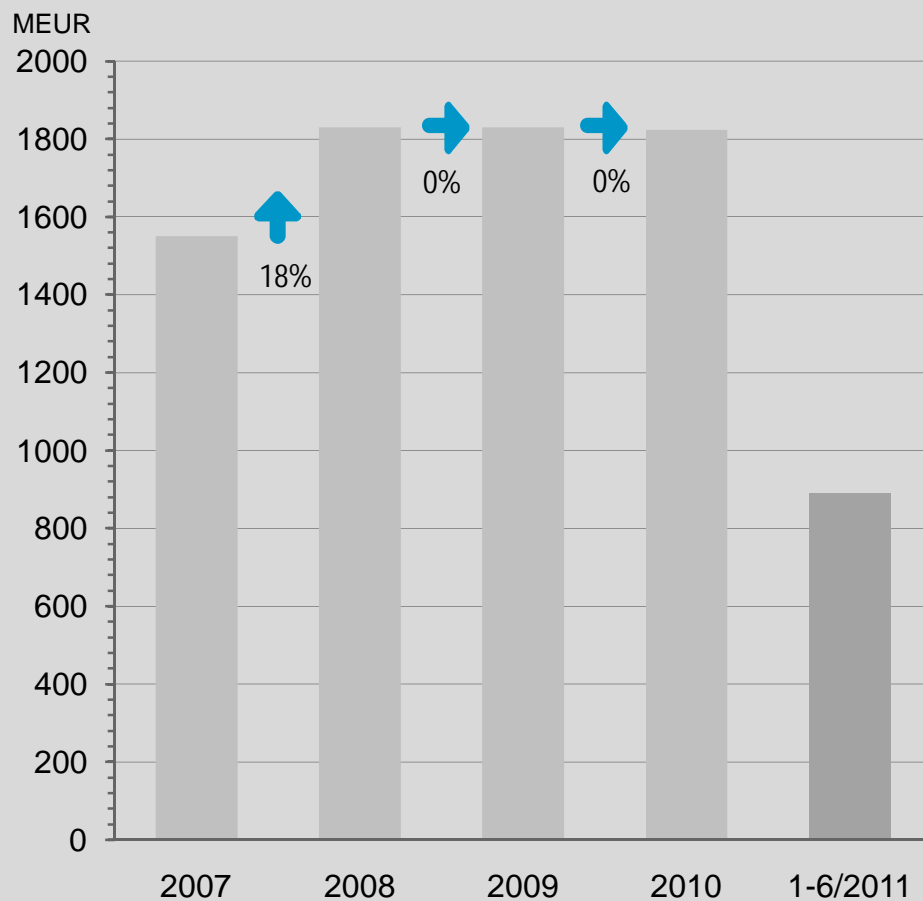
Target to grow strongly in the large utility gas power plants

- 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

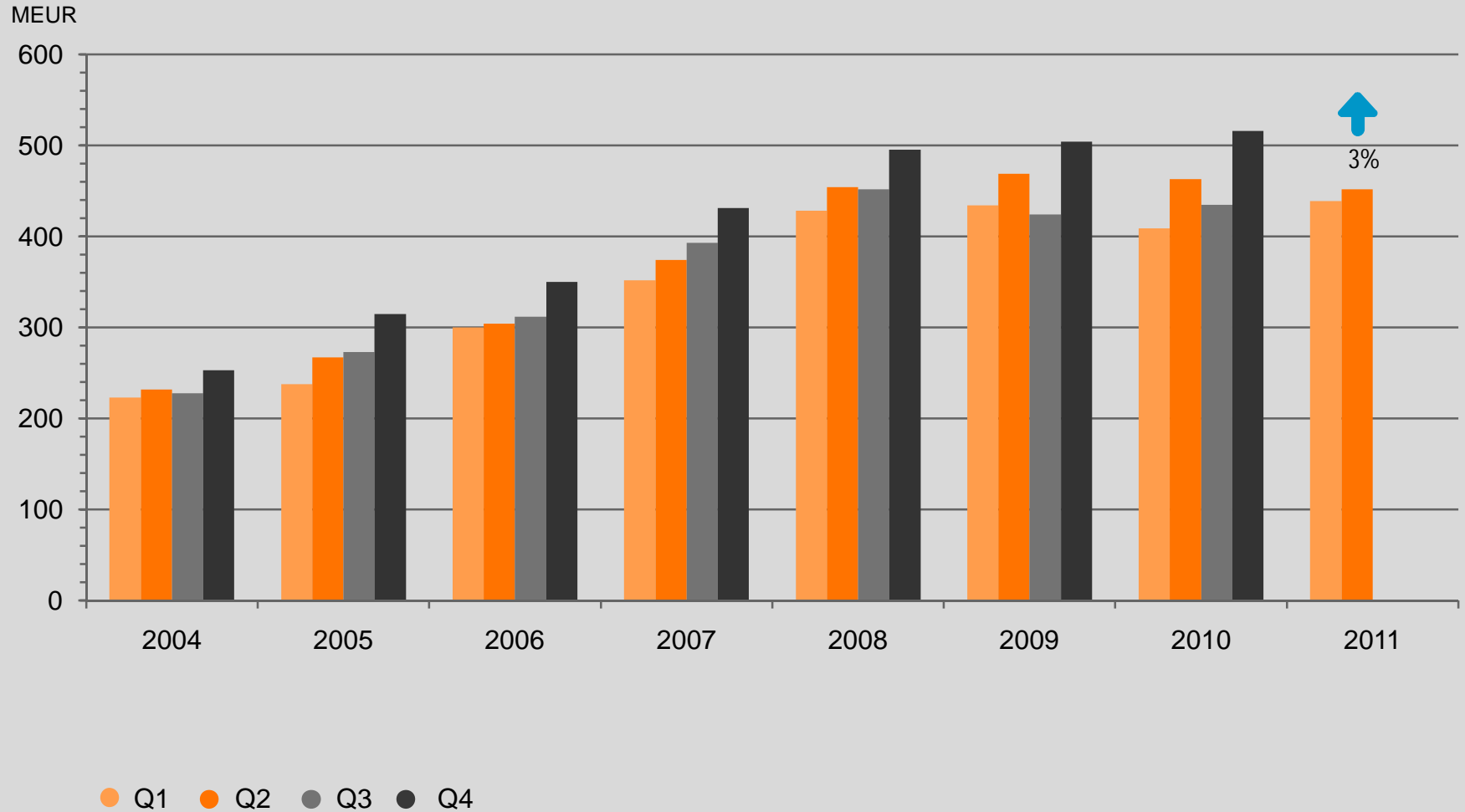
Turnkey project order from Estonia

- 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

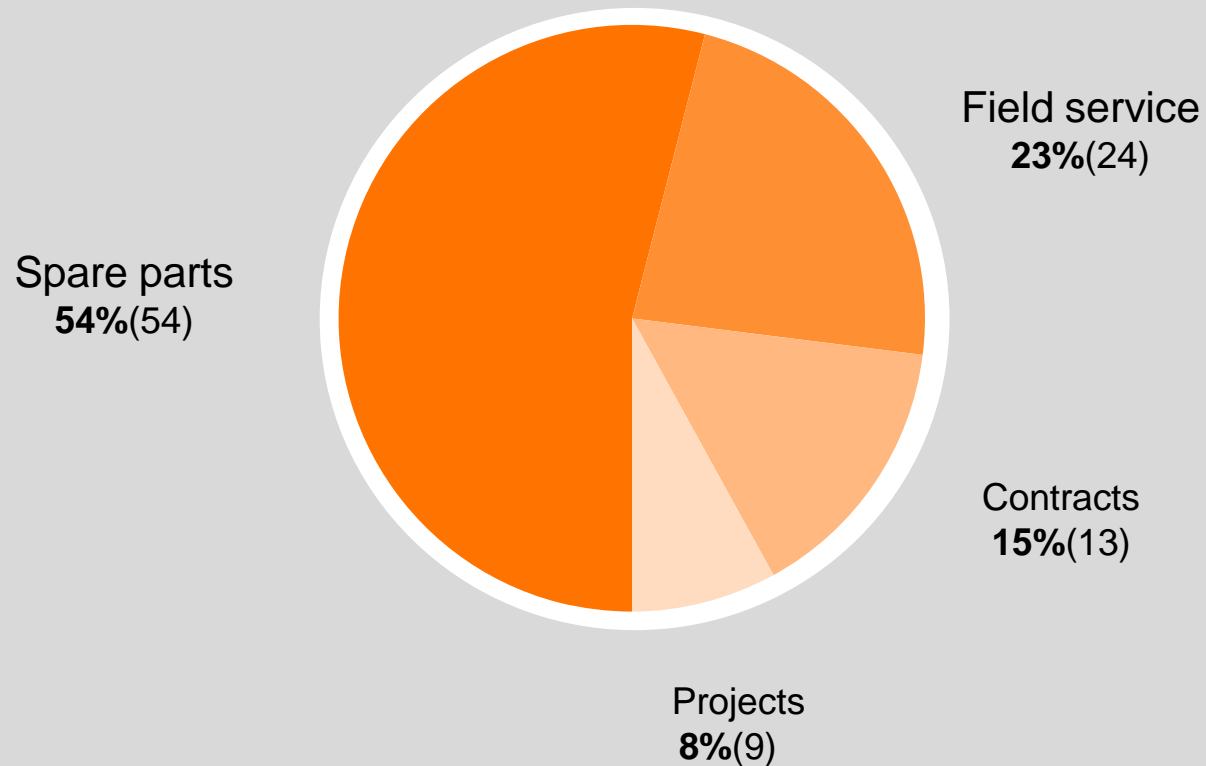
Services net sales stable



Services - Net sales by quarter

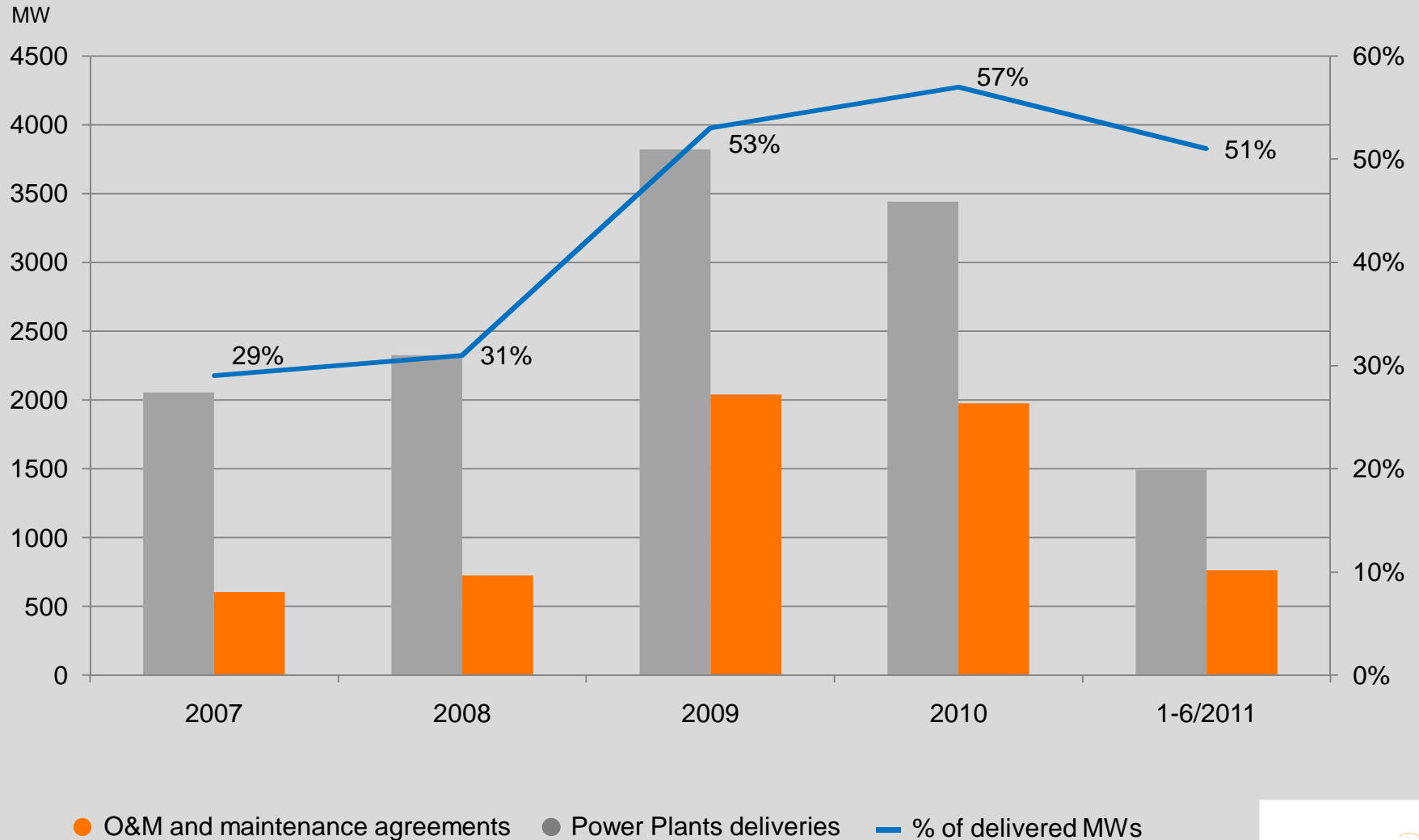


Services net sales distribution 1-6/2011



Numbers in brackets are from 1-6/2010

Development of Power Plants service agreements



Continued interest in marine service agreements



Target to grow through service agreements

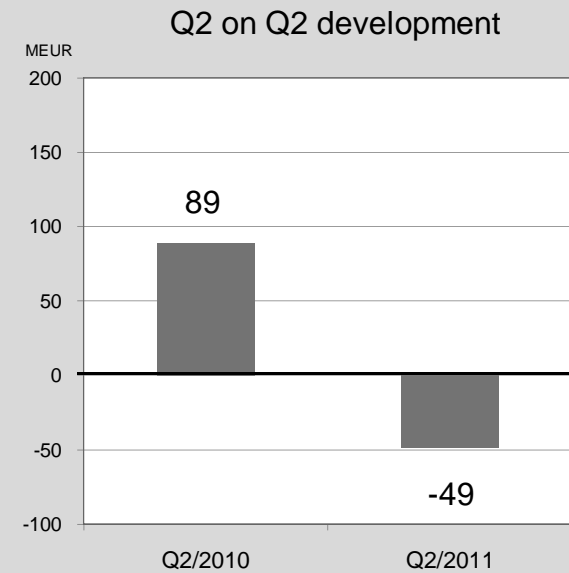
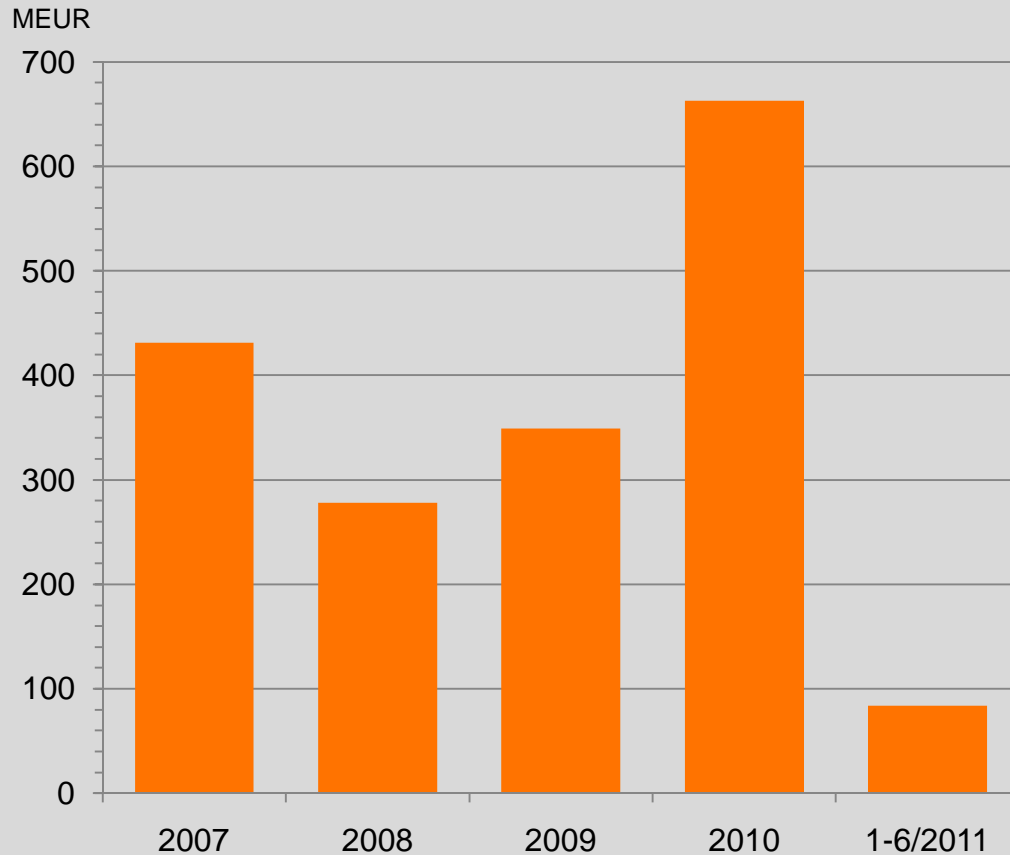
Continued interest in maintenance agreements seen in marine and power plant markets

- Reduction of fixed costs
- Enhanced performance and reliability

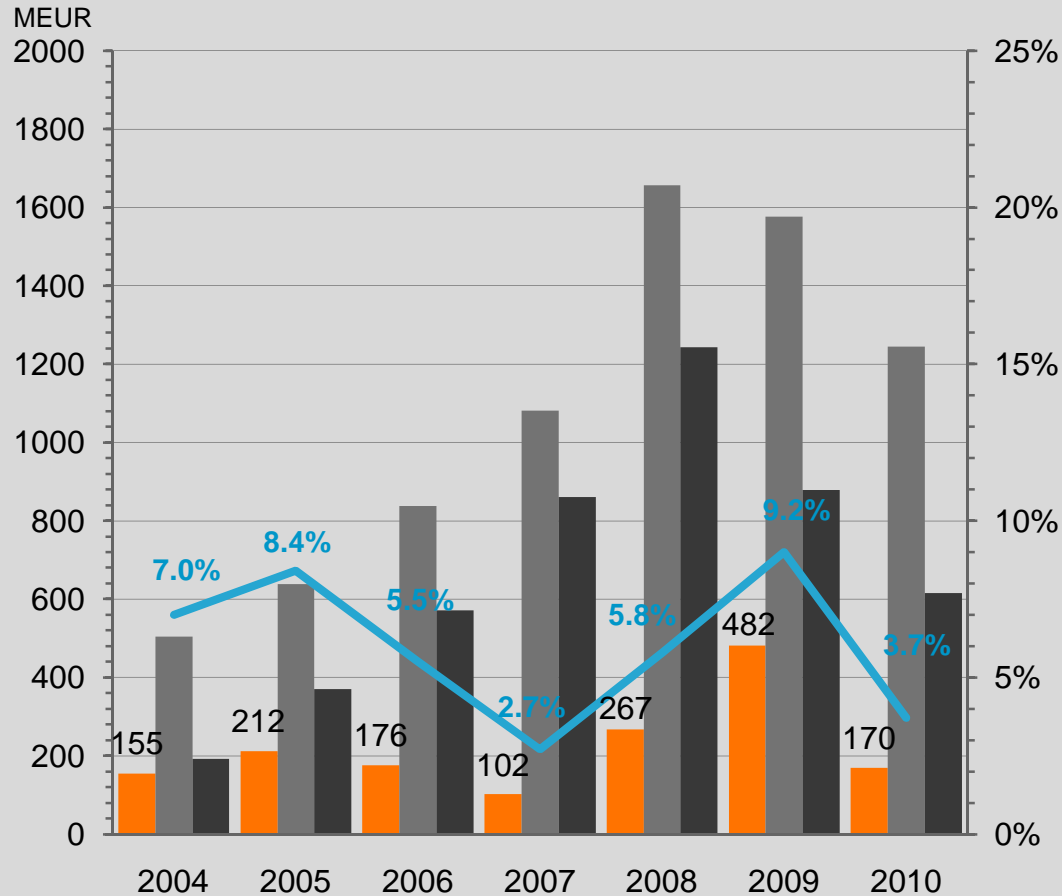
Technical management contract signed with Ceres LNG Services Ltd

- 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

Cash flow from operating activities



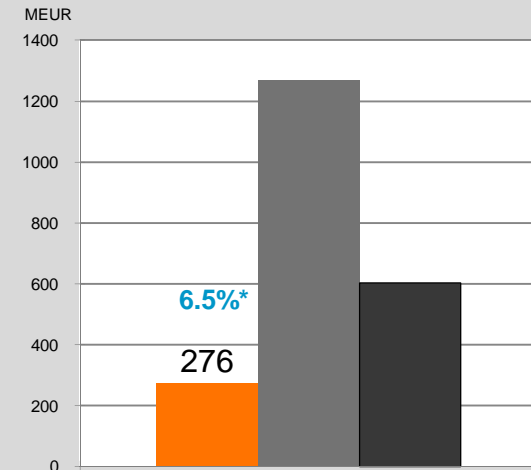
Working capital development



● Working Capital
 ● Total Inventories
 ● Advances Received
 — Working Capital / Net Sales

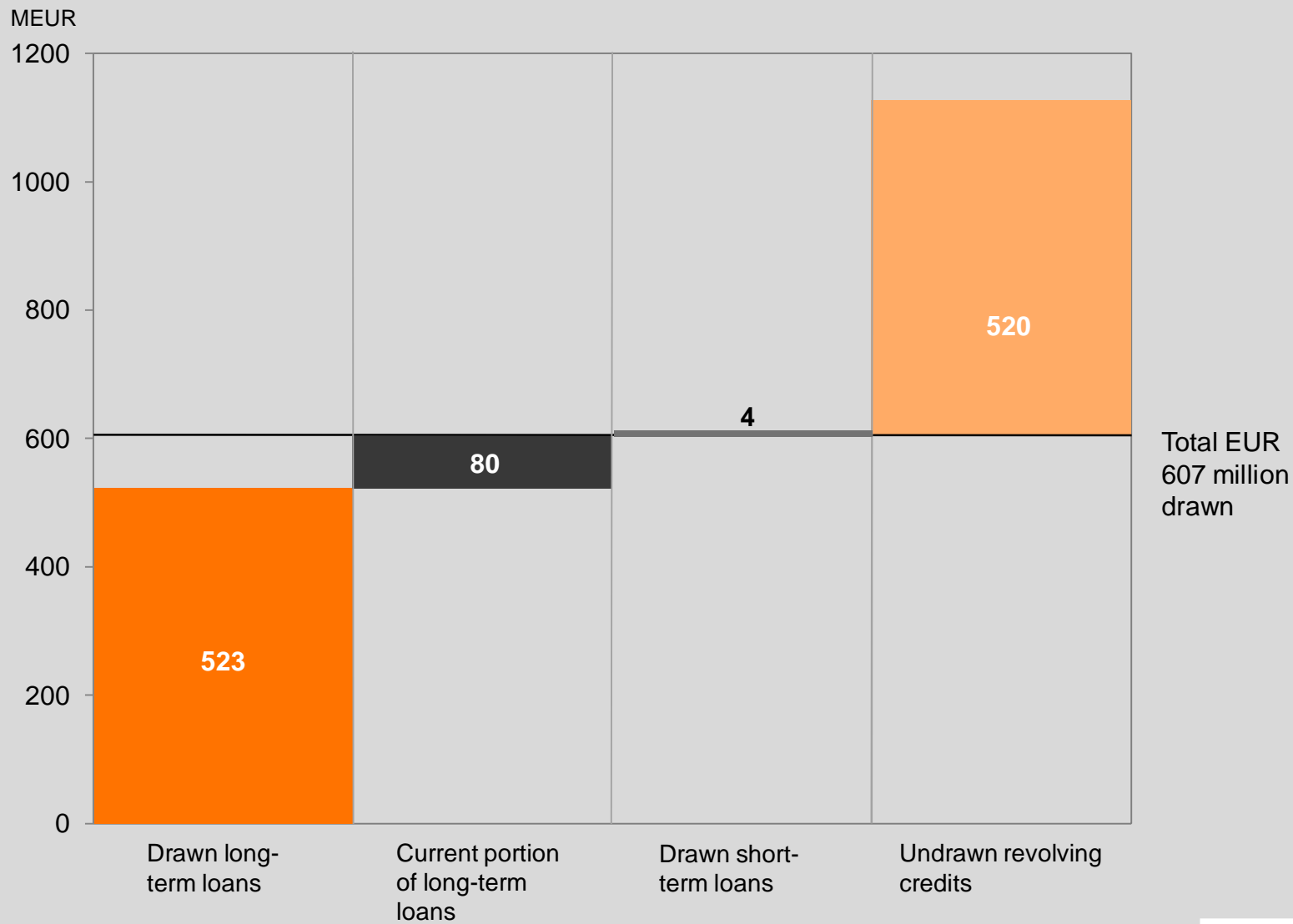
2004 figures relate to the Power Businesses

30 June 2011



* Annualised Working Capital / Net Sales

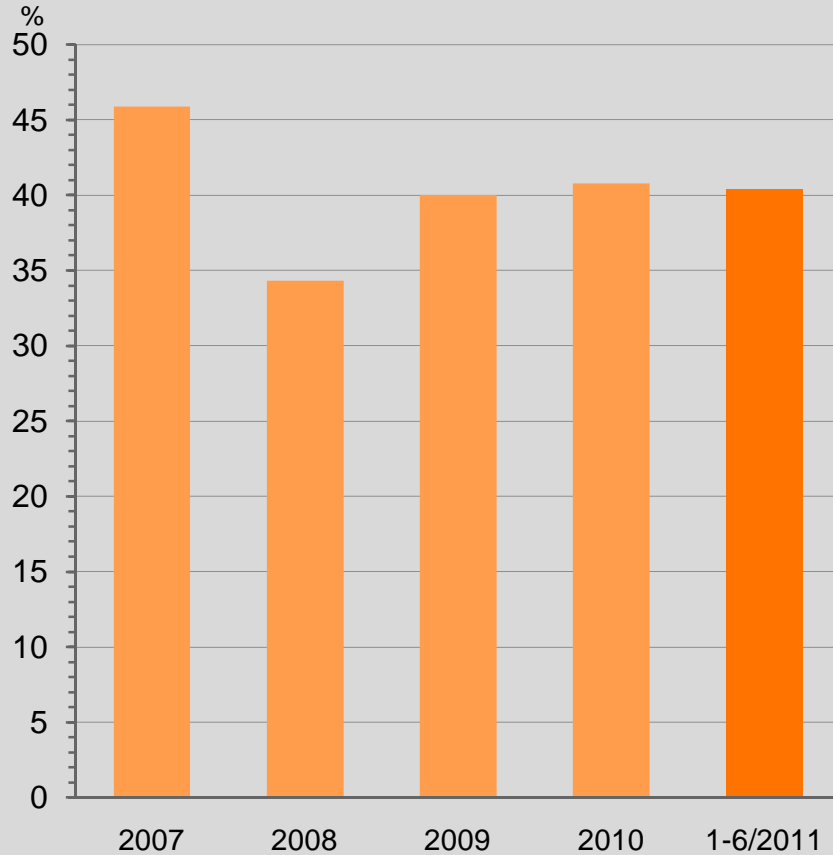
Committed loans 30 June 2011



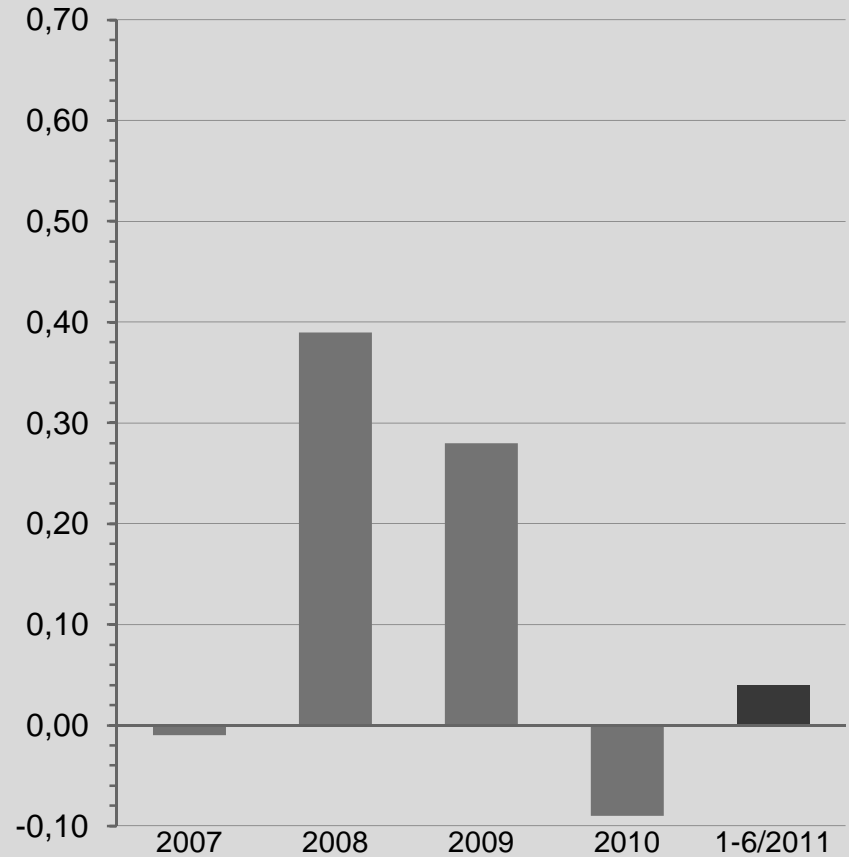
At the end of the reporting period, drawn revolving credits amounted to 0 euro. In addition, there are Finnish Commercial Paper Programs of EUR 700 million (uncommitted).

Financial position

Solvency



Gearing



Restructuring programmes



- Personnel reductions of approx. 1,800 targeted, over 1,700 employees reduced to date.
- Expected annual savings approx. EUR 130 million, of which EUR 60 million recognised by end of 2010 and the remainder will gradually materialise during 2011.
- Nonrecurring restructuring costs approx. EUR 150 million, of which EUR 115 million recognised by end of 2010 and EUR 12 million recognised in January-June 2011.



- **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%.



WÄRTSILÄ

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