

WÄRTSILÄ

SHAPING THE DECARBONISATION OF  
MARINE AND ENERGY

ROADSHOW PRESENTATION  
MARCH 2022



# MARKET FUNDAMENTALS

## MARINE will move with unprecedented speed towards decarbonisation

### Policies & regulations

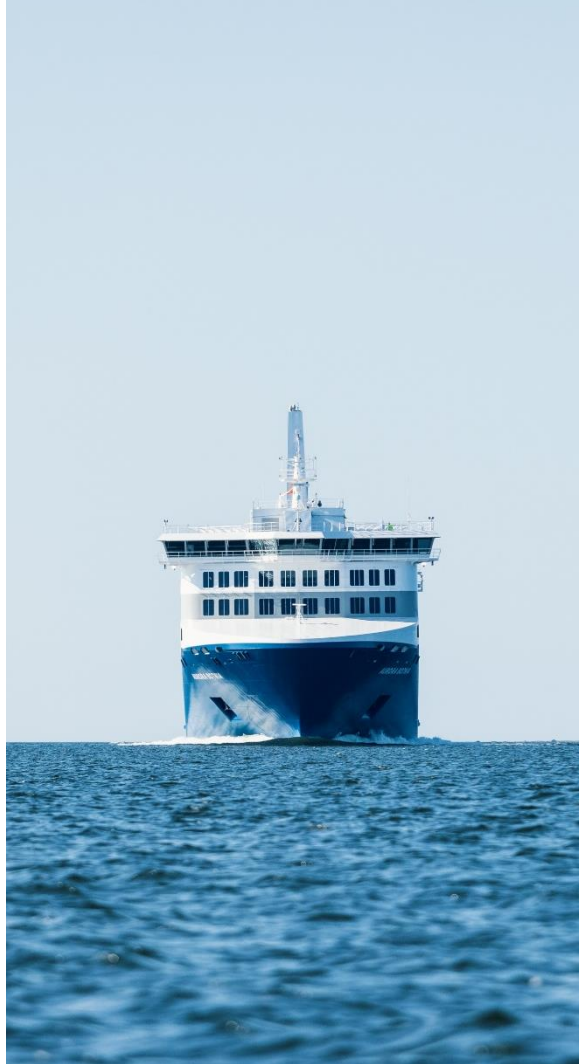
- IMO target
- Access to capital
- Cost of carbon
- Demand for green sea transport

### 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 <sup>1)</sup>
- By 2030, balancing power market to grow by 10X <sup>2)</sup>
- 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

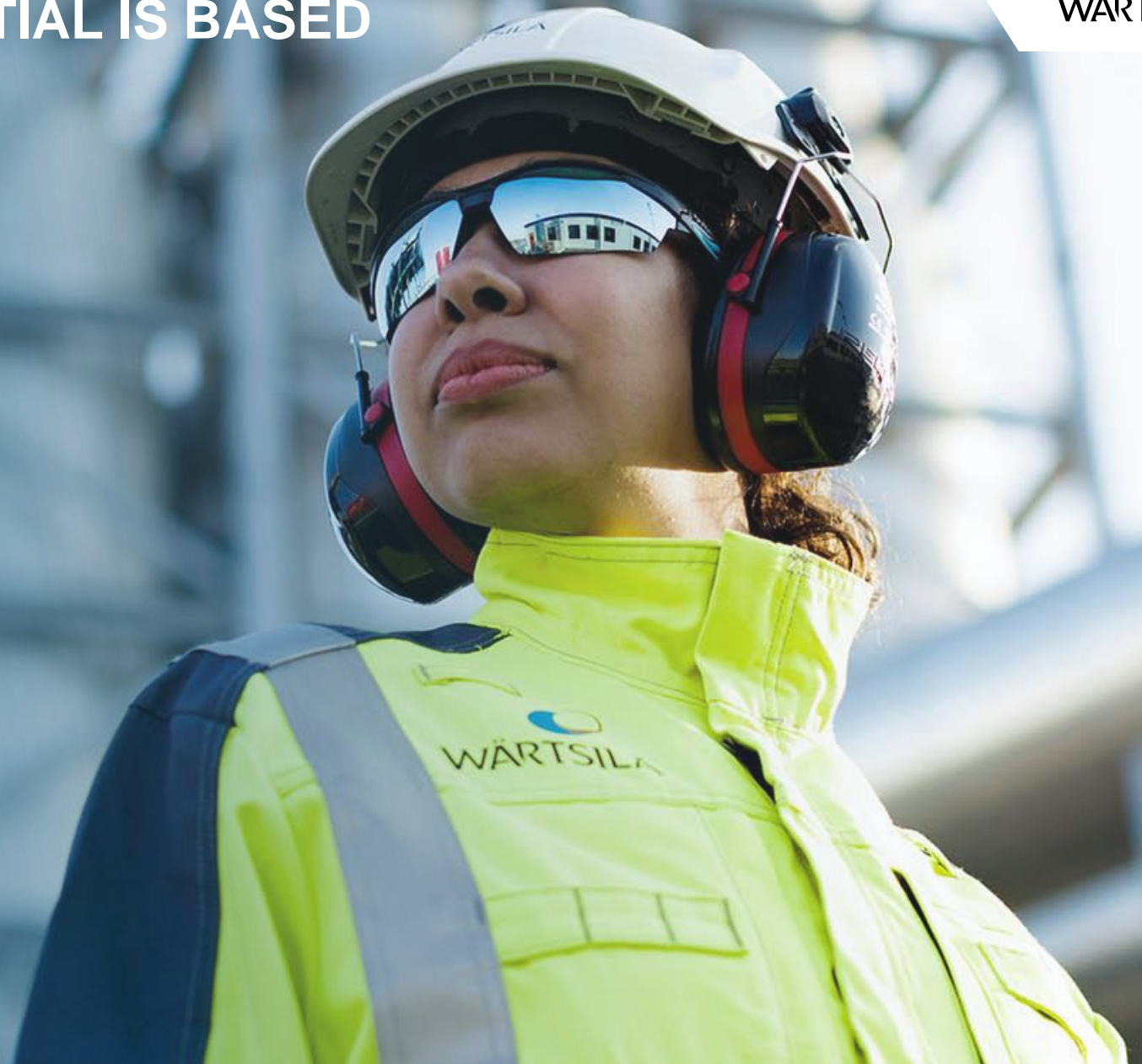
# OUR VALUE CREATION POTENTIAL IS BASED ON TWO STRATEGIC THEMES

**1 TRANSFORM**  
Decarbonisation creates  
new business opportunities

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**2 PERFORM**  
Leverage market  
recovery and growth

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# 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

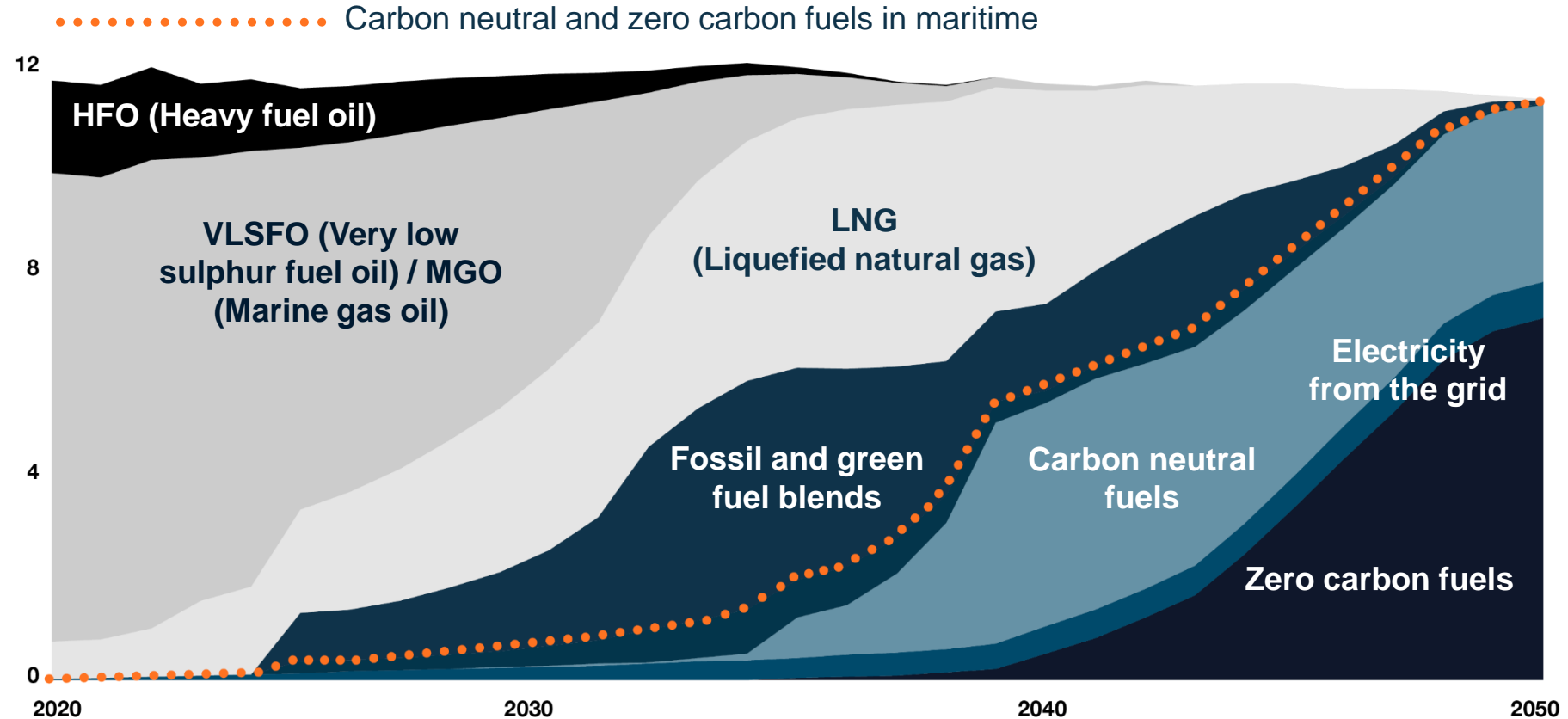
# SUPPORTING DECARBONISATION IN MARINE

## 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

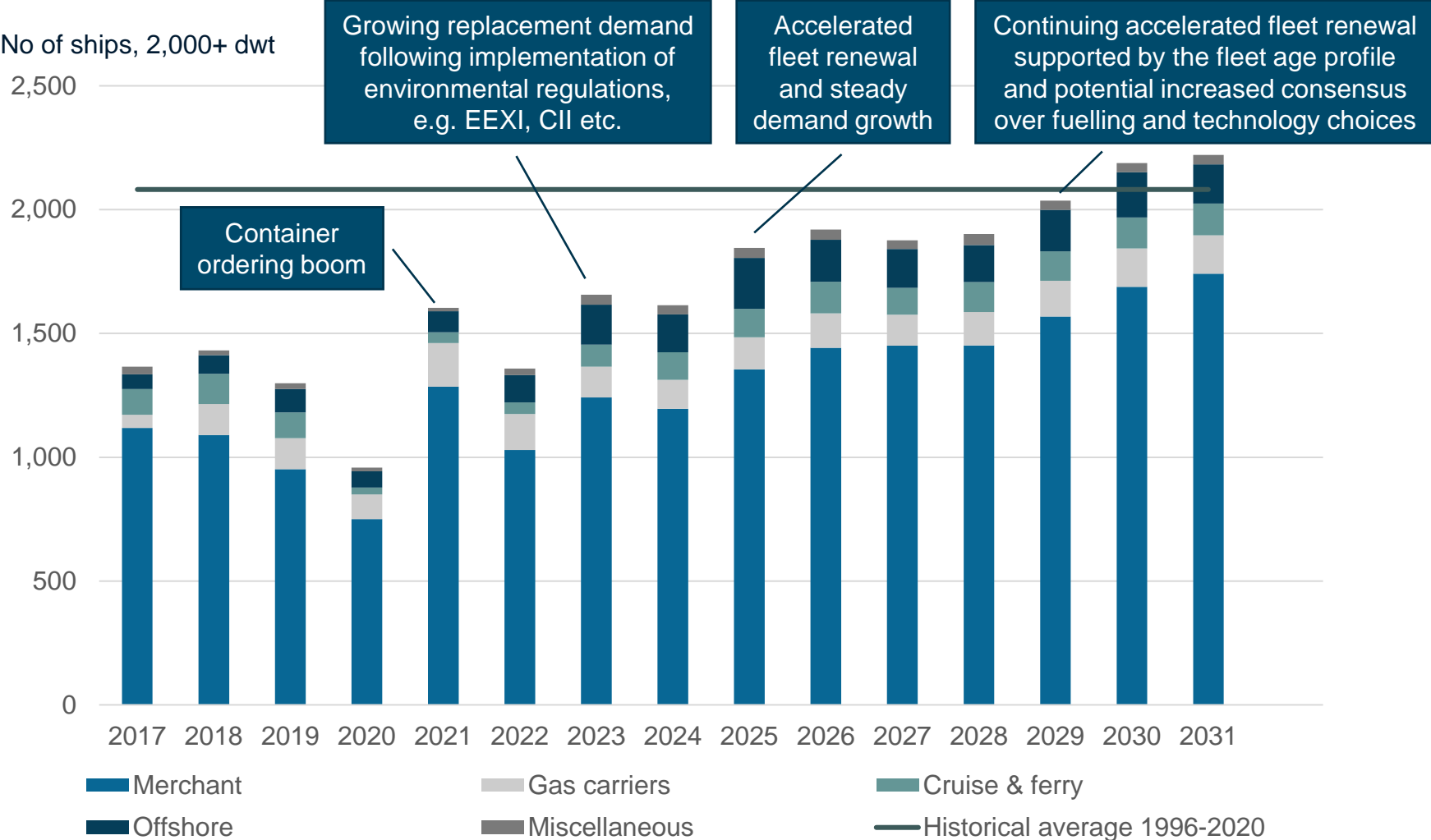
## MOVE FROM A SINGLE-FUEL INDUSTRY TO A MULTI-FUEL ONE

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



Source: DNV Maritime Forecast 2050 model, Wärtsilä internal estimates

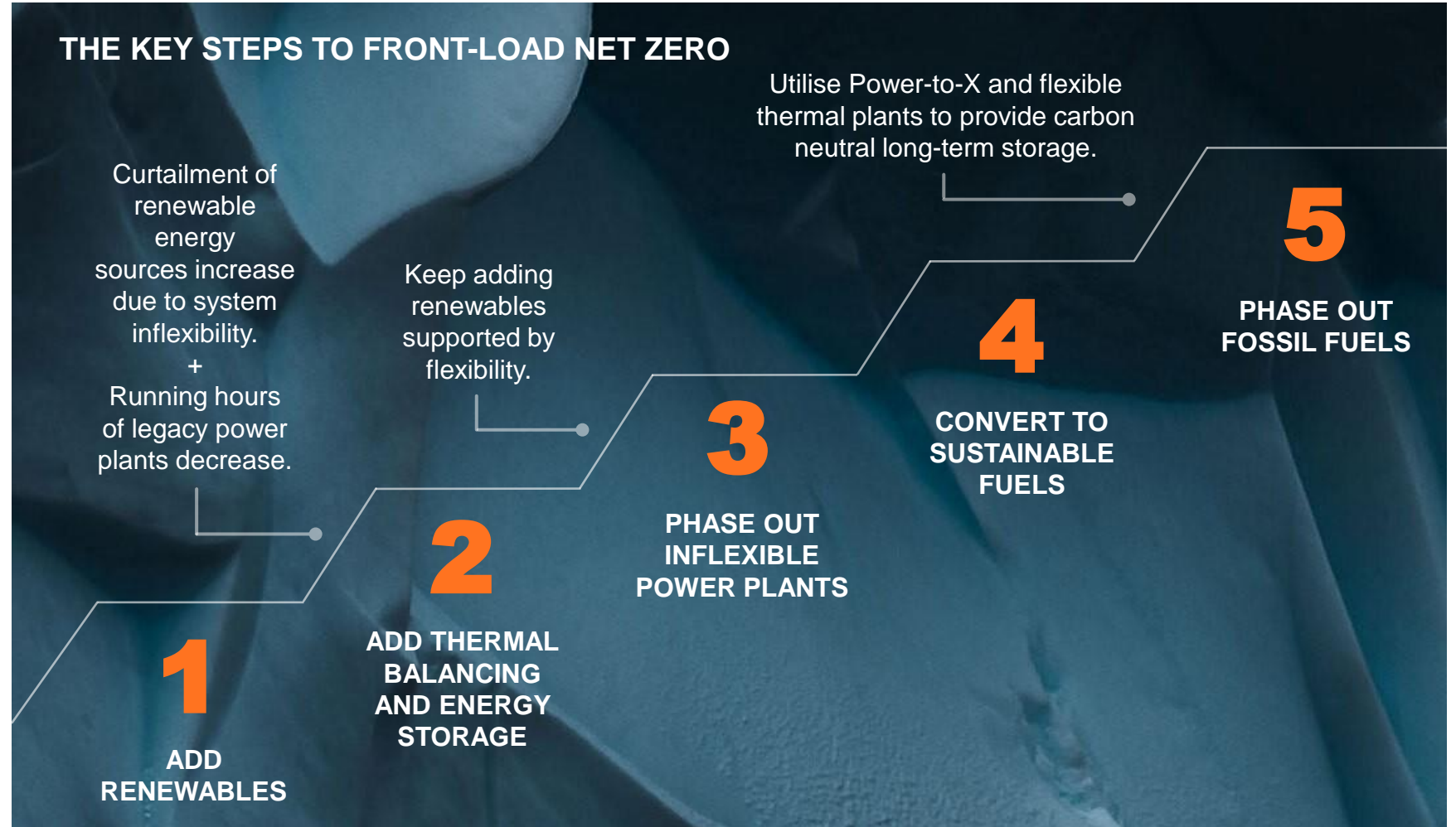
# Vessel contracting history and forecast by segment



Source: Clarksons Research, September 2021

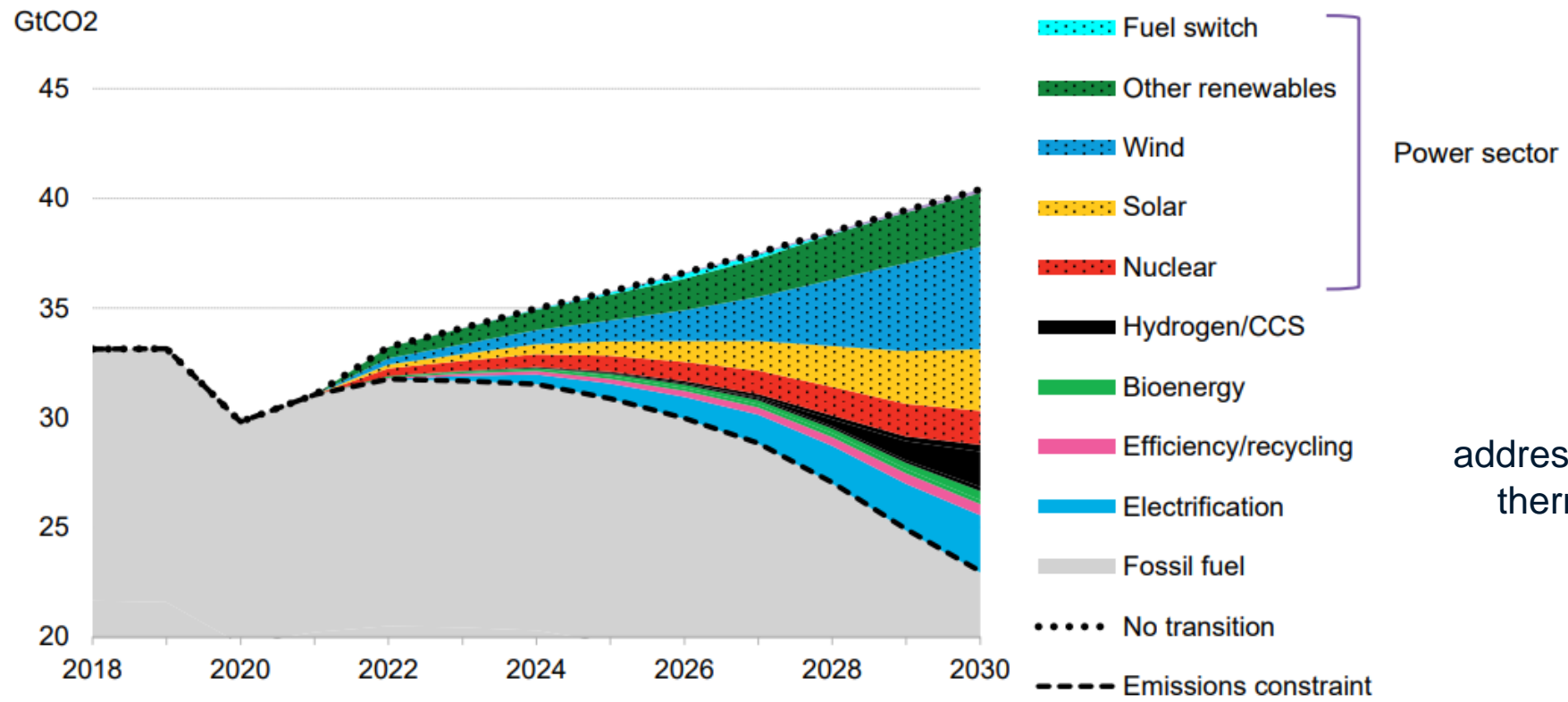
# SUPPORTING DECARBONISATION IN ENERGY

- Wind and solar are intermittent power sources
- Flexible balancing power needed to stabilize the power system: balancing power market expected to grow by 10X <sup>1)</sup>
- 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

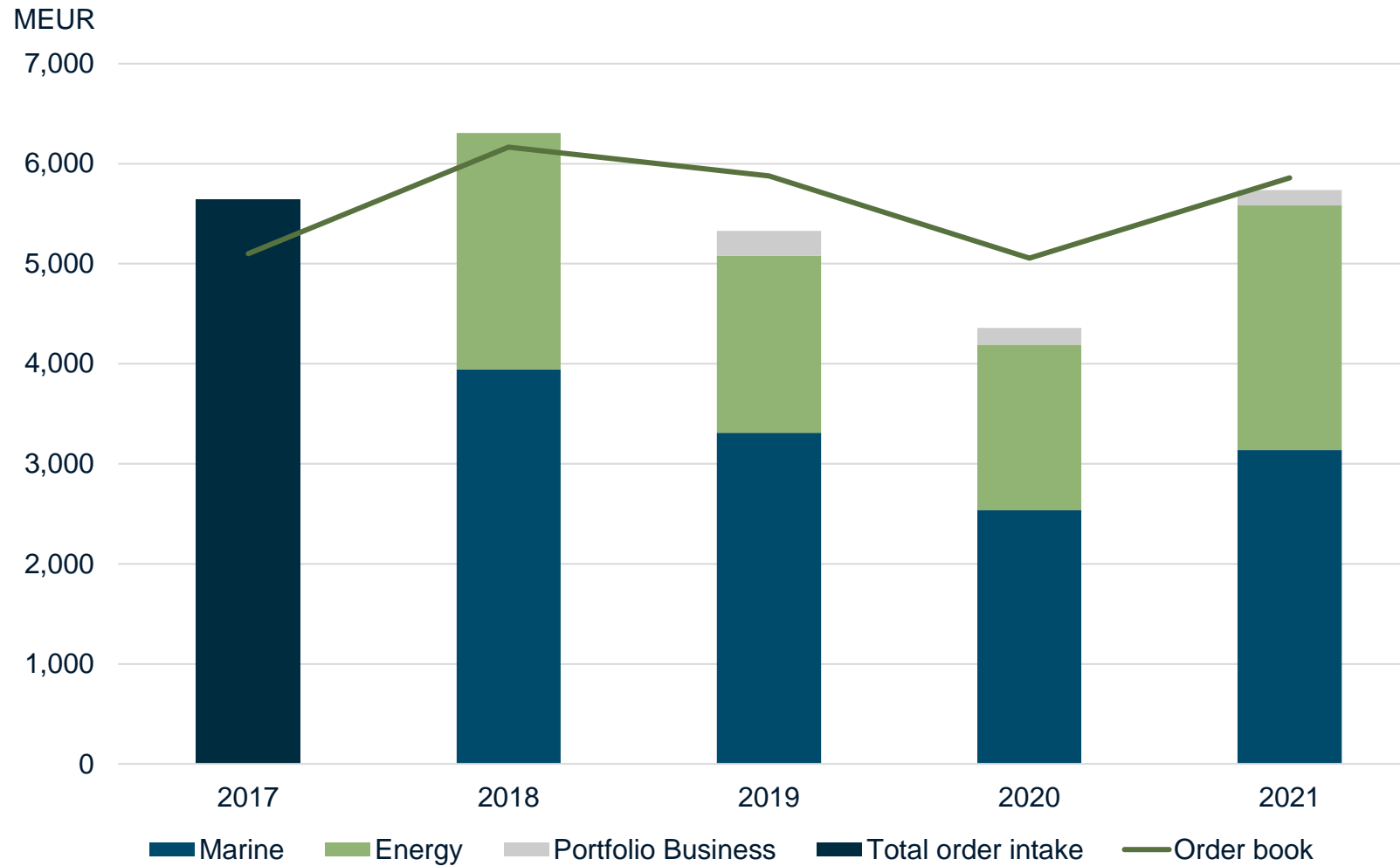


Estimated growth of the addressable annual markets of thermal balancing (GW) and energy storage (GWh) 2020–2030:  
**+30% p.a.**

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 IN 2021





# 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

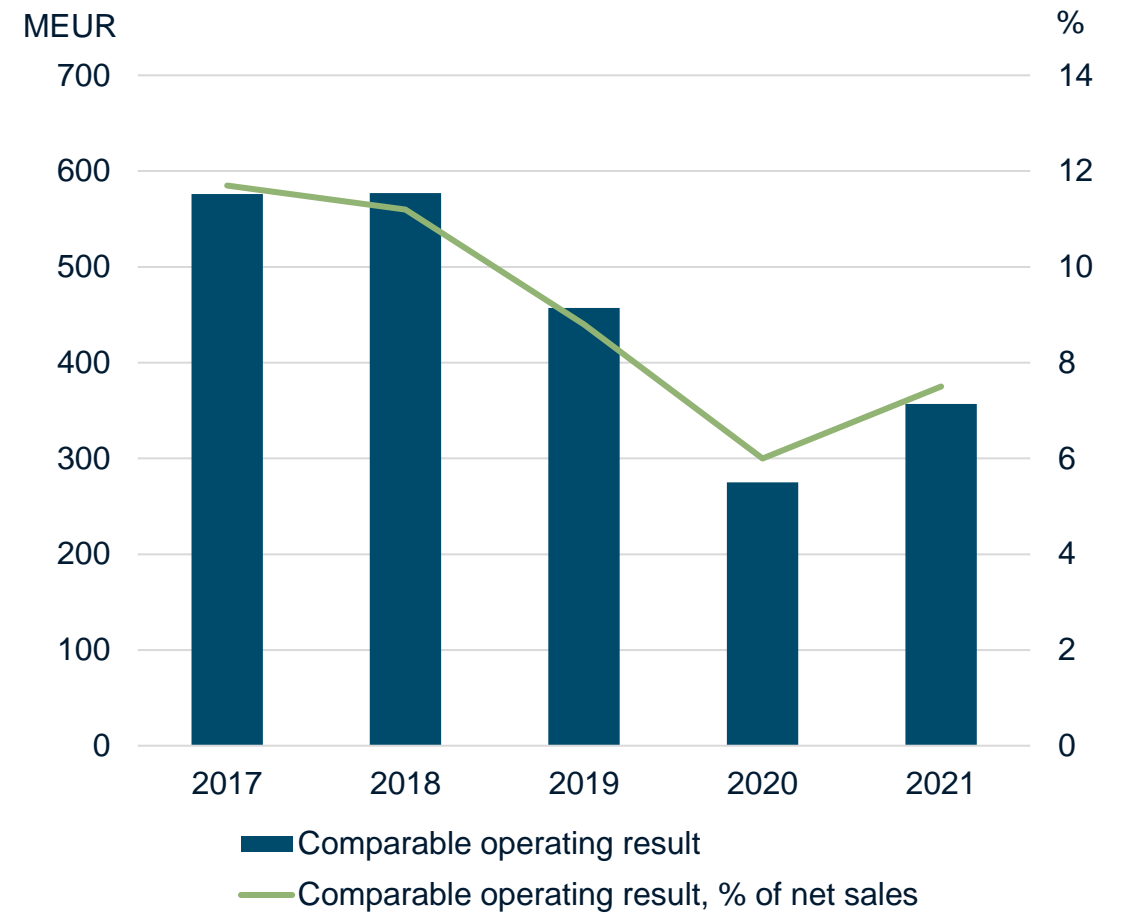
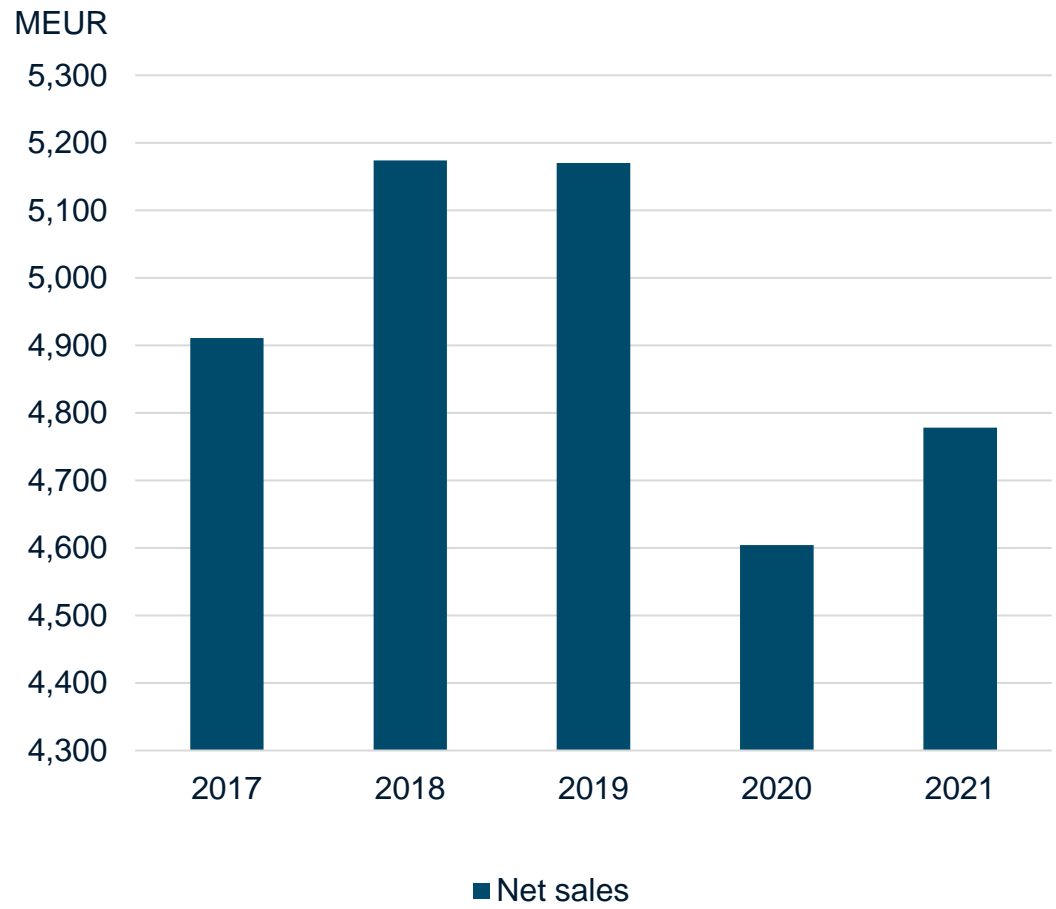
## CFE 600 MW - Mexico



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



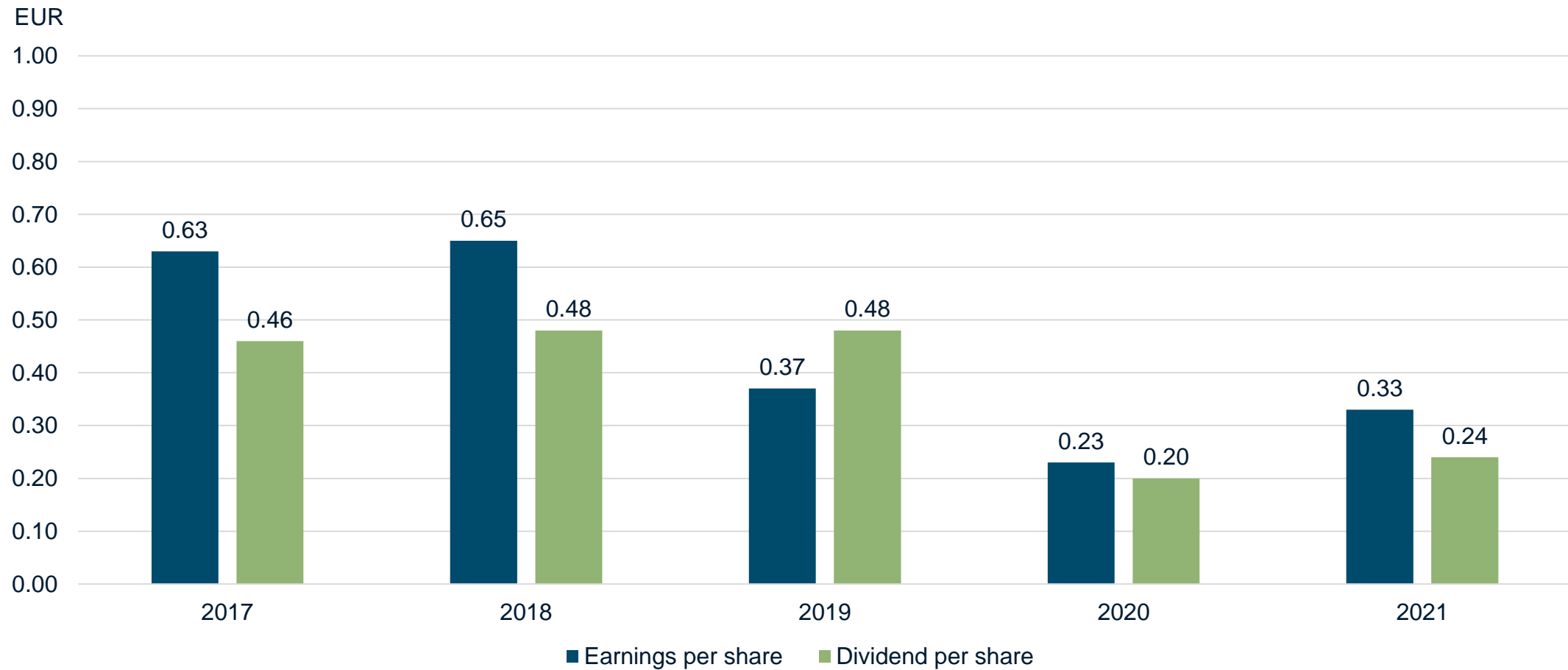
# NET SALES AND COMPARABLE OPERATING RESULT INCREASED IN 2021



# STRONG CASH FLOW AND BALANCE SHEET

<b>MEUR</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
<b>Cash flow from operating activities</b>	<b>731</b>	681
<b>Working capital</b>	<b>-100</b>	257
<b>Net interest-bearing debt</b>	<b>4</b>	394
<b>Gearing</b>	<b>0.00</b>	0.18
<b>Solvency, %</b>	<b>38.6</b>	38.1
<b>Basic earnings/share, EUR</b>	<b>0.33</b>	0.23

# COMMITTED TO PROVIDING SHAREHOLDER RETURNS



# Strong presence in sustainable development indices

Member of  
**Dow Jones  
 Sustainability Indices**

Powered by the S&P Global CSA



**Sustainability Yearbook**

Member 2021

**S&P Global**



FTSE4Good

**2021** MSCI ESG Leaders  
 Indexes Constituent



STOXX

Member 2020/2021  
**ESG Leaders  
 Indices**



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

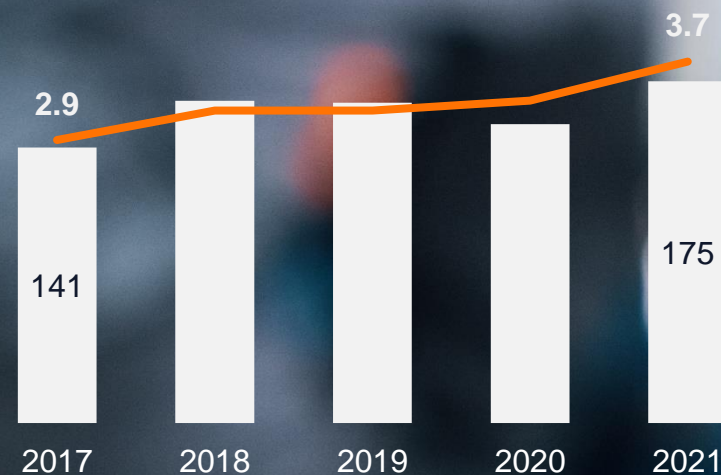
## Pioneer in

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

AMMONIA  $\text{NH}_3$

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 Q4 2021



## MOVING IN THE RIGHT DIRECTION IN 2021: ORDERS, NET SALES, OPERATING RESULT, AND CASH FLOW ALL IMPROVED

- Order intake increased by 32%, growth in all businesses
- Good progress in services:
  - Order intake increased by 17%
  - Net sales increased by 11%
- Profitability improved
- Strong cash flow
- Covid-19 continued to have a negative impact on Wärtsilä's business
- New ambitious financial and decarbonisation targets announced

# POSITIVE DEVELOPMENT IN ALL KEY FIGURES

MEUR	10-12/2021	10-12/2020	CHANGE	1-12/2021	1-12/2020	CHANGE
<b>Order intake</b>	<b>2,150</b>	1,118	92%	<b>5,735</b>	4,359	32%
of which services	<b>753</b>	626	20%	<b>2,656</b>	2,267	17%
<b>Order book</b>				<b>5,859</b>	5,057	16%
of which current year deliveries				<b>3,763</b>	3,298	14%
<b>Net sales</b>	<b>1,597</b>	1,220	31%	<b>4,778</b>	4,604	4%
of which services	<b>761</b>	654	16%	<b>2,499</b>	2,255	11%
<b>Book-to-bill</b>	<b>1.35</b>	0.92		<b>1.20</b>	0.95	
<b>Operating result</b>	<b>144</b>	90	59%	<b>314</b>	234	34%
% of net sales	<b>9.0</b>	7.4		<b>6.6</b>	5.1	
<b>Comparable operating result</b>	<b>158</b>	103	53%	<b>357</b>	275	30%
% of net sales	<b>9.9</b>	8.4		<b>7.5</b>	6.0	

## FOURTH QUARTER HIGHLIGHTS

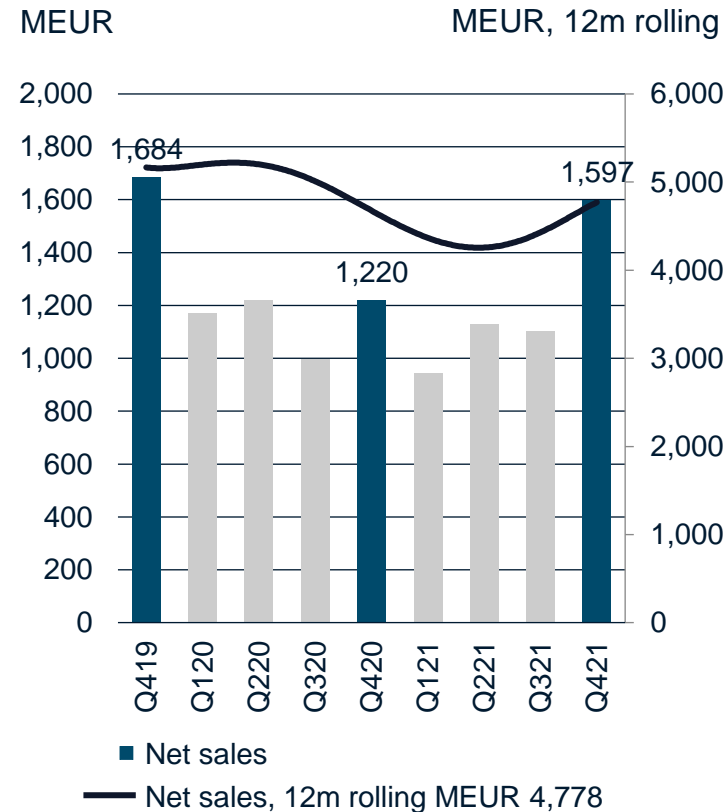
Net sales EUR 1,597 million

- 16% increase in service sales

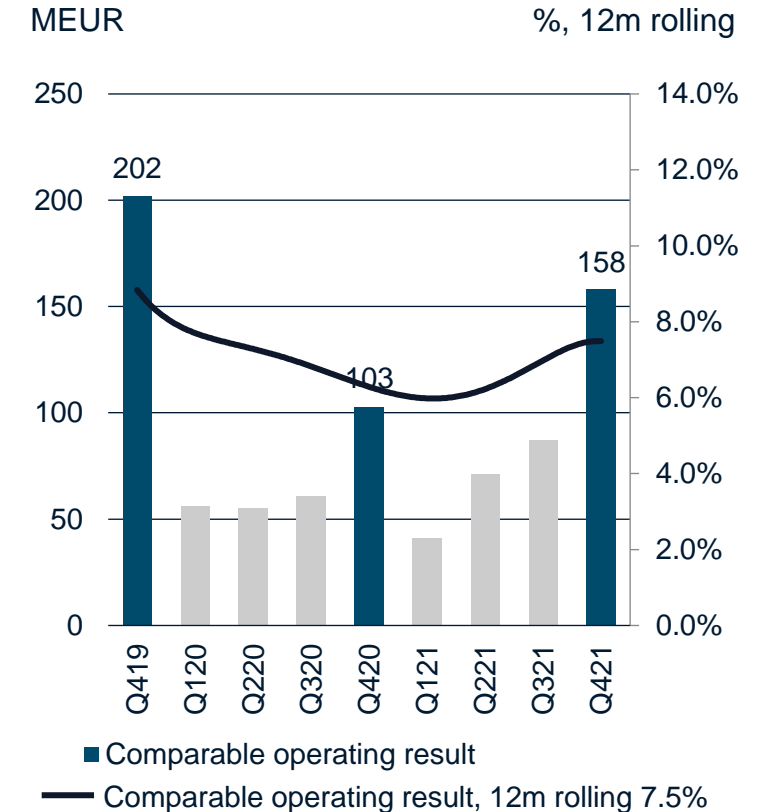
Comparable operating result EUR 158 million

- 53% growth
- More favourable sales mix between equipment and services

### Net sales



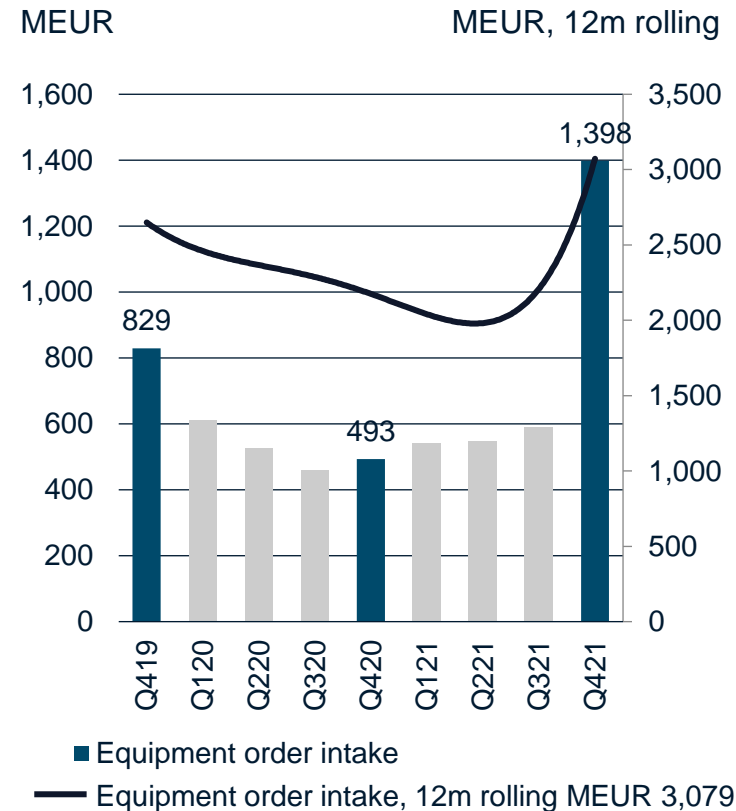
### Comparable operating result



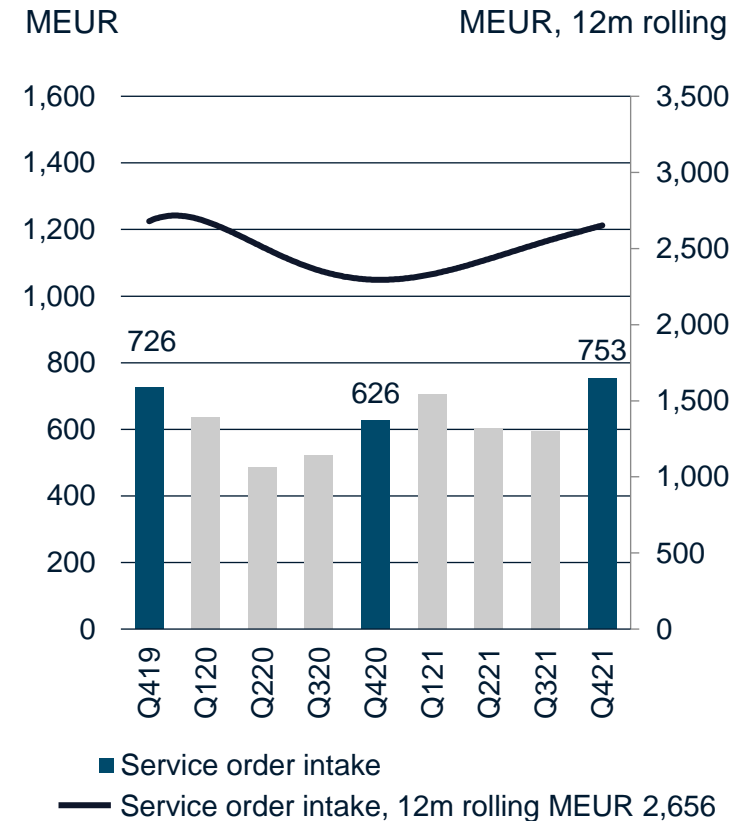
# ORDER INTAKE INCREASED BY 92%

- Order intake increased across all businesses
- Equipment order intake increased by 184%, driven by energy orders
- Service order intake increased by 20%

## Equipment



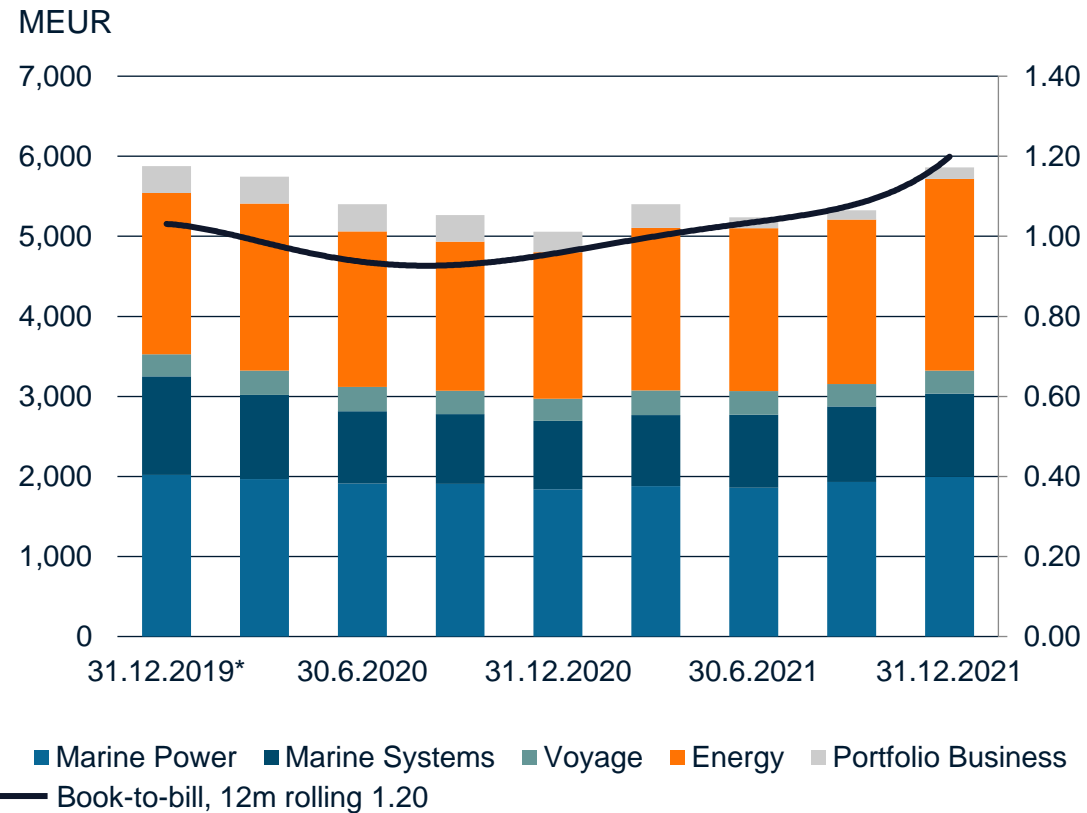
## Services



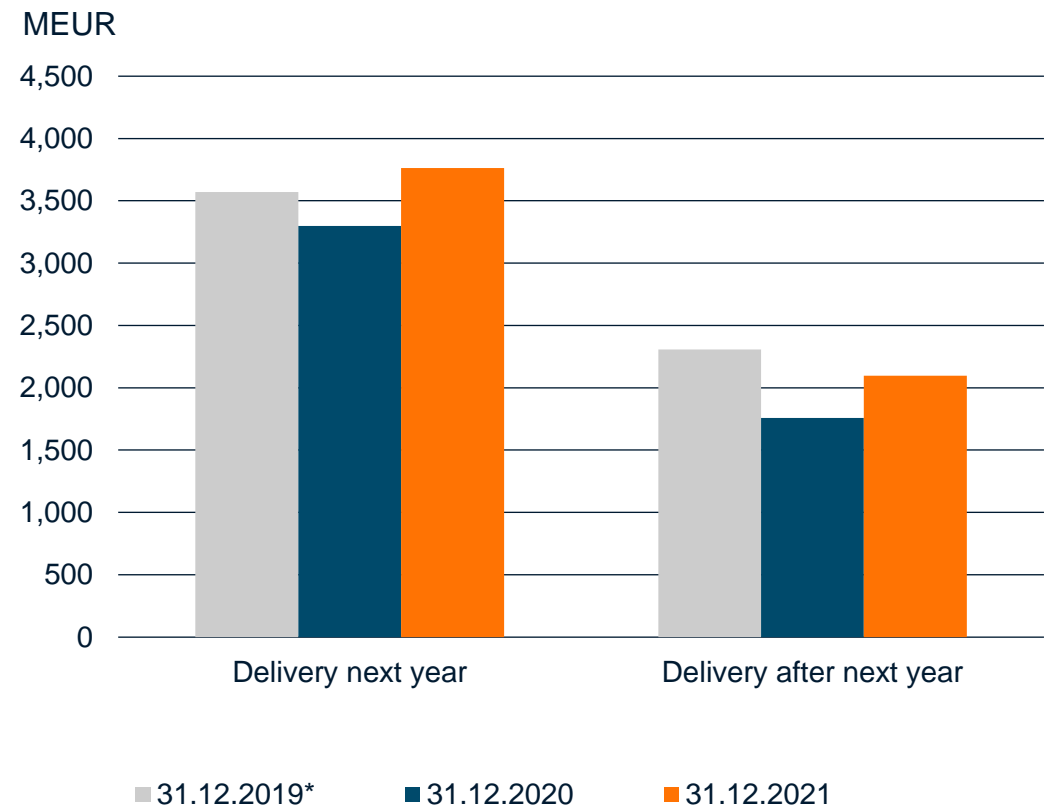
# INCREASE IN ORDER BOOK

BOOK-TO-BILL CONTINUED TO IMPROVE

## Order book by business



## Order book delivery schedule



\* As published in the Interim report January-March 2020, order book figures for 2019 have been restated due to stricter requirements for booking new orders.



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