

WÄRTSILÄ'S YEAR 2021



WÄRTSILÄ IN BRIEF

Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. We emphasise innovation in sustainable technology and services to help our customers continuously improve environmental and economic performance. Our dedicated and passionate team of 17,000 professionals in more than 200 locations in 68 countries shape the decarbonisation transformation of our industries across the globe.
www.wartsila.com

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

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THIS IS WÄERTSILÄ



WÄRTSILÄ HAS SIGNIFICANT VALUE CREATION POTENTIAL



PURPOSE

ENABLING SUSTAINABLE SOCIETIES THROUGH INNOVATION IN TECHNOLOGY AND SERVICES



COMMITTED TO TARGETS

FINANCIAL TARGETS

- 5% annual organic growth
- 12% operating margin

"SET FOR 30" – DECARBONISATION

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

ENERGY

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

MARINE

An unprecedented rate of change driven by regulations and demand for green transport. 50% GHG reduction in shipping by 2050



TARGET POSITION

SHAPING THE DECARBONISATION OF MARINE & ENERGY



LEADING OFFERING TO SUPPORT OUR CUSTOMERS IN DECARBONISATION

FUEL FLEXIBLE ENGINES ENABLING DECARBONISATION

BATTERY, ENERGY SAVING, AND EMISSION ABATEMENT TECHNOLOGIES

THERMAL BALANCING AND ENERGY STORAGE

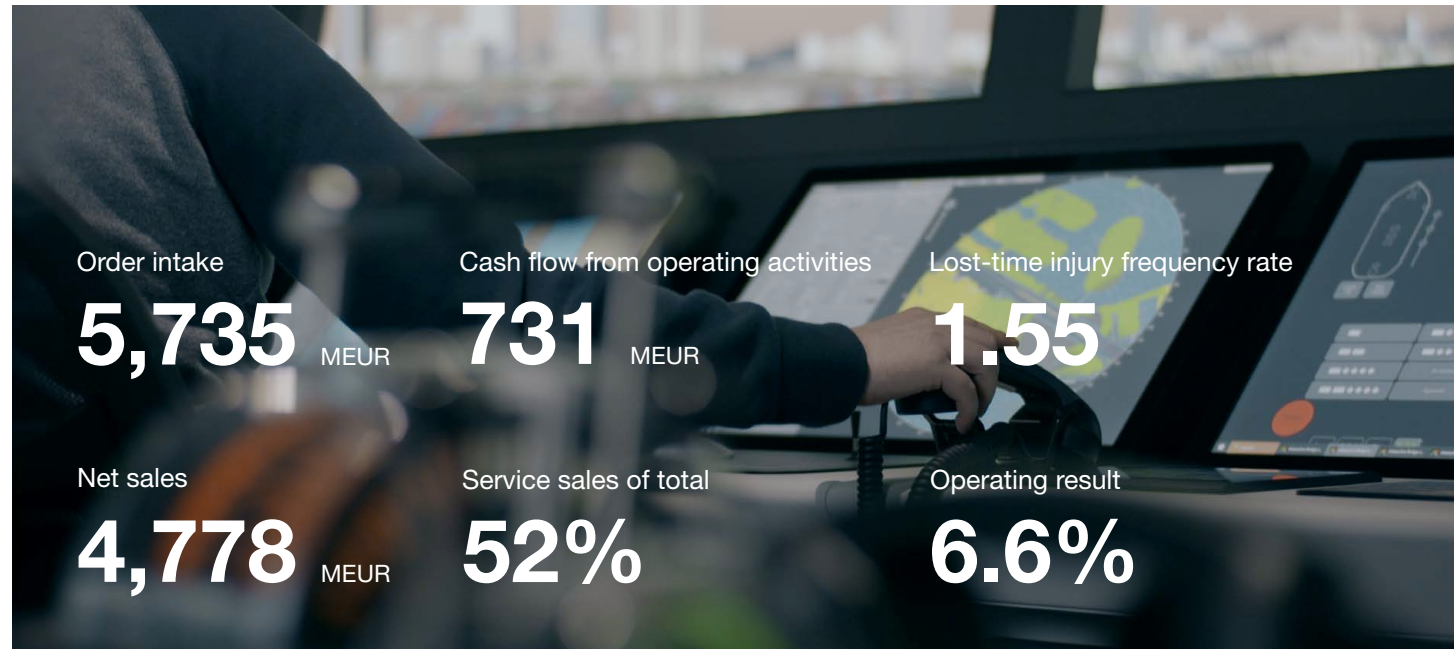
ENERGY EFFICIENCY & POWER SYSTEM OPTIMISATION

THE WIDEST SERVICE NETWORK IN THE INDUSTRY

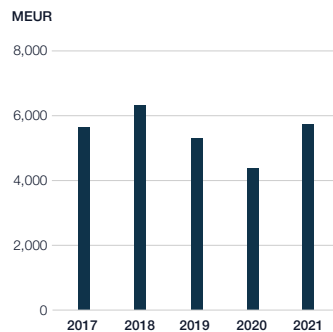
DIGITAL SOLUTIONS ENABLING OPTIMISED OPERATIONS AND SERVICE

KEY FIGURES

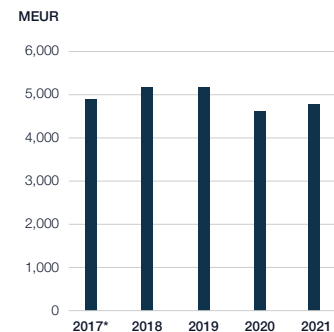
In 2021, order intake increased by 32% to EUR 5,735 million (4,359). Net sales increased by 4% to EUR 4,778 million (4,604), of which 52% related to services. Operating result grew by 34% and amounted to EUR 314 million (234) or 6.6% of net sales (5.1). Comparable operating result increased by 30% to EUR 357 million (275), which represents 7.5% of net sales (6.0). The Board of Directors proposes that a dividend of EUR 0.24 per share be paid for the financial year 2021, representing 73.2% of operational earnings. Lost-time injury frequency rate (LTIF) declined to 1.55 (2.03).



Order intake

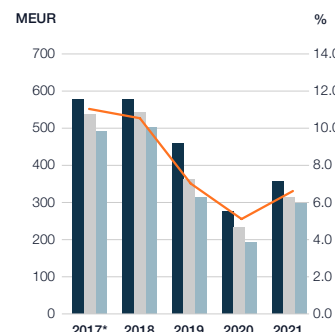


Group net sales development



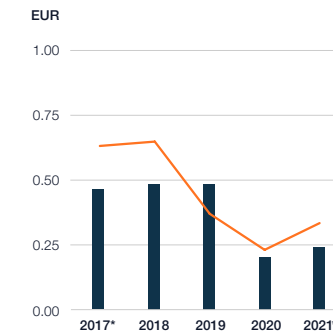
* Restated due to IFRS 15

Result



■ Comparable operating result
 ■ Operating result
 ■ Profit before taxes
 — Operating result, %

Dividend/share, earnings/share



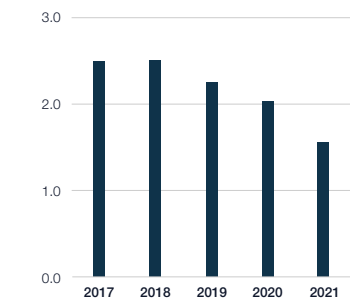
■ Dividend/share
 — Basic earnings/share

* Restated due to IFRS 15

** Proposal of the Board

Dividend/share and earnings/share for 2017 have been restated to reflect the increased number of shares.

Lost-time injury frequency rate (LTIF)



Personnel
17,000

Sales and service network
 in more than
200 locations

Operations in
68 countries



- Sites with engineering, R&D (fully owned)
- Sites with sizeable manufacturing (fully owned)
- Joint venture sites
- Service locations

Net sales, geographical



- Europe 33%
- Asia 31%
- Americas 27%
- Other 9%

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

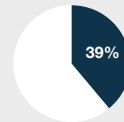
BUSINESSES IN BRIEF



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.

Share of total net sales



Personnel

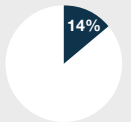
8,224



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.

Share of total net sales



Personnel

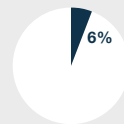
1,894



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.

Share of total net sales



Personnel

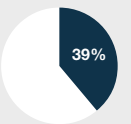
1,725



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.

Share of total net sales



Personnel

4,980

STRATEGY

MARKET FUNDAMENTALS

MARINE will move with unprecedented speed towards decarbonisation

POLICIES & REGULATIONS

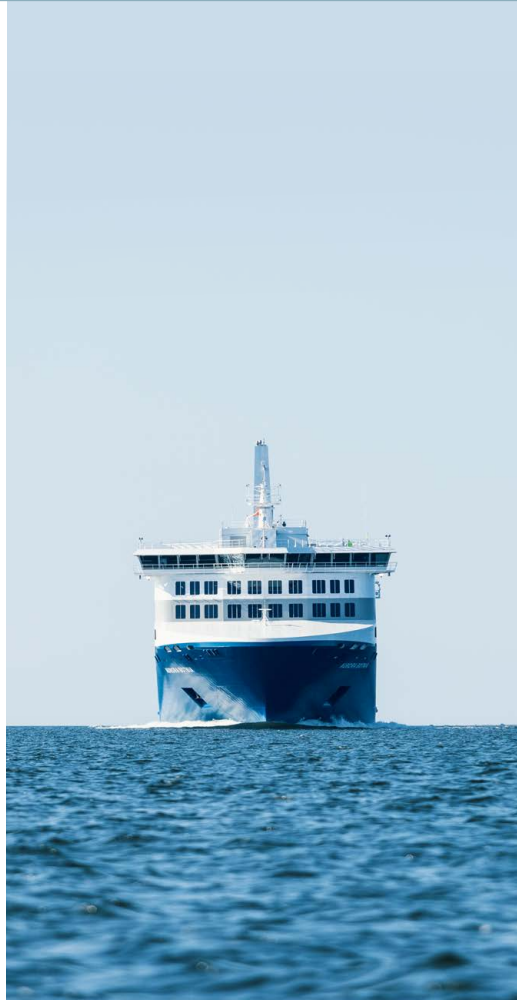
- IMO target: 50% less GHG emissions from shipping by 2050
- Access to capital: EU taxonomy, Poseidon principles and ESG
- Cost of carbon: carbon certificates e.g. EU Fit for 55, IMO carbon levy and local green policies
- Demand for green sea transport, driven by companies' environmental commitments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

TECHNOLOGY

- Focus on carbon neutral and zero carbon fuels. Continued use of carbon fuels for many years, still
- Next steps in abatement technologies e.g. carbon capture
- Increase in battery systems, hybrids, and energy saving devices
- Focus on fuel efficiency and flexibility

CONNECTIVITY & DATA

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



ENERGY is moving towards a 100% renewables future

POLICIES & REGULATIONS

- EU: Carbon neutral by 2050
- USA: carbon free electricity production by 2035, net zero emissions by 2050
- China: Carbon neutral by 2060
- Country climate pledges likely to become more progressive

TECHNOLOGY

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

GROWING ENERGY DEMAND

- Electricity generation is expected to grow by 3X, renewables by 8X ¹⁾
- Gradual replacement of coal and other fossil fuelled energy generation
- Power systems becoming increasingly complex with different types of generation assets



¹⁾ by 2050. Source: IEA World Energy Outlook 2021 (Net Zero Emissions Scenario).

THE WÄRTSILÄ WAY

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

WHY

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

WHERE

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

HOW

The strategic priorities define Wärtsilä's most important focus areas in order for us to reach the target position. They outline the company direction in terms of reaching profitable growth, and clearly formulate the biggest opportunities for a positive impact on Wärtsilä's performance.

The values unite everyone at Wärtsilä and bring the strategy to life by guiding our behaviour when working together. Wärtsilä's values are Customer success, Passion, and Performance.



The values describe how we in Wärtsilä want to behave daily when working together. They are about how to interact and which behaviours are encouraged.

OUR VALUES

CUSTOMER SUCCESS

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

PASSION

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

PERFORMANCE

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

OUR PURPOSE

”Enabling sustainable societies through

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

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

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

innovation in technology and services”

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

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

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

TRANSFORM AND PERFORM

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

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

Led by the key themes, we are embarking on a new phase in Wärtsilä's development – Shaping the decarbonisation of marine and energy.

**1 TRANSFORM –
Decarbonisation creates
new business opportunities**

**2 PERFORM –
Leverage market
recovery and growth**



2002–2010

LIFECYCLE POWER SOLUTIONS

Expansion into propulsion, services acquisitions



2011–2015

BECOMING A TOTAL SOLUTIONS PROVIDER

Expansion into environmental solutions, acquisitions in Electrical & Automation



2016–2020

SMART MARINE AND 100% RENEWABLE ENERGY

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



2021–

SHAPING THE DECARBONISATION OF MARINE AND ENERGY

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

TRANSFORM

DECARBONISATION CREATES NEW BUSINESS OPPORTUNITIES

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

As a technology leader in the decarbonisation transformation, Wärtsilä has significant value creation potential as a pioneer and leading partner for decarbonisation. The company is the front-runner in sustainable fuel technologies, for both carbon neutral and zero carbon fuels, such as biofuels, methanol, ammonia, and hydrogen blends, while at the same time delivering technologies that maximise energy efficiency when using fossil fuels.

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



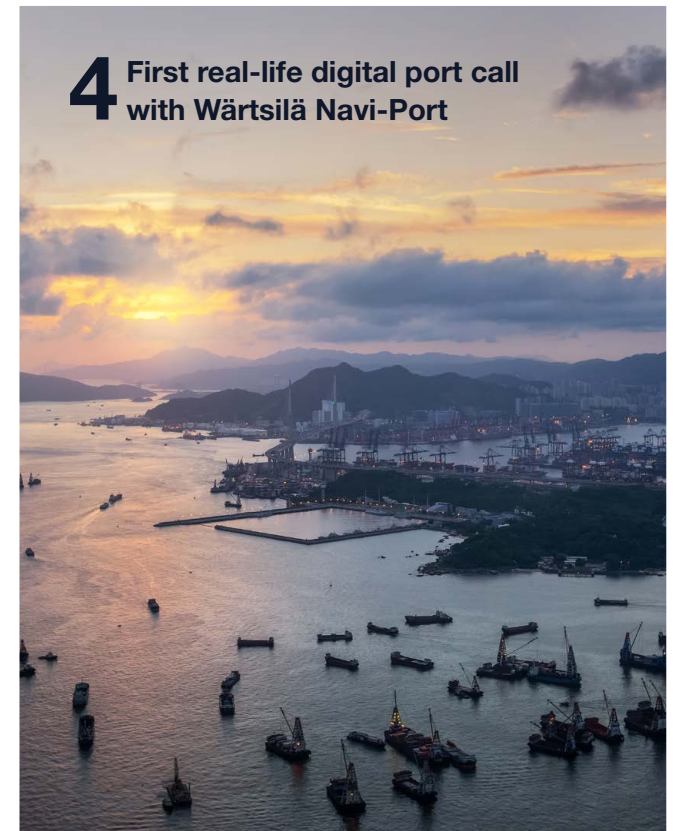
1 Major test programme launched, 100% ammonia concept in 2023, 100% hydrogen in 2025



2 Wärtsilä 34SG Balancer launched for balancing renewable generation



3 First Wärtsilä GridSolv Quantum delivered in the USA



4 First real-life digital port call with Wärtsilä Navi-Port

PERFORM

Wärtsilä is well-positioned to leverage market recovery and growth. The organic growth is driven by opportunities in decarbonisation, as well as in services. This organic growth is complemented by potential partnerships and synergistic bolt-on acquisitions.

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

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

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



#1-3 in global markets

Financial targets:

- 5% annual organic growth
- 12% operating margin

"Set for 30" decarbonisation targets:

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



Clear financial targets and strong commitment to realise them



Robust capital allocation principles and active portfolio management



Notable opportunity in retrofits and conversions



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

Focus on:

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

STRATEGIC PRIORITIES

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



COMPANY TARGETS

NET SALES

Target

5% annual organic growth

Development

In 2021, organic net sales growth was 6% and net sales amounted to EUR 4,778 million.

PROFITABILITY

Target

12% operating margin

Development

In 2021, operating result amounted to EUR 314 million, which represents 6.6% of net sales.

DIVIDEND

Target

At least 50% of earnings

Development

The Board of Directors proposes that a dividend of EUR 0.24 per share be paid for the financial year 2021, representing 73.2% of operational earnings.

"SET FOR 30" DECARBONISATION TARGETS

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

The Wärtsilä "Set for 30" commitment was published in October 2021. Read more in the Climate change & environment -section.

CAPITAL STRUCTURE

Target

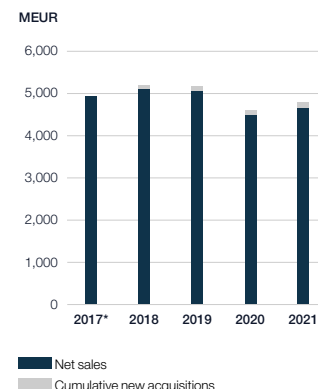
Gearing below 0.50

Development

In 2021, gearing was 0.00.

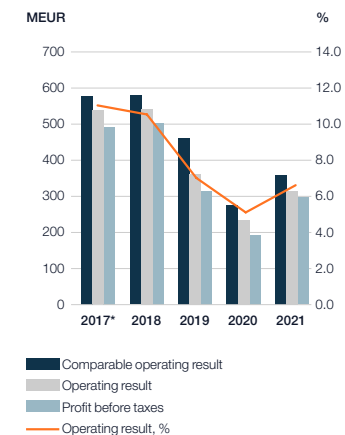
Wärtsilä drives growth by acting as a pioneer and a leading partner for decarbonisation. We can make a difference in our industries and in the world, while securing financial performance and delivering attractive long-term shareholder value.

Net sales

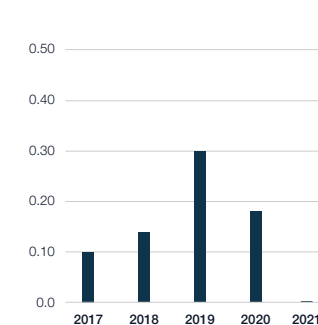


CAGR 2017-2021:
Wärtsilä's net sales -0.1% organically
* Restated due to IFRS 15

Result

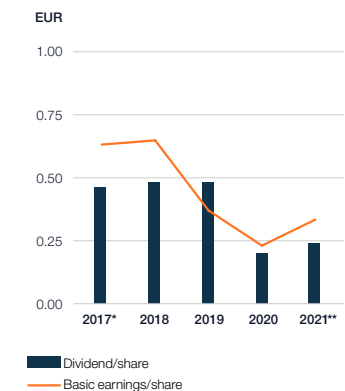


Gearing



* In 2021, gearing was 0.00

Dividend/share, earnings/share



* Restated due to IFRS 15
** Proposal of the Board
Dividend/share and earnings/share for 2017 have been restated to reflect the increased number of shares.

DELIVERING CUSTOMER VALUE IN MARINE

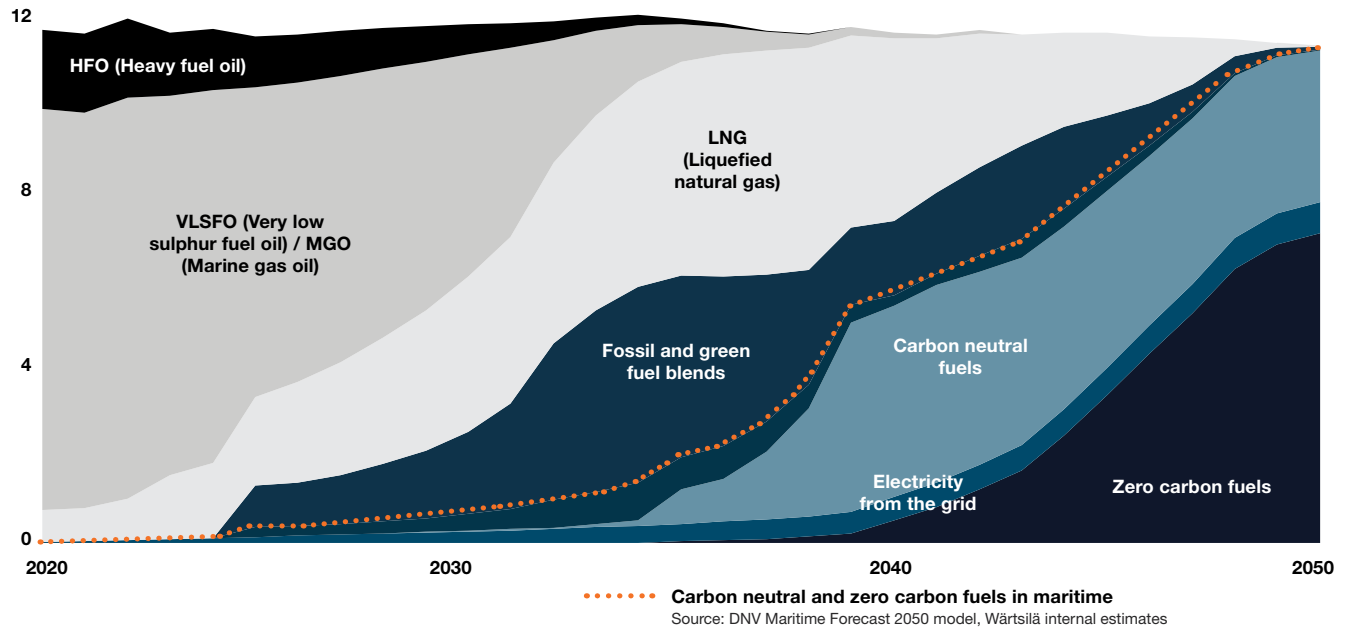
Decarbonisation is shaping the future of the marine industry with a targeted 50% reduction in GHG emissions from shipping by 2050. At Wärtsilä, we are well-positioned to support our customers in the decarbonisation transformation with fuel flexibility, efficiency optimisation, emission abatement technologies,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

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

With Wärtsilä's multifuel technology, ranging from transition fuels to sustainable, 100% green fuels, our customers have a viable upgrade path for the future. Already today, Wärtsilä engines are able to run with biofuels, methanol, and up to 25% hydrogen blends. In 2023, Wärtsilä will have a 100% ammonia concept ready, followed by a 100% hydrogen concept in 2025.

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

MOVING FROM A SINGLE-FUEL INDUSTRY TO A MULTI-FUEL ONE
Distribution of fuel types for Decarbonisation 2050 (1.5°C scenario), EJ



HIGHLIGHTS IN 2021

WORLD'S FIRST DIGITALLY CONTROLLED PORT ARRIVAL

In partnership with Tanger Med Port Authority, Hapag-Lloyd, and Anglo-Eastern Ship Management, Wärtsilä enabled the world's first digitally controlled port arrival by using the Wärtsilä Navi-Port system, enabling Just-in-Time arrival, thereby saving fuel and eliminating time at anchor.

TESTING CARBON-FREE ENGINE FUELS

Wärtsilä launched a major test programme towards carbon-free solutions with hydrogen and ammonia. The company is pioneering the adoption of hydrogen and ammonia as viable engine fuels through advanced testing in Wärtsilä's fuel-flexible combustion engines. Wärtsilä and Grieg Edge have undertaken a joint project to have a tanker vessel both transporting and operating on green ammonia.

CARBON CAPTURE

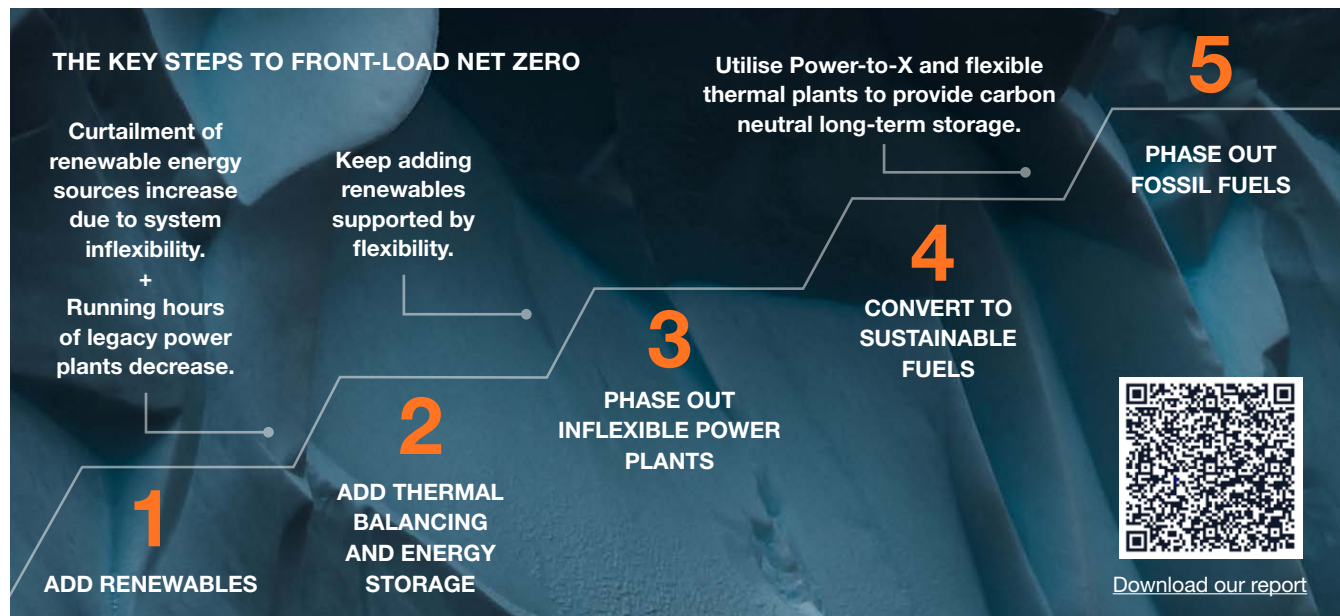
We are driving the development of maritime carbon capture and storage technologies, and will be one of the leading partners in the LINCCS (linking carbon capture and storage) consortium, strengthening the decarbonisation pathway for shipping.

DELIVERING CUSTOMER VALUE IN ENERGY

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

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

As the share of renewables in the energy mix grows, more balancing power is needed. Careful planning of the development of power systems can save billions and rapidly reduce CO₂ emissions. We create value through our extensive power system knowledge and experience from integrating different generating assets. With our leading software platform, GEMS, we can help our customers optimise different generation assets, advancing the lowest overall energy cost. Wärtsilä has conducted more than 150 country and system studies worldwide, and is well-prepared to support its customers in frontloading net zero.



HIGHLIGHTS IN 2021

MODULAR ENERGY STORAGE PLATFORMS

The first delivery has been made of the Quantum units, our modular platform for energy storage that includes different sub systems – thermal management and safety enclosure – to ensure safe, efficient delivery at the lowest lifecycle cost.



THERMAL BALANCING POWER ENABLES A RAPID INCREASE IN RENEWABLES

Wärtsilä has signed an agreement to provide 156 MW of thermal balancing power for Omaha Public Power District, enabling a rapid increase in the adoption of renewables in Nebraska, USA.



DELIVERING CUSTOMER VALUE IN SERVICE

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

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

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

2-5X ¹⁾

AGREEMENTS & PERFORMANCE-BASED AGREEMENTS

RETROFITS & UPGRADES

1X ¹⁾

OPTIMISED MAINTENANCE

TRANSACTIONAL

- Spare parts
- Field services

MOVING UP THE SERVICE VALUE LADDER

1) Customer spending ratio EUR/kW

HIGHLIGHTS IN 2021



GAS CONVERSION PROJECT IN SENEGAL

Converting a power plant in Senegal to operate on liquefied natural gas (LNG) accelerates the country's move to cleaner energy production.



MINIMAL CARBON FOOTPRINT

Wärtsilä ensures optimal performance and a minimal carbon footprint for the world's most environmentally friendly ferry.

DELIVERING CUSTOMER VALUE THROUGH LEADING R&D AND PARTNERSHIPS

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

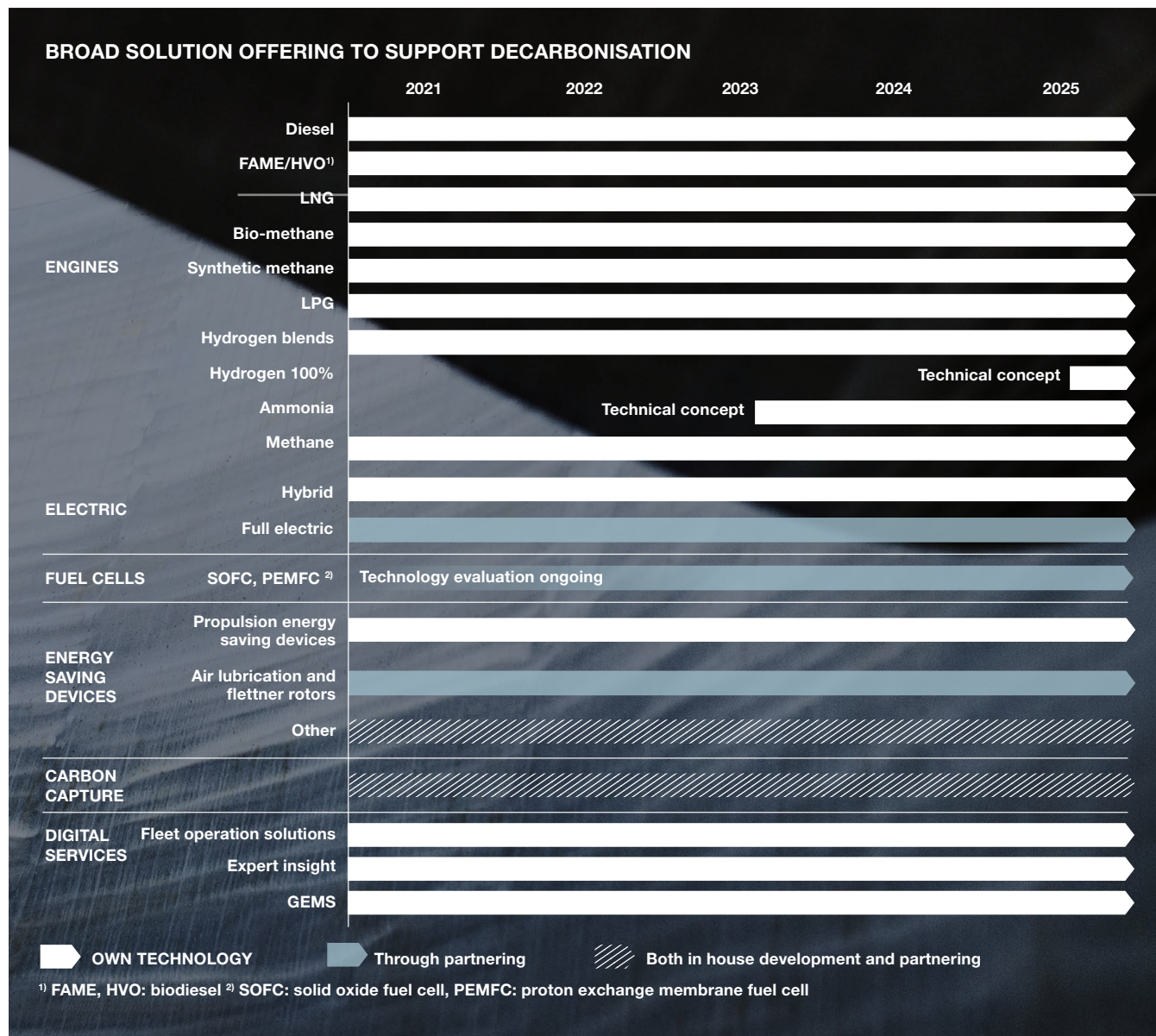
We continue to see strong synergies between marine and energy in research and development (R&D) and manufacturing of the new technologies. Throughout the decarbonisation transformation, Wärtsilä will continue to invest a stable ~3% of net sales in R&D.

A proactive dialogue on our customers' specific technology roadmap

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

A solution offering for "most" technologies

Leveraging leadership in core technologies and partnering for complementary technologies





SUSTAINABILITY

HIGHLIGHTS 2021



WÄRTSILÄ SELECTED AS A PREFERRED SUPPLIER FOR AGL ENERGY'S GRID-SCALE ENERGY STORAGE PLANS

AGL Energy Limited, one of Australia's leading integrated energy companies, selected Wärtsilä as one of two preferred suppliers for their up to 1,000 MW grid-scale energy storage plans for the next five years. In addition to its state-of-the-art energy storage and energy management systems, Wärtsilä's full engineering, procurement, and construction (EPC) capabilities were among the reasons cited by AGL in selecting Wärtsilä as an energy storage technology partner. The grid-scale energy storage plans will play a key role in the Australian energy industry's transition away from traditional fossil fuels towards cleaner energy.

WÄRTSILÄ'S SEA TRAFFIC MANAGEMENT SYSTEM INCREASES SAFETY AND EFFICIENCY OF SHIPPING IN CROATIAN WATERS

Wärtsilä completed an extensive upgrade of the Croatian National Vessel Traffic Management & Information System (VTMIS) with the new Sea Traffic Management (STM) functionality. STM includes route optimisation services, such as ship-to-ship route exchange, enhanced monitoring, port call synchronisation, and winter navigation. The goals behind the full deployment of STM by 2030 include a 50% reduction in accidents, a 10% reduction in voyage costs, and a 30% reduction in waiting time for berthing, as well as 7% lower fuel consumption with a corresponding reduction in greenhouse gas emissions.

WÄRTSILÄ TO SUPPORT BAHAMAS IN ACHIEVING A DECARBONISED FUTURE WITH AN OPTIMISED ENERGY SYSTEM

Wärtsilä will supply a 25 MW / 27 MWh advanced energy storage system for Bahamas Power and Light Company (BPL). In combination with a 132 MW power plant operating on seven Wärtsilä 50DF dual-fuel engines supplied to BPL in 2019, the integrated Wärtsilä solution will provide the Bahamas with an optimised energy system that meets the spinning reserve requirements, while significantly improving generation efficiency and system reliability for the island's grid. The combination of flexible power generation and energy storage utilising Wärtsilä's unique GEMS Digital Energy Platform will support the Government of the Bahamas' plans to increase its share of renewable sources, notably solar, by 30% by 2030.

WÄRTSILÄ COMMITS TO CARBON NEUTRALITY BY 2030

Wärtsilä announced its 'Set for 30' commitment to achieving ambitious climate targets. Wärtsilä's goal is that by 2030 it will:

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



WÄRTSILÄ HYBRID SOLUTION WILL MINIMISE NEW CANADIAN FERRY'S CARBON FOOTPRINT

Wärtsilä was awarded the contract to supply an integrated hybrid propulsion solution for a Ro-Ro ferry which will operate across the Kootenay Lake in British Columbia, Canada. By opting for Wärtsilä's hybrid solution rather than a conventional propulsion arrangement, the operator will benefit from reduced fuel consumption and a far lower level of exhaust emissions. This is extremely important for preserving the pristine environment in which the vessel will operate. An additional benefit is that through reducing the running hours of the engines, maintenance requirements and costs are also lowered.



WÄRTSILÄ SELECTED TO SUPPLY WORLD'S LARGEST BIOLNG PRODUCTION PLANT

Wärtsilä will supply a biogas liquefaction plant for Norway-based Biokraft, a subsidiary of the Scandinavian Biogas Group and a major player in the global biogas market. The 25 tons per day capacity plant will extend an existing bioLNG production plant at Skogn in Norway, also supplied by Wärtsilä, to a combined total of 50 tons per day, making it by far the largest facility of its kind in the world. BioLNG is an abundant renewable energy source that is used as 'green' fuel in transportation, industrial, and marine applications.

WÄRTSILÄ SUPPORTS YOUNG AFRICAN TALENT VIA A STRATEGIC PARTNERSHIP WITH AMBITIOUS.AFRICA

Wärtsilä entered into a strategic partnership with Ambitious.Africa, an initiative that aims to act as a bridge between Africa and the Nordic countries. By working together, the partners can connect students, entrepreneurs, start-up companies, financiers, and various stakeholders from both continents to address common challenges through a novel approach aimed at empowering future generations. The focus of the main projects in 2021 was on local communities in Morocco and Nigeria, and students at African and Nordic universities.

WÄRTSILÄ AND EIDESVIK OFFSHORE TO COOPERATE IN WORLD'S FIRST AMMONIA CONVERSION PROJECT

Wärtsilä and Norwegian ship owner Eidesvik Offshore ASA signed a landmark cooperation agreement aimed at converting an offshore supply vessel (OSV) to operate with an ammonia-fuelled combustion engine with the required fuel supply and safety system. This project will be the first of its kind ever in the world and has a provisional completion target by the end of 2023. The conversion will allow the vessel to operate with a 70% ammonia blend, which will drastically reduce its CO2 emissions. Wärtsilä and Eidesvik are also partners in the EU-funded ShipFC project to equip a platform supply vessel, the 'Viking Energy', with a 2MW fuel cell running on green ammonia. This ammonia conversion project also ties in with one of the ongoing work streams of the Wärtsilä-led Zero Emissions Energy Distribution at Sea (ZEEDS) project, aimed at developing ammonia-powered newbuilds and converting suitable existing vessels.

WÄRTSILÄ SUPPORTS EU AND WATERBORNE TECHNOLOGY PLATFORM PARTNERSHIP

An agreement for a co-programmed "Zero Emission Waterborne Transport" partnership between the European Commission and the Waterborne Technology Platform was signed. The aim of the partnership is to demonstrate zero-emission solutions for all main ship types and services before 2030, which will enable zero emission waterborne transport before 2050. Wärtsilä contributed to the preparation phase of the partnership agreement and will support the programme's internal processes by helping to define the partnership's strategic goals, monitoring and guiding its progress, and ensuring proper functioning of the partnership.

WÄRTSILÄ AND LUT UNIVERSITY JOINT STUDY ON CARBON NEUTRAL POWER SYSTEM IN INDIA BY 2050

Wärtsilä and Lappeenranta-Lahti University of Technology (LUT) in Finland published a first-of-its-kind power system study exploring a carbon neutral power system across India by 2050. The study analysed the development of the power system using a best policy scenario, in which power sector greenhouse gas emissions reach zero by 2050 through the comprehensive adoption of sustainable energy and flexible technologies. The study highlights the fact that India stands to gain economically and environmentally by completely shifting towards a renewable powered electricity mix, with flexible technologies providing system reliability.

SUSTAINABILITY AT WÄRTSILÄ

OUR SUSTAINABILITY APPROACH

At Wärtsilä, sustainability is at the core of our purpose and strategy. Along with our values, principles, and sustainability objectives, they create the framework for our product development and responsible business practices. Our sustainability strategy is based on three closely interrelated pillars: economic, environmental, and social performance. We aim to be a profitable company that contributes towards the well-being of society by being a forerunner in sustainable solutions while demonstrating high ethical, and health and safety standards. Because of our strong emphasis on decarbonising the marine and energy markets, innovative and efficient solutions play a central role in our positive contribution towards a low carbon future. Wärtsilä businesses focus on developing and providing solutions and services that maximise the environmental and economic performance of fleets and individual vessels, power plants and entire systems. This is further enhanced by utilising lifecycle data, analytics and artificial intelligence.

Our sustainability targets express our focus areas and provide information on Wärtsilä's performance. In 2021, we set new targets and made conceptual changes to our target setting. First, we switched from a fixed timeline to dynamic target setting. This allows us to re-evaluate the feasibility of the targets in case of major changes, and to add new targets when needed, on an annual basis. Secondly, we set targets under three long-term focus themes: Towards carbon neutrality, Enhancing safety, diversity and wellbeing, plus An active and responsible member of society.

In 2021, we set new sustainability targets under three long-term focus themes.

WÄRTSILÄ'S SUSTAINABILITY APPROACH



Wärtsilä is included in several sustainability indices. In 2021, Wärtsilä was selected as an index component of the Dow Jones Sustainability Indices (DJSI), both in the DJSI World and DJSI Europe indices, for the sixth year in a row. We are also included in the FTSE4Good Index Series, Ethibel Sustainability Index (ESI) Excellence Europe, MSCI ACWI ESG Leaders Index, S&P Europe 350 ESG Index, ECPI ESG Indices, OMX GES Sustainability Finland Index, and the STOXX Global ESG Leaders Index. More information can be found on our website.

SUSTAINABILITY GOVERNANCE

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

In 2021, new ways of working for Wärtsilä's senior management were launched. In addition to the Board of Management's weekly and monthly meetings, there are nine thematic Boards as well as quarterly Business Reviews and Functional Reviews for each Global Function three times a year. Sustainability issues are discussed under the Corporate Affairs Board, which is sponsored from the Board of Management by the Executive Vice President, Corporate Relations and Legal Affairs, and in Functional reviews. Sustainability-related issues for the Corporate Affairs Board meetings are prepared in the cross-functional Corporate Relations and Sustainability Committee. In 2021, the committee convened five times and the Corporate Affairs Board twice.

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

SUSTAINABILITY MANAGEMENT AND MATERIAL TOPICS

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

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

The guiding principles lay the foundation for uniform management practices. Our Code of Conduct defines common rules for all employees and provides guidance on our approach to responsible business practices. The Quality, Environmental, Health and Safety Policy sets principles for managing the environmental impacts of our products and services. The policy on human rights, equal opportunities and fair employment practices creates a common framework for employee practices in all group companies. It covers human and labour rights, equal opportunities, well-being at work, non-harassment, and remuneration. The

Corporate Manual also includes other policies, such as anti-corruption, compliance reporting, and supply management policies. The purpose of the manual is to safeguard compliance with relevant legislation, and to provide further guidance concerning daily business conduct.

SUSTAINABILITY RISK MANAGEMENT

Wärtsilä identifies and assesses on an annual basis its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. In 2021, together with an external partner, we finalised a sustainability risk assessment project, the purpose of which was to identify and evaluate strategic and operational sustainability risks relevant to Wärtsilä. As part of the project, we organised management workshops,

assessed the risks via a survey, and validated the risks through a series of workshops for management, regions, and supply chain management. Results of the project will be integrated into Wärtsilä's enterprise risk management (ERM) system. In general, the sustainability risks, both strategic and operational, were assessed to be low for Wärtsilä. However, strategic risks were evaluated as being slightly more significant than the operational risks. Based on the project, the most relevant strategic risks for Wärtsilä are related to ethical business conduct, regulatory compliance, understanding customer sustainability demand, financing, and climate change impacts. The most significant operational risks are related to product design and natural hazards. Further information on risks can be found in the Risks and risk management section.



STAKEHOLDER ENGAGEMENT

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

We also take part, and hold memberships, in organisations that are significant to the company's business strategies and markets. We participate in activities organised by various international and national organisations and associations through our daily work, board and working group activities, as well as meetings, seminars and conferences.

SUPPLY CHAIN MANAGEMENT

Suppliers and business partners are an important and integral part of the total value chain for Wärtsilä's products and services. The supply base is extensive with around 31,000 active supplier accounts, with most key suppliers being located in Europe.

We expect our suppliers to conduct their businesses in compliance with the same high legal and ethical standards and business practices as ours. Wärtsilä has general supplier requirements for areas of compliance with legislation, environmental aspects, quality, occupational health and safety management, social performance, and cyber security. Compliance with these requirements is assessed, both in the selection and onboarding of new suppliers, as well as in the company's continuous supplier performance management. The general supplier requirements are included in our standard supply agreements. In addition, we have product and service-

specific requirements, for which compliance is assessed as part of the above-mentioned continuous supplier performance management process.

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

COMMITMENTS AND PRINCIPLES

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

Wärtsilä also contributes in a positive way to several of the United Nations Sustainable Development Goals (SDGs) through our purpose and strategy, targets, policies, initiatives, innovations, and partnerships. We are committed to developing solutions, together with our stakeholders, that solve the societal challenges laid out in the SDGs, while also generating new business opportunities. In particular, we play a vital role in driving the decarbonisation of the energy and marine sectors. We have reviewed all the SDGs and their targets and have identified priority targets for our company. These are most notably SDG3 Good Health and Well-being, SDG7 Affordable and Clean Energy, SDG8 Decent Work and Economic Growth, and SDG9 Industry, Innovation and Infrastructure. More information about our contribution to these SDG themes can be found in the following sections: Responsible Business Conduct,

Climate Change and Environment, Occupational Health and Safety, and People and Culture.



We also participate in several voluntary initiatives, agreements, and commitments such as the Finnish Energy Efficiency Agreement, and sustainable business coalitions such as the ZEEDS initiative and Getting to Zero Coalition.

More information on our sustainability work is also described in the following sections: CEO review, Strategy and The Year 2021.

"We are committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption."

Håkan Agnevall, President & CEO

SUSTAINABILITY TARGETS

TOWARDS CARBON NEUTRALITY

OWN OPERATIONS

TARGET

To become carbon neutral in own operations. Schedule: 2030

DEVELOPMENT

The Wärtsilä 'Set for 30' commitment was published in October 2021. It includes the carbon neutrality goal, which is based on a company-initiated analysis that identified the key measures for reaching the goal. The toolbox includes measures such as energy savings, green electricity purchases, switching fuels, the use of more efficient technologies, and the use of offsets for emissions hard to abate. A detailed implementation plan and timeline is currently being worked on.

TARGET

100% renewable generated electricity purchases in Finland (relating to the Smart Technology Hub, STH). Schedule: 2022

DEVELOPMENT

In 2021, alternatives for purchasing green electricity were identified, and appropriate solutions were selected.

TARGET

Reduce energy consumption by at least 7% from 2015 levels in terms of absolute consumption (GWh). Schedule: 2025

DEVELOPMENT

By the end of 2021, energy savings of 8.7 GWh were achieved, representing 29.2% of the final 2025 target.

PRODUCTS AND SOLUTIONS

TARGET

To provide a product portfolio that will be ready for zero carbon fuels. Schedule: 2030

DEVELOPMENT

This target is part of the 'Set for 30' commitment published in October 2021. Work towards the target has already started with ammonia and hydrogen testing, and the next steps are under development.

TARGET

Hydrogen Proof of Concept testing – Finalise the first phase of testing with a demo on pure hydrogen. Schedule: 2021

DEVELOPMENT

The first phase tests in pure hydrogen operation were completed successfully on a single cylinder engine (SCE).

TARGET

Ammonia Proof of Concept testing – Finalise the first phase of testing with a demo on pure ammonia. Schedule: 2021

DEVELOPMENT

The first phase testing with a test engine was successfully finalised using an ammonia/LFO blend content of up to 70%/30% and at a 75% engine load. The first tests on pure ammonia will be conducted in Q1 2022.

TARGET

Next DF pilot installation – Reduce methane slip by more than 50%, leading to greenhouse gas emission reductions of 10% from the current Best Available Technology (BAT) level. Schedule: 2022

DEVELOPMENT

In 2021, Wärtsilä proceeded with the laboratory testing and validation of a new combustion concept, which includes advanced closed loop combustion control, for our dual fuel (DF) engines. The concept achieves a 50% reduction in the amount of unburned fuel in the exhaust gas (methane slip) compared to today's technology, whilst also improving efficiency and load taking capability at part load. The new technology will become available for all latest generation DF engines, including the W31, W46TS and W25. The next and final step of the validation process will be field validation of the W31DF engine installed on the M/S Aurora Botnia.

TARGET

Complete the first power-to-X and X-to-power demonstrator project. Schedule: 2023

DEVELOPMENT

A pre-engineering contract for a project with Vantaan Energia was signed and the project is under execution.

TARGET

Enable greater deployment of renewables with an energy storage project capacity totalling 1,000 MWh. Schedule: 2022

DEVELOPMENT

In 2021, the deployed energy storage project capacity totalled 205 MWh, while the order intake was in excess of 3,000 MWh.

ENHANCING SAFETY, WELLBEING AND DIVERSITY

ENHANCING SAFETY

TARGET

Reach the long-term goal of zero injuries. Schedule: long-term target

DEVELOPMENT

In 2021, the corporate lost-time injury frequency rate (LTIF) was 1.55. This was below the annual target of 1.60, representing a 23% improvement over 2020 (2.03).

During the year, implementation of the Xcel Safety 2022 programme progressed, including continuation of the front-line Champions in Safety training programme and initiation of the equivalent training for Wärtsilä leaders. In addition, the Safehands campaign was delivered resulting in a 50% reduction in hand injuries compared to 2020. The theme of Safety Day 2021 was Every Step Matters, which highlighted the importance of avoiding slips, trips, and falls.

Wärtsilä recorded a remarkable increase in the reporting of preventive safety measures, while the number of management safety walks increased by 44%, and near miss/hazard reporting by 3% compared to 2020.

TARGET

Establish a contractor EHS (environmental, health & safety) compliance programme including requirements, implementation, consultation, auditing, measuring, target setting, and reporting. Schedule: 2022

DEVELOPMENT

Contractor EHS was a focus area within the management system audit during 2021. A cross-business project team was formed to co-ordinate the development and initiation of the contractor EHS compliance programme.

TARGET

Implement an enhanced safety philosophy at the Smart Technology Hub. Schedule: 2022

DEVELOPMENT

The new facilities are designed to support an optimal flow of materials and safe operations at all times. The production automation level has been increased in all areas, and safety was improved by minimising the manual handling of components. The new testing facilities are planned with improvements from an occupational safety, chemical, and fire safety point of view, and will be equipped and taken into use during 2022.

To enable an enhanced safety mindset, the focus has been put on training and the induction of personnel moving to the Smart Technology Hub. The 100% Safety concept is being implemented – we focus on doing work safely all the time and learn from safety success. The leaders' commitment to this is emphasised by increased safety communication during meetings and safety walks.

To further improve the adoption of the new safety concept, increased attention will be given to the visualisation of safety in the new facilities.



ENHANCING SAFETY, WELLBEING AND DIVERSITY

WELLBEING AND DIVERSITY

TARGET

Achieve an employee engagement index above 80%. Schedule: 2023

DEVELOPMENT

The latest Wärtsilä global engagement survey, MyVoice, was conducted in October 2020 with an employee engagement index score of 72.7%. The next global engagement survey is scheduled during 2022.

TARGET

Personnel development – reach 100% Development Discussion completion rate. Schedule: 2023

DEVELOPMENT

By the end of 2021, altogether 91% of the company's employees had completed development discussions.

TARGET

Diversity – increase the share of females in the workforce to 20%. Schedule: 2023

DEVELOPMENT

In 2021, the share of female employees was 17.4%.

TARGET

Reach equal pay for males and females as specified (100%). Schedule: 2023

DEVELOPMENT

During 2021, we achieved 100% equal pay for males and females*.

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

AN ACTIVE AND RESPONSIBLE MEMBER OF SOCIETY

TARGET

Achieve a Code of Conduct training coverage of 100% to ensure commitment to the Code of Conduct throughout the organisation. Schedule: 2022

DEVELOPMENT

As at the end of 2021, the Code of Conduct training coverage was 94% of all employees.

TARGET

Prepare new content for the ethical discussions programme. Schedule: 2022

DEVELOPMENT

The planning of a new programme started during 2021 with the identification of new themes.

TARGET

Launch of an enhanced anti-corruption training programme. Schedule: 2022

DEVELOPMENT

In 2021, the anti-corruption policy was reviewed. The enhanced training programme will be planned and launched during 2022.



FINANCIALS



BOARD OF DIRECTORS' REPORT

BUSINESS MODEL

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

To support its geographically dispersed customer base, Wärtsilä's sales and service network covers more than 200 locations in 68 countries around the world. Wärtsilä operates primarily through its subsidiaries and strategic joint ventures. The company's manufacturing model is assembly-based, thus emphasising the importance of developing long-term relationships with its global network of suppliers, which consists of approximately 1,200 global direct material suppliers. Wärtsilä's personnel is made up of approximately 17,000 employees comprising 130 nationalities. By recruiting and retaining the best talent, Wärtsilä can be the most valued business partner to its customers, and the employer of choice for current and future employees. Wärtsilä is committed to conducting its business in a responsible manner, and requires its suppliers and business partners to follow the same high legal and ethical standards and business practices.

STRATEGY

Strategy implementation in 2021

In 2021, Wärtsilä launched a new phase in the company's development, with the company's value creation potential going forward being based on two strategic themes: Transform and Perform. The Transform theme refers to decarbonisation, creating

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

Despite the continued Covid-19 related disruptions to business operations, Wärtsilä remains committed to R&D activities. In line with the global trend towards decarbonising the energy and marine markets, further progress in future-proofing engine technology was demonstrated in 2021 by the launch of a major test programme towards carbon-free fuel solutions with hydrogen and ammonia. Wärtsilä expects to have an engine concept ready for operating with pure ammonia fuel in 2023 and with pure hydrogen by 2025.

While much of the decarbonisation work is still ahead, Wärtsilä already has solutions and technologies that enable 100% renewable power systems and fuel flexibility, thus supporting decarbonisation. In 2021, Wärtsilä Energy launched 34SG Balancer, the optimal solution for balancing renewable power generation, and delivered the first units of the new modular Quantum platform for energy storage. Wärtsilä Marine Power upgraded the popular 20DF dual-fuel engine to deliver more power with less energy consumption, while its methane slip is lowered by as much as 40%. Wärtsilä Marine Systems is driving the development of maritime carbon capture and storage technologies and will be one of the leading partners in the LINCCS consortium, strengthening the decarbonisation pathway for shipping. Wärtsilä Voyage initiated partnerships and projects globally to support vessel and port service optimisation to enable sustainable shipping. Their digital systems, such as Navi-Port and Field Operations Solution, optimise the vessel journey and enable just-in-time arrival for ships, thereby saving fuel while reducing time at anchorage, and reducing greenhouse gas emissions.

Wärtsilä regards collaboration with industry stakeholders as an essential element in the development of technologies needed to meet changing market requirements. Joint efforts with our ecosystem included agreements aimed at utilising carbon-neutral fuels in both power production and marine applications, and enhancing safety and efficiency in maritime operations.

In 2021, Wärtsilä announced its commitment to ambitious decarbonisation targets. The company's goal is that by 2030 it will become carbon-neutral in its own operations, and be able to provide a product portfolio ready for zero-carbon fuels. These new targets demonstrate Wärtsilä's commitment to a sustainable future. The company's aim is to support its customers on their decarbonisation journey, and thus shape the decarbonisation of the marine and energy sectors. Wärtsilä's products and solutions will meet the most stringent environmental requirements, and the fuel flexibility of the engines powering these sectors is key to enabling the transformation. Naturally, Wärtsilä also needs to do its part as an organisation and minimise its own environmental footprint.

The health and safety of personnel is a continuous priority for Wärtsilä, and all the more important during the global Covid-19 pandemic. Wärtsilä maintains a diverse global workforce with thousands of employees performing tasks onsite, either in the field or at customer premises. A global crisis response team and local country incident management teams continued to support the company in securing global mobility whilst observing appropriate safety and precautionary measures. In addition, Wärtsilä established a global Wellbeing Committee, with the goal of improving the health, safety, and wellbeing of its personnel through effective leadership, activities, and a wellbeing-focused culture. Zero lost-time injuries continues to be the company's global target. During 2021, lost-time injury frequency was 1.55 (2.03), which represents a decrease of 24% compared to the previous year.

Financial targets and outcome in 2021

In 2021, Wärtsilä introduced new financial targets. Those include annual organic growth of 5% and an operating margin of 12%. Furthermore, the target is to maintain gearing below 0.50, and to pay a dividend of at least 50% of earnings per share over the cycle.

Wärtsilä's net sales for 2021 increased by 6% organically. Operating result amounted to EUR 314 million, which represents 6.6% of net sales. Gearing was 0.00. The Board of Directors' proposed dividend of EUR 0.24 per share represents 73.2% of operational earnings.

THE YEAR 2021

Operating environment

Marine

The shipping and shipbuilding markets were characterised by mixed activity levels across different vessel segments during 2021. Altogether 1,855 contracts for new vessels were registered in the review period January–December (815 in the corresponding period last year, excluding late reporting of contracts), largely driven by containerships. Growing and pent-up demand, along with logistical disruptions, has resulted in a shortage of available tonnage in the containership, gas carrier, and bulker sectors, and has pushed earnings and newbuild contracting to levels exceeding the pre-Covid era. The surge in newbuild ordering has supported the forward cover of larger shipyard groups, which have managed to mitigate the impact of a rapid increase in raw material costs by increasing the price for newbuild vessels. However, high earnings and tonnage demand have led to postponements of activities that require dry-docking, such as scrubber retrofits. At the same time, the progress in Covid-19 vaccination programmes, and the lifting of travel restrictions in key cruise locations have resulted in further reactivation of the cruise fleet. However, the impact of the Omicron virus variant over time remains an uncertainty. Newbuild cruise activity is still limited, and utilisation rates remain below 2019 levels.

The most attractive vessel segments for Wärtsilä, namely specialised tonnage, have recovered from the turmoil caused by the pandemic to a varying degree. The reactivation of cruise vessels significantly improved during the second half of the year, as operators resumed sailing. As at the end of December, around 70% of the cruise fleet capacity was active, up from around 50% at the end of September, and around 20% at the end of June. The ferry market continues on a positive trend, although passenger travelling is still somewhat limited due to Covid-19 related restrictions. Activity in the offshore oil and gas segment marginally improved, supported by a slight rise in vessel demand and elevated demolition activity. The demand for offshore construction-related vessels, such as wind turbine installation vessels has improved, thanks to strong growth in active offshore wind farms. The LNG (liquefied natural gas) carrier sector remains healthy, as inventories have been at record-low levels, thus supporting LNG trade and the demand for tonnage, regardless of a strong increase in gas prices. The container shipping markets have continued to see extraordinary market conditions. Severe port congestion and widespread logistical disruption, alongside firm demand, have led to further new records in freight and charter rates, as well as newbuild ordering. The tanker market continued to face challenges with weak demand, especially in the crude sector.

The acceleration of environmental concerns remains the main underlying trend, as the regulatory framework and wider policy announcements are being ramped up from political regulators, cargo owners, and financiers, all of whom are building pressure to move faster than the current targets set by the International Maritime Organisation (IMO). In July, the European Commission adopted a package of proposals ('Fit for 55') to cut greenhouse gas (GHG) emissions by at least 55% from 1990 levels by 2030. One of

the many proposals is to include shipping in the EU Emissions Trading System from 2023. Another is the FuelEU Maritime Initiative, which aims at increasing the adoption of cleaner technologies and sustainable alternative fuels by imposing a limit on the GHG intensity of energy used by ships. As the global pressure to find solutions to stop climate change builds, ship owners are considering a number of options, including slow steaming, energy saving devices, voyage optimisation solutions, hybrid and full-electric power systems, and alternative fuels. The transition to cleaner fuels has already started, with 384 orders placed globally for alternative fuel capable vessels, representing 21% (17%) of all newbuild contracting in the review period January–December. LNG is the dominant choice and is gaining further traction, although other alternative fuels are slowly emerging. The price differential between high and low-sulphur fuels increased throughout the year to USD 150 per tonne. The interest in scrubber installations continues to be mostly driven by newbuilds, with orders recorded for 231 vessels globally in 2021. Scrubber retrofitting activity continued to be muted.

Energy

The global liquid and gas fuelled power plant markets were recovering towards the end of 2021, despite the pandemic and the resulting weakening of the investment environment. While the market situation is improving, customers still continue to postpone investments due to the prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic. As vaccination programmes in a large part of our core markets move slowly, full recovery will most likely take time. Additionally, energy and climate policies are being developed and reviewed around the world to drive more ambitious decarbonisation targets, and utilities continue to update their investment strategies, which is causing uncertainty and delays in decision making. The vast majority of global greenhouse gas emissions is targeted by national pledges and net-zero targets, but detailed plans and strategies to cut emissions already during this decade are still in the making. In the energy storage markets, activity has continued at a good level, driven by the increasing need for short-term flexible capacity in power systems with a high share of renewables. Going forward, the increasing amount of intermittent renewable energy in power systems is expected to bring forward the need for various flexible solutions, such as energy storage and balancing power plants.

Target

	Development in 2021	Development in 2020
Organic growth in net sales 5%	6%	-9%
Operating margin 12%	6.6%	5.1%
Gearing below 0.50	0.00	0.18
Dividend payment at least 50% of earnings per share over the cycle	73.2%*	88.2%

*Proposal of the Board of Directors

Financial stimuli by governments and financial institutions to the energy sector are intended to support investments in green energy, but the execution of such plans on a wider scale is still pending. Demand for services was at a good level, and customers continued to show interest in long-term agreements, thus providing stability to the business that is lumpy by nature.

Wärtsilä's market share in the up to 500 MW market segment decreased to 5% (6), while global orders for natural gas and liquid power plants increased by 10% to 19.2 GW during the twelve-month period ending in September 2021 (17.4 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 2021 increased by 32% to EUR 5,735 million (4,359) compared to the low ordering levels of the corresponding period in the previous year. Book-to-bill was 1.20 (0.95). Service order intake increased by 17% to EUR 2,656 million (2,267), reflecting improved market sentiment in the marine markets. Equipment order intake increased by 47% to EUR 3,079 million (2,091), driven by strong demand for energy storage solutions and a few important power plant orders.

The order book at the end of the year increased by 16% to EUR 5,859 million (5,057) despite divestments of certain business units. Wärtsilä's current order book for 2022 deliveries is EUR 3,763 million (3,298).

Net sales and operating result

Wärtsilä's net sales in 2021 increased by 4% to EUR 4,778 million (4,604) compared to the previous year. Service net sales increased by 11% to EUR 2,499 million (2,255) on the back of a weak comparison year. Equipment net sales decreased by 3% to EUR 2,279 million (2,349). Of Wärtsilä's net sales, approximately 60% was EUR denominated and 25% USD denominated, with the remainder being split between several currencies.

The operating result amounted to EUR 314 million (234) or 6.6% of net sales (5.1). The improvement in profitability was driven by a more favourable sales mix between equipment and services, as well as improved service capacity utilisation. However, the

operating result continued to be burdened by Covid-19 driven cost inflation and challenges in the utilisation of personnel, under-absorption of factory capacity cost, pressure on cost of supply and logistics, as well as by approximately EUR 20 million net provisions arising from a detailed project risk review conducted in the first quarter in Wärtsilä Energy. The comparable operating result totalled EUR 357 million (275) or 7.5% of net sales (6.0). Items affecting comparability comprised costs of EUR 43 million (41) related primarily to divestments, restructuring programmes, and footprint adjustments. The comparable adjusted EBITA amounted to EUR 388 million (308) or 8.1% of net sales (6.7). Purchase price allocation amortisation amounted to EUR 31 million (33).

Financial items amounted to EUR -18 million (-43). Net interest totalled EUR -11 million (-10). Profit before taxes amounted to EUR 296 million (191). Taxes amounted to EUR 103 million (58), implying an effective tax rate of 34.7% (30.3). Profit for the financial year amounted to EUR 193 million (133). Basic earnings per share totalled 0.33 euro (0.23). Return on investment (ROI) was 9.7% (7.1), while return on equity (ROE) was 8.6% (5.8).

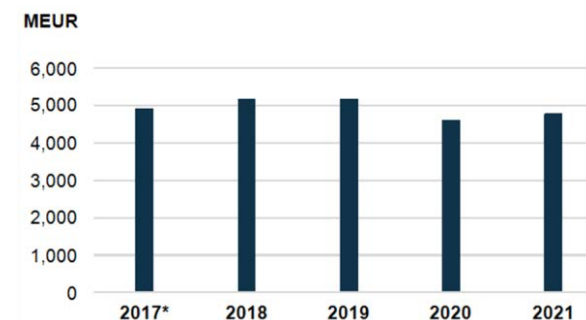
Financing and cash flow

Wärtsilä's cash flow from operating activities in 2021 totalled EUR 731 million (681), supported by favourable working capital development. Working capital totalled EUR -100 million at the end of the year (257). Advances received totalled EUR 498 million (452). There were no additional advances pertaining to assets held for sale (38).

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 964 million at the end of the year (919). There were no additional cash or cash equivalents pertaining to assets held for sale (14). Unutilised committed credit facilities totalled EUR 650 million (660).

Group net sales development



*Restated due to IFRS 15

Result



*Restated due to IFRS 15

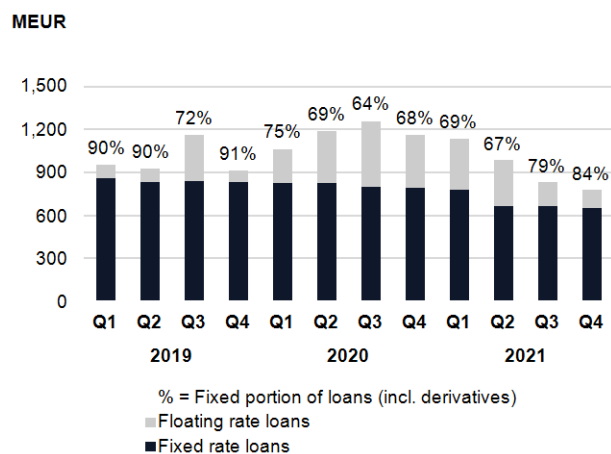
Megawatts delivered

	2021	2020	Change
Marine Power	1,315	1,257	5%
Energy	1,402	1,172	20%
Wärtsilä total	2,717	2,429	12%
By joint venture	250	274	-9%
Deliveries total	2,967	2,703	10%

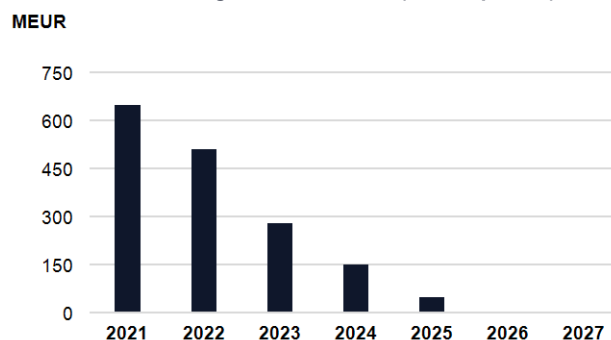
Wärtsilä had interest-bearing debt totalling EUR 973 million at the end of the year (1,327). The total amount of short-term debt maturing within the next 12 months was EUR 121 million. Long-term loans amounted to EUR 851 million.

Net interest-bearing debt totalled EUR 4 million (394). Gearing was 0.00 (0.18), while the solvency ratio was 38.6% (38.1). Equity per share was 3.92 euro (3.68).

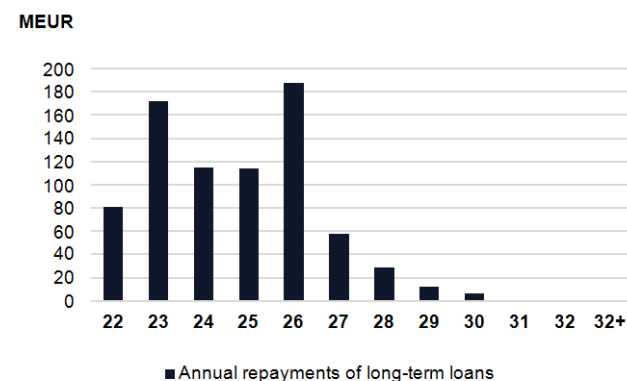
Loans



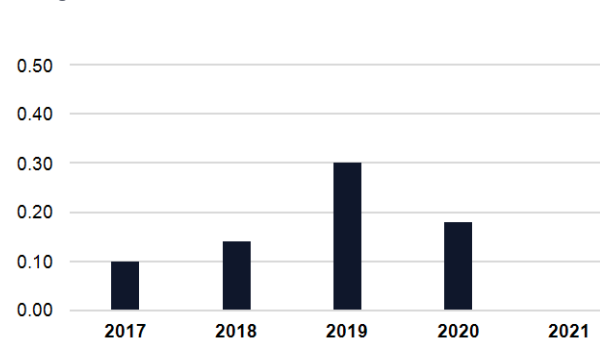
Committed revolving credit facilities (end of period)



Maturity profiles of long-term loans



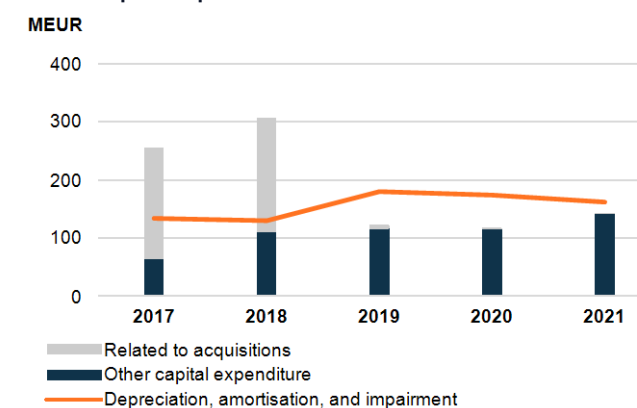
Gearing



Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 142 million (115) in 2021, largely driven by the construction of Smart Technology Hub, a new centre of research, product development, and manufacturing in Vaasa, Finland. Capital expenditure related to acquisitions and investments in securities totalled EUR 1 million (2). Depreciation, amortisation, and impairment amounted to EUR 162 million (174), including depreciation and impairment of right of use assets of EUR 47 million (47).

Gross capital expenditure



In 2022, capital expenditure related to intangible assets and property, plant, and equipment is expected to be at around the same level as 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 clean fuels for the future is a key focus area of research and development, as is improving the connectivity, efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. With its lifecycle solution offering, Wärtsilä goes beyond the mere maintenance and operation of installations by delivering guaranteed performance based on mutually agreed target levels. Research and development expenditure totalled EUR 175 million (153) in 2021, which represents 3.7% of net sales (3.3).

In March, Wärtsilä announced that it has conducted extensive research and development work in exploring ways by which carbon capture and storage (CCS) can be developed and scaled in the maritime industry. To further accelerate the development, Wärtsilä is in the process of carrying out commissioning of a 1 MW pilot plant installation at its test facility in Moss, Norway. This pilot plant will allow Wärtsilä to test its CCS technologies in a range of

scenarios and conditions. With this announcement, Wärtsilä highlights the potential for exhaust gas abatement systems to directly tackle maritime carbon dioxide (CO₂) emissions in the near future as the technology advances. This will enable manufacturers to design and upgrade scrubbers to capture carbon at the point of exhaust. Wärtsilä's continued research and development into carbon capture at the point of exhaust was further reinforced in October, as Wärtsilä and Solvang ASA, a Norwegian shipping company, agreed on a full-scale pilot retrofit installation of a CCS system for one of Solvang's ethylene carriers, the 21,000-cbm Clipper Eos.

In March, Wärtsilä launched grid balancing technology as part of a portfolio of products designed to cost effectively accelerate the energy transition. The portfolio consists of power plants, as well as energy storage and energy management systems. The first power plant solution in the portfolio is powered by the upgraded Wärtsilä 34SG Balancer engine, optimised for renewable baseload markets. The engine can ramp up to full load in two minutes, and can currently run on natural gas, biogas, synthetic methane, or hydrogen blends.

In June, Wärtsilä and the classification society RINA announced a novel ship propulsion arrangement that offers full redundancy, less machinery, lower capital expenditure, reduced operational complexity, and optimised fuel consumption to lower costs and achieve emissions compliance. The conventional approach in ship design has been to use 2-stroke engines for propulsion and 4-stroke engines for electric power generation. The Wärtsilä / RINA arrangement, however, requires just two 4-stroke dual-fuel (DF) engines, with options for electric power back-up from batteries or a small DF generator when the ship is idle. The design, featuring Wärtsilä 31DF engines operating with LNG fuel, can achieve a reduction of up to 50% from the Energy Efficiency Design Index (EEDI) reference level value, and immediate compliance with the IMO's 2030 targets.

In June, Wärtsilä announced that it would showcase its Power-to-X competence at the World Expo in Dubai in cooperation with Soletair Power and Q Power. The demonstration unit creates synthetic fuel from CO₂ extracted from the indoor air. Power-to-X technology can be seen as an important stepping stone along the

path towards carbon-neutral fuels and the decarbonisation of various industries.

In June, Wärtsilä and Schneider Electric announced that they have together developed a unique, end-to-end power system reference design. It is aimed specifically at lithium mine operations where there is no access to a grid supply of electricity. The solution contributes to sustainable lithium production by optimising the efficient delivery and use of energy, as well as by leveraging microgrids and enabling the use of renewable energy sources.

In July, Wärtsilä launched a major test programme towards carbon-free solutions with hydrogen and ammonia. The company is pioneering the adoption of hydrogen and ammonia as viable engine fuels through advanced testing in Wärtsilä's fuel-flexible combustion engines. Hydrogen and ammonia contain no carbon, meaning the combustion releases no CO₂ emissions. The full-scale engine test results are very encouraging, with one test engine performing very well when running on a fuel with 70% ammonia content at a typical marine load range. Tests were also completed successfully on another engine operating on pure hydrogen. For the energy market, Wärtsilä expects to have an engine and plant concept for pure hydrogen operation ready by 2025. For the marine market, Wärtsilä continued to run tests with an engine running on an ammonia blend, and anticipates having an ammonia engine concept ready in 2023. Wärtsilä is also developing ammonia storage and supply systems as part of the EU's ShipFC project. In addition, Wärtsilä will begin testing ammonia in a marine 4-stroke combustion engine together with Knutsen OAS, Repsol Norway and Equinor at the Sustainable Energy Catapult Centre in Stord, Norway, as part of the Demo2000 project.

In July, Wärtsilä Voyage's NTPRO (Navi-Trainer Professional 5000) navigational simulator was awarded certification according to the new DNV Class D standard for cloud-based simulators – making it the first certified cloud solution that offers both interactive instructor-led and student-led training. With this, the navigational simulator now has full compliance (Class A, B, C, D) with DNV's ST-0033 Maritime Simulator Systems standard. The maritime industry is in the process of identifying those learning events that can effectively be conducted remotely, and those that require a physical presence or team interactions at a training facility. Wärtsilä cloud solutions, however, are certified to provide both the

interactive exercise control required for mandatory training and examination, as well as self-directed detached exercise and assessment to enhance or supplement instructor controlled simulations.

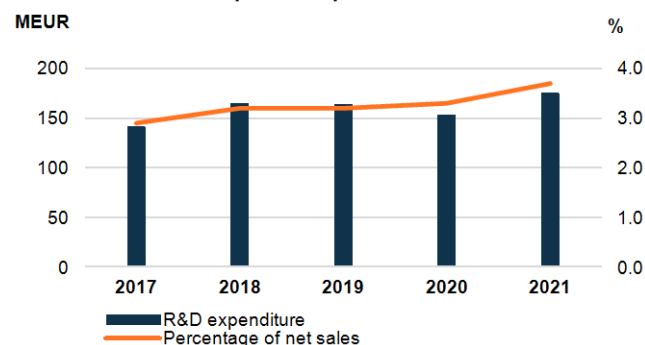
In August, Wärtsilä introduced an upgraded version of its successful Wärtsilä 20DF dual-fuel engine. The new version will deliver increased power output, have a reduced environmental impact, and will feature lower fuel consumption. It will also further increase the engine's fuel flexibility by allowing a much wider gas quality span. The engine's power per cylinder is increased from 185 to 195 kW, while methane slip is lowered by as much as 40%, thereby drastically reducing CO₂ emissions.

In September, the first vessel fitted with Wärtsilä battery containers, the 'Alphenaar', commenced operations in the Netherlands. The vessel transports beer for Heineken, the first customer of the service. Wärtsilä has developed and delivered this mobile battery container solution that will enable inland waterway vessels to operate with zero emissions. The 104 TEU inland waterway container vessel has been modified to allow two battery container units to be mounted onboard. The system enables the vessel to operate on full electric power alone, with no carbon emissions being generated. When discharged, the containers can be exchanged and charged onshore using energy from renewable sources.

In November, Wärtsilä announced that it will commercially launch its 2-stroke future fuels conversion platform during the first quarter of 2022. This innovative and patented engine combustion technology platform will enable the fast and cost-effective conversion of 2-stroke main engines to operate on clean-burning future fuels. This is seen as a major step in the maritime industry's efforts to achieve decarbonised shipping operations, while the easy retrofitting will avoid owners having to face long off-hire charter time. The retrofit conversion will initially enable operation with currently available LNG fuel, most importantly with negligible methane slip from the engine. The modular design of this concept provides a platform that will be further developed to allow for the adoption of alternative green fuels or fuel blends when they become commercially available. The development programme has recently been concluded with successful initial engine tests in the Wärtsilä 2-stroke engine laboratory in Trieste.

In November, Wärtsilä launched its new IQ Series exhaust gas treatment system. The IQ Series is the latest advancement in maritime exhaust gas treatment technologies, featuring several improvements that make the technology especially well-suited to container vessels, where it meets the demand for scrubbers as a compliance option. The IQ Series scrubber uses an innovative design that allows the same exhaust gas cleaning results to be achieved with a smaller footprint. The scrubber takes up 25% less space, is 30% lighter, and has 35% less volume, which minimises the impact on a vessel's cargo-carrying capacity, and therefore its profitability.

Research and development expenditure



Strategic projects

In January, Wärtsilä signed a letter of intent with the energy companies Vaasan Sähkö and EPV Energia and the City of Vaasa to cooperate in a project aiming at utilising emissions-free hydrogen in power production, industry, and traffic applications. The goal is to jointly build a Power-to-X-to-Power system in Vaasa, Finland and to pilot a hydrogen-based energy generation solution suitable for export markets.

In March, Wärtsilä made a further EUR 1 million investment in Soletair Power Oy, a Finnish company developing CO₂ direct air capture technology. The investment enables Soletair Power to further its global sales efforts and to scale up the manufacturing of its CO₂ capture solution for building ventilation applications.

Wärtsilä's original investment of EUR 500,000 in the company was made in 2019.

In April, Wärtsilä partnered with Tanger Med, the largest Mediterranean and African container port, to take a new step forward in global port efficiency by co-developing a new cutting-edge Port Management Information System (PMIS). Both organisations sealed their long-term commitment to deploy modern Smart Port tools for port operations and digitalisation – including implementing Just-In-Time (JIT) solutions, machine learning and artificial intelligence, as well as other innovative solutions. The new PMIS is aimed at addressing the needs of the leading maritime liners and alliances calling at Tanger Med Port Complex, to optimise their vessel calls, and to use standardised master and event data.

In June, Wärtsilä and Vantaa Energy Ltd, a Finnish utility, signed a co-operation agreement for the pre-engineering and development of a Power-to-Gas plant for Vantaa Energy. The plant, planned to be commissioned in 2025, would produce carbon-neutral, synthetic methane on a commercial scale with a fuel capacity of 10 MW. Synthetic methane is produced from captured carbon dioxide and hydrogen produced with renewable energy.

In July, Wärtsilä and the Korean shipbuilding company Samsung Heavy Industries (SHI) signed a joint development programme agreement aimed at developing ammonia-fuelled vessels with 4-stroke auxiliary engines for future newbuild projects. Wärtsilä has a leading role in developing engines for operation on future clean fuels. According to SHI, the most likely initial newbuild targets for ships utilising ammonia fuel will be container vessels and very large crude carriers, operating with 2-stroke main engines and 4-stroke Wärtsilä auxiliary engines.

In September, Wärtsilä advanced its carbon capture and storage (CCS) capabilities for maritime applications as part of the LINCCS (linking carbon capture and storage) consortium. The LINCCS project is focused on reducing costs for new carbon storage facilities by 70% and advancing the development of carbon capture technologies in a range of sectors. It was also announced that the LINCCS consortium would receive NOK 111 million from the Norwegian government's Green Platform Initiative over the next three years. Carbon capture technology can be a significant

enabler for the decarbonisation of the maritime industry, and one of the major workstreams of the LINCCS project is to bring to market a maritime CCS solution. Wärtsilä will lead this workstream with support from the Sustainable Energy Catapult Center and SINTEF Energy.

In October, Wärtsilä and Eidesvik Offshore ASA signed a landmark cooperation agreement aimed at converting an offshore supply vessel (OSV) to operate with an ammonia-fuelled combustion engine, and with the required fuel supply and safety system. This project will be the first of its kind ever in the world and has a provisional completion target by the end of 2023. The OSV considered for a retrofit currently has Wärtsilä dual-fuel engines operating primarily with LNG fuel. The conversion will allow the vessel to operate with a 70% ammonia blend. The ultimate goal is to achieve operation with 100% ammonia and with a minimum ignition fuel requirement.

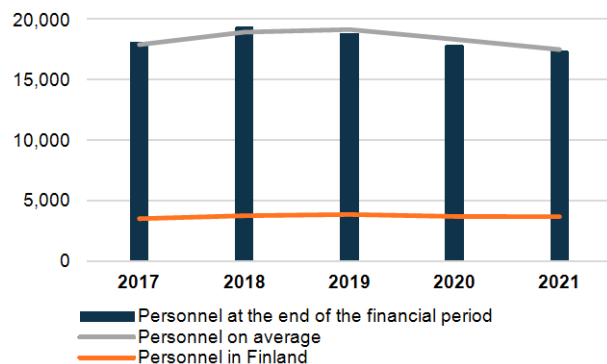
In November, Wärtsilä Voyage signed a landmark agreement with the Maritime and Port Authority of Singapore (MPA) to further strengthen their collaboration in smart port innovation and digitalisation. The main objectives of this strategic partnership are to initiate, develop, and promote innovative solutions that accelerate digitalisation; to foster interoperability in e-navigation and ship-to-shore secure data communications to enable port-to-port optimisation; and to establish reliable, cyber safe and cost-effective information exchange pathways between all ecosystem partners to increase operational efficacy.

Personnel

Wärtsilä had 17,305 (17,792) employees at the end of the year. On average, the number of personnel totalled 17,461 (18,307) in the year of 2021.

Of Wärtsilä's total number of employees, 21% (21) were located in Finland and 40% (41) elsewhere in Europe. Personnel employed in Asia represented 21% (22) of the total, personnel in the Americas 12% (11), and personnel in other countries 5% (5).

Personnel



Changes in management

Håkan Agnevall (b. 1966, M.Sc. (Tech), MBA) assumed the position of President and CEO for Wärtsilä Corporation on 1 February 2021. He succeeded Jaakko Eskola, who continued as a senior advisor to the Board and executive team until his retirement on 30 June 2021.

In August, Wärtsilä appointed Teija Sarajarvi (b. 1969, MA) as Executive Vice President, Human Resources and member of the Board of Management. Ms Sarajarvi commenced in her role on 1 January 2022, succeeding Ms Alid Dettke.

Non-financial report

Increasing environmental awareness, tightening regulations, customer preferences, and the need to decarbonise operations are resulting in fundamental changes in both the marine and energy industries. Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. Wärtsilä emphasises innovation in sustainable technology and services to help its customers continuously improve their environmental and economic performance. Thanks to a broad range of technologies and specialised services, Wärtsilä is well positioned to shape decarbonisation in the marine and energy markets, and to reduce exhaust emissions and the use of natural resources. This

positioning supports customers in their efforts to limit their carbon footprint and achieve regulatory compliance. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions.

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

Responsible business conduct

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

Wärtsilä takes an active approach to the application of the Code of Conduct and promotes its implementation through effectively communicating its contents to all employees. The company monitors the application of the Code internally to ensure understanding and commitment throughout the organisation. As at the end of 2021, 16,712 employees, covering 94% of the total number of employees, had participated in the Code of Conduct training programme.

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

Environmental performance

Wärtsilä's main contribution to improved environmental performance lies in providing its customers with reliable and safe technologies and services. In addition to enabling environmental compliance, this also supports the sustainable development of the marine and energy industries. Wärtsilä's products and solutions are

designed to reliably operate for up to 30 years. Therefore, focusing R&D efforts on improving product or system level performance is crucial, as is adopting a lifecycle approach to performance optimisation. In addition to improving the environmental performance of its products and solutions, Wärtsilä also continuously monitors the impact caused by its own activities and targets reduced energy consumption in all its facilities.

Wärtsilä's quality, environmental, health and safety policy sets principles for managing the environmental impacts of the company's products and services. The potential risks related to environmental matters and climate change are in the areas of regulatory emission restrictions, and changes in customer attitudes to using combustion engines and fossil fuels. Risks are managed by having R&D activities focused on product efficiency improvements and emissions reduction, as well as by developing a broad product offering, including technologies related to waste reduction, noise abatement, and effluent and ballast water treatment. During 2021, R&D expenditure totalled EUR 175 million, which represents 3.7% of net sales. The majority of these investments targeted improved environmental performance. Significant achievements related to sustainable innovation included progress made in developing engine technology to run on zero-carbon fuels.

For the marine markets, Wärtsilä continued to launch solutions that support its purpose to enable sustainable societies through innovation in technology and services. An upgraded version of the 20DF dual-fuel engine was introduced. The engine can now deliver more power with less energy consumption, while its methane slip is lowered by 40%. In the energy sector, Wärtsilä launched grid balancing technology as part of a portfolio of products designed to cost effectively accelerate the energy transition. The portfolio consists of power plants, as well as energy storage and energy management systems.

Wärtsilä announced its "Set for 30" commitment to achieve ambitious decarbonisation targets. Wärtsilä's goal is by 2030:

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

Social and employee matters

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

The objective of Wärtsilä's people strategy is to ensure that the businesses have the required skilled and motivated resources at their disposal. In order to develop their competences, employees are offered a wide variety of internal training courses, including topics covering technology, health and safety, language and culture, project management, environment, security, and leadership. The average number of learning days was 1.1 per employee in 2021.

Wärtsilä aims at offering its employees and contractors a hazard-free working environment, and at minimising the health and safety risks associated with the use of its products and services. The company's occupational health and safety principles are defined in the Code of Conduct, the quality, environmental, health and safety (QEHS) policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's entities are required to have a management system in place that conforms to the QEHS Policy and the EHS directive. In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation. Wärtsilä's aim is to reach a long-term goal of zero injuries. In 2021, the corporate lost-time injury frequency rate was 1.55 (2.03).

Respect for human rights

Wärtsilä supports and respects basic human values as outlined in the UN's universal declaration of human rights. Wärtsilä is also a signatory to the UN Global Compact and is thereby committed to its principles with respect to human rights, labour, the environment, and anti-corruption. No employee is allowed to take any action that

violates these human rights principles, either directly or indirectly. Wärtsilä does not accept the use of forced labour or child labour in any form. Human and labour rights are a part of the Code of Conduct training material and are included in Wärtsilä policy on equal opportunities and fair employment practices, as well as being listed in the company's supplier handbook.

Anti-corruption and bribery matters

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

Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is high in many markets where the company operates. Therefore, full compliance with a stringent anti-corruption regime is required of all employees. An extensive training programme is in place for personnel on anti-corruption principles and applicable legislation, as well as on the relevant company policies and procedures. By the end of 2021, 88% of Wärtsilä's employees had participated in anti-corruption training sessions. Employees are encouraged to provide feedback and communicate suspected misconduct to line management or directly to the Compliance, Legal Affairs, or Internal Audit functions. Wärtsilä also has a dedicated tool through which employees can report infringements.

EU Sustainable Finance Taxonomy disclosures

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

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

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

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

In 2021, Wärtsilä announced its goal to be able to provide a product portfolio ready for zero-carbon fuels. The company's aim is to support its customers on their decarbonisation journey, and thus shape the decarbonisation of the marine and energy sectors. Wärtsilä's products and solutions will meet the most stringent environmental requirements, and the fuel flexibility of the engines powering these sectors is key to enabling the transformation.

In July 2021, Wärtsilä launched a major test programme towards carbon-free solutions with hydrogen and ammonia fuels. Wärtsilä's fuel agnostic approach enables the company to support the energy and marine sectors in shaping sustainable and efficient future fuel strategies in several cost-optimal steps. The company has invested continuously and systematically in R&D and has made a long-term effort in product development focusing on fuel flexibility, energy efficiency, and emissions reduction. Already today, Wärtsilä engines can run on biofuels, methanol and hydrogen blends. For the energy market, Wärtsilä expects to have an engine and plant concept for pure hydrogen operation ready by 2025. For the marine market, Wärtsilä has already successfully tested an engine running with a fuel mix containing 70% ammonia. Wärtsilä anticipates having an engine concept with pure ammonia fuel available in 2023.

Wärtsilä has done its first preliminary assessment regarding its economic activities against the EU Sustainable Finance Taxonomy's first Delegated Act on Climate, as required by the Delegated Act on Article 8. Based on the preliminary assessment, Wärtsilä Taxonomy KPIs are as follows for the year 2021:

KPI	Total, MEUR	Eligible, %	Non-eligible, %
Turnover	4,778	8	92
CapEx	226	22	78
OpEx	176	8	92

Major parts of Wärtsilä's economic activities are currently not covered in the first Delegated Act on Climate. Services in Marine and Energy accounted for 52% of Wärtsilä's net sales in 2021. Services are a key enabler of installation uptime, reliability, reduced fuel consumption, and lower emissions. Services, however, are not included in the Taxonomy.

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

In total, 8% of Wärtsilä's turnover was estimated to be eligible, including the energy storage business, biogas solutions, and digital voyage optimisation solutions.

To be able to report these figures, Wärtsilä has assessed its economic activities against the economic activities included in the Delegated Act on Climate. Eligible economic activities have been identified by comparing the referred NACE codes in the Delegated Act to Wärtsilä's economic activities. In addition, the relevant thresholds for substantial contribution have been assessed in order to determine the economic activities' eligibility. Revenues, capital expenditure, and operating expenditure for eligible economic activities were collected from the accounting system.

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

Reporting segments

Wärtsilä Marine Power

Marine Power's order intake in 2021 increased by 16% to EUR 2,011 million (1,737) compared to the previous year. Book-to-bill was 1.08 (0.99). Service order intake increased by 22% to EUR 1,305 million (1,070). Equipment order intake increased by 6% to EUR 706 million (667). The key segments that contributed to equipment order intake were merchant at 40%, cruise at 12%, ferry at 11%, and special vessels at 16%. The market conditions and price competition remained challenging. The order book at the end of the year increased by 8% to EUR 1,994 million (1,839).

Net sales increased by 7% to EUR 1,863 million (1,748) compared to the previous year. Service net sales increased by 12% to EUR

1,226 million (1,096), reflecting the reactivation of cruise vessels during the second half of the year. Equipment net sales decreased by 2% to EUR 637 million (652), due to a low order intake in previous periods. The comparable operating result amounted to EUR 195 million (137) or 10.5% of net sales (7.8). The result improvement was primarily driven by a favourable sales mix between equipment and services, the reactivation of cruise vessels and increased service volumes during the second half of the year, and efficiency improvement actions taken. Low factory load and cost inflation burdened profitability. Items affecting comparability comprised costs of EUR 15 million primarily related to the closure of the joint venture Wärtsilä CME in Zhenjiang, China and footprint optimisations concerning the new Smart Technology Hub in Vaasa, Finland.

Divestments

In May, Wärtsilä announced the divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria ("JCCC"). Delivery Centre Santander is a state-of-the-art foundry able to cast the highest grades of NiAlBronze alloys. The facility located in Santander, Northern Spain, employs 45 professionals and has an annual casting capacity of 700 tons. As part of the divestment, Wärtsilä and JCCC signed a strategic supply agreement whereby JCCC becomes a supplier for bronze alloy castings parts to Wärtsilä Marine Power. Subject to the fulfilment of closing conditions, closing of the transaction is expected in the first half of 2022.

Also in May, Wärtsilä and its joint venture partner Zhenjiang CME Co Ltd (CSSC Marine Power, owned by the CSSC group) announced the closure of the Wärtsilä CME joint venture in Zhenjiang, China. Some parts of the production and delivery activities of the joint venture have been moved to Propulsion Delivery Centre Wuxi (DCW) in China.

Wärtsilä Marine Systems

Marine Systems' order intake in 2021 increased by 55% to EUR 835 million (539) compared to the previous year. Book-to-bill was 1.28 (0.67). Service order intake increased by 14% to EUR 235 million (205). Equipment order intake increased by 80% to EUR 600 million (334). The order book at the end of the year increased by 22% to EUR 1,042 million (857), with growth in all business units with the exception of Exhaust Treatment.

Net sales decreased by 19% to EUR 654 million (808) compared to the previous year. Service net sales decreased by 4% to EUR 211 million (219), while equipment net sales decreased by 25% to EUR 444 million (588). The comparable operating result amounted to EUR 52 million (83) or 7.9% of net sales (10.3), as a consequence of decreased scrubber volumes and lower newbuild scrubber margins. Items affecting comparability comprised costs of EUR 4 million related to footprint adjustments and organisational optimisation.

Wärtsilä Voyage

Voyage's order intake in 2021 increased by 12% to EUR 292 million (262) compared to the previous year. Book-to-bill was 1.05 (1.06). Service order intake increased by 19% to EUR 109 million (92), while equipment order intake increased by 8% to EUR 183

million (170). Most of the pressure on orders seen in 2020 due to Covid-19 progressively dissipated throughout the year, as the industry adapted to the pandemic and customers got closer to a pre-pandemic business activity level. The order book at the end of the year increased by 5% to EUR 288 million (275).

Net sales increased by 13% to EUR 279 million (248) compared to the previous year. The increase was primarily a result of customer activity strengthening towards pre-pandemic levels, which allowed for the resumption of transactional service business and newbuild activity. Service net sales increased by 25% to EUR 105 million (85), while equipment net sales increased by 6% to EUR 174 million (163). The comparable operating result amounted to EUR -28 million (-41) or -9.9% of net sales (-16.5). The result was positively impacted by higher sales volumes, a more favourable sales mix between equipment and services, and efficiency improvement actions taken. At the same time, investments in digital competences and Covid-19 related challenges in the global utilisation of personnel burdened the operating result. Items affecting comparability comprised costs of EUR 12 million related to efficiency improvement programmes.

Wärtsilä Energy

Energy's order intake in 2021 increased by 48% to EUR 2,444 million (1,653) compared to the previous year. Book-to-bill was 1.31 (1.02). Service order intake increased by 9% to EUR 916 million (840), while equipment order intake increased by 88% to EUR 1,529 million (813). Demand for equipment was highest in the Americas. Wärtsilä was awarded important thermal power plant project contracts in the USA, Mexico, and Brazil. Activity in the storage market was strong with orders of over 3,000 MWh received. The order book at the end of the year increased by 31% to EUR 2,393 million (1,830).

Net sales increased by 15% to EUR 1,861 million (1,620) compared to the previous year. Service net sales increased by 14% to EUR 891 million (782), while equipment net sales increased by 16% to EUR 970 million (838). The comparable operating result amounted to EUR 136 million (101) or 7.3% of net sales (6.3). Good development in sales volumes and improved service capacity utilisation contributed to a positive margin development. Profitability was burdened by approximately EUR 20 million in net provisions arising from a detailed project risk review in the first quarter, under-absorption of factory capacity costs, and cost inflation.

Other business activities

Wärtsilä Portfolio Business

Portfolio Business' order intake in 2021 decreased by 9% to EUR 153 million (168) compared to the previous year, with growth in the American Hydro business unit, but a negative impact resulting from the divestments of certain business units completed in 2021. The order book at the end of the year decreased by 45% to EUR 142 million (257), mainly due to the exclusion of the divested business units' order books.

Net sales decreased by 33% to EUR 121 million (181) compared to the previous year, due to the divestments of certain business units completed in 2021. The comparable operating result amounted to EUR 2 million (-6) or 1.6% of net sales (-3.1), primarily thanks to improved profitability in the Water & Waste business unit. Items affecting comparability amounting to EUR 11 million were recognised as a result of divestments.

Divestments

In January, Wärtsilä announced the divestment of 100% of its shares in the Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. The former Wärtsilä business is engaged in the design, fabrication, engineering, and integration of entertainment systems, illumination, light control, cabin control, and broadcast and digital audio distribution and announcement systems for cruise vessels and entertainment parks. The company became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015 and has 172 employees in five countries, with the majority being based in Emden, Germany. Its annual revenues were approximately EUR 50 million in 2020. The transaction was completed in April.

In March, Wärtsilä announced the divestment of 100% of its shares in Wärtsilä Euroatlas GmbH to Mimir, a global investment firm based in Sweden. The former Wärtsilä business provides its global customer base with tailor-made solutions for high-performance power conversion in naval, aviation, and mobile land-based applications requiring the highest reliability and power density, and leading-edge energy efficiency under harsh environmental conditions. The company became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015 and has 79

employees based in Bremen, Germany. The transaction was completed in July.

In September, Wärtsilä announced 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. Wärtsilä 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 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. The transaction was completed in January 2022.

Risks and business uncertainties

New variants of Covid-19 and the measures taken to contain its spread represent the main short- and mid-term risk to the demand for equipment and services, as they impact global energy consumption, seaborne trade, as well as consumer confidence in cruise and ferry transportation. Mobility restrictions continue to affect business operations, project delivery schedules, and the ability to perform services. Disruptions to global supply chains and Covid-19 related quarantines and personnel sick leave may impact factory activities and the delivery of spare parts, while generating risks in terms of raw material and component prices and availability, as well as transportation costs. Whilst the roll-out of vaccines is proceeding well overall, there is still uncertainty over the duration of the pandemic, the effectiveness of the vaccines on new variants of Covid-19, and how quickly country level vaccination programmes are implemented on a global scale, especially in developing countries.

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 may affect the investment appetite of ship owners and operators, concerning both newbuilding programmes and the management of existing fleets. At the same time, the limited development of alternative fuel infrastructures, the substantial price gap between conventional and

alternative fuels, and uncertainties concerning the regulatory environment and the uptake of new technology may raise barriers for the green transition.

The travel bans still in force, the limited ability or desire of people to travel, and a new escalation of Covid-19 cases pose risks to the recovery of the cruise and ferry markets. In the offshore oil and gas industry, the uncertainty around future demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, which might lead to an increasing number of laid-up drilling units and support vessels. The volatility of oil prices also affects the price spread between high- and low-sulphur fuels. A narrower price differential, or weaker future availability of high-sulphur fuel, might weaken the case for scrubber investments. The prevailing market conditions may result in continued price pressure.

In the energy markets, despite economic activity growing globally, the prevailing Covid-19 pandemic, currency fluctuations, and potential financing constraints are likely to postpone investment decisions on new power generation capacity. Many countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects. Similarly, the energy transition may temporarily be slowed, as the focus is on containing the virus spread and mitigating its impacts. Agreed and proposed stimulus packages to accelerate renewable energy investments still include uncertainties about the allocation of funding and implementation timelines. However, once stimulus measures are executed, the need for flexibility in power systems will be emphasised. Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Geopolitical tensions and trade barrier implications are also notable challenges to the demand environment. Price pressure resulting from the prevailing competitive environment remains a risk. Gas price volatility and increasing prices may impact the competitiveness of thermal baseload gas plants, but are not expected to have a major impact on thermal balancing power. In addition, there are risks related to the efficient and fast scaling up of the energy storage business and resources to meet the increasing market demand.

The volatility of the geopolitical environment, and the potential enforcement of sanctions or embargos, pose a potential risk to the

customer relations and international business activities of the company. 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.

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

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

Shares and shareholders

In 2021, the number of shares traded on Nasdaq Helsinki was 433,886,295, equivalent to a turnover of EUR 4,561 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 32,692,101 shares.

Flagging notifications

Wärtsilä was not informed of any changes in ownership during 2021.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 4 March 2021, approved the financial statements, reviewed the Remuneration Policy and Remuneration Report 2020 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2020.

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

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2021.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.20 per share in two instalments. The first instalment of EUR 0.10 per share was paid on 15 March 2021 and the second instalment of EUR 0.10 per share on 20 September 2021.

Authorisation to repurchase the company's own shares

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

Wärtsilä shares on Nasdaq Helsinki

31.12.2021	Number of shares outstanding	Number of treasury shares	Number of shares and votes	Number of shares traded 1-12/2021
WRT1V	590,023,390	1,700,000	591,723,390	433,886,295

1.1.-31.12.2021	High	Low	Average*	Close
Share price	13.87	7.78	10.51	12.36

*Trade-weighted average price

Market capitalisation	31.12.2021	31.12.2020
MEUR	7,314	4,823

Foreign shareholders	31.12.2021	31.12.2020
%	52.7	50.7

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 5 March 2020 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, Maarit Aarni-Sirviö, Risto Murto

People Committee: Chair Maarit Aarni-Sirviö, Johan Forssell, Tom Johnstone

WÄRTSILÄ'S PROSPECTS FOR 2022

Wärtsilä expects the demand environment in the first quarter to be better than that of the corresponding period in the previous year. However, the prevailing market conditions make the outlook uncertain.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

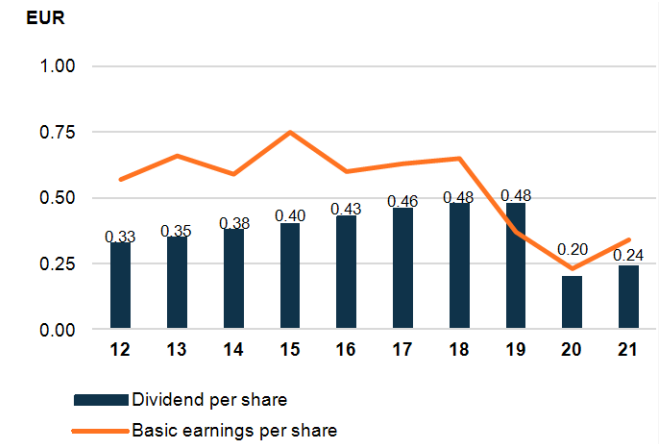
The Board of Directors proposes that a dividend of EUR 0.24 per share be paid for the financial year 2021. The parent company's distributable funds total EUR 1,025,711,618.25, which includes EUR 188,242,150.86 in net profit for the year. There are 590,023,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.12 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 7 March 2022. The payment day proposed by the Board for this instalment is 14 March 2022.

The second instalment of EUR 0.12 per share shall be paid in October 2022. 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 the dividend record day, which, together with the payment day, shall be decided by the

Board of Directors in its meeting scheduled for 27 September 2022. The dividend record day for the second instalment as per the current rules of the Finnish book-entry system would be 29 September 2022 and the dividend payment day 6 October 2022.

Dividend



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

PRIMARY FINANCIAL STATEMENTS



PRIMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

MEUR	2021	2020	Note
Net sales	4,778	4,604	2.1., 2.2.
Change in inventories of finished goods & work in progress	4	-104	
Work performed by the Group and capitalised	18	19	
Other operating income	85	61	2.3.
Material and services	-2,714	-2,551	2.4.
Employee benefit expenses	-1,230	-1,192	2.5.
Result from net position hedges	-2	-1	
Depreciation, amortisation and impairment	-162	-174	3.5.
Other operating expenses	-467	-431	2.3.
Share of result of associates and joint ventures	3	3	6.4.
Operating result	314	234	
as a percentage of net sales	6.6	5.1	
Financial income	15	16	5.1.
Financial expenses	-33	-59	5.1.
Profit before taxes	296	191	
Income taxes	-103	-58	2.6.
Profit for the financial period	193	133	
Attributable to:			
equity holders of the parent company	194	134	2.7.
non-controlling interests		-1	
	193	133	

Earnings per share attributable to equity holders of the parent company:			
Earnings per share (EPS), basic, EUR	0.33	0.23	2.7.
Earnings per share (EPS), diluted, EUR	0.33	-	2.7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	2021	2020	Note
Profit for the financial period	193	133	
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	10	6	
Tax on items that will not be reclassified to the statement of income	-2	-1	
Total items that will not be reclassified to the statement of income	9	5	
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	72	-74	
for non-controlling interests	-1	-1	
transferred to the statement of income		-6	
Associates and joint ventures, share of other comprehensive income	3	-2	
Cash flow hedges			
measured at fair value	-13	-3	5.5
transferred to the statement of income	4	6	
Tax on items that may be reclassified to the statement of income			
Cash flow hedges			
measured at fair value	2		
transferred to the statement of income	-1	-1	
Total items that may be reclassified to the statement of income	65	-81	
Other comprehensive income for the financial period, net of taxes	73	-76	
Total comprehensive income for the financial period	267	57	

Total comprehensive income attributable to:		
equity holders of the parent company	268	59
non-controlling interests	-1	-1
	267	57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	31.12.2021	31.12.2020	Note
Assets			
Non-current assets			
Goodwill	1,374	1,325	3.1.
Intangible assets	401	391	3.2.
Property, plant and equipment	312	282	3.3.
Right-of-use assets	192	162	3.4.
Investments in associates and joint ventures	27	23	6.4.
Other investments	18	19	5.2.
Interest-bearing investments	5	1	5.2.
Deferred tax assets	167	183	4.6.
Trade receivables	26	30	4.2., 5.2.
Other receivables	17	11	4.3.
Total non-current assets	2,539	2,427	
Current assets			
Inventories	1,185	1,192	4.1.
Trade receivables	870	922	4.2., 5.2.
Current tax receivables	33	27	
Contract assets	684	389	4.2.
Other receivables	246	258	4.3.
Cash and cash equivalents	964	919	5.3., 5.4.
Total current assets	3,982	3,706	
Assets held for sale	2	99	6.3.
Total assets	6,523	6,232	
Equity and liabilities			
Equity			
Share capital	336	336	5.5.
Share premium	61	61	5.5.
Translation differences	-122	-197	5.5.

Fair value reserve	-18	-9	5.5.
Remeasurements of defined benefit liabilities	-36	-45	4.7.
Retained earnings	2,094	2,030	
Total equity attributable to equity holders of the parent company	2,315	2,177	
Non-controlling interests	8	11	
Total equity	2,323	2,188	
Liabilities			
Non-current liabilities			
Lease liabilities	157	124	3.4., 5.4.
Other interest-bearing debt	694	1,005	5.2., 5.4., 5.6.
Deferred tax liabilities	65	76	4.6.
Pension obligations	126	139	4.7.
Provisions	73	55	4.5.
Contract liabilities	37	51	4.2.
Other liabilities	1	1	3.4., 4.4.
Total non-current liabilities	1,153	1,451	
Current liabilities			
Lease liabilities	39	42	3.4., 5.4.
Other interest-bearing debt	82	156	5.2., 5.4., 5.6.
Provisions	241	269	4.5.
Trade payables	714	411	4.4., 5.2., 5.6.
Current tax liabilities	63	56	
Contract liabilities	1,231	926	4.2.
Other liabilities	676	664	3.4., 4.4.
Total current liabilities	3,047	2,524	
Total liabilities	4,199	3,975	
Liabilities directly attributable to assets held for sale		68	6.3.
Total equity and liabilities	6,523	6,232	

CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	2021	2020	Note
Cash flow from operating activities:			
Profit for the financial period	193	133	
Adjustments for:			
Depreciation, amortisation and impairment	162	174	3.5.
Financial income and expenses	18	43	5.1.
Gains and losses on sale of intangible assets and property, plant and equipment and other changes		-9	
Share of result of associates and joint ventures	-3	-3	6.4.
Income taxes	103	58	2.6.
Other non-cash flow adjustments	6	7	
Cash flow before changes in working capital	478	403	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	-177	338	
Inventories, increase (-) / decrease (+)	29	122	4.1.
Liabilities, non-interest-bearing, increase (+) / decrease (-)	512	-32	
Changes in working capital	363	428	
Cash flow from operating activities before financial items and taxes	841	832	
Financial items and taxes:			
Interest income	5	4	
Interest expenses	-16	-14	
Other financial income and expenses	1	-19	
Income taxes paid	-100	-122	
Financial items and paid taxes	-111	-150	
Cash flow from operating activities	731	681	

Cash flow from investing activities:			
Acquisitions		-1	6.1
Other investments	-1	-1	5.2
Investments in property, plant and equipment and intangible assets	-142	-115	3.2., 3.3
Proceeds from sale of property, plant and equipment and intangible assets	5	13	3.2., 3.3
Proceeds from sale of shares in subsidiaries	10	22	6.2
Proceeds from sale of shares in associates and joint ventures		27	6.4
Cash flow from investing activities	-128	-55	
Cash flow after investing activities	603	627	
Cash flow from financing activities:			
Repurchase of own shares	-18		
Proceeds from non-current debt		317	
Repayments and other changes in non-current debt	-433	-76	5.6
Loan receivables, increase (-) / decrease (+)	-4	1	
Current loans, increase (+) / decrease (-)	-4		
Dividends paid	-121	-286	
Cash flow from financing activities	-580	-44	
Change in cash and cash equivalents, increase (+) / decrease (-)	22	582	
Cash and cash equivalents at the beginning of the financial period*	932	369	
Exchange rate changes	10	-19	
Cash and cash equivalents at the end of the financial period*	964	932	

* 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 2021	336	61	-197	-9	-45	2,030	2,177	11	2,188
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			74	-9	9		74	-1	73
Profit for the financial period						194	194		193
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

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 2020	336	61	-114	-11	-55	2,178	2,396	14	2,410
Translation differences			-76				-76	-1	-77
Translation differences, transferred to statement of income			-6				-6		-6
Cash flow hedges									
net change in fair value, net of taxes				-3			-3		-3
transferred to the statement of income, net of taxes				5			5		5
Defined benefit plans					5		5		5
Other changes					5	-5			
Other comprehensive income			-82	2	10	-5	-75	-1	-76
Profit for the financial period						134	134	-1	133
Total comprehensive income for the financial period			-82	2	10	129	59	-1	57
Dividends paid						-284	-284	-2	-286
Other changes						7	7		7
Equity on 31 December 2020	336	61	-197	-9	-45	2,030	2,177	11	2,188

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