WÄRTSILÄ CORPORATION
INTERIM REPORT JANUARY-SEPTEMBER 2019

25 October 2019
Jaakko Eskola, President & CEO
Third quarter burdened by project related challenges and low equipment demand – services activity remains sound
Order intake **EUR 979 million**, -29%

Order book at the end of the period **EUR 6,294 million**, +6%

Net sales **EUR 1,118 million**, -16%

Book-to-bill **0.88** (1.03)

Comparable operating result **EUR 39 million** (141), or **3.5% of net sales** (10.6)

Earnings per share **EUR -0.01** (0.17)

Cash flow from operating activities **EUR -61 million** (122)
Order intake weak in both equipment businesses – solid development in services

Rolling 12m, MEUR

Third quarter development

Order intake by business area

- Wärtsilä Marine: 28% (26)
- Wärtsilä Energy: 72% (74)

Order intake by business type

- Services: 31% (53)
- Equipment: 69% (47)

Third quarter 2019 and comparison 2018

- Q417-Q318: 1,372
- Q118-Q418: 979
Decline in net sales due to concentration of deliveries towards Q4

Third quarter development

Rolling 12m, MEUR

- Third quarter 2019 and comparison 2018

Net sales by business area
- Wärtsilä Marine: 31% (49)
- Wärtsilä Energy: 69% (51)

Net sales by business type
- Services: 52% (43)
- Equipment: 48% (57)

Third quarter 2019 and comparison 2018
Book-to-bill

Rolling 12m, MEUR
Order book distribution

MEUR

<table>
<thead>
<tr>
<th></th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.9.2018</td>
<td></td>
</tr>
<tr>
<td>Delivery current year</td>
<td>3000</td>
</tr>
<tr>
<td>Delivery next year or later</td>
<td>4500</td>
</tr>
<tr>
<td>30.9.2019</td>
<td></td>
</tr>
<tr>
<td>Delivery current year</td>
<td>1500</td>
</tr>
<tr>
<td>Delivery next year or later</td>
<td>3000</td>
</tr>
</tbody>
</table>
Comparable operating result burdened by project challenges

*The operating result for January-September 2019 includes a charge of EUR 84 million related to cost overruns in certain large and complex project deliveries in the Marine and Energy businesses, of which EUR 17 million was recognised in Wärtsilä Marine and EUR 67 million in Wärtsilä Energy.
Cost overruns in certain complex marine and energy projects

Projects affected:
• Twelve marine gas solutions projects for multiple gas tanker vessel series
• One LNG terminal construction project
• Two engine EPC projects in countries with strict local standards and requirements

Financial impact:
• EUR 150 million one-time charge in full year 2019 result, of which EUR 84 million recognised during January-September
Reasons identified and corrective actions taken

**Main issues behind cost overruns:**
- New technologies and applications
- Challenges related to new suppliers
- Local standards and codes not fully priced at sales phase
- Subcontracting and engineering costs underestimated

**Corrective actions to strengthen sales and project execution processes:**
- Changes to the organisational structure to strengthen project management
- Process changes to ensure better upfront risk identification
- Tighter controls on technical assessments and supplier approval
- Training and introduction of new tools to facilitate sales and project execution processes
Cash flow from operating activities

<table>
<thead>
<tr>
<th>MEUR</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>0</td>
<td>250</td>
<td>600</td>
<td>400</td>
<td>500</td>
</tr>
</tbody>
</table>

Review period development

<table>
<thead>
<tr>
<th>MEUR</th>
<th>1-9/2018</th>
<th>1-9/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>-100</td>
<td>-50</td>
</tr>
</tbody>
</table>
**Working capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>Working capital</th>
<th>Total inventories</th>
<th>Advances received</th>
<th>Working capital / Net sales*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>251 MEUR</td>
<td>525 MEUR</td>
<td>256 MEUR</td>
<td>5.2%</td>
</tr>
<tr>
<td>2015</td>
<td>543 MEUR</td>
<td>600 MEUR</td>
<td>384 MEUR</td>
<td>10.8%</td>
</tr>
<tr>
<td>2016</td>
<td>490 MEUR</td>
<td>588 MEUR</td>
<td>364 MEUR</td>
<td>10.2%</td>
</tr>
<tr>
<td>2017</td>
<td>563 MEUR</td>
<td>658 MEUR</td>
<td>424 MEUR</td>
<td>11.5%</td>
</tr>
<tr>
<td>2018</td>
<td>581 MEUR</td>
<td>705 MEUR</td>
<td>464 MEUR</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

*Working capital / 12 months rolling net sales

**Review period development**

<table>
<thead>
<tr>
<th>Date</th>
<th>Working capital</th>
<th>Total inventories</th>
<th>Advances received</th>
<th>Working capital / Net sales*</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.9.2018</td>
<td>782 MEUR</td>
<td>836 MEUR</td>
<td>480 MEUR</td>
<td>15.4%</td>
</tr>
<tr>
<td>30.9.2019</td>
<td>870 MEUR</td>
<td>900 MEUR</td>
<td>520 MEUR</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

*Working capital / Net sales*
Gearing

Review period development
Vessel contracting remains subdued

Total vessel contracting

Specialised tonnage

Source: Clarksons, Contracting as per October 7th, 2019
CGT = gross tonnage compensated with workload
Order intake development

Third quarter development

- Equipment order intake by segment:
  - Cruise & Ferry: 7%
  - Offshore: 24%
  - Navy: 5%
  - Special Vessels: 3%
  - Merchant: 31%
  - Gas carriers: 3%
  - Others: 11%

- Services order intake by segment:
  - Merchant: 21%
  - Gas carriers: 13%
  - Others: 10%

Wärtsilä Marine, equipment
Wärtsilä Marine, services
Wärtsilä Marine total, rolling 12 months
Marine installed base covered by long-term service agreements

MW

MW under agreement

% of Marine installed base

© Wärtsilä

30.9.2019

2014
2015
2016
2017
2018
30.9.2019

0
5,000
10,000
15,000
20,000
25,000

0%
2%
4%
6%
8%
10%
12%
14%
16%
18%

WÄRTSILÄ MARINE BUSINESS
Net sales development

QTD, MEUR

Rolling 12m, MEUR

Third quarter development
EUR 776 million (680)

- Spare parts: 25% (26)
- Service agreements: 15% (17)
- Service projects: 5% (7)
- Field service: 4% (5)
- Wärtsilä Marine, services: 51% (45)
- Wärtsilä Marine, equipment: 25% (26)
- Wärtsilä Marine total, rolling 12 months: 100%

Wärtsilä Marine, equipment
Wärtsilä Marine, services
Wärtsilä Marine total, rolling 12 months

The Wärtsilä 31SG pure gas engine was launched for marine market applications in September. The new engine further reduces the total cost of ownership and the environmental footprint for vessels operating in regions where there is a developed gas infrastructure.
The total market, including also power plants with prime movers above 500 MW, increased by 6% to 42.8 GW during the twelve-month period ending in June 2019 (40.5 at the end of March). Market shares are calculated on a 12 months rolling basis. Market data includes all Wärtsilä power plants and other manufacturers’ gas and liquid fuelled gas turbine based power plants with prime movers below 500 MW, as well as the estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. The main gas turbine competitors are GE, Siemens, Mitsubishi, and Ansaldo. Other combustion engines are not included.
Order intake development

Third quarter development

- Equipment order intake by segment:
  - Utilities: 18%
  - Independent Power Producers: 82%
  - Industrials: 30%
  - Others: 25%

- Services order intake by segment:
  - Utilities: 16%
  - Independent Power Producers: 30%
  - Industrials: 28%
  - Others: 25%
Orders received for power plants globally

Order intake 1-9/2019: 1,005 MW (1,868)

- **Utilities**: 240 (306)
- **IPP's (Independent Power Producers)**: 480 (1,056)
- **Africa and Middle East**: 262 (275)
- **Europe**: 24 (231)
Energy installed base covered by long-term service agreements

A guaranteed asset performance agreement with a Hungarian power provider extended by five years

- The agreement covers a 27.65 MW combined heat and power plant
- Since first signing the agreement with CHP Erömű kft in 2005, the availability of the facility has been well above 95 percent
Net sales development

QTD, MEUR

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<tbody>
<tr>
<td>Wärtsilä Energy, equipment</td>
<td>650</td>
<td>650</td>
<td>650</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>Wärtsilä Energy, services</td>
<td>225</td>
<td>225</td>
<td>225</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td>Wärtsilä Energy total, rolling 12 months</td>
<td>875</td>
<td>875</td>
<td>875</td>
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</tbody>
</table>

Rolling 12m, MEUR

- Spare parts: 10% (4)
- Service agreements: 41% (69)
- Service projects: 22% (14)
- Field service: 7% (3)
- Wärtsilä Energy, equipment: -
- Wärtsilä Energy, services: -
- Wärtsilä Energy total, rolling 12 months: -

Third quarter development
EUR 342 million (650)
Wärtsilä and Q Power Oy, a Finnish pioneer in biomethanisation, signed a cooperation agreement to accelerate the development and commercialisation of renewable fuels.

The companies will work closely together to further develop the market and to find business opportunities for biomethanisation and synthetic fuels globally.
The demand for Wärtsilä’s services and solutions in the coming twelve months is expected to be somewhat below that of the previous twelve months.

Demand by business area is anticipated to be as follows:

- Soft in Wärtsilä Marine Business
- Weak in Wärtsilä Energy Business
  (downgraded from soft)
Further information:
Natalia Valtasaari
Vice President, Investor Relations
Tel. +358 (0) 10 709 5637
E-mail: natalia.valtasaari@wartsila.com