GOOD STRATEGY IMPLEMENTATION DELIVERS SHAREHOLDER VALUE

Marco Wirén,
CFO and Executive Vice President
GROW FASTER THAN GLOBAL GDP
Focus on strengthening position in strategic growth markets

REACH 14% PROFITABILITY
Enhanced performance through continuous improvement

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
GROWTH AND PROFITABILITY DRIVERS

› Smart strategies with increased customer value
› New business models and innovation

› Operational excellence and digitalisation
› Bolt-on M&A and portfolio management

INCREASING ENVIRONMENTAL AWARENESS
INVESTING IN SOFTWARE ROBOTICS AND AI
IMPROVING SAFETY
REDUCING CUSTOMERS’ OPEX
Global slowdown has affected our sales development…

GDP growth

Wärtsilä's sales growth

Advanced economies
Emerging market and developing economies

Net sales
…while recent strong order book build-up supports future growth

Order book development

MEUR

2013 2014 2015 2016 2017

Marine Solutions  Energy Solutions  Services

NEW EQUIPMENT BUSINESSES

MARINE SOLUTIONS
6 months – 2.5 years

ENERGY SOLUTIONS
6 months – 2 years

SERVICES
TRANSACTIONAL
≤ 3 months

LONG-TERM BUSINESS
≤ 24 months
Actions in place to reach our profitability target

How to reach 14% EBIT?

- Challenging operating environment but signs of market recovery, driving growth and profitability
  - Operational excellence
  - Software robotics
  - Optimised portfolio
- Growth
  - Smart strategies provide a foundation for growth
  - Leverage existing competencies to capture new business opportunities
  - New business models – optimise customers’ business
OPERATIONAL EXCELLENCE AND DIGITALISATION DRIVING EFFICIENCY GAINS
Operational excellence improving productivity and efficiency throughout the product lifecycle

EXAMPLES OF INITIATIVES

**ENGINES PRODUCTION FLOW IMPROVEMENT**
- Material availability and logistics improvement
- Assembly time reduction
- Performance management

**IMPROVED FIELD SERVICE ORDER INTAKE PROCESS – IN SEVERAL SERVICE UNITS**
- Value Stream Mapping
- Process ‘waste’ reduction
- Performance management

**DIGITAL PERFORMANCE MANAGEMENT**
- Digital platform for collecting, analysing and sharing engine test data within the ecosystem
Operational excellence improving productivity and efficiency throughout the product lifecycle

IMPACT

ENGINES PRODUCTION FLOW IMPROVEMENT
› 30% productivity improvement in assembly
› Reduced work-in-progress
› Close to 70% space utilisation reduction in Trieste facility

IMPROVED FIELD SERVICE ORDER INTAKE PROCESS – IN SEVERAL SERVICE UNITS
› Time-to-quote reduced by >50%
› Increased sales

DIGITAL PERFORMANCE MANAGEMENT
› Transparent real-time information, reducing waste and misunderstandings
› Increased customer service and satisfaction
Robotics are driving further efficiencies

- First software robots in 2015
- Over 100 processes handed over with significant benefits gained
- Currently deploying Artificial Intelligence
- Expanding from support functions to businesses
Customer needs in center of portfolio management

› Adapting to changing markets with active portfolio management
› Selected acquisitions to fill gaps in portfolio
› Financial capability to also do landmark acquisitions

2015
- Acquisition of L-3 Marine Systems International

2016
- Divestment of 2-stroke engine business (WinGD)
- Acquisition of Weir American Hydro
- Acquisition of Eniram
- Divestment of power drives business

2017
- Divestment of Funa Electrical safety and communication solutions
- Divestment of Funa Offshore
- Acquisition of Greensmith
- Acquisition of Puregas Solutions
- Acquisition of Guidance Marine
- Acquisition of Trident

2018
- Acquisition of Lock-N-Stitch
- Acquisition of Transas
IMPLICATIONS OF SMART STRATEGIES ON CAPITAL ALLOCATION
Strong operating cash flow with over 2.3 BEUR generated over the past five years

**Operating cash flow development**

<table>
<thead>
<tr>
<th>Year</th>
<th>MEUR</th>
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<tr>
<td>2009</td>
<td>260</td>
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<tr>
<td>2010</td>
<td>663</td>
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<tr>
<td>2011</td>
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<tr>
<td>2016</td>
<td>430</td>
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<td>2017</td>
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**Cash flow composition 2017**

<table>
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<tr>
<th>Component</th>
<th>Amount</th>
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<tbody>
<tr>
<td>EBITDA 2017</td>
<td>724</td>
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<tr>
<td>Changes in working capital</td>
<td>-102</td>
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<tr>
<td>Net interest</td>
<td>-6</td>
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<td>Income taxes</td>
<td>-119</td>
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<tr>
<td>Other</td>
<td>-67</td>
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<tr>
<td>Cash flow from operating activities, 2017</td>
<td>430</td>
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Unleveraged balance sheet ensures investing capability
Increasing R&D investments to maintain technology leadership

- Seamless integration of hardware and software
- R&D allocation moving more to software and digital to support our smart strategies
- Focus on optimised performance and operational flexibility
- Increased focus on IPR

Note: * Restated due to the two-stroke business being classified as discontinued operations
Investing into smart strategies

- Digital transformation – Investing in culture change to secure digitalisation enablers
- Offering – Investments to apply digitalisation in our existing products and solutions
- Acquisitions focus:
  - Acquiring technology and capabilities to develop our smart offering
  - Ongoing market consolidation creates opportunities that are evaluated in terms of strategic fit
  - Services growth is supported by suitable bolt-on acquisitions and new offerings
Delivering shareholder value

- Financial development is in line with the targets
- Growth elements are in place
- Driving more efficient operations
- Further developing our smart offering

Total shareholder return

Return index

<table>
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<tr>
<th>Year</th>
<th>Wärtsilä</th>
<th>OMXH</th>
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<tbody>
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<td>2018</td>
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THANK YOU