



# WÄRTSILÄ CORPORATION

## INTERIM REPORT JANUARY-JUNE 2015

**17 JULY 2015**

Björn Rosengren,  
President & CEO



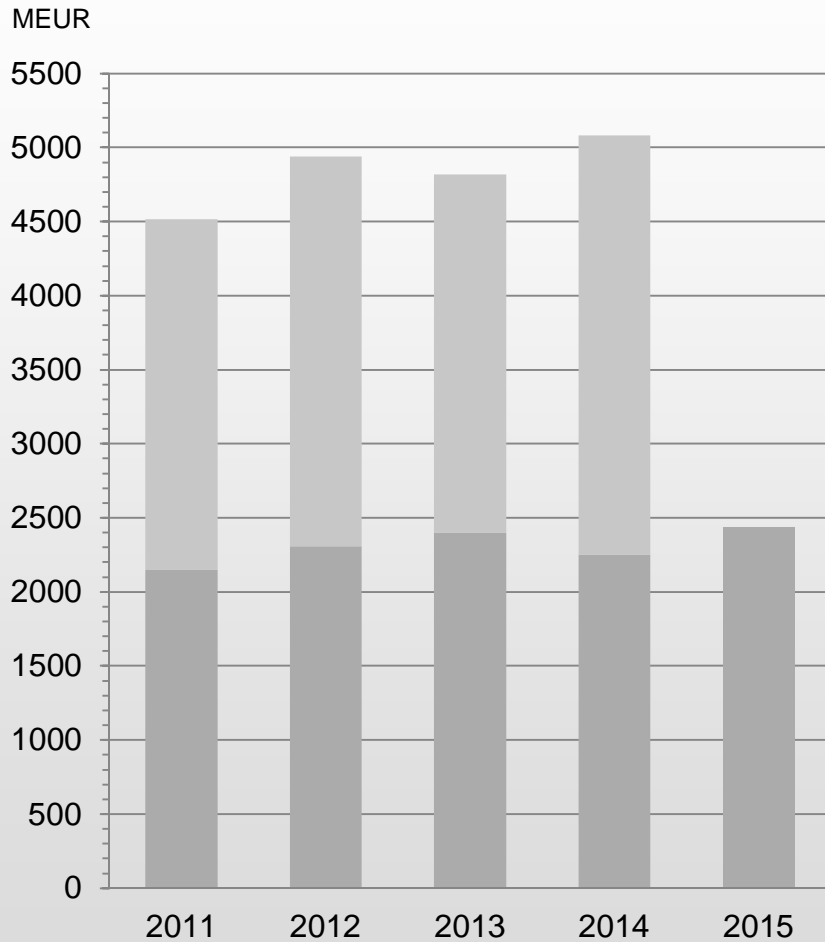
- Order intake EUR 1,159 million, +2%
- Net sales EUR 1,230 million, +10%
- Book-to-bill 0.94 (1.02)
- EBIT EUR 137 million, 11.1% of net sales (EUR 132 million or 11.8%)
- EBITA EUR 144 million, 11.7% of net sales (EUR 138 million or 12.4%)
- EPS EUR 0.54 (0.42)
- Cash flow from operating activities EUR 47 million (61)
- Order book at the end of the period EUR 5,325 million, +20%
- Acquisition of L-3 MSI finalised
- Strategy fine-tuned, business names changed

EBIT is shown excluding non-recurring items.

EBITA is shown excluding non-recurring items and purchase price allocation amortisation.

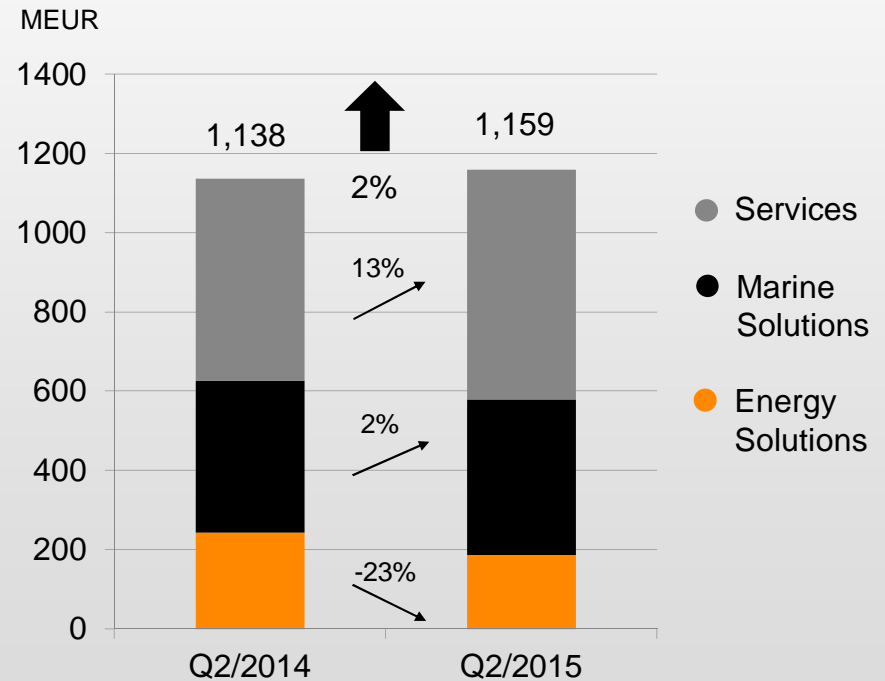
As a result of the 2-stroke operations being classified as discontinued operations in 2014, comparison figures related to the statement of income have been restated.

# Order intake growth supported by Services



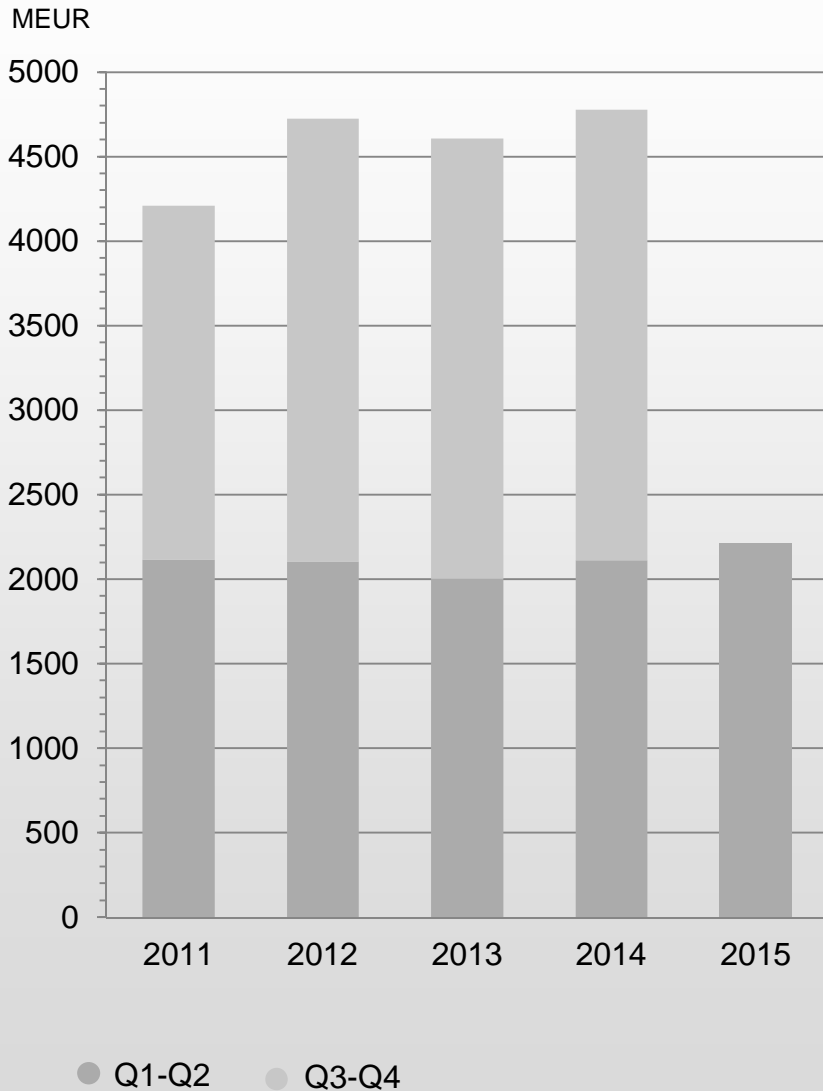
● Q1-Q2    ● Q3-Q4

## Second quarter development

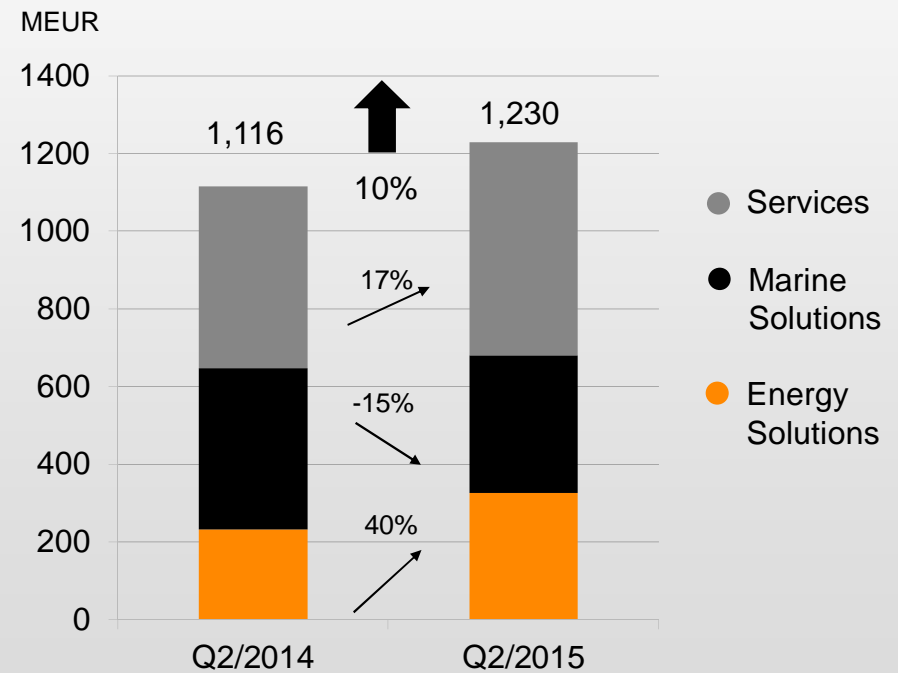


● Services  
● Marine Solutions  
● Energy Solutions

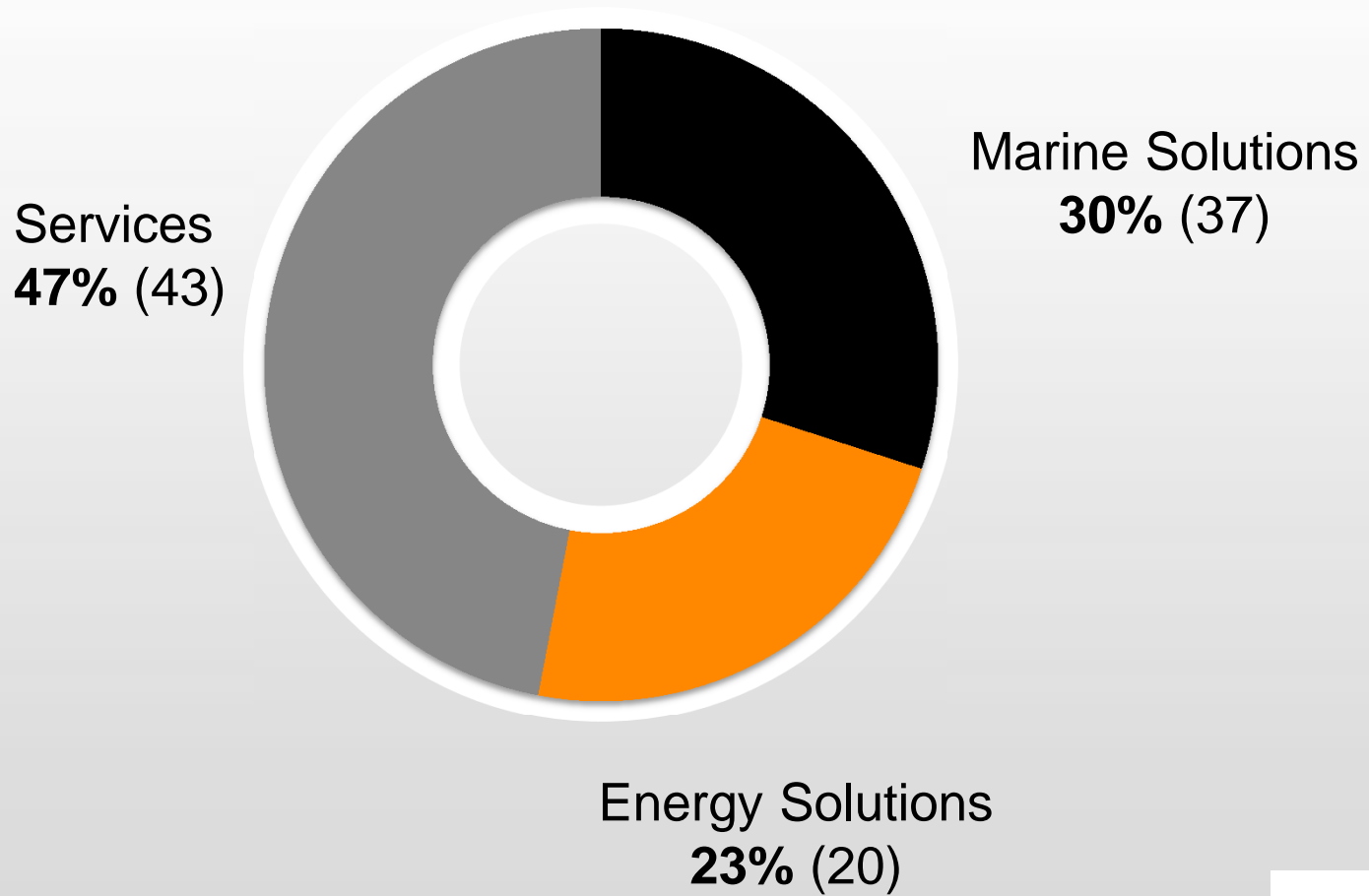
# Net sales developed well



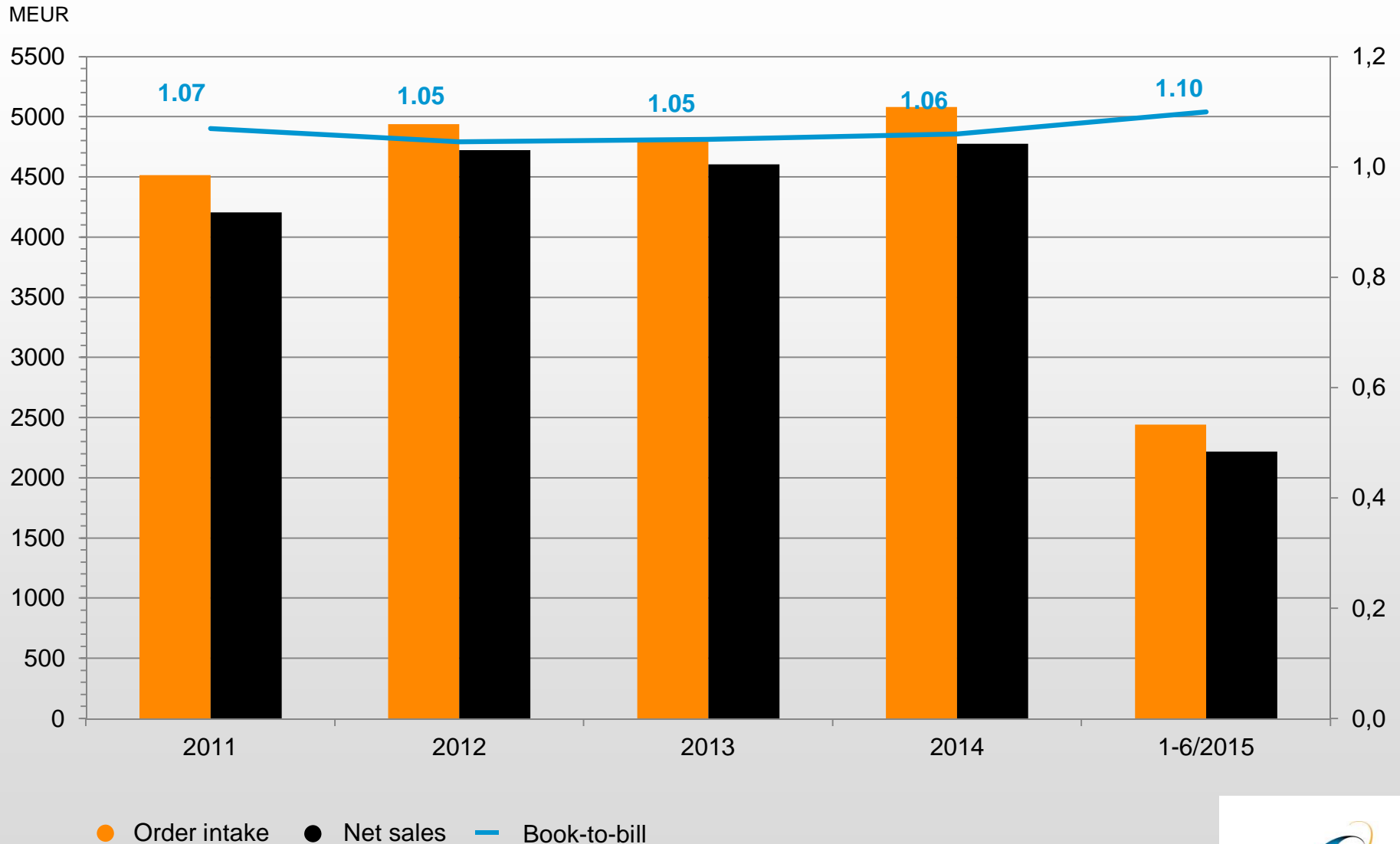
## Second quarter development



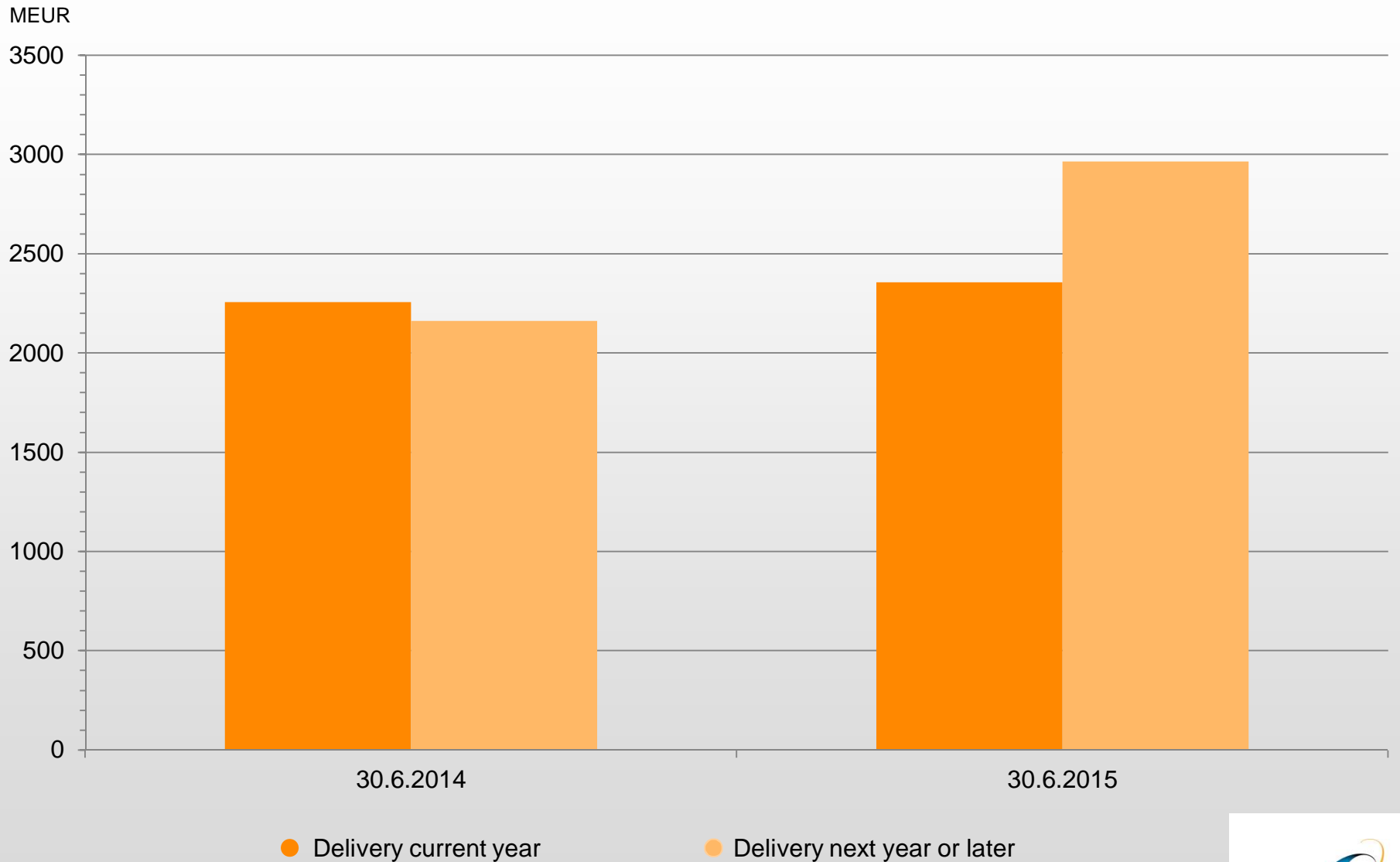
# Net sales by business 1-6/2015



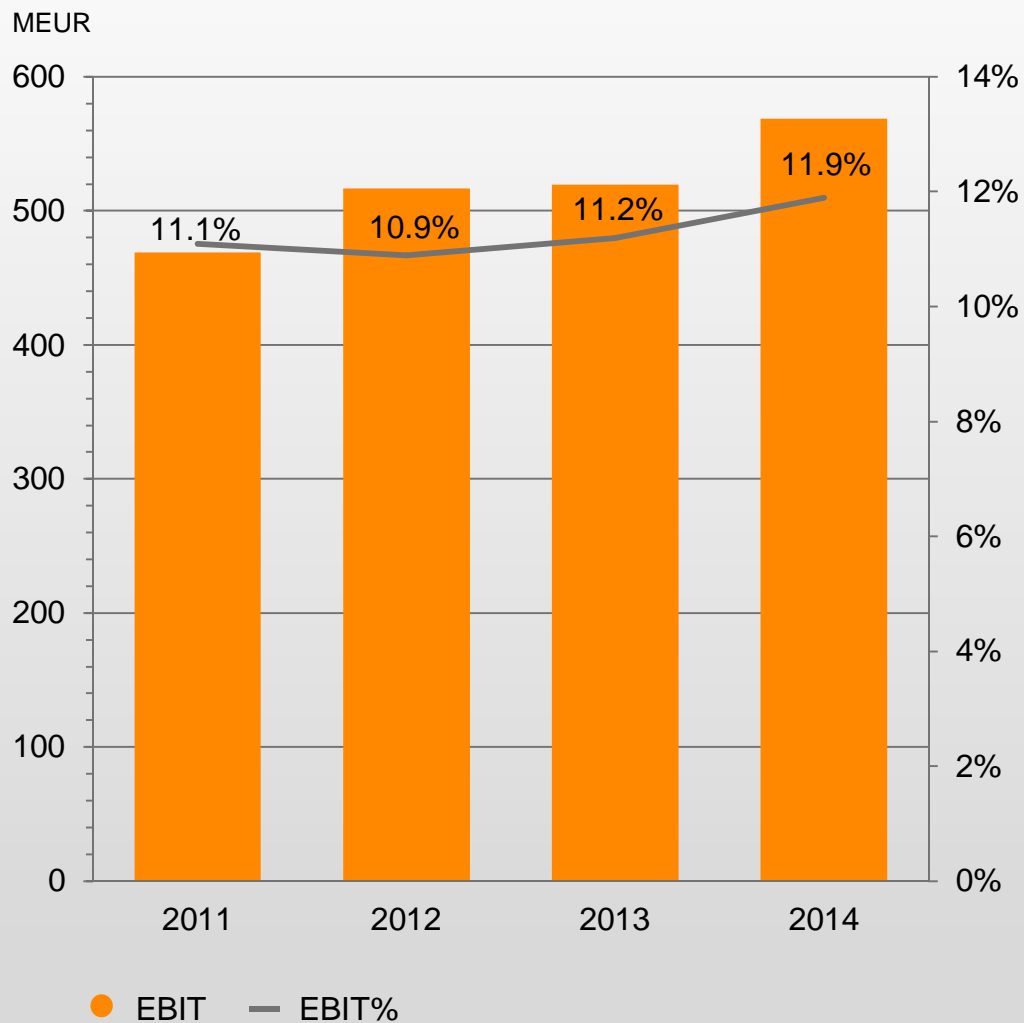
# Book-to-bill ratio remains above one



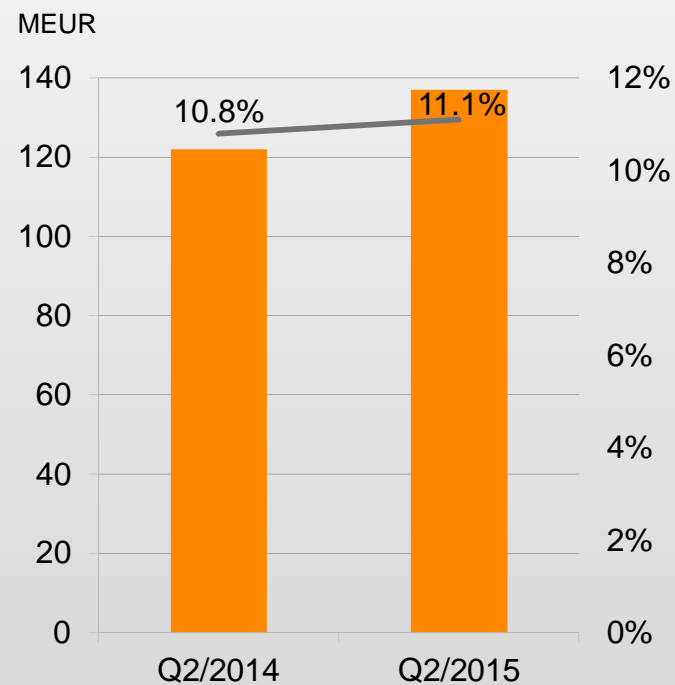
# Order book distribution



# Operating result and profitability



## Second quarter development



EBIT is shown before non-recurring items. Figures for 2011-2013 and Q2/2014 include both discontinued and continuing operations.

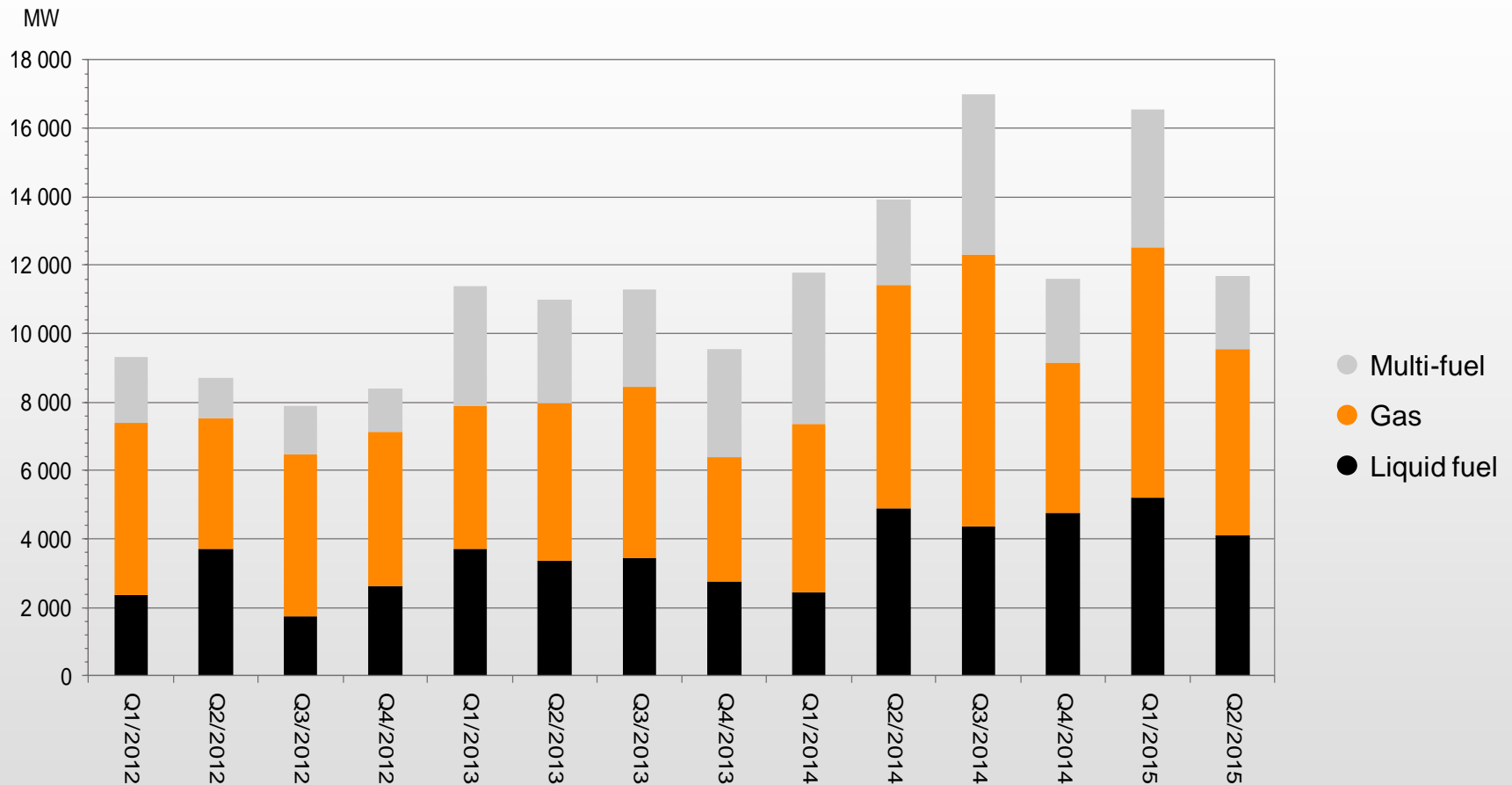




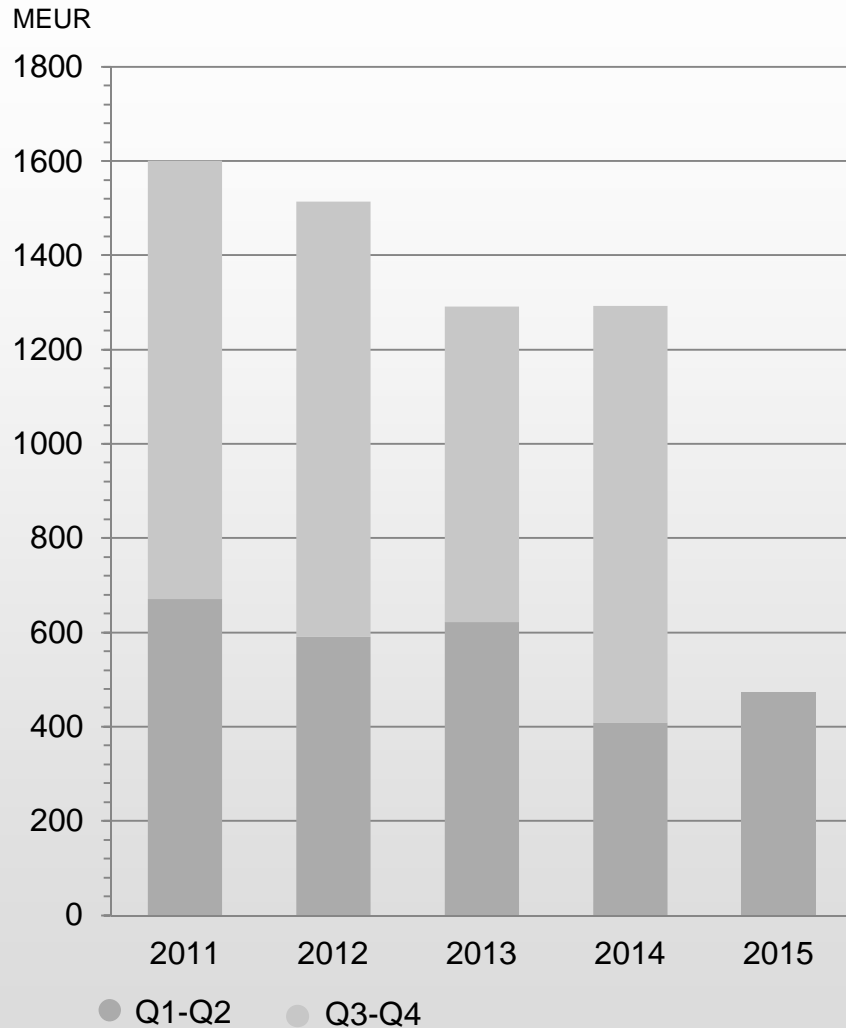
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**Challenging environment  
in the power generation  
markets**

# Energy Solutions' quotation activity on a good level

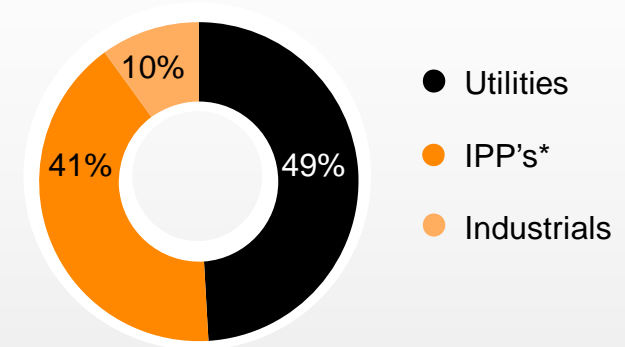


# Growth in Energy Solutions' order intake

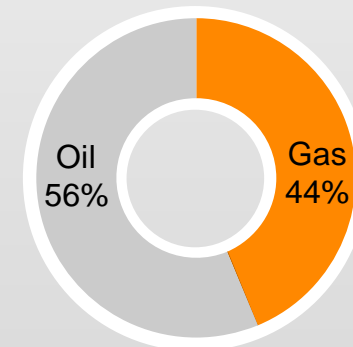


## Review period development

Total EUR 475 million (409)



## Review period order intake by fuel in MW



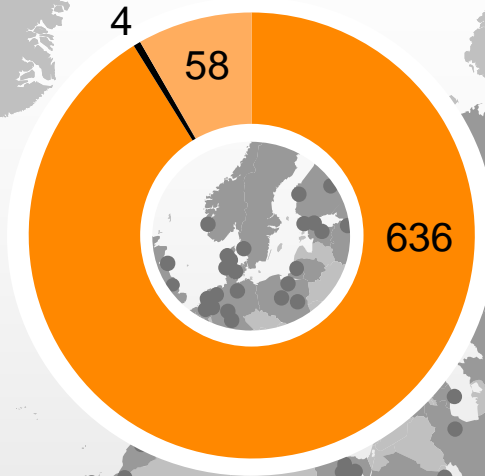
\*IPP = Independent Power Producer

# Energy Solutions' orders globally

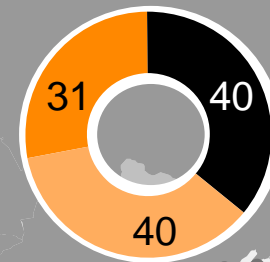
Americas 239 (76)



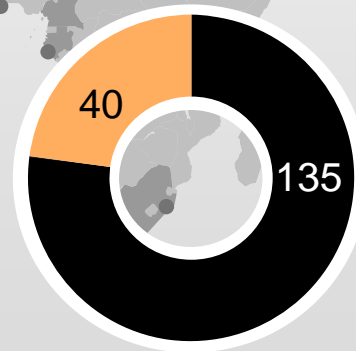
Europe 698 (361)



Asia 111 (284)



Africa and Middle East 175 (265)

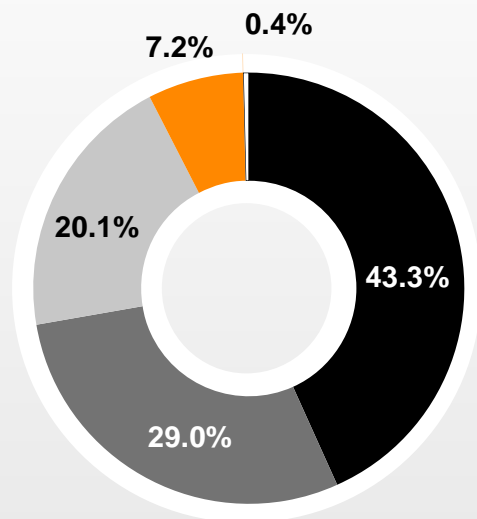


- Utilities
- IPP's
- Industrials

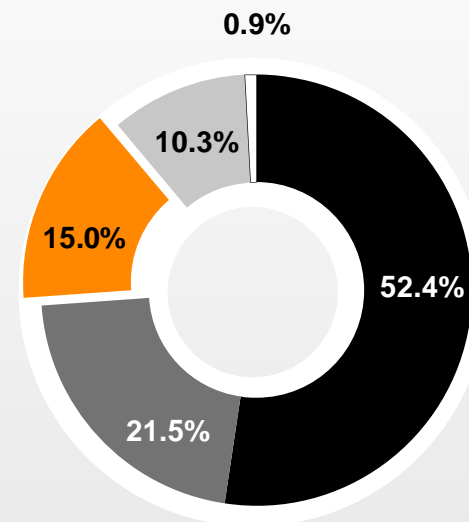
Order intake 1-6/2015: 1,222 MW (986)

# Market for gas and liquid fuel based power plants 1-3/2015

Total market  
9.7 GW (11.0)



Market <500 MW  
4.7 GW (6.5)



● GE ● Siemens ● MHI ● Wärtsilä ○ Other GTs

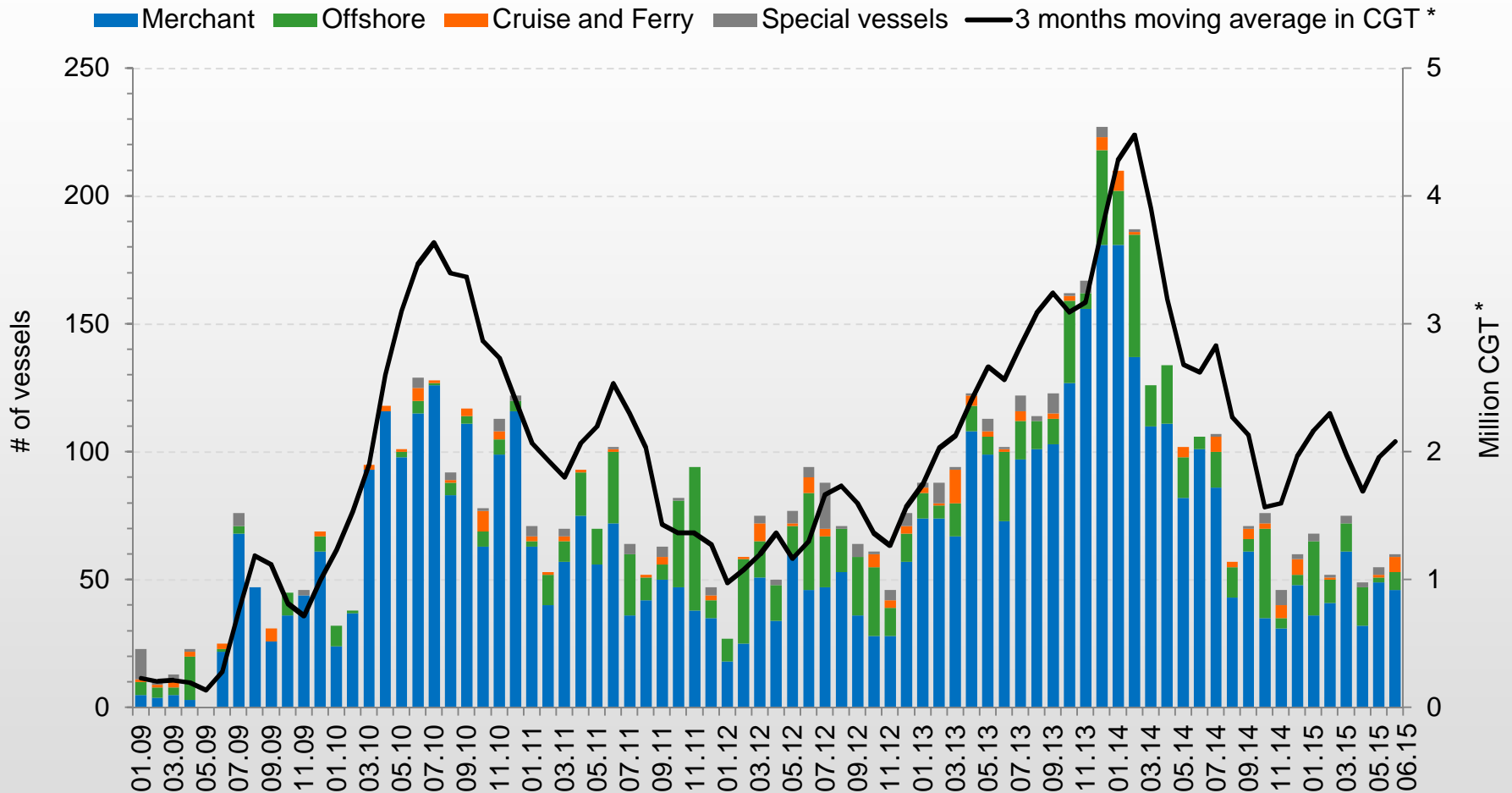
Market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled turbine based power plants with prime movers above 5 MW, as well as estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. Other combustion engines not included. In engine technology Wärtsilä has a leading position.



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**Contracting volumes  
remain low**

# Vessel contracting activity



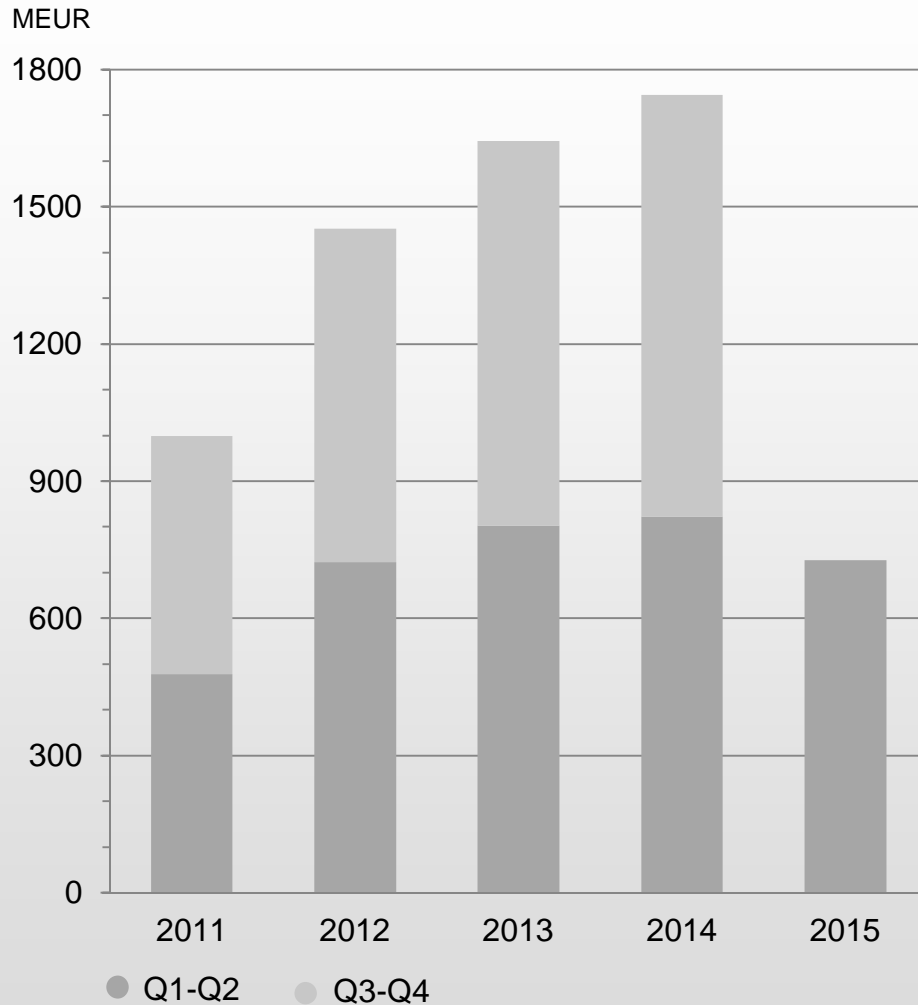
Source: Clarkson Research Services, figures exclude late contracting

\* CGT= gross tonnage compensated with workload



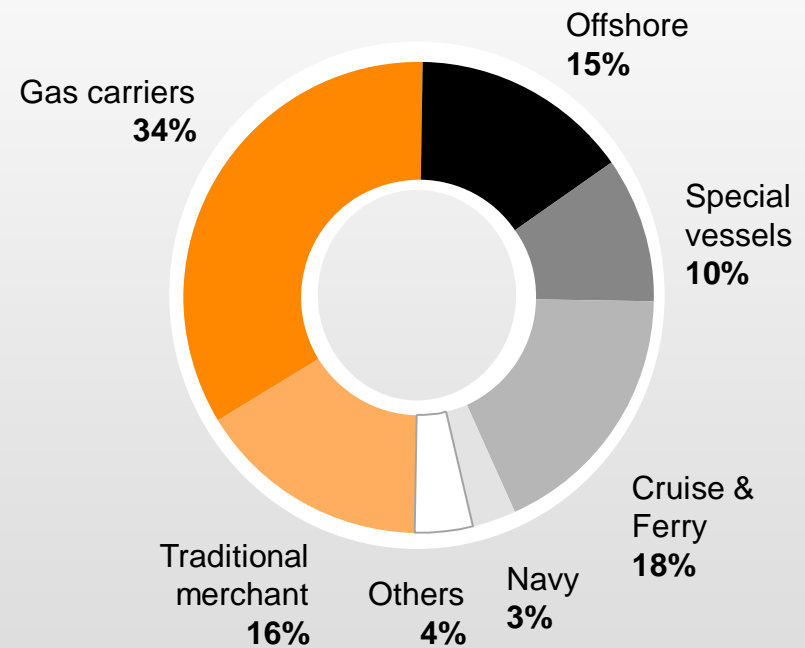


# Marine Solutions' order intake



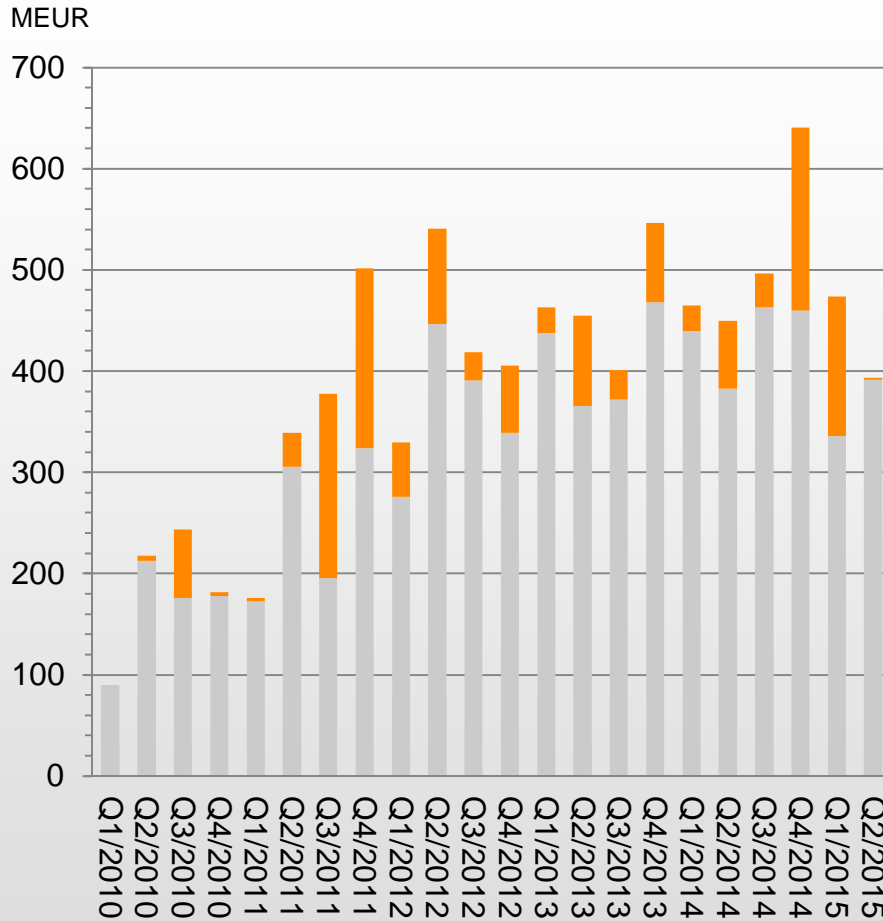
## Review period development

Total EUR 728 million (823)





# Joint venture ordering activity

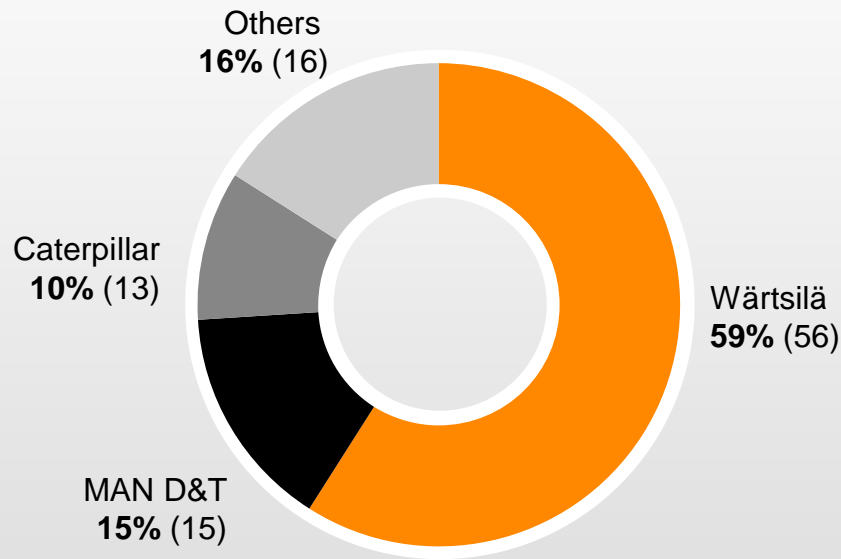


- Joint venture order intake totalled EUR 140 million (92) during January-June 2015
- Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of result of associates and joint ventures

- Joint venture order intake, includes figures from Wärtsilä Hyundai Engine Company Ltd. and Wärtsilä Qiyao Diesel Company Ltd.
- Marine Solutions order intake

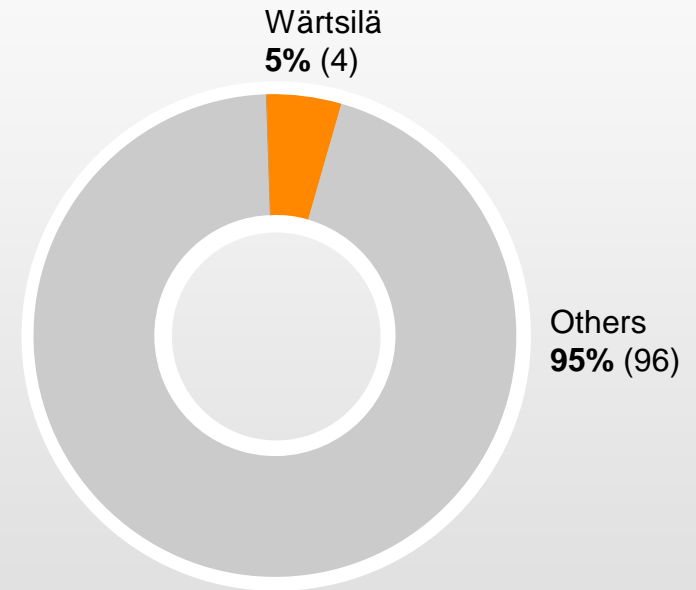
# Strong position in marine engine market

## Medium-speed main engines



Total market volume last 12 months:  
4,988 MW (5,711)

## Auxiliary engines



Total market volume last 12 months:  
4,078 MW (4,988)

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.

# Acquisition of L-3 Marine Systems International finalised

## Key figures

<b>MEUR</b>	<b>Marine Solutions 1-6/2015</b>	<b>MSI's contribution 6/2015</b>	<b>MSI 1-6/2015</b>
Order intake	<b>728</b>	41	161
Net sales	<b>674</b>	30	197
Order book, end of period	<b>2,785</b>	519	519

- The integration of MSI with Wärtsilä's existing E&A business within Marine Solutions has started
- In addition to sales synergies, Wärtsilä expects MSI to reach current group profitability within five years
- Purchase price allocation amortisation is expected to be EUR 7 million in 2015
- The goodwill value of the transaction is estimated at EUR 161 million
- In 2015, MSI is expected to contribute approx. EUR 250 million to net sales and EUR 16 million to the operating result excluding PPA amortisation

# Marine Solutions business to be adjusted to reflect the current market situation



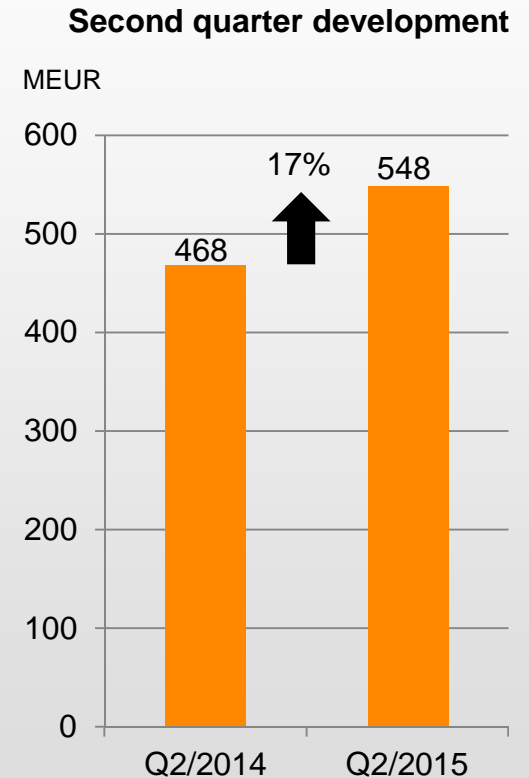
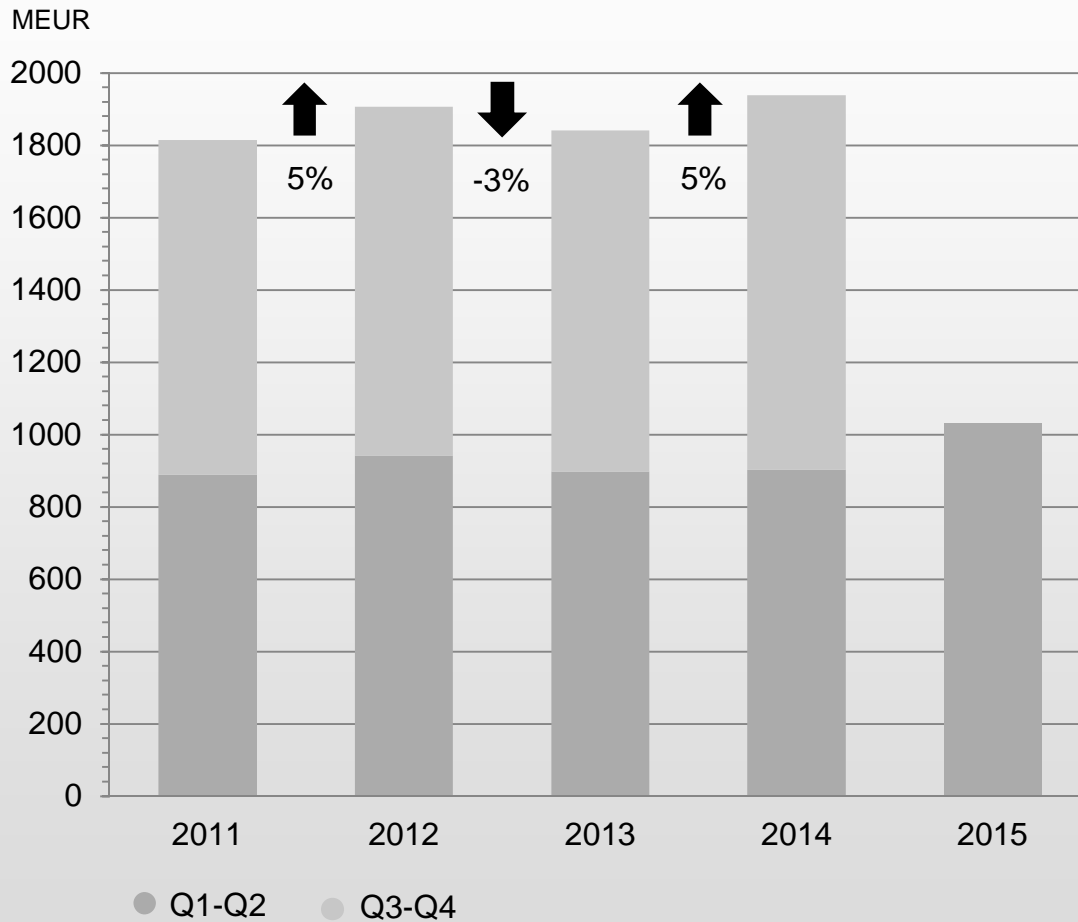
- Wärtsilä Marine Solutions plans to realign its organisation to maintain competitiveness in an environment of low demand
- Approx. 600 jobs will be reduced, of which 160 in Finland
- Wärtsilä seeks annual savings in the region of EUR 40 million
- The non-recurring costs related to the restructuring measures will be approximately EUR 25-30 million
- Currently, Wärtsilä Marine Solutions employs 7,217 people globally



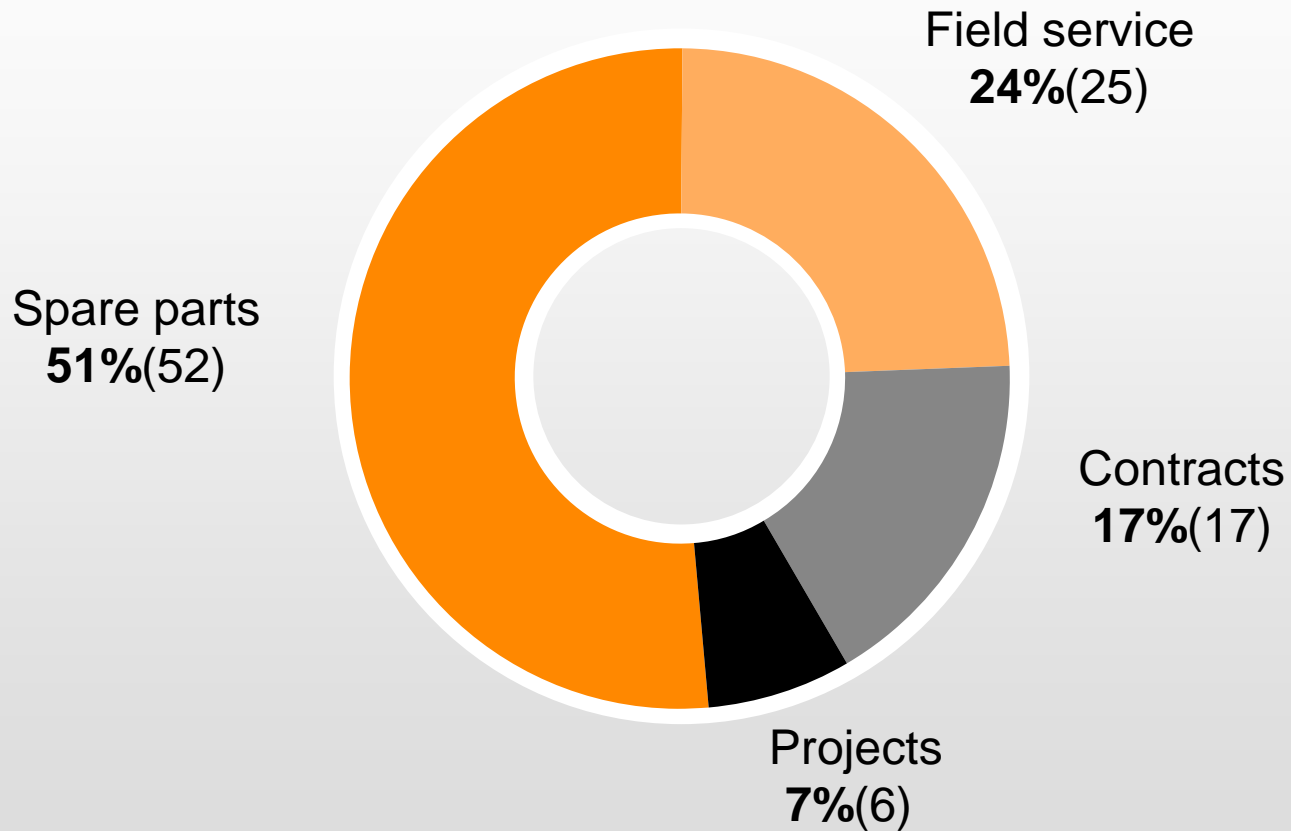
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**Good activity in the  
service markets, market  
outlook remains positive**

# Services' net sales increased by 14% in 1-6/2015

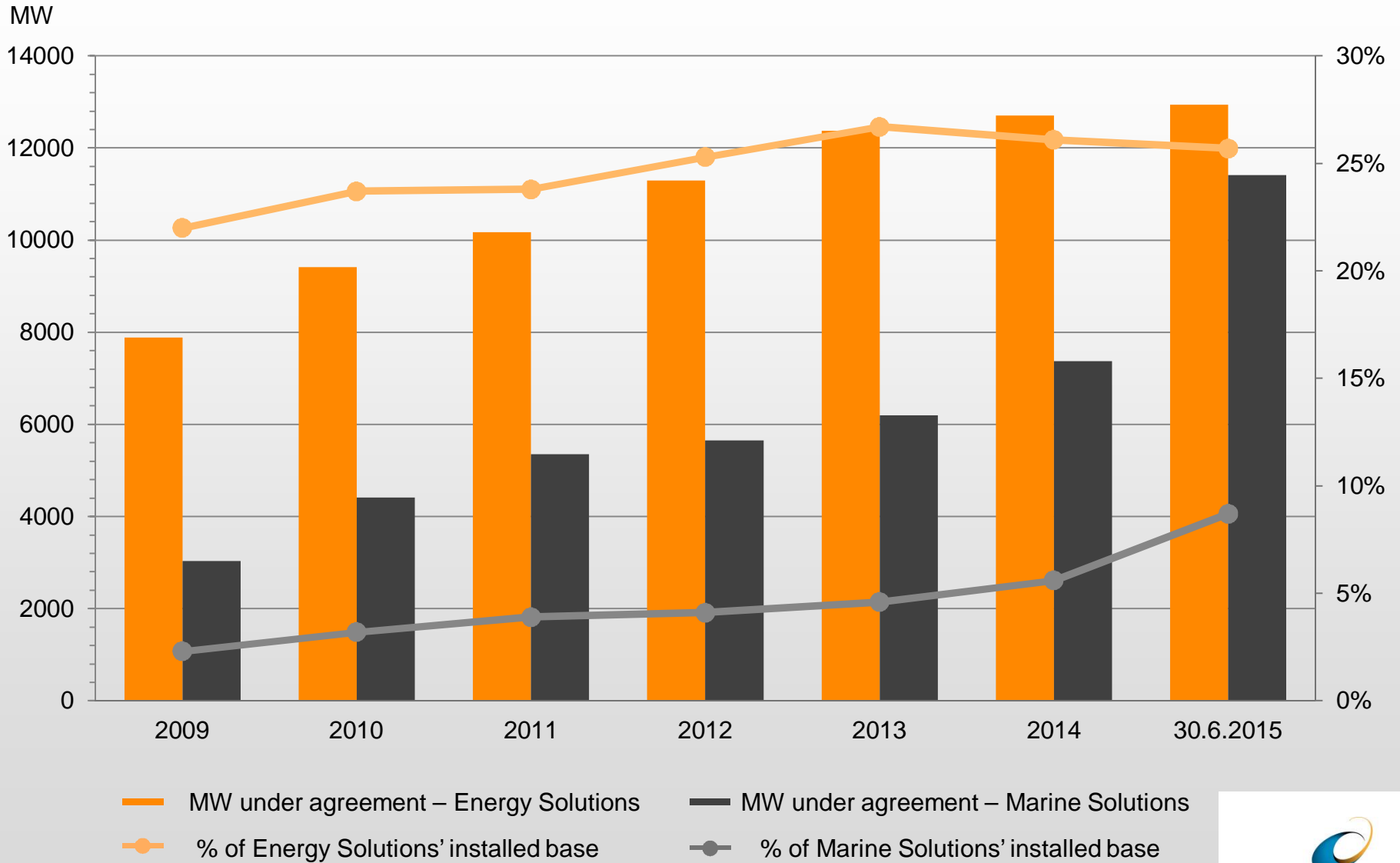


# Services net sales distribution 1-6/2015



Total EUR 1,034 million (903)

# Development of service agreements





# QuantiParts B.V. – a new subsidiary to trade spare parts for classic 4-stroke Wärtsilä engines



- QuantiParts operates from the Netherlands and serves customers in the marine, locomotive and power plant industries worldwide
- QuantiParts trades OEM spare parts for selected mature Wärtsilä medium- and high-speed 4-stroke engines
- Establishing QuantiParts fits well with Wärtsilä Services strategy of aligning its organisation in order to ensure tailor-made services for its customers

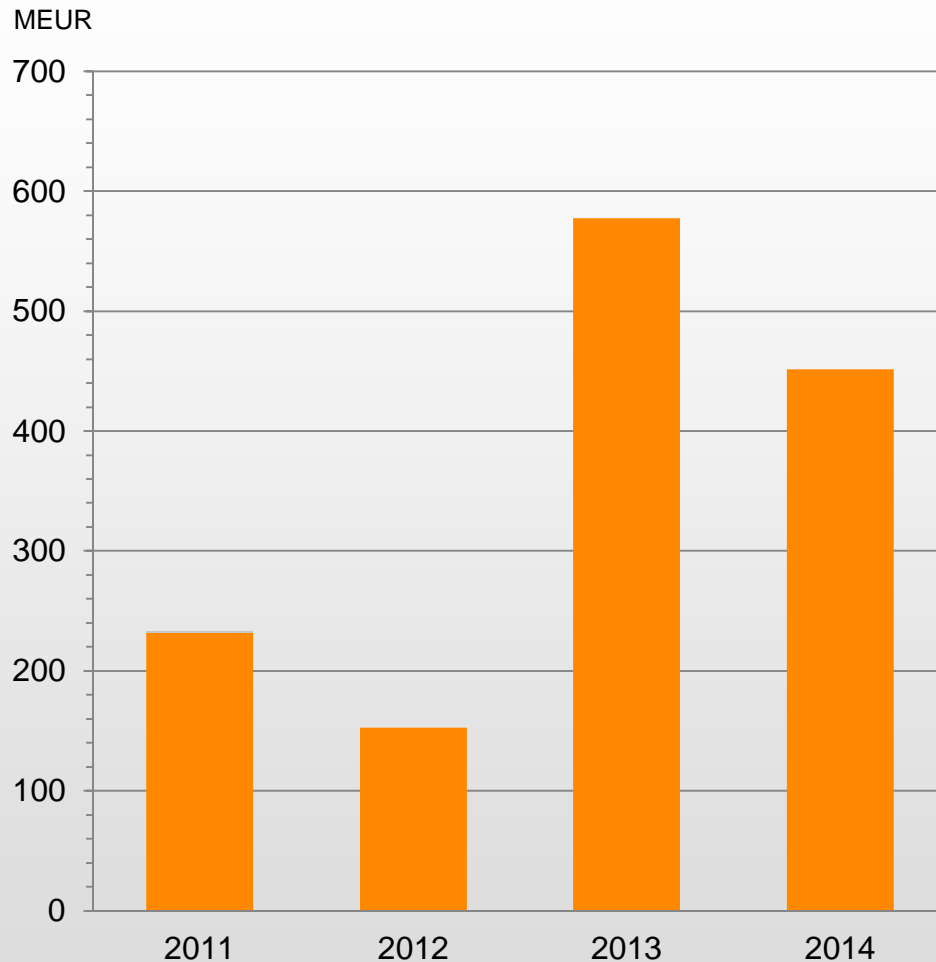


WÄRTSILÄ

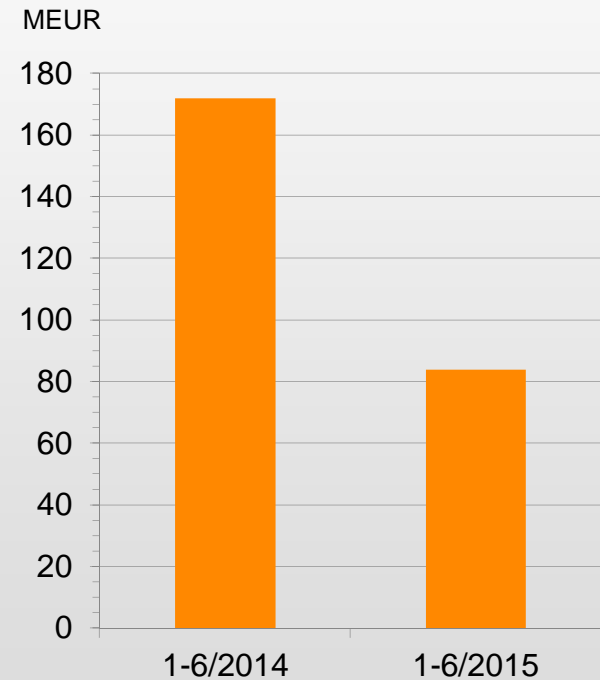


**Solid financial standing**

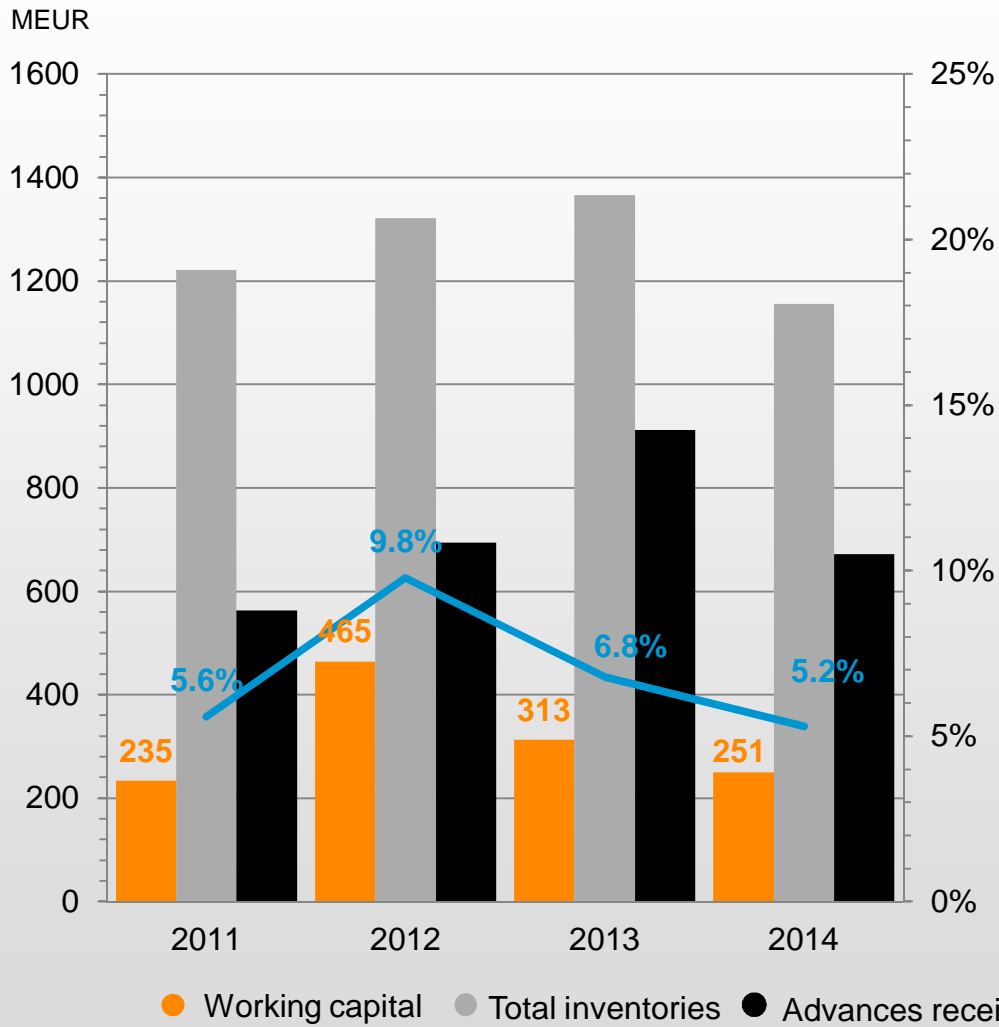
# Cash flow from operating activities



## Review period development

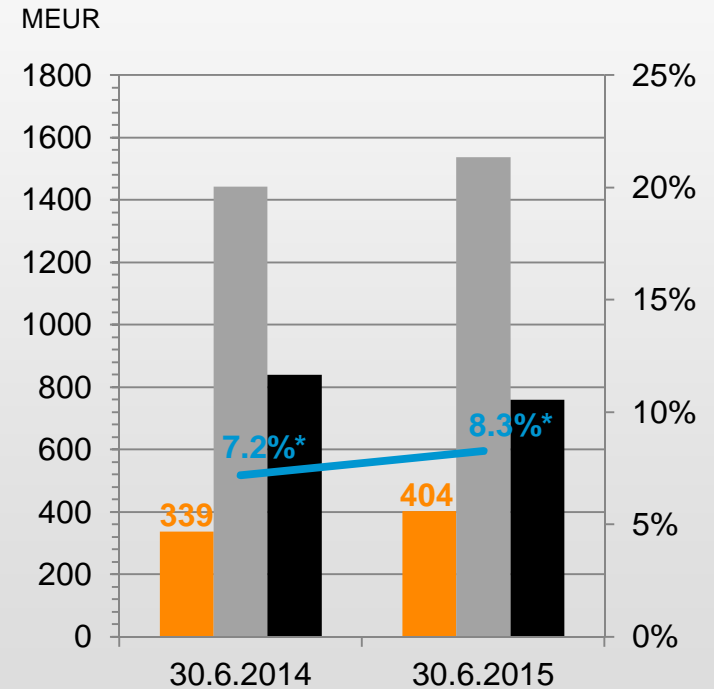


# Working capital

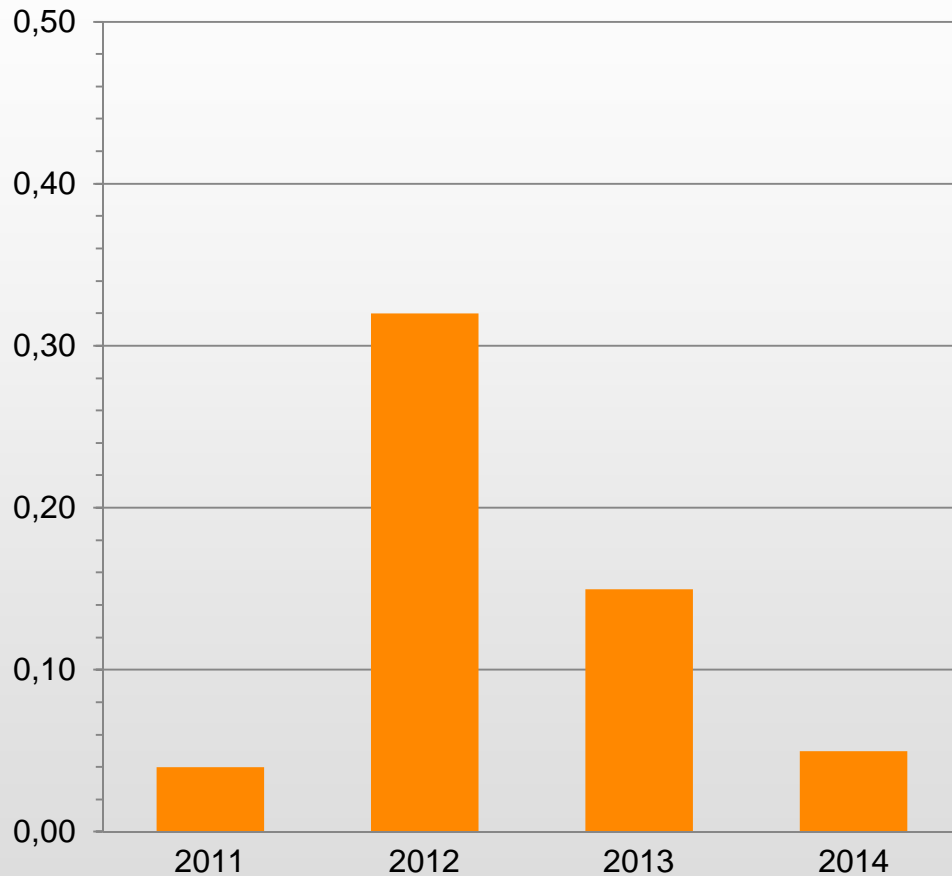


\* Working capital / 12 months rolling net sales

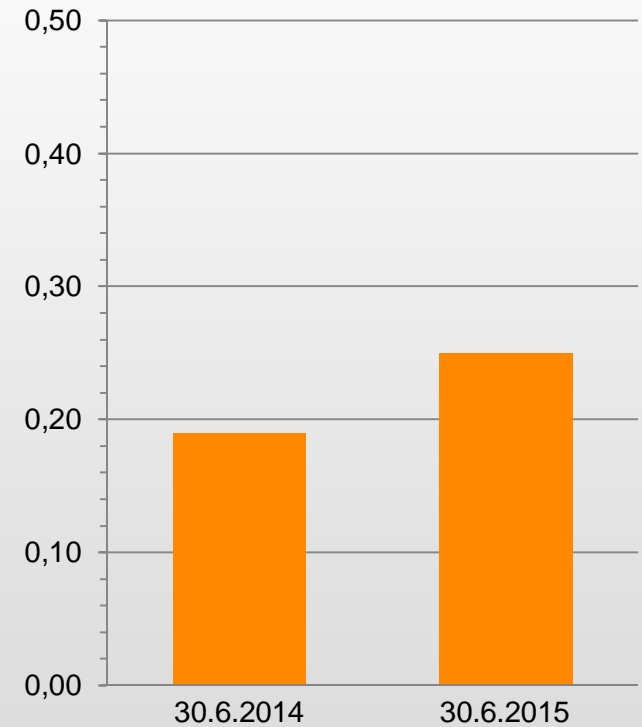
## Review period development



# Gearing impacted by L-3 MSI acquisition



Review period development







- **Energy Solutions:** Based on the market situation during 2014 and the GDP forecasts for 2015, the market for liquid and gas fuelled power generation is expected to remain challenging.
- **Marine Solutions:** The outlook for the shipping and shipbuilding market environment is challenging. Low oil prices are impacting demand for offshore vessels. The sentiment in the gas carrier market and cruise & ferry is healthy.
- **Services:** The overall service market outlook is positive with growth opportunities in selected regions and segments.



**Wärtsilä expects its net sales for 2015 to grow by 5-10% and its operational profitability (EBIT% before non-recurring items) to be between 12.0-12.5%. The guidance includes the impact of the L-3 Marine Systems International acquisition.**

# Company strategy fine-tuned



- Environmental awareness and changing energy needs are increasingly steering investments in the markets in which we operate
- We seek growth by offering **energy efficient lifecycle solutions**, **gas based technology**, as well as **innovative solutions** that leverage our project management and engineering competence
- Our growth ambitions are supported by our superior global service network



# A brand new medium-speed Wärtsilä 31 engine launched in June



- The Wärtsilä 31 engine is the marine industry's most advanced, powerful, fuel efficient, fuel flexible, and environmentally sound engine
- The engine achieved a Guinness World Records title for the most efficient 4-stroke diesel engine
- Remarkable increases in fuel efficiency and fuel flexibility are matched by significant reductions in maintenance costs
- The engine comes in three alternative versions; diesel, dual-fuel and spark-ignited gas



# WÄRTSILÄ

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