Heikkinen: Good morning, everybody, and welcome to this news conference for Wärtsilä’s half year report, 2022. My name is Hanna-Maria Heikkinen and I’m in charge of investor relations. Today, our CEO Håkan Agnevall will start with group highlights followed by the business area development, and then our CFO Arjen Berends will continue with the key finances. After the presentation, there is a possibility to ask questions. Time to start, please, Håkan.

Agnevall: Thank you, Hanna-Maria. And thank you, everybody, for joining us. Let's jump into the second quarter of Wärtsilä. Some really good news on the service order intake side. Service order increased by 36% and throughout the businesses. Also, on the overall order intake, we had a positive development. Order intake increased by 25%. Strong order intake in still a market with a lot of uncertainty. But we are making good progress. Net sales increased by 24%. And also, on the services, we see that service net sales is developing in a positive way with increased service net sales of 18%. Comparable operating result also increased by 20%. So, but cost inflation, supply chain bottlenecks, COVID related lock downs in China and sanctions on Russia have put and continue to put the global economy under pressure. And, of course, challenges also for us. But still, we managed to grow our order intake. Starting point also to very important announcement from Wärtsilä. And if we start with the most recent one, this morning, is we... This morning we confirmed that our exit from the Russian market has now been completed. All adjustments and closures were completed in accordance with local regulations. The financial impact is in line with the provisions that we took already in the first quarter and no material impact on our financials in the second quarter. Then earlier, we have also announced the plan to further optimise our European engine manufacturing footprint. Ramping down our factory in Trieste, Italy, and centralising our four stroke engine manufacturer to Vaasa in Finland. This means taking the next step in strengthening our competitiveness and creating a structure enabled for future growth. Italy and Trieste will continue to be very important for Wärtsilä in many areas. And now we are highly committed, working very closely together with unions and institutions to identify different support solutions for the impacted employees. This has not been an easy decision for Wärtsilä to take.
Coming back to the overview of the figures and we will talk through them. I highlight a couple of the first half year. I mean, we had a good second quarter, but also a good first half year with order intake up overall 18%. We have an order book that is up 13% and our comparable operating result also from first half year, up 35%. If we then look at the highlights of the second quarter, we say that net sales came in at 1.4 billion euro, 18% increase in service sales, a strong contributor. The comparable operating results landed at 85 million euros, growing 20% and strongly supported by higher sales volumes. You also see that our operating margin kind of stabilised at 6.1% and one could expect the operating margin to continue to develop in a positive way, given our increased sales. But here, we are also facing headwinds in terms of cost inflation, which is impacting our existing order backlog. We are also facing challenges with under absorption in our industrial system. And we also said earlier that 2022 is a new build year, so the mix between new build and services weighs over a little bit more than normal to the newbuild side. And we know that the profit margin on the service side is higher. So these are bit of a headwind, so to say, but we are moving in the right direction.

On the marine market, activities are at a good level. Investments in new vessels eased off a bit due to increased prices and also a few available slots at key shipyards. And there is also some uncertainties related to future demand for tonnage. The number of vessel orders in Q2 decreased to 701 compared to 829 in Q2 last year. Vessels contracting has been driven by containerships and a record level LNG carrier ordering. And LNG carrier market activity has improved significantly during the Q2, as many countries in Europe are looking at replacing Russian pipeline gas with LNG from other sources. And on the cruise side, at the end of June, 90% of the cruise capacity was active, up from 70% end of March. And when I talk to to our key customers in the cruise side, I think they have a very optimistic view on the demand side here in the month and the year to come. On the energy market. Markets are affected by global cost inflation and price volatility, but we also see the continued trend of increasing demand of balancing solutions. Cost inflation and continuing COVID-19 pandemic have contributed to higher quotation prices. Increase of cost of supply and higher energy prices have also caused slower customer decision making. We see that. The market transforms as Europe is moving away from dependency on Russian imports and more liquefied LNG projects are moving forward globally. We see an increasing level of intermittent renewable energy that is expected and we do see an acceleration in the need for balancing solutions. Storage growth is picking up after a slow first quarter. You've seen
that in Q2. It's really taking pace again after, I would say, a digestion of the new cost and price level in the market. Service growth continues at a good level and customers really show interest in our long term agreements. Our market share, Wärtsilä market share in the gas and liquid fuel power plants also increased a notch, now to 9%. Order intake was up by 25%. Equipment order intake increased by 13%. Service by 36%. And what is really encouraging, on the services side, we do see that the major driver of the growth in the second quarter was around agreements. And, you know, we have been talking about moving up the service value ladder and we see it happening gradually as we go forward. We have a strong order book and this is despite that we have now in the second quarter removed 240 million euro of Russian related projects. You also see that if you look at the share of deliveries of the current year, this year, this share has increased compared to previous years. Net sales increased by 24%. Equipment net sales increased by 31%. And service net sales increased by 18%. So positive development in both areas and throughout the businesses.

Now, technology and partnership highlights. Moving on our way to shaping the decarbonisation of marine and energy. So what is happening, I think on the hydrogen side, we have some really interesting partnerships here. Two very concrete examples where the blending of hydrogen starts to be tried on the energy side. So we have a collaboration with Capwatt in Portugal, and we test up to 10% green hydrogen blends in our 34SG engines. In the US, we blend up even up to 25% of hydrogen, and that will be tested in cooperation with WEC energy. And while they have a current plant running on three of our 50SG engines. We also launched a new large bore engine, 46 TS dual fuel engine. It has a modular design. It's part of our modular platform and with the focus on efficiency. We are really taking fuel efficiency and therefore reducing emissions to the next level and we keep the fuel flexibility which will be needed as we talk about the gradual shift to different type of fuels. And in gas fuel mode, this engine has the highest efficiency in the industry so far, achieved in the medium speed engine market.

We also really celebrated our opening of our Sustainable Technology Hub in Vaasa in Finland. This is a new technology centre, where we invite customers, partners and companies, academia to come together to incubate, test and validate ideas. Evolving a lot around the new fuels and the new sustainable solutions. We need to increase the pace of innovation. It also features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a highly automated production system. And it's on
land, but it's also at sea, because we have a great cooperation around the Aurora Botnia Ropax Ferry in Vaasa, which actually is a floating test lab for us, which is an integrated part of the whole ecosystem.

Now, if we look at the businesses, let’s see how the businesses have evolved. For Marine Power, order intake and net sales increased. Service order intake is up here also 36%. Overall, the order intake, you can see it's up 21%. Net sales with 8%. Our comparable operating results is going from 44 million to 45 million. On the positive side, strong services sales. What is holding us back is the factory capacity, the under absorption. Also, the cost inflation, both on materials and logistics on the existing order backlog. We do a lot of testing on fuels and the fuel costs are going up, which is affecting the profitability. And then we also carry cost to ramp up the Sustainable Technology Hub, STH, this year.

If we look at the service agreements, they are really growing and the net sales from the installations under agreement is clearly increasing. And here I think is a great example. Maran Gas has extended their optimised maintenance agreements for an additional five years. These agreements ensure that operations can run safely in a controlled way, but also with predictable cost for their fleet of 21 LNG carriers. And in addition to the maintenance service, this agreement includes remote operational support, dynamic maintenance planning and also our digital predictive maintenance solution based on our Expert Insight platform. And already today, Marine Power is supporting globally more than 700 vessels with our lifecycle agreements. And one interesting metric, we saw 90% of the cases solved remotely. And for me, a very strong proof point of the whole logic and the whole concept is that we have a very high renewal rate with our customers. Customers that have signed up for agreements. They come back and they want to prolong. Maran Gas is one great example.

Looking at Marine Systems, net sales increased. Order intake and comparable operating result decreased. Order intake went down with 24%. I think on the new build one year ago, we had had a spike in our gas solution's order intakes. It's a bit of a periodisation and on the services side, there is also this year a bit of a periodisation, but order intake is down and net sales is up. Then, in spite of the highest sales, you still see that the comparable operating results is going from 13 to 11. So, on the positive side, we have higher sales volume, but on the negative side, we do have an unfavourable
mix between equipment and services. And we also see the pressure from cost inflation in our existing order backlog.

Voyage. Order intake increased, but the Russia exit impacted clearly the sales and profitability negatively. However, I would really like to recognise the significant efforts and commitment from the Voyage team in rebuilding the business in new locations outside of Russia. Keeping 100% focus on the customer and really delivering. So that has been a monumental effort. And now we have taken a significant step. So order intake up 8%, net sales down 15%. You can see operating results -11, -12. On the positive side, we had a favourable sales mix between services and equipment, but we had lower sales volumes. I mean, we also had the cost related to ramp down of R&D capabilities and building up outside of Russia again, so to say.

If we see how our cloud solutions are evolving, we continue to see the increase now, 23% increase in connected vessels. We also closed the acquisition of PortLink and I would say this acquisition as one example of the type of acquisitions we want to do going forward, it's bolt-on acquisitions where we acquire maybe small or mid-sized companies with certain critical edge in technology or service capabilities. And PortLink is a leading provider of port efficiency solutions. It was founded in 2007, and it is headquartered in Vancouver, Canada. It has a global partnership with more than 3,500 users and a customer network in more than 20 countries. The workforce is 20 professionals. It's not a big team, but it's a really good team and they will be integrated now in the Wärtsilä Voyage business. This acquisition, it will speed up Voyage’s journey towards creating an end-to-end connected maritime ecosystem with intelligent port logistics solutions.

Then, energy. And you can see the lady was smiling. A significant improvement in all key figures. Service order intake up by 56%. If you look at the order intake overall, it’s up 51%. If we just zoom in on our battery storage business, it was up 91%. But also the thermal side was up with 34%. Net sales up with 52%. And we can see that the comparable operating result going from 24 up to 41. Major driver is the sales service volume growth, but also energy is working with cost inflation. It’s a headwind in existing order backlog. Also less favourable sales mix between equipment and services. And also within the services, there is a less favourable mix between the different disciplines of services. But in energy that is definitely going in the right direction. And Q1 was tough
on our energy storage business. Q2, we see order intake really picking up again. One example from the UK, we are delivering 100 MWh storage for our partner there, SSE. The product also includes our GEMS software platform. And this is very normal for us when we deliver to our equipment that we deliver our software solutions. And, you know, our approach to the storage arena, its power system optimisation, it is how you connect the battery to the power system in combination with different generating assets. This is where you can really create value, uptime reliability and also lowest overall energy cost. This battery system is connected directly to the transmission network and supports access to clean and reliable energy by balancing the intermittency of renewables. The energy storage system will support UK’s national grid with reliable services, and we will also support the wholesale market trading. That is crucial for establishing the market mechanism for balancing power. And we are actually in, we have received earlier orders in the UK, and we are installing similar sized energy storage systems across the UK, helping and supporting UK to meet its ambitious renewable energy targets.

On the service agreements. We also see that the installed base is increasing. The service coverage of the installed base is increasing. And this is one example from Brazil where we have a performance agreement that will enable our Brazilian customer to meet its power purchase agreement obligations. It's the full operation and maintenance agreement for Termocabo and covers a 48 MW power plant. It operates on three of our 46 engines. And this agreement includes performance guarantees on availability and on fuel consumption.

Now other key financials. Arjen, please.

**Berends:** Thank you, Håkan. Other key financials, probably the main thing to highlight on this slide is the operating cash flow -90 million euro negative. The other key financial parameters quite much link to that number. We have been, during the first half of this year, we saw it in Q1 and we saw it also now in Q2, we have been building up working capital to facilitate higher volume deliveries going forward. And that was also actually shown by the order book graph that Håkan showed earlier. So, if we look at the order book for the remainder of this year, it's much higher than the year to date, net sales. Then on this slide, if you look a little bit deeper into the working capital and you can see it from the right side slide here, the main increase comes from, let's say, trade
receivables. We have been invoicing a lot of milestones now recently in quarter two, which we anticipate to get paid for in the coming months. So if you asked me the question, are you more positive about the future cash flow? Yes, I am. With these words I give back to you on the prospects.

**Agnevall:** Yes. Thank you, Arjen. And if we look at the prospects, I mean, we expect the demand environment in the third quarter to be better than Q3 last year. Of course, there is still uncertainty in the markets, but we do expect it to be better. So with that, we open up for Q&A and we suggest we stick to the normal routine. I mean, one question per participant, and then we try to go around the table and then we can come back with more questions. So please, feel free.

**Q&A operator:** Okay. First question on the line is from Vivek Midha from Citi. Please, open up your microphone and ask your question.

**Midha:** Yes. I can hear you. Can you hear me?

**Agnevall:** Yes. Now we can hear you.

**Midha:** Perfect. Sorry about that. Technical issues. Thank you very much and good morning. So, I have one question on Marine Power, if I may. So, you're back at 90% utilisation in cruise, over 30% Marine Power service growth. So my question is, do you expect now that we're going to see some element of stabilisation at this high level, maybe a moderation in growth? Or how far do you think your service initiatives such as moving up the service value ladder can push service growth going forward? Thank you.

**Agnevall:** Now, I think it has potential to further, we have potential to further grow services. When we talked about the service value ladder and you can find it in also in our CMD material, you know, we said that going from spare parts up to performance based, you see a factor of 2 to 5 on the performance related to the first step of the ladder, which is parts. So there is growth potential still. However, it will take time, but I think we are on a growth trajectory here. And clearly we can see, I would say, a concrete proof point on that because it's really agreements this quarter that is a major growth driver.
**Berends:** And we also see good renewal rates on the agreements as well. Giving a proof point to the customer that they really value what we deliver.

**Midha:** Excellent. Thank you very much. If I could just quickly follow up. It really is a similar picture in the energy business because you've also seen very strong growth there in service.

**Agnevall:** Yes. And it's a key pillar of our strategy. And you could say we apply the same logic. It's about the service value ladder. And also on the energy side, it is using digital tools to enter different type of agreements and then, of course, to deliver on those agreements, creating value for our customers. And also there we are moving up the ladder and we see that we are growing our agreement business.

**Q&A operator:** Next question on the line is from Sebastian Kuenne from RBC. Please, open up your microphone.

**Kuenne:** Yeah. Good morning, gentlemen. Can you hear me? I have only one question on the comments from Reuters yesterday that Fincantieri in Italy is indicating it wants to stop the cooperation with you on the four stroke engines. And given that these guys are the biggest cruise ship shipyards wouldn't that be a severe problem for you guys? Can you maybe elaborate a bit on this one? Thank you.

**Agnevall:** Well, first of all, I have a lot of respect for Fincantieri and they have to make the decisions. I think we have a very in-depth cooperation. We have ongoing deliveries with them and those we will continue. Then, when we talk about developing new green technology, we like to work with Fincantieri for sure. But we are also working with a lot of other partners in the world. We have the Seeds Corporation in Norway on ammonia. It's going in a really interesting way. You could see here, we are working with hydrogen in the US, in Portugal, we are delivering methanol. So, you know, we are respectful of Fincantieri. I think we have a very good relationship with them and we will continue to evolve our technology. We love to do it with them, but we do it also with many other partners.

**Kuenne:** Sorry. Just to follow up. Do you see... I mean, how angry are they that you are exiting Trieste?
Agnevall: I think you need to ask them that. I think it’s best to ask them about that, so to say. They have the answer.

Kuenne: But you have spoken to them in the past days.

Agnevall: Yes. I mean, but I don’t comment our customer discussion in public, so to say. So we are in dialogue with them. We have quite a lot of ongoing business with them and this dialogue continues.

Kuenne: Thank you.

Q&A operator: Next up is Sven Weier from UBS. Please, you can ask your question.

Weier: Yeah. Good morning. My question would be on price-costs. Obviously, Håkan, you commented a lot about the cost headwind that you still had in Q2. When I look at your written remarks, it sounded like we’ve probably seen peak inflation growth and at the same time, the pricing of the orders is improving. So is it fair to say that Q2, you know, how should I say, it was in terms of the worst in terms of price-cost headwind and we should see a gradual slow improvement in the coming quarters. Is that a fair comment?

Agnevall: I clearly see that the acceleration of inflation that has tapered off. We still see a high inflation. The price realisation, I would say it’s certainly there on the services side, it’s also there for new tenders on the newbuild side. I think, what we are working with, is our order backlog. And this in the order backlog, we have a mix of, you know, set ups where we can renegotiate to adjust for the cost. And in some we cannot. And this is, of course, where we are overall affected by the cost inflation.

Weier: And can I just follow up real quick on Sebastian's points about Fincantieri because I was also curious about that. How is it in the cruise industry? Because we know in merchant it's not the yard who makes the decision on the engine, but it's the customer a lot of times. Is it the same in cruise or is that different in cruise?
Agnevall: No, it is the same in cruise. It is the end customers. It's the Royal Caribbean's of the World, it's the Carnival's of the world. They decide which engines go into their vessels.


Agnevall: And I should add, we have a great relationship with both of these two and other cruise cruise companies. And we have a very exciting discussion with them on what is their right path to decarbonisation. So that is a very, very interesting discussion that we have right now.

Weier: Thank you, Håkan.

Q&A operator: Next up is a written question from Tomi Railo from DNB. He has a few questions here. First, are you able to guide storage orders in 2022 compared to 2021? H1 is a bit up after weak Q1 but strong Q2.

Agnevall: Yeah. So now a full year guidance, but I would say, we describe, that was a kind of reset in the market, in our view, a price reset. Because of the increased cost. The market stepped back and digested the new price level. We see order intake coming up in Q2 and I would say, in many areas, the market has now digested the new price level. So we see a positive market development going forward.

Berends: Lots of activity.

Q&A operator: And then, was storage loss bigger or smaller in Q2 and will it be smaller or bigger for 2022?

Agnevall: Yeah, I know this, I say I respect the question. The message continues to be that the storage business has a positive gross margin, but it has a negative EBIT. And why the EBIT is negative is related we are scaling the business. We invest in R&D. We are building up the team.

Q&A operator: And then next question on the line is from Antti Kansanen. Please, you can ask your question.
**Kansanen:** Yeah, good. Good morning Håkan, Arjen and Hanna. I hope you're hearing me well. Coming back to the price and cost, so did I interpret it right that you are seeing better price realisation on tenders but not so much on, let's say, actual orders during Q2? And let's follow up that assuming that the inflation is flattening out, however, you have quite long lead times it would take into, let's say, back half of next year before we will see kind of the pricing improvements, especially on the new equipment side.

**Agnevall:** So I would describe that for newbuild, you know, as inflation has really escalated. I would say it really took off in the beginning of this year. We had inflation last year, but it was a different magnitude. We immediately started to compensate by increasing prices both for newbuild and services. But for the orders that we have taken before. As I said, that's a mixed bag of what we can do on pricing, so to say.

**Berends:** But I think your point on this is quite right. Let's say, we have been able to, let's say, get better prices now for the new orders in Q1, sorry, in Q2. And of course, when they are delivered and that's probably, as you indicate, next year somewhere. Can vary, of course a bit, but most of it is probably next year. Then we should have better margins.

**Agnevall:** And you know that if you look on our order backlog, if you talk about newbuild, you normally talking about 12 to 24 months of lead time.

**Kansanen:** And a quick follow up on that one. If we are then seeing kind of inflation turning and let's say your customers are then expecting the cost levels to come down, are you fearful that they would be starting to postpone investment decisions, waiting for more affordable prices?

**Agnevall:** We haven't seen any tendencies on that so far.

**Kansanen:** And I think you guys mentioned earlier that you are introducing this new type of cost indexation. Would that also help in that regard that the customer would also get the benefit of lower input costs, assuming that happens?
**Agnevall:** Absolutely. I mean, but here I would say the indexation, there is not one formula, there is not one approach. I think on the storage side, given the you know, the significant cost inflation, I think this is becoming an established market practice. But if you look on our rest of our business, it's a mixed bag of how indices are adapted. And also different indices, how they will be used.

**Kansanen:** All right, I'll get back to the line.

**Q&A operator:** Next up is Sean McLoughlin from HSBC. Please.

**McLoughlin:** Good morning. I hope you can hear me.

**Agnevall:** Yes. Good morning.

**McLoughlin:** Thank you. Good morning. Just wondering how we should interpret your comments on the outlook. If I think back to Q2, you were talking about similar year on year demand, but clearly the order intake has come out significantly better than that guide. So you guide now to demand being better on a year on year basis on what appears to be a fairly low bar. So how should we think about this? Are we going or how should, maybe should we think about it sequentially if that can help?

**Agnevall:** Well, sequentially is not always the relevant, because our business is a bit periodic. So I think the relevant is to compare Q-on-Q from last year. And you’re right in how we guided for Q2 and here we are a project business and sometimes a couple of big orders can make, you know, a big swing. But I would say we feel fairly confident when we say that Q3 will be better.

**McLoughlin:** And would it be energy storage that drives a lot of that? Or are there any other segments that you would highlight in terms of improving demand?

**Agnevall:** It is storage, but it's also the other businesses as well. It's service. It's thermal balancing. So so it's not only storage.

**Berends:** Hybrid installations for Marine.
McLoughlin: Thank you.

Q&A operator: Next up is Erkki Vesola from Inderes. Please.

Vesola: Hi Håkan and Arjen. And can you hear me?

Agnevall: Yes, we can. Good morning.

Vesola: Good morning. Regarding order intake growth, is there any possibility to divide that growth in Q2 between volume and pricing components in both energy and marine? In general.

Agnevall: Well, it's very... That is really difficult, I would say. If you talk about FX impact, it's fairly limited, I would say.

Berends: Couple of tens of millions.

Agnevall: If you talk about, yeah.

Berends: A couple of tens of millions on the impact, but I don't think we can really open up on, let's say, what is price and what is volume.

Vesola: So kind of apples to apples, price increases, they just can't be disclosed.

Berends: No, we are not willing to disclose that. That's, of course, the competition sensitive as well.

Vesola: Okay. I'll take that. Thank you.

Q&A operator: Next up is a written question from Massimiliano Severi. We noticed a sizeable ramp up in the receivables YOY and sequentially could you please explain the drivers behind it? How much relates to ramp up versus something else?

Berends: I would say the majority, as I also said earlier, relates to, let's say, a ramping up. Let's say we have, as you could see from the order book statistics as well, we have
an order book for the second half of the year, which is significantly higher than the net sales, let's say, year to date. Also including then what is still coming in for out. So that's the main reason.

**Q&A operator:** Okay. Next up is Antti Kansanen from SEB, please.

**Kansanen:** Yeah. Thanks for taking the follow up. Just a housekeeping regarding the Trieste ramp down and kind of the cost savings and one of the few flagged, how should we kind of time those? And then perhaps kind of, also remind us how the costs are allocated between the marine and energy divisions where the fixed cost actually sits.

**Agnevall:** So should I start? I mean, we, as you know, we communicated, it's a 130 million provision. When you think about IAC for the second half of this year, I would say it's around 90 to 100 euro million.

**Berends:** Sorry, if I may interrupt. And if I can add a comment to that, let's say the assumption is around 90, but all depends very much on what's the process and the progress of the process now in Trieste. Then there are lots of open ends at the moment, which we need to conclude in the coming months. So it's very difficult to say give you an exact number, but let's ballpark the assumption that we have taken now.

**Agnevall:** And when it comes to the saving, I mean, we said full potential in 2025, this will be a gradual journey. And why we cannot be more specific is that, you know, of course, we want to do this in full alignment with the Italian regulations and requirements. And it's a little bit hard to make very concrete, detailed forecast on how this will play out.

**Kansanen:** Yeah. But if I remember correctly, kind of majority of your engine manufacturing fixed cost is in the Marine Power side and then kind of the Energy buys production slots. Is that true also for kind of the Trieste side and that just thinking about the margin impact between Energy and Marine Power?

**Berends:** No, I think you can more or less assume, let's say, equal share, let's say slots are planned in the beginning of the year and they they carry a certain value. And if you execute or not execute a slot. And if it's an Energy slot and Energy pays for that missed slot. So it grows pro-rata the volume that both businesses generate.
**Kansanen:** Okay, sure. Thank you.

**Q&A operator:** Next up is Sven Weier from UBS, please.

**Weier:** Yeah. I had a follow up, please, on environmental solutions. I think Alfa Laval talked about very good demand on the environmental side and marine. I was just wondering what you see currently in marine on the environmental solutions.

**Agnevall:** And can you just what do you mean with our environmental solutions? Because there are so many solutions. You know, there are the fuels, there are the energy savings, et cetera. You want me to go through the whole palette, so to say?

**Weier:** No. I mean, of course, for them it was probably more on the ballast water side where I guess you are not so strong. And I guess also their order intake has been a bit better than yours. But just wondering maybe also in terms of your pipeline, what you see coming up there. Is that maybe also, you have mentioned it precisely now in your [unclear] notes about the Q3 demand guide. But just generally, if you see an increase there on the various solutions you have, of course.

**Agnevall:** So, so okay. So I go through, if we start with the green fuels and, you know, methanol, ammonia, there is a lot of things happening. There's a lot of interest, a lot of focus, testing. There are a couple of initial orders, you know, that we have announced before, but this will of course take time. But I see a very strong interest from all of our customers and end customers. And I say the interest is only growing. It's driven by... I mean, the regulation is kicking in in 2023 and the need to work with your fleet to decarbonise. And that is certainly a focus on these very strategic decisions on what fuel should I go into, because I know that during the lifetime of the vessel that I'll be contracting, I need to have the right mindset. Then on the retrofit side, similar interest. I mean, how am I going to make sure that my fleet stays in a certain CII class. And there it's looking at energy saving solutions like the flat rotors, like the lubrication systems. It's also looking at hybrid systems that we talked about. And we think that the hybrid, where you bring the batteries, converters together with the engines, and you have a Toyota Prius at sea. This will be one important way to achieve this CII index reduction that you need to have year over year. So there is strong interest there. We are working on
the two-stroke side as you also know. You know, upgrading capabilities to go from heavy fuel to LNG. I mean, today the price for LNG is not attractive, but I think this will stabilise. So there is a lot of interest in that. Also, we are doing a lot of things on the service side and on the two-stroke. Our carbon capture, as you know, we are piloting carbon capture, we are moving in the right direction. We have a lot of interest. We are grateful for that and a very strong customer interest. I want to engage in pilot projects and we need to focus a little bit. Then coming to the digital solutions. Also strong interest on the Voyage side. We are really excited now about the acquisition of PortLink because now we have all the pieces in-house where we can continue the journey to make the logistics and therefore reduce emissions in the whole system, so strong interest, I would say.

**Berends:** Perhaps in the comparison with Alfa Laval, we are always compared on the scrubbers. So perhaps you should comment the scrubbers.

**Agnevall:** And on the scrubber side, I would say that the scrubber business is, if you look on our business now, it's down a bit. And that's because many of our customers, they are in a very profitable business right now, which means that they do not want to bring the ships to yard for retrofits. And also because of COVID, many of the yards have been shut down. So that is impacting our exhaust business. But there is a lot of, you know, interest in the scrubber solutions going forward also.

**Berends:** And the underlying fundamentals with the fuel spread are absolutely there. Yeah.

**Weier:** Many other reasons why I was asking, because as you mentioned, EEXI is coming soon. CII is coming soon. On EEXI, you can read reports that 75% of the fleet is not compliant. And of course, we all know that the marine industry has a history of adopting things at the latest possible moment in time. But now, with 2023 coming a bit closer, I was just wondering if you could also start to see a little bit of a rush to the exit, so to speak? And it's got to be done with slow steaming alone, I guess.

**Agnevall:** Right now, we see a lot of interest. And the thing with, I mean, with the new regulations, they have EEXI, which is a kind of pass-fail, but CII, it's and you know the concept, but just to set the scene for everybody, it's like when we go and buy the
washing machine in the store, there is this classification from A to I think it's E or F, and you can buy a washing machine that is in. Yeah. Hopefully as green class as possible. It's a little bit similar to CII, but we don't need to tinker with our washing machine to make it more energy efficient every year. You have to do that if you're a ship owner. So to stay in a certain CII class, if you want to have a B vessel, you continuously will need to have to reduce your carbon footprint over the years. So it's also not only to rush to solution and then it's a quick fix. You will have to continuously improve. So it drives a different mindset.

**Weier:** Thank you.

**Q&A operator:** Next up is a written question from Panu Laitinmäki from Danske Bank. Can you please comment how the recent FX changes, including USD, will impact your profitability going forward?

**Berends:** Of course, I will not comment in too much detail because there are lots of things that that, let's say, are behind it. There's a lot of detail behind. But basically, let's say we hedge basically all the exposure that we have on projects. So the main, you could say the commercial pipeline, commercial orders, I think that's pretty safe and stable. Then it's more about what's your fixed cost in the US versus, versus let's say, Europe and how will it evolve from an FX point of view. But otherwise and of course, the transactional part, which is not typically hedged. Like said, we had about what is it, I think it was 38 million euro now FX impact in Q2, and that's typically a range you can expect, but it's mainly coming from fixed cost as well as, let's say, the transactional side.

**Agnevall:** But one tidbit of information, if you look at 2021, 25% of our revenues were USD denominated. So from that perspective, if the US dollar strengthened is a benefit because most of our costs are euro denominated.

**Q&A operator:** Next is another written question from Nancy Ni from Goldman Sachs. When do you expect the 240 million receivables to be collected? 2H or 2023?

**Berends:** I don't think we will collect anything of this 240 million because that's what we took out of the order book. So, likely we will not get it. Let's say these projects, partly they have not been executed at all. Let's say we clean the order book. If you have an
order in this order book that is for 2023 delivery, you might not have had too many costs generated on it. So there is nothing to correct. You just take it out of the order book. While for a lot of other projects with a much shorter delivery, mostly within this year, there is cost and there are also, let's say, receivables outstanding. But the likelihood of getting them paid, I think is... This much. If you ask me, let's say, how much of the 240 million relates to this year's order book versus, let's say, next year's order book, it's about 40% for this year and the rest is for 2023 and beyond.

Agnevall: And also coming back, I mean, for those that we have started and we likely will not be able to continue was included in the provisions of Q1. So we have provided for them already.

Q&A operator: Nancy wrote a follow up. Sorry, I meant the trade receivables you mentioned.

Berends: I'm sorry. I thought you meant the order book cleaning. Sorry. My mistake. And the question was, how much of that will be collected this month or next month? Or what was the... Let's say out of that, let's say 240 million, the majority will be collected this year, sorry, second half of the year.

Q&A operator: Next up is Erkki Vesola from Inderes. Please.

Vesola: Okay. Thanks for the follow up. In June, the EU Council agreed to raise the binding EU level target of energy from renewables from 32% to 40% by 2030. When should we see this kind of forced acceleration to showing your storage and renewable offering order intake? Will it be kind of back end loaded, i.e. not so much before 2025? Or will it show already in the near future? What's your take on that?

Agnevall: I think in general, these type of reforms take time to develop and concretise. And, you know, the whole kind of logic behind the balancing is that first, you need to build a lot of renewables. And then your power system will need balancing because otherwise it will not be stable. And then you bring it in. And in the US, this is happening now as we speak. So I would say US is definitely ahead in this development compared to Europe. So I think in Europe it will take a little bit longer time. We also have a different grid situation in Europe. So I think first wave is that there needs to be even
more renewables. Then, you could say UK is also part of Europe. UK has made a very conscious decision on balancing. And you can see that in some of our storage orders, UK is actually ahead in Europe, so to say. So I would say the balancing in Europe to evolve, it will take as a concrete consequence of the initiatives that you talked about, that will take a little bit longer time. What we are seeing here and now, and you probably saw that we are getting thermal balancing orders in Europe, in Italy, in certain countries. But that is not triggered by these reforms that you are talking about, that is triggered by already ongoing policies.

**Vesola:** That's very helpful. Thank you.

**Q&A operator:** Next up is Nancy Ni from Goldman Sachs. Please, you can ask your question.

**Ni:** Hi. Thank you. I just had a second question regarding the Trieste closure actually. And so, post that closure, would all your engine production be in Finland then? And in which case will you be looking to increase your capabilities elsewhere to sort of mitigate any kind of potential overreliance on supply chains or productions concentrated in one area?

**Agnevall:** Okay. So, just to clarify, we are centralising our European footprint, so we will only have one factory in Europe and that would be in Vaasa, but we still have JVs in China. So we are also producing engines in China. When we look at our supply chain, that is, you could say not a Finnish supply chain, it's a European supply chain. And that we will evolve as the as the volume and as the business is evolving.

**Ni:** Makes sense. Thank you.

**Q&A operator:** Next up is Antti Kansanen from SEB. Please.

**Kansanen:** Yeah. Just a quick question on Voyage and kind of the reorganisation and what you're doing there and compared to the losses that you have made in the past couple of quarters. So how should we think about that for the following quarters? I mean, I assume there's a lot of moving parts in there, but how does kind of the loss picture in your mind develop in the next second half and going into next year?
**Agnevall:** As you know, we have talked about that. We want to turn around Voyage over a couple of years. We were clearly delayed by the COVID situation. Also, this shift in Russia has certainly delayed us as well. But I have a lot of respect, as I said before, for the efforts that have been made to change, you could say, the footprint of especially of our force of fleet optimisation services team. I think the team is on the right track, but it's still a turnaround to be made.

**Kansanen:** So nothing really a quarter on quarter dramatic expected in second half and it's a longer process.

**Agnevall:** As I said, it's a turnaround still in the makings. And I think, you know, moving out to a new country, of course, you need to focus on that and then you need to move ahead with the turnaround.

**Kansanen:** All right. Thanks.

**Q&A operator:** Next up is a written question from Tomi Railo. Have you been able to sustain or expand services profitability?

**Agnevall:** Yeah. That's a very wide question. In certain segments, absolutely. I mean, if it's related to inflation, we have you know, we have compensated for inflation. If you look on the profit margin, it's very much mix related, as you could see here between the different businesses because also within services, there are different levels of profitability. But if you look at each discipline within services, I would say we are maintaining or increasing profitability.

**Q&A operator:** And the last question is from Panu Laitinmäki. How does the margin in long term service agreements compare to the overall services business?

**Agnevall:** Well, it's contributing because the performance based, of course, it includes service. And then on top of that, I mean, sorry, it includes spare parts, but on top of that, it has services. So it positively contributes to the profitability.
Heikkinen: Thank you, Håkan and thank you Arjen and thank you for our active audience for all of the good questions. Wärtsilä Q3 will be published on October 27, but I hope that all of you can enjoy the warm and relaxing summer before that. Thank you.

Agnevall: Thank you everybody.

Berends: Thank you very much.