

Wärtsilä Corporation Financial Statements Bulletin January–December 2023

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31 January 2024

All-time highs in order intake, net sales and cash flow in 2023

- Order intake all-time high (7,070 MEUR)
- Net sales all-time high (6,015 MEUR)
- Good progress in services continued:
 - Service order intake increased by 15%
 - Service net sales increased by 13%
- The comparable operating result increased by 53%
- Cash flow from operating activities all-time high (822 MEUR)



Good development in key figures

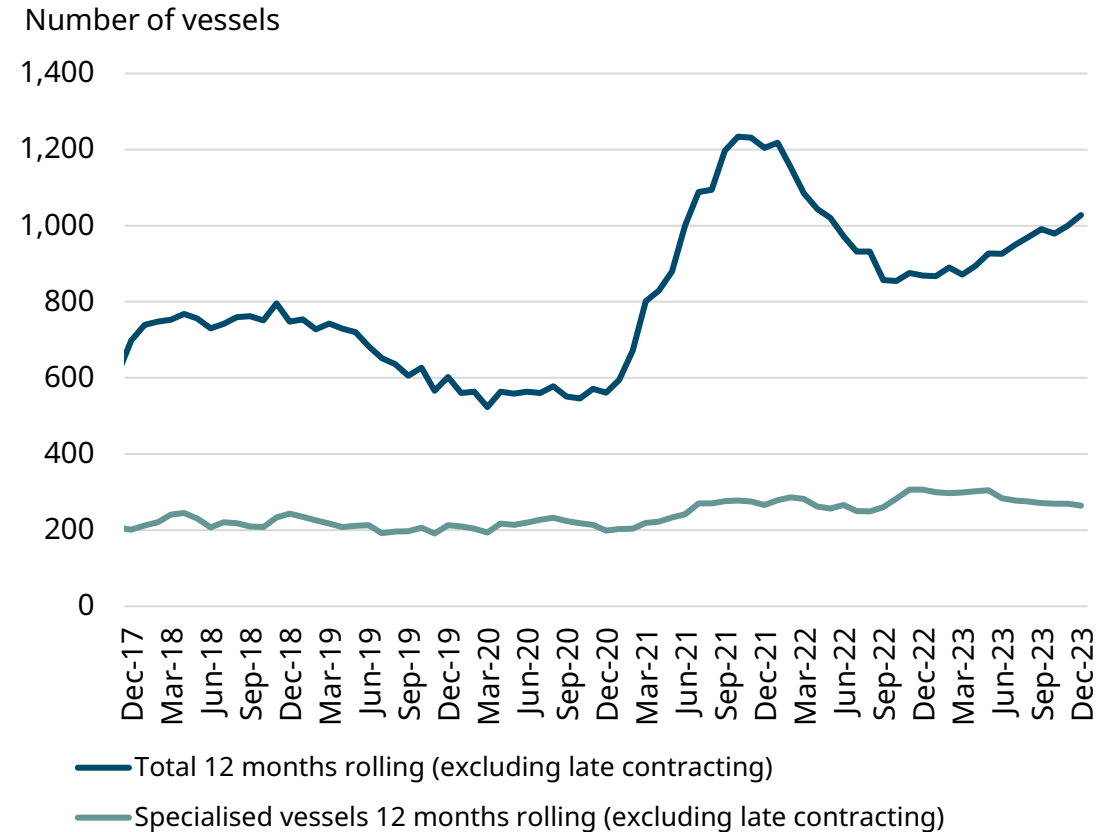
MEUR	10-12/2023	10-12/2022	CHANGE	1-12/2023	1-12/2022	CHANGE
Order intake	1,856	1,638	13%	7,070	6,074	16%
of which services	876	791	11%	3,519	3,066	15%
of which equipment	980	848	16%	3,550	3,008	18%
Order book				6,694	5,906	13%
of which current year deliveries				4,208	3,871	
Net sales	1,644	1,770	-7%	6,015	5,842	3%
of which services	843	784	8%	3,148	2,775	13%
of which equipment	800	987	-19%	2,867	3,067	-7%
Book-to-bill	1.13	0.93		1.18	1.04	
Operating result	128	37	248%	402	-26	
% of net sales	7.8	2.1		6.7	-0.4	
Comparable operating result	177	93	90%	497	325	53%
% of net sales	10.8	5.3		8.3	5.6	

Marine market sentiment remained positive for Wärtsilä's key segments

Appetite for new ships increased

- The number of vessels ordered in the review period increased to 1977 (1538 in the corresponding period in 2022, excluding late reporting of contracts).
- The uptake of alternative fuels remained more limited with 450 orders reported in 2023, representing 23% (30%) of all contracted vessels and 43% (60%) of vessel capacity, mostly because of the changed mix of contracted vessels.
- The growing pressure to decarbonise operations supported the demand for both newbuilds and service, across Wärtsilä's key segments.
- Decarbonisation investments were made in additional fleet capacity, direct fleet replacements, efficiency upgrades or fuel conversions, and maintenance activities to keep the existing fleet compliant and competitive.
- The continued increase in yard capacity especially in China and South Korea helps to remove constraints from newbuild ordering across vessel segments as availability of slots improves and increases in newbuild prices are likely to decelerate.

Total and specialised vessel contracting



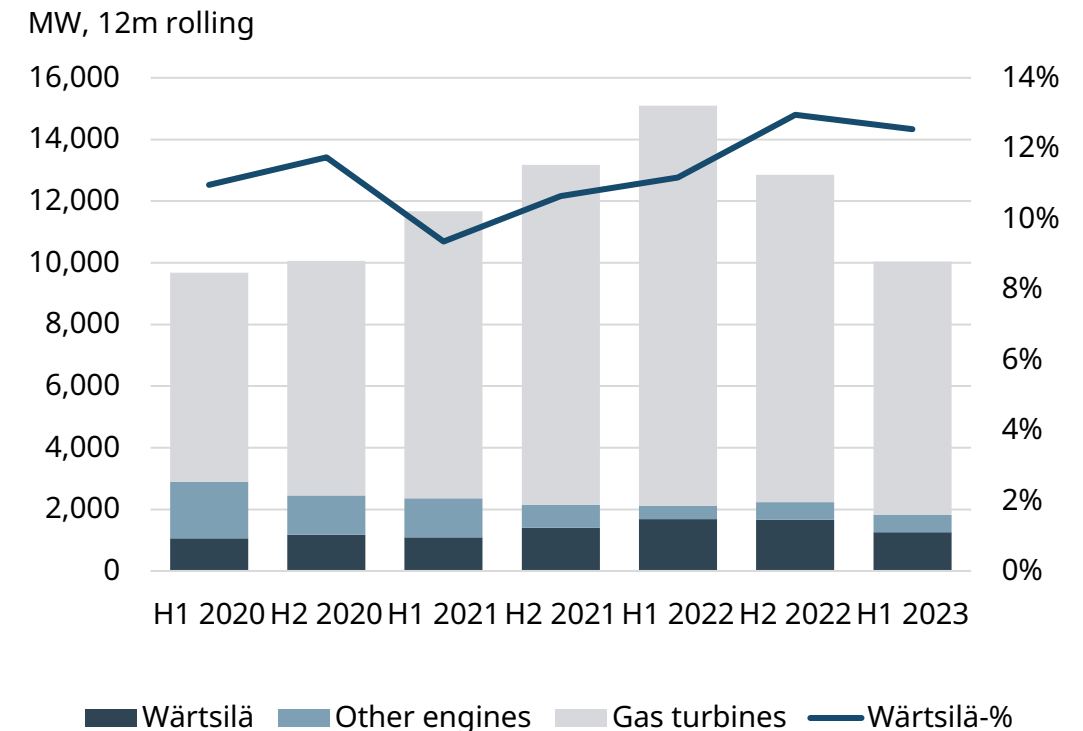
Source: Clarksons Research, 12m rolling contracting as per 4th of January 2024 (+100 gt, excluding late reporting of contracts)
 Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

Solid long-term opportunities in energy market

Energy transition outlook improving amid fragile global economy

- Market share remained at 13% (13%), as global orders for natural gas and liquid-fuelled power plants decreased by 22% to 10.0 GW during the twelve-month period ending in June 2023.
- Price volatility, inflation, and interest rates have moderated.
- Global natural gas prices have decreased from the previous year's extreme highs but remain above pre-2021 levels.
- Energy and climate policies around the world continue to evolve towards decarbonisation targets, and the mid-term energy transition outlook remains strong.
- Climate policy reached new milestones in Q4 as more than 120 countries pledged to triple global renewable energy capacity by 2030 at COP28, which supports the need for balancing power.
- The COP28 final declaration is in line with Wärtsilä's vision of a 100% renewable energy future and the readiness to enable engines to run on future fuels.
- The coal phase-out is progressing: Since 2018, the installed coal capacity outside China has decreased by almost 40 GW.

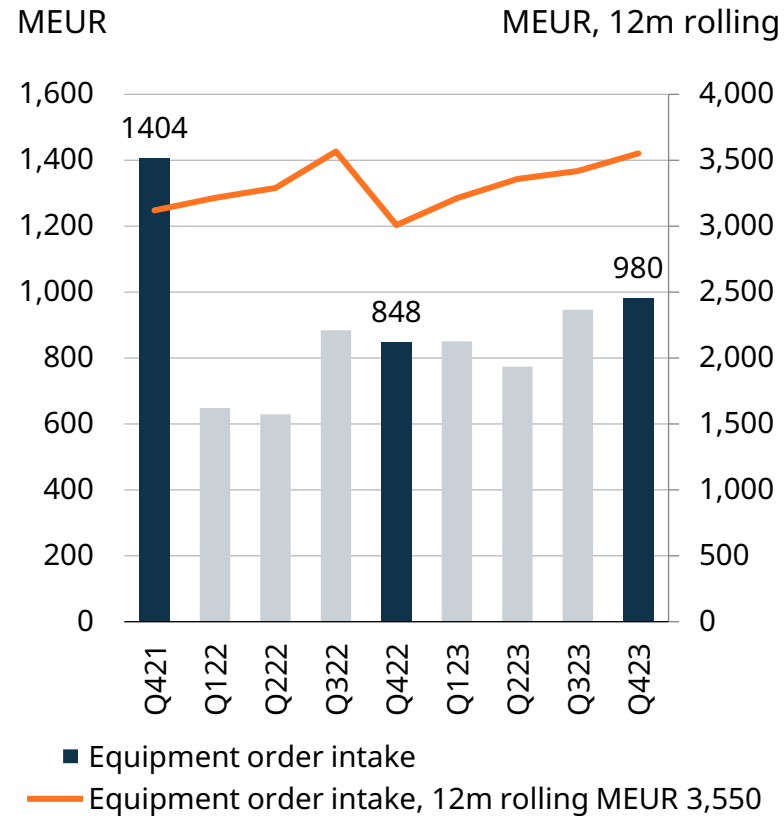
Contracting for gas and liquid fuelled power plants 5-400 MW



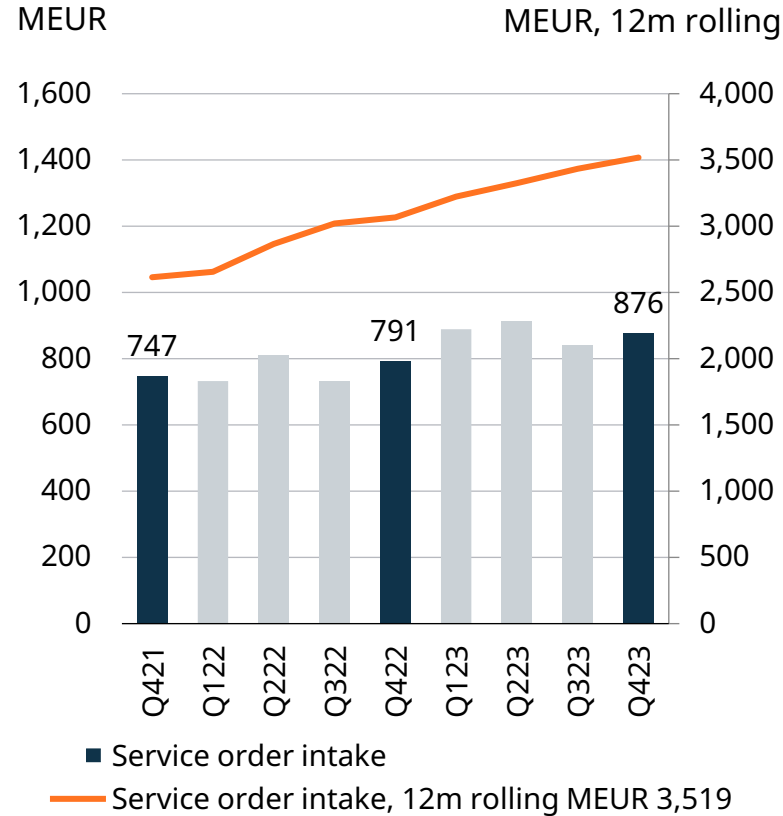
The market data includes prime movers over 5 MW in size in up to 400 MW gas and liquid-fuelled gas turbine plants and engine plants of all sizes. The gas turbine data is gathered from the McCoy Power Report, reported with a one quarter delay due to data availability. Engine data is collected from press releases and Wärtsilä sales teams. Output of steam turbines for combined cycles is estimated. Market shares are updated every two quarters in Q1 and Q3.

Organic order intake increased by 21%

Equipment



Services



Order intake growth
13%

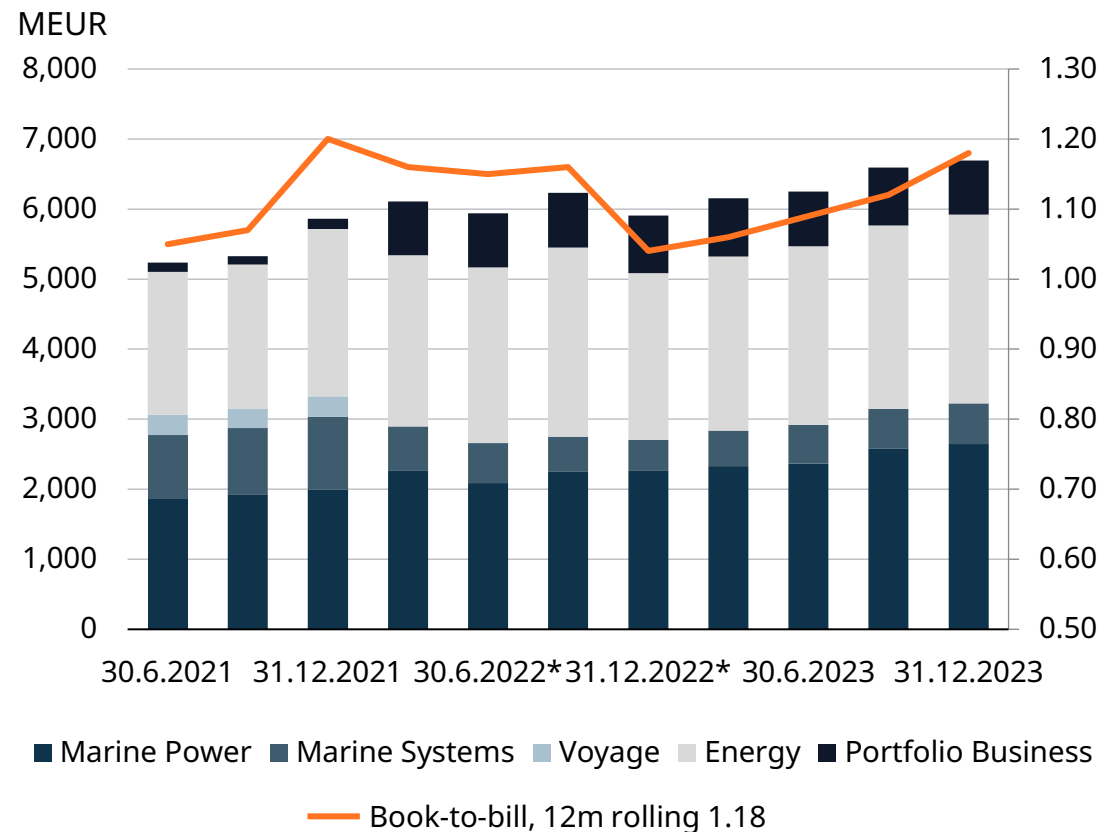
Equipment order
intake increased by
16%

Service order intake
increased by 11%

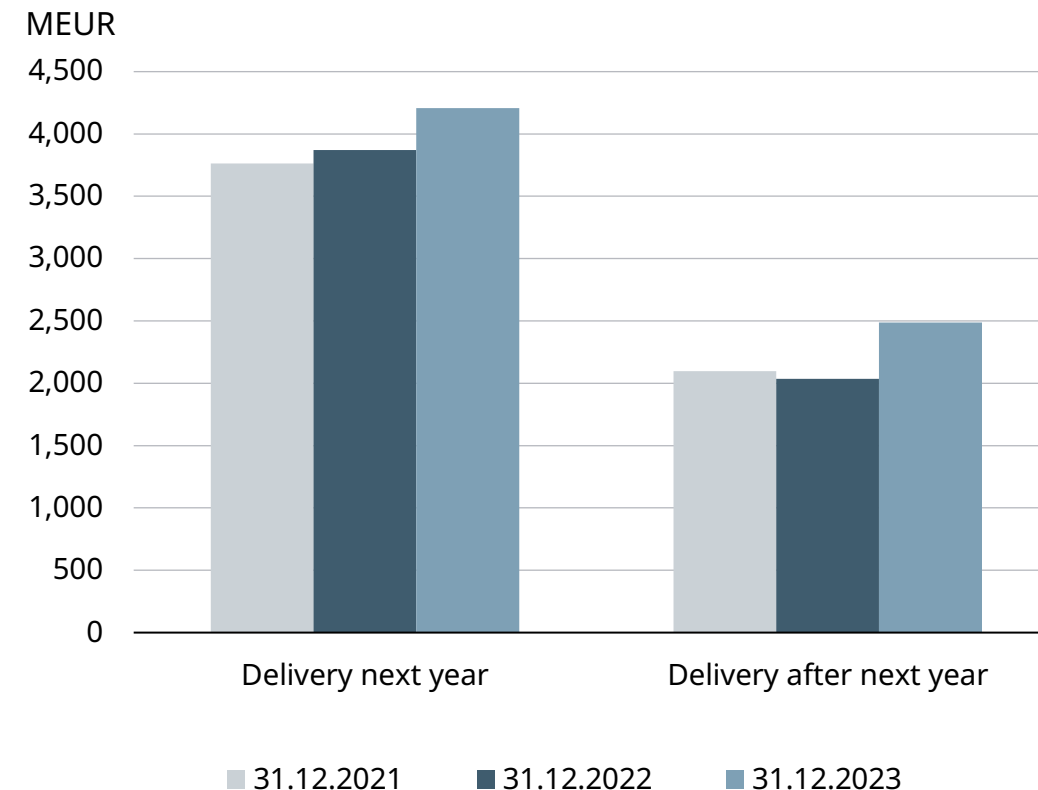
Strong order book, rolling book-to-bill continues to trend up

Order book for the year 2024 higher than 2023

Order book by business



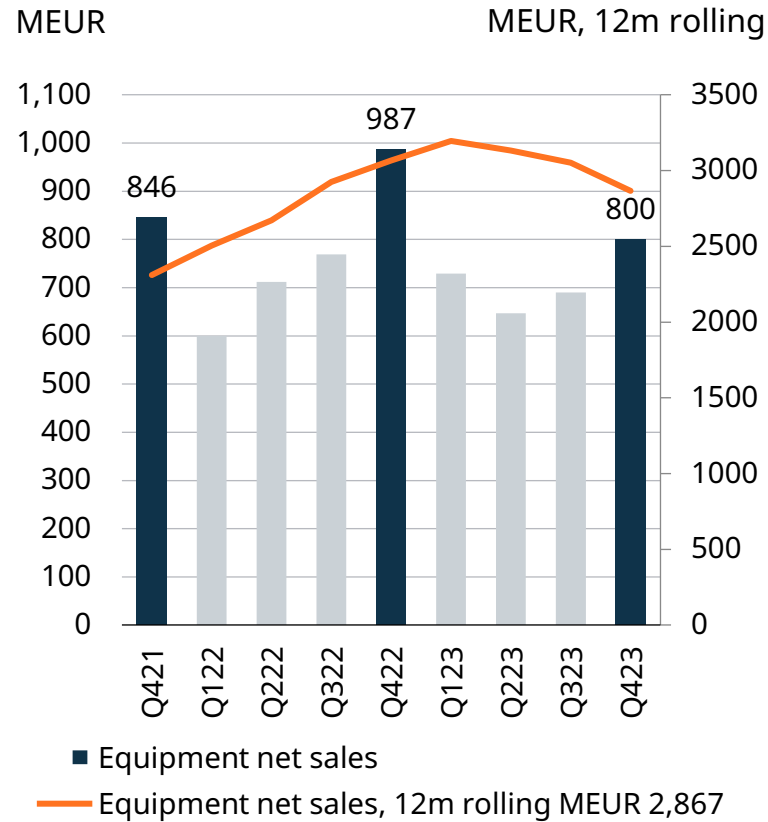
Order book delivery schedule



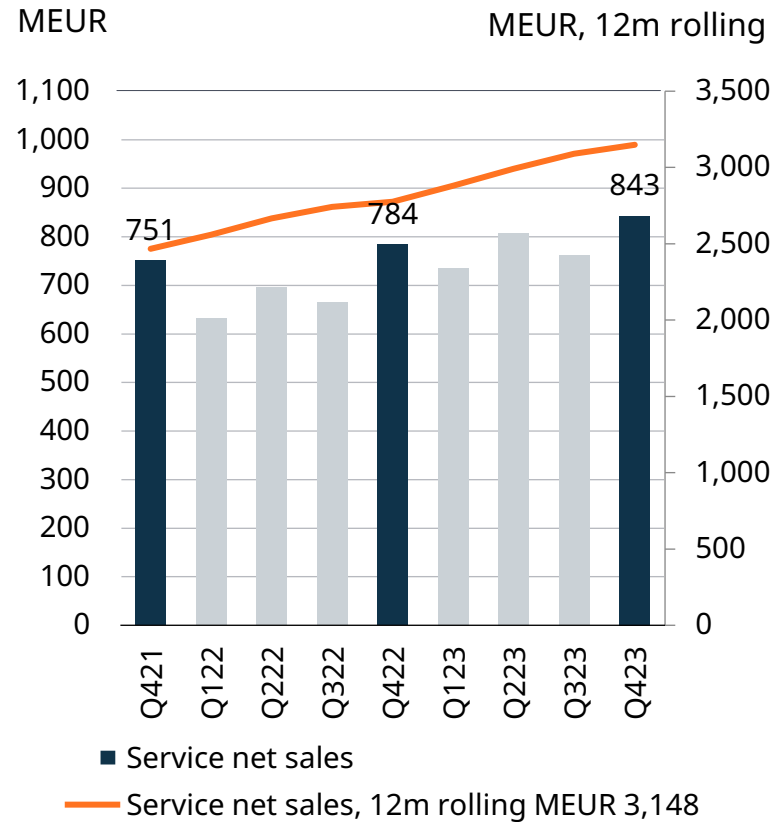
*As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, further organisational changes have been implemented: a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 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.

Organic net sales decreased by 3%

Equipment



Services



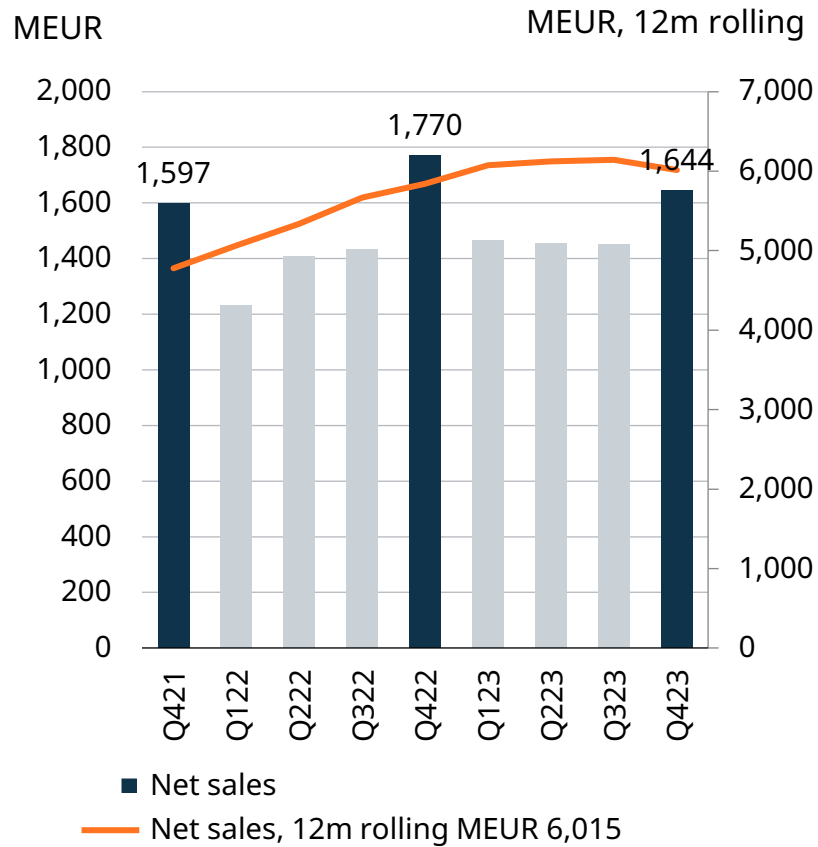
Net sales decreased by 7%

Equipment net sales decreased by 19%

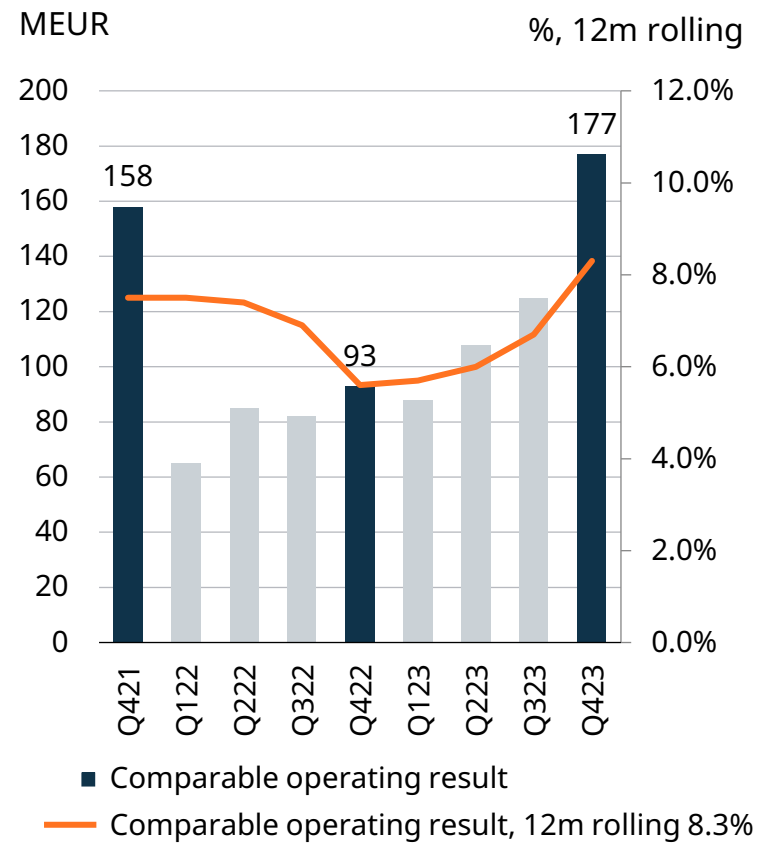
Service net sales increased by 8%

Profitability continued to improve

Net sales



Comparable operating result



Net sales decreased by 7%

Comparable operating result increased by 90%

Technology and partnership highlights

Enabling industry decarbonisation

Wärtsilä enables acceleration of marine's transition to sustainable fuels with introduction of four methanol engines

- Wärtsilä will introduce four new methanol engines to its portfolio, setting a new industry benchmark with the broadest methanol engine portfolio currently on the market.
- In addition to the Wärtsilä 32 methanol engine launched last year, Wärtsilä will add the Wärtsilä 20, Wärtsilä 31, Wärtsilä 46F and Wärtsilä 46TS to its portfolio of engines capable of operating with methanol fuel.
- Wärtsilä is one of the few marine engine builders with extensive experience of methanol engines.
- The four new methanol engines will be available for deliveries at different points from 2025 onwards.

Wärtsilä launches Quantum High Energy storage system with advanced safety features and energy density

- Wärtsilä has launched Quantum High Energy (QuantumHE), a next-generation energy storage system with advanced safety features and enhanced energy density, furthering its industry-leading track record and commitment to safety.
- QuantumHE is compatible with GEMS Digital Energy Management Platform, which monitors, controls and optimises energy assets both on-site and on a portfolio level.
- Wärtsilä is the third largest energy storage system integrator, according to S&P Global, with over 7.5 gigawatt-hours (GWh) of energy storage capacity awarded, contracted, or in deployment.



Marine Power

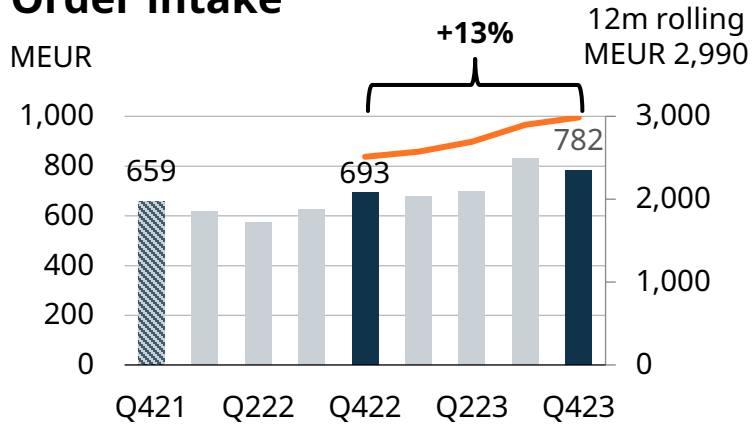




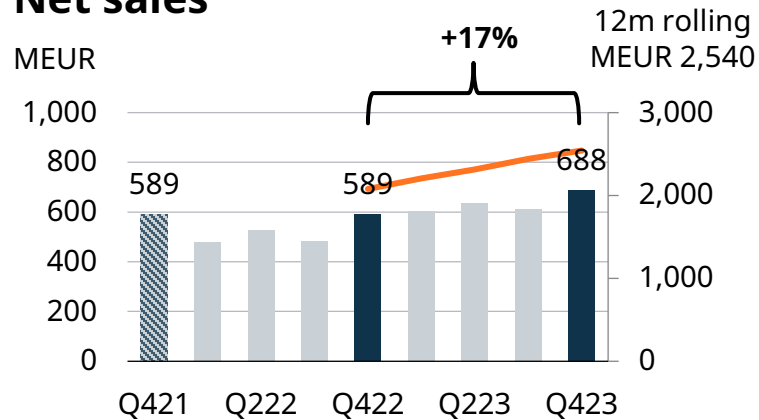
Marine Power: Good development in order intake and net sales

Both equipment and service net sales increased. Comparable operating margin declined due to less favourable mix between equipment and services.

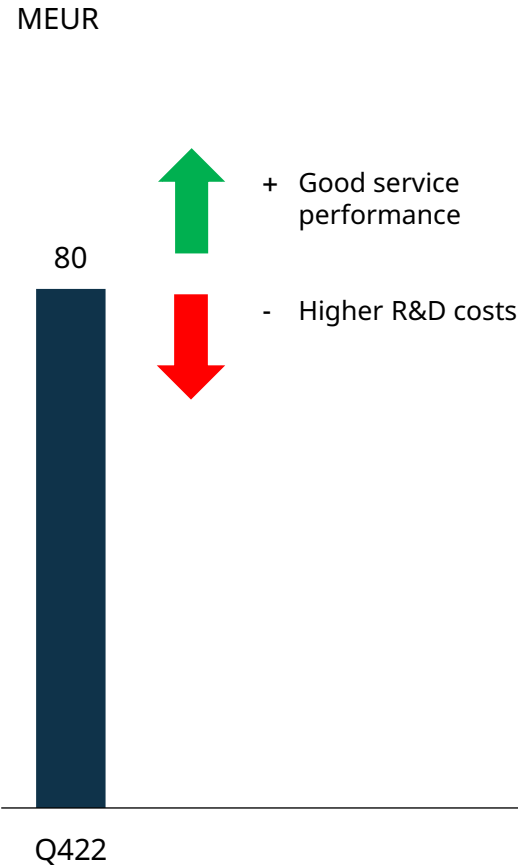
Order intake



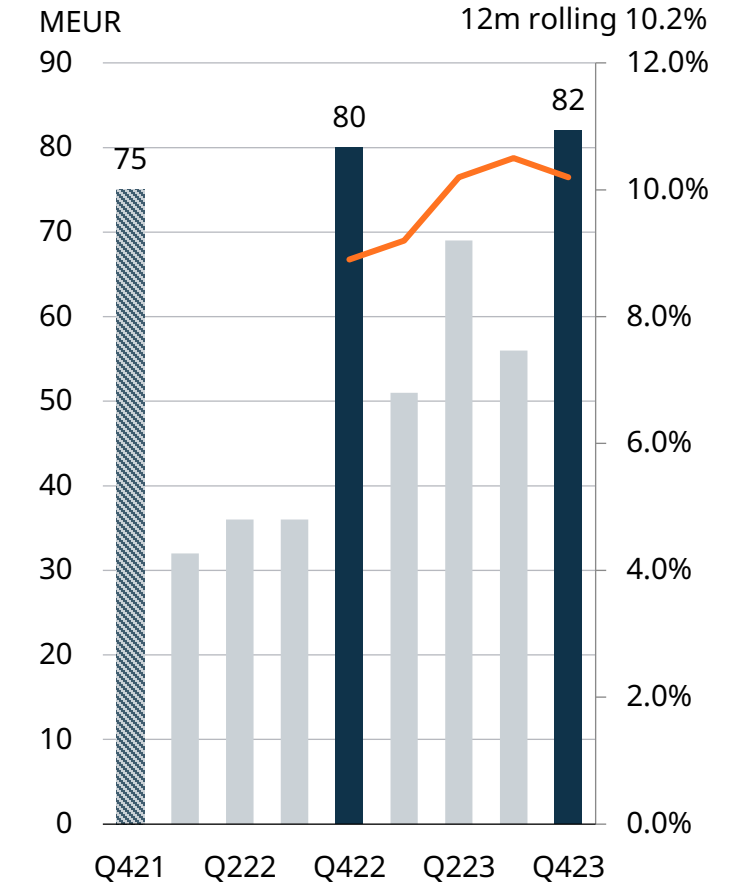
Net sales



Comparable operating result



Comparable operating result



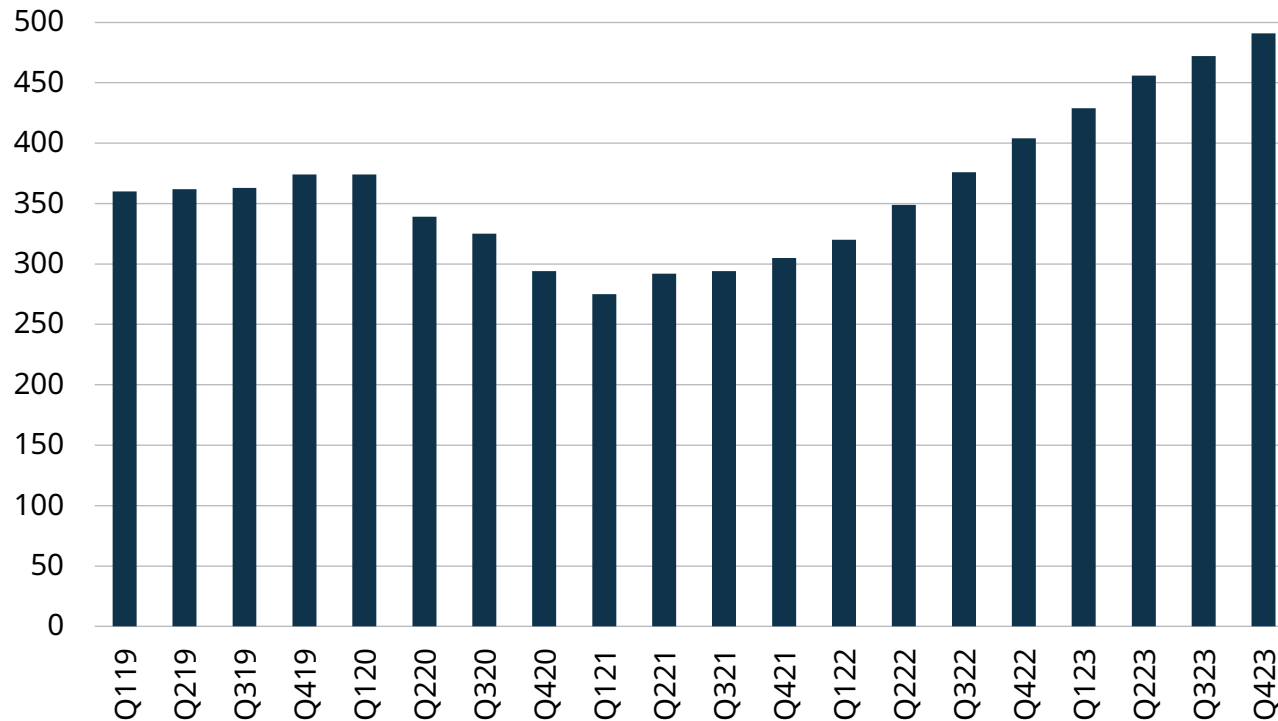
The 2022 and Q1 2023 figures have been restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit).

Good development in Marine Power service agreements

Marine Power net sales to agreement installations all-time high

Net sales to agreement installations (12 month rolling)¹⁾

MEUR, 12m rolling



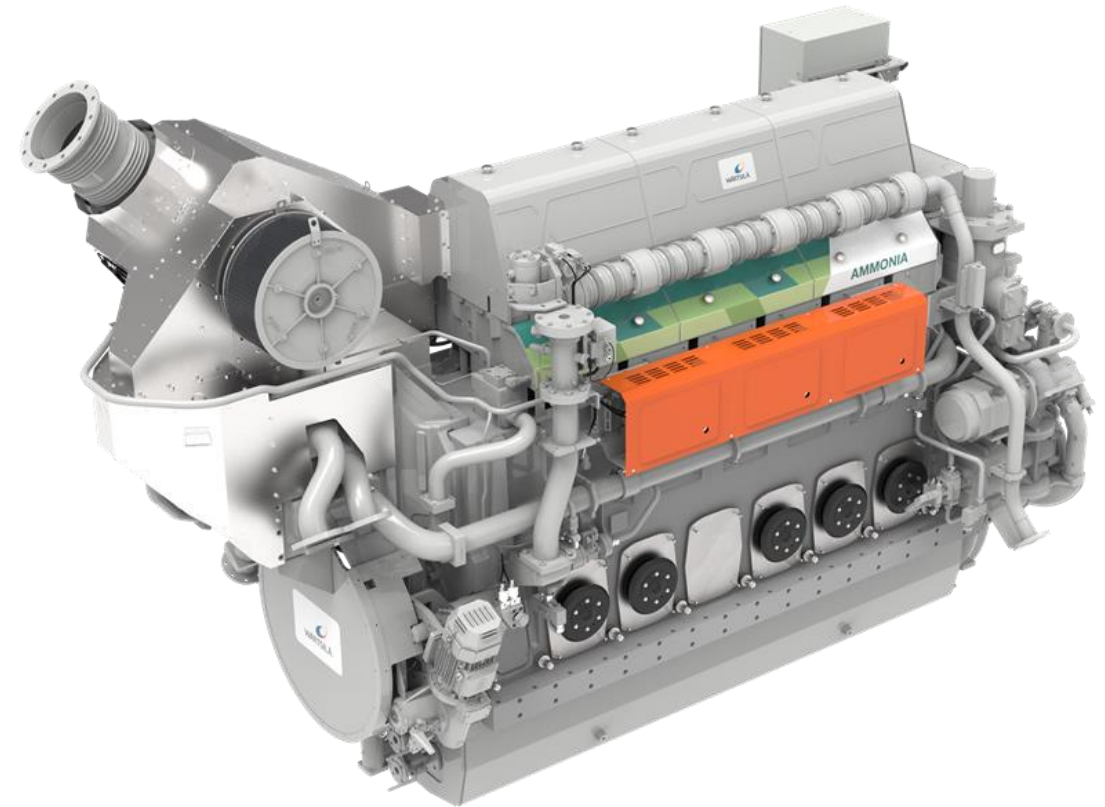
Expanding installed base under agreement while climbing the service value ladder

- Marine Power service agreement renewal rate **~90%**²⁾
- Services is more than **60%** of Marine Power sales³⁾
- **29%** of our engine installed base is under agreement⁴⁾

1) All marine power scope (e.g. 4S, 2S and propulsion) included in the figures, 2) 4-stroke renewal rate, 3) LTM Q4/2023, 4) Excluding QuantiParts

Wärtsilä continues to set the pace for marine decarbonisation with launch of world-first 4-stroke engine-based ammonia solution

- Wärtsilä introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel.
- The ammonia solution is now available as part of the Wärtsilä 25 engine platform.
- The new solution enables a significant advance in sustainable shipping operations – during a time when ship owners are seeking viable options among green fuels.
- The full solution includes an AmmoniaPac fuel gas supply system, the Wärtsilä Ammonia Release Mitigation System (WARMS), and the Wärtsilä NOx Reducer (NOR) for optimal exhaust after-treatment.
- Norwegian Viridis Bulk Carriers, the world's first zero emission shipping company, is intended to be the first shipowner to benefit from the new ammonia solution.



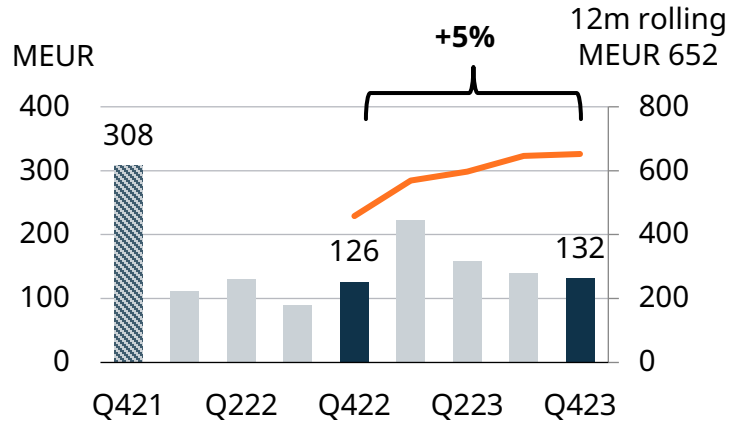
Marine Systems



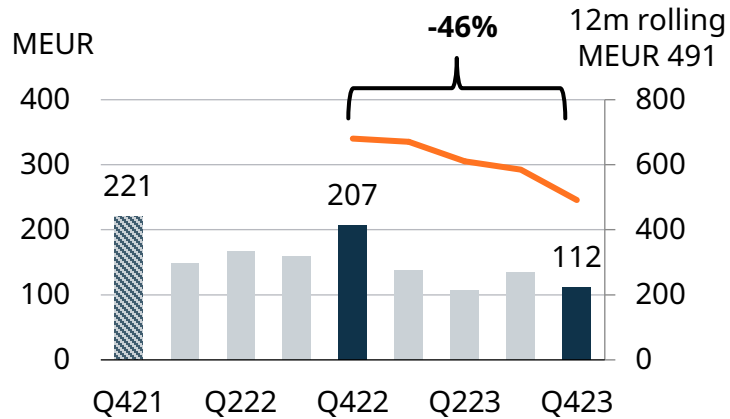
Marine Systems: Equipment order intake increased

Equipment net sales decreased

Order intake

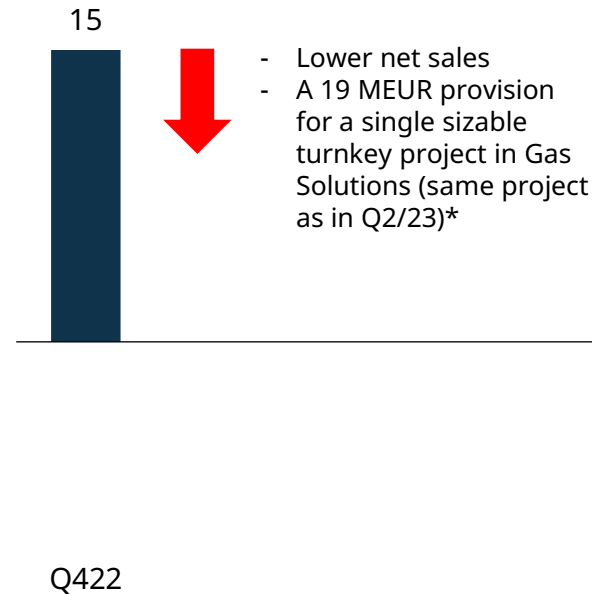


Net sales



Comparable operating result

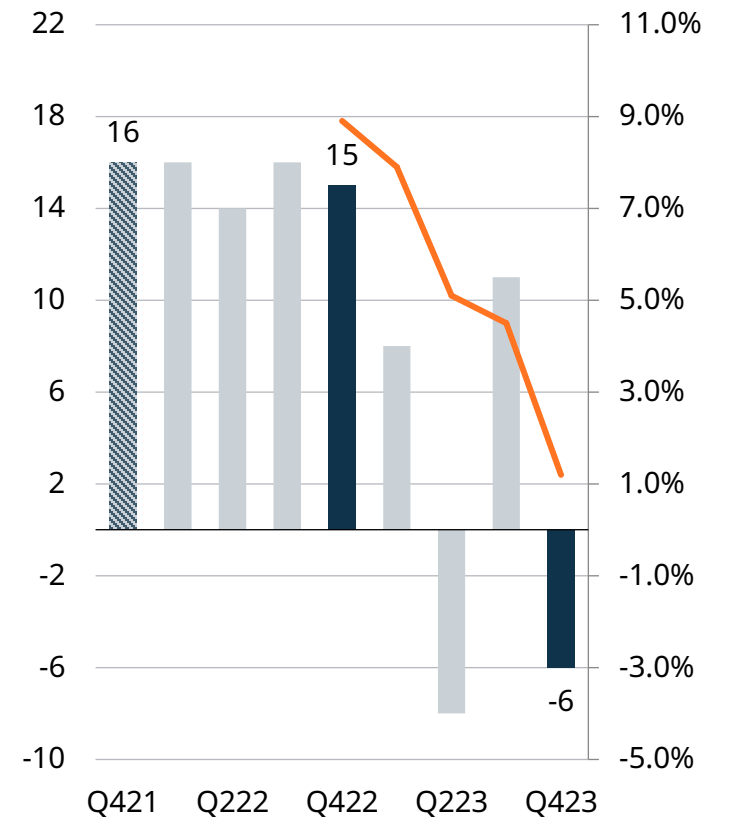
MEUR



Comparable operating result

MEUR

12m rolling 1.2%



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

*Gas Solutions stopped offering turnkey projects several years ago, and the project in question is nearing completion.

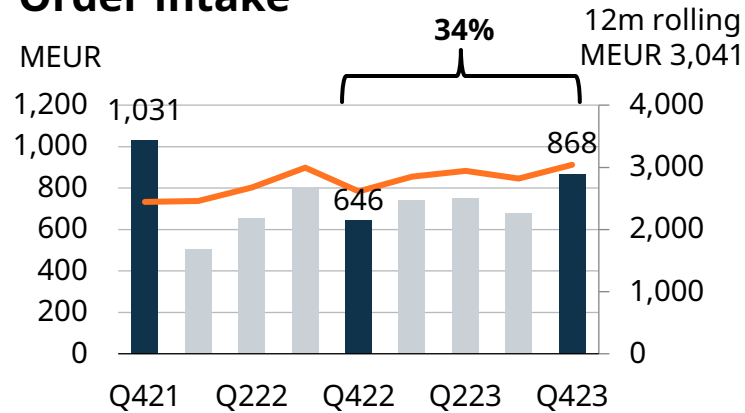
Energy



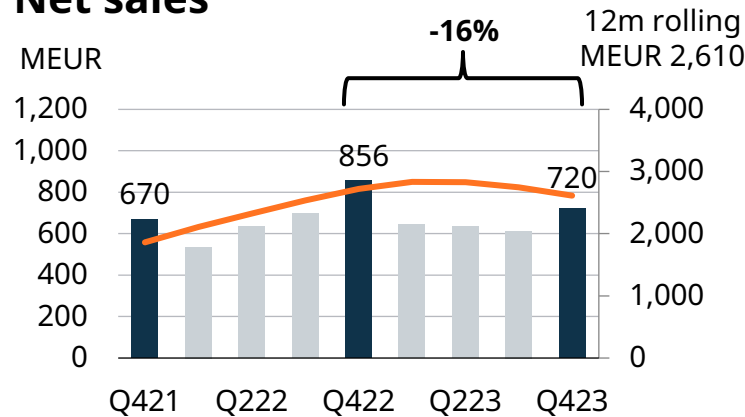
Energy: Comparable operating result record high

Good development in service continued

Order intake



Net sales

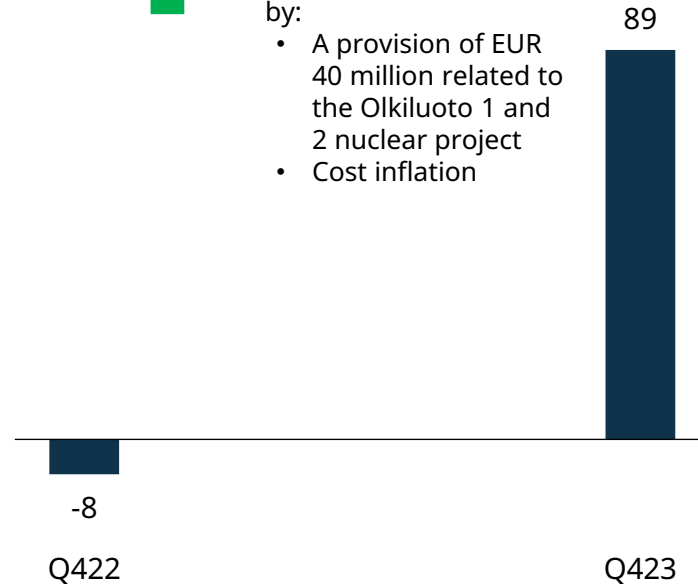


Comparable operating result

MEUR



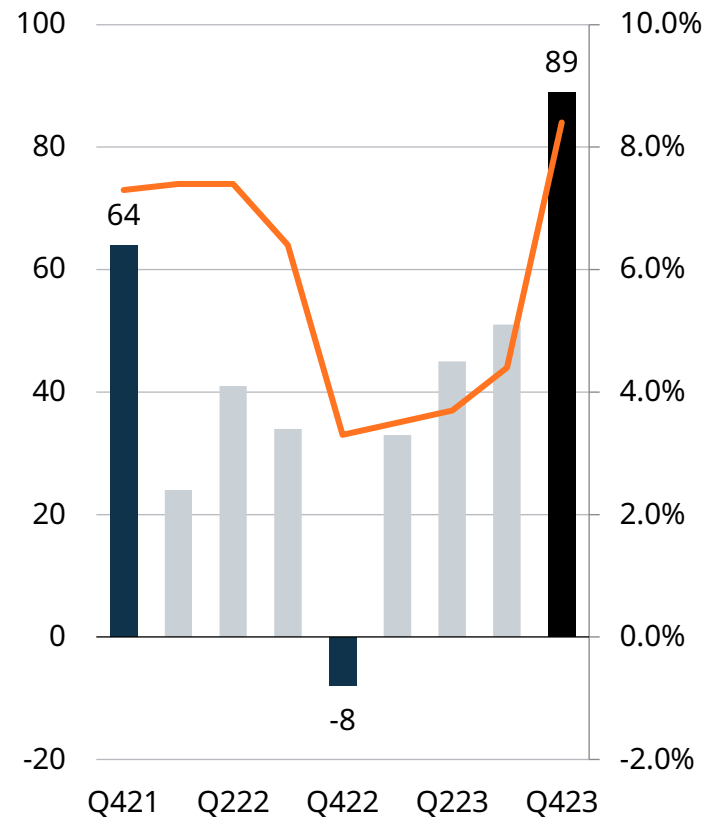
- + Good performance in services
- + Q4 2022 was burdened by:
 - A provision of EUR 40 million related to the Olkiluoto 1 and 2 nuclear project
 - Cost inflation



Comparable operating result

MEUR

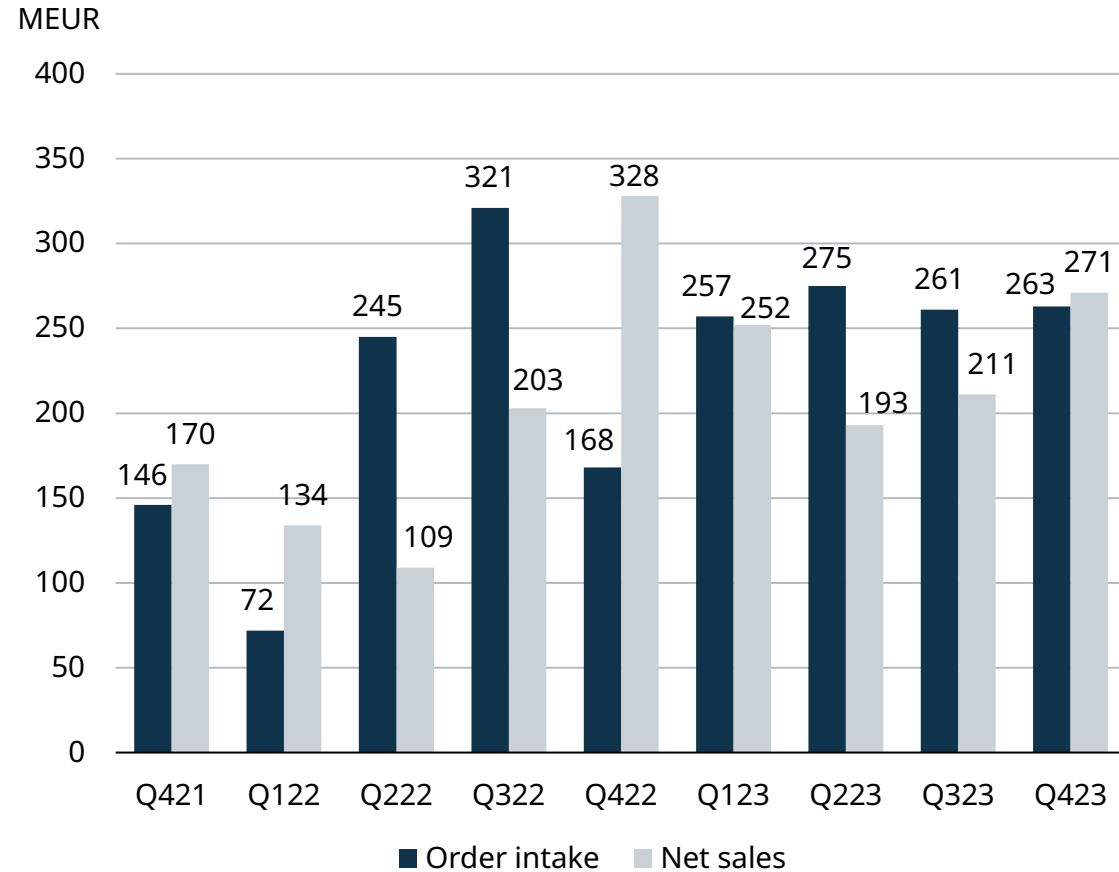
12m rolling 8.4%



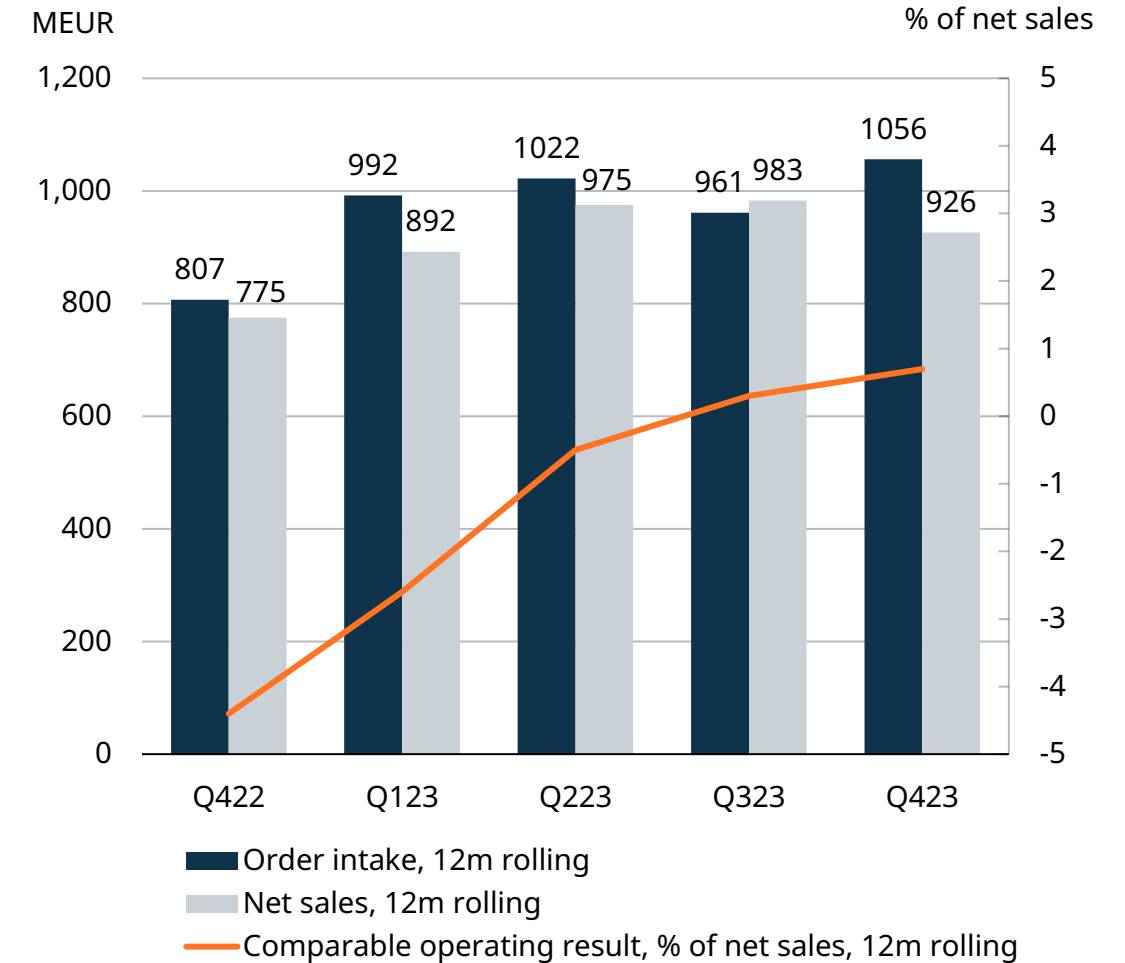
Energy storage: Comparable operating result margin (12m rolling) positive

Profitability improving and strategic review continues

Quarterly development

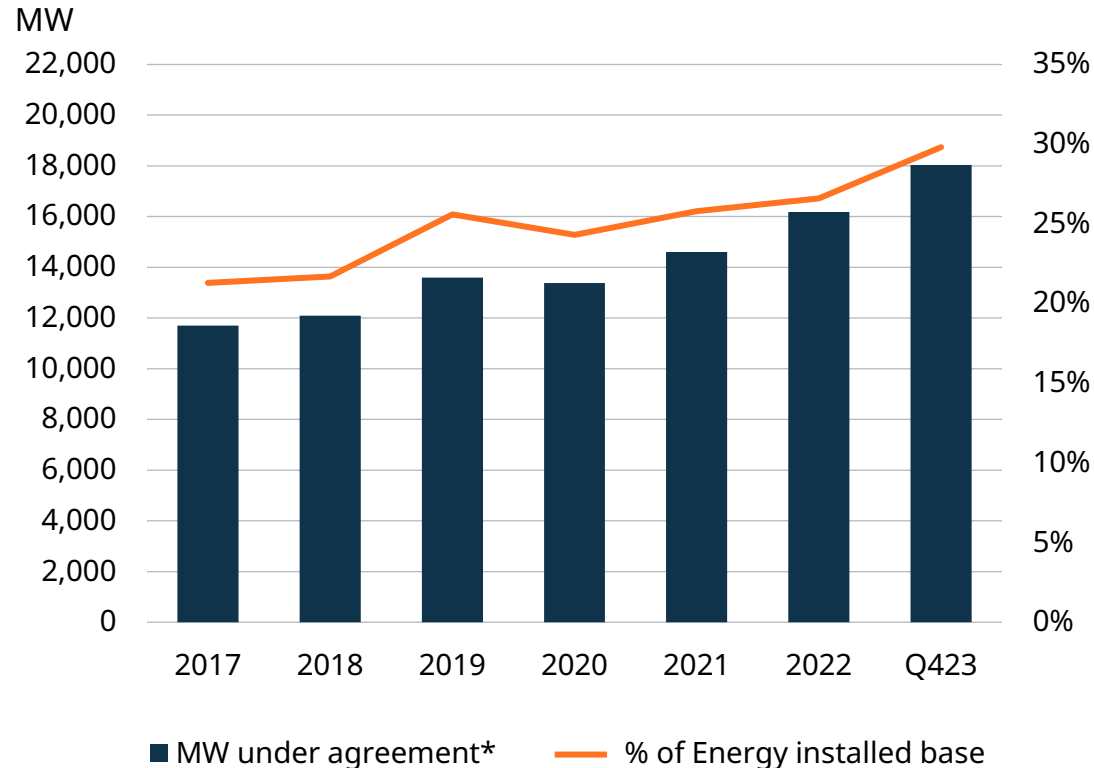


Rolling 12 months development



Continued good development in Energy service agreements

MW under agreement globally

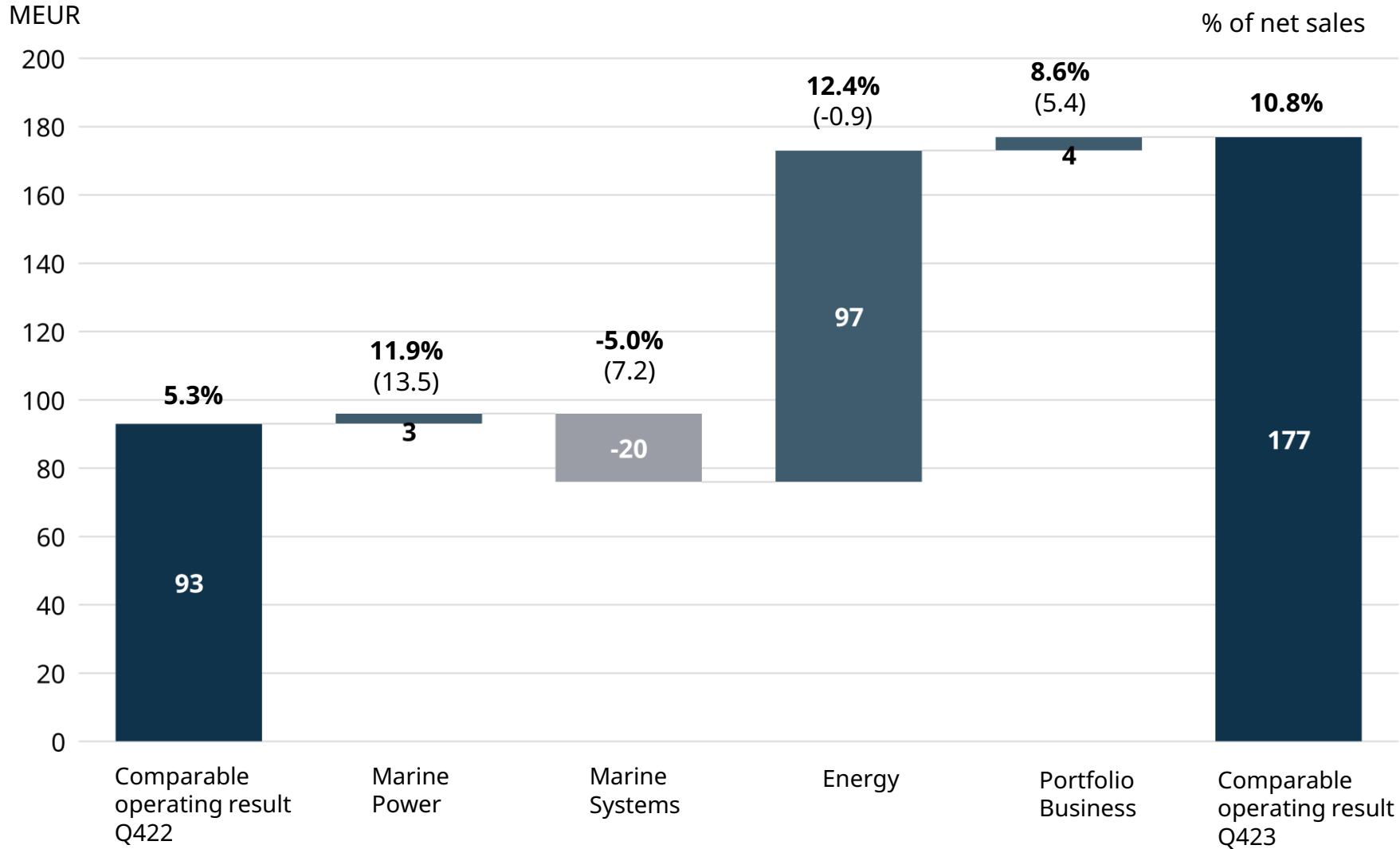


* Includes agreements covering both installed assets and assets to be installed in the future

Wärtsilä secures 12-year agreement extension with efficient power plant operation and maintenance

- Wärtsilä's Operation & Maintenance (O&M) agreement with Sindh Nooriabad Power Company (SNPC), a Pakistan based independent power producer (IPP), has been extended for a further 12 years.
- The agreement has been in place since 2017, and the extension reflects SNPC's satisfaction with Wärtsilä's capabilities in providing O&M services.
- The agreement covers the SNPC 1 and 2 power plants located in Sindh Province, Pakistan. Both plants are equipped with five Wärtsilä 34SG gas engines and one steam turbine generator for engine heat recovery, which ensures maximum electricity output. The combined output for the two plants is 100 MW.
- The order was booked by Wärtsilä in Q4 2023.

Comparable operating result improved – biggest improvement in Energy



Comparable operating result increased by 90%

Other key financials

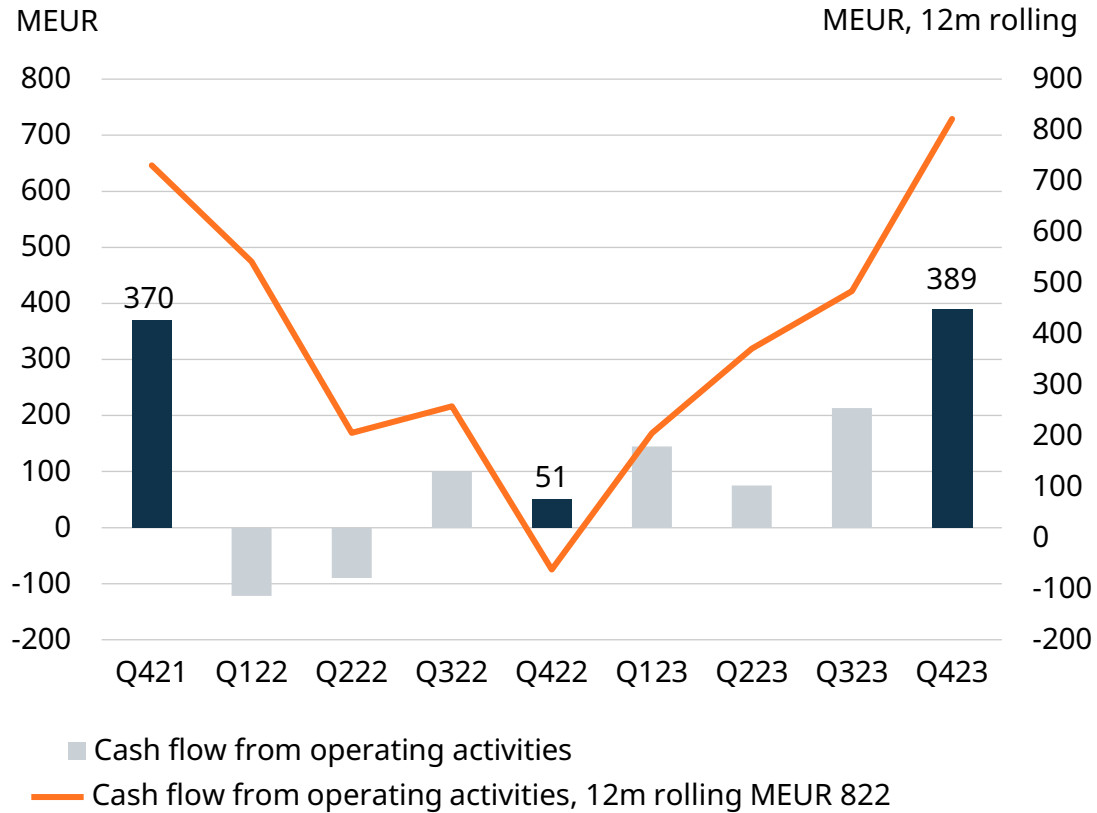


Other key financials: Strong cash flow from operating activities

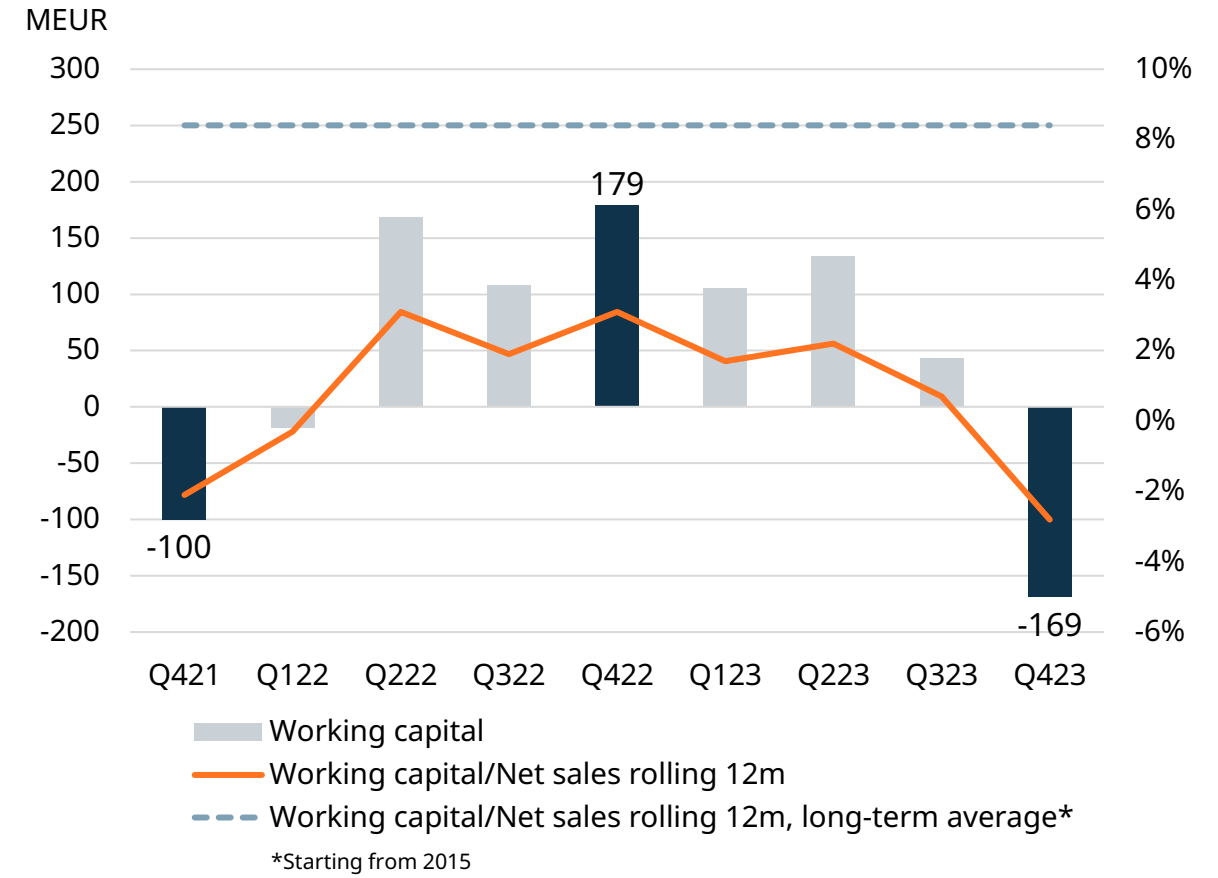
MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Cash flow from operating activities	389	51	822	-62
Working capital			-169	179
Net interest-bearing debt			35	481
Gearing			0.02	0.23
Solvency, %			37.0	35.3
Basic earnings/share, EUR	0.16	0.05	0.44	-0.11

Strong cash flow from operating activities

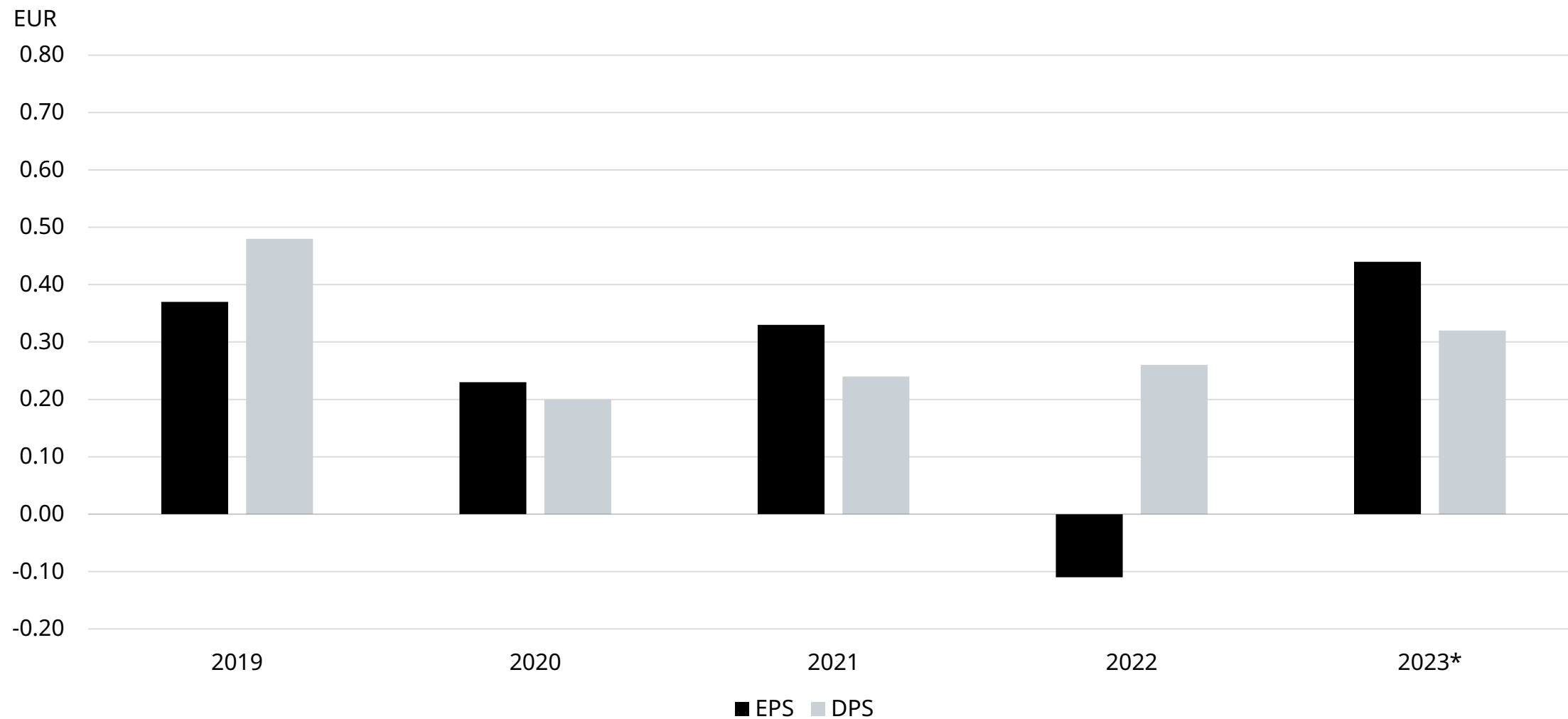
Cash flow from operating activities



Working capital to net sales ratio



Earnings and dividend per share



*Proposal of the Board



Prospects

Marine

- Wärtsilä expects the demand environment for the next 12 months (Q1/2024-Q4/2024) to be better to that of the comparison period.

Energy

- Wärtsilä expects the demand environment for the next 12 months (Q1/2024-Q4/2024) to be better to that of the comparison period.

Q&A

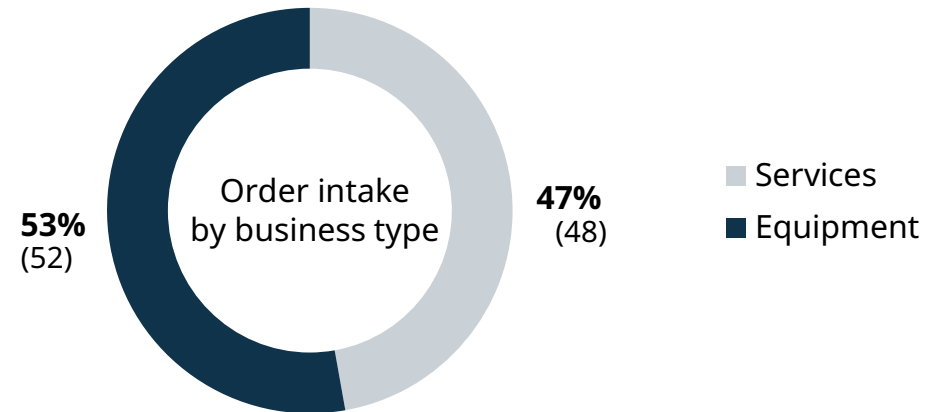
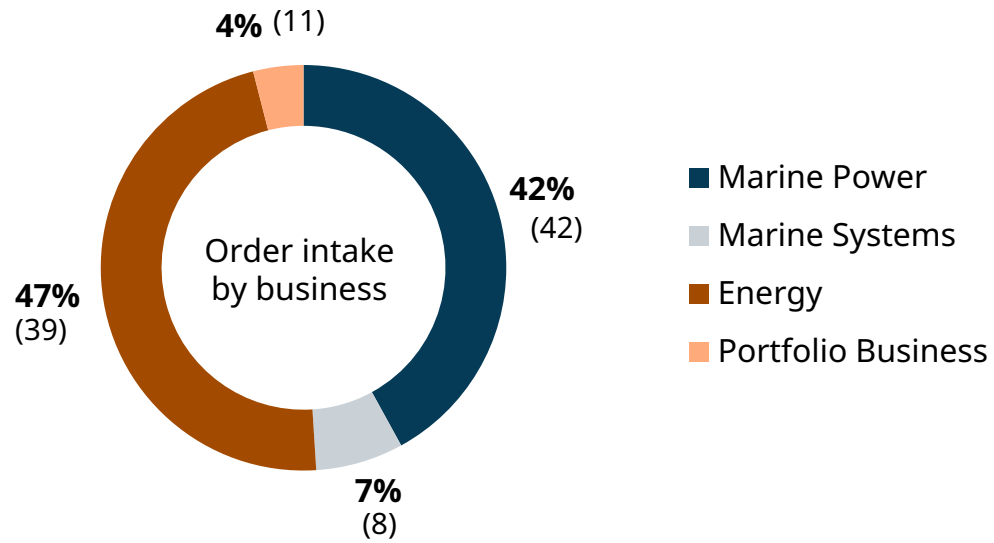


Appendix



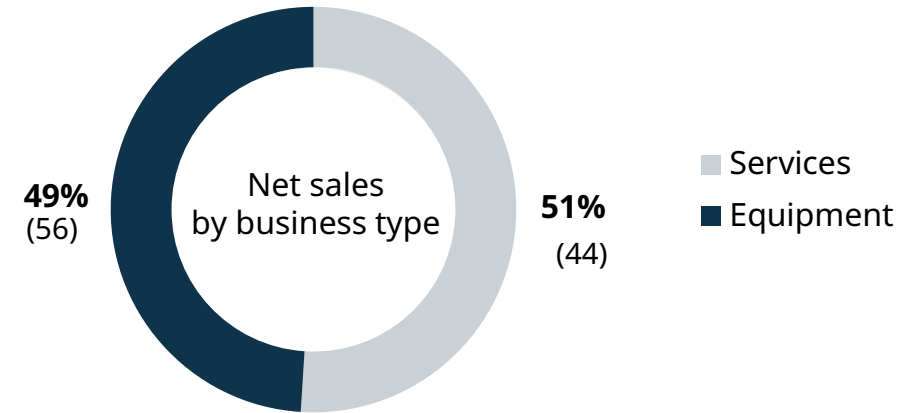
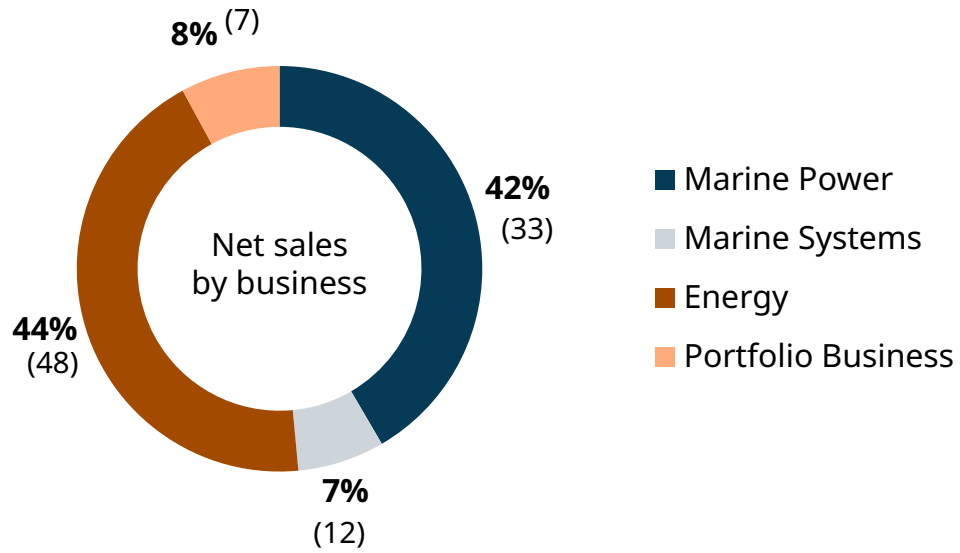
Order intake

Fourth quarter development



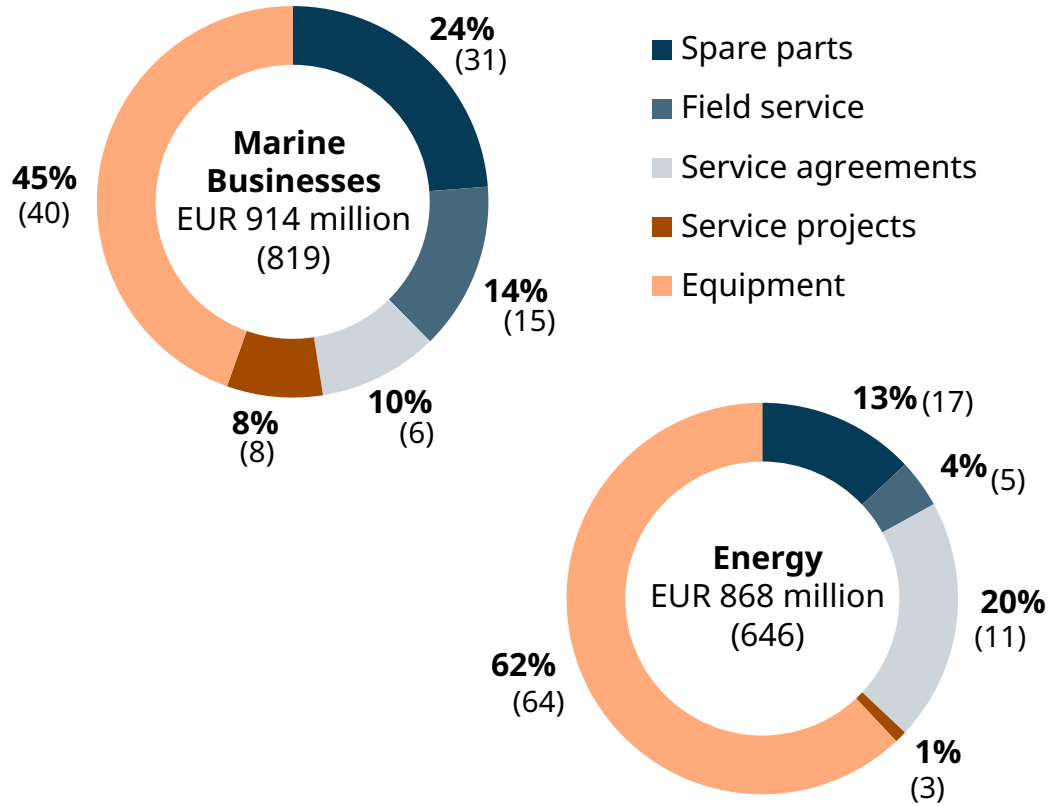
Net sales

Fourth quarter development

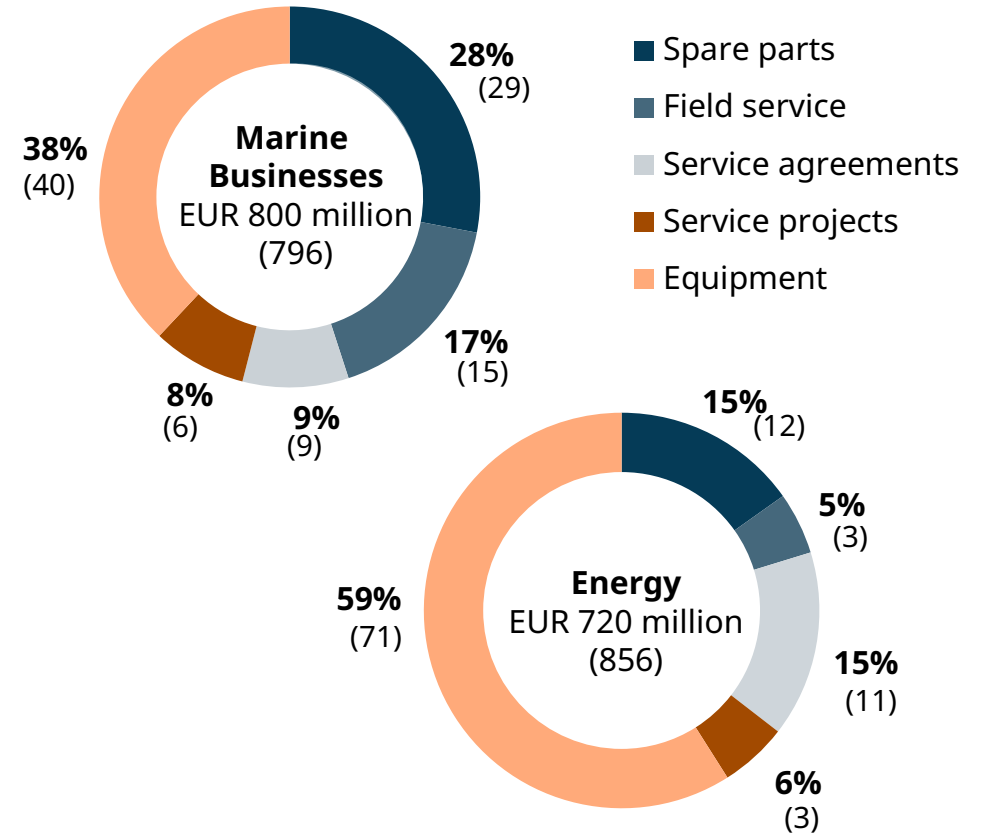


Fourth quarter development by business type

Order intake



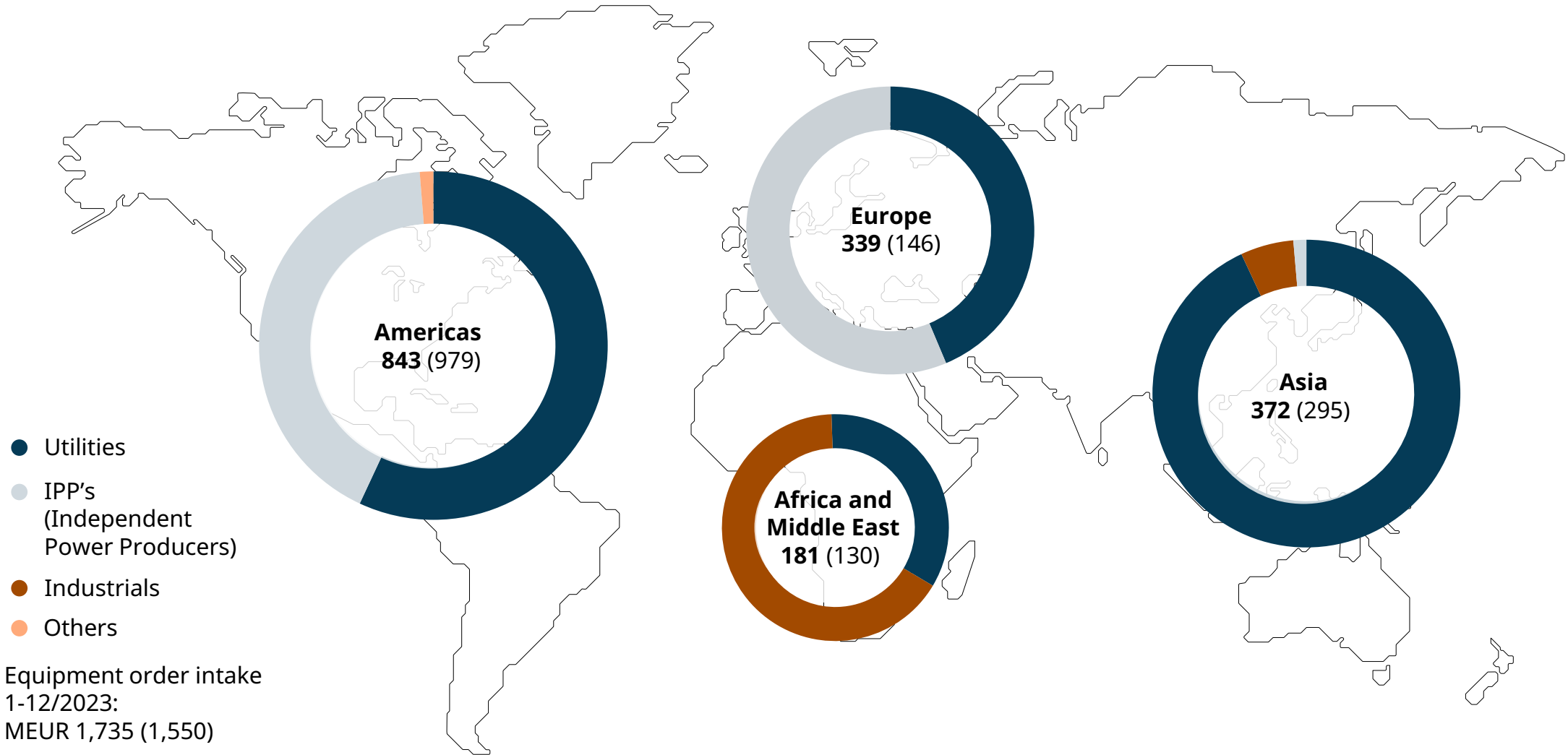
Net sales



January–December order intake by customer segment

Marine Businesses	Gas carriers	Cruise & ferry	Offshore	Navy	Special vessels	Merchant	Other
Marine Power							
Equipment	11% (13)	24% (22)	6% (2)	8% (11)	6% (13)	40% (33)	5% (5)
Services	16% (15)	23% (21)	18% (15)	7% (8)	11% (11)	24% (28)	1% (2)
Marine Systems							
Equipment	61% (41)	1% (4)	11% (1)	1% (3)	0% (1)	17% (25)	7% (25)
Services	4% (4)	9% (8)	5% (6)	23% (24)	7% (7)	48% (47)	4% (4)
Marine businesses, in total	19% (16)	20% (19)	13% (9)	7% (10)	8% (11)	30% (31)	3% (5)
Equipment	24% (19)	18% (18)	8% (2)	6% (9)	4% (11)	34% (32)	5% (9)
Services	14% (14)	22% (20)	17% (14)	8% (10)	11% (10)	27% (30)	2% (2)
Energy							
		Utilities	Independent Power Producers		Industrials	Other	
Equipment		48% (42)	38% (45)		8% (12)	6% (1)	
Services		32% (33)	33% (28)		25% (27)	10% (10)	

Orders received for Energy equipment globally





WÄRTSILÄ