

Wärtsilä Corporation Interim report January–September 2023

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31 October 2023

Improved profitability, strong cash flow and good development in services

- Order intake increased by 11%
- Good progress in services continued:
 - Service order intake increased by 15%
 - Service net sales increased by 15%
- The comparable operating result increased by 53%
 - Supported by good development in services
 - Energy storage business profitable*
- Cash flow from operating activities improved

*LTM comparable operating profit



Good development in key figures

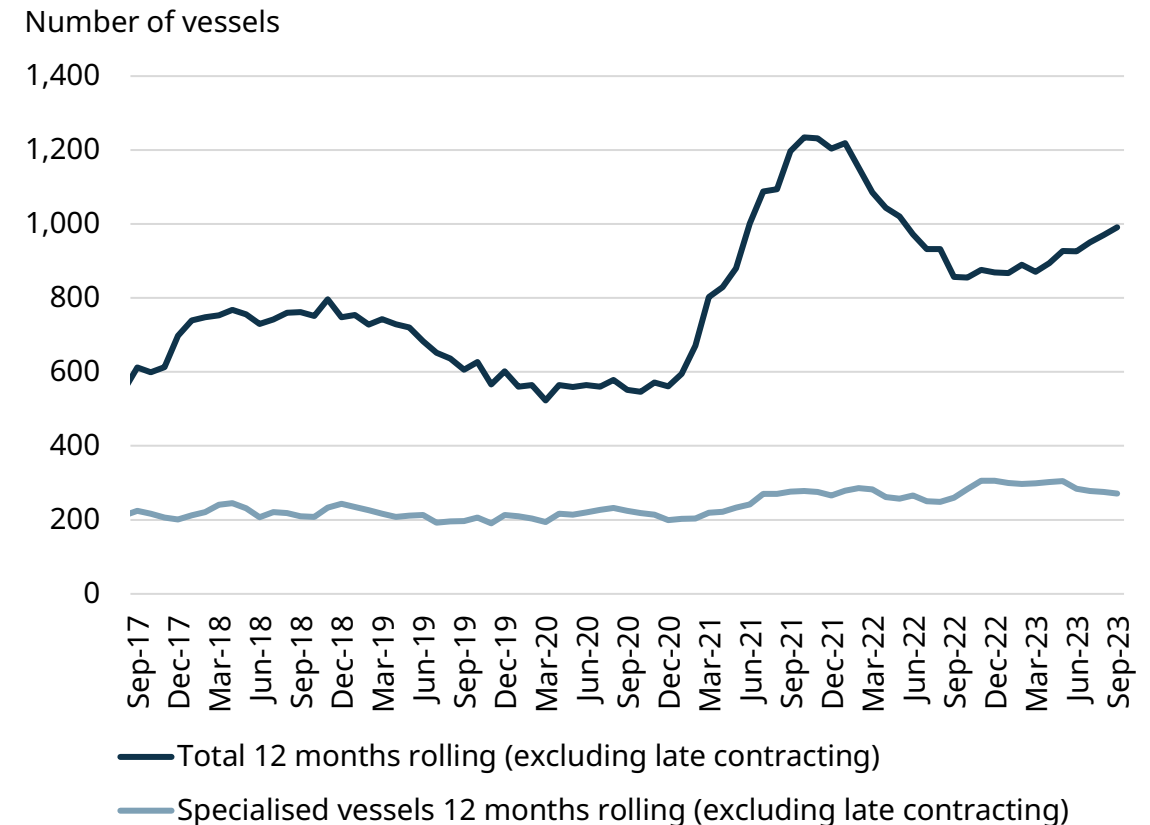
MEUR	7-9/2023	7-9/2022	CHANGE	1-9/2023	1-9/2022	CHANGE
Order intake	1,787	1,616	11%	5,214	4,436	18%
of which services	842	732	15%	2,644	2,275	16%
of which equipment	946	884	7%	2,570	2,161	19%
Order book				6,594	6,229	6%
of which current year deliveries				1,570	1,651	
Net sales	1,452	1,433	1%	4,371	4,072	7%
of which services	762	664	15%	2,305	1,991	16%
of which equipment	690	769	-10%	2,066	2,080	-1%
Book-to-bill	1.23	1.13		1.19	1.09	
Operating result	117	10	1123%	274	-62	
% of net sales	8.0	0.7		6.3	-1.5	
Comparable operating result	125	82	53%	320	232	38%
% of net sales	8.6	5.7		7.3	5.7	

Marine market sentiment remained positive for Wärtsilä's key segments

Low capacity available at shipyards combined with further escalation of newbuild prices have limited investments

- The number of vessels ordered in the review period increased to 1 356 (1 095 in the corresponding period in 2022, excluding late reporting of contracts).
- Mostly driven by the changed mix of contracted vessels. The uptake of alternative fuels remained more limited with 316 orders reported, representing 23% (30%) of all contracted vessels and 44% (58%) of vessel capacity.
- Demand for new cruise ship capacity remained limited as cruise lines are focused on managing the current orderbook and deleveraging their business.
- In July, the International Maritime Organisation (IMO) revised its strategy on greenhouse gas emission reduction from ships which puts pressure on shipping companies to increase their investments to decarbonise their operations.

Total and specialised vessel contracting



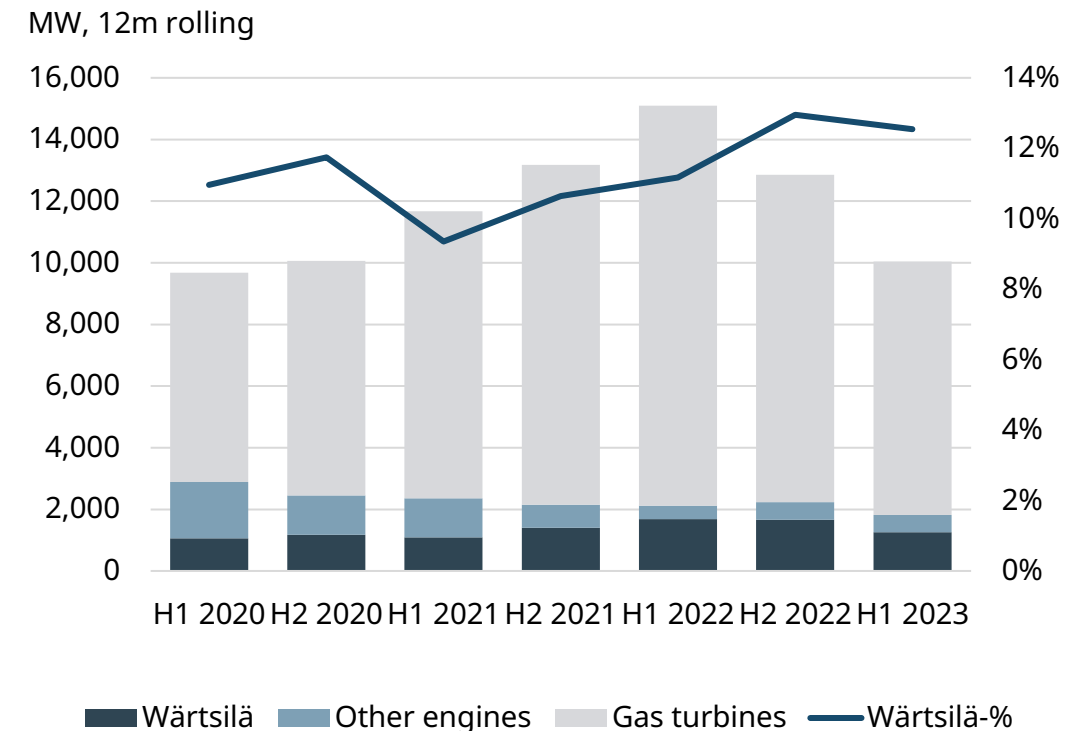
Source: Clarksons Research, 12m rolling contracting as per 6th of October 2023 (+100 gt, excluding late reporting of contracts)
 Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

Solid long-term opportunities in energy market

Energy transition outlook improving amid fragile global economy

- Market share stayed at 13% (13%), as global orders for natural gas and liquid-fuelled power plants decreased by 22% to 10.0 GW during the twelve-month period ending in June 2023.
- Market decrease from the high levels of 2022 was driven by Europe and Asia.
- Global natural gas prices witnessed significant price volatility in Q3, showcasing the market's remaining sensitivity to disruptions in supply and demand.
- The trend in transition to renewable energy sources continues globally, being a key driver in the development of battery energy storage and thermal balancing technologies.
- The energy transition outlook in the mid-term remains strong.

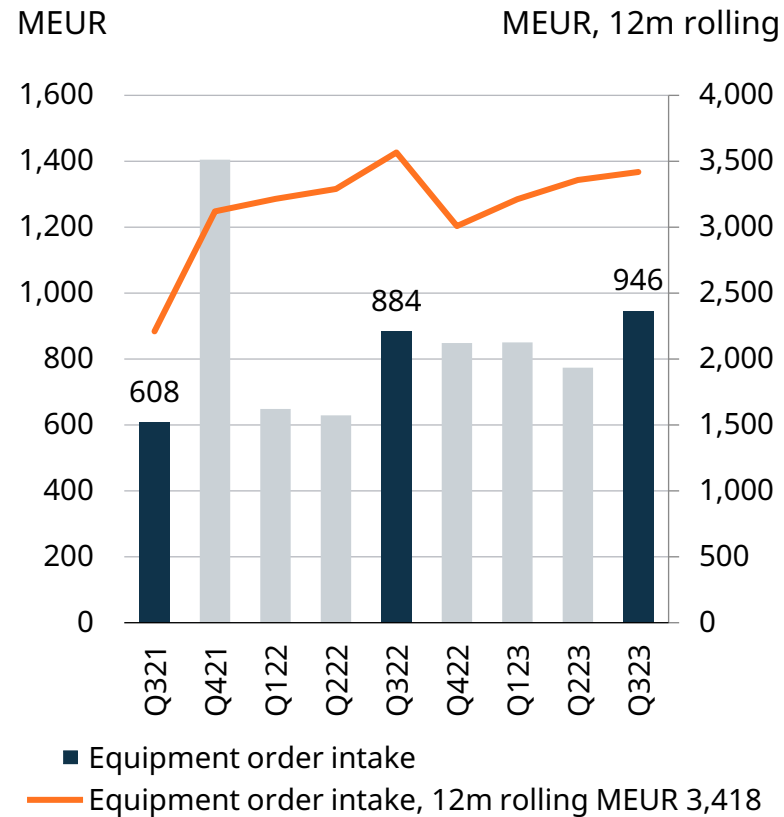
Contracting for gas and liquid fuelled power plants 5-400 MW



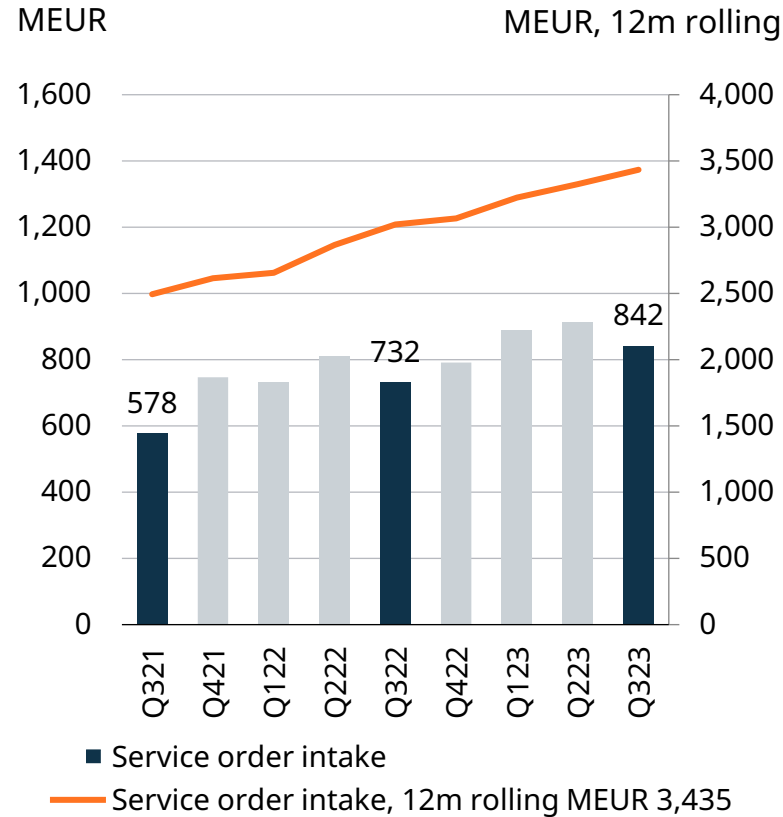
The market data includes prime movers over 5 MW in size in up to 400 MW gas and liquid-fuelled gas turbine plants and engine plants of all sizes. The gas turbine data is gathered from the McCoy Power Report, reported with a one quarter delay due to data availability. Engine data is collected from press releases and Wärtsilä sales teams. Output of steam turbines for combined cycles is estimated. Power plant market share reporting was updated this quarter to reflect our most relevant markets more accurately. Previously, market shares included gas turbine plants up to 500 MW but did not include non-Wärtsilä engine plants.

Order intake increased by 11%

Equipment



Services



Equipment order intake increased by 7%

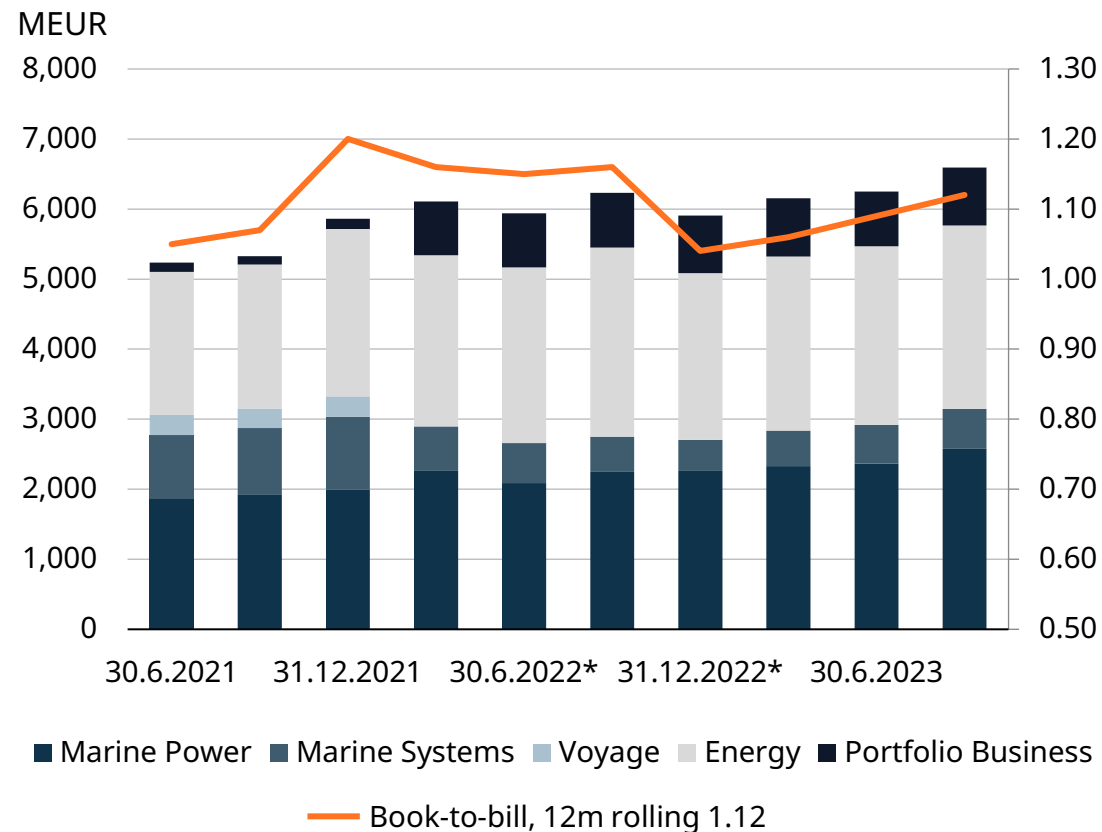
Service order intake increased by 15%

Organic order intake growth 18%

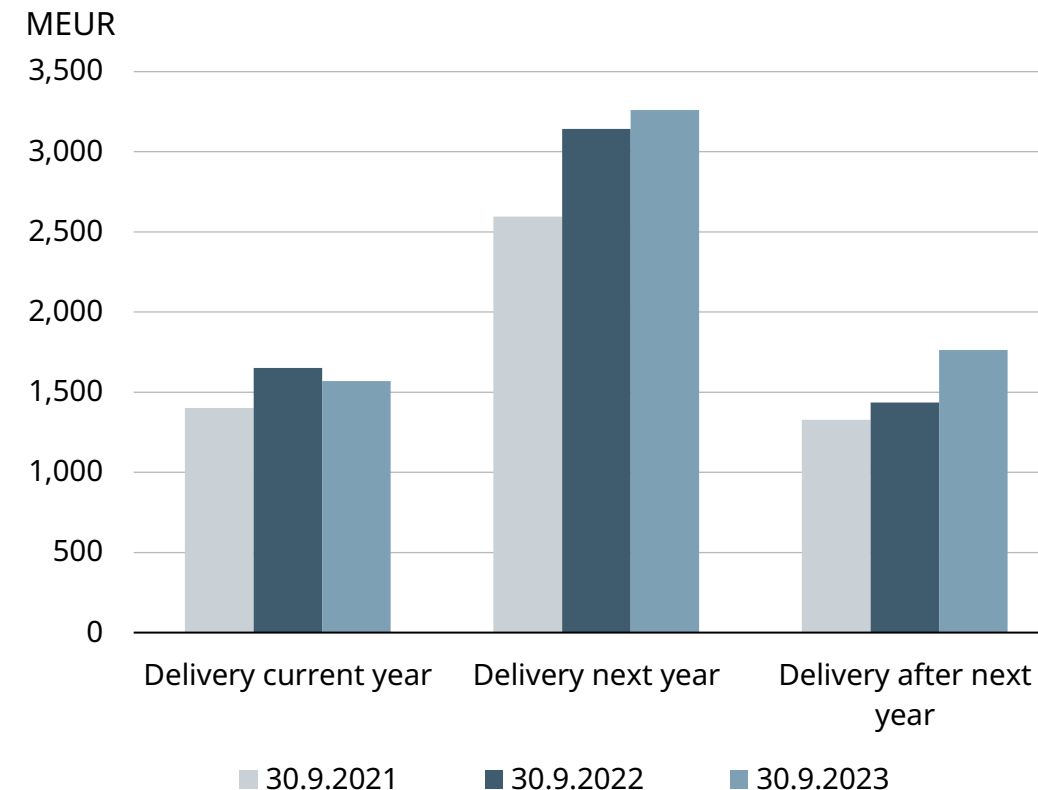
Strong order book, rolling book-to-bill continues to trend up

Remaining order book for the current year lower than last year

Order book by business



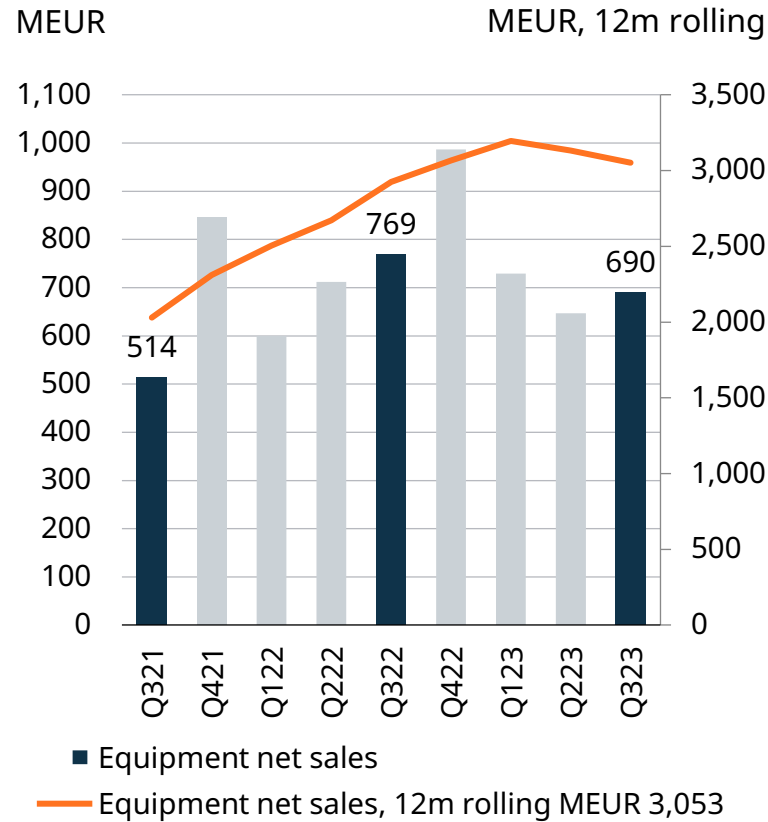
Order book delivery schedule



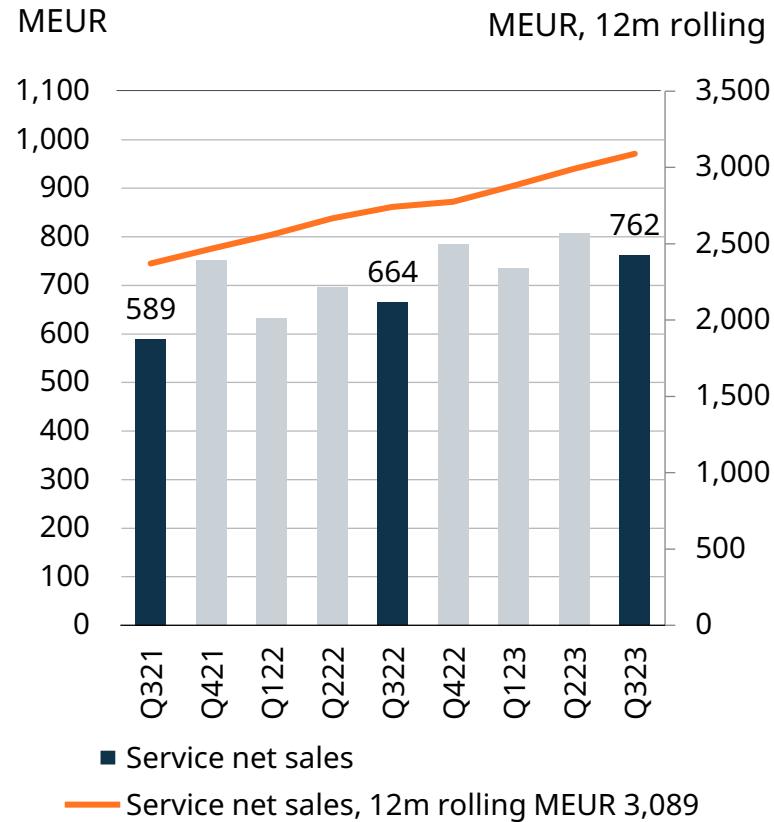
*As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, further organisational changes have been implemented: a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1-3/2023 and 2022 have been restated to reflect the current organisational structure. The segment related comparison figures for 2021 have not been restated accordingly.

Net sales increased by 1%

Equipment



Services



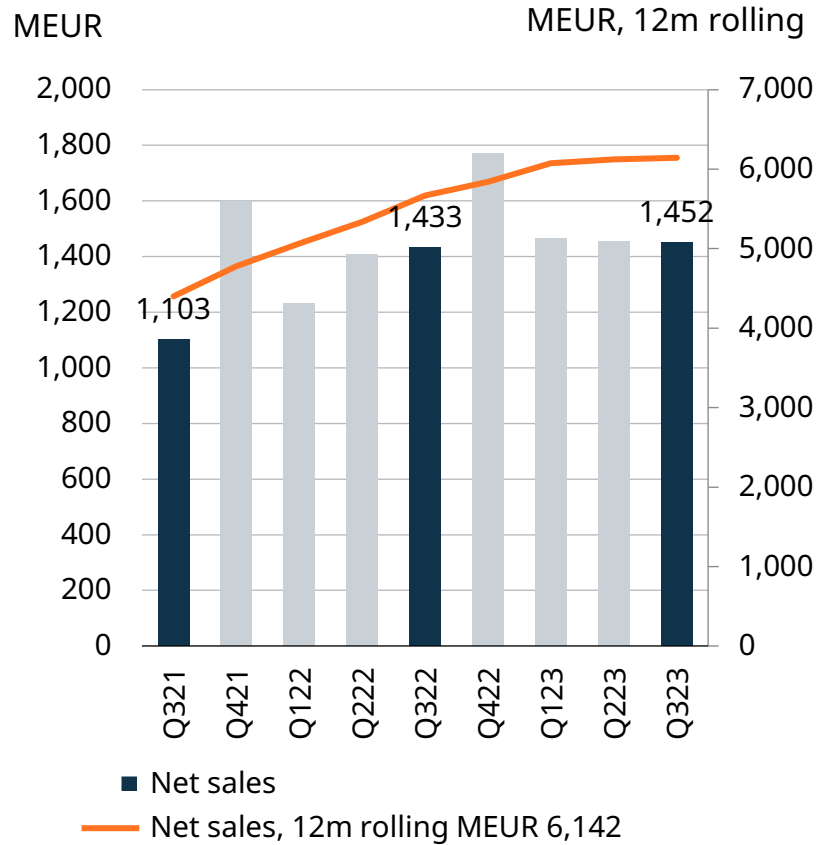
Equipment net sales decreased by 10%

Service net sales increased by 15%

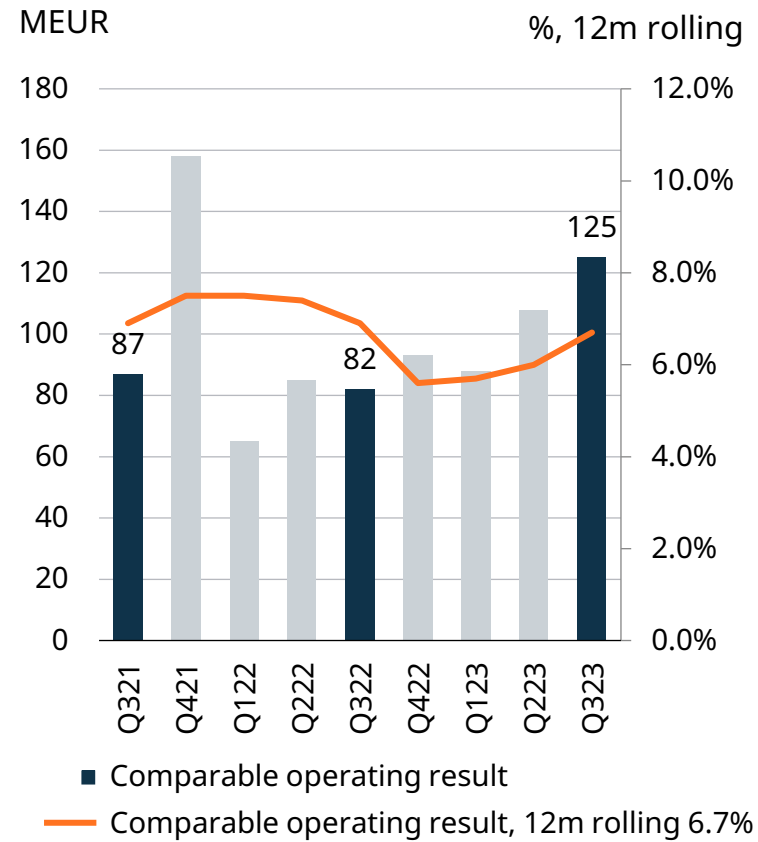
Organic net sales growth 7%

Profitability continued to improve

Net sales



Comparable operating result



Net sales increased by 1%

Comparable operating result increased by 53%

Technology and partnership highlights

Enabling industry decarbonisation

Wärtsilä solutions chosen for world's first methanol fuelled hybrid RoRo vessels

- Wärtsilä will supply an integrated hybrid propulsion system for two new hybrid RoRo vessels being built for Swedish shipping company Stena RoRo.
- Each vessel will be equipped with two Wärtsilä 32M multi-fuel engines capable now of operating on methanol fuel and with ammonia ready notation.
- The combination of new sustainable fuels and electrification is in line with the company's sustainable operations target.
- Wärtsilä has a strong relationship with Stena RoRo, and as early as 2015 Wärtsilä converted the Stena Germanica to operate on methanol fuel.

Wärtsilä's long-standing relationship with Brazilian customer enhanced with renewal of Operation & Maintenance agreement

- Wärtsilä has signed a renewal of its Operation & Maintenance agreement with Brazilian independent energy producer Geradora de Energia do Amazonas (Gera Amazonas).
- The agreement covers the UTE Ponta Negra power plant in Manaus and has been in place since 2006 when the plant was commissioned.
- The two-year renewal ensures that Gera Amazonas can meet its power purchase obligations with Eletronorte.
- Originally the plant operated on heavy fuel oil, but in 2013 it was converted to operate with gas/diesel technology. The plant now operates in 24/7 baseload mode delivering 60 MW to the system.



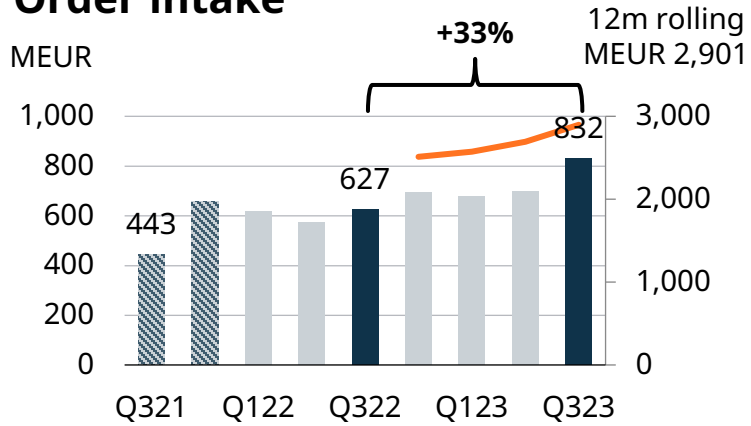
Marine Power



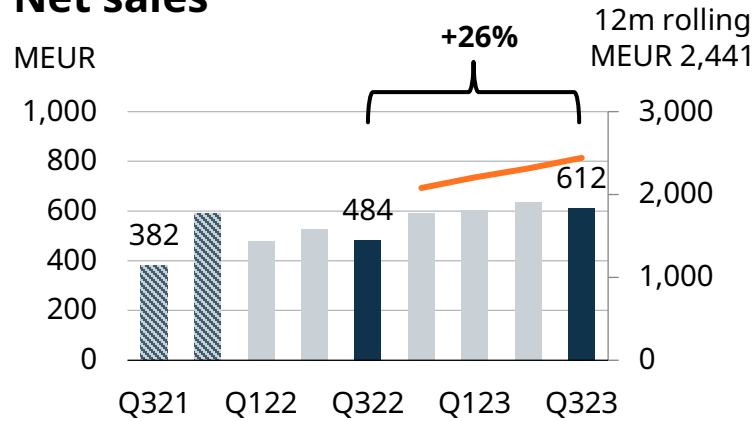
Marine Power: Strong development in order intake and profitability

Good development in service continued

Order intake

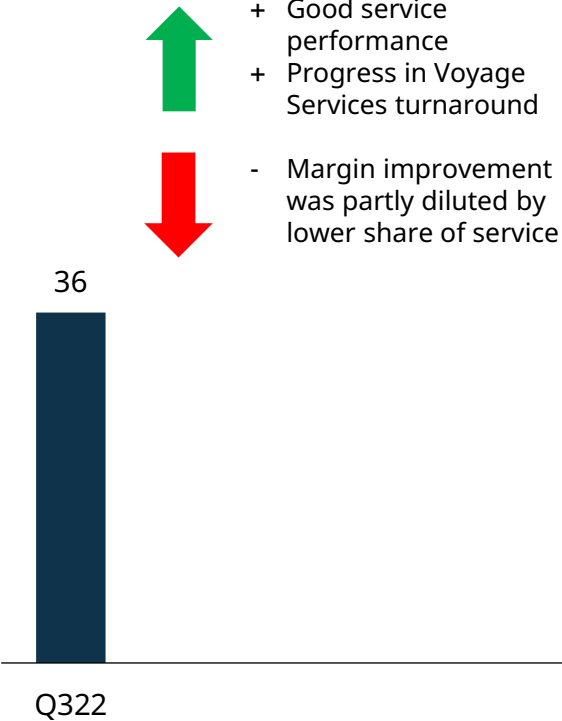


Net sales



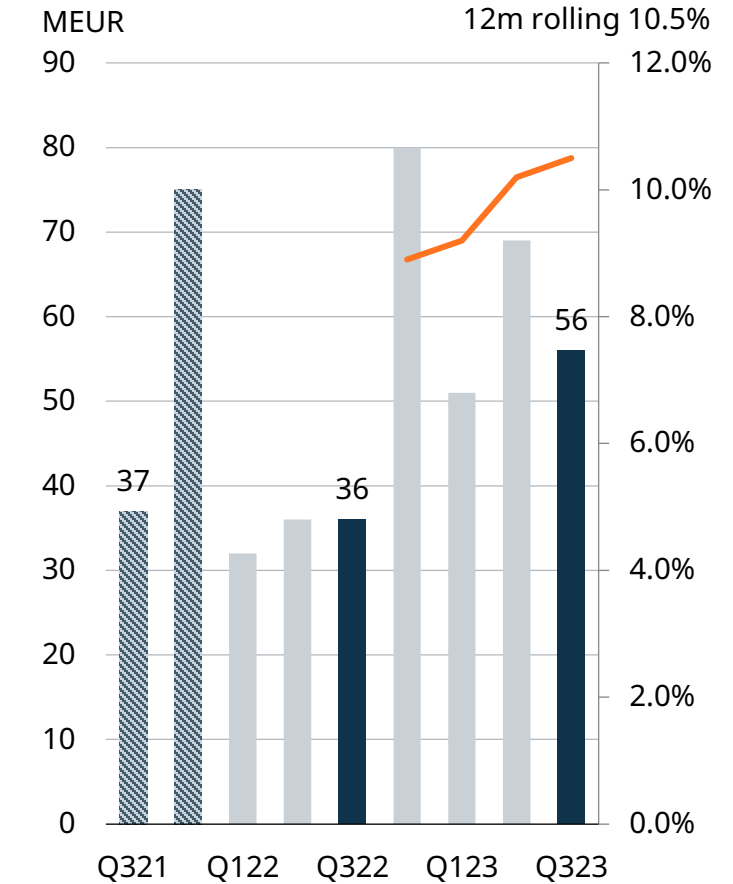
Comparable operating result

MEUR



Comparable operating result

MEUR



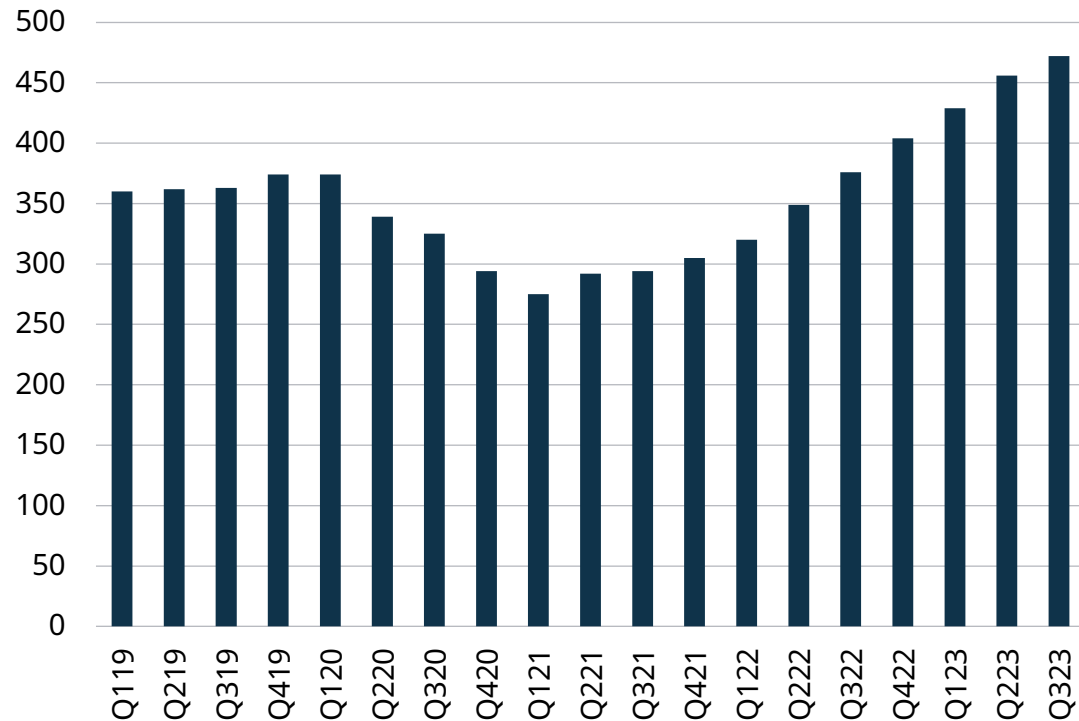
The 2022 and Q1 2023 figures have been restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit).

Good development in Marine Power service agreements

Marine Power net sales to agreement installations exceeding pre-Covid level

Net sales to agreement installations (12 month rolling)

MEUR, 12m rolling



Wärtsilä Technical Management Agreement provides maintenance flexibility for China LNG Shipping vessel

- The 15-year agreement will ensure operational reliability and provide maintenance planning flexibility for the 'Dapeng Princess', the world's largest shallow draft LNG carrier.
- The vessel operates with three Wärtsilä 34DF dual-fuel engines, and the Technical Management Agreement includes constant data monitoring and maintenance support for the engines and gas valve units.
- The agreement took effect from and was booked as order intake by Wärtsilä in July 2023.

Incat Tasmania selects Wärtsilä solutions for world's first zero emissions, lightweight Ro-Pax ferry



- Wärtsilä to power the biggest battery electric ship ever built.
- The vessel is a new ferry, the largest ever vessel of its type and the world's first zero emissions lightweight catamaran, being built by Incat Tasmania and ordered by Incat's long-term South American customer, Buquebus.
- The full Wärtsilä scope of supply includes Wärtsilä's own energy management system, the power conversion system, DC shore charging system, the 40 MWh battery modules, the DC hub, the eight electric motors, eight Wärtsilä axial flow WXJ1100 waterjets, and the ProTouch propulsion control system.
- The order with Wärtsilä was booked in July 2023.

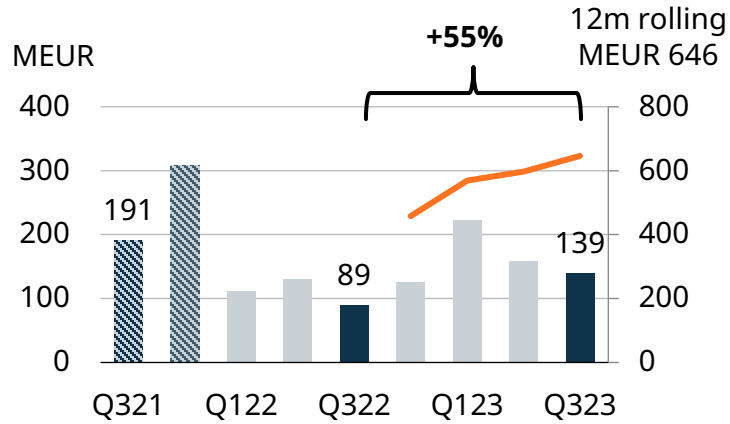
Marine Systems



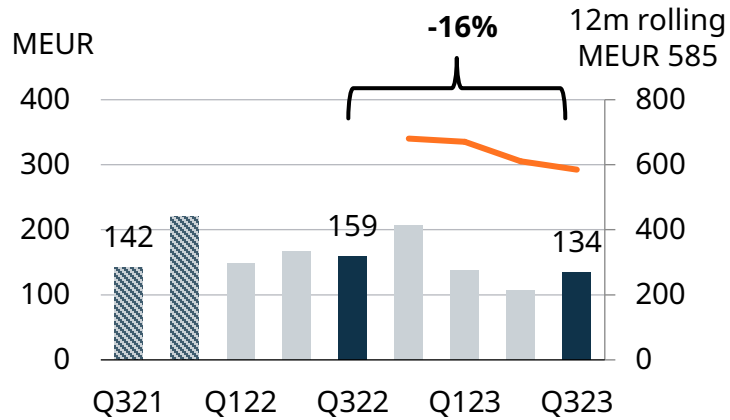
Marine Systems: Equipment order intake increased

Lower equipment net sales

Order intake

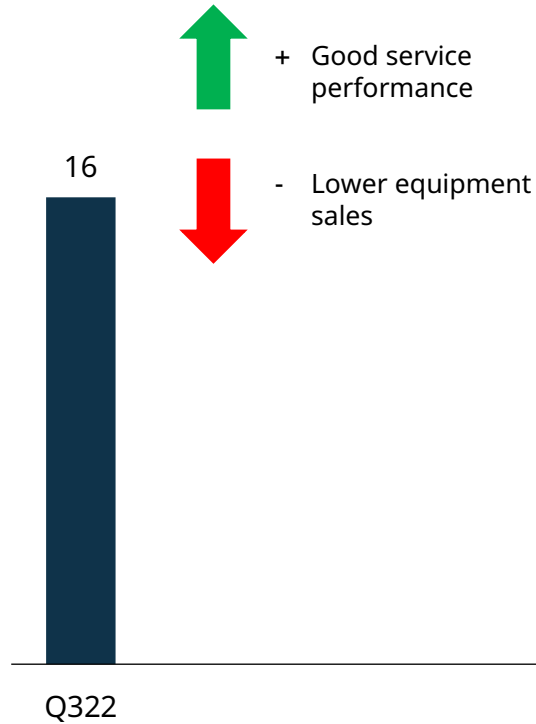


Net sales



Comparable operating result

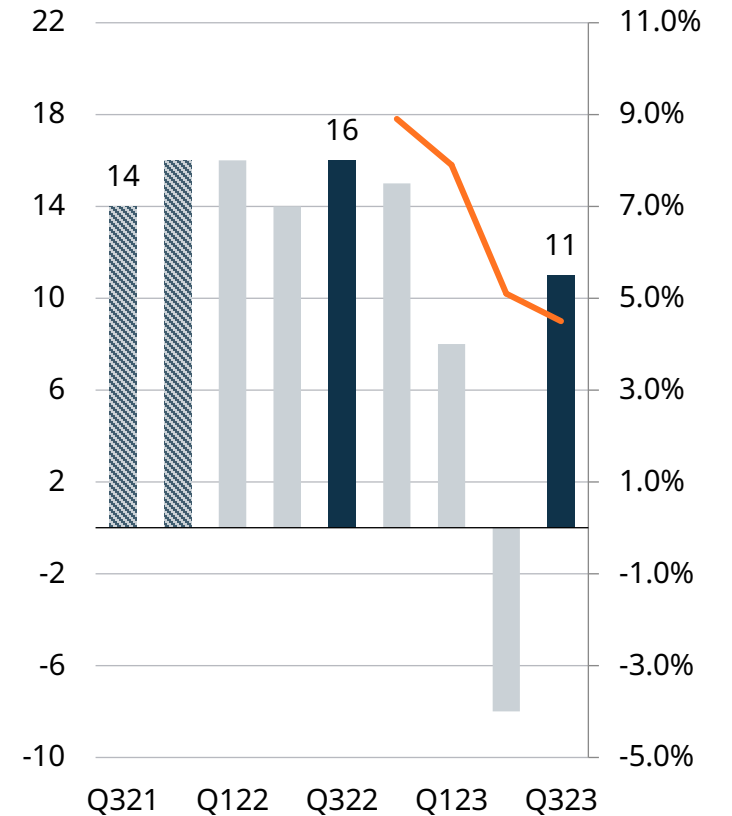
MEUR



Comparable operating result

MEUR

12m rolling 4.5%



The 2022 and Q1 2023 figures have been restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business.

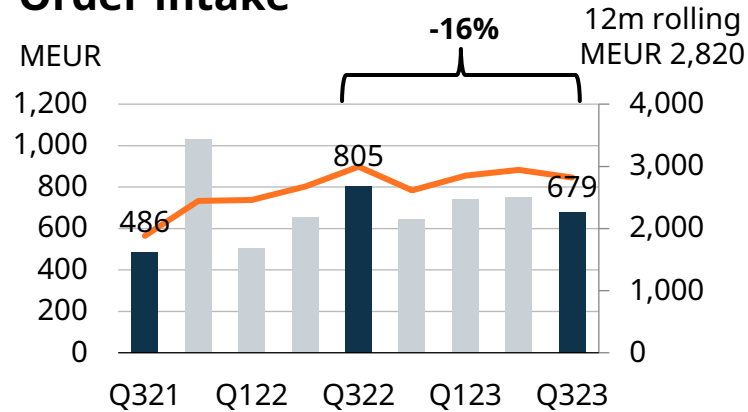
Energy



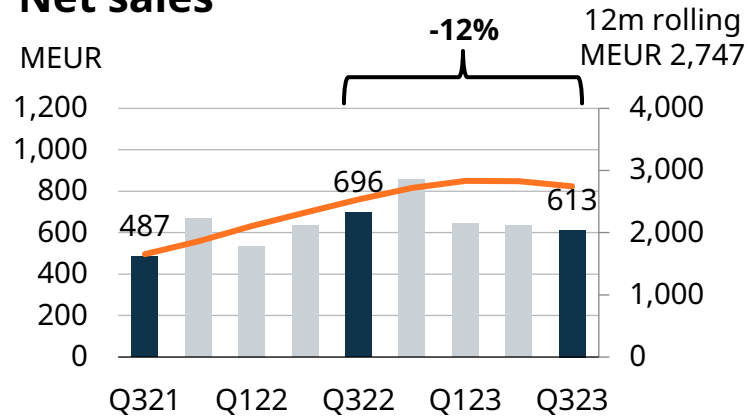
Energy: Comparable operating result increased

Good development in service continued

Order intake






Net sales



Comparable operating result

MEUR

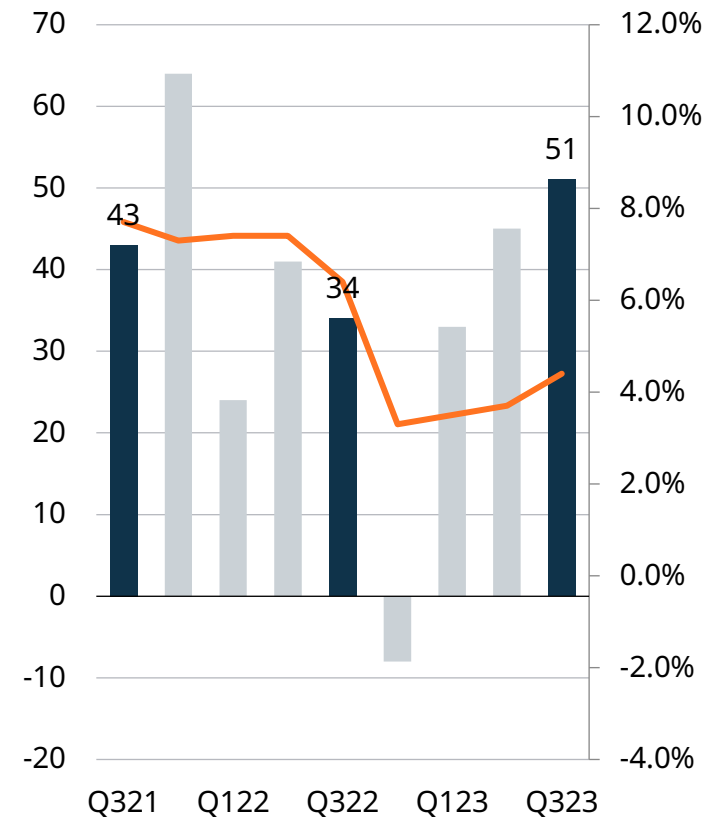
-  + Good service performance
-  + Improved profitability of storage business
-  - Lower sales volumes



Comparable operating result

MEUR

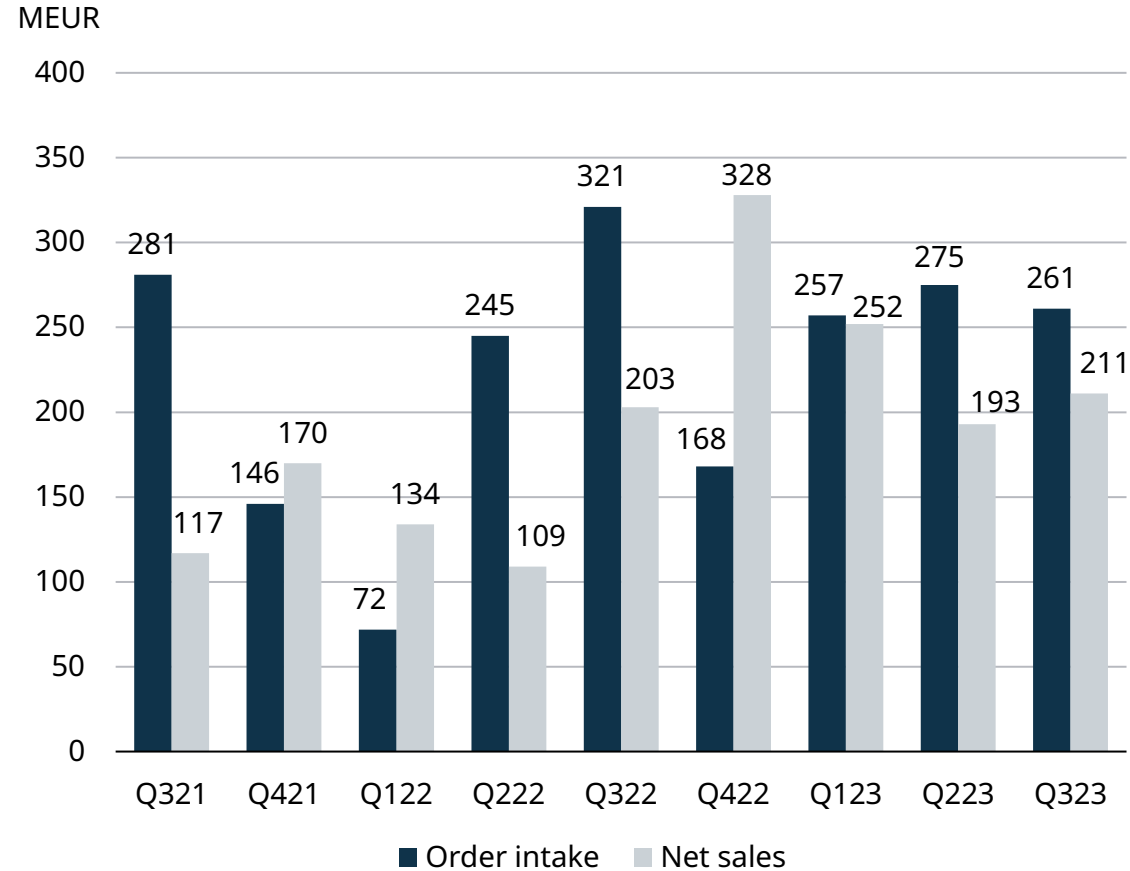
12m rolling 4.4%



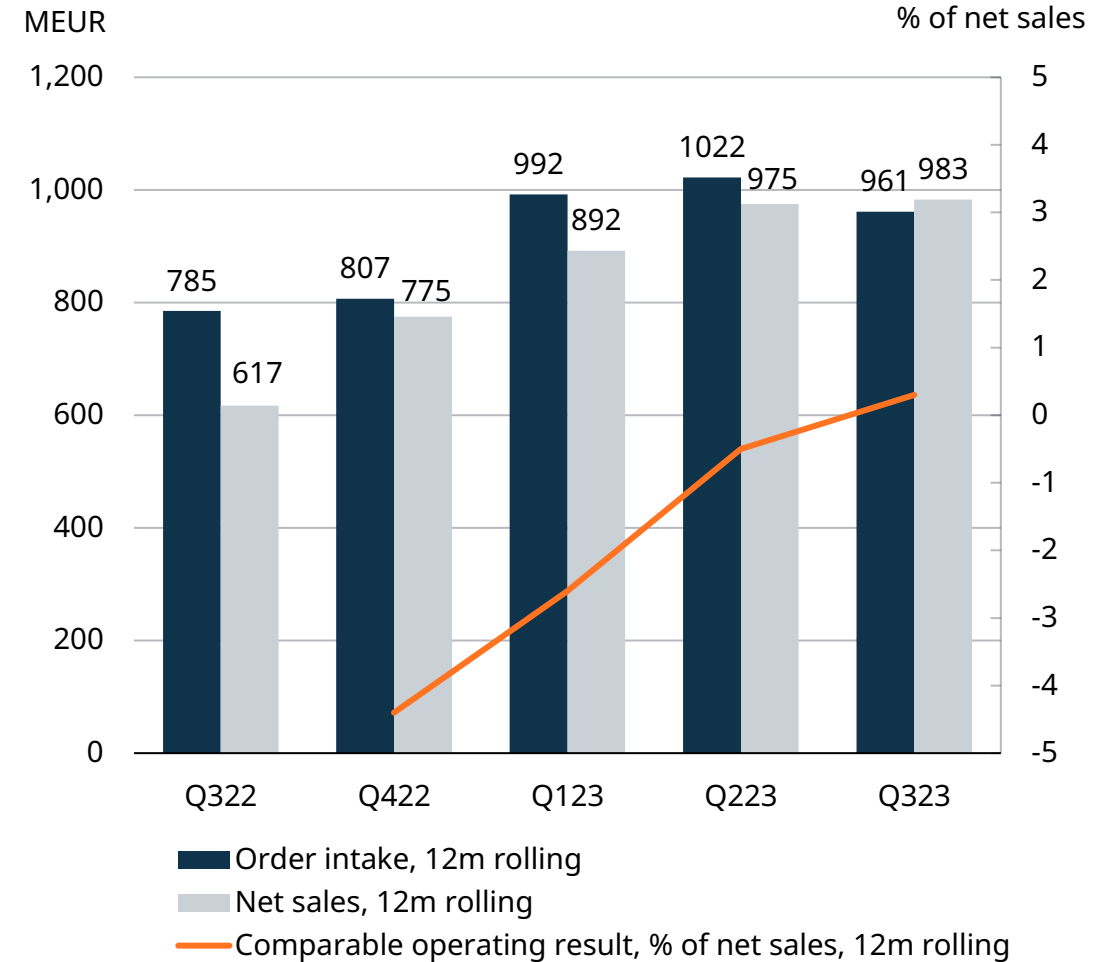
Energy storage: Comparable operating result margin (12m rolling) positive

Profitability improving

Quarterly development



Rolling 12 months development



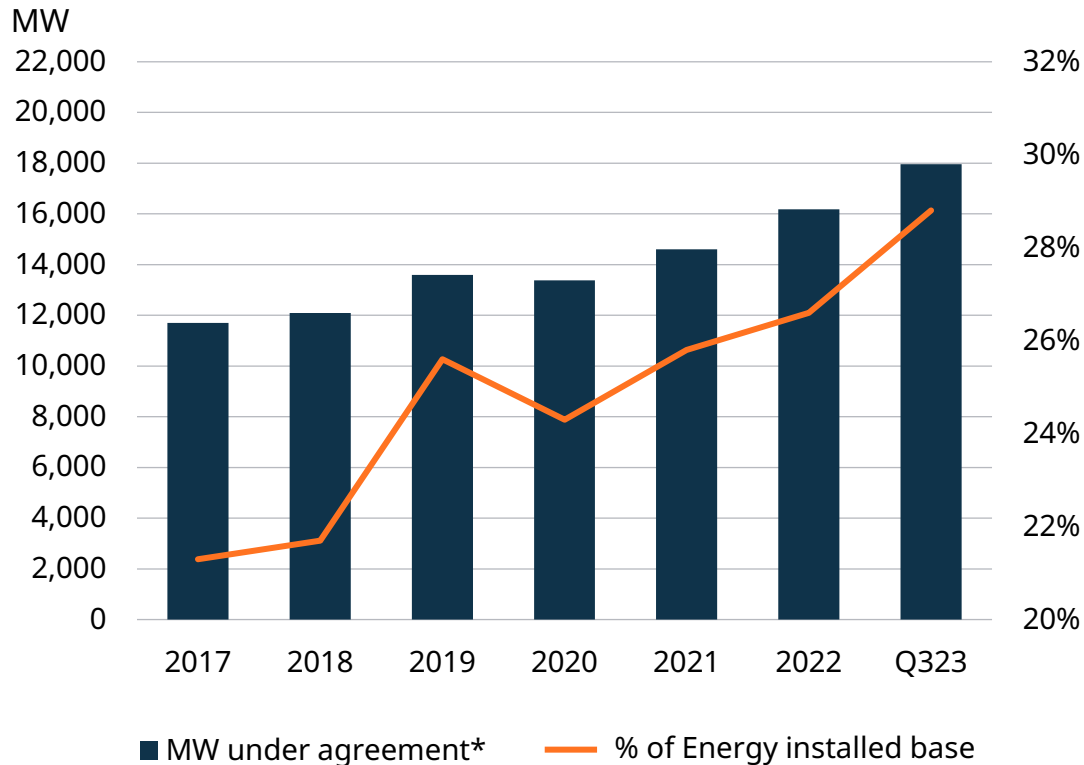
Initiating a strategic review of Energy Storage & Optimisation (ES&O) business

- Wärtsilä Board of Directors have initiated a strategic review to consider options that would support the growth of the ES&O business in a way that benefits its customers, employees and shareholders
- Throughout this process, all potential alternatives will be considered, including different ownership options, potential divestment of the business or other possible strategic alternatives
- We continue to develop and invest in the ES&O business during the strategic review
- We have not set a timetable for the completion of the strategic review, as we want to thoroughly assess all strategic options



31 October 2023

Continued good development in Energy service agreements

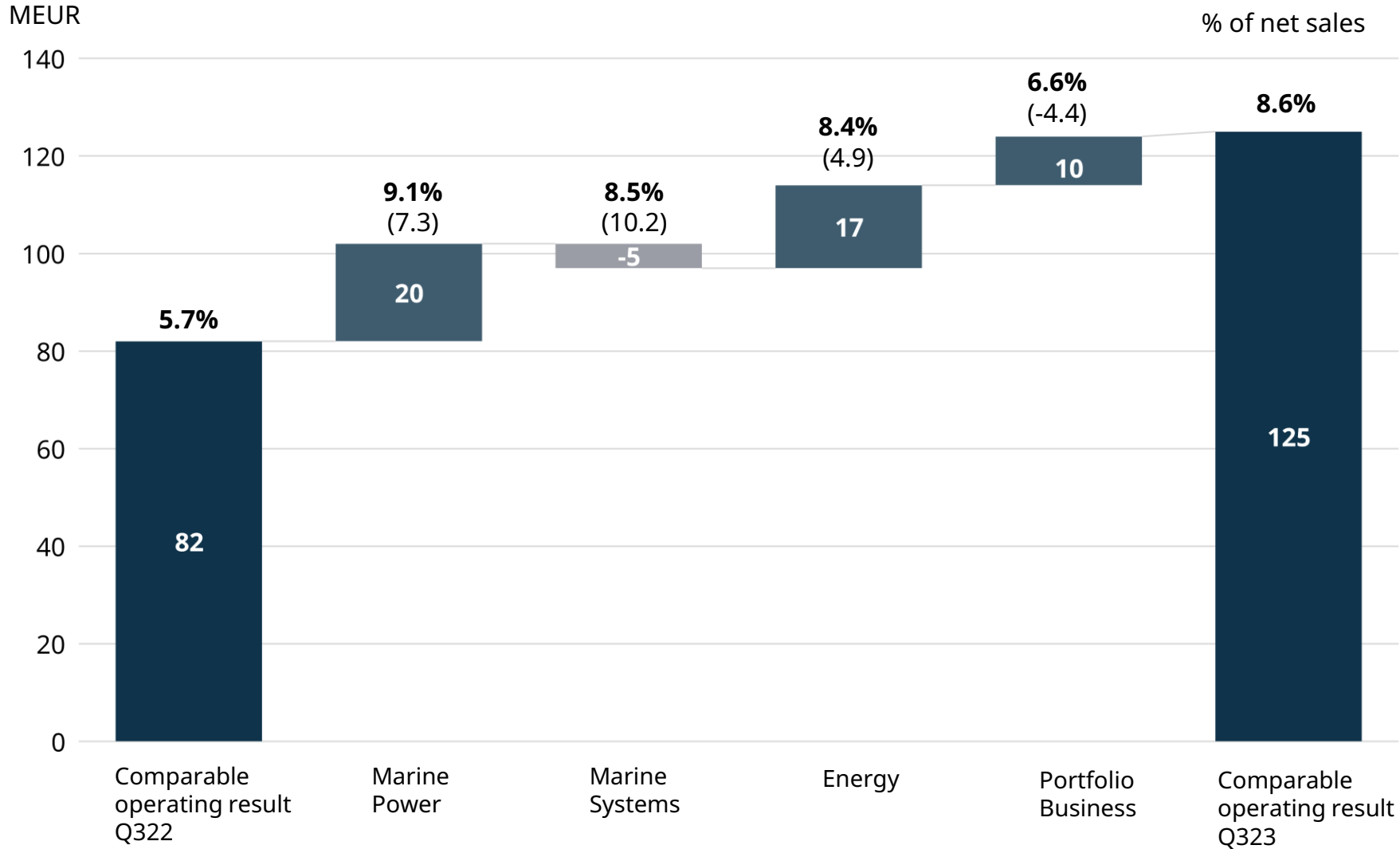


* Includes agreements covering both installed assets and assets to be installed in the future

Guaranteed Asset Performance Agreement supports US utility's efforts towards net-zero carbon emissions

- A ten-year Guaranteed Asset Performance (GAP) agreement was signed with US utility Omaha Public Power District (OPPD).
- The agreement covers the 150 MW Standing Bear Lake Station located in Omaha, Nebraska and is set to commence commercial service in 2024.
- Upon activation, the plant will provide dispatchable balancing power as part of the utility's Power with Purpose project, an initiative designed to add 400 to 600 MW of utility-scale solar generation and 600 MW of balancing natural gas generation.
- The order was booked by Wärtsilä in Q3, 2023.

Comparable operating result improved – biggest improvements in Marine Power and Energy



Comparable operating result increased by 53%

Other key financials

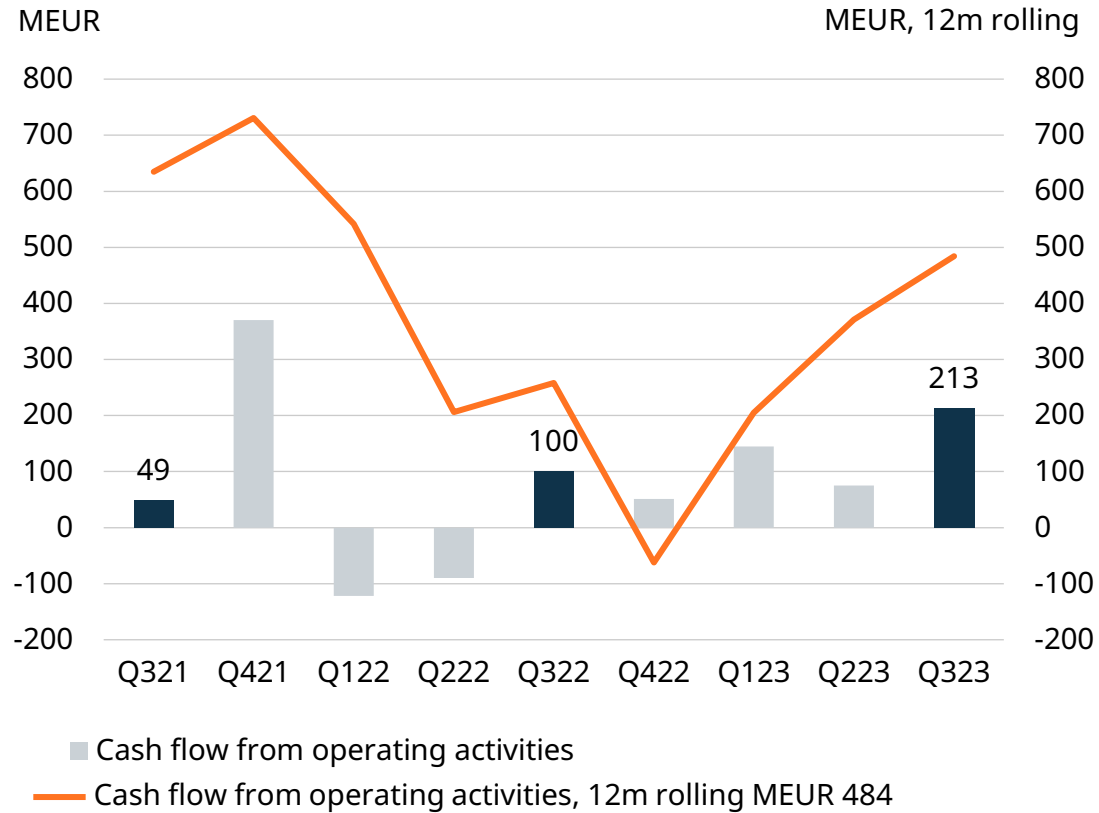


Other key financials: Strong cash flow from operating activities

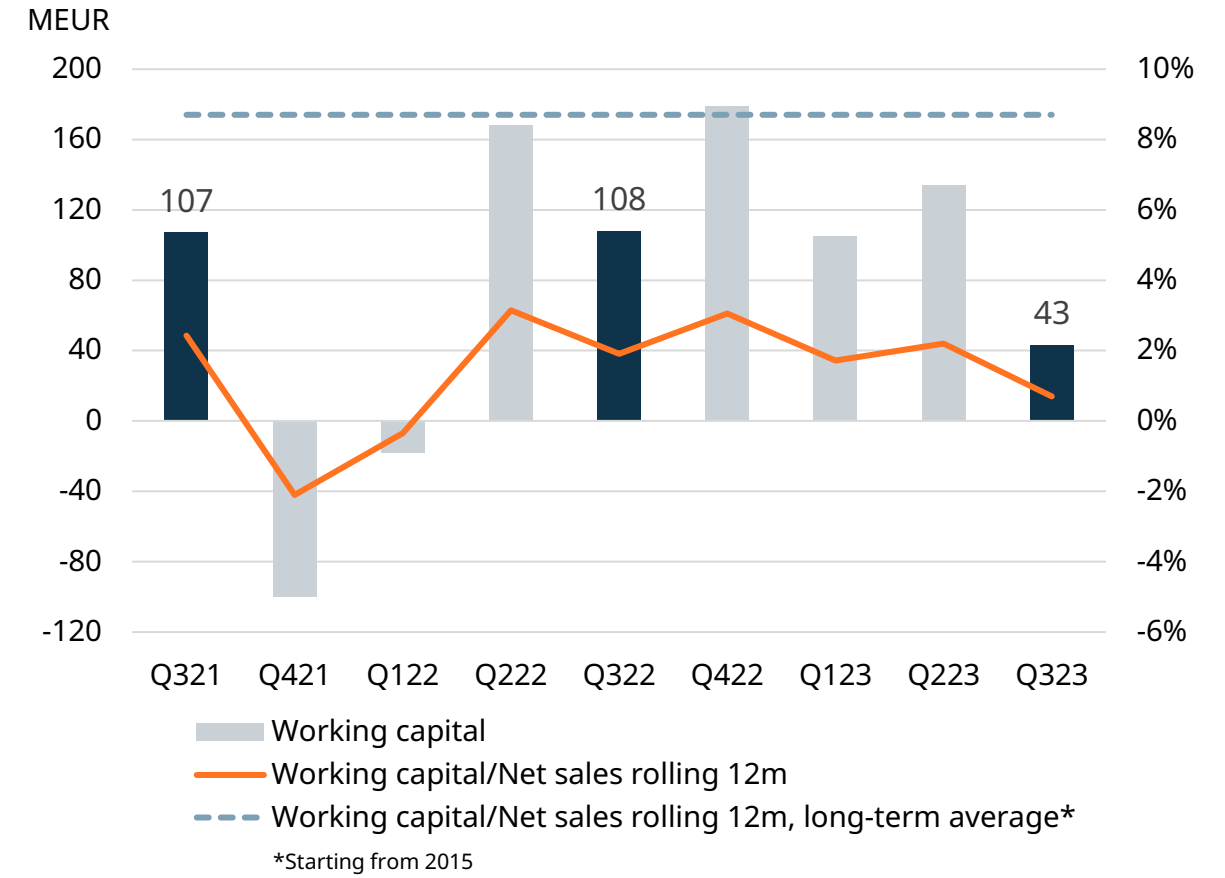
MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022
Cash flow from operating activities	213	100	432	-113
Working capital			43	108
Net interest-bearing debt			356	377
Gearing			0.17	0.18
Solvency, %			35.2	34.5
Basic earnings/share, EUR	0.14	0.00	0.28	-0.16

Strong cash flow from operating activities

Cash flow from operating activities



Working capital to net sales ratio





Prospects

Marine

- Wärtsilä expects the demand environment for the next 12 months (Q4/2023-Q3/2024) to be similar to that of the comparison period.

Energy

- Wärtsilä expects the demand environment for the next 12 months (Q4/2023-Q3/2024) to be better to that of the comparison period.

Q&A

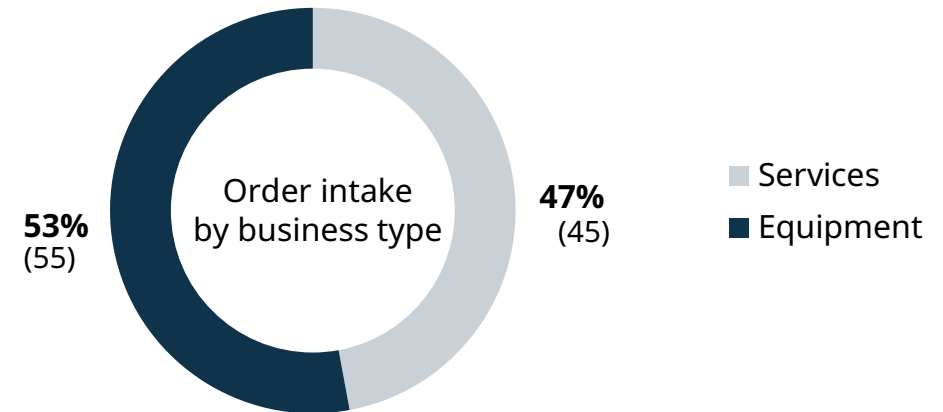
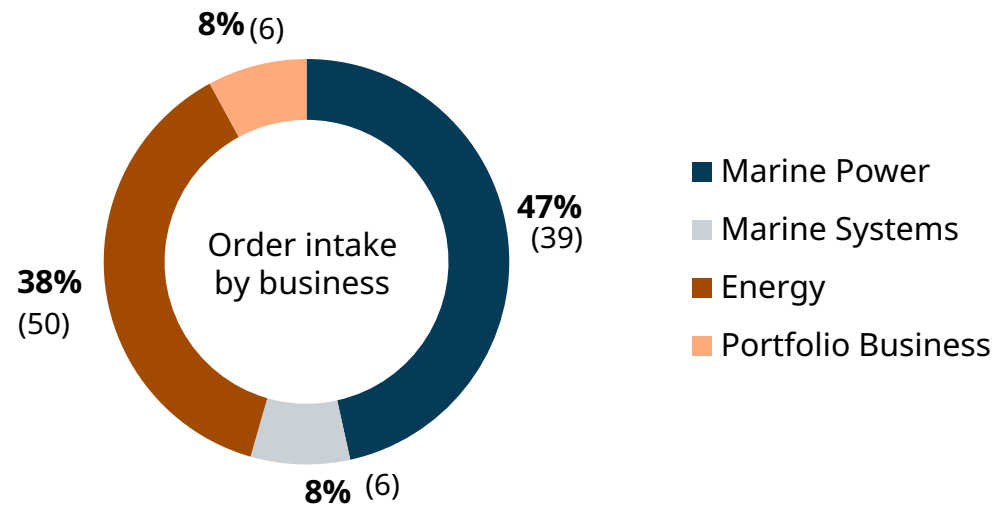




Appendix

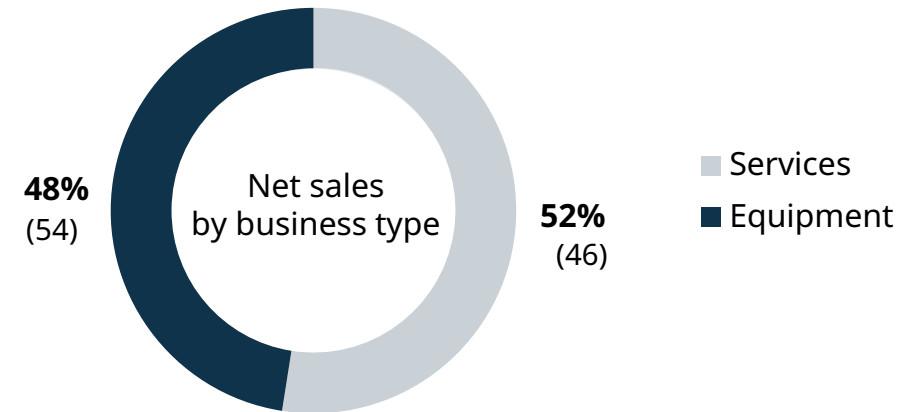
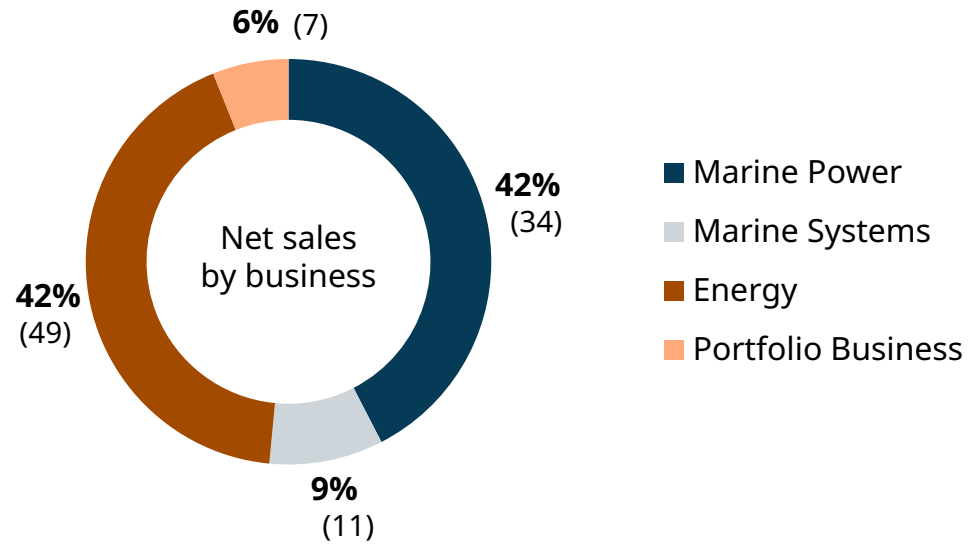
Order intake

Third quarter development



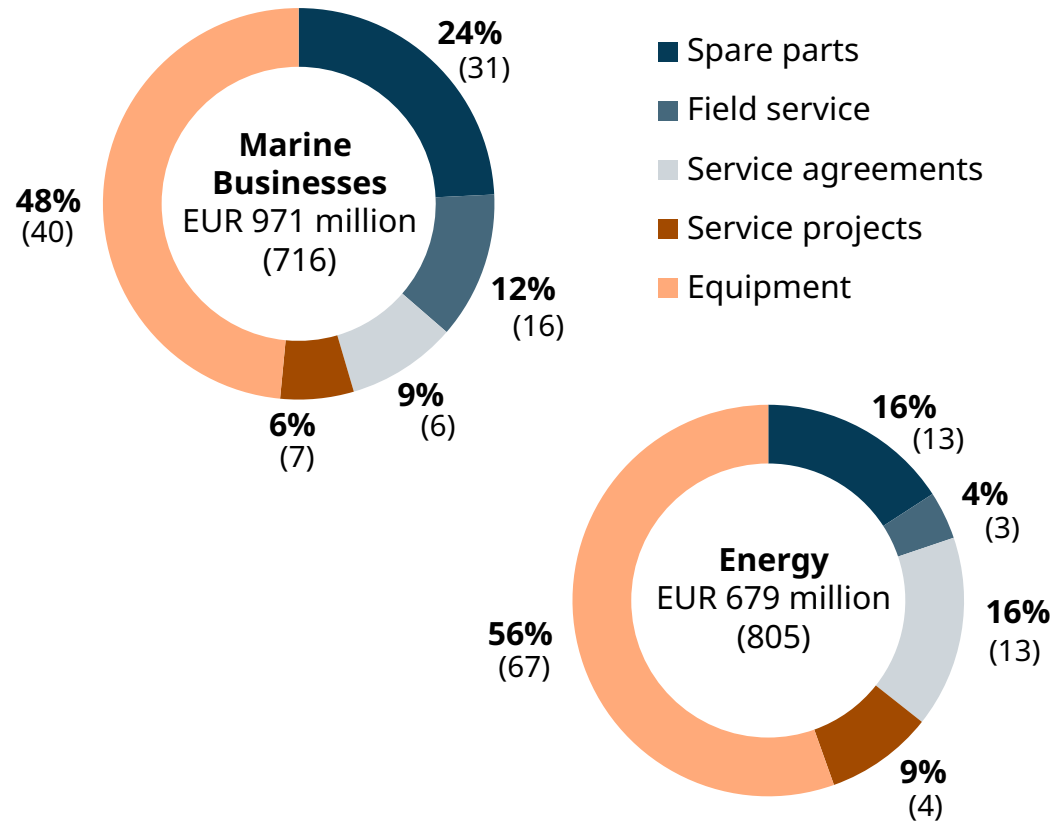
Net sales

Third quarter development

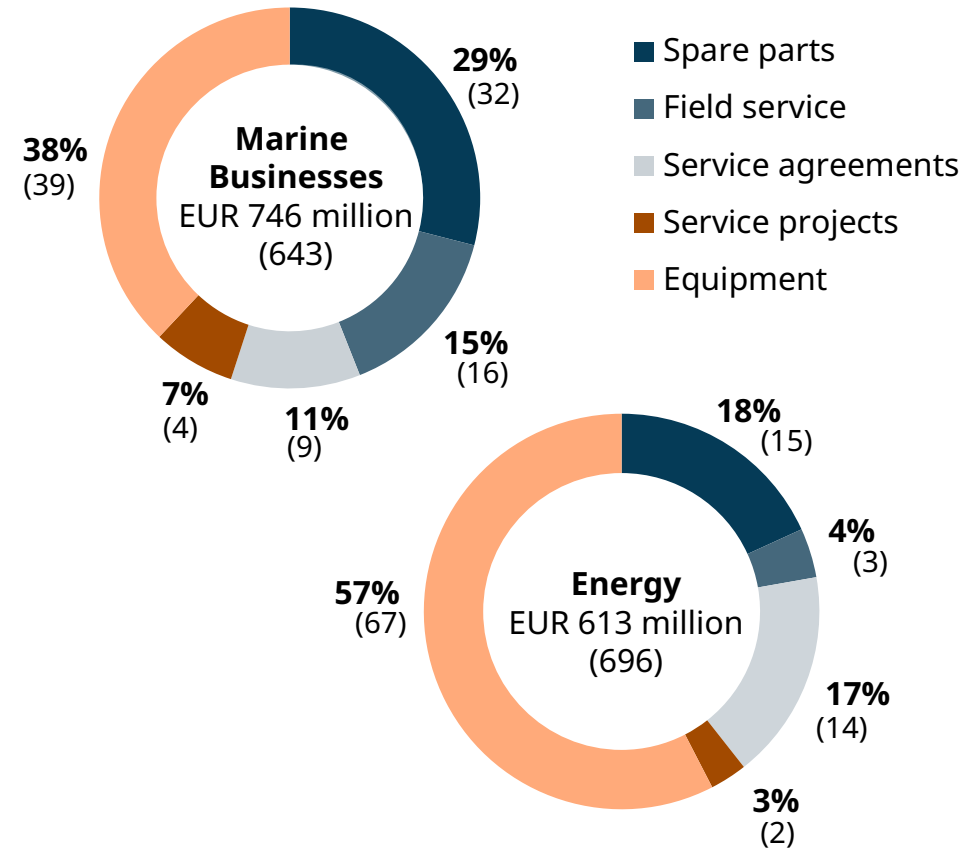


Third quarter development by business type

Order intake



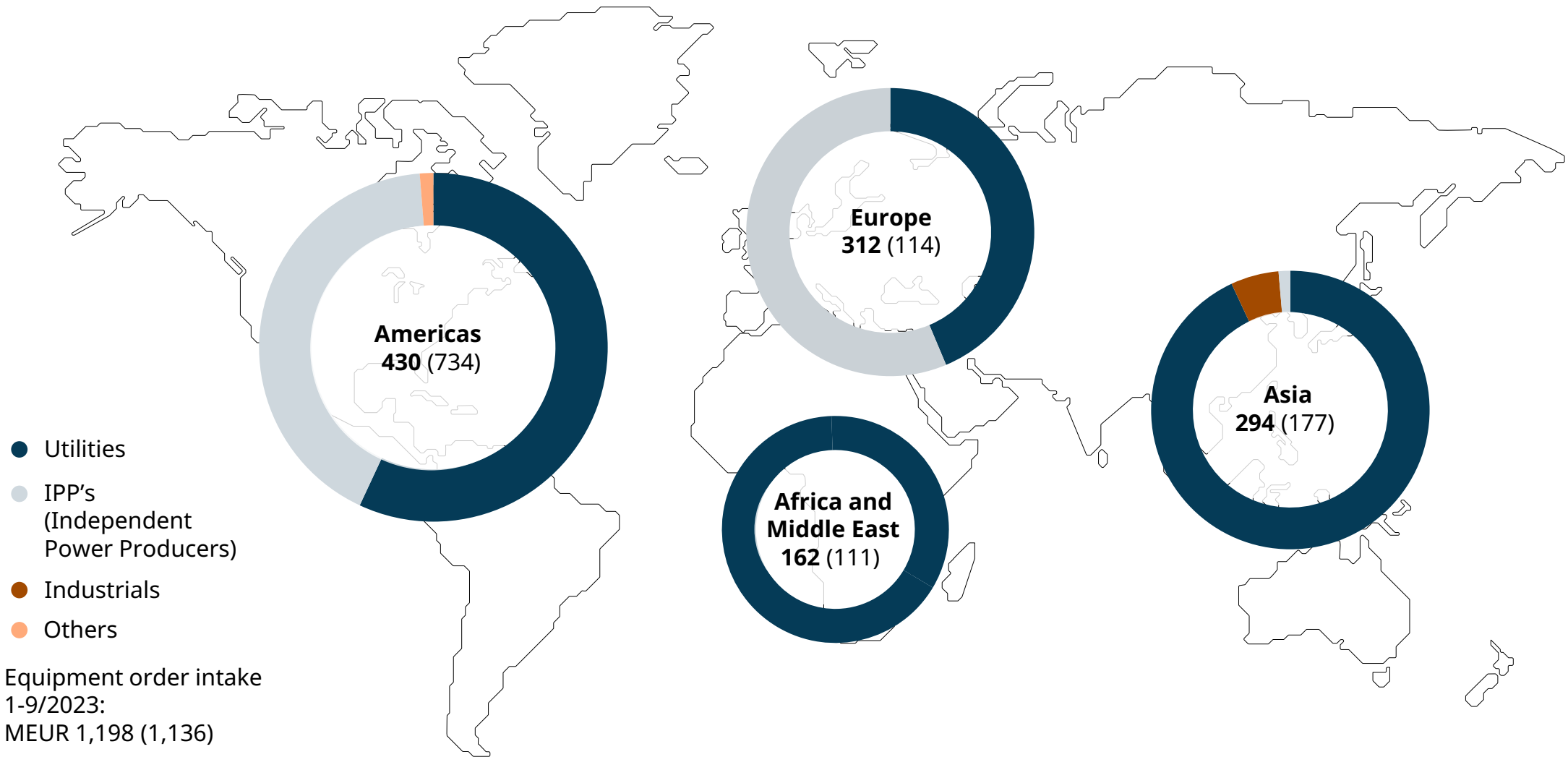
Net sales



January–September order intake by customer segment

Marine Businesses	Gas carriers	Cruise & ferry	Offshore	Navy	Special vessels	Merchant	Other
Marine Power							
Equipment	9% (15)	29% (21)	7% (2)	9% (3)	3% (17)	38% (35)	5% (7)
Services	16% (15)	23% (22)	19% (14)	6% (7)	11% (12)	23% (29)	2% (2)
Marine Systems							
Equipment	57% (47)	1% (4)	14% (1)	2% (4)	0% (1)	20% (16)	6% (27)
Services	4% (3)	8% (8)	4% (6)	24% (23)	7% (7)	49% (49)	4% (3)
Marine businesses, in total	18% (17)	22% (19)	13% (9)	8% (7)	7% (12)	29% (31)	3% (5)
Equipment	23% (22)	21% (18)	9% (2)	7% (4)	2% (13)	33% (31)	5% (11)
Services	14% (14)	22% (20)	17% (13)	8% (9)	11% (11)	26% (31)	2% (2)
Energy							
		Utilities	Independent Power Producers		Industrials	Other	
Equipment		59% (35)	30% (52)		10% (13)	1% (0)	
Services		33% (40)	32% (28)		22% (23)	13% (9)	

Orders received for Energy equipment globally





WÄRTSILÄ