


WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY-SEPTEMBER 2019

25 October 2019

Jaakko Eskola, President & CEO



Third quarter burdened by project related challenges and low equipment demand – services activity remains sound

Order intake **EUR 979 million**, -29%

Order book at the end of the period
EUR 6,294 million, +6%

Net sales **EUR 1,118 million**, -16%

Book-to-bill **0.88** (1.03)

Comparable operating result **EUR 39 million**
(141), or **3.5% of net sales** (10.6)

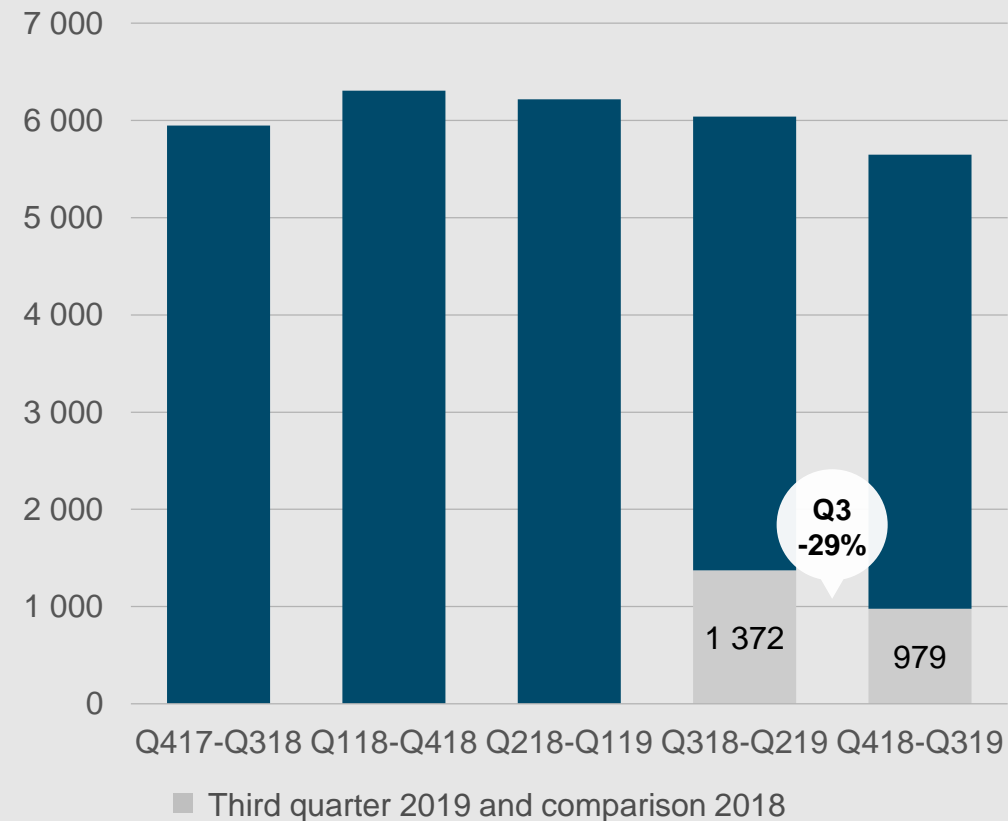
Earnings per share **EUR -0.01** (0.17)

Cash flow from operating activities
EUR -61 million (122)

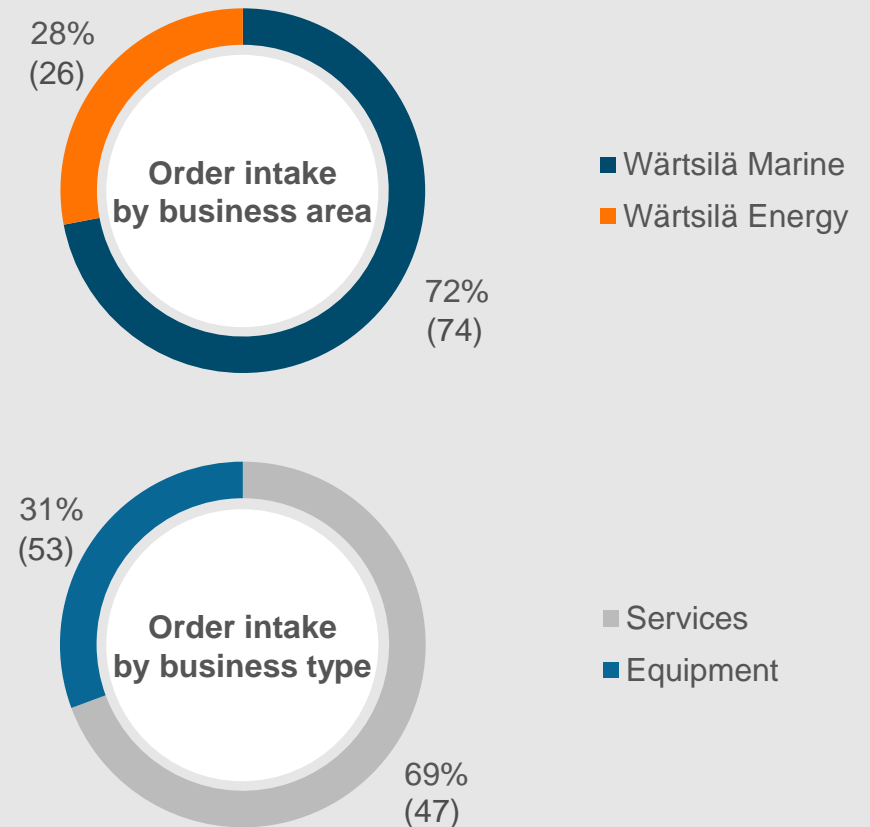


Order intake weak in both equipment businesses – solid development in services

Rolling 12m, MEUR

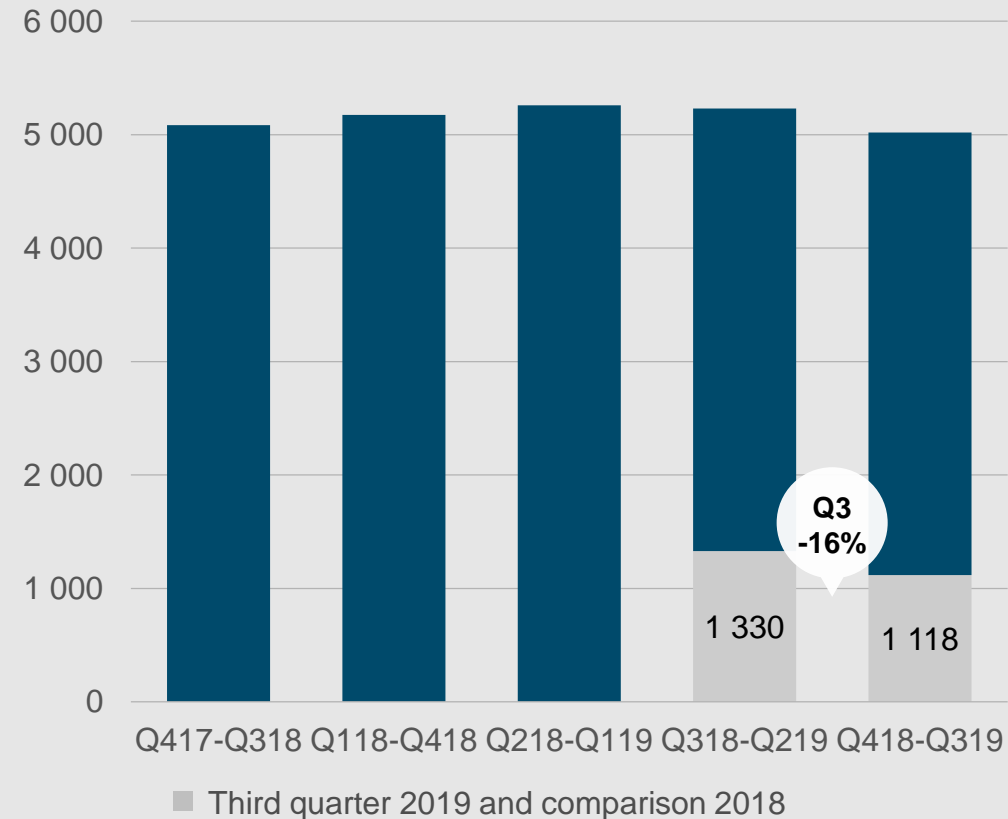


Third quarter development

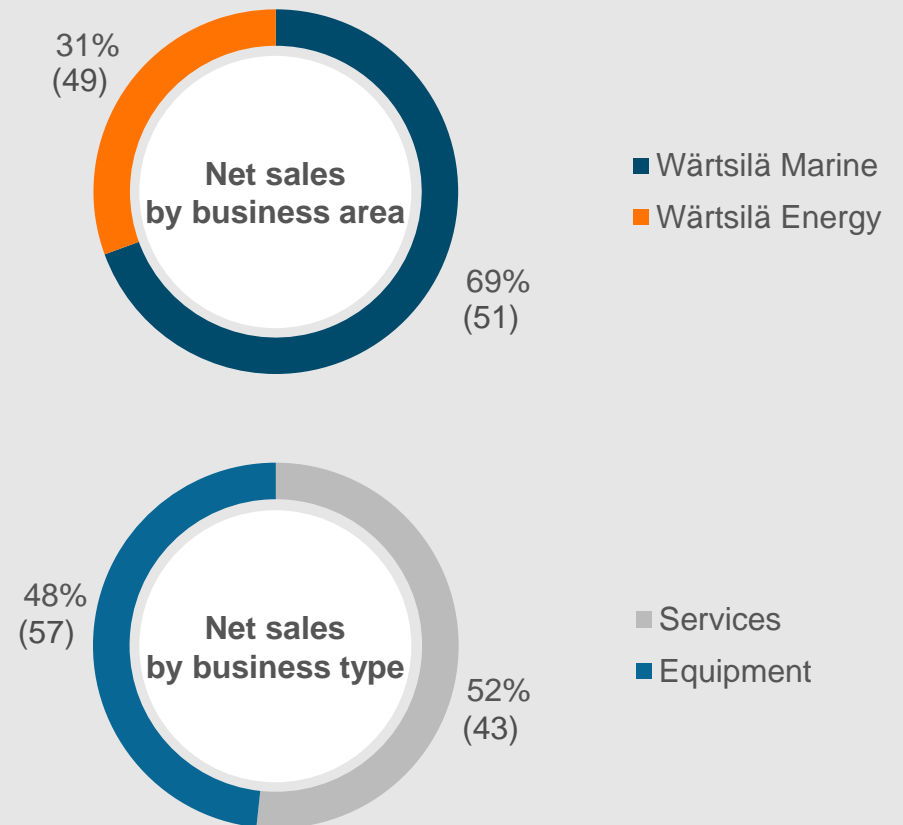


Decline in net sales due to concentration of deliveries towards Q4

Rolling 12m, MEUR

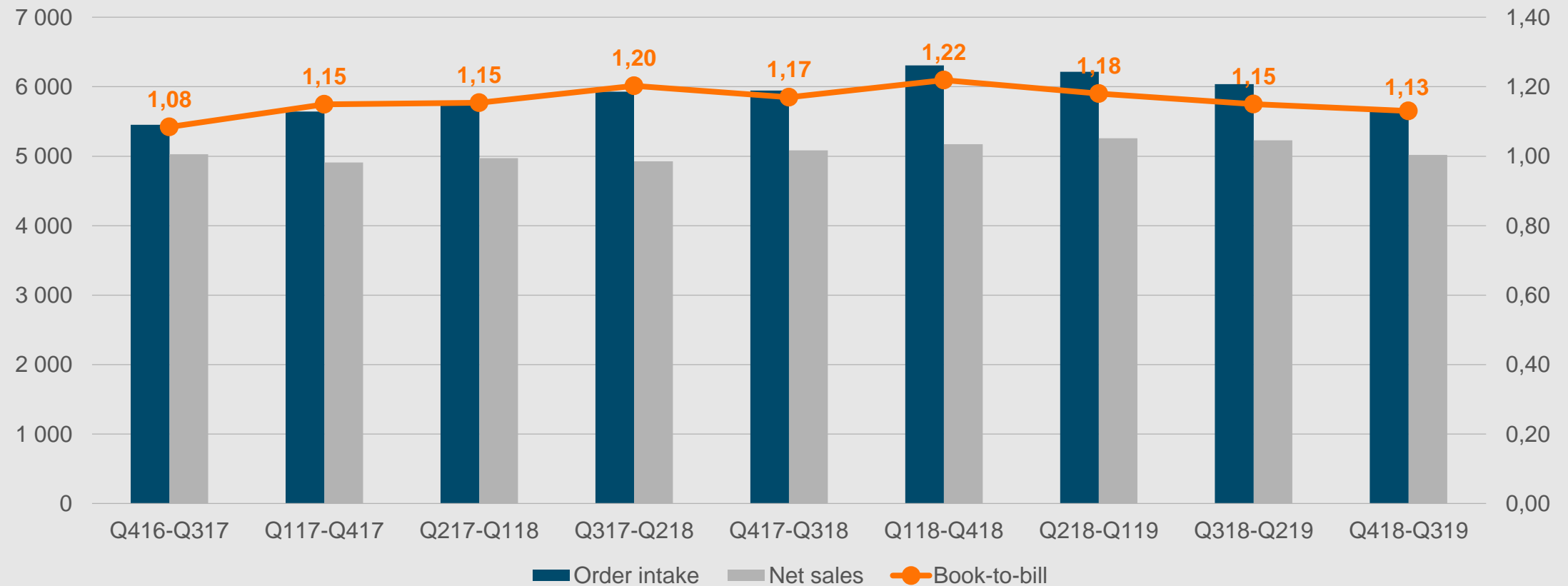


Third quarter development



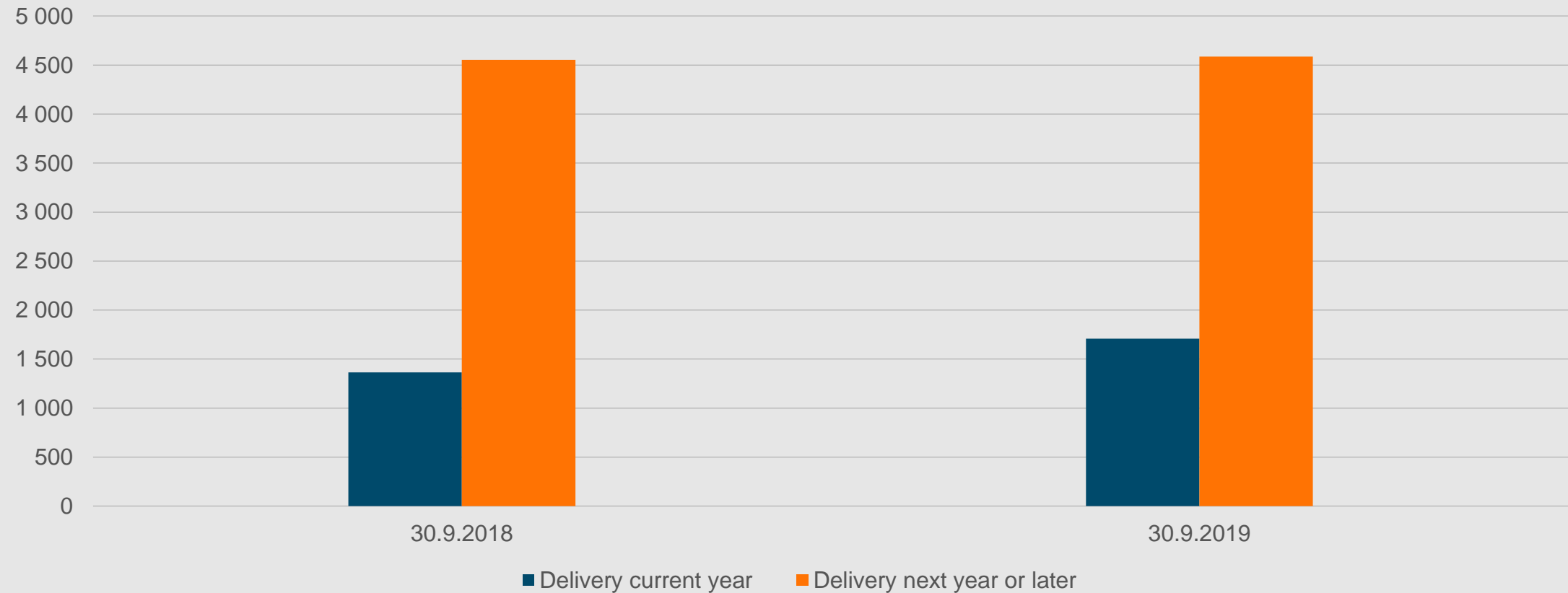
Book-to-bill

Rolling 12m, MEUR



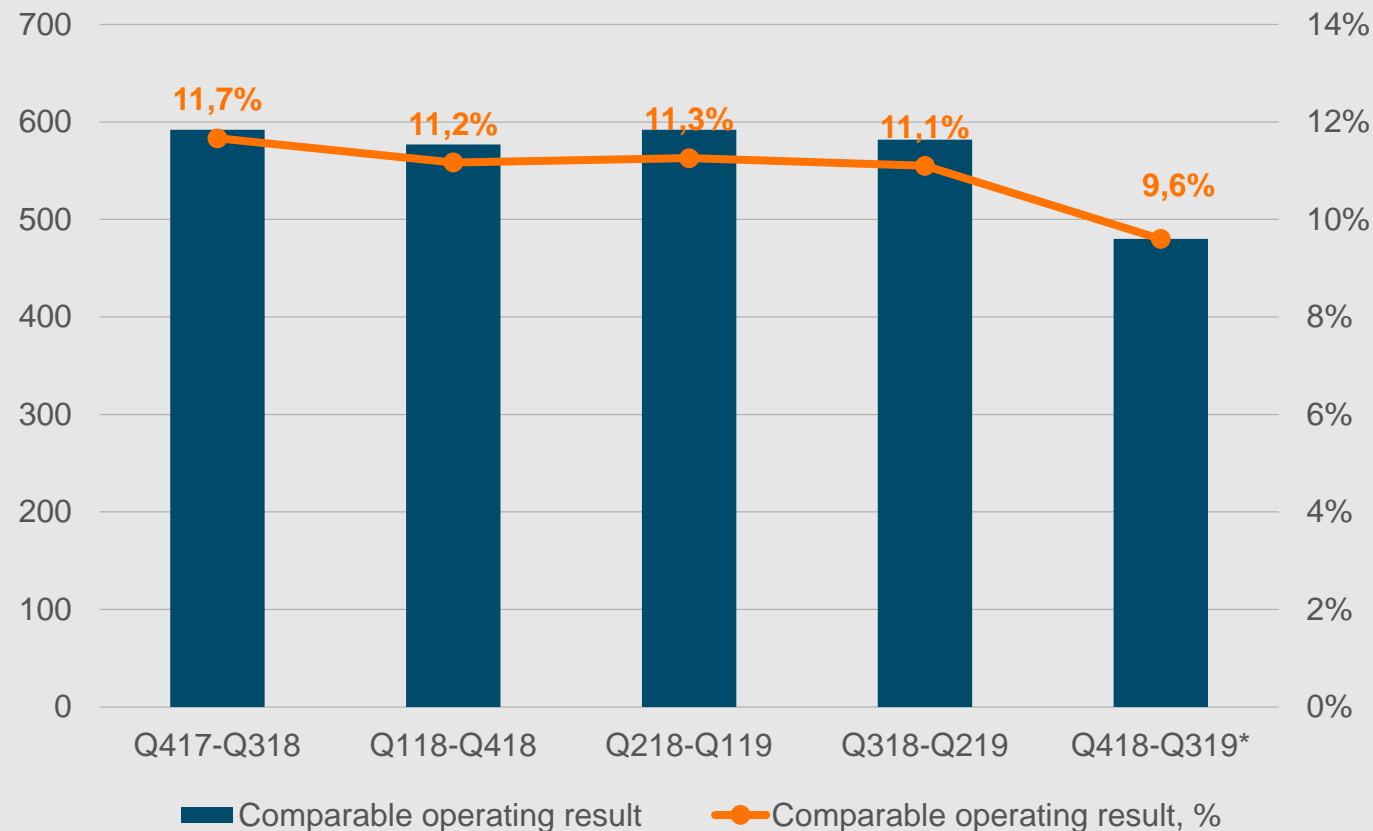
Order book distribution

MEUR

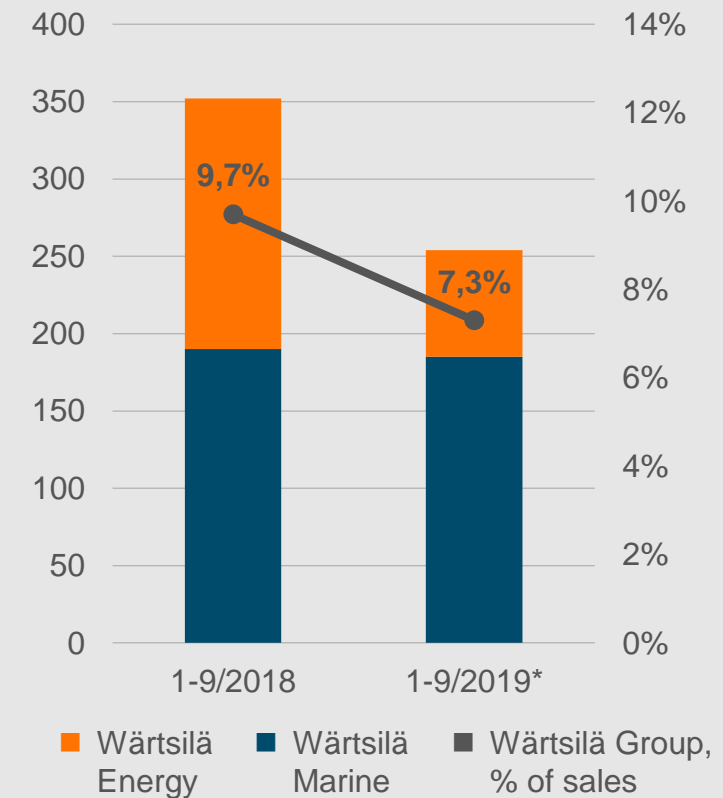


Comparable operating result burdened by project challenges

Rolling 12m, MEUR



Review period development
MEUR



*The operating result for January-September 2019 includes a charge of EUR 84 million related to cost overruns in certain large and complex project deliveries in the Marine and Energy businesses, of which EUR 17 million was recognised in Wärtsilä Marine and EUR 67 million in Wärtsilä Energy.

Cost overruns in certain complex marine and energy projects

Projects affected:

- Twelve marine gas solutions projects for multiple gas tanker vessel series
- One LNG terminal construction project
- Two engine EPC projects in countries with strict local standards and requirements

Financial impact:

- EUR 150 million one-time charge in full year 2019 result, of which EUR 84 million recognised during January-September

Reasons identified and corrective actions taken

Main issues behind cost overruns:

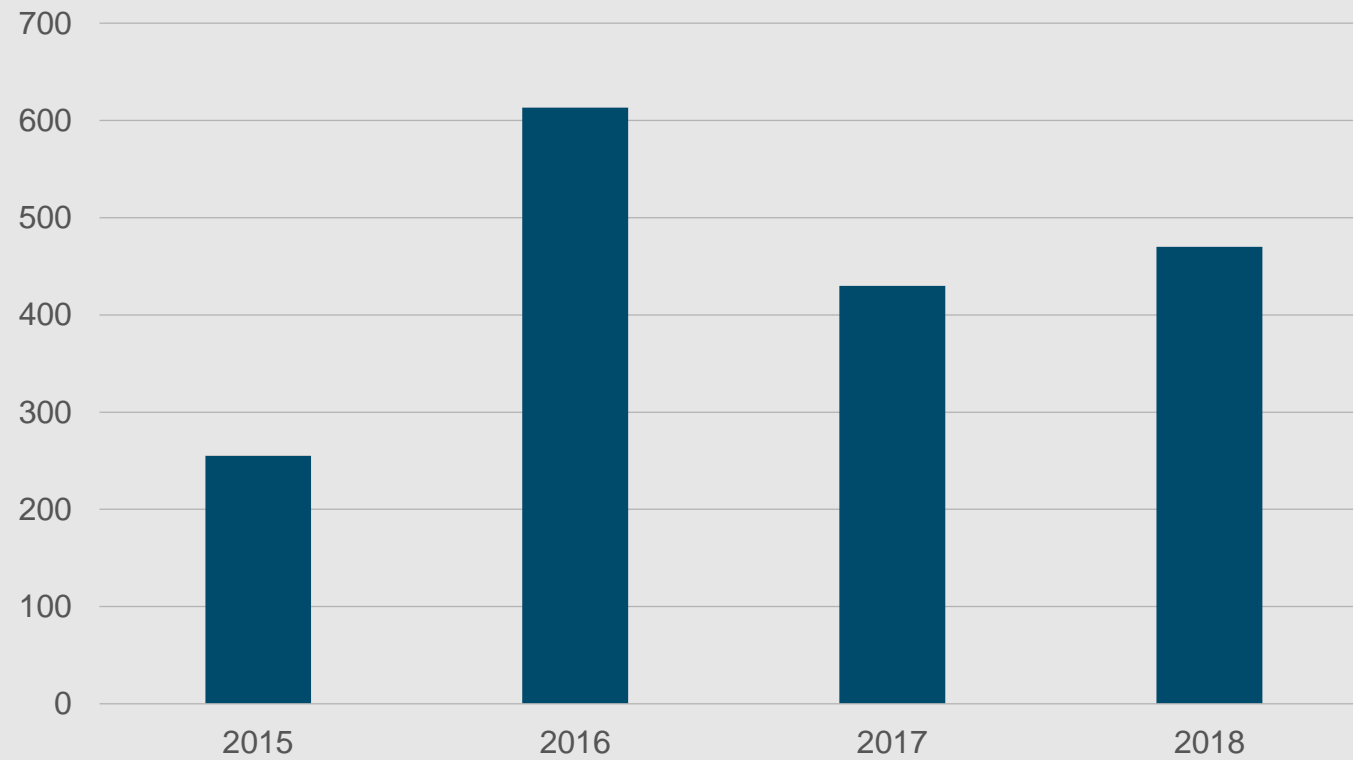
- New technologies and applications
- Challenges related to new suppliers
- Local standards and codes not fully priced at sales phase
- Subcontracting and engineering costs underestimated

Corrective actions to strengthen sales and project execution processes:

- Changes to the organisational structure to strengthen project management
- Process changes to ensure better upfront risk identification
- Tighter controls on technical assessments and supplier approval
- Training and introduction of new tools to facilitate sales and project execution processes

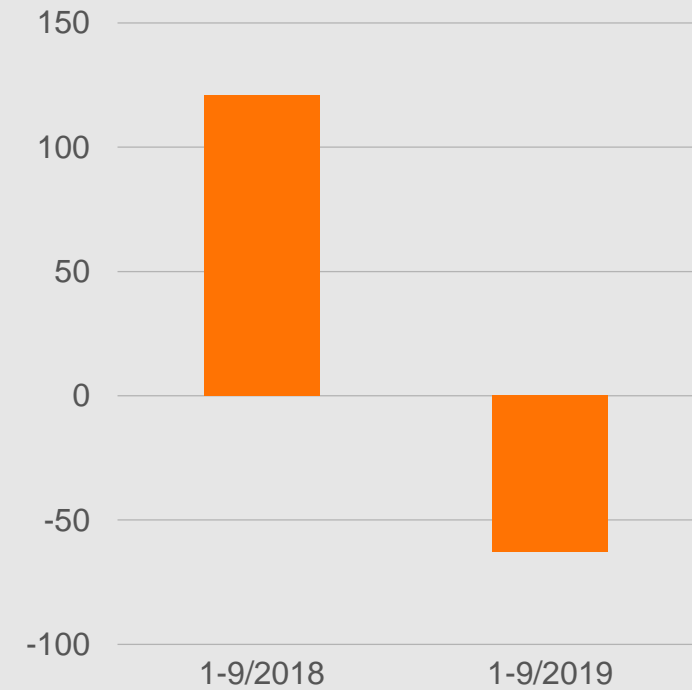
Cash flow from operating activities

MEUR

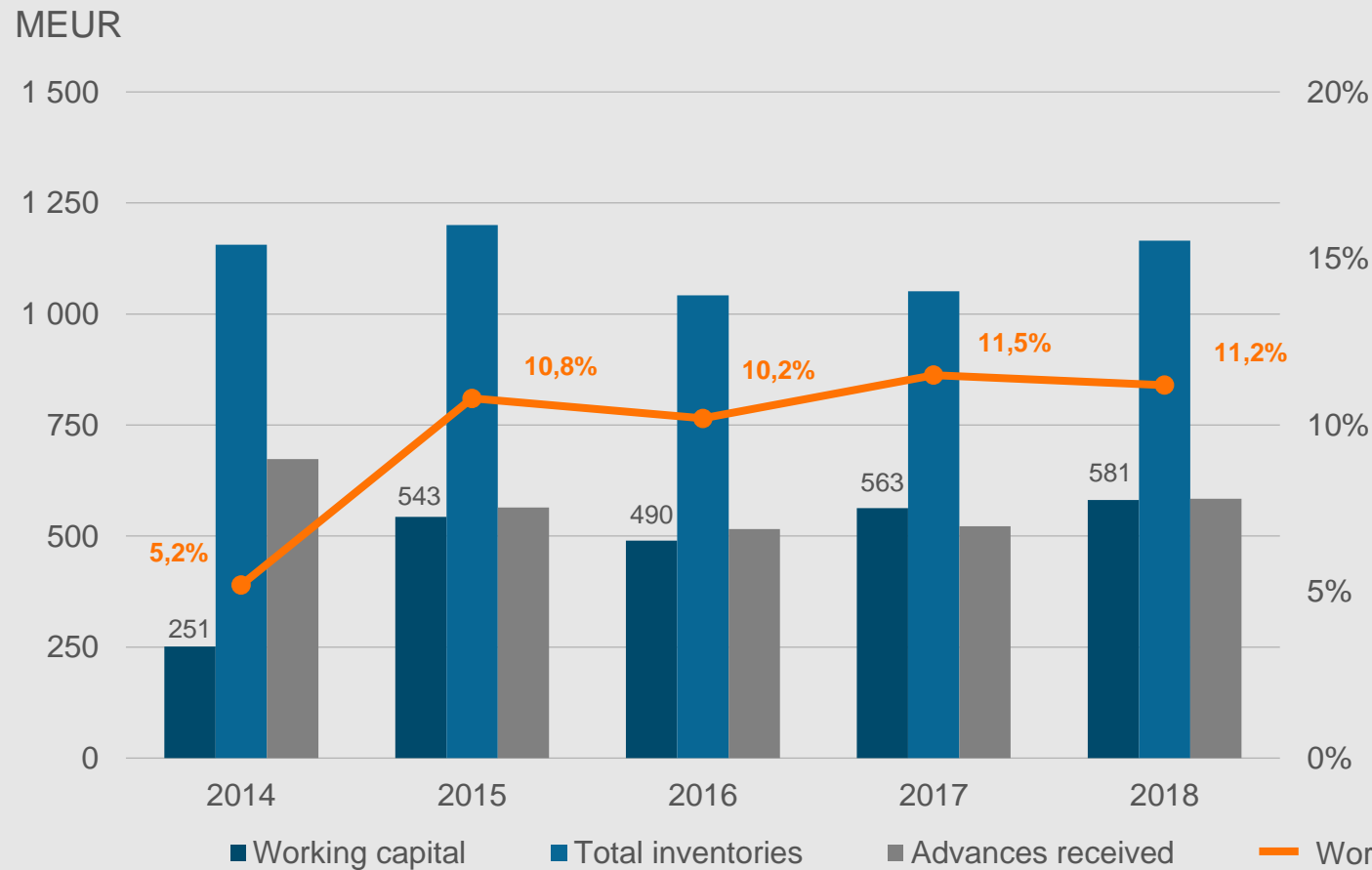


Review period development

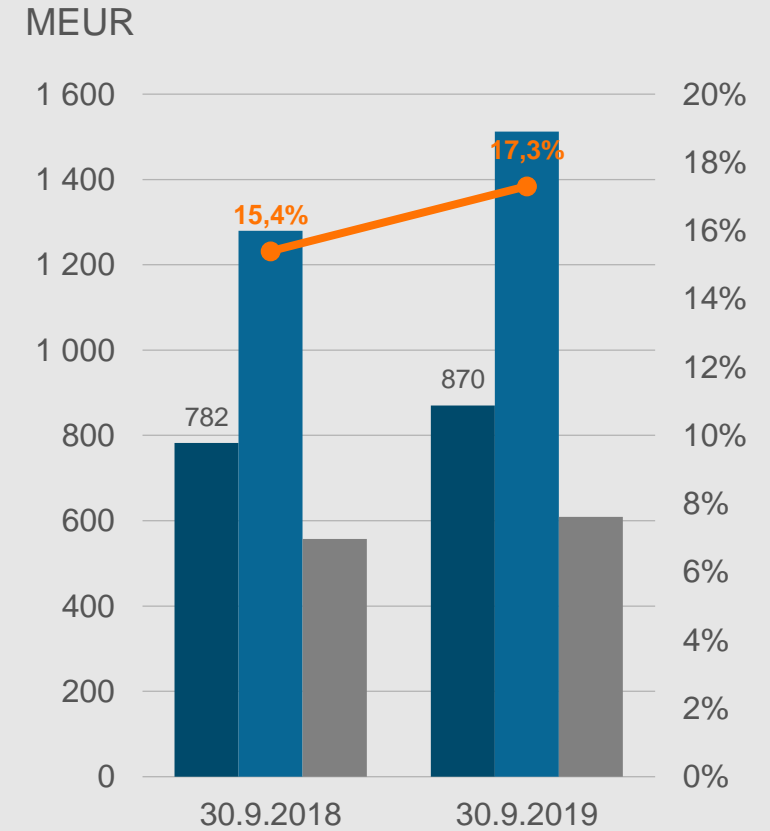
MEUR



Working capital

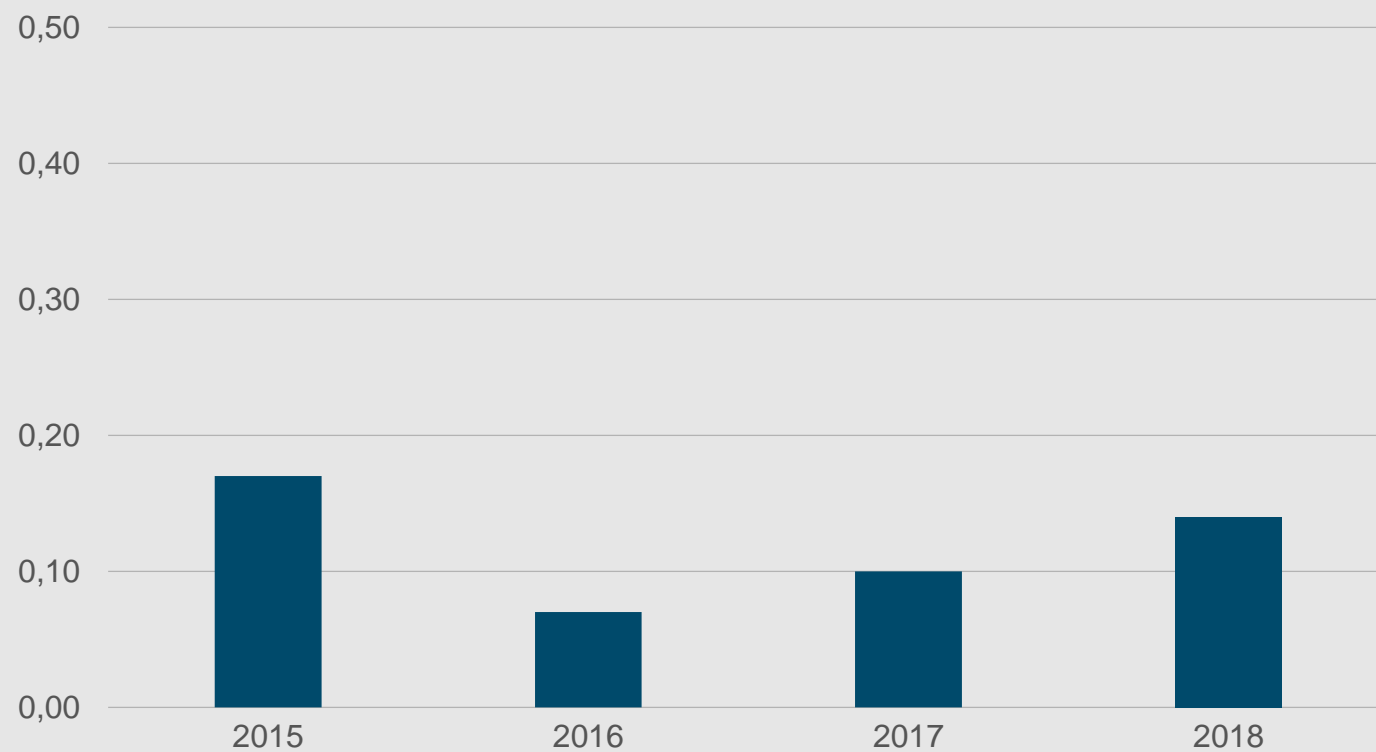


Review period development

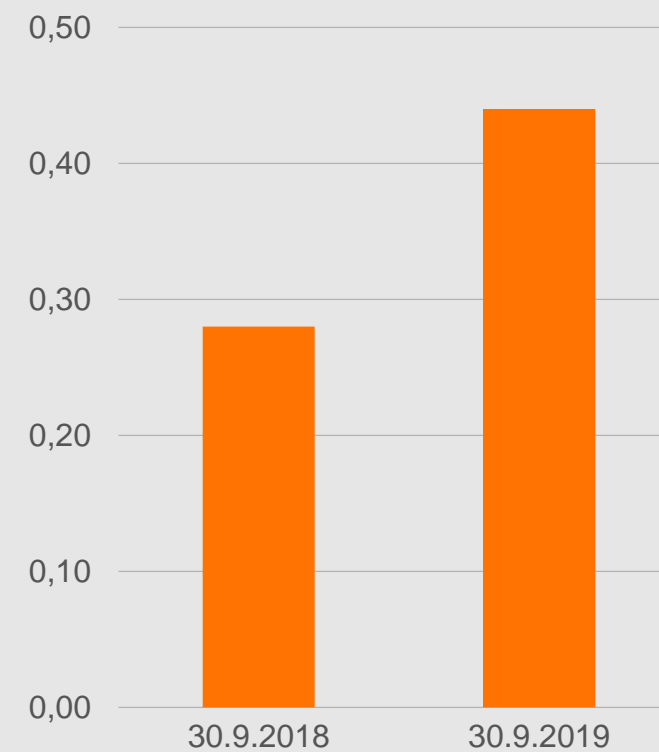


*Working capital / 12 months rolling net sales

Gearing



Review period development

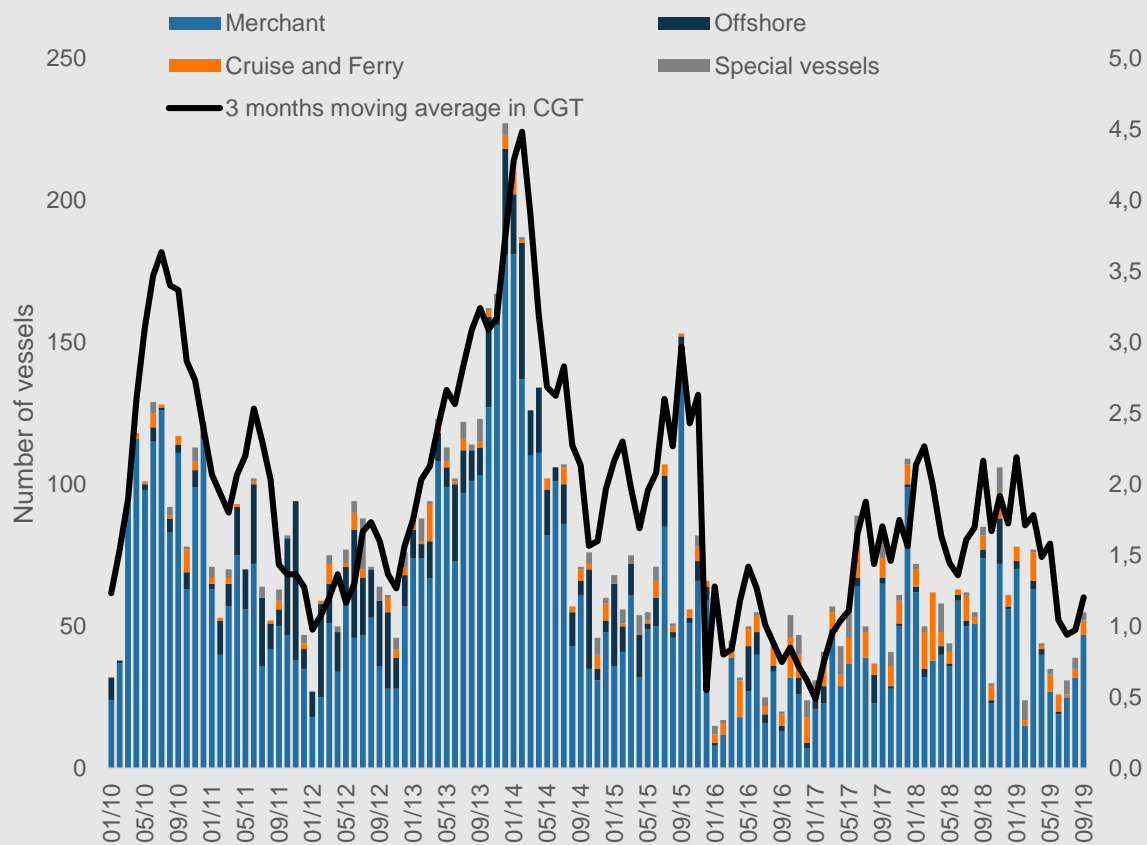


Wärtsilä Marine Business

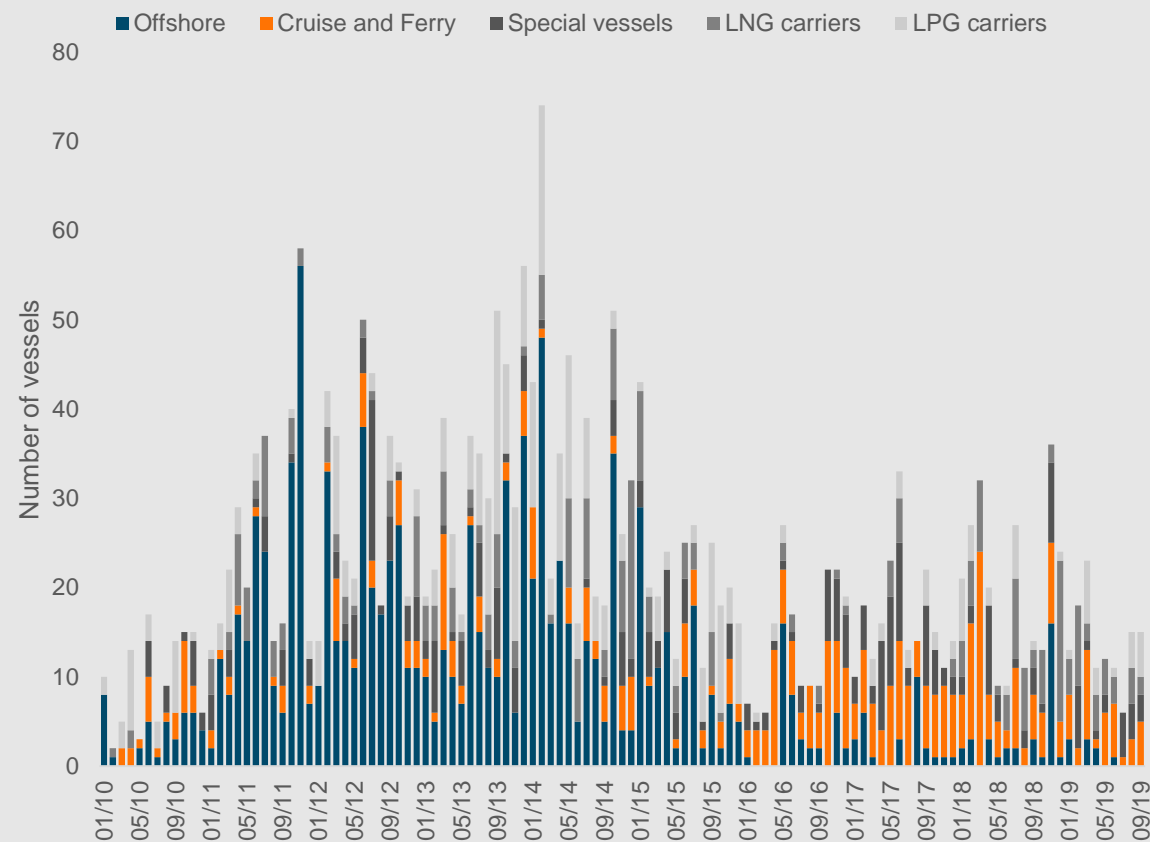


Vessel contracting remains subdued

Total vessel contracting

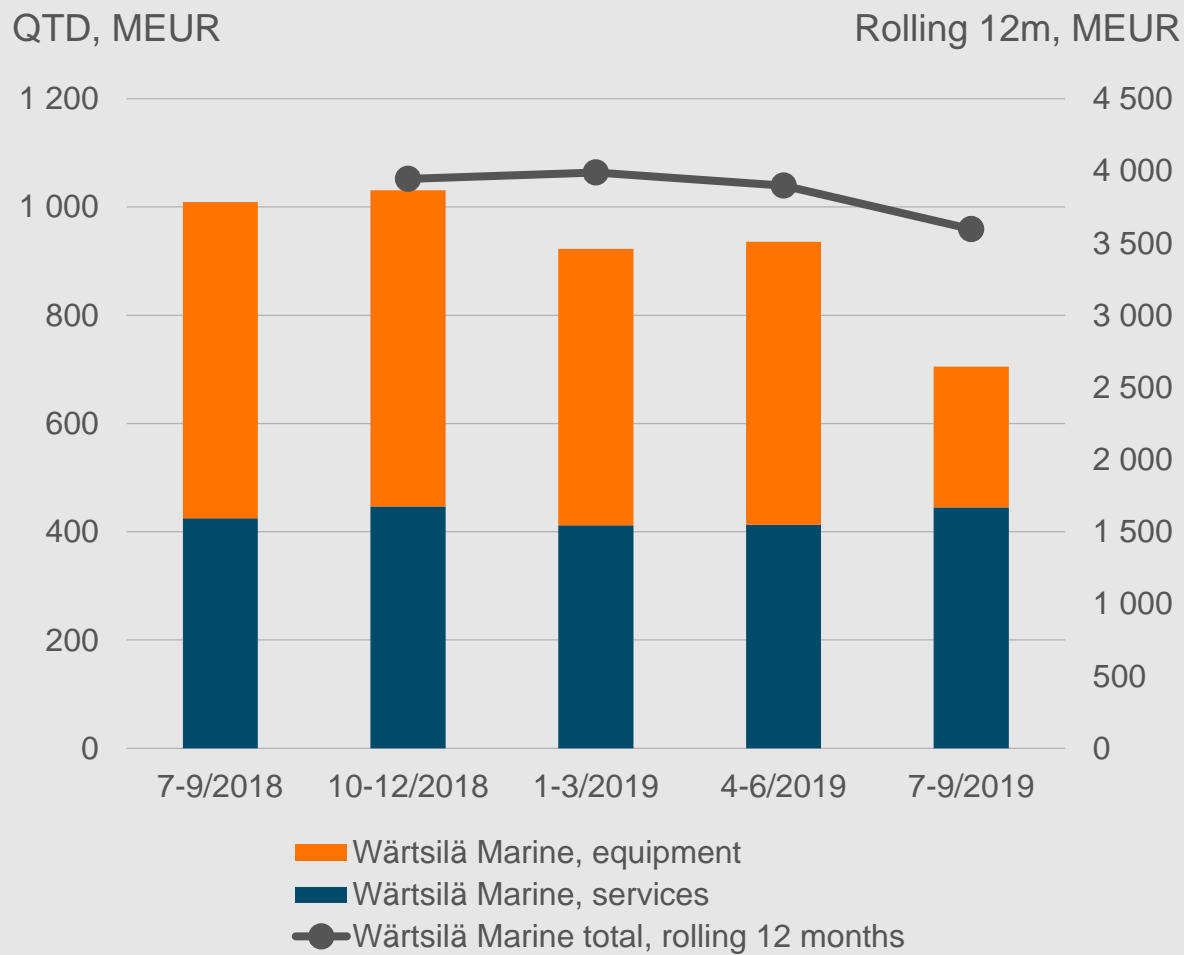


Specialised tonnage

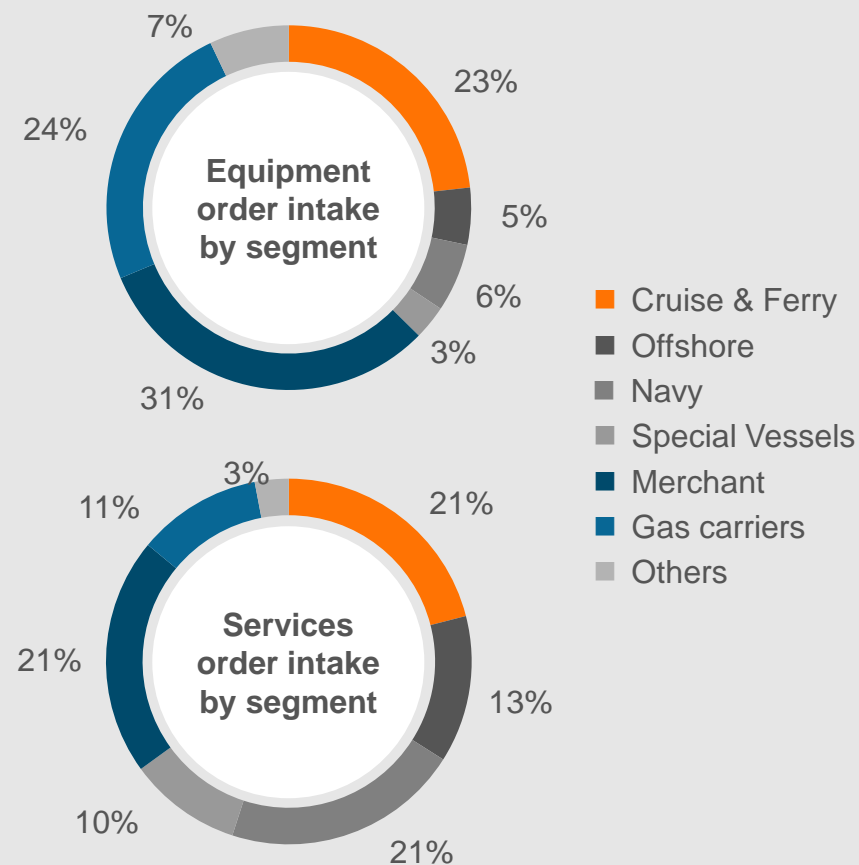


Source: Clarksons, Contracting as per October 7th, 2019
CGT= gross tonnage compensated with workload

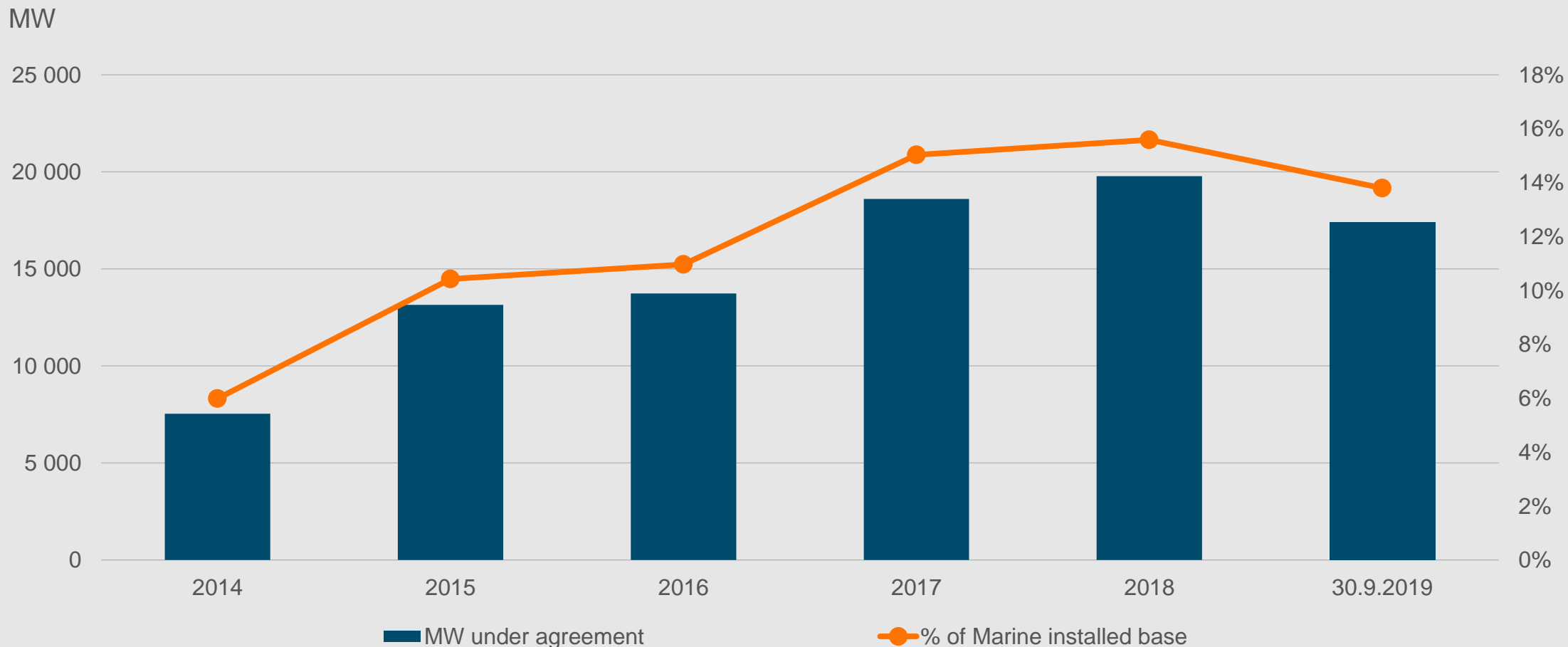
Order intake development



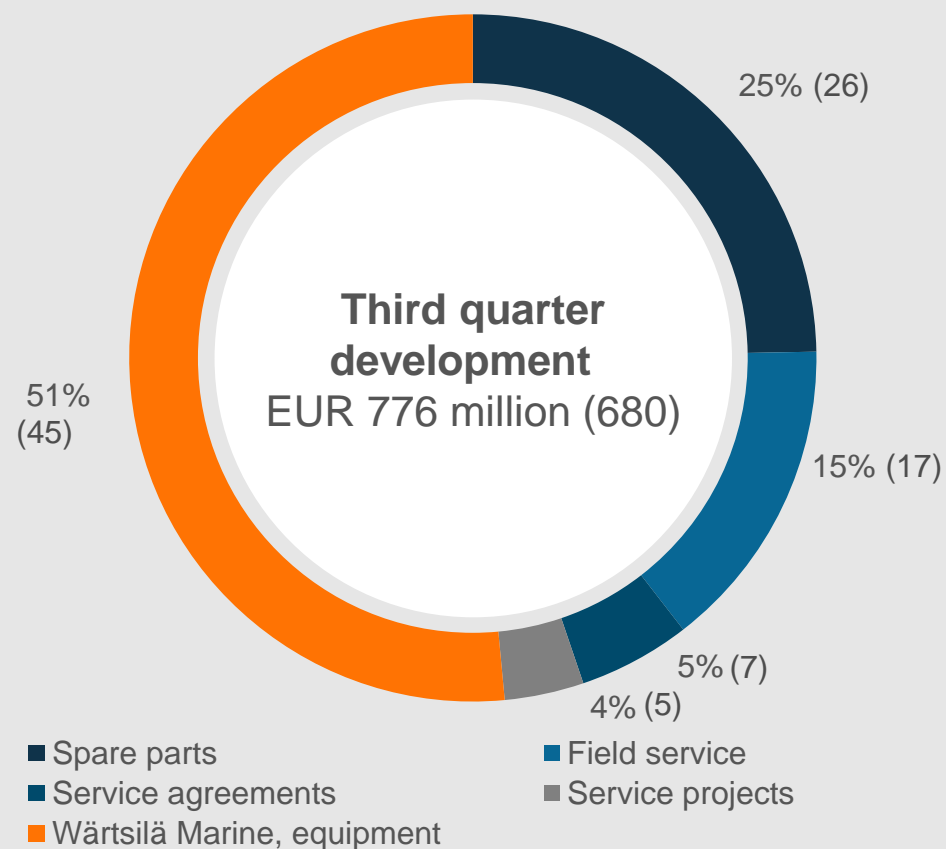
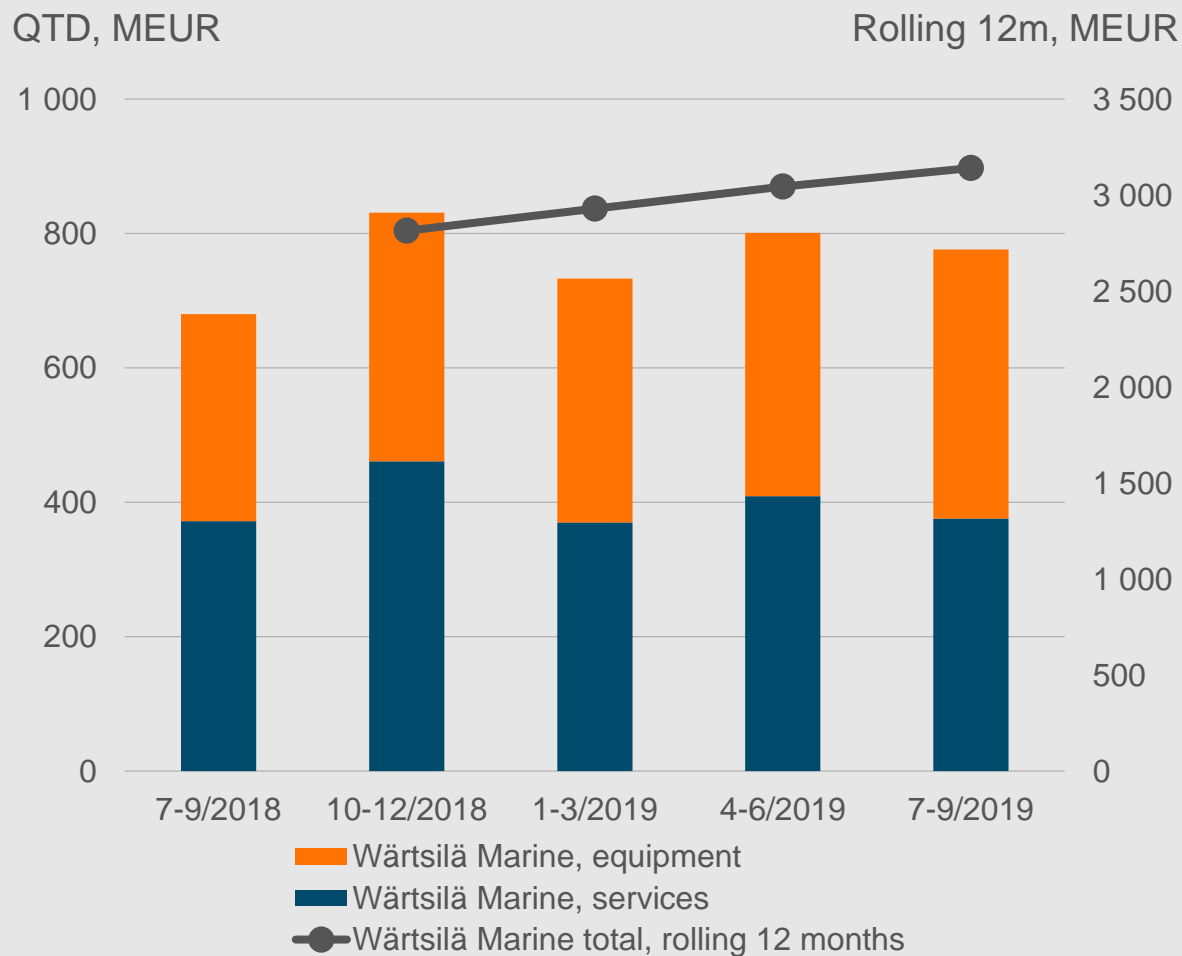
Third quarter development



Marine installed base covered by long-term service agreements



Net sales development



- The Wärtsilä 31SG pure gas engine was launched for marine market applications in September
- The new engine further reduces the total cost of ownership and the environmental footprint for vessels operating in regions where there is a developed gas infrastructure

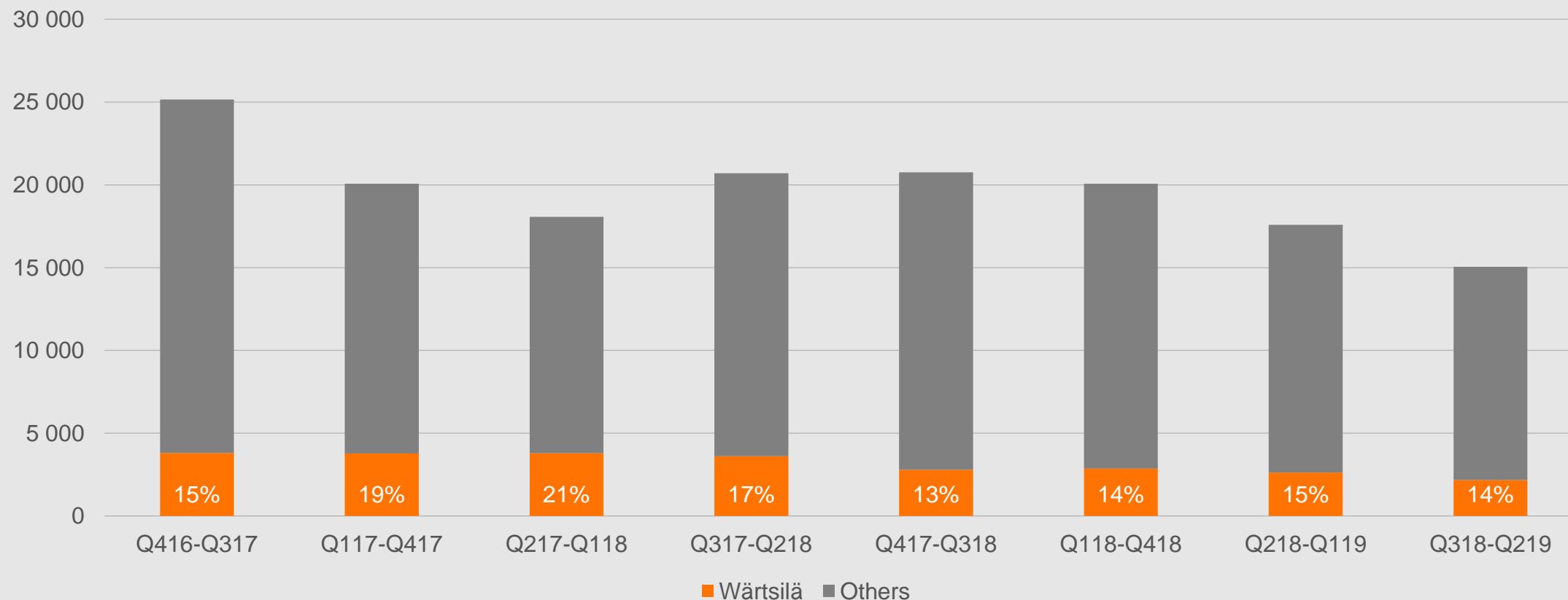




Wärtsilä
Energy Business

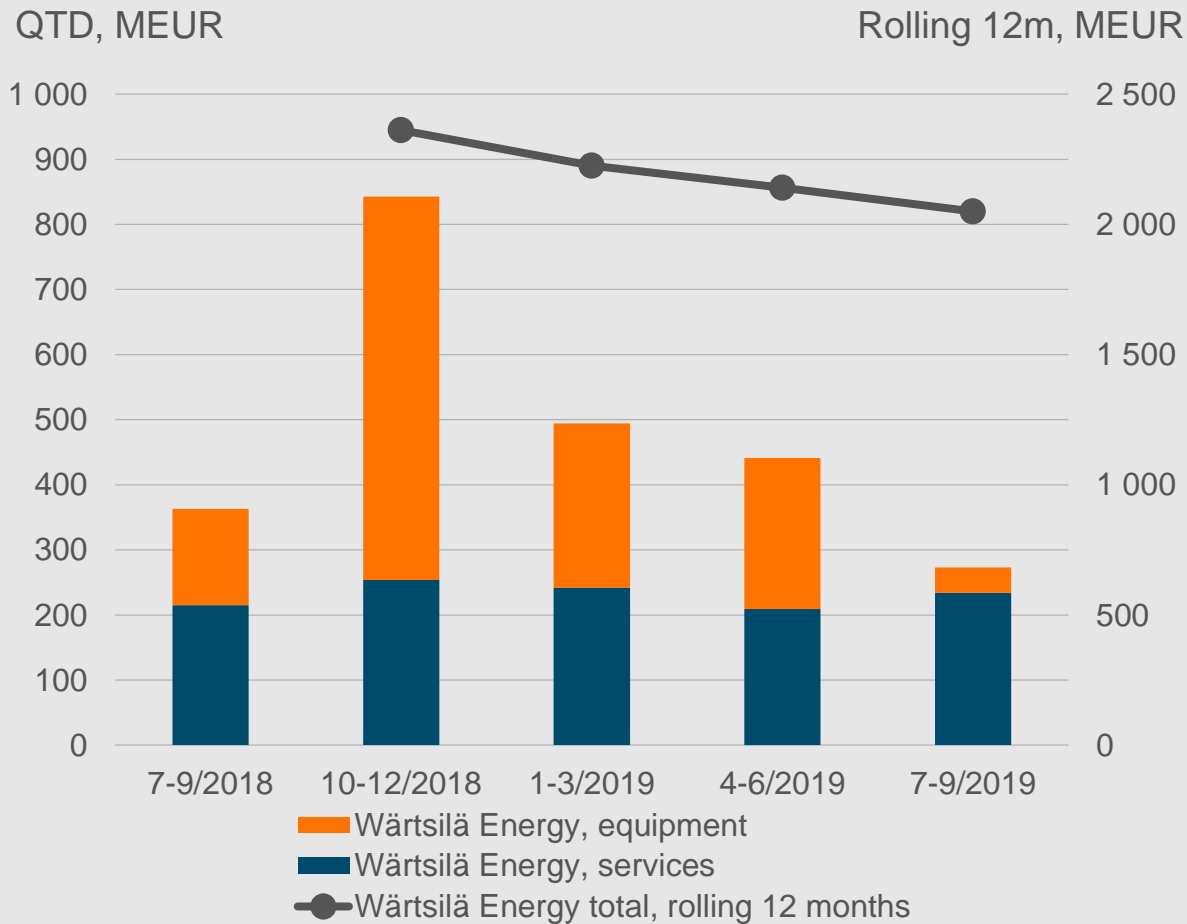
Market for gas and liquid fuel power plants, <500 MW

Rolling 12m, MW

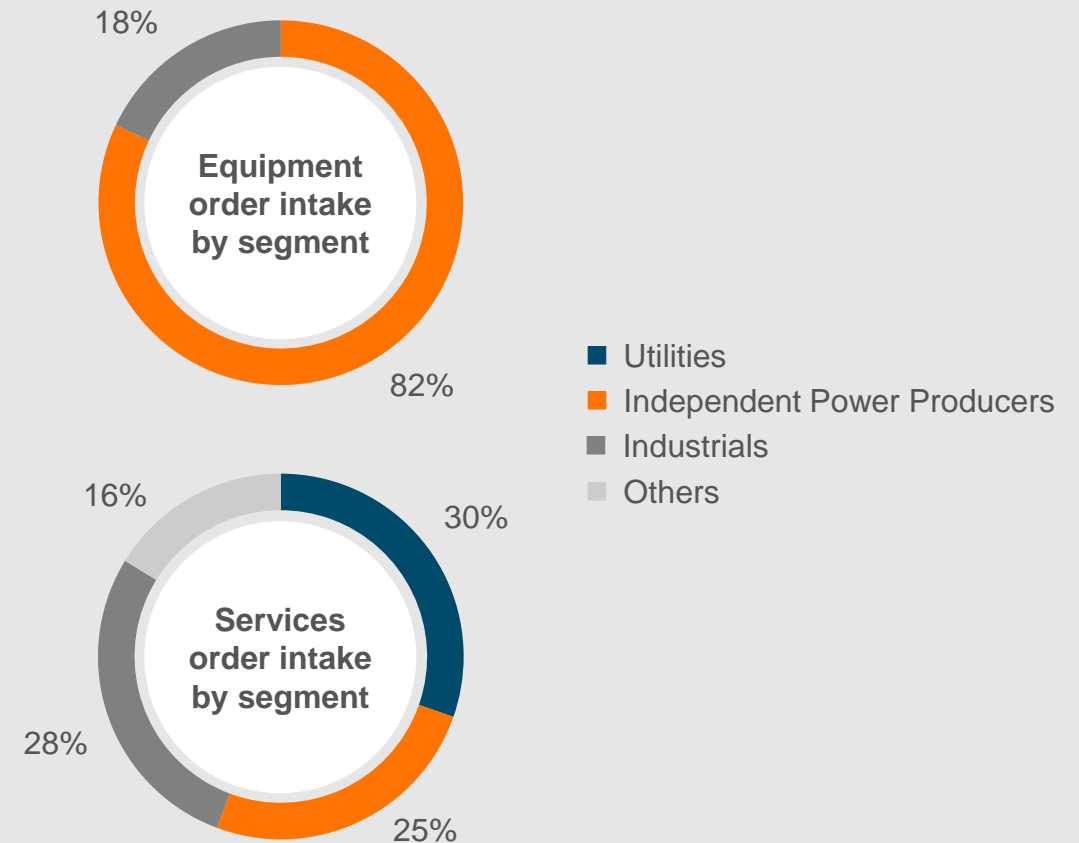


The total market, including also power plants with prime movers above 500 MW, increased by 6% to 42.8 GW during the twelve-month period ending in June 2019 (40.5 at the end of March). Market shares are calculated on a 12 months rolling basis. Market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based power plants with prime movers below 500 MW, as well as the estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. The main gas turbine competitors are GE, Siemens, Mitsubishi, and Ansaldo. Other combustion engines are not included.

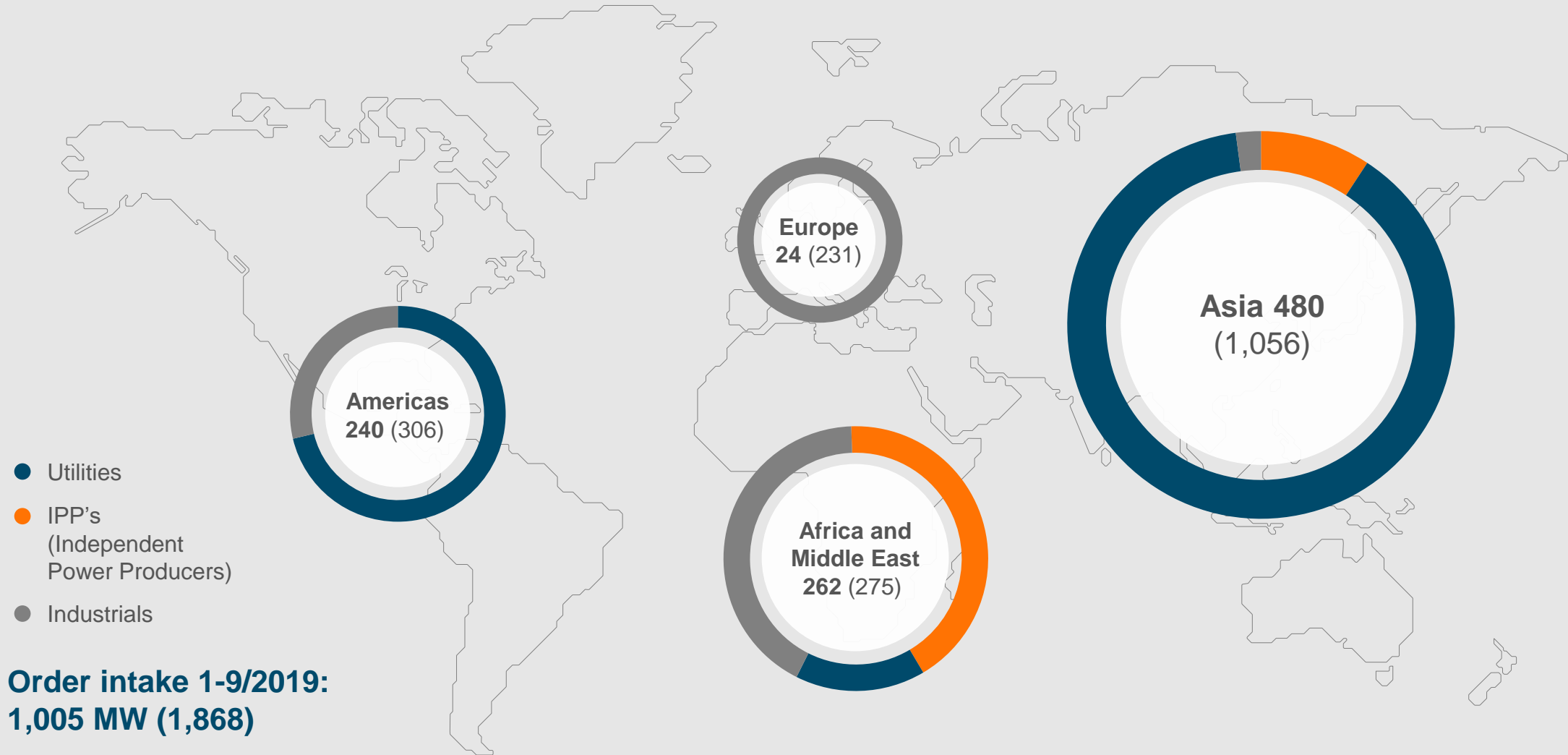
Order intake development



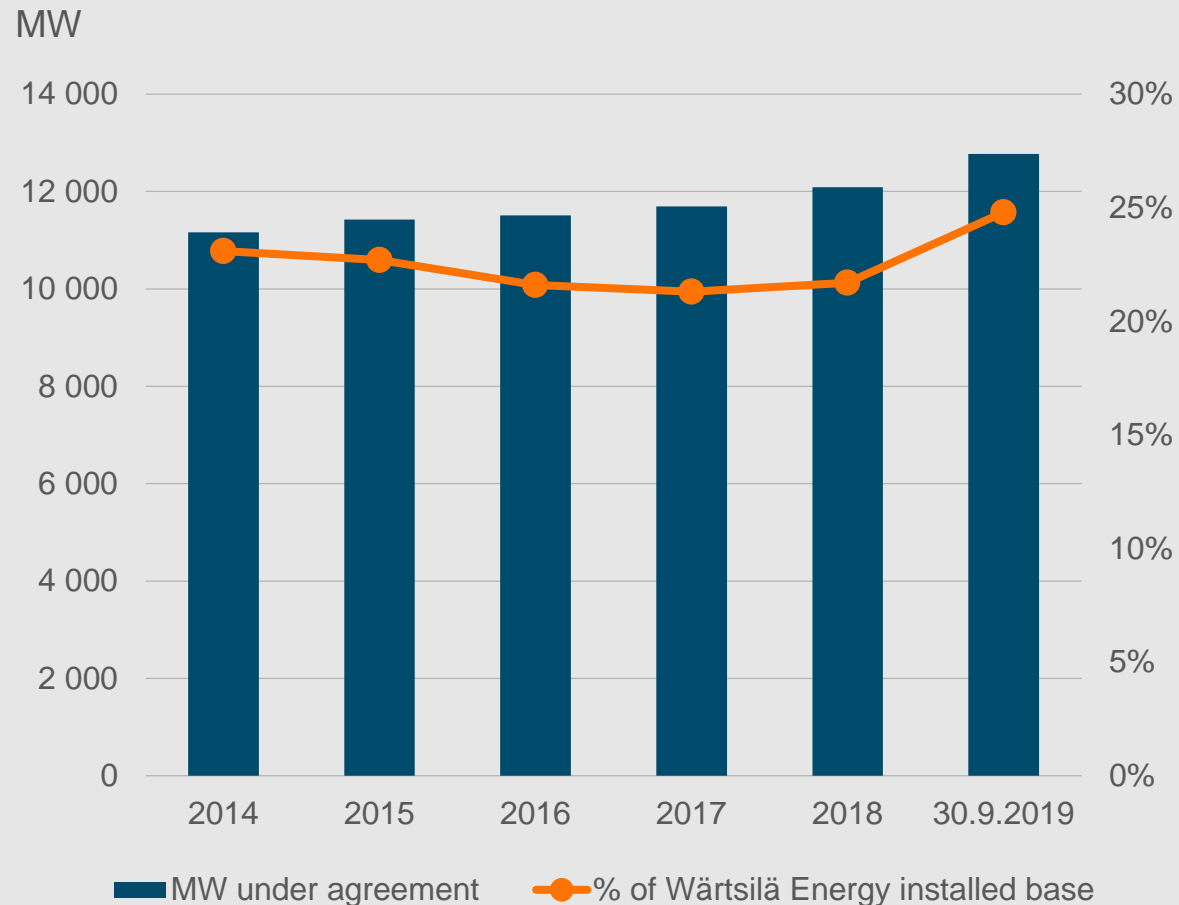
Third quarter development



Orders received for power plants globally



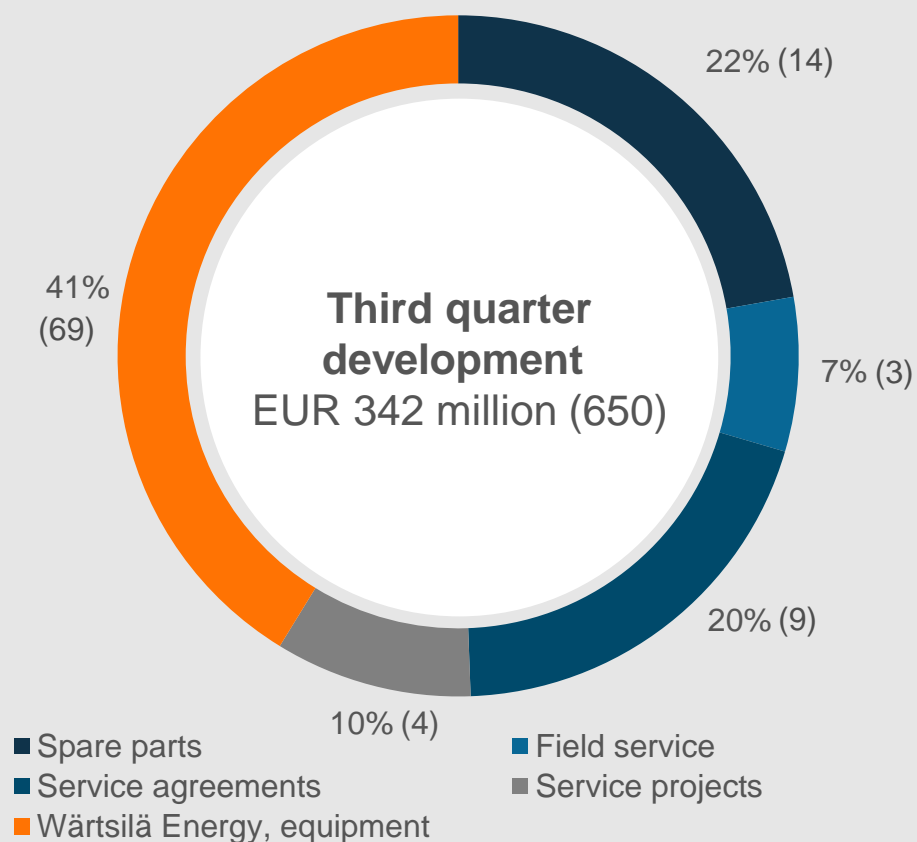
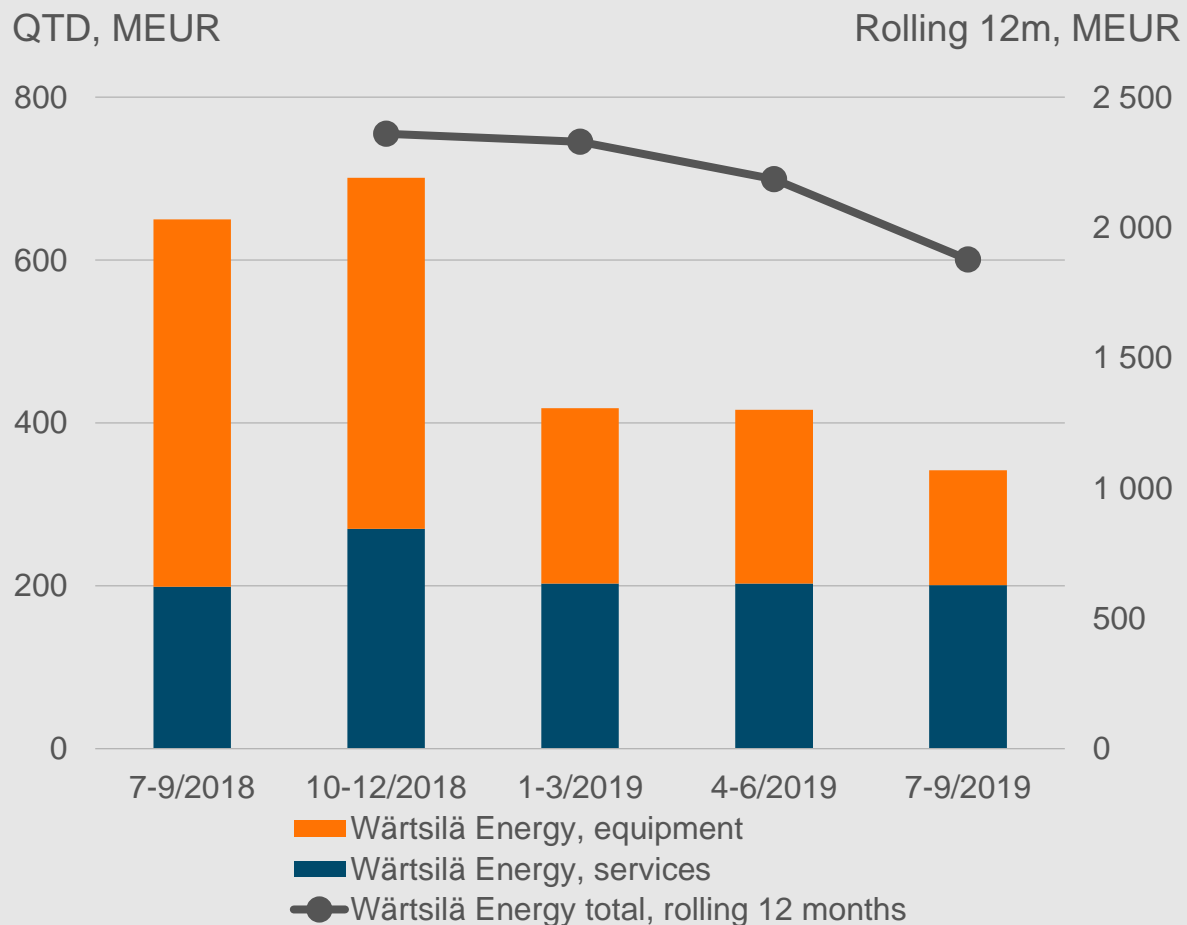
Energy installed base covered by long-term service agreements



A guaranteed asset performance agreement with a Hungarian power provider extended by five years

- The agreement covers a 27.65 MW combined heat and power plant
- Since first signing the agreement with CHP Erömü kft in 2005, the availability of the facility has been well above 95 percent

Net sales development



- Wärtsilä and Q Power Oy, a Finnish pioneer in biomethanisation, signed a cooperation agreement to accelerate the development and commercialisation of renewable fuels
- The companies will work closely together to further develop the market and to find business opportunities for biomethanisation and synthetic fuels globally



The demand for Wärtsilä's services and solutions in the coming twelve months is expected to be somewhat below that of the previous twelve months.

Demand by business area is anticipated to be as follows:

- Soft in Wärtsilä Marine Business
- Weak in Wärtsilä Energy Business (downgraded from soft)



THANK YOU



WÄRTSILÄ

Further information:

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