Hanna-Maria Heikkinen: Good morning, everybody, and welcome to this news conference for Wärtsilä half-year financial report. My name is Hanna-Maria Heikkinen and I'm in charge of investor relations. Today, our CEO Håkan Agnevall will go through the group highlights, segment performance, and then after that our CFO Arjen Berends will continue with key financials. After the presentations, there is a possibility to ask questions, and let's take one question at a time. Håkan, please.

Håkan Agnevall: Thank you Hanna-Maria. And warm welcome everybody to a summary of the second quarter that was definitely a step in the right direction. So, improved profitability, and we continue to grow in the services side. So, order intake is up by 17%. Net sales increased by 3%, and we continue to see the good progress in services. So, service order intake is up by 13% and service net sales up by 16%. Comparable operating results increased by 26%, and it's really supported by the good development in services, and also a positive journey on energy storage. A Challenge, a headwind on the operating result, was the €19 million of provisions that we needed to take in Marine systems for a single, sizeable turnkey project in gas solutions that has suffered from a combination of supplier quality issues and cost inflation. Cash flow from operating activities also improved. So overall, a step in the right direction. If we look a little bit further into the numbers; order intake up from 1.42 to close to 1.7 billion, up 17%, and organically it was actually up 21%. We continue to see the growth both in services and in equipment. And I think the positive thing here is that all businesses are growing their order intake, and they are growing order intake in both equipment and services. So it's really good. If we look at the net sales; up from 1.4 to 1.45, so 3%, organically up 7%. We continue to see a good growth on the services side, up 16%, a little bit more down on the equipment prioritisation which is down 9% from 700 to 650.

Håkan Agnevall: Book-to-bill continues to develop in the right direction in a very good way, I would say. This is actually the 9th consecutive quarter where we have a 12-month rolling book-to-bill above one. So, going in the right direction. Then, if we look at comparable operating results, we do see improvements in our profitability up to 7.4% compared to 6.1% same period last year. If we look at the Marine market, and we start overall, I think we see higher prices and new ships, and also challenges with availability of shipyard capacity. There are a lot of
ships, vessels, being built and that limits the growth in new build investments. However, for Wärtsilä, our market sentiment remained positively for our key segments. Overall, the number of vessels ordered in the review period, looking at the 12 months, increased to 773 compared to 701 in the corresponding period last year. The uptake of alternative fuels remained more limited, now with 187 orders reported, which was 24% down from 34% of overall contracted vessels. But that is mostly driven by a changed mix of contracted vessels. The further investments into LNG liquefaction capacity continues to drive demand for LNG carriers, despite activities easing off from record levels in 2022.

Håkan Agnevall: Still, the projections are that it's going to be higher than 2021. Demand for new cruise ship capacity remained limited, as cruise lines are focusing on managing the current order book and leveraging their debt levels. But in general, the cruise industry has a very strong patronage, so to say, and cruising volumes are back and supersedes 2019 volumes. Service demand was supported by increased activity - increased active capacity in key vessel sectors. If we look at the energy market outlook, I think we have seen some solid long-term opportunities, and more short-term commodity markets are easing while interest rates rise. Looking at the 2023 first half year, it has brought relief in some commodity prices, especially in in the battery raw materials, while the rising interest rates increase uncertainty. The global natural gas prices continue to decline, despite the slight price rebound in June, but prices are still above historical levels. The trend in transition to renewable energy sources continues, being a key driver in the development of the battery energy storage and the thermal balancing technologies. We can see that there is a good market activity and outlook in leading energy storage and thermal balancing market, such as the US, UK and Australia. Order intake, as we said, increased by 70% overall, 21% organically, and equipment up with 23% service up by 13%. We have a strong order book and rolling book- to-bill continues above one.

Håkan Agnevall: One thing that we really would like to point out is that the remaining order book for the current year is lower than last year. So that needs to be considered. Profitability continued to improve in a good way, I would say. Net sales increased by 3%, 7% organically, and comparable operating results increased by 26%. Net sales - we talked about it. Equipment net sales decreased by 9%. Service net sales increased by 16%. If we look at technology and partnerships, we are really on the road to enable the decarbonisation of Marine and Energy. Some recent examples: we are taking the
next step in the energy storage, the fire safety technology. I would say that is becoming one of the strengths of our storage business. We have a very strong thermal incident track record - so far, we haven't had any thermal incidents. We have a strong focus on being on the front line of thermal stability. Now, we have qualified our GridSolv Quantum for the latest NFPA 69 Standards. This safety standard is about requirements for explosion prevention, and it provides security and confidence for this type of Authority Having Jurisdictions, the fire service and other stakeholders. On the Ammonia side or related to the Ammonia side. But this is more how we deal with the systems that need to support the engines.

Håkan Agnevall: We have the WARMS, Wärtsilä Ammonia Release Mitigation System. We have received now the Approval in Principle from DNV for this. It’s an innovative system that mitigates the risk associated with ammonia release, which is, of course, a hazardous substance, so to say. With this, you can deal with leaks and in a green and safe way. It’s really an alternative to venting by diluting with air or bubbling in dirty water tanks. So, this is quite innovative, cracking the ammonia, and reducing the risk for leakage. Let's move into the different businesses and how they are performing. If we start with Marine Power, we had a very good development in the comparable operating results. Good service performance continues. You can see that order intake is up by 21%. Net sales are also up 21%. And if we look at the journey to double digit EBIT here, I think the good service performance is a major driver, and still, we have a headwind in that, we are still absorbing cost for the transformation of our manufacturing footprint. We have Trieste, we have two factories in Vaasa and we are consolidating. So in spite of this, we are making a very positive journey. Service agreements continue to develop in a very good way. So, the net sales from installations under agreements are strongly increasing. About 29% of our installed fleets is now under agreement, and you can also see here in the graph that the net sales from agreements are clearly trending in the positive direction, and net sales are also above clearly above the pre-COVID levels. Agreements are signed across multiple segments.

Håkan Agnevall: For LNG carriers, for instance, the agreements grew by 28% the past four years. Cruise slightly declined because some of the capacity has been scrapped out. But I think the key metric here is the renewal rate, i.e. customers that have used these services coming back, and we have a renewal rate of over 90%. That is a very strong testimony that we are adding value to our customers. Also, the decarbonisation
journey, when it comes to the fuels; So, here we have the latest cooperation with Stena, and we will convert some of the Swedish ferry operator's vessels to operate on methanol fuels. The conversion will include the fuel systems, supply, engine modifications, and integrating the new installations with the ship's existing systems. The contract will equip the vessel with unmatched fuel flexibility, and therefore, making an important milestone in Stena's journey towards becoming a leader in sustainable shipping. The conversion is scheduled to take place in 2025. One of many examples, again. Marine Systems - we love our equipment. At Marine Systems, order intake increased, but the comparable operating result declined due to provision taken for a single sizeable turnkey project in Gas Solutions. And so, order intake, you can see, is up with 21%.

**Håkan Agnevall:** Net sales is down with 36%. We see good development on the services side. But of course, €19 million provisions in a single sizeable turnkey have a significant impact. Now, since several years, we are not doing turnkey projects anymore in Gas Solutions. So this is a legacy from the past, before we took that decision, and we are working this project out and we're going to finalise it, but we will not enter into new turnkey project solutions for Gas Solutions. Energy- the order intake and comparable operating result increased. Good, also here. Good development in services that continues, order intake is up with 15%, net sales are a bit flat and partially related to periodisation. If we look at the EBIT drivers: Good service performance, improved profitability in the energy storage business. On the headwind side, we have an inefficient factory capacity utilisation because we are a bit low, as you have seen, in our thermal sales. This leads to an inefficient factory capacity utilisation. What I would say is, on the order intake for thermal - we do see a more active second half year, I would say, for order intake. If we look at energy storage, the positive journey continues. So, when we look at the rolling 12 months comparable operating result, we are now at -1.

**Håkan Agnevall:** So, in Q3 -3. We started -4, -3, -1. And we are continuing in a positive direction. If we look a little bit closer to the positive development and Energy services: Here you can also see on the graph, how we have grown the percentage of our fleet under coverage. We're also now actually 29% coverage also in Energy. You can see the growth trajectory there. To give one of the many examples here, it's a very important - long standing relation with the Brazilian customer, Gera Amazonas. We have renewed an existing agreement. It's a two-year renewal with Gera Amazonas, so they can meet
their power purchase obligations. The agreement covers the Ponta Negra power plant in Manaus. It's a plant that has been in place since 2006. The plant is basically running 24/7, and our obligation is to ensure that we have high uptime, high reliability, and that that is maintained at all times. We have many of these types of businesses. Here is the bridge for the development of the EBIT from 6.1% to 7.4%. You can see Marine Power in double digits, now in EBIT margin. Of course, Marine Systems, some negative impact. But you can also see that Energy is improving, and portfolio is also improving. As we said, comparable operating result increased by 26%. Arjen, other key financials, please.

**Arjen Berends:** Yes, thank you, Håkan. So, if we start with operating cash flow: Good performance there, I would say, in Q2, as well as in the first half of this year. Definitely, if you compare it to the previous year, the same periods, they were all deep negative. The cash flow was very well supported by both improved profitability as well as, let's say, changes in net working capital. We had to increase our inventory somewhat, but we got a lot of money also from the customers. Net interest-bearing debt improved. So it went down, actually, compared to the end state of last year. Financial debt and leases somewhat increased, but we definitely got more increase in the cash. So, making the net interest-bearing debt to go down. Gearing stayed more or less on the same level as at the end of last year, around 0.23. Solvency went somewhat down in the first half of the year, mainly due to the fact that we accounted dividend into the equity in the first half of this year. Basic earnings per share - a little bit lower on the quarter compared to, let's say, previous year the same quarter, of course related to the impairment that we had to do in Portfolio Business.

**Arjen Berends:** And it's also good to remember that on the -€0.16 that we had first half last year, we took a 200 million provision in that, related to the exit from Russia. If I move to the next slide, cash flow from operating activities, as mentioned, good performance in this quarter. It's clearly trending up, definitely after a negative operating cash flow of last year, this is a very welcomed trend and we of course aim to continue that good trend. Working capital to net sales ratio is on a good level, I would say. Definitely compared to long-term historical levels, we are around 2% now, and basically it's the same as we had at the end of Q1 and also very close to what we had at the end of last year. Let's say that long-term historical average was 9%. So, I think we are on a good track here. Of course, it doesn't stop us from further improvements. We are
working with operating working capital elements all the time in many different ways. But with these words, I give it back to you, Håkan.

**Håkan Agnevall:** Thank you, Arjen. So, if we look at the prospects and demand environment, we expect that the demand environment for the next 12 months to be similar to the comparison period for Marine and also for Energy. So, it's the same outlook: The demand environment to be similar for both Marine and Energy. That wraps up the presentation.

**Hanna-Maria Heikkinen:** Thank you, Arjen. So, now we will continue to Q&A. Let's take one question at a time, please.

**Moderator:** Also, please keep your mic muted while you're not talking. Thank you. First up is Max Yates from Morgan Stanley.

**Max Yates:** Thank you, I guess if it's just one question, I'll focus on the energy storage margin, because that looks to have been a sort of pretty important driver of the energy profitability. I mean, if I try and kind of back out of that rolling margin, it looks like you're at sort of low single digit margins in the second quarter for energy storage. I guess, what I wanted to understand was, is there anything exceptional in that or is that a kind of reasonable estimate for how we should think the rest of the year should continue?

**Håkan Agnevall:** We don't give specific guidance, but I would say we are on a - I mean, we communicated that the plan is to turn storage around. I think we are executing on that plan and we are seeing that it's giving results, also on bottom line, and we will continue to see storage moving in the right direction.

**Max Yates:** Okay. So there was nothing exceptional, though, that you called out, that means that it shouldn't be a level that we were at, it isn't sustainable.

**Håkan Agnevall:** Now, I think that the journey that we see is part of our turnaround program.

**Max Yates:** Okay, great stuff. Thank you very much. I'll get back in line.
**Moderator:** Thank you very much.

**Moderator:** Next up is Vivek Midha from Citi.

**Vivek Midha:** Hi everyone, can you hear me? Perfect. Thank you very much. So, I have a question on the margin side. So excluding the provisions, you appear to have shown a strong sequential margin improvement over Q1. How should we think about margins going into the second half and the moving parts within that? So for example, how much is left of the legacy backlog to deliver and so on? Thank you.

**Håkan Agnevall:** Okay. So, we don't give guidance for margins, but of course, we know if we look at how our business will evolve going forward, we continue to see strong growth on services and we know that's normally a very strong generator of profitability. Also to your point, we are working through, as you know, still this year we said we had €1.2 billion of order backlog from orders we took before the big inflation set in, so to say. And we have earlier communicated that the majority of this we will have worked through by Q3. So, that still holds. The turnaround program in storage, you can see yourself, we are on the right way. Then turnaround in Voyage - yes, it has been delayed. That was one of the reasons why we have made the structural changes, as you know. We do see that the you know - if we look at combination of Voyage Services, which is now in Marine Power, and ANCS that is now in Portfolio Business, if we bring them back, so to say, we can see that the turnaround program is now actually in speed and it is going in the right direction.

**Vivek Midha:** Thank you very much.

**Moderator:** Next up is Sven Weier from UBS.

**Sven Weier:** Yeah, good morning. My question is on the outlook statement, which you kept stable despite somewhat tougher comps when we look at the current quarter. I was just wondering how you see the outlook between the equipment and the service side?

**Håkan Agnevall:** Well, I would say that the demand for cash relates to both. I think that when we still keep the similar level, it's related to the level of uncertainty we see looking 12 months ahead. I don't know if there is anything you want to say?
**Arjen Berends:** Let's say I think it's exactly as you say, let's say we see a very active service business, so that we also believe that we'll continue to be a good business going forward, at least on the near term. But of course, let's say a single big new build projects - let's say we have a couple of hundred new built in or out that may change the mix quite significantly definitely on a short-term horizon. So it's very difficult to give an answer to this. It can swing a little bit. It's lumpy on the new build side, that makes it difficult, but service remains solid.

**Sven Weier:** And you said on the thermal side, right, you said you expect these orders to come in at the end of the year, beginning of next year. I mean, has there been any development during the quarter that has raised that confidence relative to last quarter?

**Håkan Agnevall:** I think what we're saying is that during the second half year, we do see a stronger pipeline on the tendering side in some of our core thermal markets.

**Sven Weier:** Okay, thank you.

**Arjen Berends:** Thank you.

**Moderator:** Next up is Antti Kansanen from SEB.

**Antti Kansanen:** Hello Håkan and Arjen. I hope you hear me well. I had actually a follow up question on the profitability side, if we think about the second half and knowing that you don't guide for margins, but on the equipment side, we should see benefits from fading of those legacy projects. But at the same time, I guess, the fixed cost absorption is trending a bit down. So, should we think about the normal seasonality going into Q4 a little bit higher, a little bit lower? How should we balance out those two things in the equipment side?

**Håkan Agnevall:** So, not giving any guidance, as I said. But, you know, I think we will see the normal seasonality with a lot of activities in Q4.

**Arjen Berends:** The hockey stick, yes.
Antti Kansanen: Alright, I'll get back to the line.

Moderator: Next up is Panu Laitinmäki from Danske Bank.

Panu Laitinmäki: I wanted to ask you about these legacy projects again. I'm just wondering, how did they play out in Q2, in a year-on-year comparison? Because you don't mention them as a driver for the result in any of the divisions, or was it the similar profitability still compared to what you had last year? And then there should be an improvement going forward? Or how was it?

Håkan Agnevall: I mean, if you look at Marine Systems where we made this €19 million provision, so it's related to one specific project, and that is a kind of a one-timer related to, you could say, a turnkey business, which we are not doing turnkey anymore. So, it clearly -

Panu Laitinmäki: Sorry, I actually meant, with the legacy projects, I meant the €1.2 billion -

Håkan Agnevall: Sorry, I misunderstood.

Panu Laitinmäki: Yes, related to inflation...

Håkan Agnevall: Okay, then I missed your question. Can you restate your question, please? Because I misinterpreted you. Sorry about that.

Panu Laitinmäki: Yeah, the question was that we have been discussing these projects for several quarters, but then, if I look at your slides, you don't mention them as a driver for the operating result in year-on-year comparison. So, the question is basically, was the profitability of this business similar in Q2 of last year and then should you expect kind of improvement going forward, or how does it play out?

Håkan Agnevall: Well, as we invoice these projects, they are currently impacting our or they are dragging on our profitability. And what has happened after, you could say, first quarter in 2022, because this is where we set the line, is of course that we have
adjusted our price levels on the new orders that we have taken on the equipment side, so to say.

**Panu Laitinmäki:** Okay, thank you.

**Arjen Berends:** Yes, we had a big impact of cost inflation in Q2 last year, and we have also a big impact on cost inflation this year. So in that sense, it's not significantly different, otherwise we would have mentioned it.

**Panu Laitinmäki:** Okay, that's clear. Thanks.

**Moderator:** Next up is Erkki Vesola from Inderes.

**Erkki Vesola:** Hi Håkan and Arjen, can you hear me?

**Håkan Agnevall:** Yes, welcome.

**Erkki Vesola:** Just to clarify, how many Gas Solutions legacy projects are there still in the Marine Systems backlog? I mean, how do you see the risks of similar provisions being made in the coming quarters? Related to this €19 million.

**Håkan Agnevall:** So I would say that this particular project is rather exceptional in the Portfolio Business - or in the business portfolio. Of course, for Marine Systems, there are a lot of projects in that project portfolio. And in project business, you will always have some projects that perform a bit better than expected, some that perform a bit worse. But this particular one is an exceptional one. So I would say that the rest of the portfolio is more within what you would expect from a normal project business.

**Erkki Vesola:** Would you like to disclose how big it is, this turnkey Gas Solution that turned out to be sour?

**Håkan Agnevall:** Sorry, we will not go into those details.

**Erkki Vesola:** But it was this turkey project that was part of this €1.2 billion low-margin backlog, wasn't it?
**Håkan Agnevall:** Well, those projects were taken before, way, way before. So you could say yes, you could say that. It's part of the inflation impacted projects, correct?

**Erkki Vesola:** Okay, very good. Thank you.

**Moderator:** Next up is John Kim from Deutsche Bank.

**John Kim:** All right, good morning, everybody. I wanted to chat a little bit about storage. In the statement in the quarter, you talked about customers delaying deliveries on batteries due to lithium or battery pricing. Can you give us a sense of how prevalent that is and is that a problem that's clearing, should we expect this on an ongoing basis? And how does that affect your... call it profitability? Do you have a take-or-pay clauses in these contracts? Thank you.

**Håkan Agnevall:** Basically the mechanism here is that the raw material prices for battery cells have been coming down and we have material price indices. So it's a pass through for us, and of course some of our customers, they see this trend and then some of the customers, they say, well, I will wait to place my order and firm it up until I'm confident that the raw material prices have bottomed out, so that is the kind of mechanism. So it's not impacting our profitability in storage because we are covered by the indices, so to say. Now how prevalent is this? It's a mix, so to say, And how long will it be there? Well, I think the answer to that is what type of volatility will we see on the raw material price side. And I think that is hard to predict.

**Arjen Berends:** I think that is what it is. And with the indexation, of course, if price goes up, let's say if the raw material price or costs actually go up, then let's say our price goes up and equally so it goes down when it goes down. Of course in that sense, we are secured with our margins. I think that's critical for us. But of course, customers - at least certain customers, not all customers but certain customers - wait for an opportunity, perhaps, if they have the time to wait, then they might wait a month and think that the price might further go down.

**John Kim:** Okay, thank you.
Moderator: Next up is Sean McLoughlin from HSBC.

Sean McLoughlin: Can you hear me?

Håkan Agnevall: Yes, good morning.

Sean McLoughlin: Thank you. Again, another question around energy storage. We've seen a trend, particularly in Europe for transmission as a service, working directly with the transmission operators rather than, let's say, a kind of a generation co-location thing with solar. I mean, is this a trend that you're seeing? Are you also aiming for this market? And more broadly, where are you differentiating in the storage market? Thank you.

Håkan Agnevall: So if I start with the second part of your question, how are we differentiating on the storage market. I think that the one critical element for us is the power system optimisation. I mean, with the heritage we have and the knowledge we have built, I would say we are rather strong on power systems and how you manage them for lowest overall energy cost and also the best uptime reliability. So we try to implement that knowledge in our software systems which we use, not only to manage the battery in itself, but also to optimise how the battery is interacting with different generating assets in the power systems. So that is one factor where I think we stick out, at least when I talk to our customers. A second one is our product execution capability in storage because I think we have a strong track record on executing on time and with the right delivery, so to say. There has been a lot of dynamics in the industry, but I think if you ask some of our core customers, they will say that Wärtsilä is reliable and we execute in a good way. The third element, where we are also sticking out, is what I talked about here earlier - I think we have a very strong track record on thermal stability.

Håkan Agnevall: If you look at some of the fundamentals of how we have designed our battery systems, they have an edge in how we have set up our product architecture, you could say, to cater to thermal stability and avoid fires, etc. So, I think those are some of the areas where we stick out. I mean, coming to your first part of your question: I think we will see. We are clearly on the utility side, so we are clearly on the front of the metre side, and if you look at how to provide stability in a power system that will have more and more renewables, strengthening the transmission system is definitely one way of
doing it, but it’s not always the easy way to do it because the right-of-way issues and permitting and cost etc. So there will be different tools to provide balancing that will be working with the transmission system. But there will of course also be the approach to working with different types of generating assets, like thermal, like machines, but also with battery storage, that it’s going to be a palette of different solutions and there will not be one solution that fits all.

**Sean McLoughlin:** Very helpful, thank you.

**Moderator:** Next up is Max Yates from Morgan Stanley.

**Max Yates:** I just wanted to ask about the services business, because obviously, you’re putting in a very, very impressive service growth rates, much faster than, I would say any of the normal kind of indicators for that business would suggest. So I guess what I really wanted to understand is when you talk about capturing more of the companies on the service ladder, moving up the service ladder, when you talk about capturing more in the installed base, where are we in that journey? And I guess what I'm trying to get to is should we expect outsized service growth rates to continue because you're halfway through this journey or would you say that moving a lot of those customers up is more or less done? Where are we and how do we think about future growth rates? Because it's clearly a lot above your 5% ambition.

**Håkan Agnevall:** Now, I would say, and you saw the figures we’ve been presenting, now we are close to 30% coverage for both Energy and Marine, of our installed base so to say. We think there is still significant growth potential. I mean, just looking at the coverage. Then we have the other element and that is moving up the service value ladder, i.e. moving customers from transactional to the first type of agreements and moving agreement customers to more advanced agreement customers, etc., and you know, this notion of moving up the service value ladder... We have seen, and we have communicated about this before, and I think we will come back to this at CMD that there is a scaling factor, if you take from the first step to the last step. I mean there is a scaling factor revenues to 2 to 5. If you look at revenue per kilowatt per customer, so to say. Now, of course you will not move all the customers from step one to all the way to step four, but I think it gives you a feeling, for there are, in our view, possibilities for really interesting growth going forward.
Max Yates: Okay. Just a very quick follow up on the Power Plants business, because I'm struggling a little bit with this business because there's not many businesses I look at where orders are below kind of COVID levels and this business is one of those. So, I appreciate that the environment is challenging, but it was also very challenging in COVID - and you were generating more orders. So what is really happening here? And when you look at quotations, I mean, can we very quickly see this business go back to above a billion considering it will probably be at €650 million this year? And is it just waiting for certain regions to start ordering? Is it the US coming back? I mean, what's really going on here? Because the numbers are incredibly low.

Håkan Agnevall: We have had certain countries that were very important for us actually going through COVID. If you take Indonesia, it’s one of our important customer areas. It's only until now that they are coming out with a big tenders. So there is actually ongoing tenders there. So that's a very concrete example how COVID impact has lingered on for quite some time. And then if you look at other significant growth opportunities, the US with a balancing because renewables is moving very fast now in the US, and you have states like Texas that currently have 40% renewables in their energy mix. We have installed close to a gigawatt of balancing power and we see it's going to continue to grow. What has happened a little bit in the US, as you know, there are the different independent system operators, the ISOs and there are queues of permitting projects in each ISO, they call about the interconnector queues and that has also put on some delays. So this is what we are seeing. We see a lot of interest, we see potential and there have been certain delays and as I said before, in H2 we do see a pick up, and we intend to grow this business going forward.

Max Yates: Okay, that's great. Thank you very much.

Hanna-Maria Heikkinen: We still have plenty of time for questions and also follow up questions are warmly welcome now.

Moderator: Next up is Vivek Midha from Citi.

Vivek Midha: Thank you very much for taking my question. Could you please talk a bit about Cruise as an end market? You've called out Cruise as supporting the equipment
order intake in Marine Power. Could you maybe elaborate on the developments you’re seeing in that end market? Thank you.

**Håkan Agnevall:** So if we look at the cruise industry in general, first of all, if you look long-term, it has been a very resilient industry through economic downturns, actually, even if people have had challenging personal finances, people have been cruising. Of course, COVD has been very, very challenging because of the COVID situation. I think that was probably the first real crisis for the cruise industry. Now, COVID is kind of over and people are cruising like never before. In the US, very strong demand. Also Europe, strong demand, even now, cruises are coming up again in Asia.

**Arjen Berends:** And Cruise will go higher actually than before.

**Håkan Agnevall:** The cruise bookings are higher than in pre-COVID. And if you look at the Industry Association of Cruise Companies, they expect a cumulative growth of, I think, 6%.

**Arjen Berends:** 6%, yes.

**Håkan Agnevall:** ...through the second half of 2020, so to say. And of course, during COVID, the capital structure of many of the big cruise operators has changed because they had to take on a lot more debt to through the tough period. I think what they're doing now, I mean, this is a cash rich business, so the demand is good. They will get the cash in and they will deliver a bit. It's only after they have found the balance sheet to have the right structure that they will come back for big new orders so to say. I mean I think we will start to see order for some of the smaller mid-sized cruise vessels but for the big ones it will probably be a year - or two.

**Arjen Berends:** Yes.

**Håkan Agnevall:** But it will come back. When I talk to our cruise customers, they are, I would say, in general, very optimistic and positive about the future because Cruise as a holiday destination has a lot of growth potential overall. So that's why I'm saying, when we look at order intake for new build, it's still fairly muted so to say. But for services it is very strong because the cruise operators are cruising, and we are providing them with
services, so to say. And here the cruise industry has been one of the important pioneers in this concept of moving up the service value ladder. We often talk about the Carnival project where we are basically providing this type of performance based agreements to Carnival and their fleet, so to say. It benefits both parties. I will say that Carnival gives us very positive feedback on this. So to sum it up, newbuild cruise for us is still muted, but it will come in a couple of years. On the services side, it's right here, right now and it's very strong.

Vivek Midha: That's very helpful, thank you. A very quick follow up on Marine Power. You've highlighted the effect of the large order methanol. Could you maybe quantify how large that Stena line retrofit project was, just to get a sense of base orders versus large orders? Thank you.

Håkan Agnevall: Sorry, we don't give out the order values for competitive reasons. Sorry about that.

Vivek Midha: Okay.

Moderator: Next up is Tom Skogman from Carnegie.

Tom Skogman: Good morning. You have said that the ammonia and hydrogen concepts will be presented in 2023 and 2025. So I would like to get an update on this and also get some kind of understanding of when can you sell in larger quantities of these? If you present the hydrogen concept in 2025, when can you really start to sell volumes of these engines?

Håkan Agnevall: So if we start with hydrogen, we are, as you said, we have communicated we will have a - sorry, if we start the ammonia, as you pointed out, we have said that we're going to have an ammonia concept this year, and for hydrogen, it's a hydrogen concept by 2025. Now, in both of these cases, we will have the technical concepts ready, and then we will see a little bit where the market is going and how fast we will evolve and how fast it will pick up. So it's very hard to predict, how fast this transition will go because it is influenced by externalities like the IMO regulations, also by the evolving green market. If I talk about ammonia, I think we will have the concept this year and we will be looking for the first orders probably by the end of this year or
beginning of next year. But from that to the full commercial breakthrough and full steam ahead... It is a bit hard to predict because we will have the engines, we will also have interested customers, I can assure you of that. But then the rest of the ecosystem will need to follow: the ammonia needs to be available, you need to be able to banker it etc. And that will take time to evolve.

**Arjen Berends:** For risk mitigation reasons, let's say you always start first with a pilot before you go to full release.

**Håkan Agnevall:** Then to give you another perspective as well, if we look at methanol. Methanol is, as you know, it's not zero carbon, it's carbon neutral. But there is a lot of movement now on methanol. We are selling methanol engines in a commercial volumes. I will not disclose for competitive reasons the volumes, but we are clearly selling. There we have the commercial breakthrough as we speak. And one tidbit of information, I think if we look at the container vessels, I think 60% of them, that have been contracted this year, will have been methanol-ready, so to say. So there it's happening. And I also think there are parties that predict - I don't know if it was IMO that predicted that by 2030 - 20% of all new orders, vessel orders, will have some kind of methanol-enablement, so to say.

**Tom Skogman:** So my understanding is that, from 2026 you could sell, "big quantities" of hydrogen and it's not just going to be trial products. I mean, you are ready, it depends on the fuel availability, basically. Is that the right understanding - that it's not just presenting your concept but you don't really prepare to sell volumes?

**Håkan Agnevall:** So for ammonia, I think you're right. For hydrogen, we will have the concept in 2025 but to have full fledged commercial volume, that will probably be a couple of years after. But that is depending on the market and the demand that we see.

**Tom Skogman:** Gas turbines are also evolving and moving to hydrogen-based solutions. The Chinese are investing a lot in fuel cells. To me, it's very hard to understand how competitive the engine solution will be in the hydrogen world compared to the, you know, the gas.
Håkan Agnevall: I would say we are optimistic. I would say that because if we look at the thermal efficiency of the engine, of course we are still evolving. If you talk about the hydrogen concept, we are still evolving. So we are still in an R&D stage. But I would say we are optimistic with the thermal efficiency and also with, as you know, the ramping capabilities of our engines compared to the gas turbines and the fuel cells. There are different technologies, there are different efficiency, thermal efficiency of those, there are different ramp capabilities. I feel strongly - I mean, we are very optimistic about the future and some of the fundamental properties of our technology, I must say. Of course, we are doing a very careful technical analysis of the different options that are available.

Tom Skogman: Then finally, why is it more difficult to bring out the hydrogen than the ammonia solution? Why does it take a longer time?

Håkan Agnevall: Well, one thing is that we want to stage our development. If you try to do too much at the same time, you will strain your whole system. That is one element. The second element is, of course, also related to how we predict the pickup will be, because at the end of the day, we need to get to a commercial stage where we make the money back that we spend on the R&D.

Tom Skogman: Okay. Thank you.

Moderator: Next up is Erkki Vesola from Inderes.

Erkki Vesola: Hi, thanks for the follow up. I'm still thinking on storage. Where do you guys see yourself trending in terms of storage market share vis-a-vis Tesla and fluency on a rolling 12 month basis?

Håkan Agnevall: I would say that we are currently probably around the top five players and we have a growth trajectory and growth target. I don't say that we have a specific market position target. I think we need to be big enough to be relevant for our supply chain to work with because there is clearly a scaling effect. But I don't think we have a target for which position we want to be.

Erkki Vesola: You said top five. Not anymore in top three?
Håkan Agnevall: Well, it depends, because if you take error in, almost one gigawatt hour, that really moves the needle. So, you know, it's a lumpy business. So depending on which projects you have taken, it could vary. So one to three or one to five. It depends.

Erkki Vesola: Okay, very good. And then lastly, just to make sure, are you going to book this year 300+ million Australian storage project order in Q3?

Håkan Agnevall: We have already booked it now in Q2 and we booked it in Q2 and it was at around 275, so it came down. Why did it come down? Because of raw material price indexation. So we have booked it in Q2.

Erkki Vesola: Okay. Very good. Thank you.

Moderator: Next up is John Kim from Deutsche Bank.

John Kim: I just wanted to touch on the low margin backlog. Again, €1.3 billion I think was the guide at the start of the year. Is that progressing the plan and how lumpy is that number? Can it execute in a timely fashion? Smaller orders, or is it quite bifurcated or slanted to 1 or 2 projects? Thanks.

Håkan Agnevall: So it's a couple of projects. I would say maybe two handfuls or something like that. It's a step-by-step journey. And as we talked about by Q3, we should have invoiced and recognised this, so to say. And that is progressing according to plan.

Arjen Berends: Yes.

John Kim: Thank you.

Moderator: Next up is Sean McLoughlin from HSBC.

Sean McLoughlin: Thanks for taking my follow ups. Firstly, what is the risk of provision on these low margin, these two handfuls of projects that you that you talked about?
Håkan Agnevall: I mean there are risk provisions, like you would have in a project, a portfolio of projects. You always have risk provisions. Also - -

Arjen Berends: I think he is talking about inflation projects, right? Or am I misunderstanding?

Sean McLoughlin: Yeah, well, I'm just wondering, the low margin projects that you're delivering, the 1.2. ...

Arjen Berends: The 1.2, yes.

Håkan Agnevall: Okay, so just to clarify, the story is that we had a certain order backlog at the end of the first quarter in 2022. This is when we in Wärtsilä saw a significant increase in inflation that was partly related to the war and also to the COVID situation in China. So we were then having an order backlog that we had taken at price levels before the inflation really took off. And for some of these projects we could not renegotiate prices with customers. So we had to eat it, so to say. That's why we call it low margin. Of course, we deliver equipment, we deliver products, and then we invoice and we eat this out. And for this year we said that we still had €1.2 billion to invoice and we have seen said that by Q3 we will have invoiced a clear majority of this. So, the low margin is not related to operational performance, it's related to that they were taken before the inflation really took off.

Sean McLoughlin: Understood, thank you. And if I may, just on a separate topic, in your comments, you talk about companies shipping companies facing pressure to decarbonise, but more incentives are required to accelerate the pace of investments. I mean, what is missing in your view? What should we watch out for?

Håkan Agnevall: I would say that if you take a step back, if we take like a 20,000 metre perspective, I think we need to create a level playing field between the green solutions, the green fuels and the fossil fuels. And there is a need for a kind of carbon tax regime that doesn't only cover Europe. I think Europe will actually go ahead, as you know, with the ETS etc. But it has also been discussed on IMO level. I mean in MEPC, there was no agreement on it, but it will need to come, so to say. So because you need to create this level playing field. Why? Because the new green fuels, they will be 2 to 4 times
more costly compared to the fossil fuels. So there is the element. Now, having said that, when I talk to some of our customers on the merchant side, they say and we’ve been talking about this before, that they see a small but growing market for green transport, i.e. they have customers that are willing to pay a premium for shipping green. And because these companies are offering to us as consumers or it could also be industrial companies - they have made their carbon emission commitments, science based targets or others, and they have made commitments to reduce their carbon footprint. And then you need to go through your value chain and there is transport in the value chain. So that's why we are saying there are two things happening. First, the regulatory context needs to evolve and MEPC was a step in the right direction, but it's far from what is needed. But it's a good step in the right direction.

Håkan Agnevall: Then we will see a market for green transport evolving. So this is what is needed. And I would say that right now, for instance, we talked about the methanol, that we actually have a commercial breakthrough here, as an industry. Many of those vessels initially they would be running on the traditional fossil fuels because there is not enough methanol available, green methanol too, that will develop over the years. But owners and operators, they want to build in the flexibility for the future. And just if you look at methanol, some data points, I think they are really, really interesting. If you look on the annual consumption of the marine industry of heavy fuel oil, it's something like 300 million tons of fuel every year. Now, if you want to substitute that with green methanol, you need double the amount. You need 600 million tons of green methanol. Today, there are industrial needs for about 100 million tons of methanol. So if we want to make all methanol in the world green, you take the 600 from Marine plus the 100 from industry, you need 700 million tons of methanol. Today the green methanol production is 400,000 tons. 0.4 million tons. So we understand this will take time, but shipowners are strategic because these are long-term investments. If you buy a vessel, you build a vessel, it's going to last for 25, 30, 40 years. So operators are already investing in this flexibility. They are building in the methanol capabilities. Initially, it might run on a blend or it will run on heavy fuel, but gradually the methanol will come. And this is a little bit the journey also for the other green fuels, like for ammonia. It will be a gradual shift.

Hanna-Maria Heikkinen: Thank you all for active dialogue. Before closing the call, I would like to remind you of our upcoming IR events. On September 4th, we will host an
R&D call together with Juha Kytölä. Juha has extensive knowledge about future fuels, which were discussed also today. So that will be a good discussion opportunity to get more information about our solutions. Then on October 31st, we will publish our Q3 results, and then our Capital Markets Day will be here in Helsinki on November 9th. But I hope that you can also enjoy the warm summer during the next few weeks. Thank you.

Håkan & Arjen: Thank you.