

WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY-JUNE 2016

20 July 2016

Jaakko Eskola, President & CEO

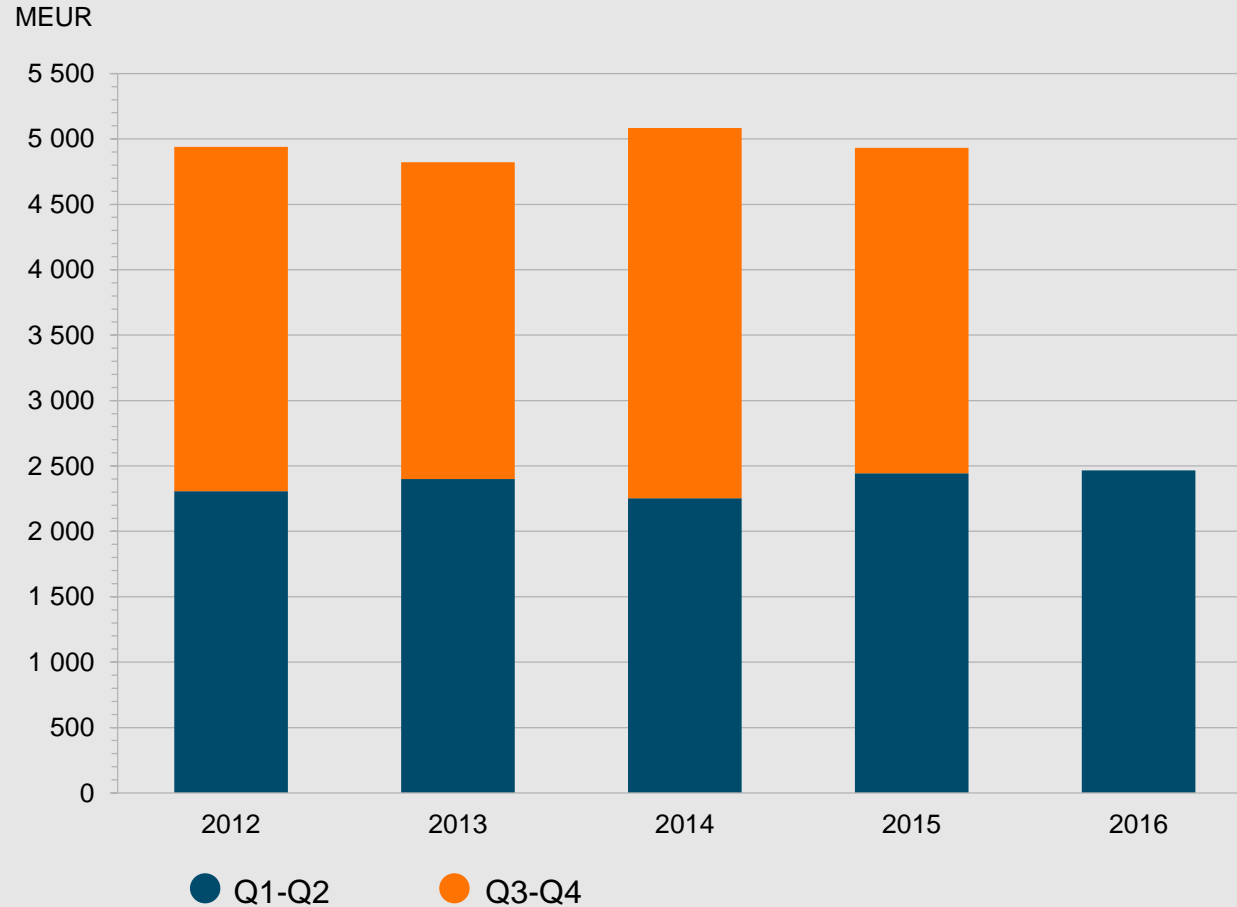
Highlights Q2/2016

- 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%

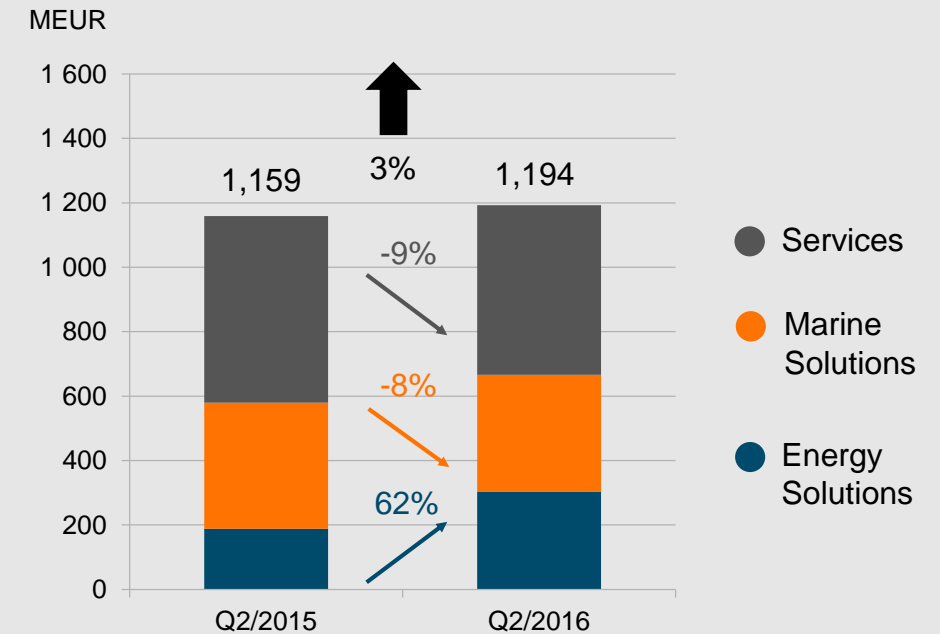


*Write-downs of approx. EUR 42 million related to the divestment of the Winterthur Gas & Diesel joint venture, realised exchange rate losses from Brazilian projects, and other receivables were recognised in the results for the second quarter of 2016.

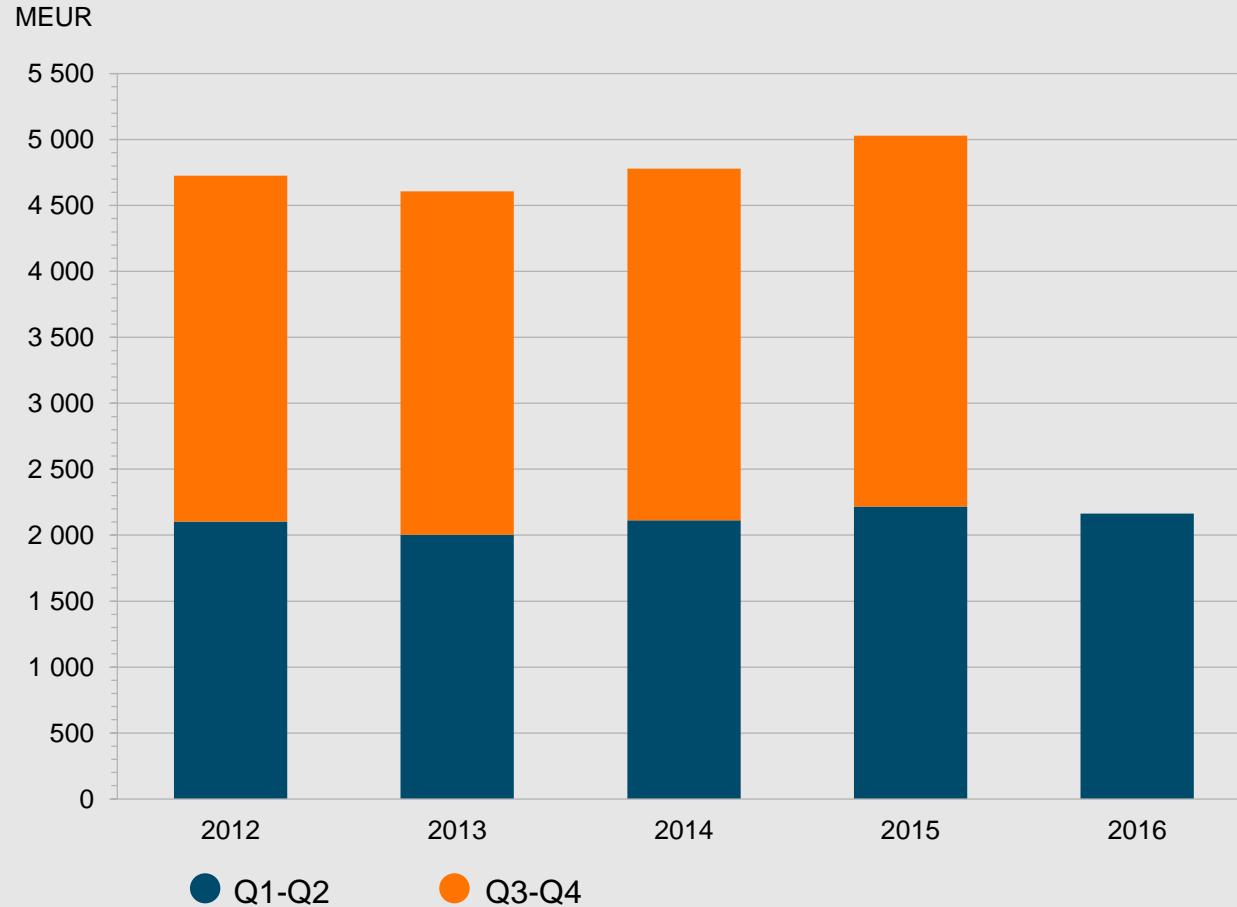
Solid development in order intake



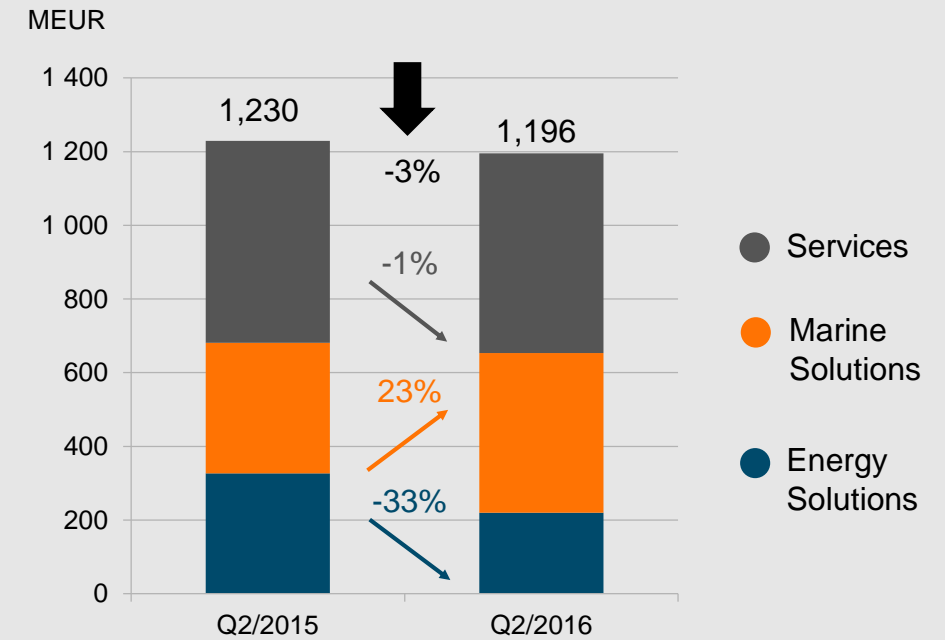
Second quarter development



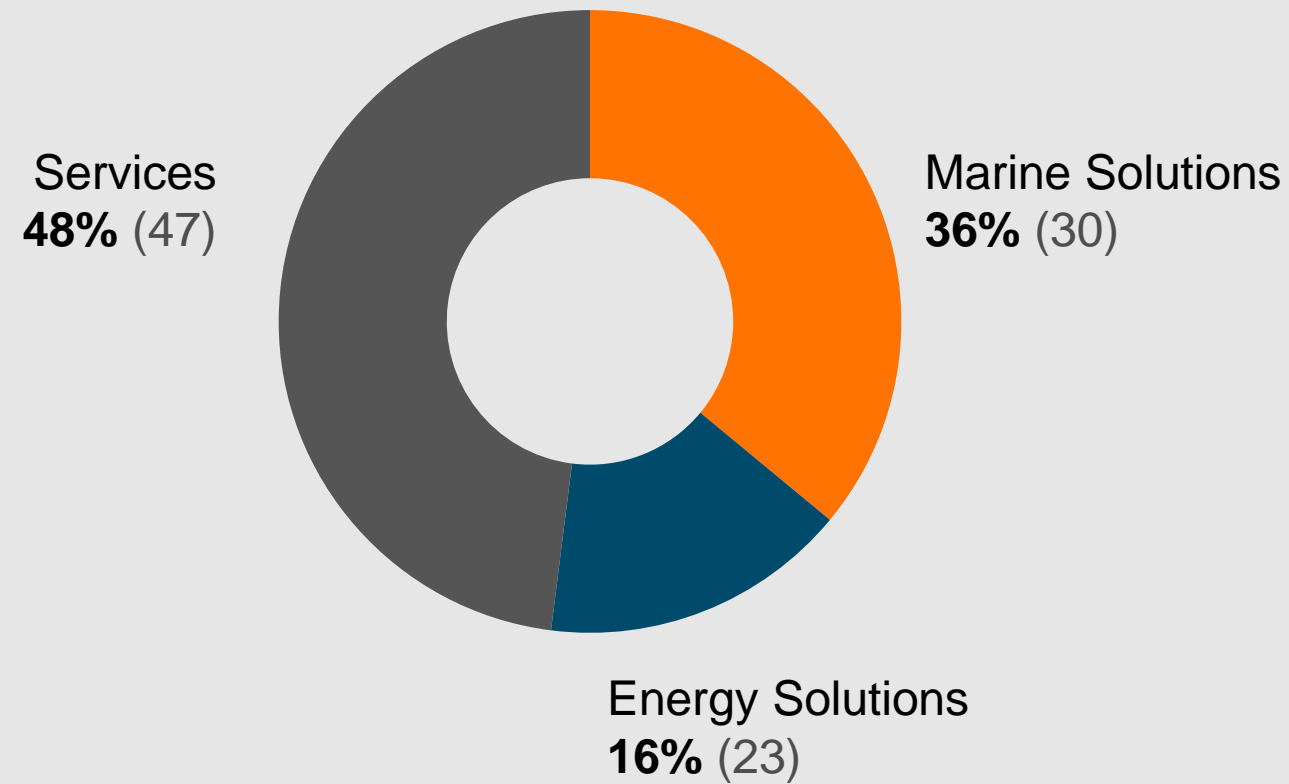
Net sales on a stable level



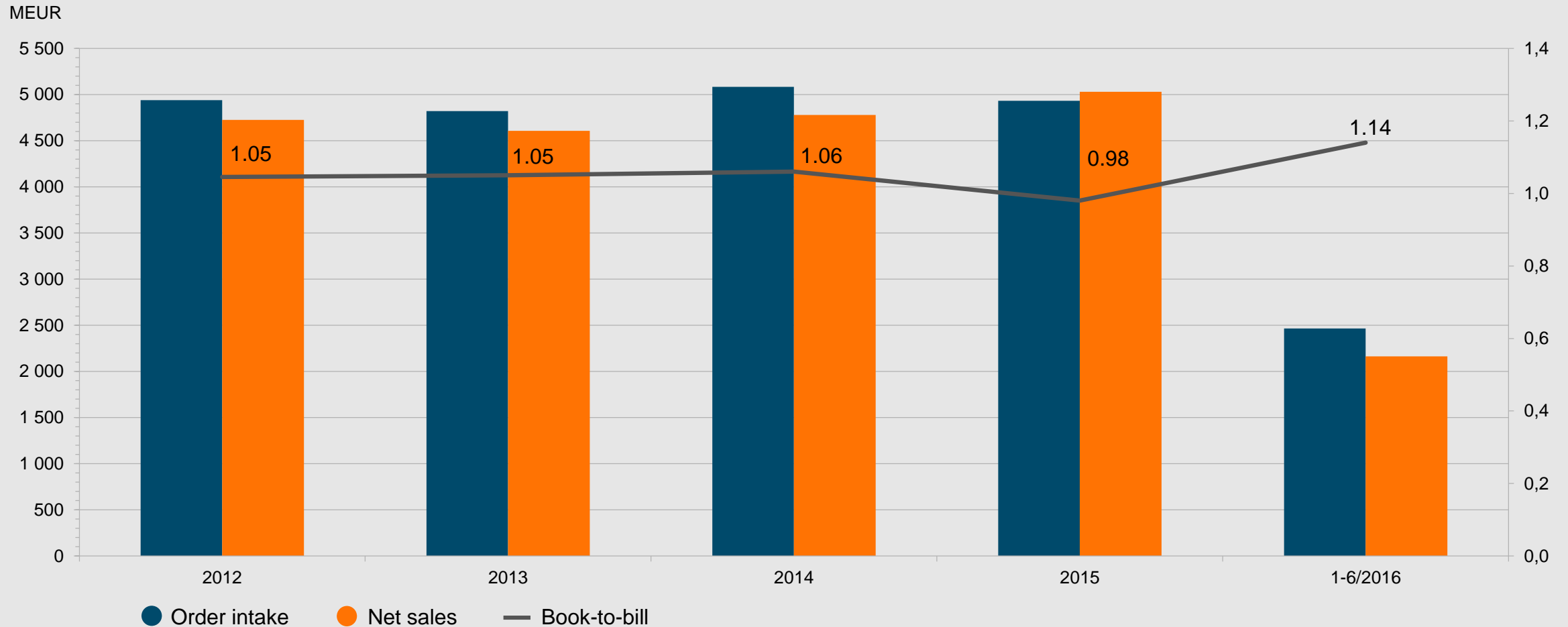
Second quarter development



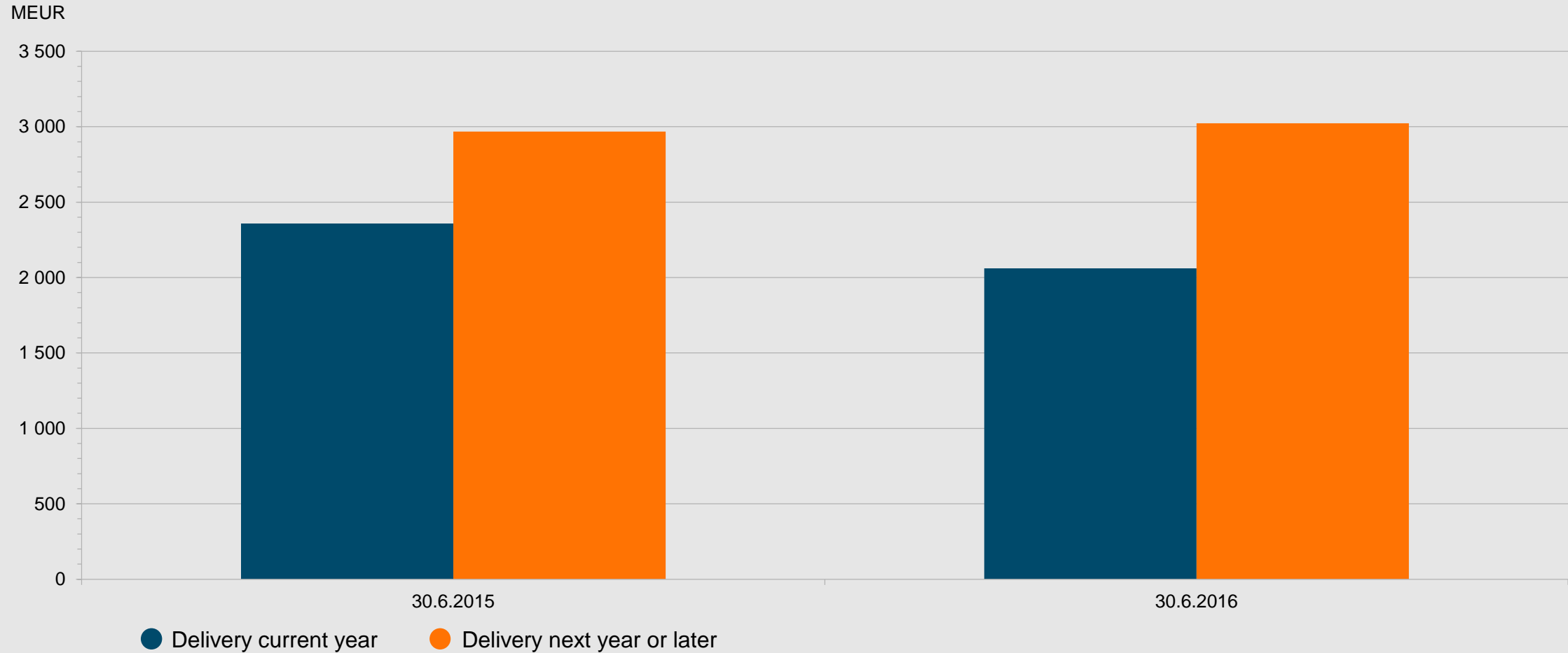
Net sales by business 1-6/2016



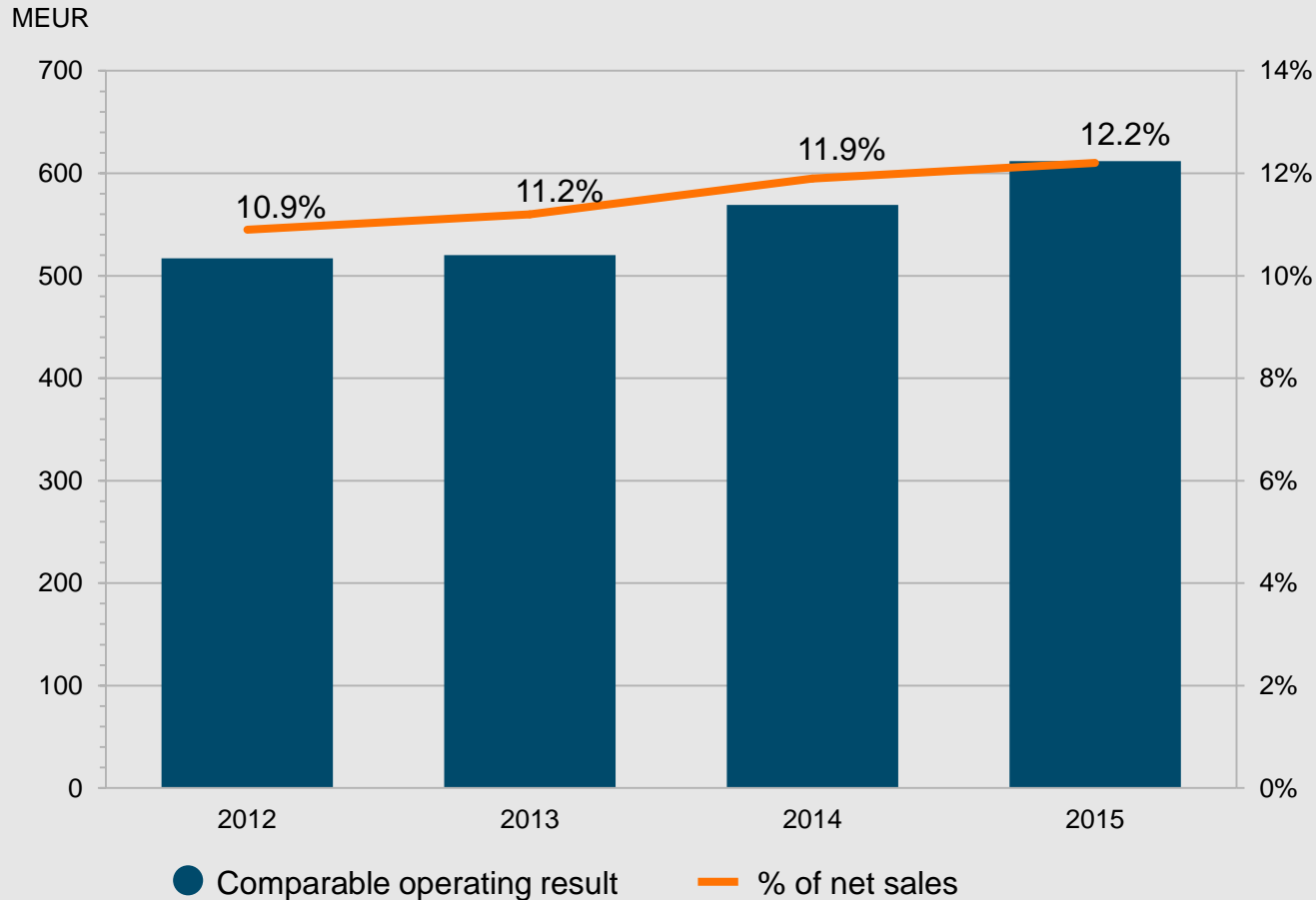
Book-to-bill ratio



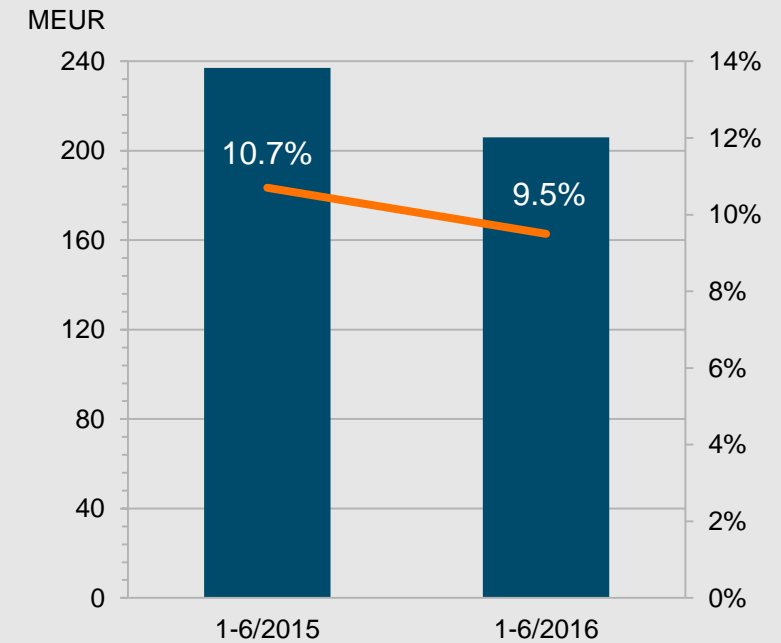
Order book distribution



Operating result affected by fewer power plant deliveries and tight competition



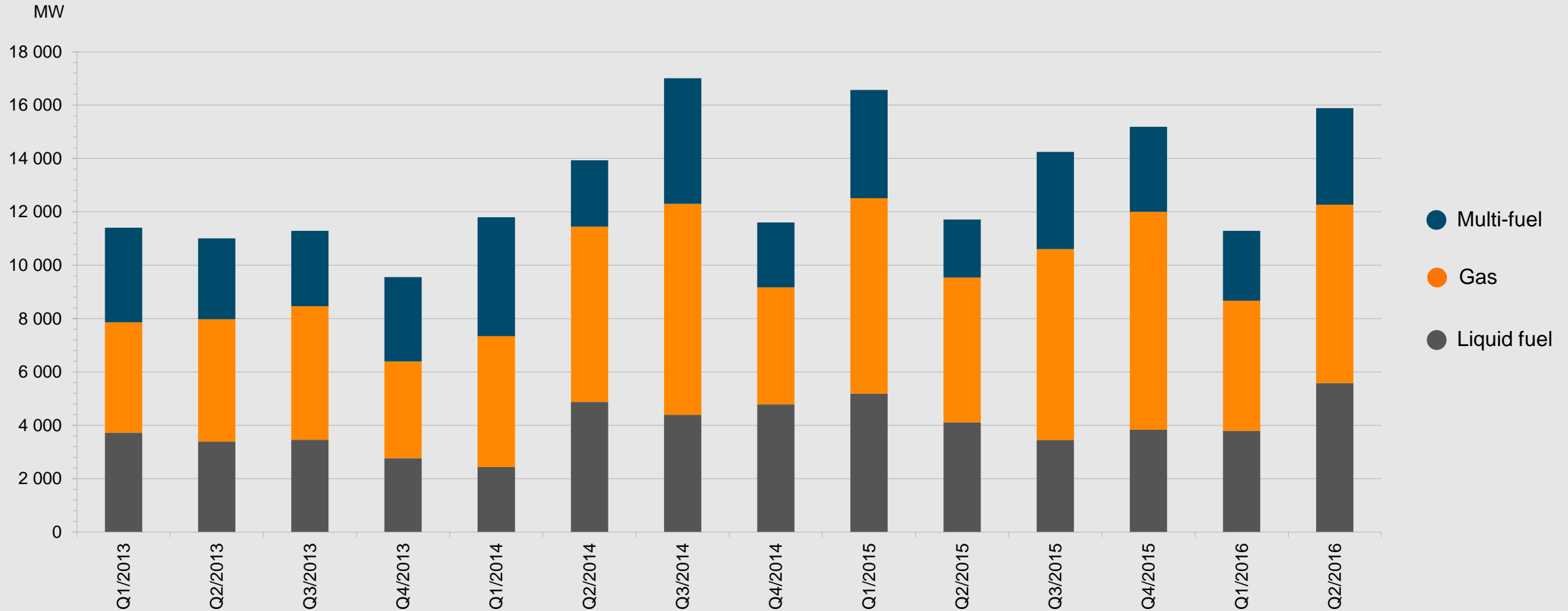
Review period development



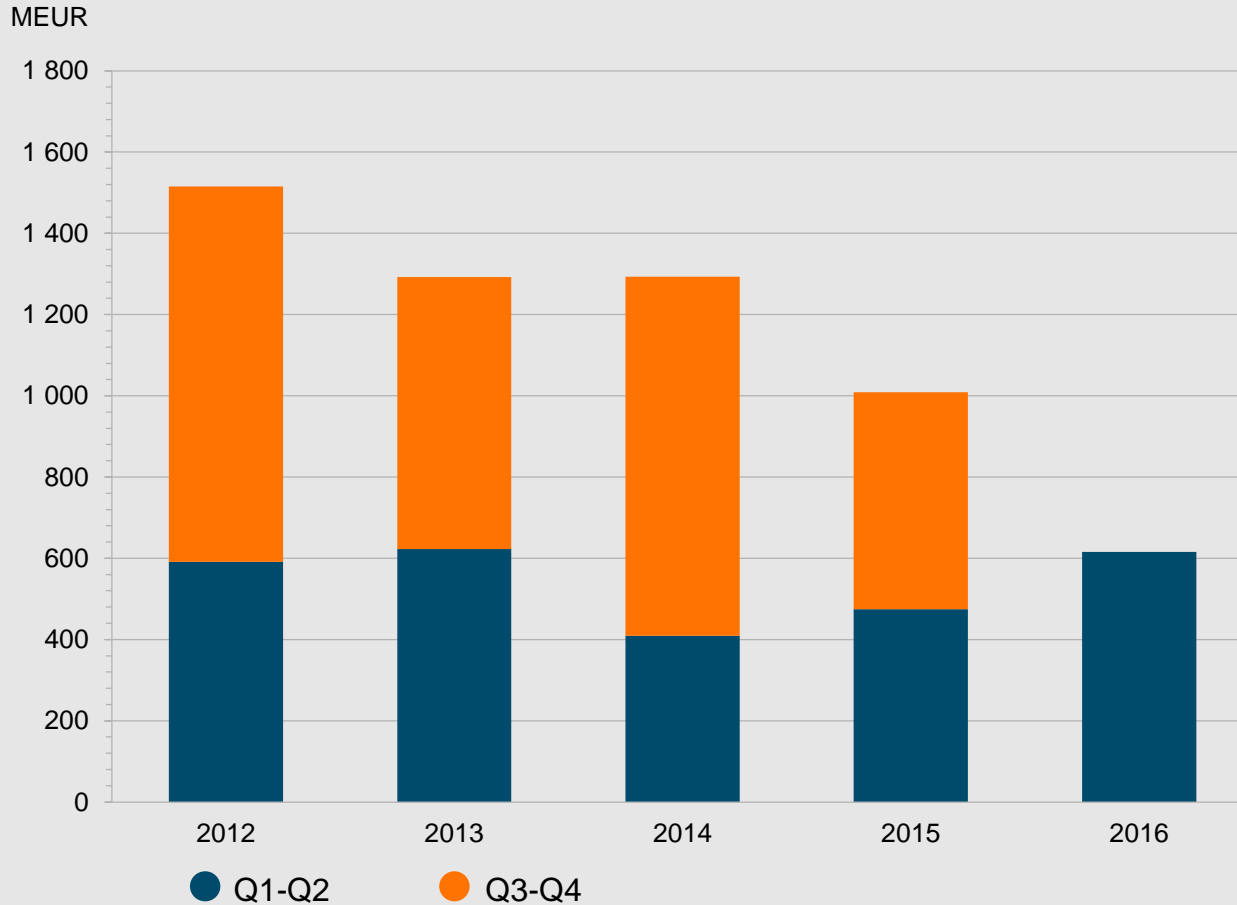
Items affecting comparability include restructuring costs of EUR 27 million for the review period January-June 2016. Figures for 2012-2013 include both discontinued and continuing operations.



Quotation activity on a good level

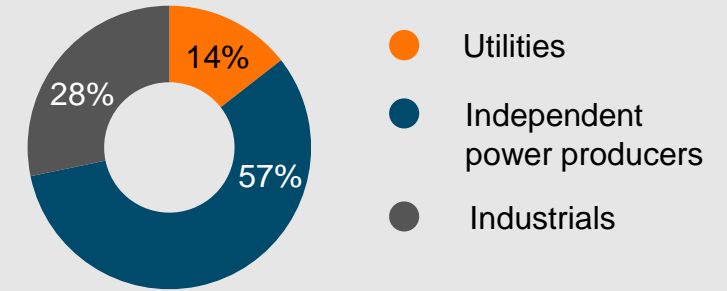


Power plant orders developed well



Review period development

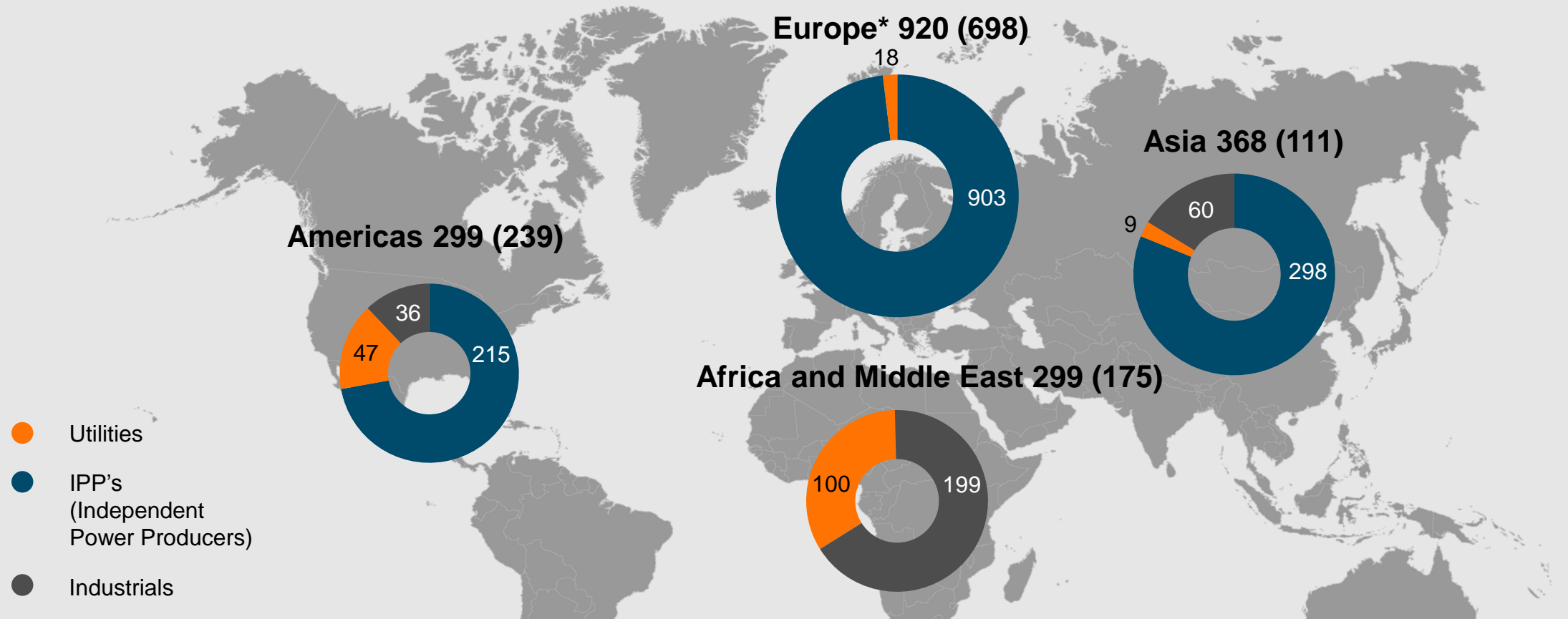
Total EUR 616 million (475)



Review period order intake by fuel in MW



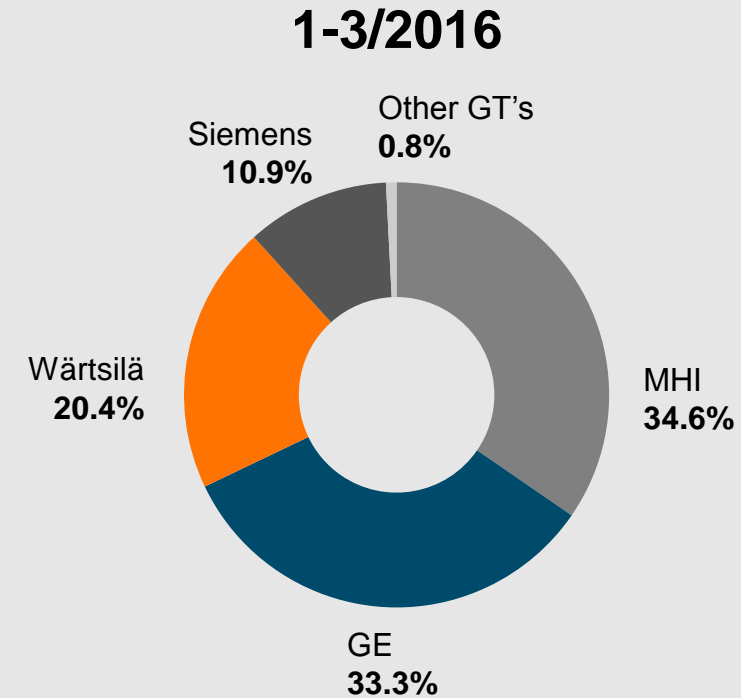
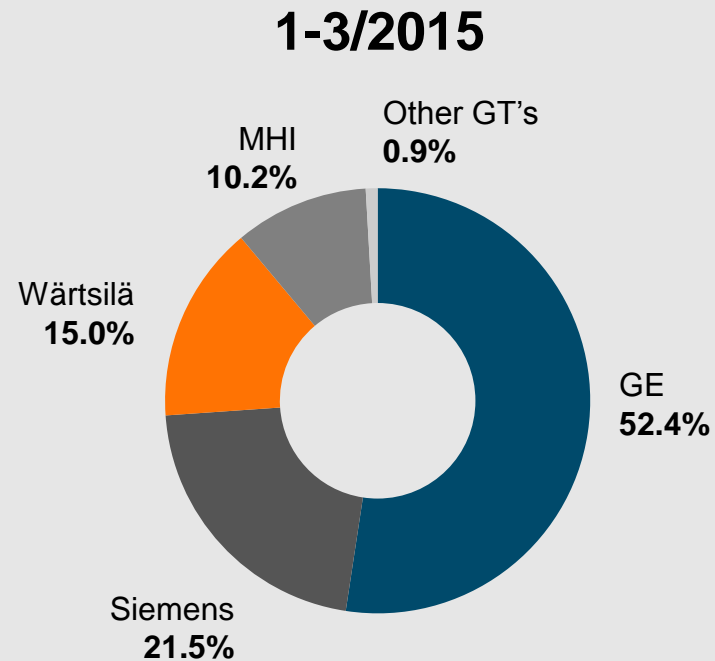
Order intake globally



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



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

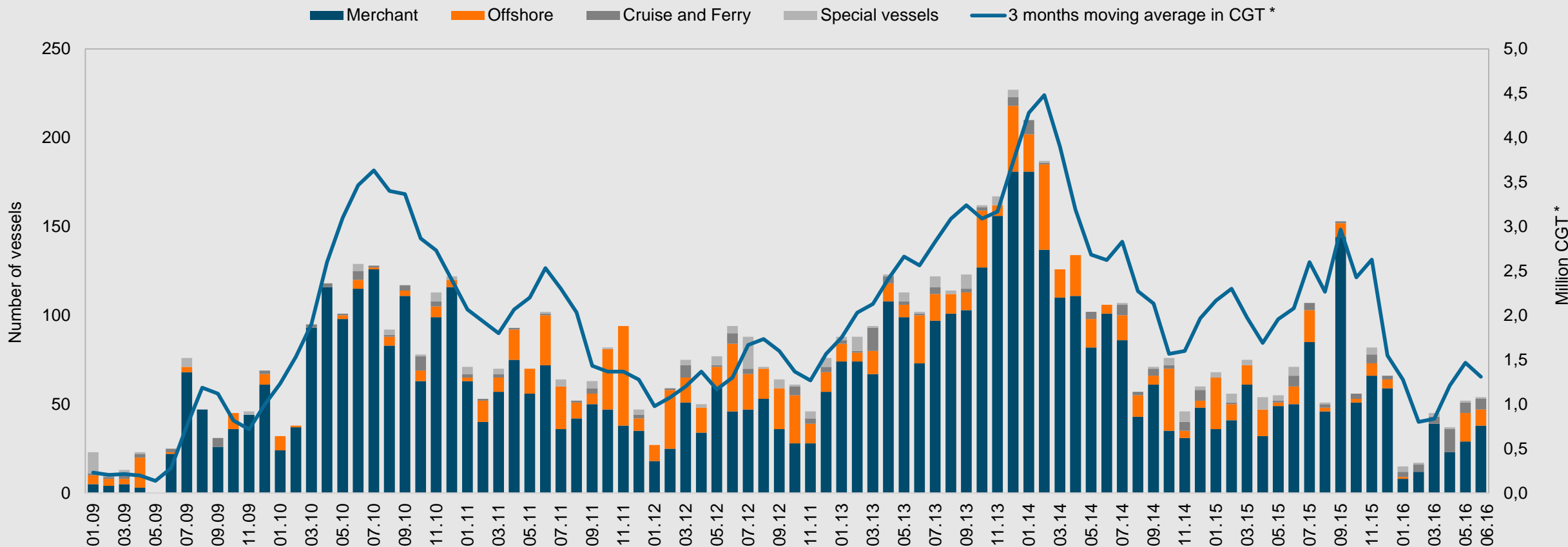
Market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based power plants with prime movers above 5 MW, as well as estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. Other combustion engines not 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



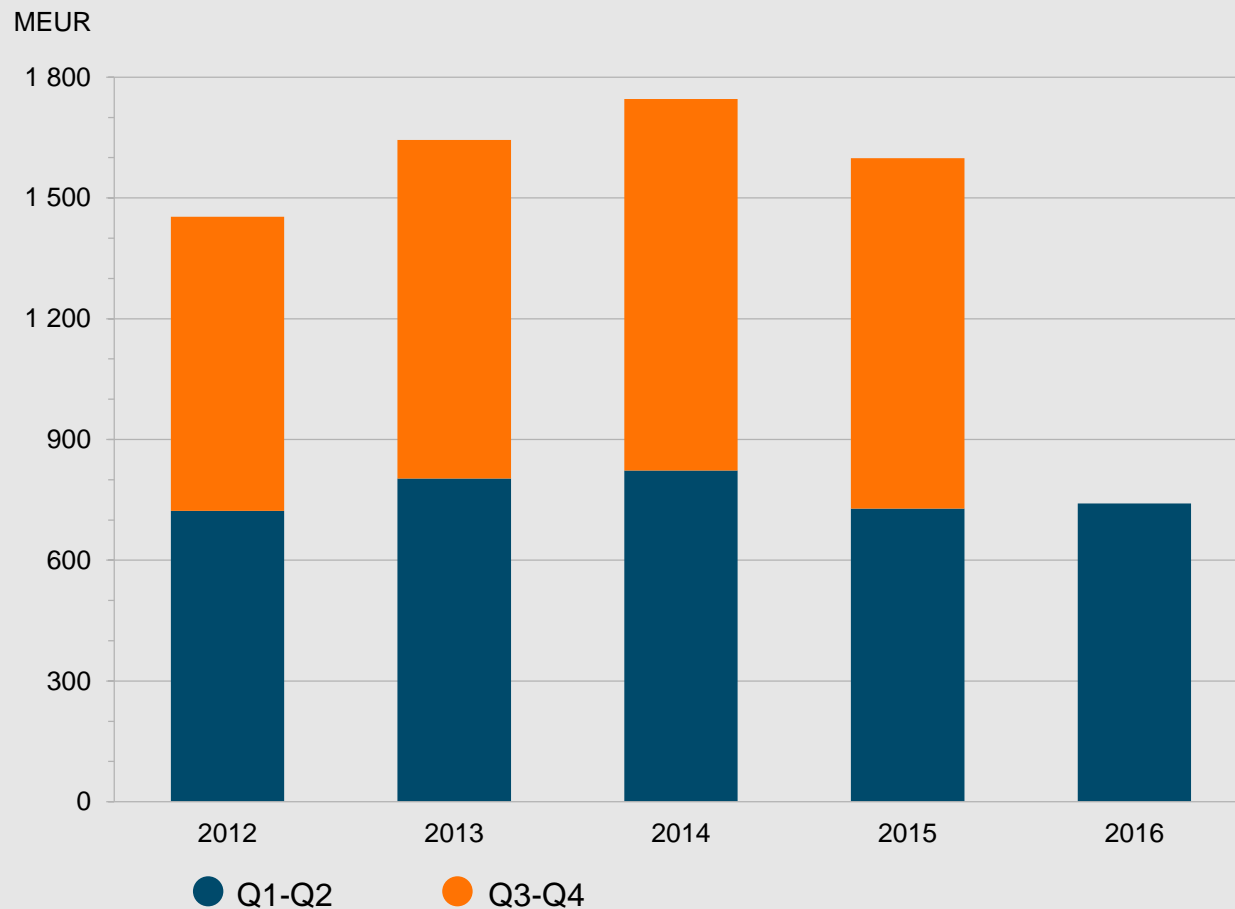
Limited contracting of new vessels



Source: Clarkson Research Services, figures exclude late contracting

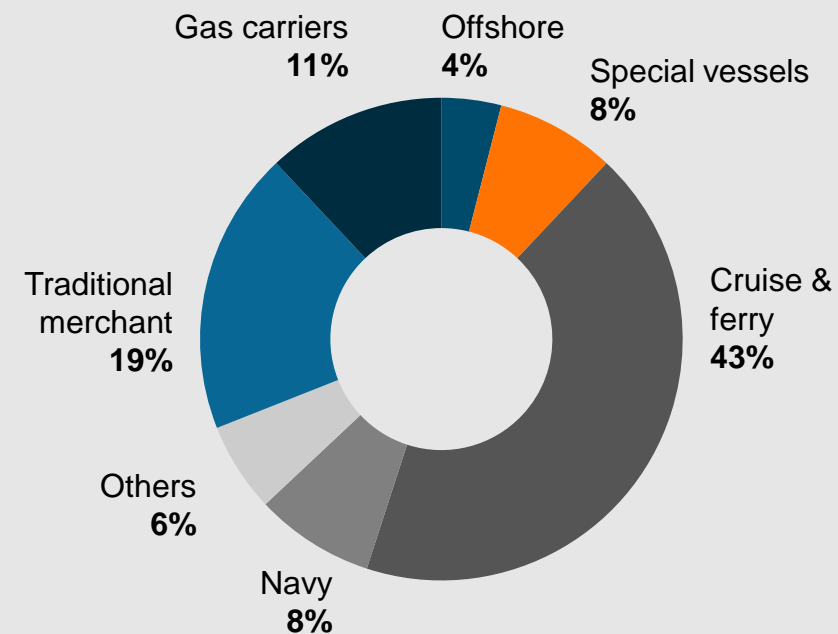
* CGT= gross tonnage compensated with workload

Continued healthy demand in the cruise & ferry segment

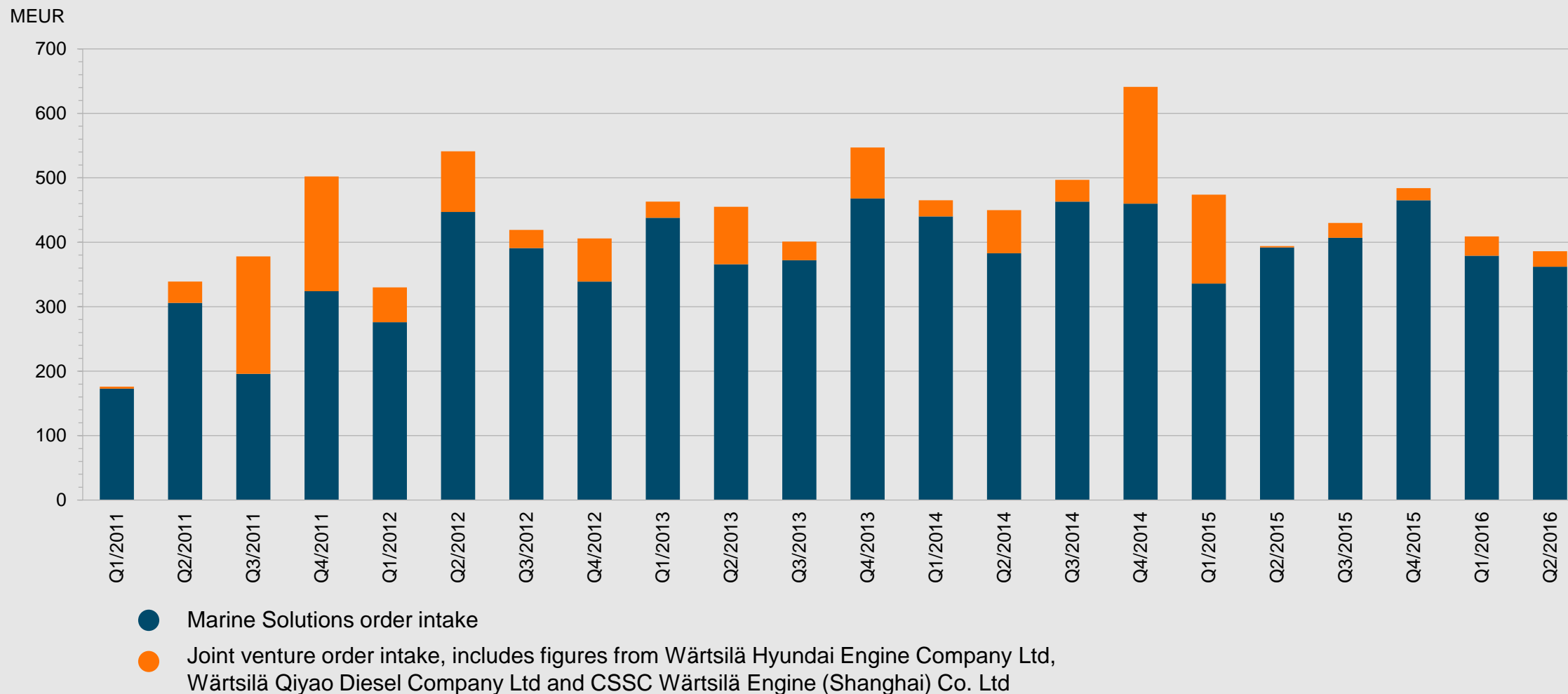


Review period development

Total EUR 741 million (728)



Joint venture ordering activity



Sound demand for electrical and automation solutions

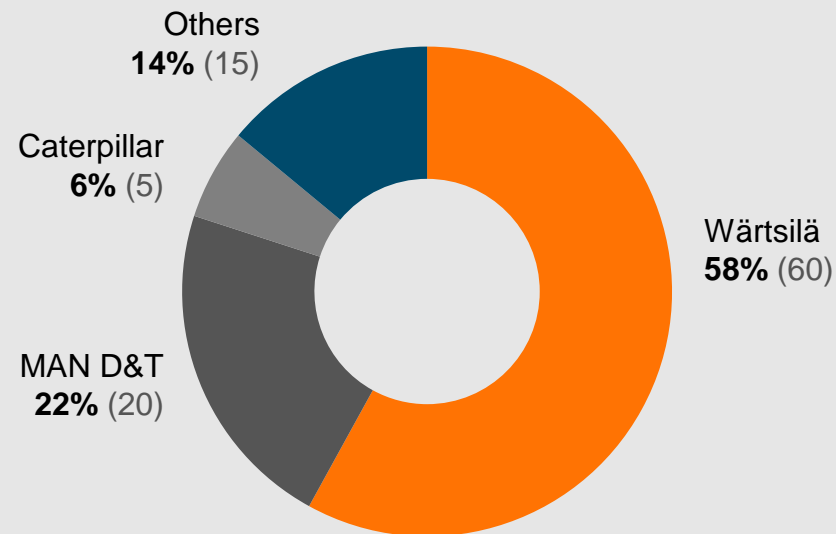
Order received to supply turnkey electrical solutions for four new RoRo ferries.

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



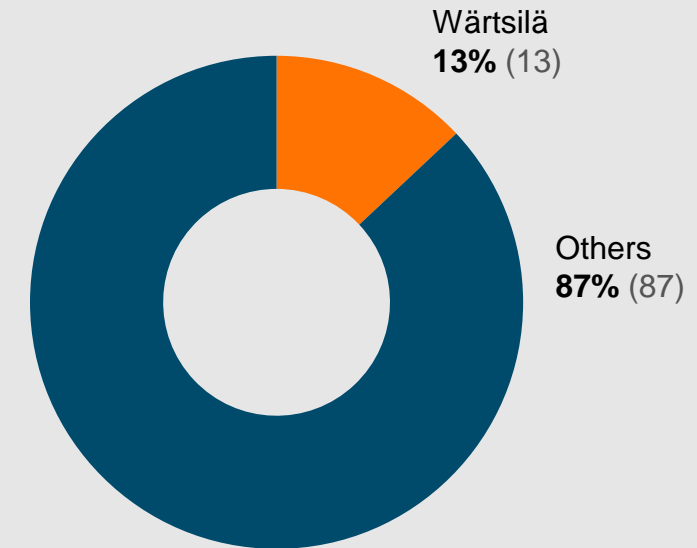
Strong position in marine engine market

Medium-speed main engines



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

Auxiliary engines

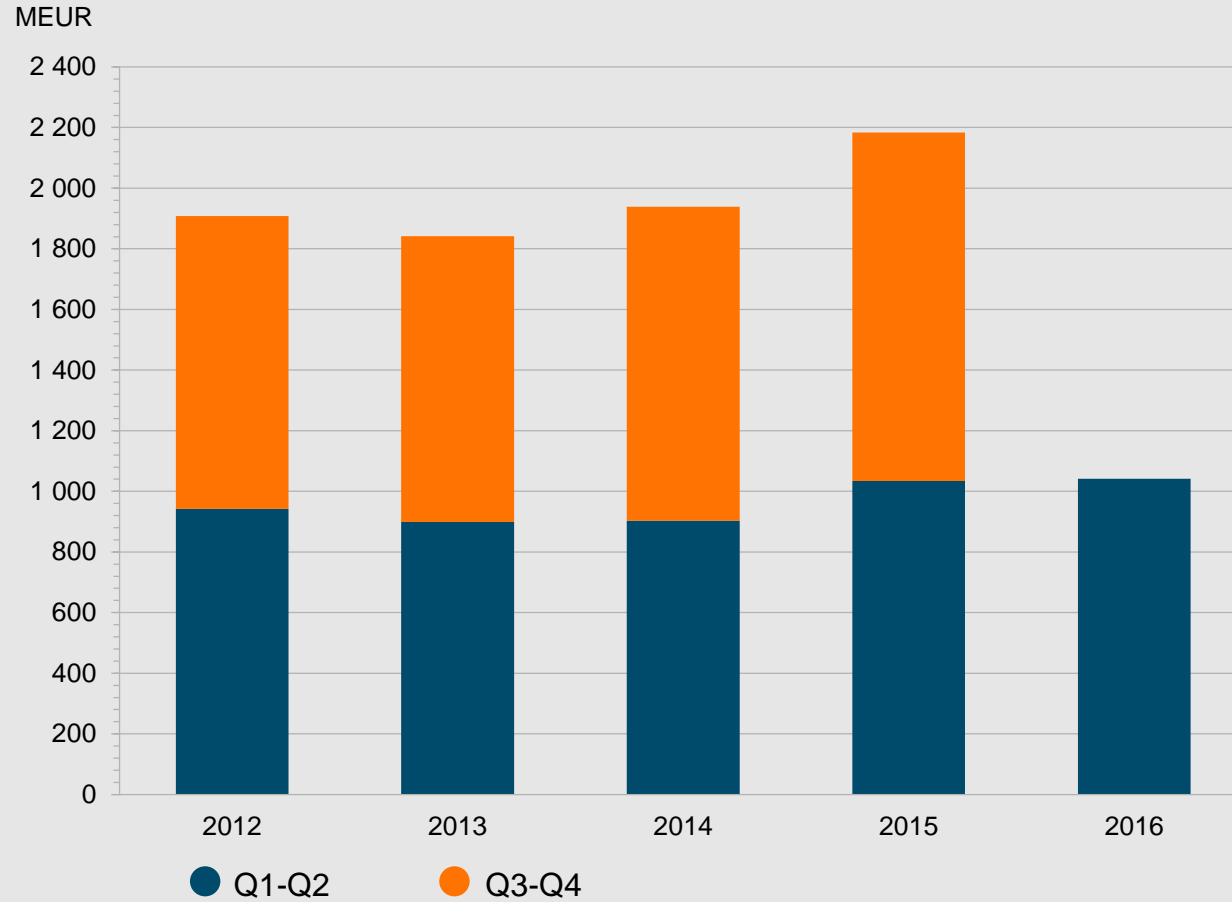


Total market volume last 12 months:
4,498 MW (5,273)

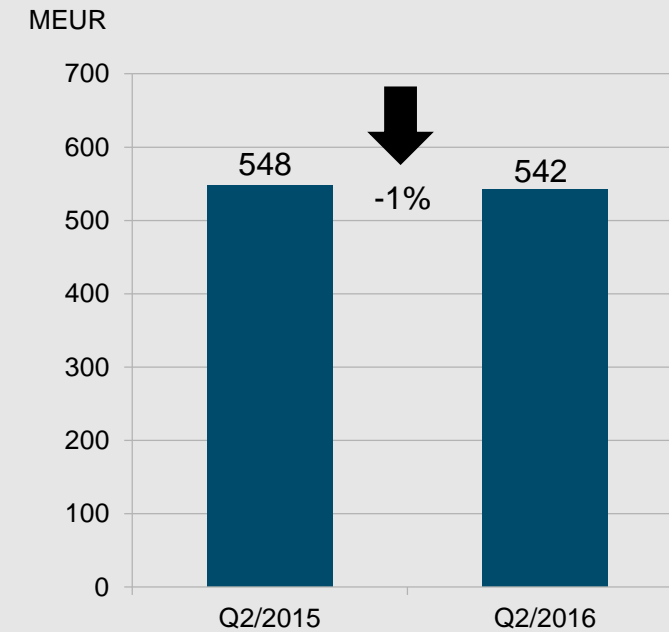
Wärtsilä's market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. The calculation is based on Wärtsilä's own data portal.



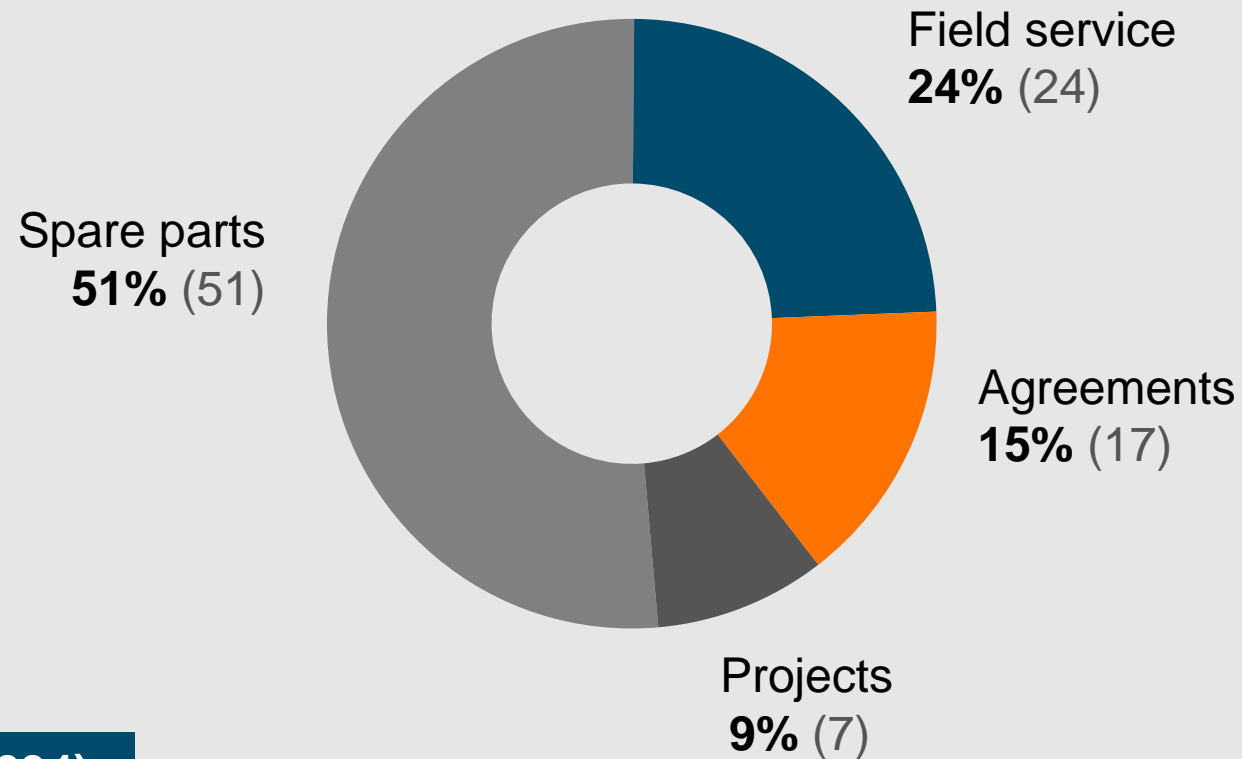
Services net sales on a good level



Second quarter development

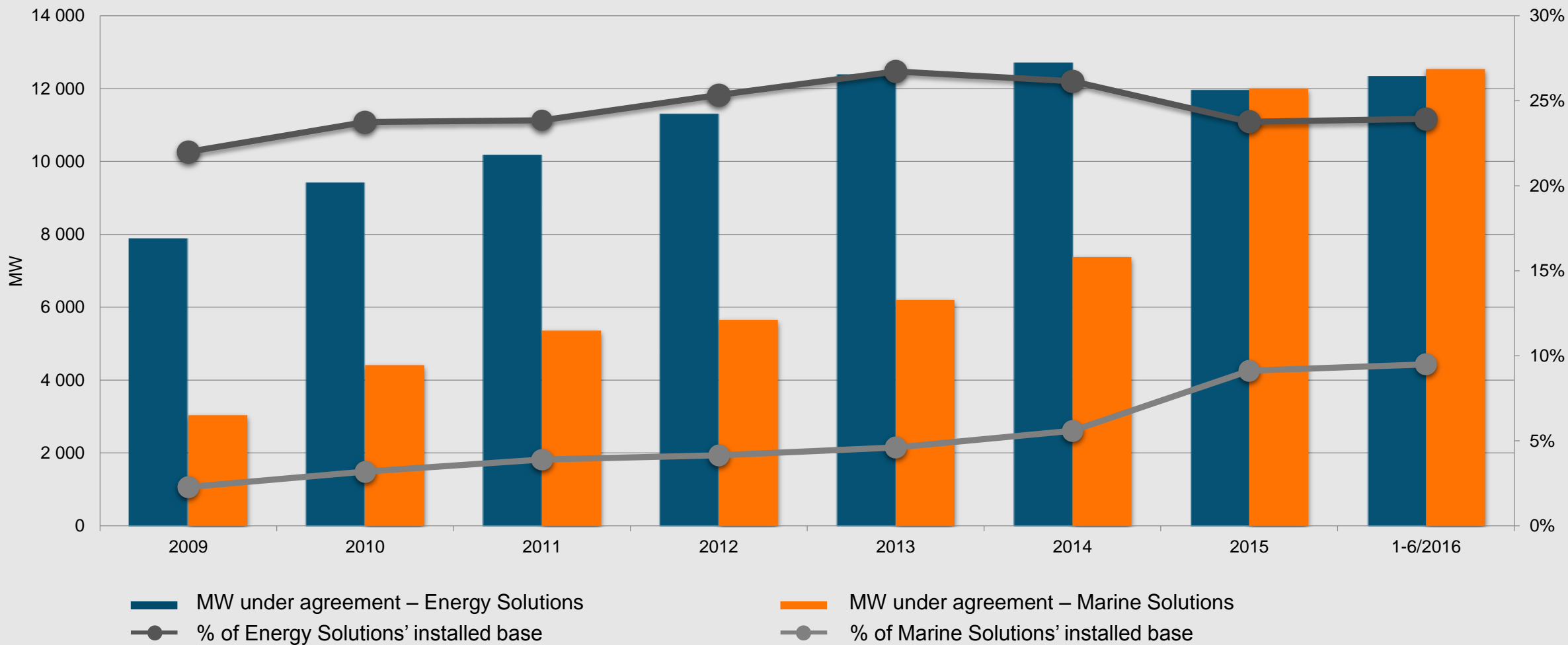


Net sales distribution 1-6/2016



Total EUR 1,042 million (1,034)

Development of installed base covered by service agreements



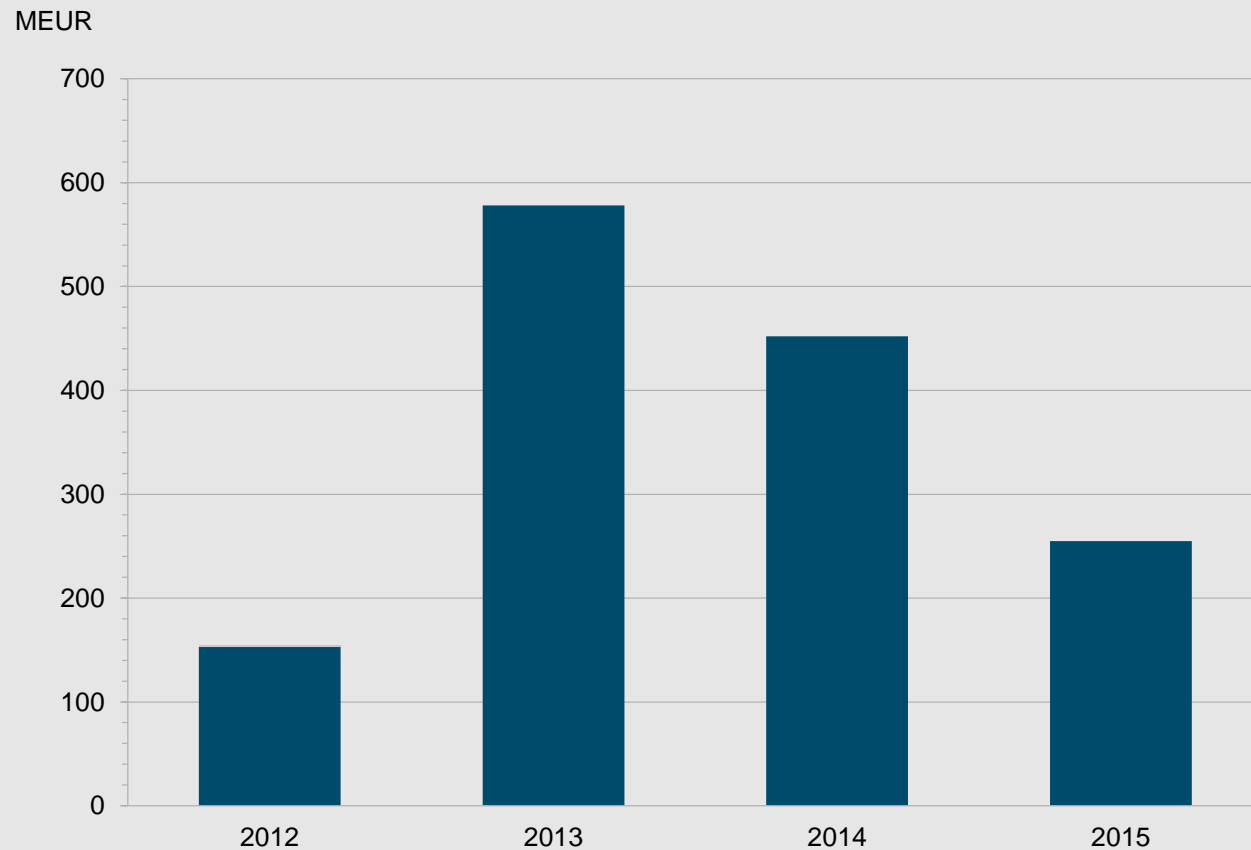
Acquisitions support Services' growth strategy

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.

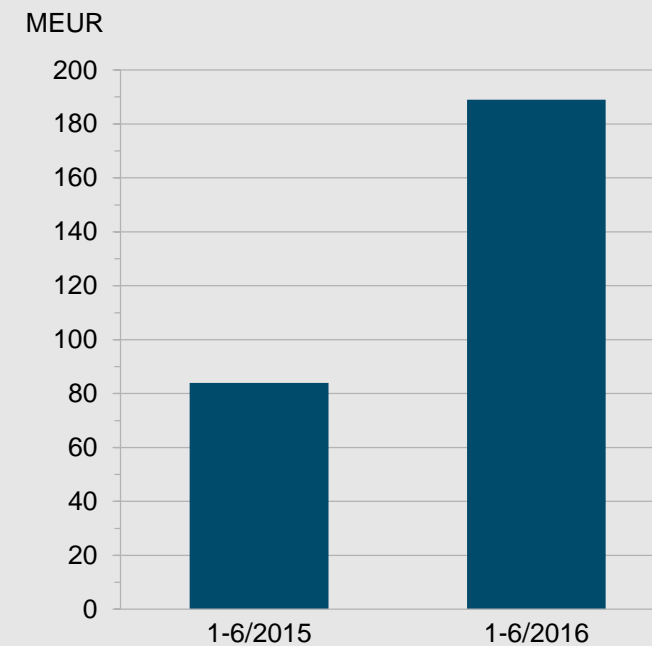
American Hydro supports our expansion in renewables, by enhancing our existing hydro and industrial service offering.



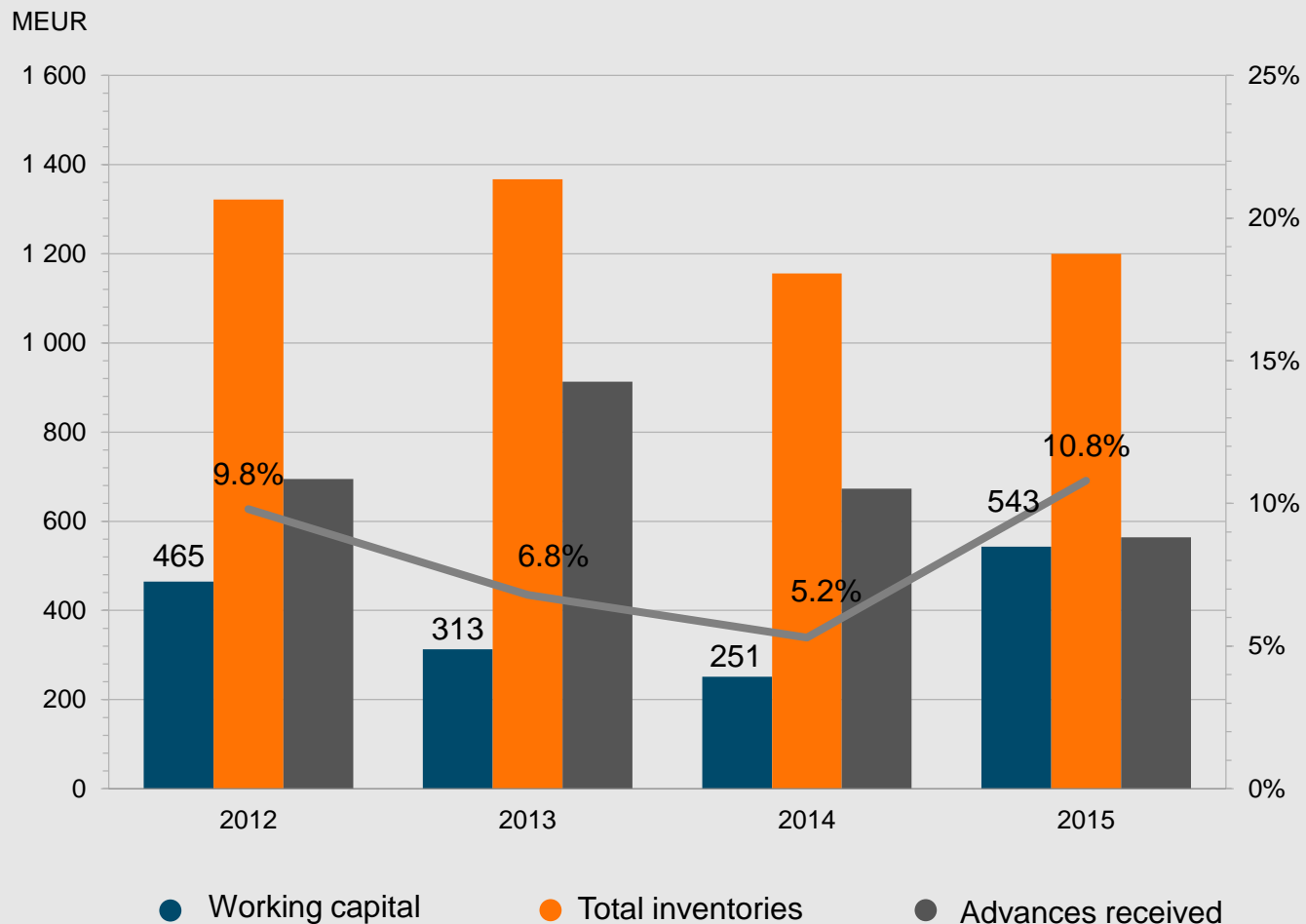
Cash flow improved in the second quarter



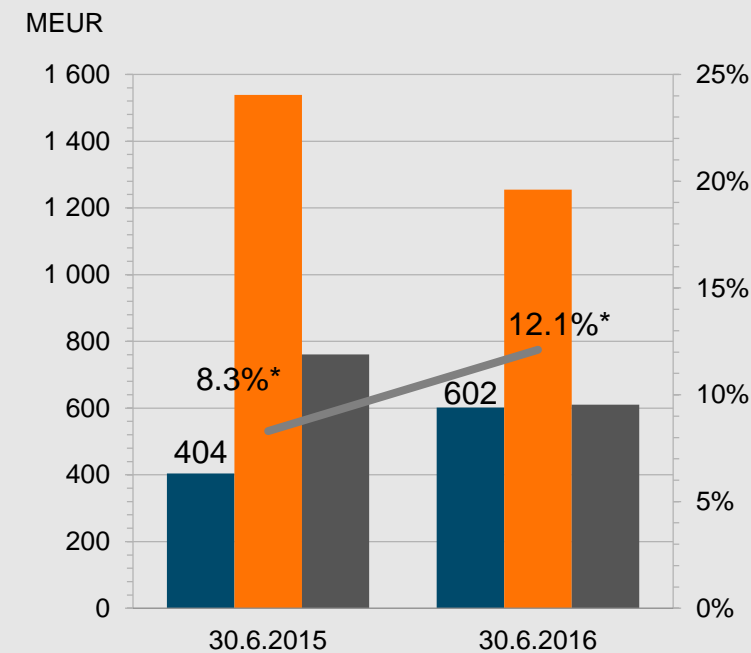
Review period development



Working capital

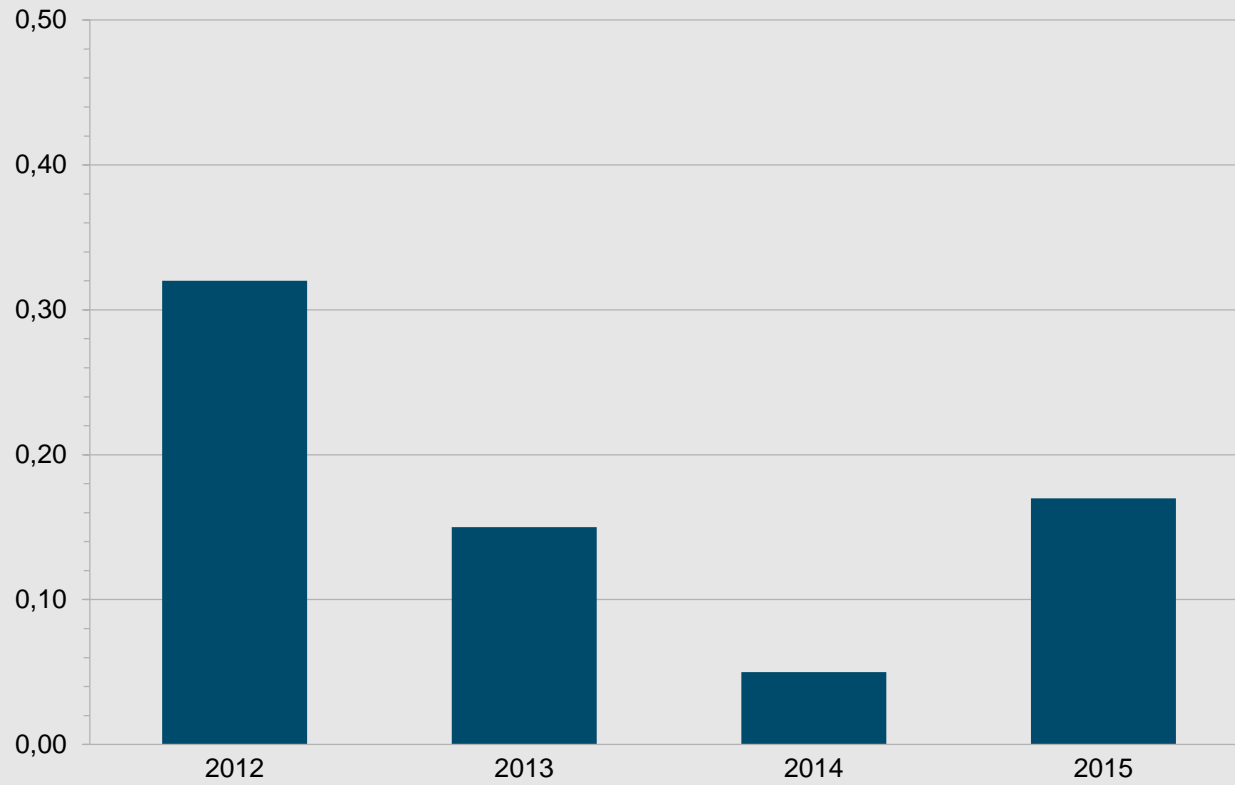


Review period development

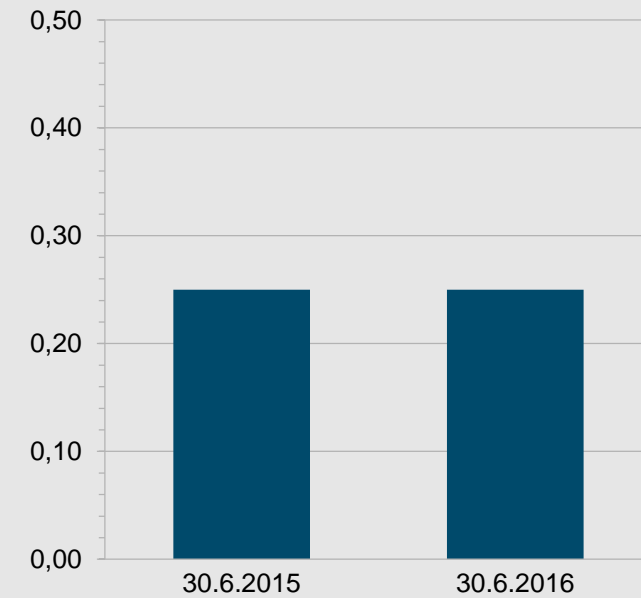


* Working capital / 12 months rolling net sales

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 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

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