

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

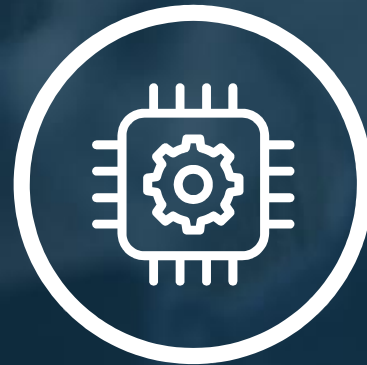


**DELIVER DIVIDEND
OF ≥50% OF EPS
OVER THE CYCLE**

Committed to providing shareholder returns



**INCREASING
ENVIRONMENTAL
AWARENESS**



**INVESTING IN
SOFTWARE
ROBOTICS AND AI**



**IMPROVING
SAFETY**



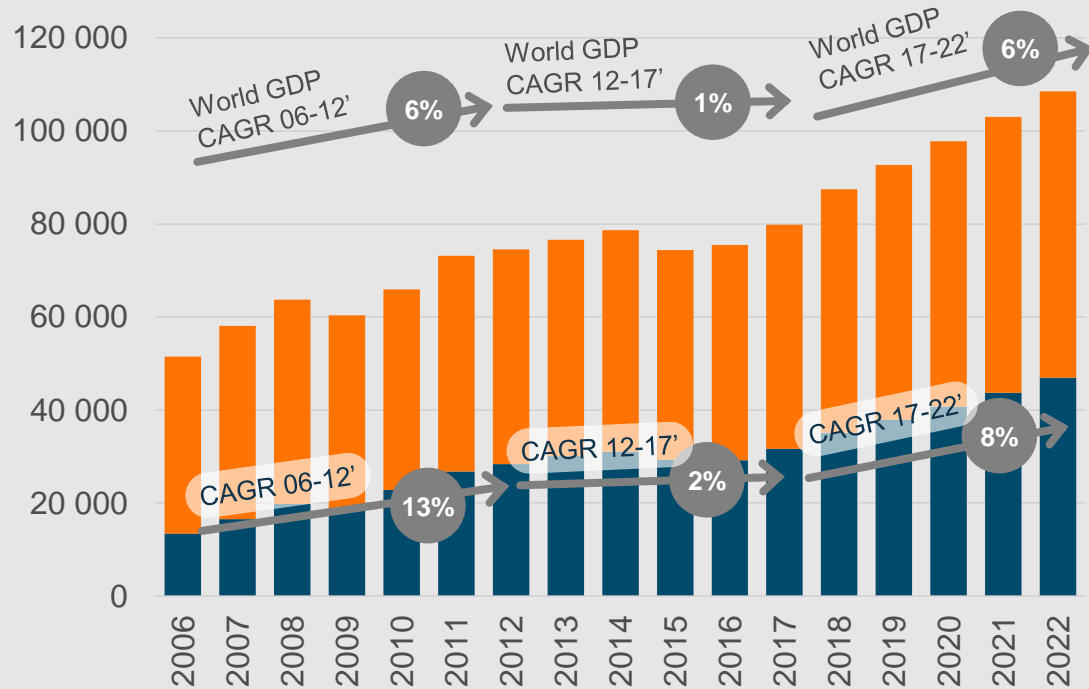
**REDUCING
CUSTOMERS'
OPEX**

-
- › Smart strategies with increased customer value
 - › New business models and innovation
 - › Operational excellence and digitalisation
 - › Bolt-on M&A and portfolio management

Global slowdown has affected our sales development...

GDP growth

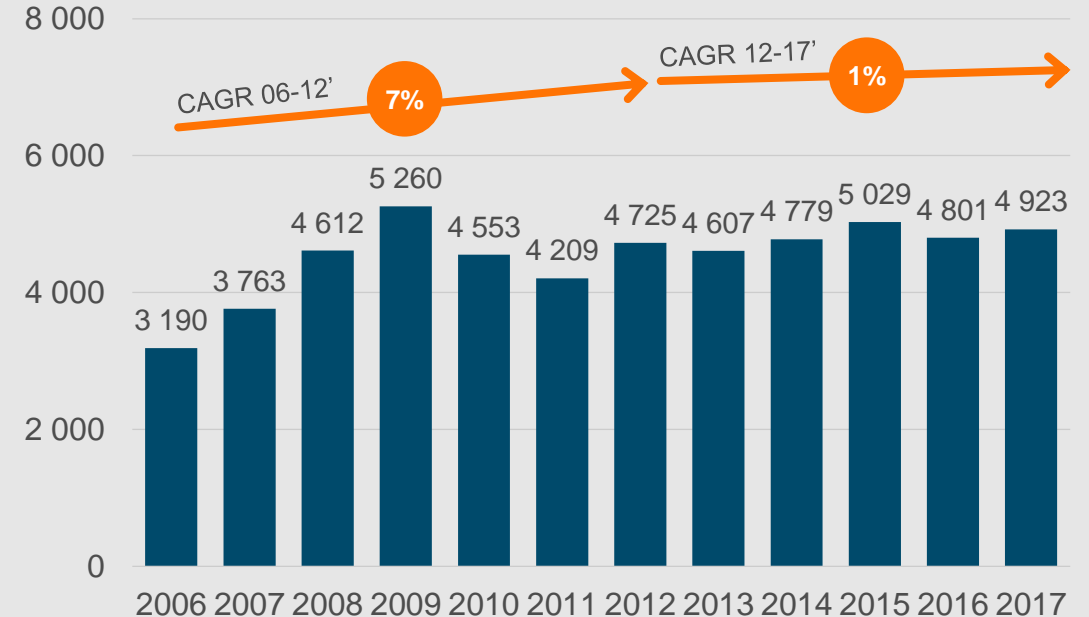
MEUR



■ Advanced economies ■ Emerging market and developing economies

Wärtsilä's sales growth

MEUR

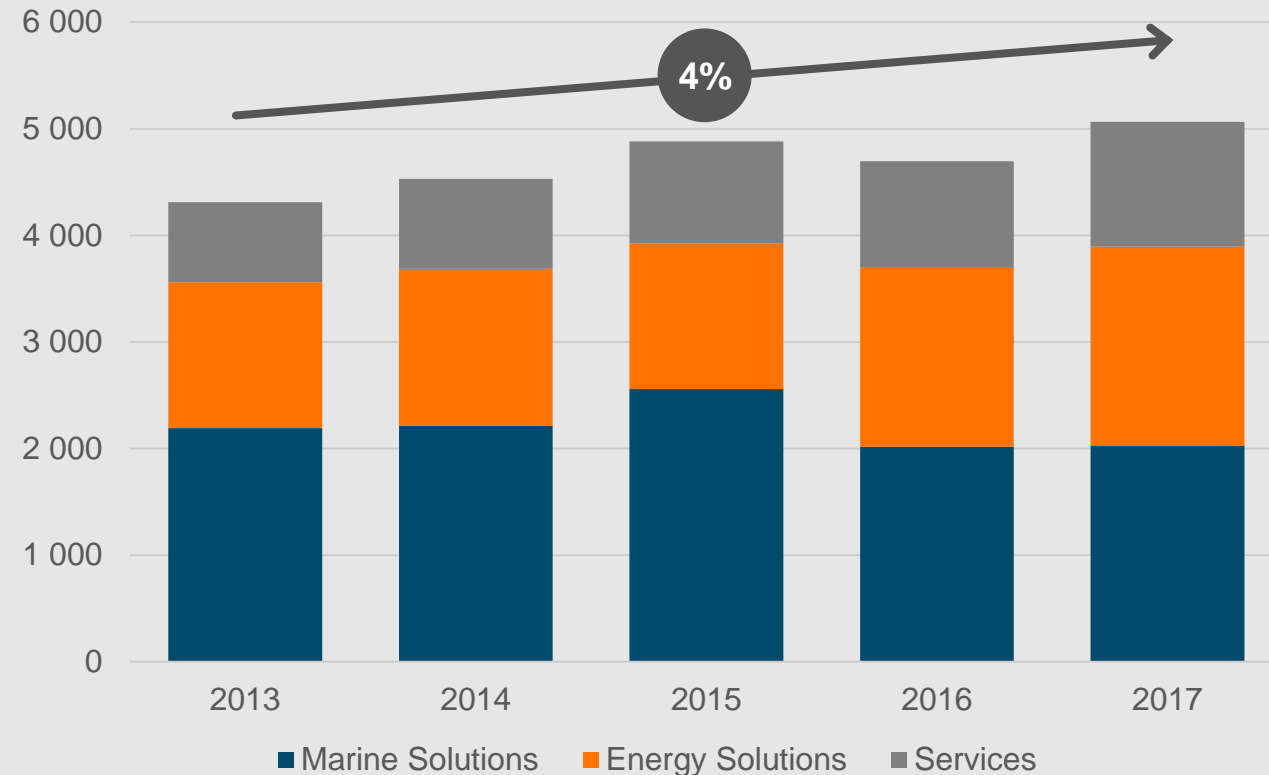


■ Net sales

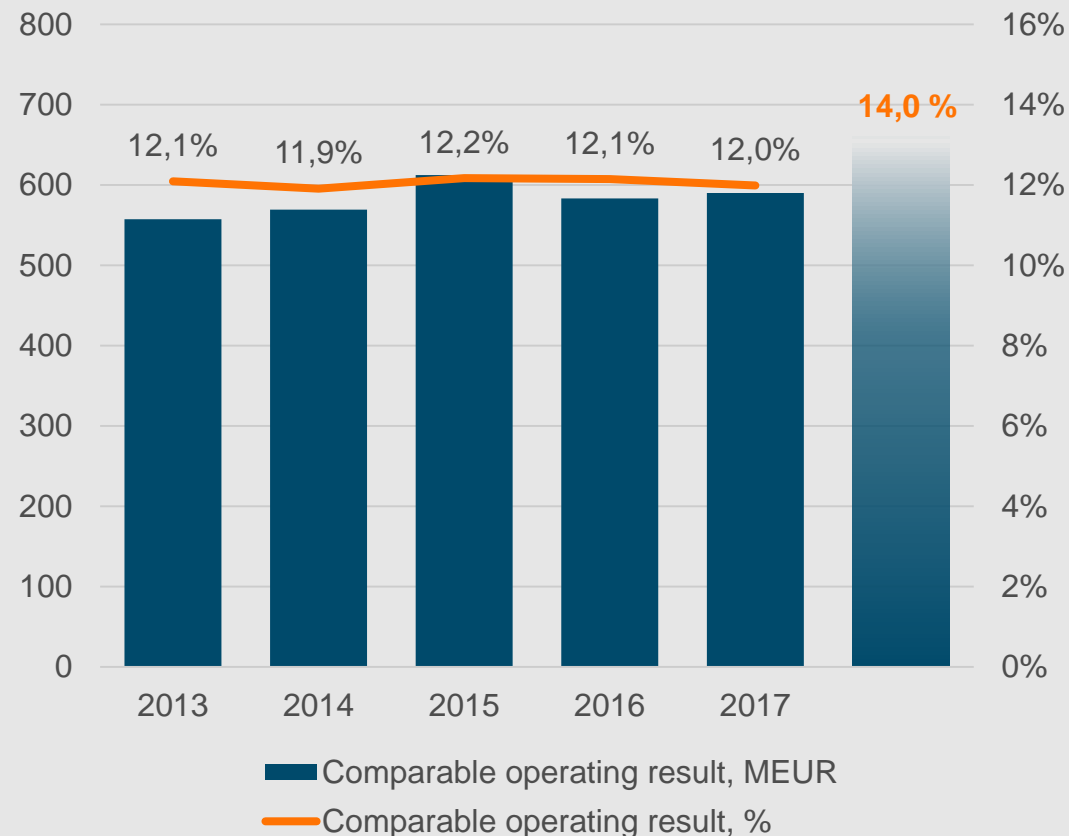
...while recent strong order book build-up supports future growth

Order book development

MEUR



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
- Increased efficiency
 - 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

A worker wearing a red Wartsila hard hat and a blue safety vest is looking at a tablet computer. The background is a blurred construction site with various pipes and structures. The text "OPERATIONAL EXCELLENCE AND DIGITALISATION DRIVING EFFICIENCY GAINS" is overlaid in white on the image.

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



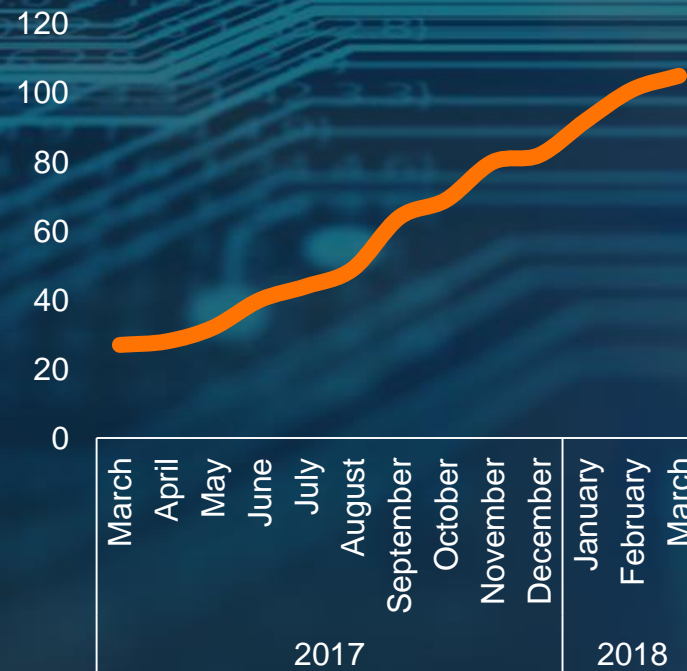
DIGITAL PERFORMANCE MANAGEMENT

- › 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

Steady increase in automated processes



Release activity over last twelve months



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

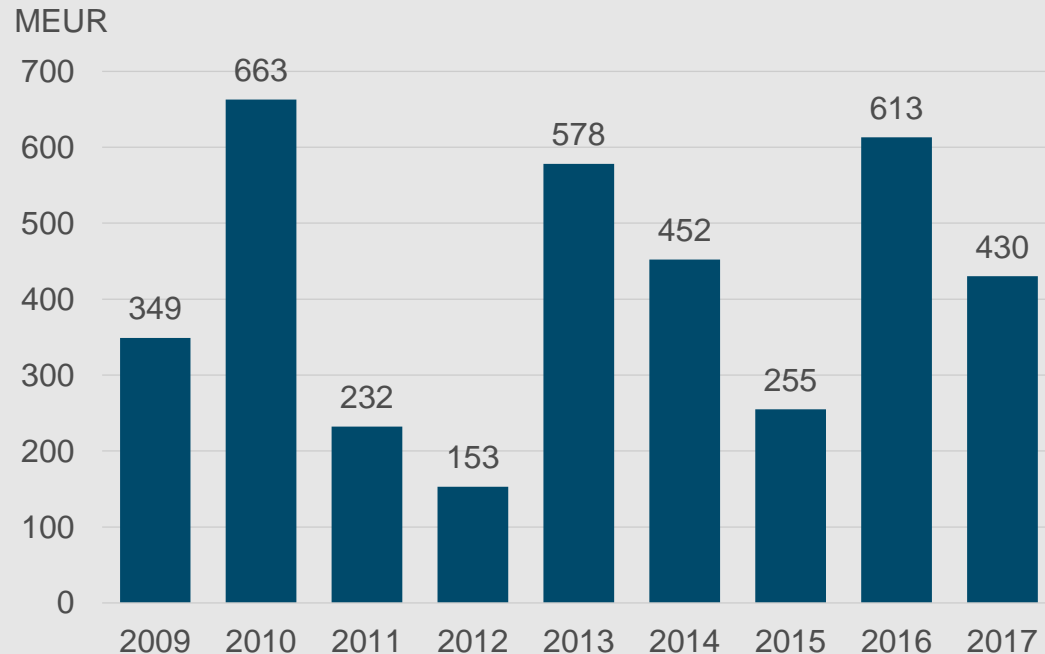
- Acquisition of Lock-N-Stitch
- Acquisition of Transas

A blurred background image showing several people in a meeting or office setting, with a hand pointing at a document in the foreground.

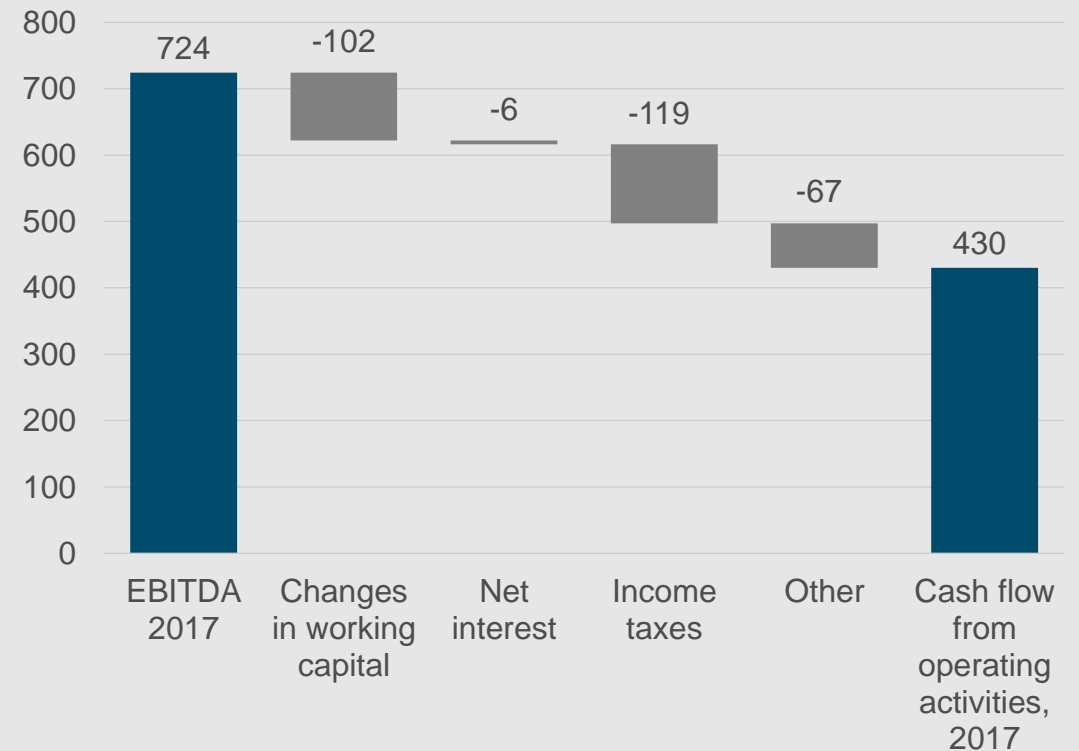
IMPLICATIONS OF SMART STRATEGIES ON CAPITAL ALLOCATION

Strong operating cash flow with over 2.3 BEUR generated over the past five years

Operating cash flow development



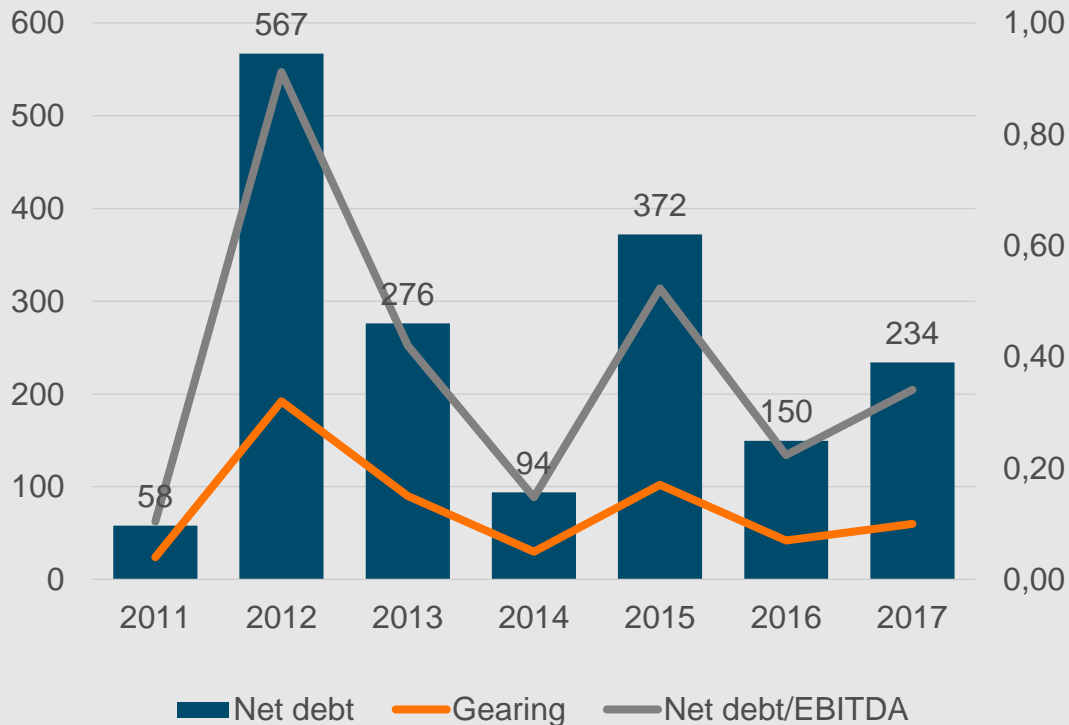
Cash flow composition 2017



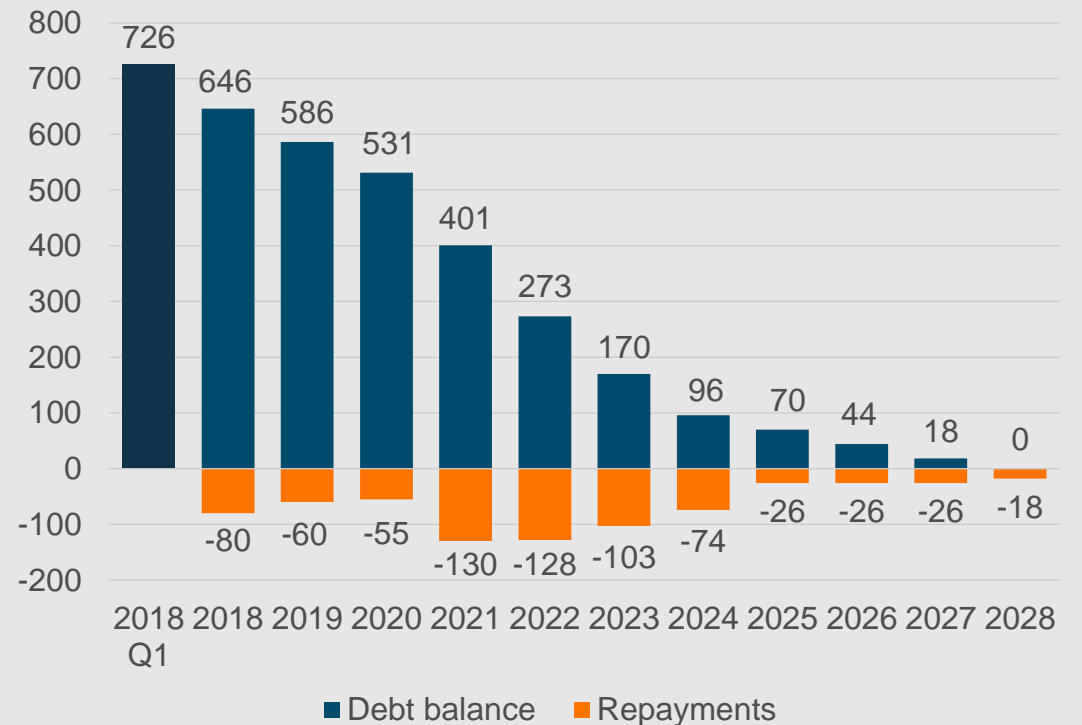
Unleveraged balance sheet ensures investing capability

Net debt/equity & Net debt/EBITDA

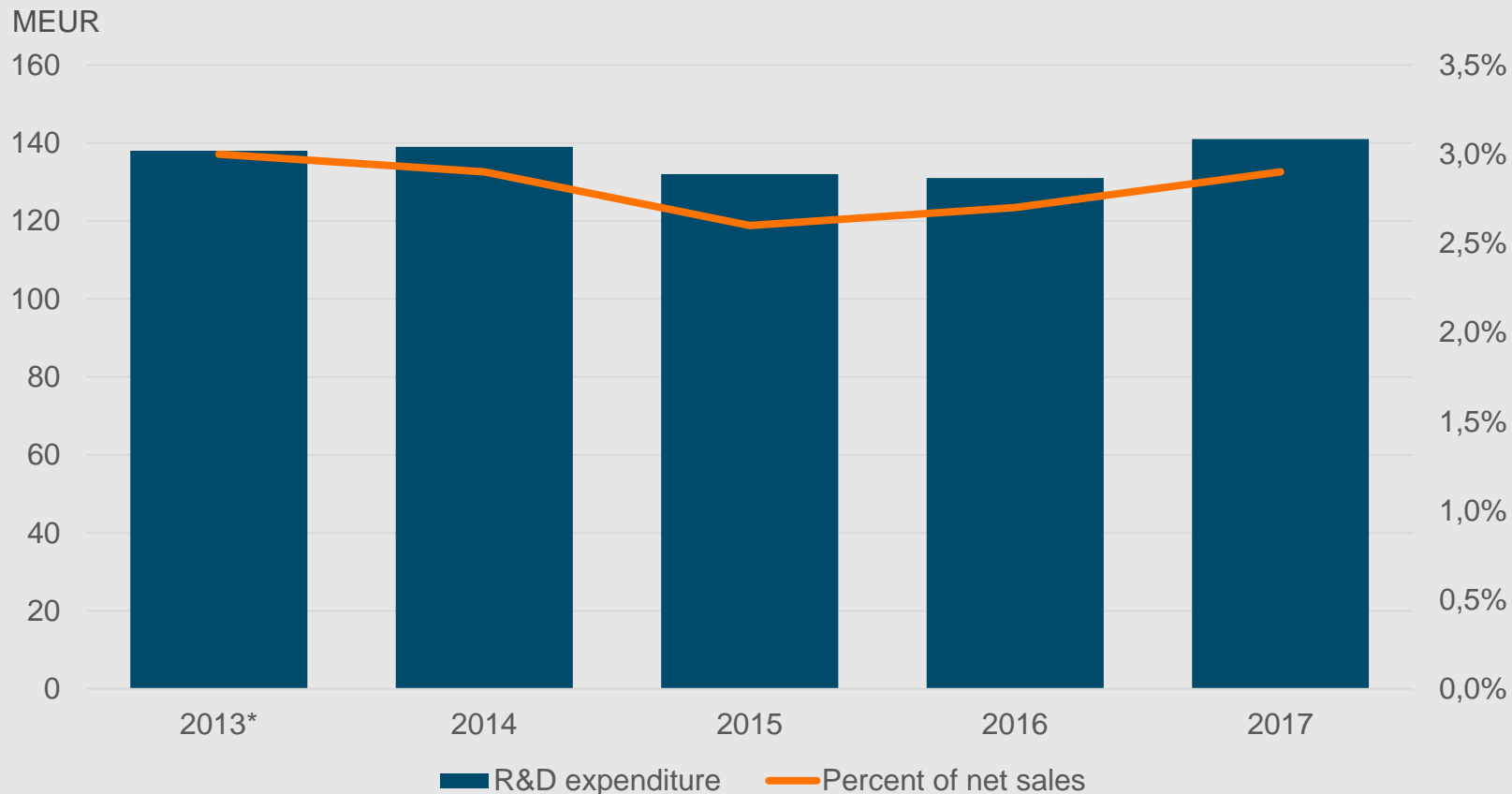
MEUR



Total debt of Wärtsilä group (current average interest 1.1%)



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

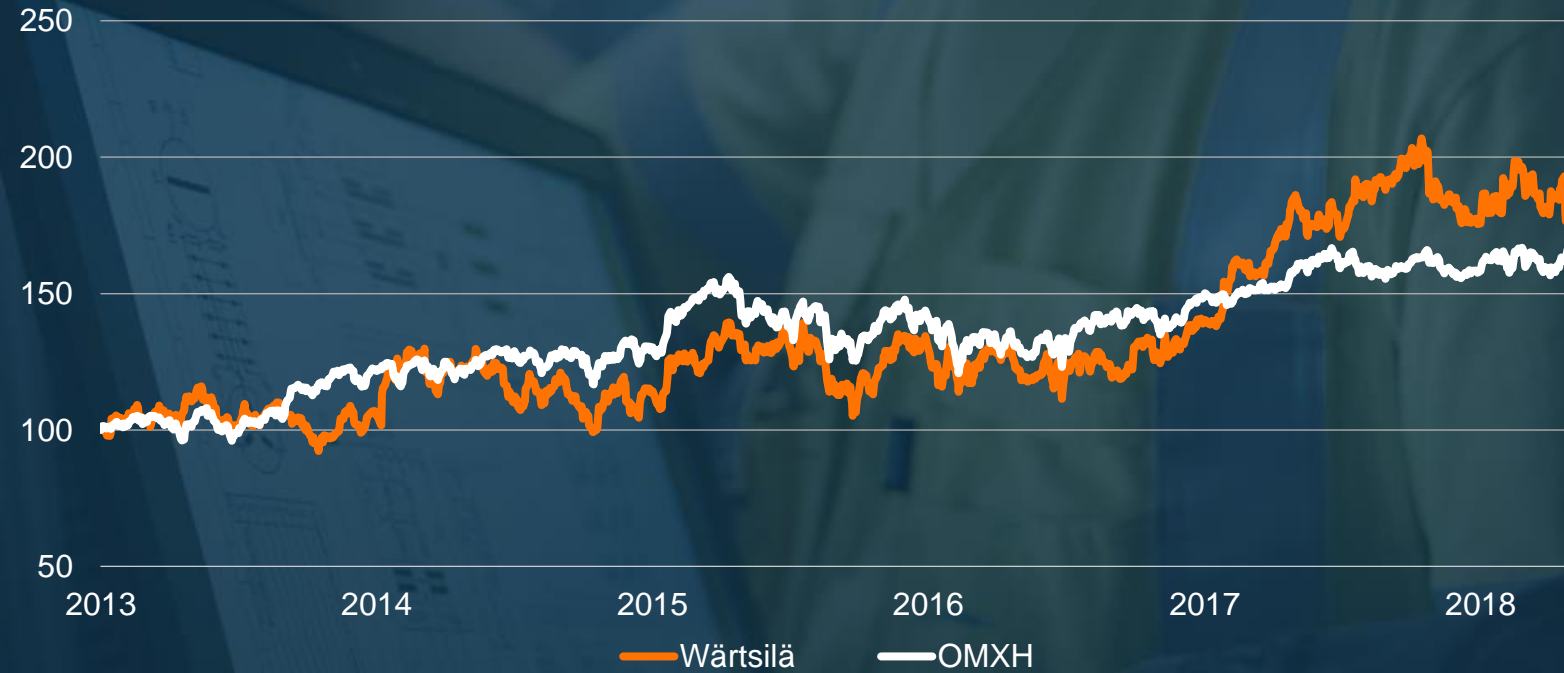


PROGRESS

Delivering shareholder value

Total shareholder return

Return index



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

THANK YOU



WÄRTSILÄ

Capital Markets
Day 2018