

# WÄRTSILÄ'S STRONG FINANCIAL POSITION

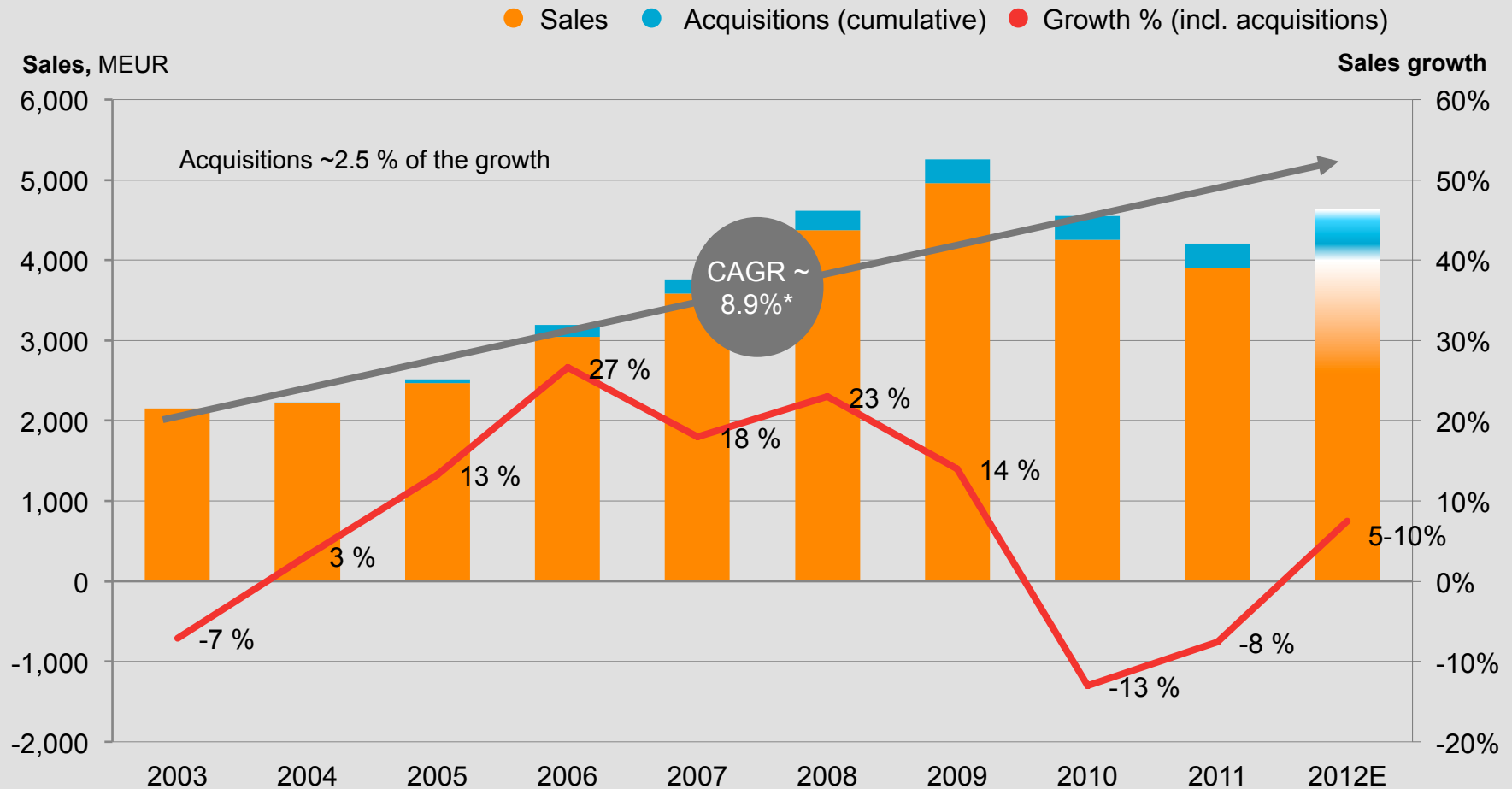
RAIMO LIND

Executive Vice President, CFO



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# Growth over the cycle – fulfills targeted levels

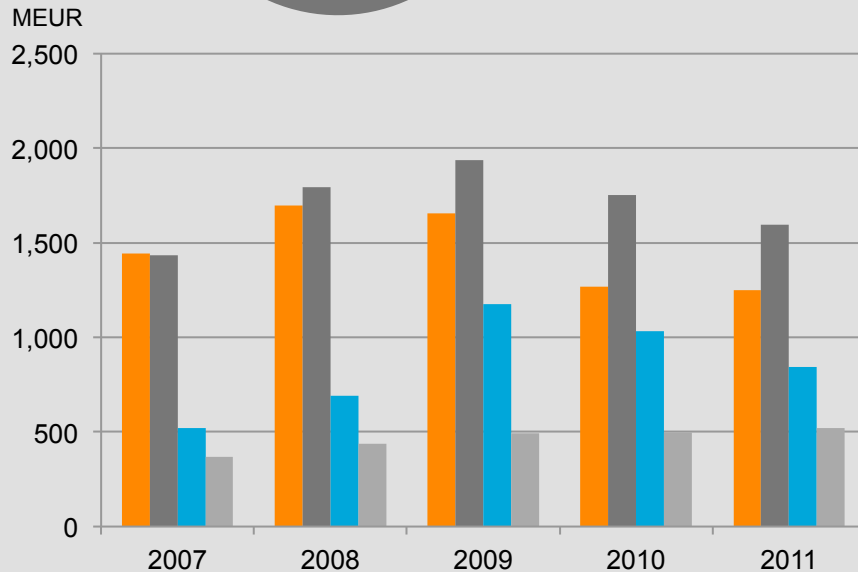
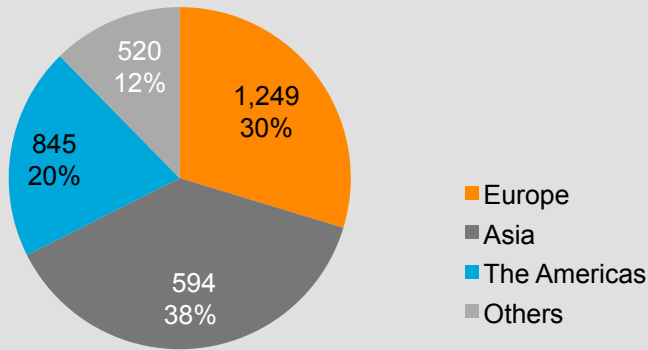


\* Including acquisitions.

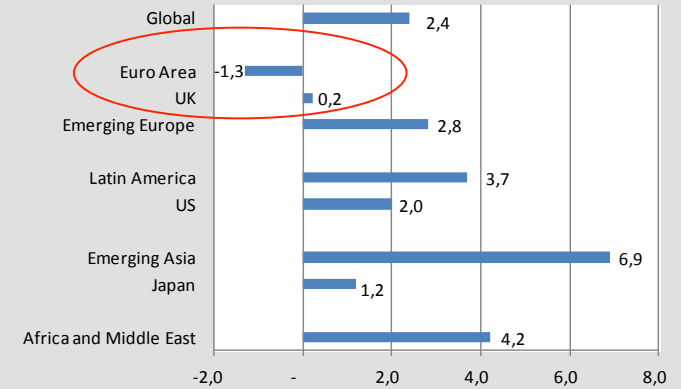
Note: World nominal GDP growth 2003– 2011 averages 8,2% USD denominated (source: IMF)



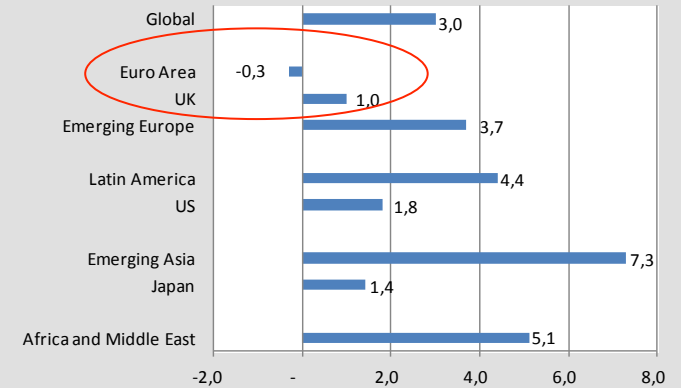
## Net sales by market area 2011 (MEUR):



## Forecasted GDP growth 2012<sup>1</sup>



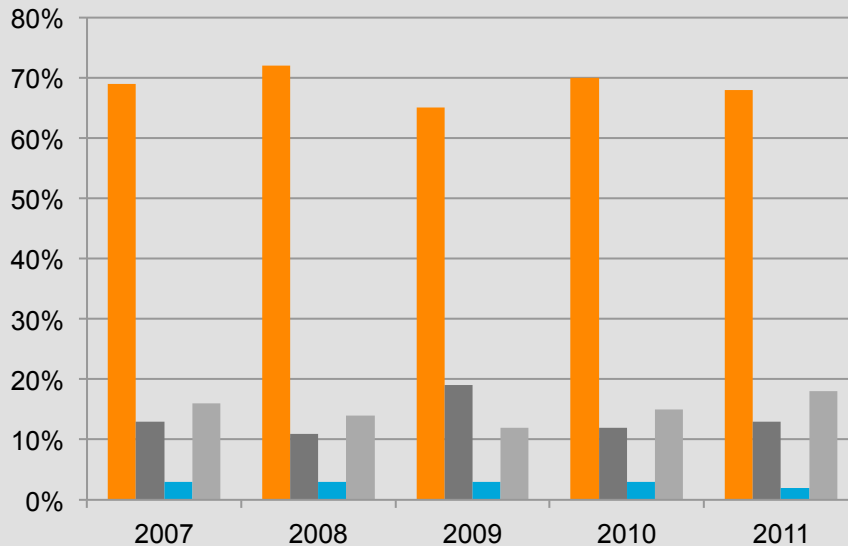
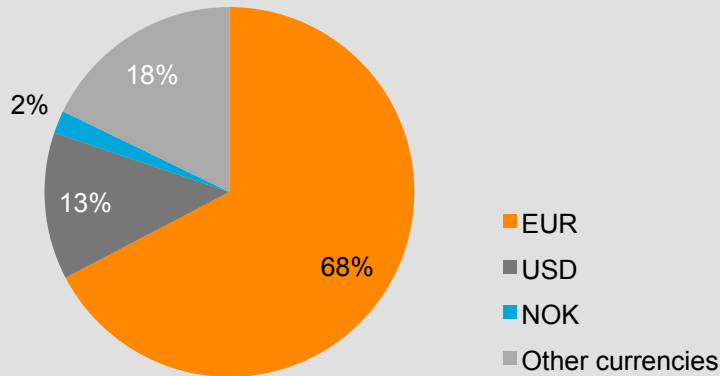
## Forecasted GDP growth 2013<sup>1</sup>



Notes: <sup>1</sup>Estimates by Citigroup Global Markets (22 February 2012)

Europe accounted for some 30% of Wärtsilä 2011 sales, while the rest of the world accounted for more than 70% of the sales, offering diversification from the weak European economy

## Net sales by currency 2011:

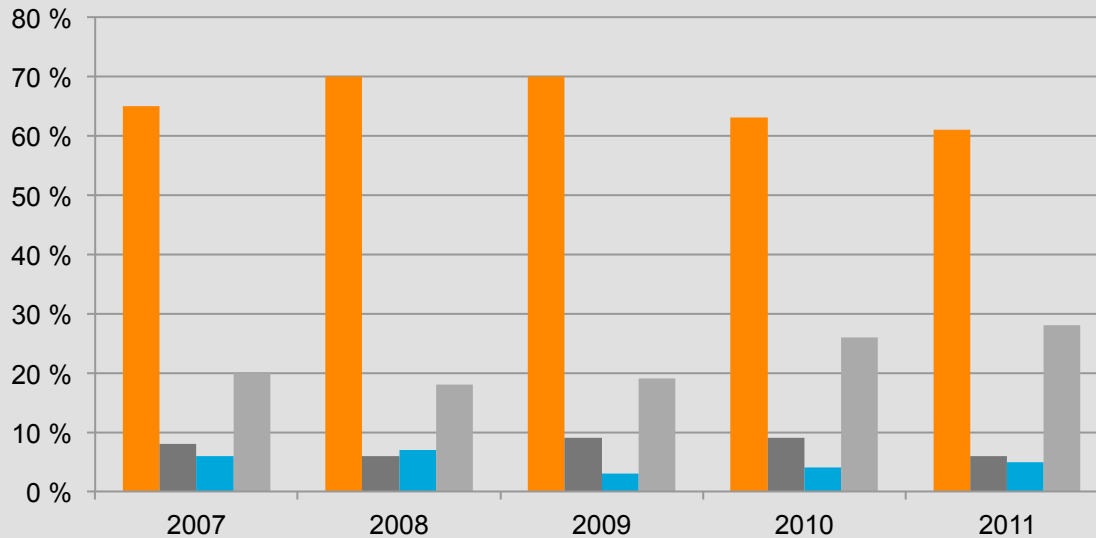
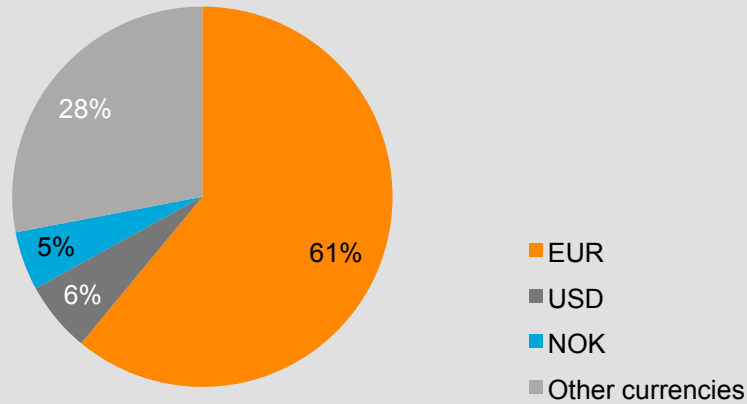


## Sensitivity analysis

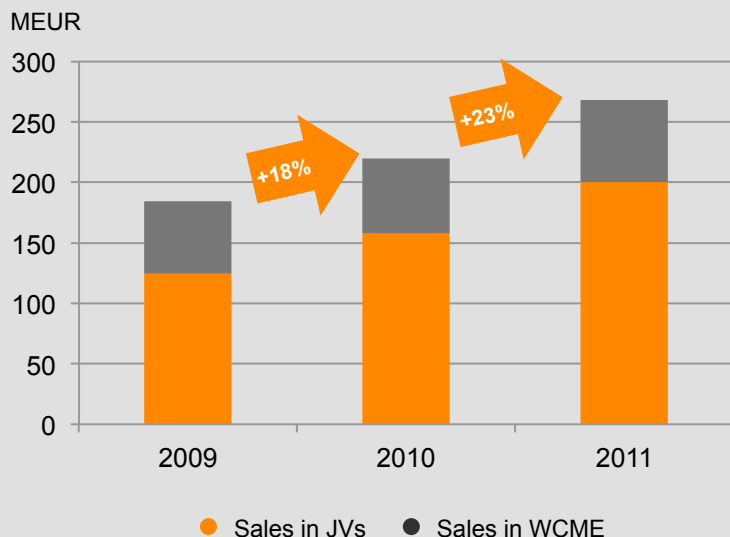
Impact of EUR exchange rate compared to other currencies 2012:

- +/- 10% (compared to Feb 2012) would result in -/+ 4% change in net sales
- Impact on profitability would be marginal

## Operating costs by currency 2011:



## Growing sales



## Strategic target

- Gain market share in the main growth markets
- Team up with the leading local players
- Establish manufacturing capacity within the main markets

## Outcome

- Market shares developed favourably
- Growth exceeds the global average
- Profitability supports overall Wärtsilä targets

## JOINT VENTURES:

**WQDC:** Wärtsilä Qiyao Diesel Co. Ltd., ownership 50%

**WHEC:** Wärtsilä-Hyundai Engine Company Ltd., ownership 50%

**QMD:** Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd, ownership 34%

**WTEC:** Wärtsilä-Transmasholding Diesel Engine Company, ownership 50%

**WCME:** Wärtsilä CME Zhenjiang Propeller Co. Ltd, ownership 55%

100% consolidation in Wärtsilä P&L, minority 45% deducted as minority interest

**W20** auxiliary engines

**W50DF** gas engines

2-stroke engines

Locomotive engines

FPP/PPP propellers

Uncertainty in the financial markets has an impact on investments

- **Projects may be delayed** because of increased level of scrutiny by financiers
- Some **weaker projects may not proceed** at all
- Financially **solid projects can always attract financing**

Wärtsilä has a strong track record, which **mitigates the risks for financiers**

- **Turnkey delivery, short delivery and construction time**
- **Long-term Operations & Maintenance (O&M) contracts** reduce operational risks and support project returns
- Our **customer finance team** arranges third-party financing for projects, offers IPP development support and provides carbon finance consulting

**Financially solid projects can always attract financing and Wärtsilä supports customers in sourcing funding for their projects**



**Export Credit Agency (ECA) transaction with a 12-year Finnvera guarantee and financing for a combined cycle floating power barge project**

**Key details of project:**

- **Location:** Santo Domingo, Dominican Republic
- **Equipment:** 6x18V50DF Dual-fuel engines
- **Fuel:** Natural gas (HFO as backup)
- **Size:** 108 MW
- **Customer:** Seaboard Corporation
- **Export loan amount:** USD114m
- **Export guarantee and funding:** Finnvera
- **Lender:** Standard Chartered Bank
- **Tenor:** 12 years from commissioning
- **Financial close:** September 2010
- **Commercial operations date:** Q1 2012

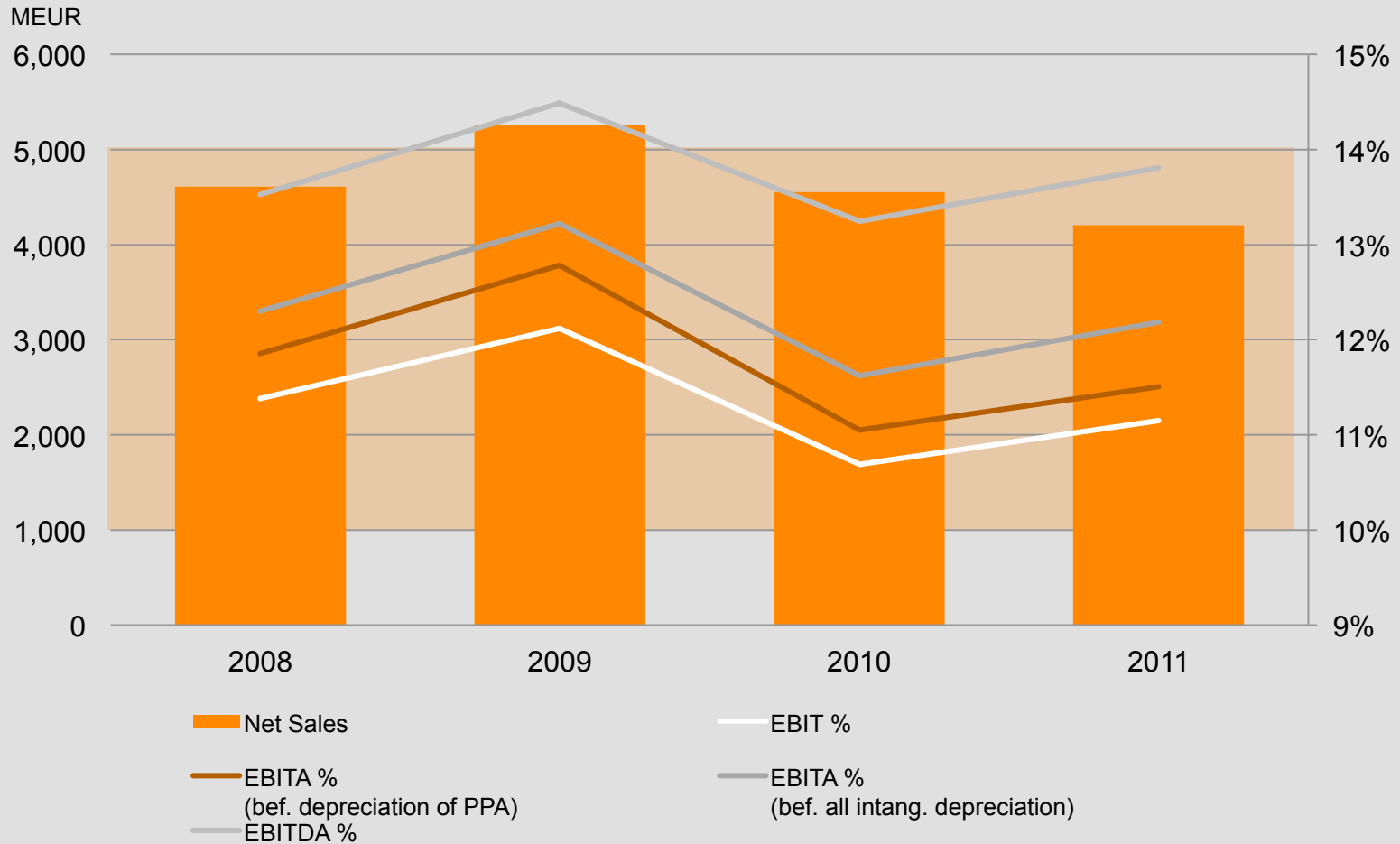
**Wärtsilä's offering:**

- Engineering, Procurement, Construction (EPC)
- Arranging Export Guarantee and funding

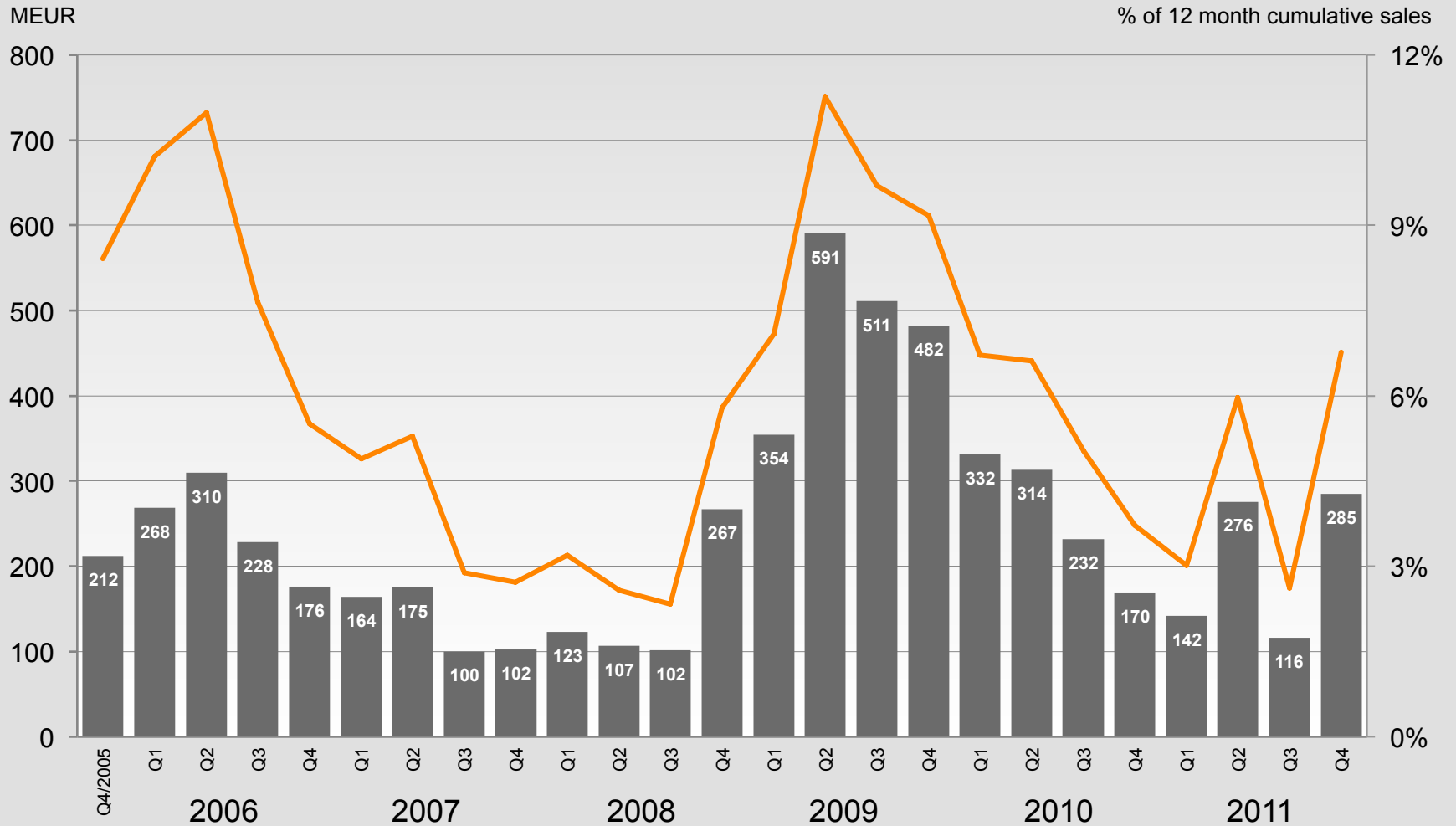


**The importance of guarantees and funding by Export Credit Agencies has increased as a result of the uncertainty in the financial markets**

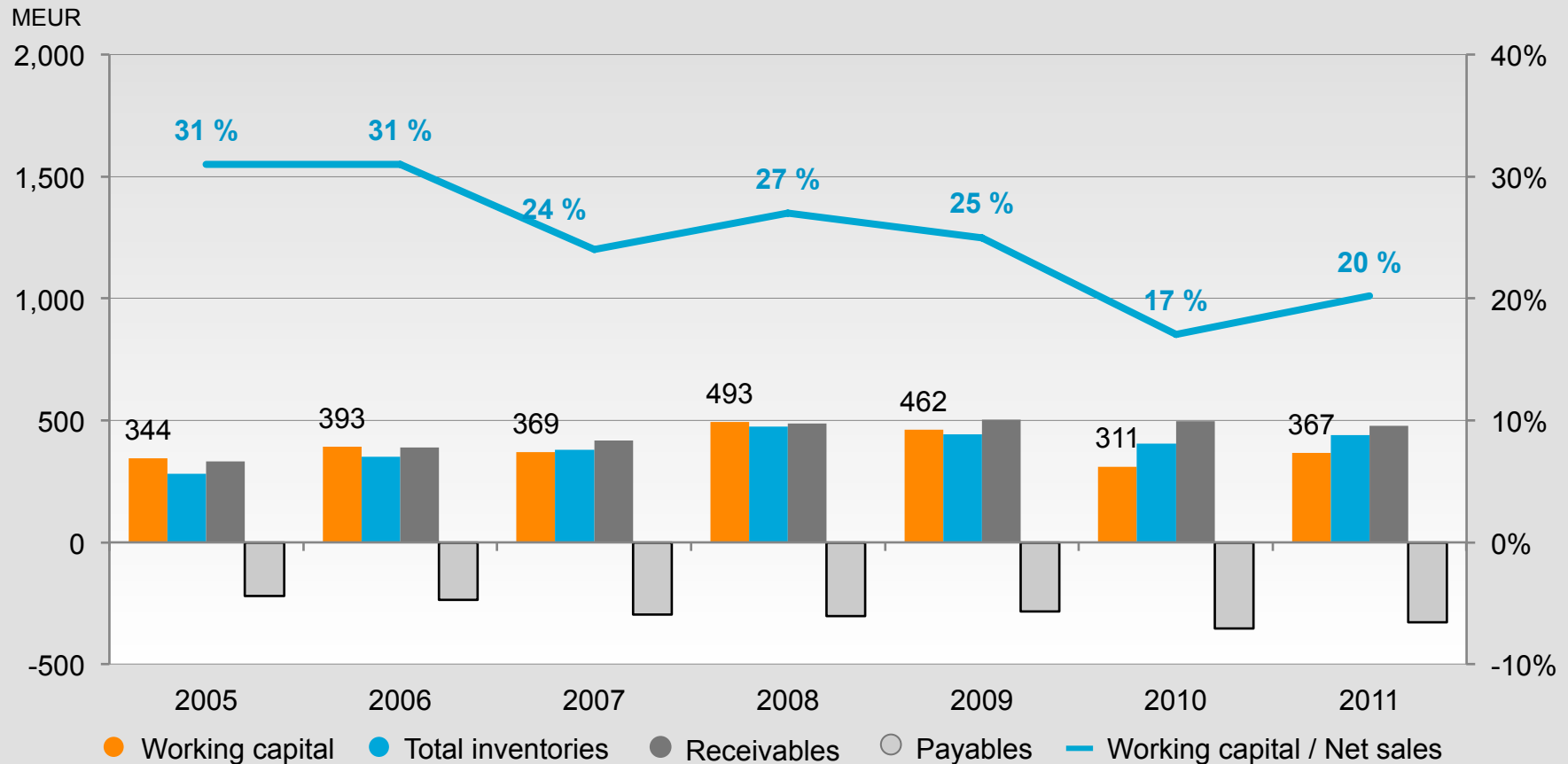
# Impact of purchase price allocations on profitability



# Working capital – volatile but under control

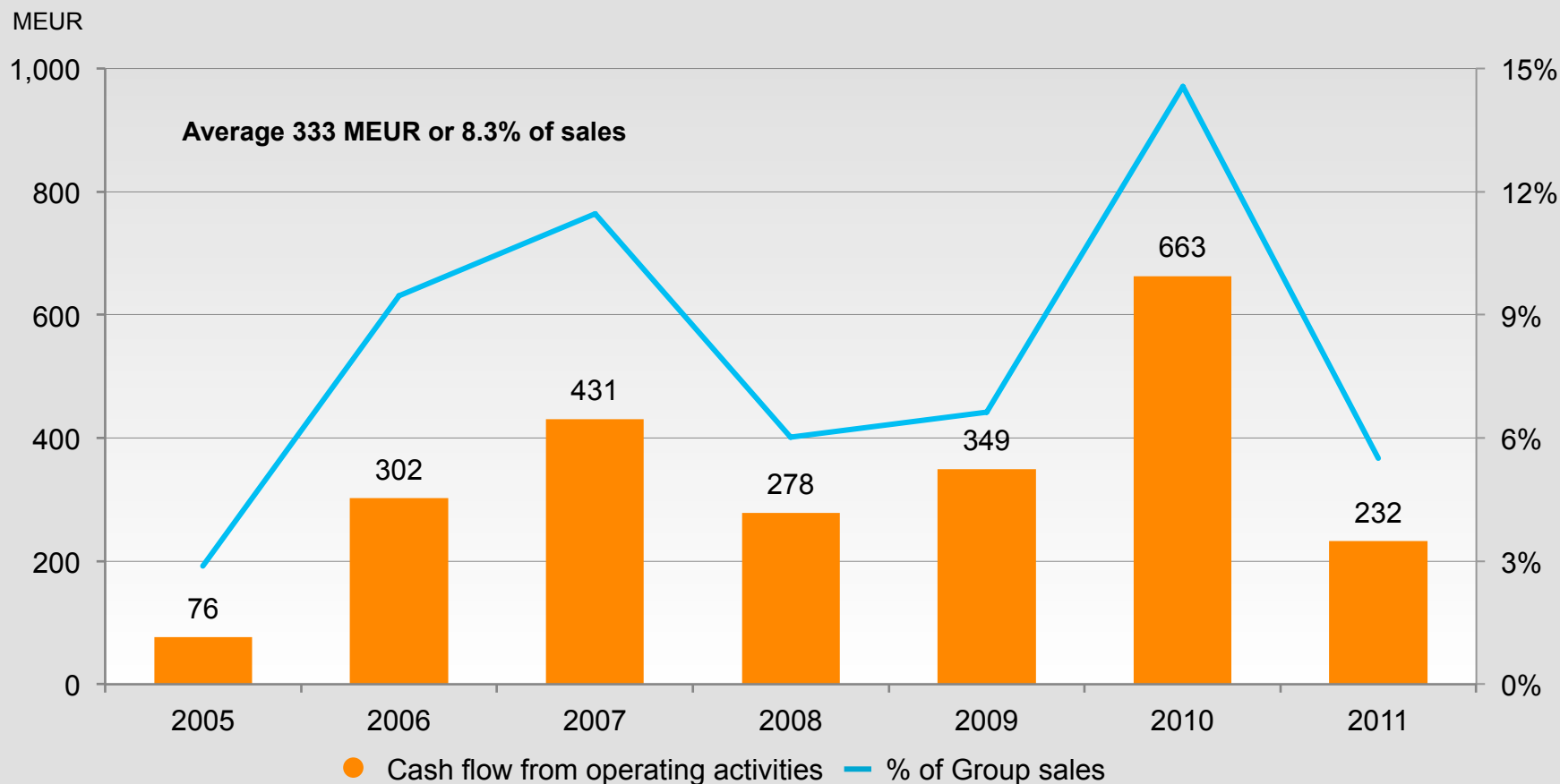


# Services working capital – favourable trend continues





# Solid cash flow from operating activities



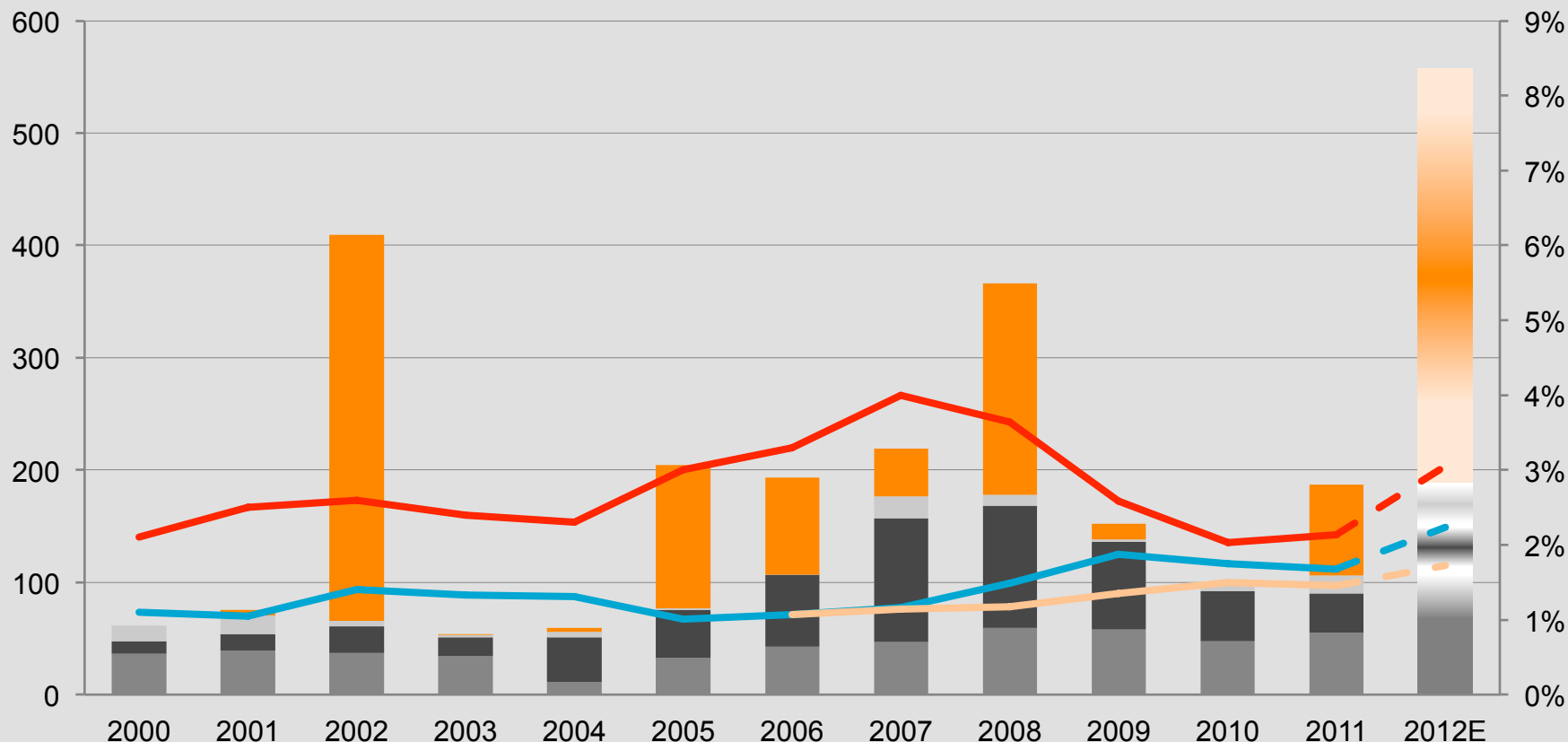
**Cash flow from operating activities:** including changes in working capital, financial items, and taxes

# Low maintenance capex needs

- Acquisitions    ○ Other shares    ● Investments in growth / process development    ● Investments in maintenance
- Investments % of sales (no acq. & shares)    — Depreciation    — Depreciation w/o acquisition intangibles

Investments and depreciations MEUR

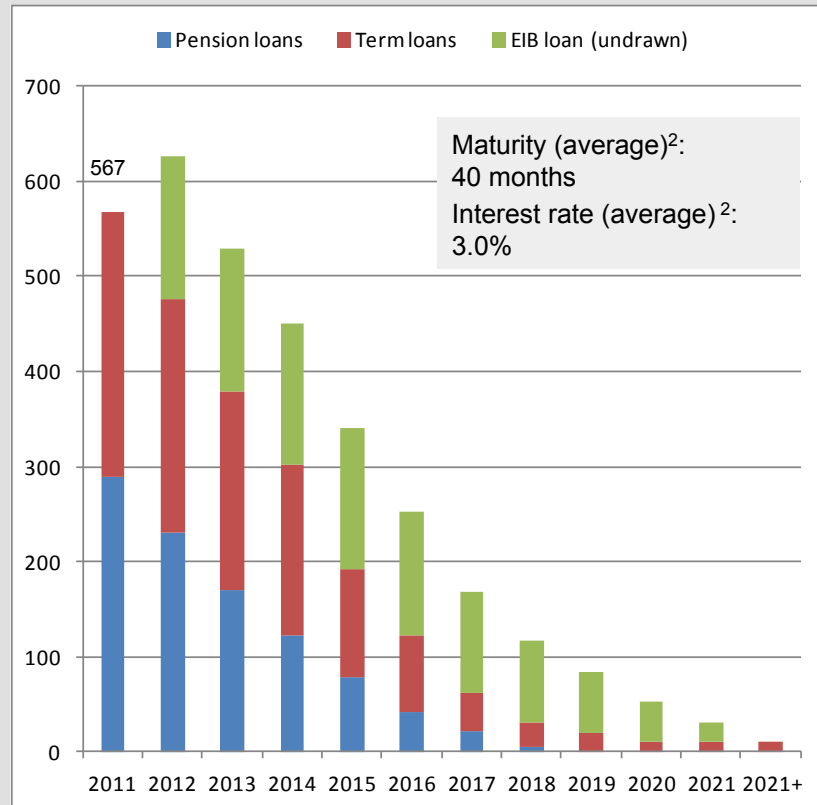
Investments % of sales



Maintenance CAPEX has historically been low, and below depreciation

## Long-term loans<sup>1</sup>

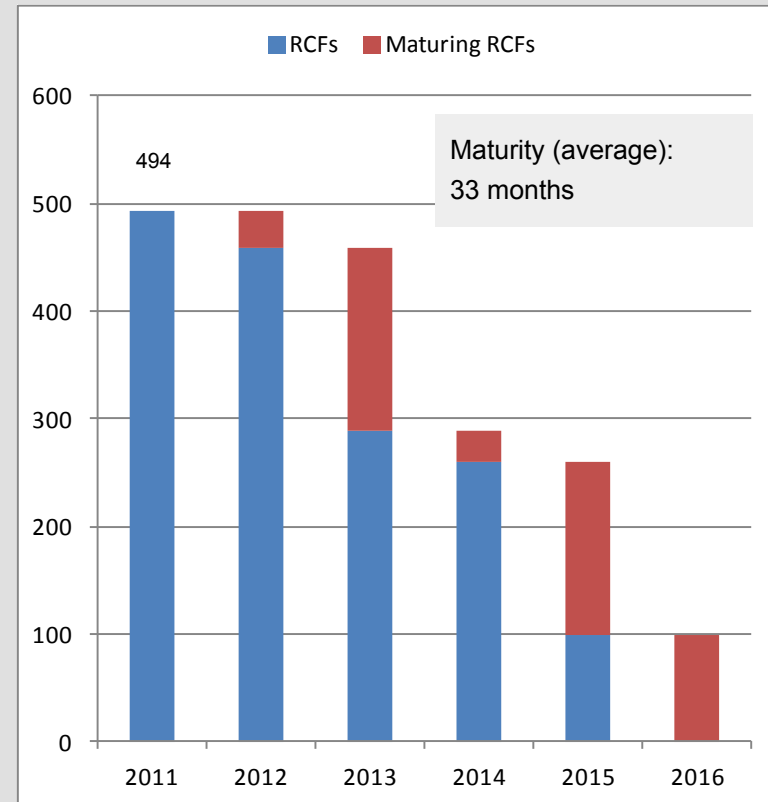
MEUR



Note: <sup>1</sup> As of end Q4 2011, assumes Eur150m EIB R&D loan is drawn in 2012, <sup>2</sup> Excludes undrawn EIB loan

## Revolving Credit Facilities<sup>3</sup>

MEUR



Note: <sup>3</sup> As of Q4 2011. None of the RCFs are drawn

**Wärtsilä has a solid financial standing and the availability of funding has remained good throughout the recent years of uncertainty in the financial markets**

## Transaction closed

- Acquisition closed on Jan31<sup>st</sup>
- Hamworthy will be consolidated into Wärtsilä FY12 numbers from February

## Price paid and indicative PPA

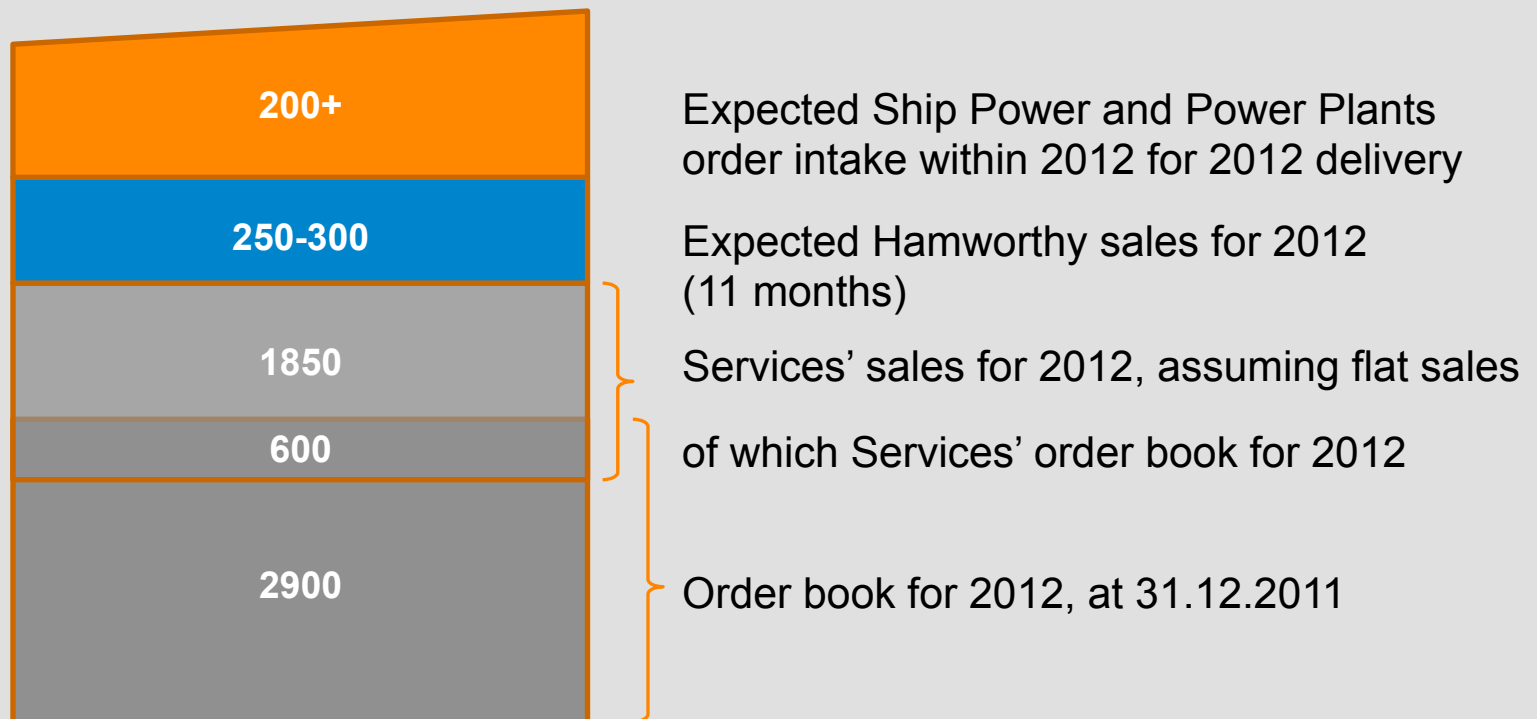
- Total consideration is GBP 381m (EUR 455m), while net price of GBP 326m (EUR 399m) due to Hamworthy's cash balance at closing
- The Purchase Price Allocation (PPA) is currently under evaluation, with initial results indicating:
  - identified intangible assets have a value of EUR 110-130m and will be recognised on the balance sheet as technologies, customer relationships and trademarks
    - annual intangibles amortisation during first two years would be in the range of EUR 16-18m
  - the transaction would create goodwill of EUR 280-300m
- The negative impact of the PPA will be diluted in the coming years

## Current performance

- Hamworthy's performance for its financial year ending March 2012 is currently expected to exceed the latest analyst consensus (end October 2011), which indicated sales of EUR 280m and operating result of 8%



## Sales, EUR millions



The Hamworthy acquisition enhances 2012 EBITA, EBIT and EPS

Group profitability (EBIT%) is impacted by the PPA depreciation and will be 10-11%

Quarterly sales and EBIT have traditionally been volatile, first quarter expected to be weakest and last quarter strongest

A close-up photograph of a Wärtsilä marine engine. The name 'WÄRTSILÄ' is printed in large, black, sans-serif capital letters on a white metal surface. Below the name, the engine's complex structure is visible, featuring various components like pistons, valves, and connecting rods, all painted in a vibrant blue color. The lighting is bright, highlighting the metallic textures and the precision engineering of the machinery.

WÄRTSILÄ

- Resilient profitability
- Unleveraged balance sheet
- Good cash flow
- W Cap under control
- Financing secured
- Solid outlook for 2012
- Growth agenda has substance



WÄRTSILÄ