

Wärtsilä's first reflections of recently updated Clarksons forecast

- Despite recent rapid "re-calibration" of the freight rates in container markets, the wider cargo shipping sector is still getting strong cash levels in.
- Current economic headwinds have in general not resulted in major negative implications for shipping.
- Recent banking sector problems are a concern as this came as a "surprise". Overall impact still very unclear but something to monitor closely.
- Newbuild prices continued to increase, driven more by lack of shipyard slots than by costs. On costs, steel prices declining but labour costs continue to rise.
- Average age of the fleet continues to increase, fleet replacement requirement increasing.
- CII might not have huge short-term impact as slow steaming is seen as an easy option to deal with CII compliance. The slower the speed, the more tonnage needed.
- Methanol is gaining traction in large containerships; the share of methanol-capable fleet to increase to ~20% of contracting in no of ships by the end of the decade.
- Newbuild contracting volumes for 2023 (+2000DWT/GT) revised slightly down from Sept-22 to 1460 vessels (1544 in Sept-22). Ordering expected to pick-up again in 2024 to ~1790 ships.
- Yard output is expected to be steady in 2023, shipyard capacity is slowly increasing, improving shipyard utilisation rates to drive further yard capacity build-up from 2025-2026 onwards.

Profitability drivers for 2023

+ Supporting drivers

- Growth of service business
- Continued decarbonisation push in both the energy and marine markets
- Profitability improvements in Energy Storage and Voyage Business
- Continued cost optimisation
- Strong order book both in new equipment and services
- Lower value of new equipment orders sold with “pre-war” prices

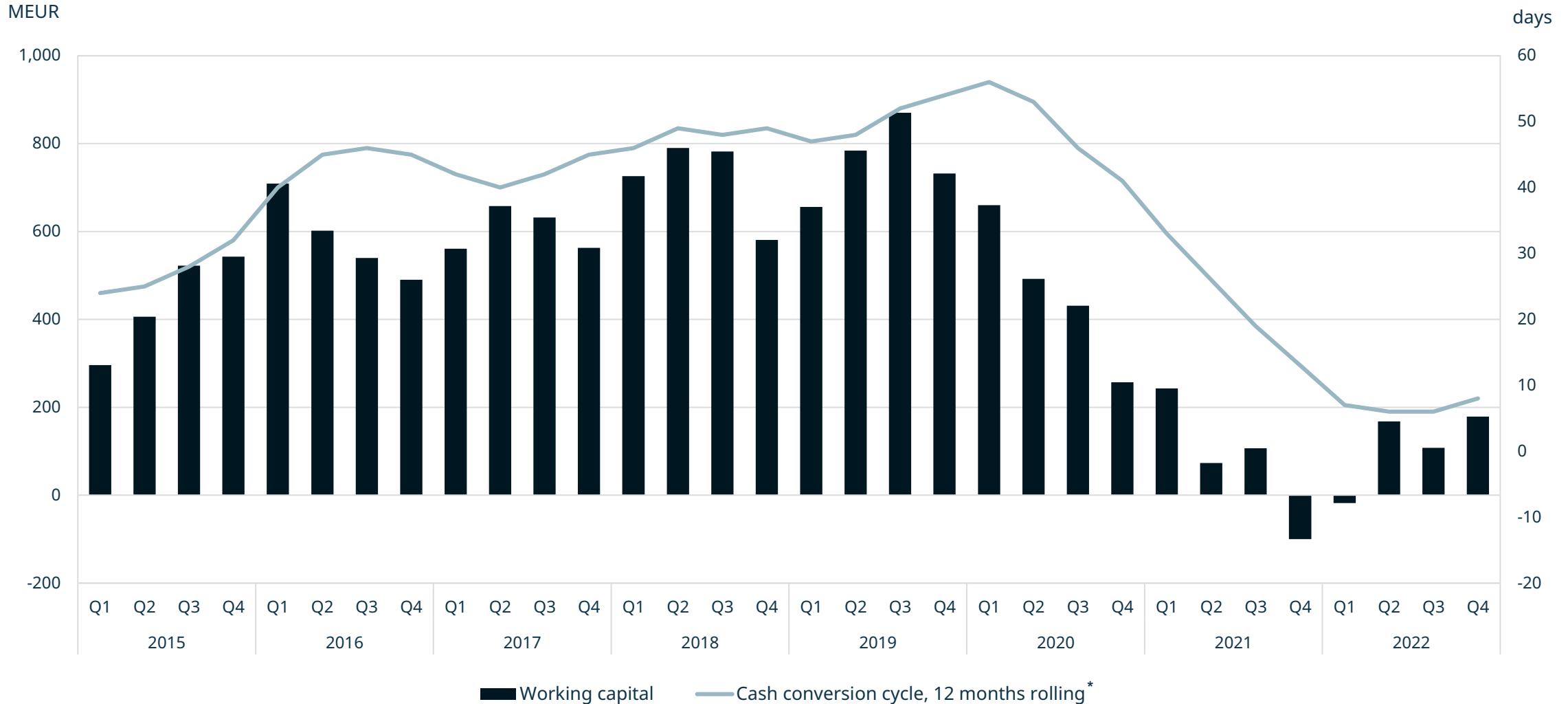
+ / - Uncertainties

- Geopolitical tensions
- Potential trade restrictions / trade wars
- Recession risk
- Energy engine production volumes in H2/2023

- Negative factors

- Wage inflation
- Costs of energy:
 - fuel costs (for testing)
 - gas prices and availability

Working capital clearly below historical long-term levels



*Average number of days cash is tied up in working capital.