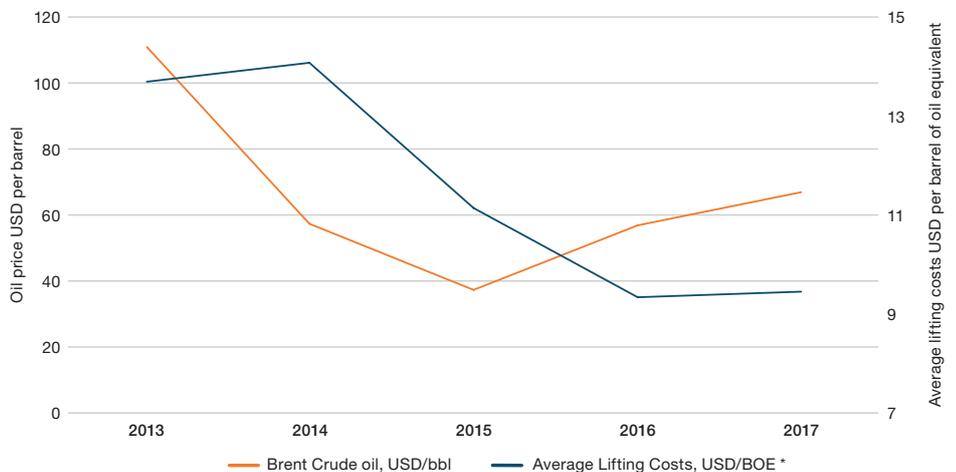


Shared incentives create OPEX savings in oil & gas

WÄRTSILÄ SERVICES BUSINESS WHITE PAPER

THE OIL & GAS INDUSTRY has gone through a major transformation after the oil price crashed in 2014. Even though the oil price is now on the way up, the downturn has left some permanent marks on the industry. Significant work has gone into reducing the lifting cost per barrel from the oil company side. This has been done by reducing costs, but also by applying new ways of working and new solutions. Cost reductions have also been evident to drilling contractors (as well as other contractors), as they have seen their top line come down by 50% and experienced lower activity level in general.

Brent Crude oil price & Lifting cost development



- Companies included: BP PLC, Chevron Corp., Eni SpA, Exxon Mobil Corp, Repsol SA, Royal Dutch Shell PLC, Statoil ASA, Total SA
- Source: Company filings, Bloomberg

— Wärtsilä takes part in the pain and the gain of the customer's operations

When making sustainable OPEX reductions, new ways of working and reducing the risks of activities are of particular importance, as is cost predictability. We have noted new contractual setups in which oil companies, drilling contractors and third-party service companies agree to join their efforts in an inventive way and sharing the pain or gain of an operation. This means that the risks involved in an operation are shared by the oil company with its contractors, but also that the oil company is willing to share some of the revenue from the synergies created.

In an industry where risk and cost are transferred downwards in the supply chain, how can Wärtsilä continue to be a relevant vendor?

Wärtsilä Oil & Gas has an offering that looks beyond maintenance costs. It seeks to assist in reducing the OPEX cost of the Oil & Gas asset owner in a more holistic way. We aim to design our service agreements on shared incentives with our customers. In short, Wärtsilä takes part in the pain and the gain of the customer's operations. And we even go beyond that. Wärtsilä is willing to guarantee certain value under service contracts to ensure that the promised value will materialise for the customer.

We see a clear trend of fuel responsibility shifting from the oil companies to the drilling contractors. The consequent focus on fuel costs gives Wärtsilä a strong position to assist Oil & Gas asset owners, drawing experience from significant service agreements made in the cruise industry.

Response time is of the essence

Our Customer Service Centres support 24/7 and can provide remote diagnostics if the necessary equipment is installed on board. Wärtsilä has an unmatched service network of approximately 11,000 professionals in 160 global locations. This also includes key Oil & Gas industry locations such as Brazil and Nigeria. We aim to find the right competence locally, as this is the fastest and most cost-effective solution.

Wärtsilä Services in brief

Wärtsilä Services provides high-quality lifecycle services that enhance customers' business. Its broad range of services supports both shipping and power generation companies, whenever and wherever needed. Solutions range from spare parts and basic support to ensuring the maximised lifetime, increased efficiency and guaranteed performance of the customer's equipment or installation – in a safe, reliable, and environmentally sustainable way.

<http://www.wartsila.com/services>

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