Satisfactory performance supported by good fourth quarter

“Thanks to solid delivery execution, growth in Services’ revenues, and an improved project mix in the fourth quarter, we were able to meet our revised net sales and profitability targets for the year 2016. I am pleased with our cash flow development, which improved primarily due to our focus on working capital management.

The weak growth in seaborne trade, low oil and gas prices, as well as customers’ financial constraints burdened the marine industry throughout the year, which resulted in exceptionally low contracting activity. Considering these headwinds, Wärtsilä’s order intake developed well. This was largely due to the improved sentiment in the energy markets, where growth in electricity demand and energy policy changes supported the demand for Wärtsilä’s power
generation solutions in both the emerging markets and the industrialised world. The development of our Services business was solid, despite challenges related primarily to the offshore service market.

Wärtsilä is in the midst of a major digital transformation. I am excited about this journey, which will enhance our customer offering as well as our own operations. During the year, we strengthened our digital foundation with the appointment of a Chief Digital Officer to the Board of Management, as well as with the acquisition of Eniram. Going forward we expect to shape our markets with efficient use of data.

Looking into 2017, we expect our business environment to remain largely unchanged. We continue to be well positioned to benefit from the trends of increasing demand for efficiency and changing energy needs, and will continue to work towards reaching our long-term target for profitable growth.”

Wärtsilä’s prospects for 2017

As of 2017, Wärtsilä has changed its guidance policy to be consistent with general industry practice. Wärtsilä has discontinued providing numerical financial guidance on net sales and operating result developments. Instead, Wärtsilä’s prospects statement is based on expectations regarding demand development in its markets. Wärtsilä will continue to provide certain financial information, including the order book for current year deliveries, as well as information on key matters that may affect profitability.

The overall demand for Wärtsilä’s services and solutions 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 in selected regions and segments.
- Solid in Energy Solutions, thanks to growth in electricity demand in the emerging markets and the global shift towards renewable energy sources, which will support the need for distributed, flexible, gas fired power generation.
- Soft in Marine Solutions. Although the outlook for the cruise and ferry segment is positive, the merchant, gas carrier, and offshore segments continue to suffer from overcapacity, slow trade growth and customers’ financial constraints.

Wärtsilä’s current order book for 2017 deliveries is EUR 3,143 million (3,097), which mainly comprises Marine Solutions and Energy Solutions’ deliveries. Wärtsilä will continue to focus on improving efficiency, which is expected to partially offset lower volumes in the marine markets. The pricing environment in Energy Solutions’ markets has stabilised, but the order book is still impacted by the competitive pressure seen in previous years. The good performance in Services is expected to continue.
Fourth quarter highlights

- Order intake declined 6% to EUR 1,324 million (1,403)
- Net sales declined 2% to EUR 1,559 million (1,590)
- Book-to-bill 0.85 (0.88)
- Comparable operating result improved to EUR 253 million, or 16.3% of net sales (EUR 215 million or 13.5%)
- Earnings per share increased to 0.87 euro (0.79)
- Cash flow from operating activities increased to EUR 235 million (176)

Highlights of the review period January-December 2016

- Order intake was stable at EUR 4,927 million (4,932)
- Net sales declined 5% to EUR 4,801 million (5,029)
- Book-to-bill 1.03 (0.98)
- Comparable operating result declined to EUR 583 million, or 12.1% of net sales (EUR 612 million or 12.2%)
- Earnings per share declined to 1.79 euro (2.25)
- Cash flow from operating activities increased to EUR 613 million (255)
- Order book at the end of the period decreased 4% to EUR 4,696 million (4,882)
- The dividend is proposed to increase by 8% to 1.30 (1.20) euro per share. In line with growing practice, the dividend will be paid in two equal instalments in March and September.

Key figures

<table>
<thead>
<tr>
<th>MEUR</th>
<th>10-12/2016</th>
<th>10-12/2015</th>
<th>Change</th>
<th>1-12/2016</th>
<th>1-12/2015</th>
<th>Change</th>
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<tbody>
<tr>
<td>Order intake</td>
<td>1,324</td>
<td>1,403</td>
<td>-6%</td>
<td>4,927</td>
<td>4,932</td>
<td>0%</td>
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<tr>
<td>Order book at the end of the period</td>
<td>1,559</td>
<td>1,590</td>
<td>-2%</td>
<td>4,696</td>
<td>4,882</td>
<td>-4%</td>
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<tr>
<td>Net sales</td>
<td>1,559</td>
<td>1,590</td>
<td>-2%</td>
<td>4,801</td>
<td>5,029</td>
<td>-5%</td>
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<tr>
<td>Operating result¹</td>
<td>231</td>
<td>202</td>
<td>15%</td>
<td>532</td>
<td>587</td>
<td>-9%</td>
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<tr>
<td>% of net sales</td>
<td>14.8</td>
<td>12.7</td>
<td>15%</td>
<td>11.1</td>
<td>11.7</td>
<td>-9%</td>
</tr>
<tr>
<td>Comparable operating result</td>
<td>253</td>
<td>215</td>
<td>18%</td>
<td>583</td>
<td>632</td>
<td>-5%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>16.3</td>
<td>13.5</td>
<td>18%</td>
<td>12.1</td>
<td>12.2</td>
<td>-5%</td>
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<tr>
<td>Comparable adjusted EBITA</td>
<td>262</td>
<td>224</td>
<td>17%</td>
<td>618</td>
<td>643</td>
<td>-4%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>16.8</td>
<td>14.1</td>
<td>17%</td>
<td>12.9</td>
<td>12.8</td>
<td>-4%</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>226</td>
<td>199</td>
<td>14%</td>
<td>479</td>
<td>553</td>
<td>-13%</td>
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<tr>
<td>Earnings/share, EUR</td>
<td>0.87</td>
<td>0.79</td>
<td>14%</td>
<td>1.79</td>
<td>2.25</td>
<td>-13%</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>235</td>
<td>176</td>
<td>613</td>
<td>255</td>
<td>372</td>
<td>-13%</td>
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<tr>
<td>Net interest-bearing debt at the end of the period</td>
<td>150</td>
<td>372</td>
<td>146</td>
<td>346</td>
<td>0.07</td>
<td>0.17</td>
</tr>
</tbody>
</table>

¹Items affecting comparability in the fourth quarter of 2016 included costs related to restructuring programmes of EUR 22 million (11). In the comparison period, items affecting comparability also included EUR 3 million of acquisition related and other costs. During the review period January-December 2016 restructuring costs amounted to EUR 48 million (19), and other costs to EUR 3 million (6).