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 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

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

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▪ 5% annual organic growth
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Robust capital allocation principles and active portfolio management

Notable opportunity in retrofits and conversions

Focus on:
▪ High performing teams
▪ Performance excellence and robust execution
▪ Continuous improvement
▪ Cost structure – actions taken whenever and wherever necessary

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>5% annual organic growth</td>
</tr>
<tr>
<td>Profitability</td>
<td>12% operating margin</td>
</tr>
<tr>
<td>Capital structure</td>
<td>Gearing below 0.50</td>
</tr>
<tr>
<td>Dividend</td>
<td>At least 50% of earnings</td>
</tr>
</tbody>
</table>

New financial targets reflect growth opportunities and increased profitability.
Good growth opportunities in services, energy, and marine new build recovery. Our installed base provides a strong foundation for services growth

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

Starting point:
Net sales 4,401 MEUR (LTM Q3/2021)
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

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
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

- Carbon neutral and zero carbon fuels in maritime

Source: DNV Maritime Forecast 2050 model, Wärtsilä internal estimates
Vessel contracting history and forecast by segment

Growing replacement demand following implementation of environmental regulations, e.g. EEXI, CII etc.

Accelerated fleet renewal and steady demand growth

Continuing accelerated fleet renewal supported by the fleet age profile and potential increased consensus over fuelling and technology choices

Container ordering boom

No of ships, 2,000+ dwt

Source: Clarksons Research, September 2021
Wind and solar are intermittent power sources

Flexible balancing power needed to stabilize the power system: balancing power market expected to grow by 10X

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
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.

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.

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.

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

**Graph 1:**
- **Net sales**
- **Comparable operating result**
- **Comparable operating result, % of net sales**

**Graph 2:**
- **Net sales**
- **Comparable operating result**
- **Comparable operating result, % of net sales**

**Comparable operating result, % of net sales:**
- 2021: 8%
### STRONG CASH FLOW AND BALANCE SHEET

<table>
<thead>
<tr>
<th>MEUR</th>
<th>1-12/2021</th>
<th>1-12/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>731</td>
<td>681</td>
</tr>
<tr>
<td>Working capital</td>
<td>-100</td>
<td>257</td>
</tr>
<tr>
<td>Net interest-bearing debt</td>
<td>4</td>
<td>394</td>
</tr>
<tr>
<td>Gearing</td>
<td>0.00</td>
<td>0.18</td>
</tr>
<tr>
<td>Solvency, %</td>
<td>38.6</td>
<td>38.1</td>
</tr>
<tr>
<td>Basic earnings/share, EUR</td>
<td>0.33</td>
<td>0.23</td>
</tr>
</tbody>
</table>
COMMITTED TO PROVIDING SHAREHOLDER RETURNS

Earnings per share
Dividend per share

2017: Earnings per share = 0.63 EUR, Dividend per share = 0.46 EUR
2018: Earnings per share = 0.65 EUR, Dividend per share = 0.48 EUR
2019: Earnings per share = 0.37 EUR, Dividend per share = 0.48 EUR
2020: Earnings per share = 0.23 EUR, Dividend per share = 0.20 EUR
2021: Earnings per share = 0.33 EUR, Dividend per share = 0.24 EUR
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
WE CONTINUE INVESTING IN INNOVATION TO ENSURE A BROAD, INDUSTRY-LEADING SOLUTION OFFERING

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D expenditure, MEUR</th>
<th>% of net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>175</td>
<td>2.9</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>3.7</td>
</tr>
</tbody>
</table>
SIGNIFICANT VALUE CREATION POTENTIAL

**Purpose**

Enabling sustainable societies through innovation in technology and services.

**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.

**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

**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

**Target Position**

Shaping the decarbonisation of marine & energy.
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

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

- MEUR
- Q419: 1,684
- Q120: 1,220
- Q220: 1,597
- Q320: 1,597
- Q420: 1,597
- Q121: 1,220
- Q221: 1,597
- Q321: 1,597
- Q421: 1,597

Comparable operating result

- MEUR
- %, 12m rolling
- Q419: 202
- Q120: 103
- Q220: 103
- Q320: 158
- Q420: 158
- Q121: 103
- Q221: 103
- Q321: 103
- Q421: 103

Net sales, 12m rolling MEUR 4,778

Comparable operating result, 12m rolling 7.5%
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%
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.