

Shaping the decarbonisation of marine and energy – improving profitability and continuing growth

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President & CEO



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Improving profitability and continuing growth. Clear path to reach our financial targets

Improving profitability

- **Moving up the service value ladder**
- **Shifting focus from EPC to equipment**
- **Actively managing our business portfolio**
- **Strengthening our performance culture**

Continuing growth

- **Market leader in major technologies** for a sustainable future
- **Decarbonisation is accelerating**
- **Our core markets and segments are growing**
- **Services is 50%¹⁾ of our net sales** with further growth potential

Reconfirming our financial targets

1) LTM Q3/2023

We are delivering towards our sustainability targets

On track for our 2030 decarbonisation targets

- ✓ To become **carbon neutral in own operations**
- ✓ To provide a **product portfolio ready for zero carbon fuels**

Improving safety, wellbeing and employee engagement

- ✓ **Positive trend in safety indicators**
- ✓ **Wellbeing behaviours & toolkit launched** to support teams
- ✓ **Improving trend in employee engagement**

Strengthening thought leadership and being a responsible company

- ✓ Developing **industry ecosystems** and **co-operation with academia**
- ✓ Continued focus on **ethical compliance**
- ✓ Listed by TIME magazine as **TIME100 most influential companies in 2023**

Today's speakers



Håkan Agnevall

President & CEO



Arjen Berends

Executive Vice President &
Chief Financial Officer



Roger Holm

President Marine Power &
Executive Vice President



Anders Lindberg

President Energy &
Executive Vice President

Agenda

13:00 – 14:00 Shaping the decarbonisation of marine and energy – improving profitability and continuing growth

14:00 – 14:20 Good progress towards financial targets with improving trend in profitability

14:20 – 14:40 Q&A

14:40 – 15:00 Break

15:00 – 15:30 Marine Power: Leading the decarbonisation of marine

15:30 – 16:00 Energy: Improved profitability, and continued growth driven by decarbonisation

16:00 – 16:20 Q&A

16:20 – 16:30 Summary of key messages

Enabling sustainable societies through innovation in technology and services

Transform – attractive growth opportunities at the center of the decarbonisation transformation

Perform – clear path for operational improvements and increased profitability

Significant milestones reached in strategy execution

Transform

- **Market leader in:**
 - 4-stroke medium speed main engines
 - Engine power plants
 - Marine hybrid solutions
- **Technology leader** in green fuels
- **Pioneer** in marine carbon capture & storage
- **Significant growth** since 2021:
 - 25%¹⁾ in services
 - +17% in thermal balancing installed base
 - 3X¹⁾ in Energy Storage & Optimisation

Perform

- **Good growth in service agreements** by leveraging digital solutions
- **Improved quality of new build order book margins**
- **Turned Energy Storage & Optimisation to profit**
- **Divested businesses and optimised footprint**
- **Revitalised team and organisation**

Clear path to 12% operating margin

1) LTM Q3/2023 vs. 2021 net sales

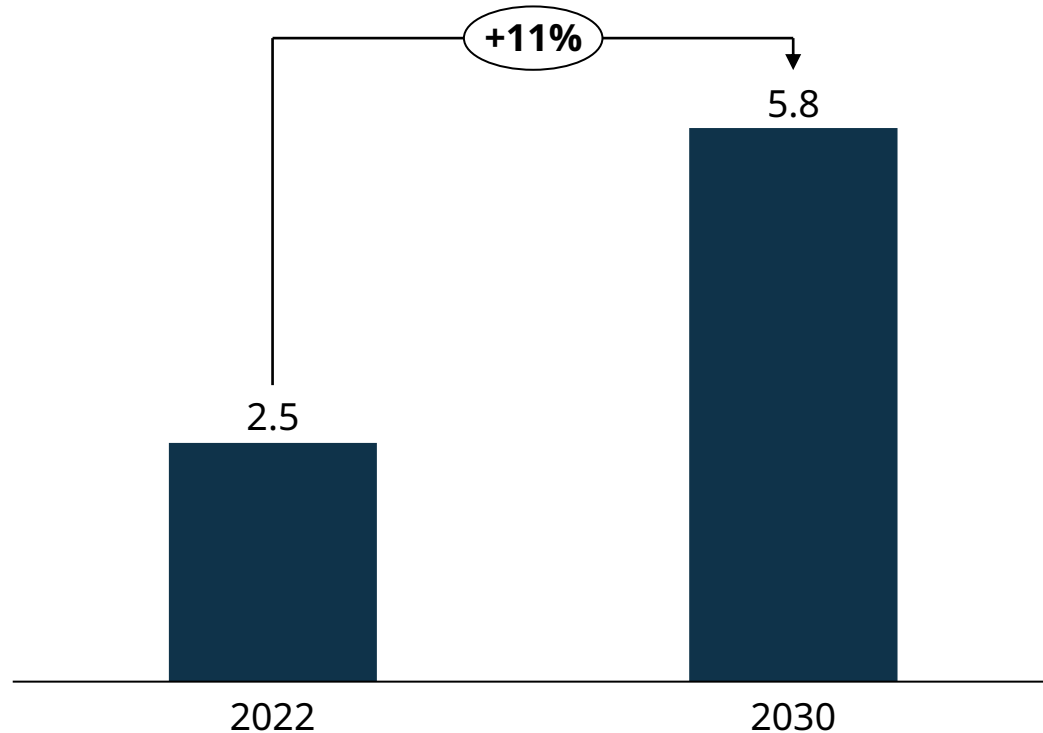


**Transform –
attractive growth opportunities at the center of the decarbonisation transformation**

Strong market fundamentals and the decarbonisation transformation will support profitable growth in Marine business

Key target segments

Annual newbuild contracting of 4-stroke medium speed main engine-powered units (GW)¹; CAGR



Decarbonisation drivers

- **IMO MEPC 80** has adopted a **revised strategy** to reduce GHG emissions by 20% by 2030, 70% by 2040 and to net-zero by 2050
- **In the EU**, regulatory landscape will **double fuel costs** up to 2030²⁾
- **Small but growing market for green transport** driven by corporate carbon reduction pledges
- Switch to **carbon neutral and zero carbon** fuels will be **progressive**
- **Drop-in fuels, hybrid solutions and abatement technologies** will be **key** to reach short-term reduction targets
- Long-term reduction targets will require a **fundamental shift towards sustainable fuels and abatement solutions**

Source: Clarksons 1) cruise, ferries, offshore, merchant, and other (incl. fishing, dredgers, support units, yachts, navy, tugs etc.) 2) assuming 5,000 tons/year VLSFO consumption subject to Fit for 55, VLSFO at 550 EUR/ton; EU allowances from 100 EUR/ton today to 230 EUR/ton in 2050

Wärtsilä is a global technology and service leader in shaping the decarbonisation of marine

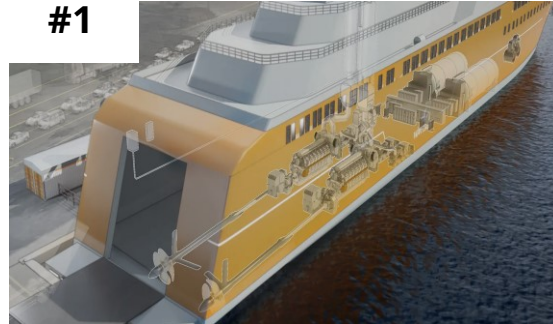
#1



Industry leading medium speed engine offering

- Biofuels and methanol available already today
- Product industrialisation for ammonia ongoing
- Fuel conversion packages for both 4-stroke and 2-stroke engines available already today

#1



Industry leading hybrid solutions

- Hybrid-electric to challenge 2-stroke engines as prime-mover for LNG carriers
- 6% more cargo space, 10% lower fuel consumption¹⁾
- Lower maintenance costs compared to 2-stroke

Pioneer



Pioneer in carbon capture & storage

- Complementary technology to engines
- EUR ~10bn market opportunity in the next 10 years²⁾
- Commercial release in 2025, CCS-ready scrubbers available already today



Global services network to ensure maximum uptime & fuel efficiency

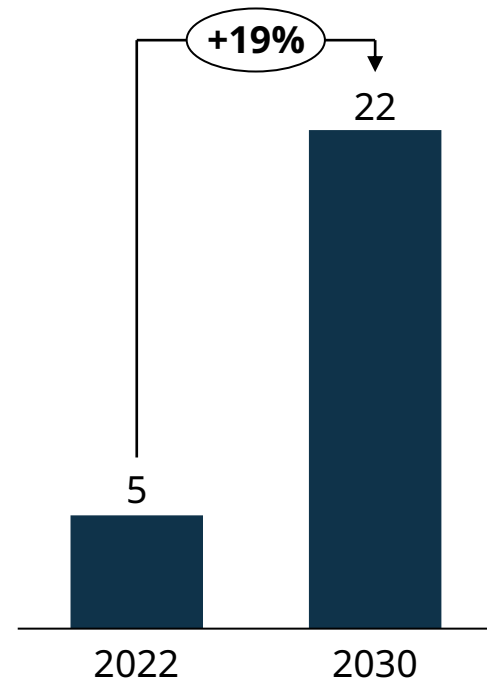
- Transactional: spare parts & field services
- Enhanced support & technical management agreements
- Optimised maintenance & guaranteed asset performance leveraging digital solutions

1) example on 174,000 cbm LNG carrier 2) estimated market size for newbuild and retrofit 3) LTM Q3/2023 (Marine Power)

The increasing share of renewables and need for balancing power will support profitable growth in Energy business

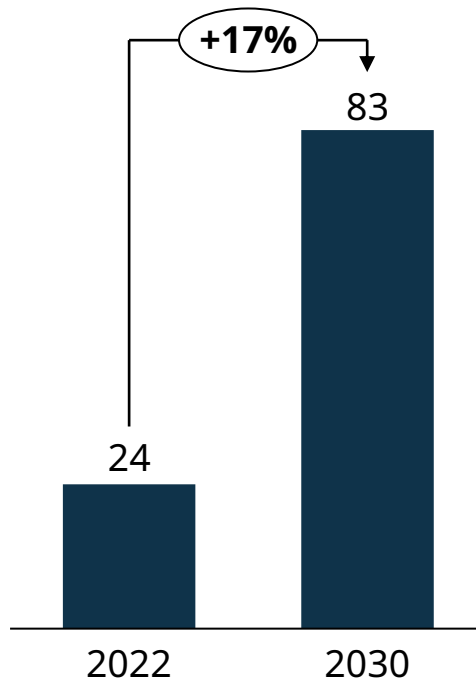
Thermal balancing

Addressable market
GW; CAGR



Energy storage

Addressable market
GWh; CAGR



Market drivers

- **Thermal balancing** market is **expected to grow +4X by 2030** driven by accelerating intermittent baseload. US is an important market for thermal balancing
- Power generation related **regulatory changes support uptake of thermal balancing** (US Federal and State bills, EU electricity market reform and China market reform)
- **Sustainable fuels together with flexible engine power plants balance grids in an affordable and sustainable way**, also for longer shortages in intermittent renewable generation
- **Energy storage incentives in the US** (IRA¹ investment and production tax credits) **support** the energy storage market **growth**. Local regulatory changes in general support the uptake of energy storage

Wärtsilä is a global leader in engine power plants. Energy Storage & Optimisation has grown ~3X since 2021 and is now profitable

#1



Industry leading engine power plants¹⁾

- Superior operational flexibility through fast ramp-up/ramp-down compared to gas turbines
- Fuel conversion packages available already today
- Hydrogen 25 vol% in pilot operation, full hydrogen technology readiness in 2025

#1-5



Top 5 in energy storage

- Focus on profitable growth
- Reliable partner with high bankability
- Highest safety standards (recent milestone in passing UL 9540A requirements)
- Leading software (GEMS) for power system optimisation



Global services network to ensure maximum uptime & fuel efficiency

- Transactional: spare parts & field services
- Maintenance & operational support
- Guaranteed performance services
- Outcome-based agreements, including decarbonisation services, leveraging digital solutions

3X growth in Energy Storage & Optimisation LTM Q3/2023 vs. 2021 net sales 1) units >5MW 2) LTM Q3/2023


To support accelerated profitable growth of Energy Storage & Optimisation, we have launched a strategic review of the business

- Energy storage market is expected to grow rapidly, **addressable market to grow +3X from 2022 to 2030**
- Wärtsilä Energy Storage & Optimisation has **grown +30X¹⁾ since the acquisition of the business and is now profitable**
- Strategic review has been launched to **accelerate profitable growth of the business in a way that benefits customers and creates value for Wärtsilä shareholders**
- **All potential alternatives will be considered.** Such alternatives could include different ownership options of the business from continued full ownership to potential full or partial divestment of the business or other possible strategic alternatives
- **No commitment to a particular timeline** is given. Wärtsilä will disclose the progress and conclusions of the review according to applicable disclosure laws and regulations
- **Wärtsilä continues to develop and invest** in Energy Storage & Optimisation and **remains fully committed to its customers** throughout the strategic review

1) LTM Q3/2023 vs. 2016 net sales



We lead the decarbonisation journey with a strong commitment to R&D and through partnering for a broad solution offering



Proactive dialogue on customers' specific technology roadmap

Competence & experience to engage in a credible customer dialogue on "all" technologies

Solution offering for "most" technologies

Leveraging leadership in core technologies and partnering for complementary technologies

- **Working with many of the new technologies for decades**
- **Conversion to new fuels requires only a limited number of new engine parts**
- **Large technology synergies between Marine and Energy**
- **Increase of R&D spending from historical ~3% of net sales to ~4% to accelerate the decarbonisation technology development**



**Perform –
clear path for operational improvements and increased profitability**

Services is 50% of our net sales with good future growth potential

EUR ~3bn

LTM Q3/2023 net sales

~25%

Growth in net sales since 2021¹⁾

>90%

Renewal rate of service agreements

1) LTM Q3/2023 vs. 2021

We continue to execute our services strategy on all steps of the service value ladder



- Our installed base of medium speed engines is increasing (~5% increase since 2021)
- ~25% growth²⁾ in transactional services since 2021
- ~30% of installed base³⁾ is under service agreements with further growth potential
- Moving up the service value ladder – agreements and performance-based agreements have 2-5X spend ratio (EUR/kW) relative to transactional services
- Retrofits and upgrades have the potential to grow +2X by 2030

1) customer spend ratio EUR/kW 2) LTM Q3/2023 vs. 2021 net sales 3) 4-stroke engine MW

Going forward we will benefit from the implemented operational improvements and structural changes

Quality of revenues

- **Improved quality of new build margins** in current order book
- Energy order book has **higher share of equipment and lower share of EPC deliveries**
- **Energy Storage & Optimisation is now profitable**
- **Voyage losses** have **significantly reduced**

Footprint & divestments

- **Centralisation of the European engine manufacturing footprint** will gradually lead to **EUR ~35m yearly savings by 2025**
- **Divesting business units** in Portfolio Business which are **diluting Group profitability**



We continue to actively manage our business portfolio

Marine Systems planned to be discontinued

Effective 1st of January 2024

- Further simplification of Group structure
- Gas Solutions has limited synergies with Wärtsilä's marine product portfolio, planned to be moved to Portfolio Business
- Exhaust Treatment and Shaft Line Solutions planned to be moved to Marine Power
- Improving quality of revenues

Portfolio Business

Plan to divest. Timeline subject to internal separation & turnaround

- Water & Waste
- Marine Electrical Systems
- Automation, Navigation & Control Systems
- Gas Solutions

LTM Q3/2023	Group total	Group total excl. Portfolio Business
Net sales, EURm	6,142	5,480
Comparable operating margin ¹⁾	7.7%	8.7%
Operating margin ¹⁾	6.0%	8.2%

¹⁾ excluding EUR 40m provision related to Olkiluoto 1 and 2 nuclear projects taken in Q4/2022 (discontinued nuclear business) as well as EUR 19m provision taken for a single sizeable turnkey project in Gas Solutions in Q2/2023 (discontinued turnkey business)

The Wärtsilä Way sets the scene for profitable growth. We reconfirm our financial targets

THE WÄRTSILÄ WAY

◎ Purpose

Enabling sustainable societies through innovation in technology and services

◎ Target position

Shaping the decarbonisation of marine and energy

- 5% annual growth
- 12% operating margin
- To become carbon neutral in own operations and to provide a product portfolio which will be ready for zero carbon fuels by 2030

◎ Strategic priorities

Roadmap to improve performance and reach Target position

◎ Execution plan

What to do – tactics & operations, updates yearly

◎ Values, leadership and continuous improvement

Customer success, Passion, Performance

The strategic priorities are the key levers to improve our performance and reach our target position

1

Excel in creating customer value

We continuously evolve our understanding of, and responsiveness to, our customers to make them successful

2

Develop high performing teams that make a difference

We attract high performing people and excite diverse teams that excel in continuous learning and collaboration. Our leaders provide direction and support, empowering people to act

3

Drive decarbonisation in marine and energy

We accelerate decarbonisation in marine and energy through innovation, focused investments and selective partnerships, while also decarbonising our own operations. We provide optimisation solutions and are a thought leader in our industries

4

Capture growth in services

We excel in transactional and retrofit business. We move up the service value ladder by growing in performance-based agreements

5

Continuously improve our end-to-end value chain

We continuously improve our end-to-end business to meet customer expectations on quality, lead time and delivery accuracy, while reducing complexity and improving competitiveness. We leverage digitalisation throughout our value chain

Strengthening our performance culture

- Being successful by **making our customers successful**
- Clear leadership and **delegated profit & loss** responsibilities
- **Caring for people** and professional development
- **Discipline in risk management** for capturing and executing projects. Clear preference for **equipment deliveries before EPC contracts**
- Improve **speed** and make **decisions close to** where **customer** value is created
- Mindset of **continuous improvement**





**Improving
profitability**

**Continuing
growth**

**Reconfirming our
financial targets**

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