WÄRTSILÄ



Annual Report 2023

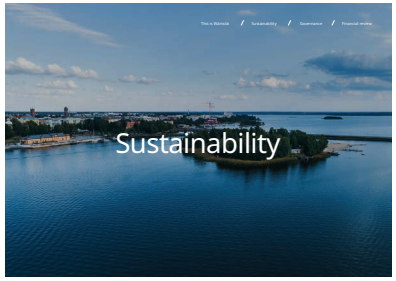
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WÄRTSILÄ IN BRIEF

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 17,800 professionals in more than 280 locations in 79 countries shape the decarbonisation transformation of our industries across the globe.
www.wartsila.com

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









This is Wärtsilä

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This is Wärtsilä

Wärtsilä has a significant role in decarbonisation transformation

PURPOSE

Enabling sustainable societies through innovation in technology and services



COMMITTED TO TARGETS

Financial targets

- 5% annual organic growth
- 12% operating margin
- <0.5 gearing
- ≥50% dividend of earnings

Set for 30 – decarbonisation targets

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

ENERGY

Intermittent sources of energy require balancing solutions. Until 2030, the balancing power market is expected to grow by almost 20% annually.

MARINE

An unprecedented rate of change is being driven by regulations and the demand for green transport. The aim is to reach net-zero GHG emissions from international shipping by or around 2050.

TARGET POSITION

Shaping the decarbonisation of marine and energy



Leading offering to support our customers in decarbonisation

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



2023 in brief

Key figures

In 2023, order intake increased by 16% to EUR 7,070 million (6,074). Net sales increased by 3% to EUR 6,015 million (5,842), of which 52% related to services. Operating result amounted to EUR 402 million (-26) or 6.7% of net sales (-0.4). Comparable operating result increased by 53% to EUR 497 million (325), which represents 8.3% of net sales (5.6). The Board of Directors proposes that a dividend of EUR 0.32 per share be paid for the financial year 2023. The corporate total recordable injury frequency rate (TRIF) was 2.62 (2.57).

Order intake
7,070 MEUR

Cash flow from operating activities
822 MEUR

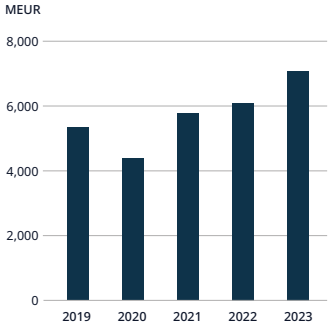
Total recordable injury frequency rate (TRIF)
2.62

Net sales
6,015 MEUR

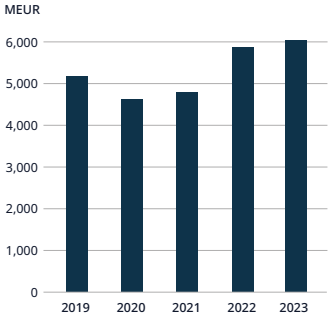
Service sales of total
52%

Comparable operating result
497 MEUR

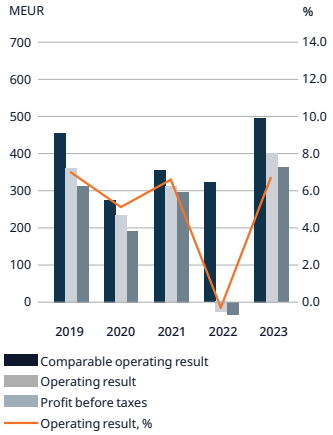
Order intake



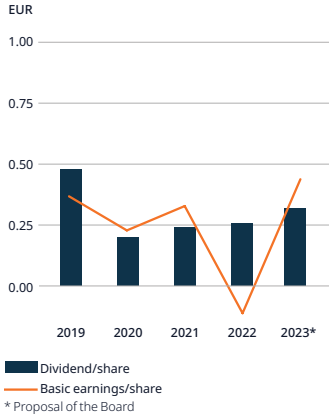
Group net sales development



Result

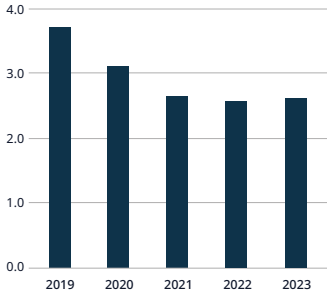


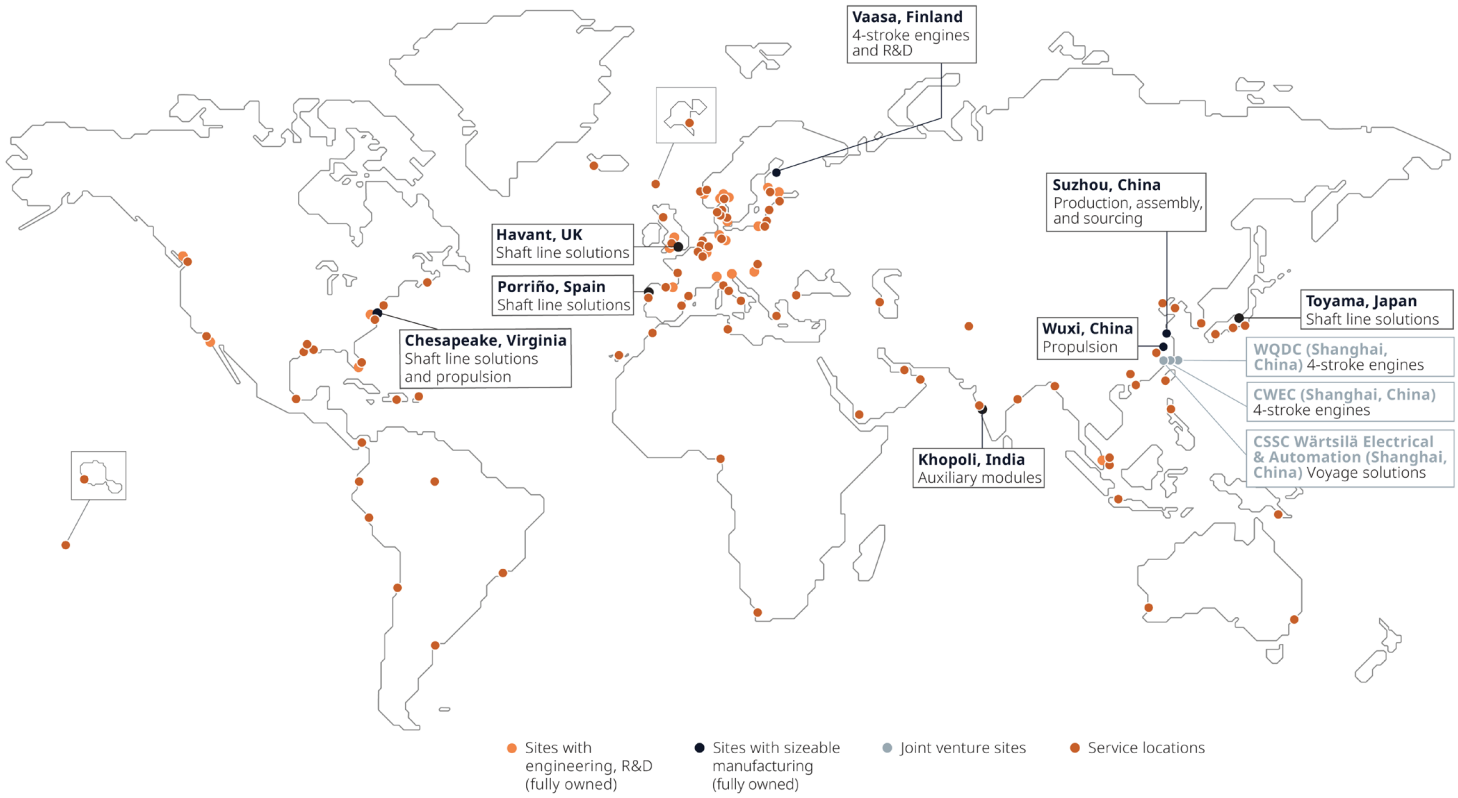
Dividend/share, earnings/share



* Proposal of the Board

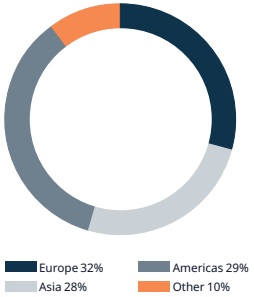
Total recordable injury frequency rate (TRIF)





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

Net sales, geographical





PERSONNEL

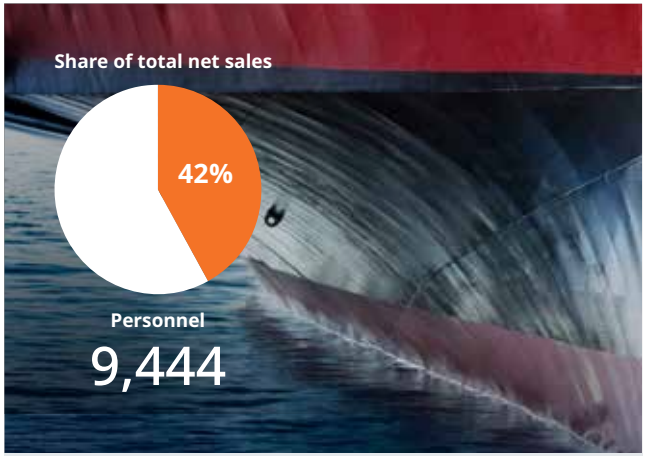
17,800

OPERATIONS

in more than 280 locations

in 79 countries

Businesses in brief

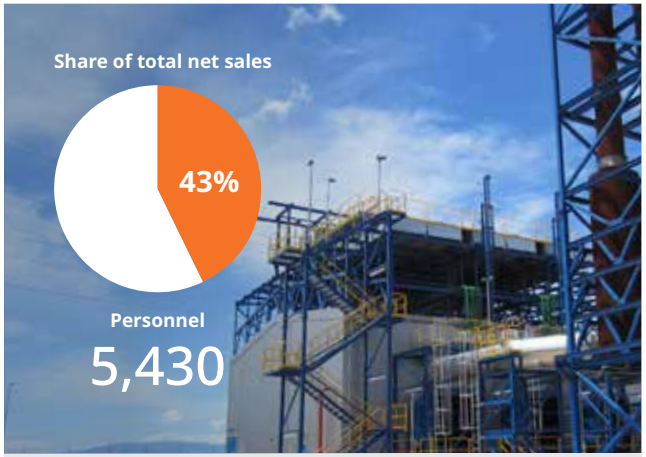


Wärtsilä Marine Power is a global pioneer in power, propulsion and lifecycle solutions for the marine market. We develop industry-leading technologies, advancing maritime's transition to new fuels. We support building a digital ecosystem where all vessels and ports are connected. Ultimately, our broad portfolio of engines, propulsion systems, hybrid technology, digital technologies and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support our customers. Our offering includes real-time insights into operations, performance, and energy use, performance-based agreements, upgrades, lifecycle solutions, and an unrivalled global network of maritime expertise. Together with our customers, we are driving the shipping industry forward on its journey towards a decarbonised and sustainable future.



Wärtsilä Marine Systems supports its customers with high quality products and lifecycle services related to the gas value chain, shaft line solutions, underwater repairs and exhaust treatment including carbon capture. 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.

To further simplify the organisation and reporting structure, Marine Systems was discontinued as of January 1, 2024. The Gas Solutions business unit was moved to Portfolio Business in preparation for a divestment, while the remaining two Marine Systems business units – Shaft Line Solutions and Exhaust Treatment – were moved to Marine Power. In connection with this, Wärtsilä Marine Power changed its name to Wärtsilä Marine as of January 1, 2024.



Wärtsilä Energy leads the transition towards a 100% renewable energy future. We help our partners to accelerate their decarbonisation journeys through our market-leading technologies and power system modelling expertise. These cover decarbonisation services, future-fuel enabled balancing power plants, hybrid solutions, energy storage and optimisation technology, including the GEMS Digital Energy Platform. Our R&D has a focus on sustainable fuels, ensuring our engines are future-proof and will run on whichever sustainable fuels become the leading choices. Wärtsilä Energy's lifecycle services are designed to increase efficiency, promote reliability, and guarantee operational performance. Our track record comprises 79 GW of power plant capacity and 115+ energy storage systems delivered to 180 countries around the world.

CEO review

In 2023, Wärtsilä continued to develop positively in many ways. Our financial performance improved steadily throughout the year, and we achieved all-time highs in order intake, net sales, and cash flow from operating activities. We improved our profitability through growing services, improving the quality of revenues, and progressing in turning around Energy Storage & Optimisation and former Voyage operations. We mitigated the headwinds from cost inflation, geopolitical concerns, and a slowdown of global economic growth.

Going forward, we will benefit from the enhanced quality of our order book, with an increased share of equipment orders in relation to turnkey projects. We will also see further positive effects from the operational improvements implemented, and from structural changes.



We are strengthening Wärtsilä by focusing on our profitable core businesses, which have interesting growth opportunities in the decarbonisation transformation. We have a clear path to reach our 12% operating margin target over a few years.

The decarbonisation focus of our customers in marine and energy is accelerating. Wärtsilä is very well-positioned for this transformation with the solutions that we can offer today, and the technology and services that we are developing for the future. In June, our focus on innovation was recognised with Wärtsilä's inclusion in the TIME100 Most Influential Companies list. This list highlights companies making an extraordinary impact around the world.

The health and safety of personnel is a high priority for Wärtsilä, and we are committed to our long-term goal of achieving zero lost time injuries. In 2023, the corporate total recordable injury frequency rate (TRIF) remained fairly stable. The key actions in 2023 were global safety culture survey, the development of safety competences for work with methanol installations, an introduction of heat stress guidelines, a global 'Mind your posture' safety day, and the continuation of front-line personnel and leaders Champions in Safety training sessions. We will continue to strengthen the safety culture within Wärtsilä to ensure everyone comes home safely every day.

> We are very well-positioned for the decarbonisation transformation with the solutions that we can offer today, and the technology and services that we are developing for the future."

Market sentiment remained fairly positive despite slowdown in global economic growth

The ongoing war in Ukraine and the conflict in the Middle East have resulted in various risks for the supply and demand environment. The heightened geopolitical tensions have increased risks related to further geopolitical fragmentation and increased overall uncertainty to the macroeconomic outlook.

In the marine market, the sentiment remained positive for Wärtsilä's key vessel segments. Decarbonisation remained the main trend in the marine markets. The transition to cleaner fuels continued, but the uptake of alternative fuels remained more limited with 450 orders reported in 2023, representing 23% (30%) of all contracted vessels and 43% (60%) of vessel capacity, mostly because of the changed mix of contracted vessels.

The growing pressure to decarbonise operations supported the demand for both marine newbuilds and service. Despite capacity limitations at the main shipyards in South Korea and China and further increases in newbuild prices, the investment appetite for new ships remained healthy. In July, the International Maritime Organisation (IMO) updated its strategy on cutting greenhouse gas emissions from ships, with the more stringent goal of reaching net zero emissions by or around 2050. As a result, stakeholders are now more aligned globally on the requirements and investments needed to decarbonise the industry.

Energy and climate policies around the world also continue to evolve towards decarbonisation targets, and the mid-term energy transition outlook remains strong. At COP28, the United Nations Climate Change Conference, more than 120 countries pledged to triple global renewable energy capacity by 2030 which is expected to increase the need for balancing power solutions. The COP28 final declaration also called for transitioning away from fossil fuels, in line with Wärtsilä's vision of a 100% renewable energy future and our readiness to enable engines to run on future fuels. Constraints in global and energy-related supply chains have eased considerably over the course of the year, with a positive effect notably in battery energy storage. The macroeconomic development caused uncertainty within the overall investment environment, delaying decision-making especially in the engine power plants business.

Improved financial performance

The market sentiment for our businesses remained fairly positive, and we improved our financial performance in many areas. In 2023, order intake grew organically at 22%, and net sales organically at 7%. Equipment net sales decreased in Marine Systems and engine power plants.

The comparable operating result increased by 53% to EUR 497 million with a comparable operating margin of 8.3%. This was mostly driven by continued growth in services and improved quality of revenues. After continued growth and operational improvements, our Energy Storage & Optimisation business

is now profitable, and the turnaround of the business activities that earlier formed Voyage is now also going according to plan. Additionally, the delivery projects that we captured before the acceleration of cost inflation, and which burdened our profitability in 2022 and for the first three quarters of 2023, are delivered and are no longer a part of our order book. Our profitability was hampered by a single sizeable turnkey project in Gas Solutions, for which we took a total provision of EUR 48 million in 2023. Gas Solutions ceased offering turnkey projects several years ago, and the project in question is nearing completion.

We are making clear progress towards our financial targets of 5% organic growth annually and a 12% operating margin. In 2023, our organic growth was 7%, whereas the operating margin was 6.7%. We are making steady progress towards our profitability target by moving up the service value ladder, improving the newbuild business supported by the decarbonisation transformation, increasing the profitability of Energy Storage & Optimisation, and continuing the divestments of our Portfolio Businesses.

Earlier in the year, the Automation, Navigation & Control Systems (ANCS) and Marine Electrical Systems business units were moved from Marine Systems to Portfolio Business in preparation for divestment. In November, we announced that the Gas Solutions business unit will also be moved to Portfolio Business, while the remaining two Marine Systems business units – Shaft Line Solutions and Exhaust Treatment – will be moved to Marine Power. From the beginning of 2024, Wärtsilä has two reporting segments: Marine and Energy.

In October, we also announced a strategic review of our Energy Storage & Optimisation business to accelerate its profitable growth in a way that benefits its customers, employees, and value creation for Wärtsilä shareholders. This review is still ongoing, during which all potential alternatives will be considered. Such alternatives could include different ownership options of the ES&O business from continued full ownership to potential full or partial divestment of the business or other possible strategic alternatives.

Services represents 52% of our net sales with additional growth opportunities

The demand for services continued at a good level, and our marine and energy customers showed increasing interest in long-term service agreements. In 2023, services accounted for 50% of our order intake and 52% of our revenues.

Moving up the service value ladder and growing our service business both in marine and energy are key levers for reaching our profitability target. This is supported by our strong offering in the transactional services business, service agreements, and performance-based agreements. The green transition also provides notable opportunities for retrofits and conversions. A great example of developing our service business is our new offering of carbon capture and storage (CCS) feasibility studies to shipowners and operators. Conducted by Wärtsilä experts, the study provides owners with a qualified analysis of the costs of CCS integration, and a clear list of considerations on how a potential retrofit could be conducted in the least intrusive way.

Around 30% of our marine and energy installed base is now covered by agreements, and we are very proud that the customer renewal rate is around 90%. This is a proof point of the value we are creating for our customers. By combining AI and data analytics with product know-how, we can support customers in improving performance, while improving our own service operations. As an example, in 2023 we signed an extension of our performance-based agreement with Carnival Corporation covering the maintenance, technical support, optimisation, and fuel-saving solutions for their 57 cruise ship global fleet.

> We are making clear progress towards our financial targets of 5% organic growth annually and a 12% operating margin."

Shaping the decarbonisation transformation

Our strategy, "The Wärtsilä Way", focuses on shaping the decarbonisation of marine and energy. The outcomes of COP28 and the new IMO policies in MEPC 80 in 2023 will further accelerate the decarbonisation transformation in marine and energy, and here Wärtsilä can make a real difference.

Our growth is being fuelled by this transformation, and we are well-positioned to seize the opportunities and continue on the clear path towards improving our profitability. We are already the market leader in some of the major technologies that are needed for a sustainable future. We continue to focus on

innovation, focused investments, and selective partnerships, while growing all dimensions of services by moving up the service value ladder.

To support our decarbonisation technology development, we have increased our R&D spending from the historical average of ~3% of net sales to ~4%. In 2023, we launched the world's first 100% 4-stroke ammonia solution for marine applications, which will enable a significant advancement in sustainable shipping operations. We also introduced another four methanol-ready engines to our portfolio, setting a new industry benchmark with the broadest methanol engine portfolio currently on the market.

In 2025, we will deliver an engine concept ready for operating with pure hydrogen. We have also been testing our maritime carbon capture and storage (CCS) system at a 70% capture rate. We are preparing for the first pilot installation to take place in 2024 with the intention of launching the product in 2025. While much of the decarbonisation work is still ahead, Wärtsilä already today has solutions and technologies that enable the transition to low-emission shipping and 100% renewable power systems.

Good progress in reaching our decarbonisation targets

We have set ambitious decarbonisation targets for 2030. Our goal is to become carbon neutral in our own operations and to provide a product portfolio ready for zero-carbon fuels. As already mentioned, we have taken important steps forward with our portfolio in 2023. We are also taking concrete actions to minimise our own environmental footprint. This year, we have focused on purchasing green electricity, preparing our move to low emission company vehicles, and reducing time in R&D and factory engine testing with fossil fuels. In many Wärtsilä countries, solar panels are also an efficient, self-sufficient option.

Fuel flexibility for engines powering the marine and energy sectors is key for enabling the transformation to cleaner operations. On the energy side, Wärtsilä's flexible engines and energy storage solutions offset the intermittency of supply as the share of renewables in the power system increases. Among the many energy storage orders that we signed in 2023, was an order from Origin Energy who selected us as the supplier for the first phase of one of Australia's largest energy storage projects. This 460 megawatts (MW) and 920 megawatt hours (MWh) deal is our largest single energy storage order to date.

In addition to fuel flexibility, a crucial element in decarbonising the marine industry is hybridisation, which ensures fuel savings and substantial reductions in emissions. Wärtsilä is the market leader in hybrid solutions. For example, the Swedish shipping company Stena RoRo chose our integrated hybrid propulsion system for the world's first methanol-fuelled hybrid RoRo vessels. We are also powering the biggest battery electric ship ever built, a fully battery-powered ferry built by Incat Tasmania for their customer, Buquebús. We are providing the battery electric propulsion system with 40 MWh of batteries and waterjets for this vessel.

The year 2024 marks our 190th anniversary. For nearly two centuries, we have been transforming ourselves, and shaping the industries we have operated in. We are living in critical times, as the transformation to carbon neutral shipping and a 100% renewable energy future will happen during the lifetime of a vessel or power plant. Wärtsilä is an established technology leader in the decarbonisation transformation, and we can make a difference in our industries and the world, while securing financial performance and delivering attractive long-term shareholder value.

I would like to sincerely thank our customers for your trust in our solutions and services, all my Wärtsilä colleagues for your commitment towards reaching our common goals, and our shareholders for your confidence in Wärtsilä's future success.

Håkan Agnevall
President & CEO





Strategy

Market fundamentals



Accelerated decarbonisation targets are shaping the marine industry

POLICIES AND REGULATIONS

- IMO target: to reach net zero GHG emissions from international shipping by or around 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 a small but growing market for green transport driven by corporate carbon reduction pledges

TECHNOLOGY

- Focus on carbon neutral and zero carbon fuels. The switch to carbon neutral and zero carbon fuels will be progressive
- Next steps in abatement technologies, e.g. maritime carbon capture
- Increase in battery systems, hybrid solutions, and energy saving technologies
- Focus on fuel flexibility and upgradeability to increase overall efficiency

CONNECTIVITY AND DATA

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



Energy is moving towards a 100% renewable energy future

POLICIES AND REGULATIONS

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

TECHNOLOGY

- Renewables becoming the main source of energy
- Intermittent sources requiring balancing solutions
- Sustainable fuels for balancing power
- Digitalisation creates opportunities for optimising energy costs
- Cyber security growing in importance

GROWING ENERGY DEMAND

- Electricity generation would need to grow by almost 3X, renewables by 8X to reach Net Zero targets by 2050 (Source: IEA World Energy Outlook 2023)
- Gradual replacement of coal and other baseload fossil fuelled energy generation
- Renewables are expected to become the largest source of global electricity by 2025 (Source: IEA Renewables 2023 report)
- Power systems becoming increasingly complex with different types of generation assets

The Wärtsilä Way

The Wärtsilä Way answers three questions in terms of company direction: why, where, and how.

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

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

How
The strategic priorities define Wärtsilä's most important focus areas for reaching the target position. They outline the company's direction in terms of reaching profitable growth and clearly formulate the biggest opportunities for a positive impact on Wärtsilä's performance. Each business and function has its own execution plans, which define the concrete actions they will prioritise over the coming 12 months.

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

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

In our framework for continuous improvement, we focus on creating customer value and making customers successful, while continuously eliminating waste, improving teamwork, predictability, and performance.



Our values

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

CUSTOMER SUCCESS

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

PASSION

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

PERFORMANCE

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



Our leadership model

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





Our desired leadership behaviours

ENERGISE AND LEAD THE WAY

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

DEVELOP PEOPLE AND TEAMS

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

CHALLENGE AND SUPPORT CHANGE

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

Our framework for continuous improvement

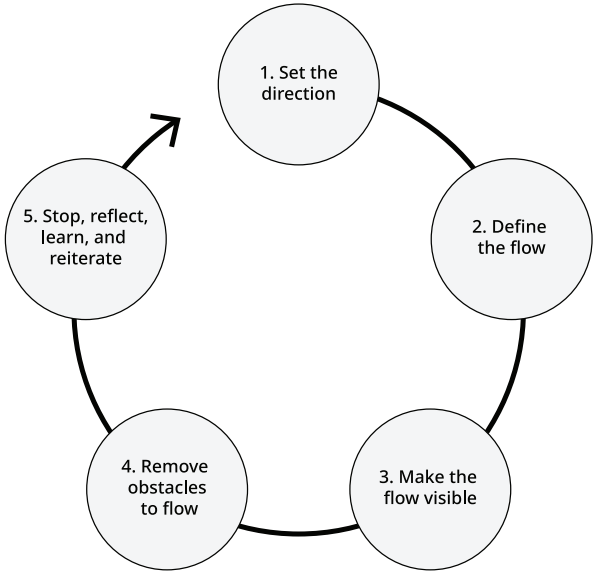
Together with our values and leadership model, our framework for continuous improvement describes how we will reach our target position.

In continuous improvement, we focus on:

- Creating customer value and making our customers successful, while continuously eliminating waste
- Making it easier to work together as a team to serve our customers. Improving predictability and health and safety for our people with less stress
- Creating competitive advantage and improving our performance

We start from our values and let our continuous improvement principles guide us how to think when addressing challenges. We use our methods and tools to create results in our daily business.

Continuous improvement principles





Transform and perform

Wärtsilä's strategy is based on two key themes: Transform and Perform.

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

By the key themes of transforming and performing, we are shaping the decarbonisation of marine and energy.

1 TRANSFORM – attractive growth opportunities at the centre of the decarbonisation transformation

2 PERFORM – a clear path for operational improvements and increased profitability



2002–2010

Lifecycle power solutions
Expansion into propulsion, services acquisitions



2011–2015

Becoming a total solution provider
Expansion into environmental solutions, acquisitions in Electrical & Automation



2016–2020

Smart marine and 100% renewable energy
Digital solutions, end-to-end value chains, divestments



2021–

Shaping the decarbonisation of marine and energy
Customer and services focus, technology leadership, organic growth, continuous improvement

Transform

Attractive growth opportunities at the centre of the decarbonisation transformation

Decarbonisation will transform the world and create new business opportunities, both in marine and energy. In marine, there will be an unprecedented rate of change in newbuild and existing fleets. Regulations and the demand for green transport will accelerate change. In energy, electricity generation would need to grow by almost 3X, and renewables by 8X to reach Net Zero targets by 2050[1]. Until 2030, the balancing power market is expected to grow by almost 20% annually[2].

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 frontrunner in developing technologies which can run on sustainable carbon neutral and zero carbon fuels, such as biofuels, methanol, ammonia, and hydrogen. At the same time, Wärtsilä delivers flexible solutions that maximise energy efficiency for the phase when fossil fuels are still necessary, and solutions that enable increasing the share of renewables in the power system through efficient balancing power.

Wärtsilä has a leading position in power system optimisation, where both energy storage and flexible grid balancing engine power plants play a key role. In marine, Wärtsilä is a market leader in electrification and a pioneer in onboard carbon capture solutions and digital offerings related to marine optimisation. The company is also partnering in offering complementary technologies for the decarbonisation transformation.

1) Source: IEA World Energy Outlook 2023

2) Source: Wärtsilä analysis



1 Wärtsilä launches world-first 4-stroke engine-based ammonia solution, continuing to set the pace for marine decarbonisation

Read more



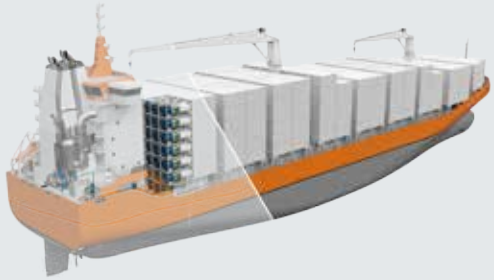
2 Wärtsilä named to TIME's 100 Most Influential Companies list

Read more



3 Commercially operated Wärtsilä engine runs on 25 vol% hydrogen blend, a world first achievement

Read more



4 First order for carbon capture and storage-ready (CCS-ready) scrubber systems delivered

Read more

Perform

A clear path for operational improvements and increased profitability

Wärtsilä is on a clear path for operational improvements and increased profitability. The opportunities in decarbonisation and services are driving our organic growth. This is complemented by potential partnerships and synergistic bolt-on acquisitions.

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

We focus on performance excellence and robust execution and strive for transparency and accountability in our businesses. All our businesses have a clear profit and loss responsibility, enabling decisions to be made close to where the customer value is created. To create sustainable long-term value, we foster high-performing teams with a focus on continuous improvement. We believe this also helps us to attract and retain the best talent, which we further nurture and develop.

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



#1-3 in global markets

Financial targets:
- 5% annual organic growth
- 12% operating margin
- <0.5 gearing
- ≥50% dividend of earnings

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 needed



Strategic priorities

1 **Excel in creating customer value**
We continuously evolve our understanding of, and responsiveness to, our customers to make them successful.

2 **Develop high performing teams that make a difference**
We attract high performing people and excite diverse teams that excel in continuous learning and collaboration. Our leaders provide direction and support, empowering people to act.

3 **Drive decarbonisation in marine and energy**
We accelerate decarbonisation in marine and energy through innovation, focused investments, and selective partnerships, while also decarbonising our own operations. We provide optimisation solutions and are a thought leader in the industries we serve.

4 **Capture growth in services**
We excel in transactional and retrofit business. We move up the service value ladder by growing in performance-based agreements.

5 **Continuously improve our end-to-end value chain**
We continuously improve our end-to-end business to meet customer expectations on quality, lead time and delivery accuracy, while reducing complexity and improving competitiveness. We leverage digitalisation throughout our value chain.



COMPANY TARGETS

NET SALES

Target
5% annual organic growth

Development
In 2023, organic net sales growth was 7% and net sales amounted to EUR 6,015 million.

PROFITABILITY

Target
12% operating margin

Development
In 2023, operating result amounted to EUR 402 million, which represents 6.7% of net sales.

DIVIDEND

Target
At least 50% of earnings

Development
The Board of Directors proposes that a dividend of EUR 0.32 per share be paid for the financial year 2023.

SET FOR 30 DECARBONISATION TARGETS

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

Read more in the Climate change and environment section.

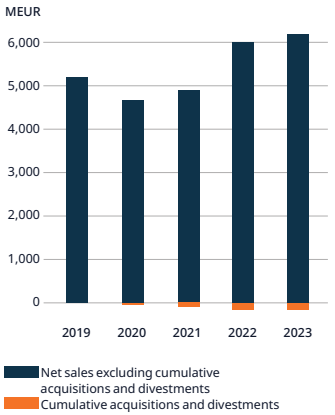
CAPITAL STRUCTURE

Target
Gearing below 0.50

Development
In 2023, gearing was 0.02.

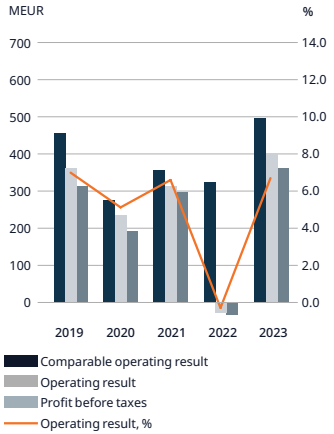
We are an established technology leader in the decarbonisation transformation, and we can make a difference in our industries and the world, while securing financial performance and delivering attractive long-term shareholder value.

Net sales and cumulative acquisitions and divestments

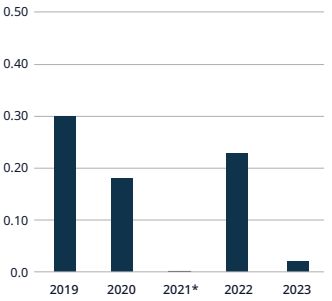


CAGR 2019–2023:
Wärtsilä's net sales +4.6% organically

Result

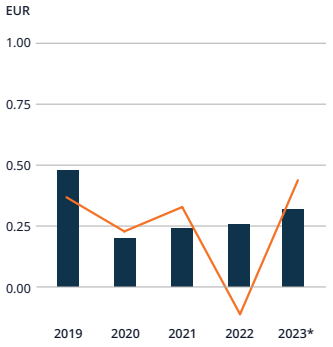


Gearing



* In 2021, gearing was 0.00

Dividend/share, earnings/share



* Proposal of the Board

Delivering customer value in marine

Decarbonisation is shaping the future of the marine industry, the target being to reach net zero GHG emissions from international shipping by or around 2050. Wärtsilä has the industry's most comprehensive offering for decarbonisation, focusing on fuel flexibility, efficiency optimisation, emission abatement technologies, and digital services. 2050 is a single vessel's lifespan away, and the technology decisions for new vessels are being made now.

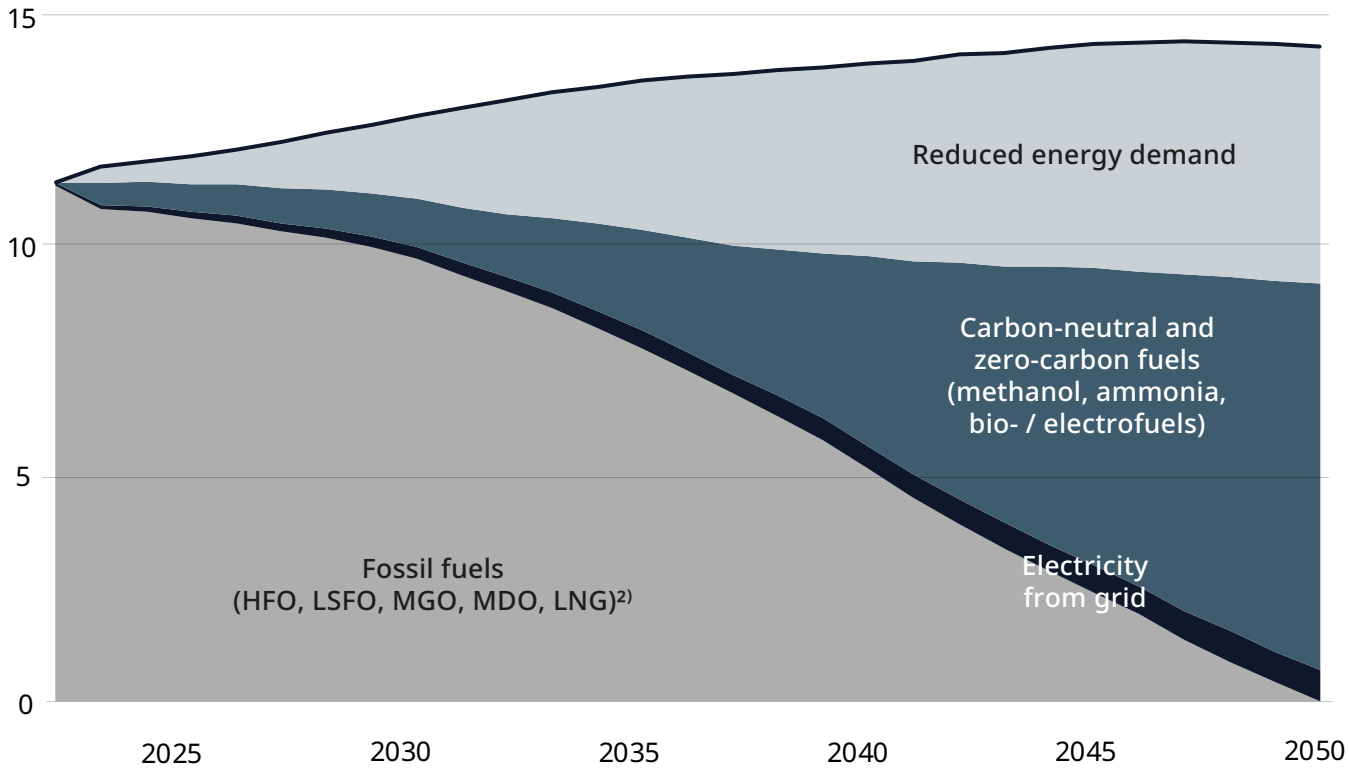
Wärtsilä is developing an unprecedented range of engine and fuel gas supply systems to help ship owners navigate the route to reduced greenhouse gas emissions – fuel flexibility and efficiency being at the centre of our development activities. With Wärtsilä's multifuel technology, ranging from transition fuels to sustainable, 100% green fuels, our customers have a viable upgrade path for the future. Today, Wärtsilä has the most comprehensive development programme for sustainable fuel technologies in the industry, with proven 4-stroke technology for the use of MDO, LNG, LPG, and methanol. In 2023, we introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel. We aim to deliver a technology concept for 100% hydrogen in 2025.

Wärtsilä is preparing for a commercial release of carbon capture & storage (CCS) in 2025. Wärtsilä has CCS-ready scrubbers available already today.

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.

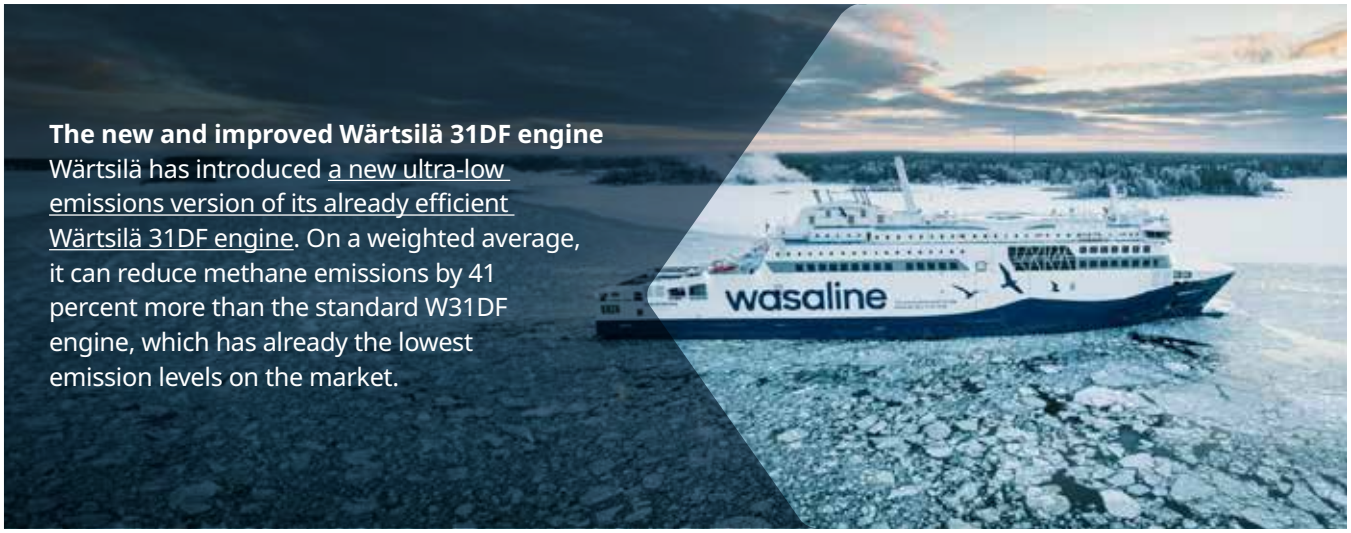
Sustainable fuel uptake scenario for net-zero in 2050[1)]

Total energy consumption, EJ



1) Source: DNV Maritime Forecast 2050
2) HFO (Heavy Fuel Oil), LSFO (Low Sulphur Fuel Oil), MGO (Marine Gas Oil), MDO (Marine Diesel Oil), LNG (liquefied natural gas)

HIGHLIGHTS 2023 | Delivering customer value in marine



The new and improved Wärtsilä 31DF engine
Wärtsilä has introduced a new ultra-low emissions version of its already efficient Wärtsilä 31DF engine. On a weighted average, it can reduce methane emissions by 41 percent more than the standard W31DF engine, which has already the lowest emission levels on the market.

Wärtsilä introduced a world-first radical derating retrofit solution – the Wärtsilä Fit4Power – for two-stroke engines, to extend the emissions-compliant lifetime of merchant vessels.

Read more



State-of-the-art simulation technology for Furetank

Wärtsilä will supply Swedish shipping company Furetank's new maritime educational centre with a simulation training lab, providing the most sophisticated technology available and state-of-the-art simulation services for crews to receive training, assessments, and certification.



Wärtsilä introduces another four methanol engines to its portfolio

Wärtsilä announced it will add the Wärtsilä 20, Wärtsilä 31, Wärtsilä 46F and Wärtsilä 46TS to its portfolio of engines capable of operating with methanol fuel, setting a new industry benchmark with the broadest methanol engine portfolio currently on the market.

Power for the biggest battery electric ship ever built

Wärtsilä's battery electric propulsion system and waterjets will power a new fully battery-powered ferry built by Incat Tasmania for their long-term customer, Buquebús. The battery modules and energy storage system package are four times larger than on any electric/hybrid ship currently operating, and with an overall length of 130 metres, the ferry will be the largest ever vessel of its type, and also the world's first zero emissions, lightweight catamaran.



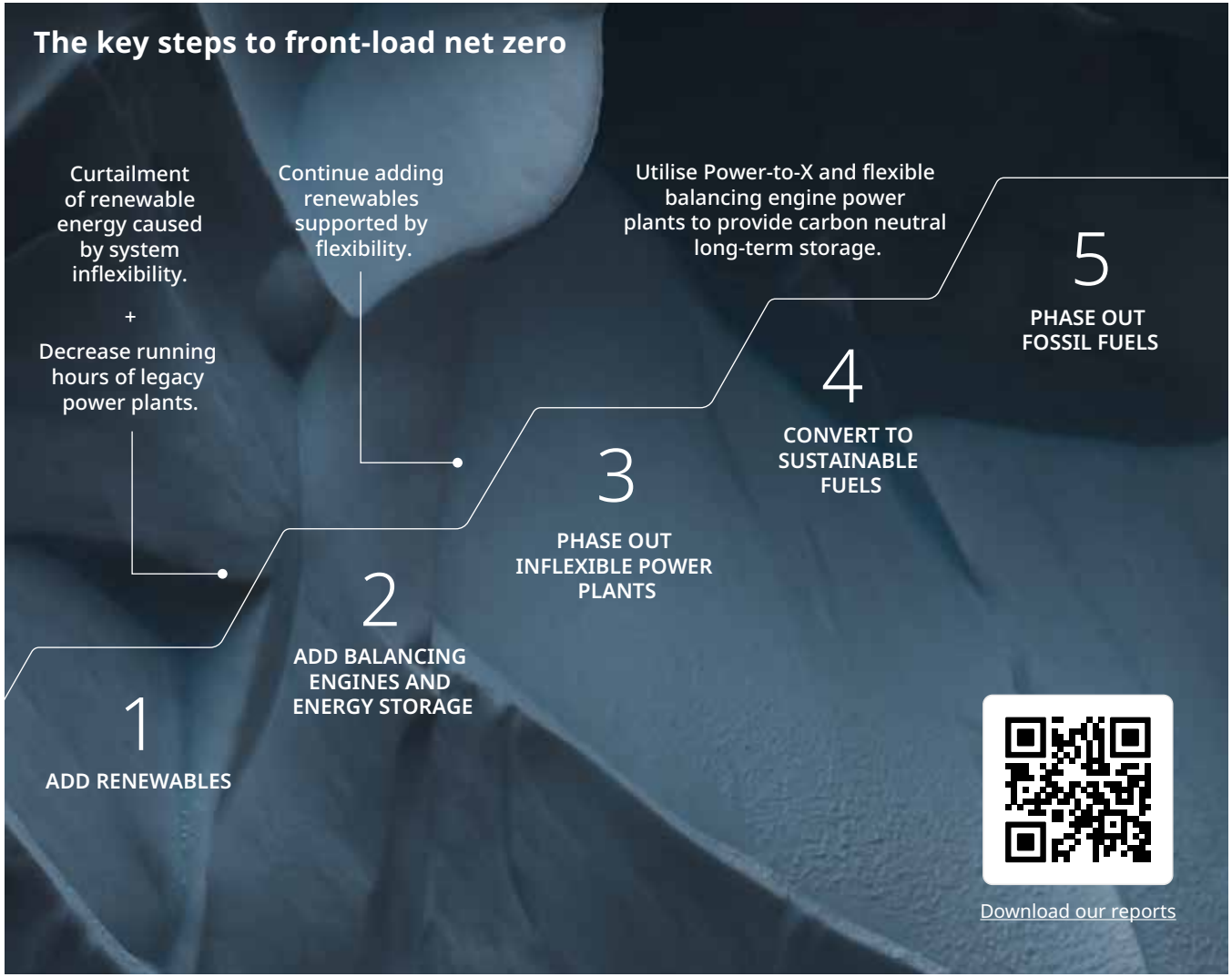
Delivering customer value in energy

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

Flexible balancing power capacity, like engines and energy storage, complement each other and can quickly react to the changes in the volatile energy system – providing the needed flexibility and stability to ensure the maximum utilisation of renewables.

Our engine power plants can already use 100% synthetic and carbon-neutral methane and methanol. They are also capable of using hydrogen/natural gas blends containing up to 25% hydrogen. Wärtsilä is developing a full-scale 100% hydrogen plant design in 2025 and a 100% hydrogen pilot in 2026.

As the share of renewables in the energy mix grows, more balancing power is needed. Our 190+ power system studies have shown that careful planning of power systems can save billions and rapidly reduce CO_2 emissions. We create value through our extensive knowledge of power systems and from integrating different energy solutions and assets. With our leading digital energy platform, GEMS, we can help our customers optimise different assets, at the lowest overall energy cost.



HIGHLIGHTS 2023 | Delivering customer value in energy



Contractor for one of Australia's largest energy storage projects

Origin Energy selected Wärtsilä as the contractor to deliver the first phase, 460 megawatts (MW) and 920 megawatt hours (MWh), of what will be one of Australia's largest energy storage projects and Wärtsilä's largest single energy storage deal to-date.

> Wärtsilä's rigorous, worst-case scenario testing program for the GridSolv Quantum system has set a new standard for fire safety testing in the energy storage industry.

Read more



Studying the feasibility of Power-to-X fuels

Wärtsilä published a study looking into the economic feasibility of Power-to-X fuels for power generation. The study examines the entire value chain of P2X fuels, analyses cost predictions, and provides detailed analysis of P2X fuels in energy systems via Wärtsilä's extensive modelling capabilities.

Calling for energy market reform in Europe

Wärtsilä published a study "Energy Market Redesign: For a Decarbonised Europe", outlining the critical measures which must be introduced to attract investments into flexible balancing power capacity and deliver an affordable and reliable transition to net zero power systems in the EU. Wärtsilä's modelling found, that Europe will require at least 1,100 GW of renewable capacity by 2030 to continue its decarbonisation journey and ensure energy security. However, for a renewable-based system of this scale to run reliably, it must be supported by 19 GW of new flexible gas capacity and 50 GW of energy storage to deliver power at times of low generation.



Supporting Indonesia's decarbonisation journey

Wärtsilä is strengthening support to Indonesian customers and the country's net zero targets. In 2023, Wärtsilä received an order for generating sets for two Indonesian power plants from KEPCO E&C and a second renewal of Guaranteed Asset Performance agreement from Antam. Wärtsilä also inaugurated its new workshop and Land & Sea Academy training facilities in Jakarta.

Delivering customer value in services

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

Wärtsilä has significant growth opportunities in all steps of the service value ladder. In transactional services, we support our customers by leveraging digital solutions for customer intelligence and automated lead management. We deliver enhanced performance through optimised maintenance and performance-based agreements, where we share the operational risk and guarantee the agreed performance by leveraging connectivity, big data, and analytics. The green transition is expected to provide a potential growth of +2X for retrofits and conversions of Wärtsilä's running engine fleet by 2030.

About 30% of our engine installed base is covered by service agreements with further growth opportunities. The renewal rate of existing service contracts is around 90%, which is a proofpoint that our services create value for our customers.



HIGHLIGHTS 2023 | Delivering customer value in services



Maintenance flexibility for China LNG Shipping vessel

Wärtsilä and China LNG Shipping (International) Company Ltd. (CLSICO) signed a 15-year Technical Management Agreement for the 'Dapeng Princess', the world's largest shallow draft LNG carrier. With constant data monitoring and maintenance support for the three Wärtsilä 34DF dual-fuel engines and gas valve units, Wärtsilä will ensure the vessel's operational reliability and maintenance planning flexibility.

> Wärtsilä now offers carbon capture and storage (CCS) feasibility studies to shipowners and operators in another milestone on the journey to develop CCS technologies.

Read more

Supporting efforts towards net zero carbon emissions in the US

Wärtsilä and Omaha Public Power District signed a ten-year Guaranteed Asset Performance agreement, covering a 150 MW plant in Omaha, Nebraska. The plant will provide balancing power as part of the utility's Power with Purpose project, an initiative designed to add 400-600 MW of solar generation and 600 MW of natural gas generation.

Long-term collaboration in Brazil

Wärtsilä and Rio Amazonas Energia (RAESA) signed an Operations & Maintenance agreement to provide full operations and maintenance support for the Cristiano Rocha power plant in Manaus, Brazil. The agreement strengthens the relationship already in place between Wärtsilä and RAESA, which entered into a Guaranteed Asset Performance agreement in 2019 to assist the plant to run with 100% natural gas.

Wärtsilä and Raízen to study ethanol as a marine fuel

Wärtsilä has signed a strategic partnership agreement for decarbonisation modelling with Raízen, a Brazilian energy company. The agreement aims to build and implement a fleet-wide decarbonisation plan with a particular interest in the future introduction of ethanol as a marine fuel.

Delivering customer value through leading R&D and partnerships

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

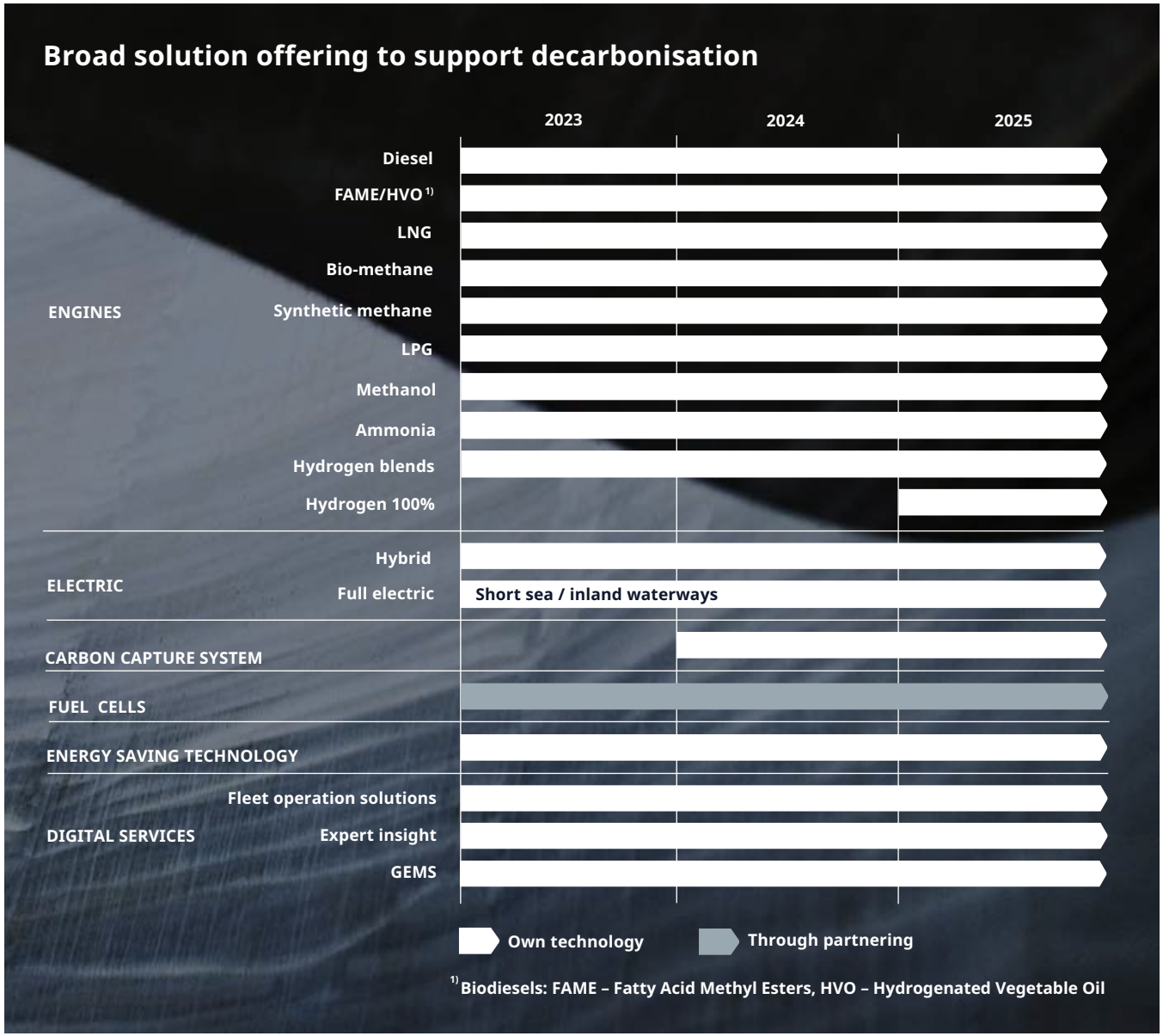
We continue to see strong synergies between marine and energy in research and development (R&D) and manufacturing of the new technologies. To accelerate the decarbonisation technology development, we have increased our R&D investments from the historical average of ~3% of net sales to ~4%.

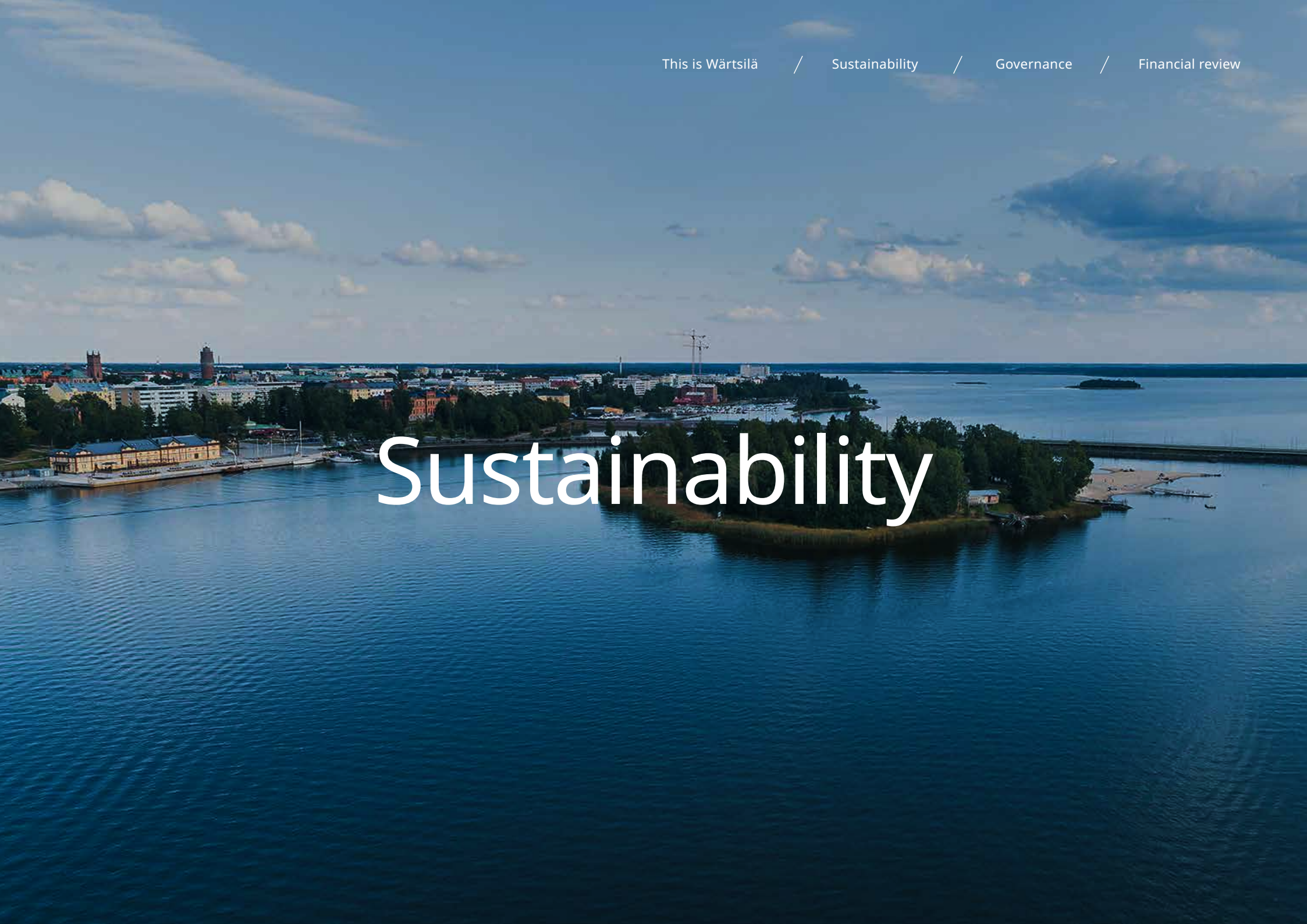
Proactive dialogue on our customers' specific technology roadmap

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

Solution offering for "most" technologies

Leveraging leadership in core technologies and partnering for complementary technologies





Sustainability



Sustainability at Wärtsilä

Sustainability at Wärtsilä

Our sustainability approach

Wärtsilä is a purpose-driven organisation, with sustainability at the core of both our purpose and strategy. Along with our values, principles, and sustainability objectives, they create the framework for a strong drive towards decarbonisation 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 to sustainable societies by being a forerunner in advanced solutions, while demonstrating high ethical, health, and safety standards. With our strong emphasis on decarbonising the marine and energy markets, innovative and efficient solutions play a central role in our positive contribution towards a low carbon future. Wärtsilä businesses focus on developing and providing solutions and services that maximise the environmental and economic performance of fleets and individual vessels, power plants, and entire energy systems. This focus is further enhanced through the use of lifecycle data, analytics, and artificial intelligence.

Wärtsilä's sustainability approach

PURPOSE
Enabling sustainable societies through innovation in technology and services

SUSTAINABILITY STRATEGY

VALUES
Customer success
Passion
Performance

Economic	Environmental	Social
Meeting customer and shareholder expectations	Innovative solutions for decarbonisation	High ethical standards
Contributing to the well-being of society	Technology leadership through R&D	Responsible employer
Efficient, profitable and competitive operations	High environmental performance and efficiency	Equal opportunities and diversity
	Active engagement in ecosystems	Safe working environment
		Enhanced product safety
		Supply chain development

PRINCIPLES
Code of Conduct
Corporate policies
Corporate manual

SUSTAINABILITY MANAGEMENT

Sustainability targets
Management systems, tools and practices
Sustainability measuring, reporting, external assurance
Stakeholder dialogue and collaboration

Our sustainability targets express our focus areas and provide information on Wärtsilä's performance. They are set under three long-term focus themes. The targets are dynamically set, which allows us to re-evaluate the feasibility of the targets in case of major changes, and to add new targets when needed, on an annual basis. All the targets have nominated target owners, who prepare action plans, oversee their implementation, and report on the proceedings.

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

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

An active and responsible member of society
Being a responsible company with high ethical standards, and engaging with key stakeholders to enhance sustainability.

Wärtsilä is included in several sustainability indices. In 2023, Wärtsilä qualified for the Dow Jones Sustainability Index (DJSI) Europe for the eighth year in a row. We are also included in the FTSE4Good Index Series, Solactive Europe Corporate Social

Responsibility Index, 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 implementation of the sustainability agenda and reviews major related issues annually. Wärtsilä's Board of Management has overall responsibility for sustainability performance and approves guiding group-level policies and action plans. Wärtsilä's sustainability targets, and the company's progress towards them, are reviewed by the Board of Management and Board of Directors at least once a year. The business and global function management teams ensure the execution of target actions.

In addition to the Board of Management's weekly and monthly meetings, there are ten thematic Boards, as well as Business Reviews and Functional Reviews for each Global Function three times a year. Sustainability issues are discussed within the Corporate Affairs Board, which is sponsored from the Board of Management by the Executive Vice President, Corporate Relations and Legal Affairs, and in Functional reviews. Sustainability-related issues for the Corporate Affairs Board meetings are prepared by the cross-functional Corporate Relations and Sustainability Committee. In 2023, the committee convened four times and the Corporate Affairs Board twice.

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



Sustainability management and material topics

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

Guiding principles	Management areas	Material topics
• Code of Conduct • QEHS Policy • Policy of human rights, equal opportunities, and fair employment practices • Corporate Manual	• People and culture • Product design • Environmental management • Occupational health and safety management • Responsible business conduct • Supply chain management	• Emissions • Compliance with laws and regulations • 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 general, sustainability risks, both strategic and operational, are assessed to be low for Wärtsilä. Based on the sustainability risk assessment we conducted in 2021, the most relevant strategic risks for Wärtsilä are related to ethical business conduct, regulatory compliance, understanding customer sustainability demand, financing, and climate change impacts. In 2023, Wärtsilä carried out a development project on climate related disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. TCFD reporting supports companies in identifying, reporting on, and responding to risks and opportunities arising from the business' exposure to climate change. The aim of the project was to increase Wärtsilä's reporting readiness in terms of climate risk and opportunity by utilising scenario assessments, and to identify and remove some of the reporting gaps. Climate risks and opportunities were assessed on a qualitative basis in two different scenarios. More on the TCFD project is presented in the Climate change and environment section. Information on sustainability risks can also 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, our most important stakeholders are our customers, owners, suppliers, employees, and society in general. Wärtsilä subsidiaries define their own primary stakeholders. In addition to those mentioned above, these typically include residents close to production plants, educational institutes, and public authorities. We engage with our stakeholders in numerous ways, including meetings and events, joint projects, communication channels, and collaboration platforms.

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

Preparing for mandatory and standardised sustainability reporting

As part of the European Union's Action Plan on Financing Sustainable Growth, and the need to improve access to information on investment risks and opportunities from sustainability issues, the Corporate Sustainability Reporting Directive (CSRD) took effect in January 2023. Until now, Wärtsilä, like many large, listed companies with over 500 employees, has prepared a separate sustainability report, with sustainability information also reported in the Board of Director's report as required by the Non-Financial Reporting Directive (NFRD). The CSRD replaces the NFRD and sets specific, standardised requirements on sustainability information to be reported in the management report as a sustainability statement.

During 2023, Wärtsilä began preparations for the forthcoming mandatory reporting. As a first step, we conducted the required double materiality assessment in order to define the most material sustainability issues to be included in the reporting. Wärtsilä's first CSRD report will be published in 2025 covering data from the 2024 financial year.

> During 2023, we actively monitored and prepared for the upcoming sustainability regulation, while advancing our sustainability agenda, including our decarbonisation targets."

Marko Vainikka, Vice President, Corporate Relations and Sustainability

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 26,500 active supplier accounts, with most key suppliers being located in Europe. We expect our suppliers to conduct their businesses in compliance with the same high legal and ethical standards and business practices as ours. Wärtsilä has mandatory supplier requirements for areas of compliance with legislation, environmental aspects, quality, occupational health and safety management, social performance, and cyber security. Compliance with these requirements is assessed, both in the selection and onboarding of new suppliers, as well as in the company's continuous supplier performance management. The supplier requirements are included in our standard supply agreements. In addition, we have product and service-specific requirements, for which compliance is assessed as part of the above-mentioned continuous supplier performance management process.

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

Commitments and principles

Wärtsilä has signed the United Nations Global Compact initiative and supports its ten principles with respect to human rights, labour, the environment, and anti-corruption. We are committed to aligning our strategy, culture, and day-to-day operations with these principles, and to engaging in collaborative projects that advance sustainable development. Our Code of Conduct and sustainability approach provide the main framework for promoting the principles within our sphere of influence. In 2023, Wärtsilä joined the UN Global Compact Business & Human Rights Accelerator programme to support the company's human rights efforts. More on this can be found in the Responsible business conduct section.

Wärtsilä also contributes in a positive way to several of the United Nations Sustainable Development Goals (SDGs) through our purpose and strategy, targets, policies, initiatives, innovations, and partnerships. We are committed to developing solutions, together with our stakeholders, that solve the societal challenges laid out in the SDGs, while also generating new business opportunities. In particular, we play a vital role in driving the decarbonisation of the energy and marine sectors. We have reviewed all the SDGs and their targets and have identified priority goals for Wärtsilä. These are most notably SDG7 Affordable and Clean Energy, SDG9 Industry, Innovation and Infrastructure, and SDG13 Climate action.

SDG	How we contribute
	• Energy solutions towards a 100% renewable future • Thermal balancing and energy storage • Energy efficiency and power system optimisation • Decarbonisation services and modelling • Future fuels research and development
	• Sustainable innovations • R&D investments and partnerships • Infrastructure projects • Manufacturing employment • Upgrades and retrofits
	• Purpose and strategy • 'Set for 30' decarbonisation targets and programme • Decarbonisation technology, solutions, and services • Clean fuels research • Power system modelling • Partnerships and projects

More information on our contribution to the SDG themes can be found in the following sections: Responsible business conduct, Climate change and environment, Occupational health and safety, and People and culture.

We also participate in several voluntary initiatives, agreements, and commitments including the Finnish Energy Efficiency Agreement, and sustainable business coalitions such as the ZEEDS initiative and the Getting to Zero Coalition. More information on our sustainability work is also described in the following sections: CEO review, Strategy and The Year 2023.

Sustainability targets

Towards carbon neutrality

Target	Year	Status in 2023
Set for 30: To become carbon neutral in our own operations.	2030	During 2023, we were able to reduce our CO_2 emissions by 21,300 tCO_2e compared to the previous year, which is in line with our target. The main contributors to reducing our greenhouse gas (GHG) emissions were purchasing green electricity and reducing emissions from R&D and factory engine testing. Read more in the Climate change and environment section.
Set for 30: To provide a product portfolio that will be ready for zero carbon fuels.	2030	In 2023, the development of concepts for pure hydrogen continued throughout the year. A concept will be selected for further industrialisation in 2024, aligned with requirements from the Energy business. Also during 2023, the development and validation of ammonia concepts continued. One of these concepts was industrialised for the Wärtsilä 25 Ammonia marine engine, which was released for sales at the end of 2023. Moreover, Wärtsilä launched four additional methanol marine engines.
Complete the first power-to-X and X-to-power demonstrator project.	2026	Wärtsilä participates in the H-Flex-E project, which aims to build a Power-to-X-to-Power system in Vaasa, Finland. The system will use renewable energy to produce green hydrogen to be stored and reprocessed. In 2023, pre-engineering work was conducted to support the environmental permitting process.
Reduce energy consumption by at least 7% from 2015 levels in terms of absolute consumption (GWh) .	2025	By the end of 2023, energy savings of 14.0 GWh were achieved, representing 47% of the final 2025 target.

Enhancing safety, wellbeing, and diversity

Target	Year	Status in 2023
Reach the long-term goal of zero injuries.	Long-term target	In 2023, the corporate lost-time injury frequency rate (LTIF) was 1.59, and the total recordable injury frequency rate (TRIF) 2.62. In 2023, we initiated a new four-year safety programme 'Success through safety'. Read more in the Occupational health and safety section.
Achieve an employee engagement index above 80%.	2023	The last Wärtsilä global engagement survey, MyVoice, was conducted in 2022 with an employee engagement index score of 80%. The next survey will be conducted in autumn 2024.
Personnel development – reach 100% Development Discussion completion rate.	2023	By the end of 2023, altogether 100% of the company's employees had completed development discussions.
Diversity – increase the share of females in the workforce to 20%.	2023	In 2023, the share of female employees was 17.6%.
Reach equal pay for males and females as specified (100%).	2023	During 2023, 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	Year	Status in 2023
Achieve a Code of Conduct training coverage of 100% to ensure commitment to the Code of Conduct throughout the organisation.	Continuous target	As at the end of 2023, the Code of Conduct training coverage was 93% of all employees.



Responsible business conduct

Contributing to the following United Nations Sustainable Development Goals:



Our employees represent approximately 130 nationalities in more than 70 countries, and we have delivered solutions to 180 countries. As a truly international company, and having employees from different cultures all over the world, common values and ethical principles help us in setting a consistent approach for responsible business conduct. Since we also support our solutions globally during their entire lifecycle, often spanning up to 30 years, we can at times be present in countries facing various uprisings, ethnic conflicts, area disputes, or violations of human rights. This emphasises the importance of our focus on responsible business practices. Taking pride in diversity, providing equal opportunities, and demonstrating high ethical standards are all part of our purpose. We also strive to demonstrate these practices through actions taken in our everyday work.



Our values and Code of Conduct programme

At Wärtsilä, we aim at having the best possible working culture, where ethics and compliance are at the core of our business practices. This requires that all of our employees in all our various locations understand and apply the same principles as defined in our Code of Conduct. We take an active approach to applying the Code of Conduct, and its supporting policies. We promote its implementation through support material and processes, group-wide mandatory e-learning programmes and other training courses, management systems, reporting and investigating non-compliance cases, monitoring, and by communicating activities.

Our values and Code of Conduct programme includes various actions aimed at strengthening the ethical culture of our company. These include the signing of an individual Code of Conduct Undertaking letter, an e-learning programme, and individual discussions, all of which are aimed at creating common understanding and strengthening ethical values and principles within the company. Our Code of Conduct e-learning programme provides information about the Code and its themes, as well as guidance for employees on making the right decisions in their everyday work. Employees are required to participate in the mandatory training programme every second year. At the end of 2023, 93% of Wärtsilä's employees had successfully completed the e-learning programme.

Respecting human and labour rights

Wärtsilä supports and respects internationally recognised human rights as outlined in the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We also support the Ten Principles of the UN Global Compact, of which six principles are related to human and labour rights. We work to ensure that there is freedom of association and the right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, employees are offered other channels for expressing their opinions.

Implementation of the Code of Conduct

Code of Conduct

- Compliance with law
- Openness
- Respect for human and labour rights
- Fair employment practices
- Conflict of interest
- Anti-corruption
- Environment
- Occupational health and safety
- Relationships with authorities and local communities
- Innovation and protection of proprietary information
- Accuracy of accounting records
- Competition and fair dealing
- Anti-fraud
- Implementation
- Reporting violations
- Sanctions

Supporting policies

- Human rights, equal opportunities, and fair employment practises
- Anti-corruption
- Compliance reporting
- Broker, Agent & Distributor
- Quality, Environmental, Health and Safety (QEHS)
- Accounting manual
- Intellectual property
- Competition law compliance
- Supply management
- Trade compliance
- Personal data protection
- Subsidiary governance

Processes, training, and communication

- Group-wide mandatory Code of Conduct and anti-corruption e-learning programmes
- Signing of an individual Code of Conduct undertaking
- Dedicated Code of Conduct and compliance intranet pages
- Support material in multiple languages
- Values and Code of Conduct discussion sessions
- Training on implementing policies
- Risk management processes
- Management systems
- Supplier compliance assurance procedures
- Reporting and investigation of non-compliance cases
- Monitoring and evaluation
- Communication of activities



Our Code of Conduct and Policy on human rights, equal opportunities, and fair employment practices define common rules, and provide guidance for all employees on respecting human and labour rights, and fair employment practices. Human and labour rights are also included as part of the requirements stated in the Wärtsilä Supplier Handbook, as well as in our supplier risk assessment and compliance assurance procedures.

Additionally, human rights considerations and international best practices are incorporated within various guidelines, such as the Quality, Environmental, Health and Safety Policy, which sets priorities for enhancing health and safety in our business operations. Human rights are also included in the mandatory Wärtsilä Code of Conduct e-learning for all employees.

According to the sustainability risk assessment project that we carried out in 2021, the human rights themes of particular importance to Wärtsilä are health and safety, and fair labour practices, which include fair employment conditions, freedom of association, non-discrimination, and non-harassment. One particular challenge to our operations is the nature of maintenance operations carried out by our service personnel. These can require long working hours in the case of, for example, power block-outs.

In 2023, Wärtsilä participated in the UN Global Compact Business & Human Rights Accelerator programme. The programme is a six-month training package to support companies in identifying and assessing the key human rights impacts of their business and turning these findings into concrete actions. The work included mapping selected areas of Wärtsilä's business and identifying their potential impacts on people. We assessed Wärtsilä's salient human rights impacts and risks related to labour rights in the supply chain, the health and safety of our employees, and operations in high-risk conflict-areas. The next steps of the assessment include continuing the impact assessment, and embedding human rights due diligence practices into our processes.

More information on our human rights related actions are presented in the Occupational health and safety, People and culture, and Social data sections.

Preventing corruption and bribery

Wärtsilä's Code of Conduct, Anti-Corruption Policy, as well as specific policies implemented for sales intermediaries, namely Agent, Broker and Distributor Policies, expressly prohibit the company and its employees from offering or accepting any kind of benefit considered to be a bribe, and from taking actions that could give rise to a conflict of interest or breach of loyalty. The policies make it compulsory to comply with the anti-corruption laws of all the countries in which we do, or intend to do, business and urge the reporting of any cases of corruption and bribery. We are aware that the risk of corruption and fraud is heightened in many markets where we operate. Therefore, full compliance with a stringent anti-corruption regime is required of all employees. Anti-Corruption risk assessments are carried out regularly as part of our continuous anti-corruption improvement efforts. In 2023, no instances of substantiated corruption or bribery were identified.

We also maintain an extensive training programme that is mandatory for all employees on anti-corruption principles and applicable legislation, as well as the relevant company policies and procedures. As at the end of 2023, 88% of Wärtsilä's employees had successfully completed the Anti-Corruption e-learning course. Separate anti-corruption and anti-bribery training sessions and awareness raising actions are also organised on a local level.

Political lobbying

Wärtsilä's policy is to engage in an open dialogue and discussion with both local and international public authorities and officials. The aim of the dialogue is to share information and improve the quality of regulations. We participate in public consultations in those areas of importance to the company and are registered in the EU's Transparency Register. In 2023, topical political lobbying themes for Wärtsilä were the acceleration of decarbonisation in the marine and energy sectors, the EU Fit for 55 legislative climate package, the EU Data Act, and the EU electricity market design. We also monitored and prepared for the upcoming Finnish Transparency Register, which will become operational in 2024.

At Wärtsilä, influencing activities fall under the responsibility of the Executive Vice President, Corporate Relations and Legal. The current positions of trust held by members of Wärtsilä's Board of Directors and Board of Management are presented in the Governance section.

Competition regulation

Wärtsilä has in place a competition compliance programme for managing risks relating to competition law, and our management is strongly committed to implementing this programme. The cornerstone of the programme is a competition law policy, which is kept up-to date, providing information on competition rules and guidelines for our personnel. The competition compliance programme builds upon an e-learning module, based on competition law policy. In addition, competition compliance training sessions were held in 2023 for relevant personnel in order to promote understanding of competition laws and their compliance requirements.

Reporting misconduct

Wärtsilä employees are encouraged to voice their concerns relating to any potential violations of the Code of Conduct and its underlying policies and instructions. The reported misconduct cases are investigated centrally or locally, as appropriate. The primary means for reporting suspected misconduct incidents is via the line management. However, employees also have alternative reporting routes. These include an externally hosted whistleblowing channel, which allows reporting in any language, reporting directly to the compliance function, or by informing legal affairs. If a suspected violation involves the top management of Wärtsilä Corporation, or where the suspected case is believed to be significant, the Audit Committee of the Board of Directors of Wärtsilä Corporation can be contacted directly.

Employees who report a potential Code of Conduct violation in good faith will not suffer harassment, retaliation, or adverse employment consequences. In all cases, our employees can seek advice on ethical and lawful behaviour and on matters of integrity from Wärtsilä legal counsels or from the compliance function. In 2023, a total of 95 reports of suspected misconduct incidents were made. All reported incidents are investigated and appropriate corrective actions are taken, as necessary. The majority of all reported incidents are grievance cases.

Find more information in the Compliance data section.

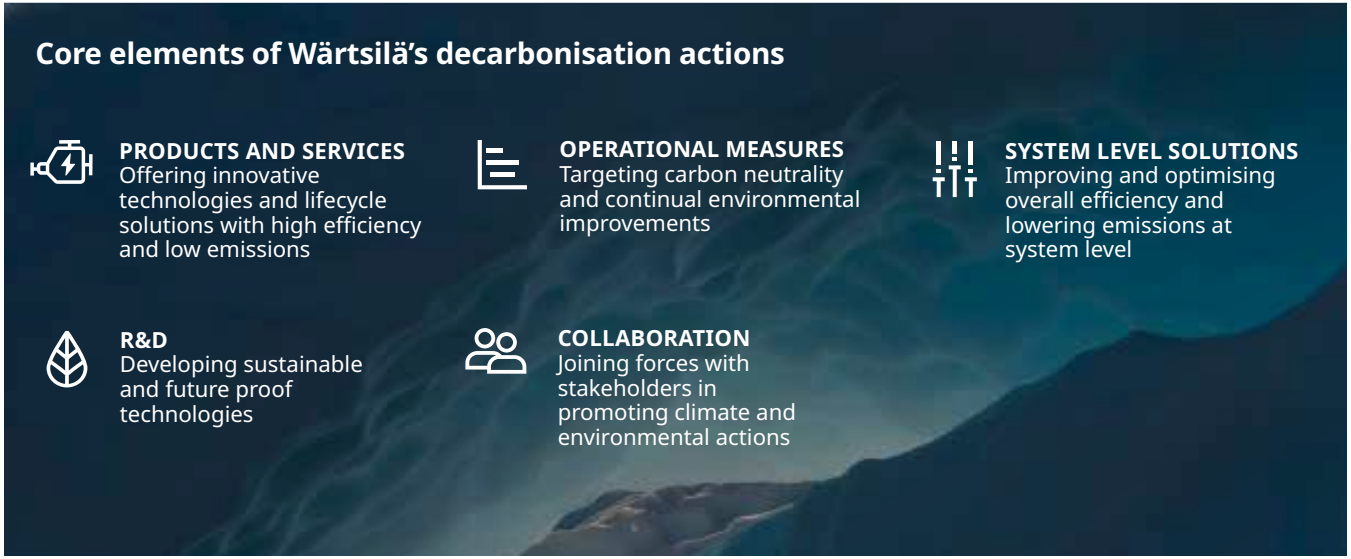
Climate change and environment

Contributing to the following United Nations Sustainable Development Goals:



We support our marine and energy sector customers on their decarbonisation journey. For this, we continuously invest in innovation and product development to deliver sustainable technologies and solutions. Furthermore, we do our part as an organisation to minimise our own environmental footprint. Our goal is to become carbon neutral in our own operations and to provide a product portfolio ready for zero carbon fuels by 2030.





Innovating for sustainability

R&D and innovation

Decarbonisation requires a broad range of solutions. We offer technologies and solutions that enable the transition to decarbonised shipping and 100% renewable power systems. Our product and solution portfolio includes technologies related to efficiency optimisation, fuel flexibility, emission and noise abatement, waste treatment, effluent and ballast water treatment, as well as flexible energy storage systems, engine and hybrid power plant solutions, and lifecycle services. Our proactive approach to meeting future demand has resulted in the development of both primary and secondary abatement technologies, and has broadened the range of usable fuels. With the help of intelligent digital solutions and services, data can be collected, analysed, monitored and reported, allowing us to optimise operations and reduce environmental impact.

Our sustainable solutions and services include the following features:

- Future fuel readiness and fuel flexibility
- Low emission and noise levels
- High efficiency
- Digital intelligence
- System level optimisation
- Compliance with environmental regulations
- Renewable energy integration with engines and storage systems
- Dynamic capabilities
- Low water consumption
- Lifecycle support and optimisation
- Reliability, safety, and an extended lifespan

As our products have a long operational life, identifying the lifecycle impacts of our products is essential for understanding their total environmental impact. We manage the lifecycle of our products through their design, the careful selection of suppliers, production methods, and by optimising transportation, maintenance, and repairs during their operational life. The reconditioning of products and components increases their reliable service life, while modernising improves the existing operational performance of installations.

Decarbonisation is a priority in our product and product portfolio development, including abatement technologies. We are developing a broad range of technologies and solutions to support our customers in their decarbonisation transition. Carbon neutral fuels can be used already today, and we are developing our portfolio further so that zero carbon fuels, such as for example, ammonia and hydrogen, can be widely used by 2030.

Strategic partnership agreement for decarbonisation modelling

Wärtsilä signed a strategic partnership agreement for decarbonisation modelling with Raízen, a major Brazilian energy company, to boost Raízen's efforts to deliver end-to-end low-carbon solutions to its worldwide customers. The agreement aims to build and implement a fleet-wide decarbonisation plan with a particular interest in the future marine introduction of ethanol as a marine fuel. Wärtsilä will support Raízen by performing technology testing with ethanol as a fuel in one of its sustainable fuels laboratory engines.



Innovations, studies, and partnerships in 2023
In 2023, we launched a 4-stroke engine-based ammonia solution for marine applications. As part of the Wärtsilä 25 engine platform, this world-first solution represents a significant advance in sustainable shipping operations.

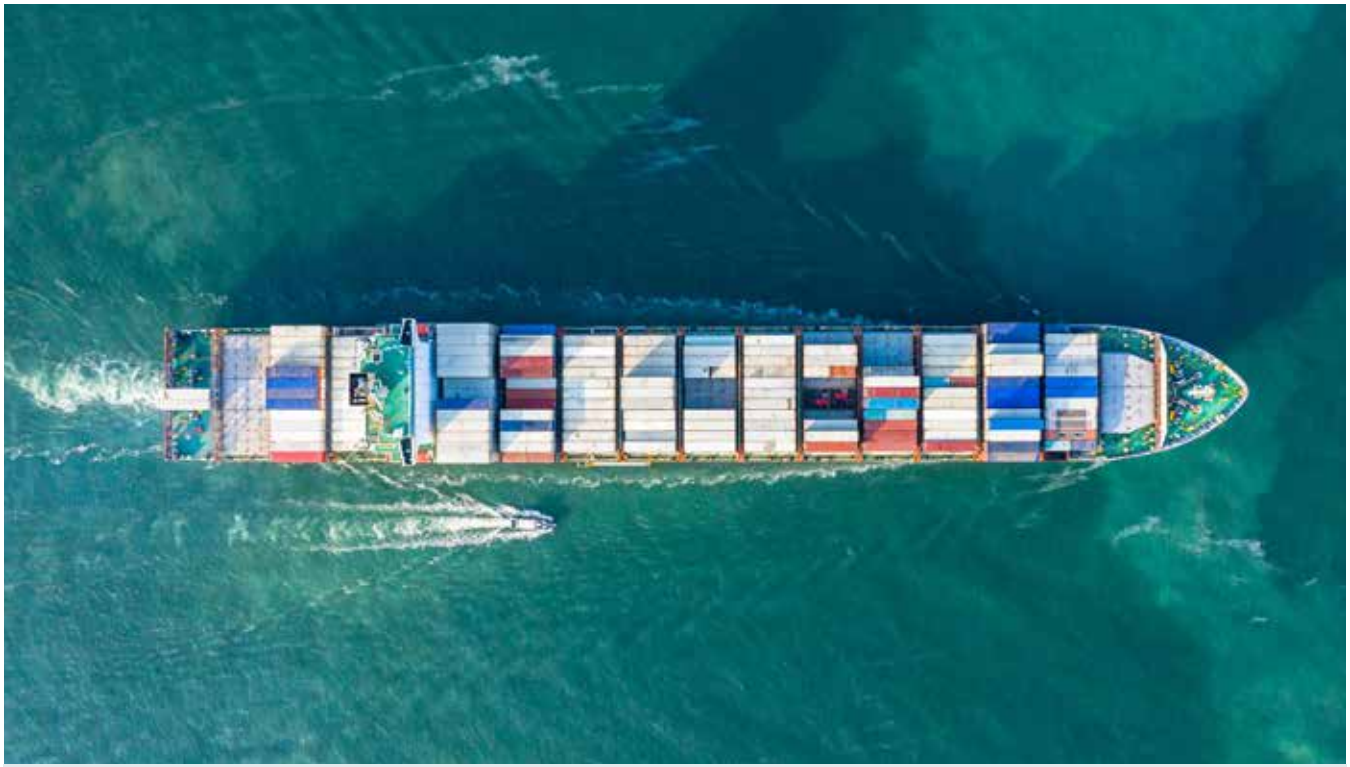
We also introduced another four methanol-ready engines to our portfolio: the Wärtsilä 20, Wärtsilä 31, Wärtsilä 46F, and Wärtsilä 46TS. This sets a new industry benchmark with Wärtsilä having the broadest methanol engine portfolio currently on the market.

In addition, Wärtsilä launched a new ultra-low emissions version of its already efficient Wärtsilä 31DF engine. Whilst operating on LNG, this new version can further reduce methane emissions on a 50% load point by up to 56% and nitrogen oxide (NO_x) by up to 86%.

In Energy, we launched the Quantum High Energy (QuantumHE), which is a next generation energy storage system with advanced safety features and enhanced energy density. Together with WEC Energy Group, we successfully tested the capabilities of a Wärtsilä engine running on 25 vol% hydrogen-blended fuel using an unmodified Wärtsilä 50SG engine. The tests took place in Michigan, USA.

We also published a study on energy market reforms and measures needed in Europe to deliver an affordable and reliable transition to net zero power systems, and a white paper on the potential of Power-to-X (P2X) fuels in enabling a decarbonised future for the global energy sector.

Furthermore, we joined forces with leading companies and other organisations to put our purpose and strategic goals into action. These partnerships aim to enhance new research and cooperation on innovative sustainable solutions, improve efficiency, and accelerate the decarbonisation of shipping and the development of clean fuels.



EU funding for Green Ray project minimising methane slip from marine engines

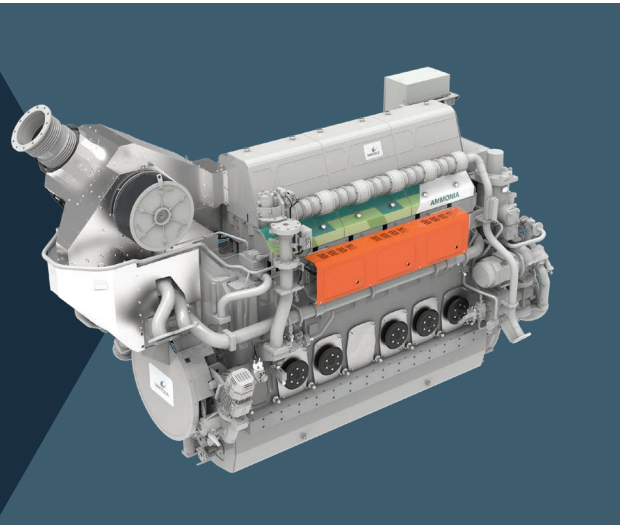
A consortium including Wärtsilä secured European Union funding to develop solutions that minimise methane slip from marine engines, while advancing the environmental and climate benefits of LNG as a marine fuel.

Wärtsilä will develop technology specifically aimed at low pressure 4-stroke dual fuel engines to enable methane slip reduction, increased efficiency, and lower operational costs at all engine loads. Wärtsilä will also develop an on-engine technology for 2-stroke engines based on a patented LNG injection system to reduce methane slip from tankers, container ships, and other vessel types. Both technologies will be demonstrated at sea in real operational applications during the project in collaboration with the other Green Ray partners.

The project received funding of around €7 million from the EU research and innovation framework programme Horizon Europe. It will run until 2027.

Innovations and partnerships in 2023 - Marine

The first 4-stroke ammonia solution for marine applications
Wärtsilä introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel. This new Wärtsilä 25 Ammonia solution can immediately reduce greenhouse gas emissions by more than 70%, compared to a similar sized diesel solution, thereby meeting current EU targets until 2050 and even exceeding the IMO target for 2040.





Onboard carbon capture and storage feasibility studies
Wärtsilä announced its new offering of carbon capture and storage (CCS) feasibility studies to shipowners and operators to research, develop and bring to market maritime CCS technologies.

Introduction of four additional methanol engines
In addition to the Wärtsilä 32 methanol engine launched in 2022, Wärtsilä added the Wärtsilä 20, Wärtsilä 31, Wärtsilä 46F and Wärtsilä 46TS to its portfolio of engines capable of operating with methanol fuel. Methanol is one of the primary alternative fuel choices for the shipping industry to achieve net zero carbon emissions by 2050.



Improved Wärtsilä 31DF engine reduces methane emissions
Wärtsilä introduced a new ultra-low emissions version of its efficient Wärtsilä 31DF engine. Whilst operating on LNG, this new version can further reduce methane emissions on a 50% load point by up to 56% and nitrogen oxide (NO_x) up to 86%. On a weighted average, this new technology can reduce methane emissions by 41% more than the standard Wärtsilä 31DF engine, which already has the market's lowest emission levels.

EvoTube – A new stern tube concept for conventional propulsion
Wärtsilä introduced EvoTube, a revolutionary and patented advancement in Shaft Line technology for marine propulsion systems. It reduces the required oil volume for stern tube lubrication by 90% and significantly eases the future upgrading to environmentally advanced water-lubricated propeller shaft systems.

Introduction of a new radical derating retrofit solution – the Wärtsilä Fit4Power
Wärtsilä introduced the Wärtsilä Fit4Power, a new advanced retrofit solution, which enables ship owners to reduce the bore size of two-stroke engines by 25% while significantly improving combustion efficiency. This in turn reduces both fuel consumption and greenhouse gas emissions.

Innovations and partnerships in 2023 - Energy



Wärtsilä engine ran on 25 vol% hydrogen blend
Wärtsilä successfully tested the capabilities of a Wärtsilä engine running on 25 vol% hydrogen-blended fuel at WEC Energy Group's A.J. Mihm power plant in Michigan, USA, using an unmodified Wärtsilä 50SG engine. The tests were validated by Electric Power Research Institute (EPRI). The tests demonstrated clear improvements in engine efficiency and reduced greenhouse gas emissions, while remaining compliant with NO_x emission regulations.

Wärtsilä Guaranteed Asset Performance agreement supports US utility's efforts to reach net-zero carbon emissions by 2050.

Read more



Wärtsilä study on the potential of Power-to-X fuels for power generation

Wärtsilä published a whitepaper, which explores the potential of Power-to-X fuels to enable a decarbonised future for the global energy sector. Entitled "The feasibility of Power-to-X fuels for power generation", the study examines the entire value chain of P2X fuels, analyses cost predictions, and provides a detailed analysis of P2X fuels in energy systems via Wärtsilä's extensive modelling capabilities.

Long-term service agreement to support Jordanian power producer's reliability and sustainability targets

Wärtsilä signed a renewal of its long-term service agreement with Jordanian independent power producer AES. The agreement covers the 256 MW AES Levant power plant located east of Amman. A Wärtsilä agreement has supported AES's targets for the plant's reliable and sustainable operations since it was commissioned in 2014.

Launch of Quantum High Energy storage system

Wärtsilä launched Quantum High Energy (QuantumHE), a next-generation energy storage system with advanced safety features and enhanced energy density. It supports the integration of storage into power grids and facilitates the addition of renewables.

Environmental management and targeting carbon neutrality in our own operations

Striving for continual improvement

Our continual improvement in environmental performance is based on consistently working in a systematic way. This work is guided by our strategy and environmental targets, our Code of Conduct, as well as policies relating to Quality, Environment, Health and Safety, coordinated and monitored by the cross-business Wärtsilä EHSS (Environment, Health, Safety and Security) team. In developing our operations, processes and products, we endeavour to utilise the latest technologies available for improving efficiency in areas such as material and energy consumption, as well as for reducing and managing emissions and waste throughout the lifecycle of our products and services.

Operations and products are continuously developed and improved with the help of certified environmental management systems. The principle means is to apply certified Environmental, Health and Safety (EHS) management systems based on ISO 14001 / ISO 45001 in all Group companies, excluding those companies focusing purely on sales. Our EHS management systems cover all operations carried out by our subsidiaries. This promotes environmental protection, and allows the reduction of adverse impacts to be carried out on a wide front.

Our EHS management system focuses on compliance with legal requirements, identifying and reducing environmental impacts and risks, training personnel and clearly defining their responsibilities, complete documentation of activities and procedures, actions to be taken in emergencies, and the continuous improvement of environmental performance. Our subsidiaries and business units set their own targets for covering the significant environmental aspects of their operations, and for monitoring the overall performance of their management systems. At the end of 2023, 59 Wärtsilä companies operated with a certified environmental management system. These certified environmental management systems cover roughly 93% of our total workforce.



Wärtsilä reducing plastic waste by changing its spare part packaging material

In 2022, Wärtsilä and Carnival Corporation carried out a joint pilot project to reduce the plastic materials being used in marine operations. The project was carried out on two Carnival Cruise Line vessels, the Carnival Splendor and the Carnival Freedom. It involved the use of smarter packaging material for spare parts, primarily using recycled paper packaging materials instead of plastic. Despite the challenging sea freight and humid conditions, the quality of the recycled packaging material remained at the same level as earlier when plastic was used.

The pilot project resulted in both a considerable reduction in the number of plastic bags used, as well as less weight for the shipments being made. As a result of this pilot, in 2023, Wärtsilä Global Logistics Services has undergone a process of changing its spare part packaging to achieve a reduction of approximately 40% in the amount of plastic used (by weight). Alternative packing materials are now used, wherever possible. Our approach is end-to-end, from our suppliers to our distribution centres and onward to the end customer.

The change in packaging is incorporated for deliveries to Wärtsilä customers in both the marine and energy sectors.

Carbon neutrality

Wärtsilä is committed to become carbon neutral in its own operations by 2030. As part of our decarbonisation actions, we evaluate the timing and maturity of various measures, dependencies with different projects, as well as the cost effects of each greenhouse gas (GHG) reduction measure. In 2023, our actions focused on low and medium cost measures, such as purchasing green electricity, low emission company vehicles, and reducing time in R&D and factory engine testing.

We have developed a purchasing model for green electricity purchases, where we have defined our approach for acquiring Guarantees of Origins (GOs), Renewable Energy Certificates (RECs), and International Renewable Energy Certificates (I-RECs). In 2023, Denmark, Finland, Italy, Norway, and the Netherlands began purchasing green electricity certificates that led to a reduction of around 20,000 tCO_2e. Our ambition is that in 2024, all countries will switch to green electricity and follow the defined purchasing model.

For many Wärtsilä countries, solar panels are an attractive alternative because of their self-sufficient nature and payback time. For example, Wärtsilä Wuxi installed a 500 kW solar power generation system on a workshop roof, which generates self-sustaining, green electricity for daily operations. Investigations for new solar panel investments are ongoing, for example in Norway's Rubbestadneset, Finland's Sustainable Technology Hub in Vaasa, and Italy's Diano d'Alba site.

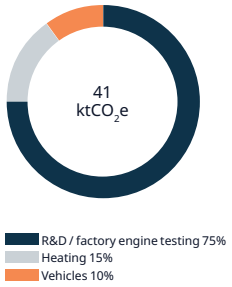
In 2023, a new vehicle policy was introduced to actively support the move to electric vehicles. The policy applies to Wärtsilä-owned and leased vehicles, such as cars, trucks, vans, cranes, and forklifts. All sites are requested to review their existing infrastructure for charging electric vehicles and to start planning for the increased use of electric vehicles in the future. Many Wärtsilä sites are already preparing for this development. For example, Wärtsilä Sweden expects their service car fleet to operate on fully electric cars from 2030, the first electric car having been taken into use in 2023.

Wärtsilä joined the national energy saving week in Finland on 9–15 October 2023. This was a continuation of the 'Down a degree' national energy saving campaign in 2022 and provided an opportunity to remind Wärtsilä employees about the importance of energy efficiency and energy savings to reduce GHG emissions.

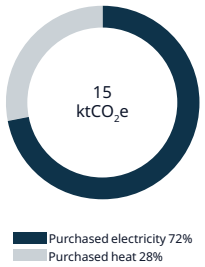
In the Sustainable Technology Hub in Finland, fuels are used mainly for R&D and factory engine testing. We have identified and taken measures to contribute to energy savings, such as reducing running times during engine testing. Because the use of fuels cannot be totally avoided, fuels must be used as efficiently as possible. The heat that is produced during these tests and other processes is maximally utilised and collected into a 300 m^3 energy storage tank. That energy is used in-house, for example, for pre-heating the engines before the first start and for heating the buildings and shower water in the office.

R&D and factory engine testing generates 74% of our Scope 1 emissions. Several actions related to the reduction of GHG emissions from engine testing are underway, and results can already be seen. For example, in Bermeo, Spain, we have tested the use of synthetic heavy fuel oil (eHFO) in our engine laboratory with good results. The aim was to test the characteristics of the eFuel and its potential impacts on for example, engine performance. To produce the synthetic fuels, renewable hydrogen and CO_2 are used.

Scope 1 emissions



Scope 2 emissions



The main emission reduction categories in our decarbonisation pathway are:

- Energy efficiency and energy savings
- Switching to low emission company vehicles
- Utilisation of self-generated energy and the purchase of green electricity
- Reducing the time needed for R&D and factory engine testing
- Utilisation of heat pumps in heating
- Replacing fossil fuels with alternative fuels in factory and R&D engine testing
- Utilisation of various technologies to reduce greenhouse gas (GHG) emissions in our engine testing

Find more: Information and figures about our operational performance in the Environment Data section.

Wärtsilä's climate scenarios based on Task force for Climate-related Financial Disclosure (TCFD) recommendations

Climate change poses a variety of risks and opportunities for Wärtsilä through our supply chain, our own operations, and customer demands. These include policy and legal, market, technology, and reputational risks and opportunities, as well as physical risks.

In 2023, Wärtsilä carried out a project to implement recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD). In this project, we identified three transitional risks, four transitional opportunities, and two physical risks as the main impacts arising in connection with climate change. These key risks and opportunities have been further evaluated in two detailed science-based climate and emissions scenarios. These aim to explore variances in two very different possible futures, within three time-horizons (Short: 2025, Medium: 2030, and Long: 2050):

- **Very low Greenhouse Gas (GHG) emissions scenario ("Very low GHG" scenario)**, starts from the assumption that the global average temperature will be limited to 1.5°C above pre-industrial levels by 2100. In this scenario, it is also assumed that a -50% reduction in global GHG emissions is reached by 2030 compared to 2010. In short, this scenario globally requires rigorous tightening of the regulations surrounding GHG emissions and the relevant technologies and products contributing to GHG emissions. That, in turn, creates transitional risks to some current Wärtsilä technologies, while creating or improving opportunities for other current and future Wärtsilä technologies. In this scenario, global warming will continue, but at a moderate speed, which limits the physical risks to our own, as well as our suppliers' and customers', sites and employees around the world.

- **Very high GHG emissions scenario ("Very high GHG" scenario)**, assumes that global GHG emissions will keep increasing at the current rate, leading to a minimum 4°C increase in global average temperatures by 2100, compared to pre-industrial levels. In this scenario, regulations on GHG emissions become stricter in the short term, then halt at those levels, and no further significant policy tightening will be introduced globally. In short, this scenario poses smaller transition risks to certain current Wärtsilä technologies, while making alternative technologies less attractive to our customers. It also provides companies with less incentive to develop zero-carbon and other decarbonisation-focused technologies. In this scenario, global warming will continue at a fast pace, thus increasing the physical risks to our entire value chain.

Scenario analysis summary

Wärtsilä's business model and strategy are clearly fit for the "Very low GHG" scenario, where climate change related opportunities with regards to customer demand, R&D and innovation, and regulations increase substantially over time. In the marine industry, the International Maritime Organization (IMO) has already introduced regulations to drive the green transformation. Wärtsilä's broad portfolio of engines, digital technologies, propulsion systems, hybrid technology, and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support our customers during the transformation and beyond. In the energy industry, we envision a 100% renewable energy future. We help our customers in decarbonisation by future-fuel enabled balancing power plants, hybrid solutions, as well as with energy storage and optimisation technology. For both industries, we aim to have a product portfolio ready for zero carbon fuels by 2030. However, in this scenario there is a risk of raw material costs increasing by 2030, mainly due to EU regulations on emissions, such as the Carbon Border Adjustment Mechanism (CBAM), and a plausible scarcity of battery materials in case supply chains do not function as expected. Regulations aimed at limiting GHG emissions are also seen as a risk, peaking around 2035. The level of impact will depend on the strictness of the regulations, for example whether new installations running on fossil fuels can be sold at all, or if certain banned materials will prove challenging to replace. For Wärtsilä, the possibilities to overcome future risks will also depend on the availability of green zero carbon fuels and the infrastructure readiness for them, as well as our capabilities to develop technologies fulfilling the regulatory requirements.

Wärtsilä's future business opportunities in the "Very high GHG" scenario are considered to be more limited, and this scenario would require partial reconsiderations of our current strategy and R&D programmes. However, it should be noted that customer demand may still increase in this scenario, for example by customer demand for energy solutions and dual fuel power generating solutions positively impacting Wärtsilä's EBIT in the short to medium term. Also, in this scenario, R&D would still present opportunities, although smaller, in for example engine performance improvement. The probability of physical risks, such as heatwaves and flooding due to extreme precipitation events, is greater in this scenario, impacting Wärtsilä's supply chain and customers to varying degrees, but still with limited direct impact on Wärtsilä.

Transitional risks and opportunities

A climate change related issue can pose a risk, but also provide an opportunity for Wärtsilä. While R&D and innovation is seen as a major opportunity, especially in the "Very low GHG" scenario, competitors commercialising similar technologies faster or more efficiently than Wärtsilä, or also novel disruptive technologies, is seen as a substantial risk. Our response is to continue or even increase our R&D efforts related to zero carbon fuel/decarbonisation products and services. An important factor is the transformation speed of the ecosystem, in particular the availability of zero carbon fuels at scale, related safety requirements around the new fuels, as well as the distribution infrastructure. Similarly, stricter GHG emission regulations,

including a ban on the use of fossil fuels, presents substantial risks to Wärtsilä's current product portfolio, especially in the "Very low GHG" scenario, while also creating opportunities for other current offerings, and especially the future technologies under development. Our products are already fuel-agnostic, so our engines can be run with biofuels and synthetic fuels, naturally depending on the availability of such fuels to our customers. Wärtsilä also has a wide variety of other solutions to our marine and energy customers' decarbonisation needs.

Wärtsilä's R&D efforts, which accounted to 4.3% of net sales in 2023, are mostly related to the decarbonisation of the marine and energy sectors. In addition to the 'Set for 30' targets to provide a product portfolio that will be ready for zero carbon fuels by 2030, we are developing a variety of other technologies, such as carbon capture and energy storage.

The cost and availability of certain key materials can be seen as a growing structural risk. As the green transition accelerates globally, their prices will increase and there might even be availability problems with some materials, such as battery materials, if the production of such key materials is not ramped up in parallel. Regulations will also impact Wärtsilä's material costs through, for example, the EU's CBAM. We are taking steps to ensure material availability and cost visibility by entering into long-term supply agreements and by diversifying our supply base.

Attracting and/or retaining talent and competencies is an important success factor for Wärtsilä. We consider this an opportunity rather than a risk for us. In the context of climate change, our efforts to decarbonise our marine and energy value chains supports a strong brand image ("decarbonisation of marine and energy will not happen without Wärtsilä"). This will attract and retain the talent and capabilities needed to succeed in our strategy.

Physical risks

We have identified two main physical climate risks to our sites and employees: increased global average temperatures, and an increased frequency plus intensity of heatwaves and flooding due to extreme precipitation events. Wärtsilä has operations in almost 80 countries around the world, giving a high likelihood that some of these risks will materialise somewhere. At the same time, however, our global spread is also beneficial, since we are businesswise not completely dependent on any one country or continent. Our main production facility is in Finland and our logistics centre providing spare parts globally is in the Netherlands, with many smaller sites around the world. We have not identified material climate risks affecting our operations in Finland or the Netherlands, but certain smaller sites have a higher risk of the physical effects. However, altogether they still do not create a major financial risk to Wärtsilä.

Regarding higher average temperature and heatwaves, we recognise that they can burden health and emergency services and also increase the strain on water, energy and transportation supplies, resulting in power shortages or even blackouts. As a result, our employees' health related effects need to be taken into consideration, meaning adequate work breaks to be enabled, cool/shaded rest areas to be arranged, drinking water availability to be ensured, first aid for heat stress to be available, and suitable personal protective equipment (PPE) to be provided. Affected sites also need adequate water tanks, emergency generators and cooling.

As climate change proceeds, the risk of flooding due to an increased severity of extreme precipitation events increases in certain areas. This needs to be taken into account when establishing or acquiring new sites by considering locations that are less prone to flooding, or located on higher ground and able to withstand flooding. Investing in flood control infrastructure, including grey infrastructure like seawalls and levees, where needed, as well as green infrastructure solutions, such as green roofs, holding ponds, and enhancing tree canopies are to be studied, where relevant. Also, limiting the use of non-permeable surfaces, such as pavement and concrete, and taking flood insurance policies are to be considered in line with individual site circumstances.

The risk of flooding or other hazards caused by a rise in sea levels is currently excluded from the scenario assessment. This requires the gathering and analysing of detailed data on each site, such as its proximity to the sea, wind patterns, elevation, and landform to be properly evaluated.

All in all, the probability of physical risks is greater in the "Very high GHG" scenario, impacting Wärtsilä's supply chain and customers to varying degrees, but with limited direct impact on Wärtsilä. An important factor in limiting Wärtsilä's direct exposure to the physical risks is that most of our smaller sites are rental, i.e. Wärtsilä does not own them.

Overview of risks and opportunities identified, and Wärtsilä's response

The table below lists the most relevant risks and opportunities related to climate change for Wärtsilä, as well as the strategic responses to mitigate these risks and maximise the possibility to realise the full potential of such opportunities. Each risk and opportunity is presented for the three time-horizons (2025, 2030 and 2050) on two consecutive rows, the first based on the "Very low GHG" scenario (global average temperature limited to 1.5°C above pre-industrial level by 2100), and the following row on the "Very high GHG" scenario (minimum 4°C increase in global average temperature compared to pre-industrial level by 2100). The risk and opportunity exposure values have been formed by combining the assessed impact on Wärtsilä's EBIT and its likelihood, and are expressed on a scale with five levels: "**VL**-Very low", "**L**-Low", "**M**-Medium", "**H**-High" and "**VH**-Very High".

Wärtsilä's climate risks and mitigation actions – Transition risks

Risk	Description	Climate scenario	Risk exposure			Mitigation actions
			2025	2030	2050	
Regulations or claims	Stricter regulations on GHG emissions (incl. a possible fossil-fuel ban).	Very low GHG	M	H	VH	Implementing our 'Set for 30' decarbonisation targets: Becoming carbon neutral in our own operations by 2030, and providing a product portfolio that will be ready for zero carbon fuels by 2030. Continuing to develop products and services that support our customers' decarbonisation journey.
		Very high GHG	L	L	L	Continuous development of efficient and reliable products.
Competitors	Competitors commercialising similar technologies faster or more successfully (incl disruptive technologies).	Very low GHG	M	M	H	Continuing or even increasing the R&D efforts related to zero carbon fuel/decarbonisation products and services.
		Very high GHG	M	M	M	Continuous development of efficient and reliable products.
Raw material cost and availability	Raw material availability for certain,e.g. battery materials, may become limited, leading to cost increases. Costs,including logistics costs, can also be elevated by regulations (e.g. EU's CBAM).	Very low GHG	M	M	M	Ensuring material availability and cost visibility by entering into long-term supply agreements and diversifying the supply base.
		Very high GHG	VL	L	L	Ensuring material availability and cost visibility by making long-term supply agreements and diversifying the supply base.

Wärtsilä's climate risks and mitigation actions – Physical risks

Risk	Description	Climate scenario	Risk exposure			Mitigation actions
			2025	2030	2050	
Increasing global average temperatures and increased frequency and intensity of heatwaves.	Heatwaves can burden health and emergency services and also increase the strain on water, energy and transportation, resulting in power shortages or even blackouts. Food and livelihood security may also be strained if people lose their crops or livestock due to extreme heat.	Very low GHG	L	L	M	Considering health related effects, such as sufficient work breaks, cool/shaded rest areas, drinking water availability, first aid for heat stress, and suitable PPE. Providing affected sites with necessary water tanks, emergency generators, and cooling.
		Very high GHG	L	L	M	As above, with more emphasis on the precautionary measures. Most heavily affected sites may turn unproductive/costly and relocation may be considered – in these cases Wärtsilä not owning, i.e. renting, the facilities, is a strategic benefit.
Flooding due to the increased severity of extreme precipitation events.	Flooding can lead to i.a. possible property damage, or interruptions to production or the supply chain.	Very low GHG	VL	VL	L	When establishing or acquiring new sites, such locations should be considered that are less prone to flooding or are on higher ground and can withstand future changes in flooding levels. Investing in and studying flood control infrastructure needs, including grey infrastructure such as seawalls and levees, as well as green infrastructure solutions like green roofs, holding ponds, and enhancing tree canopies. Limiting the use of non-permeable surfaces, such as pavement and concrete, and taking flood insurance, where necessary.
		Very high GHG	VL	VL	L	As above, with more emphasis on precautionary measures. Most heavily affected sites may turn unproductive/costly and relocation may be considered – in these cases Wärtsilä not owning, i.e. renting, the facilities is a strategic benefit.

Wärtsilä's climate opportunities and our response

Opportunity	Description	Climate scenario	Exposure			Our response
			2025	2030	2050	
Regulations or claims	Stricter GHG emission regulations (incl. a ban on the use of fossil fuels).	Very low GHG	**M**	**M**	**VH**	Implementing our 'Set for 30' decarbonisation targets: Becoming carbon neutral in our own operations by 2030 and providing a product portfolio that will be ready for zero carbon fuels by 2030. Continuing to develop products and services supporting our customers' decarbonisation journey.
		Very high GHG	**L**	**L**	**L**	Continuous development of efficient and reliable products, as customer demand for such will remain, and energy prices may increase.
R&D and innovation	New low emission technologies via R&D, and innovation in our operations (incl. disruptive technologies).	Very low GHG	**M**	**H**	**VH**	Providing a product portfolio that will be ready for zero carbon fuels by 2030. Continuing the development of products and services that support our customers' decarbonisation journey. Undertaking further R&D programmes in order to remain a leading technology company.
		Very high GHG	**M**	**M**	**M**	In the medium term, developing a product portfolio that will be ready for zero carbon fuels by 2030, as regulations will continue to tighten in the coming years. A thorough strategic review when the regulatory tightening stalls.
Customer demand	Increased customer demand for low-carbon energy or products.	Very low GHG	**M**	**VH**	**VH**	In the short term and onwards, Wärtsilä's current and upcoming offering strongly supports the needs of customers to decarbonise their energy and marine portfolios.
		Very high GHG	**M**	**M**	**L**	In the short to medium term, Wärtsilä's current and upcoming offering strongly supports the needs of customers to decarbonise their energy and marine portfolios. A partial strategic review when customer demand decreases after the regulatory tightening stalls.
Attracting or retaining talent	Attracting or retaining employees because of our climate risk profile and brand image.	Very low GHG	**M**	**M**	**H**	Increasing our efforts to decarbonise our value chains, and building a strong brand image based on mitigating climate change.
		Very high GHG	**L**	**L**	**L**	In the short term, remaining a leading technology company attracting talent based on our decarbonisation efforts. In the longer term, keeping other aspects of sustainability at the centre of our R&D and operational development efforts.

People and culture

Contributing to the following United Nations Sustainable Development Goals:



Innovating in sustainable technology and services to help our customers continuously improve their environmental and economic performance would not be possible without our engaged, highly competent, and diverse workforce. Our employees are pivotal to the performance of Wärtsilä and our long-term success.



Wärtsilä's People Strategy is built on four People Priorities. These priorities ensure that HR, together with the Businesses, strategically develops workforce effectiveness in order to reach our goals, while bringing our purpose and company values – Customer Success, Performance and Passion - to life. We aim to provide value to our customers and stakeholders by putting people at the heart of everything we do. The People Priorities are currently:

Creating an inclusive culture that drives engagement and performance – We build diverse and inclusive teams collaborating cross-organisationally to actively shape our ways of working and mindset to create a culture that supports our purpose and values. We embrace trust, wellbeing, and work-life balance as prerequisites to achieving sustainable performance.

Fostering continuous learning to build capabilities for Wärtsilä's success – We build strategic capabilities and learning portfolios to enable our path towards shaping the decarbonisation of marine and energy. Our leaders reinforce learning and empower us all to take responsibility for our own growth and development.

Building leadership for impact – We develop leaders that are engaged in the strategy and equipped to drive team and individual performance. We promote continuous improvement where everyone is empowered and understands their contribution to The Wärtsilä Way.

Matching the right talent to the right roles at the right time – We understand the true economics of value creation through key roles, competences, and behaviours. We attract, engage, retain, and develop talent to reach the best possible business impact. The goal for Wärtsilä is to be an attractive employer for current and future employees, and to ensure that Wärtsilä has people with the required competences and motivation.

We believe in a diverse and inclusive work community.

Employee engagement – MyVoice survey

MyVoice, our employee engagement survey, provides a means for us to make our voices heard. MyVoice is conducted every second year and will be next held in 2024. The survey focuses on three key indexes: Engagement, Leadership, and Customer Success, and benchmarks how Wärtsilä performs compared to other similar companies. The businesses run shorter Pulse surveys in between the MyVoice surveys, to follow-up on key development areas. The survey results and insights help us improve our working environment and ways of working. In 2023, we gave special attention to the Customer Success index and the further implementation of The Wärtsilä Way. An internal awareness campaign titled 'Customer Stories' increased our understanding of how we drive customer success and collaboration. In so doing, we have invested in building customer-centric and consultative selling capabilities.

Diversity is a fact, inclusion is a choice

Creating an inclusive culture that drives engagement and performance is one of the priorities in our People Strategy.

Inclusion is a state of being valued, respected, and supported for what you are. It is about focusing on people's needs and ensuring that the right conditions are in place for each person to achieve their full potential. At Wärtsilä we value, respect, and embrace diversity and inclusion (D&I). We are proud of having a diverse representation of nationalities and cultures at all levels, departments, and functions of the organisation. Currently, our workforce comprises some 130 nationalities.

Diversity and inclusion are not merely derived from words of encouragement – they need to be supported by actions. Wärtsilä has created a variety of actions and methods, ranging from recognising unconscious bias and prejudice, learning from the diverse cultures of our people, to building cross-functional teams that increase our cognitive diversity and strengthen our ability to innovate.

In 2022, we collected ideas and shared best practices on how we, together, can improve D&I at Wärtsilä in the broader context. This includes race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age or political beliefs, or other characteristics. In 2023, as a result of the ideas, we developed two self-study learning paths: 'Diversity, Equity and Inclusion (DEI)' and 'How to be a better ally'. The first learning path dives deeper into Diversity, Equity, and Inclusion, and provides some practical steps towards improving DEI at Wärtsilä. By the end of 2023, 874 Wärtsilians have engaged with the content. The second learning path, 'How to be a better ally', provides several practical actions one can take to support colleagues from different communities. The aim is to enhance communication and understanding, as well as to have an empathetic workplace. By the end of 2023, 435 Wärtsilians have engaged with the content.

Employee wellbeing matters

Wärtsilä wants to provide a healthy working environment that supports growth, wellbeing, and work-life balance.

Our global wellbeing framework consists of five holistic pillars: Mental & Intellectual, Physical & Nutrition, Social, Emotional, and Balance & Rest. The objective is to improve our current state in all these areas through effective leadership, designated programmes and activities, as well as to build a wellbeing focused culture, where our people feel safe and cared for.

In June 2023, we launched four Wellbeing Behaviours with the aim of focusing our efforts on truly integrating wellbeing

into our culture. We want to create a healthy and caring work environment that supports our workload, gives us balance and generates inclusiveness at Wärtsilä. To achieve this, we have developed different practices and learning opportunities. During the second half of 2023, we focused on developing a self-study learning path to introduce 'Wellbeing Talks and Moments', which teaches the importance of taking care of our team, and which provides practical tips and activities for implementation. Likewise, we developed a 'Wellbeing Toolkit' to facilitate wellbeing discussions among teams. We also provided Wellbeing Tools through Microsoft Viva Insights that allow us to understand our work habits and promote a healthy work-life balance.

Wärtsilä wellbeing behaviours

Foster a healthy lifestyle

- Be physically active and be mindful of your nutrition
- Focus on your mental health and identify early signs
- Be present and live the moment

Have smart and effective meetings

- Plan and prepare meetings with an agenda and appropriate people
- Organise and encourage others to have shorter meetings with breaks

Value work and life balance

- Respect your colleague's calendar and time zone
- Be mindful of people's working schedules and vacations

Engage and embrace dialogue

- Use your voice and communicate clearly and effectively
- Give feedback and recognise good work

Leading performance and growth

Wärtsilä's Performance Management is a continuous process of driving business success by

- setting performance goals which are aligned to the strategic goals of the organisation
- reviewing and assessing progress, removing obstacles, and taking action when required
- ensuring continuous dialogue and feedback
- and developing the knowledge, skills, and abilities of our people

The annual goal setting links The Wärtsilä Way and the strategic business priorities to team and individual performance. It also builds an understanding of how our work and individual goals contribute to team and business success. Everyone deserves to have clarity on what is expected of them in their role, what good performance looks like, and to get fair and honest feedback when things are not progressing in the right direction. Well defined goals with clear deliverables support us in knowing where to concentrate our efforts, while creating a sense of motivation and supporting our wellbeing.

In 2023, we improved the Performance and Development process to further support our journey towards high performing teams, and to increase the quality of performance management. The performance review phase in the process starts with employees completing a self-evaluation. This further empowers everyone to take ownership of their own performance and development.

In 2023, we also introduced a renewed concept for addressing underperformance and a Performance Improvement Plan process.

Our work with improving quality continues in 2024 with a special focus on building leadership capability, and promoting understanding of Integrated Performance Management. The long-term goal is to further integrate performance, career development, talent identification, and rewarding.

Building leadership for impact

The Wärtsilä Leadership Model supports our strategic growth by outlining the desired leadership behaviours. The model consists of three areas, and in total there are 15 descriptive leadership behaviours.



The model is tightly linked to The Wärtsilä Way. Alongside the strategic priorities, execution plans and our values, it measures how we are fulfilling our purpose and reaching our target position. It supports our leaders in executing The Wärtsilä Way and moving the needle on our Continuous Improvement Journey. It thus provides our leaders with direction and guidance on how to collaborate, communicate, and lead in different situations.

In 2023, we transformed the previous self-study learning path on the Leadership Model into an eLearning available in 12 languages. The expected outcome of the eLearning is to strengthen leadership by making sure our leaders have a thorough understanding of the model and know how to apply our desired leadership behaviours. By the end of 2023, a total of 2,666 employees had completed the new eLearning or the previous self-study learning path.

During 2023, we worked on the deployment of the Leadership Model into all key people practices. We integrated the model into the Wärtsilä 360-leadership assessment, the Talent Review process, the Performance and Development process, as well as ensuring that it is well incorporated within all leadership development programmes by taking the time to discuss and reflect on the model in the programmes. It has, therefore, become an active and valuable part of our everyday context.

At Wärtsilä we believe that we develop as leaders every day. Thus, we have introduced a new concept, 'LeaderTalks', that allows us to develop as leaders through interacting and discussing with our peers. 'LeaderTalks' is a quarterly virtual event that brings our people together to talk, learn, and reflect on how we lead and interact. All employees can attend the events and are encouraged to get together with colleagues and jointly participate in the event.

Additionally in 2023, we launched two newly designed development programmes for senior leaders. They are highly tailored leadership development programmes with the objective of developing our key leaders to lead high-performance teams and foster cross-organisational collaboration.

Focus on talent management

To reach our ambition of being the employer of choice for current and future employees, Wärtsilä is continuously enhancing its talent management practices. In 2023, our new Talent Review process covered 1,200 senior leaders and individual contributors, of which 8% were identified as key talents. The number of key talents is at a healthy level, and pleasingly, the gender diversity of this group is slightly higher than for all assessed; females 31% (27.4%) and males 69% (72.6%).

Three new talent type categories (VP potential, leader talent, specialist talents) were introduced to help us implement targeted and more impactful development actions for our most important people. Identifying and executing development actions and next steps for the identified talents is pivotal for Wärtsilä´s future success. In 2024, the focus will be on process quality, building Line Manager competencies in succession planning, and on implementing impactful talent management practices e.g., internal career mobility.

In a tough and competitive market for talent where candidates have more options, it is essential to have a distinct value proposition that distinguishes us. In 2023, we developed further the Wärtsilä People Narrative to ensure it is customised and attractive for our key target groups and helps us attract talent to Wärtsilä. Our Global Employee Referral Programme, which started in 2022, actively encourages and rewards Wärtsilians for advocating our open roles within their networks and supports external recruitment operations resulting in positive outcomes

Building a learning organisation

A learning organisation is a state of being, where each of us commits to learning, unlearning, sharing, and improving. Wärtsilä is on a journey to become a learning organisation, to stay competitive and innovative, and to inspire our people to make a difference.

Wärtsilä wants to empower its people to stay curious and develop their competencies. According to the 70-20-10 learning principle that we use in Wärtsilä, learning is a continuous process, and it happens by doing (70%), by sharing (20%) and by studying (10%).

The development programme 'Grow – Building our Learning Organisation' that was set up in the autumn of 2022, continues to interest our employees. By the end of 2023, a total of 496 employees had attended. The programme focuses on psychological safety, a growth mindset, feedback culture, and continuous improvement. The expected outcome of this programme is to create an environment where we actively listen and dare to speak up, where new ideas are born, where we learn from mistakes, where we actively ask for feedback to develop, and where we learn how to continuously improve.

During 2023, we emphasised the need to build coaching and mentoring capabilities to foster an open culture where we value growth and development, and to deliberately invest in it. Coaching and mentoring provide several benefits to the organisation. These include helping people unlock their personal potential, building relationships and collaboration between colleagues, enabling the cross-border transfer of knowledge, fostering leadership and career development, as well as expanding the professional network within the organisation.

Our internal coaching framework continues to be the foundation for our internal coaching processes. In 2023, our internal coach pool grew to 45 coaches and around 100 pairs have gone through the coaching process. Developing a coaching leadership style has been included in the leadership development programmes, the purpose being to upskill leaders on how they can make coaching a habit in their everyday work. We are currently working on the development of a new formal coaching process for key talents.

Similarly, our internal mentoring framework serves as the baseline for all our formal mentoring programmes. In 2023, we had seven formal mentoring programmes, with 176 mentor/mentee pairs. During 2023, we developed a new formal mentoring programme where members of our Board of Management act as mentors for groups of senior leaders. 20 senior leaders successfully concluded the programme in 2023, and another 21 senior leaders started their journey in November 2023.

Wärtsilä employees attended a total of 22,471 formal learning days in 2023. However, it is important to recognise that a major part of learning takes place during the everyday flow of work, and not in formal training. Wärtsilä prides itself on offering numerous opportunities for our people to learn and develop in accordance with the 70-20-10 learning principle. Most of the learning takes place outside the classroom and cannot, therefore, be measured in terms of conventional training hours or learning days.

Occupational health and safety

Contributing to the following United Nations Sustainable Development Goals:



Safety is a high priority for Wärtsilä, and we are committed to creating and maintaining a safe and healthy workplace for our employees and partners, wherever we operate. This is emphasised in our drive towards zero injuries by applying high standards of occupational health and safety, and by implementing action-orientated safety programmes and practices.



Occupational health and safety management

Wärtsilä's occupational health and safety principles are defined in the company's Code of Conduct, its Quality, Environmental, Health and Safety (QEHS) Policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's subsidiaries are required to have a management system in place that conforms to both the QEHS Policy and the EHS directive. The main aspects of the management system relate to compliance with legislation, identifying and minimising occupational health and safety risks, personnel training, implementing effective health and safety programmes and instructions, recording and investigating occurred incidents, emergency response, and the continual improvement of occupational health and safety performance. At the end of 2023, 56 Wärtsilä companies, representing roughly 92% of Wärtsilä's total workforce, were operating with a certified ISO 45001 occupational health and safety management system in place.

In addition to the management system, Wärtsilä companies also apply occupational health and safety programmes as required by local legislation. These are normally developed by occupational health and safety committees made up of company management and personnel representatives. Altogether, 70% of all Wärtsilä companies currently have an occupational health and safety committee.

The indicators used to measure occupational health and safety performance include the number of accidents, lost workdays due to accidents, the frequency of accidents, and the number of near miss / hazard observations, and reports from management safety walks. We also measure the completion rates of global health and safety training programmes. We have set a corporate level target of zero injuries. This target is a long-term commitment from the company to strengthen our safety culture, and it requires actions from all Wärtsilä companies, businesses, and employees. The safety performance of each business and company is monitored on a monthly basis, and the results are reviewed by Wärtsilä's Board of Management.

Introduction of heat stress management guidelines

In 2022, we identified an increasing number of heat related illnesses, especially during the hot summer period May-August, and initiated the preparation of global health and safety guidelines to tackle this new challenge. Before the hot season in 2023, we published these guidelines, which included training material on how to assess heat exposure and illnesses, and how to take preventive measures.

The guidelines highlight the importance of assessing heat risk, hydration, the use of cooling devices and ventilation, and having proper rest periods. They also include check lists of things to be agreed upon before work in hot conditions begins at customer sites and what is to be checked during the work.

The new guidelines were communicated throughout the entire organisation to support local implementation of the heat management procedures.

Safety measures in 2023

The total recordable injury frequency (TRIF) for 2023 was 2.62, which was 2% higher than in the previous year. The lost time injury frequency (LTIF) for 2023 was 1.59, which was 1% higher than in the previous year. Furthermore, we recorded a 40% increase in the number of management safety walks compared to 2022.

Since 2019, we have been delivering 'Champions in Safety' training to our front-line employees. The objective of this interactive course is to help understand the impacts of incidents, enhance individual risk awareness and risk prevention behaviour, as well as to empower our employees to take practical actions to prevent accidents from occurring. By the end of 2023, 7,500 employees had completed this training. In 2021, the 'Champions in Safety' training concept was extended to also cover Wärtsilä managers by adding learning elements of safety leadership behaviour, and how to emphasise proactive safety activities. 2,000 managers had completed this training by the end of 2023.

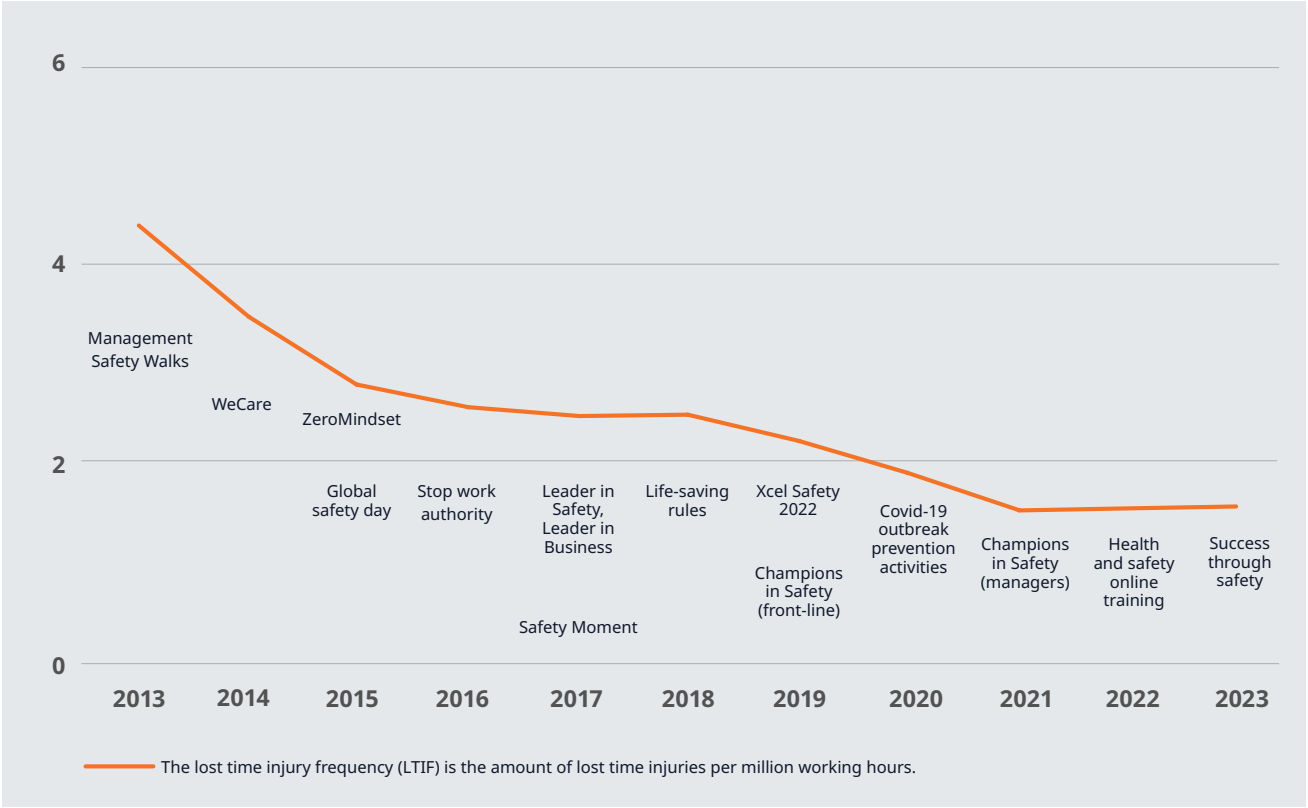
Wärtsilä's ninth annual Safety Day took place on 28 September 2023, the theme being workplace ergonomics. The event was titled 'Mind your posture' and was aimed at improving physical ergonomics to reduce workplace injuries and illnesses, and improve wellbeing. It was organised throughout the company via local events and global virtual safety events. The emphasis was on increasing awareness of safety risks and their potential consequences, promoting necessary safety measures, strengthening our safety culture, and celebrating success in safety.

Strong focus on product safety in 2023

- The Wärtsilä Ammonia Release Mitigation System (WARMS) received Approval in Principle from the classification society DNV. WARMS mitigates the health and environmental risks associated with future fuels, such as ammonia, unless handled and stored with great care.
- The Wärtsilä 32 Methanol engine received type approval certificates from several classification societies, including the China Classification Society (CCS), which confirms that the engine design and functionality are approved and ready for safe use.
- Wärtsilä's GridSolv Quantum energy storage system became compliant with the NFPA 69 Standard and UL 9540A fire safety requirements after rigorous testing by our awarded team.

More information and figures on occupational health and safety can be found in the Social data section.

Safety evolution in Wärtsilä



Management Safety Walks	A leadership tool that involves holding conversations on safety with employees.
WeCare	A global information management tool and way of working for reporting and investigating incidents.
ZeroMindset	A safety programme initiated in 2015 to bring Wärtsilä towards the Zero Injury target. Since then, ZeroMindset has become a definition for Wärtsilä's safety culture and behavioural target.
Global Safety Day	An annual safety celebration that takes place throughout the Wärtsilä network. The theme changes every year.
Stop work authority	The Wärtsilä QEHS policy authorises everybody to stop work in unsafe situations. Wärtsilä is committed to Stop Work authority by preventing any retaliation in response to exercising this authority.
Leader in Safety, Leader in Business	A leadership safety engagement training programme (1 day) for all line managers and employees who have a direct impact on front line operations.
Safety Moment	A short discussion of any safety topic at the beginning of a meeting. The intention is to stimulate a conversation on safety related matters, thereby encouraging the participants to be safety minded and share information on safety.
Life-saving rules	Wärtsilä's ten life-saving rules have been put in place to ensure that consistent behaviour is followed to prevent incidents that could result in a serious injury or fatality.
Xcel Safety 2022	A global safety programme delivered in 2019-2022 with new elements, such as creating safety champions, boosting safety culture, taking best practices into action, and securing safety competencies.
Champions in Safety	A global safety training programme for front-line employees and managers. Front-line training began in 2019 (4h) and manager training at the end of 2021 (4h).
COVID-19 outbreak prevention activities	Activation of the global Crisis Response Team and local Incident Management Teams with the responsibility of monitoring, communicating and implementing guidelines, and preparing prevention actions and control plans.
Health and safety online training	A 90 min online training programme for all employees that introduces Wärtsilä´s health and safety principles and main preventive measures.
Success through safety	A new global 4-year safety programme with the challenging target to cut the total recordable injury frequency (TRIF) by 30% by the end of 2026. The programme has actions in four streams: employee safety, contractor safety, product safety, and occupational health.

In 2023, we launched a new 4-year safety programme, 'Success through safety', to continue striving towards zero injuries.



Sustainability data

Economic

Wärtsilä drives growth by performing as a pioneer and a leading partner for decarbonisation. Our objective is to secure financial performance and create long-term value for our shareholders and society at large. Achieving this depends on our ability to satisfy the expectations of multiple stakeholders. These include providing customers with high-quality and environmentally sound products, solutions and services, building long-term partnerships with suppliers, offering employees competitive compensation and working conditions, as well as contributing to the well-being of the local communities in which we operate. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.



Direct economic value generated and distributed (GRI 201-1) 1/3

MEUR	2023	2022	2021	2020	2019
Customers					
Net sales	**6,015**	5,842	4,778	4,604	5,170
Suppliers					
Cost of goods, materials, and services purchased	**3,964**	4,245	3,072	3,004	3,368
Value added	**2,051**	1,597	1,706	1,601	1,802
Distribution of value added					
Distributed to stakeholders	**1,778**	1,546	1,493	1,412	1,404
Employees					
Wages and salaries	**1,187**	1,104	1,009	984	1,028
Public sector					
Taxes and social dues	**364**	282	324	266	329
Creditors					
Net financial items	**-37**	-6	-18	-43	-47
Shareholder					
Dividends	**188**	153	142	118	284
Communities					
Donations given	**0.4**	0.6	0.4	0.6	0.5
For business development	**274**	51	214	189	114

Economic performance

Financial implications and other risks and opportunities due to climate change (GRI 201-2)

Wärtsilä's response to climate change is to develop and provide products, solutions, and services that enable our customers to reduce their greenhouse gas emissions. More information about Wärtsilä's solutions for reducing emissions can be found in the Climate change and environment section.

In 2023, Wärtsilä carried out a development project on climate related disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. TCFD reporting supports companies in identifying, reporting on, and responding to risks and opportunities arising from the business' exposure to climate change. Climate risks and opportunities were assessed on a qualitative basis in two different scenarios. More on the TCFD project is presented in the Climate change and environment section. Further information on sustainability risks can be found in the Risks and risk management section. No part of Wärtsilä's activities fall within the scope of the EU Emission Trading Scheme (ETS).

Direct economic value generated and distributed (GRI 201-1) 2/3

MEUR	2023	2022	2021	2020	2019
Customers					
Net sales by market area (MEUR)					
Europe	**1,954**	1,718	1,591	1,542	1,690
Asia	**1,678**	1,482	1,464	1,570	1,968
Americas	**1,757**	2,062	1,286	1,077	1,098
Africa	**316**	288	251	245	222
Other	**310**	292	186	170	192
Total	**6,015**	5,842	4,778	4,604	5,170
Suppliers					
Cost of goods, materials, and services purchased (MEUR)	**3,964**	4,245	3,072	3,004	3,368
Employees					
Salaries and wages (MEUR)					
Europe	**813**	734	707	688	719
Asia	**152**	153	136	138	145
Americas	**187**	180	134	131	134
Africa	**22**	22	21	21	22
Other	**14**	15	11	7	8
Total	**1,187**	1,104	1,009	984	1,028
Net sales/employee (TEUR)	**340**	334	274	252	271

Defined benefit plan obligations and other retirement plans (GRI 201-3)

The pension cover is based on the legislation and agreements in force in each country. In Finland, most of the pension obligations are covered by the Employees Pensions Act (TyEL). The largest defined benefit plans are used in Switzerland, Germany, the United Kingdom, and Sweden. Most of these defined benefit pension plans are managed by pension funds, and their assets are not included in the Group's assets. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practices in each country. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans. More information on the Group's pension obligations can be found in the Financial Review, Note 4.7. Pension obligations.

Financial assistance received from government (GRI 201-4)

Subsidies received (TEUR)	2023	2022	2021	2020	2019
	14,988	15,771	14,855	17,225	8,101

The value of the subsidies received in 2023 was TEUR 14,988 and they were among others related to R&D projects. The most contributing countries in 2023 were Finland, Spain and Norway.

Direct economic value generated and distributed (GRI 201-1) 3/3

MEUR	2023	2022	2021	2020	2019
Public sector					
Taxes and social costs by market area (MEUR)					
Europe	**257**	194	230	197	223
Asia	**49**	41	42	35	47
Americas	**32**	36	36	25	43
Africa	**16**	10	12	14	19
Other	**9**	1	3	-5	-2
Total	**364**	282	324	266	329
Subsidies received (TEUR)	**14,988**	15,771	14,855	17,225	8,101
Net financial items (MEUR)	**-37**	-6	-18	-43	-47
Community					
Donations given, Board of Directors (TEUR)	**150**	130	130	130	130
Donations given, Wärtsilä companies (TEUR)	**298**	429	246	433	383

Market presence

Ratios of standard entry level wage by gender compared to local minimum wage (GRI 202-1)

Wärtsilä applies and follows local employment legislation in all countries, and respects local collective labour agreements, which often define the minimum wage levels. In addition, entry-level salaries are benchmarked against the market references by function and educational qualification. While laws and regulations determine the minimum level, the actual salaries often exceed these levels. The total compensation package for employees in each country is in line with the corporate rewarding guidelines, local market practices, and labour agreements. The base salary is set to meet market conditions, the demands of the job, and individual competence and performance.

Proportion of senior management hired from the local community (GRI 202-2)

Wärtsilä publishes all open vacancies internally, thus ensuring an equal opportunity to apply for Wärtsilä positions. Local agreements are prioritised unless there is a specific need for an expatriate arrangement. This principle also applies to senior management positions. Senior management consists of global business and corporate management and local company management positions. Globally, 73% of Wärtsilä's senior management is locally hired, in other words from the same country as the Wärtsilä subsidiary is located.

Environment

The environmental impacts of Wärtsilä's operations largely relate to manufacturing; the use of energy and natural resources, and thus also to the emissions that are produced by the manufacturing processes. In addition, product development requires the testing of products and individual components, which, alongside manufacturing, has an environmental impact. However, the positive impacts of product improvements on the environment far outweigh the negative impacts of testing, when taking the product's entire lifecycle into account.



Materials

Materials used by weight or volume (GRI 301-1)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys, and bronze. In 2023, the total material usage was 43,618 tons (36,062). The major material groups were various metals 92%, other materials 8% and chemicals <1%.

Recycled input materials used (GRI 301-2)

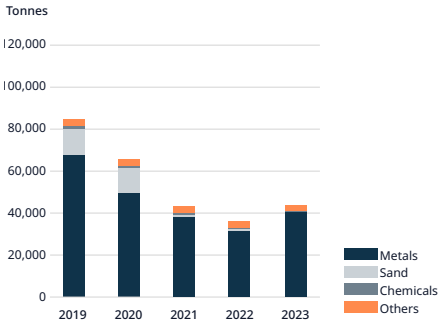
The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys and bronze. Recycled material content of these metals vary depending on the material and supplier in question. Recycled material, such as end-of-life coins and bronze propellers, is used for example in the casting of new propellers.

Energy

Energy consumption within the organisation (GRI 302-1)

The total energy consumption includes the electricity, heat, and fuels used in Wärtsilä companies. The fuels are used mainly in engine testing, but also in heating, production, and transportation. In 2023, the fuels were mainly from non-renewable sources, but also methanol, ammonia, and

Materials

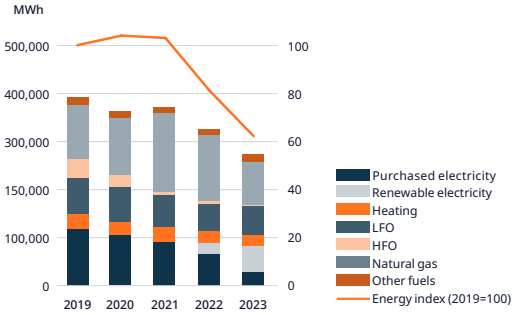


Material usage (t)	2023	2022	2021	2020	2019
Metals	**39,918**	31,437	37,885	49,175	67,123
Sand	**9**	756	902	11,437	11,957
Chemicals	**250**	644	515	1,245	1,520
Others	**3,441**	3,225	3,449	3,359	3,482
Total	**43,618**	**36,062**	**42,751**	**65,216**	**84,081**

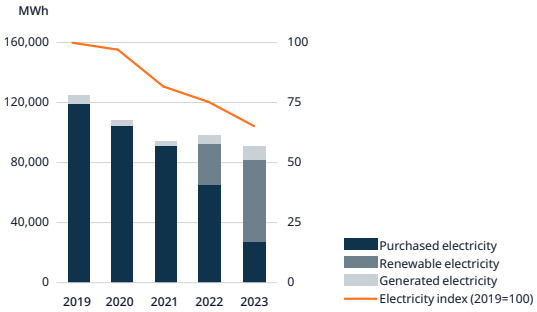
Energy consumed and sold, MWh	2023	2022	2021	2020	2019
Electricity consumption					
Purchased electricity	**26,788**	65,024	91,045	104,293	119,092
Renewable electricity*	**54,234**	24,074			
Generated electricity, used in-house	**10,103**	5,473	3,244	3,491	5,751
Total	**91,125**	**94,570**	**94,289**	**107,784**	**124,843**
Energy consumption					
Purchased electricity	**26,788**	65,024	91,045	104,293	119,092
Renewable electricity*	**54,234**	24,074			
Purchased heat	**23,756**	25,655	30,093	26,980	31,416
Heavy fuel oils (HFO)	**1,864**	4,245	6,292	24,094	37,952
Light fuel oil (LFO)	**59,842**	66,951	65,637	72,261	72,801
Natural gas	**88,334**	126,622	165,817	121,844	112,986
Other fuels**	**16,612**	12,958	13,023	12,928	15,747
Total	**271,429**	**325,529**	**371,907**	**362,400**	**389,993**
Generated electricity, sold	**29,927**	36,727	42,924	33,543	32,812

*Purchased or self-generated. Until 2021, renewable electricity consumption was included in purchased electricity category
**Includes, for example, gasoline, methanol, ammonia and hydrogen

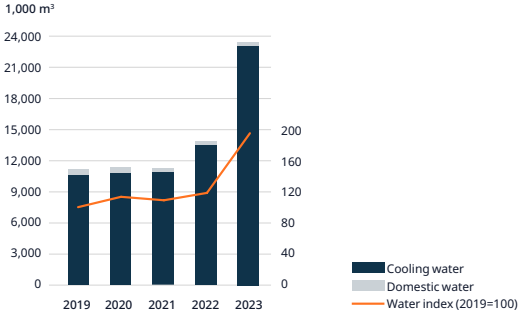
Annual energy consumption



Annual electricity consumption



Annual water consumption



Energy intensity	2023	2022	2021	2020	2019
Total energy consumption (MWh/ Net sales MEUR)	**46.9**	60.7	78.0	78.9	52.5

Energy savings (GWh)	2023	2022	2021	2020	2019
Annual	**3.8**	1.5	0.5	4.9	0.5
Cumulative	**14.0**	10.2	8.7	8.3	3.4

hydrogen were used in engine testing. Out of the total electricity consumption 60% (54,234 MWh) was from renewable sources.

Wärtsilä uses electricity in its manufacturing operations, for example in machining components, and in service workshops and offices. Both the electrical and the heat energy generated during engine test runs can be utilised. Wärtsilä's aim is to use the electrical energy for its own purposes while also selling part of this electrical energy to local power companies.

Due to the nature of engine test runs, the production of electricity and the company's electricity demand are not equivalent; this allows the surplus energy to be sold to local power companies. Heating for factories and offices accounts for most of Wärtsilä's consumption of heat energy. In several factories, the heat generated in engine test runs is used for heating. Some factories and offices are connected to a local district heating network, some have their own fuel-based heating system, and some use electricity for heating.

Reduction of energy consumption (GRI 302-4)

In the beginning of 2017, Wärtsilä set an energy saving target to reduce energy consumption by at least 7% in terms of absolute consumption (GWh) from 2015 levels by 2025. At the end of 2023, permanent energy savings of 14.0 GWh have been reached, representing 47% of the final 2025 target. Energy savings are mainly based on reduced electricity or heat consumption and implementation of energy efficiency measures.

Water

Water withdrawal (GRI 303-3), Water consumption (GRI 303-5)

Wärtsilä's water consumption can be divided into two categories: domestic use and cooling use. Domestic water is mainly used for sanitary purposes and by industrial equipment, such as machine tools and washing machines. Some factories also use domestic water to produce moulds or to fill in closed-loop cooling system needs. Wärtsilä uses seawater for its engine and process cooling needs.

Water consumption (1,000 m³)	2023	2022	2021	2020	2019
Domestic water	**284**	288	365	568	648
Cooling water*	**23,167**	13,609	10,983	10,805	10,621
Total	**23,451**	**13,897**	**11,348**	**11,373**	**11,268**

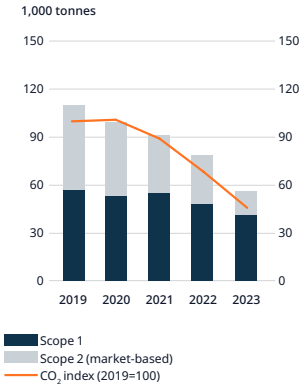
*Due to change in the measurement / calculation method in the cooling water consumption the amount has increased significantly in 2023.

In 2023, over 99% of cooling water came from local surface watercourses, where only heat is released along with clean water, and less than 1% of cooling water was from municipal water utilities. Out of Wärtsilä's total water consumption in 2023, about 99% was seawater for cooling purposes, about 1% was from municipal water supplies, and less than 0.3% was directly withdrawn groundwater or rainwater. 51,471 m³, amounting to 0.2% of all water consumption took place in high water stress areas in accordance with the WRI Aqueduct classification.

Water sources significantly affected by withdrawal of water
No water source has been found to be significantly affected by any Wärtsilä subsidiary water withdrawal.

Percentage and total volume of water recycled and reused
In 2023, Wärtsilä Italia S.p.A. recycled 4,188 m³ of water by running it through a water treatment plant and reusing the cleaned water in production processes. Other water recycling processes are in use in Wärtsilä's facilities in India, United Arab Emirates and Ecuador. The total amount of water recycled in 2023 was 6,856 m³ which corresponds to roughly 0,03% of Wärtsilä's total water consumption in the reporting year.

Scope 1 and 2 CO_2e emissions



Emissions, (t)	2023	2022	2021	2020	2019
Emissions of nitrogen oxides	**402**	380	371	445	544
Emissions of sulphur oxides	**3**	7	15	47	51
Emissions of total hydrocarbons	**111**	129	203	147	139
Particulates	**4**	4	4	6	7
Emissions of VOC	**21**	27	29	31	37

GHG emissions, tCO_2e	2023	2022	2021	2020	2019
Scope 1	**41,017**	46,629	54,711	52,911	56,568
Scope 2 (location-based)	**21,251**	24,309	25,350	34,561	40,911
Scope 2 (market-based)	**14,986**	30,705	36,062	46,306	53,453
Scope 3 – total*	**2,017,900**	1,941,000	1,413,200	1,309,800	161,000
Category 1 – purchased goods and services	**1,875,500**	1,892,800	1,385,200	1,285,700	
Category 3 – energy	**10,400**	13,000	14,000	12,900	16,000
Category 4 – upstream transportation and distribution	**88,000**				
Category 6 – flights	**43,900**	35,200	14,000	11,200	34,700
GHG emissions intensity (tCO_2e/MEUR)**	**9.7**	14.4	19.0	21.6	21.3

* Until 2019 scope 3 emissions included only direct materials, energy and flights. From 2020 they include all purchased goods and services, energy and flights. From 2023 emissions from transportation and distribution are available.
** Total GHG emissions (Scope 1 and Scope 2 market-based) tCO_2e per 1 million EUR net sales

Emissions

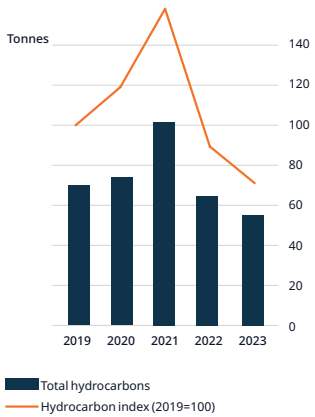
Greenhouse gas (GHG) emissions and intensity (GRI 305-1,305-2, 305-3, 305-4)

Wärtsilä's GHG emissions are presented in the adjacent table. There were no biogenic emissions in 2023.

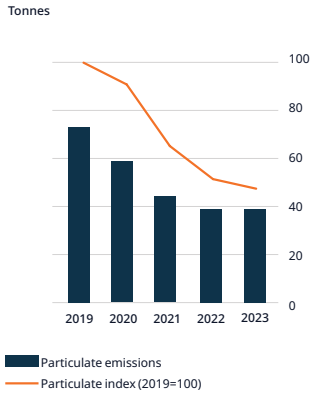
Reduction of greenhouse gas (GHG) emissions (GRI 305-5)

The main measures taken to reduce greenhouse gas (GHG) emissions in 2023 were the purchase of green electricity, installation of solar panels, energy saving initiatives and switching the energy source for heating. During 2023, Wärtsilä's CO_2 emission were reduced by around 28,100 tCO_2e. Read more in the Climate change and environment section.

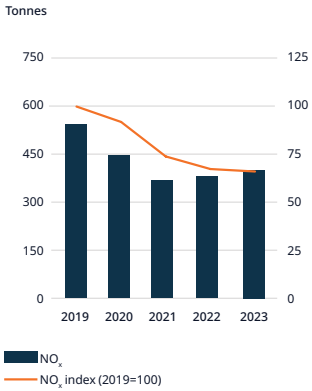
Total hydrocarbons



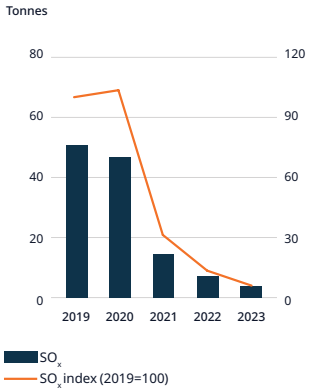
Annual particulate emissions



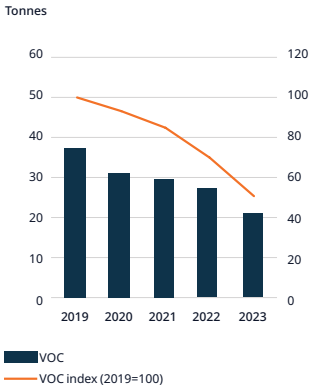
Annual NO_x emissions



Annual SO_x emissions



Annual VOC emissions



Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions (GRI 305-7)

Air emissions are mainly caused by test runs and the painting of completed engines or other Wärtsilä products. Test run emissions consist of nitrogen oxides (NO_x), sulphur dioxide (SO_x), carbon dioxides (CO_2) and particles, as well as small amounts of other emission components. The painting of engines and other Wärtsilä products generates volatile organic compounds (VOC) emissions. All these measures generate emissions but the ultimate aim of our research and development activities and testing is to develop low emission products for the marine and energy sectors.

The primary sources of manufacturing noise are the engine test runs and the ventilation machinery on factory roofs. This noise is mostly low frequency and is therefore not easily detected by the human ear. Wärtsilä has specifically addressed the issue of noise protection using technical means and has succeeded in lowering noise levels considerably. However, noise abatement is a continuous need and requires regular monitoring.

Effluents and waste

Water discharge (GRI 303-4)

Wärtsilä uses seawater for its engine and process cooling needs. In this case, the cooling water system is kept separate so that only heat is released into the natural water system. Wastewater is sewered and piped to the local wastewater treatment plant or treated on site before being discharged. If the effluent is not suitable for discharge, it is taken away for appropriate processing, for example to a hazardous waste treatment plant.

Several Wärtsilä subsidiaries have environmental permits that allow clean or properly treated water to be discharged into natural water bodies. Most of this discharge is clean cooling water, which is released back into local surface watercourse, releasing only heat.

In 2023, the total amount of water discharge was 23,531,211 m^3.

2023 water discharge (1,000 m³)	Municipal sewer	Sea	River	Ground
Amount by destination	125,3	23,169.5	228,8	7,6
% of total water discharge	0.5	98.5	1.0	0.0

Waste generation and significant waste-related impacts (GRI 306-1), Management of significant waste-related impacts (GRI 306-2), Waste generated (306-3)

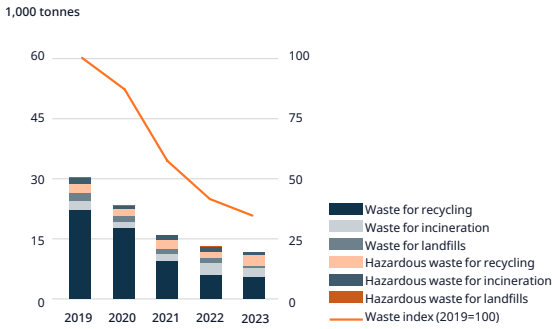
Wärtsilä's activities generate various wastes. These are divided into two main categories: hazardous and non-hazardous wastes. Hazardous wastes include cutting fluids, various types of waste oil, paints and solvents, oily wastes, solid wastes, etc. Non-hazardous wastes include scrap metal, metal swarf, waste plastics, waste wood, domestic waste, cardboard, and paper waste. All Wärtsilä companies sort their waste according to local municipal regulations. Generally speaking, the main sorting categories are waste for recycling, waste for incineration, and waste for landfills. Waste is managed offsite by waste handling companies according to the environmental laws and regulations of the operating country. Data on the waste generated in own activities is collected on a quarterly basis from all Group companies. Waste management in Wärtsilä has four aims, listed in their order of priority:

- to reduce the amount of waste generated in processes
- to use waste as a material
- to use waste as energy
- to dispose waste in an environmentally sound way

Wärtsilä's upstream waste impacts are related to the production and transportation of parts, components, and products to our locations and customer sites. The overhaul services and lifecycle upgrades that Wärtsilä provides to its customers extend the useful life of the equipment, thereby reducing the need for complete product disposal and the generation of waste downstream in Wärtsilä's value chain.

Waste (t)	2023	2022	2021	2020	2019
Non-hazardous waste	**8,286**	10,097	12,295	20,683	26,439
Recycling	**5,286**	5,960	9,349	17,517	22,133
Incineration	**2,234**	2,784	1,644	1,504	2,215
Biowaste	**110**	70	44	66	69
Landfill	**656**	1,282	1,259	1,596	2,022
Hazardous waste	**3,469**	2,946	3,725	2,687	3,847
Recycling	**2,523**	1,582	2,325	1,581	2,261
Incineration	**906**	1,240	1,220	920	1,268
Landfill	**40**	123	181	186	318
Total	**11,756**	**13,043**	**16,020**	**23,370**	**30,287**

Annual waste



Expenditures

Total environmental protection expenditures and investments

Concerning Wärtsilä's operations, we have defined expenditures as environmental expenditures if they are related to soil, water and air pollution control, waste management, environmental management, or noise control. A substantial proportion of our investments in product development are targeted at securing environmental compliance, which provide short and long-term benefits for the whole value chain, and the environment.

Environmental costs (MEUR)	2023	2022	2021	2020	2019
Environmental capital expenditures	**0.6**	0.3	0.1	3.0	1.0
Environmental operating expenditures	**3.2**	3.1	2.8	3.1	3.8

Social

For Wärtsilä, social responsibility is strongly connected to being a responsible employer. We seek to offer our employees an interesting and exciting workplace where openness, respect, trust, equal opportunities, and scope for personal development prevail. Furthermore, we strive to offer a safe working environment to our employees and partners. We have high ethical standards, and we care about the communities in which we operate. Our business operations and relations with our stakeholders are governed by our Code of Conduct.



Significant changes to the organisation and its value chain (GRI 2-6)

In 2023, Wärtsilä actively managed its business portfolio to support the strategy and financial targets.

In January, the integration of Voyage business with Marine Power became effective. The offering was streamlined focusing on fleet and port optimisation and related simulation and training services. The other parts of Voyage, NACOS Navigation, NACOS Automation, Dynamic Positioning and sensors were merged into a new business unit and moved to Wärtsilä Portfolio Business. Additionally, the Marine Electrical Systems business unit was moved from Marine Systems to Portfolio Business due to its limited strategic fit with the rest of the group.

In October, Wärtsilä announced to begin a strategic review of the Energy Storage and Optimisation business (ES&O). The strategic review aims to assess options that would accelerate the profitable growth of the ES&O business in a way that benefits its customers, employees, and the value creation for Wärtsilä shareholders. Wärtsilä has not set a timetable for the completion of the strategic review.

In November, Wärtsilä announced a plan to simplify its organisation and reporting structure, by discontinuing Marine Systems as a reporting segment. The Gas Solutions business unit would be moved to Portfolio Business in preparation for a divestment. In connection with this, the Exhaust Treatment and Shaft Line Solutions business units would be moved from Wärtsilä Marine Systems to Wärtsilä Marine Power as of January 1, 2024, to simplify the organisational structure. Consequently, Wärtsilä Marine Systems would no longer constitute an organisational unit or a reporting segment.

Employees (GRI 2-7), New employee hires and employee turnover (GRI 401-1)

Personnel	2023	2022	2021	2020	2019
Number of employees at the end of the year	**17,807**	17,581	17,305	17,792	18,795
Personnel by business					
Marine Power	**9,444**	8,500	8,224	8,355	8,820
Marine Systems	**1,651**	1,937	1,894	1,897	1,870
Voyage*	**0**	1,406	1,725	1,915	1,889
Energy	**5,430**	5,320	4,980	4,888	5,137
Portfolio Business	**1,282**	417	482	737	1,080
Personnel by market area					
Europe	**10,776**	10,532	10,716	11,080	11,618
Asia	**3,862**	2,306	3,719	3,979	4,341
Americas	**2,304**	2,406	2,106	1,969	2,016
Other	**864**	2,337	764	764	820
Average age of employees	**42.6**	42.5	42.5	42.7	41.6
Permanent employees (%)	**93**	91	93	94	93
Temporary employees (%)	**7**	9	7	6	7
Full-time employees (%)	**98**	96	98	98	98
Part-time employees (%)	**2**	4	2	2	2
Employee turnover (resigned) (%)	**6.1**	7.9	7.3	5.6	6.7

*In 2023, Voyage was integrated in Marine Power and Portfolio businesses

Number of employees by employment contract and gender in 2023	Permanent	Temporary
Total	16,506	1,301
Male	13,604	1,064
Female	2,902	237

Number of employees by employment contract and region in 2023	Permanent	Temporary
Europe	10,393	384
Asia	3,160	701
America	2,262	42
Other	690	174

Permanent employees by employment type and gender in 2023	Full-time	Part-time
Total	16,216	290
Male	13,464	140
Female	2,752	149

Permanent employees by employment type and region in 2023	Full-time	Part-time
Europe	10,138	280
Asia	1,571	1
America	2,256	6
Other	2,251	3

Non-guaranteed hours employees by gender and region in 2023*	Male	Female
Europe	274	142
Asia	0	0
America	0	0
Other	1	0

*Covers non-guaranteed hours employees (reported as headcounts) registered in SAP HR database

New employee hires in 2023	Employees	Rate (%)
Total	2,393	13.4
Gender		
Male	1,864	12.7
Female	529	16.9
Age group		
< 30 years	988	54.4
30–50	1,186	10.8
> 50 years	219	4.4
Market area		
Europe	1,444	13.4
Asia	416	10.8
Americas	397	17.2
Other	137	15.8

Employee turnover (resigned) in 2023	Employees	Rate (%)
Total	1,007	6.1
Gender		
Male	820	6.0
Female	187	6.4
Age group		
< 30 years	128	9.1
30–50	704	6.8
> 50 years	175	3.6
Market area		
Europe	610	5.9
Asia	209	6.6
Americas	138	6.1
Other	50	7.2

Employment

New employee hires and employee turnover (401-1), Benefits provided to full-time employees that are not provided to temporary or part-time employees (GRI 401-2)

In general, temporary and part-time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to the number of months or years of service– such differences are typically based on collective agreements according to local legislation.

Employee benefits are tailored to specific countries and cultures. While some benefits are statutory, mandated by local legislation, others are supplementary, allowing the company to determine the benefits provided. Examples of the employee benefits include pension plans, insurance coverage, well-being and sports programs, medical benefits, supplementary vacation days, work-related equipment, transportation assistance, and flexible working arrangements.

Workers who are not employees (GRI 2-8)

In 2023, Wärtsilä indirectly employed an external workforce totalling 5,838 man-years in subcontracting at its factories and units. The workers who are not employees mainly perform production or service work at Wärtsilä factories, workshops, and warehouses, or are assigned to projects at Wärtsilä's customers' sites. Additionally, external workers are employed for maintenance services at Wärtsilä premises or for professional services in sectors such as IM, finance, engineering, and project management. Workers are hired through labour-hire agencies or provided by Wärtsilä's contractors, and the work agreements can be short-term or long-term.

Occupational health and safety

Worker participation, consultation, and communication on occupational health and safety (403-4)

Wärtsilä companies apply occupational health and safety programmes as required by local legislation. These are normally developed by occupational health and safety committees consisting of representatives from both management and personnel. Altogether, 70% of Wärtsilä companies have an occupational health and safety committee covering in total 84% of Wärtsilä's employees.

Work-related injuries (GRI 403-9)

The lost time injury frequency (LTIF) for 2023 was 1.59, which was 1% higher than in the previous year. The total recordable injury frequency (TRIF) for 2023 was 2.62, which was 2% higher than in the previous year.

Nine Wärtsilä employees suffered high consequence work-related injuries in 2023. There were no work-related fatalities within Wärtsilä operations during the year. The most common types of work-related injuries in 2023 resulted from slips and tripping, being caught between objects and/or in machinery, being hit by moving or dropping objects or pressure, manual overloading, hitting body part against solid structure and contact with sharp objects. Wärtsilä has a global hazard and near miss reporting system for high-potential work-related incidents. In 2023, Wärtsilä identified 320 (1% of all reported hazard / near miss cases) high-potential work-related incidents. The majority of these were related to overloading events, potential exposure to chemicals, noise or electricity, falling and slipping hazards, the risk of getting caught between objects and machinery, or being hit by moving or dropping objects, as well as traffic related incidents. In 2023, the number of worked man-hours for employees was 35,834,499, and the number of worked man-hours for workers who are not employees was 9,452,983.

Work-related ill health (GRI 403-10)

Wärtsilä employees constantly work close to running engines while conducting overhaul or testing activities, which exposes them to high levels of noise. Wärtsilä has occupational safety and health programmes in place to prevent hearing loss, including providing hearing protectors to those employees at risk of hearing loss or impairment. In 2023, there were in total nine cases of occupational diseases diagnosed, which is equivalent to 0.3 cases / million worked hours.

Training and education

Average hours of training per year per employee (GRI 404-1)

Wärtsilä's average number of training days in 2023 for male employees was 1.3 and for female employees 1.

Programs for upgrading employee skills and transition assistance programs (GRI 404-2)

Wärtsilä's programmes for skills management is described in the People and culture section. Wärtsilä offers a wide variety of internal training and learning opportunities for its employees. The training categories include topics such as engine technology, health and safety, language and culture, project management, environment, security, and leadership.

Type of injury and rates of injuries, occupational diseases, lost days and absenteeism, and total number of work-related fatalities (GRI 403-9)

Injuries	2023	2022	2021	2020	2019
Number of total recordable injuries (excl. first aid cases)					
Employees	**94**	91	94	109	136
Contractors	**47**	60	39	26	37
Number of lost time injuries resulting in at least 1 day absence					
Employees	**57**	56	55	72	85
Contractors	**21**	40	29	14	20
Total recordable injuries / million working hours (TRIF)					
Employees	**2.62**	2.57	2.65	3.1	3.7
Contractors	**4.97**	5.67	3.44	3.3	3.4
Lost time injuries / million working hours (LTIF)					
Employees	**1.59**	1.58	1.55	2.0	2.3
Contractors	**2.22**	3.78	2.56	1.8	1.8
Absence rate, employees					
Absence due to illness (% of total working hours)	**1.8**	2.0	2.1	2.0	2.1
Absence due to lost time injury (% of total working hours)	**0.04**	0.05	0.06	0.07	0.07
Absence due to occupational diseases (% of total working hours)	**0.0**	0.0	0.0	0.0	0.0
Fatalities					
Number of fatalities, total	**0**	0	2	0	1
Employees	**0**	0	1	0	0
Contractors	**0**	0	1	0	1

Average hours of training per year per employee (GRI 404-1)

Training days/ employee	2023	2022	2021	2020	2019
All employees	**1.3**	1.4	1.1	1.1	2.1
Managers and superiors	**1.9**	1.9	0.9	1.1	2.1
White-collar employees	**1.1**	1.2	1.0	1.0	1.9
Blue-collar employees	**1.3**	1.6	1.3	1.3	2.3

Percentage of employees receiving regular performance and career development reviews (GRI 404-3)

Development discussions held annually	2023	2022	2021	2020	2019
Coverage, %	**100**	99	91	91	91

Diversity and Equal Opportunity

Diversity of governance bodies and employees (GRI 405-1)

At Wärtsilä we value, respect, and embrace diversity in terms of gender, age, personality, and educational background. We are proud of having a diverse representation of nationalities and cultures at all levels, departments, and functions of the organisation. Currently, our workforce comprises some 130 nationalities. More on diversity in the People and culture section.

Diversity of governance bodies and employees (GRI 405-1)

Diversity	2023	2022	2021	2020	2019
Male/female ratio (%)	**82/18**	83/17	83/17	83/17	83/17
Executive positions globally: male/female ratio (%)	**78/22**	78/22	80/20	80/20	83/17
Regional diversity					
Number of nationalities	**128**	127	130	139	140

Number of employees per age group in 2023	Employees	Ratio (%)
< 30 years	1,817	10.2
30–50	11,031	62.0
> 50 years	4,959	27.8

Members of the Board of Management (BoM) and Board of Directors (BoD) by age group in 2023	BoM (%)	BoD (%)
< 30 years	0	0
30–50	12.5	0
> 50 years	87.5	100

Members of the Board of Management (BoM) and Board of Directors (BoD) by gender in 2023	BoM (%)	BoD (%)
Female	37.5	37.5
Male	62.5	62.5

Customer satisfaction

Results of surveys measuring customer satisfaction (GRI 2-29)

Wärtsilä always puts the needs of our customers first. We show this by carefully listening and acting upon our customers' feedback, at both operative and management levels. We place great emphasis on earning our customers' long-term trust by keeping our promises. While challenges may arise at any time in our business, relationships are strengthened by focusing on our customers. We observe our customers' perception of loyalty and satisfaction by applying a Net Promoter Score methodology, NPS. The results are monitored on a monthly basis.

Our customers' feedback on project deliveries and the operation of their installations, are welcomed. To know what works and where to improve, as well as understanding our customers' operational environments, is critical in developing the company's products and services. To ensure our customers' needs and expectations are met, we collect feedback during different events, activities, and interactions with our customers and act upon that feedback.

Customer loyalty	2023	2022	2021	2020	2019
NET Promoter Score, NPS	**56**	56	63	59	59
Sample	**2,153**	2,786	3,447	3,332	2,787

Net promoter score scale is from -100 to 100.

Compliance

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of our company and stakeholders, we strive to maintain the highest legal and ethical standards in all our business activities in accordance with our Code of Conduct, applicable laws and under the principles of good corporate citizenship. This requires all employees to act responsibly and with integrity and honesty.



Environmental disturbances and complaints

The number of disturbances, complaints, and incidents of non-compliance are presented in the adjacent table. Reported disturbances typically cover incidents in which the Wärtsilä company concerned has been obliged to report the disturbance to the authorities.

In 2023, there was one minor environmental disturbance that was reported to the authorities. Wärtsilä Finland was informed by a logistics partner about oil spill on the road near Wärtsilä facilities in Vaasa, Finland. Few litres of oil had leaked from an engine that was moved to another side of the road. The road was cleaned, and the procedure of transporting engines was reviewed.

Compliance with laws and regulations (2-27), Incidents of discrimination and corrective actions taken (GRI 406-1)

Wärtsilä is unaware of any cases of human rights being breached, discrimination, infringements of rights at work, or the use of forced or child labour. During the reporting period the following misconducts were realised:

Wärtsilä Korea Ltd. was charged a penalty fee of EUR 42,354 for not fulfilling its legal obligation to hire disabled persons as a minimum 5% of the company's total employees. The company has mainly hired blue-collar employees, which limits the suitable job offerings for disabled people.

Wärtsilä Brasil Ltda. entered into a litigation to contest the charge of an additional social security tax imposed on companies with more than 500 employees engaged in industrial assembly activities. The tax was claimed by Senai, National Industrial Apprenticeships Association. The case has been resolved, and consequently, Wärtsilä Brasil Ltda. paid the tax along with interest and a fine of EUR 21,628.

There are also the following ongoing, disputed non-compliance cases:

Wärtsilä India Ltd. has three ongoing judicial proceedings pertaining to ex-employees' perceived improper labour and dismissal practices. It typically takes several years in India for these types of disputes to be concluded, and thus some of the proceedings have been ongoing already since 2016. Also, an ex-employee of the company has raised a judicial proceeding on the basis of alleged sexual harassment at workplace against three serving employees in 2019.

Non-compliance cases presented in previous reports

In 2022, Wärtsilä Brasil Ltda. was issued a notice of violation by the Brazilian Ministry of Labour for not fulfilling its legal obligation to hire disabled persons as a minimum 3% of the company's total workforce. The company is still awaiting the final fine. The company has extended every vacancy advertisement to disabled people, whenever possible.

In 2021, Wärtsilä France S.A.S. applied for an exemption to its environmental permit on exceeding the NO_x emissions limits for engine testing purposes from the Regional Directorate for the Environment. The application has not yet been decided upon by the authority.

Since 2017, Wärtsilä India Ltd. was involved in a dispute related to ex-employee's perceived improper labour and dismissal practices. In 2023, the court decided to close the case as the complainant did not represent himself despite being given multiple opportunities.

Communication and training about anti-corruption policies and procedures (GRI 205-2), Confirmed incidents of corruption and actions taken (GRI 205-3)

During the review period, no instances of substantiated corruption or bribery were identified while allegations of such incidents are reported from time to time. Wärtsilä's Anti-Corruption Policy is public. Wärtsilä has arranged specifically tailored trainings to agents and other sales intermediaries. Find more information in the Responsible business conduct section.

Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices (GRI 206-1)

During the review period, no instances of non-compliance related to anti-competitive behaviour, anti-trust, and monopoly practices were identified. Wärtsilä arranged, as it has earlier, a number of competition law trainings in 2023 for relevant personnel in order to further promote their knowledge of competition laws, and thus ascertain full compliance with such laws.

Disturbances, complaints, and non-compliances	2023	2022	2021	2020	2019
Environmental					
Disturbances	**1**	3	4	3	4
Non-compliances	**0**	0	4	2	1
Complaints	**0**	1	0	1	0
Social					
Non-compliances	**2**	3	1	2	2
Fines of non-compliance cases (EUR)	**63,982**	232,571	50,329	47,449	38,327

Incidents of non-compliance concerning health and safety impacts of products and services, product and service information and labelling, and marketing communications, Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 416-2, GRI 417-2, GRI 417-3, GRI 418-1)

During the review period, no instances of non-compliance related to product health and safety or information liability, or customer privacy were identified.

Political contributions (GRI 415-1)

During 2023, Wärtsilä made a contribution of $5,000 (4,600€) to the Texans for Opportunity SPAC.



Report profile

Data collection

Environmental performance data of the products is based on measured test results. Operational environmental and social performance data has been collected from Wärtsilä companies using a detailed questionnaire. Economic performance data is based mainly on audited financial accounts. The sustainability data is collected and reported according to Wärtsilä's specific internal reporting guidelines that include all the definitions and instructions necessary for this purpose. Environmental expenditure and investments are reported in accordance with Eurostat instructions. Each company has a nominated individual responsible for collection and consolidation of the data, and for its quality and reliability. The management of each company approves the data before it is consolidated at the Group level. The companies report their sustainability data using Wärtsilä's sustainability reporting system. The reported data is checked at both local and Group levels before its consolidation. The content of this Sustainability Report was reviewed and approved by Wärtsilä's Board of Management.

Report assurance

PricewaterhouseCoopers Oy (PwC) has independently assessed the report against GRI Standards. As part of the assurance process, PwC assesses local level data management and processes, evaluates the relevance and reliability of the data reported to headquarters, and assesses whether the reporting guidelines of Wärtsilä are well understood and applied. This is achieved through conducting site visits, either on-site or remote via video conference. In 2023, an on-site visit was carried out in Kampen, the Netherlands. Wärtsilä Canada and Wärtsilä Propulsion Wuxi were assessed through videoconferencing.

Additional sources of information

Wärtsilä has previously published the following reports:
Wärtsilä Environmental Report 2000
Wärtsilä Sustainability Report 2002
Wärtsilä Sustainability Report 2004
Wärtsilä Sustainability Report 2005
Wärtsilä Annual Report 2006
Wärtsilä Annual Report 2007
Wärtsilä Annual Report 2008
Wärtsilä Annual Report 2009
Wärtsilä Annual Report 2010
Wärtsilä Annual Report 2011
Wärtsilä Annual Report 2012
Wärtsilä Annual Report 2013
Wärtsilä Annual Report 2014
Wärtsilä Annual Report 2015
Wärtsilä Annual Report 2016
Wärtsilä Annual Report 2017
Wärtsilä Annual Report 2018
Wärtsilä Annual Report 2019
Wärtsilä Annual Report 2020
Wärtsilä Annual Report 2021
Wärtsilä Annual Report 2022

These reports and their sustainability data are available on Wärtsilä's website.

Sustainability Report Project Team

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Materiality assessment

The materiality assessment is an essential part of the process for defining the sustainability reporting content by taking into account various stakeholder groups' views on the importance of different topics. We aim to update the assessment every second year.



Entities included in the organisation's sustainability reporting (GRI 2-2)

The entities included in Wärtsilä's Consolidated Financial Statements are listed in the Notes to the Consolidated Financial Statements 6.1. Subsidiaries.

All the Group companies are included in Wärtsilä's sustainability reporting. The report covers Wärtsilä's businesses. At the company level, the report includes the parent company and its subsidiaries as well as its manufacturing, service and sales units. The report excludes Wärtsilä's associated companies, joint ventures, supply chain companies and subsidiaries listed in the below section Topic boundary within the organisation.

Process to determine material topics (GRI 3-1), List of material topics (GRI 3-2)

In 2020, Wärtsilä updated the assessment of material sustainability topics. The process included an assessment of economic, environmental, and social topics and their impact to Wärtsilä's business from the stakeholders' point of view. Stakeholder views were collected through a questionnaire answered by 107 key stakeholder contacts in various Wärtsilä units and functions worldwide. The aim of the stakeholder questionnaire was to evaluate how important different sustainability topics are for assessments and decision-making of Wärtsilä's stakeholders. Sustainability topics for the stakeholder evaluation were identified based on Wärtsilä's previous experience on material sustainability topics, industry peer review, and analysis of significant economic, environmental and social impacts in Wärtsilä's value chain. The focus of the stakeholder assessment was on investors and financiers, major customers, personnel, local societies, and media. The significance of identified topics was then analysed as a current or potential business impact on Wärtsilä. The business implications of identified sustainability topics were evaluated based on direct financial impacts as well as risks and opportunities. In addition, the level of internal policies or practices were used as an indication of the potential business impact.

As a result of the materiality assessment, the following GRI topics were identified as material for Wärtsilä:

- Emissions
- Compliance with laws and regulations
- Economic Performance
- Training and education
- Occupational health and safety

In addition to the identified material aspects, Wärtsilä discloses sustainability data on several other areas, because they are frequently asked by Wärtsilä's stakeholders or they are considered important on the basis of continuity of sustainability reporting.

Topic boundaries for the identified material topics were then evaluated on the basis of the significance of their economic, environmental, and social impact on our value chain. A more detailed description of the topic boundaries and completeness of data collection for the identified material topics can be found in the below section Topic boundary within the organisation.

In 2023, Wärtsilä conducted a double materiality assessment in accordance with the Corporate Sustainability Reporting Directive (CSRD) in order to define the most material sustainability issues to be included in the reporting. Wärtsilä's first CSRD report will be published in 2025 covering data of the 2024 financial year.

Material topics

From a sustainability impact point of view, product related environmental issues are the most significant for Wärtsilä. The use of Wärtsilä's products has an environmental impact both locally and globally. Other dimensions of sustainability mainly have a local impact.

The following GRI topics have been identified as material for Wärtsilä's sustainability reporting:

Sustainability impact	Local	Global
Economic	■	
Environmental		
Product related	■	■
Operational	■	
Social	■	

The following GRI topics have been identified as material for Wärtsilä's sustainability reporting:

Category	Topics	Identified material topic for Wärtsilä, reported in accordance with GRI Standards	Other topics included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting
Economic	Economic performance	■		
	Market presence		■	
	Indirect economic impacts			■
	Procurement practices			■
	Anti-corruption			■
	Anti-competitive behaviour		■	
	Tax			■
Environmental	Materials		■	
	Energy		■	
	Water and effluents		■	
	Biodiversity			■
	Emissions	■		
	Waste		■	
	Supplier Environmental assessment		■	
Social	Employment		■	
	Labour/management relations			■
	Occupational health and safety	■		
	Training and education	■		
	Diversity and equal opportunity		■	
	Non-discrimination		■	
	Freedom of association and collective bargaining		■	

Category	Topics	Identified material topic for Wärtsilä, reported in accordance with GRI Standards	Other topics included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting
	Child Labour		■	
	Forced or compulsory labour		■	
	Security practices			■
	Rights of indigenous people			■
	Local communities			■
	Supplier social assessment		■	
	Public policy		■	
	Customer health and safety		■	
	Marketing and labelling		■	
	Customer privacy		■	

Topic boundary within the organisation

The topic boundary for the material topics is all Wärtsilä companies. The economic performance data covers all Wärtsilä companies. The data on environmental and social performance covers all Wärtsilä companies except the following:

- Power Projects Mexico, S.A. de C.V.
- Wärtsilä Operations Guyana Inc.
- Wärtsilä El Salvador, S.A. de C.V.
- Wärtsilä Voyage doo Beograd

These companies will be included in Wärtsilä's sustainability reporting in the forthcoming years. In principle, the aim is to include a new company that joins Wärtsilä in the first half of a year in the following year's reporting, and when joining in the second half of the year only after a full year. In addition, seven companies with less than 10 employees have been excluded from sustainability reporting due to their insignificant environmental and social impacts. Wärtsilä's sustainability reporting is an integrated part of its annual reporting, and therefore Wärtsilä publishes its sustainability data annually.

Restatements of information (GRI 2-4)

There are no major restatements of information provided in previous reports.

Coverage of operational data

Operational data, % of Wärtsilä companies	2023	2022	2021	2020	2019
Economic	**100**	100	100	100	100
Environmental	**90**	90	98	96	96
Social	**100**	100	100	100	100

Operational data, % of personnel	2023	2022	2021	2020	2019
Economic	**100**	100	100	100	100
Environmental	**98**	100	100	98	99
Social	**100**	100	100	100	100

Operational data, % of product manufacturing	2023	2022	2021	2020	2019
Economic	**100**	100	100	100	100
Environmental	**100**	100	100	100	100
Social	**100**	100	100	100	100

Reporting principles

Our reporting principles describe the economic, environmental and social performance data used as the basis for our sustainability reporting.



Economic performance data

The economic performance data is based on audited financial accounting and covers all Wärtsilä subsidiaries unless otherwise stated.

Donations: The data of this indicator includes all Wärtsilä subsidiaries and parent companies in 2023.

Subsidies: The data of this indicator includes all Wärtsilä subsidiaries and parent companies in 2023.

The social costs for employees contribute to the funding of pensions, unemployment, and other social benefits that provide security and improve the quality of life for the company's employees and their families.

Senior management includes all employees with the highest job grade levels 12-16. At the end of 2023, this covered 89 employees.

Environmental performance data

Materials include all the major material flows used in the production processes globally. The most material consuming product categories include engines, propellers, and propulsion systems.

Total energy consumption includes both direct and indirect energy usage. The direct energy usage includes the fuels used by Wärtsilä subsidiaries. Lower heating values (LHV) are used to calculate the energy consumption of fuels. LHVs are based on information supplied by vendors or results of fuel analysis for engine testing and R&D purposes, and for other fuel consumption the source is the UK Department for Environment, Food and Rural Affairs (Defra). The indirect energy usage includes the purchased electricity and heat. Since the efficiency of purchased electricity and heat generation is not known, the energy conversion is done directly from the purchased values.

Fuel consumption data is based on either invoices or measured values.

Heat and electricity data is based on either invoices or measured values.

Energy intensity describes the ratio of total internal energy consumption divided by the total net sales of the subsidiaries included in the data gathering in the reporting year (MWh/MEUR).

GHG emissions intensity describes the ratio of total greenhouse gas emissions (Scope 1, Scope 2 market-based) divided by the total net sales of the subsidiaries included in the data gathering in the reporting year (tCO_2e/MEUR).

Reduction of GHG emissions data is collected on a site level, based on permanent GHG emissions reduction measures, and either calculated or estimated (Scope 1 and 2).

Reduction of energy consumption data is collected on a site level, based on permanent energy saving actions, and either calculated or estimated.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units.

Recycled water: The reported amount is the total measured recycled water in Wärtsilä's facilities in Italy, India, the United Arab Emirates and Ecuador. The recycled water is used in manufacturing or other maintenance-related processes.

Water discharge: The reported figures are based on either measured values or invoices. The cooling water discharge might also be calculated from the heat load in some units.

Emissions: The reported figures are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors are determined for various fuels and engine types. The emissions of the heating boilers are either measured or calculated. For electricity consumption the location-based Scope 2 emissions are calculated by using the emission factors from the International Energy Agency (IEA), and the market-based Scope 2 emission are calculated by using the residual mix emission factors, where available (for Europe and USA), and for other countries the IEA emission factors. For district heating the Scope 2 emissions are calculated by using the emission factors from Defra.

The reporting of Scope 3 emissions covers four categories: Category 1: Purchased Goods and Services, Category 3: Fuel- and Energy-Related Activities, Category 4: Upstream Transportation and Distribution, and Category 6: Business Travel. The CO_2 emissions of purchased goods and services are calculated by using the spend-based method. The economic value of goods and services purchased is multiplied by the industry-average emission factors obtained from the EXIOBASE database (v3.8.2). Spend data is broken down according to Wärtsilä's internal purchasing categories and allocated to the most appropriate product group category available within the EXIOBASE database.

Upstream transportation: 17% is calculated based on primary data i.e. fuel consumption and the fuel factors for the fuel used. 83% is calculated on actual distances of all separate legs in the transport chain and fuel factors from reported primary data are used. For purchased outbound logistics, the emissions for logistics services are calculated mainly based on Global Logistics Emissions Council (GLEC) Framework, the global method for calculation and reporting of logistics emissions. Furthermore, primary emission data from transport vehicles has been collected to improve the data quality. Data coverage is 44% of the total transportation spend and extrapolation is made for the remaining share.

The energy-related CO_2 emissions are calculated by using the emission factors from IEA. The CO_2 emissions of air travel are based on calculations by Wärtsilä's travel agency and are based on Thrust Data defined factors.

The other than GHG emissions of vehicles are calculated by using the Technical Research Centre of Finland's (VTT) Lipasto database emission factors. The GWP factor used for converting methane emissions to CO_2 equivalent is 25. Only CO_2 and methane are considered for the CO_2e emissions.

Waste: Information on waste disposal methods normally comes from the waste disposal contractor.

Environmental disturbances: As such are considered major incidents, which generally require communication to local authorities.

Social performance data

Total recordable injuries: a work-related injury that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness.

Total recordable injury frequency (TRIF) is expressed as total recordable injuries per million working hours. The working hours are actual paid working hours. The TRIF rate does not include commuting injuries.

Lost time injury (LTI): The reported figures include all reported work-related injuries resulting in the absence of at least one scheduled workday. The lost day is counted from the first day after the injury.

LTI frequency (LTIF) is expressed as reported lost time injuries and possible fatalities per million working hours. The working hours are actual paid working hours. The LTIF rate does not include commuting injuries.

High-consequence work-related injury: a work-related injury that results in a fatality or injury from which the employee cannot, does not, or is not expected to recover fully to the preinjury health status within 6 months.

High-potential work-related incident: a work-related incident with a high probability of causing a high-consequence injury.

Occupational disease is an illness that has been caused by work or working conditions. The reported number represents the cases diagnosed by a doctor during the reporting period according to local legislation.

Employee turnover is calculated from permanent employees. The number of resigned permanent employees is divided by the number of permanent employees at the end of the reporting period.

Employees and other workforce: Data on Wärtsilä employees is mainly derived from the global SAP HR database. Less than 1% of employees, the amount varying between indicators, don't have all their employment details in the global HR databases. Their gender, employment and contract types have been assumed to be the same as an average global employee. The numbers of new hires and resigned employees do not include estimates of employees whose employment or resignation has

Independent assurance report

Our sustainability information and data for 2023 have been assured by an independent auditor, PricewaterhouseCoopers Oy.



Independent practitioner's limited assurance report

To the Management of Wärtsilä Corporation

We have been engaged by the Management of Wärtsilä Corporation (hereinafter also the "Company") to perform a limited assurance engagement on selected sustainability information for the reporting period from 1 January 2023 to 31 December 2023, disclosed in the Annual Report of Wärtsilä Corporation (hereinafter the Selected sustainability information).

Selected sustainability information

The selected sustainability information within the scope of assurance covers indicators as set out in GRI Standards of the Global Reporting Initiative – standards identified in Wärtsilä's Annual Report 2023 presented GRI Content Index.

Management's responsibility

The Management of Wärtsilä Corporation is responsible for preparing the Selected sustainability information in accordance with the Reporting criteria as set out in Wärtsilä Corporations reporting instructions described in Wärtsilä Corporation's Annual Report and the GRI Standards of the Global Reporting Initiative. The Management of Wärtsilä Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) *"Assurance Engagements Other than Audits or Reviews of Historical Financial Information"*, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410 *"Assurance Engagements on Greenhouse Gas Statements"*. These standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Visiting the Company's site in Kampen, Netherlands and conducting video interviews with sites in Canada and China.
- Interviewing employees responsible for collecting and reporting the Selected information at the Group level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Wärtsilä Corporation's Selected sustainability information for the reporting period ended 31 December 2023 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Wärtsilä Corporation for our work, for this report, or for the conclusion that we have reached.

Helsinki 9 February 2024
PricewaterhouseCoopers Oy

Mikael Niskala
Partner
Sustainability Reporting & Assurance

Karsten Westerling
Partner, Authorised Public Accountant (KHT)

GRI index

Wärtsilä has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023. The GRI index shows where the general disclosures and topic-specific standards are addressed in our Annual Report.



General disclosures

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC
GRI 1 used		GRI 1: Foundation 2021	
GRI 2: General Disclosures 2021			
2-1 Organisational details	Strategy Wärtsilä in the capital markets This is Wärtsilä	Location of headquarters: Helsinki, Finland	■
2-2 Entities included in the organisation's sustainability reporting	Materiality assessment		
2-3 Reporting period, frequency and contact point	Report profile		■
2-4 Restatements of information	Materiality assessment		
2-5 External assurance	Independent Assurance Report		■
2-6 Activities, value chain, and other business relationships	This is Wärtsilä Sustainability at Wärtsilä Social		■
2-7 Employees	Social		■
2-8 Workers who are not employees	Social	Information incomplete: The number of workers who are not employees can only be reported as man-years.	■
2-9 Governance structure and composition	Governance Board of Directors		■
2-10 Nomination and selection of the highest governance body	Annual General Meeting Board of Directors	The nomination committee proposes new board members. The committee consults major shareholders, and in their proposals they take into account the specific needs of the Board, including sustainability competencies and diversity.	■
2-11 Chair of the highest governance body	Board of Directors		■
2-12 Role of the highest governance body in overseeing the management of impacts	Annual General Meeting Internal Control Board of Directors Risks and risk management		■
2-13 Delegation of responsibility for managing impacts	Governance Board of Directors Group Management		■
2-14 Role of the highest governance body in sustainability reporting	Report profile		■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC
2-15 Conflicts of interest	Board of Directors Internal Control Wärtsilä in the capital markets		■
2-16 Communication of critical concerns	Internal Control	Confidentiality constraints: The cases contain sensitive information.	■
2-17 Collective knowledge of the highest governance body	Board of Directors Internal control		■
2-18 Evaluation of the performance of the highest governance body	Board of Directors	The evaluation is of general nature, but also includes sustainability issues if such concerns arise. The evaluation partly affects the membership changes within the Board.	■
2-19 Remuneration policies	Remuneration report		■
2-20 Process to determine remuneration	Board of Directors People and Culture		■
2-21 Annual total compensation ratio	Remuneration report	A) Ratio of the annual total compensation for Wärtsilä's CEO to average employee: 18.08. B) Ratio of the percentage increase in CEO's annual total compensation from previous year to average employee: -3.17	■
2-22 Statement on sustainable development strategy	CEO review		■
2-23 Policy commitments	Responsible business conduct Climate change and environment Risks and risk management Sustainability at Wärtsilä		■
2-24 Embedding policy commitments	Responsible business conduct Sustainability at Wärtsilä		■
2-25 Processes to remediate negative impacts	Responsible business conduct		
2-26 Mechanisms for seeking advice and raising concerns	Responsible business conduct		■
2-27 Compliance with laws and regulations	Compliance		■
2-28 Membership associations	Sustainability at Wärtsilä		■
2-29 Approach to stakeholder engagement	Sustainability at Wärtsilä		■
2-30 Collective bargaining agreements		59% of Wärtsilä employees were covered by collective bargaining agreements in 2023. More information: Policy on human rights, equal opportunities and fair employment practices.	■

Topic standards

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 3: Material topics 2021				
3-1 Process to determine material topics	Materiality assessment			
3-2 List of material topics	Materiality assessment			
GRI 200 Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä Strategy Economic Risks and risk management			■
201-1 Direct economic value generated and distributed	Economic			■
201-2 Financial implications and other risks and opportunities due to climate change	Economic Risks and risk management			■
201-3 Defined benefit plan obligations and other retirement plans	Economic			■
201-4 Financial assistance received from government	Economic			■
GRI 202: Market Presence 2016				
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Economic	Only reported the management approach.	■	
202-2 Proportion of senior management hired from the local community	Economic		■	
GRI 205: Anti-corruption 2016				
205-1 Operations assessed for risks related to corruption	Risks and risk management	Coverage of risk management processes is 100% of our operations.	■	
205-2 Communication and training about anti-corruption policies and procedures	Responsible business conduct		■	
205-3 Confirmed incidents of corruption and actions taken	Compliance		■	
GRI 206: Anti-competitive behaviour 2016				
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance			

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 300 Environmental Standard Series				
GRI 303: Materials 2016				
301-1 Materials used by weight or volume	Environment		■	
301-2 Recycled input materials used	Environment	The recycled material input of metals varies between 20% and 95%, depending on the type of furnace and foundry used by the metal recycling companies in the supply chain, of which there are too many to state an exact percentage.	■	
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	Environment		■	
302-3 Energy intensity	Environment		■	
302-4 Reduction of energy consumption	Environment		■	
GRI 303: Water and effluents 2018				
303-3 Water withdrawal	Environment		■	
303-4 Water discharge	Environment		■	
303-5 Water consumption	Environment		■	
GRI 305: Emissions 2016				
GRI 3: 3-3 Management of material topics	Climate change and environment Strategy Environment Risks and risk management		■	■
305-1 Direct (Scope 1) GHG emissions	Environment		■	■
305-2 Energy indirect (Scope 2) GHG emissions	Environment		■	■
305-3 Other indirect (Scope 3) GHG emissions	Environment		■	■
305-4 GHG emissions intensity	Environment		■	■
305-5 Reduction of GHG emissions	Environment		■	■
305-6 Emissions of ozone-depleting substances (ODS)		Information unavailable: Our data gathering system does not cover ODS at the moment.	■	■
305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Environment		■	■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
GRI 306: Waste 2020				
306-1 Waste generation and significant waste-related impacts	Environment		■	
306-2 Management of significant waste related impacts	Environment		■	
306-3 Waste generated	Environment		■	
GRI 400 Social Standard Series				
GRI 401: Employment 2016				
401-1 New employee hires and employee turnover	Social		■	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social			
GRI 403: Occupational Health and Safety 2018				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä Occupational health and safety Social Risks and risk management		■	■
403-1 Occupational health and safety management system	Occupational health and safety		■	■
403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety		■	■
403-3 Occupational health services	Occupational health and safety		■	■
403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety People and culture Social		■	■
403-5 Worker training on occupational health and safety	Occupational health and safety		■	■
403-6 Promotion of worker health	Occupational health and safety	Information unavailable: Our data gathering system does not cover at the moment. Will be investigated in 2024.	■	■
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety		■	■
403-8 Workers covered by an occupational health and safety management system	Occupational health and safety		■	■
403-9 Work-related injuries	Social Occupational health and safety	Information incomplete: The reported information on high-consequence work-related injuries covers only employees. Currently our data collection does not enable tracking of such injuries for workers who are not employees.	■	■

GRI Standard / Disclosure	Links	Omissions / Remarks	UNGC	Material topic disclosures
403-10 Work-related ill health	Social Occupational health and safety	Information incomplete: The reported information on work-related ill health covers only employees. Currently our data collection does not enable tracking of such cases for workers who are not employees.	■	■
GRI 404: Training and Education 2016				
GRI 3: 3-3 Management of material topics	Sustainability at Wärtsilä People and culture Social Risks and risk management		■	■
404-1 Average hours of training per year per employee	Social People and culture		■	■
404-2 Programs for upgrading employee skills and transition assistance programs	Social	Various types of training can be offered in restructuring situations, however specific actions are defined case by case.		■
404-3 Percentage of employees receiving regular performance and career development reviews	Social		■	■
GRI 405: Diversity and Equal Opportunities 2016				
405-1 Diversity of governance bodies and employees	Social		■	
GRI 406: Non-discrimination 2016				
406-1 Incidents of discrimination and corrective actions taken	Compliance		■	
GRI 415: Public Policy 2016				
415-1 Political contributions	Compliance		■	
GRI 416: Customer Health and Safety 2016				
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Compliance			
GRI 417: Marketing and Labelling 2016				
417-2 Incidents of non-compliance concerning product and service information and labelling	Compliance			
417-3 Incidents of non-compliance concerning marketing communications	Compliance			
GRI 418: Customer Privacy 2016				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance			



Governance

Corporate governance statement 2023

Wärtsilä Corporation complies with the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act, and the rules and regulations of Nasdaq Helsinki Ltd. Wärtsilä also applies the Global Reporting Initiative's G4 Sustainability Reporting Guidelines and complies with the Finnish Corporate Governance Code 2020 (the "Code") issued by the Finnish Securities Market Association. The Code is publicly available at cgfinland.fi/en. Wärtsilä has not deviated from any of the Code's recommendations.

Wärtsilä's Corporate Governance Statement is published as a separate statement on Wärtsilä's website, as well as in this Annual Report.

Wärtsilä applies a single-tier governance model. The General Meeting of shareholders, the Board of Directors, and the President & CEO are responsible for the management of the Wärtsilä Group. Their duties are, for the most part, defined by the Finnish Limited Liability Companies Act. The General Meeting of shareholders elects the Board of Directors and the auditor. The Shareholders' Nomination Board prepares proposals to the General Meeting relating to the composition and remuneration of the Board of Directors. The Board of Directors is responsible for the strategic management of the company and is assisted in its work by the Board Committees. The Board appoints the President & CEO, who is in charge of the operative, day-to-day management of the company, with support from the Board of Management.

Wärtsilä's governance model

External Audit
Elected by the Annual General Meeting to audit Wärtsilä Corporation's financial statements, including the consolidated financial statements, accounting records and the administration of the company.

Internal Audit
Analyses the company's operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The function reports at regular intervals to the Audit Committee.

Annual General Meeting
The Annual General Meeting is Wärtsilä's ultimate decision-making body.

Board of Directors
The Board of Directors consists of 5-10 members elected by the Annual General Meeting. They are responsible for the strategic management of the company.

President & CEO
The Board of Directors appoints the President & CEO, who is in charge of the operative, day-to-day management of the company.

Board of Management
The Board of Management supports the President & CEO.

Shareholders' Nomination Board
The Nomination Board prepares matters pertaining to the appointment and remuneration of the Board of Directors.

Audit Committee
The committee's responsibilities include monitoring the financial reporting process and the efficiency of internal control, internal audit, and risk management systems.

People Committee
The committee's responsibilities include preparing matters concerning the nomination and remuneration of the President & CEO, the CEO's deputy, if any, and the members of the Board of Management.

Annual General Meeting

Wärtsilä's ultimate decision-making body is the General Meeting of shareholders. It resolves issues as defined for General Meetings in the Finnish Limited Liability Companies Act and the company's Articles of Association. The agenda items for the General Meeting of shareholders include the following:

- approving the financial statements
- deciding on the distribution of dividends
- discharging the company's Board of Directors and President & CEO from liability for the financial year
- electing the company's Board of Directors and auditor and deciding on their remuneration

A General Meeting of Wärtsilä Corporation is held at least once a year, at a time no later than the end of June. If needed, the company may also hold Extraordinary General Meetings. An invitation to the General Meeting is published on the company's website or in a minimum of two daily newspapers, which are commonly distributed in Finland, as decided by the Board of Directors. The invitation shall be published no earlier than two months and no later than three weeks prior to the General Meeting. It shall, however, be published at least nine days prior to the General Meeting's record date. Wärtsilä also publishes the invitation to its General Meetings as a stock exchange release. The documents and draft resolutions to be submitted to the General Meeting can be found on Wärtsilä's website.

Shareholders have the right to add items falling within the competence of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in writing sufficiently in advance of the meeting, so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes on its website the date by which a shareholder must notify the company's Board of Directors of an issue that he or she demands to be addressed at the General Meeting. This information is given no later than by the end of the financial period preceding the General Meeting and includes the postal or email address to which the demand shall be sent. The demand is always deemed to have arrived in time, if the Board is notified of the demand no later than four weeks before the delivery of the Notice of the General Meeting.

All shareholders registered by the record date in the company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holder to one vote. The Chair of the Board of Directors, the members of the Board of Directors, and the President & CEO are normally present at the General Meeting. The auditor-in-charge also attends the Annual General Meeting. Director candidates shall also be present at the General Meeting that decides upon their election.

Annual General Meeting 2023

Wärtsilä's Annual General Meeting was held on 9 March 2023, with shareholders having the possibility to follow the meeting via a video stream.

The Annual General Meeting approved the financial statements, reviewed the Remuneration Report 2022 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2022. The audit firm PricewaterhouseCoopers Oy was elected as the auditor of the company for the year 2023. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.26 per share in two instalments. The first instalment of EUR 0.13 per share was paid on 20 March 2023 and the second instalment of EUR 0.13 per share on 20 September 2023. The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 of the company's own shares. In addition, 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. The minutes of the meeting and other related documents can be found on Wärtsilä's website at www.wartsila.com/agm.

Shareholders´ Nomination Board

The Shareholders' Nomination Board prepares and presents to the General Meeting proposals relating to the composition and remuneration of the Board of Directors. In addition, the Nomination Board reviews and adjusts the diversity principles of the Board of Directors, as necessary, and does successor planning of the directors.

The Nomination Board consists of five members. Four representatives are nominated by the company's four largest shareholders, with the fifth member being the Chair of Wärtsilä's Board of Directors. The four largest shareholders are determined on the basis of the shareholders' register maintained by Euroclear Finland Ltd. as of 1 June preceding the Annual General Meeting of shareholders. In case a shareholder does not wish to use its appointment right, the right transfers to the next largest shareholder who would not otherwise have such right. The members are elected annually. Their term of office ends when the composition of the Nomination Board for the following period is determined.

The Shareholders' Nomination Board's proposal for the composition of the Board of Directors is included in the Notice of the General Meeting. The same applies to a proposal for the composition of the Board of Directors made by shareholders with at least 10% of the votes carried by the company shares, provided that the candidates have given their consent to the election, and the company has received information on the proposal sufficiently in advance as to be included in the Notice of the General Meeting. The candidates proposed after the disclosure of the Notice of the General Meeting shall be disclosed separately. Wärtsilä publishes the biographical details of the candidates for the Board on its website in connection with the publication of the Notice of the General Meeting.

Diversity principles

For the Board of Directors to discharge its duties in the most effective manner, the Board must be highly qualified and sufficiently diverse. When preparing its proposal for the Board's composition, the Shareholders' Nomination Board considers the educational and professional background of the individual candidates, as well as their international experience, so that the composition of the Board represents a wide variety of competencies and qualifications. The Shareholders' Nomination Board also considers the candidates' age, as having different seniority levels on the Board is considered beneficial in terms of ensuring a mutually complementary experience.

With regards to gender, Wärtsilä's objective is to have a balanced representation of both genders in the Board. In December 2023, Wärtsilä had three female and five male board members.

The Shareholders' Nomination Board assesses the potential candidates not only in terms of their individual qualifications and characteristics, but also in terms of their ability to effectively work together and jointly support and challenge the company management in a proactive and constructive way.

Shareholders' Nomination Board 2023

In June 2023, the following members were appointed to Wärtsilä's Shareholders' Nomination Board:

Petra Hedengran
Born 1964, Master of Law. General Counsel, Head of Corporate Governance, Investor AB, appointed by Invaw Invest AB.

Markus Aho
Born 1980, M.Sc. (Eng.). Chief Investment Officer, Varma Mutual Pension Insurance Company.

Mikko Mursula
Born 1966, M.Sc. (Econ.). Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company.

Carl Pettersson
Born 1979, B.Sc. (Econ.), EMBA. CEO, Elo Mutual Pension Insurance Company.

Tom Johnstone CBE
Born 1955, Master of Arts, Honorary Doctorate in Business Administration and Honorary Doctorate in Science. Chair of the Board of Directors of Wärtsilä Corporation.

The Nomination Board convened once with an attendance rate of 100%.

Board of Directors

Responsibility for the management of the company and the proper organisation of its operations lies with the company's Board of Directors, which is composed of five to ten members. Board members serve for one year at a time and are elected by the General Meeting.

According to the Corporate Governance Code's recommendation 10, the majority of the Board members shall be independent of the company, and at least two of the members representing this majority shall be independent of significant shareholders of the company. The Board evaluates the independence of its members annually and re-evaluates it as necessary.

The Board elects a chair and a deputy chair from among its members. The Board steers and supervises the company's operations and decides on policies, goals, and strategies of major importance. The principles applied by the Board to its regular work are set out in the Board Charter. The Board also approves the rules of procedure applied by the Board's committees setting out their main tasks and working principles. In addition to matters requiring its decision, the Board is given updates on the Group's operations, financial position, and risks at its meetings.

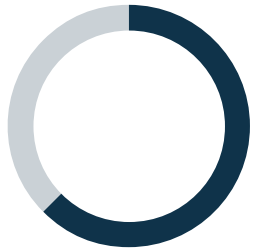
The Board conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to act as a basis for developing Board functions.

The Board of Directors convenes from eight to eleven times a year, following a pre-determined schedule. In addition to these meetings, the Board convenes as necessary. All board meetings are documented.

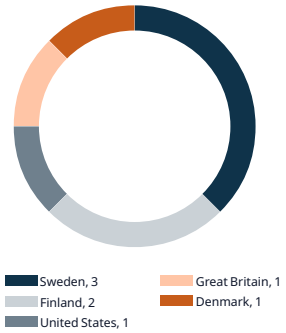
Gender diversity



Tenure



Nationality



Applicable to the Board of Directors elected by the Annual General Meeting 2023.

Board of Directors in 2023

As of 9 March 2023, the Board comprised the following eight members: Mr Tom Johnstone (Chair), Mr Mika Vehviläinen (Deputy Chair), Ms Karen Bomba, Mr Morten H. Engelstoft, Ms Karin Falk, Mr Johan Forssell, Mr Mats Rahmström, and Ms Tiina Tuomela.

All eight Board members were determined to be independent of the company. Six members were determined to be independent of significant shareholders. Mr Tom Johnstone was determined to be dependent of significant shareholders due to his position in the board of Investor AB. Mr Johan Forssell was determined to be dependent of significant shareholders due to his position as the President and CEO of Investor AB.

Until 9 March 2023, the Board comprised the following eight members: Mr Tom Johnstone (Chair), Mr Risto Murto (Deputy Chair), Ms Karen Bomba, Mr Morten H. Engelstoft, Ms Karin Falk, Mr Johan Forssell, Mr Mats Rahmström, and Ms Tiina Tuomela.

During 2023, Wärtsilä's Board of Directors held 9 meetings with an attendance rate of 99%. Major items on the agenda of the Board of Directors were Wärtsilä's strategy and its implementation, decarbonisation of its operations as well as product portfolio, and the financial development (e.g., growth, profitability, and cash flow) of the company. The impact of the increasing geopolitical tensions and global economic developments on the company and its markets were strongly in focus of the Board of Directors. Similarly, the analysis of the market development and plans to develop the manufacturing footprint received attention. Other areas of importance included sustainability, technological developments including artificial intelligence, and the development of human resources and talent.

Board members' meeting participation in 2023

	Number of meetings	% of meetings
Tom Johnstone, Chair	9/9	100
Mika Vehviläinen, Deputy Chair (as of 9 March, 2023)	7/7	100
Karen Bomba	9/9	100
Karin Falk	9/9	100
Johan Forssell	9/9	100
Morten H. Engelstoft	8/9	89
Mats Rahmström	9/9	100
Tiina Tuomela	9/9	100
Risto Murto, Deputy Chair (until 9 March, 2023)	2/2	100

Responsibilities of the Board of Directors

The Board considers all matters stipulated to be the responsibility of a board of directors by legislation, other regulations, and the company's Articles of Association. The most important of these are:

- the annual and interim financial statements
- matters to be put before the General Meetings of shareholders
- the appointment of the President & CEO, the Executive Vice Presidents, and the CEO's deputy, if any
- the organisation of financial supervision within the company

The Board is also responsible for considering any matters that are so far-reaching with respect to the area of the Group's operations that they cannot be considered to fall within the scope of the Group's day-to-day administration. Examples of such matters include:

- approval of the long-term goals of the Group and its businesses, as well as the strategies to achieve them
- monitoring the developments, opportunities, and threats in the external environment, as well as their impact on goals and strategy
- approval of the annual business plan and target setting for the Group
- approval of risk management principles
- monitoring and assessing the performance of the President & CEO
- approval of the remuneration and pension benefits of the President & CEO, Executive Vice Presidents, and the CEO's deputy, if any
- approval of the corporate governance principles
- overseeing that the company complies with legal and regulatory requirements, its Code of Conduct, and other established values and ethical principles in its operations
- discussing and monitoring the research and product development plans of the company
- appointing the Board committees
- granting charitable donations
- approval of other matters that are strategically or financially important, such as significant investments, acquisitions, or divestments

The Boards' committees

The Board of Directors appoints annually an Audit Committee and a People Committee. It may also nominate other committees, if considered necessary in its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairs, taking into consideration the expertise and experience required for the duties of the committee. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself. In addition to the committee members, other Board members may participate in committee meetings, if they so wish. The purpose of the Board's committees is to prepare matters to be put before the Board for its decision. The committees have no decision-making authority of their own.

Audit Committee

The Board of Directors appoints an Audit Committee to assist it in performing its supervisory duties. The Board appoints from among its members at least three members to the Committee. These members shall have the qualifications necessary to perform the responsibilities of the Audit Committee. The majority of the members of the Audit Committee shall be independent of the company, and at least one member shall be independent of the company's significant shareholders.

The Board defines the duties of the Audit Committee in the charter confirmed for the Committee. The Audit Committee monitors the financial statement reporting process, as well as the efficiency of the internal control, internal audit, and risk management systems. Furthermore, the Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, monitors the statutory audit, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor. Other duties of the Audit Committee include reviewing the accounting principles of the company and approving any amendments to them, reviewing the interim and financial statements of the company and the reports prepared by the auditor for the Audit Committee, as well as evaluating the processes aimed at ensuring compliance with laws and regulations and monitoring the company's credit position and taxation.

The Audit Committee also reviews the company's Corporate Governance Statements and reviews and resolves any special issues raised by the Board of Directors that fall within the competence of the Audit Committee.

The Chair of the Audit Committee convenes the Committee as required. The Chair reports to the Board of Directors on the Committee's meetings and proposals.

Audit Committee in 2023

Chair Tiina Tuomela, members Karen Bomba and Morten H. Engelstoft. All members are independent of the company and significant shareholders. The Audit Committee met five times in 2023 with an attendance rate of 93%.

People Committee

The Board appoints a People Committee to assist it in its work. The Board appoints at least three of its members to sit in the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the People Committee in the charter confirmed for the Committee. The People Committee prepares for the Board of Directors, as necessary, matters concerning the appointment of the President & CEO, the CEO's deputy, if any, and other members of the Board of Management. The Committee prepares for the Board of Directors proposals concerning the remuneration principles, incentive schemes, and remuneration that apply to the President & CEO and the members of the Board of Management. Furthermore, the People Committee reviews the organisation's development needs and corporate culture alignment with strategy, monitors talent management processes and strategies, as well as reviews leadership development strategies and succession plans. External consultants used by the Committee are independent of the company and management.

The Chair of the People Committee convenes the Committee as required. The Chair reports to the Board of Directors on the Committee's meetings and proposals.

People Committee in 2023

Chair Tom Johnstone, members Karin Falk and Johan Forssell. All members are independent of the company, and one is independent of significant shareholders. The People Committee met four times in 2023 with an attendance rate of 100%.

Board members' committee meeting participation in 2023

	Audit Committee	People Committee
Tom Johnstone	-/-	4/4
Mika Vehviläinen (as of 9 March 2023)	-/-	-/-
Karen Bomba	5/5	-/-
Karin Falk	-/-	4/4
Johan Forssell	-/-	4/4
Morten H. Engelstoft	3/4	-/-
Mats Rahmström	-/-	-/-
Tiina Tuomela	5/5	-/-
Risto Murto (until 9 March, 2023)	1/1	-/-

Members of the Board of Directors

		Primary working experience	Other positions of trust	Shares
	**Tom Johnstone CBE, Chair of the Board** Independent of the company, dependent of significant shareholders. Born 1955, Master of Arts, Honorary Doctorate in Business Administration and Honorary Doctorate in Science. Member of the Board of Wärtsilä Corporation since 2015, Chair of the Board since 2020.	• SKF Group, several management posts, of which the most recent was President and CEO of AB SKF, 2003-2014	• Combient AB, Chair of the Board • Husqvarna AB, Chair of the Board • Collegial AB, Chair of the Board • Investor AB, Member of the Board • Northvolt AB, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 41,985 shares
	**Mika Vehviläinen, Deputy Chair of the Board** Independent of the company and significant shareholders. Born 1961, M.Sc. (Econ.). Deputy Chair of the Board since 2023.	• Cargotec Oyj, President and CEO, 2013-2023 • Finnair Oyj, President and CEO, 2009-2013 • Nokia Siemens Networks, COO, 2007-2009 • Nokia Corporation, various managerial positions, 1991-2007	• Danfoss A/S, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 3,927 shares
	**Karen Bomba** Independent of the company and significant shareholders. Born 1964, B.Sc. Mechanical Engineering. Member of the Board of Wärtsilä Corporation since 2020.	• Smiths Interconnect, President, 2017-2020 • Morpho Detection, Inc., President & CEO, 2013-2017 • Labinal SA, Chairman and CEO, 2010-2013 • Zoltek Companies, Inc., Chief Operating Officer, 2008-2010 • Messier-Bugatti USA LLC, Chairman and CEO, 2004-2008 • Messier-Bugatti USA LLC, Executive Vice President and General Manager, 2000-2004 • Hitco Carbon Composites, Inc., Business Line Manager and Focused Factory Manager, 1993-2000 • Northrop Corporation, Manufacturing Engineering Manager, 1986-1993	• Ultra Electronics Holdings Plc, Member of the Board • Ceres Power Plc, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 13,475 shares

		Primary working experience	Other positions of trust	Shares
	**Morten H. Engelstoft** Independent of the company and significant shareholders. Born 1967, EMBA. Member of the Board of Wärtsilä Corporation since 2022.	• A.P. Møller - Mærsk A/S, APM Terminals, Denmark, CEO & EVP, 2016-2022 • A.P. Møller - Mærsk A/S, APM Shipping Services, Denmark, CEO, 2014-2016 • A.P. Møller - Mærsk A/S, Maersk Tankers, Denmark, CEO, 2014-2016 • A.P. Møller - Mærsk A/S, Maersk Line, Denmark, COO, 2007- 2014 • A.P. Møller - Mærsk A/S, Maersk Container Business, South East Asia, Chief Executive, 2006-2007 • A.P. Møller - Mærsk A/S, Maersk Container Business, East Mediterranean, Chief Executive, 2003-2006 • A.P. Møller - Mærsk A/S, Maersk Line, Singapore, Managing Director, 2001-2003 • A.P. Møller - Mærsk A/S, various positions, 1986-2001	• TT Club Mutual Insurance, Chairman of the Board • Maersk Supply Service, Vice-Chairman of the board	Holdings in Wärtsilä Corporation on 31.12.2023: 6,678 shares
	**Karin Falk** Independent of the company and significant shareholders. Born 1965, B.Sc. (Econ.). President, Husqvarna Construction Division. Member of the Board of Wärtsilä Corporation since 2017.	• Volvo Group, Senior Vice President, Volvo Trucks Services & Customer Quality, 2016-2020 • Volvo Group, Executive Vice President, Corporate Strategy & Brand Portfolio, 2012-2016 • Volvo Group, President, Non-Automotive Purchasing, 2008-2012 • Volvo Car Corporation, Vice President, Volvo Car Customer Service, 2006-2008 • Volvo Car Corporation, President, Volvo Car Special Vehicles, 2001-2006 • Volvo Cars and Volvo Group, various positions, 1988-2001		Holdings in Wärtsilä Corporation on 31.12.2023: 18,548 shares
	**Johan Forssell** Independent of the company, dependent of significant shareholders. Born 1971, M.Sc. (Economics and Business Administration). President & CEO of Investor AB. Member of the Board of Wärtsilä Corporation since 2017.	• Investor AB, Head of Core Investments and Member of the Management Group, 2006-2015 • Aleris AB, Project Director, 2014 • Investor AB, Head of Research, 2003-2006 • Investor AB, Head of Capital Goods and Healthcare sector, 2001-2003 • Investor AB, Head of Capital Goods sector and Analyst, 1995-1999	• Atlas Copco, Member of the Board • Confederation of Swedish Enterprise, Member of the Board • Epiroc AB, Member of the Board • EQT AB, Member of the Board • Patricia Industries, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 18,548 shares

		Primary working experience	Other positions of trust	Shares
	**Mats Rahmström** Independent of the company and significant shareholders. Born 1965, MBA. President & CEO of Atlas Copco AB. Member of the Board of Wärtsilä Corporation since 2020.	• Atlas Copco AB, Business Area President, Industrial Technique, 2008-2017 • Atlas Copco AB, President, Atlas Copco Tools and Assembly Systems General Industry division within Industrial Technique, 2006-2008 • Atlas Copco AB, various positions in sales, service, marketing, and general management within Industrial Technique, 1988-2006	• Piab AB, Chair of the Board • The Royal Swedish Academy of Engineering Sciences, Member	Holdings in Wärtsilä Corporation on 31.12.2023: 36,975 shares
	**Tiina Tuomela** Independent of the company and significant shareholders. Born 1966, MBA, M.Sc. (Engineering). CFO, Fortum Corporation. Member of the Board of Wärtsilä Corporation since 2021.	• Uniper SE, CFO, 2021-2023 • Fortum Corporation, Executive Vice President, Generation Division, 2016-2021 • Fortum Corporation, Executive Vice President, Nuclear and Thermal Power Division, 2014-2016 • Fortum Corporation, various positions in finance, 2003-2014 • Imatran Voima Oy, various positions in finance, 1991-2003	• Teollisuuden Voima Oyj, Member of the Board • Lappeenranta University of Technology, Member of the Advisory Board • TÜV Rheinland, member of the Supervisory Board	Holdings in Wärtsilä Corporation on 31.12.2023: 9,259 shares

Group Management

The President & CEO

The Board of Directors appoints a President for the Group, who is also its Chief Executive Officer. The President & CEO is in charge of the day-to-day management of the company and its administration in accordance with the company's Articles of Association, the Finnish Companies Act, and the instructions of the Board of Directors, and is assisted in this work by the Board of Management. The President & CEO's service terms and conditions are specified in writing in the service contract.

The President & CEO of the company is Mr Håkan Agnevall.

Board of Management

At the end of the reporting period, Wärtsilä's Board of Management comprised of eight members: the President & CEO, the Chief Financial Officer, the Executive Vice Presidents of the businesses Wärtsilä Energy, Wärtsilä Marine Power and Wärtsilä Marine Systems, as well as the Executive Vice Presidents heading the Marketing and Communications; Corporate Relations & Legal Affairs; and Human Resources functions. The Voyage business was integrated into Marine Power as of 1 January 2023. In June 2023, Saara Tahvanainen and Anders Lindberg took up their positions as Executive Vice President, Marketing and Communications and President, Energy, Executive Vice President respectively. The members of the Board of Management are appointed by the company's Board of Directors, which also approves their remuneration and other terms of employment. The Board of Management is chaired by the President & CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, and the Group's structure and corporate steering systems. It also supervises the company's operations.

The Chief Financial Officer's main areas of responsibility include group accounting and control, treasury (including project and customer financing), taxation, process development, corporate planning, and investor relations. The Executive Vice Presidents of the businesses are each responsible for the sales volumes and profitability of their respective global business, deploying the capabilities of the Group's worldwide subsidiaries. The main areas of responsibility of the Executive Vice President, Corporate Relations & Legal Affairs are corporate relations and legal affairs, intellectual asset management and sustainability, environmental and occupational health and safety, as well as security, including cyber security. The Executive Vice President, Human Resources is responsible for people related processes. The main areas of responsibility of the Executive Vice President, Marketing and Communications are external and internal communications, as well as branding and marketing. Information on the members of the Board of Management and their areas of responsibility and holdings can be found in the Board of Management CVs.

The Board of Management in 2023

The Board of Management met 12 times during 2023. Major items on the agenda of the Board of Management were the business strategies and the status of their implementation, as well as the sustainability strategy and decarbonisation and continuous improvement process. The Board of Management focused on financial performance, market development, regulatory environment, and R&D and other technology development. Managing the consequences on the company of the increasing geopolitical tensions and global economic development were in strong focus. Also, the market demand development and the planning of production capacity were significant items of the agenda of the Board of Management. Furthermore, other areas of importance included human resources management, health and safety of personnel, risk management, as well as supplier and other stakeholder relationships.

Corporate management

The company's corporate management consists of, in addition to the Board of Management, the directors in charge of corporate functions. These functions include Financial Controlling, Corporate Legal Affairs, Group Treasury, Compliance, Information Management, Marketing & Communications, HR, Corporate Internal Audit, Corporate Relations and Sustainability, and Investor Relations.

Business management teams

Each business head is supported by a business management team. The business management teams comprise the heads of business units and business lines, as well as business specific support function heads. They are responsible for executing the respective business strategies and for ensuring that the business' performance is in line with agreed targets.

Managing Directors of subsidiaries

The Managing Directors of the Group's subsidiaries are responsible for ensuring that the subsidiaries are in the position to meet the needs of the businesses, and that the development needs of the subsidiary's personnel are met. The Managing Directors are also responsible for ensuring that the subsidiary's operations fulfil the requirements stipulated in the Group processes, including the quality system, that these operations comply with the respective country's legal requirements and with good business practices, and that communication within the subsidiary is conducted in accordance with the practices of the Group.

Members of the Board of Management

		Primary working experience	Other positions of trust	Shares
	**Håkan Agnevall** President & CEO of Wärtsilä Corporation since 2021. Born 1966, M.Sc. (Tech.), MBA, Honorary Doctor of Technology. Joined the company in 2021.	• Volvo Bus Corporation, President, 2013-2020 • Bombardier Transportation, Vice President, 2010-2013 • ABB Robotics, Senior Vice President, 2007-2009 • ABB High Voltage Cables, Vice President, 2003-2006	• Technology Industries of Finland, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 167,300 shares
	**Arjen Berends** Executive Vice President and Chief Financial Officer since 2018. Born 1968, MBA. Joined the company in 1988.	• Wärtsilä Corporation, Vice President, Finance & Business Control, Marine Solutions, 2012-2018 • Wärtsilä Corporation, Vice President, Finance & Business Control, Wärtsilä Industrial Operations, 2010-2012 • Wärtsilä Corporation, Finance Director, Wärtsilä Industrial Operations, 2007-2010 • Wärtsilä Propulsion Netherlands B.V., Finance Director, and Wärtsilä Corporation Propulsor Business Finance Director, 2002-2007 • Wärtsilä Corporation, various roles, 1988-2002		Holdings in Wärtsilä Corporation on 31.12.2023: 5,000 shares
	**Tamara de Gruyter** President, Wärtsilä Marine Systems, Executive Vice President and Head of Portfolio Business since 2020. Born 1972, B.Sc. Shipbuilding Engineering. Joined the company in 1998.	• Wärtsilä Corporation, Chief Transformation Officer and Head of Portfolio Business, 2019-2020 • Wärtsilä Corporation, Vice President, Marine Business Europe & Africa, 2019 • Wärtsilä Corporation, Vice President, Services North Europe, 2017-2018 • Wärtsilä Corporation, Vice President, Propulsion System Services, 2015-2018 • Wärtsilä Corporation, various roles, 1998-2015	• Combient AB, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 4,700 shares

		Primary working experience	Other positions of trust	Shares
	**Kari Hietanen** Executive Vice President, Corporate Relations and Legal Affairs since 2012. Born 1963, LL.M. Joined the company in 1989.	• Wärtsilä Corporation, Executive Vice President, Human Resources and Legal Affairs, 2002-2011 • Wärtsilä Corporation, Power Divisions, Group General Counsel, 2000-2002 • Wärtsilä Diesel Group, General Counsel, 1994-1999 • Metra Corporation and Wärtsilä Diesel Group, Legal Counsel, 1989-1994	• European Engine Power Plants Association, EUGINE, President • German-Finnish Chamber of Commerce, Member of the Board • East Office of Finnish Industries Ltd, Deputy Member of the Board • Confederation of Finnish Industries (EK), Member of the Trade Policy Committee • International Trade Committee, Finland Chamber of Commerce / ICC Advisory Board, ICC Finland, Member • Industrial Forum of the European Commission, Member • China Office of Finnish Industries, Member of the Board • Disciplinary Committee of Nasdaq Helsinki Ltd, Member • Takeover Board of the Securities Market Association, Member	Holdings in Wärtsilä Corporation on 31.12.2023: 20,033 shares
	**Roger Holm** President, Wärtsilä Marine Power and Executive Vice President since 2020. Born 1972, M.Sc. (Econ.). Joined the company in 1997.	• Wärtsilä Corporation, President, Marine Business and Executive Vice President, 2019-2020 • Wärtsilä Corporation, President, Marine Solutions and Executive Vice President, 2015-2019 • Wärtsilä Corporation, Senior Vice President, Engines, 2013-2015 • Wärtsilä Corporation, Vice President, Seals & Bearings, 2011-2013 • Wärtsilä Corporation, various roles, 1997-2011	• Hanken School of Economics, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2023: 15,196 shares
	**Anders Lindberg** President, Wärtsilä Energy. Born 1965, MBA, M.Sc. (Eng.). Joined the company in 2023.	• Dellner Couplers AB, CEO & President, 2021-2023 • Ørsted, Executive Vice President EPC and QHSE, 2015-2021 • Bombardier Transportation, various roles, last position President Rolling Stock Division, 2001-2014 • Adtranz, various roles, last position General Manager Propulsion & Controls, 1997-2001 • ABB Traction, various roles, last position Manager Converter Engineering Electrical Division, 1991-1996	• Windeed AB, Non-Executive Director • Climeon AB, Non-Executive Director • MT Höjgaard A/S, Non-Executive Director	Holdings in Wärtsilä Corporation on 31.12.2023: no shares

		Primary working experience	Other positions of trust	Shares
	**Teija Sarajärvi** Executive Vice President, Human Resources since 2022. Born 1969, MA. Joined the company in January 2022.	• Huhtamaki Oyj, various roles, last position as Executive Vice President,Human Resources and Safety, 2015-2021 • OP Financial Group, Executive Vice President, Human Resources, 2012-2015 • Metso Oyj, various roles, last position as Senior Vice President, Human Resources, 2009-2012 • Nokia Oyj, various roles, last position as Director, Human Resources, Nokia Markets, 1998-2009 • ABB Oyj, various roles, 1993-1998		Holdings in Wärtsilä Corporation on 31.12.2023: no shares
	**Saara Tahvanainen** Executive Vice President, Marketing and Communications. Born 1974, M.S.S. Joined the company in 2023.	• UPM, Vice President, Stakeholder Relations, 2018-2023 • HERE Technologies, Head of Executive Communications, 2017 • Outokumpu, various roles, last position as Executive Vice President, Communications, Marketing and Investor Relations, 2012-2017 • Nokia, Senior Communications Manager, 2006-2012 • Fazer, Communications Manager, 2004-2006		Holdings in Wärtsilä Corporation on 31.12.2023: 1,375 shares

Internal control

Wärtsilä has defined its objectives for internal control according to the international COSO framework. Wärtsilä defines internal control as a process implemented by Wärtsilä's Board of Directors, the management, the Boards of Directors of Group companies, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives.

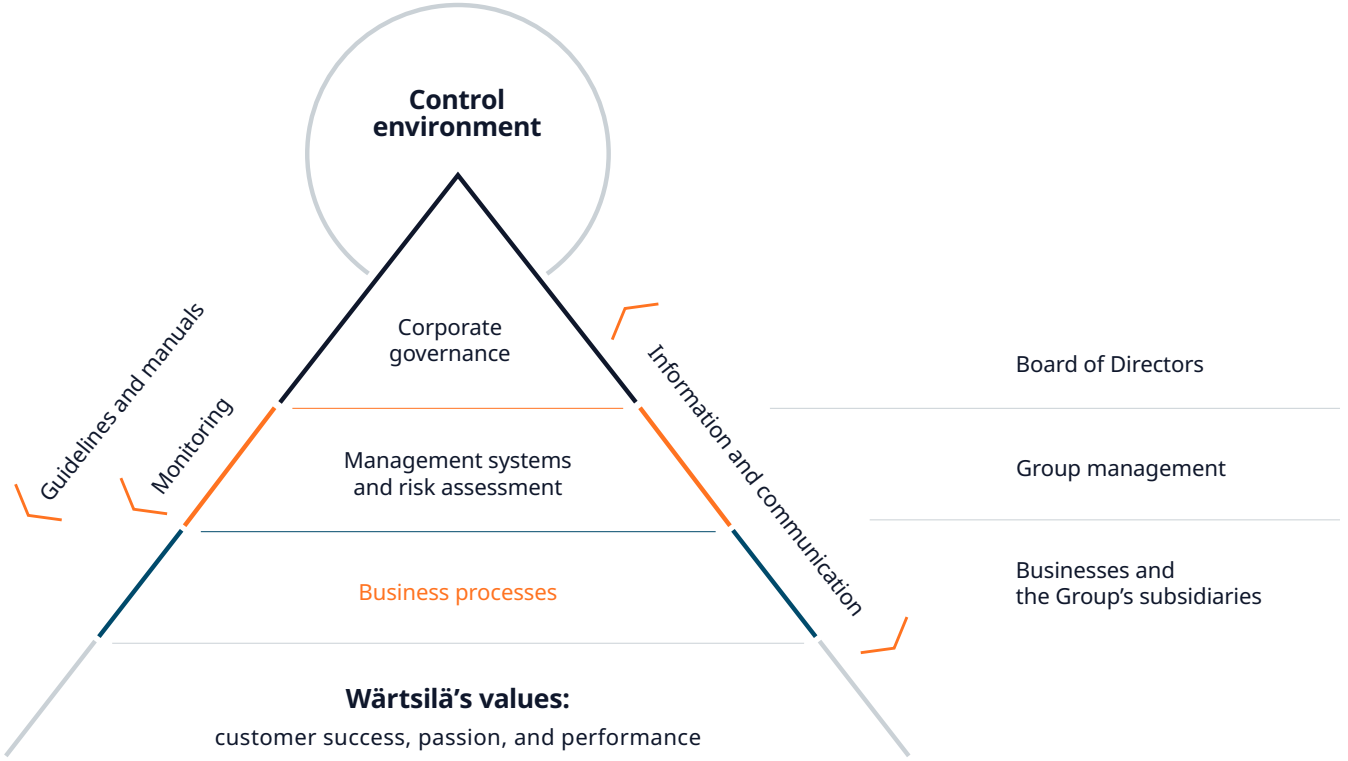
Internal control covers all the policies, processes, procedures and organisational structures within Wärtsilä that help the management, and ultimately the Board, to ensure that Wärtsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, that the company's assets, including its brand, are safeguarded, and that its financial reporting is correct. Internal control is not a separate process or set of activities but is embedded in Wärtsilä's operations.

The system of internal control operates at all levels of Wärtsilä. Wärtsilä maintains and develops its internal control system with the ultimate aim of improving its business performance and, at the same time, complying with laws and regulations in the countries where it operates.

Management systems

The Board of Management is responsible for developing and implementing Wärtsilä's management systems, continuously improving their performance and ensuring that they operate effectively. Wärtsilä's management systems cover all global processes and management procedures within Wärtsilä related to fulfilling customer requirements. The proper functioning of the management systems ensures, for their part, the attainment of Wärtsilä's internal control objectives. Wärtsilä's main management systems are described in detail on the company website: www.wartsila.com/investors/governance/internal-control-framework.

Main components of Wärtsilä's internal control



Risk assessment

Internal control within Wärtsilä is designed to support the company in achieving its targets. The risks related to the achievement of targets need to be identified and evaluated in order for them to be managed. Thus, the identification and assessment of risks is a pre-requisite for internal control within Wärtsilä. Wärtsilä's internal control mechanisms and procedures provide the management assurance that risk management actions are carried out as planned. Wärtsilä has defined and implemented entity level and process level control activities, as well as information system controls. Control activities at different levels are needed to directly mitigate risks at the respective levels.

Wärtsilä's financial reporting is carried out in a harmonised way in all major Group companies, using a single instance ERP system and a common chart of accounts. The International Financial Reporting Standards (IFRS) are applied in Wärtsilä consolidated financial statements. Wärtsilä's finance and control process is essential for the functioning of internal control. Adequate controls in the financial management and accounting processes are needed to ensure the reliability of financial reporting. The Board of Directors regularly assesses the adequacy and effectiveness of Wärtsilä's internal controls and risk management. It is also responsible for ensuring that the internal control of accounting and financial administration is arranged appropriately. The Audit Committee of Wärtsilä's Board of Directors is responsible for overseeing the financial reporting process.

A more comprehensive description of Wärtsilä's risk management principles as well as of Wärtsilä's most important strategic, operational, and financial risks can be found in the Risks and risk management section of this report.

Values and the control environment

The foundation of Wärtsilä's internal control system lies on the company's values: customer success, passion, and performance. Wärtsilä's values are reflected in its day-to-day relations with its suppliers, customers, and investors, as well as in internal guidelines, policies, manuals, processes, and practices. The control environment sets the tone for internal control within Wärtsilä and influences the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Wärtsilä's control environment are included in the corporate culture; in the integrity, ethical values and competence of Wärtsilä's personnel; as well as in the attention and direction provided to the personnel by the Board of Directors.

Wärtsilä's values and control environment provide Wärtsilä's Board of Directors and management the basis for reasonable assurance regarding the achievement of the objectives of internal control. The President & CEO and the Board of Management define Wärtsilä's values and ethical principles, which are reflected in the Code of Conduct approved by the Board of Directors, and set an example for the corporate culture, which together create the basis for the control environment. They, together with the business management, are responsible for communicating Wärtsilä's values to the organisation.

Business processes

The controls embedded in Wärtsilä's business processes play a key role in ensuring effective internal control within the company. Controls in the business processes help ensure the achievement of all the objectives of internal control within Wärtsilä, especially those related to the efficiency of operations and safeguarding the company's profitability and reputation. The business management is responsible for ensuring that, within its area of responsibility, the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, the business management is responsible for ensuring that efficient business level processes with adequate controls have been defined and implemented.

Guidelines and manuals

The components of Wärtsilä's internal control system, including for example corporate governance, management systems, the performance management process, as well as business and other processes, are described in various guidelines and manuals. The essential Group level policies and guidelines are compiled in Wärtsilä's Corporate Manual. Wärtsilä's Group level Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Wärtsilä Group companies. The manual supports the achievement of objectives related to the reliability of Wärtsilä's financial reporting. Wärtsilä's Group level policies, and any changes to them, shall be approved by a member of the Board of Management. In addition to the Group level guidelines and manuals, the businesses have issued related guidelines and instructions for their own, specific purposes. The business level guidelines and manuals are aligned with, and do not contradict, the Group level guidelines and manuals.

Information and communication

An effective internal control system needs sufficient, timely, and reliable information to enable the management to assess the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Employees can provide feedback to the management and communicate suspected misconduct via a whistle-blower channel that secures anonymous reporting, or directly to the Compliance, Legal Affairs, or Internal Audit functions. All external communications are carried out in accordance with the Group Communications Policy.

Monitoring

Monitoring is a process that assesses the quality of Wärtsilä's internal control system and its performance over time. Monitoring is performed both on an ongoing basis and through separate evaluations that include internal, external, and quality audits.

The Audit Committee of the Board of Directors assesses and assures the adequacy and effectiveness of Wärtsilä's internal controls and risk management. The Internal Audit function assists the Audit Committee in this work by performing regular

audits of Group legal entities, businesses, and support functions in accordance with its annual plan. In addition, Wärtsilä's external auditor and other assurance providers, such as quality auditors, conduct their evaluations of Wärtsilä's internal controls.

Wärtsilä's management performs monitoring as part of its regular supervisory activities. Business management is responsible for ensuring that all relevant laws and regulations are complied with in their respective responsibility areas. The Legal and Compliance function monitors adherence to the compliance policies of the Group.

The Group Finance & Control function oversees the financial reporting processes and controls to ensure that they are being followed. It also monitors the correctness of all external and internal financial reporting. Wärtsilä's external auditor audits Wärtsilä's financial statements, which include the consolidated financial statements.

Internal audit

Wärtsilä has an independent and objective Corporate Internal Audit unit, which functionally reports to the Audit Committee and administratively to the Chief Financial Officer. The purpose of Internal Audit is to evaluate and verify the effectiveness and quality of Wärtsilä's supervision mechanisms, including risk management, internal control, and governance.

The Internal Audit scope covers all the company's organisational levels, processes, functions, legal entities, Businesses and other topics based on risk assessment. Internal audits are undertaken in the subsidiaries and Business Units at regular intervals, ranging from one to four years. Internal Audit may also undertake audits in conjunction with acquisitions or carry out special tasks when needed.

The Internal Audit function prepares a risk-based annual audit plan, under which it audits different parts of the company. The annual plan is approved by the Audit Committee regularly. The function reports regularly to the Audit Committee and If needed, it may also be in direct contact with the Audit Committee or members of the Board of Directors. Reports are also shared with External Audit.

Related party transactions

Wärtsilä's related parties comprise the members of the Board of Directors, the President & CEO, the other members of the Board of Management and persons related to them as per IAS 24, as well as the associated companies and joint ventures. The Group Finance & Control function evaluates, and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are considered appropriately in Wärtsilä's decision-making process.

Insider management

Wärtsilä manages inside information and insiders in accordance with all applicable laws and regulations regarding insiders and insider trading.

The most important statutory provisions are contained in the Market Abuse Regulation (EU) 596/2014 ("MAR"). Wärtsilä also follows the Insider Guidelines of Nasdaq Helsinki Ltd. and Wärtsilä's Insider Policy.

The company draws up insider lists for projects containing inside information. Insiders are given written notification of their status as insiders and instructions on the obligations that apply to insiders.

The members of Wärtsilä's Board of Directors and Board of Management and certain other Wärtsilä personnel are prohibited from trading Wärtsilä's financial instruments during the 30 days prior to the publication of a financial statements bulletin, a half-year report, or an interim report.

Wärtsilä publishes notifications on transactions conducted by persons discharging managerial responsibilities and persons closely associated with them in accordance with the provisions of the MAR. The term "persons discharging managerial responsibilities" refers exclusively to the members of the Board of Directors and the Board of Management of Wärtsilä. These notifications are available on Wärtsilä's website.

External audit

The company has one auditor, which shall be an audit firm. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year. Its duties cease at the close of the subsequent Annual General Meeting.

Following the closing of annual accounts, the external auditor submits a statutory auditor's report to the company's shareholders. In addition, the auditor regularly reports its findings to the Board of Directors' Audit Committee. The auditor, in addition to fulfilling general competency requirements, must comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Auditor in 2023

The Annual General Meeting appointed the audit firm PricewaterhouseCoopers Oy (PwC) as Wärtsilä Corporation's auditor for the year 2023. The auditor-in-charge was Mr Lauri Kallaskari. Auditing fees paid to PwC amounted to EUR 3.7 million in 2023. Fees for non-audit services totalled EUR 0.3 million. The latter fees paid to the auditor concerned tax advisory and other services.

Remuneration Report 2023

2023 Remuneration at a glance

The Board fees approved for 2023 remained the same as the previous year.

STI for 2022 did not result in a pay-out.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group and business financial targets with no individual targets set for 2023.

STI 2023 resulted in a pay-out.

In our Performance Share Plan (PSP), in addition to EVA, we introduced sustainability targets for 2022-2024, for the first time, and have employed them in all subsequent plans. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

The 2020-2022 LTI did not result in a pay-out.

The 2021-2023 PSP resulted in a pay-out that will be transferred in the spring of 2024.

The Remuneration Report outlines the remuneration for Wärtsilä's Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act, the Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer (608/2019), and the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association. The report presents information on the remuneration of the Chief Executive Officer and the Board of Directors during the financial year 2023. It also presents the development of average employee remuneration and company performance over the past five financial years, in comparison to the CEO and Board's remuneration.

Remuneration policy at a glance

According to the **Remuneration Policy for Governing Bodies of Wärtsilä** (the "Remuneration Policy" or "Policy"), remuneration at Wärtsilä shall follow **'Pay for Performance' principles** of being responsive, transparent, and competitive, while aligning relevant interests. These principles are used for structuring the reward approach throughout the organisation and are designed to align employee rewards with the interests of the company and its shareholders.

Remuneration for the Board of Directors (the "Board") consists of annual fees for Board membership, attendance fees, and committee fees. Fees vary based on position, workload, and responsibility. Annual fees are paid in shares and cash, attendance, and committee fees in cash. The Annual General Meeting ("AGM") decides on the fees for each term of office.

Remuneration of the Chief Executive Officer (the "CEO") consists of a base salary, pension, and benefits, as well as short- and long-term incentives. The objective is to have a good balance of rewarding elements, and to guarantee a market competitive level of fixed remuneration. This is supplemented with short- and long-term incentive schemes aimed at providing an appropriate reward for driving company performance.

The Board may deviate from the Policy in extraordinary circumstances. To read the full Policy, please visit Wärtsilä's website at www.wartsila.com/investors/governance.

1. Introduction

1.1. Letter from the Chair of the People Committee

Dear Shareholders,

I am pleased to present Wärtsilä's Remuneration Report for the financial year 2023 which has been approved by the Board of Directors.

During 2023, the People Committee has complied with and executed the company's Remuneration Policy. Furthermore, the People Committee has been closely supporting implementation of the People strategy and priorities. We want to provide an exciting and engaging work experience for our 17,500 employees, with a focus on improving diversity, inclusion, and wellbeing.

We continue to follow our 'Pay for Performance' principles of being responsive, transparent, and competitive while aligning relevant interests. These principles are designed to link employee remuneration with the interests of the Company and its shareholders by providing compensation solutions that reward performance for delivering business results. We see this a key element in attracting, engaging, developing, and retaining the best talent. In addition, we also develop and reward high performing teams.

In the short-term incentive plan (STI), the CEO and Board of Management's focus was solely on group and business financial targets with no individual targets.

Our long-term incentive programme is our Performance Share Plan and includes, in addition to financial targets, sustainability targets linked to CO_2 reduction. These sustainability targets cover both our reduction of Scope 1 & 2 emissions and our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030. We saw a very positive development in all 3 of our financial targets – sales growth, EBIT and the operating cash flow. This resulted in a pay out under the short-term incentive plan which recognised and rewarded the very good performance of our employees.

During the year we also made further progress with The Wärtsilä Way – our company strategy, and with integrating the Leadership Model into our learning programmes. Our purpose of enabling sustainable societies through innovation in technology and services inspires our employees to shape the decarbonisation of marine and energy. The Leadership Model, together with our values – Customer success, Passion and Performance – outline how we will reach this target position, and what behaviours are required in driving our success.

Later in the year we added the final element – the Continuous Improvement model – to our strategy to create customer value and help make our customers successful, while continuously eliminating waste, and improving teamwork, predictability, and performance.

We are happy to receive any feedback on our Remuneration Report, as well as on our Remuneration Policy.



Tom Johnstone
Chair of the People Committee

People committee annual clock 2023



People Committee members' meeting participation in 2023

	Number of meetings
Tom Johnstone, Chair	4/4
Karin Falk	4/4
Johan Forssell	4/4

1.2 Remuneration and Company performance

In 2023, Wärtsilä continued to develop positively in many ways. Our financial performance improved steadily throughout the year, and we achieved all-time highs in order intake, net sales, and cash flow from operating activities. We improved our profitability through growing services, improving the quality of revenues, and progressing in turning around Energy Storage & Optimisation and former Voyage operations. We mitigated the headwinds from cost inflation, geopolitical concerns, and a slowdown of global economic growth. The market sentiment for our businesses remained fairly positive in both marine and energy, and we maintained our focus on executing our strategy and supporting our customers in their decarbonisation journeys.

Wärtsilä's Remuneration Principles set by the Policy are applicable to all employees, in all countries and in all businesses. These principles guide the development of remuneration and related practices, including for the CEO. The short-term incentive scheme (STI) is designed to provide incentives for the achievement of, and to reward the delivery of, the short-term business plan. The STI has been consistently based on profitability (comparable operating result) and cash flow targets over the past years. Long-term incentive (LTI) schemes are approved by the Board of Directors. They annually introduce individual performance share plans (PSP), each with a three-year performance period, designed to align the interests of participants with those of Wärtsilä's shareholders. LTI plans launched prior to 2021 were based on share price development. The current long-term incentive scheme, which is launched yearly, measures Economic Value Added (EVA) and sustainability targets connected to our decarbonisation strategy, namely to become carbon neutral in our own operations, and to have a product portfolio ready for zero carbon fuels. By aligning the incentive schemes with the goals of the Company, we can ensure that remuneration drives the best interests of the Company.

As Wärtsilä is a global company, the remuneration markets in which Wärtsilä operates vary significantly. Nevertheless, the



People Committee considers that the most transparent means for comparing the development of remuneration over time, is to compare the CEO and Board's remuneration with that of employees globally. Therefore, the figures shown for average employee remuneration are based on data for all Wärtsilä employees.

In line with the Pay for Performance principle, a substantial part of the CEO's remuneration is based on variable pay, i.e., short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to the business results, this development is reflected in the CEO's remuneration. Employee remuneration is less volatile than the CEO's, since a smaller portion of their total remuneration is based on variable pay elements. However, as all short-term incentive schemes are connected to the same performance indicators to a varying degree, employee remuneration is also impacted by Company performance. Board fees remained unchanged in 2023.

Five-year development of remuneration and Company performance

	2019	2020	2021	2022	2023
Total Board remuneration, TEUR	808	816	794	946	910
Change compared to previous year, %	-2.5	1.0	-3.0	19.1	-3.8
CEO base + benefits, TEUR*	894	843	915	980	1,021
Change compared to previous year, %	3.7	-5.7	8.5	7.1	4.2
CEO total remuneration, TEUR*	1,072	1,021	1,812	1,712	1,322
Change compared to previous year, %	-63.9	-4.8	77.5	-5.5	-22.8
Average employee remuneration, TEUR**	58.5	58.1	62.9	68.2	73.1
Change compared to previous year, %		-0.6	8.3	8.4	7.2
Comparable operating result, MEUR	457	275	357	325	497
Cash flow, MEUR	232	681	731	-62	822

*Company had a new CEO as of 1 Feb 2021, the 2021 total remuneration combines the previous CEO's earnings including STI earned 2020 and paid 2021, as well as the new CEO's total remuneration.

**Average employee remuneration comprises personnel expenses without other compulsory personnel costs divided by the average number of personnel during the year.

The comparison figures show the remuneration paid out during each financial year. Pay-outs for the STI and LTI are always made during the year following the performance period. This means that, for example, remuneration figures presented for 2022 are based on the STI performance period 2021 and the LTI performance period of 2019–2021. During the past five financial years, the STI has resulted in pay-outs in 2021.

1.3. Any deviations or clawbacks made

No deviations from the Remuneration Policy were made during 2023 and the Company has not exercised any rights to reclaim or cancel any paid or unpaid incentives.

2. Remuneration of the Board of Directors for 2023

The 2023 Annual General Meeting approved the payment to the members of the Board of Directors for 2023 as presented in the table below:

Fees paid to the Board in 2023

(TEUR)	2023
Annual fixed compensation	
Chair of the Board	200
Deputy Chair	105
Ordinary members	80
Fixed compensation for committee members (per term)	
Chair of the Audit Committee	25
Members of Audit Committee	10
Chair of the People Committee	10
Members of People Committee	5
Meeting fees (per meeting)	
Chair of the Board / Committee	1.5
Member	0.75

The members of Wärtsilä's Board of Directors were paid altogether EUR 910,000. Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash. In addition, Board members get reimbursed for their travel costs in accordance with Wärtsilä's travel policy. The members of the Board are not covered by incentive schemes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä. All payments to members of the Board during the financial year 2023 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2023

	Attendance fees, TEUR*	Annual fees, TEUR	Total remuneration, TEUR**
Tom Johnstone, Chair	24	200	224 (7,480 shares)
Mika Vehviläinen, Deputy Chair (as of March 9, 2023)	5	105	110 (3,927 shares)
Risto Murto (until March 9, 2023)	2		2 (no shares)
Karen Bomba	17	80	97 (2,992 shares)
Morten H. Engelstoft	16	80	96 (2,992 shares)
Karin Falk	12	80	92 (2,992 shares)
Johan Forssell	12	80	92 (2,992 shares)
Mats Rahmström	7	80	87 (2,992 shares)
Tiina Tuomela	32	80	112 (2,992 shares)

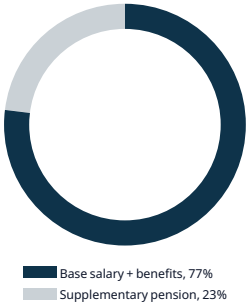
*Attendance fees also include committee fees.

**Total remuneration includes the number of shares. The value of the share portion is approximately 40% of the annual fees.

3. Remuneration of the CEO for 2023

In 2023, CEO Håkan Agnevall was paid a total remuneration of EUR 1,321,783. The relative proportion of fixed pay was 100% and variable pay 0%. The fixed pay includes a base salary, benefits, and supplementary pension contributions, while variable pay includes short- and long-term incentives and other temporary payments. The CEO's remuneration for 2023 is further illustrated below.

Actualised CEO remuneration 2023



	STI 2022 – paid in 2023		STI 2023 – accrued (paid in 2024)	
Metric	**Weighting**	**Achievement**	**Weighting**	**Achievement**
Group comparable operating result	50%	Below minimum	50%	Above target
Group cash flow from operating activities	25%	Below minimum	25%	Above maximum
Group sales growth	25%	Below minimum	25%	Above target
Pay-out to CEO based on STI, EUR	**0**		**686,965**	

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	**Paid EUR 1,021,327**	The CEO has the following short-term benefits: phone, car, medical insurance.	Complies with the Policy.
Short-term incentives	**Paid EUR 0** **Accrued EUR 686,965** **Policy maximum** An amount equalling the annual fixed pay	For the financial year 2022, paid in 2023: EUR 0. For the financial year 2023, paid in 2024 ('accrued'): EUR 686,965.	Complies with the Policy.
Long-term incentives	**Paid EUR 0** **Accrued 12,140 shares (gross)** **Policy maximum** Three times the annual fixed pay at grant	For PSP 2021–2023, the CEO was granted 104,651 shares, with value at target EUR 900,000 and with a maximum earning opportunity of 175% of the base pay at grant. The performance measure in the PSP is Economic Value Added. The plan resulted in a gross award equivalent to 12,140 shares. The final taxable value of the award is dependent on the share price at the time of transfer. Ongoing schemes: For PSP 2022-2024, the CEO was granted 86,136 shares, with value at target EUR 963,000 and with a maximum earning opportunity of 175% of the base pay at grant. The performance measure in the PSP is Economic Value Added (weighted 85%) and sustainability targets (weighted 15%). For PSP 2023-2025, the CEO was granted 122,735 shares, with a value at target EUR 1,001,520 and witha maximum earning opportunity of 175% of the base pay at grant The performance measure in the PSP is Economic Value Added (weighted 85%) and sustainability targets (weighted 15%).	Complies with the Policy.
Pension	**Paid EUR 300,456**	The CEO is eligible to take retirement upon reaching the age of sixt three (63). His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is equivalent to 30% of the annual salary.	Complies with the Policy.
Severance benefits	N/A	Remuneration paid to the CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.	Complies with the Policy.

Risks and risk management 2023

The aim and principles

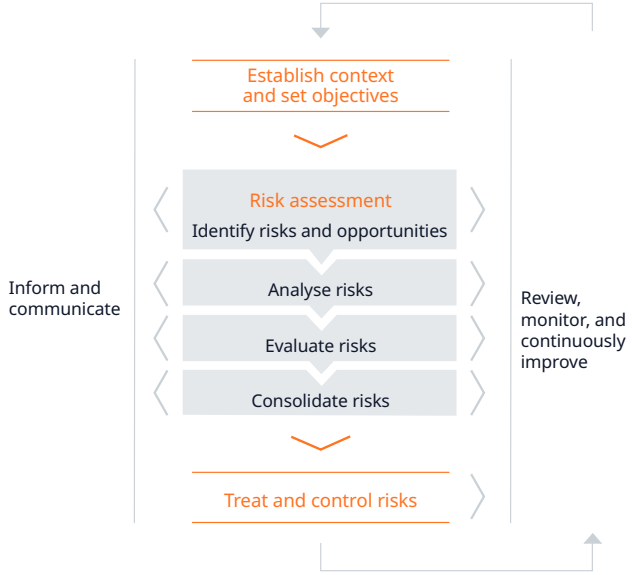
Wärtsilä, like any other company, is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain level of risk. By maintaining a risk awareness culture and practising the proactive management of risks, Wärtsilä aims to ensure that it can effectively execute its strategies, perform its operations, meet its objectives, reach its financial targets, and be prepared for potential external hazards.

Risk is an element of uncertainty on objectives resulting in, if materialised, a deviation from the expected, representing either a threat or an opportunity. Therefore, the focus in risk management activities is to identify material risks that could restrain the company from reaching its goals and determine if such risks are acceptable. If not, corrective actions are taken to avoid, mitigate, transfer, or monitor the risks. Alternatively, if possible and feasible, risks may be converted into opportunities.

At Wärtsilä, the following statements apply:

- Wärtsilä considers that risk management is an integral part of its strategic and operational management, connected to the management systems and part of the company's culture.
- The risk management process is a systematic, continuous loop of repetitive steps of context establishment, risk identification, risk assessment, risk mitigation, communication and consultation, and finally monitoring and review.
- All Wärtsilä businesses are accountable for achieving their strategic objectives and financial targets. Therefore, proactive risk management and the execution of effective risk mitigation plans are the responsibility of the business management teams and individual managers. However, risk awareness is a matter for everyone at Wärtsilä.
- Risk management is subject to continuous improvements that reflect changes in the internal organisation and the external environment within which Wärtsilä operates.
- The maturity of risk management is verified frequently.

Risk management principles



Risk management framework and governance

Wärtsilä's over-arching risk management framework and practices defined therein, follow the ISO 31000:2018 standard, with an emphasis on continuous improvement and verification. The risk management framework and guidelines are documented in the Group's Enterprise Risk Management policy.

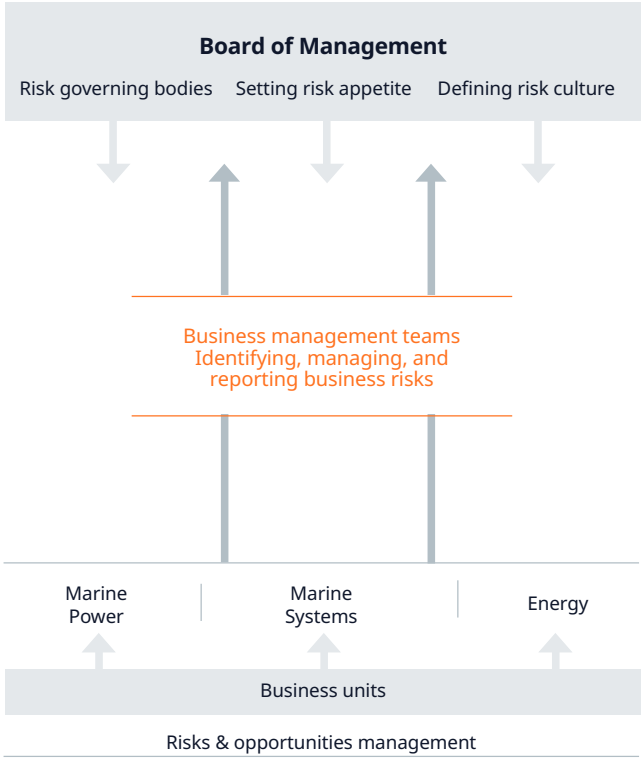
Wärtsilä's Board of Directors bears ultimate accountability for defining the Group's overall risk appetite and tolerance level, and they have the responsibility for oversight of the Group's risk profile with regular reviews.

The President & CEO, together with the Board of Management, is responsible for setting the premise for a risk awareness culture at Wärtsilä, and for ensuring that risk management is deeply embedded in all operations and processes with the appropriate tools and resources. The Board of Management reviews the Group's risk profile, i.e. the most important risks and their mitigation plans, regularly gives guidance, and sets priorities as needed to ensure the sufficiency of risk management actions and controls.

The businesses at Wärtsilä are responsible for performing according to their strategies and achieving their set operational and financial targets. Equally, the businesses and their management teams are responsible for the deployment of continuous risk management actions to identify, manage, and treat all material risks. This work is cascaded further down in the organization to the business unit level and beyond. Each business presents its risk profile to the President & CEO, the Chief Financial Officer, and the rest of the Board of Management on a regular basis.

The Corporate Risk Management function at Group Treasury is responsible for the risk reporting process, and for supporting the businesses and their underlying organisations in risk management. The function also leads the internal risk management peer group that, together with business representatives, ensures proper alignment, knowledge sharing, and the continuous improvement of risk management at Wärtsilä.

Risk reporting



Risk categorisation

Under Wärtsilä's over-arching risk management framework and practices, risks are categorised into strategic, operational, hazard, and financial risks. The potential impact is typically highest with strategic and operational risks and lowest with hazard and financial risks. Impacts can have upsides and downsides, except for hazard risks where only a negative effect is possible.

Strategic risks

Wärtsilä's strategic target positioning is focused on shaping the decarbonisation of the marine and energy markets. As a technology leader in the decarbonisation transformation, Wärtsilä has significant value creation potential as a pioneer and leading partner for decarbonisation.

Strategic risk assessment is an essential part of the strategic planning process. This is central to risk management in the Group to identify and evaluate threats to the long-term value drivers in a timely manner.

Business and market environment

Business cycles and megatrends in the global economy, and in customer industries, influence the demand for Wärtsilä's products, as well as its financial condition and operating result. Wärtsilä enjoys a certain level of stability in a cyclical market thanks to its flexible manufacturing model based on capacity outsourcing, its customer base in two separate end markets with different demand drivers, and a large share of sales deriving from service activities where we have good future growth potential.

The ongoing war in Ukraine and the conflict in the Middle East have resulted in various risks to both the demand and supply environment of various commodities globally, contributing to an increased uncertainty over the macroeconomic outlook. Business operations globally are being impacted by inflationary instability, changing trade flows and volumes, altered financial conditions, the volatility of the geopolitical environment including risk of trade wars, and the sanctions in place and planned against Russia. These are all contributing to a slowdown in global economic growth. The increased probability of a global recession poses a risk for top-line growth if economies stagnate.

Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Geopolitical tensions and the implications of trade barriers create notable challenges to the demand environment. Nevertheless, Wärtsilä receives orders from all geographic regions, thus limiting the risk of a single market dependency. Finally, all Wärtsilä's customer segments in the energy market are represented in its order intake.

Wärtsilä, along with its customers and suppliers, is indirectly affected by various important economic developments. These include environmental regulations, the liquidity and solvency of financial institutions including their capability and willingness to extend credit, capital costs, and the counter cyclical stimulus programmes adopted by governments – especially in the power and infrastructure sectors. Among other influencing factors are the activities of multilateral financial institutions, and the availability of export credit and guarantee schemes.

Decarbonisation will transform the world and create new business opportunities for Wärtsilä, both in marine and energy. However, a material delay or an unpredictable change in the implementation of environmental policies and legislation may, however, directly or indirectly, impact customer decision making.

In marine, the shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. EU taxonomy, Poseidon principles, and ESG affect access to capital. The cost of carbon (e.g. EU Fit for 55, IMO carbon levy and local green policies) will significantly increase the overall cost of conventional fuels. Hence, the importance of fuel efficiency and fuel flexibility is clearly visible, driving accelerating interest in environmental solutions, alternative fuels, as well as in electric and hybrid solutions.

The investment appetite of ship owners and operators, for both their newbuilding programmes and their existing fleets, is critical. However, the currently limited development of alternative fuel infrastructures, the lack of financial incentives, the substantial price gap between conventional and alternative fuels, uncertainties concerning the regulatory environment, and risks associated with the uptake of new technologies may raise barriers for the green transition. Simultaneously, the investment appetite for new ship capacity has moderated due to many shipyards, especially those in China and South Korea, having their orderbooks close to full, forcing owners to wait longer and pay a substantially higher price for their new ships. Wärtsilä is well represented in all the major shipbuilding markets and is active in all the main vessel segments. This, along with the company's large product portfolio and global service network, which provides lifecycle support to a wide range of vessels and customers globally, mitigates both geographical and single customer risks.

A clear and foreseeable development of the regulatory environment is a fundamental condition for the decarbonisation of shipping. In response, in July 2023, the International Maritime Organisation (IMO) revised its strategy on greenhouse gas emission reductions from ships to be more ambitious, aiming at net zero by or around 2050. As a result, stakeholders are more aligned globally on the requirements and the investments needed to decarbonise the industry. Consequently, shipping companies need to update their plans for decarbonising their operations and increase their investments in newbuilds to replace non-compliant assets. They must also make efficiency upgrades, fuel conversions, and maintenance activities in order to keep the existing fleet compliant and competitive. Shipowners are increasingly focused on fuel flexibility and upgradeability. The switch to carbon neutral and zero carbon fuels will be progressive, with drop-in fuels, hybrid solutions, and abatement technologies being key to reaching short-term reduction targets. However, achieving long-term reduction targets will require a fundamental shift towards sustainable fuels and abatement solutions. With its existing comprehensive product offering for decarbonisation, Wärtsilä can enable customers to reach their intermediate and 2050 targets.

The energy sector is moving towards a 100% renewable future, with policies and regulations accelerating the overarching trend towards renewable energy sources such as wind and solar. At the same time there is a growing energy demand. According to IEA World Energy Outlook 2023, electricity generation would need to grow by almost 3X and renewables by 8X to reach Net Zero targets by 2050. Many countries have set ambitious and more progressive climate pledges, and the gradual replacement of coal and other baseload fossil fuelled energy generation is ongoing. However, more targets, policy changes, and market redesigns are needed to encourage flexibility and accelerate the shift to high renewable power systems. The pace of this shift is the principal driver in the growth of battery energy storage and thermal balancing technologies.

Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions. At the same time, power systems are becoming increasingly complex with different types of generation assets. Sustainable fuels, together with flexible engine power plants, balance the grids in an affordable and sustainable way, including for extended shortages in intermittent renewable generation supplies. Consequently, Wärtsilä's addressable thermal balancing power market is estimated to grow +4X and the energy storage market +3X by 2030.

Beyond some short-term setbacks (such as slow permitting of renewables), the mid-term energy transition remains strong. Energy and climate policies around the world continue to evolve towards more ambitious decarbonisation targets. Power generation related regulatory changes support the uptake of thermal balancing (e.g. the US Federal and State bills, EU electricity market reform and China market reform). A notable step forward in climate policy was the 2022 launch of the Inflation Reduction Act in the U.S.A. This allocates substantial incentives for renewables, battery energy storage, and other clean energy technologies. The European Commission is implementing its REPowerEU plan, also launched in 2022, that is, amongst other things, speeding the green transition and promoting massive investment in renewable energy in the EU. The new milestone was reached at the end of 2023 when more than 120 countries pledged to triple global renewable energy capacity by 2030. The COP28 final text also called for transitioning away from fossil fuels, which is in line with Wärtsilä's vision of a 100% renewable energy future.

Political and regulatory risks

The ongoing war in Ukraine and the conflict in the Middle East have caused a rising risk related to geopolitical fragmentation and volatility. Trade tensions and the enforcement of sanctions or embargos, pose a risk to Wärtsilä's scope of international business activities. Being globally present in 283 locations in 79 countries, and having delivered power plants to 180 countries, political developments and changes in legislation can have a significant impact on Wärtsilä's business. Wärtsilä actively monitors political, regulative and legal developments in its markets and engages in a dialogue with various official bodies on projects of importance to its operations. Much of this engagement takes place through interest groups and trade organisations. The company monitors political and legislative changes at both the corporate and subsidiary levels.

There is increased regulatory activity by different governments worldwide. Wärtsilä's focus is on ensuring regulatory compliance and awareness, as appropriate. For example, ongoing and changing trade sanctions are closely monitored and complied with as required.

Similarly, policies related to the energy and electricity markets have direct and indirect impacts on future energy capacity and the generation mix. For example, energy and climate policy may speed up or delay the energy transition. Recent years have highlighted the role of geopolitics in energy market policy and investment decisions.

Climate change and sustainability risks

Wärtsilä progresses towards its "Set for 30" commitment to become carbon neutral in its own operations and to provide a product portfolio ready for zero carbon fuels by 2030. Wärtsilä's sustainability targets focus on three long-term themes: Towards carbon neutrality, Enhancing safety diversity and wellbeing, as well as being An active and responsible member of society. All these targets have nominated target owners, who prepare action plans, oversee their implementation, and report on the proceedings.

Being at the forefront of technological development and decarbonisation efforts in the marine and energy sectors represents a major opportunity for Wärtsilä. Over the years, Wärtsilä has worked continuously to improve the efficiency of its products, while at the same time developing future-proof technologies. Additionally, Wärtsilä offers a variety of retrofittable conversion solutions, allowing customers to follow their own choice of fuel and decarbonisation alternatives. In the energy sector, Wärtsilä's energy storage and energy management systems enable customers to integrate and optimise the utilisation of renewable energy sources in their energy systems.

Rapidly evolving environmental regulations are driving the demand for decarbonisation enablement. Risks are mainly related to the complexity of the overall landscape of different emissions in the marine and energy sectors, the balance between commercially available fuels and their resulting emissions, available abatement technologies, and the financial feasibility of the various alternative ways to meet regulatory demands for decarbonisation.

Wärtsilä has thousands of suppliers in its global supply chain. This means that there may be potential sustainability and reputational risks related to, for example, non-compliance with human and labour rights obligations, occupational health and safety, and environmental management. Wärtsilä has clear expectations, policies, and procedures for managing these risks. Wärtsilä identifies and assesses on an annual basis its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. In general, sustainability risks, both strategic and operational, are assessed to be low for Wärtsilä.

In 2023, Wärtsilä carried out a development project on climate related disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Also, during 2023, Wärtsilä began preparations for the mandatory Corporate Sustainability Reporting Directive (CSRD). Wärtsilä's first CSRD report will be published in 2025 covering data from the 2024 financial year.

For more information about sustainability at Wärtsilä, please see the Sustainability section of this report.

Technology risks

Wärtsilä as a large corporation can invest in various technologies and thereby reduce the risk of obsolescence. While R&D and innovation is a major opportunity, competitors commercialising similar technologies faster or more efficiently than Wärtsilä, or novel disruptive technologies, can be seen as a potential risk. The company is increasing the competitiveness of its solutions and managing technology risks and opportunities through continuous and strong R&D efforts and innovation. To accelerate decarbonisation technology development, Wärtsilä has increased its R&D investments from its historical ~3% of net sales to ~4%. In 2023, the company's R&D investment accounted to 4.3% and was largely related to the decarbonisation of the marine and energy sectors.

With the development of new products and solutions, the company is focused on optimising lifecycle value for customers, as well as on reducing the environmental impact of their operations. This is achieved with Wärtsilä's broad portfolio of engines, digital technologies, propulsion systems, hybrid technology, and integrated powertrain systems that deliver the efficiency, reliability, safety, and environmental performance needed to support our marine customers during the transformation and beyond. In energy, Wärtsilä is supporting its customers in decarbonisation with future-fuel enabled balancing power plants, hybrid solutions, as well as energy storage and optimisation technology. For both industries, Wärtsilä is progressing in accordance with its plan to have a product portfolio ready for zero carbon fuels by 2030.

For more information about Wärtsilä's technology and research and development, please see the This is Wärtsilä and Sustainability sections of this report.

Operational risks

Operational risk management is part of the daily work of the businesses. Opportunities and risks are identified, assessed, and managed daily and reported to the appropriate management level. The status of these opportunities and threats is reviewed periodically, and appropriate further actions are taken.

Manufacturing risk

Wärtsilä constantly analyses its manufacturing cost and the associated supply cost of raw materials and components while maintaining a suitable manufacturing footprint with adequate capacity. Manufacturing risk is mitigated by subcontracting and having smaller scope for in-house manufacturing. Wärtsilä's Sustainable Technology Hub in Vaasa, Finland, is a modern, state-of-the-art R&D and manufacturing facility with a high level of flexibility and automated logistics. It also provides a partnering campus for collaboration and innovation. Whilst the transfer of activities from the old Vaasa facility to the Sustainable Technology Hub has been completed, the process of closing manufacturing in Trieste continues in 2024.

Regular risk assessments have been made for all the main delivery centres, and significant safety, environmental impact, and risk mitigation investments have been completed. Risk identification, assessment, and mitigation actions are executed regularly as part of operational management. Management systems for quality, environmental, occupational health and

safety, and other systems are utilised to improve productivity, while safety and business continuity plans have been implemented for the key delivery centres.

Organisational capability

Wärtsilä's target position is to shape the decarbonisation of marine and energy. Reaching the target position requires the right organizational capabilities and competencies. Accelerating the energy transition generates interesting job opportunities globally, both internally and outside Wärtsilä. An inability to attract and retain skilled and experienced staff will hamper the execution and timeline of the company's strategic priorities. With various actions, Wärtsilä aims to be a preferred employer, able to recruit and retain qualified talent that matches the business needs and that is committed to the values, goals and objectives of the company.

Cost inflation and supply risk

Wärtsilä's profitability during 2023 was still burdened by cost inflation, particularly due to projects taken before the acceleration of cost inflation. Projects that the company initiated before the acceleration of cost inflation, and which burdened profitability in 2022 and for the first three quarters of 2023, are now delivered and out of the orderbook. Over the course of the year, constraints in global supply chains have eased considerably and certain material costs have been reduced. However, the cost of energy and labour continues to maintain a high overall cost level.

To mitigate the impact of cost inflation, the company has, to the extent possible, implemented raw material indexation and other cost-related indices into the pricing of contracts. Furthermore, Wärtsilä is ready to execute price realisation in its transactional business and services, if needed. In addition, continuous improvement measures are taken to improve profitability. There is close monitoring and co-operation between the supply management and the sell-side pricing departments in the businesses to react to cost increases.

It is noteworthy that the ongoing war in Ukraine, the conflict in the Middle East, and any new geopolitical crisis, together with potential sanctions and regulative limitations, may pose additional disruption to trade flows and routes, thereby hampering the supply of key materials. In addition, the accelerating green transition may cause growing capacity issues and cost increases if the production capacity of critical key materials is not ramped up in parallel.

Also, regulatory development may impact Wärtsilä's material costs through, for example, the Carbon Border Adjustment Mechanism (CBAM) initiated by the EU.

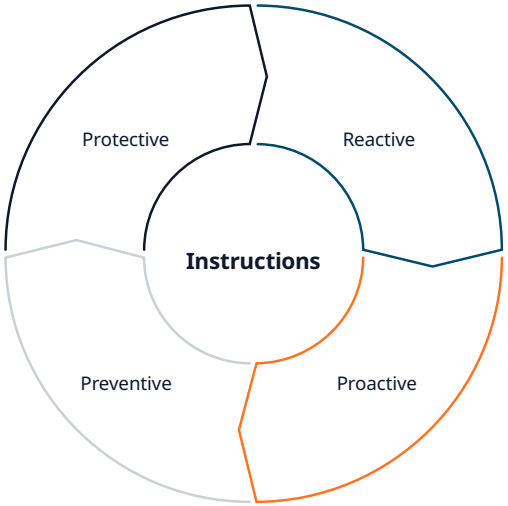
Wärtsilä's supply management is integrated into the businesses and works in partnership with the supplier base to create value for Wärtsilä's customers by ensuring quality, on-time delivery, and the lowest total cost of ownership. Category management is applied to ensure coordinated interfaces and synergies for the cross-business supplier base. Indirect Procurement is a centralised function responsible for managing strategic sourcing activities for indirect materials and services in all businesses and support functions.

Wärtsilä has a process for managing and controlling its supplier network and for verifying that the suppliers' performance meets

Risk management process

Protective
- Financial reporting systems
- Risk-based environmental management ISO 14001:2015
- Internal control systems
- Occupational health and safety management, OHSAS 18001
- Supplier assessment system
- Sustainability reporting system
- Risk-based quality management ISO 9001:2015
- Other management systems

Preventive
- Quality systems
- Contract policies & payment terms
- Credit control
- Insurance risk surveys
- R&D risk elimination process
- Supplier audits
- WeCare near miss reporting system with corrective measures
- Risk management evaluation



Reactive
- Business continuity planning
- Global and local insurance schemes
- Risk reporting following ISO 31000
- Crisis management
- Business agility

Proactive
- Risk map
- Business risk assessment
- Code of Conduct
- Policies & guidelines
- Safety instructions
- Sales contract policy
- Supplier information monitoring
- Mandatory trainings

expectations. Regular assessment of business interruption risk is a key activity in maintaining business continuity plans. This includes risk audits to the sites of the critical suppliers.

Wärtsilä has established close collaboration and long-term relationships with its main suppliers and follows their credit worthiness and financial condition. Wärtsilä uses an online solution for supply chain risk identification, assessment, and monitoring. Sourcing risks around the key components and materials are mitigated through diversification and dual- or multi-sourcing where possible.

Lifecycle quality of products and product liability risk

Wärtsilä's quality framework focuses on preventive and proactive actions to deliver increased customer satisfaction, shorter lead times, and a reduced number of non-conformity claims. This is delivered by effective project risk management and strengthened awareness and ownership, supported by a streamlined product improvement process.

Several risk management techniques are applied in R&D, including the risk elimination tool FMEA (Failure Modes and Effects Analysis) and in-house validation testing. Wärtsilä seeks to control quality risks by monitoring the incoming quality of the supply chain, and by designing and manufacturing its products with all due care. A non-destructive robotic ultrasonic data analysis procedure enhances the probability of detecting imperfections in key components with a complex geometry.

Wärtsilä applies a GATE model to control the product development process. Initially, only a limited release of new products is allowed, and full release authority is given to the sales organisations only after testing and further validation has been completed.

Wärtsilä controls its manufacturing quality risks by applying several assurance and quality control principles. The level of quality assurance and control requirements are determined based on component criticality and are applied throughout the delivery chain.

Requirement management is used to assess components systematically, enabling the allocation of resources and efforts according to component criticality. The ranking criteria indicates the consequence if a component fails. The objective is to improve quality proactively within product development, supply management, and the entire delivery process.

Non-conformity management focuses on developing and improving operations by registering and handling detected non-conformities, and by ensuring that the products and services received by customers are according to the agreed scope and specifications. Efficient handling, monitoring, and reviewing of non-conformities is crucial for proper risk management and mitigation.

Product improvement management (issue resolution) projects are prioritised based on risk and importance. Such a project is initiated when Wärtsilä identifies a technical issue according to claim statistics, customer feedback, or internal analysis, and the case fulfils the risk categorisation for a non-isolated case.

The businesses support customers in all warranty issues. This offers a feedback loop from the field to production and R&D, while taking care of the customers' installations throughout their lifecycle. Warranty provisions are made to cover any costs that may arise after product delivery. The company's product liability insurance covers unexpected damages.

Best industry practices and good governance are adopted to continuously improve quality. Each business is responsible for the quality of their products, its way of working, and services. Management at all levels are responsible for the quality output from their organisations and are accountable for ensuring that appropriate review and feedback mechanisms are in place.

Wärtsilä's business level quality, environmental management, and occupational health and safety systems are ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certified, with an emphasis on proactive risk and opportunity management. In addition, Wärtsilä's GridSolv Quantum battery module qualifies under the 2023 revision of NFPA 855. It is also compliant with NFPA 69 and certified to UL 9540 and UL 9540A unit-level performance requirements.

Contractual risks

Wärtsilä's equipment business includes projects and deliveries of various sizes requiring extensive coordination, efficient risk management, and seamless integration of all contracted systems and solutions. Energy has EEQ (Engineered Equipment) as the preferred offering, whereas EPC (Engineering, Procurement, and Construction) is only considered in selected markets. Going into 2024, more than 80% of the order book is for equipment orders. This rebalance in risk appetite leads to a stronger order book risk/reward profile for 2024 and onwards.

Wärtsilä provides lifecycle services to its customers in the form of transactional sales of spare parts and field service work, long-term service agreements, and service projects, such as engine upgrades, retrofits, and modifications of the installed base.

Wärtsilä places strong emphasis on having project management competences, proper technical assessment controls, time schedule and cost controls, supplier approval routines, and internal training programmes in place. With these measures, Wärtsilä aims to ensure the quality and performance of its contractual obligations during execution, and the upfront identification of specific risks and opportunities.

Product liability claim risk is reduced through maintaining a high level of lifecycle quality in the company's products and work. This applies from the initial design and continues through all stages of the production process to the eventual field service activities. In addition, Wärtsilä has adequate insurance in place to cover product liability risk.

From time to time, Wärtsilä may be a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business and, the company receives claims

of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is Wärtsilä'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 estimated.

Risk of non-compliance, corruption, and fraud

Wärtsilä complies with the law and its own internal policies and procedures everywhere the company operates. Wärtsilä's Code of Conduct is the key guideline for all employees globally, demanding high ethical standards and integrity.

Wärtsilä is fully committed to complying with anti-corruption laws and regulations. Wärtsilä acts to prevent corruption and does not accept violations of the principles set forth in the Code of Conduct, or in Wärtsilä's Anti-Corruption and Compliance Reporting policies. The company forbids any kind of corruption and bribery and has a strict zero tolerance policy. There is a whistle-blowing channel in place for reporting misconduct incidents. Anti-Corruption risk assessments are carried out regularly as part of our continuous anti-corruption improvement efforts. In 2023, no instances of substantiated corruption or bribery were identified.

Compliance processes are embedded in all the businesses, and the responsibility for compliance and awareness of ethics and integrity is that of all Wärtsilä employees. The Compliance function promotes Group-wide compliance and continuously strives to raise awareness of the risk of corruption, bribery, and other misconducts.

While being aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is heightened in several markets where the company operates, Wärtsilä consistently maintains its highly ethical practices.

Commodity price risk

Oil and gas

Global natural gas prices have decreased from the previous year's extreme highs but remain above pre-2021 levels. The year witnessed significant gas price volatility, showcasing the market's continued sensitivity to disruptions in supply and demand.

The direct effect of oil and gas price changes on Wärtsilä's operations is limited and mostly related to fuel costs for engine testing, R&D activities, and the heating of some premises. In general, higher oil and gas prices represent a risk for global economic growth and increased operating costs, especially in the shipping markets. On the other hand, higher oil and gas prices increase interest in our energy efficiency offering and increase the demand for alternative green fuels as they become more cost-competitive against conventional fuels. Wärtsilä is a global company involved in different shipping and power plant segments where oil and gas price changes can have an opposing impact on demand drivers.

In the marine markets, high gas prices or their volatility are not expected to reduce the appetite for LNG as a fuel in the long run. The demand for LNG remains elevated as many countries in Europe have shifted away from Russian pipeline gas to LNG. Higher demand and supply volumes, and investments in expanding LNG liquefaction capacity, are driving demand for additional LNG carrier capacity. However, shipyards capable of building LNG carriers have few to no slots available in the coming years. Persistent high gas prices may encourage ship operators to switch temporarily from LNG to low-sulphur fuel, which most modern vessels can use in dual-fuel engines.

In the energy markets, gas price volatility and increasing prices can have a negative impact on the competitiveness of our portfolio, especially in thermal baseload plants, and may lead to more running hours of coal and nuclear power plants. Higher fuel prices may have an impact on project viability and customer decision making. However, these are expected to have less of an impact on thermal balancing power plants with fewer running hours.

Metals

Metal prices have an indirect effect on component cost for Wärtsilä's products. Some key components are sourced with long-term contracts which limits raw material price volatility during the validity of contracts. However, concentrated supply chains of some raw materials, and the tight competitive situation to secure supplies, impose direct risks to the Energy business.

The battery industry has been suffering from price volatility, and the price of lithium has decreased significantly during the year.

Energy and electricity

High electricity prices, in general, support investments in new capacity by utility customers in the energy markets. High volatility, however, may have a negative impact on new investments.

Wärtsilä's annual total energy consumption in 2023 was 271,429 MWh. This includes the electricity, heat and fuels used in Wärtsilä's companies. Fuels are used mainly in engine testing and for R&D purposes, as well as in heating, production, and transportation.

Electricity is needed for manufacturing operations, but electricity prices have no substantial direct impact on Wärtsilä's production capacity costs. In the new Sustainable Technology Hub facility in Vaasa, the heat generated in engine test runs is used for heating, whereas any excess electricity produced is sold to the grid at prevailing market prices. The discontinuation of engine manufacturing in Trieste Italy has reduced electricity consumption to some extent.

Financial risks

Wärtsilä's financial risks are presented in the notes to the financial statements, Note 5.8.

Hazard risks

Risks related to health, safety, and environmental hazards

Occupational health and safety systems, training programmes, travel health and security instructions, and crisis management guidelines are aimed at protecting Wärtsilä employees. Appropriate insurances are in place for the personnel. To emphasise the importance of employee safety, the Board of Management has decided on a corporate level target of zero lost-time injuries, which is included in the company's sustainability programme.

Environmental management systems are in place to mitigate environmental hazard risks. Wärtsilä maintains a register of all properties used and gives guidelines for the purchase, sale, rental, and security of premises, and uses external advisors for environmental audits.

Climate change poses a variety of impacts on Wärtsilä throughout our supply chain, our own operations, and our customers' needs. These include potential physical risks to our sites and employees, mainly as a result of increased global average temperatures, and the increased frequency, as well as intensity of heatwaves and flooding due to extreme precipitation events.

Wärtsilä assumes a modest climate change impact risk on its main production facility in Finland and warehousing facility in the Netherlands as these are not located in the natural disaster areas of extreme weather events, earthquakes, and wildfires. Certain smaller sites have a higher risk of physical effects, although they do not represent an overall major financial risk to Wärtsilä. More information can be found in the Sustainability section of the Annual Report.

Catastrophic peril related scenarios are identified and, where necessary, risks are mitigated by, for example, elevating sites above flood risk levels, or by constructing flood dikes. Business impact analyses and continuity plans have been carried out for the main sites to address property damage and business interruption risks. When delivering customer projects in locations with possible extreme weather events, Wärtsilä pays very careful attention to the wellbeing of its employees and subcontractors, and plans operations accordingly.

Cyber and information security related risks

With the rapidly growing use of data in shipping, shipbuilding, and in the energy markets, cyber threats can potentially result in various forms of financial, operational, or reputational damage to the business.

Wärtsilä has an internal organisation dedicated to the effective management of cyber security risks throughout the Wärtsilä Group. This organisation, in cooperation with Wärtsilä's businesses, delivers strategic and operational support for cyber security. It also provides the associated governance, risk management, and assurance required to support and enable safe and secure internal operations, while aiming to ensure that the businesses' customer offerings are aligned with all relevant current and future regulations and applicable standards.

The Wärtsilä cyber security governance model is closely aligned with overall business risk management and supports the businesses and support functions in identifying and prioritising their respective cyber security risks. The cyber security team works with security colleagues across Wärtsilä to ensure the effective and coordinated delivery of holistic security solutions, for both the cyber and physical domains.

Information security risks related to Wärtsilä's internal operations are continuously identified, analysed, and evaluated. The attendant mitigation activities are executed throughout Wärtsilä's networks, endpoints, systems, and services. The 24/7 Wärtsilä Security Operations Center continuously monitors the perimeter to internal systems and closely observes the external threat exposure level, whilst providing a coordinated response to identified information security incidents, as and when they may occur.

The effective mitigation of risks associated with cyber security hygiene throughout Wärtsilä is continually and progressively reinforced through coordinated and complementary cyber security training, awareness initiatives, and extensive communications. This involves all Wärtsilä businesses and corporate functions.

Wärtsilä has identified the need to mitigate the cyber security risks associated with its supply chain. The company has addressed this need through a comprehensive risk-based third-party risk management programme, involving both increased opportunities for the remote and objective assessment of suppliers, as well as the continuous monitoring of supply chain cyber security risk.

It should be noted that Wärtsilä has achieved numerous cyber security certifications and is in the process of further aligning with international standards and certifying the cyber security of its processes, products, and solutions.

Privacy and data protection risks

The EU's General Data Protection Regulation (GDPR) sets out the general framework for Wärtsilä's data protection, which is applied both inside and outside the European Economic Area. Data protection implementation is supported by, and aligned with, Group-wide privacy policies and processes.

Wärtsilä applies a risk-based approach to privacy and data protection and continues to take further actions to strengthen privacy and data protection implementation to mitigate risks by accountability, privacy by design, data minimisation and transparency.

Wärtsilä continuously improves employee data protection awareness with mandatory data protection (GDPR) training, targeted training sessions, communication activities, as well as comprehensive guidance materials.

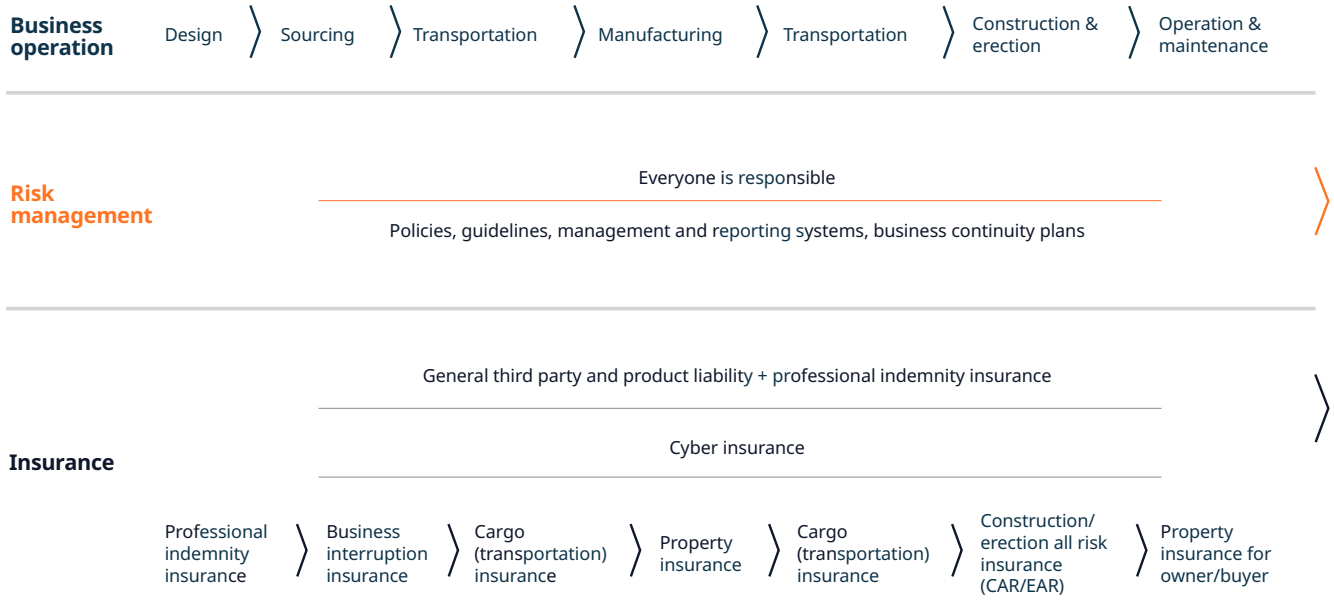
Wärtsilä continues to invest in the development of data protection platforms to support data protection management and implementation.

Insuring of the risks

The risks that Wärtsilä is unable to influence through its own efforts are transferred, whenever possible and desirable, to insurance companies. The insurability of a risk requires that the damage can be considered as an abrupt, sudden and unforeseen event.

Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions, including supplier triggered interruptions, as well as third-party and product liability. Wärtsilä has its own captive insurance company, Vulcan Insurance PCC Ltd for insuring Wärtsilä's own risks. For re-insuring purposes, the company is located on the island of Guernsey. Vulcan Insurance PCC Ltd's results are consolidated into the corporation's books and are subject to normal taxation in Finland.

Which insurances cover our business?



Both risk management work and casualty insurance cover Wärtsilä's products over their entire lifecycle. Wärtsilä's insurances are not limited to those listed here.

Risk profiles and responsibilities

Low ■■■■■ high

Risks	Risk profile	Policy or other guideline	Responsible body
Strategic risks		Wärtsilä's strategy and business plans	Wärtsilä's Board of Directors (BoD), Board of Management (BoM), and businesses
Business environment risk	■■■■■	Wärtsilä's strategy and business plans	BoM and businesses
Market and customer risk	■■■■	Wärtsilä's strategy and business plans	BoM and businesses
Competitive situation and price risk	■■■■	Wärtsilä's strategy and business plans	BoM and businesses
Political, geopolitical, and legislative risk	■■■■■	Various guidelines and risk management policy	Businesses, R&D, Risk management (RM) and Legal functions
Climate change and sustainability risk	■■■	QEHS policy, Code of Conduct, management systems (ISO 14001 & OHSAS 18001)	Businesses, R&D and Sustainability function
Technology risk	■■■■	Patents and industrial rights, product guarantees	Businesses and R&D function
Operational risks		Wärtsilä's strategy and business plans	BoM and businesses
Manufacturing risk	■■■	Production systems, business continuity plan	Manufacturing and businesses
Supplier and subcontractor risk	■■■■	Supplier requirement and supplier management system, business conti-nuity plan, Wärtsilä Supplier Handbook	Businesses and Supply Management
Lifecycle quality of products and product liability risk	■■■■	Management system (ISO 9001), safety instructions and manuals, risk management policy, R&D risk elimination instructions	Manufacturing, R&D, businesses, RM, Quality, and Legal functions
Contractual risks	■■■■	Standard contracts, corporate sales contracting policy	Legal function and businesses
Commodity price risk, direct	■■	Production cost control, sourcing policy, sales contract policy	Businesses
Commodity price risk, indirect	■■■	Production cost control, sourcing policy, sales contract policy	Businesses
Non-compliance risk	■■	Code of Conduct, Anti-Corruption policy, Compliance policy, whistle-blowing channel	Businesses and Compliance function

Low ■■■■■ high

Risks	Risk profile	Policy or other guideline	Responsible body
Hazard risks		Risk management policy and guidelines	Businesses and RM function
Personnel risk	■	Management system (OHSAS 18001), travel safety instructions, crisis management guidelines, near-miss reporting and premises safety plans	Businesses, Human Resources, RM, as well as Environment, Health and Safety and Securi-ty functions
Natural catastrophes	■	Crisis management guidelines, business continuity plan	Businesses, RM and Security functions
Fire, cargo, and other accidents	■■■	Management systems (ISO 14001 & OHSAS 18001), premises safety plans	Businesses, RM and Real Estate functions
Data security risk	■■■	Data security principles and cyber security strategy	Businesses and Information Management & Cyber Security function
Data protection, privacy	■■	Data protection principles and policy	Businesses and Data Protection function
Financial risks		Wärtsilä's strategy and business plans	Businesses and Treasury function
Foreign exchange risk	■■	Treasury policy	Businesses (own) and Treasury function (Group)
Interest rate risk	■■	Treasury policy	Treasury function
Liquidity and refinancing risk	■■	Treasury policy	Treasury function
Credit risk	■■■	Credit and treasury policy	Businesses and Treasury function



Financial review

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 preferably on an equipment only basis. The marine offering includes power and propulsion systems, voyage optimisation solutions, as well as exhaust treatment applications 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 to maximise 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 80 countries around the world. Wärtsilä operates primarily through its subsidiaries and strategic joint ventures. The company's manufacturing model is assembly-based, thus emphasising the importance of developing long-term relationships with its global network of suppliers, which includes approximately 9,000 global direct material suppliers. Wärtsilä's personnel is made up of approximately 17,800 employees comprising 128 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 2023

Our strategy, The Wärtsilä Way, remains intact. The company's value creation potential is based on two strategic themes: Transform and Perform. Transform refers to attractive growth opportunities at the centre of the decarbonisation transformation by leveraging growth in electricity generation, balancing power, green marine transport and related service businesses. The Perform theme centres around a clear path for operational improvements and increased profitability, leveraging market growth 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.

Wärtsilä remains committed to R&D activities. To accelerate the development of decarbonisation technology, Wärtsilä has increased its R&D investments from its historical ~3% of net sales to ~4%. In 2023, the company continued to respond to the interest in methanol as a fuel to support decarbonisation by introducing four new methanol engines to its portfolio, thus setting a new industry benchmark with the broadest methanol engine portfolio currently on the market. In addition to the Wärtsilä 32 methanol engine launched in 2022, Wärtsilä will add the Wärtsilä 20, Wärtsilä 31, Wärtsilä 46F and Wärtsilä 46TS to its portfolio of engines capable of operating with methanol fuel. In addition, Wärtsilä introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel. The new solution enables a significant advance in sustainable shipping operations – during a time in which ship owners are seeking viable options among green fuels. The ammonia solution is now commercially available as part of the Wärtsilä 25 engine platform, which was launched in September 2022. Viridis Bulk Carriers, the world's first zero emission shipping company, is intended to be the first shipowner to benefit from the new ammonia solution.

While much of the decarbonisation work is still ahead, Wärtsilä already has solutions and technologies that enable 100% renewable power systems and fuel flexibility, which support decarbonisation. Wärtsilä Energy's support for efforts towards net-zero carbon emissions in the USA is shown with the signing of a ten-year Guaranteed Asset Performance agreement, covering a 150 MW plant for Omaha Public Power District to provide balancing power as part of the utility's Power with Purpose project. The aim of the utility is to reach net-zero carbon emissions by 2050. By ensuring operational reliability for the plant, the agreement supports these efforts with fast-starting balancing power to rapidly compensate for fluctuations in the supply of renewables. Wärtsilä Marine Power introduced the new ultra-low emissions version of the already efficient 31DF engine, to further advance the decarbonisation of the marine industry. The improved engine can reduce methane emissions by 41 percent more than the standard W31DF engine, which already had the lowest emission levels on the market. Wärtsilä Marine Systems is driving the development of maritime carbon capture by delivering its first CCS-Ready scrubber system. Four 8,200 TEU container vessels, being built at an undisclosed Asian-based yard, will be fitted with Wärtsilä's CCS-Ready 35MW scrubber systems in an open loop configuration. By

Targets	Development in 2023	Development in 2022
Organic growth in net sales 5%	7%	18%
Operating margin 12%	6.7%	-0.4%
Gearing below 0.50	0.02	0.23
Dividend payment at least 50% of earnings per share over the cycle	73.2%*	-234.9%

*Proposal of the Board of Directors

installing scrubbers designed with the space and capabilities needed to have a CCS unit added, Wärtsilä is enabling ship owners to futureproof their existing assets, while remaining competitive and compliant.

Wärtsilä regards collaboration with industry stakeholders as an essential element in the development of technologies needed to meet changing market requirements. Wärtsilä is committed to supporting the maritime industry in offering advanced technology and training solutions for education.

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

The health and safety of personnel is a priority for Wärtsilä, and zero lost-time injuries continues to be the company's global target. In 2023, the corporate total recordable injury frequency rate (TRIF) was 2.62 (2.57). Proactive measures to further strengthen the safety culture within Wärtsilä continued throughout the year. In September, Wärtsilä organised its ninth annual Safety Day with the objective to increase the awareness of safety risks and their potential consequences, promote necessary safety measures, strengthen the safety culture, and celebrate success in safety. In 2023 the theme of the day was "mind your posture", focusing on workplace ergonomics.

Financial targets and outcome in 2023

Wärtsilä introduced its financial targets in 2021 and reconfirmed them in 2023. The targets include annual organic growth of 5% and an operating margin of 12%. Furthermore, the target is to maintain gearing below 0.50, and to pay a dividend of at least 50% of earnings per share over the cycle.

Wärtsilä's organic growth target was met in 2023. Wärtsilä's operating profit amounted to EUR 402 million, which represents 6.7% of net sales. The gearing resulted to 0.02. The Board of Directors proposed a dividend of EUR 0.32 per share.

THE YEAR 2023

Operating environment

Marine

In 2023, the world economy faced the continued challenges of high inflation and lower growth prospects. GDP growth slowed down as a result of stricter financial policies and weaker confidence among businesses and consumers. The demand for ship capacity, however, was supported by an increase in seaborne trade volumes while being further amplified by the longer shipping distances resulting from political conflicts and disruptions at key waterways. The recovery in passenger traffic volumes continued, and the demand particularly for cruise vacations remained strong.

Despite capacity limitations at the main shipyards in South Korea and China and further increases in newbuild prices, the investment appetite for new ships remained healthy. Investments were mostly driven by increasing demand for ship capacity, decarbonisation and a low orderbook, especially in the bulk carrier and tanker segments. Investments in new ships increased with 1,977 contracts registered in the review period January-December, compared to the 1,538 contracts recorded in January-December of 2022.

The uptake of alternative fuels remained more limited with 450 orders reported in 2023, representing 23% (30%) of all contracted vessels and 43% (60%) of vessel capacity, mostly because of the changed mix of contracted vessels.

The continued increase in yard capacity especially in China and South Korea helps to remove constraints from newbuild ordering across vessel segments as availability of slots improves and increases in newbuild prices likely will decelerate.

The shipping industry continued to call for more clarity and action on how to reduce the industry's carbon footprint. In response, the International Maritime Organisation (IMO) in July updated its strategy on cutting greenhouse gas emissions from ships, with the more stringent goal of reaching net zero emissions by or around 2050. As a result, stakeholders are more aligned globally on the requirements and investments needed to decarbonise the industry.

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

In the ferry sector, despite positive developments, notably in passenger traffic volumes, newbuild activity remained limited and was driven by fleet replacement. This resulted from the financial challenges faced by operators during recent years, and excess capacity in certain markets. The demand for service was supported by more vessel capacity being activated to cater for the increased passenger and cargo traffic volumes.

In the offshore sector, the supportive energy prices continued to increase demand for drilling unit and support vessel capacity, resulting in further fleet reactivations and interest in newbuild units. However, the contracting of more complex and expensive drilling units remained limited due to high prices, the cost of finance, the lack of yard capacity, and limited interest in building offshore assets. The demand for offshore wind vessel capacity was supported by the continued growth in wind farm capacity. Despite inflationary pressure, the long-term outlook remains positive with the final investment decisions (FID) for offshore wind projects for the full year 2023 being clearly above last year's levels. The demand for service across offshore subsegments was driven by increases in utilisation and day rates throughout the offshore fleet.

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

In the containership sector, the contracting of new ships declined from the previous years' record levels as the demand for ship capacity was clearly outpaced by the record volumes of new capacity entering the market. Many owners continued their longer-term fleet renewal programmes. The demand for service was

burdened by the weaker market sentiment, offsetting the growth in active fleet capacity.

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

Energy

In 2023, high inflation and interest rates continued to impact the global economy. While price volatility, inflation, and interest rates have moderated, global GDP growth is estimated to remain restrained. Constraints in global and energy-related supply chains have eased considerably over the course of the year. The macroeconomic development caused uncertainty within the overall investment environment, delaying decision-making especially in the engine power plants business. On the other hand, easing supply chain constraints have had a positive effect, notably in battery energy storage.

Global natural gas prices have decreased from the previous year's extreme highs but remain above pre-2021 levels. The year witnessed significant gas price volatility, showcasing the market's continued sensitivity to disruptions in supply and demand. Commodity prices have eased for most materials. Energy and climate policies around the world continue to evolve towards decarbonisation targets, and the mid-term energy transition outlook remains strong. Climate policy reached new milestones in Q4 as more than 120 countries pledged to triple global renewable energy capacity by 2030. The COP28 final declaration also called for transitioning away from fossil fuels, in line with Wärtsilä's vision of a 100% renewable energy future and readiness to enable engines to run on future fuels.

Wärtsilä's market share during the last twelve months remained at 13% (13%), as global orders for natural gas and liquid-fuelled power plants decreased by 22% to 10.0 GW during the twelve-month period ending in June 2023 (12.9 GW at the end of December 2022). Global orders include prime movers over 5 MW in size in up to 400 MW gas turbine plants and engine plants of all sizes. The gas turbine data is gathered from the McCoy Power Report and is reported with a one quarter delay due to data availability. Engine data is collected from press releases and Wärtsilä sales teams. Power plant market share reporting was updated in the third quarter to reflect our most relevant markets more accurately. Previously, market shares included gas turbine plants up to 500 MW but did not include non-Wärtsilä engine plants.

Order intake and order book

Wärtsilä's order intake in 2023 increased by 16% to EUR 7,070 million (6,074) compared to 2022. Book-to-bill was 1.18 (1.04). Service order intake increased by 15% to EUR 3,519 million (3,066), driven by growth in Marine Power and Energy. Equipment order intake increased by 18% to EUR 3,550 million (3,008) driven by growth in Marine Power, Marine Systems and Energy Storage & Optimisation.

The order book at the end of the year increased by 13% to EUR 6,694 million (5,906).

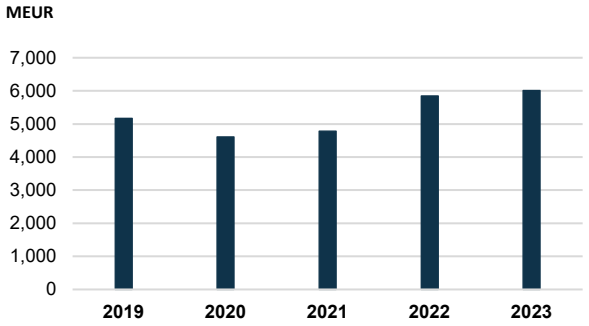
Net sales and operating result

Wärtsilä's net sales in 2023 increased by 3% to EUR 6,015 million (5,842) compared to 2022. Service net sales increased by 13% to EUR 3,148 million (2,775), driven especially by growth in Marine Power. Equipment net sales decreased by 7% to EUR 2,867 million (3,067), with growth in Energy Storage & Optimisation and Marine Power and lower sales in engine power plants and Marine Systems. Of Wärtsilä's net sales, approximately 57% was EUR denominated and 28% USD denominated, with the remainder being split between several currencies.

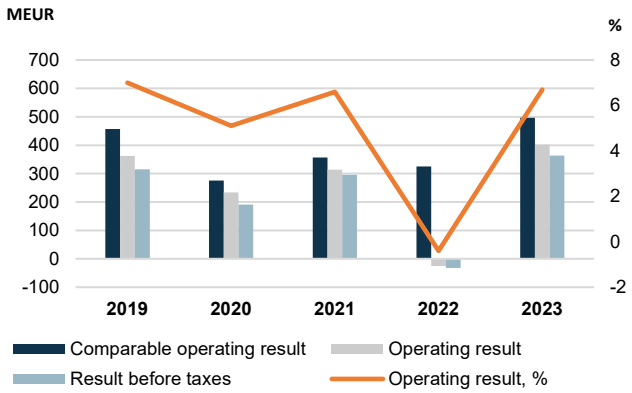
The operating result amounted to EUR 402 million (-26) or 6.7% of net sales (-0.4). The comparable operating result totalled EUR 497 million (325) or 8.3% of net sales (5.6). Comparable operating result growth was supported in particular by an increase in Energy and Marine Power but was burdened by a decrease in Marine Systems. Items affecting comparability comprised costs of EUR -95 million (-351) of which the largest item was EUR -45 million related to the impairment of goodwill and other non-current assets in the Portfolio Business. The comparable adjusted EBITA amounted to EUR 518 million (349) or 8.6% of net sales (6.0). Purchase price allocation amortisation amounted to EUR 20 million (23).

Financial items amounted to EUR -37 million (-6). Net interest totalled EUR -14 million (-10). The result before taxes amounted to EUR 364 million (-32). Taxes amounted to EUR -95 million (-26), implying an effective tax rate of 26.1% (-81.5). The result for the financial year amounted to EUR 269 million (-58). Basic earnings per share totalled EUR 0.44 (-0.11). The return on investment (ROI) was 13.9% (0.1), while the return on equity (ROE) was 12.3% (-2.6).

Group net sales development



Result



Engine megawatts delivered

	2023	2022	Change
Marine Power	1,223	970	26%
Energy	727	1,467	-50%
Wärtsilä total	1,950	2,437	-20%
By joint venture	597	316	89%
Deliveries total	2,547	2,753	-7%

Financing and cash flow

Wärtsilä's cash flow from operating activities in 2023 totalled EUR 822 million (-62), the improvement being driven by a better operating result and a good level of received customer payments. Working capital totalled EUR -169 million at the end of the year (179). Advances received totalled EUR 774 million (527).

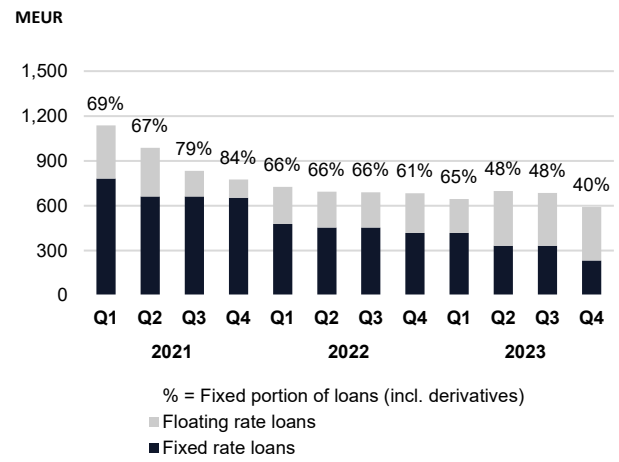
Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management, and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

Cash and cash equivalents amounted to EUR 819 million at the end of the year (461). Unutilised committed credit facilities totalled EUR 644 million (650).

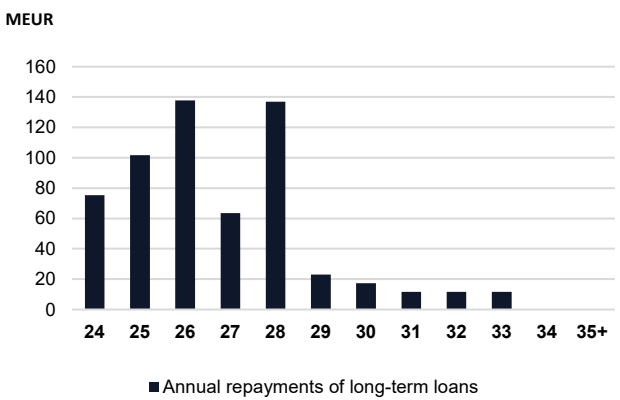
Wärtsilä had interest-bearing debt totalling EUR 858 million at the end of the year (949). The total amount of short-term debt maturing within the next 12 months was EUR 119 million. Long-term loans amounted to EUR 739 million.

Net interest-bearing debt totalled EUR 35 million (481). Gearing was 0.02 (0.23), while the solvency ratio was 37.0% (35.3%). Equity per share was EUR 3.78 (3.62).

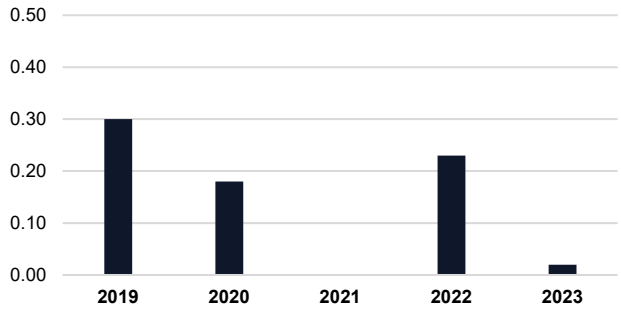
Loans



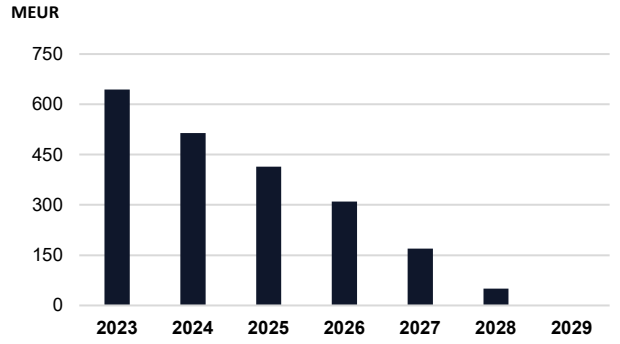
Maturity profiles of long-term loans



Gearing



Committed revolving credit facilities (end of period)

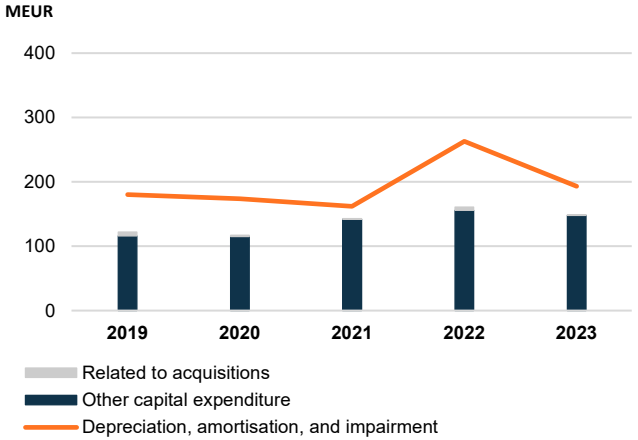


Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 148 million (156) in 2023. Capital expenditure related to acquisitions and investments in securities totalled EUR 1 million (5). Depreciation, amortisation, and impairment amounted to EUR 193 million (263), including depreciation of right of use assets of EUR 49 million (49).

In 2024, 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.

Gross capital expenditure



Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the marine 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.

Research and development expenditure totalled EUR 258 million (241) in 2023, which represents 4.3% of net sales (4.1).

In March, Wärtsilä received its first order for carbon capture and storage-ready scrubber systems - CCS-Ready scrubbers. Four 8,200 TEU container vessels, being built at an undisclosed Asian-based yard, will be fitted with Wärtsilä's CCS-Ready 35MW scrubber systems in an open loop configuration. The scrubbers are termed CCS-Ready because, as part of their installation, Wärtsilä will perform additional design and engineering work to ensure that future retrofits for a full CCS system on the vessels have already been accounted for during the newbuilding construction stage. By installing scrubbers that have been designed with the space and capabilities to have a CCS unit added, Wärtsilä enables ship owners to futureproof their existing assets, while remaining competitive and compliant.

Also in March, Wärtsilä and WEC Energy Group successfully tested the capabilities of a Wärtsilä engine running on 25 vol% hydrogen-blended fuel. The tests were conducted at WEC Energy Group's 55 MW A.J. Mihm power plant in Michigan, USA using an unmodified Wärtsilä 50SG engine. Throughout the testing period, the Wärtsilä engine continued to supply power to the grid. This is the largest commercially operated flexible balancing engine ever to run on a hydrogen fuel blend, representing therefore a world-first achievement.

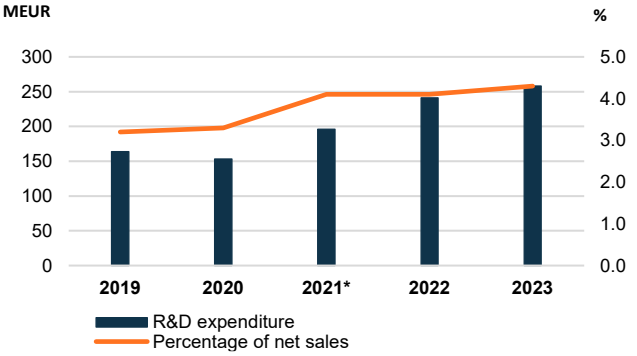
In June, Wärtsilä's new patented and proprietary technology Wärtsilä Ammonia Release Mitigation Systems (WARMS) received Approval in Principle from the DNV classification society. The approval covers the use on ships fuelled by ammonia with the DNV Class notation gas fuelled ammonia or on gas tankers fuelled by ammonia with the DNV Class notation GF NH3. This innovative system mitigates the risks associated with future fuels, such as ammonia, which can be hazardous to both health and the environment unless handled and stored with great care.

In August, Wärtsilä announced that it will power the biggest battery electric ship ever built with its battery electric propulsion system and waterjets. The vessel is a new ferry being built by Incat Tasmania and has been ordered by Incat's long-term South American customer, Buquebús. With an overall length of 130 metres, the ferry will be the largest ever vessel of its type. It will also be the world's first zero emissions, lightweight catamaran.

In September Wärtsilä announced that it will supply an integrated hybrid propulsion system for the world's first methanol fuelled hybrid RoRo vessels. The ships are being built at the China Merchants Jinling shipyard (Weihai) Co., Ltd for the Swedish shipping company Stena RoRo and will operate in the Stena Line Irish Sea system. The combination of new sustainable fuels and electrification is in line with the company's sustainable operations target.

In November Wärtsilä introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel. The new solution enables a significant advance in sustainable shipping operations – during a time in which ship owners are seeking viable options among green fuels. The ammonia solution is now commercially available as part of the Wärtsilä 25 engine platform, which was launched in September 2022. Viridis Bulk Carriers, the world's first zero emission shipping company, is intended to be the first shipowner to benefit from the new ammonia solution.

Research and development expenditure



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

Strategic projects

Wärtsilä actively manages its business portfolio to support the strategy and financial targets.

In January, the integration of the Voyage business with Marine Power became effective. The offering was streamlined to focus on fleet and port optimisation and related simulation and training services. The other parts of Voyage, namely NACOS Navigation, NACOS Automation, Dynamic Positioning and sensors were merged into a new business unit and moved to Wärtsilä Portfolio Business. Additionally, the Marine Electrical Systems business unit was moved from Marine Systems to Portfolio Business due to its limited strategic fit with the rest of the group. The Portfolio Business consists of business units which are run independently, the aim being to accelerate performance improvement and unlock value through divestments or other strategic alternatives. With this offering, Wärtsilä further optimises marine operations for lower costs and reduced emissions. Customers benefit from Wärtsilä's unique set of capabilities, combining the optimisation of vessel operations with ports traffic management and performance-based services for port-to-port operations.

In October, Wärtsilä announced the commencement of a strategic review of the Energy Storage and Optimisation business. The strategic review aims to assess options to accelerate the profitable growth of the ES&O business in a way that benefits its customers, employees, and the value creation for Wärtsilä shareholders. Wärtsilä has not set a timetable for the completion of the strategic review.

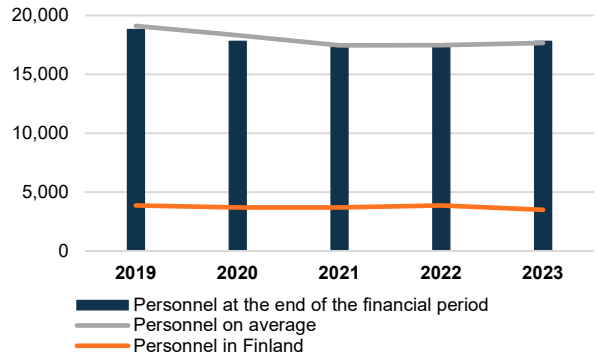
In November, Wärtsilä announced a plan to simplify its organisation and reporting structure, by discontinuing Marine Systems as a reporting segment. The Gas Solutions business unit would be moved to Portfolio Business in preparation for a divestment. In connection with this, the Exhaust Treatment and Shaft Line Solutions business units would be moved from Wärtsilä Marine Systems to Wärtsilä Marine Power as of January 1, 2024, to simplify the organisational structure. Consequently, Wärtsilä Marine Systems would no longer constitute an organisational unit nor a reporting segment.

Personnel

Wärtsilä had 17,807 (17,581) employees at the end of the year. On average, the number of personnel totalled 17,666 (17,482) in the year 2023.

Of Wärtsilä's total number of employees, 23% (22) were located in Finland and 37% (37) elsewhere in Europe. Personnel employed in Asia represented 22% (22) of the total, personnel in the Americas 13% (14), and personnel in other countries 5% (5).

Personnel



Changes in management

In June, Saara Tahvanainen (b. 1974, M.S.S.) assumed the position of Executive Vice President, Marketing and Communications and member of the Board of Management. Ms Tahvanainen succeeded Mr Atte Palomäki.

Also in June, Anders Lindberg (b. 1965, MBA, M.Sc. Eng.) assumed the position of President, Energy, Executive Vice President, and member of Board of Management. Mr Lindberg succeeded Mr Sushil Purohit.

In November, Wärtsilä announced its plan to simplify the organisation and reporting structure by discontinuing Marine Systems as an organisational unit and a reporting segment as of 1 January 2024. Consequently, Wärtsilä Marine Power will change its name to Wärtsilä Marine as of January 1, 2024. It will be led by Roger Holm, current President, Marine Power and Executive Vice President. Tamara de Gruyter, current President, Marine Systems, will continue as President, Portfolio Business, and Executive Vice President and member of the Wärtsilä Board of Management.

NON-FINANCIAL REPORT

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

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

Responsible business conduct

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

Wärtsilä takes an active approach to applying the Code of Conduct and promotes its implementation through effectively communicating

its contents to all employees. The company monitors the application of the Code internally to ensure understanding and commitment throughout the organisation. As at the end of 2023, 16,983 employees, covering 93% 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, the focusing of 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 lay in the areas of regulatory emission restrictions, and changes in customer attitudes to using combustion engines and fossil fuels. These 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 2023, R&D expenditure totalled EUR 258 million, which represents 4.3% of net sales. The majority of these investments targeted improved environmental performance.

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

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

During 2023, Wärtsilä's "Set for 30" programme proceeded as planned. The company set GHG emission reduction targets and defined action plans for the period of 2022-2024. Green electricity was used in Finland, Norway, Italy and the Netherlands. Wärtsilä also continued its internal energy saving campaign globally.

During 2023, Wärtsilä introduced the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel. The new solution enables a significant advance in sustainable shipping operations – during a time in which ship owners are seeking viable options among green 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 1.3 per employee in 2023.

Wärtsilä aims at offering its employees and contractors a hazard-free working environment, and to minimise the health and safety risks associated with the use of its products and services. The company's occupational health and safety principles are defined in the Code of Conduct, the Quality, Environmental, Health and Safety (QEHS) policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's entities are required to have a management system in place that conforms to the QEHS Policy and the EHS directive. In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation. Wärtsilä's aim is to reach a long-term goal of zero injuries. In 2023, the corporate total recordable injury frequency rate (TRIF) was 2.62 (2.57).

Respect for human rights

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

Anti-corruption and bribery matters

Wärtsilä's Code of Conduct, anti-corruption policy, and broker directive expressly prohibits 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 2023, 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 for successfully achieving these ambitions and enabling its customers to decarbonise their economic activities.

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

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

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

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

Wärtsilä has a major programme for testing 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 carried out long-term product development activities focusing on fuel flexibility, energy efficiency, and emissions reduction. Already today, Wärtsilä engines can run on biofuels, ammonia, and methanol as well as on hydrogen blends. In 2023, the development of concepts for pure hydrogen continued throughout the year. A concept will be selected for further industrialisation in 2024, aligned with requirements from the Energy Business. Also, during 2023, the development and validation of ammonia concepts continued. One of these concepts was industrialised for the Wärtsilä 25 Ammonia marine engine, which was released for sales at the end of 2023. Moreover, Wärtsilä launched four additional methanol marine engines.

Wärtsilä has carried out an assessment regarding its economic activities against the EU Sustainable Finance Taxonomy's Delegated Acts, as required by the Delegated Act on Article 8. Wärtsilä Taxonomy KPIs for the year 2023 are presented in the tables on the following pages.

Major parts of Wärtsilä's economic activities, such as services, are currently not covered in the Delegated Acts. Services accounted for 52% of Wärtsilä's net sales in 2023. Services are a key enabler of installation uptime, reliability, reduced fuel consumption, and lower emissions.

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

In total, 17% of Wärtsilä's turnover was estimated to be eligible, including the energy storage business, biogas solutions, and digital voyage optimisation solutions.

	Turnover	CapEx	OpEx
Non-eligible	83%	77%	88%
Eligible	17%	23%	12%
Aligned	0%	0%	0%

In order to report this information, Wärtsilä has assessed its economic activities against the economic activities included in the Delegated Acts. Eligible economic activities have been identified by comparing the referred NACE codes in the Delegated Acts to Wärtsilä's economic activities. In addition, the relevant thresholds for substantial contribution have been assessed in order to determine the economic activities' eligibility. Revenues, capital expenditure, and operating expenditure for eligible economic activities were collected from the accounting system. As the next step, Wärtsilä compared the economic activities against the technical screening criteria, including the 'do no significant harm' criteria and minimum social safeguards, and have searched for supporting proof points. With the approach being a stringent interpretation of the alignment criteria provided by the European Union regulation on taxonomy, Wärtsilä cannot claim any of the taxonomy-eligible revenue streams in 2023 as being also taxonomy-aligned. The same applies to both capital and operational expenditures in 2023. Despite the low taxonomy coverage Wärtsilä's products and services play a key role in decarbonising the energy and marine sectors and Wärtsilä invests significant R&D funds to support and enable the transition.

KPI	Identified eligible economic activities	Notes
Turnover	• 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	• New buildings • Passenger cars and light commercial vehicles • Capitalised R&D costs related to energy storage • Capitalised R&D costs related to voyage optimisation • Capitalised R&D costs related to future fuels	Any capex for a new building or a new vehicle is eligible. With respect to the capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, capitalised R&D costs related to the engines' capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable Wärtsilä's customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No CapEx related to taxonomy eligible manufacturing was identified.
OpEx	• Non-capitalised R&D costs related to energy storage • Non-capitalised R&D costs related to biogas solutions • Non-capitalised R&D costs related to voyage optimisation • Non-capitalised R&D costs related to future fuels	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 the engines' capability to run on future green and zero-carbon fuels was considered eligible because these fuels enable Wärsilä's customers to generate electricity from renewable non-fossil gaseous and liquid fuels in the future. No OpEx related to taxonomy eligible manufacturing was identified.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	Code (a)	Turnover	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, Year 2022	Category enabling activity	Category transitional activity
Text		*MEUR*	*%*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
No aligned activity		0	0%														0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transitional		0	0%	0%													0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*										
Energy storage business	CCM 3.4	920	15%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								13%		
Biogas solutions	CCM 3.6	66	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Digital voyage optimisation solutions	CCM 8.2	42	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1028	17%	17%	0%	0%	0%	0%	0%								15%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		1028	17%	17%	0%	0%	0%	0%	0%								15%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		4987	83%																
Total		**6015**	**100%**																

EL = Eligible; N/EL = Non-eligible

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	Code (a)	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimun safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, Year 2022	Category enabling activity	Category transitional activity
Text		*MEUR*	*%*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
No aligned activity		0	0%														0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transitional		0	0%	0%													0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*										
New buildings (lease)	CCM 7.1	3	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								21%		
Passenger cars and light commercial vehicles	CCM 6.5	5	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Capitalised R&D costs related to energy storage	CCM 3.4	15	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Capitalised R&D costs related to voyage optimisation	CCM 8.2	5	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%		
Capitalised R&D costs related to future fuels	CCM 4.7	20	10%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		48	23%	23%	0%	0%	0%	0%	0%								34%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		48	23%	23%	0%	0%	0%	0%	0%								34%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		158	77%																
Total		**206**	**100%**																

EL = Eligible; N/EL = Non-eligible

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	Code (a)	OpEx	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimun safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, Year 2022	Category enabling activity	Category transitional activity
Text		*MEUR*	*%*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y; N; N/EL (b) (c)*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
No aligned activity		0	0%														0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	0%	0%	0%	0%	0%	0%								**0%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transitional		0	0%	0%													0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*										
Non-capitalised R&D costs related to energy storage	CCM 3.4	18	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8%		
Non-capitalised R&D costs related to biogas solutions	CCM 3.6	0.4	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Non-capitalised R&D costs related to voyage optimisation	CCM 8.2	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Non-capitalised R&D costs related to future fuels	CCM 4.7	11	5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		30	12%	12%	0%	0%	0%	0%	0%								13%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		30	12%	12%	0%	0%	0%	0%	0%								13%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		220	88%																
Total		**250**	**100%**																

EL = Eligible; N/EL = Non-eligible

Reporting segments

Wärtsilä Marine Power

Marine Power's order intake in 2023 increased by 19% to EUR 2,990 million (2,515) compared to 2022. Service order intake increased by 13% to EUR 1,804 million (1,593) driven mostly by the offshore segment. Equipment order intake increased by 29% to EUR 1,186 million (922) supported mainly by the merchant segment, but also by the cruise segment where the demand continued to recover from the previous low levels. Equipment orders decreased in the ferry and special vessel segments. The order book at the end of the year increased by 16% to EUR 2,644 million (2,273).

Net sales increased by 22% to EUR 2,540 million (2,078) compared to 2022. The increase was supported by volume growth in all segments, the biggest impact being in the merchant, offshore, cruise and ferry segments. Service net sales increased by 17% to EUR 1,665 million (1,424). Equipment net sales increased by 34% to EUR 875 million (653). The growing pressure to decarbonise operations supported the demand for both newbuilds and service. The comparable operating result amounted to EUR 258 million (184) or 10.2% of net sales (8.9). The result was supported by good performance in services, but negatively impacted by the increased R&D costs to support decarbonisation technology development.

Wärtsilä Marine Systems

Marine Systems' order intake in 2023 increased by 42% to EUR 652 million (458) compared to 2022, driven by good development in the Gas Solutions business. Service order intake was stable at EUR 226 million (225). Equipment order intake increased by 83% to EUR 426 million (233), driven by the previously mentioned development in Gas Solutions. The order book at the end of the year increased by 34% to EUR 583 million (434).

Net sales decreased by 28% to EUR 491 million (680) compared to 2022, as a result of lower equipment sales volumes in Gas Solutions and Exhaust Treatment. Service net sales increased by 6% to EUR 225 million (211) with good development in all business units. Equipment net sales decreased by 43% to EUR 266 million (468). The comparable operating result amounted to EUR 6 million (60) or 1.2% of net sales (8.9). The result was positively impacted by growth in services but was hampered by a total provision of EUR 48 million taken for a single sizable turnkey project in Gas Solutions.

Wärtsilä Energy

Energy's order intake in 2023 increased by 16% to EUR 3,041 million (2,612) compared to 2022. Service order intake increased by 23% to EUR 1,306 million (1,062), driven by sizable new and renewed long-term agreements signed during the period along with upgrade projects. Equipment order intake increased by 12% to EUR 1,735 million (1,550), with growth in energy storage whereas engine power plants declined. More than 80% of the order book at the end of the period consisted of equipment orders (EEQ), compared to 40% going into 2022. The order book at the end of the year increased by 13% to EUR 2,693 million (2,376).

Net sales decreased by 4% to EUR 2,610 million (2,721) compared to 2022, resulting from a decline in engine power plant sales. Net sales increased in energy storage by 20% and in services by 14%, with higher sales in all service types and particularly in long-term agreements. The comparable operating result amounted to EUR 219 million (91) or 8.4% of net sales (3.3), supported by a good performance in services, as well as a successful turnaround in Energy Storage & Optimisation. The result was negatively impacted by cost inflation during the first three quarters of the year, and by low factory capacity utilisation. The comparable operating margin was supported by a more favourable mix between equipment and services.

Profitability of energy storage business unit has been improving and the comparable operating result margin turned positive in 2023.

Other business activities

Wärtsilä Portfolio Business

Portfolio Business' order intake in 2023 decreased by 21% to EUR 386 million (490) compared to 2022, driven by decline in Marine Electrical Systems and the impact of the American Hydro divestment. The order book at the end of the year decreased by 6% to EUR 773 million (823).

Net sales increased by 3% to EUR 374 million (364) compared to 2022, despite the impact of the American Hydro divestment. The comparable operating result amounted to EUR 14 million (-10) or 3.7% of net sales (-2.7). The increase was the result of good development in all business units. Items affecting comparability totalled EUR -49 million (-42), related to the impairment of goodwill and non-current assets in Portfolio Business.

Risks and business uncertainties

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

Further escalation of any of the aforementioned factors could result in increased uncertainty over future demand for the equipment and services provided by Wärtsilä. Furthermore, the volatility of the geopolitical environment, and the enforcement of sanctions or embargos, pose a risk to the company's customer relations and international business activities. With the rapidly growing use of data in shipping and shipbuilding, as well as in the energy markets, cyber threats can potentially result in various forms of financial, operational, or reputational damage to the business.

The shipping and shipbuilding markets are under increasing pressure to reduce carbon emissions due to regional regulations such as the EU Fit for 55, the revised and more ambitious greenhouse gas strategy from the International Maritime Organisation, green financing, and the individual sustainability goals of end-customers. This, coupled with longer trade distances resulting from increased geopolitical tensions and disruptions at key waterways, may lead to increased costs for shipowners and operators. The development and deployment of suitable future technologies, lack of clarity at the global level around decarbonisation-related financial incentives, and the need to find the optimal timing of investments based on financial feasibility and

compliance to emission regulations may affect the investment appetite of ship owners and operators. This concerns both newbuilding programmes and the management of existing fleets.

Ship owners and operators face risks to their business profitability due to the limited ability or desire of people to travel, a lower demand for goods due to continued high inflation or economic slowdown, as well as higher voyage, operating and financing costs.

Highly indebted shipowners or operators may not withstand the potential risk of higher financing costs, a slower than expected growth in demand, or a lowered credit rating. In the offshore oil and gas industry, uncertainty around the longer-term demand for crude oil, oil price volatility and pressure to decarbonise are pushing oil majors to re-evaluate their spending on exploration activities and operational costs.

The overarching trend in the energy markets is the transition to renewable energy sources such as wind and solar. The pace of this shift is the principal driver in the growth of battery energy storage and thermal balancing technologies. New technology innovations, as well as the price and availability of fuels and raw materials, affect Wärtsilä's business. High and volatile gas prices directly impact the relative competitiveness of the portfolio, especially in thermal baseload plants. Similarly, policies related to the energy and electricity markets have direct and indirect impacts on future energy capacity and the generation mix. For example, energy and climate policy may speed or delay the energy transition. Recent years have highlighted the role of geopolitics in energy market policy and investment decisions. Concentrated supply chains in some raw materials and the tight competitive situation impose direct risks on the Energy business. Energy commodities and supply chains have been at the heart of trade policy lately, presenting risks for all energy technologies. Competition between and among energy technologies presents price pressure, especially in the fast-growing battery energy storage markets. Finally, uncertainty related to any of the aforementioned factors tend to delay investment decisions.

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.

Wärtsilä shares on Nasdaq Helsinki

31.12.2023	Number of shares outstanding	Number of treasury shares	Number of shares and votes	Number of shares traded 1-12/2023
WRT1V	589,023,390	2,700,000	591,723,390	277,945,404

1.1.-31.12.2023	High	Low	Average*	Close
Share price	13.34	7.94	10.30	13.13
*Trade-weighted average price				

Market capitalisation	31.12.2023	31.12.2022
MEUR	7,766	4,656

Foreign shareholders	31.12.2023	31.12.2022
%	52.7	51.4

Shares and shareholders

In 2023, the number of shares traded on Nasdaq Helsinki was 277,945,404, equivalent to a turnover of EUR 2,864 million. Wärtsilä's shares are also traded on alternative exchanges, including Turquoise, BATS, Chi-X and CBOE DXE. The total trading volume on these alternative exchanges amounted to 121,430,942 shares.

Flagging notifications

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings when crossing predefined thresholds.

During 2023, Wärtsilä received 62 notifications of change in holding pursuant to Chapter 9, section 5 of the Securities Markets Act, according to which the total number of holding in Wärtsilä's shares and voting rights owned by BlackRock, Inc. and its funds directly or through financial instruments had decreased below 5 per cent or increased above 5 per cent. All flagging notifications received by Wärtsilä during 2023 can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders/flaggings.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

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

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

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2023.

Dividend distribution

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

Authorisation to repurchase the company's own shares

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

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company's incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 3 March 2022 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 Mika Vehviläinen 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, Morten H. Engelstoft, Karen Bomba

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

WÄRTSILÄ'S PROSPECTS FOR 2024

Wärtsilä expects the demand environment for the next 12 months in the Marine business and in the Energy business to be better than last year.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.32 per share shall be paid for the financial year 2023. The parent company's distributable funds total EUR 1,074,016,204.80, which includes EUR 157,126,640.44 in net profit for the year. There are 589,023,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.16 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 11 March 2024. The payment day proposed by the Board for this instalment is 18 March 2024.

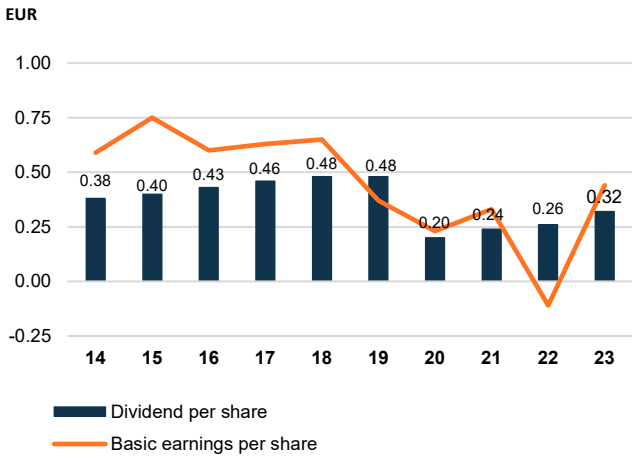
The second instalment of EUR 0.16 per share shall be paid in September 2024. The dividend record day of the second instalment shall be 11 September 2024, and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on such day. The Board proposes the second instalment is paid on 18 September 2024.

EVENTS AFTER THE REPORTING PERIOD

In November, Wärtsilä announced a plan to simplify its organisation and reporting structure. According to the plans, the Gas Solutions business unit was moved to Portfolio Business, and the Exhaust Treatment and Shaft Line Solutions business units were moved from Wärtsilä Marine Systems to Wärtsilä Marine Power. Wärtsilä Marine Power changed its name to Wärtsilä Marine as of January 1, 2024. It will be led by Roger Holm, former President, Marine Power and Executive Vice President. Tamara de Gruyter, former President, Marine Systems, will continue as President, Portfolio Business, and Executive Vice President and member of the Wärtsilä Board of Management.

Following the changes, Wärtsilä has two reporting segments from the beginning of 2024: Marine and Energy. Portfolio Business will continue to be reported as other business activities. The change in the reporting structure will be reflected in Wärtsilä's financial reporting as of the first quarter of 2024. Restated financial information regarding these changes will be published during the first quarter of 2024.

Dividend



The free share issue approved by Wärtsilä Corp. Annual General Meeting on 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.

FIVE YEARS IN FIGURES

Wärtsilä provides certain financial performance measures, which are accounting measures that are not defined by IFRS Accounting Standards. These alternative performance measures, such as comparable operating result, comparable adjusted EBITA, cash flow from operating activities, and gearing, are followed and used by management to measure the Group's performance and financial position. In addition, Wärtsilä's targets of financial performance are linked to, for example, comparable operating result and gearing. Thus, these alternative performance measures provide useful information to the capital markets. The alternative performance measures should not be evaluated in isolation from the corresponding Accounting Standards measures. The alternative performance measure calculation definitions are disclosed in Calculations of financial ratios.

MEUR		2023	2022	2021	2020	2019
Net sales		**6,015**	5,842	4,778	4,604	5,170
of which outside Finland	%	**98.3**	99.2	98.5	97.9	98.5
Exports from Finland		**2,060**	1,975	1,845	1,702	1,933
Personnel on average		**17,666**	17,482	17,461	18,307	19,110
of which in Finland		**3,957**	3,808	3,687	3,706	3,868
Order book		**6,694**	5,906	5,859	5,057	5,878
From the consolidated statement of income						
Depreciation, amortisation and impairment		**193**	263	162	174	180
Share of result of associates and joint ventures		**9**	6	3	3	-9
Comparable operating result		**497**	325	357	275	457
as a percentage of net sales	%	**8.3**	5.6	7.5	6.0	8.8
Operating result		**402**	-26	314	234	362
as a percentage of net sales	%	**6.7**	-0.4	6.6	5.1	7.0
Comparable adjusted EBITA		**518**	349	388	308	498
as a percentage of net sales	%	**8.6**	6.0	8.1	6.7	9.6
Financial income and expenses		**-37**	-6	-18	-43	-47
Result before taxes		**364**	-32	296	191	315
as a percentage of net sales	%	**6.1**	-0.5	6.2	4.2	6.1
Result for the financial period		**269**	-58	193	133	218
as a percentage of net sales	%	**4.5**	-1.0	4.0	2.9	4.2
From the consolidated statement of financial position						
Non-current assets		**2,551**	2,558	2,539	2,427	2,518
Current assets		**4,247**	3,997	3,982	3,706	3,797
Assets held for sale		**5**	54	2	99	82
Total equity attributable to equity holders of the parent company		**2,225**	2,136	2,315	2,177	2,396
Non-controlling interests		**8**	12	8	11	14
Interest-bearing debt		**858**	949	973	1,327	1,096
Non-interest-bearing liabilities		**3,713**	3,489	3,227	2,648	2,824
Liabilities directly attributable to assets held for sale			22		68	68
Total equity and liabilities		**6,803**	6,608	6,523	6,232	6,398
From the consolidated statement of cash flows						
Cash flow from operating activities		**822**	-62	731	681	232
Cash flow from investing activities		**-138**	-151	-128	-55	-95
Cash flow from financing activities		**-308**	-289	-580	-44	-256
Gross capital expenditure		**149**	161	143	117	122
as a percentage of net sales	%	**2.5**	2.8	3.0	2.5	2.4
Research and development expenditure		**258**	241	196*	153	164
as a percentage of net sales	%	**4.3**	4.1	4.1*	3.3	3.2
Dividends paid		**188****	153	142	118	284
Financial ratios						
Earnings per share (EPS), basic	EUR	**0.44**	-0.11	0.33	0.23	0.37
Earnings per share (EPS), diluted	EUR	**0.44**	-0.11	0.33	-	-
Dividend per share	EUR	**0.32****	0.26	0.24	0.20	0.48
Dividend per earnings	%	**73.2****	-234.9	73.2	88.2	130.8
Interest coverage		**9.2**	7.3	15.0	7.1	7.7
Return on investment (ROI)	%	**13.9**	0.1	9.7	7.1	11.5
Return on equity (ROE)	%	**12.3**	-2.6	8.6	5.8	9.0
Solvency ratio	%	**37.0**	35.3	38.6	38.1	40.8
Gearing		**0.02**	0.23	0.00	0.18	0.30
Equity per share	EUR	**3.78**	3.62	3.92	3.68	4.05
Working capital (WCAP)	EUR	**-169**	179	-100	257	732

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

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

** Proposal of the Board of Directors.

QUARTERLY FIGURES

MEUR	10–12 /2023	7–9 /2023	4–6 /2023	1–3 /2023	10–12 /2022	7–9 /2022	4–6 /2022	1–3 /2022	10–12 /2021
Order intake									
Marine Power	**782**	**832**	**697**	**679**	693	627	575	620	659
Voyage									93
Marine Systems	**132**	**139**	**159**	**223**	126	89	131	112	308
Energy	**868**	**679**	**750**	**744**	646	805	654	507	1,031
Portfolio Business	**74**	**138**	**81**	**93**	173	95	81	141	59
Total	**1,856**	**1,787**	**1,687**	**1,739**	1,638	1,616	1,440	1,380	2,150
Order book at the end of the financial period									
Marine Power	**2,644**	**2,577**	**2,366**	**2,332**	2,273	2,250	2,087	2,261	1,994
Voyage									288
Marine Systems	**583**	**570**	**555**	**505**	434	499	572	638	1,042
Energy	**2,693**	**2,620**	**2,548**	**2,483**	2,376	2,702	2,506	2,442	2,393
Portfolio Business	**773**	**826**	**779**	**833**	823	779	772	766	142
Total	**6,694**	**6,594**	**6,249**	**6,153**	5,906	6,229	5,936	6,107	5,859
Net sales									
Marine Power	**688**	**612**	**636**	**604**	589	484	527	477	589
Voyage									84
Marine Systems	**112**	**134**	**106**	**138**	207	159	166	148	221
Energy	**720**	**613**	**633**	**645**	856	696	633	535	670
Portfolio Business	**124**	**93**	**79**	**78**	118	94	81	71	32
Total	**1,644**	**1,452**	**1,454**	**1,465**	1,770	1,433	1,407	1,231	1,597
Share of result of associates and joint ventures	**2**	**2**	**3**	**1**	3	2			1
Comparable adjusted EBITA	**182**	**130**	**113**	**93**	99	87	91	72	165
as a percentage of net sales	**11.1**	**8.9**	**7.8**	**6.4**	5.6	6.1	6.4	5.9	10.4
Depreciation, amortisation and impairment	**-45**	**-34**	**-81**	**-33**	-56	-51	-34	-122	-40
Purchase price allocation amortisation	**-5**	**-5**	**-5**	**-5**	-5	-6	-5	-7	-8
Comparable operating result	**177**	**125**	**108**	**88**	93	82	85	65	158
as a percentage of net sales	**10.8**	**8.6**	**7.4**	**6.0**	5.3	5.7	6.1	5.3	9.9
Items affecting comparability, total	**-49**	**-8**	**-42**	**4**	-56	-72	-10	-212	-14
Operating result	**128**	**117**	**66**	**92**	37	10	75	-147	144
as a percentage of net sales	**7.8**	**8.0**	**4.5**	**6.3**	2.1	0.7	5.3	-11.9	9.0
Financial income and expenses	**-8**	**-9**	**-12**	**-8**	-2	-2	-2		-10
Result before taxes	**120**	**107**	**53**	**84**	35	7	72	-147	134
Income taxes	**-24**	**-25**	**-24**	**-23**	-7	-4	-20	5	-49
Result for the financial period	**96**	**82**	**30**	**61**	28	3	52	-142	85
Earnings per share (EPS), basic, EUR	**0.16**	**0.14**	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14
Earnings per share (EPS), diluted, EUR	**0.16**	**0.14**	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14
Gross capital expenditure	**51**	**31**	**35**	**32**	49	37	40	35	45
Investments in securities and acquisitions	**1**						4	1	1
Cash flow from operating activities	**389**	**213**	**75**	**145**	51	100	-90	-122	370
Working capital (WCAP) at the end of the financial period	**-169**	**43**	**134**	**105**	179	108	168	-18	-100
Personnel at the end of the financial period									
Marine Power	**9,444**	**9,374**	**9,293**	**9,227**	9,157	9,200	9,158	9,065	8,224
Voyage									1,725
Marine Systems	**1,651**	**1,643**	**1,625**	**1,608**	1,584	1,575	1,565	1,554	1,894
Energy	**5,430**	**5,416**	**5,380**	**5,342**	5,320	5,309	5,247	5,073	4,980
Portfolio Business	**1,282**	**1,263**	**1,254**	**1,536**	1,520	1,501	1,577	1,659	482
Total	**17,807**	**17,696**	**17,553**	**17,713**	17,581	17,585	17,547	17,351	17,305

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

CALCULATIONS OF FINANCIAL RATIOS

Operating result

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

Earnings per share (EPS), basic

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

Earnings per share (EPS), diluted

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

Items affecting comparability

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

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

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

Net interest-bearing debt

Total of non-current and current lease liabilities + total of non-current and current other interest-bearing debt – interest-bearing receivables – cash and cash equivalents

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Order intake

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

Order book

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

Working capital (WCAP)

(Inventories + trade receivables + current tax receivables + other non-interest-bearing receivables)

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

Interest coverage

$$\frac{\text{Result before taxes + depreciation, amortisation and impairment + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial period}}{\text{Number of shares outstanding at the end of the financial period}}$$

Dividend per earnings

$$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS), basic}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial period}} \times 100$$

Price/earnings (P/E)

$$\frac{\text{Adjusted share price at the end of the financial period}}{\text{Earnings per share (EPS), basic}}$$

Price/carrying amount per share (P/BV)

$$\frac{\text{Adjusted share price at the end of the financial period}}{\text{Equity per share}}$$

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

MEUR	2023	2022	Note
Net sales	**6,015**	5,842	2.1., 2.2.
Other operating income	**96**	70	2.3.
Material and services	**-3,419**	-3,671	2.4.
Employee benefit expenses	**-1,456**	-1,359	2.5.
Result from net position hedges	**-9**	-12	
Depreciation, amortisation and impairment	**-193**	-263	3.5.
Other operating expenses	**-641**	-638	2.3.
Share of result of associates and joint ventures	**9**	6	6.5.
Operating result	**402**	-26	
as a percentage of net sales	**6.7**	-0.4	
Financial income	**31**	30	5.1.
Financial expenses	**-68**	-37	5.1.
Result before taxes	**364**	-32	
Income taxes	**-95**	-26	2.6.
Result for the financial period	**269**	-58	
Attributable to:			
equity holders of the parent company	**258**	-64	2.7.
non-controlling interests	**12**	6	
	269	-58	
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (EPS), basic, EUR	**0.44**	-0.11	2.7.
Earnings per share (EPS), diluted, EUR	**0.44**	-0.11	2.7.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

MEUR	2023	2022	Note
Result for the financial period	**269**	-58	
Other comprehensive income:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	**1**	39	
Tax on items that will not be reclassified to the statement of income		-8	
Total items that will not be reclassified to the statement of income	**1**	31	
Items that may be reclassified subsequently to the statement of income			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	**-25**	-31	
for non-controlling interests	**-2**	-1	
transferred to the statement of income	**-11**	-2	
Associates and joint ventures, share of other comprehensive income	**-2**	-1	
Cash flow hedges			
measured at fair value	**20**	33	5.5.
transferred to the statement of income	**4**	3	
Tax on items that may be reclassified to the statement of income			
Cash flow hedges			
measured at fair value	**-2**	-7	
transferred to the statement of income	**-1**	-1	
Total items that may be reclassified to the statement of income	**-19**	-7	
Other comprehensive income for the financial period, net of taxes	**-17**	23	
Total comprehensive income for the financial period	**252**	-35	
Total comprehensive income attributable to:			
equity holders of the parent company	**247**	-40	
non-controlling interests	**4**	5	
	252	-35	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	31.12.2023	31.12.2022	Note
Assets			
Non-current assets			
Goodwill	**1,273**	1,288	3.1.
Other intangible assets	**402**	392	3.2.
Property, plant and equipment	**307**	304	3.3.
Right-of-use assets	**255**	258	3.4.
Investments in associates and joint ventures	**33**	29	6.5.
Other investments	**19**	19	5.2.
Interest-bearing investments	**4**	4	5.2.
Deferred tax assets	**212**	197	4.6.
Trade receivables	**2**	11	4.2., 5.2.
Other receivables	**46**	57	4.3.
Total non-current assets	**2,551**	2,558	
Current assets			
Inventories	**1,485**	1,361	4.1.
Trade receivables	**991**	1,102	4.2., 5.2.
Current tax receivables	**35**	33	
Contract assets	**630**	729	4.2.
Other receivables	**287**	309	4.3.
Cash and cash equivalents	**819**	461	5.3., 5.4.
Total current assets	**4,247**	3,997	
Assets held for sale	**5**	54	6.4.
Total assets	**6,803**	6,608	
Equity and liabilities			
Equity			
Share capital	**336**	336	5.5.
Share premium	**61**	61	5.5.
Translation differences	**-188**	-156	5.5.
Fair value reserve	**31**	9	5.5.
Remeasurements of defined benefit liabilities	**-4**	-5	4.7.
Retained earnings	**1,989**	1,891	
Total equity attributable to equity holders of the parent company	**2,225**	2,136	
Non-controlling interests	**8**	12	
Total equity	**2,232**	2,148	
Liabilities			
Non-current liabilities			
Lease liabilities	**224**	223	3.4., 5.4.
Other interest-bearing debt	**515**	517	5.2., 5.4., 5.6.
Deferred tax liabilities	**69**	65	4.6.
Pension obligations	**83**	89	4.7.
Provisions	**93**	85	4.5.
Contract liabilities	**126**	60	4.2.
Other liabilities	**16**	5	3.4., 4.4.
Total non-current liabilities	**1,126**	1,044	
Current liabilities			
Lease liabilities	**44**	43	3.4., 5.4.
Other interest-bearing debt	**76**	166	5.2., 5.4., 5.6.
Provisions	**279**	311	4.5.
Trade payables	**686**	1,041	4.4., 5.2., 5.6.
Current tax liabilities	**75**	51	
Contract liabilities	**1,534**	1,145	4.2.
Other liabilities	**751**	636	3.4., 4.4.
Total current liabilities	**3,445**	3,394	
Total liabilities	**4,571**	4,438	
Liabilities directly attributable to assets held for sale		22	6.4.
Total equity and liabilities	**6,803**	6,608	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	2023	2022	Note
Cash flow from operating activities:			
Result for the financial period	**269**	-58	
Adjustments for:			
Depreciation, amortisation and impairment	**193**	263	3.5.
Financial income and expenses	**37**	6	5.1.
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	**-1**	23	
Share of result of associates and joint ventures	**-9**	-6	6.5.
Income taxes	**95**	26	2.6.
Other non-cash flow adjustments	**-4**	26	
Cash flow before changes in working capital	**581**	281	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	**209**	-422	
Inventories, increase (-) / decrease (+)	**-134**	-207	4.1.
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**275**	370	
Changes in working capital	**350**	-259	
Cash flow from operating activities before financial items and taxes	**931**	22	
Financial items and taxes:			
Interest income	**13**	4	
Interest expenses	**-23**	-14	
Other financial income and expenses	**-17**	9	
Income taxes paid	**-82**	-83	
Financial items and paid taxes	**-109**	-84	
Cash flow from operating activities	**822**	-62	
Cash flow from investing activities:			
Acquisitions	**-1**	-4	6.2.
Other investments		-1	5.2.
Investments in property, plant and equipment and intangible assets	**-148**	-156	3.2., 3.3.
Proceeds from sale of property, plant and equipment and intangible assets	**3**	18	3.2., 3.3.
Proceeds from sale of shares in subsidiaries	**7**	-10	6.3.
Proceeds from sale of other investments	**1**		
Cash flow from investing activities	**-138**	-151	
Cash flow after investing activities	**683**	-213	
Cash flow from financing activities:			
Repayments to non-controlling interests	**-5**		
Repurchase of own shares	**-10**		
Proceeds from non-current debt	**176**		
Repayments and other changes in non-current debt	**-321**	-145	5.6.
Loan receivables, increase (-) / decrease (+)	**1**	1	
Current loans, increase (+) / decrease (-)	**7**		
Dividends paid	**-156**	-145	
Cash flow from financing activities	**-308**	-289	
Change in cash and cash equivalents, increase (+) / decrease (-)	**375**	-501	
Cash and cash equivalents at the beginning of the financial period*	**464**	964	
Exchange rate changes	**-19**	1	
Cash and cash equivalents at the end of the financial period*	**819**	464	

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

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation differences	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 31 December 2022	**336**	**61**	**-156**	**9**	**-5**	**1,889**	**2,135**	**12**	**2,146**
Restatement due to IAS 12						**1**	**1**		**1**
Equity on 1 January 2023	**336**	**61**	**-156**	**9**	**-5**	**1,891**	**2,136**	**12**	**2,148**
Result for the financial period						**258**	**258**	**12**	**269**
Other comprehensive income									
Translation differences			**-27**				**-27**	**-2**	**-29**
Translation differences transferred to the statement of income			**-6**				**-6**	**-5**	**-11**
Cash flow hedges									
net change in fair value, net of taxes				**19**			**19**		**19**
transferred to the statement of income, net of taxes				**3**			**3**		**3**
Defined benefit plans					**1**		**1**		**1**
Other comprehensive income, total			**-33**	**22**	**1**		**-10**	**-7**	**-17**
Total comprehensive income for the financial period			**-33**	**22**	**1**	**258**	**247**	**4**	**252**
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						**-153**	**-153**	**-3**	**-156**
Repurchase of own shares						**-10**	**-10**		**-10**
Share-based payments						**4**	**4**		**4**
Other changes								**-5**	**-5**
Equity on 31 December 2023	**336**	**61**	**-188**	**31**	**-4**	**1,989**	**2,225**	**8**	**2,232**

				Total equity attributable to equity holders of the parent company				Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation differences**	**Fair value reserve**	**Remeasure-ments of de-fined benefit liabilities**	**Retained earnings**	**Total**		
Equity on 31 December 2021	336	61	-122	-18	-36	2,094	2,315	8	2,323
Restatement due to IAS 12						1	1		1
Equity on 1 January 2022	336	61	-122	-18	-36	2,095	2,316	8	2,324
Result for the financial period						-64	-64	6	-58
Other comprehensive income									
Translation differences			-31				-31	-1	-32
Translation differences transferred to the statement of income			-2				-2		-2
Cash flow hedges									
net change in fair value, net of taxes				25			25		25
transferred to the statement of income, net of taxes				2			2		2
Defined benefit plans					31		31		31
Other comprehensive income, total			-33	27	31		24	-1	23
Total comprehensive income for the financial period			-33	27	31	-64	-40	5	-35
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-142	-142	-2	-144
Share-based payments						2	2		2
Equity on 31 December 2022	336	61	-156	9	-5	1,891	2,136	12	2,148

Additional information on share capital, share premium, translation differences and fair value reserve is presented in Note 5.5. Equity.

The notes are an integral part of these consolidated financial statements.



Notes to the consolidated financial statements

1. Accounting principles and other disclosure requirements

Content in this section:

1.1. ENTITY INFORMATION
1.2. BASIS OF PREPARATION
1.3. NEW AND AMENDED IFRS ACCOUNTING STANDARDS
1.4. MANAGEMENT JUDGEMENT AND USE OF ESTIMATES

Majority of the accounting principles applied to the consolidated financial statements, as well as the most significant judgements, estimates, and assumptions made by the management, are presented in the relevant notes to provide readers a better understanding of the financial statements.

1.1. ENTITY INFORMATION

Wärtsilä Corporation is a Finnish listed company organised under the laws of Finland and domiciled in Helsinki. The address of its registered office is Hiililaiturinkuja 2, 00180 Helsinki. Wärtsilä Corporation is the ultimate parent company in the Wärtsilä Group.

Wärtsilä is a global leader in innovative technologies and lifecycle solutions for the marine and energy markets. By emphasising sustainable innovation, total efficiency and data analytics, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2023, Wärtsilä's net sales totalled EUR 6.0 billion with 17,807 employees. The company has operations in over 200 locations in 80 countries around the world. Wärtsilä is listed on Nasdaq Helsinki.

These consolidated financial statements were authorised for release by the Board of Directors of Wärtsilä Corporation on 30 January 2024, after which, in accordance with the Finnish Corporate Act, the shareholders have a right to approve or reject the financial statements in the Annual General Meeting. The Annual General Meeting also has the possibility to decide upon changes to the financial statements.

1.2. BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with international accounting standards, which were in force on 31 December 2023. International accounting standards are defined in EU regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation. They refer to IFRS® Accounting Standards, IAS® Standards, SIC® Interpretations and IFRIC® Interpretations developed by International Accounting Standards Board (IASB). The consolidated financial statements also comply with the Finnish corporate legislation.

All intragroup transactions, dividend distributions, receivables and liabilities, as well as unrealised margins, are eliminated in the consolidated financial statements. In the consolidated statements of income and comprehensive income, non-controlling interests have been separated from the result and the total comprehensive income for the financial period. In the consolidated statement of financial position, non-controlling interests are shown as a separate item under equity.

Reporting is based on the historical cost convention. Exceptions are the financial assets and liabilities at fair value through the statement of income, the assets and liabilities arising from pension plans, hedged items under fair value hedging, the cash- and share-settled share-based payment transactions measured at fair value, and assets held for sale measured at the lower of the carrying amount and the fair value less costs to sell. The figures are in millions of euros except Note 7.2. Related party disclosures, which is presented in thousands of euros.

1.3. NEW AND AMENDED IFRS ACCOUNTING STANDARDS

In 2023, the Group has adopted the following amended Accounting Standards issued by IASB.

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

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

Amendments to IAS 12 Income Taxes (effective for financial periods beginning on or after 1 January 2023) require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations. Due to the amendments, income taxes, as well as deferred taxes, have been restated in the financial statements for comparison period 2022. Impact on the consolidated financial statements is not significant.

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

International Tax Reform - Pillar Two Model Rules amends IAS 12 Income Taxes (effective upon issuance in May 2023, but certain disclosure requirements are effective later). The amendments introduce a mandatory exception for recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to separately disclose its current tax expense or income related to Pillar Two income taxes. Impact on the consolidated financial statements is not significant.

Other new or amended Accounting Standards already effective do not have a significant impact on the consolidated financial statements or other disclosures.

In 2024 or later, the Group will adopt the following new or amended Accounting Standards issued by IASB.

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

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

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

Lack of Exchangeability* amends IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot

exchange rate when exchangeability is lacking. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. The amendments will have no impact on the consolidated financial statements.

Other new or amended Accounting Standards not yet effective are not expected to have a significant impact on the consolidated financial statements or other disclosures.

* Not yet endorsed for adoption by the European Commission as of 31 December 2023.

1.4. MANAGEMENT JUDGEMENT AND USE OF ESTIMATES

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

For Wärtsilä, the most significant judgements, estimates, and assumptions made by the management relate to the items listed below, more information can be found in the corresponding note:

- revenue recognition, especially project estimates for long-term projects and agreements (Note 2.2. Revenue recognition),
- uncertain tax positions (Note 2.6. Income taxes),
- impairment testing (Note 3.1. Goodwill),
- estimating useful lives and assessing indication of impairment (Notes 3.2. Other intangible assets and 3.3. Property, plant and equipment),
- determining the length of lease terms (Note 3.4. Leases),
- valuation of inventories (Note 4.1. Inventories),
- valuation of trade receivables (Note 4.2. Trade receivables and contract assets and liabilities),
- recognition of warranty provisions and provisions for legal cases (Note 4.5. Provisions),
- expected results on tax audits and deferred tax assets from tax losses (Note 4.6. Deferred taxes), and
- defined pension benefit obligations (Note 4.7. Pension obligations),

In addition, accounting for business combinations may require significant management judgement (Note 6.2. Acquisitions).



2. Group financial performance

Content in this section:

2.1. SEGMENT INFORMATION
2.2. REVENUE RECOGNITION
2.3. OTHER OPERATING INCOME AND EXPENSES
2.4. MATERIAL AND SERVICES
2.5. EMPLOYEE BENEFIT EXPENSES
2.6. INCOME TAXES
2.7. EARNINGS PER SHARE

2.1. SEGMENT INFORMATION

Wärtsilä's reportable segments are Wärtsilä Marine Power, Wärtsilä Marine Systems, and Wärtsilä Energy. Furthermore, Wärtsilä reports Wärtsilä Portfolio Business as other business activities. The segments and other business activities cover both equipment sales and services for the respective business.

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

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO, with the support of the Board of Management, and in some cases the Board of Directors.

Marine Power, Marine Systems, Energy, and Portfolio Business are each led by their President. Discrete financial information on each business is provided to the CODM to support decision-making. The segment information presented by Wärtsilä reflects internal management reporting. Segment information is reported to the level of operating result, as items below operating result are not allocated to the businesses.

Internal sales between segments and other business activities are not reported in management reporting, but revenue and costs of sales are booked directly to the respective customer projects and orders. The main factors affecting the allocation of indirect and administration costs to the segments and other business activities are net sales and the number of personnel. Management considers these allocation principles to be the most suitable means for reflecting the costs carried by each segment and other business activities. The allocation principles are reviewed regularly.

Wärtsilä's marine customer base covers all the main vessel segments, including traditional merchant vessels, gas carriers, cruise & ferry, navy, and special vessels. In the oil & gas industry, Wärtsilä is active in serving offshore installations and related industry vessels, as well as land-based gas installations. Wärtsilä's customers comprise ship owners, shipyards, and ship management companies.

Wärtsilä Marine Power

Marine Power focuses on Wärtsilä's comprehensive range of engine and propulsion solutions. Its offering, which includes engines, generating sets, gearboxes, propulsion equipment, as well as LNG fuel handling, power management, and NOx reduction technologies, positions Marine Power as a leading partner for its customers in the decarbonisation of the maritime industry, particularly through fuel flexibility and hybrid solutions.

Marine Power has six business units: Power Supply, Propulsion, Parts and Field Service, Performance Services, Voyage Services, and Project Services. The Marine Power setup has been specifically designed to support its customers throughout the entire lifecycle of their vessels: from designing, developing, and delivering high quality products and solutions that ensure superior performance and that are capable of meeting evolving environmental requirements, to assisting customers with a wide service network supplying spare parts, competent field service personnel, and product and solution upgrades, as well as reducing operational risk.

Wärtsilä Marine Systems

Marine Systems consists of three end-to-end business units: Exhaust Treatment, Gas Solutions, and Shaft Line Solutions.

Exhaust Treatment focuses on developing the exhaust gas cleaning business. Wärtsilä's exhaust gas cleaning technology is an economical and environmentally friendly solution for addressing all existing and anticipated rules and regulations. Wärtsilä scrubber systems are designed to provide flexibility and reliable operations wherever customers operate.

Gas Solutions is the leading technology and service provider for the gas value chain, with a broad range of products covering cargo handling systems for gas carriers, liquefaction and gasification systems for various applications, fuel systems for alternative engine configurations and fuels, and renewable gas systems with solutions for biogas upgrading and liquefaction.

Shaft Line Solutions comprises all capabilities required to provide complete integrated shaft line solutions from its global factories and service locations to customers in its core market segments, namely navy, merchant, and cruise.

In November 2023, it was announced that, effective as of 1 January 2024, business unit Gas Solutions will be moved to Portfolio Business in preparation for a divestment. In addition, business units Exhaust Treatment and Shaft Line Solutions will be moved from Marine Systems to Marine Power. Consequently, Marine Systems will no longer constitute an organisational unit or a reportable segment. Following these planned changes, Wärtsilä Marine Power will change its name to Wärtsilä Marine.

Wärtsilä Energy

Wärtsilä Energy leads the transition towards a 100% renewable energy future. Wärtsilä develops market-leading technologies, including flexible power plants, energy management and storage systems, as well as lifecycle services that enable increased efficiency and guaranteed performance.

Wärtsilä's three main customer segments in the energy markets are utilities, independent power producers, and industrial customers. The company's solutions are used for a wide variety of applications, including baseload generation, capacity for grid stability, peaking and load-following generation, and to support the greater integration of wind and solar power. Wärtsilä provides its customers with a comprehensive understanding of energy systems, including fully integrated assets and software, complete with value adding lifecycle services.

Wärtsilä Portfolio Business

Wärtsilä reports Portfolio Business as other business activities. Wärtsilä Portfolio Business consists of Water & Waste, Marine Electrical Systems, and Automation, Navigation and Control Systems. The business units are run independently to accelerate performance improvement and unlock value through divestments or other strategic alternatives.

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

2023

MEUR	Marine Power	Marine Systems	Energy	Portfolio Business	Total
Net sales	2,540	491	2,610	374	6,015
Depreciation and amortisation	-81	-14	-33	-9	-137
Impairment	-10			-45	-56
Share of result of associates and joint ventures	9				9
Operating result	224	4	209	-35	402
as a percentage of net sales (%)	8.8	0.8	8.0	-9.4	6.7
Items affecting comparability	-34	-2	-10	-49	-95
Comparable operating result	258	6	219	14	497
as a percentage of net sales (%)	10.2	1.2	8.4	3.7	8.3

2022

MEUR	Marine Power	Marine Systems	Energy	Portfolio Business	Total
Net sales	2,078	680	2,721	364	5,842
Depreciation and amortisation	-85	-14	-33	-13	-144
Impairment	-95			-22	-119
Share of result of associates and joint ventures	6				6
Operating result	-109	53	82	-52	-26
as a percentage of net sales (%)	-5.2	7.7	3.0	-14.1	-0.4
Items affecting comparability	-293	-8	-9	-42	-351
Comparable operating result	184	60	91	-10	325
as a percentage of net sales (%)	8.9	8.9	3.3	-2.7	5.6

Alternative performance measures

Wärtsilä provides certain financial performance measures, which are not defined by Accounting Standards. These alternative performance measures are followed and used by management to measure the Group's performance and financial position, and also to provide useful information to the capital markets.The alternative performance measures should not be evaluated in isolation from the corresponding Accounting Standards measures. The alternative performance measure calculation definitions are disclosed in Calculations of financial ratios.

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

The reconciliation of the comparable operating result to the operating result is presented in the following table.

Measures of profit and items affecting comparability

MEUR	2023	2022
Comparable adjusted EBITA	**518**	349
Purchase price allocation amortisation	**-20**	-23
Comparable operating result	**497**	325
Items affecting comparability:		
Social plan costs	**-42**	-51
Impairment and write-downs	**-43**	-162
Gains and losses from disposals	**11**	-24
Other costs	**-21**	-115
Items affecting comparability, total	**-95**	-351
Operating result	**402**	-26

The financial statements include EUR 47 million of costs related to the restructuring of engine manufacturing in Europe, EUR 45 million of impairment related to goodwill and other non-current assets in Portfolio Business, EUR 9 million of impairment of intangible assets in business unit Voyage Services, EUR 26 million of reversal of impairment and provisions related to Russian operations, EUR 11 million of income related to the liquidation of Wärtsilä-CME Zhenjiang Propeller Co. Ltd., a subsidiary of the Group, and EUR 31 million of other costs.

Entity wide information

In addition to segment information, Wärtsilä reports the service net sales for all segments and for other business activities.

Wärtsilä continues to report information on the geographical areas Finland, other European countries, Asia, the Americas, and other. In the geographical information provided, net sales are split by customer destination and non-current assets by origin. Non-current assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, and investments in associates and joint ventures.

Geographical information

During the financial period 1 January - 31 December 2023 and 1 January - 31 December 2022 Wärtsilä did not have any individual significant customers. Of the total net sales, sales to the USA represented 17% (19) and sales to China 9% (8).

MEUR	2023	2022
Net sales		
Finland	**100**	47
Other European countries	**1,854**	1,671
Asia	**1,678**	1,482

The Americas	**1,757**	2,062
Other	**627**	580
Total	**6,015**	5,842
Non-current assets		
Finland	**604**	555
Other European countries	**1,317**	1,364
Asia	**108**	108
The Americas	**235**	237
Other	**5**	6
Total	**2,270**	2,270

Service net sales

MEUR	2023	2022
Net sales		
Marine Power, service	**1,665**	1,424
Marine Systems, service	**225**	211
Energy, service	**1,095**	958
Portfolio Business, service	**164**	182
Total	**3,148**	2,775

2.2. REVENUE RECOGNITION

Accounting principles

According to revenue recognition principles, revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group recognises revenue when it satisfies an identified performance obligation by transferring promised goods or services to the customer. Goods and services are generally considered to be transferred when the customer obtains control of them. Such control is transferred either at a point in time or over time. Revenue recognised by the end of the reporting period corresponds to the benefit of the service provided by Wärtsilä to the customer. Revenue is presented net of indirect sales taxes, liquidated damages, and discounts.

Revenue recognised over time is measured in accordance with the input method (progress measured based on costs incurred) when the outcome of the contract can be estimated reliably. When the outcome cannot be reliably determined, the costs arising are expensed in the same reporting period in which they occur, but the revenue is recognised only to the extent that the company will receive an amount corresponding to actual costs. Any losses are expensed immediately. If revenue for goods and services is recognised at a point in time, it is when control is transferred to the customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms.

The transaction price is mainly fixed but often may include variable considerations, such as liquidated damages, performance bonuses and discounts. In long-term agreements, different variable fees are common, such as fees based on power plant running hours or megawatts produced in Energy, and on vessel running hours in Marine Power. These estimated fees are based on customer future load plans or other parameters, such as historical demand trends. Variable consideration is included in the revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal. Transaction prices including variable components are reassessed at the end of each reporting period.

Wärtsilä often requires advance payments from its customers or invoices customers based on milestones. Payment terms are typical to the business and advances received or contract assets do not contain financing component as payment schedules follow the timing of the performance obligation to be satisfied.

Wärtsilä focuses on the marine and energy markets with products, solutions, and services. Revenue from contracts with customers is derived from four revenue types: products, goods and services, projects, and long-term agreements. All these revenue types are represented within all reportable segments and other business activities: Marine Power, Marine Systems, Energy and Portfolio Business.

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

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

Projects are of both short- and long-term in duration. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. Revenue from tailor-made equipment delivery projects is recognised at a point in time when the control of the equipment is transferred, in general upon delivery. These contracts generally represent one performance obligation, but under certain circumstances they can contain multiple performance obligations when a contract contains multiple units of delivery. Tailor-made equipment sales are mainly in Marine Power, for example, engine and propulsion sales, and scrubber system sales in Marine Systems.

In long-term projects, such as large-scale systems, i.e. power plants and energy storages in Energy, and gas solutions construction contracts in Marine Systems or equipment deliveries which require engineering, the revenue is recognised over time as the asset produced does not have alternative use and the Group has an enforceable right to payment. These contracts usually contain one performance obligation. The progress is measured by using the cost-to-cost method, where sales and profits are recognised after considering the ratio of accumulated costs to estimated total costs to complete each contract. Revenue from service-related projects, such as modernisation and upgrade projects, are recognised over time because the customer typically controls the asset that is enhanced. Service-related projects usually contain one performance obligation.

Long-term agreements include long-term operating and maintenance agreements for which the revenue is recognised over time because the customer simultaneously receives and consumes the service provided. Measuring progress is based on cost-to-cost method, costs of actual services provided as a proportion of the costs of total services to be rendered. These contracts typically contain one performance obligation per installation. Long-term agreements mainly generate revenue in Energy and in Marine Power.

Contracts with customers often include warranties in line with Wärtsilä's General terms and conditions, which are regarded as part of the promise to the customer. Typically, the standard warranty period is one year from the delivery onwards. Extended warranties or warranties purchased as an option are identified as separate performance obligations with revenue being recognised evenly over the warranty period.

The Group also applies the practical expedient stated in IFRS 15.94 according to which an entity can recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less. Wärtsilä has not incurred any costs for obtaining a contract to be recognised as an asset.

Information on contract assets and liabilities is available in Note 4.2. Trade receivables and contract assets and liabilities.

Accounting estimates and judgements

Revenue from certain projects and long-term agreements is recognised over time according to the input method when the profit on the project or agreement can be reliably determined. The progress and the profitability are based on management's estimates, which require significant judgement concerning the stage of completion, the cost to complete, and the time of completion. These estimates are reviewed regularly. Revenue and costs recognised are adjusted during the project when assumptions concerning the outcome of the entire project are updated. Changes in assumptions relate to changes in the project's or agreement's schedule, the scope of supply, technology, costs, and any other relevant factors.

Establishing whether distinct goods or services are considered as separate performance obligations requires judgement and might impact the timing and amount of revenue recognition.

Project business contracts usually involve elements of variable consideration. At the end of each reporting period, management reassesses the transaction price, which requires significant judgement as it affects the timing of the revenue recognition. The valuation of accounts receivables also includes estimates mainly concerning the recoverability of receivables.

Determining whether different contracts with the same customer are accounted for as one contract involves the use of judgement, as it requires an assessment of whether the contracts are negotiated together or linked in any other way. The timing and amount of revenue recognition can vary depending on whether two contracts are accounted for separately, or as one single arrangement.

Warranty provisions are recognised when goods and services have been rendered to the customer. The provision is based on the accumulated experience of the level of warranty needed to manage future and current cost claims. Products can contain new and complex technology that can affect warranty estimates, with the result that earlier recognised provisions are not always sufficient.

Net sales by revenue type and timing of satisfying performance obligations

2023

MEUR	Marine Power	Marine Systems	Energy	Portfolio Business	Total
At a point in time					
Products	**807**	**169**	**427**	**72**	**1,475**
Goods and services	**428**	**69**	**122**	**78**	**697**
Projects	**986**	**50**	**330**	**84**	**1,450**
Total	**2,221**	**288**	**879**	**233**	**3,622**
Over time					
Projects	**57**	**198**	**1,297**	**136**	**1,688**
Long-term agreements	**262**	**4**	**434**	**5**	**705**
Total	**319**	**202**	**1,731**	**141**	**2,393**
Total	**2,540**	**491**	**2,610**	**374**	**6,015**

2022

MEUR	Marine Power	Marine Systems	Energy	Portfolio Business	Total
At a point in time					
Products	725	162	409	57	1,353
Goods and services	364	60	107	69	599
Projects	692	123	344	76	1,235
Total	1,781	345	860	201	3,187
Over time					
Projects	73	330	1,493	157	2,054
Long-term agreements	224	4	368	6	602
Total	297	335	1,860	163	2,655
Total	2,078	680	2,721	364	5,842

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

2.3. OTHER OPERATING INCOME AND EXPENSES

Accounting principles

Other operating income and expenses do not directly relate to the operating activities.

Other operating income includes, for example, gains from the sale of assets and regular incomes, such as rental income, and gains relating to business combinations, which have not been derived from primary activities. Other operating income includes also grants. Governmental and other grants are recognised in the statement of income on a systematic basis in the same periods in which the expenses are incurred.

Other operating expenses include, for example, travel costs, legal and consultancy costs, rental costs, voluntary personnel related costs, and administrative costs. Also, expenses related to short-term lease contracts and lease contracts of low-value assets are recognised in other operating expenses. In addition, losses related to the sale of assets, as well as losses arising from modifications and terminations of lease agreements, are recognised in other operating expenses.

Other operating income

MEUR	2023	2022
Capital gains	**1**	8
Government grants	**15**	16
Sale of scrapped material	**2**	3
Sale of by-products	**3**	6
Rental income	**2**	1
Income related to cancelled orders*	**19**	
Insurance indemnities	**5**	5
Gains on derivatives not included in hedge accounting and ineffective hedging**	**24**	13
Other***	**25**	19
Total	**96**	70

* Expenses related to cancelled orders are recognised on respective expense accounts.

** The portion of ineffective hedging is EUR 3 million (2).

*** Other includes EUR 11 million of income related to the liquidation of Wärtsilä-CME Zhenjiang Propeller Co. Ltd., a subsidiary of the Group.

Other operating expenses

MEUR	2023	2022
Travel costs	**159**	129
Rental costs	**49**	44
Legal and consultancy costs	**99**	117
Information technology costs	**79**	81
Other personnel related costs	**68**	60
Administrative costs	**44**	41
Losses on derivatives not included in hedge accounting and ineffective hedging*	**23**	21
Other**	**120**	146
Total	**641**	638

* The portion of ineffective hedging is EUR 8 million (2).

** Comparison figure for Other includes loss on sales of fixed assets of EUR 31 million.

2.4. MATERIAL AND SERVICES

Accounting principles

Material and services expenses relate to purchases of goods and consumables from suppliers for manufacturing less discounts and tax refunds related to purchases. Exchange gains or losses on accounts payable are included.

MEUR	2023	2022
Purchases during the financial period	**-2,194**	-2,459
Change in inventories	**3**	198
Change in inventories of finished goods & work in progress	**98**	-68
Work performed by the Group and capitalised	**31**	24
External services	**-1,356**	-1,366
Total	**-3,419**	-3,671

2.5. EMPLOYEE BENEFIT EXPENSES

Accounting principles

Employee benefits are all forms of consideration given in exchange for services rendered by employees or for the termination of employment. In addition, the Group has personnel expenses related to share-based payments and other personnel expenses.

The measurement of the share-based long-term incentive schemes is dependent on the terms of the respective scheme. Incentive rights, which are settled in company's shares, are measured at fair value at grant date. Incentive rights, which are settled in cash, are measured at fair value at the end of each reporting period, and the change is recognised in the statement of income.

Market based vesting conditions, such as share price development, are considered when determining the fair value of the incentive right. Non-market vesting conditions, such as Economic Value Added, or service time required are considered when estimating the number of shares to vest. Estimates of the number of shares to vest are revised at the end of each reporting period and the change is recognised through the statement of income.

Cost of the share-based long-term incentive schemes is recognised in the statement of income as employee benefit expenses over the service period required in the scheme. For incentive rights settled in company's shares, the expense is recognised against equity, and for incentive rights settled in cash, the expense is recognised against liabilities.

When company is obliged to withhold and settle in cash employee's tax obligation associated with the shares vested to tax authority, the portion is accounted in the same manner as the portion which is settled in shares.

The Group companies have various pension and other post-employment benefit plans in accordance with local conditions and practices worldwide. These plans are classified either as defined contribution plans or defined benefit plans.

In defined contribution plans, the Group pays fixed contributions into a separate entity, such as an insurance company. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The contributions are recognised in the statement of income as employee benefit expenses in the period to which they relate.

Accounting principles for defined benefit plans are presented in Note 4.7. Pension obligations.

MEUR	2023	2022
Wages and salaries	**1,187**	1,104
Pension costs		
Defined benefit plans	**8**	4
Defined contribution plans	**93**	78
Other compulsory personnel costs	**168**	173
Total	**1,456**	1,359

Management remuneration is specified in Note 7.2. Related party disclosures.

Long-term incentive schemes

Wages and salaries include EUR 6 million (1) in expenses arising from share-based long-term incentive schemes. At the end of 2023, Wärtsilä had four active long-term incentive schemes.

The long-term incentive scheme for period 2021-2023 is a performance share plan. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added is reached and employment requirement for the period is met. The number of shares depends on the level of achievement and is capped to 175% of the target level. There is also a cap set to the pay-out in relation to individuals' base pay at grant date. On target level, the scheme would entitle the participants to a total reward of 1,178,303 shares. In certain countries the equivalent reward would be settled in cash due to local legislation. The fair value of the share determined at grant date for accounting of 2021-2023 scheme is EUR 8.42.

The long-term incentive scheme for period 2022-2024 is a performance share plan. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added (85% weight) and Sustainability targets (15% weight) are reached, as well as employment requirement for the period is met. The number of shares depends on the level of achievement and is capped to 175% of the target level. There is also a cap set to the pay-out in relation to individuals' base pay at grant date. On target level, the scheme would entitle the participants to a total reward of 1,125,787 shares. In certain countries the equivalent reward would be settled in cash due to local legislation. The fair value of the share determined at grant date for accounting of 2022-2024 scheme is EUR 9.53.

The long-term incentive scheme for period 2023-2025 is a performance share plan. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added (85% weight) and Sustainability targets (15% weight) are reached, as well as employment requirement for the period is met. The number of shares depends on the level of achievement and is capped to 175% of the target level. There is also a cap set to the pay-out in relation to individuals' base pay at grant date. On target level, the scheme would entitle the participants to a total reward of 1,708,764 shares. In certain countries the equivalent reward would be settled in cash due to local legislation. The fair value of the share determined at grant date for accounting of 2023-2025 scheme is EUR 7.82.

Wärtsilä has a restricted share plan for retention of individually selected key employees in specific situations. The restricted share plan 2023-2025 entitles participants to a total reward of 662,446 shares. The reward will be payable after the retention period of three years. If the individual's employment with Wärtsilä terminates before the payment of the reward, the individual is not entitled to any reward based on the respective plan. In certain countries the equivalent reward would be settled in cash due to local legislation. The fair value of the share determined at grant date for accounting of 2023-2025 retention plan is EUR 9.32.

	2023	2022
Personnel on average	**17,666**	17,482
Personnel at the end of the financial period	**17,807**	17,581

2.6. INCOME TAXES

Accounting principles

The statement of income includes taxes payable based on the Group's consolidated taxable income for the financial period in accordance with local tax regulations, tax adjustments for previous financial periods, and changes in deferred taxes. Tax effects related to transactions recognised through the statement of income and other events are recognised in the statement of income. Tax effects related to transactions or other events to be presented as components of other comprehensive income or directly in equity are also recognised, respectively, in other comprehensive income or directly in equity.

The current income tax charge is calculated according to tax laws enacted, or substantively enacted, at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Accounting estimates and judgements

The Group is subject to income taxes in several jurisdictions and the computation of the Group´s income tax expense and income tax liabilities require judgement and estimation. Income tax positions are regularly evaluated by management to identify situations when there might be uncertainty due to tax regulation being subject to interpretation. Provisions for these uncertain tax positions are recognised when it is considered more likely than not that the positions will be challenged by the tax authorities. The provision recognised is based on the estimation of the amount of the final taxes to be paid to the tax authorities.

MEUR	2023	2022
Income taxes		
for the financial period	**-105**	-80
for prior financial periods	**-10**	6
Change in deferred tax		
origination and reversal of temporary differences	**19**	48
changes in tax rates	**-1**	
Total	**-95**	-26
Reconciliation of effective tax rate:		
Result before taxes	**364**	-32
Tax calculated at the domestic corporate tax rate 20.0%	**-73**	6
Effect of changed tax rates	**-1**	
Effect of different tax rates in foreign subsidiaries	**-4**	3
Effect of income not subject to tax and non-deductible expenses	**7**	-21
Effect of share of result of associates and joint ventures	**2**	1
Utilisation of previously unrecognised tax losses carried forward	**2**	-2
Unrecognised taxes on losses carried forward	**-6**	-3
Other taxes*	**-11**	-14
Other temporary differences	**-2**	-2
Income taxes for prior financial periods	**-10**	6
Tax charge in the consolidated statement of income	**-95**	-26

Effective tax rate (%)	**26.1**	-81.5

* Other taxes consist mainly of withholding taxes not utilised and taxes not directly based on taxable income.

Income taxes related to other comprehensive income are presented in Consolidated statement of comprehensive income. Changes in deferred tax assets and liabilities are presented in Note 4.6. Deferred taxes.

In some countries Wärtsilä is subject to tax audits, which can result in tax reassessment decisions and obligations to pay additional taxes and related payments.

Wärtsilä is within the scope of the OECD Pillar Two Model Rules. Since the legislation is effective as of 1 January 2024, there is no current tax impact for year 2023. Wärtsilä has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. Wärtsilä has assessed its corporate structure considering Pillar Two Model Rules in jurisdictions where the Group operates. The Group´s effective tax rate is above 15% in all major locations except for subsidiaries located in Switzerland, United Arab Emirates, Cyprus, Oman, and Qatar. According to the Group´s assessment, the amount of top-up taxes is not significant.

MEUR	Group entities operating in above mentioned jurisdictions
Tax expense for year ending on 31 December 2023	**-14**
Result before taxes for year ending 31 December 2023	**112**
Average effective tax rate in 2023 (%)	**12.1**

2.7. EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing the result for the financial period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period.

Equity-settled share-based payments
Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares and unvested shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes' conditions. If the settlement would happen at the reporting date, it would result in issuing 280,427 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

MEUR	2023	2022
Result for the financial period attributable to equity holders of the parent company	**258**	-64
Weighted average number of shares outstanding during the period	**589,343,965**	590,023,390
Weighted average number of dilutive potential ordinary shares during the period	**280,427**	160,213
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**589,624,392**	590,183,603
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (EPS), basic, EUR	**0.44**	-0.11
Earnings per share (EPS), diluted, EUR	**0.44**	-0.11

Additional information on the number of shares is presented in Note 5.5. Equity.



3. Intangible and tangible assets

Content in this section:

3.1. GOODWILL
3.2. OTHER INTANGIBLE ASSETS
3.3. PROPERTY, PLANT AND EQUIPMENT
3.4. LEASES
3.5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

3.1. GOODWILL

Accounting principles

Goodwill is the difference between the aggregate of the acquisition-date fair value of the consideration transferred, and the acquirer's share of the company's net identifiable assets and liabilities measured at fair value on the acquisition date. The consideration is measured at fair value, including also the acquirer's previously held equity interest.

Goodwill allocation

Goodwill arising from business acquisitions has been allocated to the operating segments and other business activities, which are also the Group's cash generating units (CGU) in impairment testing of goodwill. These are Marine Power, Marine Systems, Energy, and Portfolio Business.

Impairment of goodwill

The carrying amount of goodwill allocated to cash generating units is reviewed annually for signs of possible impairment, or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the goodwill is estimated. In order to define a possible impairment, the Group's assets are divided into the smallest possible cash generating units, which are mainly independent of other units, and the cash flows of which are separately identifiable and to a large extent independent of the cash flows of other similar units.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use for goodwill is based on the expected discounted future net cash flows resulting from the asset or cash generating unit.

A pre-tax rate, which reflects the markets' position on the time value of money and asset-specific risks, is used as the discount rate.

An impairment loss is recognised immediately in the statement of income as depreciation, amortisation and impairment. An impairment loss recognised for goodwill is not reversed under any circumstances.

Accounting estimates and judgements

The recoverable amounts of goodwill are determined for all cash generating units annually, or more often if there is an indication of an impairment, where its value in use is determined. The value in use is determined using estimates of future cash flows, which are impacted by future market development, such as growth and profitability, as well as other significant factors. The most important factors underlying such estimates are the net sales growth in the market area, the operating margin, the useful life of the assets, future investment needs, and the discount rate. Changes in these assumptions can significantly affect the expected future cash flows.

Goodwill 2023

MEUR	2023
Wärtsilä Group	
Wärtsilä on 1 January	**1,288**
Changes in exchange rates	**-7**
Wärtsilä on 31 March	**1,281**
Changes in exchange rates	**8**
Impairment	**-15**
Wärtsilä on 30 June	**1,273**
Changes in exchange rates	**-1**
Wärtsilä on 31 December	**1,273**

Impairment of goodwill relates to the additional impairment testing of goodwill performed during the second quarter of 2023 for CGU Portfolio Business. Additional impairment testing was performed due to the new organisational structure. As a result of the impairment test, an impairment of EUR 45 million was recognised, of which EUR 15 million related to goodwill and the rest to other non-current assets.

Goodwill allocation

During the first quarter of 2023, goodwill relating to CGU Voyage has been allocated to CGU Marine Power as Voyage was integrated with Marine Power as of 1 January 2023.

During the second quarter of 2023, a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The reallocation of goodwill has been performed using a relative value approach, in which the goodwill is allocated to businesses based on the fair values of the businesses at the reallocation moment.

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Wärtsilä on 31 December 2022	**544**	**168**	**59**	**511**	**5**	**1,288**
Wärtsilä on 31 March 2023	**600**	**168**		**509**	**5**	**1,281**
Wärtsilä on 30 June 2023	**588**	**160**		**511**	**13**	**1,273**
Wärtsilä on 31 December 2023	**588**	**160**		**511**	**13**	**1,273**

Intermediate impairment testing's during first half of the year

As of 1 January 2023, Voyage has been integrated with Marine Power. Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the first quarter of 2023 for CGU Voyage. As a result of the impairment test, no impairment loss for the CGU was recognised for the reporting period ended 31 March 2023.

During the second quarter of 2023, a part of Marine Power (NACOS Navigation, NACOS Automation, Dynamic Positioning and sensors) has been integrated into a new business unit and moved to Portfolio Business. Additionally, business unit Marine Electrical Systems was moved from Marine Systems to Portfolio Business due to its limited strategic fit with the rest of the Group. Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the second quarter of 2023 for CGU Portfolio Business. As a result of the impairment test, an impairment of EUR 45 million was recognised, of which EUR 15 million related to goodwill and the rest to other non-current assets.

Annual impairment testing of goodwill

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine Power, Marine Systems and Energy, the recoverable amounts were defined based on the discounted cash flow method, derived from the order book and five-year cash flow projections from strategic plans. The estimated cash flows of the CGUs were based on the utilisation of existing property, plant and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the five-year period were calculated using the terminal value method.

Also for business units under Portfolio Business, the recoverable amounts were defined based on the discounted cash flow method. Cash flows beyond the five-year period were calculated using the terminal value

method. The terminal growth rate used in projections is based on management's assessment on conservative long-term growth. The terminal growth rate used in the calculations were:

Terminal growth rate, %	2023
Marine Power	1.5
Marine Systems	1.5
Energy	2.0
Portfolio Business	1.5

The key driver for the valuation is growth in the global economy, and in particular, the development of the global power market, the global shipbuilding industry, and the demand for any related services. The projected development of total costs in the market affects the profitability, whereas no single cost item is considered to have a material impact. The valuation driver for new equipment sales is growth in the global economy, whereas for after sales the drivers also include the demand for related services and the projected development in labour costs.

The applied discount rates are the weighted average pre-tax cost of capital (WACC) for each CGU as defined by Wärtsilä. The components of the WACC rates are risk-free rate, market risk premium, industry specific beta, cost of debt, and debt equity ratio. Wärtsilä has used the following WACC rates for each CGU:

WACC rate, %	2023
Marine Power	12.1
Marine Systems	12.6
Energy	12.5
Portfolio Business	12.2

As a result of the impairment test, no impairment loss for the CGUs was recognised for the financial period. The recoverable amounts of CGUs Marine Power, Marine Systems, and Energy exceeded their respective carrying amounts substantially. Also, the recoverable amount of Portfolio Business exceeded its respective carrying amount.

Sensitivity analysis

Management has assessed that no reasonable possible changes in the key assumptions for CGUs Marine Power, Marine Systems, or for Energy would cause the carrying amount of any CGU to exceed its recoverable amount.

A sensitivity analysis has been carried out for Portfolio Business for the valuation of the recoverable amount of the CGU by changing the assumptions used in the calculation. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the following table.

	Change
Portfolio Business	
Pre-tax discount rate	increase more than 2 percentage points
Terminal growth rate	decrease more than 3 percentage points
Profitability	decrease more than 20 percentage

The defined recoverable amount of CGU Portfolio Business also exceeded the carrying amount of the unit in the annual impairment test. There was no additional impairment recognised after the additional impairment testing conducted during the second quarter of 2023.

The key assumptions for CGU Portfolio Business relate to terminal growth rate of the unit, and to profitability used for terminal value of the unit. Key assumptions used in the testing for terminal values are the average terminal growth rate of 1.5% and that the average terminal value profitability of the business units, i.e. comparable operating result, as a percentage of net sales, would amount to 4.5%. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business. In addition when business units included in Portfolio Business would be classified as assets held for sale in the future, the possible impairment would be dependent on the selling price on cash-free debt-free basis.

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

Intermediate impairment testing after annual impairment test

In November 2023, Wärtsilä announced its plan to simplify its organisation and reporting structure. Marine Systems is to be discontinued as a reportable segment. Due to the new organisational structure valid from 1 January 2024 onwards, Wärtsilä performed an intermediate impairment testing of goodwill during the fourth quarter of 2023 for CGU Marine Systems. As a result of the impairment test, no impairment loss for the CGU was recognised for the reporting period ended 31 December 2023. There are no other indications of impairment of goodwill after the annual impairment testing.

Goodwill 2022

MEUR	2022
Wärtsilä Group	
Wärtsilä on 1 January	1,374
Changes in exchange rates	-22
Acquisitions	7
Impairment	-47

Reclassification to assets held for sale and impairment	-24
Wärtsilä on 31 December	1,288

In June 2022, Wärtsilä acquired 100% of Altyn Consulting Inc. (PortLink) from which goodwill of EUR 7 million was recognised. Goodwill from the acquisition was allocated to cash generating unit Voyage.

Impairment of goodwill relates to additional impairment testing of CGU Voyage performed in the first quarter of 2022. Additional impairment testing was performed due to the uncertainties in the operating environment resulting from Russia-Ukraine war.

Reclassification to assets held for sale and impairment relate to business unit American Hydro. American Hydro belongs to Portfolio Business. The total impact of the reclassification on the result for the financial period is presented in Note 6.4. Assets held for sale.

MEUR	Marine Power	Marine Systems	Voyage	Energy	Portfolio Business	Total
Wärtsilä on 31 December 2022	544	168	59	511	5	1,288

Additional impairment testing of cash generating unit Voyage

Due to the uncertainties in the operating environment resulting from Russia-Ukraine war, Wärtsilä performed an additional impairment testing of goodwill during the first quarter of 2022 for CGU Voyage. The recoverable amount of the CGU was based on four-year cash flow projections. Cash flows beyond the four-year period were calculated using a terminal value method. Due to exceptionally volatile circumstances, a weighted average of different scenarios was applied. As a result of the additional impairment testing, an impairment loss of EUR 47 million was recognised in the statement of income related to goodwill.

Annual impairment testing of goodwill

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine Power, Marine Systems, Voyage, and Energy, the recoverable amounts were defined based on the discounted cash flow method, derived from the order book and five-year cash flow projections from strategic plans. The estimated cash flows of the CGUs were based on the utilisation of existing property, plant, and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the five-year period were calculated using the terminal value method.

Also for business units under Portfolio Business, the recoverable amounts were defined based on the discounted cash flow method. Cash flows beyond the five-year period were calculated using the terminal value method. The terminal growth rate used in projections is based on management's assessment on conservative long-term growth. The terminal growth rate used in the calculations were:

Terminal growth rate, %	2022
Marine Power	1.5
Marine Systems	1.5
Voyage	2.5
Energy	2.0
Portfolio Business	1.0

The key driver for the valuation is growth in the global economy, and in particular, the development of the global power market, the global shipbuilding industry, and the demand for any related services. The projected development of total costs in the market affects the profitability, whereas no single cost item is considered to have a material impact. The valuation driver for new equipment sales is growth in the global economy, whereas for after sales the drivers also include the demand for related services and the projected development in labour costs.

The applied discount rates are the weighted average pre-tax cost of capital (WACC) for each CGU as defined by Wärtsilä. The components of the WACC rates are risk-free rate, market risk premium, industry specific beta, cost of debt and debt equity ratio. Wärtsilä has used the following WACC rates for each CGU:

WACC rate, %	2022
Marine Power	10.0
Marine Systems	10.1
Voyage	10.2
Energy	10.6
Portfolio Business	11.1

As a result of the impairment test, no impairment loss for the CGUs was recognised for the financial period ended on 31 December 2022. The recoverable amounts of Marine Power, Marine Systems, and Energy CGUs exceeded their respective carrying amounts substantially. Also, the recoverable amount of Portfolio Business exceeded its respective carrying amount.

The defined recoverable amount of CGU Voyage also exceeded the carrying amount of the unit in the annual impairment test. There was no additional impairment recognised after the additional impairment testing conducted during the first quarter of 2022.

The key assumptions for CGU Voyage relate to forecasted profitability of the unit and to terminal growth rate of the unit. Voyage is estimated to break even within the next few years on the EBITDA level. Key assumptions used in the testing for terminal values are the estimated terminal growth rate of 2.5% and that the profitability,

i.e. comparable operating result, as a percentage of net sales, would amount to 10%. In the testing performed, the recoverable amount of Voyage exceeded its carrying amount by EUR 163 million. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business.

According to the measuring requirements related to assets held for sale, Wärtsilä has written down certain assets after the annual impairment test. Write-downs related to goodwill were recognised due to the classification of business unit American Hydro as assets held for sale. There are no other indications of impairment of goodwill after the annual impairment testing.

Sensitivity analysis

Management has assessed that no reasonable possible changes in the key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount. A sensitivity analysis has been carried out for the valuation of the recoverable amount for each CGU by changing the assumptions used in the calculation. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the following table separately for each CGU.

	Change
Marine Power	
Pre-tax discount rate	increase more than 21 percentage points
Terminal growth rate	decrease more than 41 percentage points
Profitability	decrease more than 68 percentage
Marine Systems	
Pre-tax discount rate	increase more than 18 percentage points
Terminal growth rate	decrease more than 35 percentage points
Profitability	decrease more than 65 percentage
Voyage	
Pre-tax discount rate	increase more than 5 percentage points
Terminal growth rate	decrease more than 5 percentage points
Profitability	decrease more than 43 percentage
Energy	
Pre-tax discount rate	increase more than 29 percentage points
Terminal growth rate	decrease over 100 percentage points
Profitability	decrease more than 75 percentage
Portfolio Business	
Pre-tax discount rate	increase more than 2.0 percentage points
Terminal growth rate	decrease more than 1.9 percentage points
Profitability	decrease more than 14.2 percentage

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

3.2. OTHER INTANGIBLE ASSETS

Accounting principles

Research and development costs

Research costs are expensed in the reporting period during which they occur. Development costs are capitalised when it is probable that the development project will generate future economic benefits for the Group and when the related criteria, including commercial and technological feasibility, have been met. These projects involve the development of new or significantly improved products or production processes. Earlier expensed development costs are not capitalised.

Capitalised development costs are measured at cost less accumulated amortisations and impairment. Capitalised development costs are amortised and the cost of buildings, machinery, and facilities for development depreciated on a straight-line basis over their expected useful lives of 5-10 years. Amortisations are started when the asset is completed and can be taken into use. Before that, the asset is tested annually for impairment. Grants received for research and development are reported as other operating income. Grants related to capitalised development costs are netted with the costs incurred before the capitalisation.

Other intangible assets

Other intangible assets are recognised at cost if the cost is reliably measurable and the future economic benefits for the Group are probable. Wärtsilä's other intangible assets include patents, licenses, software, customer relations and other intellectual property rights that can be transferred to a third party. These are measured at cost, except for intangible assets identified in connection with acquisitions, which are measured at the fair value at the acquisition date. The cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives. Intangible assets, for which the time limit for the right of use is agreed, are amortised over the life of the contract.

Intangible assets identified in connection with acquisitions are amortised over their delivery times or estimated useful lives.

The general guidelines for scheduled amortisation are:

- Software 3-7 years
- Development expenses 5-10 years
- Other intangible assets 5-20 years

The amortisation of intangible assets is discontinued when an item is classified as held for sale.

A gain or loss arising from the sale of intangible assets is recognised as other operating income or other operating expenses in the statement of income.

Impairment of assets

The carrying amounts of assets are reviewed annually for signs of possible impairment or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss is recognised immediately as depreciation, amortisation and impairment in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable asset is reassessed. An earlier impairment loss recognised for an asset is reversed if the estimates used to determine the recoverable amount change. However, any reversal of impairment shall not exceed the asset's carrying amount if no impairment loss would have been recognised.

Accounting estimates and judgements

Assessing the probability of expected future economic benefits and the useful lives of intangible assets require management judgement. The estimated useful lives and the residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the amortisation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

2023

MEUR	Develop-ment expenses	Construc-tion in progress and advances paid	Other intangible assets	Total
Cost on 1 January 2023	245	176	829	1,249
Changes in exchange rates	-1		-4	-6
Additions	17	74	4	95
Decreases and other changes	-15	1	-39	-54
Reclassifications	36	-41	7	2
Cost on 31 December 2023	282	209	796	1,287
Accumulated amortisation and impairment on 1 January 2023	-153	-1	-704	-857
Changes in exchange rates			3	3
Accumulated amortisation on decreases and other changes	14		38	51
Amortisation during the financial period	-18		-28	-46
Impairment	-18	-14	-4	-36
Accumulated amortisation and impairment on 31 December 2023	-175	-15	-695	-885
Carrying amount on 31 December 2023	107	194	101	402

Development costs for internally generated assets capitalised during the financial period amounted to EUR 70 million (67). The carrying amount was EUR 272 million (256).

Purchase price allocation amortisation amounted to EUR 20 million (23) and the related carrying amount was EUR 67 million (92).

In 2023, the majority of the impairment of other intangible assets have been recognised as a result of the structural changes carried out related to the old Voyage Business.

2022

MEUR	Develop-ment expenses	Construc-tion in progress and advances paid	Other intangible assets	Total
Cost on 1 January 2022	211	148	841	1,200
Changes in exchange rates	-1	-1	-6	-7
Acquisitions			1	1
Disposals			-1	-1
Additions	3	73	9	85
Decreases and other changes	-10		-20	-29
Reclassifications	41	-45	4	
Cost on 31 December 2022	245	176	829	1,249
Accumulated amortisation and impairment on 1 January 2022	-128	-1	-670	-799
Changes in exchange rates			8	8
Disposals			1	1
Accumulated amortisation on decreases and other changes	10		15	25
Amortisation during the financial period	-18		-31	-49
Impairment	-16		-26	-42
Accumulated amortisation and impairment on 31 December 2022	-153	-1	-704	-857
Carrying amount on 31 December 2022	92	175	126	392

3.3. PROPERTY, PLANT AND EQUIPMENT

Accounting principles

Property, plant and equipment acquired by the Group are measured in the statement of financial position at cost less accumulated depreciation and impairment losses. The cost of an asset includes costs directly attributed to preparing the asset for its intended use. Grants received are reported as a reduction in costs. The property, plant and equipment of acquired subsidiaries are measured at their fair value at the acquisition date. The borrowing costs that are directly attributable to the asset acquisition, construction or production, and to the completion of the asset for its intended use or sale requiring necessarily a considerable length of time, will be capitalised in the statement of financial position as part of the cost of the asset. Other than directly attributable borrowing, costs are expensed in the period in which they are incurred.

Subsequent expenditure is included in the cost of an asset only if the future economic benefits are probable and the costs are reliably measurable. Expenditure related to regular, extensive inspections and maintenance is treated as an investment, capitalised and depreciated during the useful life. All other expenditure, such as ordinary maintenance and repairs, is recognised in the statement of income as an expense as incurred.

Depreciation is based on the following estimated useful lives:

- Buildings 10-40 years
- Machinery and equipment 5-20 years
- Other tangible assets 3-10 years

Depreciation is expensed on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated, as its useful life is considered as infinite. The estimated useful lives and the residual values are reviewed at least at the end of each reporting period, and if they differ significantly from previous estimates, the depreciation periods are adjusted accordingly. Depreciation of property, plant and equipment is discontinued when an item is classified as held for sale.

A gain or loss arising from the sale of property, plant and equipment is recognised as other operating income or other operating expenses in the statement of income.

Impairment of assets

The carrying amounts of assets are reviewed annually for signs of possible impairment, or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss is recognised immediately as depreciation, amortisation and impairment in the statement of income. In connection with the recognition of the impairment loss, the useful life of the depreciable asset is reassessed. An earlier impairment loss recognised for an asset is reversed if the estimates used to determine the recoverable amount change. However, any reversal of impairment shall not exceed the asset's carrying amount if no impairment loss would have been recognised.

Accounting estimates and judgements

Assessing the probability of expected future economic benefits and useful lives of property, plant and equipment require management judgement. The estimated useful lives and residual values are reviewed at

least at the end of each reporting period, and if they differ significantly from previous estimates, the depreciation periods are adjusted accordingly. Also, assessing any indication of impairment requires management judgement.

2023

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Total
Cost on 1 January 2023	22	235	758	90	31	1,136
Changes in exchange rates		-3	-8			-11
Additions		1	20	31	2	54
Decreases	-1	-1	-41			-43
Reclassifications		24	80	-64		41
Cost on 31 December 2023	22	256	810	57	33	1,177
Accumulated depreciation and impairment on 1 January 2023	-1	-170	-636		-25	-832
Changes in exchange rates		2	7			9
Accumulated depreciation on decreases and disposals		1	41			43
Depreciation during the financial period		-8	-32		-2	-42
Impairment		-1	-3			-4
Reclassifications		-23	-21			-44
Accumulated depreciation and impairment on 31 December 2023	-1	-198	-644		-27	-870
Carrying amount on 31 December 2023	21	58	166	57	5	307

2022

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Total
Cost on 1 January 2022	24	270	796	77	29	1,197
Changes in exchange rates		1	3			4
Acquisitions and disposals			-2			-2
Additions	1	2	24	42	2	72
Decreases	-1	-14	-53		-1	-70
Reclassifications	-2	-23	-11	-29		-65
Cost on 31 December 2022	22	235	758	90	31	1,136
Accumulated depreciation and impairment on 1 January 2022	-1	-184	-675		-24	-884
Changes in exchange rates		-1	-3			-3
Accumulated depreciation on decreases and disposals		10	52		1	62
Depreciation during the financial period		-9	-33		-2	-45
Impairment	-1	-10	-3			-14
Reclassifications		25	27			53
Accumulated depreciation and impairment on 31 December 2022	-1	-170	-636		-25	-832
Carrying amount on 31 December 2022	21	65	122	90	5	304

3.4. LEASES

Accounting principles

The Group's capitalised lease agreements consist mainly of land, buildings used as office premises, factories, workshops, vehicles, and production machinery and equipment. The average lease period for buildings is approximately eight years, and for machinery and equipment approximately four years. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. Whether a contract contains a lease is determined based on whether Wärtsilä has the right to control the use of an identified asset for a period of time.

At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments include fixed payments, amounts to be expected to be paid under residual value guarantees, the exercise price of reasonably certain extension options, and payments of penalties for terminating a lease in case this reflects the lease term. The lease payments are discounted using the interest rate implicit in the lease if this rate can be readily determined. Otherwise, the lessee´s incremental borrowing rate is used. The incremental borrowing rates used are the sum of relevant interbank rates and the average margin of the Group loan portfolio and are currency specific.

The initial measurement of the lease payments does not include possible variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income as other operating expenses.

The lease term is the non-cancellable period of the lease together with the period covered by an option to extend or terminate if the lessee is reasonably certain to exercise the option.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and interest on lease liabilities recognised in interest expenses in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities, and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets, and variable payments are presented in the cash flow from operating activities.

Contracts may combine different kinds of obligations to the supplier, which might be a combination of lease components or a combination of lease and non-lease components. These lease and non-lease components are accounted for separately and the consideration is allocated between the components based on relative stand-alone selling prices. Should separating the components not be possible, judgement is used to allocate the non-lease component in the accounting. The selection of separating the non-lease component or not from the lease, is applied to the whole asset class, buildings, and machinery and equipment.

Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification or a termination of a lease agreement is recognised as other operating income or other operating expenses in the statement of income.

The Group applies the two available exemptions, which relate to either short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are expensed to other operating expenses.

Accounting estimates and judgements

Management is required to consider the duration of the lease term if there is an option for extension, early termination or purchase, as well as determine the lease term for agreements with indefinite lease term. When evaluating the probability of the option being exercised and, therefore, the duration of the lease term, management considers all known facts and circumstances, for example, businesses' short- and long-term strategies that create a financial incentive to exercise, or not to exercise the option.

MEUR	2023	2022
Land and buildings, right-of-use assets		
Carrying amount on 1 January	**248**	181
Changes in exchange rates	**-3**	-1
Acquisitions and disposals		-3
Additions	**50**	118
Depreciation and impairment	**-45**	-43
Decreases and reclassifications	**-5**	-5
Carrying amount on 31 December	**246**	248
Machinery and equipment, right-of-use assets		
Carrying amount on 1 January	**10**	11
Additions	**6**	6
Depreciation and impairment	**-6**	-6
Decreases and reclassifications	**-1**	
Carrying amount on 31 December	**9**	10
Lease liabilities		
Carrying amount on 1 January	**266**	197
Changes in exchange rates	**-2**	-2
Acquisitions and disposals		-2
Additions	**56**	123
Interest expenses	**2**	
Payments	**-48**	-46
Other adjustments	**-6**	-4
Carrying amount on 31 December	**268**	266
Total lease liabilities		
Non-current	**224**	223

Current	**44**	43

MEUR	2023	2022
Amounts recognised in statement of income		
Depreciation and impairment of right-of-use assets	**-51**	-49
Interest expenses	**-8**	-4
Expense - short-term leases	**-31**	-28
Expense - leases of low-value assets	**-6**	-6
Expense - variable lease payments	**-9**	-8

The lease for the Sustainable Technology Hub in Vaasa contains a floating interest rate, and therefore the related lease liability is remeasured at the end of each interest period. The floating interest rate is partially hedged.

The residual value guarantees related to the Sustainable Technology Hub that are not considered in capitalised lease payments are disclosed in Note 7.1. Collateral, contingent liabilities, and other commitments.

3.5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

MEUR	2023	2022
Development expenses	**18**	18
Purchase price allocation amortisation	**20**	23
Other intangible assets	**7**	8
Buildings and structures	**8**	9
Land and buildings, right-of-use assets	**44**	43
Machinery and equipment	**32**	33
Machinery and equipment, right-of-use assets	**6**	6
Other tangible assets	**2**	2
Impairment	**56**	120
Total	**193**	263



4. Working capital and other balance sheet items

Content in this section:

4.1. INVENTORIES
4.2. TRADE RECEIVABLES AND CONTRACT ASSETS AND LIABILITIES
4.3. OTHER RECEIVABLES
4.4. TRADE PAYABLES AND OTHER LIABILITIES
4.5. PROVISIONS
4.6. DEFERRED TAXES
4.7. PENSION OBLIGATIONS

4.1. INVENTORIES

Accounting principles

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Materials and consumables are valued at weighted average cost or at moving average price. Finished products are valued at direct purchasing and manufacturing costs plus allocated purchasing and manufacturing overhead costs. Work in progress includes costs for direct labour and material costs, and allocated overhead costs related to manufacturing and purchasing when control has not yet been transferred to the customer. Inventories are presented net of provision for obsolete inventories.

Accounting estimates and judgements

Valuation of inventory, mainly concerning obsolete stock and future selling price of stock items, requires management judgement. Writing down inventories to net realisable value due to obsolete and excess stock, is performed based on management's best estimate at the end of the reporting period taking into consideration the business and market specific circumstances and outlook. A systematic and continuous evaluation of inventory ageing, turn-over, and composition compared to anticipated future use, is the basis for the estimates.

MEUR	2023	2022
Materials and consumables	**708**	699
Work in progress	**656**	559
Finished products	**40**	40
Advances paid	**81**	63
Total	**1,485**	1,361

In 2023, EUR 6 million (49) impairment for obsolete inventories has been recognised in the statement of income. In 2022, the total value of inventories related to assets held for sale amounted to EUR 1 million.

4.2. TRADE RECEIVABLES AND CONTRACT ASSETS AND LIABILITIES

Accounting principles

Trade receivables are recognised when the right to consideration becomes unconditional. The Group's trade receivables are measured at amortised cost, which is the original invoiced amount less an estimated valuation allowance for impairment. The Group assesses any possible increase in the credit risk for trade receivables and contract assets measured at amortised cost at the end of each reporting period individually. The methodology applied depends on whether there has been a significant increase in credit risk. If there has been a significant increase in credit risk, the loss allowance is estimated at an amount equal to lifetime expected credit losses at the end of the reporting period.

For trade receivables and contract assets, a simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses. The Group uses a provision matrix for estimating the expected credit loss where receivables are segregated depending on the ageing category and the origin of the receivable. The Group has an effective collection process in place which decreases the possible risk of credit losses. Also, to mitigate the credit risk, advance payments and payment guarantees are in use. In calculating the expected credit loss rates, the Group considers historical loss rates for each category, and adjusts for forward looking macroeconomic data. Based on the analysis, for trade receivables not due, or a maximum of 359 days overdue, as well as contract assets, an impairment of 0.1%-2.0% is made. In addition to that, trade receivables more than 360 days old are assessed individually for impairment. Examples of events giving rise to impairment include debtor's serious financial problems, and a debtor's probable bankruptcy or other financial arrangement.

Trade receivables are permanently written off when there is no reasonable expectation of recovery.

The Group may sell undivided interests in trade receivables on an ongoing and one-time basis to lending institutions. Financial assets sold under these arrangements are excluded from trade receivables in the statement of financial position at the time of payment from the acquirer, providing that substantially all risks and rewards have been transferred. If the acquirer has not settled payment to the extent that the ownership, risk, and control over the receivable have been substantially transferred, then such financial assets sold are re-recognised in the statement of financial position at the end of the reporting period.

Contract assets and liabilities are related to contracts with customers.

When control over goods or services is transferred to a customer before the customer pays the consideration, the receivable is recognised as a contract asset. The contract asset represents the right to a future consideration. Contract assets primarily relate to the Group's right to consideration for transferred goods or services, but which are not yet invoiced at the end of the reporting period. The contract assets are transferred to trade receivables when the rights become unconditional.

When the customer pays consideration in advance, or when the consideration is due before transferring the contractual performance obligation, the amount received in advance is presented as a contract liability. Contract liabilities include advances received (payments received in advance) and deferred revenue (invoicing in excess of revenue recognised). Contract liabilities are recognised as revenue when the Group performs under the contract.

Accounting estimates and judgements

Estimated expected credit loss provisions are based on management's best judgement. Management judgement includes past years' experience and a forward-looking understanding of the client's payment behaviour and economic situation. In addition, assessing whether it is probable that the consideration from contracts with customers will be collected requires judgement, and might impact the timing and amount of revenue recognition.

Contract assets and liabilities

MEUR	2023	2022
Trade receivables	**993**	1,113
Contract assets	**630**	729
Contract liabilities		
Advances received	**774**	527
Deferred income	**886**	678
Trade receivables and contract assets		
Non-current	**2**	11
Current	**1,622**	1,832

Contract liabilities		
Non-current	**126**	60
Current	**1,534**	1,145
Revenue recognised in the financial period that was included in the contract liability on 1 January	**1,145**	1,231
Unsatisfied performance obligations, all revenue types	**8,487**	7,493
of which remaining performance obligations from projects and contracts under execution	**5,126**	4,205

The contract assets and liabilities arise from long-term agreements and projects recognised over time, such as gas solutions construction contracts, integrated solutions projects, and energy solutions turnkey contracts.

EUR 4,208 million (3,871) of unsatisfied performance obligations is expected to be recognised during next year, and the remaining later.

Ageing of trade receivables

MEUR	2023 Trade receivables	2023 of which impaired	2022 Trade receivables	2022 of which impaired
Not past due	**706**	**3**	779	3
Past due 1–30 days	**139**		170	
Past due 31–180 days	**129**	**1**	117	1
Past due 181–360 days	**15**	**1**	53	3
Past due 1 year	**62**	**53**	81	79
Total	**1,050**	**57**	1,201	87

In 2023, the result impact of write-offs was EUR -6 million (-2).

Impairment

MEUR	2023	2022
Impairment on 1 January	**87**	79
Money received	**-33**	-8
Increase in loss allowance recognised	**10**	19
Receivables written off during the financial period as uncollectible	**-6**	-2
Impairment on 31 December	**57**	87

The Group sells trade receivables in an amount that is currently not significant compared to the trade receivables as a whole. Sold receivables have been de-recognised in the statement of financial position.

4.3. OTHER RECEIVABLES

Accounting principles

Other receivables are recognised at amortised cost.

MEUR	2023	2022
Derivatives	**49**	59
Interest and other financial items	**3**	3
Insurance receivables	**3**	3
Rental accruals	**4**	4
Prepaid expenses	**2**	2
Other accruals	**34**	42
Loan receivables	**1**	1
Defined benefit plans	**16**	17
VAT receivables	**160**	170
Other*	**62**	64
Total	**332**	366
Non-current	**46**	57
Current	**287**	309

* Other includes payroll related tax receivables of EUR 8 million (8) in Brazil, which are not likely to be utilised within a year.

4.4. TRADE PAYABLES AND OTHER LIABILITIES

Accounting principles

Trade payables and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

MEUR	2023	2022
Trade payables*	**686**	1,041
Accrued expenses	**334**	286
Personnel costs	**232**	143
Derivatives	**16**	18
Interest and other financial items	**9**	5
Other accruals	**46**	39
VAT liabilities	**38**	43
Other	**93**	106
Total	**1,454**	1,683
Non-current	**16**	5
Current	**1,437**	1,677

* EUR 232 million (511) of the trade payables were eligible for Supply Chain Finance programmes provided by banks to Wärtsilä's suppliers.

4.5. PROVISIONS

Accounting principles

Provisions are recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions can arise, for example, from warranties, environmental risks, litigation, foreseeable losses on projects, and restructuring costs. The amount to be recognised as provisions corresponds to management's best estimate of the expenses that will be necessary to meet the existing obligation at the end of the reporting period.

Warranty provisions include estimated future warranty costs relating to products delivered. The amount of future warranty costs is based on accumulated historical experience. Typically, the standard warranty period is one year from the delivery onwards.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations exceed the economic benefits expected. The present obligation under the contract is measured and a provision is recognised to reflect the expected loss.

Provisions for restructuring costs are made once the restructuring plan has been approved and the implementation started, or the personnel concerned have been informed of the terms. The plan must indicate which activities and personnel will be affected, as well as the timing and cost of implementation.

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

Accounting estimates and judgements

Provisions are accounted for based on management's best estimate of the future outcome concerning the expected expenses in a specific situation. Management uses judgement and relies on estimates based on accumulated historical experience, situation specific circumstances, estimated risks, uncertainties, and future events, such as changes in the law or development of a technology. Management judgement is also required in estimating provisions for legal cases. A provision for a court case is recognised when an unfavourable result is probable, and the loss can be determined with reasonable certainty. The Group is a defendant in a number of legal cases arising from its business operations. The final result from these cases can differ from these estimates.

2023

MEUR	Litigation	Warranties	Onerous contracts	Restruc-turing	Other provisions	Total
Provisions on 1 January 2023	**12**	**155**	**88**	**62**	**80**	**397**
Changes in exchange rates		**-2**	**-1**		**-1**	**-3**
Additions	**3**	**53**	**79**	**18**	**46**	**199**
Used provisions	**-4**	**-62**	**-87**	**-17**	**-19**	**-188**
Released provisions	**-6**		**-13**	**-1**	**-11**	**-32**
Provisions on 31 December 2023	**5**	**144**	**66**	**62**	**96**	**373**
Non-current						**93**
Current						**279**

The provisions for restructuring include EUR 58 million (54) related to the ramp-down of manufacturing in Trieste, Italy. Trieste ramp-down related provisions increased by EUR 16 million during the financial period. Used provisions amounted to EUR 12 million.

There is currently one unusually sizeable claim, but it is highly unlikely that the outcome of it will be unfavourable.

2022

MEUR	Litigation	Warranties	Onerous contracts	Restruc-turing	Other provisions	Total
Provisions on 1 January 2022	10	162	65	7	70	314
Changes in exchange rates		-2	-1			-2
Disposals						-1
Additions	10	47	122	59	27	266
Used provisions	-8	-53	-93	-3	-14	-171
Released provisions			-5	-1	-3	-9
Provisions on 31 December 2022	12	155	88	62	80	397
Non-current						85
Current						311

4.6. DEFERRED TAXES

Accounting principles

Deferred tax liabilities and assets are calculated on temporary differences arising from the difference between the tax basis of assets and liabilities, and the carrying values using the enacted or substantially enacted tax rates at the end of the reporting period. The statement of financial position includes deferred tax liabilities in their entirety and deferred tax assets at their estimated probable amount.

Deferred tax assets and liabilities are offset when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle the balances on a net basis.

Accounting estimates and judgements

Estimates of tax liabilities and receivables relate mainly to the expected results of ongoing tax audits, and to the recognition of deferred tax receivables from tax losses. Deferred tax assets on unutilised tax losses and other temporary differences are recognised to the extent it is highly probable that taxable profit is available. No deferred tax assets are recognised from tax losses when there is uncertainty of their utilisation.

Changes in deferred taxes during 2023

MEUR	1 January 2023	Recog-nised in the con-solidated statement of income	Recog-nised in the con-solidated statement of compre-hensive income	Recog-nised in the con-solidated statement of financial position	Transla-tion dif-ferences	Acquisi-tions and disposals	31 December 2023
Deferred tax assets							
Tax loss carry-forwards	**41**	**1**			**-1**		**41**
Pension obligations	**10**	**7**					**17**
Provisions	**62**	**-12**			**-1**		**49**
Elimination of intragroup margin in inventories	**8**	**1**					**9**
Fair value reserve	**1**						**1**
Lease liabilities	**60**	**-10**		**9**	**-1**		**59**
Other temporary differences	**73**	**23**			**-5**		**92**
Set-off of deferred tax assets related to lease liabilities	**-58**						**-56**
Total	**197**	**11**	**1**	**9**	**-8**		**212**
Deferred tax liabilities							
Intangible assets and property, plant and equipment	**32**	**2**				**-1**	**32**
Fair value reserve	**4**		**3**				**7**
Right-of-use assets	**58**	**-11**		**9**			**56**
Other temporary differences	**29**	**2**			**-1**		**30**
Set-off of deferred tax liabilities related to right-of-use assets	**-58**						**-56**
Total	**65**	**-10**	**3**	**9**	**-2**	**-1**	**69**
Net deferred tax assets/liabilities	**132**	**21**	**-2**		**-6**	**1**	**143**

On 31 December 2023, the Group had temporary differences on which no deferred tax assets were booked, totalling EUR 87 million (77), as it is uncertain if they will be realised. Most of the unrecognised deferred tax assets are related to cumulative tax losses. Of these, EUR 8 million (9) will expire within the next five years and the rest will expire later or never. Most of the cumulative tax losses on which deferred tax assets have been booked will never expire.

Changes in deferred taxes during 2022

MEUR	1 January 2022	Recognised in the consolidated statement of income	Recognised in the consolidated statement of comprehensive income	Recognised in the consolidated statement of financial position	Translation differences	Acquisitions	31 December 2022
Deferred tax assets							
Tax loss carry-forwards	39	2			-1		41
Pension obligations	20	-3	-7				10
Provisions	37	25					62
Elimination of intragroup margin in inventories	7	1					8
Fair value reserve	5		-4		1		1
Lease liabilities		15		45			60
Other temporary differences	58	17			-1	-1	73
Set-off of deferred tax assets related to lease liabilities							-58
Total	167	58	-11	45	-2	-1	197
Deferred tax liabilities							
Intangible assets and property, plant and equipment	43	-12					32
Right-of-use assets		14		44			58
Fair value reserve			4				4
Other temporary differences	22	7	1			-1	29
Set-off of deferred tax liabilities related to right-of-use assets							-58
Total	65	9	5	44		-1	65
Net deferred tax assets/liabilities	101	49	-16		-2		132

4.7. PENSION OBLIGATIONS

Accounting principles

Group companies in different countries have various pension plans in accordance with local conditions and practices. These pension plans are classified either as defined contribution or defined benefit plans.

Defined benefit plans are funded through contributions to pension funds or pension insurance companies. Defined benefit plans may be unfunded or wholly or partly funded. The present value of the obligation arising from the defined benefit plans is determined per each plan using actuarial techniques, the projected unit credit method. The Group recognises the defined benefit obligation, net of fair value of the plan assets, at the end of the financial period.

Actuarial gains and losses and other re-measurements of the net defined benefit obligation are recognised immediately in the statement of other comprehensive income. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the year. The Group determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. Service cost is recognised in employee benefit expenses and the net interest in financial expenses. The defined benefit plans are calculated by qualified actuaries.

In addition to defined benefit plans, Wärtsilä has other long-term employee benefits, which are presented separately from the defined benefit plans. As with the accounting for a defined benefit plan, for any other long-term benefit the Group recognises a liability for the obligation, net of the fair value of the plan assets, if any. Changes in other long-term employee benefits are recognised in the statement of income.

Accounting principles for defined contribution plans are presented in Note 2.5. Employee benefit expenses.

Accounting estimates and judgements

Estimates of pension obligations regarding each defined benefit plan are based on actuarial estimates of factors, including future salary increases, discount rates, and return on plan assets. Changes in these assumptions can significantly affect the Group's pension obligations and pension costs.

MEUR	2023	2022
Net defined benefit assets on 31 December	**16**	17
Net defined benefit liabilities on 31 December	**83**	89
Liability for other long-term employee benefits on 31 December	**43**	22

Wärtsilä has defined benefit plans for its employees mainly in Europe and Asia. The major plans are located in Switzerland, Germany, United Kingdom and Sweden. The Swiss defined benefit plan accounts for 40% of the Group's total defined benefit obligations and 63% of the plans' assets. Most of the plans provide a lifetime

pension to the members at the normal retirement age, but there are also plans that provide a lump sum payment at the retirement date. Most of these defined benefit pension plans are managed by pension funds. Their assets are not included in the Group's assets. The plans' assets are typically invested according to the investment strategies approved by the funds' Board of Trustees, or in some cases are completely administered by insurance companies. Wärtsilä Group companies make their payments to pension funds in accordance with local legislation and practice. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans.

The Swiss plan

Wärtsilä operates a defined benefit plan in Switzerland in accordance with the local pension laws and regulations. The plan provides benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plan is run as a pension fund by the Board of Trustees separately from the company.

Contributions to the plan are paid both by the employees, as well as by the employers based on a percentage of the insured salary as defined in the pension fund regulations. Contributions by the employers vary depending on the age of the employee, and cover on average two thirds of the total contributions.

The investment strategy for a pension fund's asset is the responsibility of the Board of Trustees. Assets are invested in accordance with the strategy and the corridors for different investment categories as defined by local laws. Other risks of the plan are the longevity of plan members, as well as the death or disability of employees before their retirement. The pension plan is reinsured for the risk of death and disability until 31 December 2023. Inflationary increases for pensions in payment are at the discretion of the Board of Trustees when benefits paid by the plan are exceeding the minimum level required by law.

The German plans

Wärtsilä operates defined benefit plans in Germany in accordance with local pension laws and regulations. The plans provide benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plans vary from unfunded plans to a plan run as a pension fund.

In some of the plans, contributions are paid to the plan, both by the employees and the employers based on a percentage of the insured salary as defined in the pension fund regulations. However, in some plans only the employer is obliged to make the payments. Contributions by the employers vary depending on the age of the employee, the duration of the employment, and also on the position of the employee.

The main risks of the plans are the longevity of plan members, and the death or disability of employees before their retirement. In a funded plan, the investment strategy chosen also includes certain risk. Inflationary increases for pensions in payment are valuated on a yearly basis.

MEUR	2023	2022
Present value of unfunded defined benefit obligations	**71**	74
Present value of funded defined benefit obligations	**146**	138
Fair value of plan assets	**-151**	-142
Net liability in the statement of financial position	**66**	71

%	Present value of defined benefit obligations	Fair value of plan assets
Switzerland	**40**	**63**
Germany	**17**	
Other Europe	**31**	**22**
Asia	**12**	**14**
Total	**100**	**100**

MEUR	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance on 1 January 2022	282	-164	120
Changes in exchange rates	-1	-1	-2
Recognised in the statement of income:			
Current service cost	7		7
Past service cost (- credit)	-1		-1
Gains (-) / losses (+) on curtailments and settlements	-2		-2
Interest cost (+) / interest income (-)	5	-4	1
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		31	31
Experience adjustments	4		4
Changes in financial assumptions	-71		-71
Contribution paid by the plan members	1	-1	
Contribution paid by the employer		-9	-9
Benefits paid	-15	7	-8
Balance on 31 December 2022	210	-142	71

Balance on 1 January 2023	**210**	**-142**	**71**
Changes in exchange rates	**4**	**-5**	**-1**
Recognised in the statement of income:			
Current service cost	**7**		**7**
Past service cost (- credit)		**1**	**1**
Gains (-) / losses (+) on curtailments and settlements	**-1**	**-2**	**-2**
Interest cost (+) / interest income (-)	**7**	**-4**	**2**
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		**-3**	**-3**
Experience adjustments	**1**		**1**
Changes in financial assumptions	**3**		**3**
Contribution paid by the plan members	**2**	**-2**	
Contribution paid by the employer		**-4**	**-4**
Benefits paid	**-13**	**8**	**-5**
Balance on 31 December 2023	**220**	**-151**	**66**

Plan assets invested in:

%	2023	2022
Shares and other equity instruments	**16**	14
Bonds and other debt instruments	**44**	39
Property	**19**	19
Other assets	**21**	28

The main actuarial assumptions at the end of the financial period are (expressed as weighted averages):

%	2023	2022
Discount rate	**3.45**	3.60
Future salary growth	**2.18**	2.24
Future pension growth	**0.92**	0.96

On 31 December 2023, the weighted average duration of the defined benefit obligation was 8 years (9). The Group expects to contribute EUR 3 million (3) to the plans during the next financial period.

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in each country. These assumptions translate into a weighted average life expectancy in years for a pensioner at the retirement age as follows:

	2023	2022
Plan participants retiring at the end of the financial period:		
Male	**17.4**	16.9
Female	**19.6**	19.2
Plan participants retiring 20 years after the end of the financial period:		
Male	**17.2**	16.7
Female	**19.2**	18.7

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the end of the financial period. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety.

Sensitivity analysis

		Effect to defined benefit obligation, MEUR	
	Change in assumption	2023	2022
Discount rate	increase 1%	**-22**	-22
Discount rate	decrease 1%	**29**	25
Future salary growth	increase 1%	**8**	5
Future salary growth	decrease 1%	**-8**	-5
Future pension growth	increase 1%	**14**	16
Future pension growth	decrease 1%	**-7**	-8



5. Capital structure and financial items

Content in this section:

5.1. FINANCIAL INCOME AND EXPENSES
5.2. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY
5.3. CASH AND CASH EQUIVALENTS
5.4. NET DEBT RECONCILIATION
5.5. EQUITY
5.6. MATURITY ANALYSIS OF FINANCIAL LIABILITIES
5.7. DERIVATIVE FINANCIAL INSTRUMENTS
5.8. FINANCIAL RISKS

5.1. FINANCIAL INCOME AND EXPENSES

Accounting principles

The net interest related to pension obligations is recognised in the financial statement as financial expenses. Also, gains and losses from fair valuation and disposal and impairments of other shares are included in financial income and expenses.

Changes in the fair value of interest rate hedges against Wärtsilä Group's loan portfolio are immediately recognised in financial income or expenses in the statement of income. The fair value of interest rate swaps is calculated by discounting the future cash flows.

Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income, except exchange rate differences related to non-current debt that is part of the Group's net investment in a subsidiary.

MEUR	2023	2022
Interest income on loans and receivables	**4**	2
Interest income on financial assets at fair value through the statement of income	**15**	14
Interest income on investments at amortised cost	**10**	3
Changes in fair values of financial assets/liabilities at fair value through the statement of income	**-3**	10
Exchange rate differences*	**2**	

Other financial income	**3**	2
Total financial income	**31**	30
Interest expenses on financial liabilities recognised at amortised cost	**-18**	-10
Interest expenses on lease liabilities recognised at amortised cost	**-8**	-4
Interest expenses on financial liabilities at fair value through the statement of income	**-32**	-18
Net interest from defined benefit plans	**-2**	-1
Changes in fair values of financial assets/liabilities at fair value through the statement of income		4
Exchange rate differences*		-1
Fee expenses	**-2**	-1
Other financial expenses	**-5**	-4
Total financial expenses	**-68**	-37
Total	**-37**	-6

* In 2023, exchange rate differences from unhedged internal loans, EUR -3 million, were included in exchange rate differences.

5.2. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

Accounting principles

Financial instruments

Financial instruments are initially recognised at fair value. Subsequently, financial assets are classified and measured at amortised cost or at fair value through statement of income. The classification of financial assets is defined by the business model and the cash flow characteristics of the asset. Financial liabilities are subsequently classified and measured at amortised cost or at fair value through statement of income.

Financial instruments are classified as current financial instruments unless the maturity of the financial instrument exceeds 12 months from the end of the reporting period. Financial instruments are derecognised only when the financial instrument is extinguished, or when the contractually specified right or obligation is discharged, cancelled, or when it expires. The status of financial instruments is evaluated at the end of each reporting period.

Financial instruments at amortised cost

Financial assets

Financial assets measured at amortised cost include cash and cash equivalents, investments in debt instruments, commercial papers, trade receivables and other receivables. The assets are initially recognised at fair value less the transaction costs, and are subsequently measured at amortised cost by using the effective interest rate method. These assets are held for collecting contractual cash flows, which are solely payments of principal and interest. Interest income is recognised as financial income in the statement of income.

The expected credit losses associated with investments in debt instruments and commercial papers carried at amortised cost are assessed on a forward-looking basis based on investment maturity dates and counterparty credit risk on a quarterly basis.

The Group applies the simplified method in IFRS 9 for the expected credit losses from its trade receivables. This requires expected lifetime credit losses to be recognised from the initial recognition of the receivables, as defined in Note 4.2. Trade receivables and contract assets and liabilities.

Financial Liabilities

Financial liabilities measured at amortised cost include trade and other payables, loans, and borrowings. These liabilities are initially recognised at fair value less the transaction costs related to the acquisition of these liabilities. The liabilities are subsequently classified and measured using the effective interest rate method by amortising the discounted interest payments over the maturity of the liabilities. Interest expense is recognised in the financial expense in the statement of income.

Financial instruments at fair value through the statement of income

Financial assets

Financial assets measured at fair value through the statement of income include other financial investments, other short-term cash investments and derivatives. These financial investments include Wärtsilä's investments in other companies (both listed and unlisted shares).

Changes in fair value and gains and losses at derecognition of these financial assets are recognised in the statement of income.

Gains and losses from fair valuation and the disposal of shares that are attributable to operating activities are included in operating income, while gains and losses from fair valuation and the disposal of other shares are included in financial income and expenses.

Financial liabilities

Financial liabilities recognised at fair value through the statement of income include derivatives that are not eligible for hedge accounting.

Changes in fair value and gains and losses at derecognition of these financial assets are recognised in the statement of income.

Information on measurement categories of derivatives and financial instruments in hedge accounting are presented in Note 5.7. Derivative financial instruments.

2023

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing investments		4	4	4
Trade receivables	2		2	2
Derivatives, included in hedge accounting		13	13	13
Derivatives, no hedge accounting		4	4	4
Other investments		19	19	19
Other receivables	1		1	1
Current financial assets				
Trade receivables	989		989	989
Trade receivables for sale		2	2	2
Derivatives, included in hedge accounting		20	20	20
Derivatives, no hedge accounting		12	12	12
Other financial receivables	3		3	3
Cash and cash equivalents	809	10	819	819
Carrying amount by measurement category	1,804	83	1,887	1,887
Non-current financial liabilities				
Interest-bearing debt	739		739	733
Derivatives, no hedge accounting		12	12	12
Current financial liabilities				
Interest-bearing debt	119		119	119
Trade payables	686		686	686
Derivatives, included in hedge accounting		3	3	3
Derivatives, no hedge accounting		2	2	2
Other financial liabilities	9		9	9
Carrying amount by measurement category	1,553	16	1,569	1,563

2022

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Interest-bearing investments		4	4	4
Trade receivables	11		11	11
Derivatives, included in hedge accounting		20	20	20
Derivatives, no hedge accounting		6	6	6
Other investments		19	19	19
Other receivables	1		1	1
Current financial assets				
Trade receivables	1,101		1,101	1,101
Trade receivables for sale		2	2	2
Derivatives, included in hedge accounting		17	17	17
Derivatives, no hedge accounting		15	15	15
Other financial receivables	3		3	3
Cash and cash equivalents	452	9	461	461
Carrying amount by measurement category	1,568	93	1,661	1,661
Non-current financial liabilities				
Interest-bearing debt	740		740	726
Derivatives, no hedge accounting		1	1	1
Current financial liabilities				
Interest-bearing debt	209		209	209
Trade payables	1,041		1,041	1,041
Derivatives, included in hedge accounting		5	5	5
Derivatives, no hedge accounting		12	12	12

Other financial liabilities	5		5	5
Carrying amount by measurement category	1,995	18	2,013	1,999

* In 2022, the Group had also cash and cash equivalents measured at amortised cost of EUR 3 million related to assets held for sale.

Fair value hierarchy

Accounting principles

Wärtsilä uses the following categorisation for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The quoted prices for the financial instruments are directly and regularly available on active publicly traded markets or other publicly available sources.

Level 2: The prices for the financial instruments are determined by using a valuation method for which the input data is directly or indirectly available on a publicly traded markets or other publicly available sources.

Level 3: The financial instruments are categorised into level 3 fair value if the prices for the inputs of the valuation method are not publicly available, and when the financial instruments are measured using an independent valuation method.

Specific valuation techniques used to value financial instruments include:

- the fair value of forward foreign exchange contracts is determined by using forward rates at the end of the reporting period
- the fair value of interest rate swaps is calculated as being the present value of the estimated future cash flows based on observable yield curves
- the use of quoted market prices or dealer quotes for similar instruments

	2023		2022	
MEUR	**Level 2**	**Level 3**	**Level 2**	**Level 3**
Financial assets				
Other investments		**19**		19
Interest-bearing investments, non-current	**4**		4	
Other receivables, non-current	**1**		1	
Derivatives	**49**		59	
Financial liabilities				
Interest-bearing debt, non-current*	**733**		726	
Derivatives	**16**		18	

* Measured at amortised cost in the statement of financial position.

Additional information on financial liabilities is presented in Note 5.6. Maturity analysis of financial liabilities.

Other investments

Other investments include unlisted shares carried at fair value. These investments are valued using certain DCF models where critical assumptions relate to WACC level and expected cash flows from future dividends. However, the results from different scenarios vary a lot. The management therefore considers that the valuation at amortised cost is the best estimate of fair value.

MEUR	**2023**	**2022**
Carrying amount on 1 January	**19**	18
Acquired shares		1
Carrying amount on 31 December	**19**	19

In 2023, the cost for other unlisted shares (level 3) was EUR 19 million (19), and the market value of them was EUR 19 million (19).

5.3. CASH AND CASH EQUIVALENTS

Accounting principles

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term cash investments. Other short-term cash investments are highly liquid investments that are subject to only minor fluctuations in value, and which have a maturity of up to three months on the date of acquisition. Cash in hand and deposits held at call are presented at amortised cost. Other cash investments are mainly measured at fair value, except for commercial paper investments that are presented at amortised cost. Credit accounts related to Group cash pool accounts are included in current financial liabilities.

MEUR	**2023**	**2022**
Cash and bank balances*	**809**	452
Cash equivalents	**10**	9
Total	**819**	461

* EUR 185 million (151) of cash and bank balances relate to cash in countries where repatriation is limited due to local regulation and, consequently, the cash is not immediately available to the parent company. There are no restrictions to use the cash and bank balances locally.

In 2022, the Group also had cash and cash equivalents of EUR 3 million related to assets held for sale.

5.4. NET DEBT RECONCILIATION

Net interest-bearing debt

MEUR	2023	2022
Lease liabilities, non-current	**224**	223
Other interest-bearing debt, non-current	**515**	517
Lease liabilities, current	**44**	43
Other interest-bearing debt, current	**76**	166
Total interest-bearing liabilities	**858**	949
Interest-bearing receivables	**-4**	-4
Cash and cash equivalents	**-819**	-461
Cash and cash equivalents pertaining to assets held for sale		-3
Total interest-bearing assets	**-823**	-468
Total net interest-bearing debt	**35**	481

Net debt reconciliation

2023

MEUR	Carrying amount on 1 January 2023	Cash flows	Changes in exchange rates	Other non-cash move-ments	Acquisi-tions and disposals	Carrying amount on 31 December 2023
Lease liabilities	**266**	**-55**	**-2**	**59**		**268**
Other interest-bearing debt, non-current	**517**	**15**	**-17**			**515**
Other interest-bearing debt, current	**166**	**-98**	**-2**	**2**	**7**	**76**
Interest-bearing receivables	**-4**		**1**			**-4**
Cash and cash equivalents*	**-464**	**-379**	**19**		**4**	**-819**
Net debt	**481**	**-517**	**-1**	**61**	**11**	**35**

* Includes cash and cash equivalents pertaining to assets held for sale.

2022

MEUR	Carrying amount on 1 January 2022	Cash flows	Changes in exchange rates	Other non-cash move-ments	Acquisi-tions and disposals	Carrying amount on 31 December 2022
Lease liabilities	197	-50	-2	122	-2	266
Other interest-bearing debt, non-current	694	-166	-11			517
Other interest-bearing debt, current	82	84	-3	3	1	166
Interest-bearing receivables	-5	2		-1		-4
Cash and cash equivalents*	-964	492	-1		10	-464
Net debt	4	361	-16	125	8	481

* Includes cash and cash equivalents pertaining to assets held for sale.

5.5. EQUITY

Equity consists of share capital, share premium, translation differences, fair value reserve, remeasurements of defined benefit liabilities and retained earnings.

Share capital and number of shares

In 2023, the Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting to repurchase the company's own shares. The repurchases started on 26 April 2023 and ended on 2 May 2023. The amount of shares increased by 1,000,000, and therefore following the repurchases, the company holds a total of 2,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

MEUR			
Share capital	**Share capital**	**Share premium**	**Total**
1 January 2022	336	61	397
31 December 2022	336	61	397
31 December 2023	**336**	**61**	**397**

Number of shares and votes	
Number of shares outstanding on 1 January 2023	590,023,390
Repurchase of own shares on 26 April 2023	-270,000
Repurchase of own shares on 27 April 2023	-250,000
Repurchase of own shares on 28 April 2023	-280,000
Repurchase of own shares on 2 May 2023	-200,000
Number of shares outstanding on 31 December 2023	**589,023,390**
Weighted average number of shares outstanding during the period	**589,343,965**

Wärtsilä's share does not have a nominal value. Wärtsilä has one series of shares. Each share is assigned one vote in the Annual General Meeting and has an equal right to dividend.

Share Capital

The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the fund for invested non-restricted equity.

Share Premium

Share premium is restricted equity. It may be reduced in accordance with the rules applying to decreasing share capital in accordance with the Finnish Limited Liability Companies Act. It can also be used to increase the share capital.

Translation differences

Translating foreign subsidiaries' financial statements by using different exchange rates in the statement of comprehensive income and in the statement of financial position causes translation differences, which are recognised in equity. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition gains and losses are also presented in equity. Also, translation differences arising from subsidiary net investments and non-current subsidiary loans without agreed settlement dates are presented in equity. The change in translation differences is recognised in other comprehensive income.

Fair value reserve

Fair value reserve includes the changes in fair value of derivative financial instruments if the hedging is effective and eligible for hedge accounting, and the hedge relationship is still continuing. The changes in items included in fair value reserve are recognised in other comprehensive income.

MEUR	Foreign exchange hedges	Interest rate hedges	Total cash flow hedges
Fair value reserve on 1 January 2022, gross	-21	-2	-22
Taxes related to fair value adjustments	4		4
Fair value reserve on 1 January 2022, net	**-17**	**-1**	**-18**
Transferred to the statement of income or financial position as basis adjustments, net of taxes	2		2
Fair value adjustments	12	21	33
Taxes related to fair value adjustments	-3	-4	-7
Fair value reserve on 31 December 2022, net	**-7**	**17**	**9**
Transferred to the statement of income or financial position as basis adjustments, net of taxes	3		3
Fair value adjustments	27	-7	20
Taxes related to fair value adjustments	-3	1	-2
Fair value reserve on 31 December 2023, net	**20**	**11**	**31**

Parent company's distributable funds

Accounting principles

The dividend proposed by the Board of Directors is deducted from distributable equity when approved by the company's Annual General Meeting. Unpaid dividends are presented as liability in the consolidated financial statements.

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.32 per share be paid for the financial period 2023, the total dividend payable being EUR 188 million. The remaining part of the retained profits will be carried further in the unrestricted equity. For the result for the financial period 2022, a dividend of EUR 0.26 per share was distributed, totalling EUR 153 million, and the rest of the retained profits were carried further in the unrestricted equity.

Additional information on equity is presented in Notes to the parent company financial statements, in Note 9. Shareholders' equity.

5.6. MATURITY ANALYSIS OF FINANCIAL LIABILITIES

2023

	Current	Non-current			
MEUR	< 1 year	1–3 years	3–5 years	> 5 years	Total
Loans from other financial institutions*	75	239	200	75	590
Lease liabilities	53	81	58	128	320
Trade payables	686				686
Interest rate derivatives, payable	5	87	103		196
Interest rate derivatives, receivable	-6	-76	-104	-1	-188
Foreign exchange forwards, payable	1,953				
Foreign exchange forwards, receivable	-1,978				
Other liabilities	9				9
Total	797	331	258	202	1,613
* Estimated interest expenses, total	16	23	10	2	53
Estimated contractual cash flows	813	354	268	204	1,666

2022

	Current	Non-current			
MEUR	< 1 year	1–3 years	3–5 years	> 5 years	Total
Loans from other financial institutions*	166	224	245	47	683
Lease liabilities	47	71	49	106	273
Trade payables	1,041				1,041
Interest rate derivatives, payable	79	81	3	1	164
Interest rate derivatives, receivable	-77	-93	-11	-5	-186
Foreign exchange forwards, payable	1,666				1,666
Foreign exchange forwards, receivable	-1,686				-1,686
Other liabilities	5				5
Total	1,242	283	287	149	1,960
* Estimated interest expenses, total	8	11	5	1	24
Estimated contractual cash flows	1,250	294	291	150	1,984

* Interest expenses for long-term loans are calculated by using the average interest rate prevailing on 31 December 2023.

Fair values of financial liabilities, as well as information on measurement categories of financial liabilities, are presented in Note 5.2. Financial assets and liabilities by measurement category.

5.7. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting principles

Derivatives and hedge accounting

Derivatives including embedded derivatives are initially recognised on the statement of financial position at fair value and are subsequently classified and measured at their fair value at the end of each reporting period. Gains and losses from the fair value measurement are recognised in the statement of income as determined by the purpose of the derivatives.

Wärtsilä has a guideline in place to identify embedded derivatives.

Hedge accounting

Wärtsilä hedges in net position its sales and purchases in foreign currencies with foreign exchange forwards or currency options, and Wärtsilä applies hedge accounting according to IFRS 9 to the majority of these foreign exchange forwards. Forward points are excluded from the hedge relationship and they are booked directly in the statement of income as financial income or expenses. In case of a hedge being fully or partially discontinued, the discontinued portion is immediately recognised in the statement of income as other operating income or expenses.

The Group documents the relationship between each hedging instrument and the hedged item upon entering into a hedging arrangement, along with the risk management objective and the strategy applied. Through this process, the hedging instrument is linked to the relevant assets and liabilities, projected business transactions, or binding contracts.

Wärtsilä designates its hedge relationships of foreign exchange hedges as either hedges of highly probable forecast transactions or firm commitments. Hedge accounting relationships are designated up to the point of recognition of the related receivable or payable.

The Group uses a hedge designation for foreign exchange hedging, where critical terms, currency and amount, match or are closely aligned between the hedging instrument and the hedged item. Additionally,

hedge designation documentation includes the time period when forecasted transactions are expected to affect the statement of income. The hedge ratio is typically 100%. Since underlying risks match, hedging instruments are considered to offset any changes related to the hedged transactions. However, Wärtsilä applies a roll-forward strategy where derivatives are roll-forwarded or terminated early to match these underlying transactions. Hedge effectiveness requirements are assessed in accordance with IFRS 9 requirements, including requirements for economic relationship, credit risk and hedge ratio.

As external hedges are typically made for short maturities (up to 1 year) and only high credit quality (A- minimum rating requirement) counterparties are utilised, counterparty credit risk is expected to have minimal effect on hedge valuations. Due to some underlying hedged cash flows having longer maturities than related hedges, the changes in present value of the hedge and the underlying cash flow do not always fully offset each other during the lifetime of a hedge. This source of ineffectiveness is calculated on a quarterly basis and recognised in the statement of income as other operating income or expenses on Group level.

Additionally hedge accounting may be applied to interest rate hedges. In these cases, critical terms, floating rate reference rate, and amortisation schedule, are matched so the hedge is expected to be highly effective. As only high credit quality counterparties under ISDA Master Agreements are utilised, counterparty credit risk is expected to have minimal effect on hedge valuations.

Cash flow hedge

Changes in the fair value of derivative contracts designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the fair value reserve in equity, provided that the hedging is effective. In the case of foreign exchange forwards, the spot element is included for the hedging relationship whereas forward points have been excluded from the hedge designation. Any gain or loss in the fair value reserve related to derivatives accumulated through other comprehensive income is reported in the statement of income in the same period as any transactions relating to the hedged obligations or estimates. Result from net position hedges is reported on a separate line in the statement of income. Basis adjustments related to derivatives are reported in contract assets, contract liabilities, and inventories, according to the hedged item. The ineffective portion is immediately recognised in the statement of income as other operating income or expenses. Changes in fair value of foreign exchange derivatives due to interest rate differentials (impact of forward points) are recognised in the statement of income as financial income or expenses.

Cash flow hedge against a variable interest rate in a lease contract is included in the statement of income as other operating income and financial income and expenses.

More information on fair value adjustments related to cash flow hedges is presented in Note 5.5. Equity, and more information on the ineffective portion of cash flow hedges is presented in Note 5.1. Financial income and expenses.

The Group applies hedge accounting to the majority of its foreign currency forward contracts.

The open operative currency positions including financing are hedged by using derivative financial instruments according to the table below.

Nominal amounts for hedged foreign exchange items and hedging instruments

	2023			2022		
MEUR	Against hedge accounting	Against net loans	Against other items	Against hedge accounting	Against net loans	Against other items
Currency forwards, nominal amount (both legs)						
EUR*	**1,276**	**527**	**157**	952	432	291
USD	**663**	**305**		567	180	
NOK	**196**		**96**	132		156
GBP	**54**	**88**	**17**	8	54	78
CHF	**114**	**90**	**8**	46	84	3
CNY	**58**	**10**		14	11	1
AUD	**18**	**5**	**9**	16	34	
MXN	**72**	**12**		14	41	
SGD	**7**	**3**		16	15	1
SEK	**28**	**1**	**9**	40	1	9
CAD	**31**	**14**		25	13	2
Other currencies**	**38**		**26**	62		64
Total amount of currency derivatives (single leg)	**1,278**	**527**	**161**	946	432	302

* EUR is not considered to be a currency risk for the parent company.

** Other currencies do not include any material single currencies.

Net loans include non-euro intragroup loans and deposits given by the parent company.

Hedge accounting has been applied to EUR 1,278 million (946) currency forwards. In 2023 and 2022, no options were used for hedging. A 5% change in the exchange rates would cause from these currency forwards an approximately EUR 66 million (35) impact on the equity related to hedge accounting. Both comparison figures have been restated to reflect net position hedging. As all material fixed sales and purchase contracts

are hedged, the profit and loss sensitivity of foreign exchange from operations (excluding internal financing) is considered minimal.

From currency forwards related to cash flow hedging, EUR 27 million (12) has been recognised in other comprehensive income as cash flow hedges measured at fair value. EUR -9 million (-12) has been recognised in the statement of income as result from net position hedges, and EUR -2 million in the statement of financial position as a change in contract liabilities. At year-end, currency forwards related to cash flow hedging recognised in contract liabilities amounted to EUR -4 million (-2).

In 2023, a net of EUR -6 million was recognised in the statement of income as other operating income or expenses due to discontinued cash flow hedges.

	2023			2022		
MEUR	Hedged cash flows, net amount	Hedges, net amount	Hedges, gross amount	Hedged cash flows, net amount	Hedges, net amount	Hedges, gross amount
Nominal amounts						
EUR	**262**	**274**	**1,276**	73	79	952
USD	**582**	**578**	**663**	297	299	567
NOK	**165**	**161**	**196**	130	132	132
GBP	**29**	**31**	**54**	12	8	8
MXN	**73**	**72**	**72**	18	14	14
CNY	**5**	**9**	**58**	13	14	14
AUD	**23**	**18**	**18**	28	16	16
SGD	**11**	**7**	**7**	16	16	16
CHF	**100**	**99**	**114**	40	42	46
CAD	**29**	**31**	**31**	28	25	25
Other currencies	**49**	**47**	**66**	49	58	102
Total	**1,328**	**1,327**	**2,556**	702	703	1,893

MEUR	2023	2022
External currency forwards under hedge accounting by year		
2023	**-**	946
2024	**1,278**	-
Hedged highly probable forecasted cash flows by year		
2023	**-**	1,902
2024	**2,075**	145
2025	**384**	46
2026	**94**	5
2027	**45**	1*
2028–	**1**	

* Includes 2027 and later for comparison period.

Derivatives

MEUR	2023	of which closed	2022	of which closed
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps, included in hedge accounting	**118**		125	
Interest rate swaps, no hedge accounting	**50**		80	
Cross currency swaps	**160**		142	
Non-deliverable forwards, included in hedge accounting			5	
Currency forwards, included in hedge accounting	**1,278**	**667**	942	626
Currency forwards, no hedge accounting	**688**	**238**	735	301
Total	**2,294**	**905**	2,028	927
Fair values of derivative financial instruments (level 2)				
Interest rate swaps, included in hedge accounting	**13**		20	
Interest rate swaps, no hedge accounting	**4**		6	
Cross currency swaps	**-12**		-6	
Currency forwards, included in hedge accounting	**17**		12	
Currency forwards, no hedge accounting	**10**		9	
Total	**33**		41	

In addition, the Group had copper swaps amounting to 1,130 tons (1,190) valued at EUR 9 million (9).

Foreign currency forward contracts are against transactional risks and fall due during the following 12 months (12). A currency forward is considered closed when there are offsetting cash flows in the same currency with the same value date. Interest rate swaps are denominated in euros and their average maturity is 57 months (74). The average maturity for cross currency swaps is 36 months (16).

Changes in the market value of interest rate derivatives are usually immediately recognised in the statement of income as financial income or expenses. However, cash flow hedge accounting in accordance with IFRS 9 is applied to a EUR 122 million (125) amortising interest rate swap maturing in 2031. The interest rate hedge swaps variable interest payments of a large lease agreement, to fixed interest payments. As the hedge and the underlying cash flow have matching critical terms, the hedge ratio is 1:1 and the hedge is expected to be highly effective. In 2023, a EUR 14 million (21) fair value adjustment related to cash flow hedge was recognised in other comprehensive income. Realised and accrued interest of EUR 3 million was recognised in the statement of income as other operating income, and EUR 1 million as financial income or expenses.

In 2023 and 2022, no embedded derivatives were identified.

Normally all of the Groups' derivatives are carried out according to International Swaps and Derivatives Association's Master Agreements (ISDA). In case of an event of default under these agreements, the non-defaulting party may request early termination and set-off of all outstanding transactions. These agreements do not meet the criteria for offsetting in the statement of financial position. The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

MEUR	2023	2022
Gross fair values of derivative financial instruments subject to ISDAs		
Assets		
Interest rate swaps	**17**	26
Currency forwards	**32**	33
Total	**49**	59
Liabilities		
Cross currency swaps	**-12**	-6
Currency forwards	**-4**	-11
Total	**-16**	-18
Net fair values of derivative financial instruments subject to ISDAs		
Assets	**41**	46
Liabilities	**-8**	-5
Total	**33**	41

5.8. FINANCIAL RISKS

General

Wärtsilä has a centralised Group Treasury, which has two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies.

The objective is to hedge against unfavourable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, credit, and liquidity risks on the Group's cash reserves, profits, and shareholder equity.

The Financial Risk Policy is approved by the Board of Directors. The Group Treasury employs only such instruments whose market value and risk profile it can reliably monitor.

Foreign exchange risk

Foreign exchange exposures are monitored on business level, hedged on a subsidiary level against the Group Treasury, and then netted and covered externally on Group level by the Group Treasury. All material sales and purchase contracts with fixed foreign currency amounts, including both future cash flows and related accounts receivable and payable, are hedged. The estimated future commercial exposures are evaluated by the Businesses, and the level of hedging is decided by the Board of Management. Hedge accounting in accordance with IFRS 9 is applied to most of the hedges of these exposures. The hedges cover such time periods that both the sales prices and purchase costs can be adjusted to new relevant exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges its position of the statement of financial position, which includes cash balances, loans/deposits, as well as other receivables and payables denominated in foreign currencies.

As field service work is invoiced in local currencies, there is some foreign exchange change related volatility in the consolidated net sales. However, the effect on the profitability is limited as the related costs are in the same currency. Spare part sales are based on a euro price list and related purchases in non-euro currencies are hedged, so the effect from foreign currency rate changes on spare part sales is minimal. As project/hardware sales/purchases, as well as estimated currency exposures from long-term agreements, are hedged, the Group does not expect significant gains/losses from foreign exchange rate changes in 2024 related to its operations, excluding internal financing.

The instruments, and their nominal values, used to hedge the Group's foreign exchange exposures are listed in Note 5.7. Derivative financial instruments.

Since Wärtsilä has subsidiaries and joint ventures outside the euro zone, the Group's equity, goodwill and purchase price allocations are sensitive to exchange rate fluctuations. At the end of 2023, the net assets of Wärtsilä's foreign subsidiaries and joint ventures outside the euro zone totalled EUR 989 million (998). In

addition, goodwill and purchase price allocations from acquisitions nominated in foreign currencies amounted to EUR 785 million (845). In 2023, the translation differences recognised in other comprehensive income mainly come from changes in the GBP exchange rate.

Approximately 57% (44) of sales and 52% (50) of operating costs were denominated in euros, and approximately 28% (40) of sales and 24% (24) of operating costs were denominated in US dollars. The remainder were split between several currencies. The Group's profits and competitiveness are also indirectly affected by the home currencies (USD, GBP, JPY and KRW) of its main competitors.

As Wärtsilä's operations are global, they often involve currency risks. The largest operative currency positions (excluding financing) open as of 31 December 2023 by currency pair are listed below.

2023

	Statement of financial position		Estimated cash flows		
MEUR	Base currency received	Base currency paid	Base currency received	Base currency paid	Net
EUR/USD	109	159	140	907	817
EUR/NOK	69	42	218	1	244
USD/NOK	14		303		318
EUR/CNY	19	21	85	16	67
EUR/GBP	25	40	61	7	38
USD/MXN	18	9	78		87
EUR/CHF	24	14	54		64
EUR/HKD	9	11	55	1	52
USD/HKD	1	2	71		71
EUR/DKK	7	7	57	1	56
GBP/USD	44	5		18	21
EUR/JPY	11	7	42	3	43
EUR/SGD	17	14	31		33
EUR/AED	27	9	23	1	40
EUR/SEK	22	7	27		42
EUR/AUD	9	9	37	2	34

2022

	Statement of financial position		Estimated cash flows		
MEUR	Base currency received	Base currency paid	Base currency received	Base currency paid	Net
EUR/USD	117	204	138	294	244
EUR/NOK	59	68	183	2	173
USD/NOK	29	7	163		185
EUR/GBP	27	30	87	9	75
EUR/CNY	25	26	90	5	85
EUR/CHF	19	5	49		63
USD/CNY	4	3	64		64
EUR/AED	11	10	35	1	35
EUR/AUD	5	5	36	4	32
GBP/USD	32	7	1	10	16

Base currency received:

- if functional currency is EUR, payable is in USD
- if functional currency is USD, receivable is in EUR

Base currency paid:

- if functional currency is EUR, receivable is in USD
- if functional currency is USD, payable is in EUR

As the main funding currency for the Group, including the Group Treasury, is the euro and since the subsidiaries are normally funded in their home currencies by the Group Treasury, the Group Treasury had the following related open currency positions as of 31 December 2023.

			2023			2022
MEUR	Loans	Deposits	Net	Loans	Deposits	Net
Intragroup loans/deposits						
USD	41	354	313	24	239	215
GBP	113	25	88	80	26	54
CHF	90		90	84		84
MXN	3	16	13	1	44	44
AUD		5	5		34	34

SGD		**8**	**8**		15	15
CNY		**10**	**10**		11	11
CAD		**17**	**17**		13	13
Other currencies*	**1**	**1**			1	1
External loans/deposits						
JPY	**160****		**160**	142**		142
Total	**408**	**436**	**703**	331	383	612

* The other currencies do not net as they are of different currencies.

** External JPY loans are fully hedged with cross currency swaps.

Some Group companies in countries whose currencies are not fully convertible, such as Brazil, Philippines, and South Korea, have unhedged, intercompany loans nominated either in EUR or USD, which may result in some foreign exchange differences. The total amount of these loans is EUR 68 million (82).

Wärtsilä does not hedge translation risk. The most significant currencies for Wärtsilä are presented in Note 6.6. Exchange rates.

Interest rate risk

Wärtsilä is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk), as well as through changes in interest rates (re-fixing on rollovers). Interest rate risk is managed by constantly monitoring the market value of the financial instruments and by using sensitivity analysis.

Interest-bearing loan capital at the end of 2023 totalled EUR 590 million (683). The average interest rate was 3.0% (1.4) and the average re-fixing time 7 months (12).

Wärtsilä spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of fixed rate loans as a proportion of the total debt can vary between 30 and 70%. Wärtsilä hedges its loan portfolio by using derivative instruments, such as interest rate swaps, futures and options.

MEUR	2023	2022
Fixed rate loans	**108**	213
Floating rate loans	**483**	471
Derivatives	**127**	204
Share of fixed rate loans of total loans (including derivatives), %	**40**	61

At the end of 2023, a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 5 million (10) increase/decrease in the value of the net debt portfolio, including derivatives. A one percentage point change in the interest level would cause a EUR 4 million (3) change in the following year's interest expenses from the debt portfolio, including derivatives. In both analyses, the debt portfolio as of 31 December 2023 is used.

As the main funding currency of the Group is Euro, the IBOR reform does not have a significant impact on the Group's financial arrangements. Due to the reform, the reference interest rate of long-term JPY loans and the related cross currency swaps have been amended, and the reference rates for the Group's cash pool bank accounts have been changed in cases where a rate would have been discontinued.

Additional information related to loans can be found in Note 5.2. Financial assets and liabilities by measurement category and Note 5.6. Maturity analysis of financial liabilities. Information on interest rate derivatives is presented in Note 5.7. Derivative financial instruments.

Liquidity and refinancing risk

Wärtsilä ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient available committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

The existing loan facilities include:

- Committed Revolving Credit Facilities totalling EUR 644 million (650).
- Finnish Commercial Paper programmes totalling EUR 850 million (850).

The average maturity of the non-current debt is 37 months (28) and the average maturity of the confirmed credit lines is 31 months (24). Additional information in Note 5.6. Maturity analysis of financial liabilities.

At year-end, the Group had cash and cash equivalents totalling EUR 819 million (461). The Group also had EUR 644 million (650) of non-utilised committed credit facilities, as well as cash and cash equivalents of EUR 3 million related to assets held for sale in 2022. Commercial Paper Programmes were not utilised on 31 December 2023 nor on 31 December 2022.

Committed Revolving Credit Facilities, as well as the parent company's long-term loans, include a financial covenant (solvency ratio). The solvency ratio is expected to remain clearly over the covenant level for the foreseeable future.

Revolving credit facilities

MEUR Year	Maturing	2023 Available (end of period)	Maturing	2022 Available (end of period)
2022	-	-		650
2023		**644**	230	420
2024	**130**	**514**	130	290
2025	**100**	**414**	100	190
2026	**104**	**310**	50	140
2027	**140**	**170**	140	
2028	**120**	**50**		
2029	**50**			

Credit risk

Responsibility for managing the credit risks associated with ordinary commercial activities lies with the Businesses and the Group companies. Major trade and project finance credit risks are minimised by transferring risks to banks, insurance companies, and export credit organisations.

The credit risks related to the placement of liquid funds and to trading in financial instruments are minimised by setting explicit limits for the counterparties, and by making agreements only with the most reputable domestic and international banks and financial institutions. As only high credit quality (A- minimum rating requirement) counterparties are utilised for derivative financial instruments, and the transactions are made under ISDA Master Agreements, no credit losses are expected from these instruments.

The Group companies deposit the maximum amount of their liquid financial assets with the centralised treasury when local laws and central bank regulations allow it. The Group's funds are placed in instruments with sufficient liquidity (current bank deposits or Finnish Commercial Papers) and rating (at least single-A rated instruments or other instruments approved by the Group's CFO). These placements are constantly monitored by the Group Treasury, and Wärtsilä does not expect any future defaults from the placements.

The expected credit losses associated with investments carried at amortised cost are assessed on a forward-looking basis based on investment maturity dates, and counterparty credit risk on a quarterly basis. As of 31 December 2023, the expected credit loss was not material.

The expected credit losses are presented in Note 4.2. Trade receivables and contract assets and liabilities.

Equity price risk

Wärtsilä has equity investments totalling EUR 12 million (12) in power plant companies, most of which are located in developing countries and performing well according to expectations. Additional information is given in Note 5.2. Financial assets and liabilities by measurement category.

Capital risk management

Wärtsilä's policy is to secure a strong capital base, both to maintain the confidence of investors and creditors and for the future development of the business. The capital is defined as total equity, including non-controlling interests and net interest-bearing debt. The target for Wärtsilä is to maintain gearing below 0.50 and to pay a dividend of at least 50% of earnings over the cycle.

MEUR	2023	2022
Total interest-bearing liabilities	**858**	949
Total interest-bearing assets	**-823**	-468
Total net interest-bearing debt	**35**	481
Total equity	**2,232**	2,148
Gearing	**0.02**	0.23
In the capital management Wärtsilä also follows the gearing development:		
Equity and liabilities	**6,803**	6,608
Advances received	**-774**	-527
	6,030	6,081
Solvency ratio, %	**37.0**	35.3

More information on net interest-bearing debt is available in Note 5.4. Net debt reconciliation.



6. Group structure

Content in this section:

6.1. SUBSIDIARIES
6.2. ACQUISITIONS
6.3. DISPOSALS
6.4. ASSETS HELD FOR SALE
6.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
6.6. EXCHANGE RATES

6.1. SUBSIDIARIES

Accounting principles

The consolidated financial statements include the parent company Wärtsilä Corporation and all subsidiaries over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When the Group has less than a majority of voting or similar rights in an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over an entity, including the contractual arrangements, voting rights, and potential voting rights. The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to the elements of control.

The financial information from subsidiaries in countries with hyperinflation are adjusted according to IAS 29, when the impact of the hyperinflation is considered significant for the consolidated financial statements.

Geo-graph-ical area	Company name	Location	Activities	Share %
Europe	Wärtsilä Cyprus Limited	Cyprus	Sales and services	100.0
	Wärtsilä Danmark A/S	Denmark	Sales and services	100.0
	Wärtsilä Lyngsø Marine A/S	Denmark	Sales and services	100.0
	Wärtsilä BLRT Estonia Oü	Estonia	Sales and services	51.7
	Wärtsilä Energy Storage Finland Oy	Finland	Sales and services	100.0
	Wärtsilä Finland Oy	Finland	Production, sales and services	100.0

	Wärtsilä Projects Oy	Finland	Sales and services	100.0
	Wärtsilä Solutions Oy	Finland	Sales and services	100.0
	Wärtsilä Technology Oy Ab	Finland	Holding	100.0
	Wärtsilä Voyage Oy	Finland	Sales and services	100.0
	Wärtsilä France S.A.S.	France	Sales and services	100.0
	Wärtsilä Voyage Mediterranean SAS	France	Sales and services	100.0
	Wärtsilä Deutschland GmbH	Germany	Sales and services	100.0
	Wärtsilä SAM Electronics GmbH	Germany	Sales and services	100.0
	Wärtsilä Voyage Germany GmbH	Germany	Sales and services	100.0
	Wärtsilä Serck Como GmbH	Germany	Sales and services	100.0
	Wärtsilä Voyage GmbH	Germany	Sales and services	100.0
	Wärtsilä Guidance Marine Ltd	the United Kingdom	Sales and services	100.0
	Wärtsilä UK Limited	the United Kingdom	Production, sales and services	100.0
	Wärtsilä Voyage UK Limited	the United Kingdom	Sales and services	100.0
	Ships Electronic Services Ltd	the United Kingdom	Sales and services	100.0
	Wärtsilä Water Systems Ltd	the United Kingdom	Sales and services	100.0
	Wartsila Defence Solutions Ltd	the United Kingdom	Sales and services	100.0
	Wärtsilä Greece S.A.	Greece	Sales and services	100.0
	Wärtsilä Hungary Kft.	Hungary	Sales and services	100.0
	Wärtsilä Voyage Limited	Ireland	Sales and services	100.0
	Wärtsilä APSS S.r.l	Italy	Sales and services	100.0
	Wärtsilä Italia S.p.A.	Italy	Production, sales and services	100.0
	Trident Italia Srl	Italy	Sales and services	100.0
	Wärtsilä Moss AS	Norway	Production, sales and services	100.0
	Wärtsilä Norway AS	Norway	Production, sales and services	100.0
	Wärtsilä Gas Solutions Norway AS	Norway	Sales and services	100.0
	Wärtsilä Valmarine AS	Norway	Sales and services	100.0
	Wärtsilä Polska Sp. z o.o	Poland	Sales and services	100.0
	Wärtsilä Portugal, S.A.	Portugal	Sales and services	100.0
	Wartsila Voyage doo Beograd	Serbia	Sales and services	100.0
	Wärtsilä Ibérica S.A.	Spain	Production, sales and services	100.0
	Burriel Navarro, S.L.	Spain	Sales and services	100.0
	Trident Las Palmas S.L.	Spain	Sales and services	100.0
	Wärtsilä Sweden AB	Sweden	Production, sales and services	100.0
	Wärtsilä Voyage Sweden AB	Sweden	Sales and services	100.0
	Wärtsilä Services Switzerland AG	Switzerland	Sales and services	100.0
	Quantiparts B.V.	The Netherlands	Sales and services	100.0
	Wärtsilä Netherlands B.V.	The Netherlands	Production, sales and services	100.0
	Trident B.V.	The Netherlands	Sales and services	100.0
The Americas	Wärtsilä Argentina S.A.	Argentina	Sales and services	100.0
	Wartsila Brasil Ltda.	Brazil	Production, sales and services	100.0
	Altyn Consulting Inc.	Canada	Sales and services	100.0
	Wärtsilä Canada Inc.	Canada	Sales and services	100.0
	Wärtsilä Chile Ltda.	Chile	Sales and services	100.0
	Wärtsilä Colombia S.A.	Colombia	Sales and services	100.0
	Wärtsilä Dominicana, S.R.L.	Dominican Republic	Sales and services	100.0
	Wärtsilä Ecuador S.A.	Ecuador	Sales and services	100.0
	Wärtsilä El Salvador, S.A. De C.V.	Guatemala	Sales and services	100.0
	Wärtsilä Operations Guyana Inc.	Guyana	Sales and services	100.0
	Wärtsilä de Mexico S.A. de C.V.	Mexico	Sales and services	100.0
	Wärtsilä Panama Services, S.A.	Panama	Sales and services	100.0
	Wärtsilä Peru S.A.	Peru	Sales and services	100.0
	Wärtsilä Caribbean, Inc.	Puerto Rico	Sales and services	100.0
	Wärtsilä Uruguay S.A.	Uruguay	Sales and services	100.0
	Guidance Marine LLC	USA	Sales and services	100.0
	Defense Maritime Solutions, Inc.	USA	Sales and services	100.0
	Wartsila Energy Storage, Inc.	USA	Sales and services	100.0
	Wärtsilä North America, Inc.	USA	Sales and services	100.0
	LOCK-N-STITCH Inc.	USA	Sales and services	100.0
	Wartsila Voyage Americas Inc	USA	Sales and services	100.0
Asia	PT. Wärtsilä Indonesia	Indonesia	Sales and services	100.0
	Wärtsilä Azerbaijan LLC	Azerbaijan	Sales and services	100.0
	Wärtsilä Bangladesh Limited	Bangladesh	Sales and services	100.0
	Wärtsilä Management (Shanghai) Co., Ltd.	China	Sales and services	100.0
	Wärtsilä Propulsion (Wuxi) Company Limited	China	Production, sales and services	100.0
	Wärtsilä Services (Shanghai) Co. Ltd.	China	Sales and services	100.0
	Wärtsilä Suzhou Limited	China	Production, sales and services	100.0

	Wärtsilä Voyage Shanghai Co., Ltd.	China	Sales and services	100.0
	Wärtsilä China Ltd.	Hong Kong	Sales and services	100.0
	Wärtsilä India Private Limited	India	Production, sales and services	100.0
	Wärtsilä Japan Ltd.	Japan	Production, sales and services	100.0
	Wärtsilä Malaysia Sdn. Bhd.	Malaysia	Sales and services	100.0
	Wärtsilä Myanmar Company Ltd.	Myanmar	Sales and services	100.0
	Wärtsilä Pakistan (Private) Limited	Pakistan	Sales and services	100.0
	Wärtsilä Philippines Inc.	Philippines	Sales and services	100.0
	Wärtsilä Doha L.L.C.	Qatar	Sales and services	49.0*
	Wärtsilä Power Contracting Company Ltd.	Saudi Arabia	Sales and services	60.0
	Wärtsilä Singapore Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Voyage Pacific Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Korea Ltd.	South Korea	Sales and services	100.0
	Wärtsilä Lanka (Pvt) Limited	Sri Lanka	Sales and services	100.0
	Wärtsilä Taiwan Ltd.	Taiwan	Sales and services	100.0
	Wärtsilä - ENPA A.S.	Turkey	Sales and services	51.0
	Wärtsilä Gulf FZE	United Arab Emirates	Sales and services	100.0
	Wärtsilä Hamworthy Middle East (FZE)	United Arab Emirates	Sales and services	100.0
	Wartsila LLC	United Arab Emirates	Sales and services	100.0
	Wartsila Ships Repairing & Maintenance LLC	United Arab Emirates	Sales and services	100.0
	Wartsila Voyage Middle East DMCEST	United Arab Emirates	Sales and services	100.0
	Wartsila Samarkand Energy LLC	Uzbekistan	Sales and services	100.0
	Wärtsilä Vietnam Company Limited	Vietnam	Sales and services	100.0
Other	Wärtsilä Australia Pty Ltd.	Australia	Sales and services	100.0
	Wärtsilä Burkina Faso	Burkina Faso	Sales and services	100.0
	Wärtsilä Central Africa Plc	Cameroon	Sales and services	100.0
	Wartsila Installations and Constructions	Egypt	Sales and services	100.0
	Wärtsilä Central Africa Gabon	Gabon	Sales and services	100.0
	Wärtsilä West Africa Guinea S.A.	Guinea	Sales and services	100.0
	Wärtsilä Eastern Africa Limited	Kenya	Sales and services	100.0
	Wärtsilä Energy Mauritanie SAU	Mauritania	Sales and services	100.0
	Wärtsilä Mauritanie SA	Mauritania	Sales and services	100.0
	Wärtsilä Mocambique Limitada	Mozambique	Sales and services	100.0
	Wärtsilä Muscat S.P.C	Oman	Sales and services	100.0
	Wärtsilä New Zealand Ltd	New Zealand	Sales and services	100.0
	Wärtsilä Marine & Power Services Nigeria Limited	Nigeria	Sales and services	100.0
	Wärtsilä PNG Limited	Papua New Guinea	Sales and services	100.0
	Wärtsilä West Africa S.A.	Senegal	Sales and services	100.0
	Wärtsilä Southern Africa (Pty) Ltd	South Africa	Sales and services	100.0
	Wärtsilä South Africa Pty Ltd	South Africa	Sales and services	75.0*
	Wärtsilä Tanzania Limited	Tanzania	Sales and services	100.0

* Despite share percentage being less than 100, the subsidiary is considered to be fully controlled by the Group.

Non-controlling interests are not significant in the Group's activities and cash flows in individual subsidiaries.

The list excludes subsidiaries, which do not have a significant impact on the result or assets of the Group. A complete list of shares and securities in accordance with the Finnish Accounting Ordinance is included in the official financial statements of the parent company prepared in accordance with the Finnish Accounting Standards (FAS).

6.2. ACQUISITIONS

Accounting principles

Acquired and established companies are accounted for using the acquisition method. Accordingly, the purchase price and the acquired company's identifiable assets, liabilities, and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of additional interest, where the Group already has control, the non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the identifiable net assets. The difference between the purchase price, possible equity belonging to the non-controlling interests, and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value, is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the statement of income. The transaction costs are expensed in the same reporting period in which they occur, except those costs resulting from issued debt or equity instruments.

In significant business combinations, the Group has used external advisors when estimating the fair values of property, plant and equipment and intangible assets. For property, plant and equipment, comparisons have been made of the market prices of similar assets, and the depreciation of the acquired assets due to

ageing, wear, and other similar factors has been estimated. The fair value measurement of intangible assets is based on estimates of the future cash flows associated with the assets. The acquired identifiable intangible assets typically include technology, customer relationships, and trademarks.

Any contingent consideration (additional purchase price) related to the combination of businesses is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting loss or gain is recognised through the statement of income. Contingent consideration classified as equity is not re-measured.

The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control.

Accounting estimates and judgements

Accounting for the business combinations may require estimates of the fair value of acquired assets and the expected amount of realised contingent consideration.

2023

In 2023, there were no acquisitions.

2022

In June, Wärtsilä acquired 100% of Altyn Consulting Inc. (PortLink), a global port solutions company headquartered in Vancouver, Canada. The purchase price was approximately EUR 8 million resulting in a goodwill of approximately EUR 7 million.

6.3. DISPOSALS

Accounting principles

The disposed subsidiaries are included in the consolidated financial statements until the control ends.

2023

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

2022

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

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

On 14 January, Wärtsilä divested Tank Control Systems business unit to Svanehøj, a Danish gas pump specialist. The divestment was announced in September 2021. The impact of the divestment on the result for the financial period was not significant. Tank Control Systems business unit belonged to Portfolio Business.

6.4. ASSETS HELD FOR SALE

Accounting principles

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective Accounting Standards. From the date of classification, non-current assets held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortisation is discontinued.

Non-current assets held for sale are presented in the statement of financial position separately from other items. The comparison figures for the statement of financial position are not restated.

2023

Since July 2022, certain non-current assets related to the ramp-down of manufacturing in Trieste, Italy have been classified as assets held for sale. Engine manufacturing in Trieste belongs to Marine Power.

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

2022

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

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

Classifying business unit American Hydro as assets held for sale had an impact of EUR -24 million on the result for the financial period 2022, of which EUR -15 million related to asset write-offs. Completion of the transaction occurred in the first half of 2023. Business unit American Hydro belonged to Portfolio Business.

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

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

Items on the statement of financial position

MEUR		31.12.2023	31.12.2022
Goodwill			24
Other intangible assets			2
Property, plant and equipment		5	28
Inventories			1
Trade receivables, current			17
Other receivables, current			9
Cash and cash equivalents			3
Assets held for sale		5	84
Write-down of assets			-30
Net for assets held for sale		5	54
Trade payables, current			10
Tax liabilities, current			4
Other liabilities, current			7
Liabilities directly attributable to assets held for sale			22
Net assets		5	32

The write-down of assets is recognised in the statement of income as depreciation, amortisation and impairment.

6.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Accounting principles

Associated companies are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is established by contractual agreement.

Associated companies and joint ventures are included in the consolidated financial statements using the equity method from the date the Group's significant influence or joint control commences until the date it ceases. Investments in associates are initially recognised at cost, and the carrying amount is increased or decreased according to the Group´s share of changes in the net assets of the associate after the date of the acquisition. The Group's share of the associated company's or joint venture's result for the reporting period is shown as a separate item before the Group's operating result, on the line Share of result of associates and joint ventures. The Group's share of the associated company's or joint venture's changes recognised in other comprehensive income is recognised in the Group's other comprehensive income. Wärtsilä's proportion of the associated company's or joint venture's post-acquisition accumulated equity is included in the Group's equity. If the Group's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only recognised if the Group has incurred obligations from the associated company or joint venture.

The accumulated exchange rate differences arising from the consolidation of associated companies and joint ventures, which are recognised in equity, are recognised in the statement of income as part of the gain or loss when change in ownership occurs.

MEUR	2023	2022
Carrying amount on 1 January	29	27
Share of result	9	6
Dividends	-3	-2

Translation differences	**-2**	-1
Impairment		-1
Carrying amount on 31 December	**33**	29

Summary of financial information (100%):

2023

MEUR		Holding %	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Net sales	Result for the financial period
Joint ventures									
Wärtsilä Qiyao Diesel Company Ltd.	China	**50.0**	**5**	**63**	**25**		**44**	**57**	**7**
CSSC Wärtsilä Electrical & Automation Co., Ltd.	China	**49.0**		**14**	**3**		**11**	**25**	
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	**49.0**	**63**	**297**	**37**	**32**	**291**	**165**	**10**
Repropel Sociedad de reparacao de helices	Portugal	**50.0**		**1**	**1**			**1**	

CSSC Wärtsilä Engine (Shanghai) Co., Ltd. manufactures medium and large bore medium speed diesel and dual-fuel engines at its factory in Lingang, Shanghai, China. Wärtsilä Qiyao Diesel Company Ltd. manufactures marine auxiliary engines in Shanghai, China. CSSC Wärtsilä Electrical & Automation Co., Ltd. manufactures advanced electronical and automation solutions for the cruise industry.

2022

MEUR		Holding %	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Net sales	Result for the financial period
Joint ventures									
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	7	48	24		30	54	6
CSSC Wärtsilä Electrical & Automation Co., Ltd.	China	49.0		13	3		11	19	
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	49.0	61	179	29	31	180	86	5
Repropel Sociedad de reparacao de helices	Portugal	50.0		1	1		1	1	

6.6. EXCHANGE RATES

Accounting principles

Translating the transactions in foreign currencies

The items included in the financial statements are initially recognised in the functional currency, which is defined for each Group company based on its primary economic environment. The presentation currency of the consolidated financial statements is the euro, which is also the functional and presentation currency of Wärtsilä Corporation.

Foreign subsidiaries

The income and expenses for statements of income and statements of comprehensive income of foreign subsidiaries are translated into euros at the quarterly average exchange rates. Statements of financial position are translated into euros at the exchange rates prevailing at the end of the reporting period. The translation of the result for the reporting period and other comprehensive income using different exchange rates in the statement of comprehensive income and the statement of financial position causes translation differences, which are recognised in equity and in other comprehensive income as change. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition profits and losses are recognised in other comprehensive income and are presented as a separate item in equity. The goodwill generated in the acquisition of foreign entities and their fair value adjustments of assets and liabilities are considered as assets and liabilities of foreign entities, which are translated into euros using the exchange rates prevailing at the end of the reporting period. When a foreign subsidiary is sold, the accumulated exchange rate differences recognised in the equity related to the subsidiary are recognised in the statement of income as a part of the gain or loss on sale.

Transactions and balances in foreign currencies

Transactions denominated in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities are translated at the exchange rates prevailing at the end of the reporting period. Exchange rate gains and losses related to trade receivables and liabilities are reported on the applicable line in the statement of income and are included in the operating result. Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income, except exchange rate differences related to non-current debt that is part of the Group's net investment in a subsidiary. Those are recognised in other comprehensive income and reported as translation differences in equity.

In the consolidated financial statements, there are approximately 60 currencies consolidated. The most significant currencies are presented here.

		Closing rates 31 December 2023	31 December 2022	Average rates 2023	2022
AED	UAE Dirham	**4.05833**	3.91666	**3.97213**	3.87056
AUD	Australian Dollar	**1.62630**	1.56930	**1.62848**	1.51736
BRL	Brazilian Real	**5.36180**	5.63860	**5.40162**	5.44319
CHF	Swiss Franc	**0.92600**	0.98470	**0.97173**	1.00517
CNY	Yuan Renminbi	**7.85090**	7.35820	**7.65907**	7.08010
DKK	Danish Krone	**7.45290**	7.43650	**7.45099**	7.43958
GBP	Pound Sterling	**0.86905**	0.88693	**0.86991**	0.85261
IDR	Indonesian Rupiah	**17,079.71000**	16,519.82000	**16,480.35000**	15,633.59000
INR	Indian Rupee	**91.90450**	88.17100	**89.32487**	82.71449
JPY	Yen	**156.33000**	140.66000	**151.94211**	138.00506
NOK	Norwegian Krone	**11.24050**	10.51380	**11.42430**	10.10151
RUB	Russian Ruble	**99.94680**	76.94640	**92.09110**	72.77033
SAR	Saudi Riyal	**4.14353**	4.00722	**4.05721**	3.95666
SEK	Swedish Krona	**11.09600**	11.12180	**11.47281**	10.62744
SGD	Singapore Dollar	**1.45910**	1.43000	**1.45235**	1.45197
USD	US Dollar	**1.10500**	1.06660	**1.08158**	1.05388



7. Other notes

Content in this section:

7.1. COLLATERAL, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS
7.2. RELATED PARTY DISCLOSURES
7.3. AUDITORS' FEES AND SERVICES
7.4. EVENTS AFTER THE REPORTING PERIOD

7.1. COLLATERAL, CONTINGENT LIABILITIES, AND OTHER COMMITMENTS

Accounting principles

Contingent liabilities are possible obligations resulting from previous events, the existence of which will only be ascertained once the uncertain event that is beyond the Group's control materialises. Existing obligations that are not likely to require the fulfilment of a payment obligation, or the amount of which cannot be reliably determined, are also considered contingent liabilities.

	2023		2022	
MEUR	Debt in the statement of financial position	Collateral	Debt in the statement of financial position	Collateral
Mortgages given as collateral for liabilities and commitments				
Other commitments	**21**	**10**	4	10
Total	**21**	**10**	4	10
Chattel mortgages and other pledges and securities given as collateral for liabilities and commitments				
Other commitments		**13**		17
Total		**13**		17

MEUR	2023	2022
Guarantees and contingent liabilities		
on behalf of Group companies	**997**	1,037
Total	**997**	1,037

Nominal amounts of lease liabilities		
Low-value lease liabilities	**12**	11
Short-term lease liabilities	**4**	3
Leases not yet commenced, but to which Wärtsilä is committed	**14**	14
Residual value guarantee	**90**	90
Total	**120**	118

7.2. RELATED PARTY DISCLOSURES

Related parties comprise the parent company, subsidiaries, the associated companies, and joint ventures. Related parties also include the Board of Directors, the President and CEO, the Board of Management, their family members, and entities controlled directly or indirectly by them.

Management remuneration

TEUR	2023	2022
President and CEO		
Salaries and other short-term benefits	**1,021**	980
Short-term incentive schemes		443
Statutory pension costs	**160**	223
Voluntary pension costs	**300**	289
Other members of the Board of Management		
Salaries and other short-term benefits	**2,464**	2,890
Short-term incentive schemes		853
Statutory pension costs	**374**	465
Voluntary pension costs	**311**	572
Total	**4,631**	6,714
Board of Directors on 31 December 2023		
Tom Johnstone, Chairman	**224**	231
Mika Vehviläinen, Deputy Chairman	**110**	
Karen Bomba, member	**97**	101
Morten H. Engelstoft, member	**96**	88
Karin Falk, member	**92**	96
Johan Forssell, member	**92**	95
Mats Rahmström, member	**87**	91
Tiina Tuomela, member	**112**	116
Board of Directors, until 9 March 2023		
Risto Murto, member	**2**	126
Board of Directors, until 3 March 2022		
Maarit Aarni-Sirviö, member		2
Total	**910**	944
Management remuneration, total	**5,541**	7,658

In 2023, an accrual of EUR 1,708 thousand has been recognised in the statement of income as employee benefit expenses related to the short-term incentive schemes for the management.

Remuneration of the President and CEO consists of fixed pay (a monthly base salary, pension and benefits) and variable pay (short- and long-term incentives). Benefits include a mobile phone benefit, a car benefit, and various insurance policies.

The holdings of Wärtsilä shares of the President and CEO, and the members of the Board of Directors and Board of Management were 362,999 shares (302,097) at year-end, dividends totalling EUR 94 thousand (70).

The President and CEO is entitled to retire on reaching 63 years of age. The members of the Board of Management are entitled to retire on reaching the statutory retirement age. One member of the Board of Management is entitled to retire earlier, on reaching 60 years of age. The Group has no loan receivables from the executive management or the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

Business transactions with the associated companies and joint ventures

MEUR	2023	2022
Sales to the associates and joint ventures	**43**	25
Purchases from the associates and joint ventures	**49**	56
Receivables from the associates and joint ventures	**10**	7
Advances paid to the associates and joint ventures	**29**	16
Payables to the associates and joint ventures	**18**	7

Detailed financial information on the associated companies and joint ventures is presented in Note 6.5. Investments in associates and joint ventures.

7.3. AUDITORS' FEES AND SERVICES

The following remuneration was paid to auditors and accounting firms for audits based on applicable legislation and for other services.

In 2023, the AGM appointed the audit firm PricewaterhouseCoopers Oy as Wärtsilä Corporation's auditor. PricewaterhouseCoopers Oy has provided non-audit services totalling EUR 0.3 million to entities of Wärtsilä Group. These services included tax services (EUR 0.1 million) and a minor amount related to other services.

	2023		2022	
MEUR	**PwC**	**Others**	**PwC**	**Others**
Audit	**3.7**	**1.3**	3.6	1.3
Tax advisory	**0.1**	**0.6**	0.1	0.5
Other services	**0.2**	**0.0**	0.0	0.0
Total	**3.9**	**1.9**	3.8	1.9

7.4. EVENTS AFTER THE REPORTING PERIOD

In November 2023, Wärtsilä announced its plan to simplify its organisation and reporting structure. As of 1 January 2024, business unit Gas Solutions has been moved from Marine Systems to Portfolio Business, as well as business units Exhaust Treatment and Shaft Line Solutions from Marine Systems to Marine Power. Consequently, Marine Systems no longer constitutes an organisational unit nor a reportable segment. Additionally, Wärtsilä Marine Power has changed its name to Wärtsilä Marine.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

Parent company income statement

MEUR	2023	2022	Note
Net Sales	**103**	97	
Other operating income	**15**	22	1
Personnel expenses	**-70**	-45	2
Depreciation, amortisation and impairment	**-4**	-3	3
Other operating expenses	**-101**	-103	
Operating result	**-57**	-32	
Financial income and expenses	**197**	223	4
Result before appropriations and taxes	**140**	191	
Appropriations	**21**	7	
Result before taxes	**161**	198	
Income taxes	**-4**	-1	5
Result for the financial period	**157**	197	

Parent company balance sheet

MEUR	2023	2022	Note
ASSETS			
Fixed assets			6
Intangible assets			
Other long-term expenditure	**7**	8	
Intangible assets and construction in progress	**17**	2	
	24	10	
Tangible assets			
Land and water	**2**	2	
Machinery, equipment and other tangible assets	**1**	3	
	4	6	
Financial assets			
Shares in Group companies	**950**	950	
Other shares and securities	**2**	2	
	952	952	
Total fixed assets	**980**	967	
Non-current receivables			
Other long-term receivables	**18**	27	
	19	27	
Current receivables			
Receivables from Group companies	**2,139**	2,179	7
Other receivables		1	
Prepaid expenses and accrued income	**41**	38	8
	2,180	2,218	

Cash and bank balances	**583**	259
Total current assets	**2,763**	2,505
Assets	**3,761**	3,472

MEUR	**2023**	**2022**	**Note**
EQUITY AND LIABILITIES			
Equity			9
Share capital	**336**	336	
Share premium reserve	**61**	61	
Reserve for own shares	**-29**	-18	
Retained earnings	**946**	902	
Result for the financial period	**157**	197	
Total equity	**1,471**	1,478	
Provisions	**23**	4	
Liabilities			10
Non-current			
Loans from credit institutions	**515**	516	
Other long-term liabilities	**13**	2	
	528	519	
Current			
Loans from credit institutions	**75**	166	
Trade payables	**14**	10	
Liabilities to Group companies	**1,618**	1,258	12
Other current liabilities	**1**	3	
Accrued expenses and deferred income	**32**	34	11
	1,740	1,471	
Total liabilities	**2,268**	1,990	
Equity and liabilities	**3,761**	3,472	

Parent company cash flow statement

MEUR	2023	2022
Cash flow from operating activities:		
Result before appropriations and taxes	**140**	191
Adjustments for:		
Depreciation and amortisation	**4**	4
Gains and losses on sale of intangible and tangible assets		-1
Financial income and expenses	**-196**	-223
Cash flow before changes in working capital	**-52**	-29
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	**2**	-52
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**32**	8
	34	-45
Cash flow from operating activities before financial items and taxes	**-18**	-74
Interest and other financial expenses	**-119**	-80
Dividends received from operating activities	**160**	201
Interest and other financial income from operating activities	**152**	103
Income taxes paid	**-4**	-3
	189	221
Cash flow from operating activities	**171**	147
Cash flow from investing activities:		
Investments in tangible and intangible assets	**-17**	-3
Proceeds from sale of tangible and intangible assets		1
Cash flow from investing activities	**-17**	-2
Cash flow after investing activities	**154**	145
Cash flow from financing activities:		
Loans receivables, increase (-) / decrease (+)	**59**	-302
Current loans, increase (+) / decrease (-)	**355**	-58
Proceeds from non-current borrowing	**176**	
Repayments and other changes of non-current loans	**-265**	-69
Purchase of own shares	**-10**	
Group contributions	**7**	
Dividends paid	**-153**	-142
Cash flow from financing activities	**169**	-571
Change in cash and bank balances, increase (+) / decrease (-)	**324**	-426
Cash and bank at beginning of period	**259**	685
Cash and bank at end of period	**583**	259

Accounting principles for the parent company

The financial statements of the parent company, Wärtsilä Corporation, have been prepared in accordance with the provisions of the Finnish Accounting Standards (FAS).

The preparation of the financial statements requires management, in compliance with the regulations in force and good accounting practice, to make estimates and assumptions that affect the measurement and timing of the reported information. Actual results may differ from these estimates.

Transactions denominated in foreign currencies and derivatives

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Exchange gains and losses related to business operations are treated as adjustments to other operating income and operating expenses. Exchange gains and losses related to financing operations are entered under financial income and expenses.

Derivatives are measured at fair value. Open currency derivatives, including interest components, are valued at the balance sheet date. The fair value of interest rate swaps is calculated by discounting the future cash flows. Derivative changes in fair value are immediately recognised in financial income or expenses in the statement of income.

Research and development costs

Research and development costs are expensed in the financial period in which they occur.

Receivables

Receivables are valued to acquisition cost or to a lower probable value.

Revenue recognition

Net sales consist of service charges to Group companies. Revenue is recognised for the period during which the service is performed. Previously Group service charges were presented in other income. The new way of presenting has no effect on the operating result or the result for the financial period.

Fixed assets and depreciation and amortisation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation and amortisastion. Certain land areas also include revaluations. Fixed assets are amortized on a systematic basis over their estimated useful life.

Depreciation and amortisation is based on the following useful lives:

Other long-term expenditure	3-10 years
Buildings	20-40 years
Machinery and equipment	5-20 years

Leasing

Lease payments are treated as rentals.

Provisions

Provisions in the balance sheet comprise those items which the company is committed to covering either through agreements or otherwise, but which are not yet realised. Changes to provisions are included in the income statement.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, as well as adjustments to taxes in prior years.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

Notes to the parent company financial statements

1. OTHER OPERATING INCOME

MEUR	2023	2022
Rental income	**3**	3
Re-invoicing to Group companies	**11**	18
Profit on sales of fixed assets	**0**	1
Other	**1**	1
Total	**15**	22

2. PERSONNEL EXPENSES

MEUR	2023	2022
Wages and salaries	**-41**	-38
Pension costs	**-6**	-6
Other compulsory personnel costs	**-23**	-1
Total	**-70**	-45

Salaries and remunerations paid to senior management

Salaries and remunerations paid to the President and CEO and members of the Board of Directors was EUR 2 million (3).

The President and CEO has the right to retire at the age of 63 years. The members of the Board of Management are entitled to retire on reaching the statutory retirement age. One member of the Board of Management is entitled to retire earlier, on reaching 60 years of age.

The company's Board of Directors decides the remunerations of the President and CEO and his immediate subordinates.

Additional information on Management remuneration can be found in Consolidated Financial Statements Note 7.2. Related party disclosures.

Personnel on average during the year was 392 (380).

3. DEPRECIATION AND AMORTISATION

MEUR	2023	2022
Depreciation and amortisation according to plan		
Other long-term expenditure	**-2**	-2
Machinery and equipment	**-2**	-2
Total depreciation according to plan	**-4**	-3
Tax depreciations	**-3**	-3

4. FINANCIAL INCOME AND EXPENSES

MEUR	2023	2022
Dividend income		
From Group companies	**160**	201
Total	**160**	201
Other interest income		
From Group companies	**102**	29
From other companies	**8**	2
Total	**111**	31
Other financial income		
From Group companies	**32**	28
From other companies	**10**	44
Total	**42**	72
Exchange gains and losses	**1**	
Interest expenses		
To Group companies	**-45**	-12
To other companies	**-15**	-7
Total	**-60**	-18
Other financial expenses		
To Group companies	**-22**	-47

To other companies	**-35**	-14
Total	**-57**	-61
Financial income and expenses, total	**197**	223

5. INCOME TAXES

MEUR	2023	2022
Income taxes		
For the financial period	**-4**	-1
Total	**-4**	-1

6. FIXED ASSETS

Intangible assets

MEUR	Other long-term expenditures	Intangible assets and construction in progress	2023	2022
Acquisition cost on 1 January	**117**	**2**	**118**	116
Additions	**1**	**16**	**16**	6
Disposals	**-4**	**-1**	**-4**	-3
Acquisition cost on 31 December	**113**	**17**	**130**	118
Accumulated amortisation on 1 January	**-109**		**-109**	-107
Accumulated amortisation on disposals and other changes	**4**		**4**	
Amortisation during the financial period	**-2**		**-2**	-2
Accumulated amortisation on 31 December	**-107**		**-107**	-109
Carrying amount on 31 December 2023	**7**	**17**	**24**	
Carrying amount on 31 December 2022	**8**	**2**		10

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery, equipment and other tangible assets	2023	2022
Acquisition cost on 1 January	**2**	**1**	**11**	**12**	14
Additions					
Disposals					
Acquisition cost on 31 December	**2**	**1**	**11**	**12**	12
Accumulated depreciation on 1 January		**-1**	**-8**	**-9**	-7
Amortisation during the financial period			**-2**	**-2**	
Accumulated depreciation on 31 December		**-1**	**-9**	**-10**	-9
Carrying amount on 31 December 2023	**2**		**2**	**4**	
Carrying amount on 31 December 2022	**2**		**3**		5

Shares and securities

MEUR	Shares in Group companies	Shares in other companies	2023	2022
Acquisition cost on 1 January	**950**	**2**	**952**	952
Acquisition cost on 31 December	**950**	**2**	**952**	952
Carrying amount on 31 December 2023	**950**	**2**	**952**	
Carrying amount on 31 December 2022	**950**	**2**		952

7. CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2023	2022
Trade receivables	**48**	43
Loan receivables	**2,025**	2,084
Derivatives	**23**	33
Other receivables	**23**	12

Prepaid expenses and accrued income	**20**	7
Total	**2,139**	2,179

8. PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2023	2022
Derivatives	**32**	33
Other	**9**	6
Total	**41**	38

9. SHAREHOLDERS' EQUITY

MEUR	2023	2022
Share capital		
Share capital on 1 January	**336**	336
Share capital on 31 December	**336**	336
Share premium reserve		
Share premium reserve on 1 January	**61**	61
Share premium reserve on 31 December	**61**	61
Reserve for own shares		
Reserve for own shares on 1 January	**-29**	-18
Reserve for own shares on 31 December	**-29**	-18
Retained earnings		
Retained earnings on 1 January	**1,099**	1,044
Dividends paid	**-153**	-142
Result for the financial period	**157**	197
Retained earnings on 31 December	**1,103**	1,099
Total shareholders' equity	**1,471**	1,478
Distributable equity	**1,074**	1,081

On 31 December 2023, the number of own shares held by Wärtsilä Corporation was 2,700,000 (1,700,000) and the book value of these shares was EUR 29 million (18).

10. LIABILITIES

MEUR	2023	2022
Non-current		
Interest-bearing	**515**	516
Non-interest-bearing	**13**	2
Total	**528**	519
Current		
Interest-bearing	**1,620**	1,355
Non-interest-bearing	**121**	116
Total	**1,740**	1,471

Debt with maturity profile

MEUR	2023	2022
Loans from financial institutions:	**590**	682
Current		
<1 year	**75**	166
Long-term		
1-5 years	**440**	470
>5 years	**75**	47
Total	**590**	682

11. ACCRUED EXPENSES AND DEFERRED INCOME

MEUR	2023	2022
Derivatives	4	17
Personnel costs	15	11
Interest and other financial items	6	3
Other	7	4
Total	**32**	34

12. LIABILITIES TO GROUP COMPANIES

MEUR	2023	2022
Trade payables	17	19
Other current liabilities	1,544	1,189
Derivatives	51	46
Accrued expenses and deferred income	6	3
Total	**1,618**	1,258

13. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

2023

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Derivatives		17	17	17
Derivatives from Group companies		5	5	5
Current financial assets				
Interest-bearing receivables from Group companies	2,025		2,025	2,025
Trade receivables from Group companies	48		48	48
Derivatives		32	32	32
Derivatives from Group companies		18	18	18
Other receivables from Group companies	42		42	42
Cash and bank	583		583	583
Carrying amount by category	2,697	72	2,770	2,770
Non-current financial liabilities				
Interest-bearing debt	515		515	509
Derivatives		12	12	12
Derivatives from Group companies		23	23	23
Current financial liabilities				
Interest-bearing debt	75		75	75
Interest-bearing debt to Group companies	1,544		1,544	1,544
Trade payables	14		14	14
Trade payables to Group companies	17		17	17
Derivatives		4	4	4
Derivatives to Group companies		27	27	27
Other liabilities	6		6	6
Other liabilities to Group companies	6		6	6
Carrying amount by category	2,177	67	2,244	2,238

2022

MEUR	Measured at amortised cost	At fair value through the statement of income	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets				
Derivatives		26	26	26
Derivatives from Group companies		2	2	2
Current financial assets				
Interest-bearing receivables from Group companies	2,084		2,084	2,084
Trade receivables from Group companies	43		43	43
Derivatives		33	33	33
Derivatives from Group companies		31	31	31
Other receivables from Group companies	14		14	14
Cash and bank	259		259	259
Carrying amount by category	2,400	92	2,492	2,492
Non-current financial liabilities				
Interest-bearing debt	516		516	502
Derivatives		1	1	1
Derivatives to Group companies		25	25	25
Current financial liabilities				
Interest-bearing debt	166		166	166
Interest-bearing debt to Group companies	1,189		1,189	1,189
Trade payables	10		10	10
Trade payables to Group companies	19		19	19
Derivatives		17	17	17
Derivatives to Group companies		21	21	21
Other liabilities	3		3	3
Other liabilities to Group companies	1		1	1
Carrying amount by category	1,904	64	1,968	1,954

Information on the fair value hierarchy and valuation principle can be found in Consolidated Financial Statements Note 5.2. Financial assets and liabilities by measurement category.

14. DERIVATIVE FINANCIAL INSTRUMENTS

2023

MEUR	With external financial institutions	With Group companies	2023
Nominal values of derivative financial instruments			
Currency forwards, transaction risk	**1,961**	**2,599**	**4,560**
Interest rate swaps	**168**	**124**	**293**
Cross currency swaps	**160**		**160**
Total			**5,013**
Fair values of derivative financial instruments (level 2)			
Currency forwards, transaction risk	**27**	**-14**	**14**
Interest rate swaps	**17**	**-14**	**3**
Cross currency swaps	**-12**		**-12**
Total			**5**

2022

MEUR	With external financial institutions	With Group companies	2022
Nominal values of derivative financial instruments			
Currency forwards, transaction risk	1,657	2,095	3,752
Interest rate swaps	205	125	330
Cross currency swaps	142		142
Total			4,224
Fair values of derivative financial instruments (level 2)			
Currency forwards, transaction risk	22	7	29
Interest rate swaps	26	-20	6
Cross currency swaps	-6		-6
Total			29

Foreign currency forward contracts are against transactional risks and are matched against the hedged cashflows. Interest rate swaps are denominated in euros and the average interest-bearing period for external contracts is 57 (74) months and 95 (107) months for intragroup contracts. The average maturity for cross currency swaps is 36 (16) months.

15. FINANCIAL RISKS

General

Wärtsilä has a centralised Group Treasury with two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies. The Group Treasury is organisationally within the parent company.

The details about the management of the Group's financial risks are in Note 5.8. of the Consolidated Financial statements. As the Group's liquidity and interest rate risks are managed at the parent company level, the Group reporting applies fully to the parent company.

Foreign exchange risk

Operative foreign currency risks are followed and hedged at the subsidiary level. The Group Treasury acts as a counterparty to these hedges, if that is allowed by local regulations. To enable netting of intragroup currency flows and to reduce the amount of external transactions the Group Treasury is allowed to have minor unhedged exposures in different currencies. Any gains/losses from the Group Treasury's operations are booked directly into the financial items and we do not expect any material foreign exchange gains/losses from the Group Treasury's operations.

16. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2023	2022
Guarantees and contingent liabilities		
On behalf of Group companies	**5,887**	4,667
Total	**5,887**	4,667
Future nominal lease payments		
Payable within one year	**3**	4
Payable after one year	**11**	20
Total	**14**	24

17. RELATED PARTY LOANS AND OTHER COMMITMENTS

There are no loans receivables from senior management and the members of the Board of Directors. No pledges or other commitments were given on behalf of senior management or shareholders. In Note 7.2. in Consolidated Financial Statements, related party disclosures are specified. Related parties comprise the Board of Directors, the President and CEO, the Board of Management, as well as the associated companies and joint ventures. In Notes 7 and 12 in parent company financial statements, receivables and liabilities from Group companies are specified.

18. AUDITORS' FEES AND SERVICES

In 2023, the AGM appointed the audit firm PricewaterhouseCoopers Oy as Wärtsilä Corporation's auditor.

The following fees were paid to auditors and accounting firms for audits and other services.

Auditors' fees

TEUR	2023	2022
Audit	**646**	669
Tax advisory		19
Other services	**40**	33
Total	**685**	721

PROPOSAL OF THE BOARD

The parent company's distributable funds total EUR 1,074,016,204.80, which includes EUR 157,126,640.44 in net profit for the year. There are 589,023,390 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting that the company's distributable earnings be disposed of in the following way:

EUR	
A dividend of EUR 0.32 per share be paid, making a total of	188,487,484.80
That the following sum be retained in shareholders' equity	885,528,720.00
Totalling	1,074,016,204.80

The dividend shall be paid in two instalments. The first instalment of EUR 0.16 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the dividend record date of 11 March 2024. The payment day proposed by the Board for this instalment is 18 March 2024.

The second instalment of EUR 0.16 per share shall be paid in September 2024. The dividend record day of the second instalment shall be 11 September 2024 and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on such day. The Board proposes the second instalment is paid on 18 September 2024.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Helsinki, Finland, 30 January 2024

Tom Johnstone	Mika Vehviläinen
Karen Bomba	Morten H. Engelstoft
Karin Falk	Johan Forssell
Mats Rahmström	Tiina Tuomela

Håkan Agnevall, President and CEO

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Wärtsilä Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Wärtsilä Corporation (business identity code 0128631-1) for the year ended 31 December 2023. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7.3 to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of € 25 million.
- We performed audit procedures at 23 reporting components in 13 countries that are considered significant based on our overall risk assessment and materiality.
- Revenue recognition of long-term contracts
- Valuation of goodwill
- Valuation of trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 25 million (previous year € 16 million)
How we determined it	Profit before tax and net sales
Rationale for the materiality benchmark applied	We chose profit before tax and net sales as the benchmarks because, in our view, they are relevant benchmarks against which the performance of the group is commonly measured by users of the financial statements.

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Group and the size, complexity and risk of individual subsidiaries. Using this criteria we selected companies and accounts into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition of long-term contracts *Refer to the consolidated financial statements note 2.2.* The group has significant revenue from construction contracts and long-term operating and maintenance agreements. These long-term contracts are often complex customised solutions and meet the definition for revenue recognition over time in accordance with IFRS 15. Revenue related to these construction contracts and long-term operating and maintenance agreements is recognised using the percentage of completion method, where progress is determined by comparing actual costs incurred to date, with the total estimated costs of the project. Revenue recognition for long-term contracts includes management judgment in a form of estimates, which are subject to management experience and expectations of future events. The most important judgment relates to the estimated total costs of the project. Revenue recognition of long-term contracts is a key audit matter in the audit due to the high level of management judgement involved in the project estimates.	Our revenue testing included both testing of the company's controls, as well as substantive audit procedures targeted at selected major long-term projects. Our substantive testing focused on estimates applied by management in the accounting. Our procedures included, among others things, the following: • Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; • Agreed the total project revenue estimates to sales agreements, including amendments as appropriate; • We obtained an understanding of the processes and tested relevant controls, which impact the revenue recognition; • We assessed the reliability of management's estimates by comparing the actual results of delivered projects to previous estimates; • We challenged the management estimates and assumptions in projects, which were considered to include specific risk factors; and • Recalculated the revenue based on the stage of completion of the projects. Ensured that the stage of completion is correct by comparing actual costs per the company's accounting records to the estimated total costs of the projects.
Valuation of goodwill *Refer to the consolidated financial statements note 3.1.* Goodwill is one of the most significant balance sheet items and amounts to € 1 273 million. The determination and whether an impairment charge is required involves significant management judgement, including identifying on which cash generating unit level the goodwill is tested and	Our audit focused on assessing the reasonableness of the determination of cash generating units, which forms the basis for the goodwill impairment testing and assessing the appropriateness of management's judgments and estimates used in the goodwill impairment analysis. Our procedures relating to the impairment analysis included the following:

estimating the future performance of the business and the discount rate applied to these future cash flows.

Valuation of goodwill is a key audit matter in the audit due to the size of the goodwill balance and the high level of management judgement involved.

- We tested the methodology applied in the goodwill impairment analysis as compared to the requirements of IAS 36, Impairment of Assets;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved targets and long term plans;
- We tested the key underlying assumptions for the cash flow forecasts, including sales and profitability forecasts, discount rate used and the implied growth rates beyond the forecasted period;
- We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; and
- We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions.

Valuation of trade receivables

Refer to the consolidated financial statements note 4.2.

Net trade receivables amount to € 993 million, including an impairment provision of € 57 million. The trade receivables include € 2 million long-term trade receivables.

Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance.

Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivable balance and the high level of management judgement used in determining the impairment provision.

For trade receivables and the management's estimations for trade receivables impairment provision, our key audit procedures included the following:

- We obtained trade receivables balance confirmations;
- We analysed the aging of trade receivables; and
- We obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in

accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on

the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 2 March 2017. Our appointment represents a total period of uninterrupted engagement of seven years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the

Members of the Board of Directors and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki 5 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

Independent Auditor's Reasonable Assurance Report on Wärtsilä Corporation's ESEF Financial Statements
(Translation of the Finnish Original)

To the Management of Wärtsilä Corporation

We have been engaged by the Management of Wärtsilä Corporation (business identity code 0128631-1) (hereinafter also "the Company") to perform a reasonable assurance engagement on the Company's consolidated IFRS financial statements for the financial year 1 January - 31 December 2023 in European Single Electronic Format ("ESEF financial statements").

Management's Responsibility for the ESEF Financial Statements

The Management of Wärtsilä Corporation is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF requirements"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company's preparation of the ESEF financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, Wärtsilä Corporation's ESEF financial statements for the financial year ended 31 December 2023 comply, in all material respects, with the minimum requirements as set out in the ESEF requirements.

Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Wärtsilä Corporation for our work, for this report, or for the opinion that we have formed.

Helsinki 5 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

Wärtsilä in the capital markets

SHARES AND SHAREHOLDERS

Wärtsilä Corporation's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code WRT1V. At the end of the financial period 2023, the number of Wärtsilä's shares outstanding totalled 589,023,390, while the number of treasury shares totalled 2,700,000. The total number of shares amounted to 591,723,390. The share capital entered in the trade register was EUR 336,002,138.50. Wärtsilä has one share series, with each share entitling its holder to one vote at the General Meeting and to an equal dividend.

Trading in Wärtsilä's shares in 2023

The price of Wärtsilä's share on Nasdaq Helsinki increased by 66%, while the OMX Helsinki Industrials indice decreased by 5% and the OMX Helsinki Cap indice increased by 6%. The highest quoted price for Wärtsilä's share during the financial period was EUR 13.34 and the lowest EUR 7.94. The closing price on 31 December 2023 was EUR 13.13. The volume weighted average price for the year was EUR 10.30. At year-end, Wärtsilä's market capitalisation was EUR 7,766 million. The volume of trades on Nasdaq Helsinki was 277,945,404 shares, equivalent to a turnover of 2,864 million. Wärtsilä's shares are also traded on alternative exchanges, including Turquoise, BATS, Chi-X and CBOE DXE. The total trading volume on these alternative exchanges amounted to 121,430,942 shares. Further information on the company's share price development can be found on Wärtsilä's website at www.wartsila.com/investors/shares.

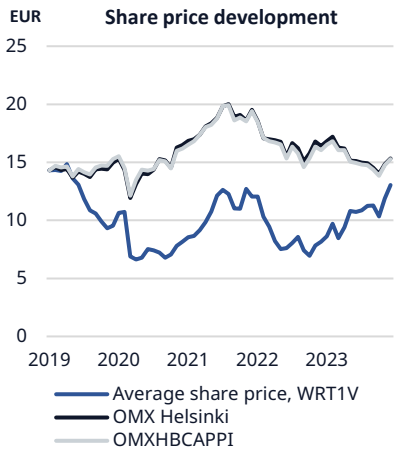
KEY FIGURES FOR WÄRTSILÄ SHARE

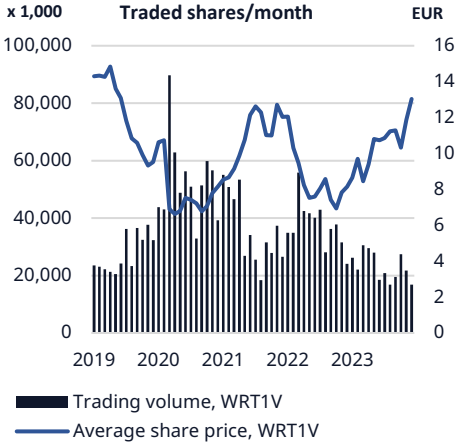
		2023	2022	2021	2020	2019
Basic earnings per share (EPS)	EUR	0.44	-0.11	0.33	0.23	0.37
Book value of equity per share	EUR	3.78	3.62	3.92	3.68	4.05
Dividend per share	EUR	0.32*	0.26	0.24	0.20	0.48
Dividend per earnings	%	73.2*	-234.9	73.2	88.2	130.8
Dividend yield	%	2.4*	3.3	1.9	2.5	4.9
Price per earnings (P/E)		29.8	-71.5	37.5	35.4	26.6
Price to book value (P/BV)		3.5	2.2	3.2	2.2	2.4
Adjusted number of shares outstanding	X 1,000					
End of financial year		589,023	590,023	590,023	591,723	591,723
On average		589,451	590,023	590,579	591,723	591,723

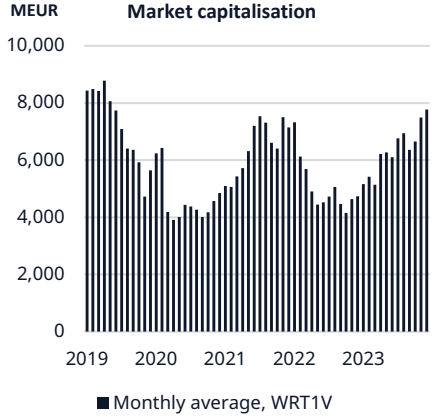
* Proposal of the Board of Directors

WÄRTSILÄ SHARES ON NASDAQ HELSINKI

		2023	2022	2021	2020	2019
Trading volume	MEUR	2,864	3,836	4,561	4,865	3,947
Number of shares traded	X 1,000	277,945	450,341	433,886	635,450	333,484
Stock turnover	%	47.2	76.3	73.5	107.4	56.4
Share price, high	EUR	13.34	13.22	13.87	12.00	15.56
Share price, low	EUR	7.94	6.36	7.78	5.01	8.78
Average share price	EUR	10.30	8.53	10.51	7.66	11.82
Share price at year-end	EUR	13.13	7.87	12.36	8.15	9.85
Year-end market capitalisation	MEUR	7,766	4,656	7,314	4,823	5,828









Shareholders

Wärtsilä had 112,482 shareholders at the end of the financial period 2023. Foreign shareholding, including nominee registered shares, represented 52.6% (51.4) of the total shareholder base at the end of the period, while Finnish retail investors represented 21.9% (23.6). Investors in Sweden, the United States, and the United Kingdom held the largest percentage of foreign shares. Further information on the company's shareholder base development can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders.

Management holdings

The members of the Board of Directors, the President & CEO, and the corporations under their control, owned altogether 362,999 shares in Wärtsilä Corporation at the end of 2023, which represents 0.06% of the stock and voting rights. Further details on the Board of Directors' and Board of Management's ownership of Wärtsilä's shares can be found in the Governance section.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2023

Group	Number of shareholders	%	Number of shares	%
Private corporations	3,157	2.8	20,396,467	3.5
Banks and insurance companies	111	0.1	26,760,394	4.5
Public sector entities	38	0.0	66,922,885	11.3
Non-profit organisation	915	0.8	36,337,422	6.1
Households	107,719	95.8	129,842,793	21.9
Outside Finland	542	0.5	106,352,797	18.0
Nominee registered			205,245,557	34.6
Total	**112,482**	**100.0**	**591,858,315**	**100.0**

DIVISION OF SHARES ON 31 DECEMBER 2023

Number of shares	Number of shareholders	%	Number of shares	%
1-100	40,472	35.98	1,746,864	0.3
101-1,000	49,714	44.20	19,601,145	3.3
1,001-10,000	19,836	17.64	58,074,413	9.8
10,001-100,000	2,272	2.02	54,735,513	9.2
100,001-1,000,000	159	0.14	41,518,801	7.0
1,000,001-10,000,000	23	0.02	59,431,974	10.0
10,000,001-100,000,000	2	0.0	46,807,960	7.9
100,000,001-	1	0.0	104,711,363	17.7
Nominee registered			205,245,557	34.7
Total	**112,479**	**100.0**	**591,858,315**	**100.0**

WÄRTSILÄ'S 50 MAJOR SHAREHOLDERS ON 31 DECEMBER 2023, EXCLUDING NOMINEE REGISTERED

Owner		Shares	%
1	Invaw Invest AB	104,711,363	17.7
2	Varma Mutual Pension Insurance Company	31,768,252	5.4
3	Ilmarinen Mutual Pension Insurance Company	15,039,708	2.5
4	Elo Mutual Pension Insurance Company	8,696,000	1.5
5	The Social Insurance Institution of Finland	5,517,730	0.9
6	State Pension Fund	4,900,000	0.8
7	Svenska litteratursällskapet i Finland rf	4,671,277	0.8
8	Holdix Oy Ab	4,139,400	0.7
9	Jenny and Antti Wihuri Foundation	2,700,000	0.5
10	Samfundet Folkhälsan i Svenska Finland rf	2,458,200	0.4
11	The Finnish Cultural Foundation	2,080,380	0.3
12	Op Finland Pro	1,980,000	0.3
13	Nordea Pro Finland Fund	1,869,953	0.3
14	Sigrid Jusélius Foundation	1,839,025	0.3
15	Säästöpankki Kotimaa -Sijoitusrahasto	1,770,676	0.3
16	Evli Finland Select Fund	1,742,497	0.3
17	Oy Ingman Finance Ab	1,640,000	0.3
18	Nordea Nordic Small Cap Fund	1,580,000	0.3
19	Sijoitusrahasto Seligson & Co	1,556,072	0.3
20	Rantanen Tuula Anneli	1,523,798	0.3
21	Holding Manutas Oy	1,455,000	0.2
22	Op Finland Index	1,278,806	0.2
23	Louise och Göran Ehrnrooth Stiftelse Sr	1,143,642	0.2
24	Bergsrådinnan Sophie von Julins Stiftels E Sr	1,129,518	0.2
25	The Signe and Ane Gyllenberg foundation	1,060,000	0.2
26	Maa- ja Vesitekniikan Tuki ry	1,000,000	0.2
27	Sijoitusrahasto Aktia Capital	990,000	0.2
28	Brita Maria Renlund Foundation	848,000	0.1
29	Gripenberg Gerda Margareta Lindsay Db	840,000	0.1
30	Stockmann Marita	813,678	0.1
31	Von Julin Sofia Margareta Db	758,000	0.1
32	Danske Invest Finnish Equity Fund	730,000	0.1
33	S-Bank Fenno Equity Fund	682,852	0.1
34	Nordea Henkivakuutus Suomi Oy	673,758	0.1
35	William Thurings Stiftelse Sr	666,550	0.1
36	Nordea Bank Abp	647,412	0.1
37	Folkhälsans Forskningsstiftelse - Kansanterveyden tutkimussäätiö	639,404	0.1
38	Nordea Finnish Passive Fund	632,441	0.1
39	Laakkonen Mikko Kalervo	608,000	0.1
40	Turret Oy Ab	605,000	0.1
41	Security Trading Oy	600,000	0.1
42	Op-Henkivakuutus Oy	567,733	0.1
43	Markkola Leena	559,500	0.1
44	Ella and Georg Ehrnrooth Foundation	553,161	0.1
45	Barry Staines Linoleum Oy	540,000	0.1
46	Anne-Marie Elisabeth Hammaren Vacenine C Aussin De Perceval	498,840	0.1
47	Seligson & Co Suomi Indeksirahasto (sijo Itusrahasto)	496,522	0.1
48	Nordea Premium Asset Management Balanced Fund	494,473	0.1
49	Von Fieandt Berndt Johan	488,146	0.1
50	Karlsson Anne Christine	480,000	0.1
Total		**224,664,767**	**37.97**

Changes in ownership

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings when crossing predefined thresholds.

During 2023, Wärtsilä received 62 notifications of change in holding pursuant to Chapter 9, section 5 of the Securities Markets Act, according to which the total number of holding in Wärtsilä's shares and voting rights owned by BlackRock, Inc. and its funds directly or through financial instruments had decreased below 5 per cent or increased above 5 per cent. All flagging notifications received by Wärtsilä during 2023 can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders/flaggings.

Authorisations granted to the Board of Directors

The Annual General Meeting, held on 9 March 2023, authorised the Board of Directors 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 3 March 2022 to issue shares.

The Board of Directors' dividend proposal

The Board of Directors proposed that a dividend of EUR 0.32 per share be paid for the financial year 2023. The dividend be paid in two instalments of EUR 0.16 each.

WÄRTSILÄ'S INVESTOR RELATIONS ACTIVITIES

Meetings and events

Wärtsilä's Investor Relations (IR) team, consisting of the Vice President for Investor Relations, Investor Relations Senior Manager, and Junior Investor Relations Specialist, together with the CEO and CFO, hosted more than hundred individual and group meetings with investors during the year 2023.

The team maintained regular contact with equity research analysts throughout the year and organised roadshows and participated in conferences in the UK, USA, Netherlands, Sweden, Germany, Norway, and France. The team also participated in several events targeted for private investors, including virtual investor week organised by Inderes.

During 2023, quarterly "CEO strategy" and "pre-silent" calls were organised together with the CEO and CFO. The purpose of these calls was to democratise investor relations, share information equally, provide an opportunity to ask questions from top management and provide equal access to management. The quarterly calls were equally open for everyone who are interested in Wärtsilä as an investment, including the private investors. The calls gathered ~70 participants on average. The recordings along with a written summary of the calls were shared on Wärtsilä's IR website afterwards.

In addition to quarterly calls, Wärtsilä IR also organized special theme calls throughout the year.

A virtual service theme call was held in June, with ~80 participants. On the service theme call Arjen Berends, the CFO, Roger Holm, the President of Marine Power, and Markus Ljungkvist, the Vice President of Energy Services presented topical aspects regarding service business in Wärtsilä.

Following the theme call, a site visit to Schiedam, Netherlands was organized for the investors, to further demonstrate the service operations of Wärtsilä.

On September, virtual R&D theme call was organized, with ~70 participants. On the R&D theme call Juha Kytölä, the Director of R&D and Engineering, introduced the latest R&D innovations.

Recordings and written summaries of both events were shared on Wärtsilä's IR website.

Investor Relations also produced an internal IR report twice a quarter with the aim to share market feedback for Wärtsilä's board, management and personnel.



Capital Markets Day

Wärtsilä organized a Capital Markets Day on 9th November 2023. Wärtsilä provided information on the company's business environment, the strategic themes of Transform and Perform, and the roadmap to reach reconfirmed financial targets, with presentations from the President and CEO Håkan Agnevall, CFO Arjen Berends, Marine Power President Roger Holm, and Energy President Anders Lindberg. The event was held both virtually via webcast, and on-premises at the Helsinki Head Office. The number of guests at the Helsinki Head Office was 33, and via webcast 548.

Contacts

Relations with the company's investors and analysts are handled by Hanna-Maria Heikkinen, Vice President, Investor Relations, together with the Investor Relations team. General enquiries can be sent to investor.relations@wartsila.com. Janine Tourneur, Executive Assistant takes care of all investor meeting requests.

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Wärtsilä's corporate communications are the responsibility of Saara Tahvanainen, Executive Vice President, Communications and Marketing.

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WÄRTSILÄ'S INVESTOR RELATIONS GUIDELINES

The ultimate objective of Wärtsilä's Investor Relations is to produce accurate, sufficient, and up-to-date information regarding the development of Wärtsilä's business operations, strategy, markets, and financial position. This is to ensure that the capital markets have the relevant information concerning Wärtsilä in order to determine the fair value of the company's shares. To achieve this objective, Wärtsilä publishes annually two interim reports, a half-year financial report, a financial statements bulletin, an annual report, and stock exchange releases. Furthermore, Wärtsilä's management conducts regular discussions with analysts and investors, both in Finland and abroad. Wärtsilä's website serves as an archive for all relevant data regarding Wärtsilä's shares.

Prospects

Guidance on Wärtsilä's prospects is published in the financial statements bulletin, in the half-year financial report, and in the interim reports. The most recently published prospect statement is repeated in the annual report. The prospect statement consists of expectations regarding demand development in Wärtsilä's markets and is approved by the Board of Directors. Wärtsilä does not publish quarterly result forecasts. Should there be a change in business circumstances that could affect the prospects, Wärtsilä will publish the prospect changes in accordance with prevailing regulations.

Silent period

Wärtsilä observes a three-week silent period preceding the publication of its results to prevent the revealing of unpublished financial information. During this period, the company's representatives do not meet with investors or analysts or comment on its financial position.

Disclosure policy and financial communications

Wärtsilä discloses information on its targets, financial position, and business operations in an open, timely, truthful, and systematic manner so as to enable stakeholders to form a true and fair view of the company. Wärtsilä publishes stock exchange releases, press releases, and trade press releases. Wärtsilä's subsidiaries publish press releases with local relevance.

Matters that contain inside information and may have a material impact on the value of the company's financial instruments are published as stock exchange releases. Press releases contain information on events relating to Wärtsilä's normal business operations, which are assessed to be of general interest for investors and media. Releases to the trade press provide more detailed information on Wärtsilä's products and technologies. All stock exchange releases are published in Finnish and English. Press releases are published in English and can also be published in Finnish. Trade press releases are published in English, and local releases in the local language. All releases are available on Wärtsilä's website immediately following publication.

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Wärtsilä Corporation will take place on Thursday, 7 March 2024, at 3 p.m., at Messukeskus, Messuaukio 1, 00520 Helsinki, Finland (Messukeskus Siipi entrance).

Right to attend

Shareholders registered no later than 26 February 2024 in the company's list of shareholders maintained by Euroclear Finland Oy have the right to attend the Annual General Meeting.

Registration and advance voting

Shareholders wishing to attend the Annual General Meeting are required to inform the company thereof no later than 4 p.m. EET on 4 March 2024 either on the company's website www.wartsila.com/agm, by e-mail to agm@innovatics.fi, by regular mail to Innovatics Ltd, AGM/Wärtsilä, Ratamestarinkatu 13 A, 00520 Helsinki, Finland, or by phone +358 10 2818 909 from Monday to Friday at 9 a.m. – 12 noon and 1 – 4 p.m. EET.

Letters and e-mails informing of participation must reach the company before the notification period expires at 4 p.m. on 4 March 2024. Letters authorising a proxy to exercise a shareholder's voting right at the Annual General Meeting should also reach the company before the notification period expires.

PAYMENT OF DIVIDEND

The Board of Directors proposes that a dividend of EUR 0.32 per share shall be paid for the financial year 2023. The dividend shall be paid in two instalments.

The first instalment of EUR 0.16 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 11 March 2024. The payment day proposed by the Board for this instalment is 18 March 2024.

The second instalment of EUR 0.16 per share shall be paid in September 2024. The dividend record day of the second instalment shall be 11 September 2024, and the second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on such day. The Board proposes the second instalment is paid on 18 September 2024.

STOCK EXCHANGE RELEASES

Wärtsilä's stock exchange releases are available in English and Finnish on Wärtsilä's website at www.wartsila.com/media/news-releases.

FINANCIAL CALENDAR 2024

Annual Report 2023 on Tuesday, 14 February 2024.

Interim Report January-March 2024 on Friday, 26 April 2024.

Half-year Financial Report January-June 2024 on Friday, 19 July 2024.

Interim Report January-September 2024 on Tuesday, 29 October 2024.

Financial Statements Bulletin January-December 2024 on Wednesday, 5 February 2025.

Annual reports, interim reports, half-year reports, and financial statements bulletins are available in English and Finnish on Wärtsilä's website at www.wartsila.com. Wärtsilä's financial calendar can be found on the company's investor pages on www.wartsila.com/investors.

Contact us

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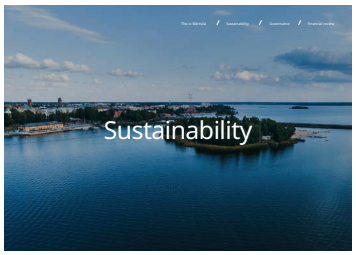
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Wärtsilä Annual Report 2023



This is Wärtsilä



Sustainability



Governance



Financial review

WÄRTSILÄ

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.