Concluding the strategic review of Energy Storage and setting new financial targets

Håkan Agnevall, President & CEO

Arjen Berends, Executive Vice President & CFO

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Concluding the strategic review and setting new financial targets

- **Decision to keep and develop Energy Storage**
  - Assessed options to accelerate profitable growth and value creation for Wärtsilä shareholders
  - Conducted assessment of different types of potential ownership structures
  - Conclusion that the best way to create shareholder value is to keep and develop the business
  - Ample growth opportunities focusing on selective profitable growth
  - Capital-light business, capable to grow with limited additional capital needs

- **Separating Energy into two independent reporting segments**
  - Energy: Engine Power Plants and related life-cycle services
  - Energy Storage: Utility-scale battery energy storage and related life-cycle services
  - Different market dynamics, business profile, and limited operational synergies between Energy and Energy Storage
  - New leader appointed to Energy Storage, Tamara de Gruyter, member of the Board of Management, located in the US

- **Setting new financial targets**
  - Marine & Energy continue to improve operational and financial performance
  - Marine & Energy have similar growth and profitability trajectories with strong operational synergies
  - New financial targets for Marine & Energy combined
  - Energy Storage to become a separate reporting segment with its own financial targets
  - Group targets for dividend and gearing remain the same

Introducing new financial targets driven by the improving profitability of Marine & Energy and to better reflect the new organisational structure

Marine and Energy combined

5%
Annual organic growth

14%
Operating margin

Energy Storage

Low double-digit
Annual organic growth

3-5%
Operating margin

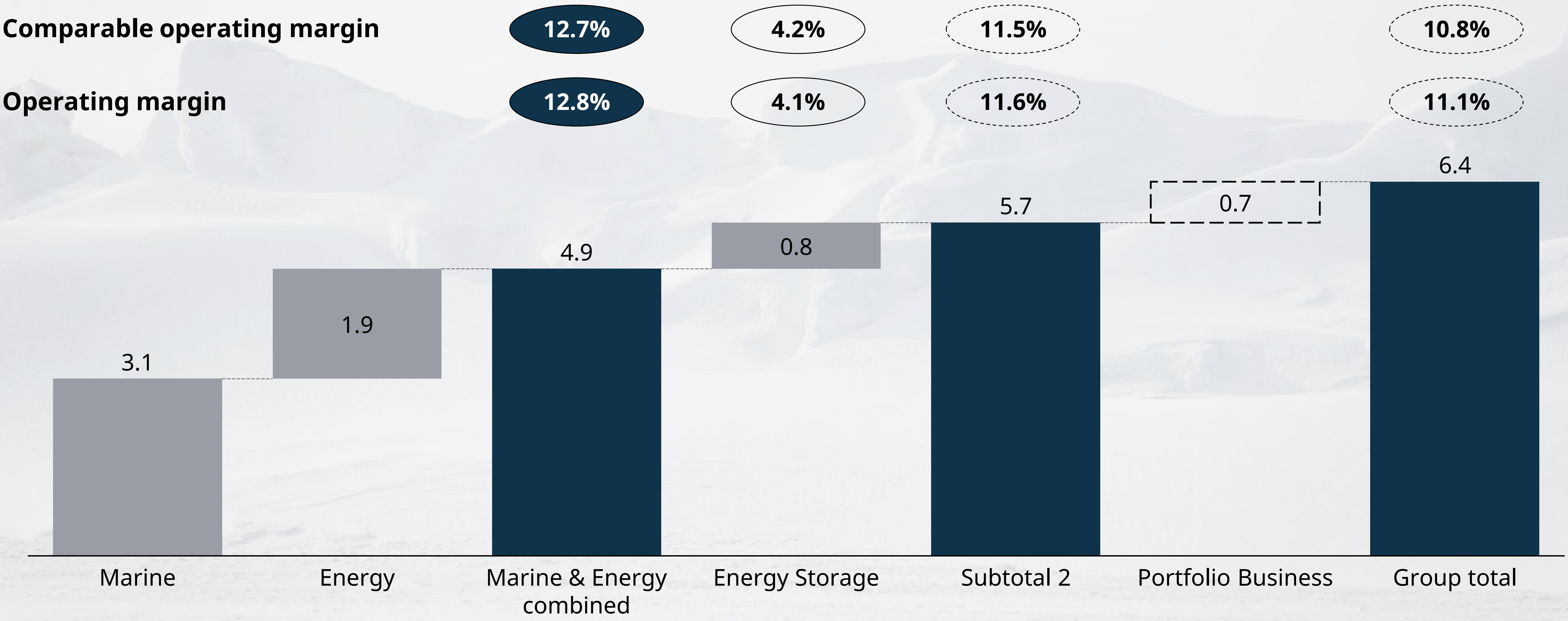
Group

<0.5
Gearing

≥50%
Dividend of earnings

Marine and Energy combined has surpassed the 12% operating margin target

Group simulation (2024), net sales (€bn)



Enabling sustainable societies through innovation in technology and services

Transform

Attractive growth opportunities in the decarbonisation transformation

Perform

Clear path for operational improvements and increased profitability

Marine and Energy continue to execute earlier communicated strategies with a clear path to reach the updated financial targets

Transform

- **Industry-leading technology portfolio**
- **Market leader in:**
  - 4-stroke medium speed main engines
  - Engine power plants
  - Marine hybrid solutions
- **Technology leader** in green fuels
- **Pioneer** in marine carbon capture & storage
- **~25% growth in services** since 2022
- **All-time high order book** at the end of 2024 (~€5.7bn)

Perform

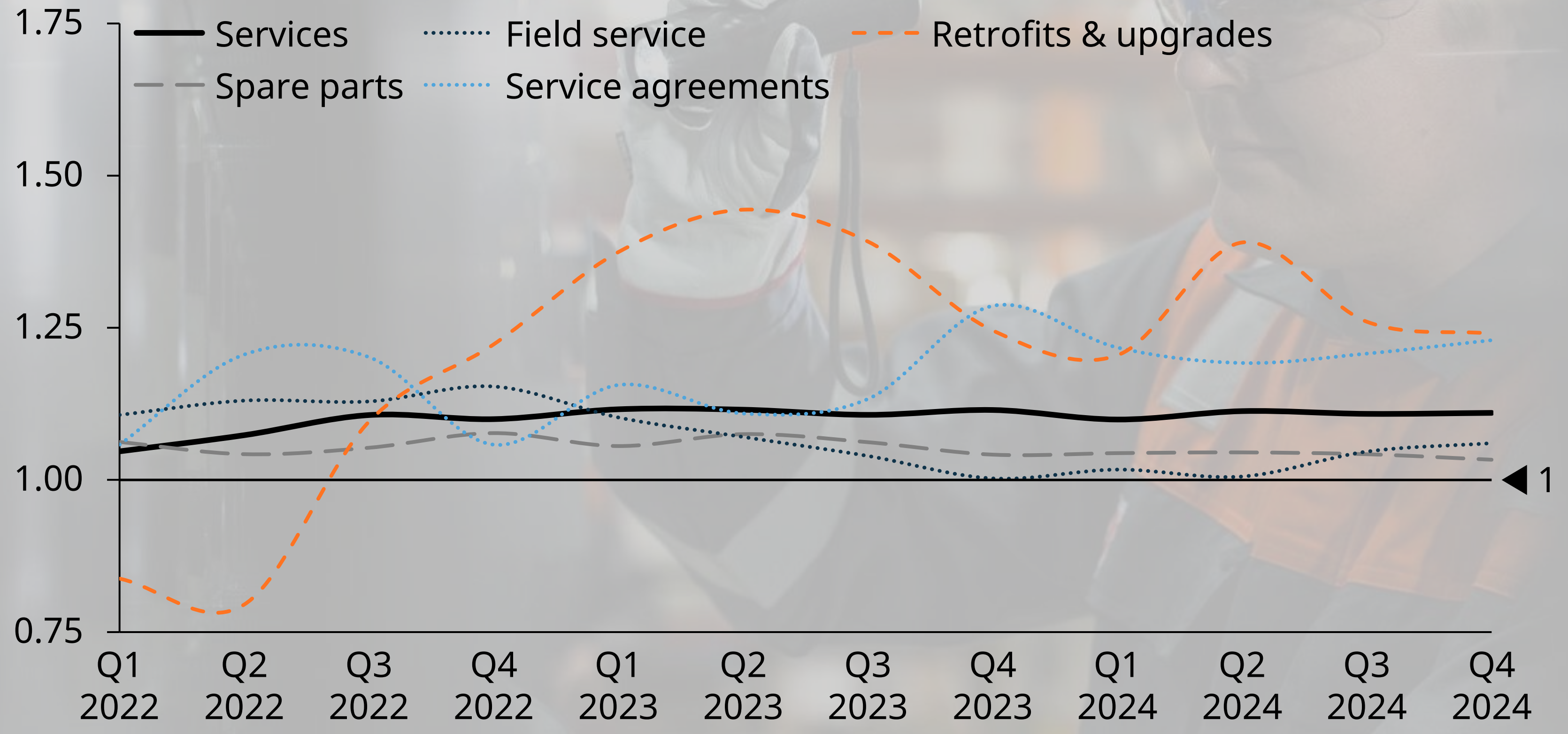
- **Services >60% of net sales in 2024**, moving up the service value ladder with book-to-bill ratio well above one
- **Strong focus on quality of revenues**
  - Improving newbuild order margins
  - Energy's focus on equipment deliveries instead of EPC
- **Improving capacity utilisation**
- **Addressing footprint and cost structure wherever and whenever needed**
- **Limited additional capex needed to facilitate profitable growth**
- **Focus on continuous improvement**

5%
Annual organic growth

14%
Operating margin

For Marine and Energy combined, services was >60% of net sales in 2024. Solid foundation for future growth

Services book-to-bill, 12m rolling[1]



~€3.2bn

services net sales in 2024

~30%

of installed base covered by service agreements

>90%

renewal rate of service agreements

1) Marine and Energy combined. 2023 data restated to reflect the redefined organisational structure as of 1 Jan 2024. Figures prior to 2023 reflect the data as per the organisation structure at each point in time and is not adjusted for changes such as acquisitions

In Marine & Energy, decarbonisation and services are the key drivers in achieving our financial targets

Drivers of net sales growth

- **Marine newbuild driven by decarbonisation**
  - Decarbonisation driving fuel efficiency improvements and fleet renewal
  - Uptake of solutions ready for sustainable fuels
- **Moving up the service value ladder in Marine and Energy**
  - Growth in all service revenue streams[1]
- **Energy newbuild driven by balancing and baseload**
  - Gradual shift to renewables
  - The focus on offering equipment rather than EPC decreases revenue expectations but improves our risk profile
  - Future growth opportunity in data centers

Drivers of improving profitability

- **Moving up the service value ladder in Marine & Energy**
- **Marine newbuild driven by decarbonisation**
- **Energy newbuild driven by balancing and baseload**
- **Improving capacity utilisation**
- **Continuous improvement**

1) spare parts, field service, service agreements, retrofits & upgrades

Energy Storage in 2024

~€800MM
Net sales

>€1bn
Order intake

~4%
Operating margin

>€1bn
Order book

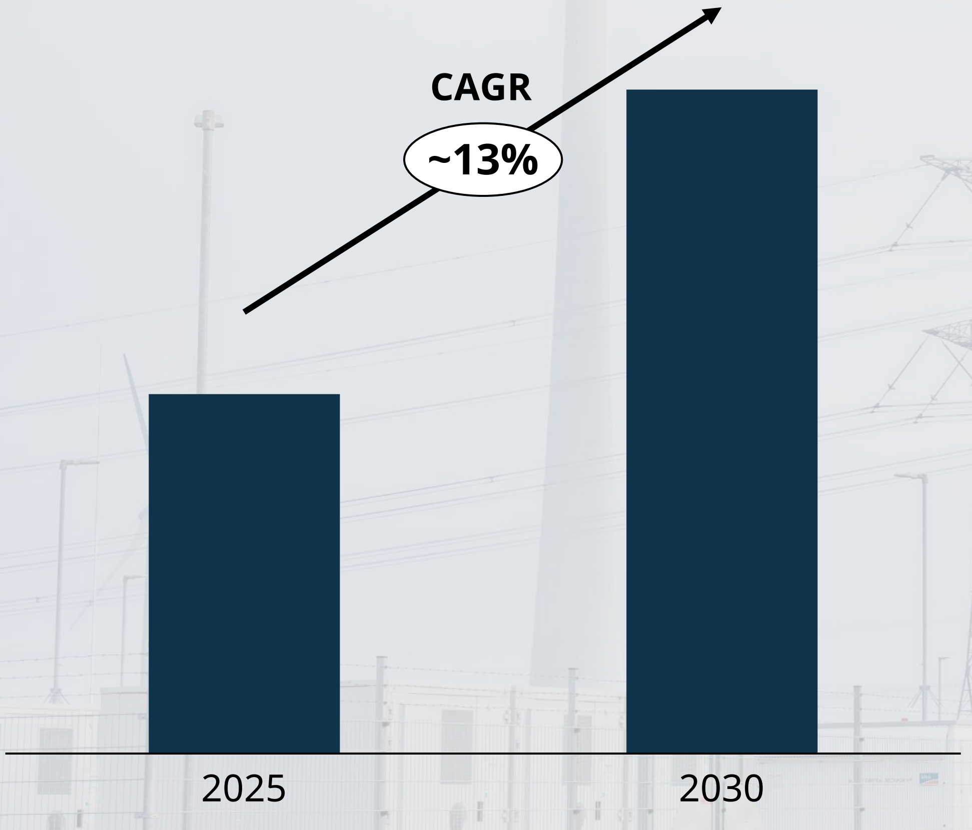
>€20MM
Annual recurring revenue

Capital-light with positive cash flow

Energy Storage's target market is expected to grow ~13% per annum between 2025-2030

Selected target markets

Addressable annual market (€)[1]



Key takeaways

- The need for energy storage systems has grown rapidly and is expected to further increase driven by the energy transition
- Energy storage is critical to meeting the need for energy flexibility
- Wärtsilä Energy Storage's current key markets include Australia, UK and the US
- Selective market expansion targeted to new geographies
- Wärtsilä among top 5 players, new entrants entering the system integration market

Source: BloombergNEF ("BNEF"), S&P Global and Wärtsilä Internal
1) Estimated from BNEF energy storage market outlook. Addressable market excluding certain geographical markets and residential & commercial storage

Energy Storage continues to focus on selective profitable growth

Transform

- **Selective commercial approach focusing on our strengths:**
  - Excellence in project execution
  - Industry-leading solution performance and thermal safety
  - GEMS[1] for optimised energy management of a single installation, fleets and microgrids
- **Multisourcing implemented** for key components, ability to provide a product not made in China
- **Growth in recurring revenue** through long-term service agreements, enabled by GEMS[1]
- **Continuous improvement** of modularised hardware & software to create customer value

Perform

- **Strong focus on quality of revenues**
  - Industry-leading project delivery & execution capabilities
  - Strong risk management, focus on equipment delivery
  - Selective market expansion to new geographies (related investments expected to burden short-term profitability)
  - Diversified supplier base
- **Addressing cost structure** wherever and whenever needed
- **Capital-light business** with positive cash flow
- **Project business** with volatility in revenues and operating margin

Low double-digit
Annual organic growth

3-5%
Operating margin

1) GEMS software platform

Strategic priorities to reach Energy Storage’s financial targets

1. Capture profitable growth in selected target markets
2. Drive product cost reduction through hardware & software development
3. Capture growth in recurring revenue
4. Excel in multisourcing and strengthen regional supply chains
5. Continuously improve our project execution and delivery capabilities
6. Attract, hire and retain high performing talent

We continue to actively manage our business portfolio

Automation, Navigation & Control Systems divested

Signed December 13, 2024

- Further simplification of Group structure
- Subject to approvals, the transaction is expected to be completed in the second quarter of 2025

Portfolio Business

Bernd Bertram appointed as Head of Portfolio Business reporting to CEO but not being part of the Board of Management

- Plan to divest remaining Portfolio Business units
  - Marine Electrical Systems
  - Gas Solutions
  - Water & Waste

Strong commitment and a clear path to reach our updated financial targets

WÄRTSILÄ

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