WÄRTSILÄ

Wärtsilä Corporation

Half year financial report

January – June 2022

Service order intake increased by 36%

Highlights from April–June 2022

- Order intake increased by 25% to EUR 1,440 million (1,154)
- Service order intake increased by 36% to EUR 811 million (598)
- Net sales increased by 24% to EUR 1,407 million (1,131)
- Book-to-bill amounted to 1.02 (1.02)
- Comparable operating result increased by 20% to EUR 85 million (71), which represents 6.1% of net sales (6.3)
- Operating result increased by 29% to EUR 75 million (58), which represents 5.3% of net sales (5.1)
- Basic earnings per share increased to 0.09 euro (0.06)
- Cash flow from operating activities decreased to EUR -90 million (245)

Highlights from January–June 2022

- Order intake increased by 18% to EUR 2,820 million (2,398)
- Service order intake increased by 20% to EUR 1,543 million (1,290)
- Order book at the end of the period increased by 13% to EUR 5,936 million (5,238)
- Net sales increased by 27% to EUR 2,639 million (2,078)
- Book-to-bill amounted to 1.07 (1.15)
- Comparable operating result increased by 35% to EUR 151 million (112), which represents 5.7% of net sales (5.4)
- Operating result decreased by EUR 166 million to EUR -72 million (94), which represents -2.7% of net sales (4.5)
- Basic earnings per share decreased to -0.16 euro (0.10)
- Cash flow from operating activities decreased to EUR -213 million (312)

Wärtsilä's prospects

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

Håkan Agnevall, President & CEO: Strong performance in services

“The second quarter of 2022 was characterised by uncertainty in the global business environment over economic development. The sanctions on Russia, supply chain bottlenecks, cost inflation, and Covid-19 related lockdowns in China have put the global economy under pressure and caused challenges in our business as well. However, while the market was challenging, we were able to grow our order intake.

The energy market continued to be volatile. However, the demand for balancing power is growing, and we received important orders for both thermal power and energy storage solutions. The service business in Energy performed very well, and is further supported by the recent launch of our Decarbonisation Services. In this, we utilise our sophisticated power system modelling and optimisation tools, alongside Wärtsilä’s in-house expertise, to reduce power system emissions and to ensure power availability with the lowest levelised cost of electricity.

The service business also developed well in the marine markets, thanks largely to fleet reactivation, especially in the cruise segment. Around 90% of the cruise fleet capacity was active at the end of June, and cruise port calls have reached pre-covid levels. One notable example of our success in the service business was the renewal of the optimised maintenance agreement with Maran Gas Maritime, covering their fleet of 21 LNG carriers. The newbuild market was more challenging due to rising costs and limited yard capacity, and investments eased from the previous year’s level. However, the ambition in Europe to break away from Russian pipeline gas continues to drive the contracting of LNG carriers. Our market leading position in hybrid solutions was confirmed by an order to supply hybrid propulsion systems for three new RoPax vessels, two of which will be the largest hybrid vessels to date. High fuel price drives the demand for fuel efficiency and energy saving solutions.

Total order intake increased by 25% and service order intake by as much as 36%. The service business is growing, driven by higher utilisation of vessels and power plants. We saw very good development in services in both Marine Power and Energy, as cruise activity increased and customers showed interest in long-term service agreements. The demand for energy storage solutions supported equipment orders. Net sales increased by 24%, driven by growth in energy equipment deliveries as well as services in both our end markets. Our comparable operating result increased by 20%, supported by higher sales volumes. Profitability continued to be burdened by cost inflation and a less favourable sales mix between equipment and services. However, the growth in service order intake indicates that we are on the right path of moving up on the service value ladder.

On 14 July, we announced a plan to further optimise our European engine manufacturing footprint by ramping down our factory in Trieste, Italy and centralising our 4-stroke engine manufacturing to Vaasa, Finland. With this future set-up, we are taking the next step in strengthening our competitiveness and creating a structure enabled for future growth. Italy and Trieste will continue to be very important for Wärtsilä in many other areas. We are committed to working closely with unions and institutions to identify different support solutions for the impacted employees.

Today, we announced that we have completed our orderly exit from the Russian market. All adjustments and closures of Wärtsilä’s operations in Russia were completed in accordance with local regulations. Throughout the various processes, our priority has been to ensure the safety and wellbeing of our employees. The financial impact of these divestments is in line with the provisions taken in the first quarter, and therefore there was no material impact on our financials in the second quarter.

On the technology front, we continued to make good progress. We launched the Wärtsilä 46TS-DF engine designed with a focus on efficiency, environmental performance, and fuel flexibility. In gas fuel mode, the engine has the highest efficiency thus far achieved in the medium-speed engine market. To further accelerate technological development, we are coordinating a consortium of shipping stakeholders in a project aimed at developing demonstrators for 2-stroke and 4-stroke marine engines running on ammonia.

We expect the demand environment in the third quarter to be better than that of the corresponding period in the previous year. However, the prevailing market conditions make the outlook uncertain. As communicated earlier, the share of equipment sales relative to service sales will be high during 2022, and cost inflation is anticipated to remain high also in the second half of 2022. We are committed to continuous improvement and price increases to mitigate the impact of cost inflation. In the longer term, we will focus on climbing further up the service value ladder towards more value-adding performance based agreements, which improve visibility and support the profitability of our business. We also continue to see opportunities in balancing power, as the use of renewable energy accelerates.”

Key figures

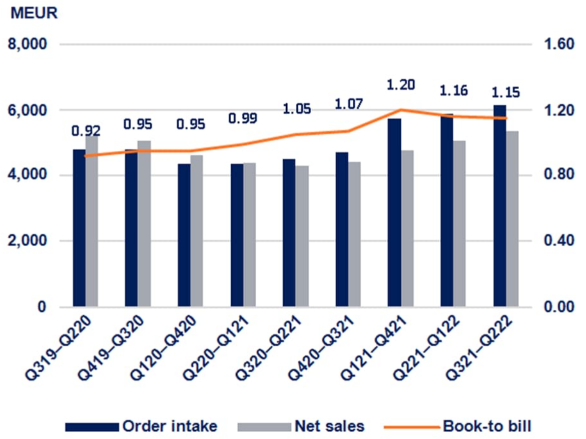
MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**1,440**	1,154	25%	**2,820**	2,398	18%	5,735
of which services	**811**	598	36%	**1,543**	1,290	20%	2,615
Order book, end of period				**5,936**	5,238	13%	5,859
Net sales	**1,407**	1,131	24%	**2,639**	2,078	27%	4,778
of which services	**696**	588	18%	**1,327**	1,128	18%	2,467
Book-to-bill	**1.02**	1.02		**1.07**	1.15		1.20
Operating result	**75**	58	29%	**-72**	94		314
% of net sales	**5.3**	5.1		**-2.7**	4.5		6.6
Comparable operating result	**85**	71	20%	**151**	112	35%	357
% of net sales	**6.1**	6.3		**5.7**	5.4		7.5
Comparable adjusted EBITA*	**91**	79	15%	**163**	128	28%	388
% of net sales	**6.4**	7.0		**6.2**	6.1		8.1
Profit before taxes	**72**	53	37%	**-74**	88		296
Basic earnings/share, EUR	**0.09**	0.06		**-0.16**	0.10		0.33
Cash flow from operating activities	**-90**	245		**-213**	312		731
Net interest-bearing debt, end of period				**432**	253		4
Gross capital expenditure				**75**	63		143
Gearing				**0.21**	0.12		0.00
Solvency, %				**35.8**	37.8		38.6
Personnel, end of period				**17,547**	17,386	1%	17,305

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

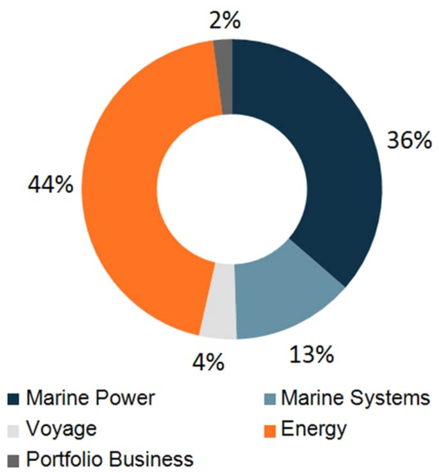
Wärtsilä's financial information for the year 2021 has been adjusted to reflect a change in categorisation between equipment and services in Wärtsilä Marine Power and Wärtsilä Marine Systems. This restatement has no impact on the group's total financial figures.

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

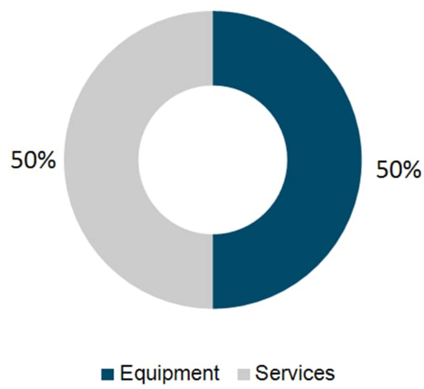
Book-to-bill, 12 months rolling



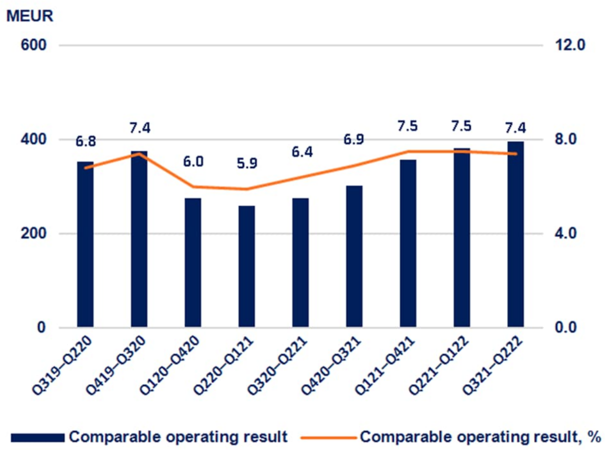
Net sales by business area, January–June



Net sales by business type, January–June



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

The shipping and shipbuilding markets continued to face solid demand for tonnage, and activity generally remained at a good level across segments throughout the January-June review period. This positive development was supported by continued trade growth, port congestions, and a general post-pandemic demand recovery. On the other hand, geopolitical issues have complicated the outlook for the global marine shipping industry, with some vessel segments being better positioned than others. As a result of the war in Ukraine, the sanctions imposed on Russia have resulted in changing trade flows, a shortage of various commodities and raw materials, widespread inflation, and hikes in interest rates. This has led to lowered expectations for future trade growth, and increasing uncertainty over the outlook within various segments.

Shipbuilding activity in China was heavily impacted by the Covid-related lockdowns affecting key cities, causing some shipyards to declare force majeure. The situation improved towards the end of June with restrictions being lifted gradually. Overall, investments in new vessels eased from the previous year's level, mostly due to steadily increased newbuild prices and fewer available slots at key shipyards, but also because of uncertainties related to future demand for tonnage. Altogether 701 contracts for new vessels were registered in the review period January–June (829 in the corresponding period last year, excluding late reporting of contracts), largely driven by containerships and record-high orders for LNG carriers. The continued high demand for LNG (liquified natural gas) carriers and containerships has filled capacity at major shipyards in South Korea and China.

The complex and evolving framework of sanctions on Russia, and particularly on the import and export of various raw materials and commodities, has driven up prices rapidly and has led to material availability issues disrupting the global supply chains. The European Union announced a plan to ban seaborne imports of Russian oil by the end of 2022, and released an ambitious plan to decouple from Russian gas to improve its energy independence and security. As a result of the war, the sanctions, and the measures set up by the EU in particular, shipping markets are faced with increased demand for LNG in Europe and changing trade flows for oil and other commodities.

The rise in prices for European gas and crude oil in general have put additional pressure on the earnings of shipping companies, with bunker fuel becoming generally more expensive than ever. The bunker fuel markets have recently faced a multitude of delays and shortages in supply, sending the price spread between high- and low-sulphur fuels to around $300/tonne on average, a level last seen in January 2020. This has improved the business case for scrubbers, however the demand for scrubber systems has remained focused mainly on newbuilds. While interest in scrubber retrofits has increased, customer decision-making has been delayed because of high freight rates in specific customer segments, thereby encouraging the postponement of scheduled dry dockings.

The most attractive vessel segments for Wärtsilä, namely specialised tonnage, reflected mostly positive sentiment during the review period. The cruise industry managed to reactivate most of its fleet capacity prior to the high season in key markets in North America and Europe. At the end of June, approximately 90% of the cruise fleet capacity was active, an increase of around 20 percentage points since the end of March. The ferry market continued on a positive trend, as many operators reported substantially increased passenger traffic and continued solid demand for cargo traffic. Activity in the offshore oil and gas segment has notably increased, as the higher demand for oil has kept crude oil prices well above $100 per barrel. This has increased the demand for drilling and support vessels, and has accelerated the reactivation of some of the laid-up fleet. The demand for offshore wind-related vessels, such as wind turbine installation and support vessels, has also remained solid, thanks to the continued growth in active offshore wind farms. The situation in the LNG carrier sector has improved significantly during the review period, as many countries especially within the EU, are looking to diversify their gas supplies by replacing Russian pipeline gas with LNG from other sources. The demand for new vessel capacity has surged to a record level, being largely driven by the requirements set by planned export terminal capacity, mostly focused in Qatar and the USA. Simultaneously, the higher delivery volumes of new vessels have been largely absorbed by growing trade volumes and an effort to build back inventories in Asia and Europe. The container shipping markets have continued to see extraordinary market conditions, despite growing uncertainty caused by lowered expectations for trade growth and global GDP, and some easing up of the severe port congestion situation and widespread logistical disruption.

Energy

The war in Ukraine, related sanctions, and the continuing Covid-19 pandemic have together contributed to global cost inflation and price volatility. This has resulted in higher quotation prices, slower customer decision-making, and also considerable uncertainty in the investment environment for liquid and gas fuelled power plants and energy storage during 2022. Inflation and trade restrictions are causing friction in supply chains, as contracts are renegotiated and trade routes reorganised. Covid-19 related uncertainty has eased to some extent while, for example, restrictions in China have continued to disrupt supply chains.

In Europe, there is a clear need and ambition for a structural change in the energy sector to reduce dependency on imported fossil fuels from Russia, and security of supply is being tied to the energy transition. Consequently, the markets for natural gas for instance, are being transformed as Europe breaks away from Russian imports, and more liquefied natural gas projects are moving forward globally. Energy and climate policies around the world continue to evolve towards more ambitious decarbonisation targets. Utilities continue to update their investment strategies accordingly, which can cause delays in investment decisions. Going forward, the increasing levels of intermittent renewable energy in power systems are expected to further accelerate the need for various flexible balancing solutions, such as energy storage and grid balancing power plants. Demand for services continued at a good level, and customers are showing interest in long-term agreements, thus providing stability to the business, which is lumpy by nature.

Wärtsilä's market share in the up to 500 MW market segment increased to 9% (8), while global orders for natural gas and liquid fuelled power plants increased by 7% to 19.1 GW during the twelve-month period ending in March 2022 (17.9 GW at the end of December). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Order intake and order book

Wärtsilä's **order intake in April–June** increased by 25% to EUR 1,440 million (1,154) compared to the corresponding period in the previous year. Book-to-bill was 1.02 (1.02). Service order intake increased by 36% to EUR 811 million (598), supported by cruise fleet reactivation in the marine market and demand for long-term service agreements in the energy market. Equipment order intake increased by 13% to EUR 629 million (555), driven by demand for energy storage solutions.

Order intake in January–June increased by 18% to EUR 2,820 million (2,398) compared to the corresponding period in the previous year. Book-to-bill was 1.07 (1.15). Service order intake increased by 20% to EUR 1,543 million (1,290). Equipment order intake increased by 15% to EUR 1,277 million (1,108), driven by order growth in Marine Power, and good demand for Energy equipment, both thermal power and energy storage solutions.

The **order book** at the end of the period increased by 13% to EUR 5,936 million (5,238). Russia related projects amounting to approximately EUR 240 million were removed from the order book in the second quarter. Wärtsilä's current order book for 2022 deliveries is EUR 2,732 million (2,225).

Order intake and order book by reporting segment

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**1,440**	**1,154**	**25%**	**2,820**	**2,398**	**18%**	**5,735**
Marine Power	**559**	463	21%	**1,159**	909	27%	2,011
Marine Systems	**140**	183	-24%	**337**	336	1%	835
Voyage	**65**	60	8%	**132**	146	-10%	292
Energy	**654**	433	51%	**1,160**	927	25%	2,444
Portfolio Business	**22**	14	56%	**32**	80	-61%	153
Order book, end of period				**5,936**	**5,238**	**13%**	**5,859**
Marine Power				**2,003**	1,860	8%	1,994
Marine Systems				**1,013**	912	11%	1,042
Voyage				**284**	295	-4%	288
Energy				**2,506**	2,035	23%	2,393
Portfolio Business				**131**	135	-3%	142

Net sales and operating result

Wärtsilä's **net sales in April–June** increased by 24% to EUR 1,407 million (1,131) compared to the corresponding period in the previous year. Service net sales increased by 18% to EUR 696 million (588), supported by cruise fleet reactivation in the marine market, and demand for long-term service agreements and spare parts in the energy market. Equipment net sales increased by 31% to EUR 712 million (543), driven by increasing energy equipment deliveries.

The **operating result in April–June** amounted to EUR 75 million (58) or 5.3% of net sales (5.1). The operating result was supported by higher sales volumes, while being burdened by cost inflation and a less favourable sales mix between equipment and services. The comparable operating result totalled EUR 85 million (71) or 6.1% of net sales (6.3). Items affecting comparability amounted to EUR -10 million (-14) related to divestments and restructuring programmes. The comparable adjusted EBITA amounted to EUR 91 million (79) or 6.4% of net sales (7.0). Purchase price allocation amortisation amounted to EUR 5 million (8).

Net sales in January–June increased by 27% to EUR 2,639 million (2,078) compared to the corresponding period in the previous year. Service net sales increased by 18% to EUR 1,327 million (1,128). Equipment net sales increased by 38% to EUR 1,312 million (950), driven by growth in energy equipment deliveries. Of Wärtsilä's net sales, approximately 41% was EUR denominated and 41% USD denominated, with the remainder being split between several currencies.

The **operating result in January–June** amounted to EUR -72 million (94) or -2.7% of net sales (4.5). The operating result was supported by higher sales volumes, while being burdened by cost inflation, a less favourable sales mix between equipment and services, as well as a write-down of approximately EUR 200 million made in the first quarter as a result of the decision to downscale operations in Russia. The comparable operating result totalled EUR 151 million (112) or 5.7% of net sales (5.4). In the comparison period, the comparable operating result was burdened by approximately EUR 20 million in net provisions arising from a detailed project risk review in Wärtsilä Energy. Items affecting comparability amounted to EUR -222 million (-18) related to divestments, restructuring programmes, and footprint adjustments, including the write-down of approximately EUR 200 million mentioned above. The comparable adjusted EBITA amounted to EUR 163 million (128) or 6.2% of net sales (6.1). Purchase price allocation amortisation amounted to EUR 12 million (16).

Financial items amounted to EUR -3 million (-6) in January–June. Net interest totalled EUR -5 million (-7). Profit before taxes amounted to EUR -74 million (88). Taxes amounted to EUR -16 million (-29), implying a negative effective tax rate (33.0%). Profit for the financial period amounted to EUR -90 million (59). Basic earnings per share totalled -0.16 euro (0.10). Return on investments (ROI) was 5.3% (7.1), while return on equity (ROE) was 2.1% (6.6).

Net sales and operating result by reporting segment

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Net sales	**1,407**	**1,131**	**24%**	**2,639**	**2,078**	**27%**	**4,778**
Marine Power	**503**	466	8%	**958**	892	7%	1,863
Marine Systems	**185**	150	23%	**348**	292	19%	654
Voyage	**58**	68	-15%	**118**	127	-7%	279
Energy	**633**	416	52%	**1,168**	703	66%	1,861
Portfolio Business	**28**	31	-12%	**46**	64	-28%	121
Operating result	**75**	**58**	**29%**	**-72**	**94**		**314**
Marine Power	**46**	37	25%	**12**	77	-85%	180
Marine Systems	**11**	12	-8%	**16**	19	-16%	47
Voyage	**-24**	-11	-107%	**-158**	-25	-520%	-39
Energy	**41**	24	69%	**61**	28	112%	134
Portfolio Business	**0**	-4		**-3**	-5	48%	-9
Operating result, % of net sales	**5.3**	**5.1**		**-2.7**	**4.5**		**6.6**
Marine Power	**9.2**	8.0		**1.2**	8.6		9.7
Marine Systems	**6.0**	8.0		**4.7**	6.7		7.2
Voyage	**-40.8**	-16.7		**-133.6**	-20.0		-14.1
Energy	**6.4**	5.8		**5.2**	4.1		7.2
Portfolio Business	**1.4**	-13.0		**-5.7**	-8.0		-7.5
Comparable operating result	**85**	**71**	**20%**	**151**	**112**	**35%**	**357**
Marine Power	**45**	44	3%	**89**	83	7%	195
Marine Systems	**11**	13	-15%	**23**	21	13%	52
Voyage	**-12**	-11	-3%	**-26**	-24	-10%	-28
Energy	**41**	24	67%	**65**	29	125%	136
Portfolio Business	**0**	1	-90%	**-1**	3		2
Comparable operating result, % of net sales	**6.1**	**6.3**		**5.7**	**5.4**		**7.5**
Marine Power	**8.9**	9.4		**9.3**	9.4		10.5
Marine Systems	**6.0**	8.6		**6.7**	7.1		7.9
Voyage	**-19.8**	-16.3		**-22.0**	-18.6		-9.9
Energy	**6.4**	5.9		**5.5**	4.1		7.3
Portfolio Business	**0.5**	4.1		**-1.5**	4.1		1.6

Net sales bridge

MEUR	4–6/2022	1–6/2022
2021	**1,131**	**2,078**
Organic	**20%**	**24%**
Acquisitions and divestments	**-1%**	**-1%**
FX impact	**5%**	**4%**
2022	**1,407**	**2,639**

Financing and cash flow

Wärtsilä’s cash flow from operating activities in April–June amounted to EUR -90 million (245). The negative cash flow was primarily due to a low amount of milestone payments received during the quarter. More milestone payments are expected in the third quarter in accordance with customer agreements.

During January–June, cash flow from operating activities totalled EUR -213 million (312). Working capital totalled EUR 168 million at the end of the period (-100 at the end of 2021). Advances received totalled EUR 460 million (498 at the end of 2021).

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

Cash and cash equivalents amounted to EUR 506 million (964 at the end of 2021). Unutilised committed credit facilities totalled EUR 650 million (650 at the end of 2021).

Wärtsilä had interest-bearing debt totalling EUR 944 million at the end of the period (973 at the end of 2021). The total amount of short-term debt maturing within the next 12 months was EUR 212 million. Long-term loans amounted to EUR 732 million.

Net interest-bearing debt totalled EUR 432 million (4 at the end of 2021). Gearing was 0.21 (0.00 at the end of 2021), while the solvency ratio was 35.8% (38.6 at the end of 2021). Equity per share was 3.57 euro (3.92 at the end of 2021).

Key financing items

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Cash flow from operating activities	**-90**	245	**-213**	312	731
Working capital			**168**	73	-100
Net interest-bearing debt, end of period			**432**	253	4
Gearing			**0.21**	0.12	0.00
Solvency, %			**35.8**	37.8	38.6
Equity/share, EUR			**3.57**	3.64	3.92

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 70 million (63) for the period January–June. Capital expenditure related to acquisitions and investments in securities totalled EUR 4 million (0). Depreciation, amortisation, and impairment amounted to EUR 156 million (81), including depreciation of right of use assets of EUR 24 million (23).

In 2022, capital expenditure related to intangible assets and property, plant, and equipment is expected to be above depreciation, amortisation, and impairment, excluding the write-down made as a result of the decision to downscale operations in Russia.

Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Investments in R&D are central to securing Wärtsilä's future positioning, and will continue despite the prevailing market uncertainty. Developing the use of alternative, commercially viable, and environmentally friendly fuels for the future is a key focus area of research and development, as is improving the connectivity, efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. With its lifecycle solution offering, Wärtsilä goes beyond the mere maintenance and operation of installations by delivering guaranteed performance based on mutually agreed target levels.

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

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

Strategic projects and acquisitions

In April, Wärtsilä announced that it will coordinate a consortium of shipping stakeholders in a project aiming to develop demonstrators for 2-stroke and 4-stroke marine engines running on ammonia fuel. The outcomes of the project will include a lab-based demonstrator for the 4-stroke ammonia engine, and a lab-based test engine followed by a vessel retrofit for the 2-stroke version by 2025. In addition to advancing the engine concepts, the Ammonia 2-4 project will further develop concepts around fuel handling and safety, as well as contributing valuable input towards a regulatory framework for ammonia.

In May, Wärtsilä announced two partnerships for hydrogen blending with natural gas in engine power plants. In Portugal, Wärtsilä will collaborate with the energy solutions provider and independent power producer Capwatt in the testing of blends of up to 10% green hydrogen in a Wärtsilä 34SG engine. In Michigan, USA fuel blends of up to 25% hydrogen will be tested in WEC Energy Group’s A.J. Mihm power plant operating with three Wärtsilä 50SG engines. Wärtsilä engines can be operated on hydrogen/natural gas blends with up to 25% hydrogen, and the company is working towards an engine and power plant concept for pure hydrogen operations by 2025.

In June, Wärtsilä opened its new technology centre, the Sustainable Technology Hub, in Vaasa, Finland. The Hub acts as a global ecosystem of collaboration by inviting customers, partner companies and academia to incubate, test, and validate ideas. A new, modern Wärtsilä Land & Sea Academy training centre, customer Expertise Centres providing remote operational support and predictive maintenance solutions, and the development of new digital innovations will play a central role in supporting customers to optimise their operations throughout the lifecycle of their assets, and to accelerate their decarbonisation activities. The Hub also features a modern fuel laboratory, flexible technology and engine testing facilities, as well as a state-of-the-art production system with a high level of automation. The construction of the new centre was announced in 2018 with a total investment of around EUR 250 million.

In June, Wärtsilä announced the acquisition of PortLink Global, a global port solutions company headquartered in Vancouver, Canada. Founded in 2007, PortLink is a leading provider of port efficiency solutions, including port management information systems, port community systems, pilotage dispatch systems, and local port services. PortLink has a global partnership with more than 3,500 users, and a customer network in more than 20 countries. Its existing workforce of approximately 20 professionals will be integrated within Wärtsilä Voyage.

Personnel

Wärtsilä had 17,547 (17,386) employees at the end of the period. On average, the number of personnel totalled 17,419 (17,626) during the period January–June.

Of Wärtsilä’s total number of employees, 22% (21) were located in Finland and 39% (41) elsewhere in Europe. Personnel employed in Asia represented 21% (21) of the total, personnel in the Americas 13% (11), and personnel in other countries 5% (5).

Personnel by reporting segment

MEUR	30.6.2022	30.6.2021	Change	31.12.2021
Personnel	**17,547**	**17,386**	**1%**	**17,305**
Marine Power	**8,426**	8,131	4%	8,224
Marine Systems	**1,880**	1,882	0%	1,894
Voyage	**1,569**	1,865	-16%	1,725
Energy	**5,247**	4,953	6%	4,980
Portfolio Business	**425**	555	-23%	482

Sustainability

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

Sustainability highlights in April–June included the following:

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

In April, Wärtsilä received an order to supply its Puregas CA50 biogas upgrading plant for an innovative Green Gas Mill project in the U.K. designed to turn grass into gas that can be used to heat homes. The Wärtsilä biogas upgrading plant, which refines the gas before it is sent to the grid, is a key element of this project. Green grass is carbon neutral in that the CO_2 it absorbs whilst growing is released back into the atmosphere when the methane is burned.

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

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

Wärtsilä's share is included in several sustainability indices, including Dow Jones Sustainability Indices (DJSI), FTSE4Good Index Series, Ethibel Sustainability Index (ESI) Excellence Europe, MSCI ACWI ESG Leaders Index, S&P Europe 350 ESG Index, ECPI ESG Indices, OMX GES Sustainability Finland Index and STOXX Global ESG Leaders Index.

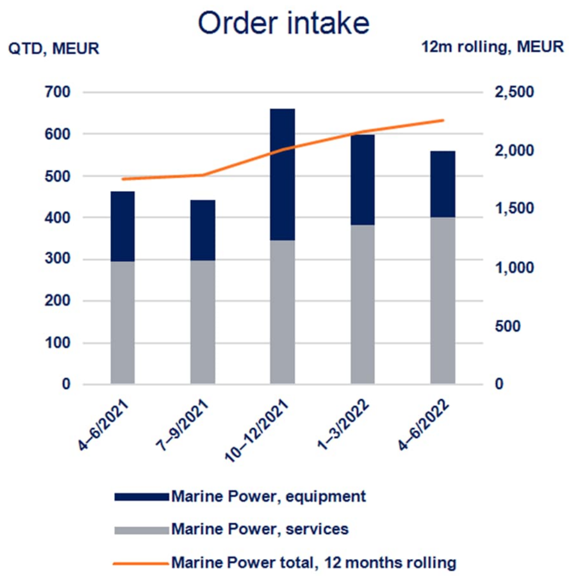
Reporting segment: Wärtsilä Marine Power

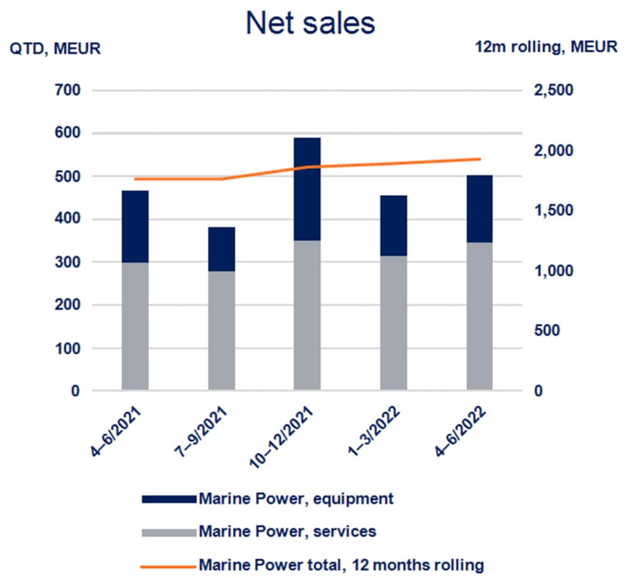
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our broad portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems delivers the efficiency, reliability, safety, and environmental performance needed to support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

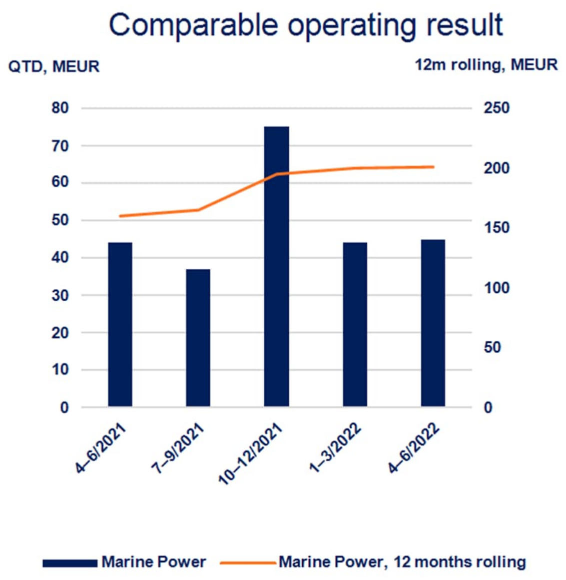
- The most attractive vessel segments for Marine Power, namely specialised tonnage, reflected mostly positive sentiment during the review period.
- Service business performance continued to improve, as activity in the cruise segment increased by around 20 percentage points compared to March.
- Comparable operating result remained relatively stable. The positive impact of strong service sales was offset by factory capacity under-absorption, cost inflation, and the ramp-up of the new Sustainable Technology Hub.

Key figures

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**559**	463	21%	**1,159**	909	27%	2,011
of which services	**401**	294	36%	**784**	628	25%	1,270
Order book, end of period				**2,003**	1,860	8%	1,994
Net sales	**503**	466	8%	**958**	892	7%	1,863
of which services	**345**	298	16%	**659**	573	15%	1,201
Book-to-bill	**1.11**	0.99		**1.21**	1.02		1.08
Operating result	**46**	37	25%	**12**	77	-85%	180
% of net sales	**9.2**	8.0		**1.2**	8.6		9.7
Comparable operating result	**45**	44	3%	**89**	83	7%	195
% of net sales	**8.9**	9.4		**9.3**	9.4		10.5
Personnel, end of period				**8,426**	8,131	4%	8,224







Financial development

Marine Power's **order intake in April–June** increased by 21% to EUR 559 million (463) compared to the corresponding period in the previous year. Book-to-bill was 1.11 (0.99). Service order intake increased by 36% to EUR 401 million (294), as the market continued to recover, especially in the cruise segment. Equipment order intake decreased by 6% to EUR 158 million (169), mainly due to the lack of new cruise ship orders. Orders received during the period included the delivery of Wärtsilä's industry-leading hybrid propulsion system for eleven new Pure Car & Truck Carrier (PCTC) vessels. The ships are being built at the Jingling and Weihai shipyards in China for Singapore-based Eastern Pacific Shipping, a leading tonnage provider. We also signed the renewal of an optimised maintenance agreement with the Greek shipping company Maran Gas Maritime. The agreement will run for five additional years and is designed to ensure operational certainty with controlled and predictable costs for Maran Gas's fleet of 21 Tri-Fuel Diesel-Electric LNG carrier vessels.

Net sales in April–June increased by 8% to EUR 503 million (466) compared to the corresponding period in the previous year. Service net sales increased by 16% to EUR 345 million (298), driven by sales to the cruise & ferry and merchant segments. Equipment net sales decreased by 6% to EUR 158 million (168), mainly due to less deliveries to Russia, some postponements resulting from port congestions, and delays in China factories due to the Covid-19 lockdown. The **comparable operating result** amounted to EUR 45 million (44) or 8.9% of net sales (9.4). The result was supported by higher service sales. Negative impacts arose from the under-absorption of factory capacity costs, increased fuel costs in engine testing, material and logistics cost inflation, and the ramp-up of the new Sustainable Technology Hub in Vaasa, Finland. Items affecting comparability totalled EUR 2 million (-7).

Order intake in January–June increased by 27% to EUR 1,159 million (909) compared to the corresponding period in the previous year. Book-to-bill was 1.21 (1.02). Service order intake increased by 25% to EUR 784 million (628). Equipment order intake increased by 33% to EUR 374 million (281), as a result of solid activity in the merchant and gas carrier segments. The **order book** at the end of the period increased by 8% to EUR 2,003 million (1,860). Russia related projects were taken out of the order book in the second quarter.

Net sales in January–June increased by 7% to EUR 958 million (892) compared to the corresponding period in the previous year. Service net sales increased by 15% to EUR 659 million (573). Equipment net sales decreased by 6% to EUR 300 million (319). The **comparable operating result** amounted to EUR 89 million (83) or 9.3% of net sales (9.4). The result was supported by higher service sales. Negative impacts arose from the under-absorption of factory capacity costs, increased fuel costs in engine testing, material and logistics cost inflation, lower sales volumes in China due to the Covid-19 related lockdown, and the ramp-up of the new Sustainable Technology Hub in Vaasa, Finland. Items affecting comparability totalled EUR -77 million (-7), primarily related to the write-down made as a result of the decision to downscale operations in Russia, as well as footprint optimisations related to the transfer of activities to the new Sustainable Technology Hub.

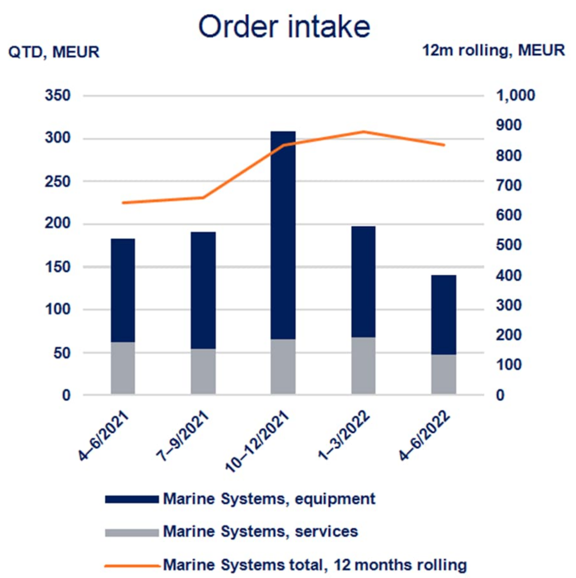
Reporting segment: Wärtsilä Marine Systems

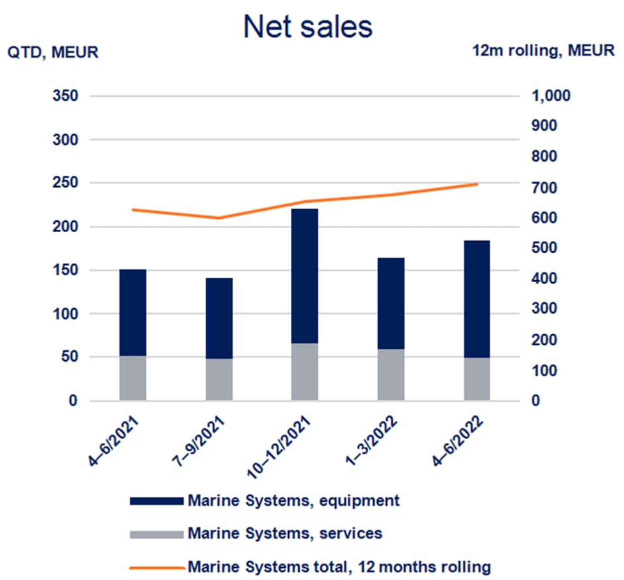
Wärtsilä Marine Systems supports customers with high quality products and lifecycle services related to the gas value chain, exhaust treatment, shaft line, underwater repair and electrical integrations. We are committed to providing the latest and most efficient solutions, in line with Wärtsilä's vision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

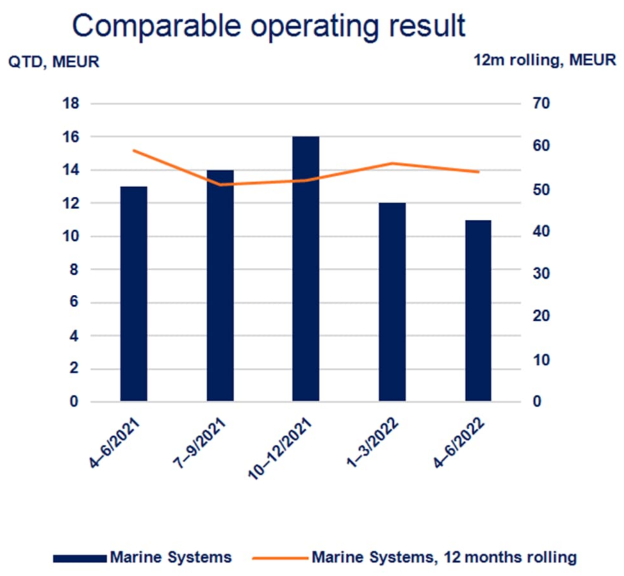
- Market activity in the equipment business remained reasonable, with increased pressure on pricing, and uncertainty in customer decision-making resulting from the geopolitical situation.
- Profitability in the second quarter was burdened by an unfavourable sales mix between equipment and services as well as cost inflation.

Key figures

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**140**	183	-24%	**337**	336	1%	835
of which services	**47**	62	-24%	**116**	110	5%	229
Order book, end of period				**1,013**	912	11%	1,042
Net sales	**185**	150	23%	**348**	292	19%	654
of which services	**49**	52	-4%	**108**	90	20%	204
Book-to-bill	**0.76**	1.22		**0.97**	1.15		1.28
Operating result	**11**	12	-8%	**16**	19	-16%	47
% of net sales	**6.0**	8.0		**4.7**	6.7		7.2
Comparable operating result	**11**	13	-15%	**23**	21	13%	52
% of net sales	**6.0**	8.6		**6.7**	7.1		7.9
Personnel, end of period				**1,880**	1,882	0%	1,894







Financial development

Marine Systems' **order intake in April–June** decreased by 24% to EUR 140 million (183) compared to the corresponding period in the previous year. Book-to-bill was 0.76 (1.22). Service order intake decreased by 24% to EUR 47 million (62), due to the timing of orders. Equipment order intake decreased by 24% to EUR 93 million (121), driven by a high amount of orders in the Gas Solutions business unit during the comparison period. Orders signed during the review period included the supply of three more Compact Reliq reliquefaction plants to Norway based Knutsen OAS Shipping. The systems are being installed on eight new LNG carrier vessels being built for Knutsen OAS at the Hyundai Heavy Industries yard in South Korea. In addition, Wärtsilä received an order to supply its Puregas CA50 biogas upgrading plant for an innovative Green Gas Mill project in the U.K. designed to turn grass into gas that can be used to heat homes. The project is being headed by Ecotricity, a British energy company dedicated to fighting climate change by ending the use of fossil fuels.

Net sales in April–June increased by 23% to EUR 185 million (150) compared to the corresponding period in the previous year. Service net sales decreased by 4% to EUR 49 million (52). Equipment net sales increased by 37% to EUR 135 million (99). The **comparable operating result** amounted to EUR 11 million (13) or 6.0% of net sales (8.6). Profitability was burdened by an unfavourable sales mix between equipment and services and cost inflation, while being supported by higher sales volumes. Items affecting comparability totalled EUR 0 million (-1).

Order intake in January–June increased by 1% to EUR 337 million (336) compared to the corresponding period in the previous year, with an increase in the Marine Electrical Systems business unit and a decline in the Gas Solutions business unit. Book-to-bill was 0.97 (1.15). Service order intake increased by 5% to EUR 116 million (110). Equipment order intake decreased by 1% to EUR 222 million (225). The **order book** at the end of the period increased by 11% to EUR 1,013 million (912). Russia related projects were taken out of the order book in the second quarter.

Net sales in January–June increased by 19% to EUR 348 million (292) compared to the corresponding period in the previous year. Service net sales increased by 20% to EUR 108 million (90). Equipment net sales increased by 19% to EUR 240 million (202). The **comparable operating result** amounted to EUR 23 million (21) or 6.7% of net sales (7.1), supported by good service business development and burdened by decreased scrubber volumes. Items affecting comparability totalled EUR -7 million (-1) related to the write-down made as a result of the decision to downscale operations in Russia.

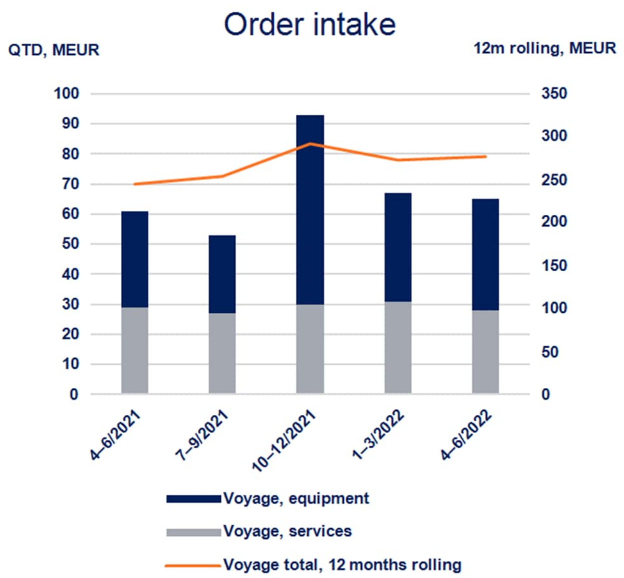
Reporting segment: Wärtsilä Voyage

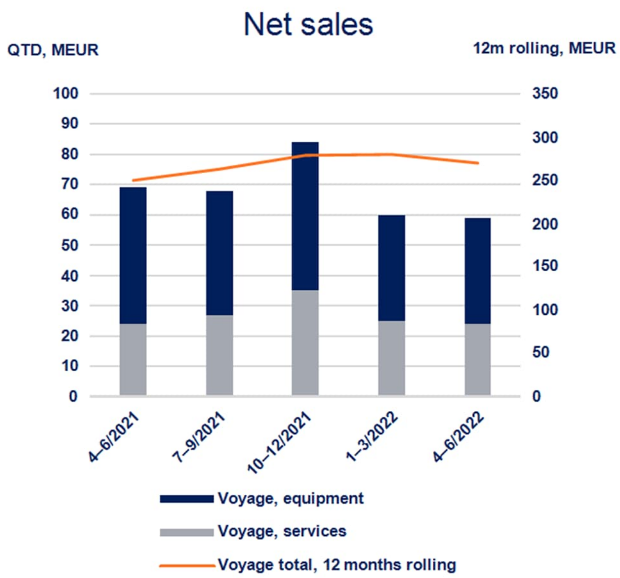
Wärtsilä Voyage transforms how vessels perform their journeys and ports manage their operations by leveraging the latest digital technologies. Using data and AI-driven software, we deliver real-time insights into operations, performance, and energy use to enhance safety, efficiency, and reliability, saving fuel and minimising emissions. Our solutions combine bridge infrastructure, cloud data services, decision support systems, and smart port solutions to enable shore-to-shore visibility. We are committed to building an end-to-end connected digital ecosystem for shipping where all vessels and ports are integrated, and all operations are safe and sustainable.

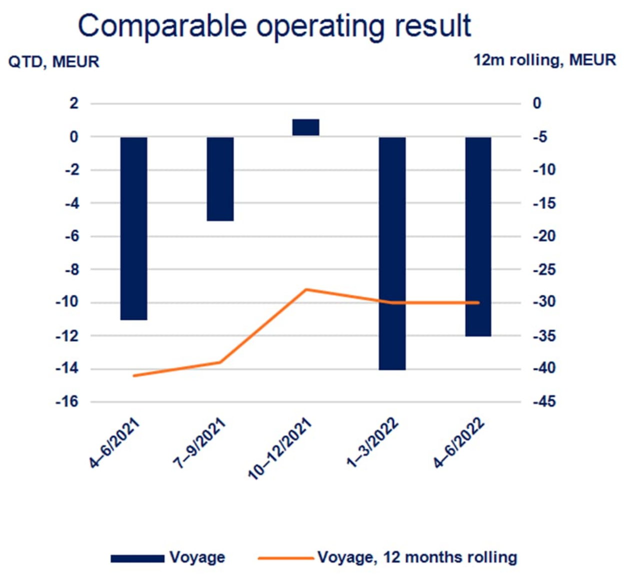
- While downscaling operations in Russia, Voyage managed to secure business continuity for its customers without significant disruption to the business by relocating a significant number of software developers from Saint Petersburg to Serbia and Finland.
- Order intake improved in the second quarter, driven by some large orders placed by key customers.
- Sales declined due to project timing and supply chain issues.
- Profitability declined, mainly due to lower sales volumes and the ramp-up of R&D capabilities outside Russia.

Key figures

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**65**	60	8%	**132**	146	-10%	292
of which services	**28**	29	-1%	**59**	53	12%	109
Order book, end of period				**284**	295	-4%	288
Net sales	**58**	68	-15%	**118**	127	-7%	279
of which services	**24**	24	0%	**48**	43	11%	105
Book-to-bill	**1.12**	0.88		**1.12**	1.15		1.05
Operating result	**-24**	-11	-107%	**-158**	-25	-520%	-39
% of net sales	**-40.8**	-16.7		**-133.6**	-20.0		-14.1
Comparable operating result	**-12**	-11	-3%	**-26**	-24	-10%	-28
% of net sales	**-19.8**	-16.3		**-22.0**	-18.6		-9.9
Personnel, end of period				**1,569**	1,865	-16%	1,725







Financial development

Voyage's **order intake in April–June** increased by 8% to EUR 65 million (60) compared to the corresponding period in the previous year. Book-to-bill was 1.12 (0.88). Service order intake decreased by 1% to EUR 28 million (29). Equipment order intake increased by 17% to EUR 37 million (32). The increase in order intake was mainly the result of signing large, individual orders.

Net sales in April–June decreased by 15% to EUR 58 million (68) compared to the corresponding period in the previous year, primarily due to project timing and supply chain delays. Service net sales was stable at EUR 24 million (24). Equipment net sales decreased by 23% to EUR 35 million (45). The **comparable operating result** amounted to EUR -12 million (-11) or -19.8% of net sales (-16.3). The result was negatively impacted by lower sales volumes and the ramp-up of R&D capabilities outside Russia, while being supported by a more favourable sales mix between services and equipment sales. Items affecting comparability totalled EUR -12 million (0) related to the decision to downscale operations in Russia, as well as restructuring programmes.

Order intake in January–June decreased by 10% to EUR 132 million (146) compared to the corresponding period in the previous year. Book-to-bill was 1.12 (1.15). Service order intake increased by 12% to EUR 59 million (53). Equipment order intake decreased by 22% to EUR 73 million (93). The decrease in order intake was mainly the result of the downscaling of business activities in Russia. The **order book** at the end of the period decreased by 4% to EUR 284 million (295). Russia related projects were taken out of the order book in the second quarter.

Net sales in January–June decreased by 7% to EUR 118 million (127) compared to the corresponding period in the previous year. Service net sales increased by 11% to EUR 48 million (43). Equipment net sales decreased by 17% to EUR 70 million (84). The **comparable operating result** amounted to EUR -26 million (-24) or -22.0% of net sales (-18.6). Items affecting comparability totalled EUR -132 million (-2) related to the write-down made as a result of the decision to downscale operations in Russia, as well as restructuring programmes.

Reporting segment: Wärtsilä Energy

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

- Equipment order intake was at a good level, despite the volatile market situation and the ongoing war in Ukraine; service order intake was strong.
- Service net sales grew, driven by strong transactional business volumes and long-term service agreements.
- Profitability was supported by growth in service volumes, while being burdened by cost inflation and a less favourable sales mix.

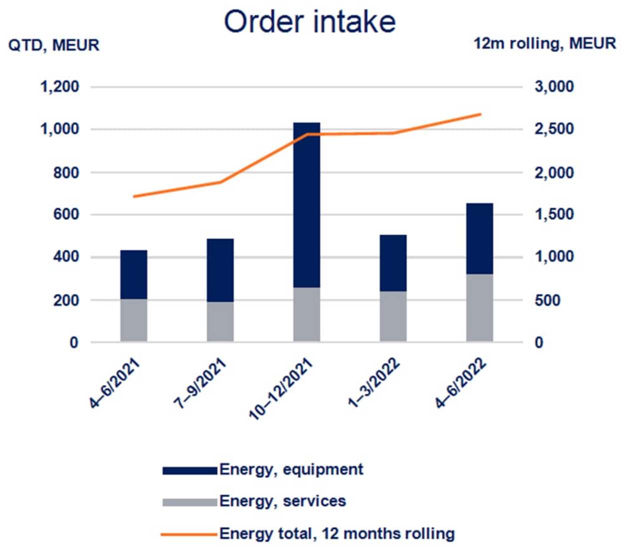
Key figures

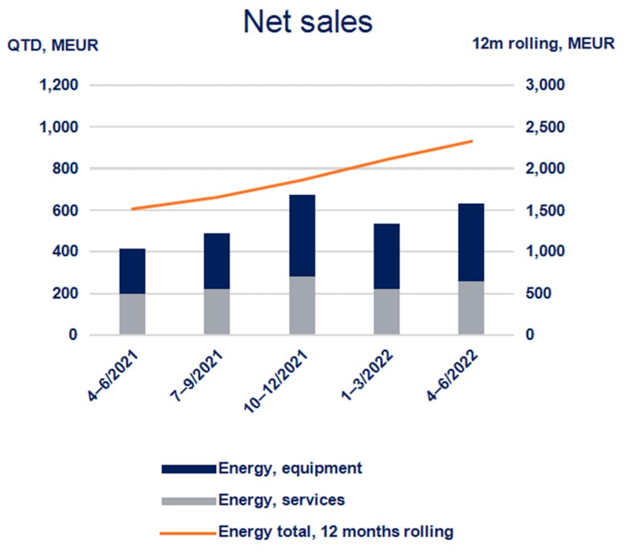
MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**654**	433	51%	**1,160**	927	25%	2,444
of which services	**319**	205	56%	**561**	466	20%	916
Order book, end of period				**2,506**	2,035	23%	2,393
Net sales	**633**	416	52%	**1,168**	703	66%	1,861
of which services	**259**	198	31%	**480**	389	23%	891
Book-to-bill	**1.03**	1.04		**0.99**	1.32		1.31
Operating result	**41**	24	69%	**61**	28	112%	134
% of net sales	**6.4**	5.8		**5.2**	4.1		7.2
Comparable operating result	**41**	24	67%	**65**	29	125%	136
% of net sales	**6.4**	5.9		**5.5**	4.1		7.3
Personnel, end of period				**5,247**	4,953	6%	4,980

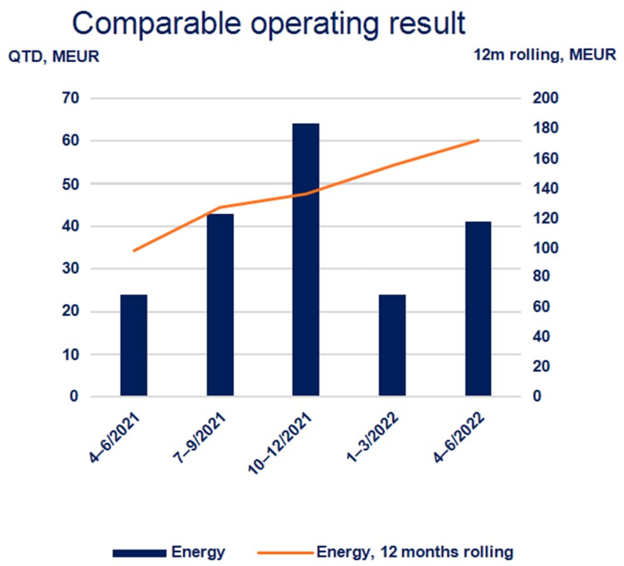
Order intake Energy

	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Gas, MW	**210**	199	6%	**536**	356	51%	1,322
Oil, MW	**10**	9	7%	**132**	28	377%	80
Storage, MWh	**618**	519	19%	**878**	1,325	-34%	3,053
Other*, MW	**-**	-	-	**-**	-	-	-

*Includes biofuel power plants and solar installations







Financial development

Energy's **order intake in April–June** increased by 51% to EUR 654 million (433) compared to the corresponding period in the previous year. Book-to-bill was 1.03 (1.04). Service order intake increased by 56% to EUR 319 million (205), due to sizable renewed and new long-term agreements, specifically in Asia and in the Americas. Equipment order intake increased by 46% to EUR 334 million (228) as a result of energy storage orders received, mainly in the Americas.

Net sales in April–June increased by 52% to EUR 633 million (416) compared to the corresponding period in the previous year, with growth across the business: energy storage, thermal power plants, and services. Service net sales increased by 31% to EUR 259 million (198), with growth in spare parts and long-term service agreements. Equipment net sales increased by 72% to EUR 374 million (218). Growth occurred in thermal power plants, as well as in the energy storage business. The **comparable operating result** amounted to EUR 41 million (24) or 6.4% of net sales (5.9). Profitability was supported by service volume growth, while being burdened by cost inflation, a less favourable sales mix between equipment and services, and a less favourable sales mix between the service revenue streams. Items affecting comparability totalled EUR 0 million (0).

Order intake in January–June increased by 25% to EUR 1,160 million (927) compared to the corresponding period in the previous year. Book-to-bill was 0.99 (1.32). Service order intake increased by 20% to EUR 561 million (466). Equipment order intake increased by 30% to EUR 599 million (461). The **order book** at the end of the period increased by 23% to EUR 2,506 million (2,035) with growth across the business, namely in thermal power plants, energy storage, and services.

Net sales in January–June increased by 66% to EUR 1,168 million (703) compared to the corresponding period in the previous year. Service net sales increased by 23% to EUR 480 million (389), driven by long-term agreements and spare parts. Equipment net sales increased by 119% to EUR 689 million (314), with growth both in thermal power plants and in the energy storage business, where the ramp-up of deliveries continued. The **comparable operating result** amounted to EUR 65 million (29) or 5.5% of net sales (4.1). In the comparison period, profitability was burdened by approximately EUR 20 million in net provisions arising from a detailed project risk review. Items affecting comparability totalled EUR -4 million (0) related to the write-down made as a result of the decision to downscale operations in Russia.

Other business activities: Wärtsilä Portfolio Business

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

Key figures

MEUR	4–6/2022	4–6/2021	Change	1–6/2022	1–6/2021	Change	2021
Order intake	**22**	14	56%	**32**	80	-61%	153
Order book, end of period				**131**	135	-3%	142
Net sales	**28**	31	-12%	**46**	64	-28%	121
Operating result	**0**	-4	110%	**-3**	-5	48%	-9
% of net sales	**1.4**	-13.0		**-5.7**	-8.0		-7.5
Comparable operating result	**0**	1	-90%	**-1**	3		2
% of net sales	**0.5**	4.1		**-1.5**	4.1		1.6
Personnel, end of period				**425**	555	-23%	482

Financial development

Portfolio Business' **order intake in April–June** increased by 56% to EUR 22 million (14) compared to the corresponding period in the previous year, thanks to good development in the Water & Waste and American Hydro business units.

Net sales in April–June decreased by 12% to EUR 28 million (31) compared to the corresponding period in the previous year, due to the divestments of certain business units. The **comparable operating result** amounted to EUR 0 million (1) or 0.5% of net sales (4.1). Items affecting comparability totalled EUR 0 million (-5).

Order intake in January–June decreased by 61% to EUR 32 million (80) compared to the corresponding period in the previous year, due to completed divestments. The **order book** at the end of the period decreased by 3% to EUR 131 million (135), due to the exclusion of the order books of divested business units.

Net sales in January–June decreased by 28% to EUR 46 million (64) compared to the corresponding period in the previous year, due to completed divestments. The **comparable operating result** amounted to EUR -1 million (3) or -1.5% of net sales (4.1). Items affecting comparability totalled EUR -2 million (-8) related to divestments.

Divestments

In January, Wärtsilä closed the divestment of its Tank Control Systems business to Svanehøj, a Danish gas pump specialist involved in the design and manufacture of specialised deep well pump solutions. Tank Control Systems designs, manufactures, sells, and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. It is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. The business became part of Wärtsilä as a result of the acquisition of Total Automation in 2006 and has approximately 50 employees based in the UK, France, and Singapore with revenues of EUR 7.5 million in 2020.

Risks and business uncertainties

The ongoing war between Russia and Ukraine has resulted in various risks to both the demand and supply environment and increased uncertainty. This has impacted business operations in and out of Russia, increased inflationary pressure, and limited the availability of various commodities. The economic sanctions already in place, along with any potential further sanctions planned against Russia as well as counter sanctions by Russia, might result in trade volumes, routes, and tonnage demand being further affected, customers reassessing investments, limited availability of energy, and potentially weaker than expected economic growth. 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. Simultaneously, geopolitical tensions are affecting cyber security and are being affected by it. 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. Ignited by the implications of the ongoing war in Ukraine, the interest rate hikes introduced by the US Federal Reserve and the European Central Bank to control surging and widespread inflation may result in a further economic slowdown or cause an elevated risk of a recession.

Continued congestions at ports and disruptions to global supply chains may impact factory activities and the delivery of spare parts, while amplifying risks in terms of raw material and component prices and availability, as well as transportation costs. The recently announced plan to optimise the company's European engine manufacturing footprint is subject to various disruption risks.

The shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. Uncertainties around the development and deployment of suitable future technologies may affect the investment appetite of ship owners and operators, concerning both newbuilding programmes and the management of existing fleets. At the same time, the limited development of alternative fuel infrastructures, uncertainties concerning the regulatory environment, and the uptake of new technology may raise barriers for the green transition.

The limited ability or desire of people to travel, a new escalation of Covid-19 or any of its variants, along with surging fuel and financing costs pose risks to the business profitability of ship owners and operators. In the offshore oil and gas industry, the uncertainty around longer-term demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, while in the shorter term investments might pick-up due to higher oil prices and a growing focus on energy security. Any changes to the allocation of investments between traditional offshore upstream oil & gas and renewables might limit the demand for drilling or support fleets. The volatility of oil prices and potentially lower or ceased supplies of Russian high-sulphur fuel oil can also have a sizable impact on the price spread between high- and low-sulphur fuels. A narrower price differential, or reduced future availability of high-sulphur fuel, might weaken the case for scrubber investments.

In the energy markets, gas price volatility and increasing prices have a negative impact on the competitiveness of thermal baseload gas plants, and may lead to more running hours of coal and nuclear power plants. Higher fuel prices may have an impact on project viability and customer decision making. However, these are expected to have less of an impact on thermal balancing power plants with lower running hours. The prevailing Covid-19 pandemic, currency fluctuations, and potential financing constraints are likely to postpone investment decisions on new power generation capacity. A number of countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects, causes disturbances in global supply chains, and may temporarily slow the energy transition. Agreed and proposed stimulus packages to accelerate renewable energy investments still include uncertainties about the allocation of funding and implementation timelines. However, once stimulus measures are executed, the need for balancing in power systems will be emphasised. Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Price pressure resulting from the prevailing competitive environment remains a risk. In addition, there are risks related to the efficient and fast scaling up of the energy storage business and resources to meet the increasing market demand.

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

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

Shares and shareholders

In January–June, the number of shares traded on Nasdaq Helsinki was 249,861,586, equivalent to a turnover of EUR 2,276 million. Wärtsilä's shares are also traded on alternative exchanges, such as CBOE DXE, Turquoise, and BATS. The total trading volume on these alternative exchanges was 99,213,020 shares.

Shares on Nasdaq Helsinki

30.6.2022	Number of shares outstanding	Number of treasury shares	Total number of shares	Number of shares traded 1–6/2022
WRT1V	590,023,390	1,700,000	591,723,390	249,861,586

1.1.2022-30.6.2022	High	Low	Average*	Close
Share price	13.22	6.90	9.13	7.43

*Trade-weighted average price

	30.6.2022	30.6.2021
Market capitalisation, EUR million	4,397	7,405
Foreign shareholders, %	51.2	52.0

Flagging notifications

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

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2022	BlackRock, Inc.	Above 5%	4.81	5.01
23.2.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
8.4.2022	BlackRock, Inc.	Above 5%	4.86	5.00
11.4.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
28.4.2022	BlackRock, Inc.	Above 5%	4.88	5.04
2.5.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
4.5.2022	BlackRock, Inc.	Above 5%	4.83	5.01
21.6.2022	BlackRock, Inc.	Below 5%	Below 5%	Below 5%

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 3 March 2022, approved the financial statements, reviewed the Remuneration Policy and Remuneration Report 2021 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2021.

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

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2022.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.24 per share in two instalments. The first instalment of EUR 0.12 per share was paid on 14 March 2022 and the second instalment of EUR 0.12 is suggested to be paid on 6 October 2022.

Remuneration of the Board of Directors

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

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

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

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

Authorisation to repurchase the company's own shares

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

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue, if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company's incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 4 March 2021 to issue shares.

Organisation of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors elected Tom Johnstone as its Chair and Risto Murto as the Deputy Chair. The Board decided to establish an Audit Committee and a People Committee. The Board appointed from among its members the following members to the committees:

Audit Committee: Chair Tiina Tuomela, Risto Murto, Karen Bomba

People Committee: Chair Tom Johnstone, Johan Forssell, Karin Falk

Events after the review period

Wärtsilä plans to further optimise its European engine manufacturing footprint

Wärtsilä plans to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. Ending the manufacturing in Trieste is expected to impact approximately 450 employees with potential redundancy. The estimated full annual cost savings are approximately EUR 35 million by 2025 and the associated transformation costs are expected to be approximately EUR 130 million, out of which the cash flow impact is approximately EUR 75 million. The discussions between Wärtsilä, employee representatives as well as Italian authorities and institutions will start in line with Italian legislation.

The changes now planned will not impact Wärtsilä's engine portfolio and the service levels and commitment towards customers will remain intact. The supply chain will remain largely as-is today, including Italian suppliers, ensuring maintaining the competitiveness of Wärtsilä's supply chain.

Wärtsilä completes Russian market exit

In July, Wärtsilä completed its orderly exit from the Russian market. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations.

As part of the exit, the Wärtsilä Digital Technologies office in Saint Petersburg has been closed. In addition, Wärtsilä Vostok LLC was divested to the local management of the company. The financial impact of these divestments is in line with the provisions taken in the first quarter of 2022 and therefore do not have material impact on Wärtsilä's Q2 financials.

Wärtsilä’s half year financial report January–June 2022

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

Use of estimates

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

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

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

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

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes’ conditions. If the settlement would happen at the reporting date, it would result in issuing 175,804 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

Weighted average number of shares outstanding during the period	**590,023,390**
Weighted average number of dilutive potential ordinary shares during the period	**175,804**
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**590,199,194**

New and amended IFRS standards

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

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

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

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

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

Classification of Liabilities as Current or Non-current* amends IAS 1 Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2023). The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments will have no impact on the consolidated financial statements.

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction* amends IAS 12 Income taxes (effective for financial periods beginning on or after 1 January 2023). The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations, and they are not expected to have a significant impact on the consolidated financial statements.

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

* Not yet endorsed for use by the European Union as of 30 June 2022.

This half year financial report is unaudited.

Condensed statement of income

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Net sales	**1,407**	1,131	**2,639**	2,078	4,778
Other operating income	**14**	11	**26**	23	85
Expenses	**-1,313**	-1,043	**-2,581**	-1,925	-4,388
Result from net position hedges				-2	-2
Depreciation, amortisation and impairment	**-34**	-42	**-156**	-81	-162
Share of result of associates and joint ventures		1	**1**	2	3
Operating result	**75**	58	**-72**	94	314
Financial income and expenses	**-2**	-5	**-3**	-6	-18
Profit before taxes	**72**	53	**-74**	88	296
Income taxes	**-20**	-18	**-16**	-29	-103
Profit for the reporting period	**52**	35	**-90**	59	193
Attributable to:					
equity holders of the parent company	**51**	37	**-92**	61	194
non-controlling interests	**1**	-2	**2**	-2	
	52	35	**-90**	59	193
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (EPS), basic, EUR	**0.09**	0.06	**-0.16**	0.10	0.33
Earnings per share (EPS), diluted, EUR	**0.09**	0.06	**-0.16**	0.10	0.33

Statement of other comprehensive income

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Profit for the reporting period	**52**	35	**-90**	59	193
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities	**24**		**24**	-1	10
Tax on items that will not be reclassified to the statement of income	**-5**		**-5**		-2
Total items that will not be reclassified to the statement of income	**19**		**19**	-1	9
Items that may be reclassified subsequently to the statement of income					
Exchange rate differences on translating foreign operations					
for equity holders of the parent company	**-1**	-2	**10**	41	72
for non-controlling interests					-1
Associates and joint ventures, share of other comprehensive income			**1**	1	3
Cash flow hedges	**-24**	-4	**-11**	3	-9
Tax on items that may be reclassified to the statement of income	**4**	1	**1**	-1	
Total items that may be reclassified to the statement of income	**-20**	-5	**2**	45	65
Other comprehensive income for the reporting period, net of taxes	**-1**	-5	**21**	44	73
Total comprehensive income for the reporting period	**51**	30	**-69**	103	267
Total comprehensive income attributable to:					
equity holders of the parent company	**51**	32	**-69**	105	268
non-controlling interests		-2		-2	-1
	51	30	**-69**	103	267

Condensed statement of financial position

MEUR	30.6.2022	30.6.2021	31.12.2021
Non-current assets			
Intangible assets	**1,710**	1,751	1,776
Property, plant and equipment	**326**	291	312
Right-of-use assets	**240**	175	192
Investments in associates and joint ventures	**28**	26	27
Other investments	**18**	18	18
Deferred tax assets	**184**	206	167
Other receivables	**49**	46	48
Total non-current assets	**2,555**	2,512	2,539
Current assets			
Inventories	**1,215**	1,257	1,185
Other receivables	**2,086**	1,471	1,833
Cash and cash equivalents	**506**	912	964
Total current assets	**3,807**	3,640	3,982
Assets held for sale	**2**	11	2
Total assets	**6,365**	6,163	6,523
Equity			
Share capital	**336**	336	336
Other equity	**1,769**	1,813	1,979
Total equity attributable to equity holders of the parent company	**2,105**	2,149	2,315
Non-controlling interests	**9**	8	8
Total equity	**2,114**	2,157	2,323
Non-current liabilities			
Lease liabilities	**204**	140	157
Other interest-bearing debt	**528**	806	694
Deferred tax liabilities	**59**	76	65
Other liabilities	**200**	221	236
Total non-current liabilities	**991**	1,242	1,153
Current liabilities			
Lease liabilities	**42**	40	39
Other interest-bearing debt	**170**	181	82
Other liabilities	**3,048**	2,538	2,925
Total current liabilities	**3,259**	2,759	3,047
Total liabilities	**4,251**	4,002	4,199
Liabilities directly attributable to assets held for sale		5	
Total equity and liabilities	**6,365**	6,163	6,523

Condensed statement of cash flows

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Cash flow from operating activities:					
Profit for the reporting period	**52**	35	**-90**	59	193
Adjustments for:					
depreciation, amortisation and impairment	**34**	42	**156**	81	162
financial income and expenses	**2**	5	**3**	6	18
gains and losses on sale of intangible assets and property, plant and equipment and other changes	**18**	2	**19**	2	
share of result of associates and joint ventures		-1	**-1**	-2	-3
income taxes	**20**	18	**16**	29	103
other non-cash flow adjustments	**-20**	1	**77**	3	6
Cash flow before changes in working capital	**106**	102	**180**	179	478
Changes in working capital	**-162**	173	**-331**	200	363
Cash flow from operating activities before financial items and taxes	**-56**	275	**-151**	378	841
Financial items and paid taxes	**-35**	-31	**-62**	-66	-111
Cash flow from operating activities	**-90**	245	**-213**	312	731
Cash flow from investing activities:					
Investments in shares and acquisitions	**-4**		**-4**		-1
Net investments in property, plant and equipment and intangible assets	**-35**	-32	**-69**	-61	-137
Proceeds from sale of shares in subsidiaries, associated companies and other investments	**-4**	12	**-4**	12	10
Cash flow from investing activities	**-44**	-21	**-77**	-50	-128
Cash flow from financing activities:					
Repurchase of own shares		-18		-18	-18
Repayments and other changes in non-current debt	**-56**	-165	**-106**	-203	-433
Changes in current loans and other changes	**-1**	-3	**-2**	-4	-8
Dividends paid	**-14**	-9	**-73**	-60	-121
Cash flow from financing activities	**-70**	-195	**-180**	-286	-580
Change in cash and cash equivalents, increase (+)/decrease (-)	**-204**	29	**-471**	-23	22
Cash and cash equivalents at the beginning of the reporting period*	**700**	886	**964**	932	932
Exchange rate changes	**10**	-3	**13**	3	10
Cash and cash equivalents at the end of the reporting period*	**506**	912	**506**	912	964

* Cash and cash equivalents include the cash and cash equivalents pertaining to assets held for sale.

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 difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2022	**336**	**61**	**-122**	**-18**	**-36**	**2,094**	**8**	**2,323**
Total comprehensive income for the reporting period			**11**	**-9**	**19**	**-92**	**2**	**-69**
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						**-142**	**-1**	**-143**
Share-based payments						**3**		**3**
Equity on 30 June 2022	**336**	**61**	**-111**	**-27**	**-17**	**1,863**	**9**	**2,114**

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2021	336	61	-197	-9	-45	2,030	11	2,188
Total comprehensive income for the reporting period			43	2	-1	61	-2	103
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						-118	-1	-119
Repurchase of own shares						-18		-18
Share-based payments						3		3
Equity on 30 June 2021	336	61	-154	-7	-45	1,958	8	2,157

Segment information

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

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

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Net sales					
Marine Power	**503**	466	**958**	892	1,863
Marine Systems	**185**	150	**348**	292	654
Voyage	**58**	68	**118**	127	279
Energy	**633**	416	**1,168**	703	1,861
Portfolio Business	**28**	31	**46**	64	121
Total	**1,407**	1,131	**2,639**	2,078	4,778
Depreciation, amortisation and impairment					
Marine Power	**-19**	-18	**-38**	-37	-73
Marine Systems	**-4**	-5	**-9**	-10	-20
Voyage	**-1**	-6	**-91**	-11	-23
Energy	**-8**	-7	**-16**	-14	-31
Portfolio Business	**-1**	-6	**-2**	-9	-14
Total	**-34**	-42	**-156**	-81	-162
Share of result of associates and joint ventures					
Marine Power		1	**1**	1	3
Total		1	**1**	2	3
Operating result					
Marine Power	**46**	37	**12**	77	180
Marine Systems	**11**	12	**16**	19	47
Voyage	**-24**	-11	**-158**	-25	-39
Energy	**41**	24	**61**	28	134
Portfolio Business		-4	**-3**	-5	-9
Total	**75**	58	**-72**	94	314
Operating result as a percentage of net sales (%)					
Marine Power	**9.2**	8.0	**1.2**	8.6	9.7
Marine Systems	**6.0**	8.0	**4.7**	6.7	7.2
Voyage	**-40.8**	-16.7	**-133.6**	-20.0	-14.1
Energy	**6.4**	5.8	**5.2**	4.1	7.2
Portfolio Business	**1.4**	-13.0	**-5.7**	-8.0	-7.5
Total	**5.3**	5.1	**-2.7**	4.5	6.6

Comparable operating result					
Marine Power	**45**	44	**89**	83	195
Marine Systems	**11**	13	**23**	21	52
Voyage	**-12**	-11	**-26**	-24	-28
Energy	**41**	24	**65**	29	136
Portfolio Business		1	**-1**	3	2
Total	**85**	71	**151**	112	357
Comparable operating result as a percentage of net sales (%)					
Marine Power	**8.9**	9.4	**9.3**	9.4	10.5
Marine Systems	**6.0**	8.6	**6.7**	7.1	7.9
Voyage	**-19.8**	-16.3	**-22.0**	-18.6	-9.9
Energy	**6.4**	5.9	**5.5**	4.1	7.3
Portfolio Business	**0.5**	4.1	**-1.5**	4.1	1.6
Total	**6.1**	6.3	**5.7**	5.4	7.5

Net sales by geographical areas

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Europe	**432**	436	**855**	753	1,591
Asia	**382**	331	**693**	644	1,464
The Americas	**461**	265	**837**	494	1,286
Other	**132**	100	**253**	187	437
Total	**1,407**	1,131	**2,639**	2,078	4,778

Service net sales

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Net sales					
Marine Power, service*	**345**	298	**659**	573	1,201
Marine Systems, service*	**49**	52	**108**	90	204
Voyage, service	**24**	24	**48**	43	105
Energy, service	**259**	198	**480**	389	891
Portfolio Business, service	**19**	17	**33**	33	67
Total	**696**	588	**1,327**	1,128	2,467

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

Measures of profit and items affecting comparability

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
Comparable adjusted EBITA	**91**	79	**163**	128	388
Purchase price allocation amortisation	**-5**	-8	**-12**	-16	-31
Comparable operating result	**85**	71	**151**	112	357
Items affecting comparability:					
Social plan costs		-6		-6	-14
Impairment and write-downs	**9**	-4	**-171**	-6	-10
Profits and losses from disposals	**-18**	-2	**-20**	-2	-1
Other costs	**-2**	-2	**-32**	-4	-18
Items affecting comparability, total	**-10**	-14	**-222**	-18	-43
Operating result	**75**	58	**-72**	94	314

Impacts of Russia-Ukraine war

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

As a result, Wärtsilä has recognised write-downs of approximately EUR 200 million during the first quarter of 2022. The write-downs include an impairment of approximately EUR 75 million related to goodwill and other intangible assets in Voyage, an impairment of approximately EUR 50 million related to assets in Russia, and write-downs of approximately EUR 75 million related to trade-sanctioned projects and receivables. The write-downs are recognised as expenses and depreciation, amortisation and impairment in the statement of income. Comparable operating result is not affected as the write-downs are treated as items affecting comparability.

In June, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. The disposals' financial impact was included in the write-downs recognised already during the first quarter. Complete exit from the Russian market is expected during the third quarter of 2022.

Acquisitions

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

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

Disposals

On 28 June, Wärtsilä divested Transas Newbuilding Limited and Transas Navigator Ltd. to their local management. The impact of the divestment on the profit for the reporting period is approximately EUR -22 million, which was recognised in the statement of income during the first quarter of 2022 as part of the impacts of Russia-Ukraine war. Both companies belonged to Voyage.

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

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

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

Assets held for sale

Wärtsilä has classified Delivery Centre Santander as assets held for sale since the second quarter of 2021. The divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria was announced in May 2021. Completion of the transaction is expected in the third quarter of 2022. Delivery Centre Santander belongs to Marine Power.

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

Disaggregation of revenue

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

Net sales by revenue type and timing of satisfying performance obligations

MEUR	4–6/2022	4–6/2021	1–6/2022	1–6/2021	2021
At a point in time					
Products	**326**	265	**654**	541	1,165
Goods and services	**160**	130	**286**	243	535
Projects	**302**	343	**501**	599	1,332
Total	**789**	738	**1,441**	1,383	3,032
Over time					
Projects	**470**	264	**908**	463	1,252
Long-term agreements	**148**	130	**289**	232	494
Total	**618**	393	**1,197**	695	1,746
Total	**1,407**	1,131	**2,639**	2,078	4,778

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

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

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

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

Intangible assets and property, plant and equipment

MEUR	1–6/2022	1–6/2021	2021
Intangible assets			
Carrying amount on 1 January	**1,776**	1,716	1,716
Changes in exchange rates	**-1**	31	54
Acquisitions and disposals	**8**	-1	
Additions	**34**	28	62
Amortisation and impairment	**-106**	-26	-53
Decreases and reclassifications		3	-4
Carrying amount at the end of the reporting period	**1,710**	1,751	1,776
Property, plant and equipment			
Carrying amount on 1 January	**312**	282	282
Changes in exchange rates	**3**	2	4
Additions	**36**	35	82
Depreciation and impairment	**-24**	-25	-51
Decreases and reclassifications	**-1**	-3	-5
Carrying amount at the end of the reporting period	**326**	291	312

Additional impairment testing of cash generating unit Voyage

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

Leases

MEUR	1–6/2022	1–6/2021	2021
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**181**	151	151
Changes in exchange rates	**1**	1	3
Acquisitions and disposals	**-2**	-1	-1
Additions	**71**	35	75
Depreciation and impairment	**-21**	-20	-41
Decreases and reclassifications	**-1**	-2	-6
Carrying amount at the end of the reporting period	**229**	164	181
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**11**	11	11
Additions	**3**	4	7
Depreciation and impairment	**-3**	-3	-6
Carrying amount at the end of the reporting period	**10**	11	11
Lease liabilities			
Carrying amount on 1 January	**197**	166	166
Changes in exchange rates	**1**	2	3
Acquisitions and disposals	**-2**	-1	
Additions	**74**	39	82
Payments	**-23**	-23	-47
Other adjustments	**-1**	-2	-8
Carrying amount at the end of the reporting period	**246**	180	197
Amounts recognised in statement of income			
Depreciation and impairment	**-24**	-23	-47
Interest expenses	**-2**	-2	-4
Expense – short-term leases	**-14**	-14	-28
Expense – leases of low-value assets	**-3**	-3	-5
Expense – variable lease payments	**-3**	-3	-5

Gross capital expenditure

MEUR	1–6/2022	1–6/2021	2021
Investments in securities and acquisitions	**4**		1
Investments in intangible assets and property, plant and equipment	**70**	63	142
Total	**75**	63	143

Net interest-bearing debt

MEUR	1–6/2022	1–6/2021	2021
Lease liabilities, non-current	**204**	140	157
Other interest-bearing debt, non-current	**528**	806	694
Lease liabilities, current	**42**	40	39
Other interest-bearing debt, current	**170**	181	82
Total interest-bearing liabilities	**944**	1,167	973
Interest-bearing receivables	**-6**	-2	-5
Cash and cash equivalents	**-506**	-912	-964
Total interest-bearing assets	**-512**	-914	-969
Total net interest-bearing debt	**432**	253	4

Financial ratios

	1–6/2022	1–6/2021	2021
Earnings per share (EPS), basic, EUR	**-0.16**	0.10	0.33
Earnings per share (EPS), diluted, EUR	**-0.16**	0.10	0.33
Equity per share, EUR	**3.57**	3.64	3.92
Solvency ratio, %	**35.8**	37.8	38.6
Gearing	**0.21**	0.12	0.00
Return on investment (ROI), %	**5.3**	7.1	9.7
Return on equity (ROE), %	**2.1**	6.6	8.6

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

Personnel

	1–6/2022	1–6/2021	2021
On average	**17,419**	17,626	17,461
At the end of the reporting period	**17,547**	17,386	17,305

Contingent liabilities

MEUR	1–6/2022	1–6/2021	2021
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**13**	13	7
Total	**23**	23	17
Guarantees and contingent liabilities			
on behalf of Group companies	**1,018**	1,006	1,065
Nominal amounts of lease liabilities			
Low-value lease liabilities	**11**	8	11
Short-term lease liabilities	**3**	2	4
Leases not yet commenced, but to which Wärtsilä is committed		154	120
Residual value guarantee	**90**		30
Total	**1,122**	1,170	1,231

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Foreign exchange forward contracts	2	1
Total	2	1

In addition, the Group had copper futures and swaps amounting to 1,168 tons.

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	18	18
Interest-bearing investments, non-current (level 2)	5	5
Other receivables, non-current (level 2)	2	2
Derivatives (level 2)	19	19
Financial liabilities		
Interest-bearing debt, non-current (level 2)	732	730
Derivatives (level 2)	67	67

Events after the balance sheet date

Wärtsilä plans to further optimise its European engine manufacturing footprint

Wärtsilä plans to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. Ending the manufacturing in Trieste is expected to impact approximately 450 employees with potential redundancy. The estimated full annual cost savings are approximately EUR 35 million by 2025 and the associated transformation costs are expected to be approximately EUR 130 million, out of which the cash flow impact is approximately EUR 75 million. The discussions between Wärtsilä, employee representatives as well as Italian authorities and institutions will start in line with Italian legislation.

The changes now planned will not impact Wärtsilä's engine portfolio and the service levels and commitment towards customers will remain intact. The supply chain will remain largely as-is today, including Italian suppliers, ensuring maintaining the competitiveness of Wärtsilä's supply chain.

Wärtsilä completes Russian market exit

In July, Wärtsilä completed its orderly exit from the Russian market. All adjustments and closures of Wärtsilä's operations were completed in accordance with local regulations.

As part of the exit, the Wärtsilä Digital Technologies office in Saint Petersburg has been closed. In addition, Wärtsilä Vostok LLC was divested to the local management of the company. The financial impact of these divestments is in line with the provisions taken in the first quarter of 2022 and therefore do not have material impact on Wärtsilä's Q2 financials.

Quarterly figures

MEUR	4–6/ 2022	1–3/ 2022	10–12/ 2021	7–9/ 2021	4–6/ 2021	1–3/ 2021	10–12/ 2020	7–9/ 2020	4–6/ 2020
Order intake									
Marine Power	**559**	**599**	659	443	463	446	440	410	391
Marine Systems	**140**	**198**	308	191	183	153	133	174	119
Voyage	**65**	**66**	93	53	60	86	55	44	56
Energy	**654**	**507**	1,031	486	433	493	469	319	390
Portfolio Business	**22**	**10**	59	14	14	66	21	34	55
Total	**1,440**	**1,380**	2,150	1,186	1,154	1,244	1,118	981	1,011
Order book at the end of the reporting period									
Marine Power	**2,003**	**2,151**	1,994	1,930	1,860	1,882	1,839	1,908	1,913
Marine Systems	**1,013**	**1,089**	1,042	944	912	887	857	872	902
Voyage	**284**	**293**	288	280	295	305	275	289	305
Energy	**2,506**	**2,442**	2,393	2,056	2,035	2,029	1,830	1,865	1,939
Portfolio Business	**131**	**132**	142	115	135	297	257	331	341
Total	**5,936**	**6,107**	5,859	5,325	5,238	5,399	5,057	5,265	5,401
Net sales									
Marine Power	**503**	**455**	589	382	466	426	489	382	420

Marine Systems	**185**	**163**	221	142	150	142	167	169	238
Voyage	**58**	**60**	84	68	68	59	68	54	56
Energy	**633**	**535**	670	487	416	288	465	347	457
Portfolio Business	**28**	**18**	32	25	31	33	30	43	48
Total	**1,407**	**1,231**	1,597	1,103	1,131	946	1,220	995	1,220
Share of result of associates and joint ventures			1	1	1	1			1
Comparable adjusted EBITA	**91**	**72**	165	95	79	49	111	69	63
as a percentage of net sales	**6.4**	**5.9**	10.4	8.6	7.0	5.1	9.1	7.0	5.2
Depreciation, amortisation and impairment	**-34**	**-122**	-40	-41	-42	-39	-49	-47	-38
Purchase price allocation amortisation	**-5**	**-7**	-8	-8	-8	-8	-8	-8	-8
Comparable operating result	**85**	**65**	158	87	71	41	103	61	55
as a percentage of net sales	**6.1**	**5.3**	9.9	7.9	6.3	4.3	8.4	6.1	4.5
Items affecting comparability, total	**-10**	**-212**	-14	-12	-14	-4	-13	-18	-6
Operating result	**75**	**-147**	144	75	58	36	90	43	49
as a percentage of net sales	**5.3**	**-11.9**	9.0	6.8	5.1	3.8	7.4	4.3	4.0
Financial income and expenses	**-2**		-10	-1	-5	-1	-12	-9	-13
Profit before taxes	**72**	**-147**	134	74	53	35	78	34	36
Income taxes	**-20**	**5**	-49	-25	-18	-11	-23	-9	-12
Profit for the reporting period	**52**	**-142**	85	50	35	24	55	25	23
Earnings per share (EPS), basic, EUR	**0.09**	**-0.24**	0.14	0.08	0.06	0.04	0.10	0.04	0.04
Earnings per share (EPS), diluted, EUR	**0.09**	**-0.24**	0.14	0.08	0.06	-	-	-	-
Gross capital expenditure	**40**	**35**	45	35	34	29	38	25	27
Investments in securities and acquisitions	**4**	**1**	1				1	1	
Cash flow from operating activities	**-90**	**-122**	370	49	245	67	274	114	252
Working capital (WCAP) at the end of the reporting period	**168**	**-18**	-100	107	73	243	257	431	492
Personnel at the end of the reporting period									
Marine Power	**8,426**	**8,261**	8,224	8,157	8,131	8,317	8,355	8,412	8,674
Marine Systems	**1,880**	**1,862**	1,894	1,891	1,882	1,864	1,897	1,891	1,846
Voyage	**1,569**	**1,722**	1,725	1,799	1,865	1,925	1,915	1,946	1,917
Energy	**5,247**	**5,073**	4,980	4,975	4,953	4,905	4,888	4,837	4,799

Portfolio Business	**425**	**433**	482	481	555	732	737	1,097	1,098
Total	**17,547**	**17,351**	17,305	17,303	17,386	17,742	17,792	18,183	18,334

Calculations of financial ratios

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

Earnings per share (EPS), basic

$$\frac{\text{Profit for the reporting period attributable to equity holders of the parent company}}{\text{Number of shares outstanding, average over the reporting period}}$$

Earnings per share (EPS), diluted

$$\frac{\text{Profit for the reporting period attributable to equity holders of the parent company}}{\text{Number of shares outstanding, average over the reporting period + number of potential ordinary shares with dilutive effect}}$$

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

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

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

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

$$\frac{\text{Profit for the reporting period}}{\text{Equity, average over the reporting period}} \times 100$$

Order intake

Total amount of orders received during the reporting period to be delivered either during the current reporting 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)

20 July 2022
Wärtsilä Corporation
Board of Directors