

WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY-JUNE 2014

18 JULY 2014

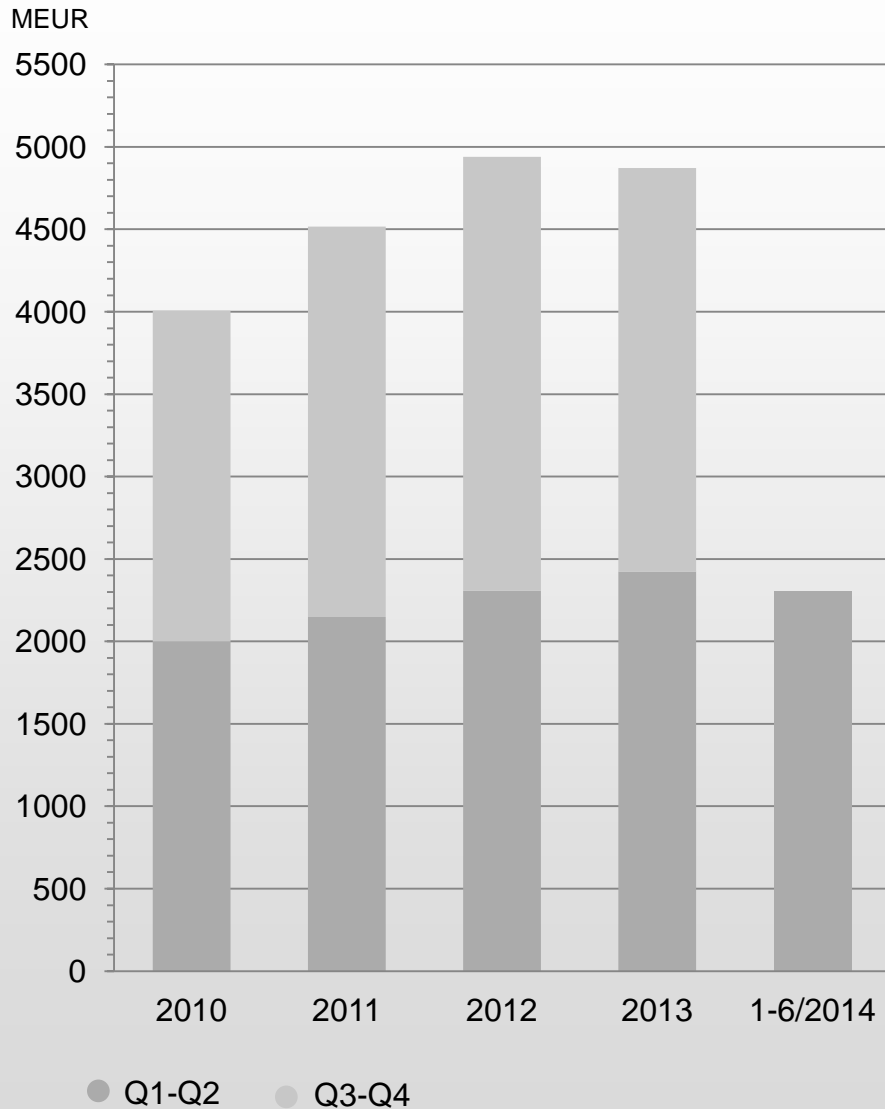
Björn Rosengren,
President & CEO



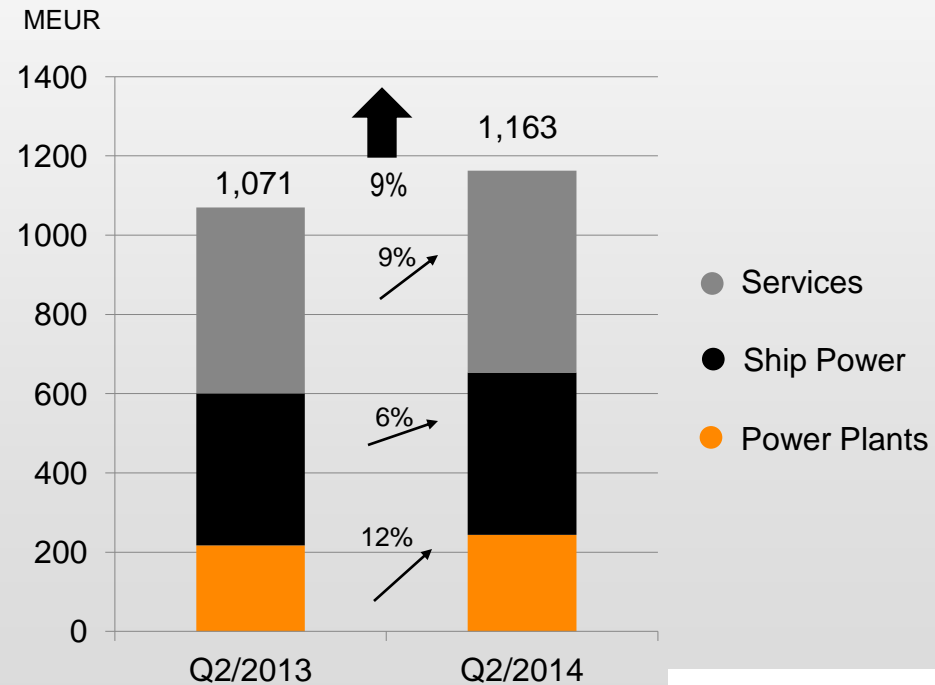
- Order intake EUR 1,163 million, +9%
- Net sales EUR 1,132 million, -2%
- Book-to-bill 1.03
- EBIT EUR 122 million, 10.8% of net sales (EUR 111 million or 9.6%)
- EPS EUR 0.42 (0.39)
- Prospects revised:
EBIT% before non-recurring items expected to be around 11.5%, net sales to grow by around 5%
- Establishment of two joint ventures with China State Shipbuilding Corporation announced in July

EBIT is shown excluding non-recurring items.

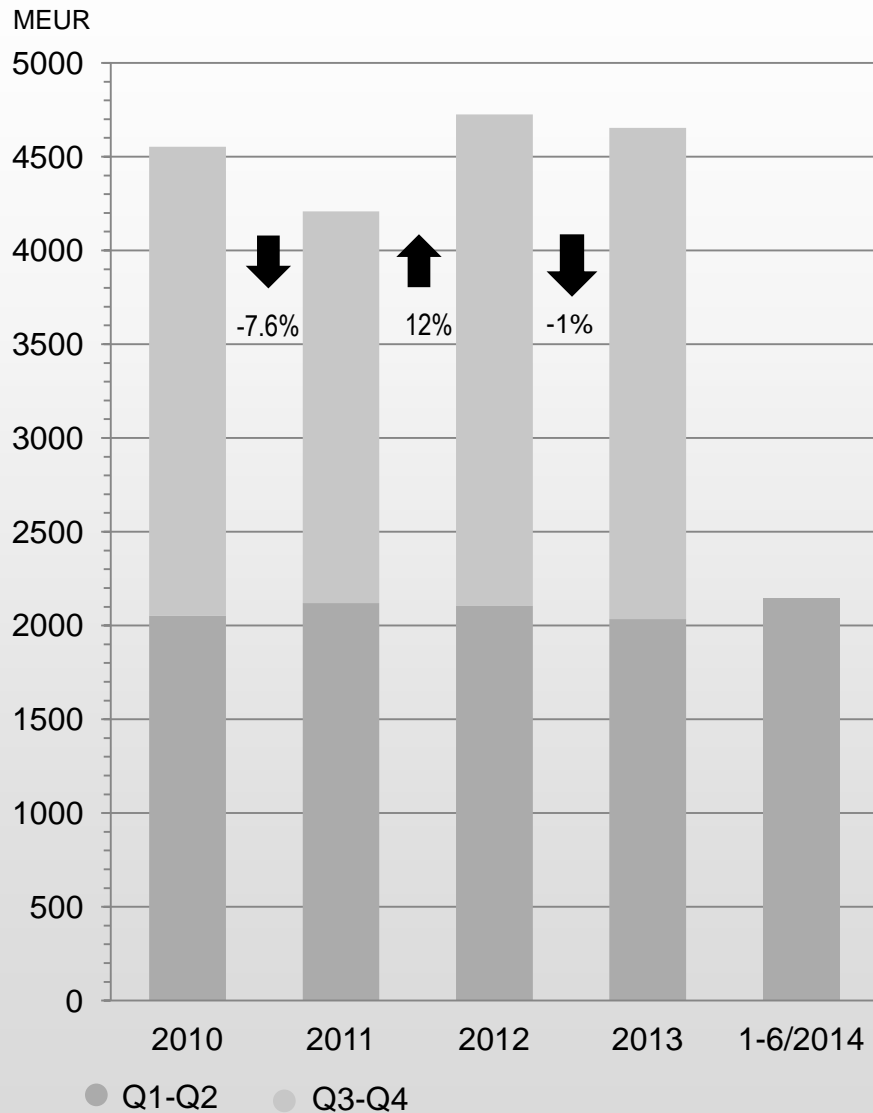
Order intake supported by Ship Power and Services



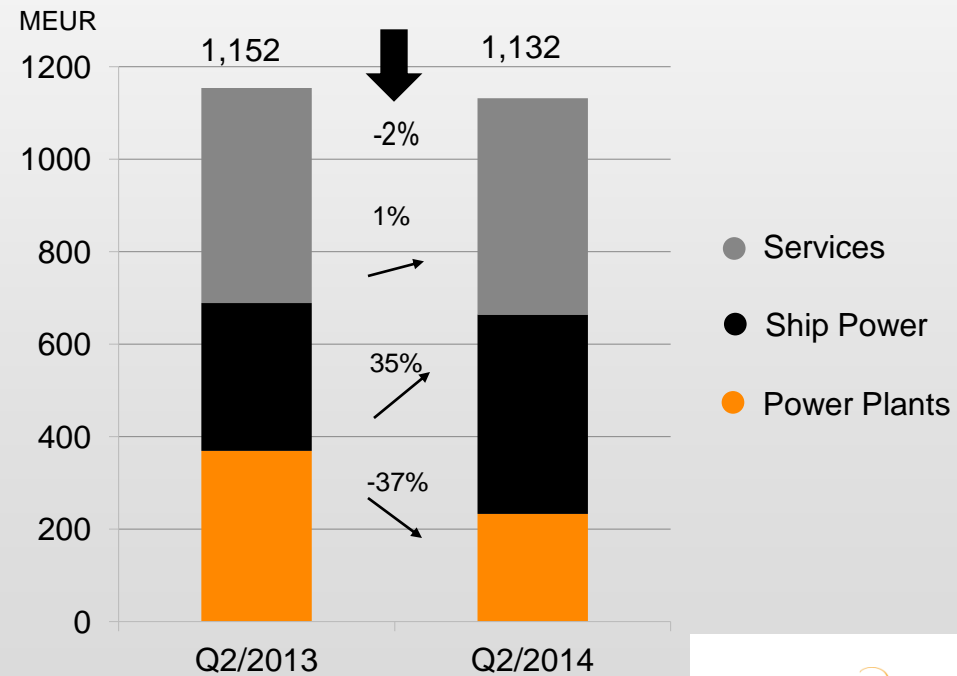
Second quarter development



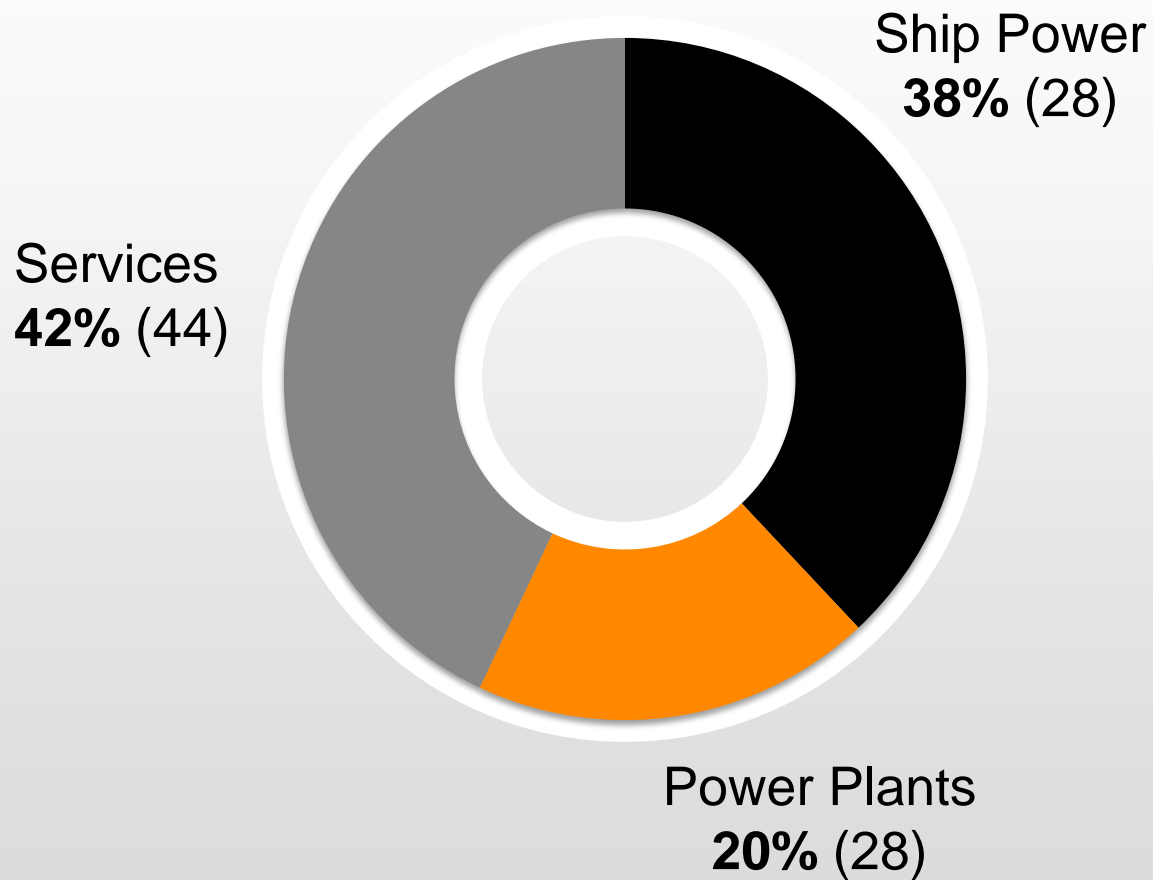
Net sales in line with expectations



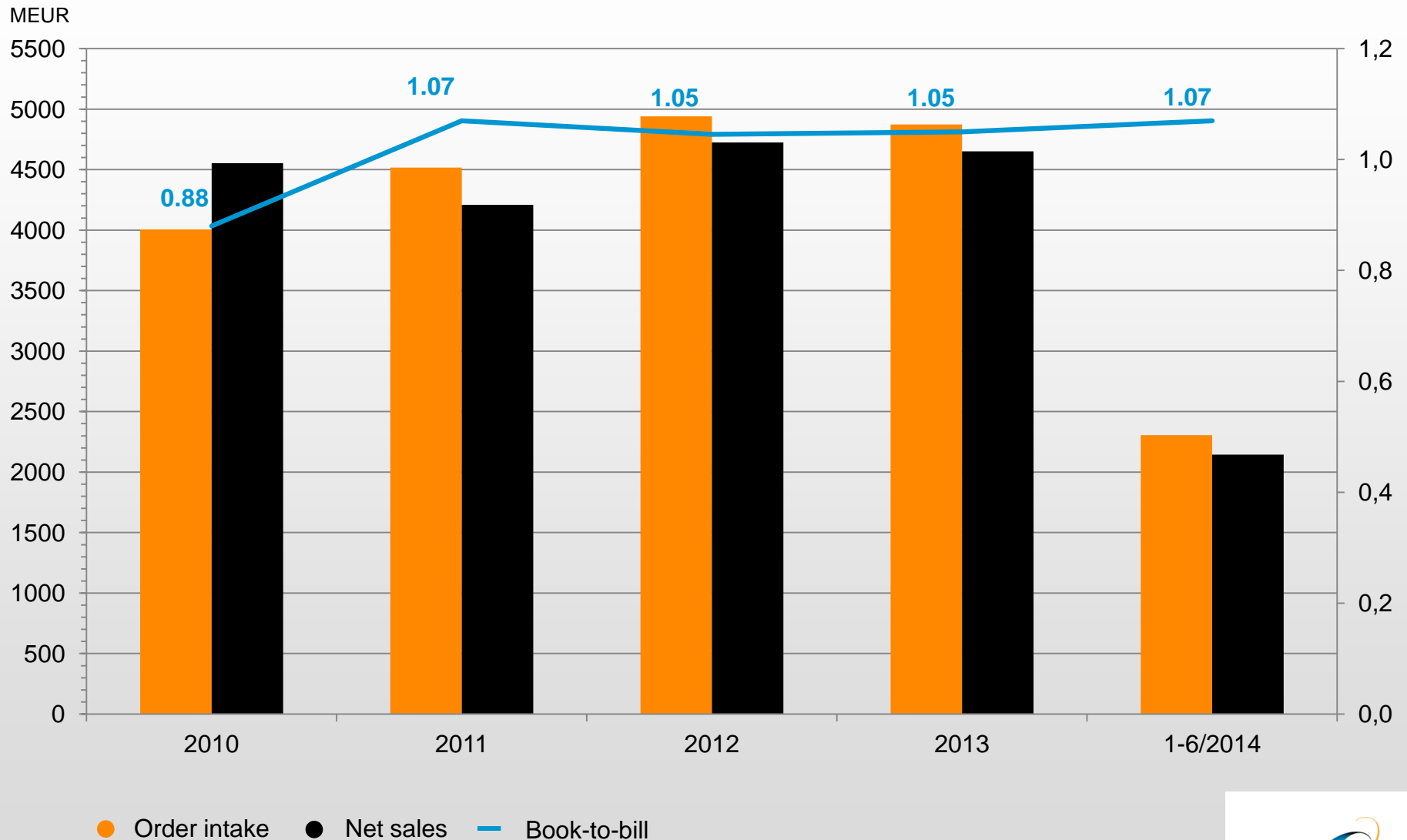
Second quarter development



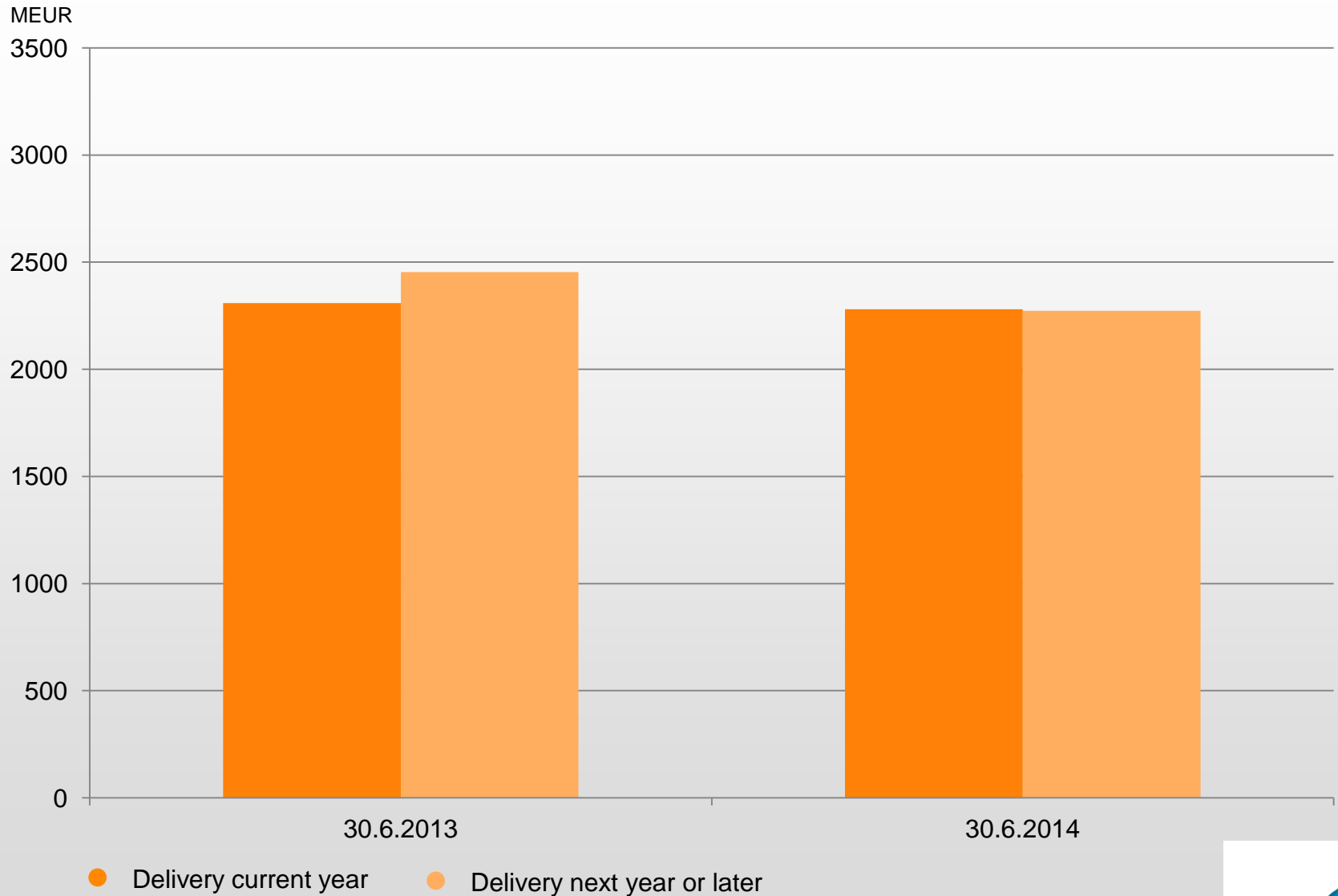
Net sales by business 1-6/2014



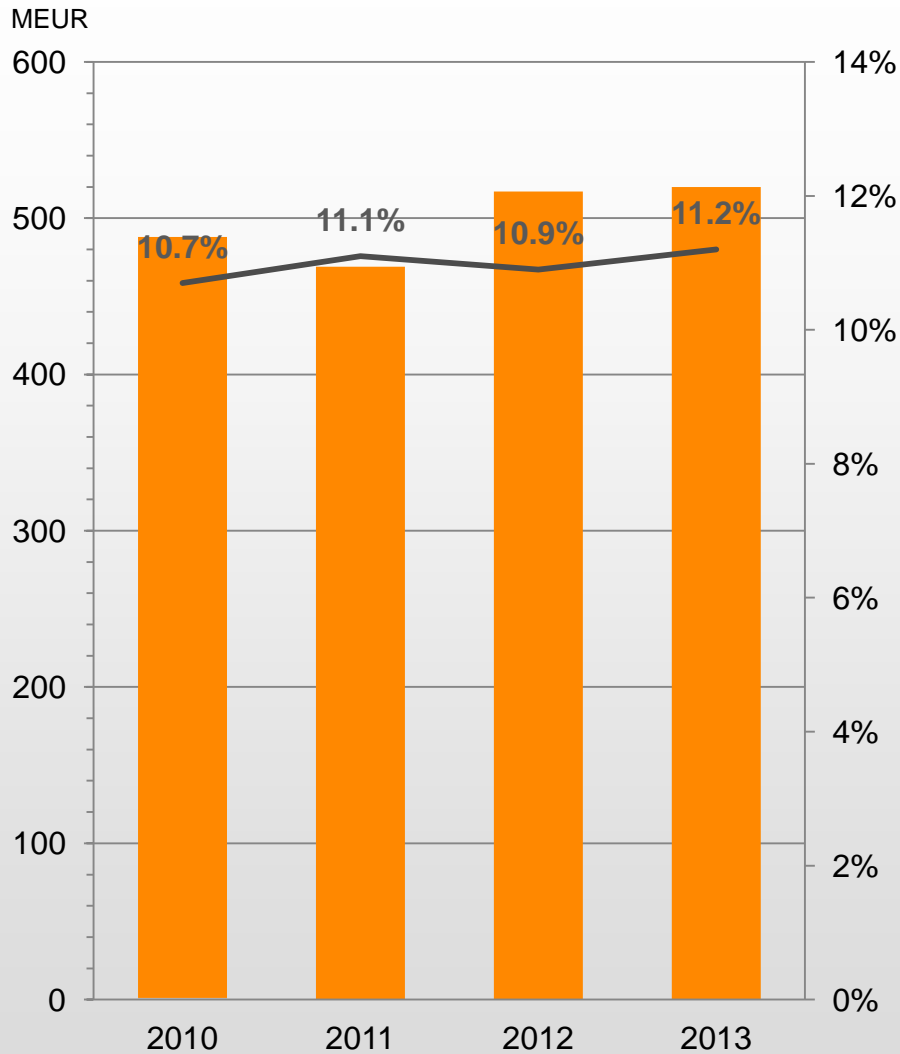
Book-to-bill ratio remains above one



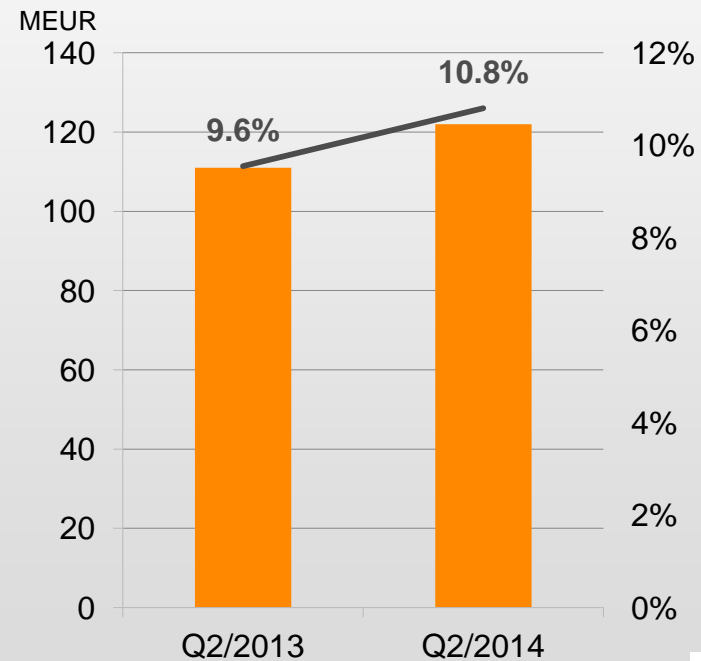
Order book distribution



Profitability developed well



Second quarter development



- EBIT before non-recurring items
- EBIT% before non-recurring items

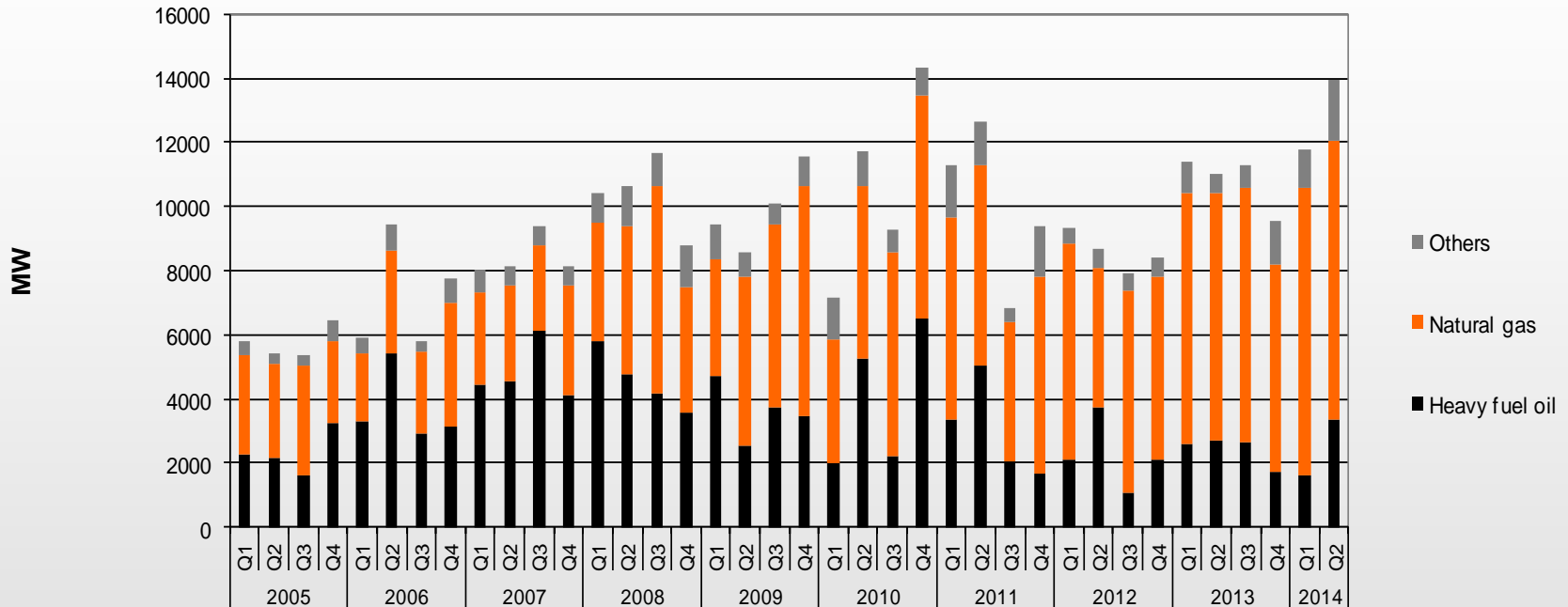


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**Continued uncertainty
in power generation
markets**

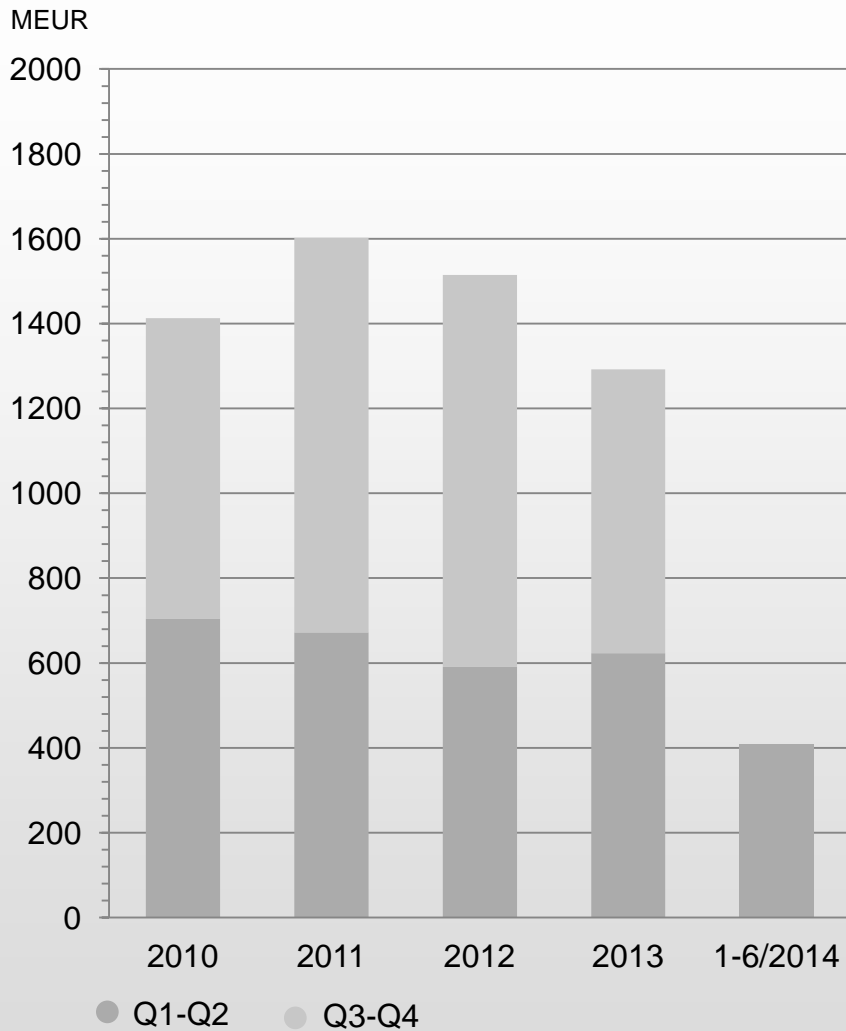
Improvement in power plant quotations

Quoted MW per Fuel Type



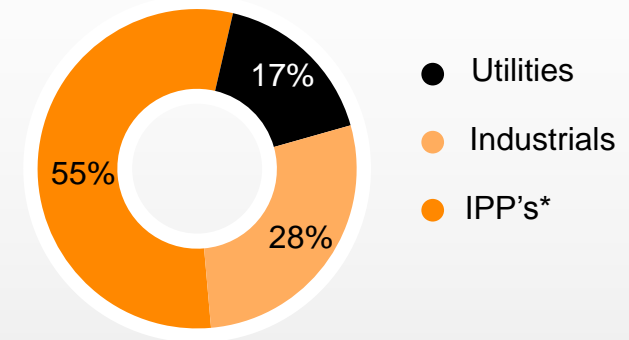
Activity remains focused on gas

Power Plants order intake by customer segment

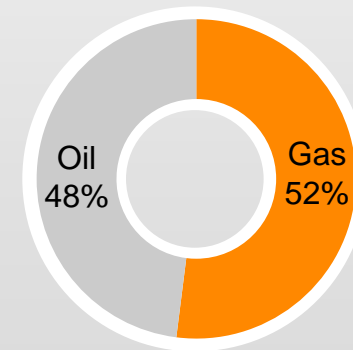


Review period development

Total EUR 409 million (623)



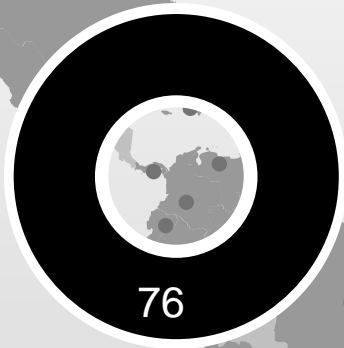
Review period order intake by fuel in MW



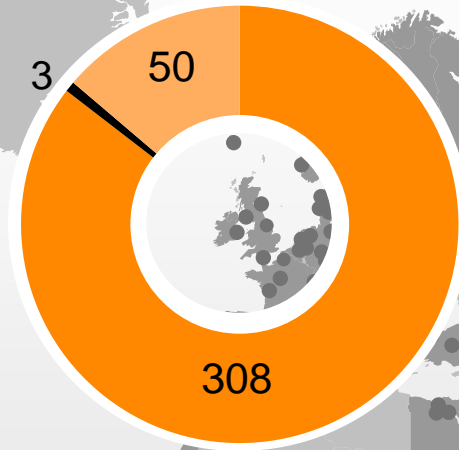
*IPP = Independent Power Producer

Power Plants global order intake

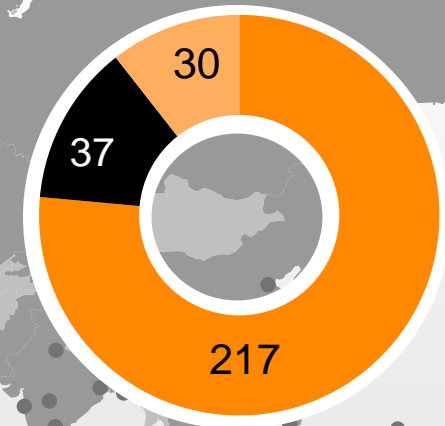
Americas 76 (324)



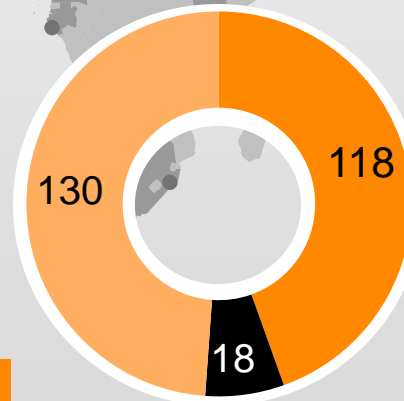
Europe 361 (220)



Asia 284 (210)



Africa and Middle East 265 (359)



Order intake 1-6/2014: 986 MW (1,113)

Turnkey power plant order from Saudi Arabia

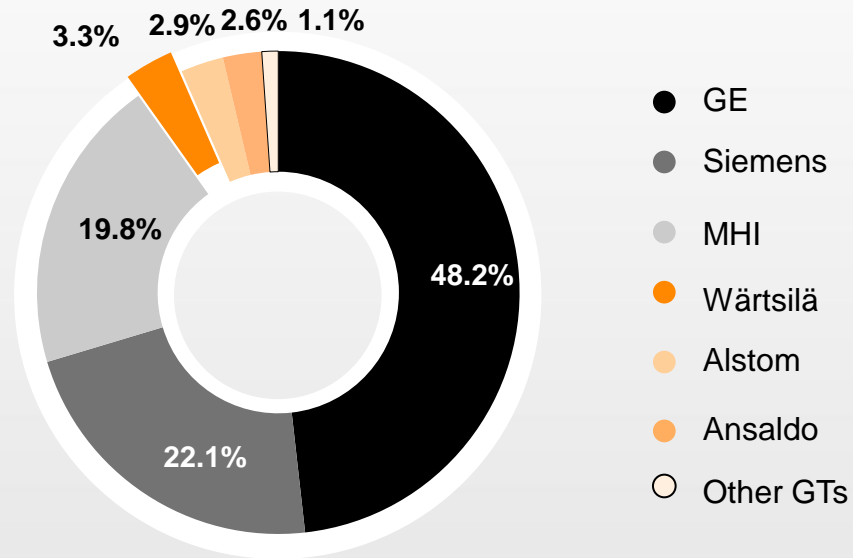


- The 47 MW power plant will be located in the mountain desert close to Taif city
- Equipment will be fast-track delivered by February 2015 and the power plant will enter commercial operation by October 2015
- The power plant consists of five 20-cylinder Wärtsilä 32TS engines designed to operate at outstanding efficiency even in extreme ambient conditions
- Wärtsilä has today over 1,600 MW of installed power plant capacity in Saudi Arabia

Market for gas and liquid based power plants

2013

Total market 73.2 GW (75.4)



Includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled 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.

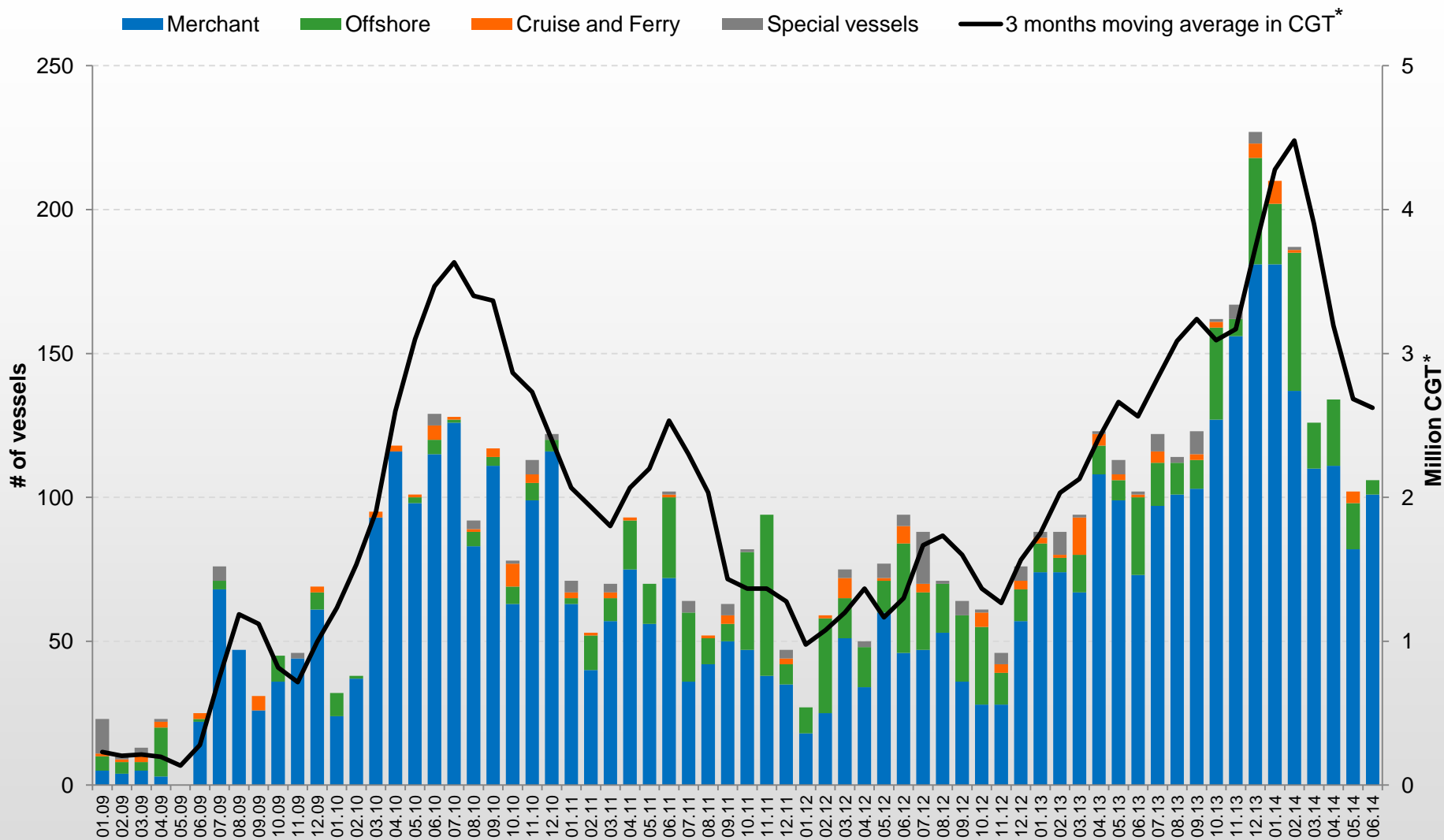
Other combustion engines not included. In engine technology Wärtsilä has a leading position.



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**Marine markets
active, especially
within the gas
carrier segment**

Vessel contracting development

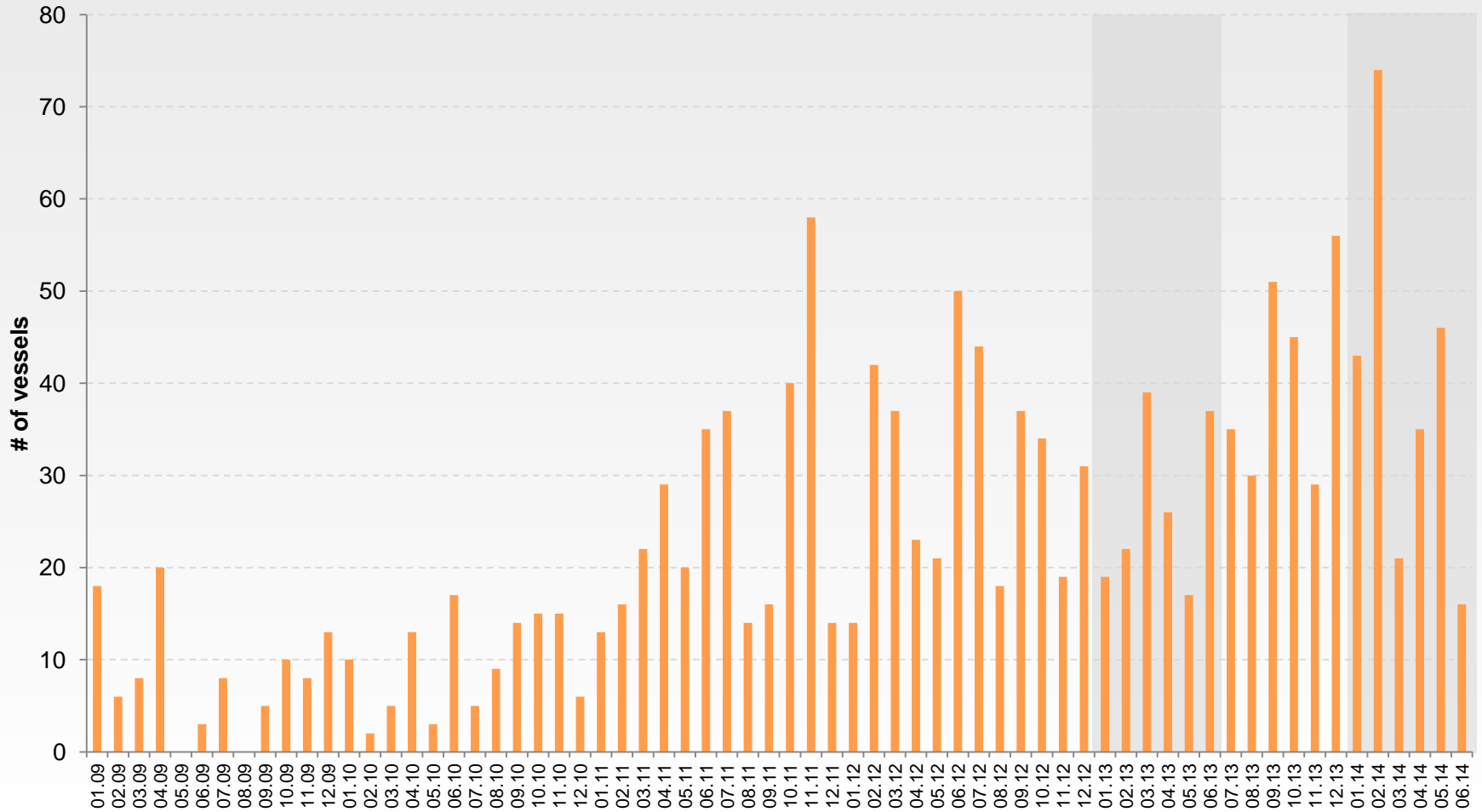


Source: Clarkson Research Services, figures exclude late contracting
 * CGT= gross tonnage compensated with workload



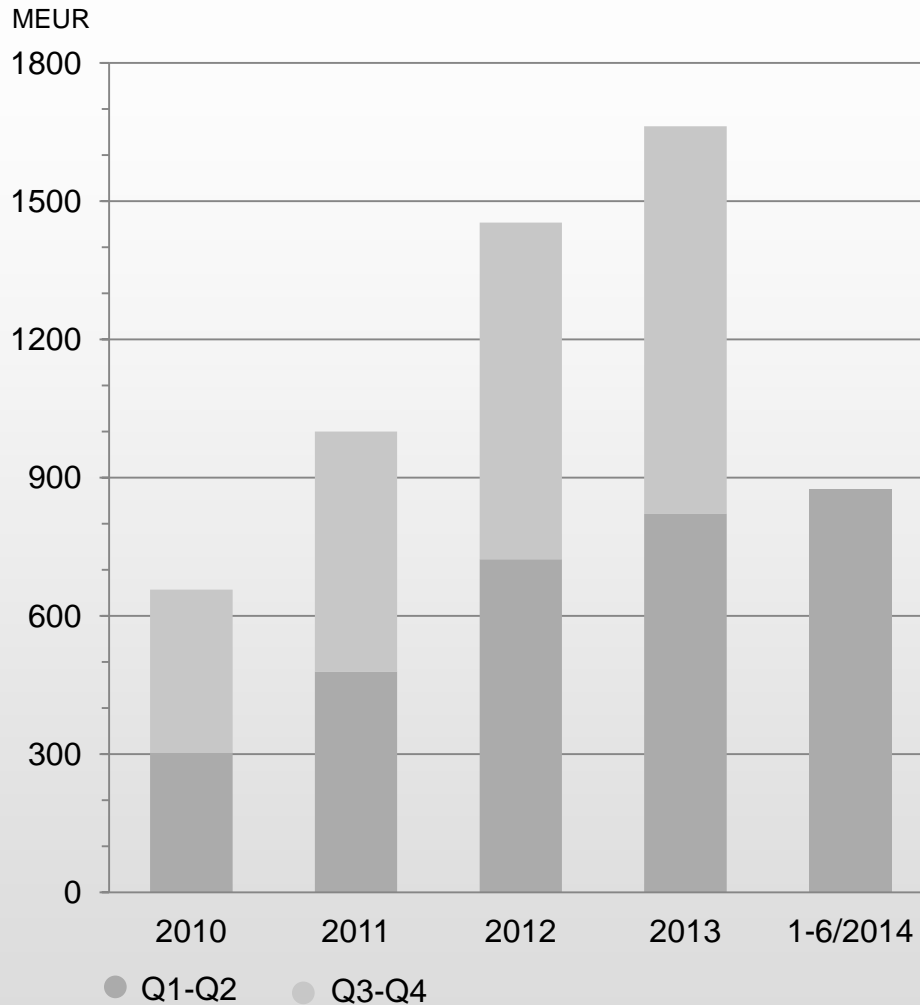
Vessel contracting in specialised segments

LNG carriers - LPG carriers - Offshore - Special vessels - Cruise and Ferry



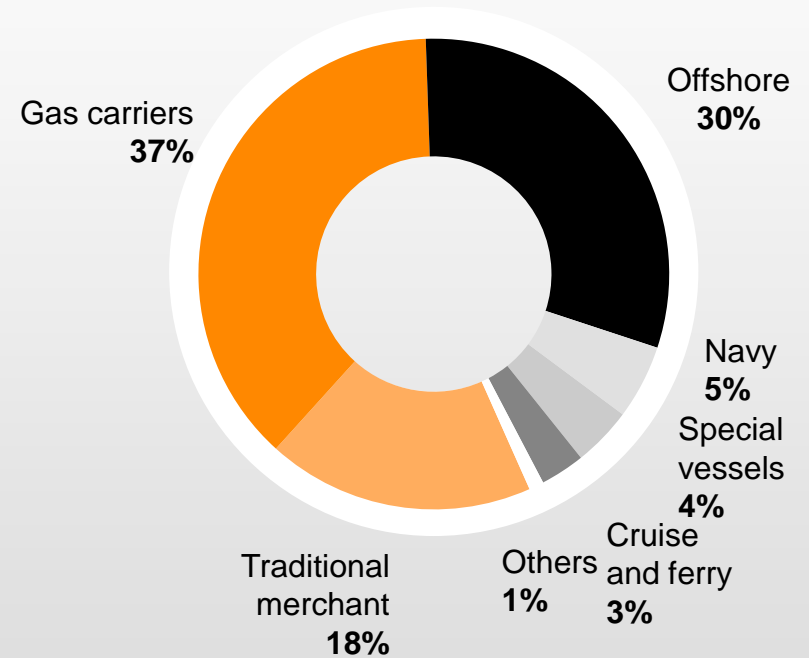
Source: Clarkson Research Services, figures exclude late contracting

Ship Power order intake developed favourably



Review period development

Total EUR 875 million (827)

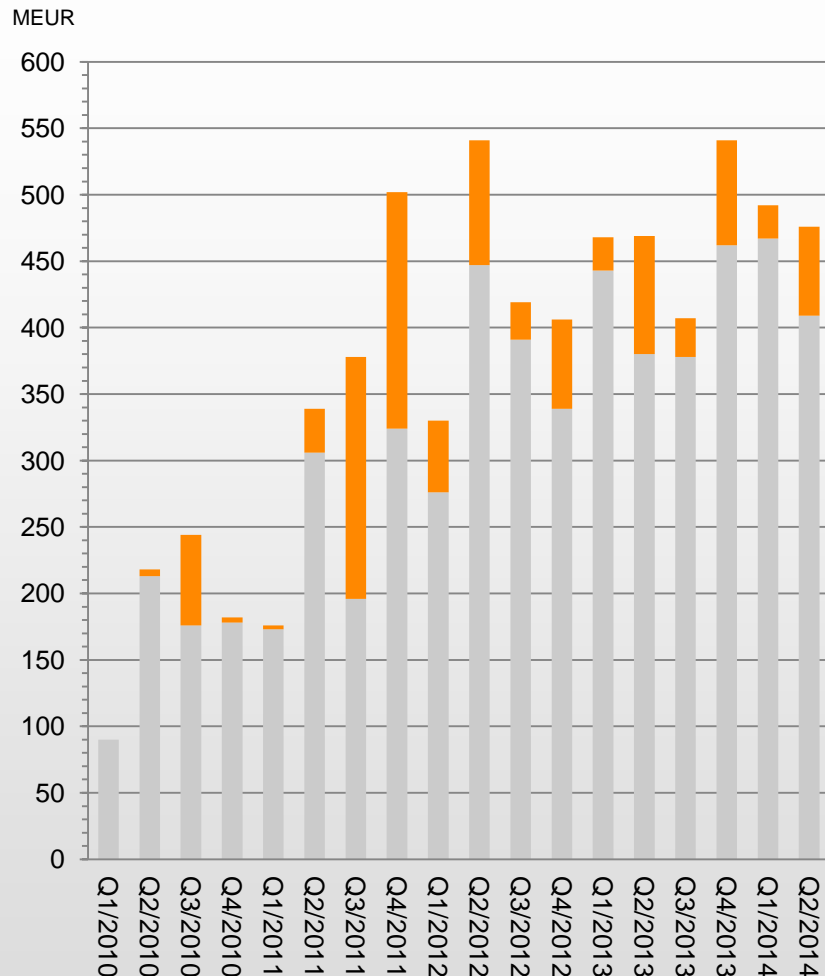


Finnlines selects Wärtsilä's systems to reduce Baltic Sea environmental impact



- Order to supply exhaust gas cleaning systems to six Finnlines vessels operating in the Baltic and North Sea
- Wärtsilä's scrubber systems enable compliance with the new environmental regulations when operating on heavy fuel oil
- The systems are also compliant with the water discharge criteria set by regulators
- Wärtsilä has to date a total of 105 systems delivered or on order, for 55 vessels

Joint venture ordering continues active



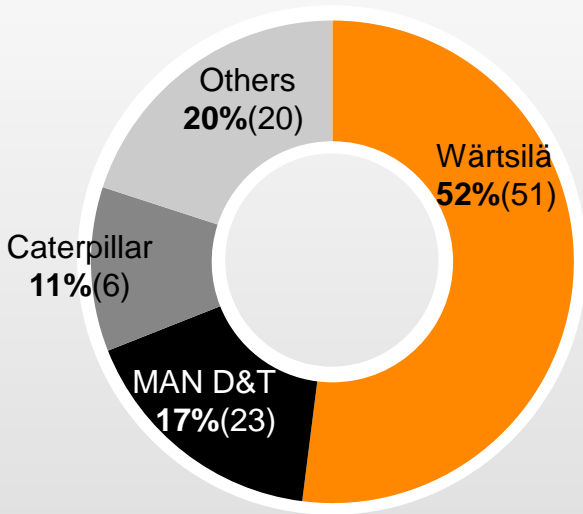
- Joint venture order intake totalled EUR 92 million (113) during January-June 2014
- Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of result of associates and joint ventures

- Joint venture order intake, includes figures from Wärtsilä Hyundai Engine Company Ltd. and Wärtsilä Qiyao Diesel Company Ltd.
- Ship Power order intake

Ship Power market

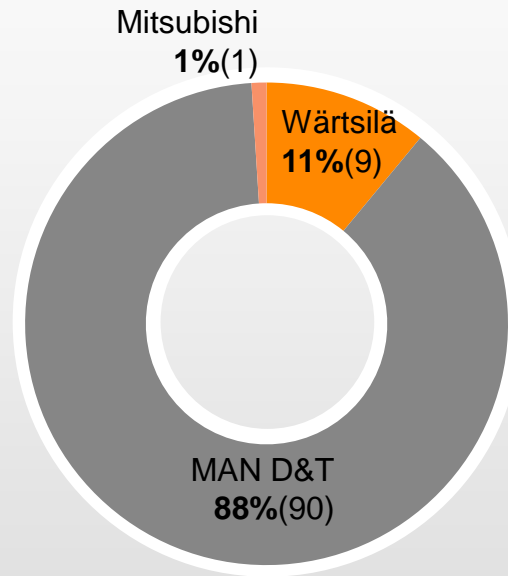
Market position of Wärtsilä's marine engines

Medium-speed main engines



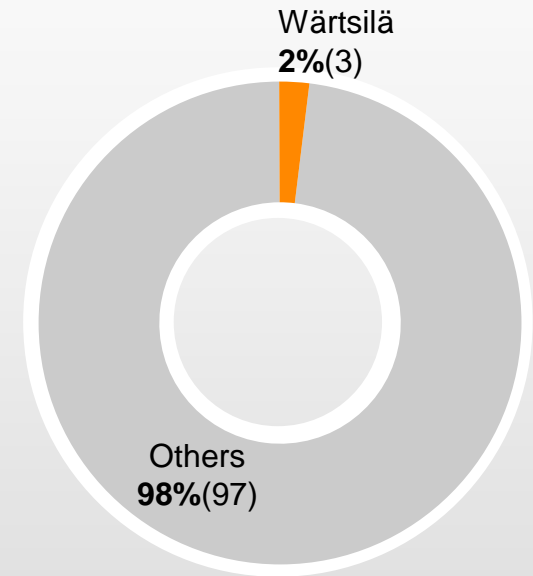
Total market volume last 12 months:
4,139 MW (3,787)

Low-speed main engines



Total market volume last 12 months:
28,804 MW (31,017)

Auxiliary engines



Total market volume last 12 months:
7,860 MW (6,895)

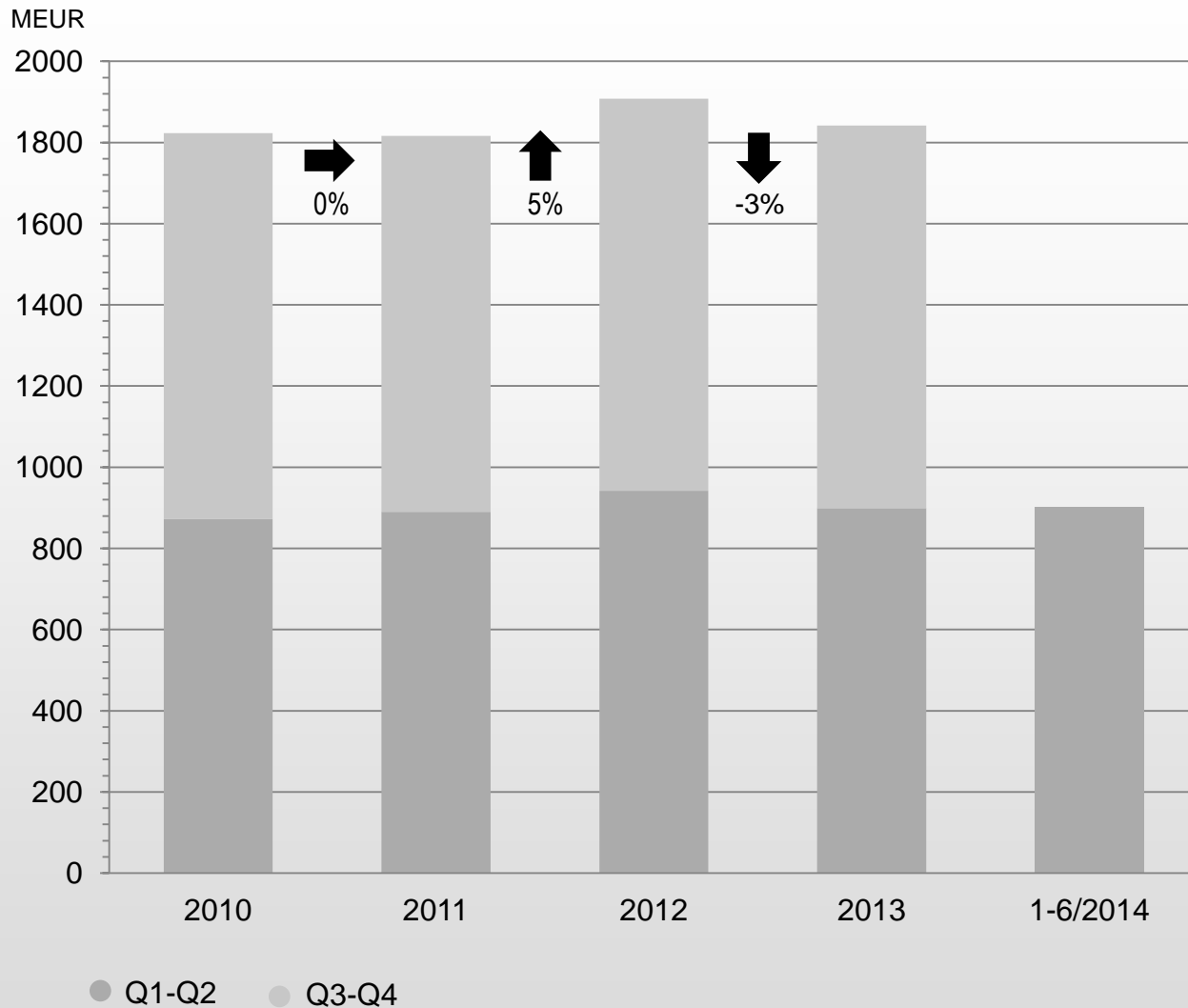
Wärtsilä's market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. The calculation is based on Wärtsilä's own data portal.



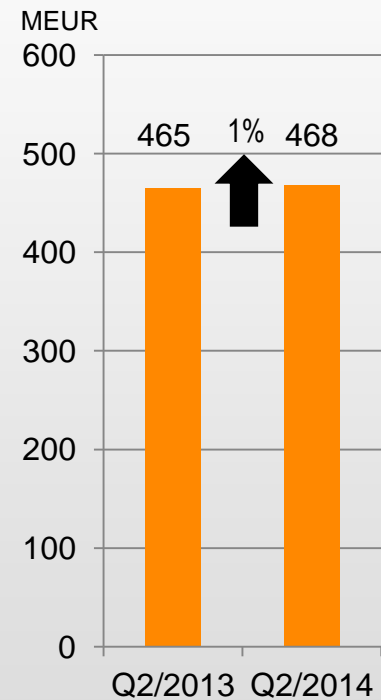
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**Services customers
interest in long-term
partnerships
increasing**

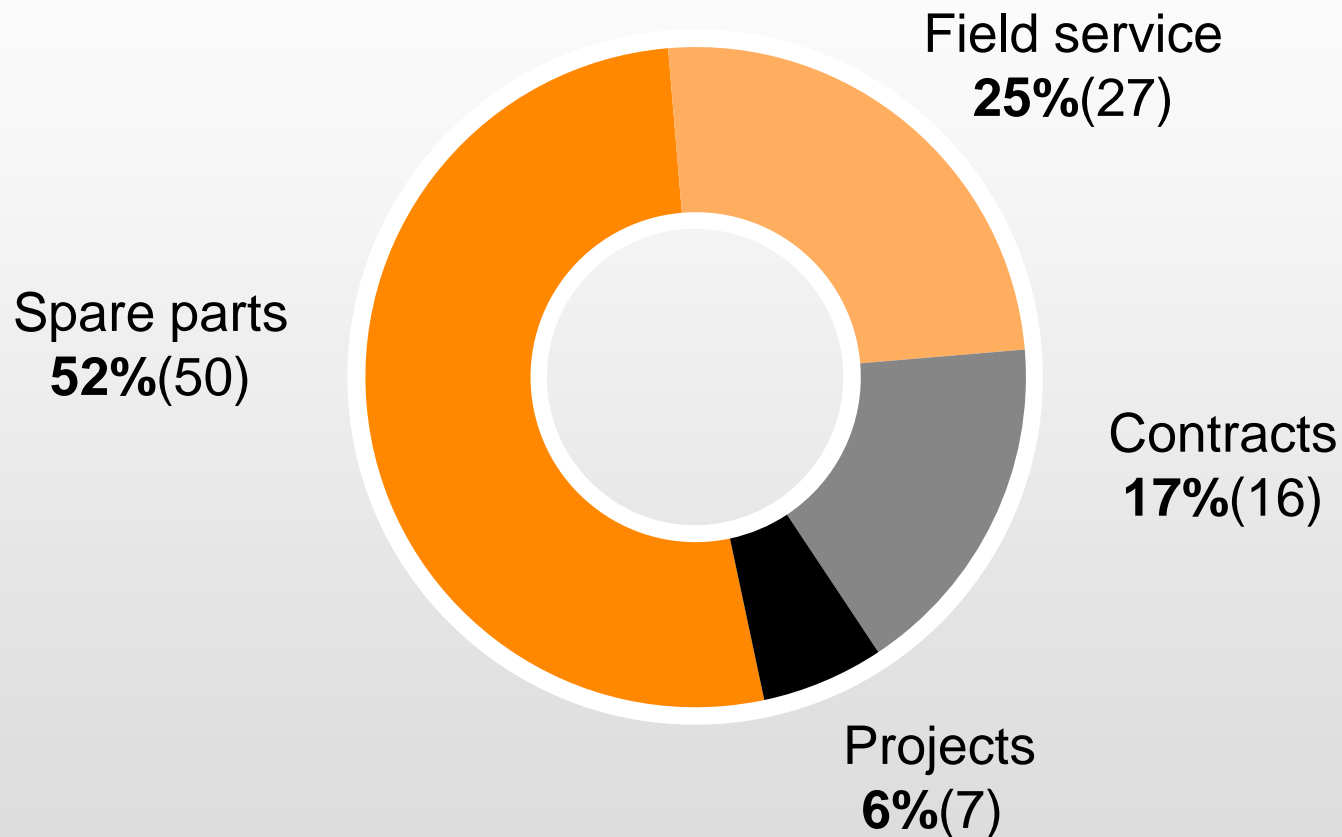
Services net sales development remains stable



Second quarter development



Services net sales distribution 1-6/2014



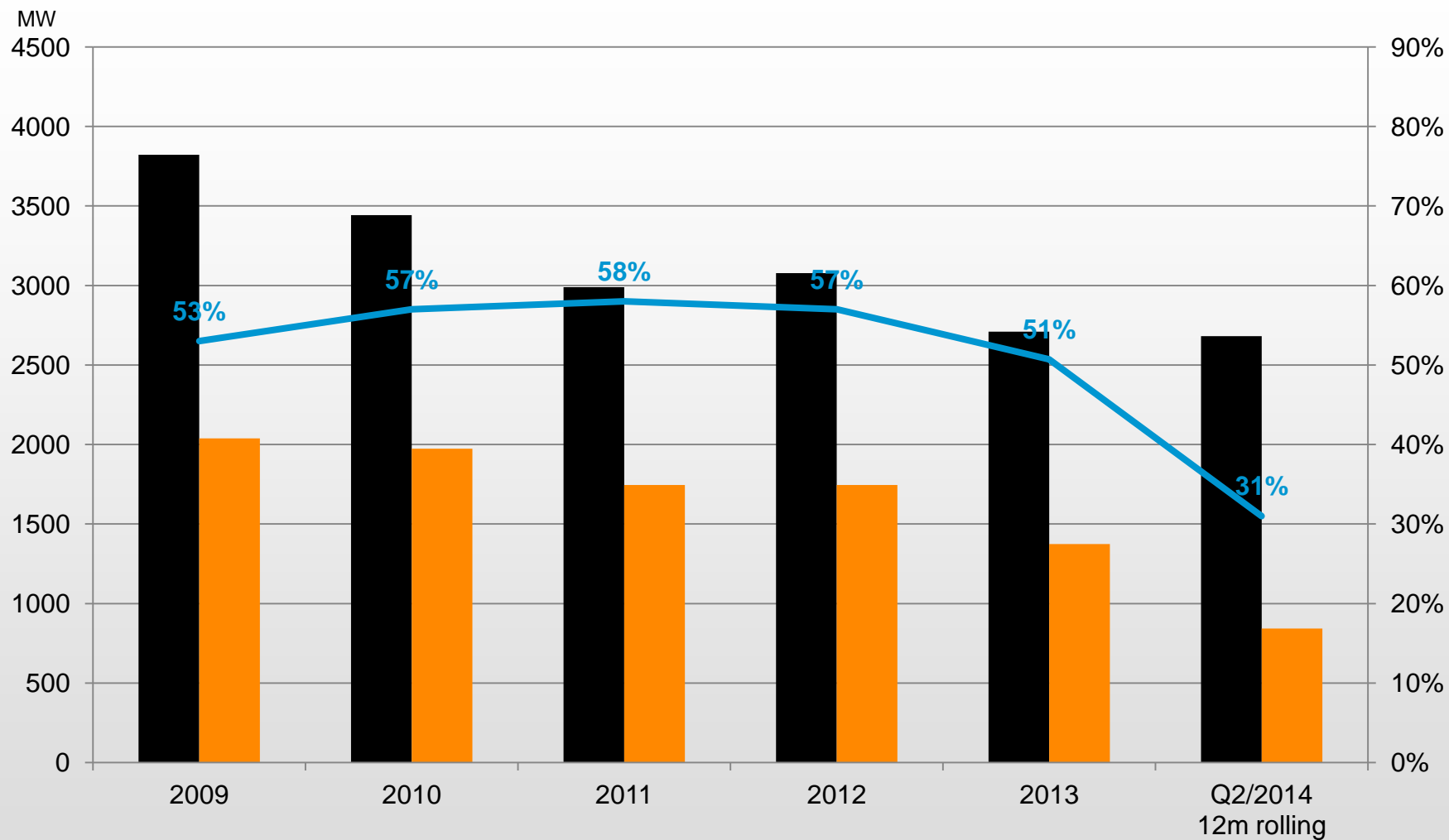
Total EUR 903 million (899)

Strong interest for services agreements in LNG industry



- Technical management agreements covering a total of 15 vessels signed with three Greek LNG ship owners during Q2/2014
- The agreement will enable higher availability, increased engine performance and optimised maintenance intervals
- The service outlook for gas fuelled vessels remains favourable going forward

Development of new Power Plants service agreements

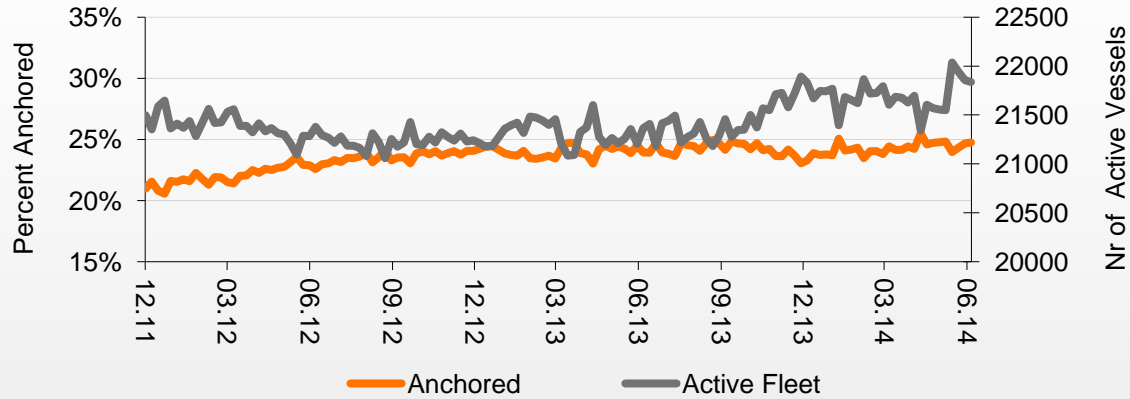


● O&M and maintenance agreements ● Power Plants deliveries — % of delivered MWs

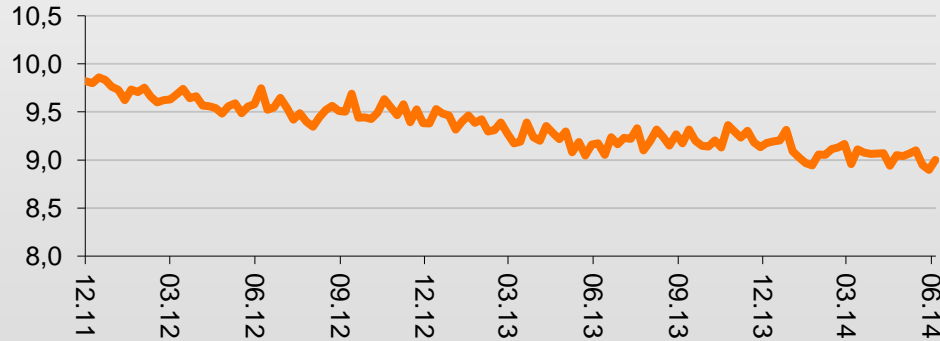


Fleet utilisation

Anchored Vessels & Fleet Development*



Fleet Average Speed, knots**



* Source Bloomberg. Sample of more than 25 000 vessels (>299 GT) covered by IHS AIS Live.

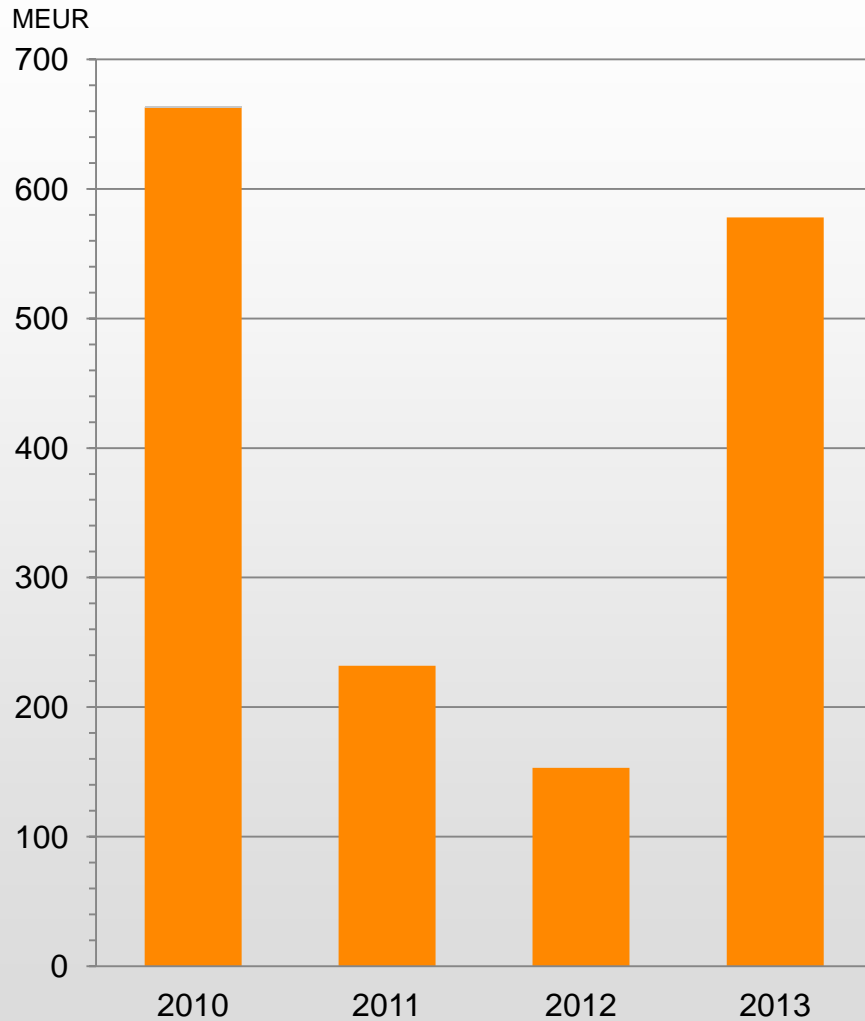
** Source Bloomberg

A photograph of a city skyline across a body of water. In the foreground, a modern white cable-stayed bridge with a single tall pylon is visible. In the background, several skyscrapers and buildings are visible under a clear blue sky. A yellow crane is partially visible in the top right corner.

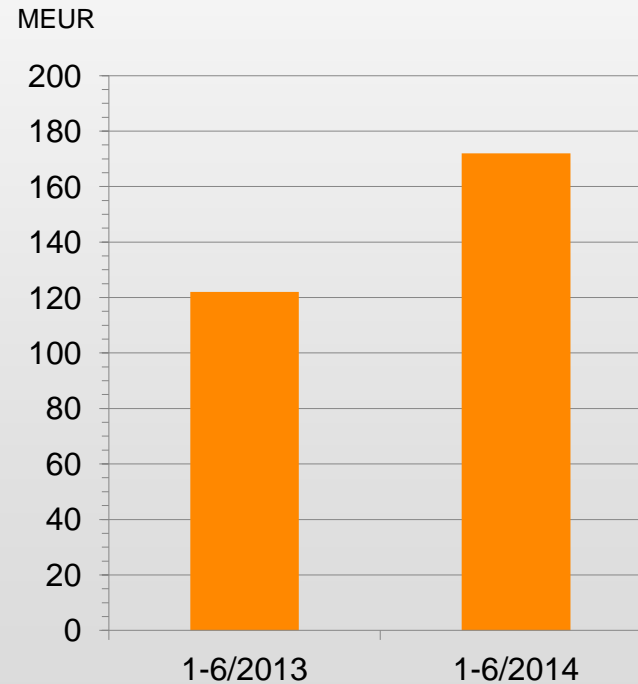
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**Solid financial
standing**

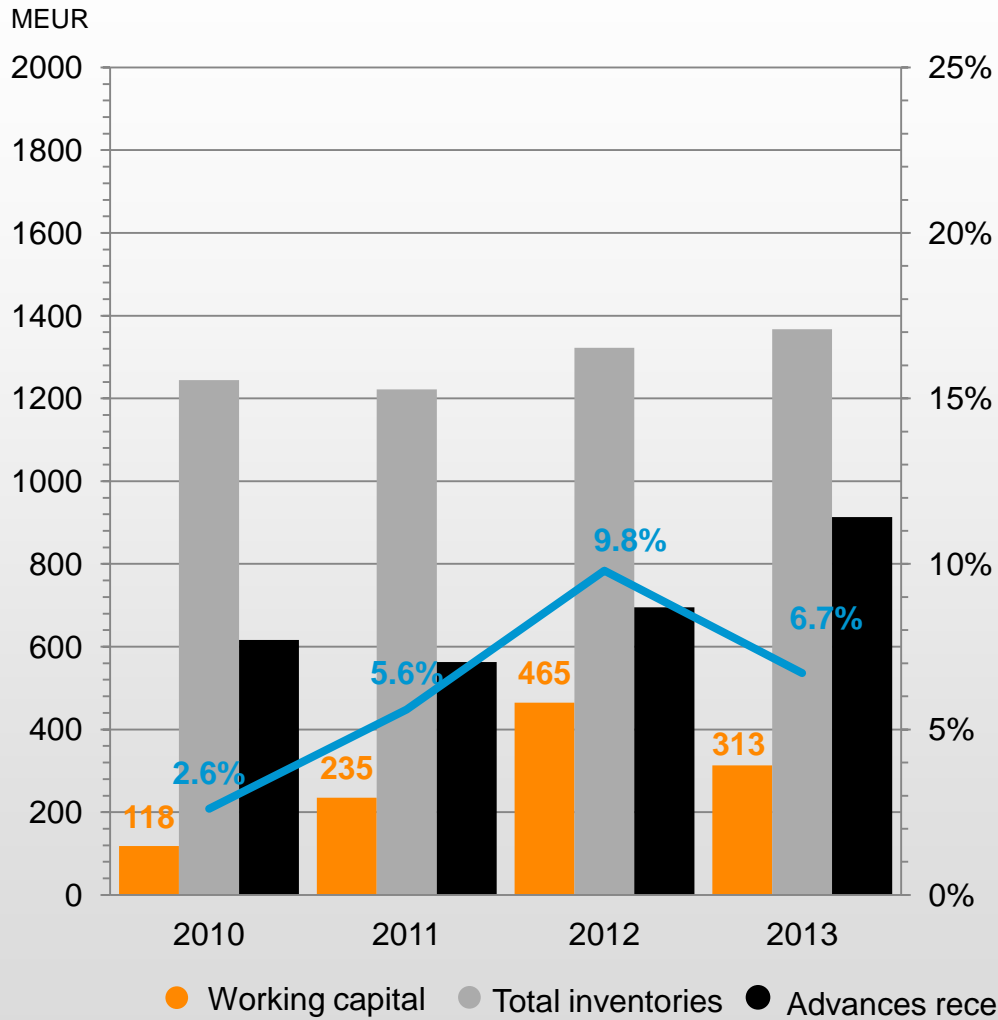
Favourable development in operating cash flow



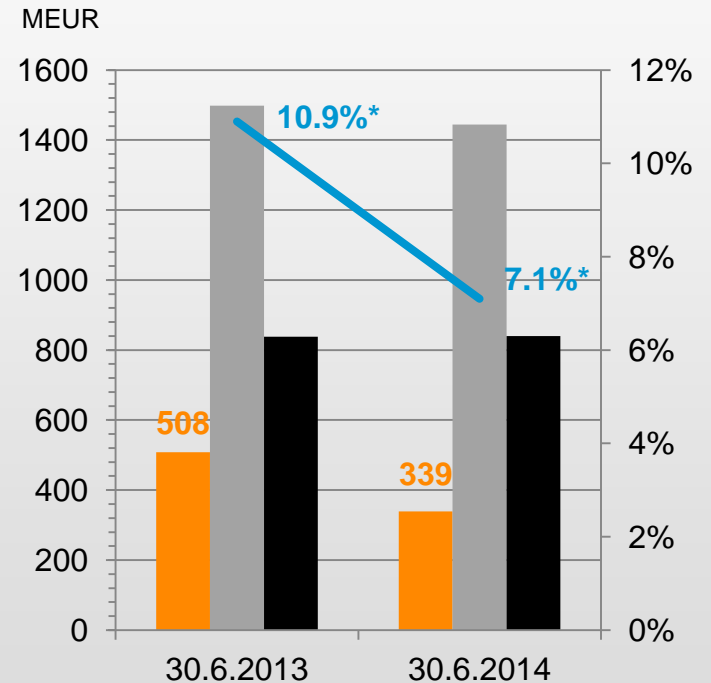
Review period development



Focus on working capital development

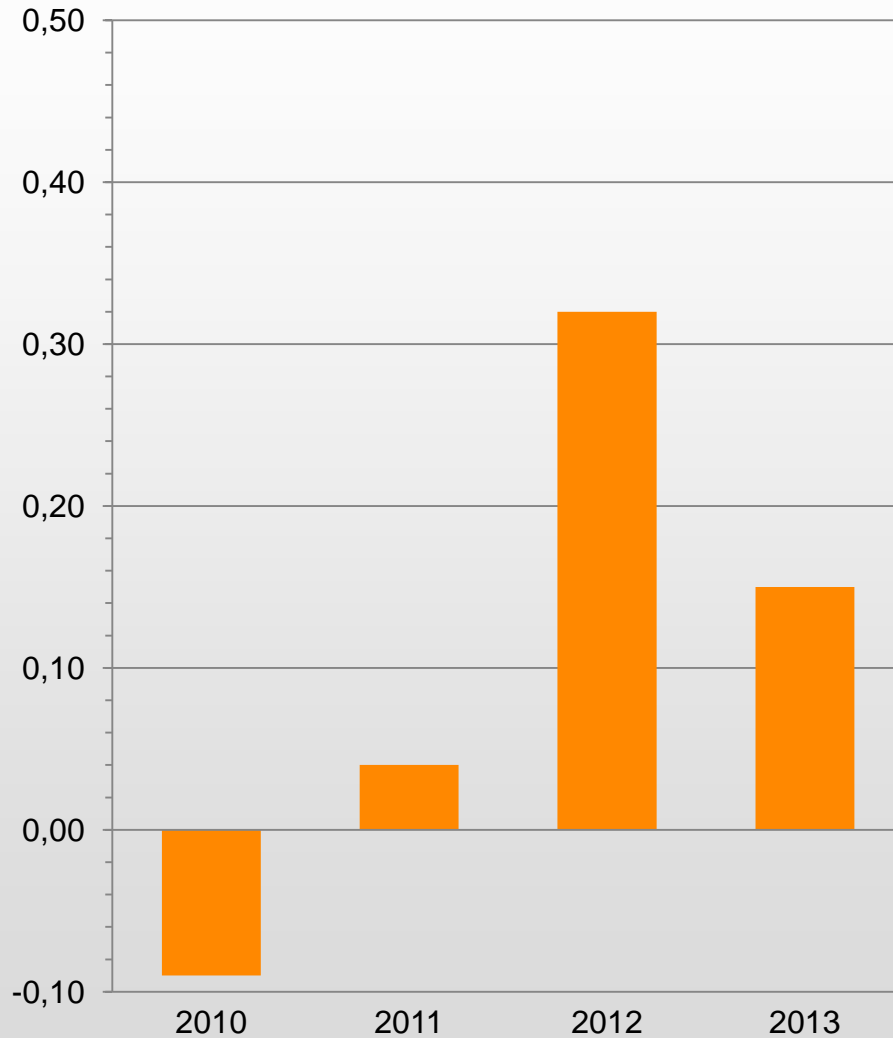


Review period development

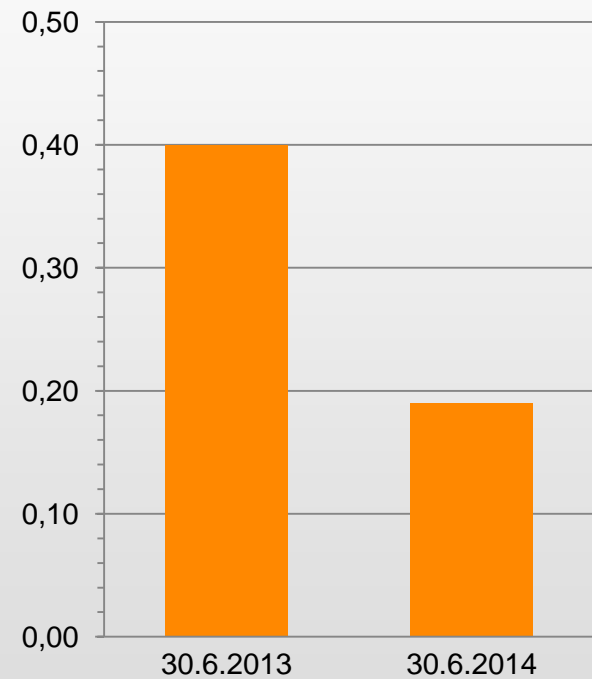


* Working capital / 12 months rolling net sales

Gearing remains low



Review period development





- **Power Plants:** Power generation markets closely follow the global macro-economic situation. Based on the market challenges seen during the first half year and the revised GDP forecasts for 2014, the overall market for liquid and gas fuelled power generation is expected to continue to be challenging.
- **Ship Power:** Offshore activity is anticipated to continue; however a decline in the contracting of drilling units and certain support vessels may be seen. The shipping markets are expected to remain active, especially within the gas carrier segment, although the contracting of traditional merchant vessel orders is likely to decline.
- **Services:** The overall service market outlook remains stable, with positive developments in selected regions.

Wärtsilä and China State Shipbuilding Corporation to join forces in 2-stroke engine joint venture



- Wärtsilä and China State Shipbuilding Corporation (CSSC) have signed an agreement to establish a joint venture, which will take over Wärtsilä's 2-stroke engine business
- CSSC will own 70% and Wärtsilä 30% of the business
- Responsibility for servicing Wärtsilä's 2-stroke engines will remain with Wärtsilä Services
- The deal will have a positive effect on Wärtsilä's continuing operations
- The closing of the transaction is subject to the required regulatory approvals, which are expected in the first quarter of 2015.
- Going forward, the 2-stroke engine business will be reported as discontinued operations



Wärtsilä estimates its profitability for 2014 to be around 11.5%, due to the two-stroke business transaction. Net sales are expected to grow by around 5%.



WÄRTSILÄ

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