# Wärtsilä Corporation

## Interim Report
January–March 2023

# Profitability improved, good development in services

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

## Highlights from January–March 2023

- Order intake increased by 26% to EUR 1,739 million (1,380), of which organic growth was 29%
- Service order intake increased by 21% to EUR 889 million (732)
- Order book at the end of the period was stable at EUR 6,153 million (6,107)
- Net sales increased by 19% to EUR 1,465 million (1,231), of which organic growth was 20%
- Book-to-bill amounted to 1.19 (1.12)
- Comparable operating result increased by 34% to EUR 88 million (65), which represents 6.0% of net sales (5.3)
- Operating result increased by EUR 239 million to EUR 92 million (-147), which represents 6.3% of net sales (-11.9)
- Basic earnings per share increased to 0.09 euro (-0.24)
- Cash flow from operating activities increased to EUR 145 million (-122)

## Key figures

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | **1,739** | 1,380 | 26% | 6,074 |
| of which services | **889** | 732 | 21% | 3,066 |
| of which equipment | **850** | 648 | 31% | 3,008 |
| Order book, end of period | **6,153** | 6,107 | 1% | 5,906 |
| Net sales | **1,465** | 1,231 | 19% | 5,842 |
| of which services | **736** | 631 | 17% | 2,775 |
| of which equipment | **729** | 600 | 22% | 3,067 |
| Book-to-bill | **1.19** | 1.12 | | 1.04 |
| Comparable adjusted EBITA* | **93** | 72 | 29% | 349 |
| % of net sales | **6.4** | 5.9 | | 6.0 |
| Comparable operating result | **88** | 65 | 34% | 325 |
| % of net sales | **6.0** | 5.3 | | 5.6 |
| Operating result | **92** | -147 | 163% | -26 |
| % of net sales | **6.3** | -11.9 | | -0.4 |
| Result before taxes | **84** | -147 | 157% | -32 |
| Basic earnings/share, EUR | **0.09** | -0.24 | | -0.11 |
| Cash flow from operating activities | **145** | -122 | | -62 |
| Net interest-bearing debt, end of period | **477** | 276 | | 481 |
| Gearing | **0.24** | 0.14 | | 0.23 |
| Solvency, % | **33.4** | 35.3 | | 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 (Q2/2023–Q1/2024) to be similar to that of the comparison period.

### Energy

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

# Håkan Agnevall, President & CEO: Profitability improved

“Although facing continued uncertainties in the operating environment, we successfully delivered growth and higher profitability. The global economic headwinds continued despite some improvements, including the reopening of China and decreasing energy costs. Cost inflation continued to burden the order backlog of our new equipment business.

In the energy market, the investment environment remains uncertain, especially for new power plants. Price pressure on fuel and raw material cost has eased during the beginning of the year, but rising interest rates have caused further uncertainty. On the other hand, investments in the energy transition have been at a high level, and supportive policies regarding battery energy storage and clean hydrogen has continued to develop during the first quarter of the year. Notably, we signed a contract to provide an energy storage system to the United Kingdom, the first project in the world to deliver stability services using a transmission-connected battery system. The service business in Energy continued to develop positively, and we signed several service agreements.

In the marine market, economic headwinds continued to limit growth, as rising newbuild prices combined with limited shipyard capacity continued to hamper newbuild ordering activity. Nevertheless, the market sentiment remained positive for Wärtsilä’s key segments with improving utilisation rates. Decarbonisation continues to be a major driver for our customers. As an example, we will supply the engines for Celebrity Cruises’ new ship, capable of operating with methanol fuel in addition to two other conventional fuel types. We thus continue advancing the use of alternative fuels for the cruise industry.

Our order intake increased by 26% supported by good development both in services and equipment. Net sales increased by 19% with growth in Marine Power and Energy. The good development in services has supported our profitability and our comparable operating margin improved to 6.0%. Nevertheless, cost inflation continued to burden the order backlog of our new equipment business. The cash flow from operating activities improved, supported by higher result and reduced working capital.

Wärtsilä is highly committed to support customers to decarbonise their operations. The transition to carbon-neutrality is progressing step-by-step. The International Maritime Organization’s new regulations regarding carbon intensity and energy efficiency in the maritime business, the Carbon Intensity Indicator (CII) and the Energy Efficiency Existing Ship Index (EEXI), came into force at the beginning of this year. We offer many solutions to help vessels meet these requirements. For example, we have introduced a derating retrofit solution for 2-stroke engines called Wärtsilä Fit4Power. This solution extends the emissions-compliant lifetime of merchant vessels by significantly improving combustion efficiency (15%), which in turn reduces both fuel consumption and greenhouse gas emissions. In addition to promoting the transition to carbon-neutrality for our customers, our goal is to become carbon-neutral in our own operations as well. Our aim is to be able to provide a product portfolio ready for zero-carbon fuels by 2030.

We continue to take actions to improve our profitability. Voyage was merged into Marine Power in the beginning of this year. After a strategic review, we have also decided to focus on end-to-end voyage optimisation and moving other parts of the Voyage business activities to the Portfolio Business. Additionally, we are planning to move Marine Electrical Systems, currently part of the Marine Systems business, to the Portfolio Business. These changes are expected to be completed during the second quarter of the year.

We expect the demand environment for the next 12 months to be similar to that of the comparison period, in both the Marine (including Marine Power and Marine Systems) and Energy businesses. Although our operating result margin is still clearly below our target, we are taking actions to improve our profitability step by step. As we have seen in the first quarter, we continue to grow our service business and deliver the part of our order backlog that has been significantly impacted by cost inflation. The turnaround of our energy storage business continues in the right direction and the decarbonisation transformation will have a positive impact on our business going forward.”

# Orders, net sales and profitability

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | 1,739 | 1,380 | 26% | 6,074 |
| Order book, end of period | 6,153 | 6,107 | 1% | 5,906 |
| Net sales | 1,465 | 1,231 | 19% | 5,842 |
| Comparable operating result | 88 | 65 | 34% | 325 |
| % of net sales | 6.0 | 5.3 | | 5.6 |
| Operating result | 92 | -147 | 163% | -26 |
| % of net sales | 6.3 | -11.9 | | -0.4 |

## Order intake bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | 1,380 |
| Organic | 29% |
| Acquisitions and divestments* | -1% |
| FX impact | -2% |
| **2023** | 1,739 |

*Related to Wärtsilä's exit from Russia.

## Net sales bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | 1,231 |
| Organic | 20% |
| Acquisitions and divestments* | -1% |
| FX impact | 0% |
| **2023** | 1,465 |

## Development in January–March

**Order intake** increased by 26%. Service order intake increased by 21%, supported by growth in Energy and Marine Power. Equipment order intake increased by 31% with growth in all businesses.

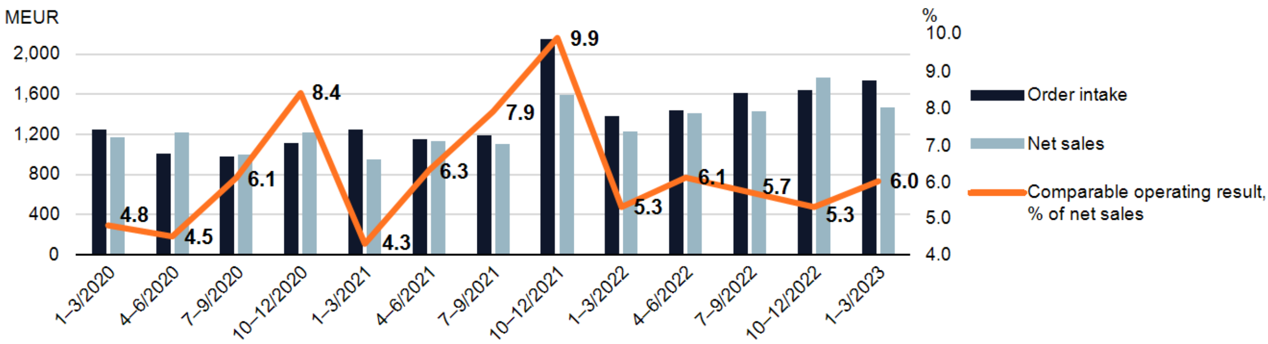
The **order book** at the end of the period was stable. Wärtsilä's current order book for 2023 deliveries is EUR 3,325 million (3,334).

**Net sales** increased by 19%. Service net sales increased by 17%, driven by growth in all businesses. Equipment net sales increased by 22%, driven by growth in Energy and Marine Power. Of Wärtsilä's net sales, approximately 54% was EUR denominated and 32% USD denominated, with the remainder being split between several currencies.

**The comparable adjusted EBITA** amounted to EUR 93 million (72) or 6.4% of net sales (5.9). Purchase price allocation amortisation amounted to EUR 5 million (7). **The comparable operating result** totalled EUR 88 million (65) or 6.0% of net sales (5.3). The comparable operating result was supported by increases in Marine Power and Energy, and was burdened by a decrease in Marine Systems. The **operating result** amounted to EUR 92 million (-147) or 6.3% of net sales (-11.9). Items affecting comparability amounted to EUR +4 million (-212) of which the largest items were EUR -8 million related to the restructuring of engine manufacturing in Europe and EUR +11 million related to the liquidation of a subsidiary in Zhenjiang.

Financial items amounted to EUR -8 million (0). Net interest totalled EUR -4 million (-3). Result before taxes amounted to EUR 84 million (-147). Taxes amounted to EUR -23 million (5), implying an effective tax rate of 27.3% (-3.3). Result for the financial period amounted to EUR 61 million (-142). Basic earnings per share totalled 0.09 euro (-0.24). Return on investments (ROI) was 8.1% (4.6), while the return on equity (ROE) was 7.1% (1.3).

**Quarterly development**



# Financing and cash flow

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Cash flow from operating activities | **145** | -122 | -62 |
| Working capital | **105** | -18 | 179 |
| Net interest-bearing debt, end of period | **477** | 276 | 481 |
| Gearing | **0.24** | 0.14 | 0.23 |
| Solvency, % | **33.4** | 35.3 | 35.3 |
| Equity/share, EUR | **3.40** | 3.48 | 3.62 |

## Development in January–March

Cash flow from operating activities totalled EUR 145 million (-122), supported by a better result and improved working capital. Working capital totalled EUR 105 million at the end of the period (179 at the end of 2022). Advances received totalled EUR 604 million (527 at the end of 2022). Wärtsilä's first dividend instalment of EUR 0.13 per share (0.12) was distributed in March, corresponding to a total of EUR 77 million (71). In accordance with the Annual General Meeting’s decision, the second dividend instalment of equal size shall be paid in September.

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 439 million (461 at the end of 2022). Additionally, EUR 1 million of cash and cash equivalent pertained to assets held for sale (3 at the end of 2022). Unutilised committed credit facilities totalled EUR 650 million (650 at the end of 2022).

Wärtsilä had interest-bearing debt totalling EUR 477 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 277 million. Long-term loans amounted to EUR 644 million.

# Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 32 million (34) for the period January–March. Capital expenditure related to acquisitions and investments in securities totalled EUR 0 million (1). Depreciation, amortisation, and impairment amounted to EUR 33 million (122), including depreciation of right of use assets of EUR 12 million (12).

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

# Operating environment

## Marine

**Economic headwinds continued to moderate growth in the marine markets**

The global economic activity in Q1/2023 remained burdened by increasing interest rates set to fight surging inflation and the widespread implications related to Russia's invasion of Ukraine. Despite some improvements, including the reopening of China and the stable decrease in energy costs, global economic headwinds continued. The growth in seaborne trade continued to be limited with the energy-related sectors being better positioned than other cargo sectors. The recovery in passenger traffic continued and was supported by the pent-up demand following the pandemic.

Rising newbuild prices combined with less available shipyard capacity moderated newbuild ordering activity. As a result, 255 (274) contracts for new vessels were registered in Q1/2023.

Despite the lower investment appetite for new ship capacity, the interest in alternative fuelled vessels remained relatively stable, with 73 (107) orders reported, representing 29% (39%) of all contracted vessels and 45% of vessel capacity.

Decarbonisation remains the main underlying trend within the shipping and shipbuilding markets. With the IMO EEXI and CII regulations in force, the upcoming inclusion of shipping to the EU Emission Trading System regulation as well as the FuelEU Maritime regulation limiting the greenhouse gas intensity of a ship's energy use, shipowners and operators are increasingly focused on meeting the requirements. This is achieved through creating fleet strategies, and by assessing the variety of solutions already available and in development.

**Market sentiment remained positive for Wärtsilä's key segments**

In the key vessel segments for Wärtsilä, the market sentiment remained positive due to continued demand for liquified natural gas (LNG) vessels, improving fleet utilisation in the passenger travel segment and the growing demand for offshore assets.

**In the cruise sector**, the contracting of new capacity remained limited with cruise operators continuing to focus on managing their current and upcoming fleet capacity. The market sentiment in cruise remained strong, with cruise lines reporting record demand and strong pricing**. In the ferry sector**, the market sentiment is stable as operators are looking forward to a first full year of operations following the pandemic without travel restrictions and continued progress in the recovery of passenger traffic volumes. On the other hand, fleet replacement activity has been muted.

The market sentiment across **the offshore segment** continues to be positive as the solid demand for oil & gas and stable prices have driven investments in offshore projects. This has resulted in further fleet reactivation and gains in utilisation rates and day rates across the offshore fleet. The demand for offshore wind vessels has remained solid, although contracting for new vessel capacity has slightly eased from previous record levels in for example Wind Turbine Installation vessels.

The situation **in the LNG carrier sector** has remained positive despite typical seasonal unwinding and a more balanced supply-demand outlook following the rapid increase in vessel capacity this year. The investment appetite for new vessel capacity has eased somewhat from the record-levels seen in 2022 but continued solid growth in demand for LNG has kept the markets tight. **The container shipping markets** remained muted following the significant correction in freight rates that began in late 2022. Interest in new vessel capacity has slowed. However, interest in methanol-fuelled vessels in particular, increased substantially.

## Energy

**Fuel price pressure is easing but is not yet over**

The war in Ukraine and related sanctions have contributed to global cost inflation, price volatility, and exchange rate fluctuations. It has also caused the restructuring of supply chains and trade routes. This has resulted in higher quotation prices, slower customer decision-making and considerable uncertainty in the investment environment for power plants and energy storage. The last quarter has brought some relief in fuel and raw material prices whereas rising interest rates have come to cause further uncertainty. Energy and climate policies around the world continue to evolve towards decarbonisation targets.

Although natural gas prices decreased from the extreme levels last year, they remain high compared to historical levels. As the global LNG supply ramps up to meet demand, its availability remains an issue in areas that are more price sensitive than Europe. Natural gas prices in the US, which is less exposed to global LNG dynamics, returned to pre-war levels. Global energy transition investment reached a new high in 2022, and supportive policies regarding battery energy storage and clean hydrogen has continued to develop during the first quarter of this year.

**Market shares**

Wärtsilä's market share in the up to 500 MW market segment decreased to 6% (8), as global orders for natural gas and liquid-fuelled power plants increased by 11% to 29.7 GW during the twelve-month period ending in December 2022 (26.7 GW at the end of September). 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.

# 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, its goal is to become carbon-neutral in its own operations as well.

The company 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.

# Reporting segment: Wärtsilä Marine Power

## Key figures

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | **738** | 666 | 11% | 2,707 |
| of which services | **477** | 414 | 15% | 1,685 |
| of which equipment | **260** | 252 | 3% | 1,022 |
| Order book, end of period | **2,550** | 2,444 | 4% | 2,472 |
| Net sales | **640** | 515 | 24% | 2,247 |
| of which services | **399** | 338 | 18% | 1,512 |
| of which equipment | **241** | 176 | 37% | 735 |
| Comparable operating result | **49** | 30 | 63% | 179 |
| % of net sales | **7.6** | 5.8 | | 8.0 |
| Operating result | **52** | -169 | 131% | -125 |
| % of net sales | **8.2** | -32.8 | | -5.6 |

## Order intake bridge

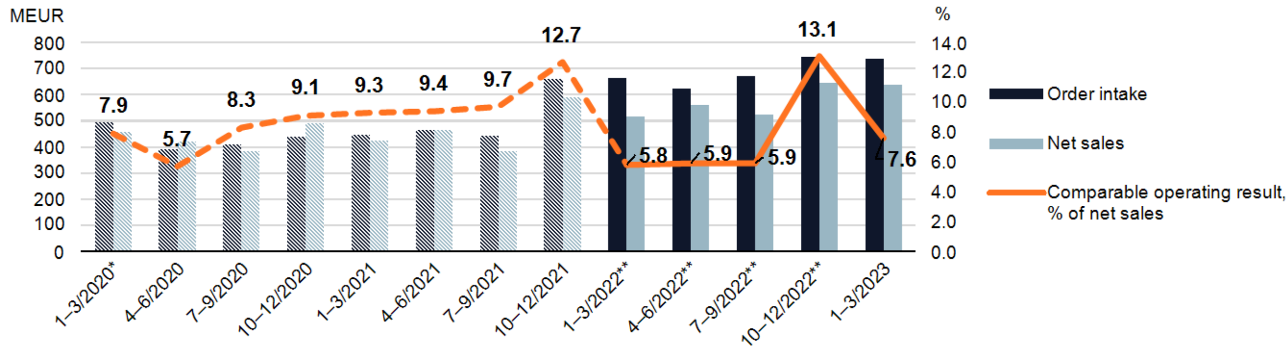
| MEUR | 1–3/2023 |
|---|---|
| **2022** | **666** |
| Organic | **13%** |
| Acquisitions and divestments* | **-1%** |
| FX impact | **-1%** |
| **2023** | **738** |

*Related to Wärtsilä's exit from Russia.

## Net sales bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | **515** |
| Organic | **27%** |
| Acquisitions and divestments* | **-2%** |
| FX impact | **-1%** |
| **2023** | **640** |

## Quarterly development




*Restated due to changes in organisational structure
**Restated to reflect the redefined organisational change of integrating Voyage to Marine Power
Incomparable periods indicated with dashed columns and line

## Financial development in January–March

**Order intake** increased by 11%. Service order intake increased by 15%. Services related to LNG vessels continued to increase while services related to containers decreased. Also service demand for the offshore segment increased due to fleet reactivations. Equipment order intake increased by 3% with growth in the cruise and navy segments.

**Net sales** increased by 24% supported by the cruise segment with growth both in services and equipment.

The **comparable operating result** amounted to EUR 49 million (30) or 7.6% of net sales (5.8). The result was supported by good performance in services and optimisation of the Voyage business. Price increases in the latter part of 2022 have offset cost inflation. Inefficient factory capacity utilisation burdened the result. Items affecting comparability totalled EUR +3 million (-199), of which EUR -8 million was related to the restructuring of engine manufacturing in Europe and EUR +11 million related to the liquidation of a subsidiary in Zhenjiang.

# Reporting segment: Wärtsilä Marine Systems

## Key figures

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | **239** | 198 | 21% | 654 |
| of which services | **67** | 68 | -2% | 250 |
| of which equipment | **172** | 129 | 33% | 404 |
| Order book, end of period | **991** | 1,089 | -9% | 924 |
| Net sales | **158** | 163 | -3% | 765 |
| of which services | **62** | 59 | 6% | 231 |
| of which equipment | **96** | 105 | -8% | 535 |
| Comparable operating result | **6** | 12 | -52% | 56 |
| % of net sales | **3.7** | 7.6 | | 7.3 |
| Operating result | **6** | 5 | 15% | 48 |
| % of net sales | **3.9** | 3.3 | | 6.2 |

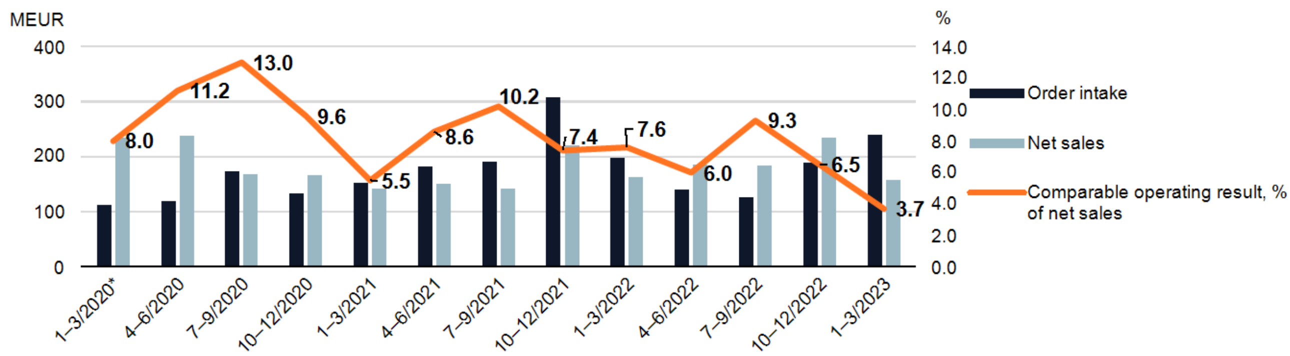
## Order intake bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | **198** |
| Organic | **30%** |
| Acquisitions and divestments | **0%** |
| FX impact | **-9%** |
| **2023** | **239** |

## Net sales bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | **163** |
| Organic | **1%** |
| Acquisitions and divestments | **0%** |
| FX impact | **-4%** |
| **2023** | **158** |

## Quarterly development




*Restated due to changes in organisational structure

## Financial development in January–March

**Order intake** increased by 21%. Service order intake was stable. The equipment order intake increased by 33% thanks to good development in Gas Solutions.

**Net sales** decreased by 3%. Service net sales increased by 6% with good development in all business units. Equipment net sales decreased by 8% mainly due to lower scrubber volumes.

The **comparable operating result** amounted to EUR 6 million (12) or 3.7% of net sales (7.6), supported by good development in services while cost inflation burdened equipment business profitability.

# Reporting segment: Wärtsilä Energy

## Key figures

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | **744** | 507 | 47% | 2,612 |
| of which services | **333** | 242 | 38% | 1,062 |
| of which equipment | **411** | 265 | 55% | 1,550 |
| Order intake, power plants | **487** | 434 | 12% | 1,805 |
| Order intake, energy storage | **257** | 72 | 256% | 807 |
| Order book, end of period | **2,483** | 2,442 | 2% | 2,376 |
| Net sales | **645** | 535 | 21% | 2,721 |
| of which services | **258** | 221 | 17% | 958 |
| of which equipment | **387** | 314 | 23% | 1,763 |
| Net sales, power plants | **394** | 400 | -2% | 1,946 |
| Net sales, energy storage | **252** | 134 | 87% | 775 |
| Comparable operating result | **33** | 24 | 38% | 91 |
| % of net sales | **5.1** | 4.5 | | 3.3 |
| % of net sales, 12 months rolling, energy storage | **-3** | | | -4 |
| Operating result | **34** | 20 | 70% | 82 |
| % of net sales | **5.2** | 3.7 | | 3.0 |

## Order intake Energy

| | 1–3/2023 | 1–3/2022 | Change |
|---|---|---|---|
| Gas, MW | **164** | 326 | -50% |
| Oil, MW | **-** | 122 | |
| Storage**, MWh | **888** | 310 | 186% |
| 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

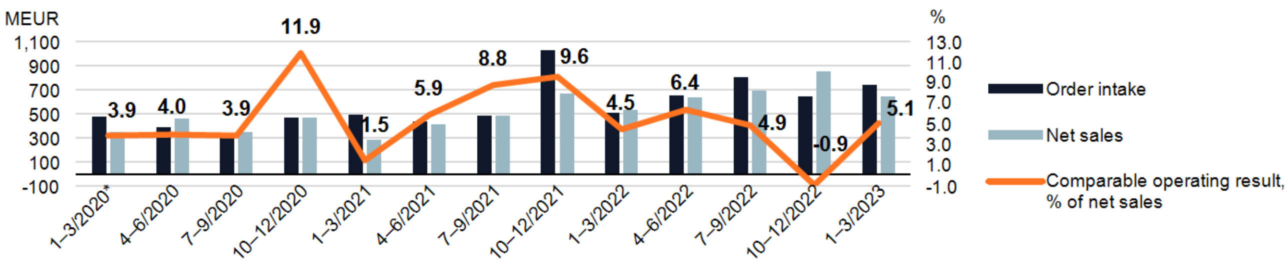
| MEUR | 1–3/2023 |
|---|---|
| **2022** | **507** |
| Organic | **48%** |
| Acquisitions and divestments* | **-1%** |
| FX impact | **0%** |
| **2023** | **744** |

*Related to Wärtsilä's exit from Russia.

## Net sales bridge

| MEUR | 1–3/2023 |
|---|---|
| **2022** | **535** |
| Organic | **19%** |
| Acquisitions and divestments* | **0%** |
| FX impact | **2%** |
| **2023** | **645** |

## Quarterly development




*Restated due to changes in organisational structure

## Financial development in January–March

**Order intake** increased by 47%. Service order intake increased by 38%, impacted mainly by favourable maintenance intervals supporting spare parts sales, a sizeable upgrade project, and the renewals of long-term agreements. Equipment order intake increased by 55% supported by increase in energy storage business. Power plant order intake declined, impacted by uncertainty related to the price adjustments and availability of gas.

**Net sales** increased by 21%, with growth mainly in energy storage and services, whereas power plant sales declined. Service net sales increased by 17%, due to favourable maintenance intervals. Equipment net sales increased by 23%.

The **comparable operating result** amounted to EUR 33 million (24) or 5.1% of net sales (4.5), driven by high services volumes and the improved profitability of the energy storage business. Cost inflation continued to burden profitability in the power plants business.

# Other business activities: Wärtsilä Portfolio Business

## Key figures

| MEUR | 1–3/2023 | 1–3/2022 | Change | 2022 |
|---|---|---|---|---|
| Order intake | **18** | 10 | 86% | 102 |
| Order book, end of period | **129** | 132 | -2% | 134 |
| Net sales | **21** | 18 | 16% | 109 |
| Comparable operating result | **0** | -1 | 132% | 0 |
| % of net sales | **1.2** | -4.4 | | -0.3 |
| Operating result | **0** | -3 | 109% | -30 |
| % of net sales | **1.2** | -16.5 | | -27.9 |

## Financial development in January–March

**Order intake** increased by 86% with the main growth being in the Water & Waste business unit.

**Net sales** increased by 16%.

The **comparable operating result** amounted to EUR 0 million (-1) or 1.2% of net sales (-4.4).

# 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, 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, higher financing costs and weaker availability of financing, 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 before mentioned 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 as a result of continued high inflation and 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. 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 which might weaken the case for scrubber investments.

## 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, and 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.

# Significant events in January–March

## Changes in management

In February, Wärtsilä announced the appointment of Ms Saara Tahvanainen as Executive Vice President, Marketing and Communications and a member of the Wärtsilä Board of Management. Ms Tahvanainen will commence in her role by the end of June 2023 at the latest, and she will report to Wärtsilä's President & CEO Håkan Agnevall. Ms Tahvanainen will succeed Mr Atte Palomäki, who left Wärtsilä with immediate effect.

# 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 at 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 will be paid on 20 September 2023.

# Shares and shareholders

In January–March, the number of shares traded on Nasdaq Helsinki was 78,696,128, equivalent to a turnover of EUR 689 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 35,998,787 shares.

The number of Wärtsilä's shares outstanding as at 31.3.2023 was 590,023,390, of which the number of treasury shares was 1,700,000.

# Events after the reporting period

In February, Wärtsilä announced that it plans structural changes to streamline the marine customer offering and improve profitability. The plans include moving part of Voyage business activities to Portfolio Business, as well as moving business unit Marine Electrical Systems, currently part of the Marine Systems business, to Portfolio Business.

# Wärtsilä Interim Report January–March 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.

## 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.

| | |
|---|---|
| **Weighted average number of shares outstanding during the period** | **590,023,390** |
| Weighted average number of dilutive potential ordinary shares during the period | **160,213** |
| **Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS** | **590,183,603** |

## 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.

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 March 2023.

This interim report is unaudited.

# Condensed statement of income

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Net sales | **1,465** | 1,231 | 5,842 |
| Other operating income | **27** | 12 | 70 |
| Expenses | **-1,363** | -1,268 | -5,668 |
| Result from net position hedges | **-5** | | -12 |
| Depreciation, amortisation and impairment | **-33** | -122 | -263 |
| Share of result of associates and joint ventures | **1** | | 6 |
| **Operating result** | **92** | -147 | -26 |
| Financial income and expenses | **-8** | | -6 |
| **Result before taxes** | **84** | -147 | -32 |
| Income taxes | **-23** | 5 | -26 |
| **Result for the reporting period** | **61** | -142 | -58 |
| | | | |
| Attributable to: | | | |
| equity holders of the parent company | **55** | -143 | -64 |
| non-controlling interests | **6** | 1 | 6 |
| | **61** | -142 | -58 |
| | | | |
| Earnings per share attributable to equity holders of the parent company: | | | |
| Earnings per share (EPS), basic, EUR | **0.09** | -0.24 | -0.11 |
| Earnings per share (EPS), diluted, EUR | **0.09** | -0.24 | -0.11 |

# Statement of other comprehensive income

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Result for the reporting period** | **61** | -142 | -58 |
| | | | |
| **Other comprehensive income, net of taxes:** | | | |
| | | | |
| **Items that will not be reclassified to the statement of income** | | | |
| Remeasurements of defined benefit liabilities | | | 39 |
| Tax on items that will not be reclassified to the statement of income | | | -8 |
| **Total items that will not be reclassified to the statement of income** | | | 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 | **-21** | 10 | -31 |
| for non-controlling interests | | | -1 |
| transferred to the statement of income | **-11** | | -2 |
| Associates and joint ventures, share of other comprehensive income | | 1 | -1 |
| Cash flow hedges | **-4** | 13 | 35 |
| Tax on items that may be reclassified to the statement of income | **1** | -3 | -8 |
| **Total items that may be reclassified to the statement of income** | **-36** | 22 | -7 |
| | | | |
| **Other comprehensive income for the reporting period, net of taxes** | **-36** | 22 | 23 |
| | | | |
| **Total comprehensive income for the reporting period** | **25** | -120 | -35 |
| | | | |
| Total comprehensive income attributable to: | | | |
| equity holders of the parent company | **24** | -120 | -34 |
| non-controlling interests | **1** | | -1 |
| | **25** | -120 | -35 |

# Condensed statement of financial position

| MEUR | 31.3.2023 | 31.3.2022 | 31.12.2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | **1,680** | 1,703 | 1,680 |
| Property, plant and equipment | **302** | 316 | 304 |
| Right-of-use assets | **267** | 249 | 258 |
| Investments in associates and joint ventures | **29** | 28 | 29 |
| Other investments | **19** | 18 | 19 |
| Deferred tax assets | **193** | 187 | 197 |
| Other receivables | **80** | 50 | 71 |
| **Total non-current assets** | **2,571** | 2,550 | 2,558 |
| | | | |
| **Current assets** | | | |
| Inventories | **1,421** | 1,210 | 1,361 |
| Other receivables | **2,144** | 1,873 | 2,174 |
| Cash and cash equivalents | **439** | 700 | 461 |
| **Total current assets** | **4,004** | 3,783 | 3,997 |
| | | | |
| Assets held for sale | **52** | 1 | 54 |
| | | | |
| **Total assets** | **6,627** | 6,335 | 6,608 |
| | | | |
| **Equity** | | | |
| Share capital | **336** | 336 | 336 |
| Other equity | **1,672** | 1,719 | 1,800 |
| **Total equity attributable to equity holders of the parent company** | **2,008** | 2,055 | 2,136 |
| | | | |
| Non-controlling interests | **7** | 9 | 12 |
| **Total equity** | **2,014** | 2,064 | 2,148 |
| | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | **232** | 212 | 223 |
| Other interest-bearing debt | **413** | 609 | 517 |
| Deferred tax liabilities | **48** | 61 | 65 |
| Other liabilities | **251** | 262 | 240 |
| **Total non-current liabilities** | **943** | 1,143 | 1,044 |
| | | | |
| **Current liabilities** | | | |
| Lease liabilities | **44** | 43 | 43 |
| Other interest-bearing debt | **233** | 118 | 166 |
| Other liabilities | **3,372** | 2,966 | 3,185 |
| **Total current liabilities** | **3,649** | 3,127 | 3,394 |
| | | | |
| **Total liabilities** | **4,593** | 4,271 | 4,438 |
| | | | |
| Liabilities directly attributable to assets held for sale | **20** | | 22 |
| | | | |
| **Total equity and liabilities** | **6,627** | 6,335 | 6,608 |

# Condensed statement of cash flows

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Result for the reporting period | **61** | -142 | -58 |
| Adjustments for: | | | |
| depreciation, amortisation and impairment | **33** | 122 | 263 |
| financial income and expenses | **8** | | 6 |
| gains and losses on sale of intangible assets and property, plant and equipment and other changes | | 2 | 23 |
| share of result of associates and joint ventures | **-1** | | -6 |
| income taxes | **23** | -5 | 26 |
| other non-cash flow adjustments | **-8** | 97 | 26 |
| **Cash flow before changes in working capital** | **116** | 74 | 281 |
| Changes in working capital | **58** | -169 | -259 |
| **Cash flow from operating activities before financial items and taxes** | **173** | -95 | 22 |
| Financial items and paid taxes | **-28** | -27 | -84 |
| **Cash flow from operating activities** | **145** | -122 | -62 |
| | | | |
| **Cash flow from investing activities:** | | | |
| Investments in shares and acquisitions | | -1 | -5 |
| Net investments in property, plant and equipment and intangible assets | **-31** | -34 | -138 |
| Proceeds from sale of shares in subsidiaries, associated companies and other investments | | | -9 |
| **Cash flow from investing activities** | **-31** | -34 | -151 |
| | | | |
| **Cash flow from financing activities:** | | | |
| Repayments to non-controlling interests | **-5** | | |
| Repayments and other changes in non-current debt | **-108** | -50 | -145 |
| Changes in current loans and other changes | **47** | -2 | 1 |
| Dividends paid | **-68** | -59 | -145 |
| **Cash flow from financing activities** | **-134** | -111 | -289 |
| | | | |
| **Change in cash and cash equivalents, increase (+)/decrease (-)** | **-20** | -267 | -501 |
| | | | |
| Cash and cash equivalents at the beginning of the reporting period* | **464** | 964 | 964 |
| Exchange rate changes | **-4** | 3 | 1 |
| Cash and cash equivalents at the end of the reporting period* | **440** | 700 | 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 | | | **-28** | **-3** | | **55** | **1** | **25** |
| Other changes | | | | | | | **-5** | **-5** |
| **Transactions with equity holders of the parent company and non-controlling interests** | | | | | | | | |
| Dividends paid | | | | | | **-153** | | **-154** |
| Share-based payments | | | | | | **1** | | **1** |
| **Equity on 31 March 2023** | **336** | **61** | **-183** | **6** | **-5** | **1,793** | **7** | **2,014** |

| | 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 | | | 11 | 11 | | -143 | 1 | -120 |
| **Transactions with equity holders of the parent company and non-controlling interests** | | | | | | | | |
| Dividends paid | | | | | | -142 | -1 | -142 |
| Share-based payments | | | | | | 2 | | 2 |
| **Equity on 31 March 2022** | 336 | 61 | -111 | -7 | -36 | 1,812 | 9 | 2,064 |

## 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. The segment related comparison figures for 2022 have been restated to reflect the current organisational structure.

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| | | | |
| **Net sales** | | | |
| Marine Power | **640** | 515 | 2,247 |
| Marine Systems | **158** | 163 | 765 |
| Energy | **645** | 535 | 2,721 |
| Portfolio Business | **21** | 18 | 109 |
| **Total** | **1,465** | 1,231 | 5,842 |
| | | | |
| **Depreciation, amortisation and impairment** | | | |
| Marine Power | **-20** | -108 | -193 |
| Marine Systems | **-5** | -5 | -18 |
| Energy | **-8** | -8 | -33 |
| Portfolio Business | | -1 | -19 |
| **Total** | **-33** | -122 | -263 |
| | | | |
| **Share of result of associates and joint ventures** | | | |
| Marine Power | **1** | | 6 |
| **Total** | **1** | | 6 |
| | | | |
| **Operating result** | | | |
| Marine Power | **52** | -169 | -125 |
| Marine Systems | **6** | 5 | 48 |
| Energy | **34** | 20 | 82 |
| Portfolio Business | | -3 | -30 |
| **Total** | **92** | -147 | -26 |
| | | | |
| **Operating result as a percentage of net sales (%)** | | | |
| Marine Power | **8.2** | -32.8 | -5.6 |
| Marine Systems | **3.9** | 3.3 | 6.2 |
| Energy | **5.2** | 3.7 | 3.0 |
| Portfolio Business | **1.2** | -16.5 | -27.9 |
| **Total** | **6.3** | -11.9 | -0.4 |
| | | | |
| **Comparable operating result** | | | |
| Marine Power | **49** | 30 | 179 |
| Marine Systems | **6** | 12 | 56 |
| Energy | **33** | 24 | 91 |
| Portfolio Business | | -1 | |
| **Total** | **88** | 65 | 325 |
| | | | |
| **Comparable operating result as a percentage of net sales (%)** | | | |
| Marine Power | **7.6** | 5.8 | 8.0 |
| Marine Systems | **3.7** | 7.6 | 7.3 |
| Energy | **5.1** | 4.5 | 3.3 |
| Portfolio Business | **1.2** | -4.4 | -0.3 |
| **Total** | **6.0** | 5.3 | 5.6 |

**Net sales by geographical areas**

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Europe | **448** | 423 | 1,718 |
| Asia | **357** | 311 | 1,482 |
| The Americas | **505** | 376 | 2,062 |
| Other | **154** | 121 | 580 |
| **Total** | **1,465** | 1,231 | 5,842 |

**Service net sales**

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Net sales** | | | |
| Marine Power, service | **399** | 338 | 1,512 |
| Marine Systems, service | **62** | 59 | 231 |
| Energy, service | **258** | 221 | 958 |
| Portfolio Business, service | **17** | 14 | 75 |
| **Total** | **736** | 631 | 2,775 |

## Measures of profit and items affecting comparability

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Comparable adjusted EBITA** | **93** | 72 | 349 |
| | | | |
| Purchase price allocation amortisation | **-5** | -7 | -23 |
| | | | |
| **Comparable operating result** | **88** | 65 | 325 |
| | | | |
| **Items affecting comparability:** | | | |
| Social plan costs | | | -51 |
| Impairment and write-downs | | -180 | -162 |
| Gains and losses on disposal of assets | **11** | -2 | -24 |
| Other costs | **-8** | -30 | -115 |
| **Items affecting comparability, total** | **4** | -212 | -351 |
| | | | |
| **Operating result** | **92** | -147 | -26 |

The financial statements include EUR 8 million of costs related to the restructuring of engine manufacturing in Europe, as well as EUR 11 million of income related to the liquidation of Wärtsilä-CME Zhenjiang Propeller Co. Ltd., a subsidiary of the Group.

## Assets held for sale

Wärtsilä has classified American Hydro business unit and certain non-current assets relating 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. The event is not expected to have a material impact on the result for the reporting period 2023. Completion of the transaction is expected in first half of 2023. American Hydro business unit 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. 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 | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **At a point in time** | | | |
| Products | **375** | 328 | 1,353 |
| Goods and services | **157** | 126 | 599 |
| Projects | **323** | 199 | 1,235 |
| **Total** | **855** | 653 | 3,187 |
| | | | |
| **Over time** | | | |
| Projects | **455** | 438 | 2,054 |
| Long-term agreements | **155** | 141 | 602 |
| **Total** | **610** | 579 | 2,655 |
| | | | |
| **Total** | **1,465** | 1,231 | 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 | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Intangible assets** | | | |
| Carrying amount on 1 January | **1,680** | 1,776 | 1,776 |
| Changes in exchange rates | **-10** | 5 | -21 |
| Acquisitions and disposals | | | 8 |
| Additions | **20** | 17 | 85 |
| Amortisation and impairment | **-13** | -94 | -139 |
| Decreases and reclassifications | **3** | | -28 |
| **Carrying amount at the end of the reporting period** | **1,680** | 1,703 | 1,680 |
| | | | |
| **Property, plant and equipment** | | | |
| Carrying amount on 1 January | **304** | 312 | 312 |
| Changes in exchange rates | **-1** | 1 | 1 |
| Additions | **11** | 17 | 72 |
| Depreciation and impairment | **-10** | -15 | -59 |
| Decreases and reclassifications | **-3** | | -21 |
| **Carrying amount at the end of the reporting period** | **302** | 316 | 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.

# Leases

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| **Land and buildings, right-of-use assets** | | | |
| Carrying amount on 1 January | **248** | 181 | 181 |
| Changes in exchange rates | **-2** | | -1 |
| Acquisitions and disposals | | | -3 |
| Additions | **22** | 67 | 118 |
| Depreciation and impairment | **-11** | -11 | -43 |
| Decreases and reclassifications | | | -5 |
| **Carrying amount at the end of the reporting period** | **258** | 238 | 248 |
| | | | |
| **Machinery and equipment, right-of-use assets** | | | |
| Carrying amount on 1 January | **10** | 11 | 11 |
| Additions | **1** | 2 | 6 |
| Depreciation and impairment | **-1** | -2 | -6 |
| **Carrying amount at the end of the reporting period** | **9** | 11 | 10 |
| | | | |
| **Lease liabilities** | | | |
| Carrying amount on 1 January | **266** | 197 | 197 |
| Changes in exchange rates | **-2** | | -2 |
| Acquisitions and disposals | | | -2 |
| Additions | **24** | 69 | 123 |
| Payments | **-12** | -11 | -46 |
| Other adjustments | | | -4 |
| **Carrying amount at the end of the reporting period** | **276** | 255 | 266 |
| | | | |
| **Amounts recognised in statement of income** | | | |
| Depreciation and impairment | **-12** | -12 | -49 |
| Interest expenses | **-2** | -1 | -4 |
| Expense – short-term leases | **-8** | -7 | -28 |
| Expense – leases of low-value assets | **-2** | -1 | -6 |
| Expense – variable lease payments | **-3** | -1 | -8 |

# Gross capital expenditure

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Investments in securities and acquisitions | | 1 | 5 |
| Investments in intangible assets and property, plant and equipment | **32** | 34 | 156 |
| **Total** | **32** | 35 | 161 |

## Net interest-bearing debt

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Lease liabilities, non-current | **232** | 212 | 223 |
| Other interest-bearing debt, non-current | **413** | 609 | 517 |
| Lease liabilities, current | **44** | 43 | 43 |
| Other interest-bearing debt, current | **233** | 118 | 166 |
| **Total interest-bearing liabilities** | **921** | 982 | 949 |
| | | | |
| Interest-bearing receivables | **-4** | -5 | -4 |
| Cash and cash equivalents | **-439** | -700 | -461 |
| Cash and cash equivalents pertaining to assets held for sale | **-1** | | -3 |
| **Total interest-bearing assets** | **-444** | -706 | -468 |
| | | | |
| **Total net interest-bearing debt** | **477** | 276 | 481 |

## Financial ratios

| | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Earnings per share (EPS), basic, EUR | **0.09** | -0.24 | -0.11 |
| Earnings per share (EPS), diluted, EUR | **0.09** | -0.24 | -0.11 |
| Equity per share, EUR | **3.40** | 3.48 | 3.62 |
| Solvency ratio, % | **33.4** | 35.3 | 35.3 |
| Gearing | **0.24** | 0.14 | 0.23 |
| Return on investment (ROI), % | **8.1** | 4.6 | 0.1 |
| Return on equity (ROE), % | **7.1** | 1.3 | -2.6 |

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

## Personnel

| | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| On average | **17,674** | 17,303 | 17,482 |
| At the end of the reporting period | **17,713** | 17,351 | 17,581 |

## Contingent liabilities

| MEUR | 1–3/2023 | 1–3/2022 | 2022 |
|---|---|---|---|
| Mortgages | **10** | 10 | 10 |
| Chattel mortgages and other pledges and securities | **17** | 8 | 17 |
| **Total** | **27** | 18 | 27 |
| | | | |
| Guarantees and contingent liabilities | | | |
| on behalf of Group companies | **1,013** | 992 | 1,037 |
| Nominal amounts of lease liabilities | | | |
| Low-value lease liabilities | **11** | 9 | 11 |
| Short-term lease liabilities | **3** | 3 | 3 |
| Leases not yet commenced, but to which Wärtsilä is committed | **21** | 1 | 14 |
| Residual value guarantee | **90** | 90 | 90 |
| **Total** | **1,138** | 1,094 | 1,155 |

## Nominal values of derivative instruments

| MEUR | Total amount | of which closed |
|---|---|---|
| Non-deliverable forwards | **5** | |
| Interest rate swaps | **175** | |
| Cross currency swaps | **138** | |
| Foreign exchange forward contracts | **2,028** | **1,200** |
| **Total** | **2,346** | **1,200** |

In addition, the Group had copper swaps amounting to 1,315 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) | **42** | **42** |
| | | |
| **Financial liabilities** | | |
| Interest-bearing debt, non-current (level 2) | **644** | **632** |
| Derivatives (level 2) | **29** | **29** |

## Events after the reporting period

In February, Wärtsilä announced that it plans structural changes to streamline the marine customer offering and improve profitability. The plans include moving part of Voyage business activities to Portfolio Business, as well as moving business unit Marine Electrical Systems, currently part of the Marine Systems business, to Portfolio Business.

## Quarterly figures

| MEUR | 1–3/ 2023 | 10–12/ 2022 | 7–9/ 2022 | 4–6/ 2022 | 1–3/ 2022 | 10–12/ 2021 | 7–9/ 2021 | 4–6/ 2021 | 1–3/ 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Order intake** | | | | | | | | | |
| Marine Power | **738** | 745 | 671 | 625 | 666 | 659 | 443 | 463 | 446 |
| Voyage | | | | | | 93 | 53 | 60 | 86 |
| Marine Systems | **239** | 190 | 126 | 140 | 198 | 308 | 191 | 183 | 153 |
| Energy | **744** | 646 | 805 | 654 | 507 | 1,031 | 486 | 433 | 493 |
| Portfolio Business | **18** | 57 | 13 | 22 | 10 | 59 | 14 | 14 | 66 |
| **Total** | **1,739** | 1,638 | 1,616 | 1,440 | 1,380 | 2,150 | 1,186 | 1,154 | 1,244 |
| | | | | | | | | | |
| **Order book at the end of the reporting period** | | | | | | | | | |
| Marine Power | **2,550** | 2,472 | 2,456 | 2,287 | 2,444 | 1,994 | 1,930 | 1,860 | 1,882 |
| Voyage | | | | | | 288 | 280 | 295 | 305 |
| Marine Systems | **991** | 924 | 953 | 1,013 | 1,089 | 1,042 | 944 | 912 | 887 |
| Energy | **2,483** | 2,376 | 2,702 | 2,506 | 2,442 | 2,393 | 2,056 | 2,035 | 2,029 |
| Portfolio Business | **129** | 134 | 118 | 131 | 132 | 142 | 115 | 135 | 297 |
| **Total** | **6,153** | 5,906 | 6,229 | 5,936 | 6,107 | 5,859 | 5,325 | 5,238 | 5,399 |

| MEUR | 1–3/ 2023 | 10–12/ 2022 | 7–9/ 2022 | 4–6/ 2022 | 1–3/ 2022 | 10–12/ 2021 | 7–9/ 2021 | 4–6/ 2021 | 1–3/ 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | | | | | | | | | |
| Marine Power | **640** | 647 | 523 | 561 | 515 | 589 | 382 | 466 | 426 |
| Voyage | | | | | | 84 | 68 | 68 | 59 |
| Marine Systems | **158** | 234 | 184 | 185 | 163 | 221 | 142 | 150 | 142 |
| Energy | **645** | 856 | 696 | 633 | 535 | 670 | 487 | 416 | 288 |
| Portfolio Business | **21** | 33 | 30 | 28 | 18 | 32 | 25 | 31 | 33 |
| **Total** | **1,465** | 1,770 | 1,433 | 1,407 | 1,231 | 1,597 | 1,103 | 1,131 | 946 |
| Share of result of associates and joint ventures | **1** | 3 | 2 | | | 1 | 1 | 1 | 1 |
| Comparable adjusted EBITA | **93** | 99 | 87 | 91 | 72 | 165 | 95 | 79 | 49 |
| as a percentage of net sales | **6.4** | 5.6 | 6.1 | 6.4 | 5.9 | 10.4 | 8.6 | 7.0 | 5.1 |
| Depreciation, amortisation and impairment | **-33** | -56 | -51 | -34 | -122 | -40 | -41 | -42 | -39 |
| Purchase price allocation amortisation | **-5** | -5 | -6 | -5 | -7 | -8 | -8 | -8 | -8 |
| Comparable operating result | **88** | 93 | 82 | 85 | 65 | 158 | 87 | 71 | 41 |
| as a percentage of net sales | **6.0** | 5.3 | 5.7 | 6.1 | 5.3 | 9.9 | 7.9 | 6.3 | 4.3 |
| Items affecting comparability, total | **4** | -56 | -72 | -10 | -212 | -14 | -12 | -14 | -4 |
| Operating result | **92** | 37 | 10 | 75 | -147 | 144 | 75 | 58 | 36 |
| as a percentage of net sales | **6.3** | 2.1 | 0.7 | 5.3 | -11.9 | 9.0 | 6.8 | 5.1 | 3.8 |
| Financial income and expenses | **-8** | -2 | -2 | -2 | | -10 | -1 | -5 | -1 |
| Result before taxes | **84** | 35 | 7 | 72 | -147 | 134 | 74 | 53 | 35 |
| Income taxes | **-23** | -7 | -4 | -20 | 5 | -49 | -25 | -18 | -11 |
| Result for the reporting period | **61** | 28 | 3 | 52 | -142 | 85 | 50 | 35 | 24 |
| Earnings per share (EPS), basic, EUR | **0.09** | 0.05 | 0.00 | 0.09 | -0.24 | 0.14 | 0.08 | 0.06 | 0.04 |
| Earnings per share (EPS), diluted, EUR | **0.09** | 0.05 | 0.00 | 0.09 | -0.24 | 0.14 | 0.08 | 0.06 | - |
| Gross capital expenditure | **32** | 49 | 37 | 40 | 35 | 45 | 35 | 34 | 29 |
| Investments in securities and acquisitions | | | | 4 | 1 | 1 | | | |
| Cash flow from operating activities | **145** | 51 | 100 | -90 | -122 | 370 | 49 | 245 | 67 |
| Working capital (WCAP) at the end of the reporting period | **105** | 179 | 108 | 168 | -18 | -100 | 107 | 73 | 243 |
| **Personnel at the end of the reporting period** | | | | | | | | | |
| Marine Power | **9,975** | 9,906 | 9,962 | 9,995 | 9,983 | 8,224 | 8,157 | 8,131 | 8,317 |
| Voyage | | | | | | 1,725 | 1,799 | 1,865 | 1,925 |
| Marine Systems | **1,969** | 1,937 | 1,899 | 1,880 | 1,862 | 1,894 | 1,891 | 1,882 | 1,864 |
| Energy | **5,342** | 5,320 | 5,309 | 5,247 | 5,073 | 4,980 | 4,975 | 4,953 | 4,905 |
| Portfolio Business | **427** | 417 | 415 | 425 | 433 | 482 | 481 | 555 | 732 |
| **Total** | **17,713** | 17,581 | 17,585 | 17,547 | 17,351 | 17,305 | 17,303 | 17,386 | 17,742 |

As of 1 January 2023, Voyage has been integrated with Marine Power. The segment related comparison figures for 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)**

$$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the reporting period}} \times 100$$

**Return on equity (ROE)**

$$\frac{\text{Result for the reporting period}}{\text{Equity, average over the reporting period}} \times 100$$

**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)

24 April 2023
Wärtsilä Corporation
Board of Directors