WÄRTSILÄ CORPORATION
INTERIM REPORT JANUARY-JUNE 2016

20 July 2016
Jaakko Eskola, President & CEO
Highlights Q2/2016

- Order intake EUR 1,194 million, +3%
- Net sales EUR 1,196 million, -3%
- Book-to-bill 1.00 (0.94)
- Comparable operating result EUR 122 million, 10.2% of net sales (EUR 137 million or 11.1%)
- Earnings per share EUR 0.19 (0.54)*
- Cash flow from operating activities EUR 202 million (47)
- Order book at the end of the period EUR 5,083 million, -5%

*Write-downs of approx. EUR 42 million related to the divestment of the Winterthur Gas & Diesel joint venture, realised exchange rate losses from Brazilian projects, and other receivables were recognised in the results for the second quarter of 2016.
Solid development in order intake

Second quarter development

Q1-Q2  Q3-Q4
2012  1,159
2013     -9%
2014     -8%
2015     62%
2016

Q2/2015  Q2/2016
1,194  3%
Net sales on a stable level

Second quarter development

- Services
- Marine Solutions
- Energy Solutions

Q2/2015: 1,230 (3% decrease)
Q2/2016: 1,196 (-1% decrease)
Net sales by business 1-6/2016

- Services: 48% (47)
- Marine Solutions: 36% (30)
- Energy Solutions: 16% (23)
Book-to-bill ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Order intake</th>
<th>Net sales</th>
<th>Book-to-bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.05 MEUR</td>
<td>1.05 MEUR</td>
<td>1.05</td>
</tr>
<tr>
<td>2013</td>
<td>1.05 MEUR</td>
<td>1.05 MEUR</td>
<td>1.05</td>
</tr>
<tr>
<td>2014</td>
<td>1.06 MEUR</td>
<td>1.06 MEUR</td>
<td>1.06</td>
</tr>
<tr>
<td>2015</td>
<td>0.98 MEUR</td>
<td>1.14 MEUR</td>
<td>1.14</td>
</tr>
<tr>
<td>1-6/2016</td>
<td>1.14 MEUR</td>
<td>1.14 MEUR</td>
<td>1.14</td>
</tr>
</tbody>
</table>

MEUR: Million Euros
Order book distribution

MEUR

30.6.2015

30.6.2016

Delivery current year
Delivery next year or later

© Wärtsilä
Operating result affected by fewer power plant deliveries and tight competition

**Comparable operating result**

- 2012: 10.9%
- 2013: 11.2%
- 2014: 11.9%
- 2015: 12.2%

**Review period development**

- 1-6/2015: 10.7%
- 1-6/2016: 9.5%

Items affecting comparability include restructuring costs of EUR 27 million for the review period January-June 2016. Figures for 2012-2013 include both discontinued and continuing operations.
Quotation activity on a good level
Power plant orders developed well

Review period development
Total EUR 616 million (475)

Utilities 14%
Independent power producers 57%
Industrials 28%

Review period order intake
by fuel in MW

Oil 69%
Gas 31%
Order intake globally

Europe* 920 (698)
Asia 368 (111)
Africa and Middle East 299 (175)
Americas 299 (239)

Order intake 1-6/2016: 1,886 MW (1,222)

*Turkish owners contributed to the high level of activity in Europe.
Market for gas and liquid fuel power plants, <500 MW

**1-3/2015**

- GE: 52.4%
- Siemens: 21.5%
- MHI: 10.2%
- Other GT's: 0.9%
- Wärtsilä: 15.0%

**1-3/2016**

- GE: 33.3%
- Siemens: 10.9%
- MHI: 34.6%
- Other GT's: 0.8%
- Wärtsilä: 20.4%

<500 MW market volume: 4.3 GW (4.7), -9%
Total market volume: 17.7 GW (9.7), +82%

Market data includes all Wärtsilä power plants and other manufacturers’ gas and liquid fuelled gas turbine based power plants with prime movers above 5 MW, as well as estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. Other combustion engines not included. In engine technology Wärtsilä has a leading position.
Wärtsilä awarded five major power plant projects in Argentina

- EEQ contracts for three power plants, with a combined output of 192 MW, signed with Industrias J.F.Secco S.A.
- Two additional projects are expected to be included in Wärtsilä’s Q3 order book
- The plants will support the development of Argentina’s national grid
- Dual-fuel technology helps customers cope with the varying supply of natural gas
Limited contracting of new vessels

Source: Clarkson Research Services, figures exclude late contracting
* CGT= gross tonnage compensated with workload
Continued healthy demand in the cruise & ferry segment

Review period development
Total EUR 741 million (728)

- Cruise & ferry: 43%
- Offshore: 4%
- Special vessels: 8%
- Traditional merchant: 19%
- Navy: 8%
- Gas carriers: 11%
- Others: 6%

MEUR

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1-Q2</th>
<th>Q3-Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>600 MEUR</td>
<td>741 MEUR</td>
</tr>
<tr>
<td>2013</td>
<td>728 MEUR</td>
<td>741 MEUR</td>
</tr>
<tr>
<td>2014</td>
<td>741 MEUR</td>
<td>741 MEUR</td>
</tr>
<tr>
<td>2015</td>
<td>741 MEUR</td>
<td>741 MEUR</td>
</tr>
<tr>
<td>2016</td>
<td>741 MEUR</td>
<td>741 MEUR</td>
</tr>
</tbody>
</table>
Joint venture ordering activity

Marine Solutions order intake

Joint venture order intake, includes figures from Wärtsilä Hyundai Engine Company Ltd, Wärtsilä Qiyao Diesel Company Ltd and CSSC Wärtsilä Engine (Shanghai) Co. Ltd
Sound demand for electrical and automation solutions

Order received to supply turnkey electrical solutions for four new RoRo ferries.

The integrated systems include all products and services available from Wärtsilä SAM Electronics, a leading supplier of complete electrical and automation system packages.
Strong position in marine engine market

**Medium-speed main engines**
- Wärtsilä: 58% (60)
- MAN D&T: 22% (20)
- Caterpillar: 6% (5)
- Others: 14% (15)

Total market volume last 12 months: 2,090 MW (2,307)

**Auxiliary engines**
- Wärtsilä: 13% (13)
- Others: 87% (87)

Total market volume last 12 months: 4,498 MW (5,273)

Wärtsilä’s market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. The calculation is based on Wärtsilä’s own data portal.
Services net sales on a good level

Second quarter development

Q1-Q2  Q3-Q4
Net sales distribution 1-6/2016

- **Spare parts**: 51% (51)
- **Field service**: 24% (24)
- **Agreements**: 15% (17)
- **Projects**: 9% (7)

**Total EUR 1,042 million (1,034)**
Development of installed base covered by service agreements

MW under agreement – Energy Solutions
MW under agreement – Marine Solutions
% of Energy Solutions’ installed base
% of Marine Solutions’ installed base
Acquisitions support Services’ growth strategy

The acquisition of Eniram is a key step in our digital development, enabling us to strengthen our competences in data analytics, modelling and performance optimization.

American Hydro supports our expansion in renewables, by enhancing our existing hydro and industrial service offering.
Cash flow improved in the second quarter

FINANCIALS

Review period development
Working capital

**FINANCIALS**

**Working capital**

![Graph showing the development of working capital, total inventories, advances received, and working capital/net sales over the years 2012 to 2015.](image)

*Working capital / 12 months rolling net sales*

**Review period development**

![Graph showing the development of working capital/net sales over the review periods 30.6.2015 to 30.6.2016.](image)

*Working capital / net sales*
Market outlook

Energy Solutions

The market for liquid and gas fuelled power generation is expected to remain challenging as economic uncertainty continues. The megatrend towards renewables is evident, with investments expected to favour utility scale solar PV installations. Furthermore, distributed, flexible, gas-fired power generation continues to gain ground globally.

Marine Solutions

The outlook for the shipping and shipbuilding markets remains challenging. Overcapacity continues to limit demand for new vessels in the merchant segment, while low oil prices are impacting investments in offshore exploration and development and gas carrier market is under pressure. The outlook for cruise and ferry segment remains positive.

Services

The service market outlook is positive with growth opportunities in selected regions and segments. Customers in both the marine and power plant markets continue to show healthy interest in long-term service contracts, as evidenced by the growth in the installed engine base covered by agreements.
Prospects for 2016 unchanged

Wärtsilä expects its net sales for 2016 to grow by 0-5% and its profitability (comparable operating result as a percent of net sales) to be 12.5-13.0%
THANK YOU

Further information:
Natalia Valtasaari
Director, Investor & Media Relations
Tel. +358 (0) 10 709 5637
E-mail: natalia.valtasaari@wartsila.com