

# WÄRTSILÄ CORPORATION INTERIM REPORT JANUARY–SEPTEMBER 2020

23 OCTOBER 2020

JAAKKO ESKOLA, PRESIDENT & CEO

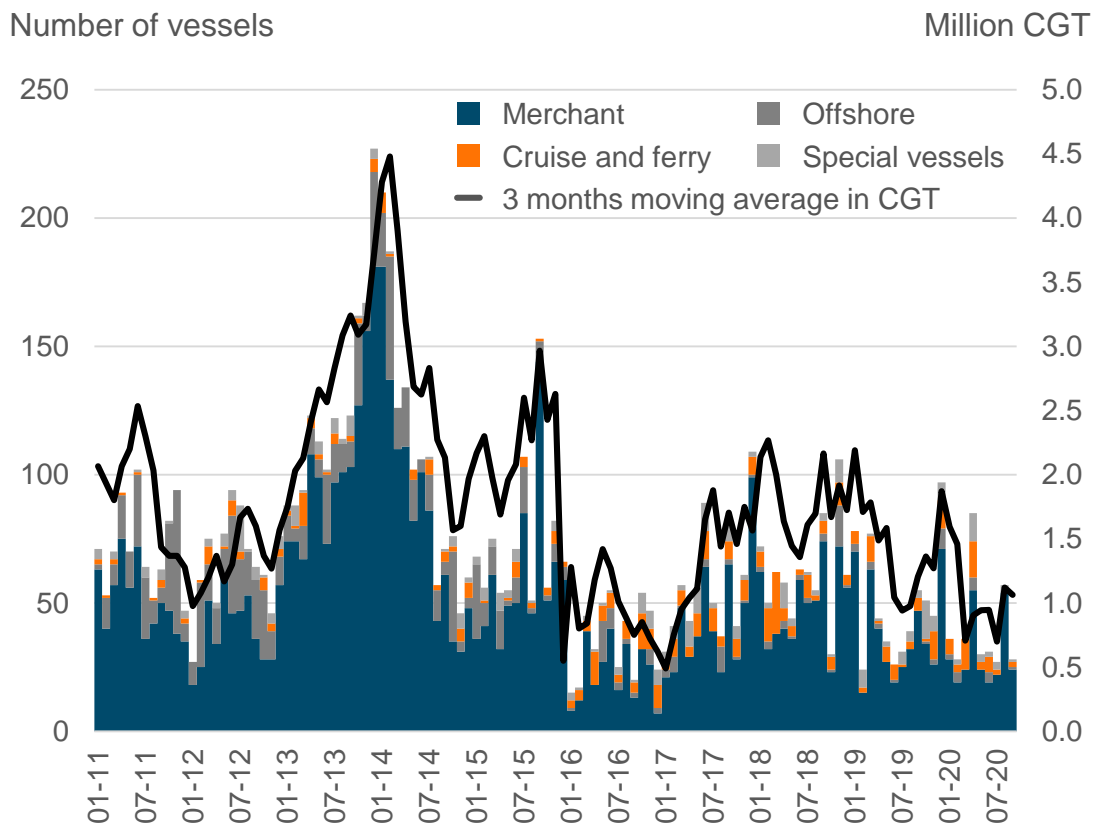


**MIX SUPPORTED THIRD QUARTER  
PROFITABILITY, BUT COVID-19  
CONTINUES TO IMPACT  
CUSTOMER DECISION-MAKING**

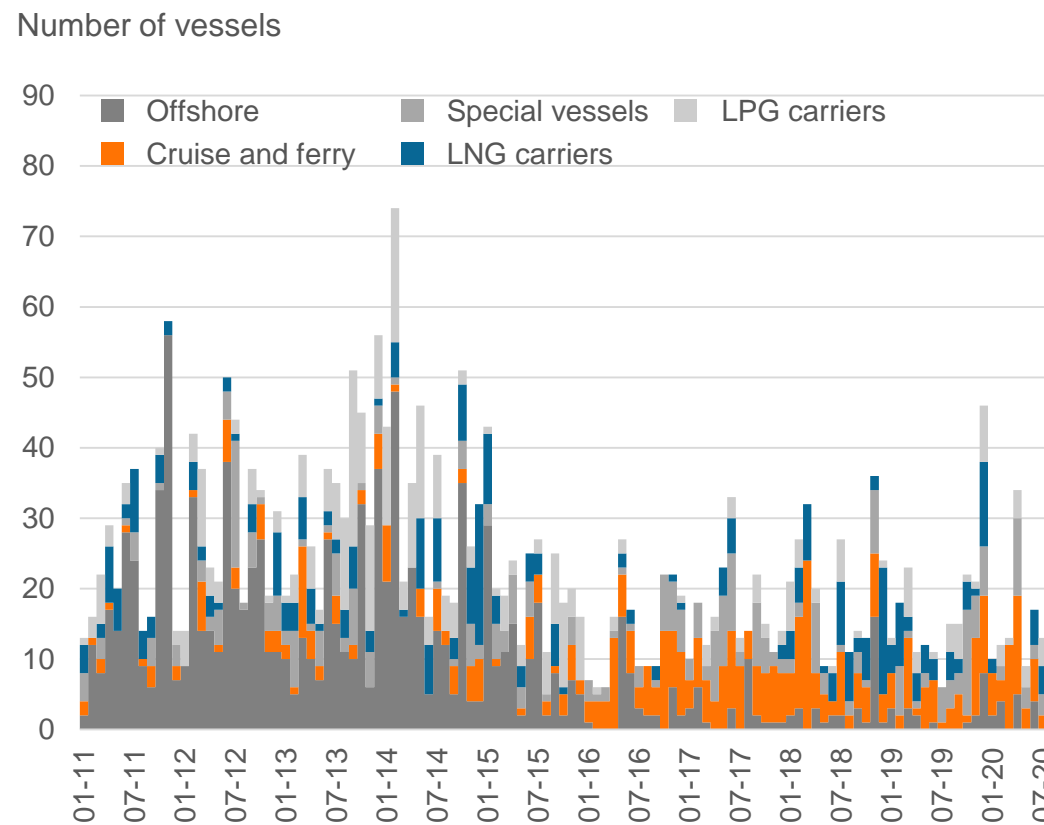
MEUR	7-9/2020	CHANGE	1-9/2020	CHANGE
<b>Order intake</b>	<b>981</b>	<b>+0%</b>	<b>3,240</b>	<b>-14%</b>
of which services	<b>521</b>	<b>-23%</b>	<b>1,641</b>	<b>-16%</b>
<b>Order book</b>			<b>5,265</b>	<b>-12%</b>
<b>Net sales</b>	<b>995</b>	<b>-11%</b>	<b>3,385</b>	<b>-3%</b>
of which services	<b>499</b>	<b>-14%</b>	<b>1,602</b>	<b>-9%</b>
<b>Book-to-bill</b>	<b>0.99</b>	<b>+0.11</b>	<b>0.96</b>	<b>-0.12</b>
<b>Comparable operating result</b>	<b>61</b>	<b>+55%</b>	<b>172</b>	<b>-32%</b>
% of net sales	<b>6.1</b>	<b>+2.6 pp</b>	<b>5.1</b>	<b>-2.2 pp</b>
<b>Earnings per share, EUR</b>	<b>0.04</b>	<b>+0.05</b>	<b>0.13</b>	<b>-0.07</b>
<b>Cash flow from operating activities</b>	<b>114</b>	<b>+174</b>	<b>407</b>	<b>+469</b>

# VESSEL ORDERS REMAIN DEPRESSED

## Total vessel contracting



## Specialised tonnage

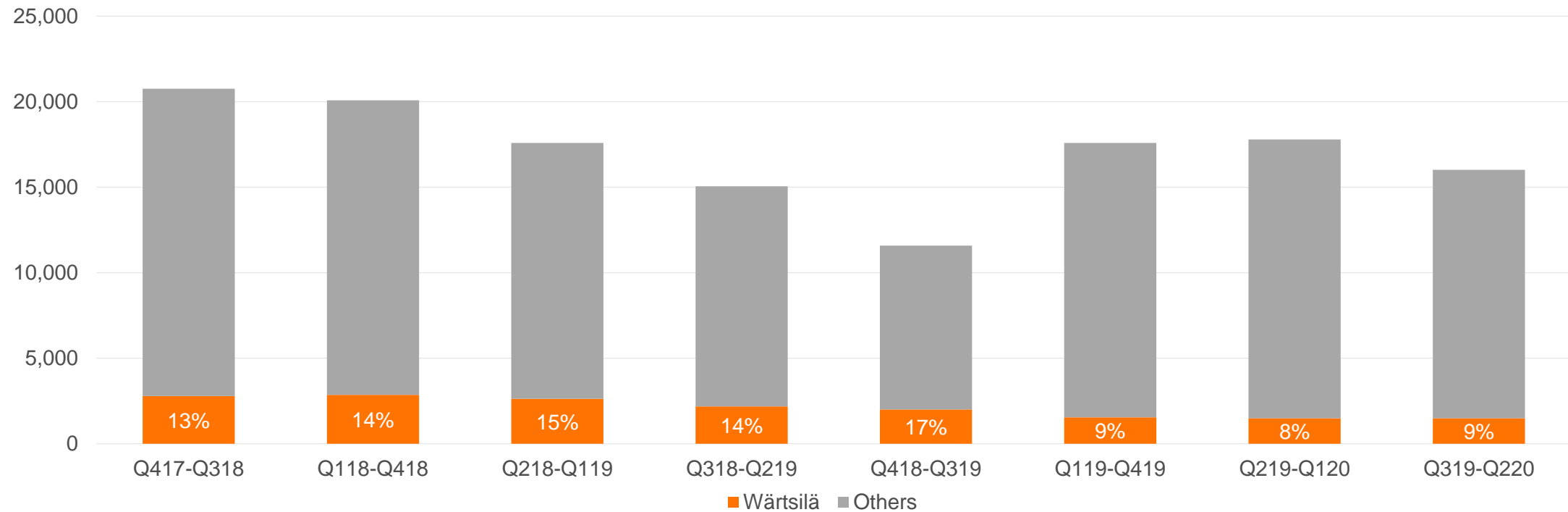


Source: Clarksons Research, contracting as per 5 October 2020  
 CGT= gross tonnage compensated with workload

# ENERGY MARKETS SAW SOME DECLINE

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

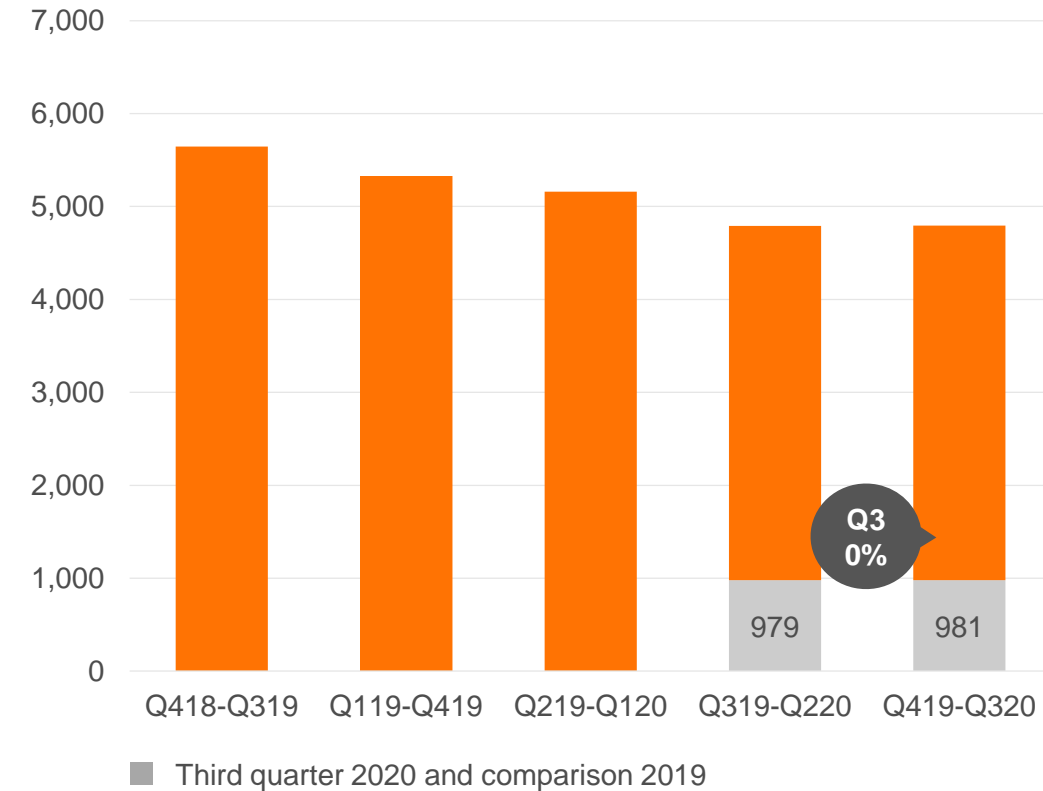
MW, 12m rolling



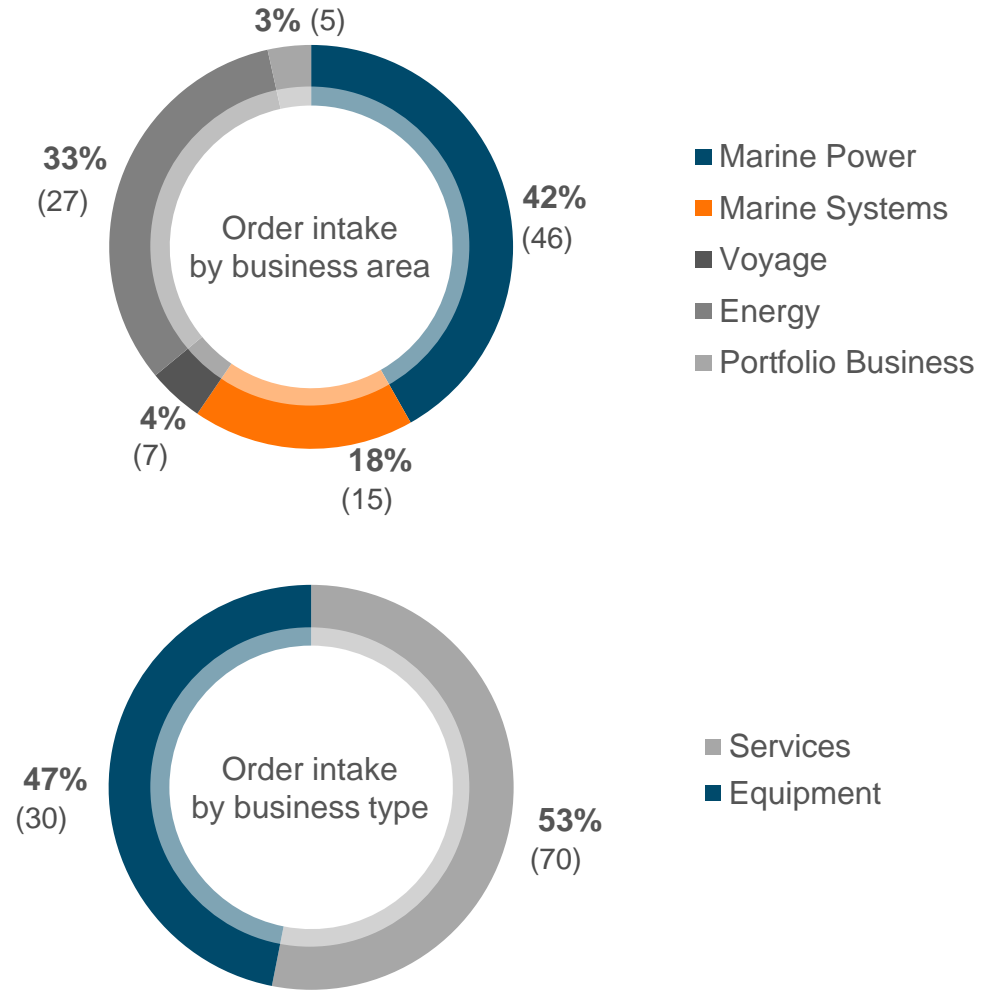
The total market, including also power plants with prime movers above 500 MW, decreased by 15% to 39.3 GW during the twelve-month period ending in June 2020 (46.2 at the end of March). The market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based 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

MEUR, 12m rolling

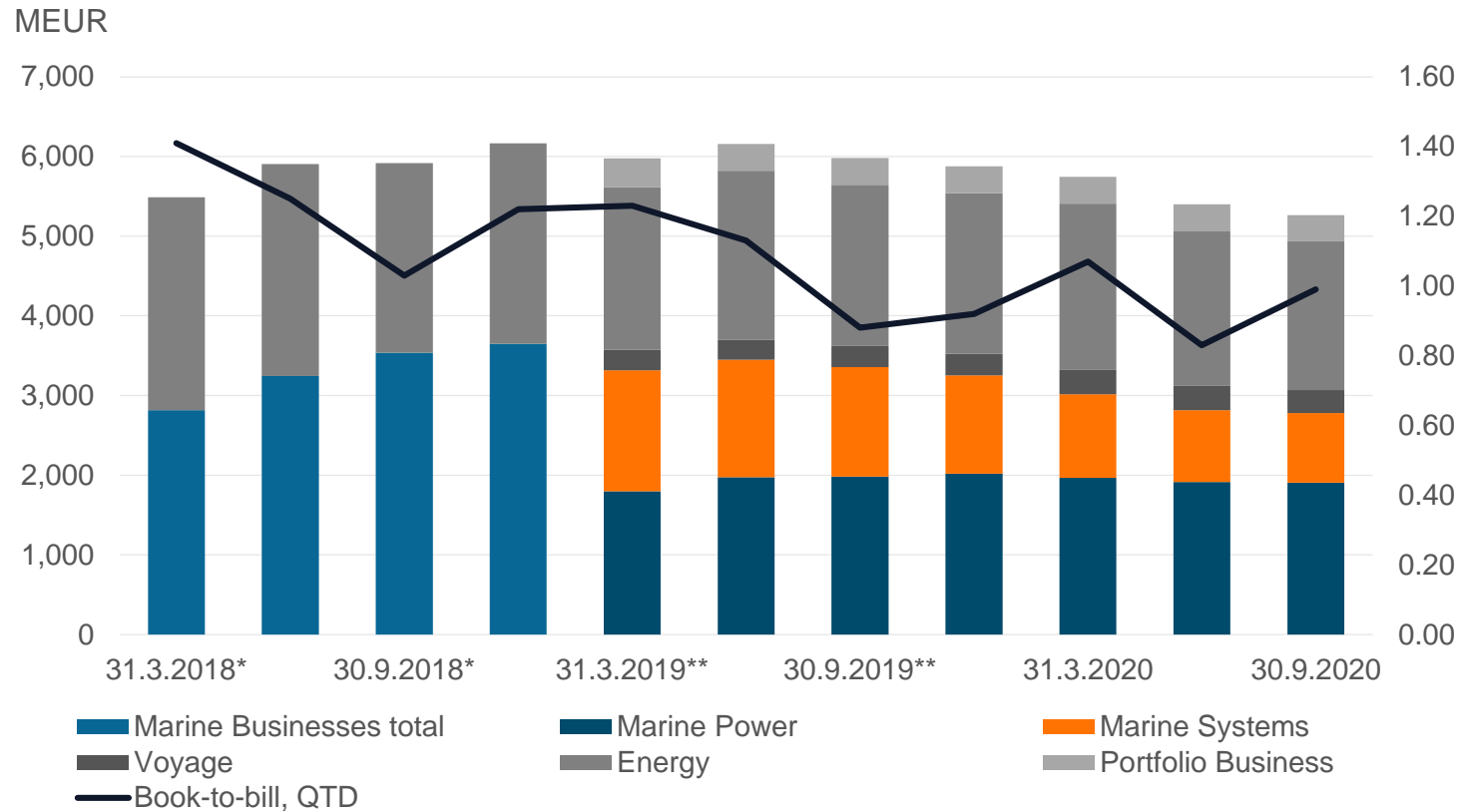


## Third quarter development

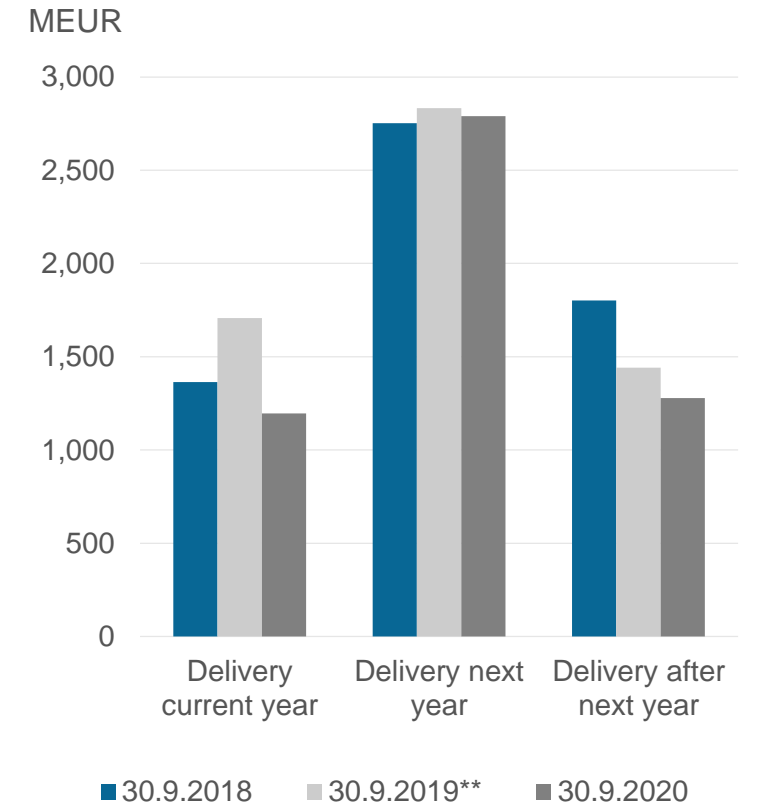


# ORDER BOOK

## Order book by business area



## Order book delivery schedule

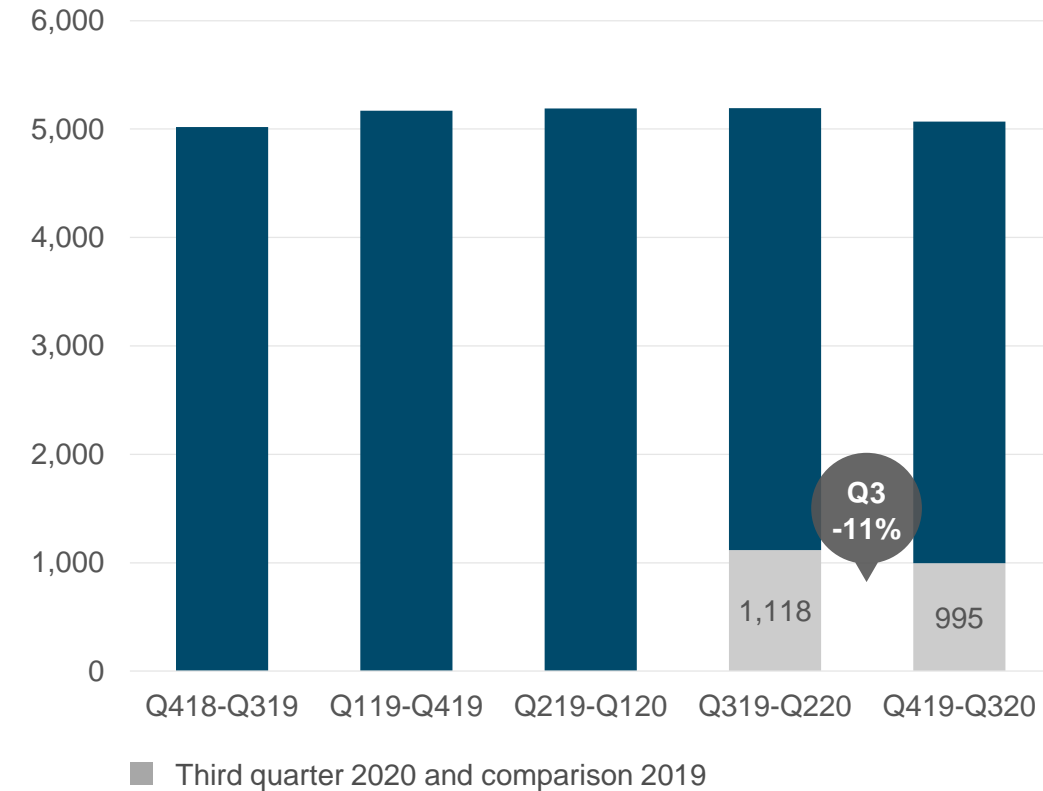


\*2018 figures not restated to accommodate the establishment of Portfolio Business entity

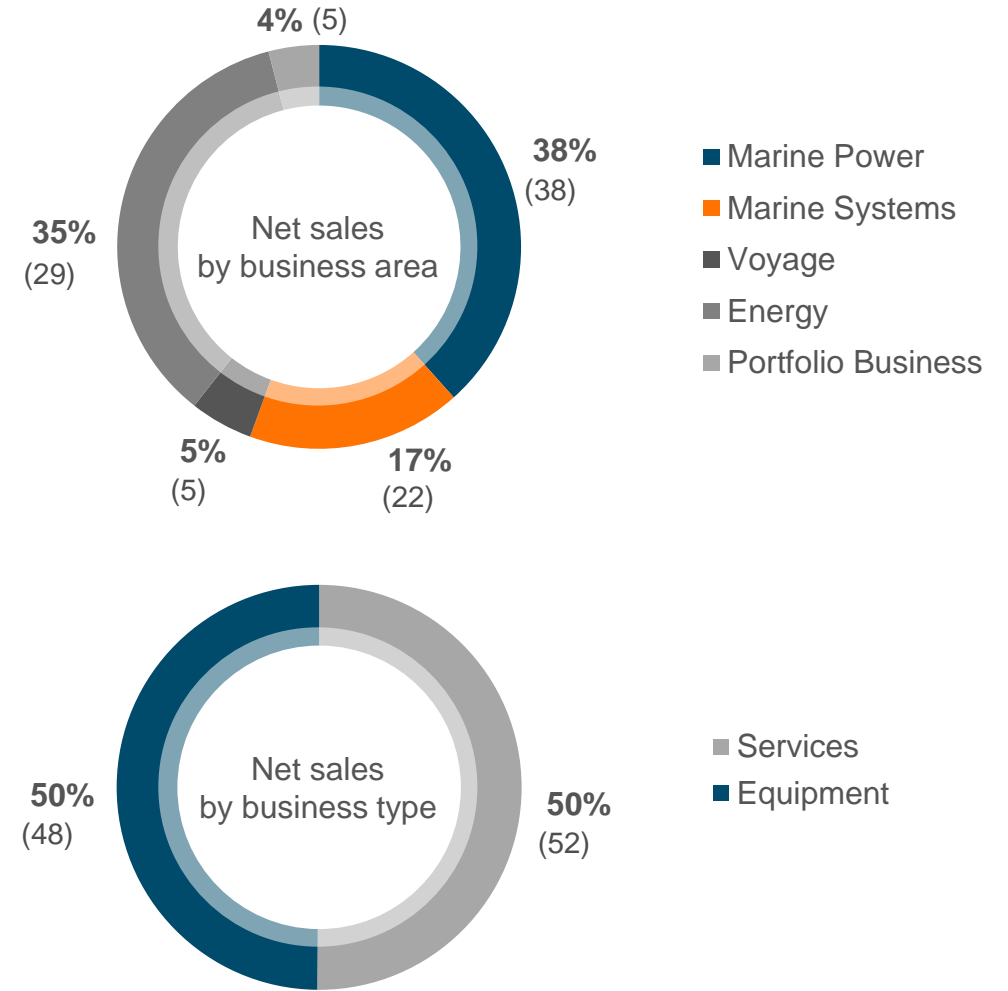
\*\*As published in the Interim report January-March 2020, order book figures for 2019 have been restated due to stricter requirements for booking new orders.

# NET SALES

MEUR, 12m rolling

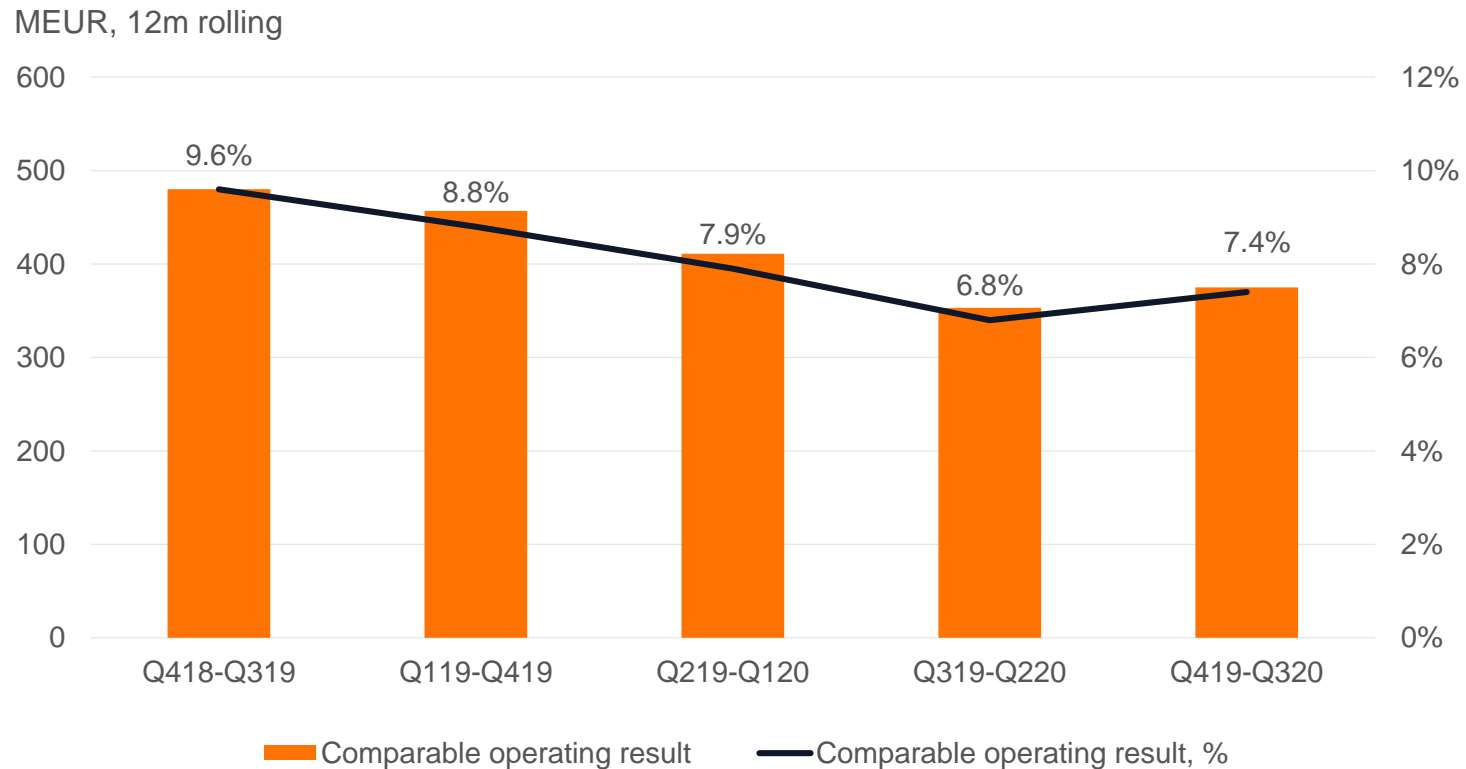


## Third quarter development

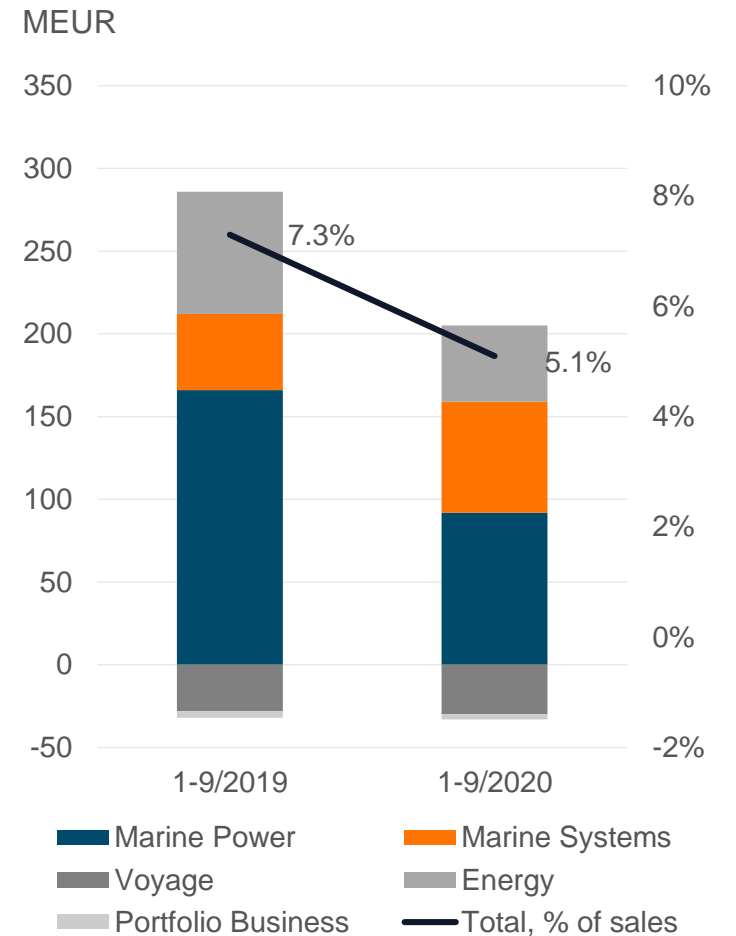




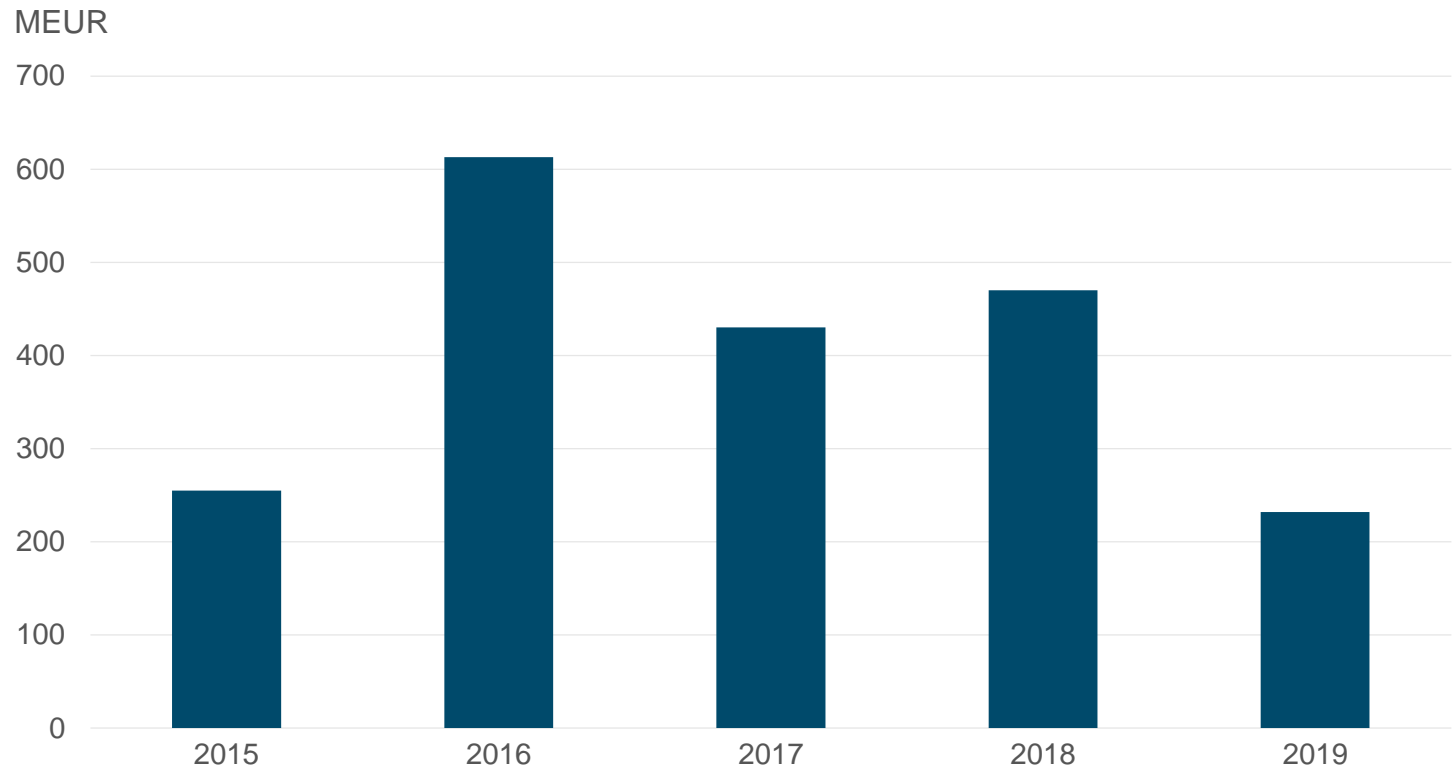
# COMPARABLE OPERATING RESULT



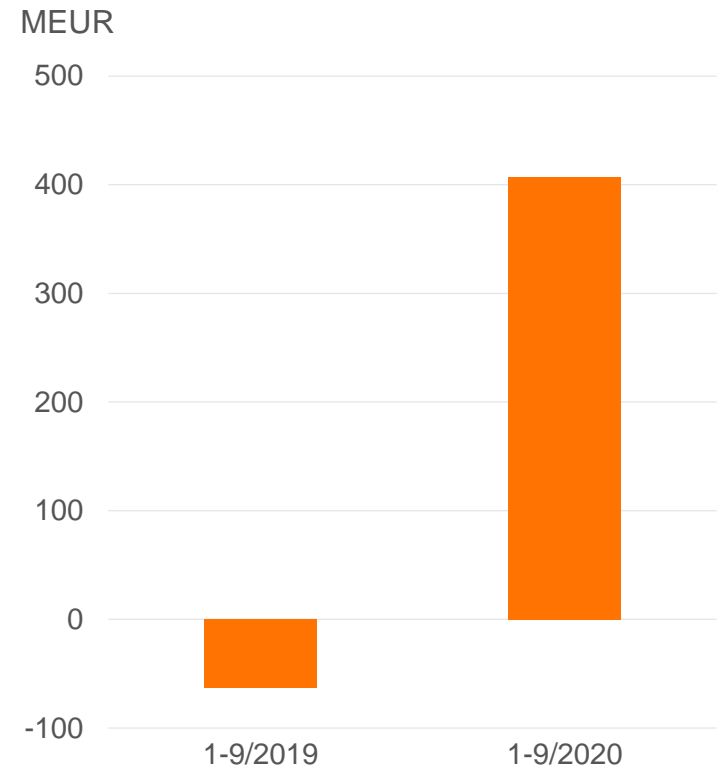
## Review period development



# CASH FLOW FROM OPERATING ACTIVITIES



## Review period development

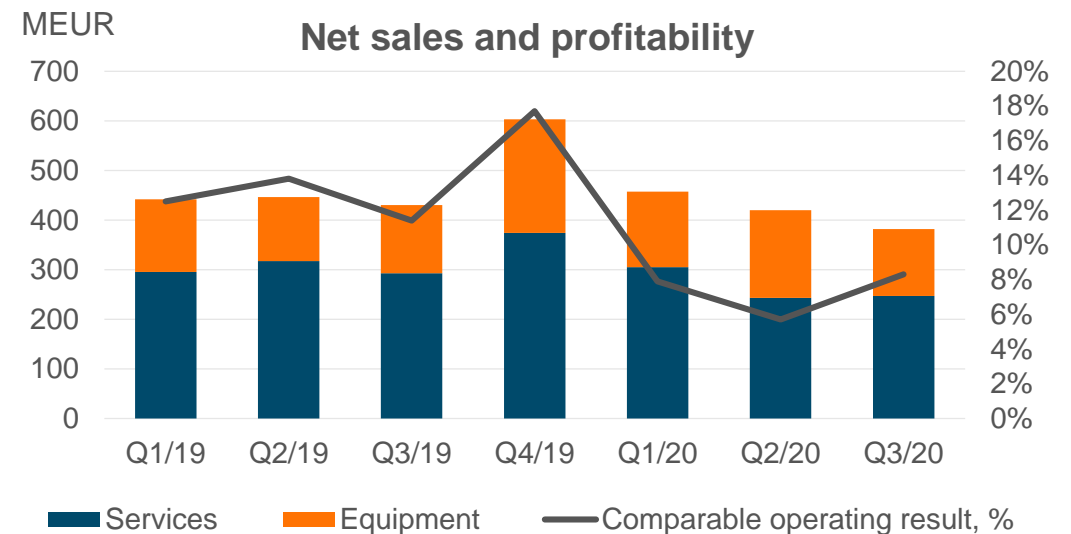
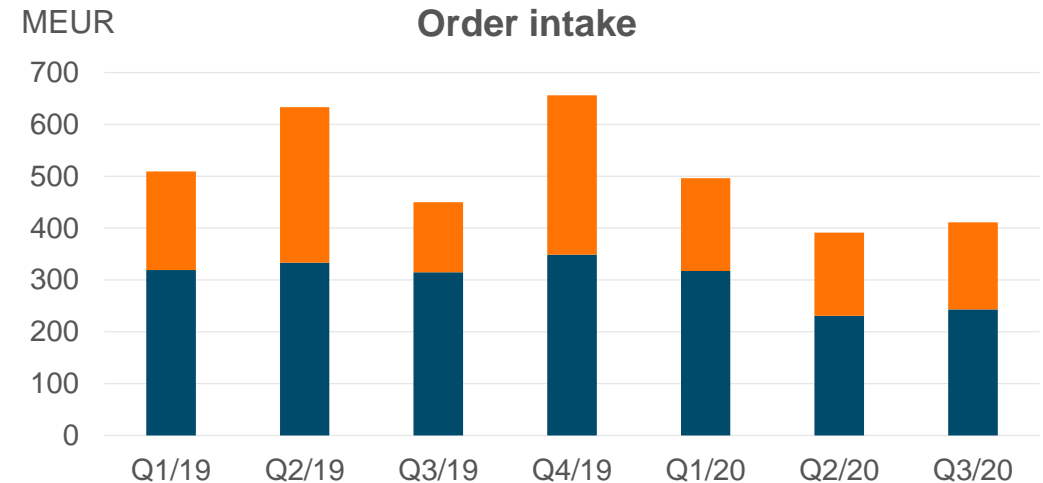




**BUSINESS  
AREAS**

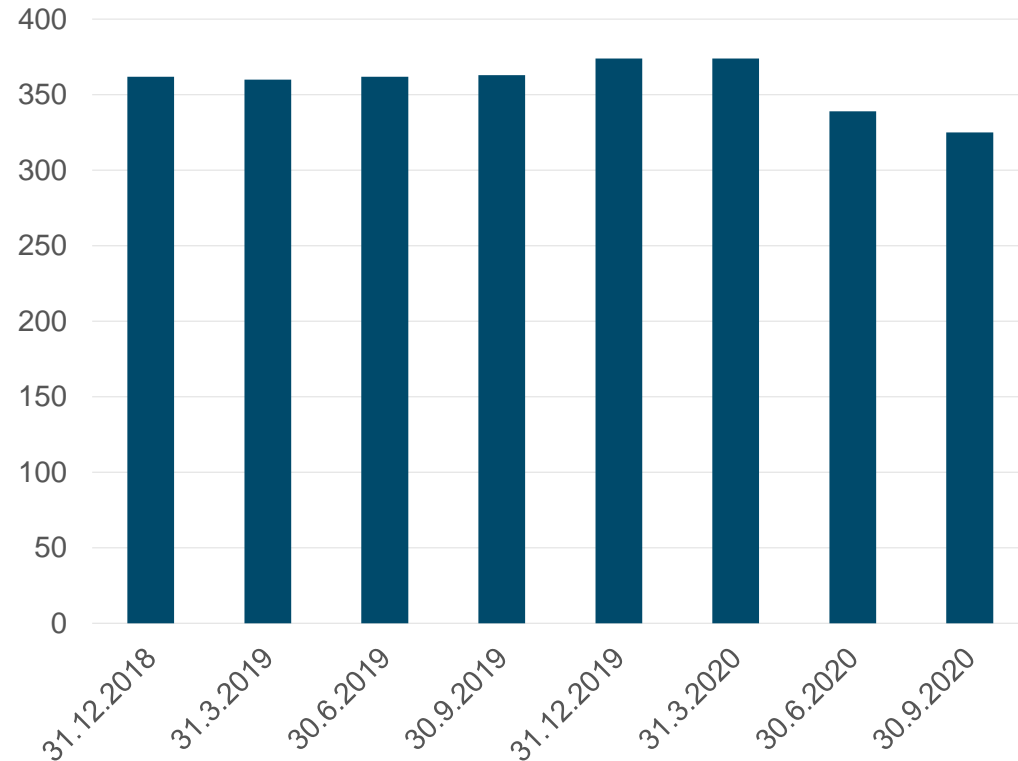
## MARINE POWER

- Order intake decreased by 9% to EUR 410 million (449), burdened by:
  - Idling of cruise vessels
  - Customers adjusting capital and operating expenditures to market conditions
- Net sales decreased by 11% to EUR 382 million (430)
- Comparable operating result amounted to EUR 32 million (49) or 8.3% of net sales (11.4), burdened by:
  - COVID-19 related decline in services
  - Weaker absorption of fixed costs



## NET SALES FROM INSTALLATIONS UNDER AGREEMENT

MEUR, 12m rolling

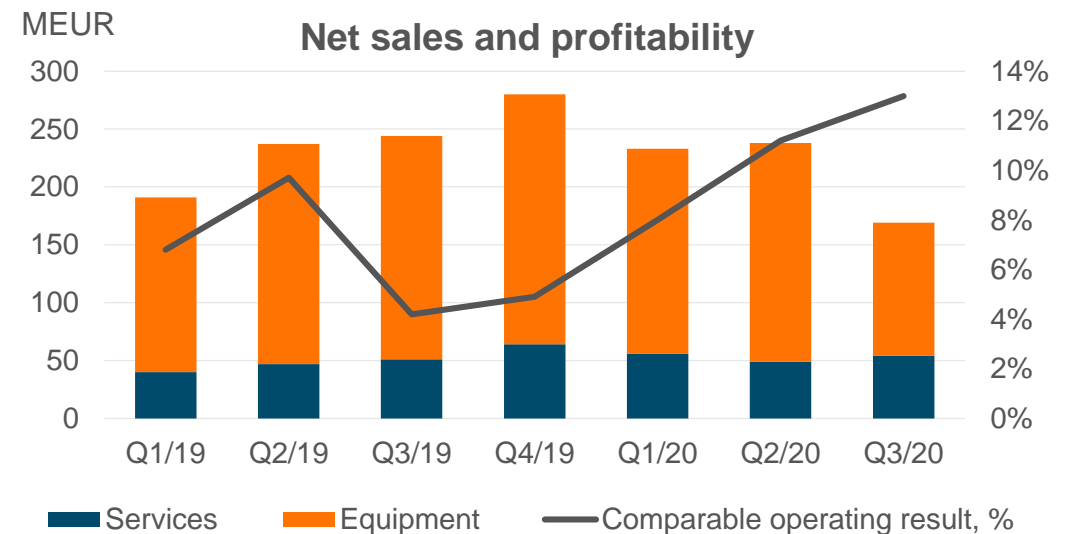
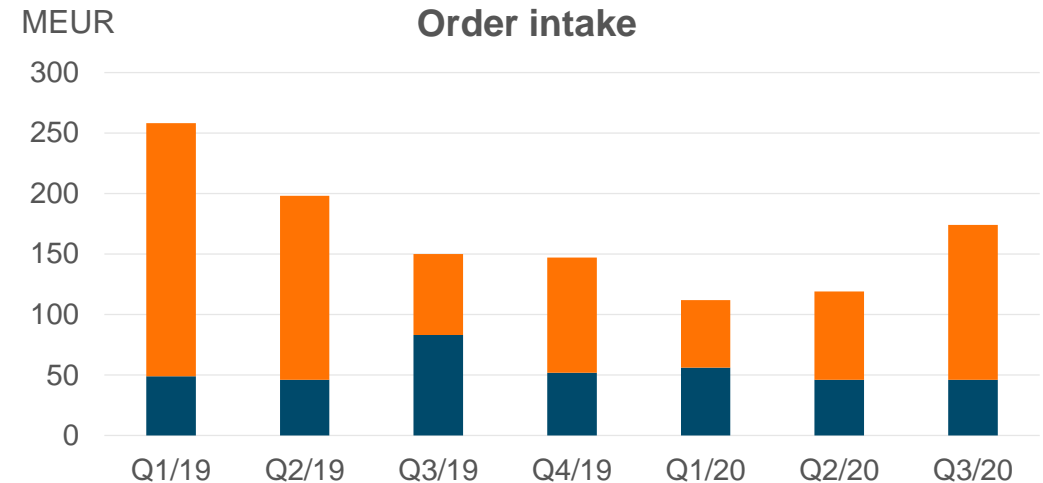


### Wärtsilä to provide a 5-year maintenance agreement to the world's largest NGO hospital ship

- When completed in 2021, Global Mercy will be powered by four Wärtsilä 32 engines
- The comprehensive agreement provides guaranteed operational reliability, covering spare parts, field service, asset monitoring, and full technical support to keep the hospital ship running at all times

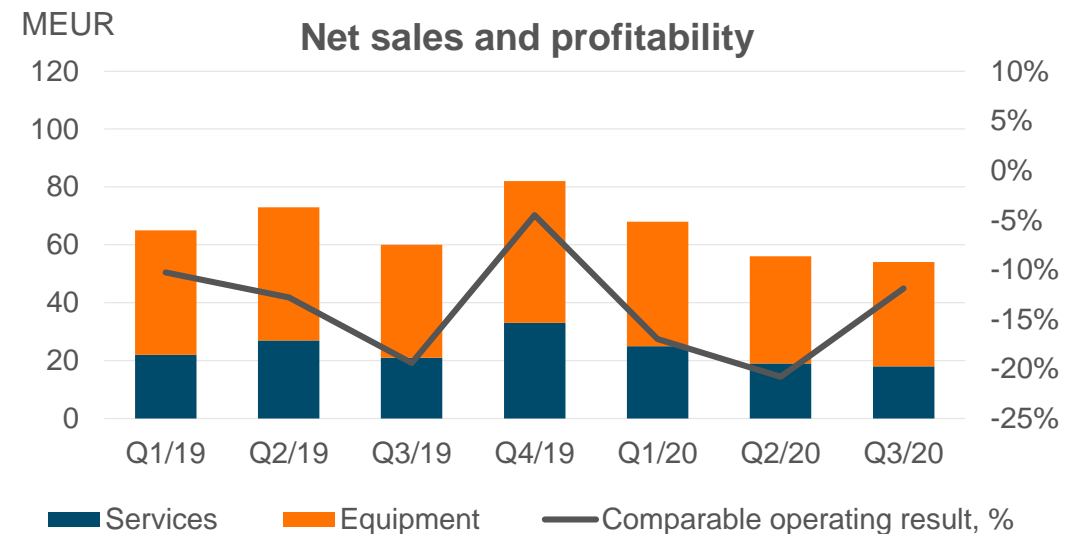
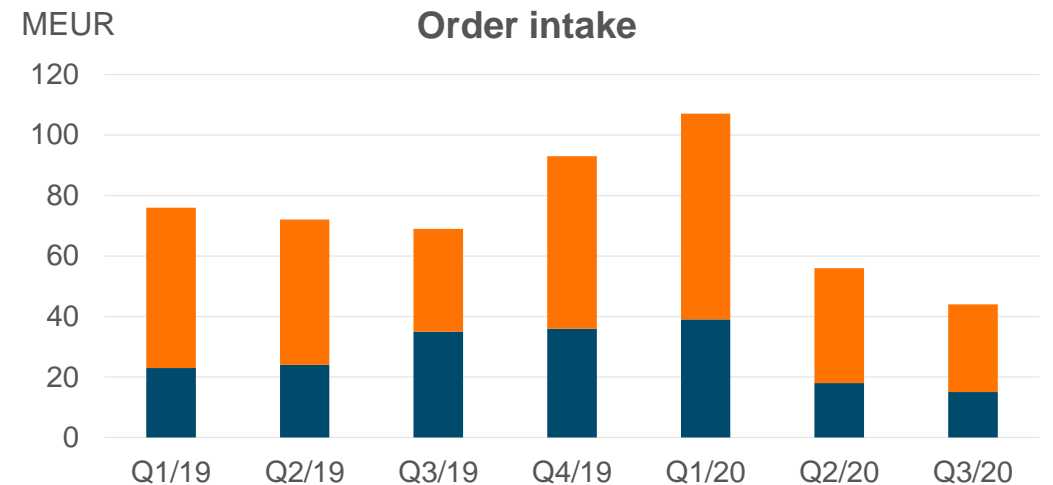
## MARINE SYSTEMS

- Order intake increased by 16% to EUR 174 million (150)
  - Reduced fuel spreads lessening demand for scrubber investments
  - Good development in gas solutions
- Net sales decreased by 31% to EUR 169 million (244) mainly due to fewer scrubber deliveries
- Comparable operating result amounted to EUR 22 million (10) or 13.0% of net sales (4.2)
  - Result for comparison period weakened by cost overruns in certain gas solution projects

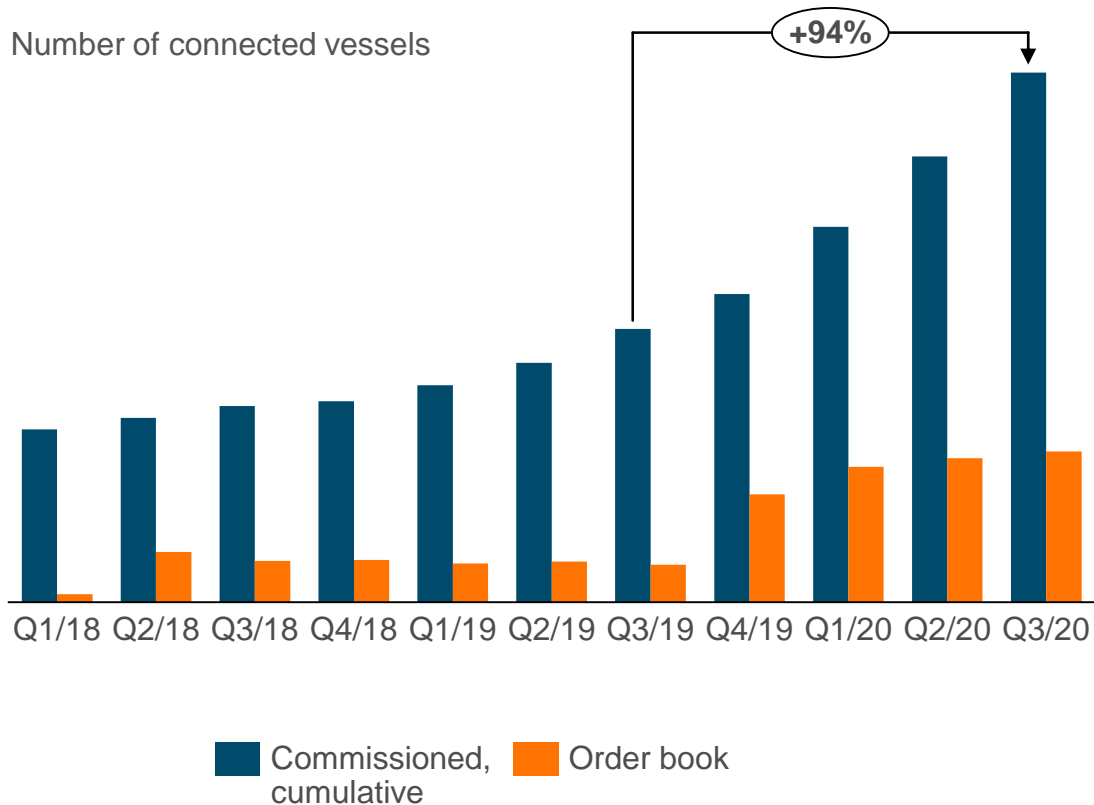


## VOYAGE

- Order intake decreased by 36% to EUR 44 million (69)
  - Pressurised by the COVID-19 impact on demand in the cruise segment
  - Growth in fleet optimisation orders
- Net sales decreased by 9% to EUR 54 million (60), mainly due to:
  - COVID-19 related project postponements
  - Lower transactional service business
- Comparable operating result amounted to EUR -6 million (-12) or -11.9% of net sales (-19.4), positively affected by COVID-19 related cost savings



## NUMBER OF CONNECTED VESSELS ALMOST DOUBLED YEAR-ON-YEAR – NUMBER OF VESSELS IN ORDER BOOK STEADILY INCREASING



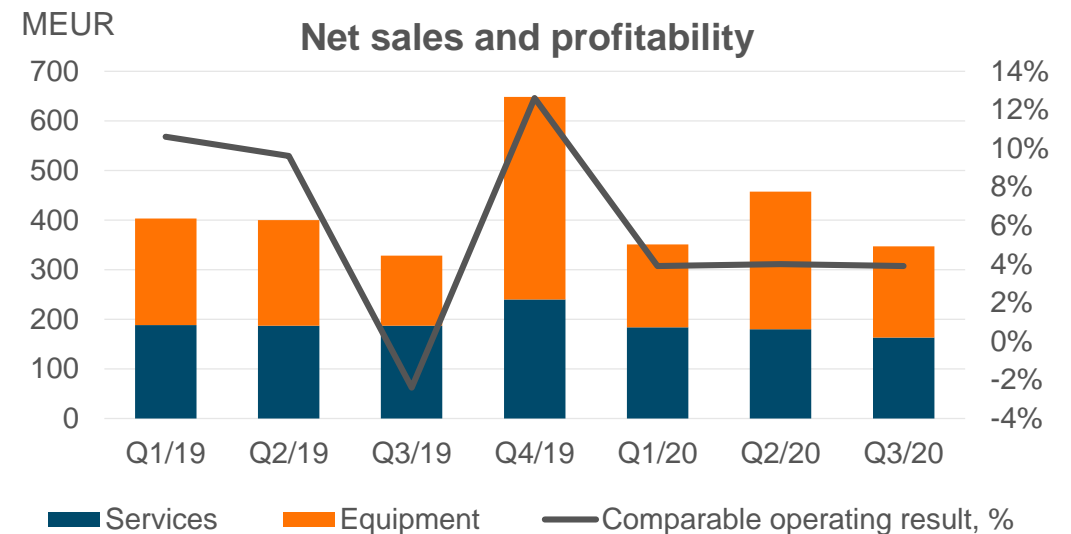
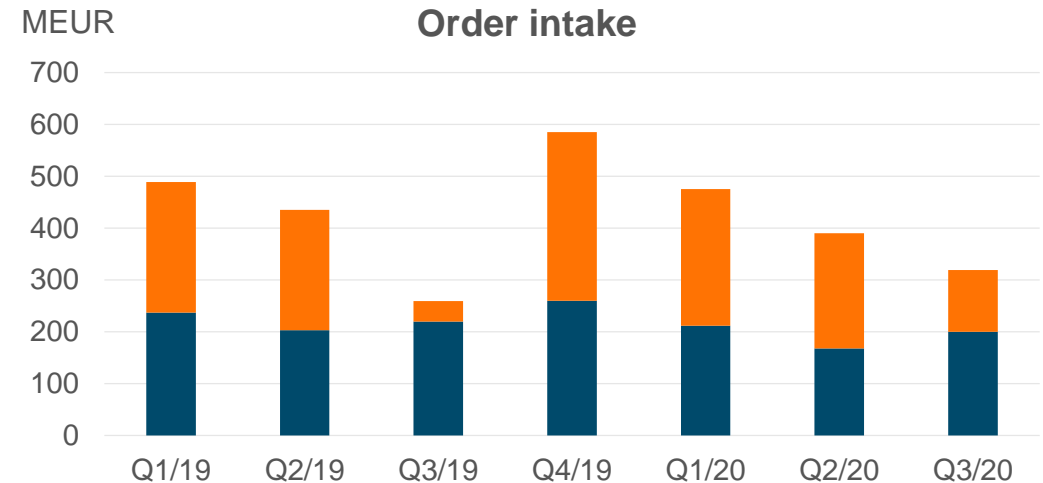
### A profit-sharing contract with Brittany Ferries results in a reduction of exhaust emissions

- Within six months following the installation of energy management and optimisation technology, the first ferry's fuel consumption was 4% lower, equating to a reduction of ~2,600 tons of CO<sub>2</sub> emissions
- The initial contract covered three vessels, but Wärtsilä Voyage recently received orders for three more ships

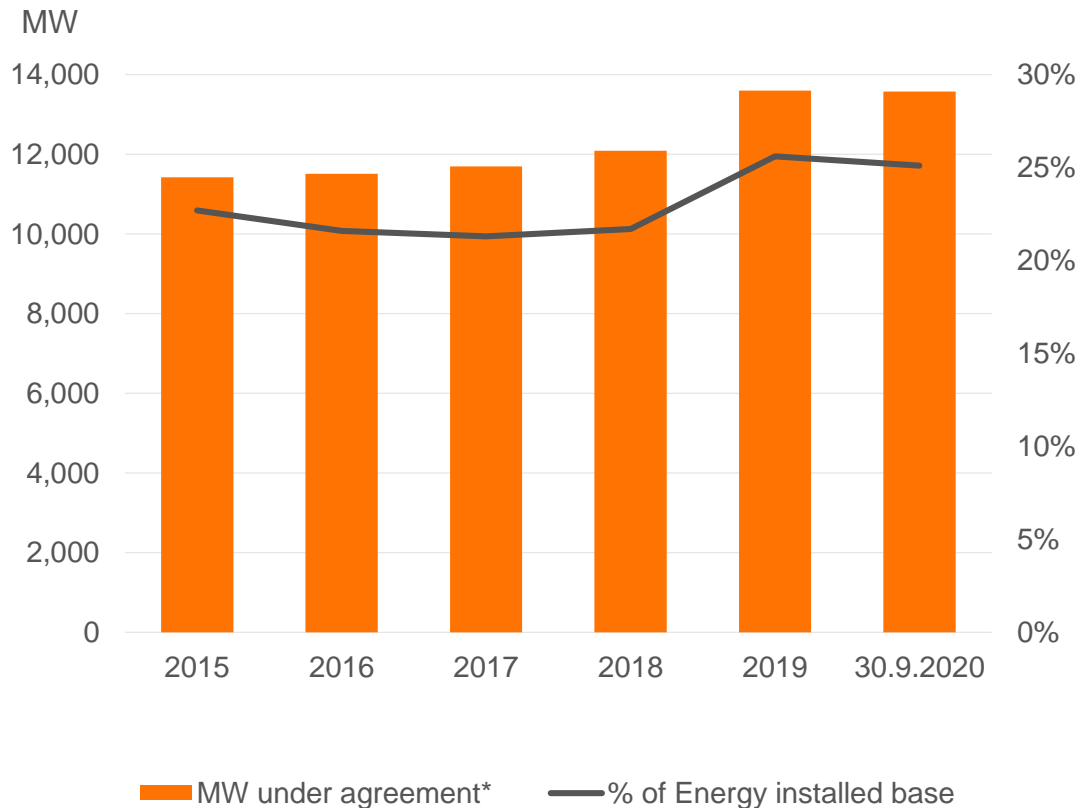


## ENERGY

- Order intake increased by 23% to EUR 319 million (260), still affected by:
  - Postponed decision making
  - Site access constraints
- Net sales increased by 6% to EUR 347 million (328)
- Comparable operating result amounted to EUR 14 million (-8) or 3.9% of net sales (-2.4)
  - Result for comparison period weakened by cost overruns in certain equipment projects



## ENERGY INSTALLED BASE COVERED BY LONG-TERM SERVICE AGREEMENTS



### Optimised maintenance solution enhancing availability and reliability of a 200 MW Cambodian power plant

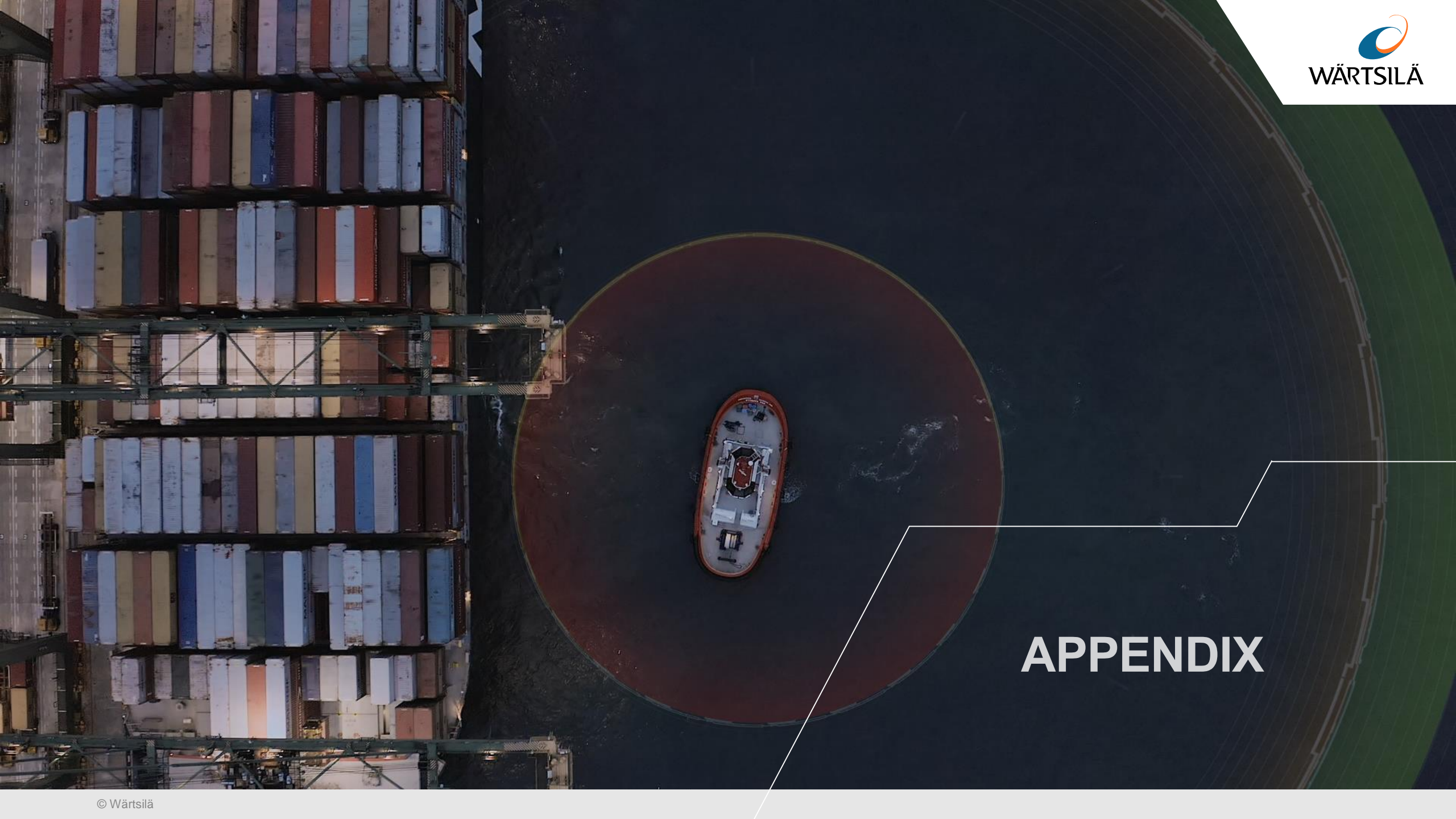
- Wärtsilä signed a 5-year tailored optimised maintenance agreement with SchneiTec, covering a power plant close to Phnom Penh
- Wärtsilä will supply high quality spare parts to the twelve Wärtsilä 50DF dual-fuel engines, while also providing maintenance planning, remote asset diagnostics, guidance, and troubleshooting services

\*Includes agreements covering both installed assets and assets to be installed in the future

# PROSPECTS FOR 2020 REINSTATED

Near-term demand is expected to improve from current levels. However, visibility remains limited, and the prevailing market conditions make the outlook uncertain.

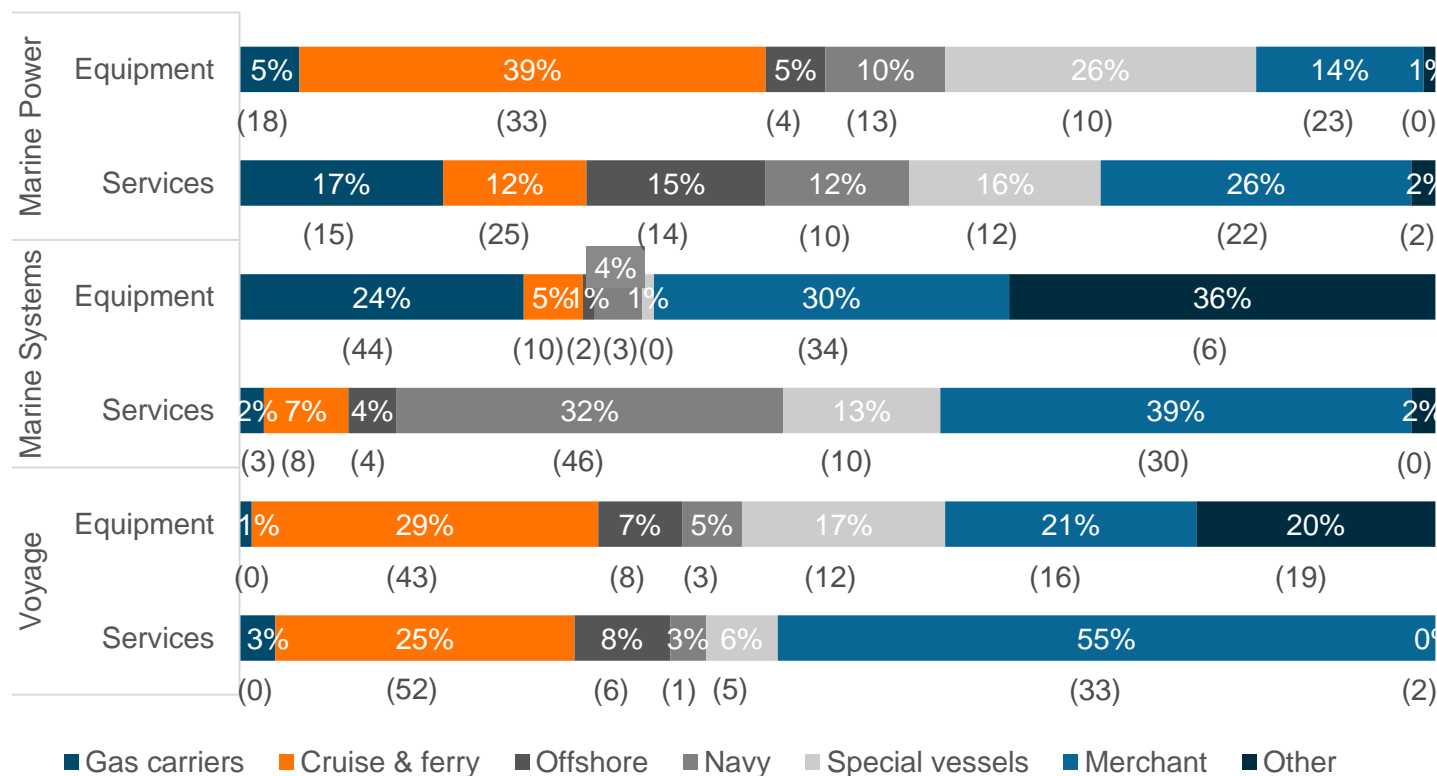
Based on the current order book, net sales for 2020 is expected to decline by appr. 10% (EUR 5,170 million in 2019). Profitability is expected to continue to be burdened by the effects of COVID-19 and, while service demand is anticipated to improve, the seasonal pick-up is unlikely to be as strong as in previous years.



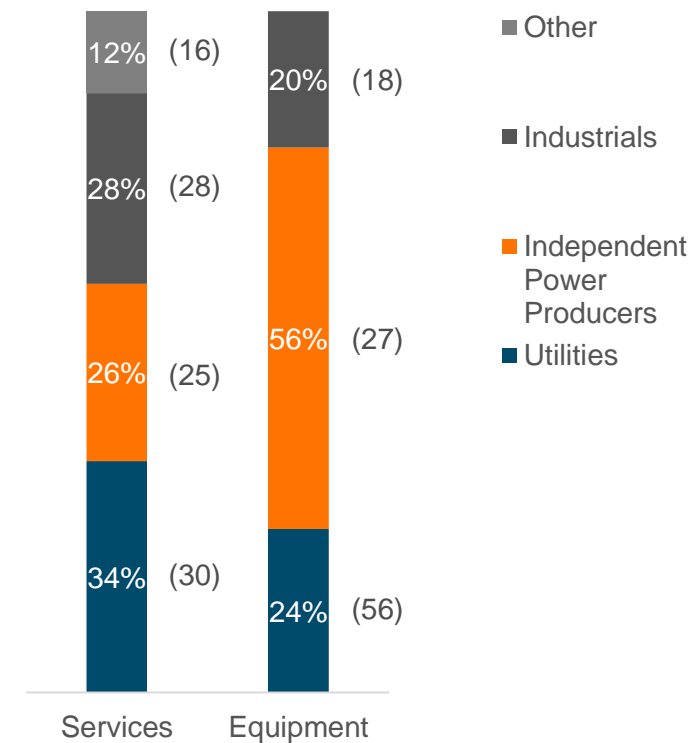
# APPENDIX

# JANUARY–SEPTEMBER ORDER INTAKE BY CUSTOMER SEGMENT

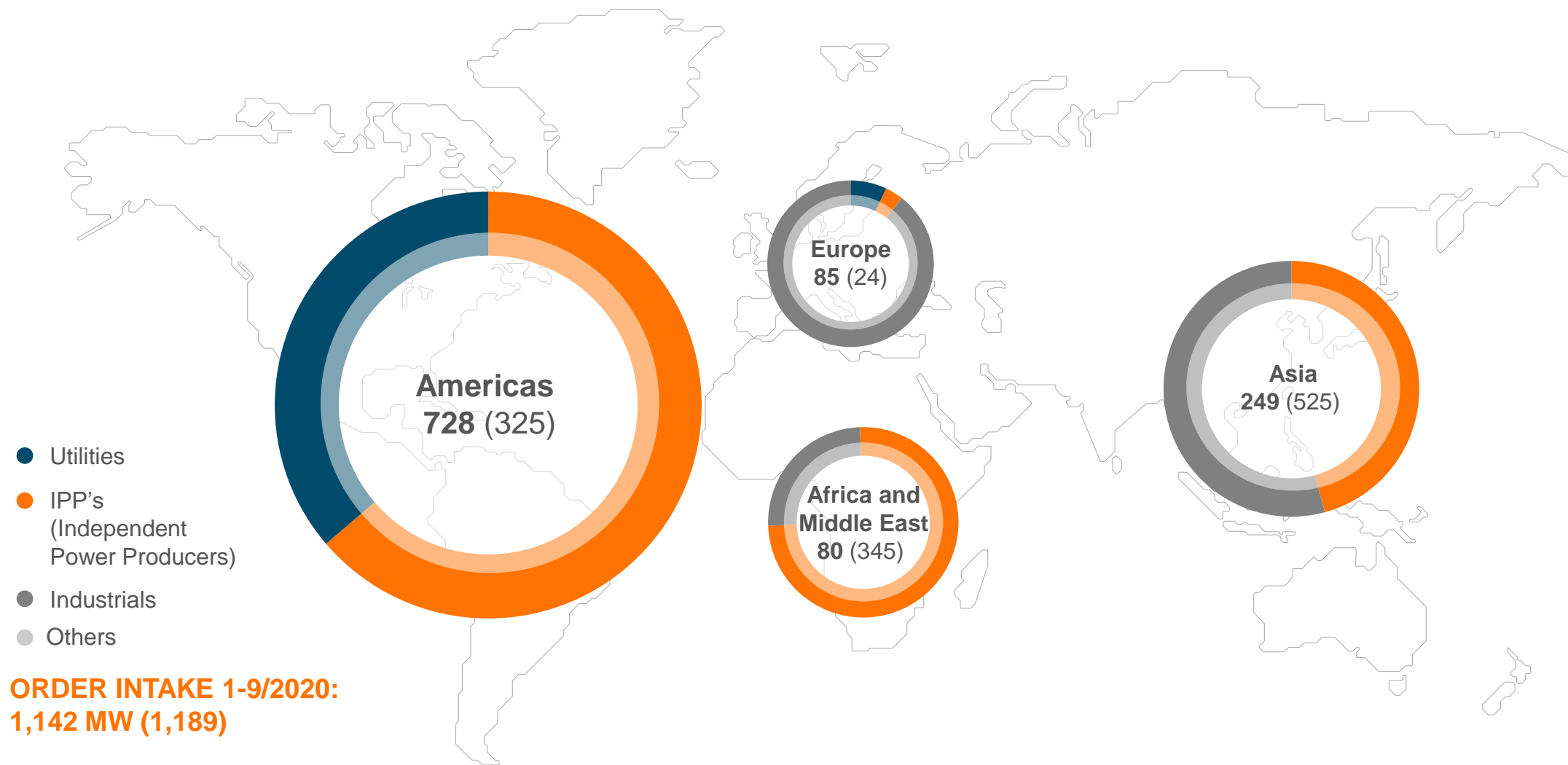
## Marine Businesses



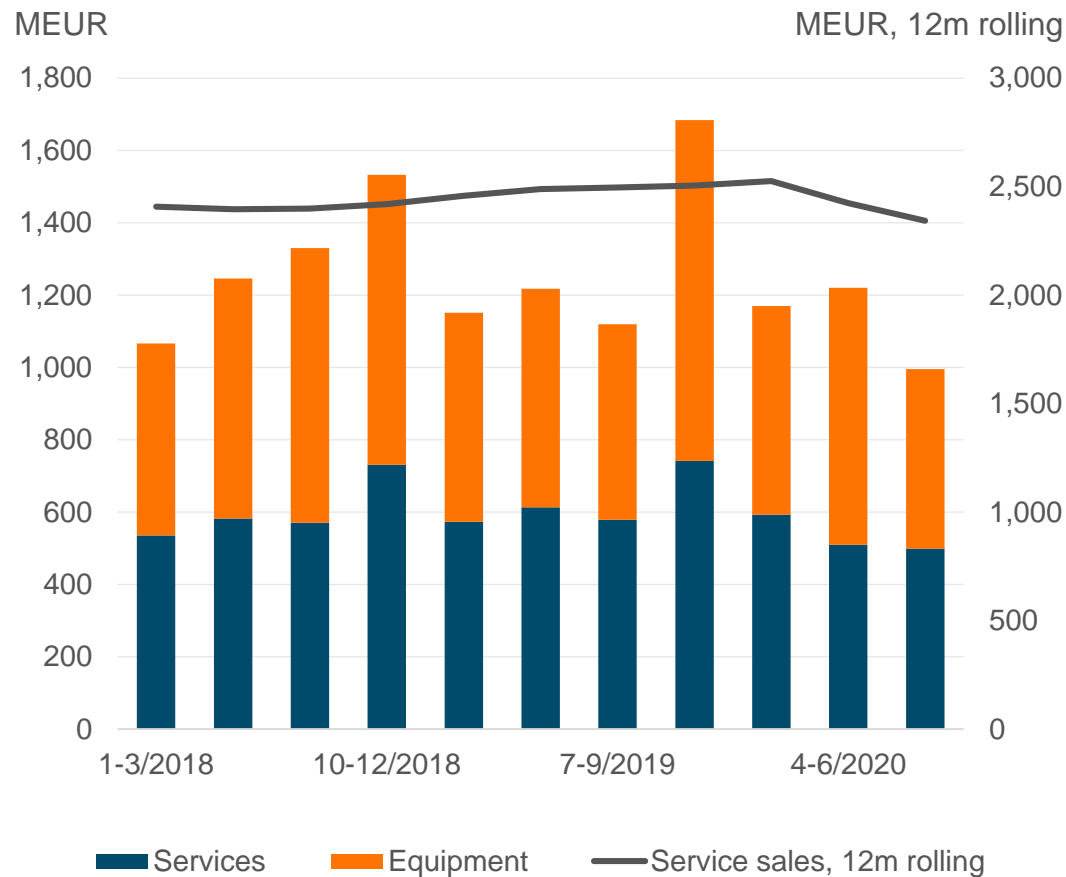
## Energy



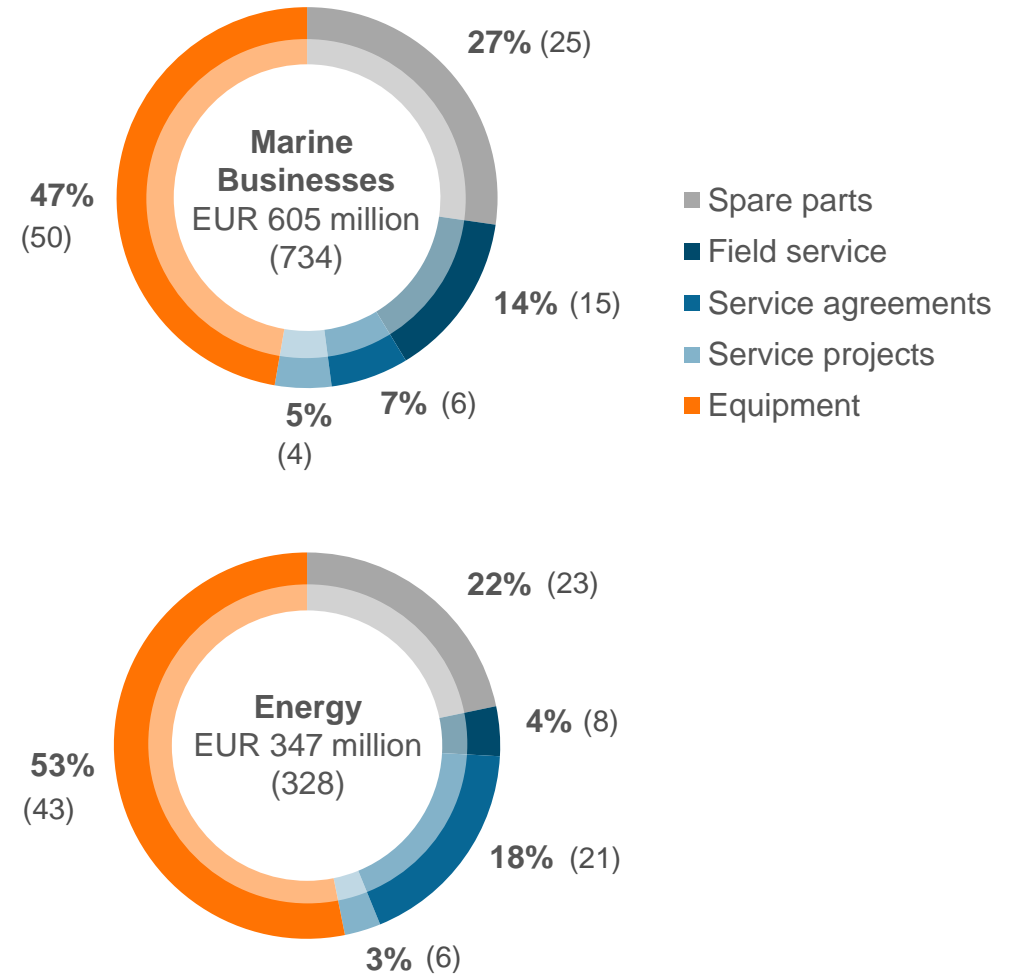
# ORDERS RECEIVED FOR ENERGY EQUIPMENT GLOBALLY



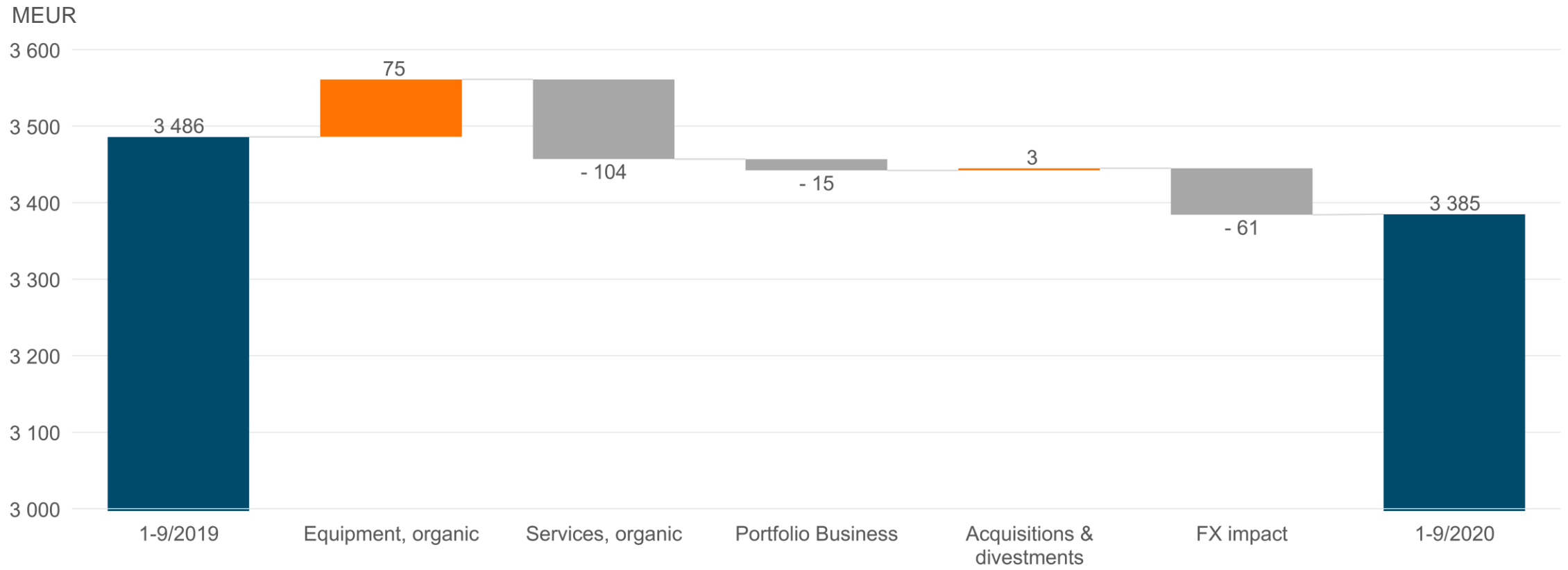
# NET SALES BY BUSINESS TYPE



## Third quarter development

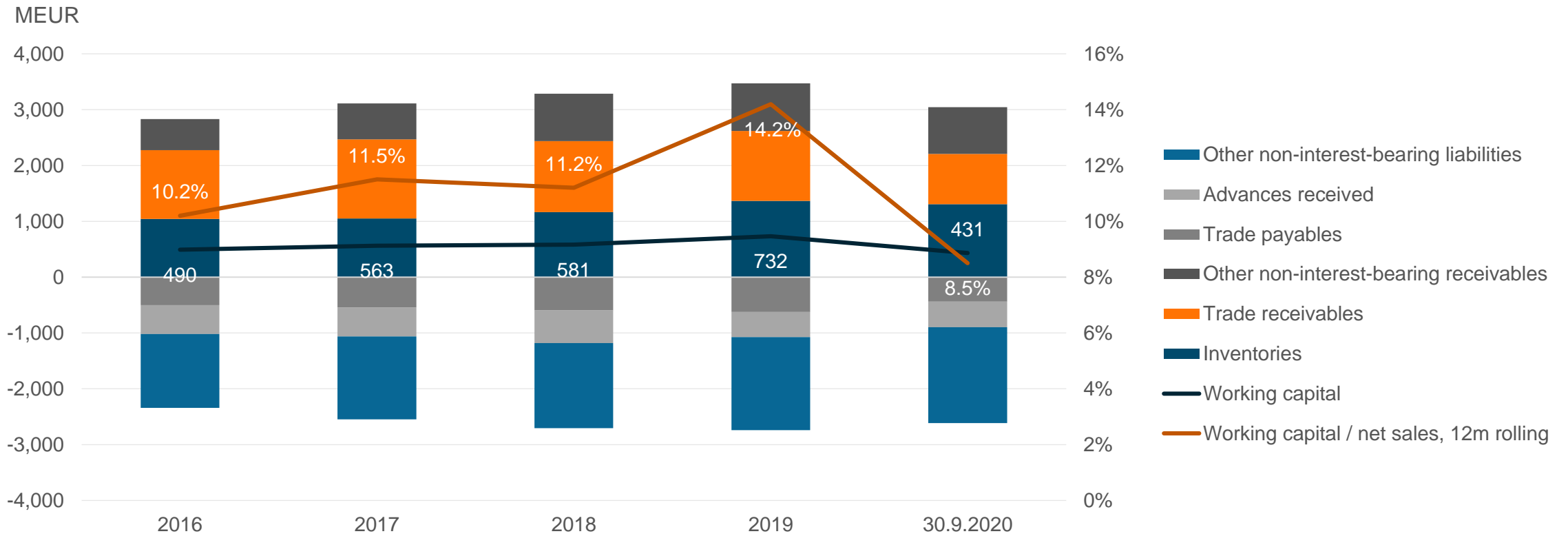


# NET SALES BRIDGE

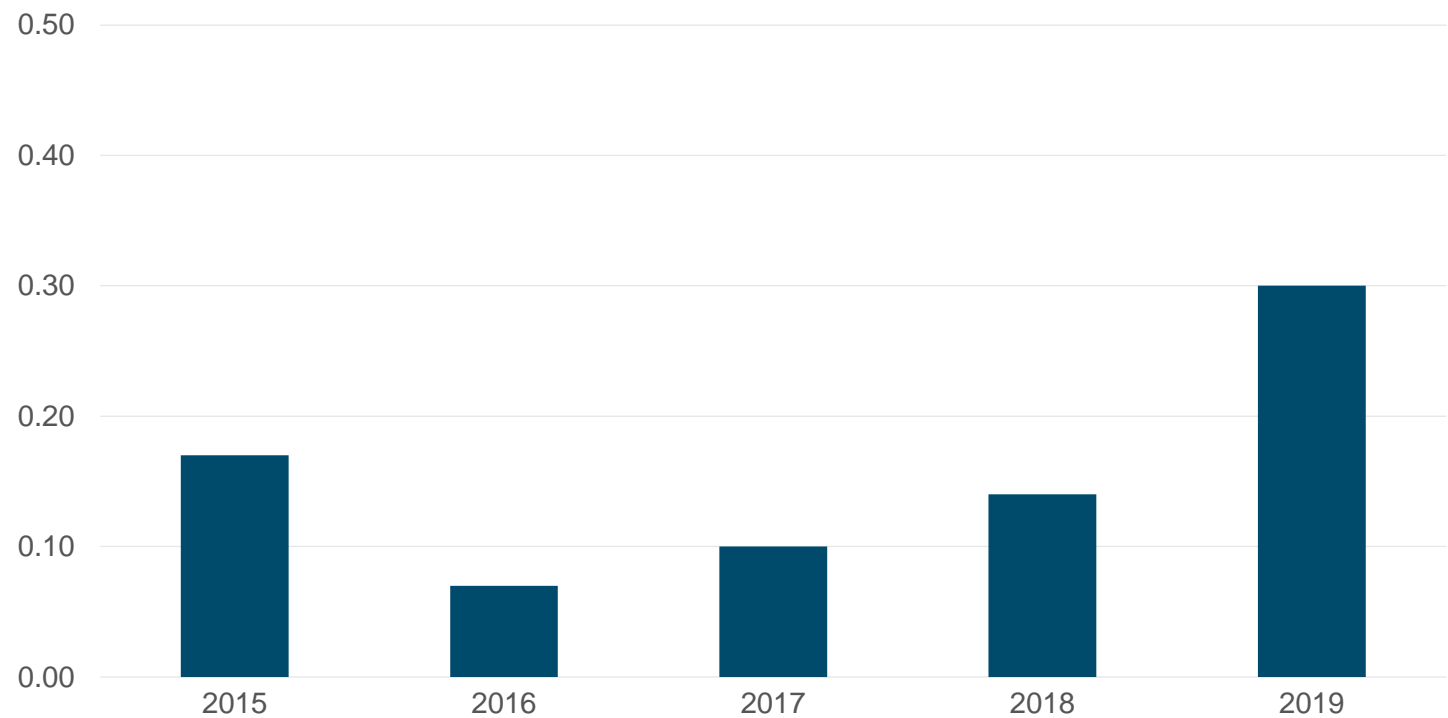




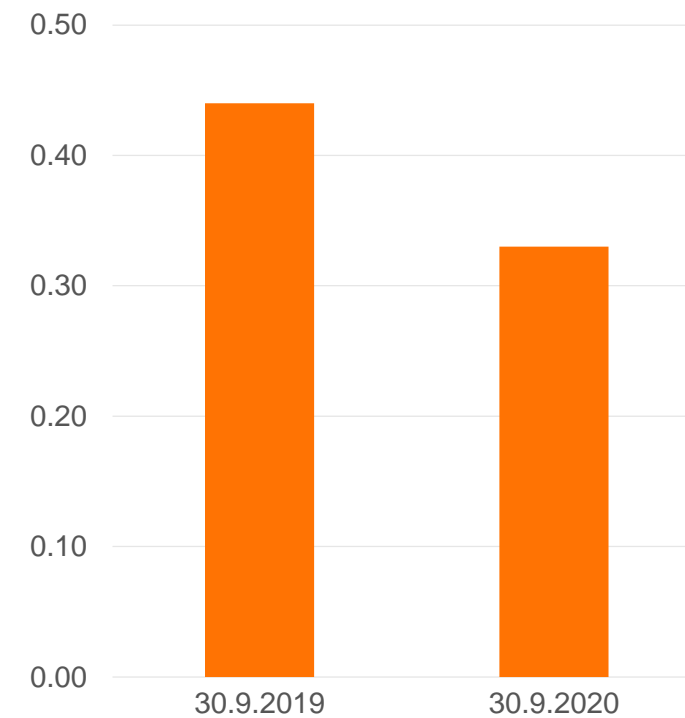
# WORKING CAPITAL



# GEARING



## Review period development



THANK YOU



**WÄRTSILÄ**

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