



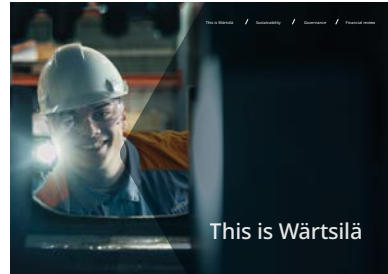
Annual Report 2022

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WÄRTSILÄ IN BRIEF

Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. We emphasise innovation in sustainable technology and services to help our customers continuously improve environmental and economic performance. Our dedicated and passionate team of 17,500 professionals in more than 240 locations in 79 countries shape the decarbonisation transformation of our industries across the globe. www.wartsila.com

Wärtsilä's purpose is to enable sustainable societies through innovation in technology and services.



This is Wärtsilä

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This is Wärtsilä

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Sustainability

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Governance

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Financial review

This is Wärtsilä

Wärtsilä has a significant role in decarbonisation transformation



PURPOSE

Enabling sustainable societies through innovation in technology and services

COMMITTED TO TARGETS

Financial targets

- 5% annual organic growth
- 12% operating margin

Set for 30 – decarbonisation

- A product portfolio ready for zero carbon fuels
- Carbon neutral in our own operations

ENERGY

Intermittent sources of energy require balancing solutions. By 2030, the balancing power market is expected to grow >10X.

MARINE

An unprecedented rate of change is being driven by regulations and the demand for green transport. The aim is for shipping to achieve a 50% GHG reduction by 2050.

TARGET POSITION

Shaping the decarbonisation of marine and energy



Leading offering to support our customers in decarbonisation

Fuel-flexible engines enabling decarbonisation

Hybrid and battery solutions for maritime

Energy saving technology for improved vessel performance

Emission abatement technologies including maritime carbon capture

Grid balancing engine solutions and energy storage

Power system modelling & optimisation

Decarbonisation services

The broadest service network for marine and energy industries

Digital solutions enabling optimised operations and service



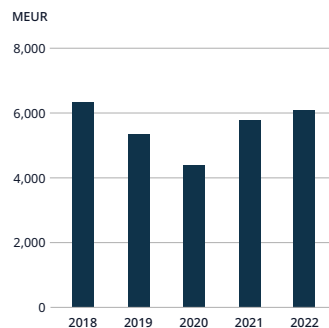
2022 in brief

Key figures

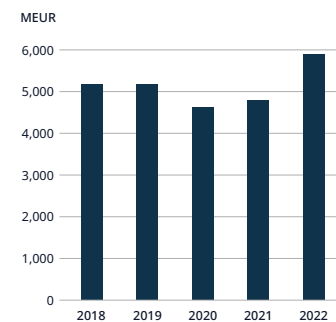
In 2022, order intake increased by 6% to EUR 6,074 million (5,735). Net sales increased by 22% to EUR 5,842 million (4,778), of which 48% related to services. Operating result decreased by EUR 339 million and amounted to EUR -26 million (314) or -0.4% of net sales (6.6). Comparable operating result decreased by 9% to EUR 325 million (357), which represents 5.6% of net sales (7.5). The Board of Directors proposes that a dividend of EUR 0.26 per share be paid for the financial year 2022, despite negative operational earnings. Lost time injury frequency rate (LTIF) amounted to 1.58 (1.55).



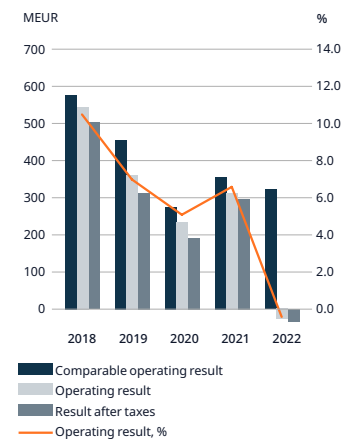
Order intake



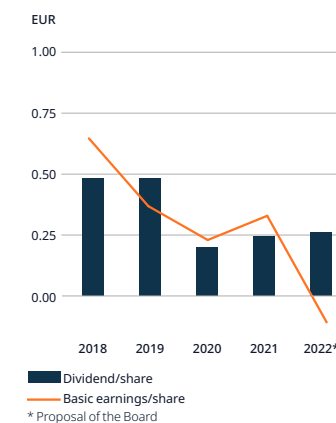
Group net sales development



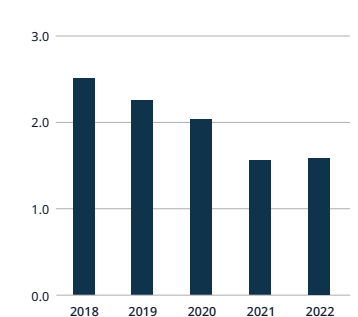
Result

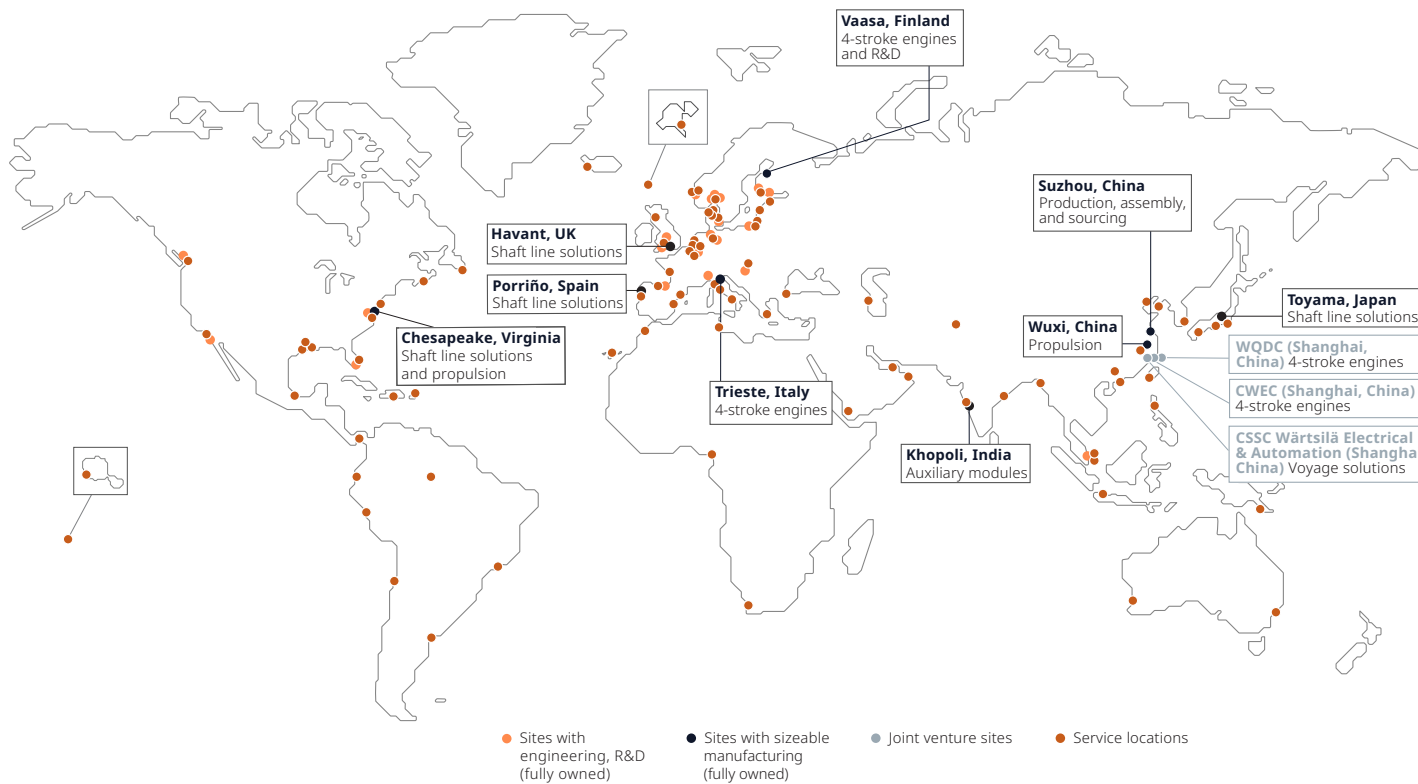


Dividend/share, earnings/share



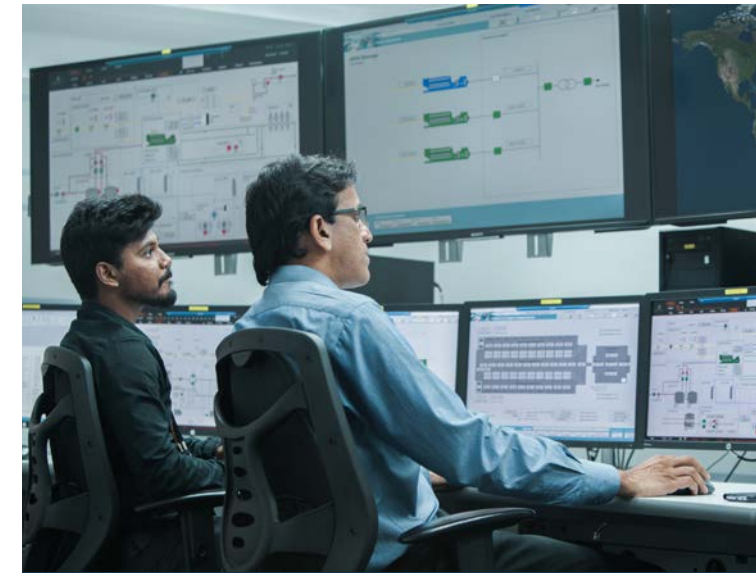
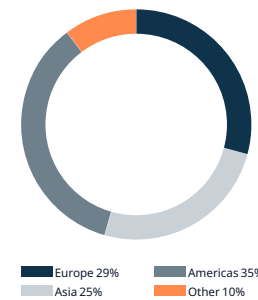
Lost time injury frequency (LTIF)





Wärtsilä's position as a global company is reflected in the geographical breakdown of our net sales.

Net sales, geographical



PERSONNEL

17,500

OPERATIONS

in more than 240 locations

in 79 countries

Businesses in brief

Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our broad portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support our customers to be successful. Our offering includes performance-based agreements, lifecycle solutions, and an unrivalled global network of maritime expertise.



Wärtsilä Marine Systems supports customers with high quality products and lifecycle services related to the gas value chain, exhaust treatment, shaft line, underwater repair and electrical integrations. We are committed to providing the latest and most efficient solutions, in line with Wärtsilä's vision for a safe and sustainable future for our customers, our communities and our planet.

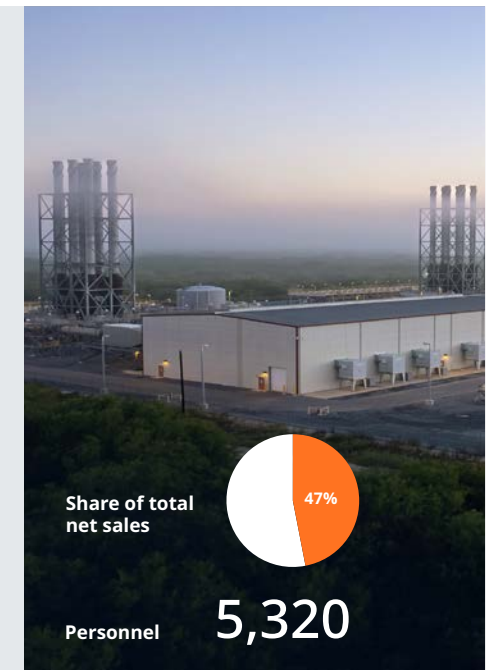


Wärtsilä Voyage transforms how vessels perform their journeys and ports manage their operations by leveraging the latest digital technologies. Using data and AI-driven software, we deliver real-time insights into operations, performance, and energy use to enhance safety, efficiency, reliability, saving fuel and minimising emissions. Our solutions combine bridge infrastructure, cloud data services, decision support systems and smart port solutions to enable shore-to-shore visibility. We are committed to building an end-to-end digital ecosystem for shipping where all vessels and ports are connected, and all operations are safe and sustainable.

The Voyage business was integrated into Marine Power as of 1 January 2023 to further strengthen our end-to-end lifecycle offering.



Wärtsilä Energy leads the transition towards a 100% renewable energy future. We help our partners to accelerate their decarbonisation journeys through our market-leading technologies and power system modelling expertise. These cover decarbonisation services, future-fuel enabled balancing power plants, hybrid solutions, energy storage and optimisation technology, including the GEMS Digital Energy Platform. Wärtsilä Energy's lifecycle services are designed to increase efficiency, promote reliability and guarantee operational performance. Our track record comprises 76 GW of power plant capacity and 110 energy storage systems delivered to 180 countries around the world.



CEO review

The year 2022 was a challenging year characterised by geopolitical tensions and structural changes in Wärtsilä but also by strong growth. Cost inflation, a relatively high share of equipment sales compared to service sales, and provision related to a legacy project burdened our comparable operating result. We exited Russia, started the ramp down of manufacturing in Trieste, merged Voyage into Marine Power, and divested non-core business activities. Items affecting comparability amounted to EUR 351 million which significantly impacted our operating result. However, these structural changes contribute to building a stronger Wärtsilä for the future. Despite the challenging market conditions, we recorded the second highest order intake ever and we also grew our net sales. Our service business remained on a good growth track with 17% growth in order intake and 12% in net sales. Service agreements developed in line with expectations and saw a more than 90% renewal rate in both energy and marine. The decarbonisation focus of our customers in both end markets is accelerating. Wärtsilä is very well-positioned for the transition with the solutions that we can offer today and the technology and services that we are developing for the future.

Health and safety of personnel is a key priority for Wärtsilä, and zero lost time injuries continues to be our global target. In 2022, our lost time injury frequency flattened out on 1.58 and although we have made improvements during the last three years, we need to continue our proactive measures to further strengthen the safety culture within Wärtsilä. In September, we organised our eight annual Safety Day with the objective to increase awareness of the safety risks and their potential consequences.

MARKET SENTIMENT IMPROVED DESPITE UNCERTAINTY IN THE BUSINESS ENVIRONMENT

While the Covid-19 situation improved during the year, the Russian invasion of Ukraine intensified the overall uncertainty in the global business environment and amplified cost inflation. Wärtsilä strongly condemns Russia's actions in Ukraine, and we have ceased all business operations in Russia.

In Wärtsilä's key vessel segments, market sentiment continued to improve despite the growing concerns about the macroeconomic outlook. The improvement was mostly coming from increasing demand for tonnage, improved volumes in the passenger travel segment and continued fleet reactivation. Decarbonisation remained the main underlying trend in the marine markets. The transition to cleaner fuels has continued to gather pace, with 466 orders placed globally for vessels capable of operating with alternative fuels, representing 30% (21%) of all newbuild contracting in 2022. Despite the currently high price for LNG, it continues to represent over to 80% of all alternative fuel capable vessel orders, although other alternative fuels are slowly emerging. The demand for hybrid systems, combining combustion engines with battery storage continues to grow and Wärtsilä is the market leader in this segment.

The war in Ukraine, the consequent sanctions on Russia, and the Covid-19 pandemic contributed to global cost inflation as well as price volatility in the energy markets in 2022. In Europe, the energy crisis has created a clear need and ambition for a structural change in the energy sector, and climate policies around the world continue to evolve towards more ambitious decarbonisation



We accelerate the decarbonisation of the marine and energy industries through innovation, focused investments, and selective partnerships, while at the same time decarbonising our own operations."

targets. A notable step forward in climate policy was the Inflation Reduction Act in the USA, which allocates substantial incentives to renewables, battery energy storage, and other clean energy technologies. Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions, such as energy storage and grid-balancing power plants.

FINANCIAL PERFORMANCE BURDENED BY COST INFLATION

Despite the continuing challenging market conditions, we were able to grow our order intake and net sales. Net sales increased by 22%, supported by growth in services and energy equipment deliveries.

Although the energy market remained volatile, we received important orders for thermal balancing and energy storage solutions. Thermal balancing accounted for almost half of the power plant order intake in 2022 with secured important orders in the US, Japan and Italy. For example, we will deliver the order for ten Wärtsilä 34SG balancing gas engines to a Japanese power plant, which will replace a 100 MW combined cycle gas turbine plant in the emerging balancing capacity market in Japan. The

demand for services continued at a good level, and customers showed increasing interest in long-term service agreements. High utilisation of vessels and power plants also continued to support the service business in both Marine Power and Energy. In 2022, services accounted for 48% of our total revenues.

The operating result declined, mostly due to the EUR 200 million write-down following our decision to exit operations in Russia and the EUR 90 million write-down made related to ramp down of manufacturing in Trieste. Going forward, we are centralising our 4-stroke engine manufacturing in Europe to Vaasa, Finland. With our new European manufacturing footprint, we are taking the next step in strengthening our competitiveness and creating a structure that is enabled for future growth.

Accelerating cost inflation negatively affected the margins of our order backlog and our comparable operating result. During the year we also had to make a cost provision of EUR 40 million related to the Olkiluoto 1 and 2 nuclear project, an agreement that we signed already in 2013. After two years of record operating cash flow, this year's cash flow ended up being negative, burdened by a weak operating result and increased receivables and inventories.

In our financial targets, we aim for 5% organic growth annually and to reach a 12% operating margin. In 2022, our organic growth of 18% met the target whereas operating margin of -0.4% was clearly below the target. We continued to take actions to address our cost structure. These actions include capacity adjustments, structural footprint changes, and portfolio optimization. In October, we announced that we are further strengthening our marine end-to-end lifecycle offering by integrating the Voyage business into Marine Power as a business unit. By linking the unique digital expertise in Voyage with our well-established Performance Services, we are taking the next step in creating end-to-end digital solutions for our maritime customers. The integrated organisation became effective as of January 1, 2023.

SERVICE IS A GREAT GROWTH OPPORTUNITY FOR WÄRTSILÄ

A key driver for reaching our target margin will be moving up the service value ladder and growing our service business, both in marine and energy. This is supported both by our strong offering in the transactional services business, as well as in performance-based agreements. A good example of how we continue to develop our service business is Wärtsilä Energy's Decarbonisation Services which was introduced in 2022. The service utilises Wärtsilä's sophisticated power system modelling

and optimisation tools alongside in-house expertise to reduce our customers' power system emissions and energy costs.

We are very proud that the customers' renewal rate of our service agreements was more than 90%. In 2022, Wärtsilä Marine Power signed a renewal of its Optimised Maintenance Agreement with the Greek shipping company Maran Gas Maritime. The new agreement will run for five additional years and is designed to ensure operational certainty with controlled and predictable costs for the company's fleet of 21 TFDE LNG carrier vessels.

MAKING A DIFFERENCE IN OUR INDUSTRIES

Our strategy, "the Wärtsilä Way", sets the direction for profitable growth. We accelerate the decarbonisation of the marine and energy industries through innovation, focused investments, and selective partnerships, while at the same time decarbonising our own operations. Wärtsilä is set for performance and is well-positioned to drive this transformation. We capture growth in services by excelling in transactional and retrofit projects, as well as moving up the service value ladder by growing in performance-based agreements.

Despite the prevailing market uncertainty, we invested ~4% of our net sales in R&D to ensure technology leadership in our

core solutions for decarbonisation. In 2022, we released the Wärtsilä 32 Methanol engine and MethanolPac, a dedicated fuel supply system for methanol. In addition, we introduced our new Wärtsilä 25 engine, which will be the first Wärtsilä engine to run on ammonia as a fuel. We will deliver an engine concept ready for operating with pure ammonia fuel in 2023 and with pure hydrogen by 2025. We are also preparing for maritime carbon capture (CCS) pilot projects in 2023-2024, intending to launch the product in 2025. It is important to acknowledge that while much of the decarbonisation work is still ahead, Wärtsilä already today has solutions and technologies that enable the transition to low-emission shipping and 100% renewable power systems. In July, we strengthened our position in providing solutions for port operations and digitalisation by acquiring PortLink Global, a global port solutions company headquartered in Vancouver, Canada. This acquisition will speed Wärtsilä along its path towards creating an end-to-end connected maritime ecosystem in which intelligent port logistics solutions play a nodal role.

Among the key milestones of the year was the opening of our new technology centre, the Sustainable Technology Hub, (STH), in Vaasa, Finland. This EUR 250 million investment enables the agile development and efficient research of sustainable solutions for the marine and energy industries. Flexible manufacturing systems, robotics, and data are central to the operations of STH. We are also pioneering the adoption of sustainable fuels, with engines capable of operating on carbon-neutral and carbon-free fuels. STH supports an ecosystem of collaboration both locally and globally, by inviting customers, partner companies, academia, and other innovators to incubate ideas at the Partner Campus.

PROMOTING CARBON NEUTRALITY

We have ambitious climate targets. Our goal is that by 2030 we will become carbon-neutral in our own operations and be able to provide a product portfolio ready for zero-carbon fuels. Among the concrete actions that have already been taken to minimise Wärtsilä's environmental footprint is the decision to purchase fully green electricity in Finland, and finding ways to

We are committed to supporting our customers on their decarbonisation journey, while minimising our own environmental footprint."

reduce engine testing time at our major manufacturing facility. In addition, Wärtsilä's products and solutions will meet the most stringent environmental requirements, while the fuel flexibility of the engines powering the marine and energy sectors is key to enabling the transformation to cleaner operations.

In addition to energy storage, Wärtsilä's flexible engines offset the intermittency of supply as the share of renewables in the power system increases. Among the many balancing power orders that we signed in 2022 was an order by Basin Electric in the USA, where six Wärtsilä 50SG gas engines having a combined net output of 108 MW balance the variability of energy from renewable sources.

Hybridisation is one way of decarbonising the marine industry. It ensures fuel savings while creating substantial reductions in emissions. In May, we received an order to supply our hybrid propulsion system for three new RoPax vessels currently being built for Stena RoRo, Europe's largest ferry company. Two of the ferries will have a battery capacity of 11.5 MWh, making them the marine industry's largest hybrid vessels to date. As of today, we have equipped more than 80 vessels with our hybrid installations and our market share is about 25%, measured in MWh battery capacity.

CREATING SUSTAINABLE VALUE FOR STAKEHOLDERS

Wärtsilä has significant value creation potential as a technology leader in the decarbonisation transformation. We can make a difference in our industries and the world while securing financial performance and delivering attractive long-term shareholder value. I would like to sincerely thank our customers for your trust in our solutions and services, all my Wärtsilä colleagues for your support and dedication, and our shareholders for your confidence in Wärtsilä's future development.

Håkan Agnevall
President & CEO





Strategy

Market fundamentals



Marine will move with unprecedented speed towards decarbonisation

POLICIES AND REGULATIONS

- IMO target: 50% fewer GHG emissions from shipping by 2050
- Access to capital: EU taxonomy, Poseidon principles and ESG
- Cost of carbon: carbon certificates e.g., EU Fit for 55, IMO carbon levy, and local green policies
- Demand for green sea transport, driven by companies' environmental commitments to their customers and investors' push for sustainability targets

TECHNOLOGY

- Focus on carbon neutral and zero carbon fuels. However, use of carbon fuels is likely to continue for many years
- Next steps in abatement technologies, e.g. maritime carbon capture
- Increase in battery systems, hybrid solutions, and energy saving technologies
- Focus on fuel flexibility and upgradeability to increase overall efficiency

CONNECTIVITY AND DATA

- Vessels as data pools - system complexity increasing
- Optimisation solutions based on a holistic view of the entire transport system
- Performance-based agreements with a focus on uptime, reliability, and fuel efficiency
- Cyber security growing in importance
- Various degrees of autonomous operations



Energy is moving towards a 100% renewable energy future

POLICIES AND REGULATIONS

- EU: Carbon neutral by 2050
- USA: carbon free electricity production by 2035, net zero emissions by 2050
- China: Carbon neutral by 2060
- Country climate pledges to become more progressive
- RePower EU, The Inflation Reduction Act, Just Energy Transition partnerships

TECHNOLOGY

- Wind and solar growing rapidly as the dominant source of energy
- Intermittent sources requiring balancing power
- Sustainable fuels for balancing power
- Digitalisation will create opportunities for optimising energy costs
- Cyber security growing in importance

GROWING ENERGY DEMAND

- Electricity generation would need to grow by 3X, renewables by 8X to reach Net Zero targets*
- Gradual replacement of coal and other baseload fossil fuelled energy generation
- Renewables are expected to become the largest source of global electricity by early 2025 (Source: IEA Renewables 2022 report)
- Power systems becoming increasingly complex with different types of generation assets

*by 2050. Source: IEA World Energy Outlook 2022 (Net Zero Emissions Scenario)

The Wärtsilä Way

In November 2021, we introduced our updated strategy, The Wärtsilä Way, to answer three questions in terms of company direction: why, where, and how. The Wärtsilä Way defines our purpose, target position, strategic priorities, and values.

WHY

The way forward is guided by the purpose: it describes the reason why our company exists and sets the direction for how everyone at Wärtsilä can make a difference for the world. Wärtsilä's purpose is "Enabling sustainable societies through innovation in technology and services".

WHERE

The target position, "Shaping the decarbonisation of marine and energy", reflects our ambition as a company: where does Wärtsilä want to be in the long term. Wärtsilä's target position is focused on its customers, people, and performance.

HOW

The strategic priorities define Wärtsilä's most important focus areas for reaching the target position. They outline the company's direction in terms of reaching profitable growth, and clearly formulate the biggest opportunities for a positive impact on Wärtsilä's performance. The values unite everyone at Wärtsilä and bring the strategy to life by guiding our behaviour when working together. Wärtsilä's values are Customer success, Passion, and Performance.

In our Leadership Model, we outline our desired leadership behaviors. In our leadership, we believe in energising and leading the way, in developing people and teams, and in challenging and supporting change.

THE WÄRTSILÄ WAY

Purpose

Enabling sustainable societies through innovation in technology and services

Target position

Shaping the decarbonisation of marine and energy

Strategic priorities

Roadmap to improve performance and reach the Target position

Values and Leadership

Customer Success, Passion, Performance

OUR VALUES

Wärtsilä values guide our priorities and decision-making in everyday situations. Values are about how we interact and what behaviours we want to role model when collaborating with others.

CUSTOMER SUCCESS

- We are successful by making our customers successful
- We truly understand our customers' business
- We listen to and talk with our customers
- We provide reliability and efficiency

PASSION

- We are proud of our work and celebrate success
- We innovate and find new ways to create value
- We value teamwork and inclusiveness
- We foster candour, respect, and trust
- We engage with energy and drive
- We drive sustainability

PERFORMANCE

- We are committed to safety and zero injuries
- We take ownership and go the extra mile to deliver on our commitments
- We continuously improve and learn something new every day
- We look after Wärtsilä's best interests
- We take pride in quality
- We act with integrity

Our purpose

"Enabling sustainable societies through

We shape our markets by generating transformative results through collaboration, partnerships, market insight, and active engagement in ecosystems.

The long-term environmental, social, and economic impact of our operations drives our priorities and behaviour. We take pride in diversity, providing equal opportunities and demonstrating high ethical standards.

We care about the communities in which we operate, and our people want to make a difference for our customers and partners. We are committed to giving back to society.

innovation in technology and services"

We believe in challenging the status quo. We believe in implementing ideas that result in new solutions and new ways of working.

We are known as a thought leader in the industry. We deliver products and services that are reliable, efficient and which fulfil customer needs.

We believe our customers' success is our success. We serve our customers and partners with a cooperative and data driven approach throughout the entire lifecycle.

OUR LEADERSHIP MODEL

The Wäertsilä Leadership Model supports our strategic growth by describing the desired leadership behaviours at Wäertsilä. It provides our leaders with direction and guidance on how to collaborate, communicate, and lead in different situations.

ENERGISE AND LEAD THE WAY

- Set the direction. Be clear on prioritisation and performance expectations. Provide support to remove obstacles
- Inspire and engage the team in a transparent dialogue to increase understanding of our direction
- Follow up on agreed actions. Highlight how actions are linked to the strategy and priorities
- Encourage collaboration across the entire Wäertsilä organisation
- Act as we want others to act and role model the behaviours we want

DEVELOP PEOPLE AND TEAMS

- Be yourself and show empathy
- Recognise people's competence & experience and actively build trust
- Create a safe environment where people can grow and perform
- "Go and See" and learn how to create customer value
- Empower and coach the team to reach its best performance
- Invest time to develop people and yourself as a leader

CHALLENGE AND SUPPORT CHANGE

- Foster an environment where we try new ideas and learn from mistakes
- Challenge ways of working. Encourage continuous improvement
- Build an environment where we give and receive feedback
- Give recognition and celebrate success together

Wäertsilä's Leadership Model



Transform and perform

WÄRTSILÄ'S STRATEGY IS BASED ON TWO KEY THEMES: TRANSFORM AND PERFORM.

The decarbonisation transformation in both the marine and energy sectors is accelerating. It is made possible by numerous new technologies and alternative fuels. Wärtsilä is set for performance and is well-positioned to drive this transformation.

Led by the key themes, we are shaping the decarbonisation of marine and energy.



2002–2010

LIFECYCLE POWER SOLUTIONS

Expansion into propulsion, services acquisitions



2011–2015

BECOMING A TOTAL SOLUTION PROVIDER

Expansion into environmental solutions, acquisitions in Electrical & Automation



2016–2020

SMART MARINE AND 100% RENEWABLE ENERGY

Digital solutions, end-to-end value chains, divestments



2021–

SHAPING THE DECARBONISATION OF MARINE AND ENERGY

Customer and services focus, technology leadership, organic growth, continuous improvement

Transform

DECARBONISATION CREATES NEW BUSINESS OPPORTUNITIES

Decarbonisation will transform the world and creates new business opportunities, both in marine and energy. In marine, there will be an unprecedented rate of change in new build and existing fleets. Regulations and the demand for green transport will accelerate change. In energy, electricity generation is expected to grow by 3X and renewables by 8X by 2050. By 2030, the balancing power market is expected to grow by 10X.

As a technology leader in the decarbonisation transformation, Wärtsilä has significant value creation potential as a pioneer and leading partner for decarbonisation. The company is the front-runner in developing technologies which can run on sustainable fuels, both carbon neutral and zero carbon fuels, such as bio-fuels, methanol, ammonia, and hydrogen blends. At the same time Wärtsilä delivers flexible solutions that maximise energy efficiency when still using fossil fuels.

Wärtsilä has a leading position in power system optimisation of different generating assets, where both energy storage and flexible grid balancing engine power solutions play a key role. In marine, Wärtsilä is a pioneer in electric drivetrains, carbon capture solutions, and in digital offerings related to marine optimisation. The company is also partnering up to offer complementary technologies for the decarbonisation transformation.



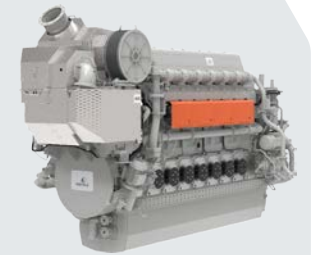
1 World-leading Sustainable Technology Hub opened to accelerate marine and energy decarbonisation

[Read more](#)

2 Next-generation Wärtsilä 31SG Balancer launched to enable renewables at lower cost

[Read more](#)

3 Launch of Wärtsilä 25 engine paves the way towards maritime decarbonisation

[Read more](#)

4 500 vessels of Anglo-Eastern's fleet connected with Wärtsilä's Fleet Optimisation Solutions platform

[Read more](#)

5 Maritime Carbon Capture test installation successfully running at 70% CO₂ capture rate

[Read more](#)

Perform

Wärtsilä is on a path to deliver its targeted results. The organic growth is driven by opportunities in decarbonisation, as well as in services. This is complemented by potential partnerships and synergistic bolt-on acquisitions.

The existing installed base provides a strong foundation for services growth. Moving up the service value ladder has significant growth potential, both in marine and energy, and is supported by our strong offering in the transactional services business, as well as performance-based agreements. The green transformation provides a notable opportunity for retrofits and conversions.

We focus on performance excellence and robust execution, building on transparency and accountability in our businesses. All our businesses have clear profit and loss responsibility, enabling decisions to be made closer to where customer value is created. To create sustainable long-term value, we foster high performing teams with a focus on continuous improvement. In doing so, we believe in attracting and retaining the best talent whom we care about and develop.

The strong balance sheet and financing structure support the strategy execution. Wärtsilä has clear financial targets and a strong commitment to realise them. With clear capital allocation principles and active portfolio management, we are set to deliver long-term shareholder value.

#1-3 in global markets

Financial targets:

- 5% annual organic growth
- 12% operating margin

Set for 30 decarbonisation targets:

- carbon neutral in our own operations by 2030
- a product portfolio ready for zero carbon fuels by 2030



Clear financial targets and strong commitment to realise them



Robust capital allocation principles and active portfolio management



Notable opportunity in retrofits and conversions



Extensive service network, positioned for growth both in transactional services and performance-based agreements



Focus on:

- High performing teams
- Performance excellence and robust execution
- Continuous improvement
- Cost structure – actions taken whenever and wherever necessary

Strategic priorities

1

EXCEL IN CREATING CUSTOMER VALUE

We continuously evolve our understanding of, and responsiveness to, our customers to make them successful.

2

DEVELOP HIGH PERFORMING TEAMS THAT MAKE A DIFFERENCE

We attract high performing people and excite diverse teams that excel in continuous learning and collaboration. Our leaders provide direction and support, empowering people to act.

3

DRIVE DECARBONISATION IN MARINE AND ENERGY

We accelerate decarbonisation in marine and energy through innovation, focused investments, and selective partnerships, while also decarbonising our own operations. We provide optimisation solutions and are a thought leader in the industries we serve.

4

CAPTURE GROWTH IN SERVICES

We excel in transactional and retrofit business. We move up the service value ladder by growing in performance-based agreements.

5

CONTINUOUSLY IMPROVE OUR END-TO-END VALUE CHAIN

We continuously improve our end-to-end business to meet customer expectations on quality, lead time and delivery accuracy, while reducing complexity and improving competitiveness. We leverage digitalisation throughout our value chain.

COMPANY TARGETS

NET SALES

Target

5% annual organic growth

Development

In 2022, organic net sales growth was 18% and net sales amounted to EUR 5,842 million.

PROFITABILITY

Target

12% operating margin

Development

In 2022, operating result amounted to EUR -26 million, which represents -0.4% of net sales.

DIVIDEND

Target

At least 50% of earnings

Development

The Board of Directors proposes that a dividend of EUR 0.26 per share be paid for the financial year 2022, representing -234.9% of operational earnings.

SET FOR 30 DECARBONISATION TARGETS

- A product portfolio ready for zero carbon fuels by 2030
- Carbon neutral in our own operations by 2030

Read more in the [Climate change and environment](#) section.

CAPITAL STRUCTURE

Target

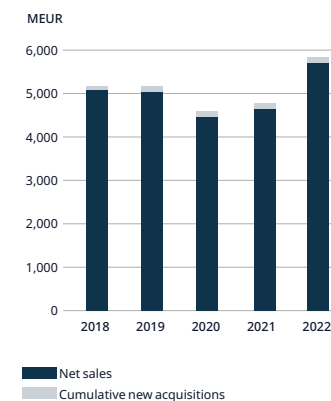
Gearing below 0.50

Development

In 2022, gearing was 0.23.

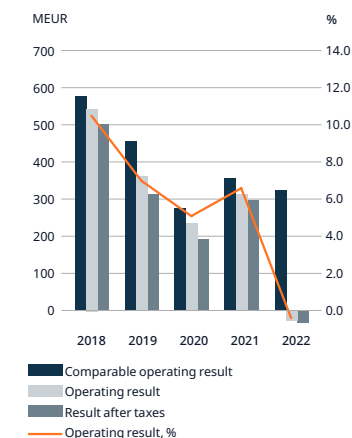
Wärtsilä drives growth by performing as a pioneer and a leading partner for decarbonisation. We can make a difference in our industries and in the world, while securing financial performance and delivering attractive long-term shareholder value.

Net sales

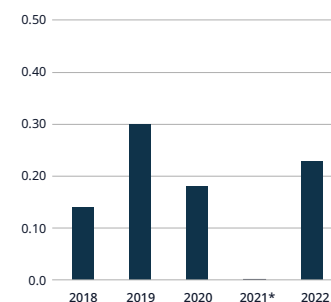


CAGR 2018–2022:
Wärtsilä's net sales +3.8% organically

Result

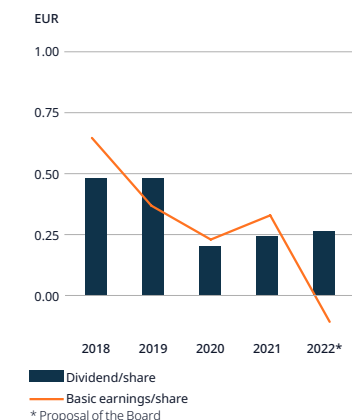


Gearing



* In 2021, gearing was 0.00

Dividend/share, earnings/share



Delivering customer value in marine

Decarbonisation is shaping the future of the marine industry with a targeted 50% reduction in GHG emissions from shipping by 2050. At Wärtsilä, we are well-positioned to support our customers in this decarbonisation transformation with fuel flexibility, efficiency optimisation, emission abatement technologies, and digital services. 2050 is a single vessel's lifespan away, and the technology decisions for new vessels are being made now.

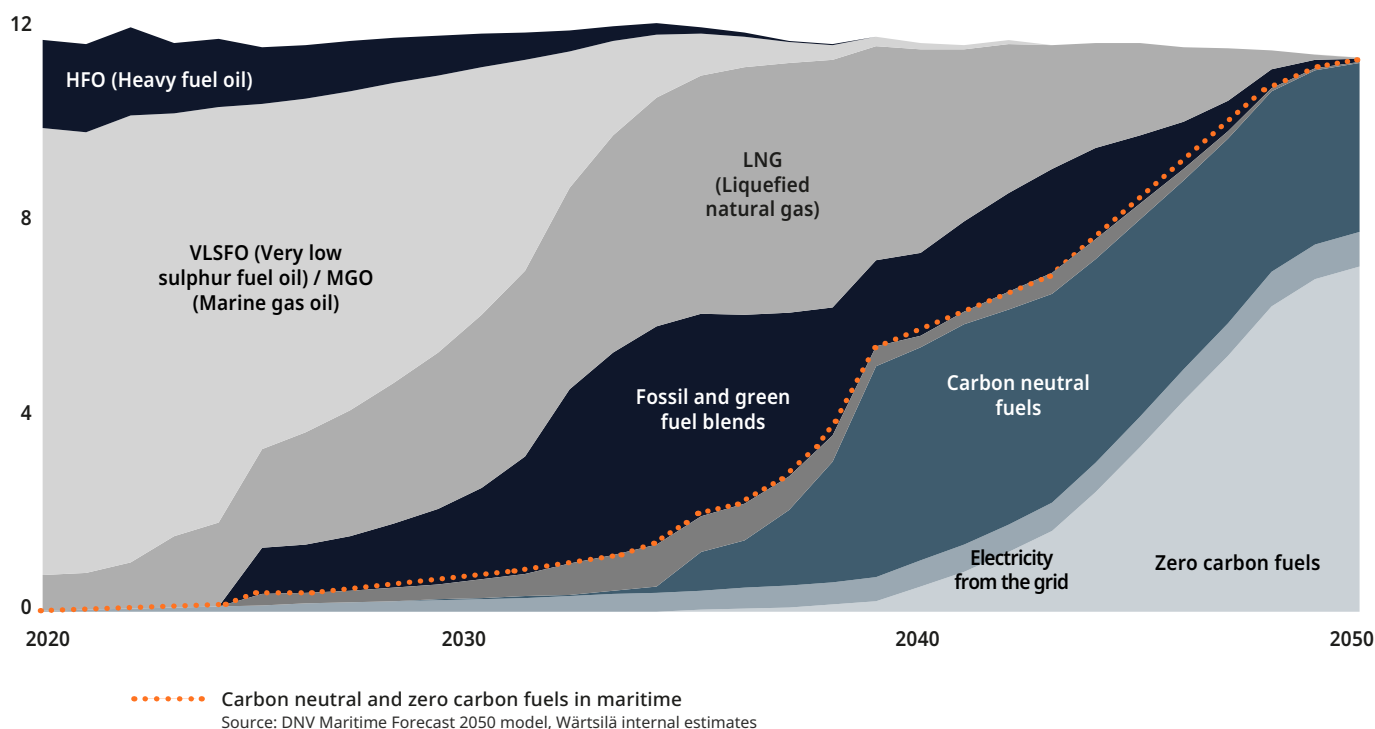
Wärtsilä is developing an unprecedented range of engine and fuel gas supply systems to help ship owners navigate the route to reduced greenhouse gas emissions – fuel flexibility and efficiency being at the centre of our development activities.

With Wärtsilä's multifuel technology, ranging from transition fuels to sustainable, 100% green fuels, our customers have a viable upgrade path for the future. Today, Wärtsilä has the most comprehensive development programme for sustainable fuel technologies in the industry, with proven 4-stroke technology for the use of MDO, LNG, LPG and methanol. Our future fuels R&D programme will deliver technology concepts for both ammonia (2023) and hydrogen (2025).

Wärtsilä is preparing for pilot projects in 2023-2024 with the intention to launch a maritime carbon capture (CCS) product to the market in 2025.

Wärtsilä's fleet optimisation and safety solutions manage voyage performance with real-time decision support, helping our customers in achieving optimised routing and port operations with tangible fuel savings.

Moving from a single-fuel industry to a multi-fuel one
Distribution of fuel types for Decarbonisation 2050 (1.5C scenario), EJ



DELIVERING CUSTOMER VALUE IN MARINE / HIGHLIGHTS 2022

Taking marine safety to the next level

Wärtsilä launched its new Smart Panoramic Edge Camera System (S.P.E.C.S), enabling 360 degree situational awareness streamed directly to the bridge in real-time, taking marine safety to a new level. In addition to eliminating blind spots with digital panoramic cameras located around the vessel, S.P.E.C.S can also provide a birds-eye view of the ship and its surroundings, give precise measurement of distances, and offer an augmented reality to identify targets and potential hazards.



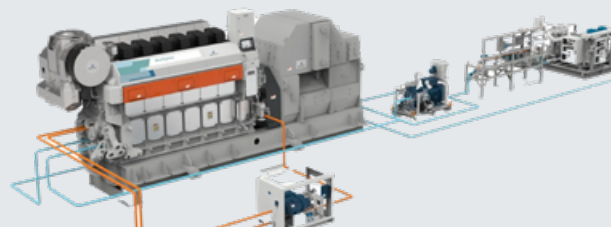
Supplying world's largest hybrid vessels

Wärtsilä will supply its hybrid propulsion system for three new RoPax vessels for Stena RoRo. Two of the ferries will have a battery capacity of 11.5 MWh, making them the marine industry's largest hybrid vessels to date. This battery power is approximately double that typically being used currently for hybrid propulsion. Wärtsilä has clear market leadership in the field of hybrid electric vessel systems.



Methanol milestone

The year 2022 saw the launch of the new Wärtsilä 32 engine and a methanol milestone with the first newbuild engine order for five Wärtsilä 32 engines capable of operating on methanol. MethanolPac, the new fuel supply system for methanol together with the company's retrofit and system integration capabilities further complement the new engine. These developments have extended Wärtsilä's leading position in supporting the maritime industry's decarbonisation ambitions, and in the use of this particular fuel, which is among the most promising sustainable fuel candidates.



Digitalising 21 ports in the United Kingdom

Wärtsilä signed a five-year framework agreement with Associated British Ports to digitalise operations at its 21 ports. Wärtsilä's solutions accelerate the digital transformation of port calls and operations, making them as efficient, sustainable, and safe as possible.

Equipping a major plant for the production of REEFUEL, climate-neutral bio-LNG

Wärtsilä will supply equipment for the world's second-largest plant capable of liquefying bio-methane and synthetic methane from renewable energy sources to produce carbon-neutral transportation fuel. When operational it will have a capacity of approximately 63,000 tons of Bio-LNG per year.

Tackling microplastics

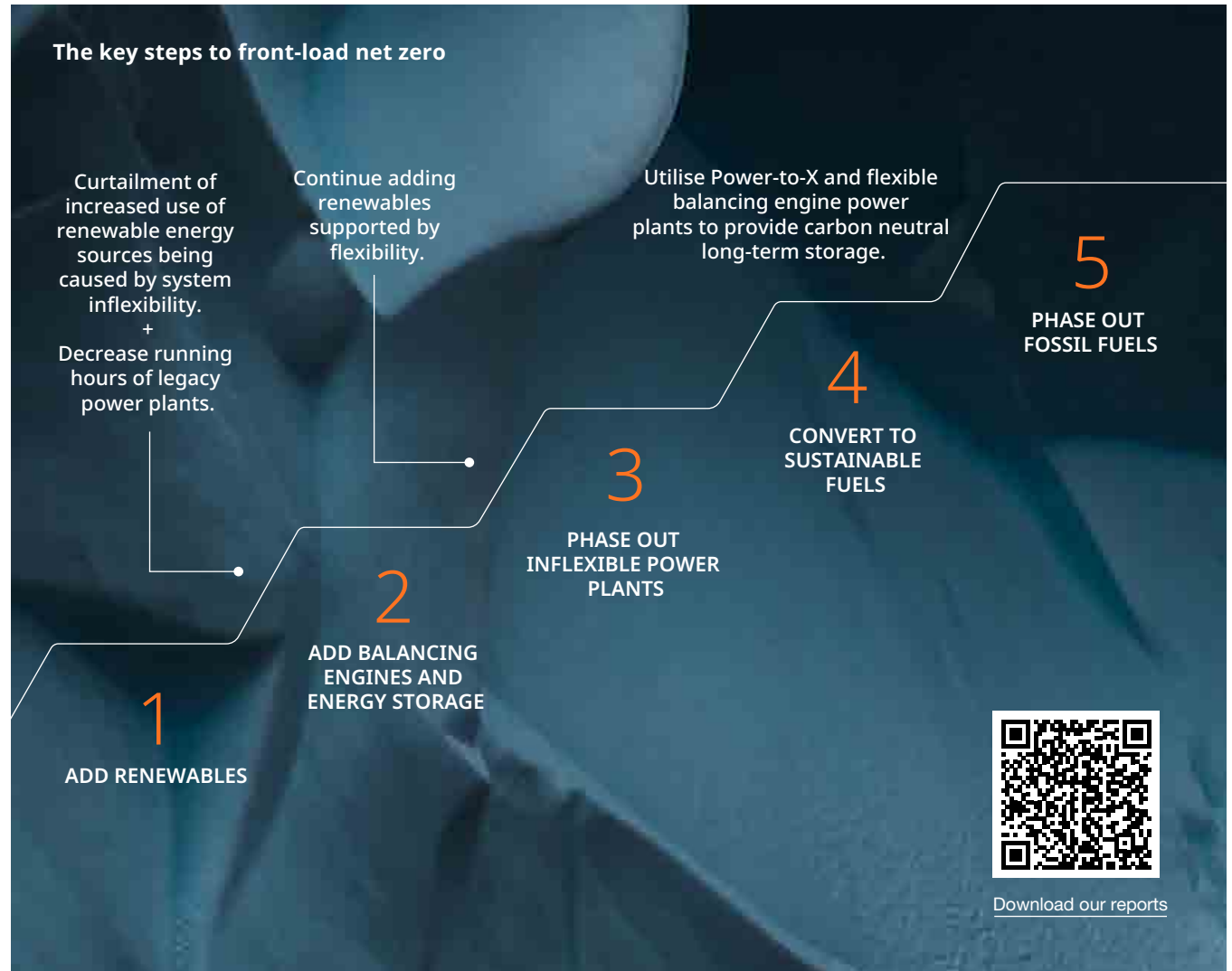
Wärtsilä and Grimaldi Group unveiled a new system that uses exhaust gas scrubber washwater to tackle the amount of microplastics in the world's oceans. Grimaldi has developed and patented a system that filters out microplastics from open loop scrubber washwater, which Wärtsilä in partnership with the Grimaldi Group, will take to market.

Delivering customer value in energy

Wärtsilä offers flexible energy storage, engine power plant solutions, and lifecycle services, providing both baseload generation and balancing power to support an optimised transition to renewable energy. Considering the intermittency of wind and solar, the transition to a 100% renewable energy future requires balancing power. Our market-leading technologies allow our customers to increasingly add renewables to their power system safely, to futureproof their assets, and to reduce costs and emissions. With our deep understanding of power systems and future generation technologies, we support our customers on their path towards decarbonised operations.

Our balancing solutions can ramp up and down quickly, keeping the power grid stable using energy storage solutions for shorter firming periods and dispatchable gas engines for unlimited periods. Grid balancing engine solutions and energy storage are complementary technologies. Our flexible engine power plants can already use 100% synthetic and carbon-neutral methane and methanol. They are also capable of using hydrogen/natural gas blends containing up to 25% hydrogen – and a pure hydrogen solution is in the pipeline.

As the share of renewables in the energy mix grows, more balancing power is needed. Careful planning of the development of power systems can save billions and rapidly reduce carbon dioxide emissions. We create value through our extensive power system knowledge and experience from integrating different generating assets. With our leading software platform, GEMS, we can help our customers optimise different generation assets, advancing the lowest overall energy cost. Wärtsilä has conducted more than 190 power system studies worldwide, and is well-prepared to support its customers in frontloading net zero.



DELIVERING CUSTOMER VALUE IN ENERGY / HIGHLIGHTS 2022**Modelling power systems**

In 2022, Wärtsilä highlighted its thought leadership with [power system modelling reports](#). These reports demonstrated e.g., how accelerating renewables can help Europe in the energy crisis, how Vietnam, the Philippines and Indonesia can transition to net zero emissions by mid-century, and how Nigeria, South Africa and Mozambique can leapfrog some developed nations with climate finance, effective planning and system reforms.

World's first of its kind blended hydrogen test

Wärtsilä and US partners succeeded with [world's first of its kind power plant fuel tests using blended hydrogen](#). Wärtsilä engine continued to supply power to the grid throughout the testing period, making this the largest internal combustion engine ever to operate continuously on a hydrogen fuel blend.

**Enabling a transition to renewables**

Wärtsilä will support Italy's journey toward more sustainable energy systems with a [natural gas fuelled 110 MW flexible power plant](#) in Cassano d'Adda. Wärtsilä's fast-starting internal combustion engine technology will be used to balance the power system and ensure its stability as the share of renewables is increased.

Pioneering case in Japan for hedging market price fluctuations

Wärtsilä will support integration of renewables into Japan's power mix with delivery of [gas fuelled engines for a new 100 MW power plant](#). This is one of the pioneering cases in Japan where a major power producer and supplier has opted for gas engine technology for a utility-scale power plant with the main purpose of supporting the emerging power capacity market, enabling the integration of renewable power.

**Supplying the world's largest solar-plus-storage project portfolio**

Wärtsilä will supply a [500-megawatt \(MWac\) / 2-gigawatt hour \(GWh\) portfolio of energy storage systems](#) for Clearway Energy Group in one of the world's largest ever solar-plus-storage project portfolios. The contracts cover five sites in Hawaii and California, supporting the United States' ambitious goal to reduce greenhouse gas pollution by more than 50% by 2030.

Delivering customer value in service

Wärtsilä's industry leading service network is a key enabler for superior uptime, reliability, and total lifecycle solutions, all of which ensure customer success. The network provides preventive, responsive, and optimised service, as well as lifecycle upgrades and remote support throughout the lifecycle of an installation. With our quality field service professionals around the globe, we can provide our customers with timely support wherever needed.

Wärtsilä has significant growth opportunities in all steps of the service value ladder. In transactional services, we support our customers by leveraging digital solutions for customer intelligence and automated lead management. We deliver enhanced performance through optimised maintenance and performance-based agreements, where we share the operational risk and guarantee the agreed performance by leveraging connectivity, big data, and analytics.

The green transition is expected to provide a more than EUR 2.5 billion opportunity for retrofits and conversions of Wärtsilä's running engine fleet over the coming 5-10 years.



DELIVERING CUSTOMER VALUE IN SERVICE / HIGHLIGHTS 2022



Introducing decarbonisation services for the energy sector

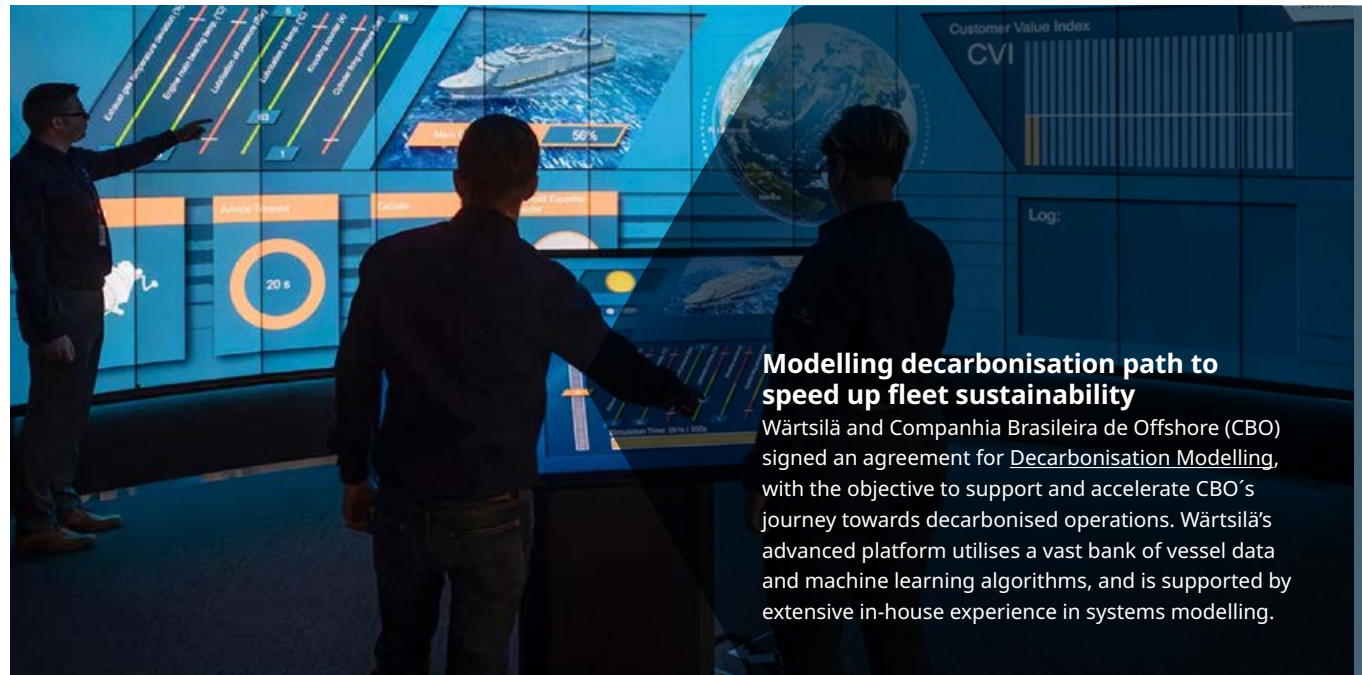
Wärtsilä's strategy for shaping the decarbonisation of the energy sector was strengthened with the introduction of a [Decarbonisation Services business model](#). With the ultimate aim to help Wärtsilä's customers to decarbonise their assets, the service utilises the company's sophisticated power system modelling and optimisation tools alongside in-house expertise to reduce power system emissions and energy costs.

Long-term performance guarantees

Wärtsilä signed a [full Operation and Maintenance \(O&M\) agreement](#) with Termocabo S.A. The customer's plant operates with three Wärtsilä 46 engines, and the agreement includes performance guarantees regarding their availability and fuel consumption.

Extensive service agreement to optimise performance

Wärtsilä will provide technical support via a [long-term service agreement for the broad scope of Wärtsilä solutions](#) installed on Brittany Ferries' latest RoPax vessel. The agreement includes remote operational support, the Expert Insight digital predictive maintenance solution as well as long-term maintenance planning to optimise the ship's operational performance, thus further raising its level of sustainability.



Modelling decarbonisation path to speed up fleet sustainability

Wärtsilä and Companhia Brasileira de Offshore (CBO) signed an agreement for [Decarbonisation Modelling](#), with the objective to support and accelerate CBO's journey towards decarbonised operations. Wärtsilä's advanced platform utilises a vast bank of vessel data and machine learning algorithms, and is supported by extensive in-house experience in systems modelling.

Delivering customer value through leading R&D and partnerships

At Wärtsilä, we believe that there will be a need for a broad array of solutions to decarbonise marine and energy. Different solutions will be used in different applications and in different geographies. There will be a gradual shift to new technologies, blending different types of fuel. Our in-house focus will remain on the development of core technologies. Through partnering with technology providers, we can ensure a broad solution offering for our customers.

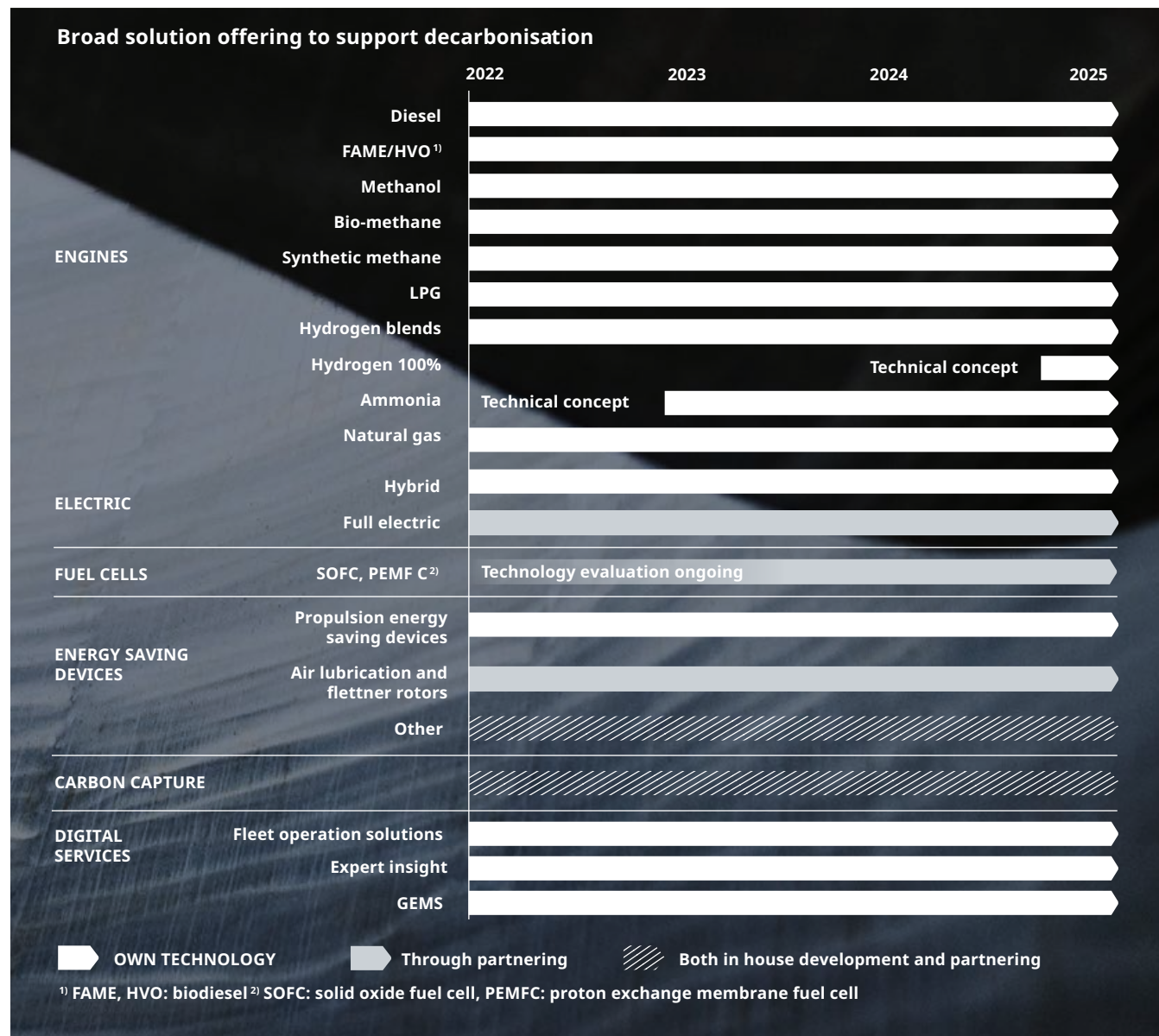
We continue to see strong synergies between marine and energy in research and development (R&D) and manufacturing of the new technologies. Throughout the decarbonisation transformation, Wärtsilä will continue to invest a stable ~3% of net sales in R&D.

A proactive dialogue on our customers' specific technology roadmap

The competence and experience to engage in a credible customer dialogue on "all" technologies

A solution offering for "most" technologies

Leveraging leadership in core technologies and partnering for complementary technologies





[This is Wärtsilä](#)

[/ Sustainability](#)

[/ Governance](#)

[/ Financial review](#)

Sustainability



Sustainability at Wärtsilä

Sustainability at Wärtsilä

OUR SUSTAINABILITY APPROACH

At Wärtsilä, sustainability is at the core of our purpose and strategy. Along with our values, principles, and sustainability objectives, they create the framework for our product development and responsible business practices. Our [sustainability strategy](#) is based on three closely interrelated pillars: economic, environmental, and social performance. We aim to be a profitable company that contributes towards the well-being of society by being a forerunner in sustainable solutions while

demonstrating high ethical, and health and safety standards. With our strong emphasis on decarbonising the marine and energy markets, innovative and efficient solutions play a central role in our positive contribution towards a low carbon future. Wärtsilä businesses focus on developing and providing solutions and services that maximise the environmental and economic performance of fleets and individual vessels, power plants and entire energy systems. This focus is further enhanced through the use of lifecycle data, analytics and artificial intelligence.

Our [sustainability targets](#) express our focus areas and provide information on Wärtsilä's performance. They are set under three long-term focus themes:



Towards carbon neutrality

Decarbonisation in our operations, and the products and solutions we deliver.



Enhancing safety, diversity and wellbeing

Driving safety as a top priority and creating wellbeing for our employees, business partners, and the societies we engage with.



An active and responsible member of society

Being a responsible company with high ethical standards, and engaging with key stakeholders to enhance sustainability.

The targets are dynamically set, which allows us to re-evaluate the feasibility of the targets in case of major changes, and to add new targets when needed, on an annual basis.

Wärtsilä is included in several sustainability indices. In 2022, Wärtsilä was selected as an index component of the Dow Jones Sustainability Indices (DJSI), both in the DJSI World and DJSI Europe indices, for the seventh year in a row. We are also included in the FTSE4Good Index Series, Ethibel Sustainability

Wärtsilä's sustainability approach

PURPOSE

Enabling sustainable societies through innovation in technology and services

SUSTAINABILITY STRATEGY

VALUES

Customer success
Passion
Performance

Economic

Meeting customer and shareholder expectations
Contributing to the well-being of society
Efficient, profitable and competitive operations

Environmental

Innovative solutions for decarbonisation
Technology leadership through R&D
High environmental performance and efficiency
Active engagement in ecosystems

Social

High ethical standards
Responsible employer
Equal opportunities and diversity
Safe working environment
Enhanced product safety
Supply chain development

PRINCIPLES

Code of Conduct
Corporate policies
Corporate manual

SUSTAINABILITY MANAGEMENT

Sustainability targets

Management systems, tools and practices

Sustainability measuring, reporting, external assurance

Stakeholder dialogue and collaboration

Index (ESI) Excellence Europe, MSCI ACWI ESG Leaders Index, S&P Europe 350 ESG Index, ECPI ESG Indices, OMX GES Sustainability Finland Index, and the STOXX Global ESG Leaders Index. More information can be found on [our website](#).

SUSTAINABILITY GOVERNANCE

Sustainability is governed by the Board of Directors and the Board of Management. The Board of Directors oversees the implementation of the sustainability strategy and reviews major related issues on at least an annual basis. Wärtsilä's Board of Management has overall responsibility for sustainability performance and approves the guiding group-level policies. Wärtsilä's sustainability targets and the company's progress towards them are reviewed by the Board of Management and Board of Directors at least twice a year. All the targets have nominated target owners, who prepare action plans, oversee their implementation, and report on the proceedings. The management teams of the businesses and global functions ensure execution of the target actions.

In addition to the Board of Management's weekly and monthly meetings, there are ten thematic Boards, as well as Business Reviews and Functional Reviews, for each Global Function three times a year. Sustainability issues are discussed within the Corporate Affairs Board, which is sponsored from the Board of Management by the Executive Vice President, Corporate Relations and Legal Affairs, and in Functional reviews. Sustainability-related issues for the Corporate Affairs Board meetings are prepared by the cross-functional Corporate Relations and Sustainability Committee. In 2022, the committee convened five times and the Corporate Affairs Board twice.

Wärtsilä's sustainability function is responsible for providing the necessary information to management, identifying development needs, as well as for coordinating sustainability programmes and preparing instructions. The function cooperates closely with the businesses, human resources, legal affairs and compliance, and central supply management. It also collects and consolidates sustainability data from the subsidiaries and is responsible for

“Our systematic approach to managing sustainability is well reflected in numerous external recognitions.”

Marko Vainikka, Vice President, Corporate Relations and Sustainability

sustainability reporting. The [Non-Financial Report](#) is prepared together with Wärtsilä's Finance and Control.

SUSTAINABILITY MANAGEMENT AND MATERIAL TOPICS

Wärtsilä's sustainability is systematically managed through group-level policies, management systems, and practices in place for material sustainability topics and impacts. The management approach covers procedures, processes, and systems to manage and monitor material topics.

Guiding principles	Management areas	Material topics
• Code of Conduct • QEHS Policy • Policy of human rights, equal opportunities and fair employment practices • Corporate Manual	• People and culture • Product design • Environmental management • Occupational health and safety management • Responsible business conduct • Supply chain management	• Emissions • Environmental compliance • Economic performance • Training and education • Occupational health and safety

The guiding principles lay the foundation for uniform management practices. Our [Code of Conduct](#) defines common rules for all employees and provides guidance on our approach to responsible business practices. [The Quality, Environmental,](#)

[Health and Safety Policy](#) sets principles for managing the environmental impacts of our products and services. The [policy on human rights, equal opportunities and fair employment practices](#) creates a common framework for employee practices in all group companies. It covers human and labour rights, equal opportunities, well-being at work, non-harassment, and remuneration. The Corporate Manual also includes other policies, such as [anti-corruption](#), compliance reporting, and supply management policies. The purpose of the manual is to safeguard compliance with relevant legislation, and to provide further guidance concerning daily business conduct.

SUSTAINABILITY RISK MANAGEMENT

Wärtsilä identifies and assesses on an annual basis its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. In 2021, together with an external partner, we finalised a sustainability risk assessment project, the purpose of which was to identify and evaluate strategic and operational sustainability risks relevant to Wärtsilä. As part of the project, we organised management workshops, assessed the risks via a survey, and validated the risks through a series of workshops for management, regions, and supply chain management. Results of the project have been connected to Wärtsilä's enterprise risk management (ERM) system. In general, the sustainability risks, both strategic and operational, are assessed to be low for Wärtsilä. However, strategic risks

are evaluated as being slightly more significant than the operational risks. Based on our sustainability risk assessment, the most relevant strategic risks for Wärtsilä are related to ethical business conduct, regulatory compliance, understanding customer sustainability demand, financing, and climate change impacts. Further information on risks can be found in the [Risks and risk management](#) section.

STAKEHOLDER ENGAGEMENT

Active engagement with our stakeholders is vital for the development of our business activities, as well as for exchanging information, building long-lasting relationships, and contributing to sustainable societies. At the corporate level, we have defined our most important stakeholders as being our customers, owners, suppliers, employees, and society in general. Wärtsilä subsidiaries define their own primary stakeholders. In addition to those mentioned above, these typically include residents close to production plants, educational institutes, and public authorities. We engage with our stakeholders in numerous ways, including meetings and events, joint projects, communication channels, and collaboration platforms.

We also participate and hold memberships in organisations that are significant to the company's business strategies and markets. We engage in activities organised by various international and national organisations and associations through our daily work, board and working group activities, as well as meetings, seminars and conferences. More information about our activities with stakeholders, engagement channels, and memberships can be found on our [website](#).

SUPPLY CHAIN MANAGEMENT

Suppliers and business partners are an important and integral part of the total value chain for Wärtsilä's products and services. The supply base is extensive with around 28,000 active supplier accounts, with most key suppliers being located in Europe. We expect our suppliers to conduct their businesses in compliance with the same high legal and ethical standards and business practices as ours. Wärtsilä has mandatory [supplier requirements](#)

for areas of compliance with legislation, environmental aspects, quality, occupational health and safety management, social performance, and cyber security. Compliance with these requirements is assessed, both in the selection and onboarding of new suppliers, as well as in the company's continuous supplier performance management. The supplier requirements are included in our standard supply agreements. In addition, we have product and service-specific requirements, for which compliance is assessed as part of the above-mentioned continuous supplier performance management process.

In the supplier assessment, we utilise a number of methods and tools. These include online and offline questionnaires, global database searches, onsite evaluations and various audits, which are completed with mitigation plans being made together with the suppliers for any findings identified. The supplier assessment is completed with a supplier rating being applied. The responsible category management teams carry out the assessment together with other functions within Wärtsilä and with the suppliers. More information concerning our supplier assessment process is available on our [website](#).

COMMITMENTS AND PRINCIPLES

Wärtsilä has signed the United Nations Global Compact initiative and supports its ten principles with respect to human rights, labour, the environment, and anti-corruption. We are committed to aligning our strategy, culture, and day-to-day operations with these principles, and to engaging in collaborative projects that advance sustainable development. Our Code of Conduct and sustainability approach provide the main framework for promoting the principles within our sphere of influence. In 2022, Wärtsilä joined the UN Global Compact Climate Ambition programme to support our decarbonisation ambition.

Wärtsilä also contributes in a positive way to several of the United Nations Sustainable Development Goals (SDGs) through our purpose and strategy, targets, policies, initiatives, innovations, and partnerships. We are committed to developing solutions, together with our stakeholders, that solve the societal challenges laid out

in the SDGs, while also generating new business opportunities. In particular, we play a vital role in driving the decarbonisation of the energy and marine sectors. We have reviewed all the SDGs and their targets and have identified priority goals for Wärtsilä. These are most notably SDG7 Affordable and Clean Energy, SDG9 Industry, Innovation and Infrastructure, and SDG13 Climate action.

SDG	How we contribute
 7 AFFORDABLE AND CLEAN ENERGY	- Energy solutions towards a 100% renewable future - Thermal balancing and energy storage - Energy efficiency and power system optimisation - Decarbonisation services - Future fuels research and development
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	- Sustainable innovations - R&D investments and partnerships - Infrastructure projects - Manufacturing employment - Upgrades and retrofits
 13 CLIMATE ACTION	- Purpose and strategy 'Set for 30' decarbonisation targets and programme - Decarbonisation technology, solutions, and services - Clean fuels research - Partnerships and projects

More information on our contribution to the SDG themes can be found in the following sections: [Responsible Business Conduct](#), [Climate Change and Environment](#), [Occupational Health and Safety](#), and [People and Culture](#).

We also participate in several voluntary initiatives, agreements, and commitments such as the Finnish Energy Efficiency Agreement, and sustainable business coalitions such as the [ZEEDS initiative](#) and the [Getting to Zero Coalition](#). More information on our sustainability work is also described in the following sections: [CEO review](#), [Strategy](#) and [Non-financial report](#).

Sustainability targets

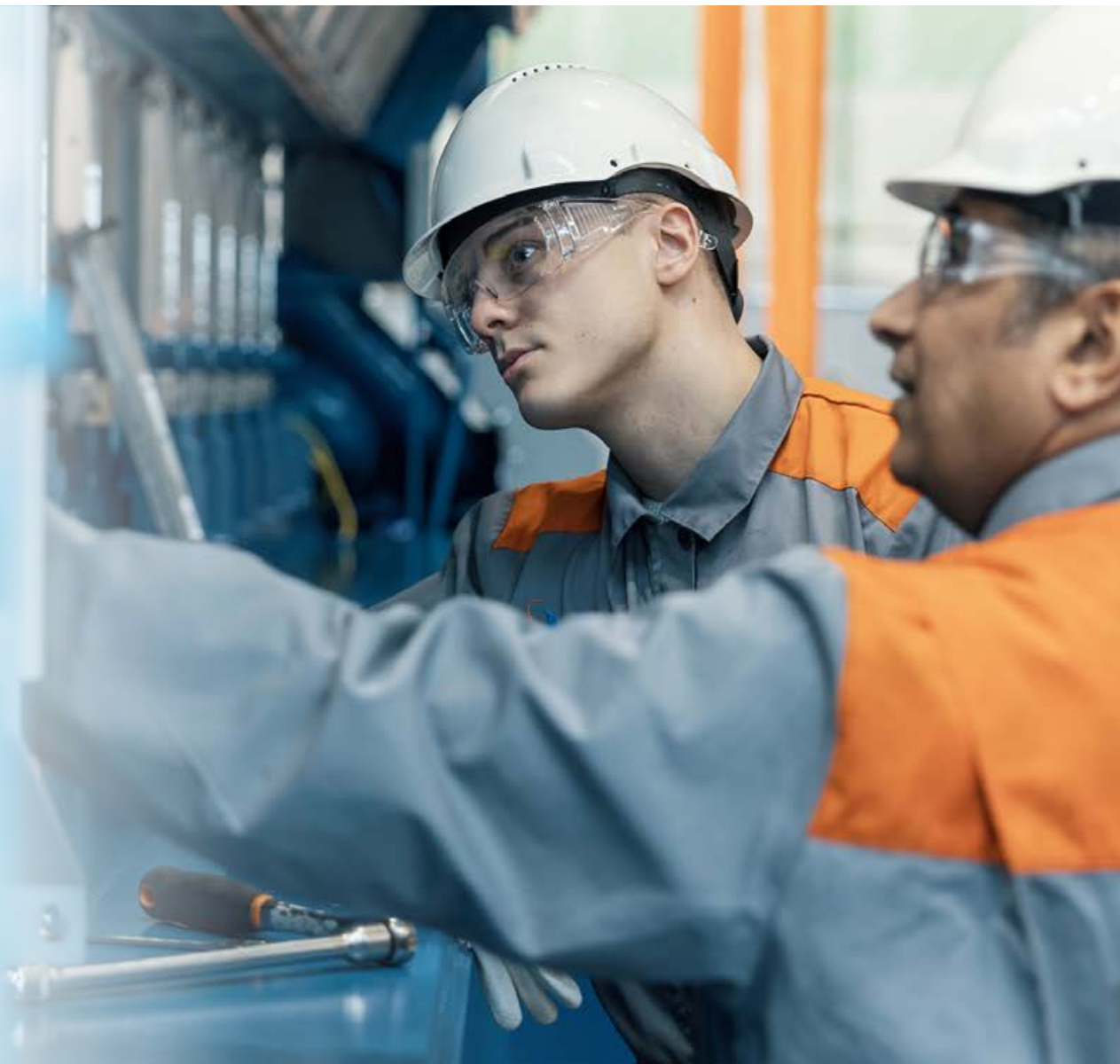
Towards carbon neutrality

OWN OPERATIONS	Target year	Status in 2022
To become carbon neutral in our own operations.	2030	In 2022, the emission reduction measures and targets for the first phase (2022-2024) of our decarbonisation roadmap were confirmed. The main measures taken to reduce greenhouse gas (GHG) emissions were the purchase of green electricity in Europe, kicking off country-specific CO ₂ e emissions reduction assessments, and identifying measures to reduce GHG emissions in R&D and factory engine testing. During 2022, we were able to reduce our CO ₂ emissions (Scope 1 and 2) by 13,400 tCO ₂ e. Read more in the Climate change and Environment section.
100% renewable generated electricity purchases in Sustainable Technology Hub, Vaasa, Finland.	2022	The target was achieved.
Reduce energy consumption by at least 7% from 2015 levels in terms of absolute consumption (GWh).	2025	By the end of 2022, energy savings of 10.2 GWh were achieved, representing 34.1% of the final 2025 target.



Towards carbon neutrality

PRODUCTS AND SOLUTIONS	Target year	Status in 2022
To provide a product portfolio that will be ready for zero carbon fuels.	2030	In 2022, the second phase of testing with a demo engine running on pure hydrogen was finalised. The testing validated that the engine can be operated with pure hydrogen. In 2023, we will continue with the third phase of testing. As regards ammonia, we developed four technology concepts for utilising it as engine fuel. The validation and improvement of selected concepts will continue in 2023. Industrialisation of the selected concepts starts in 2023.
Next DF pilot installation – Reduce methane slip by more than 50%, leading to greenhouse gas emission reductions of 10% from the current Best Available Technology (BAT) level.	2022	The first Next DF pilot installation was in operation on one of the four Wärtsilä 31DF engines onboard the M/S Aurora Botnia. The methane slip reductions are measured by the VTT research institution as part of an EU funded GREEN RAY project. The target was achieved.
Complete the first power-to-X and X-to-power demonstrator project.	2023	Pre-engineering of the Vantaan Energia project was completed in 2022. The project will be handed over to the customer in 2023. Wärtsilä also participates in the H-Flex-E project, which aims to demonstrate the complete chain of Power-to-X-to-Power capabilities based on green hydrogen by 2025-2026.
Enable greater deployment of renewables with an energy storage project capacity totalling 1,000 MWh.	2022	In 2022, the deployed energy storage project capacity totalled 545 MWh, while the order intake was in excess of 2,118 MWh.



Enhancing safety, wellbeing and diversity

ENHANCING SAFETY	Target year	Status in 2022
Reach the long-term goal of zero injuries.	Long-term target	In 2022, the corporate lost time injury frequency rate (LTIF) was 1.58, and the total recordable injury frequency rate (TRIF) 2.57. 2022 was the final year of implementing the 4-year Xcel Safety 2022 programme, which resulted in a total 37% reduction in LTIF and 47% reduction in TRIF. Wärtsilä also prepared a new safety programme 'Success through safety' for 2023-2026. Read more in the Occupational health and safety section.
Establish a contractor EHS (environmental, health & safety) compliance programme including requirements, implementation, consultation, auditing, measuring, target setting, and reporting.	2022	A cross-business project team actively co-ordinated the development and initiation of the contractor EHS compliance programme in 2022. Concrete outcomes were an improved contractor EHS assessment process, which will be introduced in 2023, as well as enabling contractors to take the Wärtsilä health and safety online training. In 2023, the EHS compliance programme will be incorporated into Wärtsilä's 'Success through safety' programme.
Develop an enhanced safety philosophy at the Smart Technology Hub (STH).	2022	The STH was inaugurated in 2022. Work station safety has been continuously developed and further improved together with the cooperation of the personnel. Manual handling of components has been minimised and occupational, chemical, and fire safety precautions have been taken into use. The focus has been on training and the induction of the personnel, and implementing the 100% Safety concept.

Enhancing safety, wellbeing and diversity

ENHANCING WELLBEING AND DIVERSITY	Target year	Status in 2022
Achieve an employee engagement index above 80%.	2023	The latest Wärtsilä global engagement survey, MyVoice, was conducted in April-May 2022 with an employee engagement index score of 80%.
Personnel development – reach 100% Development Discussion completion rate.	2023	By the end of 2022, altogether 99% of the company's employees had completed development discussions.
Diversity – increase the share of females in the workforce to 20%.	2023	In 2022, the share of female employees was 17%.
Reach equal pay for males and females as specified (100%).	2023	During 2022, females earned 103% of the average male salary*.

*Based on active employees, converted into 1FTE (full-time equivalent, 100% working time), excluding trainees and top management.



An active and responsible member of society

AN ACTIVE AND RESPONSIBLE MEMBER OF SOCIETY	Target year	Status in 2022
Achieve a Code of Conduct training coverage of 100% to ensure commitment to the Code of Conduct throughout the organisation.	2022	As at the end of 2022, the Code of Conduct training coverage was 96% of all employees.
Prepare new content for the ethical discussions programme.	2022	The new ethical discussions programme was postponed to 2023.
Launch of an enhanced anti-corruption training programme.	2022	Development of the contents of the e-learning module were completed by the end of 2022. The launch of the e-learning took place in January 2023.



Responsible business conduct

Contributing to the following United Nations Sustainable Development Goals:



Our employees represent approximately 130 nationalities in more than 70 countries, and we have delivered solutions to 180 countries. As a truly international company, and having employees from different cultures all over the world, common values and ethical principles help us in setting a consistent approach for responsible business conduct. Since we also support our solutions globally during their entire lifecycle, often spanning up to 30 years, we can at times be present in countries facing various uprisings, ethnic conflicts, area disputes, or violations of human rights. This emphasises the importance of our focus on responsible business practices. Taking pride in diversity, providing equal opportunities, and demonstrating high ethical standards are all part of our [purpose](#). We also strive to demonstrate this through actions taken in our everyday work.



VALUES AND CODE OF CONDUCT PROGRAMME

At Wärtsilä, we aim at having the best possible working culture, where ethics and compliance are at the core of our business practices. This requires that all of our employees in all our various locations understand and apply the same principles as defined in our [Code of Conduct](#). We take an active approach to applying the Code of Conduct, and its supporting policies. We promote its implementation through support material and processes, group-wide mandatory e-learning programmes and other training courses, management systems, reporting and investigating non-compliance cases, monitoring, and by communicating activities.

Our Values and Code of Conduct programme includes various actions aimed at strengthening the ethical culture of our company. These include the signing of an individual Code of Conduct Undertaking letter, an e-learning programme, and individual discussions, all of which are aimed at creating common understanding and strengthening the values and principles that we expect. Our Code of Conduct e-learning programme provides information about the Code and its themes, as well as guidance for employees on making the right decisions in their everyday work. Employees are required to renew the mandatory training every second year. At the end of 2022, 96% of Wärtsilä's employees had successfully completed the e-learning programme. In 2023, we also plan to prepare new content for our ethical discussions programme.

RESPECTING HUMAN AND LABOUR RIGHTS

Wärtsilä supports and respects internationally recognised human rights as outlined in the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We also support the Ten Principles of the UN Global Compact, of which six principles are related to human and labour rights. We work to ensure that there is freedom of association and the right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, employees are offered other channels for expressing their opinions.

Implementation of the Code of Conduct

Code of Conduct

- Compliance with law
- Openness
- Respect for human and labour rights
- Fair employment practices
- Conflict of interest
- Anti-corruption
- Environment
- Occupational health and safety
- Relationships with authorities and local communities
- Innovation and protection of proprietary information
- Accuracy of accounting records
- Competition and fair dealing
- Anti-fraud
- Implementation
- Reporting violations
- Sanctions

Supporting policies

- Human rights, equal opportunities and fair employment practises
- Quality, Environmental, Health and Safety (QEHS)
- Anti-corruption
- Supply management
- Compliance reporting
- Broker, Agent & Distributor
- Accounting manual
- Intellectual property
- Competition law compliance
- Trade compliance
- Personal data protection
- Subsidiary governance

Processes, training, and communication

- Group-wide mandatory Code of Conduct and anti-corruption e-learning programmes
- Signing of an individual Code of Conduct undertaking
- Dedicated Code of Conduct and compliance intranet pages
- Support material in multiple languages
- Values and Code of Conduct discussion sessions
- Training on implementing policies
- Risk management processes
- Management systems
- Supplier compliance assurance procedures
- Reporting and investigation of non-compliance cases
- Monitoring and evaluation
- Communication of activities

Our Code of Conduct and [Policy on human rights, equal opportunities, and fair employment practices](#) define common rules, and provide guidance for all employees on respecting human and labour rights and fair employment practices. Human and labour rights are also included as part of the requirements stated in the [Wärtsilä Supplier Handbook](#), as well as in our supplier risk assessment and compliance assurance

procedures. Additionally, human rights considerations and international best practices are incorporated within various guidelines, such as the [Quality, Environmental, Health and Safety Policy](#), which sets priorities for enhancing health and safety in our business operations. Human rights are also included in the mandatory Wärtsilä Code of Conduct e-learning for all employees.

According to the sustainability risk assessment project that we carried out in 2021, the human rights themes of particular importance to Wärtsilä are health and safety, and fair labour practices, which include fair employment conditions, freedom of association, non-discrimination, and non-harassment. One particular challenge to our operations is the nature of maintenance operations carried out by our service personnel. These can require long working hours in the case of, for example, power block-outs. More information on our human rights related actions are presented in the [Occupational Health and Safety](#), [People and culture](#), and [Social data](#) sections.

PREVENTING CORRUPTION AND BRIBERY

Wärtsilä's Code of Conduct, [Anti-Corruption Policy](#), as well as specific policies implemented for sales intermediaries, namely Agent, Broker and Distributor Policies, expressly prohibit the company and its employees from offering or accepting any kind of benefit considered to be a bribe, and from taking actions that could give rise to a conflict of interest or breach of loyalty. The policies make it compulsory to comply with the anti-corruption laws of all the countries in which we do, or intend to do, business and urge the reporting of any cases of corruption and bribery. We are aware that the risk of corruption and fraud is heightened in many markets where we operate. Therefore, full compliance with a stringent anti-corruption regime is required of all employees. Anti-Corruption risk assessments are carried out regularly as part of our continuous anti-corruption improvement efforts. In 2022, no instances of substantiated corruption or bribery were identified.

We also maintain an extensive training programme that is mandatory for all employees on anti-corruption principles and applicable legislation, as well as the relevant company policies and procedures. As at the end of 2022, 66% of Wärtsilä's employees had successfully completed the Anti-Corruption e-learning course. Separate anti-corruption and anti-bribery training sessions and awareness raising actions are also organised on a local level.

POLITICAL LOBBYING

Wärtsilä's policy is to engage in an open dialogue and discussion with both local and international public authorities and officials. The aim of the dialogue is to share information and improve the quality of regulations. We participate in public consultations in those areas of importance to the company, and are registered in the EU's Transparency Register. In 2022, topical political lobbying themes for Wärtsilä were the acceleration of decarbonisation in the marine and energy sectors, the EU Fit for 55 legislative climate package, the EU sustainable finance taxonomy regulation, the EU Data Act, the REPowerEU Plan, and the EU emergency market intervention to address high energy prices.

At Wärtsilä, influencing activities fall under the responsibility of the Executive Vice President, Corporate Relations and Legal. The current positions of trust held by members of Wärtsilä's Board of Directors and Board of Management are presented in the [Governance](#) section.

COMPETITION REGULATION

Wärtsilä has in place a competition compliance programme for managing risks relating to competition law, and our management is strongly committed to implementing this programme. The cornerstone of the programme is a competition law policy, which is kept up-to date, providing information on competition rules and guidelines for our personnel. The competition compliance programme builds upon an e-learning module, based on competition law policy. In addition, competition compliance training sessions were held in 2022 for relevant personnel in order to promote understanding of competition laws and their compliance requirements.

REPORTING MISCONDUCT

Wärtsilä employees are encouraged to voice their concerns relating to any potential violations of the Code of Conduct and its underlying policies and instructions. The reported misconduct cases are investigated either locally or centrally, as appropriate. The primary means for reporting suspected misconduct incidents is via the line management. However, employees also

Maintaining a strong ethical culture requires continuous focus and development."

Sari Kolu, Director, Compliance

have alternative reporting routes, including an externally hosted whistleblowing channel available in 16 languages, reporting directly to the compliance function, or by informing legal affairs. If a suspected violation involves the top management of Wärtsilä Corporation, or where the suspected case is believed to be significant, the Audit Committee of the Board of Directors of Wärtsilä Corporation can be contacted directly.

Employees who report a potential Code of Conduct violation in good faith will not suffer harassment, retaliation, or adverse employment consequences. In all cases, our employees can seek advice on ethical and lawful behaviour and on matters of integrity from Wärtsilä legal counsels or from the compliance function. In 2022, a total of 112 reports of suspected misconduct incidents were made. All reported incidents are investigated and appropriate corrective actions are taken, as necessary. The majority of all reported incidents are grievance cases.

Find more information in the [Compliance data](#) section.

Climate change and environment

Contributing to the following United Nations Sustainable Development Goals:



We strive to support our marine and energy sector customers on their decarbonisation journey. For this, we continuously invest in innovation and product development to deliver sustainable technologies and solutions. Furthermore, we also do our part as an organisation to minimise our own environmental footprint. Our goal is to become carbon neutral in our own operations and to provide a product portfolio ready for zero carbon fuels by 2030.



Core elements of Wärtsilä's decarbonisation actions



PRODUCTS AND SERVICES

Offering innovative technologies and lifecycle solutions with high efficiency and low emissions



OPERATIONAL MEASURES

Targeting carbon neutrality and continual environmental improvements



SYSTEM LEVEL SOLUTIONS

Improving and optimising overall efficiency and lowering emissions at system level



R&D

Developing sustainable and future proof technologies



COLLABORATION

Joining forces with stakeholders in promoting climate and environmental actions

their total environmental impact. We manage the lifecycle of our products through their design, the careful selection of suppliers, production methods, and by optimising transportation, maintenance, and repairs during their operational life. The reconditioning of products and components increases their reliable service life, while modernising improves the existing operational performance of installations.

Decarbonisation is a priority in our product and product portfolio development, including abatement technologies. We are developing a broad range of technologies and solutions to support our customers in their decarbonisation transition. Carbon neutral fuels can be used already today, and we are developing our portfolio further so that zero carbon fuels, for example, ammonia and hydrogen, can be used before 2030. Our sustainability ambitions include targets for our product development. In addition to a product portfolio ready for zero carbon fuels, our [sustainability targets](#) are related to reducing methane slip, a power-to-X and X-to-power demonstrator project, and increasing our energy storage project capacity.

INNOVATING FOR SUSTAINABILITY

R&D and innovation

Decarbonisation requires a broad range of solutions. We offer technologies and solutions that enable the transition to decarbonised shipping and 100% renewable power systems. Our product and solution portfolio includes technologies related to efficiency optimisation, fuel flexibility, emission and noise abatement, waste treatment, effluent and ballast water treatment, as well as flexible energy storage systems, engine and hybrid power plant solutions, and lifecycle services. Our proactive approach to meeting future demand has resulted in the development of both primary and secondary abatement technologies, and has broadened the range of usable fuels. With the help of intelligent digital solutions and services, data can be collected, analysed, monitored and reported, allowing us to optimise operations and reduce environmental impact.

Our sustainable solutions and services include the following features:

- Low emission and noise levels
- High efficiency
- Digital intelligence
- System level optimisation
- Compliance with environmental regulations
- Fuel flexibility
- Renewable energy integration with engines and storage systems
- Dynamic capabilities
- Low water consumption
- Lifecycle support and optimisation
- Reliability, safety, and an extended lifespan

As our products have a long operational life, identifying the lifecycle impacts of our products is essential for understanding

Strategic partnership agreements with universities

[Wärtsilä and Aalto University](#) in Finland signed a new three-year strategic partnership contract. The agreement covers three themes: research and insight, business development, and talent recruitment and educational collaboration. The long-term research cooperation in fossil-free fuels and their combustion phenomena continues, but the aim is to expand cooperation also to other fields. [Wärtsilä and the University of Turku](#), Finland also signed a strategic partnership agreement aimed at enhancing long-term collaboration on sustainable well-being, competitiveness, and vitality through research, education and societal interaction.

Innovations and partnerships in 2022

In 2022, Wärtsilä continued pioneering the adoption of sustainable fuels with encouraging testing results. We anticipate having an engine concept operating with pure ammonia fuel in 2023, and an engine and power plant concept for operating with clean hydrogen by 2025.

During 2022, four new engines were released: the Wärtsilä 31SG Balancer, the Wärtsilä 25, the Wärtsilä 32 methanol engine, and the Wärtsilä 46TS-DF. Together with a partnering company, a new system designed to tackle the amount of microplastics in the world's oceans, was unveiled.

We also published studies and modelling scenarios on how we can take 100% renewable energy sources into use in different parts of the world. Our new technology centre, the [Sustainable Technology Hub](#), was inaugurated, which enables us to accelerate our contribution to decarbonising the marine and energy sectors.

Furthermore, we joined forces with leading companies and other organisations to put our purpose and strategic goals into action. These partnerships aim to enhance new research and cooperation on innovative sustainable solutions, improve efficiency, and accelerate the decarbonisation of shipping and the development of clean fuels.

Digitalising 21 ports in the United Kingdom

Wärtsilä signed a five-year framework agreement with Associated British Ports to [digitalise operations at its 21 ports](#). Wärtsilä's solutions accelerate the digital transformation of port calls and operations, making them as efficient, sustainable, and safe as possible.



Wärtsilä and Anglo-Eastern reach major milestone in 'connecting ships' to improve safety and environmental sustainability

In April 2022, Wärtsilä Voyage and ship manager Anglo-Eastern announced a significant milestone in their joint project to [improve safety and environmental sustainability](#) at sea. More than 500 vessels in Anglo-Eastern's fleet have been fitted with Wärtsilä Voyage's Fleet Optimisation Solutions (FOS), a decision support software platform for voyage planning, charter-party compliance, fuel efficiency, and fleet performance management. The original order for the FOS deliveries was placed in October 2019 and was reported at the time to be the maritime industry's largest software contract ever.

Significant CO₂ emissions reduction with Wärtsilä's fleet optimisation solution

In November 2022, Wärtsilä announced that its customer, Carisbrooke Shipping, has reported [savings of more than 600 tons of CO₂ emissions](#) since the beginning of the year with the help of Wärtsilä's Fleet Optimisation Solution (FOS). Since implementing FOS across 31 vessels in 2019, Carisbrooke Shipping has been using the platform to gather insights that have supported the UK-based dry bulk and general cargo ship operator in its objectives to reduce carbon emissions and ensure optimal fleet performance, which are core to the company's current strategy.



INNOVATIONS AND PARTNERSHIPS IN 2022 - MARINE

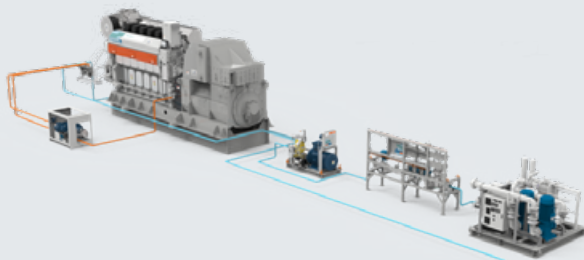
Tackling ocean microplastics

Wärtsilä and Grimaldi Group unveiled a new system that uses exhaust gas scrubber washwater to tackle the amount of microplastics in the world's oceans. Grimaldi has developed and patented a system that filters out microplastics from open loop scrubber washwater, which Wärtsilä in partnership with the Neapolitan group, will take to market.



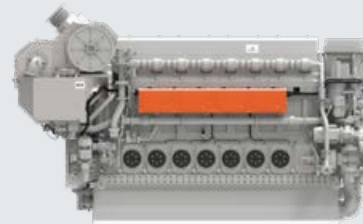
New large bore 46TS-DF engine for decarbonisation:

Wärtsilä announced the launch of the Wärtsilä dual-fuel 46TS-DF medium-speed marine engine, which offers a future-proof solution for owners and operators to reach decarbonisation targets. In gas fuel mode, the engine has the highest efficiency thus far achieved in the medium-speed engine market. The engine can operate with LNG, which dramatically reduces air pollutants as well as offering a viable platform for further decarbonisation through the use of bio- or synthetic methane in the future.



Methanol milestones: Wärtsilä launched the new Wärtsilä 32 methanol engine and developed a dedicated fuel supply system for methanol, the MethanolPac, to address growing interest in the methanol pathway to decarbonisation. These developments extend Wärtsilä's leading position in supporting the maritime industry's decarbonisation ambitions, and in the use of this particular fuel, which is among the most promising sustainable fuel candidates.

Next generation medium-speed W25 engine: The marine modular W25 engine offers shipowners and operators maximised flexibility, while the engine's efficiency and fuel economy deliver minimised emissions. The engine is already capable of operating on diesel, LNG, or either gas or liquid carbon-neutral biofuels, and can easily be upgraded to operate with future low or zero-carbon fuels as they become available. The Wärtsilä 25 is intended to be the first Wärtsilä engine to run on ammonia as a fuel.



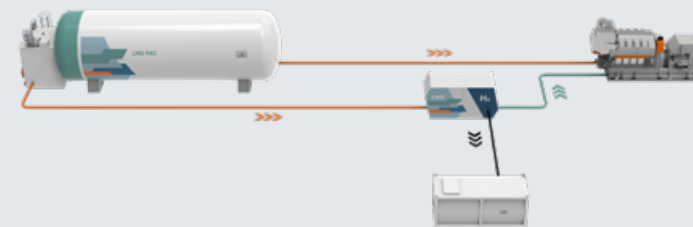
Zero Emission Marine (ZEM) R&D project in Finland:

The Zero Emission Marine (ZEM) project, led by Wärtsilä, was kicked off in April 2022, together with close to 150 stakeholders. The project aims to develop sustainable technology solutions that can reduce greenhouse gas emissions in the marine sector by 60% by 2030.

Ammonia engine development: The Ammonia 2-4 project secured EU funding of €10 million to develop demonstrators for two-stroke and four-stroke marine engines running on ammonia fuel. The project is coordinated by Wärtsilä, with participation from naval architect C-Job, the classification society DNV, shipowner MSC, and the National Research Council (CNR) of Italy.

100% biofuel tests: Wärtsilä partnered with Carnival Corporation's Holland America Line and Netherlands based GoodFuels to carry out [ship trials operating with biofuel blends](#). In addition to a 70% diesel / 30% biofuel blend, the tests were conducted with 100% biofuel to determine the effect on overall engine performance, as well as on engine emissions. This was the first testing by Wärtsilä on a cruise ship operating with 100% biofuel.

Blue hydrogen via capturing solid carbon: Wärtsilä entered into a joint development agreement with Hycamite TCD Technologies, a privately-owned Finnish company specialising in the development of a pioneering technology for producing [clean hydrogen and solid carbon from methane](#). The two companies will work together to enable the cost-effective production of hydrogen from LNG onboard marine vessels.

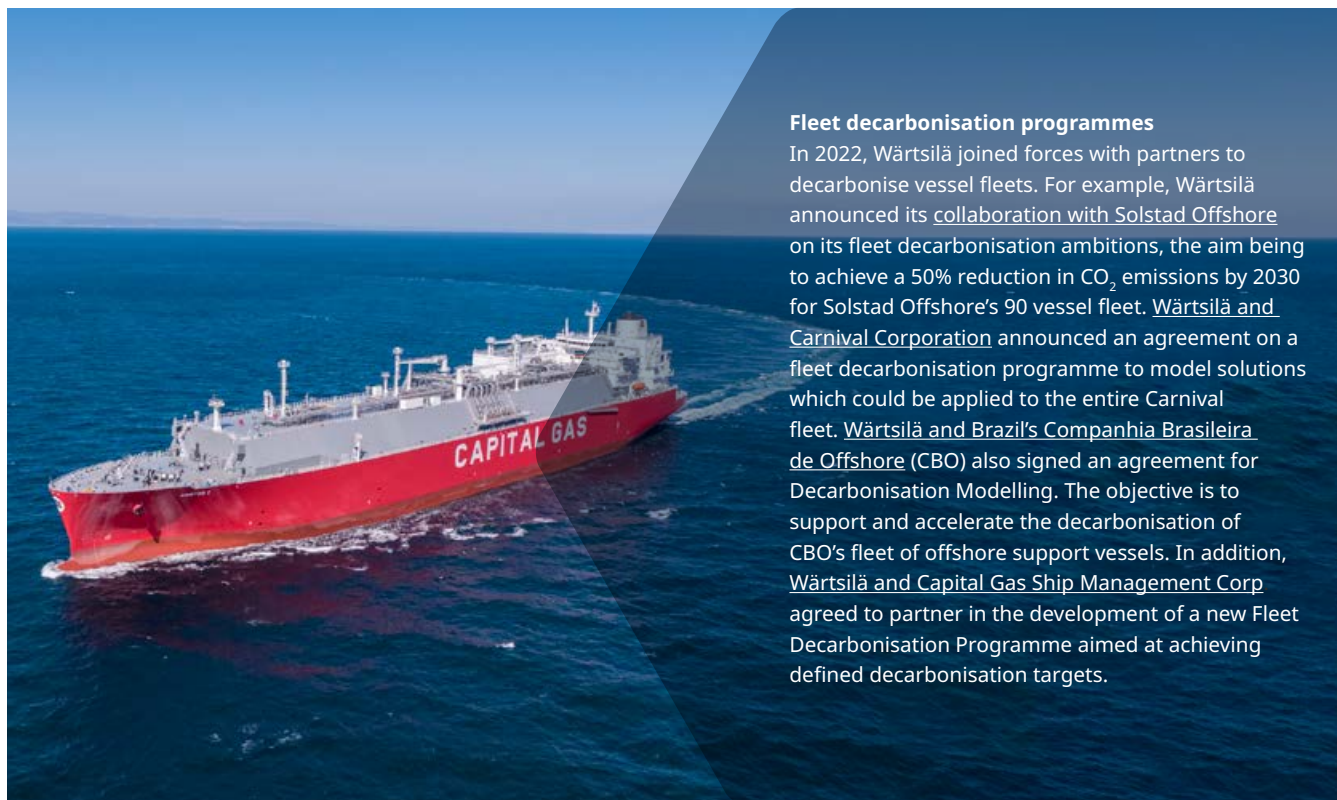


Reducing methane slip: Wärtsilä together with eight partners launched GREEN RAY, a five-year EU funded project to develop solutions to [reduce methane slip from Liquefied Natural Gas \(LNG\)](#) in new and existing ships.



Strengthening decarbonisation collaboration:

Wärtsilä strengthened its ongoing project partnership with the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping by signing up as an [official Mission Ambassador](#). The not-for-profit R&D centre is committed to driving sustainable decarbonisation of the maritime industry by 2050 through collaboration, applied research and regulatory reform. As a Mission Ambassador, Wärtsilä opens the way for collaboration between not only maritime stakeholders, but also fuel providers, universities, and governments.



Fleet decarbonisation programmes

In 2022, Wärtsilä joined forces with partners to decarbonise vessel fleets. For example, Wärtsilä announced its [collaboration with Solstad Offshore](#) on its fleet decarbonisation ambitions, the aim being to achieve a 50% reduction in CO₂ emissions by 2030 for Solstad Offshore's 90 vessel fleet. [Wärtsilä and Carnival Corporation](#) announced an agreement on a fleet decarbonisation programme to model solutions which could be applied to the entire Carnival fleet. [Wärtsilä and Brazil's Companhia Brasileira de Offshore \(CBO\)](#) also signed an agreement for Decarbonisation Modelling. The objective is to support and accelerate the decarbonisation of CBO's fleet of offshore support vessels. In addition, [Wärtsilä and Capital Gas Ship Management Corp](#) agreed to partner in the development of a new Fleet Decarbonisation Programme aimed at achieving defined decarbonisation targets.

INNOVATIONS AND PARTNERSHIPS IN 2022 - ENERGY

Power plant fuel tests using blended hydrogen in Michigan

Wärtsilä in collaboration with US partners WEC Energy Group, EPRI, and Burns & McDonnell succeeded with power plant fuel tests using blended hydrogen. The tests were made at WEC Energy Group's 55 MW A.J. Mihm power plant in Michigan, USA using an unmodified 18 MW Wärtsilä 50SG engine. It was the largest internal combustion engine ever to operate continuously on a hydrogen fuel blend, representing therefore a world-first achievement.



Next-generation grid balancing engine solution:

Wärtsilä launched a [next-generation grid balancing engine solution](#), the Wärtsilä 31SG Balancer, which is designed to provide flexible grid capacity even in adverse weather conditions. It enables renewables to be utilised as the lowest-cost, most resilient power source.

Building a Power-to-X-to-Power hydrogen system in Finland:

Wärtsilä joined the City of Vaasa and energy companies EPV Energy and Vaasan Sähkö to build a [Power-to-X-to-Power](#) system. Green hydrogen created with wind power will be used to balance electricity generation and to provide district heating.

Introducing a decarbonisation services business model: Wärtsilä introduced a [Decarbonisation Services business model](#) with the ultimate aim to help Wärtsilä's customers decarbonise their assets. The service utilises the company's sophisticated power system modelling and optimisation tools alongside in-house expertise to reduce power system emissions.



Modelling power systems: Wärtsilä published three power system modelling reports. These demonstrated how [Europe](#) could radically increase the share of renewable energy in electricity production by 2030, how [Vietnam, the Philippines and Indonesia](#) can transition to net zero emissions by mid-century, and how [Nigeria, South Africa and Mozambique](#) can leapfrog some developed nations with climate finance, effective planning and system reforms.

Green hydrogen blending project in Portugal: Wärtsilä announced a collaboration with the Portuguese energy solutions provider and independent power producer Capwatt in the [testing of a green hydrogen and natural gas blend fuel](#) for the Capwatt power plant located in Maia, Portugal. The project aims at testing blends of up to 10 vol.% green hydrogen. The combined heat and power plant, which provides energy for Sonae Campus and the national grid, currently operates with a Wärtsilä 34SG engine running on natural gas. This will be one of the first cases where green hydrogen is used to lessen the carbon footprint of an existing gas fueled Wärtsilä power plant.

ENVIRONMENTAL MANAGEMENT AND TARGETING CARBON NEUTRALITY IN OUR OWN OPERATIONS

Striving for continual improvement

The continual improvement in environmental performance is based on consistently working in a systematic way. This work is guided by our strategy and environmental targets, our Code of Conduct, as well as policies relating to Quality, Environment, Health and Safety, coordinated and monitored by the cross-business Wärtsilä EHSS (Environment, Health, Safety and Security) team. In developing our operations, processes and products, we endeavour to utilise the latest technologies available for improving efficiency in areas such as material and energy consumption, as well as for reducing and managing emissions and waste throughout the lifecycle of our products and services.

Operations and products are continuously developed and improved with the help of certified environmental management systems. The principle means is to apply certified Environmental, Health and Safety (EHS) management systems based on ISO 14001 / ISO 45001 in all Group companies, excluding those companies focusing purely on sales. Our EHS management systems cover all operations carried out by our subsidiaries. This promotes environmental protection and allows the reduction of adverse impacts to be carried out on a wide front.

Our EHS management system emphasises compliance with legal requirements, identifying and reducing environmental impacts and risks, training personnel and clearly defining their responsibilities, the full documentation of activities and procedures, actions to be taken in emergencies, and the continuous improvement of environmental performance. Our subsidiaries and business units set their own targets for covering the significant environmental aspects of their operations, and for monitoring the overall performance of their management systems. At the end of 2022, 58 Wärtsilä companies operated with a certified environmental management system. These certified environmental management systems cover roughly 92% of our total workforce.

Sustainability achievements at Wärtsilä's Central Distribution Centre (CDC)

Wärtsilä's Central Distribution Centre (CDC) is located in Kampen, the Netherlands. It delivers spare parts to our customers worldwide as well as to Wärtsilä's 160 service locations around the globe. Several actions have been taken in CDC Kampen in recent years to improve sustainability in our operations.

Since 2019, the reuse of crates has been monitored at CDC. Before reusing, we check if the crates meet our requirements regarding quality, markings, and that they are not damaged. If the requirements are met, the crates are stored nearby the packing desks, ready to be used for the next suitable shipment. Since the start of the project, the reuse of crates has increased considerably. 2022 was a record year with an average of 12 reused crates being used per day. This equates to about 3,000 per year (based on 250 working days per year), thus saving both costs and the environment. The improvement has been enabled by good cooperation between various departments in the CDC and the improved quality of the crates received from suppliers.

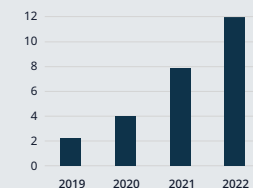
Another focus areas for CDC Kampen has been the reduction of the use of plastic in packaging. Compared to 2021, our permanent changes made in 2022 contributed to an annual plastic reduction of 3.5 tons through the following actions (replaced material and quantity):

- Introduction of paper labels (156,000 plastic labels, 375 kg)
- Paper tape used as standard (451 km of plastic tape, 846 kg)
- Paper bubble foil roll out (5 km of plastic bubble foil, 193 kg)
- Rope ty wraps in serial use (50,000 plastic ty wraps, 83 kg)
- Paper shipping bags (220,000 plastic shipping bags, 1,100 kg)
- Paper address labels (90,000 plastic A4 document pouches, 900 kg)

Additional plastic elimination actions are being tested, the aim being to roll these out during 2023.



Reused crates per day



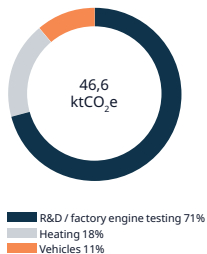
Carbon neutrality

Wärtsilä's roadmap to decarbonise our own operations is divided into three phases, with the emission reduction measures and targets for the first phase (2022-2024) having been confirmed in 2022. Based on a thorough assessment, we identified the main greenhouse gas (GHG) reduction measures for 2023 and outlined our ambition levels in terms of annual GHG reductions. In 2023, the target is to reduce CO₂e emissions by 20,000 tons (approx. 20%) compared to our base year 2021.

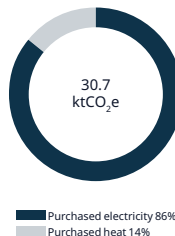
To understand the full potential of CO₂e emissions reduction opportunities at the site level, country-specific assessments were kicked off in 2022. These assessments included analysing, for example, the opportunities to purchase green electricity and utilise solar power at our sites, and the feasibility of using electric heat pumps for heating purposes instead of using natural gas in boilers. In 2022, Wärtsilä Finland began purchasing green electricity, which led to reductions of around 6,000 tCO₂e.

When looking at our carbon footprint, R&D and factory engine testing are responsible for a significant amount of our GHG emissions. To identify how CO₂e emissions related to engine testing can be reduced, a workshop was held in August 2022. This resulted in several improvement ideas being identified, such as reducing engine running times during factory and R&D engine testing. Some of the improvement ideas, however, need a longer-term perspective, for example switching to cleaner fuels in our engine testing.

Scope 1 emissions



Scope 2 emissions



The main emission reduction categories in our decarbonisation pathway are:

-  Energy efficiency and energy savings
-  Switching to low emission company vehicles
-  Utilisation of self-generated energy and the purchase of green electricity
-  Reducing the time needed for R&D and factory engine testing
-  Utilisation of heat pumps in heating
-  Replacing fossil fuels with alternative fuels in factory and R&D engine testing
-  Utilisation of various technologies to reduce the greenhouse gas (GHG) emissions in our engine testing.

Wärtsilä joins ABB's Energy Efficiency Movement

In November 2022, Wärtsilä joined ABB's [Energy Efficiency Movement](#) with its commitment to carbon neutrality by 2030 and providing a product portfolio ready for zero carbon fuels by 2030. ABB's Energy Efficiency Movement, launched in March 2021, aims to mitigate climate change by increasing awareness and encouraging actions to reduce energy use and carbon emissions. Companies around the world are invited to join the movement and make a public pledge as a way to inspire others to take action.

Internal energy saving campaign

In November 2022, we launched an internal energy saving campaign. One way for Wärtsiläns and Wärtsilä companies to contribute is to focus on heating and cooling. Heating accounts for approximately 15-20% of Wärtsilä's total energy consumption.

Wärtsilä sites have already taken several actions to reduce energy consumption. Almost 40% of our facilities have installed smart controls and meters for electricity use, temperature, and/or ventilation. This is significant because it saves both energy and money.

Examples of energy saving actions on a local level:

- Wärtsilä's Central Distribution Centre in Kampen, the Netherlands, lowered the indoor temperature by 2°C and limited the draft from opening doors to keep the heat inside.
- Wärtsilä locations in Finland, including the Wärtsilä Helsinki Campus headquarters, committed to a nationwide campaign 'Astetta alemmas' to reduce the temperature by a minimum of one degree.
- In the USA and Canada, programmable thermostats have been installed to heat the facilities only during office hours.
- In the Singapore main office, the air conditioning has been replaced with a Variable Refrigerant Volume (VRV) system, which is more energy efficient.
- In Chennai, India, the air conditioners are never set below 28°C and they use combinations of ceiling fans and ACs to increase the heat dissipation, which creates a cooling effect with lower power consumption.

Find more: Information and figures about our operational performance in the [Environment Data](#) section.

People and culture

Contributing to the following United Nations Sustainable Development Goals:



Pushing innovation in sustainable technology and services to help our customers continuously improve their environmental and economic performance would not be possible without our engaged, highly competent, and diverse workforce. Our employees are pivotal to the performance of Wärtsilä and our long-term success.



Wärtsilä's People Strategy is built on four People Priorities. These priorities ensure that HR, together with the Businesses, strategically develops the workforce effectiveness in order to reach our targets and bring our purpose and company values – Customer Success, Performance and Passion - to life. We aim to provide value to our customers and stakeholders by putting people at the heart of everything we do. The People Priorities for the next five years are:

Creating an inclusive culture that drives engagement and performance – We build diverse and inclusive teams collaborating cross-organisationally to actively shape our mindset and ways of working to create a culture that supports our purpose and values. We embrace trust, wellbeing, and work-life balance as prerequisites to achieving sustainable performance.

Fostering continuous learning to build capabilities for Wärtsilä's success – We build strategic capabilities and learning portfolios to support our efforts towards shaping the decarbonisation of marine and energy. Our leaders reinforce learning and empower us all to take responsibility for our own growth and development.

Building leadership for impact – We develop leaders that are engaged in the strategy and equipped to drive team and individual performance. We promote continuous improvement where everyone is empowered and understands their contribution to The Wärtsilä Way.

Matching the right talent to the right roles at the right time – We understand the true economics of value creation through key roles, competences, and behaviour. We attract, engage, retain, and develop talent to achieve the best possible business impact. The goal for Wärtsilä is to be an attractive employer for current and future employees, and to ensure that Wärtsilä has people with the required competences and motivation.

People are at the heart of everything we do.

EMPLOYEE ENGAGEMENT - MYVOICE SURVEY

MyVoice, our employee engagement survey, is a tool we use to make our voices heard. The survey results and insights help us to improve our working environment and our ways of working, while providing Wärtsilians with the support needed to succeed. In 2022, we had an exceptionally good response rate with 81% (14,091 persons) answering the survey. This high rate of participation shows that our people want to make a difference, and at Wärtsilä we aim to provide an exciting and engaging work experience for our employees.

The survey focuses on three key indexes: Engagement, Leadership, and Customer Success, and benchmarks how Wärtsilä performs compared to other similar companies. The results showed that engagement is improving, our work is meaningful to us, and our line managers are doing great work in leading their teams, demonstrating fair treatment, clear feedback, and support in personal development. Overall, our engagement score was 80% (76% in 2020), which means we reached our [target](#) of 80%.

In 2023, special attention will be given to customer success and further implementation of [The Wärtsilä Way](#). The next survey will be conducted during spring 2024.

DIVERSITY IS A FACT, INCLUSION IS A CHOICE

Creating an inclusive culture that drives engagement and performance is one of the priorities in our People Strategy.

Inclusion is a state of being valued, respected, and supported for what you are. It is about focusing on people's needs and ensuring that the right conditions are in place for each person to achieve their full potential. At Wärtsilä we value, respect, and embrace diversity and inclusion (D&I). We are proud of having a diverse representation of nationalities and cultures at all levels, departments, and functions of the organisation. Currently, our workforce comprises some 130 nationalities.

Diversity and inclusion are not derived from words of encouragement – they need to be supported by actions. Wärtsilä has created a variety of actions and tools, ranging from recognising unconscious bias and prejudice, learning from the diverse cultures of our people, to building cross-functional teams that increase our cognitive diversity and strengthen our ability to innovate.

The first global D&I Programme, 'Conversations of Understanding', was launched in the end of 2021 with the purpose of learning how to hold inclusive conversations. By the end of 2022, a total of 95 participants representing all Businesses, Groups Functions, and regions had participated in the programme.

In June 2022, a Diversity Talks event brought together Wärtsilians and external partners to listen, discuss, and learn about diversity. In connection to the event, a campaign within the internal SPARK innovation platform was launched to ideate and share best practices on how we, together, can improve D&I at Wärtsilä in the broader context. This includes race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age or political beliefs, or other characteristics. In total, 43 ideas were submitted through the campaign.

According to the 2022 MyVoice survey, 86% of the respondents feel that they are treated with respect at work, 82% say their line manager acts fairly and 81% are comfortable with voicing their ideas and opinions, even if they are different from others.

EMPLOYEE WELLBEING MATTERS

Wärtsilä wants to provide a healthy working environment that supports growth, wellbeing, and work-life balance. 79% of the respondents in the 2022 MyVoice survey feel that their line manager does a good job in supporting their work ability.

Our global wellbeing framework consists of five holistic pillars: Mental & Intellectual, Physical & Nutrition, Social, Emotional, and Balance & Rest. The objective is to improve our current state in all these areas through effective leadership, designated programmes, and activities, and to build a wellbeing focused culture, where our people feel safe and cared for. Through our global Wellbeing Hub on the intranet and local country-level initiatives, we have increased the emphasis on wellbeing throughout the company. Our diverse global Wellbeing Committee consists of around 50 committed individuals who continuously work on building awareness and setting up tangible activities for each of the pillars.

LEADING PERFORMANCE AND GROWTH

We recognise people for their performance and see rewarding as one of the key elements in attracting, engaging, developing, and retaining the best talent. Wärtsilä's Performance Excellence is about driving business success, developing ourselves and our teams to grow, to feel recognised, and to be rewarded for

our contribution. The annual target-setting links The Wärtsilä Way and the strategic business priorities to team and individual performance, and builds an understanding of how our work and individual targets contribute to team and business success. Everyone deserves to have clarity on what is expected of their job role, what good performance looks like, and to get fair and honest feedback when things are not going in the right direction.

In 2022, we focused on improving the target quality and achievement review accuracy, especially at the higher levels of the organisation. This work will continue in 2023.

BUILDING LEADERSHIP FOR IMPACT

In spring 2022, the [Wärtsilä Leadership Model](#) was launched. The model supports our strategic growth by outlining the desired leadership behaviour at Wärtsilä. The model consists of three areas, and in total 15 descriptive leadership behaviours.

The model is tightly linked to The Wärtsilä Way. Alongside the Strategic priorities, Execution plans and our Values, it measures how we are fulfilling our purpose and reaching our target position. It supports our leaders in executing The Wärtsilä Way and moving the needle on our Continuous Improvement Journey. It thus provides our leaders with direction and guidance on how to collaborate, communicate and lead in different situations.

The Wärtsilä Leadership Model



By integrating the Leadership Model into all key people practices, it becomes an active and valuable part of our everyday context. During 2022, it was integrated into the Wärtsilä 360-leadership assessment and our leadership development offering. The self-paced learning path on the Leadership Model has been completed by more than 710 employees since June 2022. 'Wärtsilä Leader' is a valued development programme for our managers and since autumn 2021 more than 600 senior leaders have participated in it. The expected outcome of this programme is that there exists the tools and a common language for people development, and the creation of a system that works towards the same objective, creating better results and having happier employees.

The implementation of the Leadership Model will continue in 2023 and it is one of the main building blocks in our newly designed development programmes for senior leaders that will be launched in spring 2023.

Wärtsilä wellbeing framework – Our five pillars



FOCUS ON TALENT MANAGEMENT

It is Wärtsilä's ambition to be the employer of choice for current and future employees and to implement impactful talent management practices across the organisation. In order to ensure that we have the best leadership and specialist talent to drive business success, both today and in the future, a new talent review concept among our executive leaders was piloted in spring 2022. The implementation continues in 2023 and it will cover approximately 1,500 senior leaders and individual contributors from all Businesses and Global Functions. Our talent review concept is built on the Wärtsilä Values and the Leadership Model, and besides talent identification and succession planning, it has a strong focus on the development of talent.

In spring 2022, a Wärtsilä People Narrative was co-created together with a diverse group of 18 committed employees. Having a distinct People Narrative is important in a demanding competitive and candidate-led talent market. The narrative will be used internally, but also externally when attracting passionate talent to Wärtsilä. In June 2022, Wärtsilä's Global Employee Referral Programme was launched. The goal of this programme is to motivate and reward Wärtsiläns in helping to recruit the best candidates from their networks. By the end of 2022, 235 new employees had already been offered a job as a result of the programme. Wärtsiläns are truly the best employer branding ambassadors.

BUILDING A LEARNING ORGANISATION

A learning organisation is a state of being, where each of us commits to learning, unlearning, sharing, and improving. Wärtsilä is on a journey to become a learning organisation, to stay competitive and innovative, and to inspire our people to make a difference.

Wärtsilä wants to empower its people to stay curious and develop their competencies. According to the 70-20-10 learning principles that we use in Wärtsilä, learning is a continuous process, and it happens by doing (70%), by sharing (20%) and by studying (10%). 76% of the respondents in the 2022 MyVoice

survey feel that Wärtsilä provides them with the opportunity to learn and develop. The result of this particular section of the survey increased by a remarkable 18%, and is therefore the single item that improved the most in comparison to the previous survey conducted in 2020. This shows that our company is committed to learning and developing.

The development programme 'Grow – Building our Learning Organisation' was launched in autumn 2022. The purpose of the programme is to help Wärtsilä build the foundation needed to become a learning organisation. The focus, therefore, is on psychological safety, a growth mindset, feedback culture, and continuous improvement. In 2022, around 320 people from across the whole organisation participated in the interactive workshops, experimented with the topics on their own, and reflected together in peer learning sessions. The expected outcome of this programme is to create an environment where we actively listen and dare to speak up, where new ideas are born, where we learn from mistakes, where we actively ask for feedback to develop, and where we learn how to continuously improve.

In 2022, the emphasis has been on building coaching and mentoring capabilities to foster an open culture where we value growth and development, and deliberately invest in it. Coaching and mentoring provide several benefits to the organisation, such as helping people unlock their personal potential, building relationships and collaboration between colleagues, enabling the cross-border transfer of knowledge, fostering leadership and career development, and expanding the professional network within the organisation.

An internal coaching framework was launched in 2021, and is now used in different coaching interventions, and in awareness building throughout the organisation. For this a coach practitioner community was set up, with 40 persons acting as internal coaches. Since the start, around 50 pairs have gone through the coaching process. Developing a coaching leadership style has been included in the leadership development

“Continuous learning keeps Wärtsilä and our people relevant in a changing world.”

Teija Sarajärvi, Executive Vice President,
Human Resources

programmes, the purpose being to upskill leaders on how they can make coaching a habit in their everyday work. An internal framework for mentoring was made available in 2021, and a formal Mentoring programme was set up. As at the end of 2022, 186 mentee and mentor pairs had participated in formal Mentoring Programmes. New for 2023 is a group Mentoring programme with members of our Board of Management acting as mentors for a small group of mentees.

Wärtsilä employees attended a total of 24,785 formal learning days during 2022. However, it is important to recognise that a major part of learning takes place during the everyday flow of work, and not in formal training. Wärtsilä prides itself on offering numerous opportunities for our people to learn and develop in accordance with the 70-20-10 learning principles. Most of the learning takes place outside the classroom and cannot, therefore, be measured in terms of traditional training hours or learning days.

Find more information in the
[Social data section](#).

Occupational health and safety

Contributing to the following United Nations Sustainable Development Goals:



Safety is a high priority for Wärtsilä, and we are committed to creating and maintaining a safe and healthy workplace for our employees and partners, wherever we operate. This is emphasised in our drive towards zero injuries by applying high standards of occupational health and safety, and by implementing action-orientated safety programmes and practices.



OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Wärtsilä's occupational health and safety principles are defined in the company's [Code of Conduct](#), its [Quality, Environmental, Health and Safety \(QEHS\) Policy](#), and in the directive on environment, health, and safety (EHS). Wärtsilä's subsidiaries are required to have a management system in place that conforms to both the QEHS Policy and the EHS directive. The main aspects of the management system relate to compliance with legislation, identifying and minimising occupational health and safety risks, personnel training, implementing effective health and safety programmes and instructions, recording and investigating occurred incidents, emergency response, and the continual improvement of occupational health and safety performance. At the end of 2022, 56 Wärtsilä companies, representing roughly 91% of Wärtsilä's total workforce, were operating with a certified ISO 45001 occupational health and safety management system in place.

In addition to the management system, Wärtsilä companies also apply occupational health and safety programmes as required by local legislation. These are normally developed by occupational health and safety committees made up of company management and personnel representatives. Altogether, 68% of all Wärtsilä companies currently have an occupational health and safety committee.

The indicators used to measure occupational health and safety performance include the number of accidents, lost workdays due to accidents, the frequency of accidents, and the number of near miss / hazard observations, and reports from management safety walks. Wärtsilä also measures the completion rates of global health and safety training programmes. Wärtsilä has set a [corporate level zero injuries](#) target. This target is a long-term commitment from the company to strengthen the safety culture, and it requires actions from all Wärtsilä companies, businesses, and employees. The safety performance of each business and company is monitored on a monthly basis, and the results are reviewed by Wärtsilä's Board of Management.

SAFETY MEASURES IN 2022

In 2022, the corporate lost time injury frequency (LTIF) rate increased by 2% to 1.58 compared to 2021 (1.55). The corporate total recordable injury frequency (TRIF) rate for 2022 was 2.57, representing a 3% improvement over 2021 (2.65). Furthermore, Wärtsilä recorded a 12% increase in the number of management safety walks compared to 2021.

Since 2019, we have been delivering 'Champions in Safety' training to our front-line employees. The objective of this interactive course is to help understand the impacts of incidents, enhance individual risk awareness and risk prevention behaviour, as well as empower our employees to take practical actions to prevent accidents from occurring. By the end of 2022, 7,500 employees had completed this training. At the end of 2021, the 'Champions in Safety' training concept was extended to also cover Wärtsilä managers by adding learning elements of safety leadership behaviour, and how to emphasise proactive safety activities. 1,460 managers had completed the training by the end of 2022.

Wärtsilä's eighth annual Safety Day took place on 29 September 2022. The topic was 'Take a Break' to highlight the need for taking short breaks to reduce fatigue, improve alertness, and assess worksite safety in general. It was organised throughout the company via local events and global virtual safety events. The aim was to increase awareness of safety risks and their potential consequences, promote necessary safety measures, strengthen our safety culture, and celebrate success in safety.

As regards Covid-19 management, in 2022 Wärtsilä discontinued the global Crisis Response Team and handed over Covid-19 management entirely to local crisis management teams. These local crisis management teams have continued implementing measures based on their localised Covid-19 situation and in line with national regulations.

Find more information and figures on occupational health and safety in the [Social data](#) section.

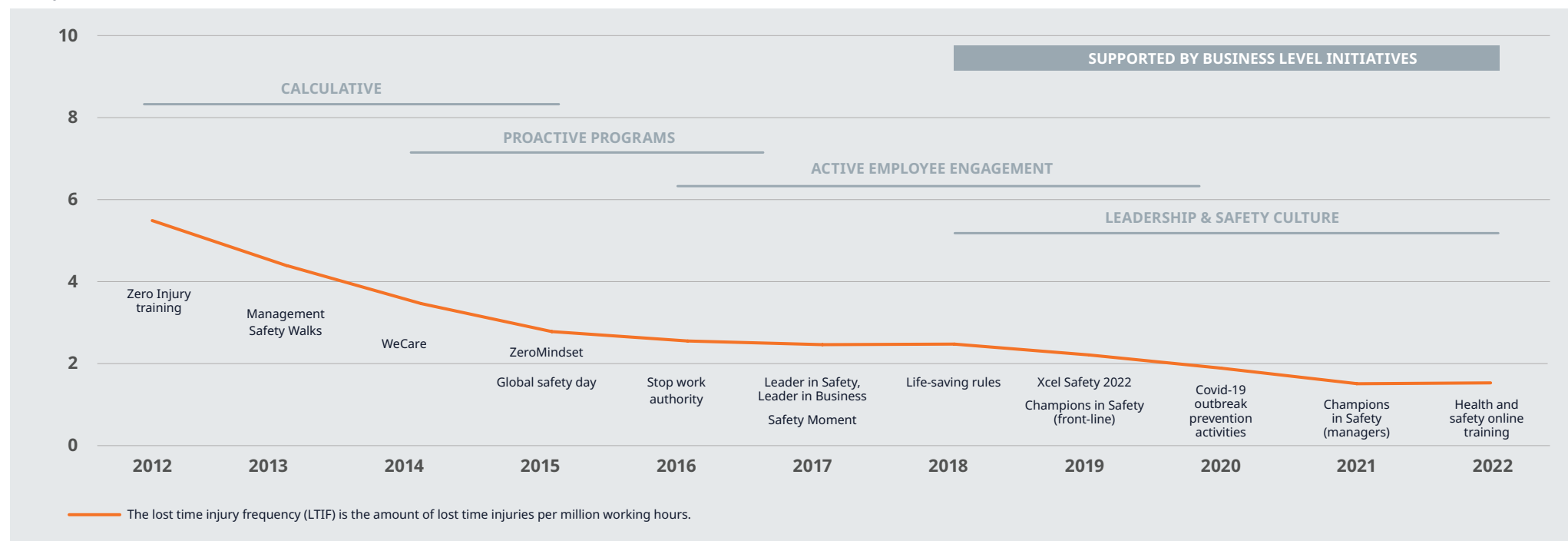
Wärtsilä's 8th Safety Day was celebrated with the theme 'Take a Break' to highlight the need of breaks to improve safety.

INTRODUCTION OF A GLOBAL HEALTH AND SAFETY ONLINE TRAINING PROGRAMME

In 2022, Wärtsilä introduced a new health and safety online training programme to ensure essential core health and safety awareness among the entire workforce, and to strengthen Wärtsilä's safety culture. The training is available to all Wärtsilä employees in 12 languages. This interactive training helps our people to understand Wärtsilä's health and safety approach, processes and commitment, as well as enhances personal risk awareness by practical interactive exercises. The training has been highly appreciated by the employees, with an average score of 4.5 / 5 being given as a learning experience.

The target was to have 13,000 employees trained by the end of 2022. This was notably exceeded with 15,000 employees, representing 85% of the employees, had completed the training in 2022.

Safety evolution in Wärtsilä



Zero Injury training programme	The global training consisted of an e-learning (4h) and a practical work-shop (4h).	Global Safety Day	An annual safety celebration that takes place throughout the Wärtsilä network. The theme changes every year.	Life-saving rules	Wärtsilä's ten life-saving rules have been put in place to ensure that consistent behaviour is followed to prevent incidents that could result in a serious injury or fatality.	Champions in Safety	A global safety training programme for front-line employees and managers. Front-line training began in 2019 (4h) and manager training at the end of 2021 (4h).
Management Safety Walks	A leadership tool that involves holding conversations on safety with employees.	Stop work authority	The Wärtsilä QEHS policy authorises everybody to stop work in unsafe situations.	Xcel Safety 2022	The Xcel Safety 2022 programme addressed the challenging target of cutting the lost time injury frequency (LTIF) by 50% by the end of 2022. The programme had new elements, such as creating safety champions, boosting safety culture, taking best practices into action, and securing safety competencies.	COVID-19 outbreak prevention activities	Activation of the global Crisis Response Team and local Incident Management Teams with the responsibility of monitoring, communicating and implementing guidelines, and preparing prevention actions and control plans.
WeCare	A global information management tool and way of working for reporting and investigating.	Leader in Safety, Leader in Business	A leadership safety engagement training programme (1 day) for all line managers and employees who have a direct impact on front line operations.			Health and safety online training	A 90 min online training programme for all employees that introduces Wärtsilä's health and safety principles and main preventive measures.
ZeroMindset	A safety programme initiated in 2015 to bring Wärtsilä towards the Zero Injury target. Since then, ZeroMindset has become a definition for Wärtsilä's safety culture and behavioural target.	Safety Moment	A short discussion of any safety topic at the beginning of a meeting. The intention is to stimulate a conversation on safety related matters, thereby encouraging the participants to be safety minded and share information on safety.				



Sustainability data

Economic

Wärtsilä drives growth by performing as a pioneer and a leading partner for decarbonisation. Our objective is to secure financial performance and create long-term value for our shareholders and society at large. Achieving this depends on our ability to satisfy the expectations of multiple stakeholders. These include providing customers with high-quality and environmentally sound products, solutions and services, building long-term partnerships with suppliers, offering employees competitive compensation and working conditions, as well as contributing to the well-being of the local communities in which we operate. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (GRI 201-1) 1/3

MEUR	2022	2021	2020	2019	2018
Customers					
Net sales	5,842	4,778	4,604	5,170	5,174
Suppliers					
Cost of goods, materials, and services purchased	4,245	3,072	3,004	3,368	3,327
Value added	1,597	1,706	1,601	1,802	1,847
Distribution of value added					
Distributed to stakeholders	1,546	1,493	1,412	1,404	1,615
Employees					
Wages and salaries	1,104	1,009	984	1,028	954
Public sector					
Taxes and social dues	282	324	266	329	336
Creditors					
Net financial items	-6	-18	-43	-47	-40
Shareholder					
Dividends	153	142	118	284	284
Communities					
Donations given	0.6	0.4	0.6	0.5	0.6
For business development	51	214	189	114	232

ECONOMIC PERFORMANCE

Financial implications and other risks and opportunities due to climate change (GRI 201-2)

No part of Wärtsilä's activities fall within the scope of the EU Emission Trading Scheme (ETS). Wärtsilä's response to climate change is to develop and provide products, solutions, and services that enable our customers to reduce their greenhouse gas emissions. More information about Wärtsilä's solutions for reducing emissions can be found in the [Climate change and environment](#) section. The potential business risks related to climate change and Wärtsilä's products are presented under 'Climate change and sustainability risks' in the [Risks and risk management](#) section.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (GRI 201-1) 2/3

MEUR	2022	2021	2020	2019	2018
Customers					
Net sales (MEUR)	5,842	4,778	4,604	5,170	5,174
Net sales by market area (MEUR)					
Europe	1,718	1,591	1,542	1,690	1,485
Asia	1,482	1,464	1,570	1,968	1,867
Americas	2,062	1,286	1,077	1,098	1,245
Africa	288	251	245	222	283
Other	292	186	170	192	294
Suppliers					
Cost of goods, materials, and services purchased (MEUR)	4,245	3,072	3,004	3,368	3,327
Employees					
Salaries and wages (MEUR)	1,104	1,009	984	1,028	954
Salaries and wages by market area (MEUR)					
Europe	734	707	688	719	643
Asia	153	136	138	145	150
Americas	180	134	131	134	134
Africa	22	21	21	22	20
Other	15	11	7	8	7
Net sales/employee (TEUR)	334	274	252	271	274

Defined benefit plan obligations and other retirement plans (GRI 201-3)

The pension cover is based on the legislation and agreements in force in each country. In Finland, most of the pension obligations are covered by the Employees Pensions Act (TyEL). The largest defined benefit plans are used in Switzerland, Germany, the United Kingdom, and Sweden. Most of these defined benefit pension plans are managed by pension funds, and their assets are not included in the Group's assets. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practices in each country. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans. More information on the Group's pension obligations can be found in the Financial Review, [Note 4.7. Pension obligations](#).

Financial assistance received from government (GRI 201-4)

Subsidies received (TEUR)	2022	2021	2020	2019	2018
	15,771	14,855	17,225	8,101	7,085

The value of the subsidies received in 2022 was EUR 15 771 thousand and they were among others related to R&D projects. The most contributing countries in 2022 were Finland, Norway and Spain.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (GRI 201-1) 3/3

MEUR	2022	2021	2020	2019	2018
Public sector					
Taxes and social dues (MEUR)	282	324	266	329	336
Taxes and social costs by market area (MEUR)					
Europe	194	230	197	223	252
Asia	41	42	35	47	38
Americas	36	36	25	43	33
Africa	10	12	14	19	10
Other	1	3	-5	-2	4
Subsidies received (TEUR)	15,771	14,855	17,225	8,101	7,085
Net financial items (MEUR)	-6	-18	-43	-47	-40
Community					
Donations given, Board of Directors (TEUR)	130	130	130	130	110
Donations given, Wärtsilä companies (TEUR)	429	246	433	383	627

MARKET PRESENCE

Ratios of standard entry level wage by gender compared to local minimum wage (GRI 202-1)

Wärtsilä applies and follows local employment legislation in all countries, and respects local collective labour agreements, which often define the minimum wage levels. In addition, entry level salaries are benchmarked against the market references by function and educational qualification. While laws and regulations determine the minimum level, the actual salaries often exceed these levels. The total compensation package for employees in each country is in line with the corporate rewarding guidelines, local market practices, and labour agreements. The base salary is set to meet market conditions, the demands of the job, and individual competence and performance.

Proportion of senior management hired from the local community (GRI 202-2)

Wärtsilä publishes all open vacancies internally, thus ensuring an equal opportunity to apply for Wärtsilä positions. Local agreements are prioritised unless there is a specific need for an expatriate arrangement. This principle also applies to senior management positions. Senior management consists of global business and corporate management and local company management positions. Globally, 73% of Wärtsilä's senior management is locally hired, in other words from the same country as the Wärtsilä subsidiary is located.

Environment

The environmental impacts of Wärtsilä's operations largely relate to manufacturing; the use of energy and natural resources, and thus also to the emissions that are produced by the manufacturing processes. In addition, product development requires the testing of products and individual components, which, alongside manufacturing, has an environmental impact. However, the positive impacts of product improvements on the environment far outweigh the negative impacts of testing, when taking the product's entire lifecycle into account.

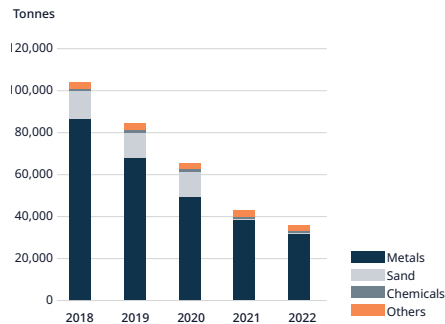


MATERIALS

Materials used by weight or volume (GRI 301-1)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys, and bronze. In 2022, the total material usage was 36,062 tons (42,751). The major material groups were various metals 87%, sand 2%, and various chemicals 2%.

Materials



Material usage (t)	2022	2021	2020	2019	2018
Metals	31,437	37,885	49,175	67,123	85,820
Sand	756	902	11,437	11,957	13,055
Chemicals	644	515	1,245	1,520	1,422
Others	3,225	3,449	3,359	3,482	3,035
Total	36,062	42,751	65,216	84,081	103,332

Recycled input materials used (GRI 301-2)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys and bronze. Recycled material content of these metals vary depending on the material and supplier in question. Recycled material, such as end-of-life coins and bronze propellers, is used for example in the casting of new propellers.

ENERGY

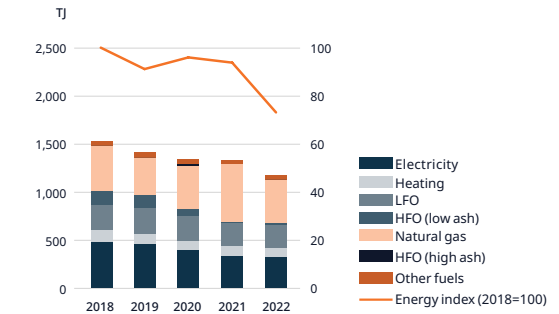
Energy consumption within the organisation (GRI 302-1)

The total energy consumption (in terajoules, TJ) includes the electricity, heat, and fuels used in Wärtsilä companies. The fuels are used mainly in engine testing, but also in heating, production, and transportation. In 2022, the fuels were from non-renewable sources. Out of the total electricity consumption 25% (24,074 MWh) was from renewable sources.

Wärtsilä uses electricity in its manufacturing operations, for example in machining components, and in service workshops and offices. Both the electrical and the heat energy generated during engine test runs can be utilised. Wärtsilä's aim is to use the electrical energy for its own purposes while also selling part of this electrical energy to local power companies.

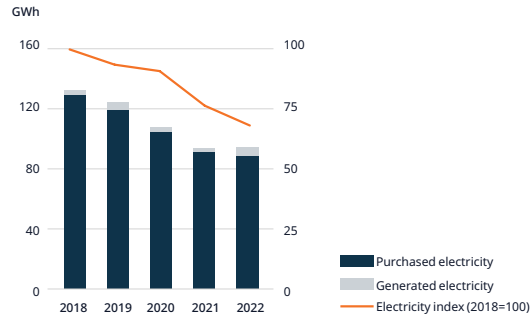
Due to the nature of engine test runs, the production of electricity and the company's electricity demand are not equivalent; this allows the surplus energy to be sold to local power companies. Heating for factories and offices accounts for most of Wärtsilä's consumption of heat energy. In several factories, the heat generated in engine test runs is used for heating. Some factories and offices are connected to a local district heating network, some have their own heating plant, and some use electricity for heating.

Annual energy consumption



Energy consumption	2022	2021	2020	2019	2018
Electricity consumption (MWh)	94,570	94,289	107,784	124,843	132,572
Purchased electricity (MWh)	89,098	91,045	104,293	119,092	128,878
Generated electricity (MWh)	5,473	3,244	3,491	5,751	3,694
Sold electricity (MWh)	36,727	42,924	33,543	32,812	32,019
Purchased heat (MWh)	25,655	30,093	39,841	31,429	32,937
Heavy fuel oils (HFO) (t)	379	557	1,741	3,343	3,381
Light fuel oil (LFO) (t)	5,614	5,509	5,021	6,089	6,223
Natural gas (t)	9,251	11,867	8,976	8,064	9,783
Other fuels (t)	1,164	1,084	1,464	1,329	1,238
Total energy consumption (TJ)	1,171	1,339	1,319	1,404	1,538

Annual electricity consumption



Energy intensity	2022	2021	2020	2019	2018
Total energy consumption (TJ/ Net sales MEUR)	0.218	0.281	0.287	0.272	0.300

Energy savings (GWh)	2022	2021	2020	2019	2018
Annual	1.5	0.5	4.9	0.5	2.0
Cumulative	10.2	8.7	8.3	3.4	2.9

Reduction of energy consumption (GRI 302-4)

In the beginning of 2017, Wärtsilä set an energy saving target to reduce energy consumption by at least 7% in terms of absolute consumption (GWh) from 2015 levels by 2025. By the end of the sixth year of the target, permanent energy savings of 10.2 GWh have been reached, mainly by reducing electricity or heat consumption and other energy saving initiatives.

WATER

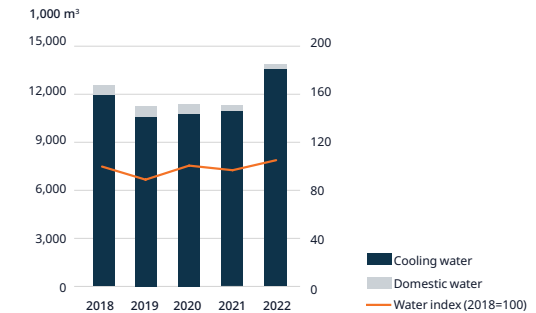
Water withdrawal (GRI 303-3, 303-5)

Wärtsilä's water consumption can be divided into two categories: domestic use and cooling use. Domestic water is mainly used for sanitary purposes and by industrial equipment, such as machine tools and washing machines. Some factories also use domestic water to produce moulds or to fill in closed-loop cooling system needs. Wärtsilä uses seawater for its engine and process cooling needs. Total annual water consumption split by the water withdrawal source: Over 99% of cooling water comes from local surface watercourses, where only heat is released along with clean water, and less than 1% of cooling water comes from municipal water utilities. Out of Wärtsilä's total water consumption in 2022, about 98% was seawater for cooling purposes, about 2% was from municipal water supplies, and about 0.3% was directly withdrawn groundwater or rainwater. 42,607 m³, amounting to 0.3% of all water consumption took place in high water stress areas in accordance with the WRI Aqueduct classification.

Water sources significantly affected by withdrawal of water

No water source has been found to be significantly affected by any Wärtsilä subsidiary water withdrawal.

Annual water consumption



Water consumption (1,000 m ³)	2022	2021	2020	2019	2018
Domestic water	288	365	568	648	652
Cooling water*	13,609	10,983	10,805	10,621	11,954
Total	13,897	11,348	11,373	11,268	12,607

* Due to change in the measurement method in the cooling water consumption the amount has increased significantly in 2022 compared to previous years.

Percentage and total volume of water recycled and reused (GRI 303-3)

Wärtsilä Italia S.p.A. recycled 21,343 m³ of water in 2022 by running it through a water treatment plant and reusing the cleaned water in production processes. The amount corresponds to roughly 17% of Wärtsilä Italia's annual water consumption and 0.2% of Wärtsilä's total water consumption in 2022. No other major water recycling processes are in use in Wärtsilä production facilities globally.

EMISSIONS

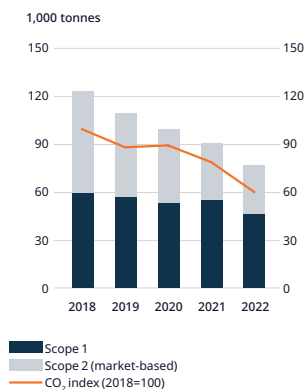
Greenhouse gas (GHG) emissions and intensity (GRI 305-1, 305-2, 305-3, 305-4)

Wärtsilä's GHG emissions are presented in the adjacent table. There were no biogenic emissions in 2022.

Reduction of greenhouse gas (GHG) emissions (GRI 305-5)

In 2022, the emission reduction measures and targets for the first phase (2022-2024) of Wärtsilä's decarbonisation roadmap were confirmed. The main measures taken to reduce greenhouse gas (GHG) emissions were the purchase of green electricity in Europe, energy saving initiatives and switching the energy source for heating. During 2022, Wärtsilä's CO₂ emissions were reduced by 7,391 tCO₂e. Read more in the [Climate change and Environment](#) section.

Scope 1 and 2 CO₂e emissions



Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions (GRI 305-7)

Air emissions are mainly caused by test runs and the painting of completed engines or other Wärtsilä products. Test run emissions consist of nitrogen oxides (NO_x), sulphur dioxide (SO_x), carbon dioxides (CO₂) and particles, as well as small amounts of other emission components. The painting of engines and

Emissions	2022	2021	2020	2019	2018
Nitrogen oxides (t)	380	371	445	544	545
Sulphur oxides (t)	7	15	47	51	55
Total hydrocarbons (t)	129	203	147	139	164
Particulates (t)	4	4	6	7	7
VOC (t)	27	29	31	37	45

GHG emissions, tCO ₂ e	2022	2021	2020	2019	2018
Scope 1	46,629	54,711	52,911	56,568	59,949
Scope 2 (location-based)	24,309	25,350	34,561	40,911	47,347
Scope 2 (market-based)	30,705	36,062	46,306	53,453	63,768
Scope 3 – total*	1,941,000	1,413,200	1,309,800	161,000	204,100
Category 1 – purchased goods and services	1,892,800	1,385,200	1,285,700		
Category 3 – energy	13,000	14,000	12,900	14,400	16,000
Category 6 – flights	35,200	14,000	11,200	34,700	44,700
GHG emissions intensity (tCO ₂ e/MEUR)**	14.4	19.0	21.6	21.3	24.1

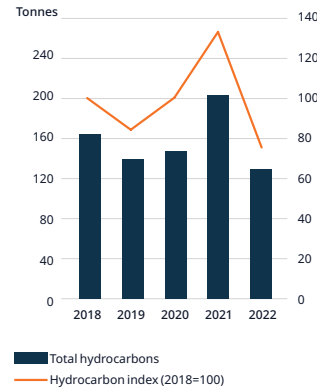
* Until 2019, Scope 3 emissions included only direct materials, energy and flights. From 2020, it includes all purchased goods and services, energy and flights separately.

** Total GHG emissions (Scope 1 and Scope 2 market-based) tCO₂e per 1 million EUR net sales.

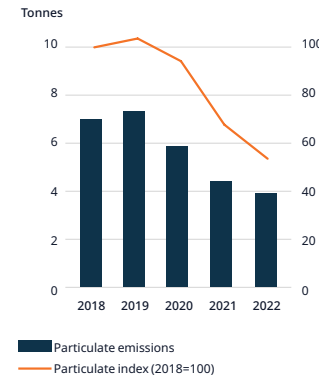
other Wärtsilä products generates volatile organic compounds (VOC) emissions. All these measures generate emissions but the ultimate aim of our research and development activities and testing is to develop low emission products for the marine and energy sectors.

The primary sources of manufacturing noise are the engine test runs and the ventilation machinery on factory roofs. This noise is mostly low frequency and is therefore not easily detected by the human ear. Wärtsilä has specifically addressed the issue of noise protection using technical means and has succeeded in lowering noise levels considerably. However, noise abatement is a continuous need and requires regular monitoring.

Total hydrocarbons



Annual particulate emissions



EFFLUENTS AND WASTE

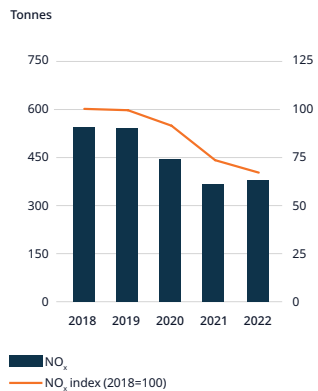
Water discharge by quality and destination (GRI 303-4)

Wärtsilä uses seawater for its engine and process cooling needs. In this case, the cooling water system is kept separate so that only heat is released into the natural water system. Wastewater is sewer and piped to the local wastewater treatment plant or treated on site before being discharged. If the effluent is not suitable for discharge, it is taken away for appropriate processing, for example to a hazardous waste treatment plant.

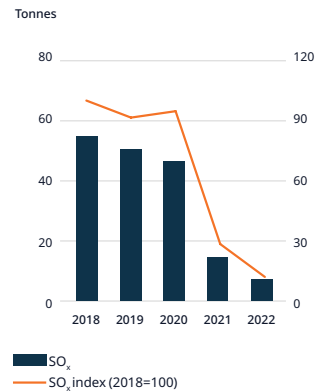
Several Wärtsilä subsidiaries have environmental permits that allow clean or properly treated water to be discharged into natural water bodies. Most of this discharge is clean cooling water, which is released back into local surface watercourse, releasing only heat.

In 2022, the total amount of water discharge was 14,001,191 m³.

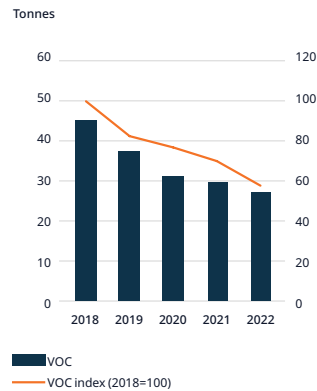
Annual NO_x emissions



Annual SO_x emissions



Annual VOC emissions



2022 water discharge	Municipal sewer	Sea	River	Ground
Amount (m ³)	102,426	13,606,747	283,524	8,493
% of total water discharge	0.7	97.2	2.0	0.01

Waste by type and disposal method (GRI 306-1, 306-2, 306-3)

Manufacturing activities generate various wastes. These are divided into two main categories: hazardous and non-hazardous wastes. Hazardous wastes include cutting fluids, various types of waste oil, paints and solvents, oily wastes, solid wastes, etc. Non-hazardous wastes include scrap metal, metal swarf, waste plastics, waste wood, domestic waste, cardboard, and paper waste. All Wärtsilä companies sort their waste according to local municipal regulations. Generally speaking, the main sorting categories are waste for recycling, waste for incineration, and waste for landfills. Waste is managed offsite by waste handling companies according to the environmental laws and regulations of the operating country. Data on the waste generated in own activities is collected on a quarterly basis from all Group companies.

Waste management in Wärtsilä has four aims, listed in their order of priority:

- to reduce the amount of waste generated in processes
- to use waste as a material
- to use waste as energy
- to dispose waste in an environmentally sound way

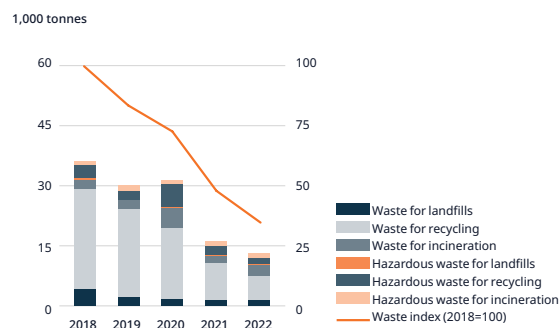
EXPENDITURES

Total environmental protection expenditures and investments

Concerning Wärtsilä's operations, we have defined expenditures as environmental expenditures if they are related to soil, water and air pollution control, waste management, environmental management, or noise control. A substantial proportion of our investments in product development are targeted at securing environmental compliance, which provide short and long-term benefits for the whole value chain, and the environment.

Environmental costs (MEUR)	2022	2021	2020	2019	2018
Environmental capital expenditures	0.3	0.1	3.0	1.0	0.6
Environmental operating expenditures	3.1	2.8	3.1	3.8	4.0

Annual waste



Waste (t)	2022	2021	2020	2019	2018
Non-hazardous waste	10,097	12,295	20,683	26,439	31,240
Landfill	1,282	1,259	1,596	2,022	4,051
Recycling	5,960	9,349	17,517	22,133	24,791
Incineration	2,784	1,644	1,504	2,215	2,305
Biowaste	70	44	66	69	92
Hazardous waste	2,946	3,725	2,687	3,847	4,785
Landfill	123	181	186	318	579
Recycling	1,582	2,325	1,581	2,261	3,063
Incineration	1,240	1,220	920	1,268	1,143
TOTAL	13,043	16,020	23,370	30,287	36,025

Social

For Wärtsilä, social responsibility is strongly connected to being a responsible employer. We seek to offer our employees an interesting and exciting workplace where openness, respect, trust, equal opportunities, and scope for personal development prevail. Furthermore, we strive to offer a safe working environment to our employees and partners. We have high ethical standards, and we care about the communities in which we operate. Our business operations and relations with our stakeholders are governed by our [Code of Conduct](#).



Significant changes to the organisation and its value chain (GRI 2-6)

In January, Wärtsilä closed the divestment of its Tank Control Systems business to Svanehøj, a Danish gas pump specialist involved in the design and manufacture of specialised deep well pump solutions. Tank Control Systems designs, manufactures, sells, and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. It is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. The business became part of Wärtsilä as a result of the acquisition of Total Automation in 2006 and has approximately 50 employees based in the UK, France, and Singapore.

In March, Wärtsilä announced the opening of a new Expertise Centre in Houston, Texas. The Houston Expertise Centre will deliver support to its USA and Canadian energy sector customers, thereby enhancing the company's ability to grow its service business.

In June, Wärtsilä opened its new technology centre, the Sustainable Technology Hub, in Vaasa, Finland. The Hub acts as a global ecosystem of collaboration by inviting customers, partner companies and academia to incubate, test, and validate ideas. A new, modern Wärtsilä Land & Sea Academy training centre, customer Expertise Centres providing remote operational support and predictive maintenance solutions, and the development of new digital innovations will play a central role in supporting customers to optimise their operations throughout the lifecycle of their assets, and to accelerate their decarbonisation activities. The Hub also features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a state-of-the-art production system with a high level of automation.

In June, Wärtsilä announced the acquisition of PortLink Global, a global port solutions company headquartered in Vancouver, Canada. Founded in 2007, PortLink is a leading provider of port

efficiency solutions, including port management information systems, port community systems, pilotage dispatch systems, and local port services. PortLink has a global partnership with more than 3,500 users, and a customer network in more than 20 countries. Its existing workforce of approximately 20 professionals will be integrated within Wärtsilä Voyage.

In July, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe in Vaasa, Finland. The discontinuation of manufacturing in Trieste is expected to impact approximately 450 employees with potential redundancy. The supply chain will remain largely as-is today, including Italian suppliers, thus ensuring that we maintain the competitiveness of Wärtsilä's supply chain.

In July, Wärtsilä completed its orderly exit from the Russian market. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations. As part of the exit, the Wärtsilä Digital Technologies office in St. Petersburg has been closed. In addition, Wärtsilä Vostok LLC was divested to the local management of the company. The companies belonged to Voyage business.

In October, Wärtsilä announced its intention to integrate the Voyage business with Marine Power to strengthen the end-to-end offering, and to accelerate the turnaround of the Voyage business. The integrated organisation became effective as of January 1, 2023.

In November, Wärtsilä divested Delivery Centre Santander to Javier Cavada Corporación Cantabria. The divestment was announced in May 2021. Delivery Centre Santander belonged to Marine Power.

In December, Wärtsilä announced the divestment of American Hydro to Enprotech Corp, a wholly owned subsidiary of the publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine

services focusing mainly on the North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. Subject to approvals, completion of the transaction is expected in the first half of 2023.

EMPLOYMENT

Employees (GRI 2-7), workers who are not employees (GRI 2-8), new employee hires and employee turnover (GRI 401-1)

In addition to direct employment, Wärtsilä employed also indirectly an external workforce totalling of 6,439 man-years in subcontracting at its factories and units. The units located in Finland had total personnel of 3,865 employees.

All in all, 1,289 employees left and 2,726 joined Wärtsilä globally during 2022 for different reasons. Wärtsilä had 17,581 employees at the end of 2022.

EMPLOYEES (GRI 2-7), NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER (GRI 401-1)

Personnel	2022	2021	2020	2019	2018
Number of employees at the end of the year	17,581	17,305	17,792	18,795	19,293
Personnel by business					
Marine Power	8,500	8,224	8,355	8,820	
Marine Systems	1,937	1,894	1,897	1,870	
Voyage	1,406	1,725	1,915	1,889	
Energy	5,320	4,980	4,888	5,137	
Portfolio Business	417	482	737	1,080	
Personnel by market area					
Europe	10,506	10,716	11,080	11,618	11,693
Asia	3,841	3,719	3,979	4,341	4,726
Americas	2,406	2,106	1,969	2,016	2,074
Other	828	764	764	820	801
Average age of employees	42.5	42.5	42.7	41.6	41.4
Permanent employees (%)	91	93	94	93	93
Temporary employees (%)	9	7	6	7	7
Full-time employees (%)	96	98	98	98	98
Part-time employees (%)	4	2	2	2	2
Employee turnover (resigned) (%)	7.9	7.3	5.6	6.7	5.7
Net employment creation	-54	-476	-1,001	-571	923

Number of employees by employment contract and gender in 2022	Permanent	Temporary
Total	16,387	1,194
Male	13,601	984
Female	2,786	210

Number of employees by employment contract and region in 2022	Permanent	Temporary
Europe	10,178	328
Asia	3,166	675
America	2,366	40
Other	677	151

Permanent employees by employment contract type and gender in 2022	Full-time	Part-time
Total	16,095	292
Male	13,464	137
Female	2,632	155

Non-guaranteed hours employees by gender and region in 2022*	Male	Female
Europe	251	113
Asia	1	0
America	0	0
Other	0	0

*Covers non-guaranteed hours employees (reported as headcounts) registered in SAP HR database

New employee hires in 2022	Employees	Rate (%)
Total	2,726	15.5
Gender		
Male	2,157	14.8
Female	569	19.0
Age group		
< 30 years	1,025	59.4
30–50	1,474	13.3
> 50 years	227	4.8
Market area		
Europe	1,603	15.3
Asia	503	13.1
Americas	545	22.6
Other	76	9.2

Employee turnover (resigned) in 2022	Employees	Rate (%)
Total	1,289	7.9
Gender		
Male	1,011	7.4
Female	278	10.0
Age group		
< 30 years	168	12.0
30–50	887	8.6
> 50 years	234	5.1
Market area		
Europe	918	9.0
Asia	176	5.5
Americas	162	6.4
Other	34	5.0

Benefits provided to full-time employees that are not provided to temporary or part-time employees (GRI 401-2)

In general, temporary and part-time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to the number of months or years of service – such differences are typically based on collective agreements according to local legislation.

LABOUR / MANAGEMENT RELATIONS

Minimum notice periods regarding operational changes (GRI 402-1)

Wärtsilä's way of working concerning minimum notice periods is described in the [Policy on human rights, equal opportunities and fair employment practices](#).

OCCUPATIONAL HEALTH AND SAFETY

Workers representation in formal joint management-worker health and safety committees

Wärtsilä companies apply occupational health and safety programmes as required by local legislation. These are normally developed by occupational health and safety committees consisting of representatives from both management and personnel. Altogether, 68% of Wärtsilä companies have an occupational health and safety committee covering in total 86% of Wärtsilä's employees.

Work-related injuries (GRI 403-9)

The lost time injury frequency (LTIF) for 2022 was 1.58, which was 2% higher than in the previous year. The total recordable injury frequency (TRIF) for 2022 was 2.57, which was 3% lower than in the previous year.

Three Wärtsilä employees suffered high consequence work-related injuries in 2022. There were no work-related fatalities within Wärtsilä operations during the year. The most common types of work-related injuries in 2022 resulted from slips and tripping, being caught between objects and/or in machinery, being hit by moving or dropping objects or pressure, manual overloading, hitting body part against solid structure and contact

with sharp objects. Wärtsilä has a global hazard and near miss reporting system for high-potential work-related incidents. In 2022, Wärtsilä identified 292 (1% of all reported hazard / near miss cases) high-potential work-related incidents. The majority of these were related to potential exposure to chemicals, heat or electricity, fall down hazards, the risk of getting caught between objects and machinery, or being hit by moving or dropping objects, as well as traffic related incidents.

Work-related ill health (GRI 403-10)

Wärtsilä employees constantly work close to running engines while conducting overhaul or testing activities, which exposes them to high levels of noise. Wärtsilä has occupational safety and health programmes in place to prevent hearing loss, including providing hearing protectors to those employees at risk of hearing loss or impairment. In 2022, there were in total four cases of occupational disease diagnosed, which is equivalent to 0.1 cases / million worked hours.

TRAINING AND EDUCATION

Average hours of training per year per employee (GRI 404-1)

Wärtsilä's average number of training days in 2022 for male employees was 1.45 and for female employees 1.15.

Programs for upgrading employee skills and transition assistance programs (GRI 404-2)

Wärtsilä's programmes for skills management is described in the [People and culture](#) section. Wärtsilä offers a wide variety of internal training and learning opportunities for its employees. The training categories include topics such as engine technology, health and safety, language and culture, project management, environment, security, and leadership.

TYPE OF INJURY AND RATES OF INJURIES, OCCUPATIONAL DISEASES, LOST DAYS AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES (GRI 403-9)

Injuries	2022	2021	2020	2019	2018
Number of total recordable injuries (excl. first aid cases)					
Employees	91	94	109	136	176
Contractors	60	39	26	37	48
Number of lost time injuries resulting in at least 1 day absence					
Employees	56	55	72	85	90
Contractors	40	29	14	20	35
Total recordable injuries / million working hours (TRIF)					
Employees	2.57	2.65	3.1	3.7	4.8
Contractors	5.67	3.44	3.3	3.4	4.0
Lost time injuries / million working hours (LTIF)					
Employees	1.58	1.55	2.0	2.3	2.5
Contractors	3.78	2.56	1.8	1.8	3.1
Absence rate, employees					
Absence due to illness (% of total working hours)	2.0	2.1	2.0	2.1	2.2
Absence due to lost time injury (% of total working hours)	0.05	0.06	0.07	0.07	0.11
Absence due to occupational diseases (% of total working hours)	0.0	0.0	0.0	0.0	0.0
Fatalities					
Number of fatalities, total	0	2	0	1	1
Employees	0	1	0	0	1
Contractors	0	1	0	1	0

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE (GRI 404-1)

Training days/ employee	2022	2021	2020	2019	2018
All employees	1.4	1.1	1.1	2.10	2.20
Managers and superiors	1.9	0.9	1.1	2.10	2.90
White-collar employees	1.2	1.0	1.0	1.90	2.10
Blue-collar employees	1.6	1.3	1.3	2.30	2.10

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS (GRI 404-3)

Development discussions held annually	2022	2021	2020	2019	2018
Coverage %	99	91	91	91	96

DIVERSITY AND EQUAL OPPORTUNITY

Diversity of governance bodies and employees (GRI 405-1)

At Wärtsilä we value, respect, and embrace diversity in terms of gender, age, personality, and educational background. We are proud of having a diverse representation of nationalities and cultures at all levels, departments, and functions of the organisation. Currently, our workforce comprises some 130 nationalities.

Diversity of governance bodies and employees (GRI 405-1)

Diversity	2022	2021	2020	2019	2018
Male/female ratio (%)	83/17	83/17	83/17	83/17	83/17
Executive positions globally: male/female ratio (%)	78/22	80/20	80/20	83/17	87/13
Regional diversity					
Number of nationalities	127	130	139	140	137

Number of employees per age group in 2022	Employees	Ratio (%)
< 30 years	1,726	9.8
30–50	11,092	63.1
> 50 years	4,762	27.1

Members of the Board of Management (BoM) and Board of Directors (BoD) by age group in 2022	BoM (%)	BoD (%)
< 30 years	0	0
30–50	37.5	0
> 50 years	62.5	100

Members of the Board of Management (BoM) and Board of Directors (BoD) by gender in 2022	BoM (%)	BoD (%)
Female	25	37.5
Male	75	62.5

CUSTOMER SATISFACTION

Results of surveys measuring customer satisfaction (GRI 2-29)

Wärtsilä always puts the needs of our customers first. We show this by carefully listening and acting upon our customers' feedback, at both operative and management levels. We place great emphasis on earning our customers' long-term trust by keeping its promises. While challenges may arise at any time in our business, relationships are strengthened by focusing on our customers. We observe our customers' perception of loyalty and satisfaction by applying a Net Promoter Score methodology, NPS. The results are monitored on a monthly basis.

Our customers' feedback on project deliveries and the operation of their installations, are welcomed. To know what works and where to improve, as well as understanding our customers' operational environments, is critical in developing the company's products and services. To ensure our customers' needs and expectations are met, we collect feedback during different events, activities, and interactions with our customers and act upon that feedback.

Customer loyalty	2022	2021	2020	2019	2018
NET Promoter Score, NPS	56	63	59	59	53
Sample	2,786	3,447	3,332	2,787	3,356

Net promoter score scale is from -100 to 100.

Compliance

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of our company and stakeholders, we strive to maintain the highest legal and ethical standards in all our business activities in accordance with our [Code of Conduct](#), applicable laws and under the principles of good corporate citizenship. This requires all employees to act responsibly and with integrity and honesty.



Environmental disturbances and complaints

The number of disturbances, complaints, and incidents of non-compliance are presented in the table below. Reported disturbances typically cover incidents in which the Wärtsilä company concerned has been obliged to report the disturbance to the authorities.

The main environmental disturbances that occurred in Wärtsilä's business locations in 2022 were three minor fuel or chemical spills. These disturbances were investigated and the appropriate corrective actions to minimise the impact on the environment were taken in each case.

Wärtsilä Singapore Pte Ltd received a complaint from an occupant of a neighbouring property about smoke. The source of the smoke was a defective air compressor, which was repaired.

Compliance with laws and regulations (2-27), Incidents of discrimination and corrective actions taken (GRI 406-1)

Wärtsilä is unaware of any cases of human rights being breached, discrimination, infringements of rights at work, or the use of forced or child labour. During the reporting period the following misconducts were realised:

Wärtsilä Korea Ltd. was charged a penalty fee of EUR 35,509 for not fulfilling its legal obligation to hire disabled persons as a minimum 5% of the company's total employees. The company has mainly hired blue-collar employees, which limits the suitable job offerings for disabled people.

In July, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe in Vaasa, Finland. An Italian court concluded that the Company's decision and the way to communicate it via stock exchange release violated both the industrial plan for the area and the rights of workers to transparency and consultation. The labor judge of the Court of

Trieste, granted the appeal made by the unions and ordered the Company to provide compensation of EUR 50,000 to each of three local unions for damage to their image and legal costs. According to the court decision, the Company was obliged to inform the trade unions periodically on progress and developments of the production site and by announcing the manufacturing closure via stock exchange release, had not done so. Wärtsilä decided not to appeal to the verdict, and also not to immediately restart the redundancy procedure, wishing to engage with unions, institutions and other key stakeholders, to have an open dialogue and build a common understanding while making joint plans on the way forward.

Wärtsilä Brasil Ltda. was issued a notice of violation by the Brazilian Ministry of Labour for not fulfilling its legal obligation to hire disabled persons as a minimum 3% of the company's total workforce. The company is still awaiting for the final fine. The company has extended every vacancy advertisement to disabled people, whenever possible.

There are also the following ongoing, disputed non-compliance cases:

Wartsila India Ltd. has four ongoing judicial proceedings pertaining to ex-employees' perceived improper labour and dismissal practices. It typically takes several years in India for these types of disputes to be concluded, and thus some of the proceedings have been ongoing already since 2016. Also, an ex-employee of the company has raised a judicial proceeding on the basis of alleged sexual harassment at workplace against three serving employees in 2019.

Non-compliance cases presented in previous reports

In 2021, Wärtsilä France S.A.S. applied for an exemption to its environmental permit on exceeding the NO_x emissions limits for engine testing purposes from the Regional Directorate for the Environment. The application has not yet been decided upon by the authority.

Disturbances, complaints, and non-compliances	2022	2021	2020	2019	2018
Environmental					
Disturbances	3	4	3	4	5
Non-compliances	0	4	2	1	3
Complaints	1	0	1	0	1
Social					
Non-compliances	7	1	2	2	2
Fines of non-compliance cases (EUR)	232,571	50,329	47,449	38,327	25,962

Wartsila India Ltd. had two disputes related to employment legislation where the state government was the opposite party. In one of the cases the company was found being in full compliance. In the second case, the company received a penalty fee of EUR 27,000 for failing to maintain adequate records of its suppliers' insurance coverage for their employees.

Wärtsilä Brasil Ltda.'s cases from years 2019, 2020 and 2021 related to not fulfilling its legal obligation to hire disabled persons as a minimum 3% of the company's total workforce, which the company had appealed against, have been resolved. As a result, Wärtsilä Brasil Ltda. paid fines in total of EUR 20,062.

Communication and training about anti-corruption policies and procedures, and Confirmed incidents of corruption and actions taken (GRI 205-2, 205-3)

During the review period, no instances of substantiated corruption or bribery were identified while allegations of such incidents are reported from time to time. Wärtsilä's [Anti-Corruption Policy](#) is public. Wärtsilä has arranged specifically tailored trainings to agents and other sales intermediaries. Find more information in the [Responsible business conduct](#) section.

Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices (GRI 206-1)

During the review period, no instances of non-compliance related to anti-competitive behaviour, anti-trust, and monopoly practices were identified. Wärtsilä arranged, as it has earlier, a number of competition law trainings in 2022 for relevant personnel in order to further promote their knowledge of competition laws, and thus ascertain full compliance with such laws.

Incidents of non-compliance concerning health and safety impacts of products and services, product and service information, marketing communications and customer privacy and data (GRI 416-2, GRI 417-2, GRI 417-3, GRI 418-1, GRI 419-1)

During the review period, no instances of non-compliance related to product health and safety or information liability, or customer privacy were identified.

Political contributions (GRI 415-1)

During 2022, Wärtsilä did not make any contributions to political parties.



Report profile

DATA COLLECTION

Environmental performance data of the products is based on measured test results. Operational environmental and social performance data has been collected from Wärtsilä companies using a detailed questionnaire. Economic performance data is based mainly on audited financial accounts.

The sustainability data is collected and reported according to Wärtsilä's specific internal reporting guidelines that include all the definitions and instructions necessary for this purpose. Environmental expenditure and investments are reported in accordance with Eurostat instructions.

Each company has a nominated individual responsible for collection and consolidation of the data, and for its quality and reliability. The management of each company approves the data before it is consolidated at the Group level. The companies report their sustainability data using Wärtsilä's sustainability reporting system. The reported data is checked at both local and Group levels before its consolidation. The content of this Sustainability Report was reviewed and approved by Wärtsilä's Board of Management.

REPORT ASSURANCE

PricewaterhouseCoopers Oy (PwC) has independently assessed the report against GRI Standards. As part of the assurance process, PwC assesses local level data management and processes, evaluates the relevance and reliability of the data reported to headquarters, and assesses whether the reporting guidelines of Wärtsilä are well understood and applied. This is achieved through conducting site visits and video conferences. In 2022, site visit was carried out in Vaasa, Finland. Wärtsilä China, Wärtsilä Sweden, Wärtsilä North America were assessed through videoconferencing.

ADDITIONAL SOURCES OF INFORMATION

Wärtsilä has previously published the following reports:

Wärtsilä Environmental Report 2000
Wärtsilä Sustainability Report 2002
Wärtsilä Sustainability Report 2004
Wärtsilä Sustainability Report 2005
Wärtsilä Annual Report 2006
Wärtsilä Annual Report 2007
Wärtsilä Annual Report 2008
Wärtsilä Annual Report 2009
Wärtsilä Annual Report 2010
Wärtsilä Annual Report 2011
Wärtsilä Annual Report 2012
Wärtsilä Annual Report 2013
Wärtsilä Annual Report 2014
Wärtsilä Annual Report 2015
Wärtsilä Annual Report 2016
Wärtsilä Annual Report 2017
Wärtsilä Annual Report 2018
Wärtsilä Annual Report 2019
Wärtsilä Annual Report 2020
Wärtsilä Annual Report 2021

These reports and their sustainability data are available on [Wärtsilä's website](#).

SUSTAINABILITY REPORT PROJECT TEAM

Marko Vainikka VP, Corporate Relations and Sustainability,
marko.vainikka@wartsila.com

Harri Mäkelä Development Manager, Sustainability

Alina Pathan Manager, Corporate Relations

Sanna Veräjänkorva Manager, Sustainability

Materiality assessment

The materiality assessment is an essential part of the process for defining the sustainability reporting content by taking into account various stakeholder groups' views on the importance of different topics. We aim to update the assessment every second year.



IDENTIFIED MATERIAL TOPICS AND BOUNDARIES

Entities included in the organisation's sustainability reporting (GRI 2-2)

The entities included in Wärtsilä's Consolidated Financial Statements are listed in the Notes to the Consolidated Financial Statements [6.1. Subsidiaries](#).

All the Group companies are included in Wärtsilä's Sustainability reporting. The report covers Wärtsilä's businesses. At the company level, the report includes the parent company and its subsidiaries as well as its manufacturing, service and sales units. The report excludes Wärtsilä's associated companies, joint ventures, supply chain companies and subsidiaries listed in the below section [Topic boundary within the organisation](#).

Process to determine material topics (GRI 3-1), List of material topics GRI 3-2)

In 2020, Wärtsilä updated the assessment of material sustainability topics. The process included an assessment of economic, environmental, and social topics and their impact to Wärtsilä's business from the stakeholders' point of view. Stakeholder views were collected through a questionnaire answered by 107 key stakeholder contacts in various Wärtsilä units and functions worldwide. The aim of the stakeholder questionnaire was to evaluate how important different sustainability topics are for assessments and decision-making of Wärtsilä's stakeholders. Sustainability topics for the stakeholder evaluation were identified based on Wärtsilä's previous experience on material sustainability topics, industry peer review, and analysis of significant economic, environmental and social impacts in Wärtsilä's value chain. The focus of the stakeholder assessment was on investors and financiers, major customers, personnel, local societies, and media.

The significance of identified topics was then analysed as a current or potential business impact on Wärtsilä. The business implications of identified sustainability topics were evaluated based on direct financial impacts as well as risks and opportunities. In addition, the level of internal policies or

practices were used as an indication of the potential business impact.

As a result of the materiality assessment, the following GRI topics were identified as material for Wärtsilä:

- Emissions
- Compliance with laws and regulations
- Economic Performance
- Training and education
- Occupational health and safety
- In addition to the identified material aspects, Wärtsilä discloses sustainability data on several other areas, because they are frequently asked by Wärtsilä's stakeholders or they are considered important on the basis of continuity of sustainability reporting.

Topic boundaries for the identified material topics were then evaluated on the basis of the significance of their economic, environmental, and social impact on our value chain. A more detailed description of the topic boundaries and completeness of data collection for the identified material topics can be found in the below section [Topic boundary within the organisation](#).

Material topics

From a sustainability impact point of view, product related environmental issues are the most significant for Wärtsilä. The use of Wärtsilä's products has an environmental impact both locally and globally. Other dimensions of sustainability mainly have a local impact.

Sustainability impact	Local	Global
Economic	■	
Environmental		
Product related	■	■
Operational	■	
Social	■	

The following GRI topics have been identified as material for Wärtsilä's sustainability reporting:

Category	Topics	Identified material topic for Wärtsilä, reported in accordance with GRI Standards	Other topics included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting
Economic	Economic performance	■		
	Market presence		■	
	Indirect economic impacts			■
	Procurement practices			■
	Anti-corruption			■
	Anti-competitive behaviour		■	
	Tax			■
Environmental	Materials		■	
	Energy		■	
	Water and effluents		■	
	Biodiversity			■
	Emissions	■		
	Waste		■	
	Environmental Compliance	■		
	Supplier Environmental assessment		■	
Social	Employment		■	
	Labour/management relations		■	
	Occupational health and safety	■		
	Training and education	■		
	Diversity and equal opportunity		■	
	Non-discrimination		■	

Category	Topics	Identified material topic for Wärtsilä, reported in accordance with GRI Standards	Other topics included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting
	Freedom of association		■	
	Child Labour		■	
	Forced or compulsory labour		■	
	Security practices			■
	Rights of indigenous people			■
	Human rights assessment			■
	Local communities			■
	Supplier social assessment		■	
	Public policy		■	
	Customer health and safety		■	
	Marketing and labelling		■	
	Customer privacy		■	
	Socioeconomic compliance		■	

Topic boundary within the organisation

The topic boundary for the material topics is all Wärtsilä companies. The economic performance data covers all Wärtsilä companies. The data on environmental and social performance covers all Wärtsilä companies except the following:

- LOCK-N-STITCH Inc.
- PortLink Global
- Wärtsilä Voyage GmbH
- Power Projects Mexico, S.A. de C.V.
- Wärtsilä Operations Guyana Inc.
- Wärtsilä Voyage Limited
- Wärtsilä El Salvador, S.A. de C.V.
- Wärtsilä Tanzania Ltd.

These companies will be included in Wärtsilä's sustainability reporting in the forthcoming years. In principle, the aim is to include a new company that joins Wärtsilä in the first half of a year in the following year's reporting, and when joining in the second half of the year only after a full year. In addition, seven companies with less than 10 employees have been excluded from sustainability reporting due to their insignificant environmental and social impacts. Wärtsilä's sustainability reporting is an integrated part of its annual reporting, and therefore Wärtsilä publishes its sustainability data annually.

Restatements of information (GRI 2-4)

There are no major restatements of information provided in previous reports.

COVERAGE OF OPERATIONAL DATA

Operational data, % of Wärtsilä companies	2022	2021	2020	2019	2018
Economic	100	100	100	100	100
Environmental	90	98	96	96	97
Social	100	100	100	100	100

Operational data, % of personnel	2022	2021	2020	2019	2018
Economic	100	100	100	100	100
Environmental	100	100	98	99	93
Social	100	100	100	100	100

Operational data, % of product manufacturing	2022	2021	2020	2019	2018
Economic	100	100	100	100	100
Environmental	100	100	100	100	100
Social	100	100	100	100	100

Reporting principles

Our reporting principles describe the economic, environmental and social performance data used as the basis for our sustainability reporting.



ECONOMIC PERFORMANCE DATA

The economic performance data is based on audited financial accounting and covers all Wärtsilä subsidiaries unless otherwise stated.

Donations: The data of this indicator included all Wärtsilä subsidiaries and the parent company in 2022.

Subsidies: The data of this indicator included all Wärtsilä subsidiaries and the parent company in 2022.

The social costs for employees contribute to the funding of pensions, unemployment, and other social benefits that provide security and improve the quality of life for the company's employees and their families.

Senior management includes all employees with the highest job grade levels 12-16. At the end of 2022, this covered 101 employees.

ENVIRONMENTAL PERFORMANCE DATA

Materials include all the major material flows used in the production processes globally. The most material consuming product categories include engines, propellers, and propulsion systems.

Total energy consumption includes both direct and indirect energy usage. The direct energy usage includes the fuels used by Wärtsilä subsidiaries. Lower heating values (LHV) are used to calculate the energy consumption of fuels in joules. LHVs are based on information supplied by vendors or results of fuel analysis for engine testing and R&D purposes, and for other fuel consumption the source is the UK Department for Environment, Food and Rural Affairs (Defra). The indirect energy usage includes the purchased electricity and heat. Since the efficiency of purchased electricity and heat generation is not known, the energy conversion is done directly from the purchased values.

Fuel consumption data is based on either invoices or measured values.

Heat and electricity data is based on either invoices or measured values.

Energy intensity describes the ratio of total internal energy consumption divided by the total net sales of the subsidiaries included in the data gathering in a particular year (TJ/MEUR).

GHG emissions intensity describes the ratio of total greenhouse gas emissions (Scope 1, Scope 2 market-based) divided by the total net sales of the subsidiaries included in the data gathering in a particular year (tCO₂e/MEUR).

Reduction of GHG emissions data is collected on a site level, based on permanent GHG emissions reduction measures, and either calculated or estimated (Scope 1 and 2).

Reduction of energy consumption data is collected on a site level, based on permanent energy saving actions, and either calculated or estimated.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units.

Recycled water: The reported amount is the total measured recycled water used in Wärtsilä Italia S.p.A. Their water treatment plant provides reusable water for manufacturing processes.

Water discharge: The reported figures are based on either measured values or invoices. The cooling water discharge might also be calculated from the heat load in some units.

Emissions: The reported figures are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors are determined for various fuels and engine types. The emissions of the heating boilers are either

measured or calculated. For electricity consumption the indirect CO₂ emissions (location-based Scope 2) are calculated by using the emission factors from the International Energy Agency (IEA), and the indirect CO₂ emissions (market-based Scope 2) are calculated by using the residual mix emission factors, where available (for Europe and USA), and for other countries the IEA emission factors. For district heating the indirect CO₂ emissions (Scope 2) are calculated by using the emission factors from Defra.

The reporting of Scope 3 emissions covers three categories: Category 1: Purchased Goods and Services, Category 3: Fuel- and Energy-Related Activities, and Category 6: Business Travel. The CO₂ emissions of purchased goods and services are calculated by using the spend-based method. The economic value of goods and services purchased is multiplied by the industry-average emission factors obtained from the EXIOBASE database (v3.8.2). Spend data is broken down according to Wärtsilä's internal purchasing categories and allocated to the most appropriate product group category available within the EXIOBASE database. The energy-related CO₂ emissions are calculated by using the emission factors from Defra. The CO₂ emissions of air travel are based on calculations by Wärtsilä's travel agency and are based on Thrust Data defined factors.

The other than GHG emissions of vehicles are calculated by using the Technical Research Centre of Finland's (VTT) Lipasto database emission factors. The GWP factor used for converting methane emissions to CO₂ equivalent is 25. Only CO₂ and methane are considered for the CO₂ emissions.

Waste: Information on waste disposal methods normally comes from the waste disposal contractor.

Environmental disturbances: As such are considered major incidents, which generally require communication to local authorities.

SOCIAL PERFORMANCE DATA

Total recordable injuries: a work-related injury that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness.

Total recordable injury frequency (TRIF) is expressed as total recordable injuries per million working hours. The working hours are actual paid working hours. The TRIF rate does not include commuting injuries.

Lost time injury (LTI): The reported figures include all reported work-related injuries resulting in the absence of at least one scheduled workday. The lost day is counted from the first day after the injury.

LTI frequency (LTIF) is expressed as reported lost time injuries and possible fatalities per million working hours. The working hours are actual paid working hours. The LTIF rate does not include commuting injuries.

High-consequence work-related injury: a work-related injury that results in a fatality or injury from which the employee cannot, does not, or is not expected to recover fully to the pre-injury health status within 6 months.

High-potential work-related incident: a work-related incident with a high probability of causing a high-consequence injury.

Net employment creation is calculated by deducting the number of permanent employees having left the company for any reason from the amount of newly hired permanent employees during the reporting period.

Employee turnover is calculated from permanent employees. The number of resigned permanent employees is divided by the number of permanent employees at the end of the reporting period.

Employees and other workforce: Data on Wärtsilä employees is mainly derived from the global SAP HR database. Less than 1% of employees, the amount varying between indicators, have not had all their employment details in the global HR databases. Their gender, employment and contract types have been assumed to be the same as an average global employee. The numbers of new hires and resigned employees do not include estimates of employees whose employment or resignation has not been formally recorded.

Independent assurance report

Our sustainability information and data for 2022 have been assured by an independent auditor, PricewaterhouseCoopers Oy.



INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

To the Management of Wärtsilä Corporation

We have been engaged by the Management of Wärtsilä Corporation (hereinafter also the 'Company') to perform a limited assurance engagement on selected sustainability information for the reporting period 1 January 2022 to 31 December 2022, disclosed in the Annual Report of Wärtsilä Corporation (hereinafter the 'Selected sustainability information').

Selected sustainability information

The Selected sustainability information within the scope of limited assurance covers the GRI indicators listed in the GRI Index, which is included in the Company's Annual Report 2022.

Management's responsibility

The Management of Wärtsilä Corporation is responsible for preparing the Selected sustainability information in accordance with the reporting criteria as set out in Wärtsilä Corporation internal reporting instructions described in Wärtsilä Corporation's Annual Report 2022 and the GRI Standards of the Global Reporting Initiative. The Management of Wärtsilä Corporation is also responsible for such internal control, as the management determines is necessary, to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Control (ISQC) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Visiting the Company's site in Wärtsilä Finland and conducting video interviews with sites in Wärtsilä China, Wärtsilä North America and Wärtsilä Sweden.
- Interviewing employees responsible for collecting and reporting the information presented in the Selected sustainability information at the group level as well as at the site level.

- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Wärtsilä Corporation's Selected Sustainability information for the reporting period 1 January 2022 to 31 December 2022 are not properly prepared, in all material respects, in accordance with the reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Wärtsilä Corporation for our work, for this report, or for the conclusions that we have reached.

Helsinki 8 February 2023

PricewaterhouseCoopers Oy

Mikael Niskala
Partner
ESG Reporting &
Assurance Services

Karsten Westerling
Partner, Authorised
Public Accountant

GRI index

Wärtsilä has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022. The GRI index shows where the general disclosures and topic-specific standards are addressed in our Annual Report.



GENERAL DISCLOSURES

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC
GRI 1 used		GRI 1: Foundation 2021	
GRI 2: General Disclosures 2021			
2-1 Organisational details	Strategy Wärtsilä in the capital markets This is Wärtsilä	Location of headquarters: Helsinki, Finland	■
2-2 Entities included in the organisation's sustainability reporting	Materiality assessment		
2-3 Reporting period, frequency and contact point	Report profile		■
2-4 Restatements of information	Materiality assessment		
2-5 External assurance	Independent Assurance Report		■
2-6 Activities, value chain, and other business relationships	This is Wärtsilä Sustainability at Wärtsilä Social		■
2-7 Employees	Social	Information incomplete: Full-time/ part-time employees per region missing. The information will be reported in Annual report 2023.	■
2-8 Workers who are not employees	Social	Information incomplete: Only reported as man-years. Other information our data gathering system does not cover at the moment. Will be reported within the next three years.	■
2-9 Governance structure and composition	Governance Board of Directors		■
2-10 Nomination and selection of the highest governance body	Annual General Meeting Board of Directors	The nomination committee proposes new board members. The committee consults major shareholders, and in their proposals they take into account the specific needs of the Board, including sustainability competencies and diversity.	■
2-11 Chair of the highest governance body	Board of Directors		■
2-12 Role of the highest governance body in overseeing the management of impacts	Annual General Meeting Internal Control Board of Directors Risks and risk management		■
2-13 Delegation of responsibility for managing impacts	Governance Board of Directors Group Management		■
2-14 Role of the highest governance body in sustainability reporting	Report profile		■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC
2-15 Conflicts of interest	Board of Directors Internal Control Wärtsilä in the capital markets		■
2-16 Communication of critical concerns	Internal Control	Confidentiality constraints: The cases contain sensitive information.	■
2-17 Collective knowledge of the highest governance body	Board of Directors Internal control		■
2-18 Evaluation of the performance of the highest governance body	Board of Directors	The evaluation is of general nature, but also includes sustainability issues if such concerns arise. The evaluation partly affects the membership changes within the Board.	■
2-19 Remuneration policies	Remuneration report		■
2-20 Process to determine remuneration	Board of Directors People and Culture		■
2-21 Annual total compensation ratio	Remuneration report	A) Ratio of the annual total compensation for Wärtsilä's CEO to average employee: 25.1. B) Ratio of the percentage increase in CEO's annual total compensation from previous year to average employee: -0.65.	■
2-22 Statement on sustainable development strategy	CEO review		■
2-23 Policy commitments	Responsible business conduct Climate change and environment Risks and risk management Sustainability at Wärtsilä		■
2-24 Embedding policy commitments	Responsible business conduct Sustainability at Wärtsilä		■
2-25 Processes to remediate negative impacts	Responsible business conduct		
2-26 Mechanisms for seeking advice and raising concerns	Responsible business conduct		■
2-27 Compliance with laws and regulations	Compliance		■
2-28 Membership associations	Sustainability at Wärtsilä		■
2-29 Approach to stakeholder engagement	Sustainability at Wärtsilä		■
2-30 Collective bargaining agreements		60% of Wärtsilä employees were covered by collective bargaining agreements in 2022. More information: Policy on human rights, equal opportunities and fair employment practices .	■

TOPIC STANDARDS

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 3: Material topics 2021				
3-1 Process to determine material topics	Materiality assessment			
3-2 List of material topics	Materiality assessment			
Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä Strategy Economic Risks and risk management			■
201-1 Direct economic value generated and distributed	Economic			■
201-2 Financial implications and other risks and opportunities due to climate change	Economic Risks and risk management			■
201-3 Defined benefit plan obligations and other retirement plans	Economic			■
201-4 Financial assistance received from government	Economic			■
GRI 202: Market Presence 2016				
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Economic	Only reported the management approach.	■	
202-2 Proportion of senior management hired from the local community	Economic		■	
GRI 205: Anti-corruption 2016				
205-1 Operations assessed for risks related to corruption	Risks and risk management	Coverage of risk management processes is 100% of our operations.	■	
205-2 Communication and training about anti-corruption policies and procedures	Responsible business conduct		■	
205-3 Confirmed incidents of corruption and actions taken	Compliance		■	
GRI 206: Anti-competitive behaviour 2016				
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance			

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 300 Environmental Standard Series				
GRI 303: Materials 2016				
301-1 Materials used by weight or volume	Environment		■	
301-2 Recycled input materials used	Environment	The recycled material input of metals varies between 20% and 95%, depending on the type of furnace and foundry used by the metal recycling companies in the supply chain, of which there are too many to state an exact percentage.	■	
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	Environment		■	
302-3 Energy intensity	Environment		■	
302-4 Reduction of energy consumption	Environment		■	
GRI 303: Water and effluents 2018				
303-3 Water withdrawal	Environment		■	
303-4 Water discharge	Environment		■	
303-5 Water consumption	Environment		■	
GRI 305: Emissions 2016				
GRI 3: 3-3 Management of material topics	Climate change and environment Strategy Environment Risks and risk management		■	■
305-1 Direct (Scope 1) GHG emissions	Environment		■	■
305-2 Energy indirect (Scope 2) GHG emissions	Environment		■	■
305-3 Other indirect (Scope 3) GHG emissions	Environment		■	■
305-4 GHG emissions intensity	Environment		■	■
305-5 Reduction of GHG emissions	Environment		■	■
305-6 Emissions of ozone-depleting substances (ODS)		Information unavailable: Our data gathering system does not cover at the moment. Will be investigated in 2023.	■	■
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environment		■	■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 306: Waste 2020				
306-1 Waste generation and significant waste-related impacts	Environment		■	
306-2 Management of significant waste related impacts	Environment		■	
306-3 Waste generated	Environment		■	
GRI 400 Social Standard Series				
GRI 401: Employment 2016				
401-1 New employee hires and employee turnover	Social		■	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social			
GRI 402: Labour/Management Relations 2016				
402-1 Minimum notice periods regarding operational changes	Social		■	
GRI 403: Occupational Health and Safety 2018				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä Occupational health and safety Social Risks and risk management		■	■
403-1 Occupational health and safety management system	Occupational health and safety		■	■
403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety		■	■
403-3 Occupational health services	Occupational health and safety People and culture		■	■
403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety People and culture		■	■
403-5 Worker training on occupational health and safety	Occupational health and safety		■	■
403-6 Promotion of worker health Occupational health and safety	Occupational health and safety People and culture		■	■
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety		■	■
403-8 Workers covered by an occupational health and safety management system	Occupational health and safety		■	■
403-9 Work-related injuries	Social		■	■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
403-10 Work-related ill health	Social		■	■
GRI 404: Training and Education 2016				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä People and culture Social Risks and risk management		■	■
404-1 Average hours of training per year per employee	Social		■	■
404-2 Programs for upgrading employee skills and transition assistance programs	Social	Various types of training can be offered in restructuring situations, however specific actions are defined case by case.		■
404-3 Percentage of employees receiving regular performance and career development reviews	Social		■	■
GRI 405: Diversity and Equal Opportunities 2016				
405-1 Diversity of governance bodies and employees	Social		■	
GRI 406: Non-discrimination 2016				
406-1 Incidents of discrimination and corrective actions taken	Compliance		■	
GRI 415: Public Policy 2016				
415-1 Political contributions	Compliance		■	
GRI 416: Customer Health and Safety 2016				
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance			
GRI 417: Marketing and Labelling 2016				
417-2 Incidents of non-compliance concerning product and service information and labelling	Compliance			
417-3 Incidents of non-compliance concerning marketing communications	Compliance			
GRI 418: Customer Privacy 2016				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance			

A photograph of two men in a meeting. The man on the right is writing on a whiteboard with a blue marker. The whiteboard has handwritten text: "Pulse Linear Modification", "CUT3 -> Pulse Jet", and "Pulse Jet: one S/". The man on the left is looking at the whiteboard. The image is overlaid with a large, semi-transparent white diagonal shape.

Governance

Corporate governance statement 2022

Wärtsilä Corporation complies with the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act, and the rules and regulations of Nasdaq Helsinki Ltd. Wärtsilä also applies the Global Reporting Initiative's G4 Sustainability Reporting Guidelines and complies with the Finnish Corporate Governance Code 2020 (the "Code") issued by the Finnish Securities Market Association. The Code is publicly available at cgfinland.fi/en. Wärtsilä has not deviated from any of the Code's recommendations.

Wärtsilä's Corporate Governance Statement is published as a separate statement on Wärtsilä's website, as well as in this Annual Report.

Wärtsilä applies a single-tier governance model. The General Meeting of shareholders, the Board of Directors, and the President & CEO are responsible for the management of the Wärtsilä Group. Their duties are, for the most part, defined by the Finnish Limited Liability Companies Act. The General Meeting of shareholders elects the Board of Directors and the auditor. The Shareholders' Nomination Board prepares proposals to the General Meeting relating to the composition and remuneration of the Board of Directors. The Board of Directors is responsible for the strategic management of the company and is assisted in its work by the Board Committees. The Board appoints the President & CEO, who is in charge of the operative, day-to-day management of the company, with support from the Board of Management.

Wärtsilä's governance model

External Audit

Elected by the Annual General Meeting to audit the consolidated and parent company financial statements and accounting records, and the administration of the parent company.

Internal Audit

Analyses the company's operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The function reports at regular intervals to the Audit Committee.

Annual General Meeting

The Annual General Meeting is Wärtsilä's ultimate decision-making body.

Board of Directors

The Board of Directors consists of 5-10 members elected by the Annual General Meeting. They are responsible for the strategic management of the company.

President & CEO

The Board of Directors appoints the President & CEO, who is in charge of the operative, day-to-day management of the company.

Board of Management

The Board of Management supports the President & CEO.

Shareholders' Nomination Board

The Nomination Board prepares matters pertaining to the appointment and remuneration of the Board of Directors.

Audit Committee

The committee's responsibilities include monitoring the financial reporting process and the efficiency of internal control, internal audit, and risk management systems.

People Committee

The committee's responsibilities include preparing matters concerning the nomination and remuneration of the President & CEO, the CEO's deputy, if any, and the members of the Board of Management.

ANNUAL GENERAL MEETING

Wärtsilä's ultimate decision-making body is the General Meeting of shareholders. It resolves issues as defined for General Meetings in the Finnish Limited Liability Companies Act and the company's Articles of Association. The agenda items for the General Meeting of shareholders include the following:

- approving the financial statements
- deciding on the distribution of dividends
- discharging the company's Board of Directors and President & CEO from liability for the financial year
- electing the company's Board of Directors and auditor and deciding on their remuneration

A General Meeting of Wärtsilä Corporation is held at least once a year, at a time no later than the end of June. If needed, the company may also hold Extraordinary General Meetings. An invitation to the General Meeting is published on the company's website or in a minimum of two daily newspapers, which are commonly distributed in Finland, as decided by the Board of Directors. The invitation shall be published no earlier than two months and no later than three weeks prior to the General Meeting. It shall, however, be published at least nine days prior to the General Meeting's record date. Wärtsilä also publishes the invitation to its General Meetings as a stock exchange release. The documents and draft resolutions to be submitted to the General Meeting can be found on Wärtsilä's website.

Shareholders have the right to add items falling within the competence of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in writing sufficiently in advance of the meeting, so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes on its website the date by which a shareholder must notify the company's Board of Directors of an issue that he or she demands to be addressed at the General Meeting. This information is given no later than by the end of the financial period preceding the General Meeting and includes the postal or email address to which the demand shall be sent. The demand is always deemed to have arrived in time, if the Board is notified of the demand no later than four weeks before the delivery of the Notice of the General Meeting.

All shareholders registered by the record date in the company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holder to one vote. The Chair of the Board of Directors, the members of the Board of Directors, and the President & CEO are normally present at the General Meeting. The auditor-in-charge also attends the Annual General Meeting. Director candidates shall also be present at the General Meeting that decides upon their election.

ANNUAL GENERAL MEETING 2022

Wärtsilä's Annual General Meeting was held on 3 March 2022, with shareholders having the possibility to follow the meeting via a video stream and to vote in advance. A total of 1,694 shareholders voted in advance, representing 322,222,557 votes.

The Annual General Meeting approved the financial statements, reviewed the Remuneration Policy and Remuneration Report 2021 for governing bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2021. The audit firm PricewaterhouseCoopers Oy was elected as the auditor of the company for the year 2022. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.24 per share in two instalments. The first instalment of EUR 0.12 per share was paid on 14 March 2022 and the second instalment of EUR 0.12 per share on 6 October 2022. The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 of the company's own shares. In addition, the Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue, if there is a weighty financial reason for the Company to do so. Advance voting was held on matters on the agenda of the Annual General Meeting subject to voting. The detailed results of advance voting were recorded in the minutes of the meeting. The minutes of the meeting and other related documents can be found on Wärtsilä's website at www.wartsila.com/agm.

SHAREHOLDER'S NOMINATION BOARD

The Shareholders' Nomination Board prepares and presents to the General Meeting proposals relating to the composition and remuneration of the Board of Directors. In addition, the Nomination Board reviews and adjusts the diversity principles of the Board of Directors, as necessary, and does successor planning of the directors.

The Nomination Board consists of five members. Four representatives are nominated by the company's four largest shareholders, with the fifth member being the Chair of Wärtsilä's Board of Directors. The four largest shareholders are determined on the basis of the shareholders' register maintained by Euroclear Finland Ltd. as of 1 June preceding the Annual General Meeting of shareholders. In case a shareholder does not wish to use its appointment right, the right transfers to the next largest shareholder who would not otherwise have such right. The members are elected annually. Their term of office ends when the composition of the Nomination Board for the following period is determined.

The Shareholders' Nomination Board's proposal for the composition of the Board of Directors is included in the Notice of the General Meeting. The same applies to a proposal for the composition of the Board of Directors made by shareholders with at least 10% of the votes carried by the company shares, provided that the candidates have given their consent to the election, and the company has received information on the proposal sufficiently in advance as to be included in the Notice of the General Meeting. The candidates proposed after the disclosure of the Notice of the General Meeting shall be disclosed separately. Wärtsilä publishes the biographical details of the candidates for the Board on its website in connection with the publication of the Notice of the General Meeting.

Diversity principles

For the Board of Directors to discharge its duties in the most effective manner, the Board must be highly qualified and sufficiently diverse. When preparing its proposal for the Board's composition, the Shareholders' Nomination Board considers the educational and professional background of the individual candidates, as well as their international experience, so that the composition of the Board represents a wide variety of competencies and qualifications. The Shareholders' Nomination Board also considers the candidates' age, as having different seniority levels in the Board is considered beneficial in terms of ensuring a mutually complementary experience.

With regards to gender, Wärtsilä's objective is to have a balanced representation of both genders in the Board. In December 2022, Wärtsilä had three female and five male board members.

The Shareholders' Nomination Board assesses the potential candidates, not only in terms of their individual qualifications and characteristics, but also in terms of their ability to effectively work together and jointly support and challenge the company management in a proactive and constructive way.

SHAREHOLDERS' NOMINATION BOARD 2022

In June 2022, the following members were appointed to Wärtsilä's Shareholders' Nomination Board:

Petra Hedengran

Born 1964, Master of Law. General Counsel, Head of Corporate Governance, Investor AB, appointed by Invaw Invest AB.

Markus Aho

Born 1980, M.Sc. (Eng.). Chief Investment Officer, Varma Mutual Pension Insurance Company.

Mikko Mursula

Born 1966, M.Sc. (Econ.). Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company.

Carl Pettersson

Born 1979, B.Sc. (Econ.), EMBA. CEO, Elo Mutual Pension Insurance Company.

Tom Johnstone CBE

Born 1955, Master of Arts, Honorary Doctorate in Business Administration and Honorary Doctorate in Science. Chair of the Board of Directors of Wärtsilä Corporation.

The Nomination Board convened 6 times with an attendance rate of 97%.

BOARD OF DIRECTORS

Responsibility for the management of the company and the proper organisation of its operations lies with the company's Board of Directors, which is composed of five to ten members. Board members serve for one year at a time and are elected by the General Meeting.

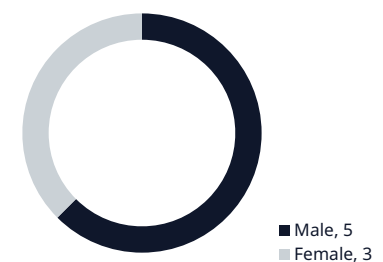
According to the Corporate Governance Code's recommendation 10, the majority of the Board members shall be independent of the company, and at least two of the members representing this majority shall be independent of significant shareholders of the company. The Board evaluates the independence of its members annually and re-evaluates it as necessary.

The Board elects a chair and a deputy chair from among its members. The Board steers and supervises the company's operations and decides on policies, goals, and strategies of major importance. The principles applied by the Board to its regular work are set out in the Board Charter. The Board also approves the rules of procedure applied by the Board's committees setting out their main tasks and working principles. In addition to matters requiring its decision, the Board is given updates on the Group's operations, financial position, and risks at its meetings.

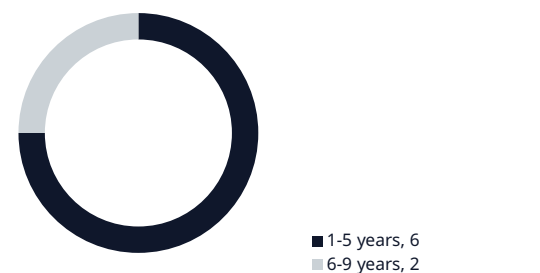
The Board conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to act as a basis for developing Board functions.

The Board of Directors convenes from eight to eleven times a year, following a pre-determined schedule. In addition to these meetings, the Board convenes as necessary. All board meetings are documented.

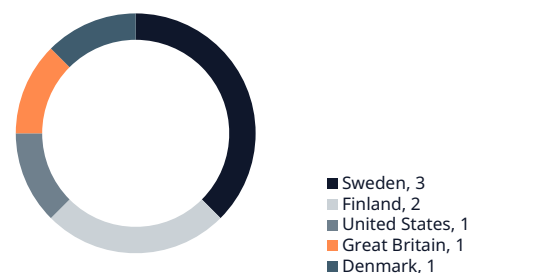
Gender diversity



Tenure



Nationality



Applicable to the Board of Directors elected by the Annual General Meeting 2022.

BOARD OF DIRECTORS IN 2022

As of 3 March 2022, the Board comprised the following eight members: Mr Tom Johnstone (Chair), Mr Risto Murto (Deputy Chair), Ms Karen Bomba, Mr Morten H. Engelstoft, Ms Karin Falk, Mr Johan Forssell, Mr Mats Rahmström, and Ms Tiina Tuomela.

All eight Board members were determined to be independent of the company. Six members were determined to be independent of significant shareholders. Mr Tom Johnstone was determined to be dependent of significant shareholders due to his position in the board of Investor AB. Mr Johan Forssell was determined to be dependent of significant shareholders due to his position as the President and CEO of Investor AB.

Until 3 March 2022, the Board comprised the following eight members: Mr Tom Johnstone (Chair), Mr Risto Murto (Deputy Chair), Ms Maarit Aarni-Sirviö, Ms Karen Bomba, Ms Karin Falk, Mr Johan Forssell, Mr Mats Rahmström, and Ms Tiina Tuomela.

During 2022, Wärtsilä's Board of Directors held 14 meetings with an attendance rate of 97%. Major items on the agenda of the Board of Directors were the review of Wärtsilä's strategy and its implementation, its contribution to decarbonisation, as well as the financial development (e.g. growth, profitability and cash flow) of the company. The impact of the increasing geopolitical tensions and the Russia-Ukraine war on the company and its markets were strongly in focus of the BoD. Similarly, the analysis of the market development and initiating plans as to the engine manufacturing footprint in Europe received considerable attention. Other areas of importance included sustainability, technological developments, and the development of human resources and talent.

Board members' meeting participation in 2022

	Number of meetings	% of meetings
Tom Johnstone, Chair	14/14	100
Risto Murto, Deputy Chair	14/14	100
Karen Bomba	14/14	100
Karin Falk	14/14	100
Johan Forssell	13/14	93
Mats Rahmström	13/14	93
Tiina Tuomela	14/14	100
Maarit Aarni-Sirviö (until 3 March 2022)	2/2	100
Morten H. Engelstoft (as of 3 March 2022)	11/12	92

Responsibilities of the Board of Directors

The Board considers all matters stipulated to be the responsibility of a board of directors by legislation, other regulations, and the company's Articles of Association. The most important of these are:

- the annual and interim financial statements
- matters to be put before the General Meetings of shareholders
- the appointment of the President & CEO, the Executive Vice Presidents, and the CEO's deputy, if any
- the organisation of financial supervision within the company

The Board is also responsible for considering any matters that are so far-reaching with respect to the area of the Group's operations that they cannot be considered to fall within the scope of the Group's day-to-day administration. Examples of such matters include:

- approval of the long-term goals of the Group and its businesses, as well as the strategies to achieve them
- monitoring the developments, opportunities, and threats in the external environment, as well as their impact on goals and strategy
- approval of the annual business plan and target setting for the Group
- approval of risk management principles
- monitoring and assessing the performance of the President & CEO
- approval of the remuneration and pension benefits of the President & CEO, Executive Vice Presidents, and the CEO's deputy, if any
- approval of the corporate governance principles
- overseeing that the company complies with legal and regulatory requirements, its Code of Conduct, and other established values and ethical principles in its operations
- discussing and monitoring the research and product development plans of the company
- appointing the Board committees
- granting charitable donations
- approval of other matters that are strategically or financially important, such as significant investments, acquisitions, or divestments

The Boards' committees

The Board of Directors appoints annually an Audit Committee and a People Committee. It may also nominate other committees, if considered necessary in its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairs, taking into consideration the expertise and experience required for the duties of the committee. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself. In addition to the committee members,

other Board members may participate in committee meetings, if they so wish. The purpose of the Board's committees is to prepare matters to be put before the Board for its decision. The committees have no decision-making authority of their own.

Audit Committee

The Board of Directors appoints an Audit Committee to assist it in performing its supervisory duties. The Board appoints from among its members at least three members to the Committee. These members shall have the qualifications necessary to perform the responsibilities of the Audit Committee. The majority of the members of the Audit Committee shall be independent of the company, and at least one member shall be independent of the company's significant shareholders.

The Board defines the duties of the Audit Committee in the charter confirmed for the Committee. The Audit Committee monitors the financial statement reporting process, as well as the efficiency of the internal control, internal audit, and risk management systems. Furthermore, the Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, monitors the statutory audit of financial statements and consolidated financial statements, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor. Other duties of the Audit Committee include reviewing the accounting principles of the company and approving any amendments to them, reviewing the interim and financial statements of the company and the reports prepared by the auditor for the Audit Committee, as well as evaluating the processes aimed at ensuring compliance with laws and regulations and monitoring the company's credit position and taxation.

The Audit Committee also reviews the company's Corporate Governance Statements and reviews and resolves any special issues raised by the Board of Directors that fall within the competence of the Audit Committee.

The Chair of the Audit Committee convenes the Committee as required. The Chair reports to the Board of Directors on the Committee's meetings and proposals.

AUDIT COMMITTEE IN 2022

Chair Tiina Tuomela, members Karen Bomba and Risto Murto. All members are independent of the company and significant shareholders. The Audit Committee met five times in 2022 with an attendance rate of 100%.

People Committee

The Board appoints a People Committee to assist it in its work. The Board appoints at least three of its members to sit in the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the People Committee in the charter confirmed for the Committee. The People Committee prepares for the Board of Directors, as necessary, matters concerning the appointment of the President & CEO, the CEO's deputy, if any, and other members of the Board of Management. The Committee prepares for the Board of Directors proposals concerning the remuneration principles, incentive schemes, and remuneration that apply to the President & CEO and the members of the Board of Management. Furthermore, the People Committee reviews the organisation's development needs and corporate culture alignment with strategy, monitors talent management processes and strategies, as well as reviews leadership development strategies and succession plans. External consultants used by the Committee are independent of the company and management.

The Chair of the People Committee convenes the Committee as required. The Chair reports to the Board of Directors on the Committee's meetings and proposals.

PEOPLE COMMITTEE IN 2022

Chair Tom Johnstone, members Karin Falk and Johan Forssell. All members are independent of the company, and one is independent of significant shareholders. The People Committee met four times in 2022 with an attendance rate of 100%.

Board members' committee meeting participation in 2022

	Audit committee	People committee
Tom Johnstone	-/-	4/4
Risto Murto	5/5	-/-
Karen Bomba	4/4	-/-
Karin Falk	-/-	3/3
Johan Forssell	-/-	4/4
Mats Rahmström	-/-	-/-
Tiina Tuomela	5/5	-/-
Maarit Aarni-Sirviö (until 3 March 2022)	1/1	1/1
Morten H. Engelstoft (as of 3 March 2022)	-/-	-/-

Members of the Board of Directors

	Primary working experience	Other positions of trust	Shares
 Tom Johnstone CBE, Chair of the Board Independent of the company, dependent of significant shareholders. Born 1955, Master of Arts, Honorary Doctorate in Business Administration and Honorary Doctorate in Science. Member of the Board of Wäertsilä Corporation since 2015, Chair of the Board since 2020.	• SKF Group, several management posts, of which the most recent was President and CEO of AB SKF, 2003-2014	• Combient AB, Chair of the Board • Husqvarna AB, Chair of the Board • Collegial AB, Chair of the Board • Investor AB, Member of the Board • Northvolt AB, Member of the Board • Volvo Cars, Member of the Board	Holdings in Wäertsilä Corporation on 31.12.2022: 34,505 shares
 Risto Murto Independent of the company and significant shareholders. Born 1963, Ph.D. (Econ.). President & CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wäertsilä Corporation since 2014, Deputy Chair of the Board since 2021.	• Varma, Executive Vice President, Investments, 2010-2013 • Varma, Chief Investment Officer, Investments, 2006-2010 • Opstock Ltd, Managing Director, 2000-2005 • Opstock Ltd, Head of Equities and Research, 1997-2000 • Erik Selin Ltd., Head of Research, 1993-1997	• e2 Research, Chair of the Board • Securities Market Association, Chair of the Board • The Finnish Pension Alliance TELA, I Deputy Chair • Finance Finland (FFI), Member of the Board • Sampo plc, Member of the Board • Finnish Canoeing and Rowing Federation, Member of the Board	Holdings in Wäertsilä Corporation on 31.12.2022: 23,939 shares
 Karen Bomba Independent of the company and significant shareholders. Born 1964, B.Sc. Mechanical Engineering. Member of the Board of Wäertsilä Corporation since 2020.	• Smiths Interconnect, President, 2017-2020 • Morpho Detection, Inc., President & CEO, 2013-2017 • Labinal SA, Chairman and CEO, 2010-2013 • Zoltek Companies, Inc., Chief Operating Officer, 2008-2010 • Messier-Bugatti USA LLC, Chairman and CEO, 2004-2008 • Messier-Bugatti USA LLC, Executive Vice President and General Manager, 2000-2004 • Hitco Carbon Composites, Inc., Business Line Manager and Focused Factory Manager, 1993-2000 • Northrop Corporation, Manufacturing Engineering Manager, 1986-1993	• Ultra Electronics Holdings PLC, Member of the Board Relevant prior positions of trust • European Chamber of Commerce, Member of the Board, 2007-2008 • Tri-County Economic Development Corporation, Member of the Board, 2007-2008 • French American Chamber of Commerce, Member of the Board, 2005-2006	Holdings in Wäertsilä Corporation on 31.12.2022: 10,483 shares

	Primary working experience	Other positions of trust	Shares
 Morten H. Engelstoft Independent of the company and significant shareholders. Born 1967, EMBA. Member of the Board of Wärtsilä Corporation since 2022.	• A.P. Møller - Mærsk A/S, APM Terminals, Denmark, CEO & EVP, 2016-2022 • A.P. Møller - Mærsk A/S, APM Shipping Services, Denmark, CEO, 2014-2016 • A.P. Møller - Mærsk A/S, Maersk Tankers, Denmark, CEO, 2014-2016 • A.P. Møller - Mærsk A/S, Maersk Line, Denmark, COO, 2007- 2014 • A.P. Møller - Mærsk A/S, Maersk Container Business, South East Asia, Chief Executive, 2006-2007 • A.P. Møller - Mærsk A/S, Maersk Container Business, East Mediterranean, Chief Executive, 2003-2006 • A.P. Møller - Mærsk A/S, Maersk Line, Singapore, Managing Director, 2001-2003 • A.P. Møller - Mærsk A/S, various positions, 1986-2001	• TT Club Mutual Insurance, Member of the Board Relevant prior positions of trust • Svitzer, Chair of the Board, 2014-2020	Holdings in Wärtsilä Corporation on 31.12.2022: 3,686 shares
 Karin Falk Independent of the company and significant shareholders. Born 1965, B.Sc. (Econ.). President, Husqvarna Construction Division. Member of the Board of Wärtsilä Corporation since 2017.	• Volvo Group, Senior Vice President, Volvo Trucks Services & Customer Quality, 2016-2020 • Volvo Group, Executive Vice President, Corporate Strategy & Brand Portfolio, 2012-2016 • Volvo Group, President, Non-Automotive Purchasing, 2008-2012 • Volvo Car Corporation, Vice President, Volvo Car Customer Service, 2006-2008 • Volvo Car Corporation, President, Volvo Car Special Vehicles, 2001-2006 • Volvo Cars and Volvo Group, various positions, 1988-2001		Holdings in Wärtsilä Corporation on 31.12.2022: 15,556 shares
 Johan Forssell Independent of the company, dependent of significant shareholders. Born 1971, M.Sc. (Economics and Business Administration). President & CEO of Investor AB. Member of the Board of Wärtsilä Corporation since 2017.	• Investor AB, Head of Core Investments and Member of the Management Group, 2006-2015 • Aleris AB, Project Director, 2014 • Investor AB, Head of Research, 2003-2006 • Investor AB, Head of Capital Goods and Healthcare sector, 2001-2003 • Investor AB, Head of Capital Goods sector and Analyst, 1995-1999	• Atlas Copco, Member of the Board • Confederation of Swedish Enterprise, Member of the Board • Epiroc AB, Member of the Board • EQT AB, Member of the Board • Patricia Industries, Member of the Board • Stockholm School of Economics, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2022: 15,556 shares

Primary working experience

Other positions of trust

Shares



Mats Rahmström

Independent of the company and significant shareholders. Born 1965, MBA. President & CEO of Atlas Copco AB. Member of the Board of Wärtsilä Corporation since 2020.

- Atlas Copco AB, Business Area President, Industrial Technique, 2008-2017
- Atlas Copco AB, President, Atlas Copco Tools and Assembly Systems General Industry division within Industrial Technique, 2006-2008
- Atlas Copco AB, various positions in sales, service, marketing, and general management within Industrial Technique, 1988-2006

- Piab AB, Chair of the Board
- The Royal Swedish Academy of Engineering Sciences, Member

Holdings in Wärtsilä Corporation on 31.12.2022: 33,983 shares



Tiina Tuomela

Independent of the company and significant shareholders. Born 1966, MBA, M.Sc (Engineering). CFO, Uniper SE. Member of the Board of Wärtsilä Corporation since 2021.

- Fortum Corporation, Executive Vice President, Generation Division, 2016-2021
- Fortum Corporation, Executive Vice President, Nuclear and Thermal Power Division, 2014-2016
- Fortum Corporation, various positions in finance, 2003-2014
- Imatran Voima Oy, various positions in finance, 1991-2003

- Teollisuuden Voima Oyj, Member of the Board
- Lappeenranta University of Technology, Member of the Advisory Board

Holdings in Wärtsilä Corporation on 31.12.2022: 6,267 shares

Relevant prior positions of trust

- Uniper SE, Member of the Supervisory Board, 2020-2021
- Finnish Energy, Member of the Board, 2018-2021
- Kemijoki Oy, Chair of the Board, 2017-2021
- Forsmark Kraftgrupp AB, Member of the Board, 2014-2016
- Ekokem Oy, Member of the Board, 2014-2016
- Raskone Oy, Member of the Board, 2013-2015

GROUP MANAGEMENT

The President & CEO

The Board of Directors appoints a President for the Group, who is also its Chief Executive Officer. The President & CEO is in charge of the day-to-day management of the company and its administration in accordance with the company's Articles of Association, the Finnish Companies Act, and the instructions of the Board of Directors, and is assisted in this work by the Board of Management. The President & CEO's service terms and conditions are specified in writing in the service contract.

The President & CEO of the company is Mr Håkan Agnevall.

Board of Management

Until 30 November 2022, Wärtsilä's Board of Management comprised of nine members: the President & CEO, the Chief Financial Officer, the Executive Vice Presidents of the businesses Wärtsilä Energy, Wärtsilä Marine Power, Wärtsilä Marine Systems, and Wärtsilä Voyage, as well as the Executive Vice Presidents heading the Communications, Branding & Marketing; Corporate Relations & Legal Affairs; and Human Resources functions. In December 2022 the Board of Management had eight members while Wärtsilä Energy was reporting directly to the President & CEO. The members of the Board of Management are appointed by the company's Board of Directors, which also approves their remuneration and other terms of employment.

The Board of Management is chaired by the President & CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, and the Group's structure and corporate steering systems. It also supervises the company's operations.

The Chief Financial Officer's main areas of responsibility include group accounting and control, treasury (including project and customer financing), taxation, process development, corporate planning, and investor relations. The Executive Vice Presidents of

the businesses are each responsible for the sales volumes and profitability of their respective global business, deploying the capabilities of the Group's worldwide subsidiaries. The main areas of responsibility of the Executive Vice President, Corporate Relations & Legal Affairs are corporate relations and legal affairs, intellectual asset management and sustainability, environmental and occupational health and safety, as well as security, including cyber security. The Executive Vice President, Human Resources is responsible for people related processes. The main areas of responsibility of the Executive Vice President, Communications, Branding & Marketing are external and internal communications, as well as branding and marketing. Information on the members of the Board of Management and their areas of responsibility and holdings can be found in the Board of Management CVs.

THE BOARD OF MANAGEMENT IN 2022

The Board of Management met 12 times during 2022. Major items on the agenda of the Board of Management were the business strategies and their implementation plans, as well as the sustainability strategy and decarbonisation targets. The Board of Management also focused on market development, financial performance, regulatory environment, and technology development. Managing the consequences on the company of the increasing geopolitical tensions and Russia-Ukraine war were in strong focus. Also, the market demand development and the planning of production capacity and the engine manufacturing footprint in Europe were significant items of the agenda of the Board of Management. Furthermore, other areas of importance included health and safety of personnel, risk management, continuous improvement, as well as supplier and other stakeholder relationships.

Corporate management

The company's corporate management consists of, in addition to the Board of Management, the directors in charge of corporate functions. These functions include financial controlling, corporate legal affairs, group treasury, compliance, information management, brand management, corporate internal audit, corporate relations and sustainability, and investor relations.

Business management teams

Each business head is supported by a business management team. The business management teams comprise the heads of business units and business lines, as well as business specific support function heads. They are responsible for executing the respective business strategies and for ensuring that the business' performance is in line with agreed targets.

Managing Directors of subsidiaries

The Managing Directors of the Group's subsidiaries are responsible for ensuring that the subsidiaries are in the position to meet the needs of the businesses, and that the development needs of the subsidiary's personnel are met. The Managing Directors are also responsible for ensuring that the subsidiary's operations fulfil the requirements stipulated in the Group processes, including the quality system, that these operations comply with the respective country's legal requirements and with good business practices, and that communication within the subsidiary is conducted in accordance with the targets of the Group.

Members of the Board of Management

	Primary working experience	Positions of trust	Shares
 Håkan Agnevall President & CEO of Wärtsilä Corporation since 2021. Born 1966, M.Sc. (Tech.), MBA, Honorary Doctor of Technology. Joined the company in 2021.	• Volvo Bus Corporation, President, 2013-2020 • Bombardier Transportation, Vice President, 2010-2013 • ABB Robotics, Senior Vice President, 2007-2009 • ABB High Voltage Cables, Vice President, 2003-2006	• Technology Industries of Finland, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2022: 104,900 shares
 Arjen Berends Executive Vice President and Chief Financial Officer since 2018. Born 1968, MBA. Joined the company in 1988.	• Wärtsilä Corporation, Vice President, Finance & Business Control, Marine Solutions, 2012-2018 • Wärtsilä Corporation, Vice President, Finance & Business Control, Wärtsilä Industrial Operations, 2010-2012 • Wärtsilä Corporation, Finance Director, Wärtsilä Industrial Operations, 2007-2010 • Wärtsilä Propulsion Netherlands B.V., Finance Director, and Wärtsilä Corporation Propulsor Business Finance Director, 2002-2007 • Wärtsilä Corporation, various roles, 1988-2002		Holdings in Wärtsilä Corporation on 31.12.2022: 1,500 shares
 Tamara de Gruyter President, Wärtsilä Marine Systems, Executive Vice President, and Head of Portfolio Business since 2020. Born 1972, B.Sc. Shipbuilding Engineering. Joined the company in 1998.	• Wärtsilä Corporation, Chief Transformation Officer and Head of Portfolio Business, 2019-2020 • Wärtsilä Corporation, Vice President, Marine Business Europe & Africa, 2019 • Wärtsilä Corporation, Vice President, Services North Europe, 2017-2018 • Wärtsilä Corporation, Vice President, Propulsion System Services, 2015-2018 • Wärtsilä Corporation, various roles, 1998-2015	• Combient AB, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2022: 4,700 shares

Primary working experience

Positions of trust

Shares



Kari Hietanen

Executive Vice President, Corporate Relations and Legal Affairs since 2012. Born 1963, LL.M. Joined the company in 1989.

- Wärtsilä Corporation, Executive Vice President, Human Resources and Legal Affairs, 2002-2011
- Wärtsilä Corporation, Power Divisions, Group General Counsel, 2000-2002
- Wärtsilä Diesel Group, General Counsel, 1994-1999
- Metra Corporation and Wärtsilä Diesel Group, Legal Counsel, 1989-1994

- European Engine Power Plants Association, EUGINE, Vice President
- German-Finnish Chamber of Commerce, Member of the Board
- Finnish-Korean Trade Association, Member of the Board
- East Office of Finnish Industries Ltd, Member of the Board
- Confederation of Finnish Industries (EK), Member of the Trade Policy Committee
- International Trade Committee, Finland Chamber of Commerce / ICC Advisory Board, ICC Finland, Member
- Industrial Forum of the European Commission, Member
- China Office of Finnish Industries, Member of the Board
- Disciplinary Committee of Nasdaq Helsinki Ltd, Member
- Takeover Board of the Securities Market Association, Member

Holdings in Wärtsilä Corporation on 31.12.2022:
17,333 shares



Roger Holm

President, Wärtsilä Marine Power and Executive Vice President since 2020. Born 1972, M.Sc. (Econ.). Joined the company in 1997.

- Wärtsilä Corporation, President, Marine Business and Executive Vice President, 2019-2020
- Wärtsilä Corporation, President, Marine Solutions and Executive Vice President, 2015-2019
- Wärtsilä Corporation, Senior Vice President, Engines, 2013-2015
- Wärtsilä Corporation, Vice President, Seals & Bearings, 2011-2013
- Wärtsilä Corporation, various roles, 1997-2011

- Hanken School of Economics, Member of the Board

Holdings in Wärtsilä Corporation on 31.12.2022:
15,196 shares



Hannu Mäntymaa

President, Wärtsilä Voyage and Executive Vice President since October 2022. Born 1977, M.Sc. (Eng.). Joined the company in 2002.

- Wärtsilä Marine Power, Vice President, Performance Services, 2020-present
- Wärtsilä Finland Oy, Managing Director, 2020-present
- Wärtsilä Marine Power Solutions, Director R&D and Engineering, Director, Power Supply; 2018-2020
- CSSC Wärtsilä Engine (Shanghai) Company Ltd, China, Managing Director, 2014-2017
- Wärtsilä Corporation, various roles, 2002-2014

- Ostrobothnian Chamber of Commerce, Member of the Board

Holdings in Wärtsilä Corporation on 31.12.2022:
no shares

Primary working experience

Positions of trust

Shares



Atte Palomäki

Executive Vice President, Communications, Branding & Marketing since 2018. Born 1965, M.Sc. (Pol.). Joined the company in 2008.

- Wärtsilä Corporation, Executive Vice President, Communications and Branding, 2008-2018
- Nordea Bank AB (publ.), Group Chief Press Officer, 2007-2008
- Nordea Bank AB (publ.), Chief Communication Officer, Finland, 2005-2006
- Kauppalehti, Senior Business Correspondent, 2002-2005
- MTV3, various roles, 1993-2002

- Marketing Executives Group Inc, Vice Chairman
- Finland Promotion Board, Member of the Board

Holdings in Wärtsilä Corporation on 31.12.2022:
14,493 shares



Teija Sarajärvi

Executive Vice President, Human Resources since 2022. Born 1969, MA. Joined the company in January 2022.

- Huhtamäki Oyj, various roles, last position as Executive Vice President, Human Resources and Safety, 2015-2021
- OP Financial Group, Executive Vice President, Human Resources, 2012-2015
- Metso Oyj, various roles, last position as Senior Vice President, Human Resources, 2009-2012
- Nokia Oyj, various roles, last position as Director, Human Resources, Nokia Markets, 1998-2009
- ABB Oyj, various roles, 1993-1998

Holdings in Wärtsilä Corporation on 31.12.2022:
no shares

Sean Fernback acted as Executive Vice President and President of Wärtsilä Voyage until October 2022.

Sushil Purohit acted as Executive Vice President and President of Wärtsilä Energy until November 2022. Until the appointment of the successor for Mr. Purohit, the Energy Business will report to Håkan Agnevall, President and CEO of Wärtsilä Corporation.

INTERNAL CONTROL

Wärtsilä has defined its objectives for internal control according to the international COSO framework. Wärtsilä defines internal control as a process implemented by Wärtsilä's Board of Directors, the management, the Boards of Directors of Group companies, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives.

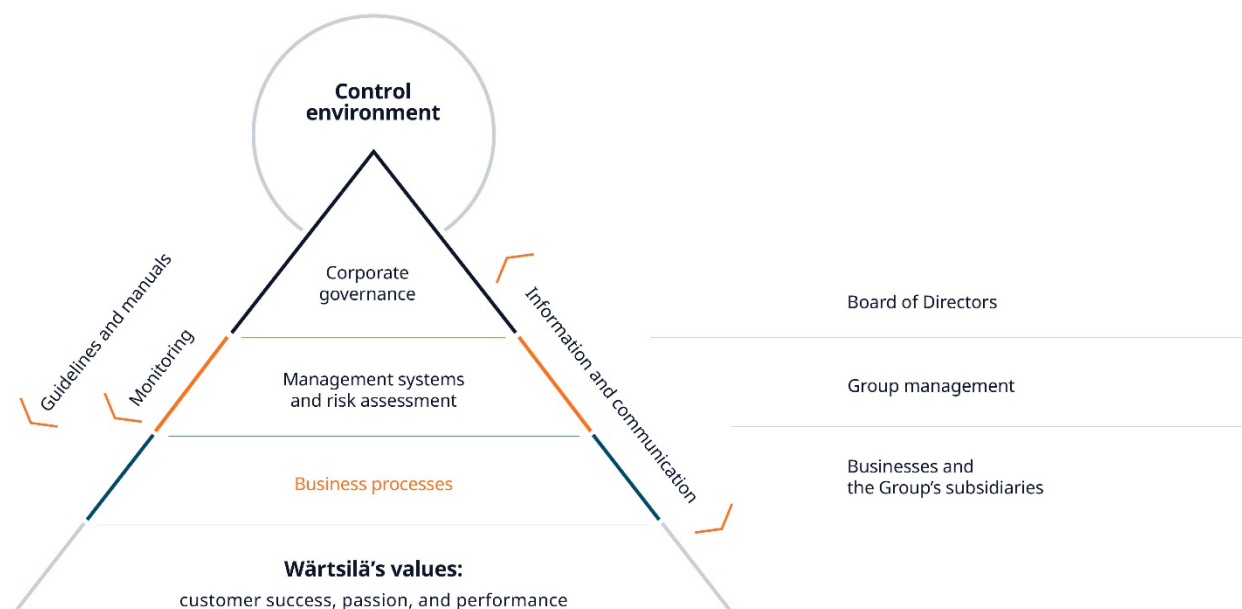
Internal control covers all the policies, processes, procedures and organisational structures within Wärtsilä that help the management, and ultimately the Board, to ensure that Wärtsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, that the company's assets, including its brand, are safeguarded, and that its financial reporting is correct. Internal control is not a separate process or set of activities but is embedded in Wärtsilä's operations.

The system of internal control operates at all levels of Wärtsilä. Wärtsilä maintains and develops its internal control system with the ultimate aim of improving its business performance and, at the same time, complying with laws and regulations in countries where it operates.

Management systems

The Board of Management is responsible for developing and implementing Wärtsilä's management systems, continuously improving their performance and ensuring that they operate effectively. Wärtsilä's management systems cover all global processes and management procedures within Wärtsilä related to fulfilling customer requirements. The proper functioning of the management systems ensures, for their part, the attainment of Wärtsilä's internal control objectives. Wärtsilä's main management systems are described in detail on the company website: <http://www.wartsila.com/investors/governance/internal-control-framework>.

Main components of Wärtsilä's internal control



Risk assessment

Internal control within Wärtsilä is designed to support the company in achieving its targets. The risks related to the achievement of targets need to be identified and evaluated in order for them to be managed. Thus, the identification and assessment of risks is a pre-requisite for internal control within Wärtsilä. Wärtsilä's internal control mechanisms and procedures provide the management assurance that risk management actions are carried out as planned. Wärtsilä has defined and implemented entity level and process level control activities, as well as information system controls. Control activities at different levels are needed to directly mitigate risks at the respective levels.

Wärtsilä's financial reporting is carried out in a harmonised way in all major Group companies, using a single instance ERP system and a common chart of accounts. The International Financial Reporting Standards (IFRS) are applied in Wärtsilä consolidated financial statements. Wärtsilä's finance and control process is essential for the functioning of internal control. Adequate controls in the financial management and accounting processes are needed to ensure the reliability of financial reporting.

The Board of Directors regularly assesses the adequacy and effectiveness of Wärtsilä's internal controls and risk management. It is also responsible for ensuring that the internal control of accounting and financial administration is arranged appropriately. The Audit Committee of Wärtsilä's Board of Directors is responsible for overseeing the financial reporting process.

A more comprehensive description of Wärtsilä's risk management principles as well as of Wärtsilä's most important strategic, operational, and financial risks can be found in the Risks and risk management section of this report.

Values and the control environment

The foundation of Wärtsilä's internal control system lies on the company's values: customer success, passion, and performance. Wärtsilä's values are reflected in its day-to-day relations with its

suppliers, customers, and investors, as well as in internal guidelines, policies, manuals, processes, and practices. The control environment sets the tone for internal control within Wärtsilä and influences the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Wärtsilä's control environment are included in the corporate culture; in the integrity, ethical values and competence of Wärtsilä's personnel; as well as in the attention and direction provided to the personnel by the Board of Directors. Wärtsilä's values and control environment provide Wärtsilä's Board of Directors and management the basis for reasonable assurance regarding the achievement of the objectives of internal control. The President & CEO and the Board of Management define Wärtsilä's values and ethical principles, which are reflected in the Code of Conduct, and set an example for the corporate culture, which together create the basis for the control environment. They, together with the business management, are responsible for communicating Wärtsilä's values to the organisation.

Business processes

The controls embedded in Wärtsilä's business processes play a key role in ensuring effective internal control within the company. Controls in the business processes help ensure the achievement of all the objectives of internal control within Wärtsilä, especially those related to the efficiency of operations and safeguarding the company's profitability and reputation. The business management is responsible for ensuring that, within its area of responsibility, the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, the business management is responsible for ensuring that efficient business level processes with adequate controls have been defined and implemented.

Guidelines and manuals

The components of Wärtsilä's internal control system, including for example corporate governance, management systems, the performance management process, as well as business and other

processes, are described in various guidelines and manuals. The essential Group level policies and guidelines are compiled in Wärtsilä's Corporate Manual. Wärtsilä's Group level Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Wärtsilä Group companies. The manual supports the achievement of objectives related to the reliability of Wärtsilä's financial reporting. Wärtsilä's Group level policies, and any changes to them, shall be approved by a member of the Board of Management. In addition to the Group level guidelines and manuals, the businesses have issued related guidelines and instructions for their own, specific purposes. The business level guidelines and manuals are aligned with, and do not contradict, the Group level guidelines and manuals.

Information and communication

An effective internal control system needs sufficient, timely, and reliable information to enable the management to assess the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Employees can provide feedback to the management and communicate suspected misconduct via a whistle-blower channel that secures anonymous reporting, or directly to the Compliance, Legal Affairs, or Internal Audit functions. All external communications are carried out in accordance with the Group Communications Policy.

Monitoring

Monitoring is a process that assesses the quality of Wärtsilä's internal control system and its performance over time. Monitoring is performed both on an ongoing basis and through separate evaluations that include internal, external, and quality audits.

The Audit Committee of the Board of Directors assesses and assures the adequacy and effectiveness of Wärtsilä's internal controls and risk management. The Internal Audit function assists the Audit Committee in this work by performing regular audits of Group legal entities, businesses, and support functions in accordance with its annual plan. In addition, Wärtsilä's external

auditor and other assurance providers, such as quality auditors, conduct their evaluations of Wärtsilä's internal controls.

Wärtsilä's management performs monitoring as part of its regular supervisory activities. The business management is responsible for ensuring that all relevant laws and regulations are complied with in their respective responsibility areas. The Legal and Compliance function monitors adherence to the compliance policies of the Group.

The Group Finance & Control function oversees the financial reporting processes and controls to ensure that they are being followed. It also monitors the correctness of all external and internal financial reporting. Wärtsilä external auditor audits Wärtsilä statutory financial statements, including consolidated financial statements.

Internal audit

Wärtsilä's internal audit is handled by its Internal Audit unit, which reports to the Audit Committee and to the Chief Financial Officer. The purpose of the Internal Audit unit is to analyse the company's operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The internal auditor also participates, if necessary, in audits undertaken in conjunction with acquisitions and carries out special tasks when needed. The Internal Audit function covers all the company's organisational levels and subsidiaries. An internal audit is undertaken in the subsidiaries and network companies at regular intervals, ranging from one to four years, based on a systematic evaluation.

The Internal Audit function prepares an annual plan, under which it independently audits different parts of the company. The annual plan is approved by the Audit Committee. The Internal Audit function is also empowered to carry out special audits. If required, the auditors also have the possibility to take direct contact with the Audit Committee or members of the Board of Directors.

Related party transactions

Wärtsilä's related parties comprise the members of the Board of Directors, the President & CEO, the other members of the Board of Management and persons related to them as per IAS 24, as well as the associated companies and joint ventures. The Group Finance & Control function evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are considered appropriately in Wärtsilä's decision-making process.

Insider management

Wärtsilä manages inside information and insiders in accordance with all applicable laws and regulations regarding insiders and insider trading. The most important statutory provisions are contained in the Market Abuse Regulation (EU) 596/2014 ("MAR"). Wärtsilä also follows the Insider Guidelines of Nasdaq Helsinki Ltd. and Wärtsilä's Insider Policy.

The company draws up insider lists for projects containing inside information. Insiders are given written notification of their status as insiders and instructions on the obligations that apply to insiders.

The members of Wärtsilä's Board of Directors and Board of Management and certain other Wärtsilä personnel are prohibited from trading Wärtsilä's financial instruments during the 30 days prior to the publication of a financial statements bulletin, a half-year report, or an interim report.

Wärtsilä publishes notifications on transactions conducted by persons discharging managerial responsibilities and persons closely associated with them in accordance with the provisions of the MAR. The term "persons discharging managerial responsibilities" refers exclusively to the members of the Board of Directors and the Board of Management of Wärtsilä. These notifications are available on Wärtsilä's website.

EXTERNAL AUDIT

The company has one auditor, which shall be an audit firm. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year. Its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company financial statements and accounting records, as well as the administration of the parent company.

Following the closing of annual accounts, the external auditor submits a statutory auditor's report to the company's shareholders. In addition, the auditor regularly reports its findings to the Board of Directors' Audit Committee. The auditor, in addition to fulfilling general competency requirements, must comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

AUDITOR IN 2022

The Annual General Meeting appointed the audit firm PricewaterhouseCoopers Oy (PwC) as Wärtsilä Corporation's auditor for the year 2022. The auditor-in-charge was Mr Lauri Kallaskari. Auditing fees paid to PwC amounted to EUR 3.6 million in 2022. Consultancy fees for non-audit services totalled EUR 0.2 million. The latter fees paid to the auditor concerned tax advisory and other services.

Remuneration Report 2022

2022 REMUNERATION AT A GLANCE

The Board fees approved for 2022 increased compared to 2021.

Total remuneration paid for the CEO includes base salary, benefits, supplementary pension contributions and short-term incentive (STI). STI for 2021 resulted in a pay-out, which was made in 2022.

In our share-based long-term incentive scheme (LTI), we introduced sustainability targets for 2022-2024. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

The 2019-2021 LTI did not result in pay-outs.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group financial and business financial targets with no individual targets for 2022.

STI 2022 did not result in pay-outs.

The Remuneration Report outlines the remuneration for Wärtsilä's Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act, the Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer (608/2019), and the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association. The report presents information on the remuneration of the Chief Executive Officer and the Board of Directors during the financial year 2022. It also presents the development of average employee remuneration and company performance over the past five financial years, in comparison to the CEO and Board's remuneration.

REMUNERATION POLICY AT A GLANCE

According to the **Remuneration Policy for Governing Bodies of Wärtsilä** (the "Remuneration Policy" or "Policy"), remuneration at Wärtsilä shall follow '**Pay for Performance**' principles of being responsive, transparent, competitive, and aligning relevant interests. These principles are used for structuring the reward approach throughout the organisation and are designed to align employee rewards with the interests of the company and its shareholders.

Remuneration for the Board of Directors (the "Board") consists of annual fees for Board membership, attendance fees, and committee fees. Fees vary based on position, workload, and responsibility. Annual fees are paid in shares and cash, attendance, and committee fees in cash. The Annual General Meeting ("AGM") decides on the fees for each term of office.

Remuneration of the Chief Executive Officer (the "CEO") consists of a base salary, pension, and benefits, as well as short- and long-term incentives. The objective is to have a good balance of rewarding elements, and to guarantee a market competitive level of fixed remuneration. This is supplemented with short- and long-term incentive schemes aimed at driving company performance and providing an appropriate reward.

The Board may deviate from the Policy in extraordinary circumstances. To read the full Policy, please visit Wärtsilä's website at www.wartsila.com/investors/governance.

1. INTRODUCTION

1.1. Letter from the Chair of the People Committee

Dear Shareholders,

I am pleased to present Wärtsilä's Remuneration Report for the financial year 2022. It has been approved by the Board of Directors.

During 2022, the People Committee has complied with and executed the company's Remuneration Policy. Furthermore, The People Committee has been closely supporting implementation of the People strategy and has followed-up on the People priorities. We want to provide an exciting and engaging work experience for our 17,500 employees. Our focus is on improving diversity, inclusion, and wellbeing.

We continue to follow our 'Pay for Performance' principles of being responsive, transparent, and competitive while aligning relevant interests. These principles are designed to match employee rewards with the interests of the Company and its shareholders by providing compensation solutions that reward performance for delivering business results.

We develop high performing teams that make a difference. We recognise people for their performance and see rewarding as a key element in attracting, engaging, developing, and retaining the best talent.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group financial and business financial targets with no individual targets this year. In our long-term incentive scheme (LTI) 2022-2024, we introduced sustainability targets. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

We made progress with The Wärtsilä Way – our company strategy. Our purpose of enabling sustainable societies through innovations in technology and services inspires our employees to shape the decarbonisation of marine and energy.

We introduced our Leadership Model, which supports our strategic growth by outlining the desired leadership behaviours at Wärtsilä. Results from our employee engagement survey MyVoice showed that engagement is improving, our work is meaningful, and leadership is one of our strengths.

We welcome shareholder feedback on our Remuneration Report, Policy and practices.



Tom Johnstone
Chair of the People Committee

PEOPLE COMMITTEE ANNUAL CLOCK 2022



People Committee members' meeting participation in 2022

	Number of meetings
Tom Johnstone, Chair	4/4
Maarit Aarni-Sirviö	1/1
Karin Falk	3/3
Johan Forssell	4/4

1.2 Remuneration and Company performance

The following section presents the development of both the average remuneration for employees, and the company's performance over the past five financial years, in comparison to the CEO and Board's remuneration. The year 2022 was characterised by geopolitical tensions and uncertainty in the global business environment. The war in Ukraine has had a strong direct and indirect impact on the markets we operate in, especially the energy markets. Following Russia's attack on Ukraine, we exited from the Russian market. However, despite the continuing challenging market conditions, demand has remained at a good level both for equipment and services and we were able to grow our order intake and sales.

Wärtsilä's Remuneration Principles set by the Policy are applicable to all employees, in all countries and in all businesses. These principles guide the development of remuneration and related practices, including for the CEO. The short-term incentive scheme (STI) is designed to provide incentives for the achievement of, and to reward the delivery of, the short-term business plan. The STI has been consistently based on profitability (comparable operating result) and cash flow targets over the past years. Long-term incentive (LTI) schemes are approved by the Board of Directors. They introduce annually individual performance share plans, each with a three-year performance period, designed to align the interests of participants with those of Wärtsilä's shareholders. LTI plans launched prior to 2021 were based on share price development. The current long-term incentive scheme, that is launched yearly, measures Economic Value Added (EVA) and sustainability targets connected to our decarbonisation strategy: to become carbon neutral in our own operations, and to have a product portfolio ready for zero carbon fuels. By aligning the incentive schemes with the goals of the Company, we can ensure that remuneration drives the best interests of the Company.

As Wärtsilä is a global company, the remuneration markets in which Wärtsilä operates vary significantly. Nevertheless, the People Committee considers that the most transparent means for



comparing the development of remuneration over time, is to compare the CEO and Board's remuneration with that of employees globally. Therefore, the figures shown for average employee remuneration are based on data for all Wärtsilä employees.

In line with the Pay for Performance principle, a substantial part of the CEO's remuneration is based on variable pay, i.e., short- and

long-term incentives. As our performance targets for short- and long-term incentives are linked to the business results, this development is reflected in the CEO's remuneration. Employee remuneration is less volatile than the CEO's, since a smaller portion of their total remuneration is based on variable pay elements. However, as all short-term incentive schemes are connected to the same performance indicators to a varying degree, employee

Five-year development of remuneration and Company performance

	2018	2019	2020	2021	2022
Total Board remuneration, TEUR	829	808	816	794	946
Change compared to previous year, %		-2.5	1.0	-3.0	19.1
CEO base + benefits, TEUR*	862	894	843	915	980
Change compared to previous year, %		3.7	-5.7	8.5	7.12
CEO total remuneration, TEUR*	2,967	1,072	1,021	1,812	1,712
Change compared to previous year, %		-63.9	-4.8	77.5	-5.5
Deputy CEO base + benefits, TEUR**	384				
Change compared to previous year, %					
Deputy CEO total remuneration, TEUR**	1,396				
Change compared to previous year, %					
Average employee remuneration, TEUR***	55.0	58.5	58.1	62.9	68.2
Change compared to previous year, %		6.3	-0.6	8.3	8.4
Comparable operating result, MEUR	577	457	275	357	325
Cash flow, MEUR	470	232	681	731	-62

*Company had a new CEO as of 1 Feb 2021, the 2021 total remuneration combines the previous CEO's earnings including STI earned 2020 and paid 2021, as well as the new CEO's total remuneration.

**Company had a Deputy CEO until 31 December 2018.

***Average employee remuneration comprises personnel expenses without other compulsory personnel costs divided by the average number of personnel during the year

The comparison figures show the remuneration paid out during each financial year. Pay-outs for the STI and LTI are always made during the year following the performance period. This means that, for example, remuneration figures presented for 2022 are based on the STI performance period 2021 and the LTI performance period of 2019–2021. During the past five financial years, the STI resulted in pay-outs in 2018 and 2021 while the LTI resulted in pay-outs in 2017 and 2018.

remuneration is also impacted by Company performance. The AGM approved an increase in fees for the Board of Directors in 2022. Prior to that Board fees had remained the same since 2019.

1.3. Any deviations or clawbacks made

No deviations from the Remuneration Policy were made during 2022 and the Company has not exercised any rights to reclaim or cancel any paid or unpaid incentives.

2. REMUNERATION OF THE BOARD OF DIRECTORS FOR 2022

The 2022 Annual General Meeting approved the payment to the members of the Board of Directors for 2022 as presented in table below:

Fees paid to the Board in 2022

(TEUR)	2022
Annual fixed compensation	
Chair of the Board	200
Deputy Chair	105
Ordinary members	80
Fixed compensation for committee members (per term)	
Chair of the Audit Committee	25
Members of Audit Committee	10
Chair of the People Committee	10
Members of People Committee	5
Meeting fees (per meeting)	
Chair of the Board / Committee	1.5
Member	0.75

The members of Wärtsilä's Board of Directors were paid altogether EUR 946 thousand. Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash. In addition, the Board members get reimbursed for their travel costs in accordance with Wärtsilä's travel policy. The members of the Board are not covered by incentive schemes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä. All payments to members of the Board during the financial year 2022 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2022

	Attendance fees, TEUR*	Annual fees, TEUR	Total remuneration, TEUR**
Tom Johnstone, Chair	31	200	231 (9,216 shares)
Risto Murto, Deputy Chair	21	105	126 (4,838 shares)
Maarit Aarni-Sirviö (until 30 March 2022)	2		2 (no shares)
Karen Bomba	21	80	101 (3,686 shares)
Morten H. Engelstoft (as of March 30, 2022)	8	80	88 (3,686 shares)
Karin Falk	16	80	96 (3,686 shares)
Johan Forssell	15	80	95 (3,686 shares)
Mats Rahmström	11	80	91 (3,686 shares)
Tiina Tuomela	36	80	116 (3,686 shares)

*Attendance fees also include committee fees.

**Total remuneration includes the number of shares. The value of the share portion is approximately 40% of the total fees.

3. REMUNERATION OF THE CEO FOR 2022

In 2022, CEO Håkan Agnevall was paid a total remuneration of EUR 1,711,907. The relative proportion of fixed pay was 74% and variable pay 26%. The fixed pay includes a base salary, benefits, and supplementary pension contributions, while variable pay includes short- and long-term incentives and other temporary payments. The CEO's remuneration for 2022 is further illustrated below.

Actualised CEO remuneration 2022



- Base salary + benefits, 57%
- Supplementary pension, 17%
- Short-term incentives, 26%

STI 2021 – paid in 2022			STI 2022 – accrued (paid in 2023)	
Metric	Weighting	Achievement	Weighting	Achievement
Group comparable operating result, MEUR	40%	Below minimum	50%	Below minimum
Group cash flow from operating activities	20%	Above maximum	25%	Below minimum
Group sales growth	20%	Between target and maximum	25%	Between target and maximum
Individual/strategic targets	20%	Between target and maximum	N/A	N/A
Pay-out to CEO based on STI, EUR	442,853		0	

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	Paid EUR 980,154	The CEO has the following short-term benefits: phone, car, medical insurance.	Complies with the Policy.
Short-term incentives	Paid EUR 442,853 Policy maximum An amount equalling the annual fixed pay	For the financial year 2022, paid in 2023 ('accrued'): EUR 0. The threshold for the EBIT KPI also serves as a threshold for the whole incentive plan. As the EBIT threshold was not reached, no payments will be made.	Complies with the Policy.
Long-term incentives	Paid EUR 0 Accrued EUR 0 Policy maximum Three times the annual fixed pay at grant	Ongoing schemes: For LTI 2021–2023, the CEO was granted 104,651 shares, with value at target EUR 900,000 and with a maximum earning opportunity of 175% of base pay at grant. The performance measure in the LTI is Economic Value Added. For LTI 2022–2024, the CEO was granted 86,136 shares, with value at target EUR 963,000 and with a maximum earning opportunity of 175% of base pay at grant. The performance measure in the LTI is Economic Value Added (weighted 85%) and sustainability targets (weighted of 15%). All LTIs follow a three-year performance period. The CEO started 1 Feb 2021, therefore no LTI pay-outs are applicable until 2024. Potential pay-outs are fully subject to the performance criteria.	Complies with the Policy.
Pension	Paid EUR 288,900	The CEO is eligible to take retirement upon reaching the age of sixty-three (63). His pension scheme is determined according to a defined contribution-based system. The retirement pension contribution is equivalent to 30% of the annual salary.	Complies with the Policy.
Severance benefits	N/A	Remuneration paid to the CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.	Complies with the Policy.

Risks and risk management

THE AIM AND PRINCIPLES

Wärtsilä, like any other company, is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain level of risk. By maintaining a risk aware culture and practising the proactive management of risks, Wärtsilä aims to ensure that it can effectively execute its strategies, perform its operations, meet its objectives, reach its financial targets, and be prepared for potential external hazards.

Risk is an element of uncertainty on objectives resulting in, if materialised, a deviation from the expected, representing either a threat or an opportunity. Therefore, the focus in risk management activities is to identify such material risks that have the potential to restrain the company from reaching its goals, and to determine whether such risks are at an acceptable level. If not, corrective actions are taken to avoid, mitigate, transfer, or monitor the risks. Alternatively, if possible and feasible, risks may be converted into opportunities.

At Wärtsilä, the following statements apply:

- Wärtsilä considers that risk management is an integral part of its strategic and operational management, connected to the management systems and part of the company's culture.
- The risk management process is a systematic, continuous loop of repetitive steps of context establishment, risk identification, risk assessment, risk mitigation, communication and consultation, and finally monitoring and review.

- All Wärtsilä businesses are accountable for achieving their strategic objectives and financial targets. Therefore, proactive risk management and the execution of effective risk mitigation plans are the responsibility of the business management teams and individual managers. However, risk awareness is a matter for everyone at Wärtsilä.
- Risk management is subject to continuous improvements that reflect changes in the internal organisation and the external environment within which Wärtsilä operates.
- The maturity of risk management is verified frequently.

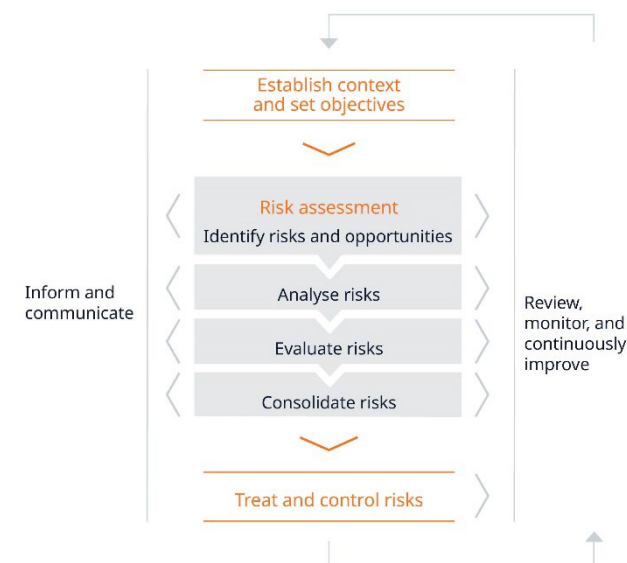
Risk management framework and governance

Wärtsilä's over-arching risk management framework and practices defined therein, follow the ISO 31000:2018 standard, with an emphasis on continuous improvement and verification. The risk management framework and guidelines are documented in the Group's Enterprise Risk Management policy that is applicable Group-wide.

Wärtsilä's Board of Directors bears the ultimate accountability for defining the Group's overall risk appetite and tolerance level, and they have the responsibility for oversight of the Group's risk profile with regular reviews.

The President & CEO, together with the Board of Management, is responsible for setting the premise for a risk awareness culture at Wärtsilä, and for ensuring that risk management is deeply embedded in all operations and processes with the appropriate tools and resources. The Board of Management reviews the

Risk management principles



Group's risk profile, i.e. the most important risks and their mitigation plans, on a regular basis, giving guidance and setting priorities as needed to ensure the sufficiency of risk management actions and controls.

The businesses at Wärtsilä are responsible for performing their strategies and achieving their set operational and financial targets. Equally, the businesses and their management teams are responsible for the deployment of continuous risk management

actions to identify, manage, and treat all material risks. This work is cascaded further down in the organization to the business unit level and beyond. Each business presents its risk profile to the President & CEO, the Chief Financial Officer, and the rest of the Board of Management on a regular basis.

The Corporate Risk Management function is part of Group Treasury that in turn reports to the Chief Financial Officer. The function is responsible for the risk reporting process, maintenance of the risk management system, and for supporting the businesses and their underlying organisations in risk management. The function also leads the internal risk management peer group that, together with business representatives, ensures proper alignment, knowledge sharing, and the continuous improvement of risk management at Wärtsilä.

Risk categorisation

Wärtsilä's over-arching risk management framework and practices categorise risks into strategic, operational, hazard, and financial risks. The potential impact is typically highest with strategic and operational risks and lowest with hazard and financial risks. Impacts can have upsides and downsides, except for hazard risks where only a negative effect is possible.

STRATEGIC RISKS

Wärtsilä's strategic target positioning is focused at shaping the decarbonisation of the marine and energy industries and the company is well-positioned to support this transformation. Strategic risk assessment is an essential part of the strategic planning process and enterprise risk management in the Group. A risk with potential for a long-term impact on the business of Wärtsilä is considered as a strategic risk.

Business environment risks

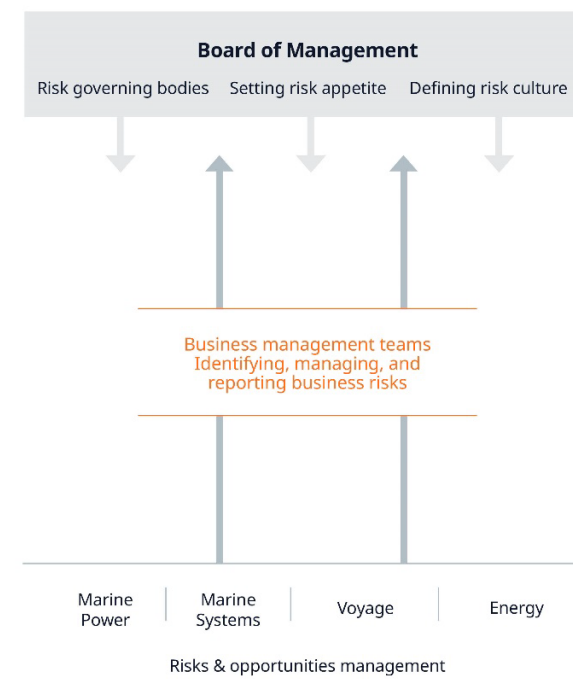
Business cycles and megatrends in the global economy, and in customer industries, influence the demand for Wärtsilä's products, as well as its financial condition and operating result. Wärtsilä

enjoys a certain level of stability in a cyclical market thanks to its flexible manufacturing model based on capacity outsourcing, its customer base in two separate end markets with different demand drivers, and a large share of sales deriving from service activities. Wärtsilä, along with its customers and suppliers, is indirectly affected by various important economic matters. These include environmental regulation, liquidity and solvency of financial institutions including their capability and willingness to extend credit, cost of capital, and the counter cyclical stimulus programmes adopted by governments – especially in the power and infrastructure sectors. Among other influencing factors are the activities of multilateral institutions, such as the International Finance Corporation, and the availability of export credit and guarantee schemes.

Decarbonisation will transform the world and creates new business opportunities both in marine and energy. In marine, the shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. The importance of fuel efficiency and fuel flexibility is clearly visible, driving interest in environmental solutions, alternative fuels, as well as electric and hybrid solutions. In energy, electricity generation is expected to grow threefold by 2050, but use of renewables would increase as much as eightfold in the same period. Amplified by accelerating integration of intermittent renewable energy sources in the electrical systems, the balancing power market is expected to grow tenfold by 2030. Increasing need to mitigate climate change impact is an opportunity and an important driver for Wärtsilä's future growth potential. The company has a comprehensive portfolio of products and services to support the customers with their efforts to improve environmental performance of their assets and their transition plans towards increasing adaptation of renewables and the use of future fuels.

A material delay or an unpredictable change in the implementation of environmental policies and legislation may however, directly or indirectly, impact customers' decision making.

Risk reporting



In the marine sector, uncertainties around the development and deployment of suitable future technologies coupled with a lack of sufficient regulatory and financial incentives or mechanisms to support the transition may affect the investment appetite of ship owners and operators, both in newbuilding programmes as well as in the existing fleet. At the same time, the limited development of alternative fuel infrastructures, the substantial price gap between conventional and alternative fuels, uncertainties concerning the regulatory environment, and the uptake of new technology may raise barriers for the green transition. A clear and foreseeable development of the regulatory environment is a fundamental condition for the decarbonisation of shipping.

In the energy sector, the energy crisis has brought out a clear need and ambition for a structural change. The global markets for liquified natural gas (LNG) are being transformed as the plummeted pipeline gas flows from Russia to Europe place new constraints and demands on gas trade. Beyond some short-term setbacks (such as slow permitting of renewables), the energy transition outlook has never been stronger, advancing renewable energy build-up while simultaneously strengthening the security of supply by reducing the dependency on imported fossil fuels. Energy and climate policies around the world continue to evolve towards more ambitious decarbonisation targets. Utilities continue to update their investment strategies accordingly, which can cause delays in investment decisions. A notable step forward in climate policy was the Inflation Reduction Act in the U.S., which allocates substantial incentives for renewables, battery energy storage, and other clean energy technologies. Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions, such as energy storage and grid- balancing power plants.

Market and customer risks

The ongoing war in Ukraine has resulted in various risks to both the demand and supply environment of various commodities globally, contributing to an increased uncertainty over the macroeconomic outlook. Business operations globally are being impacted by the increased inflationary pressure, changing trade flows and volumes, altered financial conditions, the volatility of the geopolitical environment including risk of trade wars, and the sanctions in place and planned against Russia. These are all contributing to a slowdown in global economic growth. The increased probability of a global recession poses a risk for top-line growth if economies stagnate. Uncertainty over inflation typically increases the cost of capital and complicates investment decisions.

In 2022, the Covid-19 pandemic continued to have a negative impact on the investment and spending appetite of Wärtsilä's customers in both the marine and energy markets. Several

countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects, causes disturbances in global supply chains, and may temporarily limit the speed of the energy transition. Business operations continued to suffer from restrictions on mobility, customer site access constraints, and efforts by customers to limit their cash expenditure. Towards the end of 2022, the Covid-19 related uncertainty has eased with the notable exception of China, where the recent lifting of the restrictions resulted in accelerating rate of new infections. This may amplify disruption in supply chains, in general, and may potentially hamper the critical shipyard operations applicable to both marine new build and retrofit activity.

The energy markets are transitioning towards more sustainable energy sources. The penetration of renewable energy is increasing, not only because of the promotion of more environmentally sound sources of energy and regulatory pressure, but also because those forms of energy generation are the most economical to use. However, the energy output of renewables is intermittent, resulting in an increased need for balancing power, for which Wärtsilä's flexible engine technology is advantageous. Furthermore, there is increasing demand for the energy storage and system integration capabilities that Wärtsilä offers. Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Geopolitical tensions and the implications of trade barriers create notable challenges to the demand environment. Nevertheless, Wärtsilä receives orders from all geographic regions, thus limiting the risk of a single market dependency. Finally, all Wärtsilä's customer segments in the energy market are represented in the order intake.

In marine, decarbonisation remains the main underlying trend within the shipping and shipbuilding markets. The transition to cleaner fuels has continued to gather pace, with 466 orders placed globally for alternative fuel capable vessels, representing 30% of all contracted vessels and 60% of vessel capacity in the review period January–December. Despite the currently high price, LNG continues to represent over 80% of all alternative fuel capable vessel orders,

although shipowners' interest in other alternative fuels like methanol has clearly emerged in 2022. The market sentiment continued to improve in the key vessel segments for Wärtsilä, despite growing concerns on the macroeconomic outlook. The improvement was mostly due to increasing demand for liquified natural gas (LNG), high fleet utilisation in the cruise segment and continued reactivation of offshore assets. Trade tensions, geopolitical uncertainty, and any prospects of a possible slowdown in the global economy affect investment decisions in the shipping industry. While slower economic growth is also a risk to demand development in the service markets, the capital-intensive newbuilding market is more sensitive to changes in the economic outlook. Simultaneously, the investment appetite for new ship capacity moderated due to many shipyards, especially those in China and South Korea having their orderbooks close to full, forcing owners to wait longer and pay a substantially higher price for their new ships. Wärtsilä is well represented in all the major shipbuilding markets and is active in all the main vessel segments. This, along with the company's large product portfolio and global service network, which provides lifecycle support to a wide range of vessels and customers globally, mitigates both geographical and single customer risks.

Digitalisation has become increasingly important for both the shipping and energy industries' businesses and operating models. Wärtsilä continues to work towards the digital transformation of future shipping markets by developing and offering solutions that address customer needs for safety and optimised efficiency. In the power generation markets, the growth of renewable energy sources and the deployment of new technologies have increased the complexity of energy systems. Wärtsilä's GEMS Digital Energy Management System, a propriety power system optimisation software, is a proven, efficient, and stable software platform, which enables customers to optimise utilisation of all the assets in their energy system. It also offers capabilities for the remote monitoring of individual assets or complete systems, identifying and diagnosing equipment issues in real time, and extending system lifetime.

Competitive situation

In 2022, price competition in the markets where Wärtsilä operates continued to be intense.

In energy installations, Wärtsilä's market share in the up to 500 MW market segment increased to 8%, as global orders for natural gas and liquid-fuelled power plants increased by 13% to 26.7 GW during the twelve-month period ending in September 2022. Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report. In the fast-growing energy storage market, Wärtsilä is a leading player with a 3GW+/6GWh+ global portfolio of hardware, software and services.

In the marine equipment markets, Wärtsilä has a strong position in 4-stroke medium-speed main engines with a 44% market share in 2022. In auxiliary engines, Wärtsilä's market share was 12%. With its wide offering of solutions for vessel and transport efficiency Wärtsilä provides unique customer value to the ship owners that are considering several options to meet the tightening environmental requirements. These include slow steaming, energy saving devices, voyage optimisation solutions, hybrid and full-electric power systems, carbon capture and storage, exhaust gas scrubbers, and alternative fuels.

With respect to servicing the marine and energy markets, in line with the value-based offering concept, Wärtsilä continues to develop its range of lifecycle services and asset management solutions aimed at optimising customer assets over their lifespan. Such long-term service agreements do not only ensure asset performance and protection of customer investment value but also bring stability to Wärtsilä as a service provider. In energy, demand for services continued at a good level, and customers are showing interest in long-term agreements, thus providing stability to the business. The Sustainable Technology Hub in Vaasa, Finland is the home to one of our advanced remote-control centres. In energy, the installed base covered by long-term service agreements is continuously increasing.

Political and legislative risks

Wärtsilä strongly condemns the war in Ukraine. After Russia's invasion into Ukraine, the company immediately suspended all deliveries, sales, orders, and bidding activities to and with Russia. In July, following the announcement made in April 2022 to scale down its activities, Wärtsilä announced it has completed its exit from the Russian market. The company has been fully committed to complying with all trade sanctions applicable to its operations from the beginning of the war in Ukraine and has closed all business operations in Russia.

Wärtsilä is present in 242 locations in 79 countries and has delivered power plants to 180 countries. Political developments and changes in legislation can have a significant impact on Wärtsilä's business. Wärtsilä actively monitors political and legal developments in its markets and engages in a dialogue with various official bodies on projects of importance to its operations. Much of this engagement takes place through interest groups and trade organisations. The company monitors political and legislative changes at both the corporate and subsidiary levels.

Geopolitical risks and trade tensions were on the rise globally in 2022, and the increasing uncertainty related to trade relations continues to be a noteworthy risk. There is increased regulatory activity by different governments worldwide. Wärtsilä's focus is on ensuring regulatory compliance and awareness, as appropriate. For example, ongoing and changing trade sanctions are closely monitored and complied with as required.

Climate change and sustainability risks

Already in October 2021, Wärtsilä announced its "Set for 30" commitment to become carbon neutral in its own operations and to provide a product portfolio ready for zero carbon fuels by 2030. Wärtsilä's sustainability targets focus on three long-term themes: *Towards carbon neutrality, Enhancing safety diversity and wellbeing*, as well as being *An active and responsible member of society*.

Being at the forefront of technological development and decarbonisation efforts in the marine and energy sectors forms a major opportunity for Wärtsilä. Over the years, Wärtsilä has worked continuously to improve the efficiency of its products, while at the same time developing future-proof technologies. Additionally, Wärtsilä offers a variety of retrofittable conversion solutions, allowing customers to follow their own choice of fuel and decarbonisation alternatives. In the energy sector, Wärtsilä's energy storage and energy management systems enable customers to integrate and optimise the utilisation of renewable energy sources in their energy systems.

Rapidly evolving environmental regulation drives the demand for enablers of decarbonisation. Risks are mainly related to the complexity of the overall landscape of different emissions in the marine and energy sectors, the balance between commercially available fuels and their resulting emissions, available abatement technologies, and the financial feasibility of the various alternative ways to meet regulatory demands for decarbonisation.

Wärtsilä has a vast number of suppliers in its global supply chain. This means that there are potential sustainability and reputational risks related to, for example, non-compliance with human and labour rights obligations, occupational health and safety, and environmental management. Wärtsilä has clear expectations, policies, and procedures for managing these risks.

For more information about sustainability at Wärtsilä, please see the [Sustainability](#) section of this report.

Technology risks

Wärtsilä as a large corporate can invest in various technologies and thereby reduce the risk of obsolescence. The company is increasing the competitiveness of its solutions and managing technology risks and opportunities through continuous and strong R&D efforts and innovation. The company invested 4.6% of net sales into innovation

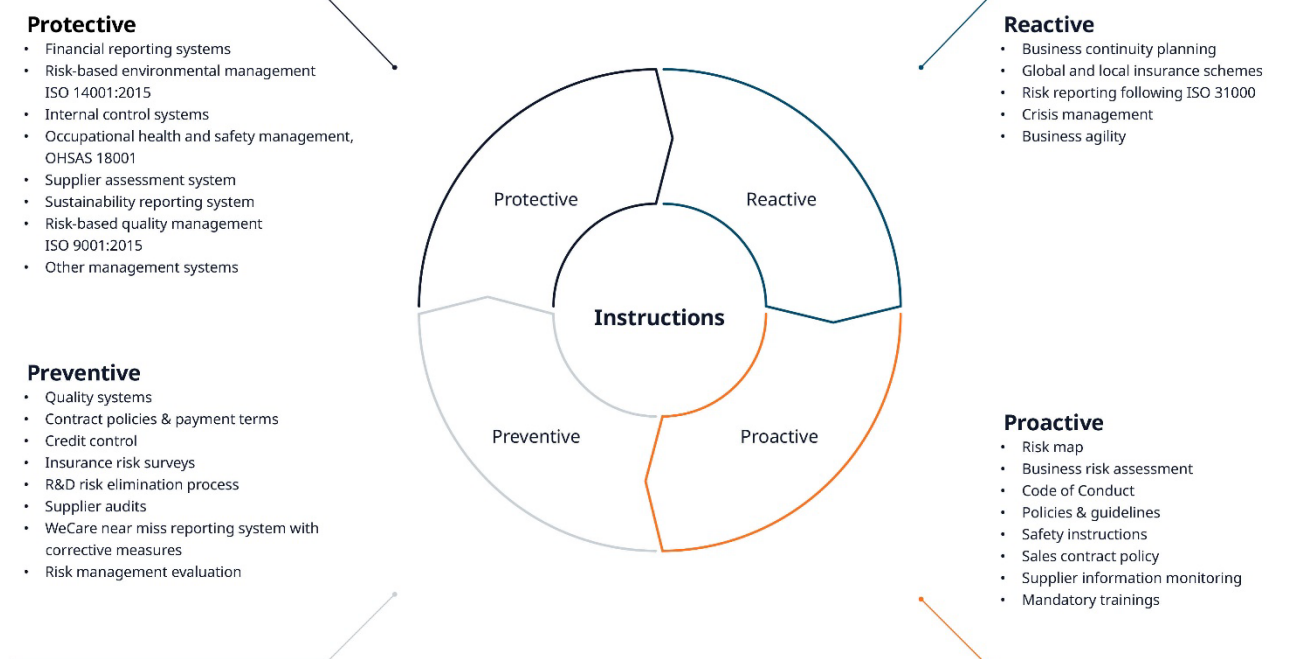
in 2022. The development of new products and solutions is aimed at optimising the lifecycle value for customers, as well as at reducing the environmental impact of their operations. This is achieved with modern and sustainable power solutions, environmental technologies, hybrid systems, electrical and automation solutions, digital solutions, as well as energy storage and system optimisation solutions.

In 2021, Wärtsilä launched a major R&D programme for carbon-free fuel solutions with hydrogen and ammonia and is pioneering their adoption as viable engine fuels through advanced testing in its fuel-flexible combustion engines. Several milestones on low/zero carbon technologies and products are planned for the upcoming years. In 2022, Wärtsilä introduced to the market its methanol version of the W32 engine with the first deliveries to be made in 2023. The W25 engine, a brand-new multi-fuel platform designed to accelerate and support the maritime sector's efforts in achieving decarbonised operations, was also introduced. The Sustainable Technology Hub in Vaasa was inaugurated in June 2022, where work on the testing of ammonia and hydrogen concepts is proceeding at a rapid pace.

In the combustion and performance testing of ammonia fuel, optimisation with different engine concepts and different engines platforms have been conducted during 2022, with the aim to have the ammonia concept ready in 2023. Combustion testing on different % blends and up to 100% hydrogen are being carried out. The target here is to have the hydrogen concept ready by 2025. Wärtsilä has entered a number of partnerships and customer collaborations on hydrogen blending and testing. In November, Wärtsilä and US partners announced the world's first achievement in the power plant environment supplying power to the grid with an unmodified Wärtsilä 50SG engine operating continuously on a hydrogen fuel blend. This is a clear proof point of the fuel flexibility and versatility of Wärtsilä's engine technology.

Also in November, Wärtsilä launched its next-generation grid balancing technology. The solution is based on three fully

Risk management process



integrated key components: the Wärtsilä 31SG Balancer engine, prefabricated modules for cost-efficient plant construction, and Wärtsilä Lifecycle services. The engine can start and ramp up rapidly even in adverse weather conditions to support intermittent renewable generation.

As a technology leader, Wärtsilä places a strong emphasis on emissions control, enhancing efficiency and fuel flexibility, and maintaining the cost competitiveness of its products. Connectivity, and the utilisation of data to further optimise efficiency and unlock

new customer value, is becoming an increasingly important element of Wärtsilä's development roadmap.

For more information about Wärtsilä's technology and research and development, please see the [This is Wärtsilä](#) -section of this report.

OPERATIONAL RISKS

Operational risk management is part of the daily work of the businesses. Opportunities and risks are identified, assessed, and managed daily and reported to, and managed by, the appropriate management level. The status of these opportunities and threats is reviewed periodically, and appropriate further actions are then taken.

Manufacturing risk

Wärtsilä constantly analyses its manufacturing cost and the associated supply cost of raw materials and components, and maintains a suitable manufacturing footprint with adequate capacity. In 2022, Wärtsilä inaugurated the Sustainable Technology Hub in Vaasa, Finland, being a modern, state of the art R&D and manufacturing facility with a high level of flexibility and automated logistics, but also partnering campus for collaboration and innovation.

Risk assessments have been made for all the main delivery centres, and significant safety, environmental impact, and risk mitigation investments have been completed. Risk identification, assessment, and mitigation actions are executed on a regular basis as part of operational management. Management systems for quality, environmental, occupational health and safety, and other systems are utilised to improve productivity, while safety and business continuity plans have been implemented for the key delivery centres.

Cost inflation risk

In 2022, rapidly accelerated cost inflation burdened Wärtsilä's profitability and caused cost overruns on the contracts with fixed price in the orderbook. To mitigate the impact of cost inflation, the company has widely implemented raw material indexation and other cost related indices into the pricing of contracts to the extent possible. Furthermore, Wärtsilä has executed price realisation in its transactional business and services as well as continuous improvement measures to improve profitability. There is close

monitoring and co-operation between the supply management and the sell-side pricing departments in the businesses to react on cost increases.

Supplier and subcontractor risk

In 2022, intensifying cost inflation (materials, components, transportation, and test fuel costs), high energy prices, and other disruptions to global supply chains had a negative impact on the operating result of Wärtsilä. Continued congestions at ports and disruptions to global supply chains have caused availability issues and longer lead times posing a risk to factory activities and the delivery of spare parts and services.

Wärtsilä's supply management is integrated within the businesses. The aim is to work in partnership with the supplier base to create value for Wärtsilä's customers by ensuring quality, on-time delivery, and the lowest total cost of ownership. Category management is in place to ensure coordinated interfaces and synergies for the cross-business supplier base. Indirect Procurement is a centralised function responsible for managing strategic sourcing activities for indirect materials and services in all businesses and support functions.

Wärtsilä has a process for managing and controlling its supplier network and for verifying that the suppliers' performance meets expectations. Supplier performance is, therefore, continuously measured. A key activity in managing business continuity planning is the regular assessment of business interruption risks, which is carried out in cooperation with the company's suppliers.

Wärtsilä has established close collaboration and long-term relationships with its main suppliers and follows up their credit worthiness and financial condition. Wärtsilä uses an online solution for supply chain risk identification, assessment, and monitoring. Sourcing risks around the key components and materials are mitigated through diversification and dual- or multi-sourcing where possible.

Lifecycle quality of products and product liability risk

Wärtsilä's quality strategy focuses on preventive and proactive actions to deliver increased customer satisfaction, shorter lead times, and a reduced number of non-conformity claims. This is delivered by effective project risk management and strengthened awareness and ownership, supported by a streamlined product improvement process.

Several risk management techniques are applied in R&D, including the risk elimination tool FMEA (Failure Modes and Effects Analysis) and in-house validation testing. Wärtsilä seeks to control quality risks by monitoring the incoming quality of the supply chain, and by designing and manufacturing its products with all due care. A non-destructive robotic ultrasonic data analysis procedure enhances the probability of detecting imperfections in key components with a complex geometry.

Wärtsilä applies a GATE model in order to control the product development process. Initially, only a limited release of new products is allowed, and full release authority is given to the sales organisations only after testing and further validation has been completed.

Wärtsilä controls its manufacturing quality risks by applying several assurance and quality control principles. The level of quality assurance and control requirements are determined based on component criticality and are applied throughout the delivery chain.

Requirement management is used to assess components systematically, enabling the allocation of resources and efforts according to component criticality. The ranking criteria indicates the consequence if a component fails. The objective is to improve quality proactively within product development, supply management, and the entire delivery process.

Lessons learnt from the sales to delivery process are shared between responsible organisations to continuously improve operations in serving customers, and for minimising risks.

Non-conformity management focuses on developing and improving operations by registering and handling detected non-conformities, ensuring that the products and services received by customers are according to the agreed scope and specifications. Efficient handling, monitoring, and reviewing of non-conformities is crucial for proper risk management and mitigation.

Product improvement management (issue resolution) projects are prioritised based on risk and importance. Such a project is initiated when Wärtsilä identifies a technical issue according to claim statistics, customer feedback, or internal analysis, and the case fulfils the risk categorisation for a non-isolated case.

The businesses support customers in all warranty issues. This offers a feedback loop from the field to production and R&D, while taking care of the customers' installations throughout their lifecycle. Warranty provisions are made to cover any costs that may arise after product delivery. The company's product liability insurance covers unexpected damages.

Best industry practices and good governance are adopted to continuously improve quality. Each business is responsible for the quality of their products, its way of working, and services. Management at all levels are responsible for the quality output from their organisations and are accountable for ensuring that appropriate review and feedback mechanisms are in place.

Wärtsilä's business level quality, environmental management, and occupational health and safety systems are ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certified, with an emphasis on proactive risk and opportunity management. In addition, Wärtsilä has obtained UL9540 safety certification for its Quantum battery storage container.

Contractual risks

Wärtsilä's equipment business includes projects and deliveries of various sizes. The most substantial orders typically concern power plants delivered on a complete EPC (Engineering, Procurement, and Construction) basis, but the majority of deliveries are made also on

an EEQ (Engineered Equipment) basis. These and other major marine and energy delivery contracts require extensive coordination, efficient risk management, and seamless integration of all contracted systems and solutions. There are risks related to the efficient and fast scaling up of the energy storage business and its resources to meet the increasing market demand.

Wärtsilä provides lifecycle services to its customers in the form of transactional sale of spare parts and field service work, long-term service agreements and service projects, such as engine upgrades, retrofits, and modifications of the installed base.

Wärtsilä places strong emphasis on having project management competences, proper technical assessment controls, proper time schedule and cost controls, supplier approval routines, and internal training programmes in place. With these measures, Wärtsilä aims to ensure the quality of its contractual obligations during execution, and the upfront identification of specific risks and opportunities.

The product liability claim risk is reduced through maintaining high level of lifecycle quality of the company's products and work. This applies from the initial design and continues through all stages of the production process to the eventual field service activities.

From time to time, Wärtsilä may be a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business and, the company receives claims of different amounts and with varying degrees of substantiation. It is Wärtsilä's policy to provide for amounts related to the claims as well as for litigation and arbitration matters when an unfavourable outcome is probable, and the amount of loss can be reasonably estimated.

Risk of non-compliance, corruption, and fraud

Wärtsilä complies with the law and its own internal policies and procedures everywhere the company operates. Wärtsilä's Code of Conduct is the key guideline for all employees globally, demanding high ethical standards and integrity.

Wärtsilä is fully committed to complying with anti-corruption laws and regulations. Wärtsilä acts to prevent corruption and does not accept violations of the principles set forth in the Code of Conduct, or in Wärtsilä's Anti-Corruption and Compliance Reporting policies. The company forbids any kind of corruption and bribery and has a strict zero tolerance policy. There is a whistle-blowing channel in place for reporting misconduct incidents.

Compliance processes are embedded in all the businesses, and the responsibility for compliance and awareness of ethics and integrity is that of all Wärtsilä employees. The Compliance function promotes Group-wide compliance and continuously strives to raise awareness of the risk of corruption, bribery, and other misconducts.

While being aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is heightened in several markets where the company operates, Wärtsilä consistently maintains its highly ethical practices.

Commodity price risk

Oil and gas

The direct effect of oil and gas price changes on Wärtsilä's operations is limited and mostly related to fuel costs for engine testing, R&D activities, and the heating of some premises.

Higher oil and gas prices represent a risk for global economic growth and increased operating costs, especially in the shipping markets. However, they also stimulate investments in the exploration and production of oil and gas, both on land and offshore. They also spark interest in our energy efficiency related offering, as well as increasing demand for alternative green fuels as they become more cost competitive against conventional fuels.

Furthermore, high oil and gas prices increase investments in gas carriers, gas-based power plants and, increasingly, also in gas-fuelled vessels, whereas low oil prices can delay investment decisions in oil producing countries and regions, as well as in the

offshore industry. Wärtsilä is a global company involved in different shipping and power plant segments where oil price changes can have an opposing impact on demand drivers. This position is further diversified by the increasing importance of natural gas to Wärtsilä's business. In the marine markets, high gas prices or their volatility are not expected to reduce the appetite for LNG as a fuel in the long run. However, persistent high gas prices may encourage ship operators to switch from LNG to low-sulphur fuel, which most modern vessels can use in dual-fuel engines.

In the energy markets, gas price volatility and increasing prices have a negative impact on the competitiveness of thermal baseload gas plants and may lead to more running hours of coal and nuclear power plants. Higher fuel prices may have an impact on project viability and customer decision making. However, these are expected to have less of an impact on thermal balancing power plants with lower running hours.

Metals

Metal prices have an indirect effect on the component cost of Wärtsilä's products. Some key components are sourced with long-term contracts, and raw material price volatility is, therefore, limited.

The battery industry has been suffering from price increases, and the price of lithium has increased significantly during the past year. The market seems to have accepted a price reset which took place in the spring and the ordering activity picked up throughout the second half of the year.

Energy and electricity

High electricity prices, in general, support investments in new capacity by utility customers in the energy markets. High volatility, however, may likely have negative impact on new investments.

Wärtsilä's annual total energy consumption is approximately 1,200 terajoules (TJ). This includes the electricity, heat and fuels used in Wärtsilä's companies. Fuels are used mainly in engine testing and for R&D purposes, but also in heating, production, and transportation.

Electricity is needed for manufacturing operations, but electricity prices have no substantial direct impact on Wärtsilä's production capacity costs. In the new Sustainable Technology Hub facility in Vaasa, the heat generated in engine test runs is used for heating, whereas the excess electricity produced is sold to the grid at prevailing market prices. The upcoming discontinuation of engine manufacturing in Trieste Italy will reduce electricity consumption to some extent.

HAZARD RISKS

Risks related to health, safety, and environmental hazards

Occupational health and safety systems, training programmes, travel health and security instructions, and crisis management guidelines are aimed at protecting Wärtsilä employees. Appropriate insurances are in place for the personnel. To emphasise the importance of employee safety, the Board of Management has decided on a corporate level target of zero lost-time injuries, which is included in the company's sustainability programme.

Throughout the Covid-19 pandemic, global and local crisis response teams have been working to ensure the continuity of Wärtsilä's business and operations in a safe manner, focusing on employee safety, both in-house and while visiting customer sites, when travelling, and while working remotely.

Environmental management systems are in place to mitigate environmental hazard risks. Wärtsilä maintains a register of all properties used and gives guidelines for the purchase, sale, rental, and security of premises, and uses external advisors for environmental audits.

Wärtsilä assumes a modest climate change impact risk on its main production and warehousing facilities not located in the natural disaster areas of extreme weather events, earthquakes, and wildfires. Catastrophic peril related scenarios are identified and, where necessary, risks are mitigated by, for example, elevating sites above the flood risk level or by constructing flood dikes. Business impact analyses and continuity plans have been made for the main sites to address property damage and business interruption risks. The recent heat waves in continental Europe have caused no major impact on the operability of the main production and warehousing facilities. When delivering customer projects in locations with possible extreme weather events, Wärtsilä pays very careful attention to the wellbeing of its employees and subcontractors, and plans operations accordingly.

Cyber and information security related risks

Wärtsilä has an internal organisation dedicated to the effective management of cyber security risks across Wärtsilä's portfolio. This organisation, in cooperation with Wärtsilä's businesses, delivers operational support for cyber security. It also provides the associated governance, risk management, and assurance required to support and enable safe and secure internal operations, while aiming to ensure that the businesses' customer offerings are aligned with all relevant current and future regulations and applicable standards.

The Wärtsilä cyber security governance model is closely aligned with overall business risk management and supports the businesses and support functions in identifying and prioritising their respective cyber security risks. The cyber security team works with security colleagues across Wärtsilä to ensure the effective and coordinated delivery of holistic security solutions, for both the cyber and physical domains.

Information security risks related to Wärtsilä's internal operations are continuously identified, analysed, and evaluated. The attendant mitigation activities are executed across Wärtsilä's networks, endpoints, systems, and services. The 24/7 Wärtsilä Security Operations Center continuously monitors the perimeter to internal systems and closely observes the external threat exposure level, whilst providing a coordinated response to identified information security incidents, as and when they may occur.

The effective mitigation of risks associated with cyber security hygiene throughout Wärtsilä is continually and progressively reinforced through coordinated and complementary cyber security training, awareness initiatives, and extensive communications. This involves all Wärtsilä businesses and corporate functions.

Wärtsilä has identified the need to mitigate the cyber security risks associated with its supply chain. The company is addressing this need through a comprehensive risk-based third-party risk management programme, involving both increased opportunities

for the remote and objective assessment of suppliers, as well as the continuous monitoring of supply chain cyber security risk.

It should be noted that Wärtsilä's energy storage business has obtained IEC62443 cyber security certification, thus complying with typical energy industry requirements.

Privacy and data protection risks

The EU's General Data Protection Regulation (GDPR) sets out the general framework for Wärtsilä's data protection, which is applied both inside and outside the European Economic Area. Data protection implementation is supported by, and aligned with, Group-wide privacy policies and processes.

Wärtsilä applies a risk-based approach to privacy and data protection and continues to take further actions to strengthen privacy and data protection implementation to mitigate risks by accountability, privacy by design, data minimisation and transparency.

Wärtsilä continuously improves employee data protection awareness with mandatory data protection (GDPR) training, targeted trainings, communication activities as well as comprehensive guidance materials. The Privacy Week in January was an example of the awareness activities organised in 2022.

Wärtsilä continues to invest in the development of data protection platforms to support data protection management and implementation.

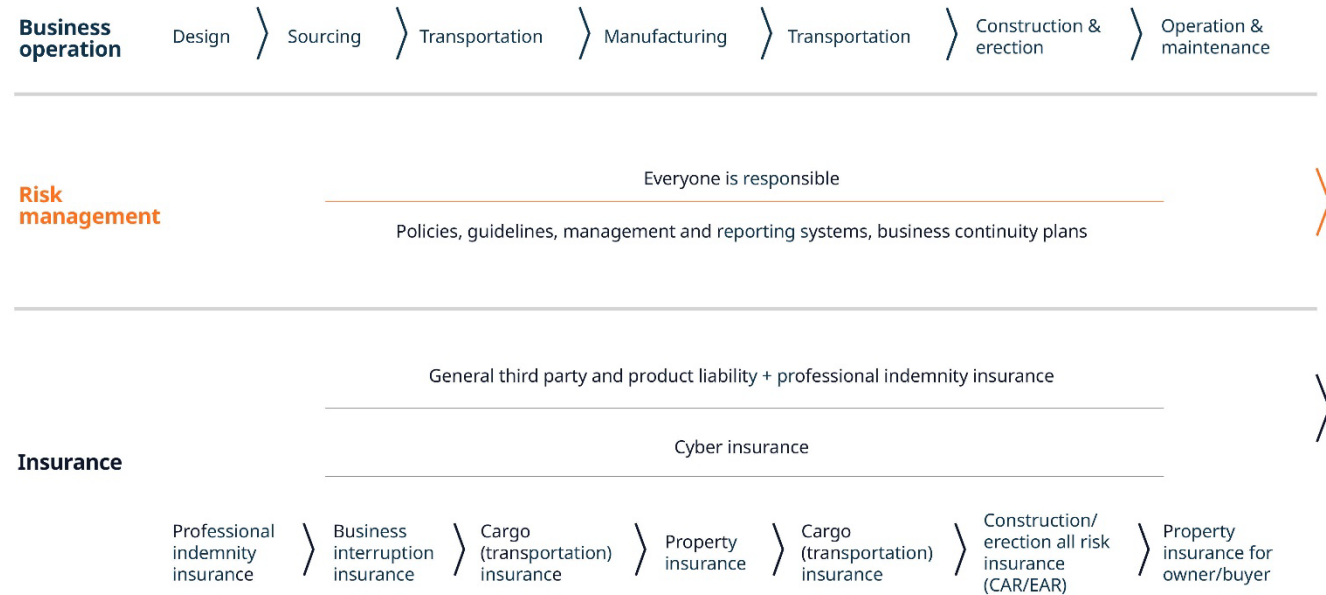
The risks that Wärtsilä is unable to influence through its own efforts are transferred, whenever possible, to insurance companies.

Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions, including supplier triggered interruptions, as well as third-party and product liability. Wärtsilä has its own captive insurance company, Vulcan Insurance PCC Ltd for insuring Wärtsilä's own risks. For insurance technical reasons, the company is located on the island of Guernsey. Vulcan Insurance PCC Ltd's results are consolidated into the corporation's books and are subject to normal taxation in Finland.

FINANCIAL RISKS

Wärtsilä's financial risks are presented in the notes to the financial statements, [Note 5.8](#).

Which insurances cover our business?



Both risk management work and casualty insurance cover Wärtsilä's products over their entire lifecycle.

Risk profiles and responsibilities

Low  High

Risks	Risk profile	Policy or other guideline	Responsible body
Strategic risks		Wärtsilä's strategy and business plans	Wärtsilä's Board of Directors (BoD), Board of Management (BoM), and businesses
Business environment risk		Wärtsilä's strategy and business plans	BoM and businesses
Market and customer risk		Wärtsilä's strategy and business plans	BoM and businesses
Competitive situation and price risk		Wärtsilä's strategy and business plans	BoM and businesses
Political, geopolitical, and legislative risk		Various guidelines and risk management policy	Businesses, R&D, Risk management (RM) and Legal functions
Climate change and sustainability risk		QEHS policy, Code of Conduct, management systems (ISO 14001 & OHSAS 18001)	Businesses, R&D and Sustainability function
Technology risk		Patents and industrial rights, product guarantees	Businesses and R&D function
Operational risks		Wärtsilä's strategy and business plans	BoM and businesses
Manufacturing risk		Production systems, business continuity plan	Manufacturing and businesses
Supplier and subcontractor risk		Supplier requirement and supplier management system, business continuity plan	Businesses and Supply Management
Lifecycle quality of products and product liability risk		Management system (ISO 9001), safety instructions and manuals, risk management policy, R&D risk elimination instructions	Manufacturing, R&D, businesses, RM, Quality, and Legal functions
Contractual risks		Standard contracts, corporate sales contracting policy	Legal function and businesses
Commodity price risk, direct		Production cost control, sourcing policy, sales contract policy	Businesses
Commodity price risk, indirect		Production cost control, sourcing policy, sales contract policy	Businesses
Non-compliance risk		Code of Conduct, Anti-Corruption policy, Compliance policy, whistle-blowing channel	Businesses and Compliance function

Low  High

Risks	Risk profile	Policy or other guideline	Responsible body
Hazard risks		Risk management policy and guidelines	Businesses and RM function
Personnel risk		Management system (OHSAS 18001), travel safety instructions, crisis management guidelines, near-miss reporting and premises safety plans	Businesses, Human Resources, RM, as well as Environment, Health and Safety and Security functions
Natural catastrophes		Crisis management guidelines, business continuity plan	Businesses, RM and Security functions
Fire, cargo, and other accidents		Management systems (ISO 14001 & OHSAS 18001), premises safety plans	Businesses, RM and Real Estate functions
Data security risk		Data security principles and cyber security strategy	Businesses and Information Management & Cyber Security function
Data protection, privacy		Data protection principles and policy	Businesses and Data Protection function
Financial risks		Wärtsilä's strategy and business plans	Businesses and Treasury function
Foreign exchange risk		Treasury policy	Businesses (own) and Treasury function (Group)
Interest rate risk		Treasury policy	Treasury function
Liquidity and refinancing risk		Treasury policy	Treasury function
Credit risk		Credit and treasury policy	Businesses and Treasury function

Financial review

BOARD OF DIRECTORS' REPORT

BUSINESS MODEL

Wärtsilä provides the marine and energy markets with innovative technologies and lifecycle solutions. In the energy industry, Wärtsilä offers power system optimisation with a portfolio of future fuel enabled thermal balancing power solutions, hybrid solutions, as well as energy management and storage systems on an equipment only or turnkey delivery basis. The marine offering includes power and propulsion systems, voyage solutions, as well as exhaust treatment applications, gas solutions, and shaft line solutions. Wärtsilä has the capabilities needed to combine its marine products into larger integrated systems and solutions. Wärtsilä's portfolio of services ranges from spare parts and technical expertise to performance-based agreements that ensure a maximised installation lifetime, increased efficiency, and guaranteed performance. The company aims at maximising environmental and economic performance by emphasising innovation in sustainable technology and services.

To support its geographically dispersed customer base, Wärtsilä's sales and service network covers more than 200 locations in 79 countries around the world. Wärtsilä operates primarily through its subsidiaries and strategic joint ventures. The company's manufacturing model is assembly-based, thus emphasising the importance of developing long-term relationships with its global network of suppliers, which includes approximately 1,000 global direct material suppliers. Wärtsilä's personnel is made up of approximately 17,500 employees comprising 127 nationalities. By recruiting and retaining the best talent, Wärtsilä can be the most valued business partner to its customers, and the employer of choice for current and future employees. Wärtsilä is committed to conducting its business in a responsible manner, and requires its suppliers and business partners to follow the same high legal and ethical standards and business practices.

STRATEGY

Strategy implementation in 2022

Our strategy, the Wärtsilä Way, remains unchanged. The company's value creation potential is based on two strategic themes: Transform and Perform. The Transform theme refers to

decarbonisation, and creating new business opportunities by leveraging growth in electricity generation, balancing power, and green marine transport. The Perform theme centres around leveraging market recovery and growth, supported by robust execution and the company's commitment to both its financial and sustainability targets. Wärtsilä's purpose to enable sustainable societies through innovation in technology and services is well connected to the Transform and Perform themes. The company's five strategic priorities emphasise customer value, high-performing teams, decarbonisation, service growth, and continuous improvement.

Wärtsilä remains committed to R&D activities and continues to invest ~3% of net sales in R&D. In 2022, the company responded to growing interest in methanol as a fuel to support decarbonisation by releasing the Wärtsilä 32 Methanol engine and MethanolPac, a dedicated fuel supply system for methanol. In addition, the company introduced its new Wärtsilä 25 engine, which will be the first Wärtsilä engine to run on ammonia as a fuel. Wärtsilä will deliver an engine concept ready for operating on pure ammonia fuel in 2023, and on pure hydrogen by 2025. The company is also preparing for maritime carbon capture (CCS) pilot projects in 2023-2024, with the intention to have a market launch in 2025.

While much of the decarbonisation work is still ahead, Wärtsilä already has solutions and technologies that enable 100% renewable power systems and fuel flexibility, thus supporting decarbonisation. In 2022, Wärtsilä Energy launched its Decarbonisation Services business model to help customers in reducing their power system emissions. Hybridisation is one way of shaping decarbonisation of the marine industry. It ensures fuel savings and reduced maintenance costs for customers, while creating substantial reductions in emissions. Wärtsilä Marine Power received an important order to supply its hybrid propulsion system for three new RoPax vessels currently being built for Stena RoRo. As of today, Wärtsilä has equipped more than 80 vessels with hybrid installations and its market share is about 25%, measured in MWh installed battery capacity. Wärtsilä Marine Systems is driving the development of maritime carbon capture and storage technologies as one of the leading partners in the LINCCS

consortium, working to strengthen the decarbonisation pathway for shipping. Wärtsilä Voyage continued to accelerate the digital transformation of port operations by signing a five-year framework agreement with Associated British Ports.

Wärtsilä regards collaboration with industry stakeholders as an essential element in the development of technologies needed to meet changing market requirements. In 2022, Wärtsilä opened its new technology centre, the Sustainable Technology Hub, in Vaasa, Finland. The centre features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a state-of-the-art production system with a high level of automation. The centre acts also as a global ecosystem of collaboration by inviting customers, partner companies, and academia to incubate, test and validate ideas.

Wärtsilä has ambitious climate targets. The company's goal is that by 2030 it will become carbon-neutral in its own operations and be able to provide a product portfolio ready for zero-carbon fuels. Among the concrete actions that have already been taken to minimise Wärtsilä's environmental footprint, are the decision to purchase fully green electricity in Finland, and finding ways to reduce engine testing time. In addition, while the fuel flexibility of the engines powering marine and energy sectors is key to enabling the transformation, Wärtsilä's products and solutions will meet the most stringent environmental requirements.

The health and safety of personnel is a priority for Wärtsilä, and zero lost time injuries continues to be the company's global target. During 2022, the lost time injury frequency was 1.58 (1.55). Proactive measures to further strengthen the safety culture within Wärtsilä continued throughout the year. In September, Wärtsilä organised its eighth annual Safety Day with the objective being to increase awareness of safety risks and their potential consequences.

Financial targets and outcome in 2022

In 2021, Wärtsilä introduced new financial targets. Those include annual organic growth of 5% and an operating margin of 12%.

Furthermore, the target is to maintain gearing below 0.50, and to pay a dividend of at least 50% of earnings per share over the cycle.

Wärtsilä's organic growth target was met in 2022, but the operating result did not reach the target level, mostly due to the 200 MEUR write-down following the decision to exit operations in Russia. Net sales for 2022 improved by 22% and Wärtsilä's operating result amounted to EUR -26 million, which represents -0.4% of net sales. Gearing increased to 0.23. The Board of Directors proposed a dividend of EUR 0.26 per share despite of negative operational earnings.

THE YEAR 2022

Operating environment

Marine

The weakening macroeconomic outlook driven by Russia's invasion of Ukraine and the economic slowdown in China, had an increasingly negative impact on the shipping and shipbuilding markets as the year 2022 progressed. Coupled with surging inflation and the energy crisis in Europe, these factors had serious implications to fuel prices and seaborne trade. Consequently, the demand for tonnage in certain cargo segments eased from previous highs, energy trade flows were altered while prices remained volatile, and passenger traffic picked up at a varying pace globally following the relaxation of Covid-19 related restrictions. Some vessel segments were better positioned than others, but all segments were impacted by these factors to varying degrees. Prices for bunker fuels began to decline in the second half of the year to the benefit of shipowners and operators. Due to various supply and demand related issues, the price spread between high- and low sulphur fuels remained at around \$300/tonne on average over the latter part of the year. This

improved the business case for scrubbers, although the demand for scrubber systems has remained focused mainly on newbuilds.

Simultaneously, the investment appetite for new ship capacity moderated due to full orderbooks at many shipyards, especially those in China and South Korea. This has forced owners to wait longer and pay a substantially higher price for their new ships. This, coupled with shipowners' uncertainty regarding the timing and selection of the right technologies, as well as future demand for tonnage, resulted in 1,538 contracts for new vessels being registered in the review period January–December (1,855 in the corresponding period last year, excluding late reporting of contracts). Ordering activity was supported by record-high orders for LNG carriers, especially in terms of order value.

In the key vessel segments for Wärtsilä, market sentiment continued to improve despite growing concerns on the macroeconomic outlook. In the cruise sector, the focus shifted towards managing capacity growth and occupancy levels in a profitable way and on mitigating the impact of rising operating costs. In the ferry sector, fleet reactivation has continued with operators reporting encouraging progress in traffic volumes especially for passenger traffic that is crucial for the profitability of operators. Market sentiment across the offshore segment continues to be positive as the solid demand for oil & gas provided support for prices and drove activity and investments in offshore projects, resulting in further gains for utilisation rates and day rates across the offshore fleet. The demand for offshore wind vessels has remained solid with contracting volumes, especially for Wind Turbine Installation Vessels (WTIV), exceeding expectations. The situation in the Liquefied Natural Gas (LNG) carrier sector has remained extraordinary, with vessel contracting and spot freight rates reaching new record levels. Vessel contracting has been

largely supported by orders linked to the capacity extension of the Qatar LNG export terminal, but also as other LNG supply projects have progressed especially in the USA. The container shipping markets eased rapidly in the second half of the year as high inflation caused demand for containerised cargo to drop. As the congestion at key container ports eased, more vessel capacity became available.

Despite growing concerns on the macroeconomic outlook and energy independence and security raising its profile, decarbonisation remains the main underlying trend within the shipping and shipbuilding markets. Introduced as short-term measures of the IMO GHG strategy, the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII) came into force on 1 January 2023, helping the industry to develop a mindset of ongoing improvement, where both smaller and more extensive modifications can ultimately drive down onboard carbon emissions. The regulation requires all ships to calculate their attained EEXI to measure their energy efficiency and to initiate the collection of data for the reporting of their annual operational CII and the associated CII rating. Depending on the actual CII rating, the ship might need to submit a corrective plan to show how the required carbon intensity level will be achieved. As global pressure builds to find solutions to abate climate change and become more environmentally friendly, ship owners are considering a number of options. These include slow steaming, energy saving devices, voyage optimisation solutions, hybrid and full-electric power systems, carbon capture and storage, exhaust gas scrubbers, and alternative fuels. The transition to cleaner fuels has continued to gather pace, with 466 orders placed globally for alternative fuel capable vessels, representing 30% (21%) of all contracted vessels and 60% of vessel capacity in the review period January–December. Despite the currently high price for LNG, it continues to represent over 80% of all alternative fuel capable vessel orders, although shipowners' interest in other alternative fuels, such as methanol, has clearly emerged in 2022.

Energy

The war in Ukraine, related sanctions, and the Covid-19 pandemic have together contributed to global cost inflation and price volatility. This has resulted in higher quotation prices, slower customer decision-making and considerable uncertainty in the investment environment for liquid and gas fuelled power plants and energy

Target

	Development in 2022	Development in 2021
Organic growth in net sales 5%	18%	6%
Operating margin 12%	-0.4%	6.6%
Gearing below 0.50	0.23	0.00
Dividend payment at least 50% of earnings per share over the cycle	-234.9%*	73.2%

*Proposal of the Board of Directors

storage during 2022. Supply chains and trade routes are in turmoil as inflation, exchange rate fluctuations and trade restrictions shadow global business. Covid-19 related uncertainty has mostly eased with the exception of China, where the pandemic, related restrictions and their recent release have continued to disrupt supply chains.

The energy crisis has brought a clear need and ambition for a structural change in the energy sector, especially in Europe. The global markets for liquified natural gas (LNG) are being transformed as the plummeted pipeline gas flows from Russia to Europe place new constraints and demands on gas trade. Beyond some short-term setbacks, the energy transition outlook has never been stronger. Advancing the renewable energy build-up strengthens the security of supply while at the same time reducing the dependency on imported fossil fuels. Energy and climate policies around the world continue to evolve towards more ambitious decarbonisation targets. Utilities continue to update their investment strategies accordingly, which can speed up or cause delays in investment decisions. A notable step forward in climate policy was the Inflation Reduction Act in the U.S., which allocates substantial incentives for renewables, battery energy storage, and other clean energy technologies. Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions, such as energy storage and grid-balancing power plants. Demand for services continued at a good level, and customers are showing interest in long-term agreements, thus providing stability to the business, which is lumpy by nature.

Wärtsilä's market share in the up to 500 MW market segment increased to 8% (7), as global orders for natural gas and liquid-fuelled power plants increased by 13% to 26.7 GW during the twelve-month period ending in September 2022 (23.5 GW at the end of June). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Order intake and order book

Wärtsilä's order intake in 2022 increased by 6% to EUR 6,074 million (5,735) compared to 2021. Book-to-bill was 1.04 (1.20). Service order intake increased by 17% to EUR 3,066 million (2,615), driven by growth in all businesses. Equipment order intake

decreased by 4% to EUR 3,008 million (3,120), supported by growth in Marine Power and burdened by decrease in Marine Systems.

The order book at the end of the year was stable at EUR 5,906 million (5,859). Russia related projects amounting to approximately EUR 240 million were removed from the order book in the second quarter. Wärtsilä's current order book for 2023 deliveries is EUR 3,871 million (3,763).

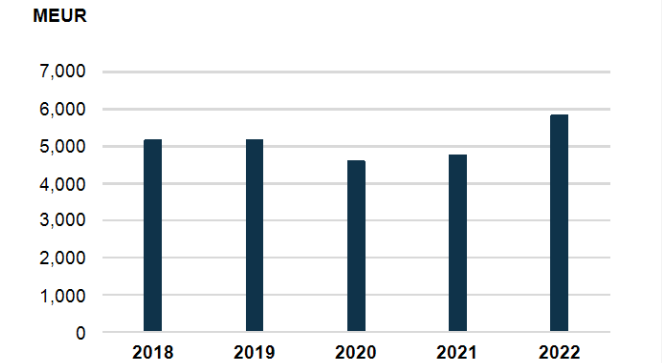
Net sales and operating result

Wärtsilä's net sales in 2022 increased by 22% to EUR 5,842 million (4,778) compared to 2021. Service net sales increased by 12% to EUR 2,775 million (2,467), driven by growth in all businesses. Equipment net sales increased by 33% to EUR 3,067 million (2,310), driven by growth especially in Energy deliveries. Of Wärtsilä's net sales, approximately 44% was EUR denominated and 40% USD denominated, with the remainder being split between several currencies.

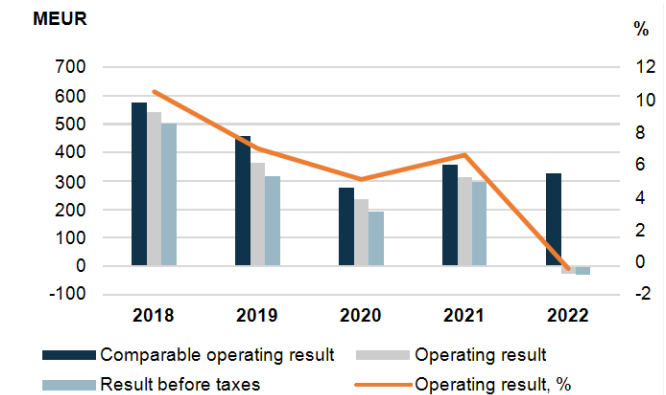
The operating result amounted to EUR -26 million (314) or -0.4% of net sales (6.6). The comparable operating result totalled EUR 325 million (357) or 5.6% of net sales (7.5). The comparable operating result was supported by higher sales volumes, while being burdened by cost inflation, a less favourable sales mix between equipment and services, as well as a cost provision of EUR 40 million related to the Olkiluoto 1 and 2 nuclear project. Items affecting comparability comprised costs of EUR -351 million (-43) related to divestments, restructuring programmes, and footprint adjustments, including write-down of approximately EUR 200 million as a result of the decision to close down operations in Russia and EUR 90 million related to the closing of the Trieste factory. The comparable adjusted EBITA amounted to EUR 349 million (388) or 6.0% of net sales (8.1). Purchase price allocation amortisation amounted to EUR 23 million (31).

Financial items amounted to EUR -6 million (-18). Net interest totalled EUR -10 million (-11). Result before taxes amounted to EUR -32 million (296). Taxes amounted to EUR -27 million (-103), implying an effective tax rate of -84.1% (34.7). Result for the financial year amounted to EUR -59 million (193). Basic earnings per share totalled -0.11 euro (0.33). Return on investment (ROI) was 0.1% (9.7), while return on equity (ROE) was -2.6% (8.6).

Group net sales development



Result



Megawatts delivered

	2022	2021	Change
Marine Power	970	1,315	-26%
Energy	1,467	1,343	9%
Wärtsilä total	2,437	2,658	-8%
By joint venture	316	250	26%
Deliveries total	2,753	2,908	-5%

Financing and cash flow

Wärtsilä's cash flow from operating activities in 2022 totalled EUR -62 million (731), burdened by a weak operating result and increased receivables and inventories. Working capital totalled EUR 179 million at the end of the year (-100). Advances received totalled EUR 527 million (498).

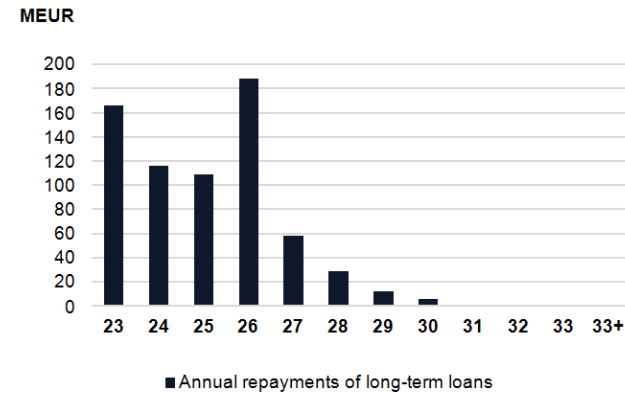
Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

Cash and cash equivalents amounted to EUR 461 million at the end of the year (964). Additionally, EUR 3 million of cash and cash equivalents pertained to assets held for sale (0 at the end of 2021). Unutilised committed credit facilities totalled EUR 650 million (650).

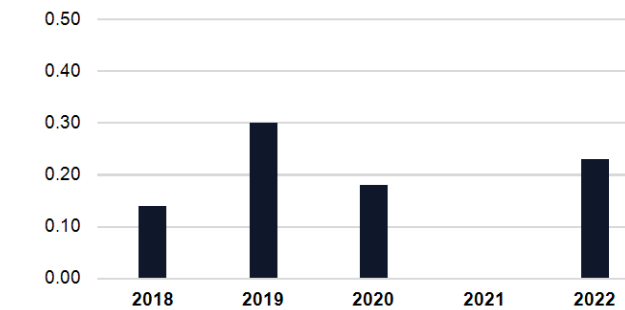
Wärtsilä had interest-bearing debt totalling EUR 949 million at the end of the year (973). The total amount of short-term debt maturing within the next 12 months was EUR 209 million. Long-term loans amounted to EUR 740 million.

Net interest-bearing debt totalled EUR 481 million (4). Gearing was 0.23 (0.00), while the solvency ratio was 35.3% (38.6). Equity per share was 3.62 euro (3.92).

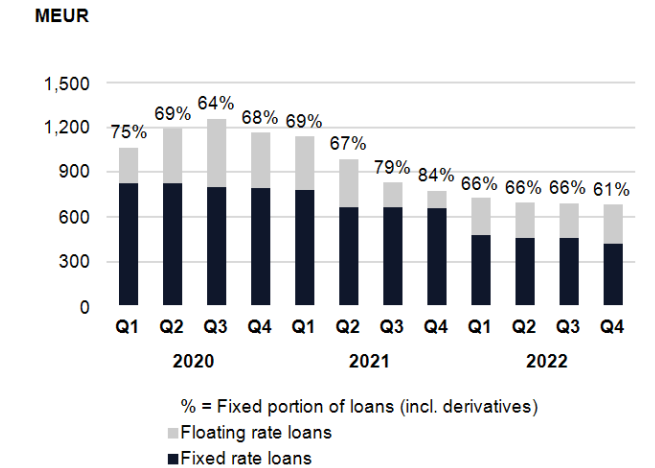
Maturity profiles of long-term loans



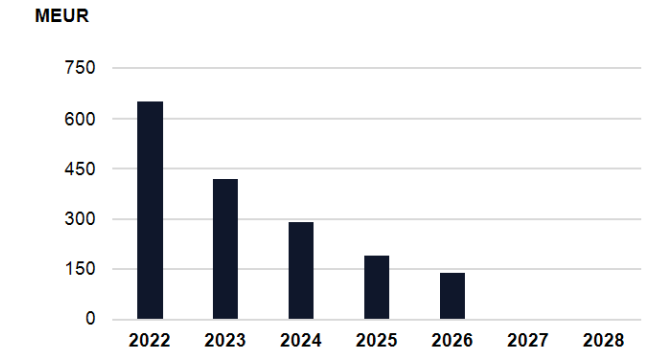
Gearing



Loans



Committed revolving credit facilities (end of period)

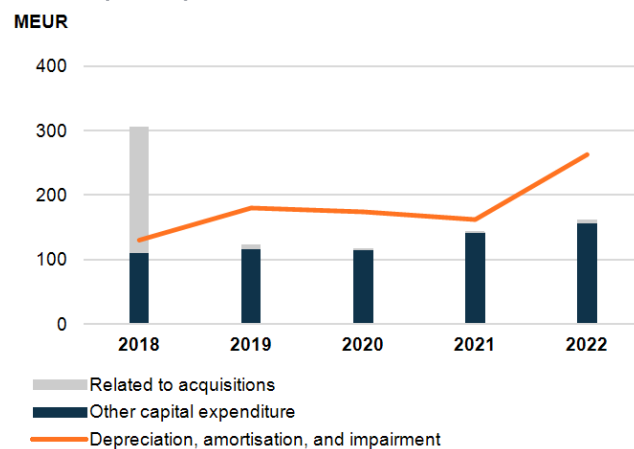


Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 156 million (142) in 2022. Capital expenditure related to acquisitions and investments in securities totalled EUR 5 million (1). Depreciation, amortisation, and impairment amounted to EUR 263 million (162), including depreciation and impairment of right of use assets of EUR 49 million (47).

In 2023, capital expenditure related to intangible assets and property, plant, and equipment is expected to be slightly below depreciation, amortisation, and impairment.

Gross capital expenditure



Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Investments in R&D are central to securing Wärtsilä's future positioning, and will continue despite the prevailing market uncertainty. Developing the use of alternative, commercially viable clean fuels for the future is a key focus area of research and development, as is improving the connectivity, efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. With its lifecycle solution offering, Wärtsilä goes beyond the mere maintenance and operation of installations by delivering

guaranteed performance based on mutually agreed target levels. Research and development expenditure totalled EUR 241 million (196) in 2022, which represents 4.1% of net sales (4.1).

In January, Wärtsilä received its first order for newbuild methanol-fuelled engines. A new offshore wind installation vessel being built for the Dutch contracting company Van Oord at Yantai CIMC Raffles shipyard in China will be powered by five Wärtsilä 32 engines capable of operating with methanol. The order is scheduled for delivery in early 2023 and includes also the MethanolPac methanol fuel supply system. MethanolPac was developed in response to growing interest in the use of methanol as a pathway to decarbonisation, and it enables Wärtsilä to deliver methanolcapable fuel and power systems across a wide range of vessel segments. The methanol engine order and the development of the MethanolPac extends Wärtsilä's leading position in fuel flexibility and supports the maritime industry's decarbonisation ambitions.

In April, Wärtsilä announced the launch of the latest addition to its multi-fuel engine portfolio with the Wärtsilä 46TSDF engine. The engine is designed with a focus on efficiency, environmental performance, and fuel flexibility. The dual-fuel Wärtsilä 46TS-DF engine can operate on LNG, as well as offering a viable platform for further decarbonisation through its ability to use bio- or synthetic methane in the future. In gas fuel mode, the engine has the highest efficiency thus far achieved in the medium-speed engine market. Simultaneously, it reduces fuel consumption and lowers emissions, while being easily retrofittable for future carbon-neutral and carbon-free fuels as they become available.

In April, Wärtsilä introduced its Smart Panoramic Edge Camera System (SPECs), a system that provides 360 degree situational awareness, streamed directly to the bridge in real-time. SPECs greatly reduces risk of accidents by providing an almost perfect 360 degree view of the vessel and its surroundings. This helps our customer to reduce the risk of accidents and costly damage.

In May, Wärtsilä launched Decarbonisation Services for the energy sector. This service utilises Wärtsilä's sophisticated power system modelling and optimisation tools alongside the company's in-house expertise to reduce power system emissions. It also ensures power

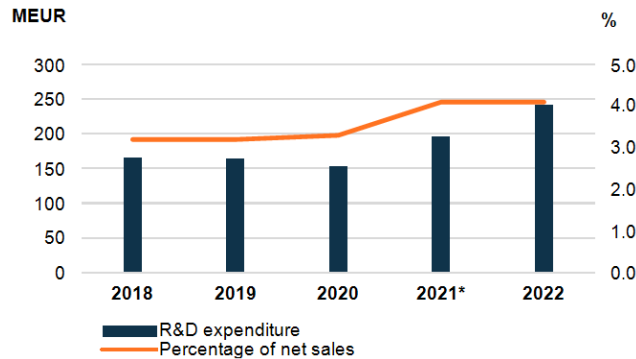
availability with the lowest levelised cost of electricity. The ultimate aim is to help customers decarbonise their assets.

In September, Wärtsilä introduced its new Wärtsilä 25 medium-speed 4-stroke engine. The Wärtsilä 25 engine portfolio is designed to accelerate and support the maritime sector's efforts in achieving decarbonised operations. The engine's modularity offers shipowners and operators maximised flexibility, while its efficiency and fuel economy enables minimised emissions. The engine is already capable of operating on diesel, LNG, and either gas or liquid carbon-neutral biofuels, and can easily be upgraded to operate with future carbon-free fuels as they become available. The Wärtsilä 25 is intended to be the first Wärtsilä engine to run on ammonia as a fuel.

In October, Wärtsilä carried out the successful testing of hydrogen blended fuel in collaboration with WEC Energy Group, EPRI and Burns & McDonnell. Throughout the testing period, the 18 MW Wärtsilä 50SG engine continued to supply power to the grid. This is the largest internal combustion engine ever to operate continuously on a hydrogen fuel blend, thus representing a world-first achievement. The full report with details will be published early in 2023.

In November, Wärtsilä launched its next-generation grid balancing technology. The solution is based on three fully integrated key components: the Wärtsilä 31SG Balancer engine, prefabricated modules for cost-efficient plant construction, and Wärtsilä Lifecycle Services. The engine can start and ramp up rapidly even in adverse weather conditions to support intermittent renewable generation.

Research and development expenditure



* Figure in the comparison period 2021 has been restated to reflect a change in the definition of research and development expenditure.

Strategic projects

In February, Wärtsilä announced its collaboration with Solstad Offshore on fleet decarbonisation ambitions, with the aim to achieve a 50% reduction in CO₂ emissions by 2030 for Solstad Offshore's 90 vessel fleet. The agreement aims to identify, evaluate, and implement solutions that will increase fuel efficiency and significantly reduce greenhouse gas (GHG) emissions from Solstad's offshore vessels. Each vessel will be assessed for appropriate solutions, possible operational improvements, and life extension considerations. Wärtsilä will initially act as an advisor and technical expert to Solstad. The agreement also allows the company to become a possible supplier for the decarbonisation solutions selected.

In March, Wärtsilä announced the opening of a new Expertise Centre in Houston, Texas. The Houston Expertise Centre will deliver support to its U.S. and Canadian energy sector customers, thereby enhancing the company's ability to grow its service business.

In April, Wärtsilä announced that it will coordinate a consortium of shipping stakeholders in a project aiming to develop demonstrators for 2-stroke and 4-stroke marine engines running on ammonia fuel. The outcomes of the project will include a lab-based demonstrator for the 4-stroke ammonia engine, and a lab-based test engine

followed by a vessel retrofit for the 2-stroke version by 2025. In addition to advancing the engine concepts, the Ammonia 2-4 project will further develop concepts around fuel handling and safety, as well as contributing valuable input towards a regulatory framework for ammonia.

In May, Wärtsilä announced two partnerships for hydrogen blending with natural gas in engine power plants. In Portugal, Wärtsilä will collaborate with the energy solutions provider and independent power producer Capwatt in the testing of blends of up to 10% green hydrogen in a Wärtsilä 34SG engine. In Michigan, USA fuel blends of up to 25% hydrogen will be tested in WEC Energy Group's A.J. Mihm power plant operating with three Wärtsilä 50SG engines. Wärtsilä engines can be operated on hydrogen/natural gas blends with up to 25% hydrogen, and the company is working towards an engine and power plant concept for pure hydrogen operations by 2025.

In June, Wärtsilä opened its new technology centre, the Sustainable Technology Hub, in Vaasa, Finland. The Hub acts as a global ecosystem of collaboration by inviting customers, partner companies and academia to incubate, test, and validate ideas. A new, modern Wärtsilä Land & Sea Academy training centre, customer Expertise Centres providing remote operational support and predictive maintenance solutions, and the development of new digital innovations will play a central role in supporting customers to optimise their operations throughout the lifecycle of their assets, and to accelerate their decarbonisation activities. The Hub also features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a state-of-the-art production system with a high level of automation. The construction of the new centre was announced in 2018 with a total investment of around EUR 250 million.

In June, Wärtsilä announced the acquisition of PortLink Global, a global port solutions company headquartered in Vancouver, Canada. Founded in 2007, PortLink is a leading provider of port efficiency solutions, including port management information systems, port community systems, pilotage dispatch systems, and local port services. PortLink has a global partnership with more than 3,500 users, and a customer network in more than 20 countries. Its existing workforce of approximately 20 professionals will be integrated within Wärtsilä Voyage.

In July, Wärtsilä announced that it has completed its exit from the Russian market following the announcement in April 2022 to scale down its activities there. The company has been fully committed to complying with all trade sanctions applicable to its operations from the beginning of the war in Ukraine, and has now closed business operations in Russia across all business units.

In October, Wärtsilä announced its intention to integrate the Voyage business with Marine Power to strengthen the end-to-end offering, and to accelerate the turnaround of the Voyage business. The intention is to link the unique digital expertise in Voyage with the well-established Performance Services, thereby taking the next step in creating end-to-end digital solutions for maritime customers. With this offering, Wärtsilä can further optimise marine operations for lower costs and reduced emissions. Customers can benefit from Wärtsilä's unique set of capabilities, combining the optimisation of vessel operations with ports traffic management and performance-based services for port-to-port operations. The integrated organisation became effective as of January 1, 2023.

Capacity adjustments

In July, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. The discontinuation of manufacturing in Trieste is expected to impact approximately 450 employees with potential redundancy. The estimated full annual cost savings will be approximately EUR 35 million by 2025, and the associated transformation costs are expected to be approximately EUR 130 million, out of which the cash flow impact is approximately EUR 75 million. The planned changes will not impact Wärtsilä's engine portfolio, and service levels and commitment towards customers will remain intact. The supply chain will remain largely as-is today, including Italian suppliers, thus ensuring that we maintain the competitiveness of Wärtsilä's supply chain.

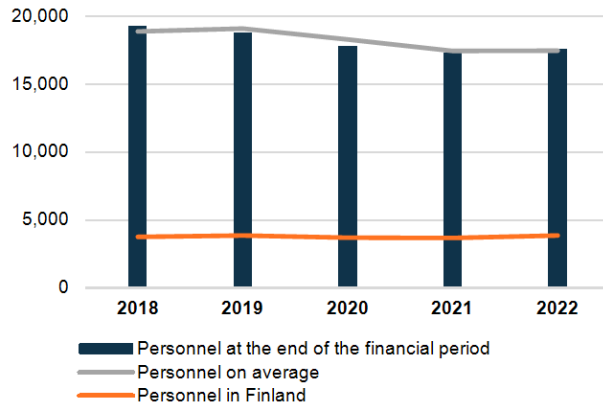
Personnel

Wärtsilä had 17,581 (17,305) employees at the end of the year. On average, the number of personnel totalled 17,482 (17,461) in the year of 2022.

Of Wärtsilä's total number of employees, 22% (21) were located in Finland and 37% (40) elsewhere in Europe. Personnel employed in

Asia represented 22% (21) of the total, personnel in the Americas 14% (12), and personnel in other countries 5% (5).

Personnel



Changes in management

Teija Sarajärvi (b. 1969, MA) assumed the position of Executive Vice President, Human Resources and member of the Board of Management on 1 January 2022. She succeeded Ms Alid Dettke.

In September, Wärtsilä announced the decision by Mr Sushil Purohit, President of Wärtsilä Energy and Executive Vice President, to leave Wärtsilä for a position outside the Group by the end of February 2023. Mr Purohit left Wärtsilä on 30 November 2022. Thereafter and until the appointment of the successor for Mr Purohit, the Energy Business will report to Håkan Agnevall, President and CEO of Wärtsilä Corporation. Wärtsilä has started the process to recruit a successor to Mr Purohit.

In October, Wärtsilä announced its plan to integrate the Voyage business with Marine Power. The President of Wärtsilä Voyage Mr Sean Fernback left the company and was succeeded by Mr Hannu Mäntymaa (45), (M.Sc.Eng) with immediate effect. Mr Mäntymaa led the integration process until the year-end and joined Wärtsilä's Board of Management for that interim period. He continued as the Head of the Voyage business unit when the integrated organisation became effective as of January 1, 2023.

NON-FINANCIAL REPORT

Increasing environmental awareness, tightening regulations, customer preferences, and the need to decarbonise operations are resulting in fundamental changes in both the marine and energy industries. Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. Wärtsilä emphasises innovation in sustainable technology and services to help its customers to continuously improve their environmental and economic performance. Thanks to a broad range of technologies and specialised services, Wärtsilä is well positioned to shape decarbonisation in the marine and energy markets, and to reduce exhaust emissions and the use of natural resources. This positioning supports customers in their efforts to limit their carbon footprint and achieve regulatory compliance. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions.

Wärtsilä is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN Sustainable Development Goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

Responsible business conduct

The Wärtsilä Code of Conduct defines common rules for all employees and provides guidance on Wärtsilä's approach to responsible business practices. The Code of Conduct is complemented by group-wide policies, including the quality, environmental, health and safety policy, the corporate policy on equal opportunities and fair employment practices, as well as policies related to anti-corruption, compliance reporting, and procurement.

Wärtsilä takes an active approach to applying the Code of Conduct and promotes its implementation through effectively communicating its contents to all employees. The company monitors the application of the Code internally to ensure understanding and commitment throughout the organisation. As at the end of 2022, 17,259 employees, covering 96% of the total number of employees, had participated in the Code of Conduct training programme.

Suppliers and business partners are an integral part of the total value chain of Wärtsilä's products and services. They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Information on Wärtsilä's requirements is included in the supplier agreement templates.

Environmental performance

Wärtsilä's main contribution to improved environmental performance lies in providing its customers with reliable and safe technologies and services. In addition to enabling environmental compliance, this also supports the sustainable development of the marine and energy industries. Wärtsilä's products and solutions are designed to reliably operate for up to 30 years. Therefore, focusing R&D efforts on improving product or system level performance is crucial, as is adopting a lifecycle approach to performance optimisation. In addition to improving the environmental performance of its products and solutions, Wärtsilä also continuously monitors the impact caused by its own activities and targets reduced energy consumption in all its facilities.

Wärtsilä's quality, environmental, health and safety policy sets principles for managing the environmental impacts of the company's products and services. The potential risks related to environmental matters and climate change are in the areas of regulatory emission restrictions, and changes in customer attitudes to using combustion engines and fossil fuels. Risks are managed by having R&D activities focused on product efficiency improvements and emissions reduction, as well as by developing a broad product offering, including technologies related to waste reduction, noise abatement, and effluent and ballast water treatment. During 2022, R&D expenditure totalled EUR 241 million, which represents 4.1% of net sales. The majority of these investments targeted improved environmental performance.

For the marine markets, Wärtsilä continued to launch solutions that support its purpose to enable sustainable societies through innovation in technology and services. A new Wärtsilä 25 medium-speed 4-stroke engine was introduced. The engine is already capable of operating on diesel, LNG, and either gas or liquid carbon-neutral biofuels, and can easily be upgraded to operate with future carbon-free fuels as they become available. The Wärtsilä 25 is intended to be the first Wärtsilä engine to run on ammonia as a fuel. In the energy sector, Wärtsilä launched Decarbonisation Services, which utilises Wärtsilä's sophisticated power system

modelling and optimisation tools alongside the company's in-house expertise to reduce power system emissions. It also ensures power availability with the lowest levelised cost of electricity.

According to Wärtsilä's "Set for 30" decarbonisation commitment, Wärtsilä's goal is by 2030:

- To become carbon-neutral in its own operations, and
- To provide a product portfolio ready for zero-carbon fuels.

During 2022, Wärtsilä's "Set for 30" programme proceeded as planned. The company set GHG emission reduction targets and defined action plans for the period of 2022-2024. In addition Wärtsilä started to purchase green electricity in Finland, organised an internal energy saving campaign globally, and introduced a new global electric vehicle policy.

Social and employee matters

Wärtsilä is a responsible employer, offering employees a workplace where openness, respect, trust, equal opportunities, and scope for personal development prevail. The company is a signatory to the UN Global Compact initiative and supports the work-related rights defined by the International Labour Organization (ILO). Wärtsilä's corporate policy on equal opportunities and fair employment practices creates a common framework for employee practices in all Wärtsilä companies. People management processes, tools, and ways of working are developed to ensure consistency across national and organisational boundaries. Wärtsilä has a global job grading system and rewarding principles to ensure transparency and fairness for all employees. These are followed by all Wärtsilä entities globally.

The objective of Wärtsilä's people strategy is to ensure that the businesses have the required skilled and motivated resources at their disposal. In order to develop their competences, employees are offered a wide variety of internal training courses, including topics covering technology, health and safety, language and culture, project management, environment, security, and leadership. The average number of learning days was 1.4 per employee in 2022.

Wärtsilä aims at offering its employees and contractors a hazard-free working environment, and to minimise the health and safety

risks associated with the use of its products and services. The company's occupational health and safety principles are defined in the Code of Conduct, the Quality, Environmental, Health and Safety (QEHS) policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's entities are required to have a management system in place that conforms to the QEHS Policy and the EHS directive. In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation. Wärtsilä's aim is to reach a long-term goal of zero injuries. In 2022, the corporate lost time injury frequency rate was 1.58 (1.55).

Respect for human rights

Wärtsilä supports and respects basic human values as outlined in the UN's universal declaration of human rights. Wärtsilä is also a signatory to the UN Global Compact and is thereby committed to its principles with respect to human rights, labour, the environment, and anti-corruption. No employee is allowed to take any action that violates these human rights principles, either directly or indirectly. Wärtsilä does not accept the use of forced labour or child labour in any form. Human and labour rights are a part of the Code of Conduct training material and are included in Wärtsilä policy on human rights, equal opportunities and fair employment practices, as well as being listed in the company's supplier handbook.

Anti-corruption and bribery matters

Wärtsilä's Code of Conduct, anti-corruption policy, and broker directive expressly prohibit the company and its employees from offering or accepting any kind of benefit considered a bribe, and from taking actions that could give rise to a conflict of interest or breach of loyalty. The instructions make it compulsory to comply with the anti-corruption laws of all the countries in which Wärtsilä does or intends to do business, and urge the reporting of any cases of corruption and bribery.

Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is high in many markets where the company operates. Therefore, full compliance with a stringent anti-corruption regime is required of all employees. An extensive training programme is in place for personnel on anti-corruption principles and applicable legislation, as well as on the relevant company policies and procedures. By the end of 2022, 66% of Wärtsilä's employees had participated in anti-corruption training sessions. Employees are encouraged to provide

feedback and communicate suspected misconduct to line management or directly to the Compliance, Legal Affairs, or Internal Audit functions. Wärtsilä also has a dedicated tool through which employees can report infringements.

EU Sustainable Finance Taxonomy disclosures

Wärtsilä's aim is to shape decarbonisation in the marine and energy markets. Consequently, decarbonisation is at the core of the company's strategy. Wärtsilä's strong position, competences, and capabilities are critical enablers to successfully achieving these ambitions, and enabling its customers to decarbonise their economic activities.

Wärtsilä has a key role to play in decarbonising vessel operations and the overall shipping value chain. The company's extensive product and solution portfolio, including engines, propulsion systems, hybrid solutions, integrated powertrain systems, emission abatement solutions, and voyage optimisation solutions are key contributors towards zero-emissions shipping.

The energy and marine sectors still largely rely on the use of fossil fuels. Wärtsilä's current portfolio already enables its customers to switch to carbon-neutral fuels, such as biofuels or synthetic methane. Although the transition from fossil fuels to carbon-neutral or carbon-free fuels will happen gradually, Wärtsilä is already positioned to assist it by providing technologies that allow its customers to use more sustainable fuels as they become available.

In Energy, Wärtsilä technologies enable the maximal and optimal usage of renewable energy generation. Flexible engine power plants, together with energy storage solutions, improve power system efficiency, lower greenhouse gas emissions, and safeguard the security of supply.

Wärtsilä's goal is to be able to provide a product portfolio ready for zero-carbon fuels. The company's aim is to support its customers on their decarbonisation journey, and thus shape the decarbonisation of the marine and energy sectors. Wärtsilä's products and solutions will meet the most stringent environmental requirements, and the fuel flexibility of the engines powering these sectors is key to enabling the transformation.

Wärtsilä has launched a major test programme towards carbon-free solutions with hydrogen and ammonia fuels. Wärtsilä's fuel agnostic approach enables the company to support the energy and

marine sectors in shaping sustainable and efficient future fuel strategies in several cost-optimal steps. The company has invested continuously and systematically in R&D and has made a long-term effort in product development focusing on fuel flexibility, energy efficiency, and emissions reduction. Already today, Wärtsilä engines can run on biofuels, methanol and hydrogen blends. For the energy market, Wärtsilä expects to have an engine and plant concept for pure hydrogen operation ready by 2025. For the marine market, Wärtsilä has already successfully tested an engine running with a fuel mix containing 70% ammonia. Wärtsilä anticipates having an engine concept with pure ammonia fuel available in 2023.

Wärtsilä has carried out an assessment regarding its economic activities against the EU Sustainable Finance Taxonomy's first Delegated Act on Climate, as required by the Delegated Act on Article 8. Wärtsilä Taxonomy KPIs for the year 2022 are presented in the tables of the following pages.

Major parts of Wärtsilä's economic activities are currently not covered in the first Delegated Act on Climate such as services. Services in Marine and Energy accounted for 47% of Wärtsilä's net sales in 2022. Services are a key enabler of installation uptime, reliability, reduced fuel consumption, and lower emissions.

Wärtsilä has a key role to play in decarbonising vessel operations and the overall shipping value chain. The company's extensive product and solutions portfolio, including engines, propulsion systems, hybrid solutions, integrated powertrain systems, and emission abatement solutions are key contributors towards zero-emissions shipping. However, they are all outside the taxonomy scope since only the manufacturing of vessels – not vessel technologies or components – is included. In Energy, engines ready for carbon-neutral fuels, running on natural gas or other fossil fuels, are also excluded.

In total, 15% of Wärtsilä's turnover was estimated to be eligible, including the energy storage business, biogas solutions, and digital voyage optimisation solutions.

	Turnover	CapEx	OpEx
Non-eligible	85%	66%	87%
Eligible	15%	34%	13%
Aligned	0%	0%	0%

In order to report this information, Wärtsilä has assessed its economic activities against the economic activities included in the Delegated Act on Climate. Eligible economic activities have been identified by comparing the referred NACE codes in the Delegated Act to Wärtsilä's economic activities. In addition, the relevant thresholds for substantial contribution have been assessed in order to determine the economic activities' eligibility. Revenues, capital expenditure, and operating expenditure for eligible economic activities were collected from the accounting system. As the next step, we have compared the economic activities against the technical screening criteria, including the 'do no significant harm' criteria and minimum social safeguards, and searched for supporting proof points. With our approach being stringent interpretation of the alignment criteria provided by the European Union regulation on taxonomy, we cannot claim any of the taxonomy-eligible revenue streams in 2022 as being also taxonomy-aligned. The same applies to both capital and operational expenditures in 2022. Despite the low taxonomy coverage Wärtsilä's products and services play a key role in decarbonising the energy and marine sectors and Wärtsilä invests significant R&D funds to support and enable the transition.

KPI	Identified eligible economic activities	Notes
Turnover	• Energy storage business • Biogas solutions • Digital voyage optimisation solutions	Wärtsilä considers its energy storage business as a Taxonomy eligible economic activity. Wärtsilä energy storage solutions and energy management systems enable the effective storage of renewable electricity. Wärtsilä biogas solutions are considered to be eligible through the “manufacturing of other low carbon technologies” category. Digital voyage optimisation solutions are considered to be eligible through the “data driven solutions for GHG reduction” category. Wärtsilä did not consider any multifuel engine solutions to be eligible at this point.
CapEx	• New buildings (lease) • Passenger cars and light commercial vehicles • Capitalised R&D costs related to energy storage • Capitalised R&D costs related to voyage optimisation • Capitalised R&D costs related to future fuels	Any capex for a new building or a new vehicle is eligible. With respect to the capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, capitalised R&D costs related to our engines’ capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable our customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No CapEx related to taxonomy eligible manufacturing was identified.
OpEx	• Non-capitalised R&D costs related to energy storage • Non-capitalised R&D costs related to voyage optimisation • Non-capitalised R&D costs related to future fuels	With respect to the non-capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, OpEx related to non-capitalised R&D for our engines’ capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable our customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No OpEx related to taxonomy eligible manufacturing was identified.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities 2022

				Substantial contribution criteria							DNSH Criteria ('Does Not Significantly Harm')																
Economic activities	Code(s)	Absolute turnover (MEUR)	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, Year 2022	Category (enabling activity)	Category (transitional activity)								
A. TAXONOMY-ELIGIBLE ACTIVITIES																											
A.1. Taxonomy-aligned activities																											
No aligned activity																	0	0									
Turnover of Taxonomy-aligned activities (A.1.)																	0	0 %	%	%	%	%	%	%	%	%	
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																											
Energy storage business	C27.2	765	13%																								
Biogas solutions	C28.9.9	87	2%																								
Digital voyage optimisation solutions	C63.1.1	33	1%																								
Turnover of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)																											
Total (A.1. + A.2.)		884	15%														0%	%									
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																											
Turnover of Taxonomy-non-eligible activities (B)																	N/A	4,958	85%								
Total (A + B)																		5,842	100%								

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities 2022

				Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')																		
Economic activities	Code(s)	Absolute CapEx (MEUR)	Proportion of CapEx (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, Year 2022	Category (enabling activity)	Category (transitional activity)									
A. TAXONOMY-ELIGIBLE ACTIVITIES																												
A.1. Taxonomy-aligned activities																												
No aligned activity																	0	0										
CapEx of Taxonomy-aligned activities (A.1.)																	%	%	%	%	%	%	%	%	%			
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																												
New buildings (lease)	F41.2	57	21%																									
Passenger cars and light commercial vehicles	N77.1.1; H49.3.1	5	2%																									
Capitalised R&D costs related to voyage optimisation	C63.1.1	8	3%																									
Capitalised R&D costs related to energy storage	C27.2	7	2%																									
Capitalised R&D costs related to future fuels	C28.1.1	16	6%																									
CapEx of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)		94	34%																									
Total (A.1. + A.2.)		94	34%														0%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																												
CapEx of Taxonomy-non-eligible activities (B)		183	66%																									
Total (A + B)		277	100%																									

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities 2022

				Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute OpEx (MEUR)	Proportion of OpEx (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, Year 2022	Category (enabling activity)	Category (transitional activity)	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Taxonomy-aligned activities																				
No aligned activity			0	0																
OpEx of Taxonomy-aligned activities (A.1.)				%	%	%	%	%	%								%			
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																				
Non-capitalised R&D costs related to voyage optimisation	C63.1.1	5	2%																	
Non-capitalised R&D costs related to energy storage	C27.2	18	8%																	
Non-capitalised R&D costs related to future fuels	C28.1.1	7	3%																	
OpEx of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)		30	13%																	
Total (A.1. + A.2.)		30	13%														0%	%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		204	87%																	
Total (A + B)		234	100%																	

Reporting segments

Wärtsilä Marine Power

Marine Power's order intake in 2022 increased by 20% to EUR 2,418 million (2,011) compared to 2021. Book-to-bill was 1.22 (1.08). Service order intake increased by 23% to EUR 1,567 million (1,270) as the market continued to recover, especially with the merchant segment operating at high capacity due to favourable rates. The offshore and cruise segments also increased compared to 2021. Equipment order intake increased by 15% to EUR 850 million (741) as a result of strong performance in the merchant segment driven mainly by containerhips and record-high orders for LNG carriers. The order book at the end of the year increased by 9% to EUR 2,180 million (1,994) despite removing Russia related projects.

Net sales increased by 6% to EUR 1,982 million (1,863) compared to 2021. Service net sales increased by 17% to EUR 1,403 million (1,201), driven by sales to the merchant and cruise segments. Equipment net sales decreased by 12% to EUR 579 million (661), largely due to the discontinuation of business in Russia, which had an effect of approximately EUR 50 million. The comparable operating result amounted to EUR 217 million (195) or 10.9% of net sales (10.5). The result was supported by good service performance, as well as a more favourable mix between equipment and services. The overall market situation was challenging with cost inflation (material, component, transportation, and test fuel costs) and component unavailability which increased the supply chain costs. Increased energy prices impacted particularly our suppliers manufacturing components that consume a lot of energy in their production process, like forgings and castings. High inflation in several countries also put pressure on salary adjustments. Continued price adjustments are made to cope with cost inflation, however breaking open existing contracts for inflation corrections is not possible. The ramp-up of the new Sustainable Technology Hub also impacted the operating costs during 2022, as we were operating the old Vaasa factory in parallel with the Sustainable Technology Hub during the transition period. Items affecting comparability totalled EUR -178 million (-15), of which EUR 70 million related to the write down of Russia related activities, EUR 89 million related to the Trieste factory write down, and the rest mainly related to footprint optimisations concerning the new Sustainable Technology Hub in Vaasa, Finland.

Wärtsilä Marine Systems

Marine Systems' order intake in 2022 decreased by 22% to EUR 654 million (835) compared to 2021, with an increase in the service business and a decline in the equipment business, especially in the Gas Solutions and Marine Electrical Systems business units. Book-to-bill was 0.85 (1.28). Service order intake increased by 9% to EUR 250 million (229), with good development in all business units. Equipment order intake decreased by 33% to EUR 404 million (606). The order book at the end of the year decreased by 11% to EUR 924 million (1,042).

Net sales increased by 17% to EUR 765 million (654) compared to 2021. Service net sales increased by 13% to EUR 231 million (204), while equipment net sales increased by 19% to EUR 535 million (450). The comparable operating result amounted to EUR 56 million (52) or 7.3% of net sales (7.9), with an increase from good services development and a decline due to decreased scrubber volumes.

Wärtsilä Voyage

Voyage's order intake in 2022 was stable at EUR 289 million (292) compared to 2021. Book-to-bill was 1.09 (1.05). Service order intake increased by 8% to EUR 118 million (109), while equipment order intake decreased by 6% to EUR 171 million (183). The order book at the end of the year was stable at EUR 291 million (288). Overall, the effect of increased customer activity offset the impact of closing down all business activities in Russia.

Net sales decreased by 5% to EUR 264 million (279) compared to 2021, primarily due to the closing down of business activities in Russia. Service net sales increased by 3% to EUR 109 million (105), while equipment net sales decreased by 10% to EUR 156 million (174). The comparable operating result amounted to EUR -38 million (-28) or -14.3% of net sales (-9.9). Items affecting comparability totalled EUR -126 million (-12) of which EUR 122 million related to the write-down made as a result of the decision to downscale operations in Russia, and the rest related to restructuring programmes.

Divestments

In July, Wärtsilä completed its orderly exit from the Russian market. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations. As part of the exit, the Wärtsilä Digital Technologies office in St. Petersburg has been

closed. In addition, Wärtsilä Vostok LLC was divested to the local management of the company. The financial impact of these divestments is in line with the provisions taken in the first quarter of 2022.

Wärtsilä Energy

Energy's order intake in 2022 increased by 7% to EUR 2,612 million (2,444) compared to 2021. Book-to-bill was 0.96 (1.31). Service order intake increased by 16% to EUR 1,062 million (916), while equipment order intake was stable at EUR 1,550 million (1,529). The order book at the end of the year was stable at EUR 2,376 million (2,393).

Net sales increased by 46% to EUR 2,721 million (1,861) compared to 2021. Service net sales increased by 8% to EUR 958 million (891), driven by long-term agreements and spare parts. Equipment net sales increased by 82% to EUR 1,763 million (970), with growth both in thermal power plants and the energy storage business. The comparable operating result amounted to EUR 91 million (136) or 3.3% of net sales (7.3). Profitability was burdened by EUR 40 million in cost provisions related to the Olkiluoto 1 and 2 nuclear project, cost inflation on equipment projects, and a less favourable sales mix between equipment and services. Items affecting comparability totalled EUR -9 million (-2) of which EUR 4 million related to the write-down made as a result of the decision to close down operations in Russia.

Profitability of energy storage business unit has been improving and the comparable operating result margin was approximately -4% in 2022.

Other business activities

Wärtsilä Portfolio Business

Portfolio Business' order intake in 2022 decreased by 33% to EUR 102 million (153) compared to 2021, due to completed divestments. The order book at the end of the year decreased by 6% to EUR 134 million (142).

Net sales decreased by 10% to EUR 109 million (121) compared to 2021, due to completed divestments. The comparable operating result amounted to EUR 0 million (2) or -0.3% of net sales (1.6), due to the divestments of certain business units. Items affecting comparability totalled EUR -30 million (-11), related to divestment impacts.

Divestments

In January, Wärtsilä closed the divestment of its Tank Control Systems business to Svaneøj, a Danish gas pump specialist involved in the design and manufacture of specialised deep well pump solutions. Tank Control Systems designs, manufactures, sells, and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. It is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. The business became part of Wärtsilä as a result of the acquisition of Total Automation in 2006 and has approximately 50 employees based in the UK, France, and Singapore with revenues of EUR 7.5 million in 2020.

In December, Wärtsilä announced the divestment of American Hydro to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine services focusing mainly on North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. The annual revenues of the company were approximately USD 50 million in 2021. Subject to approvals, completion of the transaction is expected in first half of 2023.

Risks and business uncertainties

The ongoing war in Ukraine has resulted in various risks to both the demand and supply environment of various commodities globally, and increased uncertainty over the macroeconomic outlook. Business operations globally are being impacted by the increased inflationary pressure, changing trade flows and volumes, altered financial conditions, the volatility of the geopolitical environment including the risk of trade wars, and the sanctions in place and planned against Russia. These are all contributing to a slowdown in global economic growth. Further escalation of any of the abovementioned factors could result in increased uncertainty over future demand for tonnage, and higher costs to acquire, finance and operate assets. This could potentially lead to delays or reassessment of customer investments into new or existing tonnage. Furthermore, the volatility of the geopolitical environment, and the enforcement of sanctions or embargos, pose a risk to the company's customer relations and international business activities.

With the rapidly growing use of data in shipping and shipbuilding, as well as in the energy markets, cyber threats can potentially result in various forms of financial, operational, or reputational damage to the business. Congestions at ports have eased while disruptions to global supply chains may continue to impact factory activities and the delivery of spare parts mainly driven by the rising energy costs and its implications to raw material and component prices as well as transportation costs. The announced plan to optimise the company's European engine manufacturing footprint is subject to various risks.

The shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. Uncertainties around the development and deployment of suitable future technologies as well as a lack of sufficient regulatory and financial incentives or mechanisms to support the transition may affect the investment appetite of ship owners and operators. This concerns both newbuilding programmes and the management of existing fleets. At the same time, the limited development of alternative fuel infrastructures, uncertainties concerning the regulatory environment, and the uptake of new technology may raise barriers for the green transition.

Continued high inflation and economic slowdown have negatively impacted people's ability or desire to travel which poses a business profitability risk for ship owners and operators. Other risks include a new escalation of Covid-19 or any of its variants, especially now in China, and higher voyage, operating and financing costs. Highly indebted shipowners or operators may not withstand the potential risk of higher cost of finance, a slower than expected growth in demand, and a lowered credit rating. In the offshore oil and gas industry, the uncertainty around longer-term demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, while in the shorter term investments might pick-up due to higher oil prices and a growing focus on energy security. Any changes to the allocation of investments between traditional offshore upstream oil & gas and renewables might limit the demand for drilling or support vessels. The volatility of oil prices and any disruptions to the supply of marine fuel oils can also have a sizable impact on the price spread between high- and low-sulphur fuels. A narrower price

differential, or reduced future availability of high-sulphur fuel, might weaken the case for scrubber investments.

In the energy markets, the possibility of a global recession poses a risk for top-line growth if the economy stagnates. Investment decisions are complicated by uncertainty over inflation through its high impact on the cost of capital and by currency fluctuations. In the energy markets, gas price volatility and increasing prices have a negative impact on the competitiveness of thermal baseload gas plants and may lead to more running hours and less capacity retirements of coal and nuclear power plants. Higher fuel prices may have an impact on project viability and customer decision-making. However, these are expected to have less of an impact on thermal balancing power plants with lower running hours. The impact of the Covid-19 pandemic has declined, but a number of countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects, causes disturbances in global supply chains, and may temporarily limit the speed of the energy transition. Concentrated supply chains in some raw materials present price and availability risks. Additionally, geopolitical tensions complicate technology choices, supply chains, and decision-making. Uncertainty regarding future changes in climate policies and regulations cause unpredictability in the markets, as they may impact technology choices for customers. Price pressure resulting from the prevailing competitive environment remains a risk. In addition, there are risks related to the efficient and fast scaling up of the energy storage industry and resources to meet the increasing market demand.

The Group is a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business. These lawsuits mainly concern issues such as contractual and other liability, labour relations, property damage, and regulatory matters. From time to time, the Group receives claims of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is the Group's policy to provide for amounts related to the claims as well as for litigation and arbitration matters when an unfavourable outcome is probable and the amount of loss can be reasonably estimated.

The Risks and risk management section of the annual report contains a more detailed description of Wärtsilä's risks and risk management.

Shares and shareholders

In 2022, the number of shares traded on Nasdaq Helsinki was 450,340,633, equivalent to a turnover of EUR 3,836 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 191,990,738 shares.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting, held on 3 March 2022, approved the financial statements, reviewed the Remuneration Policy and Remuneration Report 2021 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2021.

The Annual General Meeting decided that the Board of Directors shall have eight members. The following were elected to the Board: Karen Bomba, Karin Falk, Johan Forssell, Tom Johnstone, Risto Murto, Mats Rahmström, Tiina Tuomela, and Morten H. Engelstoft.

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2022.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.24 per share in two instalments. The first instalment of EUR 0.12 per share was paid on 14 March 2022 and the second instalment of EUR 0.12 per share on 6 October 2022.

Authorisation to repurchase the company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 shares in the Company. Shares may be repurchased also otherwise than in proportion to the shareholders' holding in the Company. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the decision by the Annual General Meeting.

Wärtsilä shares on Nasdaq Helsinki

31.12.2022	Number of shares outstanding	Number of treasury shares	Number of shares and votes	Number of shares traded 1-12/2022
WRT1V	590,023,390	1,700,000	591,723,390	450,340,633

1.1.-31.12.2022	High	Low	Average*	Close
Share price	13.22	6.36	8.53	7.87

*Trade-weighted average price

Market capitalisation	31.12.2022	31.12.2021
MEUR	4,656	7,314

Foreign shareholders	31.12.2022	31.12.2021
%	51.4	52.7

Flagging notifications

Wärtsilä was informed of the following changes in ownership during 2022:

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2022	BlackRock, Inc.	Above 5%	4.81	5.01
23.2.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
8.4.2022	BlackRock, Inc.	Above 5%	4.86	5.00
11.4.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
28.4.2022	BlackRock, Inc.	Above 5%	4.88	5.04
2.5.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
4.5.2022	BlackRock, Inc.	Above 5%	4.83	5.01
21.6.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
17.10.2022	BlackRock, Inc.	Above 5%	4.86	5.03

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company's incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 4 March 2021 to issue shares.

Organisation of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors elected Tom Johnstone as its Chair and Risto Murto as the Deputy Chair. The Board decided to establish an Audit Committee and a People Committee. The Board appointed from among its members the following members to the committees:

Audit Committee: Chair Tiina Tuomela, Risto Murto, Karen Bomba

People Committee: Chair Tom Johnstone, Johan Forssell, Karin Falk

WÄRTSILÄ'S PROSPECTS FOR 2023

Wärtsilä expects the demand environment for the next 12 months in the Marine business (including Marine Power and Marine Systems) to be similar to that of last year. For the Energy business, Wärtsilä expects the demand environment to be better than last year.

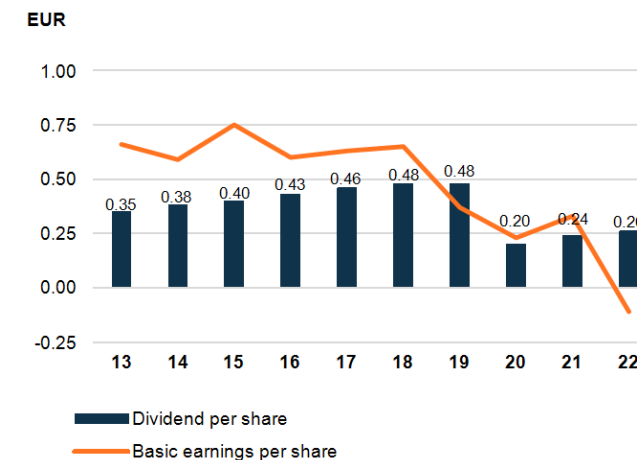
BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.26 per share be paid for the financial year 2022. The parent company's distributable funds total EUR 1,080,636,552.76, which includes EUR 196,530,548.11 in net profit for the year. There are 590,023,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.13 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on the dividend record date of 13 March 2023. The payment day proposed by the Board for this instalment is 20 March 2023.

The second instalment of EUR 0.13 per share shall be paid in September 2023. The dividend record day of the second instalment shall be 13 September 2023 and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on such day.

Dividend



The free share issue approved by Wärtsilä Corporation's Annual General Meeting on 8 March 2018 increased the total number of Wärtsilä shares to 591,723,390. Figures for the comparison periods 2011-2017 have been adjusted to reflect the increased number of shares.

The Board proposes the second instalment is paid on 20 September 2023.

FIVE YEARS IN FIGURES

Wärtsilä provides certain financial performance measures, which are accounting measures that are not defined by IFRS. These alternative performance measures, such as comparable operating result, comparable adjusted EBITA, cash flow from operating activities, and gearing, are followed and used by management to measure the Group's performance and financial position. In addition, Wärtsilä's targets of financial performance are linked to, for example, comparable operating result and gearing. Thus, these alternative performance measures provide useful information to the capital markets. The alternative performance measures should not be evaluated in isolation from the corresponding IFRS measures. The alternative performance measure calculation definitions are disclosed in Calculations of financial ratios.

MEUR	2022	2021	2020	2019	2018
Net sales	5,842	4,778	4,604	5,170	5,174
of which outside Finland	% 99.2	98.5	97.9	98.5	98.9
Exports from Finland	1,975	1,845	1,702	1,933	2,145
Personnel on average	17,482	17,461	18,307	19,110	18,899
of which in Finland	3,808	3,687	3,706	3,868	3,766
Order book	5,906	5,859	5,057	5,878	6,166
From the consolidated statement of income					
Depreciation, amortisation and impairment	263	162	174	180	130
Share of result of associates and joint ventures	6	3	3	-9	13
Comparable operating result	325	357	275	457	577
as a percentage of net sales	% 5.6	7.5	6.0	8.8	11.2
Operating result	-26	314	234	362	543
as a percentage of net sales	% -0.4	6.6	5.1	7.0	10.5
Comparable adjusted EBITA	349	388	308	498	621
as a percentage of net sales	% 6.0	8.1	6.7	9.6	12.0
Financial income and expenses	-6	-18	-43	-47	-40
Result before taxes	-32	296	191	315	502
as a percentage of net sales	% -0.5	6.2	4.2	6.1	9.7
Result for the financial period	-59	193	133	218	386
as a percentage of net sales	% -1.0	4.0	2.9	4.2	7.5
From the consolidated statement of financial position					
Non-current assets	2,556	2,539	2,427	2,518	2,369
Current assets	3,997	3,982	3,706	3,797	3,690
Assets held for sale	54	2	99	82	-

Total equity attributable to equity holders of the parent company	2,135	2,315	2,177	2,396	2,418
Non-controlling interests	12	8	11	14	14
Interest-bearing debt	949	973	1,327	1,096	823
Non-interest-bearing liabilities	3,489	3,227	2,648	2,824	2,804
Liabilities directly attributable to assets held for sale	22		68	68	-
Total equity and liabilities	6,606	6,523	6,232	6,398	6,059
From the consolidated statement of cash flows					
Cash flow from operating activities	-62	731	681	232	470
Cash flow from investing activities	-151	-128	-55	-95	-240
Cash flow from financing activities	-289	-580	-44	-256	-118
Gross capital expenditure	161	143	117	122	306
as a percentage of net sales	% 2.8	3.0	2.5	2.4	5.9
Research and development expenditure	241	196*	153	164	165
as a percentage of net sales	% 4.1	4.1*	3.3	3.2	3.2
Dividends paid	153**	142	118	284	284
Financial ratios					
Earnings per share (EPS), basic	EUR -0.11	0.33	0.23	0.37	0.65
Earnings per share (EPS), diluted	EUR -0.11	0.33	-	-	-
Dividend per share	EUR 0.26**	0.24	0.20	0.48	0.48
Dividend per earnings	% -234.9**	73.2	88.2	130.8	73.7
Interest coverage	7.3	15.0	7.1	7.7	10.8
Return on investment (ROI)	% 0.1	9.7	7.1	11.5	18.1
Return on equity (ROE)	% -2.6	8.6	5.8	9.0	16.1
Solvency ratio	% 35.3	38.6	38.1	40.8	44.4
Gearing	0.23	0.00	0.18	0.30	0.14
Equity per share	EUR 3.62	3.92	3.68	4.05	4.09
Working capital (WCAP)	EUR 179	-100	257	732	581

The financial ratios include assets and liabilities pertaining to assets held for sale.

* Figure in the comparison period 2021 has been restated to reflect a change in the definition of research and development expenditure.

** Proposal of the Board of Directors.

QUARTERLY FIGURES

MEUR	10-12 /2022	7-9 /2022	4-6 /2022	1-3 /2022	10-12 /2021	7-9 /2021	4-6 /2021	1-3 /2021	10-12 /2020
Order intake									
Marine Power	671	588	559	599	659	443	463	446	440
Marine Systems	190	126	140	198	308	191	183	153	133
Voyage	74	83	65	66	93	53	60	86	55
Energy	646	805	654	507	1,031	486	433	493	469
Portfolio Business	57	13	22	10	59	14	14	66	21
Total	1,638	1,616	1,440	1,380	2,150	1,186	1,154	1,244	1,118
Order book at the end of the financial period									
Marine Power	2,180	2,148	2,003	2,151	1,994	1,930	1,860	1,882	1,839
Marine Systems	924	953	1,013	1,089	1,042	944	912	887	857
Voyage	291	308	284	293	288	280	295	305	275
Energy	2,376	2,702	2,506	2,442	2,393	2,056	2,035	2,029	1,830
Portfolio Business	134	118	131	132	142	115	135	297	257
Total	5,906	6,229	5,936	6,107	5,859	5,325	5,238	5,399	5,057
Net sales									
Marine Power	562	462	503	455	589	382	466	426	489
Marine Systems	234	184	185	163	221	142	150	142	167
Voyage	85	61	58	60	84	68	68	59	68
Energy	856	696	633	535	670	487	416	288	465
Portfolio Business	33	30	28	18	32	25	31	33	30
Total	1,770	1,433	1,407	1,231	1,597	1,103	1,131	946	1,220
Share of result of associates and joint ventures	3	2			1	1	1	1	
Comparable adjusted EBITA	99	87	91	72	165	95	79	49	111
as a percentage of net sales	5.6	6.1	6.4	5.9	10.4	8.6	7.0	5.1	9.1
Depreciation, amortisation and impairment	-56	-51	-34	-122	-40	-41	-42	-39	-49
Purchase price allocation amortisation	-5	-6	-5	-7	-8	-8	-8	-8	-8

Comparable operating result	93	82	85	65	158	87	71	41	103
as a percentage of net sales	5.3	5.7	6.1	5.3	9.9	7.9	6.3	4.3	8.4
Items affecting comparability, total	-56	-72	-10	-212	-14	-12	-14	-4	-13
Operating result	37	10	75	-147	144	75	58	36	90
as a percentage of net sales	2.1	0.7	5.3	-11.9	9.0	6.8	5.1	3.8	7.4
Financial income and expenses	-2	-2	-2		-10	-1	-5	-1	-12
Result before taxes	35	7	72	-147	134	74	53	35	78
Income taxes	-7	-5	-20	5	-49	-25	-18	-11	-23
Result for the financial period	28	3	52	-142	85	50	35	24	55
Earnings per share (EPS), basic, EUR	0.05	0.00	0.09	-0.24	0.14	0.08	0.06	0.04	0.10
Earnings per share (EPS), diluted, EUR	0.05	0.00	0.09	-0.24	0.14	0.08	0.06	-	-
Gross capital expenditure	49	37	40	35	45	35	34	29	38
Investments in securities and acquisitions			4	1	1				1
Cash flow from operating activities	51	100	-90	-122	370	49	245	67	274
Working capital (WCAP) at the end of the financial period	179	108	168	-18	-100	107	73	243	257
Personnel at the end of the financial period									
Marine Power	8,500	8,534	8,426	8,261	8,224	8,157	8,131	8,317	8,355
Marine Systems	1,937	1,899	1,880	1,862	1,894	1,891	1,882	1,864	1,897
Voyage	1,406	1,428	1,569	1,722	1,725	1,799	1,865	1,925	1,915
Energy	5,320	5,309	5,247	5,073	4,980	4,975	4,953	4,905	4,888
Portfolio Business	417	415	425	433	482	481	555	732	737
Total	17,581	17,585	17,547	17,351	17,305	17,303	17,386	17,742	17,792

CALCULATIONS OF FINANCIAL RATIOS

Operating result

Net sales + other operating income – expenses – depreciation, amortisation and impairment +/- share of result of associates and joint ventures

Earnings per share (EPS), basic

Result for the financial period attributable to equity holders of the parent company

Number of shares outstanding, average over the financial period

Earnings per share (EPS), diluted

Result for the financial period attributable to equity holders of the parent company

Number of shares outstanding, average over the financial period + number of potential ordinary shares with dilutive effect

Items affecting comparability

Certain income and expenses are presented as items affecting comparability when they have significant impact on the consolidated statement of income. Items affecting comparability consist of income and expenses, which result from restructuring activities aiming to adjust the capacity of Wärtsilä's operations. They may also include other income and expenses incurred outside Wärtsilä's normal course of business, such as impairment charges, acquisition related costs, settlements recorded as a result of legal proceedings with third parties or unforeseen obligations from earlier discontinued businesses.

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

Investments in securities and acquisitions + investments in intangible assets and property, plant and equipment

Net interest-bearing debt

Total of non-current and current lease liabilities + total of non-current and current interest-bearing debt – interest-bearing receivables – cash and cash equivalents

Equity per share

Equity attributable to equity holders of the parent company

Number of shares outstanding at the end of the financial period

Solvency ratio

Equity

Total equity and liabilities – advances received x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Result before taxes + interest and other financial expenses

Total equity and liabilities – non-interest-bearing liabilities – provisions, average over financial period x 100

Return on equity (ROE)

Result for the financial period

Equity, average over the financial period x 100

Order intake

Total amount of orders received during the financial period to be delivered either during the current financial period or thereafter.

Order book

The presentation in value of orders that are placed by customers but not yet delivered. For service agreements, only the expected net sales for the next 24 months are included in the order book.

Working capital (WCAP)

(Inventories + trade receivables + current tax receivables + other non-interest-bearing receivables)

– (trade payables + advances received + pension obligations + provisions + current tax liabilities + other non-interest-bearing liabilities – dividend payable)

Interest coverage

Result before taxes + depreciation, amortisation and impairment + interest and other financial expenses

Interest and other financial expenses

Dividend per share

Dividends paid for the financial period

Number of shares outstanding at the end of the financial period

Dividend per earnings

Dividend per share

Earnings per share (EPS), basic x 100

Effective dividend yield

Dividend per share

Adjusted share price at the end of the financial period x 100

Price/earnings (P/E)

Adjusted share price at the end of the financial period

Earnings per share (EPS), basic

Price/carrying amount per share (P/BV)

Adjusted share price at the end of the financial period

Equity per share

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

MEUR	2022	2021	Note
Net sales	5,842	4,778	2.1., 2.2.
Other operating income	70	85	2.3.
Material and services	-3,671	-2,691	2.4.
Employee benefit expenses	-1,359	-1,230	2.5.
Result from net position hedges	-12	-2	
Depreciation, amortisation and impairment	-263	-162	3.5.
Other operating expenses	-638	-467	2.3.
Share of result of associates and joint ventures	6	3	6.5.
Operating result	-26	314	
as a percentage of net sales	-0.4	6.6	
Financial income	30	15	5.1.
Financial expenses	-37	-33	5.1.
Result before taxes	-32	296	
Income taxes	-27	-103	2.6.
Result for the financial period	-59	193	
Attributable to:			
equity holders of the parent company	-65	194	2.7.
non-controlling interests	6		
	-59	193	

Earnings per share attributable to equity holders of the parent company:			
Earnings per share (EPS), basic, EUR	-0.11	0.33	2.7.
Earnings per share (EPS), diluted, EUR	-0.11	0.33	2.7.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

MEUR	2022	2021	Note
Result for the financial period	-59	193	
Other comprehensive income:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	39	10	
Tax on items that will not be reclassified to the statement of income	-8	-2	
Total items that will not be reclassified to the statement of income	31	9	
Items that may be reclassified subsequently to the statement of income			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	-31	72	
for non-controlling interests	-1	-1	
transferred to the statement of income	-2		
Associates and joint ventures, share of other comprehensive income	-1	3	
Cash flow hedges			
measured at fair value	33	-13	5.5.
transferred to the statement of income	3	4	
Tax on items that may be reclassified to the statement of income			
Cash flow hedges			
measured at fair value	-7	2	
transferred to the statement of income	-1	-1	
Total items that may be reclassified to the statement of income	-7	65	
Other comprehensive income for the financial period, net of taxes	23	73	
Total comprehensive income for the financial period	-35	267	

Total comprehensive income attributable to:		
equity holders of the parent company	-35	268
non-controlling interests	-1	-1
	-35	267

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	31.12.2022	31.12.2021	Note
Assets			
Non-current assets			
Goodwill	1,288	1,374	3.1.
Intangible assets	392	401	3.2.
Property, plant and equipment	304	312	3.3.
Right-of-use assets	258	192	3.4.
Investments in associates and joint ventures	29	27	6.5.
Other investments	19	18	5.2.
Interest-bearing investments	4	5	5.2.
Deferred tax assets	195	167	4.6.
Trade receivables	11	26	4.2., 5.2.
Other receivables	57	17	4.3.
Total non-current assets	2,556	2,539	
Current assets			
Inventories	1,361	1,185	4.1.
Trade receivables	1,102	870	4.2., 5.2.
Current tax receivables	33	33	
Contract assets	729	684	4.2.
Other receivables	309	246	4.3.
Cash and cash equivalents	461	964	5.3., 5.4.
Total current assets	3,997	3,982	
Assets held for sale	54	2	6.4.
Total assets	6,606	6,523	
Equity and liabilities			
Equity			
Share capital	336	336	5.5.
Share premium	61	61	5.5.

Translation differences	-156	-122	5.5.
Fair value reserve	9	-18	5.5.
Remeasurements of defined benefit liabilities	-5	-36	4.7.
Retained earnings	1,889	2,094	
Total equity attributable to equity holders of the parent company	2,135	2,315	
Non-controlling interests	12	8	
Total equity	2,146	2,323	
Liabilities			
Non-current liabilities			
Lease liabilities	223	157	3.4., 5.4.
Other interest-bearing debt	517	694	5.2., 5.4., 5.6.
Deferred tax liabilities	65	65	4.6.
Pension obligations	89	126	4.7.
Provisions	85	73	4.5.
Contract liabilities	60	37	4.2.
Other liabilities	5	1	3.4., 4.4.
Total non-current liabilities	1,044	1,153	
Current liabilities			
Lease liabilities	43	39	3.4., 5.4.
Other interest-bearing debt	166	82	5.2., 5.4., 5.6.
Provisions	311	241	4.5.
Trade payables	1,041	714	4.4., 5.2., 5.6.
Current tax liabilities	51	63	
Contract liabilities	1,145	1,231	4.2.
Other liabilities	636	676	3.4., 4.4.
Total current liabilities	3,394	3,047	
Total liabilities	4,438	4,199	
Liabilities directly attributable to assets held for sale	22		6.4.
Total equity and liabilities	6,606	6,523	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	2022	2021	Note
Cash flow from operating activities:			
Result for the financial period	-59	193	
Adjustments for:			
Depreciation, amortisation and impairment	263	162	3.5.
Financial income and expenses	6	18	5.1.
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	23		
Share of result of associates and joint ventures	-6	-3	6.5.
Income taxes	27	103	2.6.
Other non-cash flow adjustments	26	6	
Cash flow before changes in working capital	281	478	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	-422	-177	
Inventories, increase (-) / decrease (+)	-207	29	4.1.
Liabilities, non-interest-bearing, increase (+) / decrease (-)	370	512	
Changes in working capital	-259	363	
Cash flow from operating activities before financial items and taxes	22	841	
Financial items and taxes:			
Interest income	4	5	
Interest expenses	-14	-16	
Other financial income and expenses	9	1	
Income taxes paid	-83	-100	
Financial items and paid taxes	-84	-111	

Cash flow from operating activities	-62	731
Cash flow from investing activities:		
Acquisitions	-4	6.2.
Other investments	-1	-1 5.2.
Investments in property, plant and equipment and intangible assets	-156	-142 3.2., 3.3.
Proceeds from sale of property, plant and equipment and intangible assets	18	5 3.2., 3.3.
Proceeds from sale of shares in subsidiaries	-10	10 6.3.
Cash flow from investing activities	-151	-128
Cash flow after investing activities	-213	603
Cash flow from financing activities:		
Repurchase of own shares		-18
Repayments and other changes in non-current debt	-145	-433 5.6.
Loan receivables, increase (-) / decrease (+)	1	-4
Current loans, increase (+) / decrease (-)		-4
Dividends paid	-145	-121
Cash flow from financing activities	-289	-580
Change in cash and cash equivalents, increase (+) / decrease (-)	-501	22
Cash and cash equivalents at the beginning of the financial period*	964	932
Exchange rate changes	1	10
Cash and cash equivalents at the end of the financial period*	464	964

* Cash and cash equivalents include the cash and cash equivalents pertaining to assets held for sale.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2022	336	61	-122	-18	-36	2,094	2,315	8	2,323
Result for the financial period						-65	-65	6	-59
Other comprehensive income									
Translation differences			-31				-31	-1	-32
Translation differences transferred to the statement of income			-2				-2		-2
Cash flow hedges									
net change in fair value, net of taxes				25			25		25
transferred to the statement of income, net of taxes				2			2		2
Defined benefit plans					31		31		31
Other comprehensive income, total			-33	27	31		24	-1	23
Total comprehensive income for the financial period			-33	27	31	-65	-41	5	-35
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-142	-142	-2	-144
Share-based payments						2	2		2
Equity on 31 December 2022	336	61	-156	9	-5	1,889	2,135	12	2,146

	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2021	336	61	-197	-9	-45	2,030	2,177	11	2,188
Result for the financial period						194	194		193
Other comprehensive income									
Translation differences			74				74	-1	74
Cash flow hedges									
net change in fair value, net of taxes				-11			-11		-11

transferred to the statement of income, net of taxes				2			2		2
Defined benefit plans					9		9		9
Other comprehensive income, total	74		-9		9		74	-1	73
Total comprehensive income for the financial period	74		-9		9	194	268	-1	267
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-118	-118	-2	-120
Repurchase of own shares						-18	-18		-18
Share-based payments						7	7		7
Equity on 31 December 2021	336	61	-122	-18	-36	2,094	2,315	8	2,323

Additional information on share capital, share premium, translation difference and fair value reserve is presented in Note 5.5. Equity.

The notes are an integral part of these consolidated financial statements.



Notes to the consolidated financial statements

1. Accounting principles and other disclosure requirements

Content in this section:

- 1.1. ENTITY INFORMATION**
 - 1.2. BASIS OF PREPARATION**
 - 1.3. NEW AND AMENDED IFRS STANDARDS**
 - 1.4. MANAGEMENT JUDGEMENT AND USE OF ESTIMATES**
 - 1.5. IMPACTS OF RUSSIA-UKRAINE WAR**
-

Majority of the accounting principles applied to the consolidated financial statements, as well as the most significant judgements, estimates, and assumptions made by the management, are presented in the relevant notes to provide readers a better understanding of the financial statements.

1.1. ENTITY INFORMATION

Wärtsilä Corporation is a Finnish listed company organised under the laws of Finland and domiciled in Helsinki. The address of its registered office is Hiililaiturinkuja 2, 00180 Helsinki. Wärtsilä Corporation is the ultimate parent company in the Wärtsilä Group.

Wärtsilä is a global leader in smart technologies and complete lifecycle solutions for the marine and energy markets. By emphasising sustainable innovation, total efficiency and data analytics, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2022, Wärtsilä's net sales totalled EUR 5.8 billion with 17,581 employees. The company has operations in 242 locations in 79 countries around the world. Wärtsilä is listed on Nasdaq Helsinki.

These consolidated financial statements were authorised for release by the Board of Directors of Wärtsilä Corporation on 30 January 2023, after which, in accordance with the Finnish Corporate Act, the shareholders have a right to approve or reject the financial statements in the Annual General Meeting. The Annual General Meeting also has the possibility to decide upon changes to the financial statements.

1.2. BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards and their SIC and IFRIC interpretations, which were in force on 31 December 2022. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

All intragroup transactions, dividend distributions, receivables and liabilities, as well as unrealised margins, are eliminated in the consolidated financial statements. In the consolidated statements of income and comprehensive income, non-controlling interests have been separated from the profit and the total comprehensive income for the financial period. In the consolidated statement of financial position, non-controlling interests are shown as a separate item under equity.

Reporting is based on the historical cost convention. Exceptions are the financial assets and liabilities at fair value through the statement of income, the assets and liabilities arising from pension plans, hedged items under fair value hedging, the cash- and share-settled share-based payment transactions which are measured at fair value, and assets held for sale which are measured at the lower of the carrying amount and the fair value less costs to sell. The figures are in millions of euros except Note 7.2. Related party disclosures, which is presented in thousands of euros.

1.3. NEW AND AMENDED IFRS STANDARDS

In 2022, the Group has adopted the following amended standards issued by the IASB.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial periods beginning on or after 1 January 2022) specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are intended to provide clarity and help to ensure consistent application of the standard. The amendments apply a directly related cost approach. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Judgement will be required in determining which costs are directly related to contract activities. The amendments do not have a significant impact on the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment (effective for financial periods beginning on or after 1 January 2022) prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The proceeds from selling such items

and the costs of producing those items are recognised in the statement of income. The amendments do not have impact on the consolidated financial statements.

Reference to the Conceptual Framework amends IFRS 3 Business combinations (effective for financial periods beginning on or after 1 January 2022). The amendments update the reference to the 2018 Conceptual Framework, as well as add an exception to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. In addition, the amendments add clarification on the prohibition to recognise contingent assets at the acquisition date. The amendments will have no impact on the consolidated financial statements.

Other new or amended standards and interpretations already effective do not have a significant impact on the consolidated financial statements or other disclosures.

In 2023 or later, the Group will adopt the following new or amended standards issued by the IASB.

Disclosure of Accounting policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (effective for financial periods beginning on or after 1 January 2023). The amendments to IAS 1 require companies to disclose material accounting policy information instead of significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the materiality concept to accounting policy disclosures. The amendments are not expected to have a significant impact on the consolidated financial statements.

Definition of Accounting Estimates amends IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial periods beginning on or after 1 January 2023). The amendments define both the concept of accounting estimates and changes in those. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. In addition, the amendments provide clarification on how changes in accounting estimates differ from changes in accounting policies and corrections of errors. The amendments will have no impact on the consolidated financial statements.

Amendments to IAS 12 Income taxes (effective for financial periods beginning on or after 1 January 2023) require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations. The Group estimates the amendments to increase deferred tax assets and liabilities by approximately EUR 60 million, while impact on equity and result for the period would not be significant.

IFRS 17 Insurance Contracts (effective for financial periods beginning on or after 1 January 2023) applies to all types of insurance contracts (direct insurance and re-insurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective is to provide a consistent accounting model for insurance contracts. The standard is not expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements* (effective for financial periods beginning on or after 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments will have no impact on the consolidated financial statements.

Amendments to IFRS 16 Leases* (effective for financial periods beginning on or after 1 January 2024) specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction. The amendments will have no impact on the consolidated financial statements.

Other new or amended standards and interpretations not yet effective are not expected to have a significant impact on the consolidated financial statements or other disclosures.

* Not yet endorsed for use by the European Union as of 31 December 2022.

1.4. MANAGEMENT JUDGEMENT AND USE OF ESTIMATES

Preparation of the financial statements in accordance with the IFRS requires management to make judgements, estimates, and assumptions that affect the valuation of the reported assets and liabilities, as well as other information, such as contingent assets and liabilities and the recognition of income and expenses in the statement of income. Although these continuously evaluated judgements, estimates, and assumptions are based on management's past experience and best knowledge of current events and actions, as well as expectations of future events, actual results may differ from the estimates.

For Wärtsilä, the most significant judgements, estimates, and assumptions made by the management relate to the items listed below, more information can be found in the corresponding note:

- revenue recognition, especially project estimates for long-term projects and agreements (Note 2.2. Revenue recognition),
- uncertain tax positions (Note 2.6. Income taxes),
- impairment testing (Note 3.1. Goodwill),
- estimating useful lives and assessing indication of impairment (Notes 3.2. Other intangible assets and 3.3. Property, plant and equipment),
- determining the length of lease terms (Note 3.4. Leases),
- valuation of inventories (Note 4.1. Inventories),
- valuation of trade receivables (Note 4.2. Trade receivables and contract assets and liabilities),
- recognition of warranty provisions and provisions for legal cases (Note 4.5. Provisions),
- expected results on tax audits and deferred tax assets from tax losses (Note 4.6. Deferred taxes), and
- defined pension benefit obligations (Note 4.7. Pension obligations),

In addition, accounting for business combinations may require significant management judgement (Note 6.2. Acquisitions).

The COVID-19 pandemic has caused Wärtsilä to review the estimates and assumptions used in the preparation of the consolidated financial statements. The possible impact of the situation caused by the coronavirus pandemic on the relevant factors in each estimate have been considered. The impact of the COVID-19 pandemic on estimates in the financial reporting rely on management's best judgement.

1.5. IMPACTS OF RUSSIA-UKRAINE WAR

After Russia's attack on Ukraine, Wärtsilä suspended all deliveries, sales, orders, and bidding to Russia. Wärtsilä complies with all trade sanctions applicable to its operations. In the current environment, it is not viable for Wärtsilä to maintain activities in Russia, and therefore all operations in Russia are adjusted and closed in accordance with the local regulations.

Wärtsilä completed its orderly exit from the Russian market in July. As part of the exit, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. in June, and Vostok LLC in July. In addition, the Wärtsilä Digital Technologies office in Saint Petersburg was closed. More information can be found in Note 6.3. Disposals.

Other notes providing more information on the impacts of the war:

- 2.1. Segment information (including result impact)
- 2.4. Material and services
- 2.6. Income taxes
- 3.1. Goodwill
- 3.2. Other intangible assets
- 4.1. Inventories
- 4.5. Provisions



2. Group financial performance

Content in this section:

- 2.1. SEGMENT INFORMATION
- 2.2. REVENUE RECOGNITION
- 2.3. OTHER OPERATING INCOME AND EXPENSES
- 2.4. MATERIAL AND SERVICES
- 2.5. EMPLOYEE BENEFIT EXPENSES
- 2.6. INCOME TAXES
- 2.7. EARNINGS PER SHARE

2.1. SEGMENT INFORMATION

Wärtsilä's reportable segments are Wärtsilä Marine Power, Wärtsilä Marine Systems, Wärtsilä Voyage, and Wärtsilä Energy. Furthermore, Wärtsilä reports Wärtsilä Portfolio Business as other business activities. The segments and other business activities cover both equipment sales and services for the respective business.

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO, with the support of the Board of Management, and in some cases the Board of Directors.

Marine Power, Marine Systems, Voyage, Energy, and Portfolio Business are each led by their President. Discrete financial information on each business is provided to the CODM to support decision-making. The segment information presented by Wärtsilä reflects internal management reporting. Segment information is reported to the level of operating result, as items below operating result are not allocated to the businesses.

Internal sales between segments and other business activities are not reported in management reporting, but revenue and costs of sales are booked directly to the respective customer projects and orders. The main factors affecting the allocation of indirect and administration costs to the segments and other business activities are net sales and the number of personnel. Management considers these allocation principles to be the most suitable means for reflecting the costs carried by each segment and other business activities. The allocation principles are reviewed regularly.

Wärtsilä's marine customer base covers all the main vessel segments, including traditional merchant vessels, gas carriers, cruise & ferry, navy, and special vessels. In the oil & gas industry, Wärtsilä is active in serving

offshore installations and related industry vessels, as well as land-based gas installations. Wärtsilä's customers comprise ship owners, shipyards, and ship management companies.

Wärtsilä Marine Power

Marine Power focuses on Wärtsilä's comprehensive range of engine and propulsion solutions. Its offering, which includes engines, generating sets, gearboxes, propulsion equipment, as well as LNG fuel handling, power management, and NOx reduction technologies, positions Marine Power as a leading partner for its customers in the decarbonisation of the maritime industry, particularly through fuel flexibility and hybrid solutions.

Marine Power has six business units: Power Supply, Propulsion, Parts, Performance, Projects, and Field Services & Workshops. The Marine Power setup has been specifically designed to support its customers throughout the entire lifecycle of their vessels: from designing, developing, and delivering high quality products and solutions that ensure superior performance and that are capable of meeting evolving environmental requirements, to assisting customers with a wide service network supplying spare parts, competent field service personnel, and product and solution upgrades, as well as reducing operational risk.

Wärtsilä Marine Systems

Marine Systems consists of four end-to-end business units: Exhaust Treatment, Gas Solutions, Marine Electrical Systems, and Shaft Line Solutions.

Exhaust Treatment focuses on developing the exhaust gas cleaning business. Wärtsilä's exhaust gas cleaning technology is an economical and environmentally friendly solution for addressing all existing and anticipated rules and regulations. Wärtsilä scrubber systems are designed to provide flexibility and reliable operations wherever customers operate.

Gas Solutions is the leading technology and service provider for the gas value chain, with a broad range of products covering cargo handling systems for gas carriers, liquefaction and gasification systems for various applications, fuel systems for alternative engine configurations and fuels, and renewable gas systems with solutions for biogas upgrading and liquefaction.

Marine Electrical Systems offers comprehensive electrical turnkey solutions to selected niche segments, such as navy and super yachts, assuming responsibility for the entire project from basic design to commissioning.

Shaft Line Solutions (formerly Seals & Bearings) comprises all capabilities required to provide complete integrated shaft line solutions from its global factories and service locations to customers in its core market segments, namely navy, merchant, and cruise.

Wärtsilä Voyage

Voyage helps transform the way vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. By combining bridge systems, cloud data management, data services, decision support tools, and access to real-time information, Voyage collaborates in creating the digital ecosystem of the future. Voyage has one of the largest installed bases and offerings of navigation, automation, simulation, and training solutions, and ship traffic control solutions.

Serving the key market segments across cruise, ferry, merchant, navy, and non-vessel related segments, such as port authorities and maritime institutes, Voyage is active in both the newbuild and existing vessel markets. Voyage executes a growth strategy based on innovative product development, system integration, connectivity, remote operations, and cyber security, in line with the development of a Smart Marine Ecosystem.

In October 2022, Wärtsilä announced that, effective as of 1 January 2023, Wärtsilä Voyage Business will be integrated into Wärtsilä Marine Power Business as a business unit to strengthen end-to-end offering and to accelerate net sales.

Wärtsilä Energy

Wärtsilä Energy leads the transition towards a 100% renewable energy future. Wärtsilä develops market-leading technologies, including flexible power plants, energy management and storage systems, as well as lifecycle services that enable increased efficiency and guaranteed performance.

Wärtsilä's three main customer segments in the energy markets are utilities, independent power producers, and industrial customers. The company's solutions are used for a wide variety of applications, including baseload generation, capacity for grid stability, peaking and load-following generation, and to support the greater integration of wind and solar power. Wärtsilä provides its customers with a comprehensive understanding of energy systems, including fully integrated assets and software, complete with value adding lifecycle services.

Wärtsilä Portfolio Business

Wärtsilä reports Portfolio Business as other business activities.

Wärtsilä Portfolio Business consists of Water & Waste and hydropower solution and turbine service business American Hydro. The two business units are run independently to accelerate performance improvement and unlock value through divestments or other strategic alternatives.

Portfolio Business also included Tank Control Systems until the divestment. On 14 January, Wärtsilä divested Tank Control Systems business unit to Svanebjerg, a Danish gas pump specialist.

2022

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Net sales	1,982	765	264	2,721	109	5,842
Depreciation and amortisation	-72	-18	-19	-33	-4	-144
Impairment	-22		-80		-16	-119
Share of result of associates and joint ventures	6					6
Operating result	39	48	-164	82	-30	-26
as a percentage of net sales (%)	2.0	6.2	-62.0	3.0	-27.9	-0.4
Items affecting comparability	-178	-8	-126	-9	-30	-351
Comparable operating result	217	56	-38	91		325
as a percentage of net sales (%)	10.9	7.3	-14.3	3.3	-0.3	5.6

2021

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Net sales	1,863	654	279	1,861	121	4,778
Depreciation, amortisation and impairment	-73	-20	-23	-31	-14	-162
Share of result of associates and joint ventures	3					3
Operating result	180	47	-39	134	-9	314
as a percentage of net sales (%)	9.7	7.2	-14.1	7.2	-7.5	6.6
Items affecting comparability	-15	-4	-12	-2	-11	-43
Comparable operating result	195	52	-28	136	2	357
as a percentage of net sales (%)	10.5	7.9	-9.9	7.3	1.6	7.5

Alternative performance measures

Wärtsilä provides certain financial performance measures, which are not defined by IFRS. These alternative performance measures are followed and used by management to measure the Group's performance and financial position, and also to provide useful information to the capital markets.

The alternative performance measures should not be evaluated in isolation from the corresponding IFRS measures. The alternative performance measure calculation definitions are disclosed in Calculations of financial ratios.

Wärtsilä discloses certain comparable performance measures to enhance comparability between periods. Certain income and expenses are presented as items affecting comparability when they have significant impact on the consolidated statement of income. Items affecting comparability consist of income and expenses, which result from restructuring activities aiming to adjust the capacity of Wärtsilä's operations. They may also include other income and expenses incurred outside Wärtsilä's normal course of business, such as impairment charges, acquisition related costs, settlements recorded as a result of legal proceedings with third parties, or unforeseen obligations from earlier discontinued businesses.

The reconciliation of the comparable operating result to the operating result is presented in the table below.

Measures of profit and items affecting comparability

MEUR	2022	2021
Comparable adjusted EBITA	349	388
Purchase price allocation amortisation	-23	-31
Comparable operating result	325	357
Items affecting comparability:		
Social plan costs	-51	-14
Impairment and write-downs	-162	-10
Gains and losses from disposals	-24	-1
Other costs	-115	-18
Items affecting comparability, total	-351	-43
Operating result	-26	314

The following items are reported as items affecting comparability.

Provisions and write-downs related to Russia-Ukraine war

After Russia's attack on Ukraine, Wärtsilä suspended all deliveries, sales, orders, and bidding to Russia. Wärtsilä complies with all trade sanctions applicable to its operations. In the current environment, it is not viable for Wärtsilä to maintain activities in Russia, and therefore all operations in Russia have been adjusted and closed in accordance with the local regulations.

Wärtsilä completed its orderly exit from the Russian market in July. As part of the exit, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. in June, and Vostok LLC in July. In addition, the

Wärtsilä Digital Technologies office in Saint Petersburg was closed. The disposals' financial impact was included in the write-downs recognised already during the first quarter.

In the first quarter of 2022, Wärtsilä recognised provisions and write-downs of EUR 200 million related to closure of operations in Russia. The financial statements include approximately an impairment of EUR 47 million related to Voyage goodwill, an impairment of EUR 25 million related to other intangible assets, an impairment of EUR 7 million related to capitalised development projects, a loss of EUR 28 million related to divesting the Russian entities, a write-down of inventories of EUR 40 million, provisions of EUR 23 million, and other costs of EUR 29 million.

Ramp-down of manufacturing in Trieste

In July, Wärtsilä announced the plan to discontinue the manufacturing in Trieste, Italy. The financial statements include a provision of EUR 47 million for employee benefit expenses, an impairment of EUR 14 million related to non-current assets, and other costs of EUR 28 million, consisting mainly of provisions for onerous contracts and realised cost of idle capacity.

Divestment of American Hydro

In December, Wärtsilä announced the divestment of American Hydro. Completion of the transaction is expected in the first half of 2023. American Hydro has been classified as asset held for sale. An impairment of EUR 15 million and a provision, as well as other costs, of EUR 13 million have been reported as items affecting comparability.

Other items affecting comparability

In addition, Wärtsilä has recognised an impairment of EUR 13 million, net gain from disposals of EUR 4 million, employee benefit expenses of EUR 4 million, and other costs related to restructuring activities of EUR 20 million.

Entity wide information

In addition to segment information, Wärtsilä reports the service net sales for all segments and for other business activities.

Wärtsilä continues to report information on the geographical areas Finland, other European countries, Asia, the Americas, and other. In the geographical information provided, net sales are split by customer destination and non-current assets by origin. Non-current assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, and investments in associates and joint ventures.

Geographical information

During the financial period 1 January - 31 December 2022 and 1 January - 31 December 2021 Wärtsilä did not have any individual significant customers. Of the total net sales, sales to the USA represented 19% (16) and sales to China 8% (9).

MEUR	2022	2021
Net sales		
Finland	47	73
Other European countries	1,671	1,518
Asia	1,482	1,464
The Americas	2,062	1,286
Other	580	437
Total	5,842	4,778
Non-current assets		
Finland	555	409
Other European countries	1,364	1,533
Asia	108	112
The Americas	237	246
Other	6	7
Total	2,270	2,307

Service net sales

MEUR	2022	2021
Net sales		
Marine Power, service*	1,403	1,201
Marine Systems, service*	231	204
Voyage, service	109	105
Energy, service	958	891
Portfolio Business, service	75	67
Total	2,775	2,467

* Comparison figures have been adjusted to reflect a change in categorisation between equipment and service net sales.

2.2. REVENUE RECOGNITION

Accounting principles

According to revenue recognition principles, revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group recognises revenue when it satisfies an identified performance obligation by transferring promised goods or services to the customer. Goods and services are generally considered to be transferred when the customer obtains control of them. Such control is transferred either at a point in time or over time. Revenue recognised by the reporting date corresponds to the benefit of the service provided by Wärtsilä to the customer. Revenue is presented net of indirect sales taxes, liquidated damages, and discounts.

Revenue recognised over time is measured in accordance with the input method (progress measured based on costs incurred) when the outcome of the contract can be estimated reliably. When the outcome cannot be reliably determined, the costs arising are expensed in the same reporting period in which they occur, but the revenue is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately. If revenue for goods and services is recognised at a point in time, it is when control is transferred to the customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms.

The transaction price is mainly fixed but often may include variable considerations, such as liquidated damages, performance bonuses and discounts. Variable consideration is included in the revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal. Transaction prices including variable components are reassessed at each reporting date.

Wärtsilä often requires advance payments from its customers or invoice customers based on milestones. Payment terms are typical to the business and advances received or contract assets do not contain financing component as payment schedules follows the timing of the performance obligation to be satisfied.

Wärtsilä focuses on the marine and energy markets with products, solutions, and services. Revenue from contracts with customers is derived from four revenue types: products, goods and services, projects, and long-term agreements. All these revenue types are represented within all reportable segments and other business activities: Marine Power, Marine Systems, Voyage, Energy and Portfolio Business.

Product sales consist of sales of spare parts and standard equipment, for which the revenue is recognised at a point in time when the control of the product has transferred to the customer, in general upon delivery of the goods. Product sale contracts typically include one performance obligation.

Goods and services -type of revenue involves short-term field service jobs, including the delivery of a combination of service and equipment. The revenue is recognised at a point in time when the service is rendered. Goods and service -type contracts, generally include one performance obligation.

Projects are of both short- and long-term in duration. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. Revenue from tailor-made equipment delivery projects is recognised at a point in time when the control of the equipment is transferred, in general upon delivery. These contracts generally represent one performance obligation, but under certain circumstances they can contain multiple performance obligations when a contract contains multiple units of delivery. Tailor-made equipment sales are mainly in Marine Power for example engine and propulsion sales and scrubber system sales in Marine Systems.

In long- term projects such as large-scale systems i.e., power plants and energy storages in Energy, and gas solutions construction contracts in Marine Systems or equipment deliveries which require engineering, the revenue is recognised over time as the asset produced does not have alternative use and the Group has an enforceable right to payment. These contracts usually contain one performance obligation. The progress is measured by using the cost-to-cost method, where sales and profits are recognised after considering the ratio of accumulated costs to estimated total costs to complete each contract. Revenue from service-related projects, such as modernisation and upgrade projects are recognised over time because the customer typically controls the asset that is enhanced. Service-related projects usually contain one performance obligation.

Long-term agreements include long-term operating and maintenance agreements for which the revenue is recognised over time because the customer simultaneously receives and consumes the service provided. Measuring progress is based on cost-to-cost method, costs of actual services provided as a proportion of the costs of total services to be rendered. These contracts typically contain one performance obligation per installation. Long-term agreements mainly generate revenue in Energy and in Marine Power.

Contracts with customers often include warranties in line with Wärtsilä's General terms and conditions, which are regarded as part of the promise to the customer. Typically, the standard warranty period is one year from the delivery onwards. Extended warranties or warranties purchased as an option are identified as separate performance obligations with revenue being recognised evenly over the warranty period.

The Group also applies the practical expedient stated in IFRS 15.94 according to which an entity can recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less. Wärtsilä has not incurred any costs for obtaining a contract to be recognised as an asset.

Information on contract assets and liabilities is available in Note 4.2. Trade receivables and contract assets and liabilities.

Accounting estimates and judgements

Revenue from certain projects and long-term agreements is recognised over time according to the input method when the profit on the project or agreement can be reliably determined. The progress and the profitability are based on the management's estimates, which require significant judgement concerning the stage of completion, the cost to complete, and the time of completion. These estimates are reviewed regularly. Recognised revenue and costs recorded are adjusted during the project when assumptions concerning the outcome of the entire project are updated. Changes in assumptions relate to changes in the project's or agreement's schedule, the scope of supply, technology, costs, and any other relevant factors.

Establishing whether distinct goods or services are considered as separate performance obligations requires judgement and might impact the timing and amount of revenue recognition.

Project business contracts usually involve elements of variable consideration. At each reporting date, management reassesses the transaction price, which requires significant judgement as it affects the timing of the revenue recognition. The valuation of accounts receivables also includes estimates mainly concerning the recoverability of receivables.

Determining whether different contracts with the same customer are accounted for as one contract involves the use of judgement, as it requires an assessment of whether the contracts are negotiated together or linked in any other way. The timing and amount of revenue recognition can vary depending on whether two contracts are accounted for separately, or as one single arrangement.

Warranty provisions are recorded on the recognition of revenue. The provision is based on the accumulated experience of the level of warranty needed to manage future and current cost claims. Products can contain new and complex technology that can affect warranty estimates, with the result that earlier recognised provisions are not always sufficient.

Net sales by revenue type and timing of satisfying performance obligations

2022

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
At a point in time						
Products	725	162	32	409	24	1,353
Goods and services	362	79	48	107	4	599
Projects	618	126	117	344	30	1,235
Total	1,705	367	197	860	58	3,187

Over time						
Projects	55	394	60	1,493	51	2,054
Long-term agreements	222	4	7	368	1	602
Total	278	398	67	1,860	52	2,655
Total	1,982	765	264	2,721	109	5,842

2021

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
At a point in time						
Products	632	137	22	351	23	1,165
Goods and services	321	65	50	92	8	535
Projects	681	183	130	298	39	1,332
Total	1,634	385	201	741	70	3,032
Over time						
Projects	71	266	73	792	50	1,252
Long-term agreements	157	3	5	328		494
Total	229	269	78	1,120	50	1,746
Total	1,863	654	279	1,861	121	4,778

2.3. OTHER OPERATING INCOME AND EXPENSES

Accounting principles

Other operating income and expenses do not directly relate to the operating activities.

Other operating income includes, for example, gains from the sale of assets and regular incomes, such as rental income, and gains relating to business combinations, which have not been derived from primary activities. Other operating income includes also grants. Governmental and other grants are recognised in the statement of income on a systematic basis in the same periods in which the expenses are incurred.

Other operating expenses include, for example, travel costs, legal and consultancy costs, rental costs, voluntary personnel related costs, and administrative costs. Also, expenses related to short-term lease contracts and lease contracts of low-value assets are recognised in other operating expenses. In addition, losses related to the sale of assets, as well as losses arising from modifications and terminations of lease agreements, are recognised in other operating expenses.

Other operating income

MEUR	2022	2021
Capital gains	8	3
Government grants	16	15
Sale of scrapped material	3	2
Sale of by-products	6	4
Rental income	1	
Income related to cancelled orders*		23
Insurance indemnities	5	7
Gains on derivatives not included in hedge accounting and ineffective hedging**	13	11
Other***	19	19
Total	70	85

* Expenses related to cancelled orders are recognised on respective expense accounts.

** The portion of ineffective hedging is EUR 2 million (2).

*** Other does not include any significant single items.

Other operating expenses

MEUR	2022	2021
Travel costs	129	84
Rental costs	44	41
Legal and consultancy costs	117	81
Information technology costs	81	66
Other personnel related costs	60	49
Administrative costs	41	38
Losses on derivatives not included in hedge accounting and ineffective hedging*	21	11
Other**	146	97
Total	638	467

* The portion of ineffective hedging is EUR 2 million (4).

** Other includes loss on sales of fixed assets of EUR 31 million (3).

2.4. MATERIAL AND SERVICES

Accounting principles

Material and services expenses relate to purchases of goods and consumables from suppliers for manufacturing less discounts and tax refunds related to purchases. Exchange gains or losses on accounts payable are included.

MEUR	2022	2021
Purchases during the financial period	-2,459	-1,679
Change in inventories	198	-5
Change in inventories of finished goods & work in progress	-68	4
Work performed by the Group and capitalised	24	18
External services	-1,366	-1,030
Total	-3,671	-2,691

The change in inventories includes inventory write-downs resulting from the impacts of Russia-Ukraine war amounting to EUR 40 million.

2.5. EMPLOYEE BENEFIT EXPENSES

Accounting principles

Employee benefits are all forms of consideration given in exchange for services rendered by employees or for the termination of employment. In addition, the Group has personnel expenses related to share-based payments and other personnel expenses.

The measurement of the share-based long-term incentive schemes is dependent on the terms of the respective scheme. Incentive rights, which are settled with company's shares, are measured at fair value at grant date. Incentive rights, which are settled with cash, are measured at fair value at each reporting date with the change recognised in the statement of income.

Market based vesting conditions, such as share price development, are considered when determining the fair value of the incentive right. Non-market vesting conditions, such as Economic Value Added, or service time required are considered when estimating the number of shares to vest. Estimates of the number of shares to vest are revised at the end of each reporting period and the change is recognised through the statement of income.

Cost of the share-based long-term incentive schemes is recognised as employee benefit expense in the statement of income over the service period required in the scheme. For incentive rights settled with company's shares the expense is recognised against equity, and for incentive rights settled with cash the expense is recognised against liabilities.

When company is obliged to withhold and settle with cash employee's tax obligation associated with the shares vested to tax authority, the portion is accounted in the same manner as the portion, which is settled with shares.

The Group companies have various pension and other post-employment benefit plans in accordance with local conditions and practices worldwide. These plans are classified either as defined contribution plans or defined benefit plans.

In defined contribution plans, the Group pays fixed contributions into a separate entity, such as an insurance company. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The contributions are recognised in employee benefit expenses in the statement of income in the period to which they relate.

Accounting principles for defined benefit plans are presented in Note 4.7. Pension obligations.

MEUR	2022	2021
Wages and salaries	1,104	1,009
Pension costs		
Defined benefit plans	4	9
Defined contribution plans	78	77
Other compulsory personnel costs	173	136
Total	1,359	1,230

Management remuneration is specified in Note 7.2. Related party disclosures.

Long-term incentive schemes

Wages and salaries include EUR 1 million (8) in expenses arising from share-based long-term incentive schemes. At the end of 2022, Wärtsilä had three active long-term incentive schemes.

The long-term incentive scheme for period 2020-2022 is tied to the price development of the company's share during a three-year period, and an upper limit is set for the payable incentive. When an incentive scheme ends and the employment requirement is fulfilled, the incentive is settled with company shares. The Board of Management members shall acquire Wärtsilä shares with 50% of the net incentive received, until the share ownership corresponding to the individuals' annual gross base salary level has been achieved. The 2020-2022 incentive scheme comprises 6,158,500 rights. The share price basis is EUR 11.10 and the incentive scheme takes into account 100% of dividends paid, and the paid bonus cannot exceed EUR 4.31 per incentive right in the 2020-2022 scheme. The fair value determined at grant date for the incentive right in 2020-2022 scheme is EUR 1.34.

The long-term incentive scheme for period 2021-2023 is a performance share plan. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added is reached and employment requirement for the period is met. The number of shares depends on the level of achievement and is capped to 175% of the target level. There is also a cap set to the pay-out in relation to individuals' base pay at grant date. On target level, the scheme would entitle the participants to a total reward of 1,371,499 shares. In certain countries the equivalent reward would be settled with cash due to local legislation. The fair value of the share determined at grant date for accounting of 2021-2023 scheme is EUR 8.42.

The long-term incentive scheme for period 2022-2024 is also a performance share plan. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added (85% weight) and Sustainability targets (15% weight) are reached, as well as employment requirement for the period is met. The number of shares depends on the level of achievement and is capped to 175% of the target level. There is also a cap set to the pay-out in relation to individuals' base pay at grant date. On target level, the scheme would entitle the participants to a total reward of 1,223,777 shares. In certain countries the equivalent reward would be settled with cash due to local legislation. The fair value of the share determined at grant date for accounting of 2022-2024 scheme is EUR 9.53.

	2022	2021
Personnel on average	17,482	17,461
Personnel at the end of the financial period	17,581	17,305

2.6. INCOME TAXES

Accounting principles

The statement of income includes taxes payable based on the Group's consolidated taxable income for the financial period in accordance with local tax regulations, tax adjustments for previous financial periods, and changes in deferred taxes. Tax effects related to transactions recognised through the statement of income and other events are recognised in the statement of income. Tax effects related to transactions or other events to be presented as components of other comprehensive income or directly in equity are also recognised, respectively, in other comprehensive income or directly in equity.

The current income tax charge is calculated according to tax laws enacted, or substantively enacted, on the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Accounting estimates and judgements

The Group is subject to income taxes in several jurisdictions and the computation of the Group's income tax expense and income tax liabilities require judgement and estimation. Income tax positions are regularly evaluated by the management to identify situations when there might be uncertainty due to tax regulation being subject to interpretation. Provisions for these uncertain tax positions are recognised when it is considered more likely than not that the positions will be challenged by the tax authorities. The provision recognised is based on the estimation of the amount of the final taxes to be paid to the tax authorities.

MEUR	2022	2021
Income taxes		
for the financial period	-80	-88
for prior financial periods	6	-9
Change in deferred tax		
origination and reversal of temporary differences	47	-5
changes in tax rates		-1
Total	-27	-103
Reconciliation of effective tax rate:		
Result before taxes	-32	296
Tax calculated at the domestic corporate tax rate 20.0%	6	-59
Effect of changed tax rates		-1

Effect of different tax rates in foreign subsidiaries	3	
Effect of income not subject to tax and non-deductible expenses*	-21	-4
Effect of share of result of associates and joint ventures	1	1
Utilisation of previously unrecognised tax losses carried forward	-2	1
Unrecognised taxes on losses carried forward	-3	-18
Other taxes**	-14	-11
Other temporary differences	-2	-1
Income taxes for prior financial periods	6	-9
Tax charge in the consolidated statement of income	-27	-103
Effective tax rate (%)	-84.1	34.7

* Includes approximately EUR -19 million related to non-deductible losses of EUR 76 million resulting from Russia-Ukraine war.

** Other taxes consist mainly of withholding taxes not utilised and taxes not directly based on taxable income.

Income taxes related to other comprehensive income are presented in Consolidated statement of comprehensive income. Changes in deferred tax assets and liabilities are presented in Note 4.6. Deferred taxes.

In some countries Wärtsilä is subject to tax audits, which can result in tax reassessment decisions and obligations to pay additional taxes and related payments.

2.7. EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing the result for the financial period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period.

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes' conditions. If the settlement would happen at the reporting date, it would result in issuing 160,213 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

MEUR	2022	2021
Result for the financial period attributable to equity holders of the parent company	-65	194
Weighted average number of shares outstanding during the period	590,023,390	590,579,335
Weighted average number of dilutive potential ordinary shares during the period	160,213	1,326,045
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	590,183,603	591,905,380
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (EPS), basic, EUR	-0.11	0.33
Earnings per share (EPS), diluted, EUR	-0.11	0.33

Additional information on the number of shares is presented in Note 5.5. Equity.



3. Intangible and tangible assets

Content in this section:

- 3.1. GOODWILL
- 3.2. OTHER INTANGIBLE ASSETS
- 3.3. PROPERTY, PLANT AND EQUIPMENT
- 3.4. LEASES
- 3.5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

3.1. GOODWILL

Accounting principles

Goodwill is the difference between the aggregate of the acquisition-date fair value of the consideration transferred, and the acquirer's share of the company's net identifiable assets and liabilities measured at fair value on the acquisition date. The consideration is measured at fair value, including also the acquirer's previously held equity interest.

Goodwill allocation

Goodwill arising from business acquisitions has been allocated to the operating segments and other business activities, which are also the Group's cash generating units in impairment testing of goodwill. These are Marine Power, Marine Systems, Voyage, Energy, and Portfolio Business.

Impairment of goodwill

The carrying amount of goodwill allocated to cash generating units (CGU) is reviewed annually for signs of possible impairment, or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the goodwill is estimated. In order to define a possible impairment, the Group's assets are divided into the smallest possible cash generating units, which are mainly independent of other units, and the cash flows of which are separately identifiable and to a large extent independent of the cash flows of other similar units.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use for goodwill is based on the expected discounted future net cash flows resulting from the asset or cash generating unit.

A pre-tax rate, which reflects the markets' position on the time value of money and asset-specific risks, is used as the discount rate.

An impairment loss is recognised immediately as depreciation, amortisation and impairment in the statement of income. An impairment loss recognised for goodwill is not reversed under any circumstances.

Accounting estimates and judgements

The recoverable amounts of goodwill are determined for all cash generating units annually, or more often if there is an indication of an impairment, where its value in use is determined. The value in use is determined using estimates of future cash flows, which are impacted by future market development, such as growth and profitability, as well as other significant factors. The most important factors underlying such estimates are the net sales growth in the market area, the operating margin, the useful life of the assets, future investment needs, and the discount rate. Changes in these assumptions can significantly affect the expected future cash flows.

Goodwill 2022

MEUR	2022
Wärtsilä Group	
Wärtsilä on 1 January	1,374
Changes in exchange rates	-22
Acquisitions	7
Impairment	-47
Reclassification to assets held for sale and impairment	-24
Wärtsilä on 31 December	1,288

In June 2022, Wärtsilä acquired 100% of Altyn Consulting Inc. (PortLink) from which goodwill of EUR 7 million was recognised. Goodwill from the acquisition was allocated to cash generating unit Voyage.

Impairment of goodwill relates to additional impairment testing of cash generating unit Voyage performed in the first quarter of 2022. Additional impairment testing was performed due to the uncertainties in the operating environment resulting from Russia-Ukraine war.

Reclassification to assets held for sale and impairment relate to business unit American Hydro. American Hydro belongs to Portfolio Business. The total impact of the reclassification on the result for the financial period is presented in Note 6.4. Assets held for sale.

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Wärtsilä on 31 December 2022	544	168	59	511	5	1,288

Additional impairment testing of cash generating unit Voyage

Due to the uncertainties in the operating environment resulting from Russia-Ukraine war, Wärtsilä performed an additional impairment testing of goodwill during the first quarter of 2022 for cash generating unit Voyage. The recoverable amount of the CGU was based on four-year cash flow projections. Cash flows beyond the four-year period were calculated using a terminal value method. Due to exceptionally volatile circumstances, a weighted average of different scenarios was applied. As a result of the additional impairment testing, an impairment loss of EUR 47 million was recognised in the statement of income related to goodwill.

Annual impairment testing of goodwill

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine Power, Marine Systems, Voyage, and Energy, the recoverable amounts were defined based on the discounted cash flow method, derived from the order book and five-year cash flow projections from strategic plans. The estimated cash flows of the CGUs were based on the utilisation of existing property, plant, and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the five-year period were calculated using the terminal value method.

Also for business units under the Portfolio Business, the recoverable amounts were defined based on the discounted cash flow method. Cash flows beyond the five-year period were calculated using the terminal value method.

The terminal growth rate used in projections is based on management's assessment on conservative long-term growth. The terminal growth rate used in the calculation were:

Terminal growth rate, %	2022
Marine Power	1.5
Marine Systems	1.5
Voyage	2.5
Energy	2.0
Portfolio Business	1.0

The key driver for the valuation is growth in the global economy, and in particular, the development of the global power market, the global shipbuilding industry, and the demand for any related services. The projected

development of total costs in the market affects the profitability, whereas no single cost item is considered to have a material impact. The valuation driver for new equipment sales is growth in the global economy, whereas for after sales the drivers are also the demand for related services and the projected development in labour costs.

The applied discount rates are the weighted average pre-tax cost of capital (WACC) for each CGU as defined by Wärtsilä. The components of the WACC rates are risk-free rate, market risk premium, industry specific beta, cost of debt and debt equity ratio. Wärtsilä has used the following WACC rates for each CGU:

WACC rate, %	2022
Marine Power	10.0
Marine Systems	10.1
Voyage	10.2
Energy	10.6
Portfolio Business	11.1

As a result of the impairment test, no impairment loss for the CGUs was recognised for the financial period ended on 31 December 2022. The recoverable amounts of Marine Power, Marine Systems, and Energy CGUs exceeded their respective carrying values substantially. Also, the recoverable amount of Portfolio Business exceeded its respective carrying value.

The defined recoverable amount of Voyage CGU also exceeded the carrying amount of the unit in the annual impairment test. There was no additional impairment recognised after the additional impairment testing conducted during the first quarter of 2022.

The key assumptions for Voyage CGU relate to forecasted profitability of the unit and to terminal growth rate of the unit. Voyage is estimated to break even within the next few years on the EBITDA level. Key assumptions used in the testing for terminal values are the estimated terminal growth rate of 2.5% and that the profitability, i.e. comparable operating result, as a percentage of net sales, would amount to 10%. In the testing performed, the recoverable amount of Voyage exceeded its carrying amount by EUR 163 million. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business.

According to the measuring requirements related to assets held for sale, Wärtsilä has written down certain assets after the annual impairment test. Write-downs related to goodwill were recognised due to the classification of business unit American Hydro as assets held for sale. There are no other indications of impairment of goodwill after the annual impairment testing.

Sensitivity analysis

The management has assessed that no reasonable possible changes in the key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount. A sensitivity analysis has been carried out for

the valuation of the recoverable amount for each CGU by changing the assumptions used in the calculation. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below separately for each CGU.

	Change
Marine Power	
Pre-tax discount rate	increase more than 21 percentage points
Terminal growth rate	decrease more than 41 percentage points
Profitability	decrease more than 68 percentage
Marine Systems	
Pre-tax discount rate	increase more than 18 percentage points
Terminal growth rate	decrease more than 35 percentage points
Profitability	decrease more than 65 percentage
Voyage	
Pre-tax discount rate	increase more than 5 percentage points
Terminal growth rate	decrease more than 5 percentage points
Profitability	decrease more than 43 percentage
Energy	
Pre-tax discount rate	increase more than 29 percentage points
Terminal growth rate	decrease over 100 percentage points
Profitability	decrease more than 75 percentage
Portfolio Business	
Pre-tax discount rate	increase more than 2.0 percentage points
Terminal growth rate	decrease more than 1.9 percentage points
Profitability	decrease more than 14.2 percentage

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

Goodwill 2021

MEUR	2021
Wärtsilä Group	
Wärtsilä on 1 January	1,325
Changes in exchange rates	49
Reclassification to assets held for sale	-1
Wärtsilä on 31 December	1,374

During 2021, Wärtsilä classified Delivery Centre Santander as assets held for sale. Delivery Centre Santander belongs to Marine Power.

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Wärtsilä on 31 December 2021	553	171	101	520	28	1,374

Annual impairment testing of goodwill

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine Power, Marine Systems, Voyage, and Energy, the recoverable amounts were defined based on the discounted cash flow method, derived from the order book and five-year cash flow projections from strategic plans. The estimated cash flows of the CGUs were based on the utilisation of existing property, plant, and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the five-year period were calculated using the terminal value method.

For business units under the Portfolio Business, the recoverable amounts were mainly defined based on the discounted cash flow method. For one business unit, which was classified as assets held for sale at the time of the testing, the recoverable amount was defined based on estimations of the selling price on cash-free, debt-free basis.

The terminal growth rate used in projections is based on management's assessment on conservative long-term growth. The terminal growth rate used in the calculation were:

Terminal growth rate, %	2021
Marine Power	1.5
Marine Systems	1.5
Voyage	2.5

Energy	2.0
Portfolio Business	1.0

The key driver for the valuation is growth in the global economy, and in particular, the development of the global power market, the global shipbuilding industry, and the demand for any related services. The projected development of total costs in the market affects the profitability, whereas no single cost item is considered to have a material impact. The valuation driver for new equipment sales is growth in the global economy, whereas for after sales the drivers are also the demand for related services and the projected development in labour costs.

The applied discount rates are the weighted average pre-tax cost of capital (WACC) for each CGU as defined by Wärtsilä. The components of the WACC rates are risk-free rate, market risk premium, industry specific beta, cost of debt and debt equity ratio. Wärtsilä has used the following WACC rates for each CGU:

WACC rate, %	2021
Marine Power	8.0
Marine Systems	7.7
Voyage	8.1
Energy	8.3
Portfolio Business	8.4

As a result of the impairment test, no impairment loss for the CGUs was recognised for the financial period ended on 30 September 2021. The recoverable amounts of Marine Power, Marine Systems, and Energy CGUs exceeded their respective carrying values substantially.

Also, the defined recoverable amount of Voyage CGU exceeded the carrying amount of the unit materially. The key assumption for Voyage CGU is that Voyage is estimated to break even within the next few years on the EBITDA level and that its growth rate will exceed the Group average. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business.

According to the measuring requirements related to assets held for sale, Wärtsilä has written down certain assets in Portfolio Business in 2021. These assets were classified as assets held for sale already in prior financial year. Part of these write-downs relate to goodwill. However, based on the testing conducted in the annual impairment test, there was no additional impairment noted for Portfolio Business.

There are no recent indications of impairment of goodwill after the annual impairment testing.

Sensitivity analysis

The management has assessed that no reasonable possible changes in the key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount. A sensitivity analysis has been carried out for the valuation of the recoverable amount for each CGU by changing the assumptions used in the calculation. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below separately for each CGU.

	Change
Marine Power	
Pre-tax discount rate	increase more than 17 percentage points
Terminal growth rate	decrease more than 23 percentage points
Profitability	decrease more than 63 percentage
Marine Systems	
Pre-tax discount rate	increase more than 31 percentage points
Terminal growth rate	decrease more than 148 percentage points
Profitability	decrease more than 81 percentage
Voyage	
Pre-tax discount rate	increase more than 7 percentage points
Terminal growth rate	decrease more than 7 percentage points
Profitability	decrease more than 56 percentage
Energy	
Pre-tax discount rate	increase more than 22 percentage points
Terminal growth rate	decrease more than 37 percentage points
Profitability	decrease more than 71 percentage
Portfolio Business	
Pre-tax discount rate	increase more than 1.4 percentage points
Terminal growth rate	decrease more than 1.2 percentage points
Profitability	decrease more than 14.3 percentage

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

3.2. OTHER INTANGIBLE ASSETS

Accounting principles

Research and development costs

Research costs are expensed in the reporting period during which they occur. Development costs are capitalised when it is probable that the development project will generate future economic benefits for the Group and when the related criteria, including commercial and technological feasibility, have been met. These projects involve the development of new or significantly improved products or production processes. Earlier expensed development costs are not capitalised.

Capitalised development costs are measured at cost less accumulated amortisations and impairment. Capitalised development costs are amortised and the cost of buildings, machinery, and facilities for development depreciated on a straight-line basis over their expected useful lives of 5-10 years. Amortisations are started when the asset is completed and can be taken into use. Before that, the asset is tested annually for impairment. Grants received for research and development are reported as other operating income. Grants related to capitalised development costs are netted with the costs incurred before the capitalisation.

Other intangible assets

Other intangible assets are recognised at cost if the cost is reliably measurable and the future economic benefits for the Group are probable. Wärtsilä's other intangible assets include patents, licenses, software, customer relations and other intellectual property rights that can be transferred to a third party. These are measured at cost, except for intangible assets identified in connection with acquisitions, which are measured at the fair value at the acquisition date. The cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives. Intangible assets, for which the time limit for the right of use is agreed, are amortised over the life of the contract. Intangible assets identified in connection with acquisitions are amortised over their delivery times or estimated useful lives.

The general guidelines for scheduled amortisation are:

- Software 3-7 years
- Development expenses 5-10 years
- Other intangible assets 5-20 years

The amortisation of intangible assets is discontinued when an item is classified as held for sale.

A gain or loss arising from the sale of intangible assets is recognised as other operating income or other operating expenses in the statement of income.

Impairment of assets

The carrying amounts of assets are reviewed annually for signs of possible impairment or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss is recognised immediately as depreciation, amortisation and impairment in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable asset is reassessed. An earlier impairment loss recognised for an asset is reversed if the estimates used to determine the recoverable amount change. However, any reversal of impairment shall not exceed the asset's carrying amount if no impairment loss would have been recognised.

Accounting estimates and judgements

Assessing the probability of expected future economic benefits and the useful lives of intangible assets require management judgement. The estimated useful lives and the residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the amortisation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

2022

MEUR	Develop- ment expenses	Construc- tion in progress and advances paid	Other intangible assets	Total
Cost on 1 January 2022	211	148	841	1,200
Changes in exchange rates	-1	-1	-6	-7
Additions	3	73	9	85
Decreases and other changes	-10		-20	-29
Reclassifications	41	-45	4	
Cost on 31 December 2022	245	176	829	1,249
Accumulated amortisation and impairment on 1 January 2022	-128	-1	-670	-799
Changes in exchange rates			8	8

Accumulated amortisation on decreases and other changes	10	16	25
Amortisation during the financial period	-18	-31	-49
Impairment	-16	-26	-42
Accumulated amortisation and impairment on 31 December 2022	-153	-1	-704
Carrying amount on 31 December 2022	92	175	126

Development costs for internally generated assets capitalised during the financial period amounted to EUR 67 million (51). The carrying amount was EUR 256 million (223).

Purchase price allocation amortisation amounted to EUR 23 million (31) and the related carrying amount was EUR 92 million (141).

During 2022, an impairment of EUR 7 million related to development expenses, as well as an impairment of EUR 25 million related to other intangible assets, have been recognised in the statement of income as a result of the impacts of Russia-Ukraine war. Both impairments are recognised in Voyage.

In addition, an impairment of EUR 9 million is recognised in Marine Power due to a development project being terminated.

2021

MEUR	Develop- ment expenses	Construc- tion in progress and advances paid	Other intangible assets	Total
Cost on 1 January 2021	182	123	829	1,134
Changes in exchange rates		1	16	17
Additions	2	53	6	61
Decreases and other changes	1		-12	-12
Reclassifications	25	-28	3	
Cost on 31 December 2021	211	148	841	1,200
Accumulated amortisation and impairment on 1 January 2021	-115	-1	-628	-743
Changes in exchange rates			-13	-13
Accumulated amortisation on decreases and other changes	-1		11	10

Accounting principles

Subsequent expenditure is included in the cost of an asset only if the future economic benefits are probable and the costs are reliably measurable. Expenditure related to regular, extensive inspections and maintenance is treated as an investment, capitalised and depreciated during the useful life. All other expenditure, such as ordinary maintenance and repairs, is recognised in the statement of income as an expense as incurred.

- Buildings 10-40 years
- Machinery and equipment 5-20 years
- Other tangible assets 3-10 years

Depreciation is expensed on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated, as its useful life is considered as infinite. The estimated useful lives and the residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the depreciation periods are adjusted accordingly. Depreciation of property, plant and equipment is discontinued when an item is classified as held for sale.

Impairment of assets

The carrying amounts of assets are reviewed annually for signs of possible impairment, or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss is recognised immediately as depreciation, amortisation and impairment in the statement of income. In connection with the recognition of the impairment loss, the useful life of the depreciable asset is reassessed. An earlier impairment loss recognised for an asset is reversed if the estimates used to determine the recoverable amount change. However, any reversal of impairment shall not exceed the asset's carrying amount if no impairment loss would have been recognised.

Assessing the probability of expected future economic benefits and useful lives of property, plant and equipment require management judgement. The estimated useful lives and residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the depreciation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Total
MEUR						
Cost on 1 January 2022	24	270	796	77	29	1,197
Changes in exchange rates		1	3			4
Acquisitions and disposals			-2			-2
Additions	1	2	24	42	2	72
Decreases	-1	-14	-53		-1	-70
Reclassifications	-2	-23	-11	-29		-65
Cost on 31 December 2022	22	235	758	90	31	1,136

Accumulated depreciation and impairment on 1 January 2022	-1	-184	-675	-24	-884
Changes in exchange rates		-1	-3		-3
Accumulated depreciation on decreases and disposals		10	52	1	62
Depreciation during the financial period		-9	-33	-2	-45
Impairment	-1	-10	-3		-14
Reclassifications		25	27		53
Accumulated depreciation and impairment on 31 December 2022	-1	-170	-636	-25	-832
Carrying amount on 31 December 2022	21	65	122	90	304

Impairment of EUR 14 million is related to the ramp-down of manufacturing in Trieste, Italy, and recognised in Marine Power.

2021

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Total
Cost on 1 January 2021	25	270	782	32	26	1,135
Changes in exchange rates		4	9			14
Additions		2	19	57	3	82
Decreases	-1	-6	-23		-1	-31
Reclassifications		1	9	-12		-2
Cost on 31 December 2021	24	270	796	77	29	1,197
Accumulated depreciation and impairment on 1 January 2021	-1	-176	-654		-22	-853
Changes in exchange rates		-2	-7			-9
Accumulated depreciation on decreases and disposals		6	23			29
Depreciation during the financial period		-11	-37		-2	-50
Impairment						-1
Reclassifications		-1				
Accumulated depreciation and impairment on 31 December 2021	-1	-184	-675		-24	-884

Carrying amount on 31 December 2021	23	86	121	77	5	312
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3.4. LEASES

Accounting principles

The Group's capitalised lease agreements consist mainly of land, buildings used as office premises, factories, workshops, vehicles, and production machinery and equipment. The average lease period for buildings is approximately eight years, and for machinery and equipment approximately four years. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. Whether a contract contains a lease is determined based on whether Wärtsilä has the right to control the use of an identified asset for a period of time.

At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments include fixed payments, amounts to be expected to be paid under residual value guarantees, the exercise price of reasonably certain extension options, and payments of penalties for terminating a lease in case this reflects the lease term. The lease payments are discounted using the interest rate implicit in the lease if this rate can be readily determined. Otherwise, the lessee's incremental borrowing rate is used. The incremental borrowing rates used are the sum of relevant interbank rates and the average margin of the Group loan portfolio and are currency specific.

The initial measurement of the lease payments does not include possible variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income as other operating expenses.

The lease term is the non-cancellable period of the lease together with the period covered by an option to extend or terminate if the lessee is reasonably certain to exercise the option.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and interest on lease liabilities recognised in interest expenses in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities, and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets, and variable payments are presented in the cash flow from operating activities.

Contracts may combine different kinds of obligations to the supplier, which might be a combination of lease components or a combination of lease and non-lease components. These lease and non-lease components are accounted for separately and the consideration is allocated between the components based on relative stand-alone selling prices. Should separating the components not be possible, judgement is used to allocate the non-lease component in the accounting. The selection of separating the non-lease component or not from the lease, is applied to the whole asset class, buildings, and machinery and equipment.

Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification or a termination of a lease agreement is recognised as other operating income or other operating expenses in the statement of income.

The Group applies the two available exemptions, which relate to either short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are expensed to other operating expenses.

Accounting estimates and judgements

Management is required to consider the duration of the lease term if there is an option for extension, early termination or purchase, as well as determine the lease term for agreements with indefinite lease term. When evaluating the probability of the option being exercised and, therefore, the duration of the lease term, management considers all known facts and circumstances, for example, businesses' short- and long-term strategies that create a financial incentive to exercise, or not to exercise the option.

MEUR	2022	2021
Land and buildings, right-of-use assets		
Carrying amount on 1 January	181	151
Changes in exchange rates	-1	3
Acquisitions and disposals	-3	-1
Additions	118	75
Depreciation and impairment	-43	-41
Decreases and reclassifications	-5	-6

Carrying amount on 31 December	248	181
Machinery and equipment, right-of-use assets		
Carrying amount on 1 January	11	11
Additions	6	7
Depreciation and impairment	-6	-6
Carrying amount on 31 December	10	11
Lease liabilities		
Carrying amount on 1 January	197	166
Changes in exchange rates	-2	3
Acquisitions and disposals	-2	
Additions	123	82
Payments	-46	-47
Other adjustments	-4	-8
Carrying amount on 31 December	266	197
Total lease liabilities		
Non-current	223	157
Current	43	39

MEUR	2022	2021
Amounts recognised in statement of income		
Depreciation and impairment of right-of-use assets	-49	-47
Interest expenses	-4	-4
Expense - short-term leases	-28	-28
Expense - leases of low-value assets	-6	-5
Expense - variable lease payments	-8	-5

The residual value guarantees related to the Sustainable Technology Hub in Vaasa that are not considered in capitalised lease payments are disclosed in Note 7.1. Collateral, contingent liabilities, and other commitments.

3.5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

MEUR	2022	2021
Development expenses	18	13
Purchase price allocation amortisation	23	31
Other intangible assets	8	8
Buildings and structures	9	11
Land and buildings, right-of-use assets	43	41
Machinery and equipment	33	37
Machinery and equipment, right-of-use assets	6	6
Other tangible assets	2	2
Impairment	120	12
Total	263	162



4. Working capital and other balance sheet items

Content in this section:

- 4.1. INVENTORIES
- 4.2. TRADE RECEIVABLES AND CONTRACT ASSETS AND LIABILITIES
- 4.3. OTHER RECEIVABLES
- 4.4. TRADE PAYABLES AND OTHER LIABILITIES
- 4.5. PROVISIONS
- 4.6. DEFERRED TAXES
- 4.7. PENSION OBLIGATIONS

4.1. INVENTORIES

Accounting principles

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Materials and consumables are valued at weighted average cost or at moving average price. Finished products are valued at direct purchasing and manufacturing costs plus allocated purchasing and manufacturing overhead costs. Work in progress includes costs for direct labour and material costs, and allocated overhead costs related to manufacturing and purchasing when control has not yet been transferred to the customer. Inventories are presented net of provision for obsolete inventories.

Accounting estimates and judgements

Writing down inventories to net realisable value due to obsolete and excess stock, is performed based on the management's best estimate on the balance sheet date. A systematic and continuous evaluation of inventory ageing, turn-over, and composition compared to anticipated future use, is the basis for the estimates.

MEUR	2022	2021
Materials and consumables	699	453
Work in progress	559	626
Finished products	40	49

Advances paid	63	58
Total	1,361	1,185

In 2022, EUR 49 million (13) impairment for obsolete inventories has been recognised in the statement of income. Inventory write-downs resulting from the impacts of Russia-Ukraine war amount to EUR 40 million. The total value of inventories related to assets held for sale amounts to EUR 1 million (4).

4.2. TRADE RECEIVABLES AND CONTRACT ASSETS AND LIABILITIES

Accounting principles

Trade receivables are recognised when the right to consideration becomes unconditional. The Group's trade receivables are measured at amortised cost, which is the original invoiced amount less an estimated valuation allowance for impairment. The Group assesses any possible increase in the credit risk for trade receivables and contract assets measured at amortised cost at the end of each reporting period individually. The methodology applied depends on whether there has been a significant increase in credit risk. If there has been a significant increase in credit risk, the loss allowance is estimated at an amount equal to lifetime expected credit losses at the current reporting date.

For trade receivables and contract assets, a simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses. The Group uses a provision matrix for estimating the expected credit loss where receivables are segregated depending on the ageing category and the origin of the receivable. The Group has an effective collection process in place which decreases the possible risk of credit losses. Also, to mitigate the credit risk, advance payments and payment guarantees are in use. In calculating the expected credit loss rates, the Group considers historical loss rates for each category, and adjusts for forward looking macroeconomic data. Based on the analysis, for trade receivables not due, or a maximum of 359 days overdue, as well as contract assets, an impairment of 0.1%-2.0% is made. In addition to that, trade receivables more than 360 days old are assessed individually for impairment. Examples of events giving rise to impairment include a debtor's serious financial problems, and a debtor's probable bankruptcy or other financial arrangement.

Trade receivables are permanently written off when there is no reasonable expectation of recovery.

The Group may sell undivided interests in trade receivables on an ongoing and one-time basis to lending institutions. Financial assets sold under these arrangements are excluded from trade receivables in the statement of financial position at the time of payment from the acquirer, providing that substantially all risks and rewards have been transferred. If the acquirer has not settled payment to the extent that the ownership, risk, and control over the receivable have been substantially transferred, then such financial assets sold are re-recognised in the statement of financial position at the end of the reporting period.

Contract assets and liabilities are related to contracts with customers.

When control over goods or services is transferred to a customer before the customer pays the consideration, the receivable is recognised as a contract asset. The contract asset represents the right to future consideration. Contract assets primarily relate to the Group's right to consideration for transferred goods or services, but which is not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

When the customer pays consideration in advance, or when the consideration is due before transferring the contractual performance obligation, the amount received in advance is presented as a contract liability. Contract liabilities are recognised as revenue when the Group performs under the contract. Advances received and deferred revenue relate to payments received, or invoicing in excess of revenue recognised.

Accounting estimates and judgements

Estimated expected credit loss provisions are based on management's best judgement. Management judgement includes past years' experience and a forward-looking understanding of the client's payment behaviour and economic situation. In addition, assessing whether it is probable that the consideration from contracts with customers will be collected requires judgement, and might impact the timing and amount of revenue recognition.

Contract assets and liabilities

MEUR	2022	2021
Trade receivables	1,113	896
Contract assets	729	684
Contract liabilities		
Advances received	527	498
Deferred income	678	770
Trade receivables and contract assets		
Non-current	11	26
Current	1,832	1,554
Contract liabilities		
Non-current	60	37
Current	1,145	1,231

Revenue recognised in the financial period that was included in the contract liability on 1 January	1,231	926
Unsatisfied performance obligations, all revenue types	7,493	7,599
of which remaining performance obligations from projects and contracts under execution	4,205	4,763

The contract assets and liabilities arise from long-term agreements and projects recognised over time, such as gas solutions construction contracts, integrated solutions projects, and energy solutions turnkey contracts.

EUR 3,871 million (3,763) of unsatisfied performance obligations is expected to be recognised during next year, and the remaining later.

Ageing of trade receivables

MEUR	Trade receivables	2022 of which impaired	Trade receivables	2021 of which impaired
Not past due	779	3	692	3
Past due 1–30 days	170		93	
Past due 31–180 days	117	1	89	1
Past due 181–360 days	53	3	16	
Past due 1 year	81	79	85	75
Total	1,201	87	975	79

In 2022, the result impact of write-offs was EUR -2 million (-6).

Impairment

MEUR	2022	2021
Impairment on 1 January	79	61
Money received	-8	-13
Increase in loss allowance recognised	19	38
Receivables written off during the period as uncollectible	-2	-6
Impairment on 31 December	87	79

The Group sells trade receivables in an amount that is currently not significant compared to the trade receivables as a whole. Sold receivables have been de-recognised in the statement of financial position.

4.3. OTHER RECEIVABLES

Accounting principles

Other receivables are recognised at amortised cost.

MEUR	2022	2021
Derivatives	59	17
Interest and other financial items	3	5
Insurance receivables	3	3
Rental accruals	4	2
Prepaid expenses	2	3
Other accruals	42	34
Loan receivables	1	2
Defined benefit plans	17	6
VAT receivables	170	134
Other*	64	57
Total	366	263
Non-current	57	17
Current	309	246

* Other receivables include payroll related tax receivables of EUR 8 million (7) in Brazil, which are not likely to be utilised within a year.

4.4. TRADE PAYABLES AND OTHER LIABILITIES

Accounting principles

Trade payables and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

MEUR	2022	2021
Trade payables*	1,041	714
Accrued expenses	286	313
Personnel costs	143	179
Derivatives	18	23

Interest and other financial items	5	5
Other accruals	39	34
VAT liabilities	43	54
Other	106	68
Total	1,683	1,390
Non-current	5	1
Current	1,677	1,390

* EUR 511 million (299) of the trade payables were eligible for Supply Chain Finance programmes provided by banks to Wärtsilä's suppliers.

4.5. PROVISIONS

Accounting principles

Provisions are recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions can arise, for example, from warranties, environmental risks, litigation, foreseeable losses on projects, and restructuring costs. The amount to be recognised as provisions corresponds to the management's best estimate of the expenses that will be necessary to meet the existing obligation at the end of the reporting period.

Warranty provisions include estimated future warranty costs relating to products delivered. The amount of future warranty costs is based on accumulated historical experience. Typically, the standard warranty period is one year from the delivery onwards.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations exceed the economic benefits expected. The present obligation under the contract is measured and a provision is recognised to reflect the expected loss.

Provisions for restructuring costs are made once the restructuring plan has been approved and the implementation started, or the personnel concerned have been informed of the terms. The plan must indicate which activities and personnel will be affected, as well as the timing and cost of implementation.

The Group is a defendant in a number of legal cases which arise out of, or are incidental to, the ordinary course of its business. These lawsuits concern mainly issues, such as contractual and other liability, labour

relations, property damage and regulatory matters. The Group receives from time to time claims of different amounts and with varying degrees of substantiation. It is the Group's policy to provide for amounts related to the claims, as well as for the litigation and arbitration matters when an unfavourable outcome is probable and the amount of loss can be reasonably estimated.

Accounting estimates and judgements

The Group is a defendant in a number of legal cases arising from its business operations. A provision for a court case is recognised when an unfavourable result is probable, and the loss can be determined with reasonable certainty. The final result can differ from these estimates.

2022

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions on 1 January 2022	10	162	65	7	70	314
Changes in exchange rates		-2	-1			-2
Disposals						-1
Additions	10	47	122	59	27	266
Used provisions	-8	-53	-93	-3	-14	-171
Released provisions			-5	-1	-3	-9
Provisions on 31 December 2022	12	155	88	62	80	397
Non-current						85
Current						311

Provisions resulting from the impacts of Russia-Ukraine war amount to EUR 23 million in total. These include provisions concerning foreseeable losses, restructuring, litigation, and other provisions. Provisions for restructuring include EUR 47 million related to the ramp-down of manufacturing in Trieste, Italy.

There is currently one unusually sizeable claim, but it is highly unlikely that the outcome of it will be unfavourable.

2021

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions on 1 January 2021	10	174	80	9	50	324
Changes in exchange rates		3	2		1	6

Additions	6	43	76	9	41	176
Used provisions	-6	-58	-85	-10	-11	-169
Released provisions	-1		-9	-1	-11	-22
Provisions on 31 December 2021	10	162	65	7	70	314
Non-current						73
Current						241

4.6. DEFERRED TAXES

Accounting principles

Deferred tax liabilities and assets are calculated on temporary differences arising from the difference between the tax basis of assets and liabilities, and the carrying values using the enacted or substantially enacted tax rates at the end of the reporting period. The statement of financial position includes deferred tax liabilities in their entirety and deferred tax assets at their estimated probable amount.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle the balances on a net basis.

Accounting estimates and judgements

Estimates of tax liabilities and receivables relate mainly to the expected result of ongoing tax audits, and to the recognition of deferred tax receivables from tax losses. Deferred tax assets on unutilised tax losses and other temporary differences are recognised to the extent it is highly probable that taxable profit is available. No deferred tax assets are recognised from tax losses when there is uncertainty of their utilisation.

Changes in deferred taxes during 2022

MEUR	1 January 2022	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Acquisitions and disposals	31 December 2022
Deferred tax assets						

Tax loss carry-forwards	39	2	-1			41
Pension obligations	20	-3	-7			10
Provisions	37	25				62
Elimination of intragroup margin in inventories	7	1				8
Fair value reserve	5		-4	1		1
Other temporary differences	58	17		-1	-1	73
Total	167	43	-11	-2	-1	195
Deferred tax liabilities						
Intangible assets and property, plant and equipment	43	-12				32
Fair value reserve				4		4
Other temporary differences	22	7	1		-1	29
Total	65	-6	5	-1	-1	65
Net deferred tax assets/liabilities	101	49	-16	-2		130

On 31 December 2022, the Group had temporary differences on which no deferred tax assets were booked, totalling EUR 77 million (79), as it is uncertain if they will be realised. Most of the unrecognised deferred tax assets are related to cumulative tax losses. Of these, EUR 9 million (9) will expire within the next five years and the rest will expire later or never. Most of the cumulative tax losses on which deferred tax assets have been booked will never expire.

Changes in deferred taxes during 2021

MEUR	1 January 2021	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Acquisitions	31 December 2021
Deferred tax assets						
Tax loss carry-forwards	58	-19				39
Pension obligations	25	-2	-2		-1	20
Provisions	36			1		37
Elimination of intragroup margin in inventories	7					7
Fair value reserve	6		-2	1		5
Other temporary differences	63	4		1	-10	58

Reclassification to assets held for sale	-12			12	
Total	183	-17	-4	3	167
Deferred tax liabilities					
Intangible assets and property, plant and equipment	50	-7		1	-1 43
Fair value reserve	2		-2		
Other temporary differences	36	-5		1	-10 22
Reclassification to assets held for sale	-12				12
Total	76	-12	-2	2	65
Net deferred tax assets/liabilities	107	-5	-2	1	101

4.7. PENSION OBLIGATIONS

Accounting principles

Group companies in different countries have various pension plans in accordance with local conditions and practices. These pension plans are classified either as defined contribution or defined benefit plans.

Defined benefit plans are funded through contributions to pension funds or pension insurance companies. Defined benefit plans may be unfunded or wholly or partly funded. The present value of the obligation arising from the defined benefit plans is determined per each plan using actuarial techniques, the projected unit credit method. The Group recognises the defined benefit obligation, net of fair value of the plan assets, at the end of the financial period.

Actuarial gains and losses and other re-measurements of the net defined benefit obligation are recognised immediately in the statement of other comprehensive income. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the year. The Group determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. Service cost is recognised in employee benefit expenses and the net interest in financial expenses. The defined benefit plans are calculated by qualified actuaries.

In addition to defined benefit plans, Wärtsilä has other long-term employee benefits, which are presented separately from the defined benefit plans. As with the accounting for a defined benefit plan, for any other long-term benefit the Group recognises a liability for the obligation, net of the fair value of the plan assets, if any. Changes in other long-term employee benefits are recognised in the statement of income.

Accounting principles for defined contribution plans are presented in Note 2.5. Employee benefit expenses.

Accounting estimates and judgements

Estimates of pension obligations regarding each defined benefit plan are based on actuarial estimates of factors, including future salary increases, discount rates, and return on plan assets. Changes in these assumptions can significantly affect the Group's pension obligations and pension costs.

MEUR	2022	2021
Net defined benefit assets on 31 December	17	6
Net defined benefit liabilities on 31 December	89	126
Liability for other long-term employee benefits on 31 December	22	19

Wärtsilä has defined benefit plans for its employees mainly in Europe and Asia. The major plans are located in Switzerland, Germany, United Kingdom and Sweden. The Swiss defined benefit plan accounts for 38% of the Group's total defined benefit obligations and 61% of the plans' assets. Most of the plans provide a lifetime pension to the members at the normal retirement age, but there are also plans that provide a lump sum payment at the retirement date. Most of these defined benefit pension plans are managed by pension funds. Their assets are not included in the Group's assets. The plans' assets are typically invested according to the investment strategies approved by the funds' Board of Trustees, or in some cases are completely administered by insurance companies. Wärtsilä Group companies make their payments to pension funds in accordance with local legislation and practice. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans.

The Swiss plan

Wärtsilä operates a defined benefit plan in Switzerland in accordance with the local pension laws and regulations. The plan provides benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plan is run as a pension fund by the Board of Trustees separately from the company.

Contributions to the plan are paid both by the employees, as well as by the employers based on a percentage of the insured salary as defined in the pension fund regulations. Contributions by the employers vary depending on the age of the employee, and cover on average two thirds of the total contributions.

The investment strategy for a pension fund's asset is the responsibility of the Board of Trustees. Assets are invested in accordance with the strategy and the corridors for different investment categories as defined by local laws. Other risks of the plan are the longevity of plan members, as well as the death or disability of employees before their retirement. The pension plan is reinsured for the risk of death and disability until 31

December 2022. Inflationary increases for pensions in payment are at the discretion of the Board of Trustees when benefits paid by the plan are exceeding the minimum level required by law.

The German plans

Wärtsilä operates defined benefit plans in Germany in accordance with local pension laws and regulations. The plans provide benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plans vary from unfunded plans, to a plan run as a pension fund.

In some of the plans, contributions are paid to the plan, both by the employees and the employers based on a percentage of the insured salary as defined in the pension fund regulations. However, in some plans only the employer is obliged to make the payments. Contributions by the employers vary depending on the age of the employee, the duration of the employment, and also on the position of the employee.

The main risks of the plans are the longevity of plan members, and the death or disability of employees before their retirement. In a funded plan, the investment strategy chosen also includes certain risk. Inflationary increases for pensions in payment are valued on a yearly basis.

MEUR	2022	2021
Present value of unfunded defined benefit obligations	74	102
Present value of funded defined benefit obligations	138	181
Fair value of plan assets	-142	-164
Net liability in the statement of financial position	71	120

%	Present value of defined benefit obligations	Fair value of plan assets
Switzerland	38	61
Germany	18	23
Other Europe	32	
Asia	13	16
Total	100	100

MEUR	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance on 1 January 2021	290	-151	139
Changes in exchange rates	7	-7	
Acquisitions and disposals	-2		-1
Recognised in the statement of income:			
Current service cost	8		8
Interest cost (+) / interest income (-)	3	-2	1
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		-5	-5
Experience adjustments	1		1
Changes in demographic assumptions	-3		-3
Changes in financial assumptions	-4		-4
Contribution paid by the plan members	1	-1	
Contribution paid by the employer		-7	-7
Benefits paid	-19	9	-10
Balance on 31 December 2021	282	-164	120

Balance on 1 January 2022	282	-164	120
Changes in exchange rates	-1	-1	-2
Recognised in the statement of income:			
Current service cost	7		7
Past service cost (- credit)	-1		-1
Gains (-) / losses (+) on curtailments and settlements	-2		-2
Interest cost (+) / interest income (-)	5	-4	1
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		31	31
Experience adjustments	4		4
Changes in financial assumptions	-71		-71
Contribution paid by the plan members	1	-1	
Contribution paid by the employer		-9	-9
Benefits paid	-15	7	-8
Balance on 31 December 2022	210	-142	71

Plan assets invested in:

%	2022	2021
Shares and other equity instruments	14	18
Bonds and other debt instruments	39	40
Property	19	18
Other assets	28	23

The main actuarial assumptions at the end of the financial period are (expressed as weighted averages):

%	2022	2021
Discount rate	3.60	1.27
Future salary growth	2.24	2.22
Future pension growth	0.96	1.10

On 31 December 2022, the weighted average duration of the defined benefit obligation was 9 years (10). The Group expects to contribute EUR 3 million (6) to the plans during the next financial period.

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in each country. These assumptions translate into a weighted average life expectancy in years for a pensioner at the retirement age as follows:

	2022	2021
Plan participants retiring at the end of the financial period:		
Male	16.9	17.4
Female	19.2	19.7
Plan participants retiring 20 years after the end of the financial period:		
Male	16.7	17.1
Female	18.7	19.1

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the end of the financial period. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety.

Sensitivity analysis

	Change in assumption	Effect to defined benefit obligation, MEUR	
		2022	2021
Discount rate	increase 1%	-22	-37
Discount rate	decrease 1%	25	45
Future salary growth	increase 1%	5	9
Future salary growth	decrease 1%	-5	-7
Future pension growth	increase 1%	16	28
Future pension growth	decrease 1%	-8	-16



5. Capital structure and financial items

Content in this section:

- 5.1. FINANCIAL INCOME AND EXPENSES
- 5.2. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY
- 5.3. CASH AND CASH EQUIVALENTS
- 5.4. NET DEBT RECONCILIATION
- 5.5. EQUITY
- 5.6. MATURITY ANALYSIS OF FINANCIAL LIABILITIES
- 5.7. DERIVATIVE FINANCIAL INSTRUMENTS
- 5.8. FINANCIAL RISKS

5.1. FINANCIAL INCOME AND EXPENSES

Accounting principles

The net interest related to pension obligations is recognised in the financial statement as financial expenses. Also, gains and losses from fair valuation and disposal and impairments of other shares are included in financial income and expenses.

Changes in the fair value of interest rate hedges against Wärtsilä Group's loan portfolio are immediately recognised in financial income or expenses in the statement of income. The fair value of interest rate swaps is calculated by discounting the future cash flows.

Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income, except exchange rate differences related to non-current debt that is part of the Group's net investment in a subsidiary.

MEUR	2022	2021
Interest income on loans and receivables	2	4
Interest income on financial assets at fair value through the statement of income	14	8
Interest income on investments at amortised cost	3	1
Changes in fair values of financial assets/liabilities at fair value through the statement of income	10	1
Other financial income	2	1

Total financial income	30	15
Interest expenses on financial liabilities recognised at amortised cost	-10	-11
Interest expenses on lease liabilities recognised at amortised cost	-4	-4
Interest expenses on financial liabilities at fair value through the statement of income	-18	-10
Net interest from defined benefit plans	-1	-1
Changes in fair values of financial assets/liabilities at fair value through the statement of income	4	5
Exchange rate differences*	-1	-4
Fee expenses	-1	-2
Other financial expenses	-4	-5
Total financial expenses	-37	-33
Total	-6	-18

* In 2021, exchange rate differences from unhedged internal loans, EUR -3 million, were included in exchange rate differences.

5.2. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

Accounting principles

Financial instruments

Financial instruments are initially recognised at fair value. Subsequently, financial assets are classified and measured at amortised cost or at fair value through statement of income. The classification of financial assets is defined by the business model and the cash flow characteristics of the asset. Financial liabilities are subsequently classified and measured at amortised cost or at fair value through statement of income.

Financial instruments are classified as current financial instruments unless the maturity of the financial instrument exceeds 12 months from the reporting date. Financial instruments are derecognised only when the financial instrument is extinguished, or when the contractually specified right or obligation is discharged, cancelled, or when it expires. The status of financial instruments is evaluated at each reporting date.

Financial instruments at amortised cost

Financial assets

Financial assets measured at amortised cost include cash and cash equivalents, investments in debt instruments, commercial papers, trade receivables and other receivables. The assets are initially

recognised at fair value less the transaction costs, and are subsequently measured at amortised cost by using the effective interest rate method. These assets are held for collecting contractual cash flows, which are solely payments of principal and interest. Interest income is recognised as financial income in the statement of income.

The expected credit losses associated with investments in debt instruments and commercial papers carried at amortised cost are assessed on a forward-looking basis based on investment maturity dates and counterparty credit risk on a quarterly basis.

The Group applies the simplified method in IFRS 9 for the expected credit losses from its trade receivables. This requires expected lifetime credit losses to be recognised from the initial recognition of the receivables, as defined in Note 4.2. Trade receivables and contract assets and liabilities.

Financial Liabilities

Financial liabilities measured at amortised cost include trade and other payables, loans, and borrowings. These liabilities are initially recognised at fair value less the transaction costs related to the acquisition of these liabilities. The liabilities are subsequently classified and measured using the effective interest rate method by amortising the discounted interest payments over the maturity of the liabilities. Interest expense is recognised in the financial expense in the statement of income.

Financial instruments at fair value through the statement of income

Financial assets

Financial assets measured at fair value through the statement of income include other financial investments, other short-term cash investments and derivatives. These financial investments include Wäertsilä's investments in other companies (both listed and unlisted shares).

Changes in fair value and gains and losses at derecognition of these financial assets are recognised in the statement of income.

Gains and losses from fair valuation and the disposal of shares that are attributable to operating activities are included in operating income, while gains and losses from fair valuation and the disposal of other shares are included in financial income and expenses.

Financial liabilities

Financial liabilities recognised at fair value through the statement of income include derivatives that are not eligible for hedge accounting.

Changes in fair value and gains and losses at derecognition of these financial assets are recognised in the statement of income.

Information on measurement categories of derivatives and financial instruments in hedge accounting are presented in Note 5.7. Derivative financial instruments.

2022

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing investments		4	4	4
Trade receivables	11		11	11
Derivatives		26	26	26
Other investments		19	19	19
Other receivables	1		1	1
Current financial assets				
Trade receivables	1,101		1,101	1,101
Trade receivables for sale		2	2	2
Derivatives		33	33	33
Other financial receivables	3		3	3
Cash and cash equivalents	452	9	461	461
Carrying amount by measurement category	1,568	93	1,661	1,661
Non-current financial liabilities				
Interest-bearing debt	740		740	726
Derivatives		1	1	1
Current financial liabilities				
Interest-bearing debt	209		209	209
Trade payables	1,041		1,041	1,041
Derivatives		17	17	17
Other financial liabilities	5		5	5
Carrying amount by measurement category	1,995	18	2,013	1,999

* In addition, the Group has cash and cash equivalents measured at amortised cost of EUR 3 million related to assets held for sale.

2021

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing investments		5	5	5
Trade receivables	26		26	26
Derivatives		1	1	1
Other investments		18	18	18
Other receivables	2		2	2
Current financial assets				
Interest-bearing receivables				
Trade receivables	869		869	869
Trade receivables for sale		1	1	1
Derivatives		16	16	16
Other financial receivables	5		5	5
Cash and cash equivalents	723	241	964	964
Carrying amount by measurement category	1,625	282	1,906	1,906
Non-current financial liabilities				
Interest-bearing debt	851		851	855
Derivatives		9	9	9
Current financial liabilities				
Interest-bearing debt	121		121	121
Trade payables	714		714	714
Derivatives		14	14	14
Other financial liabilities	5		5	5
Carrying amount by measurement category	1,692	23	1,714	1,718

Fair value hierarchy

Accounting principles

Wäertsilä uses the following categorisation for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The quoted prices for the financial instruments are directly and regularly available on active publicly traded markets or other publicly available sources.

Level 2: The prices for the financial instruments are determined by using a valuation method for which the input data is directly or indirectly available on a publicly traded markets or other publicly available sources.

Level 3: The financial instruments are categorised into level 3 fair value if the prices for the inputs of the valuation method are not publicly available, and when the financial instruments are measured using an independent valuation method.

Specific valuation techniques used to value financial instruments include:

- the fair value of forward foreign exchange contracts is determined by using forward rates at the closing date
- the fair value of interest rate swaps is calculated as being the present value of the estimated future cash flows based on observable yield curves
- the use of quoted market prices or dealer quotes for similar instruments

MEUR	2022		2021	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Other investments		19		18
Interest-bearing investments, non-current	4		5	
Other receivables, non-current	1		2	
Derivatives	59		17	
Financial liabilities				
Interest-bearing debt, non-current*	726		855	
Derivatives	18		23	

* Measured at amortised cost in the statement of financial position.

Additional information on financial liabilities is presented in Note 5.6. Maturity analysis of financial liabilities.

Other investments

Other investments include unlisted shares carried at fair value. These investments are valued using certain DCF models where critical assumptions relate to WACC level and expected cash flows from future dividends. However, the results from different scenarios vary a lot. The management therefore considers that the valuation at amortised cost is the best estimate of fair value.

MEUR	2022	2021
Carrying amount on 1 January	18	19
Acquired shares	1	1
Impairment		-2
Carrying amount on 31 December	19	18

In 2022, the cost for other unlisted shares (level 3) was EUR 19 million (18), and the market value of them was EUR 19 million (18).

5.3. CASH AND CASH EQUIVALENTS

Accounting principles

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term cash investments. Other short-term cash investments are highly liquid investments that are subject to only minor fluctuations in value, and which have a maturity of up to three months on the date of acquisition. Cash in hand and deposits held at call are presented at amortised cost. Other cash investments are mainly measured at fair value, except for commercial paper investments that are presented at amortised cost. Credit accounts related to Group cash pool accounts are included in current financial liabilities.

MEUR	2022	2021
Cash and bank balances*	452	708
Cash equivalents	9	256
Total	461	964

* EUR 151 million (178) of cash and bank balances relate to cash in countries where repatriation is limited due to local regulation and, consequently, the cash is not immediately available to the parent company. There are no restrictions to use the cash and bank balances locally.

In 2022, the Group also had cash and cash equivalents of EUR 3 million related to assets held for sale.

5.4. NET DEBT RECONCILIATION

Net interest-bearing debt

MEUR	2022	2021
Lease liabilities, non-current	223	157
Other interest-bearing debt, non-current	517	694
Lease liabilities, current	43	39
Other interest-bearing debt, current	166	82
Total interest-bearing liabilities	949	973
Interest-bearing receivables	-4	-5
Cash and cash equivalents	-461	-964
Cash and cash equivalents pertaining to assets held for sale	-3	
Total interest-bearing assets	-468	-969
Total net interest-bearing debt	481	4

Net debt reconciliation

2022

MEUR	Carrying amount on 1 January 2022	Cash flows	Changes in exchange rates	Other non-cash movements	Acquisitions and disposals	Carrying amount on 31 December 2022
Lease liabilities	197	-50	-2	122	-2	266
Other interest-bearing debt, non-current	694	-166	-11			517
Other interest-bearing debt, current	82	84	-3	3	1	166
Interest-bearing receivables	-5	2		-1		-4
Cash and cash equivalents*	-964	492	-1		10	-464
Net debt	4	361	-16	125	8	481

* Includes cash and cash equivalents pertaining to assets held for sale.

2021

MEUR	Carrying amount on 1 January 2021	Cash flows	Changes in exchange rates	Other non-cash movements	Acquisitions and disposals	Carrying amount on 31 December 2021
Lease liabilities	166	-51	3	78		197
Other interest-bearing debt, non-current	1,005	-303	-8			694
Other interest-bearing debt, current	156	-72	-2			82
Interest-bearing receivables	-1	-1	-3			-5
Cash and cash equivalents*	-932	-30	-10		7	-964
Net debt	394	-457	-19	78	7	4

* Includes cash and cash equivalents pertaining to assets held for sale.

5.5. EQUITY

Equity consists of share capital, share premium, translation differences, fair value reserve, remeasurements of defined benefit liabilities and retained earnings.

Share capital and number of shares

In 2021, the Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting repurchase the company's own shares. The repurchases started on 27 April 2021 and ended on 5 May 2021. Following the repurchases, the company holds a total of 1,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

MEUR	Share capital	Share premium	Total
1 January 2021	336	61	397
31 December 2021	336	61	397
31 December 2022	336	61	397

Number of shares and votes

Number of shares outstanding on 31 December 2021	590,023,390
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Number of shares outstanding on 31 December 2022	590,023,390
Weighted average number of shares outstanding during the period	590,023,390

Wärtsilä's share does not have a nominal value. Wärtsilä has one series of shares. Each share is assigned one vote in the Annual General Meeting and has an equal right to dividend.

Share Capital

The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the fund for invested non-restricted equity.

Share Premium

Share premium is restricted equity. It may be reduced in accordance with the rules applying to decreasing share capital in accordance with the Finnish Limited Liability Companies Act. It can also be used to increase the share capital.

Translation differences

Translating foreign subsidiaries' financial statements by using different exchange rates in the statement of comprehensive income and in the statement of financial position causes translation differences, which are recognised in equity. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition gains and losses are also presented in equity. Also, translation differences arising from subsidiary net investments and non-current subsidiary loans without agreed settlement dates are presented in equity. The change in translation differences is recognised in other comprehensive income.

Fair value reserve

Fair value reserve includes the changes in fair value of derivative financial instruments if the hedging is effective and eligible for hedge accounting, and the hedge relationship is still continuing. The changes in items included in fair value reserve are recognised in other comprehensive income.

In 2022, EUR 33 million (-12) of fair value adjustments related to cash flow hedges was recognised in equity. EUR 3 million (4) of the fair value adjustments was transferred from equity to the statement of income as result from net position hedges during 2022.

MEUR	Cash flow hedges
Fair value reserve on 1 January 2021	-13
Taxes related to fair value adjustments	4

Fair value reserve on 1 January 2021	-9
Transferred to the statement of income, net of taxes	2
Fair value adjustments	-12
Taxes related to fair value adjustments	1
Fair value reserve on 31 December 2021	-18
Transferred to the statement of income, net of taxes	2
Fair value adjustments	33
Taxes related to fair value adjustments	-7
Fair value reserve on 31 December 2022	9

Parent company's distributable funds

Accounting principles

The dividend proposed by the Board of Directors is deducted from distributable equity when approved by the company's Annual General Meeting. Unpaid dividends are presented as liability in the consolidated financial statements.

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.26 per share be paid for the financial period 2022, the total dividend payable being EUR 153 million. The remaining part of the retained profits will be carried further in the unrestricted equity. For the result for the financial period 2021, a dividend of EUR 0.24 per share was distributed, totalling EUR 142 million, and the rest of the retained profits were carried further in the unrestricted equity.

Additional information on equity is presented in Notes to the parent company financial statements, in Note 10. Shareholders' equity.

5.6. MATURITY ANALYSIS OF FINANCIAL LIABILITIES

2022

MEUR	Non-current				Total
	Current	< 1 year	1–3 years	3–5 years	> 5 years
Loans from other financial institutions*	166	224	245	47	683
Lease liabilities	47	71	49	106	273
Trade payables	1,041				1,041

Interest rate derivatives, payable	79	81	3	1	164
Interest rate derivatives, receivable	-77	-93	-11	-5	-186
Foreign exchange forwards, payable	1,666				1,666
Foreign exchange forwards, receivable	-1,686				-1,686
Other liabilities	5				5
Total	1,242	283	287	149	1,960
* Estimated interest expenses, total	8	11	5	1	24
Estimated contractual cash flows	1,250	294	291	150	1,984

2021

MEUR	Non-current				Total
	< 1 year	1–3 years	3–5 years	> 5 years	
Loans from other financial institutions*	82	287	302	104	776
Lease liabilities	43	61	40	71	216
Trade payables	714				714
Interest rate derivatives**		7		2	9
Foreign exchange forwards, payable	2,077				2,077
Foreign exchange forwards, receivable	-2,079				-2,079
Other liabilities	5				5
Total	844	356	342	178	1,719
* Estimated interest expenses, total	5	7	3	1	16
Estimated contractual cash flows	848	363	345	178	1,735

* Interest expenses for long-term loans are calculated by using the average interest rate prevailing on 31 December 2022.

** Valuation for interest rate derivatives with negative market value by maturity date. Nominal contractual amounts are presented in Note 5.7. Derivative financial instruments.

Fair values of financial liabilities, as well as information on measurement categories of financial liabilities, are presented in Note 5.2. Financial assets and liabilities by measurement category.

5.7. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting principles

Derivatives and hedge accounting

Derivatives including embedded derivatives are initially recognised on the statement of financial position at fair value and are subsequently classified and measured at their fair value at the end of each reporting period. Gains and losses from the fair value measurement are recognised in the statement of income as determined by the purpose of the derivatives.

Wärtsilä has policies and processes in place to identify embedded derivatives.

Hedge accounting

Wärtsilä hedges in net position its sales and purchases in foreign currencies with foreign exchange forwards or currency options, and Wärtsilä applies hedge accounting according to IFRS 9 to the majority of these foreign exchange forwards. Forward points are excluded from the hedge relationship and they are booked directly in the statement of income as financial income or expenses. In case of a hedge being fully or partially discontinued, the discontinued portion is immediately recognised in the statement of income as other operating income or expenses.

The Group documents the relationship between each hedging instrument and the hedged item upon entering into a hedging arrangement, along with the risk management objective and the strategy applied. Through this process, the hedging instrument is linked to the relevant assets and liabilities, projected business transactions, or binding contracts.

Wärtsilä designates its hedge relationships of foreign exchange hedges as either hedges of highly probable forecast transactions or firm commitments. Hedge accounting relationships are designated up to the point of recognition of the related receivable or payable.

The Group uses a hedge designation for foreign exchange hedging, where critical terms, currency and amount, match or are closely aligned between the hedging instrument and the hedged item. The hedge ratio is typically 100%. Since underlying risks match, hedging instruments are considered to offset any changes related to the hedged transactions. However, Wärtsilä applies a roll-forward strategy where derivatives are roll-forwarded or terminated early to match these underlying transactions. Hedge effectiveness requirements are assessed in accordance with IFRS 9 requirements, including requirements for economic relationship, credit risk and hedge ratio.

As external hedges are typically made for short maturities (up to 1 year) and only high credit quality (A-minimum rating requirement) counterparties are utilised, counterparty credit risk is expected to have minimal effect on hedge valuations. Due to some underlying hedged cash flows having longer maturities than related hedges, the changes in present value of the hedge and the underlying cash flow do not always

fully offset each other during the lifetime of a hedge. This source of ineffectiveness is calculated on a quarterly basis and recognised in the statement of income as financial income or expenses at Group level.

Additionally hedge accounting may be applied to interest rate hedges. In these cases, critical terms, floating rate reference rate, and amortisation schedule, are matched so the hedge is expected to be highly effective. As only high credit quality counterparties under ISDA Master Agreements are utilised, counterparty credit risk is expected to have minimal effect on hedge valuations.

Cash flow hedge

Changes in the fair value of derivative contracts designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the fair value reserve in equity, provided that the hedging is effective. In the case of foreign exchange forwards, the spot element is included for the hedging relationship whereas forward points have been excluded from the hedge designation. Any gain or loss in the fair value reserve related to derivatives accumulated through other comprehensive income is reported in the statement of income in the same period as any transactions relating to the hedged obligations or estimates. Result from net position hedges is reported on a separate line in the statement of income. Basis adjustments related to derivatives are reported in contract assets, contract liabilities, and inventories, according to the hedged item. The ineffective portion is immediately recognised in the statement of income as other operating income or expenses. Changes in fair value of foreign exchange derivatives due to interest rate differentials (impact of forward points) are recognised in the statement of income as financial income or expenses.

Cash flow hedge against a variable interest rate in a lease contract is included in depreciations and financial income and expenses.

More information on fair value adjustments related to cash flow hedges is presented in Note 5.5. Equity, and more information on the ineffective portion of cash flow hedges is presented in Note 5.1. Financial income and expenses.

The Group applies hedge accounting to the majority of its foreign currency forward contracts.

The open operative currency positions including financing are hedged by using derivative financial instruments according to the table below.

Nominal amounts for hedged foreign exchange items and hedging instruments

MEUR	Against hedge accounting	Against net loans	2022 Against other items	Against hedge accounting	Against net loans	2021 Against other items
Currency forwards, nominal amount (both legs)						
EUR*	952	432	291	1,399	204	439
USD	567	180		773	56	184
NOK	132		156	242		176
GBP	8	54	78	51	32	37
CHF	46	84	3	52	53	10
CNY	14	11	1	32	11	
AUD	16	34		43	31	14
MXN	14	41		53		
SGD	16	15	1	22	15	
SEK	40	1	9	28	1	6
CAD	25	13	2	38	3	
Other currencies**	62		64	99		48
Total amount of currency derivatives (single leg)	946	432	302	1,417	204	456

* EUR is not considered to be a currency risk for the parent company.

** Other currencies do not include any material single currencies.

Net loans include non-euro intragroup loans and deposits given by the parent company.

IFRS hedge accounting has been applied to EUR 946 million (1,417) currency forwards. In 2022 and 2021, no options were used for hedging. A 5% change in the exchange rates would cause from these currency forwards an approximately EUR 35 million (73) impact on the equity related to hedge accounting. Both comparison figures have been restated to reflect net position hedging. As all material fixed sales and purchase contracts are hedged, the profit and loss sensitivity of foreign exchange from operations (excluding internal financing) is considered minimal.

MEUR	Hedged cash flows, net amount	Hedges, net amount	2022 Hedges, gross amount	Hedged cash flows, net amount	Hedges, net amount	2021 Hedges, gross amount
Nominal amounts						
EUR	73	79	952	257	257	1,399
USD	297	299	567	657	653	773
NOK	130	132	132	221	222	242
GBP	12	8	8	47	44	51
MXN	18	14	14	38	37	53
CNY	13	14	14	33	32	32
SGD	16	16	16	19	18	22
CHF	40	42	46	53	48	52
CAD	28	25	25	30	31	38
Other currencies	77	74	118	116	107	171
Total	702	703	1,893	1,471	1,449	2,833

MEUR	2022	2021
External currency forwards under hedge accounting by year		
2022	-	1,417
2023	946	-
Hedged highly probable forecasted cash flows by year		
2022	-	1,934
2023	1,902	226
2024	145	56
2025	46	44
2026	5	151*
2027–	1	

* Includes 2026 and later for comparison period.

Derivatives

MEUR	2022	of which closed	2021	of which closed
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps	205		408	
Cross currency swaps	142		153	
Non-deliverable forwards, included in hedge accounting	5			
Currency forwards, included in hedge accounting	942	626	1,417	676
Currency forwards, no hedge accounting	735	301	660	179
Total	2,028	927	2,639	855
Fair values of derivative financial instruments (level 2)				
Interest rate swaps	26		-4	
Cross currency swaps	-6		-5	
Currency forwards, included in hedge accounting	12		-1	
Currency forwards, no hedge accounting	9		3	
Total	41		-6	

In addition, the Group had copper swaps amounting to 1,190 tons (933) valued at EUR 9 million (8).

Foreign currency forward contracts are against transactional risks and fall due during the following 12 months (12). A currency forward is considered closed when there are offsetting cash flows in the same currency with the same value date. Interest rate swaps are denominated in euros and their average maturity is 74 months (52). The average maturity for cross currency swaps is 16 months (31).

Changes in the market value of interest rate derivatives are usually immediately recognised in the statement of income as financial income or expenses. However, cash flow hedge accounting in accordance with IFRS 9 is applied to a EUR 125 million (128) amortising interest rate swap maturing in 2031. The interest rate hedge swaps variable interest payments of a large lease agreement, to fixed interest payments. As the hedge and the underlying cash flow have matching critical terms, the hedge ratio is 1:1 and the hedge is expected to be highly effective. In 2022, a EUR 21 million (-2) fair value adjustment related to cash flow hedge was recognised in other comprehensive income. Realised and accrued interest is recognised in the statement of income as depreciations and financial income or expenses.

In 2022, no embedded derivatives were identified.

Normally all of the Groups' derivatives are carried out according to International Swaps and Derivatives Association's Master Agreements (ISDA). In case of an event of default under these agreements, the non-defaulting party may request early termination and set-off of all outstanding transactions. These agreements do not meet the criteria for offsetting in the statement of financial position. The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

MEUR	2022	2021
Gross fair values of derivative financial instruments subject to ISDAs		
Assets		
Interest rate swaps	26	
Currency forwards	33	16
Total	59	17
Liabilities		
Interest rate swaps		-4
Cross currency swaps	-6	-5
Currency forwards	-11	-14
Total	-18	-23
Net fair values of derivative financial instruments subject to ISDAs		
Assets	46	4
Liabilities	-5	-10
Total	41	-6

5.8. FINANCIAL RISKS

General

Wärtsilä has a centralised Group Treasury, which has two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies.

The objective is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, credit, and liquidity risks on the Group's cash reserves, profits, and shareholder equity.

The Financial Risk Policy is approved by the Board of Directors. The Group Treasury employs only such instruments whose market value and risk profile it can reliably monitor.

Foreign exchange risk

Foreign exchange exposures are monitored at the Business level, hedged at a subsidiary level against the Group Treasury, and then netted and covered externally at Group level by the Group Treasury. All material sales and purchase contracts with fixed foreign currency amounts, including both future cash flows and related accounts receivable and payable, are hedged. The estimated future commercial exposures are evaluated by the Businesses, and the level of hedging is decided by the Board of Management. Hedge accounting in accordance with IFRS 9 is applied to most of the hedges of these exposures. The hedges cover such time periods that both the sales prices and purchase costs can be adjusted to new relevant exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges its position of the statement of financial position, which includes cash balances, loans/deposits, as well as other receivables and payables denominated in foreign currencies.

As field service work is invoiced in local currencies, there is some foreign exchange change related volatility in the consolidated net sales. However, the effect on the profitability is limited as the related costs are in the same currency. Spare part sales are based on a euro price list and related purchases in non-euro currencies are hedged, so the effect from foreign currency rate changes on spare part sales is minimal. As project/hardware sales/purchases, as well as estimated currency exposures from long-term agreements, are hedged, the Group does not expect significant gains/losses from foreign exchange rate changes in 2023 related to its operations, excluding internal financing.

The instruments, and their nominal values, used to hedge the Group's foreign exchange exposures are listed in Note 5.7. Derivative financial instruments.

Since Wärtsilä has subsidiaries and joint ventures outside the euro zone, the Group's equity, goodwill and purchase price allocations are sensitive to exchange rate fluctuations. At the end of 2022, the net assets of Wärtsilä's foreign subsidiaries and joint ventures outside the euro zone totalled EUR 998 million (963). In addition, goodwill and purchase price allocations from acquisitions nominated in foreign currencies amounted to EUR 845 million (900). In 2022, the translation differences recognised in other comprehensive income mainly come from changes in the GBP exchange rate.

Approximately 44% (60) of sales and 50% (54) of operating costs were denominated in euros, and approximately 40% (25) of sales and 24% (18) of operating costs were denominated in US dollars. The remainder were split between several currencies. The Group's profits and competitiveness are also indirectly affected by the home currencies (USD, GBP, JPY and KRW) of its main competitors.

As Wärtsilä's operations are global, they often involve currency risks. The largest operative currency positions (excluding financing) open as of 31 December 2022 by currency pair are listed below.

2022

MEUR	Statement of financial position		Estimated cash flows		Net
	Base currency received	Base currency paid	Base currency received	Base currency paid	
EUR/USD	117	204	138	294	244
EUR/NOK	59	68	183	2	173
USD/NOK	29	7	163		185
EUR/GBP	27	30	87	9	75
EUR/CNY	25	26	90	5	85
EUR/CHF	19	5	49		63
USD/CNY	4	3	64		64
EUR/AED	11	10	35	1	35
EUR/AUD	5	5	36	4	32
GBP/USD	32	7	1	10	16

2021

MEUR	Statement of financial position		Estimated cash flows		Net
	Base currency received	Base currency paid	Base currency received	Base currency paid	
EUR/USD	71	196	154	934	905
USD/NOK	36	8	400		429
EUR/NOK	94	48	156	4	198
EUR/CNY	25	22	107	3	106
EUR/GBP	28	21	88	6	89
EUR/AUD	5	5	18	77	59
EUR/SGD	17	11	26		32

As the main funding currency for the Group, including the Group Treasury, is the euro and since the subsidiaries are normally funded in their home currencies by the Group Treasury, the Group Treasury had the following related open currency positions as of 31 December 2022.

MEUR	2022			2021		
	Loans	Deposits	Net	Loans	Deposits	Net
Intragroup loans/deposits						
USD	24	239	215	160	216	56
GBP	80	26	54	76	43	32
CHF	84		84	53		53
MXN	1	44	44		1	1
AUD		34	34		31	31
SGD		15	15		17	17
CNY		11	11		11	11
CAD		13	13		9	9
Other currencies*		1	1		1	1
External loans/deposits						
JPY	142		142	153**		153
Total	331	383	612	443	330	366

* The other currencies do not net as they are of different currencies.

** External JPY loans are fully hedged with cross currency swaps.

Some Group companies in countries whose currencies are not fully convertible, such as Brazil, Indonesia, Philippines, and South Korea, have unhedged, intercompany loans nominated either in EUR or USD, which may result in some foreign exchange differences. The total amount of these loans is EUR 82 million (41).

Wärtsilä does not hedge translation risk. The most significant currencies for Wärtsilä are presented in Note 6.6. Exchange rates.

Interest rate risk

Wärtsilä is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk), as well as through changes in interest rates (re-fixing on rollovers). Interest rate risk is managed by constantly monitoring the market value of the financial instruments and by using sensitivity analysis.

Interest-bearing loan capital at the end of 2022 totalled EUR 683 million (776). The average interest rate was 1.4% (0.6) and the average re-fixing time 12 months (14).

Wärtsilä spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of fixed rate loans as a proportion of the total debt can vary between 30 and 70%. Wärtsilä hedges its loan portfolio by using derivative instruments, such as interest rate swaps, futures and options.

MEUR	2022	2021
Fixed rate loans	213	250
Floating rate loans	471	526
Derivatives	204	404
Share of fixed rate loans of total loans (including derivatives), %	61	84

At the end of 2022, a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 10 million (17) increase/decrease in the value of the net debt portfolio, including derivatives. A one percentage point change in the interest level would cause a EUR 3 million (1) change in the following year's interest expenses from the debt portfolio, including derivatives. In both analyses, the debt portfolio as of 31 December 2022 is used.

As the main funding currency of the Group is Euro, the IBOR reform does not have a significant impact on the Group's financial arrangements. Due to the reform, the reference interest rate of long-term JPY loans and the related cross currency swaps have been amended, and the reference rates for the Group's cash pool bank accounts have been changed in cases where a rate would have been discontinued.

Additional information related to loans can be found in Note 5.2. Financial assets and liabilities by measurement category and Note 5.6. Maturity analysis of financial liabilities. Information on interest rate derivatives is presented in Note 5.7. Derivative financial instruments.

Liquidity and refinancing risk

Wärtsilä ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient available committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

The existing loan facilities include:

- Committed Revolving Credit Facilities totalling EUR 650 million (650).
- Finnish Commercial Paper programmes totalling EUR 850 million (850).

The average maturity of the non-current debt is 28 months (36) and the average maturity of the confirmed credit lines is 24 months (23). Additional information in Note 5.6. Maturity analysis of financial liabilities.

At year-end, the Group had cash and cash equivalents totalling EUR 461 million (964). The Group also had cash and cash equivalents of EUR 3 million related to assets held for sale, as well as EUR 650 million (650) of non-utilised committed credit facilities. Commercial Paper Programmes were not utilised on 31 December 2022 nor on 31 December 2021.

Committed Revolving Credit Facilities, as well as the parent company's long-term loans, include a financial covenant (solvency ratio). The solvency ratio is expected to remain clearly over the covenant level for the foreseeable future.

Revolving credit facilities

MEUR		2022 Available (end of period)		2021 Available (end of period)
Year	Maturing		Maturing	
2021	-	-		650
2022		650	140	510
2023	230	420	230	280
2024	130	290	130	150
2025	100	190	100	50
2026	50	140	50	
2027	140			

Credit risk

Responsibility for managing the credit risks associated with ordinary commercial activities lies with the Businesses and the Group companies. Major trade and project finance credit risks are minimised by transferring risks to banks, insurance companies, and export credit organisations.

The credit risks related to the placement of liquid funds and to trading in financial instruments are minimised by setting explicit limits for the counterparties, and by making agreements only with the most reputable domestic and international banks and financial institutions. As only high credit quality (A- minimum rating requirement) counterparties are utilised for derivative financial instruments, and the transactions are made under ISDA Master Agreements, no credit losses are expected from these instruments.

The Group companies deposit the maximum amount of their liquid financial assets with the centralised treasury when local laws and central bank regulations allow it. The Group's funds are placed in instruments with sufficient liquidity (current bank deposits or Finnish Commercial Papers) and rating (at least single-A rated instruments or other instruments approved by the Group's CFO). These placements are constantly monitored by the Group Treasury, and Wärtsilä does not expect any future defaults from the placements.

The expected credit losses associated with investments carried at amortised cost are assessed on a forward-looking basis based on investment maturity dates, and counterparty credit risk on a quarterly basis. As of 31 December 2022, the expected credit loss was not material.

The expected credit losses are presented in Note 4.2. Trade receivables and contract assets and liabilities.

Equity price risk

Wärtsilä has equity investments totalling EUR 12 million (12) in power plant companies, most of which are located in developing countries and performing well according to expectations. Additional information is given in Note 5.2. Financial assets and liabilities by measurement category.

Capital risk management

Wärtsilä's policy is to secure a strong capital base, both to maintain the confidence of investors and creditors and for the future development of the business. The capital is defined as total equity, including non-controlling interests and net interest-bearing debt. The target for Wärtsilä is to maintain gearing below 0.50 and to pay a dividend of at least 50% of earnings over the cycle.

MEUR	2022	2021
Lease liabilities, non-current	223	157
Other interest-bearing debt, non-current	517	694
Lease liabilities, current	43	39
Other interest-bearing debt, current	166	82
Total interest-bearing liabilities	949	973
Interest-bearing receivables	-4	-5
Cash and cash equivalents	-461	-964
Cash and cash equivalents pertaining to assets held for sale	-3	
Total interest-bearing assets	-468	-969
Total net interest-bearing debt	481	4
Total equity	2,146	2,323
Gearing	0.23	0.00
In the capital management Wärtsilä also follows the gearing development:		

Equity and liabilities	6,606	6,523
Advances received	-527	-498
	6,079	6,025
Solvency ratio, %	35.3	38.6



6. Group structure

Content in this section:

- 6.1. SUBSIDIARIES
- 6.2. ACQUISITIONS
- 6.3. DISPOSALS
- 6.4. ASSETS HELD FOR SALE
- 6.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
- 6.6. EXCHANGE RATES

6.1. SUBSIDIARIES

Accounting principles

The consolidated financial statements include the parent company Wärtsilä Corporation and all subsidiaries over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When the Group has less than a majority of voting or similar rights in an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over an entity, including the contractual arrangements, voting rights, and potential voting rights. The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to the elements of control.

The financial information from subsidiaries in countries with hyperinflation are adjusted according to IAS 29, when the impact of the hyperinflation is considered material for the consolidated financial statements.

Geo-graphical area	Company name	Location	Activities	Share %
Europe	Wärtsilä Cyprus Limited	Cyprus	Sales and services	100.0
	Wärtsilä Danmark A/S	Denmark	Sales and services	100.0
	Wärtsilä Lyngsø Marine A/S	Denmark	Sales and services	100.0
	Wärtsilä BLRT Estonia Oü	Estonia	Sales and services	51.7
	Wärtsilä Finland Oy	Finland	Production, sales and services	100.0
	Wärtsilä Projects Oy	Finland	Sales and services	100.0

Wärtsilä Solutions Oy	Finland	Sales and services	100.0
Wärtsilä Technology Oy Ab	Finland	Holding	100.0
Wärtsilä Voyage Oy	Finland	Sales and services	100.0
Wärtsilä France S.A.S.	France	Sales and services	100.0
Wärtsilä Voyage Méditerranée SAS	France	Sales and services	100.0
Wärtsilä Deutschland GmbH	Germany	Sales and services	100.0
Wärtsilä SAM Electronics GmbH	Germany	Sales and services	100.0
Wärtsilä Voyage Germany GmbH	Germany	Sales and services	100.0
Wärtsilä Serck Como GmbH	Germany	Sales and services	100.0
Wärtsilä Voyage GmbH	Germany	Sales and services	100.0
Wärtsilä Guidance Marine Ltd	the United Kingdom	Sales and services	100.0
Wärtsilä Puregas Solutions Ltd	the United Kingdom	Sales and services	100.0
Wärtsilä UK Ltd	the United Kingdom	Production, sales and services	100.0
Wärtsilä Voyage UK Limited	the United Kingdom	Sales and services	100.0
Ships Electronic Services Ltd	the United Kingdom	Sales and services	100.0
Greenham Regis Ltd	the United Kingdom	Sales and services	100.0
Wärtsilä Water Systems Ltd	the United Kingdom	Sales and services	100.0
Wärtsilä Defence Solutions Ltd	the United Kingdom	Sales and services	100.0
Wärtsilä Greece S.A.	Greece	Sales and services	100.0
Wärtsilä Hungary Kft	Hungary	Sales and services	100.0
Wärtsilä Voyage Limited	Ireland	Sales and services	100.0
Wärtsilä APSS Srl	Italy	Sales and services	100.0
Wärtsilä Italia S.p.A.	Italy	Production, sales and services	100.0
Trident Italia Srl	Italy	Sales and services	100.0
Wärtsilä Moss AS	Norway	Production, sales and services	100.0
Wärtsilä Norway AS	Norway	Production, sales and services	100.0
Wärtsilä Gas Solutions Norway AS.	Norway	Sales and services	100.0
Wärtsilä Valmarine AS	Norway	Sales and services	100.0
Wärtsilä Polska Sp.z.o.o.	Poland	Sales and services	100.0
Wärtsilä Voyage Poland sp. z.o.o.	Poland	Sales and services	100.0
Wärtsilä Portugal S.A.	Portugal	Sales and services	100.0
Wartsila Voyage doo Beograd	Serbia	Sales and services	100.0
Wärtsilä Ibérica S.A.	Spain	Production, sales and services	100.0
Burriel Navarro S.L.	Spain	Sales and services	100.0

	Trident Las Palmas S.L.	Spain	Sales and services	100.0
	Wärtsilä Sweden AB	Sweden	Production, sales and services	100.0
	Wärtsilä Voyage Sweden AB	Sweden	Sales and services	100.0
	Wärtsilä Services Switzerland AG	Switzerland	Sales and services	100.0
	Quantiparts B.V.	The Netherlands	Sales and services	100.0
	Wärtsilä Netherlands B.V.	The Netherlands	Production, sales and services	100.0
	Trident B.V.	The Netherlands	Sales and services	100.0
	Wärtsilä Voyage Netherlands B.V.	The Netherlands	Sales and services	100.0
The Americas	Wärtsilä Argentina S.A.	Argentina	Sales and services	100.0
	Wärtsilä Brasil Ltda.	Brazil	Production, sales and services	100.0
	Altyn Consulting Inc.	Canada	Sales and services	100.0
	Wärtsilä Canada Inc.	Canada	Sales and services	100.0
	Wärtsilä Chile Ltda.	Chile	Sales and services	100.0
	Wärtsilä Colombia S.A.	Colombia	Sales and services	100.0
	Wärtsilä Dominicana Inc.	Dominican Republic	Sales and services	100.0
	Wärtsilä Ecuador S.A.	Ecuador	Sales and services	100.0
	Wärtsilä Guatemala S.A.	Guatemala	Sales and services	99.0*
	Wärtsilä Operations Guyana Inc.	Guyana	Sales and services	100.0
	Wärtsilä de Mexico S.A. de C.V.	Mexico	Sales and services	100.0
	Wärtsilä Panama Services S.A.	Panama	Sales and services	100.0
	Wärtsilä Peru S.A.C.	Peru	Sales and services	100.0
	Wärtsilä Caribbean, Inc.	Puerto Rico	Sales and services	100.0
	Wärtsilä Uruguay S.A.	Uruguay	Sales and services	100.0
	American Hydro Corporation	USA	Sales and services	100.0
	Guidance Marine LLC	USA	Sales and services	100.0
	Wärtsilä Defence Inc.	USA	Sales and services	100.0
	Wärtsilä North America, Inc.	USA	Sales and services	100.0
	LOCK-N-STITCH Inc.	USA	Sales and services	100.0
	Wartsila Voyage Americas Inc	USA	Sales and services	100.0
Asia	PT. Wärtsilä Indonesia	Indonesia	Sales and services	100.0
	Wärtsilä Azerbaijan LLC	Azerbaijan	Sales and services	100.0
	Wärtsilä Bangladesh Ltd.	Bangladesh	Sales and services	100.0
	Wärtsilä Propulsion (Wuxi) Co. Ltd.	China	Production, sales and services	100.0
	Wärtsilä Services (Shanghai) Co. Ltd.	China	Sales and services	100.0

	Wärtsilä Suzhou Ltd.	China	Production, sales and services	100.0
	Wärtsilä-CME Zhenjiang Propeller Co. Ltd.	China	Production, sales and services	55.0
	Wärtsilä Voyage Shanghai Co., Ltd.	Hong Kong	Sales and services	100.0
	Wärtsilä China Ltd.	Hong Kong	Sales and services	100.0
	Wärtsilä India Private Ltd.	India	Production, sales and services	100.0
	Wärtsilä Japan Ltd.	Japan	Production, sales and services	100.0
	Wärtsilä Malaysia Sdn. Bhd.	Malaysia	Sales and services	100.0
	Wärtsilä Myanmar	Myanmar	Sales and services	100.0
	Wärtsilä Pakistan (Pvt.) Ltd.	Pakistan	Sales and services	100.0
	Wärtsilä Philippines Inc.	Philippines	Sales and services	100.0
	Wärtsilä Doha L.L.C.	Qatar	Sales and services	49.0*
	Wärtsilä Power Contracting Company Ltd.	Saudi Arabia	Sales and services	60.0
	Wärtsilä Singapore Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Voyage Pacific Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Korea Ltd.	South Korea	Sales and services	100.0
	Wärtsilä Lanka (PVT) Ltd	Sri Lanka	Sales and services	100.0
	Wärtsilä Taiwan Ltd.	Taiwan	Sales and services	100.0
	Wärtsilä-Enpa A.S.	Turkey	Sales and services	51.0
	Wärtsilä Gulf FZE	United Arab Emirates	Sales and services	100.0
	Wärtsilä Hamworthy Middle East (FZE)	United Arab Emirates	Sales and services	100.0
	Wärtsilä LLC	United Arab Emirates	Sales and services	49.0*
	Wärtsilä Ships Repairing & Maintenance LLC	United Arab Emirates	Sales and services	49.0*
	Wärtsilä Voyage Middle East DMCEST	United Arab Emirates	Sales and services	100.0
	Wärtsilä Samarkand Energy LLC	Uzbekistan	Sales and services	100.0
	Wärtsilä (Vietnam) Company Limited	Vietnam	Sales and services	100.0
Other	Wärtsilä Australia Pty Ltd.	Australia	Sales and services	100.0
	Wärtsilä Burkina Faso	Burkina Faso	Sales and services	100.0
	Wärtsilä Central Africa Plc	Cameroon	Sales and services	100.0
	Wärtsilä Installations and Constructions	Egypt	Sales and services	100.0
	Wärtsilä Central Africa Gabon	Gabon	Sales and services	100.0
	Wärtsilä West Africa Guinea S.A.	Guinea	Sales and services	100.0
	Wärtsilä Eastern Africa Limited	Kenya	Sales and services	100.0
	Wärtsilä Mauritanie SA	Mauritania	Sales and services	100.0

	Wärtsilä Mocambique LDA	Mozambique	Sales and services	100.0
	Wärtsilä Muscat LLC	Oman	Sales and services	100.0
	Wärtsilä New Zealand Ltd	New Zealand	Sales and services	100.0
	Wärtsilä Marine & Power Services Nigeria Limited	Nigeria	Sales and services	100.0
	Wärtsilä PNG Ltd	Papua New Guinea	Sales and services	100.0
	Wärtsilä West Africa S.A.	Senegal	Sales and services	100.0
	Wärtsilä Southern Africa (Pty) Ltd.	South Africa	Sales and services	100.0
	Wärtsilä South Africa Pty Ltd	South Africa	Sales and services	75.0*
	Wärtsilä Tanzania Ltd	Tanzania	Sales and services	100.0
	Wärtsilä Uganda Ltd.	Uganda	Sales and services	99.0*

* Despite share percentage being less than 100, the subsidiary is considered to be fully controlled by the Group.

Non-controlling interests are not significant in the Group's activities and cash flows in individual subsidiaries.

The list excludes subsidiaries, which do not have a significant impact on the profit or assets of the Group. A complete list of shares and securities in accordance with the Finnish Accounting Ordinance is included in the official financial statements of the parent company prepared in accordance with the Finnish Accounting Standards (FAS).

6.2. ACQUISITIONS

Accounting principles

Acquired and established companies are accounted for using the acquisition method. Accordingly, the purchase price and the acquired company's identifiable assets, liabilities, and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of additional interest, where the Group already has control, the non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the identifiable net assets. The difference between the purchase price, possible equity belonging to the non-controlling interests, and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value, is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the statement of income. The transaction costs are expensed in the same reporting period in which they occur, except those costs resulting from issued debt or equity instruments.

In significant business combinations, the Group has used external advisors when estimating the fair values of property, plant and equipment and intangible assets. For property, plant and equipment, comparisons have been made of the market prices of similar assets, and the depreciation of the acquired assets due to ageing, wear, and other similar factors has been estimated. The fair value measurement of intangible assets is based on estimates of the future cash flows associated with the assets. The acquired identifiable intangible assets typically include technology, customer relationships, and trademarks.

Any contingent consideration (additional purchase price) related to the combination of businesses is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting loss or gain is recognised through the statement of income. Contingent consideration classified as equity is not re-measured.

The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control.

Accounting estimates and judgements

Accounting for the business combinations may require estimates of the fair value of acquired assets and the expected amount of realised contingent consideration.

2022

In June, Wärtsilä acquired 100% of Altn Consulting Inc. (PortLink), a global port solutions company headquartered in Vancouver, Canada. PortLink is a leading provider of port efficiency solutions, including Port Management Information Systems (PMIS), Port Community Systems (PCS), Pilotage Dispatch systems and Local Port Services (LPS). The move will speed Wärtsilä Voyage along its path towards creating an end-to-end connected maritime ecosystem in which intelligent port logistics solutions play a nodal role.

The purchase price is approximately EUR 8 million resulting in a goodwill of approximately EUR 7 million.

2021

In 2021, there were no acquisitions.

6.3. DISPOSALS

Accounting principles

The disposed subsidiaries are included in the consolidated financial statements until the control ends.

2022

On 30 November, Wärtsilä divested Delivery Centre Santander to Javier Cavada Corporación Cantabria. The divestment was announced in May 2021. The impact of the divestment on the result for the financial period is not significant. Delivery Centre Santander belonged to Marine Power.

On 11 July, Wärtsilä divested Vostok LLC, and on 28 June, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. All companies were sold to their local management. The impact of the divestments on the result for the financial period is approximately EUR -36 million, which was recognised in the statement of income during the first quarter of 2022 as part of the impacts of Russia-Ukraine war. All companies belonged to Voyage.

On 14 January, Wärtsilä divested Tank Control Systems business unit to Svanebøj, a Danish gas pump specialist. The divestment was announced in September 2021.

Tank Control Systems designs, manufactures, sells and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. Tank Control Systems is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage.

The impact of the divestment on the result for the financial period is not significant. Tank Control Systems business unit belonged to Portfolio Business.

2021

In April 2021, Wärtsilä divested 100% of the shares in its Entertainment Systems business unit, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. The divestment was announced in January 2021.

Entertainment Systems is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution, and announcement systems for cruise vessels and entertainment parks. The annual revenues were approximately EUR 50 million in 2020. The impact of the divestment on the result for the financial period is not significant.

In July 2021, Wärtsilä divested 100% of the shares in Wärtsilä EUROATLAS GmbH to Mimir, a global investment firm based in Sweden. Wärtsilä EUROATLAS belonged to Special Products business unit, and the divestment was announced in March 2021.

Wärtsilä EUROATLAS is providing its global customer base tailor-made solutions for high performance power conversion in naval, aviation and mobile land-based applications requiring highest reliability and power density and leading-edge energy efficiency under harsh environmental conditions. Products and services include original design, retrofits, upgrades, maintenance, spare parts, and education. The annual revenues were approximately EUR 10 million in 2020. The impact of the classification as assets held for sale on the result for

the financial period 2020 was approximately EUR -6 million. The impact of the divestment on the result for the financial period 2021 is EUR -2 million.

All disposed business units belonged to Portfolio Business.

6.4. ASSETS HELD FOR SALE

Accounting principles

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortisation is discontinued.

Non-current assets held for sale are presented in the statement of financial position separately from other items. The comparison figures for the statement of financial position are not restated.

2022

Wärtsilä has classified business unit American Hydro and certain non-current assets related to ending the 4-stroke engine manufacturing in Trieste, Italy as assets held for sale.

In December 2022, Wärtsilä announced the divestment of American Hydro to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine services focusing mainly on North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. The annual revenues of the company were approximately USD 50 million in 2021.

Classifying business unit American Hydro as assets held for sale has an impact of EUR -24 million on the result for the financial period 2022, of which EUR -15 million relates to asset write-offs. Completion of the transaction is expected in the first half of 2023. Business unit American Hydro belongs to Portfolio Business.

In July 2022, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. Write-offs based on impairments related to assets in Trieste amount to EUR -14 million in 2022. Engine manufacturing in Trieste belongs to Marine Power.

All assets held for sale are valued at the lower of book value or fair value.

2021

Wärtsilä has classified Tank Control Systems business unit and Delivery Centre Santander as assets held for sale. Tank Control Systems has been classified as assets held for sale since the second quarter of 2020 and Delivery Centre Santander since the second quarter of 2021.

In September 2021, Wärtsilä announced the divestment of Tank Control Systems business unit to Svanehøj, a Danish gas pump specialist. Tank Control Systems designs, manufactures, sells and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. Tank Control Systems is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. Classifying Tank Control Systems business unit as assets held for sale has an impact of EUR -7 million on the result for the financial period 2021. Completion of the transaction is expected in the first quarter of 2022. Tank Control Systems business unit belongs to Portfolio Business.

The divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria was announced in May 2021. Completion of the transaction is expected in the first quarter of 2022. Delivery Centre Santander belongs to Marine Power.

All assets held for sale are valued at the lower of book value or fair value.

Items on the statement of financial position

MEUR	31.12.2022	31.12.2021
Goodwill	24	2
Intangible assets	2	
Property, plant and equipment	28	2
Inventories	1	4
Trade receivables, current	17	
Other receivables, current	9	
Cash and cash equivalents	3	
Assets held for sale	84	8
Write-down of assets	-30	-6

Net for assets held for sale	54	2
Trade Payables, current	10	
Tax liabilities, current	4	
Other liabilities, current	7	
Liabilities directly attributable to assets held for sale	22	
Net assets	32	2

In 2022, the write-down of assets of EUR -30 million relates to classifying business unit American Hydro as assets held for sale and to assets in Trieste, Italy. The expense is recognised in the statement of income as depreciation, amortisation and impairment.

In 2021, the write-down of assets of EUR -6 million related to Tank Control Systems business unit, which had been classified as assets held for sale. The expense was recognised in the statement of income as depreciation, amortisation and impairment.

6.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Accounting principles

Associated companies are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is established by contractual agreement.

Associated companies and joint ventures are included in the consolidated financial statements using the equity method from the date the Group's significant influence or joint control commences until the date it ceases. Investments in associates are initially recognised at cost, and the carrying amount is increased or decreased according to the Group's share of changes in the net assets of the associate after the date of the acquisition. The Group's share of the associated company's or joint venture's profit for the reporting period is shown as a separate item before the Group's operating result, on the line Share of result of associates and joint ventures. The Group's share of the associated company's or joint venture's changes recognised in other comprehensive income is recognised in the Group's other comprehensive income. Wärtsilä's proportion of the associated company's or joint venture's post-acquisition accumulated equity is included in the Group's equity. If the Group's share of the associated company's or joint venture's losses exceeds its

interest in the company, the carrying amount is written down to zero. After this, losses are only recognised if the Group has incurred obligations from the associated company or joint venture.

The accumulated exchange rate differences arising from the consolidation of associated companies and joint ventures, which are recognised in equity, are recognised in the statement of income as part of the gain or loss when change in ownership occurs.

MEUR	2022	2021
Carrying amount on 1 January	27	23
Share of result	6	3
Dividends	-2	-2
Translation differences	-1	3
Impairment	-1	
Carrying amount on 31 December	29	27

Summary of financial information (100%):

2022

MEUR		Hold- ing %	Non- current assets	Current assets	Equity	Non- current liabilities	Current liabilities	Net sales	Result for the financial period
Joint ventures									
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	7	48	24		30	54	6
CSSC Wärtsilä Electrical & Automation Co., Ltd.	China	49.0		13	3		11	19	
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	49.0	61	179	29	31	180	86	5

CSSC Wärtsilä Engine (Shanghai) Co., Ltd. manufactures medium and large bore medium speed diesel and dual-fuel engines at its factory in Lingang, Shanghai, China. Wärtsilä Qiyao Diesel Company Ltd. manufactures marine auxiliary engines in Shanghai, China. CSSC Wärtsilä Electrical & Automation Co., Ltd. manufactures advanced electronical and automation solutions for the cruise industry.

2021

MEUR		Hold- ing %	Non- current assets	Current assets	Equity	Non- current liabilities	Current liabilities	Net sales	Result for the financial period
Joint ventures									
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	7	37	24		20	54	5
CSSC Wärtsilä Electrical & Automation Co., Ltd.	China	49.0		6	3		4	9	
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	49.0	56	117	24	34	115	75	2
Repropel Sociedad de reparacao de helices	Portugal	50.0		2	1			1	

6.6. EXCHANGE RATES

Accounting principles

Translating the transactions in foreign currencies

The items included in the financial statements are initially recognised in the functional currency, which is defined for each Group company based on its primary economic environment. The presentation currency of the consolidated financial statements is the euro, which is also the functional and presentation currency of Wärtsilä Corporation.

Foreign subsidiaries

The income and expenses for statements of income and statements of comprehensive income of foreign subsidiaries are translated into euros at the quarterly average exchange rates. Statements of financial position are translated into euros at the exchange rates prevailing at the end of the reporting period. The translation of the result for the reporting period and other comprehensive income using different exchange rates in the statement of comprehensive income and the statement of financial position causes translation differences, which are recognised in equity and in other comprehensive income as change. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition profits and losses are recognised in other comprehensive income and are presented as a separate item in equity. The goodwill generated in the acquisition of foreign entities and their fair value adjustments of assets and liabilities are considered as assets and liabilities of foreign entities, which are translated into euros using the exchange rates prevailing at the end of the reporting period. When a foreign subsidiary is sold, the accumulated exchange rate differences recognised in the equity related to the subsidiary are recognised in the statement of income as a part of the gain or loss on sale.

Transactions and balances in foreign currencies

Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Receivables and liabilities are translated at the exchange rate prevailing at the end of the reporting period. Exchange rate gains and losses related to trade receivables and liabilities are reported on the applicable line in the statement of income and are included in the operating result. Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income, except exchange rate differences related to non-current debt that is part of the Group's net investment in a subsidiary. Those are recognised in other comprehensive income and reported as translation differences in equity.

In the consolidated financial statements, there are approximately 60 currencies consolidated. The most significant currencies are presented here.

		31 December 2022	Closing rates 31 December 2021	Average rates 2022	2021
AED	UAE Dirham	3.91666	4.15959	3.87056	4.34679
AUD	Australian Dollar	1.56930	1.56150	1.51736	1.57473
BRL	Brazilian Real	5.63860	6.31010	5.44319	6.38134
CHF	Swiss Franc	0.98470	1.03310	1.00517	1.08142
CNY	Yuan Renminbi	7.35820	7.19470	7.08010	7.63402
DKK	Danish Krone	7.43650	7.43640	7.43958	7.43705
GBP	Pound Sterling	0.88693	0.84028	0.85261	0.86000
IDR	Indonesian Rupiah	16,519.82000	16,100.42000	15,633.59000	16,928.51000
INR	Indian Rupee	88.17100	84.22920	82.71449	87.48609
JPY	Yen	140.66000	130.38000	138.00506	129.85747
NOK	Norwegian Krone	10.51380	9.98880	10.10151	10.16339
RUB	Russian Ruble	76.94640	85.30040	72.77033	87.23206
SAR	Saudi Riyal	4.00722	4.25155	3.95666	4.43897
SEK	Swedish Krona	11.12180	10.25030	10.62744	10.14485
SGD	Singapore Dollar	1.43000	1.52790	1.45197	1.58965
USD	US Dollar	1.06660	1.13260	1.05388	1.18353



7. Other notes

Content in this section:

- 7.1. COLLATERAL, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS
- 7.2. RELATED PARTY DISCLOSURES
- 7.3. AUDITORS' FEES AND SERVICES
- 7.4. EVENTS AFTER THE REPORTING PERIOD

7.1. COLLATERAL, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS

Accounting principles

Contingent liabilities are possible obligations resulting from previous events, the existence of which will only be ascertained once the uncertain event that is beyond the Group's control materialises. Existing obligations that are not likely to require the fulfilment of a payment obligation, or the amount of which cannot be reliably determined, are also considered contingent liabilities.

	2022		2021	
	Debt in the statement of financial position	Collateral	Debt in the statement of financial position	Collateral
MEUR				
Mortgages given as collateral for liabilities and commitments				
Other commitments	4	10	9	10
Total	4	10	9	10
Chattel mortgages and other pledges and securities given as collateral for liabilities and commitments				
Loans from credit institutions			1	
Other commitments		17		7
Total		17	1	7
MEUR				
Guarantees and contingent liabilities				
on behalf of Group companies			1,037	1,065

Total	1,037	1,065
Nominal amounts of lease liabilities		
Low-value lease liabilities	11	11
Short-term lease liabilities	3	4
Leases not yet commenced, but to which Wärtsilä is committed	14	120
Residual value guarantee	90	30
Total	118	166

7.2. RELATED PARTY DISCLOSURES

Related parties comprise the parent company, subsidiaries, the associated companies, and joint ventures. Related parties also include the Board of Directors, the President and CEO, the Board of Management, their family members, and entities controlled directly or indirectly by them.

Management remuneration

TEUR	Benefits recognised in the statement of income	
	2022	2021
President and CEO		
Salaries and other short-term benefits	980	1,215
Short-term incentive schemes	443	379
Statutory pension costs	223	249
Voluntary pension costs	289	262
Other members of the Board of Management		
Salaries and other short-term benefits	2,890	2,623
Short-term incentive schemes	853	790
Statutory pension costs	465	346
Voluntary pension costs	572	401
Total	6,714	6,266
Board of Directors on 31 December 2022		
Tom Johnstone, Chairman	231	160

Risto Murto, Deputy Chairman	126	123
Karen Bomba, member	101	78
Morten H. Engelstoft, member	88	
Karin Falk, member	96	78
Johan Forssell, member	95	83
Mats Rahmström, member	91	76
Tiina Tuomela, member	116	96
Board of Directors, until 3 March 2022		
Maarit Aarni-Sirviö, member	2	98
Board of Directors, until 4 March 2021		
Markus Rauramo, Deputy Chairman		2
Total	944	791
Management remuneration, total	7,658	7,057

The holdings of Wärtsilä shares of the President and CEO, and the members of the Board of Directors and Board of Management at year-end were 302,097 shares (252,627).

The President and CEO is entitled to retire on reaching 63 years of age. The members of the Board of Management are entitled to retire on reaching the statutory retirement age. One member of the Board of Management is entitled to retire earlier, on reaching 60 years of age. The Group has no loan receivables from the executive management or the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

Business transactions with the associated companies and joint ventures

MEUR	2022	2021
Sales to the associates and joint ventures	25	31
Purchases from the associates and joint ventures	56	69
Receivables from the associates and joint ventures	7	7
Advances paid to the associates and joint ventures	16	4
Payables to the associates and joint ventures	7	4

Detailed financial information on the associated companies and joint ventures is presented in Note 6.5. Investments in associates and joint ventures.

7.3. AUDITORS' FEES AND SERVICES

The following remuneration was paid to auditors and accounting firms for audits based on applicable legislation and for other services.

In 2022, the AGM appointed the audit firm PricewaterhouseCoopers Oy as Wärtsilä Corporation's auditor. PricewaterhouseCoopers Oy has provided non-audit services totalling EUR 0.2 million to entities of Wärtsilä Group. These services included tax services (EUR 0.1 million) and minor amount related to other services.

MEUR	2022		2021	
	PwC	Others	PwC	Others
Audit	3.6	1.3	3.6	0.8
Tax advisory	0.1	0.5	0.2	0.1
Other services	0.0	0.0	0.0	0.0
Total	3.8	1.9	3.9	1.0

7.4. EVENTS AFTER THE REPORTING PERIOD

In October, Wärtsilä announced that, effective as of 1 January 2023, Wärtsilä Voyage Business will be integrated into Wärtsilä Marine Power Business as a business unit to strengthen end-to-end offering and to accelerate net sales.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

Parent company income statement

MEUR	2022	2021	Note
Net Sales	97	85	
Other operating income	22	23	1
Personnel expenses	-45	-45	2
Depreciation, amortisation and impairment	-3	-4	3
Other operating expenses	-103	-92	
Operating result	-32	-33	
Financial income and expenses	223	226	4
Result before appropriations and taxes	191	194	
Appropriations	7	1	
Result before taxes	198	194	
Income taxes	-1	-6	5
Result for the financial period	197	188	

Parent company balance sheet

MEUR	2022	2021	Note
ASSETS			
Fixed assets			6
Intangible assets			
Other long-term expenditure	8	6	
Intangible assets and construction in progress	2	3	
	10	9	
Tangible assets			
Land and water	2	2	
Machinery, equipment and other tangible assets	3	5	
	6	7	
Financial assets			
Shares in Group companies	950	950	
Other shares and securities	2	2	
	952	952	
Total fixed assets	967	968	
Non-current receivables			
Receivables from Group companies		90	7
Other long-term receivables	27	1	
	27	92	
Current receivables			
Receivables from Group companies	2,179	1,776	8
Other receivables	1		
Prepaid expenses and accrued income	38	22	9
	2,218	1,798	

Cash and bank balances	259	685
Total current assets	2,505	2,575
Assets	3,472	3,543

MEUR	2022	2021	Note
EQUITY AND LIABILITIES			
Equity			10
Share capital	336	336	
Share premium reserve	61	61	
Reserve for own shares	-18	-18	
Retained earnings	902	856	
Result for the financial period	197	188	
Total equity	1,478	1,423	
Provisions	4	9	
Liabilities			11
Non-current			
Loans from credit institutions	516	694	
Other long-term liabilities	2	1	
	519	695	
Current			
Loans from credit institutions	166	70	
Trade payables	10	10	
Liabilities to Group companies	1,258	1,294	13
Other current liabilities	3	3	
Accrued expenses and deferred income	34	40	12
	1,471	1,416	

Total liabilities	1,990	2,111
Equity and liabilities	3,472	3,543

Parent company cash flow statement

MEUR	2022	2021
Cash flow from operating activities:		
Result before appropriations and taxes	191	194
Adjustments for:		
Depreciation and amortisation	4	4
Gains and losses on sale of intangible and tangible assets	-1	
Financial income and expenses	-223	-226
Cash flow before changes in working capital	-29	-29
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	-52	-8
Liabilities, non-interest-bearing, increase (+) / decrease (-)	8	-6
	-45	-15
Cash flow from operating activities before financial items and taxes	-74	-44
Interest and other financial expenses	-80	-21
Dividends received from operating activities	201	211
Interest and other financial income from operating activities	103	36
Income taxes paid	-3	-4
	221	221
Cash flow from operating activities	147	177
Cash flow from investing activities:		
Investments in tangible and intangible assets	-3	-2
Proceeds from sale of tangible and intangible assets	1	1
Cash flow from investing activities	-2	-2
Cash flow after investing activities	145	176

Cash flow from financing activities:		
Loans receivables, increase (-) / decrease (+)	-302	97
Current loans, increase (+) / decrease (-)	-58	175
Repayments and other changes of non-current loans	-69	-326
Purchase of own shares		-18
Group contributions		2
Dividends paid	-142	-118
Cash flow from financing activities	-571	-189
Change in cash and bank balances, increase (+) / decrease (-)	-426	-14
Cash and bank at beginning of period	685	699
Cash and bank at end of period	259	685

Accounting principles for the parent company

The financial statements of the parent company, Wärtsilä Corporation, have been prepared in accordance with the provisions of the Finnish Accounting Standards (FAS).

The preparation of the financial statements requires management, in compliance with the regulations in force and good accounting practice, to make estimates and assumptions that affect the measurement and timing of the reported information. Actual results may differ from these estimates.

Transactions denominated in foreign currencies and derivatives

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Exchange gains and losses related to business operations are treated as adjustments to other operating income and operating expenses. Exchange gains and losses related to financing operations are entered under financial income and expenses.

Derivatives are measured at fair value. Open currency derivatives, including interest components, are valued at the balance sheet date. The fair value of interest rate swaps is calculated by discounting the future cash flows. Derivative changes in fair value are immediately recognised in financial income or expenses in the statement of income.

Research and development costs

Research and development costs are expensed in the financial period in which they occur.

Receivables

Receivables are valued to acquisition cost or to a lower probable value.

Revenue recognition

Net sales consist of service charges to Group companies. Revenue is recognised for the period during which the service is performed. Previously Group service charges were presented in other income. The new way of presenting has no effect on the operating result or the result for the financial period.

Fixed assets and depreciation and amortisation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation and amortisation. Certain land areas also include revaluations.

Depreciation and amortisation is based on the following useful lives:

Other long-term expenditure	3-10 years
Buildings	20-40 years
Machinery and equipment	5-20 years

Leasing

Lease payments are treated as rentals.

Provisions

Provisions in the balance sheet comprise those items which the company is committed to covering either through agreements or otherwise, but which are not yet realised. Changes to provisions are included in the income statement.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, as well as adjustments to taxes in prior years.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

Notes to the parent company financial statements

1. OTHER OPERATING INCOME

MEUR	2022	2021
Rental income	3	3
Re-invoicing to Group companies	18	20
Profit on sales of fixed assets	1	1
Other	1	
Total	22	23

Due to a change in the way of presentation, EUR 86 million has been transferred from other operating income to net sales in the comparison period figures.

2. PERSONNEL EXPENSES

MEUR	2022	2021
Wages and salaries	-38	-38
Pension costs	-6	-6
Other compulsory personnel costs	-1	-1
Total	-45	-45

Salaries and remunerations paid to senior management

Salaries and remunerations paid to the President and CEO and members of the Board of Directors was EUR 3 million (2).

The President and CEO has the right to retire at the age of 63 years. The members of the Board of Management are entitled to retire on reaching the statutory retirement age. One member of the Board of Management is entitled to retire earlier, on reaching 60 years of age.

The company's Board of Directors decides the remunerations of the President and CEO and his immediate subordinates.

Additional information on Management remuneration can be found in Consolidated Financial Statements Note 7.2. Related party disclosures.

Personnel on average during the year was 380 (382).

3. DEPRECIATION AND AMORTISATION

MEUR	2022	2021
Depreciation and amortisation according to plan		
Other long-term expenditure	-2	-2
Machinery and equipment	-2	-2
Total depreciation according to plan	-3	-4
Tax depreciations	-3	-4
Depreciation difference		
Depreciation difference on 1 January		1
Depreciation difference on 31 December		

4. FINANCIAL INCOME AND EXPENSES

MEUR	2022	2021
Dividend income		
From Group companies	201	211
Total	201	211
Other interest income		
From Group companies	29	18
From other companies	2	1
Total	31	19
Other financial income		
From Group companies	28	8
From other companies	44	9
Total	72	16
Exchange gains and losses		7
Interest expenses		

To Group companies	-12	-3
To other companies	-7	-8
Total	-18	-11
Other financial expenses		
To Group companies	-47	-13
To other companies	-14	-3
Total	-61	-16
Financial income and expenses, total	223	226

5. INCOME TAXES

MEUR	2022	2021
Income taxes		
For the financial period	-1	-6
Total	-1	-6

6. FIXED ASSETS

Intangible assets

MEUR	Other long-term expenditures	Intangible assets and construction in progress	2022	2021
Acquisition cost on 1 January	113	3	116	118
Additions	4	2	6	2
Disposals		-3	-3	-4
Acquisition cost on 31 December	117	2	118	116
Accumulated amortisation on 1 January	-107		-107	-109
Accumulated amortisation on disposals and other changes				4
Amortisation during the financial period	-2		-2	-2
Accumulated amortisation on 31 December	-109		-109	-107

Carrying amount on 31 December 2022	8	2	10
Carrying amount on 31 December 2021	6	3	9

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery, equipment and other tangible assets	2022	2021
Acquisition cost on 1 January	2	1	11	14	15
Additions					
Disposals					-1
Acquisition cost on 31 December	2	1	11	12	14
Accumulated depreciation on 1 January		-1	-6	-7	-6
Amortisation during the financial period			-2		-2
Accumulated depreciation on 31 December		-1	-8	-9	-7
Carrying amount on 31 December 2022	2	0	3	5	
Carrying amount on 31 December 2021	2		4		7

Shares and securities

MEUR	Shares in Group companies	Shares in other companies	2022	2021
Acquisition cost on 1 January	950	2	952	951
Acquisition cost on 31 December	950	2	952	952
Carrying amount on 31 December 2022	950	2	952	
Carrying amount on 31 December 2021	950	2		952

7. NON-CURRENT RECEIVABLES

MEUR	2022	2021
Receivables from Group companies		
Loan receivables		90
Total		90

8. CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2022	2021
Trade receivables	43	50
Loan receivables	2,084	1,693
Derivatives	33	29
Other receivables	12	3
Prepaid expenses and accrued income	7	1
Total	2,179	1,776

9. PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2022	2021
Derivatives	33	16
Other	6	5
Total	38	22

10. SHAREHOLDERS' EQUITY

MEUR	2022	2021
Share capital		
Share capital on 1 January	336	336
Share capital on 31 December	336	336
Share premium reserve		
Share premium reserve on 1 January	61	61
Share premium reserve on 31 December	61	61

Reserve for own shares		
Reserve for own shares on 1 January	-18	
Reserve for own shares on 31 December	-18	-18
Retained earnings		
Retained earnings on 1 January	1,044	974
Dividends paid	-142	-118
Result for the financial period	197	188
Retained earnings on 31 December	1,099	1,044
Total shareholders' equity	1,478	1,423
Distributable equity	1,081	1,026

On 31 December 2022, the number of own shares held by Wärtsilä Corporation was 1,700,000 (1,700,000) and the book value of these shares was EUR 18 million (18).

11. LIABILITIES

MEUR	2022	2021
Non-current		
Interest-bearing	516	694
Non-interest-bearing	2	1
Total	519	695
Current		
Interest-bearing	1,355	1,317
Non-interest-bearing	116	100
Total	1,471	1,416

Debt with maturity profile

MEUR	2022	2021
Loans from financial institutions:	682	763

Current		
<1 year	166	70
Long-term		
1-5 years	470	589
>5 years	47	104
Total	682	763

12. ACCRUED EXPENSES AND DEFERRED INCOME

MEUR	2022	2021
Derivatives	17	23
Personnel costs	11	12
Interest and other financial items	3	2
Other	4	4
Total	34	40

13. LIABILITIES TO GROUP COMPANIES

MEUR	2022	2021
Trade payables	19	22
Other current liabilities	1,189	1,247
Derivatives	46	23
Accrued expenses and deferred income	3	2
Total	1,258	1,294

14. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

2022

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing receivables from Group companies				
Derivatives		26	26	26
Derivatives from Group companies		2	2	2
Other receivables				
Current financial assets				
Interest-bearing receivables from Group companies	2,084		2,084	2,084
Trade receivables				
Trade receivables from Group companies	43		43	43
Derivatives		33	33	33
Derivatives from Group companies		31	31	31
Other receivables from Group companies	14		14	14
Cash equivalents				
Cash and bank	259		259	259
Carrying amount by category	2,400	92	2,492	2,492
Non-current financial liabilities				
Interest-bearing debt	516		516	502
Derivatives		1	1	1
Derivatives from Group companies		25	25	25
Current financial liabilities				
Interest-bearing debt	166		166	166
Interest-bearing debt to Group companies	1,189		1,189	1,189
Trade payables	10		10	10
Trade payables to Group companies	19		19	19
Derivatives		17	17	17
Derivatives to Group companies		21	21	21
Other liabilities	3		3	3
Other liabilities to Group companies	1		1	1
Carrying amount by category	1,904	64	1,968	1,954

2021

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing receivables from Group companies	90		90	90
Derivatives		1	1	1
Derivatives from Group companies		7	7	7
Other receivables				
Current financial assets				
Interest-bearing receivables from Group companies	1,693		1,693	1,693
Trade receivables from Group companies	50		50	50
Derivatives		16	16	16
Derivatives from Group companies		22	22	22
Other receivables from Group companies	2		2	2
Cash equivalents	276		276	276
Cash and bank	409		409	409
Carrying amount by category	2,519	45	2,565	2,565
Non-current financial liabilities				
Interest-bearing debt	694		694	694
Derivatives		9	9	9
Derivatives to Group companies		3	3	3
Current financial liabilities				
Interest-bearing debt	70		70	70
Interest-bearing debt to Group companies	1,247		1,247	1,247
Trade payables	10		10	10
Trade payables to Group companies	22		22	22
Derivatives		14	14	14
Derivatives to Group companies		20	20	20
Other liabilities	2		2	2
Carrying amount by category	2,044	45	2,089	2,089

Information on the fair value hierarchy and valuation principle can be found in Consolidated Financial Statements Note 5.2. Financial assets and liabilities by measurement category.

15. DERIVATIVE FINANCIAL INSTRUMENTS

2022

MEUR	With external financial institutions	With Group companies	2022
Nominal values of derivative financial instruments			
Currency forwards, transaction risk	1,657	2,095	3,752
Interest rate swaps	205	125	330
Cross currency swaps	142		142
Total			4,224
Fair values of derivative financial instruments (level 2)			
Currency forwards, transaction risk	22	7	29
Interest rate swaps	26	-20	6
Cross currency swaps	-6		-6
Total			29

2021

MEUR	With external financial institutions	With Group companies	2021
Nominal values of derivative financial instruments			
Currency forwards, transaction risk	2,053	2,042	4,095
Interest rate swaps	408	130	538
Cross currency swaps	153		153
Total			4,787
Fair values of derivative financial instruments (level 2)			
Currency forwards, transaction risk	2	4	6
Interest rate swaps	-4	2	-2
Cross currency swaps	-5		-5
Total			

Foreign currency forward contracts are against transactional risks and are matched against the hedged cashflows. Interest rate swaps are denominated in euros and the average interest-bearing period for external

contracts is 74 (52) months and 107 (113) months for intragroup contracts. The average maturity for cross currency swaps is 16 (31) months.

16. FINANCIAL RISKS

General

Wärtsilä has a centralised Group Treasury with two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies. The Group Treasury is organisationally within the parent company.

The details about the management of the Group's financial risks are in Note 5.8. of the Consolidated Financial statements. As the Group's liquidity and interest rate risks are managed at the parent company level, the Group reporting applies fully to the parent company.

Foreign exchange risk

Operative foreign currency risks are followed and hedged at the subsidiary level. The Group Treasury acts as a counterparty to these hedges, if that is allowed by local regulations. To enable netting of intragroup currency flows and to reduce the amount of external transactions the Group Treasury is allowed to have minor unhedged exposures in different currencies. Any gains/losses from the Group Treasury's operations are booked directly into the financial items and we do not expect any material foreign exchange gains/losses from the Group Treasury's operations.

17. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2022	2021
Guarantees and contingent liabilities		
On behalf of Group companies	4,667	4,162
Total	4,667	4,162
Future nominal lease payments		
Payable within one year	4	4
Payable after one year	20	23
Total	24	27

18. RELATED PARTY LOANS AND OTHER COMMITMENTS

There are no loans receivables from senior management and the members of the Board of Directors. No pledges or other commitments were given on behalf of senior management or shareholders. In Note 7.2. in Consolidated Financial Statements, related party disclosures are specified. Related parties comprise the Board of Directors, the President and CEO, the Board of Management, as well as the associated companies and joint ventures. In Notes 8 and 13 in parent company financial statements, receivables and liabilities from Group companies are specified.

19. AUDITORS' FEES AND SERVICES

In 2022, the AGM appointed the audit firm PricewaterhouseCoopers Oy as Wärtsilä Corporation's auditor.

The following fees were paid to auditors and accounting firms for audits and other services.

Auditors' fees

TEUR	2022	2021
Audit	669	340
Tax advisory	19	3
Other services	33	201
Total	721	544

PROPOSAL OF THE BOARD

The parent company's distributable funds total EUR 1,080,636,552.76, which includes EUR 196,530,548.11 in net profit for the year. There are 590,023,390 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting that the company's distributable earnings be disposed of in the following way:

EUR

A dividend of EUR 0.26 per share be paid, making a total of	153,406,081.40
That the following sum be retained in shareholders' equity	927,230,471.36
Totalling	1,080,636,552.76

The dividend shall be paid in two instalments. The first instalment of EUR 0.13 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the dividend record date of 13 March 2023. The payment day proposed by the Board for this instalment is 20 March 2023.

The second instalment of EUR 0.13 per share shall be paid in September 2023. The dividend record day of the second instalment shall be 13 September 2023 and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on such day. The Board proposes the second instalment is paid on 20 September 2023.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Helsinki, Finland, 30 January 2023

Tom Johnstone

Risto Murto

Karen Bomba

Morten H. Engelstoft

Karin Falk

Johan Forssell

Mats Rahmström

Tiina Tuomela

Håkan Agnevall, President and CEO

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Wärtsilä Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Wärtsilä Corporation (business identity code 0128631-1) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

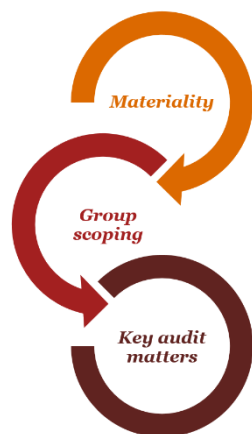
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7.3 to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of € 16 million.
- The group audit scope included Wärtsilä Corporation parent company and all significant operating companies, as well as a large number of smaller companies, covering the vast majority of revenues, assets and liabilities.
- Revenue recognition of long-term contracts
- Valuation of goodwill
- Valuation of trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the

consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 16 million (prior year € 18 million)
How we determined it	5 % of profit before tax (normalised five-year average)
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, the performance of the Group is most commonly measured by using this criteria, and it is a generally accepted benchmark. We chose 5 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Group and the size, complexity and risk of individual subsidiaries. Using this criteria we selected companies and accounts into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group

How our audit addressed the key audit matter

Revenue recognition of long-term contracts

Refer to the consolidated financial statements note 2.2.

The group has significant revenue from construction contracts and long-term operating and maintenance agreements. These long-term contracts are often complex customised solutions and meet the definition for revenue recognition over time in accordance with IFRS 15.

Revenue related to these construction contracts and long-term operating and maintenance agreements is recognised using the percentage of completion method, where progress is determined by comparing actual costs incurred to date, with the total estimated costs of the project. Revenue recognition for long-term contracts includes management judgment in a form of estimates, which are subject to management experience and expectations of future events. The most

Our revenue testing included both testing of the company's controls, as well as substantive audit procedures targeted at selected major long-term projects. Our substantive testing focused on estimates applied by management in the accounting.

Our procedures included, among others things, the following:

- Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement;
- Agreed the total project revenue estimates to sales agreements, including amendments as appropriate;
- We obtained an understanding of the processes and tested relevant controls, which impact the revenue recognition;
- We assessed the reliability of management's estimates by comparing the actual results of delivered projects to previous estimates;

important judgment relates to the estimated total costs of the project. Revenue recognition of long-term contracts is a key audit matter in the audit due to the high level of management judgement involved in the project estimates.

- We challenged the management estimates and assumptions in projects, which were considered to include specific risk factors; and
- Recalculated the revenue based on the stage of completion of the projects. Ensured that the stage of completion is correct by comparing actual costs per the company's accounting records to the estimated total costs of the projects.

Valuation of goodwill

Refer to the consolidated financial statements note 3.1.

Goodwill is one of the most significant balance sheet items and amounts to € 1 288 million. The determination and whether an impairment charge is required involves significant management judgement, including identifying on which cash generating unit level the goodwill is tested and estimating the future performance of the business and the discount rate applied to these future cash flows.

Valuation of goodwill is a key audit matter in the audit due to the size of the goodwill balance and the high level of management judgement involved.

Our audit focused on assessing the reasonableness of the determination of cash generating units, which forms the basis for the goodwill impairment testing and assessing the appropriateness of management's judgments and estimates used in the goodwill impairment analysis. Our procedures relating to the impairment analysis included the following:

- We tested the methodology applied in the goodwill impairment analysis as compared to the requirements of IAS 36, Impairment of Assets;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved targets and long term plans;

- We tested the key underlying assumptions for the cash flow forecasts, including sales and profitability forecasts, discount rate used and the implied growth rates beyond the forecasted period;
- We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; and
- We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions.

Valuation of trade receivables

Refer to the consolidated financial statements note 4.2.

Net trade receivables amount to € 1 113 million, including an impairment provision of € 88 million. The trade receivables include € 11 million long-term trade receivables.

Trade receivables are recognised at their anticipated realisable value,

For trade receivables and the management's estimations for trade receivables impairment provision, our key audit procedures included the following:

- We obtained trade receivables balance confirmations;
- We analysed the aging of trade receivables; and
- We obtained a list of long outstanding receivables and assessed the recoverability of these

which is the original invoiced amount less an estimated valuation allowance. Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivable balance and the high level of management judgement used in determining the impairment provision.

through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an

intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 2 March 2017. Our appointment represents a total period of uninterrupted engagement of six years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable funds is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 6 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

Independent Auditor's Reasonable Assurance Report on Wärtsilä Oyj Abp's ESEF Financial Statements

To the Management of Wärtsilä Oyj Abp

We have been engaged by the Management of Wärtsilä Oyj Abp (business identity code 0128631-1) (hereinafter also "the Company") to perform a reasonable assurance engagement on the Company's consolidated IFRS financial statements for the financial year 1 January - 31 December 2022 in European Single Electronic Format ("ESEF financial statements").

Management's Responsibility for the ESEF Financial Statements

The Management of Wärtsilä Oyj Abp is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF requirements"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires

the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company's preparation of the ESEF financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, Wärtsilä Oyj Abp ESEF financial statements for the financial year ended 31 December 2022 comply, in all material respects, with the minimum requirements as set out in the ESEF requirements



Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Wärtsilä Oyj Abp for our work, for this report, or for the opinion that we have formed.

Helsinki 6 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

Wärtsilä in the capital markets

SHARES AND SHAREHOLDERS

Wärtsilä Corporation's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code WRT1V. At the end of the financial period 2022, the number of Wärtsilä's shares outstanding totalled 590,023,390, while the number of treasury shares totalled 1,700,000. The total number of shares amounted to 591,723,390. The share capital entered in the trade register was EUR 336,002,138.50. Wärtsilä has one share series, with each share entitling its holder to one vote at the General Meeting and to an equal dividend.

Trading in Wärtsilä's shares in 2022

The price of Wärtsilä's share on Nasdaq Helsinki decreased by 36.5%, while the OMX Helsinki Industrials and the OMX Helsinki Cap indices decreased by 22.3% and 16.2%, respectively. The highest quoted price for Wärtsilä's share during the financial period was EUR 13.22 and the lowest EUR 6.36. The closing price on 31 December 2022 was EUR 7.87. The volume weighted average price for the year was EUR 8.53. At year-end, Wärtsilä's market capitalisation was EUR 4,656 million. The volume of trades on Nasdaq Helsinki was 450,340,633 shares, equivalent to a turnover of 3,836 million. Wärtsilä's shares are also traded on alternative exchanges, including Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges amounted to 191,990,738 shares. Further information on the company's share price development can be found on Wärtsilä's website at www.wartsila.com/investors/shares.

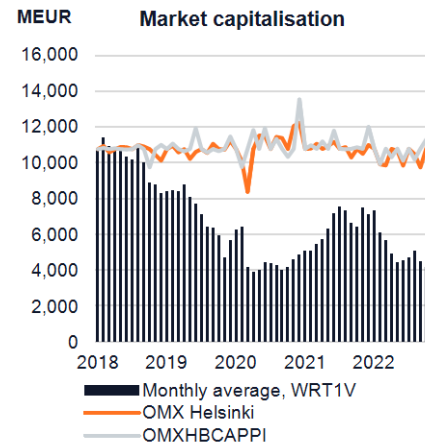
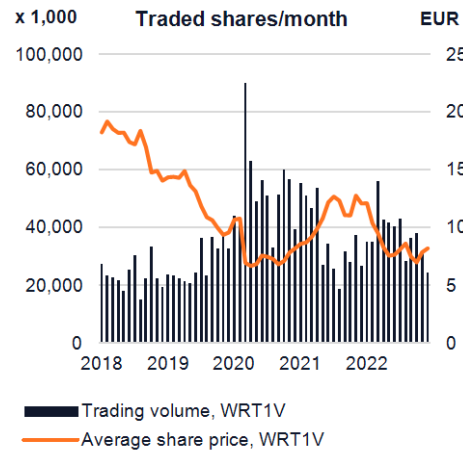
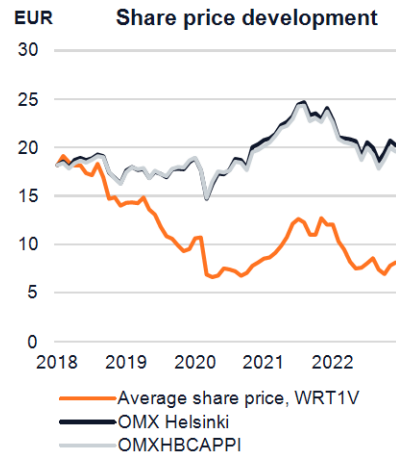
KEY FIGURES FOR WÄRTSILÄ SHARE

		2022	2021	2020	2019	2018
Basic earnings per share (EPS)	EUR	-0.11	0.33	0.23	0.37	0.65
Book value of equity per share	EUR	3.62	3.92	3.68	4.05	4.09
Dividend per share	EUR	0.26*	0.24	0.20	0.48	0.48
Dividend per earnings	%	-234.9*	73.2	88.2	130.8	73.7
Dividend yield	%	3.3*	1.9	2.5	4.9	3.5
Price per earnings (P/E)		-71.5	37.5	35.4	26.6	21.4
Price to book value (P/BV)		2.2	3.2	2.2	2.4	3.4
Adjusted number of shares outstanding	X 1,000					
End of financial year		590,023	590,023	591,723	591,723	591,723
On average		590,023	590,579	591,723	591,723	591,723

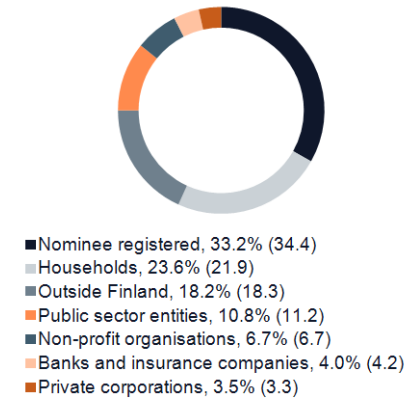
* Proposal of the Board of Directors

WÄRTSILÄ SHARES ON NASDAQ HELSINKI

		2022	2021	2020	2019	2018
Trading volume	MEUR	3,836	4,561	4,865	3,947	4,754
Number of shares traded	X 1,000	450,341	433,886	635,450	333,484	278,938
Stock turnover	%	61.7	70.0	104.6	55.0	47.1
Share price, high	EUR	13.22	13.87	12.00	15.56	19.88
Share price, low	EUR	6.36	7.78	5.01	8.78	12.75
Average share price	EUR	8.53	10.51	7.66	11.82	17.04
Share price at year-end	EUR	7.87	12.36	8.15	9.85	13.90
Year-end market capitalisation	MEUR	4,656	7,314	4,823	5,828	8,222



**Ownership structure
31 December 2022**



Shareholders

Wärtsilä had 119,379 shareholders at the end of the financial period 2022. Foreign shareholding, including nominee registered shares, represented 51.4% (52.7) of the total shareholder base at the end of the period, while Finnish retail investors represented 23.6% (21.9). Investors in Sweden, the United States, and the United Kingdom held the largest percentage of foreign shares. Further information on the company's shareholder base development can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2022

Group	Number of shareholders	%	Number of shares	%
Private corporations	3,662	3.1	20,764,953	3.5
Banks and insurance companies	121	0.1	23,647,273	4.0
Public sector entities	38	0.0	63,659,363	10.8
Non-profit organisation	943	0.8	39,615,715	6.7
Households	114,035	95.5	139,819,964	23.6
Outside Finland	580	0.5	107,793,819	18.2
Nominee registered			196,422,303	33.2
Total	119,379	100.0	591,723,390	100.0

DIVISION OF SHARES ON 31 DECEMBER 2022

Number of shares	Number of shareholders	%	Number of shares	%
1-100	40,588	34.0	1,813,758	0.3
101-1,000	54,498	45.7	21,649,869	3.7
1,001-10,000	21,646	18.1	63,449,189	10.7
10,001-100,000	2,449	2.1	58,527,605	9.9
100,001-1,000,000	177	0.2	46,190,032	7.8
1,000,001-10,000,000	23	0.0	53,728,456	9.1
10,000,001-100,000,000	2	0.0	45,504,755	7.7
100,000,001-	1	0.0	104,711,363	17.7
Nominee registered			196,422,303	33.2
Total	119,379	100.0	591,723,390	100.0

WÄRTSILÄ'S 50 MAJOR SHAREHOLDERS ON 31 DECEMBER 2022, EXCLUDING NOMINEE REGISTERED

Owner	Shares	%
1 Invaw Invest AB	104,711,363	17.7
2 Varma Mutual Pension Insurance Company	31,768,252	5.4
3 Ilmarinen Mutual Pension Insurance Company	15,736,503	2.3
4 Elo Mutual Pension Insurance Company	6,898,000	1.2
5 The Social Insurance Institution of Finland	5,517,730	0.9
6 Svenska litteratursällskapet i Finland rf	5,171,277	0.9
7 State Pension Fund	4,700,000	0.8
8 Holdix Oy Ab	4,139,400	0.7
9 Jenny and Antti Wihuri Foundation	2,700,000	0.5
10 Sigrid Jusélius Foundation	2,374,505	0.4
11 The Finnish Cultural Foundation	2,314,192	0.4
12 Nordea Pro Finland Fund	1,853,007	0.3
13 Wärtsilä Corporation	1,700,000	0.3
14 Oy Ingman Finance Ab	1,640,000	0.3
15 Holding Manutas Oy	1,560,000	0.3
16 Rantanen Tuula Anneli	1,523,798	0.3
17 Samfundet Folkhälsan i Svenska Finland rf	1,434,600	0.2

18 Sijoitusrahasto Evli Eurooppa	1,363,378	0.2
19 The Signe and Ane Gyllenberg foundation	1,165,000	0.2
20 Louise och Göran Ehrnrooth Stiftelse	1,143,642	0.2
21 Bergsrådninnan Sophie von Julins Stiftelse	1,129,518	0.2
22 Sijoitusrahasto Seligson & Co	1,125,542	0.2
23 Brita Maria Renlund Foundation	1,116,700	0.2
24 Becasse AS	1,098,891	0.2
25 Säästöpankki Kotimaa -sijoitusrahasto	1,035,676	0.2
26 Folkhälsans i Svenska Finland rf Inez och Julius Polins Fond	1,023,600	0.2
27 Maa- ja Vesitekniikan Tuki ry	1,000,000	0.2
28 Nordea Henkivakuutus Suomi Oy	850,157	0.1
29 Gripenberg Gerda Margareta Lindsay Db	840,000	0.1
30 Stockmann Marita	813,678	0.1
31 Sijoitusrahasto Aktia Capital	800,000	0.1
32 Von Julin Sofia Margareta DB	758,000	0.1
33 OP Finland Index	755,431	0.1
34 Nordea Finnish Passive Fund	754,513	0.1
35 Security Trading Oy	750,000	0.1
36 OP-Henkivakuutus Oy	736,854	0.1
37 William Thuring's Stiftelse Sr	724,550	0.1
38 Oppiva Invest Oy	680,300	0.1
39 Folkhälsans Forskningsstiftelse – Kansanterveyden tutkimussäätiö	639,404	0.1
40 Nordea Premium Asset Management Balanced Fund	638,619	0.1
41 Nordea Premium Asset Management Moderate Fund	622,932	0.1
42 Laakkonen Mikko Kalervo	608,000	0.1
43 Markkola Leena	558,000	0.1
44 Ella and Georg Ehrnrooth Foundation	553,161	0.1
45 Barry Staines Linoleum Oy	540,000	0.1
46 S-Bank Fenno Equity Fund	522,470	0.1
47 Anne-Marie Elisabeth Hammaren Vacenine C Aussin De Perceval	498,840	0.1
48 Nordea Bank Abp	488,417	0.1
49 Von Fieandt Berndt Johan	488,146	0.1
50 Oy Julius Tallberg Ab	482,050	0.1
Total	220,528,096	37.3

Changes in ownership

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings when crossing predefined thresholds. The table to the right summarises the flagging notifications received by Wärtsilä during 2022. Further information can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders/flaggings.

Management holdings

The members of the Board of Directors, the President & CEO, and the corporations under their control, owned altogether 302,097 shares in Wärtsilä Corporation at the end of 2022, which represents 0.05% of the stock and voting rights. Further details on the Board of Directors' and Board of Management's ownership of Wärtsilä's shares can be found in the Governance section.

Authorisations granted to the Board of Directors

The Annual General Meeting, held on 3 March 2022, authorised the Board of Directors to resolve to repurchase a maximum of 57,000,000 shares in the Company. Shares may be repurchased also otherwise than in proportion to the shareholders' holding in the Company. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the decision by the Annual General Meeting.

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company's incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the

CHANGES IN OWNERSHIP – FLAGGING NOTIFICATIONS

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2022	BlackRock, Inc.	Above 5%	4.81%	5.01%
23.2.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
8.4.2022	BlackRock, Inc.	Above 5%	4.86%	5.00%
11.4.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
28.4.2022	BlackRock, Inc.	Above 5%	4.88%	5.04%
2.5.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
4.5.2022	BlackRock, Inc.	Above 5%	4.83%	5.01%
21.6.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
17.10.2022	BlackRock, Inc.	Above 5%	4.86%	5.03%

decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 4 March 2021 to issue shares.

The Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 0.26 euro per share be paid for the financial year 2022. The dividend will be paid in two instalments of 0.13 euro each.

WÄRTSILÄ'S INVESTOR RELATIONS ACTIVITIES

Meetings and events

Wärtsilä's Investor Relations (IR) team, consisting of the CEO, CFO, Vice President for Investor Relations, Investor Relations Senior Manager, and Investor Relations Specialist, participated in several individual and group meetings with investors during the year 2022. The team also maintained regular contact with equity research analysts throughout the year and organised roadshows and participated in conferences in the UK, USA, Sweden, and France.

During 2022, quarterly "mid-quarter" and "pre-silent" calls were organised with the CEO and CFO. The purpose of these calls was to democratise investor relations, share information and provide equal access to management. The quarterly calls were equally open

for everyone, including household investors. The recordings along with a written summary of the calls were shared on Wärtsilä's IR website afterwards.

In addition, a virtual sustainability event for investors was held in January and in June investors were invited to join the opening of the new Sustainable Technology Hub in Vaasa. Recordings and written summaries of both events were shared on Wärtsilä's IR website.

Investor Relations also produced an internal IR report twice a quarter with the aim to share market feedback for Wärtsilä's board, management and personnel.

Contacts

Relations with the company's investors and analysts are handled by Hanna-Maria Heikkinen, Vice President, Investor Relations, together with the Investor Relations team. General enquiries can be sent to investor.relations@wartsila.com. Janine Tournier, Executive Assistant takes care of all investor meeting requests.

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WÄRTSILÄ'S INVESTOR RELATIONS GUIDELINES

The ultimate objective of Wärtsilä's Investor Relations is to produce accurate, sufficient, and up-to-date information regarding the development of Wärtsilä's business operations, strategy, markets, and financial position. This is to ensure that the capital markets have the relevant information concerning Wärtsilä in order to determine the fair value of the company's shares. To achieve this objective, Wärtsilä publishes annually two interim reports, a half-year financial report, a financial statements bulletin, an annual

report, and stock exchange releases. Furthermore, Wärtsilä's management conducts regular discussions with analysts and investors, both in Finland and abroad. Wärtsilä's website serves as an archive for all current and historical data on factors affecting the value of its shares.

Prospects

Guidance on Wärtsilä's prospects is published in the financial statements bulletin, in the half-year financial report, and in the interim reports. The most recently published prospect statement is repeated in the annual report. The prospect statement consists of expectations regarding demand development in Wärtsilä's markets and is approved by the Board of Directors. Wärtsilä does not publish quarterly result forecasts. Should there be a change in business circumstances that could affect the prospects, Wärtsilä will publish the prospect changes in accordance with prevailing regulations.

Analyst reports

Wärtsilä will review, upon request by an analyst, his or her earnings model or report only for factual accuracy, or for information that is in the public domain. Wärtsilä does not comment on, or take any responsibility for, estimates or forecasts published by capital market representatives.

Silent period

Wärtsilä observes a three-week silent period preceding the publication of its results to prevent the revealing of unpublished financial information. During this period, the company's representatives do not meet with investors or analysts or comment on its financial position.

Disclosure policy and financial communications

Wärtsilä discloses information on its targets, financial position, and business operations in an open, timely, truthful, and systematic manner so as to enable stakeholders to form a true and fair view of the company. Wärtsilä publishes stock exchange releases, press releases, and trade press releases. Wärtsilä's subsidiaries publish press releases with local relevance.

Matters that contain inside information and may have a material impact on the value of the company's financial instruments are published as stock exchange releases. Press releases contain information on events relating to Wärtsilä's normal business operations, which are assessed to be of general interest for investors and media. Releases to the trade press provide more detailed information on Wärtsilä's products and technologies. All stock exchange releases are published in Finnish and English. Press releases are published in English and can also be published in Finnish. Trade press releases are published in English, and local releases in the local language. All releases are available on Wärtsilä's website immediately following publication.

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Wärtsilä Corporation will take place on Thursday, 9 March 2023, at 3 p.m., at Messukeskus, Messuaukio 1, 00520 Helsinki, Finland (Messukeskus Siipi entrance).

Right to attend

Shareholders registered no later than 27 February 2023 in the company's list of shareholders maintained by Euroclear Finland Oy have the right to attend the Annual General Meeting.

Registration and advance voting

Shareholders wishing to attend the Annual General Meeting are required to inform the company thereof no later than 4 p.m. on 6 March 2023 either on the company's website www.wartsila.com/agm_register, by e-mail to agm@innovatics.fi, by regular mail to Innovatics Ltd, AGM/Wärtsilä, Ratamestarinkatu 13 A, 00520 Helsinki, Finland, or by phone +358 10 2818 909 from Monday to Friday at 9 a.m. – 12 noon and 1 – 4 p.m. EET.

Letters and e-mails informing of participation must reach the company before the notification period expires at 4 p.m. on 6 March 2023. Letters authorising a proxy to exercise a shareholder's voting right at the Annual General Meeting should also reach the company before the notification period expires.

PAYMENT OF DIVIDEND

The Board of Directors proposes that a dividend of EUR 0.26 per share be paid for the financial year 2022. The dividend shall be paid in two instalments.

The first instalment of EUR 0.13 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on the dividend record date of

13 March 2023. The payment day proposed by the Board for this instalment is 20 March 2023.

The second instalment of EUR 0.13 per share shall be paid in September 2023. The dividend record day of the second instalment shall be 13 September 2023 and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on such day. The Board proposes the second instalment is paid on 20 September 2023.

STOCK EXCHANGE RELEASES

Wärtsilä's stock exchange releases are available in English and Finnish on Wärtsilä's website at www.wartsila.com/media/news-releases.

FINANCIAL CALENDAR 2023

Annual Report 2022 on Tuesday, 14 February 2023

Interim Report January-March 2023 on Tuesday, 25 April 2023

Half-year Financial Report January-June 2023 on Friday, 21 July 2023

Interim Report January-September 2023 on Tuesday, 31 October 2023

Financial Statements Bulletin January-December 2023 on Wednesday, 31 January 2024

Annual reports, interim reports, half-year reports, and financial statements bulletins are available in English and Finnish on Wärtsilä's website at www.wartsila.com. Wärtsilä's financial calendar can be found on the company's investor pages on www.wartsila.com/investors.

CONTACT US

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WEBSITE

www.wartsila.com

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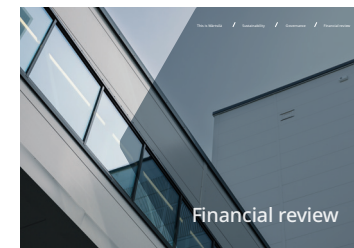
This is Wärtsilä



Sustainability



Governance



Financial review



Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. We emphasise innovation in sustainable technology and services to help our customers continuously improve environmental and economic performance.