

**Capital Markets  
Day 2019**

# REBUILDING SHAREHOLDER VALUE IN A CHALLENGING ENVIRONMENT

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## TOPICS FOR TODAY

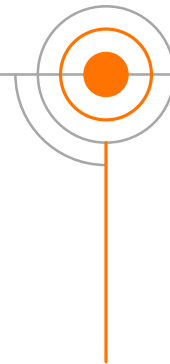
Financial  
performance



Driving performance towards  
our long-term targets

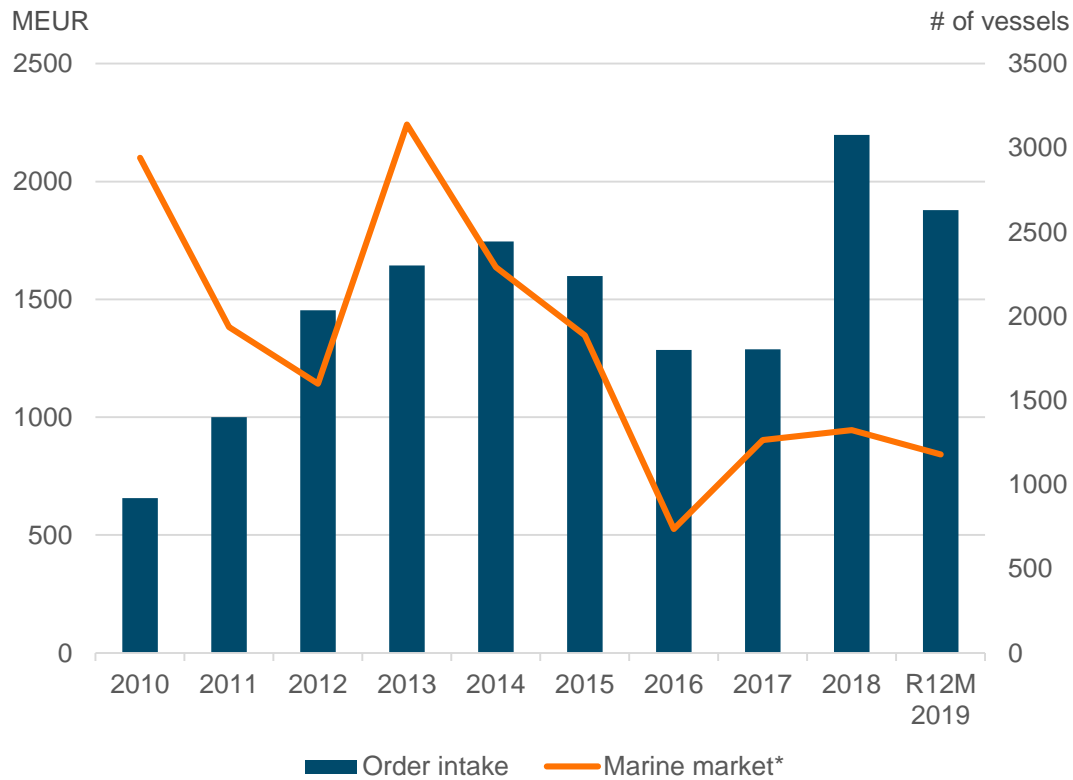


Priorities for cash flow  
and capital allocation



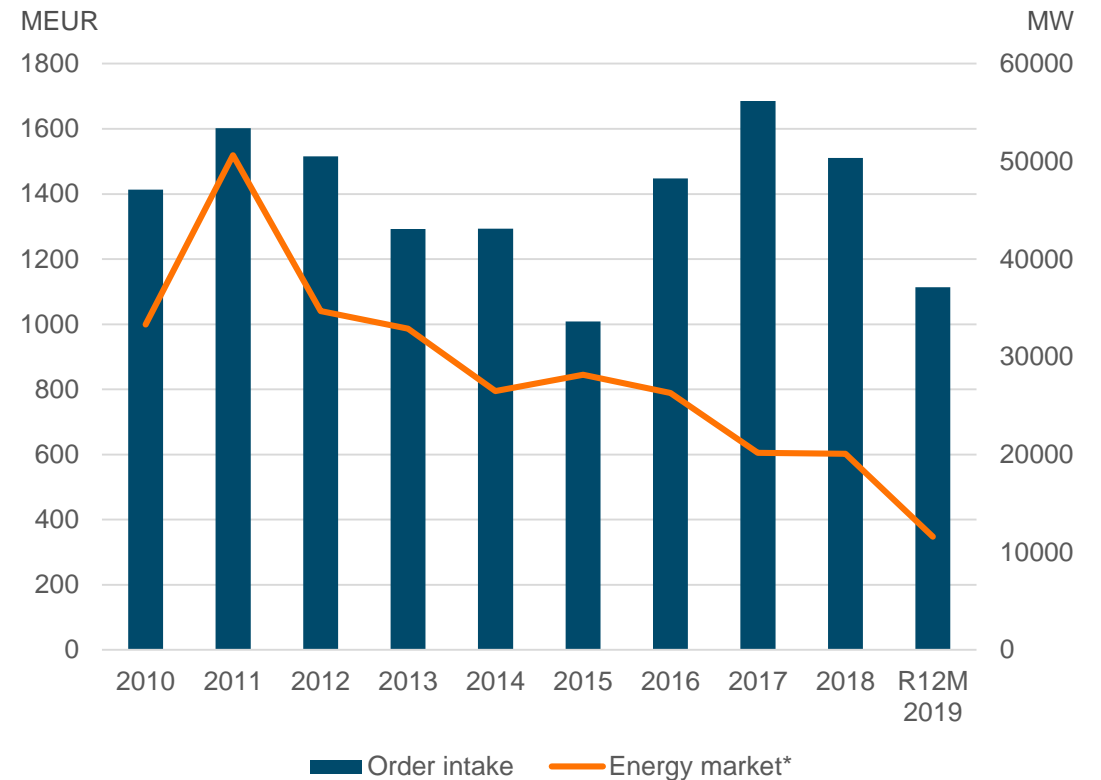
## UNIQUE OFFERING HELPS TO OFFSET SOFT MARKET ENVIRONMENT...

### Marine equipment order intake vs. vessel contracting



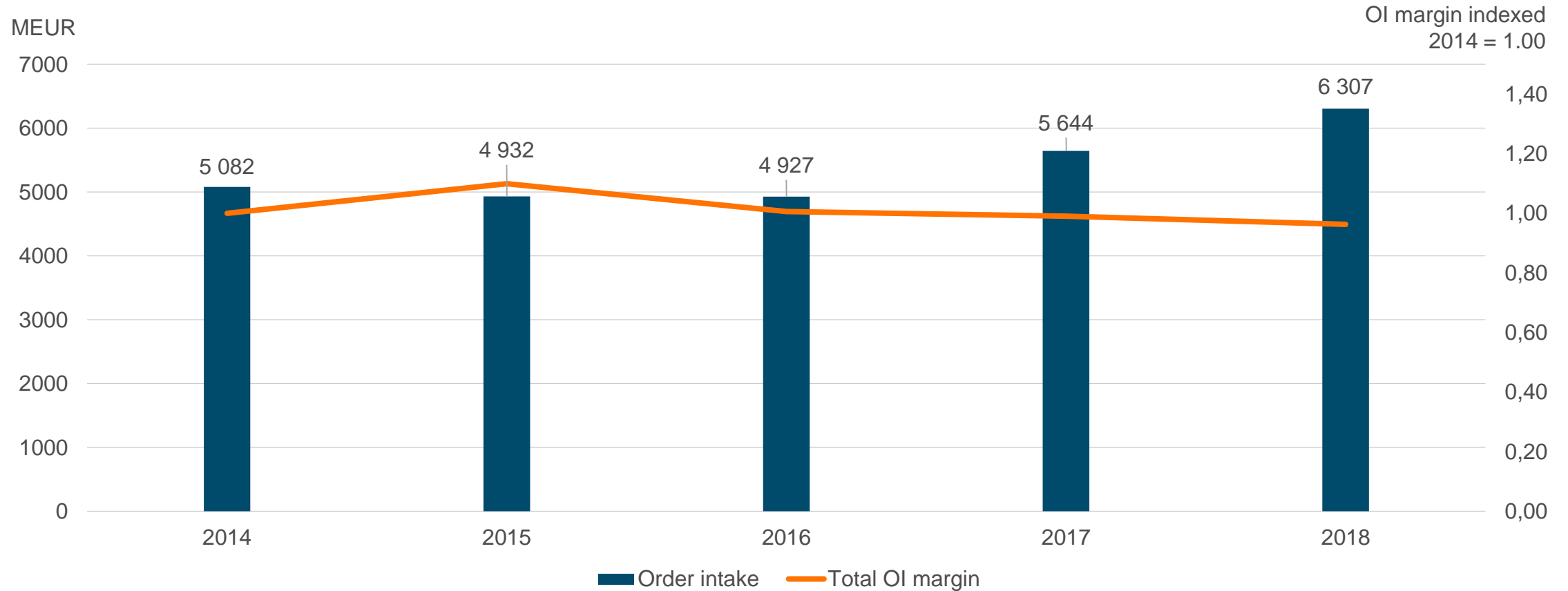
\*Total vessel contracting. Source: Clarksons

### Energy equipment order intake vs. gas and liquid fuelled power generation market

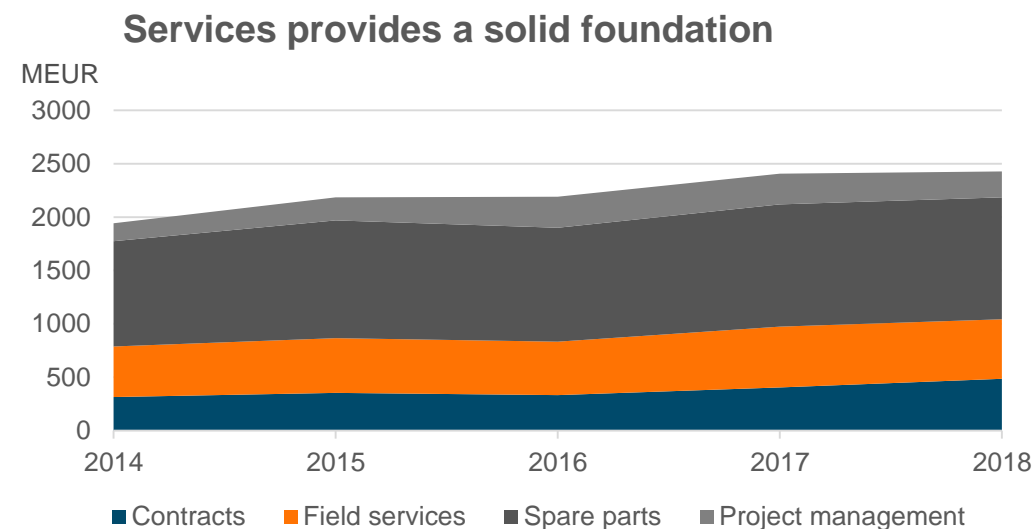
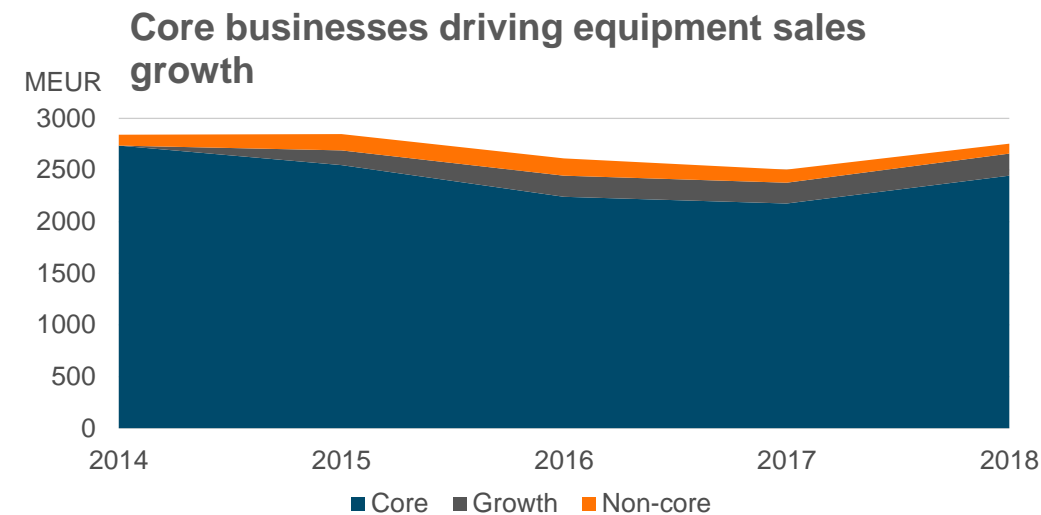
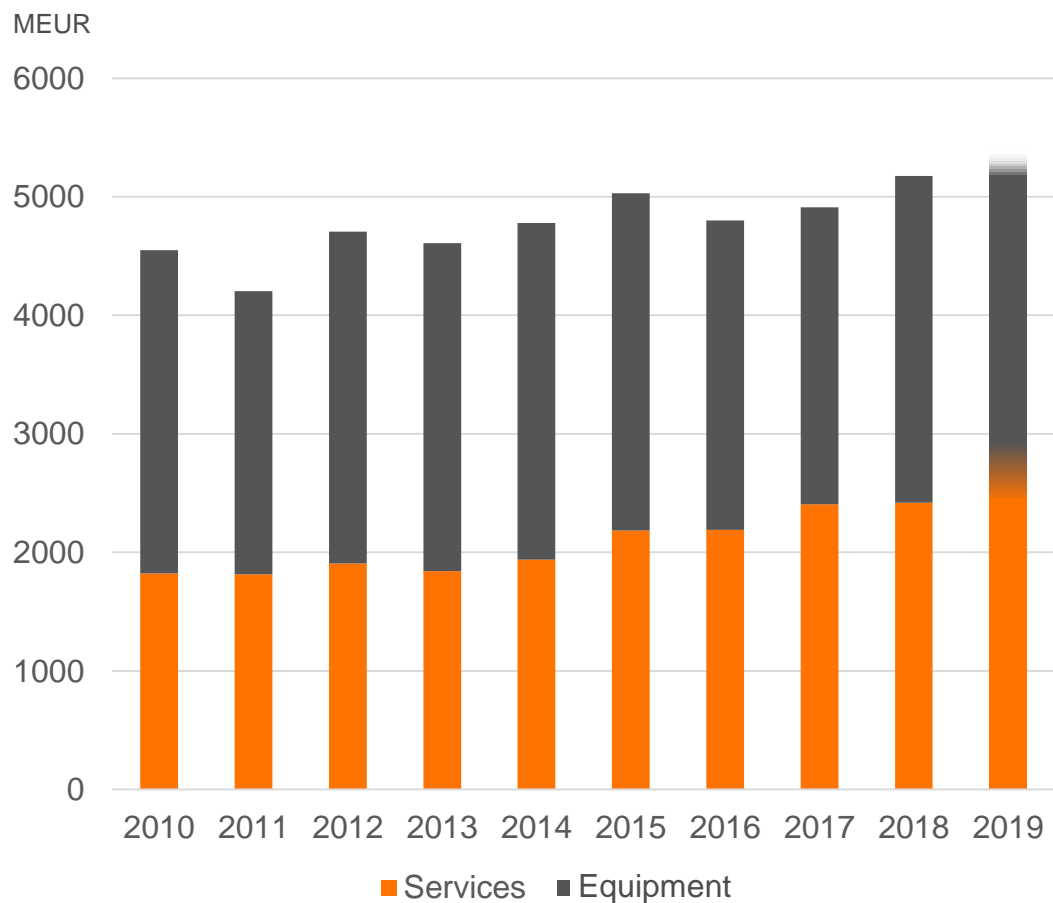


\*Market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based power plants with prime movers above 5 MW and below 500 MW, as well as the estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. The main gas turbine competitors are GE, Siemens, Mitsubishi and Ansaldo. Other combustion engines are not included.

## ...BUT CHALLENGING COMPETITIVE ENVIRONMENT IS REFLECTED IN ORDER INTAKE MARGIN

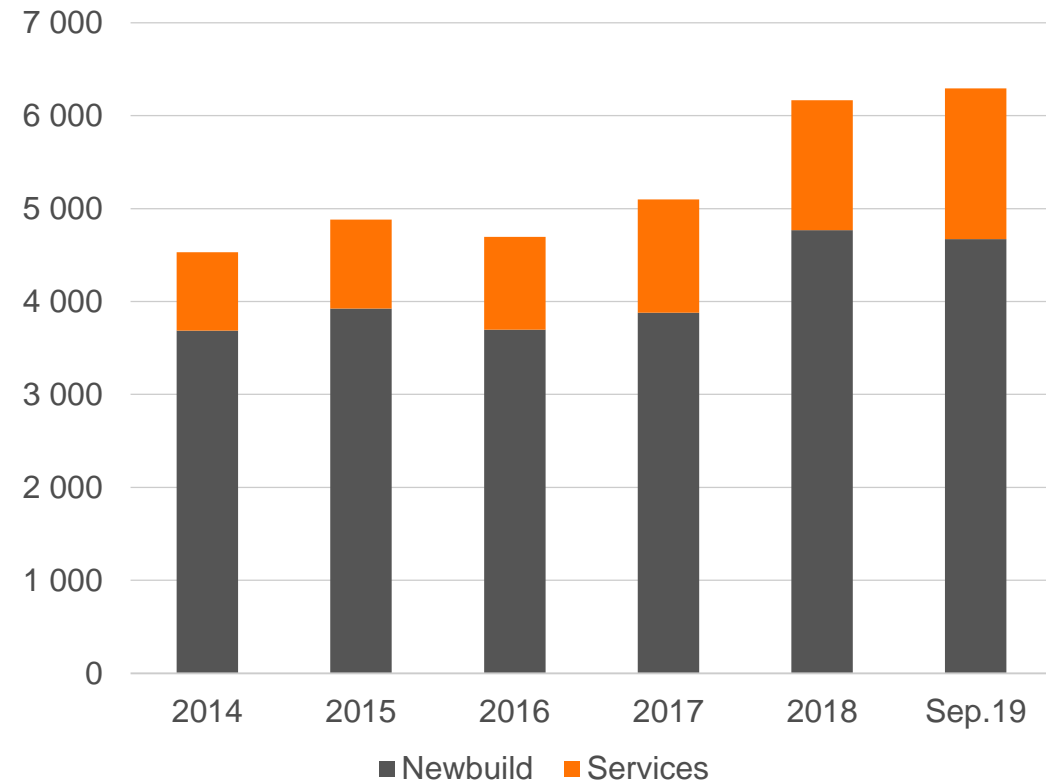


## CHANGING BUSINESS MIX IMPACTS PROFITABILITY

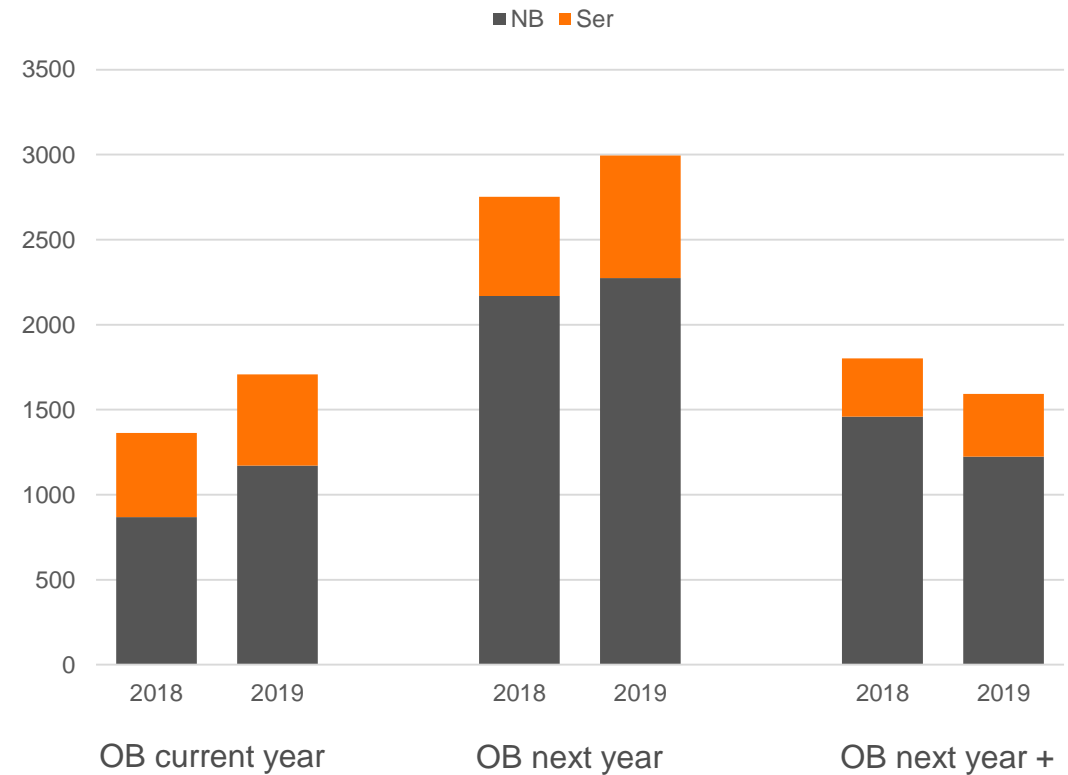


# ORDER BOOK DEVELOPMENT SUPPORTS NEAR-TERM GROWTH

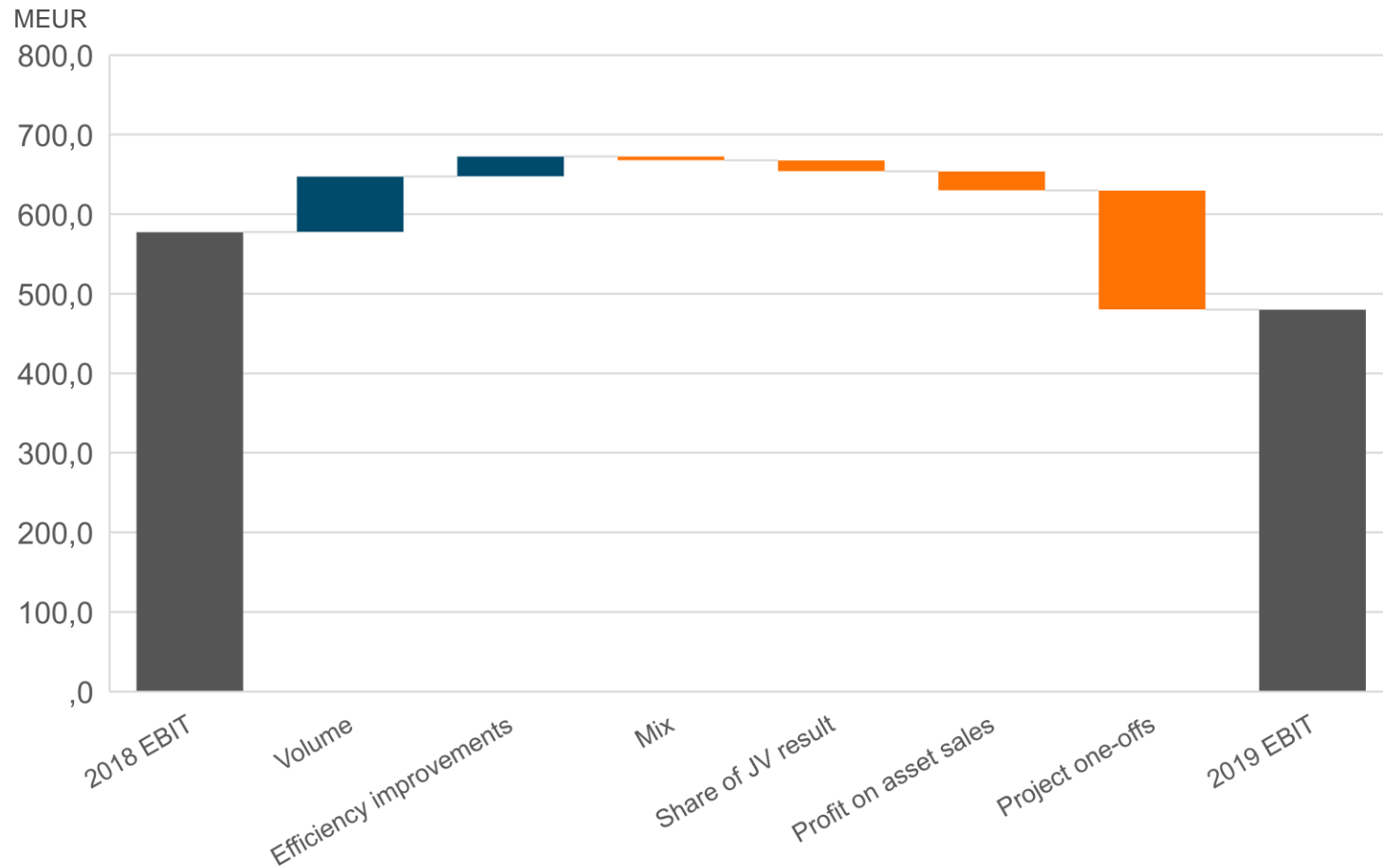
## Order book development



## Order book distribution - September



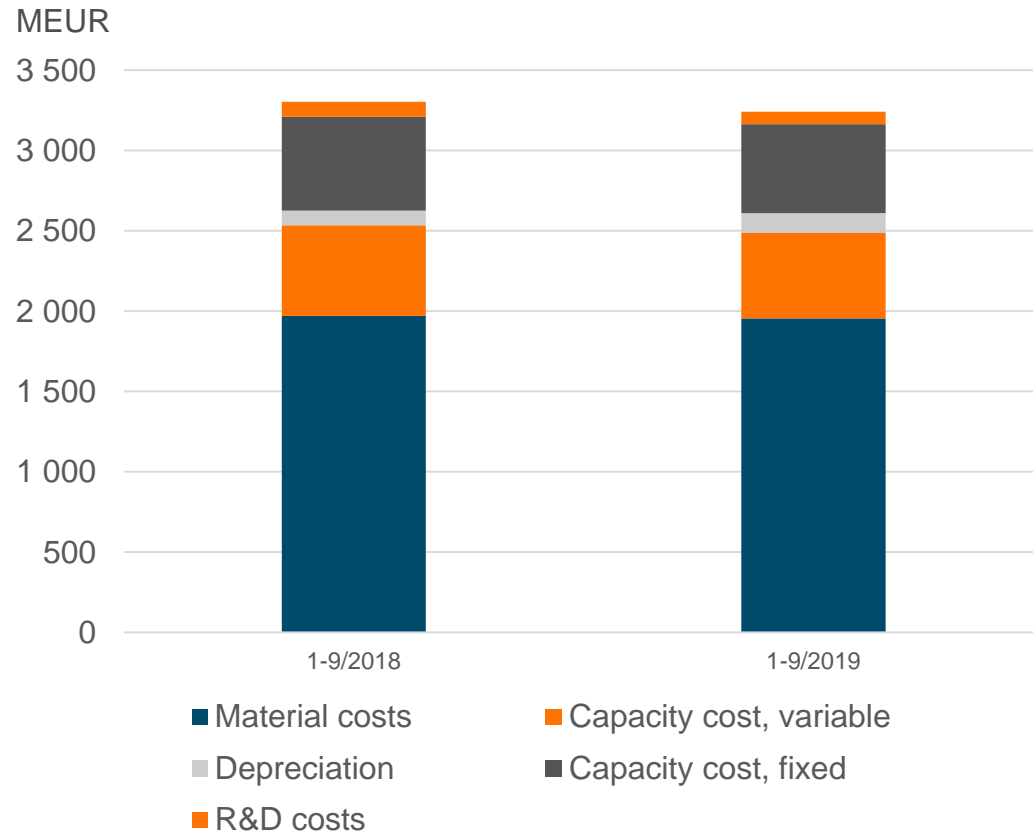
## TAILWINDS FROM VOLUMES AND EFFICIENCY IMPROVEMENTS ARE OFFSET BY PROJECT CHARGES



### Restoring near-term performance:

- Drive recovery in large projects
- Develop the core businesses, divest the non-core
- Further increase efficiency and agility in operations

## DRIVE COST-BASE EFFICIENCY



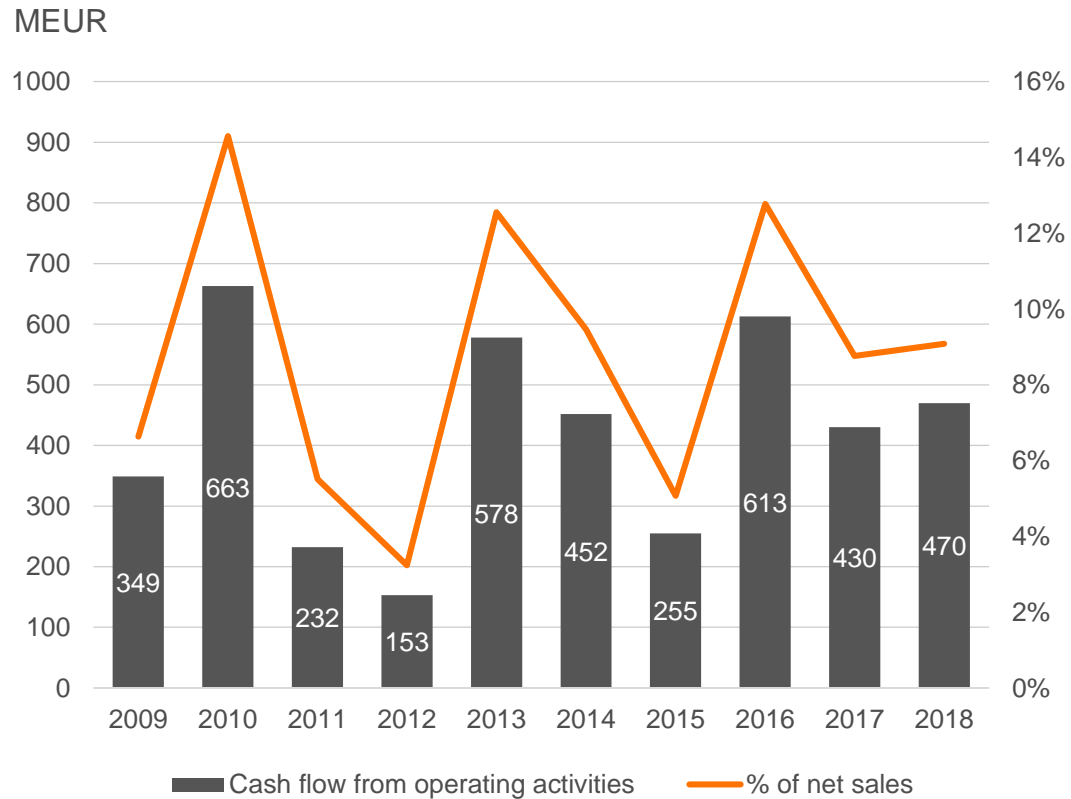
### Actions underway:

- Develop capacity cost flexibility
- Optimise manufacturing footprint and supply chain
- Standardise product specifications
- Enhance modular product development
- Simplify organisational and system structures
- Increase automation and new ways of working

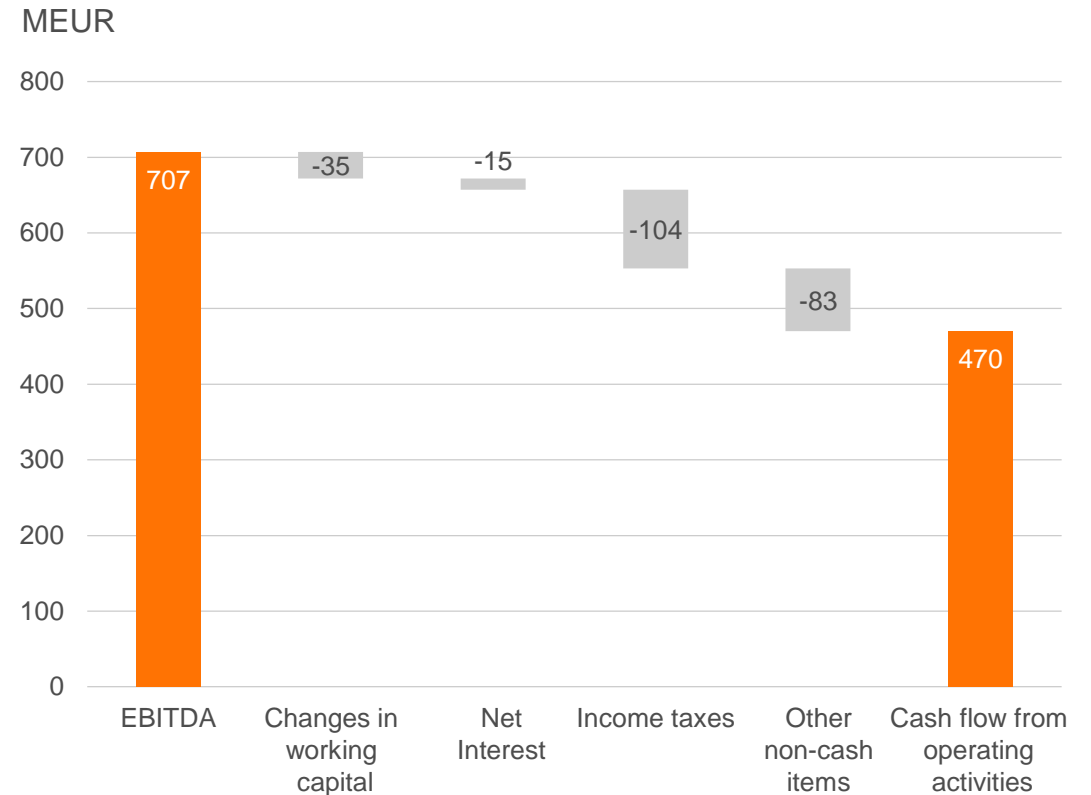


## GOOD LONG-TERM CASH GENERATION, BUT WORKING CAPITAL HAS HAD AN IMPACT...

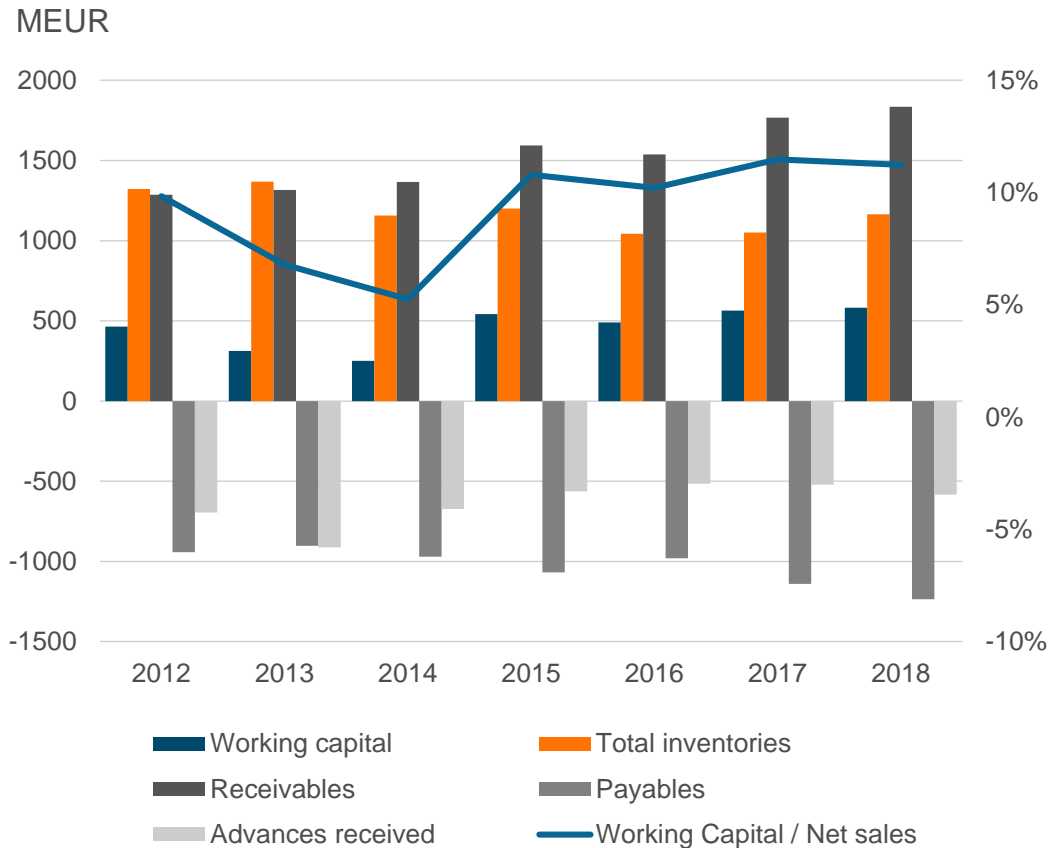
### Cash flow development



### Cash flow composition 2018



## ...LEADING TO FURTHER FOCUS ON IMPROVING WORKING CAPITAL EFFICIENCY

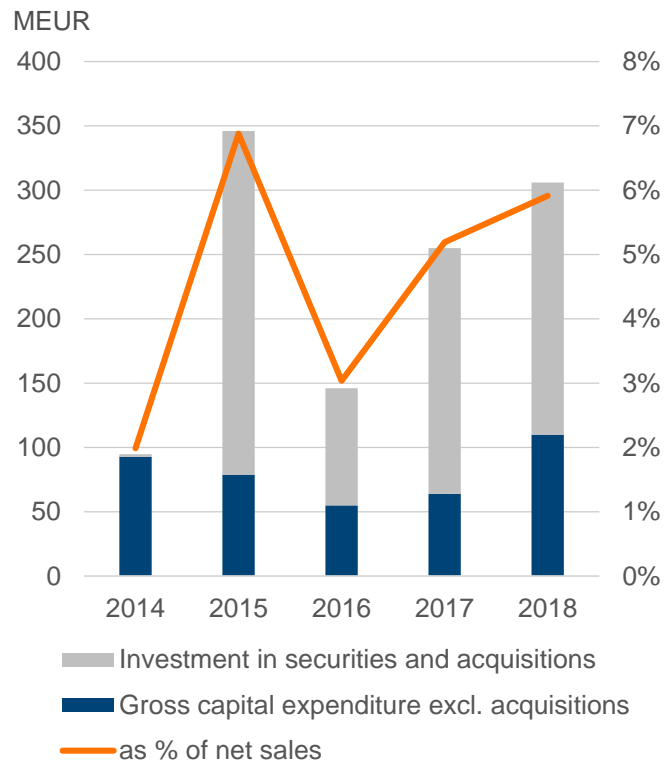


### Actions underway:

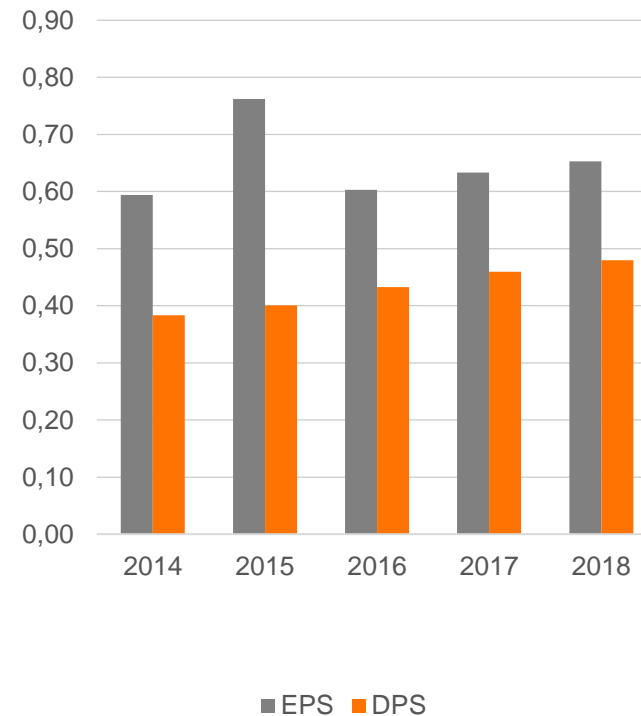
- Stronger alignment of payment terms for incoming and outgoing deliveries
- Improved global stock visibility and utilisation
- Increased share of lifecycle contracts enables better planning of spares demand and supply
- Centralised global credit management with strict enforcement

## OUR CAPITAL ALLOCATION PRIORITIES ARE UNCHANGED

### Capital expenditure remains below depreciation



### Committed to shareholder returns



Dividend payout target  
**≥50% of EPS over the cycle**

Outcome 2018:  
**74% of EPS**

Dividend yield 2018:  
**3.5%**

## COMMITTED TO OUR LONG-TERM TARGETS



### **GROW FASTER THAN GLOBAL GDP**

Focus on strengthening our position in strategic markets and growing the lifecycle business



### **10-14% PROFITABILITY**

Target continuous improvement, performance impacted by cycle and mix



### **MAINTAIN GEARING BELOW 50%**

Unleveraged balance sheet supports growth through acquisitions



### **DELIVER DIVIDEND OF $\geq 50\%$ OF EPS OVER THE CYCLE**

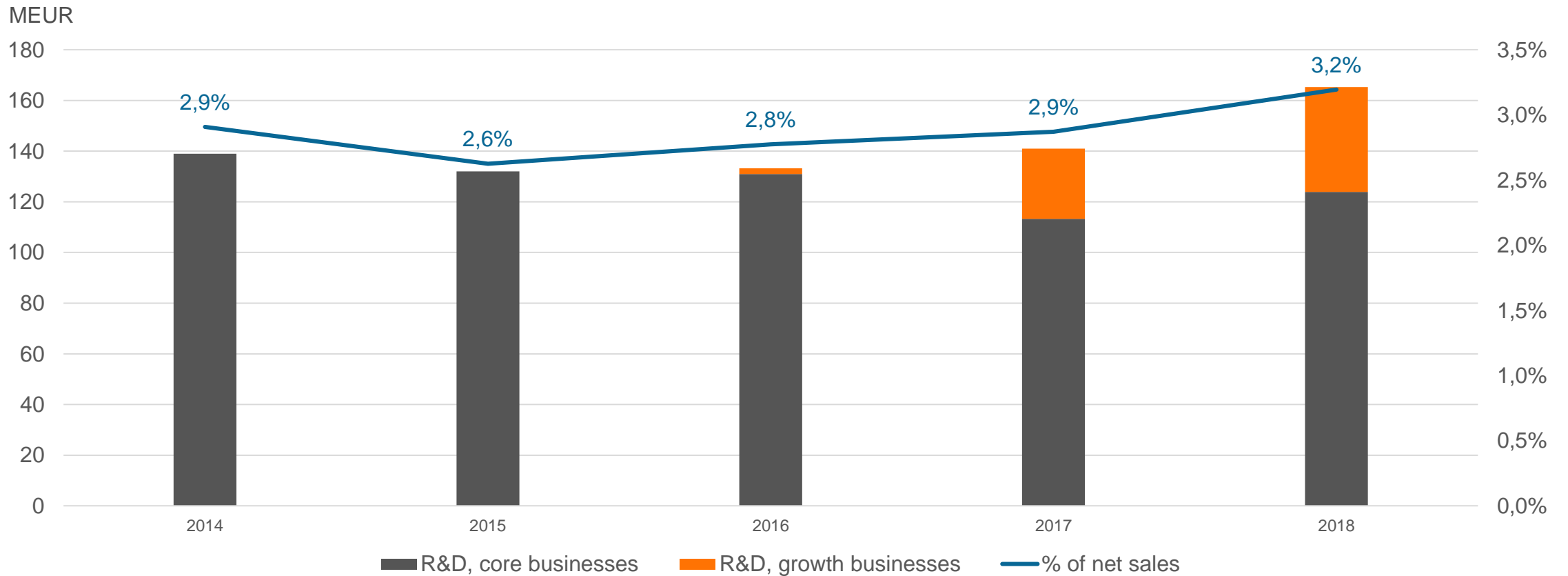
Committed to providing shareholder returns

# GROWTH DRIVERS

- Differentiate through broad offering
- Strengthen competences in growth markets and core businesses
- Invest in innovation and R&D
- Expand contract-based services sales
- Create scale in software solutions for the marine and energy markets

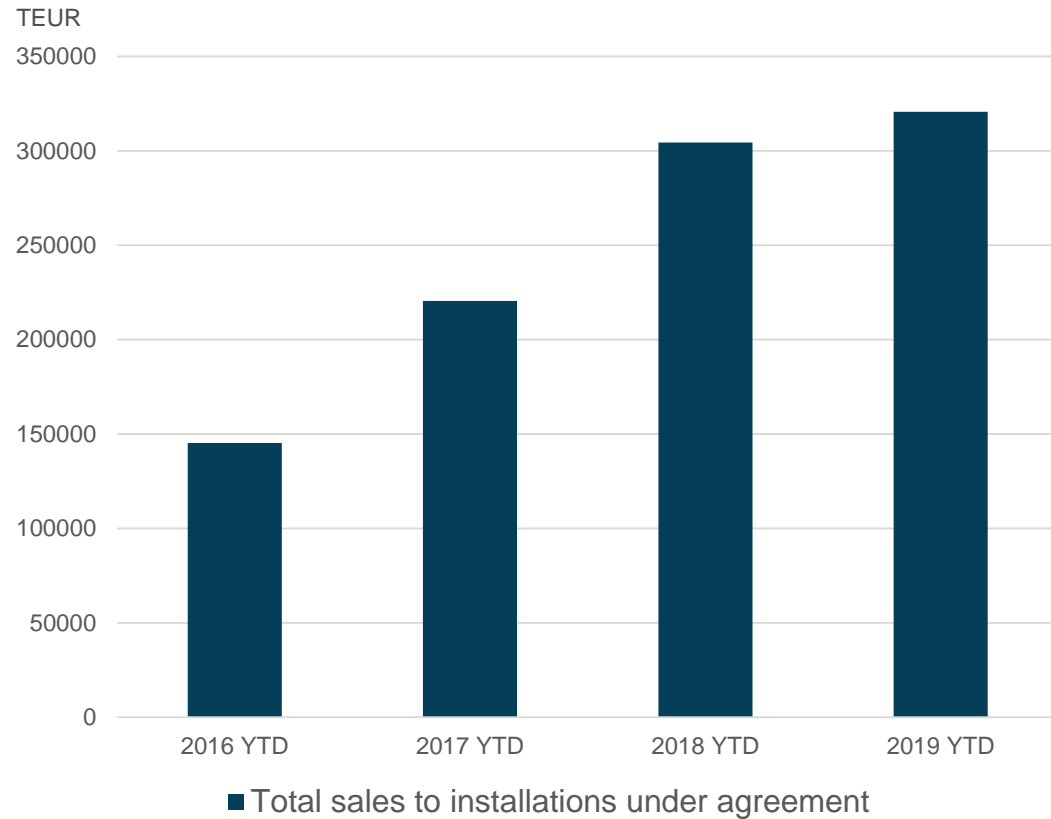


## R&D INVESTMENTS STRENGTHEN THE CORE BUSINESS AND SUPPORT OUR TRANSFORMATION

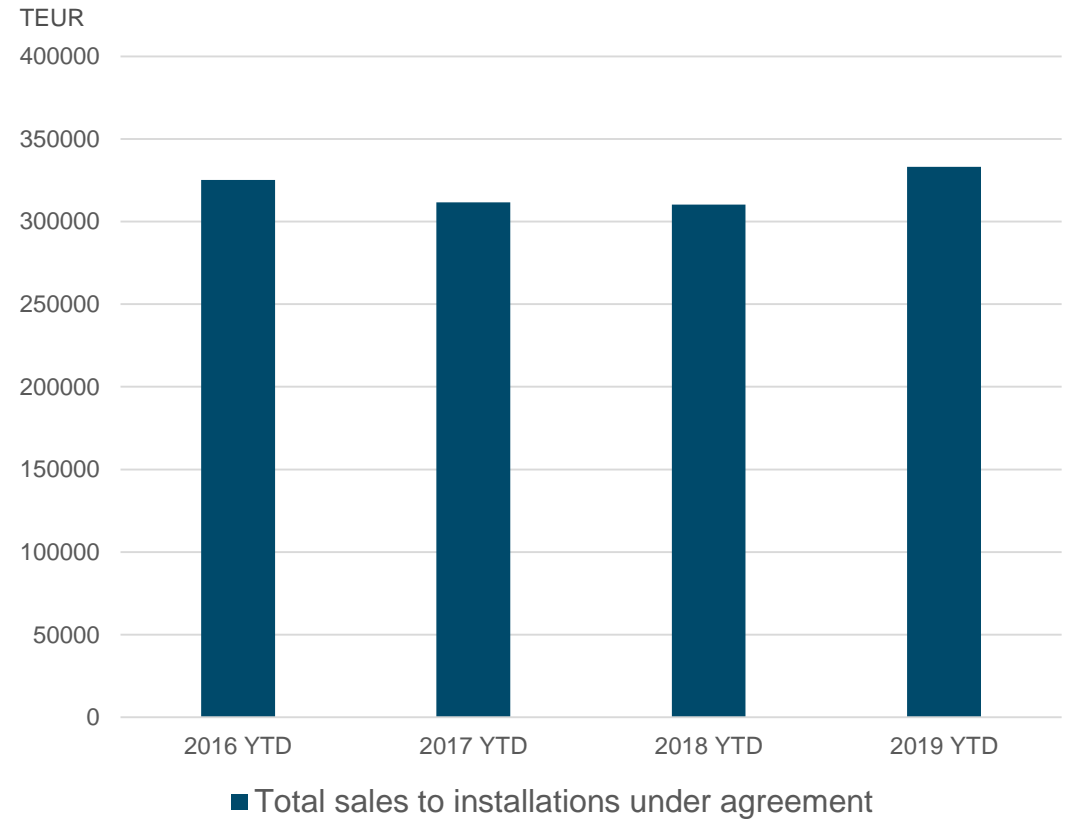


# IMPROVING SALES VISIBILITY AND ACCELERATING GROWTH THROUGH SERVICE AGREEMENTS

## Marine power supply



## Energy



# IMPROVING PROFITABILITY FOR LONG-TERM VALUE CREATION







**WÄRTSILÄ**

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