REBUILDING SHAREHOLDER VALUE IN A CHALLENGING ENVIRONMENT

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CHIEF FINANCIAL OFFICER & EXECUTIVE VICE PRESIDENT
TOPICS FOR TODAY

Financial performance

Priorities for cash flow and capital allocation

Driving performance towards our long-term targets
UNIQUE OFFERING HELPS TO OFFSET SOFT MARKET ENVIRONMENT...

Marine equipment order intake vs. vessel contracting

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

*Total vessel contracting. Source: Clarksons

*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

Order intake

<table>
<thead>
<tr>
<th>Year</th>
<th>Order Intake (MEUR)</th>
<th>Total OI Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,082</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4,932</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4,927</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5,644</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6,307</td>
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</table>

OI margin indexed

2014 = 1.00

Arjen Berends
CHANGING BUSINESS MIX IMPACTS PROFITABILITY

Core businesses driving equipment sales growth

Services provides a solid foundation
ORDER BOOK DEVELOPMENT SUPPORTS NEAR-TERM GROWTH

Order book development

Order book distribution - September

Newbuild  Services

OB current year  OB next year  OB next year +
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

MEUR

<table>
<thead>
<tr>
<th>Year</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>349</td>
</tr>
<tr>
<td>2010</td>
<td>663</td>
</tr>
<tr>
<td>2011</td>
<td>232</td>
</tr>
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<td>2015</td>
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<tr>
<td>2016</td>
<td>613</td>
</tr>
<tr>
<td>2017</td>
<td>430</td>
</tr>
<tr>
<td>2018</td>
<td>470</td>
</tr>
</tbody>
</table>

% of net sales

EBITDA
Changes in working capital
Net Interest
Income taxes
Other non-cash items
Cash flow from operating activities
...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 ≥50% OF EPS OVER THE CYCLE
Committed to providing shareholder returns.

*Gearing target excludes impact of lease liabilities.
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

![Graph showing R&D investments as a percentage of net sales from 2014 to 2018. The chart indicates an increase in R&D investments from 2.6% in 2015 to 3.2% in 2018.](image-url)
IMPROVING SALES VISIBILITY AND ACCELERATING GROWTH THROUGH SERVICE AGREEMENTS

Marine power supply

Total sales to installations under agreement

Energy

Total sales to installations under agreement
IMPROVING PROFITABILITY FOR LONG-TERM VALUE CREATION

- Grow the lifecycle business
- Create scale in growth businesses
- Enhance efficiency and agility in operations
- Secure active portfolio management

10% at bottom of the cycle
14% at peak of the cycle