

Wärtsilä Corporation

Interim report January–March 2023

Håkan Agnevall, President & CEO

Arjen Berends, CFO



25 April 2023

Profitability improved, good development in services

- Order intake increased by 26%
- Net sales increased by 19%
- Good progress in services:
 - Service order intake increased by 21%
 - Service net sales increased by 17%
- The comparable operating result increased by 34%
 - Supported by good development in services
 - Burdened by cost inflation
- Cash flow from operating activities improved



Key figures

MEUR	1-3/2023	1-3/2022	CHANGE
Order intake	1,739	1,380	26%
of which services	889	732	21%
of which equipment	850	648	31%
Order book	6,153	6,107	1%
of which current year deliveries	3,325	3,334	
Net sales	1,465	1,231	19%
of which services	736	631	17%
of which equipment	729	600	22%
Book-to-bill	1.19	1.12	
Operating result	92	-147	
% of net sales	6.3	-11.9	
Comparable operating result	88	65	34%
% of net sales	6.0	5.3	

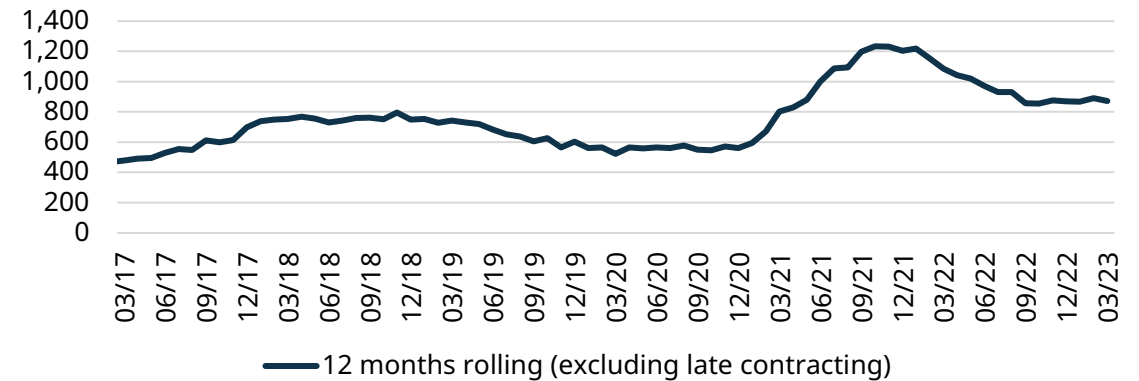
Economic headwinds moderate growth in marine markets

Utilisation rates in Wärtsilä's key segments improving

- The number of vessels ordered in the review period decreased to 255 (274 in Q1/2022, excluding late reporting of contracts).
- Continued demand for LNG vessels, improving fleet utilisation in the passenger travel segment, and the growing demand for offshore assets supported market sentiment.
- Decarbonisation remains the main underlying trend in shipbuilding and methanol fuel is gaining traction.
- The interest in alternative fuelled vessels remained relatively stable, with 73 (107) reported orders, representing 29% (39) of all contracted vessels.
- Cruise newbuild contracting remained limited with cruise operators continuing to focus on managing their current and upcoming fleet capacity.
- The market sentiment in cruise remained strong and cruise lines report record demand.

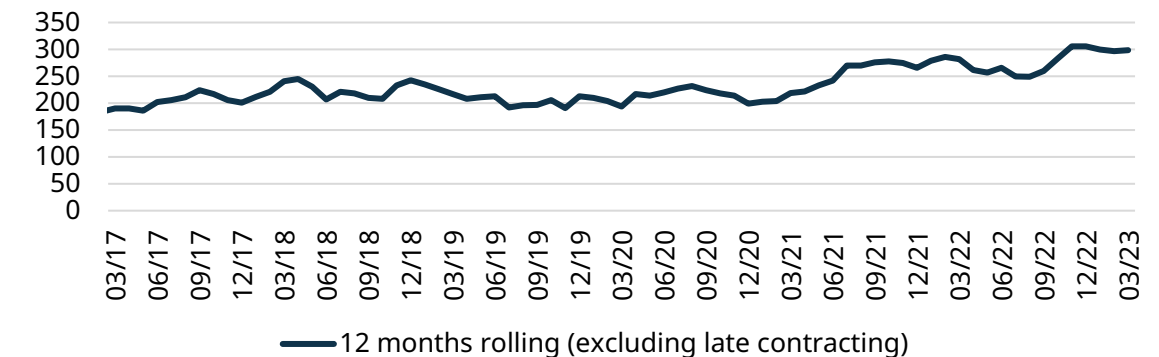
Total vessel contracting

Number of vessels



Specialised vessels

Number of vessels



Source: Clarksons Research, 12m rolling contracting as per 4th of April 2023 (+100 gt, excluding late reporting of contracts)
 Specialised vessels include LNG carriers, LPG carriers, cruise & ferry, offshore, and special vessels.

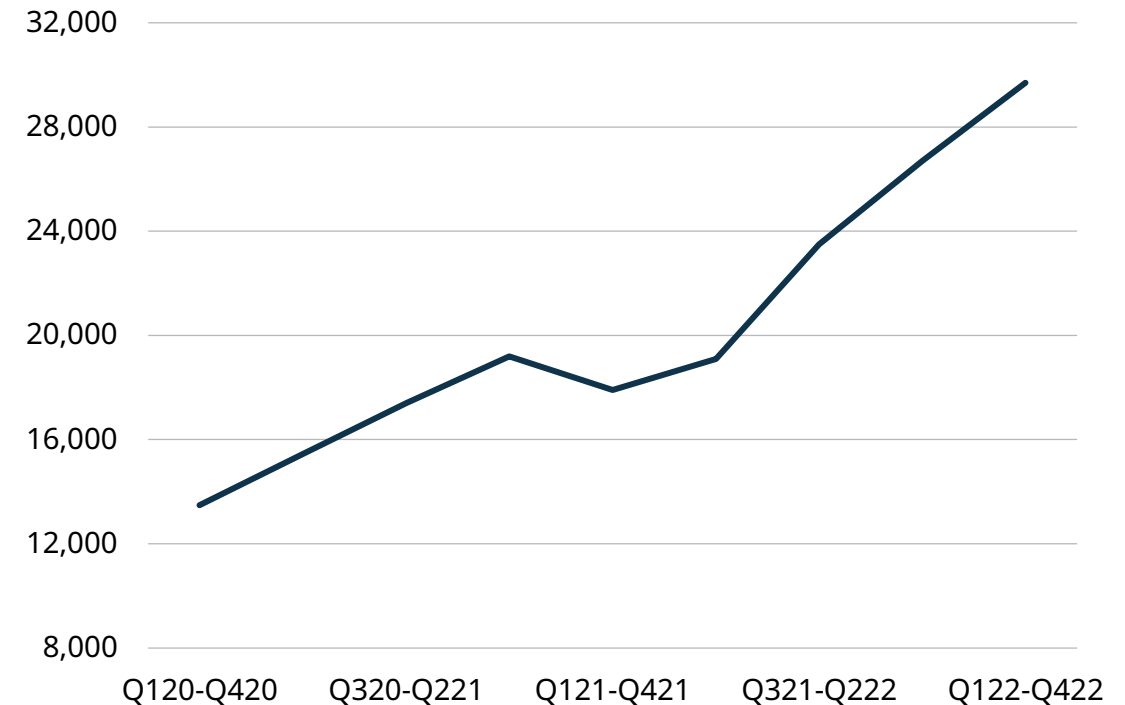
Energy market outlook – solid long-term opportunities

Fuel price pressure easing but not over

- The last quarter has brought some relief in fuel and raw material prices whereas rising interest rates have come to cause further uncertainty.
- Although natural gas prices decreased from the extreme levels of last year, they remain high compared to historical levels.
- Global energy transition investment reached a new high in 2022, and supportive policy regarding battery energy storage and clean hydrogen has continued to develop in the first quarter of this year.
- Demand for energy storage solutions continued to grow.
- Wärtsilä's market share in gas and liquid fuelled power plants decreased to 6% (8).

Contracting for gas and liquid fuelled power plants <500 MW

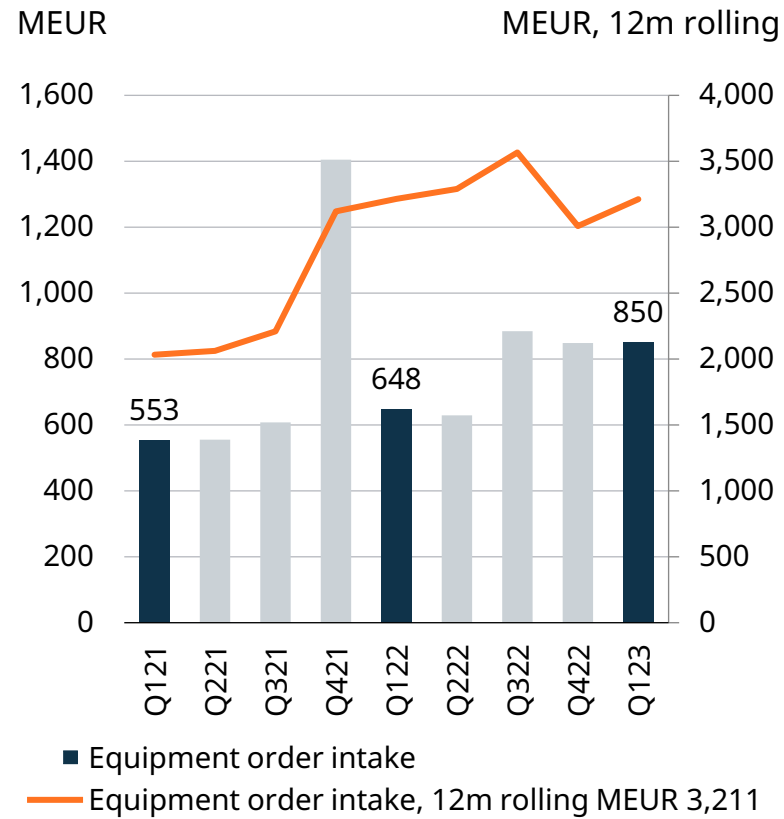
MW, 12m rolling



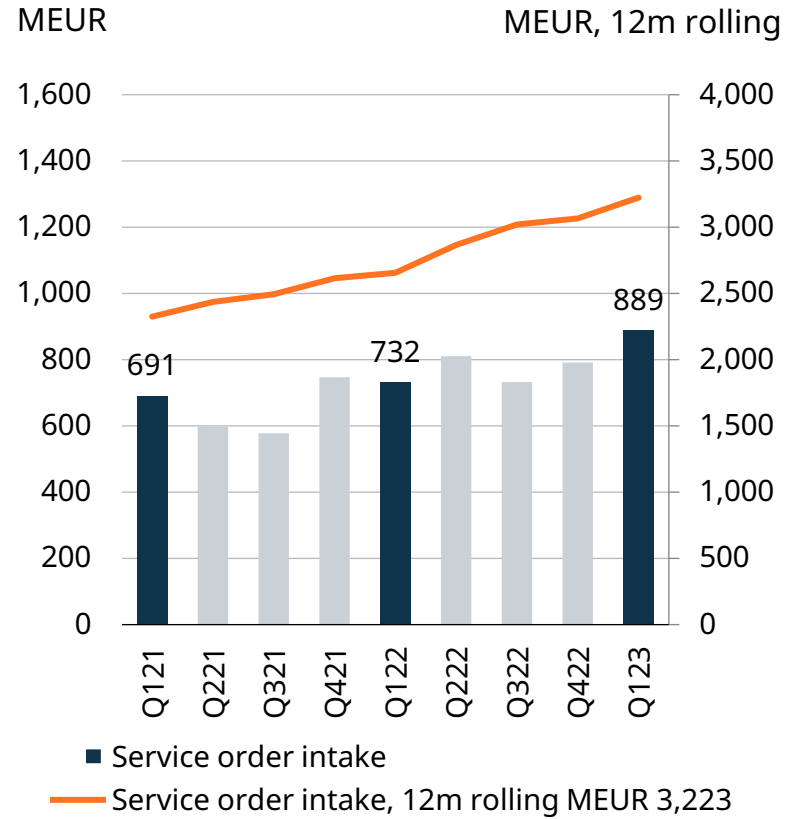
The total market, including also power plants with prime movers above 500 MW, increased by 6% to 65.2 GW during the twelve-month period ending in December 2022 (61.7 at the end of September). The market data includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled gas turbine based power plants with prime movers below 500 MW, as well as the estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. The main gas turbine competitors are GE, Siemens, Mitsubishi, and Ansaldo. Other combustion engines are not included.

Order intake increased by 26%

Equipment



Services

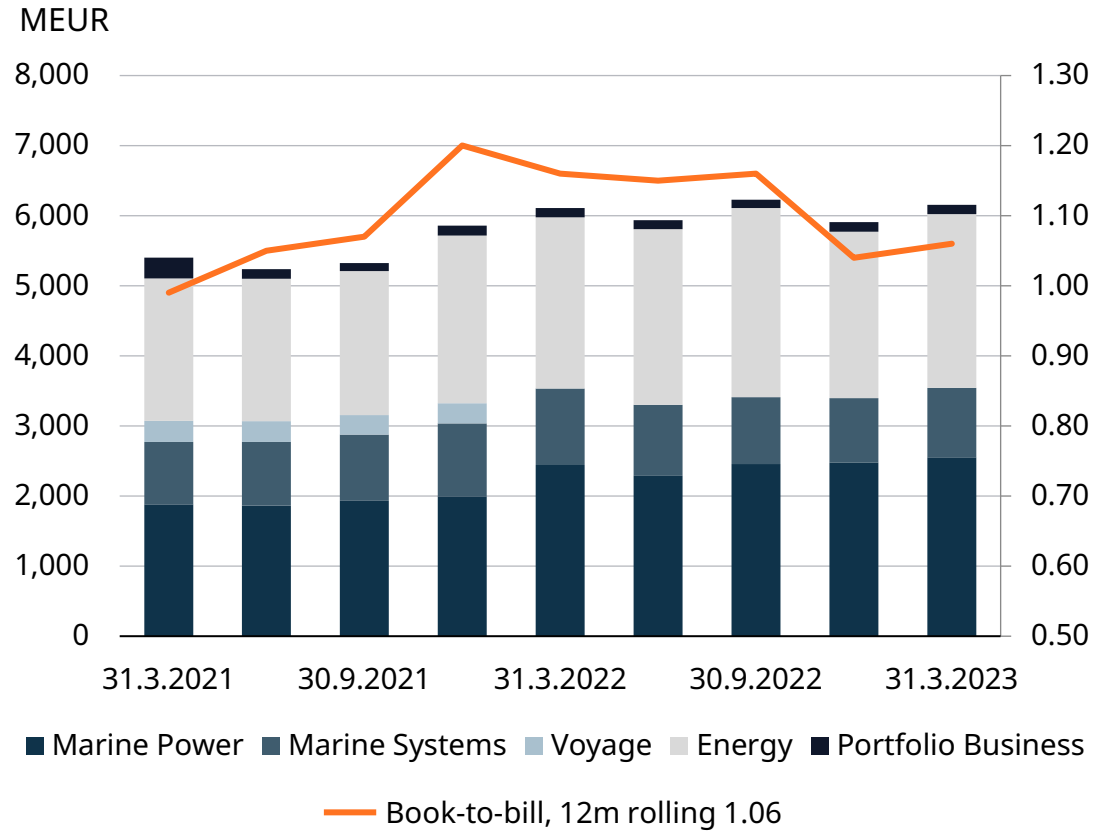


Equipment order intake increased by 31%

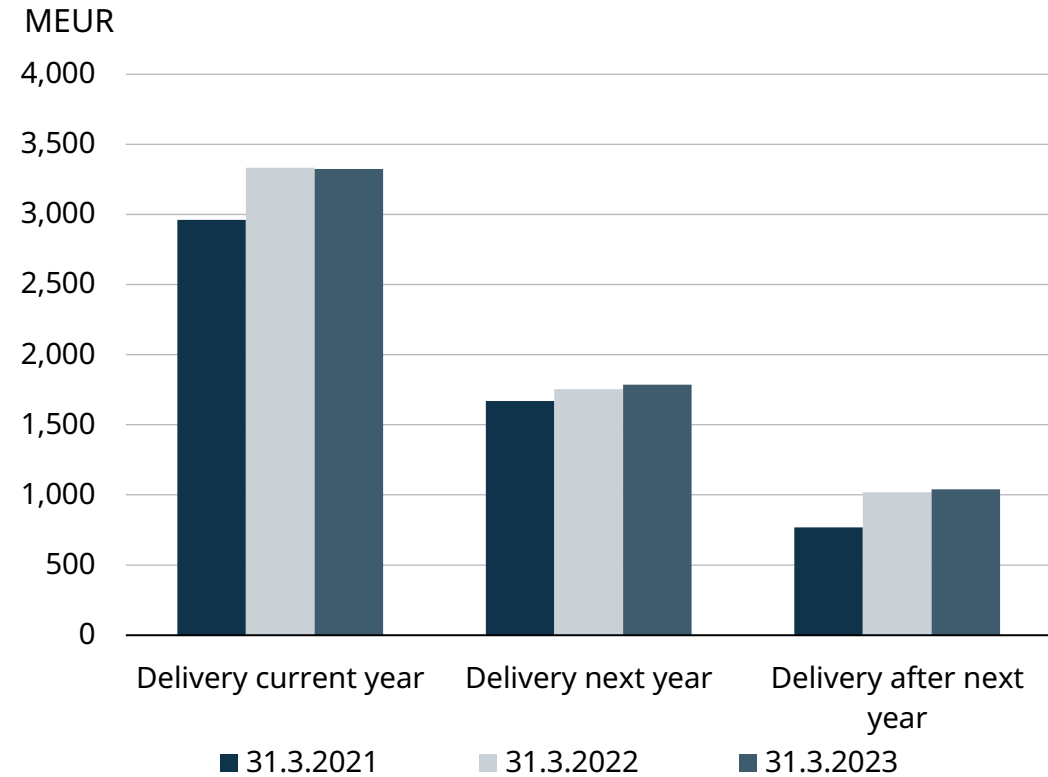
Service order intake increased by 21%

Strong order book, rolling book-to-bill continues above 1

Order book by business

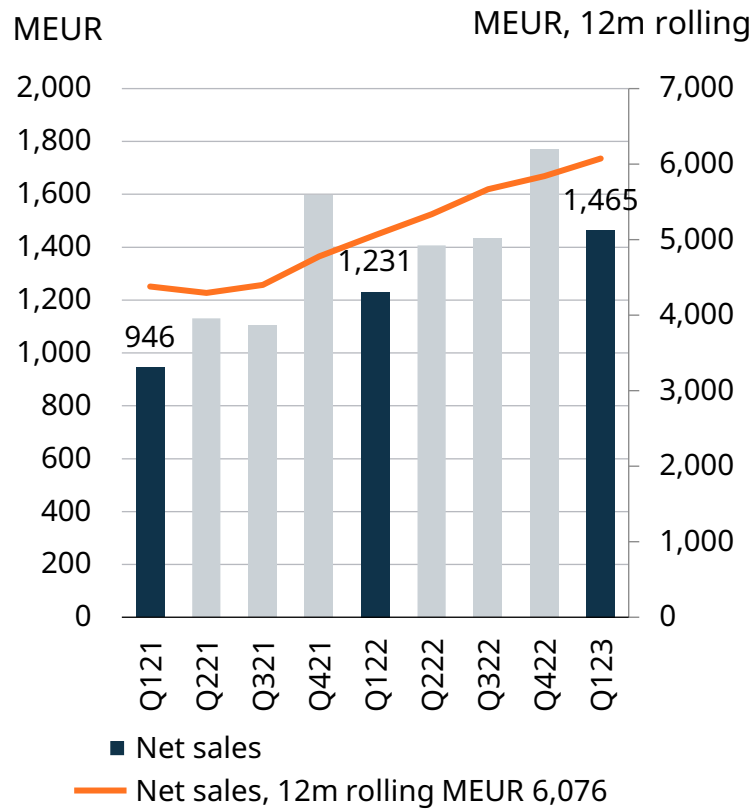


Order book delivery schedule

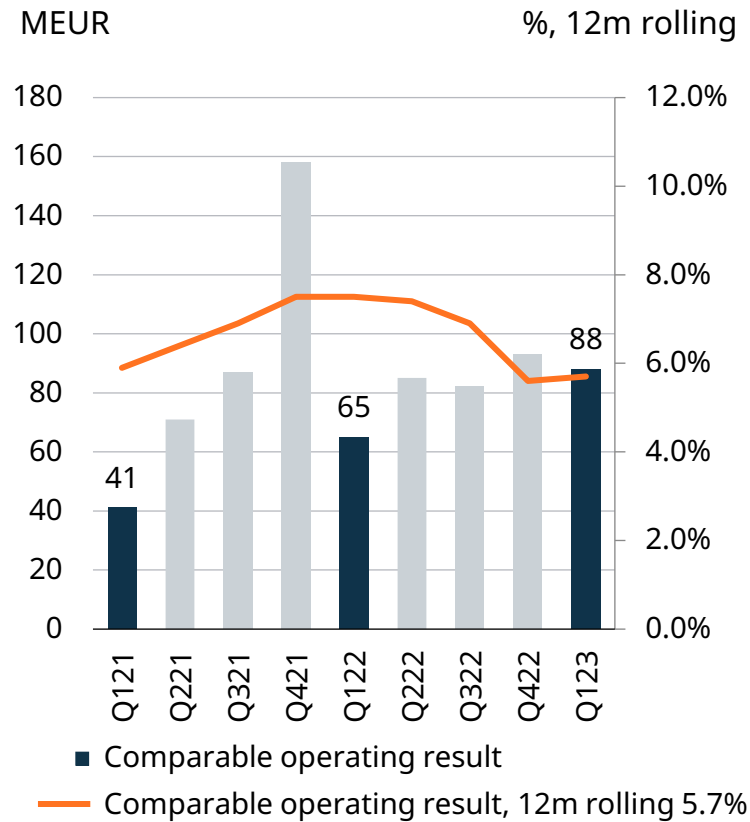


First quarter highlights

Net sales



Comparable operating result

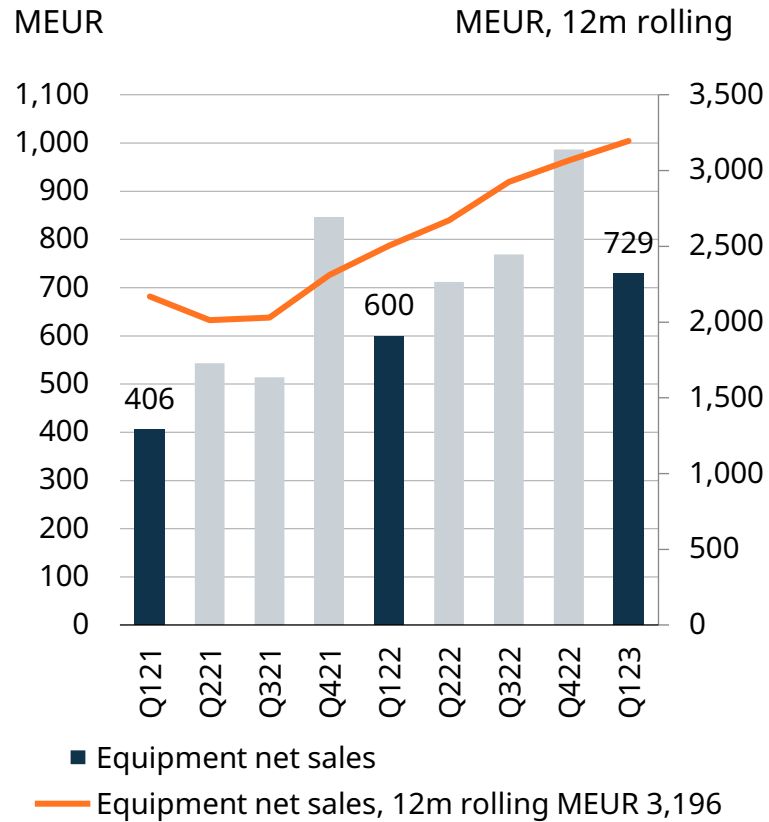


Net sales increased by 19%

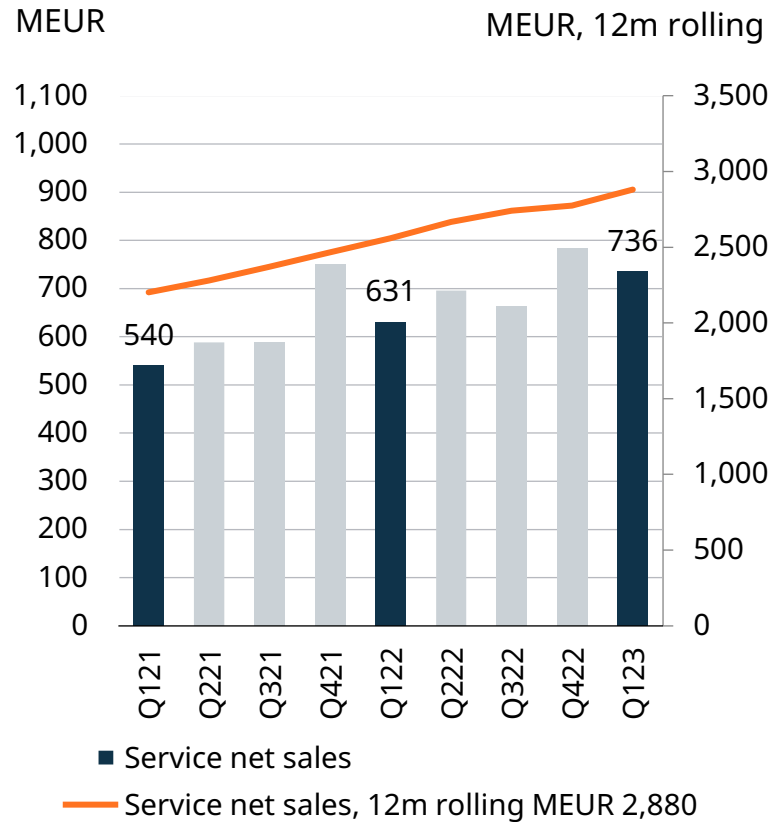
Comparable operating result increased by 34%

Net sales increased by 19%

Equipment



Services



Equipment net sales increased by 22%

Service net sales increased by 17%

Technology and partnership highlights

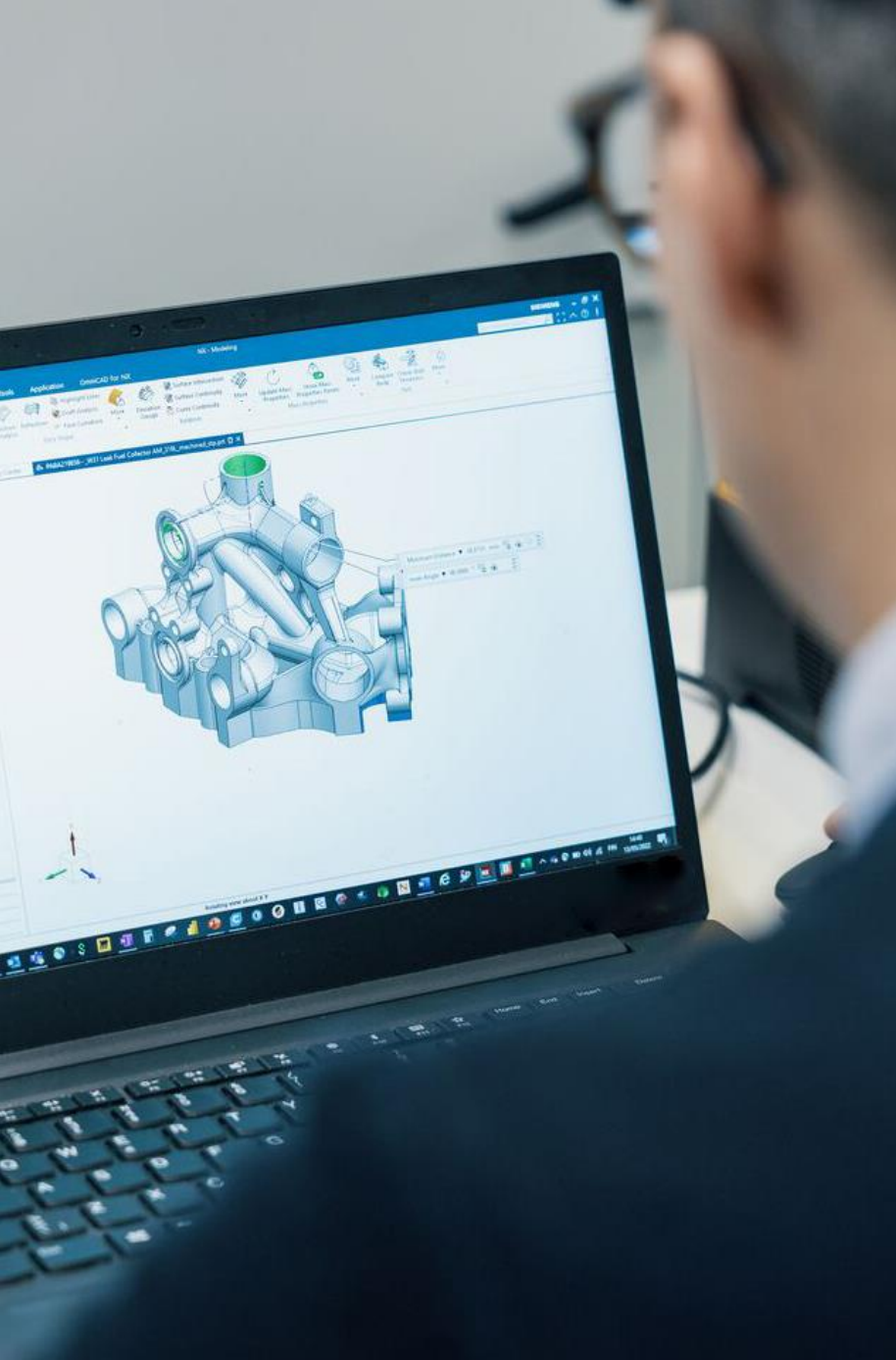
Enabling industry decarbonisation

A new radical derating retrofit solution – Wärtsilä Fit4Power

- Extends the emissions-compliant lifetime of merchant vessels by significantly improving combustion efficiency (by up to 15%).
- Reduces both fuel consumption and greenhouse gas emissions.

Minimising methane slip from LNG-fuelled engines

- The “Green Ray project” brings together several companies to develop solutions minimising methane slip from LNG engines.
- Wärtsilä will develop technology for low pressure 4-stroke dual fuel engines that enables methane slip reduction and increases efficiency.
- Wärtsilä will also develop an on-engine technology for 2-stroke engines to reduce methane slip from tankers, container ships etc.



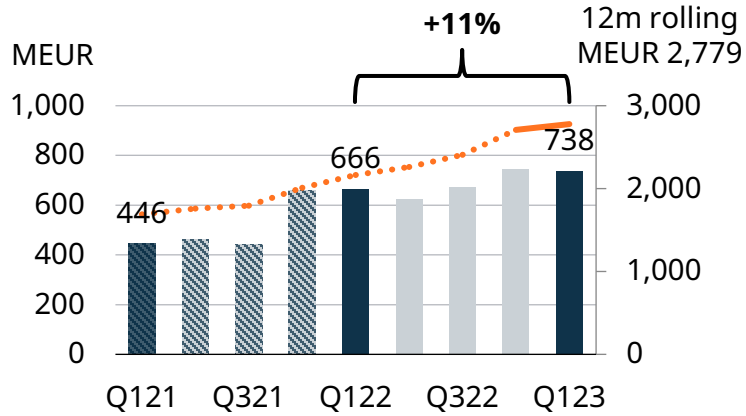
Marine Power



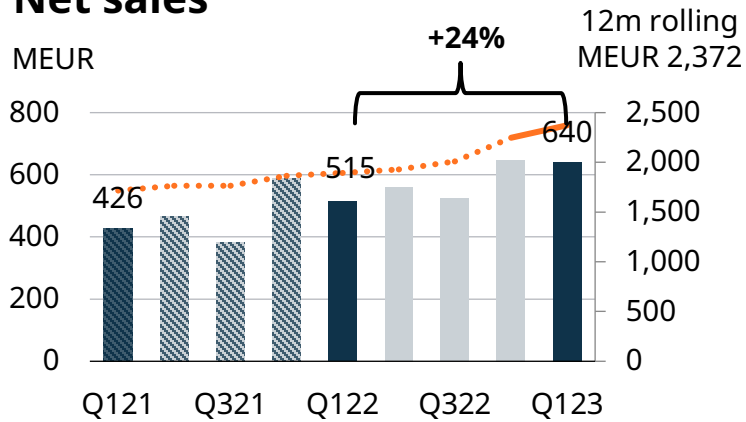
Marine Power: good development in services

Service order intake increased by 15% and service net sales increased by 18%

Order intake



Net sales



Comparable operating result

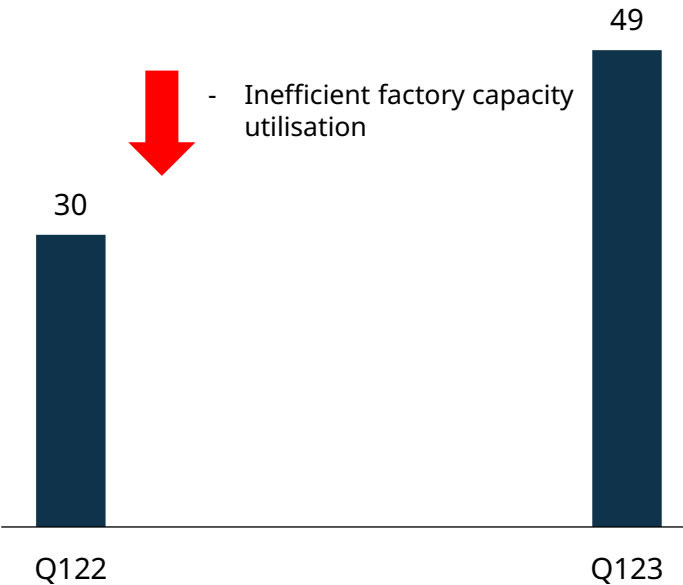
MEUR



- + Good service performance
- + Voyage optimisation

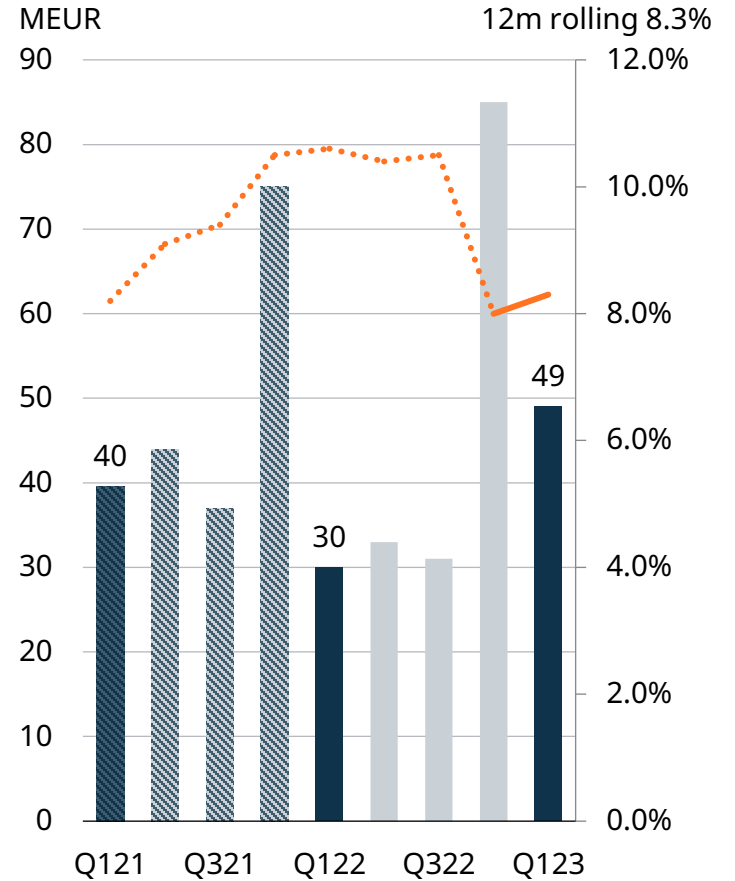


- Inefficient factory capacity utilisation



Comparable operating result

MEUR

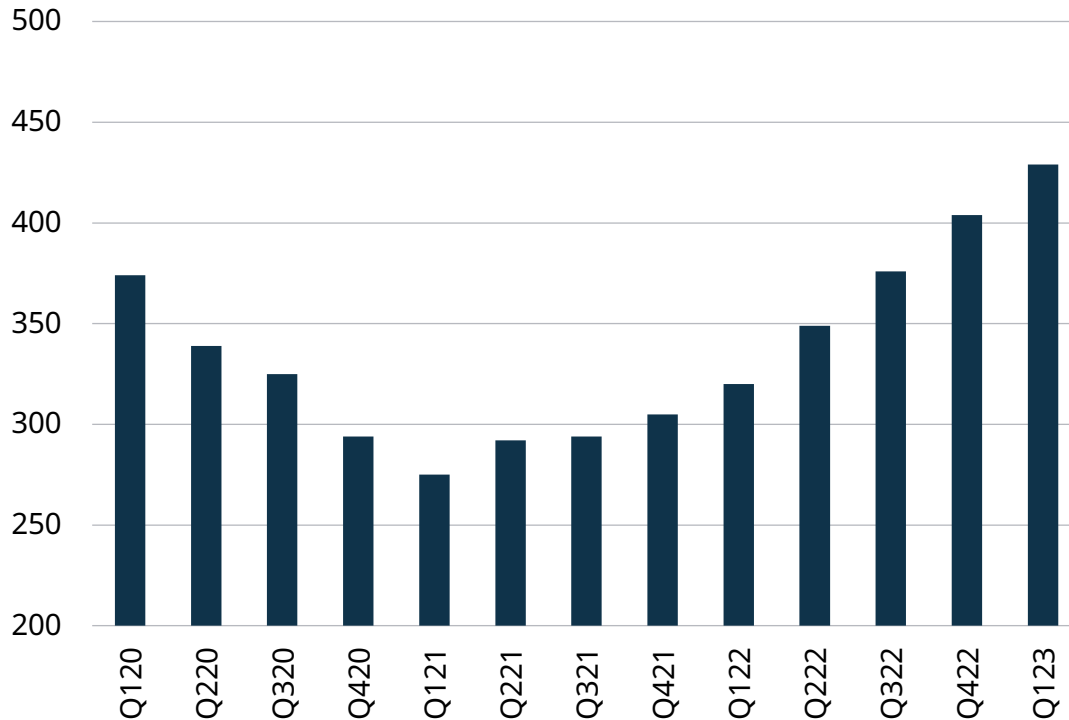


The 2022 figures have been restated to reflect the redefined organisational change of integrating Voyage into Marine Power.

Good development in Marine Power service agreements

Net sales from installations under agreement strongly increasing

MEUR, 12m rolling



Celebrity Cruises' new ship leads the cruise industry into a new era of alternative fuel use

- Wärtsilä's scope includes two 8-cylinder W46F engines capable of operating with methanol as fuel, two 12-cylinder W46F engines, and one W32 engine.
- Wärtsilä will convert the W46F engines to run on methanol, marking the first-ever such conversion for this particular engine type.
- The conversion project not only promotes lower carbon cruising, but by adding methanol as a fuel option, emissions of sulphur oxides (SOx), nitrogen oxides (NOx) and particulate matter are significantly reduced.

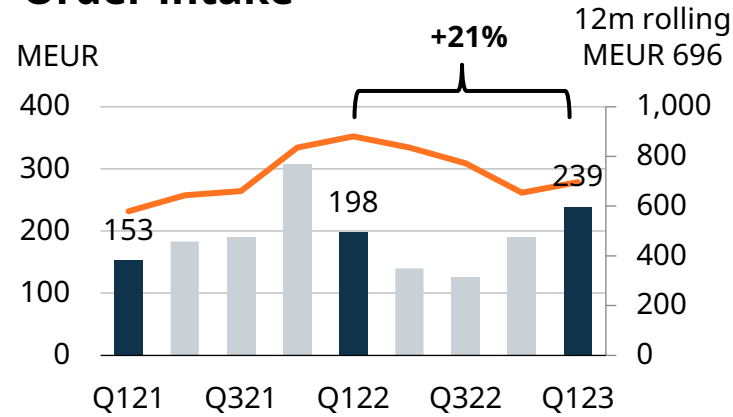
Marine Systems



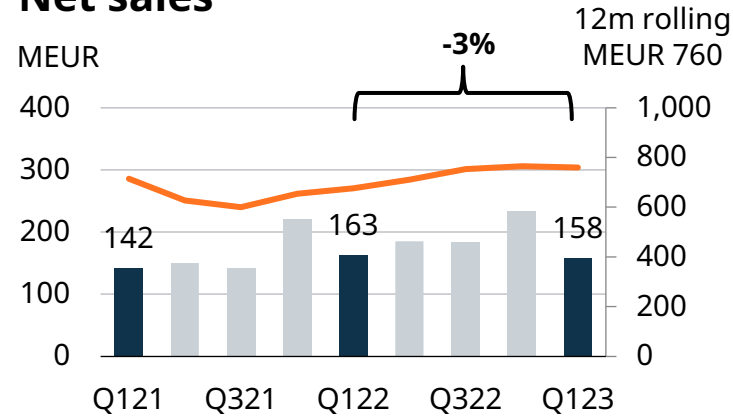
Marine Systems: order intake increased

Net sales and comparable operating result declined

Order intake

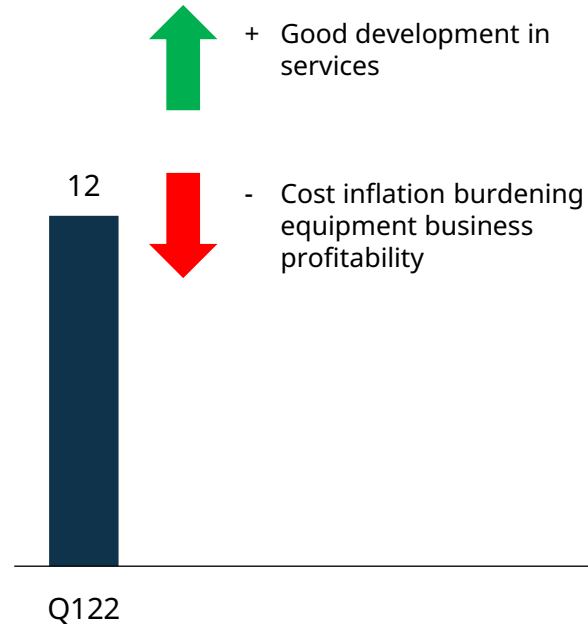


Net sales



Comparable operating result

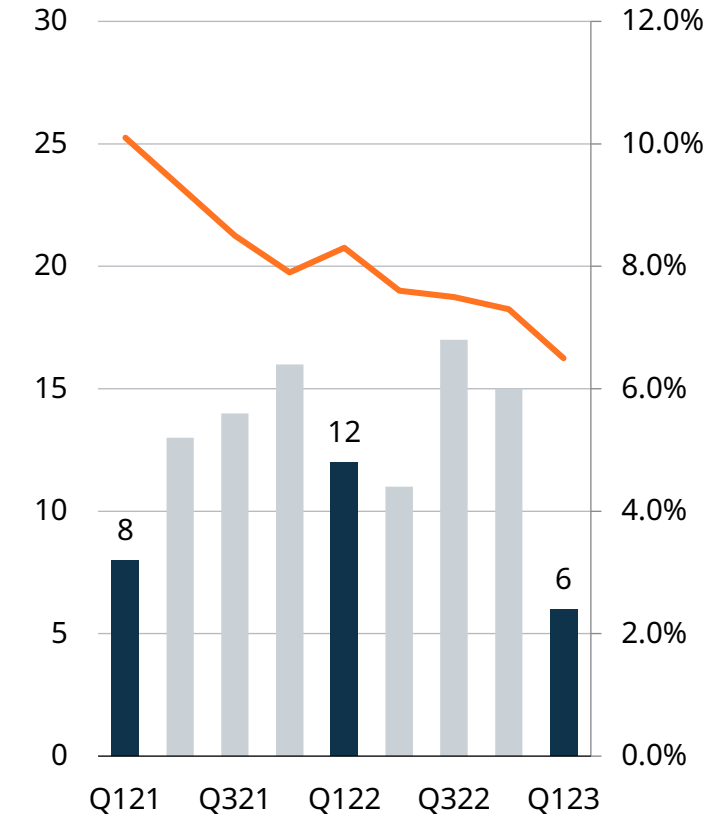
MEUR



Comparable operating result

MEUR

12m rolling 6.5%



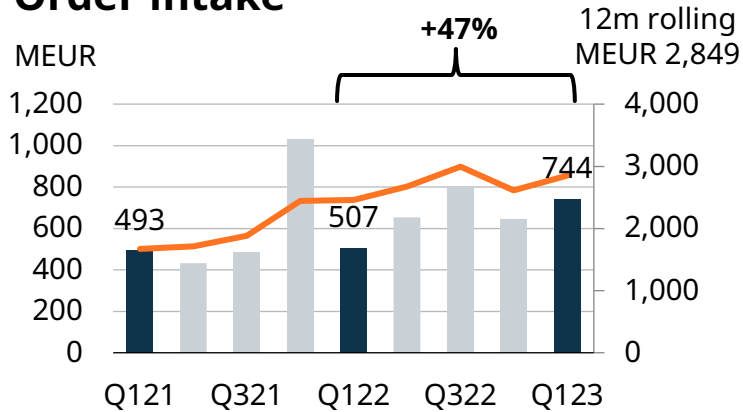
Energy



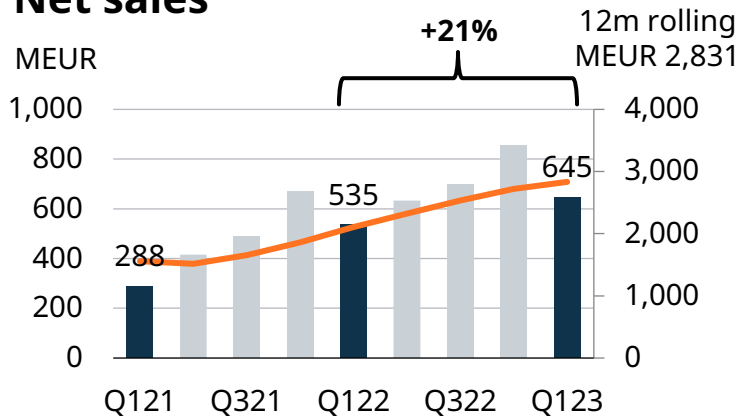
Energy: all key figures improved

Service order intake increased by 38%, service net sales increased by 17%

Order intake

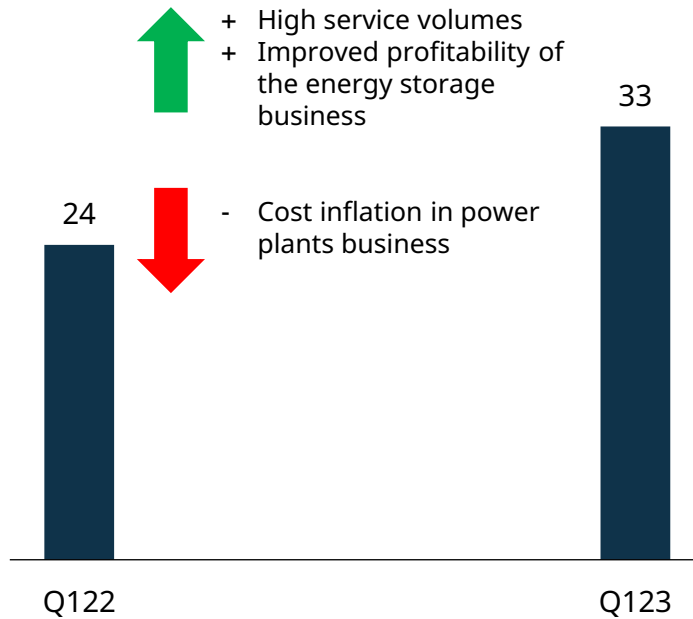


Net sales



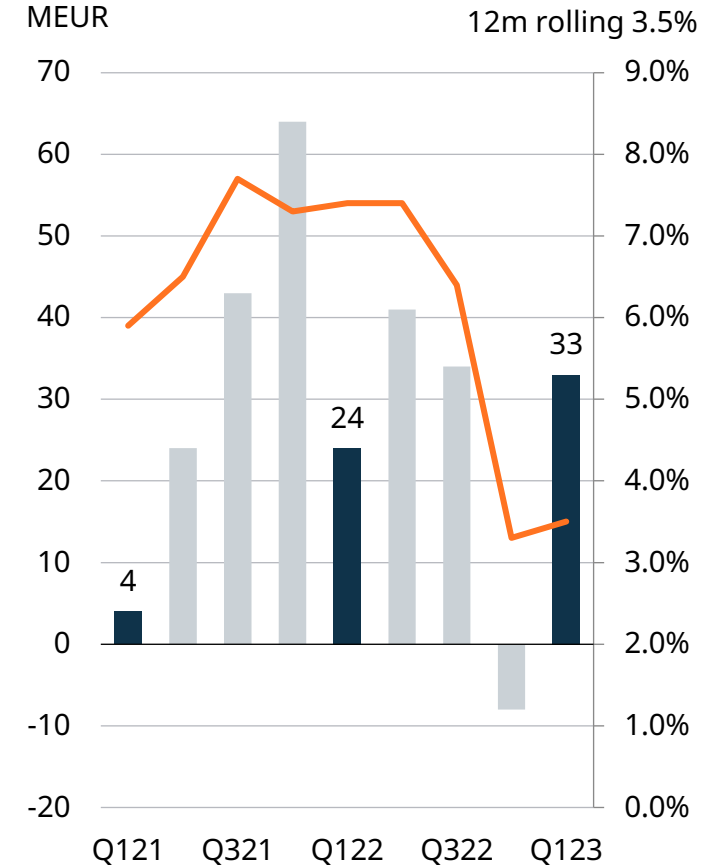
Comparable operating result

MEUR



Comparable operating result

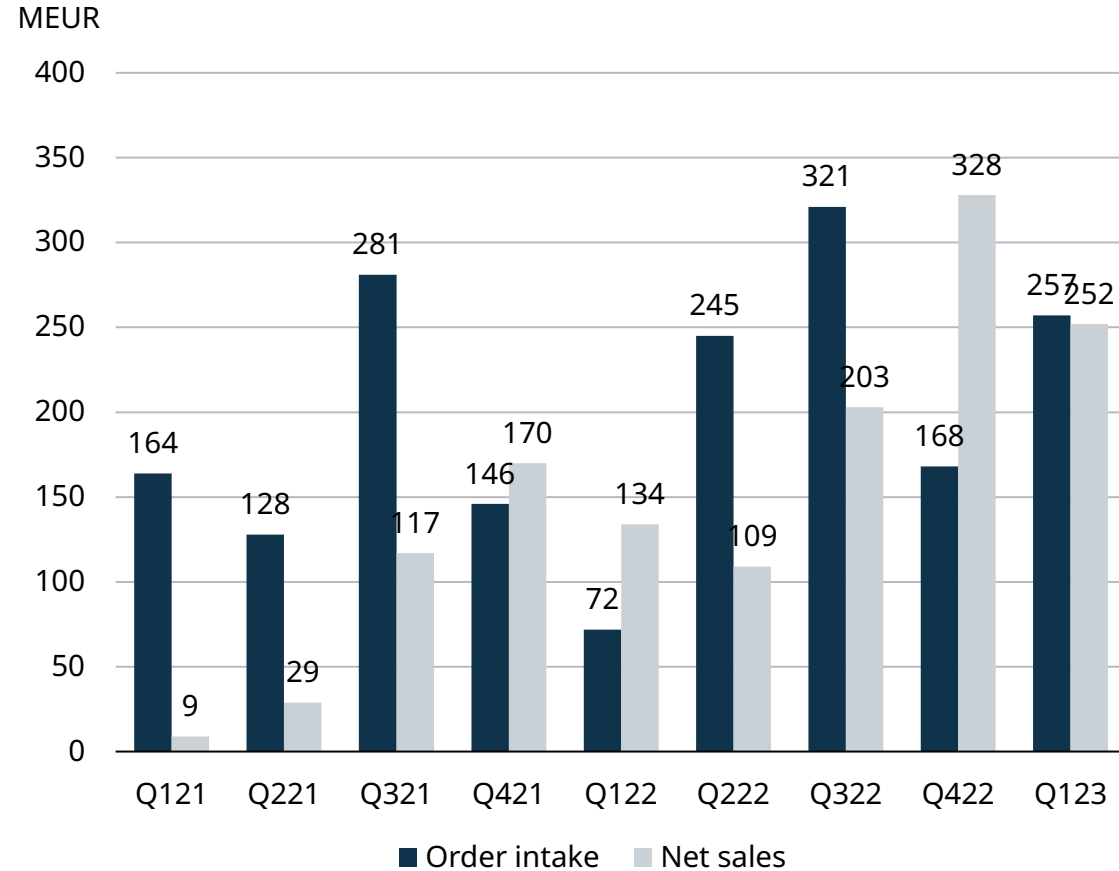
MEUR



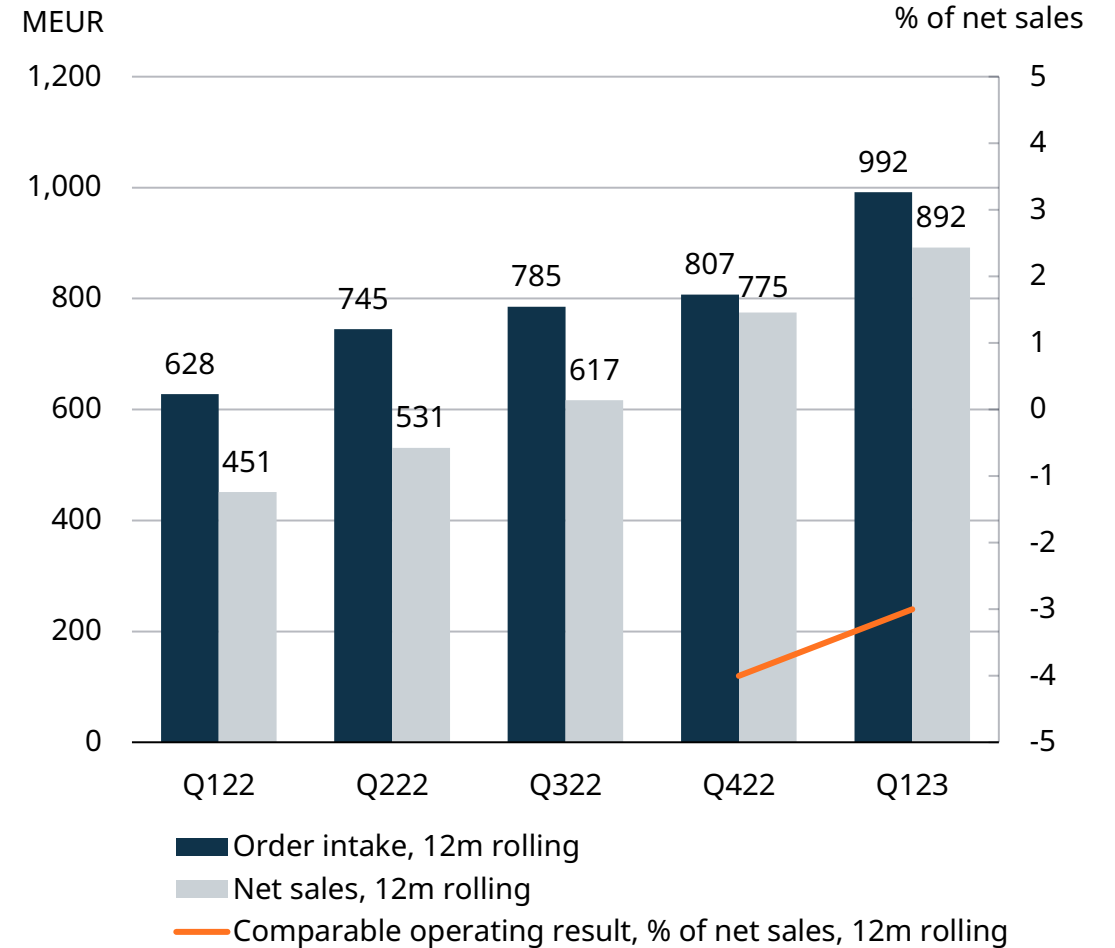
Continued growth in energy storage

Profitability improving, rolling 12 months comparable operating result margin is now -3%

Quarterly development



Rolling 12 months development

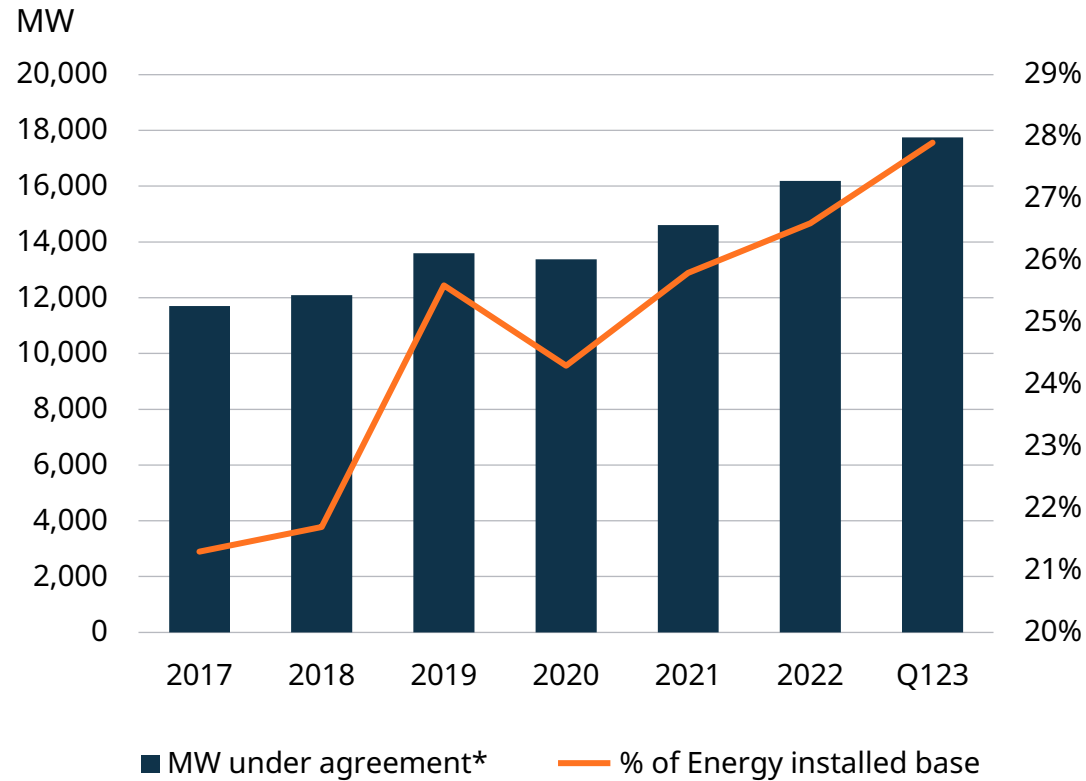


Wärtsilä to deliver a first-of-a-kind energy storage project in the United Kingdom

- The 200-megawatt (MW) / 400-megawatt hour (MWh) energy storage system will be delivered to Zenobē, an electric vehicle fleet and battery storage specialist.
- The first project in the world to deliver stability services using a transmission-connected battery, supporting the UK's transition to a zero-carbon energy network
- The project comes with innovative inverter technology and energy management system GEMS
- Located in north-eastern Scotland, the project is ideally suited to integrate nearby offshore wind energy projects in the North Sea
- The energy storage system will be one of the largest in the UK and is expected to become operational by summer 2024



Continued good development in Energy service agreements

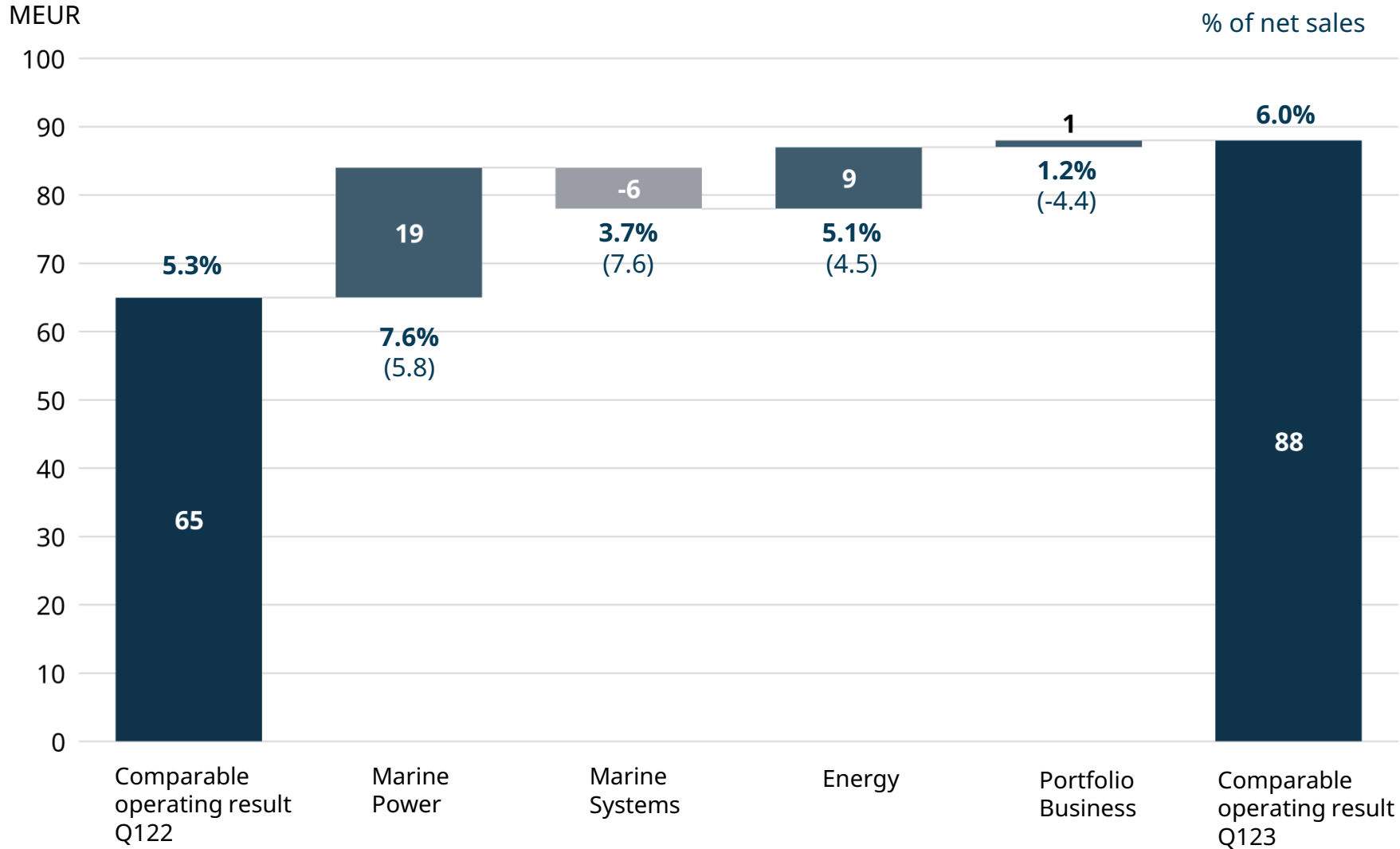


Agreement renewal with Brazilian utility Rio Amazonas Energia (RAESA)

- The Operations & Maintenance agreement provides support for the Cristiano Rocha power plant in Manaus, Brazil
- The Cristiano Rocha power plant operates five Wärtsilä 50SG gas engines with a combined net output of 92 MW
- The agreement strengthens the relationship between Wärtsilä and RAESA, which entered into a Guaranteed Asset Performance agreement in 2019 to assist the plant to run with 100% natural gas

* Includes agreements covering both installed assets and assets to be installed in the future

Comparable operating result improved – biggest improvement in Marine Power



Comparable operating result increased by 34%

Other key financials

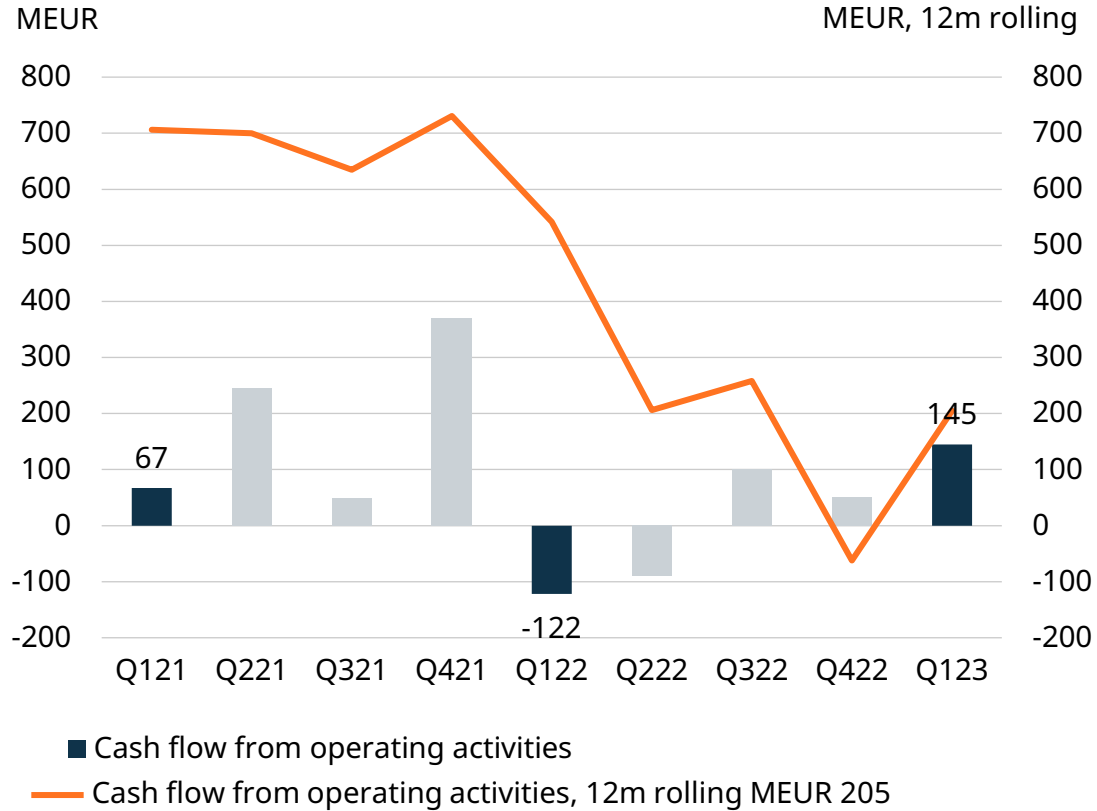


Other key financials

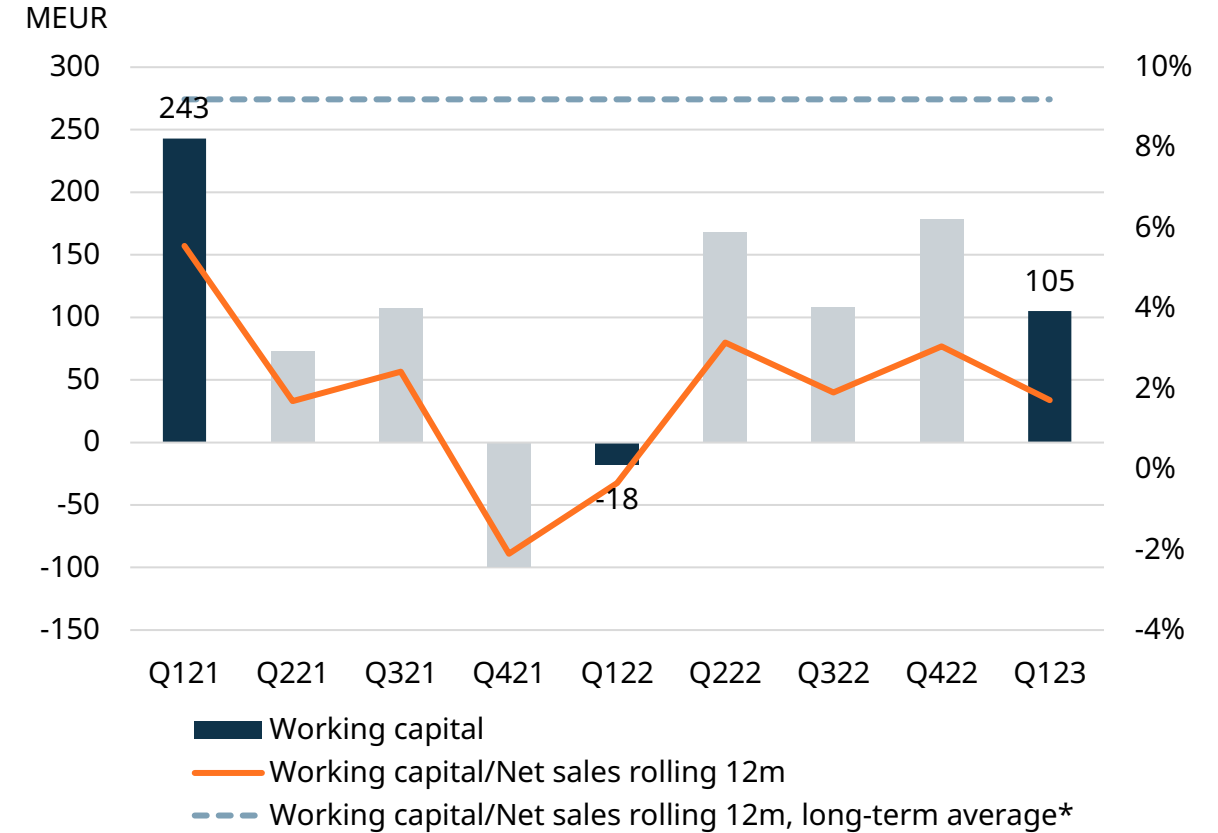
MEUR	1-3/2023	1-3/2022
Cash flow from operating activities	145	-122
Working capital	105	-18
Net interest-bearing debt	477	276
Gearing	0.24	0.14
Solvency, %	33.4	35.3
Basic earnings/share, EUR	0.09	-0.24

Cash flow from operating activities increased

Cash flow from operating activities



Working capital to net sales ratio



*Starting from 2015



Prospects

Marine

- Wärtsilä expects the demand environment for the next 12 months (Q2/2023-Q1/2024) to be similar to that of the comparison period.

Energy

- Wärtsilä expects the demand environment for the next 12 months (Q2/2023-Q1/2024) to be similar to that of the comparison period.

Q&A

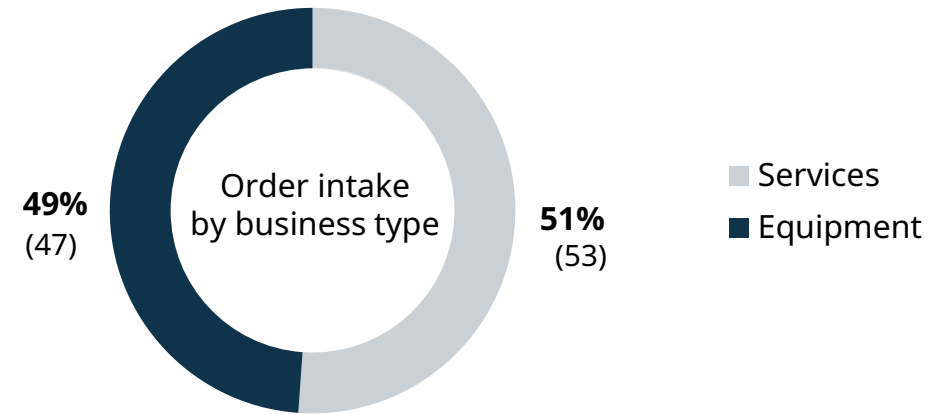
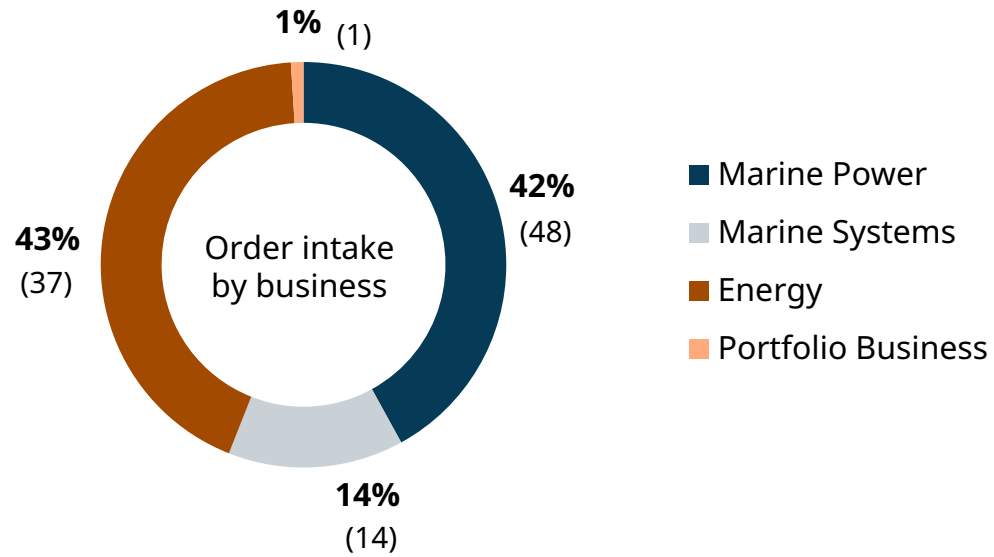


Appendix



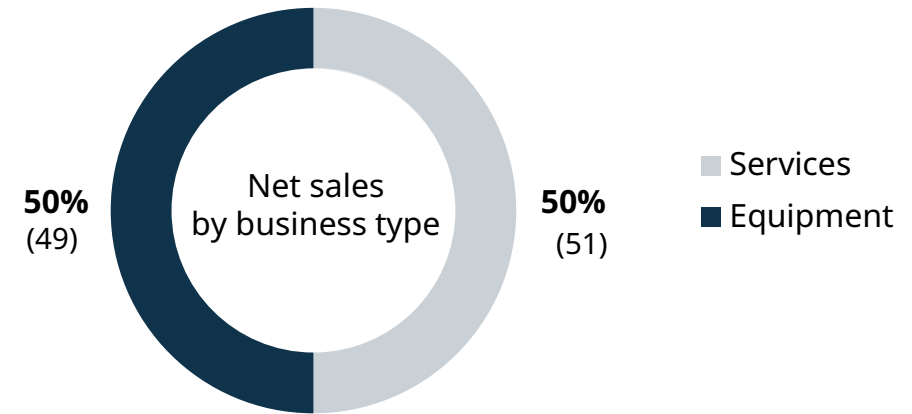
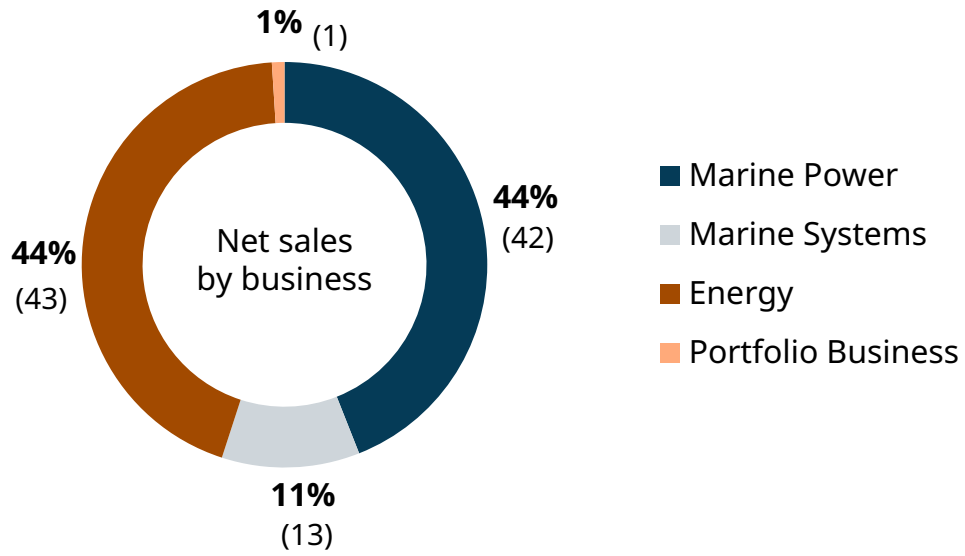
Order intake

First quarter development



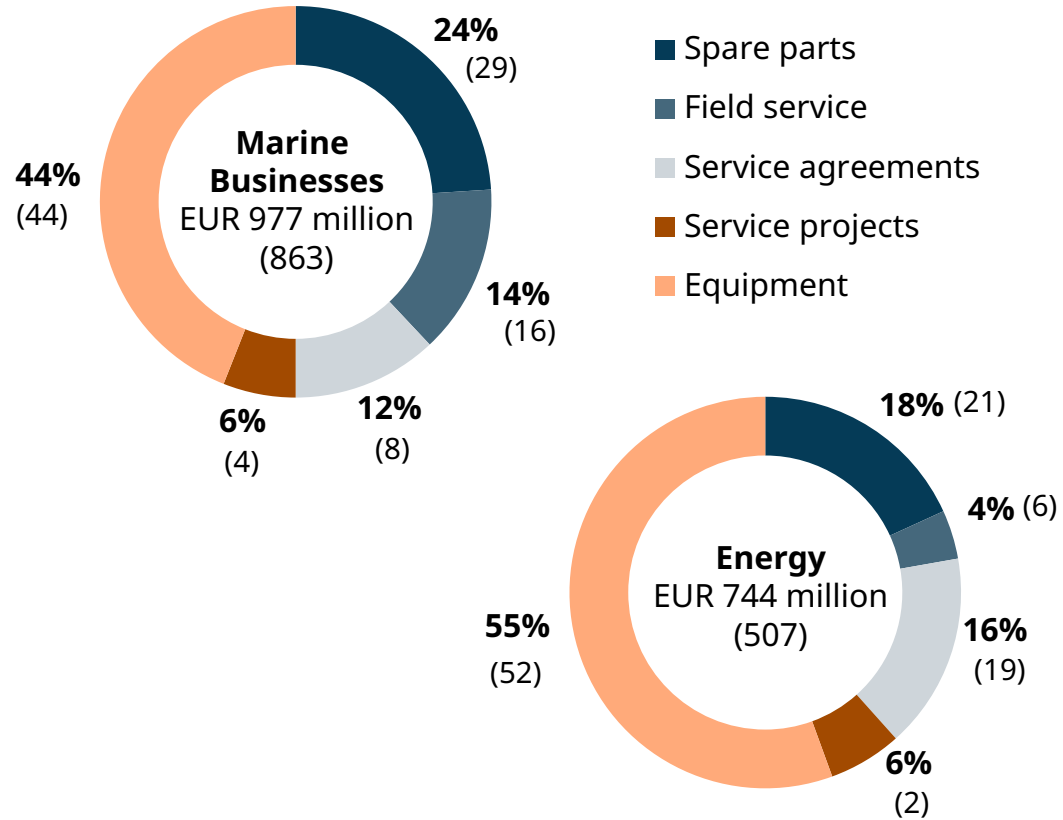
Net sales

First quarter development

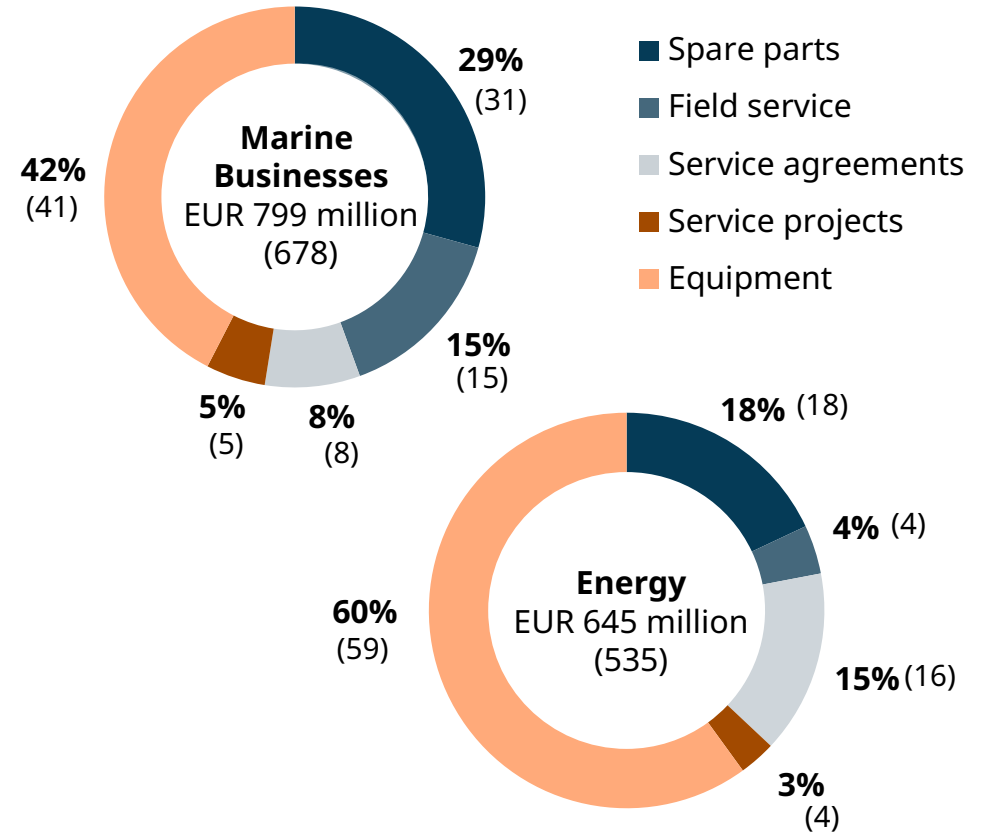


First quarter development by business type

Order intake



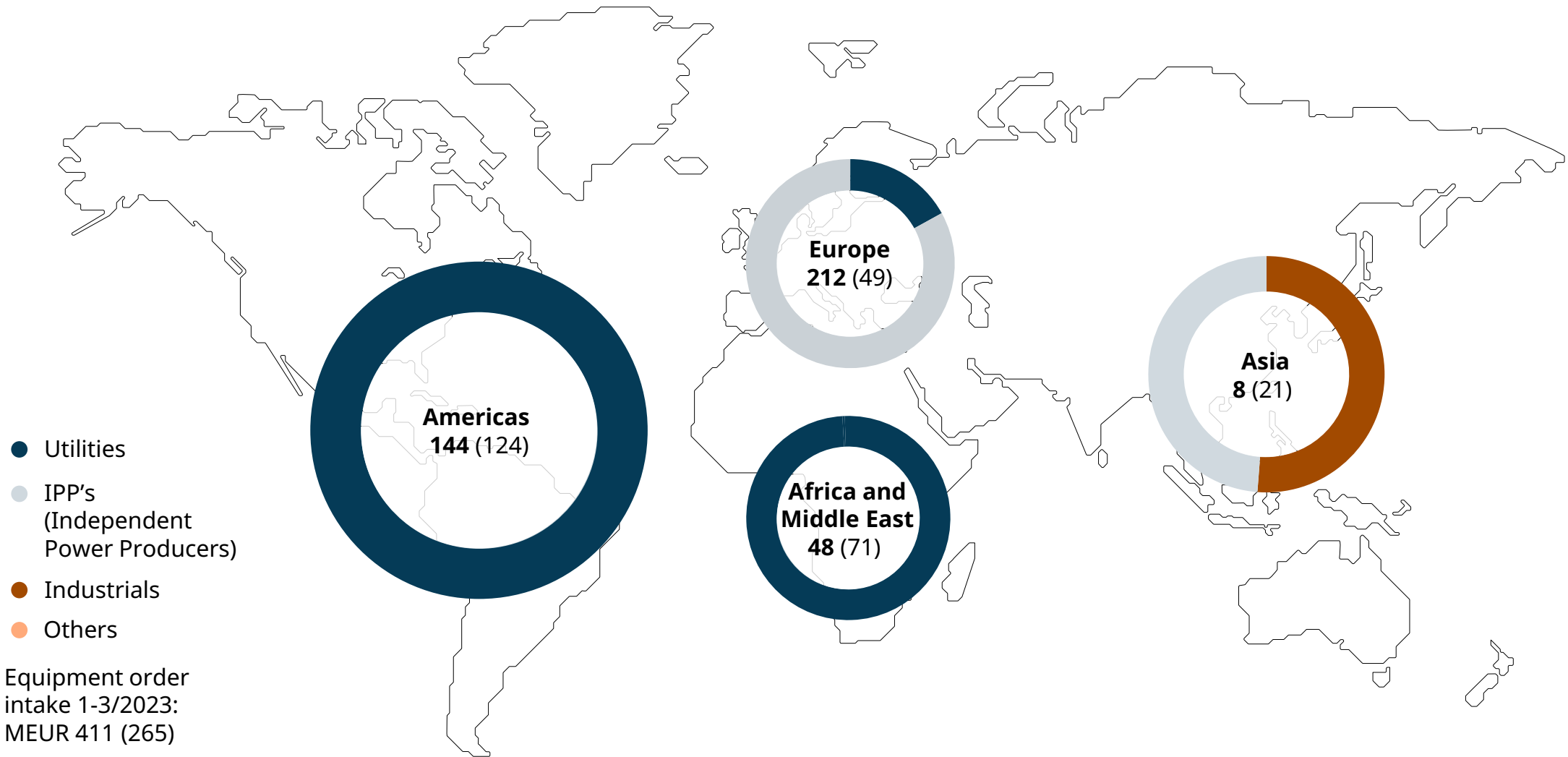
Net sales



January–March order intake by customer segment

Marine Businesses	Gas carriers	Cruise & ferry	Offshore	Navy	Special vessels	Merchant	Other
Marine Power							
Equipment	11% (9)	29% (22)	4% (6)	18% (4)	3% (22)	31% (32)	4% (4)
Services	19% (14)	21% (26)	18% (12)	7% (7)	10% (10)	22% (27)	3% (4)
Marine Systems							
Equipment	76% (7)	1% (3)	2% (1)	4% (60)	0% (0)	12% (8)	5% (22)
Services	3% (4)	9% (8)	4% (4)	24% (23)	7% (7)	50% (48)	4% (6)
Marine businesses, in total	26% (11)	19% (20)	10% (8)	10% (16)	6% (12)	24% (27)	4% (7)
Equipment	37% (8)	17% (16)	3% (4)	12% (23)	2% (14)	23% (24)	5% (10)
Services	17% (12)	20% (23)	16% (11)	9% (9)	10% (10)	25% (30)	3% (4)
Energy		Utilities	Independent Power Producers		Industrials	Other	
Equipment		55% (45)	44% (15)		1% (39)	0% (0)	
Services		39% (33)	30% (27)		18% (28)	3% (18)	

Orders received for Energy equipment globally





WÄRTSILÄ