

WÄRTSILÄ

SHAPING THE DECARBONISATION OF MARINE AND ENERGY

ROADSHOW PRESENTATION
JUNE 2022



MARKET FUNDAMENTALS

MARINE will move with unprecedented speed towards decarbonisation

Policies & regulations

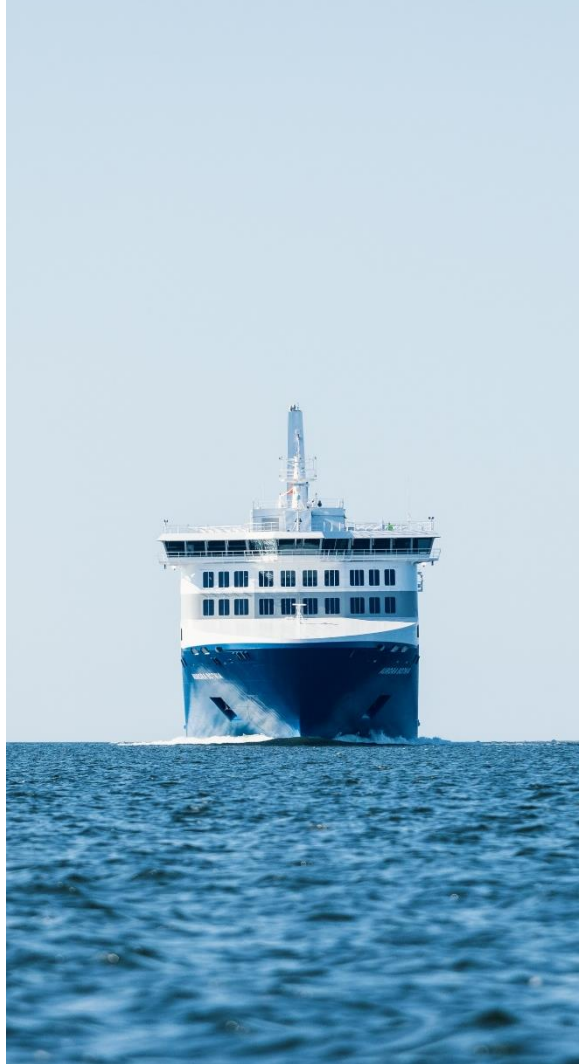
- IMO target
- Access to capital
- Cost of carbon
- Demand for green sea transport

Technology

- Carbon neutral and zero carbon fuels
- Carbon fuels for many years, still
- Abatement technologies
- Battery systems, hybrids & energy saving devices
- Fuel efficiency & flexibility

Connectivity & data

- Vessels as data pools
- Optimisation solutions
- Performance-based agreements
- Cyber security
- Autonomous operations



ENERGY is moving towards a 100% renewables future

Policies & regulations

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

Technology

- Wind and solar growing rapidly
- Intermittent sources requiring balancing power
- Sustainable fuels for thermal balancing
- Digitalisation
- Cyber security

Growing ENERGY demand

- By 2050, electricity generation expected to grow by 3X, renewables by 8X ¹⁾
- By 2030, balancing power market to grow by 10X ²⁾
- Gradual replacement of coal
- Power systems increasingly complex



1) IEA World Energy Outlook 2021 (Net Zero Emissions Scenario)
2) Bloomberg New Energy Outlook 2020, Wärtsilä estimates

The Wärtsilä Way sets the scene for profitable growth

THE WÄRTSILÄ WAY



Purpose

Enabling sustainable societies through innovation in technology and services



Target position

Shaping the decarbonisation of Marine and Energy

- New financial targets
- “Set for 30” – new decarbonisation targets



Strategic priorities

Roadmap to improve performance and reach Target Position



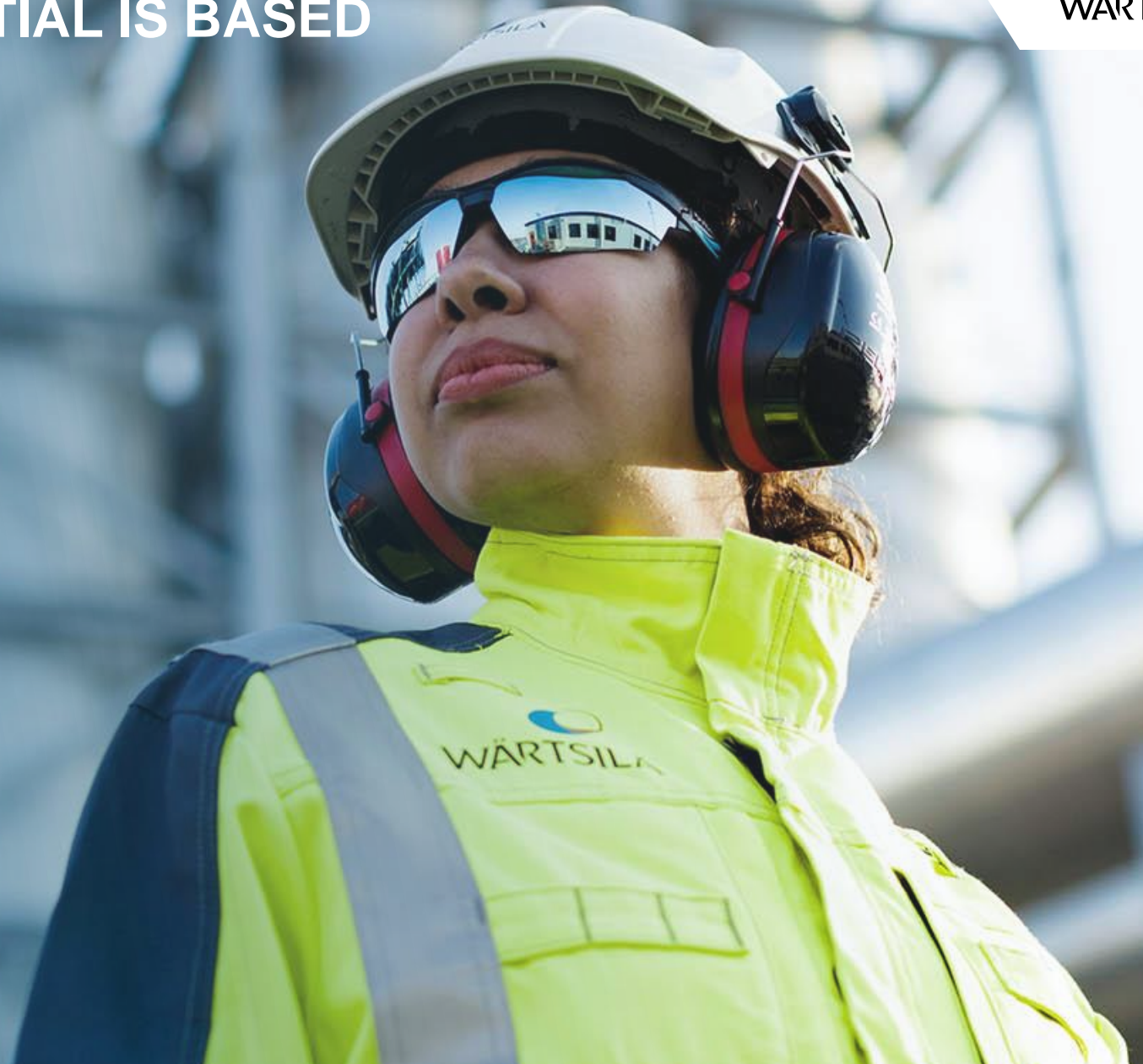
Values

Customer Success, Passion, Performance

OUR VALUE CREATION POTENTIAL IS BASED ON TWO STRATEGIC THEMES

1 TRANSFORM
Decarbonisation creates
new business opportunities

2 PERFORM
Leverage market
recovery and growth



TRANSFORM

Decarbonisation creates new business opportunities

- Maritime is going through an unprecedented rate of change, which is accelerated by regulations and the demand for green transport.
- Also, the energy sector is undergoing a massive transformation as decarbonisation and renewables are fundamentally going to change the way energy is generated.
- We are set for performance and have significant value creation potential to drive this transformation as a technology leader.



1 Major test programme launched, 100% ammonia concept in 2023, 100% hydrogen in 2025



2 Extensive service network, positioned for growth both in transactional services and performance-based agreements



3 First Wärtsilä GridSolv Quantum delivered in the USA



4 First real-life digital port call with Wärtsilä Navi-Port



5 Wärtsilä selected to supply world's largest bioLNG production plant



6 Hitting methanol milestone with first newbuild engine order



7 Ensuring optimal performance and minimal carbon footprint for world's most environmentally friendly ferry

PERFORM

We are ready to leverage market recovery and growth

#1-3 in global markets

FINANCIAL TARGETS:

- 5% annual organic growth
- 12% operating margin

"SET FOR 30"

DECARBONISATION TARGETS:

- carbon neutral in our own operations by 2030
- a product portfolio ready for zero carbon fuels by 2030



Clear financial targets and strong commitment to realise them



Robust capital allocation principles and active portfolio management



Notable opportunity in retrofits and conversions



Extensive service network, positioned for growth both in transactional services and performance-based agreements

Focus on:

- High performing teams
- Performance excellence and robust execution
- Continuous improvement
- Cost structure – actions taken whenever and wherever necessary

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

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

Ambitious decarbonisation targets for 2030

To provide a product portfolio which will be ready for zero carbon fuels

To become carbon neutral in our own operations

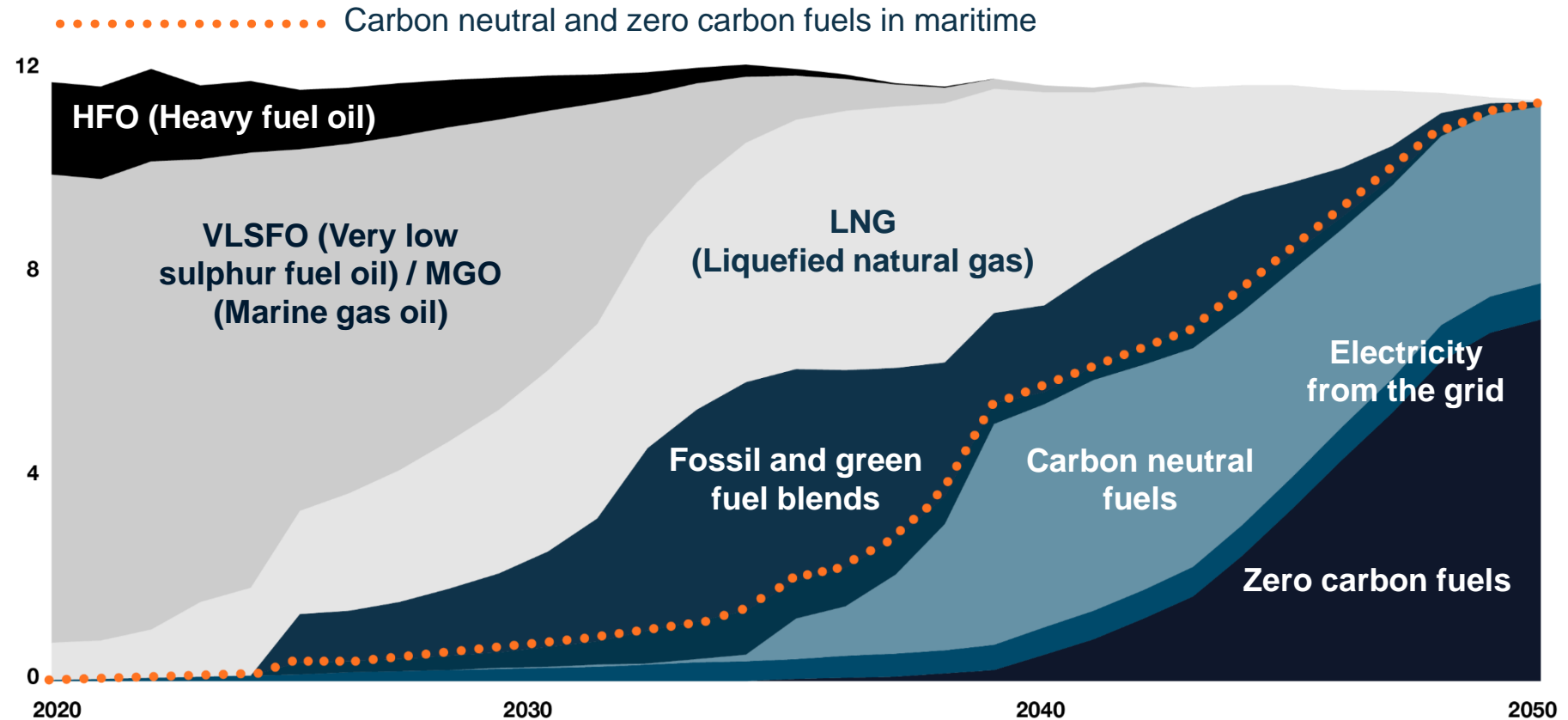
SUPPORTING DECARBONISATION IN MARINE

OWNERS WILL DECIDE ON TECHNOLOGY PARTNERS NOW:

- Vessel life is 25-30 years
- Critical decision criteria:
 - Multifuel capabilities for blending with green fuels
 - Conversion capabilities for future fuels

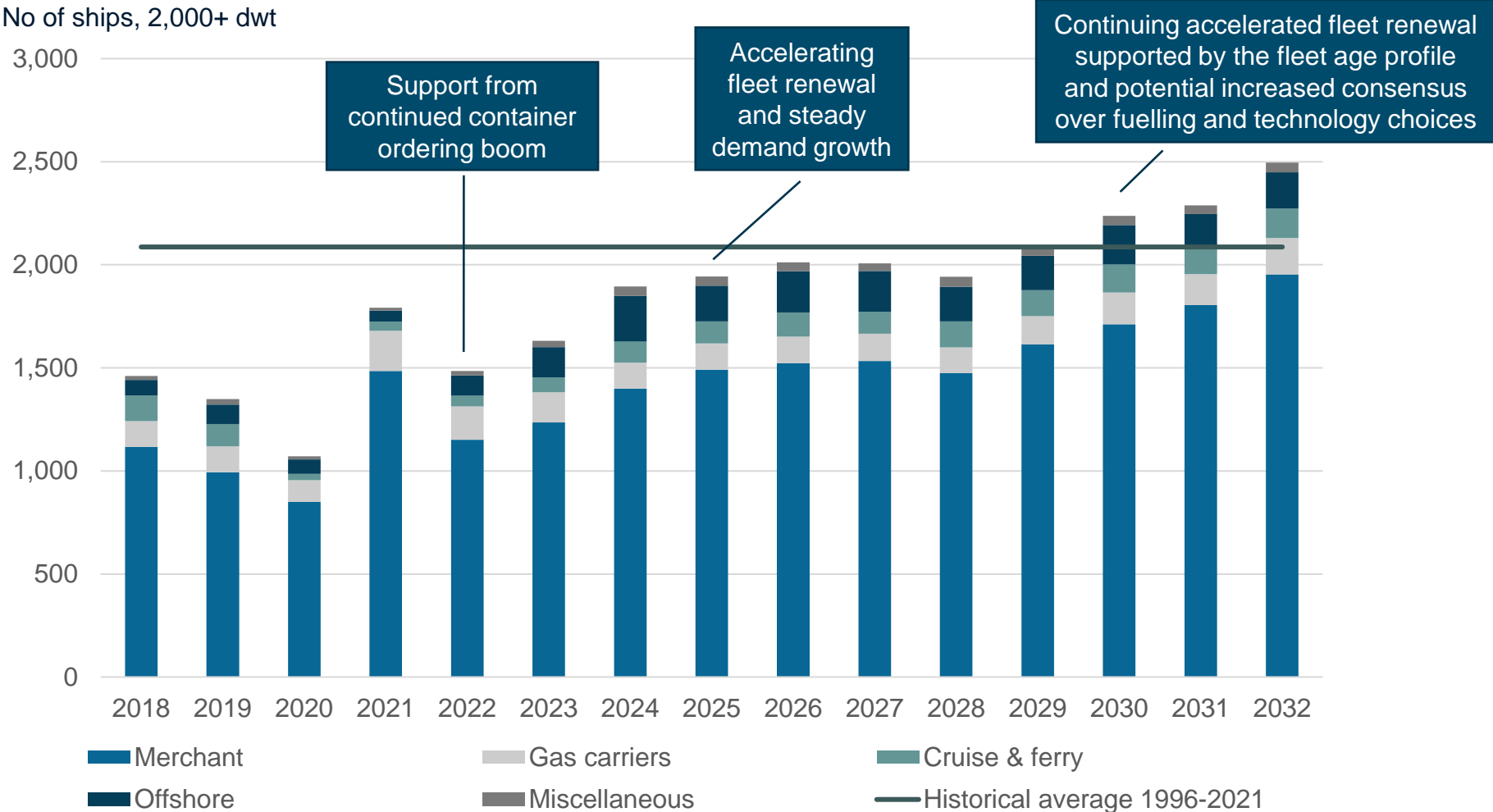
MOVE FROM A SINGLE-FUEL INDUSTRY TO A MULTI-FUEL ONE

Distribution of fuel types for Decarbonisation 2050 (1.5°C scenario), exajoule



Source: DNV Maritime Forecast 2050 model, Wärtsilä internal estimates

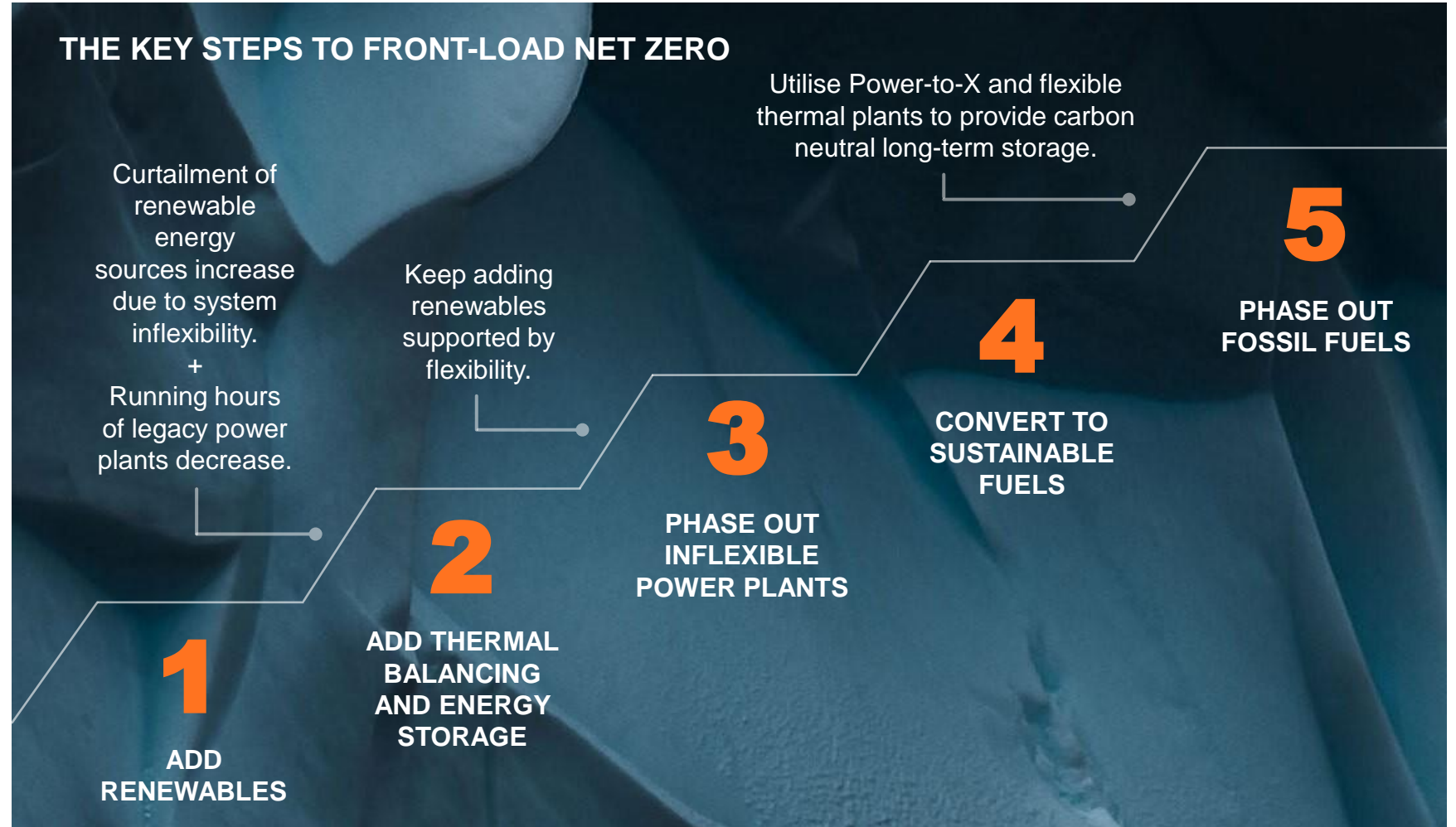
Vessel contracting expected to decline in 2022



Source: Clarksons Research, March 2022

SUPPORTING DECARBONISATION IN ENERGY

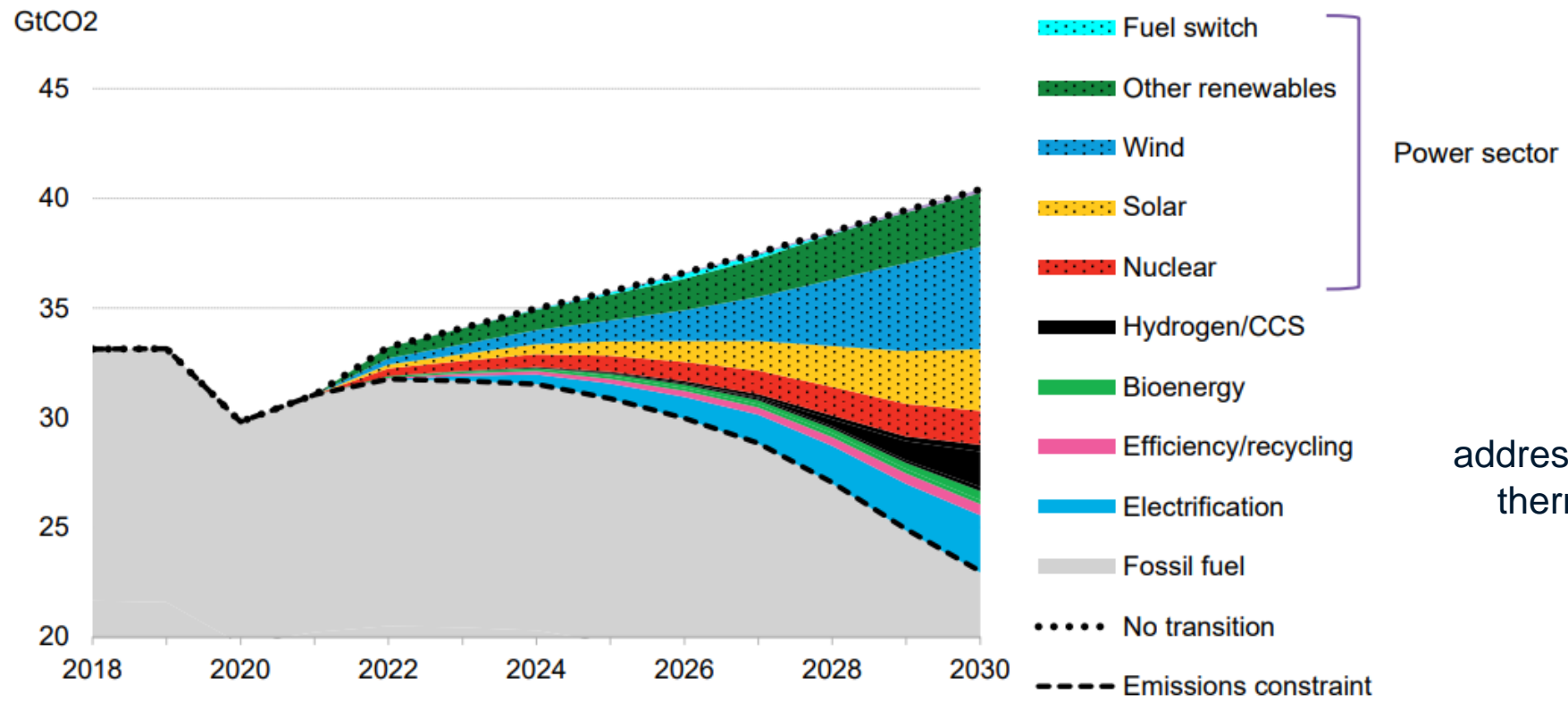
- Wind and solar are intermittent power sources
- Flexible balancing power needed to stabilize the power system: balancing power market expected to grow by 10X ¹⁾
- Reciprocating engines ideally suited to provide balancing power
 - Energy efficient
 - Fast ramp up/ramp down
 - Fuel flexible
- Today running on gas, tomorrow on green fuels



1) by 2030. Source: Bloomberg New Energy Outlook 2020, Wärtsilä estimates



Renewable energy plays a key role in energy sector emissions abatement

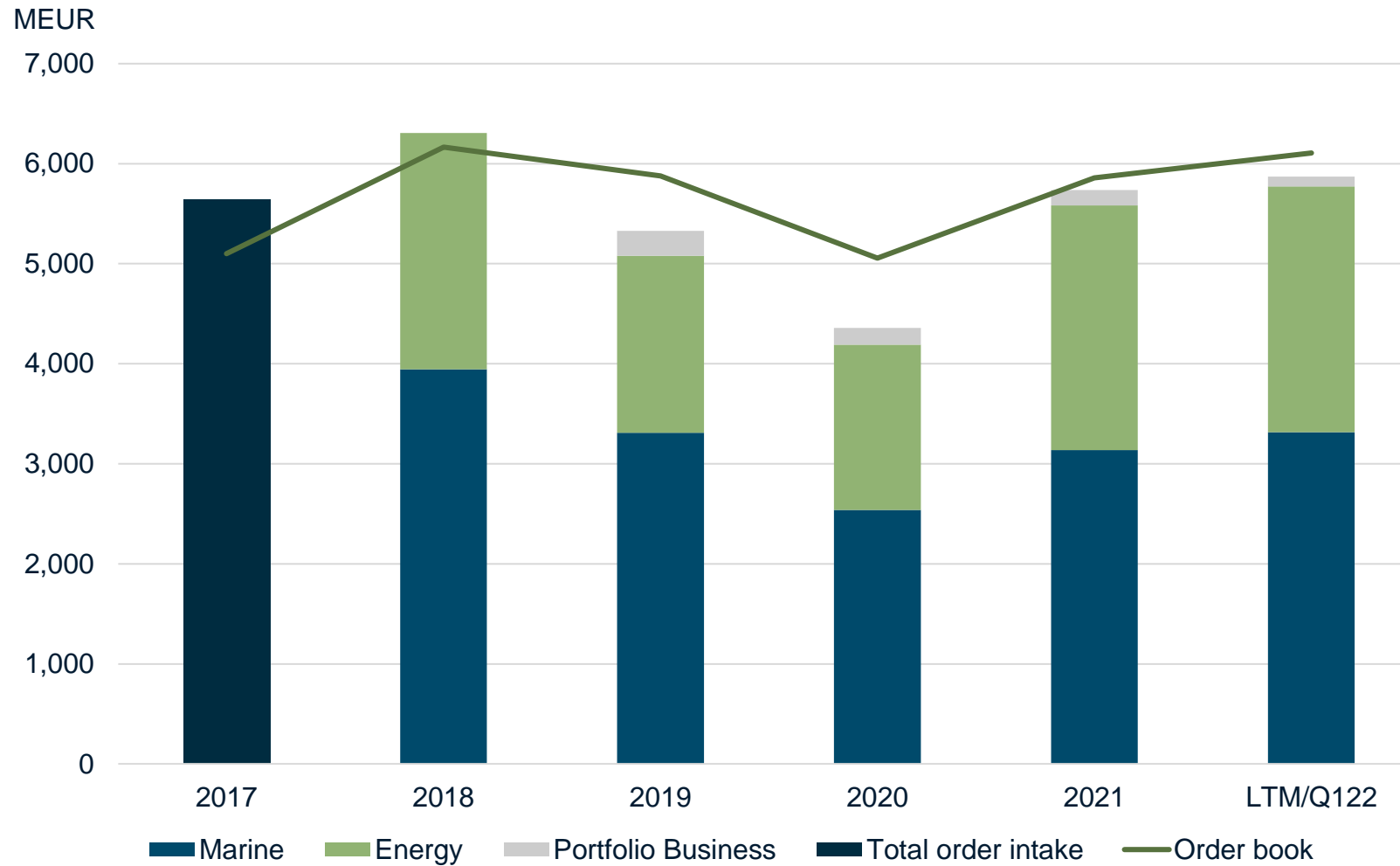


Estimated growth of the addressable annual markets of thermal balancing (GW) and energy storage (GWh) 2020–2030:
+30% p.a.

Source: Bloomberg New Energy Outlook 2021

Source: Bloomberg New Energy Outlook 2020, Wärtsilä estimates at Capital Markets Day 2021

ORDER INTAKE AND ORDER BOOK IMPROVED



Increasing adoption of intermittent renewable energy is accelerating the need for flexible balancing power

Omaha PPD 156 MW - USA



Wärtsilä's technology with fast-starting internal combustion engines will be used to **balance the power generation** to the grid and **ensure system stability**

AGL 250 MWh - Australia



The battery energy storage system will support both thermal and renewable generating assets, and help Australia to **decarbonise** and transition towards **100% renewable energy future**

BTG 150 MW - Brazil



Wärtsilä gas power plants feature **high efficiency** at any load, and can reach **full output power within minutes**, an essential benefit in systems integrating higher levels of renewable energy

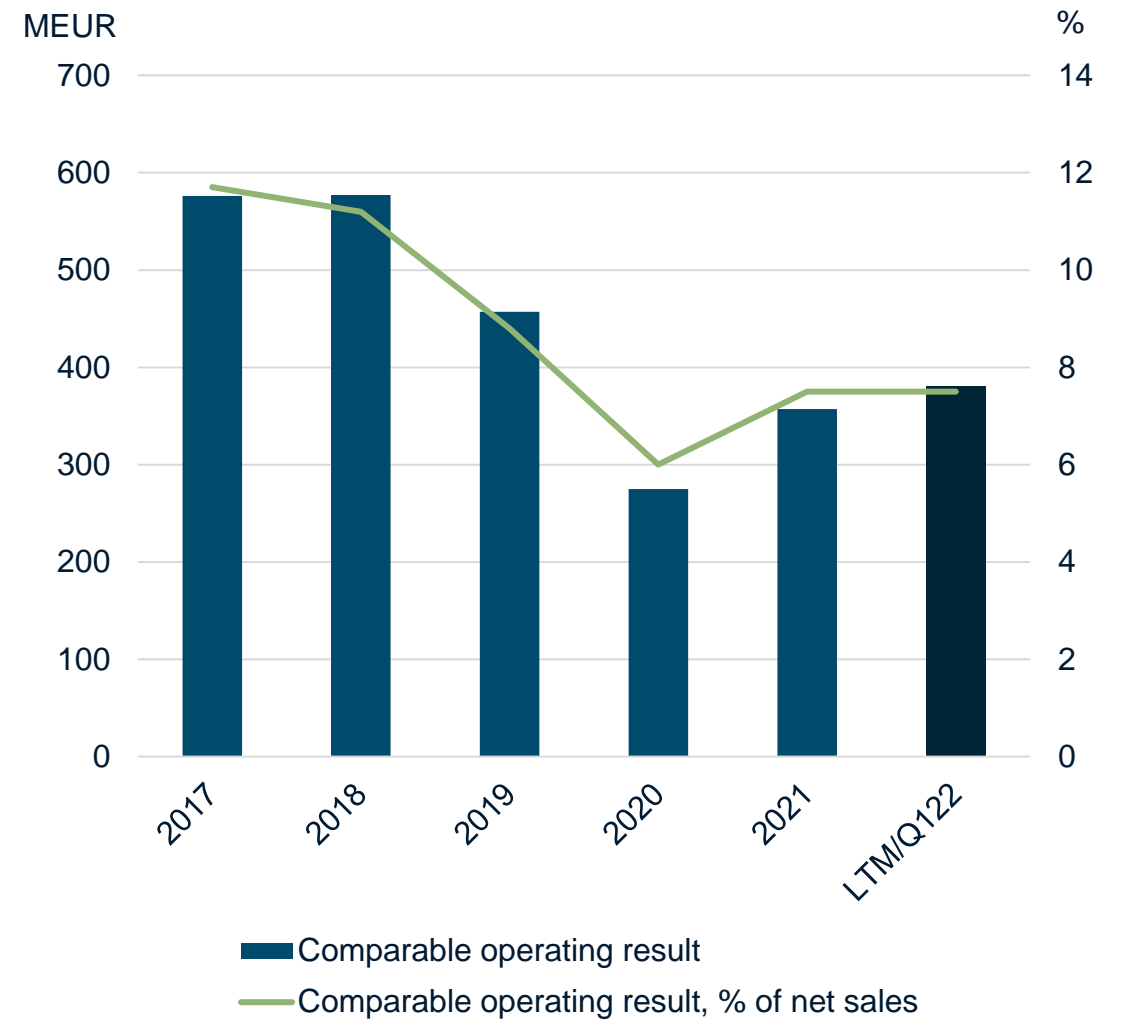
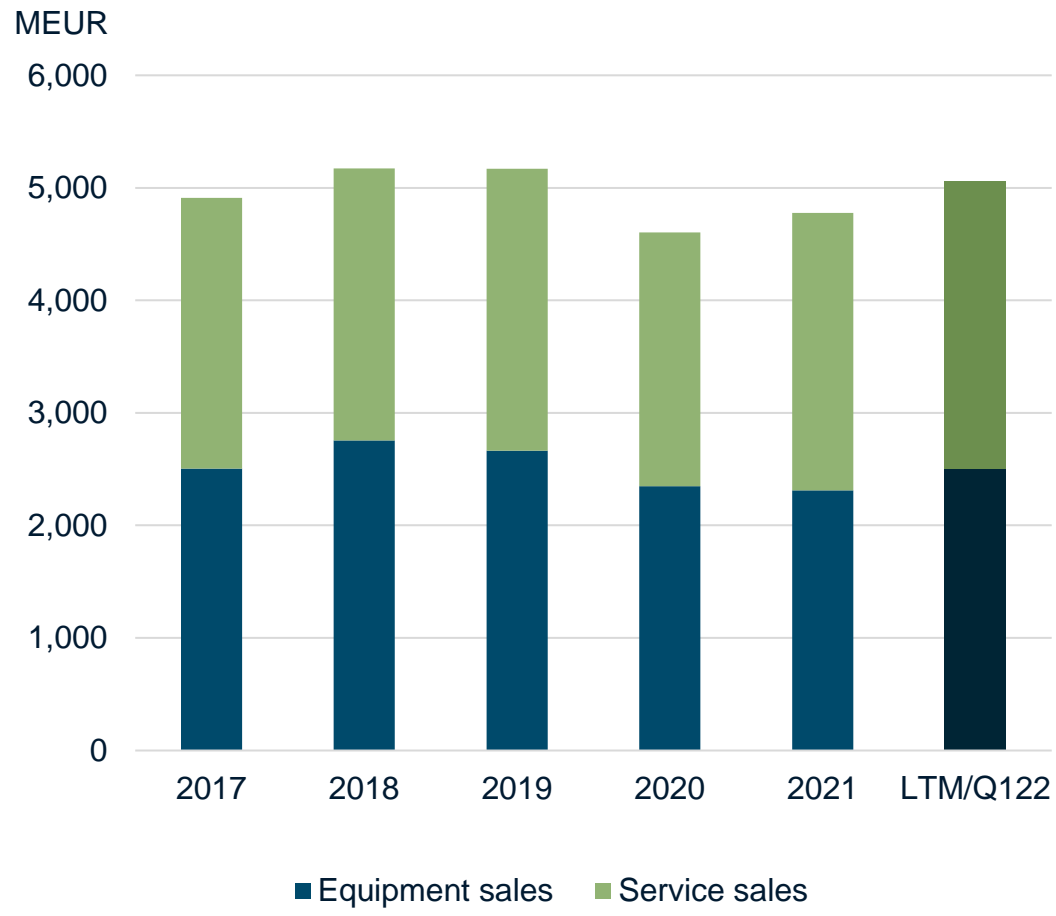
CFE 600 MW - Mexico



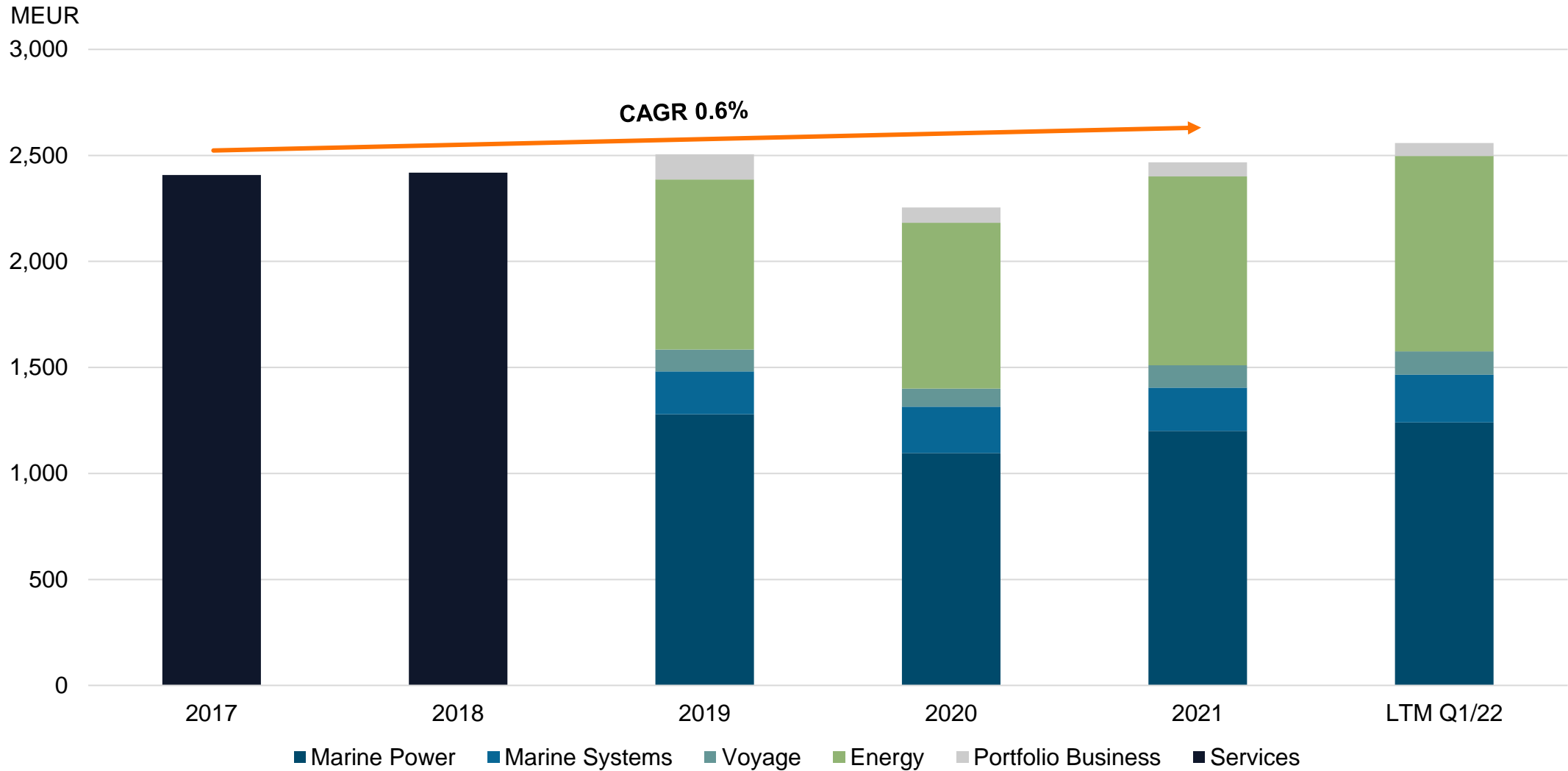
The two plants will operate continuously during summer months, **meeting the high electricity demand** in the region, while being used to provide **grid balancing service** for the remainder of the year



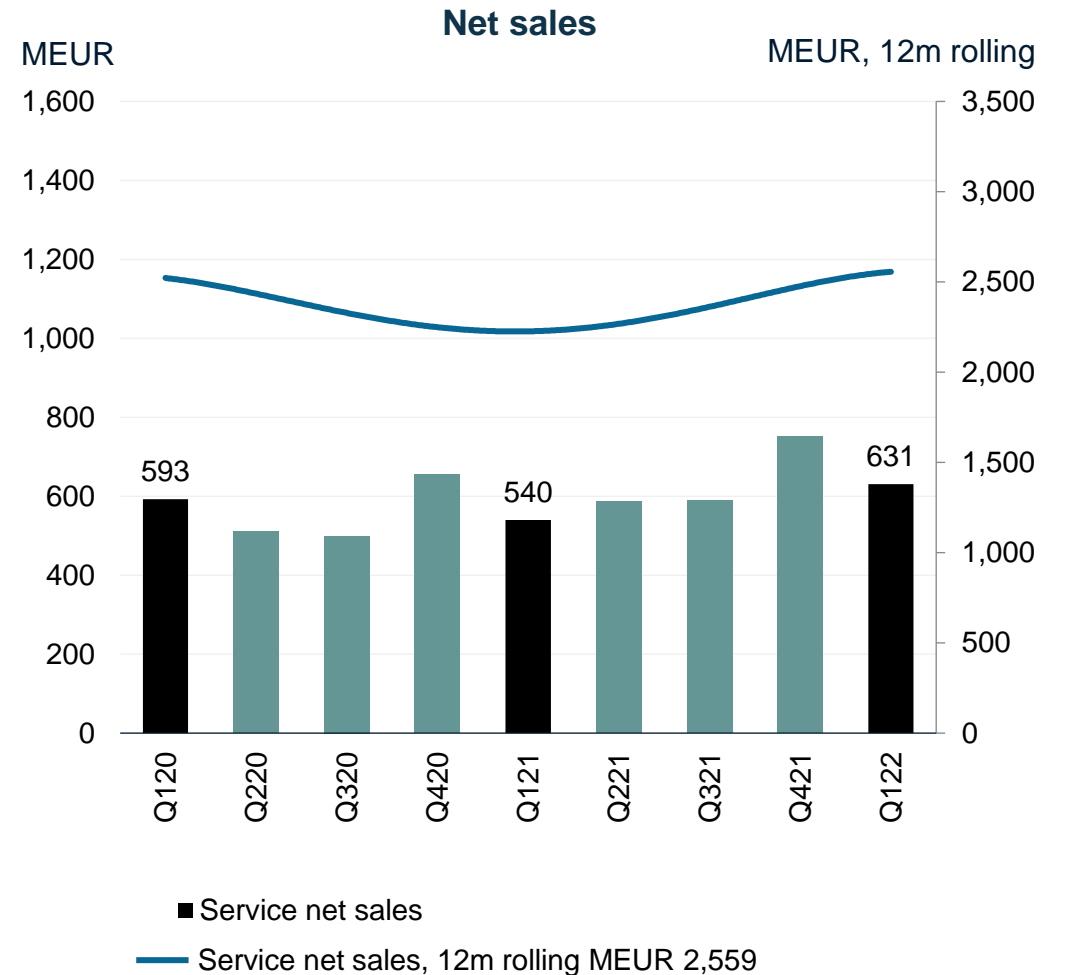
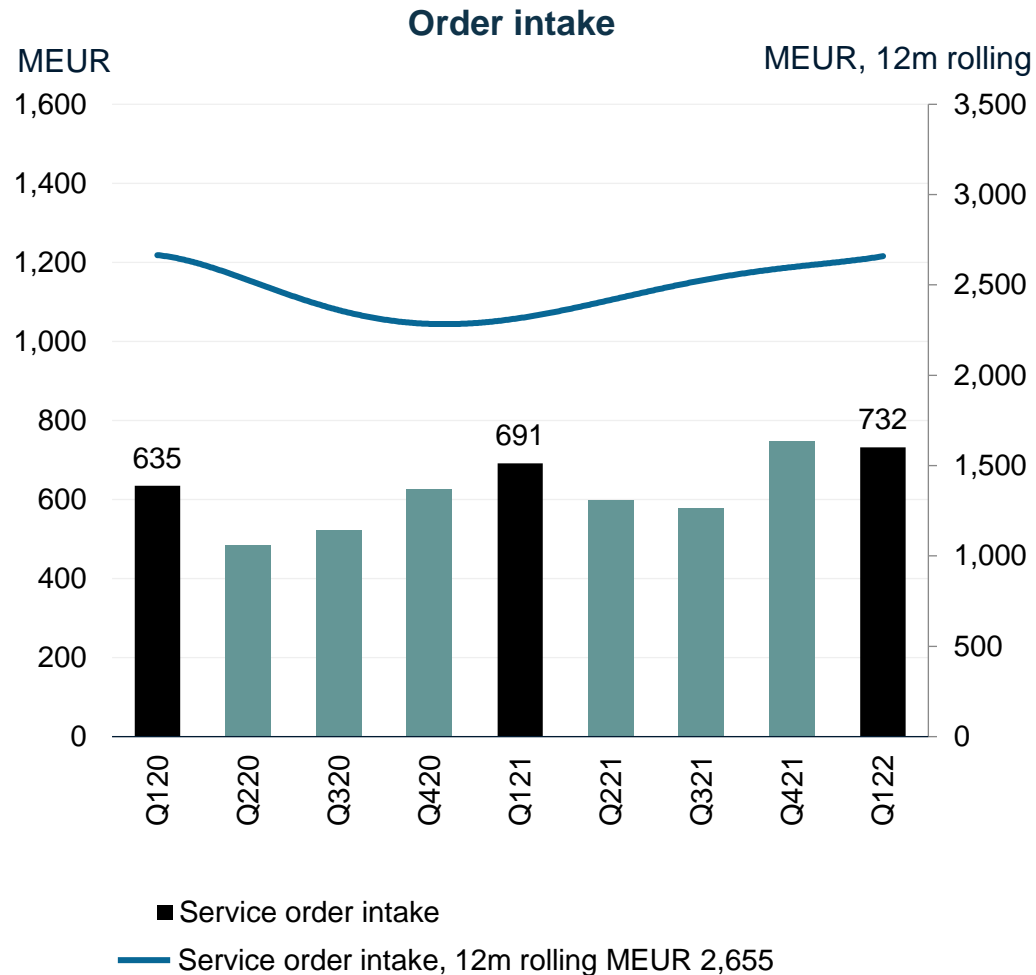
NET SALES AND COMPARABLE OPERATING RESULT INCREASED



SERVICE NET SALES BY BUSINESS



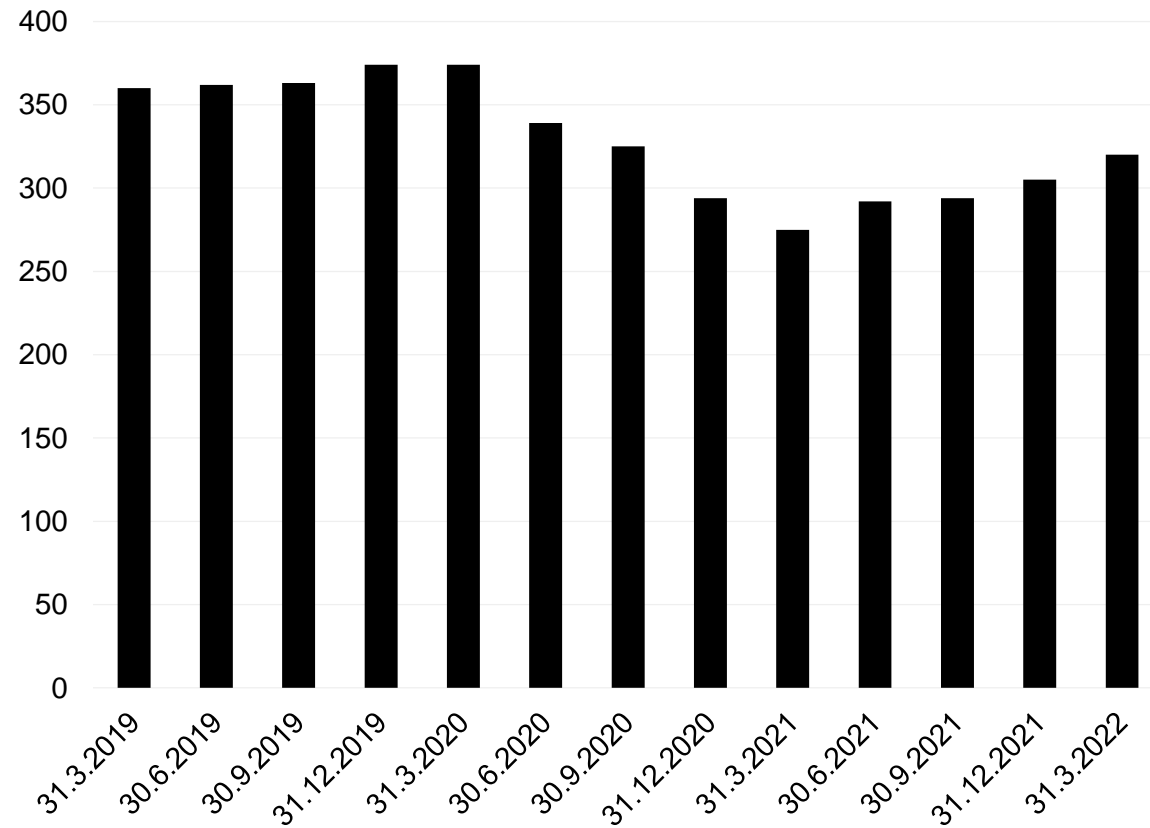
Service orders and sales both increasing



Positive development in both Marine and Energy service business

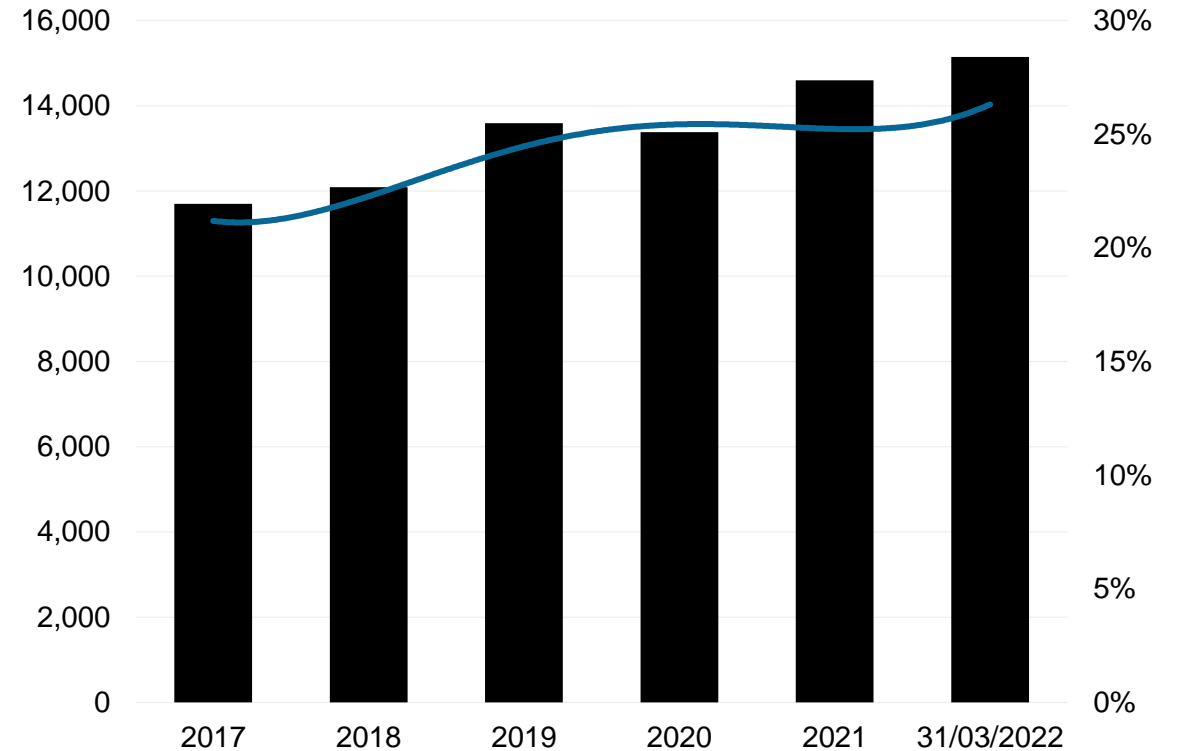
Marine Power net sales from installations under agreement

MEUR, 12m rolling



Energy installed base covered by service agreements

MW



■ MW under agreement* — % of Energy installed base

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

Wärtsilä and Carnival Corporation join forces in fleet decarbonisation programme

- As announced on 22 April, Wärtsilä is to deliver its new decarbonisation modelling service to Carnival Corporation, as the cruise group aims to reduce greenhouse gas emissions across its fleet.
- Initially tasked with establishing an optimal decarbonisation path for the cruise ship 'Regal Princess', the project will expand to model solutions which could be applied to the entire Carnival fleet.
- Modelling capabilities and machine-learning algorithms developed by Wärtsilä will deliver a detailed analysis of vessel operational data.
- The model will be used to simulate the impact of several technologies and identify the most beneficial retrofittable solution, while minimising the required installation.
- The contract was signed in December 2021 and the project commenced in February 2022.



Wärtsilä introduced decarbonisation services to support Energy customers aiming at net zero CO₂ emissions

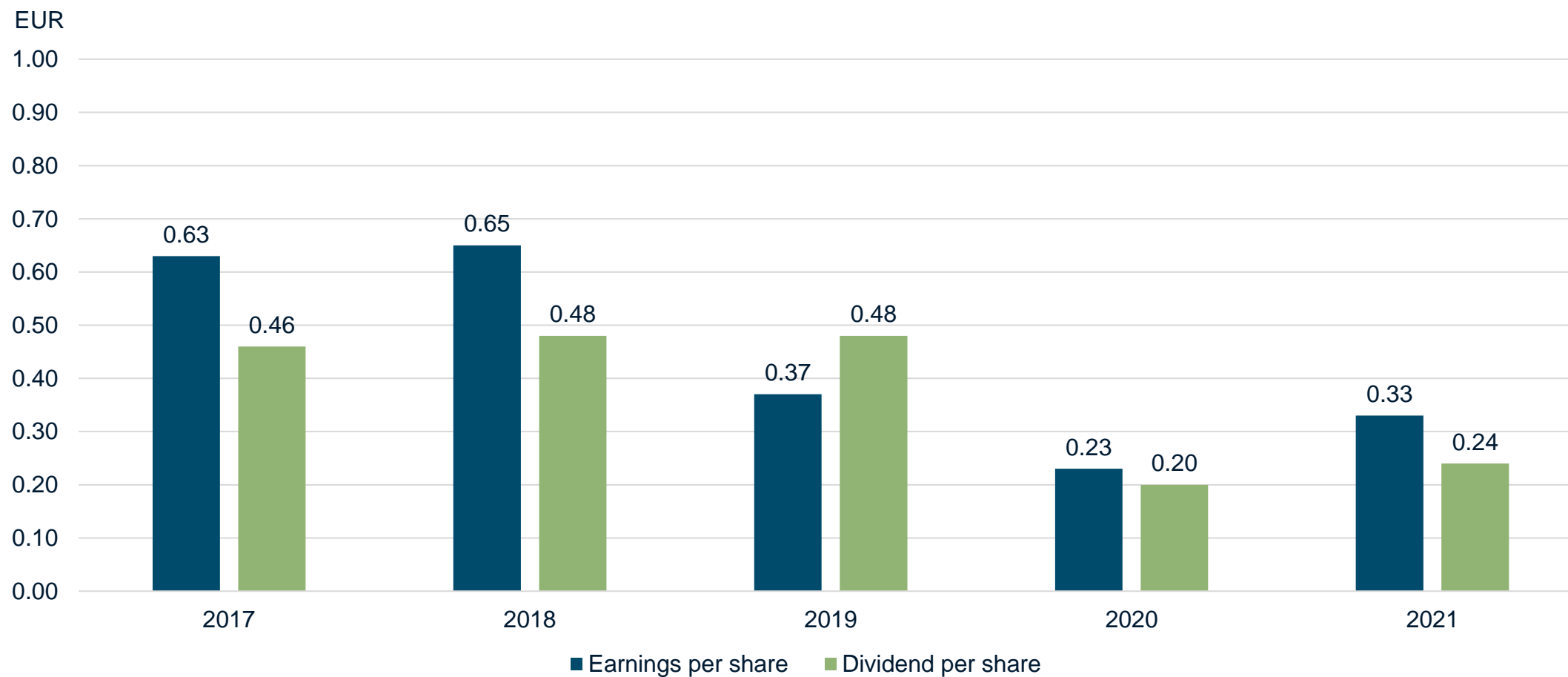


- As announced on 11 May, Wärtsilä's strategy for shaping the decarbonisation of the energy sector is strengthened with the introduction of the company's decarbonisation service concept.
- Decarbonisation services are designed to support customers in identifying and implementing the solutions needed to decarbonise their power systems, taking into consideration their long-term planning and CO₂ emission reduction targets.
- The service utilises Wärtsilä's sophisticated power system modelling and optimisation tools alongside in-house expertise to reduce emissions and ensure power availability with the lowest levelized cost of electricity.
- The service concept will initially focus on existing Wärtsilä customers in the mining and industrial sectors, as well as small-scale power utilities.
- The service is carried out in a long-term partnership with the customer and is outcome-based, with Wärtsilä's success tied to the customer's.

STRONG BALANCE SHEET

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

COMMITTED TO PROVIDING SHAREHOLDER RETURNS



Strong presence in sustainable development indices

Member of
**Dow Jones
Sustainability Indices**

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Sustainability Yearbook

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S&P Europe 350 ESG Index

Wärtsilä is very well-positioned for the decarbonisation transformation

Leader in

- **Carbon neutral & zero carbon fuels**
 - Available today: biofuels, methanol, up to 25% hydrogen blends
 - 2023: ammonia concept
 - 2025: 100% hydrogen concept
- **Energy efficient fossil fuels**
- **Power system optimisation**
 - Energy storage
 - Thermal balancing power

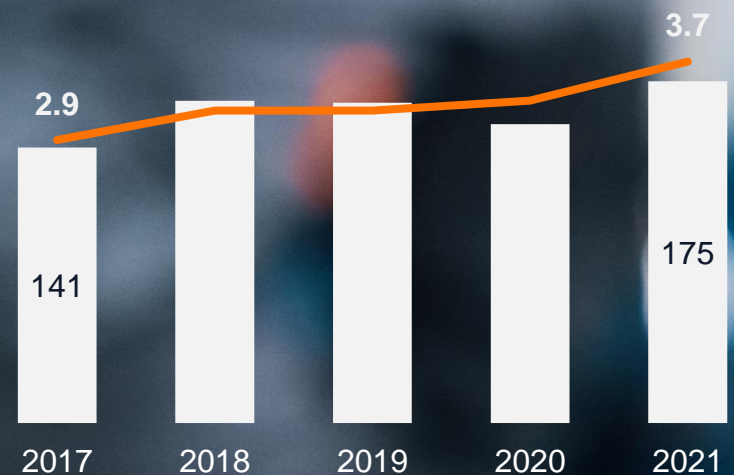
Pioneer in

- **Marine electric drivetrain**
- **Marine carbon capture**
- **Marine optimisation and autonomous solutions**
- **Partnering for complementary technologies**
 - Fuel cells
 - Air lubrication
 - Flettner rotors

AMMONIA NH_3

WÄRTSILÄ 

WE CONTINUE INVESTING IN INNOVATION TO ENSURE A BROAD, INDUSTRY-LEADING SOLUTION OFFERING



■ R&D expenditure, MEUR — % of net sales

SIGNIFICANT VALUE CREATION POTENTIAL

PURPOSE



ENABLING SUSTAINABLE SOCIETIES THROUGH INNOVATION IN TECHNOLOGY AND SERVICES



COMMITTED TO TARGETS

FINANCIAL TARGETS

- 5% annual organic growth
- 12% operating margin

"SET FOR 30" – DECARBONISATION

- A product portfolio ready for zero carbon fuels
- Carbon neutral in own operations

ENERGY

Intermittent sources of energy require balancing solutions. By 2030, the balancing power market is expected to grow >10X.

MARINE

An unprecedented rate of change driven by regulations and demand for green transport. 50% GHG reduction in shipping by 2050



TARGET POSITION

SHAPING THE DECARBONISATION OF MARINE & ENERGY



LEADING OFFERING TO SUPPORT OUR CUSTOMERS IN DECARBONISATION

FUEL FLEXIBLE ENGINES ENABLING DECARBONISATION

BATTERY, ENERGY SAVING, AND EMISSION ABATEMENT TECHNOLOGIES

THERMAL BALANCING AND ENERGY STORAGE

ENERGY EFFICIENCY & POWER SYSTEM OPTIMISATION

THE WIDEST SERVICE NETWORK IN THE INDUSTRY

DIGITAL SOLUTIONS ENABLING OPTIMISED OPERATIONS AND SERVICE



FINANCIAL DEVELOPMENT IN Q1 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.



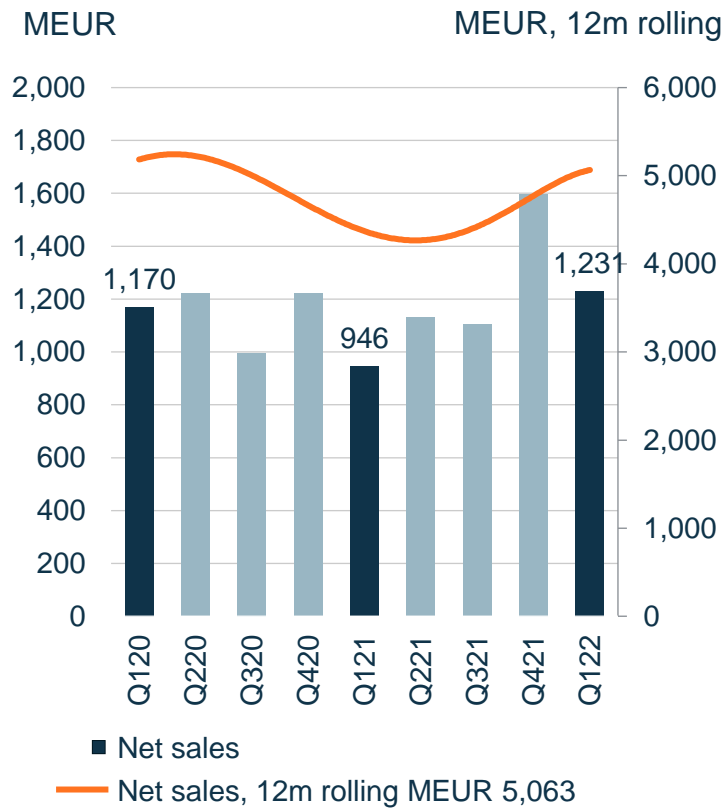
Key figures

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	

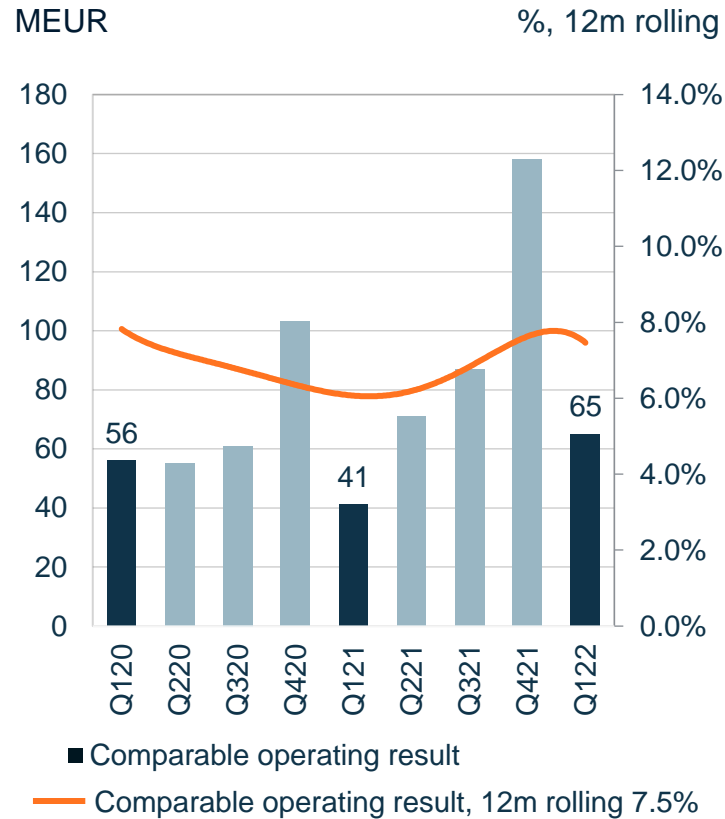
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

First quarter highlights

Net sales



Comparable operating result



Net sales EUR 1,231 million

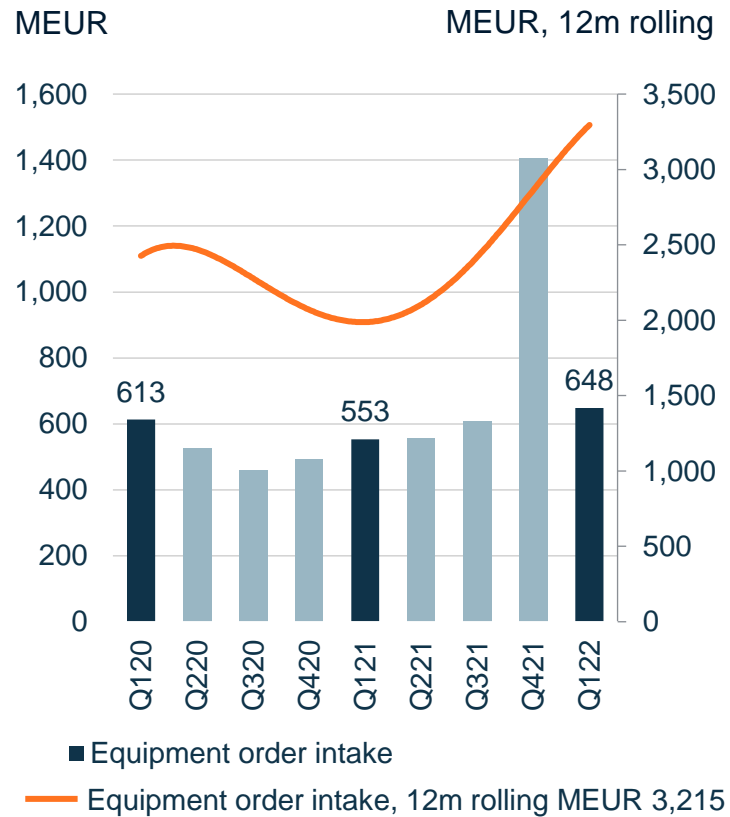
- 17% increase in service sales

Comparable operating result EUR 65 million

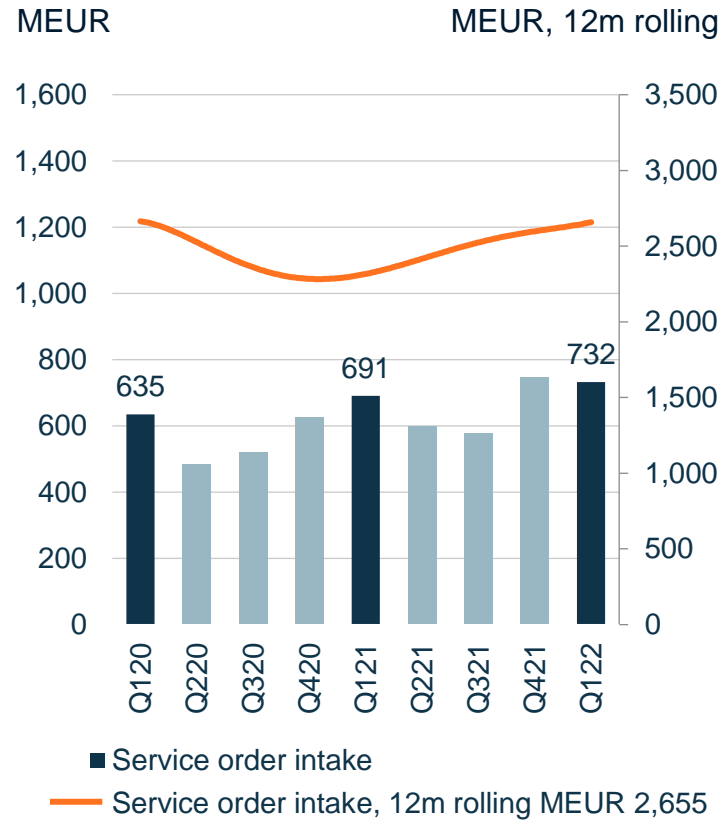
- 61% growth
- Supported by higher sales volumes

Order intake increased by 11%

Equipment



Services

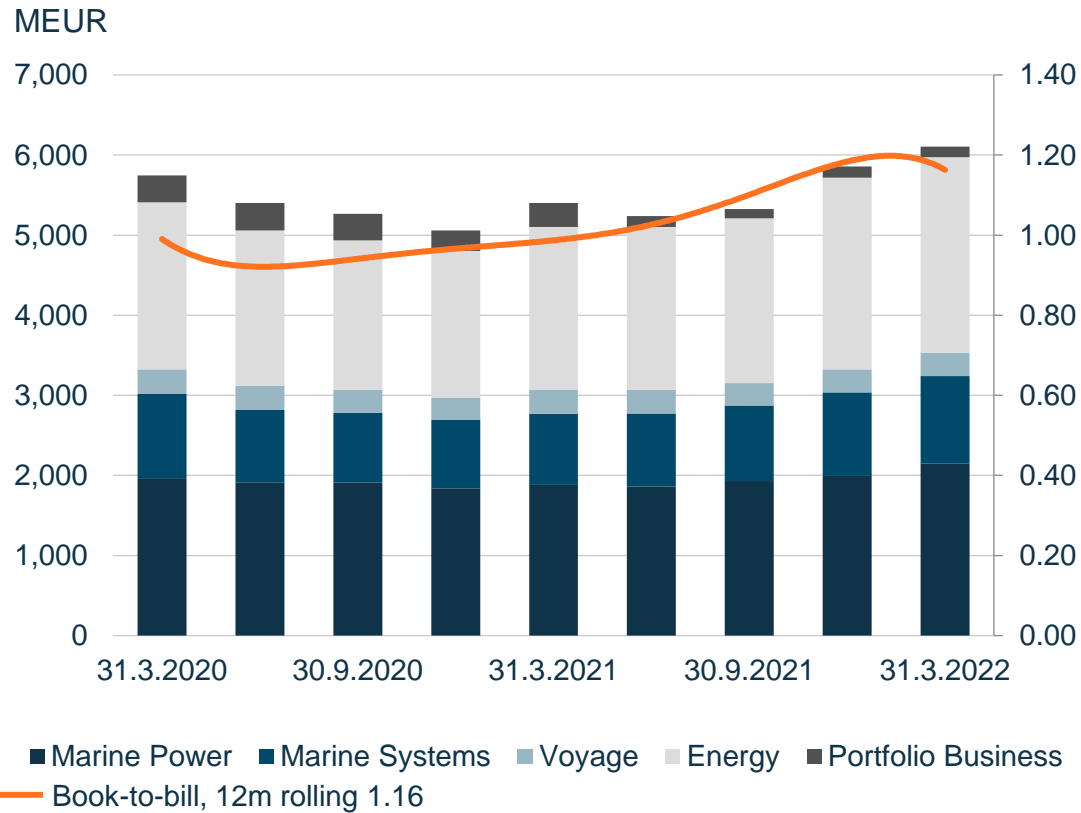


- Equipment order intake increased by 17%
- Service order intake increased by 6%

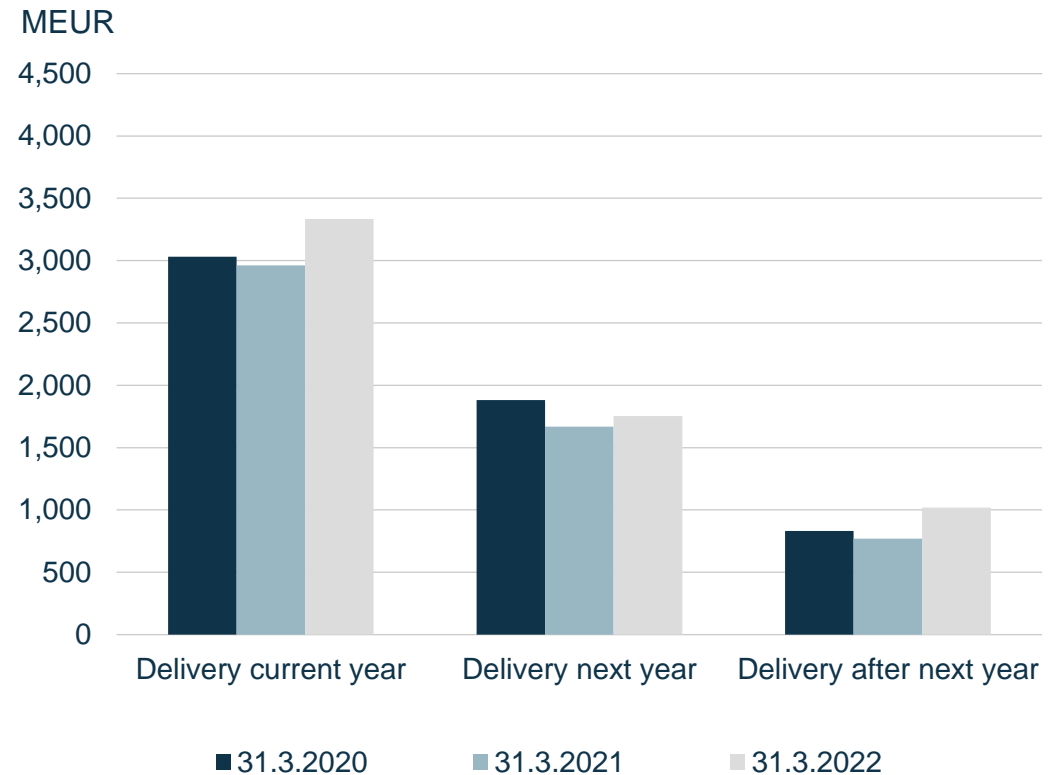
Increase in order book

Book-to-bill decreased

Order book by business



Order book delivery schedule



WÄRTSILÄ IN BRIEF

KEY FIGURES 2021

Order intake
5,735 MEUR

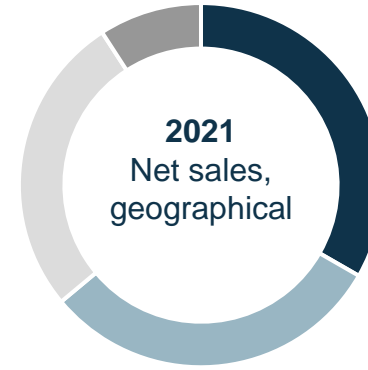
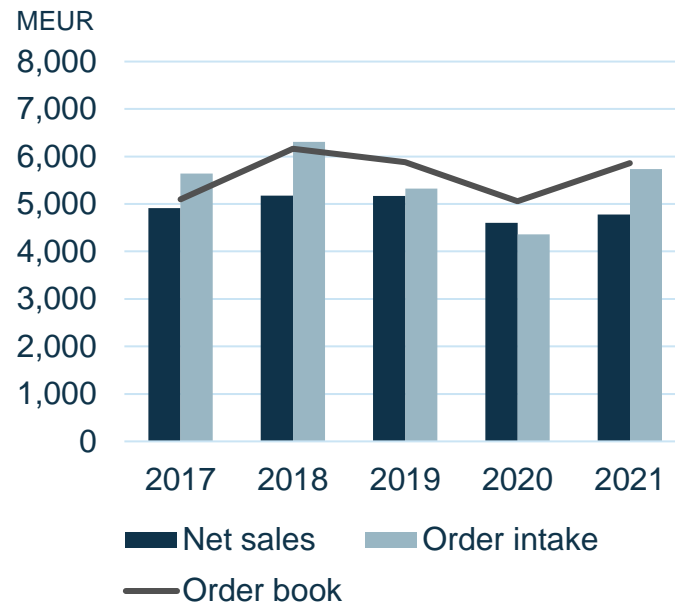
Net sales
4,778 MEUR

Comparable operating result
357 MEUR
7.5% of net sales

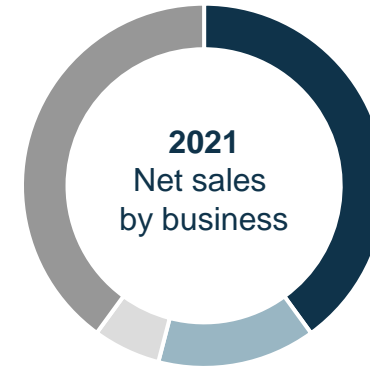
Operating result
314 MEUR
6.6% of net sales

Cash flow from operating activities
731 MEUR

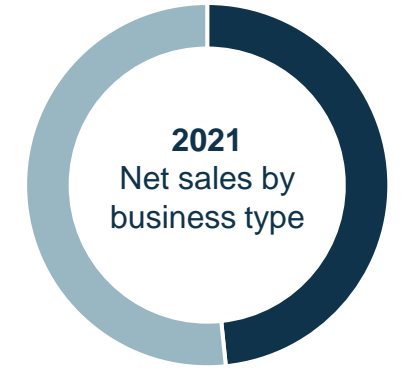
Personnel
17,000



■ Europe ■ Asia ■ Americas ■ Other



■ Marine Power ■ Marine Systems
■ Voyage ■ Energy



■ Equipment ■ Services

Investor relations

Hanna-Maria Heikkinen
Vice president, Investor relations
hanna-maria.heikkinen@wartsila.com
+358 10 709 1461

Emilia Rantala
Manager, Investor relations
emilia.rantala@wartsila.com
+358 10 709 1114

Tiia Tikkanen
Investor relations specialist
tiia.tikkanen@wartsila.com
+358 10 709 1630

For investor meeting requests, please contact:

Janine Tourneur
Executive assistant
janine.tourneur@wartsila.com
+358 10 709 5645

General inquiries:

investor.relations@wartsila.com



Clear financial targets and strong commitment to realise them



Robust capital allocation principles and active portfolio management



Notable opportunity in retrofits and conversions



Extensive service network, positioned for growth both in transactional services and performance-based agreements

- High performing teams
- Performance excellence and robust execution

- Continuous improvement
- Cost structure – actions taken when necessary

Strong track record in innovations

Investing ~3% of net sales on R&D yearly

Today: engines run on biofuels, methanol, up to 25% hydrogen blends

By 2023: pure ammonia fuel engine concept ready

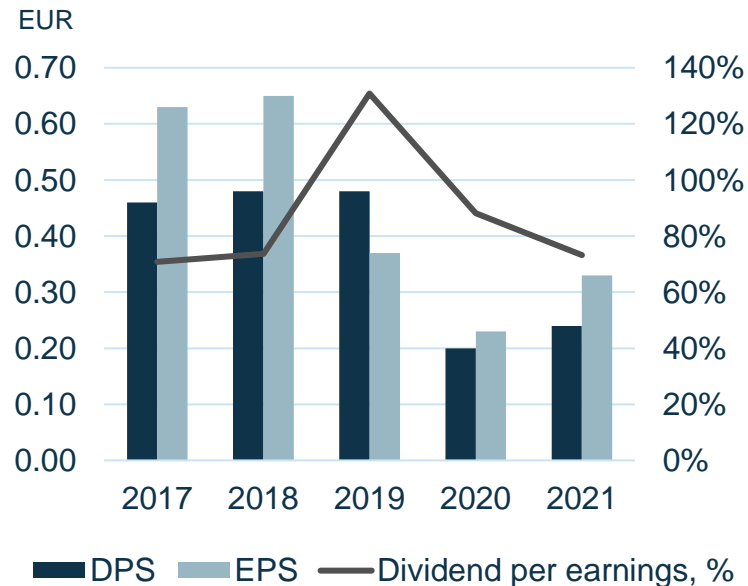
By 2025: pure hydrogen fuel engine concept ready

Solid balance sheet



WÄRTSILÄ

Dividend



Financial targets

Net sales

5% annual organic growth

Profitability

12% operating margin

Capital structure

Gearing below 0.50

Dividend

Distribute a dividend of at least 50% of earnings

Capturing opportunities arising from decarbonisation

Marine

- Increasing environmental regulations
- Demand for green sea transport, driven by companies' environmental commitments to their customers
- Need for fuel flexible engines

Energy

- Country climate pledges
- Coal phase-out
- Renewables growth and the consequent need for balancing power and energy storage
- Need for fuel flexible engines



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