

Wärtsilä Corporation Interim report January-March 2022

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Arjen Berends, CFO

28 April 2022



Order intake increased, however a MEUR 200 write-down burdened operating result

- Order intake increased by 11%
 - Equipment order intake increased by 17%
 - Service order intake increased by 6%
- Net sales increased by 30%
 - Service net sales increased by 17%
- Russia-Ukraine war intensified overall uncertainty, and amplified concerns related to cost inflation and global economic development



The war between Russia and Ukraine and its impact on Wärtsilä

- Wärtsilä strongly condemns the war in Ukraine.
- Wärtsilä has suspended all deliveries, sales, orders, and bidding to Russia and complies with all sanctions applicable to its operations.
- In the current environment, it is not viable for Wärtsilä to maintain activities in Russia, and therefore the company has decided to further downscale its Russian operations.
- Wärtsilä included in the first quarter a write-down of approximately EUR 200 million. The EUR 200 million write-down includes approximately EUR 75 million of impairment of Voyage related goodwill and intangible assets, approximately EUR 50 million of impairment related to assets in Russia, and approximately EUR 75 million of write-downs related to trade-sanctioned projects and receivables.
- Russia related activities accounted for approximately 5% of Wärtsilä's net sales in 2021, of which service net sales was approximately EUR 40 million.



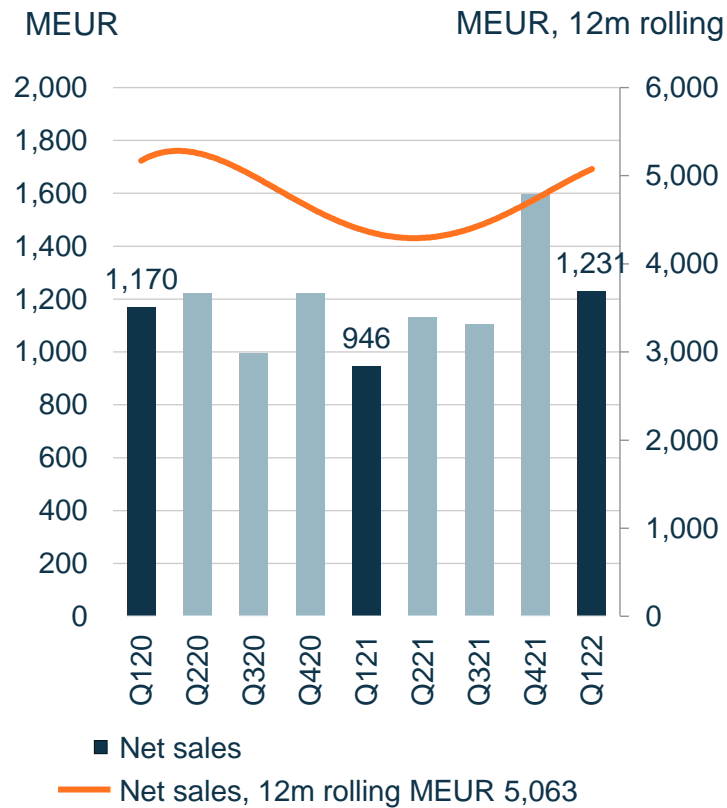
Key figures

MEUR	1-3/2022	1-3/2021	CHANGE
Order intake	1,380	1,244	11%
of which services	732	691	6%
Order book	6,107	5,399	13%
of which current year deliveries	3,334	2,961	
Net sales	1,231	946	30%
of which services	631	540	17%
Book-to-bill	1.12	1.32	
Operating result	-147	36	
% of net sales	-11.9	3.8	
Comparable operating result	65	41	61%
% of net sales	5.3	4.3	

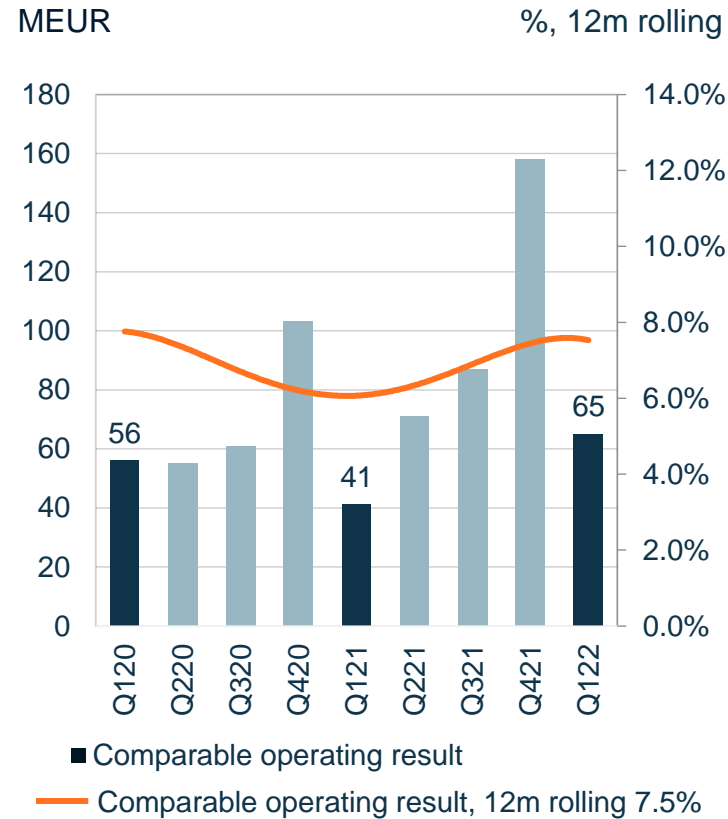
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

First quarter highlights

Net sales



Comparable operating result



Net sales EUR 1,231 million

- 17% increase in service sales

Comparable operating result EUR 65 million

- 61% growth
- Supported by higher sales volumes

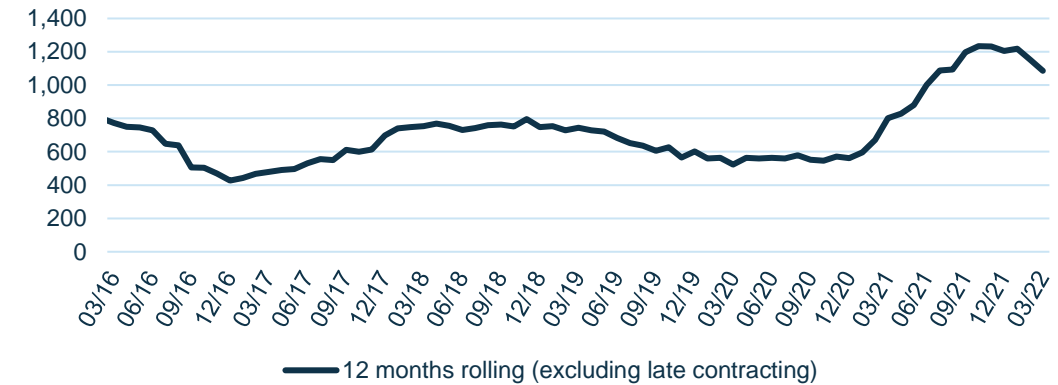
Marine market activity varying by segment

Newbuild investments softened mostly due to increased prices and slot availability at key shipyards

- The number of vessels ordered in the review period decreased to 274 (376 in the corresponding period in 2021, excluding late reporting of contracts).
- Vessel contracting was largely driven by containerships, cruise newbuild activity remained limited.
- The transition to cleaner fuels has already started, with 107 orders placed globally for alternative fuel capable vessels in the review period January–March.
- At the end March, around 70% of the cruise fleet capacity was active, flat compared to end of December.

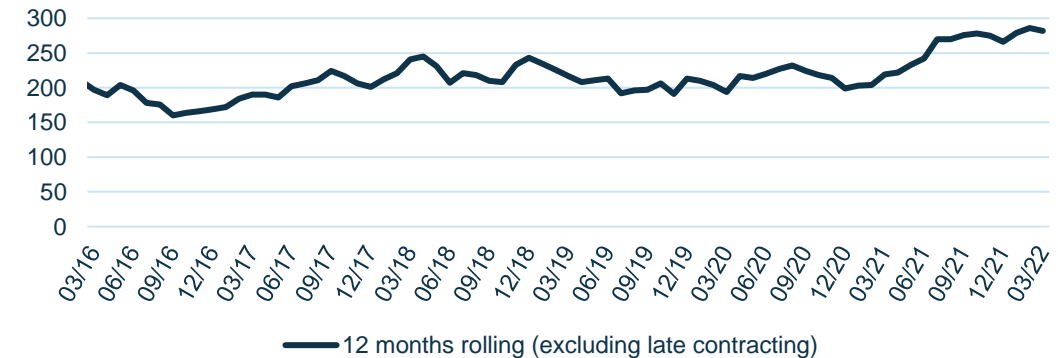
Total vessel contracting

Number of vessels



Specialised vessels

Number of vessels



Source: Clarksons Research, 12m rolling contracting as per 6th of April 2022 (+100 gt, excluding late reporting of contracts)
 Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

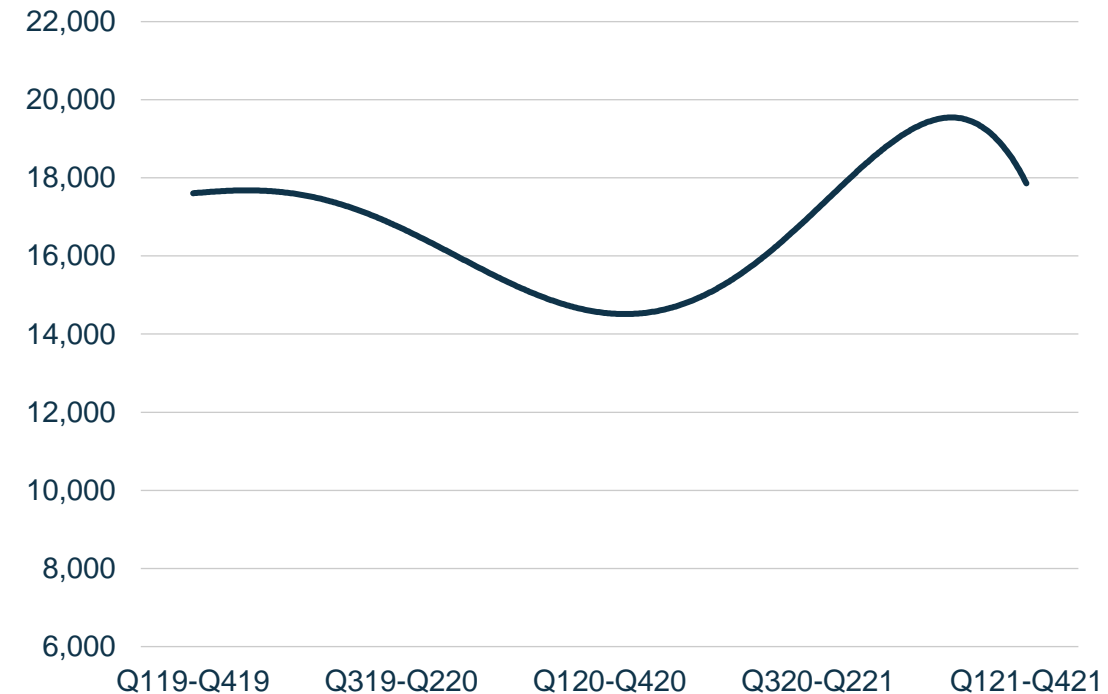
Energy market situation

Unforeseen turbulence and price volatility

- The war in Ukraine and the economic sanctions against Russia have caused unforeseen turbulence and price volatility in the energy markets, resulting in a negative impact on global supply chains, increased quotation prices, and delays to customer decision making.
- The pandemic has somewhat stabilised, but full recovery will most likely take time, thus causing additional uncertainty within the investment environment.
- Increasing amount of intermittent renewable energy in power systems is expected to bring forward the need for various flexible solutions, such as energy storage and balancing power plants.
- Wärtsilä's market share in gas and liquid fuelled power plants increased to 8% (5).

Market for gas and liquid fuelled power plants <500 MW

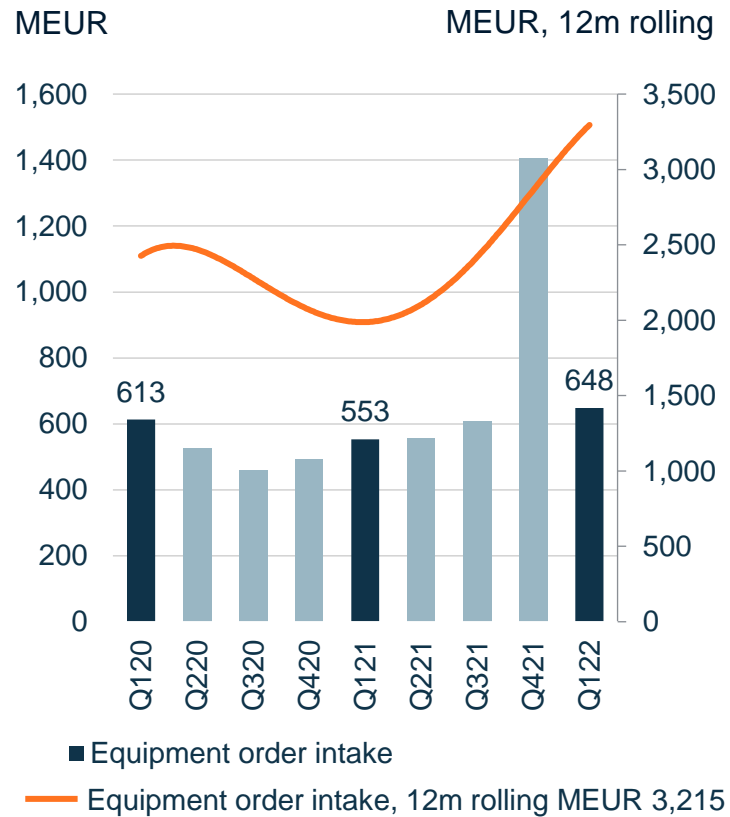
MW, 12m rolling



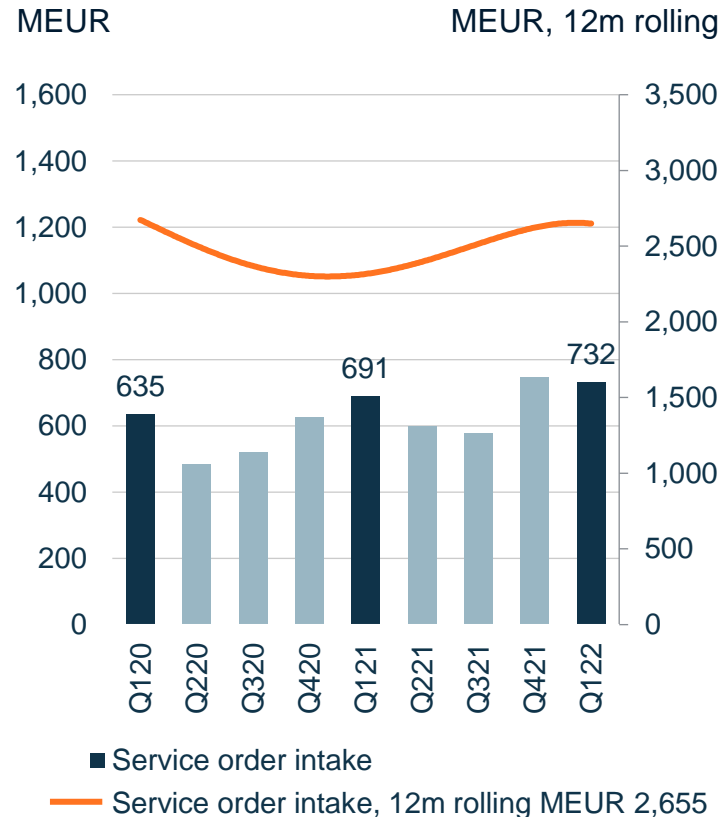
The total market, including also power plants with prime movers above 500 MW, decreased by 17% to 38.0 GW during the twelve-month period ending in December 2021 (46.0 at the end of September). The market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine 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 11%

Equipment



Services

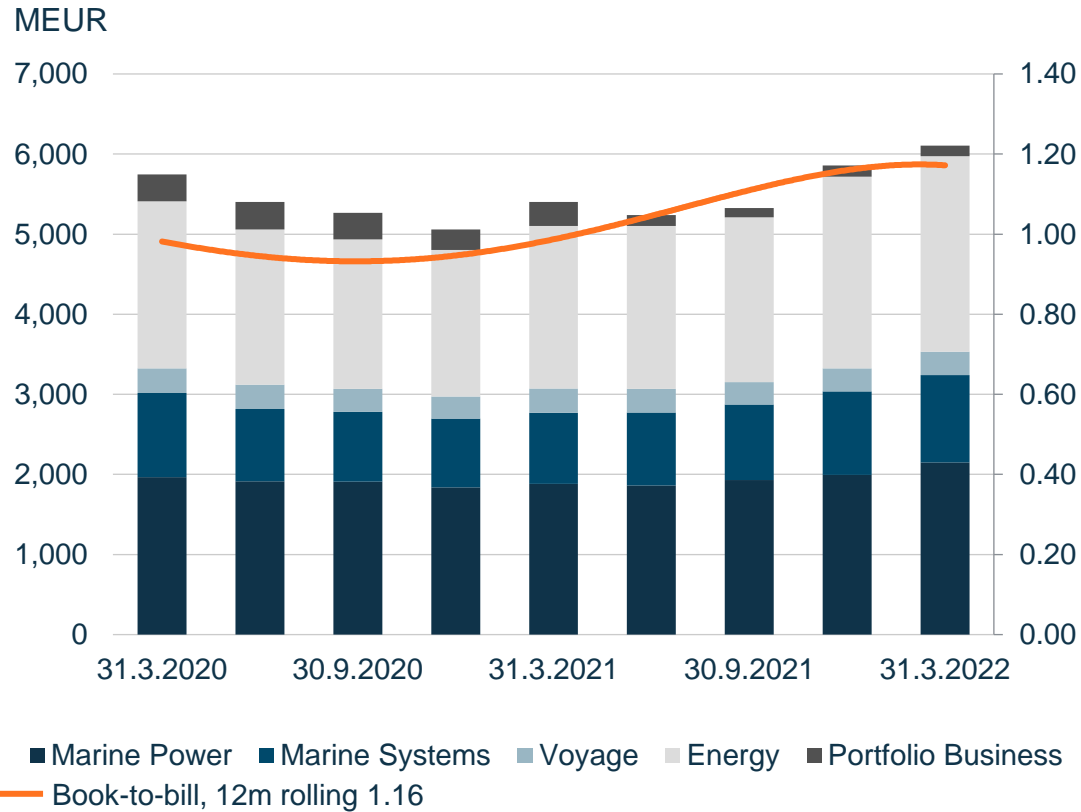


- Equipment order intake increased by 17%
- Service order intake increased by 6%

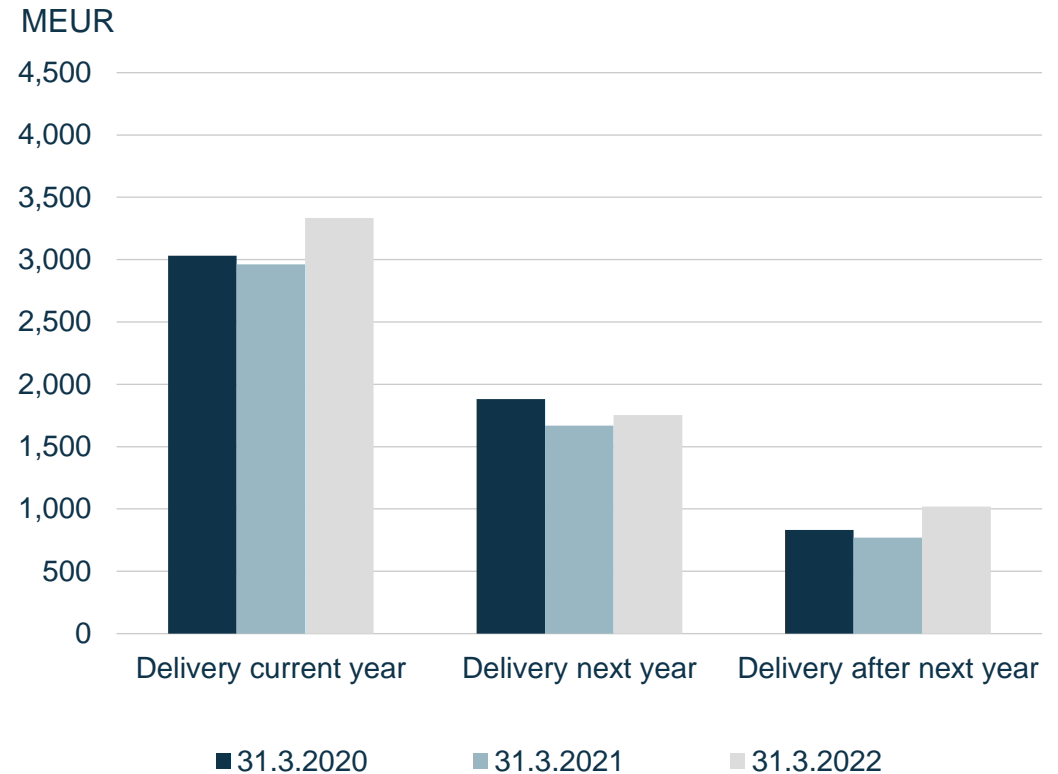
Increase in order book

Book-to-bill decreased

Order book by business

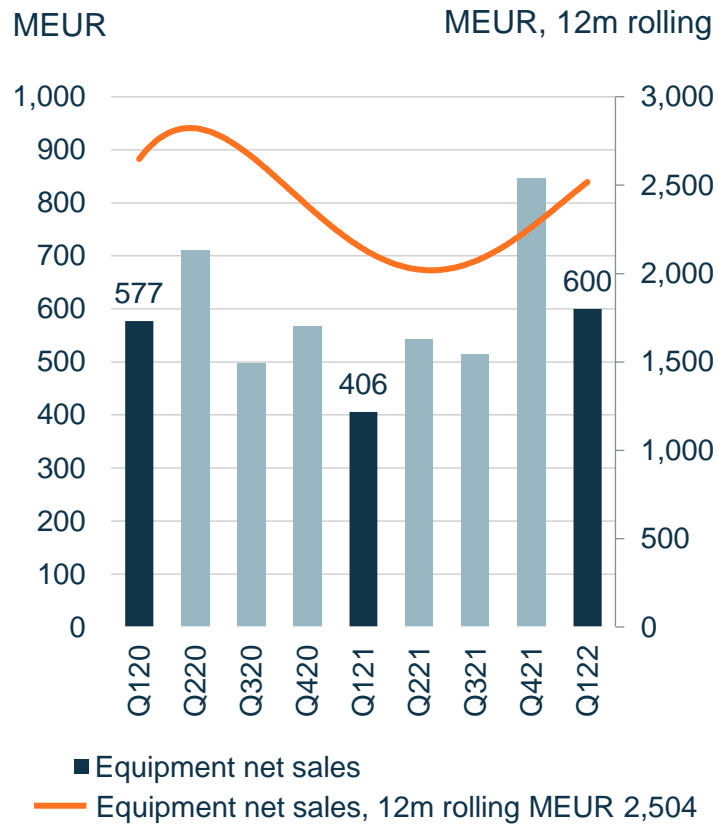


Order book delivery schedule

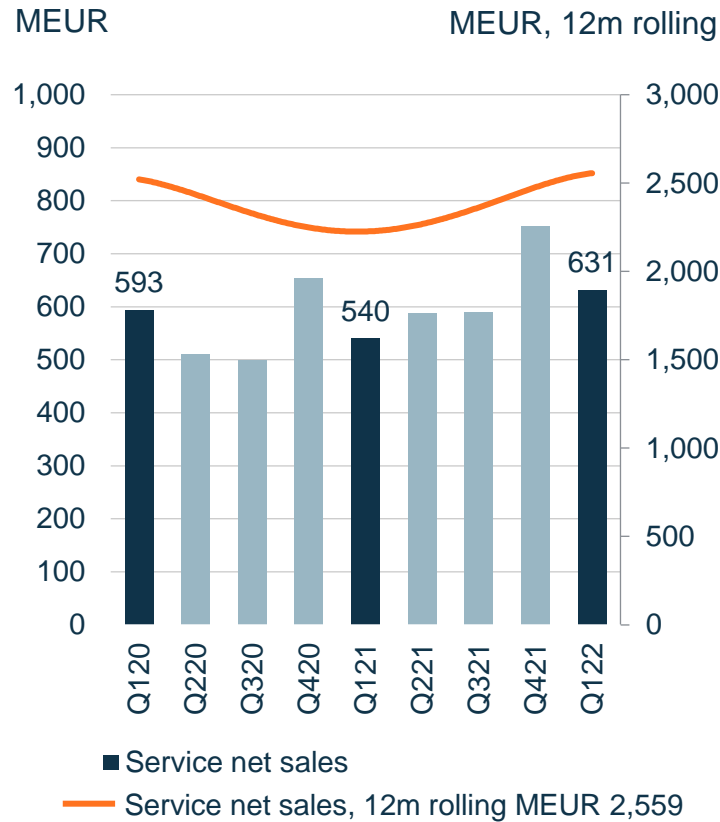


Net sales increased by 30%

Equipment



Services



- Equipment net sales increased by 48%
- Service net sales increased by 17%

Technology and partnership highlights

Enabling industry decarbonisation

First order for newbuild methanol-fuelled engines

- A new offshore wind installation vessel being built for Van Oord will be powered by five Wärtsilä 32 engines capable of operating with methanol
- The order includes also the new methanol fuel supply system, called MethanolPac

Collaboration with Solstad Offshore on fleet decarbonisation ambitions

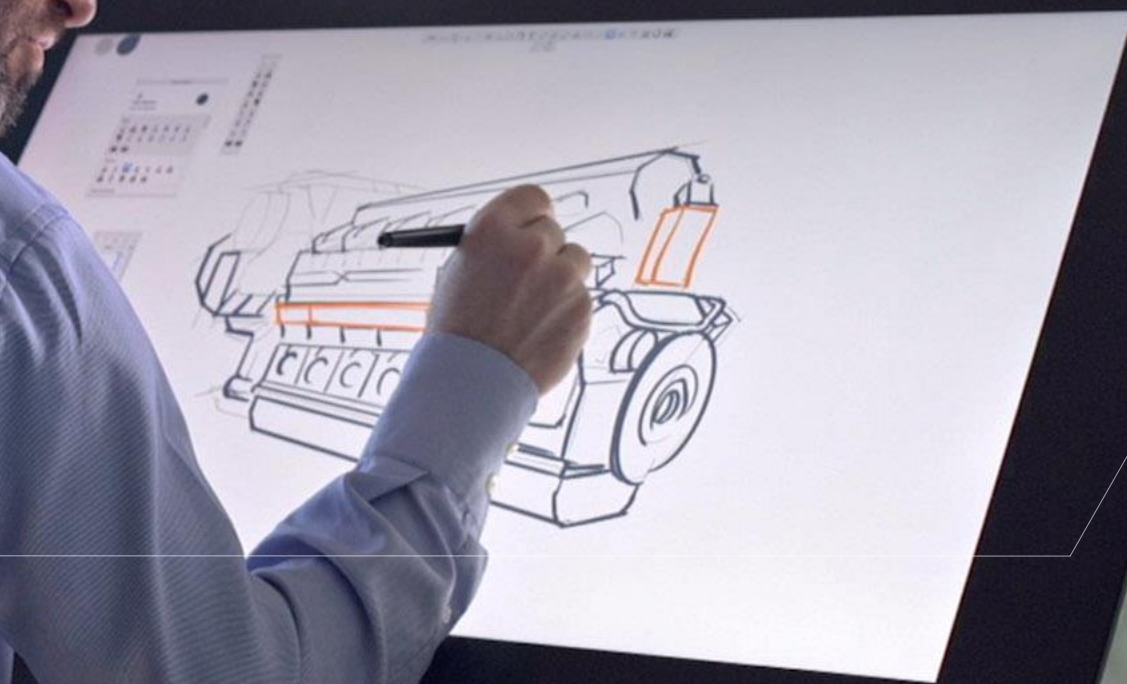
- Target to achieve a 50% reduction in CO₂ emissions by 2030 for the 90 vessel fleet of Solstad Offshore
- The agreement aims to identify, evaluate, and implement solutions that will increase fuel efficiency and significantly reduce greenhouse gas (GHG) emissions from Solstad's offshore vessels

Opening of a new Expertise Centre in Houston, Texas

- The Centre will deliver support to its U.S. and Canadian energy sector customers, enhancing the company's ability to grow its service business
- Enhanced use of data and analytics enables improved plant performance and availability. Furthermore, it helps to reduce the need for on-site visits by field service engineers to resolve issues.



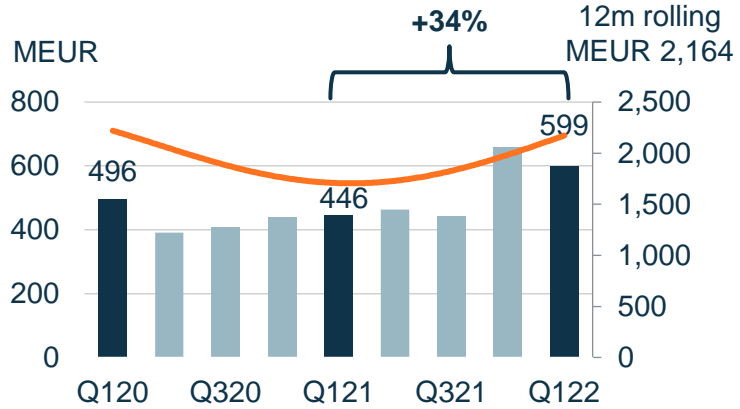
Marine Power



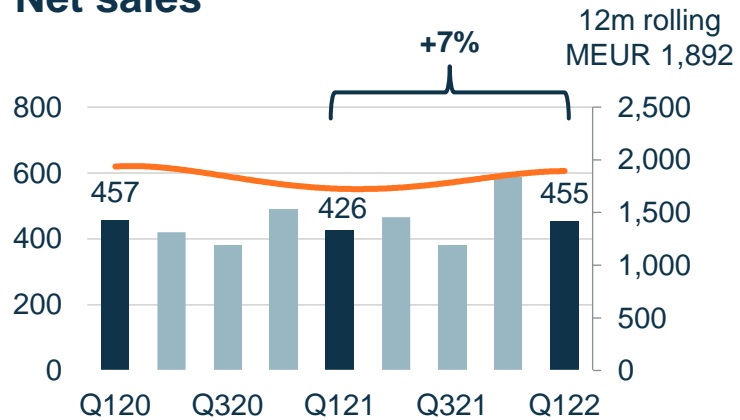
Marine Power: increase in all key figures

Service order intake increased by 15%

Order intake

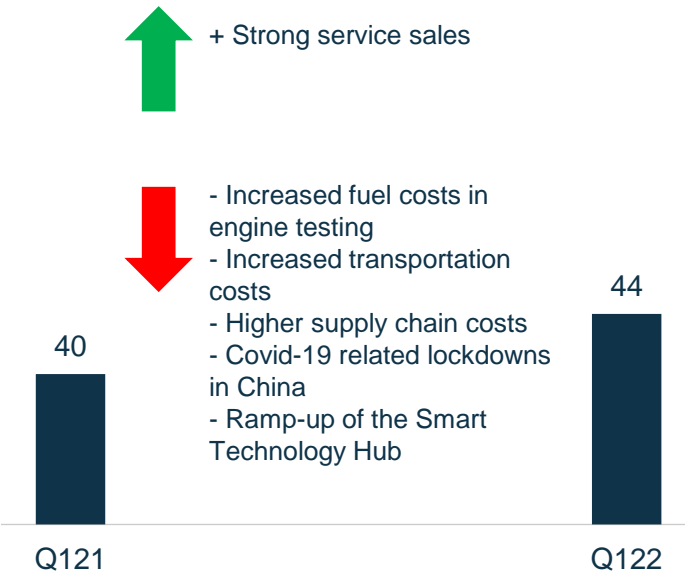


Net sales



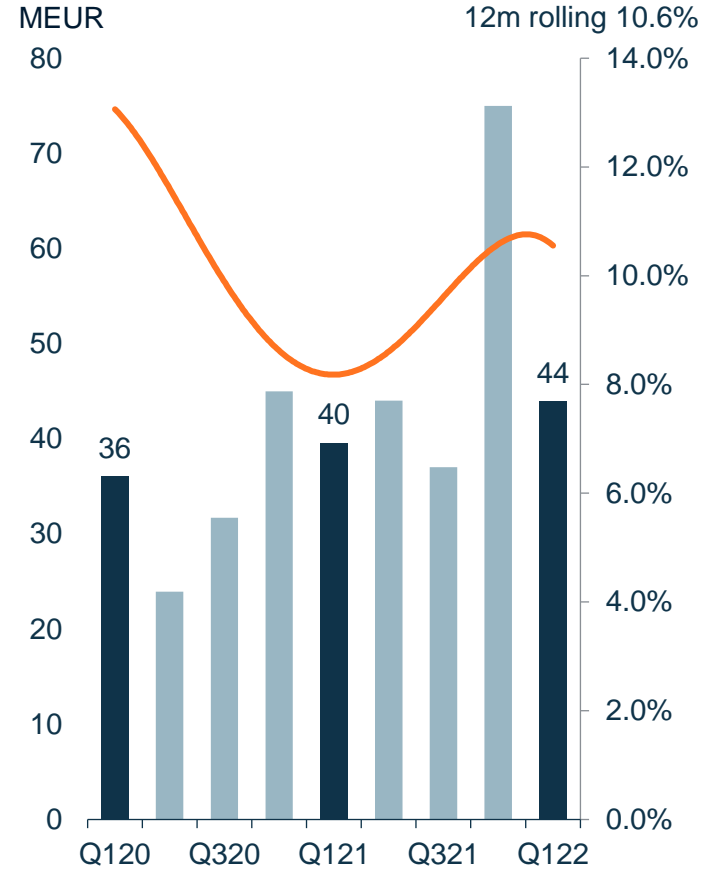
Comparable operating result

MEUR



Comparable operating result

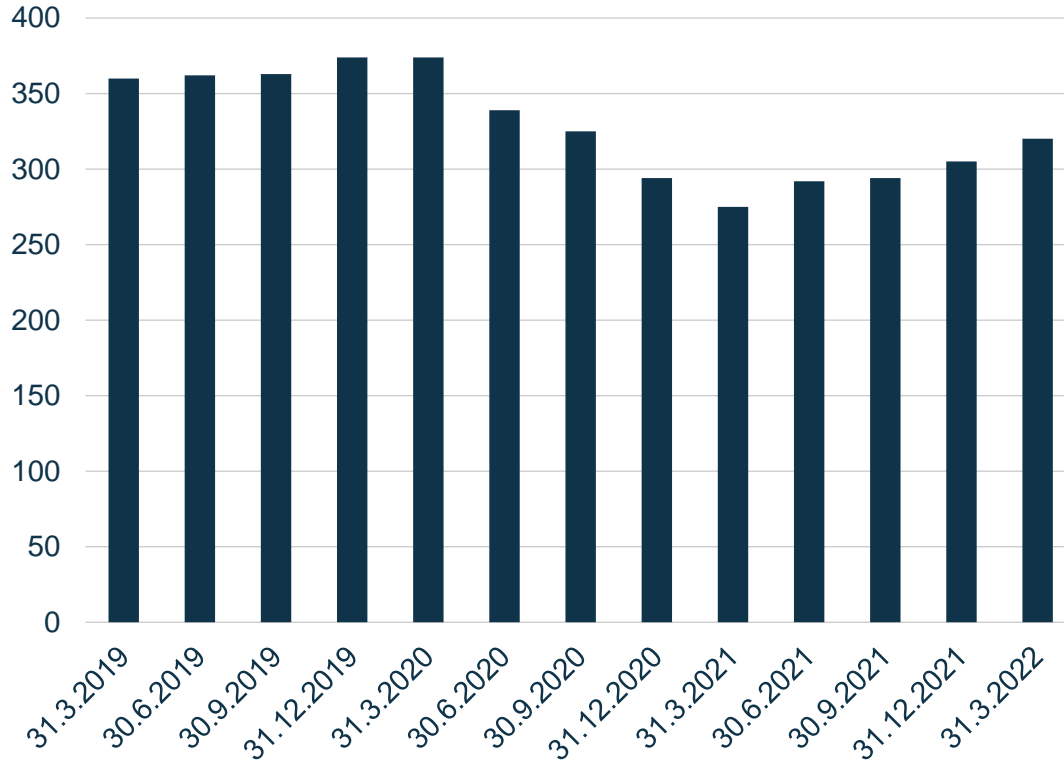
MEUR



Marine Power service agreements

Net sales from installations under agreement increasing

MEUR, 12m rolling



Wärtsilä optimises maintenance and emissions for MMS gas carriers

- The Optimised Maintenance Agreements (OMAs) cover two LNG carrier vessels technically managed and operated by the Japanese shipping group MMS Co., Ltd.
- The agreements are designed to deliver maximised engine uptime and long-term cost predictability, optimising maintenance for highest efficiency and lowest carbon footprint.
- Central to the OMAs value is Wärtsilä's latest digital predictive maintenance solution Expert Insight, that uses artificial intelligence (AI) and advanced diagnostics to monitor onboard equipment and systems in real-time.

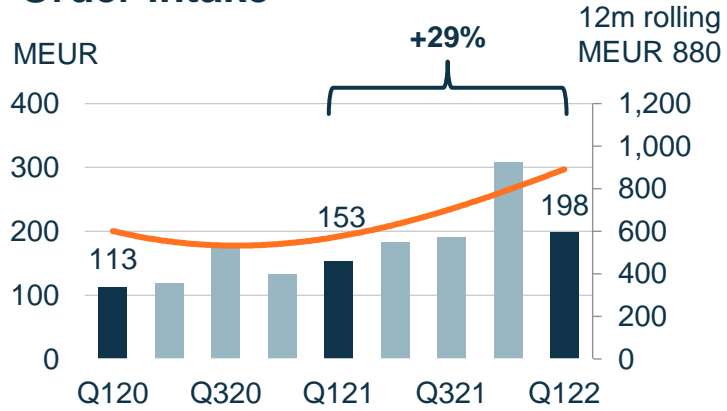
Marine Systems



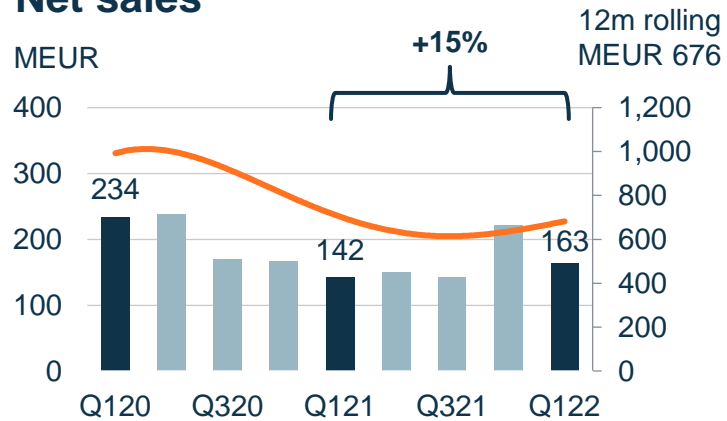
Marine Systems: increase in all key figures

Service order intake increased by 41%

Order intake

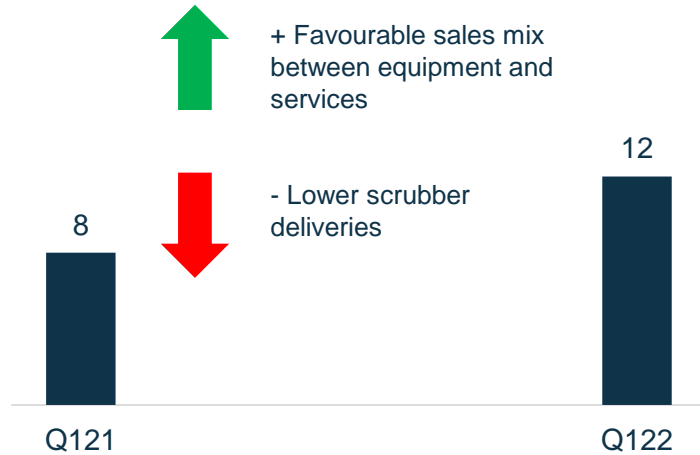


Net sales



Comparable operating result

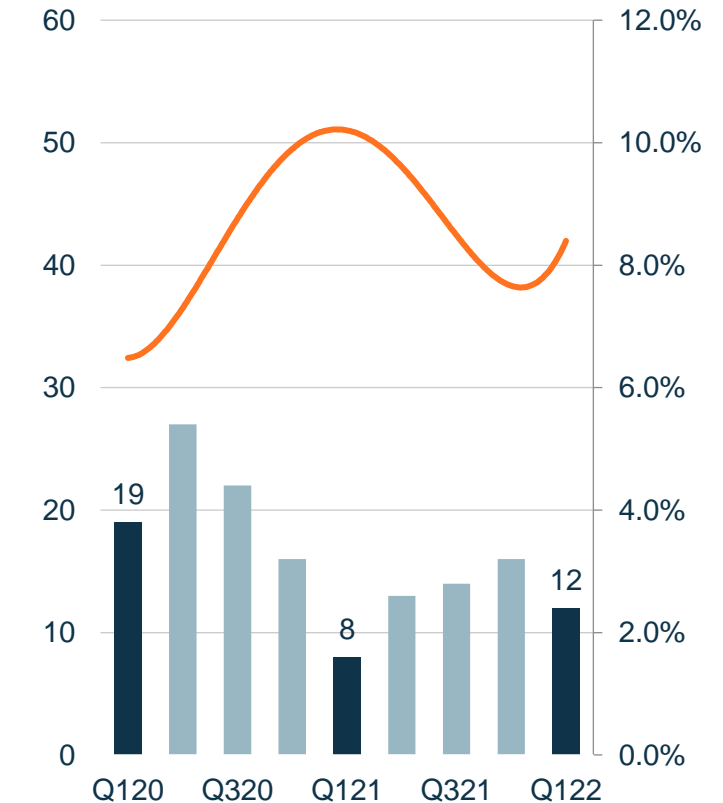
MEUR



Comparable operating result

MEUR

12m rolling 8.3%



Voyage



NOV 0.0°/min

TP-RW Set Actual Next
287.1° 287.1°

Heading 287.1°

Course NN NM NM

Drift Angle 0.0°

Off Course 0.0°

Off Track 0m

Route XTD

Generator Load kW

DIGRESS 1

Active System Route			
Name	Destination		
1	Whisper	Track	Distance
2	Whisper	Track	Distance
3	Whisper	Track	Distance
4	Whisper	Track	Distance
5	Whisper	Track	Distance

Time Schedule to Arrival Point			
Distance To Go	ETA	Time To Go	Speed
111	Required	Actual	111
111	Required	Actual	111
111	Required	Actual	111
111	Required	Actual	111
111	Required	Actual	111

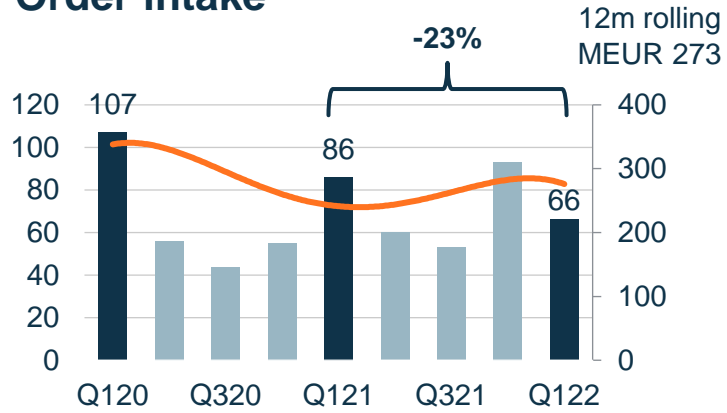
90.6° 180 150 120 90 60 30 0 30 60 90 120 150 180

11kW° 0rpm 11kW° 0rpm

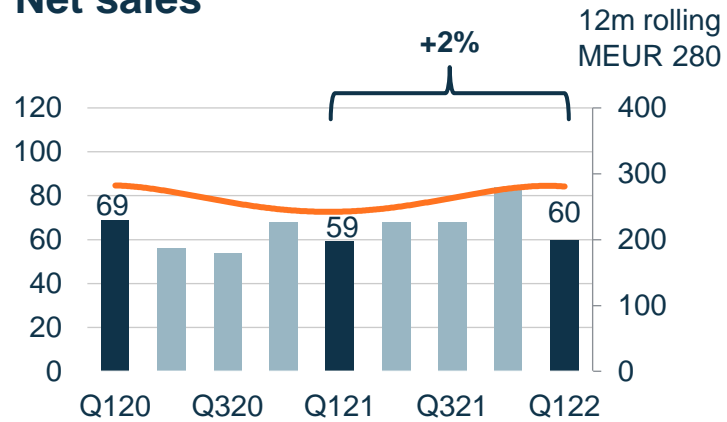
Voyage: order intake and comparable operating result decreased

Profitability burdened by delays and sanctions on Russia

Order intake



Net sales



Comparable operating result

MEUR
Q121



+ Higher service sales



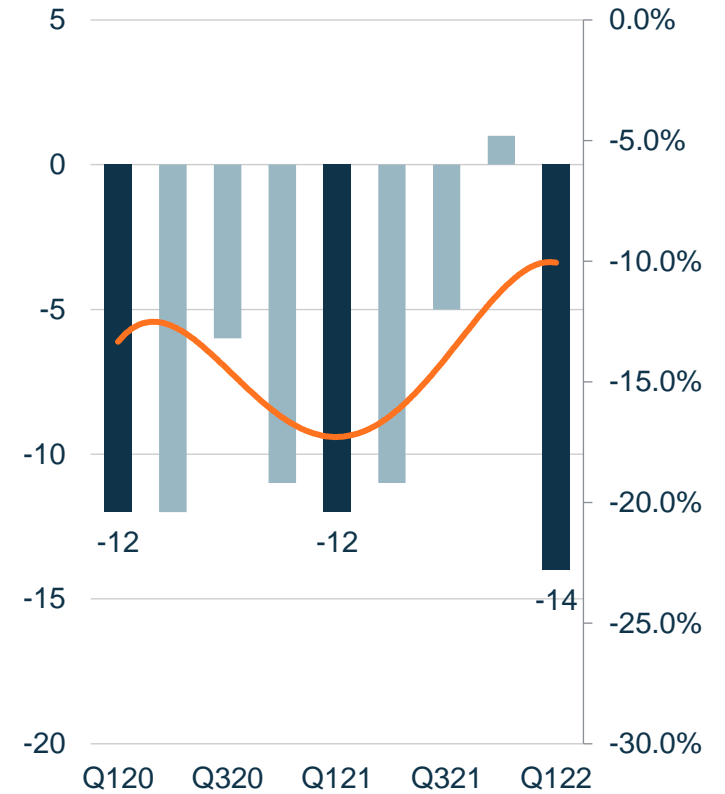
- Delays in projects
- Higher material and transportation costs
- FX impacts
- Cost of building capabilities outside Russia

Q122



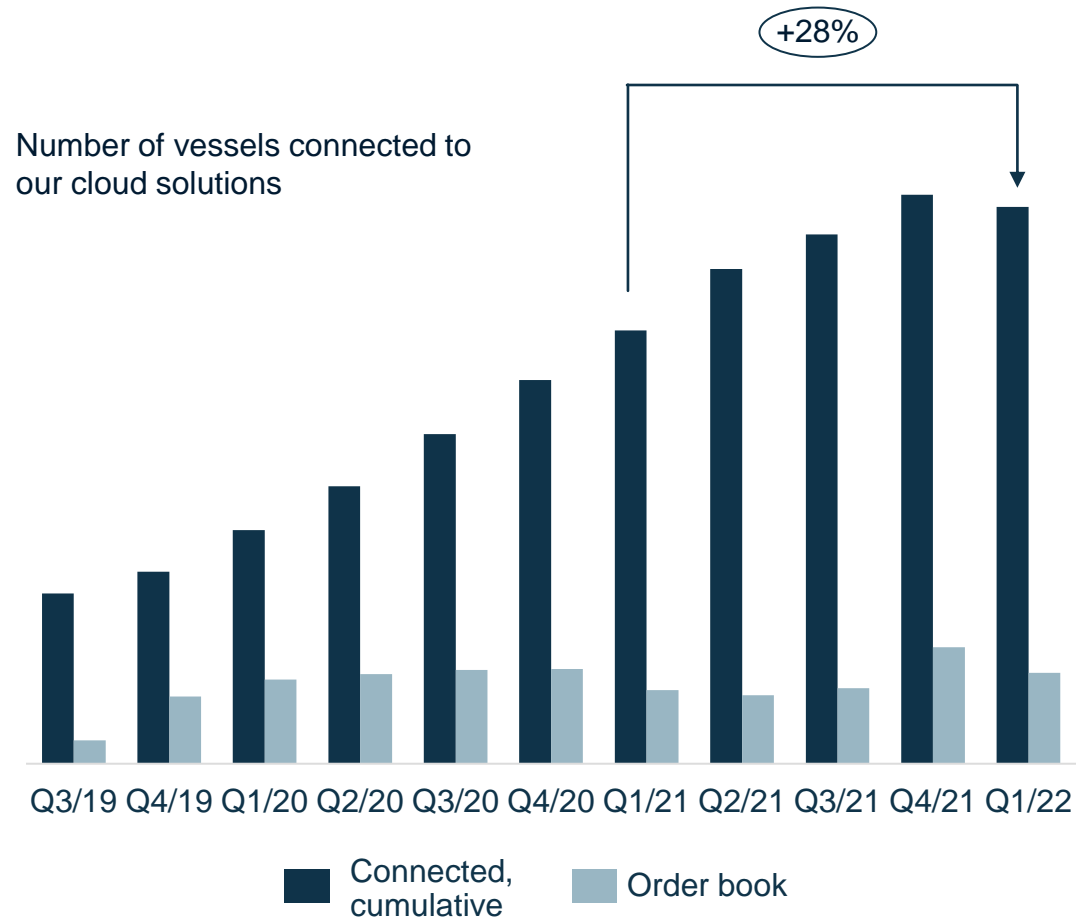
Comparable operating result

MEUR



Voyage cloud solutions

Increase of 28% in connected vessels



Wärtsilä invests in Marindows to support shipping decarbonisation efforts in Japan

- Marindows links edge computing onboard ships with cloud services and shore-based applications to provide a range of maritime specific services to seafarers and vessel operators.
- The collaboration, which will include the areas of vessel optimisation and autonomy, will create significant value for the Japanese market.
- By reinforcing synergies and leveraging a digital ecosystem of applications that run on board and ashore, companies will bring to market safer, greener, and more efficient operations.

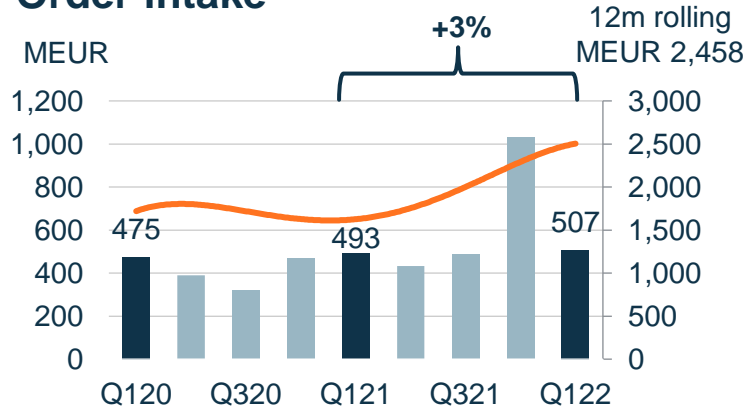
Energy



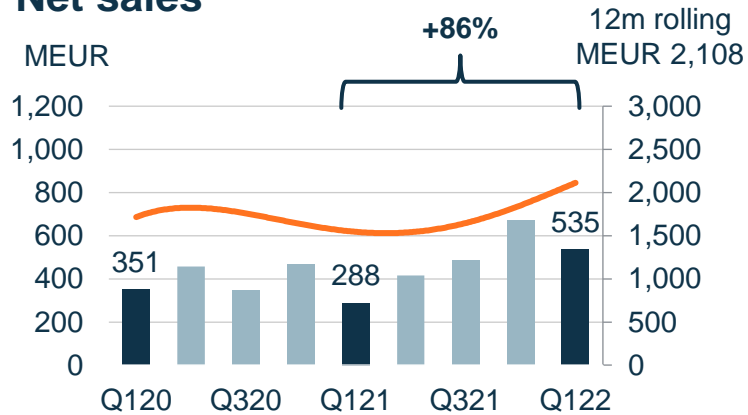
Energy: significant increase in net sales and profitability

Service order intake decreased by 7%

Order intake

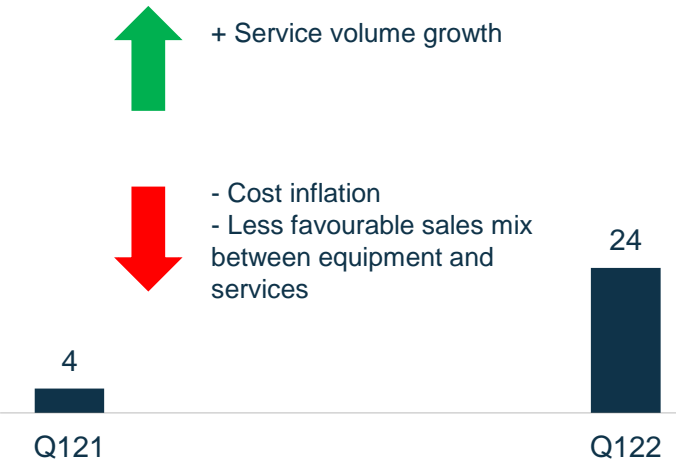


Net sales



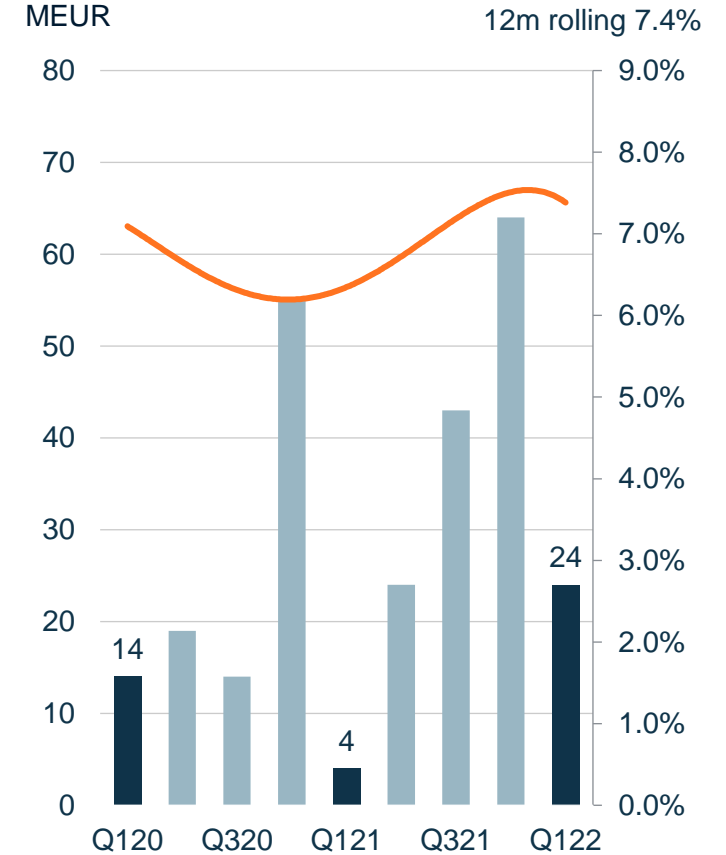
Comparable operating result

MEUR



Comparable operating result

MEUR



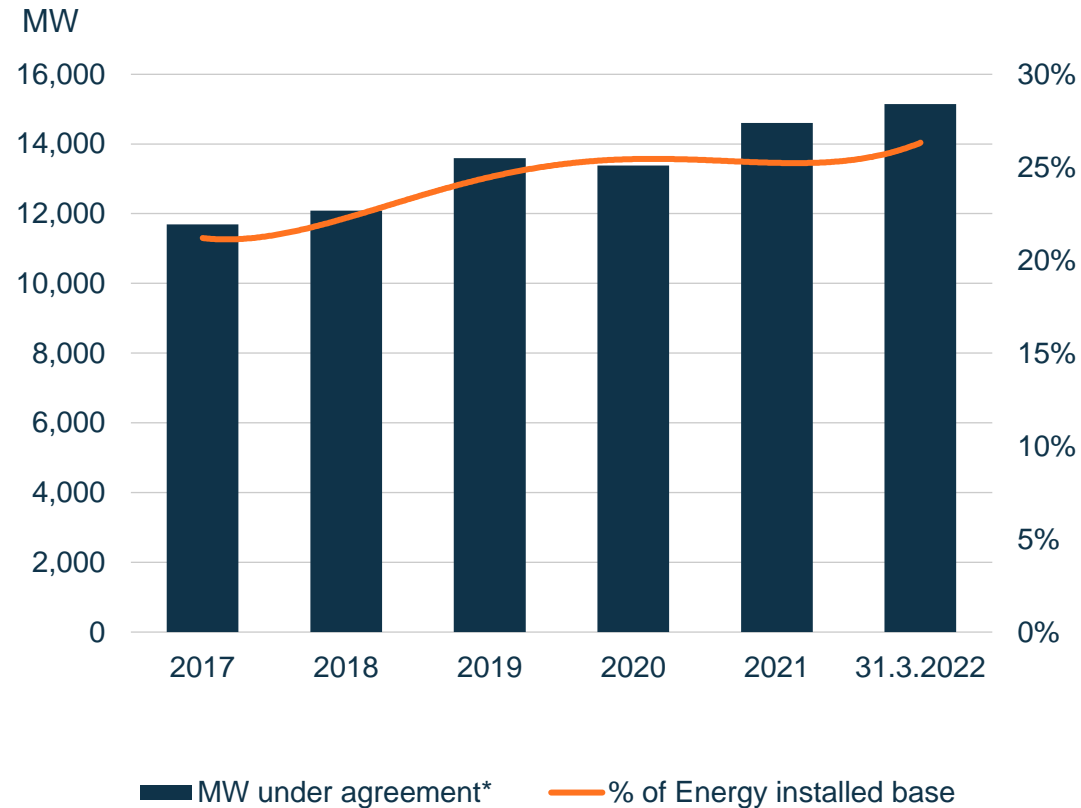


Wärtsilä to supply 110 MW of flexible thermal balancing power to support Italy's increasing focus on sustainable energy

- Wärtsilä's fast-starting internal combustion engine technology will be used to balance the power system and ensure its stability when the share of renewables is increased.
- The order was placed by A2A Gencogas, and it will be delivered on a full engineering, procurement, and construction (EPC) basis in partnership with Italian engineering group Cefla.
- The new plant will operate with six Wärtsilä 50SG gas engines and is expected to become operational in 2023.
- When completed, this will be the largest power plant in Italy operating on gas fuelled internal combustion engines.

Energy service agreements

Installed base covered by long-term service agreements increasing



Wärtsilä Guaranteed Asset Performance agreement will ensure reliability for Senegal power plant

- The 10-year contract covers the 130 MW Malicounda Melec power plant scheduled to be commissioned in June 2022.
- The Wärtsilä Flexicycle power plant will operate with seven Wärtsilä 50 engines. It combines the advantages of a flexible simple cycle operation with the outstanding efficiency of a combined cycle plant.
- The agreement will provide operational reliability with scheduled maintenance and spare parts, as well as heat rate and power output guarantees after major overhauls.

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

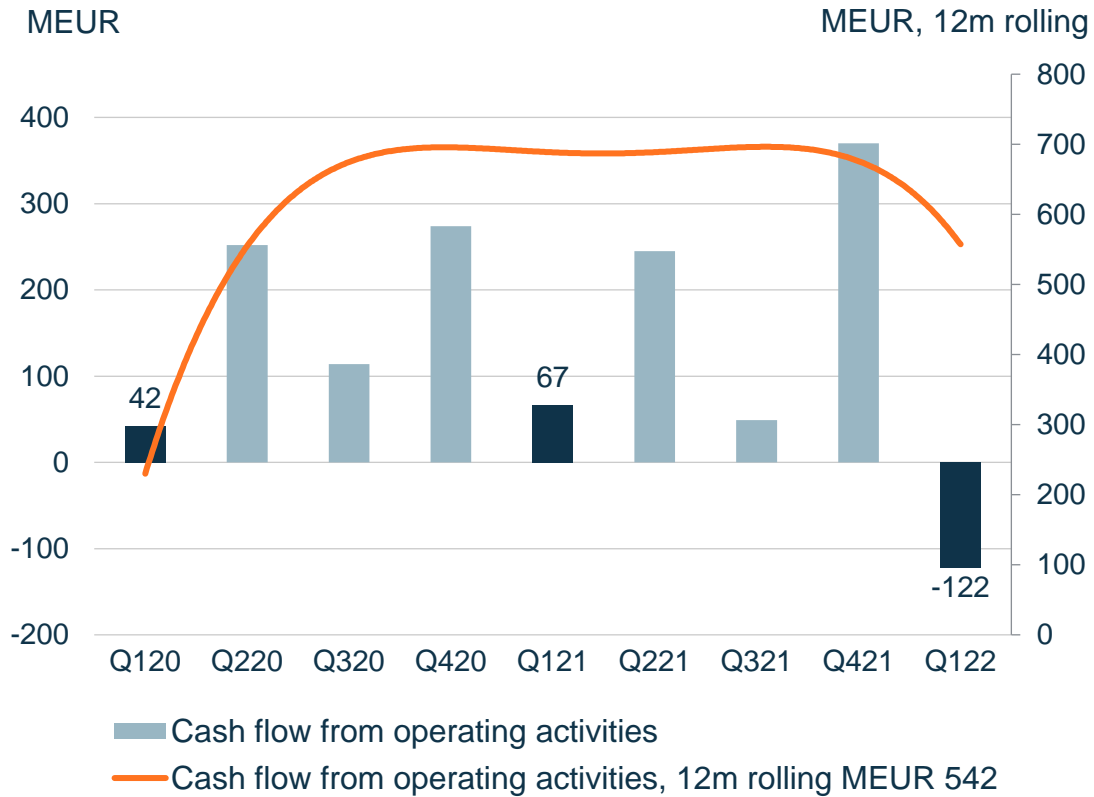
Other key financials

Other key financials

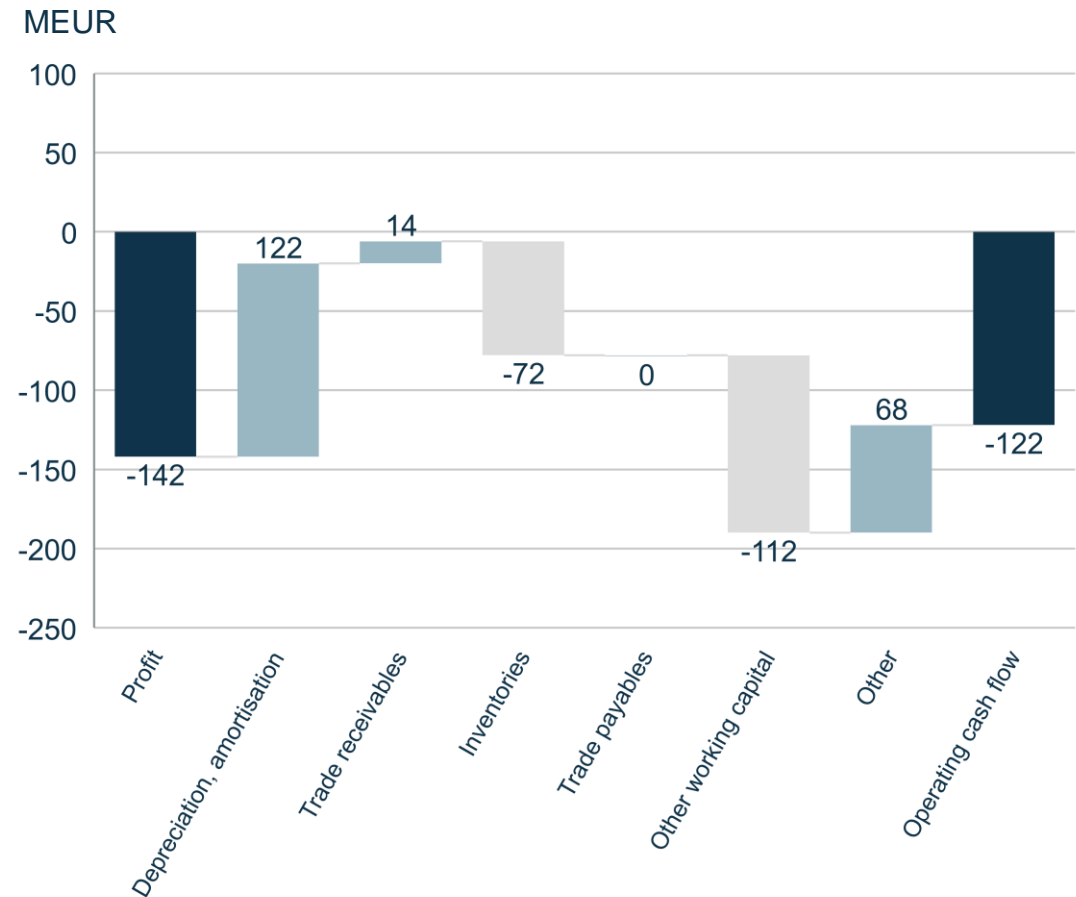
MEUR	1-3/2022	1-3/2021
Cash flow from operating activities	-122	67
Working capital	-18	243
Net interest-bearing debt	276	419
Gearing	0.14	0.20
Solvency, %	35.3	37.0
Basic earnings/share, EUR	-0.24	0.04

Cash flow from operating activities decreased

Cash flow from operating activities



First quarter development





Prospects

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

Q&A

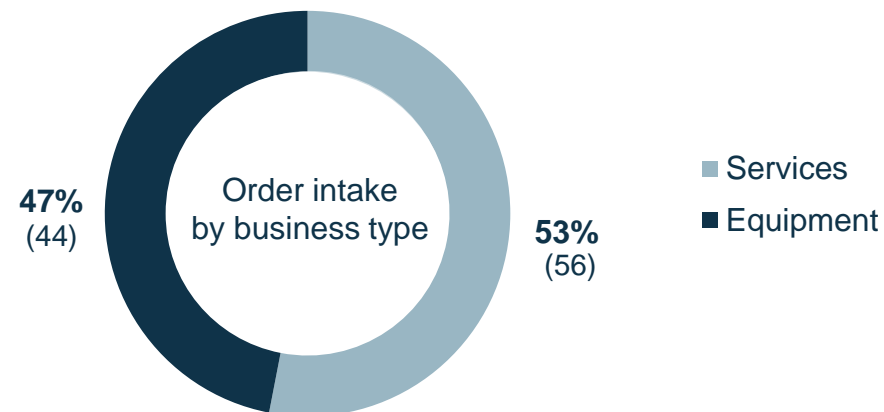
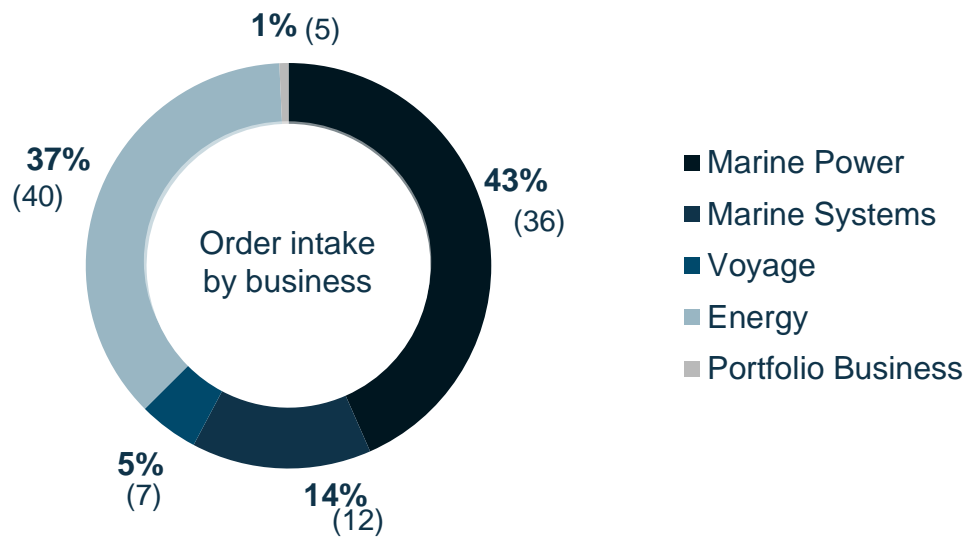


Appendix



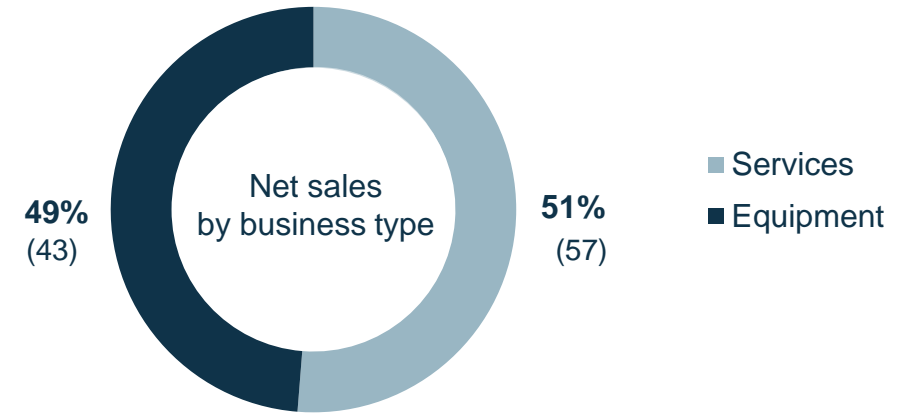
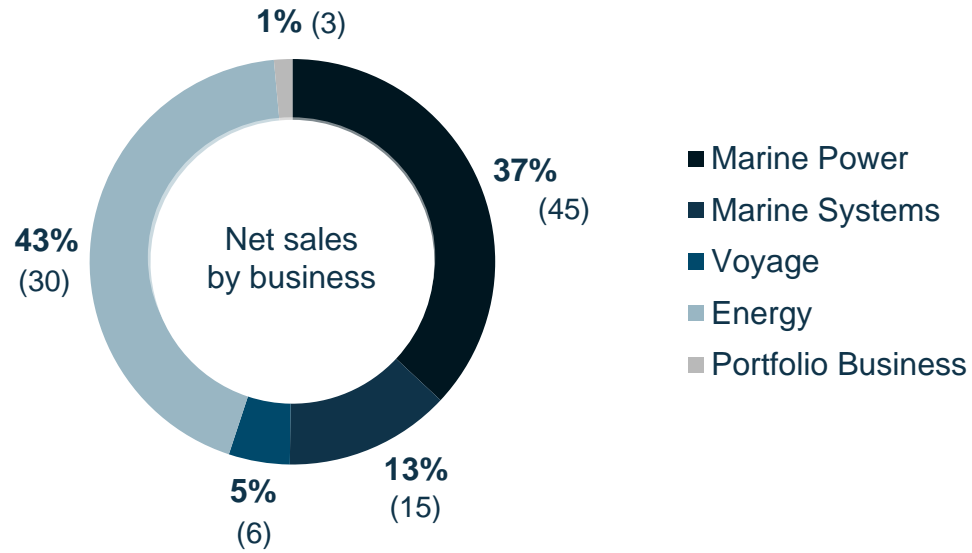
Order intake

First quarter development



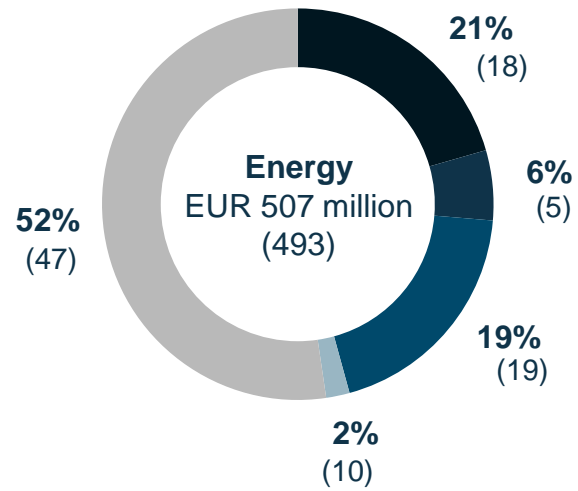
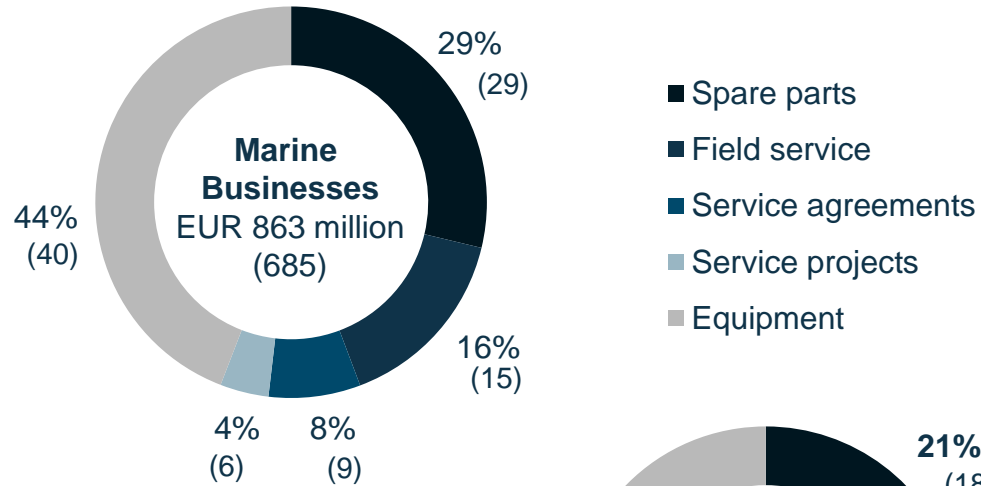
Net sales

First quarter development

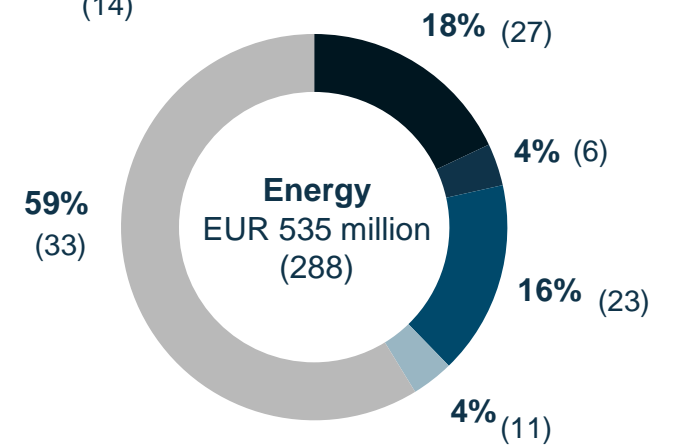
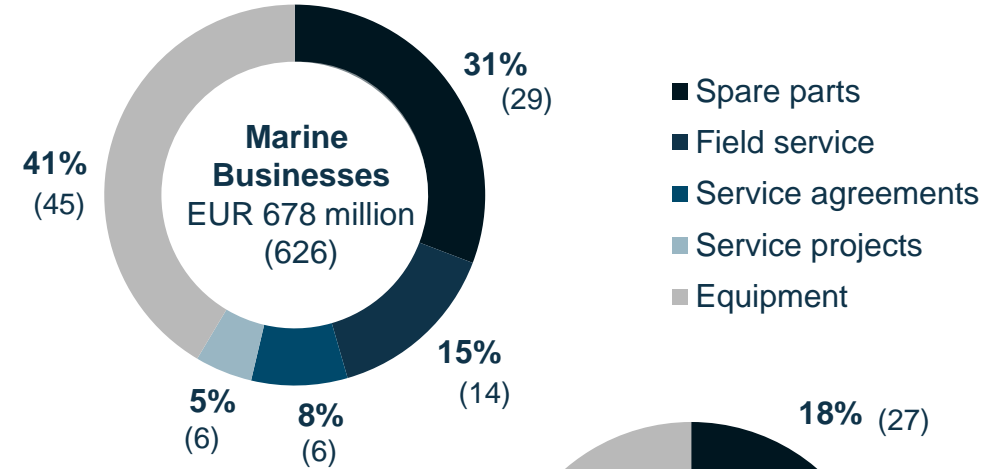


First quarter development by business type

Order intake



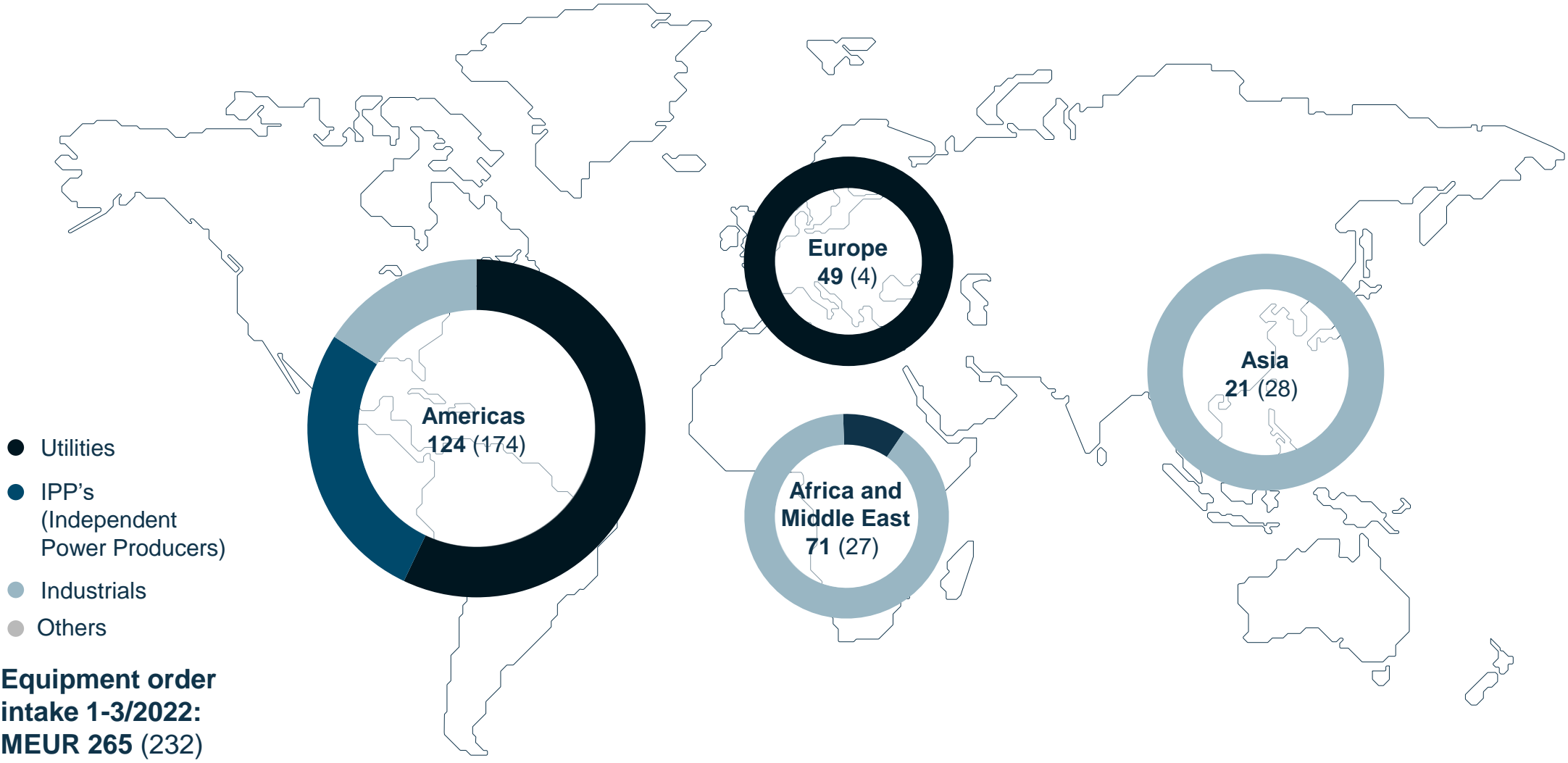
Net sales



January–March order intake by customer segment

Marine Businesses	Gas carriers	Cruise & ferry	Offshore	Navy	Special vessels	Merchant	Other
Marine Power							
Equipment	11% (7)	21% (17)	5% (1)	4% (15)	25% (35)	34% (23)	0% (2)
Services	15% (21)	25% (18)	12% (14)	7% (11)	11% (13)	28% (23)	3% (1)
Marine Systems							
Equipment	7% (57)	3% (18)	1% (0)	60% (5)	0% (0)	8% (19)	22% (1)
Services	1% (3)	7% (13)	4% (6)	23% (32)	7% (-3)	52% (43)	6% (5)
Voyage							
Equipment	0% (0)	26% (33)	8% (5)	1% (5)	3% (22)	32% (18)	29% (17)
Services	0% (5)	20% (15)	4% (4)	1% (5)	3% (7)	55% (64)	16% (1)
Energy							
		Utilities	Independent Power Producers		Industrials	Other	
Equipment		45% (12)	15% (73)		39% (16)	0% (0)	
Services		33% (31)	27% (21)		28% (30)	12% (18)	

Orders received for Energy equipment globally



- Utilities
- IPP's (Independent Power Producers)
- Industrials
- Others

Equipment order intake 1-3/2022: MEUR 265 (232)



WÄRTSILÄ