Wärtsilä Corporation

Financial Statements Bulletin

January – December 2022

A challenging year with strong annual growth

Highlights from October–December 2022

- Order intake decreased by 24% to EUR 1,638 million (2,150)
- Service order intake increased by 6% to EUR 791 million (747)
- Net sales increased by 11% to EUR 1,770 million (1,597), of which organic growth was 7%
- Book-to-bill amounted to 0.93 (1.35)
- Operating result decreased by 75% to EUR 37 million (144), which represents 2.1% of net sales (9.0).
- Comparable operating result decreased by 41% to EUR 93 million (158), which represents 5.3% of net sales (9.9). This includes EUR 40 million cost provisions related to the Olkiluoto 1 and 2 nuclear project.
- Basic earnings per share decreased to 0.05 euro (0.14)
- Cash flow from operating activities decreased to EUR 51 million (370)

Highlights from January–December 2022

- Order intake increased by 6% to EUR 6,074 million (5,735)
- Service order intake increased by 17% to EUR 3,066 million (2,615)
- Order book at the end of the period was stable at EUR 5,906 million (5,859)
- Net sales increased by 22% to EUR 5,842 million (4,778), of which organic growth was 18%
- Book-to-bill amounted to 1.04 (1.20)
- Operating result decreased by EUR 339 million to EUR -26 million (314), which represents -0.4% of net sales (6.6). This includes a write-down of EUR 200 million related to Wärtsilä's exit from Russia and EUR 90 million related to the ramp down of manufacturing in Trieste.
- Comparable operating result decreased by 9% to EUR 325 million (357), which represents 5.6% of net sales (7.5)
- Basic earnings per share decreased to -0.11 euro (0.33)
- Cash flow from operating activities decreased to EUR -62 million (731)
- Dividend proposal 0.26 euro per share (0.24)

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.

Håkan Agnevall, President & CEO: Good growth in services

"The year 2022 was characterised by geopolitical tensions and uncertainty in the global business environment. The war in Ukraine has had a strong direct and indirect impact on the markets we operate in, especially the energy markets. Following Russia's attack on Ukraine, we exited from the Russian market. However, despite the continuing challenging market conditions, demand has remained at a good level both for equipment and services.

In the energy markets, the market situation remained volatile during the year. The war in Ukraine, the consequent sanctions on Russia and the Covid-19 pandemic contributed to global cost inflation as well as price volatility in the energy markets. At the same time, climate policies around the world continue to evolve towards more ambitious decarbonisation targets. We have seen that the demand for balancing power has been growing and we have signed important orders for both thermal balancing power and energy storage solutions throughout the year. In the fourth quarter, for example, we signed a contract to deliver a new grid-scale energy storage facility in the UK, and dual-fuel balancing engines for two new power plants in the USA, among others.

In the marine market, the market sentiment continued to improve throughout 2022. Ordering activity was supported by record-high orders for LNG carriers, especially in terms of order value. Increasing demand for tonnage, improved volumes in the passenger travel segment and continued fleet reactivations developed favourably. This also supported our service business. The active cruise fleet has been 94% at the end of 2022 compared to around 70% at the end of 2021. Decarbonisation continues to be an increasingly important topic for our customers. One proof point of our ability to support our customers' environmental targets is the announced order for hybrid propulsion systems for four new heavy lift vessels. This innovative hybrid system will minimise the ships' CO2 emissions, thus supporting the marine sector's decarbonisation ambitions.

We were able to grow our order intake by 6% and net sales by 22% during the year. We were especially successful in the service business, where our order intake grew by 17% exceeding the equipment order intake in absolute terms. Service net sales grew by 12%, with growth in all businesses. Interest in long-term agreements has been high, and our service agreement renewal rates in both the Marine and Energy businesses were more than 90%. Equipment net sales increased by 33% and was strongly supported by growth in Energy equipment deliveries. The comparable operating result decreased by 9%, supported by higher sales volumes and burdened by cost inflation, a less favourable sales mix between equipment and services, and a cost provision related to the Olkiluoto 1 and 2 nuclear project. Particularly the profitability of projects taken before the acceleration of cost inflation in the beginning of 2022 has suffered.

In July, we announced our plan to centralise our 4-stroke engine manufacturing in Europe to Vaasa, Finland and to scale down manufacturing in Trieste, Italy. The estimated full annual cost savings are expected to be approximately EUR 35 million by 2025 and the associated transformation costs approximately EUR 130 million, out of which the cash flow impact is approximately EUR 75 million.

In July, we announced that we have completed the orderly exit from the Russian market following our announcement of scaling down activities in April 2022. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations. We have made a write-down of approximately EUR 200 million in the first quarter related to the exit from Russia, which has an impact on our operating result for the year.

In October, we announced that we are further strengthening the marine end-to-end lifecycle offering by integrating the Voyage business into Marine Power as a business unit. By linking the unique digital expertise in Voyage with our well-established Performance Services, we are taking the next step in creating end-to-end digital solutions for maritime customers. The integrated organisation became effective as of January 1, 2023.

We have continued to invest in R&D despite the prevailing market uncertainty. In June, we opened our new Sustainable Technology Hub in Vaasa, Finland. The technology centre enables agile development and efficient research of sustainable solutions for the marine and energy industries. We introduced the new Wärtsilä 25 medium-speed 4-stroke engine, designed to accelerate and support the maritime sector's efforts in achieving decarbonised operations. It is the first Wärtsilä engine to run on ammonia as a fuel, but it is already capable of operating on diesel, LNG or on gas or liquid carbon-neutral biofuels.

We continue to promote the transition to carbon-neutrality both in our own operations as well as for our customers. Our goal is to become carbon-neutral in our own operations and to be able to provide a product portfolio ready for zero-carbon fuels by 2030. We already took the decision to purchase fully green electricity in Finland and have developed processes to utilise all heat and power from engine testing while exploring ways to shorten the time needed for test runs. Our products and solutions will meet the most stringent environmental requirements. Decarbonisation will transform our industries and we have a key role to play in driving that transformation. Hybridisation is one way of shaping decarbonisation in the marine industry, ensuring fuel savings, in addition to substantial reductions in emissions. Today, we are the market leader in marine hybrid installations with 25% market share, measured in MWh battery capacity installed.

Whereas global economic and political uncertainty is set to continue, our strong order book in both equipment and services will support our ambitions for 2023. At the same time, the share of equipment orders taken before the acceleration of cost inflation in the beginning of 2022 will be significantly smaller. We aim to improve profitability by climbing the service value ladder, and by turning around the Energy Storage and Voyage business units."

Key figures

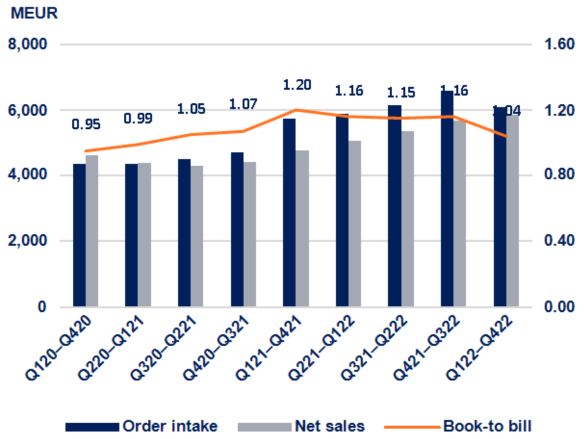
MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**1,638**	2,150	-24%	**6,074**	5,735	6%
of which services	**791**	747	6%	**3,066**	2,615	17%
Order book, end of period				**5,906**	5,859	1%
Net sales	**1,770**	1,597	11%	**5,842**	4,778	22%
of which services	**784**	751	4%	**2,775**	2,467	12%
Book-to-bill	**0.93**	1.35		**1.04**	1.20	
Operating result	**37**	144	-75%	**-26**	314	-108%
% of net sales	**2.1**	9.0		**-0.4**	6.6	
Comparable operating result	**93**	158	-41%	**325**	357	-9%
% of net sales	**5.3**	9.9		**5.6**	7.5	
Comparable adjusted EBITA*	**99**	165	-40%	**349**	388	-10%
% of net sales	**5.6**	10.4		**6.0**	8.1	
Result before taxes	**35**	134	-74%	**-32**	296	-111%
Basic earnings/share, EUR	**0.05**	0.14		**-0.11**	0.33	
Cash flow from operating activities	**51**	370		**-62**	731	
Net interest-bearing debt, end of period				**481**	4	
Gross capital expenditure				**161**	143	
Gearing				**0.23**	0.00	
Solvency, %				**35.3**	38.6	
Personnel, end of period				**17,581**	17,305	2%

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

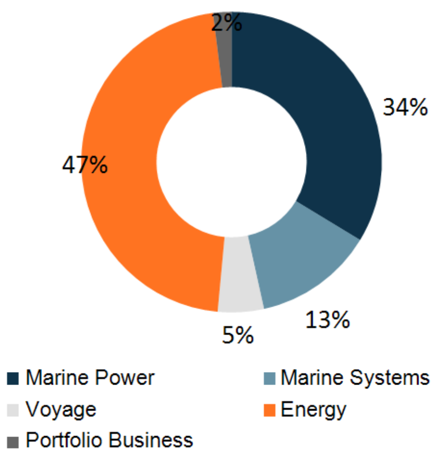
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

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

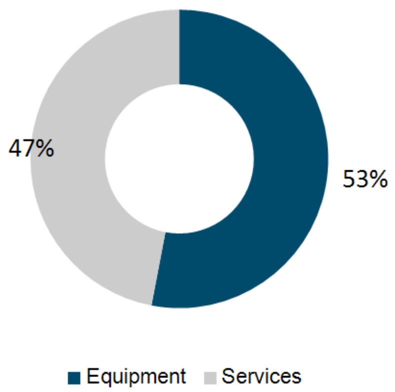
Book-to-bill, 12 months rolling



Net sales by business area, January–December



Net sales by business type, January–December



Comparable operating result, 12 months rolling

Group financial and strategic development

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 state of the Liquified 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 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 USA, 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 October–December** decreased by 24% to EUR 1,638 million (2,150) compared to the all time high Q4/2021. Book-to-bill was 0.93 (1.35). Service order intake increased by 6% to EUR 791 million (747), driven especially by orders in the merchant and cruise segments. Equipment order intake decreased by 40% to EUR 848 million (1,404), impacted by all-time-high orders received in Q4/2021.

Order intake in January–December 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 period 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).

Order intake and order book by reporting segment

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**1,638**	**2,150**	**-24%**	**6,074**	**5,735**	**6%**
Marine Power	**671**	659	2%	**2,418**	2,011	20%
Marine Systems	**190**	308	-38%	**654**	835	-22%
Voyage	**74**	93	-21%	**289**	292	-1%
Energy	**646**	1,031	-37%	**2,612**	2,444	7%
Portfolio Business	**57**	59	-3%	**102**	153	-33%
Order book, end of period				**5,906**	**5,859**	**1%**
Marine Power				**2,180**	1,994	9%
Marine Systems				**924**	1,042	-11%
Voyage				**291**	288	1%
Energy				**2,376**	2,393	-1%
Portfolio Business				**134**	142	-6%

Net sales and operating result

Wärtsilä's **net sales in October–December** increased by 11% to EUR 1,770 million (1,597) compared to 2021. Service net sales increased by 4% to EUR 784 million (751), supported by sales to the merchant segment in Marine Power and burdened by postponements in some customer deliveries in Energy. Equipment net sales increased by 17% to EUR 987 million (846), driven by increasing energy equipment deliveries.

The **operating result in October–December** amounted to EUR 37 million (144) or 2.1% of net sales (9.0). The comparable operating result totalled EUR 93 million (158) or 5.3% of net sales (9.9). The comparable operating result was supported by good service performance in Marine Power, 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 amounted to EUR -56 million (-14), mostly with EUR -28 million related to the divestment of American Hydro and EUR -13 million related to the Trieste factory closure. The comparable adjusted EBITA amounted to EUR 99 million (165) or 5.6% of net sales (10.4). Purchase price allocation amortisation amounted to EUR 5 million (8).

Net sales in January–December 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 in January–December** 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 amounted to EUR -351 million (-43) related to divestments, restructuring programmes, and footprint adjustments, including a 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) in January–December. Net interest totalled EUR -10 million (-11). Result before taxes amounted to EUR -32 million (296). Taxes amounted to EUR -27 million (-103), implying a negative effective tax rate (34.7%). Result for the financial period amounted to EUR -59 million (193). Basic earnings per share totalled -0.11 euro (0.33). Return on investments (ROI) was 0.1% (9.7), while return on equity (ROE) was -2.6% (8.6).

Net sales and operating result by reporting segment

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Net sales	**1,770**	**1,597**	**11%**	**5,842**	**4,778**	**22%**
Marine Power	**562**	589	-5%	**1,982**	1,863	6%
Marine Systems	**234**	221	6%	**765**	654	17%
Voyage	**85**	84	1%	**264**	279	-5%
Energy	**856**	670	28%	**2,721**	1,861	46%
Portfolio Business	**33**	32	5%	**109**	121	-10%
Operating result	**37**	**144**	**-75%**	**-26**	**314**	**-108%**
Marine Power	**52**	68	-24%	**39**	180	-78%
Marine Systems	**14**	14	6%	**48**	47	1%
Voyage	**10**	-3	444%	**-164**	-39	-316%
Energy	**-12**	63	-120%	**82**	134	-39%
Portfolio Business	**-27**	2		**-30**	-9	-238%
Operating result, % of net sales	**2.1**	**9.0**		**-0.4**	**6.6**	
Marine Power	**9.2**	11.5		**2.0**	9.7	
Marine Systems	**6.1**	6.1		**6.2**	7.2	
Voyage	**11.7**	-3.4		**-62.0**	-14.1	
Energy	**-1.4**	9.4		**3.0**	7.2	
Portfolio Business	**-80.9**	6.5		**-27.9**	-7.5	
Comparable operating result	**93**	**158**	**-41%**	**325**	**357**	**-9%**
Marine Power	**80**	75	7%	**217**	195	11%
Marine Systems	**15**	16	-7%	**56**	52	8%
Voyage	**5**	1	380%	**-38**	-28	-37%
Energy	**-8**	64	-112%	**91**	136	-33%
Portfolio Business	**1**	1	-38%	**0**	2	-115%
Comparable operating result, % of net sales	**5.3**	**9.9**		**5.6**	**7.5**	
Marine Power	**14.3**	12.7		**10.9**	10.5	
Marine Systems	**6.5**	7.4		**7.3**	7.9	
Voyage	**5.5**	1.2		**-14.3**	-9.9	
Energy	**-0.9**	9.6		**3.3**	7.3	
Portfolio Business	**2.6**	4.3		**-0.3**	1.6	

Net sales bridge

MEUR	10–12/2022	1–12/2022
2021	**1,597**	**4,778**
Organic	**7%**	**18%**
Acquisitions and divestments	**0%**	**-1%**
FX impact	**4%**	**5%**
2022	**1,770**	**5,842**

Financing and cash flow

Wärtsilä’s cash flow from operating activities in October–December amounted to EUR 51 million (370), burdened by decreased operating result and higher level of working capital compared to Q4/2021.

During January–December, cash flow from operating activities 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 period (-100 at the end of 2021). Advances received totalled EUR 527 million (498 at the end of 2021).

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

Wärtsilä had interest-bearing debt totalling EUR 949 million at the end of the period (973 at the end of 2021). 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 at the end of 2021). Gearing was 0.23 (0.00 at the end of 2021), while the solvency ratio was 35.3% (38.6 at the end of 2021). Equity per share was 3.62 euro (3.92 at the end of 2021).

Key financing items

MEUR	10–12/2022	10–12/2021	1–12/2022	1–12/2021
Cash flow from operating activities	**51**	370	**-62**	731
Working capital			**179**	-100
Net interest-bearing debt, end of period			**481**	4
Gearing			**0.23**	0.00
Solvency, %			**35.3**	38.6
Equity/share, EUR			**3.62**	3.92

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 156 million (142) for the period January–December. 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 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.

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, and environmentally friendly fuels for the future is a key focus area of research and development, as is improving the connectivity, efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. With its lifecycle solution offering, Wärtsilä goes beyond the mere maintenance and operation of installations by delivering guaranteed performance based on mutually agreed target levels. Research and development expenditure totalled EUR 241 million (196) in 2022, which represents 4.1% of net sales (4.1).

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

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

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

In May, Wärtsilä launched Decarbonisation Services for the energy sector. This service utilises Wärtsilä's sophisticated power system modelling and optimisation tools alongside the company's in-house expertise to reduce power system emissions. It also ensures power availability with the lowest levelised cost of electricity. The ultimate aim is to help customers decarbonise their assets.

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

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

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

Strategic projects and acquisitions

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 USA 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 in 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 commitments 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 period. On average, the number of personnel totalled 17,482 (17,461) during the period January–December.

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 by reporting segment

MEUR	31.12.2022	31.12.2021	Change
Personnel	**17,581**	**17,305**	**2%**
Marine Power	**8,500**	8,224	3%
Marine Systems	**1,937**	1,894	2%
Voyage	**1,406**	1,725	-18%
Energy	**5,320**	4,980	7%
Portfolio Business	**417**	482	-13%

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 has 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.

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to support its customers on their decarbonisation journey, as well as in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN Sustainable Development Goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

Sustainability highlights in January–December included the following:

In January, Wärtsilä booked an order to supply 110 MW of flexible thermal balancing power to support Italy's increasing focus on sustainable energy. Wärtsilä's fast-starting internal combustion engine technology running on natural gas will be used to balance the power system and ensure its stability as the share of renewables is increased.

In February, Wärtsilä, together with the shipping company Grimaldi Group, unveiled a new system that filters out microplastics from open loop exhaust gas scrubber washwater as a means for tackling the amount of such microplastics in the world's oceans; a critical and growing global environmental challenge. According to the Plastic Europe association, 368 million tonnes of plastic were produced in 2019 worldwide, and around 3%, or 11.4 million tonnes, of this plastic ultimately ends up in the ocean.

In March, Wärtsilä published a report showing how by rapidly scaling up its renewable capacity, Europe can cut its power sector gas consumption in half, reduce energy costs by EUR 323 / USD 356 billion, and increase energy independence by 2030. The ambitious but achievable approach modelled in the report, "Europe's Energy Future", would see the share of renewable energy in electricity generation increase from around 33% today to over 60% by 2030, and would have a direct impact on reducing electricity bills in the short and long term, potentially by up to 10%.

In April, Wärtsilä and ship manager Anglo-Eastern announced a significant milestone in improving safety and environmental sustainability at sea: more than 500 vessels in Anglo-Eastern's fleet have been fitted with Wärtsilä Voyage's Fleet Optimisation Solution, a cutting-edge decision support software platform for voyage planning, charter-party compliance, fuel efficiency, and fleet performance management.

In April, Wärtsilä received an order to supply its Puregas CA50 biogas upgrading plant for an innovative Green Gas Mill project in the U.K. designed to turn grass into gas that can be used to heat homes. The Wärtsilä biogas upgrading plant, which refines the gas before it is sent to the grid, is a key element of this project. Green grass is carbon neutral in that the CO2 it absorbs whilst growing is released back into the atmosphere when the methane is burned.

In May, Wärtsilä received an order to supply its hybrid propulsion system for three new RoPax vessels currently being built for Stena RoRo, Europe´s largest ferry company. Two of the ferries will have a battery capacity of 11.5 MWh, making them the marine industry's largest hybrid vessels to date. Combining the benefits of the hybrid propulsion system and shore power leads to GHG emissions savings of up to 15%, as compared to a conventional diesel mechanical propulsion system.

In June, Wärtsilä and Aalto University signed a new three-year partnership contract covering three themes: research and insight, business development, and talent, recruitment, and educational collaboration. One key driver of the partnership is the need to develop new zero-emission fuel solutions for maritime transport and power plants. Together with its international partners, Aalto University is a world-class pioneer in research on hydrogen, ammonia, methanol, and other synthetic renewable fuels, and their combustion phenomena.

In July, the 50 MW / 50 MWh lithium-ion battery supplied by Wärtsilä to Pivot Power was officially launched at the opening of Energy Superhub Oxford (ESO). The system will play an essential role in the UK's shift to renewables. The site forms one part of the GBP 41 million ESO project, which integrates energy storage, electric vehicle (EV) charging, low carbon heating, and smart energy management technologies to decarbonise Oxford by 2040 and create a blueprint for other towns and cities to achieve net zero. Wärtsilä provided both the lithium-ion battery and GEMS Digital Energy Platform for the project.

In July, Wärtsilä received an order to supply the propulsion package for the world's largest aluminium catamaran being built in Tasmania, Australia on behalf of Argentinian ferry operator, Buquebus. The vessel will operate between Argentina and Uruguay with Wärtsilä's 31 dual-fuel engine technology using primarily LNG fuel. It will also incorporate shaft e-motors powered via the main engine gearboxes taking further advantage of Wärtsilä's LNG technology. With LNG, the minimised emissions of CO2, nitrous oxides (NOx), sulphur oxides (SOx), and particulate matter will make the ferry Tier III compliant and able to operate in emission control areas (ECAs).

In July, Wärtsilä received an order to supply an additional energy storage system to Clearway Energy Group for one of the world's largest solar-plus-storage project portfolios. The energy storage systems are being built in California and Hawaii, USA. Together with the previously received four orders, Wärtsilä is delivering a portfolio of energy storage systems totalling 500-megawatt (MWac) / 2-gigawatt hour (GWh). This will support the state of California in reaching its goal of 100 percent carbon-free electricity by 2045, and Hawaii's goal of reaching 100 percent renewable energy generation by 2045.

In August, Wärtsilä organised its annual Dive Against Debris event, this time in two cities: Vaasa and Helsinki. In the Dive Against Debris event, volunteer divers clean the seafloor of garbage of all kinds. The events were made possible by Wärtsilä volunteers and divers as well as various local partners. From Vaasa and Helsinki combined, the divers lifted approximately 800 kilograms of garbage. It was also possible for everyone to join the clean-up on land by collecting trash with garbage tongs.

In October, Wärtsilä partnered with Carnival Corporation's Holland America Line and Netherlands based GoodFuels to carry out ship trials operating with biofuel blends. This is the first testing by Wärtsilä on a cruise ship operating with 100 percent biofuel, leading to the cutting of carbon emissions by 80-90%.

In November, Wärtsilä joined the Energy Efficiency Movement, launched by ABB. The joint initiative establishes an ecosystem with the aim of accelerating efforts to reduce energy consumption and carbon emissions. According to the International Energy Agency (IEA), energy efficiency can reduce greenhouse gas emissions by more than 40%. Wärtsilä has set ambitious carbon neutrality targets by 2030, as has ABB, and together we can contribute to a more sustainable future.

In November, Wärtsilä announced that its customer, Carisbrooke Shipping, had reported a saving of over 600 tons of CO2 emissions since the beginning of the year with the help of Wärtsilä's Fleet Optimisation Solution (FOS) implemented across its 31 vessels. The FOS enables the monitoring of vessel positions, passage plans and routes, advising on maximising cargo intake, and monitoring vessel safety and performance. This has already resulted in reported fuel savings of 5-7%.

In December, Wärtsilä's ongoing project partnership with the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping has been further strengthened with the company signing as an official Mission Ambassador. The not-for-profit research and development center aims at accelerating the transition towards a net-zero future for the maritime industry through collaboration by maritime stakeholders, fuel providers, universities and governments. The Center drives and facilitates the development and implementation of new technologies, while building confidence in new concepts and mature viable strategic ways to achieve necessary systemic and regulatory changes.

Wärtsilä's share is included in several sustainability indices, including Dow Jones Sustainability Indices (DJSI), 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 STOXX Global ESG Leaders Index.

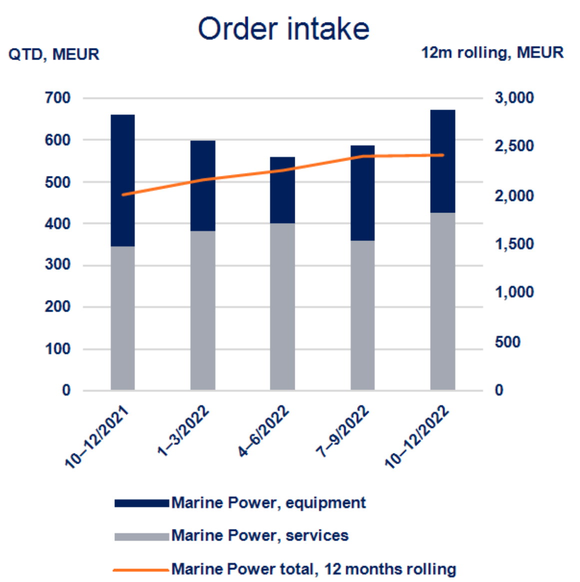
Reporting segment: Wärtsilä Marine Power

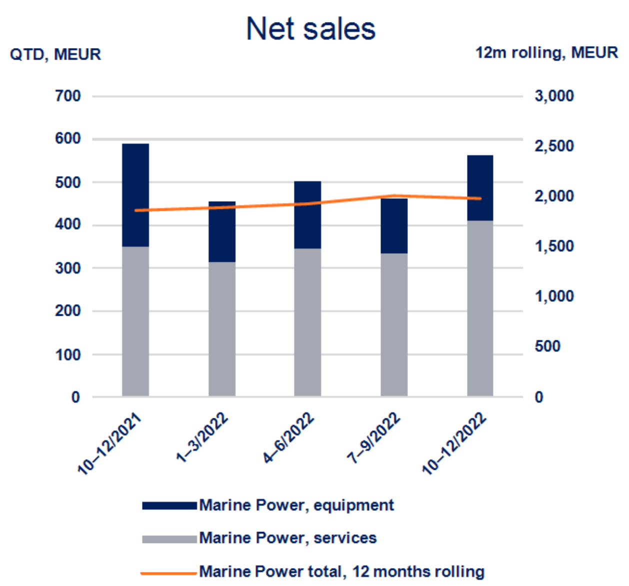
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our broad portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support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

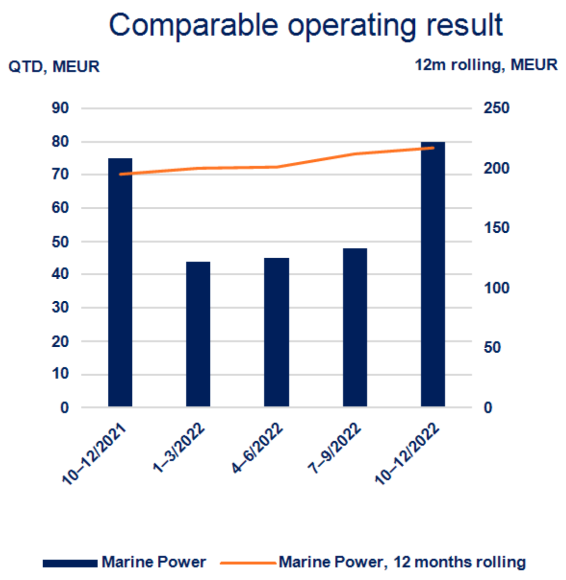
- The positive momentum in the shipping and shipbuilding markets was disrupted by the escalation of the Russia-Ukraine conflict. Despite the growing concerns on the macroeconomic outlook, market sentiment continued to improve mostly due to increasing demand for tonnage, improving volumes in the passenger travel segment, and continued fleet reactivation.
- Service business performance continued to improve, as activity in the market has increased, impacting both transactional and agreement business positively.
- Profitability improved due to strong service sales but was offset by cost inflation, affecting especially material, component, transportation, and test fuel costs, as well as component unavailability and high energy prices.

Key figures

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**671**	659	2%	**2,418**	2,011	20%
of which services	**425**	345	23%	**1,567**	1,270	23%
Order book, end of period				**2,180**	1,994	9%
Net sales	**562**	589	-5%	**1,982**	1,863	6%
of which services	**411**	351	17%	**1,403**	1,201	17%
Book-to-bill	**1.20**	1.12		**1.22**	1.08	
Operating result	**52**	68	-24%	**39**	180	-78%
% of net sales	**9.2**	11.5		**2.0**	9.7	
Comparable operating result	**80**	75	7%	**217**	195	11%
% of net sales	**14.3**	12.7		**10.9**	10.5	
Personnel, end of period				**8,500**	8,224	3%







Financial development

Marine Power's **order intake in October–December** was stable at EUR 671 million (659) compared to Q4/2021. Book-to-bill was 1.20 (1.12). Service order intake increased by 23% to EUR 425 million (345), as the market continued to recover, with improvements especially in the merchant and cruise segments. Equipment order intake decreased by 22% to EUR 247 million (315) due to a high order intake in the merchant segment in Q4/2021. Orders for the cruise and navy segments increased compared to Q4/2021. Orders received during the period included an order for a hybrid propulsion system for four new heavy lift vessels being built at the Wuhu Shipyard in China. Wärtsilä's innovative hybrid system will minimise the ships' CO2 emissions, thus supporting the marine sector's decarbonisation ambitions. The system will feature a variable-speed Wärtsilä 32 main engine capable of operating with methanol fuel. This will therefore make these ships among the first to be prepared to operate on methanol, a clean burning sulphur-free alternative to conventional fossil-based marine fuels. They will also be the first methanol capable ships to employ a variable speed main engine in a hybrid installation. The ships are scheduled for delivery in 2025 and will be used mainly to support wind farm installations.

Net sales in October–December decreased by 5% to EUR 562 million (589) compared to Q4/2021. Service net sales increased by 17% to EUR 411 million (351), driven by sales to the merchant segment. Equipment net sales decreased by 37% to EUR 151 million (238), due to high net sales in Q4/2021 coming from the timing of some larger deliveries. The **comparable operating result** amounted to EUR 80 million (75) or 14.3% of net sales (12.7). The result was supported by good service performance and 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, such as 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 typically not possible. The ramp-up of the new Sustainable Technology Hub impacted operating costs for Q4/2022, as we continue to operate the old Vaasa factory in parallel with the Sustainable Technology Hub during the transition period. Items affecting comparability totalled EUR -28 million (-7), of which EUR 13 million was related to the closure of production in Trieste.

Order intake in January–December 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 period increased by 9% to EUR 2,180 million (1,994) despite removing Russia related projects.

Net sales in January–December 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 forging 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.

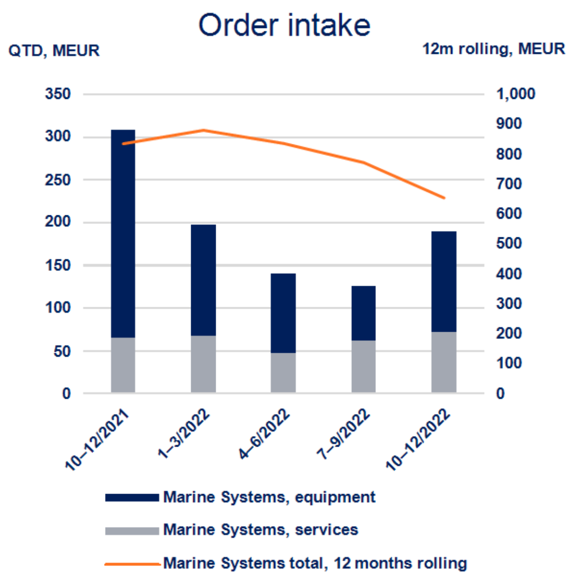
Reporting segment: Wärtsilä Marine Systems

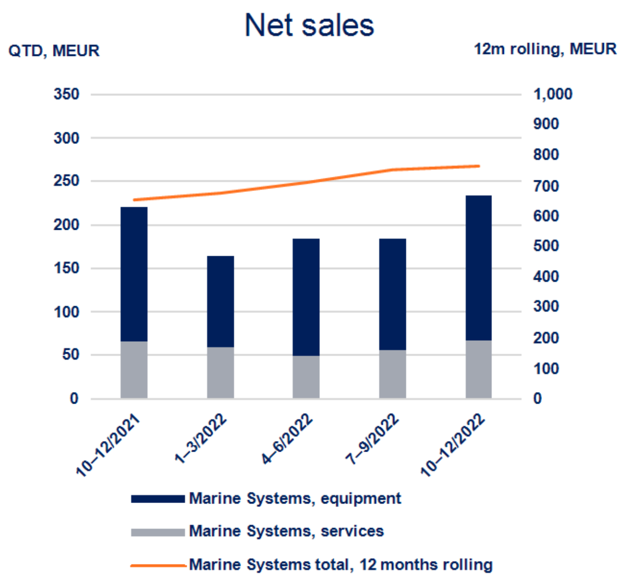
Wärtsilä Marine Systems supports customers with high quality products and lifecycle services related to the gas value chain, exhaust treatment, shaft line, underwater repair and electrical integrations. We are committed to providing the latest and most efficient solutions, in line with Wärtsilä's vision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

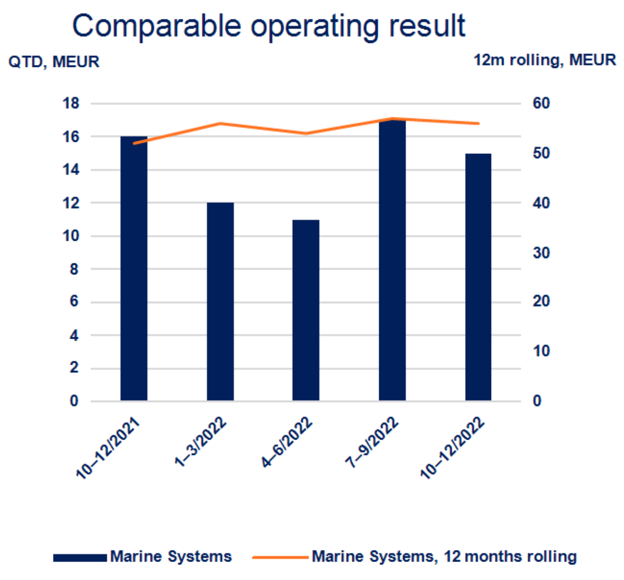
- Market activity in the equipment business was steady with increased pressure on pricing and uncertainty in customer decision-making resulting from the geopolitical situation.
- Activity level, as well as the outlook for the transactional service market, developed positively.
- Profitability was supported by good services development while being burdened by fewer scrubber deliveries.

Key figures

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**190**	308	-38%	**654**	835	-22%
of which services	**72**	65	11%	**250**	229	9%
Order book, end of period				**924**	1,042	-11%
Net sales	**234**	221	6%	**765**	654	17%
of which services	**67**	66	2%	**231**	204	13%
Book-to-bill	**0.81**	1.39		**0.85**	1.28	
Operating result	**14**	14	6%	**48**	47	1%
% of net sales	**6.1**	6.1		**6.2**	7.2	
Comparable operating result	**15**	16	-7%	**56**	52	8%
% of net sales	**6.5**	7.4		**7.3**	7.9	
Personnel, end of period				**1,937**	1,894	2%







Financial development

Marine Systems' **order intake in October–December** decreased by 38% to EUR 190 million (308) compared to Q4/2021. Book-to-bill was 0.81 (1.39). Service order intake increased by 11% to EUR 72 million (65), with good development in all business units. The equipment order intake decreased by 51% to EUR 118 million (243). The comparison period was impacted by one large individual order. Orders signed during the period included Cargo Handling and LPG Fuel Supply systems for two LPG/Midsize gas carrier vessels being built at Hyundai Mipo Dockyard in South Korea for EXMAR LPG.

Net sales in October–December increased by 6% to EUR 234 million (221) compared to Q4/2021. Service net sales was stable at EUR 67 million (66). Equipment net sales increased by 7% to EUR 167 million (155). The **comparable operating result** amounted to EUR 15 million (16) or 6.5% of net sales (7.4), supported by steady services development and declined due to decreased scrubber volumes.

Order intake in January–December 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. The equipment order intake decreased by 33% to EUR 404 million (606). The **order book** at the end of the period decreased by 11% to EUR 924 million (1,042).

Net sales in January–December increased by 17% to EUR 765 million (654) compared to 2021. Service net sales increased by 13% to EUR 231 million (204). 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.

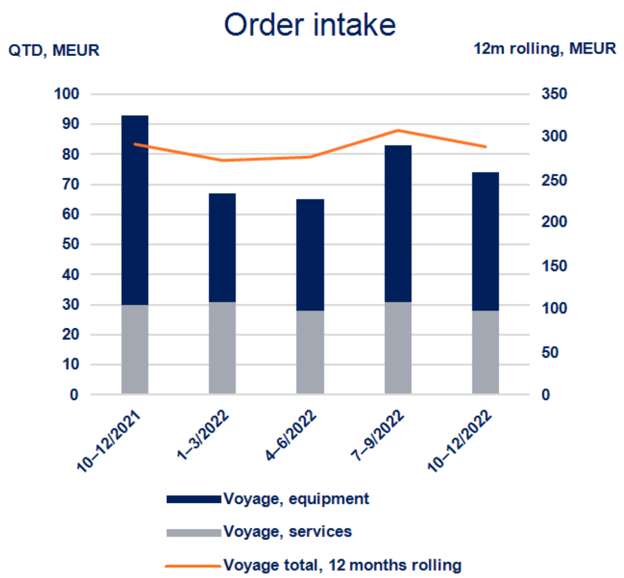
Reporting segment: Wärtsilä Voyage

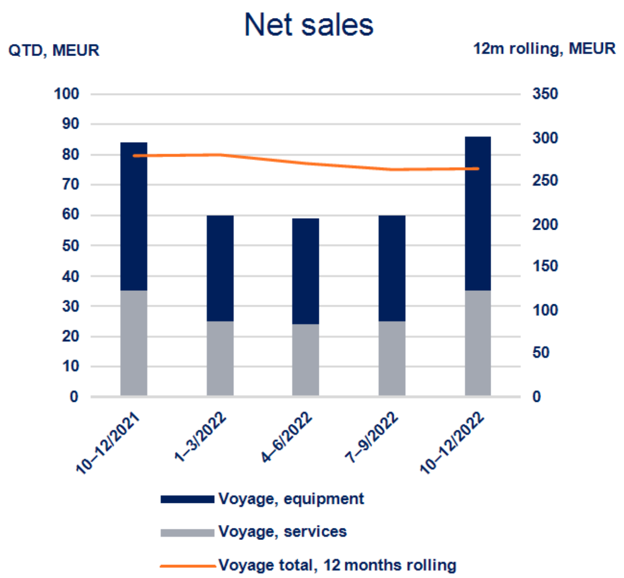
Wärtsilä Voyage transforms how vessels perform their journeys and ports manage their operations by leveraging the latest digital technologies. Using data and AI-driven software, we deliver real-time insights into operations, performance, and energy use to enhance safety, efficiency, and reliability, 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 connected digital ecosystem for shipping where all vessels and ports are integrated, and all operations are safe and sustainable.

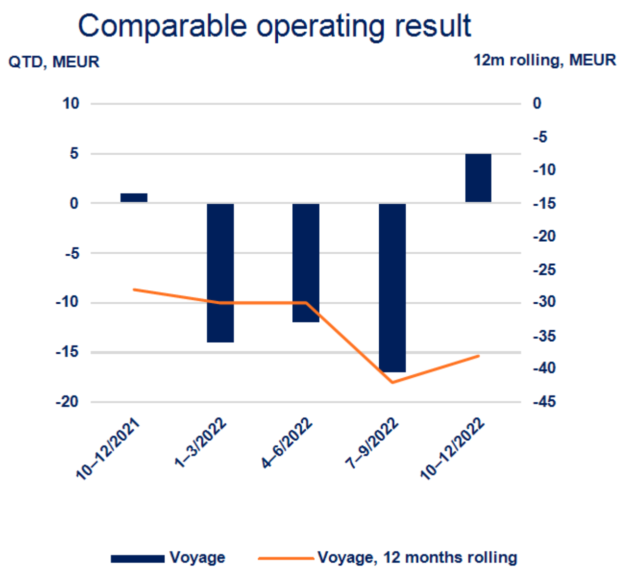
- The decision to exit Russia had a significant impact on Voyage operations. Voyage managed to ensure business continuity for its customers without significant disruption to the business by relocating software developers from Russia primarily to Serbia and Finland. Serbia was ramped up as a new R&D hub for Voyage.
- Order intake was at the previous year's level despite closing down the local Russia business activities, with growth in services.
- Net sales declined from the previous year, due to the decision to exit from Russia.
- Profitability declined, mainly due to the closure of the profitable Russian turnkey business and cost inflation.

Key figures

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**74**	93	-21%	**289**	292	-1%
of which services	**28**	30	-8%	**118**	109	8%
Order book, end of period				**291**	288	1%
Net sales	**85**	84	1%	**264**	279	-5%
of which services	**35**	35	0%	**109**	105	3%
Book-to-bill	**0.86**	1.10		**1.09**	1.05	
Operating result	**10**	-3	444%	**-164**	-39	-316%
% of net sales	**11.7**	-3.4		**-62.0**	-14.1	
Comparable operating result	**5**	1	380%	**-38**	-28	-37%
% of net sales	**5.5**	1.2		**-14.3**	-9.9	
Personnel, end of period				**1,406**	1,725	-18%







Financial development

Voyage's **order intake in October–December** decreased by 21% to EUR 74 million (93) compared to Q4/2021. Book-to-bill was 0.86 (1.10). Service order intake decreased by 8% to EUR 28 million (30). The equipment order intake decreased by 27% to EUR 46 million (63).

Net sales in October–December was stable at EUR 85 million (84) compared to Q4/2021, supported by newbuild and retrofit volumes which offset the closing of business activities in Russia. Service net sales was stable at EUR 35 million (35). Equipment net sales was stable at EUR 51 million (49). The **comparable operating result** amounted to EUR 5 million (1) or 5.5% of net sales (1.2). The result was positively impacted by higher profitability in services, while closure of the profitable Russia turnkey business and cost inflation had a negative impact. Items affecting comparability totalled EUR 5 million (-4) related to the decision to close down all operations in Russia.

Order intake in January–December 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). Equipment order intake decreased by 6% to EUR 171 million (183). The **order book** at the end of the period 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 in January–December 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). 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 close down 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 was in line with the provisions taken in the first quarter of 2022.

Reporting segment: Wärtsilä Energy

Wärtsilä Energy leads the transition towards a 100% renewable energy future. We help our customers in decarbonisation by developing market-leading technologies. These cover future-fuel enabled balancing power plants, hybrid solutions, energy storage and optimisation technology, including the GEMS energy management platform. Wärtsilä Energy's lifecycle services are designed to increase efficiency, promote reliability and guarantee operational performance.

- The energy crisis has revealed a clear need and ambition for a structural change in the energy sector, especially in Europe. Beyond some short-term setbacks, the energy transition outlook has never been stronger: advancing the renewable energy build-up simultaneously strengthens the security of supply and reduces the dependency on imported fossil fuels.
- Order intake grew from the high levels in 2021.
- Good growth in services – 16% in order intake and 8% in net sales.
- Profitability in 2022 was burdened by EUR 40 million in cost provisions related to the Olkiluoto 1 and 2 nuclear project, cost inflation in equipment projects as well as a less favourable sales mix between equipment and services.
- Profitability of Energy Storage business unit has been improving and the comparable operating result margin was approximately -4% in 2022.

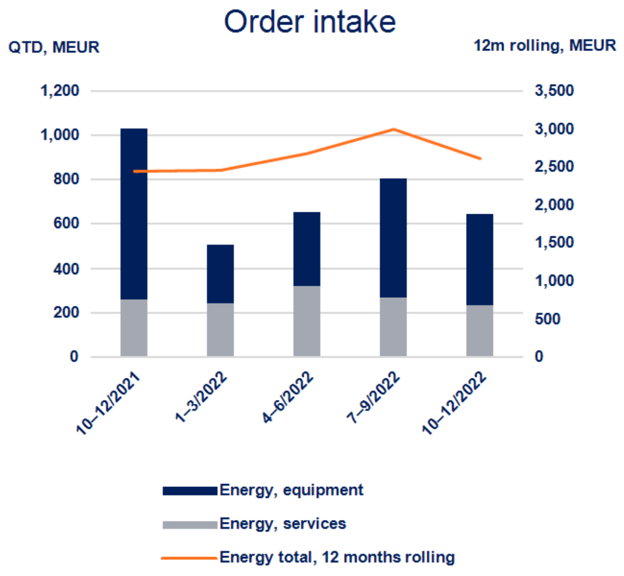
Key figures

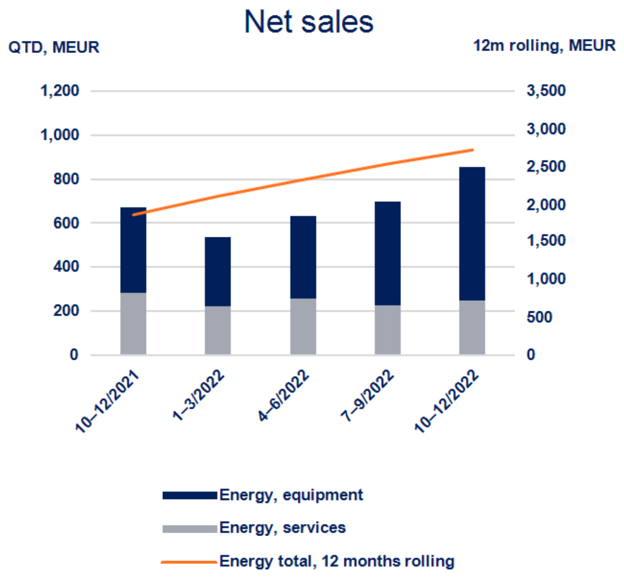
MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**646**	1,031	-37%	**2,612**	2,444	7%
of which services	**233**	258	-10%	**1,062**	916	16%
Order book, end of period				**2,376**	2,393	-1%
Net sales	**856**	670	28%	**2,721**	1,861	46%
of which services	**250**	281	-11%	**958**	891	8%
Book-to-bill	**0.76**	1.54		**0.96**	1.31	
Operating result	**-12**	63	-120%	**82**	134	-39%
% of net sales	**-1.4**	9.4		**3.0**	7.2	
Comparable operating result	**-8**	64	-112%	**91**	136	-33%
% of net sales	**-0.9**	9.6		**3.3**	7.3	
Personnel, end of period				**5,320**	4,980	7%

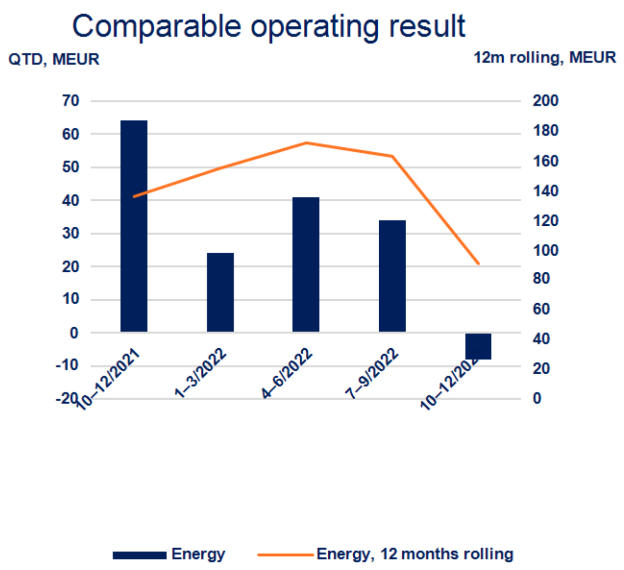
Order intake Energy

	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Gas, MW	**589**	956	-38%	**1,478**	1,322	12%
Oil, MW	**0**	33		**187**	80	134%
Storage, MWh	**437**	596	-27%	**2,118**	3,053	-31%
Other*, MW	**-**	-	-	**-**	-	-

*Includes biofuel power plants and solar installations







Financial development

Energy's **order intake in October–December** decreased by 37% to EUR 646 million (1,031) compared to Q4/2021. Book-to-bill was 0.76 (1.54). Service order intake decreased by 10% to EUR 233 million (258), impacted by the timing of agreement renewals. The equipment order intake decreased by 46% to EUR 414 million (773). The comparison period had a record high order intake including two thermal power plant projects in Mexico.

Net sales in October–December increased by 28% to EUR 856 million (670) compared to Q4/2021, with growth mainly in energy storage and thermal power plants whereas service sales declined. Service net sales decreased by 11% to EUR 250 million (281), with lower sales in all service revenue streams partially due to some customer deliveries being postponed to 2023. Equipment net sales increased by 56% to EUR 606 million (390). Growth occurred in both thermal power plants and energy storage. The **comparable operating result** amounted to EUR -8 million (64) or -0.9% of net sales (9.6), burdened by a cost provision of EUR 40 million related to the Olkiluoto 1 and 2 nuclear project, cost inflation in equipment projects, and a less favourable sales mix between equipment and services. The result was supported by improved cost leverage in energy storage due to high delivery volumes.

Order intake in January–December 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). Equipment order intake was stable at EUR 1,550 million (1,529). The **order book** at the end of the period was stable at EUR 2,376 million (2,393).

Net sales in January–December 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

Wärtsilä Portfolio Business consists of business units, which are run independently with the aim of accelerating performance improvement and unlocking value through divestments or other strategic alternatives. The business units included in Portfolio Business comprise Water & Waste, as well as the hydropower solution and turbine service business American Hydro (divestment announced in December 2022).

Key figures

MEUR	10–12/2022	10–12/2021	Change	1–12/2022	1–12/2021	Change
Order intake	**57**	59	-3%	**102**	153	-33%
Order book, end of period				**134**	142	-6%
Net sales	**33**	32	5%	**109**	121	-10%
Operating result	**-27**	2		**-30**	-9	-238%
% of net sales	**-80.9**	6.5		**-27.9**	-7.5	
Comparable operating result	**1**	1	-38%	**0**	2	-115%
% of net sales	**2.6**	4.3		**-0.3**	1.6	
Personnel, end of period				**417**	482	-13%

Financial development

Portfolio Business' **order intake in October–December** decreased by 3% to EUR 57 million (59) compared to Q4/2021.

Net sales in October–December increased by 5% to EUR 33 million (32) compared to Q4/2021. The **comparable operating result** amounted to EUR 1 million (1) or 2.6% of net sales (4.3). Items affecting comparability totalled EUR -28 million (1), related to the signing of the American Hydro divestment.

Order intake in January–December decreased by 33% to EUR 102 million (153) compared to 2021, due to completed divestments. The **order book** at the end of the period decreased by 6% to EUR 134 million (142).

Net sales in January–December 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 the publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine services focusing mainly on the North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. The annual revenues of the company were approximately USD 50 million in 2021. Subject to approvals, completion of the transaction is expected in the 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 has 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 above-mentioned 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. Congestion at ports has eased while disruptions to global supply chains may continue to impact factory activities and the delivery of spare parts. This is mainly driven by the rising energy costs and the 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 costs of finance, a slower than expected growth in demand, and a lowered credit rating. In the offshore oil and gas industry, uncertainty around the longer-term demand for crude oil, and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, 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, causing 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 annual report contains a more detailed description of Wärtsilä's risks and risk management.

Shares and shareholders

In January–December, 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 CBOE DXE, Turquoise, and BATS. The total trading volume on these alternative exchanges was 191,990,738 shares.

Shares on Nasdaq Helsinki

31.12.2022	Number of shares outstanding	Number of treasury shares	Total number of shares	Number of shares traded 1–12/2022
WRT1V	590,023,390	1,700,000	591,723,390	450,340,633

1.1.2022-31.12.2022	High	Low	Average*	Close
Share price	13.22	6.36	8.53	7.87

*Trade-weighted average price

	12/31/2022	12/31/2021
Market capitalisation, EUR million	4,656	7,314
Foreign shareholders, %	51.4	52.7

Flagging notifications

During January–December, Wärtsilä was informed of the following changes in ownership:

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.	Below 5%	4.86	5.03

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, Morten H. Engelstoft, Tom Johnstone, Risto Murto, Mats Rahmström, and Tiina Tuomela.

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 was paid on 6 October 2022.

Remuneration of the Board of Directors

The fees to the members of the Board of Directors were approved as follows:

- to the Chair EUR 200,000/year
- to the Deputy Chair EUR 105,000/year
- to the ordinary members EUR 80,000/year

Approximately 40% of the annual Board remuneration will be paid in Wärtsilä shares, and the rest in cash. The Company will compensate the transaction costs and costs in relation to the applicable asset transfer tax arising from the share purchases.

In addition, each member will be paid EUR 750 per Board meeting attended, the Chair's meeting fee being double this amount. Furthermore, the Chair of the Audit Committee will receive a fixed fee of EUR 25,000 and each member of the Committee a fixed fee of EUR 10,000 for the term, while the Chair of the People Committee will receive a fixed fee of EUR 10,000 and each member of the Committee a fixed fee of EUR 5,000 for the term.

Authorisation to repurchase the company's own shares

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

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

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

The Annual Report 2022, including the financial review and the Board of Directors' report, will be available on the company website www.wartsila.com no later than 14 February 2023.

Wärtsilä's Financial Statements Bulletin 2022

This financial statements bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2021, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

Preparation of the financial statements in accordance with the IFRS requires management to make judgements, estimates, and assumptions that affect the valuation of the reported assets and liabilities, as well as other information, such as contingent assets and liabilities and the recognition of income and expenses in the statement of income. Although these continuously evaluated judgements, estimates, and assumptions are based on management's past experience and best knowledge of current events and actions, as well as expectations of future events, actual results may differ from the estimates.

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

The economic uncertainties caused by the Russia-Ukraine war, and the consequential political events and sanctions have resulted in a situation where it is not viable for Wärtsilä to maintain activities in Russia. Considering the current operating environment, Wärtsilä has written down the related assets. In Wärtsilä Voyage, goodwill and other intangible assets have been impaired. The impairment recognised is a result of the management's best estimate of the recoverability of the intangible assets under current circumstances. More information on the impairment testing is available in section Intangible assets and property, plant and equipment. As the sanctions prevent Wärtsilä from doing business in Russia, as well as with Russian customers, also accumulated project costs and receivables have been written down. Changes in the sanctions regimes can have a significant impact on the estimates of their recoverability. The full impact of the war is difficult to estimate. The result impact in 2022 is reported in items affecting comparability and summarised in section Measures of profit and items affecting comparability.

The impact of the COVID-19 (coronavirus) pandemic has been taken into account in the estimates and assumptions used in the preparation of the financial statements. The possible impact of the situation caused by the coronavirus pandemic on the relevant factors in each estimate have been considered. The impact of the COVID-19 pandemic on estimates in the financial reporting rely on management's best judgement.

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes' conditions. If the settlement would happen at the reporting date, it would result in issuing 160,213 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

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

New and amended IFRS standards

In 2022, the Group has adopted the following amended standards issued by the IASB.

Reference to the Conceptual Framework amends IFRS 3 Business combinations (effective for financial periods beginning on or after 1 January 2022). The amendments update the reference to the 2018 Conceptual Framework, as well as add an exception to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. In addition, the amendments add clarification on the prohibition to recognise contingent assets at the acquisition date. The amendments have no impact on the consolidated financial statements.

Property, Plant and Equipment: Proceeds before Intended Use amends IAS 16 Property, Plant and Equipment (effective for financial periods beginning on or after 1 January 2022). The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The proceeds from selling such items and the costs of producing those items are recognised in the statement of income. The amendments have no impact on the consolidated financial statements.

Onerous Contracts - Cost of Fulfilling a Contract amends IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial periods beginning on or after 1 January 2022). The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are intended to provide clarity and help to ensure consistent application of the standard. The amendments apply a directly related cost approach. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Judgement will be required in determining which costs are directly related to contract activities. The amendments do not have a significant impact on the consolidated financial statements.

In 2023 or later, the Group will adopt the following new or amended standards issued by the IASB.

Disclosure of Accounting policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (effective for financial periods beginning on or after 1 January 2023). The amendments to IAS 1 require companies to disclose material accounting policy information instead of significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the materiality concept to accounting policy disclosures. The amendments are not expected to have a significant impact on the consolidated financial statements.

Definition of Accounting Estimates amends IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial periods beginning on or after 1 January 2023). The amendments define both the concept of accounting estimates and changes in those. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. In addition, the amendments provide clarification on how changes in accounting estimates differ from changes in accounting policies and corrections of errors. The amendments will have no impact on the consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income taxes (effective for financial periods beginning on or after 1 January 2023). The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations. The Group estimates the amendments to increase deferred tax assets and liabilities by approximately EUR 60 million, while impact on equity and result for the period would not be significant.

IFRS 17 Insurance Contracts (effective for financial periods beginning on or after 1 January 2023) applies to all types of insurance contracts (direct insurance and re-insurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective is to provide a consistent accounting model for insurance contracts. The standard is not expected to have a significant impact on the consolidated financial statements.

Classification of Liabilities as Current or Non-current* amends IAS 1 Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2024). The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments will have no impact on the consolidated financial statements.

Lease liability in a Sale and Leaseback* amends IFRS 16 Leases (effective for financial periods on or after 1 January 2024). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction. The amendments will have no impact on the consolidated financial statements.

* Not yet endorsed for use by the European Union as of 31 December 2022.

This financial statements bulletin is unaudited.

Consolidated statement of income

MEUR	10–12/2022	10–12/2021	2022	2021
Net sales	**1,770**	1,597	**5,842**	4,778
Other operating income	**24**	30	**70**	85
Material and services	**-1,255**	-987	**-3,671**	-2,691
Employee benefit expenses	**-324**	-318	**-1,359**	-1,230
Result from net position hedges	**-15**		**-12**	-2
Depreciation, amortisation and impairment	**-56**	-40	**-263**	-162
Other operating expenses	**-110**	-138	**-638**	-467
Share of result of associates and joint ventures	**3**	1	**6**	3
Operating result	**37**	144	**-26**	314
as a percentage of net sales	**2.1**	9.0	**-0.4**	6.6
Financial income	**11**	6	**30**	15
Financial expenses	**-12**	-17	**-37**	-33
Result before taxes	**35**	134	**-32**	296
Income taxes	**-7**	-49	**-27**	-103
Result for the financial period	**28**	85	**-59**	193
Attributable to:				
equity holders of the parent company	**28**	84	**-65**	194
non-controlling interests	**1**	1	**6**	
	28	85	**-59**	193
Earnings per share attributable to equity holders of the parent company:				
Earnings per share (EPS), basic, EUR	**0.05**	0.14	**-0.11**	0.33
Earnings per share (EPS), diluted, EUR	**0.05**	0.14	**-0.11**	0.33

Consolidated statement of comprehensive income

MEUR	10–12/2022	10–12/2021	2022	2021
Result for the financial period	**28**	85	**-59**	193
Other comprehensive income:				
Items that will not be reclassified to the statement of income				
Remeasurements of defined benefit liabilities	**13**	11	**39**	10
Tax on items that will not be reclassified to the statement of income	**-2**	-2	**-8**	-2
Total items that will not be reclassified to the statement of income	**11**	9	**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	**-39**	24	**-31**	72
for non-controlling interests	**-1**	-1	**-1**	-1
transferred to the statement of income	**-2**		**-2**	
Associates and joint ventures, share of other comprehensive income	**-2**	1	**-1**	3
Cash flow hedges	**42**	-6		
measured at fair value			**33**	-13
transferred to the statement of income			**3**	4
Tax on items that may be reclassified to the statement of income				
Cash flow hedges	**-8**	1		
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	**-10**	19	**-7**	65
Other comprehensive income for the financial period, net of taxes	**1**	28	**23**	73
Total comprehensive income for the financial period	**29**	113	**-35**	267
Total comprehensive income attributable to:				
equity holders of the parent company	**30**	112	**-35**	268
non-controlling interests	**-1**		**-1**	-1
	29	113	**-35**	267

Consolidated statement of financial position

MEUR	31.12.2022	31.12.2021
Assets		
Non-current assets		
Goodwill	**1,288**	1,374
Intangible assets	**392**	401
Property, plant and equipment	**304**	312
Right-of-use assets	**258**	192
Investments in associates and joint ventures	**29**	27
Other investments	**19**	18
Interest-bearing investments	**4**	5
Deferred tax assets	**195**	167
Trade receivables	**11**	26
Other receivables	**57**	17
Total non-current assets	**2,556**	2,539
Current assets		
Inventories	**1,361**	1,185
Trade receivables	**1,102**	870
Current tax receivables	**33**	33
Contract assets	**729**	684
Other receivables	**309**	246
Cash and cash equivalents	**461**	964
Total current assets	**3,997**	3,982
Assets held for sale	**54**	2
Total assets	**6,606**	6,523
Equity and liabilities		
Equity		
Share capital	**336**	336
Share premium	**61**	61
Translation differences	**-156**	-122
Fair value reserve	**9**	-18
Remeasurements of defined benefit liabilities	**-5**	-36
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
Other interest-bearing debt	**517**	694
Deferred tax liabilities	**65**	65
Pension obligations	**89**	126

Provisions	**85**	73
Contract liabilities	**60**	37
Other liabilities	**5**	1
Total non-current liabilities	**1,044**	1,153
Current liabilities		
Lease liabilities	**43**	39
Other interest-bearing debt	**166**	82
Provisions	**311**	241
Trade payables	**1,041**	714
Current tax liabilities	**51**	63
Contract liabilities	**1,145**	1,231
Other liabilities	**636**	676
Total current liabilities	**3,394**	3,047
Total liabilities	**4,438**	4,199
Liabilities directly attributable to assets held for sale	**22**	
Total equity and liabilities	**6,606**	6,523

Consolidated statement of cash flows

MEUR	10–12/2022	10–12/2021	2022	2021
Cash flow from operating activities:				
Result for the financial period	**28**	85	**-59**	193
Adjustments for:				
depreciation, amortisation and impairment	**56**	40	**263**	162
financial income and expenses	**2**	10	**6**	18
gains and losses on sale of intangible assets and property, plant and equipment and other changes	**-1**	-1	**23**	
share of result of associates and joint ventures	**-3**	-1	**-6**	-3
income taxes	**7**	49	**27**	103
other non-cash flow adjustments	**-40**	1	**26**	6
Cash flow before changes in working capital	**49**	183	**281**	478
Changes in working capital:				
Receivables, non-interest-bearing, increase (-) / decrease (+)	**-127**	-248	**-422**	-177
Inventories, increase (-) / decrease (+)	**-12**	131	**-207**	29
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**158**	330	**370**	512
Changes in working capital	**18**	213	**-259**	363
Cash flow from operating activities before financial items and taxes	**67**	396	**22**	841
Financial items and taxes:				
Interest income	**2**	3	**4**	5
Interest expenses	**-3**	-5	**-14**	-16
Other financial income and expenses		-7	**9**	1
Income taxes paid	**-14**	-17	**-83**	-100
Financial items and paid taxes	**-16**	-25	**-84**	-111
Cash flow from operating activities	**51**	370	**-62**	731
Cash flow from investing activities:				
Acquisitions			**-4**	
Other investments		-1	**-1**	-1
Investments in property, plant and equipment and intangible assets	**-49**	-44	**-156**	-142
Proceeds from sale of property, plant and equipment and intangible assets	**4**	3	**18**	5
Proceeds from sale of shares in subsidiaries			**-10**	10
Cash flow from investing activities	**-45**	-42	**-151**	-128
Cash flow after investing activities	**6**	328	**-213**	603

Cash flow from financing activities:				
Repurchase of own shares				-18
Repayments and other changes in non-current debt	**-17**	-58	**-145**	-433
Loan receivables, increase (-) / decrease (+)	**1**	-2	**1**	-4
Current loans, increase (+) / decrease (-)	**5**	-4		-4
Dividends paid	**-71**	-10	**-145**	-121
Cash flow from financing activities	**-82**	-74	**-289**	-580
Change in cash and cash equivalents, increase (+)/decrease (-)	**-77**	254	**-501**	22
Cash and cash equivalents at the beginning of the financial period*	**554**	707	**964**	932
Exchange rate changes	**-14**	3	**1**	10
Cash and cash equivalents at the end of the financial period*	**464**	964	**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	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total	Non-controlling interests	Total equity
	Total equity attributable to equity holders of the parent company								
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

Segment information

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

Portfolio Business included Tank Control Systems business unit until it was divested on 14 January 2022.

MEUR	10–12/2022	10–12/2021	2022	2021
Net sales				
Marine Power	**562**	589	**1,982**	1,863
Marine Systems	**234**	221	**765**	654
Voyage	**85**	84	**264**	279
Energy	**856**	670	**2,721**	1,861
Portfolio Business	**33**	32	**109**	121
Total	**1,770**	1,597	**5,842**	4,778
Depreciation, amortisation and impairment				
Marine Power	**-23**	-18	**-94**	-73
Marine Systems	**-4**	-5	**-18**	-20
Voyage	**-4**	-6	**-99**	-23
Energy	**-8**	-10	**-33**	-31
Portfolio Business	**-16**	-1	**-19**	-14
Total	**-56**	-40	**-263**	-162
Share of result of associates and joint ventures				
Marine Power	**3**	1	**6**	3
Total	**3**	1	**6**	3
Operating result				
Marine Power	**52**	68	**39**	180
Marine Systems	**14**	14	**48**	47
Voyage	**10**	-3	**-164**	-39
Energy	**-12**	63	**82**	134
Portfolio Business	**-27**	2	**-30**	-9
Total	**37**	144	**-26**	314
Operating result as a percentage of net sales (%)				
Marine Power	**9.2**	11.5	**2.0**	9.7
Marine Systems	**6.1**	6.1	**6.2**	7.2
Voyage	**11.7**	-3.4	**-62.0**	-14.1
Energy	**-1.4**	9.4	**3.0**	7.2
Portfolio Business	**-80.9**	6.5	**-27.9**	-7.5
Total	**2.1**	9.0	**-0.4**	6.6

Comparable operating result				
Marine Power	80	75	217	195
Marine Systems	15	16	56	52
Voyage	5	1	-38	-28
Energy	-8	64	91	136
Portfolio Business	1	1		2
Total	93	158	325	357
Comparable operating result as a percentage of net sales (%)				
Marine Power	14.3	12.7	10.9	10.5
Marine Systems	6.5	7.4	7.3	7.9
Voyage	5.5	1.2	-14.3	-9.9
Energy	-0.9	9.6	3.3	7.3
Portfolio Business	2.6	4.3	-0.3	1.6
Total	5.3	9.9	5.6	7.5

Net sales by geographical areas

MEUR	10–12/2022	10–12/2021	2022	2021
Europe	502	476	1,718	1,591
Asia	401	526	1,482	1,464
The Americas	677	472	2,062	1,286
Other	190	123	580	437
Total	1,770	1,597	5,842	4,778

Service net sales

MEUR	10–12/2022	10–12/2021	2022	2021
Net sales				
Marine Power, service*	411	351	1,403	1,201
Marine Systems, service*	67	66	231	204
Voyage, service	35	35	109	105
Energy, service	250	281	958	891
Portfolio Business, service	21	18	75	67
Total	784	751	2,775	2,467

* Comparison figures have been adjusted to reflect a change in categorisation between equipment and service net sales.

Measures of profit and items affecting comparability

MEUR	10–12/2022	10–12/2021	2022	2021
Comparable adjusted EBITA	**99**	165	**349**	388
Purchase price allocation amortisation	**-5**	-8	**-23**	-31
Comparable operating result	**93**	158	**325**	357
Items affecting comparability:				
Social plan costs	**-8**	-3	**-51**	-14
Impairment and write-downs	**19**		**-162**	-10
Gains and losses on disposal of assets	**-6**	1	**-24**	-1
Other costs	**-62**	-10	**-115**	-18
Items affecting comparability, total	**-56**	-14	**-351**	-43
Operating result	**37**	144	**-26**	314

The following items are reported as items affecting comparability.

Provisions and write-downs related to Russia-Ukraine war

After Russia's attack on Ukraine, Wärtsilä suspended all deliveries, sales, orders, and bidding to Russia. Wärtsilä complies with all trade sanctions applicable to its operations. In the current environment, it is not viable for Wärtsilä to maintain activities in Russia, and therefore all operations in Russia have been adjusted and closed in accordance with the local regulations.

Wärtsilä completed its orderly exit from the Russian market in July. As part of the exit, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. in June, and Vostok LLC in July. In addition, the Wärtsilä Digital Technologies office in Saint Petersburg was closed. The disposals' financial impact was included in the write-downs recognised already during the first quarter.

In the first quarter of 2022, Wärtsilä recognised provisions and write-downs of EUR 200 million related to closure of operations in Russia. The financial statements include approximately an impairment of EUR 47 million related to Voyage goodwill, an impairment of EUR 25 million related to other intangible assets, an impairment of EUR 7 million related to capitalised development projects, a loss of EUR 28 million related to divesting the Russian entities, a write-down of inventories of EUR 40 million, provisions of EUR 23 million, and other costs of EUR 29 million.

Ramp-down of manufacturing in Trieste

In July, Wärtsilä announced the plan to discontinue the manufacturing in Trieste, Italy. The financial statements include a provision of EUR 47 million for employee benefit expenses, an impairment of EUR 14 million related to non-current assets, and other costs of EUR 28 million, consisting mainly of provisions for onerous contracts and realised cost of idle capacity.

Divestment of American Hydro

In December, Wärtsilä announced the divestment of American Hydro. Completion of the transaction is expected in the first half of 2023. American Hydro has been classified as asset held for sale. An impairment of EUR 15 million and a provision, as well as other costs, of EUR 13 million have been reported as items affecting comparability.

Other items affecting comparability

In addition, Wärtsilä has recognised an impairment of EUR 13 million, net gain from disposals of EUR 4 million, employee benefit expenses of EUR 4 million, and other costs related to restructuring activities of EUR 20 million.

Acquisitions

In June, Wärtsilä acquired 100% of Altyn Consulting Inc. (PortLink), a global port solutions company headquartered in Vancouver, Canada. PortLink is a leading provider of port efficiency solutions, including Port Management Information Systems (PMIS), Port Community Systems (PCS), Pilotage Dispatch systems and Local Port Services (LPS). The move will speed Wärtsilä Voyage along its path towards creating an end-to-end connected maritime ecosystem in which intelligent port logistics solutions play a nodal role.

The purchase price is approximately EUR 8 million resulting in a goodwill of approximately EUR 7 million.

Disposals

On 30 November, Wärtsilä divested Delivery Centre Santander to Javier Cavada Corporación Cantabria. The divestment was announced in May 2021. The impact of the divestment on the result for the financial period is not significant. Delivery Centre Santander belonged to Marine Power.

On 11 July, Wärtsilä divested Vostok LLC, and on 28 June, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. All companies were sold to their local management. The impact of the divestments on the result for the reporting period is approximately EUR -36 million, which was recognised in the statement of income during the first quarter of 2022 as part of the impacts of Russia-Ukraine war. All companies belonged to Voyage.

On 14 January, Wärtsilä divested Tank Control Systems business unit to Svanehøj, a Danish gas pump specialist. The divestment was announced in September 2021.

Tank Control Systems designs, manufactures, sells and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. Tank Control Systems is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage.

The impact of the divestment on the result for the financial period is not significant. Tank Control Systems business unit belonged to Portfolio Business.

Assets held for sale

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

In December 2022, Wärtsilä announced the divestment of American Hydro to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). American Hydro offers custom hydropower refurbishment solutions and turbine services focusing mainly on North American markets. The company was founded in 1986 and became part of Wärtsilä in 2016. The annual revenues of the company were approximately USD 50 million in 2021.

Classifying American Hydro business unit as assets held for sale has an impact of EUR -24 million on the result for the financial period 2022, of which EUR -15 million relates to assets write offs. Completion of the transaction is expected in first half of 2023. American Hydro business unit belongs to Portfolio Business.

In July 2022, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. Write-offs based on impairments relating to Assets in Trieste amounts to EUR -14 million in 2022. Engine manufacturing in Trieste belongs to Marine Power.

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

Disaggregation of revenue

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

Net sales by revenue type and timing of satisfying performance obligations

MEUR	10–12/2022	10–12/2021	2022	2021
At a point in time				
Products	**371**	343	**1,353**	1,165
Goods and services	**175**	163	**599**	535
Projects	**450**	464	**1,235**	1,332
Total	**996**	970	**3,187**	3,032
Over time				
Projects	**612**	476	**2,054**	1,252
Long-term agreements	**163**	150	**602**	494
Total	**774**	627	**2,655**	1,746
Total	**1,770**	1,597	**5,842**	4,778

Product sales consist of sales of spare parts and standard equipment, for which the revenue is recognised at a point in time when the control of the product has transferred to the customer, in general upon delivery of the goods.

Goods and services -type of revenue involves short-term field service jobs, including the delivery of a combination of service and equipment. The revenue is recognised at a point in time when the service is rendered.

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

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

Intangible assets and property, plant and equipment

MEUR	2022	2021
Intangible assets		
Carrying amount on 1 January	**1,776**	1,716
Changes in exchange rates	**-21**	54
Acquisitions and disposals	**8**	
Additions	**85**	62
Amortisation and impairment	**-139**	-53
Decreases and reclassifications	**-28**	-4
Carrying amount at the end of the financial period	**1,680**	1,776
Property, plant and equipment		
Carrying amount on 1 January	**312**	282
Changes in exchange rates	**1**	4
Additions	**72**	82
Depreciation and impairment	**-59**	-51
Decreases and reclassifications	**-21**	-5
Carrying amount at the end of the financial period	**304**	312

Additional impairment testing of cash generating unit Voyage

Due to the uncertainties in the current operating environment resulting from the Russia-Ukraine war, Wärtsilä has performed an additional impairment testing for cash generating unit (CGU) Voyage during the first quarter of 2022. The recoverable amount of the CGU was based on four-year cash flow projections. Cash flows beyond the four-year period were calculated using a terminal value method. Due to exceptionally volatile circumstances, a weighted average of different scenarios was applied. As a result of the additional impairment testing, an impairment loss of EUR 73 million has been recognised in the statement of income related to goodwill and other intangible assets.

Leases

MEUR	2022	2021
Land and buildings, right-of-use assets		
Carrying amount on 1 January	**181**	151
Changes in exchange rates	**-1**	3
Acquisitions and disposals	**-3**	-1
Additions	**118**	75
Depreciation and impairment	**-43**	-41
Decreases and reclassifications	**-5**	-6
Carrying amount at the end of the financial period	**248**	181
Machinery and equipment, right-of-use assets		
Carrying amount on 1 January	**11**	11
Additions	**6**	7
Depreciation and impairment	**-6**	-6
Carrying amount at the end of the financial period	**10**	11
Lease liabilities		
Carrying amount on 1 January	**197**	166
Changes in exchange rates	**-2**	3
Acquisitions and disposals	**-2**	
Additions	**123**	82
Payments	**-46**	-47
Other adjustments	**-4**	-8
Carrying amount at the end of the financial period	**266**	197
Amounts recognised in statement of income		
Depreciation and impairment	**-49**	-47
Interest expenses	**-4**	-4
Expense – short-term leases	**-28**	-28
Expense – leases of low-value assets	**-6**	-5
Expense – variable lease payments	**-8**	-5

Gross capital expenditure

MEUR	2022	2021
Investments in securities and acquisitions	**5**	1
Investments in intangible assets and property, plant and equipment	**156**	142
Total	**161**	143

Net interest-bearing debt

MEUR	2022	2021
Lease liabilities, non-current	**223**	157
Other interest-bearing debt, non-current	**517**	694
Lease liabilities, current	**43**	39
Other interest-bearing debt, current	**166**	82
Total interest-bearing liabilities	**949**	973
Interest-bearing receivables	**-4**	-5
Cash and cash equivalents	**-461**	-964
Cash and cash equivalents pertaining to assets held for sale	**-3**	
Total interest-bearing assets	**-468**	-969
Total net interest-bearing debt	**481**	4

Financial ratios

	2022	2021
Earnings per share (EPS), basic, EUR	**-0.11**	0.33
Earnings per share (EPS), diluted, EUR	**-0.11**	0.33
Equity per share, EUR	**3.62**	3.92
Solvency ratio, %	**35.3**	38.6
Gearing	**0.23**	0.00
Return on investment (ROI), %	**0.1**	9.7
Return on equity (ROE), %	**-2.6**	8.6

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

Personnel

	2022	2021
On average	**17,482**	17,461
At the end of the financial period	**17,581**	17,305

Contingent liabilities

MEUR	2022	2021
Mortgages	**10**	10
Chattel mortgages and other pledges and securities	**17**	7
Total	**27**	17
Guarantees and contingent liabilities		
on behalf of Group companies	**1,037**	1,065
Nominal amounts of lease liabilities		
Low-value lease liabilities	**11**	11
Short-term lease liabilities	**3**	4
Leases not yet commenced, but to which Wärtsilä is committed	**14**	120
Residual value guarantee	**90**	30
Total	**1,155**	1,231

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Non-deliverable forwards	**5**	
Interest rate swaps	**205**	
Cross currency swaps	**142**	
Foreign exchange forward contracts	**1,676**	**927**
Total	**2,028**	**927**

In addition, the Group had copper swaps amounting to 1,190 tons.

Fair values

Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	**19**	**19**
Interest-bearing investments, non-current (level 2)	**4**	**4**
Other receivables, non-current (level 2)	**1**	**1**
Derivatives (level 2)	**59**	**59**
Financial liabilities		
Interest-bearing debt, non-current (level 2)	**740**	**726**
Derivatives (level 2)	**18**	**18**

Events after the reporting period

In October, Wärtsilä announced that, effective as of 1 January 2023, Wärtsilä Voyage Business will be integrated into Wärtsilä Marine Power Business as a business unit to strengthen end-to-end offering and to accelerate net sales.

Quarterly figures

MEUR	10–12/ 2022	7–9/ 2022	4–6/ 2022	1–3/ 2022	10–12/ 2021	7–9/ 2021	4–6/ 2021	1–3/ 2021	10–12/ 2020
Order intake									
Marine Power	**671**	**588**	**559**	**599**	659	443	463	446	440
Marine Systems	**190**	**126**	**140**	**198**	308	191	183	153	133
Voyage	**74**	**83**	**65**	**66**	93	53	60	86	55
Energy	**646**	**805**	**654**	**507**	1,031	486	433	493	469
Portfolio Business	**57**	**13**	**22**	**10**	59	14	14	66	21
Total	**1,638**	**1,616**	**1,440**	**1,380**	2,150	1,186	1,154	1,244	1,118
Order book at the end of the reporting period									
Marine Power	**2,180**	**2,148**	**2,003**	**2,151**	1,994	1,930	1,860	1,882	1,839
Marine Systems	**924**	**953**	**1,013**	**1,089**	1,042	944	912	887	857
Voyage	**291**	**308**	**284**	**293**	288	280	295	305	275
Energy	**2,376**	**2,702**	**2,506**	**2,442**	2,393	2,056	2,035	2,029	1,830
Portfolio Business	**134**	**118**	**131**	**132**	142	115	135	297	257
Total	**5,906**	**6,229**	**5,936**	**6,107**	5,859	5,325	5,238	5,399	5,057

Net sales									
Marine Power	**562**	**462**	**503**	**455**	589	382	466	426	489
Marine Systems	**234**	**184**	**185**	**163**	221	142	150	142	167
Voyage	**85**	**61**	**58**	**60**	84	68	68	59	68
Energy	**856**	**696**	**633**	**535**	670	487	416	288	465
Portfolio Business	**33**	**30**	**28**	**18**	32	25	31	33	30
Total	**1,770**	**1,433**	**1,407**	**1,231**	1,597	1,103	1,131	946	1,220
Share of result of associates and joint ventures	**3**	**2**			1	1	1	1	
Comparable adjusted EBITA	**99**	**87**	**91**	**72**	165	95	79	49	111
as a percentage of net sales	**5.6**	**6.1**	**6.4**	**5.9**	10.4	8.6	7.0	5.1	9.1
Depreciation, amortisation and impairment	**-56**	**-51**	**-34**	**-122**	-40	-41	-42	-39	-49
Purchase price allocation amortisation	**-5**	**-6**	**-5**	**-7**	-8	-8	-8	-8	-8
Comparable operating result	**93**	**82**	**85**	**65**	158	87	71	41	103
as a percentage of net sales	**5.3**	**5.7**	**6.1**	**5.3**	9.9	7.9	6.3	4.3	8.4
Items affecting comparability, total	**-56**	**-72**	**-10**	**-212**	-14	-12	-14	-4	-13
Operating result	**37**	**10**	**75**	**-147**	144	75	58	36	90
as a percentage of net sales	**2.1**	**0.7**	**5.3**	**-11.9**	9.0	6.8	5.1	3.8	7.4
Financial income and expenses	**-2**	**-2**	**-2**		-10	-1	-5	-1	-12
Result before taxes	**35**	**7**	**72**	**-147**	134	74	53	35	78
Income taxes	**-7**	**-5**	**-20**	**5**	-49	-25	-18	-11	-23
Result for the reporting period	**28**	**3**	**52**	**-142**	85	50	35	24	55
Earnings per share (EPS), basic, EUR	**0.05**	**0.00**	**0.09**	**-0.24**	0.14	0.08	0.06	0.04	0.10
Earnings per share (EPS), diluted, EUR	**0.05**	**0.00**	**0.09**	**-0.24**	0.14	0.08	0.06	-	-
Gross capital expenditure	**49**	**37**	**40**	**35**	45	35	34	29	38
Investments in securities and acquisitions			**4**	**1**	1				1
Cash flow from operating activities	**51**	**100**	**-90**	**-122**	370	49	245	67	274
Working capital (WCAP) at the end of the reporting period	**179**	**108**	**168**	**-18**	-100	107	73	243	257

Personnel at the end of the reporting period									
Marine Power	**8,500**	**8,534**	**8,426**	**8,261**	8,224	8,157	8,131	8,317	8,355
Marine Systems	**1,937**	**1,899**	**1,880**	**1,862**	1,894	1,891	1,882	1,864	1,897
Voyage	**1,406**	**1,428**	**1,569**	**1,722**	1,725	1,799	1,865	1,925	1,915
Energy	**5,320**	**5,309**	**5,247**	**5,073**	4,980	4,975	4,953	4,905	4,888
Portfolio Business	**417**	**415**	**425**	**433**	482	481	555	732	737
Total	**17,581**	**17,585**	**17,547**	**17,351**	17,305	17,303	17,386	17,742	17,792

Calculations of financial ratios

Operating result
Net sales + other operating income – expenses – depreciation, amortisation and impairment +/– share of result of associates and joint ventures

Earnings per share (EPS), basic

Result for the financial period attributable to equity holders of the parent company
___
Number of shares outstanding, average over the financial period

Earnings per share (EPS), diluted

Result for the financial period attributable to equity holders of the parent company
___
Number of shares outstanding, average over the financial period + number of potential ordinary shares with dilutive effect

Items affecting comparability
Certain income and expenses are presented as items affecting comparability when they have significant impact on the consolidated statement of income. Items affecting comparability consist of income and expenses, which result from restructuring activities aiming to adjust the capacity of Wärtsilä's operations. They may also include other income and expenses incurred outside Wärtsilä's normal course of business, such as impairment charges, acquisition related costs, settlements recorded as a result of legal proceedings with third parties or unforeseen obligations from earlier discontinued businesses.

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

Investments in securities and acquisitions + investments in intangible assets and property, plant and equipment

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Order intake

Total amount of orders received during the financial period to be delivered either during the current financial period or thereafter.

Order book

The presentation in value of orders that are placed by customers but not yet delivered. For service agreements, only the expected net sales for the next 24 months are included in the order book.

Working capital (WCAP)

(Inventories + trade receivables + current tax receivables + other non-interest-bearing receivables)
– (trade payables + advances received + pension obligations + provisions + current tax liabilities + other non-interest-bearing liabilities – dividend payable)

30 January 2023
Wärtsilä Corporation
Board of Directors