

WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY-MARCH 2016

21 April 2016

Jaakko Eskola, President & CEO

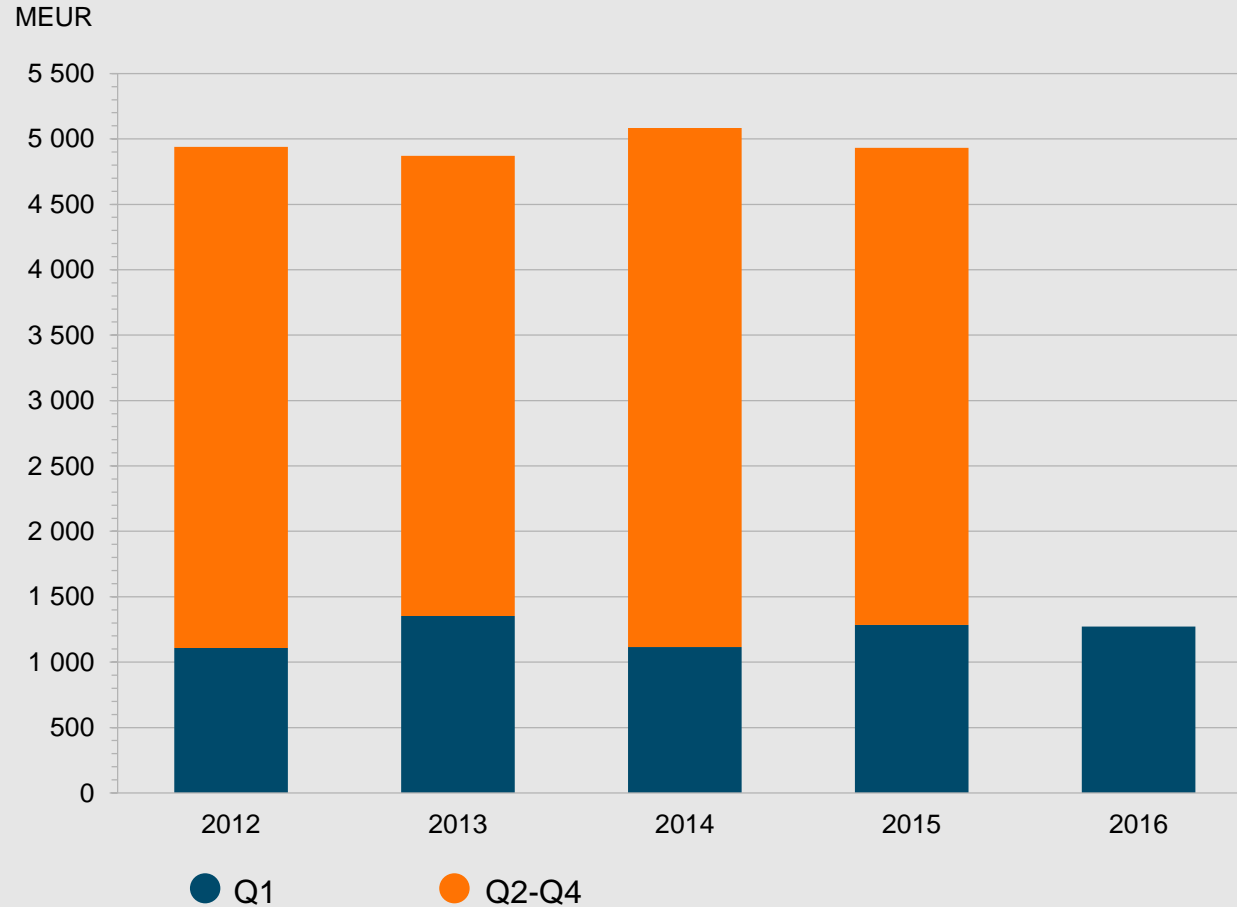
Highlights Q1/2016

- Order intake EUR 1,271 million, -1%
- Net sales EUR 967 million, -2%
- Book-to-bill 1.31 (1.30)
- Comparable operating result EUR 84 million, 8.7% of net sales (EUR 100 million or 10.1%)
- Earnings per share EUR 0.30 (0.43)
- Cash flow from operating activities EUR -13 million (37)
- Order book at the end of the period EUR 5,103 million, +3%

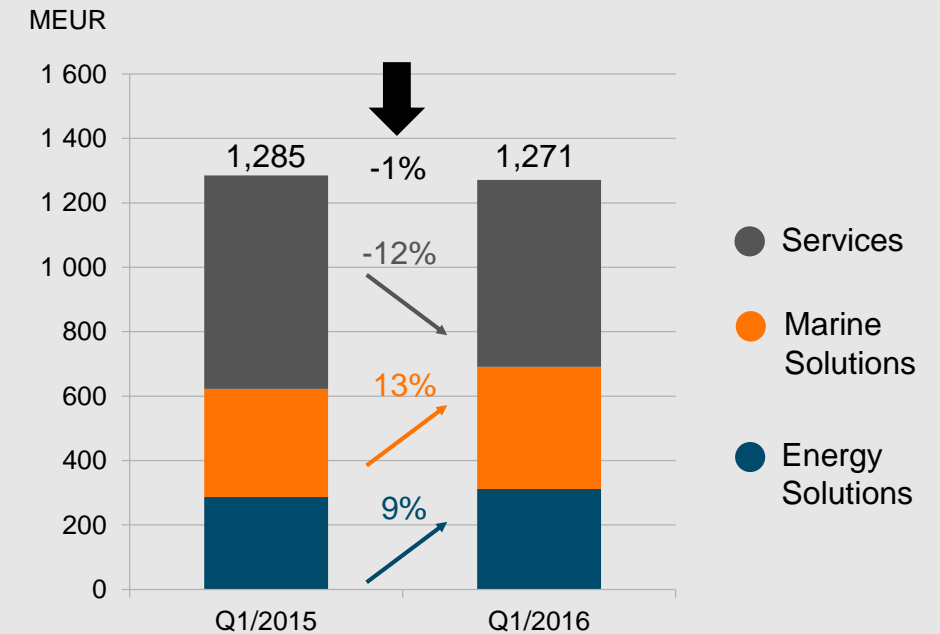


Wärtsilä has revised the terminology used for alternative performance measures due to new guidelines by the European Securities and Market Authority. 'Operating result before non-recurring items' has been replaced with 'comparable operating result'.

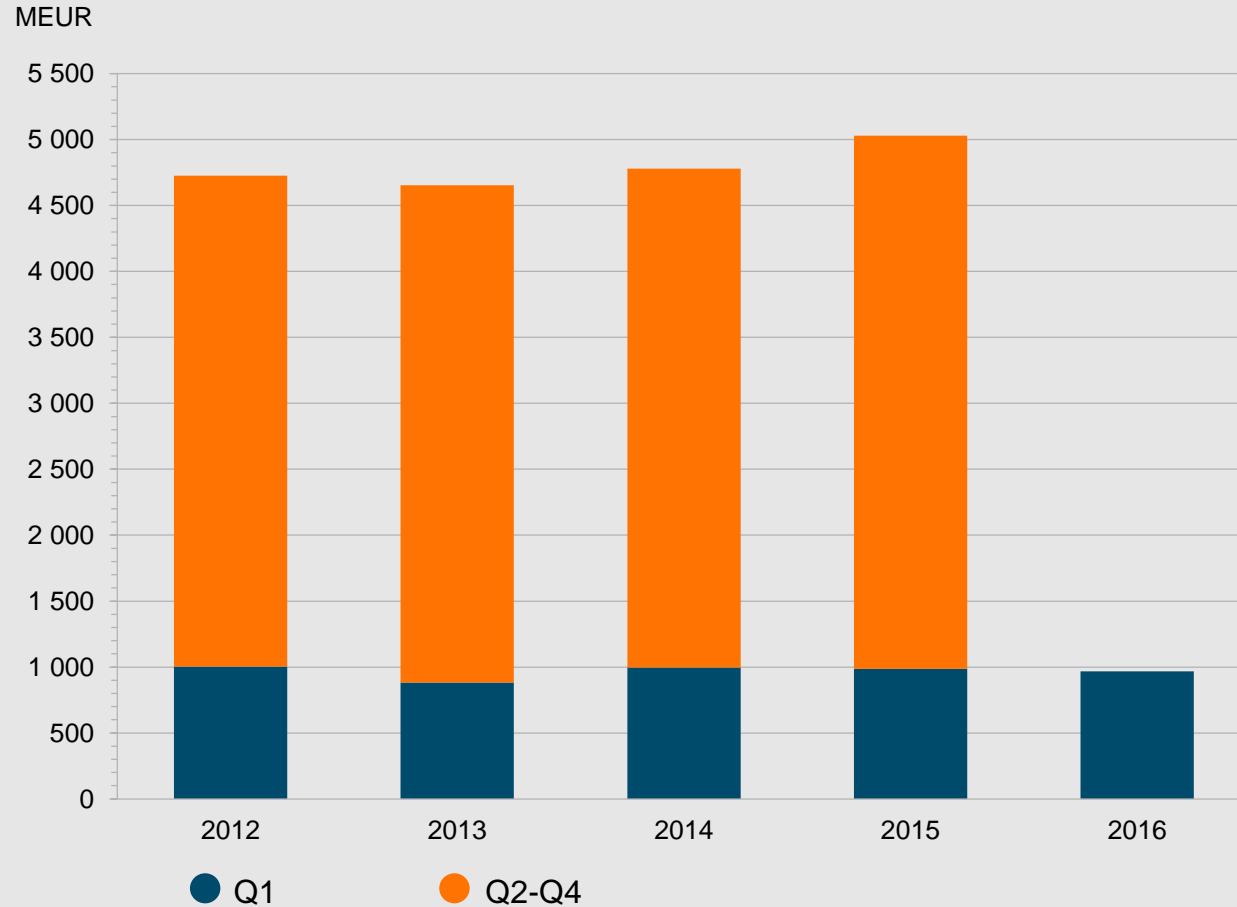
Order intake developed well in the equipment businesses



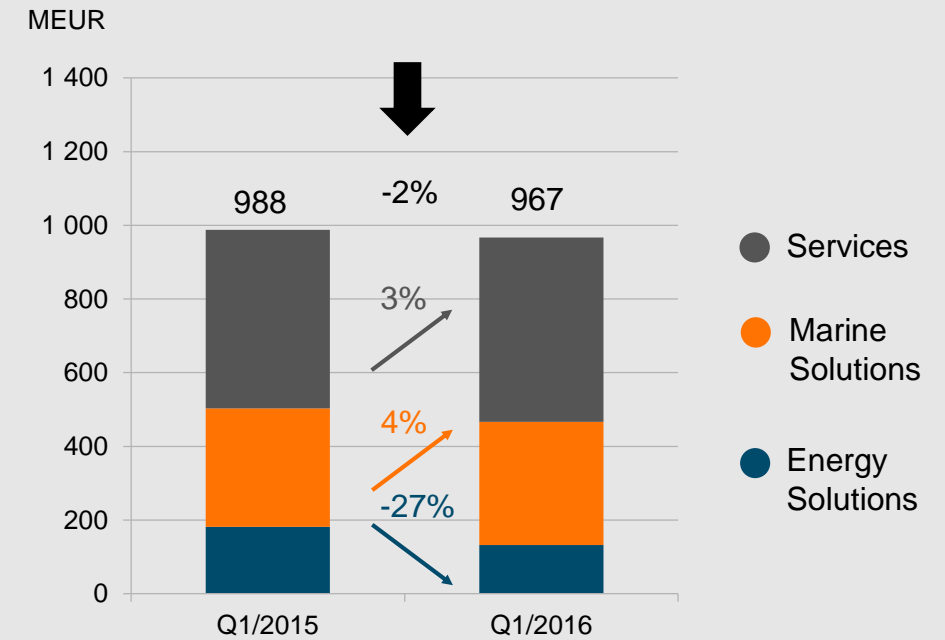
First quarter development



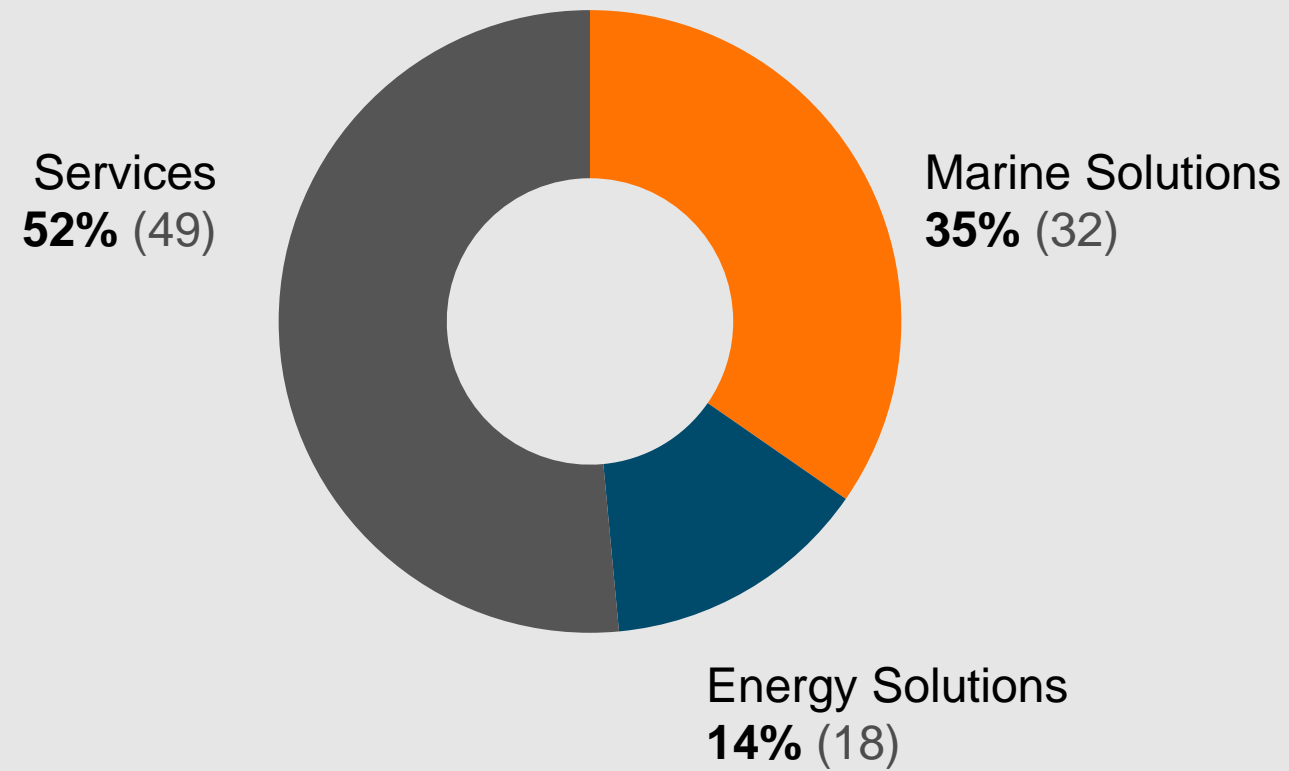
Stable development in net sales



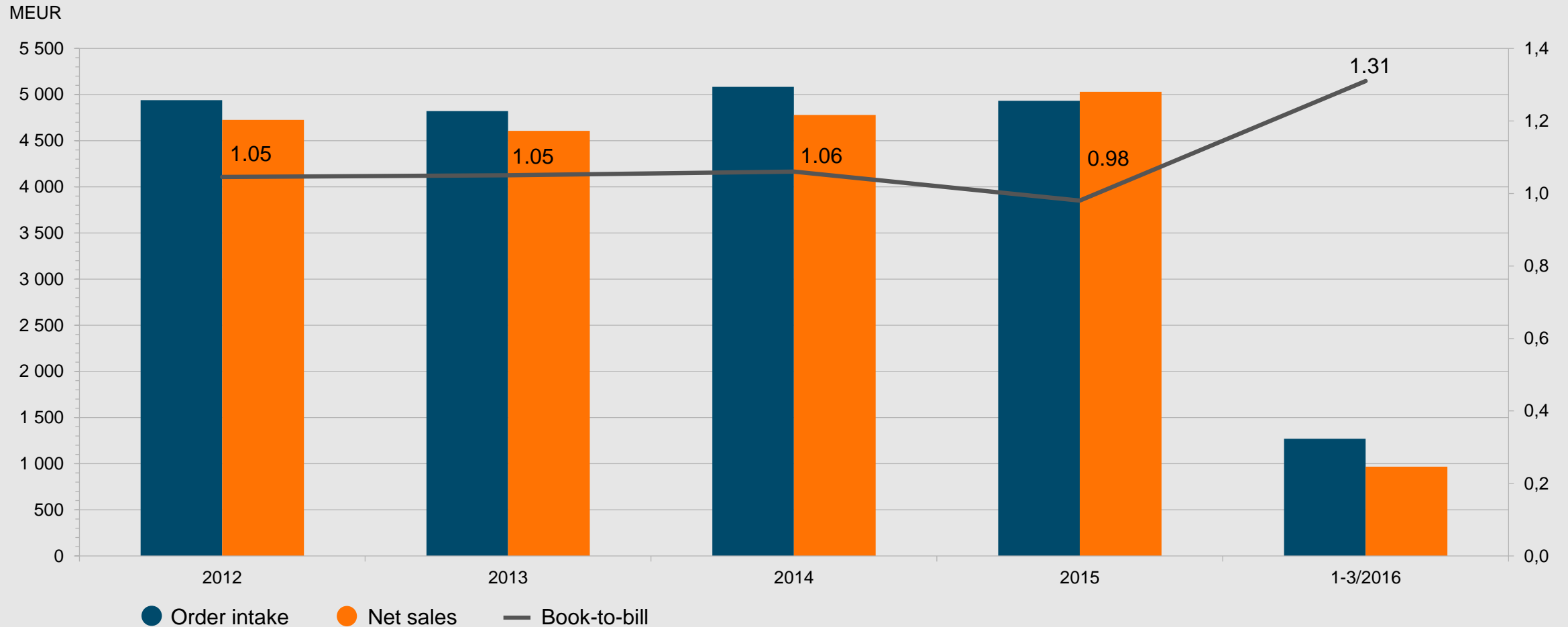
First quarter development



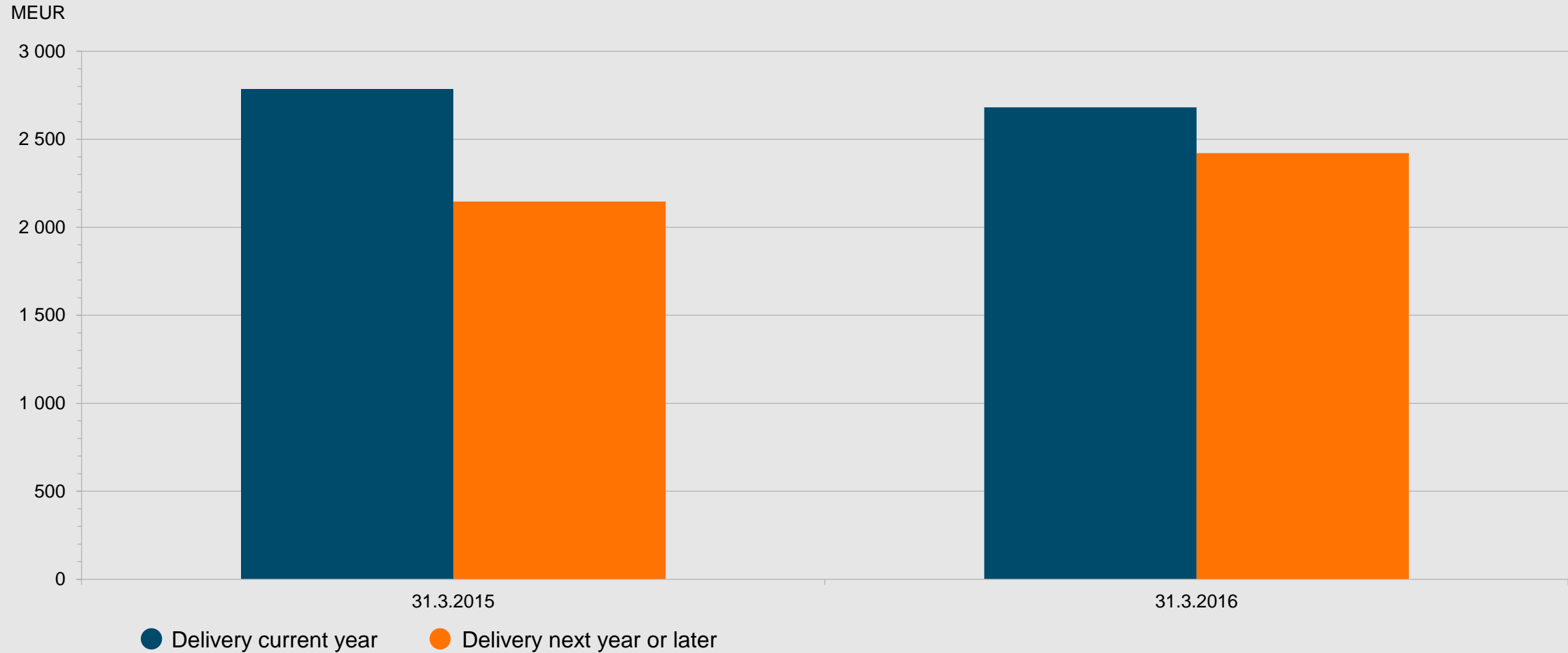
Net sales by business 1-3/2016



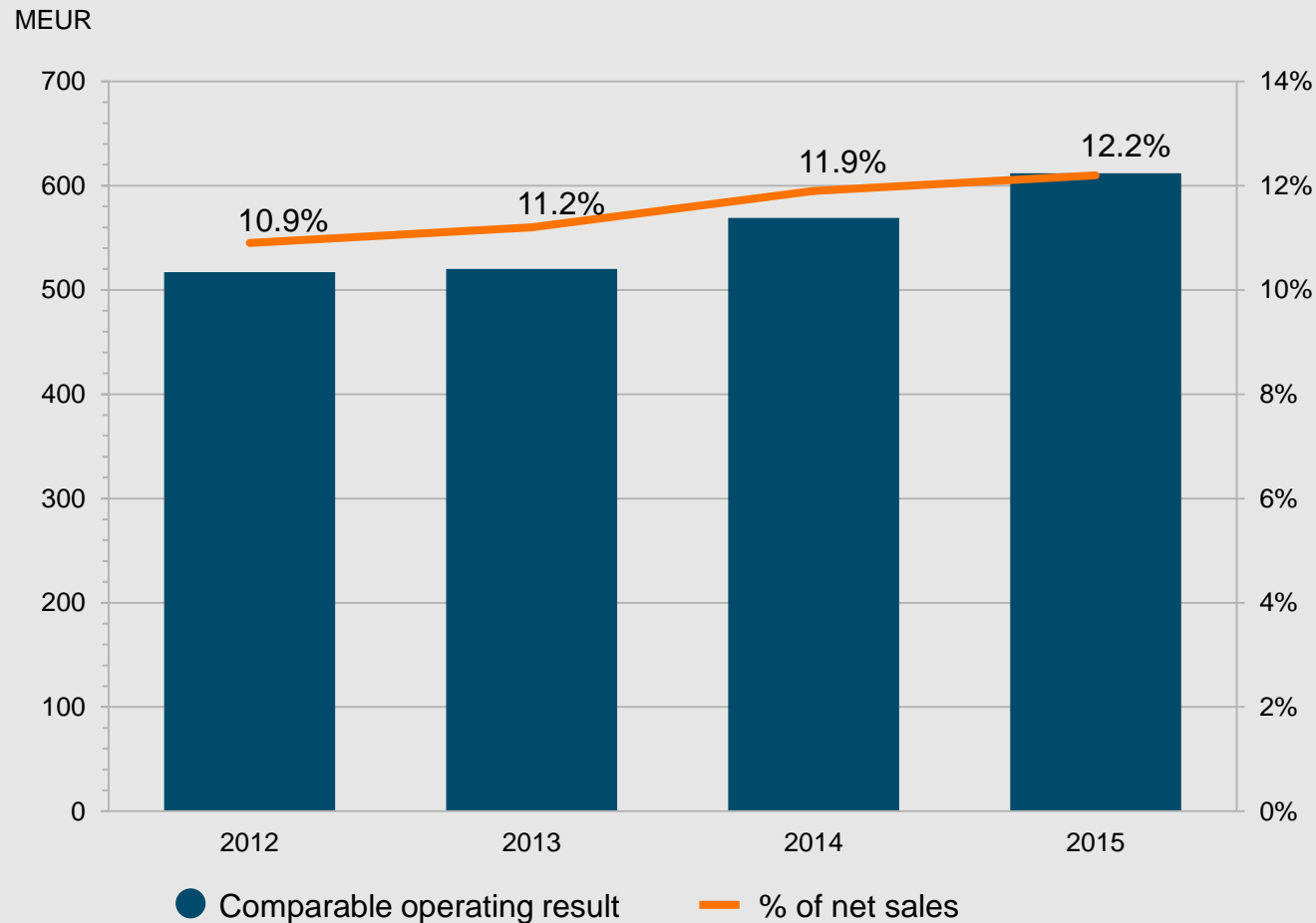
Book-to-bill ratio



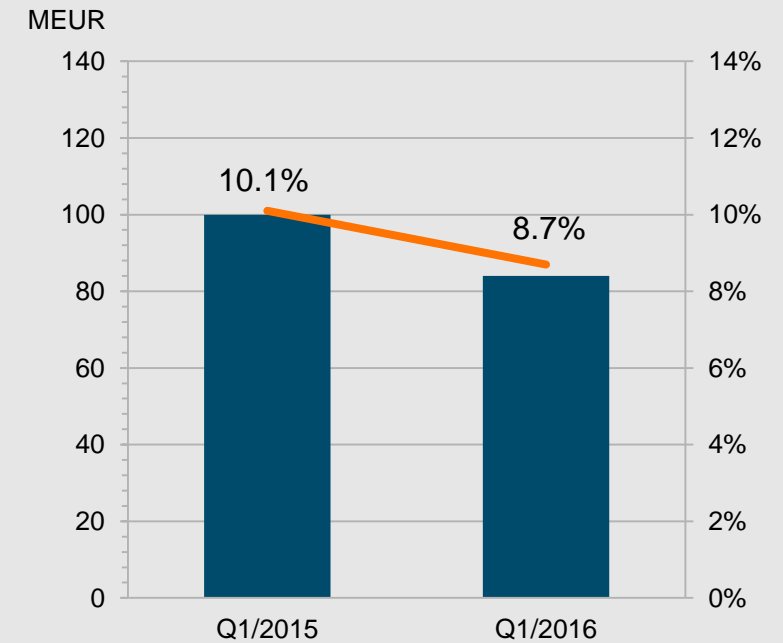
Order book distribution



Operating result and profitability



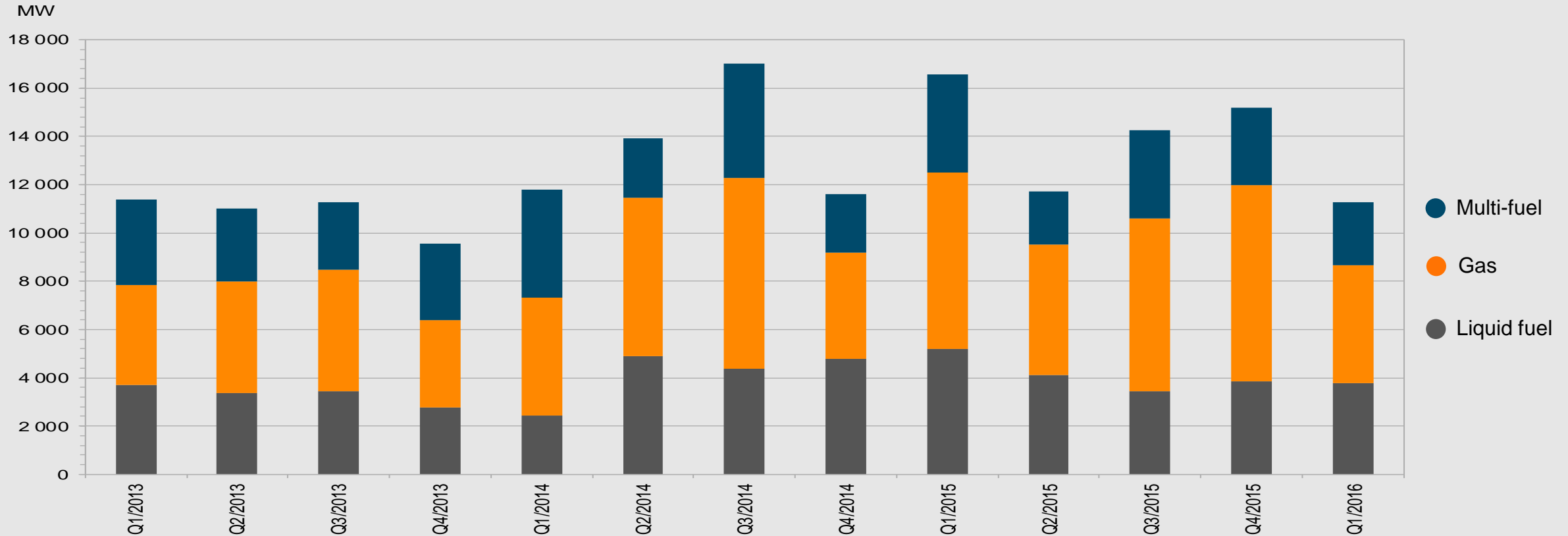
First quarter development



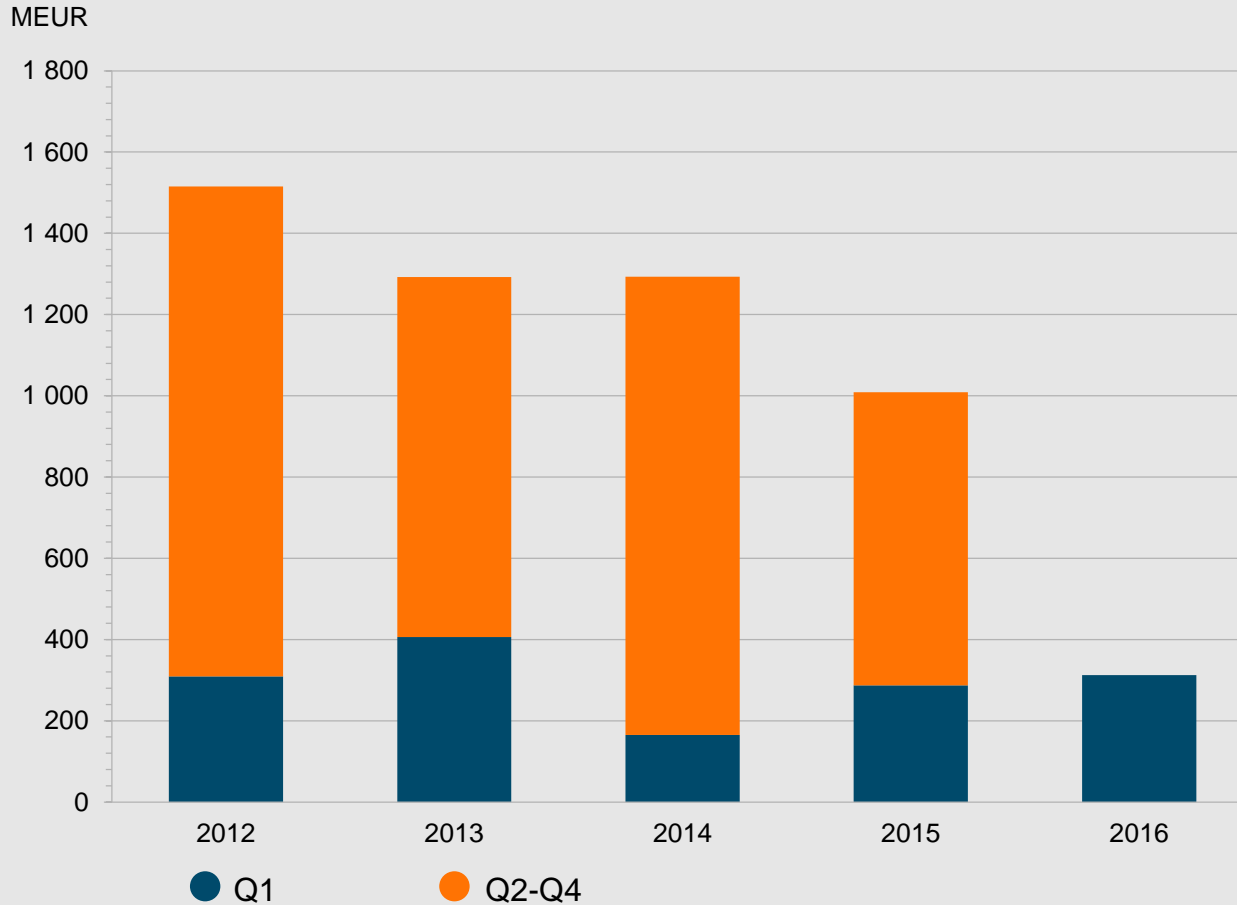
Items affecting comparability include restructuring costs of EUR 1 million for Q1 2016 and EUR 25 million for the full year 2015. Figures for 2012-2013 include both discontinued and continuing operations.



Quotation activity on a satisfactory level

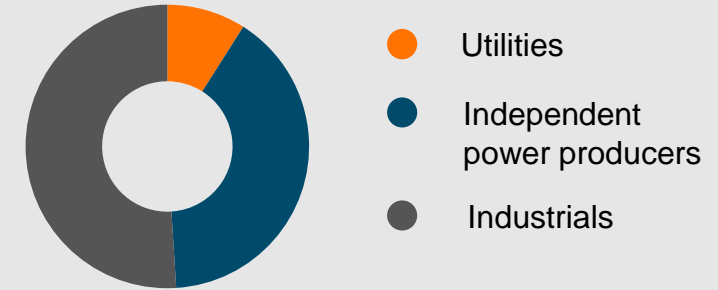


Solid power plant ordering activity



First quarter development

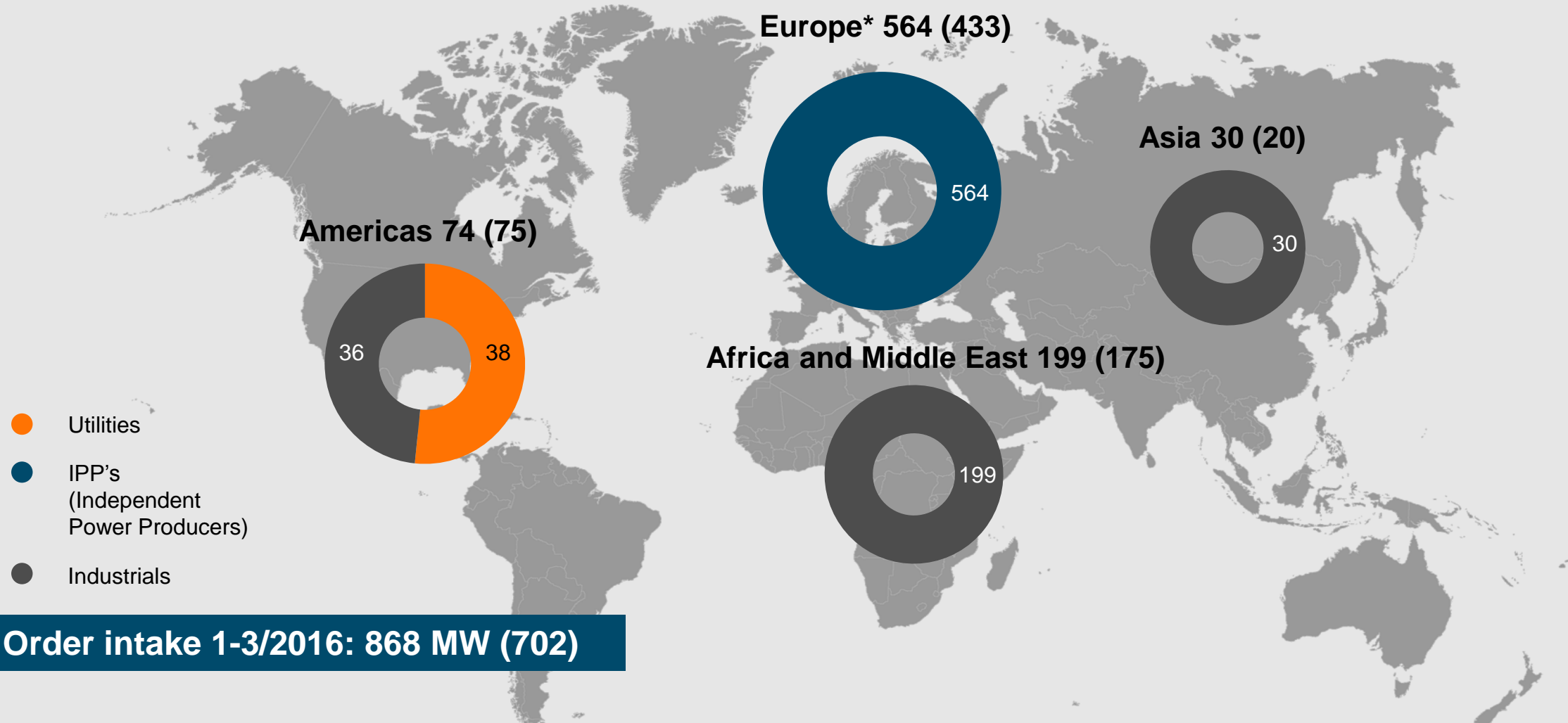
Total EUR 312 million (287)



First quarter order intake by fuel in MW

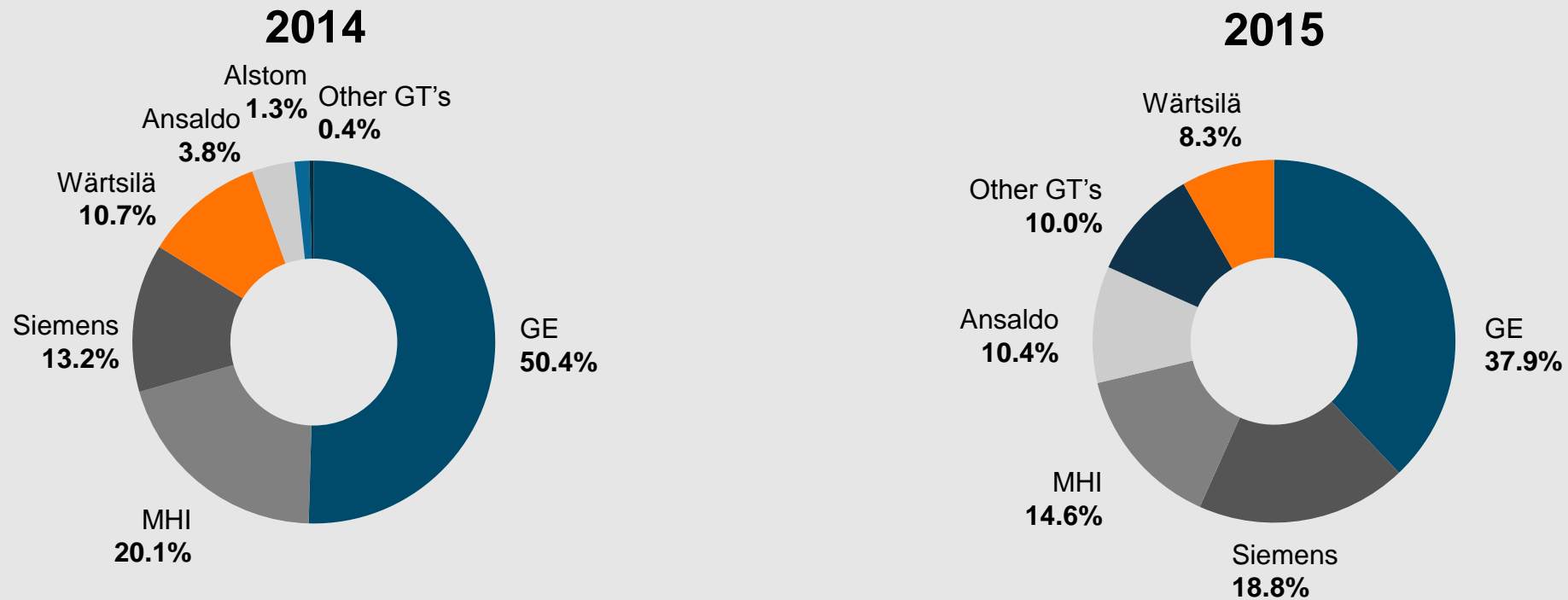


Order intake globally



*Turkish owners contributed to the high level of activity in Europe.

Market for gas and liquid fuel power plants, <500 MW



<500 MW market volume: 29.5 GW (23.4), +26%
Total market volume: 73.5 GW (47.8), +54%

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.

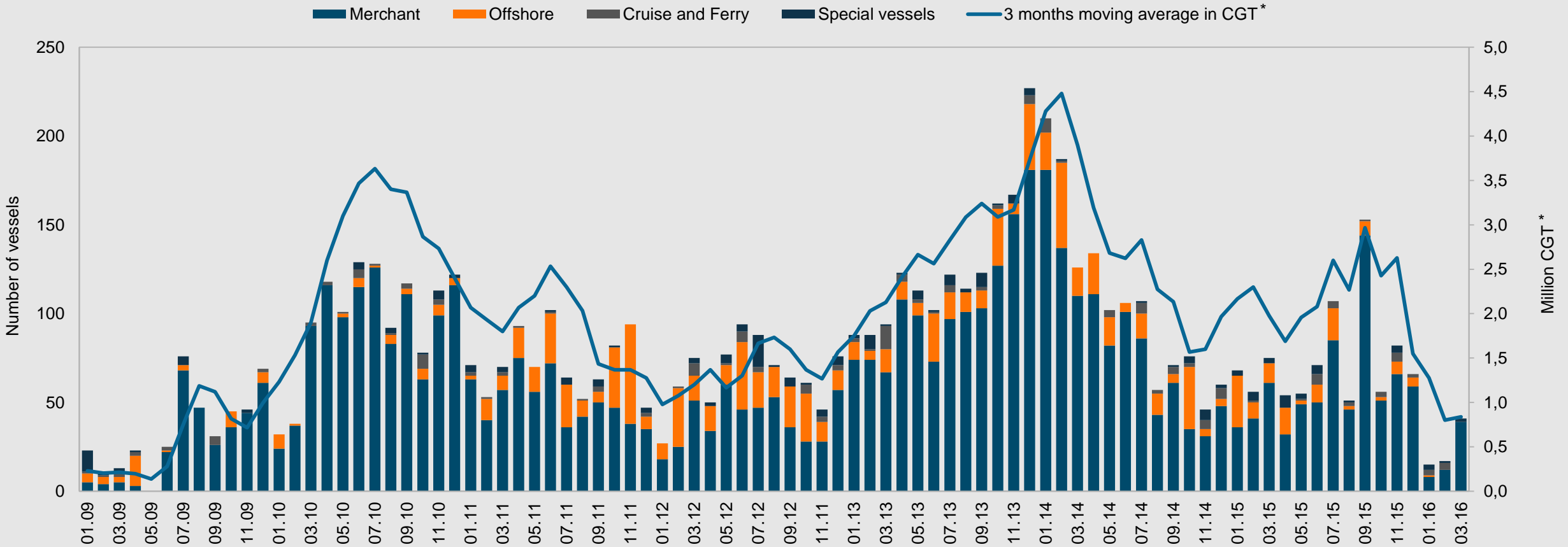
Wärtsilä enters the utility-scale solar business

Leveraging our global EPC expertise to help our customers reduce carbon emissions by offering hybrid solutions that couple solar PV parks with Smart Power Generation power plants in focus areas such as Africa, the Middle East, the Americas and Southeast Asia.





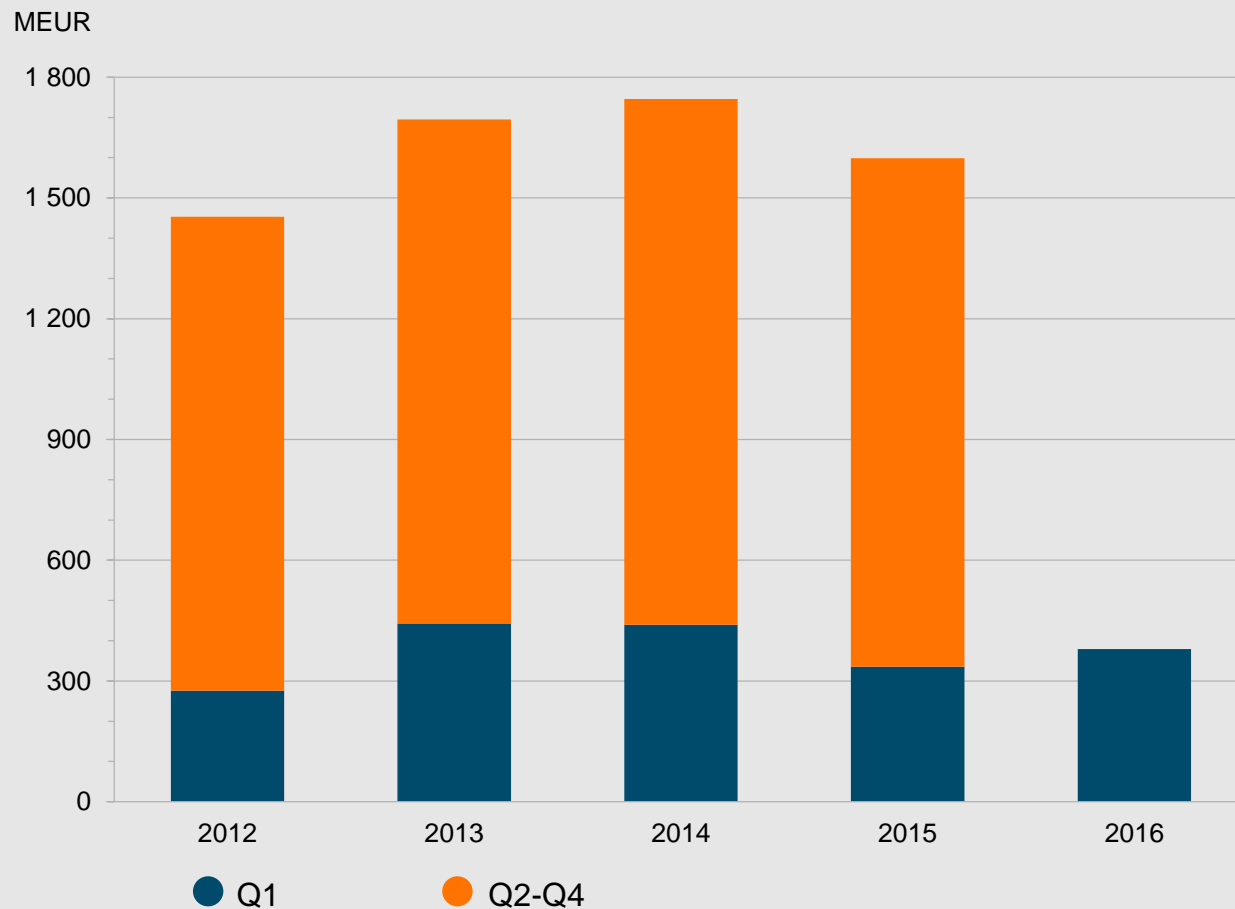
Limited demand for new vessels



Source: Clarkson Research Services, figures exclude late contracting

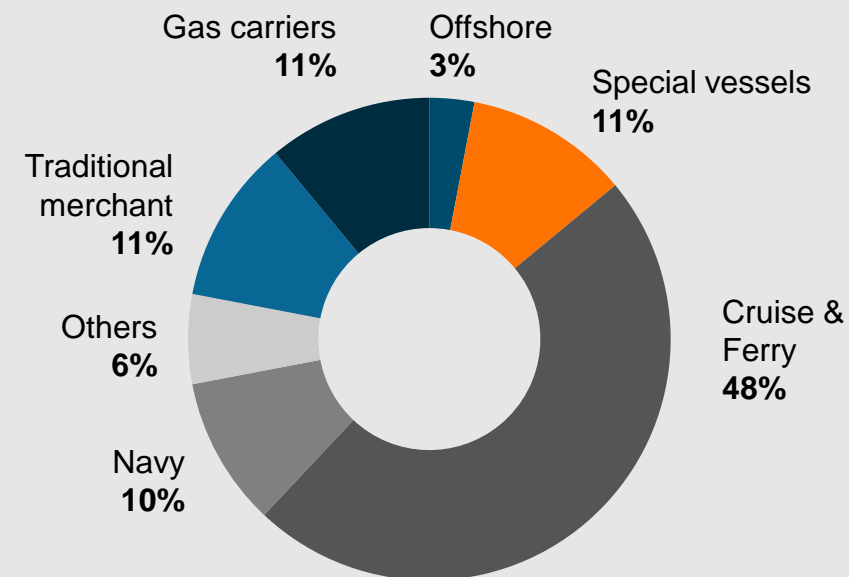
* CGT= gross tonnage compensated with workload

Order intake supported by strong activity in Cruise & Ferry

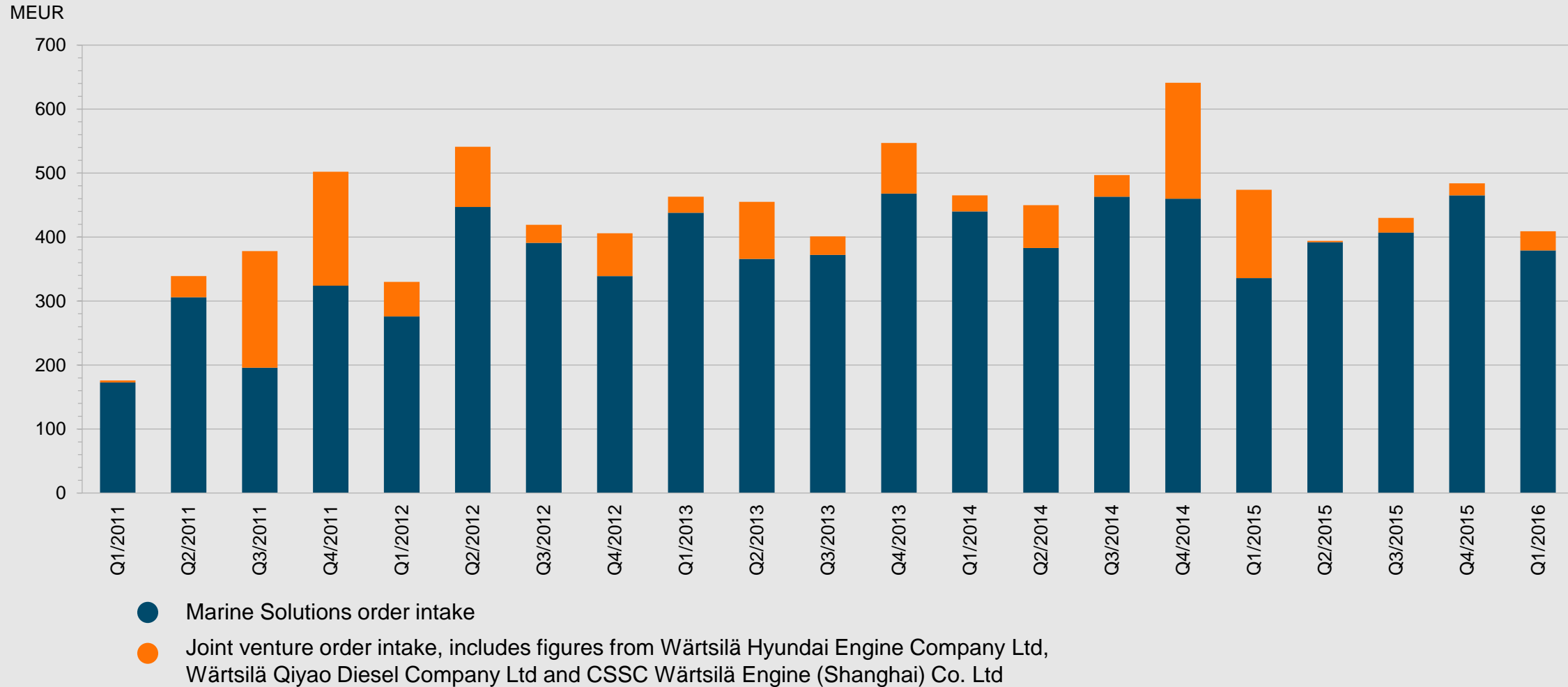


First quarter development

Total EUR 379 million (336)



Joint venture ordering activity



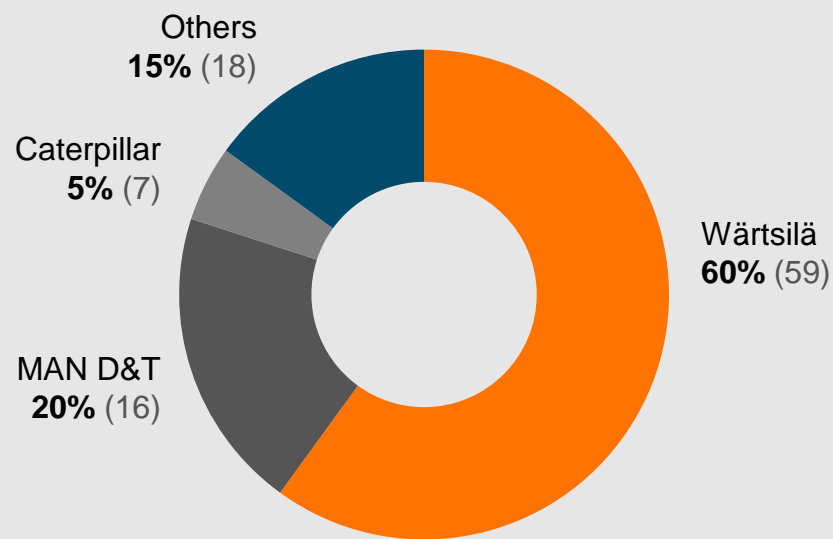
Marine markets shifting towards gas

Wärtsilä has been awarded the contract to supply a comprehensive gas solution for the mid-life upgrading of two Canadian RoPax ferries. Converting the ferries to operate on LNG fuel will make them environmentally sustainable.



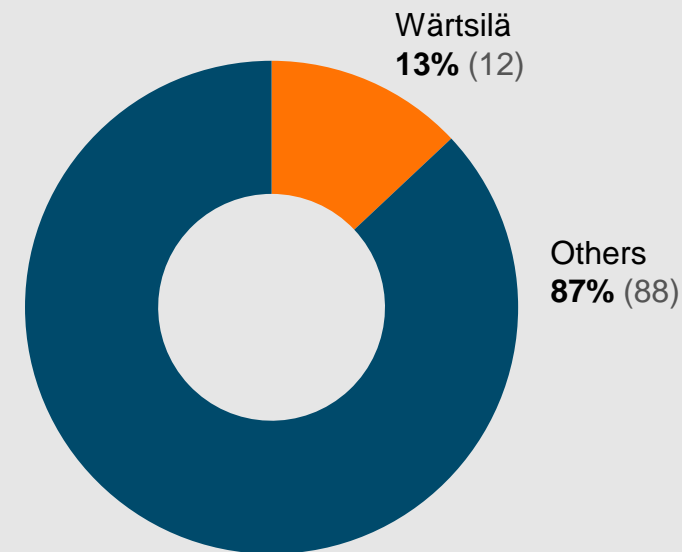
Strong position in marine engine market

Medium-speed main engines



Total market volume last 12 months:
2,307 MW (3,246)

Auxiliary engines

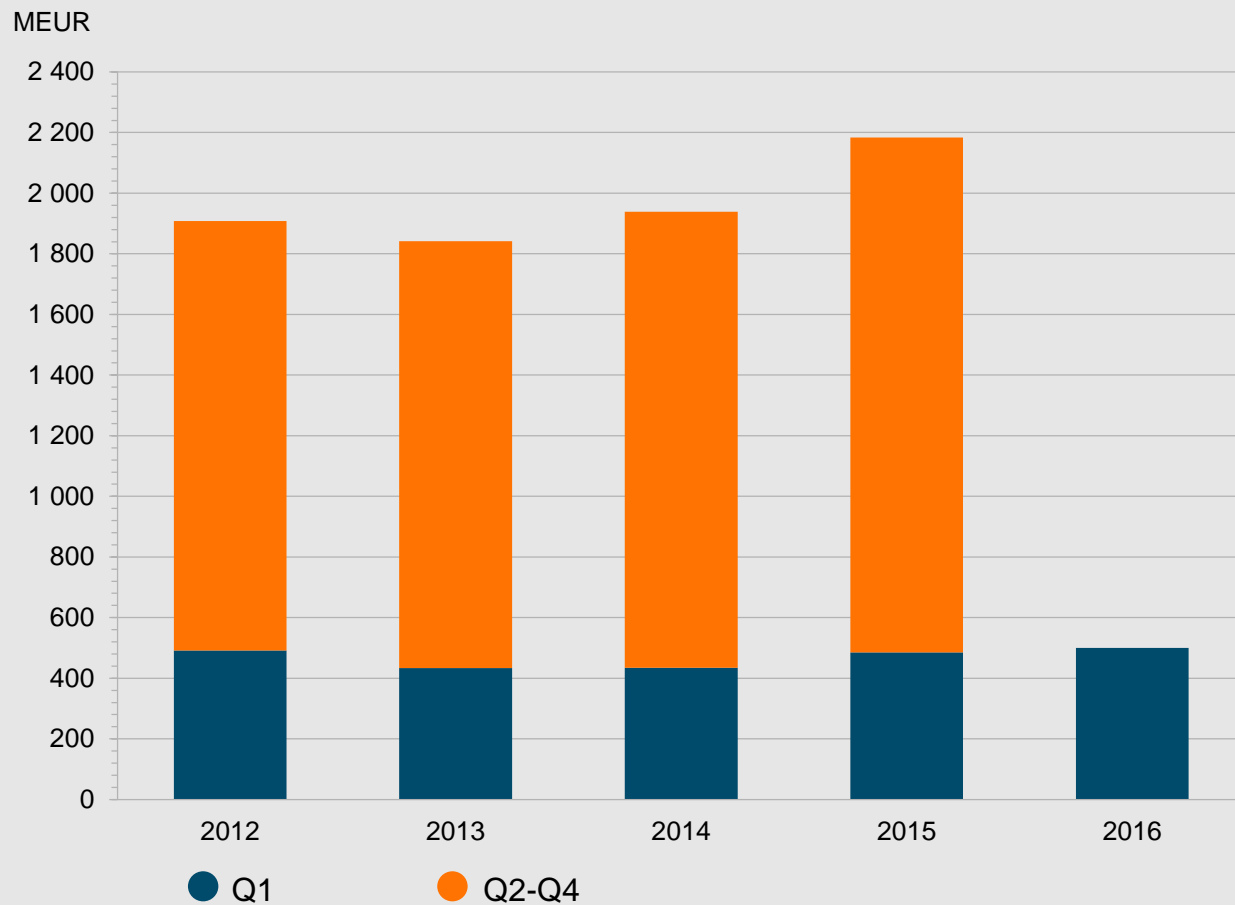


Total market volume last 12 months:
5,273 MW (4,668)

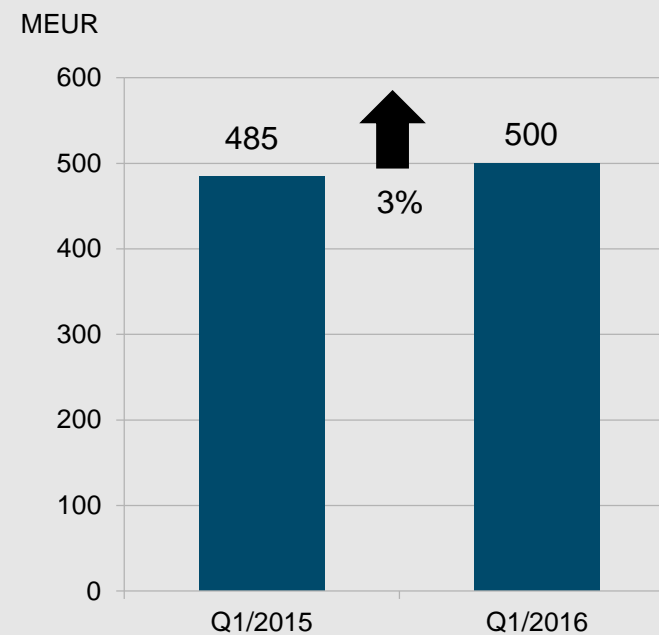
Wärtsilä's market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. The calculation is based on Wärtsilä's own data portal.



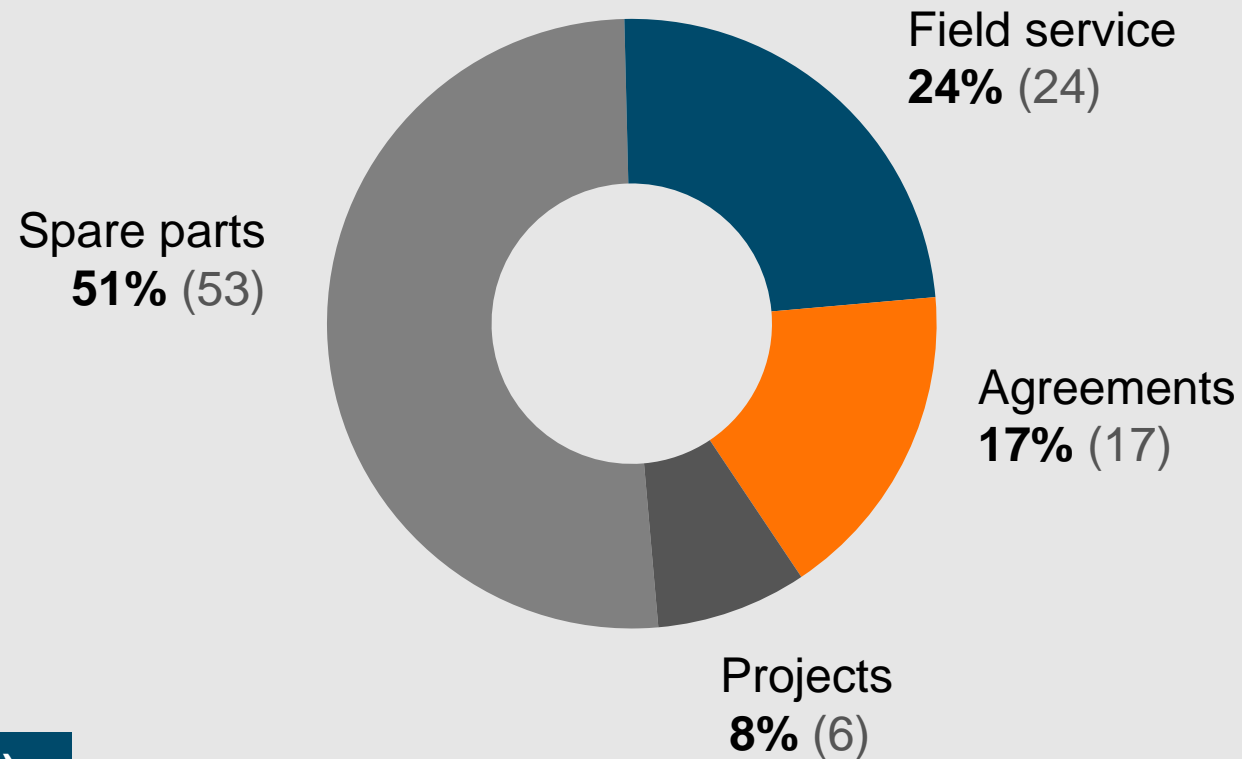
Steady progression in Services net sales



First quarter development

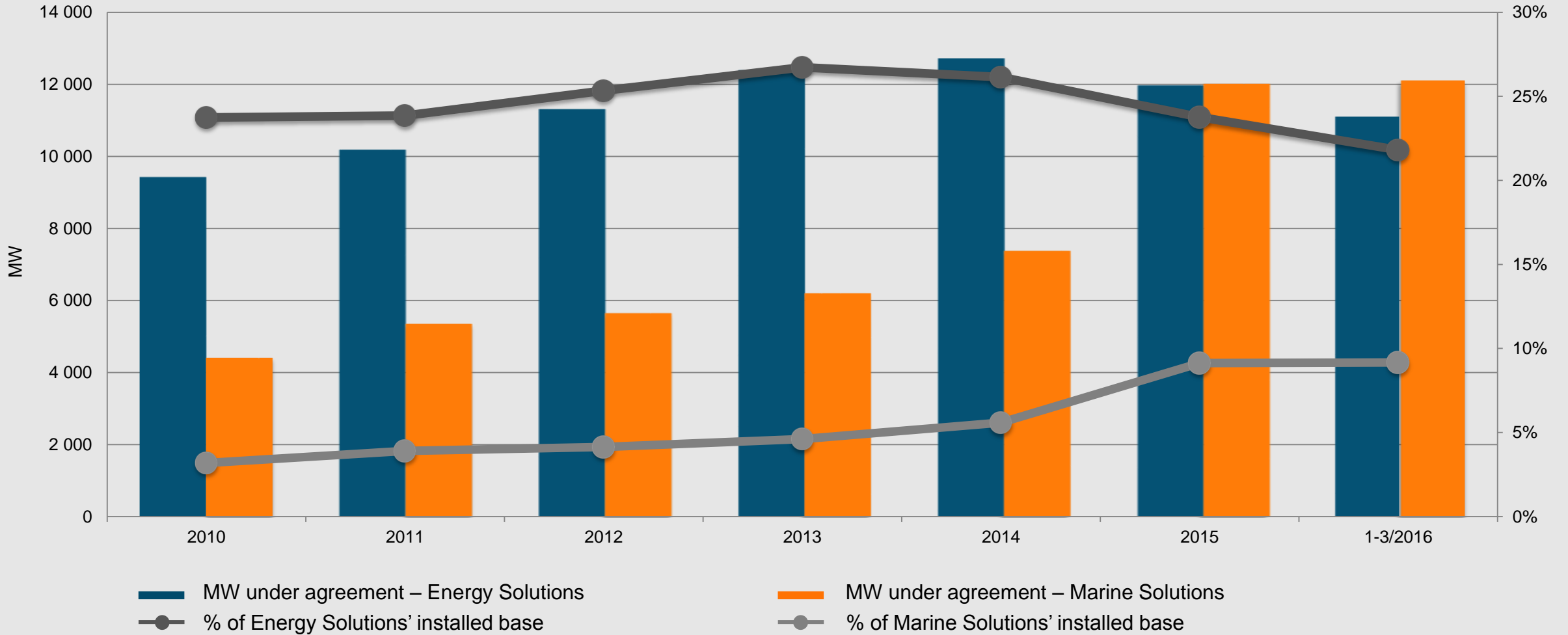


Net sales distribution 1-3/2016



Total EUR 500 million (485)

Development of service agreements



A five-year maintenance agreement signed with Bonny Gas Transport Limited

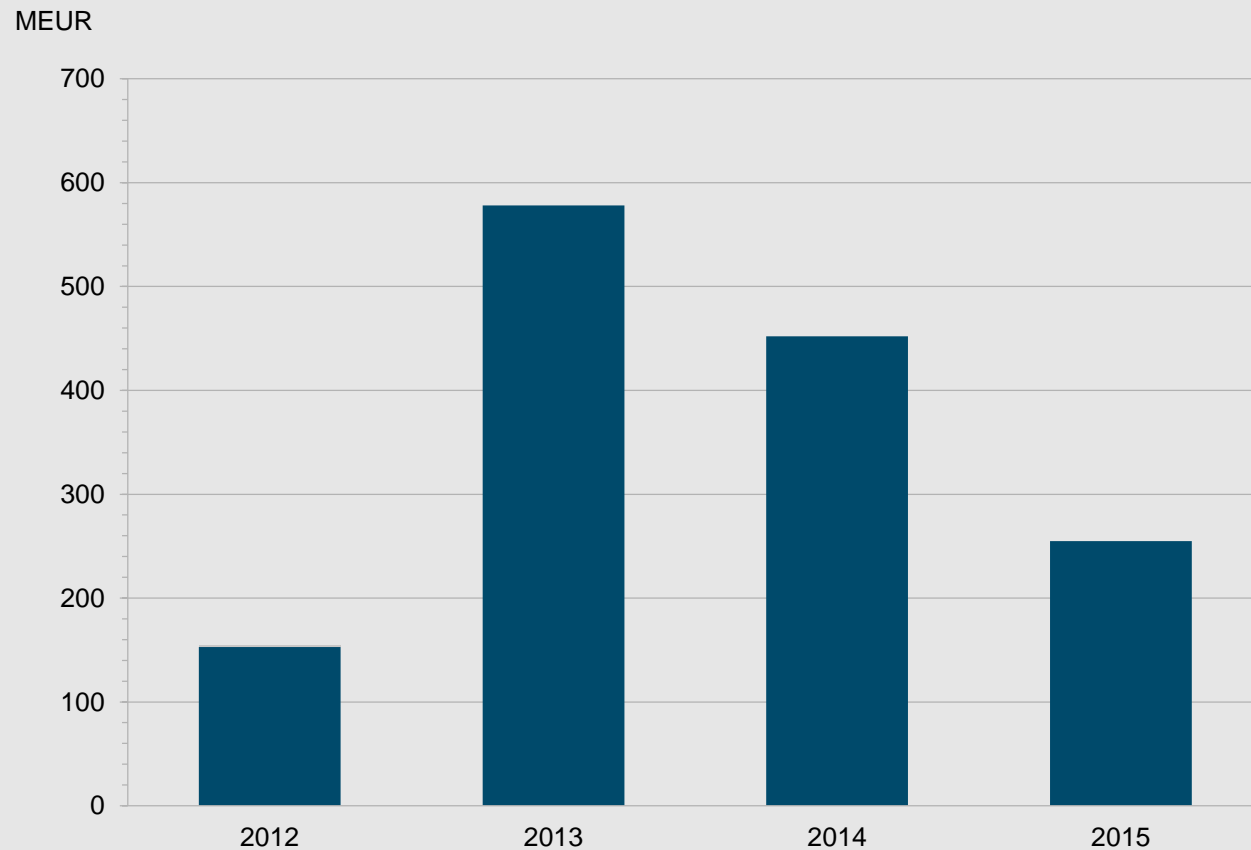
Wärtsilä will optimise maintenance and enhance engine performance for Bonny Gas Transport's six new LNG carriers through dynamic maintenance planning and digital services.



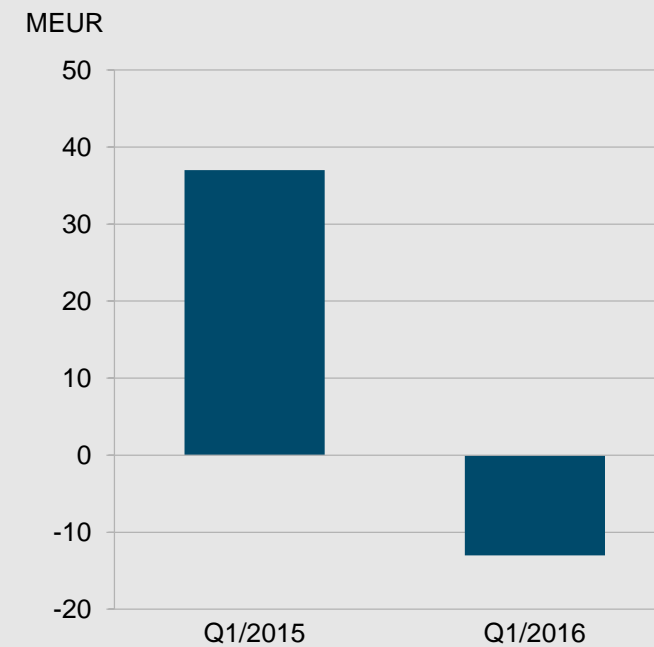
Image: Bonny Gas Transport Limited



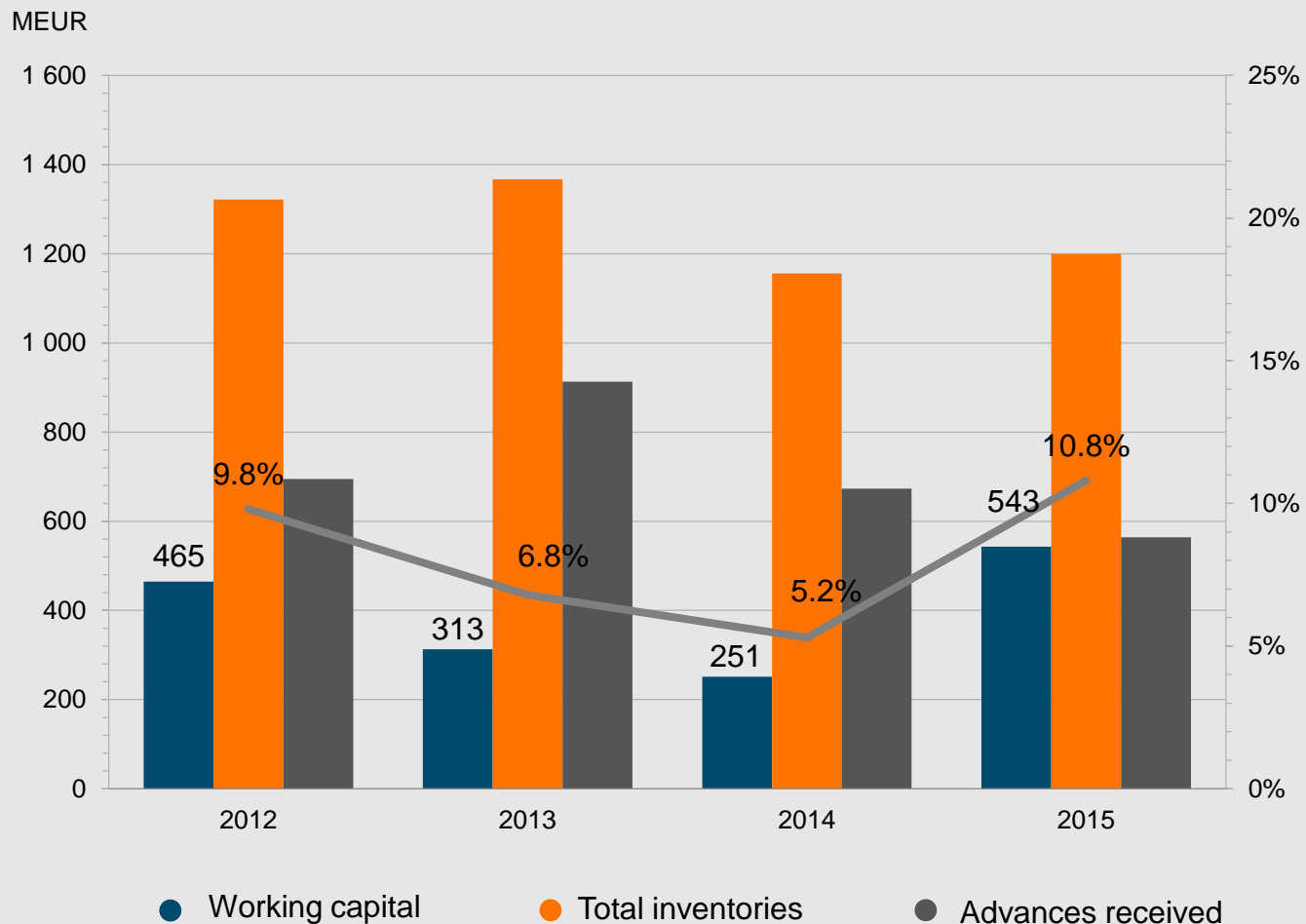
Cash flow from operating activities



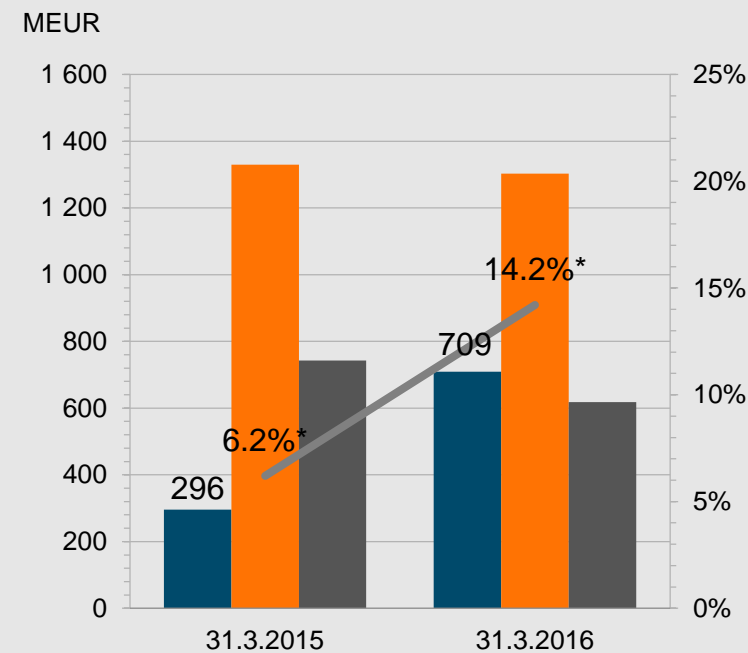
Review period development



Working capital

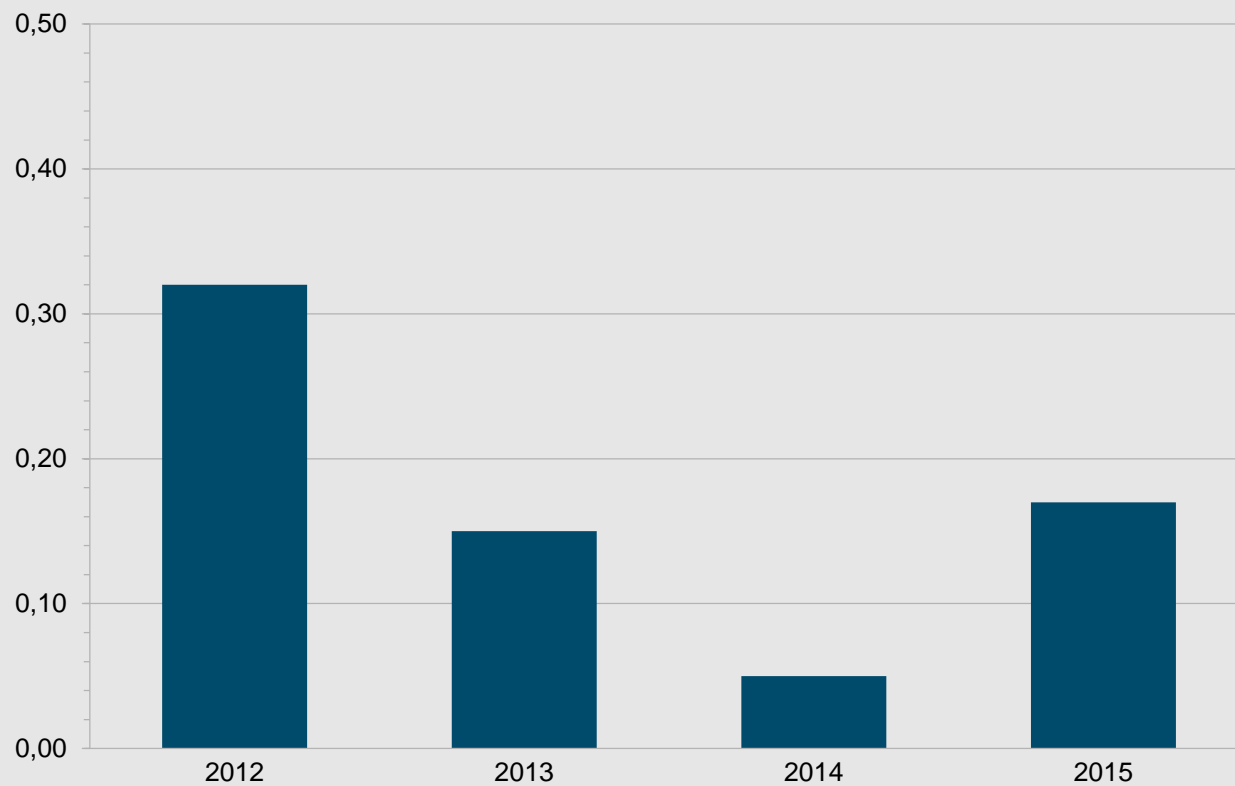


Review period development

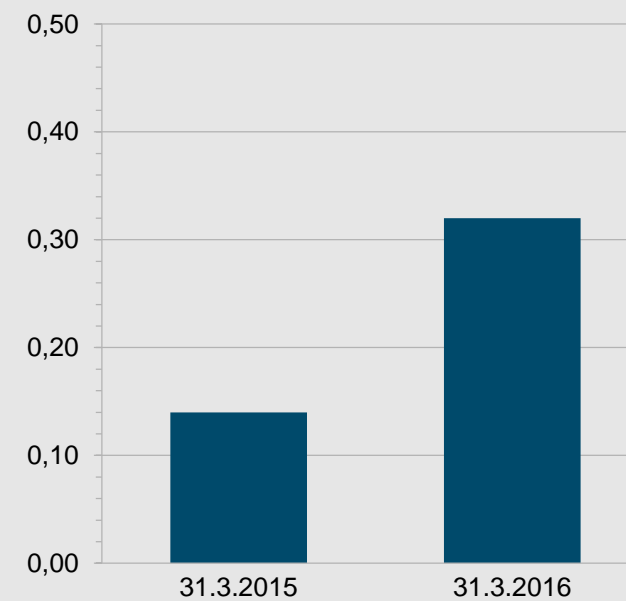


* Working capital / 12 months rolling net sales

Gearing



Review period development



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. The gas carrier market is under pressure, while the outlook for cruise vessels and ferries remains positive.

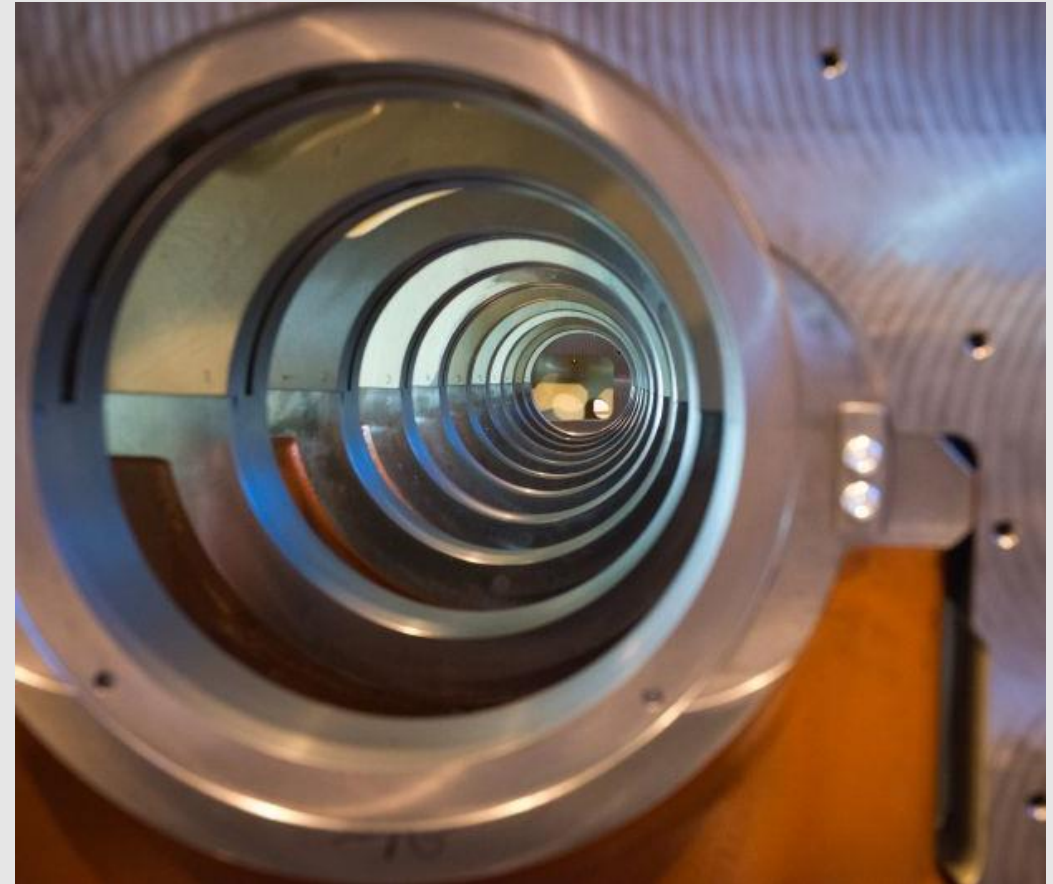


Services

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 agreements.

Plans for organisational adjustments to reflect the weak market situation

- Wärtsilä plans to realign its Marine Solutions' and Energy Solutions' global operations to adjust to the weakened market situation and the tough competitive environment
- Engine related R&D activities planned to be concentrated to Finland in order to reduce development cycles
- Approx. 550 jobs will be reduced, of which some 270 in Finland
- Wärtsilä seeks annual savings in the region of EUR 50 million
- The costs related to the restructuring measures will be approx. EUR 50 million
- Currently, Marine Solutions employs 6,681 people and Energy Solutions 958 people globally



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

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