



SHIP POWER: RESILIENCE IN DEMANDING MARKETS

15 CAPITAL
MARKETS
DAY HELSINKI
FINLAND

Jaakko Eskola, President, Ship Power &
Senior Executive Vice President

The most complete marine offering on earth



Ship Power's strategic goal

To be recognised as the leading provider of innovative products and integrated solutions in the marine and offshore oil & gas industry.

LEADER IN

Efficiency



Gas and dual-fuel solutions



Environmental solutions



THROUGH
OFFERING

- Lifecycle solutions for ship owners and operators
- Integrated solutions for the shipbuilding industry, owners and operators
- The most competitive products and delivery process for the marine industry

Continued innovations



Engines

HIGHEST cylinder output

LOWEST LIFECYCLE COST

Lowest specific weight and compact design

Most power-ful

ENVIRONMENTALLY COMPLIANT

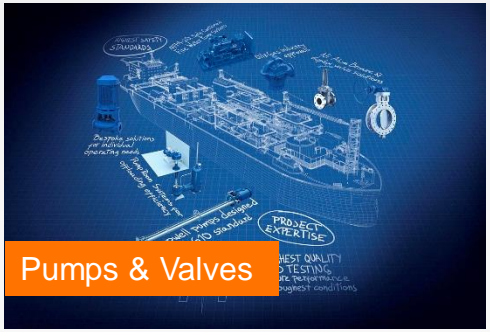
Well proven DF AND diesel technology

Best fuel consumption on the market

FUEL CONSUMPTION

Regular engine W460Dr

WÄRTSILÄ



Market environment

The marine industry

- Merchant, Cruise & Ferry, Navy and Special vessels

Developments in the global economy drive demand for:

- Seaborne cargo transportation
- Cruise and ferry services
- Navy vessels

The Oil and Gas industry

- Newbuild vessels and rigs for exploration and production in offshore fields
- Gas distribution chain equipment and infrastructure (e.g. for liquefaction and regasification)

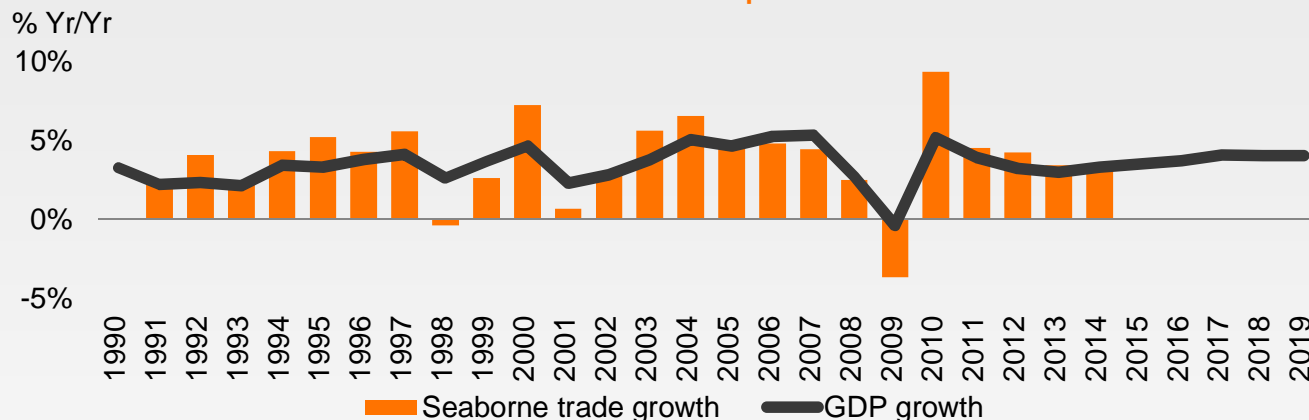
Global demand and price level for oil and gas are crucial for:

- Investment into offshore oil and gas exploration and production (including support vessels)
- Investment into development of gas distribution chains

- **Cautious outlook** given **increased uncertainty** over developments in global economy and oil prices
- **Environmental regulations**, increased **safety requirements**, fuel costs and **efficiency** requirements continue to support investments

The marine industry: fundamentals in place despite a challenging 2014

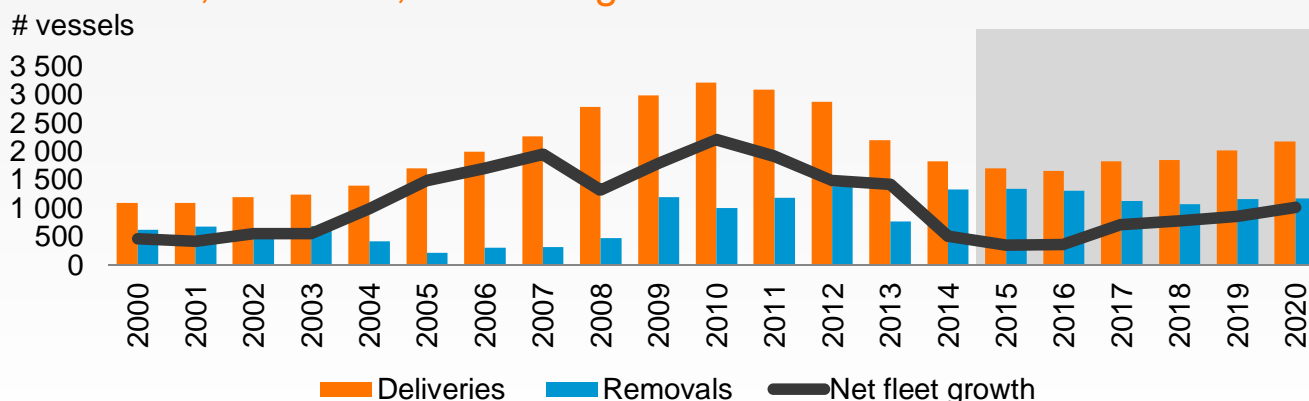
World seaborne trade and GDP development



Fundamentals supporting growth in seaborne trade:

- Growth in oil products trade to Asia and OECD countries
- Recovery in global container trade
- Continued consumer demand growth in developing economies

Deliveries, removals, and fleet growth

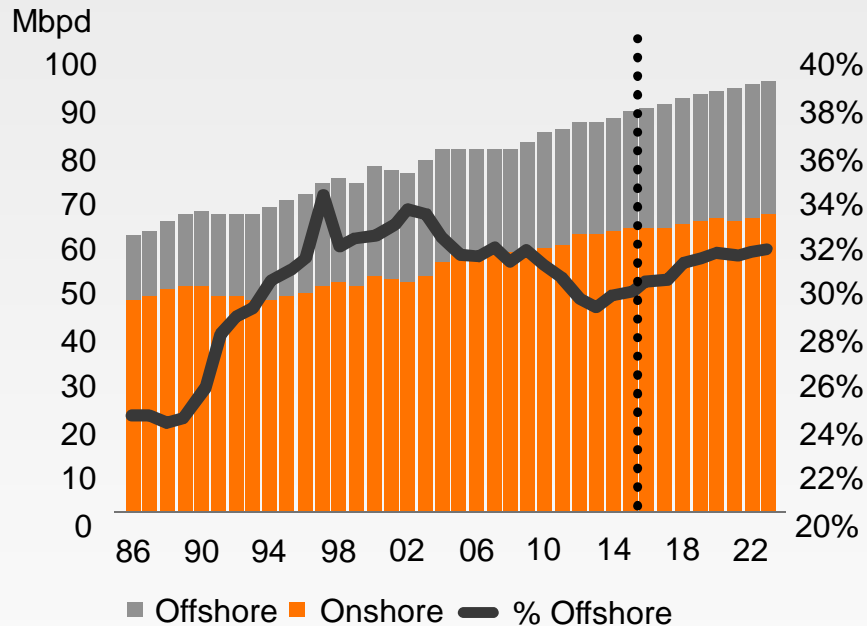


Fleet growth bottoming out:

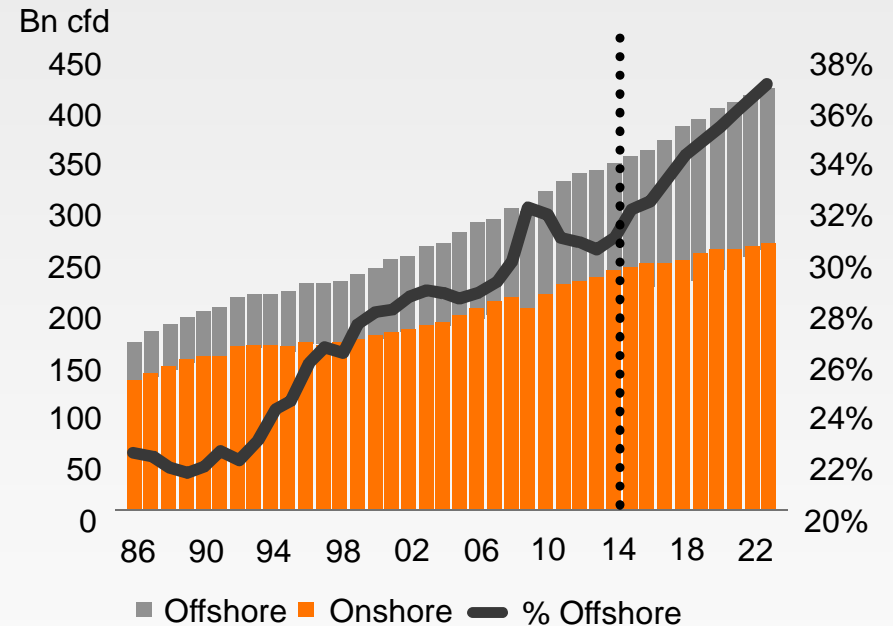
- Slower pace of deliveries
- Removals rate expected to stay high in the medium-term

Source: Clarkson Research Services, IMF 26.01.2015

Long-term oil production



Long-term gas production



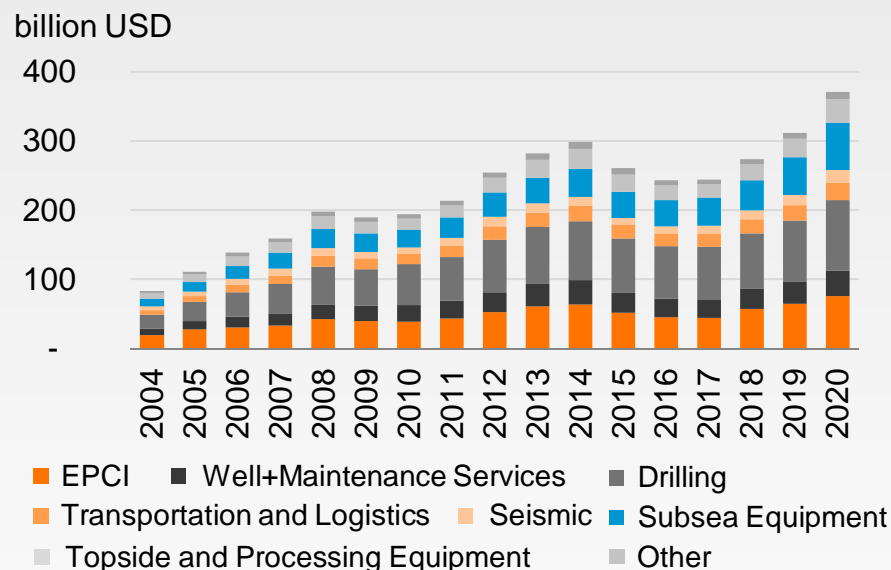
IEA estimates:

- Investment of some \$900 billion/year in upstream oil and gas development is needed by 2030 to meet projected demand
- Gas production increases almost everywhere, and unconventional gas accounts for almost 60% of global supply growth

Source: Clarkson Research (Sep 2014). IEA World Economic Outlook 2014

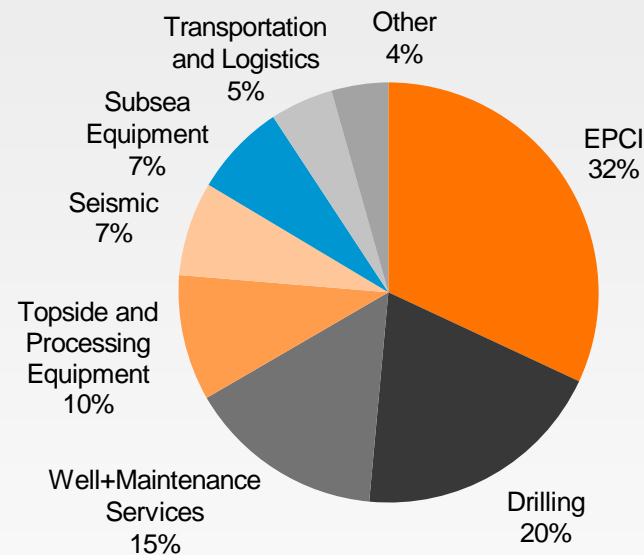
Offshore oil companies reduce investment in the near term

Exploration & Production Offshore CAPEX



E&P CAPEX change 2014 vs 2015

100% = -38,2 billion USD



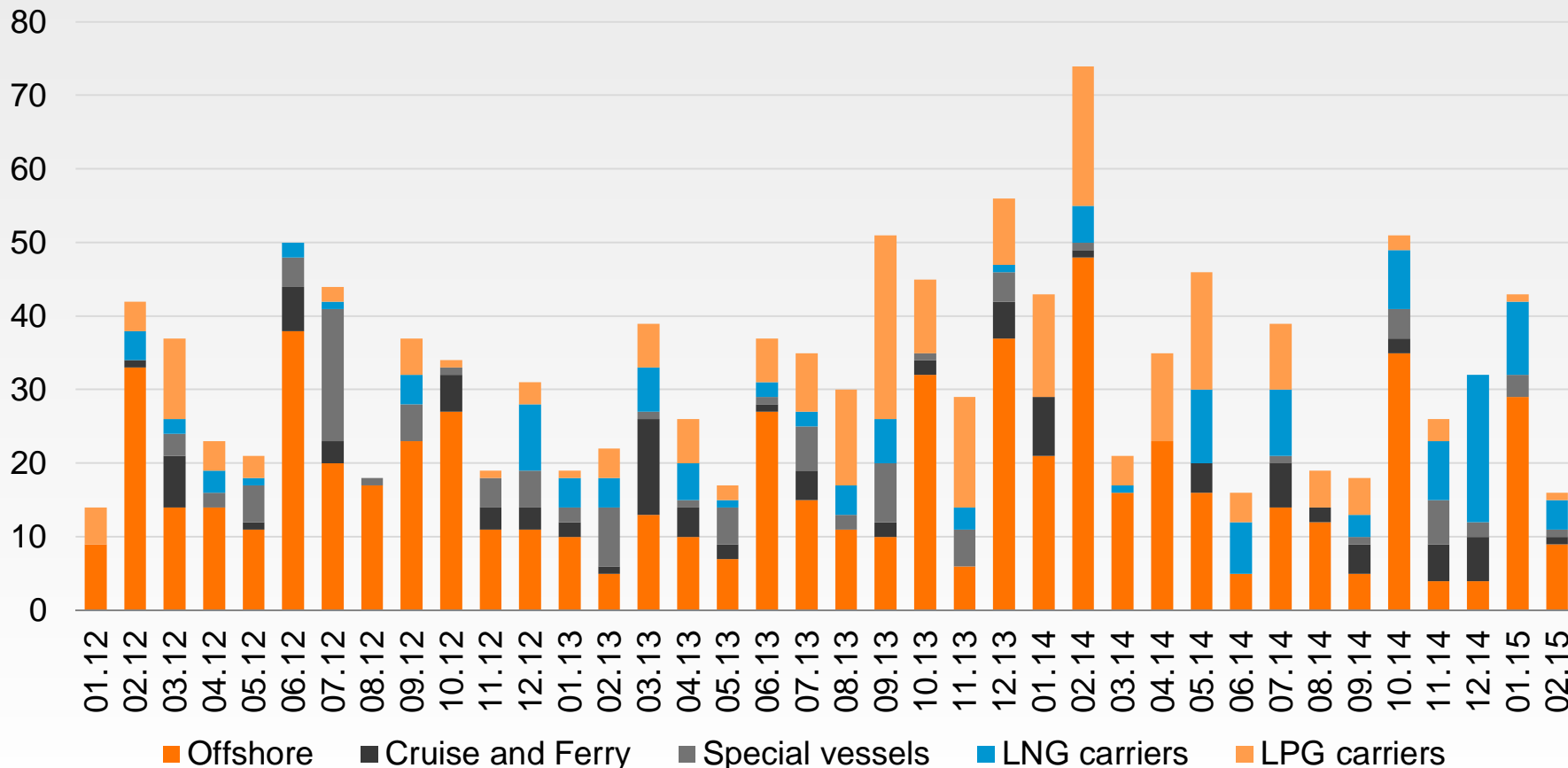
- 2015 total offshore E&P CAPEX foreseen to decline by 13% compared to 2014. EPCI, Drilling, and Well+Maintenance Services segments expected to face the biggest decline
- Investments reduced across the board, with independents and small-cap companies decreasing the most
- Wärtsilä supplies mainly two segments: Drilling and Transportation and Logistics

Source: Rystad Energy dated 13.03.2015. E&P data modeled at 60 USD/bbl 2015-2017

Shipbuilding market

Specialised segment activity still resilient

Number of vessels contracted



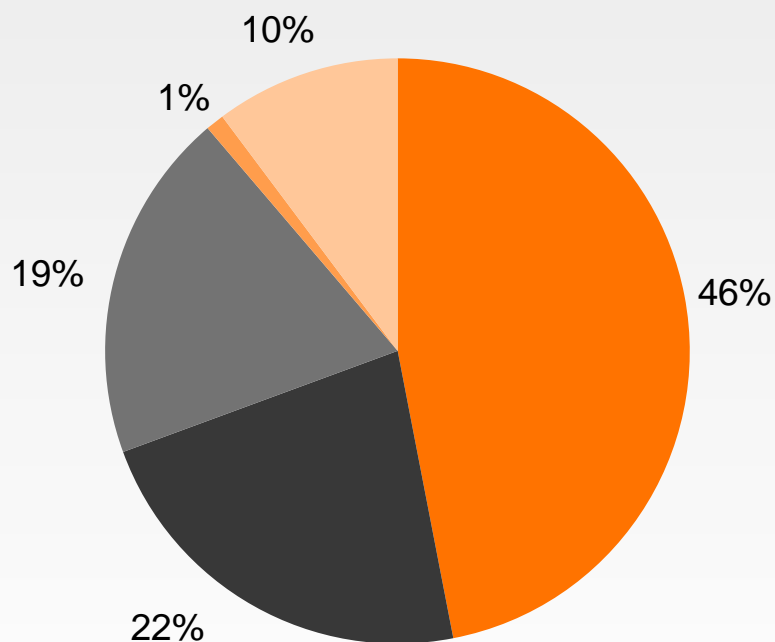
Source: Clarkson Research Services, excluding contracts reported out of period

Shipbuilding volume

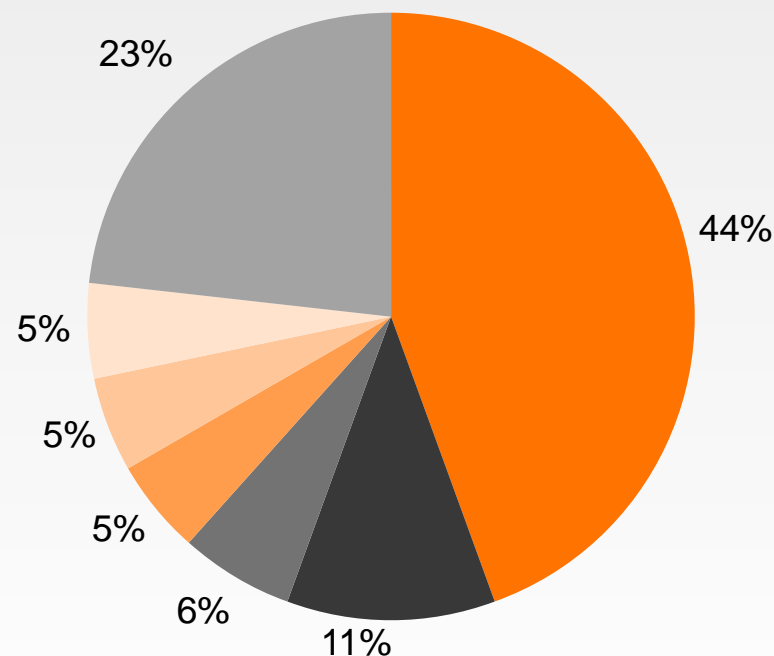
China continues to dominate

Total order book: 5,048 vessels

Merchant + Specials order book, 4,083 vessels Offshore order book, 965 vessels



■ China ■ Japan ■ South Korea
■ Brazil ■ Rest of world



■ China ■ Brazil ■ US
■ Norway ■ South Korea ■ Netherlands
■ RoW

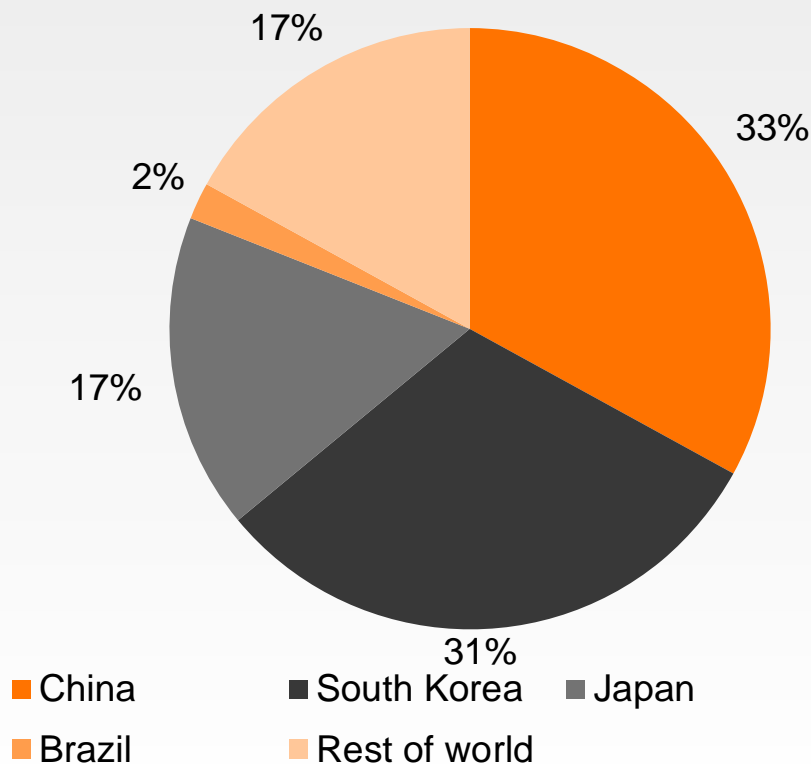
Source: Clarksons World Shipyard Monitor March 2015

Shipbuilding value

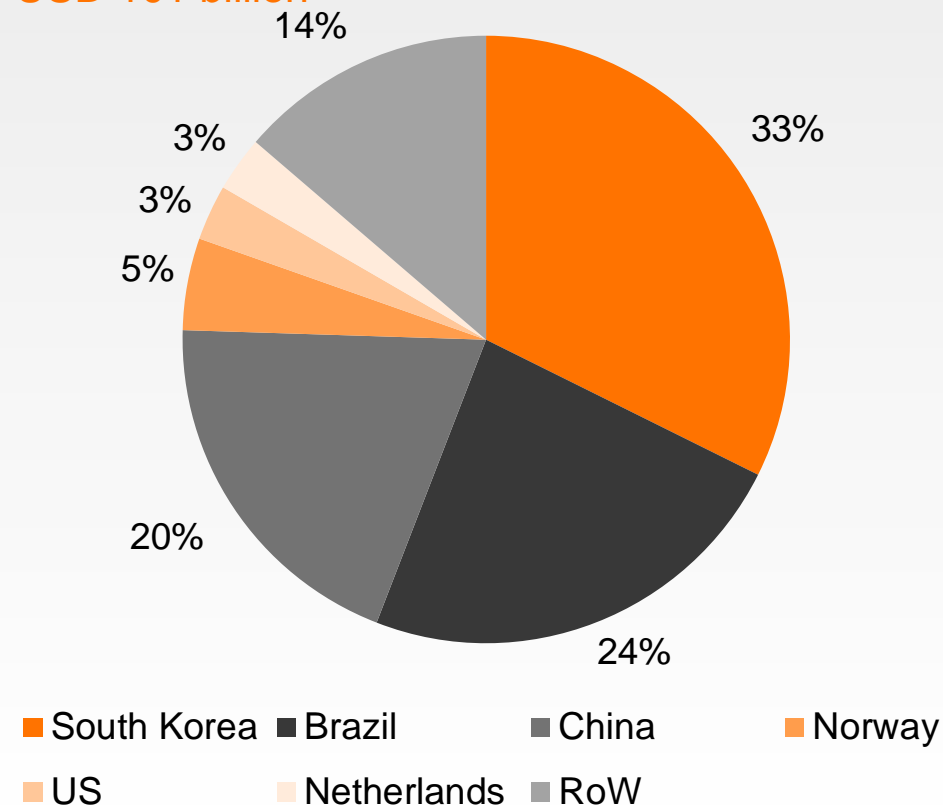
A more diversified picture

Total order book value: USD 305 billion

Merchant + Specials order book, USD 204 billion



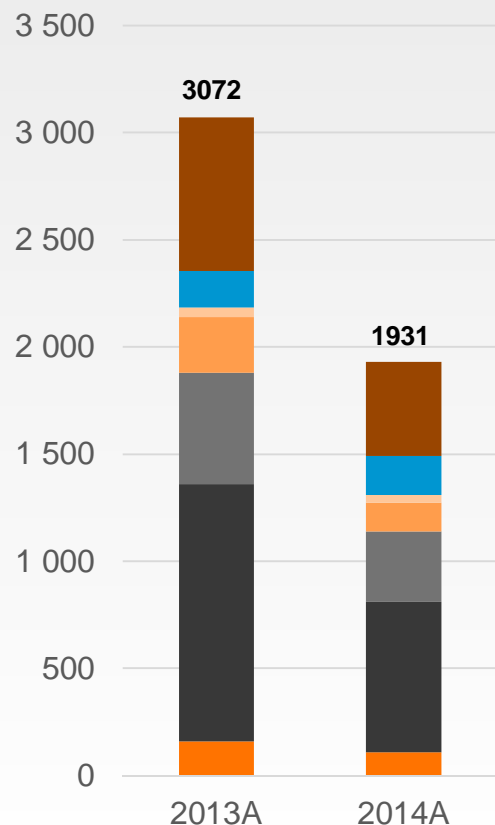
Offshore order book USD 101 billion



Source: Clarksons World Shipyard Monitor March 2015

Overall cautious sentiment, segments uneven

Number of vessels contracted



■ Offshore	437
■ Gas carriers	183
■ Cruise & Ferry	37
■ Containerships	133
■ Tankers	329
■ Bulk carriers	701
■ Other marine	111

2014A

Short term outlook

Typical Wärtsilä product offering

Order potential challenging

Main engines, auxiliary engines, E&A, propulsors, solutions, BWMS, waste water systems, pumps and valves, ship design, gas systems

Market normalising

Main engines, auxiliary gensets, propulsors, gas systems, BWMS, pumps and valves

Cruise majors expanding to Far East, LNG gaining traction

Main engines, auxiliary engines, E&A, gas systems, scrubbers, propulsors, BWMS, pumps and valves, waste water systems

Positive outlook for large and med. sized containers

Main engines, auxiliary engines, propulsors, BWMS ship design, waste water systems, pumps and valves

Active sector, expected to continue short-term

Main engines, auxiliary engines, propulsors, BWMS, pumps and valves, inert gas systems, ship design

Limited activity; Baltic Dry Index at its lowest

Main engines, auxiliary engines, propulsors, BWMS, pumps and valves

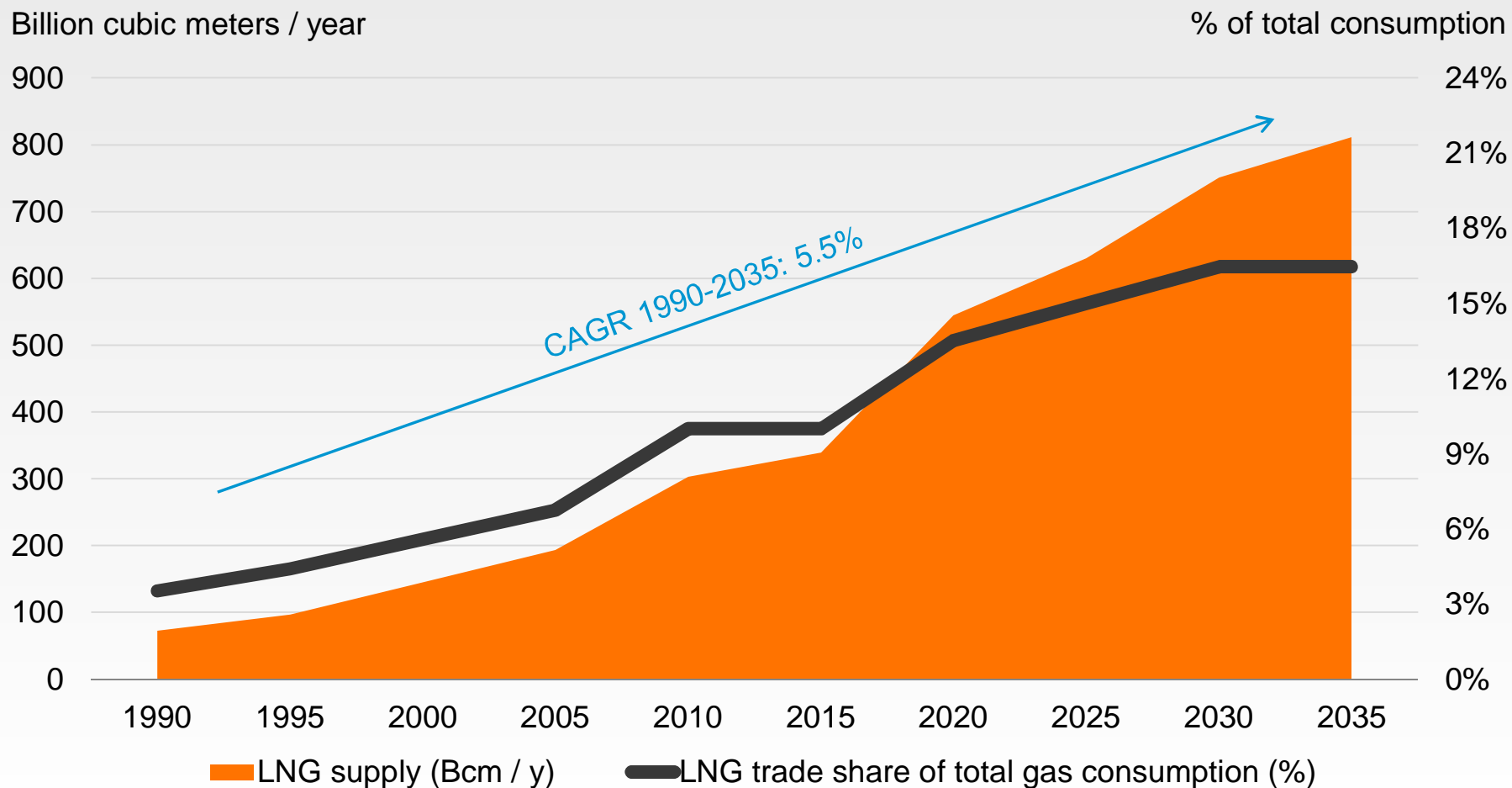
RoRos positive

Main engines, auxiliary engines, propulsors, pumps and valves, E&A, BWMS, water systems

Note: Other marine = MPP, general cargo, RoRo, vehicle carriers and miscellaneous.
Source: Clarksons Marine and Offshore reports

We believe that gas, efficiency and environmental solutions are the future

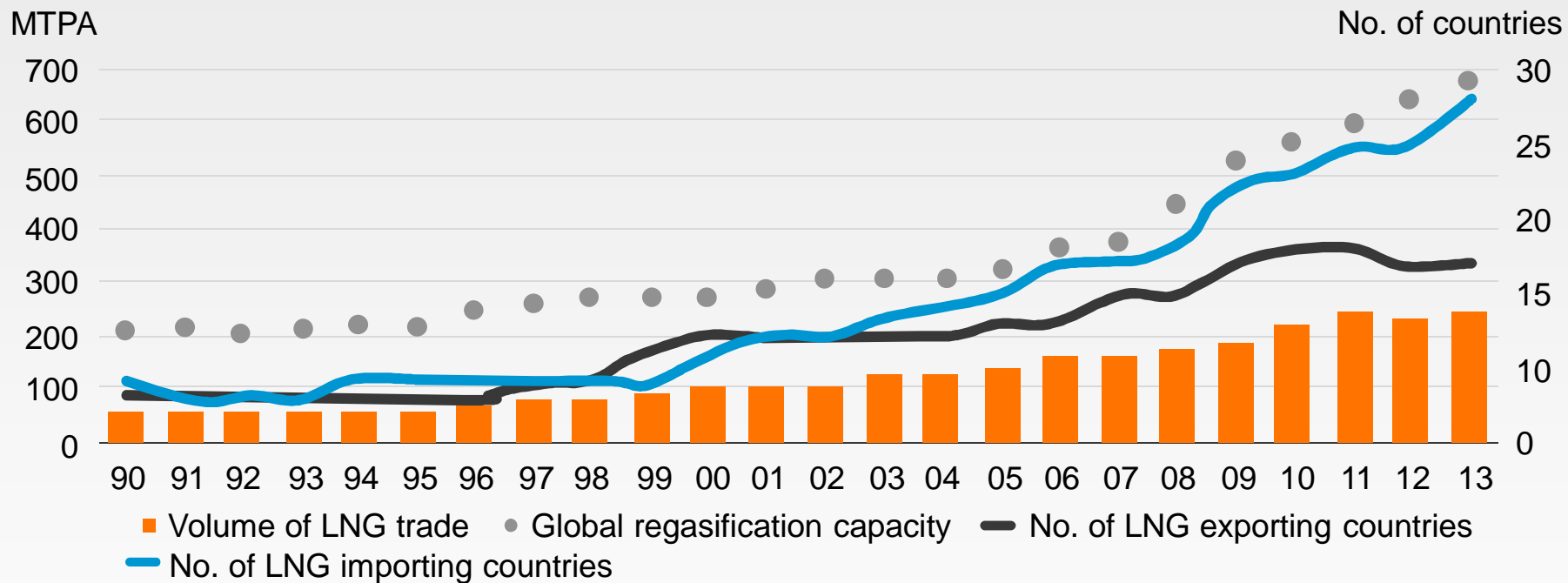
LNG poised for long term growth



Source: BP Energy Outlook 2035

Increasing number of LNG trading countries

Number of LNG importing and exporting countries, volume of LNG trade

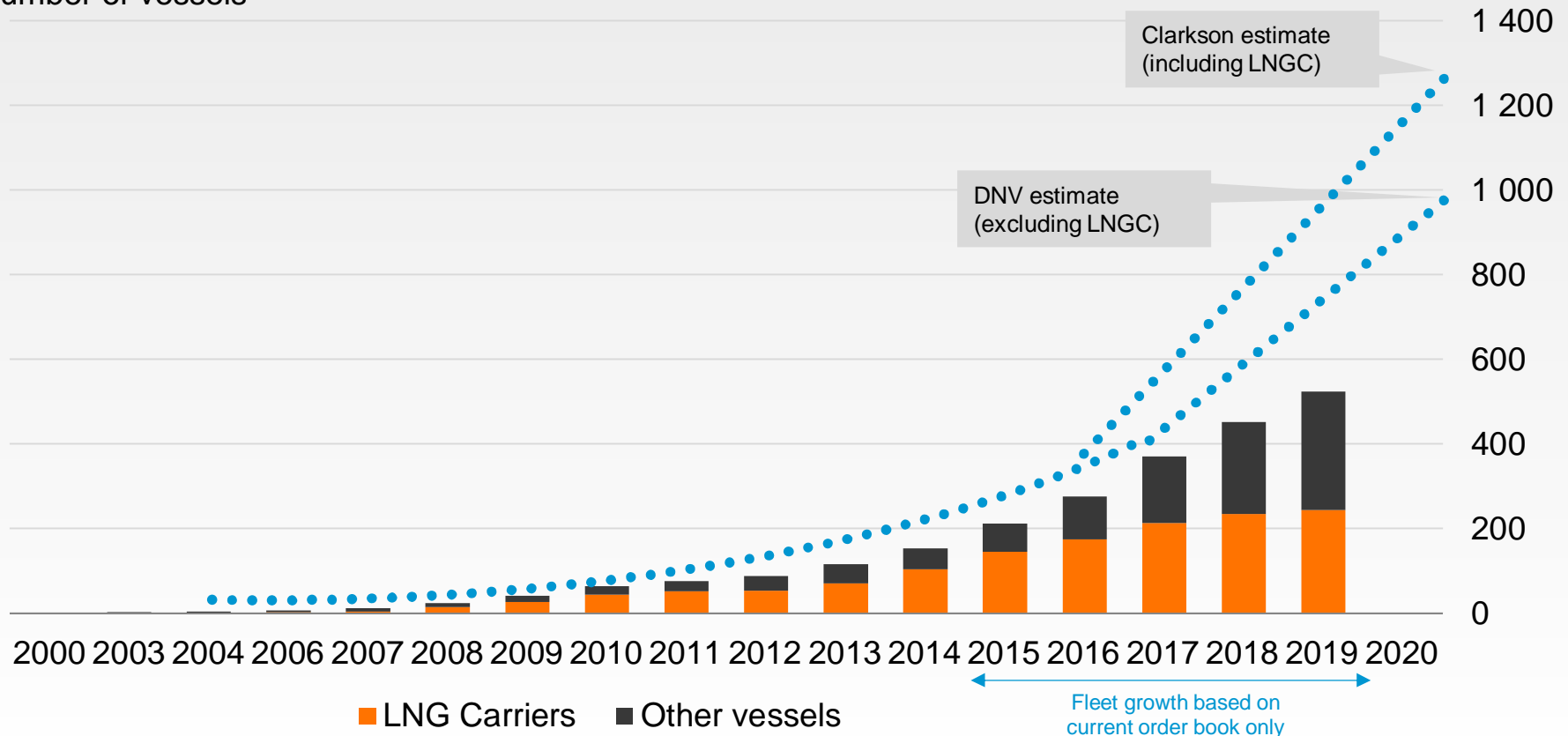


Significant growth in number of importing countries increases demand for small and medium scale receiving terminals and gas carriers

Source: International Gas Union: World LNG Report 2014

LNG fuelled fleet

Number of vessels



*LNGC: LNG Carriers

Source: DNV GL gas report Sept 2014. LNGC order book data and LNGC estimate: Clarkson Research Services 12.03.2015, LNG Trade and Transport study 2014

Our offering to the gas value chain



EXPLORATION AND DRILLING

- Fuel gas handling for OSVs

PRODUCTION AND LIQUEFACTION

- On- & Offshore small scale liquefaction
- Antiflaring
- VOC
- Gas reformer
- Oil separation

TRANSPORT

- Fuel gas handling
- LPG, LEG, Ethane and LNG cargo handling

STORAGE AND DISTRIBUTION

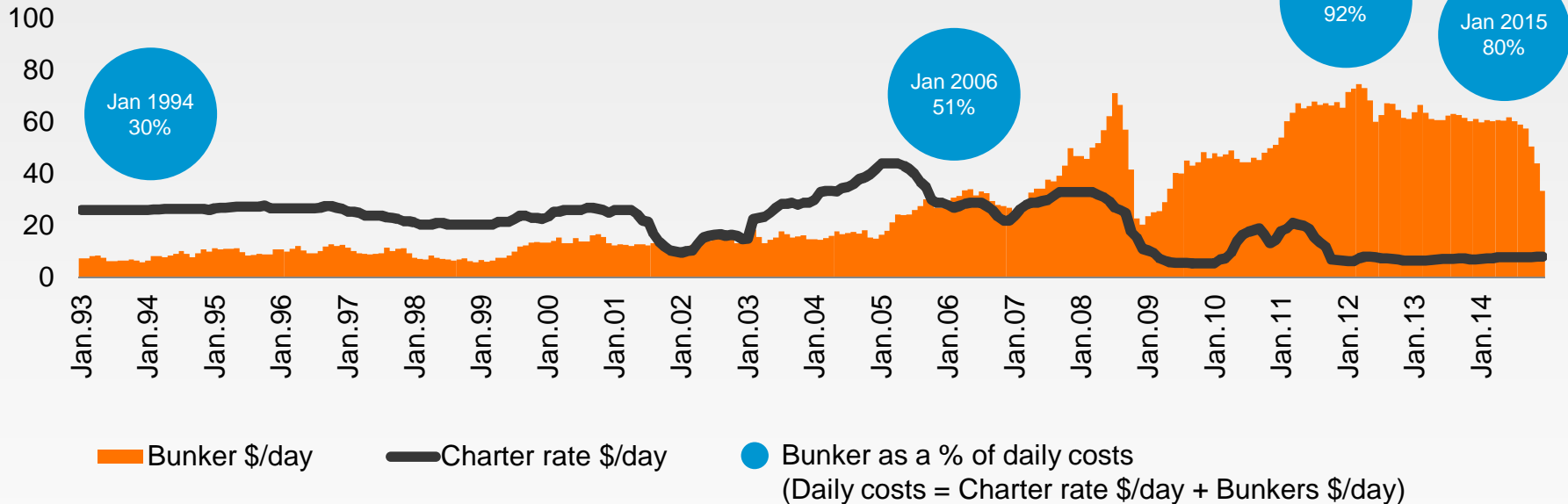
- Jetty and Floating regasification
- Bunkering and barges
- Receiving terminals
- Loading stations

END CONSUMERS

Lower oil prices mean cheaper bunkers

Daily rate and bunker costs*, 3,500 TEU containership

Thousand USD

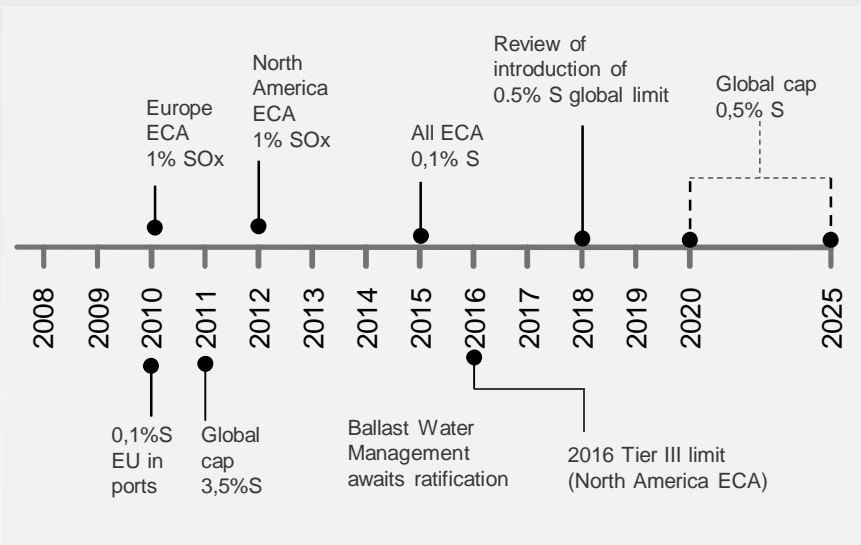


...however bunker share of daily costs is still very high (now at 80%):

1. Efficiency gains have big impact on bottom lines
2. Slow steaming expected to remain in the picture

* Bunker costs are paid by the charterer

Source: Clarkson Research Services (basis 3500 TEU ship, speed 22.5k on consumption of 105 tpd).



“U.K. port authorities plan to check fuel records of ships calling on British ports”

“US EPA steps up ECA sulphur enforcement efforts”

“Hong Kong; Shipmasters could face jail for breaching sulphur rules”

Efficient environmental products key for customers to fully comply with IMO legislation

- Finnlines selects Wärtsilä scrubber systems for six of its vessels to reduce Baltic Sea environmental impact
- Royal Caribbean will retrofit nearly half of its fleet (19 ships), with advanced emissions purification systems
- Singapore based Pioneer Marine orders 44 Wärtsilä ballast water management systems to 22 of its bulk carriers
- HHI selects Wärtsilä exhaust gas cleaning systems for 10 new large gas carrier vessels

Source: Trade Winds, Sustainable Shipping, Bunkerworld, Dow Jones & Company Inc. March 2015

Competitive landscape

Our competitors



E&A

Propulsion

Gas systems



4-stroke medium speed



Flow systems



Ship design



Environmental solutions



Note: Converteam is a part of GE
Allweiler is a Colfax business unit

Offering

Engines: 4-stroke

Our market position

- Main engines: market leader
- Auxiliary generating sets: market challenger

Wärtsilä key strengths

- Fuel flexibility and efficiency
- Environmental footprint

Propulsion

- CPP, FPP & STT: among the top players
- TT: market challenger

- Well-engineered, efficient products
- Operational efficiency for dynamic positioning
- Multi-segment presence

Electrical & Automation (excl. L-3 MSI)

- Established position in offshore, otherwise market challenger

- Low loss concept, efficiency and space savings
- Track record in demanding applications, performance and safety

Ship Design

- Among the leading ship design houses

- Frontrunner in fuel flexible, energy efficient and LNG powered ship designs
- Experience: over 4,000 vessels built in offshore, specials and merchant segments

Offering

Oil & Gas systems

Our market position

- Among the top players

Wärtsilä key strengths

- Strong LNG and LPG process technology know-how
- Complete end-to-end gas cargo handling offering for a broad range of gas carriers

Pumps & Valves

- Among the top players

- High efficiency with electric prime movers
- Sophisticated material choices, durability
- Flexible design

Environmental Solutions

- Among the top players

- Leader in technical performance and compliance
- Choice of technology for customers
- Partnership approach throughout the lifecycle
- Full turnkey capability, also for retrofits

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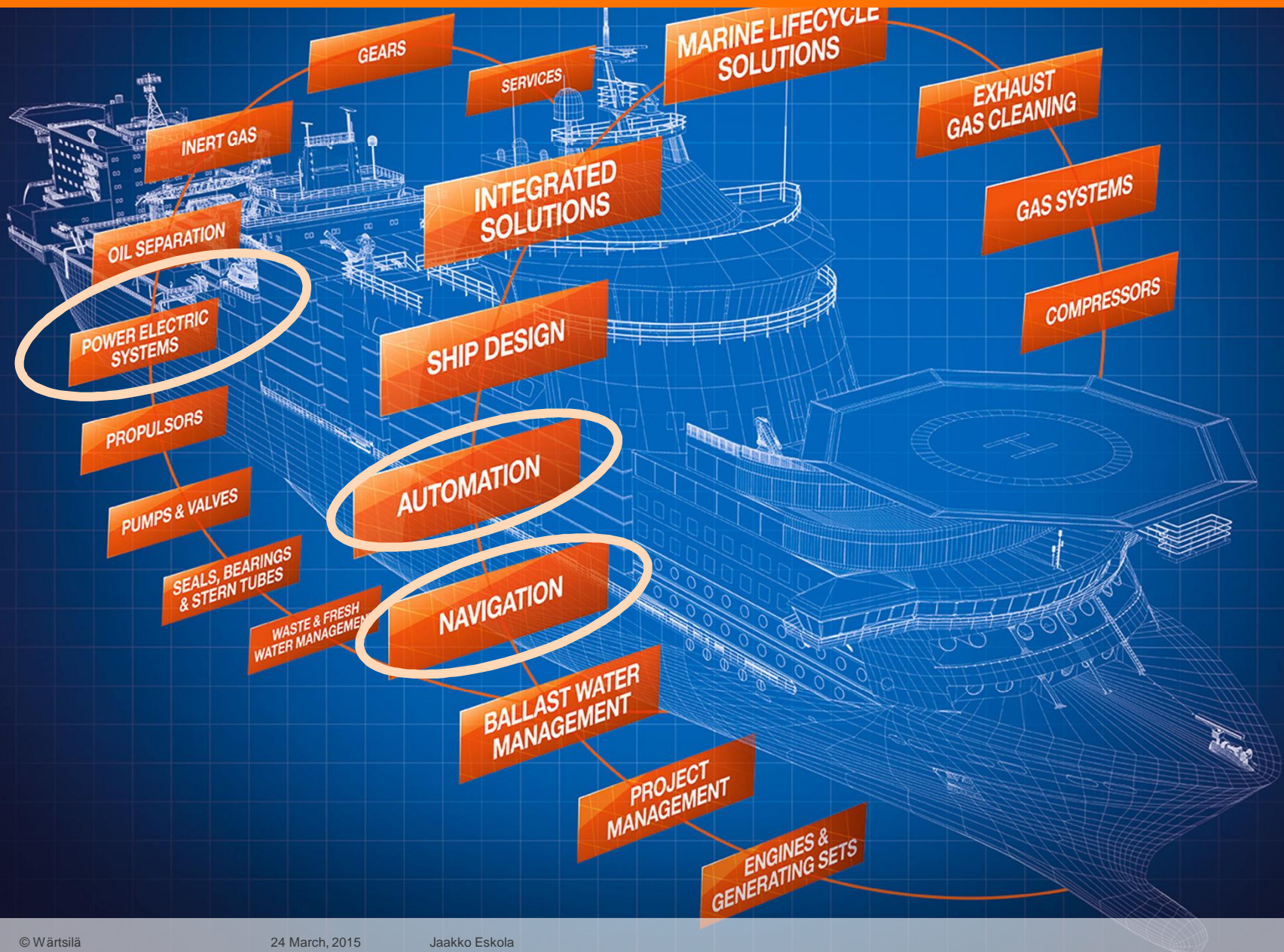
Concluding remarks

Our broad portfolio gives us a resilient position

- First signs of recovery in the global economy, supports trade and shipping
- Lower oil prices:
 - Increases pressure in offshore markets
 - Presents opportunities in other marine markets
 - Efficiency remains a priority
- Fundamentals in gas and other specialised segments remain positive
- Regulatory pressures still in play, will attract investments (also for retrofits)



The most complete marine offering on earth got even more complete



Thank you!

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