WÄRTSILÄ CORPORATION

HALF YEAR FINANCIAL REPORT
JANUARY-JUNE 2017

20 July 2017
Jaakko Eskola, President & CEO
Highlights Q2/2017

- Order intake EUR 1,363 million, +14%
- Net sales EUR 1,292 million, +8%
- Book-to-bill 1.05 (1.00)
- Comparable operating result EUR 126 million (122), which represents 9.7% of net sales (10.2)
- Earnings per share EUR 0.38 (0.19)
- Cash flow from operating activities EUR 2 million (202)
- Order book at the end of the period EUR 5,065 million (5,083)
Order intake developed well in all business areas

Second quarter development

Order intake developed well in all business areas
Net sales supported by higher power plant deliveries

Second quarter development

<table>
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<tr>
<th>Year</th>
<th>MEUR</th>
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<td>2013</td>
<td>1,292</td>
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<td>2014</td>
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Q1-Q2 | Q3-Q4

- Services: 1% growth, 87% growth
- Marine Solutions: -23% growth, 8% growth
- Energy Solutions: 87% growth, 8% growth
Net sales by business 1-6/2017

- Services: 45% (48)
- Marine Solutions: 27% (36)
- Energy Solutions: 28% (16)
Book-to-bill

ORDER INTAKE, NET SALES AND BOOK-TO-BILL RATIO

- Order intake
- Net sales
- Book-to-bill ratio


Values:
- Order intake: 1.05, 1.06, 0.98, 1.03, 1.21
- Net sales: 4500, 1000, 1500, 2000, 2500, 3000, 3500, 4000, 4500, 5000
- Book-to-bill ratio: 0.0, 0.2, 0.4, 0.6, 0.8, 1.0, 1.2, 1.4
Order book distribution

[Bar chart showing order book distribution for 30.6.2016 and 30.6.2017. The chart compares delivery current year (blue) and delivery next year or later (orange).]
Items affecting comparability included costs related to restructuring programmes of EUR 8 million (26) in the second quarter of 2017 and EUR 14 million (27) during the review period January-June. Figures for 2013 include both discontinued and continuing operations.

Comparable operating result

% of net sales

Review period development
Stable development in Services’ net sales

Second quarter development

- Q2/2016: 542 MEUR, increase 1%
- Q2/2017: 546 MEUR

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<tr>
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Net sales distribution 1-6/2017

By product area
- Spare parts 51% (51)
- Agreements 17% (15)
- Projects 9% (9)
- Field service 23% (24)

By segment
- Power plants 38% (37)
- Cruise & ferry 16% (13)
- Merchant 23% (25)
- Navy 9% (8)
- Offshore 7% (9)
- Special vessels 7% (8)

Total EUR 1,035 million (1,042)
Installed base covered by service agreements

MW under agreement – Energy Solutions
MW under agreement – Marine Solutions
% of Marine Solutions’ installed base
% of Energy Solutions’ installed base
Wärtsilä to install a hybrid system with batteries on board Eidesvik Offshore’s vessel

- The Viking Princess is the first offshore supply vessel to replace a generator with batteries
- The storage solution improves efficiency, generating fuel savings and reducing CO2 emissions
Quotation activity by fuel type

- Multi-fuel
- Gas
- Liquid fuel

Calculated on a 12 months rolling basis
Continued momentum in Energy Solutions’ order intake

Review period development
Total EUR 766 million (616)

- Utilities: 10%
- Independent power producers: 26%
- Industrials: 64%

Review period order intake by fuel in MW
- Oil: 38%
- Gas: 62%
Order intake globally

- **Order intake 1-6/2017: 1,806 MW (1,886)**

  **Europe**
  - 198 (920)
  - Utilities: 110
  - IPP’s: 75
  - Industrials: 13

  **Asia**
  - 1,087 (368)
  - Utilities: 545
  - IPP’s: 534
  - Industrials: 8

  **Americas**
  - 348 (299)
  - Utilities: 329
  - IPP’s: 18
  - Industrials: 13

  **Africa and Middle East**
  - 173 (299)
  - Utilities: 100
  - IPP’s: 23
  - Industrials: 50
Energy storage steps in to solve peaker plant crisis

- Greensmith’s GEMS software platform selected when a sudden loss in peaker plant capacity in Pomona, California was replaced with energy storage.
- By leveraging major OEM relationships, North America’s largest and most complex energy storage system was delivered safely, reliably in a record less than 4 months.
- The storage solution delivers 80 MWh of electricity during peak periods of energy demand to power around 15,000 homes for 4 hours each day.
Market for gas and liquid fuel power plants, <500 MW

Market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter.

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.
Marine market environment remains challenging

Source: Clarkson Research Services, figures exclude late contracting
* CGT= gross tonnage compensated with workload
Marine Solutions’ order intake supported by favourable vessel mix

Review period development
Total EUR 725 million (741)

- Offshore 2%
- Special vessels 6%
- Cruise 31%
- Gas carriers 29%
- Others 3%
- Navy 9%
- Traditional merchant 18%
- Ferry 3%

Q1-Q2 Q3-Q4

2013 1 500 725
2014 1 800 741
2015 1 500 725
2016 1 200 686
2017 900 686

MEUR
Wärtsilä’s unique HY hybrid power module increases efficiency and flexibility

- The hybrid power module combines engines, energy storage, and power electronics
- Benefits include reduced fuel consumption and emissions, as well as improved vessel performance and safety
- Rimorchiatori Riuniti’s new harbour tug will be the first vessel to feature the Wärtsilä HY innovation
Market position of Wärtsilä’s marine engines

**Medium-speed main engines**
- Wärtsilä: 40% (45)
- Caterpillar: 13% (17)
- MAN D&T: 30% (27)
- Others: 17% (11)

Total market volume last 12 months: 3,065 MW (2,235)

**Auxiliary engines**
- Wärtsilä: 8% (20)
- Others: 92% (80)

Total market volume last 12 months: 1,680 MW (1,340)

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.
Cash flow from operating activities affected by increased receivables

Review period development

MEUR

2013 2014 2015 2016

MEUR

1-6/2016 1-6/2017

Wärtsilä

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PUBLIC

20 July 2017 Half year financial report 2017
Working capital

Review period development

*Working capital / 12 months rolling net sales

*Working capital / Net sales
**Gearing**

Review period development

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Prospects for 2017

Wärtsilä’s overall development in 2017 is expected to be relatively unchanged from the previous year. Demand by business area is anticipated to develop as follows:

- Solid in Services with growth opportunities
- Good in Energy Solutions
- Solid in Marine Solutions (raised from soft)
THANK YOU

Further information:
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