Wärtsilä Corporation

Interim report

January–September 2023

Improved profitability, strong cash flow and good development in services

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year.

Highlights from July–September 2023

- Order intake increased by 11% to EUR 1,787 million (1,616), of which organic growth was 18%
- Service order intake increased by 15% to EUR 842 million (732)
- Net sales was stable at EUR 1,452 million (1,433), of which organic growth was 7%
- Book-to-bill amounted to 1.23 (1.13)
- Comparable operating result increased by 53% to EUR 125 million (82), which represents 8.6% of net sales (5.7).
- Operating result increased to EUR 117 million (10), which represents 8.0% of net sales (0.7).
- Basic earnings per share increased to 0.14 euro (0.00)
- Cash flow from operating activities increased to EUR 213 million (100)

Highlights from January–September 2023

- Order intake increased by 18% to EUR 5,214 million (4,436), of which organic growth was 22%
- Service order intake increased by 16% to EUR 2,644 million (2,275)
- Order book at the end of the period increased by 6% to EUR 6,594 million (6,229)
- Net sales increased by 7% to EUR 4,371 million (4,072), of which organic growth was 11%
- Book-to-bill amounted to 1.19 (1.09)
- Comparable operating result increased by 38% to EUR 320 million (232), which represents 7.3% of net sales (5.7)
- Operating result increased by EUR 337 million to EUR 274 million (-62), which represents 6.3% of net sales (-1.5)
- Basic earnings per share increased to 0.28 euro (-0.16)
- Cash flow from operating activities increased to EUR 432 million (-113)

Key figures

MEUR	7–9/2023	7–9/2022	Change	1–9/2023	1–9/2022	Change	2022
Order intake	**1,787**	1,616	11%	**5,214**	4,436	18%	6,074
of which services	**842**	732	15%	**2,644**	2,275	16%	3,066
of which equipment	**946**	884	7%	**2,570**	2,161	19%	3,008
Order book, end of period				**6,594**	6,229	6%	5,906
Net sales	**1,452**	1,433	1%	**4,371**	4,072	7%	5,842
of which services	**762**	664	15%	**2,305**	1,991	16%	2,775
of which equipment	**690**	769	-10%	**2,066**	2,080	-1%	3,067
Book-to-bill	**1.23**	1.13		**1.19**	1.09		1.04
Comparable adjusted EBITA*	**130**	87	49%	**336**	250	34%	349
% of net sales	**8.9**	6.1		**7.7**	6.1		6.0
Comparable operating result	**125**	82	53%	**320**	232	38%	325
% of net sales	**8.6**	5.7		**7.3**	5.7		5.6
Operating result	**117**	10	1123%	**274**	-62		-26
% of net sales	**8.0**	0.7		**6.3**	-1.5		-0.4
Result before taxes	**107**	7	1377%	**245**	-67		-32
Basic earnings/share, EUR	**0.14**	0.00		**0.28**	-0.16		-0.11
Cash flow from operating activities	**213**	100		**432**	-113		-62
Net interest-bearing debt, end of period				**356**	377		481
Gearing				**0.17**	0.18		0.23
Solvency, %				**35.2**	34.5		35.3

*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

Wärtsilä presents certain alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definitions of these alternative performance measures are presented in the Calculations of financial ratios section.

Wärtsilä's prospects

Marine

Wärtsilä expects the demand environment for the next 12 months (Q4/2023-Q3/2024) to be similar to that of the comparison period.

Energy

Wärtsilä expects the demand environment for the next 12 months (Q4/2023-Q3/2024) to be better to that of the comparison period.

Håkan Agnevall, President & CEO: Improved performance in many areas

“The market sentiment remained fairly positive for our businesses during the third quarter of 2023 and we further improved our performance in many areas. Growth in services continued to support our profitability improvement.

In the energy market, the energy and climate policies around the world continue to evolve towards decarbonisation targets, and the mid-term energy transition outlook remains strong. Due to the higher interest rates and gas price volatility uncertainty remains in the overall investment environment, delaying decision-making especially in the engine power plants business. On the other hand, constraints in global and energy-related supply chains have eased considerably, which has had a positive effect especially in battery energy storage. The energy service business continued to develop well. A good example is the ten-year Guaranteed Asset Performance agreement we signed with US utility Omaha Public Power District. Upon activation, the plant will provide dispatchable balancing power as part of the utility's Power with Purpose project. The initiative is designed to add 400 to 600 MW of utility-scale solar generation and 600 MW of balancing natural gas generation.

In the marine market, the sentiment remained positive for Wärtsilä’s key segments. The growing pressure to decarbonise operations continued to drive demand for both newbuild and service. However, capacity limitations at shipyards and increased prices in newbuild continued to dampen the investment appetite in some segments and move the delivery dates of ships further. Good development continued in Marine Power service agreements. We signed, for example, a 15-year Technical Management Agreement with China LNG Shipping (International) Company Ltd that will provide maintenance flexibility for the world’s largest shallow draft LNG carrier. In July, the International Maritime Organisation (IMO) revised its strategy on greenhouse gas emission reductions from ships to be more ambitious. The aim is now at least 20%, striving for 30%, emissions reductions by 2030 and net zero by or around 2050. The clear rise in ambition supports Wärtsilä’s strategy and accelerates our decarbonisation opportunities as shipping companies need to increase investments to decarbonise operations.

In the third quarter, order intake grew organically at 18%, supported by good development both in equipment and services. In Energy segment, equipment order intake decreased with lower volumes in both thermal power plants and energy storage. In the power plants business, some orders have been moving forward. Net sales of the Group grew organically at 7% with solid growth in services and a decline in equipment. The comparable operating result increased by 53% to EUR 125 million with a comparable operating margin of 8.6%, supported by improving margins among many of our businesses. Cash flow from our operating activities also significantly improved.

Wärtsilä continues to lead the decarbonisation journey with a strong commitment to R&D. We have continued to invest in our engine portfolio to be capable of utilising carbon neutral and zero carbon fuels. As already communicated, we will release our ammonia engine product by the end of the year. We are the market leader in hybrid solutions and we are developing fully electric solutions. In both cases battery storage systems are used on ships. During the quarter, we announced that Incat Tasmania has selected Wärtsilä solutions for the world’s first zero emissions lightweight Ro-Pax Ferry. With an overall length of 130 meters, this will also be the biggest battery electric ship ever built. The uniquely designed vessel will be fully battery powered, with e-motor driven Wärtsilä waterjets as the main propulsors.

We expect the demand environment for the coming 12 months to be similar to the comparison period in the Marine (including Marine Power and Marine Systems) business and better than the comparison period in the Energy business. We continue to make steady progress towards our profitability target. As earlier communicated, our profitability during this and the previous year has been burdened by cost inflation, particularly due to projects taken before the acceleration of cost inflation. We have now delivered these projects out of our orderbook. Furthermore, our energy storage business is now profitable (on a 12-month rolling basis) as a result of a successful turnaround. Although partially still at losses, the profitability of the businesses that earlier formed Voyage is also improving, and the turnaround is now on plan. Wärtsilä is a technology leader in the decarbonisation transformation. We are very well positioned for the future and we see that the decarbonisation of marine and energy will continue to generate significant profitable growth opportunities for us.”

Orders, net sales and profitability

MEUR	7–9/2023	7–9/2022	Change	1–9/2023	1–9/2022	Change	2022
Order intake	1,787	1,616	11%	5,214	4,436	18%	6,074
Order book, end of period				6,594	6,229	6%	5,906
Net sales	1,452	1,433	1%	4,371	4,072	7%	5,842
Comparable operating result	125	82	53%	320	232	38%	325
% of net sales	8.6	5.7		7.3	5.7		5.6
Operating result	117	10	1123%	274	-62		-26
% of net sales	8.0	0.7		6.3	-1.5		-0.4

Order intake bridge

MEUR	7–9/2023	1–9/2023
2022	1,616	4,436
Organic	18%	22%
Acquisitions and divestments*	0%	-1%
FX impact	-7%	-4%
2023	1,787	5,214

*Related to American Hydro divestment and exit from Russia

Net sales bridge

MEUR	7–9/2023	1–9/2023
2022	1,433	4,072
Organic	7%	11%
Acquisitions and divestments*	-1%	-1%
FX impact	-4%	-2%
2023	1,452	4,371

Development in July–September

Order intake increased by 11%. Service order intake increased by 15%, driven especially by growth in Marine Power service agreements. Equipment order intake increased by 7%, driven by growth in Marine Power.

Net sales was stable. Service net sales increased by 15%, driven especially by growth in Marine Power. Equipment net sales decreased by 10%, mostly due to lower sales of engine power plants.

The comparable operating result totalled EUR 125 million (82) or 8.6% of net sales (5.7). The comparable operating result growth was supported by good development in services. **The operating result** amounted to EUR 117 million (10) or 8.0% of net sales (0.7). Items affecting comparability amounted to EUR -8 million (-72).

Development in January–September

Order intake increased by 18%. Service order intake increased by 16%, driven by growth in Marine Power and Energy. Equipment order intake increased by 19% driven by growth in Marine Power, Marine Systems and energy storage.

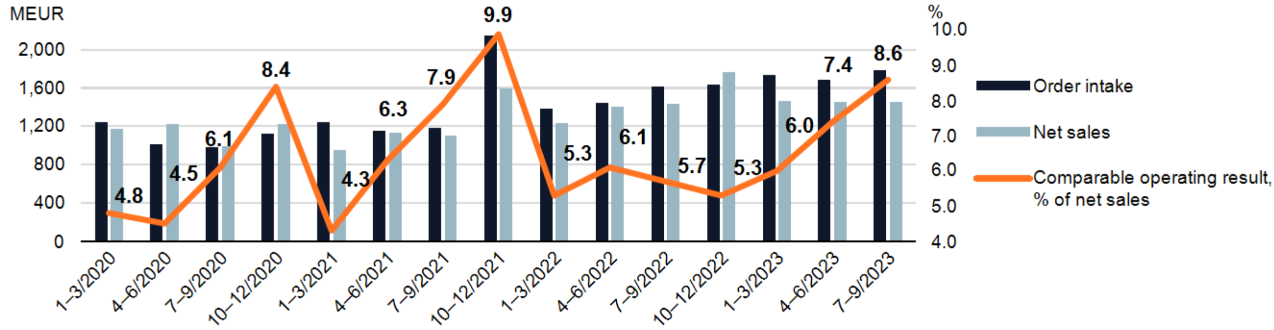
The **order book** at the end of the period increased by 6%. Wärtsilä's current order book for 2023 deliveries is EUR 1,570 million (1,651).

Net sales increased by 7%. Service net sales increased by 16%, driven especially by growth in Marine Power. Equipment net sales was stable, with growth in energy storage and Marine Power and lower sales in engine power plants and Marine Systems. Of Wärtsilä's net sales, approximately 57% was EUR denominated and 29% USD denominated, with the remainder being split between several currencies.

The comparable operating result totalled EUR 320 million (232) or 7.3% of net sales (5.7). Comparable operating result growth was supported especially by an increase in Marine Power but was burdened by a decrease in Marine Systems. The **operating result** amounted to EUR 274 million (-62) or 6.3% of net sales (-1.5). Items affecting comparability amounted to EUR -46 million (-294) of which the largest item was EUR -45 million related to the impairment of goodwill and other non-current assets in the Portfolio Business.

Financial items amounted to EUR -30 million (-5). Net interest totalled EUR -12 million (-8). The result before taxes amounted to EUR 245 million (-67). Taxes amounted to EUR -72 million, implying an effective tax rate of 29.3%. The result for the financial period amounted to EUR 173 million (-87). Basic earnings per share totalled 0.28 euro (-0.16). Return on investments (ROI) was 11.0% (3.5), while the return on equity (ROE) was 9.5% (-0.1).

Quarterly development



Financing and cash flow

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Cash flow from operating activities	**213**	100	**432**	-113	-62
Working capital			**43**	108	179
Net interest-bearing debt, end of period			**356**	377	481
Gearing			**0.17**	0.18	0.23
Solvency, %			**35.2**	34.5	35.3
Equity/share, EUR			**3.60**	3.57	3.62

Development in July–September

Cash flow from operating activities amounted to EUR 213 million (100), the improvement being driven by a better operating result and a good level of received customer payments. Working capital totalled EUR 43 million at the end of the period (134 at the end of previous quarter). Advances received totalled EUR 669 million (680 at the end of previous quarter).

Development in January–September

Cash flow from operating activities totalled EUR 432 million (-113), the improvement being driven by a better operating result and a good level of received customer payments. Working capital totalled EUR 43 million at the end of the period (179 at the end of 2022). Advances received totalled EUR 669 million (527 at the end of 2022).

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 601 million (461 at the end of 2022). Unutilised committed credit facilities totalled EUR 650 million (650 at the end of 2022).

Wärtsilä's net interest-bearing debt totalled EUR 356 million at the end of the period (481 at the end of 2022). The total amount of short-term debt maturing within the next 12 months is EUR 168 million. Long-term loans amounted to EUR 793 million.

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 98 million (107) for the period January–September. Capital expenditure related to acquisitions and investments in securities totalled EUR 0 million (4). Depreciation, amortisation, and impairment amounted to EUR 148 million (207), including depreciation of right of use assets of EUR 37 million (37).

In 2023, capital expenditure related to intangible assets and property, plant, and equipment is expected to be clearly below depreciation, amortisation, and impairment.

Operating environment

Marine

More ambitious greenhouse gas emission target from IMO

Global economic growth in Q3/2023 was limited by the continued efforts to contain inflation with tighter monetary policy. The weaker than expected economic growth in major economies such as China, was partly offset by more positive performance in the United States. However, the wider economic recovery continued to show limited signs of improvement. The growth in seaborne trade was mainly driven by the energy-related sectors and an increase in imports into China. The recovery in passenger traffic volumes continued, and the demand particularly in cruise vacations remained strong.

Capacity limitations at shipyards and increased prices in newbuild continued to dampen the investment appetite in some segments and move the delivery dates of ships further.

Investments in new ships increased with 1356 contracts registered in the review period January-September, compared to the 1095 contracts recorded in January-September of 2022. Mostly because of the changed mix of contracted vessels, the uptake of alternative fuels remained more limited with 316 orders reported, representing 23% (30%) of all contracted vessels and 44% (58%) of vessel capacity.

In July, the International Maritime Organisation (IMO) revised its strategy on greenhouse gas emission reductions from ships to be more ambitious. The aim is now at least 20%, striving for 30%, emissions reductions by 2030 and net zero by or around 2050. As a result, the shipping companies need to increase their investments aimed at decarbonising their operations.

Market sentiment remained positive for Wärtsilä's key segments

In the cruise sector, the demand for new vessel capacity remained limited as cruise lines focused on managing the current order book and deleveraging their business. The demand for service was supported by the continued growth in active fleet capacity, as well as interest in efficiency improvements to comply with regulations and to mitigate cost inflation.

In the ferry sector, newbuild activity is mainly being driven by fleet replacement, which continued to be very limited due to the financial challenges operators faced during recent years and excess capacity in certain markets. The demand for service was supported by seasonal trends, as more vessel capacity was being activated to cater for increased passenger and cargo traffic volumes.

In the offshore sector, higher demand for drilling unit and support vessel capacity has resulted in further fleet reactivations and interest in newbuild units. However, the contracting of more complex and expensive drilling units has been especially limited due to high prices, the cost of finance, the lack of yard capacity, and limited interest in building offshore assets. The demand for services was driven by further increases in utilisation and day rates across the offshore fleet. The demand for offshore wind vessel capacity is being driven by investments in new offshore wind projects that remained clearly up compared to 2022. Demand for service increased seasonally following the increase in the offshore wind vessel fleet's utilisation rates.

In the LNG carrier sector, the demand for newbuild capacity has continued to be driven by further investments in LNG liquefaction capacity, despite demand easing off from the record-levels seen in 2022. The demand for service continued to be driven by the existing fleet operating at full pace, delivering cargoes mostly on long-term contracts.

In the containership sector, the demand for new ships has eased off from the previous record levels. Nevertheless, it has remained healthy due to owners recognising longer-term fleet replacement needs and having the financial capability to continue the wave of fleet replacement. The demand for service was driven by the growing size of operational fleets.

Across all the above sectors, the growing pressure to decarbonise operations supported the demand for both newbuilds and service. This has resulted in investments in additional fleet capacity, direct fleet replacements, fuel conversions or retrofitting, and maintenance activities to keep the existing fleet compliant and competitive.

Energy

Energy transition outlook in the mid-term remains strong

The war in Ukraine and related sanctions have contributed to global cost inflation, price volatility, and exchange rate fluctuations. Central banks have raised interest rates to curb inflation, resulting in slower growth expectations. Nevertheless, over the first nine months of the year, constraints in global and energy-related supply chains have eased considerably. The macroeconomy causes uncertainty in the overall investment environment, delaying decision-making especially in the engine power plants business. On the other hand, the easing constraints in supply chains have had a positive effect especially in battery energy storage. Energy and climate policies around the world continue to evolve towards decarbonisation targets, and the mid-term energy transition outlook remains strong.

At the end of Q3, global natural gas prices were at similar levels compared to those at the beginning of the quarter. The period witnessed significant gas price volatility, showcasing the market's continued sensitivity to disruptions in supply and demand. Still, high inventory levels in Europe offer some resilience for smaller shocks in the gas markets. Commodity prices eased off or were stable for most materials. Inflation remains high but continued on a downward trend in most markets.

Market shares

Wärtsilä’s market share during the last twelve months remained at 13% (13%), as global orders for natural gas and liquid-fuelled power plants decreased by 22% to 10.0 GW during the twelve-month period ending in June 2023 (12.9 GW at the end of December). Global orders include prime movers over 5 MW in size in up to 400 MW gas turbine plants and engine plants of all sizes. The gas turbine data is gathered from the McCoy Power Report and is reported with a one quarter delay due to data availability. Engine data is collected from press releases and Wärtsilä sales teams. Power plant market share reporting was updated in the third quarter to reflect our most relevant markets more accurately. Previously, market shares included gas turbine plants up to 500 MW but did not include non-Wärtsilä engine plants.

Sustainability

With a wide range of technologies and specialised services, Wärtsilä is well positioned to support its customers on their decarbonisation journey, as well as in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. Wärtsilä's aim is to be able to provide a product portfolio ready for zero-carbon fuels by 2030. In addition to promoting the transition to carbon neutrality for its customers, the company's goal is to become carbon neutral in its own operations by 2030.

Enhancing safety, diversity, and wellbeing is also one of Wärtsilä's long-term sustainability focus themes. Safety is a high priority for Wärtsilä, and the company is committed to creating and maintaining a safe and healthy workplace for its employees and partners. Creating an inclusive culture that drives engagement and performance is one of the priorities within the People Strategy. The company is committed to supporting the UN Global Compact and its ten principles with respect to human rights, labour, the environment, and anti-corruption.

Sustainability highlights and performance in Q3 2023

Wärtsilä's future fuel R&D programme is progressing according to plan. The company is developing a concept for utilising ammonia as engine fuel. In addition to engine modifications, the development work for ships also encompasses the technical systems, fuelling, exhaust gas treatment (including carbon capture and storage), and safety aspects.

Decarbonisation of our own operations continued with good progress in the third quarter. Implemented actions include the installation of solar power systems at sites in Italy and Norway, as well as the execution of energy efficiency projects in France and Sweden.

In September, Wärtsilä organised its ninth annual Safety Day, the objective being to increase awareness of workplace ergonomics. Safety performance is closely monitored at Wärtsilä and the long-term goal is to reach zero injuries. For the period from January to September, the corporate total recordable injury frequency rate (TRIF) was 2.49 (2.53 in the corresponding period of 2022).

ESG recognitions

Wärtsilä's ratings in the most relevant sustainable development indices are:

Rating	Scale*	Wärtsilä score	Sector average	Year
FTSE Russell	1 to 5	3.5	2.2	2023
MSCI	CCC to AAA	AAA	AA	2023
CDP	D- to A	Climate B- Water B-	Climate C Water C	2022
Dow Jones**	0 to 100	72***	20	2022

*From lowest to highest **Wärtsilä is listed in DJSI World and DJSI Europe Indices ***Percentile ranking in the sector: 98

Reporting segment: Wärtsilä Marine Power

Key figures

MEUR	7–9/2023	7–9/2022*	Change	1–9/2023	1–9/2022*	Change	2022*
Order intake	**832**	627	33%	**2,208**	1,822	21%	2,515
of which services	**443**	371	20%	**1,352**	1,162	16%	1,593
of which equipment	**389**	256	52%	**856**	659	30%	922
Order book, end of period				**2,577**	2,250	15%	2,273
Net sales	**612**	484	26%	**1,852**	1,488	24%	2,078
of which services	**409**	340	20%	**1,223**	1,006	22%	1,424
of which equipment	**203**	144	41%	**629**	482	30%	653
Comparable operating result	**56**	36	57%	**176**	104	69%	184
% of net sales	**9.1**	7.3		**9.5**	7.0		8.9
Operating result	**49**	-36	237%	**183**	-167		-109
% of net sales	**8.0**	-7.4		**9.9**	-11.2		-5.2

*Restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)

Order intake bridge

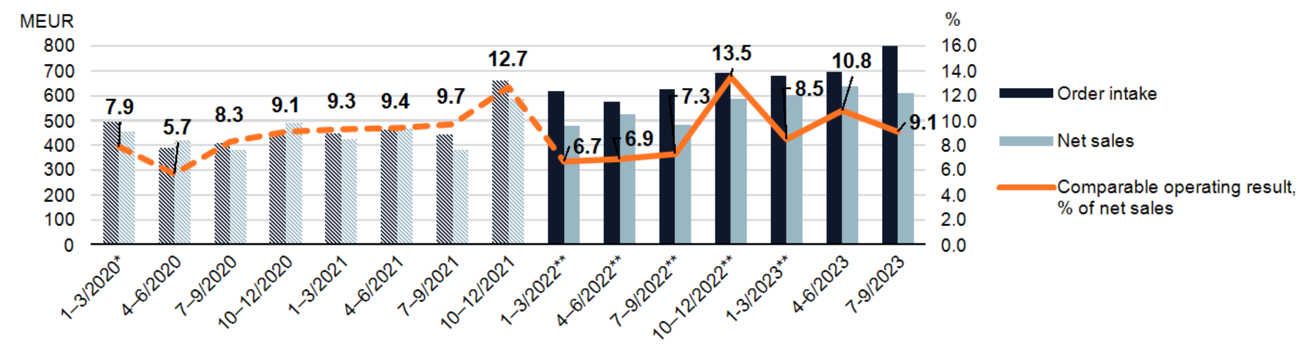
MEUR	7–9/2023	1–9/2023
2022*	**627**	1,822
Organic	**38%**	25%
Acquisitions and divestments**	**0%**	-1%
FX impact	**-6%**	-3%
2023	**832**	2,208

Net sales bridge

MEUR	7–9/2023	1–9/2023
2022*	**484**	1,488
Organic	**31%**	28%
Acquisitions and divestments**	**0%**	-1%
FX impact	**-5%**	-3%
2023	**612**	1,852

*Restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)
**Related to Wärtsilä's exit from Russia.

Quarterly development



*Restated due to changes in organisational structure
**Restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)
Incomparable periods indicated with dashed columns and line

Financial development in July–September

Order intake increased by 33%, mostly driven by improved demand in the cruise segment. Order intake also increased in the offshore segment while orders in the merchant container segment decreased.

Net sales increased by 26%, supported by the cruise and ferry segments, and driven by sales growth in both services and equipment.

The **comparable operating result** amounted to EUR 56 million (36) or 9.1% of net sales (7.3). The result improved due to good service performance and progress in the turnaround of Voyage Services. The margin improvement was partly diluted by lower share of service in the quarter. Price increases have offset cost inflation.

Financial development in January–September

Order intake increased by 21%. Service order intake increased by 16%, driven by the offshore segment. Equipment order intake increased by 30%, with growth mainly in the cruise segment, but also in the navy and offshore segments.

Net sales increased by 24% supported by growth in equipment net sales in the ferry, navy and cruise segments, and by net sales growth in service in the offshore and ferry segments.

The **comparable operating result** amounted to EUR 176 million (104) or 9.5% of net sales (7.0). The result was supported by good service performance and progress in the turnaround of Voyage Services. Items affecting comparability totalled EUR +6 million (-271).

Reporting segment: Wärtsilä Marine Systems

Key figures

MEUR	7–9/2023	7–9/2022*	Change	1–9/2023	1–9/2022*	Change	2022*
Order intake	**139**	89	55%	**520**	332	57%	458
of which services	**56**	56	1%	**173**	161	7%	225
of which equipment	**82**	33	147%	**347**	171	103%	233
Order book, end of period				**570**	499	14%	434
Net sales	**134**	159	-16%	**379**	473	-20%	680
of which services	**52**	52	0%	**168**	153	10%	211
of which equipment	**82**	107	-23%	**210**	320	-34%	468
Comparable operating result	**11**	16	-29%	**12**	45	-75%	60
% of net sales	**8.5**	10.2		**3.0**	9.6		8.9
Operating result	**11**	16	-29%	**11**	39	-72%	53
% of net sales	**8.5**	10.2		**2.8**	8.2		7.7

*Restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business

Order intake bridge

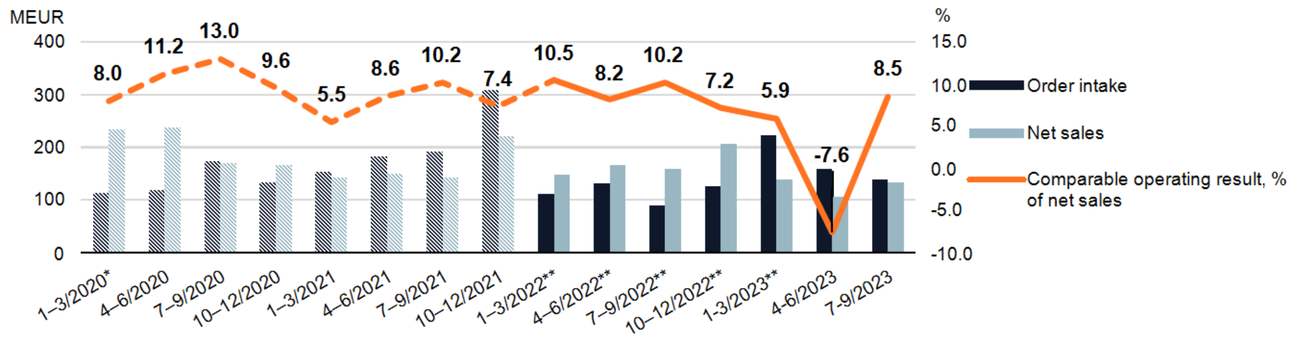
MEUR	7–9/2023	1–9/2023
2022*	**89**	332
Organic	**69%**	71%
Acquisitions and divestments	**0%**	0%
FX impact	**-14%**	-14%
2023	**139**	520

Net sales bridge

MEUR	7–9/2023	1–9/2023
2022*	**159**	473
Organic	**-8%**	-14%
Acquisitions and divestments	**0%**	0%
FX impact	**-8%**	-6%
2023	**134**	379

*Restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business

Quarterly development



*Restated due to changes in organisational structure
**Restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business
Incomparable periods indicated with dashed columns and line.

Financial development in July–September

Order intake increased by 55% driven by good development in gas solutions business. Service order intake was stable compared to the previous year. Equipment order intake increased by 147% driven by the previously mentioned development in gas solutions.

Net sales decreased by 16% driven by decreased equipment sales volumes in gas solutions and exhaust treatment. Service sales remained stable compared to the previous year. Equipment net sales decreased by 23%.

The **comparable operating result** amounted to EUR 11 million (16) or 8.5% of net sales (10.2). The decline in the comparable operating result was driven by lower equipment sales, while the result was supported by the good service performance.

Financial development in January–September

Order intake increased by 57% driven by good development in gas solutions business. Service order intake increased by 7% with good development in all business units. Equipment order intake increased by 103%, driven by the previously mentioned development in gas solutions.

Net sales decreased by 20%, driven by decreased equipment sales volumes in gas solutions and exhaust treatment. Service net sales increased by 10%, with good development in all business units. Equipment net sales decreased by 34%.

The **comparable operating result** amounted to EUR 12 million (45) or 3.0% of net sales (9.6). The result was impacted by strong performance in services and the provision taken for a single sizable turnkey project in gas solutions in Q2/2023. The project suffered from a combination of supplier quality issues and cost inflation. Gas solutions stopped offering turnkey projects several years ago.

Reporting segment: Wärtsilä Energy

Key figures

MEUR	7–9/2023	7–9/2022	Change	1–9/2023	1–9/2022	Change	2022
Order intake	**679**	805	-16%	**2,173**	1,965	11%	2,612
of which services	**299**	268	11%	**975**	829	18%	1,062
of which equipment	**380**	537	-29%	**1,198**	1,136	5%	1,550
Order intake, power plants	**418**	483	-14%	**1,380**	1,327	4%	1,805
Order intake, energy storage	**261**	321	-19%	**793**	639	24%	807
Order book, end of period				**2,620**	2,702	-3%	2,376
Net sales	**613**	696	-12%	**1,891**	1,864	1%	2,721
of which services	**264**	228	16%	**800**	708	13%	958
of which equipment	**349**	468	-25%	**1,091**	1,157	-6%	1,763
Net sales, power plants	**401**	494	-19%	**1,235**	1,418	-13%	1,946
Net sales, energy storage	**211**	203	4%	**655**	446	47%	775
Comparable operating result	**51**	34	52%	**130**	99	31%	91
% of net sales	**8.4**	4.9		**6.9**	5.3		3.3
% of net sales, 12 months rolling, energy storage	**0**						-4
Operating result	**51**	34	50%	**126**	94	33%	82
% of net sales	**8.3**	4.9		**6.7**	5.1		3.0

Order intake Energy

	7–9/2023	7–9/2022	Change	1–9/2023	1–9/2022	Change
Gas, MW	**83**	353	-76%	**345**	889	-61%
Oil, MW	**16**	55	-71%	**16**	187	-91%
Storage**, MWh	**1,003**	1,041	-4%	**2,964**	2,067	43%
Other*, MW						

*Includes biofuel power plants and solar installations
**Comparison period has been restated to nameplate MWh, indicating the actual scope instead of the contracted scope

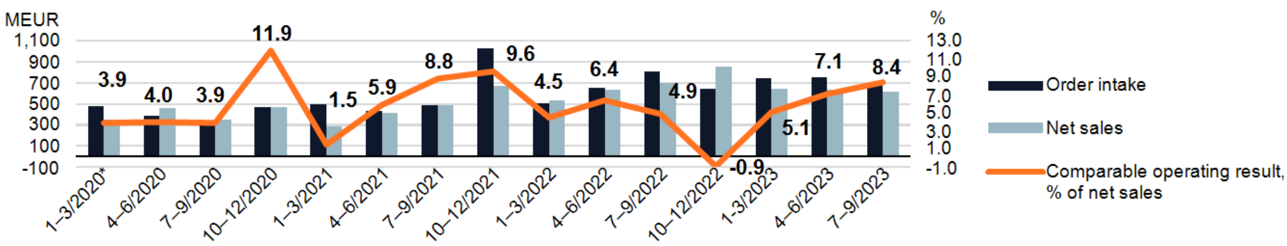
Order intake bridge

MEUR	7–9/2023	1–9/2023
2022	**805**	1,965
Organic	**-8%**	15%
Acquisitions and divestments	**0%**	0%
FX impact	**-8%**	-4%
2023	**679**	2173

Net sales bridge

MEUR	7–9/2023	1–9/2023
2022	**696**	1,864
Organic	**-8%**	3%
Acquisitions and divestments	**0%**	0%
FX impact	**-4%**	-1%
2023	**613**	1891

Quarterly development



*Restated due to changes in organisational structure

Financial development in July–September

Order intake decreased by 16%. Service order intake increased by 11%, driven by a few sizable upgrade projects. Equipment order intake decreased by 29% with lower volumes in both thermal power plants and energy storage. In the power plants business, some orders have been moving forward.

Net sales decreased by 12%. Service net sales increased by 16% with higher sales across all service business types. Equipment net sales decreased by 25%. Net sales in energy storage increased slightly, while net sales of thermal power plants declined.

The **comparable operating result** amounted to EUR 51 million (34) or 8.4% of net sales (4.9), supported by good service performance and improved profitability of the storage business while being burdened by lower sales volumes.

Financial development in January–September

Order intake increased by 11%. Service order intake increased by 18%, driven by sizable new and renewed long-term agreements signed during the period along with upgrade projects. Equipment order intake increased by 5% with growth in the energy storage business and lower order intake in thermal power plants.

Net sales was stable, with growth in energy storage and services whereas power plant sales declined. Service net sales increased by 13%, with higher sales in all service business types and particularly in long-term agreements.

The **comparable operating result** amounted to EUR 130 million (99) or 6.9% of net sales (5.3). The result was supported by good service performance and improved profitability in the energy storage business while being burdened by cost inflation and inefficient factory capacity utilisation.

Other business activities: Wärtsilä Portfolio Business

Wärtsilä Portfolio Business consists of business units, which are run independently with the aim of accelerating performance improvement and unlocking value through divestments or other strategic alternatives. Currently Portfolio Business includes Automation, Navigation & Control Systems (ANCS), Marine Electrical Systems and Water & Waste.

Key figures

MEUR	7–9/2023	7-9/2022*	Change	1–9/2023	1-9/2022*	Change	2022*
Order intake	**138**	95	46%	**313**	317	-1%	490
Order book, end of period				**826**	779	6%	823
Net sales	**93**	94	0%	**250**	246	2%	364
Comparable operating result	**6**	-4		**3**	-16		-10
% of net sales	**6.6**	-4.4		**1.3**	-6.5		-2.7
Operating result	**5**	-5		**-45**	-28		-52
% of net sales	**5.7**	-5.0		**-17.8**	-11.4		-14.1

*Restated due to organisational changes

Financial development in July–September

Order intake increased by 46% driven by a single sizeable order in the Automation, Navigation and Control Systems business unit.

Net sales was stable despite the impact of the American Hydro divestment.

The **comparable operating result** amounted to EUR 6 million (-4) or 6.6% of net sales (-4.4) with the improvement being driven by good development in all business units.

Financial development in January–September

Order intake was stable despite the impact of the American Hydro divestment.

Net sales was stable despite the impact of the American Hydro divestment.

The **comparable operating result** amounted to EUR 3 million (-16) or 1.3% of net sales (-6.5). The increase was supported by good development in all business units. Items affecting comparability totalled EUR -48 million (-12), related to the impairment of goodwill and non-current assets in Portfolio Business.

Risks and business uncertainties

General macro environment

The ongoing war in Ukraine has resulted in various risks to both the demand and supply environment of various commodities globally. This and the conflict in the Middle East have caused a rising risk related to geopolitical fragmentation and increased overall uncertainty to the macroeconomic outlook. Business operations globally are being impacted by continued inflationary pressure, changing trade flows and volumes, tighter monetary policies, concerns over the Chinese economy, and the sanctions in place and planned against Russia. These factors are all contributing to a slowdown in global economic growth.

Further escalation of any of the forementioned factors could result in increased uncertainty over future demand for the equipment and services provided by Wärtsilä. 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.

Marine markets

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.

The limited ability or desire of people to travel, or lower demand for goods as a result of continued high inflation or economic slowdown, along with higher voyage, operating and financing costs pose risks to the business profitability of ship owners and operators.

Highly indebted shipowners or operators may not withstand the potential risk of higher financing costs, a slower than expected growth in demand, or a lowered credit rating. In the offshore oil and gas industry, uncertainty around the 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. Any changes to the allocation of investments between traditional offshore upstream oil & gas and renewables might limit the demand for drilling or support vessels.

Energy markets

The overarching trend in the energy markets is the transition to renewable energy sources such as wind and solar. The pace of this shift is the principal driver in the development of battery energy storage and thermal balancing technologies. New technology innovations, as well as the price and availability of fuels and raw materials, affect our business - directly by impacting the relative competitiveness of our portfolio and indirectly through the energy transition. Similarly, policies related to the energy and electricity markets have direct and indirect impacts on future energy capacity and the generation mix. Recent years have highlighted the role of geopolitics in energy market policy and investment decisions. Concentrated supply chains in some raw materials and the tight competitive situation impose direct risks on the Energy business. Finally, uncertainty related to any of the before mentioned factors tend to delay investment decisions, as shown by Covid-19, the war in Ukraine, and recent macroeconomic development.

Legal cases

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 annual report contains a more detailed description of Wärtsilä's risks and risk management.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 9 March 2023, approved the financial statements, reviewed the Remuneration Report 2022 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2022.

Decisions taken by the Annual General Meeting can be seen from Wärtsilä's website.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.26 per share in two instalments. The first instalment of EUR 0.13 per share was paid on 20 March 2023 and the second instalment of EUR 0.13 was paid on 20 September 2023.

Shares

In January–September, the number of shares traded on Nasdaq Helsinki was 211,954,042, equivalent to a turnover of EUR 2,103 million. Wärtsilä's shares are also traded on alternative exchanges, such as CBOE DXE, Turquoise, and BATS. The total trading volume on these alternative exchanges was 94,742,300 shares.

The number of Wärtsilä's shares outstanding as at 30.9.2023 was 589,023,390, and the number of treasury shares was 2,700,000.

Wärtsilä’s interim report January–September 2023

This interim report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2022, except for the new and amended IFRS standards stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

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, for example, revenue recognition, especially project estimates for long-term projects and agreements, impairment testing, valuation of trade receivables, contract assets and inventories, determining the length of lease terms, defined benefit pension obligations, recognition of warranty provisions and provisions for litigation, and uncertain tax positions. In addition, valuation of assets held for sale requires the use of estimates.

Repurchase of own shares

The Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting to repurchase the Company’s own shares. The repurchases started on 26 April 2023 and ended on 2 May 2023. Following the repurchases, the Company holds a total of 2,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

Number of shares outstanding on 1 January 2023	**590,023,390**
Repurchase of own shares on 26 April 2023	-270,000
Repurchase of own shares on 27 April 2023	-250,000
Repurchase of own shares on 28 April 2023	-280,000
Repurchase of own shares on 2 May 2023	-200,000
Number of shares outstanding on 30 September 2023	**589,023,390**
Weighted average number of shares outstanding during the period	**589,451,998**

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares and unvested 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 244,221 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

Weighted average number of shares outstanding during the period	**589,451,998**
Weighted average number of dilutive potential ordinary shares during the period	
Contingently issuable ordinary shares	**151,453**
Unvested shares	**92,768**
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**589,696,219**

New and amended IFRS standards

In 2023, the Group has adopted the following new and amended standards issued by the IASB:

Disclosure of Accounting policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. 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. Impact on the consolidated financial statements is not significant.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income taxes. The amendments 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.

Due to the amendments, income taxes, as well as deferred taxes, for comparison period 2022 have been restated in the financial statements. Impact on the consolidated financial statements is not significant.

IFRS 17 Insurance Contracts applies to all types of insurance contracts 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. Impact on the consolidated financial statements is not significant.

Definition of Accounting Estimates amends IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments define both the concept of accounting estimates and changes in those. In addition, the amendments provide clarification on how changes in accounting estimates differ from changes in accounting policies and corrections of errors. No impact on the consolidated financial statements.

In 2024 or later, the Group will adopt the following amended standards issued by the IASB:

Classification of Liabilities as Current or Non-current* amends IAS 1 Presentation of Financial Statements. The amendments 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.

Lease liability in a Sale and Leaseback* amends IFRS 16 Leases. The amendments to IFRS 16 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.

Supplier Finance Arrangements* amends IAS 7 Statement of cash flows and IFRS 7 Financial instruments: Disclosures. The amendments increase the transparency of supplier finance arrangements and their effects on liabilities, cash flows and exposure to liquidity risk. The amendments merely increase the amount of disclosed information.

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 30 September 2023.

This interim report is unaudited.

Condensed statement of income

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Net sales	**1,452**	1,433	**4,371**	4,072	5,842
Other operating income	**14**	21	**57**	47	70
Expenses	**-1,316**	-1,398	**-4,007**	-3,979	-5,668
Result from net position hedges	**-1**	3	**-6**	3	-12
Depreciation, amortisation and impairment	**-34**	-51	**-148**	-207	-263
Share of result of associates and joint ventures	**2**	2	**6**	2	6
Operating result	**117**	10	**274**	-62	-26
Financial income and expenses	**-9**	-2	**-30**	-5	-6
Result before taxes	**107**	7	**245**	-67	-32
Income taxes	**-25**	-4	**-72**	-19	-26
Result for the reporting period	**82**	3	**173**	-87	-58
Attributable to:					
equity holders of the parent company	**81**		**163**	-92	-64
non-controlling interests	**1**	3	**9**	5	6
	82	3	**173**	-87	-58
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (EPS), basic, EUR	**0.14**	0.00	**0.28**	-0.16	-0.11
Earnings per share (EPS), diluted, EUR	**0.14**	0.00	**0.28**	-0.16	-0.11

Statement of other comprehensive income

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Result for the reporting period	**82**	3	**173**	-87	-58
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		1		25	39
Tax on items that will not be reclassified to the statement of income				-5	-8
Total items that will not be reclassified to the statement of income		1		20	31
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	**13**	-1	**-4**	9	-31
for non-controlling interests			**-1**		-1
transferred to the statement of income			**-11**		-2
Associates and joint ventures, share of other comprehensive income	**1**		**-2**	1	-1
Cash flow hedges	**5**	4	**3**	-6	35
Tax on items that may be reclassified to the statement of income		-2			-8
Total items that may be reclassified to the statement of income	**19**	1	**-15**	3	-7
Other comprehensive income for the reporting period, net of taxes	**19**	2	**-15**	23	23
Total comprehensive income for the reporting period	**102**	5	**158**	-65	-35
Total comprehensive income attributable to:					
equity holders of the parent company	**102**	5	**159**	-65	-34
non-controlling interests			**-1**		-1
	102	5	**158**	-65	-35

Condensed statement of financial position

MEUR	30.9.2023	30.9.2022	31.12.2022
Non-current assets			
Intangible assets	**1,672**	1,720	1,680
Property, plant and equipment	**303**	312	304
Right-of-use assets	**263**	237	258
Investments in associates and joint ventures	**31**	28	29
Other investments	**19**	19	19
Deferred tax assets	**202**	203	197
Other receivables	**64**	39	71
Total non-current assets	**2,553**	2,557	2,558
Current assets			
Inventories	**1,523**	1,346	1,361
Other receivables	**2,032**	2,173	2,174
Cash and cash equivalents	**601**	554	461
Total current assets	**4,155**	4,073	3,997
Assets held for sale	**5**	3	54
Total assets	**6,713**	6,632	6,608
Equity			
Share capital	**336**	336	336
Other equity	**1,786**	1,772	1,800
Total equity attributable to equity holders of the parent company	**2,122**	2,108	2,136
Non-controlling interests	**6**	11	12
Total equity	**2,128**	2,119	2,148
Non-current liabilities			
Lease liabilities	**230**	203	223
Other interest-bearing debt	**563**	524	517
Deferred tax liabilities	**42**	62	65
Other liabilities	**297**	221	240
Total non-current liabilities	**1,132**	1,010	1,044
Current liabilities			
Lease liabilities	**45**	43	43
Other interest-bearing debt	**123**	166	166
Other liabilities	**3,285**	3,294	3,185
Total current liabilities	**3,453**	3,503	3,394
Total liabilities	**4,585**	4,513	4,438
Liabilities directly attributable to assets held for sale			22
Total equity and liabilities	**6,713**	6,632	6,608

Condensed statement of cash flows

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Cash flow from operating activities:					
Result for the reporting period	82	3	173	-87	-58
Adjustments for:					
depreciation, amortisation and impairment	34	51	148	207	263
financial income and expenses	9	2	30	5	6
gains and losses on sale of intangible assets and property, plant and equipment and other changes		4	-1	24	23
share of result of associates and joint ventures	-2	-2	-6	-2	-6
income taxes	25	4	72	19	26
other non-cash flow adjustments	2	-11	-17	67	26
Cash flow before changes in working capital	150	52	398	233	281
Changes in working capital	90	54	127	-277	-259
Cash flow from operating activities before financial items and taxes	241	107	525	-44	22
Financial items and paid taxes	-28	-7	-93	-68	-84
Cash flow from operating activities	213	100	432	-113	-62
Cash flow from investing activities:					
Investments in shares and acquisitions				-4	-5
Net investments in property, plant and equipment and intangible assets	-30	-23	-96	-92	-138
Proceeds from sale of shares in subsidiaries, associated companies and other investments		-5	7	-9	-9
Cash flow from investing activities	-30	-28	-89	-106	-151
Cash flow from financing activities:					
Repayments to non-controlling interests			-5		
Repurchase of own shares			-10		
Proceeds from non-current debt	75		176		
Repayments and other changes in non-current debt	-11	-22	-222	-128	-145
Changes in current loans and other changes	-86	-2	8	-5	1
Dividends paid	-66	-1	-144	-74	-145
Cash flow from financing activities	-88	-26	-198	-206	-289
Change in cash and cash equivalents, increase (+)/decrease (-)	95	46	146	-425	-501
Cash and cash equivalents at the beginning of the reporting period*	505	506	464	964	964
Exchange rate changes		2	-9	15	1
Cash and cash equivalents at the end of the reporting period*	601	554	601	554	464

* Cash and cash equivalents include the cash and cash equivalents pertaining to assets held for sale.

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**		
Equity on 31 December 2022	**336**	**61**	**-156**	**9**	**-5**	**1,889**	**12**	**2,146**
Restatement due to IAS 12						**1**		**1**
Equity on 1 January 2023	**336**	**61**	**-156**	**9**	**-5**	**1,891**	**12**	**2,148**
Total comprehensive income for the reporting period			**-12**	**4**		**163**	**3**	**158**
Other changes						**-9**	**-5**	**-14**
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						**-153**	**-3**	**-156**
Repurchase of own shares						**-10**		**-10**
Share-based payments						**3**		**3**
Equity on 30 September 2023	**336**	**61**	**-167**	**13**	**-5**	**1,885**	**6**	**2,128**

	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**		
Equity on 31 December 2021	336	61	-122	-18	-36	2,094	8	2,323
Restatement due to IAS 12						1		1
Equity on 1 January 2022	336	61	-122	-18	-36	2,095	8	2,324
Total comprehensive income for the reporting period			10	-7	20	-92	5	-65
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						-142	-2	-144
Share-based payments						3		3
Equity on 30 September 2022	336	61	-112	-25	-16	1,864	11	2,119

Segment information

Wärtsilä's reportable segments are Marine Power, Marine Systems, and Energy. Furthermore, Wärtsilä reports Portfolio Business as other business activities.

As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1–3/2023 and 2022 have been restated to reflect the current organisational structure.

Portfolio Business included business unit American Hydro until it was divested on 1 May 2023.

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Net sales					
Marine Power	**612**	484	**1,852**	1,488	2,078
Marine Systems	**134**	159	**379**	473	680
Energy	**613**	696	**1,891**	1,864	2,721
Portfolio Business	**93**	94	**250**	246	364
Total	**1,452**	1,433	**4,371**	4,072	5,842
Depreciation, amortisation and impairment					
Marine Power	**-20**	-36	**-60**	-155	-181
Marine Systems	**-3**	-3	**-11**	-10	-14
Energy	**-8**	-9	**-24**	-24	-33
Portfolio Business	**-2**	-3	**-52**	-16	-36
Total	**-34**	-51	**-148**	-207	-263
Share of result of associates and joint ventures					
Marine Power	**3**	2	**6**	2	6
Total	**2**	2	**6**	2	6
Operating result					
Marine Power	**49**	-36	**183**	-167	-109
Marine Systems	**11**	16	**11**	39	53
Energy	**51**	34	**126**	94	82
Portfolio Business	**5**	-5	**-45**	-28	-52
Total	**117**	10	**274**	-62	-26
Operating result as a percentage of net sales (%)					
Marine Power	**8.0**	-7.4	**9.9**	-11.2	-5.2
Marine Systems	**8.5**	10.2	**2.8**	8.2	7.7
Energy	**8.3**	4.9	**6.7**	5.1	3.0
Portfolio Business	**5.7**	-5.0	**-17.8**	-11.4	-14.1
Total	**8.0**	0.7	**6.3**	-1.5	-0.4
Comparable operating result					
Marine Power	**56**	36	**176**	104	184
Marine Systems	**11**	16	**12**	45	60
Energy	**51**	34	**130**	99	91
Portfolio Business	**6**	-4	**3**	-16	-10
Total	**125**	82	**320**	232	325
Comparable operating result as a percentage of net sales (%)					
Marine Power	**9.1**	7.3	**9.5**	7.0	8.9
Marine Systems	**8.5**	10.2	**3.0**	9.6	8.9
Energy	**8.4**	4.9	**6.9**	5.3	3.3
Portfolio Business	**6.6**	-4.4	**1.3**	-6.5	-2.7
Total	**8.6**	5.7	**7.3**	5.7	5.6

Net sales by geographical areas

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Europe	**506**	360	**1,388**	1,215	1,718
Asia	**441**	388	**1,269**	1,082	1,482
The Americas	**356**	549	**1,273**	1,386	2,062
Other	**149**	136	**441**	389	580
Total	**1,452**	1,433	**4,371**	4,072	5,842

Service net sales

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Marine Power, service	**409**	340	**1,223**	1,006	1,424
Marine Systems, service	**52**	52	**168**	153	211
Energy, service	**264**	228	**800**	708	958
Portfolio Business, service	**38**	44	**114**	125	182
Total	**762**	664	**2,305**	1,991	2,775

Measures of profit and items affecting comparability

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Comparable adjusted EBITA	**130**	87	**336**	250	349
Purchase price allocation amortisation	**-5**	-6	**-15**	-18	-23
Comparable operating result	**125**	82	**320**	232	325
Items affecting comparability:					
Social plan costs	**-5**	-43	**-3**	-43	-51
Impairment and write-downs	**2**	-10	**-35**	-181	-162
Gains and losses on disposal of assets		2	**12**	-18	-24
Other costs	**-5**	-21	**-19**	-53	-115
Items affecting comparability, total	**-8**	-72	**-46**	-294	-351
Operating result	**117**	10	**274**	-62	-26

The financial statements include EUR 23 million of costs related to the restructuring of engine manufacturing in Europe, EUR 45 million of impairment related to goodwill and other non-current assets in Portfolio Business, EUR 24 million of reversal of impairment and provisions related to Russian operations, EUR 11 million of income related to the liquidation of Wärtsilä-CME Zhenjiang Propeller Co. Ltd., a subsidiary of the Group, and EUR 14 million of other costs.

Disposals

On 1 May, Wärtsilä divested American Hydro business unit to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). The divestment was announced in December 2022. Classifying American Hydro business unit as assets held for sale in 2022 had an impact of EUR -24 million on the result for the financial period 2022. American Hydro business unit belonged to Portfolio Business.

Assets held for sale

Wärtsilä has classified certain non-current assets relating to ending the 4-stroke engine manufacturing in Trieste, Italy as assets held for sale.

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. Engine manufacturing in Trieste belongs to Marine Power.

All assets held for sale are valued at the lower of book value or fair value.

Disaggregation of revenue

Revenue from contracts with customers is derived over time and at a point in time from the following revenue types.

Net sales by revenue type and timing of satisfying performance obligations

MEUR	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
At a point in time					
Products	**367**	328	**1,100**	982	1,353
Goods and services	**164**	138	**496**	424	599
Projects	**363**	284	**1,043**	785	1,235
Total	**894**	749	**2,639**	2,191	3,187
Over time					
Projects	**383**	534	**1,205**	1,442	2,054
Long-term agreements	**176**	150	**527**	439	602
Total	**558**	684	**1,732**	1,881	2,655
Total	**1,452**	1,433	**4,371**	4,072	5,842

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.

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.

Projects are of both short- and long-term duration. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. In large-scale system or equipment deliveries which require engineering, for example power plants and gas solutions construction contracts, the revenue is recognised 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, and revenue from service related projects, such as modernisation and upgrade projects is recognised over time.

Long-term agreements include long-term operating and maintenance agreements for which the revenue is recognised over time.

Intangible assets and property, plant and equipment

MEUR	1–9/2023	1–9/2022	2022
Intangible assets			
Carrying amount on 1 January	**1,680**	1,776	1,776
Changes in exchange rates	**7**	1	-21
Acquisitions and disposals	**-25**	8	8
Additions	**60**	57	85
Amortisation and impairment	**-75**	-120	-139
Decreases and reclassifications	**26**	-2	-28
Carrying amount at the end of the reporting period	**1,672**	1,720	1,680
Property, plant and equipment			
Carrying amount on 1 January	**304**	312	312
Changes in exchange rates	**-1**	4	1
Acquisitions and disposals	**-8**		
Additions	**38**	50	72
Depreciation and impairment	**-35**	-48	-59
Decreases and reclassifications	**5**	-7	-21
Carrying amount at the end of the reporting period	**303**	312	304

Additional impairment testing of cash generating unit Voyage

As of 1 January 2023, Voyage has been integrated with Marine Power. Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the first quarter of 2023 for cash generating unit (CGU) Voyage. As a result of the impairment test, no impairment loss for the CGU was recognised for the reporting period ended 31 March 2023. Going forward, impairment testing of goodwill is only conducted on Marine Power level as Voyage is integrated with Marine Power.

Additional impairment testing of cash generating unit Portfolio Business

During the second quarter of 2023, a part of Marine Power (NACOS Navigation, NACOS Automation, Dynamic Positioning and sensors) has been integrated into a new business unit and moved to Portfolio Business. Additionally, the Marine Electrical Systems business unit was moved from Marine Systems to Portfolio Business due to its limited strategic fit with the rest of the Group.

Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the second quarter of 2023 for CGU Portfolio Business. As a result of the impairment test, an impairment of EUR 45 million was recognised related to goodwill and other non-current assets. This reflects the lower than earlier expected revenues from Portfolio Business. The impairment is considered as an item affecting comparability.

Leases

MEUR	1–9/2023	1–9/2022	2022
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**248**	181	181
Changes in exchange rates	**-2**	1	-1
Acquisitions and disposals		-3	-3
Additions	**48**	84	118
Depreciation and impairment	**-34**	-33	-43
Decreases and reclassifications	**-5**	-2	-5
Carrying amount at the end of the reporting period	**254**	228	248
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**10**	11	11
Additions	**4**	4	6
Depreciation and impairment	**-4**	-6	-6
Decreases and reclassifications	**-1**		
Carrying amount at the end of the reporting period	**9**	9	10
Lease liabilities			
Carrying amount on 1 January	**266**	197	197
Changes in exchange rates	**-2**		-2
Acquisitions and disposals		-3	-2
Additions	**52**	88	123
Interest expenses	**1**		
Payments	**-36**	-35	-46
Other adjustments	**-5**	-3	-4
Carrying amount at the end of the reporting period	**275**	246	266
Amounts recognised in statement of income			
Depreciation and impairment	**-38**	-38	-49
Interest expenses	**-6**	-3	-4
Expense – short-term leases	**-24**	-21	-28
Expense – leases of low-value assets	**-5**	-4	-6
Expense – variable lease payments	**-7**	-4	-8

Gross capital expenditure

MEUR	1–9/2023	1–9/2022	2022
Investments in securities and acquisitions		4	5
Investments in intangible assets and property, plant and equipment	**98**	107	156
Total	**98**	111	161

Net interest-bearing debt

MEUR	30.9.2023	30.9.2022	31.12.2022
Lease liabilities, non-current	**230**	203	223
Other interest-bearing debt, non-current	**563**	524	517
Lease liabilities, current	**45**	43	43
Other interest-bearing debt, current	**123**	166	166
Total interest-bearing liabilities	**961**	936	949
Interest-bearing receivables	**-4**	-5	-4
Cash and cash equivalents	**-601**	-554	-461
Cash and cash equivalents pertaining to assets held for sale			-3
Total interest-bearing assets	**-605**	-560	-468
Total net interest-bearing debt	**356**	377	481

Financial ratios

	1–9/2023	1–9/2022	2022
Earnings per share (EPS), basic, EUR	**0.28**	-0.16	-0.11
Earnings per share (EPS), diluted, EUR	**0.28**	-0.16	-0.11
Equity per share, EUR	**3.60**	3.57	3.62
Solvency ratio, %	**35.2**	34.5	35.3
Gearing	**0.17**	0.18	0.23
Return on investment (ROI), %	**11.0**	3.5	0.1
Return on equity (ROE), %	**9.5**	-0.1	-2.6

The financial ratios include assets and liabilities pertaining to assets held for sale.

Personnel

	1–9/2023	1–9/2022	2022
On average	**17,629**	17,438	17,482
At the end of the reporting period	**17,696**	17,585	17,581

Contingent liabilities

MEUR	30.9.2023	30.9.2022	31.12.2022
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**11**	15	17
Total	**21**	25	27
Guarantees and contingent liabilities			
on behalf of Group companies	**1,052**	1,041	1,037
Nominal amounts of lease liabilities			
Low-value lease liabilities	**10**	12	11
Short-term lease liabilities	**3**	3	3
Leases not yet commenced, but to which Wärtsilä is committed	**12**	14	14
Residual value guarantee	**90**	90	90
Total	**1,167**	1,160	1,155

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Non-deliverable forwards	2	
Interest rate swaps	173	
Cross currency swaps	158	
Foreign exchange forward contracts	2,174	1,044
Total at the end of the reporting period	**2,508**	**1,044**

In addition, the Group had copper swaps amounting to 1,180 tons.

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	19	19
Interest-bearing investments, non-current (level 2)	4	4
Other receivables, non-current (level 2)	1	1
Derivatives (level 2)	37	37
Financial liabilities		
Interest-bearing debt, non-current (level 2)	793	780
Derivatives (level 2)	41	41

Quarterly figures

MEUR	7–9/ 2023	4–6/ 2023	1–3/ 2023	10–12/ 2022	7–9/ 2022	4–6/ 2022	1–3/ 2022	10–12/ 2021	7–9/ 2021
Order intake									
Marine Power	**832**	**697**	**679**	693	627	575	620	659	443
Voyage								93	53
Marine Systems	**139**	**159**	**223**	126	89	131	112	308	191
Energy	**679**	**750**	**744**	646	805	654	507	1,031	486
Portfolio Business	**138**	**81**	**93**	173	95	81	141	59	14
Total	**1,787**	**1,687**	**1,739**	1,638	1,616	1,440	1,380	2,150	1,186
Order book at the end of the reporting period									
Marine Power	**2,577**	**2,366**	**2,332**	2,273	2,250	2,087	2,261	1,994	1,930
Voyage								288	280
Marine Systems	**570**	**555**	**505**	434	499	572	638	1,042	944
Energy	**2,620**	**2,548**	**2,483**	2,376	2,702	2,506	2,442	2,393	2,056
Portfolio Business	**826**	**779**	**833**	823	779	772	766	142	115
Total	**6,594**	**6,249**	**6,153**	5,906	6,229	5,936	6,107	5,859	5,325
Net sales									
Marine Power	**612**	**636**	**604**	589	484	527	477	589	382
Voyage								84	68
Marine Systems	**134**	**106**	**138**	207	159	166	148	221	142
Energy	**613**	**633**	**645**	856	696	633	535	670	487
Portfolio Business	**93**	**79**	**78**	118	94	81	71	32	25
Total	**1,452**	**1,454**	**1,465**	1,770	1,433	1,407	1,231	1,597	1,103
Share of result of associates and joint ventures	**2**	**3**	**1**	3	2			1	1
Comparable adjusted EBITA	**130**	**113**	**93**	99	87	91	72	165	95
as a percentage of net sales	**8.9**	**7.8**	**6.4**	5.6	6.1	6.4	5.9	10.4	8.6
Depreciation, amortisation and impairment	**-34**	**-81**	**-33**	-56	-51	-34	-122	-40	-41
Purchase price allocation amortisation	**-5**	**-5**	**-5**	-5	-6	-5	-7	-8	-8
Comparable operating result	**125**	**108**	**88**	93	82	85	65	158	87
as a percentage of net sales	**8.6**	**7.4**	**6.0**	5.3	5.7	6.1	5.3	9.9	7.9
Items affecting comparability, total	**-8**	**-42**	**4**	-56	-72	-10	-212	-14	-12
Operating result	**117**	**66**	**92**	37	10	75	-147	144	75
as a percentage of net sales	**8.0**	**4.5**	**6.3**	2.1	0.7	5.3	-11.9	9.0	6.8
Financial income and expenses	**-9**	**-12**	**-8**	-2	-2	-2		-10	-1
Result before taxes	**107**	**53**	**84**	35	7	72	-147	134	74
Income taxes	**-25**	**-24**	**-23**	-7	-4	-20	5	-49	-25
Result for the reporting period	**82**	**30**	**61**	28	3	52	-142	85	50
Earnings per share (EPS), basic, EUR	**0.14**	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14	0.08
Earnings per share (EPS), diluted, EUR	**0.14**	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14	0.08
Gross capital expenditure	**31**	**35**	**32**	49	37	40	35	45	35
Investments in securities and acquisitions						4	1	1	
Cash flow from operating activities	**213**	**75**	**145**	51	100	-90	-122	370	49
Working capital (WCAP) at the end of the reporting period	**43**	**134**	**105**	179	108	168	-18	-100	107
Personnel at the end of the reporting period									
Marine Power	**9,374**	**9,293**	**9,227**	9,157	9,200	9,158	9,065	8,224	8,157
Voyage								1,725	1,799
Marine Systems	**1,643**	**1,625**	**1,608**	1,584	1,575	1,565	1,554	1,894	1,891
Energy	**5,416**	**5,380**	**5,342**	5,320	5,309	5,247	5,073	4,980	4,975
Portfolio Business	**1,263**	**1,254**	**1,536**	1,520	1,501	1,577	1,659	482	481
Total	**17,696**	**17,553**	**17,713**	17,581	17,585	17,547	17,351	17,305	17,303

As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, further organisational changes have been implemented: a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1–3/2023 and 2022 have been restated to reflect the current organisational structure. The segment related comparison figures for 2021 have not been restated accordingly.

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

$$\frac{\text{Result for the reporting period attributable to equity holders of the parent company}}{\text{Number of shares outstanding, average over the reporting period}}$$

Earnings per share (EPS), diluted

$$\frac{\text{Result for the reporting period attributable to equity holders of the parent company}}{\text{Number of shares outstanding, average over the reporting period + number of potential ordinary shares with dilutive effect}}$$

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
Non-current and current lease liabilities + non-current and current other interest-bearing debt – interest-bearing receivables – cash and cash equivalents

Equity per share

$$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at the end of the reporting period}}$$

Solvency ratio

$$\frac{\text{Equity}}{\text{Total equity and liabilities – advances received}} \times 100$$

Gearing

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}}$$

Return on investment (ROI)

$$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the reporting period}}$$

Return on equity (ROE)

$$\frac{\text{Result for the reporting period}}{\text{Equity, average over the reporting period}}$$

Order intake
Total amount of orders received during the reporting period to be delivered either during the current reporting 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)

30 October 2023
Wärtsilä Corporation
Board of Directors