



Wärtsilä Corporation

Wärtsilä's year 2022



WÄRTSILÄ IN BRIEF

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

www.wartsila.com

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

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This is Wärtsilä

Wärtsilä has a significant role in decarbonisation transformation

PURPOSE
Enabling sustainable societies through innovation in technology and services

COMMITTED TO TARGETS

Financial targets

- 5% annual organic growth
- 12% operating margin

Set for 30 – decarbonisation

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

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

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

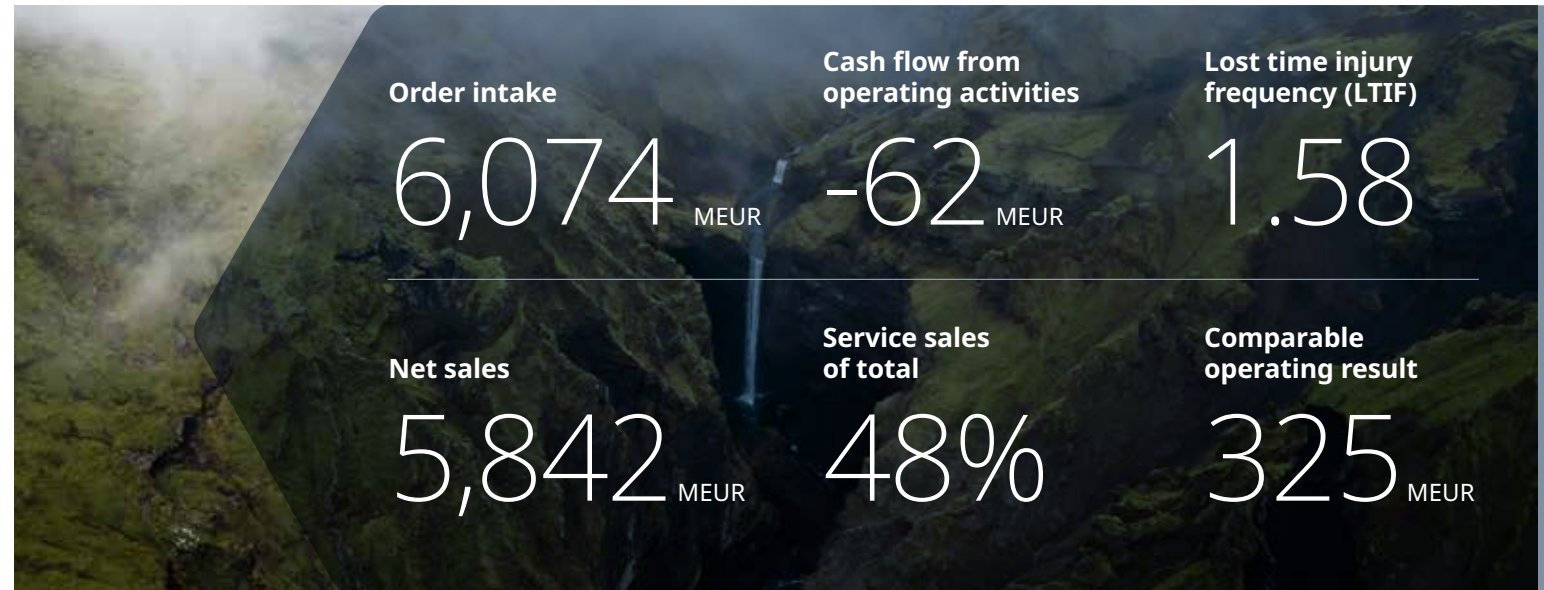
TARGET POSITION
Shaping the decarbonisation of marine and energy

Leading offering to support our customers in decarbonisation

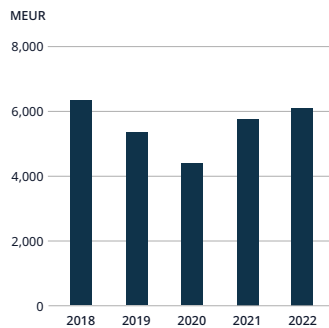
- Fuel-flexible engines enabling decarbonisation
- Hybrid and battery solutions for maritime
- Energy saving technology for improved vessel performance
- Emission abatement technologies including maritime carbon capture
- Grid balancing engine solutions and energy storage
- Power system modelling & optimisation
- Decarbonisation services
- The broadest service network for marine and energy industries
- Digital solutions enabling optimised operations and service

Key figures

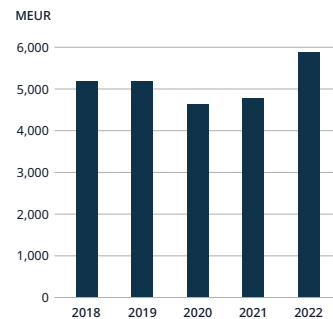
In 2022, order intake increased by 6% to EUR 6,074 million (5,735). Net sales increased by 22% to EUR 5,842 million (4,778), of which 48% related to services. Operating result decreased by EUR 339 million and amounted to EUR -26 million (314) or -0.4% of net sales (6.6). Comparable operating result decreased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



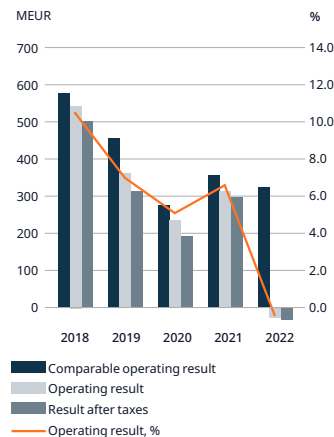
Order intake



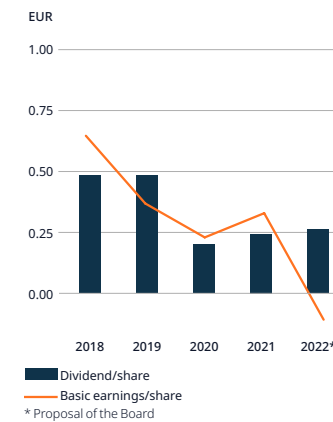
Group net sales development



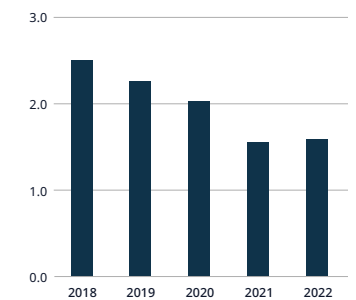
Result



Dividend/share, earnings/share



Lost time injury frequency (LTIF)





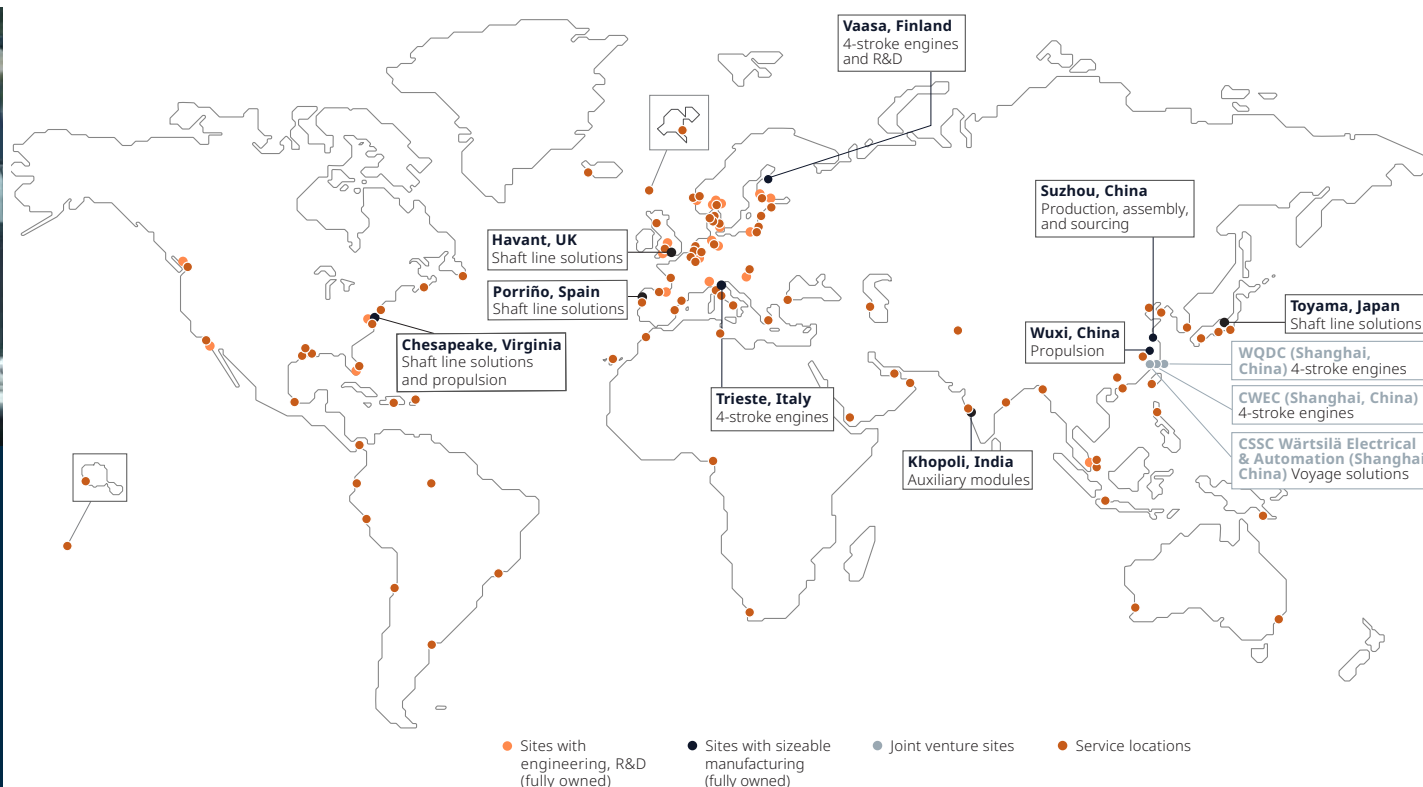
PERSONNEL

17,500

OPERATIONS

in more than 240 locations

in 79 countries



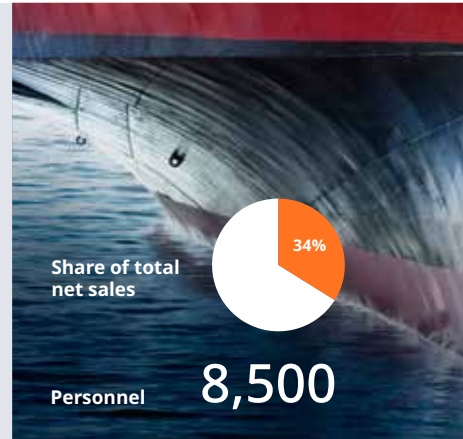
Wärtsilä's position as a global company is reflected in the geographical breakdown of our net sales.

Net sales, geographical



Businesses in brief

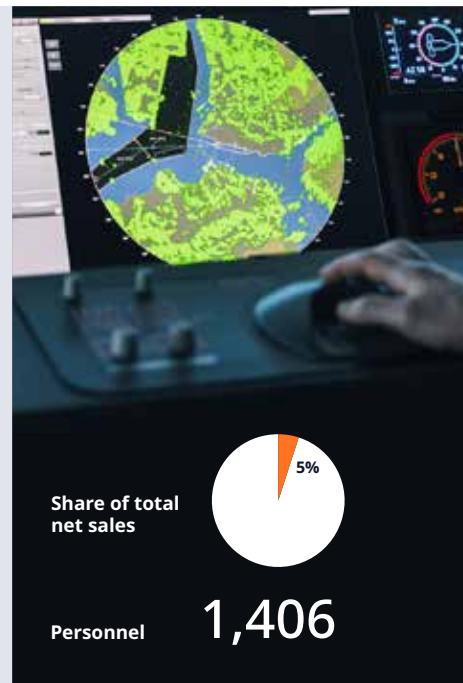
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our broad portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support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



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



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



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

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





Strategy

Market fundamentals



Marine will move with unprecedented speed towards decarbonisation

POLICIES AND REGULATIONS

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

TECHNOLOGY

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

CONNECTIVITY AND DATA

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



Energy is moving towards a 100% renewable energy future

POLICIES AND REGULATIONS

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

TECHNOLOGY

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

GROWING ENERGY DEMAND

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

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

The Wärtsilä Way

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

WHY

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

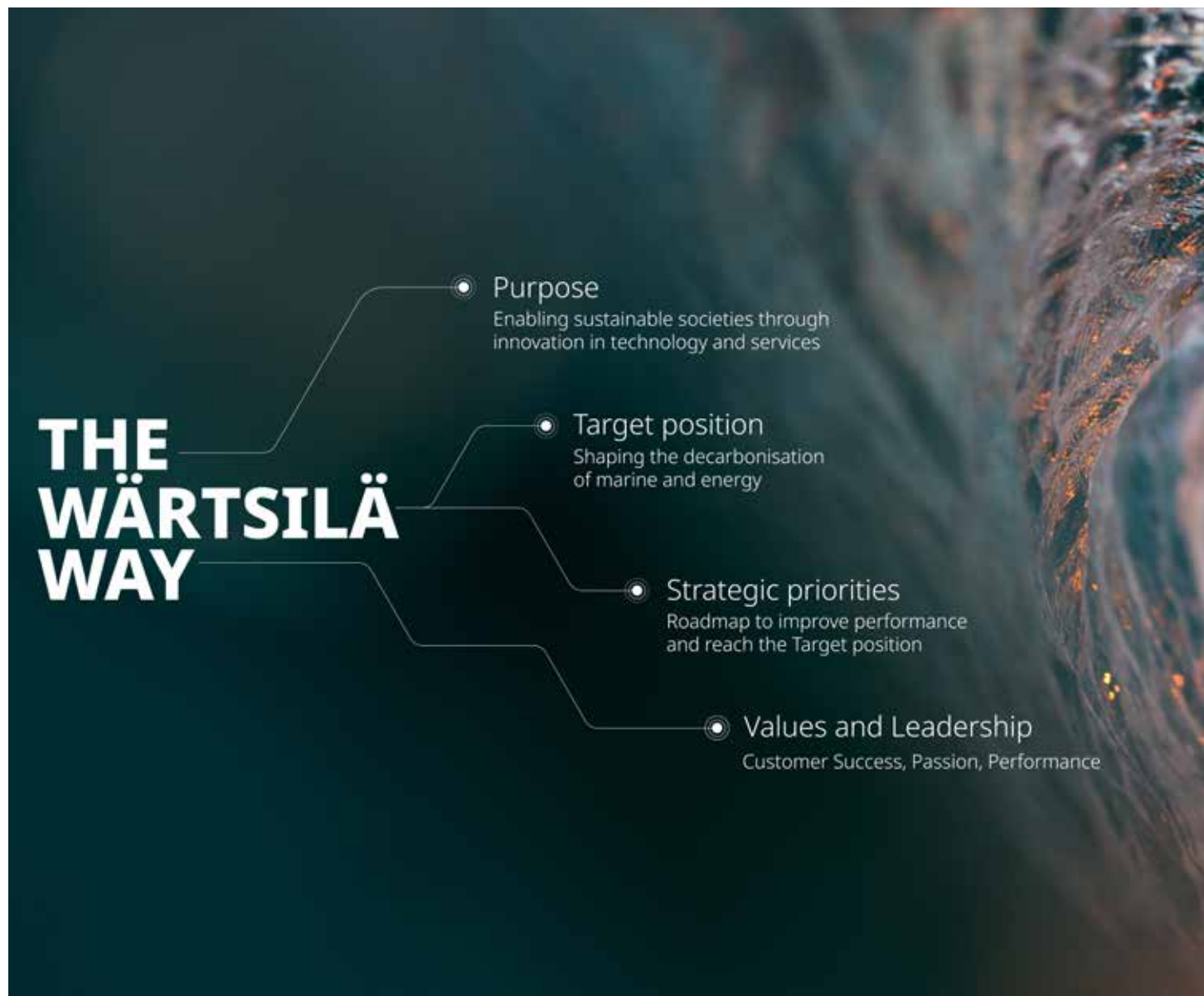
WHERE

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

HOW

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

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



OUR VALUES

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

CUSTOMER SUCCESS

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

PASSION

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

PERFORMANCE

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

Our purpose

"Enabling sustainable societies through innovation in technology and services"

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

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

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

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

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

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

OUR LEADERSHIP MODEL

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

ENERGISE AND LEAD THE WAY

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

DEVELOP PEOPLE AND TEAMS

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

CHALLENGE AND SUPPORT CHANGE

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

Wärtsilä's Leadership Model



Transform and perform

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

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

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



2002–2010

LIFECYCLE POWER SOLUTIONS

Expansion into propulsion, services acquisitions



2011–2015

BECOMING A TOTAL SOLUTION PROVIDER

Expansion into environmental solutions, acquisitions in Electrical & Automation



2016–2020

SMART MARINE AND 100% RENEWABLE ENERGY

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



2021–

SHAPING THE DECARBONISATION OF MARINE AND ENERGY

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

Transform

DECARBONISATION CREATES NEW BUSINESS OPPORTUNITIES

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

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

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



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



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

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



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



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

Perform

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

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

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

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



#1-3 in global markets

Financial targets:

- 5% annual organic growth
- 12% operating margin

"Set for 30" decarbonisation targets:

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



Clear financial targets and strong commitment to realise them



Robust capital allocation principles and active portfolio management



Notable opportunity in retrofits and conversions



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



Focus on:

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

Strategic priorities

- 1 EXCEL IN CREATING CUSTOMER VALUE**
We continuously evolve our understanding of, and responsiveness to, our customers to make them successful.
- 2 DEVELOP HIGH PERFORMING TEAMS THAT MAKE A DIFFERENCE**
We attract high performing people and excite diverse teams that excel in continuous learning and collaboration. Our leaders provide direction and support, empowering people to act.
- 3 DRIVE DECARBONISATION IN MARINE AND ENERGY**
We accelerate decarbonisation in marine and energy through innovation, focused investments, and selective partnerships, while also decarbonising our own operations. We provide optimisation solutions and are a thought leader in the industries we serve.
- 4 CAPTURE GROWTH IN SERVICES**
We excel in transactional and retrofit business. We move up the service value ladder by growing in performance-based agreements.
- 5 CONTINUOUSLY IMPROVE OUR END-TO-END VALUE CHAIN**
We continuously improve our end-to-end business to meet customer expectations on quality, lead time and delivery accuracy, while reducing complexity and improving competitiveness. We leverage digitalisation throughout our value chain.

COMPANY TARGETS

NET SALES

Target
5% annual organic growth

Development

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

PROFITABILITY

Target
12% operating margin

Development

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

DIVIDEND

Target
At least 50% of earnings

Development

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

SET FOR 30 DECARBONISATION TARGETS

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

Read more in the Climate change and environment section.

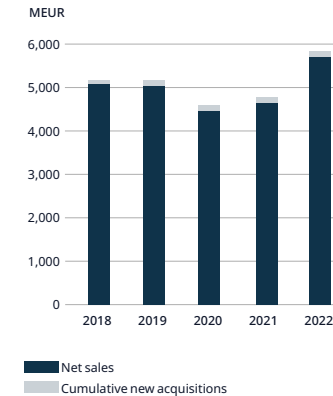
CAPITAL STRUCTURE

Target
Gearing below 0.50

Development
In 2022, gearing was 0.23.

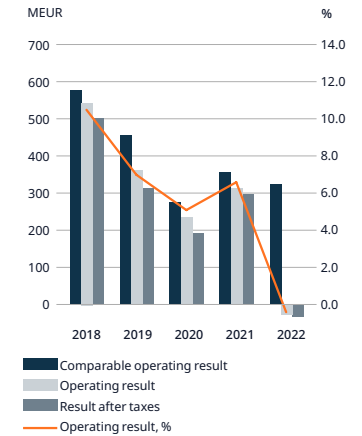
Wärtsilä drives growth by performing as a pioneer and a leading partner for decarbonisation. We can make a difference in our industries and in the world, while securing financial performance and delivering attractive long-term shareholder value.

Net sales

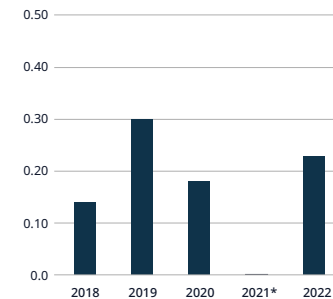


CAGR 2018–2022:
Wärtsilä's net sales +3.8% organically

Result

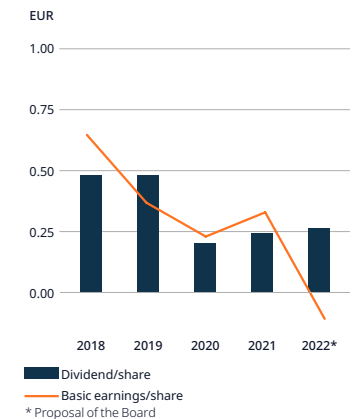


Gearing



* In 2021, gearing was 0.00

Dividend/share, earnings/share



* Proposal of the Board

Delivering customer value in marine

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

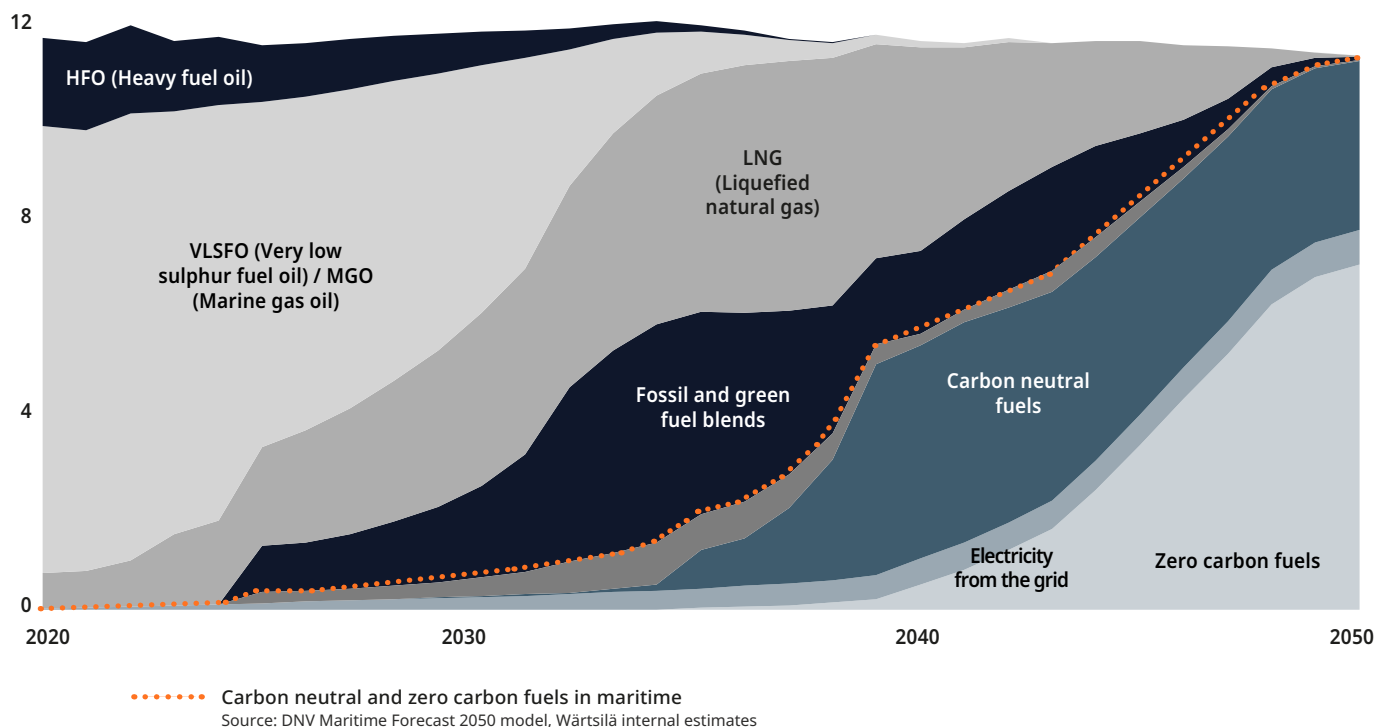
Wärtsilä is developing an unprecedented range of engine and fuel gas supply systems to help ship owners navigate the route to reduced greenhouse gas emissions – fuel flexibility and efficiency being at the centre of our development activities.

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

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

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

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



DELIVERING CUSTOMER VALUE IN MARINE / HIGHLIGHTS 2022

Taking marine safety to the next level

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



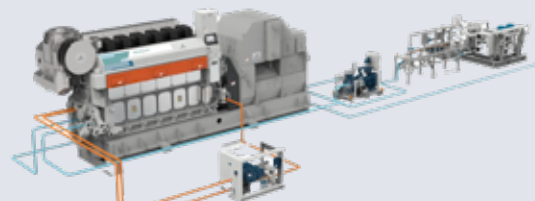
Supplying world's largest hybrid vessels

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



Methanol milestone

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



Digitalising 21 ports in the United Kingdom

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

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

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

Tackling microplastics

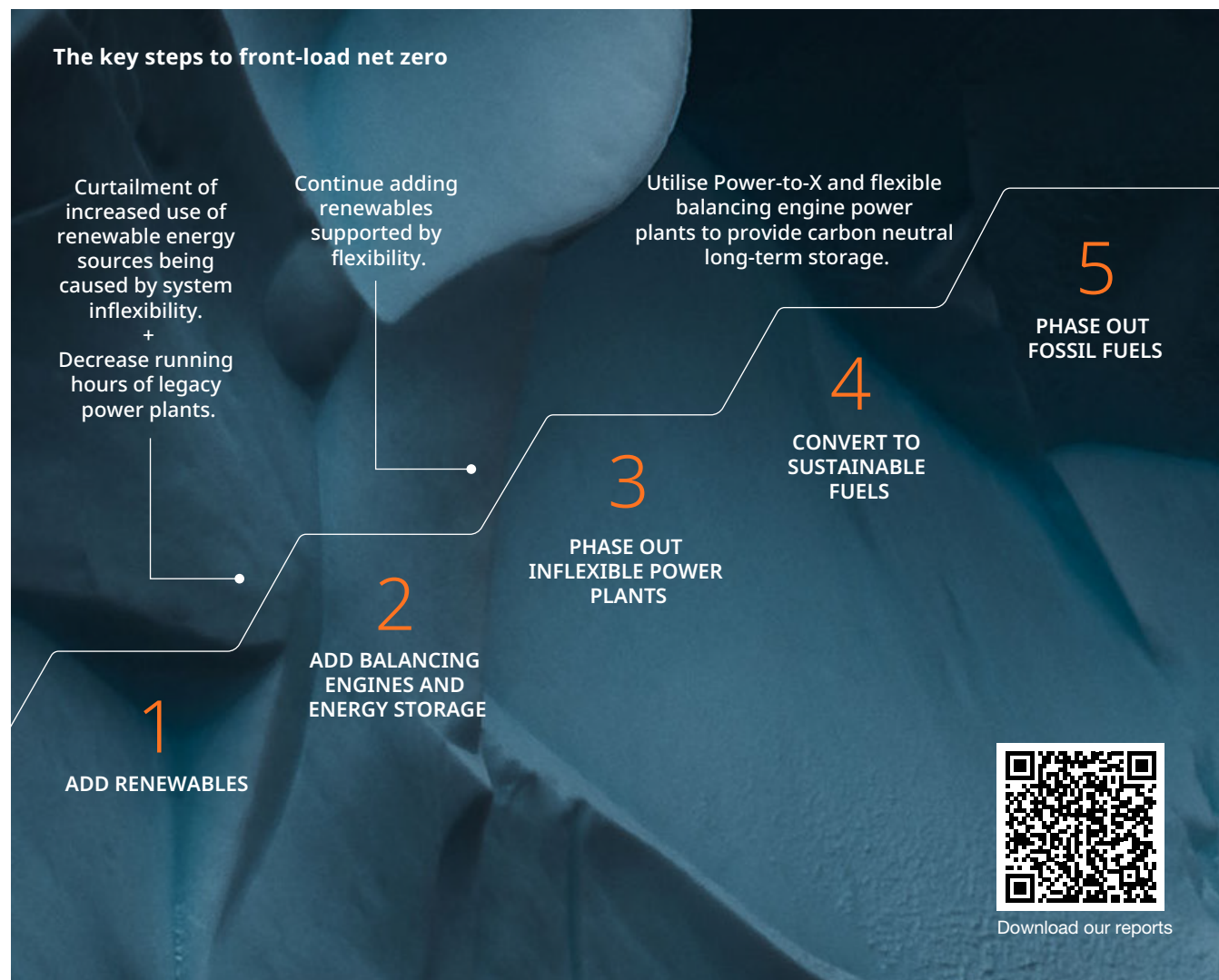
Wärtsilä and Grimaldi Group unveiled a new system that uses exhaust gas scrubber washwater to tackle the amount of microplastics in the world's oceans. Grimaldi has developed and patented a system that filters out microplastics from open loop scrubber washwater, which Wärtsilä in partnership with the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

Delivering customer value in energy

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

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

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



DELIVERING CUSTOMER VALUE IN ENERGY / HIGHLIGHTS 2022

Modelling power systems

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



World's first of its kind blended hydrogen test

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



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

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

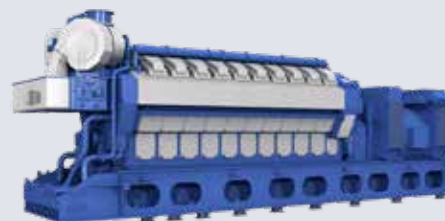


Enabling a transition to renewables

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

Pioneering case in Japan for hedging market price fluctuations

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



Delivering customer value in service

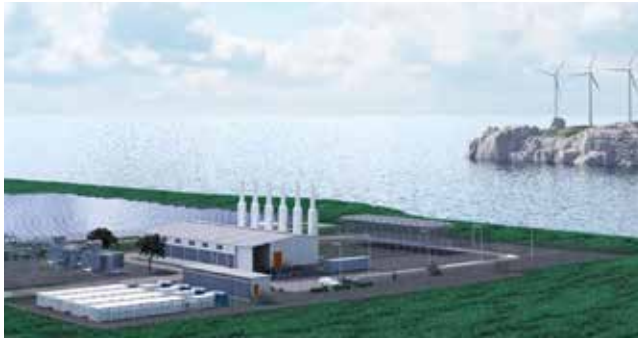
Wärtsilä's industry leading service network is a key enabler for superior uptime, reliability, and total lifecycle solutions, all of which ensure customer success. The network provides preventive, responsive, and optimised service, as well as lifecycle upgrades and remote support throughout the lifecycle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

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

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



DELIVERING CUSTOMER VALUE IN SERVICE / HIGHLIGHTS 2022



Introducing decarbonisation services for the energy sector

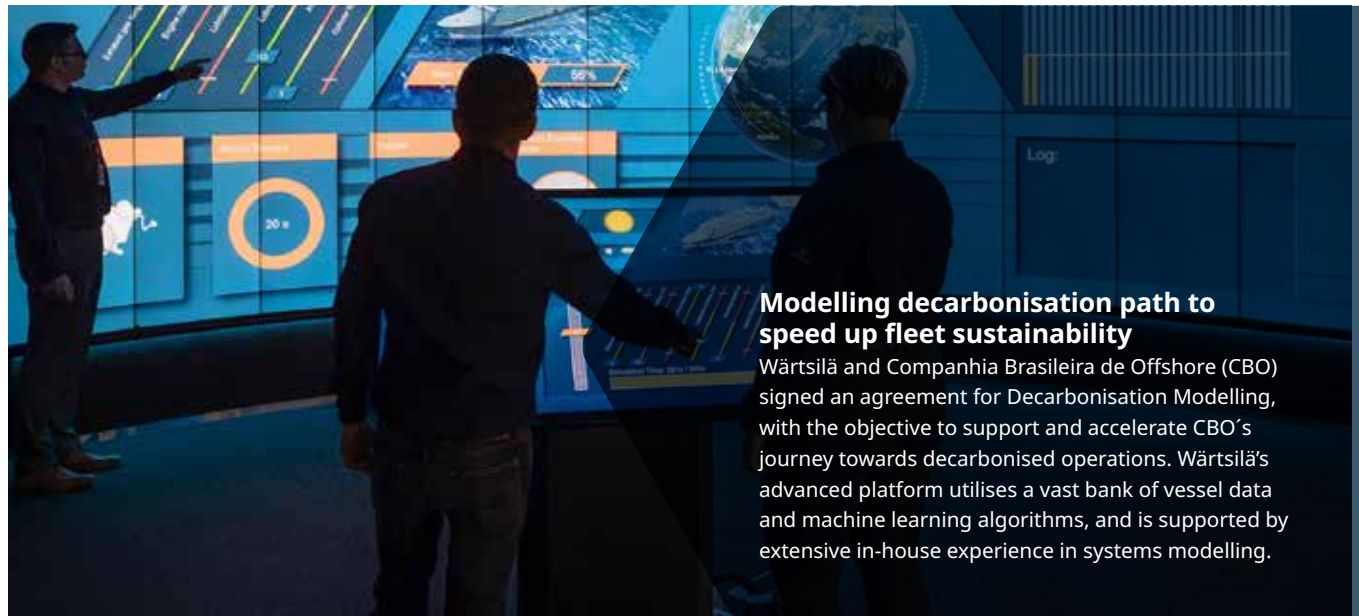
Wärtsilä's strategy for shaping the decarbonisation of the energy sector was strengthened with the introduction of a Decarbonisation Services business model. With the ultimate aim to help Wärtsilä's customers to decarbonise their assets, the service utilises the company's sophisticated power system modelling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

Long-term performance guarantees

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

Extensive service agreement to optimise performance

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



Modelling decarbonisation path to speed up fleet sustainability

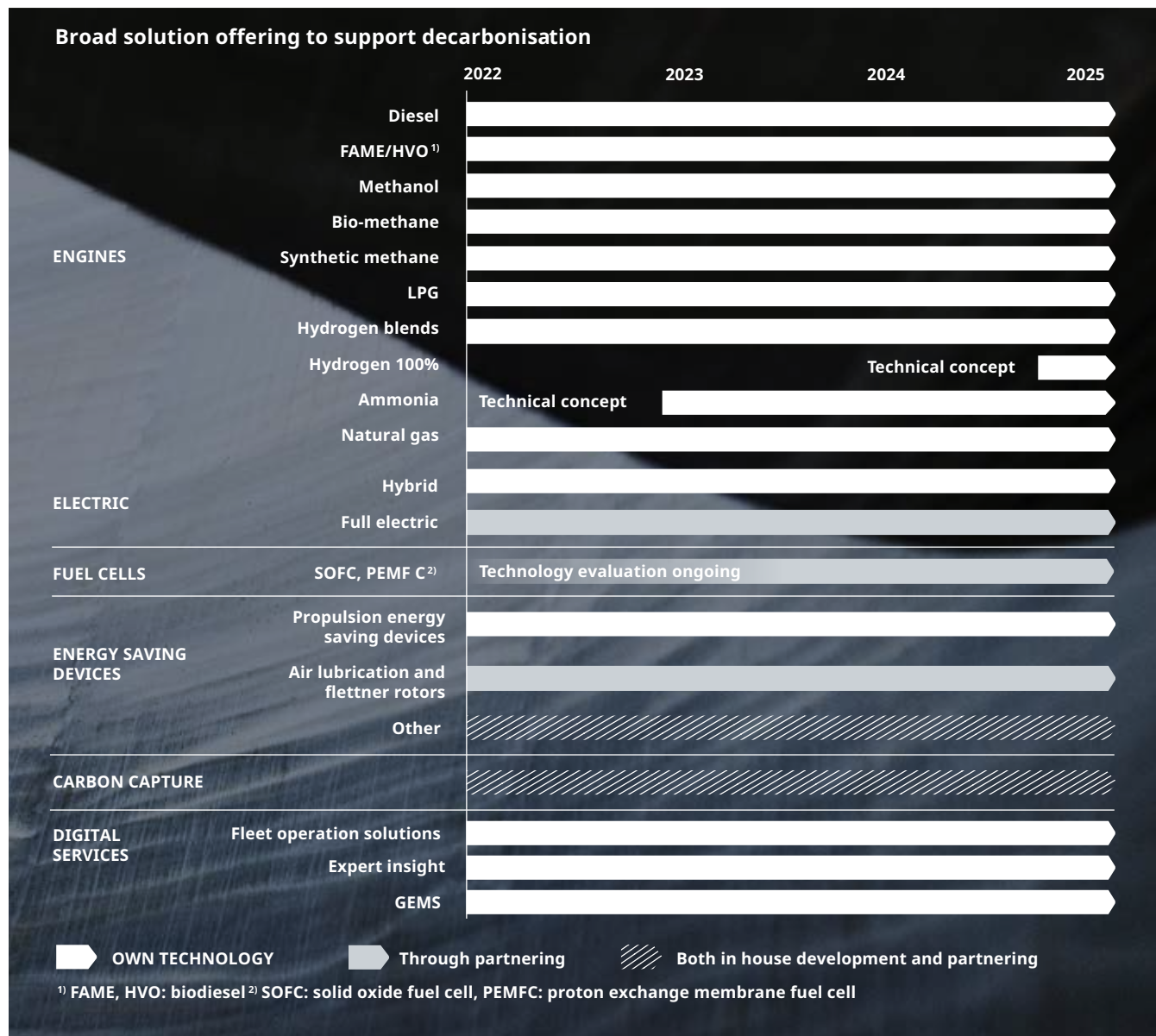
Wärtsilä and Companhia Brasileira de Offshore (CBO) signed an agreement for Decarbonisation Modelling, with the objective to support and accelerate CBO's journey towards decarbonised operations. Wärtsilä's advanced platform utilises a vast bank of vessel data and machine learning algorithms, and is supported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

Delivering customer value through leading R&D and partnerships

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

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

-  A proactive dialogue on our customers' specific technology roadmap
-  The competence and experience to engage in a credible customer dialogue on "all" technologies
-  A solution offering for "most" technologies
-  Leveraging leadership in core technologies and partnering for complementary technologies



[This is Wärtsilä](#)



[Sustainability](#)



[Financials](#)

Sustainability

Sustainability at Wärtsilä

OUR SUSTAINABILITY APPROACH

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

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

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



Towards carbon neutrality

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



Enhancing safety, diversity and wellbeing

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



An active and responsible member of society

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

Wärtsilä's sustainability approach

PURPOSE

Enabling sustainable societies through innovation in technology and services

SUSTAINABILITY STRATEGY

VALUES

Customer success
Passion
Performance

Economic

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

Environmental

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

Social

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

PRINCIPLES

Code of Conduct
Corporate policies
Corporate manual

SUSTAINABILITY MANAGEMENT

Sustainability targets

Management systems, tools and practices

Sustainability measuring, reporting, external assurance

Stakeholder dialogue and collaboration

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

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

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

SUSTAINABILITY GOVERNANCE

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

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

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

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

Marko Vainikka, Vice President, Corporate Relations and Sustainability

sustainability reporting. The Non-Financial Report is prepared together with Wärtsilä's Finance and Control.

SUSTAINABILITY MANAGEMENT AND MATERIAL TOPICS

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

Guiding principles	Management areas	Material topics
<ul style="list-style-type: none"> • Code of Conduct • QEHS Policy • Policy of human rights, equal opportunities and fair employment practices • Corporate Manual 	<ul style="list-style-type: none"> • People and culture • Product design • Environmental management • Occupational health and safety management • Responsible business conduct • Supply chain management 	<ul style="list-style-type: none"> • Emissions • Environmental compliance • Economic performance • Training and education • Occupational health and safety

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

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

SUSTAINABILITY RISK MANAGEMENT

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

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

STAKEHOLDER ENGAGEMENT

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

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

SUPPLY CHAIN MANAGEMENT

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

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




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

COMMITMENTS AND PRINCIPLES

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

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

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

SDG	How we contribute
	<ul style="list-style-type: none"> • Energy solutions towards a 100% renewable future • Thermal balancing and energy storage • Energy efficiency and power system optimisation • Decarbonisation services • Future fuels research and development
	<ul style="list-style-type: none"> • Sustainable innovations • R&D investments and partnerships • Infrastructure projects • Manufacturing employment • Upgrades and retrofits
	<ul style="list-style-type: none"> • Purpose and strategy • 'Set for 30' decarbonisation targets and programme • Decarbonisation technology, solutions, and services • Clean fuels research • Partnerships and projects

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

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

Sustainability targets

Towards carbon neutrality

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



Towards carbon neutrality

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



Enhancing safety, wellbeing and diversity

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



Enhancing safety, wellbeing and diversity

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

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



An active and responsible member of society

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



This is Wärtsilä



Sustainability



Financials

Financials

BOARD OF DIRECTORS' REPORT

BUSINESS MODEL

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

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

STRATEGY

Strategy implementation in 2022

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

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

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

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

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

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

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

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

Financial targets and outcome in 2022

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

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

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

THE YEAR 2022

Operating environment

Marine

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

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

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

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

largely supported by orders linked to the capacity extension of the Qatari LNG export terminal, but also as other LNG supply projects have progressed especially in the USA. The container shipping markets eased rapidly in the second half of the year as high inflation caused demand for containerised cargo to drop. As the congestion at key container ports eased, more vessel capacity became available.

Despite growing concerns on the macroeconomic outlook and energy independence and security raising its profile, decarbonisation remains the main underlying trend within the shipping and shipbuilding markets. Introduced as short-term measures of the IMO GHG strategy, the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII) came into force on 1 January 2023, helping the industry to develop a mindset of ongoing improvement, where both smaller and more extensive modifications can ultimately drive down onboard carbon emissions. The regulation requires all ships to calculate their attained EEXI to measure their energy efficiency and to initiate the collection of data for the reporting of their annual operational CII and the associated CII rating. Depending on the actual CII rating, the ship might need to submit a corrective plan to show how the required carbon intensity level will be achieved. As global pressure builds to find solutions to abate climate change and become more environmentally friendly, ship owners are considering a number of options. These include slow steaming, energy saving devices, voyage optimisation solutions, hybrid and full-electric power systems, carbon capture and storage, exhaust gas scrubbers, and alternative fuels. The transition to cleaner fuels has continued to gather pace, with 466 orders placed globally for alternative fuel capable vessels, representing 30% (21%) of all contracted vessels and 60% of vessel capacity in the review period January–December. Despite the currently high price for LNG, it continues to represent over 80% of all alternative fuel capable vessel orders, although shipowners' interest in other alternative fuels, such as methanol, has clearly emerged in 2022.

Energy

The war in Ukraine, related sanctions, and the Covid-19 pandemic have together contributed to global cost inflation and price volatility. This has resulted in higher quotation prices, slower customer decision-making and considerable uncertainty in the investment environment for liquid and gas fuelled power plants and energy

Target

	Development in 2022	Development in 2021
Organic growth in net sales 5%	18%	6%
Operating margin 12%	-0.4%	6.6%
Gearing below 0.50	0.23	0.00
Dividend payment at least 50% of earnings per share over the cycle	-234.9%*	73.2%

*Proposal of the Board of Directors

storage during 2022. Supply chains and trade routes are in turmoil as inflation, exchange rate fluctuations and trade restrictions shadow global business. Covid-19 related uncertainty has mostly eased with the exception of China, where the pandemic, related restrictions and their recent release have continued to disrupt supply chains.

The energy crisis has brought a clear need and ambition for a structural change in the energy sector, especially in Europe. The global markets for liquified natural gas (LNG) are being transformed as the plummeted pipeline gas flows from Russia to Europe place new constraints and demands on gas trade. Beyond some short-term setbacks, the energy transition outlook has never been stronger. Advancing the renewable energy build-up strengthens the security of supply while at the same time reducing the dependency on imported fossil fuels. Energy and climate policies around the world continue to evolve towards more ambitious decarbonisation targets. Utilities continue to update their investment strategies accordingly, which can speed up or cause delays in investment decisions. A notable step forward in climate policy was the Inflation Reduction Act in the U.S., which allocates substantial incentives for renewables, battery energy storage, and other clean energy technologies. Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions, such as energy storage and grid-balancing power plants. Demand for services continued at a good level, and customers are showing interest in long-term agreements, thus providing stability to the business, which is lumpy by nature.

Wärtsilä's market share in the up to 500 MW market segment increased to 8% (7), as global orders for natural gas and liquid-fuelled power plants increased by 13% to 26.7 GW during the twelve-month period ending in September 2022 (23.5 GW at the end of June). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Order intake and order book

Wärtsilä's order intake in 2022 increased by 6% to EUR 6,074 million (5,735) compared to 2021. Book-to-bill was 1.04 (1.20). Service order intake increased by 17% to EUR 3,066 million (2,615), driven by growth in all businesses. Equipment order intake

decreased by 4% to EUR 3,008 million (3,120), supported by growth in Marine Power and burdened by decrease in Marine Systems.

The order book at the end of the year was stable at EUR 5,906 million (5,859). Russia related projects amounting to approximately EUR 240 million were removed from the order book in the second quarter. Wärtsilä's current order book for 2023 deliveries is EUR 3,871 million (3,763).

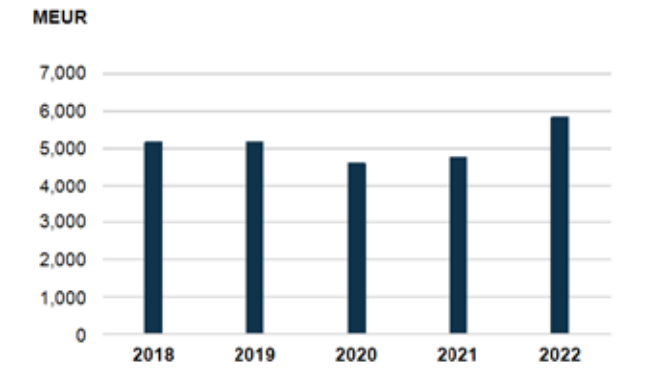
Net sales and operating result

Wärtsilä's net sales in 2022 increased by 22% to EUR 5,842 million (4,778) compared to 2021. Service net sales increased by 12% to EUR 2,775 million (2,467), driven by growth in all businesses. Equipment net sales increased by 33% to EUR 3,067 million (2,310), driven by growth especially in Energy deliveries. Of Wärtsilä's net sales, approximately 44% was EUR denominated and 40% USD denominated, with the remainder being split between several currencies.

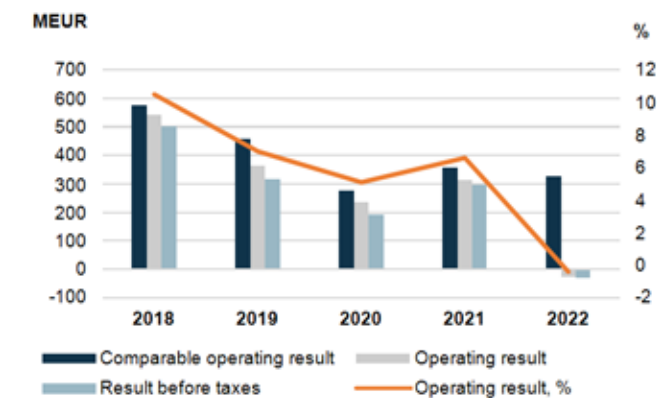
The operating result amounted to EUR -26 million (314) or -0.4% of net sales (6.6). The comparable operating result totalled EUR 325 million (357) or 5.6% of net sales (7.5). The comparable operating result was supported by higher sales volumes, while being burdened by cost inflation, a less favourable sales mix between equipment and services, as well as a cost provision of EUR 40 million related to the Olkiluoto 1 and 2 nuclear project. Items affecting comparability comprised costs of EUR -351 million (-43) related to divestments, restructuring programmes, and footprint adjustments, including write-down of approximately EUR 200 million as a result of the decision to close down operations in Russia and EUR 90 million related to the closing of the Trieste factory. The comparable adjusted EBITA amounted to EUR 349 million (388) or 6.0% of net sales (8.1). Purchase price allocation amortisation amounted to EUR 23 million (31).

Financial items amounted to EUR -6 million (-18). Net interest totalled EUR -10 million (-11). Result before taxes amounted to EUR -32 million (296). Taxes amounted to EUR -27 million (-103), implying an effective tax rate of -84.1% (34.7). Result for the financial year amounted to EUR -59 million (193). Basic earnings per share totalled -0.11 euro (0.33). Return on investment (ROI) was 0.1% (9.7), while return on equity (ROE) was -2.6% (8.6).

Group net sales development



Result



Megawatts delivered

	2022	2021	Change
Marine Power	970	1,315	-26%
Energy	1,467	1,343	9%
Wärtsilä total	2,437	2,658	-8%
By joint venture	316	250	26%
Deliveries total	2,753	2,908	-5%

Financing and cash flow

Wärtsilä's cash flow from operating activities in 2022 totalled EUR -62 million (731), burdened by a weak operating result and increased receivables and inventories. Working capital totalled EUR 179 million at the end of the year (-100). Advances received totalled EUR 527 million (498).

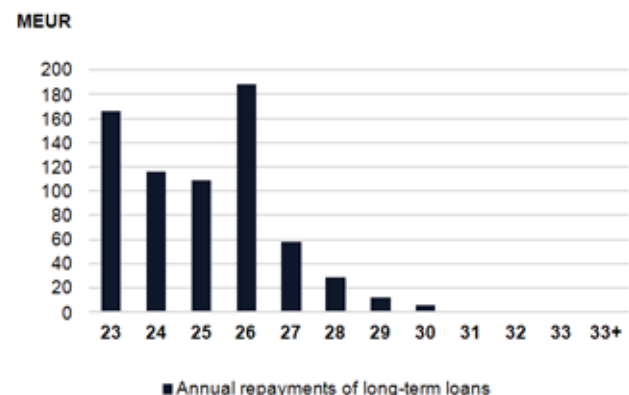
Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

Cash and cash equivalents amounted to EUR 461 million at the end of the year (964). Additionally, EUR 3 million of cash and cash equivalents pertained to assets held for sale (0 at the end of 2021). Unutilised committed credit facilities totalled EUR 650 million (650).

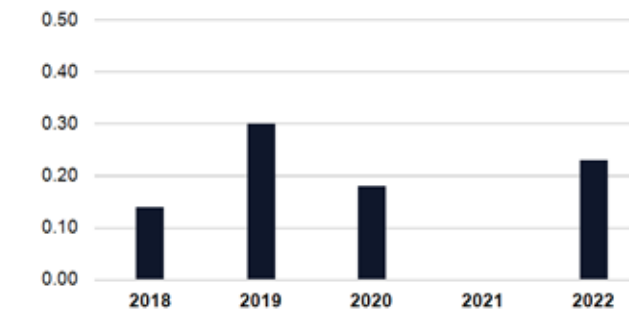
Wärtsilä had interest-bearing debt totalling EUR 949 million at the end of the year (973). The total amount of short-term debt maturing within the next 12 months was EUR 209 million. Long-term loans amounted to EUR 740 million.

Net interest-bearing debt totalled EUR 481 million (4). Gearing was 0.23 (0.00), while the solvency ratio was 35.3% (38.6). Equity per share was 3.62 euro (3.92).

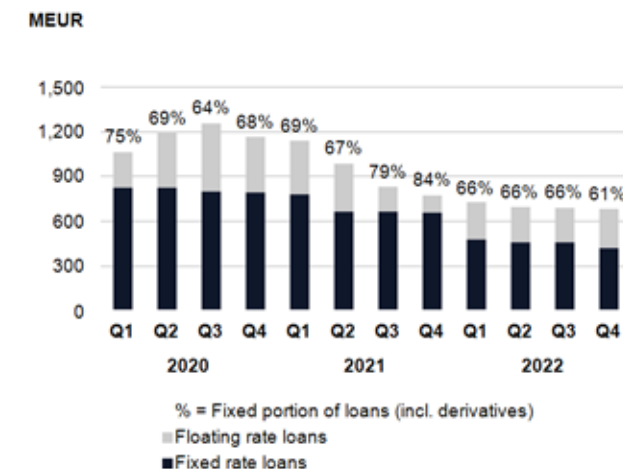
Maturity profiles of long-term loans



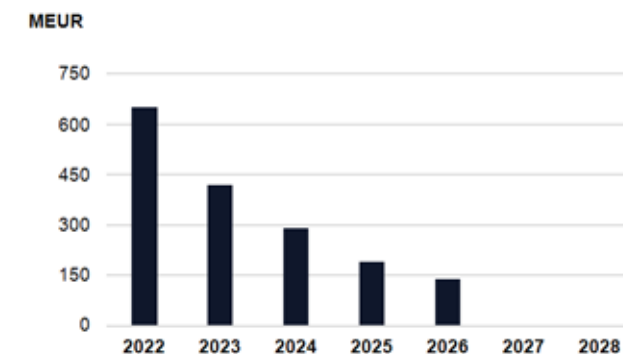
Gearing



Loans



Committed revolving credit facilities (end of period)

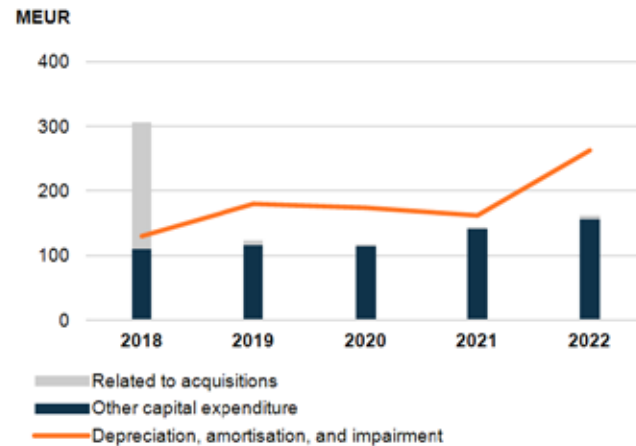


Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 156 million (142) in 2022. Capital expenditure related to acquisitions and investments in securities totalled EUR 5 million (1). Depreciation, amortisation, and impairment amounted to EUR 263 million (162), including depreciation and impairment of right of use assets of EUR 49 million (47).

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

Gross capital expenditure



Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Investments in R&D are central to securing Wärtsilä's future positioning, and will continue despite the prevailing market uncertainty. Developing the use of alternative, commercially viable clean fuels for the future is a key focus area of research and development, as is improving the connectivity, efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. With its lifecycle solution offering, Wärtsilä goes beyond the mere maintenance and operation of installations by delivering

guaranteed performance based on mutually agreed target levels. Research and development expenditure totalled EUR 241 million (196) in 2022, which represents 4.1% of net sales (4.1).

In January, Wärtsilä received its first order for newbuild methanol-fuelled engines. A new offshore wind installation vessel being built for the Dutch contracting company Van Oord at Yantai CIMC Raffles shipyard in China will be powered by five Wärtsilä 32 engines capable of operating with methanol. The order is scheduled for delivery in early 2023 and includes also the MethanolPac methanol fuel supply system. MethanolPac was developed in response to growing interest in the use of methanol as a pathway to decarbonisation, and it enables Wärtsilä to deliver methanolcapable fuel and power systems across a wide range of vessel segments. The methanol engine order and the development of the MethanolPac extends Wärtsilä's leading position in fuel flexibility and supports the maritime industry's decarbonisation ambitions.

In April, Wärtsilä announced the launch of the latest addition to its multi-fuel engine portfolio with the Wärtsilä 46TSD engine. The engine is designed with a focus on efficiency, environmental performance, and fuel flexibility. The dual-fuel Wärtsilä 46TS-DF engine can operate on LNG, as well as offering a viable platform for further decarbonisation through its ability to use bio- or synthetic methane in the future. In gas fuel mode, the engine has the highest efficiency thus far achieved in the medium-speed engine market. Simultaneously, it reduces fuel consumption and lowers emissions, while being easily retrofittable for future carbon-neutral and carbon-free fuels as they become available.

In April, Wärtsilä introduced its Smart Panoramic Edge Camera System (SPECS), a system that provides 360 degree situational awareness, streamed directly to the bridge in real-time. SPECS greatly reduces risk of accidents by providing an almost perfect 360 degree view of the vessel and its surroundings. This helps our customer to reduce the risk of accidents and costly damage.

In May, Wärtsilä launched Decarbonisation Services for the energy sector. This service utilises Wärtsilä's sophisticated power system modelling and optimisation tools alongside the company's in-house expertise to reduce power system emissions. It also ensures power

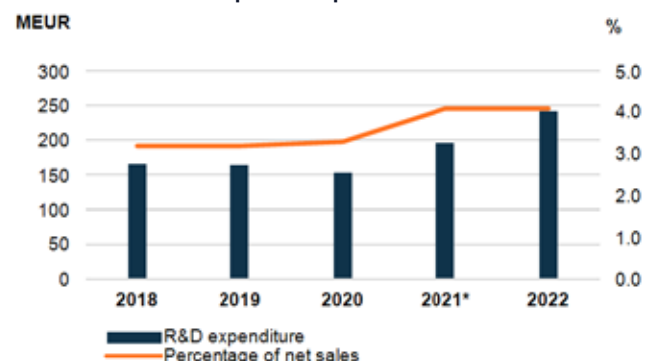
availability with the lowest levelised cost of electricity. The ultimate aim is to help customers decarbonise their assets.

In September, Wärtsilä introduced its new Wärtsilä 25 medium-speed 4-stroke engine. The Wärtsilä 25 engine portfolio is designed to accelerate and support the maritime sector's efforts in achieving decarbonised operations. The engine's modularity offers shipowners and operators maximised flexibility, while its efficiency and fuel economy enables minimised emissions. The engine is already capable of operating on diesel, LNG, and either gas or liquid carbon-neutral biofuels, and can easily be upgraded to operate with future carbon-free fuels as they become available. The Wärtsilä 25 is intended to be the first Wärtsilä engine to run on ammonia as a fuel.

In October, Wärtsilä carried out the successful testing of hydrogen blended fuel in collaboration with WEC Energy Group, EPRI and Burns & McDonnell. Throughout the testing period, the 18 MW Wärtsilä 50SG engine continued to supply power to the grid. This is the largest internal combustion engine ever to operate continuously on a hydrogen fuel blend, thus representing a world-first achievement. The full report with details will be published early in 2023.

In November, Wärtsilä launched its next-generation grid balancing technology. The solution is based on three fully integrated key components: the Wärtsilä 31SG Balancer engine, prefabricated modules for cost-efficient plant construction, and Wärtsilä Lifecycle Services. The engine can start and ramp up rapidly even in adverse weather conditions to support intermittent renewable generation.

Research and development expenditure



* Figure in the comparison period 2021 has been restated to reflect a change in the definition of research and development expenditure.

Strategic projects

In February, Wärtsilä announced its collaboration with Solstad Offshore on fleet decarbonisation ambitions, with the aim to achieve a 50% reduction in CO2 emissions by 2030 for Solstad Offshore's 90 vessel fleet. The agreement aims to identify, evaluate, and implement solutions that will increase fuel efficiency and significantly reduce greenhouse gas (GHG) emissions from Solstad's offshore vessels. Each vessel will be assessed for appropriate solutions, possible operational improvements, and life extension considerations. Wärtsilä will initially act as an advisor and technical expert to Solstad. The agreement also allows the company to become a possible supplier for the decarbonisation solutions selected.

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

In April, Wärtsilä announced that it will coordinate a consortium of shipping stakeholders in a project aiming to develop demonstrators for 2-stroke and 4-stroke marine engines running on ammonia fuel. The outcomes of the project will include a lab-based demonstrator for the 4-stroke ammonia engine, and a lab-based test engine

followed by a vessel retrofit for the 2-stroke version by 2025. In addition to advancing the engine concepts, the Ammonia 2-4 project will further develop concepts around fuel handling and safety, as well as contributing valuable input towards a regulatory framework for ammonia.

In May, Wärtsilä announced two partnerships for hydrogen blending with natural gas in engine power plants. In Portugal, Wärtsilä will collaborate with the energy solutions provider and independent power producer Capwatt in the testing of blends of up to 10% green hydrogen in a Wärtsilä 34SG engine. In Michigan, USA fuel blends of up to 25% hydrogen will be tested in WEC Energy Group's A.J. Mihm power plant operating with three Wärtsilä 50SG engines. Wärtsilä engines can be operated on hydrogen/natural gas blends with up to 25% hydrogen, and the company is working towards an engine and power plant concept for pure hydrogen operations by 2025.

In June, Wärtsilä opened its new technology centre, the Sustainable Technology Hub, in Vaasa, Finland. The Hub acts as a global ecosystem of collaboration by inviting customers, partner companies and academia to incubate, test, and validate ideas. A new, modern Wärtsilä Land & Sea Academy training centre, customer Expertise Centres providing remote operational support and predictive maintenance solutions, and the development of new digital innovations will play a central role in supporting customers to optimise their operations throughout the lifecycle of their assets, and to accelerate their decarbonisation activities. The Hub also features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a state-of-the-art production system with a high level of automation. The construction of the new centre was announced in 2018 with a total investment of around EUR 250 million.

In June, Wärtsilä announced the acquisition of PortLink Global, a global port solutions company headquartered in Vancouver, Canada. Founded in 2007, PortLink is a leading provider of port efficiency solutions, including port management information systems, port community systems, pilotage dispatch systems, and local port services. PortLink has a global partnership with more than 3,500 users, and a customer network in more than 20 countries. Its existing workforce of approximately 20 professionals will be integrated within Wärtsilä Voyage.

In July, Wärtsilä announced that it has completed its exit from the Russian market following the announcement in April 2022 to scale down its activities there. The company has been fully committed to complying with all trade sanctions applicable to its operations from the beginning of the war in Ukraine, and has now closed business operations in Russia across all business units.

In October, Wärtsilä announced its intention to integrate the Voyage business with Marine Power to strengthen the end-to-end offering, and to accelerate the turnaround of the Voyage business. The intention is to link the unique digital expertise in Voyage with the well-established Performance Services, thereby taking the next step in creating end-to-end digital solutions for maritime customers. With this offering, Wärtsilä can further optimise marine operations for lower costs and reduced emissions. Customers can benefit from Wärtsilä's unique set of capabilities, combining the optimisation of vessel operations with ports traffic management and performance-based services for port-to-port operations. The integrated organisation became effective as of January 1, 2023.

Capacity adjustments

In July, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. The discontinuation of manufacturing in Trieste is expected to impact approximately 450 employees with potential redundancy. The estimated full annual cost savings will be approximately EUR 35 million by 2025, and the associated transformation costs are expected to be approximately EUR 130 million, out of which the cash flow impact is approximately EUR 75 million. The planned changes will not impact Wärtsilä's engine portfolio, and service levels and commitment towards customers will remain intact. The supply chain will remain largely as-is today, including Italian suppliers, thus ensuring that we maintain the competitiveness of Wärtsilä's supply chain.

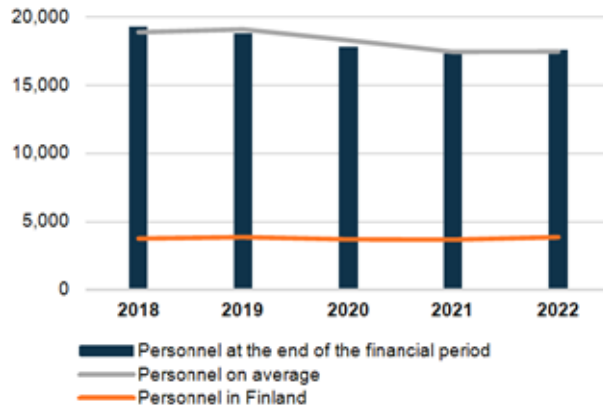
Personnel

Wärtsilä had 17,581 (17,305) employees at the end of the year. On average, the number of personnel totalled 17,482 (17,461) in the year of 2022.

Of Wärtsilä's total number of employees, 22% (21) were located in Finland and 37% (40) elsewhere in Europe. Personnel employed in

Asia represented 22% (21) of the total, personnel in the Americas 14% (12), and personnel in other countries 5% (5).

Personnel



Changes in management

Teija Sarajärvi (b. 1969, MA) assumed the position of Executive Vice President, Human Resources and member of the Board of Management on 1 January 2022. She succeeded Ms Alid Dettke.

In September, Wärtsilä announced the decision by Mr Sushil Purohit, President of Wärtsilä Energy and Executive Vice President, to leave Wärtsilä for a position outside the Group by the end of February 2023. Mr Purohit left Wärtsilä on 30 November 2022. Thereafter and until the appointment of the successor for Mr Purohit, the Energy Business will report to Håkan Agnevall, President and CEO of Wärtsilä Corporation. Wärtsilä has started the process to recruit a successor to Mr Purohit.

In October, Wärtsilä announced its plan to integrate the Voyage business with Marine Power. The President of Wärtsilä Voyage Mr Sean Fernback left the company and was succeeded by Mr Hannu Mäntymaa (45), (M.Sc.Eng) with immediate effect. Mr Mäntymaa led the integration process until the year-end and joined Wärtsilä’s Board of Management for that interim period. He continued as the Head of the Voyage business unit when the integrated organisation became effective as of January 1, 2023.

NON-FINANCIAL REPORT

Increasing environmental awareness, tightening regulations, customer preferences, and the need to decarbonise operations are resulting in fundamental changes in both the marine and energy industries. Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. Wärtsilä emphasises innovation in sustainable technology and services to help its customers to continuously improve their environmental and economic performance. Thanks to a broad range of technologies and specialised services, Wärtsilä is well positioned to shape decarbonisation in the marine and energy markets, and to reduce exhaust emissions and the use of natural resources. This positioning supports customers in their efforts to limit their carbon footprint and achieve regulatory compliance. Wärtsilä’s R&D efforts continue to focus on the development of advanced environmental technologies and solutions.

Wärtsilä is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN Sustainable Development Goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

Responsible business conduct

The Wärtsilä Code of Conduct defines common rules for all employees and provides guidance on Wärtsilä’s approach to responsible business practices. The Code of Conduct is complemented by group-wide policies, including the quality, environmental, health and safety policy, the corporate policy on equal opportunities and fair employment practices, as well as policies related to anti-corruption, compliance reporting, and procurement.

Wärtsilä takes an active approach to applying the Code of Conduct and promotes its implementation through effectively communicating its contents to all employees. The company monitors the application of the Code internally to ensure understanding and commitment throughout the organisation. As at the end of 2022, **17,259 employees, covering 96% of the total number of employees, had participated in the Code of Conduct training programme.**

Suppliers and business partners are an integral part of the total value chain of Wärtsilä’s products and services. They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Information on Wärtsilä’s requirements is included in the supplier agreement templates.

Environmental performance

Wärtsilä’s main contribution to improved environmental performance lies in providing its customers with reliable and safe technologies and services. In addition to enabling environmental compliance, this also supports the sustainable development of the marine and energy industries. Wärtsilä’s products and solutions are designed to reliably operate for up to 30 years. Therefore, focusing R&D efforts on improving product or system level performance is crucial, as is adopting a lifecycle approach to performance optimisation. In addition to improving the environmental performance of its products and solutions, Wärtsilä also continuously monitors the impact caused by its own activities and targets reduced energy consumption in all its facilities.

Wärtsilä’s quality, environmental, health and safety policy sets principles for managing the environmental impacts of the company’s products and services. The potential risks related to environmental matters and climate change are in the areas of regulatory emission restrictions, and changes in customer attitudes to using combustion engines and fossil fuels. Risks are managed by having R&D activities focused on product efficiency improvements and emissions reduction, as well as by developing a broad product offering, including technologies related to waste reduction, noise abatement, and effluent and ballast water treatment. During 2022, R&D expenditure totalled EUR 241 million, **which represents 4.1% of net sales.** The majority of these investments targeted improved environmental performance.

For the marine markets, Wärtsilä continued to launch solutions that support its purpose to enable sustainable societies through innovation in technology and services. A new Wärtsilä 25 medium-speed 4-stroke engine was introduced. The engine is already capable of operating on diesel, LNG, and either gas or liquid carbon-neutral biofuels, and can easily be upgraded to operate with future carbon-free fuels as they become available. The Wärtsilä 25 is intended to be the first Wärtsilä engine to run on ammonia as a fuel. In the energy sector, Wärtsilä launched Decarbonisation Services, which utilises Wärtsilä’s sophisticated power system

modelling and optimisation tools alongside the company's in-house expertise to reduce power system emissions. It also ensures power availability with the lowest levelised cost of electricity.

According to Wärtsilä's "Set for 30" decarbonisation commitment, Wärtsilä's goal is by 2030:

- To become carbon-neutral in its own operations, and
- To provide a product portfolio ready for zero-carbon fuels.

During 2022, Wärtsilä's "Set for 30" programme proceeded as planned. The company set GHG emission reduction targets and defined action plans for the period of 2022-2024. In addition Wärtsilä started to purchase green electricity in Finland, organised an internal energy saving campaign globally, and introduced a new global electric vehicle policy.

Social and employee matters

Wärtsilä is a responsible employer, offering employees a workplace where openness, respect, trust, equal opportunities, and scope for personal development prevail. The company is a signatory to the UN Global Compact initiative and supports the work-related rights defined by the International Labour Organization (ILO). Wärtsilä's corporate policy on equal opportunities and fair employment practices creates a common framework for employee practices in all Wärtsilä companies. People management processes, tools, and ways of working are developed to ensure consistency across national and organisational boundaries. Wärtsilä has a global job grading system and rewarding principles to ensure transparency and fairness for all employees. These are followed by all Wärtsilä entities globally.

The objective of Wärtsilä's people strategy is to ensure that the businesses have the required skilled and motivated resources at their disposal. In order to develop their competences, employees are offered a wide variety of internal training courses, including topics covering technology, health and safety, language and culture, project management, environment, security, and leadership. The average number of learning days was 1.4 per employee in 2022.

Wärtsilä aims at offering its employees and contractors a hazard-free working environment, and to minimise the health and safety

risks associated with the use of its products and services. The company's occupational health and safety principles are defined in the Code of Conduct, the Quality, Environmental, Health and Safety (QEHS) policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's entities are required to have a management system in place that conforms to the QEHS Policy and the EHS directive. In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation. Wärtsilä's aim is to reach a long-term goal of zero injuries. In 2022, the corporate lost time injury frequency rate was 1.58 (1.55).

Respect for human rights

Wärtsilä supports and respects basic human values as outlined in the UN's universal declaration of human rights. Wärtsilä is also a signatory to the UN Global Compact and is thereby committed to its principles with respect to human rights, labour, the environment, and anti-corruption. No employee is allowed to take any action that violates these human rights principles, either directly or indirectly. Wärtsilä does not accept the use of forced labour or child labour in any form. Human and labour rights are a part of the Code of Conduct training material and are included in Wärtsilä policy on human rights, equal opportunities and fair employment practices, as well as being listed in the company's supplier handbook.

Anti-corruption and bribery matters

Wärtsilä's Code of Conduct, anti-corruption policy, and broker directive expressly prohibit the company and its employees from offering or accepting any kind of benefit considered a bribe, and from taking actions that could give rise to a conflict of interest or breach of loyalty. The instructions make it compulsory to comply with the anti-corruption laws of all the countries in which Wärtsilä does or intends to do business, and urge the reporting of any cases of corruption and bribery.

Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is high in many markets where the company operates. Therefore, full compliance with a stringent anti-corruption regime is required of all employees. An extensive training programme is in place for personnel on anti-corruption principles and applicable legislation, as well as on the relevant company policies and procedures. By the end of 2022, 66% of Wärtsilä's employees had participated in anti-corruption training sessions. Employees are encouraged to provide

feedback and communicate suspected misconduct to line management or directly to the Compliance, Legal Affairs, or Internal Audit functions. Wärtsilä also has a dedicated tool through which employees can report infringements.

EU Sustainable Finance Taxonomy disclosures

Wärtsilä's aim is to shape decarbonisation in the marine and energy markets. Consequently, decarbonisation is at the core of the company's strategy. Wärtsilä's strong position, competences, and capabilities are critical enablers to successfully achieving these ambitions, and enabling its customers to decarbonise their economic activities.

Wärtsilä has a key role to play in decarbonising vessel operations and the overall shipping value chain. The company's extensive product and solution portfolio, including engines, propulsion systems, hybrid solutions, integrated powertrain systems, emission abatement solutions, and voyage optimisation solutions are key contributors towards zero-emissions shipping.

The energy and marine sectors still largely rely on the use of fossil fuels. Wärtsilä's current portfolio already enables its customers to switch to carbon-neutral fuels, such as biofuels or synthetic methane. Although the transition from fossil fuels to carbon-neutral or carbon-free fuels will happen gradually, Wärtsilä is already positioned to assist it by providing technologies that allow its customers to use more sustainable fuels as they become available.

In Energy, Wärtsilä technologies enable the maximal and optimal usage of renewable energy generation. Flexible engine power plants, together with energy storage solutions, improve power system efficiency, lower greenhouse gas emissions, and safeguard the security of supply.

Wärtsilä's goal is to be able to provide a product portfolio ready for zero-carbon fuels. The company's aim is to support its customers on their decarbonisation journey, and thus shape the decarbonisation of the marine and energy sectors. Wärtsilä's products and solutions will meet the most stringent environmental requirements, and the fuel flexibility of the engines powering these sectors is key to enabling the transformation.

Wärtsilä has launched a major test programme towards carbon-free solutions with hydrogen and ammonia fuels. Wärtsilä's fuel agnostic approach enables the company to support the energy and

marine sectors in shaping sustainable and efficient future fuel strategies in several cost-optimal steps. The company has invested continuously and systematically in R&D and has made a long-term effort in product development focusing on fuel flexibility, energy efficiency, and emissions reduction. Already today, Wärtsilä engines can run on biofuels, methanol and hydrogen blends. For the energy market, Wärtsilä expects to have an engine and plant concept for pure hydrogen operation ready by 2025. For the marine market, Wärtsilä has already successfully tested an engine running with a fuel mix containing 70% ammonia. Wärtsilä anticipates having an engine concept with pure ammonia fuel available in 2023.

Wärtsilä has carried out an assessment regarding its economic activities against the EU Sustainable Finance Taxonomy’s first Delegated Act on Climate, as required by the Delegated Act on Article 8. Wärtsilä Taxonomy KPIs for the year 2022 are presented in the tables of the following pages.

Major parts of Wärtsilä’s economic activities are currently not covered in the first Delegated Act on Climate such as services. Services in Marine and Energy accounted for 47% of Wärtsilä’s net sales in 2022. Services are a key enabler of installation uptime, reliability, reduced fuel consumption, and lower emissions.

Wärtsilä has a key role to play in decarbonising vessel operations and the overall shipping value chain. The company’s extensive product and solutions portfolio, including engines, propulsion systems, hybrid solutions, integrated powertrain systems, and emission abatement solutions are key contributors towards zero-emissions shipping. However, they are all outside the taxonomy scope since only the manufacturing of vessels – not vessel technologies or components – is included. In Energy, engines ready for carbon-neutral fuels, running on natural gas or other fossil fuels, are also excluded.

In total, 15% of Wärtsilä’s turnover was estimated to be eligible, including the energy storage business, biogas solutions, and digital voyage optimisation solutions.

	Turnover	CapEx	OpEx
Non-eligible	85%	66%	87%
Eligible	15%	34%	13%
Aligned	0%	0%	0%

In order to report this information, Wärtsilä has assessed its economic activities against the economic activities included in the Delegated Act on Climate. Eligible economic activities have been identified by comparing the referred NACE codes in the Delegated Act to Wärtsilä’s economic activities. In addition, the relevant thresholds for substantial contribution have been assessed in order to determine the economic activities’ eligibility. Revenues, capital expenditure, and operating expenditure for eligible economic activities were collected from the accounting system. As the next step, we have compared the economic activities against the technical screening criteria, including the ‘do no significant harm’ criteria and minimum social safeguards, and searched for supporting proof points. With our approach being stringent interpretation of the alignment criteria provided by the European Union regulation on taxonomy, we cannot claim any of the taxonomy-eligible revenue streams in 2022 as being also taxonomy-aligned. The same applies to both capital and operational expenditures in 2022. Despite the low taxonomy coverage Wärtsilä’s products and services play a key role in decarbonising the energy and marine sectors and Wärtsilä invests significant R&D funds to support and enable the transition.

KPI	Identified eligible economic activities	Notes
Turnover	<ul style="list-style-type: none"> • Energy storage business • Biogas solutions • Digital voyage optimisation solutions 	<p>Wärtsilä considers its energy storage business as a Taxonomy eligible economic activity. Wärtsilä energy storage solutions and energy management systems enable the effective storage of renewable electricity. Wärtsilä biogas solutions are considered to be eligible through the “manufacturing of other low carbon technologies” category. Digital voyage optimisation solutions are considered to be eligible through the “data driven solutions for GHG reduction” category. Wärtsilä did not consider any multifuel engine solutions to be eligible at this point.</p>
CapEx	<ul style="list-style-type: none"> • New buildings (lease) • Passenger cars and light commercial vehicles • Capitalised R&D costs related to energy storage • Capitalised R&D costs related to voyage optimisation • Capitalised R&D costs related to future fuels 	<p>Any capex for a new building or a new vehicle is eligible. With respect to the capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, capitalised R&D costs related to our engines’ capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable our customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No CapEx related to taxonomy eligible manufacturing was identified.</p>
OpEx	<ul style="list-style-type: none"> • Non-capitalised R&D costs related to energy storage • Non-capitalised R&D costs related to voyage optimisation • Non-capitalised R&D costs related to future fuels 	<p>With respect to the non-capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, OpEx related to non-capitalised R&D for our engines’ capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable our customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No OpEx related to taxonomy eligible manufacturing was identified.</p>

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities 2022

Economic activities	Code(s)	Absolute turnover (MEUR)	Proportion of turnover (%)	Substantial contribution criteria					DNSH Criteria ('Does Not Significantly Harm')					Minimum safeguards	Taxonomy-aligned proportion of turnover, Year 2022	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy				
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1. Taxonomy-aligned activities																	
<i>No aligned activity</i>																	
		0	0														
Turnover of Taxonomy-aligned activities (A.1.)		0	0 %	%	%	%	%	%	%	%	%	%	%	%	%	%	%
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																	
<i>Energy storage business</i>	C27.2	765	13%														
<i>Biogas solutions</i>	C28.9.9	87	2%														
<i>Digital voyage optimisation solutions</i>	C63.1.1	33	1%														
Turnover of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)		884	15%														
Total (A.1. + A.2.)		884	15%													0%	%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Turnover of Taxonomy-non-eligible activities (B)		N/A	4,958	85%													
Total (A + B)		5,842	100%														

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities 2022

Economic activities	Code(s)	Absolute CapEx (MEUR)	Proportion of CapEx (%)	Substantial contribution criteria					DNSH Criteria ('Does Not Significantly Harm')					Minimum safeguards	Taxonomy-aligned proportion of CapEx, Year 2022	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy				
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1. Taxonomy-aligned activities																	
<i>No aligned activity</i>			0	0													
CapEx of Taxonomy-aligned activities (A.1.)				%	%	%	%	%	%	%	%	%	%	%	%		
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																	
<i>New buildings (lease)</i>	F41.2	57	21%														
<i>Passenger cars and light commercial vehicles</i>	N77.1.1; H49.3.1	5	2%														
<i>Capitalised R&D costs related to voyage optimisation</i>	C63.1.1	8	3%														
<i>Capitalised R&D costs related to energy storage</i>	C27.2	7	2%														
<i>Capitalised R&D costs related to future fuels</i>	C28.1.1	16	6%														
CapEx of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)		94	34%														
Total (A.1. + A.2.)		94	34%														0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
CapEx of Taxonomy-non-eligible activities (B)		183	66%														
Total (A + B)		277	100%														

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities 2022

Economic activities	Code(s)	Absolute OpEx (MEUR)	Proportion of OpEx (%)	Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of OpEx, Year 2022	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
<i>No aligned activity</i>																			
		0	0																
OpEx of Taxonomy-aligned activities (A.1.)				%	%	%	%	%	%								%		
A.2. Taxonomy-Eligible but not Taxonomy-aligned activities																			
<i>Non-capitalised R&D costs related to voyage optimisation</i>																			
	C63.1.1	5	2%																
<i>Non-capitalised R&D costs related to energy storage</i>																			
	C27.2	18	8%																
<i>Non-capitalised R&D costs related to future fuels</i>																			
	C28.1.1	7	3%																
OpEx of Taxonomy-eligible but not Taxonomy-aligned activities (A.2.)		30	13%																
Total (A.1. + A.2.)		30	13%														0%	%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		204	87%																
Total (A + B)		234	100%																

Reporting segments

Wärtsilä Marine Power

Marine Power's order intake in 2022 increased by 20% to EUR 2,418 million (2,011) compared to 2021. Book-to-bill was 1.22 (1.08). Service order intake increased by 23% to EUR 1,567 million (1,270) as the market continued to recover, especially with the merchant segment operating at high capacity due to favourable rates. The offshore and cruise segments also increased compared to 2021. Equipment order intake increased by 15% to EUR 850 million (741) as a result of strong performance in the merchant segment driven mainly by containerships and record-high orders for LNG carriers. The order book at the end of the year increased by 9% to EUR 2,180 million (1,994) despite removing Russia related projects.

Net sales increased by 6% to EUR 1,982 million (1,863) compared to 2021. Service net sales increased by 17% to EUR 1,403 million (1,201), driven by sales to the merchant and cruise segments. Equipment net sales decreased by 12% to EUR 579 million (661), largely due to the discontinuation of business in Russia, which had an effect of approximately EUR 50 million. The comparable operating result amounted to EUR 217 million (195) or 10.9% of net sales (10.5). The result was supported by good service performance, as well as a more favourable mix between equipment and services. The overall market situation was challenging with cost inflation (material, component, transportation, and test fuel costs) and component unavailability which increased the supply chain costs. Increased energy prices impacted particularly our suppliers manufacturing components that consume a lot of energy in their production process, like forgings and castings. High inflation in several countries also put pressure on salary adjustments. Continued price adjustments are made to cope with cost inflation, however breaking open existing contracts for inflation corrections is not possible. The ramp-up of the new Sustainable Technology Hub also impacted the operating costs during 2022, as we were operating the old Vaasa factory in parallel with the Sustainable Technology Hub during the transition period. Items affecting comparability totalled EUR -178 million (-15), of which EUR 70 million related to the write down of Russia related activities, EUR 89 million related to the Trieste factory write down, and the rest mainly related to footprint optimisations concerning the new Sustainable Technology Hub in Vaasa, Finland.

Wärtsilä Marine Systems

Marine Systems' order intake in 2022 decreased by 22% to EUR 654 million (835) compared to 2021, with an increase in the service business and a decline in the equipment business, especially in the Gas Solutions and Marine Electrical Systems business units. Book-to-bill was 0.85 (1.28). Service order intake increased by 9% to EUR 250 million (229), with good development in all business units. Equipment order intake decreased by 33% to EUR 404 million (606). The order book at the end of the year decreased by 11% to EUR 924 million (1,042).

Net sales increased by 17% to EUR 765 million (654) compared to 2021. Service net sales increased by 13% to EUR 231 million (204), while equipment net sales increased by 19% to EUR 535 million (450). The comparable operating result amounted to EUR 56 million (52) or 7.3% of net sales (7.9), with an increase from good services development and a decline due to decreased scrubber volumes.

Wärtsilä Voyage

Voyage's order intake in 2022 was stable at EUR 289 million (292) compared to 2021. Book-to-bill was 1.09 (1.05). Service order intake increased by 8% to EUR 118 million (109), while equipment order intake decreased by 6% to EUR 171 million (183). The order book at the end of the year was stable at EUR 291 million (288). Overall, the effect of increased customer activity offset the impact of closing down all business activities in Russia.

Net sales decreased by 5% to EUR 264 million (279) compared to 2021, primarily due to the closing down of business activities in Russia. Service net sales increased by 3% to EUR 109 million (105), while equipment net sales decreased by 10% to EUR 156 million (174). The comparable operating result amounted to EUR -38 million (-28) or -14.3% of net sales (-9.9). Items affecting comparability totalled EUR -126 million (-12) of which EUR 122 million related to the write-down made as a result of the decision to downscale operations in Russia, and the rest related to restructuring programmes.

Divestments

In July, Wärtsilä completed its orderly exit from the Russian market. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations. As part of the exit, the Wärtsilä Digital Technologies office in St. Petersburg has been

closed. In addition, Wärtsilä Vostok LLC was divested to the local management of the company. The financial impact of these divestments is in line with the provisions taken in the first quarter of 2022.

Wärtsilä Energy

Energy's order intake in 2022 increased by 7% to EUR 2,612 million (2,444) compared to 2021. Book-to-bill was 0.96 (1.31). Service order intake increased by 16% to EUR 1,062 million (916), while equipment order intake was stable at EUR 1,550 million (1,529). The order book at the end of the year was stable at EUR 2,376 million (2,393).

Net sales increased by 46% to EUR 2,721 million (1,861) compared to 2021. Service net sales increased by 8% to EUR 958 million (891), driven by long-term agreements and spare parts. Equipment net sales increased by 82% to EUR 1,763 million (970), with growth both in thermal power plants and the energy storage business. The comparable operating result amounted to EUR 91 million (136) or 3.3% of net sales (7.3). Profitability was burdened by EUR 40 million in cost provisions related to the Olkiluoto 1 and 2 nuclear project, cost inflation on equipment projects, and a less favourable sales mix between equipment and services. Items affecting comparability totalled EUR -9 million (-2) of which EUR 4 million related to the write-down made as a result of the decision to close down operations in Russia.

Profitability of energy storage business unit has been improving and the comparable operating result margin was approximately -4% in 2022.

Other business activities

Wärtsilä Portfolio Business

Portfolio Business' order intake in 2022 decreased by 33% to EUR 102 million (153) compared to 2021, due to completed divestments. The order book at the end of the year decreased by 6% to EUR 134 million (142).

Net sales decreased by 10% to EUR 109 million (121) compared to 2021, due to completed divestments. The comparable operating result amounted to EUR 0 million (2) or -0.3% of net sales (1.6), due to the divestments of certain business units. Items affecting comparability totalled EUR -30 million (-11), related to divestment impacts.

Divestments

In January, Wärtsilä closed the divestment of its Tank Control Systems business to Svanehøj, a Danish gas pump specialist involved in the design and manufacture of specialised deep well pump solutions. Tank Control Systems designs, manufactures, sells, and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. It is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. The business became part of Wärtsilä as a result of the acquisition of Total Automation in 2006 and has approximately 50 employees based in the UK, France, and Singapore with revenues of EUR 7.5 million in 2020.

In December, Wärtsilä announced the divestment of American Hydro to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine services focusing mainly on North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. The annual revenues of the company were approximately USD 50 million in 2021. Subject to approvals, completion of the transaction is expected in first half of 2023.

Risks and business uncertainties

The ongoing war in Ukraine has resulted in various risks to both the demand and supply environment of various commodities globally, and increased uncertainty over the macroeconomic outlook. Business operations globally are being impacted by the increased inflationary pressure, changing trade flows and volumes, altered financial conditions, the volatility of the geopolitical environment including the risk of trade wars, and the sanctions in place and planned against Russia. These are all contributing to a slowdown in global economic growth. Further escalation of any of the abovementioned factors could result in increased uncertainty over future demand for tonnage, and higher costs to acquire, finance and operate assets. This could potentially lead to delays or reassessment of customer investments into new or existing tonnage. Furthermore, the volatility of the geopolitical environment, and the enforcement of sanctions or embargos, pose a risk to the company's customer relations and international business activities.

With the rapidly growing use of data in shipping and shipbuilding, as well as in the energy markets, cyber threats can potentially result in various forms of financial, operational, or reputational damage to the business. Congestions at ports have eased while disruptions to global supply chains may continue to impact factory activities and the delivery of spare parts mainly driven by the rising energy costs and its implications to raw material and component prices as well as transportation costs. The announced plan to optimise the company's European engine manufacturing footprint is subject to various risks.

The shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. Uncertainties around the development and deployment of suitable future technologies as well as a lack of sufficient regulatory and financial incentives or mechanisms to support the transition may affect the investment appetite of ship owners and operators. This concerns both newbuilding programmes and the management of existing fleets. At the same time, the limited development of alternative fuel infrastructures, uncertainties concerning the regulatory environment, and the uptake of new technology may raise barriers for the green transition.

Continued high inflation and economic slowdown have negatively impacted people's ability or desire to travel which poses a business profitability risk for ship owners and operators. Other risks include a new escalation of Covid-19 or any of its variants, especially now in China, and higher voyage, operating and financing costs. Highly indebted shipowners or operators may not withstand the potential risk of higher cost of finance, a slower than expected growth in demand, and a lowered credit rating. In the offshore oil and gas industry, the uncertainty around longer-term demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, while in the shorter term investments might pick-up due to higher oil prices and a growing focus on energy security. Any changes to the allocation of investments between traditional offshore upstream oil & gas and renewables might limit the demand for drilling or support vessels. The volatility of oil prices and any disruptions to the supply of marine fuel oils can also have a sizable impact on the price spread between high- and low-sulphur fuels. A narrower price

differential, or reduced future availability of high-sulphur fuel, might weaken the case for scrubber investments.

In the energy markets, the possibility of a global recession poses a risk for top-line growth if the economy stagnates. Investment decisions are complicated by uncertainty over inflation through its high impact on the cost of capital and by currency fluctuations. In the energy markets, gas price volatility and increasing prices have a negative impact on the competitiveness of thermal baseload gas plants and may lead to more running hours and less capacity retirements of coal and nuclear power plants. Higher fuel prices may have an impact on project viability and customer decision-making. However, these are expected to have less of an impact on thermal balancing power plants with lower running hours. The impact of the Covid-19 pandemic has declined, but a number of countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects, causes disturbances in global supply chains, and may temporarily limit the speed of the energy transition. Concentrated supply chains in some raw materials present price and availability risks. Additionally, geopolitical tensions complicate technology choices, supply chains, and decision-making. Uncertainty regarding future changes in climate policies and regulations cause unpredictability in the markets, as they may impact technology choices for customers. Price pressure resulting from the prevailing competitive environment remains a risk. In addition, there are risks related to the efficient and fast scaling up of the energy storage industry and resources to meet the increasing market demand.

The Group is a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business. These lawsuits mainly concern issues such as contractual and other liability, labour relations, property damage, and regulatory matters. From time to time, the Group receives claims of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is the Group's policy to provide for amounts related to the claims as well as for litigation and arbitration matters when an unfavourable outcome is probable and the amount of loss can be reasonably estimated.

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

Shares and shareholders

In 2022, the number of shares traded on Nasdaq Helsinki was 450,340,633, equivalent to a turnover of EUR 3,836 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 191,990,738 shares.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting, held on 3 March 2022, approved the financial statements, reviewed the Remuneration Policy and Remuneration Report 2021 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2021.

The Annual General Meeting decided that the Board of Directors shall have eight members. The following were elected to the Board: Karen Bomba, Karin Falk, Johan Forssell, Tom Johnstone, Risto Murto, Mats Rahmström, Tiina Tuomela, and Morten H. Engelstoft.

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2022.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.24 per share in two instalments. The first instalment of EUR 0.12 per share was paid on 14 March 2022 and the second instalment of EUR 0.12 per share on 6 October 2022.

Authorisation to repurchase the company's own shares

The Board of Directors was authorised to repurchase a maximum of 57,000,000 shares in the Company. Shares may be repurchased also otherwise than in proportion to the shareholders' holding in the Company. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the decision by the Annual General Meeting.

Wärtsilä shares on Nasdaq Helsinki

31.12.2022	Number of shares outstanding	Number of treasury shares	Number of shares and votes	Number of shares traded 1-12/2022
WRT1V	590,023,390	1,700,000	591,723,390	450,340,633

1.1.-31.12.2022	High	Low	Average*	Close
Share price	13.22	6.36	8.53	7.87

*Trade-weighted average price

Market capitalisation	31.12.2022	31.12.2021
MEUR	4,656	7,314

Foreign shareholders	31.12.2022	31.12.2021
%	51.4	52.7

Flagging notifications

Wärtsilä was informed of the following changes in ownership during 2022:

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2022	BlackRock, Inc.	Above 5%	4.81	5.01
23.2.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
8.4.2022	BlackRock, Inc.	Above 5%	4.86	5.00
11.4.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
28.4.2022	BlackRock, Inc.	Above 5%	4.88	5.04
2.5.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
4.5.2022	BlackRock, Inc.	Above 5%	4.83	5.01
21.6.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
17.10.2022	BlackRock, Inc.	Above 5%	4.86	5.03

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders’ pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company’s incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 4 March 2021 to issue shares.

Organisation of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors elected Tom Johnstone as its Chair and Risto Murto as the Deputy Chair. The Board decided to establish an Audit Committee and a People Committee. The Board appointed from among its members the following members to the committees:

Audit Committee: Chair Tiina Tuomela, Risto Murto, Karen Bomba

People Committee: Chair Tom Johnstone, Johan Forssell, Karin Falk

WÄRTSILÄ’S PROSPECTS FOR 2023

Wärtsilä expects the demand environment for the next 12 months in the Marine business (including Marine Power and Marine Systems) to be similar to that of last year. For the Energy business, Wärtsilä expects the demand environment to be better than last year.

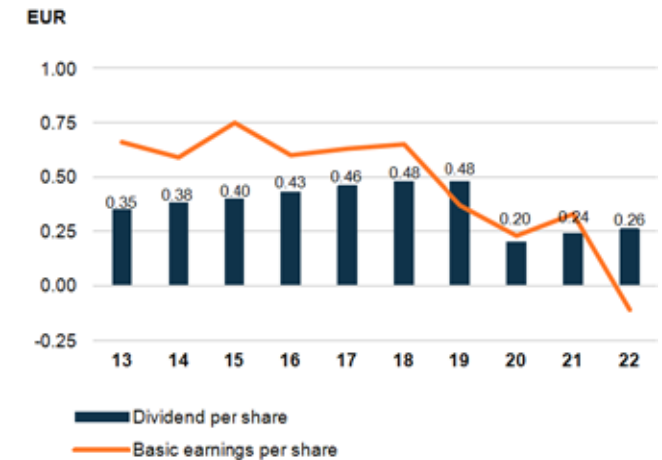
BOARD OF DIRECTORS’ DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.26 per share be paid for the financial year 2022. The parent company’s distributable funds total EUR 1,080,636,552.76, which includes EUR 196,530,548.11 in net profit for the year. There are 590,023,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.13 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on the dividend record date of 13 March 2023. The payment day proposed by the Board for this instalment is 20 March 2023.

The second instalment of EUR 0.13 per share shall be paid in September 2023. The dividend record day of the second instalment shall be 13 September 2023 and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on such day.

Dividend



The free share issue approved by Wärtsilä Corporation’s Annual General Meeting on 8 March 2018 increased the total number of Wärtsilä shares to 591,723,390. Figures for the comparison periods 2011-2017 have been adjusted to reflect the increased number of shares.

The Board proposes the second instalment is paid on 20 September 2023.



Primary financial statements

PRIMARY FINANCIAL STATEMENTS

Consolidated statement of income

MEUR	2022	2021	Note
Net sales	5,842	4,778	2.1., 2.2.
Other operating income	70	85	2.3.
Material and services	-3,671	-2,691	2.4.
Employee benefit expenses	-1,359	-1,230	2.5.
Result from net position hedges	-12	-2	
Depreciation, amortisation and impairment	-263	-162	3.5.
Other operating expenses	-638	-467	2.3.
Share of result of associates and joint ventures	6	3	6.5.
Operating result	-26	314	
as a percentage of net sales	-0.4	6.6	
Financial income	30	15	5.1.
Financial expenses	-37	-33	5.1.
Result before taxes	-32	296	
Income taxes	-27	-103	2.6.
Result for the financial period	-59	193	
Attributable to:			
equity holders of the parent company	-65	194	2.7.
non-controlling interests	6		
	-59	193	

Earnings per share attributable to equity holders of the parent company:			
Earnings per share (EPS), basic, EUR	-0.11	0.33	2.7.
Earnings per share (EPS), diluted, EUR	-0.11	0.33	2.7.

Consolidated statement of comprehensive income

MEUR	2022	2021	Note
Result for the financial period	-59	193	
Other comprehensive income:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	39	10	
Tax on items that will not be reclassified to the statement of income	-8	-2	
Total items that will not be reclassified to the statement of income	31	9	
Items that may be reclassified subsequently to the statement of income			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	-31	72	
for non-controlling interests	-1	-1	
transferred to the statement of income	-2		
Associates and joint ventures, share of other comprehensive income	-1	3	
Cash flow hedges			
measured at fair value	33	-13	5.5.
transferred to the statement of income	3	4	
Tax on items that may be reclassified to the statement of income			
Cash flow hedges			
measured at fair value	-7	2	
transferred to the statement of income	-1	-1	
Total items that may be reclassified to the statement of income	-7	65	
Other comprehensive income for the financial period, net of taxes	23	73	
Total comprehensive income for the financial period	-35	267	

Total comprehensive income attributable to:		
equity holders of the parent company	-35	268
non-controlling interests	-1	-1
	-35	267

Consolidated statement of financial position

MEUR	31.12.2022	31.12.2021	Note
Assets			
Non-current assets			
Goodwill	1,288	1,374	3.1.
Intangible assets	392	401	3.2.
Property, plant and equipment	304	312	3.3.
Right-of-use assets	258	192	3.4.
Investments in associates and joint ventures	29	27	6.5.
Other investments	19	18	5.2.
Interest-bearing investments	4	5	5.2.
Deferred tax assets	195	167	4.6.
Trade receivables	11	26	4.2., 5.2.
Other receivables	57	17	4.3.
Total non-current assets	2,556	2,539	
Current assets			
Inventories	1,361	1,185	4.1.
Trade receivables	1,102	870	4.2., 5.2.
Current tax receivables	33	33	
Contract assets	729	684	4.2.
Other receivables	309	246	4.3.
Cash and cash equivalents	461	964	5.3., 5.4.
Total current assets	3,997	3,982	
Assets held for sale	54	2	6.4.
Total assets	6,606	6,523	
Equity and liabilities			
Equity			
Share capital	336	336	5.5.
Share premium	61	61	5.5.

Translation differences	-156	-122	5.5.
Fair value reserve	9	-18	5.5.
Remeasurements of defined benefit liabilities	-5	-36	4.7.
Retained earnings	1,889	2,094	
Total equity attributable to equity holders of the parent company	2,135	2,315	
Non-controlling interests	12	8	
Total equity	2,146	2,323	
Liabilities			
Non-current liabilities			
Lease liabilities	223	157	3.4., 5.4.
Other interest-bearing debt	517	694	5.2., 5.4., 5.6.
Deferred tax liabilities	65	65	4.6.
Pension obligations	89	126	4.7.
Provisions	85	73	4.5.
Contract liabilities	60	37	4.2.
Other liabilities	5	1	3.4., 4.4.
Total non-current liabilities	1,044	1,153	
Current liabilities			
Lease liabilities	43	39	3.4., 5.4.
Other interest-bearing debt	166	82	5.2., 5.4., 5.6.
Provisions	311	241	4.5.
Trade payables	1,041	714	4.4., 5.2., 5.6.
Current tax liabilities	51	63	
Contract liabilities	1,145	1,231	4.2.
Other liabilities	636	676	3.4., 4.4.
Total current liabilities	3,394	3,047	
Total liabilities	4,438	4,199	
Liabilities directly attributable to assets held for sale	22		6.4.
Total equity and liabilities	6,606	6,523	

Consolidated statement of cash flows

MEUR	2022	2021	Note
Cash flow from operating activities:			
Result for the financial period	-59	193	
Adjustments for:			
Depreciation, amortisation and impairment	263	162	3.5.
Financial income and expenses	6	18	5.1.
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	23		
Share of result of associates and joint ventures	-6	-3	6.5.
Income taxes	27	103	2.6.
Other non-cash flow adjustments	26	6	
Cash flow before changes in working capital	281	478	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	-422	-177	
Inventories, increase (-) / decrease (+)	-207	29	4.1.
Liabilities, non-interest-bearing, increase (+) / decrease (-)	370	512	
Changes in working capital	-259	363	
Cash flow from operating activities before financial items and taxes	22	841	
Financial items and taxes:			
Interest income	4	5	
Interest expenses	-14	-16	
Other financial income and expenses	9	1	
Income taxes paid	-83	-100	
Financial items and paid taxes	-84	-111	

Cash flow from operating activities	-62	731	
Cash flow from investing activities:			
Acquisitions	-4		6.2.
Other investments	-1	-1	5.2.
Investments in property, plant and equipment and intangible assets	-156	-142	3.2., 3.3.
Proceeds from sale of property, plant and equipment and intangible assets	18	5	3.2., 3.3.
Proceeds from sale of shares in subsidiaries	-10	10	6.3.
Cash flow from investing activities	-151	-128	
Cash flow after investing activities	-213	603	
Cash flow from financing activities:			
Repurchase of own shares		-18	
Repayments and other changes in non-current debt	-145	-433	5.6.
Loan receivables, increase (-) / decrease (+)	1	-4	
Current loans, increase (+) / decrease (-)		-4	
Dividends paid	-145	-121	
Cash flow from financing activities	-289	-580	
Change in cash and cash equivalents, increase (+) / decrease (-)	-501	22	
Cash and cash equivalents at the beginning of the financial period*	964	932	
Exchange rate changes	1	10	
Cash and cash equivalents at the end of the financial period*	464	964	

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

Consolidated statement of changes in equity

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2022	336	61	-122	-18	-36	2,094	2,315	8	2,323
Result for the financial period						-65	-65	6	-59
Other comprehensive income									
Translation differences			-31				-31	-1	-32
Translation differences transferred to the statement of income			-2				-2		-2
Cash flow hedges									
net change in fair value, net of taxes				25			25		25
transferred to the statement of income, net of taxes				2			2		2
Defined benefit plans					31		31		31
Other comprehensive income, total			-33	27	31		24	-1	23
Total comprehensive income for the financial period			-33	27	31	-65	-41	5	-35
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-142	-142	-2	-144
Share-based payments						2	2		2
Equity on 31 December 2022	336	61	-156	9	-5	1,889	2,135	12	2,146

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2021	336	61	-197	-9	-45	2,030	2,177	11	2,188
Result for the financial period						194	194		193
Other comprehensive income									
Translation differences			74				74	-1	74
Cash flow hedges									
net change in fair value, net of taxes				-11			-11		-11
transferred to the statement of income, net of taxes				2			2		2
Defined benefit plans					9		9		9
Other comprehensive income, total			74	-9	9		74	-1	73
Total comprehensive income for the financial period			74	-9	9	194	268	-1	267
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-118	-118	-2	-120
Repurchase of own shares						-18	-18		-18
Share-based payments						7	7		7
Equity on 31 December 2021	336	61	-122	-18	-36	2,094	2,315	8	2,323



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