

Wärtsilä Corporation

Half year report January-June 2022

Håkan Agnevall, President & CEO

Arjen Berends, CFO

21 July 2022

Service order intake increased by 36%

- Order intake increased by 25%
- Net sales increased by 24%
- Good progress in services:
 - Service order intake increased by 36%
 - Service net sales increased by 18%
- Comparable operating result increased by 20%
- Cost inflation, supply chain bottlenecks, Covid-19 related lockdowns in China, and sanctions on Russia have put the global economy under pressure and caused challenges in our business as well.



Exit from Russia and optimisation of European engine manufacturing footprint

- Exit from the Russian market completed
 - All adjustments and closures were completed in accordance with local regulations
 - Financial impact in line with the provisions taken in the first quarter, no material impact on our financials in the second quarter
- Plan to further optimise our European engine manufacturing footprint
 - Ramping down our factory in Trieste, Italy and centralising our 4-stroke engine manufacturing to Vaasa, Finland
 - Taking the next step in strengthening our competitiveness and creating a structure enabled for future growth
 - Italy and Trieste continue to be very important for Wärtsilä in many areas
 - Committed to working closely with unions and institutions to identify different support solutions for the impacted employees



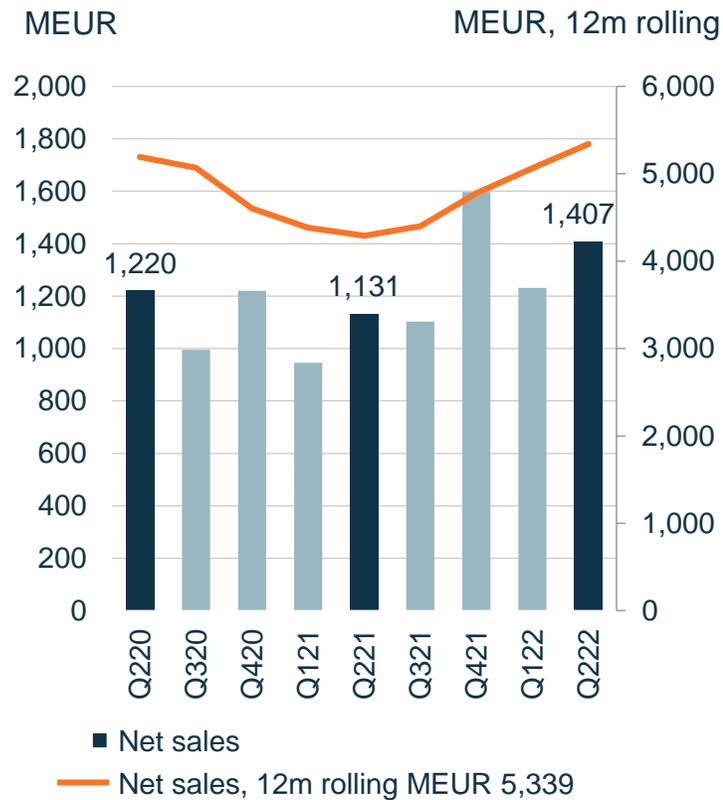
Key figures

MEUR	4-6/2022	4-6/2021	CHANGE	1-6/2022	1-6/2021	CHANGE
Order intake	1,440	1,154	25%	2,820	2,398	18%
of which services	811	598	36%	1,543	1,290	20%
Order book				5,936	5,238	13%
of which current year deliveries				2,732	2,225	23%
Net sales	1,407	1,131	24%	2,639	2,078	27%
of which services	696	588	18%	1,327	1,128	18%
Book-to-bill	1.02	1.02		1.07	1.15	
Operating result	75	58	29%	-72	94	
% of net sales	5.3	5.1		-2.7	4.5	
Comparable operating result	85	71	20%	151	112	35%
% of net sales	6.1	6.3		5.7	5.4	

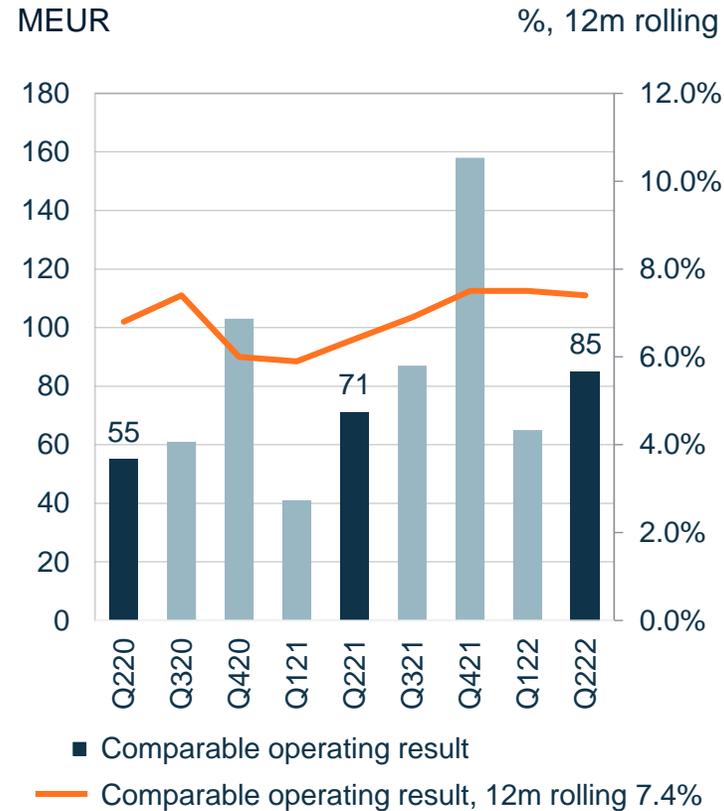
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

Second quarter highlights

Net sales



Comparable operating result



Net sales EUR 1,407 million

- 18% increase in service sales

Comparable operating result EUR 85 million

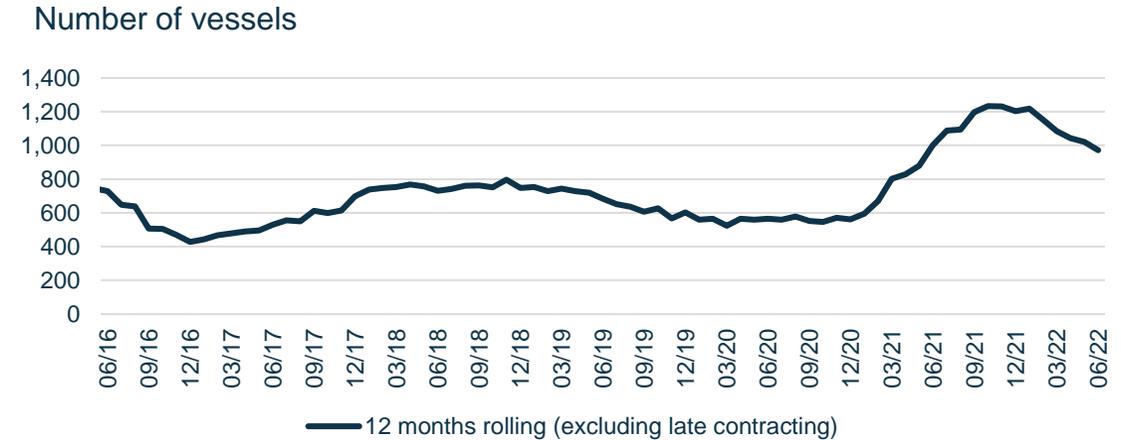
- 20% growth
- Supported by higher sales volumes

Marine market activity at a good level

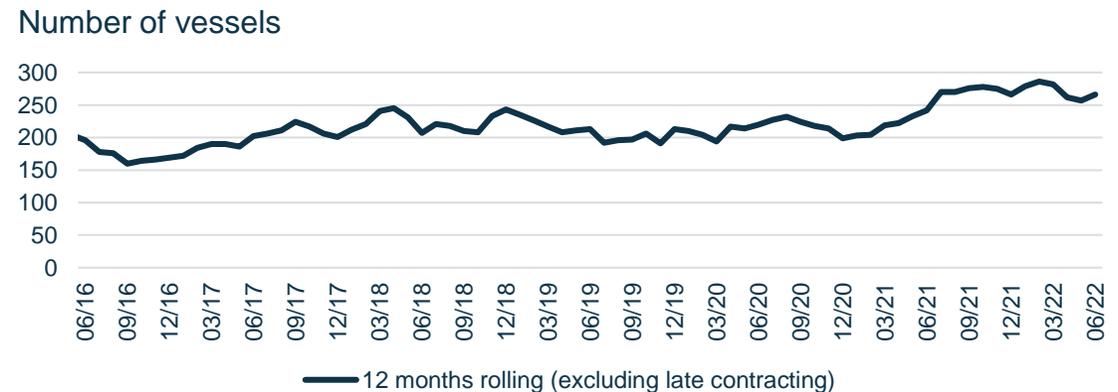
Investments in new vessels eased due to increased prices, fewer available slots at key shipyards, and uncertainties related to future demand for tonnage

- The number of vessels ordered in the review period decreased to 701 (829 in the corresponding period in 2021, excluding late reporting of contracts).
- Vessel contracting was driven by containerships and record-level LNG carrier ordering.
- LNG carrier market activity has improved significantly during the review period, as many EU countries are looking to replace Russian pipeline gas with LNG from other sources.
- At the end of June, ~90% of the cruise capacity was active, up from ~70% at the end of March.

Total vessel contracting



Specialised vessels



Source: Clarksons Research, 12m rolling contracting as per 5th of July 2022 (+100 gt, excluding late reporting of contracts)
Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

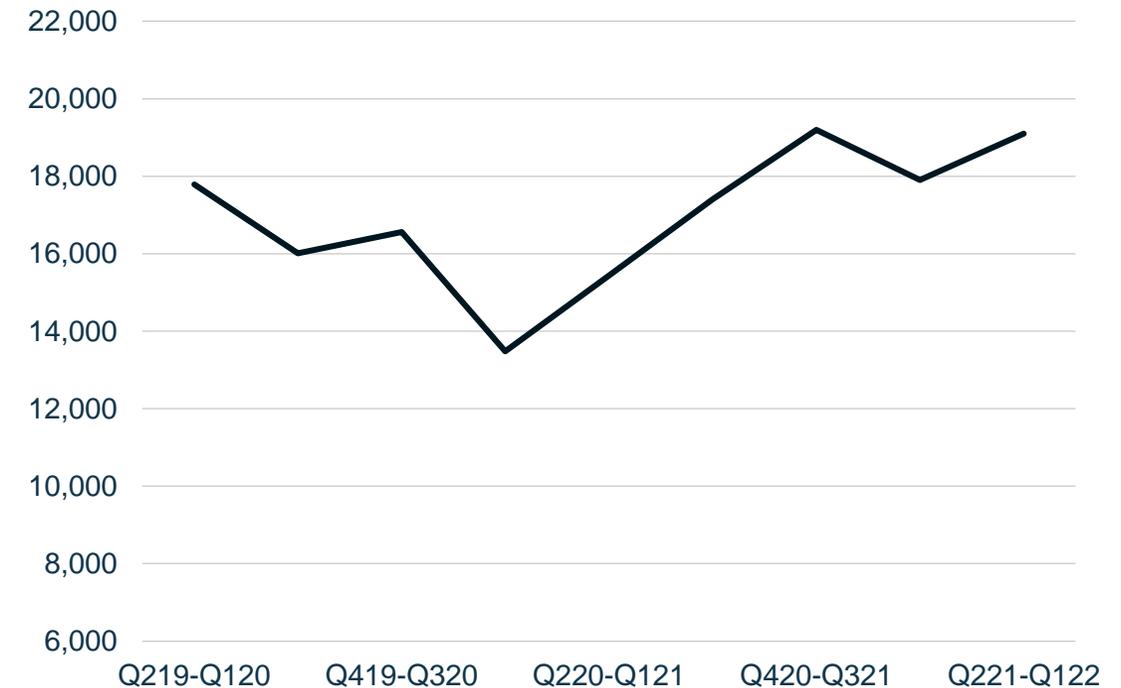
Energy market situation

Markets affected by global cost inflation and price volatility, increasing demand for balancing solutions

- Cost inflation and the continuing Covid-19 pandemic have contributed to higher quotation prices.
- Increased cost of supply and higher energy prices have caused slower customer decision-making.
- The markets transform as Europe is moving away from its dependency on Russian imports, and more liquefied natural gas projects are moving forward globally.
- Increasing levels of intermittent renewable energy is expected to further accelerate the need for balancing solutions.
- Storage growth is picking up after a slow first quarter.
- Service growth continued at a good level, and customers show interest in long-term agreements.
- Wärtsilä's market share in gas and liquid fuelled power plants increased to 9% (8).

Market for gas and liquid fuelled power plants <500 MW

MW, 12m rolling



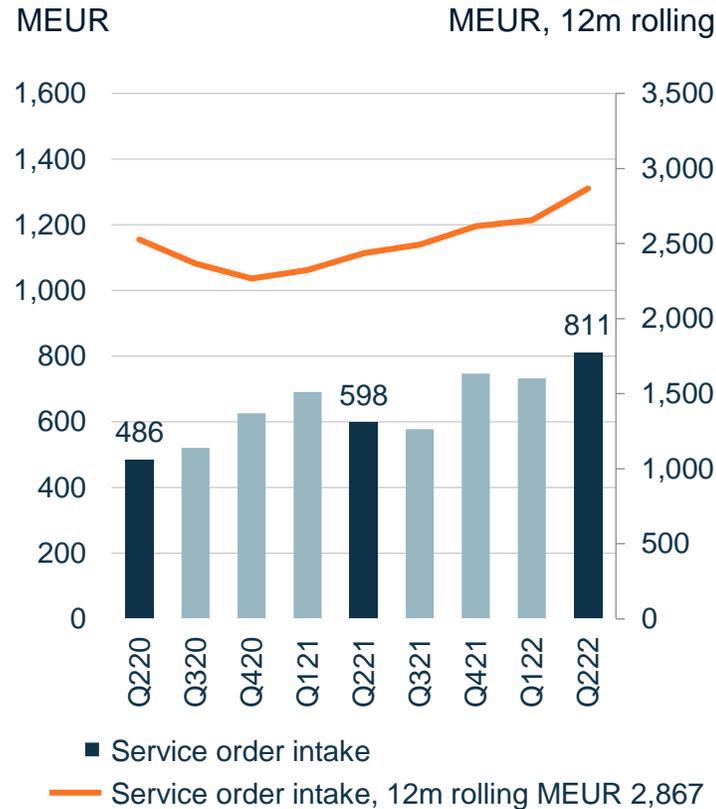
The total market, including also power plants with prime movers above 500 MW, increased by 23% to 46.8 GW during the twelve-month period ending in March 2022 (38.0 at the end of December). The market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based 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 increased by 25%

Equipment



Services

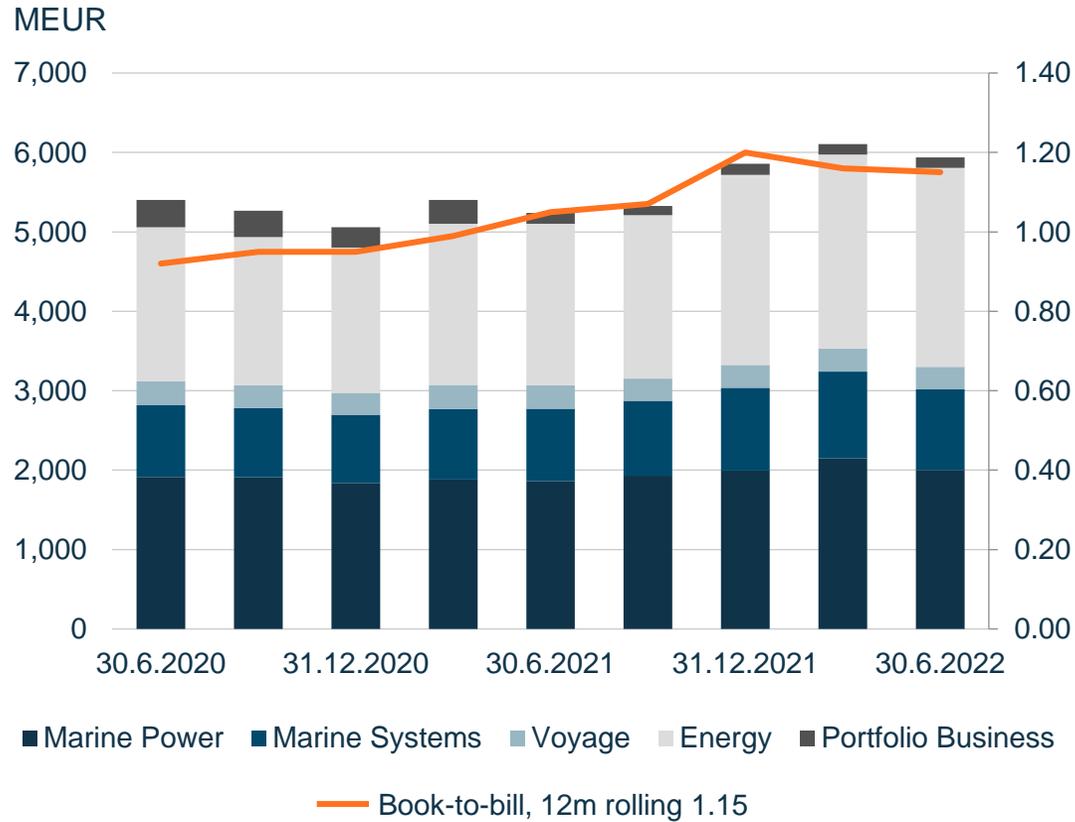


- Equipment order intake increased by 13%
- Service order intake increased by 36%
- Agreements driving service growth

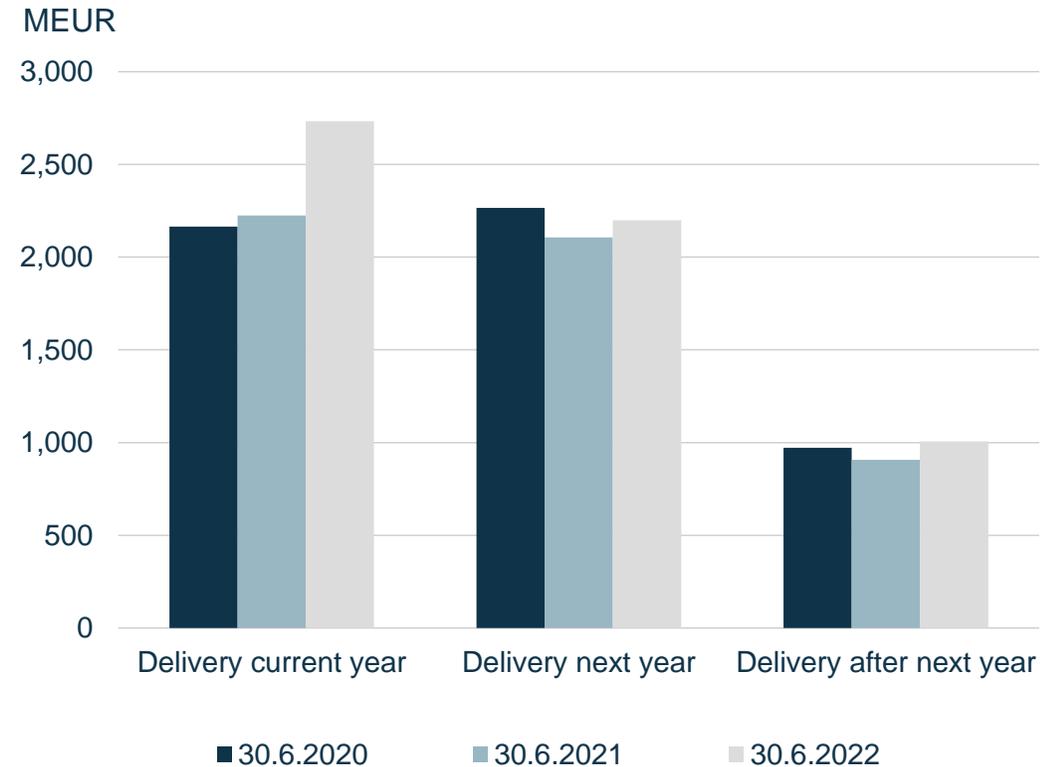
Strong order book

Despite removal of Russia related projects (MEUR 240)

Order book by business



Order book delivery schedule



Net sales increased by 24%

Equipment



Services



- Equipment net sales increased by 31%
- Service net sales increased by 18%



Technology and partnership highlights

Enabling industry decarbonisation

Partnerships for hydrogen blending with natural gas in engine power plants

- Collaboration with Capwatt in Portugal includes testing of up to 10% green hydrogen blends in a Wärtsilä 34SG engine.
- In Michigan, USA, fuel blends of up to 25% hydrogen will be tested in WEC Energy Group's power plant operating with three Wärtsilä 50SG engines.

Launch of new large bore engine

- The Wärtsilä 46TS-DF engine has a modular design with a focus on efficiency, environmental performance, and fuel flexibility.
- In gas fuel mode, the engine has the highest efficiency thus far achieved in the medium-speed engine market.

Opening of the Sustainable Technology Hub in Vaasa, Finland

- The new technology centre invites customers, partner companies and academia to incubate, test, and validate ideas.
- Features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a production system with a high level of automation.
- RoPax ferry Aurora Botnia acts as our floating test lab.

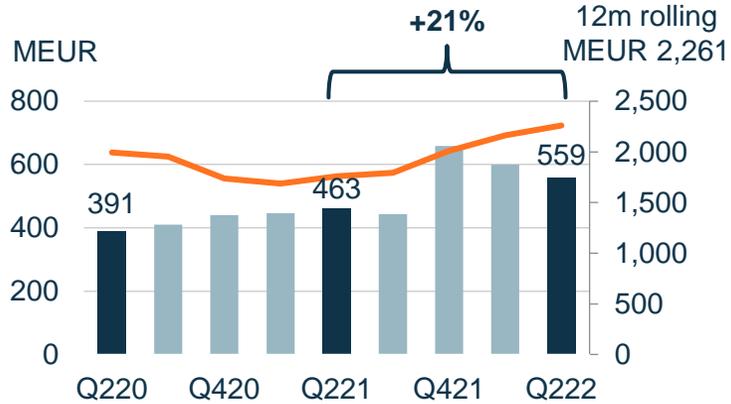
Marine Power



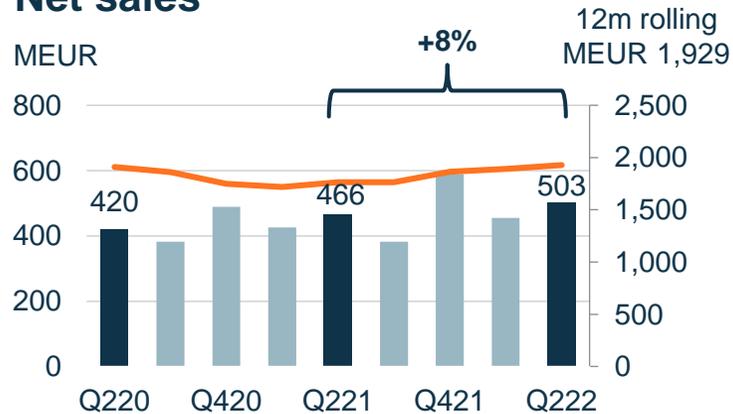
Marine Power: order intake and net sales increased

Service order intake increased by 36%

Order intake



Net sales



Comparable operating result

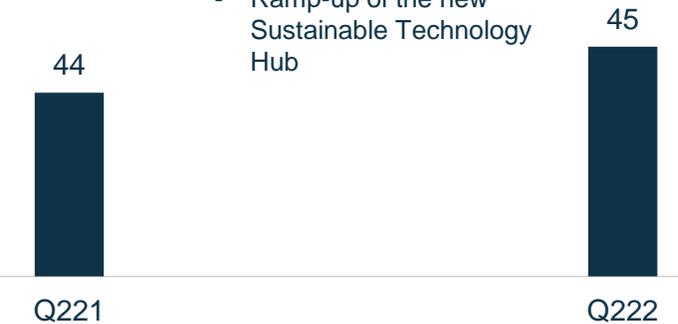
MEUR



+ Strong service sales



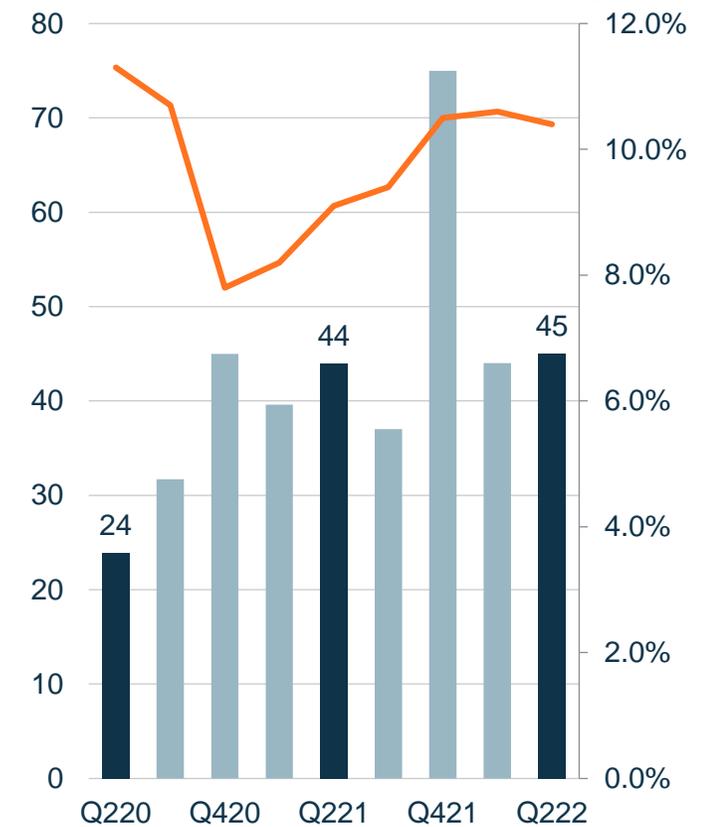
- Factory capacity under-absorption
- Material and logistics cost inflation
- Increased fuel costs in engine testing
- Ramp-up of the new Sustainable Technology Hub



Comparable operating result

MEUR

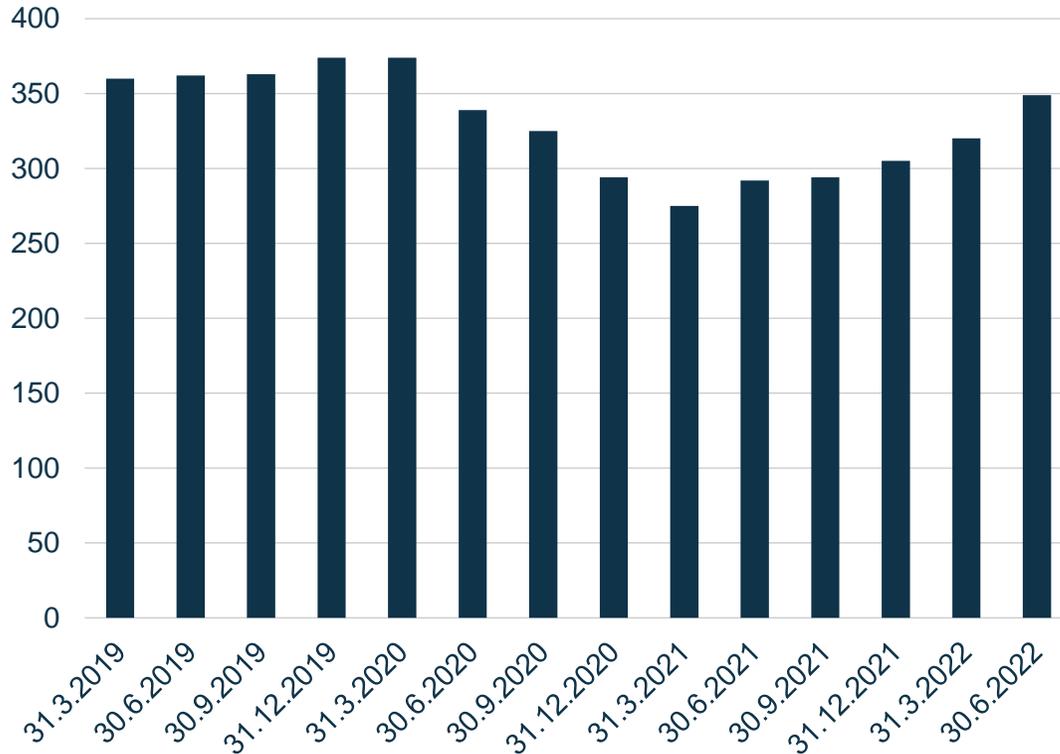
12m rolling 10.4%



Marine Power service agreements

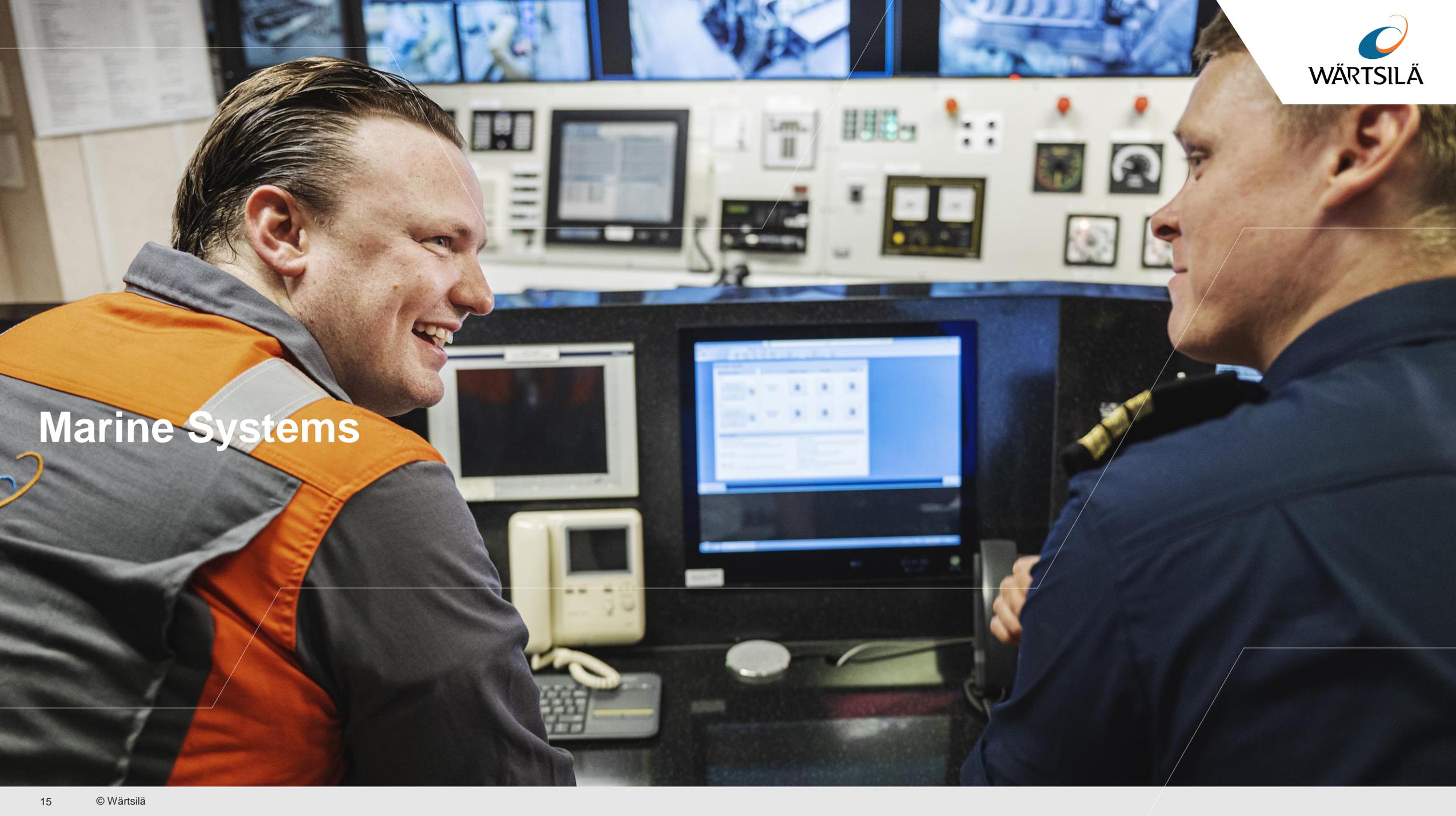
Net sales from installations under agreement strongly increasing

MEUR, 12m rolling



Maran Gas extends Optimised Maintenance Agreement by an additional five years

- The agreement ensures operational certainty with controlled and predictable costs for 21 TFDE LNG carrier vessels.
- In addition to maintenance services, the agreement includes remote operational support, dynamic maintenance planning, and our digital predictive maintenance solution Expert Insight.
- Marine Power is supporting globally more than 700 vessels with Lifecycle Agreements and 90% of cases are solved remotely.

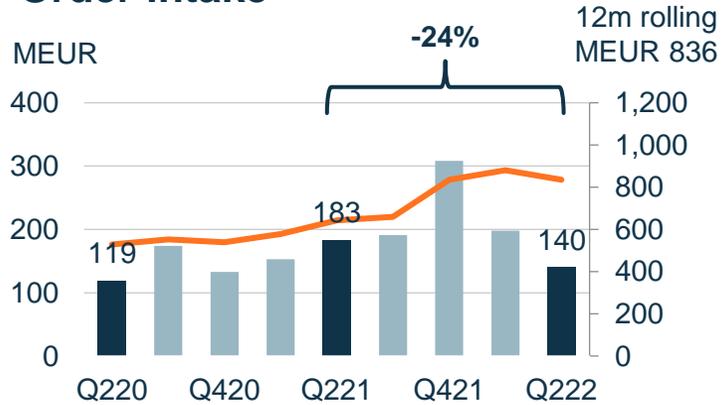


Marine Systems

Marine Systems: net sales increased

Order intake and comparable operating result decreased

Order intake

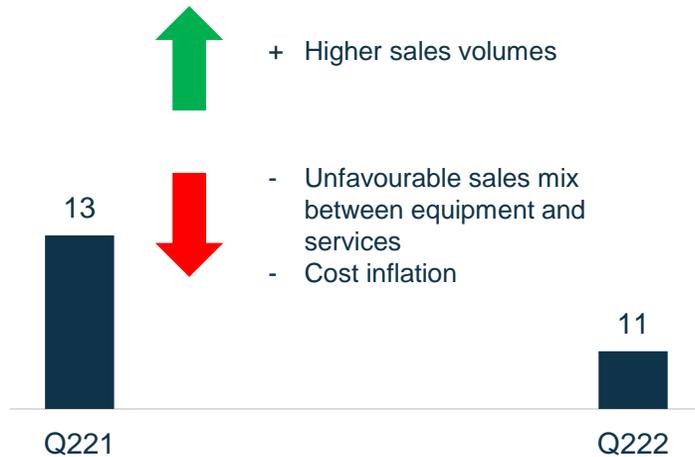


Net sales



Comparable operating result

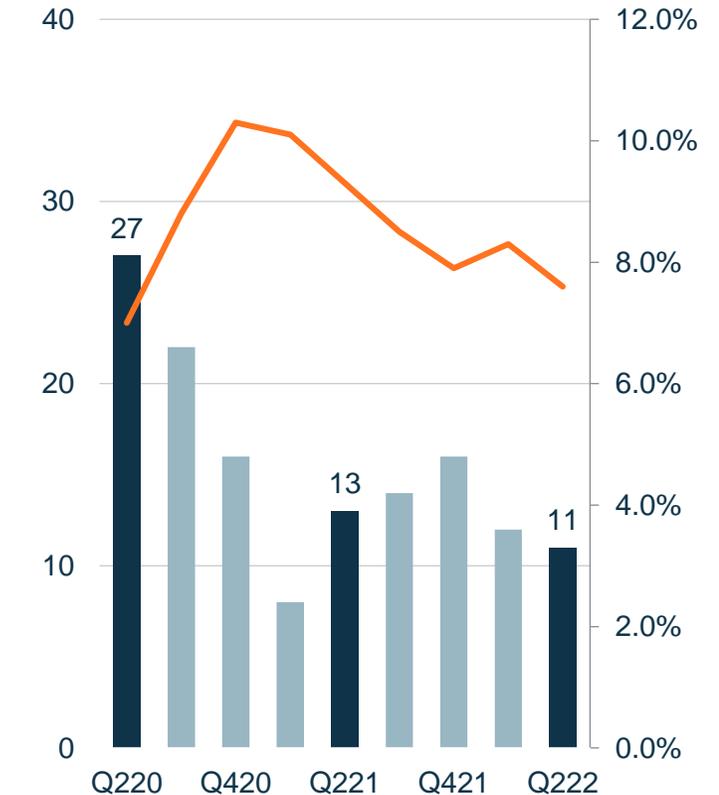
MEUR



Comparable operating result

MEUR

12m rolling 7.6%



Voyage



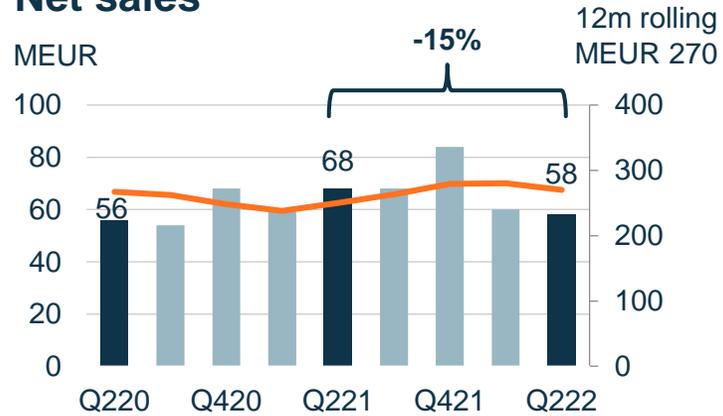
Voyage: order intake increased

Russia exit impacted sales and profitability negatively

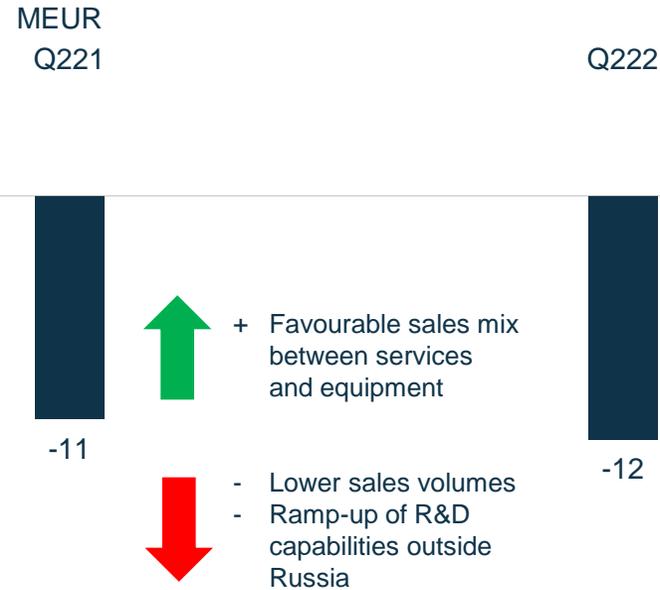
Order intake



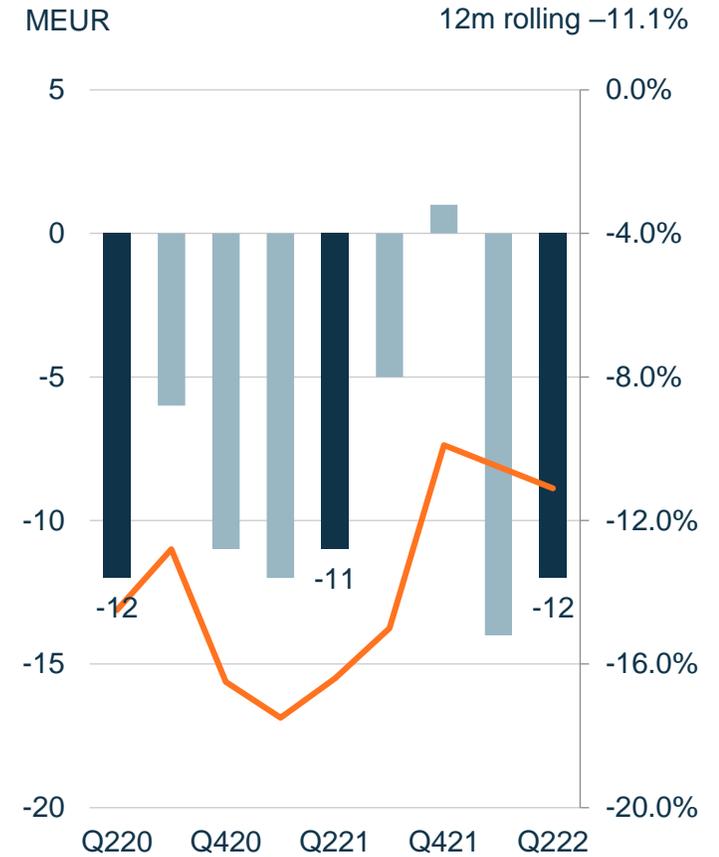
Net sales



Comparable operating result

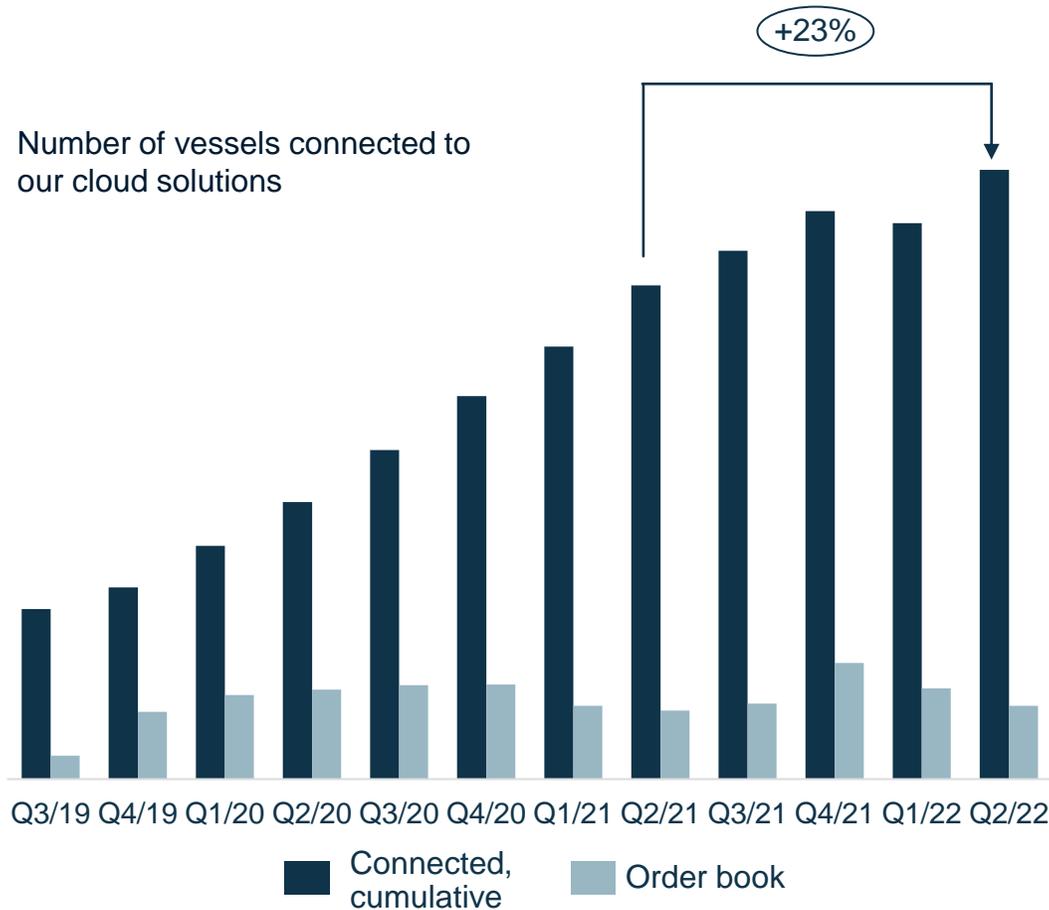


Comparable operating result



Voyage cloud solutions

Increase of 23% in connected vessels



Wärtsilä acquires PortLink Global to accelerate its Smart Port Ecosystem vision

- PortLink is a leading provider of port efficiency solutions, founded in 2007 and headquartered in Vancouver, Canada.
- PortLink has a global partnership with more than 3,500 users and a customer network in more than 20 countries. Its existing workforce of approximately 20 professionals will be integrated within Wärtsilä Voyage’s business.
- The acquisition will speed Voyage along its path towards creating an end-to-end connected maritime ecosystem with intelligent port logistics solutions.

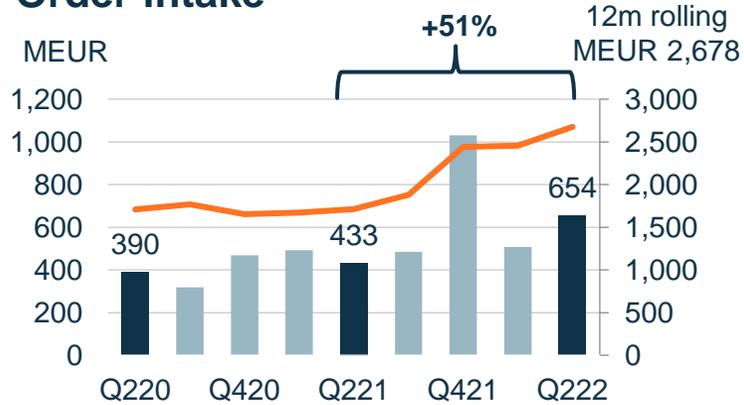
Energy



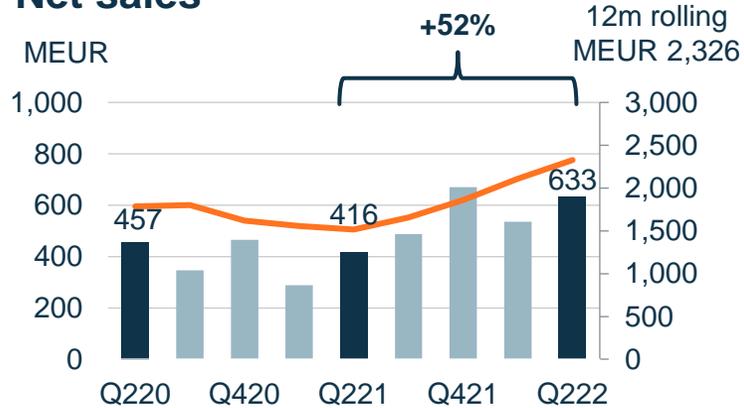
Energy: significant improvement in all key figures

Service order intake increased by 56%

Order intake

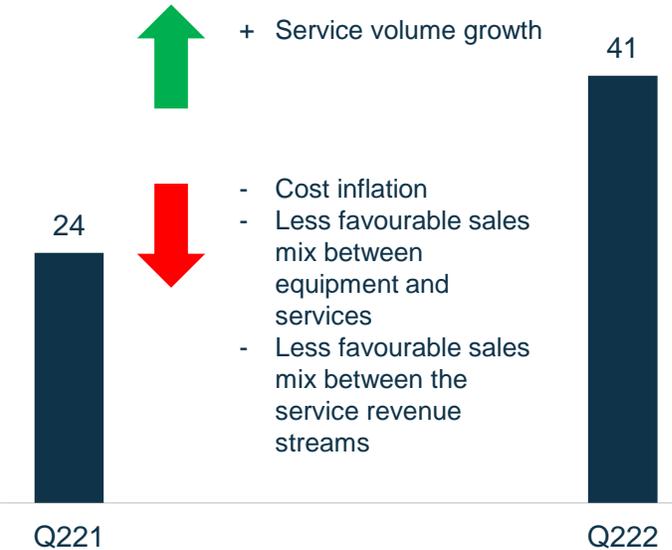


Net sales



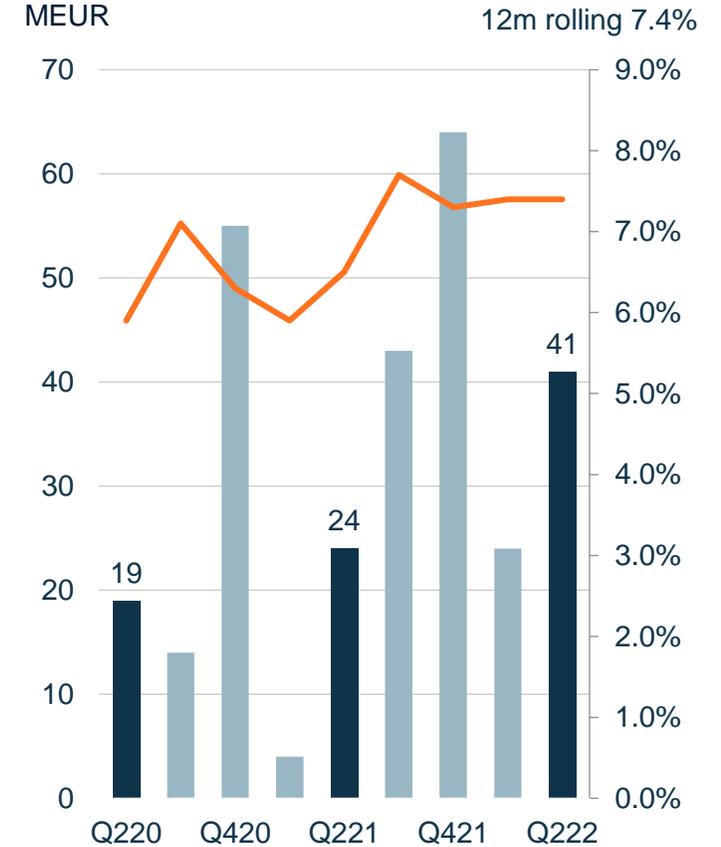
Comparable operating result

MEUR



Comparable operating result

MEUR



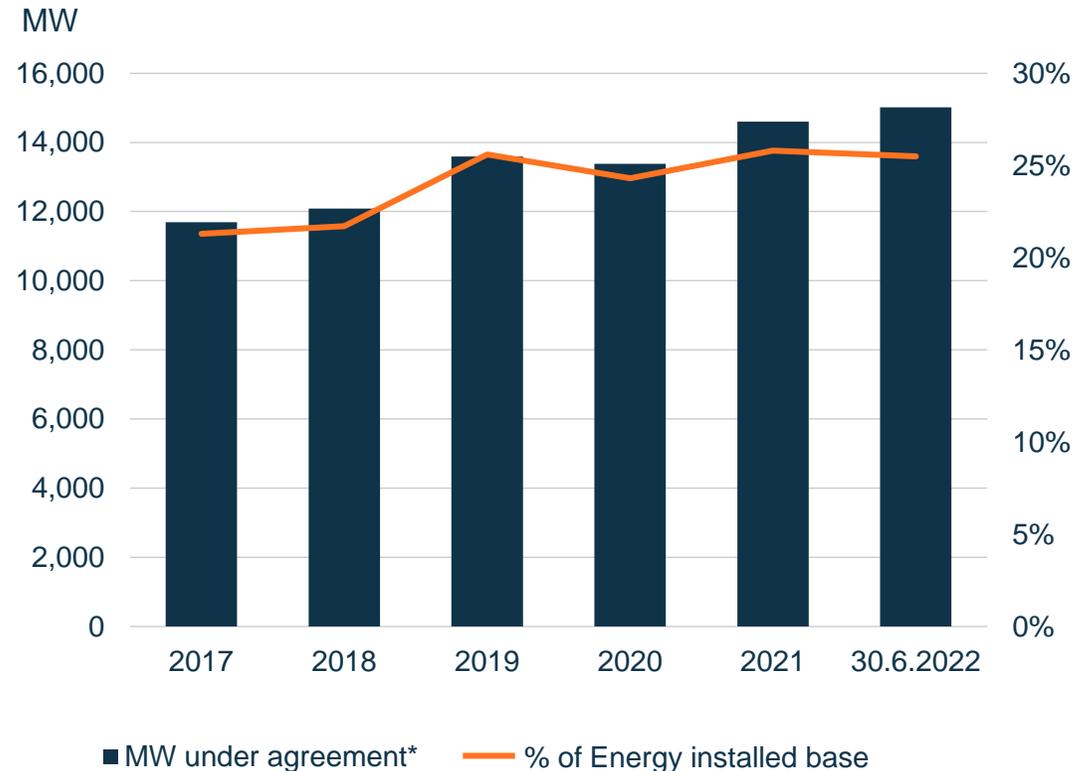


Wärtsilä to provide 100 MWh energy storage system to help unlock the UK's path towards net zero

- Wärtsilä will partner with low carbon energy company SSE to deliver a 50 MW / 100 MWh energy storage system in Salisbury, Wiltshire.
- The project also includes the GEMS Digital Energy Platform, our sophisticated energy management software.
- The battery will be connected directly to the transmission network and support access to clean, reliable energy by balancing the intermittency of renewables.
- The energy storage system will support the UK's national grid with reliable services such as wholesale market trading, crucial for balancing renewable energy generation throughout the day.
- Wärtsilä is currently installing similar sized energy storage systems across the UK, helping the country to meet its ambitious renewable energy targets.

Energy service agreements

Installed base covered by long-term service agreements increasing



Wärtsilä performance guarantees will enable Brazilian power plant to meet its power purchase agreement obligations

- The full Operation and Maintenance (O&M) agreement with Termocabo S.A. covers a 48 MW power plant.
- The plant operates with three Wärtsilä 46 engines, and the agreement includes performance guarantees regarding their availability and fuel consumption.

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

Other key financials

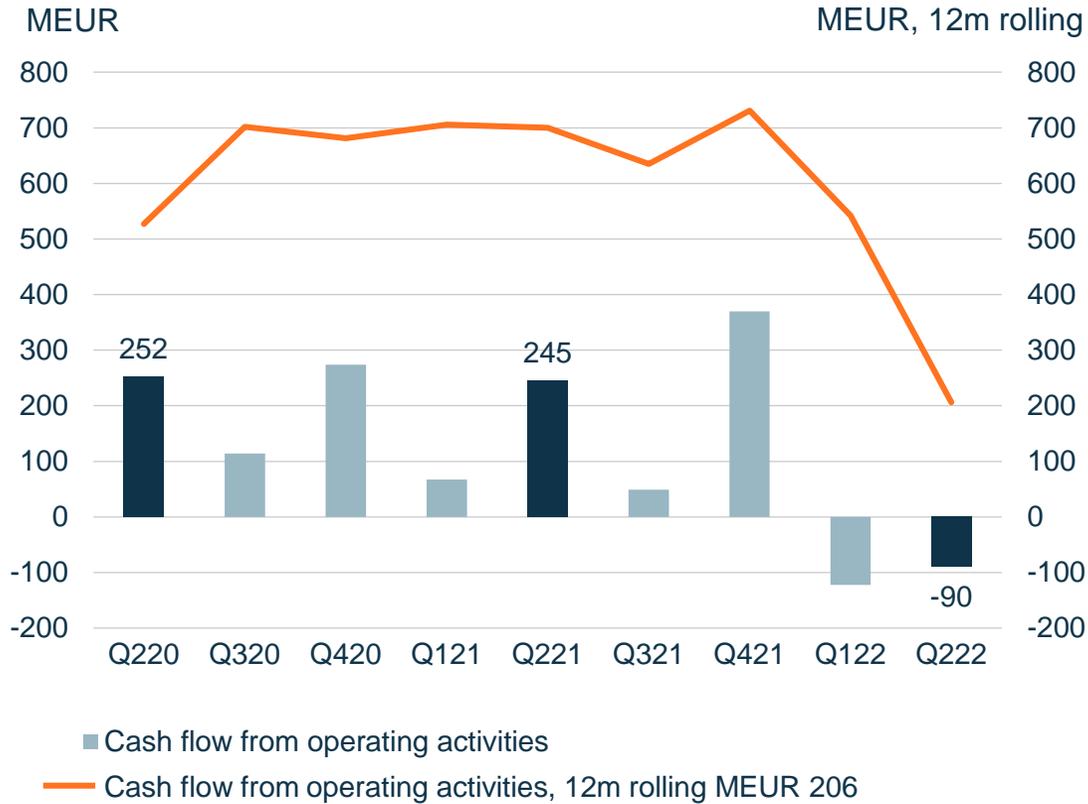
Other key financials

MEUR	4-6/2022	4-6/2021	1-6/2022	1-6/2021
Cash flow from operating activities	-90	245	-213	312
Working capital			168	73
Net interest-bearing debt			432	253
Gearing			0.21	0.12
Solvency, %			35.8	37.8
Basic earnings/share, EUR	0.09	0.06	-0.16	0.10

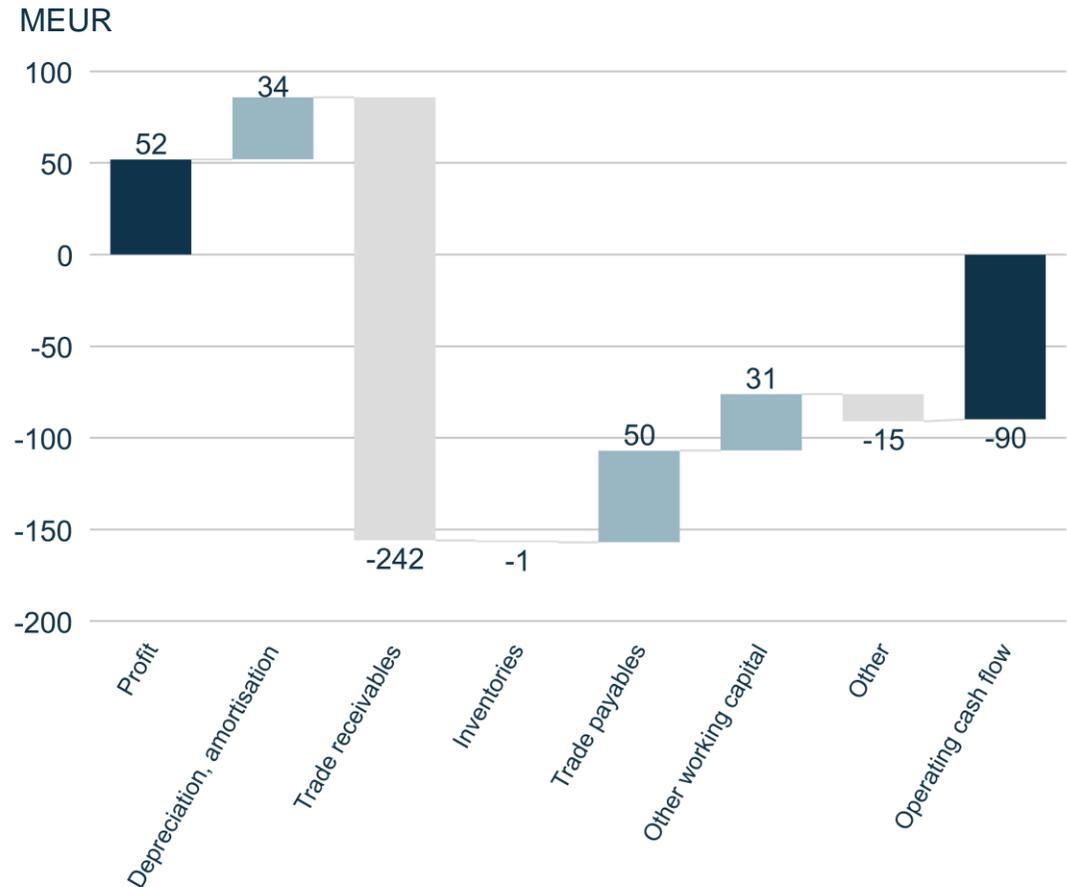
Cash flow from operating activities decreased

Higher amount of milestone payments expected in H2

Cash flow from operating activities



Second quarter development





Prospects

Wärtsilä expects the demand environment in the third quarter to be better than that of the corresponding period in the previous year. However, the prevailing market conditions make the outlook uncertain.

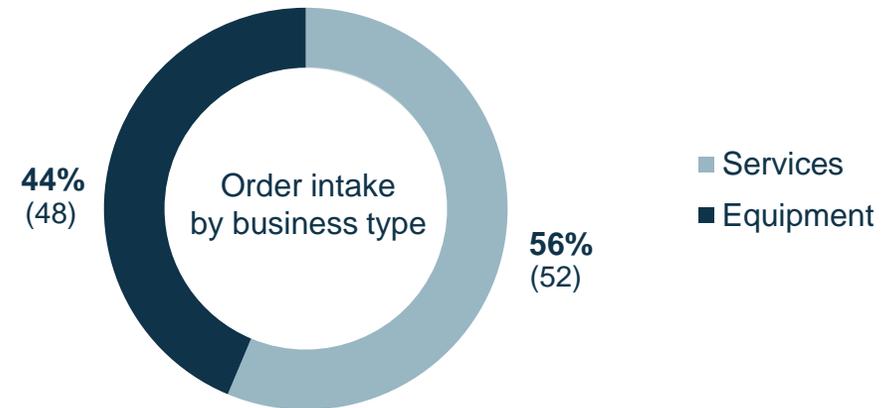
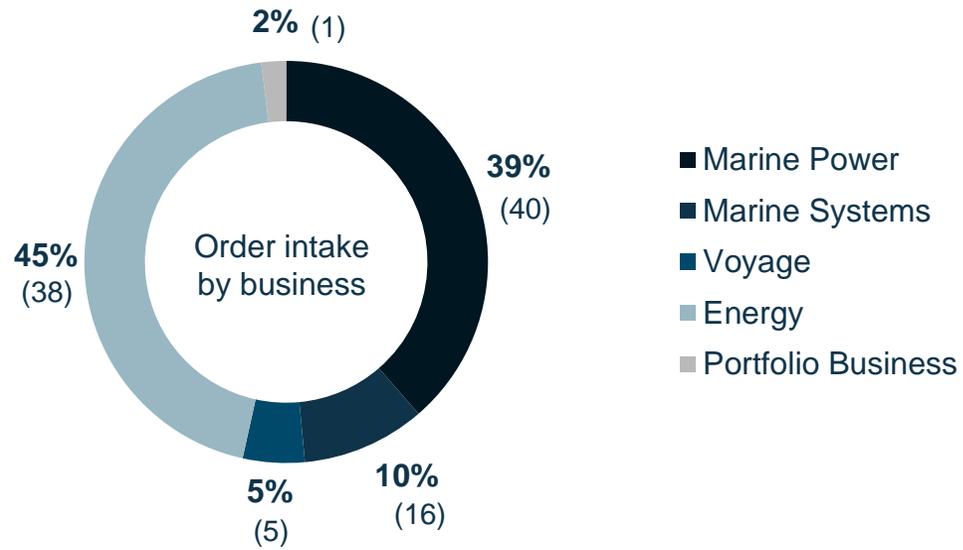
Q&A

Appendix



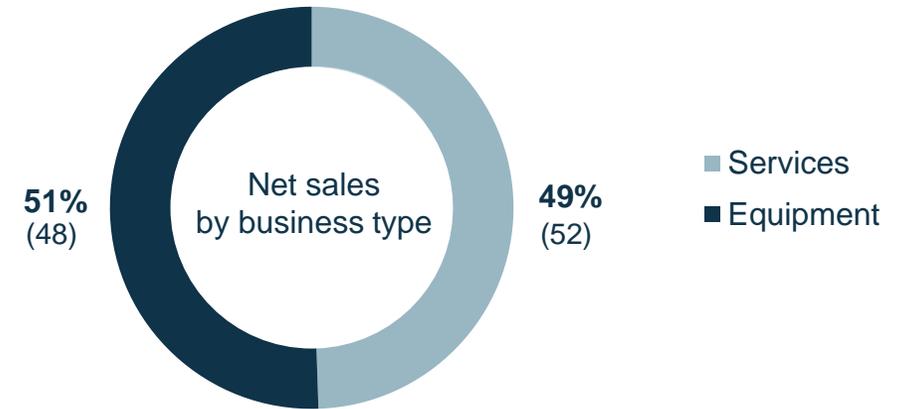
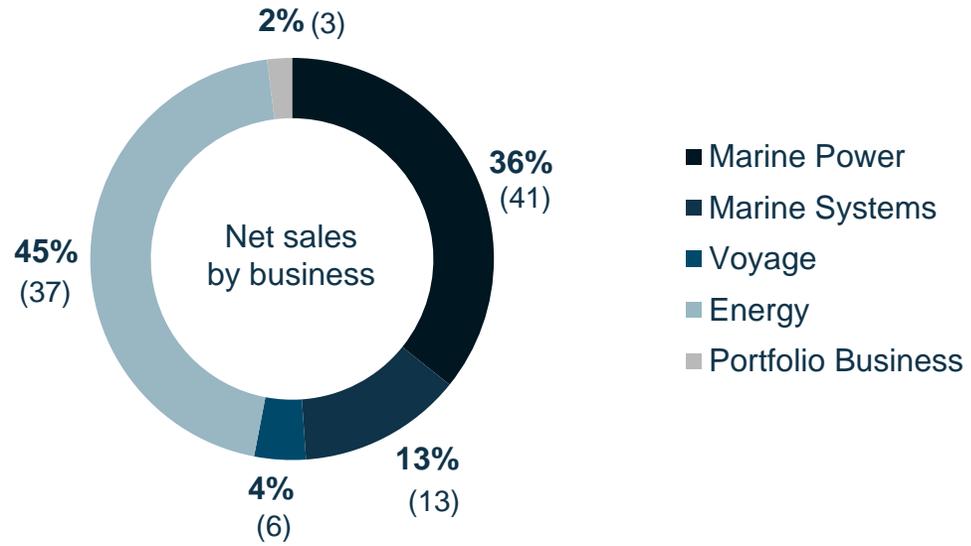
Order intake

Second quarter development



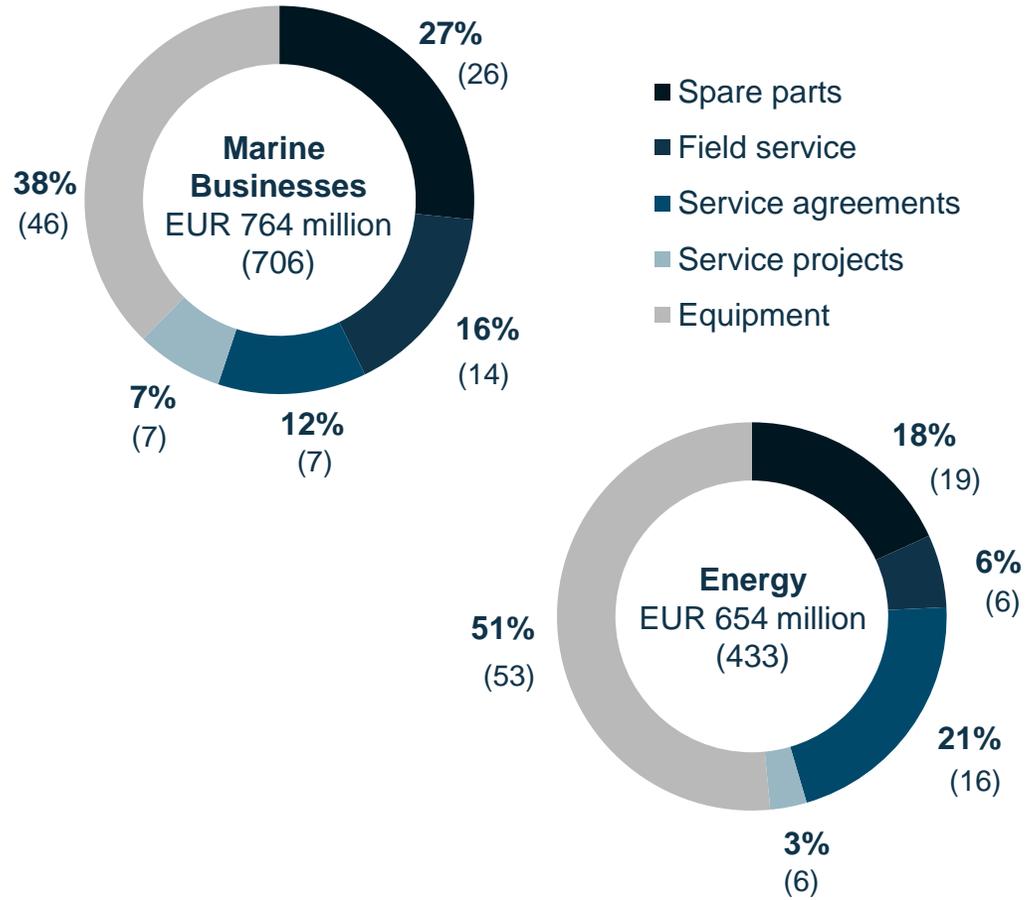
Net sales

Second quarter development

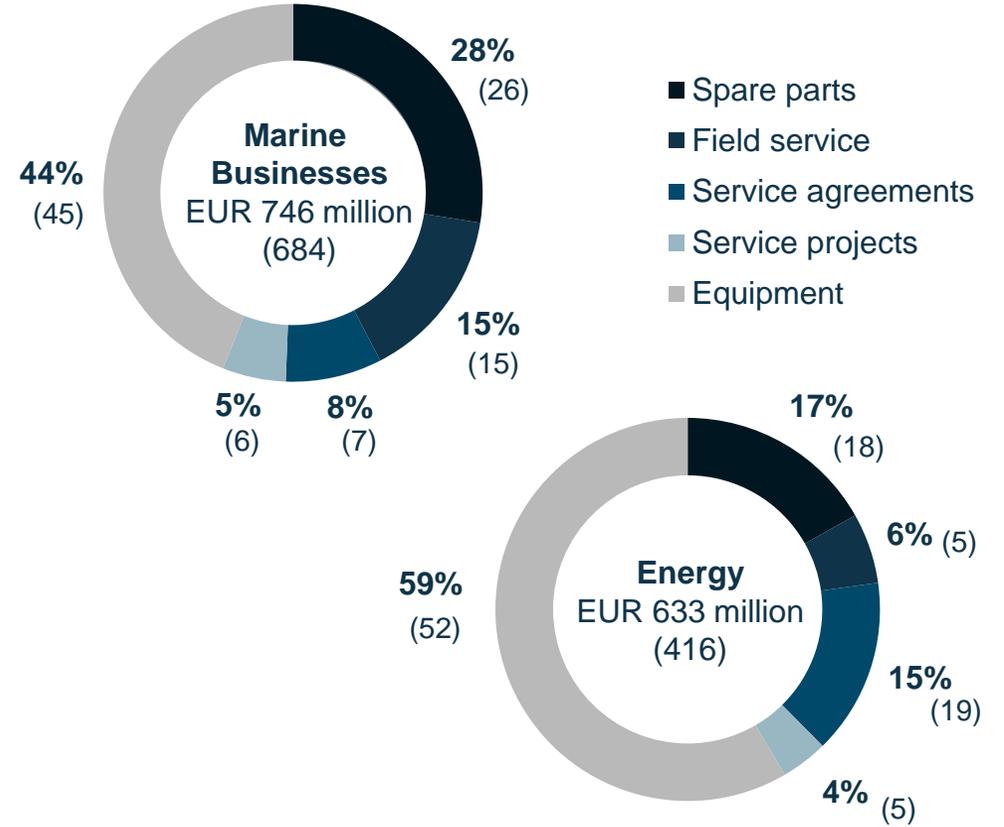


Second quarter development by business type

Order intake



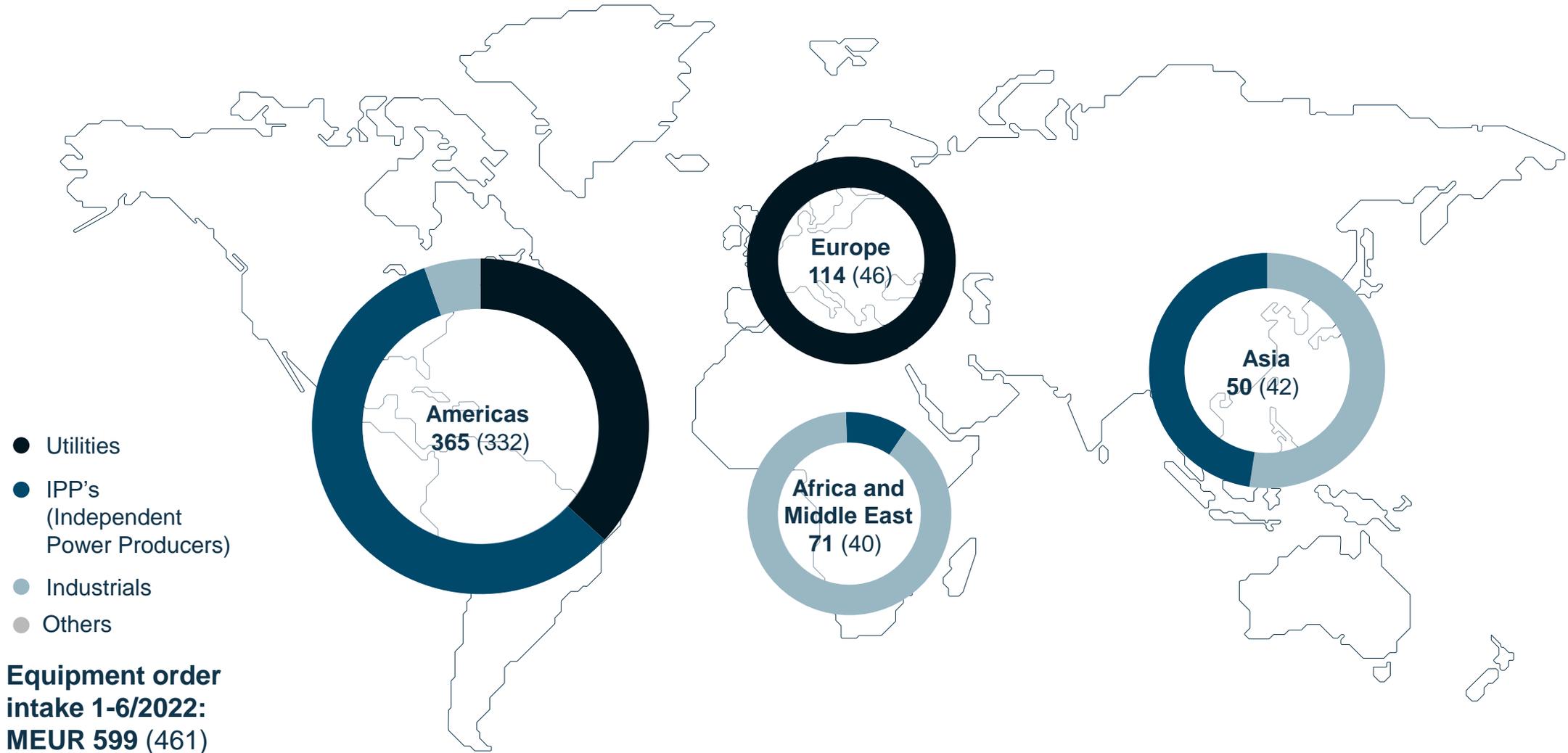
Net sales



January–June order intake by customer segment

Marine Businesses	Gas carriers	Cruise & ferry	Offshore	Navy	Special vessels	Merchant	Other
Marine Power							
Equipment	19% (9)	24% (42)	3% (6)	1% (8)	16% (21)	37% (14)	0% (0)
Services	17% (19)	23% (17)	14% (14)	7% (10)	11% (14)	27% (24)	2% (1)
Marine Systems							
Equipment	33% (71)	2% (8)	1% (0)	37% (4)	0% (1)	11% (16)	15% (0)
Services	2% (3)	8% (9)	7% (6)	26% (29)	7% (7)	47% (43)	3% (4)
Voyage							
Equipment	0% (1)	36% (32)	1% (7)	11% (4)	2% (17)	45% (18)	5% (21)
Services	1% (4)	44% (22)	10% (6)	1% (2)	8% (7)	21% (45)	15% (3)
Energy							
		Utilities	Independent Power Producers		Industrials	Other	
Equipment		41% (31)	40% (57)		18% (12)	0% (0)	
Services		34% (33)	29% (26)		28% (30)	10% (11)	

Orders received for Energy equipment globally





WÄRTSILÄ