

DANSKE BANK COPENHAGEN WINTER SEMINAR

2 DECEMBER 2020

ARJEN BERENDS,
CHIEF FINANCIAL OFFICER & EXECUTIVE VICE PRESIDENT

ENABLING SUSTAINABLE SOCIETIES WITH SMART TECHNOLOGY

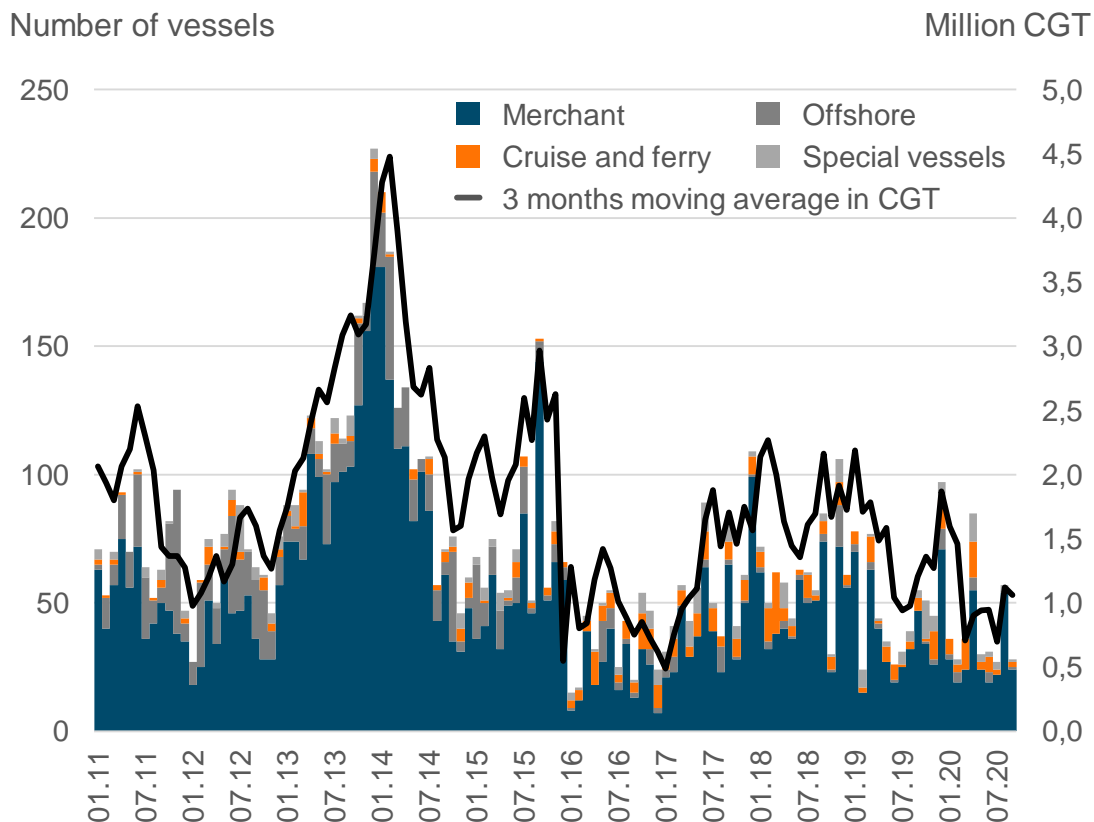
**INNOVATING
SINCE 1834**

TOGETHER

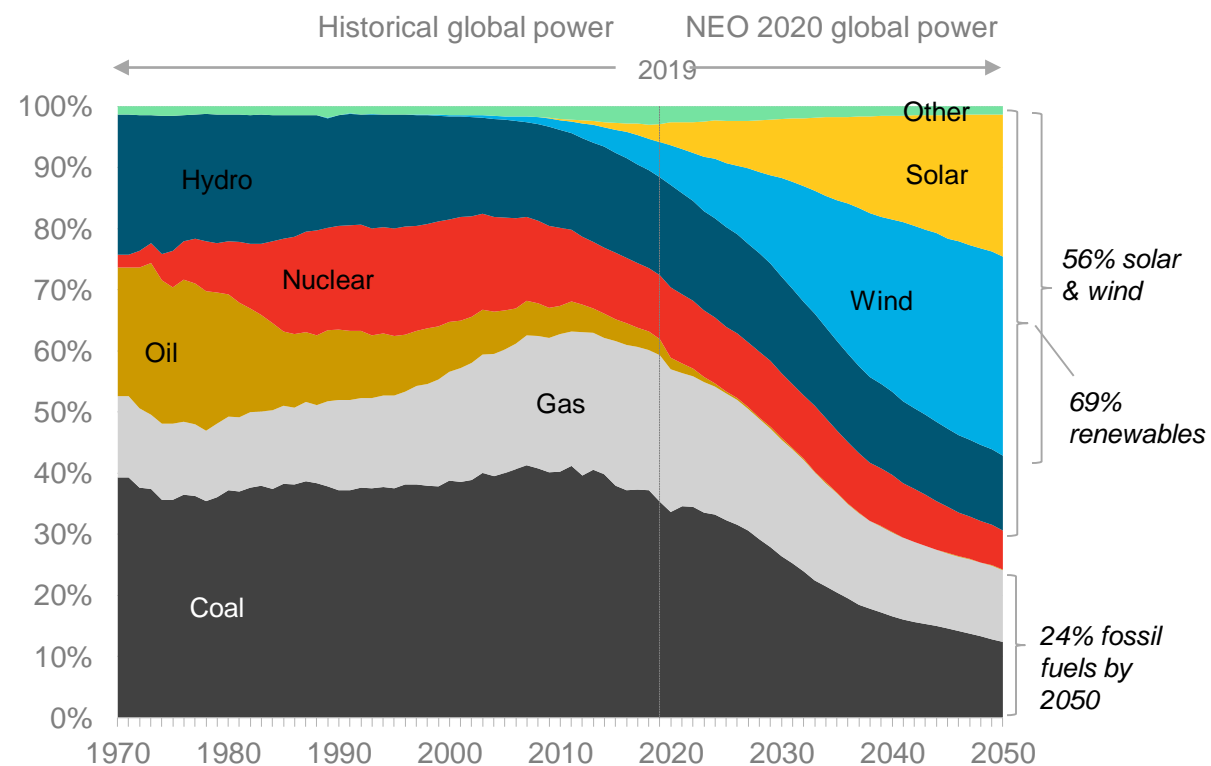
**FOR A SUSTAINABLE
FUTURE**

PREVAILING UNCERTAINTY AFFECTING OUR DEMAND ENVIRONMENT

Total vessel contracting



Global electricity generation mix

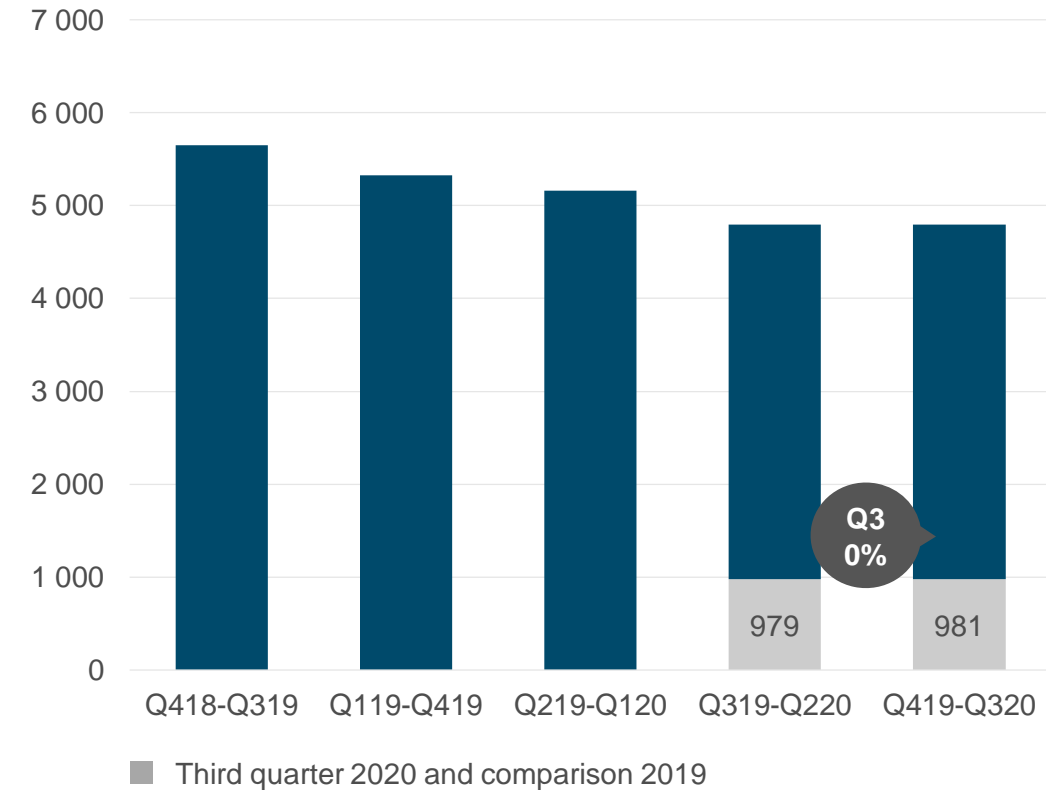


Source: Clarksons Research, contracting as per 5 October 2020
CGT= gross tonnage compensated with workload

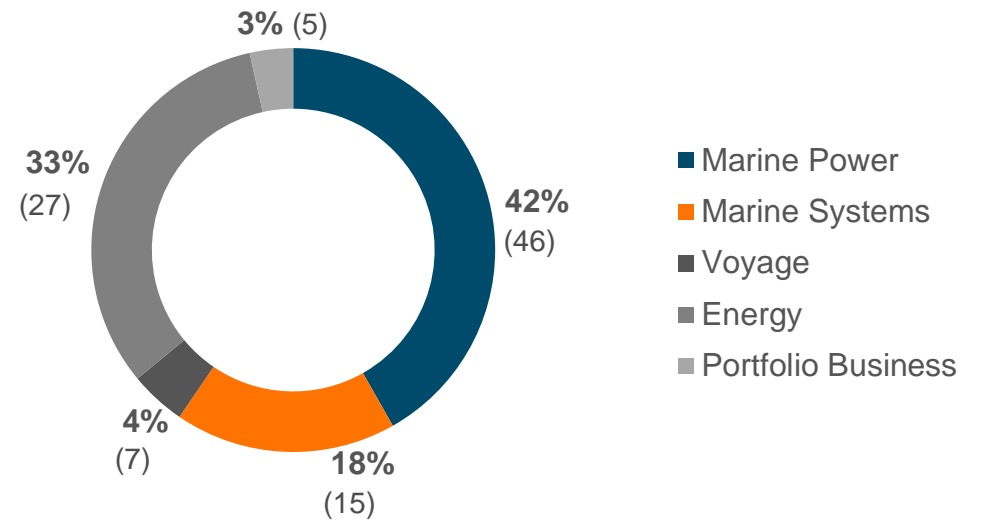
Source: BloombergNEF New Energy Outlook 2020

ORDER INTAKE HOLDING UP DESPITE DIFFICULT MARKET BACKDROP

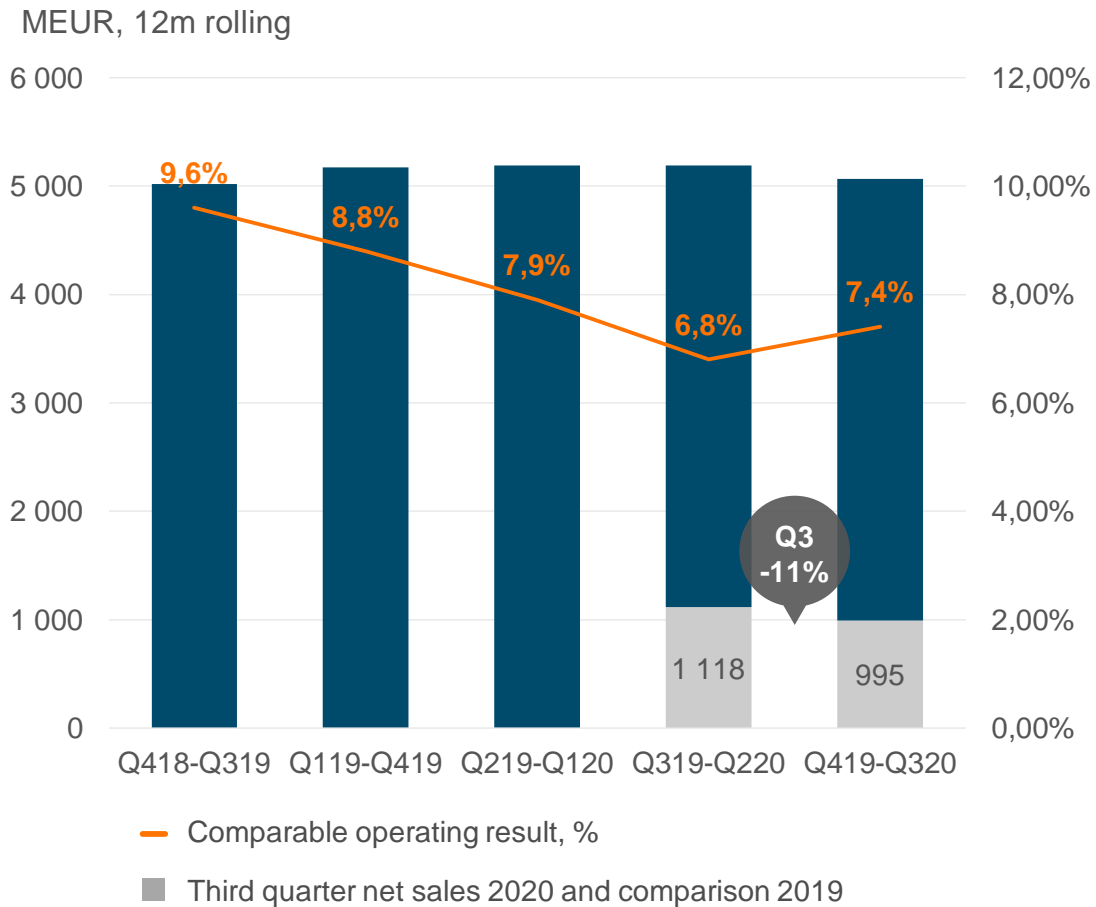
MEUR, 12m rolling



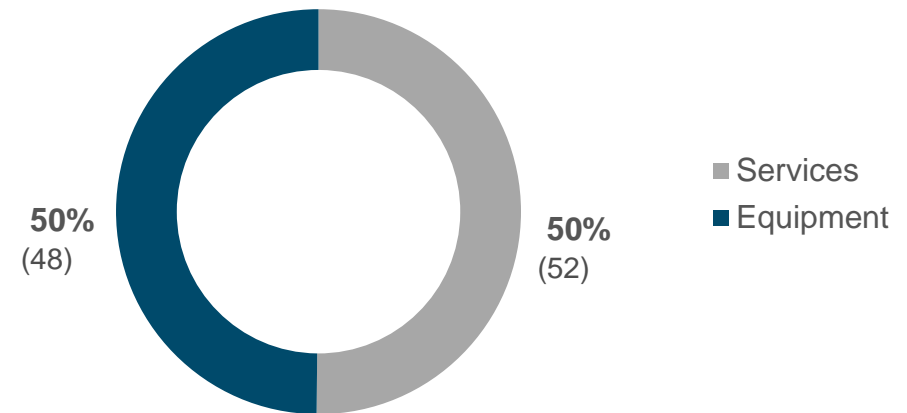
Third quarter development by business area



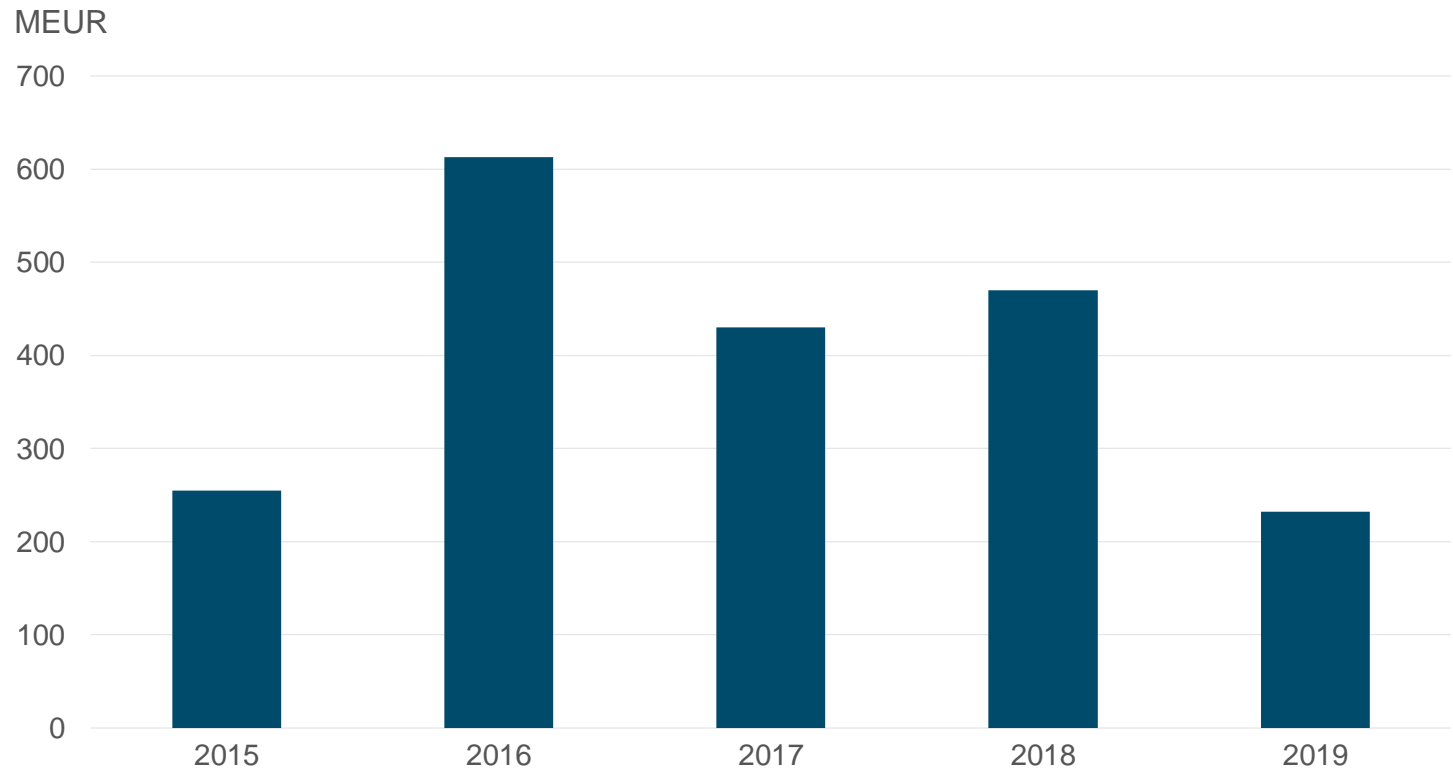
NET SALES AND PROFITABILITY IMPACTED BY THE EFFECTS OF COVID-19



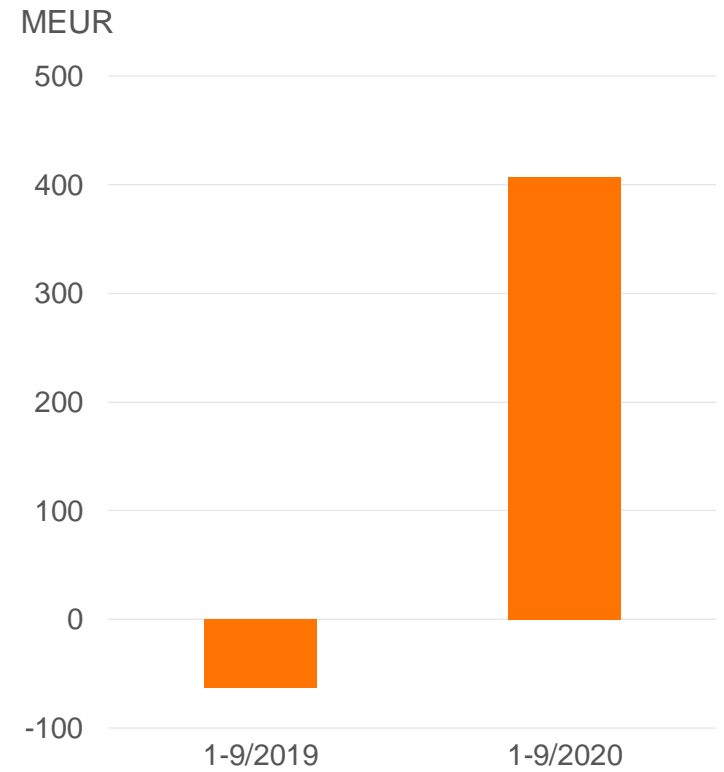
Third quarter sales by business type



STRONG IMPROVEMENT IN CASH FLOW DRIVEN BY FOCUS ON WORKING CAPITAL MANAGEMENT



Review period development



MARINE AND ENERGY MARKET TRANSITION DRIVEN BY STRONG FOCUS ON DECARBONISATION



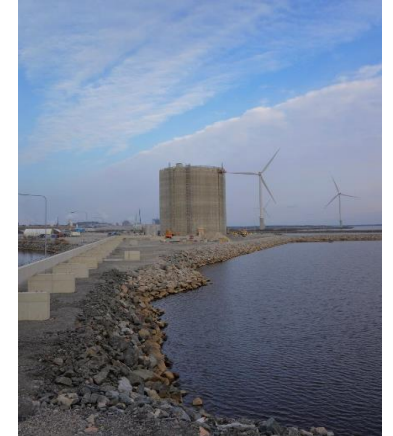
SHIPPING

GHG reduction strategy:

- 40% lower GHG/vessel by 2030
- 50% lower GHG in shipping (total) by 2050

ENERGY

- EU: Climate neutral by 2050
- China: Carbon neutral by 2060
- USA*: carbon free electricity production by 2035, net zero emissions by 2050
- Country Climate Pledges



LEADING THE WAY TOWARDS A SMART MARINE ECOSYSTEM

A Smart Marine Ecosystem is about the maritime industry **working together** to address critical challenges and to generate solutions **towards a sustainable future**.

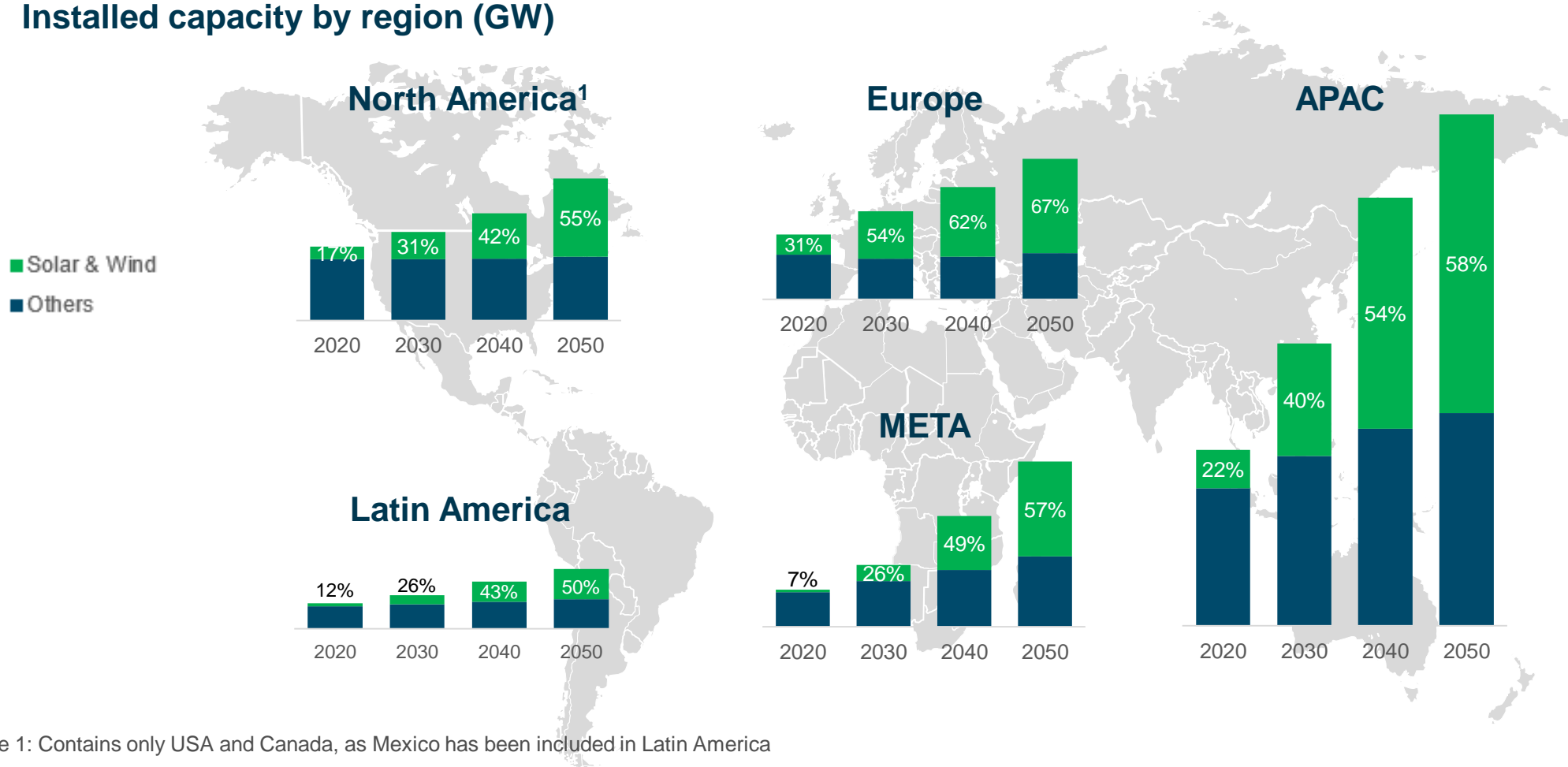
TOWARDS A 100% RENEWABLE ENERGY FUTURE

The energy landscape is in a transition towards more **flexible and sustainable** energy systems. **We envision a 100% renewable energy future.**

* Biden's climate plan

RENEWABLE INVESTMENTS INCREASING GLOBALLY

Installed capacity by region (GW)



Note 1: Contains only USA and Canada, as Mexico has been included in Latin America

Source: BloombergNEF New Energy Outlook 2020

OUR SOLUTIONS SUPPORT THE ENERGY TRANSITION

FLEXIBLE POWER PLANTS



AGL Energy, Australia
Fast-starting 211 MW power plant **balances renewable energy & ensures energy reliability**

ENERGY STORAGE AND OPTIMISATION



Pivot Power, the UK
Two 50 MW / 50 MWh EEQ energy storage systems **accelerate a clean electric future in the UK**

LIFECYCLE SERVICES



Electricite du Cambodge, Cambodia
Optimised maintenance solution **enhances availability and reliability** with spare parts supply, maintenance planning, and remote asset diagnostics

FLEXIBILITY NEEDED TO FULLY UTILISE RENEWABLE ENERGY AND ENABLE THE PATH TOWARDS CARBON NEUTRALITY

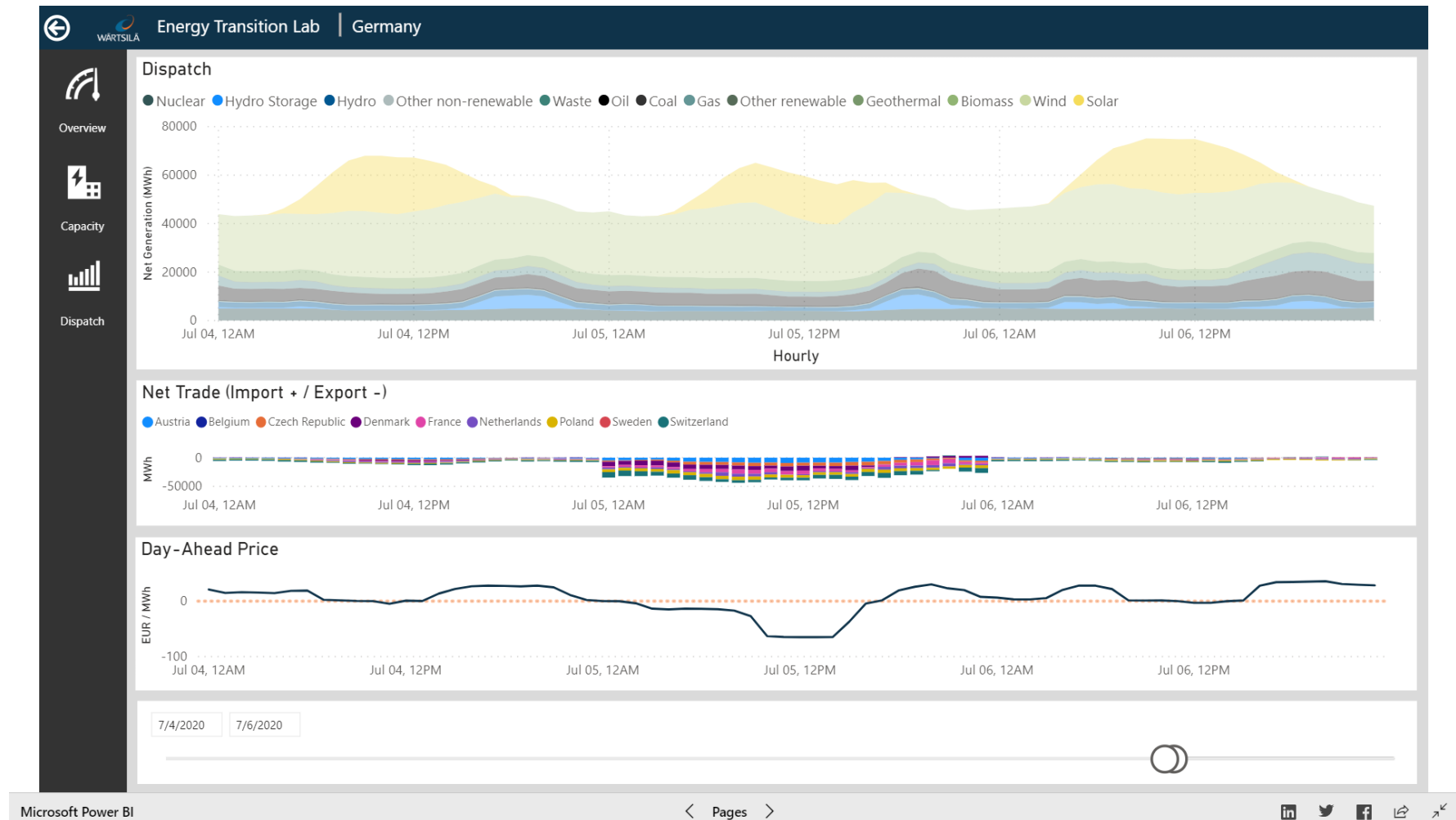
CASE GERMANY 5TH JULY 2020

Enough renewable generation to cover load

Excess power pushes down market price

Baseload coal and nuclear power is exported with high price tag

Emission reductions limited



Source: Wärtsilä Energy Transition Lab (<https://www.wartsila.com/energy/transition-lab>)

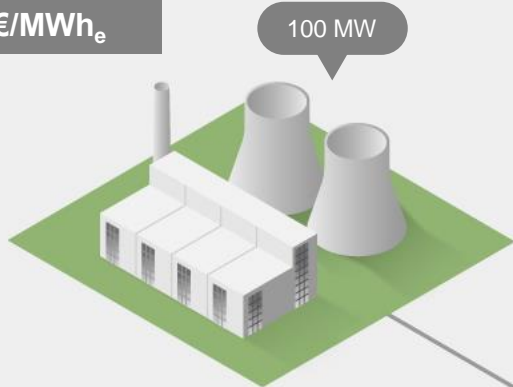
INITIAL

0%

Renewable energy

Thermal only

69 €/MWh_e



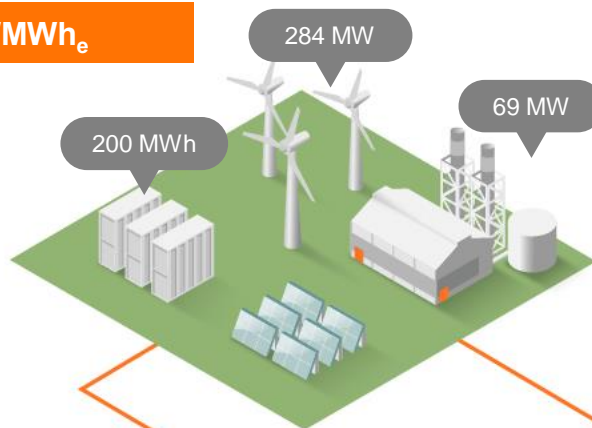
COST OPTIMAL

76%

Renewable energy

Solar, wind, storage, engines

46 €/MWh_e



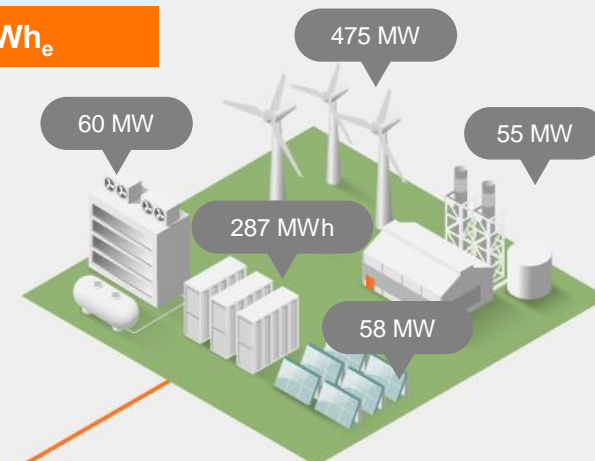
DECARBONISED

100%

Renewable energy

Solar, wind, storage, engines
Running on synthetic fuels (P2X)

78 €/MWh_e



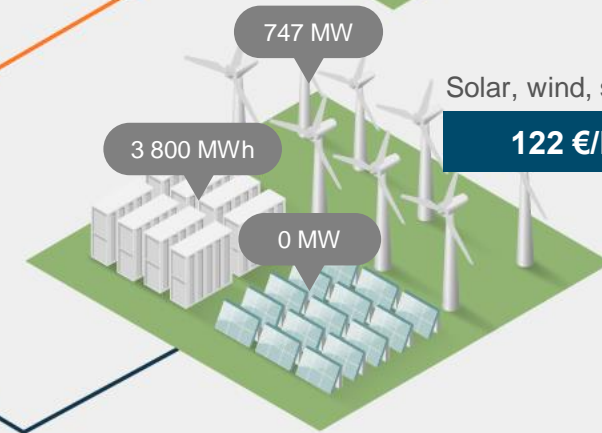
ENGINES

CHOOSE YOUR PATH

NO ENGINES

Solar, wind, storage only

122 €/MWh_e



NOTE: 1. Heat generation assets not shown 2. Price of heat is 33 €/MWh and derived from heat generation with gas boiler and is same in all scenarios, i.e. heat price is not changing

ACCELERATING FOCUS ON SUSTAINABLE SHIPPING



ENERGY SOURCE
AND FUEL FLEXIBILITY



ENERGY EFFICIENT
TECHNOLOGIES



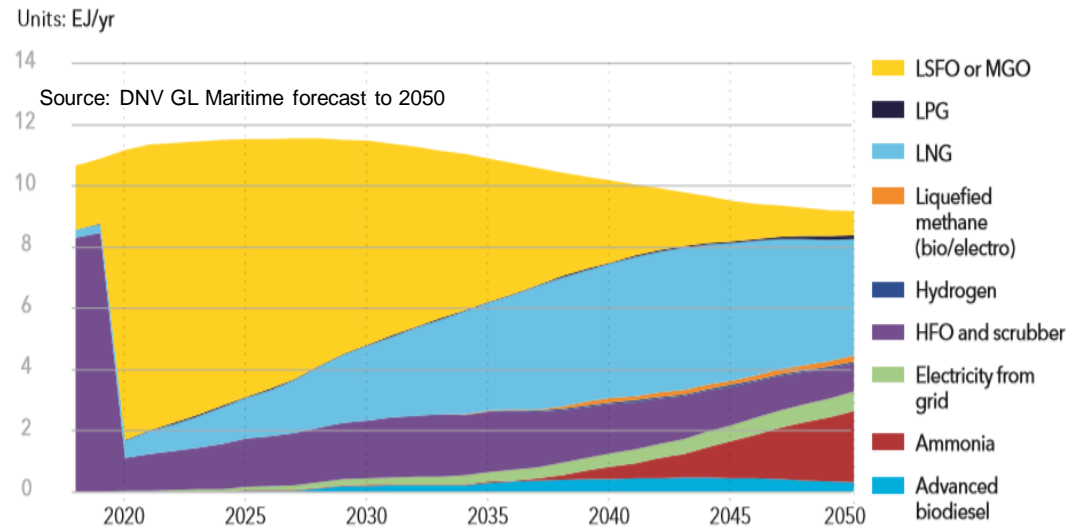
DATA BASED
OPTIMISATION



... ADOPTED IN A SMART MARINE ECOSYSTEM

THE LONG TERM OPPORTUNITY REMAINS SOLID: LNG IS THE BEST FUEL OPTION TO REACH 2030, AND BRIDGE TOWARDS 2050

Energy use and projected fuel mix 2018-2050 for simulated IMO ambitions pathway with main focus on design requirements forecast to 2050



LSFO, low-sulphur fuel oil; MGO, marine gas oil; LPG, liquefied petroleum gas; LNG, liquefied natural gas; HFO, heavy fuel oil; Advanced biodiesel, produced by advanced processes from non-food feedstocks

Wärtsilä is well-positioned in dual-fuel technology

> 2.600

DF engines in operation

> 45.000.000 running hours

“We suggest that owners investing in the next five to 10 years should consider dual fuel combustion engines”

DNV GL Maritime

WE HAVE THE TECHNOLOGY NEEDED TO USE MOST FUTURE FUELS, DEVELOPMENT IS ON-GOING FOR THE REST

Technology ready

Fossil liquids

- High energy content
- Widespread availability

Fossil gas

- Cleanest fossil fuel
- GHG reduction 5-20% depending on engine type (well-to-power)
- Widespread availability

Bio and synthetic liquids

- GHG reduction 70-100% depending on source (well-to-power)
- Clear transition pathway as same infra can be used for all fuel types

Bio and synthetic gas

- GHG reduction 70-100% depending on source (well-to-power)
- Clear transition pathway as same infra can be used for all fuel types

Industrialisation needed

Green methanol

- Carbon neutral
- Can be blended with liquids

Under development

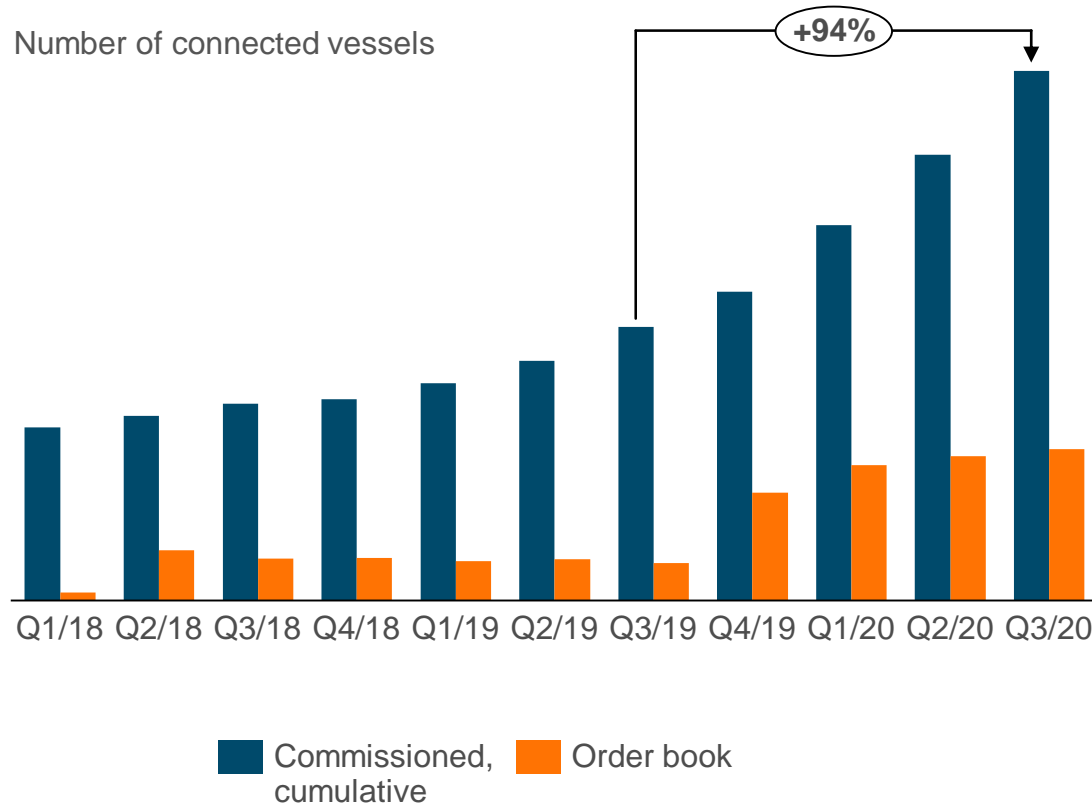
Green Ammonia

- No CO2 emissions
- Can be blended with liquids or gases

Green Hydrogen

- No CO2 emissions
- Can be blended with gases

CONNECTIVITY WILL DRIVE SAFER AND GREENER SHIPPING



Voyage is committed to creating a Smart Marine Ecosystem, whereby every vessel can connect to digital services that make voyaging safer and greener

Connected vessels enable:

- Significant cost savings
- Faster and safer voyage planning
- On time arrival, less anchorage
- Transparent ship-to-shore data

RESEARCH & DEVELOPMENT ACTIVITIES ADDRESSING IMPROVED ENVIRONMENTAL PERFORMANCE



FUEL FLEXIBILITY
AND FUTURE FUELS



OPTIMISING AND
DECARBONISING
ENERGY SYSTEMS



DECARBONISING
SHIPPING



NEW TECHNOLOGY AND
DIGITAL SOLUTIONS

PROSPECTS FOR 2020

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.

COMMITTED TO OUR LONG-TERM TARGETS



GROW FASTER THAN GLOBAL GDP

Focus on strengthening our position in strategic markets and growing the lifecycle business



10-14% PROFITABILITY

Target continuous improvement, performance impacted by cycle and mix



MAINTAIN GEARING BELOW 50%

Unleveraged balance sheet supports growth through acquisitions



DELIVER DIVIDEND OF ≥50% OF EPS OVER THE CYCLE

Committed to providing shareholder returns

*Gearing target excludes impact of lease liabilities

THANK YOU



WÄRTSILÄ