Wärtsilä Corporation

Annual Report 2024

Shaping the decarbonisation
of marine and energy

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 their environmental and economic performance. Our dedicated and passionate team of 18,300 professionals in more than 230 locations in 77 countries is shaping the decarbonisation of our industries across the globe. www.wartsila.com

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

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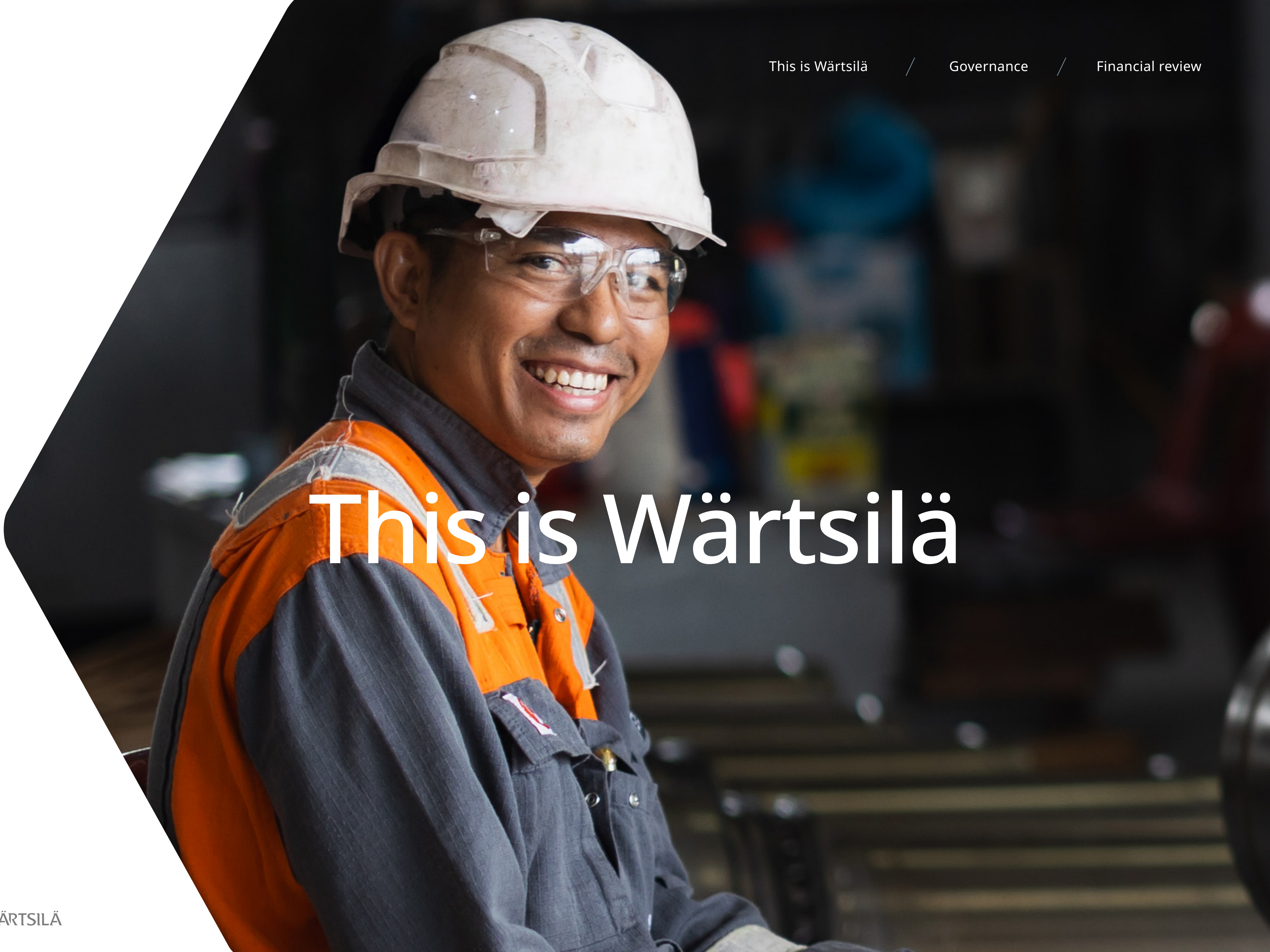
This is Wärtsilä

Governance

Financial review



This is Wärtsilä

Wärtsilä is playing a significant role in the decarbonisation transformation

Marine

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

Energy

Intermittent sources of energy require balancing solutions. Electricity generation would need to grow by almost 3x, and renewables by 8x to reach Net Zero targets by 2050.

Purpose

Enabling sustainable societies through innovation in technology and services

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 power plants and battery energy storage systems
- Power system modelling & optimisation
- Decarbonisation services
- The broadest service network for marine and energy industries
- Digital solutions enabling optimised operations and service

Committed to targets

Financial targets

- 5% annual organic growth
- 12% operating margin
- <0.50 gearing
- ≥50% dividend of earnings

Set for 30 – decarbonisation targets by 2030

- A product portfolio ready for zero carbon fuels
- Carbon neutral in our own operations
- 25% reduction of direct suppliers´ GHG emissions*

*Detailed target, scope, and coverage can be found in the Sustainability at Wärtsilä section.

2024 in brief

Key figures

The year 2024 was a year of all-time highs regarding order intake, absolute operating result, and cash flow. In 2024, order intake increased by 14% to EUR 8,072 million (7,070). Net sales increased by 7% to EUR 6,449 million (6,015), of which 53% was related to services. The operating result amounted to EUR 716 million (402) or 11.1% of net sales (6.7). The comparable operating result increased by 39% to EUR 694 million (497), which represents 10.8% of net sales (8.3). The Board of Directors proposes that a dividend of EUR 0.44 per share be paid for the financial year 2024. The corporate total recordable injury frequency rate (TRIF) was 2.20 (2.62).

Order intake

8,072 MEUR

Cash flow from operating activities

1,208 MEUR

Total recordable injury frequency rate (TRIF)

2.20

Net sales

6,449 MEUR

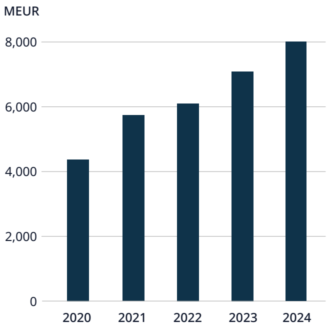
Service sales of total

53%

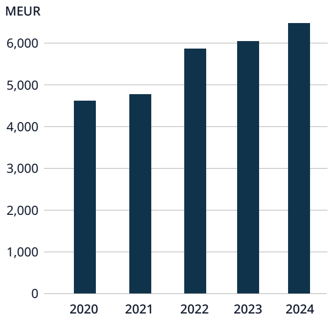
Comparable operating result

694 MEUR

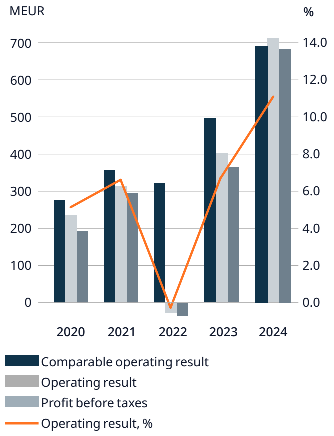
Order intake



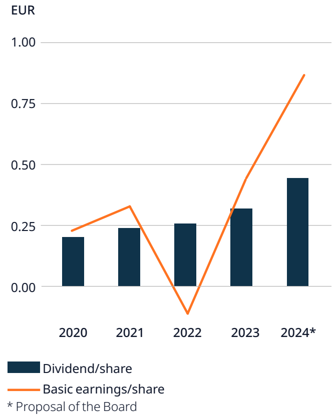
Group net sales development



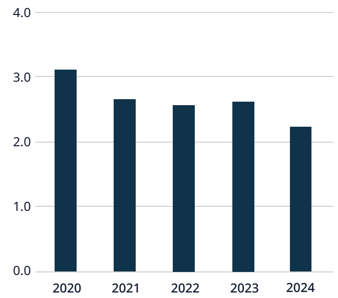
Result

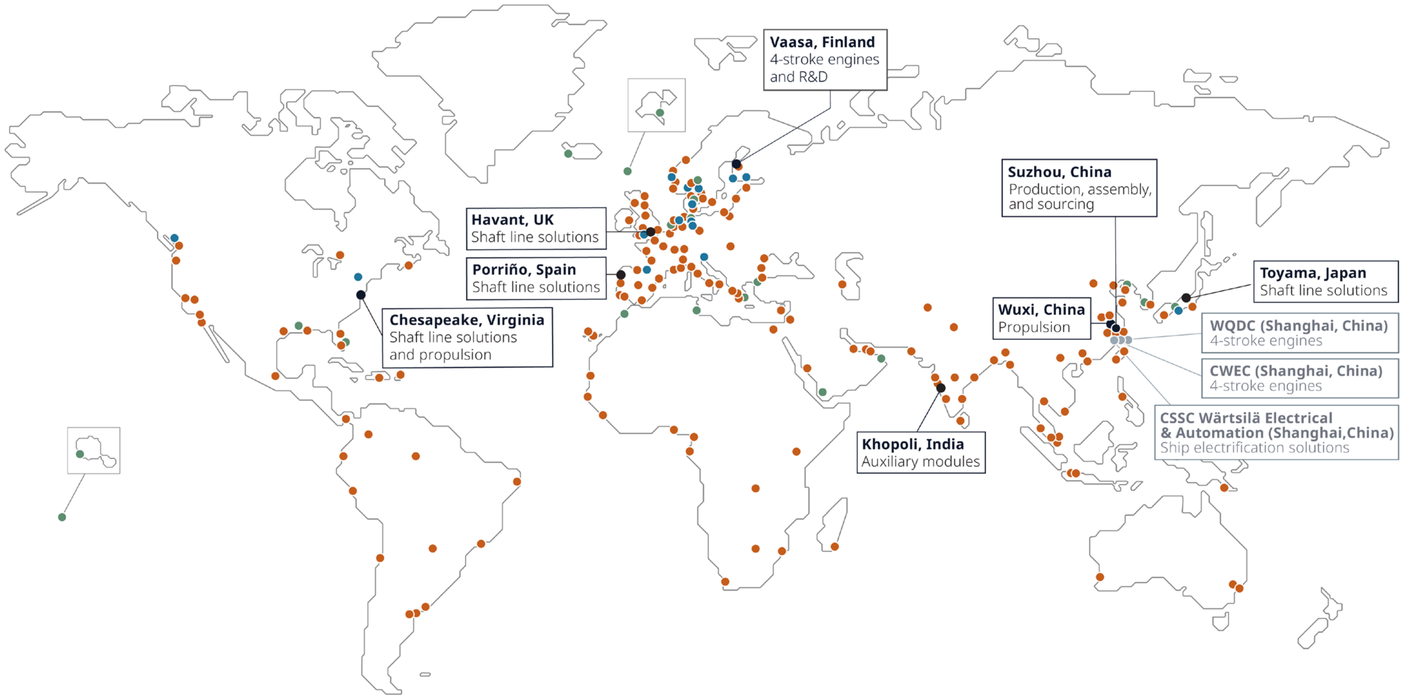


Dividend/share, earnings/share



Total recordable injury frequency rate (TRIF)





Net sales, geographical

The geographical breakdown of our net sales highlights Wärtsilä's global position.

Personnel

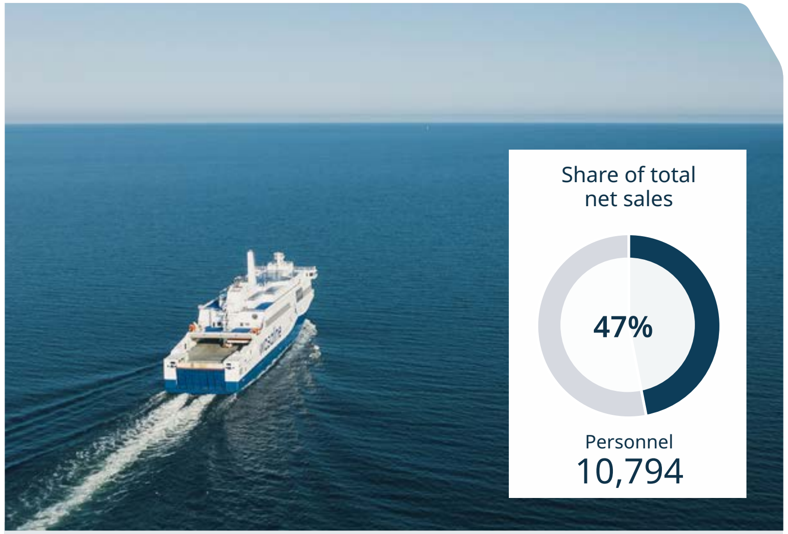
18,300

Operations

in more than 230 locations

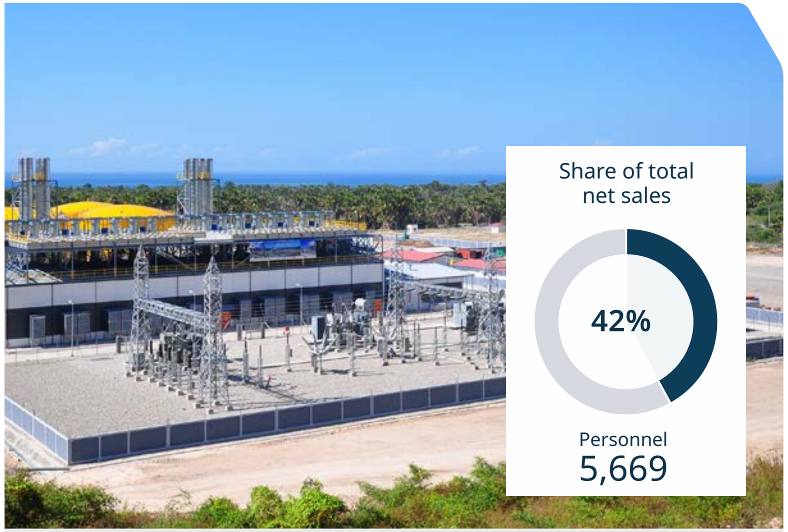
in 77 countries

Businesses in brief



Wärtsilä Marine

Wärtsilä Marine 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 an end-to-end digital ecosystem where all vessels and ports are connected. Ultimately, Wärtsilä Marine is driving the shipping industry forward on its journey towards a decarbonised and sustainable future through our broad portfolio of engines, propulsion systems, hybrid technology, exhaust treatment, shaft line solutions, and digital technologies, as well as integrated powertrain systems. Our offering, which is underpinned by our performance-based agreements, upgrades, lifecycle solutions, decarbonisation services, as well as an unrivalled global network of maritime expertise, delivers the efficiency, reliability, safety, and environmental performance needed to support a safe and sustainable future for our customers, our communities, and our planet.



Wärtsilä Energy

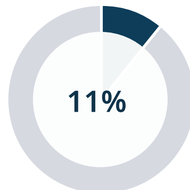
Wärtsilä Energy is at the forefront of the transition towards a 100% renewable energy future. We help our customers and the power sector to accelerate their decarbonisation journeys through our market-leading technologies and power system expertise. Our solutions include flexible engine power plants, energy storage and optimisation technology, and services for the whole lifecycle of our installations. Our engines are future-proof and can run on sustainable fuels. Our track record comprises of 79 GW delivered power plant capacity and over 130 energy storage systems in 180 countries around the world. Over 30% of our operating installed base is under service agreements.

Wärtsilä Portfolio Business

Wärtsilä Portfolio Business units are run independently to accelerate performance improvement and unlock value through divestments or other strategic alternatives. Currently Portfolio Business includes Automation, Navigation & Control Systems (ANCS), Gas Solutions, Marine Electrical Systems, and Water & Waste.

Wärtsilä has agreed to divest its ANCS business to Solix Group AB. Subject to approvals, the transaction is expected to be completed in the second quarter of 2025.

Share of total net sales



Personnel
1,875

CEO review

In 2024, Wärtsilä made strong progress towards our targets and we developed positively in many ways. We achieved all-time highs in order intake, absolute operating income, and cash flow from operating activities. During the year we significantly enhanced the profitability of all businesses, and our order book is at a record level.

We will gain further momentum going forward from the enhanced quality of our order book and a higher proportion of equipment orders to turnkey projects. We will also benefit from the positive impacts of structural changes and operational improvements. Our strategy, the Wärtsilä Way, is yielding results and we have a clear path to our 12% operating margin target over the coming few years.

We are strengthening Wärtsilä by focusing on our profitable core businesses, which are well-placed to capture the many opportunities offered by the decarbonisation transformation. In the last year we reinforced our position as a leader in innovation with a number of world firsts, which are landmarks on the journey to net zero. These included our launch of the first large-scale, 100% hydrogen-ready engine power plant concept. We also announced a deal to supply our pioneering engine technology for what is due to become the world's first ammonia-fuelled in-service supply vessel. Services made up 53% of our sales and continue to be a major driver for customer satisfaction and profitable growth. We saw good success in moving our customers up the service value ladder, and the renewal rate of our service agreements is more than 90%, which is a proof point of the value that our lifecycle agreements are creating for customers.

Wärtsilä is 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. We are already the market leader in some of the major technologies that are needed for a sustainable future.

Increasing focus on decarbonisation

The market environment for our businesses remained relatively stable throughout 2024. However, as the year progressed, geopolitical tensions clearly increased, introducing uncertainty to the macroeconomic outlook due to heightened risks of protectionism and trade policy uncertainty. Despite these challenges, our customers in the marine and energy industries remained increasingly focused on decarbonisation.

On the marine side, a major driver of decarbonisation has been the IMO's tightening in 2023 of targets to reduce greenhouse gases (GHG) from ships to net zero by or around 2050. Meanwhile, at the start of 2024 marine emissions from large vessels were brought under the scope of the European Union's carbon trading system.

In the marine market, the regulatory drive towards decarbonisation, along with the growth in global trade volumes and a shift in trade flows resulted in a significant boost to demand for ship capacity in 2024, supporting the demand for both newbuilds and service. The market sentiment was positive, with robust momentum in key customer segments for new vessels, while decarbonisation-related retrofits and longer trade routes supported the demand for services. Investments in new ships were clearly above the levels seen in 2023, and we saw a healthy pickup in interest towards alternative fuels, which now accounted for 49% of the capacity of contracted vessels.

In the energy market, the transition towards renewables continued to advance. Wind and solar are expected to post record installations in 2024 and 2025, driven not only by climate concerns but also by affordability. The demand for balancing technologies is closely linked to the increasing share of intermittent renewables in the energy system. Renewable-led power systems require flexibility in various forms: balancing power plants, alongside battery energy storage, are critical to reaching global climate goals. In 2024 both thermal balancing and battery energy storage experienced their highest levels of market activity to date.

> "We took great steps forward in capturing the opportunities offered by the decarbonisation transition, strengthening our position as a leader in innovation with a number of world firsts."

Our expert modelling of power systems supports our customers in finding optimal paths to a decarbonised energy future. In December we released our global power modelling report *Crossroads to Net Zero*, which shows that the effectiveness of renewables can be maximised if supported by flexible power plants, with potential cost savings of EUR 65 trillion worldwide by 2050 for energy providers.

Creating customer value in Marine and Energy

Wärtsilä has the industry's most comprehensive offering for decarbonisation, focusing on fuel flexibility, efficiency optimisation, emission-abatement technologies and digital services. 2050 is the lifespan of a single vessel or power plant away, while technology decisions for new vessels are being made now.

In 2024, Wärtsilä's R&D expenditure again represented around 4.6% of net sales. We are well on track towards our target to provide a product portfolio ready for zero-carbon fuels by 2030.

In addition to LNG and methanol, ammonia has emerged as a promising alternative fuel as the shipping industry looks for more sustainable options. In August, Wärtsilä announced a landmark deal with Eidesvik to supply the equipment for the conversion of an offshore platform supply vessel to operate with ammonia fuel. The vessel, 'Viking Energy', is set to become the world's first ammonia-fuelled in-service ship in 2026.

Wärtsilä is a market leader in ship electrification, hybrid solutions, and digital offerings related to marine optimisation. In May, we announced that we will supply the electrical systems needed to convert two Scandlines ferries to a plug-in hybrid solution, the largest conversion project of its kind worldwide.

In a first for the marine industry, we announced in September a deal to convert one engine on six of Chevron's LNG carriers from dual-fuel (DF) to spark gas (SG) operation. The conversions are aimed at reducing greenhouse gas emissions by lowering methane slip. After a successful pilot in 2024, we are preparing for a commercial release of carbon capture and storage (CCS) in 2025. Our CCS-ready scrubbers are already available today. Total investments in Marine retrofits, including CCS solutions, are estimated to be EUR 15–20 billion over the next decade.

In the energy industry, the intermittency of renewables is driving an increasing need for balancing power, and the grid-balancing capabilities of Wärtsilä's engines ensure that customers can maintain a consistent and reliable energy supply while progressing towards decarbonisation. The growth in renewable energy deployments has resulted in improved demand for engine power plants compared to 2023, with good activity especially in the US. In September, we announced a contract to deliver four Wärtsilä 50SG engines to a new power plant for the Kentucky Municipal Energy Agency (KYMEA).

We also announced a deal to supply Aqualectra, the government-owned utilities company of the Caribbean Island of Curaçao, with a 25 MW / 25 MWh Battery Energy Storage System and a new 38 MW power plant, representing an important step towards a sustainable energy future for the island.

It is crucial for our customers that the solutions we sell are fuel-flexible, ready to run on sustainable fuels once they become readily available. In June, Wärtsilä reached a significant milestone by launching the world's first large-scale 100% hydrogen-ready engine power plant concept. This solution can use natural gas today to provide flexibility and balancing, and can be converted to run on hydrogen, thereby future-proofing the journey to net zero.

In May, we signed a cooperation agreement to deliver on-site power generation for AVK, the largest and fastest-growing supplier of power solutions for data centres in Europe. The segment has the potential to become an exciting opportunity in future as the rapid growth of artificial intelligence (AI) continues to have a sizeable impact on global electricity demand.

Significant services growth opportunities

Wärtsilä's industry-leading service network is a key enabler for maximum uptime, reliability, and total lifecycle solutions, all of which ensure customer success. Wärtsilä has significant growth opportunities at 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. By combining AI and data analytics with our product knowhow, we can support customers in improving performance while also improving our own service operations. Among our 2024 highlights was the signing of a five-year lifecycle agreement with Royal Caribbean Group covering 37 cruise ships. The industry-leading performance-based model means that gains resulting from best operation and maintenance practices will be shared between Royal Caribbean Group and Wärtsilä. Meanwhile Wärtsilä renewed and expanded our existing operations and maintenance (O&M) agreement with QIT Madagascar Minerals S.A to include a decarbonisation agreement. This groundbreaking offering in the energy sector allows for the optimisation of all assets in the microgrid, bringing notable cost savings alongside emissions reductions.

Clear progress towards our financial targets

We made clear progress towards our financial targets of 5% organic growth annually and a 12% operating margin. In 2024, Wärtsilä's order intake grew organically by 17%. Service order intake increased, primarily driven by growth in Marine. Equipment order intake increased, supported by higher activity in all businesses. Net sales increased organically by 9%, with clear growth in both service and equipment in all businesses. The comparable operating result increased by 39% to EUR 694 million, which represents 10.8% of net sales. Comparable operating result increased in all businesses. Gearing amounted to -0.31, against our target of <0.50. Cash flow from operating activities ended strong and totalled EUR 1,208 million in 2024, supported by a better result and improved working capital.

With the strategy that we have in place, and the positive development that we are seeing in service growth and the decarbonisation transformation, we consider our operating margin target achievable over a few years.

Actively managing our business portfolio is key to our goal of becoming a more focused and profitable company. In December, we announced the agreement to divest our Automation, Navigation and Control System (ANCS) business. Subject to approvals, the transaction is expected to be completed in the second quarter of 2025. The strategic review of Energy Storage & Optimisation, announced in October 2023, is still ongoing. All potential alternatives are being considered in order to accelerate its profitable growth in a way that benefits customers and employees and creates value for Wärtsilä shareholders. We have not set a timetable for the completion of the strategic review, as we want to ensure a thorough evaluation. We continue to develop and invest in the Energy Storage & Optimisation business during the strategic review, and we remain fully committed to serving our customers.

In 2024, as part of our continuous focus on competitiveness and operational efficiency, we concluded the transfer of Wärtsilä's manufacturing site in Trieste, Italy, including 255 employees, to shipping company MSC. This is in line with our plan, announced in July 2022, to centralise our European 4-stroke engine manufacturing in Vaasa, Finland. Trieste remains an important site for Wärtsilä with R&D, sales and other expert teams serving our customers in Italy and worldwide.

> Wärtsilä can make a difference to the world, and we can secure our financial performance and deliver attractive long-term shareholder value."

Recognition as a sustainability leader

Wärtsilä's target position of shaping the decarbonisation of marine and energy is supported by our 'Set for 30' commitment. As highlighted, we took important steps in 2024 towards our target to provide a product portfolio ready for zero-carbon fuels by 2030. We are also committed to becoming carbon neutral in our own operations by the same year. In 2024, Wärtsilä included a new target under its Set for 30 programme, namely that our suppliers' GHG emissions should be reduced by 25% by 2030 compared to the 2024 baseline. Baseline data is being collected and the target assessment methodology is under development.

Thanks to concrete steps to minimise our environmental footprint, our GHG emissions decreased by 50% (50,163 tCO_2e) compared to the baseline, which is aligned with our carbon neutrality pathway. Our efforts in 2024 focused on low and medium-cost measures, such as continuing to purchase green electricity, with over 60% of our total electricity consumption in 2024 coming from renewable sources. We also took low-emission company vehicles into use and actively managed our R&D and factory engine testing. We also made use of self-generated energy, with 2,200 MWh of power produced from solar panels installed at our sites in 2024.

We are proud that this year we were ranked among the most sustainable companies worldwide and in Europe by the Financial Times and TIME magazine. In December, Wärtsilä was included as an index component of the Dow Jones Sustainability Index Europe for the ninth consecutive year.

The health and safety of our personnel is key to our success at Wärtsilä and we are committed to our long-term goal of achieving zero lost-time injuries. In 2024, we made good progress, with reductions in the total recordable injury frequency (TRIF) from 2.62 down to 2.20. We strengthened our safety culture with a series of 'Zero Mindset' initiatives, training sessions and tools, while the theme of October's Safety Day was 'Mind Your Head', focusing on of both physical and mental wellbeing.

Our diverse representation of nationalities and cultures strengthens our competitive edge and our innovation, thanks to a wider variety of perspectives. Currently, our 18,300 employees represent approximately 128 nationalities in 77 countries.

In 2024, we carried out our two-yearly employee engagement survey, MyVoice. Our response rate of 88% scores very favourably against international benchmarks, and the results indicate that our employees take great pride in working for a company committed to making a positive impact on the world. 90% stated their work at Wärtsilä meets or exceeds their expectations, 88% feel respected at work, and nearly as many feel they can bring their authentic selves to the workplace. These outcomes show we are making good progress in having the right professionals with the right competencies and motivation, and in establishing Wärtsilä as an employer of choice with a strong culture.

We are on a journey to develop Wärtsilä Continuous Improvement (WCI) as an important driver of customer focus and competitiveness. In 2024, we set up the governance for the framework and began promoting learning and experimentation across the organisation. Numerous continuous improvement initiatives are already in progress, from automating invoicing documentation to streamlining processes within teams. Outcomes have included better customer service, reduced errors, and significantly lower claim resolution times.

In 2024, we celebrated Wärtsilä's 190-year anniversary. From our humble beginnings as a village sawmill in eastern Finland, we are now making an important contribution to the world's decarbonisation transition. During these two centuries, our company has repeatedly transformed itself and shaped the industries we have operated in, underpinned at all times by two elements: our focus on innovation and our commitment to our customers. Our progress today shows that these principles are still very much thriving.

Wärtsilä can make a difference to the world, and we can secure our financial performance and deliver attractive long-term shareholder value. I would like to extend my sincere gratitude to our customers and partners, our engaged and committed Wärtsilä team, and our shareholders for your trust in Wärtsilä's future success. I look forward to continuing on this exciting journey together.

Håkan Agnevall,
President & CEO

Strategy

Market fundamentals

Accelerated decarbonisation targets are shaping the marine industry

POLICIES AND REGULATIONS

- IMO[1] target: to reach net zero greenhouse gas 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: a growing market driven by corporate carbon reduction pledges

TECHNOLOGY

- Focus on carbon-neutral and zero-carbon fuels. The switch to these 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

- Optimisation solutions based on a holistic view of the entire transport system
- Performance-based service agreements with a focus on uptime, reliability, and fuel efficiency
- Vessels are data pools, and are becoming increasingly complex
- Cyber security growing in importance

1) International Maritime Organization

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
- Countries with net zero targets cover 88% of global emissions

TECHNOLOGY

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

GROWING ENERGY DEMAND

- Electricity generation would need to grow by almost 3x, and renewables by 8x to reach Net Zero targets by 2050 (Source: IEA World Energy Outlook 2024)
- Renewables-based electricity generation is expected to overtake coal-fired production in 2025 (Source: IEA Renewables 2024 report)
- Power systems becoming increasingly complex with different types of generation assets

The Wärtsilä Way strategy

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, its 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, developing people and teams, and challenging and supporting change.

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

Our values

Wärtsilä's values guide our priorities and decision-making in everyday situations. These values are about how we interact, and what behaviours we wish to role model when collaborating with others.

Customer success

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

Passion

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

Performance

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

Our purpose

"Enabling sustainable societies through

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

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

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

innovation in technology and services"

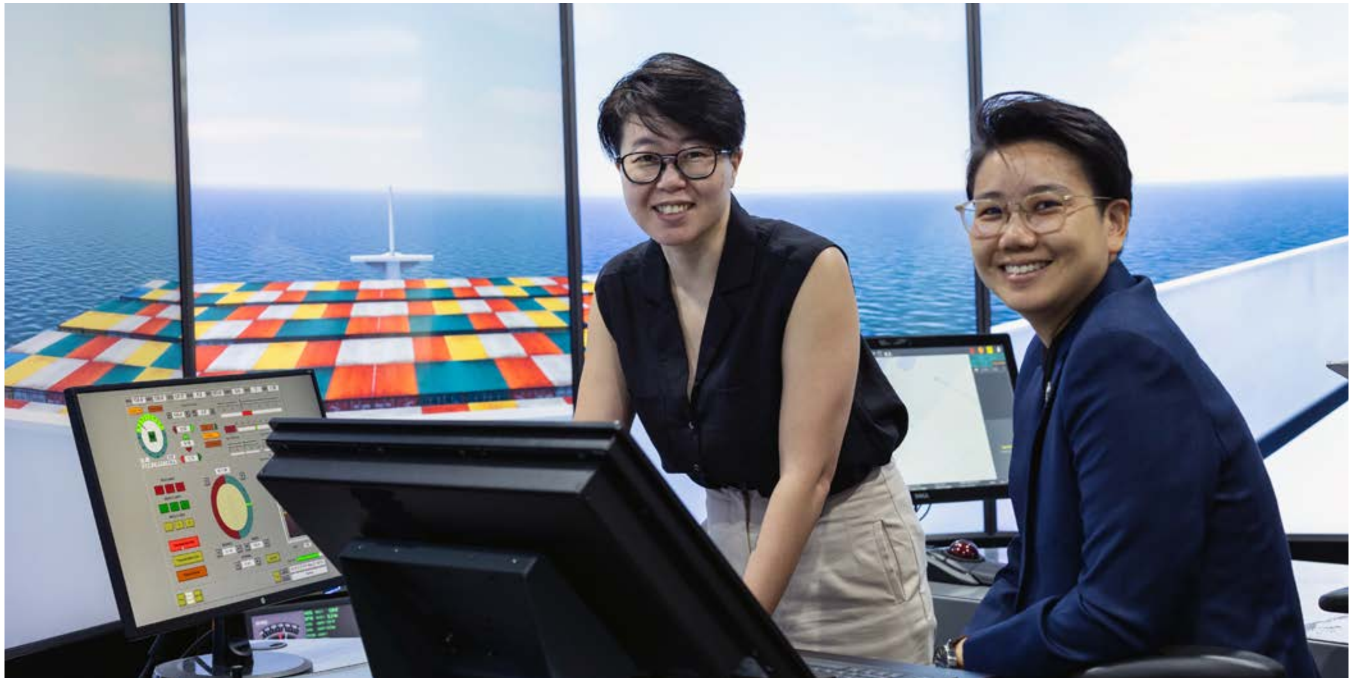
We believe in challenging the status quo. We believe in implementing ideas that result in new solutions and new ways of working.

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

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

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 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

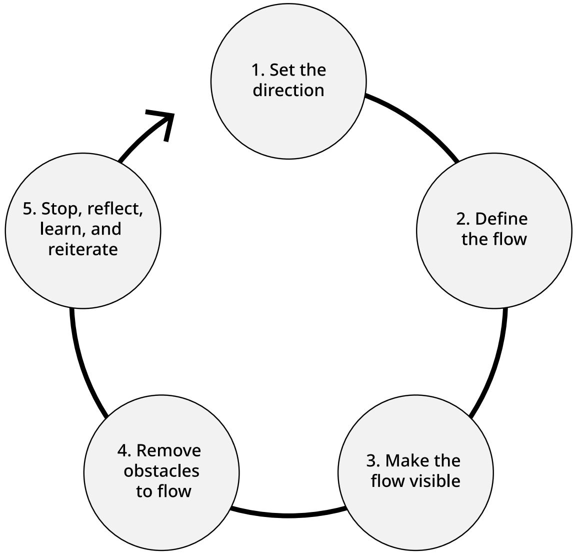
Our framework for continuous improvement

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 on how to think when addressing challenges. We use our methods and tools to create results in our daily business.

Continuous improvement principles



A year on the journey of Continuous Improvement

In 2024, we set up the governance for the Wärtsilä Continuous Improvement (WCI) framework and started actively promoting learning and experimentation through a WCI eLearning and self-assessment platform. By the end of 2024, approximately 50% of Wärtsilä employees had completed the Foundation training.

Numerous continuous improvement initiatives are already in progress and the WCI thinking has proven to be relevant throughout our organisation. We have experienced significant reductions in lead times and improvements in flow efficiency. For example, we promoted better customer service by automating invoicing documentation, reducing errors, and boosting efficiency through actions taken by our Parts and Field Service team in Marine. This has positively affected how our travelling representatives and workshop teams operate. Also, average claim resolution times have been cut by 55%, thanks to actions by our Global Logistics Services and Supply Management team. This improvement means faster and more effective service and solutions for our customers.

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 enabled by numerous new technologies and sustainable fuels. Wärtsilä is set for performance and is well-positioned to drive this transformation.

By 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

Wärtsilä's evolution in the 2000's

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 this 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 more than 20% annually[2].

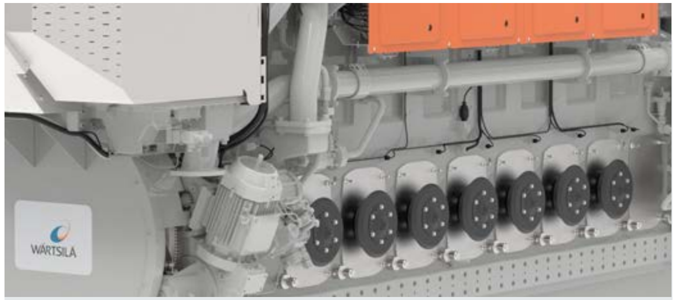
As a technology leader in the decarbonisation transformation, Wärtsilä has significant value creation potential. The company is the frontrunner in developing engines that can run on carbon-neutral and zero-carbon fuels, such as biofuels, methanol, ammonia, and hydrogen. At the same time, Wärtsilä delivers flexible solutions that maximise energy efficiency while 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 ship 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 2024

2) Source: Wärtsilä analysis

Leading the decarbonisation transformation in 2024



1 Newly introduced NextDF technology for Wärtsilä 25DF engine delivers ultra-low methane emissions

Read more

©Peter Tubaas_Vestland Media

2 A landmark deal between Wärtsilä and Eidesvik Offshore pioneers growing demand for ammonia in shipping

Read more

3 Wärtsilä launches world's first large-scale 100% hydrogen-ready engine power plant concept

Read more

4 Wärtsilä's decarbonisation efforts gain global recognition from TIME magazine and the Financial Times

Read more here and here

Perform

A clear path for operational improvements and increased profitability

Wärtsilä is on a clear path for operational improvements and increased profitability. The growth is driven by opportunities in decarbonisation and services, complemented by potential partnerships and synergistic bolt-on acquisitions.

The existing installed base provides a strong foundation for service 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 lifecycle 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 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 to attract and retain the best talent, which we further nurture and develop.

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

Market leader in several key decarbonisation technologies

Financial targets:
• 5% annual organic growth
• 12% operating margin
• Gearing <0.50
• Distribute a dividend of at least 50% 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
• 25% reduction of direct suppliers' GHG emissions 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 lifecycle agreements

Focus on:
• High performing teams
• Performance excellence and robust execution
• Continuous improvement
• Cost structure – actions taken whenever and wherever necessary

Strategic priorities

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

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

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

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

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

Company targets

NET SALES
Target
5% annual organic growth

Development
In 2024, organic net sales growth was 9%.

PROFITABILITY
Target
12% operating margin

Development
In 2024, the operating result amounted to EUR 716 million, which represents 11.1% of net sales.

DIVIDEND
Target
At least 50% of earnings

Development
The Board of Directors proposes that a dividend of EUR 0.44 per share be paid for the financial year 2024.

SET FOR 30 DECARBONISATION TARGETS

- A product portfolio ready for zero-carbon fuels by 2030
- Carbon neutral in our own operations by 2030
- 25% reduction of direct suppliers' GHG emissions by 2030

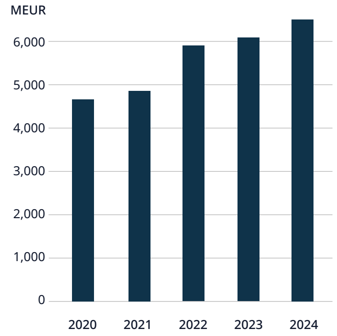
Read more in the Sustainability at Wärtsilä section.

CAPITAL STRUCTURE
Target
Gearing below 0.50

Development
In 2024, gearing was -0.31.

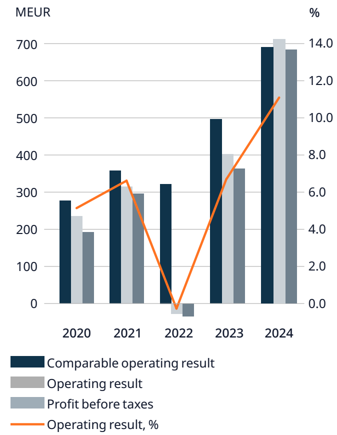
> We can make a difference to the world, and we can secure our financial performance and deliver attractive long-term shareholder value.

Net sales

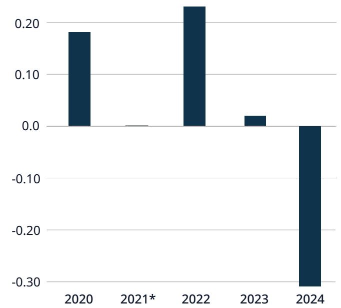


CAGR 2020–2024:
Wärtsilä's net sales +9% organically

Result

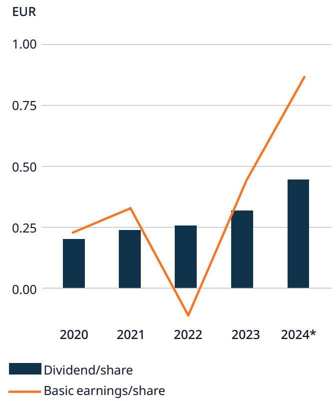


Gearing



* In 2021, gearing was 0.00

Dividend/share, earnings/share



* Proposal of the Board

Delivering customer value in marine

Decarbonisation is shaping the future of the marine industry, with the target of reaching net zero greenhouse gas 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, while the technology decisions for new vessels are being made now.

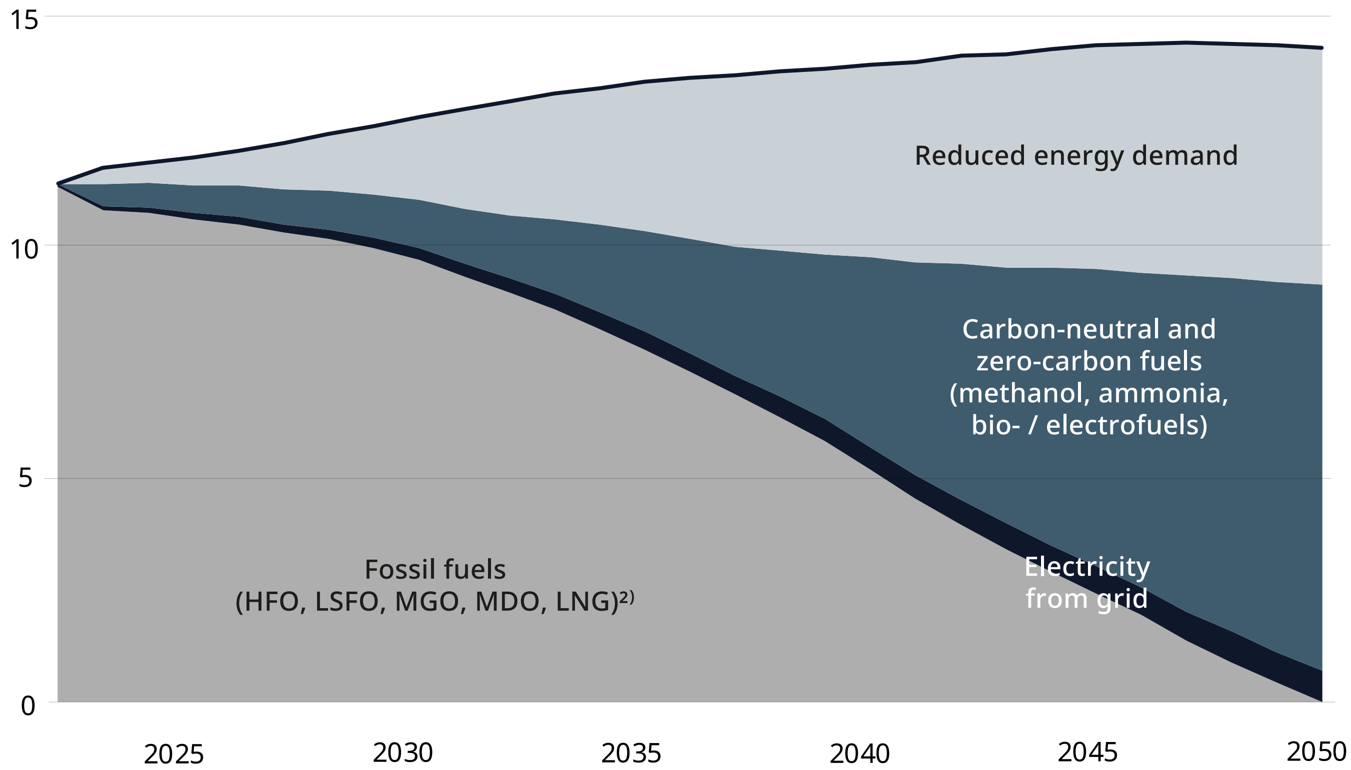
Wärtsilä is developing an unprecedented range of engine and fuel gas supply systems to help ship owners navigate the route to reduced greenhouse gas emissions – fuel flexibility and efficiency being at the centre of our development activities. With our multifuel technology, ranging from transition fuels 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 LNG, LPG, methanol, and ammonia. We are preparing for a commercial release of carbon capture and storage (CCS) in 2025. Our CCS-ready scrubbers are available already today.

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

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

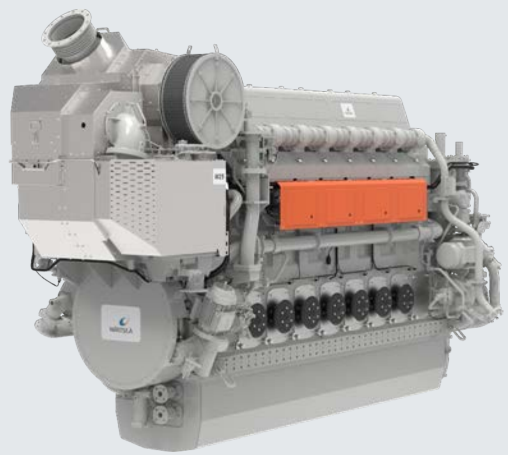
Total energy consumption, EJ



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)

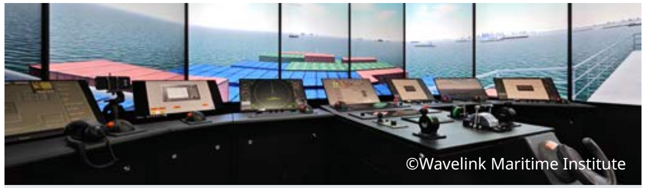
HIGHLIGHTS 2024 | Delivering customer value in marine

Significantly reducing methane emissions with NextDF
In 2024, Wärtsilä introduced an innovative NextDF feature for its 25DF dual-fuel engine. While operating on liquefied natural gas (LNG), the NextDF feature reduces methane emissions to less than two per cent of fuel use across all load points, achieving as low as 1.1 per cent in a wide load range. The 25DF has already set an industry benchmark for low methane slip.



Wärtsilä has signed a contract with Norwegian shipowner Eidesvik to supply the equipment for the conversion of an offshore platform supply vessel to operate with ammonia fuel.

Read more



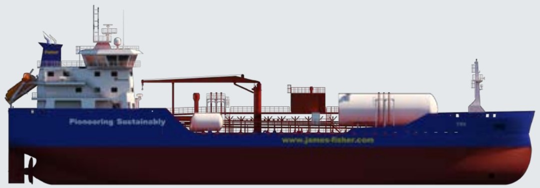
©Wavelink Maritime Institute

Upskilling for sustainable fuels in Singapore

As a continuation of long-term collaboration, Wärtsilä supplied Singapore's Wavelink Maritime Institute with its new dual-fuel engine simulator technology, designed to train seafarers in the latest efficiency concepts and prepare them for operating with the next generation of marine fuels.

Lowering emissions with minimal service disruption

Wärtsilä supplies the engines, fuel gas supply system, and thrusters for two new Ropax ferries for La Méridionale, a subsidiary of CMA CGM. Ferries are on the front line of the energy transition and among the first sectors to target net zero carbon operations. Ferry operators face increasing pressure to decarbonise, while maintaining a fast and cost-efficient service. These vessels have been specifically designed to minimise emissions while also offering minimal service disruption.



©James Fisher

Supporting decarbonisation for James Fisher tankers

Wärtsilä supplies a fully integrated mechanical drive propulsion package for new 6000 dwt LNG-fuelled tankers for British James Fisher Everard Ltd, supporting the decarbonisation of the fleet with improved fuel economy, lower emissions, and flexibility in fuelling choices.

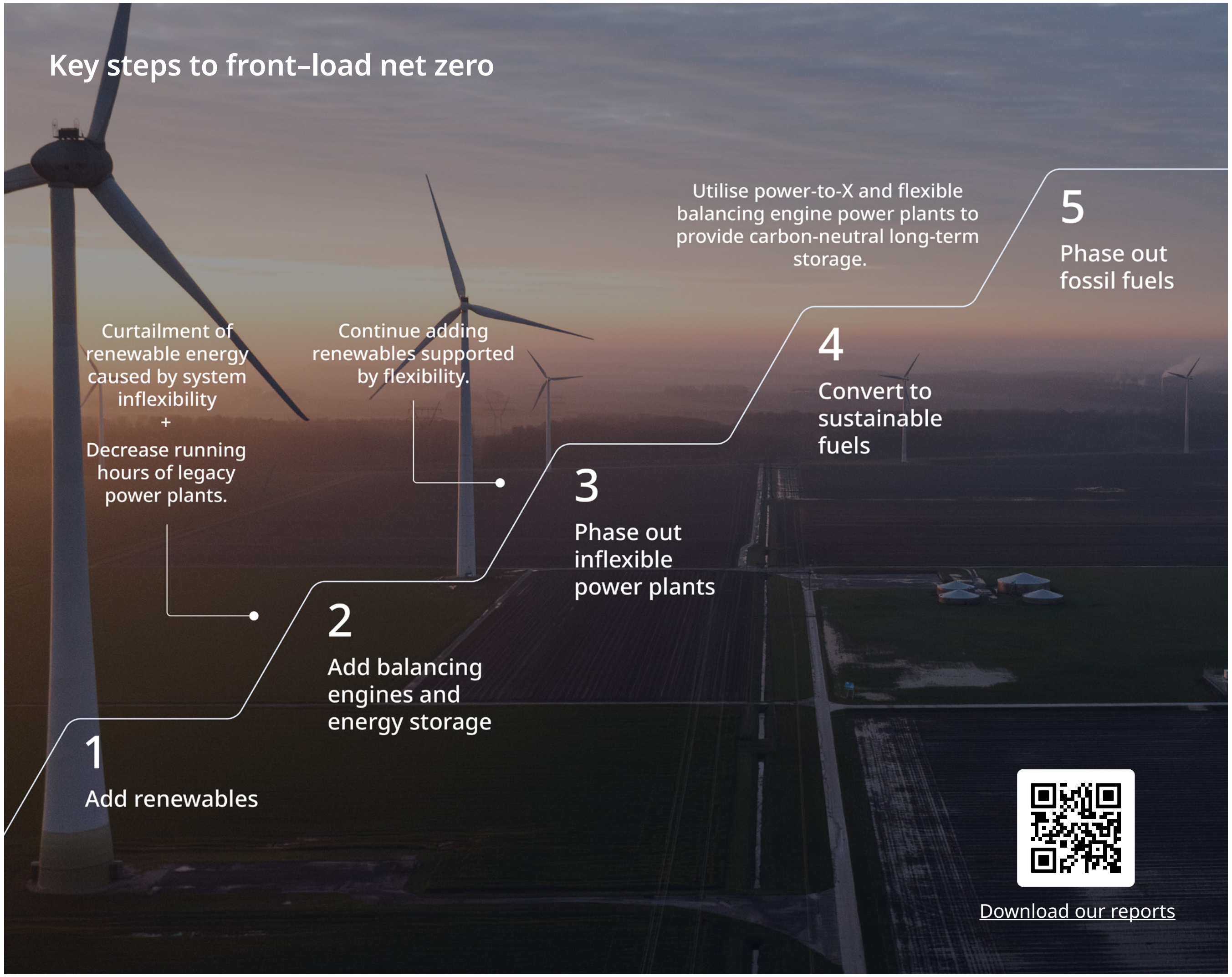
Delivering customer value in energy

Wärtsilä offers flexible engine power plant and energy storage solutions, providing both balancing power and baseload generation, and lifecycle services to enable an optimised transition to renewable energy systems. Due to the intermittency of wind and solar power, the transition to a 100% renewable energy future requires balancing solutions. Our market-leading technologies enable the safe addition of an increasing share of renewables to power systems 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, such as engines and energy storage, complement each other and can quickly react to 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. In 2024, we launched the world's first large-scale 100% hydrogen-ready engine power plant concept.

As the share of renewables in the energy mix grows, more balancing power is needed. Our 200+ 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 2024 | Delivering customer value in energy

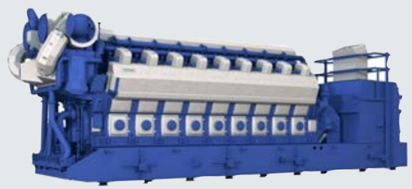
Wärtsilä supports Curaçao's decarbonisation efforts

Wärtsilä supplies Caribbean Island of Curaçao's utilities company Aqualectra with a 25 MW / 25 MWh Battery Energy Storage System and a 38 MW power plant. Delivery is on a full engineering, procurement and construction (EPC) basis. The partnership represents an important step towards a sustainable energy future for the island.


©Aqualectra

Wärtsilä and AVK-SEG signed a cooperation agreement to provide reliable and uninterrupted electricity supply for data centres, including on-site power generation.

Read more



Supporting renewable energy adoption in Kentucky

Wärtsilä supplies the engineering and equipment for a new power plant project in the USA for Kentucky Municipal Energy Agency (KYMEA). The plant will provide the grid balancing capabilities necessary to increase the share of electricity from renewable sources, while also protecting KYMEA's members from price volatility in electricity markets.

Wärtsilä brings Eraring battery capacity to 700 MW

Origin Energy selected Wärtsilä to deliver the second and third stages of the Eraring battery facility at Origin's Eraring Power Station in New South Wales, Australia. The deliveries will bring the facility's total capacity to 700 MW / 2 800 MWh, making it the largest battery project in the Southern Hemisphere and one of the largest in the world. The Eraring battery will connect to Australia's National Electricity Market, enhancing energy security and reliability in New South Wales as renewable energy supply increases. A critical aspect of the system is Wärtsilä's GEMS Digital Energy Platform, which monitors and controls the flow of energy, enabling Eraring to provide grid support during periods of instability.

Leading the WISE collaboration

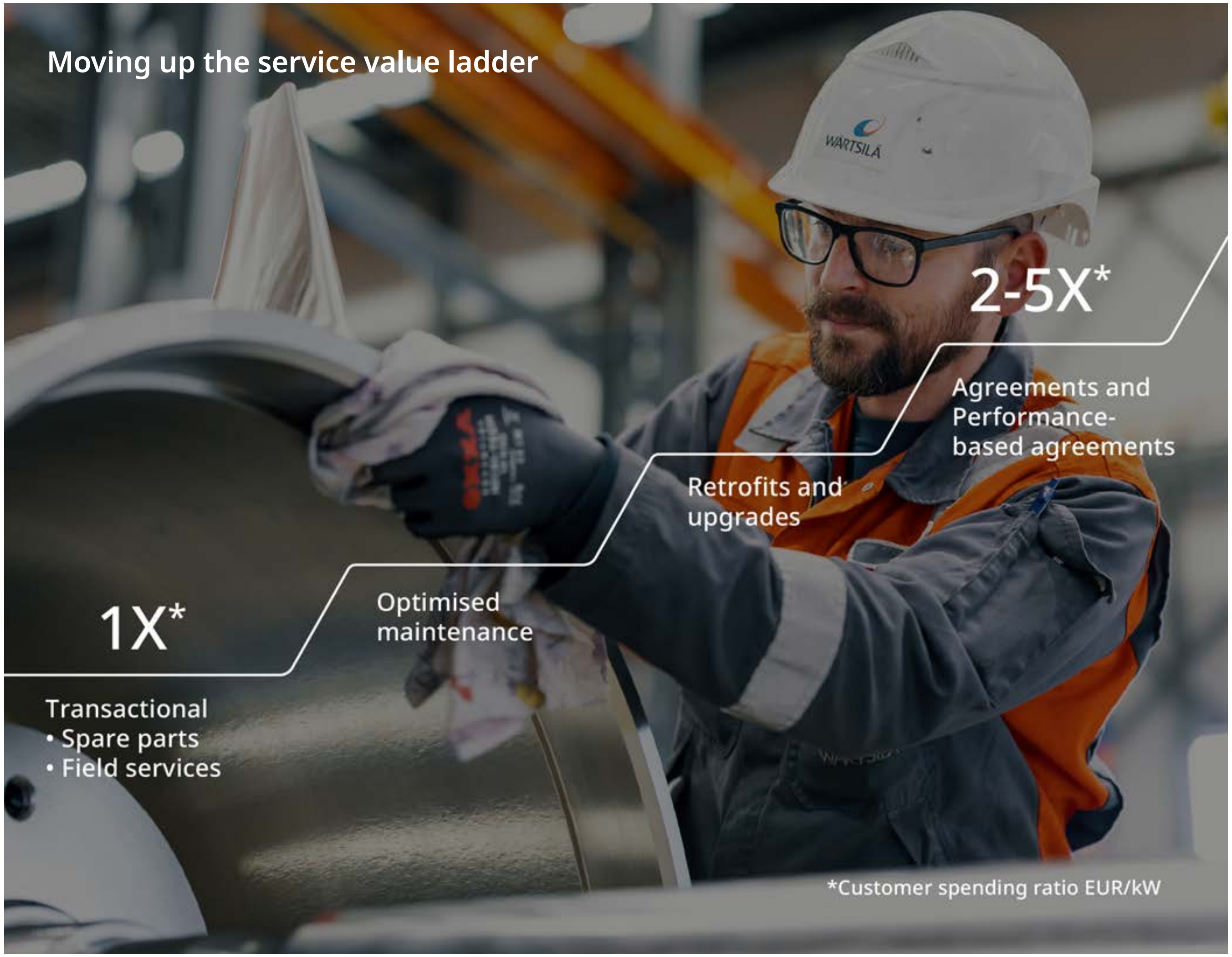
Wärtsilä leads a five-year "Wide & Intelligent Sustainable Energy" (WISE) project of more than 200 Finnish actors. The consortium intends to strengthen the Finnish energy sector to become a world leader in energy innovation by building a scalable ecosystem and by introducing secure and autonomous zero-emission balancing power generation.

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. Our 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 service agreements, where we 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.

The agreement coverage rate of our installed base is around 30%, and we see clear further opportunities for growth. The renewal rate of our service agreements is more than 90%, which is a proof point of the value that our lifecycle agreements are creating for our customers.



HIGHLIGHTS 2024 | Delivering customer value in services

Five-year performance-based agreement with Royal Caribbean
Wärtsilä signed a five-year Lifecycle Agreement with Royal Caribbean Group covering 37 of the company's cruise ships. The agreement is designed to ensure the highest level of operational efficiency to support and accelerate Royal Caribbean's sustainability goals. The agreement implements a performance-based model, which means that gains, resulting from best operation and maintenance practices, will be shared between Royal Caribbean Group and Wärtsilä.

Wärtsilä supplies the electrical systems to convert two Scandlines ferries to a plug-in hybrid solution, supporting Scandlines' vision to realise zero emissions by 2040.

Read more

Groundbreaking agreement

Wärtsilä's existing Operations and Maintenance (O&M) agreement with QIT Madagascar Minerals S.A was renewed and expanded to include a Decarbonisation Agreement, a groundbreaking offering in the energy sector, that allows for optimising all of the assets in the microgrid, including renewable energy usage. This not only reduces emissions, but also delivers notable cost savings.

Industry-first spark gas conversion

As a marine industry first, Wärtsilä and Chevron Shipping announced their plans to convert one engine on six of Chevron's LNG Carriers from dual-fuel (DF) to spark gas (SG) operation. The conversions are intended to reduce greenhouse gas emissions by lowering methane slip in support of Chevron's broader efforts to reduce the carbon intensity of its operations.

Reliable power for a remote location

Wärtsilä signed a ten-year Operations and Maintenance Agreement for a captive power plant providing the energy for Mangal Industries' cement producing facility in Nigeria. The power plant is critical to the facility's cement production since the site is remotely located with limited access to the electricity grid. The agreement assures the reliability and cost predictability the facility needs to reach their targets.

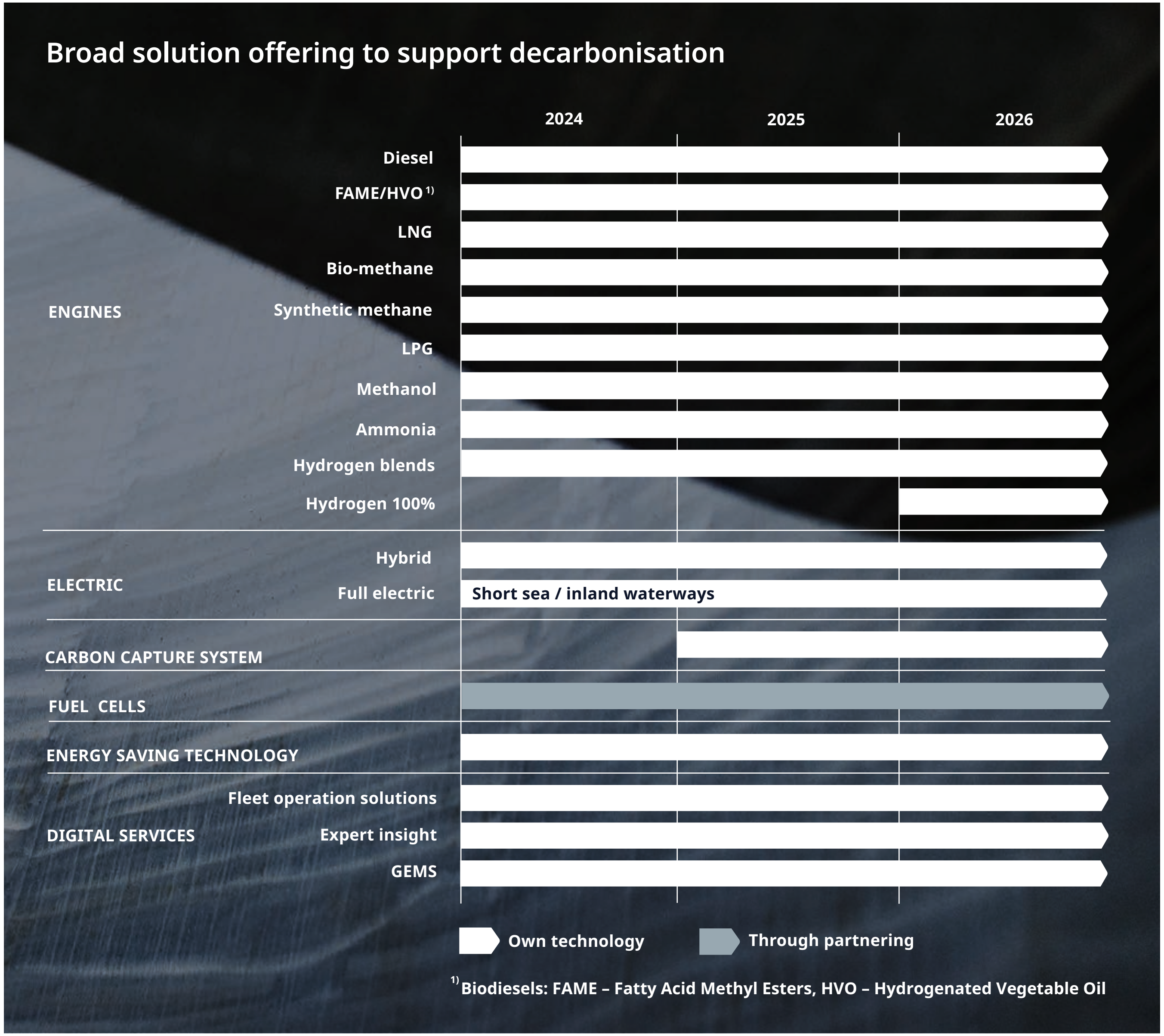
Delivering customer value through leading R&D and partnerships

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. By partnering with technology providers, we can ensure a broad solution offering for our customers.

We continue to see strong synergies between marine and energy in research and development (R&D) and manufacturing of the new technologies. Throughout the decarbonisation transformation, we continue to invest ~4% of net sales in R&D.

Our decarbonisation go-to-market approach

- 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 at Wärtsilä

Sustainability at Wärtsilä

Wärtsilä is a purpose-driven organisation, with sustainability at the core of our purpose and strategy. Together with our company values, principles, and sustainability objectives, they create the framework for a strong drive towards decarbonisation and responsible business practices.

Our sustainability efforts are driven by economic, environmental, and social performance. We aim to be a profitable company and, as a forerunner in advanced solutions, enabling sustainable societies while upholding high ethical, health, and safety standards. With our strong focus on decarbonising the marine and energy industries, innovations in technology and services play a central role in contributing to a low-carbon future. We set measurable targets, promote a strong safety culture, embrace diversity, and enhance responsible business practices.

Sustainability targets reflect our focus areas

Our sustainability targets are approved by our Board of Management and their implementation is monitored on a regular basis. Each target has a designated owner responsible for preparing action plans, overseeing their implementation, and reporting on progress. The management teams of the businesses and global functions oversee the execution of target actions.

Sustainability targets

Target	Year	Progress
Set for 30: To become carbon neutral in our own operations.	2030	By the end of 2024, Scope 1 and 2 emissions reduced by 50% compared to the baseline value (3 years average, 2019–2021)
Set for 30: To provide a product portfolio that will be ready for zero-carbon fuels.	2030	The development of concepts for pure hydrogen for land-based power plants continued throughout 2024. The market release was given in mid-2024, and the concept for industrialisation will be selected during 2025. Progress towards the target is seen to be proceeding well, although details of the plan are continuously being modified according to business needs, market situation, and technology developments.
Set for 30: 25% reduction of suppliers' GHG emissions by 2030 compared to the 2024 baseline.*	2030	New target
Reduce energy consumption by at least 7% from 2015 levels in terms of absolute consumption (GWh).	2025	By the end of 2024, energy savings of 14.5 GWh were achieved, representing 49% of the final 2025 target.
Reach the long-term goal of zero injuries.	Long-term target	In 2024, the corporate total recordable injury frequency rate (TRIF) was 2.20, which was 16% lower than in 2023. Read more from the Social information section of the Sustainability Statement.
Zero injuries to contractors: we aim to reduce the total recordable injury frequency on a yearly basis.	Continuous target	New target. In 2024 the contractor total recordable injury frequency rate (Contractor TRIF) was 5.01.
Achieve long-term goal of 100% individual development plan coverage for eligible population.	Long-term target	New target
Achieve a Code of Conduct training coverage of 100%.	Continuous target	At the end of 2024, the training coverage was 86.7% of all employees.
Achieve an anti-corruption training coverage of 100%.	Continuous target	At the end of 2024, the training coverage was 87.4% of all employees.

* The target covers Tier 1 direct suppliers of Wärtsilä and their Scope 1 and 2 greenhouse gas (GHG) emissions related to deliveries to Wärtsilä. This is a relative target, which baseline is defined by Wärtsilä-allocated GHG emissions and spend.

Responsible business practices

At Wärtsilä, we strive to have ethics and compliance at the core of our business. We are committed to conducting our business responsibly as required by our group and business-level policies, procedures, and practices. Our Code of Conduct sets joint ethical principles to be applied in our business. We implement the Code through support material and processes, with a group-wide mandatory e-learning programme and other training events, management systems, reporting, and by investigating misconduct incidents, monitoring, and communicating related activities. Our suppliers and business partners are also required to follow at least the same level of legal and ethical standards and business practices.

Our Code of Conduct e-learning programme provides information about the Code and its themes, as well as guidance on making the right decisions in everyday work. The mandatory training programme is required to be taken every second year. By the end of 2024, 86.7% of our employees had completed this e-learning.

Wärtsilä is fully committed to complying with legislation and internationally recognised principles for combatting corruption and bribery. We are aware that the risk of corruption and fraud can be high in markets where we operate. Therefore, we carry out anti-corruption risk assessments as part of our continuous anti-corruption improvement efforts. We also maintain an extensive training programme that is mandatory for all employees. By the end of 2024, 87.4% of our employees had completed the Anti-Corruption e-learning course.

Everyone at Wärtsilä can voice their concerns about any potential violations of the Code of Conduct and its underlying policies and instructions. Suspected misconduct can be reported to line management, to Legal or Compliance, or anonymously via an externally hosted whistleblowing channel. The channel is also open to our suppliers, consultants, and others who have a working relationship with Wärtsilä. All reported incidents are investigated and appropriate corrective actions are taken as necessary.

In 2024, we renewed our Code of Conduct. The new edition of the Code has a stronger focus on climate, trade compliance, data protection, and cyber resilience to align with today's stakeholder expectations and business environment. It is our foundation for conducting business ethically, and it specifies the behaviour that is expected of everyone at Wärtsilä. Our business partners are required to either commit to our Code or to apply similar principles of ethical business.

In addition to renewing the Code, in 2024 we prepared internal guidelines to support the implementation of the new Wärtsilä Code of Conduct. The Code of Conduct Guidelines are aimed at creating a deeper understanding for everyone at Wärtsilä about each topic within the Code. It helps to navigate Wärtsilä's policies and guides to report concerns and seek advice. The new Code of Conduct is offered in 18 languages. In addition, a new e-learning programme will be available in these languages during 2025.

We are committed to supporting the United Nation's Global Compact and its principles regarding human rights, labour, the environment, and anti-corruption. Additionally, we are dedicated to advancing the UN Sustainable Development Goals, particularly those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

Driving towards decarbonisation

Wärtsilä is shaping the decarbonisation of the marine and energy industries by supporting its customers on their decarbonisation journey. To achieve this, we continuously invest in innovation and product development to deliver sustainable technologies and solutions. Furthermore, we strive to minimise our environmental footprint as an organisation.

Our primary contribution to enhanced environmental performance lies in providing reliable and safe technologies and services for our customers. Our product and solutions portfolio includes technologies related to, for example, efficiency optimisation, fuel flexibility, energy savings, and carbon capturing, as well as flexible energy storage systems, engine and hybrid power plant solutions, and lifecycle services. With the help of intelligent digital solutions and services, data can be collected, analysed, monitored, and reported, allowing us to optimise operations and reduce greenhouse gas (GHG) emissions.

Our products and solutions are designed to operate reliably for up to 30 years. Therefore, focusing our R&D efforts on improving product or system level performance is crucial, as is adopting a lifecycle approach to performance optimisation. In addition to enhancing the environmental performance of our products and solutions, we continuously monitor the GHG emissions of our own activities. We drive decarbonisation in the marine and energy sectors together with our customers and stakeholders, but we also participate in several initiatives, agreements, and sustainable business coalitions, such as the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping initiative and the Getting to Zero Coalition.

Core elements of Wärtsilä's decarbonisation actions

PRODUCTS AND SERVICES
Offering innovative technologies and lifecycle solutions with high efficiency and low emissions

OPERATIONAL MEASURES
Targeting carbon neutrality and continual environmental improvements

SYSTEM LEVEL SOLUTIONS
Improving and optimising overall efficiency and lowering emissions at system level

R&D
Developing sustainable and future proof technologies

COLLABORATION
Joining forces with stakeholders in promoting climate and environmental actions

Set for 30 – our decarbonisation targets

Wärtsilä's target position of shaping the decarbonisation of marine and energy is supported by our 'Set for 30' commitment. Our target is to provide a product portfolio ready for zero-carbon fuels by 2030. Carbon-neutral fuels can already be used today, and we continue to develop our product portfolio so that zero-carbon fuels, such as ammonia and hydrogen, can be widely used by 2030.

We are also committed to becoming carbon neutral in our own operations by 2030. As part of our decarbonisation efforts, we make action plans annually and monitor their execution throughout the year. In 2024, our GHG emissions decreased by 50% (50,163 tCO_2e) compared to the baseline (3-year average from 2019–2021), which is aligned with our carbon neutrality pathway. Our efforts in 2024 focused on low- and medium-cost measures, such as purchasing green electricity, taking low-emission company vehicles into use, and reducing the time needed for R&D and factory engine testing.

In 2024, Wärtsilä included a new target under its Set for 30 programme, namely that our suppliers' GHG emissions should be reduced by 25% by 2030 compared to the 2024 baseline. The target covers our Tier 1 direct suppliers and their Scope 1 and 2 GHG emissions related to deliveries to Wärtsilä. It is a relative target, for which the baseline is defined by Wärtsilä-allocated GHG emissions and spend. The data for the 2024 baseline will be collected from suppliers during 2025, and the exact methodology for following up on the progress against the target is under development.

Read more about our decarbonisation performance and actions from the Environmental information section of the Sustainability Statement.

Highlights of our decarbonisation efforts in 2024

Progressing towards a zero-carbon product portfolio

In 2024, we reached a significant milestone by launching the world's first large-scale 100% hydrogen-ready engine power plant concept. This solution can use natural gas today to provide flexibility and balancing, and can be converted to run on hydrogen, thereby future-proofing the journey to net zero.

World's first ammonia-fuelled in-service ship

In a major step forward in adopting sustainable fuels for maritime operations, Wärtsilä, Norwegian shipowner Eidesvik, and energy major Equinor announced an off-shore platform supply vessel (PSV) named Viking Energy will be converted to operate on ammonia fuel in 2026, making it the world's first ammonia-fuelled in-service ship. Ammonia has emerged as a promising alternative fuel as the shipping industry looks for more sustainable fuel options and will play a significant role in enabling the shipping industry to reduce its emissions. The conversion project is the result of the Apollo project, co-funded by the Horizon Europe framework programme, which aims to accelerate the transition towards a climate-neutral Europe.

Reducing emissions in our engine testing

Several actions related to reducing GHG emissions from engine testing are underway and results are already visible. We reached an important milestone in sustainable future fuel product development by investing in new methanol research and engine testing capabilities at the Sustainable Technology Hub in Vaasa, Finland. In addition, a main contributor to reducing Scope 1 and 2 emissions in 2024 has been in reducing the time needed for R&D and factory engine testing.

Utilisation of self-generated energy

Solar panels are an attractive alternative for many of our locations due to their self-sufficient nature and payback time. In 2024, a total of 2,200 MWh of solar power was produced from solar panels installed at our sites. For example, at our site in Toyama, Japan, solar panels cover the entire roof space, generating electricity that accounts for 30 to 40% of the factory's total electricity consumption.

Purchasing green electricity

We continued to purchase green electricity, with over 60% (MWh) of our total electricity consumption in 2024 coming from renewable sources. In 2024, our Indirect Procurement function organised a training for our strategic purchasers on the renewable energy certificates market. This training focused on different options for sourcing renewable energy, emphasising the importance of green electricity as an effective measure to reduce greenhouse gas emissions. We plan to gradually switch to green electricity in all countries, taking into account its availability in different markets.

Switching to low-emission company vehicles

Our Vehicle Policy actively supports the transition to electric vehicles. This policy applies to Wärtsilä-owned and leased vehicles, such as cars, trucks, vans, cranes, and forklifts. Many of our sites are already supporting the use of electric vehicles by installing charging stations.

Being a responsible employer

For Wärtsilä, social responsibility is strongly connected to being a responsible employer. We strive to offer our employees an engaging and dynamic workplace where openness, respect, trust, equal opportunities, and personal development prevail.

We are a signatory to the UN Global Compact initiative and uphold the work-related rights defined by the International Labour Organization (ILO). We develop people management processes, tools, and ways of working to ensure consistency and transparency between all Wärtsilä locations and companies. Additionally, we aim to provide a safe working environment for our employees and contractors and minimise health and safety risks associated with the use of our products and services. Our occupational health and safety principles are outlined in the Code of Conduct, the Quality, Environmental, Health and Safety (QEHS) Policy, and the Wärtsilä Environmental, Health and Safety (EHS) Directive.

Every year, we organise a Safety Day to enhance safety awareness, promote safety and wellbeing measures, strengthen our safety culture, and celebrate our success in safety. In 2024, we celebrated the tenth annual Safety Day with the theme "Mind your head". The focus was both on physical head safety, as well as psychological safety and wellbeing. Global activities included town hall meetings with Board of Management members and a keynote speech. Each of our locations organised activities relevant to their needs, such as safety walks, expert training sessions, and first aid training.

Our strong commitment to safety is visible in our daily operations

Wärtsilä is committed to creating and maintaining a safe and healthy work environment for its employees, contractors, and other partners. 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. Our ongoing long-term safety programme 'Success through safety' focuses on employee, contractor and product safety, as well as occupational health. For example, in 2024, we launched a global framework for frequent traveller health checks and released an improved digital tool for field service personnel to support risk assessment when working at customer sites and on vessels.

Health and safety topics are managed at multiple levels within the organisation, and in Wärtsilä everyone is responsible for contributing to a safe and healthy work environment. In everyday terms, this means actively identifying safety hazards, reporting near misses and safety observations, and sharing improvement ideas on health and safety, as well as on product safety. Everyone is also authorised to intervene and stop work in unsafe situations.

To emphasise the importance of employee safety, Wärtsilä has a long-term corporate level target of zero injuries. In 2024, the Total Recordable Injury Frequency rate (TRIF) was 2.20, which was 16% lower than in 2023. One of the proactive measures to further strengthen our safety culture is our management safety walks, which in 2024 saw an increase of 27% compared to 2023.

In 2024, we set a new continuous long-term target to reduce the Total Recordable Injury Frequency (TRIF) for contractors annually. The total recordable injury frequency for contractors (Contractor TRIF) for 2024 was 5.01.

We aim to provide a healthy working environment to support growth, wellbeing, and work-life balance. In 2024, to help us lead and measure wellbeing, we launched a new global Wellbeing framework with six specific wellbeing elements to be embedded in our existing processes and practices. Additionally, we created the governance model, defined KPIs, and developed an implementation roadmap for wellbeing.

Creating an inclusive culture that drives engagement and performance

At Wärtsilä we value, respect, and embrace diversity and inclusion (D&I) regardless of gender, age, personality, and educational background. We take pride in our diverse representation of nationalities and cultures at all levels, departments, and functions. Currently, our employees represent 128 nationalities in 77 countries.

Pride in diversity, providing equal opportunities, and upholding high ethical standards are integral to our purpose. We have created a variety of actions and methods to embody these principles through everyday actions, such as learning from the diverse cultures of our people, and building cross-functional teams that enhance our cognitive diversity and innovation capabilities.

Every two years, Wärtsilä collects its employees' views and interests globally through our employee engagement survey, MyVoice. This survey provides insights through five key performance indicators (KPIs): engagement, wellbeing, inclusion, intent to stay, and overall experience. It also benchmarks our performance against other similar companies globally.

Our most recent MyVoice survey in 2024 achieved an 88% response rate, surpassing global external benchmarks. The results indicate that our employees take great pride in working for a company committed to making a positive impact on the world. Furthermore, 88% of Wärtsilä employees feel respected at work, and nearly as many feel they can bring their authentic selves to the workplace. This demonstrates that our commitment to psychological safety is yielding positive results. Our employees are also highly engaged, with 90% stating their work at Wärtsilä meets or exceeds their expectations. However, the survey results also highlight the need to put more emphasis on managing change and improving collaboration and information sharing across functions and teams.

To continuously address these key development areas identified in the MyVoice survey, we also conduct Pulse surveys every six months. In addition, these surveys gather employee views and interests on more detailed topics, and help us continuously improve our working environment and ways of working.

Creating an inclusive culture that drives engagement and performance is one of the priorities of our People Strategy. The other three priorities focus on fostering continuous learning, building impactful leadership, and effectively matching talent to roles. Pursuing these priorities is critical in our aim to be an attractive employer for current and future employees. Additionally, these efforts contribute to our intention to have the right professionals with the right competencies and motivation at all times. With over 3,000 employees hired annually in a highly competitive talent market, standing out is crucial to establishing Wärtsilä as an employer of choice.

Wärtsilä is on a journey to become a learning organisation and to foster continuous learning. A significant portion of learning occurs during the everyday flow of work rather than from formal training. Learning is a continuous process, and the 70-20-10 learning principle supports us in understanding how to learn effectively: 70% by doing, 20% by sharing, and 10% by studying. In 2024, Wärtsilä has, for example, continued to build its coaching and mentoring capabilities to foster an open culture where growth and development are valued.

Providing our employees professional growth opportunities is critical in attracting and retaining talent. We aim to strengthen a continuous learning mindset and enable fair and non-discriminating opportunities to encourage professional growth, and to recruit and retain talent, which is an important component in our company's success. To further strengthen the development of skills and competences at Wärtsilä, a global Competence Management framework with a renewed global competence catalogue will be built in 2025–2026.

Read more about the performance and actions related to occupational health and safety as well as skills and career development from the Social information section of the Sustainability Statement.

Governance

Corporate governance statement 2024

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 2025 (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

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, auditor and the assurance firm for corporate sustainability reporting 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 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 2024

Wärtsilä's Annual General Meeting was held on 7 March 2024, 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 2023 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2023. The audit firm PricewaterhouseCoopers Oy was elected as the auditor as well as the sustainability auditor of the company for the year 2024. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.32 per share in two instalments. The first instalment of EUR 0.16 per share was paid on 18 March 2024 and the second instalment of EUR 0.16 per share on 18 September 2024.

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 Annual General Meeting approved changes to the Articles of Association, related to the remuneration and election of the sustainability auditor, as well as to the possibility to organize remote general meetings.

The minutes of the meeting and other related documents can be found on Wärtsilä's website at www.wartsila.com/agm.

SHAREHOLDER'S 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 carries out director successor planning.

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.

SHAREHOLDERS' NOMINATION BOARD 2024

In June 2024, 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 consists of one female (20% of total) and four male (80% of total) members. The Nomination Board convened 5 times with an attendance rate of 100%.

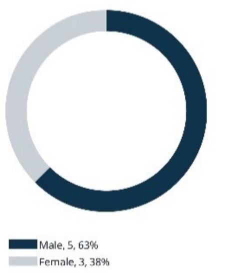
Diversity principles

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.

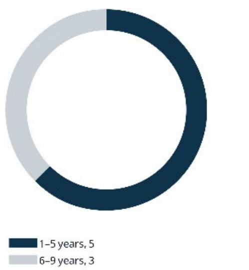
With regards to gender, Wärtsilä's objective is to have a balanced representation of both genders in the Board. In December 2024, Wärtsilä had three female (38% of total) and five male (63% of total) board members.

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.

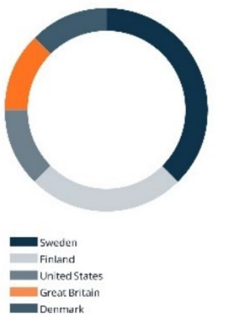
Gender diversity



Tenure



Nationality



Applicable to the Board of Directors elected by the Annual General Meeting 2024.

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.

BOARD OF DIRECTORS IN 2024

As of 7 March 2024, 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. Five 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 Mats Rahmström 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 Senior Advisor of Investor AB.

Until 7 March 2024, 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.

During 2024, Wärtsilä's Board of Directors held 14 meetings with an attendance rate of 98%. The board addressed a broad array of topics during the meetings. The focus was on Wärtsilä's strategy, including the business strategies, ES&O strategic review and sustainability strategy. The Board also closely monitored the company's financial performance. Additionally, external developments, including geopolitical, regulatory, technological, and market developments have been discussed and followed in the board meetings. A significant portion of the 2024 agenda was dedicated to evaluating the progress of existing sustainability targets, such as the Set for 30 Program, and establishing new sustainability objectives. The implementation of the Corporate Sustainability Reporting Directive (CSRD) requirements was also a key area of attention. Organisational matters, including the Wärtsilä Code of Conduct, people processes, and remuneration principles, were prioritised as well.

Board members' meeting participation in 2024

	Number of meetings	% of meetings
Tom Johnstone, Chair	14/14	100
Mika Vehviläinen, Deputy Chair	14/14	100
Karen Bomba	14/14	100
Karin Falk	14/14	100
Johan Forssell	14/14	100
Morten H. Engelstoft	14/14	100
Mats Rahmström	12/14	86
Tiina Tuomela	14/14	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 and sustainability reporting processes, 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 and sustainability reporting processes, 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 2024

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 2024 with an attendance rate of 100%.

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 reviewing 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 2024

Chair Tom Johnstone, members Karin Falk and Mika Vehviläinen. All members are independent of the company, and two independent of significant shareholders. The People Committee met five times in 2024 with an attendance rate of 93%.

Board members' committee meeting participation in 2024

	Audit Committee	People Committee
Tom Johnstone	-/-	5/5
Mika Vehviläinen	-/-	4/4
Karen Bomba	5/5	-/-
Karin Falk	-/-	4/5
Johan Forssell	-/-	1/1
Morten H. Engelstoft	5/5	-/-
Mats Rahmström	-/-	-/-
Tiina Tuomela	5/5	-/-

Johan Forssell served on the People Committee's earlier tenure until March 2024, attending 1 out of 1 meeting during 2024 in his tenure. Mika Vehviläinen then joined the committee in March 2024 and attended all 4 subsequent meetings.

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	• Northvolt AB, Chair of the Board • Combient AB, Chair of the Board • Husqvarna AB, Chair of the Board • Collegial AB, Chair of the Board • Investor AB, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2024: 46,459 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 31.12.2024: 6,275 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 • Idemia Identity and Security USA LLC, Advisor	Holdings in Wärtsilä Corporation on 31.12.2024: 15,264 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	• Svitzer Group, Chairman of the Board, 2014-2020, 2024- • TT Club Mutual Insurance, Chairman of the Board • Maersk Supply Service, Vice-Chairman of the board	Holdings in Wärtsilä Corporation on 31.12.2024: 8,467 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 31.12.2024: 20,337 shares
	**Johan Forssell** Independent of the company, dependent of significant shareholders. Born 1971, M.Sc. (Economics and Business Administration). Senior Advisor, Investor AB and Wallenberg Investment AB. Member of the Board of Wärtsilä Corporation since 2017.	• Investor AB, President and CEO, 2015-2024 • 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	• ABB, Member of the Board • Atlas Copco, Member of the Board • Epiroc AB, Member of the Board • The Royal Swedish Academy of Engineering Sciences, Member	Holdings in Wärtsilä Corporation on 31.12.2024: 20,337 shares

		Primary working experience	Other positions of trust	Shares
	**Mats Rahmström** Independent of the company, dependent of significant shareholders. Born 1965, MBA. Member of the Board of Wärtsilä Corporation since 2020.	• Atlas Copco AB, President and CEO, 2017-2024 • 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, Chairman of the Board • ABB, Member of the Board • Investor AB, Member of the Board • Qvantum Energi AB, Member of the Board • R12 Distribution AB, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2024: 38,764 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	• The Finnish Foundation for Technology Promotion, Member of the delegation • 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 31.12.2024: 11,048 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 eight members: the President & CEO, the Chief Financial Officer, the Executive Vice Presidents of the businesses Wärtsilä Energy, Wärtsilä Marine and Portfolio Business, as well as the Executive Vice Presidents heading the Marketing and Communications; Corporate Relations & Legal Affairs; and Human Resources functions. Three of the members were female (38% of total) and five were male (63% of total). In November 2024, Anu Sirkiä (b. 1974, MBA) assumed the position of Executive Vice President, Marketing and Communications and member of the Board of Management. Ms Sirkiä succeeded Ms Saara Tahvanainen.

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 public affairs 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.

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 positioned 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.

THE BOARD OF MANAGEMENT IN 2024

The Board of Management met 12 times for monthly meetings during 2024. In addition, numerous topic specific meetings were held. Major items on the agenda of the Board of Management were business strategies and the status of their implementation, as well as the sustainability strategy, decarbonisation, and the continuous improvement process. Focus was strongly on serving the customers in the best possible way, and further developing Wärtsilä's position in the market. The Board of Management had financial performance, development of Wärtsilä business and organisation, the regulatory environment, R&D and other technology developments commonly on its agenda. Managing the consequences of increasing geopolitical impacts was a strong focus point. Furthermore, other areas of importance included human resources management, the health and safety of personnel, risk management, as well as supplier and other stakeholder relationships.

Members of the Board of Management

		Primary working experience	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 31.12.2024: 175,433 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 31.12.2024: 6,814 shares
	**Tamara de Gruyter** President, Portfolio Business and Executive Vice President since 2024. Born 1972, B.Sc. Shipbuilding Engineering. Joined the company in 1998.	• Wärtsilä Corporation, President, Wärtsilä Marine Systems, Executive Vice President and Head of Portfolio Business, 2020-2023 • 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 • Nexans A.S., Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2024: 6,535 shares

		Primary working experience	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	• Confederation of Finnish Industries (EK), President of the Trade Policy Committee • 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 • 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 31.12.2024: 21,709 shares
	**Roger Holm** President, Wärtsilä Marine and Executive Vice President since 2024. Born 1972, M.Sc. (Econ.). Joined the company in 1997.	• Wärtsilä Corporation, President, Marine Power and Executive Vice President, 2020-2023 • 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 31.12.2024: 17,241 shares
	**Anders Lindberg** President, Wärtsilä Energy and Executive Vice President since 2023. 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, Member of the Board • MT Höjgaard A/S, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2024: no shares

		Primary working experience	Positions of trust	Shares
	**Teija Sarajärvi** Executive Vice President, Human Resources since 2022. Born 1969, MA. Joined the company in 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	• Terveystalo Oyj, Member of the Board	Holdings in Wärtsilä Corporation on 31.12.2024: no shares
	**Anu Sirkiä** Executive Vice President, Marketing and Communications since 2024. Born 1974, BBA, MBA. Joined the company in 2024.	• Amer Sports, Senior Vice President, Communications, Member of the Executive Board, 2021-2024 • KONE, Communications Director, Internal Communications, 2018-2021 • Aalto University, various roles, last position as Head of New Ventures and Partnership, 2012-2018 • Lemminkäinen Corporation, Director, Shared Communications Services, 2011-2012 • Citycon Oyj, Senior Manager, Communications, 2007-2009 • Infor Consulting Oy, Founding Partner, Senior Consultant, 2001-2007 • Kreab Oy, Consultant, 1999-2001		Holdings in Wärtsilä Corporation on 31.12.2024: 1,026 shares

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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.

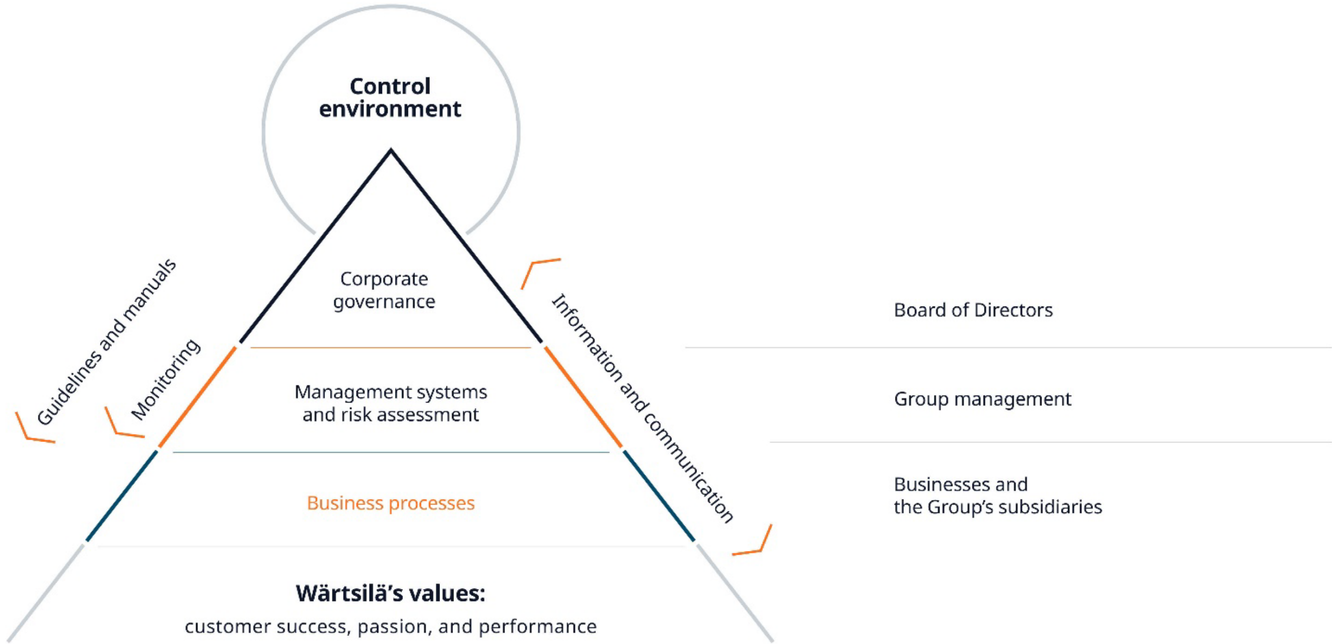
Internal control covers all the policies, processes, procedures and organisational structures within Wärtsilä that help the management, and ultimately the Board, to ensure that Wärtsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, 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 management

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 the 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 with 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 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 Corporate Internal Audit function assists the Audit Committee in this work. 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 complies with EU regulations, Finnish laws, Nasdaq Helsinki Ltd.'s Stock Exchange Rules and Insider Guidelines, as well as the regulations issued by the Finnish Financial Supervision Authority (FSA) and other authorities, as applicable, as well as the Finnish Corporate Governance Code.

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 CONTROL

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.

Sustainability audit

The company has a sustainability auditor for corporate sustainability reporting. The sustainability auditor is elected by the Annual General Meeting to assure sustainability statements for the ongoing financial year. Its duties cease at the close of the subsequent Annual General Meeting.

AUDITOR IN 2024

The Annual General Meeting appointed the audit firm PricewaterhouseCoopers Oy (PwC) as Wärtsilä Corporation's auditor for the year 2024.

The auditor-in-charge was Mr Lauri Kallaskari.

Auditing fees paid to PwC amounted to EUR 5.2 million in 2024. Fees for non-audit services totalled EUR 0.5 million. The latter fees paid to the auditor concerned tax advisory and other services.

SUSTAINABILITY AUDITOR IN 2024

The Annual General Meeting appointed the assurance firm PricewaterhouseCoopers Oy (PwC) as Wärtsilä Corporation's assurance firm for the corporate sustainability reporting for the year 2024.

Remuneration Report 2024

2024 REMUNERATION AT A GLANCE

The Board fees approved for 2024 saw minor adjustments to Committee and meeting fees but otherwise remained unchanged.

Incentive plan pay-outs

In the short-term incentive plan (STI), the CEO and Board of Management's focus was on group and business financial targets for 2024.

The STI for 2023 resulted in a pay-out (paid in 2024).

The STI for 2024 resulted in a pay-out (will be paid in 2025).

In our Performance Share Plan (PSP), in addition to Economic Value Added (EVA), we have also included sustainability performance metrics, which are linked to our strategic target of providing a product portfolio that will be ready for zero carbon fuels by 2030.

The 2021-2023 PSP resulted in a pay-out (paid in 2024).

The 2022-2024 PSP resulted in a pay-out (will be paid in 2025).

Remuneration Report 2024

From proxy advisors' feedback and the shareholder engagement in 2024, we noted the request for an increased level of transparency for the short-term and long-term incentive plans. We have acted on this feedback and in this Remuneration Report 2024 we have disclosed numerical achievement rates per STI and PSP performance measures.

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 2025 (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 2024. 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 members' 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 the **'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 share with you Wärtsilä's 2024 Remuneration Report, which has been approved by our Board of Directors.

In 2024, the People Committee has effectively implemented our Remuneration Policy and actively supported the roll-out of our People strategy and priorities. Our aim is to create an engaging work environment, with a strong emphasis on wellbeing and inclusion for our 18,300 employees.

Our 'Pay for Performance' approach is built on responsiveness, transparency, and competitiveness, aligning employee remuneration with the interests of the company and its shareholders. By rewarding employees for achieving business results, we attract, engage, and retain top talent. We also focus on building and rewarding high-performing teams to drive success.

The Short-Term Incentive (STI) plan 2024 was based on group and business financial goals for the CEO and Board of Management. We saw a very positive development in all 3 of our financial targets – net sales, EBIT and the operating cash flow. This resulted in a pay-out under the 2024 STI plan, which recognised and rewarded the very good performance of our employees.

Our Performance Share Plan (PSP), integrates financial and sustainability objectives, focusing on CO_2 reduction. Wärtsilä's decarbonisation strategy is to become carbon neutral in its own operations, and to have a product portfolio ready for zero carbon fuels. We saw good progress with the financial and sustainability targets and the 2022-2024 PSP resulted in a pay-out.

Throughout the year, we advanced The Wärtsilä Way, our company strategy. We achieved strong results in the MyVoice employee engagement survey, surpassing global benchmarks, which reflects our shared dedication to fostering positive change. It also indicates that our team is eager to make a meaningful impact. The new wellbeing approach supports sustainable performance and the wellbeing of all Wärtsilians, tying together what is important for our people and the company.

We also made strides in implementing the Continuous Improvement framework, emphasising creating customer value and success. This includes persistently eliminating waste, while enhancing teamwork, predictability, and performance.

Our mission to enable sustainable societies through technological innovation and services drives us to lead the decarbonisation of the marine and energy sectors. We have set clear paths for success with our Leadership Model, Continuous Improvement approach, and the new Wellbeing framework guided by the core values of Customer Success, Passion, and Performance. These elements define how we'll achieve our goals and implement the actions crucial for success.

Tom Johnstone
Chair of the People Committee

People Committee annual clock 2024

People Committee members' meeting participation in 2024

	Number of meetings
Tom Johnstone, Chair	5/5
Karin Falk	4/5
Johan Forssell	1/1
Mika Vehviläinen	4/4

1.2 Remuneration and Company performance

In 2024 Wärtsilä took firm steps towards our targets, and we continued to develop positively in many ways. We achieved all-time highs in order intake, net sales, absolute operating result, and cash flow from operating activities. During 2024, we also significantly enhanced the profitability of all businesses. Furthermore, our order book is at an all-time high, positioning us well for future success as we move into 2025. Our strategy, the Wärtsilä Way, is yielding results.

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. Over the past years, the STI has been consistently based on profitability (comparable operating result) and cash flow targets. 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. 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 that of the CEO, 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.

Five-year development of remuneration and Company performance

	2020	2021	2022	2023	2024
Total Board remuneration, TEUR	816	794	946	910	1,006
Change compared to previous year, %		-3.0	19.1	-3.8	10.5
CEO base + benefits, TEUR*	843	915	980	1,021	1,056
Change compared to previous year, %		8.5	7.1	4.2	3,4
CEO total remuneration, TEUR*	1,021	1,812	1,712	1,322	2,230
Change compared to previous year, %		77.5	-5.5	-22.8	68.7
Average employee remuneration, TEUR**	58.1	62.9	68.2	73.1	76,3
Change compared to previous year, %		8.3	8.4	7.2	4.4
Comparable operating result, MEUR	275	357	325	497	694
Cash flow, MEUR	681	731	-62	822	1,208

*The Company had a new CEO as of 1 February 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 2024 are based on the STI performance period 2023 and the LTI performance period of 2021–2023.

1.3. Any deviations or clawbacks made

No deviations from the Remuneration Policy were made during 2024 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 2024

The 2024 Annual General Meeting approved the payment to the members of the Board of Directors for 2024 as presented in the table below:

Fees paid to the Board in 2024

(TEUR)	2024
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	28
Members of Audit Committee	15
Chair of the People Committee	22
Members of People Committee	11
Meeting fees (per meeting)	
Chair of the Board / Committee	1.5
Member (Nordic)	1.0
Member (Europe)	2.0
Member (Global)	3.0

The members of Wärtsilä's Board of Directors were paid altogether EUR 1,005,750. Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash. In addition, the meeting fees for the Board meetings will be paid as follows: The Chair will be paid EUR 1,500 per Board meeting attended and the other Board members will be paid EUR 1,000 per Board meeting attended. These meeting fees are applied to the Board meetings in Finland for the members resident in the Nordic countries, to all Board meetings held outside of Finland, and to all board meetings held by teleconference or per capsulam. In the case of a board member being domiciled in a European country other than the Nordic countries, a meeting fee of EUR 2,000 per Board meeting attended in Finland will be paid. In the case of a board member is domiciled in a country outside Europe, a meeting fee of EUR 3,000 per Board meeting attended in Finland will be paid. In addition, Board members are reimbursed for their travel costs in accordance with Wärtsilä's travel policy. 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 2024 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2024

	Attendance fees, TEUR*	Annual fees, TEUR	Total remuneration, TEUR**
Tom Johnstone, Chair	43	200	243 (4,474 shares)
Mika Vehviläinen, Deputy Chair	24	105	129 (2,348 shares)
Karen Bomba	34	80	114 (1,789 shares)
Morten H. Engelstoft	29	80	109 (1,789 shares)
Karin Falk	24	80	104 (1,789 shares)
Johan Forssell	13	80	93 (1,789 shares)
Mats Rahmström	11	80	91 (1,789 shares)
Tiina Tuomela	41	80	121 (1,789 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 2024

In 2024, CEO Håkan Agnevall was paid a total remuneration of EUR 2,230,416. The relative proportion of fixed pay was 61% and variable pay 39%. 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 composition of the CEO's remuneration for 2024 is further illustrated in the graph and the CEO's remuneration details are in the table below.

The CEO's numerical achievement rates per short- and long-term incentive plan specific performance measures are shown in the tables on the following page.

Actualised CEO remuneration 2024

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	**Paid EUR 1,055,760**	The CEO has the following short-term benefits: phone, car, medical insurance.	Complies with the Policy.
Short-term incentives	**Paid EUR 686,965** **Accrued EUR 821,727** **Policy maximum** An amount equalling the annual fixed pay	For the financial year 2023, paid in 2024: EUR 686,965. For the financial year 2024, paid in 2025 ('accrued'): EUR 821,727.	Complies with the Policy.
Long-term incentives	**Paid EUR 172,212/ 12,140 shares** **Accrued 75,455 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 gross value of the transfer was EUR 172,212. 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%). The plan resulted in a gross award equivalent to 75,455 shares. The final taxable value of the award is dependent on the share price at the time of transfer. Ongoing schemes: For PSP 2023-2025, the CEO was granted 122,735 shares, with a value at target EUR 1,001,520 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 2024-2026, the CEO was granted 76,863 shares, with a value at target EUR 1,001,520 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%).	Complies with the Policy.
Pension	**Paid EUR 315,479**	The CEO is eligible to take retirement upon reaching the age of sixty-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.

The CEO's numerical achievement rates per short-term incentive plan

STI PLAN	STI 2023 – paid in 2024		STI 2024 – accrued (to be paid in 2025)	
Metric	**Weighting**	**Performance outcome %[1]**	**Weighting**	**Performance outcome %[1]**
Group EBIT before IAC	50%	104%	50%	163%
Group Operating Cash Flow	25%	200%	25%	200%
Group Net Sales	25%	141%	25%	91%
Total weighted outcome	**100%**	**137%**	**100%**	**154%**
Pay-out to CEO based on STI, EUR	**686,965**		**821,727**	

[1] Threshold 0%, target 100% and maximum 200%.

The CEO's numerical achievement rates per long-term incentive

LTI PLAN: PSP 2021-2023			LTI pay-out to CEO in 2024	
Metric	**Weighting**	**Performance outcome %[1]**	**Gross number of shares**	**Gross value in euros**
Group Economic Value Added (EVA) 2021	33.33%	11.6%	**12,140**	**172,212**
Group Economic Value Added (EVA) 2022-2023	66.66%	0%		
Total weighted outcome	**100%**	**11.6%**		

[1] Threshold 25%, target 100% and maximum 175%. Performance period is in total three years (including years 2021, 2022 and 2023).

LTI PLAN: PSP 2022-2024			LTI pay-out to CEO in 2025	
Metric	**Weighting**	**Performance outcome %[1]**	**Gross number of shares**	**Gross value in euros**
Group Economic Value Added (EVA) 2022-2024	85%	65.1%	**75,455**	**To be defined at the time of transfer in 2025.**
Group sustainability targets 2022-2024[2]	15%	22.5%		
Total weighted outcome	**100%**	**87.6%**		

[1] Threshold 25%, target 100% and maximum 175%. Performance period is three years (including years 2022, 2023 and 2024).

[2] Includes own emission reduction and R&D roadmap (ammonia and hydrogen engine readiness).

Risks and risk management

THE AIM AND PRINCIPLES

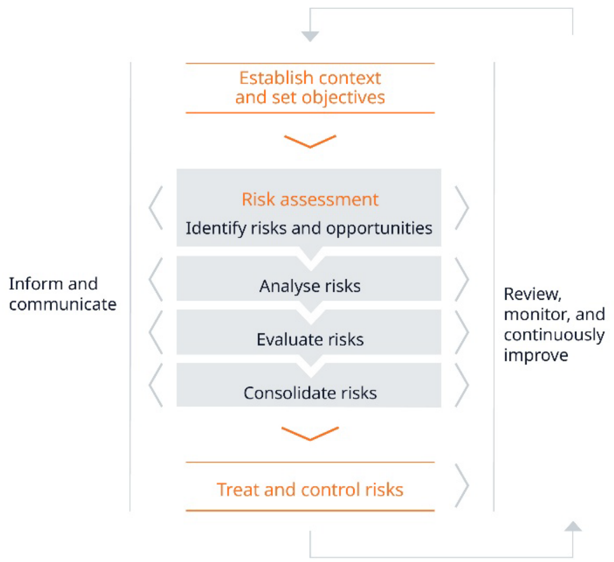
Wärtsilä, like any other company, encounters various risks in the normal course of its operations. Conducting business necessitates accepting a certain degree of risk. By fostering a culture of risk awareness and practicing proactive risk management, Wärtsilä seeks to effectively implement its strategy, carry out its operations, achieve its objectives, meet its financial targets, and be prepared for potential external threats.

Risk represents an element of uncertainty regarding objectives, which, if realised, can lead to deviations from anticipated outcomes, posing either threats or opportunities. Thus, risk management activities are primarily focused on identifying significant risks that could hinder the company from achieving its objectives and determining their acceptability. If such risks are deemed unacceptable, corrective actions are undertaken to avoid, mitigate, transfer, or monitor them. Conversely, where 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 and effectiveness of risk management practises is verified regularly.

Risk management principles



Risk management framework and governance

Wärtsilä's over-arching risk management framework, and the associated practices, adheres to the ISO 31000:2018 standard, and is focused on continuous improvement and verification. The risk framework and guidelines are documented in the Group's Enterprise Risk Management policy.

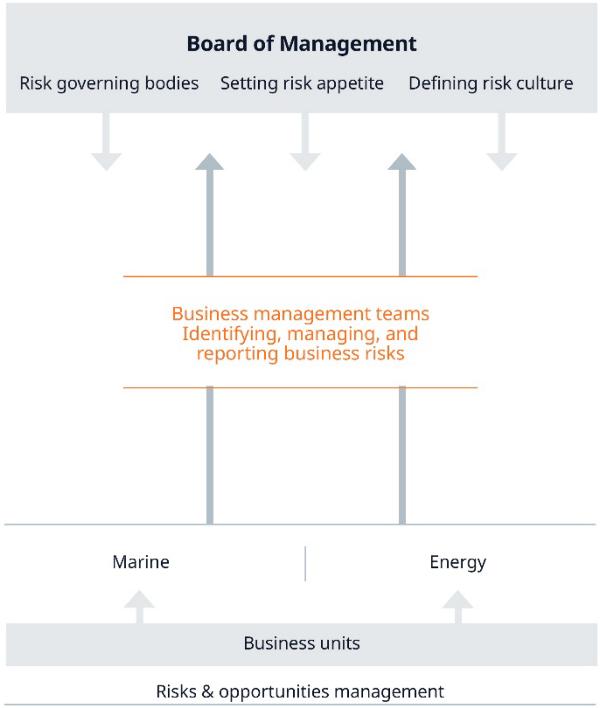
Wärtsilä's Board of Directors defines the Group's risk appetite and tolerance levels, and oversees the risk profile with regular reviews.

The President & CEO, along with the Board of Management, is responsible for establishing a culture of risk awareness at Wärtsilä, ensuring that risk management is deeply embedded in all key processes with the appropriate tools and resources. The Board of Management regularly reviews the Group's risk profile, which includes the most significant risks and their mitigation plans. They provide guidance and set priorities as necessary to ensure the adequacy of risk management actions and controls.

Wärtsilä's businesses are tasked with adhering to their strategies and achieving their operational and financial targets. Additionally, the businesses and their management teams are responsible for implementing ongoing risk management actions to identify, manage, and address all significant risks. This responsibility extends to the business unit level and beyond within the business organisation. Each business regularly presents its risk profile to the President & CEO, the Chief Financial Officer, and the rest of the Board of Management.

The Corporate Risk Management function within Corporate Treasury oversees the risk reporting process, and supports the businesses and their underlying organisations in risk management. This function also leads the internal risk management peer group with business representatives to ensure proper alignment, knowledge sharing, and the continuous improvement of risk management practices at Wärtsilä.

Risk reporting



Risk categorisation

Within Wärtsilä's comprehensive risk management framework, risks are classified into strategic, operational, hazard, and financial categories. Generally, the potential impact of strategic and operational risks is the greatest, while hazard and financial risks pose a lower potential impact. These impacts can be both positive and negative, except in the case of hazard risks, which exclusively have negative consequences.

STRATEGIC RISKS

Wärtsilä's strategic positioning is centered on driving the decarbonisation of the marine and energy markets. As a technology leader in this transformation, Wärtsilä possesses substantial value creation potential as both a pioneer, and a leading partner in the field of decarbonisation.

Strategic risk assessment is a critical component of the strategic planning process. It plays a pivotal role in the Group's risk management framework by identifying and evaluating threats to long-term value drivers in a prompt manner.

General market environment

Business cycles and global megatrends impact Wärtsilä's product demand, financial condition, and performance. Wärtsilä maintains stability in a cyclical market through flexible manufacturing with outsourced capacity, a diverse customer base in two separate end markets, namely energy and marine, and having a large share of sales deriving from services with promising growth potential.

In 2024, the global economic growth rate remained relatively stable compared to the previous year, supported by declining inflation and interest rates. This is expected to encourage investment decisions in the mid- to long-term.

The prolonged and elevated geopolitical tensions (including the ongoing war in Ukraine and the further escalated conflict in the Middle East) and uncertainty over trade policies, have increased risks related to further global fragmentation and uncertainty to the macroeconomic outlook. Business operations globally are potentially exposed to changing trade flows and volumes, disturbed supply routes, altered financial conditions, the volatility of the geopolitical environment, and the sanctions in place and planned against Russia. Economic rivalry with confrontation, protectionism and aggressive trade policies, including the imposition of tariffs, are expected to increasingly change the dynamics within the global economic landscape. While the scale and scope of potential tariffs related to current US trade policy remain uncertain, they may impact Wärtsilä's Energy business particularly in the US. Such an environment presents challenges for businesses to plan and invest, potentially hindering economic growth.

Changes in climate policies and regulations may cause market uncertainties, potentially affecting customer technology choices. Geopolitical tensions and trade barriers present significant challenges to the demand environment. However, Wärtsilä mitigates the risk of dependency on a single market by being active in all geographic regions.

Wärtsilä, together with its customers and suppliers, is indirectly affected by various economic developments. These include environmental regulations, the liquidity and solvency of financial institutions, including their ability and willingness to extend credit, capital costs, and the counter cyclical stimulus programmes introduced by governments – particularly in the power and infrastructure sectors. Other influencing factors include the activities of multilateral financial institutions, and the availability of export credit and guarantee schemes.

Decarbonisation is expected to transform the world and create new business opportunities for Wärtsilä in both the marine and energy sectors. Nevertheless, any material delay or unpredictable change in the implementation of environmental policies and legislation may directly or indirectly impact customer decision-making.

Marine markets

The maritime industry, including the shipping and shipbuilding sectors, is under increasing regulatory, financial, and consumer pressure to decarbonise its operations. Factors such as the EU taxonomy, Poseidon principles, and Environmental, Social, and Governance (ESG) criteria are influencing access to capital. Furthermore, the cost of carbon, driven by regulations such as the EU's Fit for 55 initiative, the International Maritime Organisation (IMO) carbon levy, and local green policies, is expected to significantly increase the overall cost of conventional fuels. 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 that cannot be fully passed on to end customers.

In July 2023, the International Maritime Organisation (IMO) set a goal of achieving net zero greenhouse gas emissions from ships by 2050. This alignment guides stakeholders on necessary investments. Shipping companies must update their decarbonisation plans, invest in newbuilds to replace non-compliant vessels, and enhance existing fleets with efficiency upgrades and fuel conversions. The focus is on fuel flexibility and upgradeability. Transitioning to carbon-neutral and zero-carbon fuels will involve drop-in fuels, hybrid solutions, and abatement technologies for short-term goals, while long-term targets will necessitate sustainable fuels and abatement solutions. With its existing comprehensive product offering for decarbonisation, Wärtsilä can enable its customers to reach their intermediate and 2050 targets.

The growth in global trade volumes, combined with a shift in trade flows, resulted in a significant boost in demand for ship capacity in 2024. Seaborne trade flows shifted due to the sanctions on Russia, the wars in Ukraine and the Middle East, attacks on ships in the Red Sea, and limited access to the Panama Canal. The longer average shipping distances drove up transportation costs, and created delays to global supply chains. Personal travel interest continued to increase, thereby supporting growth in global cruise passenger volumes, as well as passenger traffic volumes in the ferry segment. Investments in new ships were clearly above the levels seen in 2023. This was a result of the increasing demand for ship capacity, continued healthy earnings for shipowners, low orderbooks in the ferry, offshore, tanker and bulk carrier segments, and continued fleet renewal. Despite efforts to increase shipyard capacity and output, especially in China as well as South Korea, shipyard capacity utilisation rates remain high and shipyard orderbooks remain long, indicating that a shortage of yard capacity still exists.

Constraints on shipyard capacity, the development and deployment of sustainable future technologies, a lack of clarity at the global level around decarbonisation-related financial incentives, and the need to find the optimal pace and timing of investments based on financial feasibility and compliance with 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, and also shipyards, may face risks to their business profitability due to the limited ability or desire of people to travel, a lower demand for goods because of persistent high inflation or economic slowdown, as well as higher voyage, operating, and financing costs. Highly indebted shipowners, operators or shipyards may not withstand the potential risk of slower than expected growth in demand, higher financing costs, or a lowered credit rating.

Energy markets

Energy-related macroeconomic development in 2024 was impacted by protectionism and elevated risks in the geopolitical environment. These risks increased in the fourth quarter due to the US trade policy, as the incoming administration signalled its intention to impose or increase broad tariffs on imports to the United States. While the scale and scope of the potential tariffs remain unknown, they may have widespread impacts on energy markets in and outside the US.

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. The pace of this shift is the principal driver in the growth of battery energy storage and thermal balancing technologies. At the same time, there is a growing demand for energy. 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.

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.

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 against other generating technologies, 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.

Recent years have highlighted the impact of geopolitical tensions on energy market policy and investment decisions. Concentrated supply chains in some countries, and the tight competitive situation, impose direct risks to Energy. Energy commodities and supply chains have been at the heart of trade policies lately, presenting risks for all energy technologies. Competition between and among energy technologies presents price pressure. Uncertainty related to any of the aforementioned factors tends to delay investment decisions.

Political and regulatory risks

The ongoing war in Ukraine and the further escalating conflict in the Middle East increase geopolitical fragmentation and volatility risks. Trade tensions and the enforcement of sanctions or embargos, pose a risk to Wärtsilä's scope of international business activities. Wärtsilä operates in 234 locations in 77 countries, and has delivered power plants to 180 countries. Political developments and changes in legislation can, therefore, have a significant impact on Wärtsilä's business. The company actively monitors these political, regulatory, and legal changes in its markets and engages in dialogue with various official bodies on projects pertinent to its operations. Much of this engagement occurs through interest groups and trade organisations. Wärtsilä ensures rigorous monitoring of political and legislative changes at both the corporate and subsidiary levels.

Governments worldwide are increasing regulatory activity. Wärtsilä ensures regulatory compliance and awareness, as appropriate. For instance, ongoing and changing trade sanctions are closely monitored and complied with as required.

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.

New regulations already concluded, ongoing and under preparation in the EU are expected, in general, to create business opportunities for Wärtsilä. Some of the new regulations may, however, have a material impact on its operations, strategy, resourcing and cost base. To ensure compliance, Wärtsilä is meticulously evaluating all relevant regulatory changes with early involvement from its business units and support functions.

For more information, please refer to the Sustainability statement.

Sustainability risks

Wärtsilä is a purpose-driven organisation, with sustainability at the core of both its purpose and strategy. Wärtsilä is advancing towards its "Set for 30" goal to achieve carbon neutrality in its operations, and to provide a zero-carbon fuel product portfolio by 2030. Wärtsilä's sustainability strategy is based on three closely interrelated pillars: economic, environmental, and social performance. Wärtsilä businesses focus on developing and providing solutions and services that optimise the environmental and economic performance of fleets and individual vessels, power plants, and entire 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.

In general, Wärtsilä's risks related to sustainability, including climate change risks, are identified, evaluated and mitigated in accordance with the Enterprise Risk Management (ERM) framework and practices defined therein. In general, sustainability risks, both strategic and operational, are assessed to be low for Wärtsilä.

During 2024, Wärtsilä prepared its first sustainability report in alignment with the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). As regards to the practices needed to deliver the sustainability statement, all relevant sustainability risk areas were assessed in cooperation with the Corporate Risk Management function, by using the same evaluation scales as in the Enterprise Risk Management system. Risks identified in the ERM were also taken into consideration in the double materiality assessment. For annual validation, material topics for the double materiality assessment are also separately maintained in the Enterprise Risk Management system with linkages to the supportive documentation.

For more information, please refer to the Sustainability statement.

Technology risks

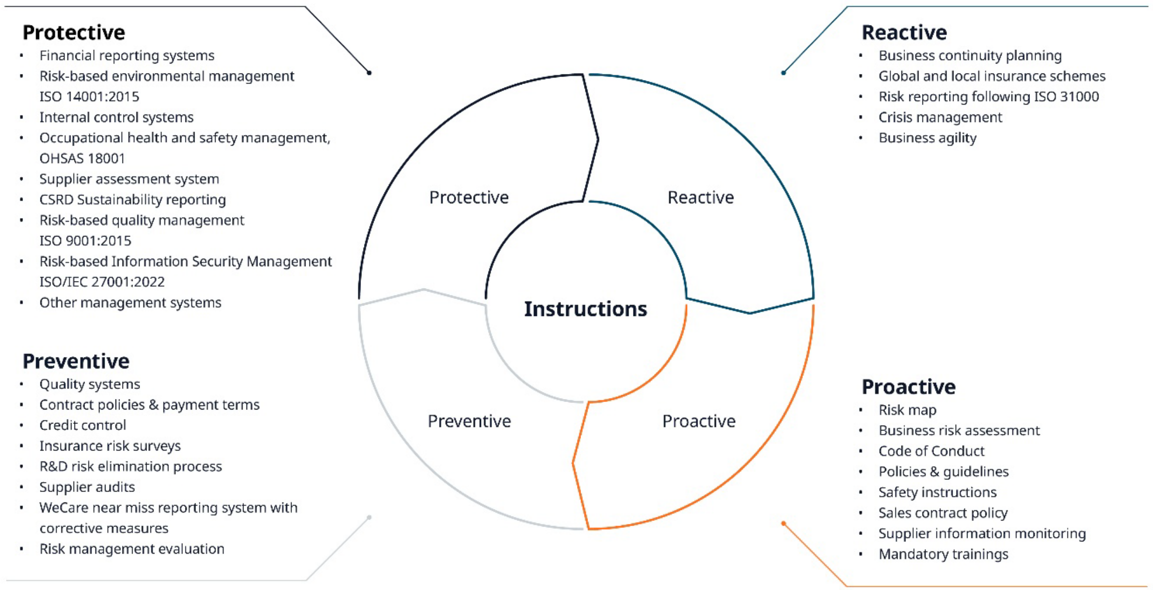
As a large corporation, Wärtsilä has the capability to invest in various technologies, thereby mitigating the risk of obsolescence. While research and development and innovation present significant opportunities, competitors who commercialise similar technologies more rapidly or efficiently than Wärtsilä, as well as emerging disruptive technologies, pose potential risks.

The company is enhancing the competitiveness of its solutions and managing technology risks and opportunities through ongoing R&D efforts and innovation. To advance the development of decarbonisation technology, Wärtsilä has increased its R&D investments. In 2024, the company's R&D investment amounted to 4.6% (4.3% in 2023) of net sales, with a significant focus on decarbonising the marine and energy sectors.

The company is focused on optimising lifecycle value for its customers and reducing the environmental impact of their operations. This is achieved with Wärtsilä's range of engines, digital technologies, propulsion systems, hybrid technology, and integrated powertrain systems that are designed to provide efficiency, reliability, safety, and environmental performance for marine customers during the transformation and beyond. In the energy sector, Wärtsilä supports its customers in their decarbonisation efforts with future-fuel enabled balancing power plants, hybrid solutions, as well as energy storage and optimisation technology. For both industries, Wärtsilä aims to have a product portfolio ready for zero carbon fuels by 2030.

For more information on Wärtsilä's technology and research and development, please see the This is Wärtsilä section.

Risk management process



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 costs 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 a reduced 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. Both the transfer of activities from the old Vaasa facility to the Sustainable Technology Hub, and the process of closing manufacturing in Trieste were completed 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 organisational capabilities and competences. 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 is committed to the company's values, goals and objectives.

Cost inflation and supply risk
Wärtsilä and its suppliers are exposed to inflation risk, which could result in increased costs for raw materials, transportation, energy, and labour, thereby affecting the profitability of business operations. In 2024, there was a decline in inflation and interest rates.

To mitigate the risk 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 cooperation between supply management and the sell-side pricing departments in the businesses to react to cost increases.

It should be noted that the ongoing war in Ukraine, the conflict in the Middle East, and any new geopolitical crises, 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.

Furthermore, 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 expectations. Regular assessment of business interruption risk is a key activity in maintaining business continuity plans. This includes risk audits of 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 customer 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. More than 80% of the equipment net sales in Energy in 2024 consisted of extended equipment supply (EEQ) deliveries, compared to less than 50% in 2022. 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.

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.

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 2024, no instances of substantiated corruption or bribery were identified.

Compliance processes are embedded in all 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 2024 witnessed price fluctuations due to a combination of geopolitical tensions, such as conflicts in key producing regions, and varying levels of demand across different countries. The lead-up to winter brought steep price increases.

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 various 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. 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 during 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-fired 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 operating with fewer running hours.

Metals

Metal prices have an indirect effect on component costs 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 raw material price volatility, characterised by a complex interplay of demand, supply, technological, and geopolitical factors. Prices for lithium continued to decrease in 2024 after declining significantly the year before.

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 2024 was 253,879 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. For further information, refer to the Sustainability statement 2.2.3

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

Wärtsilä is committed to creating and maintaining a safe and healthy work environment for its employees, contractors, and other partners, wherever it operates. Wärtsilä believes all accidents can be prevented by promoting a strong safety culture, improving our performance, and by applying high-level occupational health and safety standards. Please refer to the Sustainability Statement 3.2.

Wärtsilä has implemented occupational health and safety systems, training programmes, travel health and security instructions, and crisis management guidelines to safeguard its employees. Personnel are covered by appropriate insurance policies. To emphasise the importance of employee safety, the Board of Management has established a corporate-level target of zero lost-time injuries, which is part of the company's sustainability programme. Every year Wärtsilä organises a Safety Day to enhance safety awareness, promote safety and wellbeing measures, strengthen our safety culture, and celebrate our success in safety.

Environmental management systems are in place to mitigate environmental hazard risks. Wärtsilä maintains a register of all properties used and provides guidelines for the acquisition, sale, disposal, rental, and security of premises. Additionally, the company engages external advisors to conduct environmental audits.

Wärtsilä's approach to preventing environmental risks from its own operations involves strict adherence to its public policies, the Code of Conduct, and the Quality, Environmental, Health and Safety policy, all of which emphasise continuous environmental improvement. The company requires all suppliers to have an environmental management system compliant with ISO14001 or the Eco-Management and Audit Scheme (EMAS), and to comply with regulations by eliminating or restricting hazardous substances. Cooperation with suppliers is essential for managing environmental risks and ensuring compliance with substances of concern. Wärtsilä utilises a "Black & Grey list" to classify restricted and prohibited substances, which is updated continuously in order to meet regulatory requirements. Please refer to the Sustainability statement 2.3.

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 its warehousing facility in the Netherlands as these are not located in the natural disaster areas of extreme weather events, earthquakes, or 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 statement of the Annual Report.

Catastrophic peril scenarios are identified and, where necessary, risks are mitigated through measures such as elevating sites above flood risk levels, or constructing flood dikes. Comprehensive business impact analyses and continuity plans have been implemented for major sites to address property damage and business interruption risks. When delivering customer projects in locations prone to extreme weather events, Wärtsilä prioritises the safety and wellbeing of its employees and subcontractors, and meticulously plans operations to ensure their protection.

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.

The digital era has brought a constantly evolving cyber threat landscape. New attack vectors and advanced techniques are emerging, challenging traditional defences. The sophistication and frequency of threats, such as ransomware and state-sponsored intrusions, have notably increased. Managing advanced attacks requires a proactive approach with continuous monitoring, threat intelligence, and rapid response. The upcoming Cybersecurity Directive (NIS2) aims to enhance the security of critical infrastructure and digital service providers in the EU. For corporates, such as Wärtsilä, this means implementing stricter requirements for incident reporting, risk management, and the adoption of advanced cybersecurity measures.

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 while 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 communication. 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 the 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. In 2024, Wärtsilä was awarded ISO 27001 certification on the protection of its information assets and enhancement of its overall information security posture.

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.

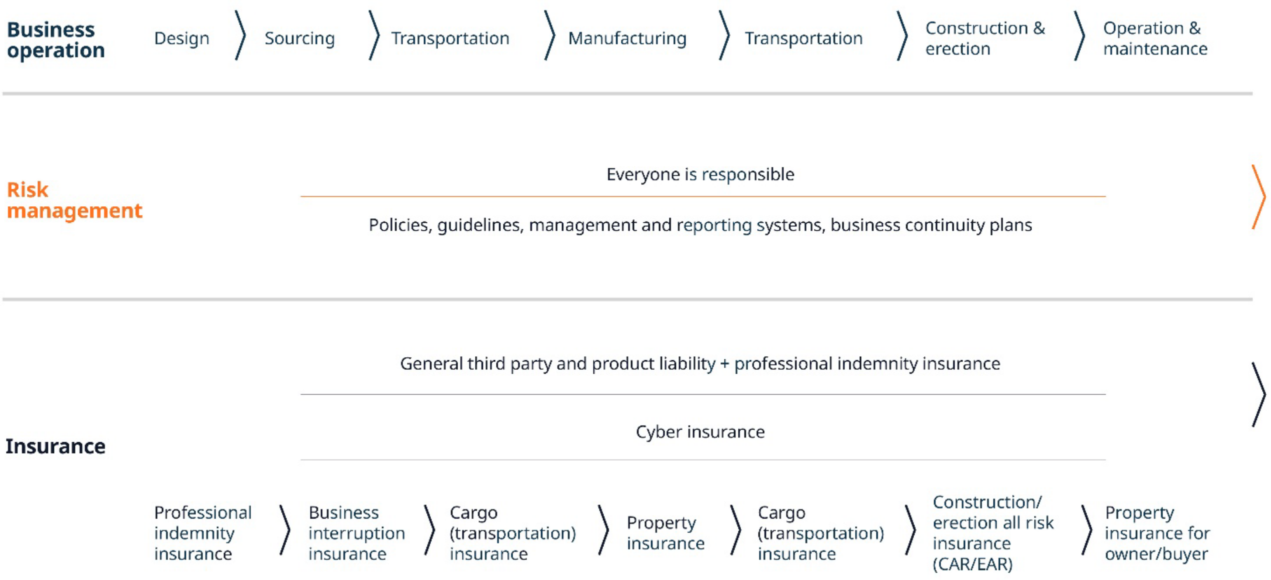
Wärtsilä continues to invest in the development of data protection platforms to support data protection management and implementation.

Insuring of risks

Wärtsilä transfers risks beyond its control to insurance companies whenever feasible and advisable. The insurability of a risk mandates that any resultant damage must be abrupt, sudden, and unforeseen.

Wärtsilä employs suitable insurance policies to cover indemnity risks pertaining to personnel, assets, and business interruptions—including those induced by suppliers—as well as third-party and product liability. Wärtsilä owns a captive insurance company, Vulcan Insurance PCC Ltd, to insure its own risks. For re-insurance purposes, this company is based on the island of Guernsey. The financial results of Vulcan Insurance PCC Ltd are consolidated into Wärtsilä's corporate accounts and are subject to standard 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 guidelines	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), CSRD Sustainability reporting	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 continuity 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 guidelines	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 Security 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, Information Security Management ISO 27001	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 field service 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 230 locations in 77 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 5,500 global direct procurement suppliers. Wärtsilä's personnel is made up of approximately 18,300 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 2024

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 arising from the decarbonisation transformation. It involves 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, as well as the company's commitment to both financial and sustainability targets. Wärtsilä's purpose to enable sustainable societies through innovations 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 is proceeding towards its target to become more stable, focused and profitable company. As of 1 January 2024, Wärtsilä simplified its organisation and reporting structure and has now two reporting segments: Marine and Energy. Portfolio Business continues to be reported as other business activities. As another milestone towards being a more focused company, Wärtsilä announced in December that it has agreed to divest its Automation, Navigation and Control System (ANCS) business, reported under Portfolio Business. Subject to approvals, the transaction is expected to be completed in the second quarter of 2025. In late 2023, Wärtsilä announced a strategic review of Energy Storage & Optimisation to accelerate its profitable growth in a way that benefits customers, employees, and value creation for Wärtsilä shareholders. This review is still ongoing.

Wärtsilä remains committed to R&D activities and continues to invest ~4% of net sales in R&D. Wärtsilä has a comprehensive development programme for sustainable industry fuel technologies, with proven 4-stroke engine technology for operating with LNG, LPG, methanol, and ammonia. In 2024, the company introduced to the marine market a new ultra-low emissions version of already efficient Wärtsilä 25DF engine. This is the second Wärtsilä dual-fuel engine, after the Wärtsilä 31DF engine, to be made available with NextDF technology. Wärtsilä introduced in 2023 the marine sector's first commercially available 4-stroke engine-based solution for ammonia fuel, and will supply an equipment conversion project to Norwegian shipowner Eidesvik. This will be the world's first ammonia-fuelled platform supply vessel conversion. As an illustration of Wärtsilä's broad range of solutions supporting the decarbonisation transition, the company will supply the electrical systems needed to convert two Scandlines ferries to plug-in hybrid operation. This supports Scandlines' vision to realise zero emissions in all its operations by 2040.

While much of the decarbonisation work still lies ahead, Wärtsilä already has solutions and technologies that enable 100% renewable power systems and fuel flexibility to support decarbonisation. Wärtsilä's 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. In 2024, Wärtsilä launched the world's first

Targets	Development in 2024	Development in 2023
Organic growth in net sales 5%	9%	7%
Operating margin 12%	11.1%	6.7%
Gearing below 0.50	-0.31	0.02
Dividend payment at least 50% of earnings per share over the cycle	51.6%	73.2%

*Proposal of the Board of Directors

large-scale 100% hydrogen-ready engine power plant concept, which is expected to be available for delivery from 2026.

Moving up the service value ladder has an important role in Wärtsilä’s strategy, with significant growth opportunities on all steps of the service value ladder. During the year, Wärtsilä signed a five-year performance-based lifecycle agreement with Royal Caribbean Group covering 37 of the company’s cruise ships. Wärtsilä also renewed its Operations and Maintenance agreement with QIT Madagascar Minerals S.A. and expanded it to include a decarbonisation agreement.

Wärtsilä regards collaboration with industry stakeholders as an essential element in the development of technologies needed to meet changing market requirements. Wärtsilä will be leading a five-year collaboration of more than 200 Finnish companies, industrial organisations, research institutes, and universities in a “Wide & Intelligent Sustainable Energy” (WISE) project. The project partners will together develop autonomous zero-emission balancing solutions for the energy transition by utilising data analytics and artificial intelligence, thereby strengthening the Finnish energy sector to become a world-leader in energy innovation. Wärtsilä is also 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. Wärtsilä’s efforts in 2024 focused on low and medium cost measures, such as purchasing green electricity, taking low-emission company vehicles into use, and reducing the time needed for R&D and factory engine testing. Furthermore, 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 2024, the corporate total recordable injury frequency rate (TRIF) was 2.20 (2.62). One of the proactive measures to further strengthen Wärtsilä's safety culture, is management safety walks, the number of which in 2024 increased by 27% compared to 2023. In 2024, Wärtsilä celebrated its tenth annual Safety Day with the theme "Mind your head". The focus was both on physical head safety, as well as psychological safety and wellbeing.

Financial targets and outcome in 2024

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 2024 as net sales increased organically by 9%. Wärtsilä’s operating profit amounted to EUR 716 million, which represents 11.1% of net sales. The gearing resulted to -0.31. The Board of Directors proposed a dividend of EUR 0.44 per share.

THE YEAR 2024

Operating environment

General macro environment

In 2024, the rate of global economic growth remained stable year-over-year supported by declining inflation and interest rates. The sustained growth momentum in global trade was driven by growth in exports from China and other Asian countries and strong demand for goods especially in the United States. The OECD sees the global economic outlook continuing to be positive and resilient but the outlook comes with heightened uncertainty and downside risks due to the elevated geopolitical tensions, US trade policy uncertainty and increasing debt distress for some emerging and low-income economies.

Marine market

The growth in global trade volumes, combined with a shift in trade flows resulted in a significant boost in demand for ship capacity in 2024. The seaborne trade flows shifted due to the sanctions on Russia, the wars in Ukraine and the Middle East, attacks on ships in the Red Sea, and limited access to the Panama Canal. The longer average shipping distances drove up transportation costs and created delays to global supply chains.

Investments in new ships were clearly above the levels seen in 2023, driven by the increasing demand for ship capacity, growing pressure to decarbonise operations, continued healthy earnings for shipowners, low orderbooks in the ferry, offshore, tanker and bulk carrier segments, and continued fleet renewal. In total, 2,765 new ship contracts were reported between January–December, compared to 1,977 contracts signed in 2023. Despite the efforts to increase shipyard capacity and output, especially in China, but also in South Korea, shipyard capacity utilisation rates remain high and shipyard orderbooks remain long, indicating that a shortage of yard capacity still exists. According to Clarksons Research, global shipyard capacity reached its low point in 2020 at around ~60% of 2011 peak level. It is currently at ~70% of the peak and could increase to 80-85% by 2030, mainly as a result of yard reactivations and expansions in China.

The regulatory drive to decarbonise shipping pushed shipowners to increase their investments in ships that can use alternative fuels, or which can be later converted to use alternative fuels or other energy saving technologies. In 2024, 653 orders for new alternative fuel capable ships were reported, accounting for 24% (23) of all contracted vessels and 49% (43) of the capacity of contracted vessels.

In the cruise segment, market sentiment remained very positive due to the continued strong demand for cruise vacations. The strong growth in demand and a positive outlook for the sector increased the appetite for ordering new cruise ship capacity. Furthermore, the demand for service was supported by the continued growth in active fleet capacity, as well as interest in efficiency improvements needed for regulatory compliance and lower operational costs.

In the ferry segment, the positive market sentiment was driven by the continued but gradual recovery in economic activity across key markets. This coupled with the aging fleet and the regulatory drive to cut carbon emissions, drove an increase in the appetite for new ship capacity. The demand for service was supported by the operator interest in maintaining and improving the efficiency of their aging fleets.

In the offshore segment, energy prices supported the sentiment in the oil & gas market. The continued strength in demand for offshore assets especially in South America and Asia, to support exploration activity, enabled day rates to pass previous record highs, while supporting the utilisation rates for existing assets. Newbuild contracting activity increased compared to 2023 but high prices, the cost and availability of finance, as well as the shortage of yard capacity limited the overall appetite. Sentiment in the Asian and European offshore wind sector was supported by the easing of inflation and lower interest rates leading to improved project economics. However, uncertainty over the near-term outlook for the sector in the USA had a negative impact on the sentiment. The investment appetite for newbuild vessels was mixed, with activity in Construction Service Operation vessels (CSOV) remaining strong while overall activity declined. The demand for service across offshore sub-segments was driven by high utilisation and day rates, as well as interest in retrofits to improve the efficiency of assets.

In the LNG carrier segment, market sentiment remained softer than in previous years, as strong fleet capacity growth clearly exceeded growth in demand which led to a decline in the utilisation rate of the mostly older steam turbine-powered ships. However, the appetite for newbuild capacity was clearly above 2023 levels as a result of further capacity requirements to cater for the demand in expanding LNG liquefaction capacity. Service demand was supported by the growth in active fleet capacity and continued interest in service agreements.

In the container ship segment, sentiment was positive as trade volumes and the rerouting of ships away from the Red Sea contributed to higher-than-expected demand for ship capacity. Supported by the positive sentiment and the drive to replace older tonnage, the investment appetite for newbuilds clearly picked up compared to 2023. The sentiment in demand for service was supported by the growth in active fleet capacity and earnings, as well as by shipowner interest in retrofits to existing fleets.

Across all the above segments, 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 market

The energy transition continued to advance, with wind and solar expected to post record installations in 2024 and 2025. Combined capacity additions from wind and solar are expected to be between 650 GW and 800 GW in 2025 according to the International Energy Agency (IEA) and Bloomberg New Energy Finance (BNEF). The transition towards renewables is expected to continue to accelerate, since the main driver for wind and solar capacity additions is favourable economics.

Energy-related macroeconomic development in 2024 was impacted by elevated risks in the geopolitical environment. Uncertainty increased in the fourth quarter due to US trade policy, as the incoming administration signalled its intention to impose or increase broad tariffs on imports to the United States. While the scale and scope of the potential tariffs remain uncertain, they may have widespread impacts on energy markets in and outside the US. The impact of the new US administration on the energy transition globally is likely to be muted.

While the macroeconomic environment has made project financing difficult, decreasing inflation and interest rates are expected to encourage investment decisions in the mid- to long-term.

In 2024, commodity prices were relatively stable compared to the previous few years. Global natural gas prices increased in the second half of the year. Prices for lithium continued to decrease after declining significantly already the previous year.

In engine power plants, market demand for equipment in 2024 improved compared to the previous year, while demand for services remained stable. In the balancing segment, the pace of the renewable energy transition continued to be an important demand driver. The total market for thermal balancing in the first three quarters of 2024 was larger than in any previous full year according to data from the McCoy Power Report and gathered internally. The drivers for balancing demand are also expected to develop favourably in 2025. The baseload segment remains a strong source of demand for thermal power. Reciprocating engines are important providers of baseload generation, particularly in remote locations and other locations where access to grid power is uncertain or time-sensitive. Baseload generation demand is expected to remain stable.

In battery energy storage, demand is closely linked to the increasing share of intermittent renewables in the energy system, which continued to progress strongly. The market for utility-scale battery storage is expected to continue with strong volume growth this decade and onwards, with the Global Energy Storage and Grids Pledge at COP29 having targeted a cumulative 1,500 GW of energy storage capacity by 2050.

Order intake and order book

Order intake increased by 14% to EUR 8,072 million (7,070). Service order intake increased by 8% to EUR 3,812 million (3,519), driven primarily by growth in Marine. Equipment order intake increased by 20% to EUR 4,260 million (3,550) supported by higher equipment order intake in Energy, Marine and Portfolio Business.

The order book at the end of the year increased by 25% to EUR 8,366 million (6,694).

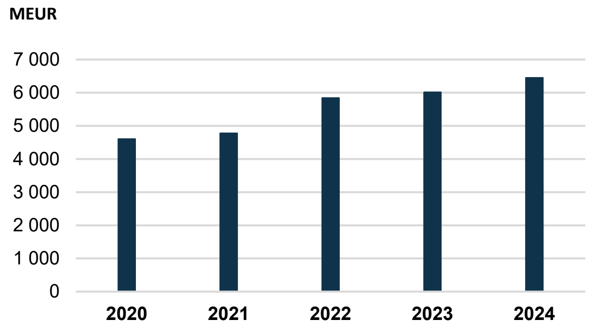
Net sales and operating result

Net sales increased by 7% to EUR 6,449 million (6,015). Service net sales increased by 9% to EUR 3,422 million (3,148), supported by growth in Marine, Energy and Portfolio Business. Equipment net sales increased by 6% to EUR 3,027 million (2,867), supported by Portfolio Business and Marine. Of Wärtsilä's net sales, 54% was EUR denominated and 32% USD denominated, with the remainder being split between several currencies.

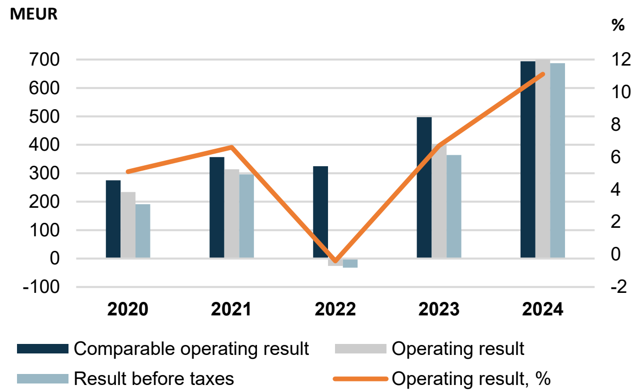
The operating result amounted to EUR 716 million (402) or 11.1% of net sales (6.7). The comparable operating result totalled EUR 694 million (497) or 10.8% of net sales (8.3). The comparable operating result was supported by increases in Energy, Portfolio Business and Marine. Items affecting comparability amounted to EUR 23 million (-95) and were mostly related to the asset held for sale classification of the Automation, Navigation and Control Systems (ANCS) business unit and the restructuring of engine manufacturing in Europe. The comparable adjusted EBITA amounted to EUR 712 million (518) or 11.0% of net sales (8.6). Purchase price allocation amortisation amounted to EUR 19 million (20).

Financial items amounted to EUR -29 million (-37). Net interest totalled EUR 7 million (-14). The result before taxes amounted to EUR 687 million (364). Taxes amounted to EUR -180 million (-95), implying an effective tax rate of 26.2% (26.1). The result for the financial year amounted to EUR 507 million (269). Basic earnings per share totalled EUR 0.85 (0.44). The return on investment (ROI) was 23.7% (13.9), while the return on equity (ROE) was 21.3% (12.3).

Group net sales development



Result



Financing and cash flow

Cash flow from operating activities totalled EUR 1,208 million (822), supported by the better result and improved working capital. Working capital totalled EUR -787 million at the end of the year (-169). Advances received totalled EUR 898 million (774).

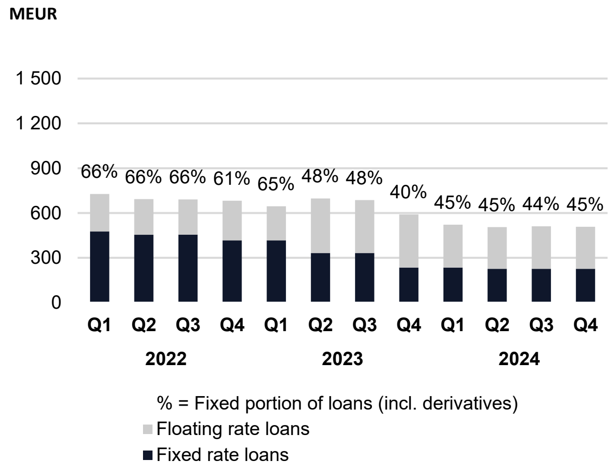
Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management, and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

Cash and cash equivalents amounted to EUR 1,554 million (819). Additionally, EUR 4 million of cash and cash equivalent pertained to assets held for sale (0). Unutilised committed credit facilities totalled EUR 644 million (644).

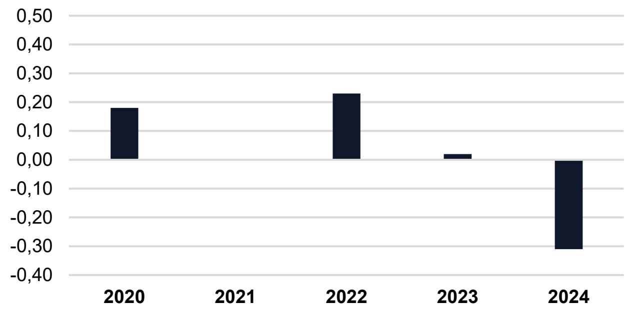
Wärtsilä had interest-bearing debt totalling EUR 766 million at the end of the year (858). The total amount of short-term debt maturing within the next 12 months was EUR 142 million. Long-term loans amounted to EUR 624 million. Additionally, EUR 15 million of interest-bearing liabilities pertained to assets held for sale (0).

Net interest-bearing debt totalled EUR -777 million (35). Gearing was -0.31 (0.02), while the solvency ratio was 37.4% (37.0). Equity per share was EUR 4.29 (3.78).

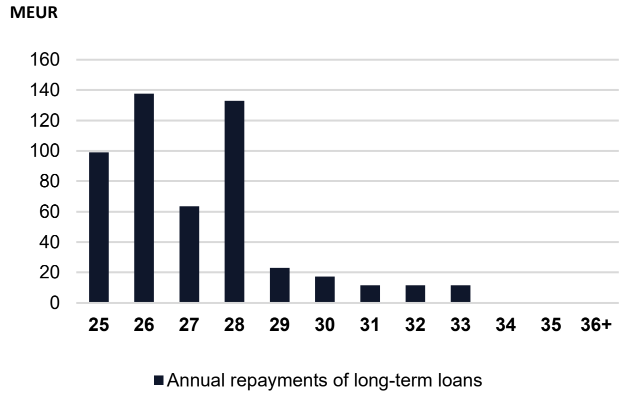
Loans



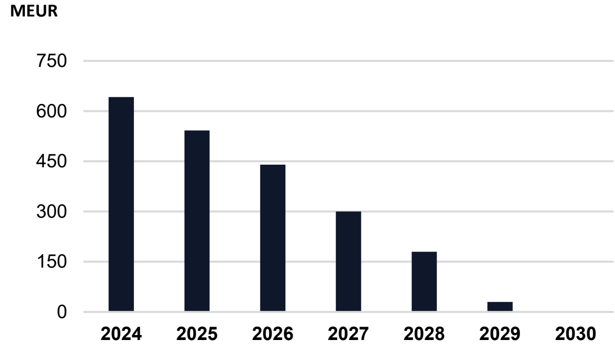
Gearing



Maturity profiles of long-term loans



Committed revolving credit facilities (end of period)

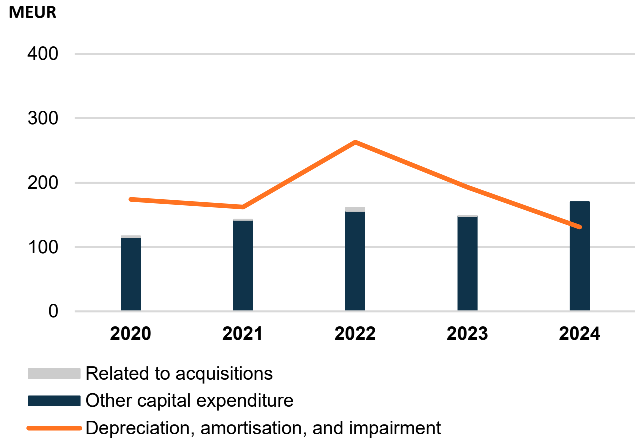


Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 170 million (148). Depreciation, amortisation, and impairment amounted to EUR 131 million (193), including depreciation of right of use assets of EUR 51 million (49).

In 2025, 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 296 million (258) in 2024, which represents 4.6% of net sales (4.3).

In February, it was announced that Wärtsilä will be leading a five-year collaboration of more than 200 Finnish companies, industrial organisations, research institutes, and universities. The partners in this "Wide & Intelligent Sustainable Energy" (WISE) project will together develop autonomous zero-emission balancing solutions for the energy transition by utilising data analytics and artificial intelligence, strengthening the Finnish energy sector to become a world-leader in energy innovation.

In March, Wärtsilä introduced Quantum2, a fully integrated high-capacity battery energy storage system designed and optimised for global large-scale deployment. In September, Wärtsilä launched Quantum3, with new safety, cybersecurity, energy density, and sustainability design features. The high energy density of both solutions means that fewer units are needed onsite. Both solutions leverage Wärtsilä's GEMS Digital Energy Management Platform, which includes streamlined monitoring, control, and performance insights to the battery, safety, and thermal management systems.

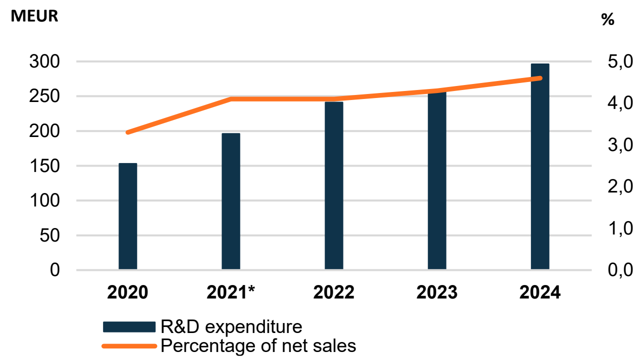
In June, Wärtsilä launched the world's first large-scale 100% hydrogen-ready engine power plant. This solution can currently use natural gas to provide flexibility and balancing, and can be later converted to run on hydrogen, thereby future-proofing the journey to net zero. The concept is based on the Wärtsilä 31 engine platform.

In August, Wärtsilä announced a landmark deal with Eidesvik to supply the equipment for the conversion of an offshore platform supply vessel to operate with ammonia fuel. Wärtsilä will supply the engine and complete fuel gas supply system and exhaust after-treatment needed for the conversion. The vessel, 'Viking Energy', is set to become the world's first ammonia-fuelled in-service ship in 2026.

The innovative NextDF feature for the Wärtsilä 25DF dual-fuel engine, introduced by Wärtsilä in October, has set an industry benchmark for low methane slip by reducing methane emissions to less than two per cent of fuel use across all load points. LNG is considered an important transitional marine fuel, bridging the gap between conventional diesel fuels and future carbon-neutral or carbon-free alternatives. However, the main component of LNG is methane, and when burned as a fuel, a very small amount may not fully combust, leading to methane escaping into the atmosphere.

Over the years, Wärtsilä has developed engine technology aimed at minimising methane emissions.

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 October 2023, 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. The review is still ongoing. Wärtsilä has not set a timetable for the completion of the strategic review.

In December 2024, Wärtsilä announced the divestment of its Automation, Navigation and Control System (ANCS) business, reported as a part of Portfolio Business. In 2023, the annual revenue of ANCS was close to EUR 200 million. Subject to approvals, the transaction is expected to be completed in the second quarter of 2025.

Related party transactions

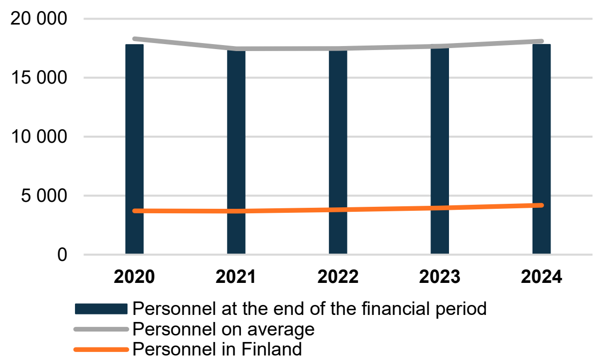
Loans for Group companies are current and unsecured, interest rates are at arm's length. Further information is presented in Notes to the parent company financial statements, Note 18. Related party loans and other commitments.

Personnel

Wärtsilä had 18,338 (17,807) employees at the end of the year. On average, the number of personnel totalled 18,110 (17,666) in the year 2024.

Of Wärtsilä's total number of employees, 23% (23) were located in Finland and 36% (37) elsewhere in Europe. Personnel employed in Asia represented 21% (22) of the total, personnel in the Americas 14% (13), and personnel in other countries 5% (5).

Personnel



Changes in management

In January, Wärtsilä announced the decision by Ms Saara Tahvanainen, Executive Vice President, Marketing and Communications and member of the Board of Management, to leave Wärtsilä for a position outside the Group by latest 15 July, 2024. Wärtsilä began the search for her successor immediately.

In July, Wärtsilä appointed Ms Nora Steiner-Forsberg (b. 1973, LLM, Master of European Law) as Executive Vice President, Legal and Compliance, and a member of the Wärtsilä Board of Management. She will start in her role latest on 1 April, 2025. Kari Hietanen continues as a member of the Board of Management as Executive Vice President, Public Affairs and Sustainability.

In August, Wärtsilä appointed Ms Anu Sirkiä, (b. 1974, BBA, MBA) as Executive Vice President, Marketing and Communications and a member of the Wärtsilä Board of Management. She assumed the position in November.

Reporting segments

Wärtsilä Marine

Order intake increased by 12% to EUR 3,637 million (3,261). Service order intake increased by 15% to EUR 2,307 million (2,004) driven by growth in the navy and ferry segments. Equipment order intake increased by 6% to EUR 1,329 million (1,257) supported mainly by the cruise segment. The order book at the end of the year increased by 21% to EUR 3,409 million (2,808).

Net sales increased by 9% to EUR 3,053 million (2,800). Service net sales increased by 10% to EUR 2,050 million (1,862) supported mainly by the offshore segment. Equipment net sales increased by 7% to EUR 1,002 million (938) driven by the merchant segment.

The comparable operating result amounted to EUR 360 million (312) or 11.8% of net sales (11.2). The result was supported by higher service volumes and better operating leverage stemming from increased net sales, but negatively impacted by the increased R&D cost to support the development of decarbonisation technology. The comparable operating margin improved, supported by a favourable mix between equipment and services. Items affecting comparability totalled EUR 4 million (-36) and were mainly related to the restructuring of engine manufacturing in Europe.

Wärtsilä Energy

Order intake increased by 11% to EUR 3,366 million (3,041). Service order intake remained stable at EUR 1,291 million (1,306). The comparison period included a few sizable agreements and upgrade projects. Equipment order intake increased by 20% to EUR 2,076 million (1,735), mainly driven by improved demand for balancing power in Engine Power Plants and higher orders in Energy Storage & Optimisation. The order book at the end of the year increased by 27% to EUR 3,413 million (2,693).

Net sales increased by 3% to EUR 2,690 million (2,610). Service net sales increased by 7% to EUR 1,173 million (1,095), supported by higher volumes in spare parts and upgrade projects. Equipment net sales remained stable at EUR 1,517 million (1,515), with increased equipment sales in Engine Power Plants and lower equipment sales in Energy Storage & Optimisation. About 80% of the net sales in 2024 consisted of extended equipment supply (EEQ), compared to about 50% in 2023.

The comparable operating result amounted to EUR 302 million (219) or 11.2% of net sales (8.4), supported by higher service volumes, shift from EPC (engineering, procurement and construction) to EEQ (extended equipment supply) deliveries, and improved project execution capability in Energy Storage & Optimisation. The result was negatively impacted by the increased R&D cost to support the development of decarbonisation technology. The comparable operating margin improved, supported by a favourable mix between equipment and services.

Other business activities

Wärtsilä Portfolio Business

Wärtsilä Portfolio Business consists of business units which are run independently with the aim of accelerating performance improvement and unlocking value through divestments or other strategic alternatives. Currently Portfolio Business includes Automation, Navigation & Control Systems (ANCS), Gas Solutions, Marine Electrical Systems and Water & Waste.

In the December 2024, Wärtsilä announced that it had agreed to divest Automation, Navigation and Control System (ANCS) business to the Swedish investment company Solix Group AB. Subject to approvals, the transaction is expected to be completed in the second quarter of 2025.

Order intake increased by 39% to EUR 1,069 million (768), driven by good development in all business units. Services order intake was stable at EUR 214 million (209), while equipment order intake increased by 53% to EUR 855 million (559). The order book at the end of the year increased by 30% to EUR 1,544 million (1,192).

Net sales increased by 17% to EUR 706 million (604) driven by good development in all business units. Services net sales increased by 4% to EUR 198 million (191), while equipment net sales increased by 23% to EUR 508 million (413).

The comparable operating result amounted to EUR 32 million (-34) or 4.5% of net sales (-5.7). The increase was supported by good development in the Gas Solutions and the Automation, Navigation and Control Systems (ANCS) business units. Items affecting comparability totalled EUR 20 million (-49), related mainly to the asset held for sale categorisation of the Automation, Navigation and Control Systems (ANCS) business unit. The items affecting comparability in the comparison period were related to the impairment of goodwill and other non-current assets in Portfolio Business. The result in the comparison period was hampered by a total provision of EUR 48 million taken for a single sizable turnkey project in the Gas Solutions business unit.

Risks and business uncertainties

The ongoing wars in Ukraine and the Middle East have resulted in a range of risks to the demand and supply environment of various commodities globally. The prolonged and elevated geopolitical tensions, and uncertainty over trade policies, exacerbated by the outcome of November's US elections, have increased risks related to further global fragmentation and 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 health of the Chinese economy, rising protectionism, the sanctions in place and planned against Russia, and the rising trade tensions globally. These factors are all contributing to uncertainty in the global economic growth. Further escalation of any of the forementioned 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. Changes in the regulatory environment, financiers' policies, or market sentiment could negatively impact the availability and cost of financing for Wärtsilä and Wärtsilä's customers, which could result in a lower demand for Wärtsilä's solutions.

The shipping and shipbuilding markets are under increasing pressure to reduce carbon emissions because of regional regulations such as the EU's 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 that cannot be fully passed on to end customers.

The constraints on shipyard capacity, the development and deployment of sustainable future technologies, a lack of clarity at the global level around decarbonisation-related financial incentives, and the need to find the optimal pace and timing of investments based on financial feasibility and compliance with emission regulations may affect the investment appetite of ship owners and operators. This concerns both newbuilding programmes and the management of existing fleets and may pose a risk of the global shipping fleet not reaching targeted emission reduction levels.

Ship owners and operators, as well as shipyards, may face risks to their business profitability due to the limited ability or desire of people to travel, a lower demand for goods because of persistent high inflation or economic slowdown, as well as higher voyage, operating and financing costs. Highly indebted shipowners, operators or shipyards may not withstand the potential risk of slower than expected growth in demand, higher financing costs or a lowered credit rating.

Uncertainty around the longer-term demand for crude oil, oil price volatility, and the pressure to decarbonise are pushing oil majors to re-evaluate their spending on exploration activities and operational costs. This may lead to lower future demand for offshore drilling or support assets, and related tanker ships, and can hinder newbuild investments due to concerns regarding residual asset values.

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 against other generating technologies, 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 policies may speed or delay the energy transition. Recent years have highlighted the impact of geopolitical tensions on energy market policy and investment decisions. Concentrated supply chains in some countries and the tight competitive situation impose direct risks on Energy. Energy commodities and supply chains have been at the heart of trade policies lately, presenting risks for all energy technologies. While the scale and scope of potential tariffs related to current US trade policy remain uncertain, they may impact Wärtsilä's Energy business particularly in the US. Competition between and among energy technologies presents price pressure. Uncertainty related to any of the aforementioned factors tends 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.

Shares and shareholders

In 2024, the number of shares traded on Nasdaq Helsinki was 217,792,247, equivalent to a turnover of EUR 3,729 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 98,204,022 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.

All flagging notifications received by Wärtsilä during 2024 can be found on the table on this page.

Wärtsilä shares on Nasdaq Helsinki

31/12/2024	Number of shares outstanding	Number of treasury shares	Number of shares and votes	Number of shares traded 1-12/2024
WRT1V	589,080,815	2,642,575	591,723,390	217,792,247

1.1.-31.12.2024	High	Low	Average*	Close
Share price	20.60	12.61	17.42	17.11

*Trade-weighted average price

Market capitalisation	31/12/2024	31/12/2023
MEUR	10,124	7,766

Foreign shareholders	31/12/2024	31/12/2023
%	57.7	52.7

Flagging notifications

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
2.1.2024	BlackRock, Inc.	Above 5%	4.90%	5.00%
3.1.2024	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
22.1.2024	BlackRock, Inc.	Above 5%	4.97%	5.08%
23.1.2024	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
26.1.2024	BlackRock, Inc.	Above 5%	4.91%	5.01%
29.1.2024	BlackRock, Inc.	Above 5%	5.16%	5.26%
1.10.2024	BlackRock, Inc.	Above 5%	5.40%	5.49%
17.10.2024	Varma Mutual Pension Insurance Company	Below 5%	4.77%	4.77%

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting, held on 7 March 2024, approved the financial statements for the year 2023, reviewed the Remuneration Report 2023 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2023.

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 auditor of the Company for the year 2024 and the same firm was elected as the sustainability auditor.

The Annual General Meeting approved the proposed changes to the Articles of Association. They relate to the remuneration and election of the sustainability auditor as well as to the possibility to organise remote general meetings.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.32 per share, with the dividend to be paid in two instalments. The first instalment of EUR 0.16 per share was paid on 18 March 2024. The second instalment of EUR 0.16 per share was paid on 18 September 2024.

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 9 March 2023 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, Karen Bomba, Morten H. Engelstoft

People Committee: Chair Tom Johnstone, Karin Falk, Mika Vehviläinen

WÄRTSILÄ'S PROSPECTS

Marine

Wärtsilä expects the demand environment for the next 12 months (Q1/2025-Q4/2025) to be better than that of the comparison period.

Energy

Wärtsilä expects the demand environment for the next 12 months (Q1/2025-Q4/2025) to be better than that of the comparison period.

However, Wärtsilä underlines that the current high external uncertainties make forward looking statements challenging.

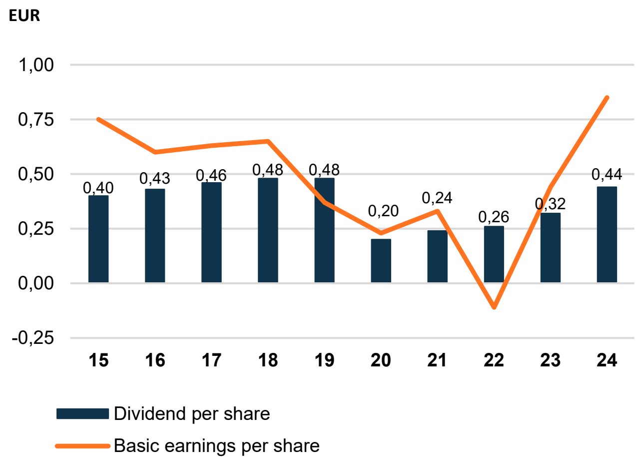
BOARD OF DIRECTORS’ DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.44 per share shall be paid for the financial year 2024. The parent company’s distributable funds total EUR 1,249,416,973.27, which includes EUR 363,279,404.71 in net profit for the year. There are 589,080,815 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.22 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 17 March 2025. The payment day proposed by the Board for this instalment is 24 March 2025.

The second instalment of EUR 0.22 per share shall be paid in September 2025. The dividend record day of the second instalment shall be 17 September 2025, 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 24 September 2025.

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.

Sustainability Statement

Content in this section:

1. GENERAL INFORMATION

1.1. Wärtsilä's approach to sustainability

Wärtsilä is a purpose-driven organisation, with sustainability at the core of the company's purpose and strategy. Along with the company's values, principles, and sustainability objectives, they create the framework for a strong drive towards decarbonisation and responsible business practices. Wärtsilä's sustainability strategy is based on three closely interrelated pillars: economic, environmental, and social performance. With the company's strong emphasis on decarbonising the marine and energy markets, innovative and efficient solutions play a central role in the positive contribution towards a low carbon future. Wärtsilä businesses focus on developing and providing solutions and services that optimise 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 aims at having a working culture, where ethics and compliance are at the core of the company's business practices. Wärtsilä's 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, as well as signing an individual Code of Conduct Undertaking letter. The Code of Conduct covers areas such as respecting human and labour rights, preventing corruption and bribery, and competition regulation. Wärtsilä maintains 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. The company also has in place a competition compliance programme for managing risks relating to competition law.

1.2. Basis for preparation (BP-1, BP-2)

This sustainability statement has been prepared on a consolidated basis, with the scope of consolidation being the same as for the financial statements. Regarding value chain reporting, in accordance with Wärtsilä's double materiality assessment, the material topics are covered as follows:

- Climate change: covers upstream and downstream value chain;
- Energy: covers downstream value chain;
- Pollution to air, water and soil: covers downstream value chain;
- Substances of concern: covers upstream and downstream value chain;
- Occupational health and safety covers upstream value chain; and
- Skills and career development covers Wärtsilä's own operations.

Wärtsilä has not used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation, nor the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU.

Time horizon deviations: On climate change related E1.SBM-3 and E1.IRO-1 disclosures on Wärtsilä's process for evaluating climate change related risks and opportunities, and the company's strategy's resilience analysis, the following time horizons have been used in order to be aligned with the Taskforce on Climate Change related Financial Disclosures (TCFD) recommendations: Short term: year 2025; Medium term: year 2030, and Long term: year 2050.

Metric including value chain data estimates: Scope 3 category 4, upstream transportation: 7% is calculated based on primary data i.e. fuel consumption and fuel factors for the fuel used. 93% 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 the Global Logistics Emissions Council (GLEC) Framework, the global method for the calculation and reporting of logistics emissions. Furthermore, primary emissions data from transport vehicles has been collected to improve the data quality. Data coverage is 65% of the total transportation spend and extrapolation is made for the remaining share.

The only quantitative metrics subject to a high level of measurement uncertainty are the Scope 3, category 11 emissions: CO2e emissions data from the use of sold products, which is calculated based on the number of engines sold in the reporting year, related engine running hours, engine output and engine load multiplied with relevant emission factors. The emissions from sold engines as direct use-phase emissions were accounted for.

Sources of estimation and outcome uncertainty: When quantifying the future scope 3 emissions from category 11 use of sold products, this involves assumptions and the actual emissions from the use of sold products largely depend on the availability of sustainable fuels and the choices Wärtsilä's customers make.

Reporting on E1-9 and E2-6 omitted for the first year. This statement has been made in accordance with the ESRS Standards and Finnish Accounting Act section 7.

1.3. Governance (ESRS 2, GOV-1-5)

Board of Directors (GOV-1)

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. 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 members of the Board of Directors at the end of 2024 were Tom Johnstone (Chair of the Board); Mika Vehviläinen (Deputy Chair of the Board); Karen Bomba, Morten H. Engelstoft, Karin Falk, Johan Forssell, Mats Rahmström and Tiina Tuomela. There is no representation of employees or other workers in the Board of Directors. All eight Board members are non-executive and were determined to be independent of the company. Five members, i.e. 63%, were determined to be independent of significant shareholders.

For the Board of Directors to discharge its duties in the most effective manner, the Board must be highly qualified and sufficiently diverse. The members of the Board of Directors have extensive and diverse experience relevant to Wärtsilä's strategy, such as from Marine and Energy industries and from international capital goods companies. 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 2024, Wärtsilä had three female and five male board members.

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.

Roles and responsibilities of the Board of Directors

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 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 Board of Directors appoints annually an Audit Committee and a People Committee among its members.

Audit committee

The Audit Committee monitors the financial statement and sustainability reporting processes, 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 and sustainability reporting processes, 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. In addition, the Audit Committee monitors assurance of the consolidated sustainability reporting. The Audit Committee is regularly informed on the progress of the sustainability reporting and the assurance by the Public Affairs and Sustainability function and the assurance providers.

The Chair of the Audit Committee reports to the Board of Directors on the Committee’s meetings and proposals.

People committee

The Board defines the duties of the People 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.

Diversity among the members of the Board of Directors and Board of Management

Members of the Board of Management (BoM) and Board of Directors (BoD) by gender in 2024	BoM (%)	BoD (%)
Female	37.5	37.5
Male	62.5	62.5

Members of the Board of Management (BoM) and Board of Directors (BoD) by age group in 2024	BoM (%)	BoD (%)
< 30 years	0	0
30-50	12.5	0
> 50 years	87.5	100

Board of Management (GOV-1)

The members of the Board of Management at the end of 2024 were Håkan Agnevall (President & CEO); Arjen Berends (Executive Vice President and Chief Financial Officer); Tamara de Gruyter (President, Portfolio Business and Executive Vice President); Kari Hietanen (Executive Vice President, Corporate Relations and Legal Affairs); Roger Holm (President, Wärtsilä Marine and Executive Vice President); Anders Lindberg (President, Wärtsilä Energy and Executive Vice President); Teija Sarajärvi (Executive Vice President, Human Resources); Anu Sirkiä (Executive Vice President, Marketing and Communications).

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, and all members are executives. There is no representation of employees or other workers in the Board of Management. The members of the Board of Management have diverse and extensive experience related to Wärtsilä’s strategy, both within the company as well as in relevant industries. Several members of the Board of Management have experience in Wärtsilä of over 20 years, providing the Board of Management with ample expertise on Wärtsilä's sector, products and geographic locations.

Roles and responsibilities of the Board of 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.

Board of Management

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 public 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.

Responsibilities for oversight of impacts, risks and opportunities (ESRS2, GOV-1)

Impacts, risks and opportunities are governed by the Board of Directors and the Board of Management. 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 of Directors has the responsibility for oversight of the Group’s risk profile with regular reviews and it also oversees implementation of the sustainability agenda and reviews major related issues annually. The Board of Directors appoints annually an Audit Committee and a People Committee.

The Board of Management reviews 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 Board of Management has also overall responsibility for sustainability performance and approves guiding group-level policies and action plans. The business and global function management teams ensure the execution of target actions.

The Board of Management can leverage the corresponding expertise for each material impact, risk and opportunity through the different functions and businesses. For climate change, energy and pollution related topics, mainly the businesses' strategic leads and technology departments, as well as the global functions of risk management, supply management and group sustainability, provide the Board of Management with the relevant expertise. For occupational health and safety topics the group sustainability function along with the businesses' Quality, Environment, Health and Safety (QEHS) organisations provide the necessary expertise, and for skills and career development related issues the expertise comes from the global human resources organisation.

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. All the targets have nominated target owners, who prepare action plans, oversee their implementation, and report on the proceedings. In addition to the Board of Management's weekly and monthly meetings, there are ten thematic Boards, as well as four Business Reviews a year for each business and three Functional Reviews a year for each Global Function. 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 2024, the committee convened three 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.

Risk management framework and governance

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 quarterly 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 organisation 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 enterprise risk management framework including the Global policy, 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.

Opportunity governance

Strategy is governed by the Board of Directors and Board of Management. The Board of Directors reviews strategy annually and oversees its implementation monthly. Board of Management has overall responsibility for group strategy and execution. In addition to Board of Management's weekly and monthly meetings, there is a specific thematic Board for strategy, as well as quarterly Business Reviews and three Functional Reviews annually to review strategy execution. The thematic Board for strategy is sponsored by the President & CEO. The business and global function management teams ensure their respective strategy execution. All the businesses have a clear profit and loss responsibility, enabling decisions to be made close to where the customer value is created.

Material impacts, risks and opportunities addressed by the Board of Directors and Board of Management (ESRS2, GOV-2)

Both Board of Management and Board of Directors consider the impacts, risks and opportunities as a part of their overall decision making process when overseeing strategy, its decisions on major transactions, and its risk management process. In addition, especially risks are considered in detail in the due diligence process accompanying every major transaction such as mergers and acquisitions. Every major decision includes considering trade-offs associated with the impacts, risks and opportunities.

Major items on the agenda of the Board of Directors in 2024 included sustainability strategy and regulatory, technological and market developments. Assessing the progress of existing sustainability targets, like the Set for 30 Program, and reviewing new sustainability targets, as well as the implementation of the CSRD requirements have been an important part of the 2024 attention areas. Matters relating to the organisation, for example the Wärtsilä Code of Conduct, people processes and remuneration principles, and health and safety of personnel have been central priorities as well.

Major items on the agenda of the Board of Management included occupational health and safety, sustainability strategy, sustainability targets and their follow-up, as well as risks related to those topics.

Incentive schemes and remuneration policies linked to sustainability matters for the Board of Management (ESRS2, GOV-3)

Board of Directors

The members of the Board are not covered by incentive programmes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä.

Board of Management

Long-term incentive (LTI) schemes are established and approved by the Board of Directors annually. Each incentive scheme comprises a Performance Share Plan (PSP) with a three-year performance period, designed to align the interests of participants with those of Wärtsilä's shareholders. At the end of 2024, Wärtsilä had three active long-term incentive schemes including sustainability related targets for the Board of Management, for periods 2022-2024, 2023-2025 and 2024-2026. These incentive schemes measure Economic Value Added (EVA) and sustainability targets connected to Wärtsilä's decarbonisation strategy, namely to become carbon neutral in the company's own operations, and to have a product portfolio ready for zero carbon fuels.

The People Committee reviews, and the Board of Directors approves, the scheme realization against the set targets before the pay-out. The pay-out is made shortly following the performance period and can be made in cash and/or in shares.

The long-term incentive schemes for periods 2022-2024, 2023-2025 and 2024-2026 are performance share plans. The participants are granted company shares if the pre-determined minimum level in company's Economic Value Added (85% weight) and Sustainability targets linked to decarbonisation (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 2022-2024 scheme would entitle the participants to a total reward of 996,716 shares, the 2023-2025 scheme to a total reward of 1,636,801 shares and the 2024-2026 scheme to a total reward of 1,086,233 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, of 2023-2025 scheme is EUR 7.82. and 2024-2026 scheme is EUR 13.32.

Due diligence mapping (ESRS 2, GOV-4)

Core elements of due diligence	Paragraphs in the sustainability statement
a) Embedding due diligence in governance, strategy and business model	**ESRS 2 GOV-2**: 1.3. Material impacts, risks and opportunities addressed by the Board of Directors and Board of Management; **ESRS 2 GOV-3**: 1.3. Incentive schemes and remuneration policies linked to sustainability matters for the Board of Management; **ESRS2 SBM-3, E1 SBM-3; E1 IRO-1; E2 IRO-1; S2 SBM-3**: 1.6. Results of double materiality assessment
b) Engaging with affected stakeholders in all key steps of the due diligence	**ESRS 2 SBM-2**: 1.5. Stakeholder engagement; **ESRS 2 IRO-1; E2 IRO-1**: 1.7. Description of the process to identify and assess material impacts, risks and opportunities; **ESRS 2 MDR-P:** 2.2.2. Policies on climate change; 2.3.1. Policies on pollution; 3.2.1. Occupational health and safety policy; 3.3.1. Policy on skills and career development; 3.4.1. Policy on value chain workers' occupational health and safety
c) Identifying and assessing adverse impacts	**ESRS2 SBM-3, E1 SBM-3; E1 IRO-1; E2 IRO-1; S2 SBM-3**: 1.6. Results of double materiality assessment
d) Taking actions to address those adverse impacts	**ESRS 2 MDR-A:** 2.2.3. Actions and resources related to climate change mitigation and adaptation; 2.3.2. Actions related to pollution; 3.2.4. Health and safety actions; 3.3.4. Action plans and resources to manage skills and career development; 3.4.4. Actions and resources on value chain workers
e) Tracking the effectiveness of these efforts and communicating	**ESRS 2 MDR-M:** after each metric; **ESRS 2 MDR-T:** 2.2.4. Climate change targets; 3.2.5. Safety target; 3.3.5. Target for Individual Development Plan; 3.4.5. Targets on value chain workers

Risk management and internal controls over sustainability reporting (ESRS2, GOV-5)

Internal controls over sustainability reporting are based on the identification and assessment of risks. The sustainability risk profile consists of findings from external and internal audits as well as process descriptions of material metrics and the assessment of related risks. The risk assessment related to sustainability reporting encompasses all phases of the reporting process, from preparing the reporting instructions and manuals, through data collection and calculation, to compilation of the sustainability report. The risks are identified for each process phase and prioritised based on their impact on data quality, timeliness of data availability, and the materiality of the information. Therefore, the risks that could affect the correctness and availability of the material information receive the highest level of scrutiny.

Wärtsilä has defined and implemented controls at programme, topic and metric level. Control activities at different levels are needed to directly mitigate risks at the respective levels. Control activities include training, instructions, automated checkpoints, access controls, data reviews and the documentation of calculation principles. For critical risks associated with the accuracy and completeness of material information, enhanced controls are adopted. These can include, for example, cross-verification of data.

Sustainability reporting is managed by the Group sustainability function. Environmental and partly social data are collected from subsidiaries using an online sustainability reporting system, for which each Group subsidiary has nominated a responsible person for the collection and consolidation of the data. Social data is collected also from HR data collection systems while economic data is based mainly on audited financial accounts. The sustainability function collects, consolidates and reviews the sustainability information and is responsible for preparing the Sustainability Statement. In addition, the sustainability function monitors the risks and internal controls of the reporting process and reports on the findings to the respective process owners or subsidiaries through info calls, KPI reporting or feedback discussions.

The governance model adopted to ensure effectiveness of the internal control environment over sustainability reporting complies with Wärtsilä's common principles. Audit Committee of the Board of Directors oversees the financial and sustainability reporting processes and monitors the assurance of the consolidated sustainability reporting. Audit Committee is regularly informed on the progress of the sustainability reporting and the assurance by the Public Affairs and Sustainability function and the assurance providers.

In addition, Audit Committee 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.

Wärtsilä's senior management regularly monitors the company's overall sustainability performance. The Board of Management reviews the progress of the sustainability reporting, including the findings of the risk assessment and internal controls, in its periodic meetings.

The Managing Directors of Group subsidiaries are responsible for ensuring that the subsidiary's operations fulfil the requirements stipulated in the Group processes, including the quality and timeliness of sustainability reporting.

1.4. Strategy, impacts, risks and opportunities (SBM-1)

Wärtsilä's strategy, The Wärtsilä Way, remains intact. The company's value creation potential is based on two key 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, greener marine transport and related service businesses. The Perform theme centres around a clear path for operational improvements and increased profitability, leveraging on market growth and the company's commitment to 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's most significant sustainability related goal for its products is the target to provide a product portfolio ready for zero carbon fuels by 2030. Carbon neutral fuels can be used already today, and the development of the product portfolio further continues so that zero carbon fuels, such as for example, ammonia and hydrogen, can be widely used by 2030. The most important product groups in this regard are related to power generation, i.e. engines and their auxiliary equipment.

Wärtsilä Marine is a major actor in power supply, propulsion and lifecycle solutions for the maritime sector. The company develops industry-leading technologies, that enable the maritime industry transition to new fuels and a net zero GHG emissions future. Wärtsilä offers a comprehensive portfolio of maritime products, including fuel flexible engines, fuel supply systems, propulsion systems, electrical systems for hybrid and full electric vessels, shaft line solutions, exhaust gas treatment - including on-board carbon capture, and digital technologies such as fleet optimisation solution, which delivers the efficiency, reliability, safety, and environmental performance the maritime industry requires. Wärtsilä also offers maintenance services supported by a global network of field services, workshops and expertise centres, spare parts logistics centres as well as advanced digital capabilities. The maintenance agreements are configured to address customers' most pressing individual needs, including performance-based agreements focused at minimising fuel consumptions and emissions, while maximising asset reliability and uptime. Wärtsilä can improve efficiency and environmental performance of existing fleet through a wide range of retrofit packages including energy saving devices, shore power, hybridisation, power derating and engine upgrades. Wärtsilä Decarbonisation Services offering includes analysis of current fleet focusing on environmental compliance or decarbonisation modelling based on real operational data to see how vessel is currently operated and an evaluation of which would be needed solutions to reach compliance.

Wärtsilä Marine provides solutions for the entire Marine industry, and leads the industry in the high-end vessel segments, such as passenger vessels, LNG carriers, special purpose vessels, and offshore. Wärtsilä puts a strong focus on being close to ship operators throughout the entire vessel lifecycle, starting as early as the vessel design stages by advising on optimal and most sustainable technical solutions, through construction for integration and commissioning, up until vessels' lifetime with Wärtsilä agreements and retrofit solutions.

The company manufacturing and assembly model is asset-light. A strong focus is put on developing long-term relationships with the global network of suppliers, which includes approximately 5,500 global direct procurement suppliers.

Wärtsilä Energy aims to lead the transition towards a 100% renewable energy future. Wärtsilä helps societies and customers to accelerate their decarbonisation journeys through the company's market-leading renewables balancing technologies and power system modelling expertise. Wärtsilä Energy's solution portfolio covers lifecycle and decarbonisation services, sustainable fuel enabled power plants, and energy storage and optimisation technology, including the GEMS Digital Energy Platform. Wärtsilä's R&D has a focus on sustainable fuels, ensuring that there are future-proof engines available that can be converted to run on sustainable fuels such as green hydrogen and its derivatives, when they become available. Wärtsilä Energy's lifecycle services are designed to guarantee operational performance, increase efficiency, promote reliability, and ensure availability and optimisation of assets. Wärtsilä Energy's track record comprises 79 GW of installed power plant capacity and 130+ energy storage systems delivered to 180 countries around the world.

In the Engine Power Plant business Wärtsilä operates as an OEM (Original Equipment Manufacturer) and service provider. This includes the design, manufacturing, and supply of engines and power plants, and providing spare parts and lifecycle services to customers. The main customer segments are utilities, Independent Power Producers (IPP), and industrial companies generating power for energy markets, end-users, or for own use. In the Energy Storage and Optimisation business Wärtsilä operates as a system integrator by providing battery energy storage solutions and lifecycle services. This includes procurement and integration of battery modules, equipment, battery management and power conversion systems to Wärtsilä-designed energy storage hardware, installation, and optimisation of assets. Energy Storage and Optimisation business focuses on large-scale battery energy storage system projects with customers that value safety and reliability in selected target markets. Overall, Wärtsilä Energy's solutions enable customers to supply energy reliably, gain benefits from flexibility, and advance in the energy transition.

To support its geographically dispersed customer base, Wärtsilä's sales and service network covers more than 230 locations in 77 countries around the world. Wärtsilä operates primarily through its subsidiaries and strategic joint ventures. Wärtsilä's personnel is made up of approximately 18,900 employees comprising 128 nationalities. By recruiting and retaining the best possible talent, Wärtsilä can be a 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.

Wärtsilä's revenue in 2024 was EUR 6,449 million. At the end of 2024, Wärtsilä had 18,913 employees.

MEUR	Marine	Energy	Portfolio business	Total
Net sales	3,053	2,690	706	6,449

Market area	Headcount of employees
Global	18,913
Europe	11,532
Asia	4,006
Americas	2,514
Other	861

Accounting principles for employees

Data on Wärtsilä employees is reported as headcount at the end of the reporting period and is mainly derived from the global Employee Central SuccessFactors. Less than 1% of employees, the amount varying between indicators, don't have all their employment details in the global HR databases. No measurements of the metrics are validated by an external body other than the assurance provider.

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 almost 24,000 active suppliers, with most key suppliers being located in Europe. Wärtsilä expects and takes measures for its suppliers to conduct their businesses in compliance with the same high legal and ethical standards and business practices as its own. 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 the standard supply agreements. In addition, Wärtsilä has 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, Wärtsilä utilises 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.

Activities in fossil fuel, chemical, controversial weapons or tobacco industries

Wärtsilä is not active in the fossil fuel, chemicals production, controversial weapons or tobacco industries.

1.5. Stakeholder engagement (ESRS2 SBM-2)

Active engagement with Wärtsilä's stakeholders is vital for the development of the company's business activities, as well as for exchanging information, building long-lasting relationships, and contributing to sustainable societies. At the corporate level, Wärtsilä's most important stakeholders are customers, personnel, investors and financiers, suppliers, media, and local societies. 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. Wärtsilä engages with its stakeholders in numerous ways, including meetings and events, joint projects, communication channels, and collaboration platforms. Wärtsilä also participates and holds memberships in organisations that are significant to the company's business strategies and markets. Wärtsilä engages in activities organised by various international and national organisations and associations through the daily work, board and working group activities, as well as meetings, seminars, and conferences.

In addition to regular meetings, dedicated communications, workshops, joint projects and social media channels, each year, Wärtsilä’s representatives meet customers at global industry-related events, including international and national seminars, exhibitions, and conferences. The company also has a customer feedback system and continually arranges customer satisfaction and quality surveys.

Dialogue with employees takes place in many formats. These include discussions, communication channels, meetings, and events. In relation to occupational health and safety, local health and safety committees, made up of company management and personnel representatives, are the main means for local dialogue. Every Wärtsilä employee has access to Wärtsilä WeCare reporting system, a global application for reporting occupational health and safety incidents, near miss cases, unsafe conditions and safety observations, both negative and positive. The data collected is utilised locally to improve, and when needed to remedying the situation, as well as consolidated and analysed on regional, business and global levels by EHS professionals and responsible management representatives. Other ways for employees to give their input are the global MyVoice survey conducted every two years, as well as pulse surveys conducted regularly. The MyVoice and pulse surveys also convey employees’ views and interests about skills and career development. In addition, Wärtsilä's European Works Council handles issues that affect at least two Wärtsilä companies located in the EU and those affecting the Group as a whole.

Wärtsilä interacts regularly with investors and financiers during roadshows and meetings to present the company and its business model, strategy, and financial performance. Wärtsilä publishes annually several reports: two interim reports, a half-year financial report, a financial statements bulletin, an annual report, and stock exchange releases to provide accurate, sufficient, and up-to-date information on the development of Wärtsilä’s business operations, strategy, markets, and financial position. Wärtsilä’s website is the main channel for up-to-date information, providing equal access to all investors. Furthermore, Wärtsilä’s top management and the Investor Relations (IR) team conduct regular discussions, and host events with analysts and investors, both globally and locally.

Wärtsilä also aims to have close and excellent relationships with key suppliers around the world. Apart from financial benefits, engaging closely with suppliers stimulates knowledge sharing, creates an environment of innovation, and allows strategic suppliers to integrate more strongly into the company’s value chain.

In addition to periodical supplier assessments conducted at minimum every three years, Wärtsilä is in regular dialogue on their performance, provides development support and arranges Supplier Days. If during supplier visits or audits non-compliances related to occupational health and safety are discovered, corrective actions are required. Although listening to suppliers’ needs is very important for a fruitful cooperation, the views and interests of value chain workers cannot be claimed to have a direct impact on Wärtsilä’s strategy or business model. Wärtsilä does not consider that its strategy and business model play a role in creating, exacerbating or mitigating significant material impacts on value chain workers.

Wärtsilä interacts actively with trade media, as well as with general/financial media. Topics related to the company’s sustainability work are a common interest. Wärtsilä regularly arranges interviews for the media with company experts. Moreover, the company’s experts meet trade press representatives at exhibitions/webinars. Annual surveys are conducted among business journalists, and quarterly media visibility and share of voice reporting.

Wärtsilä also aims to contribute towards the well-being of the local communities where it is present. The means for this include, for example, creating employment, providing training and education to employees, co-operating with local stakeholders, and supporting local development. The company also engages with public officials on issues such as the environment and occupational health and safety, holds open door days, gives sponsorships to e.g. local youth and educational activities, and conducts local communications.

Approach to stakeholder engagement

The core purpose of stakeholder engagement is understanding the needs of Wärtsilä’s stakeholders and also learn of most effective ways to meet those needs. The way Wärtsilä sees the most important needs of its stakeholders in relation to the company’s activities, and Wärtsilä’s approach to meeting those needs, can be summarised in a following manner:

Customers: Customers in both marine and energy markets aim to succeed in their endeavours, and Wärtsilä customers’ success is the way for Wärtsilä to be successful. In order to support the company’s customers succeeding, Wärtsilä must truly understand their businesses, and an important part of this is listening and talking with them. This means, that engaging with the customers actively is a crucial part of having a fruitful strategy and business model in place, as well as for having the ability to modify them when the customers’ needs evolve. Wärtsilä has recognised that through regulatory developments and the customers’ needs, supporting its customers in decarbonising their operations through having reliable and efficient solutions is one of the key factors for the customers’ success, which in turn enables Wärtsilä’s success.

Employees: Innovating in sustainable technology and services to help Wärtsilä’s customers continuously improve their environmental and economic performance requires engaged and highly competent workforce. Wärtsilä’s employees are pivotal to the performance of Wärtsilä and its long-term success. Based largely on the feedback from the employees, Wärtsilä has concluded that the company’s People Strategy should be built on four main pillars called People Priorities are: Fostering continuous learning, creating an inclusive culture, building leadership for impact, and matching the right talent to the right roles at the right time. It is the company’s understanding that striving for these goals makes Wärtsilä an attractive employer for current and future employees and ensures that Wärtsilä has people with the required competences and motivation. Wärtsilä is committed to creating and maintaining a safe and healthy workplace for its employees, contractors and other partners, wherever the company operates.

Investors and financiers: Having active engagement with investors and financiers gives valuable input about their views on Wärtsilä's strategy and its implementation. Wärtsilä regularly requests feedback from investors and analysts in connection with meetings and events in order to better understand their views and potential concerns. Based on the received feedback, Wärtsilä can improve its disclosure and materials in order to provide a good understanding of Wärtsilä's strategy. Wärtsilä’s events are available and open for the whole investor community. The summaries of key messages and questions and answers related to events are published on its website.

Suppliers: The continuous engagement with suppliers ensures that Wärtsilä is aware and up-to-date on especially the key suppliers’ capabilities in delivering the goods and services according to Wärtsilä’s requirements. Through this collaboration detailed understanding is gained of i.a. their technical capabilities, capacity restrictions, as well as potential risks to their corresponding supply chain. Wärtsilä actively works with the suppliers aiming to support them where possible, however, when recognising risks which may not be mitigated sufficiently through the collaboration, Wärtsilä may consider other options how to overcome those by e.g. diversifying the supplier base. This is a continuous process which is always considered case by case.

Media: Interacting actively with media provides Wärtsilä with a valuable way to communicate the company's purpose, strategy, and how the company approaches reaching its strategic goals. It also works the other way by giving the company input on how the general public sees Wärtsilä's activities, and in case there are negative viewpoints Wärtsilä can either clarify misunderstandings or take them into account in its strategy or business model development going forward.

Local communities: Similarly, engaging actively with the representatives of the local societies informs Wärtsilä about their views on how the company conducts its business activities. If it turns out that the company is locally seen as having the possibility to improve its way of working Wärtsilä may gain valuable insight on how to develop the company's activities and thus strengthen its license to operate. This both ensures fulfilling all the local regulatory requirements as well as improving Wärtsilä's reputation which is important for i.a. recruiting local employees.

Wärtsilä's Board of Management and Board of Directors are informed about views and interests of affected stakeholders with regard to sustainability-related impacts through various means. Generally speaking, the Board of Directors receives information from all relevant topics mainly from the Board of Management.

The Board of Management meets key customers regularly to discuss the relationships holistically, and sustainability related topics are almost always on the agenda. They are informed about views and interests of other customers by the businesses' sales organisations through business management teams, leaders of which are members of the Board of Management themselves. Especially the customers' decarbonisation activities and how Wärtsilä can support those are often on the agenda of such meetings, but many other sustainability topics are often covered as well.

Wärtsilä employees' views and interests are collected globally through MyVoice survey which is conducted every two years, and this survey includes also sustainability related matters. There are also Pulse Surveys conducted more often, usually every six months, to gather employees' views and interests on more specific topics. These results are consolidated and analysed, and they are provided to the Board of Management by the Executive Vice President, Human Resources. The Board of Management utilises this information in making strategic decisions related to employees' working conditions, health and safety and wellbeing, among other topics. The Board of Directors' People Committee made up of three of its members 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. The People Committee arranges its own meetings where relevant people from the Group Management are invited based on identified needs case by case.

The Board of Management receives an investor relations-report twice a quarter from Investor Relations team, which consolidates received feedback and views from meetings and discussion with the investor community. The Board of Management also receives comments from important investors when they arise. In addition, the members meet investors and participate in investor and financier events actively by giving presentations and sharing Wärtsilä's views on sustainability related issues among others.

Suppliers' views and interests, including those related to sustainability, are mainly gathered through continuous supplier assessments and audits, in regular business dialogue, and through Supplier Days. Supply Management function reports on the most salient issues to the board of Management. It is also worth mentioning that in the customer – supplier relationship the clear majority of the requirements are nominated by the customer, in this case Wärtsilä. Where there any requirements from suppliers, they will naturally be taken into consideration in business dialogues as well.

Media's views and interests are taken into account by the Board of Management mainly by the information gathered and provided by the Marketing and Communications function, the Executive Vice President of which is a member of the Board of Management. Naturally, both the Board of Management's and Board of Directors' members follow relevant media channels actively themselves, and in case of Wärtsilä they are very often related to sustainability matters.

When it comes to local communities, sustainability related issues vary greatly from country and location to another, and it is the local management's role to stay informed about both the local authorities' as well as residents' views and interests on sustainability related issues, which are in turn communicated to the higher levels in the relevant Businesses. Each Business head is a member of the Board of Management, and it is that person's responsibility to inform the rest of the Board members in case a topic is seen as having sufficient importance for the Board of Management to consider.

1.6. Results of double materiality assessment (ESRS2 SBM-3, E1 SBM-3; E2 IRO-1; S2 SBM-3)

Wärtsilä has identified as its most material sustainability matters being related to greenhouse gas (GHG) emissions, energy consumption, air pollution, substances of concern, occupational health and safety, and skills and career development. These sustainability matters are covered in the following topical ESRS Standards: ESRS E1 Climate change, ESRS E2 Pollution, ESRS S1 Own workforce and ESRS S2 Workers in the value chain.

The impacts, risks and opportunities included in this statement are covered by the ESRS Disclosure Requirements, and thus Wärtsilä has not created any entity-specific disclosures.

Material impacts, risks and opportunities

Climate change

Looking at Wärtsilä's most material impacts on environment, climate change related GHG emissions is clearly the most important area, along with the closely related topic of energy consumption. The impacts are mainly due to Wärtsilä engines consuming fuels and emitting GHG when in use either in a vessel or a power plant. On top of the downstream emissions that Wärtsilä's products generate, its supply chain generates meaningful amounts as well, while they are still small compared to the use phase. According to several lifecycle assessments conducted on Wärtsilä engines in various setups in different types of vessels and powerplants, the results consistently show that over 99% of their lifecycle GHG emissions when running on fossil fuels arise during the operation phase of their long lifetimes of 25 – 30 years. Wärtsilä's own operations also lead to GHG emissions, but they are in turn smaller than its supply chain's. Many Wärtsilä decarbonisation-related solutions have a positive impact on the overall GHG emissions of its customers, such as biogas solutions, digital voyage optimisation, decarbonisation services, and battery energy storage and system optimisation solutions. The convertability of Wärtsilä's engines and auxiliary systems to run with several zero-carbon fuels in the future enables customers to already plan on moving to such energy sources, reducing the risk of stranded assets.

Even though in the double materiality assessment climate related risks were not assessed as exceeding the materiality threshold Wärtsilä has conducted a resilience analysis covering all Wärtsilä's operations including its upstream and downstream value chain by implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The analysis included two climate scenarios, "Very low Greenhouse Gas (GHG) emissions scenario "which starts from the assumption that the global average temperature will be limited to 1.5°C above preindustrial levels by 2100, and "Very high GHG emissions scenario", which assumed 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. The time horizons considered in the analysis were short: year 2025, medium: year 2030, and long: year 2050.

While the energy consumption as such does not create a meaningful financial risk for Wärtsilä, the GHG emissions do, although not amounting to a material risk according to the double materiality assessment. First and foremost are the transition risks in the area of legislation, in practice stricter GHG emission regulations, including a potential ban on the use of fossil fuels. Other transition risks in this field include competitors commercialising similar technologies faster or more successfully than Wärtsilä, or even creating new, disruptive technologies that could compete with Wärtsilä's product portfolio. A third transition risk area identified is raw material cost and availability, which may stem from the global green transition leading to scarcity of certain materials as well as climate change related regulations such as the EU Carbon Border Adjustment Mechanism (CBAM). Wärtsilä has also identified two main physical climate risks to its facilities and employees: increased global average temperatures, and an increased frequency and intensity of heatwaves and flooding due to extreme precipitation events. However, altogether they still do not create a major financial risk to Wärtsilä.

Climate change, on the other hand, is seen as creating major, material opportunities for Wärtsilä through its strategy's main pillar of decarbonising marine and energy industries. While the transitional regulatory risks clearly exist, the continuously tightening GHG emission regulations create significant opportunities for Wärtsilä already today in providing customers with decarbonisation solutions on a wide front, and Wärtsilä sees this at the core of its strategy also going forward. Although the impacts of GHG emissions keep building up, there is uncertainty related to the speed of regulatory developments in the future, especially in the longer time horizon, which will have an effect on both the risks and opportunities in this area. Overall, at the moment, Wärtsilä estimates both the risks and opportunities as generally increasing in the short to medium time horizon, and further to long time horizon. The company also sees attracting and retaining talented employees due to its climate change mitigating profile and brand image as an opportunity.

Currently the effects of the impacts, risks and opportunities related to climate change are all intertwined. The impacts of GHG emissions of all human activity, where Wärtsilä is a part of, lead to climate change, which creates the need for regulatory bodies

Material impacts, risks and opportunities in Wärtsilä's value chain

ESRS Topic	ESRS Sub-topic	Impact, risk or opportunity	Desription of impact, risk or opportunity	Location in value chain			Expected time-horizon		
				Upstream	Own operations	Down-stream	Short	Medium	Long
E1 Climate change	Climate change mitigation	Opportunity	Opportunity related to decarbonising customer operations		X				X
		Actual negative impact	Impact of GHG emissions from product use and supply chain	X		X	X	X	X
	Energy	Actual negative impact	Impact of energy consumption in product use			X	X	X	X
E2 Pollution	Pollution to air	Actual negative impact	Impact of pollution to air from product use			X	X	X	X
	Substances of concern	Risk	Risk related to potential ban on substances in products		X			X	X
		Actual negative impact	Impact of hazardous substances used in products in supply chain and end-of-life	X		X	X	X	X
S1 Own workforce	Occupational health and safety	Actual negative impact	Impact of OHS hazards in own operations		X		X	X	X
	Training and skills development	Actual positive impact	Impact of employee skills and career development		X		X	X	X
S2 Workers in the value chain	Occupational health and safety	Actual negative impact	Impact of OHS hazards in supply chain	X			X	X	X

around the world to adopt ever stricter regulations limiting GHG emissions, which in turn leads to customers in both marine and energy industries needing to decarbonise their activities. Wärtsilä's business model has remained largely similar for some years, and the company's strategic response to both transition risks and opportunities related to climate change is similar: Its extensive R&D investments towards developing low emission technologies both prepares Wärtsilä for the tightening GHG emission regulations and gives the company a competitive advantage. The rigorous R&D activities will continue generating substantial costs for Wärtsilä, but at the same time will improve its future business potential.

Substances of concern

Substances of concern and substances of very high concern have been assessed as a material impact related to Wärtsilä's business activities. Substances of concern can cause adverse effects on humans or the environment at any point in their life cycle: during extraction, production, use, or finally as waste. There are thousands of these substances identified to be harmful to different degrees and some of these substances of concern are present in Wärtsilä products. Wärtsilä has assessed that the main impact of these substances takes place downstream from Wärtsilä, i.e. at the end of the products' lifecycles when they are dismantled and given end-of-life treatment, where there is a potential health risk to the workers, as well as a risk of environmental contamination if the waste treatment is not performed according to applicable environmental protection standards. Wärtsilä eliminates and restricts certain substances of concern in its products to comply with EU REACH and international regulations (e.g. International Maritime Organisation (IMO) regulations) and provides its customers with information on the substances of very high concern in the products. The negative impacts caused by these substances are greater in the company's supply chain than in Wärtsilä's own operations. Wärtsilä´s policies to restrict substances of concern in Wärtsilä products are valid also to Wärtsilä´s suppliers.

Of all the topics assessed in the double materiality assessment the substances of very high concern is the only one seen as creating a material financial risk for Wärtsilä. The risk arises from the proposal to restrict per- and polyfluoroalkyl substances (PFAS) in the EU/EEA. An initial open consultation on the restriction dossier was completed in September 2023, and the European Chemicals Agency's (ECHA) scientific committees are now conducting risk assessment and socio-economic analysis. Wärtsilä has participated in the consultation process and explained that the PFAS-containing fluoropolymer materials are present in Wärtsilä´s components to guarantee the safety and reliability of the products. PFAS materials are essential in eliminating leakages of flammable or toxic fuels, preventing fires in electrical systems, securing energy generation in critical applications, and ensuring the maneuverability of marine vessels. Failures in these critical components could lead to severe consequences, impacting human lives and the environment. In many Wärtsilä applications, there are no alternative materials available that can fulfill the stringent safety and reliability requirements. PFAS containing fluoropolymer materials are also needed in developing technologies that enable reaching the EU and global decarbonisation goals. Wärtsilä has requested exemptions and the maximum derogation time for fluoropolymers and perfluoropolyethers in Wärtsilä applications.

In the unlikely event that the PFAS included in Wärtsilä's products would be banned without any exemptions or time-limited derogations, this would create a very significant risk to Wärtsilä. This would prohibit many of the company's core products from being manufactured or sold eventually. In the short term, the risks related to substances of concern is deemed low but will increase greatly in the medium and long-time horizons. In preparation for this risk Wärtsilä will search for alternative materials and products to replace the ones containing substances of concern.

Pollution

Pollution of air, water and soil was also assessed as a material impact related to Wärtsilä's business activities. Pollution, which excludes GHG emissions, for Wärtsilä means mostly air pollution, part of which also end up in water bodies or soil. Similarly as with GHG emissions, lifecycle assessments show that the clear majority of these are emitted during the products' use phase, mainly by engines in customer vessels or power plants. In other words, although there certainly is pollution emitted along the supply chain, and also in Wärtsilä's own operations, most of the pollution in the value chain originates from downstream in customer use. Taking this into account, Wärtsilä did not use external consultations nor conduct site-specific assessments for pollution, while it should be noted that all Wärtsilä production sites and workshops follow the local regulations and environmental permits in their operations. Through developing more efficient products as well as emissions reduction technologies, the impacts are expected to reduce from short to long time horizon.

Occupational health and safety

Occupational health and safety is an area where Wärtsilä assesses its business operations are having a material impact on people. In the industries where Wärtsilä operates, there are material health and safety risks along the value chain. Wärtsilä's own operations at production facilities and workshops, as well as at shipyards and customer installations, inherently involve health and safety hazards to Wärtsilä's own workforce, mainly blue-collar workers. This understanding does not have a direct impact on Wärtsilä's strategy or business model but requires that processes are in place to minimise the hazards and ensure employee safety. Wärtsilä is working continuously to improve occupational health and safety processes and ways of working, and thus the negative health and safety impacts are expected to decrease continuously over time.

Suppliers and business partners are an important part of the total value chain for Wärtsilä's products and services. The supply base is extensive with almost 24,000 active supplier accounts. The company expects and takes measures for its suppliers to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Wärtsilä has not developed an understanding on specific types of workers particularly at risk in the supply chain, but generally assumes that the main health and safety impacts apply to workers doing manual labour. Wärtsilä's assessment is that the negative health and safety impacts of value chain workers mostly occur in operations such as raw material extraction, processing of the raw materials in multiple phases, manufacturing components, and all the way until logistics suppliers' deliveries to Wärtsilä.

Value chain workers are subject to health and safety impacts also when working on Wärtsilä project sites on shipyards, at power plants or energy storage sites, where Wärtsilä's operational control varies based on the project scope. At sites where Wärtsilä has operational control, the same health and safety standards apply to external workers as own employees. In cases where another entity is controlling the working environment Wärtsilä's possibilities to affect the working conditions are more limited. However, Wärtsilä has set guidelines for operations at customer premises and expects that its employees and contractors follow Wärtsilä health and safety standards and ways of working. Everyone working for Wärtsilä has the responsibility and authority to intervene and stop work in an unsafe situation. Downstream, the employees of Wärtsilä's customers, as well as the workers handling the end-of-life treatment of the products, are also subject to health and safety impacts. These impacts are influenced by Wärtsilä's ability to design and produce safe, quality products.

Skills and career development

The last material topic for Wärtsilä is 'skills and career development', an area where the impact mainly is on Wärtsilä's employees. In CSRD terms the material impact is related to professional growth and non-discrimination. Possessing the essential skills to perform one's job effectively and safely is pivotal to the company's success. Also, providing Wärtsilä's employees with career development opportunities is a critical factor in attracting and retaining talent in the company. Skills and career development are interconnected, as one needs to continuously develop new skills to be able to take on more challenging tasks. Wärtsilä aims at strengthening the continuous learning mindset and enable fair and non-discriminating opportunities to encourage professional growth and to recruit and retain talent in the company, which is believed to further improve the impact in this area going forward.

1.7. Description of the process to identify and assess material impacts, risks and opportunities (ESRS2 IRO-1; E2 IRO-1)

Wärtsilä conducted its first Double Materiality assessment in 2023. In the assessment the company endeavored to mark out what sustainability matters are most significant for Wärtsilä in the sense of its impacts on people or the environment, and which create the greatest risks and opportunities for it. The process was divided into three phases, each of which involved a varying group of internal experts and leaders to ensure having all the necessary knowledge and strategic insight available for the process to properly evaluate the wide range of different aspects in the field of sustainability. The process was led by the group sustainability function, which conducted the first phase of setting the context internally. In addition, group sustainability collected and analysed the stakeholder views as well as the information from the enterprise risk management system and compliance data for the second phase. They also created the evaluation process for the third phase. The process did not focus on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts due to Wärtsilä's global presence and various business activities. The double materiality assessment process was created by Corporate Sustainability function, and reviewed by Board of Management and Audit Committee of Board of Directors. The results for the double materialty assesment and proposal for the threshold were approved by Board of Management, Audit Committee of Board of Directors, and finally by the Board of Directors.

The first phase was setting the sustainability context for Wärtsilä. It included mapping of sustainability aspects and impacts on a general level over Wärtsilä's value chain, considering extractive industry, suppliers, service providers, contractors, business partners, logistics partners, Wärtsilä's own operations, customers and end-of-life service providers. The mapping results were compared with the list of European Sustainability Reporting Standards (ESRS) matters, and at this phase certain obviously irrelevant topics were removed from further assessment. Here it was also considered whether any entity-specific topics were necessary to be created, but no need for such was found.

The second phase was mapping of potential sustainability aspects for the final phase of detailed evaluation. In this phase the key stakeholders for Wärtsilä were decided on, and information on their interests on Wärtsilä were collected in relation to the various sustainability matters through a questionnaire to internal key stakeholder contacts. External experts were not consulted. Here impacts having strategic importance to Wärtsilä were also identified, as well as recognized risks and opportunities.

The third and final phase was to conduct a detailed materiality assessment for the list of potential material aspects. This was done through a series of workshops involving people from various relevant functions in Wärtsilä, in which the company's impacts on environment and people were assessed, as well as relevant risks and opportunities. Certain assumptions were applied in the process, main ones being that the climate change will keep on developing roughly along the current lines; that the international regulatory environment related to climate change will keep tightening; and that the regulations related to hazardous substances will become stricter in the future. In the assessment the sustainability impacts, risks and opportunities were assessed by the various criteria required, and each impact, risk and opportunity ended up with a specific value. For each sustainability aspect, first the impacts were assessed, followed by the related risks and opportunities caused by those impacts. Then risks and opportunities were assessed separately from the impacts in the sense that a risk or opportunity related to a topic may arise independently from Wärtsilä's impacts on the topic. For the impacts, upstream, own operations and downstream were each evaluated separately on their scale, scope, irremediability and probability were assessed on a scale of 1-5, and for risks and opportunities their likelihood and potential magnitude also on a scale of 1-5 each, per three time horizons. All the relevant sustainability risk areas were assessed in cooperation with Corporate Risk Management function, by using the same evaluation scales as in the Enterprise Risk Management system (ERM). Risks identified in the ERM were also taken into consideration in the double materiality assessment. The input for opportunities' evaluation came mainly from the participating strategy leaders from the Businesses. A threshold was set for the final values for impacts, risks and opportunities, and the ones exceeding the threshold were deemed material. Finally, the material sustainability aspects were compared to the list of sustainability topics in the ESRS Standards to define the reporting content based on the double materiality assessment. The list of material topics identified in the double materiality assessment are also used as the basis for setting corporate level targets and related action plans where deemed necessary.

ESRS 2 Appendix C: IRO-1 Additional double materiality assessment information related to certain non-material topics:

ESRS E3 Water and marine resources

Non-material topic. The double materiality assessment did not include detailed screening of Wärtsilä's assets and activities in order to identify its actual and potential water and marine resources-related impacts, risks and opportunities in its own operations and its upstream and downstream value chain, as the topic was excluded in an early phase of the process from detailed assessment. No consultations were conducted related to water and marine resources.

ESRS E4 Biodiversity and ecosystems

Non-material topic. The double materiality assessment did not include detailed assessment of actual and potential impacts on biodiversity and ecosystems at own site locations and in the upstream and downstream value chain, dependencies on biodiversity and ecosystems, transition or physical risks and opportunities related to biodiversity and ecosystems, systemic risks, consultations with affected communities. Wärtsilä has two sites near bio-diversity sensitive areas: One in Italy, Trieste, which is located adjacent to a protected area of high biodiversity value, and another on in Le Havre, France, which is located six kilometers from such protected area. Neither site has been identified as having any impact to the protected areas. Thus it has been concluded that it is not necessary to implement biodiversity mitigation measures.

ESRS E5 Resource use and circular economy

Non-material topic. The double materiality assessment did not include detailed screening of its assets and activities to identify its actual and potential impacts, risks and opportunities in its own operations and its upstream and downstream value chain. No consultations were conducted related to resource use and circular economy.

ESRS G1 Business Conduct

Non-material topic. The double materiality assessment was based on considering unethical conduct related to i.a. corruption, anti-competitive behaviour or trade sanctions evasion. Location, activity, sector or the structure of a specific transaction were not considered separately.

1.8. Resilience analysis (E1.IRO-1)

Resilience analysis

In line with the double materiality assessment, where climate change mitigation is seen as the only material opportunity for Wärtsilä, a resilience analysis was conducted on the company's strategy. Although in the double materiality assessment climate related risks were not assessed as exceeding the materiality threshold, Wärtsilä has evaluated its climate related risks in the resilience analysis.

The resilience analysis is intended to cover all Wärtsilä's operations and sites. The analysis was first conducted during 2023 by implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the scenario analysis was updated in 2024.

Scenario analysis

The process of scenario analysis included the assessment of climate risks and opportunities through the review of relevant information, key stakeholder engagement in workshops and interviews, and a survey. An extensive list of chronic and acute physical, and transitional risks was considered to build a long list of climate-related topics, which was further reviewed to prioritise key risks and opportunities based on probability and impact.

Two climate scenarios were built based on widely accepted, scientific scenarios (Intergovernmental Panel on Climate Change (IPCC)'s SSP) informed by data from other scenarios (NGFS and IEA). Three time horizons selected for the assessment were reviewed based on Wärtsilä's business cycles, approach to budgeting and strategy planning.

Scenario assessment for transitional risks was made qualitatively for both probability and impact, referring to socio-economic trends and available statistical data and information. For physical risks, in addition to above, statistical data was used to consider hazards (see below).

Costs related to Wärtsilä's climate mitigation activities were also considered, mainly caused by R&D efforts to develop products and solutions supporting Wärtsilä customers' decarbonisation efforts. These costs are seen as crucial in ensuring Wärtsilä's competitiveness going forward.

Identification and assessment of climate-related risks and opportunities

Those participated in the process included representatives from business strategy functions, key sites and operations including finance and risk management. Site interviews were conducted to better understand physical risks on Wärtsilä and its supply chains, based on the materiality and geographical locations. Wärtsilä's whole product portfolio was considered in the assessment. The probability and impact over three time-horizons of transition and physical risks and opportunities were considered, taking into account regulatory developments, key industry trends, technology among other factors.

For the physical risks of climate change, following information was also considered:

- Wärtsilä risk management function's data-base on facilities globally;
- Analysis of material sites based on quantitative and qualitative information using the site level data based on coordinates and climate indices; and
- Interviews with representatives from most critical production sites.

Physical risks related to upstream and downstream in Wärtsilä's value chain were considered during the interviews with site and risk management leaders. Wärtsilä's Business Continuity Plan, applicable to key suppliers and delivery centres, includes assessment of physical risks which can be caused by climate change, providing Wärtsilä with the understanding of physical risks facing them as well as to develop mitigation plans together with suppliers.

Climate scenarios used

The analysis included two climate scenarios developed by the IPCC. The scenarios were selected to present different ends of possible temperature pathways:

Very low GHG emissions scenario which starts from the assumption that the global average temperature will be limited to 1.5°C above pre-industrial levels by 2100 (IPCC SSP1-1.9);

Very high GHG emissions scenario: which assumed 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 (IPCC SSP5-8.5).

The "Very low GHG emissions" scenario (SSP1-1.9) assumes i.a. that:

- extreme weather events may be common, but the effects of climate change are not likely to be critical,
- the average global sea-level rise will reach 0.28–0.55 m by 2100 relative to the 1995–2014 average; and
- rigorous and tightening regulations globally surrounding GHG emissions and relevant technologies and products contributing to GHG emissions

The "Very high GHG emissions" scenario (SSP5-8.5) assumes i.a. that:

- extreme weather events are common and the impacts of climate change are likely to be critical;

- the average global sea-level rise will reach 0.63–1.01 m by 2100 relative to the 1995–2014 average; and
- regulations on GHG emissions may become stricter in the short term, then halt at those levels, and no further significant policy tightening will be introduced globally.

Time horizons

The time horizons considered in the analysis were:

Short: Up to year 2025,

Medium: Up to year 2030, and

Long: Up to year 2050.

Wärtsilä's main decarbonisation targets are set for 2030.

Analysis of resilience

Very low GHG emissions scenario

Based on the results of the scenario analysis, Wärtsilä's considers that its business model and strategy are clearly fit for the "Very low GHG" scenario, where climate change related transition opportunities with regards to customer demand, R&D and innovation, and regulations are expected to increase substantially over time.

In the marine industry, for example, the International Maritime Organisation (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 aim to deliver the efficiency, reliability, safety, and environmental performance needed to support its customers during the transformation and beyond.

In the energy industry, Wärtsilä envisions a 100% renewable energy future under the very low GHG emission scenario. Wärtsilä aims to support its customers in decarbonisation by sustainable-fuel enabled balancing power plants, hybrid solutions, as well as with energy storage and optimisation technology.

For both industries, Wärtsilä aims to have a product portfolio ready for zero carbon fuels by 2030.

However, in this scenario there is a transition risk of raw material costs starting to increase 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. To this, Wärtsilä aims to respond by ensuring material availability and cost visibility end-to-end of the supply chain by entering into long-term supply agreements and diversifying the supply base.

Another considerable transition risk is competitors commercialising similar technologies faster or more successfully than Wärtsilä particularly in the long run. There may be disruptive technologies emerging, impacting the future of low to zero emission technologies. Wärtsilä aims to continue and even increase the R&D efforts related to zero carbon fuel/decarbonisation-related products and services to mitigate this risk.

Regulations aimed at limiting GHG emissions can also be seen as a transition risk. 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.

For Wärtsilä, overall, the possibilities to overcome future transition risks will also depend on the availability of green, zero carbon fuels and the infrastructure readiness for them, as well as the company's capabilities to develop technologies fulfilling the regulatory requirements.

The probability of physical risks creating a significant impact on Wärtsilä is considered very limited in this scenario.

Very high GHG emissions scenario

Wärtsilä's business outlook under this scenario is considered to be more challenging, and related risks may require Wärtsilä to partially reconsider its 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. However, Wärtsilä will aim to mitigate the impact by way of precautionary measures. While it is anticipated that some of the most heavily affected, smaller sites may turn unproductive or costly to run, and relocation may be considered, Wärtsilä expects to benefit from the fact that it mostly leases rather than owns facilities.

No stranded assets or business activities were identified in neither scenario, with an unlikely but possible exception of an immediate, complete ban on fossil fuels in the short term. The convertibility of Wärtsilä's engines and auxiliary systems to run with several zero-carbon fuels in the future enables customers plan ahead on moving to such energy sources, reducing the risk of stranded assets for Wärtsilä or its customers.

Wärtsilä's different GHG emission sources and amounts are disclosed in section 2.2.6, followed by their accounting principles. In the financial statements there are no critical climate-related assumptions made in relation to the climate scenarios.

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 on two consecutive rows, the first based on the "Very low GHG" scenario, and the following row on the "Very high GHG" scenario. The risk and opportunity exposure values are expressed on a scale with five levels: "VL-Very low", "L-Low", "M-Medium", "H-High" and "VH-Very High".

Wärtsilä's climate change risks and mitigation actions – transition risks

Risk	Description	Climate scenario	Risk exposure 2025	Risk exposure 2030	Risk exposure 2050	Mitigation actions
Regulations or claims	Stricter regulations on GHG emissions (incl. possible fossil-fuel ban).	Very low GHG	VL	M	M	Set for 30: Become carbon neutral in own operations by 2030. Provide a product portfolio that will be ready for zero carbon fuels by 2030. Until that continue developing products and services supporting the customers' decarbonisation journey.
		Very high GHG	VL	L	M	Continue developing efficient and reliable products and services.
Competitors	Competitors commercialising similar technologies faster or more successfully (incl. disruptive technologies).	Very low GHG	VL	M	H	Continue or even increase the R&D efforts related to zero carbon fuel/decarbonisation related products and services
		Very high GHG	VL	M	H	Continue developing efficient and reliable products and services.
Raw material cost and availability	Raw material availability for certain, e.g. Battery materials, may become limited, also leading to cost increase. Costs also elevated, including through higher cost of logistics, by regulations (e.g. CBAM).	Very low GHG	L	M	H	Ensure material availability and cost visibility end to end of the supply chain by entering into long-term supply agreements and diversifying the supply base.
		Very high GHG	L	L	M	Ensure material availability and cost visibility end to end of the supply chain by entering into long-term supply agreements and diversifying the supply base.

Wärtsilä's climate change risks and mitigation actions – physical risks

Risk	Description	Climate scenario	Risk exposure 2025	Risk exposure 2030	Risk exposure 2050	Mitigation actions
Increasing global average temperature and increased frequency and intensity of heatwaves.	Heatwaves can burden health and emergency services and also increase 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	VL	L	L	Health related effects need to be taken into consideration, i.e. sufficient breaks, cool/ shaded rest areas, drinking water availability, first aid to heat stress, suitable PPE. Affected sites provided necessary water tanks, emergency generators and cooling.
		Very high GHG	VL	L	H	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 increased severity of extreme precipitation events.	Flooding can lead to i.a. possible property damage, or interruptions to production or supply chain.	Very low GHG	VL	L	M	When establishing or acquiring new sites consider locations that are less prone to flooding or on higher ground and can withstand future changes in flooding. Investing in flood control infrastructure, including grey infrastructure like seawalls and levees if needed, as well as green infrastructure solutions like green roofs, holding ponds and enhancing tree canopy to be studied. Limiting the use of non-permeable surfaces like pavement and concrete, and taking flood insurance where necessary.
		Very high GHG	VL	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.

Wärtsilä’s climate change opportunities and the company’s response

Opportunity	Description	Climate scenario	Exposure			Wärtsilä’s response
			2025	2030	2050	
Regulations or claims	Stricter GHG-emissions regulation (incl. the ban on the use of fossil fuels).	Very low GHG	VL	M	H	Set for 30: Become carbon neutral in own operations by 2030. Provide a product portfolio that will be ready for zero carbon fuels by 2030. Until that continue developing products and services supporting the customers’ decarbonisation journey.
		Very high GHG	VL	L	M	Continue developing 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 own operations (incl. disruptive technologies).	Very low GHG	VL	M	H	Provide a product portfolio that will be ready for zero carbon fuels by 2030. Until that continue developing products and services supporting the customers’ decarbonisation journey. Undertake further R&D programs in order to stay a leading technology company.
		Very high GHG	VL	L	M	In medium term go through with developing a product portfolio that will be ready for zero carbon fuels by 2030, as the regulations get stricter for some years still. A partial strategic review when the regulatory tightening stalls.
Customer demand	Increased customer demand for low-carbon energy or products.	Very low GHG	L	M	H	Starting from short-term onwards, Wärtsilä is well positioned by its current and upcoming offerings to benefit from customer needs for support in efforts to decarbonise their energy and marine portfolios.
		Very high GHG	L	M	L	In short-to-medium term Wärtsilä is well positioned by its current and upcoming offerings to benefit from customer needs for support in efforts to decarbonise their energy and marine portfolios. A partial strategic review when the customer demand reduces after the regulatory tightening stalls.
Attracting or retaining talent	Attracting or retaining employees because of company climate risk profile and brand image.	Very low GHG	L	M	M	Increase efforts to decarbonise the company’s value chains, building a strong brand image based on mitigating climate change.
		Very high GHG	L	L	L	Remain a leading technology company attracting talent in the short-term based on the company’s decarbonisation efforts. In the longer term, when the regulatory tightening stalls keep other aspects of sustainability at the centre of R&D and operational development efforts.

1.9. Disclosure Requirements complied with in preparing the sustainability statement (ESRS2 IRO-2):
Wärtsilä has included all material data-points in the ESRS standards related to material topics in accordance with the double materiality assessment.

Standard	Disclosure Requirement
ESRS 2	BP-1
	BP-2
	GOV-1
	GOV-2
	GOV-3
	GOV-4
	GOV-5
	SBM-1
	SBM-2
	SBM-3
	IRO-1
	IRO-2
ESRS E1	E1.GOV-3
	E1-1
	E1.SBM-3
	E1.IRO-1
	E1-2
	E1-3
	E1-4
	E1-5
	E1-6
	E1-7
	E1-8
ESRS E2	E2.IRO-1
	E2-1
	E2-2
	E2-3
	E2-4
ESRS S1 (OHS)	S1.SBM-2
	S1.SBM-3
	S1-1
	S1-2
	S1-3
	S1-4
	S1-5
	S1-6
	S1-14
ESRS S2 (OHS)	S2.SBM-2
	S2.SBM-3
	S2-1
	S2-2
	S2-3
	S2-4
	S2-5
ESRS S1 (Skills and career development)	S1.SBM-2
	S1.SBM-3
	S1-1
	S1-2
	S1-3
	S1-4
	S1-5
	S1-6
	S1-13
	S1-16
	S1-17

Datapoints that derive from other EU legislation (ESRS2 IRO-2)

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section/ Not material
ESRS2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 , Annex II		1.3. Governance
ESRS2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		1.3. Governance
ESRS2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				1.3. Governance
ESRS2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/245328Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		1.4. Strategy, impacts, risks and opportunities
ESRS2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		1.4. Strategy, impacts, risks and opportunities
ESRS2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		1.4. Strategy, impacts, risks and opportunities
ESRS2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		1.4. Strategy, impacts, risks and opportunities
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	2.2.1. Transition plan
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Article12.1 (d) to (g), and Article 12.2		2.2.1. Transition plan

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section/ Not material
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		2.2.4. Climate change targets
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				2.2.5. Energy data
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				2.2.5. Energy data
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				2.2.5. Energy data
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity			2.2.6. GHG emissions data
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		2.2.6. GHG emissions data
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	2.2.7. GHG removals, storage, carbon credits and internal pricing
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		1st. year omitted

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section/ Not material
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a); E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			1st. year omitted
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			1st. year omitted
ESRS E1-9 Degree of exposure of the portfolio to climate related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		1st. year omitted
ESRS E2-4 Amount of each pollutant listed in Annex II of the EPRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				2.3.3. Pollution data from Wärtsilä's own operations
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				Not material
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				Not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Not material
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section/ Not material
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				Not material
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				Not material
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Not material
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Not material
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				3.2.1. Occupational health and safety policy 3.3.1. Policy on skills and career development
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Not material
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				3.2.1. Occupational health and safety policy
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				3.2.3. Processes to remediate negative impacts and channels for own workforce to raise concerns 3.3.3. Channels to raise concerns
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		3.2.6. Occupational health and safety management system, data
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				1st. year omitted
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		3.3.7. Remuneration metrics
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				3.3.7. Remuneration metrics
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				3.3.8. Number of complaints to raise concerns, cases of discrimination including harassment, and fines, penalties and compensation for damages
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Not material
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Not material

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section/ Not material
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				3.4.1. Policy on value chain workers' occupational health and safety
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Not material
ESRS S2-1 Nonrespect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				3.4.4. Actions and resources on value chain workers
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Not material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Not material
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Not material
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				Not material
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Not material
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		Not material
ESRS G1-4 Standards of anticorruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Not material

2. ENVIRONMENTAL INFORMATION

2.1. EU Sustainable Finance Taxonomy disclosures

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 2024 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 53% of Wärtsilä's turnover in 2024. 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, 14% of Wärtsilä's turnover was estimated to be eligible, including the energy storage business, biogas solutions, and digital voyage optimisation solutions. For capital expenditure, capitalised R&D costs related to energy storage, digital voyage optimisation and sustainable fuels development, as well as new buildings and new vehicles were deemed eligible. For operating expenditure, non-capitalised R&D costs related to energy storage, biogas solutions, digital voyage optimisation solutions and sustainable fuels development were deemed eligible. None of the categories could be considered as aligned.

	Turnover	CapEx	OpEx
Non-eligible	86%	64%	89%
Eligible	14%	36%	11%
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. Turnover, 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 turnover streams in 2024 as being also taxonomy-aligned. The same applies to both capital and operational expenditures in 2024. 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 (CCM 3.4) • Biogas solutions (CCM 3.6) • Digital voyage optimisation solutions (CCM 8.2)	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 (CCM 7.1) • Passenger cars and light commercial vehicles (CCM 6.5) • Capitalised R&D costs related to energy storage (CCM 3.4) • Capitalised R&D costs related to voyage optimisation (CCM 8.2) • Capitalised R&D costs related to sustainable fuels (CCM 4.7)	Any capital expenditure 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 capital expenditure related to taxonomy eligible manufacturing was identified.
OpEx	• Non-capitalised R&D costs related to energy storage (CCM 3.4) • Non-capitalised R&D costs related to biogas solutions (CCM 3.6) • Non-capitalised R&D costs related to voyage optimisation (CCM 8.2) • Non-capitalised R&D costs related to sustainable fuels (CCM 4.7)	With respect to the non-capitalised R&D, eligibility follows the same logic as with the identified turnover KPI eligible activities. However, operating expenditure 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 operating expenditure related to taxonomy eligible manufacturing was identified.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	Code (a)	Turnover	Proportion of turnover, year 2024	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 2023	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)*										
Manufacture of batteries	CCM 3.4	794	12%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								15%		
Manufacture of other low carbon technologies	CCM 3.6	53	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	41	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)		888	14%	14%	0%	0%	0%	0%	0%								17%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		888	14%	14%	0%	0%	0%	0%	0%								17%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		5,561	86%																
Total		**6,449**	**100%**																

EL = Eligible; N/EL = Non-eligible

Turnover in 2024: EUR 6,449 million is also reported in Financial statements, Consolidated statement of income.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	**Code (a)**	**CapEx**	**Proportion of CapEx, year 2024**	**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 2023**	**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)*										
Construction of new buildings.	CCM 7.1	16	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	8	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%		
Manufacture of batteries	CCM 3.4	28	12%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	6	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Electricity generation from renewable non-fossil gaseous and liquid fuels	CCM 4.7	27	11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								10%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		85	36%	36%	0%	0%	0%	0%	0%								23%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		85	36%	36%	0%	0%	0%	0%	0%								23%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		152	64%																
Total		**237**	**100%**																

EL = Eligible; N/EL = Non-eligible

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2024

Financial year 2024	2024			Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic activities	**Code (a)**	**OpEx**	**Proportion of OpEx, year 2024**	**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 2023**	**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)*										
Manufacture of batteries	CCM 3.4	19	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7%		
Manufacture of other low carbon technologies	CCM 3.6	2	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Electricity generation from renewable non-fossil gaseous and liquid fuels	CCM 4.7	10	4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		31	11%	11%	0%	0%	0%	0%	0%								12%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		31	11%	11%	0%	0%	0%	0%	0%								12%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		249	89%																
Total		**280**	**100%**																

EL = Eligible; N/EL = Non-eligible

Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

2.2. Climate change (ESRS E1)

2.2.1. Transition plan (E1-1)

Wärtsilä has a transition plan called 'Set for 30' for climate change mitigation that for scope 1 and 2 GHG emissions is considered being in line with the Paris Agreement. Scope 3 targets cannot be considered being in line with the Paris Agreement since they are not quantitative. The transition plan has been approved by the Board of Directors. Wärtsilä is not excluded from EU Paris-aligned Benchmarks.

Wärtsilä has defined its transition plan for scope 1 and 2 emissions and targets at becoming carbon neutral in its own operations by 2030. Related to products, Wärtsilä's target set in 2021 is to provide a product portfolio ready for zero carbon fuels by 2030. Decarbonisation is a priority in the company's product and product portfolio development, including abatement technologies. Wärtsilä is developing a broad range of technologies and solutions to support its customers in their decarbonisation transition. Carbon neutral fuels can be used already today, and the development of the product portfolio further continues so that zero carbon fuels, such as for example, ammonia and hydrogen, can be widely used by 2030. Wärtsilä's transition plan is well aligned with the company's strategy, which has decarbonisation at the core.

Main decarbonisation levers and key actions

The main emission reduction categories in own operations' (Scope 1 and 2 emissions) decarbonisation pathway are the following:

- Energy efficiency and energy savings
- Switching to low emission company vehicles
- Utilisation of self-generated energy and the purchase of green electricity (for renewable electricity, Wärtsilä uses both unbundled energy attribute certificates (EAC) and direct power purchase agreements.)
- Reducing the time needed for R&D and factory engine testing
- Utilisation of heat pumps in heating
- Replacing fossil fuels with sustainable fuels in factory and R&D engine testing
- Utilisation of various technologies to reduce greenhouse gas (GHG) emissions in engine testing

Core elements of Wärtsilä's product development related (Scope 3) decarbonisation actions are the following:

- Products and services: Offering innovative technologies and lifecycle solutions with high efficiency and low emissions
- R&D: Developing sustainable and future-proof technologies
- System level solutions: Improving and optimising overall efficiency and lowering emissions at system level
- Operational measures: Targeting carbon neutrality and continual environmental improvements
- Collaboration: Joining forces with stakeholders in promoting climate and environmental actions

Significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan

Own operations:

- Costs for green electricity in 2024: 112 TEUR (OpEx)
- Installation of solar panels in 2024: Wuxi, phase 2 (China), Khopoli (India), Gazipur (Bangladesh), Cape Town (South Africa): 253 TEUR (CapEx)

Products:

- During 2024, R&D expenditure totalled EUR 296 million, which represents 4.6% of net sales. The majority of these investments targeted improved environmental performance. Sustainable fuels related R&D costs amounted to Capital expenditures of 27 MEUR and operational expenditures of 10 MEUR (also included in the EU Sustainable Finance Taxonomy disclosures).

It should be noted that the CapEx and OpEx amounts reported in the EU Sustainable Finance Taxonomy disclosures include costs outside the transition plan described above even though these other costs also contribute to climate change mitigation in other ways.

Currently Wärtsilä has no plans for aligning its economic activities with the criteria established in Commission Delegated Regulation 2021/2139 (29).

Locked-in GHG emissions from key assets and products

Wärtsilä considers that there are no significant locked-in GHG emissions in the company's key assets or products, as for a long time already the products and solutions have been designed to be "future-proof". This means, that the production facilities can quite easily be modified to accommodate production of i.a. zero-carbon fuel products, and the products themselves can also be upgraded for use with the sustainable fuels. Thus, Wärtsilä does not consider any locked-in GHG emissions jeopardising the company's GHG emissions reduction targets.

Progress in implementing transition plan

Own operations (Scope 1 and 2): During 2024, Wärtsilä was able to reduce its GHG emissions by 50,163 tCO2e compared to the baseline. The GHG reductions since the launch of the transition plan make up 50% of the final target, which is in line with the company's target.

Products (Scope 3): The development of concepts for pure hydrogen for land-based power plants continued throughout 2024. Market release was given in mid-2024, and the concept for industrialisation will be selected during 2025. Progress towards the target is seen to be proceeding well, although details of the plan are continuously being modified according to business needs, market situation and technology developments.

2.2.2. Policies on climate change (E1-2)

Wärtsilä's values and principles in relation to the material climate change mitigation impact and related opportunities are defined in the Code of Conduct that covers all of the company's activities, is publicly available on the company's website and has a separate section on climate change:

"*Wärtsilä recognises the urgent need to address climate change in society and across our operations. We are committed to mitigating climate change by developing technologies and services to decarbonise the energy and marine markets, as well as by decarbonising our own operations. We set measurable emission* *reduction targets, which also cover our supply chain, and we monitor the progress.*

We actively work towards reducing greenhouse gas emissions by investing in continuous research and development, supporting customers on decarbonisation solutions, advancing energy efficiency and the use of green energy, and making choices that prioritise climate and environmental considerations.

Additionally, we take necessary actions to adapt to the impacts of climate change on our operations."

This sets the stage for the company's continuous endeavors towards creating sustainable products and solutions, while also minimising the environmental footprint in its operations. For Wärtsilä mitigating climate change is at the core of these efforts. Board of Management carries the ultimate accountability of implementing the Code of Conduct as well as well as the Quality, Environmental, Health and Safety (QEHS) policy. Wärtsilä' QEHS policy, also covering all of the company's activities, emphasizes the importance of protecting the environment, setting objectives, and reducing risks.

2.2.3. Actions and resources related to climate change mitigation and adaptation (E1-3)

Wärtsilä has a transition plan called 'Set for 30' for climate change mitigation, which comprises of two targets and the related action plans: To become carbon neutral in its own operations and to provide a product portfolio that will be ready for zero carbon fuels by 2030.

Wärtsilä's decarbonisation levers related to own operations

The annual decarbonisation action plans are approved by the Board of Management. These actions drive Wärtsilä Code of Conduct's policy objective of mitigating climate change. The outcomes of developing a product portfolio ready for zero carbon fuels by 2030 will naturally not have materialised yet in terms of reduced GHG emissions.

For Scope 1 and 2 GHG emissions, the main emission reduction categories in Wärtsilä's decarbonisation pathway are:

- **Energy efficiency and energy savings**: Energy savings are mainly based on reduced electricity or heat consumption and the implementation of energy efficiency measures. In line with the Code of Conduct's objective of "*advancing energy efficiency*", in the beginning of 2017, Wärtsilä Board of Management 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 2024, permanent energy savings of 14.5 GWh have been reached, representing 49% of the final 2025 target.

- **Switching to low emission company vehicles**: Wärtsilä introduced a vehicle policy that actively supports 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.

- **Utilisation of self-generated energy and the purchase of green electricity**: 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. For many Wärtsilä countries, solar panels are an attractive alternative because of their self-sufficient nature and payback time. For example, in 2024, Wärtsilä Wuxi, China, (phase 2) installed a 300 kW solar power generation system on the factory roof, which generates green electricity for daily operations. Solar panels installed at Wärtsilä's site in Japan cover the whole roof space, and the generated electricity represents 30 to 40% of the factory's total electricity consumption. Additional sites that installed solar panels in 2024 are Khopoli (India), Hattem (Netherlands), Cape Town (South Africa), Bermeo (Spain) and Frauenfeld (Switzerland). Wärtsilä has developed a purchasing model for green electricity purchases, where the company has defined its approach for acquiring Guarantees of Origins (GOs), Renewable Energy Certificates (RECs), and International Renewable Energy Certificates (I-RECs). In 2024, Wärtsilä in Denmark, Finland, Italy, Norway, and the Netherlands acquired Guarantees of Origins. In addition, several other Wärtsilä sites use green electricity. Out of the total electricity consumption, 64% (58,525 MWh) was from renewable sources.

- **Reducing the time needed for R&D and factory engine testing**: In the Sustainable Technology Hub in Finland, fuels are used mainly for R&D and factory engine testing. Wärtsilä has identified and taken measures to contribute to energy savings, such as reducing running times during engine testing.

- **Utilisation of heat pumps in heating**: In Denmark, natural gas boilers were used for heating the office, but the boilers were coming to their end and needed replacement. The company wanted to utilise a more sustainable heating option and therefore opted for electric heat pumps. In addition, Wärtsilä Denmark buys certified green electricity which guarantees that the electricity used for heating in all Denmark facilities is CO2 neutral.

- **Replacing fossil fuels with sustainable fuels in factory and R&D engine testing**: R&D and factory engine testing generated 75% of Wärtsilä's Scope 1 emissions in 2024. Several actions related to the reduction of GHG emissions from engine testing are underway, and results can already be seen. Wärtsilä reached an important milestone in sustainable fuel product development by investing in new methanol research and engine testing capabilities in its Sustainable Technology Hub in Vaasa, Finland. Sustainable fuels, such as methanol, play a vital role in helping the maritime industry to reduce its greenhouse gas emissions and accelerate the green transition. In addition, Wärtsilä continues with its technology and product development of other sustainable fuels, such as ammonia and pure hydrogen.

Climate change adaptation

Wärtsilä has risk management assessments and processes in place following and considering possible impacts of climate change to the company's assets and employees. Where necessary, precautions are taken, such as in Kampen, Netherlands, where Wärtsilä has a storage of sandbags ready in case of flooding, and exercises are being held for the employees to know how to act when needed. Wärtsilä has heat stress management guidelines in place in response to having identified an increasing number of heat related illnesses. 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. Overall, however, Wärtsilä has evaluated the climate change physical risks as not posing a significant risk to the company's operations currently.

Key actions taken in the reporting year

- Green electricity purchasing
- Installation of solar panels
- Energy efficiency and energy savings
- Reducing the time needed for R&D and factory engine testing
- Investment in a new methanol research and engine testing capabilities in its Sustainable Technology Hub in Vaasa, Finland

Own operations: During 2024, Wärtsilä was able to reduce its Scope 1 and 2 GHG emissions by 50,163 tCO_2e compared to the baseline, which is in line with the company's target. Further, expected emission reductions by 2030 for Scope 1 and 2 are about 49,837 tCO_2e.

Products: The development of concepts for pure hydrogen for land-based power plants continued throughout 2024. Market release was given in mid-2024, and the concept for industrialisation will be selected during 2025.

All the actions described cover Wätsilä's own operations globally unless locations have been stated specifically, have started and will be finalised by 2030.

Availability and allocation of resources towards ability to implement actions

Actions planned for the future:

- Energy efficiency and energy savings
- Switching to low emission company vehicles
- Utilisation of self-generated energy and the purchase of green electricity (for renewable electricity, Wärtsilä uses both unbundled energy attribute certificates (EAC) and direct power purchase agreements.)
- Reducing the time needed for R&D and factory engine testing
- Utilisation of heat pumps in heating
- Replacing fossil fuels with sustainable fuels in factory and R&D engine testing
- Renewable district heating
- Carbon offsetting

Own operations: Wärtsilä will gradually switch to green electricity in all countries, considering the availability of green electricity in different markets. The time schedule to switch to sustainable fuels in engine testing depends on availability and costs.

Products: For shipping, Wärtsilä's latest analysis of the market provides a picture of when each fuel type is likely to become available, while Wärtsilä's modelling tool predicts their likely cost.

First Wärtsilä expects to see biofuels, produced from non-food or non-feed organic sources, with large growth predicted to become available in the 2030s. This includes diesel-like biofuels, biomethanol and biomethane, but also bioethanol, which is already produced today in significant quantities, especially in Brazil and the US.

Next will emerge 'blue' fuels, such as blue ammonia. Produced using fossil fuels, with CO_2 captured and stored, they are simpler to scale than synthetic fuels, and benefit from the upstream infrastructure of the oil and gas industry.

Green synthetic fuels will only arrive at significant volumes from the late 2030s. Produced from emissions-free 'green' hydrogen made using renewable electricity, they will likely be produced mostly in locations with high solar and wind resources.

In power generation, at the moment, hydrogen is the most promising candidate of the Power-to-X (P2X) fuel for power plants. One key concern with green hydrogen is how long it will take to build the needed infrastructure and ensure green hydrogen in adequate amounts.

Significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan

Own operations:

- Costs for green electricity in 2024: 112 TEUR (OpEx)
- Installation of solar panels in 2024: Wuxi, phase 2 (China), Khopoli (India), Gazipur (Bangladesh), Cape Town (South Africa): 253 TEUR (CapEx)

Products:

- During 2024, R&D expenditure totalled EUR 296 million, which represents 4.6% of net sales. The majority of these investments targeted improved environmental performance. Sustainable fuels related R&D costs amounted to Capital expenditures of 27 MEUR and operational expenditures of 10 MEUR (also included in the EU Sustainable Finance Taxonomy disclosures). For 2025 these expenditures are estimated at about 29 MEUR as capital expenditures and 18 MEUR as operational expenditures.

It should be noted that the CapEx and OpEx amounts reported in the EU Sustainable Finance Taxonomy disclosures include costs outside the transition plan described above even though these other costs also contribute to climate change mitigation in other ways. Currently Wärtsilä has no plans for aligning its economic activities with the criteria established in Commission Delegated Regulation 2021/2139 (29).

2.2.4. Climate change targets (E1-4)

Wärtsilä has defined its transition plan, 'Set for 30', for Scope 1 and 2 emissions and targets at becoming carbon neutral in its own operations by 2030. The target was set in 2021 and approved by the Board of Directors, with annual GHG emissions of own operations from a baseline of about 100,000 tons CO_2eq. Scope 2 emissions considered here are market-based. Based on an assessment of its GHG emissions Wärtsilä outlined its decarbonisation roadmap that included defining Wärtsilä's decarbonisation targets. As part of the company's decarbonisation actions, Wärtsilä evaluates 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 2024, Wärtsilä's 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. In 2024, out of the total electricity consumption 64% was from renewable sources.

In line with the Code of Conduct's imperative for "advancing energy efficiency", in the beginning of 2017, Wärtsilä Board of Management approved an energy saving target to reduce total energy consumption in own operations by at least 7% in terms of absolute consumption from 2015 (428 GWh) level by 2025. The target is not based on conclusive scientific evidence, and no stakeholders were directly involved in setting the target. At the end of 2024, permanent energy savings of 14.52 GWh have been reached, representing 49% of the final 2025 target. Energy savings are mainly based on reduced electricity or heat consumption and implementation of energy efficiency measures. Currently the energy saving target supports the overall carbon neutrality target described above.

GHG emissions reduction targets by 2030

GHG emission scope	Reduction target	Achieved reduction by 2024
Scope 1 + 2	100%	50%

Accounting principles:

Data is collected on a site level, based on permanent GHG emissions reduction measures, and either calculated or estimated (Scope 1 and 2). For defining the baseline value for 'Set for 30' target on becoming carbon neutral in own operations Wärtsilä uses a baseline value that is derived from a 3-year average (2019-2021), as this increased the representativeness of the base line emissions. One reason for choosing a 3-year average was to better take into account the business impact of Covid-19. No measurements of the metrics are validated by an external body other than the assurance provider.

Related to products, Wärtsilä's 'Set for 30' target set in 2021 is to provide a product portfolio ready for zero carbon fuels by 2030. Baseline year or value are not relevant in this context. Decarbonisation is a priority in the company's product and product portfolio development, including abatement technologies. Wärtsilä is developing a broad range of technologies and solutions to support its customers in their decarbonisation transition. Carbon neutral fuels can be used already today, and the development of the product portfolio further continues so that zero carbon fuels, such as for example, ammonia and hydrogen, can be widely used by 2030. The targets support Wärtsilä in living up to the Code of Conduct's "urgent need to address climate change. As an example of a current solution, Wärtsilä has developed and introduced to the market a new ultra-low emissions version of its already efficient Marine Wärtsilä 31DF engine. When operating on LNG, this new version can further reduce methane emissions on a 50% load point by up to 56%. On a weighted average, this new technology can reduce methane emissions by 41% more than the standard Wärtsilä 31DF engine, which has already the lowest emission levels on the market. Independent studies show that Wärtsilä's four-stroke engines are world-leading in methane slip reduction.

In 2024 Wärtsilä Board of Directors approved a new target in line with the Code of Conduct's "urgent need to address climate change" for 25% reduction of suppliers' GHG emissions by 2030 compared to the 2024 baseline. The target covers Tier 1 direct suppliers of Wärtsilä and their scope 1 and 2 GHG emissions related to deliveries to Wärtsilä. It is a relative target, for which baseline is defined by Wärtsilä allocated GHG emissions and spend. The data for the 2024 baseline will be collected from suppliers during 2025. The exact methodology for following up on the progress against the target is still being developed. The target is not based on conclusive scientific evidence. During the target setting process, stakeholders were involved including interviews with selected suppliers.

The company has not set a science-based target for the GHG emissions but considers the scope 1 and 2 targets being compatible with limiting global warming to 1.5°C from pre-industrial levels although not based on conclusive scientific evidence. The 'set for 30' targets have been externally assured. No stakeholders were directly involved in setting the targets unless specifically mentioned. No climate scenarios were considered in setting the targets.

Progress in implementing transition plan

Own operations: During 2024, Wärtsilä was able to reduce its Scope 1 and 2 GHG emissions by 50,163 tCO2e compared to the baseline, which is in line with the company's target. Further, expected emission reductions by 2030 for Scope 1 and 2 are about 49,837 tCO2e. Scope 1 and 2 emissions are reported and monitored on a quarterly basis to understand whether the progress is in line with the target. The main contributors to reducing Scope 1 and 2 emissions were purchasing green electricity and reducing emissions from R&D and factory engine testing. On the energy saving target, by the end of 2024, energy savings of 14.52 GWh were achieved, representing 49% of the final 2025 target. Energy saving actions are reported in an online tool and annually reviewed by Group sustainability. The energy savings target is currently lagging from the initially planned progress.

Products: The development of concepts for pure hydrogen for land-based power plants continued throughout 2024. Market release was given in mid-2024, and the concept for industrialisation will be selected during 2025. Progress towards the target is seen to be proceeding well, although details of the plan towards the target are continuously being modified according to the business needs, market situation and technology development.

GHG emissions reduction target status and expected levers (own operations)

Data point	Data
Base year	3-year average (2019-2021)
Baseline value	Total scope 1 + 2: 100,000 tCO2e* Scope 1: 55,000 tCO2e Scope 2: 45,000 tCO2e
Percentage of total GHG emissions reduction target	Scope 1: 100% Scope 2: 100% (market-based)
Achieved reductions by the end of 2024	Scope 1: 17,934 tCO2e (33%) Scope 2: 32,229 tCO2e (72%) Total Scope 1 + 2: 50,163 tCO2e (50%)
Expected lever: Energy efficiency and energy savings	1%
Expected lever: Switching to low emission company vehicles	3%

Expected lever: Utilisation of self-generated energy and the purchase of green electricity	40%
Expected lever: Reducing the time needed for R&D and factory engine testing	6%
Expected lever: Utilisation of heat pumps in heating	3%
Expected lever: Replacing fossil fuels with sustainable fuels in factory and R&D engine testing	8%
Expected lever: Renewable district heating	7%
Expected lever: Carbon offsetting	32%

* 3-year average (2019-2021); rounded figure

Accounting principles:

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). For defining the baseline value for 'Set for 30' target on becoming carbon neutral in own operations Wärtsilä uses a baseline value that is derived from a 3-year average, as this increased the representativeness of the baseline emissions. One reason for choosing a 3-year average was to better take into account the business impact of Covid-19. No climate scenarios were considered in setting the targets.

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

No measurements of the metrics are validated by an external body other than the assurance provider.

2.2.5. Energy data (E1-5)

Energy consumption and mix	MWh / % / intensity
Fuel consumption from coal and coal products (MWh)	0
Fuel consumption from crude oil and petroleum products (MWh)	80,483
Fuel consumption from natural gas (MWh)	67,121
Fuel consumption from other fossil sources (MWh)	35
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources (MWh)	44,202
Total fossil energy consumption (MWh)	**191,841**
Share of fossil sources in total energy consumption (%)	**76**
Consumption from nuclear sources (MWh)	2,782
Share of consumption from nuclear sources in total energy consumption (%)	**1**
Fuel consumption from renewable sources (MWh)	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	57,026
Consumption of self-generated non-fuel renewable energy (MWh)	2,231
Total renewable energy consumption (MWh)	**59,257**
Share of renewable sources in total energy consumption (%)	**23**
Total energy consumption (MWh)	**253,879**
Non-renewable energy production (MWh)	12,203
Total energy consumption from activities in high climate impact sectors (MWh)*	253,879
Energy intensity from activities in high climate impact sectors (total energy consumption per total net revenue (MEUR)*)	39

* All Wärtsilä's activities fall within high climate impact sector NACE-code C28.1.1. - Manufacture of engines and turbines, except aircraft, vehicle and cycle engines. Revenue in 2024: 6,449 MEUR is also reported in Financial statements, Consolidated statement of income.

Accounting principles:

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. All of Wärtsilä's energy consumption is derived from activities in high climate impact sectors. No assumptions are made, and the energy consumption data is collected through the global sustainability reporting tool.

Methodology for each energy metric:

Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources: Purchased electricity from fossil sources = Purchased electricity – electricity from renewable and nuclear sources; Purchased district heat from fossil sources = Purchased district heat – renewable district heat.

Share of fossil sources in total energy consumption = Total energy consumption from fossil sources/Total energy consumption.

Consumption from nuclear sources: The share of nuclear energy for all countries with Wärtsilä operations is determined by the Association of Issuing Bodies (AIB) and International Atomic Energy Agency (IAEA).

Share of consumption from nuclear sources in total energy consumption = Total energy consumption from nuclear sources/Total energy consumption.

Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources: Electricity and district heat consumption from renewable sources.

Consumption of self-generated non-fuel renewable energy: Self-generated electricity from solar panels.

Share of renewable sources in total energy consumption = Total energy consumption from renewable sources/Total energy consumption.

Non-renewable energy production: Fossil fuels used for self-generated electricity and heat.

Energy intensity describes the ratio of total internal energy consumption divided by the total net sales of Wärtsilä (MWh/MEUR). All of Wärtsilä's energy consumption is derived from activities in high climate impact sectors.

All energy consumption data is reported in Wärtsilä's sustainability reporting tool and is based on either invoices or measured values, with the exception of roughly 0.2% of total energy consumption estimated.

No measurements of the metrics are validated by an external body other than the assurance provider.

2.2.6. GHG emissions data (E1-6)

	Retrospective				Milestones and target years			
	Base year*	Comparative**	N	(N/N-1)**	2025	2030	(2050)	Annual % target / Base year
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO2eq)	55,000	n/a	37,066	n/a	49,000 (combined Scope 1 + 2)	0	n/a	n/a
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	n/a	0%					
Scope 2 GHG emissions* **								
Gross location-based Scope 2 GHG emissions (tCO2eq)******	n/a	n/a	19,849	n/a	n/a	n/a	n/a	n/a
Gross market-based Scope 2 GHG emissions (tCO2eq)*********	45,000	n/a	12,771	n/a	49,000 (combined Scope 1 + 2)	0	n/a	n/a
Significant scope 3 GHG emissions* **								
Total Gross indirect (Scope 3) GHG emissions (tCO2eq)		n/a	88,938,000	n/a				
1 Purchased goods and services	n/a	n/a	2,008,600	n/a				
3 Fuel and energy-related activities (not included in Scope 1 or 2)		n/a	10,000	n/a				
4 Upstream transportation and distribution		n/a	82,900	n/a				
6 Business traveling		n/a	50,500	n/a				
11 Use of sold products		n/a	86,786,000	n/a				
Total GHG emissions								
Total GHG emissions (location-based) (tCO2eq)		n/a	88,994,916	n/a				
Total GHG emissions (market-based) (tCO2eq)		n/a	88,987,838	n/a				

* The baseline values are based on 3-year average values (2019-2021); rounded figure. Starting from 2024, the boundaries include companies with less than 10 employees that were not included in the base year calculations.
** Due to the transitional provisions the comparative information is not reported
*** The emission factors applied to Scope 2 or 3 do not separate the percentage of biomass or biogenic CO2
**** The target is based on market-based emissions

***** Out of the total electricity consumption 64% (58,525 MWh) was from renewable sources in form of self-generated electricity (solar panels), bundled and unbundled energy attribute certificates purchased (EAC). Out of the purchased green electricity, 92% is related to unbundled energy attribute certificates (EAC) and 8% related to bundled EAC.

Accounting principles:
The reported figures for R&D and engine testing are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors have been determined for various fuels and engine types through measurements, and they have been externally assured (DNV). The emissions of the heating boilers are calculated based on the fuel consumption. The data is measured/collected in each Wärtsilä company and reported by a named person in a global reporting tool.

Wärtsilä uses the operational control approach to establish the organisational boundary for GHG reporting. As defined by the GHG Protocol, Wärtsilä includes operations where the company has the full authority to introduce and implement operating policies. Investees such as associates, joint ventures, or unconsolidated subsidiaries are excluded from the reporting. Scope 1 and 2, and Scope 3 GHG emissions for energy are calculated by Sphera's Corporate Sustainability Software.

Scope 1 emissions are reported based on the Greenhouse Gas (GHG) Protocol and cover all direct emissions of greenhouse gases from Wärtsilä.

Scope 2 emissions are reported based on the GHG Protocol and include indirect GHG emissions from the generation of power, heat, and steam purchased and consumed by Wärtsilä. 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 five categories: Category 1: Purchased Goods and Services, Category 3: Fuel- and Energy-Related Activities, Category 4: Upstream Transportation and Distribution, Category 6: Business Travel, and for the first time in 2024, category 11: Use of sold products. 0.1% of GHG Scope 3 emissions have been calculated using primary data.

Category 1: GHG 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.

Category 3: The energy-related GHG emissions are calculated by using the emission factors from IEA, MLC and DEFRA.

Category 4, upstream transportation: 7% is calculated based on primary data i.e. fuel consumption and the fuel factors for the fuel used. 93% 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 65% of the total transportation spend and extrapolation is made for the remaining share.

Category 6: Emissions of air travel are based on calculations by Wärtsilä's travel agency and are based on Thrust Data defined emission factors.

Category 11: GHG emissions data from the use of sold products is calculated based on number of engines sold in the reporting year, related engine running hours, engine output and engine load multiplied with relevant emission factors. The emissions from sold engines as direct use-phase emissions were accounted for. The calculated lifetime emissions consider the decrease in GHG emissions intensity during the engines' 25-year lifetime. The reduction targets outlined in the FuelEU Maritime regulation were applied to determine the emissions reduction rate until 2050. The emission factors used are:

Lifecycle CO2e emissions per kWh of fuel used
Well to tank (WtT) emission factors:

- Default emission factors provided in the Fuel EU maritime, Annex II are used for LNG, diesel and methanol.
- A separate emission factor was calculated for pipeline gas that is used for engines sold to the energy sector

Tank to wake (TtW) emission factors:

- Wärtsilä maintains performance manuals for its engines that provide information on engine fuel consumption and emissions data (e.g. CO2, Total Hydrocarbon Content (THC)). THC is used to describe the quantity of the measured hydrocarbon impurities present and the data is used to determine the methane slip in gas operated engines. Wärtsilä engines are tested in accordance with ISO 8178 standard reference conditions and information on CO2e for each engine type, fuel type and engine load are available. Conversion factors from Marine Environment Protection Committee (MEPC).
- The effect of methane slip is considered in engines powered by LNG: GWP for CH4 is 28 (over 100 years)

Scope 3 categories excluded from reporting:

Excluded category	Explanation
5. Waste generated in operations	Calculated but less than 0.1% of total scope 3 emissions.
7. Employee commuting	Calculated but less than 0.1% of total scope 3 emissions.
8. Upstream leased assets	Upstream leased assets are not material for Wärtsilä.
9. Downstream transportation and distribution	Calculated but less than 0.1% of total scope 3 emissions.
10. Processing of sold products	Wärtsilä does not sell any intermediate products. Wärtsilä's products are not processed downstream.
12. End-of-life treatment of sold products	Calculated but less than 0.1% of total scope 3 emissions.
13. Downstream leased assets	Wärtsilä has no relevant downstream leased assets that are reported on Group level.
14. Franchises	Wärtsilä is not using any franchises.
15. Investments	Wärtsilä has no investments that would account to relevant GHG emissions.

Note on value chain data estimations: Wärtsilä continuously strives to improve data accuracy by increasing the amount of primary data used in the Scope 3 calculations. For Category 1: Purchased goods and services, Wärtsilä aims to be able to change the basis for calculations from spend-based to weight-based data for purchased goods as soon as the company has developed the primary data on weights to an accurate level. For Category 4: Upstream transportation, Wärtsilä aims at collecting more primary data from the logistic service providers, but this depends on the further development of the service providers' reporting capabilities.

No measurements of the metrics are validated by an external body other than the assurance provider.

Contractual instruments used for purchase of energy	
Percentage of contractual instruments of total electricity consumption (MWh)	74%
Bundled energy attribute certificates (EAC)	4,358 MWh
Unbundled energy attribute certificates (EAC)	51,936 MWh
Percentage of contractual instruments used for sale and purchase of energy bundled with attributes about energy generation in relation to total electricity consumption (MWh)	6%
Percentage of contractual instruments used for sale and purchase of unbundled energy attribute claims in relation to total electricity consumption (MWh)	68%
Disclosure of types of contractual instruments used for sale and purchase of energy bundled with attributes about energy generation or for unbundled energy attribute claims	Bundled energy attribute certificates (EAC): Guarantees of origin (GOs) Unbundled energy attribute certificates (EAC): Guarantees of origin (GOs), IRECs

GHG emissions intensity

GHG intensity per net revenue*	Comparative**	N	% N / N-1**
Total GHG emissions (location-based) per net revenue (tCO2eq/Meur)	n/a	13,800	n/a
Total GHG emissions (market-based) per net revenue (tCO2eq/Meur)	n/a	13,799	n/a

* Revenue in 2024: 6,449 MEUR is also reported in Financial statements, Consolidated statement of income.

** Due to the transitional provisions the comparative information is not reported

GHG emissions intensity describes the ratio of total greenhouse gas emissions (Scope 1, 2 and 3) divided by Wärtsilä's total net sales in the reporting year (tCO2e/MEUR). No measurements of the metrics are validated by an external body other than the assurance provider.

2.2.7. GHG removals, storage, carbon credits and internal pricing (E1-7, E1-8)

Within the company's value chain, Wärtsilä is developing the industry's first onboard carbon capture and storage (CCS) technology. Outside Wärtsilä's value chain, the company considers purchasing carbon credits as a last resort, after other measures to reduce or avoid emissions have been explored. High-quality carbon reduction projects will be selected together with a credible supplier if carbon offsetting is needed. Wärtsilä has not implemented internal carbon pricing and no carbon credits were used in 2024.

2.3. Pollution (ESRS E2)

According to the double materiality assessment pollution to air from Wärtsilä's products (downstream) and substances of (very high) concern in Wärtsilä's supply chain (upstream) and at end-of-life treatment of sold products (downstream) are material impacts for Wärtsilä. In addition, the substances of (very high) concern is a material risk.

2.3.1. Policies on pollution (E2-1)

Wärtsilä's approach to pollution is highlighted by two public policies, which have been approved by the Board of Management which also carries the ultimate responsibility for implementing them. The policies are available on the company's website. Wärtsilä's Code of Conduct, also approved by the Board of Directors, has a section on environment:

"Wärtsilä is committed to continuously improving the environmental performance of its products, solutions, and operations. We play an important role in society by providing solutions for sustainable energy production, and by driving the development of green marine transport.

To protect the environment and reduce adverse impacts, we seek to raise environmental awareness, prevent pollution, enhance the sustainable use of natural resources, and substitute and minimise the use of hazardous substances. Moreover, we proactively evaluate and mitigate environmental risks in our operations by adhering to our policies and instructions, taking precautionary measures, and reporting and properly managing environmental issues."

Also, according to Wärtsilä's Quality, Environmental, Health and Safety policy "*Protecting the environment, enhancing customer business, and contributing to a sustainable future is the essence of what we do. Our solutions and operations area safe, reliable, efficient, environmentally sound, and compliant with regulatory and other applicable requirements*." These global policies apply to all Wärtsilä employees, and the Code of Conduct also states in relation to all suppliers, that suppliers and business partners "*are required to apply similar principles of ethical business behaviour as reflected in this Code*."

In addition, Wärtsilä Supplier Requirements covering all suppliers globally state, that *"as a minimum, the supplier shall have an environmental management system that complies with the international standard ISO 14001 or Eco-management and Audit Scheme (EMAS) latest edition*." This is the main means for addressing the avoidance of incidents and emergency situations, and controlling and limiting their impact on people and the environment. The ISO standard covers, among other things, environmental risk management. As regards substances of concern and very high concern, in addition to the Supplier Requirements, Wärtsilä's "Environment, health and safety requirements" for suppliers states that *"Wärtsilä has to eliminate and restrict certain hazardous substances in its products to comply with these regulations, and provide to its customers information on hazardous substances found in the products. This information can* *only be collected with the help of Wärtsilä's suppliers*." Thus, co-operation with suppliers is crucial in order for Wärtsilä to have a complete understanding of the substances of concern in its products. These requirements also contain "Wärtsilä Black & Grey list", which indicates to suppliers the substances classified as restricted and prohibited at Wärtsilä. The Black & Grey list is updated continuously to ensure that all restrictions and obligations related to substances of concern are followed. The requirements address, therefore, the substituting and minimising use of substances of concern in Wärtsilä's supply chain. As regards downstream, the company's product design is the only means for having an impact. There is no direct requirement to phase out substances of concern as such, but this comes naturally through following applicable regulations. Wärtsilä needs to simultaneously work on finding new substances to replace those that may be restricted in the future.

2.3.2. Actions related to pollution (E2-2, E2-3)

For two decades already, Wärtsilä has been a significant contributor in technology development and deployment of LNG-fuelled marine propulsion. The use of LNG fuel has significantly reduced pollution levels compared to the technologies it displaces, such as steam turbines and HFO-fuelled engines. In 2024, 70% of engine MW's delivered to Marine customers were capable of operating on cleaner gas fuels. For Energy deliveries, the share was 91% (deliveries also include the engines sold by Wärtsilä which have been manufactured in two joint ventures, which have otherwise been excluded from this statement).

For Wärtsilä, considering the lifecycles of the company's products which can be up to 30 years or even longer, the vast majority of pollution is emitted by engines run by customers. Wärtsilä works actively on developing more efficient products, which in turn, reduces emissions of pollutants. The company also develops and improves a number of existing pollution prevention technologies, which include for example, the Ultra-low-Nox catalysator capable of reducing Nitrogen Oxides down to the levels required by today's most stringent regulations applied globally. In its own global operations, Wärtsilä strictly follows local regulations on pollution limits. Any possible deviations from these limits are recorded, reported, and rectified as soon as possible.

Wärtsilä actively follows the development of global emission regulations, especially from the EU, the International Maritime Organisation (IMO) and the USA Environmental Protection Agency (EPA). Wärtsilä also actively engages with the decision makers on pollution related topics, informing them about ongoing technological emission reduction developments. Based on this new technologically feasible emission limits can be imposed. Wärtsilä emphasises that pollution levels need to be decreased at system level and regulations should have this as an aim.

As a good example of a current solution, Wärtsilä has developed and introduced to the market a new ultra-low emissions version of its already efficient Marine Wärtsilä 31DF engine. When operating on LNG, in addition to a significant reduction in methane emissions, this new version can further reduce nitrogen oxide (NOx) emissions at a 50% load point by up to 86%.

The most important development actions ongoing are those related to Wärtsilä's 'Set for 30' commitment to develop a product portfolio that will be ready for zero carbon fuels by 2030. Although Wärtsilä has not set a specific target for pollution reduction as such, the emerging sustainable fuels will also lower overall pollution levels. Compared to diesel, methanol and ammonia will reduce NOx levels and have significantly lower levels of SOx and particulates. Compared to natural gas hydrogen is expected to have similar NOx levels but VOC emissions, for example, are drastically reduced. The development of concepts for pure hydrogen for land-based power plants continued throughout 2024. Market release was given in mid-2024, and the concept for industrialisation will be selected during 2025.

Altogether Wärtsilä's R&D expenses in 2024 were EUR 296 million, which represents 4.6% of net sales. The clear majority of the total sum is directed towards developing more sustainable products in various ways. The 'Set for 30' R&D programme to have a product portfolio running on zero carbon fuels by 2030 amounted to capital expenditures of 27 MEUR and operational expenditures of 10 MEUR. For 2025 these expenditures are estimated at about 29 MEUR as capital expenditures and 18 MEUR as operational expenditures. These R&D costs are not reported separately in Wärtsilä's financial reporting.

There is no public target related to substances of concern or substances of high concern. Nevertheless Wärtsilä ensures compliance with all regulations restricting the use of such substances. The company sees no significant opportunities related to hazardous substances, and ensuring regulatory compliance is therefore seen as sufficiently addressing the issue. Regarding pollution there is no separate target as Wärtsilä's strategic focus is on decarbonisation. However, as explained above, the R&D efforts towards sustainable fuels should also lead to pollution reduction.

2.3.3. Pollution data from Wärtsilä's own operations (E2-4)

Emissions (t)	2024
Nitrogen oxides	440
Sulphur oxides	3
Total hydrocarbons	76
Particulates	4
VOC	15

Accounting principles:

The reported figures for R&D and engine testing are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors have been determined for various fuels and engine types through measurements, and they have been externally assured. No other measurements of the metrics have been validated by an external body other than the assurance provider. The emissions from heating boilers are calculated based on their fuel consumption. Other than the GHG emissions of vehicles, emissions are calculated by using the Technical Research Centre of Finland's (VTT) Lipasto database emission factors. The data is measured and collected in each Wärtsilä company and reported by a named person via a global reporting tool.

3. SOCIAL INFORMATION

3.1. General information on Wärtsilä's employees (S1-6)

Characteristics of undertaking's employees - number of employees by gender

Headcount at year end	2024
Total	18,913
Male	15,360
Female	3,553

Number of employees in countries with 50 or more employees representing at least 10% of Wärtsilä's total number of employees

Country	Headcount at year end
Finland	4,745

Information on employees by contract type and gender

Number of employees by employment contract and gender in 2024	Permanent	Temporary	Non-guaranteed hours
Total	17,166	1,290	457
Male	14,018	1,021	320
Female	3,148	268	137

Number of employees who have left Wärtsilä during the reporting period and the rate of employee turnover

No. of employees that left Wärtsilä	1,310
Turnover rate	7.7%

Accounting principles:

Employees and non-employees: Data on Wärtsilä employees is reported as headcount at the end of the reporting period and is mainly derived from the global Employee Central SuccessFactors. Less than 1% of employees, the amount varying between indicators, lack having all their employment details in the global HR databases. Their gender, employment and contract types have been assumed as being the same as an average global employee. The numbers of employees that have left do not include estimates of employees whose employment or resignation has not been formally recorded. Data on non-employees has been omitted from this statement.

Employee turnover is calculated by dividing the headcount number of employees having left the company voluntarily or due to dismissal, retirement, or death in service during the reporting period by the total headcount of permanent employees at the end of the reporting period.

No measurements of the metrics are validated by an external body other than the assurance provider.

3.2. Occupational health and safety (ESRS S1)

3.2.1. Occupational health and safety policy (S1-1)

Wärtsilä's occupational health and safety principles are defined in the company's Code of Conduct, and the Quality, Environmental, Health and Safety (QEHS) Policy and in the Wärtsilä Environmental, Health and Safety Directive. According to Wärtsilä Code of Conduct,

"Wärtsilä is committed to creating and maintaining a safe and healthy work environment for our employees, contractors, and other partners, wherever we operate. We believe all accidents can be prevented by promoting a strong safety culture, improving our performance, and by applying high-level occupational health and safety standards.

We follow health, safety, and security requirements, proactively identify safety hazards, and report near misses to ensure effective risk management measures. Everyone has the responsibility and authority to intervene and stop work in an unsafe situation. We also maintain high product safety standards to guarantee the safety of our customers and end-users.

Furthermore, we promote personal growth, wellbeing, and a work-life balance. We take action to maintain a healthy and caring workplace that supports our daily activities and enhances a safe and inclusive culture."

Both the Code of Conduct and QEHS Policy are updated when necessary and approved by the Board of Management which is also ultimately accountable for implementation of the policies. The Code of Conduct is also approved by the Board of Directors. Code of Conduct training is mandatory for all employees every second year, and both the Code of Conduct and the QEHS Policy are available on Wärtsilä intranet as well as external webpages, and are widely communicated by, for example, posters at production facilities.

The Code of Conduct also states, that Wärtsilä is committed to respecting internationally recognised human rights and standards 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. Occupational health and safety is a topic covered by the said standards, and thus respecting them means in practice minimising occupational health and safety hazards. Engagement with employees in this regard takes place by various means, including open communication between employees and company management, and in most Wärtsilä companies in the occupational health and safety committees. The remedy in cases of occupational injuries or ill health is comprised mainly of ensuring proper treatment and insurance coverage for the employees. The insurance coverage varies from country to country but is always as a minimum at the required level specified by each country's legal requirements.

3.2.2. Engagement with employees on health and safety (S1-2)

In addition to the health and safety 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, 84% of all Wärtsilä companies currently have an occupational health and safety (OHS) committee. The composition of the committee, the frequency of committee meetings, as well as assessing the effectiveness of the committee's decisions vary between companies and is based on the needs identified. In addition to the local health and safety committees, another way for employees to give input regarding their views on health and safety topics on a high level are the global MyVoice survey conducted every two years, pulse surveys, and via safety culture surveys conducted when the need arises. Wärtsilä also has a European Works Council.

3.2.3. Processes to remediate negative impacts and channels for own workforce to raise concerns (S1-3)

Health and safety is part of the new hire introduction programme for all new employees. 'Basics of Health & Safety' e-learning introduces Wärtsilä's guidelines and approach to health and safety, including Wärtsilä Life-saving rules and Stop work authority, as well as the reporting process in WeCare, a global application for reporting incidents and near miss cases. The completion rate of the Basics of Health & Safety course is tracked monthly. To ascertain how well employees trust Wärtsilä's processes to raise their concerns or needs, and to have them addressed, the global MyVoice survey, conducted every two years, includes a safety question "Safety risks are quickly corrected in my company". In the 2024 survey 85% of respondents gave a positive response to this question.

The remedy in cases of occupational injuries or ill health comprises mainly of ensuring proper treatment and insurances for the employees. The insurance coverage varies from country to country, but at a minimum, is always at the level required by each country's legal requirements.

All Wärtsilä employees have access to Wärtsilä WeCare, a global application for reporting occupational health and safety incidents, near miss cases, unsafe conditions and safety observations, both negative and positive. For each case reported there is a responsible line manager automatically contacted to investigate, and when needed to remedy the situation. The information received through the WeCare system is also consolidated and analysed at regional, business, and global levels by EHS professionals and responsible management representatives.

3.2.4. Health and safety actions (S1-4)

In 2023, Wärtsilä initiated a four-year safety programme 'Success through safety'. The programme has actions in four streams: employee safety, contractor safety, product safety, and occupational health. 2024 actions included the following:

- Released an improved digital tool, Job Safety Analysis, for Field Service to support risk assessment when working at customer sites and on vessels. The goal is to enable more thorough risk assessment in a simplified manner, and to follow the latest Wärtsilä safety guidelines.
- Developed and implemented a new corporate guideline regarding Noise Exposure Management aimed at reducing exposure to noise.
- Developed and implemented a new safety awareness training programme, "One Winning Team", to engage frontline employees and their supervisors. Wärtsilä is committed to continuing implementation of this training programme, and aims to have all front-line employees trained by the end of 2025.
- Launched a global framework for frequent traveler health checks. The company is committed to continuing the implementation of this programme in 2025 to ensure full coverage.

Every year Wärtsilä organises a Safety Day to enhance safety awareness, promote safety and wellbeing measures, strengthen the company safety culture, and celebrate success in safety. The tenth annual Safety Day took place from 7-13 October 2024 with the theme "Mind your head". The focus was both on physical head safety as well as psychological safety and wellbeing. Global activities included townhall sessions with board of management members, and a keynote presentation. Each Wärtsilä location organised a programme relevant to their needs, and these included, for instance, safety walks, expert training sessions and first aid training sessions.

In cases of actual incidents, proper care has always been arranged and the persons involved may have received compensation from insurance. However, due to privacy restrictions, Wärtsilä has no clear visibility to monetary compensations.

Wärtsilä aims to provide a healthy working environment that supports growth, wellbeing, and a work-life balance. In 2024, a new global Wellbeing framework was launched. The framework consists of six specific wellbeing elements that will be embedded into existing processes and practices. In 2024, the focus was on selected target groups, frequent travellers and management teams, and on mental health topics. The governance model for wellbeing and Wellbeing KPIs were defined during 2024, and an implementation roadmap was developed. The new framework helps Wärtsilä lead and measure wellbeing. The framework has no set timeframe for completion.

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 and hazard observations, as well as the number of management safety walks. Wärtsilä also measures the completion rates of the global health and safety training programme. Those Wärtsilä companies having an OHS committee follow their performance within the company and take all necessary steps to improve the OHS processes locally. The safety performance of each business and company is monitored monthly, and the results are reviewed by Wärtsilä's Board of Management.

Health and safety topics are managed in Wärtsilä on multiple levels of the organisation. Business Management Teams in each Business secure the management system framework by communication, promotion, support, and engagement. Business Management Teams set QEHS targets and regularly monitor the effectiveness and performance of the management systems. Line management is responsible for implementing the EHS management system within their own operations and operative actions on EHS issues. Line Managers have overall responsibility for, and are held accountable for, the health and safety of people working for them. Each Wärtsilä company has a responsible EHS manager to support local implementation of the health and safety policies, processes, and actions. Business EHS organisations are responsible for acting on global and regional issues. The group sustainability function, in co-operation with the global EHSS Team, creates global guidelines, training sessions, and decisions on ways of working covering all relevant employees. Wärtsilä's Board of Management has ultimate responsibility for ensuring that necessary resources are allocated to health and safety activities, as well as setting relevant global targets.

Wärtsilä establishes and monitors EHS objectives based on significant environmental aspects and EHS risks and opportunities taking into consideration Wärtsilä's QEHS Policy, strategy, audit reports, legal and other requirements, technical and financial options, operational and business requirements and stakeholder feedback. Health and safety hazards are identified and risks assessed regularly. EHS action plans are prepared for each objective. The EHS action plans are approved by the respective management team. The EHS action plans are reviewed regularly and are updated in case of significant changes in activities, products, services or operating conditions.

EHS objectives are set at different organisational levels; corporate, business / business units, and subsidiary levels. All corporate level objectives and programmes are approved by Wärtsilä's Board of Management. Corporate level objectives can be set to directly apply to businesses, business units or subsidiaries as such or allocated in a case-specific manner.

Wärtsilä employees and partners have the responsibility and authority to stop work when identifying a hazard, which could jeopardise the safety of personnel, partners and/or public in general. Wärtsilä is committed to this Stop Work authority by preventing any retaliation in response to exercising this authority.

It is not possible to state the exact costs of these activities, which are incurred as a part of hundreds of Wärtsilä employees' working time.

3.2.5. Safety target (S1-5)

The Board of Management has set a long-term corporate level target of zero injuries for Wärtsilä own employees in line with the Code of Conduct and QEHS Policy. This target is a long-term commitment by the company to strengthen its safety culture, and it requires actions from all Wärtsilä companies, businesses, and employees. Employee representatives were not directly involved in setting the target or tracking performance against it on a global level. At local levels, the employee representatives in health and safety committees, made up of company management and personnel representatives, cooperate in developing local health and safety programmes based on local circumstances. Altogether, 84% of all Wärtsilä companies currently have an occupational health and safety (OHS) committee.

Characteristics of Wärtsilä's employees (S1-6)

S1-6 information has been reported in section 3.1.

3.2.6. Occupational Health and Safety management system, data (S1-14)

Wärtsilä's subsidiaries are required to have in place a management system 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 2024, 74 Wärtsilä companies, representing roughly 89% of Wärtsilä's total workforce, were operating with a certified ISO 45001 occupational health and safety management system in place.

Type of injury and rates of injuries, and number of work-related fatalities	2024
No. of fatalities of own employees, and other workers working on Wärtsilä premises, as a result of work-related injuries and work-related ill health	0
No. of recordable work-related accidents for own employees	81
Rate of recordable work-related accidents for own employees/ million working hours	2.20

Accounting principles:

Number of recordable work-related accidents for own workforce: a work-related injury that results in any of the following: fatality, days away from work, restricted work or transfer to another job, and medical treatment beyond first aid. Commuting injuries are not included in the recordable work-related accidents.

Rate of recordable work-related accidents for employees is expressed as total recordable injuries per million working hours. The working hours are actual paid working hours.

No measurements of the metrics are validated by an external body other than the assurance provider.

3.3. Skills and career development (ESRS S1)

3.3.1. Policy on skills and career development (S1-1)

Wärtsilä's professional growth approach encourages employees to identify development drivers, set development goals, and find their development opportunities. Equal treatment and non-discrimination are integral parts of Wärtsilä's professional growth approach, as everyone is entitled to learn new skills, develop their careers and grow professionally. The Code of Conduct has a section, in addition to respecting general human and labour rights, on 'Fair employment practices':

"We promote a workplace where every employee feels valued and respected by fostering equal opportunities, and by creating a diverse and inclusive work environment that embraces everyone's contributions. We apply fair and equitable remuneration principles that consider the various geographical areas in which we operate.

Our employees are selected based on merit, competencies, potential, and role fitment. We continuously invest in our people's development.

Wärtsilä prohibits bullying, harassment, inappropriate treatment and violence. Wärtsilä is dedicated to ensuring an environment free from discrimination based on race, ethnicity or national origin, colour, gender, family status, sexual orientation, creed, disability, age, or religious or political beliefs."

The Code of Conduct is available on Wärtsilä's intranet as well as on the company's public webpages, and Code of Conduct training is mandatory for all employees to take at a minimum every two years. The Board of Management is ultimately accountable for implementation of the Code. Employees who report a potential Code of Conduct violation in good faith will not suffer harassment, retaliation, or adverse employment consequences. All reported incidents are investigated, and appropriate corrective actions are taken, as necessary.

The promotion rate at Wärtsilä was 7.4% in 2024, implying that employees can advance their careers and develop their skills internally. In addition to promotions, employees can move between businesses and functions to progress their careers. The organisational mobility rate was 1.2% in 2024.

Accounting principles

Promotion rate: Promotion is defined as the advancement of employees in an organisation. Often it involves a higher rank and increased responsibilities, and a higher salary. Technically, promotion results in a Wärtsilä job grade increase. The promotion rate is the proportion of employees at the end of the previous year that were given a promotion during the succeeding year.

Organisational mobility rate: Organisational mobility takes place when an employee moves between organisations. It includes moves between businesses and functions but not within them (for example, it does not include moves from one business unit to another within the same business). The organisational mobility rate is the proportion of employees at the end of the previous year that moved between organisations during the succeeding year.

3.3.2. Wärtsilä’s listening strategy (S1-2)

Wärtsilä’s Code of Conduct calls for ongoing and open dialogue between the company's management and employees, which aims to enable employees to openly discuss with their line managers any issues they might have in relation to, among other things, their skills and career development. The overall responsibility for employee engagement lies with the Executive Vice President, Human Resources, as do ensuring that related activities take place and that their outcomes are informed to the Board of Management.

The effectiveness of engagement with the company’s workforce is assessed through employee engagement surveys every second year, which provide insights through five KPIs (engagement, wellbeing, inclusion, intent to stay and overall experience) and 25 Driver themes (including for example, communication, collaboration, ethics, and growth & development). In addition, through the driver themes, leadership is also assessed and receives an overall score.

In 2024, the response rate for the MyVoice employee engagement survey was 88%. The employee engagement score was 82%.

Based on the survey results, Line Managers are responsible for implementing action plans and initiatives together with their teams, the aim being to address concerns or enhance positive outcomes. Additionally, the progress of these initiatives is tracked through yearly engagement Pulses, ensuring follow-up on measurable improvements, and contributing to a stronger, more motivated workforce.

3.3.3. Channels to raise concerns (S1-3)

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 primary means for reporting suspected misconduct incidents is via 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. Employees who report a potential Code of Conduct violation in good faith will not suffer harassment, retaliation, or adverse employment consequences. All reported incidents are investigated, and appropriate corrective actions are taken, as necessary.

3.3.4. Action plans and resources to manage skills and career development (S1-4)

Employee Value Proposition

In 2024, Wärtsilä launched its Employee Value Proposition (EVP), "Fuel Your Power," aimed at fostering a sustainable, people-centered work environment that aligns individual growth with organisational success. With over 3,000 employees hired annually in a highly competitive talent market, standing out is crucial to establishing Wärtsilä as an employer of choice. The EVP serves as a holistic messaging framework, integrating key areas such as performance management, professional growth, and wellbeing into a clear commitment to both current employees and future talent. It is designed to attract, engage, and retain top talent, ensuring the long-term success of the organisation. The two main elements of the EVP, Growth and Impact, are reinforced by fact-based proof points, highlighting the opportunities for personal development and making a meaningful contribution – critical factors in convincing talent to join and stay with Wärtsilä. In 2024, the MyVoice employee engagement survey results indicate that 81% of all employees wish to stay at Wärtsilä for longer than three years. This is 14.8 pp above global benchmarking, and as such is the top scoring item against the global benchmark.

Leading performance and growth

Wärtsilä’s Performance Management drives business success by

- setting performance goals that 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 employees.

The Performance and Development Dialogue Process links The Wärtsilä Way with the strategic business priorities to team and individual performance and development. The process starts at the beginning of the year when the performance and development goals are set. Through dialogue, the Line Manager and employee build a common understanding of how the employee’s work and individual goals contribute to team and business success. Everyone deserves to have clarity on what is expected of them in their roles i.e., what good performance looks like. The goal setting dialogue is followed by discussions and feedback throughout the year and ends with a Performance and Development Review. Well-defined development goals with clear action plans, also referred to as Individual Development Plans, support all employees in knowing how they can develop their skills and competences.

In 2024 efforts have been made to improve the quality of Performance Management by making enhancements to the annual process (e.g. adding elements of professional growth and talent identification) and building leadership capability through impactful training efforts. In 2023, Wärtsilä also introduced a renewed concept for addressing underperformance, as well as a Performance Improvement Plan process.

A programme for leading a high-performance culture was initiated in January 2024. The primarily target group consists of 2500 Line Mangers, and through them the same dialogues and exercises are conducted within their teams. The programme contains several interactive workshops, of which one is dedicated to Professional Growth. By the end of 2024, 2000+ Line Managers had participated and received training on how to lead performance and enable professional growth in their teams. This programme is expected to continue in 2025, after which it will be incorporated into the company´s onboarding practices.

Building leadership for impact

The Wärtsilä Leadership Model supports the company’s strategic growth by outlining the desired leadership behaviour. The model consists of three areas, and in total there are 15 descriptive leadership qualities. It provides Wärtsilä leaders with direction and guidance on how to collaborate, communicate, and lead in different situations.

An eLearning on the Leadership Model is available in 12 languages for all Wärtsilä employees. It is made mandatory for Line Managers, and has currently been completed by 89% of all Line Managers. The expected outcome of this eLearning is to strengthen leadership by making sure the leaders have a thorough understanding of the model, and know how to apply the desired leadership behaviour.

The key leadership development programmes - Orchestrator, Accelerator and Wärtsilä Leader, are essential for bringing leadership behaviour to life, thereby supporting the leaders in acquiring the desired competences.

Additionally in 2024, Wärtsilä continued to deploy the Leadership Model within key people practices. The model has been integrated into the Wärtsilä 360-leadership assessment, the Talent Review process, and the Performance and Development Dialogue process. To reach Wärtsilä’s ambition of being the employer of choice for current and future employees, the company is continuously enhancing its talent management practices. In 2024, the Talent Review process covered 1,160 senior leaders and individual contributors, of which 8% were identified as key talents. The gender diversity of this group is higher than for all assessed; females 35% (28.8%) and males 65% (71.2%). In 2024 the focus has been on improving process quality, building line manager competencies in succession planning, and on implementing impactful talent management practices, for example, internal career mobility.

Building a learning organisation

A learning organisation is a state of being, where everyone commits to learning, unlearning, sharing, and improving. Wärtsilä aims to become a learning organisation, to stay competitive and innovative, and to inspire its people to make a difference. The company wants to empower its people to stay curious and develop their skills and competences. Learning is a continuous process, and the 70-20-10 learning principle supports us in knowing how to learn effectively, learn by doing (70%), by sharing (20%) and by studying (10%).

In the MyVoice employee engagement survey, the favourability score for the statement ‘I have good opportunities to learn and develop at this company’ is impressive. The score has steadily been improving, and from 2020 to 2024 it grew by 21.3 percentage points (pp). 80% of Wärtsilä employees say that they agree or strongly agree with the statement, this is 6.9pp above the global external benchmark. Wärtsilä’s work to become a learning organisation clearly gives visible results and is valued by its employees.

The development programme ‘Grow – Building our Learning Organisation’ has been pivotal for Wärtsilä when collectively creating an understanding of what a learning organisation is and how the company can foster psychological safety, growth mindset, feedback culture, and continuous improvement. By the end of 2024, a total of 537 employees had participated in the programme.

In 2023 the Wärtsilä Continuous Improvement Model was launched. The Wärtsilä Continuous Improvement model is built on values, principles, methods and results. It is a mindset of continuously wanting to find ways to better serve customers. At the end of 2023 the WCI Foundation learning programme was launched. It consists of 11 eLearnings, and they are intended for all Wärtsilä employees, with the purpose being to become familiar with the WCI model and mindset. In the beginning of 2024, the WCI Transformation learning programme targeting leaders was launched. It consists of seven eLearnings and dives deeper into WCI knowledge, and how to apply the principles in practice. By the end of 2024, 8,490 persons had completed all WCI Foundation eLearnings, and 3,042 persons had completed all eLearnings in WCI Transformation.

In 2024, Wärtsilä continued to build its coaching and mentoring capabilities to foster an open culture where growth and development are valued, and to deliberately invest in it. Coaching and mentoring provide several benefits to the organisation. Wärtsilä expects, that these include helping people unlock their personal potential, building relationships and collaboration between colleagues, enabling the cross-border transfer of knowledge, fostering leadership and professional growth, as well as expanding the professional network within the organisation. In 2024, Wärtsilä’s internal coach pool remained on a sizable level of almost 50 coaches and around 150 pairs have gone through the coaching process to date. In 2024, there were three formal mentoring programmes, with 157 mentor/mentee pairs. 21 mentees participated in the Catalyst group mentoring programme where Board of Management members act as mentors.

To further strengthen the development of skills and competences at Wärtsilä, a global Competence Management framework with a renewed global competence catalogue will be built during 2025-2026. This framework will be leveraged by many people processes at Wärtsilä, for example when setting the development goals, people can assess competences, thereby identify development needs and matching development opportunities. For this, a Career Management framework will be established during 2025-2026. The Career Management framework will support Line Managers in discussing career aspirations with employees, and in guiding them on how to create forward-looking career development plans based on their interests and needs. By visualising dynamic career pathways, employees will see different options for advancing in their careers; moving up, laterally and diagonally. This will be important for Wärtsilä in providing employees with career development opportunities, which is crucial for retaining talent.

Wärtsilä employees attended a total of 16.3 formal learning hours per employee in 2024. The average amount spent on formal training and development per employee headcount was EUR 647 in 2024. However, it is important to recognise that the 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 its people to learn and develop in accordance with the 70-20-10 learning principle. Most learning takes place outside the classroom and cannot, therefore, be measured in terms of conventional training hours or learning days. As the programmes and activities described above have been created and are being run as a part of many employees’ working time, it is not possible to state their exact costs.

Preventing negative impacts on employees, in this context non-discrimination, is based on Wärtsilä Code of Conduct. Employees who report a potential Code of Conduct violation in good faith will not suffer harassment, retaliation, or adverse employment consequences. All reported incidents are investigated, and appropriate corrective actions are taken, as necessary. No cases of actual discrimination requiring remedial action were reported in 2024.

3.3.5. Target for Individual Development Plan (S1-5)

Well-defined development goals with clear action plans, also referred to as Individual Development Plans, support employees in knowing how they can develop their skills and competences. In line with the Code of Conduct, which states that "*we continuously invest in our people's development*", Wärtsilä's new public target is to achieve a long-term goal of 100% Individual Development Plan coverage for the eligible population. The target was formulated by the Human Resources Leadership Team and approved by the Board of Management in August 2024. Employee representatives have not been involved in setting or following this target.

Characteristics of Wärtsilä's employees (S1-6)

S1-6 information has been reported in section 3.1.

3.3.6. Skills and career development data (S1-13)

Performance and career development reviews	2024
Coverage of employees (% of total headcount)	96
Male (% of male headcount)	97
Female (% of female headcount)	95

Individual Development Plan coverage for eligible population	2024
Coverage (% of eligible population)	57.8
Male (% of eligible male population)	57.7
Female (% of eligible female population)	58.1

Training hours / employee	2024
All employees	16.3
Male	17.0
Female	13.6

3.3.7. Remuneration metrics (S1-16)

Gender pay gap	-0.23%
Annual total remuneration ratio of the highest paid individual (CEO) to the median annual total remuneration for all employees*	43.6/1

* Employees' remuneration data excludes benefits, pensions and overtime payments.

3.3.8. Number of complaints to raise concerns on discrimination, cases of discrimination including harassment, and fines, penalties and compensation for damages (S1-17)

Number of incidents of discrimination	0
Number of complaints on discrimination filed through channels for people in own workforce to raise concerns	1
Number of complaints on discrimination filed to National Contact Points for OECD Multinational Enterprises	0
Amount of material fines, penalties, and compensation for damages as result of violations regarding discrimination	0

Accounting principles:

Performance and Development Dialogue process:

- The process starts at the beginning of the year when the performance and development goals are set. Through dialogue, the Line Manager and employee build a common understanding of how the employee's work and individual goals contribute to team and business success. The performance and development goals are mutually agreed upon, and are documented in the SuccessFactors application.
- The goal setting dialogue is followed by discussions and feedback throughout the year. Comments, feedback, possible adjustments etc. can be documented in the SuccessFactors application.
- The process is concluded with a Performance and Development Review at the end of the year. The review starts with the employee filling out a self-assessment in the SuccessFactors application to evaluate his/her own performance during the past year. Thereafter, a dialogue is held where the performance goals are evaluated, and their progress discussed.

Individual Development Plan: One of the outcomes of the Performance and Development Dialogue process is the Individual Development Plan, with well-defined development goals and clear action plans to achieve the development needs. Everyone is encouraged to create a long-term plan that includes the development of competences, skills, and career in line with business strategy and one's own aspirations. At Wärtsilä the 70-20-10 development model guides development, meaning that the employees develop through formal training sessions and programmes (10% of the learning), as well as informally by sharing and learning from others (20% of the learning), and on the job experience (70% of the learning). Most of the learning takes place on the job. When following up the training days per employee, since on the job experience and learning from others are intangible, Wärtsilä focuses on measuring the formal training and programmes.

Performance and Development Dialogue process coverage: The Performance and Development Dialogue process covers the eligible population. Progress and completion of the process is followed via SuccessFactors (Wärtsilä's global HR information system). The process completion deadlines for current year goal setting and previous year goal evaluation is by the end of February each year.

Individual Development Plan (IDP) coverage: As a part of the Performance and Development Dialogue process, each employee within the eligible population having joined Wärtsilä before 30 September of the reporting year, should have an Individual Development Plan. The coverage percentage is calculated by the following formula: (Employees in the eligible population having completed the process with at least one recorded development goal/ those employees active in the reporting year and having had the form for recording IDP opened for the respective reporting year) * 100

Eligible population for Performance and Development Dialogue process and Individual Development Plan: By default, Wärtsilä's active employees globally participate in the Performance and Development Dialogue process. The following employee groups are excluded from the eligible population: Trainees, blue collars, new hires after 30 September, employees who do not have access to SuccessFactors, employees on a long leave of absence (If an employee is on a long leave of absence, the goals are set only when the person returns to work) and employees who are leaving.

Training hours: Formal training hours are reported in Wärtsilä's Learning Management System referred to as WeLearn.

Training costs: The average amount spent on formal training and development per employee is calculated based on costs from training expenses / headcount of employees. Costs are reported in EURO.

Gender pay gap: This is calculated with the following formula: (Average gross hourly pay level of male employees – average gross hourly pay level of female employees)/ (Average gross hourly pay level of male employees) * 100.

Annual total remuneration ratio of the highest paid individual (CEO) to the median annual total remuneration for all employees: This is calculated with the following formula: Annual total remuneration for the undertaking's highest paid individual / Median employee annual total remuneration (excluding the highest paid individual).

Number of complaints to raise concerns on discrimination, cases of discrimination including harassment, and fines, penalties and compensation for damages: The data source for these figures is Wärtsilä compliance function's database.

No measurements of the metrics are validated by an external body other than the assurance provider.

3.4. Occupational health and safety: Value chain workers (ESRS S2)

3.4.1. Policy on value chain workers' occupational health and safety (S2-1)

According to the Code of Conduct, "*Wärtsilä is committed to creating and maintaining a safe and healthy work environment for our employees, contractors, and other partners, wherever we operate*". In addition, the Code of Conduct states that Wärtsilä's suppliers and business partners "*are required to apply similar principles of ethical business behaviour as reflected in this Code*". Thus the occupational health and safety principles of Wärtsilä's Code of Conduct extend also to the company's suppliers' and other business partners' employees. The Code of Conduct has been approved by the Board of Directors and is available on Wärtsilä's website.

As regards engagement with value chain workers, the Code of Conduct states, that "*At Wärtsilä, we build trust with all our stakeholders by providing information that is clear, honest, and accurate. We also promote openness and transparency, as well as continuous dialogue with our stakeholders and employees*." The Code is also aligned with internationally recognised instruments as follows: "*We are committed to respecting internationally recognised human rights and standards 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 strive to identify, prevent, and mitigate adverse impacts on human rights within our activities and business relationships*."

3.4.2. Engagement with value chain workers (S2-2)

Engagement with Wärtsilä's customers and suppliers is described in section 1.5 Stakeholder engagement. During supplier evaluations Wärtsilä's Supply Management personnel are in close contact with supplier representatives, where discussions and evaluations also cover OHS topics, but there is no formal process for direct engagement with value chain employees.

3.4.3. Processes for providing or contributing to remedy (S2-3)

Wärtsilä's anonymous, externally hosted, online whistle-blowing channel is open also for its suppliers, consultants and other people having a work connection to the company. However, Wärtsilä is not able to ensure that the channel is available in every workplace of value chain workers without internet connection, or that they are aware and trust the channel as a way to raise their concerns or needs and have them addressed. The whistleblowing channel which can be found on Wärtsilä's external webpage, is continuously monitored by the compliance function, and all cases are investigated according to an internal process, which depends on the type of incident reported. The process phases are:

1. Report receiving and assessment,

2. Investigation,

3. Decision making, and

4. Range of corrective actions.

The way Wärtsilä contributes towards remedying cases of a realised accident is through requiring suppliers to provide the remedy according to their applicable legislation, and by requiring compliance with the law. Beyond this there are no other methods to assess that the remedy provided is effective. Value chain workers have not been involved in creating or following up on the effectiveness of the whistle-blowing channel. As regards value chain workers' using the whistleblowing channel, although no policy exists today for their protection against retaliation, this is provided in the form of possibility for anonymous reporting.

3.4.4. Actions and resources on value chain workers (S2-4)

In Supply Management, category teams are responsible for managing suppliers, and for evaluating Occupational Health and Safety (OHS). This OHS evaluation is carried out by Supplier Development Engineers, who are members of the category teams. Currently, there are over 60 Supplier Development Engineers. EHS experts in Business Units support them when necessary. As Wärtsilä's Supply Management function conducts the assessments on OHS issues as part of the overall Supplier Compliance Assurance Process (SCA) process, it is not possible to quantify the expenses specifically for OHS purposes.

Wärtsilä's approach towards furthering and maintaining proper occupational health and safety processes and practices in its value chain is mainly based on the SCA, through which, alignment with Wärtsilä's Supplier Requirements is ensured by the responsible category purchasing team. Starting from 2024, the SCA questionnaire has included questions on injury and near-miss data and employee competences, as well as documentation on Health and safety management. As guided by Wärtsilä Code of Conduct, whenever Supply Management personnel are visiting suppliers' premises, they are required to pay attention to the safety of the operations, and raise their observations to the attention of the relevant management of the supplier. Wärtsilä's continuous target is to have 96% of all Global Direct Procurement spend (making up 67% of total materials and services spend in 2024) evaluated and rated through the SCA process. In 2024 a coverage of 93% of the spend rated was reached.

Wärtsilä's aim and expected outcome is to ensure proper OHS management in the supplier base through the selection of suppliers fulfilling these criteria. Where this is not already the case when selecting a supplier, the supplier is provided the chance to improve their processes in order to fulfil Wärtsilä's requirements, thus encouraging positive change in the suppliers' OHS management. The realised improvements in a supplier's OHS management processes and practices depend on each specific case, i.e. what is needed to fulfil Wärtsilä's requirements. During supplier visits or audits, any identified risks related to occupational health and safety are promptly communicated to the supplier's management, and corrective actions are mandated. These observations and their follow-up actions are documented in audit or rating reports, or in the WeCare system. Ultimately, if a supplier fails to fulfil Wärtsilä's requirements after having a chance to do so, it will be banned from being a supplier to Wärtsilä. However, Wärtsilä is currently unable to ensure that processes to provide or enable remedy in the event of health or safety incidents in its value chain are always available and effective in their implementation and outcomes. Wärtsilä has not taken action in 2024 to provide or enable remedy in relation to an actual injury or occupational illness case in its supply chain besides arranging proper care for all contractor injuries taking place on Wärtsilä controlled work sites. Outside the company's contractors Wärtsilä has no means to receive information about possible injuries or fatalities in its supply chain.

Wärtsilä Code of Conduct is referred to in General Terms and Conditions - Supply and Purchase, where other OHS obligations are also included. These are included in every purchase order. In addition, Wärtsilä Supplier Requirements, which are largely also included in the supplier agreements are publicly available on Wärtsilä's external webpages. These requirements set the demands for every supplier's occupational health and safety management, including that a supplier:

- shall support and respect the protection of human rights, as defined in the United Nation's Universal Declaration on Human Rights, and support basic labour rights as defined by the International Labour Organization,
- has a certified OHS management system (ISO45001), or if such management system is not in place, a supplier must have policies/ procedures for OHS management, including a valid and implemented safety plan, and these are examined in detail for each supplier,
- shall be fully responsible for its liabilities as an employer,
- of complex equipment shall have installation and commissioning instructions, containing clearly stated safety precautions,
- shall have adequate and fully operational safety equipment for the protection of its employees and facilities,
- shall ensure the sufficient competence of its employees to perform their tasks safely, and to respond to emergency situations,
- shall ensure that accidents and near-misses are reported and that appropriate actions are taken as a result of these reports,
- shall be aware of, and follow, local OHS legislation and applicable regulations, and be able to provide evidence of compliance.

3.4.5. Targets on value chain workers (S2-5)

Wärtsilä's continuous target is to have 96% of all Global Direct Procurement spend (making up 67% of total materials and services spend in 2024) evaluated and rated through the SCA process. In 2024 a coverage of 93% of the spend rated was reached. The SCA ratings remain valid for three years unless there is a decline in performance or other significant changes. For target setting, the Central Supply Management team proposes key performance indicators (KPI) and related target setting calculation logics for approval by the Corporate Supply Management board. Following approval, the KPI's are communicated to the entire supply management organisation who then use these as input for target setting for teams and individual employees. Supply chain performance is monitored on several levels monthly: by global category teams, the Corporate Supply Management forum, local category teams and business unit organisations. When an external workforce is working in a Wärtsilä facility or a project site controlled by Wärtsilä, such as a turn-key power plant delivery project, Wärtsilä's OHS management practices apply to these employees as well, including reporting through the WeCare platform on unsafe situations, near-misses or incidents.

In 2023, Wärtsilä initiated a four-year safety programme 'Success through safety'. The programme has actions in four streams: employee safety, contractor safety, product safety, and occupational health. In 2024 a new sustainability target related to contractor safety was launched: "Zero Injuries to contractors: we aim to reduce the total recordable injury frequency on a yearly basis". This is a continuous, long-term target aimed at reducing the total recordable injury frequency to meet Wärtsilä Code of Conduct's commitment of "creating and maintaining a safe and healthy work environment for its employees, contractors, and other partners, wherever it operates". The baseline year of the target is 2024, with baseline value of TRIF 5.01 (34 total recordable injuries).

Value chain workers have not been involved in setting or following the targets, nor identifying improvements based on performance against them.

A contractor is defined as "Any company or individual not being an employee of Wärtsilä, who is engaged to carry out work for Wärtsilä inside Wärtsilä premises or under Wärtsilä supervision in customer premises or on worksites." This definition of a contractor includes also non-employees who meet the above criteria.

Contractors 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

Accounting principles:

Number of recordable work-related accidents for contractors (Number of Contractor TRI): a work-related injury to a contractor is one that results in any of the following: fatality, days away from work, restricted work or transfer to another job, or medical treatment beyond first aid. Commuting injuries are not included as recordable work-related accidents. Contractor injuries are reported in the WeCare reporting tool by a Wärtsilä representative. Some contractors have access to the tool, and can report cases by themselves, but it is always Wärtsilä's responsibility to ensure reporting in WeCare.

Rate of recordable work-related accidents for contractors (Contractor TRIF) is expressed as total recordable contractor injuries per million working hours. The working hours are actual paid working hours. Contractor hours are collected by local subsidiaries or by project organisation in Energy projects. Contractor TRIF is reviewed on a yearly basis based on the previous year's results.

No measurements of the metrics are validated by an external body other than the assurance provider.

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		2024	2023	2022	2021	2020
Net sales		**6,449**	6,015	5,842	4,778	4,604
of which outside Finland	%	**98.4**	98.3	99.2	98.5	97.9
Exports from Finland		**2,466**	2,060	1,975	1,845	1,702
Personnel on average		**18,110**	17,666	17,482	17,461	18,307
of which in Finland		**4,187**	3,957	3,808	3,687	3,706
Order book		**8,366**	6,694	5,906	5,859	5,057
From the consolidated statement of income						
Depreciation, amortisation and impairment		**131**	193	263	162	174
Share of result of associates and joint ventures		**12**	9	6	3	3
Comparable operating result		**694**	497	325	357	275
as a percentage of net sales	%	**10.8**	8.3	5.6	7.5	6.0
Operating result		**716**	402	-26	314	234
as a percentage of net sales	%	**11.1**	6.7	-0.4	6.6	5.1
Comparable adjusted EBITA		**712**	518	349	388	308
as a percentage of net sales	%	**11.0**	8.6	6.0	8.1	6.7
Financial income and expenses		**-29**	-37	-6	-18	-43
Result before taxes		**687**	364	-32	296	191
as a percentage of net sales	%	**10.7**	6.1	-0.5	6.2	4.2
Result for the financial period		**507**	269	-58	193	133
as a percentage of net sales	%	**7.9**	4.5	-1.0	4.0	2.9
From the consolidated statement of financial position						
Non-current assets		**2,581**	2,551	2,558	2,539	2,427
Current assets		**4,928**	4,247	3,997	3,982	3,706
Assets held for sale		**184**	5	54	2	99
Total equity attributable to equity holders of the parent company		**2,525**	2,225	2,136	2,315	2,177
Non-controlling interests		**6**	8	12	8	11
Interest-bearing debt		**766**	858	949	973	1,327
Non-interest-bearing liabilities		**4,264**	3,713	3,489	3,227	2,648
Liabilities directly attributable to assets held for sale		**132**		22		68
Total equity and liabilities		**7,694**	6,803	6,608	6,523	6,232
From the consolidated statement of cash flows						
Cash flow from operating activities		**1,208**	822	-62	731	681
Cash flow from investing activities		**-149**	-138	-151	-128	-55
Cash flow from financing activities		**-323**	-308	-289	-580	-44
Gross capital expenditure		**170**	149	161	143	117
as a percentage of net sales	%	**2.6**	2.5	2.8	3.0	2.5
Research and development expenditure		**296**	258	241	196*	153
as a percentage of net sales	%	**4.6**	4.3	4.1	4.1*	3.3
Dividends paid		**259****	188	153	142	118
Financial ratios						
Earnings per share (EPS), basic	EUR	**0.85**	0.44	-0.11	0.33	0.23
Earnings per share (EPS), diluted	EUR	**0.85**	0.44	-0.11	0.33	-
Dividend per share	EUR	**0.44****	0.32	0.26	0.24	0.20
Dividend per earnings	%	**51.5****	73.2	-234.9	73.2	88.2
Interest coverage		**12.3**	9.2	7.3	15.0	7.1
Return on investment (ROI)	%	**23.7**	13.9	0.1	9.7	7.1
Return on equity (ROE)	%	**21.3**	12.3	-2.6	8.6	5.8
Solvency ratio	%	**37.4**	37.0	35.3	38.6	38.1
Gearing		**-0.31**	0.02	0.23	0.00	0.18
Equity per share	EUR	**4.29**	3.78	3.62	3.92	3.68
Working capital (WCAP)	MEUR	**-787**	-169	179	-100	257

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 /2024	7–9 /2024	4–6 /2024	1–3 /2024	10–12 /2023	7–9 /2023	4–6 /2023	1–3 /2023	10–12 /2022
Order intake									
Marine	**918**	**902**	**901**	**916**	844	902	771	744	
Marine Power									693
Marine Systems									126
Energy	**1,335**	**553**	**705**	**774**	868	679	750	744	646
Portfolio Business	**239**	**348**	**248**	**234**	144	207	166	252	173
Total	**2,491**	**1,803**	**1,854**	**1,924**	1,856	1,787	1,687	1,739	1,638
Order book at the end of the financial period									
Marine	**3,409**	**3,289**	**3,155**	**3,008**	2,808	2,751	2,535	2,493	
Marine Power									2,273
Marine Systems									434
Energy	**3,413**	**2,803**	**3,120**	**3,033**	2,693	2,620	2,548	2,483	2,376
Portfolio Business	**1,544**	**1,491**	**1,332**	**1,252**	1,192	1,222	1,165	1,177	823
Total	**8,366**	**7,583**	**7,607**	**7,294**	6,694	6,594	6,249	6,153	5,906
Net sales									
Marine	**847**	**739**	**759**	**708**	759	671	701	669	
Marine Power									589
Marine Systems									207
Energy	**817**	**804**	**617**	**452**	720	613	633	645	856
Portfolio Business	**190**	**175**	**179**	**162**	165	168	120	151	118
Total	**1,854**	**1,718**	**1,556**	**1,321**	1,644	1,452	1,454	1,465	1,770
Share of result of associates and joint ventures	**3**	**4**	**3**	**2**	2	2	3	1	3
Comparable adjusted EBITA	**214**	**181**	**180**	**137**	182	130	113	93	99
as a percentage of net sales	**11.5**	**10.6**	**11.6**	**10.4**	11.1	8.9	7.8	6.4	5.6
Depreciation, amortisation and impairment	**-21**	**-38**	**-37**	**-35**	-45	-34	-81	-33	-56
Purchase price allocation amortisation	**-5**	**-5**	**-5**	**-5**	-5	-5	-5	-5	-5
Comparable operating result	**209**	**177**	**176**	**132**	177	125	108	88	93
as a percentage of net sales	**11.3**	**10.3**	**11.3**	**10.0**	10.8	8.6	7.4	6.0	5.3
Items affecting comparability, total	**20**	**15**	**-8**	**-5**	-49	-8	-42	4	-56
Operating result	**229**	**192**	**168**	**127**	128	117	66	92	37
as a percentage of net sales	**12.4**	**11.2**	**10.8**	**9.6**	7.8	8.0	4.5	6.3	2.1
Financial income and expenses	**-11**	**-2**	**-8**	**-9**	-8	-9	-12	-8	-2
Result before taxes	**219**	**190**	**160**	**118**	120	107	53	84	35
Income taxes	**-58**	**-47**	**-43**	**-32**	-24	-25	-24	-23	-7
Result for the financial period	**161**	**144**	**117**	**86**	96	82	30	61	28
Earnings per share (EPS), basic and diluted, EUR	**0.27**	**0.24**	**0.20**	**0.14**	0.16	0.14	0.05	0.09	0.05
Gross capital expenditure	**59**	**37**	**39**	**36**	51	31	35	32	49
Investments in securities and acquisitions					1				
Cash flow from operating activities	**437**	**296**	**216**	**258**	389	213	75	145	51
Working capital (WCAP) at the end of the financial period	**-787**	**-501**	**-420**	**-329**	-169	43	134	105	179
Personnel at the end of the financial period									
Marine	**10,794**	**10,702**	**10,817**	**10,657**	10,602	10,530	10,441	10,369	
Marine Power									9,157
Marine Systems									1,584
Energy	**5,669**	**5,639**	**5,571**	**5,460**	5,430	5,416	5,380	5,342	5,320
Portfolio Business	**1,875**	**1,830**	**1,835**	**1,792**	1,774	1,750	1,732	2,002	1,520
Total	**18,338**	**18,171**	**18,224**	**17,909**	17,807	17,696	17,553	17,713	17,581

The segment related comparison figures for 2023 have been restated to reflect the current organisational structure.

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	2024	2023	Note
Net sales	**6,449**	6,015	2.1., 2.2.
Other operating income	**75**	96	2.3.
Materials and services	**-3,474**	-3,419	2.4.
Employee benefit expenses	**-1,493**	-1,456	2.5.
Result from net position hedges		-9	
Depreciation, amortisation and impairment	**-131**	-193	3.5.
Other operating expenses	**-720**	-641	2.3.
Share of result of associates and joint ventures	**12**	9	6.5.
Operating result	**716**	402	
as a percentage of net sales	**11.1**	6.7	
Financial income	**44**	31	5.1.
Financial expenses	**-73**	-68	5.1.
Result before taxes	**687**	364	
Income taxes	**-180**	-95	2.6.
Result for the financial period	**507**	269	
Attributable to:			
equity holders of the parent company	**503**	258	
non-controlling interests	**4**	12	
	507	269	

Earnings per share attributable to equity holders of the parent company:			
Earnings per share (EPS), basic and diluted, EUR	**0.85**	0.44	2.7.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

MEUR	2024	2023	Note
Result for the financial period	**507**	269	
Other comprehensive income:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	**-9**	1	4.7.
Tax on items that will not be reclassified to the statement of income	**2**		
Total items that will not be reclassified to the statement of income	**-7**	1	
Items that may be reclassified subsequently to the statement of income			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	**31**	-25	
for non-controlling interests		-2	
transferred to the statement of income		-11	
Associates and joint ventures, share of other comprehensive income	**1**	-2	
Cash flow hedges			
measured at fair value	**-80**	20	5.5.
transferred to the statement of income	**17**	4	
Tax on items that may be reclassified to the statement of income			
Cash flow hedges			
measured at fair value	**12**	-2	
transferred to the statement of income	**-3**	-1	
Total items that may be reclassified to the statement of income	**-22**	-19	
Other comprehensive income for the financial period, net of taxes	**-29**	-17	
Total comprehensive income for the financial period	**478**	252	
Total comprehensive income attributable to:			
equity holders of the parent company	**474**	247	
non-controlling interests	**3**	4	
	478	252	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	31.12.2024	31.12.2023	Note
Assets			
Non-current assets			
Goodwill	**1,299**	1,273	3.1.
Other intangible assets	**446**	402	3.2.
Property, plant and equipment	**306**	307	3.3.
Right-of-use assets	**251**	255	3.4.
Investments in associates and joint ventures	**41**	33	6.5.
Other investments	**17**	19	5.2.
Interest-bearing investments		4	5.2.
Deferred tax assets	**175**	212	4.6.
Trade receivables	**6**	2	4.2., 5.2.
Other receivables	**39**	46	4.3.
Total non-current assets	**2,581**	2,551	
Current assets			
Inventories	**1,483**	1,485	4.1.
Trade receivables	**1,018**	991	4.2., 5.2.
Current tax receivables	**32**	35	
Contract assets	**571**	630	4.2.
Other receivables	**269**	287	4.3.
Cash and cash equivalents	**1,554**	819	5.3., 5.4.
Total current assets	**4,928**	4,247	
Assets held for sale	**184**	5	6.4.
Total assets	**7,694**	6,803	
Equity and liabilities			
Equity			
Share capital	**336**	336	5.5.
Share premium	**61**	61	5.5.
Translation differences	**-156**	-188	5.5.
Fair value reserve	**-23**	31	5.5.
Remeasurements of defined benefit liabilities	**-29**	-4	4.7.
Retained earnings	**2,337**	1,989	
Total equity attributable to equity holders of the parent company	**2,525**	2,225	
Non-controlling interests	**6**	8	
Total equity	**2,531**	2,232	
Liabilities			
Non-current liabilities			
Lease liabilities	**215**	224	3.4., 5.4.
Other interest-bearing debt	**409**	515	5.2., 5.4., 5.6.
Deferred tax liabilities	**57**	69	4.6.
Pension obligations	**82**	83	4.7.
Provisions	**144**	126	4.5.
Contract liabilities	**121**	126	4.2.
Other liabilities	**12**	16	3.4., 4.4.
Total non-current liabilities	**1,041**	1,159	
Current liabilities			
Lease liabilities	**43**	44	3.4., 5.4.
Other interest-bearing debt	**99**	76	5.2., 5.4., 5.6.
Provisions	**207**	246	4.5.
Trade payables	**793**	686	4.4., 5.2., 5.6.
Current tax liabilities	**84**	75	
Contract liabilities	**1,825**	1,534	4.2.
Other liabilities	**938**	751	3.4., 4.4.
Total current liabilities	**3,990**	3,412	
Total liabilities	**5,030**	4,571	
Liabilities directly attributable to assets held for sale	**132**		6.4.
Total equity and liabilities	**7,694**	6,803	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	2024	2023	Note
Cash flows from operating activities:			
Result for the financial period	**507**	269	
Adjustments for:			
Depreciation, amortisation and impairment	**131**	193	3.5.
Financial income and expenses	**29**	37	5.1.
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	**5**	-1	
Share of result of associates and joint ventures	**-12**	-9	6.5.
Income taxes	**180**	95	2.6.
Other non-cash adjustments	**15**	-4	
Cash flows before changes in working capital	**856**	581	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	**19**	209	
Inventories, increase (-) / decrease (+)	**-71**	-134	4.1.
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**552**	275	
Changes in working capital	**501**	350	
Cash flows from operating activities before financial items and taxes	**1,357**	931	
Financial items and taxes:			
Interest income	**33**	13	
Interest expenses	**-29**	-23	
Other financial income and expenses	**-25**	-17	
Income taxes paid	**-128**	-82	
Financial items and paid taxes	**-149**	-109	
Cash flows from operating activities	**1,208**	822	
Cash flows from investing activities:			
Acquisitions		-1	6.2.
Investments in property, plant and equipment and intangible assets	**-170**	-148	3.2., 3.3.
Proceeds from sale of property, plant and equipment and intangible assets	**11**	3	3.2., 3.3.
Proceeds from sale of shares in subsidiaries		7	6.3.
Proceeds from sale of other investments	**6**	1	
Loan receivables, increase (-) / decrease (+), and other changes	**4**		
Cash flows from investing activities	**-149**	-138	
Cash flows after investing activities	**1,059**	683	
Cash flows 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	**-124**	-321	5.6.
Loan receivables, increase (-) / decrease (+)	**-4**	1	
Current loans, increase (+) / decrease (-)	**-1**	7	
Dividends paid	**-194**	-156	
Cash flows from financing activities	**-323**	-308	
Change in cash and cash equivalents, increase (+) / decrease (-)	**736**	375	
Cash and cash equivalents at the beginning of the financial period*	**819**	464	
Exchange rate changes	**2**	-19	
Cash and cash equivalents at the end of the financial period*	**1,557**	819	

* 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	Remeasure-ments of de-fined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2024	336	61	-188	31	-4	1,989	2,225	8	2,232
Result for the financial period						503	503	4	507
Other comprehensive income									
Translation differences			32				32		32
Cash flow hedges									
net change in fair value, net of taxes				-67			-67		-67
transferred to the statement of income, net of taxes				13			13		13
Defined benefit plans					-7		-7		-7
Other changes					-18	18			
Other comprehensive income, total			32	-54	-25	18	-29		-29
Total comprehensive income for the financial period			32	-54	-25	521	474	3	478
Transactions with equity holders of the parent company and non-controlling interests									
Dividends paid						-188	-188	-6	-194
Share-based payments						15	15		15
Equity on 31 December 2024	336	61	-156	-23	-29	2,337	2,525	6	2,531

	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 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

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:

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 2024, Wärtsilä's net sales totalled EUR 6.4 billion with 18,338 employees. The company has operations in over 230 locations in 77 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 4 February 2025, 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 2024. 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 2024, the Group has adopted the following 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 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 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.

Other new or amended Accounting Standards already effective do not have a significant impact on the consolidated financial statements or other disclosures.

In 2025 or later, the Group will adopt the following new or amended Accounting Standards issued by IASB.

Lack of Exchangeability amends IAS 21 The Effects of Changes in Foreign Exchange Rates (effective for financial periods beginning on or after 1 January 2025). 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.

Amendments* to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2026) clarify that a financial asset or liability is recognised or derecognised on the settlement date, and introduce an option to derecognise financial liabilities settled through electronic payment system at an earlier date if certain criteria is met. The amendments also clarify how to assess the contractual cash flow characteristics of certain financial assets, such as ESG-related, and affect disclosure requirements. The amendments are not expected to have a significant impact on the consolidated financial statements.

New Accounting Standard IFRS 18 Presentation and Disclosure in Financial Statements* (effective for financial periods beginning on or after 1 January 2027) improves the quality of financial reporting by requiring defined subtotals in the statement of profit or loss and disclosure about management-defined performance measures, as well as adding new principles for aggregation and disaggregation of information. The standard merely changes the presentation of disclosed information and increases the amount of disclosed information.

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 2024.

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

Wärtsilä's reportable segments are Wärtsilä Marine 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. In Wärtsilä, the operating segments are also reportable segments.

As of 1 January 2024, business units Exhaust Treatment and Shaft Line Solutions have been transferred from Wärtsilä Marine Systems to Wärtsilä Marine Power, and business unit Gas Solutions has been transferred from Marine Systems to Wärtsilä Portfolio Business. Consequently, Wärtsilä Marine Systems no longer constitutes an organisational unit or a reporting segment, and the name of Marine Power has been changed to Marine. The segment-related comparison figures for 2023 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, 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 Marine

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.

Marine has seven business units: Power Supply, Propulsion, Parts and Field Service, Performance Services, Voyage Services, Project Services and Shaft Line Solutions. The Marine 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.

Marine 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 as a leading partner for its customers in the decarbonisation of the maritime industry, particularly through fuel flexibility and hybrid solutions.

Wärtsilä Energy

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, Gas Solutions, 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.

2024

MEUR	Marine	Energy	Portfolio Business	Total
Net sales	**3,053**	**2,690**	**706**	**6,449**
Depreciation and amortisation	**-101**	**-37**	**-14**	**-151**
Impairment	**-1**		**20**	**19**
Share of result of associates and joint ventures	**12**			**12**
Operating result	**364**	**300**	**52**	**716**
as a percentage of net sales (%)	**11.9**	**11.1**	**7.4**	**11.1**
Items affecting comparability	**4**	**-2**	**20**	**23**
Comparable operating result	**360**	**302**	**32**	**694**
as a percentage of net sales (%)	**11.8**	**11.2**	**4.5**	**10.8**

2023

MEUR	Marine	Energy	Portfolio Business	Total
Net sales	2,800	2,610	604	6,015
Depreciation and amortisation	-90	-33	-15	-137
Impairment	-10		-45	-56
Share of result of associates and joint ventures	9			9
Operating result	276	209	-83	402
as a percentage of net sales (%)	9.9	8.0	-13.8	6.7
Items affecting comparability	-36	-10	-49	-95
Comparable operating result	312	219	-34	497
as a percentage of net sales (%)	11.2	8.4	-5.7	8.3

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	2024	2023
Comparable adjusted EBITA	**712**	518
Purchase price allocation amortisation	**-19**	-20
Comparable operating result	**694**	497
Items affecting comparability:		
Social plan costs	**35**	-42
Impairment and write-downs	**19**	-43
Gains and losses from disposals	**2**	11
Other costs	**-35**	-21
Items affecting comparability, total	**23**	-95
Operating result	**716**	402

Items affecting comparability include EUR 20 million of reversal of impairment related to non-current assets in Portfolio Business, EUR 8 million of net income related to the restructuring of engine manufacturing in Europe, and EUR -6 million of other income and 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 2024 and 1 January - 31 December 2023 Wärtsilä did not have any individual significant customers. Of the total net sales, sales to the USA represented 19% (17) and sales to China 9% (9).

MEUR	2024	2023
Net sales		
Finland	**100**	100
Other European countries	**1,998**	1,854
Asia	**1,698**	1,678
The Americas	**1,835**	1,757
Other	**818**	627
Total	**6,449**	6,015
Non-current assets		
Finland	**641**	604
Other European countries	**1,302**	1,317
Asia	**119**	108
The Americas	**277**	235
Other	**4**	5
Total	**2,343**	2,270

Service net sales

MEUR	2024	2023
Net sales		
Marine, service	**2,050**	1,862
Energy, service	**1,173**	1,095
Portfolio Business, service	**198**	191
Total	**3,422**	3,148

2.2. REVENUE RECOGNITION

Accounting 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. The 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. The transfer of control for revenue recognised at a point in time is based mainly on transferring risks and rewards according to the delivery terms.

Most of the contracts Wärtsilä enters with its customers contain one performance obligation. Under certain circumstances, multiple performance obligations can be identified when a contract contains multiple units of delivery or installations.

The transaction price may often 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. 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. 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, 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.

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

Projects are of both short- and long-term 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. Tailor-made equipment sales are mainly in Marine, for example, engine, propulsion and scrubber system sales.

In long-term projects, such as large-scale systems, that is power plants and energy storages in Energy, and gas solutions construction contracts in Portfolio Business 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. 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 the performance obligation. 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.

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.

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 to three years from the delivery onwards.

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

2024

MEUR	Marine	Energy	Portfolio Business	Total
At a point in time				
Products	**1,005**	**490**	**122**	**1,616**
Goods and services	**528**	**110**	**92**	**730**
Projects	**1,171**	**490**	**100**	**1,762**
Total	**2,703**	**1,090**	**314**	**4,107**
Over time				
Projects	**63**	**1,154**	**380**	**1,597**
Long-term agreements	**286**	**447**	**11**	**744**
Total	**349**	**1,600**	**391**	**2,341**
Total	**3,053**	**2,690**	**706**	**6,449**

2023

MEUR	Marine	Energy	Portfolio Business	Total
At a point in time				
Products	962	427	86	1,475
Goods and services	486	122	88	697
Projects	1,023	330	97	1,450
Total	2,472	879	271	3,622
Over time				
Projects	65	1,297	326	1,688
Long-term agreements	264	434	7	705
Total	329	1,731	333	2,393
Total	2,800	2,610	604	6,015

The segment related comparison figures for 2023 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	2024	2023
Capital gains	**7**	1
Government grants	**20**	15
Sale of scrapped material	**2**	2
Sale of by-products	**2**	3
Rental income	**2**	2
Insurance indemnities	**3**	5
Gains on derivatives not included in hedge accounting and ineffective hedging*	**11**	24
Other**	**28**	45
Total	**75**	96

* The portion of ineffective hedging is EUR 2 million (3).

** In 2023, 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	2024	2023
Travel costs	**180**	159
Rental costs	**45**	49
Legal and consultancy costs	**109**	99
Information technology costs	**87**	79
Other personnel related costs	**73**	68
Administrative costs	**43**	44
Temporary labour	**43**	38
Losses on derivatives not included in hedge accounting and ineffective hedging*	**17**	23
Other**	**123**	82
Total	**720**	641

* The portion of ineffective hedging is EUR 2 million (8).

** In 2024, other includes loss on sales of fixed assets of EUR 12 million.

2.4. MATERIALS AND SERVICES

Accounting principles

Materials 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	2024	2023
Purchases during the financial period	**-2,215**	-2,194
Change in inventories	**-46**	3
Change in inventories of finished goods & work in progress	**17**	98
Work performed by the Group and capitalised	**27**	31
External services	**-1,257**	-1,356
Total	**-3,474**	-3,419

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	2024	2023
Wages and salaries	**1,271**	1,187
Pension costs		
Defined benefit plans	**9**	8
Defined contribution plans	**97**	93
Other compulsory personnel costs	**116**	168
Total	**1,493**	1,456

Management remuneration is specified in Note 7.2. Related party disclosures.

Long-term incentive schemes

Wages and salaries include EUR 20 million (6) in expenses arising from share-based long-term incentive schemes. At the end of 2024, Wärtsilä had four active long-term incentive schemes.

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 991,716 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 the 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 1,636,801 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 the scheme is EUR 7.82.

The long-term incentive scheme for period 2024-2026 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 1,086,233 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 the scheme is EUR 13.31.

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 630,035 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 the plan is EUR 9.32.

	2024	2023
Personnel on average, full-time equivalent	**18,110**	17,666
Personnel at the end of the financial period, full-time equivalent	**18,338**	17,807

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	2024	2023
Income taxes		
for the financial period	**-128**	-105
for prior financial periods	**-13**	-10
Change in deferred tax		
origination and reversal of temporary differences	**-38**	19
changes in tax rates	**-2**	-1
Total	**-180**	-95
Reconciliation of effective tax rate:		
Result before taxes	**687**	364
Tax calculated at the domestic corporate tax rate 20.0%	**-137**	-73
Effect of changed tax rates	**-2**	-1
Effect of different tax rates in foreign subsidiaries	**-10**	-4
Effect of income not subject to tax and non-deductible expenses	**-5**	7
Effect of share of result of associates and joint ventures	**2**	2
Utilisation of previously unrecognised tax losses carried forward	**3**	2
Unrecognised taxes on losses carried forward	**-4**	-6
Other taxes*	**-9**	-11
Other temporary differences	**-5**	-2
Income taxes for prior financial periods	**-13**	-10
Tax charge in the consolidated statement of income	**-180**	-95
Effective tax rate (%)	**26.2**	26.1

* 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 1 January 2024. 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 tax exposure 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 United Arab Emirates, Puerto Rico and Saudi Arabia. According to the Group, the amount of top-up taxes is not significant and has no significant current tax impact for year 2024.

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 were to happen at the reporting date, it would result in issuing 1,883,981 shares. These shares are considered as potential ordinary shares causing dilutive effect on the EPS.

MEUR	2024	2023
Result for the financial period attributable to equity holders of the parent company	**503**	258
Weighted average number of shares outstanding during the period	**589,071,715**	589,343,965
Weighted average number of dilutive potential ordinary shares during the period	**1,883,981**	280,427
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**590,955,696**	589,624,392
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (EPS), basic and diluted, EUR	**0.85**	0.44

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

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, Energy, and multiple individually smaller CGUs, which are aggregated with Portfolio Business for disclosure purposes.

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 2024

MEUR	2024
Wärtsilä Group	
Wärtsilä on 1 January	1,273
Changes in exchange rates	5
Wärtsilä on 31 March	**1,277**
Changes in exchange rates	22
Wärtsilä on 31 December	**1,299**

Goodwill allocation and intermediate impairment testing of goodwill during the first quarter of 2024

As of 1 January 2024, business units Exhaust Treatment and Shaft Line Solutions were transferred from Wärtsilä Marine Systems to Wärtsilä Marine Power, and business unit Gas Solutions was transferred from Marine Systems to Wärtsilä Portfolio Business. Consequently, Wärtsilä Marine Systems no longer constituted an organisational unit or a reporting segment, and the name of Marine Power was changed to Marine.

Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the first quarter of 2024 for cash generating unit Marine Systems. As a result of the impairment test, no impairment loss for the CGU was recognised for the reporting period ended 31 March 2024.

During the first quarter of 2024, goodwill relating to CGU Marine Systems was allocated to CGUs Marine and Gas Solutions (latter included in 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 date.

MEUR	Marine	Marine Power	Marine Systems	Energy	Portfolio Business	Total
Wärtsilä on 31 December 2023		**588**	**160**	**511**	**13**	**1,273**
Wärtsilä on 31 March 2024	**723**			**513**	**42**	**1,277**
Wärtsilä on 31 December 2024	**735**			**522**	**43**	**1,299**

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 CGU against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine 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 CGUs 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, %	2024
Marine	1.5
Energy	2.0
Portfolio Business (average for CGUs)	1.3

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, %	2024
Marine	**11.0**
Energy	**10.4**
Portfolio Business (average for CGUs)	**11.2**

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 and Energy exceeded their respective carrying amounts substantially. Also, the recoverable amounts of CGUs included in Portfolio Business exceeded their respective carrying amounts. There are no indications of impairment of goodwill after the annual impairment testing.

Sensitivity analysis

Management has assessed that no reasonable possible changes in the key assumptions for CGUs Marine 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 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 in the CGU, which is closest to the break-even point is presented in the following table.

	Change
Portfolio Business	
Pre-tax discount rate	increase more than 15 percentage points
Terminal growth rate	decrease more than 19 percentage points
Profitability	decrease more than 53 percentage

The defined recoverable amounts of CGUs within Portfolio Business also exceeded the carrying amounts of the units in the annual impairment test.

The key assumptions for CGUs within Portfolio Business relate to terminal growth rate of each unit, and to profitability used for terminal value of each unit. Key assumptions used in the testing for terminal values are the average terminal growth rate of 1.3% and that the average terminal value profitability of CGUs, that is comparable operating result as a percentage of net sales, would amount to 4.6% on average. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business. In addition, when CGUs 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.

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 CGUs 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 (average for CGUs)	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 (average for CGUs)	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 amounts of CGUs included in Portfolio Business exceeded their respective carrying amounts.

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 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 in the CGU, which is closest to the break-even point 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 amounts of CGUs within Portfolio Business also exceeded the carrying amounts of the units 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 CGUs within Portfolio Business relate to terminal growth rate of the unit, and to profitability used for terminal value of each 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 CGUs, that is comparable operating result as a percentage of net sales, would amount to 4.5% on average. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business. In addition, when CGUs 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.

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.

2024

MEUR	Develop-ment expenses	Construc-tion in progress and advances paid	Other intangible assets	Total
Cost on 1 January 2024	282	209	796	1,287
Changes in exchange rates		1	7	8
Additions	9	92	6	106
Decreases and other changes	-4		-8	-12
Reclassification to assets held for sale	-17	-11	-3	-30
Other reclassifications	78	-90	11	
Cost on 31 December 2024	349	201	808	1,359
Accumulated amortisation and impairment on 1 January 2024	-175	-15	-695	-885
Changes in exchange rates			-6	-6
Reclassification to assets held for sale	3	1	1	5
Accumulated amortisation on decreases and other changes	4		7	11
Amortisation during the financial period	-26		-27	-54
Impairment	10	3	1	14
Accumulated amortisation and impairment on 31 December 2024	-185	-10	-718	-913
Carrying amount on 31 December 2024	165	191	91	446

Development costs for internally generated assets capitalised during the financial period amounted to EUR 79 million (70). The related depreciation amounted to EUR 26 million (18), and the carrying amount was EUR 318 million (272). Internally generated assets are included in development expenses, as well as in construction in progress as part of them.

Purchase price allocation amortisation amounted to EUR 19 million (20) and the related carrying amount was EUR 49 million (67).

In 2024, an impairment of EUR 17 million was reversed related to other intangible assets in Portfolio Business.

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

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 its separately estimated 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.

2024

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Total
Cost on 1 January 2024	22	256	810	57	33	1,177
Changes in exchange rates		1	-1			
Additions		2	30	30	2	64
Decreases	-2	-66	-178		-2	-247
Reclassification to assets held for sale		-1	-5			-6
Other reclassifications		2	35	-32		5
Cost on 31 December 2024	20	193	691	54	32	991
Accumulated depreciation and impairment on 1 January 2024	-1	-198	-644		-27	-870
Changes in exchange rates			1			1
Accumulated depreciation on decreases and disposals		56	164		1	221
Depreciation during the financial period		-7	-37		-2	-47
Impairment		3	2			5
Reclassification to assets held for sale			3			4
Other reclassifications					1	
Accumulated depreciation and impairment on 31 December 2024	-1	-146	-511		-27	-685
Carrying amount on 31 December 2024	20	47	180	54	5	306

In 2024, an impairment of EUR 3 million was reversed related to property, plant and equipment in Portfolio Business. In addition, an impairment of EUR 3 million was reversed related to the restructuring of engine manufacturing in Europe.

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
Other 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

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. 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.

In a sale-and-leaseback transaction, the seller-lessee sells the asset to the buyer-lessor and leases that asset back. The underlying asset is derecognised, and the right-of-use asset retained is measured through the leaseback of the item as a proportion of its carrying amount. Only the amount of gain or loss related to the rights transferred are recognised in the statement of income in such a transaction. The same accounting policies described above apply to the lease liabilities recognised in a sale-and-leaseback situation, as well as to subsequent modifications of these.

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	2024	2023
Land and buildings, right-of-use assets		
Carrying amount on 1 January	**246**	248
Changes in exchange rates		-3
Additions	**58**	50
Depreciation and impairment	**-44**	-45
Decreases and reclassifications	**-21**	-5
Carrying amount on 31 December	**240**	246
Machinery and equipment, right-of-use assets		
Carrying amount on 1 January	**9**	10
Additions	**9**	6
Depreciation and impairment	**-6**	-6
Decreases and reclassifications	**-1**	-1
Carrying amount on 31 December	**11**	9
Lease liabilities		
Carrying amount on 1 January	**268**	266
Changes in exchange rates		-2
Additions	**62**	56
Interest expenses		2
Payments	**-49**	-48
Other adjustments	**-8**	-6
Reclassification to assets held for sale	**-15**	
Carrying amount on 31 December	**258**	268
Total lease liabilities		
Non-current	**215**	224
Current	**43**	44

MEUR	2024	2023
Amounts recognised in statement of income		
Depreciation and impairment of right-of-use assets	**-50**	-51
Interest expenses	**-10**	-8
Expense - short-term leases	**-28**	-31
Expense - leases of low-value assets	**-6**	-6
Expense - variable lease payments	**-8**	-9

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	2024	2023
Development expenses	**26**	18
Purchase price allocation amortisation	**19**	20
Other intangible assets	**9**	7
Buildings and structures	**7**	8
Land and buildings, right-of-use assets	**45**	44
Machinery and equipment	**37**	32
Machinery and equipment, right-of-use assets	**6**	6
Other tangible assets	**2**	2
Impairment	**-20**	56
Total	**131**	193

4. Working capital and other balance sheet items

Content in this section:

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	2024	2023
Materials and consumables	**665**	708
Work in progress	**673**	656
Finished products	**42**	40
Advances paid	**102**	81
Total	**1,483**	1,485

In 2024, EUR 4 million (6) impairment for obsolete inventories has been recognised in the statement of income. In 2024, the total value of inventories related to assets held for sale amounted to EUR 77 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.

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	2024	2023
Trade receivables	**1,025**	993
Contract assets	**571**	630
Contract liabilities		
Advances received	**898**	774
Deferred income	**1,048**	886
Trade receivables and contract assets		
Non-current	**6**	2
Current	**1,590**	1,622
Contract liabilities		

Non-current	**121**	126
Current	**1,825**	1,534
Revenue recognised in the financial period that was included in the contract liability on 1 January	**1,534**	1,145
Unsatisfied performance obligations, all revenue types	**10,365**	8,487
of which remaining performance obligations from projects and contracts under execution	**5,440**	5,126

The contract assets and liabilities arise i.a., from long-term agreements and projects recognised over time, such as gas solutions construction contracts, integrated solutions projects, and energy solutions turnkey contracts.

EUR 5,075 million (4,208) of unsatisfied performance obligations is expected to be recognised during next year, and the remaining later.

Ageing of trade receivables

MEUR	Trade receivables	2024 of which impaired	Trade receivables	2023 of which impaired
Not past due	**783**	**1**	706	3
Past due 1–30 days	**123**		139	
Past due 31–180 days	**113**	**9**	129	1
Past due 181–360 days	**18**	**5**	15	1
Past due 1 year	**54**	**51**	62	53
Total	**1,091**	**66**	1,050	57

In 2024, the result impact of write-offs was EUR -2 million (-6).

Impairment

MEUR	2024	2023
Impairment on 1 January	**57**	87
Money received	**-8**	-33
Increase in loss allowance recognised	**19**	10
Receivables written off during the financial period as uncollectible	**-2**	-6
Impairment on 31 December	**66**	57

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 with the exception for derivatives and defined benefit plan assets. Accounting principles for derivatives are presented in Note 5.2. Financial assets and liabilities by measurement category, and for defined benefit plan receivables in Note 4.7. Pension obligations.

MEUR	2024	2023
Derivatives	**15**	49
Interest and other financial items	**3**	3
Insurance receivables	**3**	3
Rental accruals	**2**	4
Prepaid expenses	**3**	2
Other accruals	**42**	34
Loan receivables	**1**	1
Defined benefit plans	**14**	16
VAT receivables	**156**	160
Other*	**68**	62
Total	**308**	332
Non-current	**39**	46
Current	**269**	287

* Other includes payroll related tax receivables of EUR 7 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 are initially recognised at fair value and subsequently measured at amortised cost. Accounting principles for derivatives are presented in Note 5.2. Financial assets and liabilities by measurement category. Other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

MEUR	2024	2023
Trade payables	**793**	686
Accrued expenses	**410**	334
Personnel costs	**263**	232
Derivatives	**72**	16
Interest and other financial items	**8**	9
Other accruals	**59**	46
VAT liabilities	**49**	38
Other	**89**	93
Total	**1,743**	1,454
Non-current	**12**	16
Current	**1,731**	1,437

Wärtsilä has several supplier finance arrangements with its banks under which the banks acquire rights to trade receivables from suppliers. Suppliers choosing to participate in the supplier finance arrangements can benefit from accelerated payment by discounting receivables it has assigned to the bank. Wärtsilä pays the receivables to the banks by their original payment due dates. Wärtsilä's payment terms for trade payables related to supplier finance arrangements are not impacted by the suppliers' decisions to sell receivables under the arrangements. Wärtsilä is not a party to the receivable purchase agreements between the banks and the suppliers and therefore has no visibility of financing terms nor control over the occurrence of payments from the banks to the suppliers.

	31.12.2024
Carrying amount of trade payables under supplier finance arrangements, MEUR	**350**
Range of payment term dates, in days	
Trade payables under supplier finance arrangements	**90–180**
Comparable trade payables not under supplier finance arrangements	**0–150**

Wärtsilä sees very limited liquidity risk associated with the supplier finance arrangements provided by its long-term relationship banks. Additional information on liquidity risk related to supplier finance arrangements is presented in Note 5.8. Financial risks.

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. Typically, the standard warranty period is 1-3 years 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. Warranty provisions are based on management's best estimate of future warranty costs. These estimates rely on accumulated historical experience of warranty cost occurrence concerning similar deliveries. 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.

2024

MEUR	Litigation	Warranties	Onerous contracts	Restruc-turing	Other provisions	Total
Provisions on 1 January 2024	5	144	66	62	96	373
Changes in exchange rates					1	
Additions	4	74	62	2	33	175
Used provisions	-1	-69	-40	-15	-15	-140
Released provisions			-3	-46	-6	-55
Provisions on 31 December 2024	**7**	**149**	**85**	**2**	**109**	**352**
Non-current						144
Current						207

In 2023, the provisions for restructuring included EUR 58 million related to the ramp-down of manufacturing in Trieste, Italy. During 2024, EUR 46 million of them have been reversed and EUR 11 million used.

There is currently one unusually sizeable claim, but it is highly unlikely that the outcome of it will be unfavourable.

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						126
Current						246

The comparison figures for warranties have been restated to reflect the categorisation between non-current and current provisions.

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 2024

MEUR	1 January 2024	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 and disposals	31 December 2024
Deferred tax assets							
Tax loss carry-forwards	41	-20					20
Pension obligations	17	-2	2				17
Provisions	49	-6			-1		43
Elimination of intragroup margin in inventories	9	1					10
Fair value reserve	1		2				3
Lease liabilities	59	-1		1			60
Other temporary differences	92	-10			1		83
Reclassification to assets held for sale							-3
Set-off of deferred tax assets related to lease liabilities	-56						-57
Total	212	-37	3	1			175
Deferred tax liabilities							
Intangible assets and property, plant and equipment	32	-2					30
Fair value reserve	7		-7				
Right-of-use assets	56			1			59
Other temporary differences	30	4					33
Reclassification to assets held for sale							-7
Set-off of deferred tax liabilities related to right-of-use assets	-56						-57
Total	69	3	-7	1			57
Net deferred tax assets/liabilities	143	-40	10				118

On 31 December 2024, the Group had unrecognised deferred taxes on temporary differences totaling EUR 96 million (87), 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 11 million (8) 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 2023

MEUR	1 January 2023	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 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

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	2024	2023
Net defined benefit assets on 31 December	**14**	16
Net defined benefit liabilities on 31 December	**82**	83
Liability for other long-term employee benefits on 31 December	**46**	43

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 41% of the Group's total defined benefit obligations and 65% 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 2024. 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	2024	2023
Present value of unfunded defined benefit obligations	**71**	71
Present value of funded defined benefit obligations	**153**	146
Fair value of plan assets	**-157**	-151
Net liability in the statement of financial position	**67**	66

%	Present value of defined benefit obligations	Fair value of plan assets
Switzerland	**41**	**65**
Germany	**16**	
Other Europe	**29**	**20**
Asia	**13**	**15**
Total	**100**	**100**

MEUR	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
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
Balance on 1 January 2024	**220**	**-151**	**66**
Changes in exchange rates	**-1**	**1**	
Other adjustments	**-3**		**-3**
Recognised in the statement of income:			
Current service cost	**8**		**8**
Gains (-) / losses (+) on curtailments and settlements	**1**		**1**
Interest cost (+) / interest income (-)	**7**	**-4**	**3**
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		**-5**	**-5**
Experience adjustments	**1**		**1**
Changes in financial assumptions	**12**		**12**
Contribution paid by the plan members	**2**	**-2**	
Contribution paid by the employer		**-6**	**-6**
Benefits paid	**-15**	**9**	**-6**
Reclassification to assets held for sale	**-4**		**-4**
Balance on 31 December 2024	**228**	**-158**	**67**

Plan assets invested in:

%	2024	2023
Shares and other equity instruments	**17**	16
Bonds and other debt instruments	**43**	44
Property	**20**	19
Other assets	**20**	21

The main actuarial assumptions at the end of the financial period are (expressed as weighted averages):

%	2024	2023
Discount rate	**2.88**	3.45
Future salary growth	**2.22**	2.18
Future pension growth	**0.98**	0.92

On 31 December 2024, the weighted average duration of the defined benefit obligation was 8 years (8). 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:

	2024	2023
Plan participants retiring at the end of the financial period:		
Male	**17.2**	17.4
Female	**19.2**	19.6
Plan participants retiring 20 years after the end of the financial period:		
Male	**16.1**	17.2
Female	**18.5**	19.2

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	2024	2023
Discount rate	increase 1%	**-25**	-22
Discount rate	decrease 1%	**24**	29
Future salary growth	increase 1%	**7**	8
Future salary growth	decrease 1%	**-6**	-8
Future pension growth	increase 1%	**18**	14
Future pension growth	decrease 1%	**-8**	-7

5. Capital structure and financial items

Content in this section:

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	2024	2023
Interest income on loans and receivables	**1**	4
Interest income on financial assets at fair value through the statement of income	**14**	15
Interest income on investments at amortised cost	**33**	10
Changes in fair values of financial assets/liabilities at fair value through the statement of income	**-5**	-3
Exchange rate differences*		2

Other financial income	**1**	3
Total financial income	**44**	31
Interest expenses on financial liabilities recognised at amortised cost	**-17**	-18
Interest expenses on lease liabilities recognised at amortised cost	**-10**	-8
Interest expenses on financial liabilities at fair value through the statement of income	**-33**	-32
Net interest from defined benefit plans	**-3**	-2
Changes in fair values of financial assets/liabilities at fair value through the statement of income	**-1**	
Exchange rate differences*	**-2**	
Fee expenses	**-1**	-2
Other financial expenses	**-4**	-5
Total financial expenses	**-73**	-68
Total	**-29**	-37

* In 2024, exchange rate differences from unhedged internal loans, EUR -2 million (-3), 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.

2024

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				
Trade receivables	6		6	6
Derivatives, included in hedge accounting		10	10	10
Derivatives, no hedge accounting		2	2	2
Other investments		17	17	17
Other receivables	1		1	1
Current financial assets				
Trade receivables	1,018		1,018	1,018
Trade receivables for sale		1	1	1
Derivatives, included in hedge accounting		1	1	1
Derivatives, no hedge accounting		2	2	2
Other financial receivables	3		3	3
Cash and cash equivalents	1,538	16	1,554	1,554
Carrying amount by measurement category	2,566	49	2,616	2,616
Non-current financial liabilities				
Interest-bearing debt	624		624	621
Derivatives, no hedge accounting		8	8	8
Current financial liabilities				
Interest-bearing debt	142		142	142
Trade payables	793		793	793
Derivatives, included in hedge accounting		36	36	36
Derivatives, no hedge accounting		28	28	28
Other financial liabilities	8		8	8
Carrying amount by measurement category	1,567	72	1,639	1,636

* In 2024, the Group had also cash and cash equivalents measured at amortised cost of EUR 4 million related to assets held for sale.

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

* 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.

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

		2024		2023
MEUR	**Level 2**	**Level 3**	**Level 2**	**Level 3**
Financial assets				
Other investments		**17**		19
Interest-bearing investments, non-current			4	
Other receivables, non-current	**1**		1	
Derivatives	**15**		49	
Financial liabilities				
Interest-bearing debt, non-current*	**621**		733	
Derivatives	**72**		16	

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	2024	2023
Carrying amount on 1 January	**19**	19
Disposal of shares	**-1**	
Carrying amount on 31 December	**17**	19

In 2024, the cost for other unlisted shares (level 3) was EUR 17 million (19), and the market value of them was EUR 17 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	2024	2023
Cash and bank balances*	**1,538**	809
Cash equivalents	**16**	10
Total	**1,554**	819

* EUR 196 million (185) 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 2024, the Group also had cash and cash equivalents of EUR 4 million related to assets held for sale.

5.4. NET DEBT RECONCILIATION

Net interest-bearing debt

MEUR	2024	2023
Lease liabilities, non-current	**215**	224
Other interest-bearing debt, non-current	**409**	515
Lease liabilities, current	**43**	44
Other interest-bearing debt, current	**99**	76
Interest-bearing liabilities pertaining to assets held for sale	**15**	
Total interest-bearing liabilities	**781**	858
Interest-bearing receivables		-4
Cash and cash equivalents	**-1,554**	-819
Cash and cash equivalents pertaining to assets held for sale	**-4**	
Total interest-bearing assets	**-1,558**	-823
Total net interest-bearing debt	**-777**	35

Net debt reconciliation

2024

MEUR	Carrying amount on 1 January 2024	Cash flows	Changes in exchange rates	Other non-cash move-ments	Acquisi-tions and disposals	Carrying amount on 31 December 2024
Lease liabilities*	**268**	**-60**	**1**	**65**		**273**
Other interest-bearing debt, non-current	**515**	**-99**	**-7**			**409**
Other interest-bearing debt, current	**76**	**23**	**-1**			**99**
Interest-bearing receivables	**-4**	**4**				
Cash and cash equivalents*	**-819**	**-736**	**-2**			**-1,557**
Net debt	**35**	**-868**	**-9**	**65**		**-777**

* Lease liabilities include EUR 15 million and cash and cash equivalents EUR 4 million pertaining to assets held for sale.

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

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

At the beginning of 2024, the total amount of own shares held by the Company was 2,700,000. The shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation. During the year, 57,425 own shares were used to settle share-based payments resulting in the total amount of 2,642,575 at the end of the reporting period.

MEUR			
Share capital	**Share capital**	**Share premium**	**Total**
1 January 2023	336	61	397
31 December 2023	336	61	397
31 December 2024	**336**	**61**	**397**

Number of shares and votes	
Number of shares outstanding on 1 January 2024	589,023,390
Share-based payments settled in company shares	57,425
Number of shares outstanding on 31 December 2024	**589,080,815**
Weighted average number of shares outstanding during the period	**589,071,715**

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 2023, gross	-7	21	13
Taxes related to fair value adjustments	1	-4	-4
Fair value reserve on 1 January 2023, 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**
Transferred to the statement of income or financial position as basis adjustments, net of taxes	14		14
Fair value adjustments	-77	-3	-80
Taxes related to fair value adjustments	12	1	13
Fair value reserve on 31 December 2024, net	**-31**	**8**	**-23**

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 0.44 per share be paid for the financial period 2024, the total dividend payable being EUR 259 million based on shares outstanding on 31 December 2024. The remaining part of the retained profits will be carried further in the unrestricted equity. For the result for the financial period 2023, a dividend of EUR 0.32 per share was distributed, totalling EUR 188 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 10. Shareholders' equity.

5.6. MATURITY ANALYSIS OF FINANCIAL LIABILITIES

2024

MEUR	Current < 1 year	Non-current 1–3 years	3–5 years	> 5 years	Total
Loans from other financial institutions*	99	201	156	52	508
Lease liabilities	55	85	59	121	320
Trade payables	793				793
Interest rate derivatives, payable	81	108	2		192
Interest rate derivatives, receivable	-66	-102	-6		-174
Foreign exchange forwards, payable	2,418				2,418
Foreign exchange forwards, receivable	-2,368				-2,368
Other liabilities	8				8
Total	1,020	292	211	173	1,696
* Estimated interest expenses, total	12	16	7	1	35
Estimated contractual cash flows	1,032	307	218	174	1,731

2023

MEUR	Current < 1 year	Non-current 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				1,953
Foreign exchange forwards, receivable	-1,978				-1,978
Other liabilities	9				9
Total	797	331	258	202	1,588
* Estimated interest expenses, total	16	23	10	2	53
Estimated contractual cash flows	813	354	268	204	1,641

* Interest expenses for long-term loans are calculated by using the average interest rate prevailing at the end of the financial period.

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

MEUR	2024 Against hedge accounting	2024 Against net loans	2024 Against other items	2023 Against hedge accounting	2023 Against net loans	2023 Against other items
Currency forwards, nominal amount (both legs)						
EUR*	**1,578**	**478**	**290**	1,276	527	157
USD	**963**	**201**		663	305	
NOK	**222**		**209**	196		96
GBP	**75**	**76**	**12**	54	88	17
CHF	**180**	**187**		114	90	8
CNY	**2**	**8**		58	10	
AUD	**5**			18	5	9
MXN	**51**			72	12	
SGD	**13**	**6**		7	3	
SEK	**11**	**1**	**21**	28	1	9
CAD	**25**			31	14	
Other currencies**	**69**		**102**	38		26
Total amount of currency derivatives (single leg)	**1,598**	**478**	**317**	1,278	527	161

* 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 1,598 million (1,278) currency forwards. In 2024 and 2023, no options were used for hedging. A 5% change in the exchange rates would cause from these currency forwards an approximately EUR 105 million (66) impact on the equity related to hedge accounting. 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 -77 million (27) has been recognised in other comprehensive income as cash flow hedges measured at fair value, and in 2023, EUR -9 million was recognised in the statement of income as result from net position hedges. EUR -1 million (-2) has been recognised 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 -5 million (-4).

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.

			2024			2023
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	**536**	**567**	**1,578**	262	274	1,276
USD	**959**	**957**	**963**	582	578	663
NOK	**192**	**192**	**222**	165	161	196
GBP	**77**	**75**	**75**	29	31	54
MXN	**55**	**51**	**51**	73	72	72
DKK	**40**	**40**	**43**	14	10	10
SEK	**15**	**11**	**11**	4	8	28
CNY	**1**	**2**	**2**	5	9	58
AUD	**2**	**5**	**5**	23	18	18
SGD	**17**	**13**	**13**	11	7	7
CHF	**146**	**146**	**180**	100	99	114
CAD	**23**	**25**	**25**	29	31	31
Other currencies	**30**	**22**	**26**	31	28	28
Total	**2,092**	**2,107**	**3,195**	1,328	1,327	2,556

MEUR	**2024**	**2023**
External currency forwards under hedge accounting by year		
2024	**-**	1,278
2025	**1,598**	-
Hedged highly probable forecasted cash flows by year		
2024	**-**	2,075
2025	**2,899**	384
2026	**626**	94
2027	**184**	45
2028	**57**	1*

* Includes 2028 and later for comparison period.

Derivatives

MEUR	**2024**	**of which closed**	**2023**	**of which closed**
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps, included in hedge accounting	**118**		118	
Interest rate swaps, no hedge accounting	**50**		50	
Cross currency swaps	**153**		160	
Non-deliverable forwards, included in hedge accounting	**4**			
Currency forwards, included in hedge accounting	**1,594**	**949**	1,278	667
Currency forwards, no hedge accounting	**795**	**207**	688	238
Total	**2,714**	**1,156**	2,294	905
Fair values of derivative financial instruments (level 2)				
Interest rate swaps, included in hedge accounting	**10**		13	
Interest rate swaps, no hedge accounting	**2**		4	
Cross currency swaps	**-22**		-12	
Currency forwards, included in hedge accounting	**-35**		17	
Currency forwards, no hedge accounting	**-12**		10	
Total	**-57**		33	

In addition, the Group had copper swaps amounting to 1,665 tons (1,130) valued at EUR 14 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 62 months (57). The average maturity for cross currency swaps is 24 months (36).

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 118 million (122) 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 2024, a EUR 10 million (14) fair value adjustment related to cash flow hedge was recognised in other comprehensive income. Realised and accrued interest of EUR 3 million (3) was recognised in the statement of income as other operating income, and EUR 1 million (1) as financial income or expenses.

In 2024 and 2023, 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	2024	2023
Gross fair values of derivative financial instruments subject to ISDAs		
Assets		
Interest rate swaps	**12**	17
Currency forwards	**3**	32
Total	**15**	49
Liabilities		
Cross currency swaps	**-22**	-12
Currency forwards	**-49**	-4
Copper swaps	**-1**	
Total	**-72**	-16
Net fair values of derivative financial instruments subject to ISDAs		
Assets	**7**	41
Liabilities	**-64**	-8
Total	**-57**	33

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 mainly 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 2024, the net assets of Wärtsilä's foreign subsidiaries and joint ventures outside the euro zone totalled EUR 1,261 million (989). In addition, goodwill and purchase price allocations from acquisitions nominated in foreign currencies amounted to EUR 805 million (785). In 2024, the translation differences recognised in other comprehensive income mainly come from changes in the GBP exchange rate.

Approximately 54% (57) of sales and 53% (52) of operating costs were denominated in euros, and approximately 32% (28) of sales and 23% (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 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 2024 by currency pair are listed below.

2024

	Statement of financial position		Estimated cash flows		
MEUR	Base currency received	Base currency paid	Base currency received	Base currency paid	Net
EUR/USD	173	250	225	1,425	1,276
EUR/NOK	75	42	344	1	376
USD/NOK	28	10	422		440
EUR/CNY	26	23	124		127
EUR/GBP	28	33	64	22	37
EUR/CHF	17	6	97		108
EUR/DKK	6	9	94		91
USD/HKD	6	12	88		82
EUR/SGD	16	17	41		41
EUR/HKD	11	10	39	1	39
EUR/JPY	11	7	35	7	32
USD/MXN	5	2	50		53
EUR/CAD	4	9	6	34	33
EUR/AED	14	9	26		31
USD/CNY	3	1	24	19	7
USD/JPY	3	2	37		38

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

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 2024.

MEUR	Loans	Deposits	2024 Net	Loans	Deposits	2023 Net
Intragroup loans/deposits						
USD	**27**	**242**	**216**	41	354	313
GBP	**102**	**27**	**76**	113	25	88
CHF	**188**		**188**	90		90
MXN	**8**	**5**	**3**	3	16	13
AUD		**1**	**1**		5	5
SGD		**9**	**9**		8	8
CNY		**11**	**11**		10	10
CAD		**9**	**8**		17	17
Other currencies*		**1**	**1**	1	1	
External loans/deposits						
JPY	**153****		**160**	160**		160
Total	**478**	**304**	**672**	408	436	703

* 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 61 million (68).

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 2024 totalled EUR 508 million (590). The average interest rate was 2.6% (3.0) and the average re-fixing time 5 months (7).

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	2024	2023
Fixed rate loans	**100**	108
Floating rate loans	**408**	483
Derivatives	**127**	127
Share of fixed rate loans of total loans (including derivatives), %	**45**	40

At the end of 2024, a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 2 million (5) 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 3 million (4) change in the following year's interest expenses from the debt portfolio, including derivatives. In both analyses, the debt portfolio as of 31 December 2024 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 642 million (644).
- Finnish Commercial Paper programmes totalling EUR 850 million (850).

The average maturity of the non-current debt is 30 months (37) and the average maturity of the confirmed credit lines is 32 months (31). Additional information in Note 5.6. Maturity analysis of financial liabilities.

Wärtsilä sees very limited liquidity risk associated with the supplier finance arrangements provided by its long-term relationship banks. All are reputable and creditworthy banks that have operated and/or participated as investors to the supplier finance arrangements as their customary and continuous offering, and there is no reason to assume that the banks would become unwilling or unable to provide these arrangements in the future. In case of an unexpected withdrawal or reduction by a bank, Wärtsilä can opt to organise supplier finance arrangement to its suppliers through its other banks.

At year-end, the Group had cash and cash equivalents totalling EUR 1,554 million (819). The Group also had EUR 642 million (644) of non-utilised committed credit facilities, as well as cash and cash equivalents of EUR 4 million related to assets held for sale. Commercial Paper Programmes were not utilised on 31 December 2024 nor on 31 December 2023.

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	2024 Available (end of period)	Maturing	2023 Available (end of period)
2023	**-**	**-**		644
2024		**642**	130	514
2025	**100**	**542**	100	414
2026	**102**	**440**	104	310
2027	**140**	**300**	140	170
2028	**120**	**180**	120	50
2029	**150**	**30**	50	
2030	**30**			

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 2024, 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	2024	2023
Total interest-bearing liabilities	**781**	858
Total interest-bearing assets	**-1,558**	-823
Total net interest-bearing debt	**-777**	35
Total equity	**2,531**	2,232
Gearing	**-0.31**	0.02
In the capital management Wärtsilä also follows the gearing development:		
Equity and liabilities	**7,694**	6,803

Advances received	**-923**	-774
	6,770	6,030
Solvency ratio, %	**37.4**	37.0

The figures in the above table include assets and liabilities pertaining to assets held for sale.

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

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.

Geographical 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 Serck Como GmbH	Germany	Sales and services	100.0
	Wärtsilä Voyage Germany GmbH	Germany	Sales and services	100.0
	Wärtsilä Voyage GmbH	Germany	Sales and services	100.0
	Ships Electronic Services Ltd	the United Kingdom	Sales and services	100.0
	Wartsila Defence Solutions Ltd	the United Kingdom	Sales and services	100.0
New	Wartsila Energy Storage UK Limited	the United Kingdom	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
	Wärtsilä Water Systems 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	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
New	Wärtsilä Gas Solutions Sweden AB	Sweden	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
	Defense Maritime Solutions, Inc.	USA	Sales and services	100.0
	Guidance Marine LLC	USA	Sales and services	100.0
	LOCK-N-STITCH Inc.	USA	Sales and services	100.0
New	NACOS USA, LLC	USA	Sales and services	100.0
	Wartsila Energy Storage, Inc.	USA	Sales and services	100.0
	Wartsila Voyage Americas Inc	USA	Sales and services	100.0
	Wärtsilä North America, 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
New	NACOS Marine Singapore Pte. Ltd.	Singapore	Sales and services	100.0
	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
New	Wartsila Energy Storage 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
	Wartsila Southern Africa Proprietary 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 attributable to the non-controlling interests, and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value, is goodwill. 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.

2024

In 2024, there were no acquisitions.

2023

In 2023, there were no acquisitions.

6.3. DISPOSALS

Accounting principles

The disposed subsidiaries are included in the consolidated financial statements until control is lost.

2024

In 2024, there were no disposals.

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.

6.4. ASSETS HELD FOR SALE

Accounting principles

Non-current assets held for sale and discontinued operations are presented separately in the statement of financial position 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.

2024

Wärtsilä has classified business unit Automation, Navigation and Control System (ANCS) as assets held for sale.

In December 2024, Wärtsilä announced the divestment of business unit ANCS to the Swedish investment company Solix Group AB.

ANCS is a global leader in innovative hardware and software technologies for marine navigation and automation, with solutions including integrated navigation and automation systems, advanced sensors enhancing safety and situational awareness, and dynamic positioning systems enabling precise vessel station keeping. Wärtsilä acquired ANCS in 2015 as part of Marine Systems International. In 2024, the annual revenue of ANCS was close to EUR 230 million.

During the second quarter of 2023, Wärtsilä performed an intermediate impairment testing of goodwill for CGU Portfolio Business 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.

During the fourth quarter of 2024, Wärtsilä assessed if there has been a change in the estimates used to determine the asset's recoverable amount. As a result of the assessment, Wärtsilä recognised a reversal of an impairment loss related to other non-current assets amounting to EUR 20 million. The reversal is recognised in the statement of income as reduction of depreciation, amortisation and impairment, and considered as an item affecting comparability.

Subject to approvals, the transaction is expected to be completed in the second quarter of 2025. ANCS belongs to Portfolio Business.

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

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.

Items in the statement of financial position

MEUR	31.12.2024	31.12.2023
Non-current assets		
Other intangible assets	25	
Property, plant and equipment	2	5
Right-of-use assets	14	
Deferred tax assets	3	
Total non-current assets	**45**	5
Current assets		
Inventories	77	
Trade receivables	44	
Current tax receivables	1	
Contract assets	9	
Other receivables	5	
Cash and cash equivalents	4	
Total current assets	**139**	
Assets held for sale	**184**	5
Non-current liabilities		
Lease liabilities	12	
Deferred tax liabilities	7	
Pension obligations	4	
Total non-current liabilities	**24**	
Current liabilities		
Lease liabilities	3	
Provisions	8	
Trade payables	18	
Tax liabilities	1	
Contract liabilities	53	
Other liabilities	26	
Total current liabilities	**109**	
Liabilities directly attributable to assets held for sale	**132**	
Net assets	**52**	5

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	2024	2023
Carrying amount on 1 January	**33**	29
Share of result	**12**	9
Dividends	**-4**	-3
Translation differences	**1**	-2
Carrying amount on 31 December	**41**	33

Summary of financial information (100%):

2024

MEUR		Hold-ing %	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**	**6**	**86**	**30**		**63**	**83**	**10**
CSSC Wärtsilä Electrical & Automation Co., Ltd.	China	**49.0**		**29**	**4**		**25**	**23**	**1**
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	**49.0**	**64**	**388**	**49**	**31**	**371**	**189**	**13**
Repropel Sociedad de reparacao de helices	Portugal	**50.0**		**1**	**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.

2023

MEUR		Hold-ing %	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	

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		Average rates
		31 December 2024	31 December 2023	2024	2023
AED	UAE Dirham	**3.81546**	4.05833	**3.97399**	3.97213
AUD	Australian Dollar	**1.67720**	1.62630	**1.63995**	1.62848
BRL	Brazilian Real	**6.42530**	5.36180	**5.82679**	5.40162
CHF	Swiss Franc	**0.94120**	0.92600	**0.95261**	0.97173
CNY	Yuan Renminbi	**7.58330**	7.85090	**7.78626**	7.65907
DKK	Danish Krone	**7.45780**	7.45290	**7.45888**	7.45099
GBP	Pound Sterling	**0.82918**	0.86905	**0.84659**	0.86991
IDR	Indonesian Rupiah	**16,820.88000**	17,079.71000	**17,154.13000**	16,480.35000
INR	Indian Rupee	**88.93350**	91.90450	**90.53074**	89.32487
JPY	Yen	**163.06000**	156.33000	**163.81736**	151.94211
NOK	Norwegian Krone	**11.79500**	11.24050	**11.62684**	11.42430
RUB	Russian Ruble	**113.85000**	99.94680	**100.20892**	92.09110
SAR	Saudi Riyal	**3.89899**	4.14353	**4.05991**	4.05721
SEK	Swedish Krona	**11.45900**	11.09600	**11.43090**	11.47281
SGD	Singapore Dollar	**1.41640**	1.45910	**1.44567**	1.45235
USD	US Dollar	**1.03890**	1.10500	**1.08205**	1.08158

7. Other notes

Content in this section:

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.

		2024		2023
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	**20**	**10**	21	10
Total	**20**	**10**	21	10
Chattel mortgages and other pledges and securities given as collateral for liabilities and commitments				
Other commitments		**32**		13
Total		**32**		13

MEUR	2024	2023
Guarantees and contingent liabilities		
on behalf of Group companies	**1,237**	997
Total	**1,237**	997

Nominal amounts of lease liabilities		
Low-value lease liabilities	**13**	12
Short-term lease liabilities	**3**	4
Leases not yet commenced, but to which Wärtsilä is committed	**14**	14
Residual value guarantee	**104**	90
Total	**134**	120

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	2024	2023
President and CEO		
Salaries and other short-term benefits	**1,056**	1,021
Short-term incentive schemes	**687**	
Share based bonuses	**172**	
Statutory pension costs	**299**	160
Voluntary pension costs	**315**	300
Other members of the Board of Management		
Salaries and other short-term benefits	**2,645**	2,464
Short-term incentive schemes	**1,070**	
Share based bonuses	**212**	
Statutory pension costs	**554**	374
Voluntary pension costs	**509**	311
Total	**7,520**	4,631
Board of Directors on 31 December 2024		
Tom Johnstone, Chairman	**243**	224
Mika Vehviläinen, Deputy Chairman	**129**	110
Karen Bomba, member	**114**	97
Morten H. Engelstoft, member	**109**	96
Karin Falk, member	**104**	92
Johan Forssell, member	**93**	92
Mats Rahmström, member	**91**	87
Tiina Tuomela, member	**121**	112
Board of Directors, until 9 March 2023		
Risto Murto, member		2
Total	**1,006**	910
Management remuneration, total	**8,526**	5,541

In 2024, an accrual of EUR 2,267 thousand (1,708) has been recognised in the statement of income as employee benefit expenses related to the short-term incentive schemes for the management.

Additionally, EUR 3,478 thousand (1,104) has been recognised as employee benefit expenses in the statement of income related to management's long-term incentive schemes, of which EUR 1,187 thousand (77) relates to long-term incentive scheme ending 31 December 2024.

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 395,709 shares (362,999) at year-end, dividends totalling EUR 124 thousand (94).

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	2024	2023
Sales to the associates and joint ventures	**76**	43
Purchases from the associates and joint ventures	**25**	49
Receivables from the associates and joint ventures	**16**	10

Advances paid to the associates and joint ventures	**37**	29
Payables to the associates and joint ventures	**21**	18

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 2024, the AGM appointed the audit firm PricewaterhouseCoopers Oy as Wärtsilä Corporation's auditor. PricewaterhouseCoopers Oy has provided non-audit services totalling EUR 0.5 million (0.3) to entities of Wärtsilä Group. These services include tax services of EUR 0.1 million, sustainability assurance services and a minor amount related to other services.

		2024		**2023**
MEUR	**PwC**	**Others**	**PwC**	**Others**
Audit	**4.8**	**1.7**	3.7	1.3
Tax advisory	**0.1**	**0.3**	0.1	0.6
Other services	**0.4**	**0.0**	0.2	0.0
Total	**5.3**	**2.0**	3.9	1.9

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

Parent company income statement

MEUR	2024	2023	Note
Net Sales	**119**	103	
Other operating income	**24**	15	1
Personnel expenses	**-57**	-70	2
Depreciation, amortisation and impairment	**-3**	-4	3
Other operating expenses	**-133**	-101	4
Operating result	**-51**	-57	
Financial income and expenses	**283**	197	5
Result before appropriations and taxes	**233**	140	
Appropriations	**135**	21	
Result before taxes	**368**	161	
Income taxes	**-4**	-4	6
Result for the financial period	**363**	157	

Parent company balance sheet

MEUR	2024	2023	Note
ASSETS			
Fixed assets			7
Intangible assets			
Other long-term expenditure	**7**	7	
Intangible assets and construction in progress	**36**	17	
	43	24	
Tangible assets			
Land and water	**2**	2	
Machinery, equipment and other tangible assets	**1**	1	
Construction in progress	**1**		
	5	4	
Financial assets			
Shares in Group companies	**1,450**	950	
Other shares and securities	**2**	2	
	1,452	952	
Total fixed assets	**1,500**	980	
Non-current receivables			
Other long-term receivables	**13**	18	
	14	19	
Current receivables			
Receivables from Group companies	**1,927**	2,139	8
Prepaid expenses and accrued income	**13**	41	9
	1,940	2,180	
Cash and bank balances	**1,304**	583	

Total current assets	**3,244**	2,763	
Assets	**4,758**	3,761	

MEUR	2024	2023	Note
EQUITY AND LIABILITIES			
Equity			10
Share capital	**336**	336	
Share premium reserve	**61**	61	
Reserve for own shares	**-28**	-29	
Retained earnings	**914**	946	
Result for the financial period	**363**	157	
Total equity	**1,646**	1,471	
Provisions	**21**	23	
Liabilities			11
Non-current			
Loans from credit institutions	**409**	515	
Other long-term liabilities	**9**	13	
	418	528	
Current			
Loans from credit institutions	**99**	75	
Trade payables	**14**	14	
Liabilities to Group companies	**2,463**	1,618	13
Other current liabilities	**3**	1	
Accrued expenses and deferred income	**94**	32	12
	2,672	1,740	
Total liabilities	**3,090**	2,268	
Equity and liabilities	**4,758**	3,761	

Parent company cash flow statement

MEUR	2024	2023
Cash flow from operating activities:		
Result before appropriations and taxes	**233**	140
Adjustments for:		
Depreciation and amortisation	**3**	4
Financial income and expenses	**-283**	-196
Other adjustments	**1**	
Cash flow before changes in working capital	**-47**	-52
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	**-31**	2
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**66**	32
	35	34
Cash flow from operating activities before financial items and taxes	**-12**	-18
Interest and other financial expenses	**-164**	-119
Dividends received from operating activities	**252**	160
Interest and other financial income from operating activities	**181**	152
Income taxes paid	**-3**	-4
	266	189
Cash flow from operating activities	**254**	171
Cash flow from investing activities:		
Investments in tangible and intangible assets	**-23**	-17
Investments in subsidiaries	**-500**	
Loan receivables, increase	**-18**	-1
Loan receivables, decrease	**408**	58
Cash flow from investing activities	**-133**	40

Cash flow after investing activities	**121**	211
Cash flow from financing activities:		
Current loans, increase (+) / decrease (-)	**843**	355
Proceeds from non-current borrowing		176
Repayments and other changes of non-current loans	**-75**	-265
Purchase of own shares		-10
Group contributions	**21**	7
Dividends paid	**-189**	-153
Cash flow from financing activities	**600**	112
Change in cash and bank balances, increase (+) / decrease (-)	**721**	324
Cash and bank at beginning of period	**583**	259
Cash and bank at end of period	**1,304**	583

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. Wärtsilä Oyj Abp’s service charges include management service fee and information management service fee. Revenue is recognised for the period during which the service is performed.

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 amortised 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. Income taxes also include parent company state top-up taxes in accordance with the income calculation rule (IIR).

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	2024	2023
Rental income	**3**	3
Re-invoicing to Group companies	**20**	11
Other	**1**	1
Total	**24**	15

2. PERSONNEL EXPENSES

MEUR	2024	2023
Wages and salaries	**-46**	-41
Pension costs	**-8**	-6
Other compulsory personnel costs	**-4**	-23
Total	**-57**	-70

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 3 million (2).

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 402 (392).

3. DEPRECIATION AND AMORTISATION

MEUR	2024	2023
Depreciation and amortisation according to plan		
Other long-term expenditure	**-2**	-2
Machinery and equipment	**-1**	-2
Total depreciation according to plan	**-3**	-4
Tax depreciations	**-3**	-3

4. OTHER OPERATING EXPENSES

MEUR	2024	2023
Information technology costs	**-41**	-31
Rental costs	**-5**	-5
Legal and consultancy costs	**-36**	-21
Services from Group Companies	**-34**	-34
Other administrative costs	**-16**	-10
Total	**-133**	-101

5. FINANCIAL INCOME AND EXPENSES

MEUR	2024	2023
Dividend income		
From Group companies	**252**	160
Total	**252**	160
Other interest income		
From Group companies	**105**	102
From other companies	**31**	8
Total	**136**	111
Other financial income		
From Group companies	**38**	32
From other companies	**9**	10
Total	**46**	42
Exchange gains and losses	**-2**	1
Interest expenses		
To Group companies	**-75**	-45
To other companies	**-14**	-15
Total	**-89**	-60
Other financial expenses		
To Group companies	**-23**	-22
To other companies	**-36**	-35
Total	**-59**	-57
Financial income and expenses, total	**283**	197

6. INCOME TAXES

MEUR	2024	2023
Income taxes		
For the previous periods	**1**	
For the financial period	**-5**	-4
Total	**-4**	-4

Income taxes for the financial period include top-up taxes of EUR 1 million in accordance with OECD Pillar Two rules.

7. FIXED ASSETS

Intangible assets

MEUR	Other long-term expenditures	Intangible assets and construction in progress	2024	2023
Acquisition cost on 1 January	113	17	130	118
Additions	3	19	22	16
Disposals	-16		-16	-4
Acquisition cost on 31 December	100	36	137	130
Accumulated amortisation on 1 January	-107		-107	-109
Accumulated amortisation on disposals and other changes	16		16	4
Amortisation during the financial period	-2		-2	-2
Accumulated amortisation on 31 December	-93		-93	-107
Carrying amount on 31 December 2024	7	36	43	
Carrying amount on 31 December 2023	7	17		24

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery, equipment and other tangible assets	2024	2023
Acquisition cost on 1 January	2	1	11	12	12
Additions			1	1	
Disposals			-1	-1	
Acquisition cost on 31 December	2	1		12	12
Accumulated depreciation on 1 January		-1	-9	-10	-9
Amortisation during the financial period			-1	-1	-2
Accumulated depreciation on 31 December		-1	-9	-10	-10
Carrying amount on 31 December 2024	2		2	5	
Carrying amount on 31 December 2023	2		2		4

Shares and securities

MEUR	Shares in Group companies	Shares in other companies	2024	2023
Acquisition cost on 1 January	950	2	952	952
Additions	500		500	
Acquisition cost on 31 December	1,450	2	1,452	952
Carrying amount on 31 December 2024	1,450	2	1,452	
Carrying amount on 31 December 2023	950	2		952

In 2024, Wärtsilä Corporation made an additional investment of EUR 500 million in the equity of its fully owned subsidiary Wärtsilä Technology Oy Ab.

8. CURRENT RECEIVABLES FROM GROUP COMPANIES

MEUR	2024	2023
Trade receivables	54	48
Loan receivables	1,634	2,025
Derivatives	80	23
Other receivables	141	23
Prepaid expenses and accrued income	18	20
Total	1,927	2,139

9. PREPAID EXPENSES AND ACCRUED INCOME

MEUR	2024	2023
Derivatives	3	32
Other	10	9
Total	13	41

10. SHAREHOLDERS' EQUITY

MEUR	2024	2023
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	-28	-29
Reserve for own shares on 31 December	-28	-29
Retained earnings		
Retained earnings on 1 January	1,103	1,099
Dividends paid	-188	-153
Result for the financial period	363	157
Retained earnings on 31 December	1,278	1,103
Total shareholders' equity	1,646	1,471
Distributable equity	1,249	1,074

On 31 December 2024, the number of own shares held by Wärtsilä Corporation was 2,642,575 (2,700,000) and the book value of these shares was EUR 28 million (29).

11. LIABILITIES

MEUR	2024	2023
Non-current		
Interest-bearing	409	515
Non-interest-bearing	9	13
Total	418	528
Current		
Interest-bearing	2,486	1,620
Non-interest-bearing	185	121
Total	2,672	1,740

Debt with maturity profile

MEUR	2024	2023
Loans from financial institutions:	508	590
Current		
<1 year	99	75
Long-term		
1-5 years	357	440
>5 years	52	75
Total	508	590

12. ACCRUED EXPENSES AND DEFERRED INCOME

MEUR	2024	2023
Derivatives	64	4
Personnel costs	17	15
Interest and other financial items	4	6
Other	8	7
Total	94	32

13. LIABILITIES TO GROUP COMPANIES

MEUR	2024	2023
Trade payables	22	17
Other current liabilities	2,387	1,544
Derivatives	48	51
Accrued expenses and deferred income	6	6
Total	2,463	1,618

14. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

2024

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		12	12	12
Derivatives from Group companies		26	26	26
Current financial assets				
Interest-bearing receivables from Group companies	1,634		1,634	1,634
Trade receivables from Group companies	54		54	54
Derivatives		3	3	3
Derivatives from Group companies		54	54	54
Other receivables from Group companies	158		158	158
Cash equivalents				0
Cash and bank	1,304		1,304	1,304
Carrying amount by category	3,151	95	3,246	3,246
Non-current financial liabilities				
Interest-bearing debt	409		409	406
Derivatives		15	15	15
Derivatives from Group companies		19	19	19
Current financial liabilities				
Interest-bearing debt	99		99	99
Interest-bearing debt to Group companies	2,387		2,387	2,387
Trade payables	14		14	14
Trade payables to Group companies	22		22	22
Derivatives		57	57	57
Derivatives to Group companies		28	28	28
Other liabilities	6		6	6
Other liabilities to Group companies				0
Carrying amount by category	2,937	119	3,057	3,054

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				0
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 equivalents				0
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 to 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

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.

15. DERIVATIVE FINANCIAL INSTRUMENTS

2024

MEUR	With external financial institutions	With Group companies	2024
Nominal values of derivative financial instruments			
Non-Deliverable Forward	**4**		**4**
Currency forwards, transaction risk	**2,370**	**3,766**	**6,136**
Interest rate swaps	**168**	**121**	**290**
Cross currency swaps	**153**		**153**
Total			**6,580**
Fair values of derivative financial instruments (level 2)			
Non-Deliverable Forward			
Currency forwards, transaction risk	**-46**	**43**	**-4**
Interest rate swaps	**12**	**-10**	**2**
Cross currency swaps	**-22**		**-22**
Total			**-25**

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

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 62 (57) months and 83 (95) months for intragroup contracts. The average maturity for cross currency swaps is 24 (36) months.

16. 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.

17. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2024	2023
Guarantees and contingent liabilities		
On behalf of Group companies	**6,965**	5,887
Total	**6,965**	5,887
Future nominal lease payments		
Payable within one year	**3**	3
Payable after one year	**8**	11
Total	**12**	14

18. 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 8 and 13 in parent company financial statements, receivables and liabilities from Group companies are specified.

19. AUDITORS’ FEES AND SERVICES

In 2024, 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	2024	2023
Audit	**1,649**	646
Tax advisory	**22**	
Other services	**268**	40
Total	**1,939**	685

PROPOSAL OF THE BOARD

The parent company's distributable funds total EUR 1,249,416,973.27, which includes EUR 363,279,404.71 in net profit for the year. There are 589,080,815 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 0.44 per share be paid, making a total of	259,195,558.60
That the following sum be retained in shareholders' equity	990,221,414.67
Totalling	1,249,416,973.27

The dividend shall be paid in two instalments. The first instalment of EUR 0.22 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 17 March 2025. The payment day proposed by the Board for this instalment is 24 March 2025.

The second instalment of EUR 0.22 per share shall be paid in September 2025. The dividend record day of the second instalment shall be 17 September 2025 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 24 September 2025.

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.

Financial statements are prepared according to IFRS (Group) and Finnish Accounting Standards FAS (Parent Company) and it gives a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the entities included in its consolidated financial statements, the annual report includes includes an accurate description of the development and result of the business activities of both the company and the entities included in its consolidated financial statements, as well as a description of the most significant risks and uncertainties and other matters concerning the company, and the sustainability report included in the annual report has been prepared in accordance with the reporting standards referred to in Chapter 7 and Article 8 of the Taxonomy Regulation.

Helsinki, Finland, 4 February 2025

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 2024. The financial statements comprise:

- the consolidated statement of financial position, statement of income, 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 24 reporting components in 14 countries 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 € 25 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 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

We tailored the scope of our audit, taking into account the structure of the Wärtsilä Group, the accounting processes and controls, and the industry in which the group operates. Using this criteria we selected group 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 consolidated financial statements.

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 consolidated balance sheet items. The determination and whether an impairment charge is required involves significant management judgement, including identifying on which cash	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

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generating unit level the goodwill is tested and 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 level of management judgement involved in the impairment testing.

procedures relating to the impairment analysis included the following:

- 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.

Trade receivables is one of the most significant consolidated balance sheet items, including an impairment provision. Part of the trade receivables include long-term receivables.

Trade receivables are recognised at their anticipated fair 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 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.

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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.

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- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 eight 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 identified above 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 compliance with the applicable provisions, excluding the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions. Our opinion does not cover the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

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 11 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

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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 2024 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 ESEF financial statements for the financial year ended 31 December 2024 comply, in all material respects, with the minimum requirements as set out in the ESEF requirements.

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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 11 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

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Assurance Report on the Sustainability Report (Translation of the Finnish Original)

To the Annual General Meeting of Wärtsilä Corporation

We have performed a limited assurance engagement on the group sustainability report of Wärtsilä Corporation (business identity code (0128631-1) that is referred to in Chapter 7 of the Accounting Act and that is included in the report of the Board of Directors for the reporting period 1.1.–31.12.2024.

Opinion

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 the group sustainability report does not comply, in all material respects, with

1) the requirements laid down in Chapter 7 of the Accounting Act and the sustainability reporting standards (ESRS);

2) the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy).

Point 1 above also contains the process in which Wärtsilä Corporation has identified the information for reporting in accordance with the sustainability reporting standards (double materiality assessment).

Our opinion does not cover the tagging of the group sustainability report in accordance with Chapter 7, Section 22, of the Accounting Act, because sustainability reporting companies have not had the possibility to comply with that requirement in the absence of the ESEF regulation or other European Union legislation.

Basis for Opinion

We performed the assurance of the group sustainability report as a limited assurance engagement in compliance with good assurance practice in Finland and with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our responsibilities under this standard are further described in the Responsibilities of the Authorised Group Sustainability Auditor section of our report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Authorised Group Sustainability Auditor's Independence and Quality Management

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 engagement, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm 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.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director of Wärtsilä Corporation are responsible for:

- the group sustainability report and for its preparation and presentation in accordance with the provisions of Chapter 7 of the Accounting Act, including the process that has been defined in the sustainability reporting standards and

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in which the information for reporting in accordance with the sustainability reporting standards has been identified

- the compliance of the group sustainability report with the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;
- such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of a group sustainability report that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in the Preparation of a Sustainability Report

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of assumptions that have been disclosed in the sustainability report about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Responsibilities of the Authorised Group Sustainability Auditor

Our responsibility is to perform an assurance engagement to obtain limited assurance about whether the group sustainability report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our opinion. 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 decisions of users taken on the basis of the group sustainability report.

Compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) requires that we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the group sustainability report, whether due to fraud or error, and obtain an understanding of internal control relevant to the engagement in order to design assurance 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.
- Design and perform assurance procedures responsive to those risks to obtain 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.

Description of the Procedures That Have Been Performed

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The nature, timing and extent of assurance procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included for example the following:

- We interviewed the company's management and the individuals responsible for collecting and reporting the information contained in the group sustainability report at the group level and in subsidiaries, as well as at different levels and business areas of the organization to gain an understanding of the sustainability reporting process and the related internal controls and information systems.

- We familiarised ourselves with the background documentation and records prepared by the company where applicable, and assessed whether they support the information contained in the group sustainability report.

- We performed site visits at the company's sites in Finland and Spain and interviewed on-line representatives from the company's subsidiary in France.

- We assessed the company's double materiality assessment process in relation to the requirements of the ESRS standards, as well as whether the information provided about the assessment process complies with the ESRS standards.

- We assessed whether the sustainability information contained in the group sustainability report complies with the ESRS standards.

- Regarding the EU taxonomy information, we gained an understanding of the process by which the company has identified the group's taxonomy-eligible and taxonomy-aligned economic activities, and we assessed the compliance of the information provided with the regulations.

Helsinki 11 February 2025

PricewaterhouseCoopers Oy
Authorised Sustainability Auditors

Karsten Westerling
Authorised Sustainability Auditor

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 2024, the number of Wärtsilä's shares outstanding totalled 589,080,815, while the number of treasury shares totalled 2,642,575. 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 2024

The price of Wärtsilä's share on Nasdaq Helsinki increased by 32%, while the OMX Helsinki Industrials indice increased by 10% and the OMX Helsinki Cap indice decreased by 5%. The highest quoted price for Wärtsilä's share during the financial period was EUR 20.60 and the lowest EUR 12.61. The closing price on 31 December 2024 was EUR 17.11. The volume weighted average price for the year was EUR 17.42. At year-end, Wärtsilä's market capitalisation was EUR 10,124 million. The volume of trades on Nasdaq Helsinki was 217,792,247 shares, equivalent to a turnover of 3,729 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 98,204,022 shares. Further information on the company's share price development can be found on Wärtsilä's website at www.wartsila.com/investors/shares.

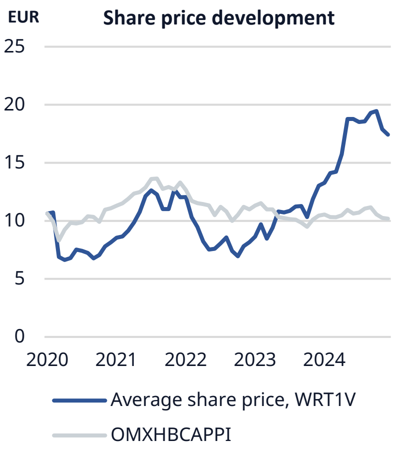
KEY FIGURES FOR WÄRTSILÄ SHARE

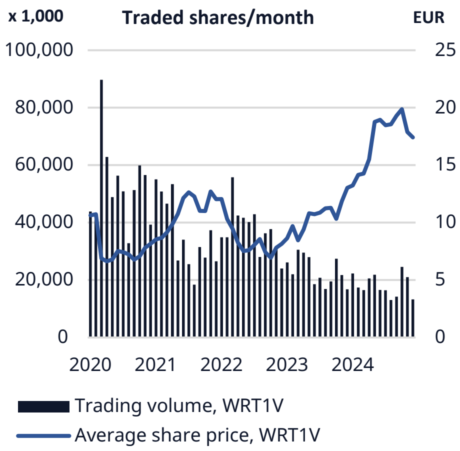
		2024	2023	2022	2021	2020
Basic earnings per share (EPS)	EUR	0.85	0.44	-0.11	0.33	0.23
Book value of equity per share	EUR	4.29	3.78	3.62	3.92	3.68
Dividend per share	EUR	0.44*	0.32	0.26	0.24	0.20
Dividend per earnings	%	51.6*	73.2	-234.9	73.2	88.2
Dividend yield	%	2.6*	2.4	3.3	1.9	2.5
Price per earnings (P/E)		20.1	29.8	-71.5	37.5	35.4
Price to book value (P/BV)		4.0	3.5	2.2	3.2	2.2
Adjusted number of shares outstanding	X 1,000					
End of financial year		589,081	589,023	590,023	590,023	591,723
On average		589,069	589,451	590,023	590,579	591,723

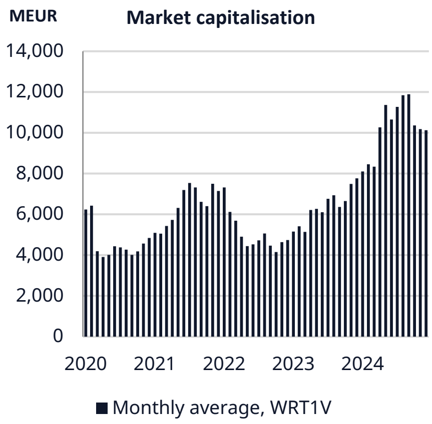
* Proposal of the Board of Directors.

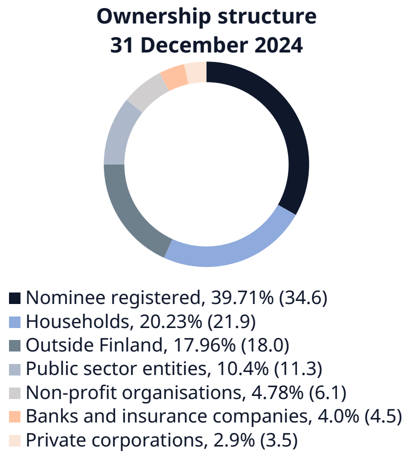
WÄRTSILÄ SHARES ON NASDAQ HELSINKI

		2024	2023	2022	2021	2020
Trading volume	MEUR	3,729	2,864	3,836	4,561	4,865
Number of shares traded	X 1,000	217,792	277,945	450,341	433,886	635,450
Stock turnover	%	37.0	47.2	76.3	73.5	107.4
Share price, high	EUR	20.60	13.34	13.22	13.87	12.00
Share price, low	EUR	12.61	7.94	6.36	7.78	5.01
Average share price	EUR	17.42	10.30	8.53	10.51	7.66
Share price at year-end	EUR	17.11	13.13	7.87	12.36	8.15
Year-end market capitalisation	MEUR	10,124	7,766	4,656	7,314	4,823









Shareholders

Wärtsilä had 106,523 shareholders at the end of the financial period 2024. Foreign shareholding, including nominee registered shares, represented 57.67% (52.6) of the total shareholder base at the end of the period, while Finnish retail investors represented 20.23% (21.9). 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.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2024

Group	Number of shareholders	%	Number of shares	%
Private corporations	3,016	2.8	17,272,659	2.9
Banks and insurance companies	104	0.1	23,688,595	4.0
Public sector entities	40	0.0	61,528,536	10.4
Non-profit organisation	937	0.8	28,266,157	4.8
Households	101,885	95.6	119,695,470	20.2
Outside Finland	541	0.5	106,301,535	18.0
Nominee registered			234,970,438	39.7
Total	**106,523**	**99.99**	**591,723,390**	**100.0**

DIVISION OF SHARES ON 31 DECEMBER 2024

Number of shares	Number of shareholders	%	Number of shares	%
1-100	40,143	37.68	1,662,087	0.3
101-1,000	45,907	43.09	17,919,522	3.0
1,001-10,000	18,209	17.09	53,379,866	9.0
10,001-100,000	2,101	2.0	50,295,334	8.5
100,001-1,000,000	147	0.14	37,760,896	6.4
1,000,001-10,000,000	20	0.2	47,950,313	8.1
10,000,001-100,000,000	2	0.0	43,227,899	7.3
100,000,001-	1	0.0	104,711,363	17.7
Nominee registered			234,970,438	39.7
Total	**106,530**	**100.0**	**591,877,718**	**100.0**

WÄRTSILÄ'S 50 MAJOR SHAREHOLDERS ON 31 DECEMBER 2024, EXCLUDING NOMINEE REGISTERED

Owner		Shares	%
1	Invaw Invest AB	104,711,363	17.7
2	Varma Mutual Pension Insurance Company	25,159,960	4.3
3	Ilmarinen Mutual Pension Insurance Company	18,067,939	3.1
4	Elo Mutual Pension Insurance Company	8,856,000	1.5
5	State Pension Fund	4,700,000	0.8
6	Holdix Oy Ab	4,139,400	0.7
7	The Social Insurance Institution of Finland	3,912,230	0.7
8	Samfundet Folkhälsan i Svenska Finland rf	2,586,606	0.4
9	Op-Suomi -Sijoitusrahasto	2,420,920	0.4
10	Svenska Litteratur-sällskapet i Finland Rf	1,966,000	0.3
11	Jenny and Antti Wihuri Foundation	1,700,000	0.3
12	Sigrid Jusélius Foundation	1,680,125	0.3
13	Oy Ingman Finance Ab	1,640,000	0.3
14	Rantanen Tuula Anneli	1,523,798	0.3
15	Sijoitusrahasto Seligson & Co	1,512,974	0.3
16	The Finnish Cultural Foundation	1,417,190	0.2
17	Nordea Pro Finland Fund	1,342,301	0.2
18	Evli Finland Select Fund	1,300,000	0.2
19	Säästöpankki Kotimaa -Sijoitusrahasto	1,190,676	0.2
20	Sijoitusrahasto Aktia Capital	1,165,000	0.2
21	Bergsrådinnan Sophie von Julins Stiftels E Sr	1,129,518	0.2
22	Holding Manutas Oy	1,278,806	0.2
23	Maa- ja Vesitekniikan Tuki R.y.	1,000,000	0.2
24	Op Finland Index	872,673	0.2
25	Gripenberg Gerda Margareta Lindsay Db	840,000	0.1
26	Danske Invest Finnish Equity Fund	825,000	0.1
27	Op-Henkivakuutus Oy	815,928	0.1
28	Stockmann Marita	813,678	0.1
29	Louise och Göran Ehrnrooth Stiftelse Sr	762,428	0.1
30	Von Julin Sofia Margareta Db	758,000	0.1
31	Brita Maria Renlund Foundation	674,000	0.1
32	Folkhälsans Forskningsstiftelse - Kansanterveyden tutkimussäätiö	639,404	0.1
33	Nordea Henkivakuutus Suomi Oy	589,982	0.1
34	Markkola Leena	563,100	0.1
35	S-Bank Fenno Equity Fund	549,092	0.1
36	William Thurings Stiftelse Sr	544,550	0.1
37	Barry Staines Linoleum Oy	540,000	0.1
38	Seligson & Co Suomi Indeksirahasto (sijo Itusrahasto)	534,897	0.1
39	Nordea Finnish Passive Fund	524,521	0.1
40	Von Fieandt Berndt Johan	488,146	0.1
41	Karlsson Anne Christine	480,000	0.1
42	Security Trading Oy	480,000	0.1
43	The Signe and Ane Gyllenberg foundation	480,000	0.1
44	Nordea Premium Asset Management Balanced Fund	453,951	0.1
45	Brotherus Pia Monica	453,006	0.1
46	Ella and Georg Ehrnrooth Foundation	438,261	0.1
47	Gripenberg Jarl Dödsbo	420,000	0.1
48	Brotherus Ilkka Johannes	400,000	0.1
49	Nordea Premium Asset Management Moderate Fund	396,300	0.1
50	Suka Invest Oy	383,000	0.1
Total		**209,966,917**	**35.48**

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.

The table to the right summarises the flagging notifications received by Wärtsilä during 2024. Further information can be found on Wärtsilä's website at www.wartsila.com/investors/shareholders/flaggings.

Management holdings

The members of the Board of Directors, the President & CEO, and the corporations under their control, owned altogether 228,756 shares in Wärtsilä Corporation at the end of 2024, which represents 0.04% 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.

Authorisations granted to the Board of Directors

The Annual General Meeting, held on 7 March 2024, 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 9 March 2023 to issue shares.

CHANGES IN OWNERSHIP – FLAGGING NOTIFICATIONS

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
2.1.2024	BlackRock, Inc.	Above 5%	4.90%	5.00%
3.1.2024	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
22.1.2024	BlackRock, Inc.	Above 5%	4.97%	5.08%
23.1.2024	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
26.1.2024	BlackRock, Inc.	Above 5%	4.91%	5.01%
29.1.2024	BlackRock, Inc.	Above 5%	5.16%	5.26%
1.10.2024	BlackRock, Inc.	Above 5%	5.40%	5.49%
17.10.2024	Varma Mutual Pension Insurance Company	Below 5%	4.77%	4.77%

The Board of Directors' dividend proposal

The Board of Directors proposed that a dividend of EUR 0.44 per share be paid for the financial year 2024. The dividend be paid in two instalments of EUR 0.22 per share each.

WÄRTSILÄ'S INVESTOR RELATIONS ACTIVITIES

Meetings and events

Wärtsilä's Investor Relations (IR) team, consisting of the Vice President for Investor Relations, two Investor Relations Senior Managers, and Investor Relations Specialist, together with the CEO and CFO, hosted more than hundred individual and group meetings with investors during the year 2024.

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, and Finnish Investor Fair 2024.

During 2024, 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 Marine theme call was held in May, with ~80 participants. On the theme call President of Wärtsilä Marine, Roger Holm, and CFO, Arjen Berends presented topical aspects regarding Marine business in Wärtsilä.

Following the theme call, a site visit to the Sustainable Technology Hub (STH) in Vaasa, Finland was organized in May. The site visit event focused on decarbonisation, future fuels, and the role of internal combustion engines in future solutions. During the site visit, attendees had the opportunity to visit the Fuel Laboratory where future fuels are researched and tested, an Expertise Centre where Wärtsilä engines are monitored in operation globally, and the Additive Manufacturing site producing components with 3D-printing technology. Roger Holm, the President of Marine, and Mikael Wideskog, the Director of Sustainable Fuels and Decarbonisation, participated on the site visit with presenting insights on maritime decarbonisation and future fuels. The site visit gathered 23 participants.

In September, virtual service theme call was organized, with ~70 participants. The service theme call served as a continuation of the service-themed call organised in June 2023. The CFO Arjen Berends; Vice President, Marine Performance Services, Andrea Morgante; and Vice President, Energy Services, Markus Ljungkvist presented updates about the service business.

In December, the theme calls continued with a focus on Energy's Engine Power Plants business. The President, Wärtsilä Energy and Executive Vice President, Anders Lindberg presented developments about the business.

Recordings and written summaries of all 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.

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 Anu Sirkiä, 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

Wärtsilä provides an outlook statement for a period determined by the Company in connection with its results releases. The presented statements and estimates are based on the management's present view on the development of the Group and its operations. Wärtsilä's guidance can be found on the website, in the quarterly and annual reports.

Silent period

Wärtsilä observes a three-week silent period preceding the publication of its results to prevent revealing unpublished financial information. During this period, Wärtsilä's officers and employees refrain from making any contact with or comments to investors, analysts, and the media about the company's business prospects, financial results, or projections.

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, 13 March 2025, at 3 p.m., at Messukeskus, Messuaukio 1, 00520 Helsinki, Finland (Messukeskus Siipi entrance).

Right to attend

Shareholders registered no later than 3 March 2025 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 10 March 2025 either on the company's website http://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 10 March 2025. 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 0.44 per share shall be paid for the financial year 2024. The dividend shall be paid in two instalments.

The first instalment of EUR 0.22 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 17 March 2025. The payment day proposed by the Board for this instalment is 24 March 2025.

The second instalment of EUR 0.22 per share shall be paid in September 2025. The dividend record day of the second instalment shall be 17 September 2025, 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 24 September 2025.

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 2025

Annual Report 2024 on Wednesday, 19 February 2025.

Interim Report January-March 2025 on Friday, 25 April 2025.

Half-year Financial Report January-June 2025 on Friday, 18 July 2025.

Interim Report January-September 2025 on Tuesday, 28 October 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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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.