

Risks and business uncertainties

In the Services business, slow economic growth and political instability in specific regions are the main risks for demand development. Weakening currencies in certain countries may affect customers' purchasing power. The challenging conditions in the merchant and offshore markets are also seen as a potential risk.

In the power generation markets, fragile economic growth and slow decision-making continue to be the primary risks for demand development. Geopolitical tensions, implications of trade barriers, as well as significant currency fluctuations can result in investment decisions being postponed in certain countries. Price pressure resulting from the prevailing competitive environment remains a risk.

Economic uncertainty and escalating trade tensions is a concern in the marine markets. Investments in the offshore industry remain limited, and offshore production is facing increasing competition from low cost onshore and shale production. In addition, the increasing importance of energy efficiency and the substitution of other energy sources, will challenge growth in crude oil demand. Enforcement of environmental regulations and potential new regulations remain as a source of uncertainty. Climate change requires increasing efforts to lower GHG emissions within the shipping industry.

Wärtsilä emphasises a holistic approach to the management of cyber and physical security risks in its internal operations and customer offerings. The company's cyber security team carries out its operational, governance and compliance activities in line with the IEC62443 and ISO 27k protocols. Such activities include cyber assurance, risk management, detection, a secure software development lifecycle, training, endpoint protection, network security, and cyber advisory services. Wärtsilä has implemented new procedures for storing, processing, and using data in the company's systems so as to comply with the General Data Protection Regulation. Cyber security was taken into consideration in this implementation.

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. The Group receives from time to time 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 the loss can be reasonably estimated.

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