

WÄRTSILÄ

SHAPING THE DECARBONISATION OF  
MARINE AND ENERGY

ROADSHOW PRESENTATION  
AUGUST 2022





# MARKET FUNDAMENTALS

## MARINE will move with unprecedented speed towards decarbonisation

### Policies & regulations

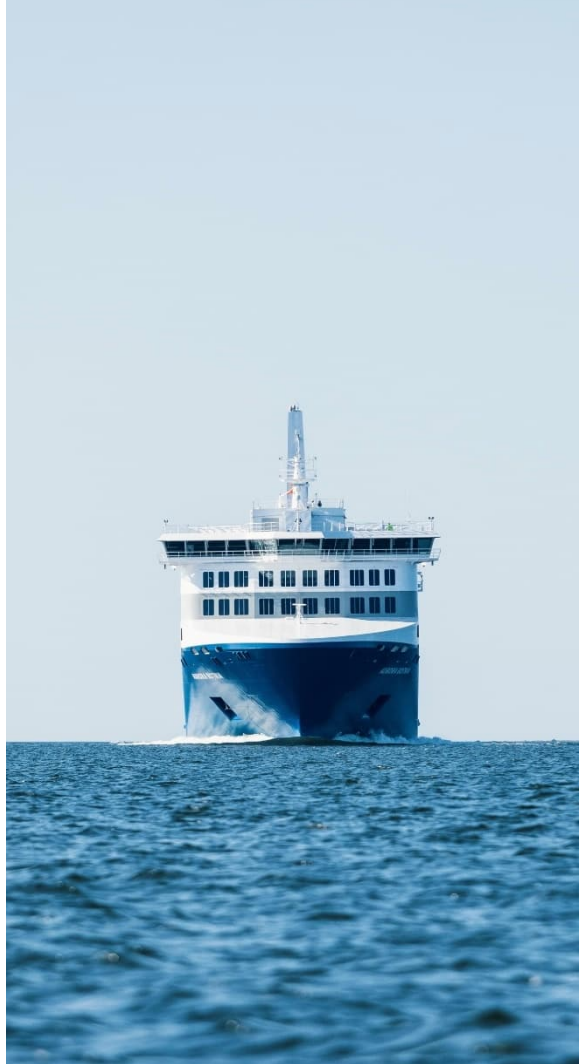
- IMO target
- Access to capital
- Cost of carbon
- Demand for green sea transport

### 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



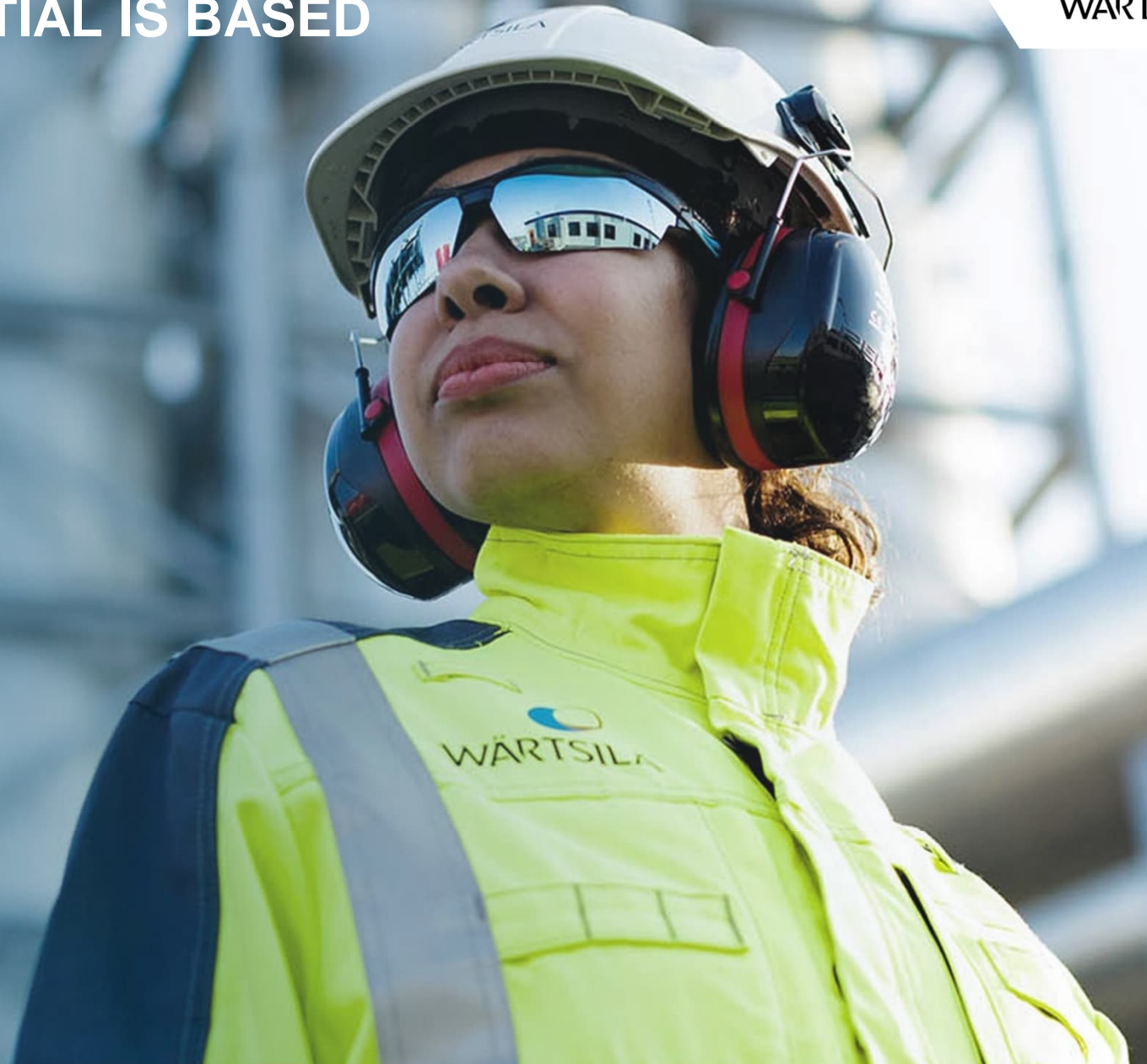
# OUR VALUE CREATION POTENTIAL IS BASED ON TWO STRATEGIC THEMES

**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

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**Net sales**                      **5% annual organic growth**

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**Profitability**                      **12% operating margin**

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**Capital structure**                      **Gearing below 0.50**

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**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

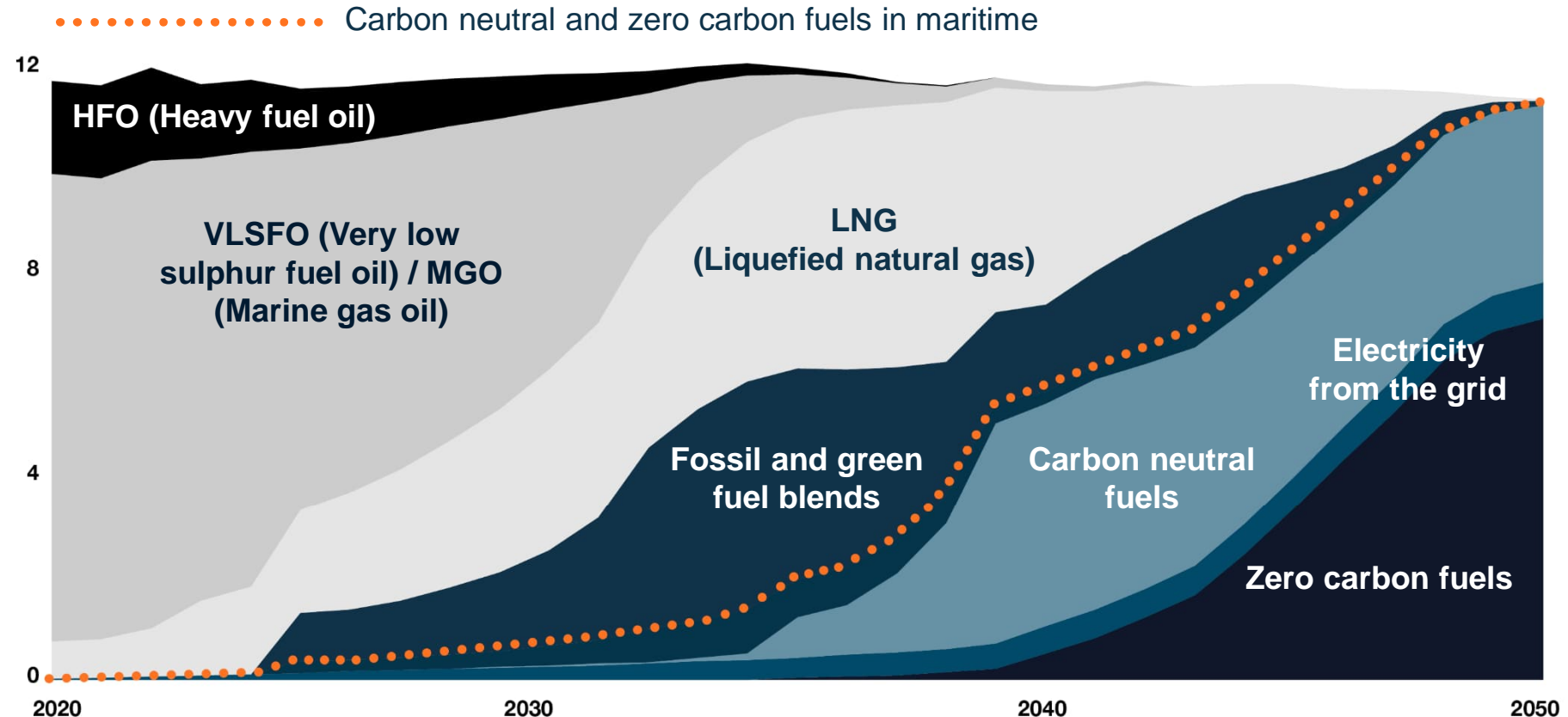
# SUPPORTING DECARBONISATION IN MARINE

## 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

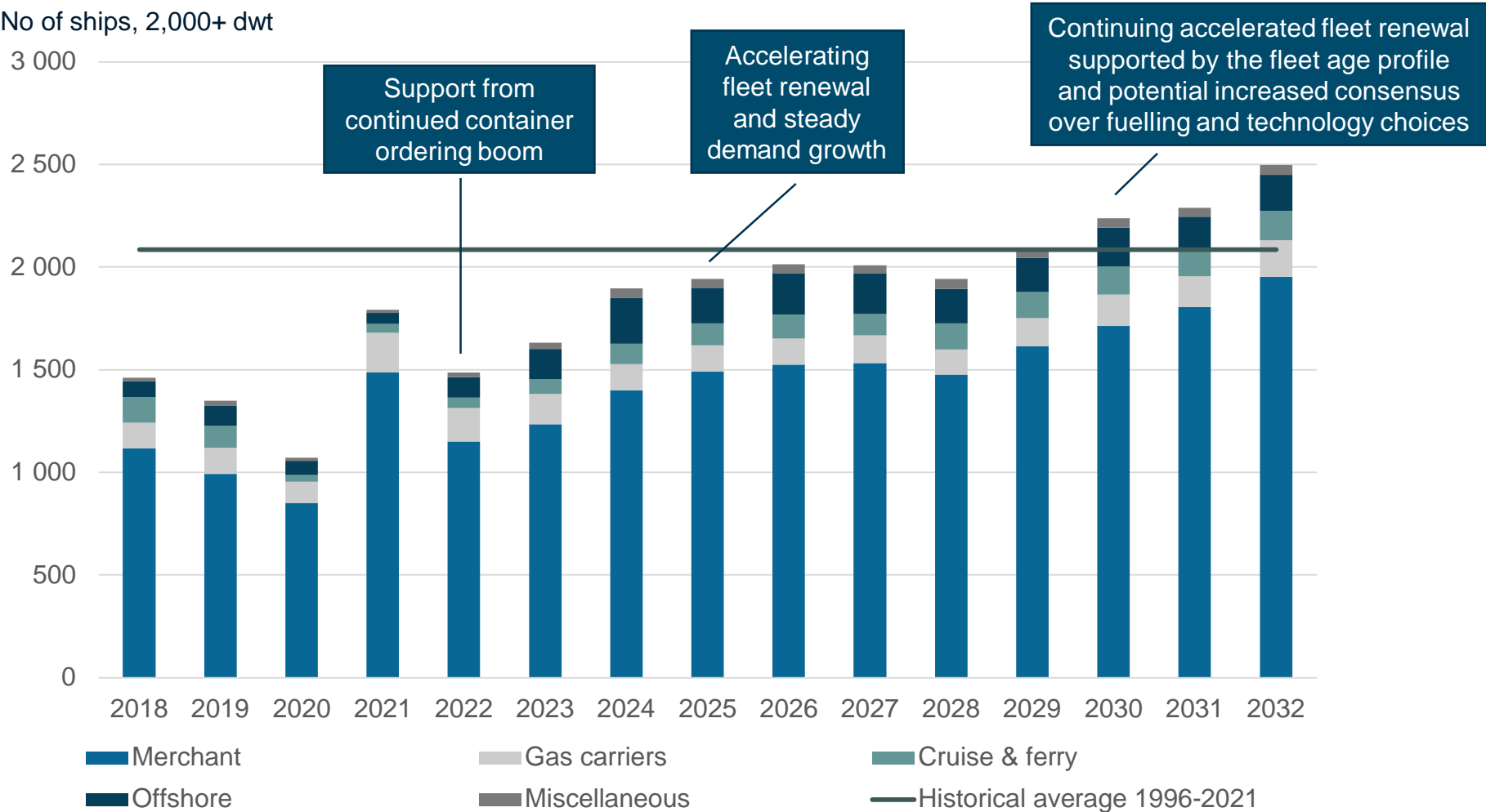
Distribution of fuel types for Decarbonisation 2050 (1.5°C scenario), exajoule



Source: DNV Maritime Forecast 2050 model, Wärtsilä internal estimates



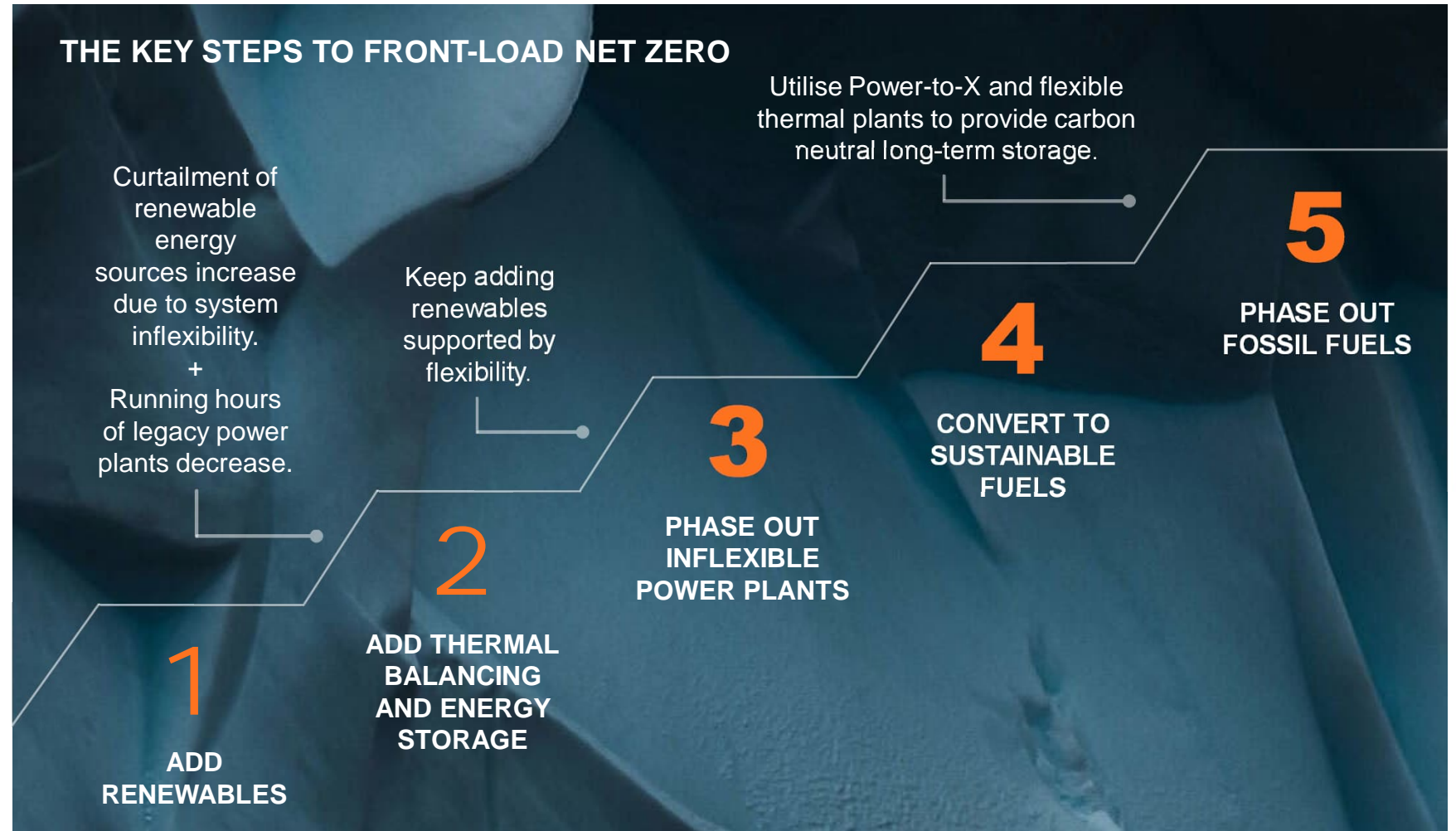
# Vessel contracting expected to decline in 2022



Source: Clarksons Research, March 2022

# SUPPORTING DECARBONISATION IN ENERGY

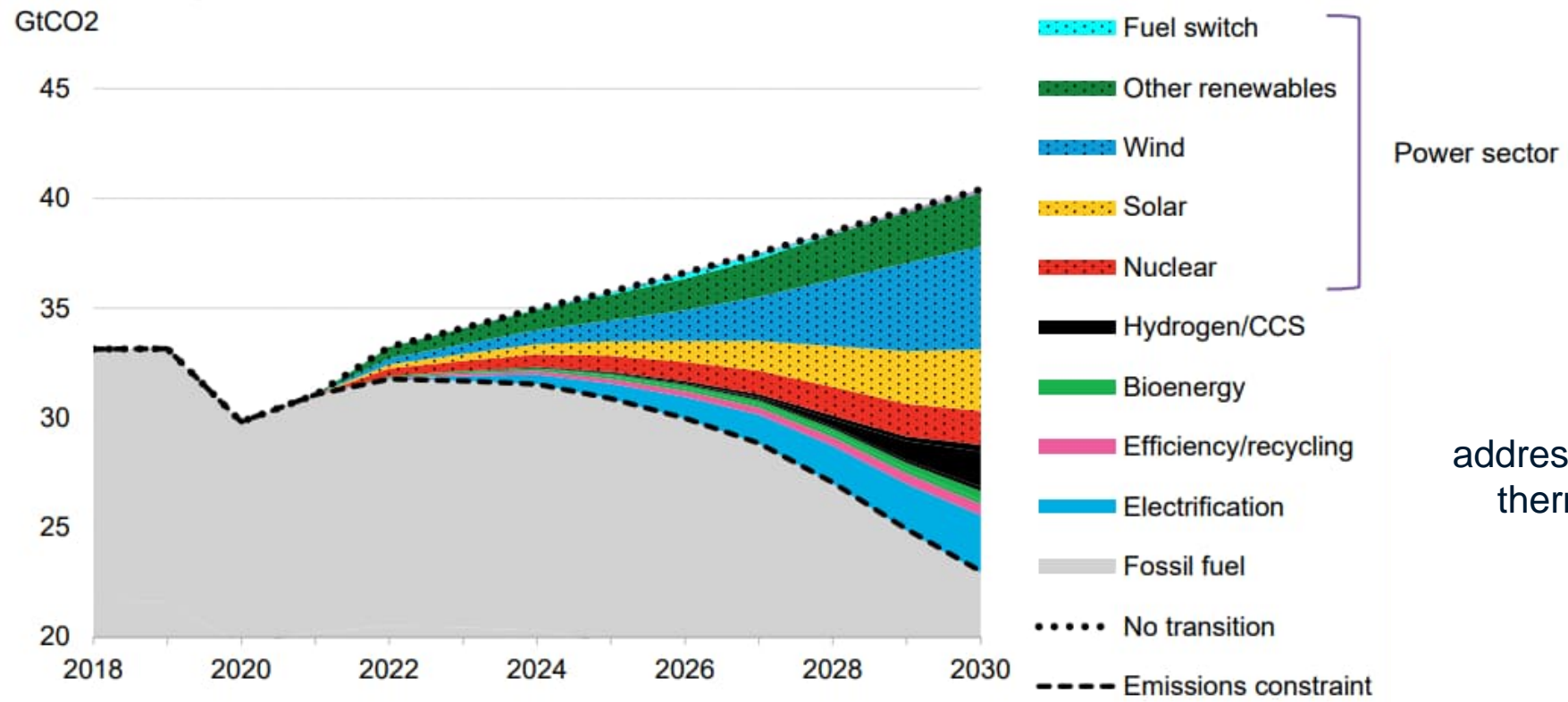
- Wind and solar are intermittent power sources
- Flexible balancing power needed to stabilize the power system: balancing power market expected to grow by 10X <sup>1)</sup>
- Reciprocating engines ideally suited to provide balancing power
  - Energy efficient
  - Fast ramp up/ramp down
  - Fuel flexible
- 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

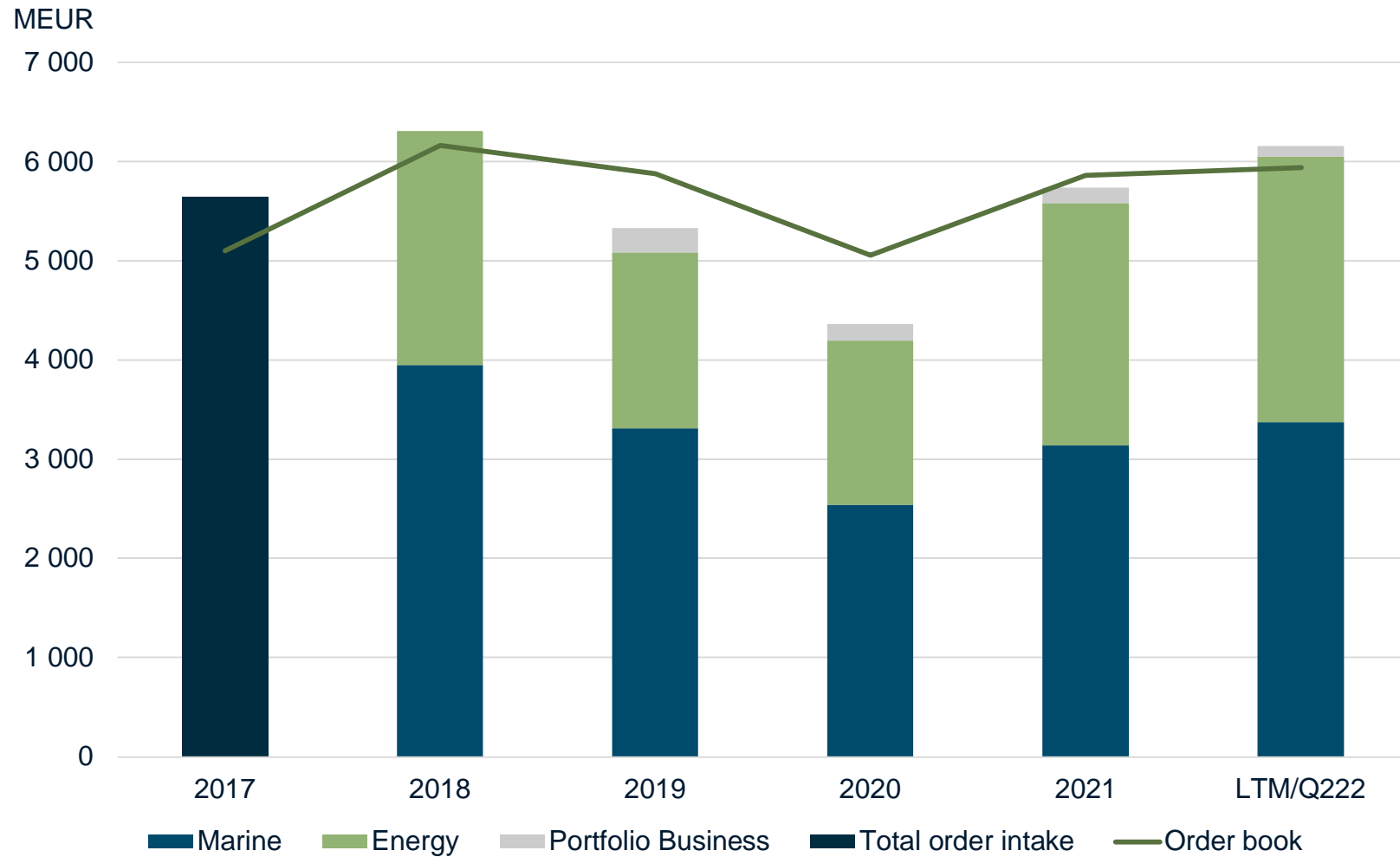


Estimated growth of the addressable annual markets of thermal balancing (GW) and energy storage (GWh) 2020–2030:  
**+30% p.a.**

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



# 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

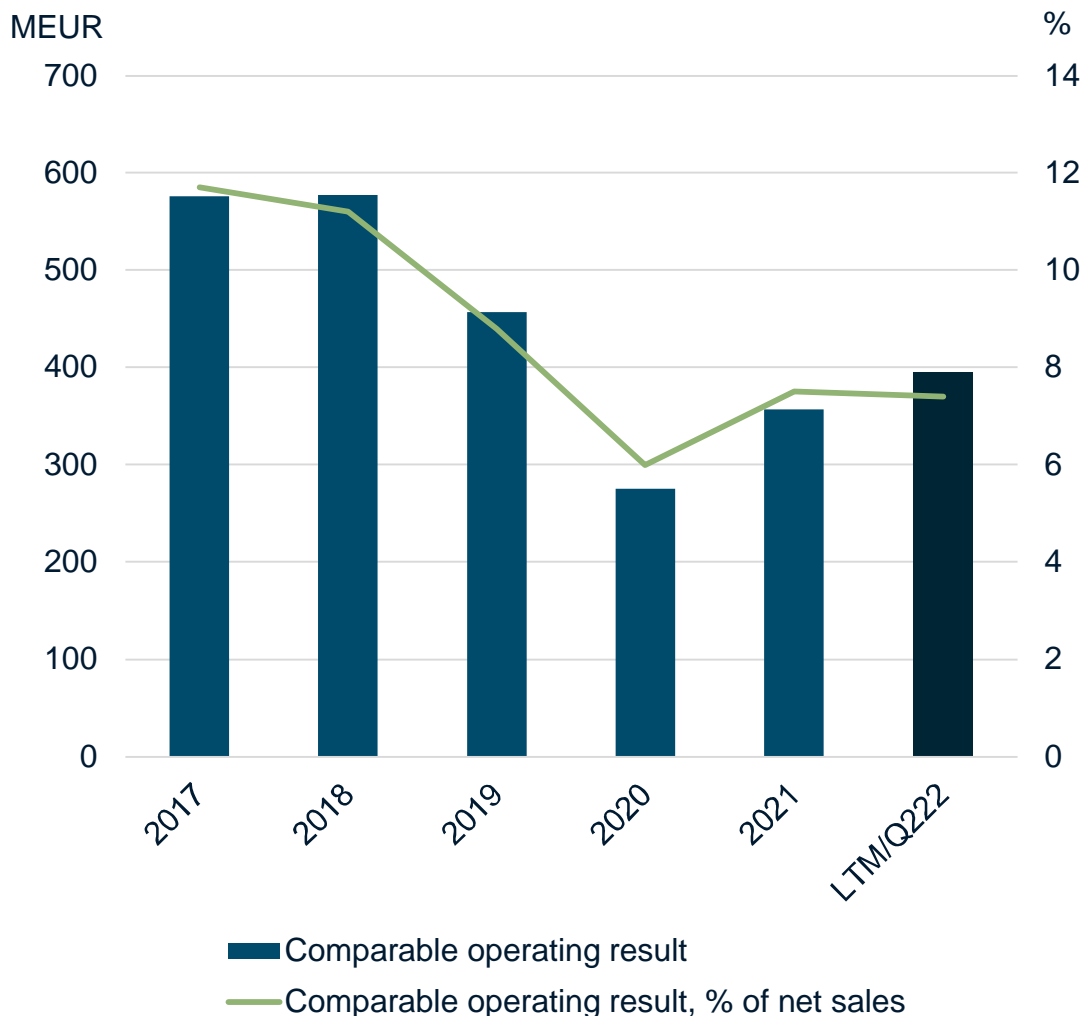
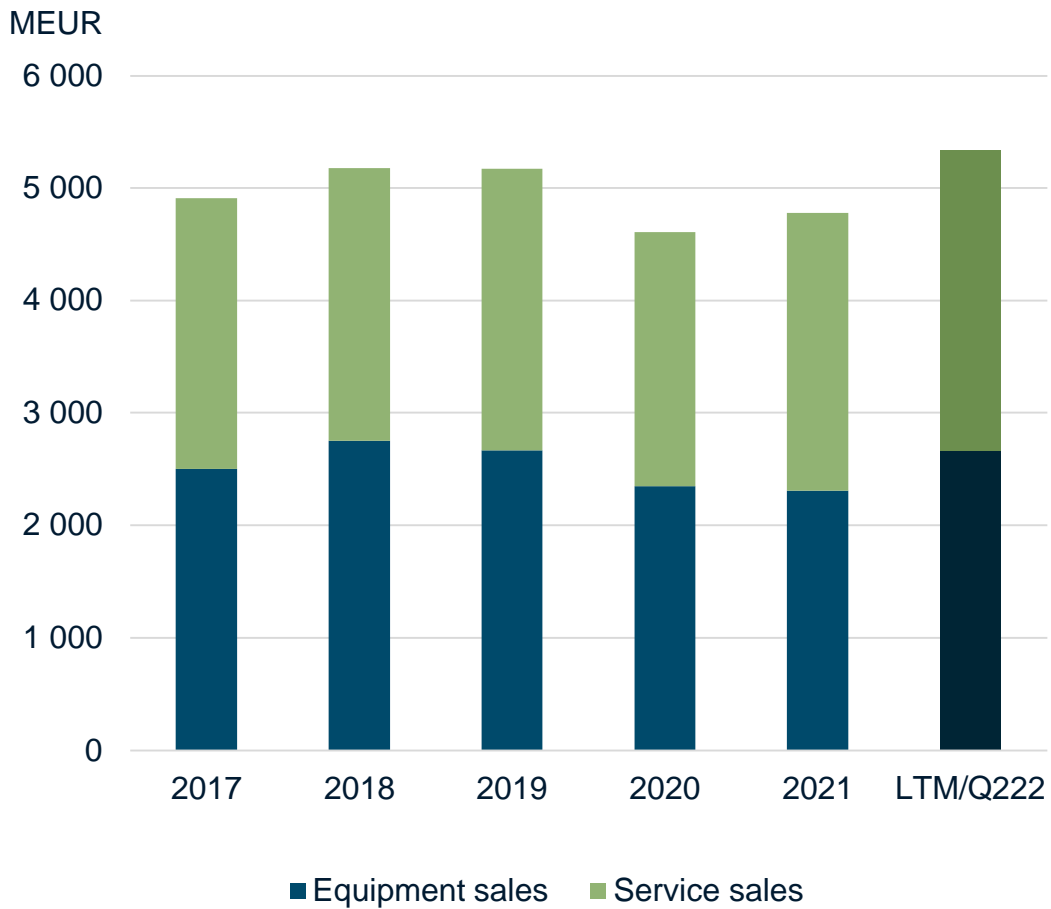


The two plants will operate continuously during summer months, **meeting the high electricity demand** in the region, while being used to provide **grid balancing service** for the remainder of the year

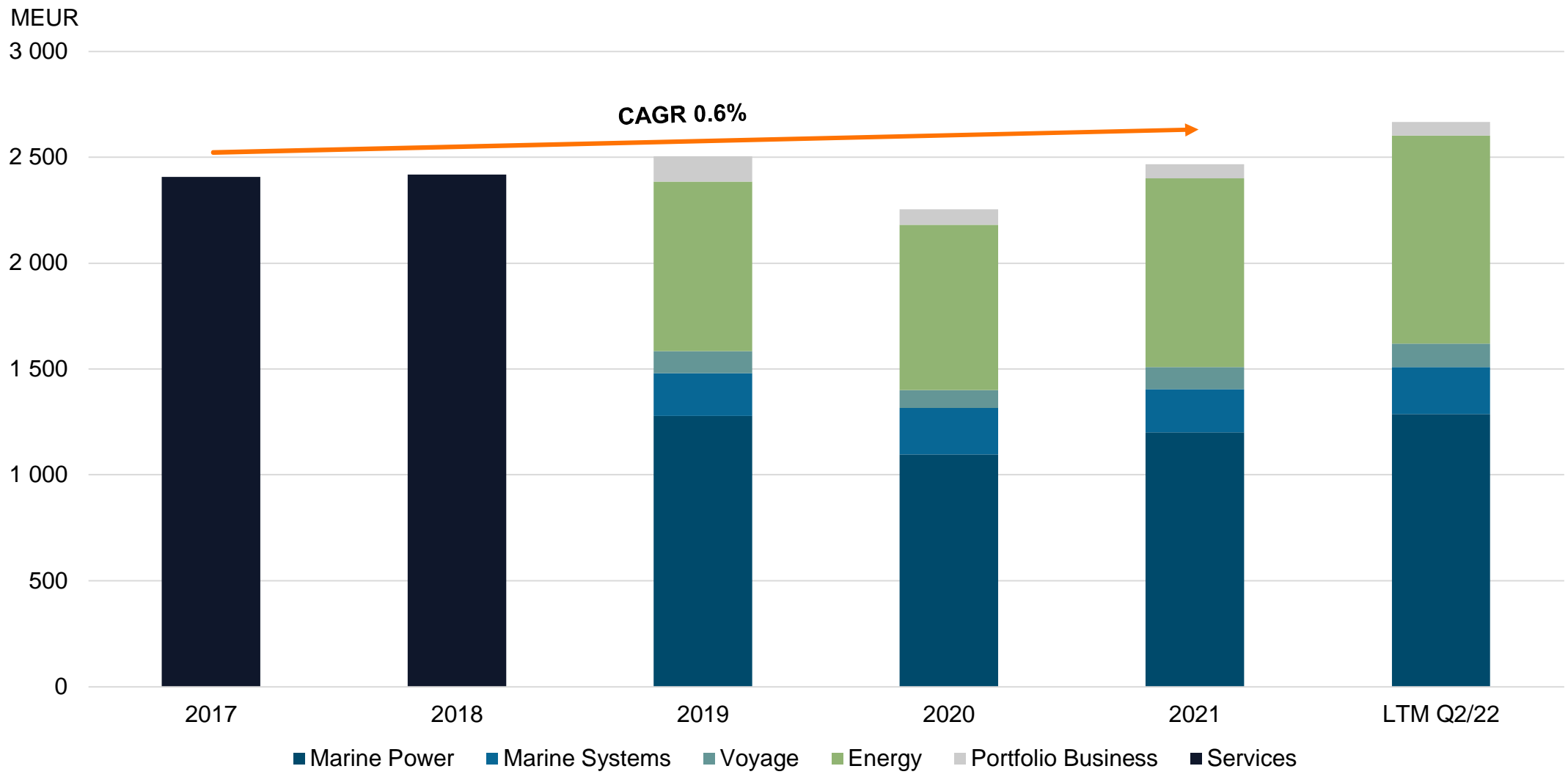




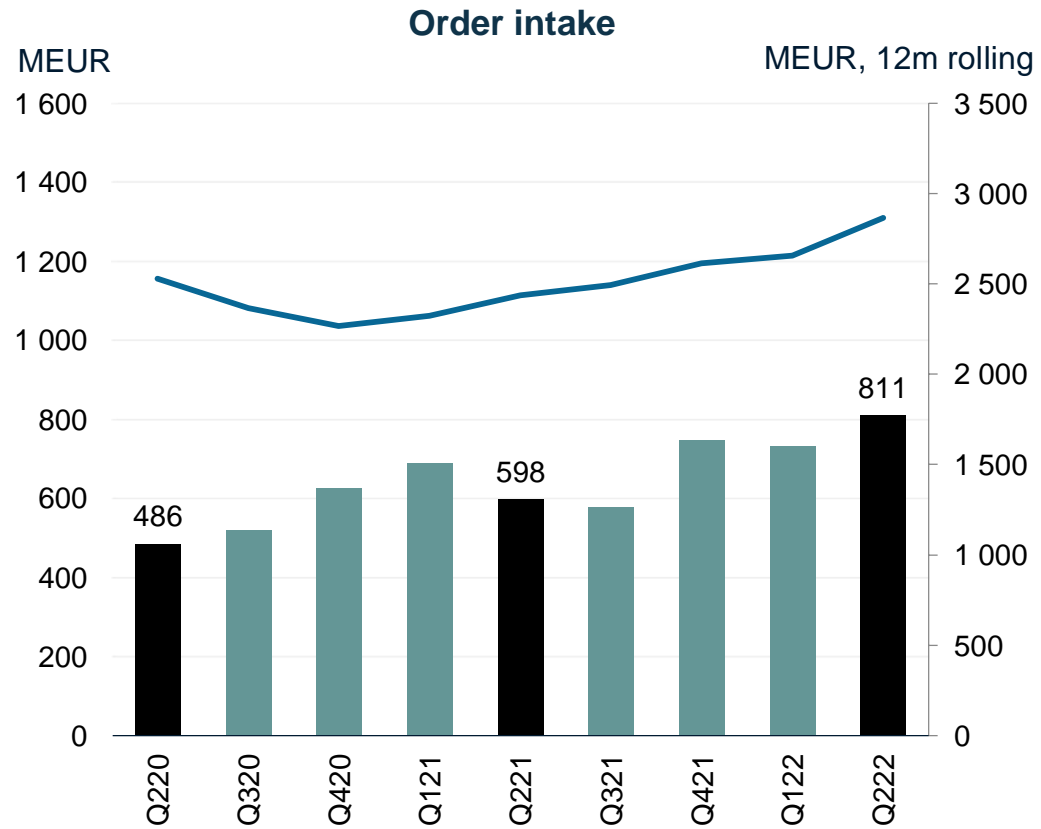
# NET SALES AND COMPARABLE OPERATING RESULT INCREASED



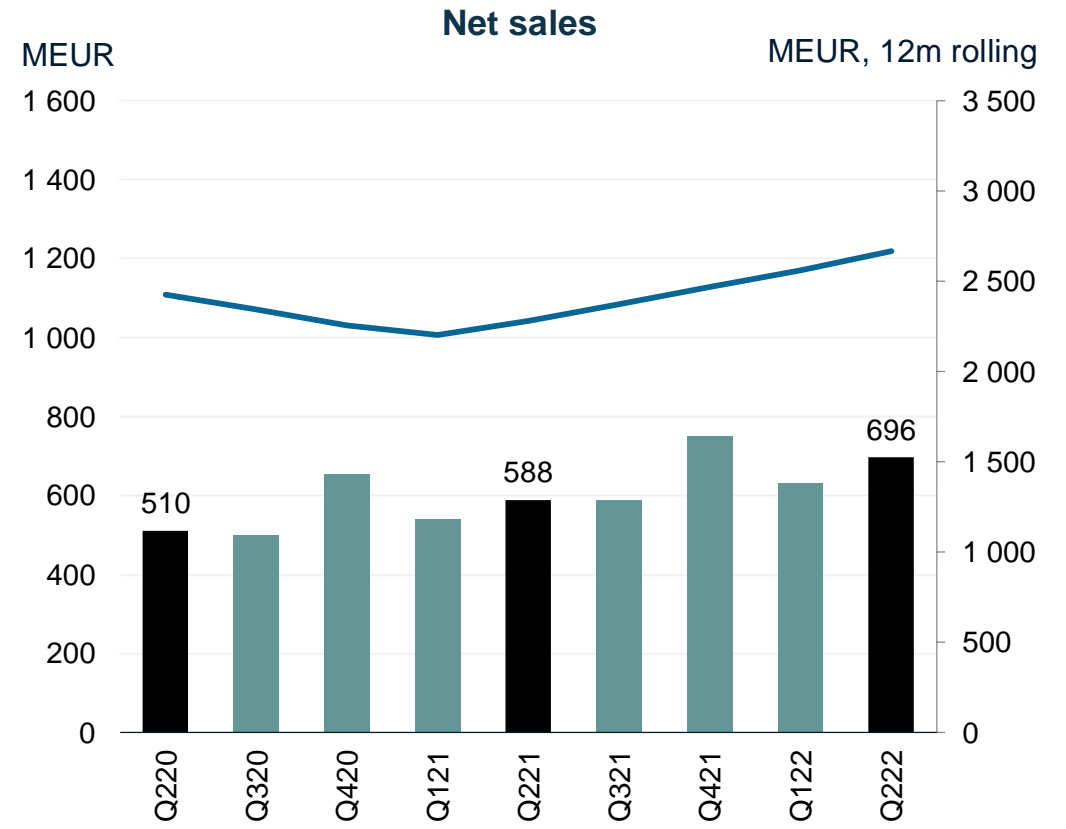
# SERVICE NET SALES BY BUSINESS



# Service orders and sales both increasing



— Service order intake, 12m rolling MEUR 2,867

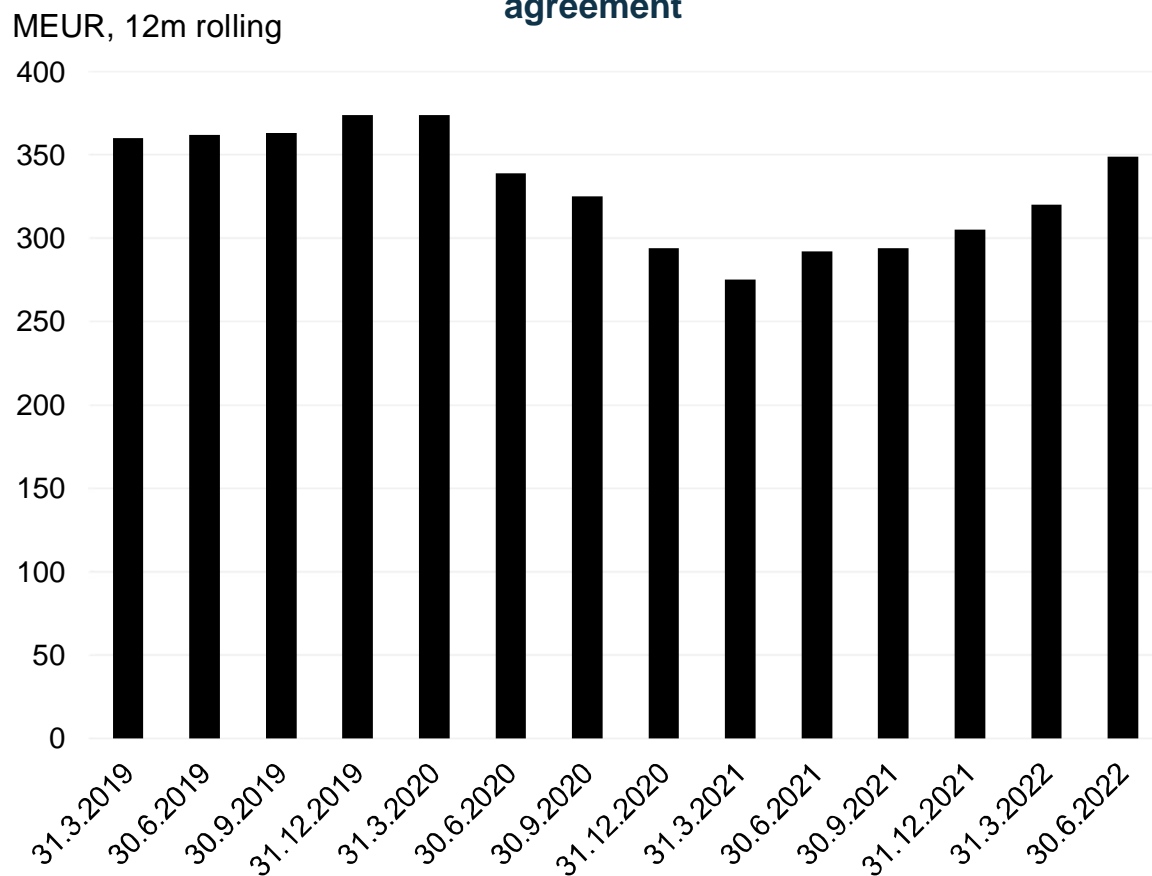


— Service net sales, 12m rolling MEUR 2,667

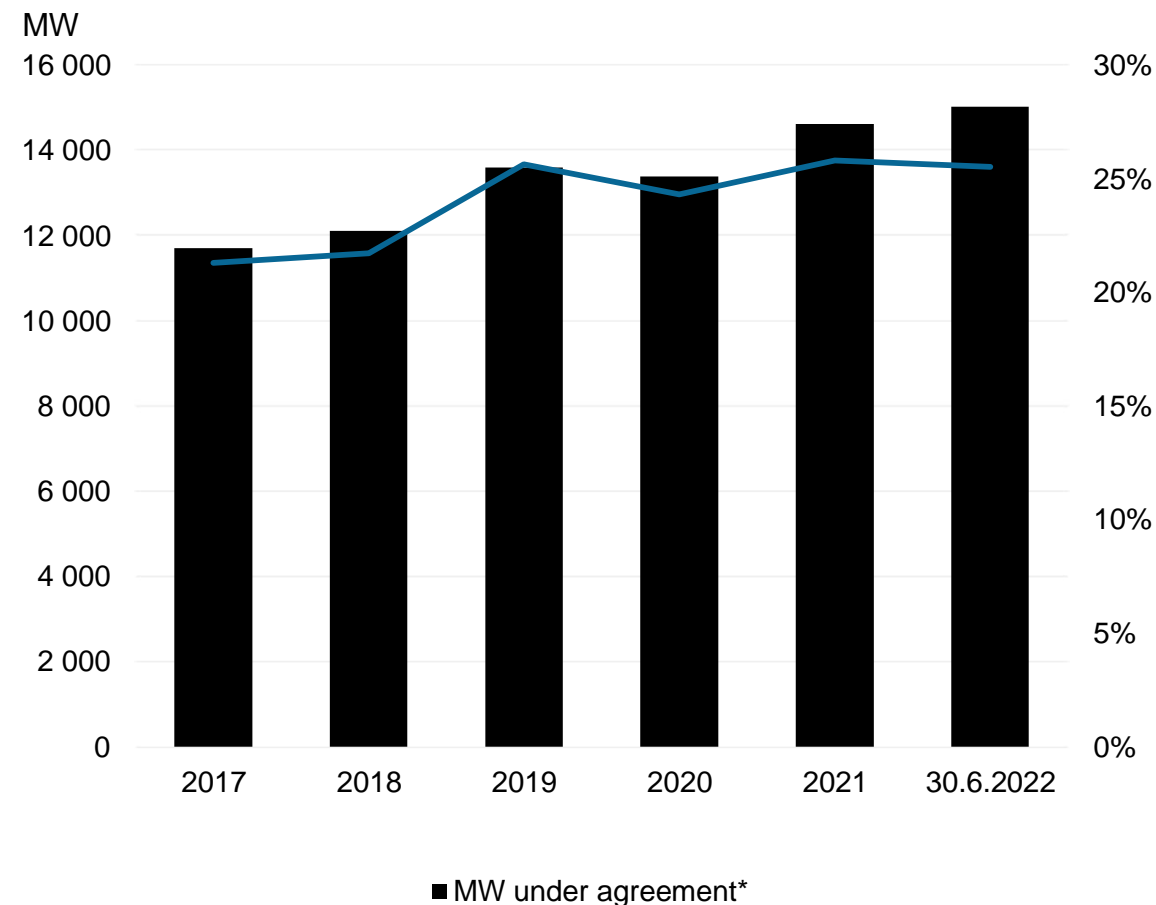


# Positive development in both Marine and Energy service business

**Marine Power net sales from installations under agreement**



**Energy installed base covered by service agreements**



\* 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 CO<sub>2</sub> emissions



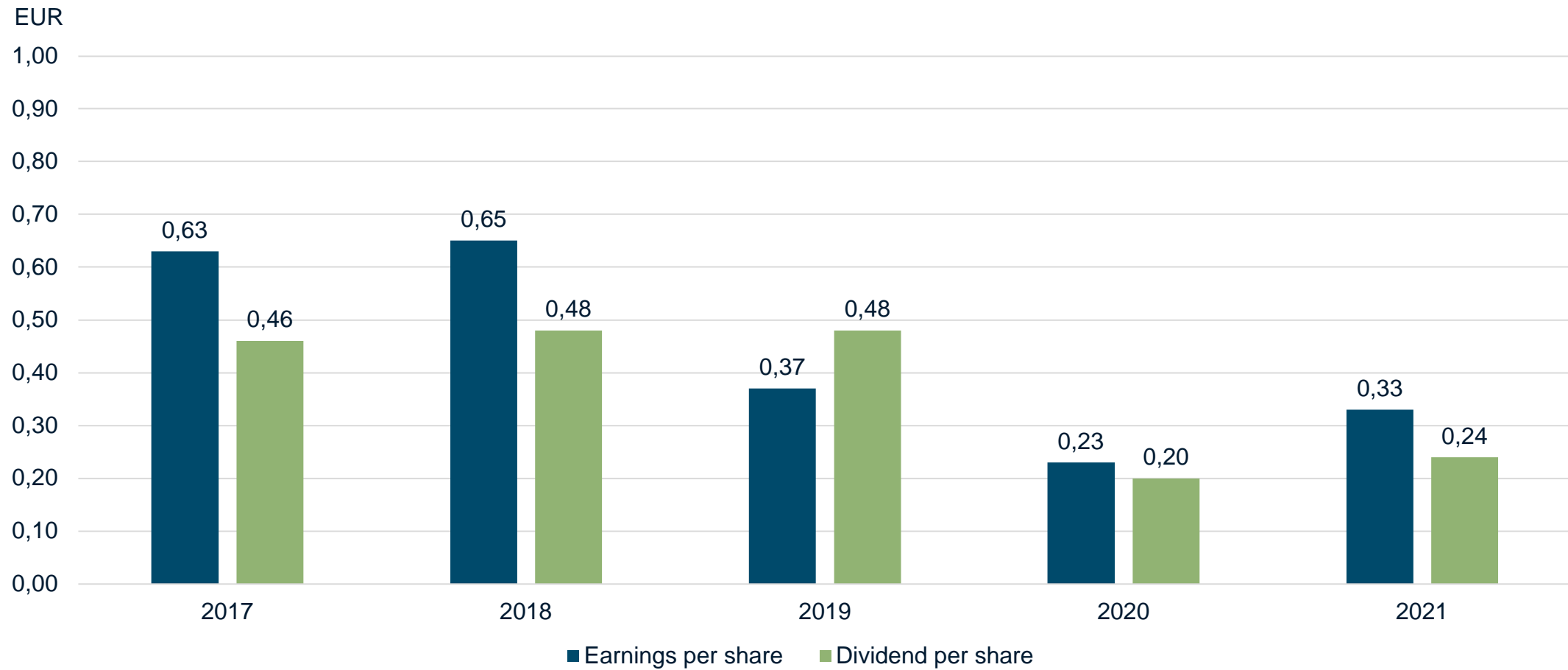
- As announced on 11 May, Wärtsilä's strategy for shaping the decarbonisation of the energy sector is strengthened with the introduction of the company's decarbonisation service concept.
- Decarbonisation services are designed to support customers in identifying and implementing the solutions needed to decarbonise their power systems, taking into consideration their long-term planning and CO<sub>2</sub> 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	4-6/2022	4-6/2021	1-6/2022	1-6/2021
<b>Cash flow from operating activities</b>	<b>-90</b>	245	<b>-213</b>	312
<b>Working capital</b>			<b>168</b>	73
<b>Net interest-bearing debt</b>			<b>432</b>	253
<b>Gearing</b>			<b>0.21</b>	0.12
<b>Solvency, %</b>			<b>35.8</b>	37.8
<b>Basic earnings/share, EUR</b>	<b>0.09</b>	0.06	<b>-0.16</b>	0.10

# 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



S&P Europe 350 ESG Index



# Wärtsilä is very well-positioned for the decarbonisation transformation

## Leader in

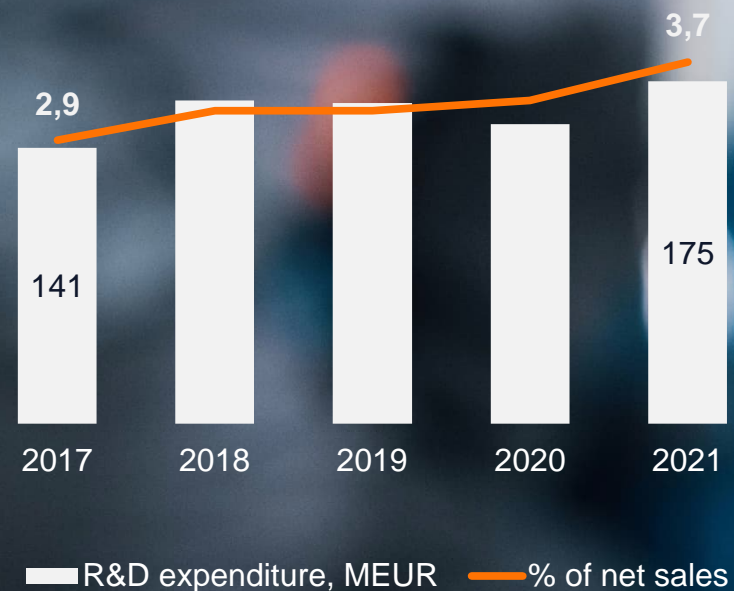
- **Carbon neutral & zero carbon fuels**
  - Available today: biofuels, methanol, up to 25% hydrogen blends
  - 2023: ammonia concept
  - 2025: 100% hydrogen concept
- **Energy efficient fossil fuels**
- **Power system optimisation**
  - Energy storage
  - Thermal balancing power

## Pioneer in

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

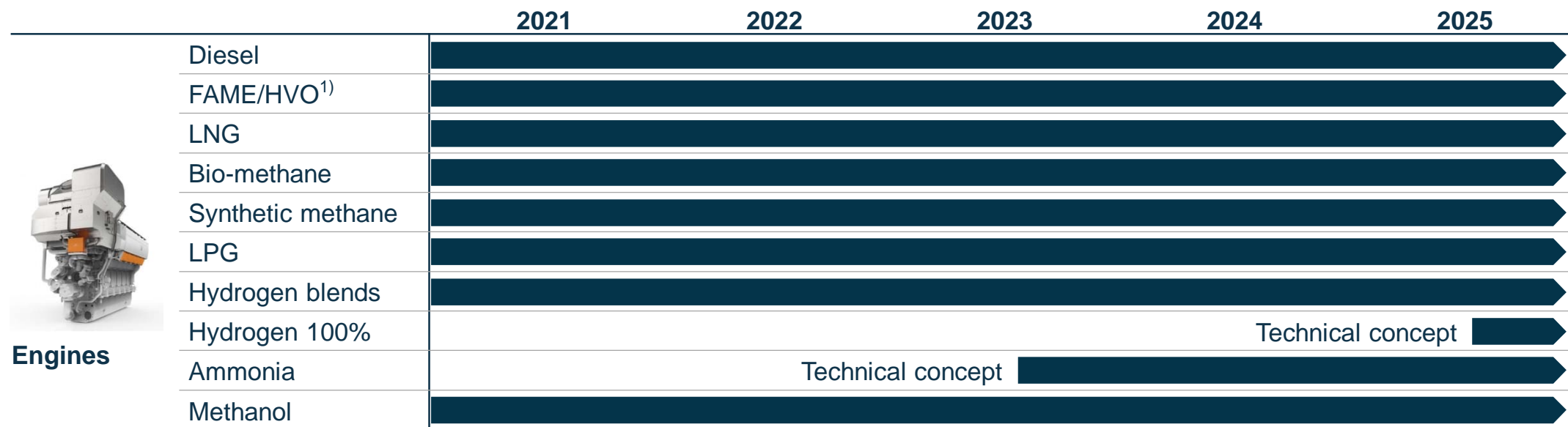
AMMONIA  $\text{NH}_3$  WÄRTSILÄ

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





# Front-runner in alternative fuel engine technology



1) FAME, HVO: biodiesel



# 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 Q2 2022



## Service order intake increased by 36%

- Order intake increased by 25%
- Net sales increased by 24%
- Good progress in services:
  - Service order intake increased by 36%
  - Service net sales increased by 18%
- Comparable operating result increased by 20%
- Cost inflation, supply chain bottlenecks, Covid-19 related lockdowns in China, and sanctions on Russia have put the global economy under pressure and caused challenges in our business as well.





## Exit from Russia and optimisation of European engine manufacturing footprint

- Exit from the Russian market completed
  - All adjustments and closures were completed in accordance with local regulations
  - Financial impact in line with the provisions taken in the first quarter, no material impact on our financials in the second quarter
- Plan to further optimise our European engine manufacturing footprint
  - Ramping down our factory in Trieste, Italy and centralising our 4-stroke engine manufacturing to Vaasa, Finland
  - Taking the next step in strengthening our competitiveness and creating a structure enabled for future growth
  - Italy and Trieste continue to be very important for Wärtsilä in many areas
  - Committed to working closely with unions and institutions to identify different support solutions for the impacted employees

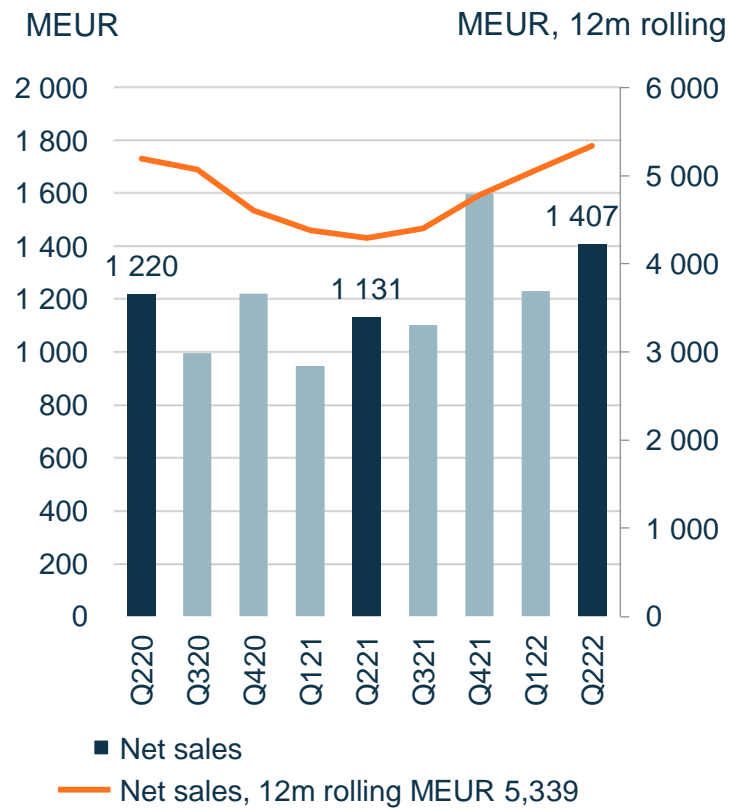
## Key figures

MEUR	4-6/2022	4-6/2021	CHANGE	1-6/2022	1-6/2021	CHANGE
<b>Order intake</b>	<b>1,440</b>	1,154	25%	<b>2,820</b>	2,398	18%
of which services	<b>811</b>	598	36%	<b>1,543</b>	1,290	20%
<b>Order book</b>				<b>5,936</b>	5,238	13%
of which current year deliveries				<b>2,732</b>	2,225	23%
<b>Net sales</b>	<b>1,407</b>	1,131	24%	<b>2,639</b>	2,078	27%
of which services	<b>696</b>	588	18%	<b>1,327</b>	1,128	18%
<b>Book-to-bill</b>	<b>1.02</b>	1.02		<b>1.07</b>	1.15	
<b>Operating result</b>	<b>75</b>	58	29%	<b>-72</b>	94	
% of net sales	<b>5.3</b>	5.1		<b>-2.7</b>	4.5	
<b>Comparable operating result</b>	<b>85</b>	71	20%	<b>151</b>	112	35%
% of net sales	<b>6.1</b>	6.3		<b>5.7</b>	5.4	

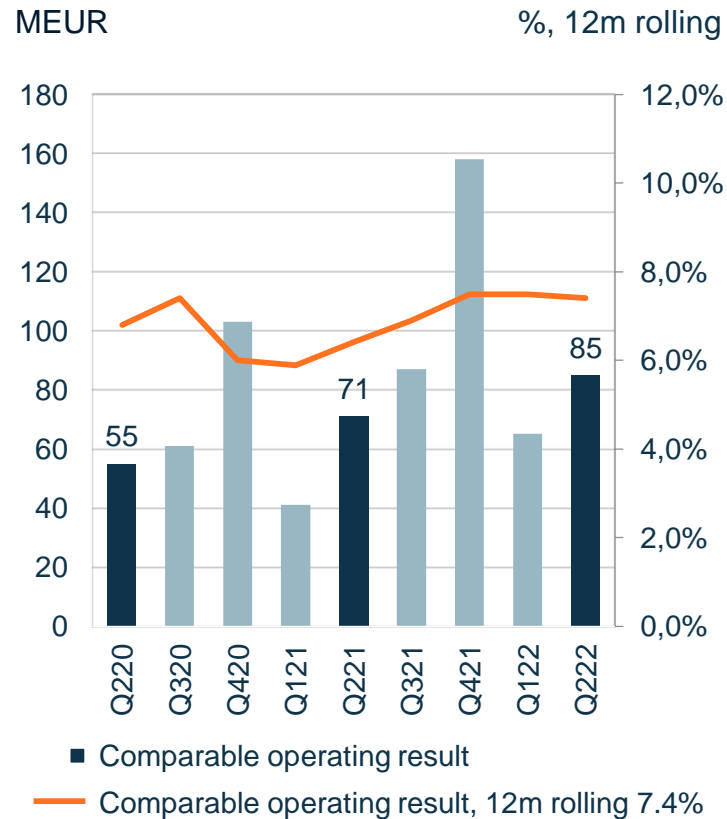
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

# Second quarter highlights

## Net sales



## Comparable operating result



Net sales EUR 1,407 million

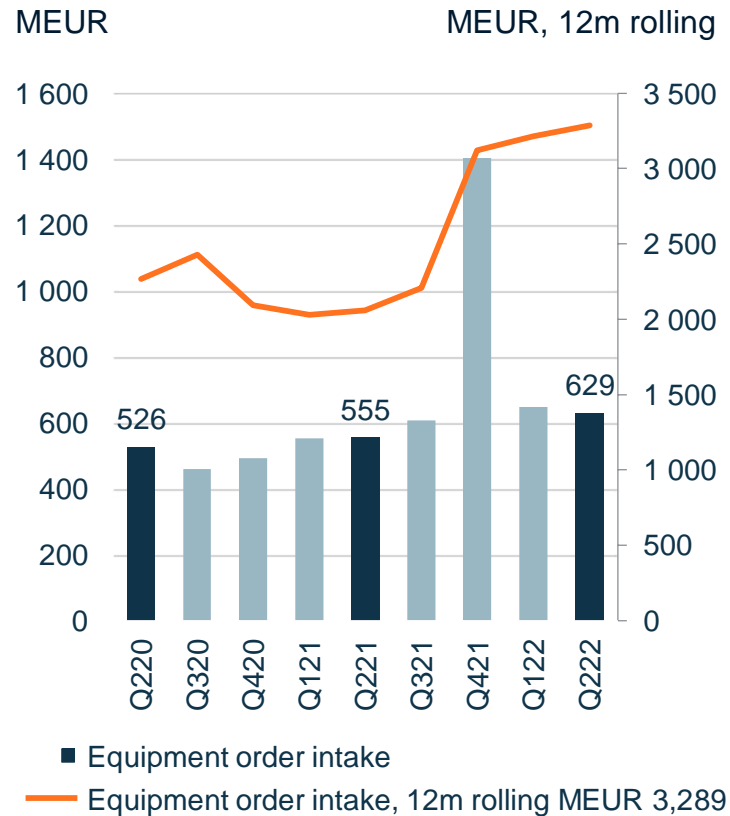
- 18% increase in service sales

Comparable operating result EUR 85 million

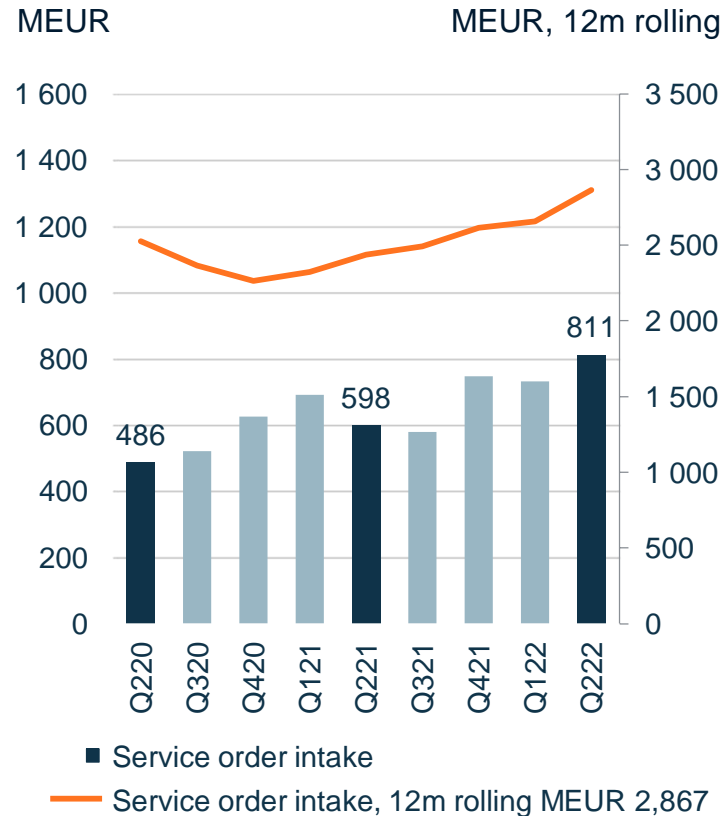
- 20% growth
- Supported by higher sales volumes

# Order intake increased by 25%

## Equipment



## Services



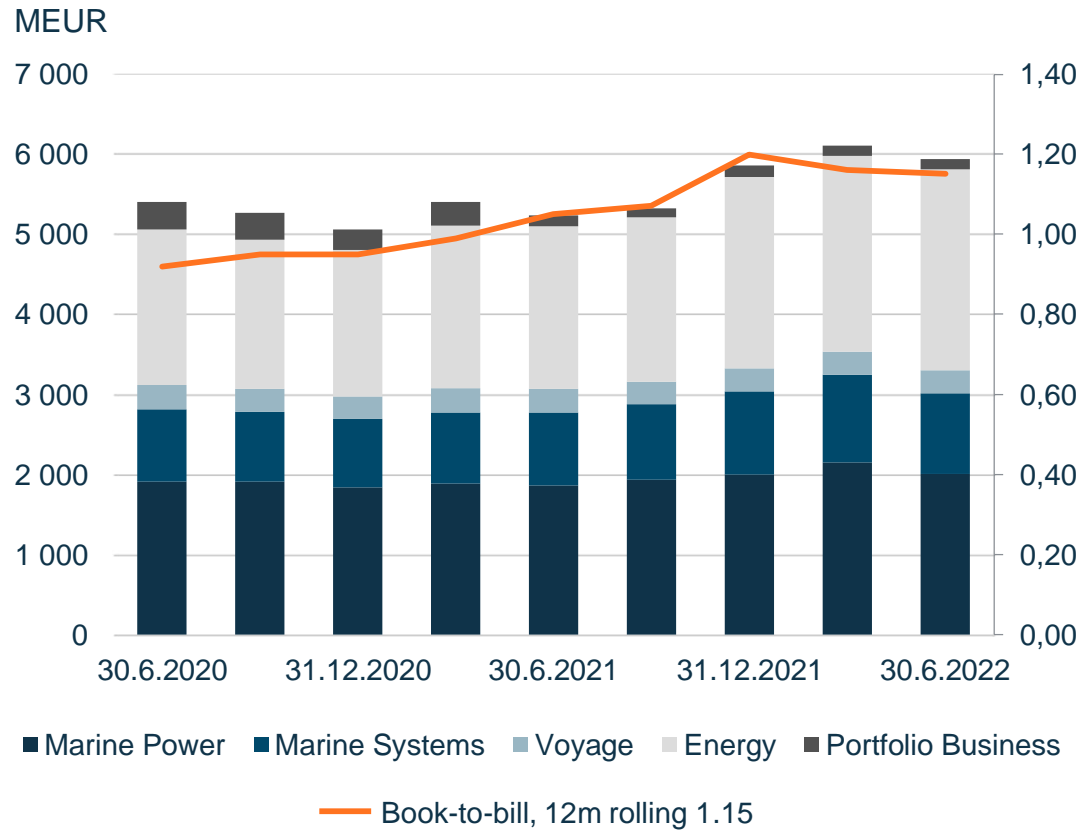
- Equipment order intake increased by 13%
- Service order intake increased by 36%
- Agreements driving service growth



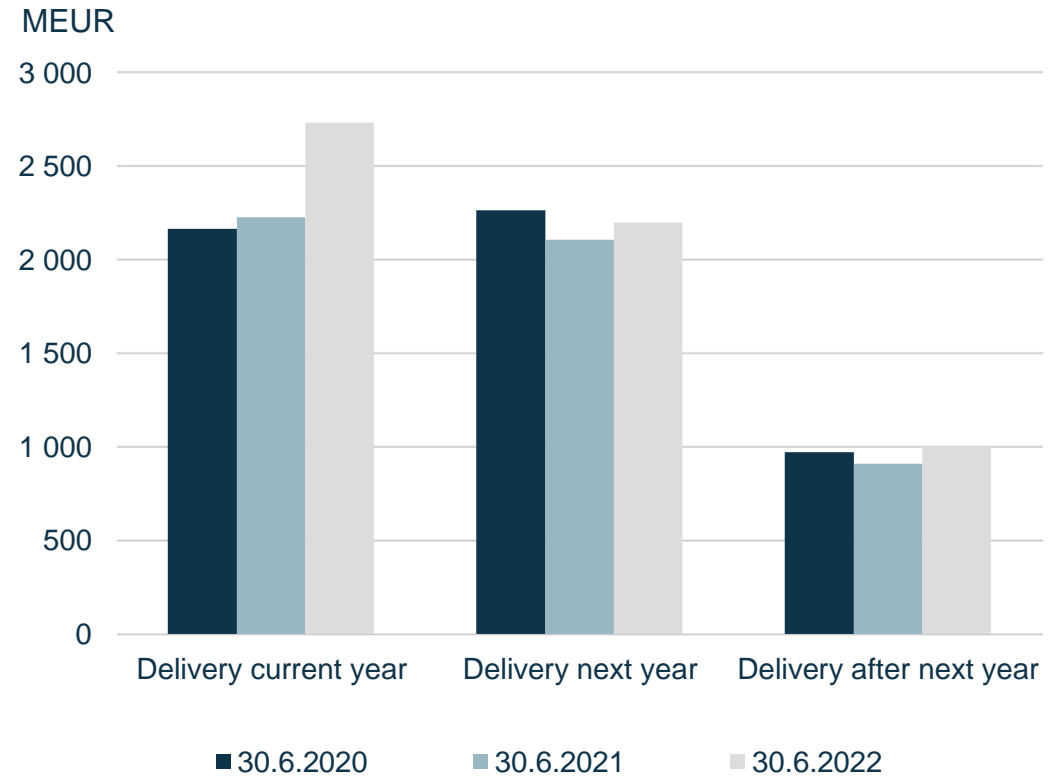
# Strong order book

Despite removal of Russia related projects (MEUR 240)

## Order book by business



## Order book delivery schedule



# GOVERNANCE

## Board of Management



**Håkan Agnevall,  
President & CEO**



**Arjen Berends, Chief  
Financial Officer**



**Sean Fernback, President,  
Wärtsilä Voyage**



**Tamara de Gruyter, President,  
Wärtsilä Marine Systems**



**Kari Hietanen, Corporate  
Relations and Legal Affairs**



**Roger Holm, President,  
Wärtsilä Marine Power**



**Atte Palomäki, Communications,  
Branding & Marketing**



**Sushil Purohit, President,  
Wärtsilä Energy**



**Teija Sarajärvi, Human  
Resources**

## Board of Directors



**Tom Johnstone CBE, Chair of the Board, President and CEO of AB SKF 2003–2014**



**Risto Murto, Deputy Chair of the Board, President & CEO of Varma Mutual Pension Insurance Company**



**Karen Bomba, President of Smiths Interconnect 2017–2020**



**Morten H. Engelstoft, CEO & EVP of A.P. Møller - Mærsk A/S, APM Terminals 2016–2022**



**Karin Falk, President, Husqvarna Construction Division**



**Johan Forssell, President and CEO of Investor AB**



**Mats Rahmström, President & CEO of Atlas Copco AB**



**Tiina Tuomela, CFO, Uniper SE**



## Largest shareholders 17 August 2022

#	Name	Shares	Share %
1	Invaw Invest AB	104,711,363	17.70%
2	Varma Mutual Pension Insurance Company	31,768,252	5.37%
3	Ilmarinen Mutual Pension Insurance Company	15,326,503	2.59%
4	Elo Keskinäinen Työeläkevakuutusyhtiö	6,416,076	1.08%
5	The Social Insurance Institution of Finland	5,517,730	0.93%
6	Svenska Litteratur-sällskapet i Finland Rf	5,171,277	0.87%
7	Holdix Oy Ab	4,135,800	0.70%
8	State Pension Fund	4,120,000	0.70%
9	Jenny and Antti Wihuri Foundation	2,700,000	0.46%
10	Sigrid Jusélius Foundation	2,374,505	0.40%
	Nominee registered	193,388,201	32.68%
	<b>Total</b>	<b>591,723,390</b>	<b>100.00%</b>

# WÄRTSILÄ IN BRIEF

# KEY FIGURES 2021

Order intake  
**5,735 MEUR**

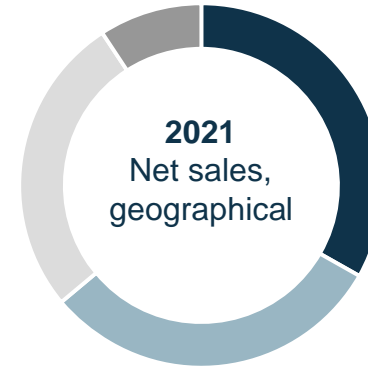
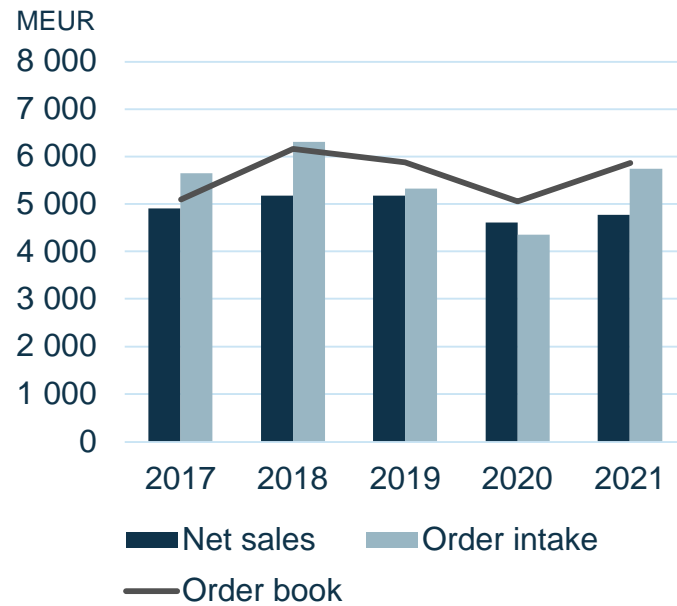
Net sales  
**4,778 MEUR**

Comparable operating result  
**357 MEUR**  
**7.5% of net sales**

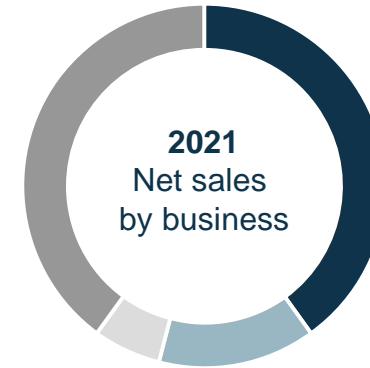
Operating result  
**314 MEUR**  
**6.6% of net sales**

Cash flow from operating activities  
**731 MEUR**

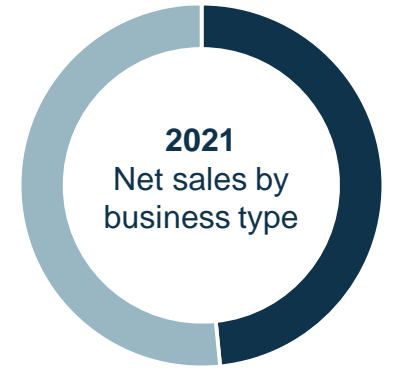
Personnel  
**17,000**



■ Europe ■ Asia ■ Americas ■ Other



■ Marine Power ■ Marine Systems  
■ Voyage ■ Energy



■ Equipment ■ Services

Investor relations

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General inquiries:

[investor.relations@wartsila.com](mailto: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

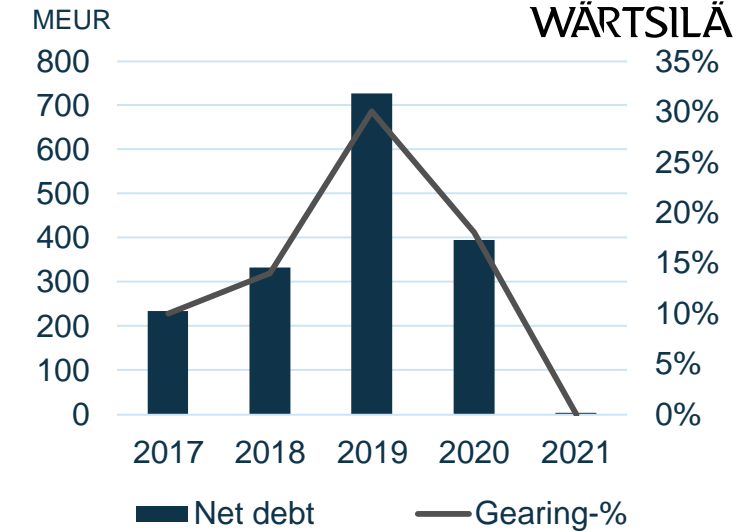
**Investing ~3% of net sales on R&D yearly**

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

**By 2023:** pure ammonia fuel engine concept ready

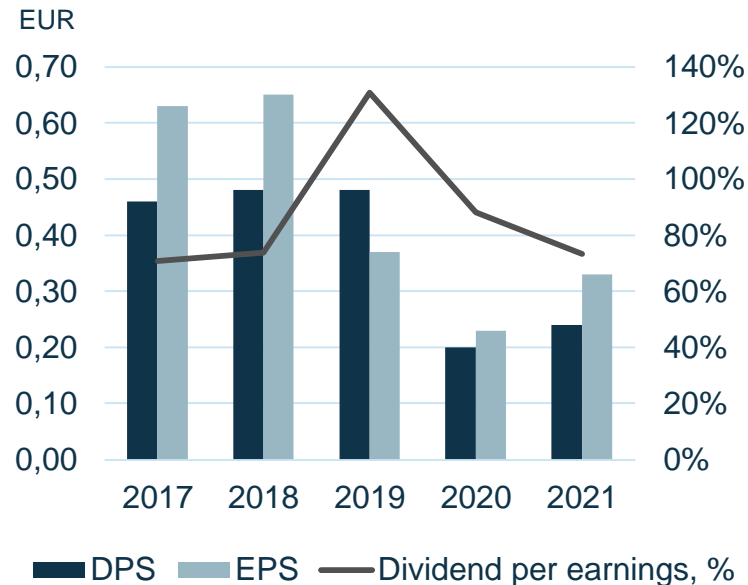
**By 2025:** pure hydrogen fuel engine concept ready

## Solid balance sheet



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## 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

## MAIN COMPETITORS

### ENGINES

MAN  
Himsen  
Rolls-Royce  
INNIO

### OTHER MARINE SOLUTIONS

Kongsberg  
Alfa Laval  
GE  
Siemens  
Schottel

### OTHER ENERGY SOLUTIONS

GE  
Siemens  
Tesla  
Fluence

## CUSTOMER BASE

### MARINE BUSINESSES

Ship owners  
Ship operators  
Ship management companies  
Charterers  
Shipyards  
Port authorities

### ENERGY

Utilities  
Independent Power Producers (IPPs)  
Industrial customers

**For more information, call us or visit our**  
**[Investors page](#)**

Next upcoming IR events:

- 30 September 2022 Pre-silent call with CFO
- 25 October 2022 Interim report January–September

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