

# Wärtsilä Corporation Half-year financial report January–June 2023

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21 July 2023



## Improved profitability and continued growth in services

- Order intake increased by 17%
- Net sales increased by 3%
- Good progress in services continued:
  - Service order intake increased by 13%
  - Service net sales increased by 16%
- The comparable operating result increased by 26%
  - Supported by good development in services and energy storage
  - In Marine Systems, a 19 MEUR provision was taken for a single sizable turnkey project in Gas Solutions that suffered from combination of supplier quality issues and cost inflation
- Cash flow from operating activities improved

## Good development in key figures

MEUR	4-6/2023	4-6/2022	CHANGE	1-6/2023	1-6/2022	CHANGE
<b>Order intake</b>	<b>1,687</b>	1,440	17%	3,427	2,820	22%
of which services	<b>913</b>	811	13%	1,802	1,543	17%
of which equipment	<b>774</b>	629	23%	1,625	1,277	27%
<b>Order book</b>				6,249	5,936	5%
of which current year deliveries				2,589	2,732	
<b>Net sales</b>	<b>1,454</b>	1,407	3%	2,919	2,639	11%
of which services	<b>807</b>	696	16%	1,543	1,327	16%
of which equipment	<b>647</b>	712	-9%	1,376	1,312	5%
<b>Book-to-bill</b>	<b>1.16</b>	1.02		1.17	1.07	
<b>Operating result</b>	<b>66</b>	75	-12%	158	-72	320%
% of net sales	<b>4.5</b>	5.3		5.4	-2.7	
<b>Comparable operating result</b>	<b>108</b>	85	26%	196	151	30%
% of net sales	<b>7.4</b>	6.1		6.7	5.7	

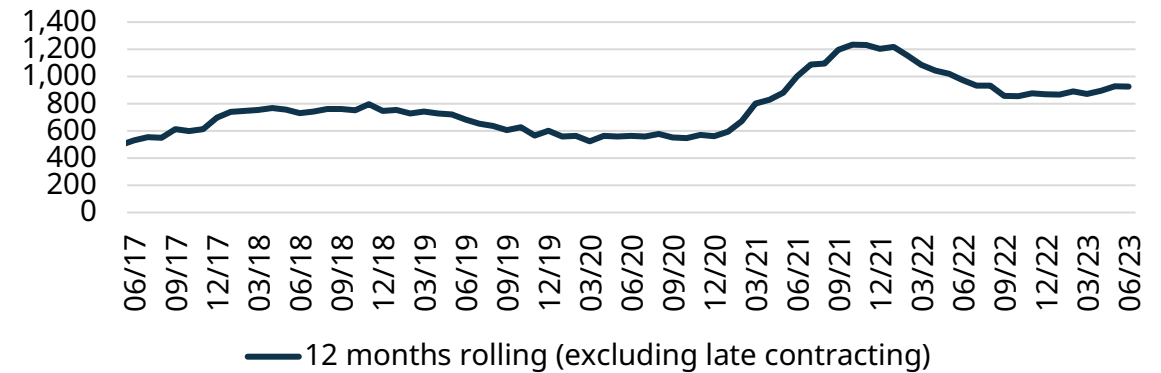
# Market sentiment remained positive for Wärtsilä's key segments

Higher prices of new ships and available capacity at shipyards limited growth in newbuild investments

- The number of vessels ordered in the review period increased to 773 (701 in the corresponding period in 2022, excluding late reporting of contracts).
- Mostly driven by the changed mix of contracted vessels, the uptake of alternative fuels remained more limited with 187 orders reported, representing 24% (34%) of all contracted vessels and 43% (61%) of vessel capacity.
- Further investments into LNG liquefaction capacity continued to drive demand for LNG carriers, despite activity easing off from the record levels seen in 2022.
- Demand for new cruise ship capacity remained limited as cruise lines are focused on managing the current order book and deleveraging their debt levels.
- Service demand was supported by increased active capacity in the key vessel sectors.

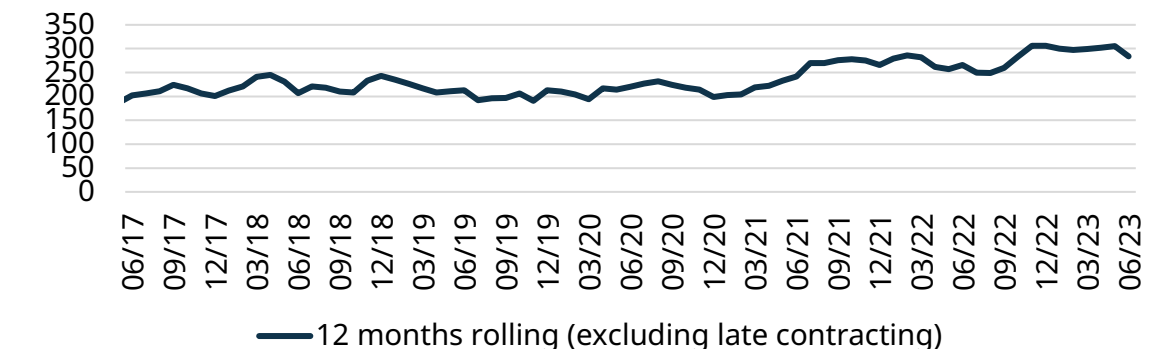
## Total vessel contracting

Number of vessels



## Specialised vessels

Number of vessels



Source: Clarksons Research, 12m rolling contracting as per 5th of July 2023 (+100 gt, excluding late reporting of contracts)  
 Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

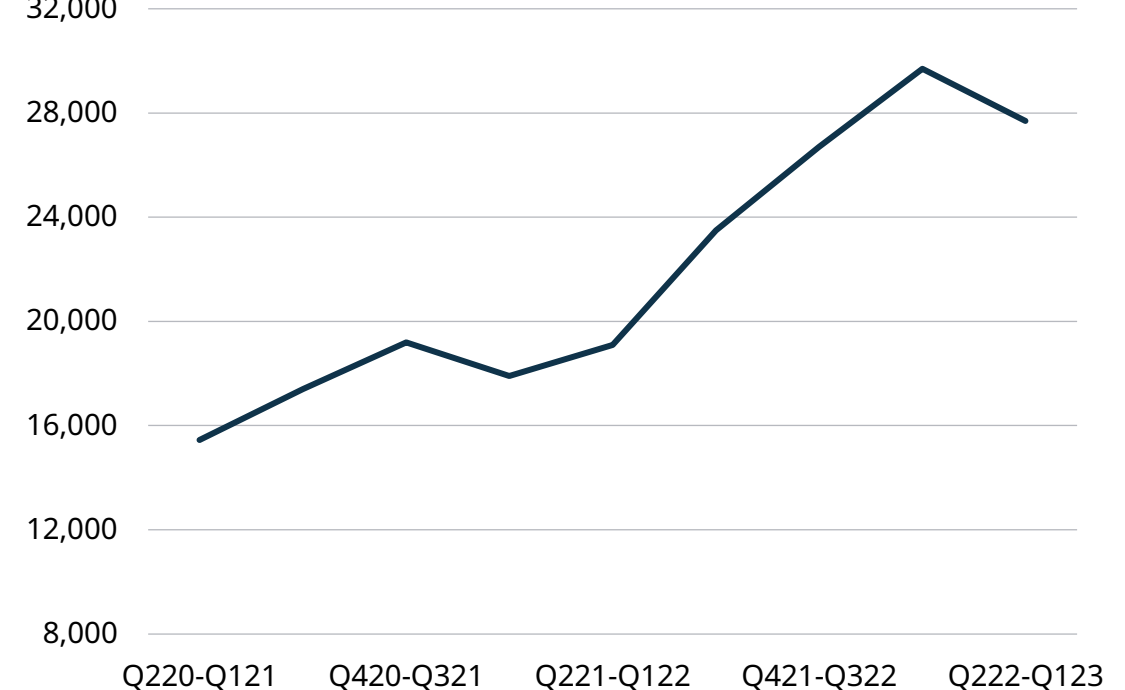
# Energy market outlook – solid long-term opportunities

Commodity markets ease while interest rates rise

- H1/2023 has brought relief in some commodity prices, especially in battery raw materials, while rising interest rates increased uncertainty.
- Global natural gas prices continued declining despite a slight price rebound in June, but prices are still above historical levels.
- The trend in transition to renewable energy sources continues, being a key driver in the development of battery energy storage and thermal balancing technologies.
- There is good market activity and outlook in leading energy storage and thermal balancing markets, such as the U.S., U.K., and Australia.

## Contracting for gas and liquid fuelled power plants <500 MW

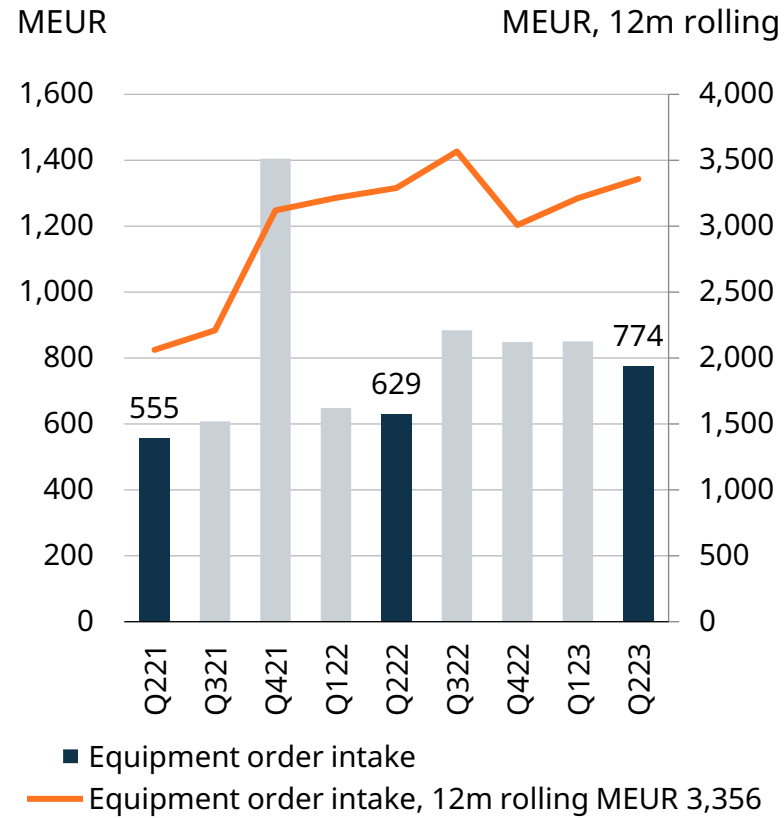
MW, 12m rolling  
32,000



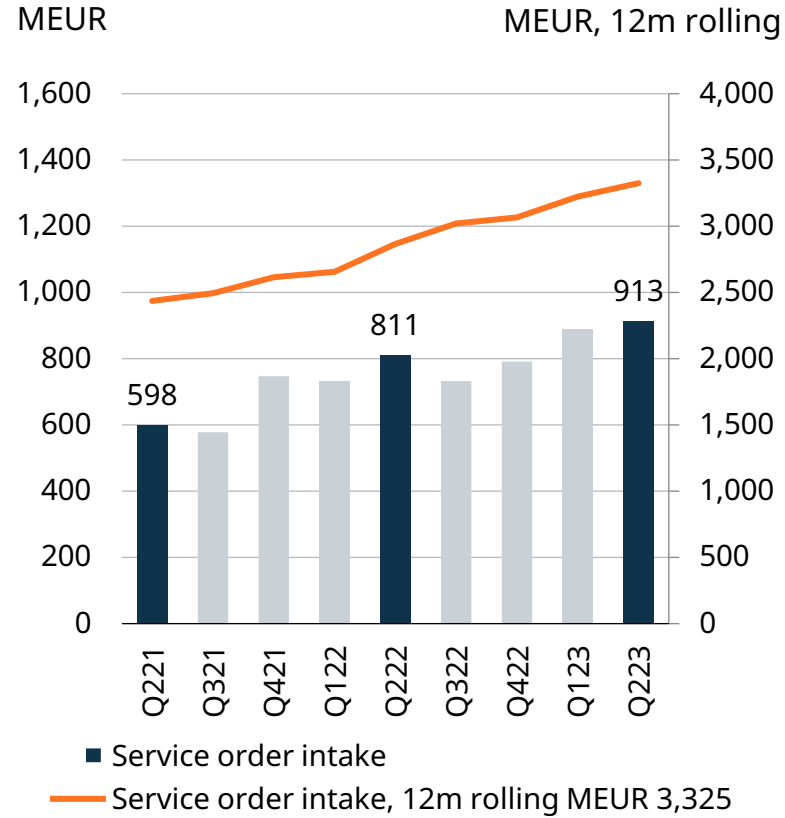
The total market, including also power plants with prime movers above 500 MW, increased by 5% to 68.3 GW during the twelve-month period ending in March 2023 (65.2 at the end of December). The market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based 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 17%

## Equipment



## Services



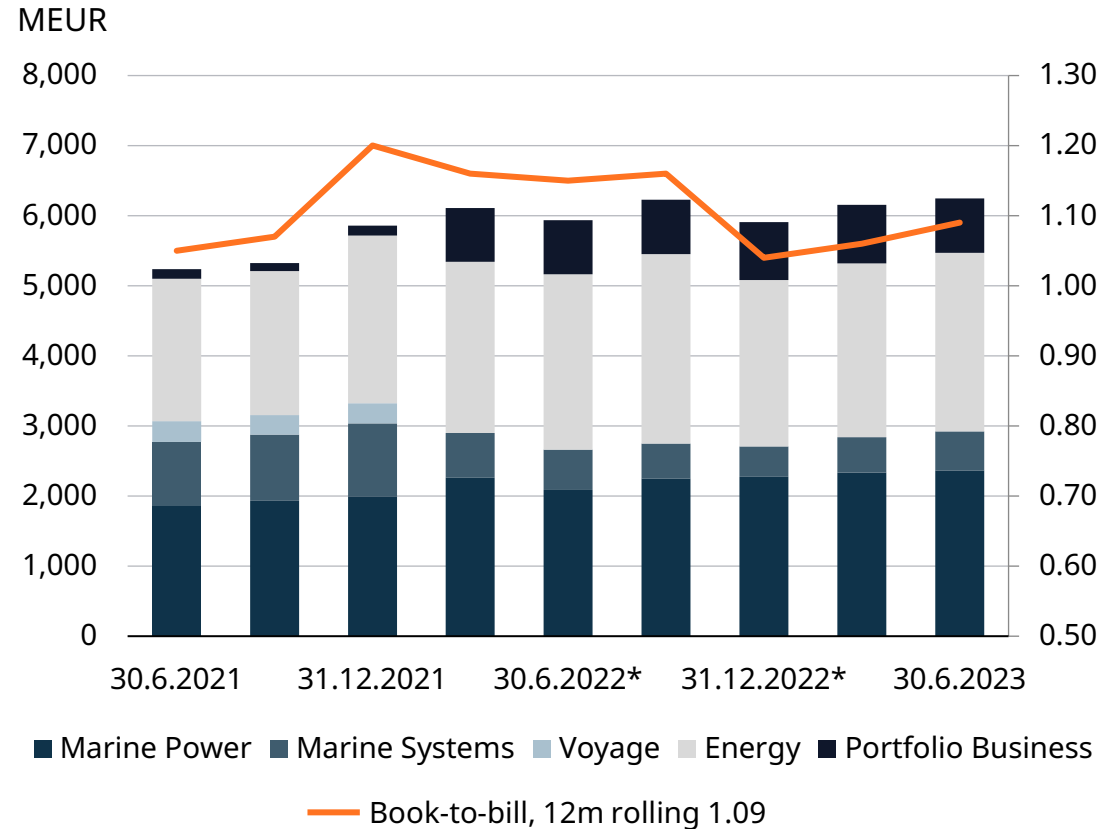
Equipment order intake increased by 23%

Service order intake increased by 13%

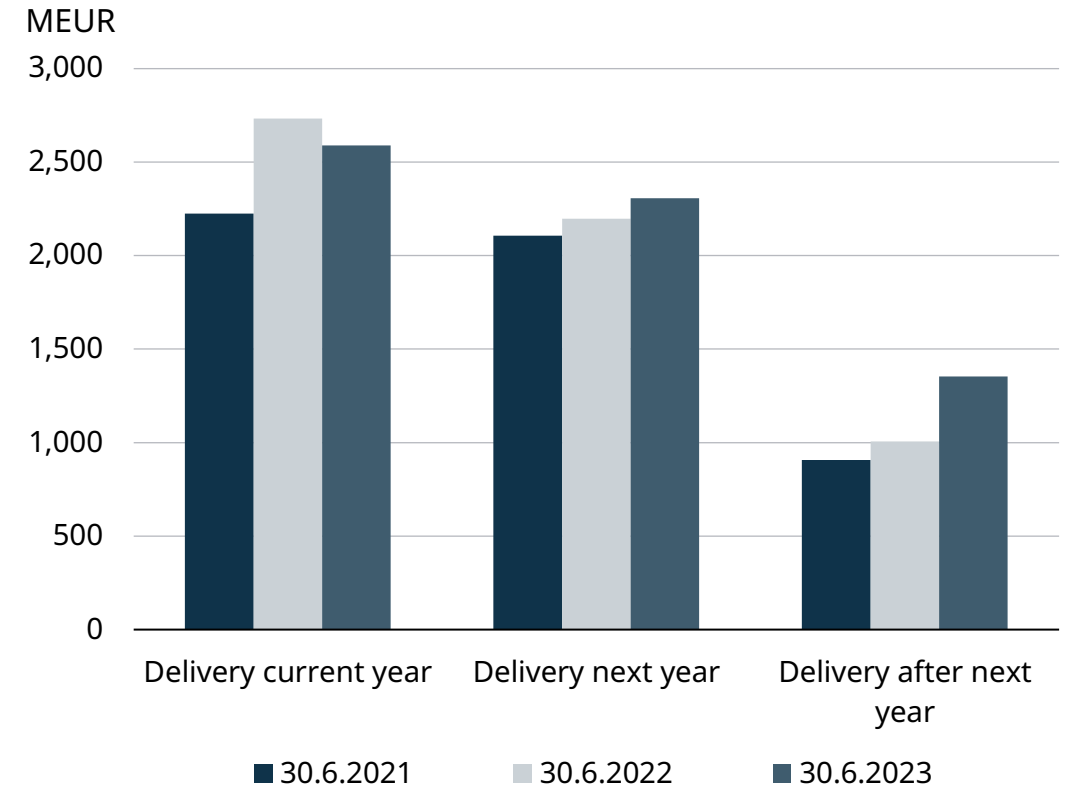
# Strong order book, rolling book-to-bill continues above 1

Remaining order book for the current year lower than last year

## Order book by business



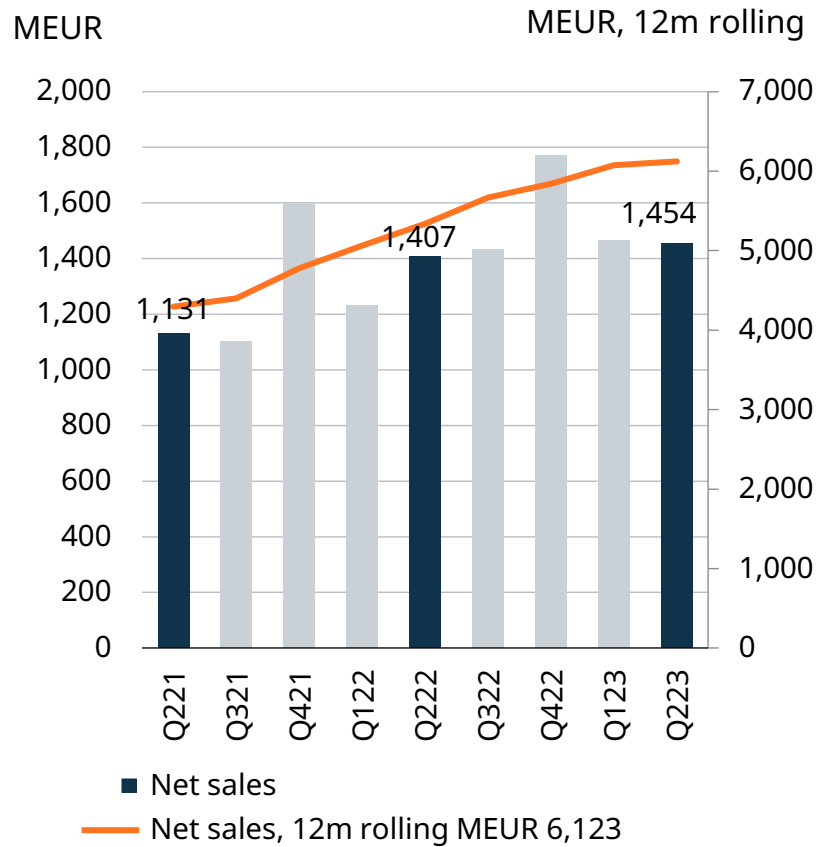
## Order book delivery schedule



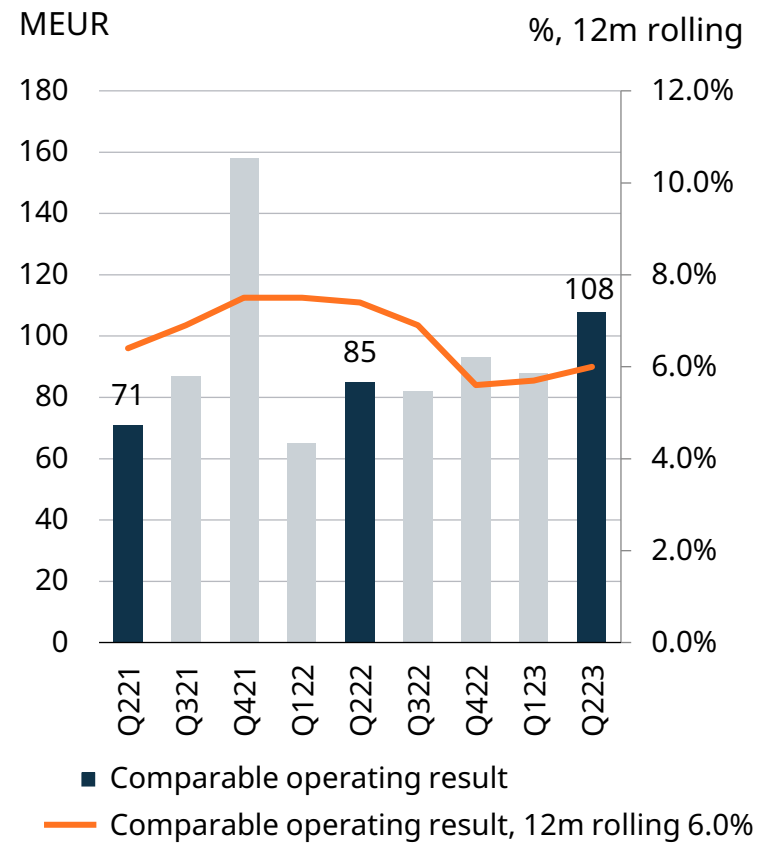
\*As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, further organisational changes have been implemented: a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1-3/2023 and 2022 have been restated to reflect the current organisational structure. The segment related comparison figures for 2021 have not been restated accordingly.

# Profitability continued to improve

## Net sales



## Comparable operating result



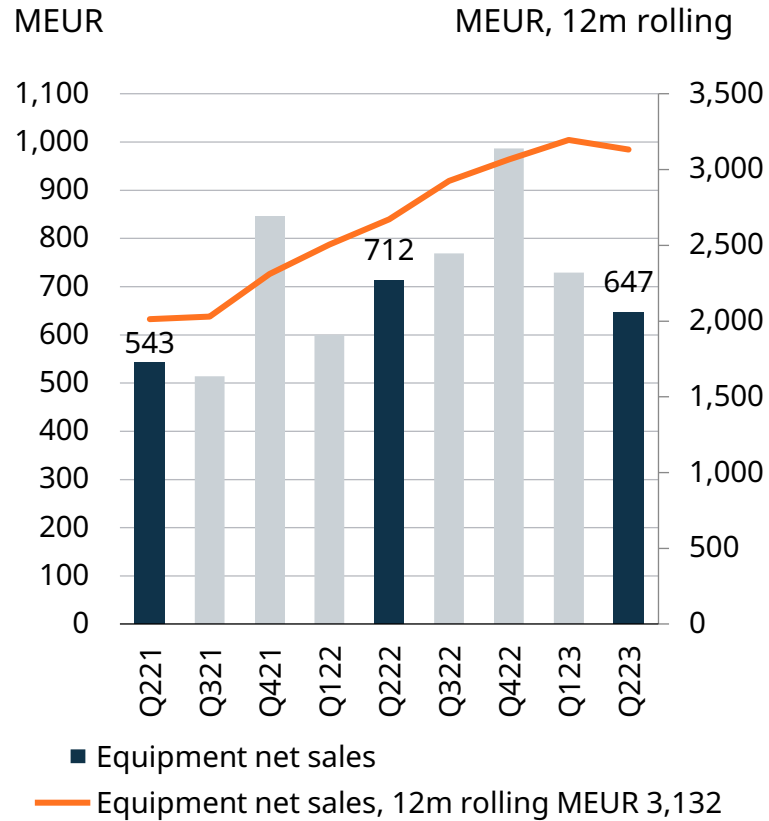
Net sales increased by 3%

Comparable operating result increased by 26%

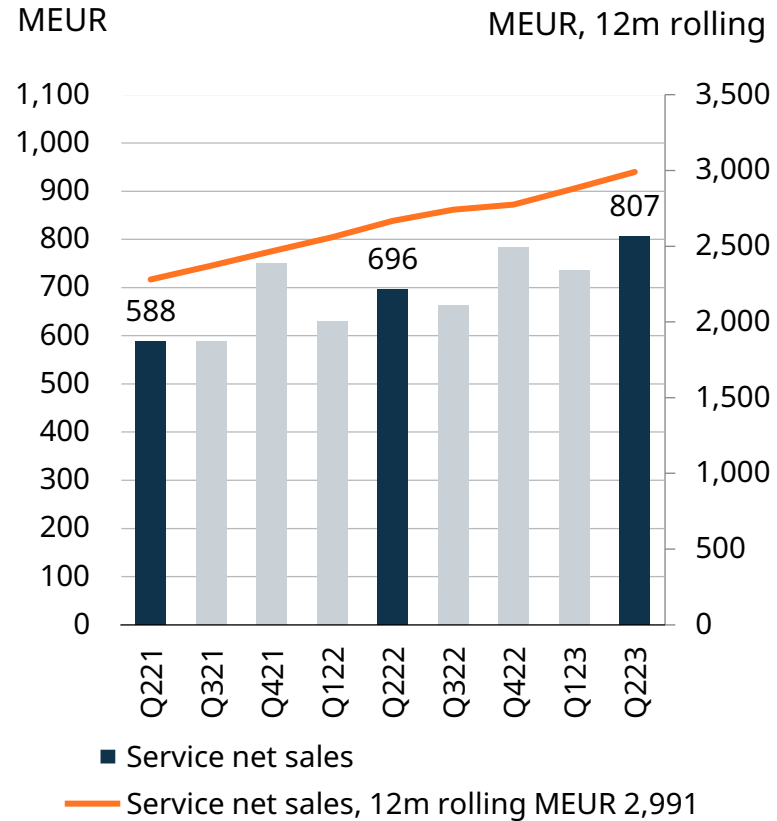


# Net sales increased by 3%

## Equipment



## Services



Equipment net sales decreased by 9%

Service net sales increased by 16%



## Technology and partnership highlights

Enabling industry decarbonisation

### **Wärtsilä's energy storage technology secures new fire safety standard**

- After rigorous testing Wärtsilä's GridSolv Quantum is now compliant with the NFPA 69 Standard.
- The Standard sets safety requirements for explosion prevention systems and provides security and confidence for Authority Having Jurisdictions (AHJs), the fire service, and other stakeholders.

### **Wärtsilä Ammonia Release Mitigation System (WARMS) receives Approval in Principle from DNV**

- The innovative system mitigates the risks associated with future fuels which can be hazardous to both health and the environment unless handled and stored with great care.
- WARMS offers a green and safe alternative to venting pure ammonia, diluting it with air, or bubbling it in hazardous dirty water tanks.

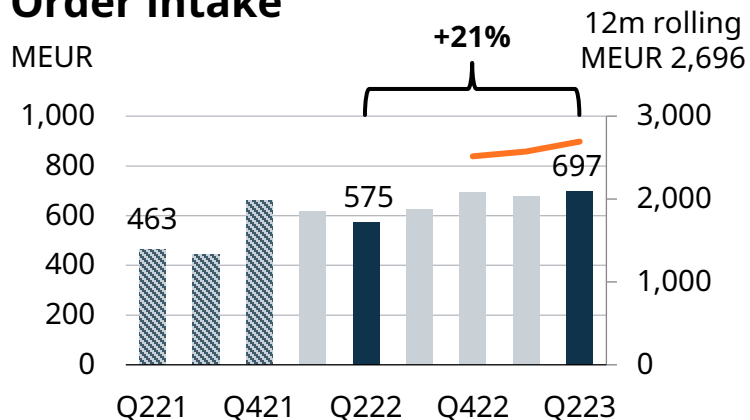
# Marine Power



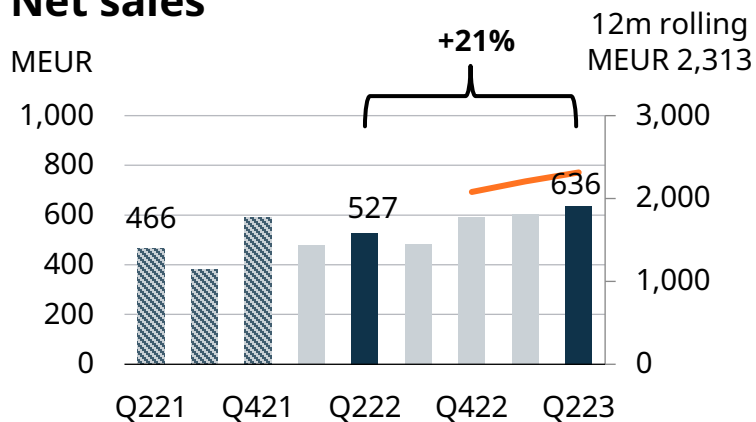
# Marine Power: good development in comparable operating result

Good service performance continued

## Order intake

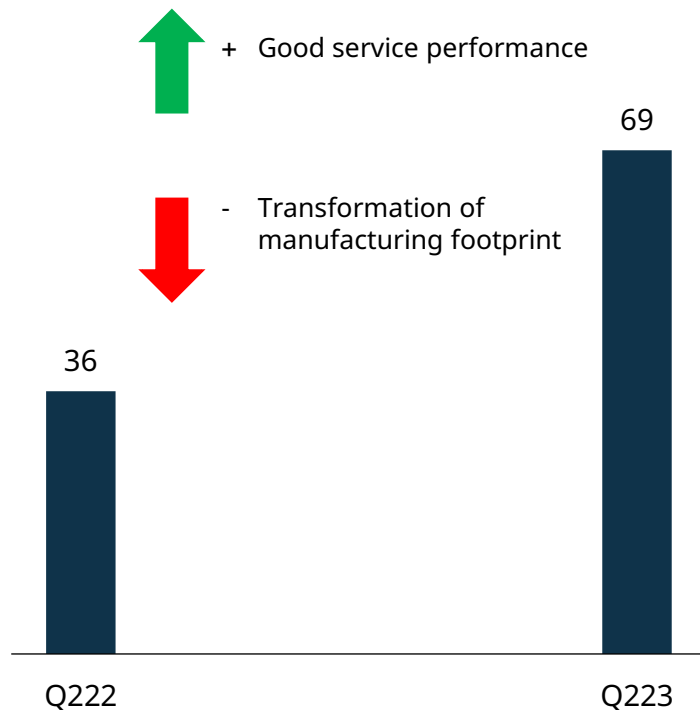


## Net sales



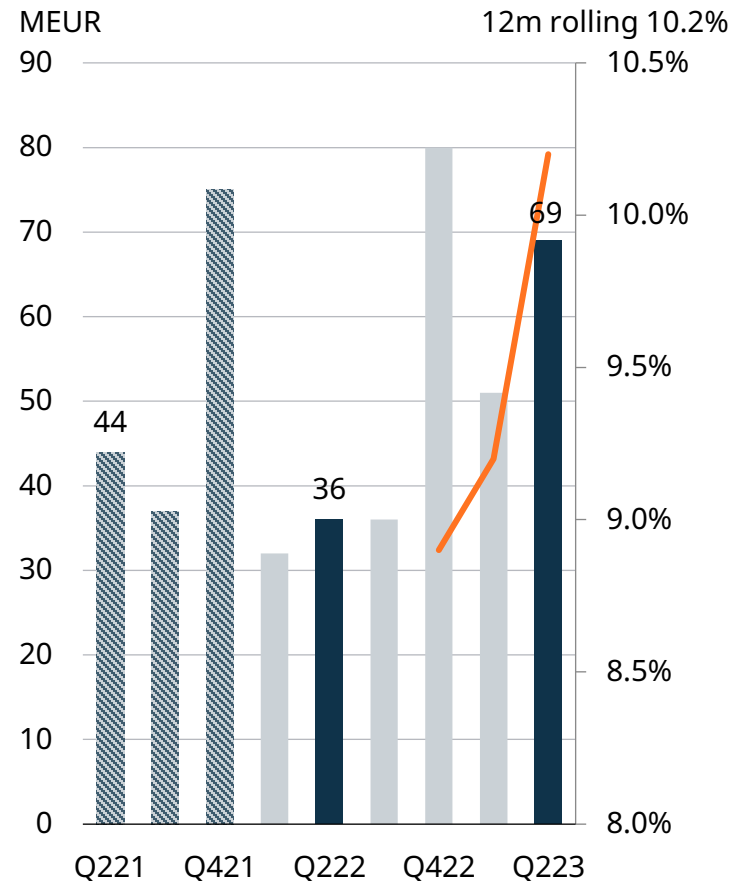
## Comparable operating result

MEUR



## Comparable operating result

MEUR

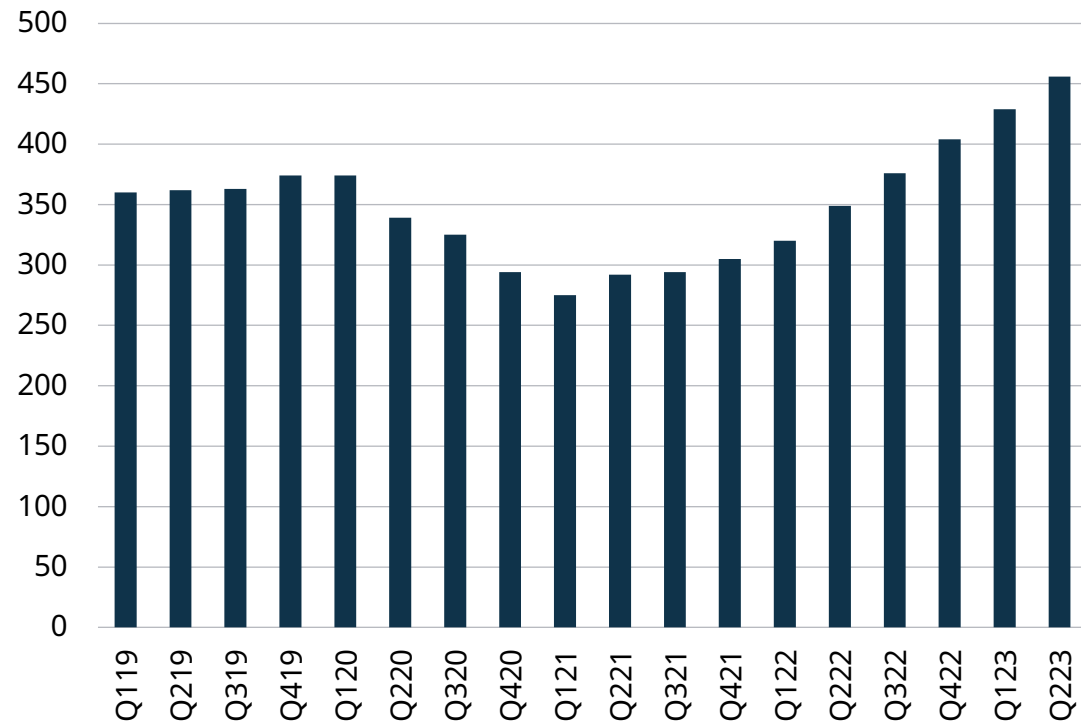


The 2022 and Q1 2023 figures have been restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)

# Good development in Marine Power service agreements

Net sales from installations under agreement strongly increasing

MEUR, 12m rolling



- Agreements are signed across multiple segments
  - LNG carriers fleet under agreement grew by 28% in past 4 years
  - Cruise slightly declined due to Covid-driven scrapping and ownership changes
- 29% of our engine installed base is under agreement\*
- Agreement renewal rate >90%

\*Defined as Wärtsilä 4-stroke engine MW under agreement

## Accelerating Stena Line's decarbonisation journey through methanol conversions

- Wärtsilä will convert some of Swedish ferry operator Stena Line's vessels to operate with methanol fuel.
- The conversions will include fuel supply system and engine modifications, as well as integrating the new installations with the ships' existing systems.
- The contract will equip the vessels with unmatched fuel flexibility, thus marking an important milestone in Stena Line's journey towards becoming a leader in sustainable shipping.
- The conversions are scheduled to take place in 2025.



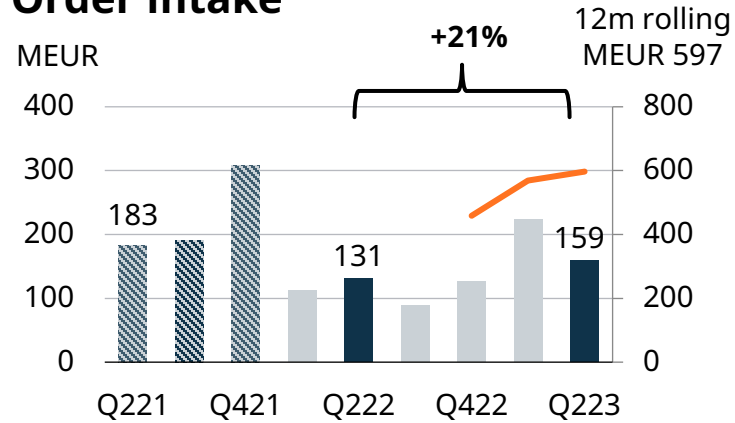
# Marine Systems



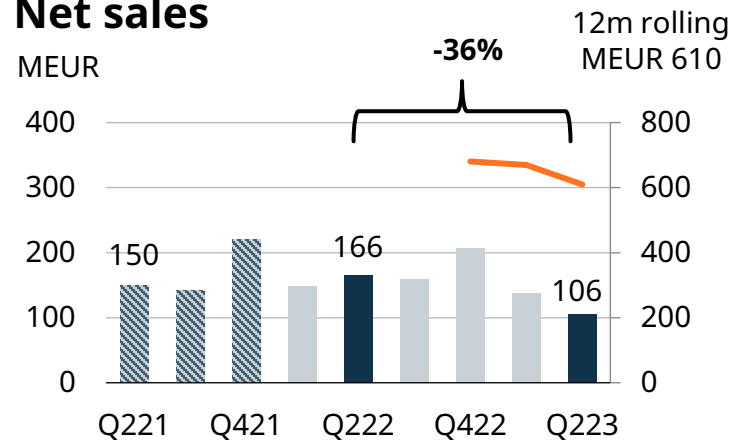
# Marine Systems: order intake increased

Comparable operating result declined due a provision taken for a single sizable turnkey project in Gas Solutions

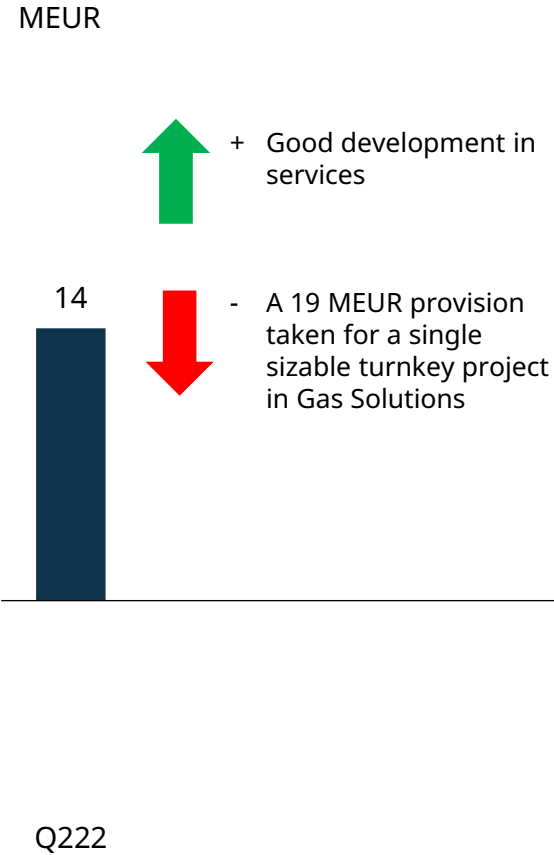
## Order intake



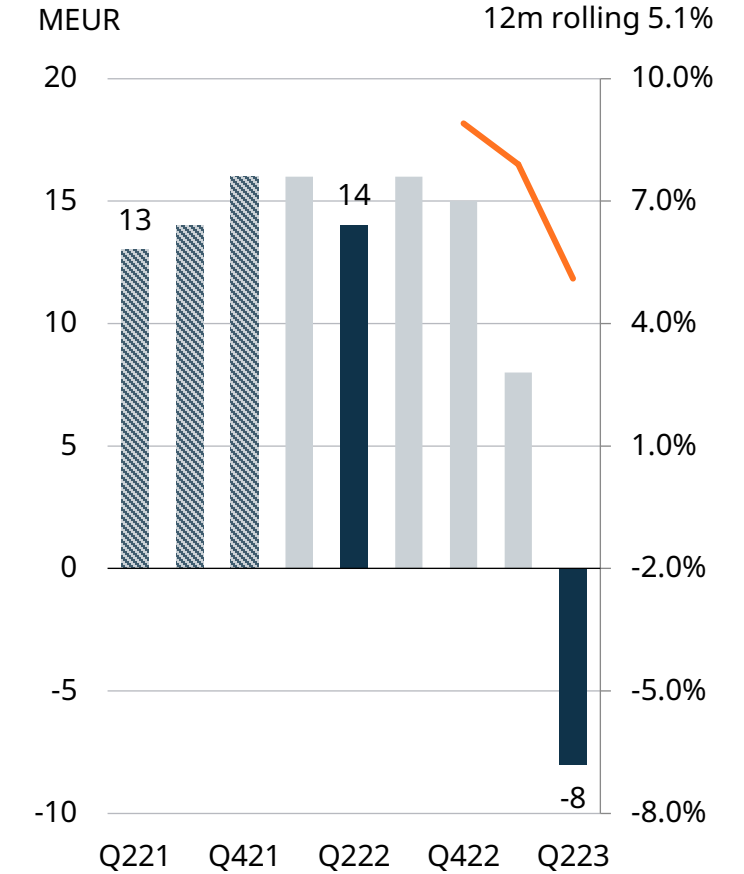
## Net sales



## Comparable operating result



## Comparable operating result



The 2022 and Q1 2023 figures have been restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business



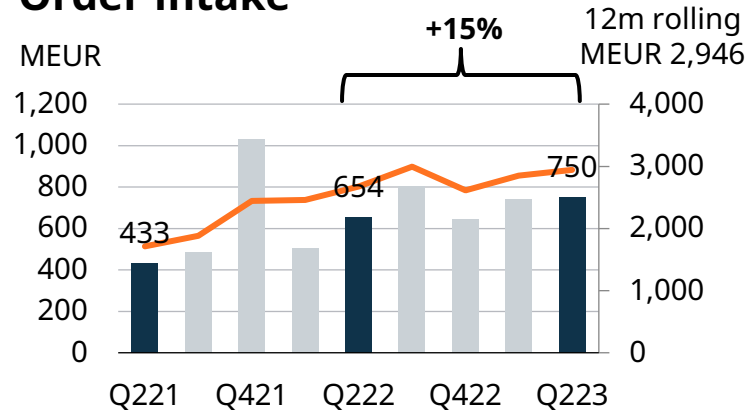
# Energy



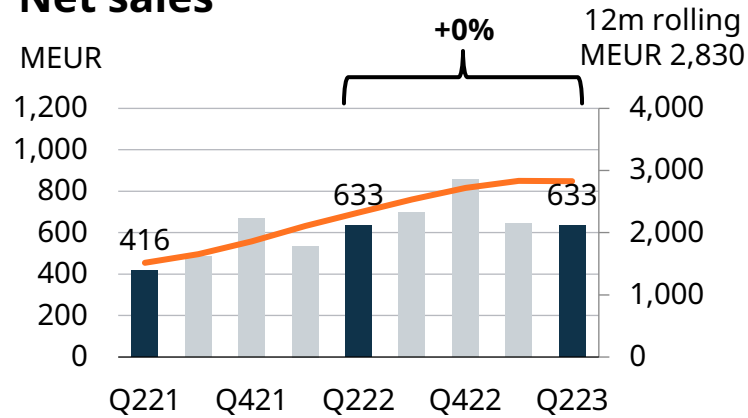
# Energy: order intake and comparable operating result increased

Good development in service continued

## Order intake

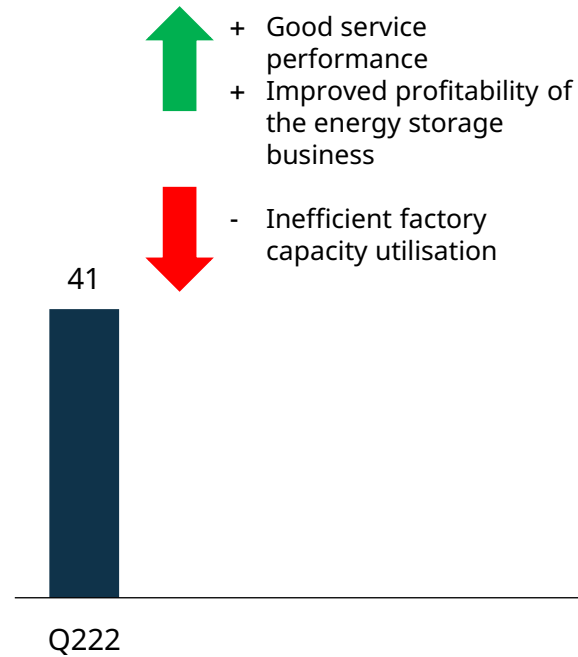


## Net sales



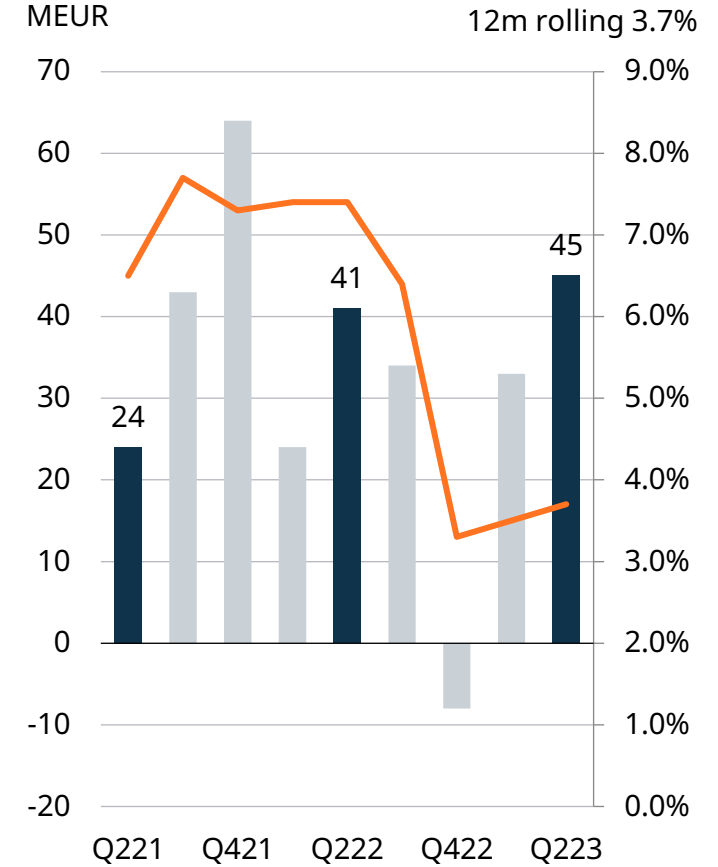
## Comparable operating result

MEUR



## Comparable operating result

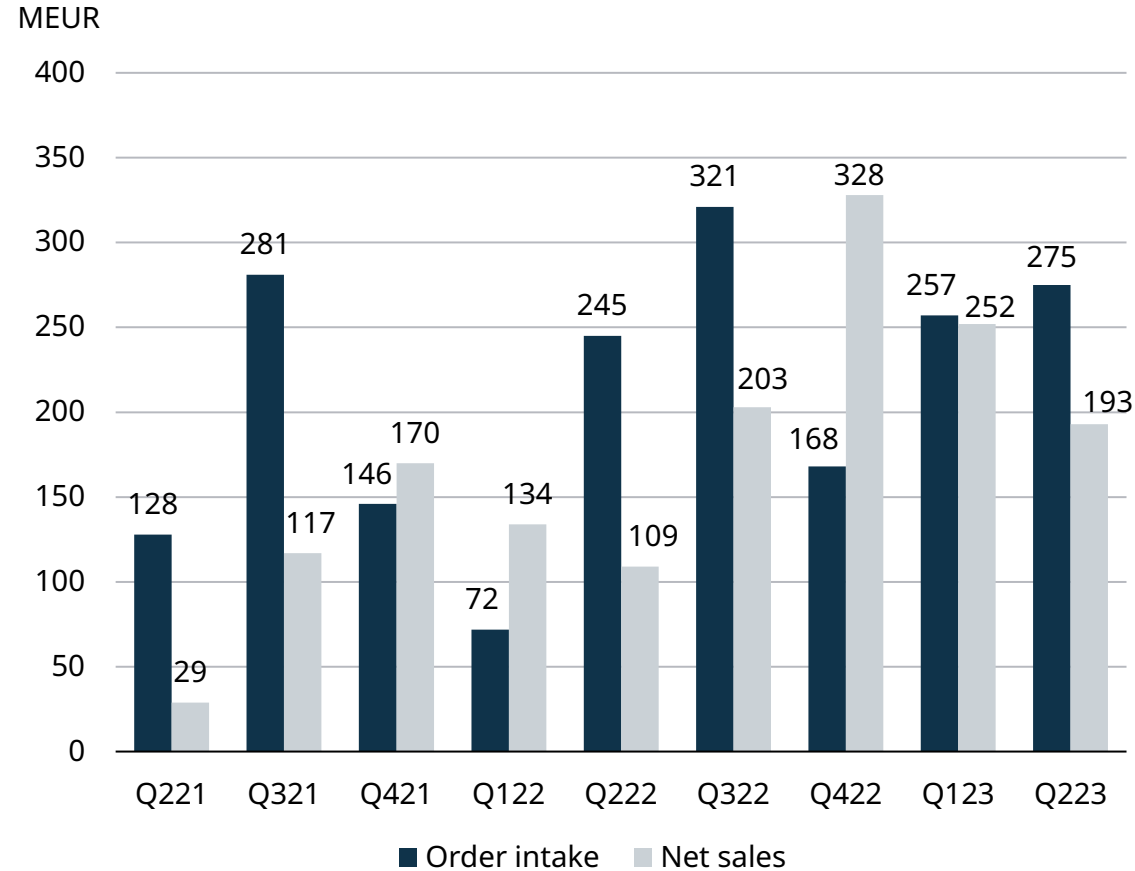
MEUR



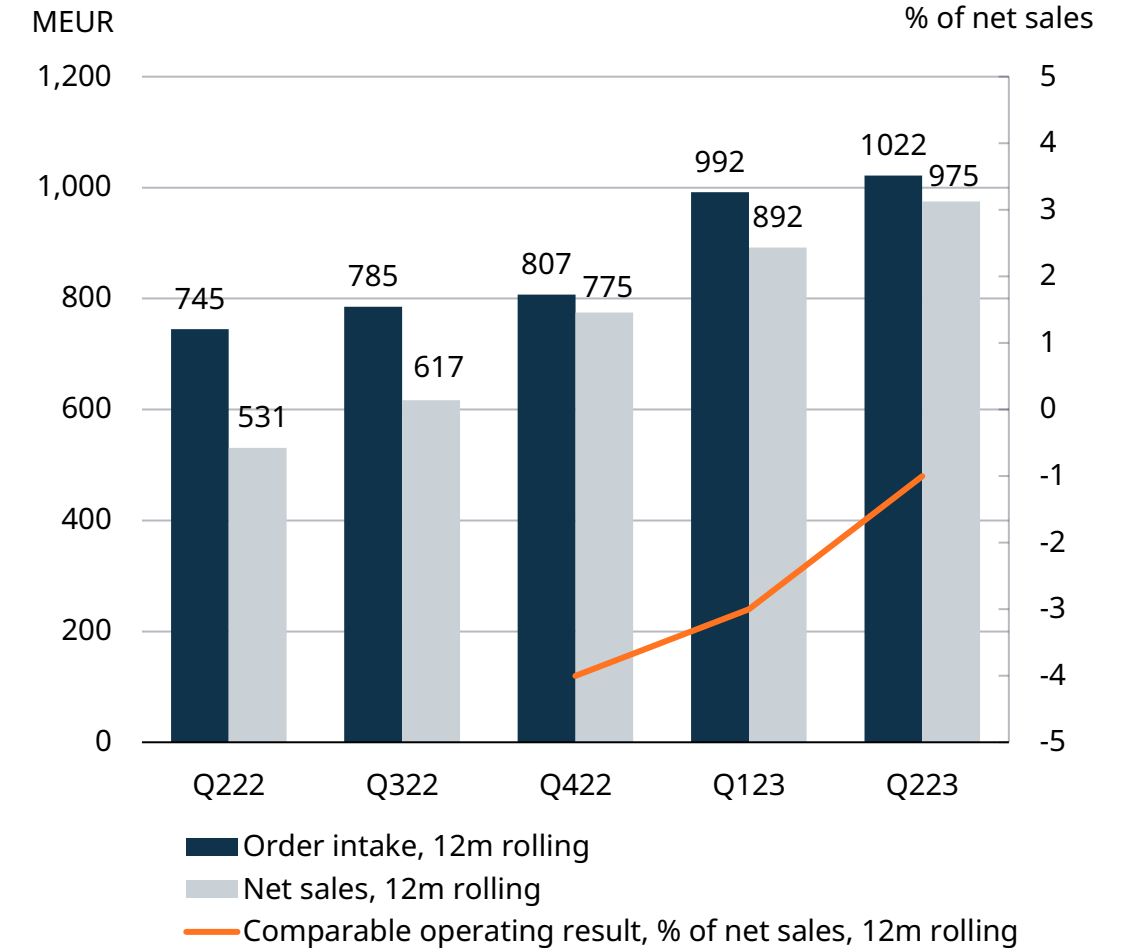
# Good development in energy storage

Profitability improving, rolling 12 months comparable operating result margin -1%

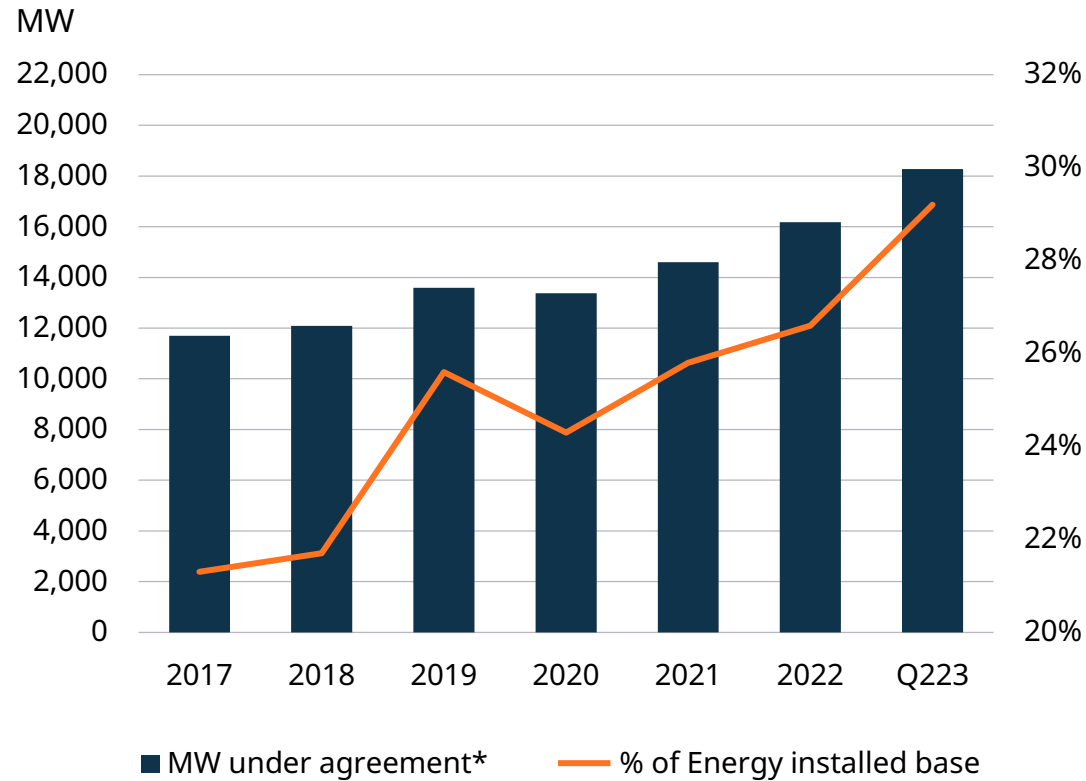
## Quarterly development



## Rolling 12 months development



## Continued good development in Energy service agreements

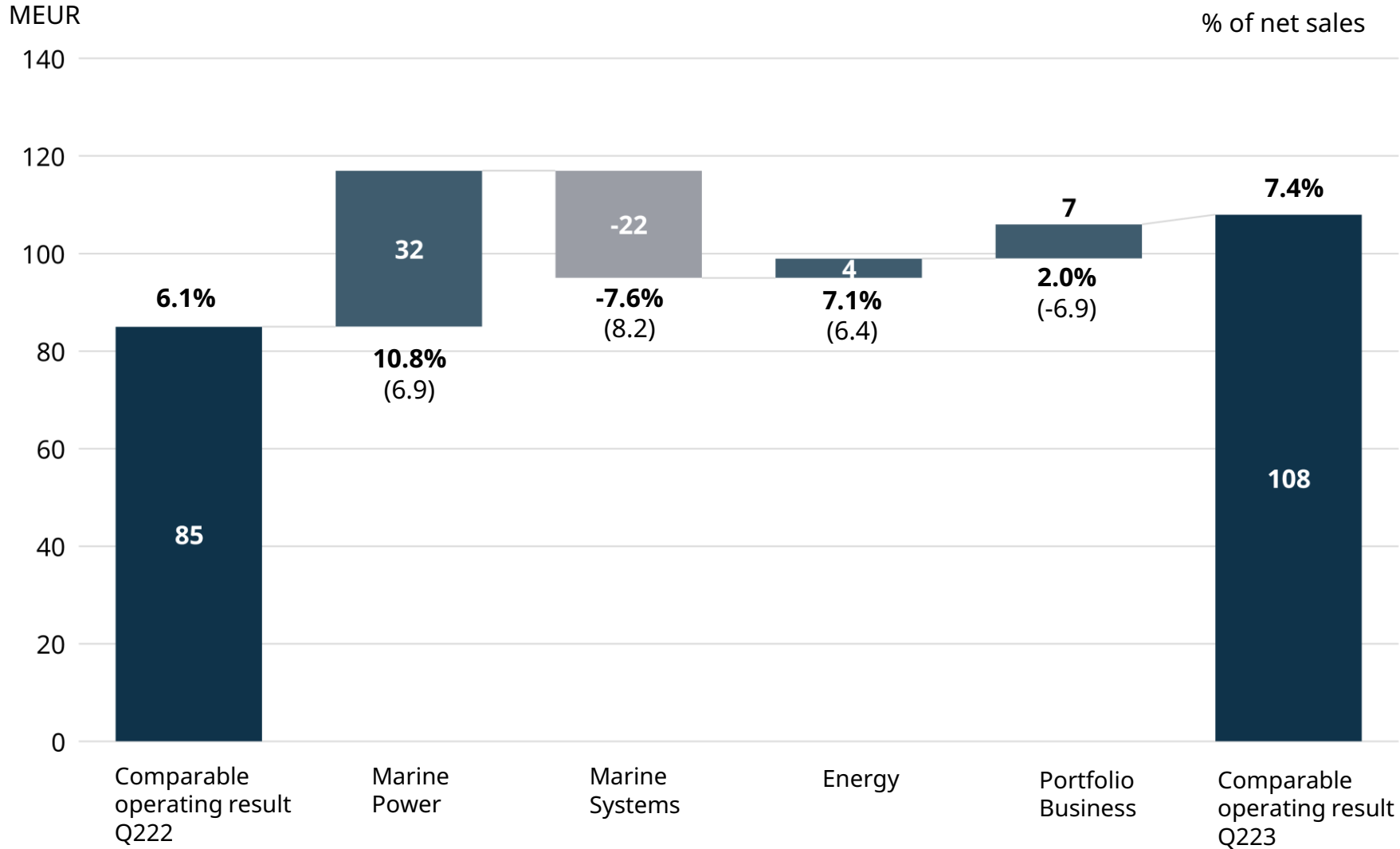


### Long-standing relationship with Brazilian customer enhanced with renewal of Operation & Maintenance agreement

- The two-year renewal ensures that Brazilian Independent energy producer, Gera Amazonas, can meet its power purchase obligations.
- The agreement covers the UTE Ponta Negra power plant in Manaus and has been in place since 2006 when the plant was commissioned.
- The plant needs to be in continuous 24/7 operation and our obligation is to ensure that a high level of reliability is maintained at all times.

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

# Comparable operating result improved – biggest improvement in Marine Power



Comparable operating result increased by 26%

## Other key financials

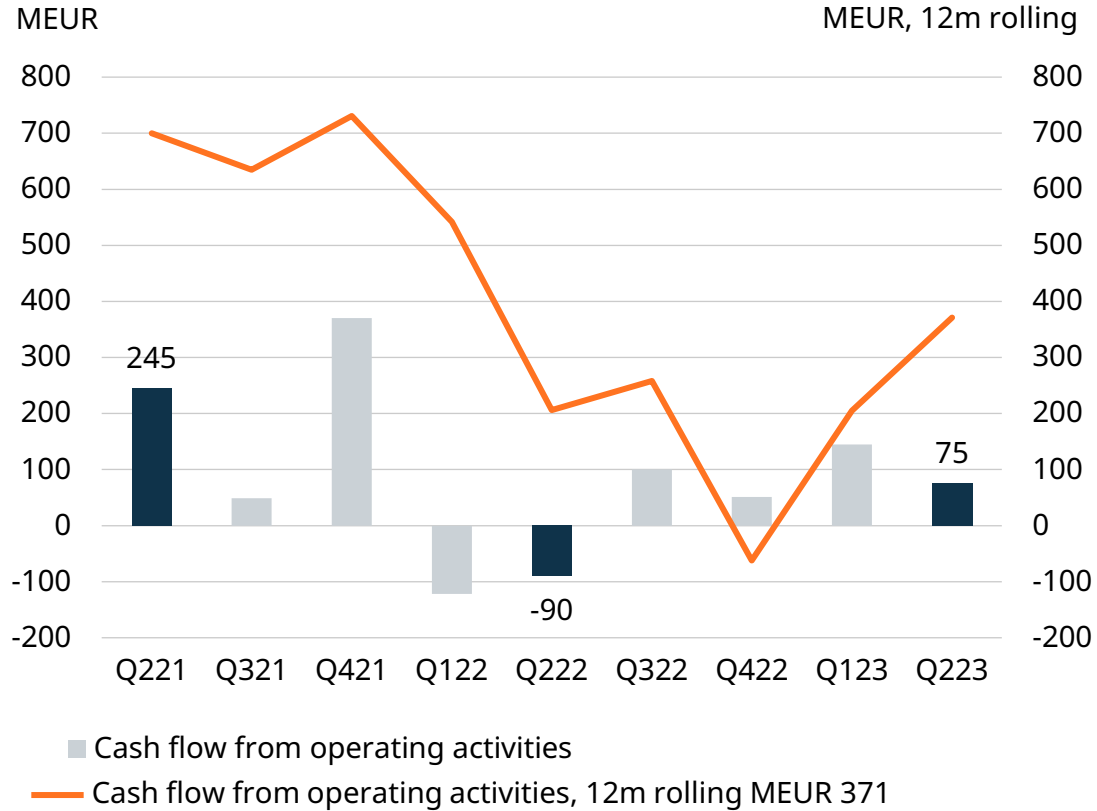


## Other key financials

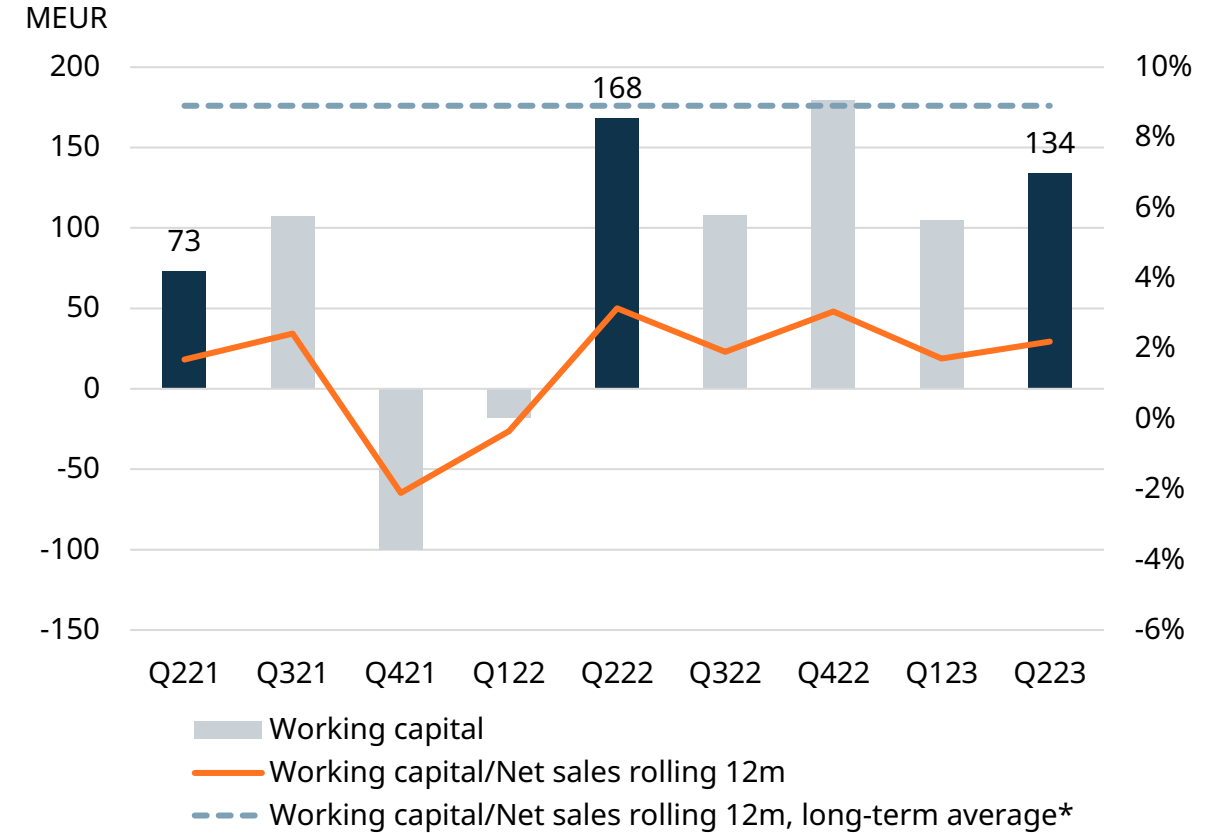
MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022
<b>Cash flow from operating activities</b>	<b>75</b>	-90	<b>219</b>	-213
<b>Working capital</b>			<b>134</b>	168
<b>Net interest-bearing debt</b>			<b>462</b>	432
<b>Gearing</b>			<b>0.23</b>	0.21
<b>Solvency, %</b>			<b>33.5</b>	35.8
<b>Basic earnings/share, EUR</b>	<b>0.05</b>	0.09	<b>0.14</b>	-0.16

# Cash flow from operating activities increased

## Cash flow from operating activities



## Working capital to net sales ratio



\*Starting from 2015





## Prospects

### Marine

- Wärtsilä expects the demand environment for the next 12 months (Q3/2023-Q2/2024) to be similar to that of the comparison period.

### Energy

- Wärtsilä expects the demand environment for the next 12 months (Q3/2023-Q2/2024) to be similar to that of the comparison period.

# Q&A

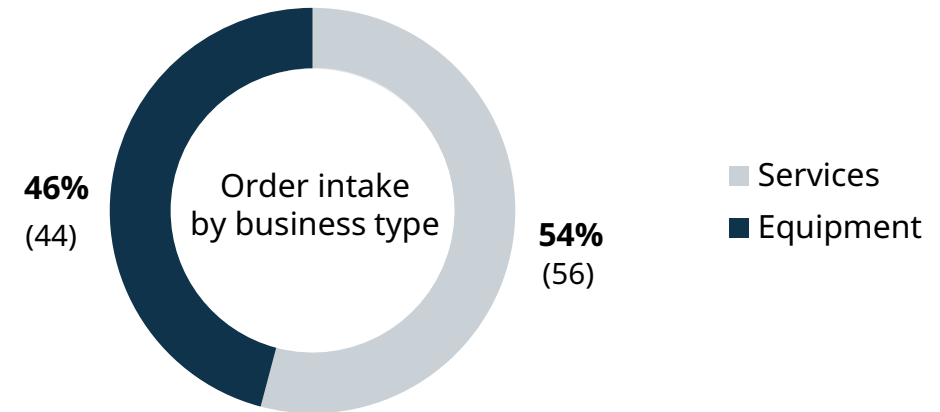
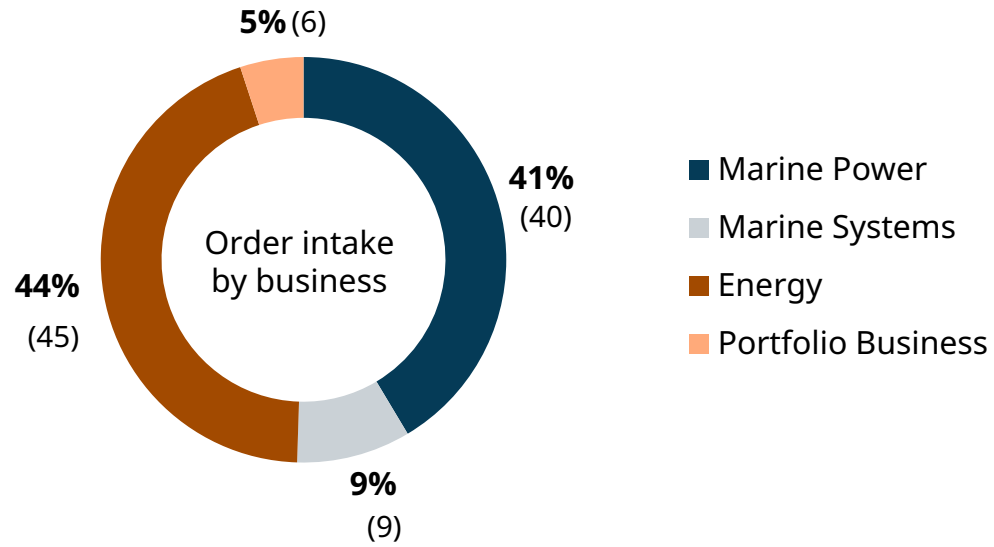


# Appendix



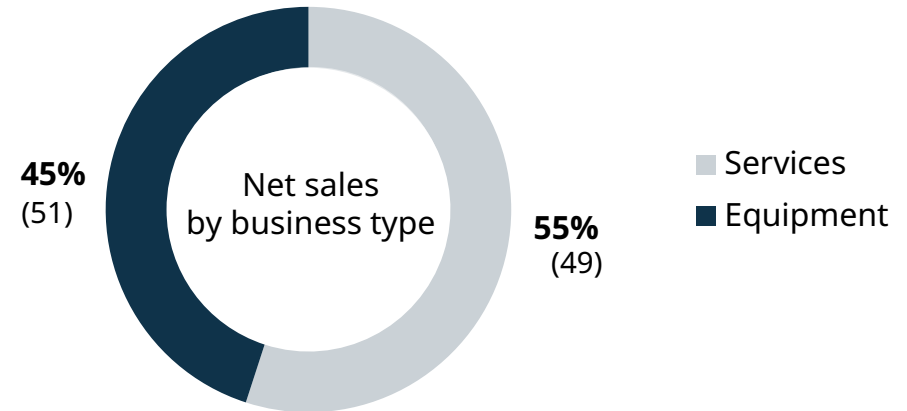
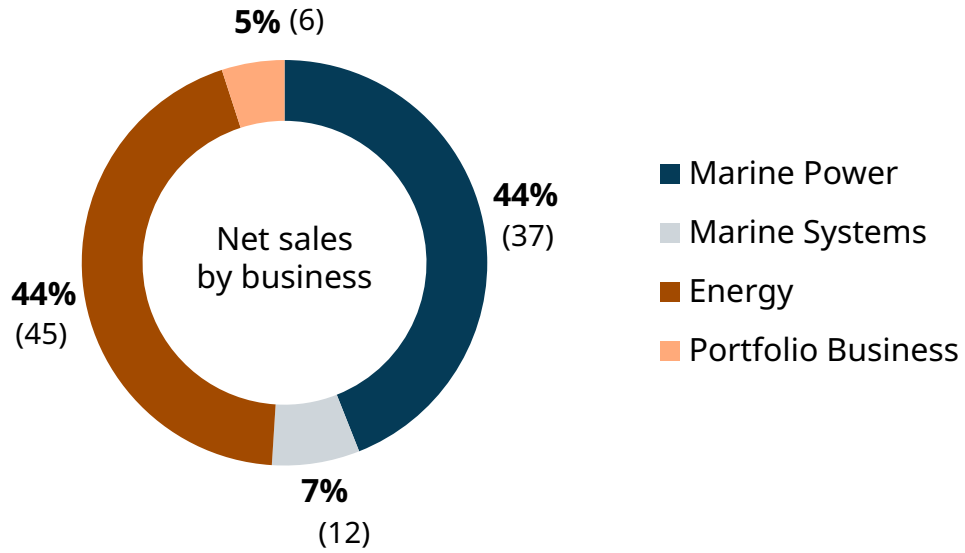
# Order intake

## Second quarter development



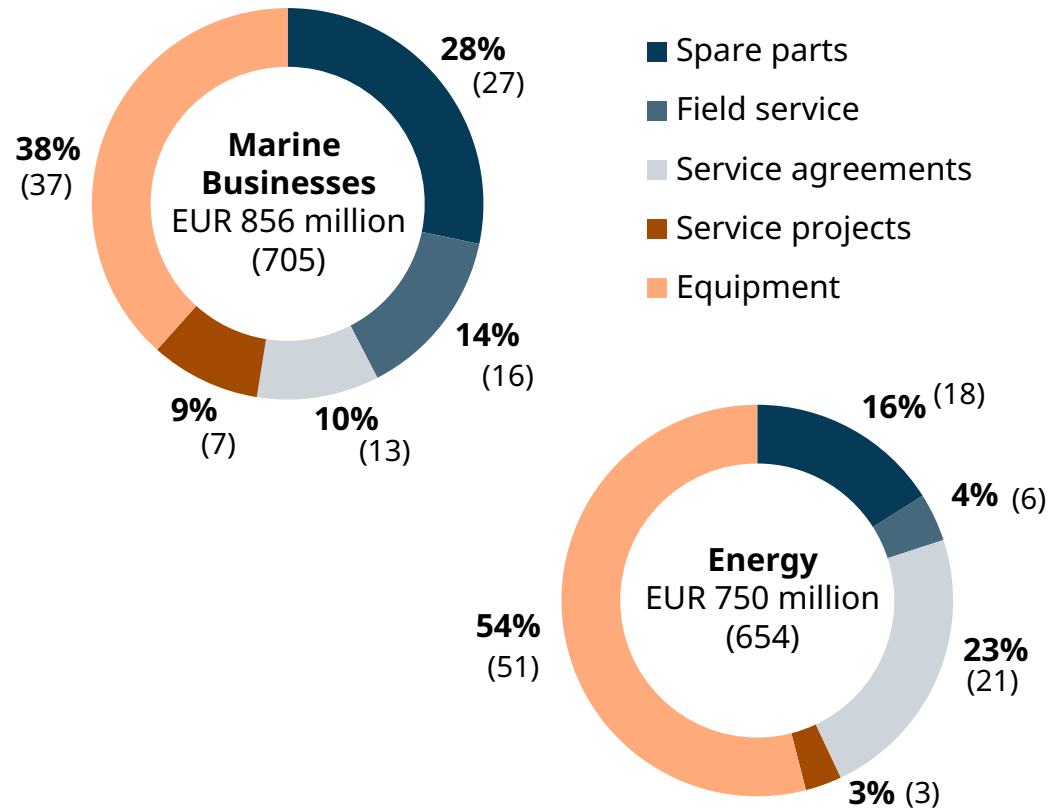
# Net sales

## Second quarter development

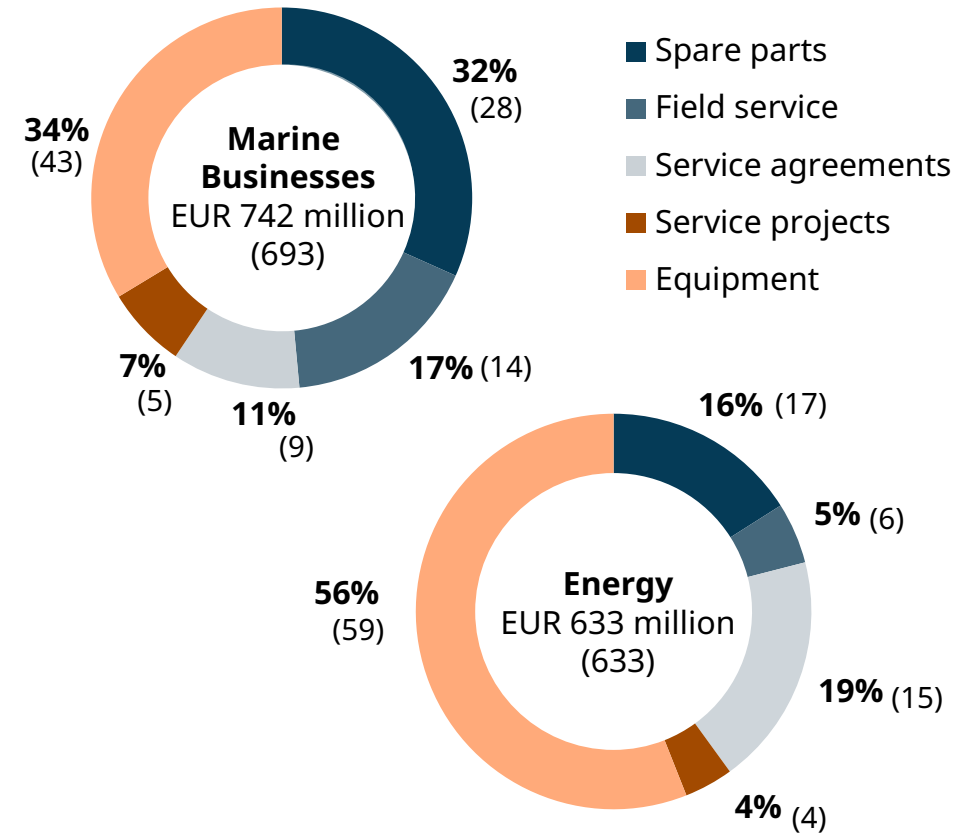


# Second quarter development by business type

## Order intake



## Net sales

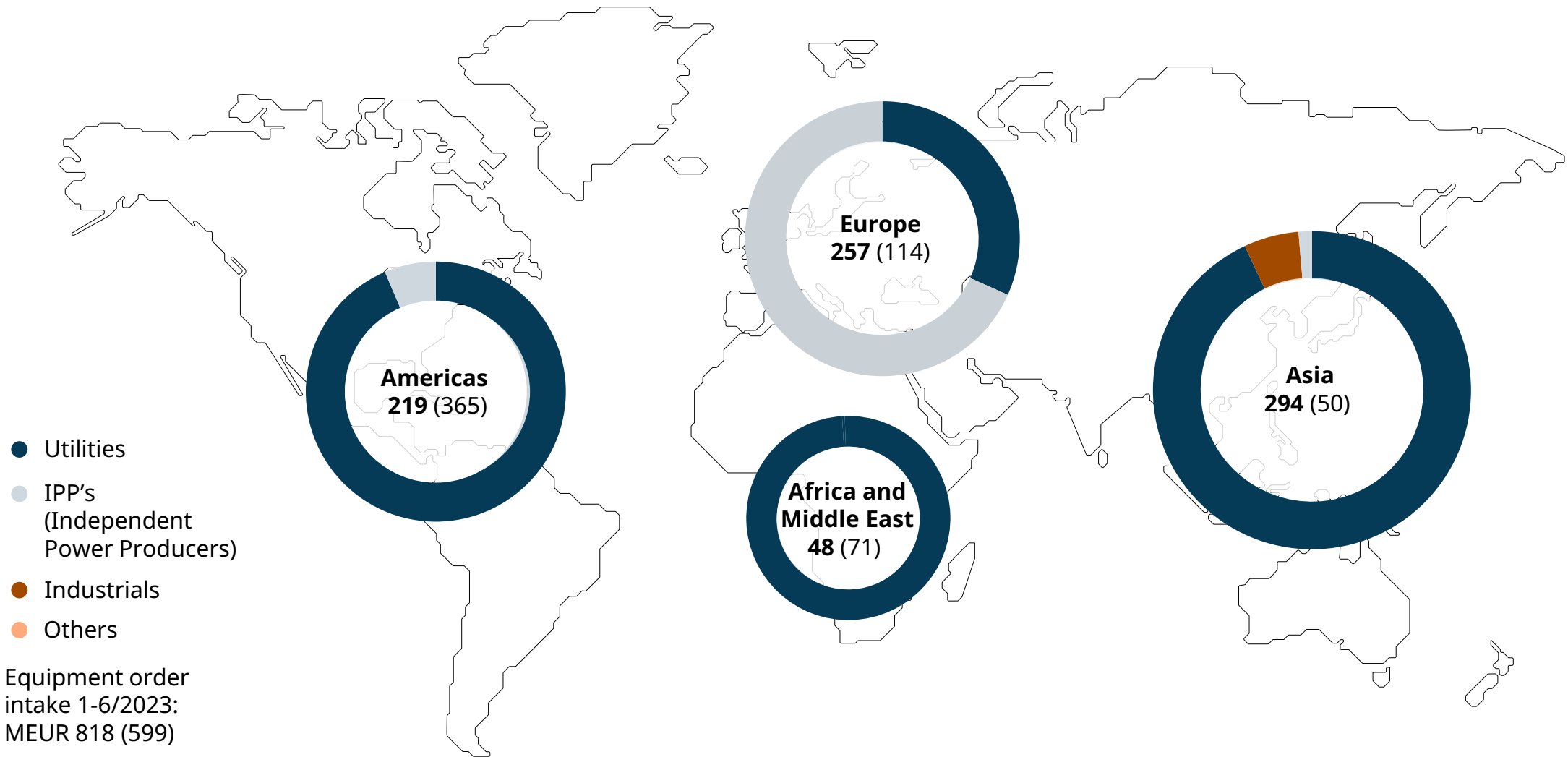


# January–June order intake by customer segment

<b>Marine Businesses</b>	<b>Gas carriers</b>	<b>Cruise &amp; ferry</b>	<b>Offshore</b>	<b>Navy</b>	<b>Special vessels</b>	<b>Merchant</b>	<b>Other</b>
<b>Marine Power</b>							
Equipment	9% (18)	24% (22)	5% (3)	13% (1)	5% (15)	41% (36)	3% (4)
Services	16% (17)	23% (22)	18% (14)	6% (7)	11% (11)	24% (27)	1% (2)
<b>Marine Systems</b>							
Equipment	63% (54)	1% (4)	14% (1)	1% (3)	0% (0)	21% (13)	0% (24)
Services	4% (2)	9% (8)	5% (8)	18% (22)	8% (8)	51% (50)	6% (3)
<b>Marine businesses, in total</b>	21% (6)	19% (9)	13% (7)	8% (8)	8% (57)	30% (9)	2% (3)
Equipment	28% (11)	16% (11)	8% (1)	8% (11)	3% (53)	34% (4)	2% (8)
Services	15% (4)	22% (8)	16% (10)	8% (6)	11% (60)	27% (12)	2% (1)

<b>Energy</b>	<b>Utilities</b>	<b>Independent Power Producers</b>	<b>Industrials</b>	<b>Other</b>
Equipment	74% (41)	24% (40)	2% (18)	0% (0)
Services	33% (34)	33% (29)	22% (28)	13% (10)

# Orders received for Energy equipment globally







**WÄRTSILÄ**