

Capital Markets Day

Strong commitment to reach our financial targets

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Set to deliver long term shareholder value

We have clear financial targets and are committed to realising them

Our balance sheet and financing structure supports strategy execution

We have clear capital allocation principles

Moving in the right direction – Transform and Perform

Historical reflections

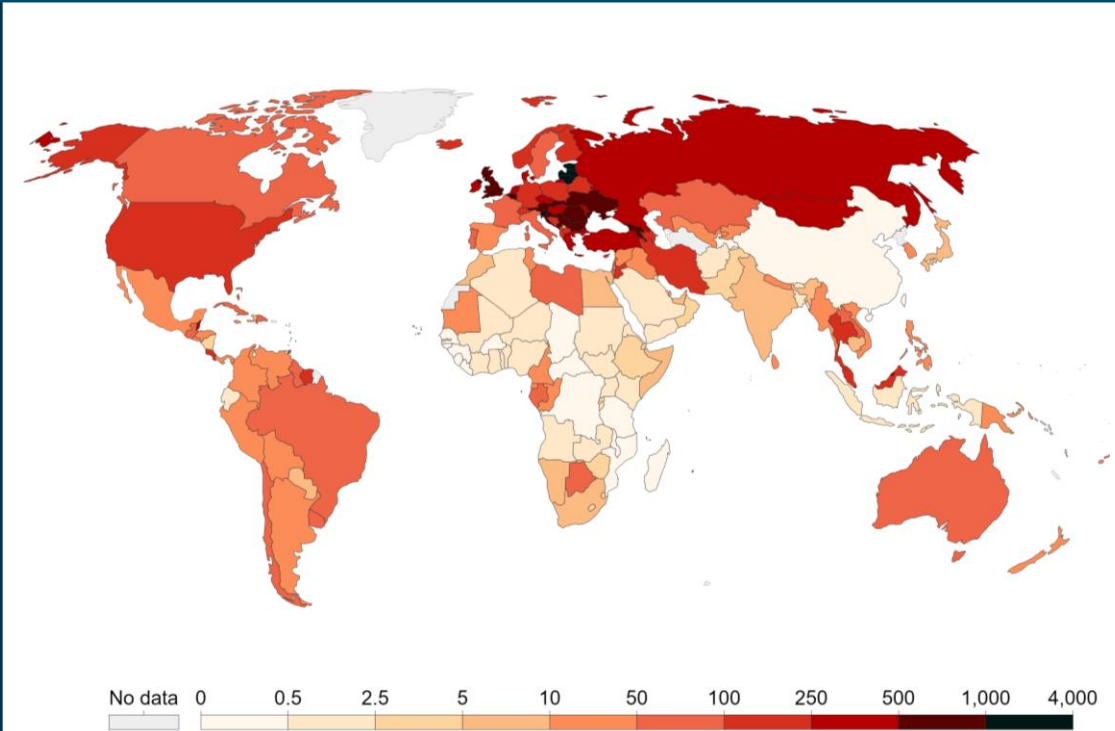
- **Financial targets**
 - Gearing and dividend distribution targets met
 - Growth and profitability targets not achieved
- **Challenges in project execution**
 - 2018 and 2019 were heavily burdened by cost overruns on some major projects
- **Operating cash flow**
 - Lower profitability and challenges in project execution burdened our operating cash flow in 2019 and consequently raised our net debt level
- **Capital allocation and strategic portfolio management**
 - Investments in R&D and strategic assets have continued during difficult market circumstances

Transform and Perform

- **Improved project execution**
 - Significant changes in leadership and processes implemented since 2019
- **Operating cash flow**
 - We managed to realise a record level of operating cash flow in 2020 and in H1/2021, enabling us to significantly reduce our net debt level
- **Capital allocation and portfolio management**
 - Well positioned for the future and can fund business and technology transformations while delivering good shareholder returns. Good progress made on divestments in our Portfolio Business
- **Markets and capacity**
 - Capacity adjustments have been made whenever and wherever necessary
 - While COVID-19 still has a significant impact on our business we see improved market sentiment in various parts of the world
- **Transparency and performance management**
 - Delegated responsibility for profit & loss and working capital drives ownership

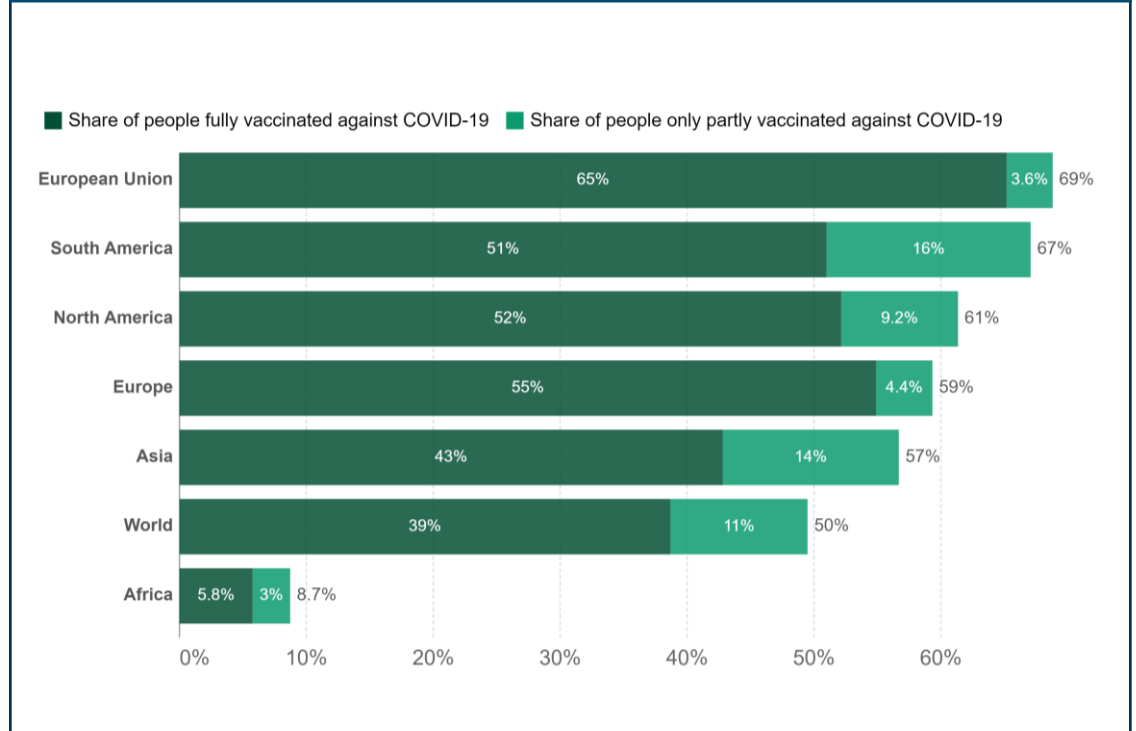
COVID-19 will be with us for quite some time to come. Energy core markets will be affected the longest with a high number of COVID-19 cases and low vaccination levels

Daily new confirmed COVID-19 cases per million people
October 31, 2021 ¹⁾



1) Shown is the rolling 7-day average

Share of people vaccinated against Covid-19
October 31, 2021



We will continue to take actions to address our cost structure whenever and wherever necessary

Capacity adjustments

- Temporary savings programme during COVID-19 peak times
- Continuous resource optimisation efforts (temporary and permanent)
- Further outsourcing of activities

Structural footprint changes

- Reduction of office footprints globally
- Closures of joint ventures
 - Mokpo, South Korea (engines)
 - Zhenjiang, China (propulsion)
- Reduction of local warehousing and related footprints
 - Global warehousing centralised to Kampen, the Netherlands

Portfolio management

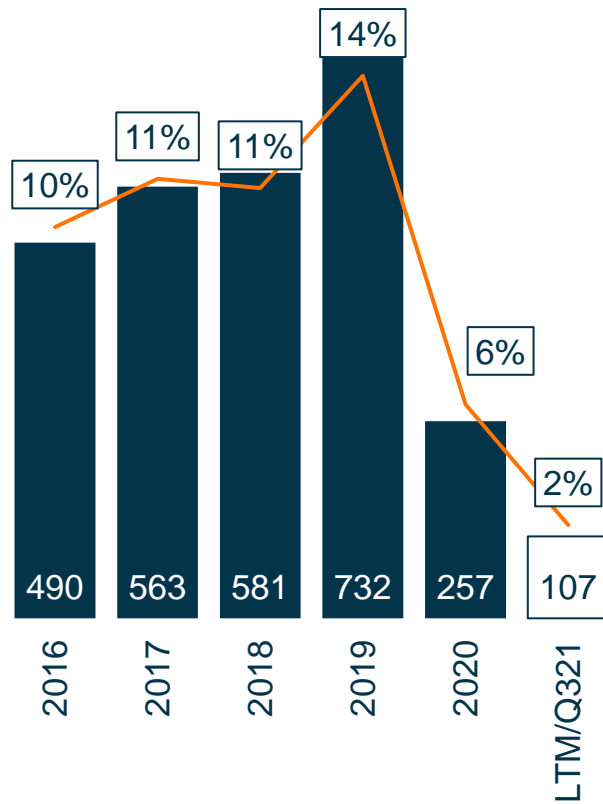
- Divesting non-core businesses and assets



Strong cashflow driven by solid working capital efficiency programme. Working capital improved beyond volume fluctuations

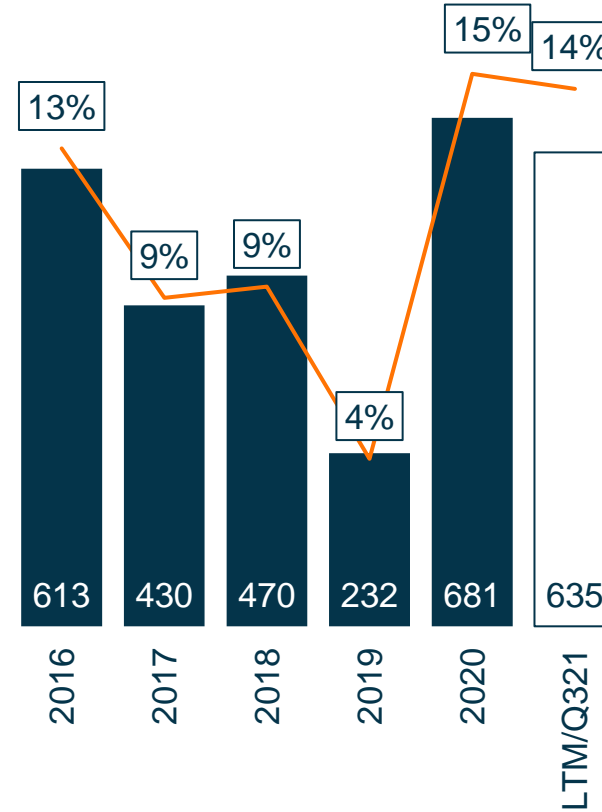
Working capital (MEUR)

■ Working capital — % of sales



Cash flow from operating activities (MEUR)

■ Cash flow from operating activities — % of sales

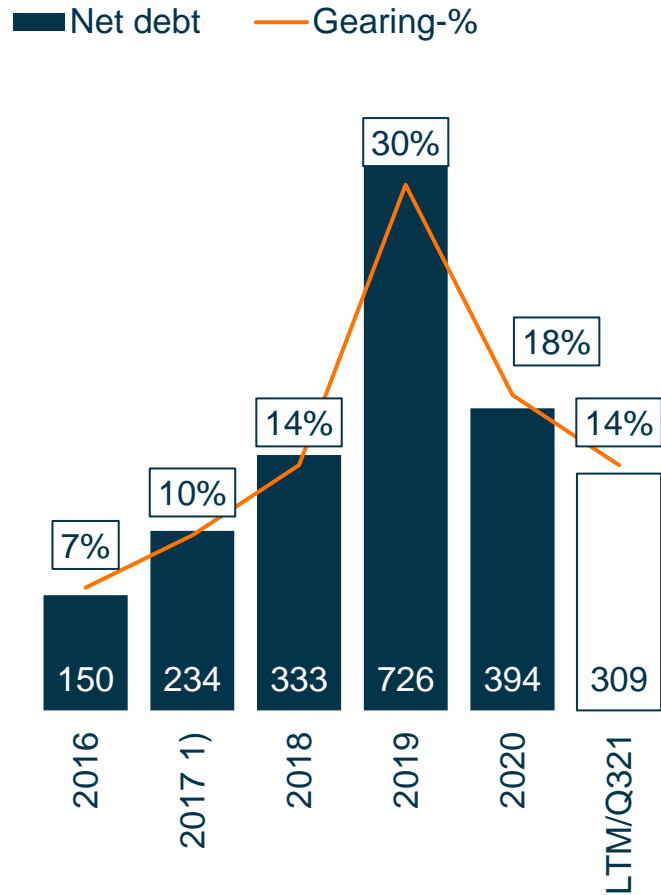


Key drivers

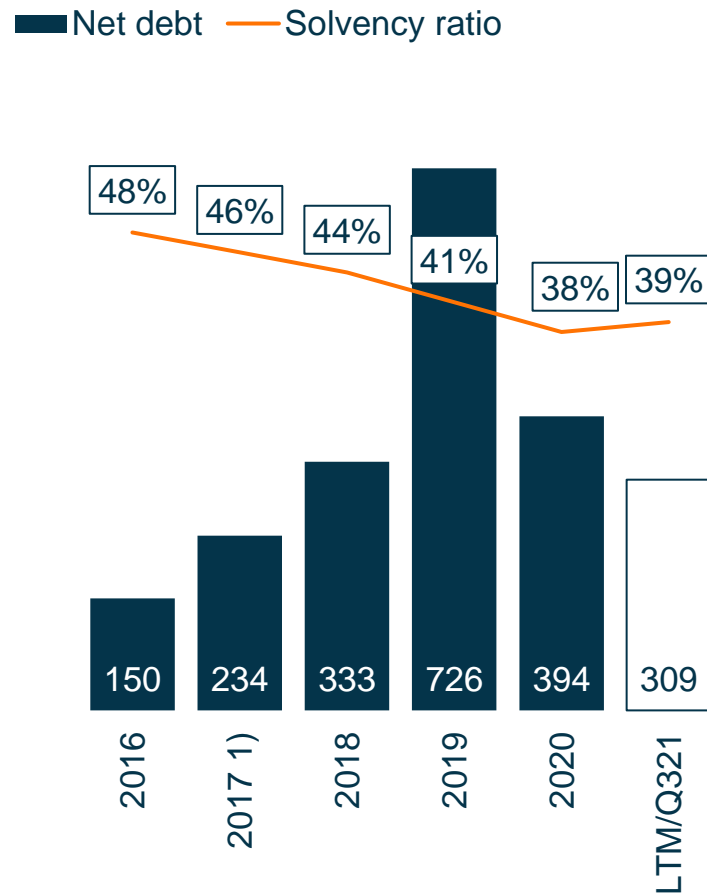
- **New approach to receivables collection**
 - Broader organisational involvement
 - Increased use of robotic process automation tools
- **Global inventory management**
 - Reduction of local stocks
 - Global inventory transparency
 - JIT stock for lifecycle agreements
- **Maintaining good payment terms with suppliers despite lower volumes**
- **Expanding supply chain finance solutions to more suppliers**

Strength to make strategic investments and to support our capital allocation principles. Strong financial position and liquidity

Net debt and gearing (MEUR)



Solvency ratio



1) Figures in the comparison period 2017 have been restated due to the adoption of IFRS 15. The financial ratios include assets and liabilities pertaining to assets held for sale



Clear capital allocation principles – Setting the right priorities and securing attractive shareholder returns

Continuing R&D investments to support growth opportunities

- Strong track record in innovations
- Technology portfolio well positioned for decarbonisation transformation
- Wärtsilä's competences and capabilities are instrumental in securing a sustainable future for the marine and energy sectors
- R&D spend of ~3% of net sales

M&A to support strategy

- Focus on synergistic bolt-on acquisitions in decarbonisation, services and digital business

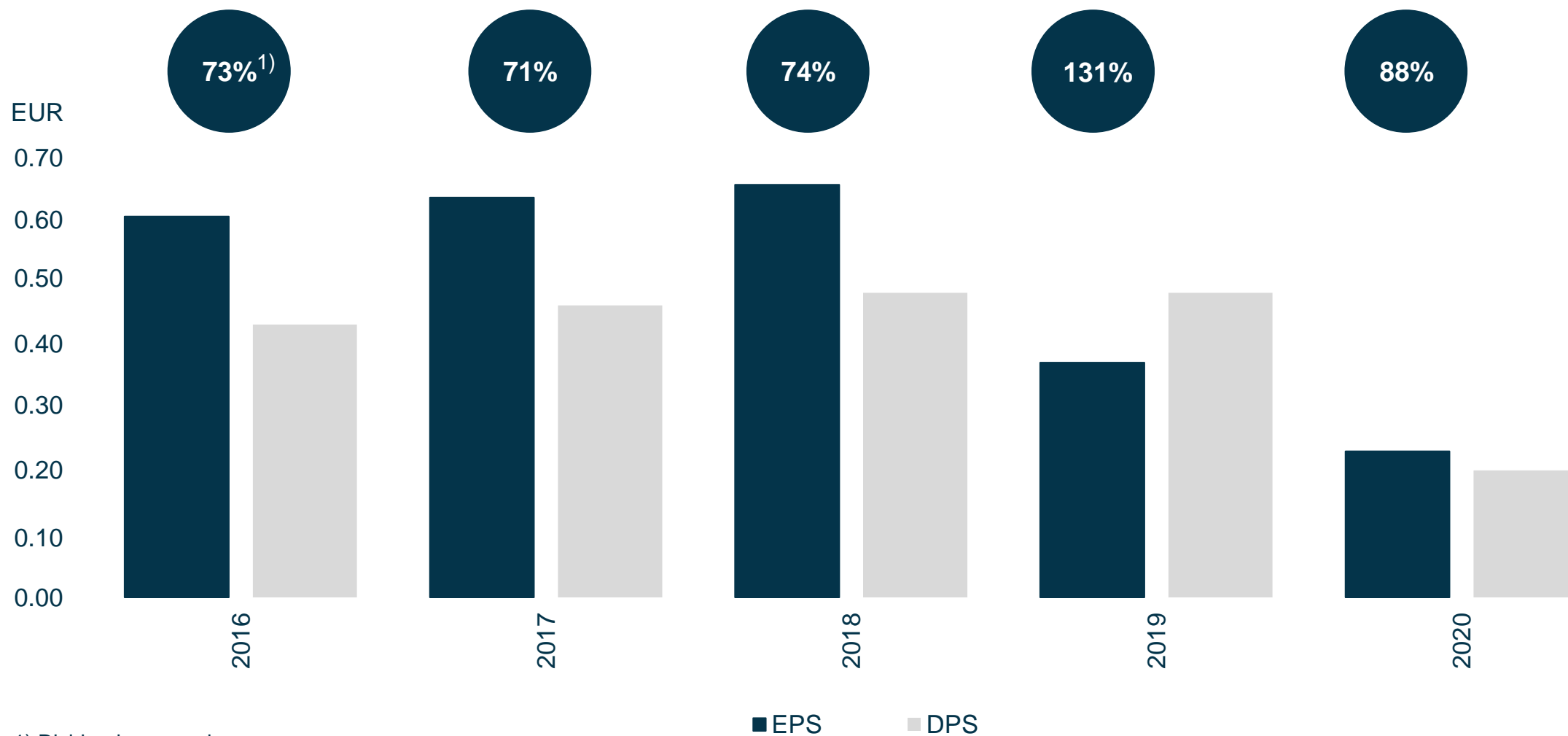
Profit distribution

- Dividend distribution according to our dividend policy: paying at least 50% of earnings as dividend

Limited additional CAPEX needed to facilitate the growth

Committed to providing shareholder returns

Target: dividend of at least 50% of earnings



1) Dividend per earnings

New financial targets reflect growth opportunities and increased profitability

New targets

Net sales	5% annual organic growth
Profitability	12% operating margin
Capital structure	Gearing below 0.50
Dividend	At least 50% of earnings



Good growth opportunities in services, energy, and marine new build recovery. Our installed base provides a strong foundation for services growth

Starting point:
Net sales 4,401 MEUR
(LTM Q3/2021)

Key drivers

Storage

- Fast growing demand for energy storage and power system optimisation solutions



Services

- Increased share of wallet from existing customers
- Deeper penetration of installed base
- Decarbonisation retrofits
- New business models



Thermal balancing

- Increased demand due to coal shut-downs
- Thermal balancing power complementing energy storage



Marine new build market recovery

- Cruise & Ferry and Special Vessel segments in particular



**Target:
5% annual organic
growth**

Limited additional CAPEX needed to facilitate the growth

We will reach our profitability target while maintaining R&D investments at ~3% of net sales

Starting point:
Operating margin 5.9%
(LTM Q3/2021)

Key drivers

- Marine and Energy Services growth
- Thermal balancing power growth
- Storage growth
- Voyage turnaround and digital growth
- Pricing
- Continuous improvement
- Cost inflation



>0%



**Target:
12% operating margin**

Limited additional CAPEX needed to facilitate the growth

Set to deliver long term shareholder value

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