

Profitable growth supported by solid financials

Marco Wirén

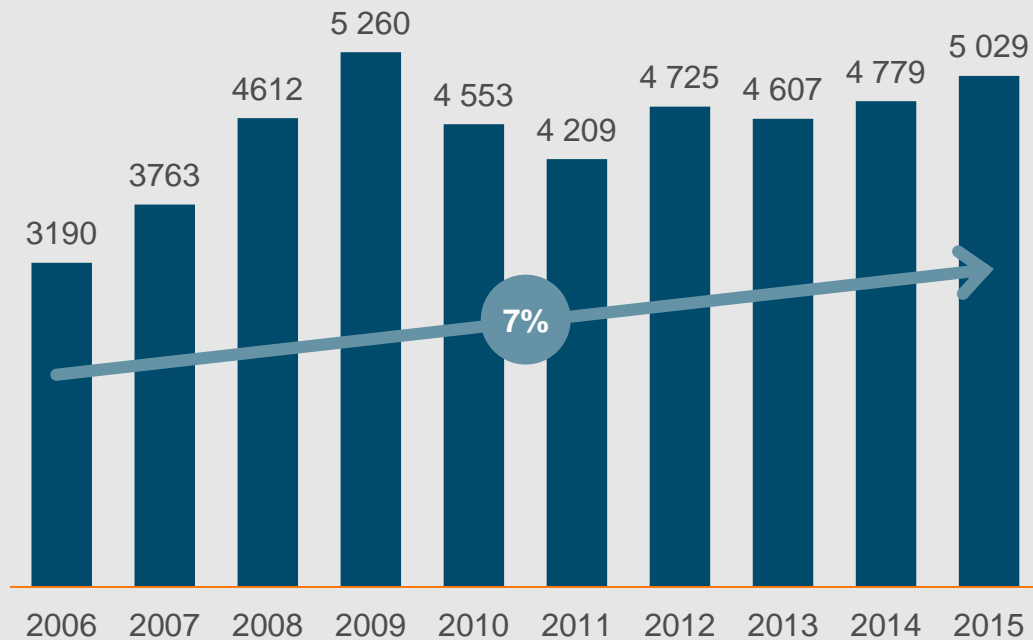
CFO & Executive Vice President

| GROW FASTER THAN GLOBAL GDP | REACH 14% PROFITABILITY | MAINTAIN GEARING BELOW 50% | DIVIDEND OF AT LEAST 50% OF EPS OVER THE CYCLE |
|---|---|--|---|
| Focus on strengthening our position in strategic growth markets | Enhanced performance through continuous improvement | Unleveraged balance sheet supports growth through acquisitions | Committed to providing shareholder returns |

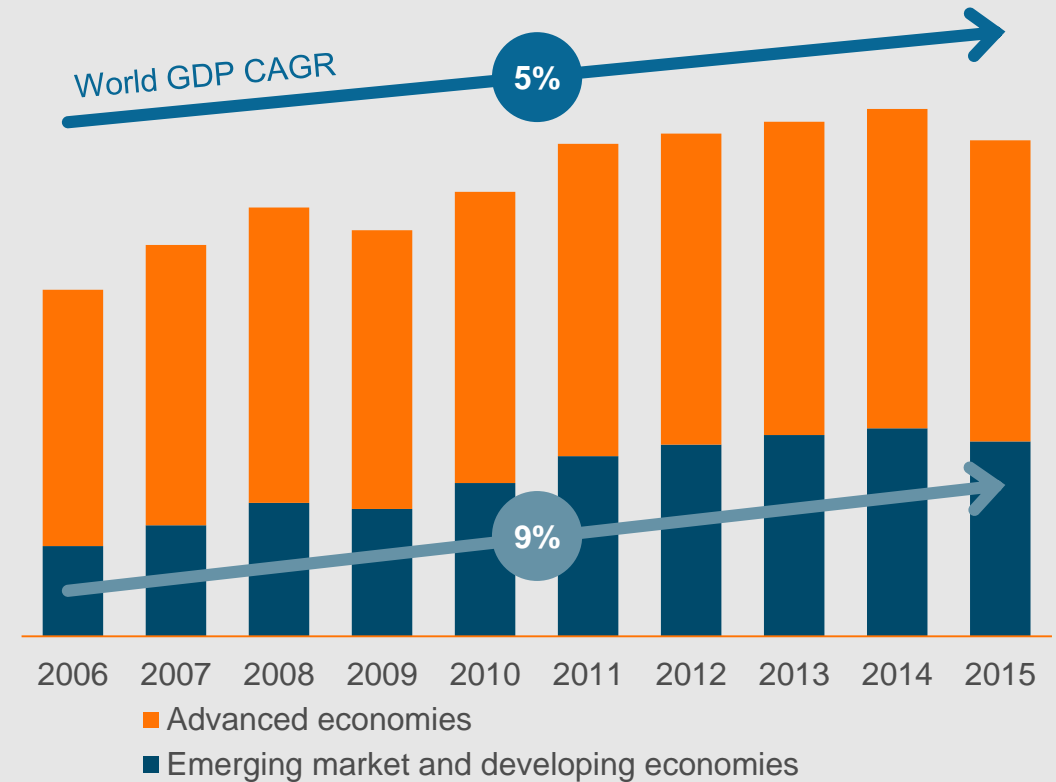
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Net sales development in line with targets

Wärtsilä's sales growth



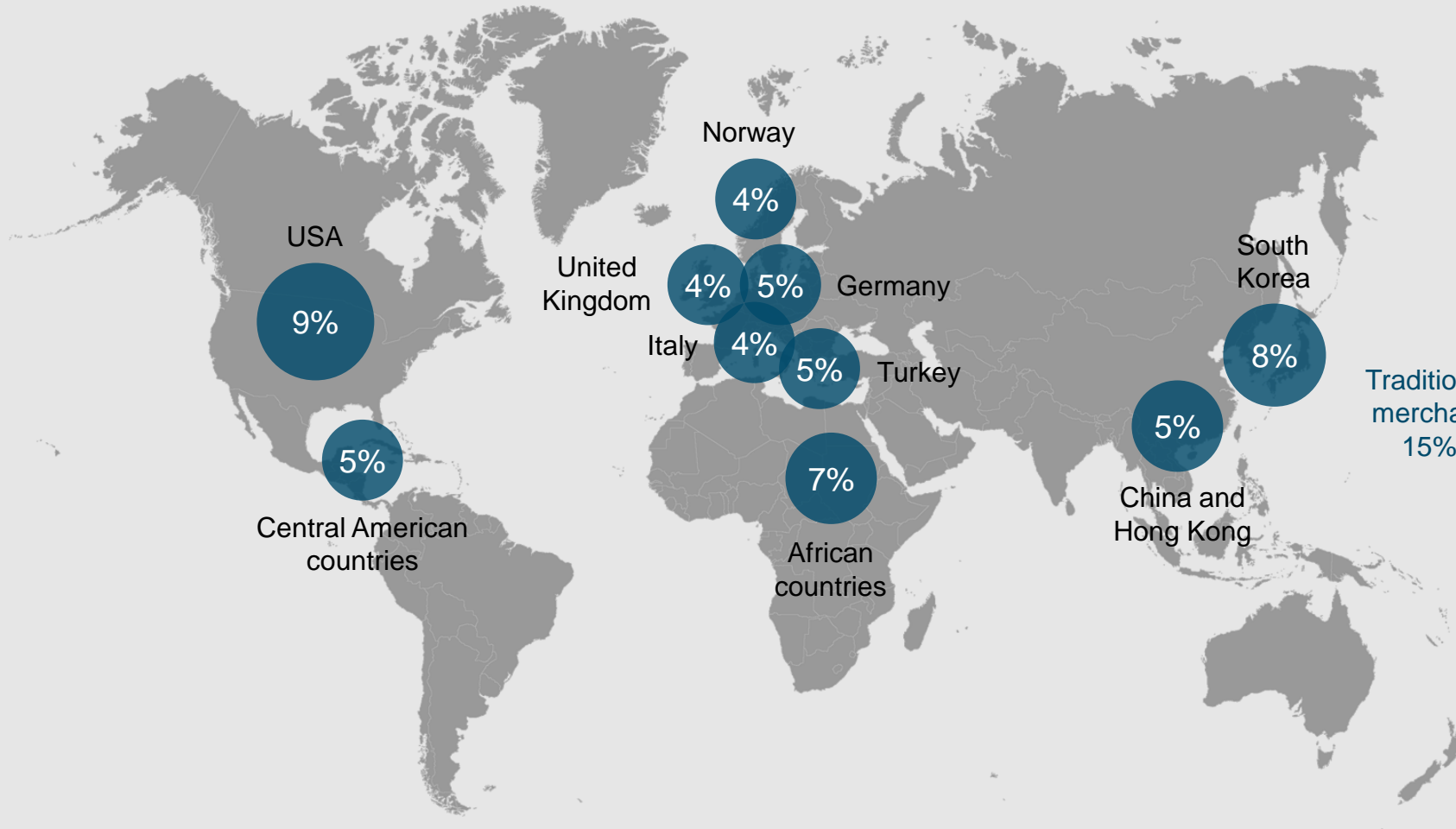
GDP growth



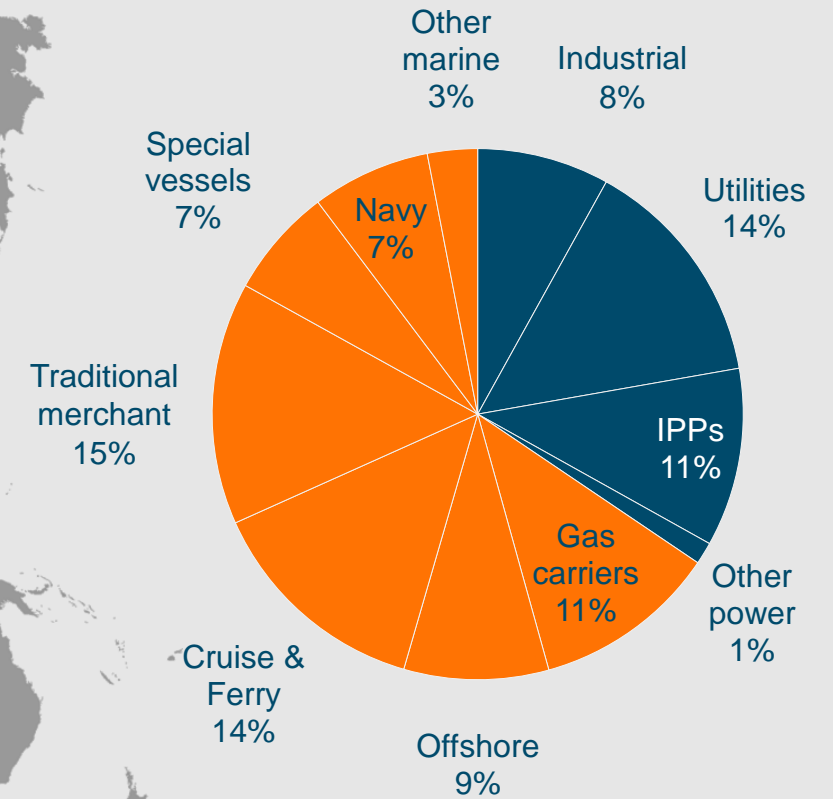
Source: IMF World Economic Outlook Database: GDP, current prices, U.S. dollars

Global reach with balanced customer exposure

Top 10 countries 1-6/2016

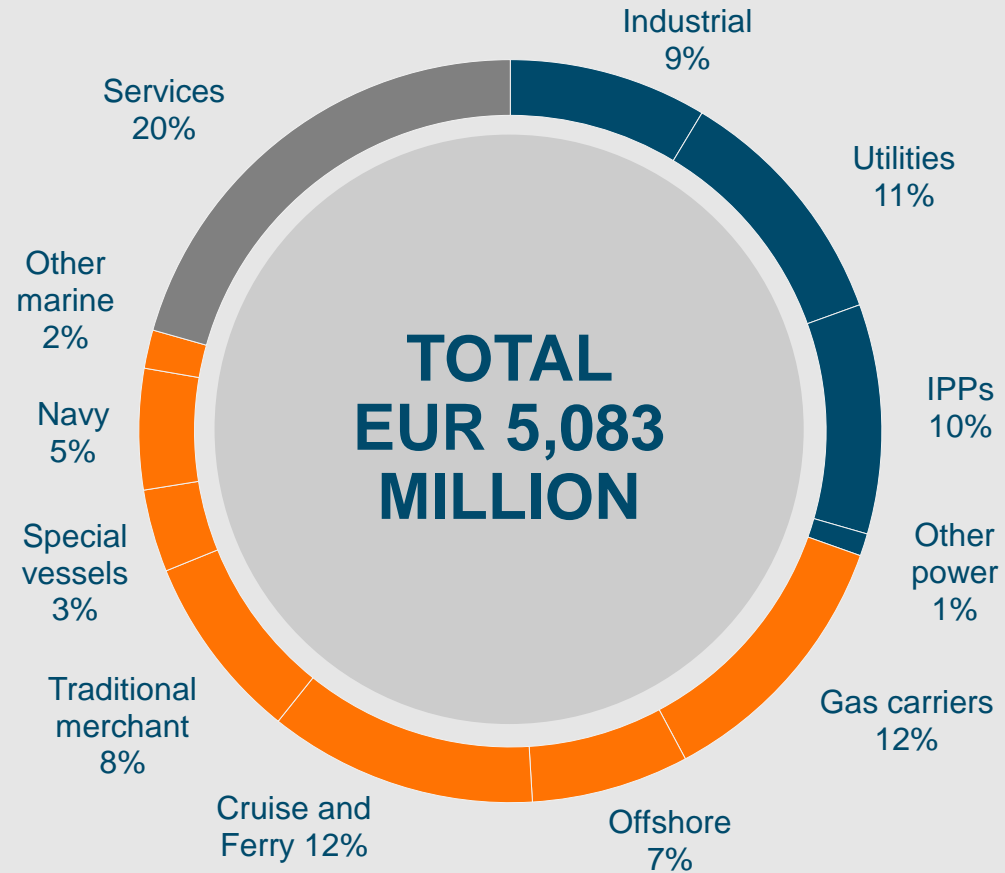


Net sales 1-6/2016



Our order book provides visibility

Order book 30.6.2016

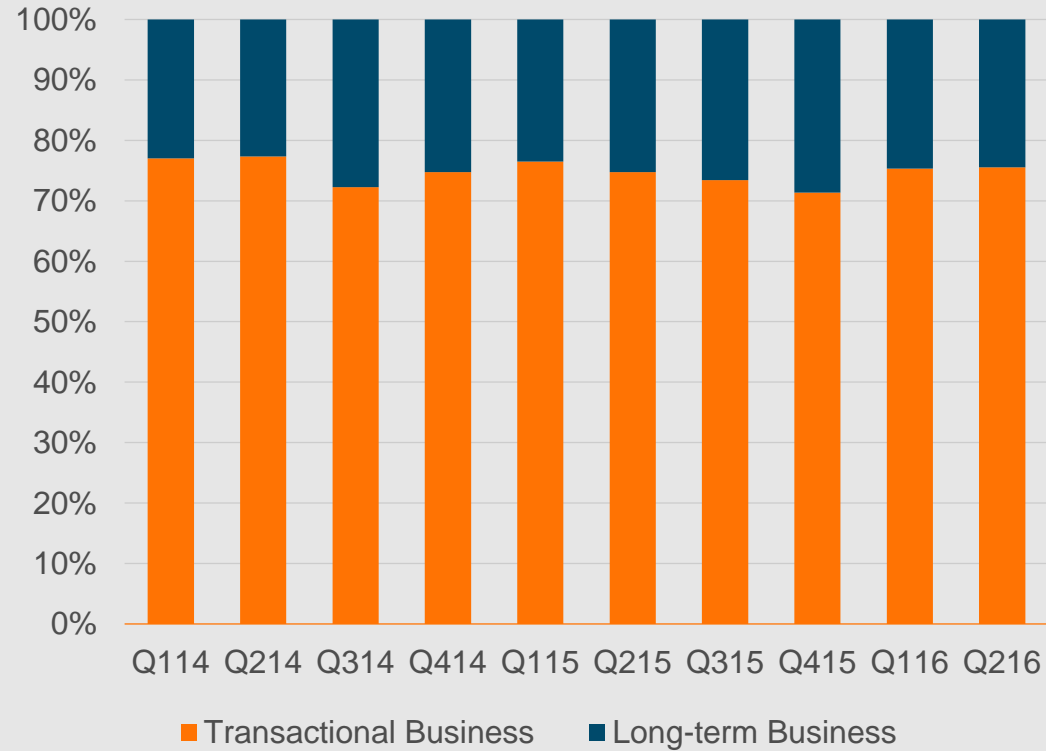


Order book rotation

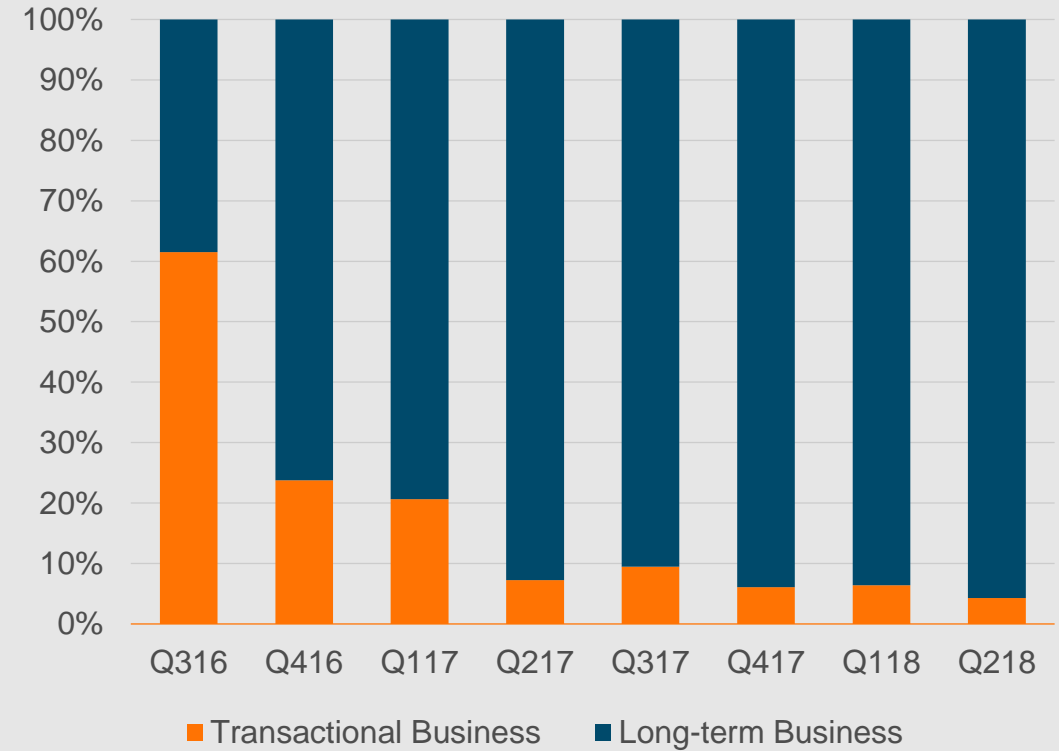


Services is largely a transactional business

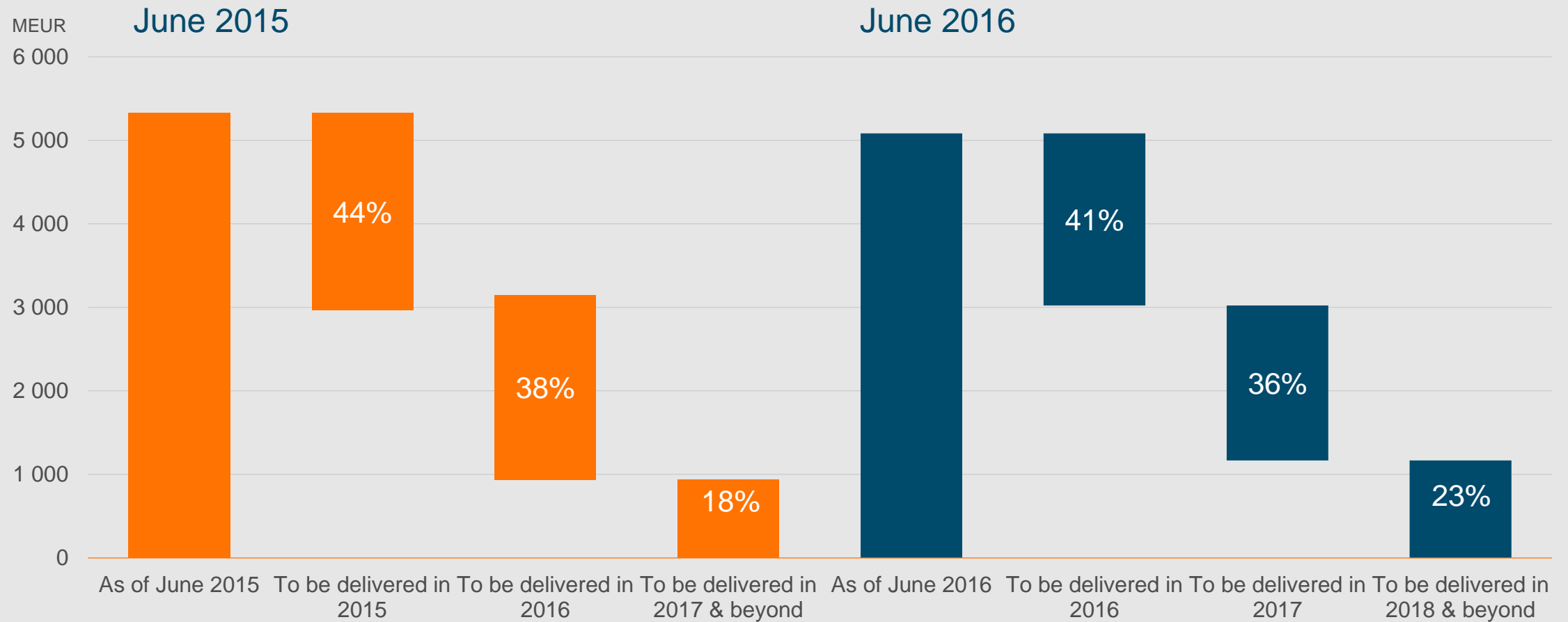
Net sales



Order book



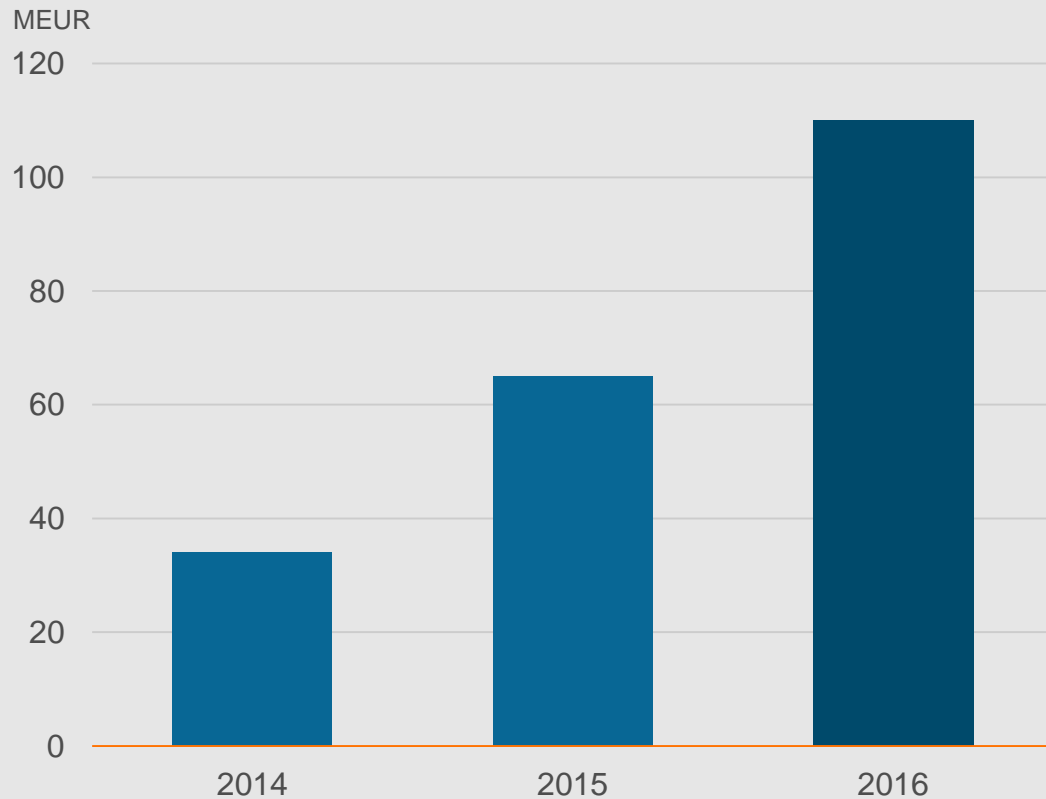
Order book delivery times lengthening



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Maintaining competitiveness through the cycle

Cumulative effects of announced savings



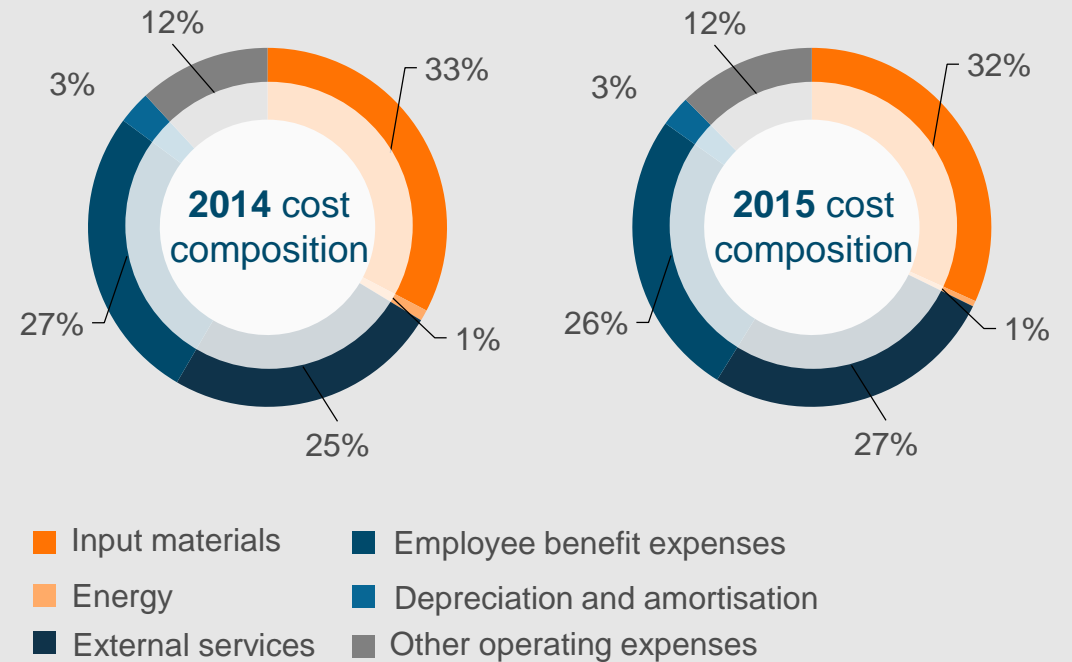
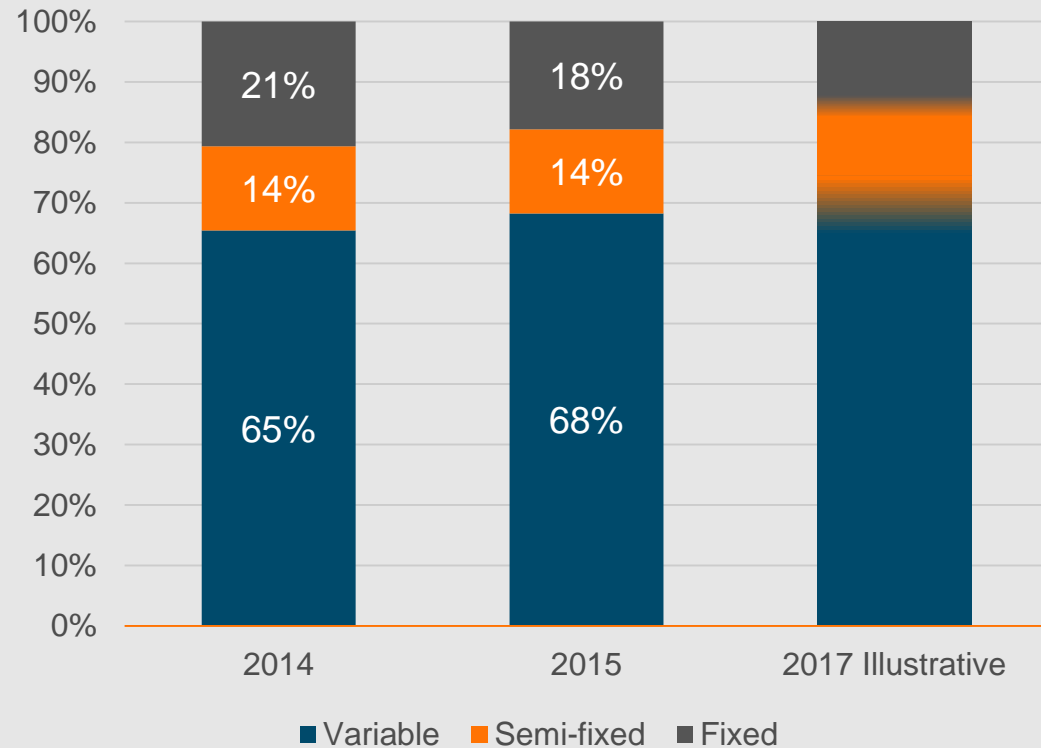
Note *) Excluding acquisitions

Key cost actions since 2014

- Headcount reductions of 2,150
- 12 facilities closed
- Operational excellence
- Divestment of loss-making 2-stroke license management business
- Indirect Purchasing transformation program
- Capacity costs in manufacturing decreased

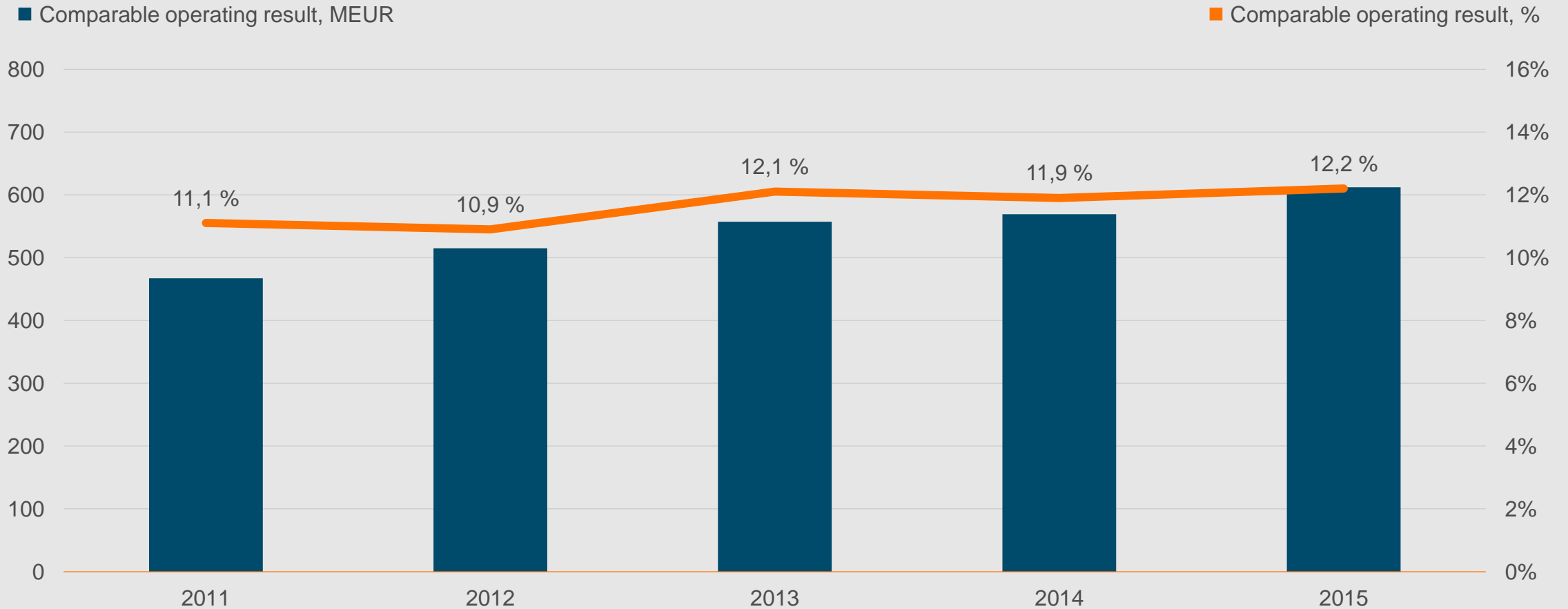
Increasing flexibility in the cost base

Cost structure



2017 illustration excludes acquisitions. It includes assumptions on volumes, restructuring actions and operational excellence improvements

Solid profitability over the cycle



2014 figures include continuing operations. Figures for 2010-2013 include both discontinued and continuing operations.

12.2%

Streamlining

Adapting the cost structure to market environment

Decentralised accountability

Driving the benefits of a business line based organisation

Operational excellence

Optimising lead times and focusing on continuous process improvement

Ensuring competitiveness

Investing into technological leadership

14.0%

Achieving operational excellence

- Recognise customers' needs and focus on delivery reliability
- Relentlessly improve processes and set new standards of performance
- Eliminate waste and improve productivity and efficiency





Improved material availability & reduced inventory levels



Increased assembly efficiency & improved production flow



Reduced delivery lead times



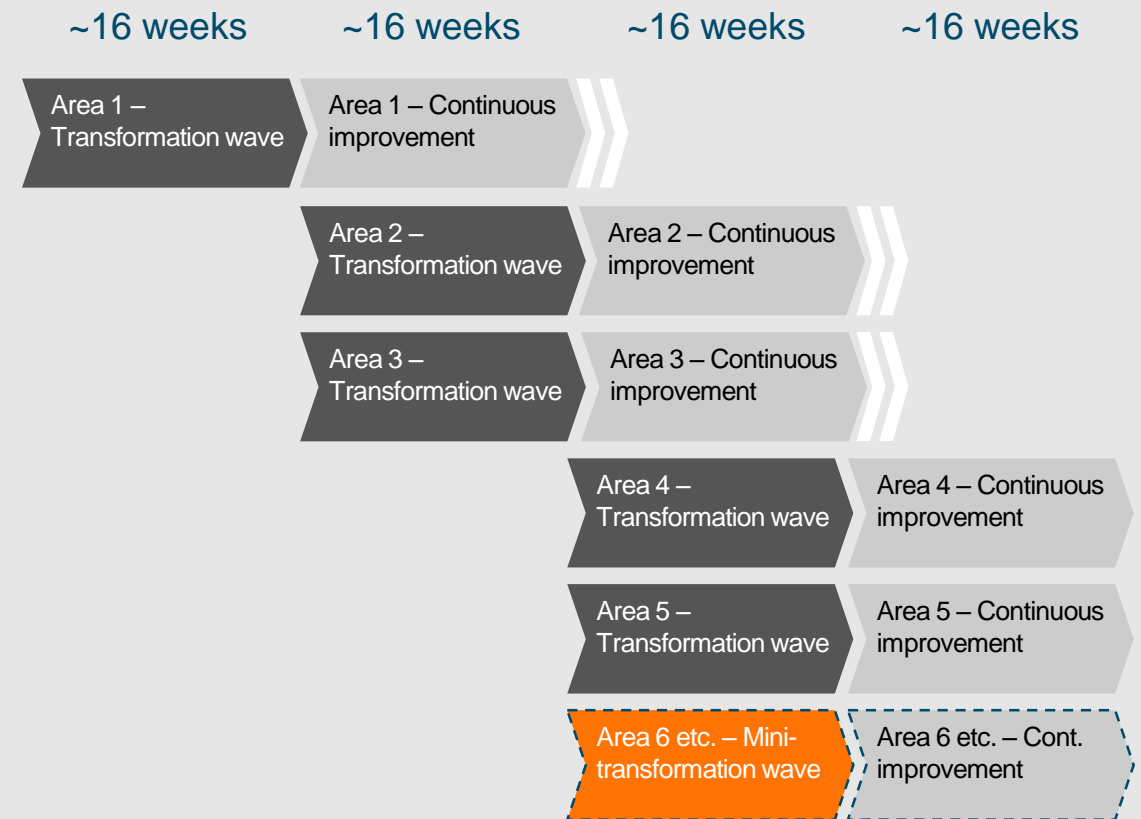
Increased delivery reliability & service level

Optimising processes throughout the organisation

→ Improvement efforts implemented in all core processes

→ Wave approach enables quick impact and guarantees sustainability

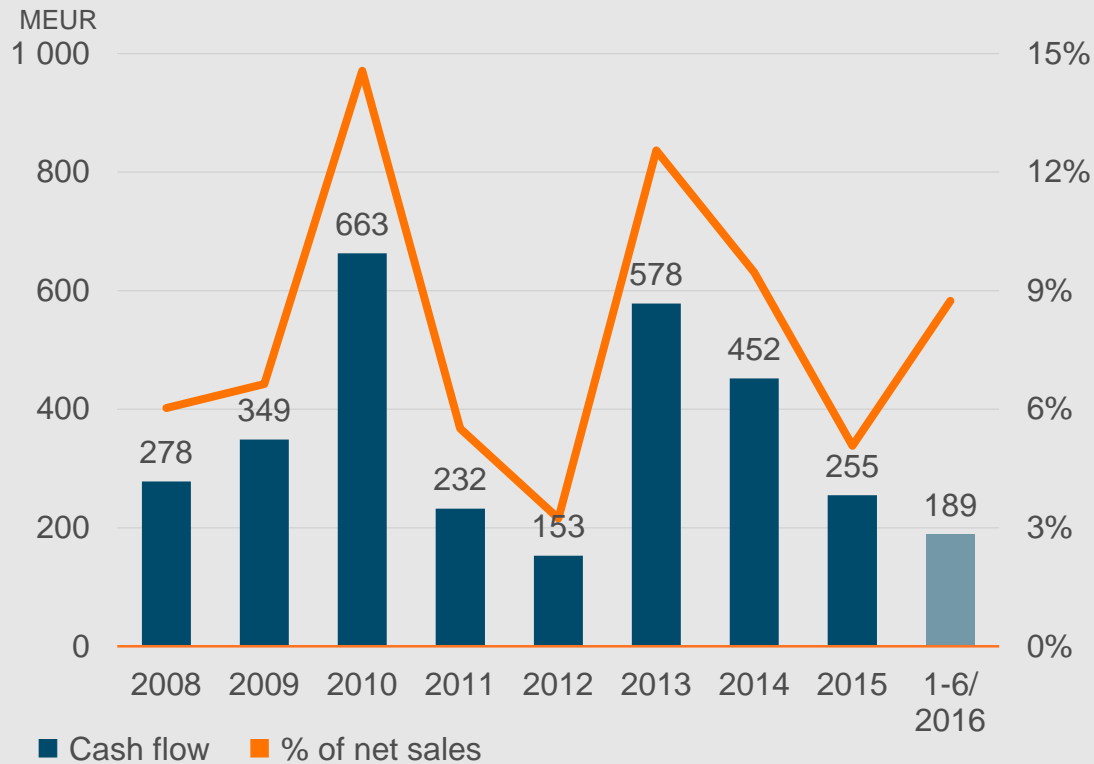
→ Objective to establish a clear, repeatable process for rolling out the transformation



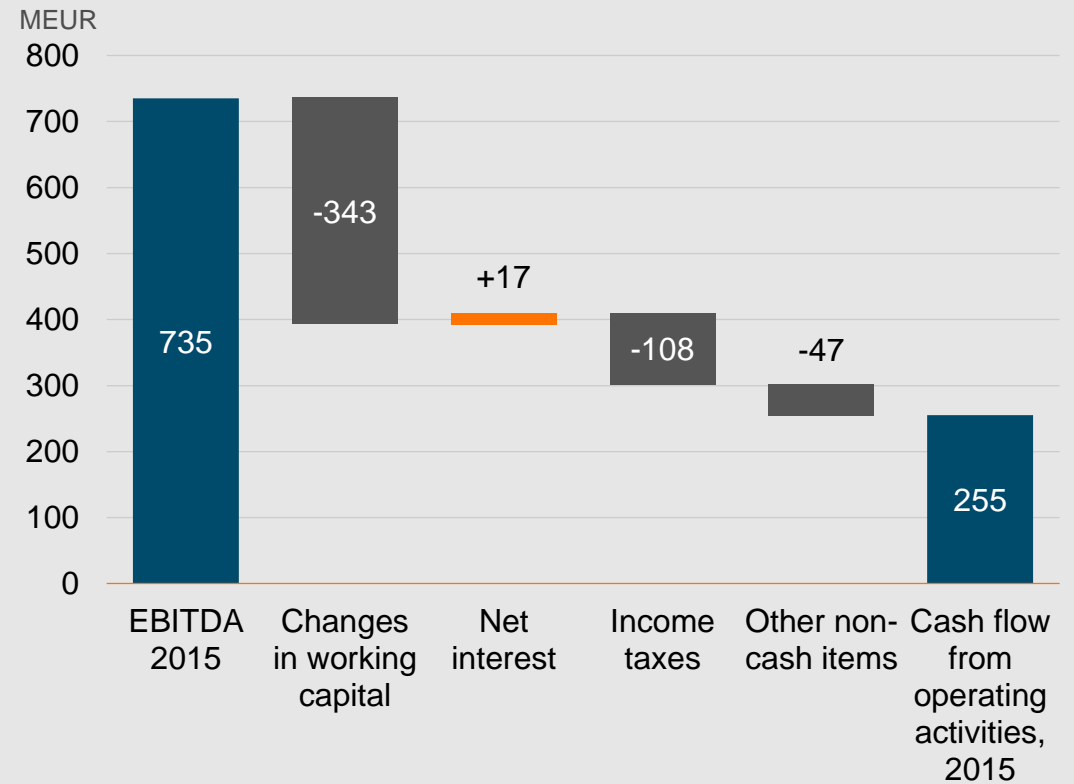
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Cash flow affected by working capital build-up

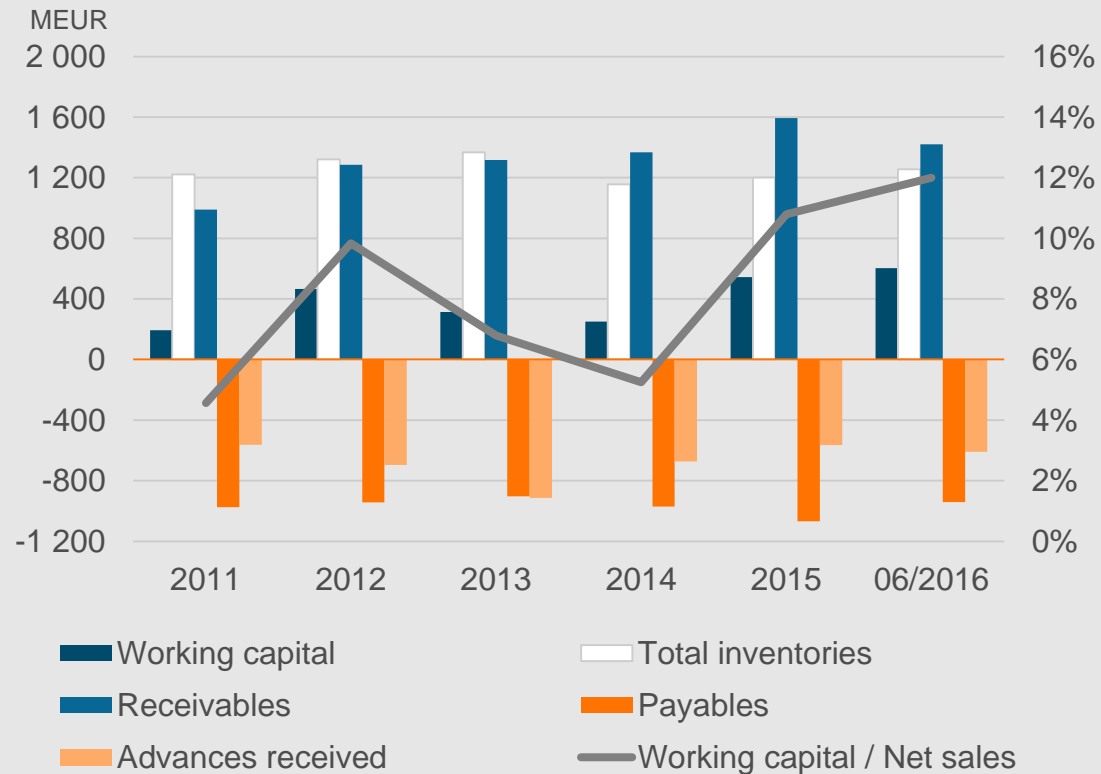
Cash flow development



Cash flow composition 2015



Focus on working capital management



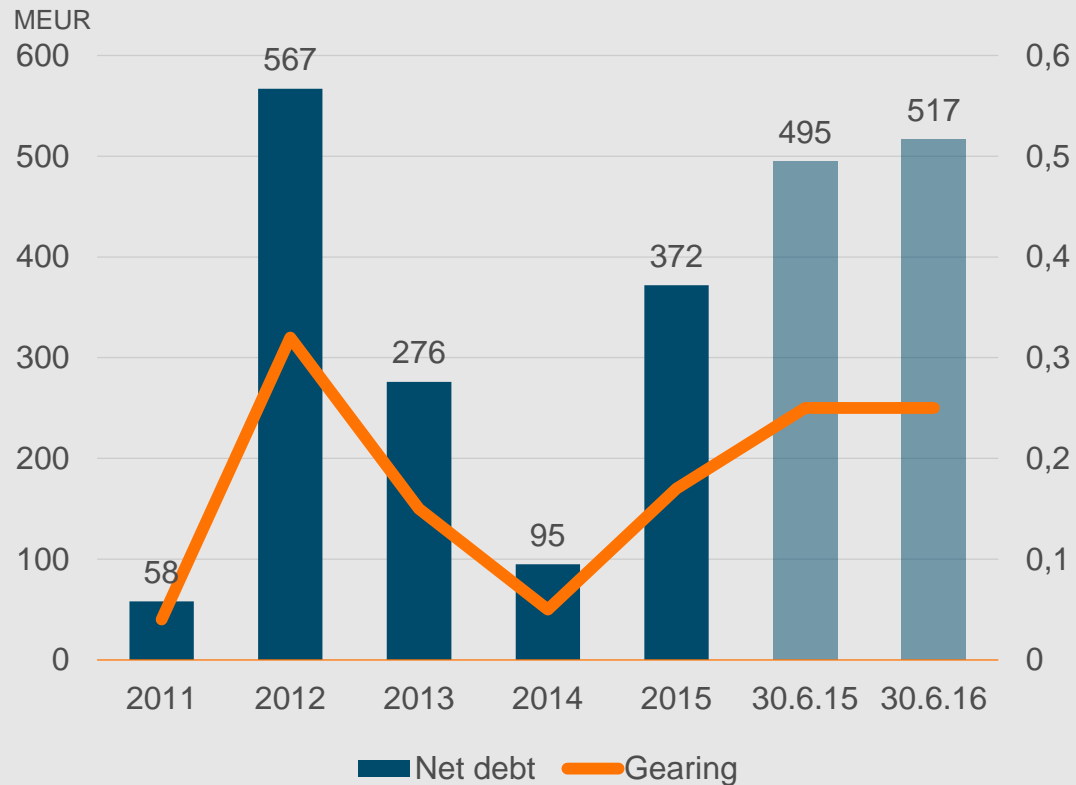
Initiated actions

- Operational excellence:
 - Production flow optimisation
 - Improved inventory management
 - Just-in-time concept and consignment stocks
- Cash flow training for project management
- Improved receivables collection process

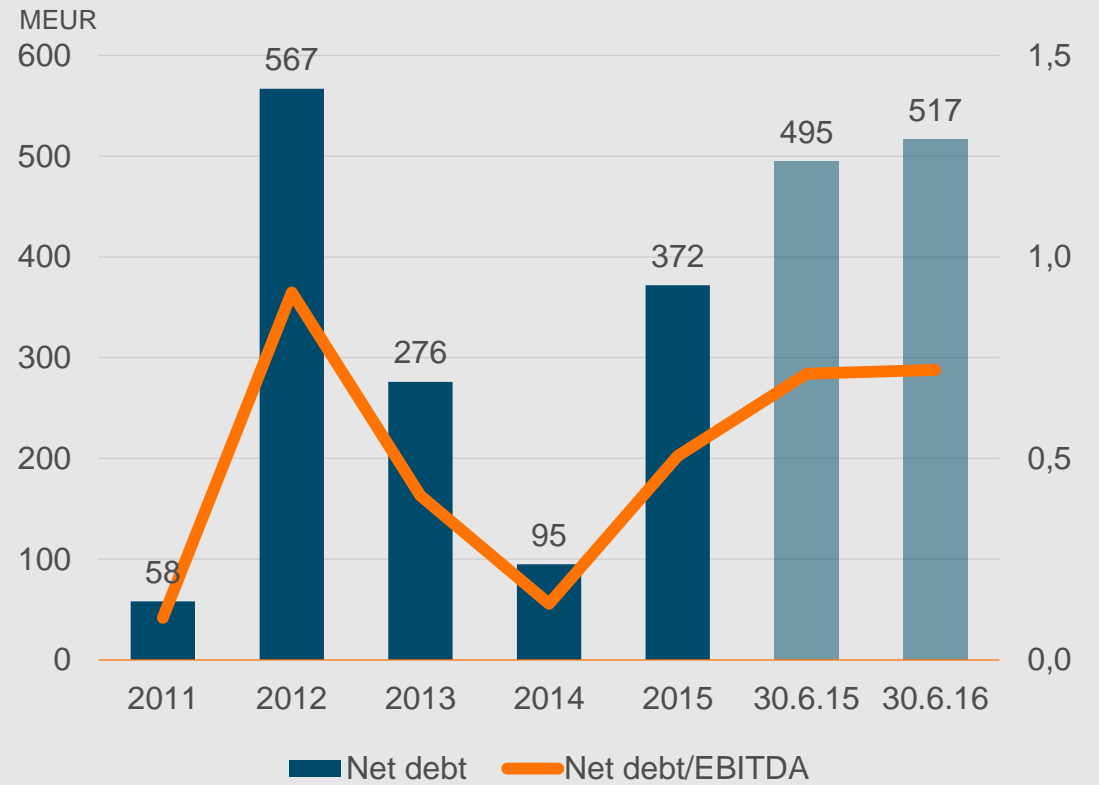
Rolling 12 months sales used in 2016 June

Unleveraged balance sheet

Net debt/equity

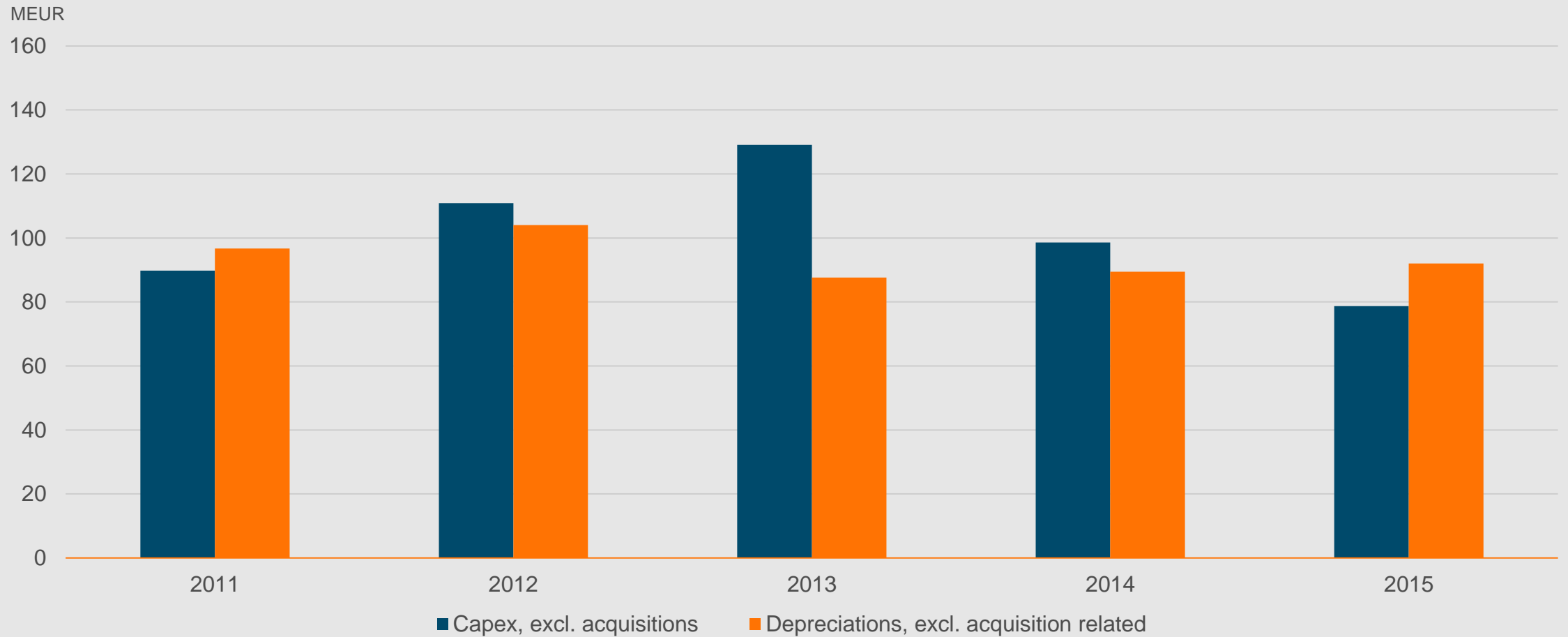


Net debt/EBITDA



Rolling 12 months EBITDA used in 06/2015 and 06/2016

Low capital expenditure requirements



Key figures of the current loan portfolio Q2/2016

1.1% AVERAGE INTEREST RATE

517 M€ NET DEBT

AVERAGE MATURITIES

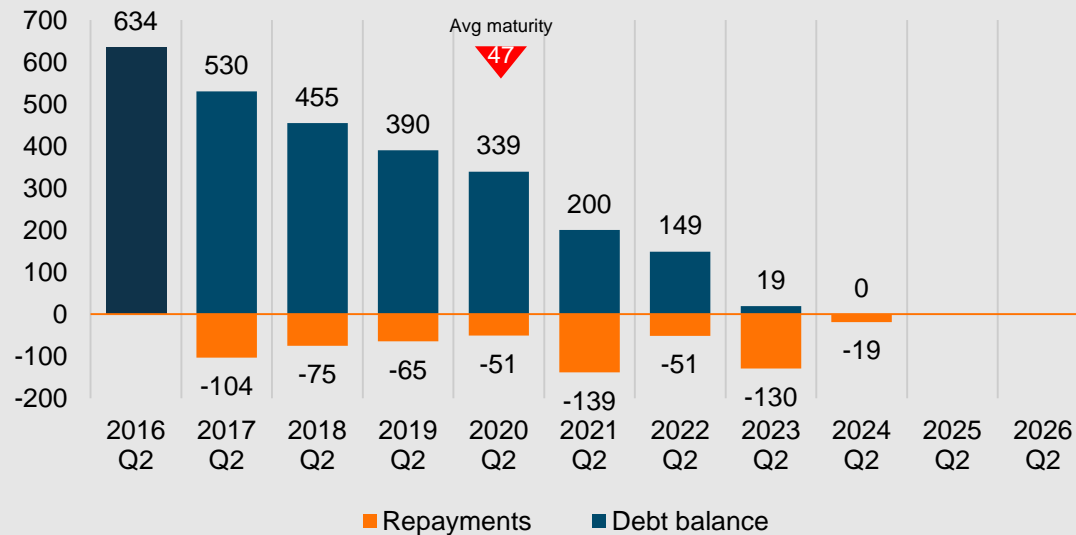
36 MONTHS

TOTAL LOAN PORTFOLIO

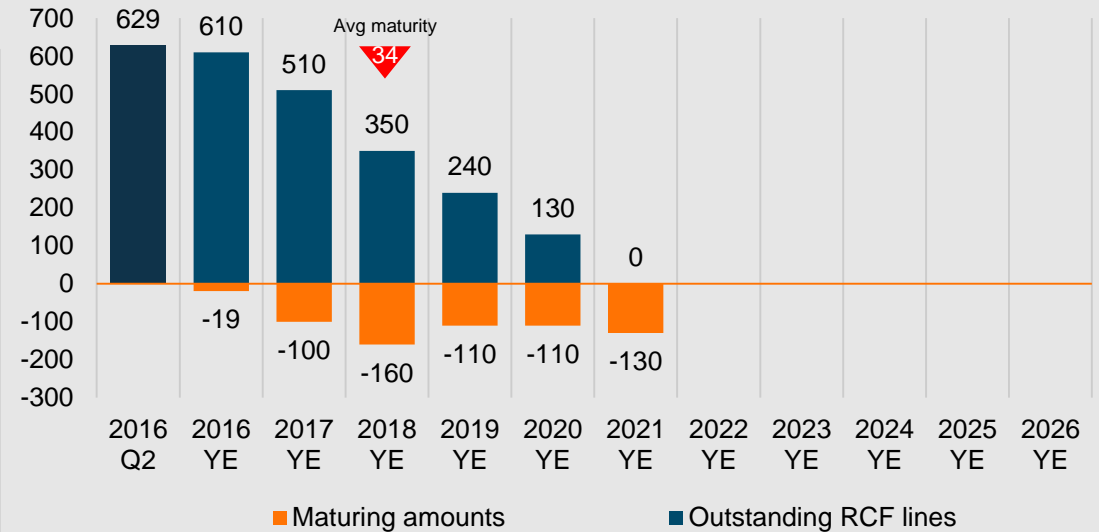
47 MONTHS

LONG-TERM LOANS (incl. current)

Long-term loans of Wärtsilä Corporation (parent)



Revolving credit facilities of Wärtsilä Corporation (parent)





Priorities going forward

Operational and development focus

- Total cost of ownership
- Fuel flexibility and versatility
- Digitalisation of products and services
- Electrification and hybrids
- Modularised offering
- Reliability

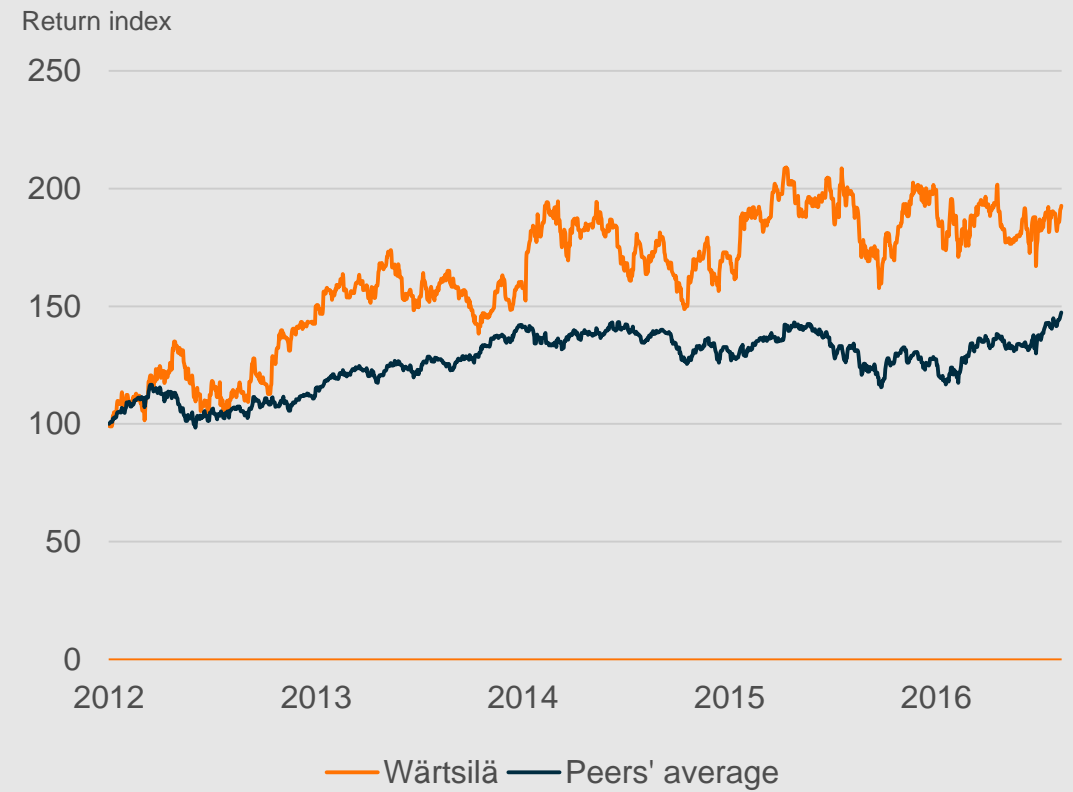
Acquisitions

- Asset light, high service content
- Geographic positions and technological capabilities
- Monitoring consolidation opportunities

Creating shareholder value

- Clear strategic growth areas based on global megatrends
- Services business secures recurring revenues and stable earnings
- Strong focus on increasing cost base flexibility and improving the efficiency of global processes
- Solid cash flow generation and unleveraged balance sheet support in strengthening our offering through acquisitions
- Committed to maintaining a healthy dividend payout ratio

Total shareholder return



Note: Peers include GE, Caterpillar, MAN, Siemens, Rolls-Royce
 Source: Bloomberg, TOT_RETURN_INDEX_GROSS_DVDS

THANK YOU



WÄRTSILÄ