SOLID FINANCIAL POSITION

MARCO WIRÉN
Executive Vice President & CFO
2013 developing as expected

- Slight decrease in order intake
  - Delays in power plant customers’ decision-making mainly offset by good activity in shipping markets
- Continued growth in sales
- Good development in cash flow, working capital 10.2% of net sales
- Joint ventures illustrating improved performance
- On track to meeting 2013 guidance
  - Net sales growth of 0-5%
  - Profitability (EBIT% before non-recurring items) around 11%
## Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>6-9/2013</th>
<th>6-9/2012</th>
<th>1-9/2013</th>
<th>1-9/2012</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>1 097</td>
<td>1 275</td>
<td>3 520</td>
<td>3 583</td>
<td>4 940</td>
</tr>
<tr>
<td>Order book at the end of the period</td>
<td></td>
<td></td>
<td>4 568</td>
<td>4 724</td>
<td>4 492</td>
</tr>
<tr>
<td>Net sales</td>
<td>1 209</td>
<td>1 087</td>
<td>3 243</td>
<td>3 191</td>
<td>4 725</td>
</tr>
<tr>
<td>Operating result before non-recurring items</td>
<td>138</td>
<td>113</td>
<td>319</td>
<td>328</td>
<td>517</td>
</tr>
<tr>
<td>% of net sales</td>
<td>11.4</td>
<td>10.4</td>
<td>9.8</td>
<td>10.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Earnings/share, EUR</td>
<td>0.48</td>
<td>0.38</td>
<td>1.24</td>
<td>1.09</td>
<td>1.72</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>139</td>
<td>121</td>
<td>261</td>
<td>-34</td>
<td>153</td>
</tr>
<tr>
<td>Net interest-bearing debt at the end of the period</td>
<td></td>
<td></td>
<td>534</td>
<td>698</td>
<td>567</td>
</tr>
<tr>
<td>Gross capital expenditure</td>
<td></td>
<td></td>
<td>84</td>
<td>462</td>
<td>513</td>
</tr>
<tr>
<td>Gearing</td>
<td>0.31</td>
<td>0.42</td>
<td>0.32</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Net sales growth exceeds World GDP

Wärtsilä’s growth 2004 – 2013

GDP growth 2004 – 2013¹

Note 1: World nominal GDP growth, USD denominated, IMF World Economic Outlook October 2013
Strong presence in emerging markets

Net sales by business area and region 1-9/2013

- Americas
  - Services: 46%
  - Power Plants: 46%
  - Ship Power: 8%

- Europe
  - Services: 56%
  - Power Plants: 9%
  - Ship Power: 39%

- Asia
  - Services: 34%
  - Power Plants: 11%
  - Ship Power: 56%

- Middle East and Africa
  - Services: 26%
  - Power Plants: 3%
  - Ship Power: 71%
Limited exposure to forex risk

Net sales by currency 2012

Sensitivity analysis

Impact of EUR exchange rate compared to other currencies:

- +/- 10% would result in +/- 4% change in net sales
- Impact on profitability would be marginal
Flexible cost base

### Operating costs 2012
- **Variable**: 26%
- **Fixed**: 74%

### Operating costs by type 2012
- **Material and Services**: 59%
- **Employee benefit expenses**: 13%
- **Depreciation and amortisation**: 25%
- **Other operating expenses**: 3%
Solid profitability over the cycle

Elements of a robust business model has maintained our profitability over the cycle

- Capacity streamlining actions for Ship Power and PowerTech
- Flexible business model
- Strong Services business brings stability in fluctuating markets
- Increased global presence
- Strong foothold in emerging markets through increased local presence, capability and capacity
  - Focus on increasing production in growth markets
- Forerunner in gas and dual-fuel applications
- Broadened offering, e.g. through Hamworthy with Environmental and Flow & Gas solutions
- Improved supply chain management
Sustainable profitability of 14% is achievable through success in our key growth areas with an implementation of the underlying new operational models within the Group.
Prioritized actions

- Focusing on key strategic growth areas enables growth even in challenging markets
- Strengthen presence in emerging markets
- Maintain flexibility in operations
- Focus on internal efficiency
- Continued focus on financial position
Good development in cash flow

Cash flow from operating activities: including changes in working capital, financial items, and taxes
### Group working capital development

<table>
<thead>
<tr>
<th>Year</th>
<th>Working capital</th>
<th>Total inventories</th>
<th>Receivables</th>
<th>Payables</th>
<th>Advances received</th>
<th>Working capital / Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>459</td>
<td>118</td>
<td>235</td>
<td>-500</td>
<td>-1000</td>
<td>9%</td>
</tr>
<tr>
<td>2010</td>
<td>118</td>
<td>3%</td>
<td>235</td>
<td>-500</td>
<td>-1000</td>
<td>3%</td>
</tr>
<tr>
<td>2011</td>
<td>235</td>
<td>6%</td>
<td>235</td>
<td>-500</td>
<td>-1000</td>
<td>6%</td>
</tr>
<tr>
<td>2012</td>
<td>465</td>
<td>10%</td>
<td>235</td>
<td>-500</td>
<td>-1000</td>
<td>10%</td>
</tr>
</tbody>
</table>
Maintenance capex historically below depreciation

- Acquisitions and other share
- Expansion investments
- Maintenance investments
- Depreciation
Balanced maturity profiles for long-term loans and RCFs

Maturing long-term loans

- Average maturity: 52 months
- Interest rate (average): 1.9%

Maturing Revolving Credit Facilities

- Average maturity: 40 months

Note^1 As of end Q3 2013, MEUR 100 of a MEUR 150 EIB R&D loan remains undrawn

Note^2 As of end Q3 2013, none of the RCFs are drawn
Joint ventures – an expansion to growth markets

Strategic targets
- Increase presence, market share and net sales in key shipbuilding countries and growing markets
  - China, Korea, Russia
- Increase profitability
  - Establish production close to the main markets
  - Reduce product cost through local supply
  - Increase local content which is necessary to enter some markets

Joint venture sites
- Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co., Ltd.
  (QMD - Qingdao, China) 2-stroke engines
- Wärtsilä TMH Diesel Engine Company LLC
  (WTEC - Penza, Russia) 4-stroke engines
- Wärtsilä CME Zhenjiang Propeller Co Ltd
  (WCME - Zhenjiang, China) Propulsion
- Wärtsilä Qiyao Diesel Company Ltd
  (WQDC - Lingang, China) 4-stroke engines
- Wärtsilä-Yuchai Engine Company
  (WYEC - Zhuhai, China) 4-stroke engines

On-going footprint initiatives
- Wärtsilä-Hyundai Engine Company Ltd
  (WHEC - Mokpo, South Korea) 4-stroke engines
Joint ventures – profitability enablers for Wärtsilä

JOINT VENTURES:

WQDC: Wärtsilä Qiyao Diesel Co. Ltd., ownership 50%  
W20 auxiliary engines

WHEC: Wärtsilä-Hyundai Engine Company Ltd., ownership 50%  
W50DF gas engines

QMD: Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd, ownership 34%  
2-stroke engines

WCME: Wärtsilä CME Zhenjiang Propeller Co. Ltd, ownership 55%  
-100% consolidation in Wärtsilä P&L, minority 45% deducted as minority interest  
FPP/CPP propellers
M&A strategy - growth beyond organic

M&A activities continue to have an important role in our growth by improving our overall competitive position and customer offering.

2002
- John Crane-Lips UK
- JMC Marine A/S Denmark
- CGL Industries Ltd Canada
- Metalock Singapore Ltd Singapore

2003
- Caltax Marine Diesel BV Netherlands

2004
- Decam B.V. Netherlands
- Eclo Systems B.V Netherlands

2005
- Gerhardt Holding Co., Inc USA
- Deutz AG Germany

2006
- Stockholms fartygsparening AB Sweden
- INTEC GmbH Germany
- Total Automation Ltd Singapore
- Schiffko Germany
- Aker Kvaerner Power and Automation Systems AS Norway

2007
- Marine Propeller Ltd South Africa
- Senitec AB Sweden
- McCall Propeller Ltd United Kingdom
- Electrical Power Engineering Ltd United Kingdom
- Marine business of Railko Ltd United Kingdom

2008
- International Combustion Engineering A/S Denmark, Dubai
- Claus D. Christophel Mess- und Regeltechnik GmbH Germany
- Maritime Service AS Norway
- Navelec SAS France
- Vik-Sandvik Norway
- Conan Wu & Associates Pte Ltd Singapore

2009
- Navim Diesel Italy

2010
- MMI Singapore
- Hamworthy UK

2011
- Cedervall Sweden

2012
- Navim Diesel Sweden
POWER PLANT FINANCING
Financing support for Power Plants customers

- Power plant projects mainly in developing countries
- Financing sources a mix of local, international, commercial, governmental, export credit agency and multilateral financing depending on project type and industry
- We support our customers with financing solutions through vendor arranged funding
Financing need triggered by explicit RFP requirement for ECA financing in the tender

Customer need

- International tender for a 184MW gas fired power plant to be located in northern Sumatra
- Customer: PT Perusahaan Listrik Negara, the Indonesian state utility company
- Requirement: export credit agency supported financing

Wärtsilä’s solution

- Export credit guarantee and funding terms negotiated with Finnvera
- Standard Chartered Bank appointed arranger of the export credit facility
- Bid submitted by PT Wijaya Karya (Persero) Tbk
- Contracts signed and final approvals by Finnvera obtained in Q3/2013
Our financial position supports future growth

- Solid profitability, with target to reach 14%
- Strong, unleveraged balance sheet
- Working capital under control
- Low capex need, current investments proceeding according to plan
- Good access to liquidity and balanced loan maturity profile
- Sound foundation for future growth