



Wärtsilä Corporation
**Half year
financial report**
January – June 2021

Strong cash flow, but business still hampered by COVID-19

Highlights of April–June 2021

- Order intake increased by 14% to EUR 1,154 million (1,011)
- Service order intake increased by 24% to EUR 604 million (486)
- Net sales decreased by 7% to EUR 1,131 million (1,220)
- Book-to-bill amounted to 1.02 (0.83)
- Comparable operating result increased by 30% to EUR 71 million (55), which represents 6.3% of net sales (4.5)
- Operating result increased by 18% to EUR 58 million (49), which represents 5.1% of net sales (4.0)
- Basic earnings per share increased to 0.06 euro (0.04)
- Cash flow from operating activities decreased to EUR 245 million (252)

Highlights of January–June 2021

- Order intake increased by 6% to EUR 2,398 million (2,259)
- Service order intake increased by 17% to EUR 1,308 million (1,120)
- Order book at the end of the period decreased by 3% to EUR 5,238 million (5,401)
- Net sales decreased by 13% to EUR 2,078 million (2,390)
- Book-to-bill amounted to 1.15 (0.95)
- Comparable operating result increased by 1% to EUR 112 million (111), which represents 5.4% of net sales (4.7)
- Operating result decreased by 7% to EUR 94 million (101), which represents 4.5% of net sales (4.2)
- Basic earnings per share increased to 0.10 euro (0.09)
- Cash flow from operating activities increased to EUR 312 million (293)

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: Good progress in service

“During the second quarter of 2021, we saw signs of stabilisation and recovery in our markets, despite the prevailing uncertainty.

In our key energy markets, the market situation stabilised, but many investments in new power plant capacity still continued to be postponed. Meanwhile, activity in the energy storage market continued at a good level. Furthermore, the recent order for a 156 MW multi-fuel power plant in Nebraska and the commencement of execution of the 380 MW project for Metaenergia in Italy show how flexible thermal balancing power enables the increased share of wind and solar energy in power systems in different parts of the world. Demand for services was also at a good level, and customers continued to show interest in long-term agreements, thereby bringing stability to the business during low market volumes.

In the marine markets, vessel ordering activity improved, although activity in our key vessel segments remained relatively low. In particular, the important cruise industry is still heavily affected by COVID-19 related restrictions. The demand for services has developed positively across vessel segments, supported by improved vessel activity and

earnings. We saw good demand for long-term agreements, as customers wish to secure the performance of their fleet.

Despite the relatively challenging overall market environment, our order intake grew across businesses, with a total increase of 14%. It was also encouraging to see that our service order intake grew by 24% and that the order intake growth was broad and driven by several customer segments.

While net sales decreased, we succeeded in improving our profitability, and our comparable operating profit increased by 30%. Marine Power and Energy clearly improved their results, while Marine Systems suffered from low net sales driven by postponed scrubber retrofits. Customers' interest towards smarter, digitalised, greener, and safer solutions supported the growth in Voyage's order intake and net sales. The number of vessels connected to our cloud solutions increased by 78%. Our cash flow from operating activities was very strong. Wärtsilä's asset-light business model, strong cash generation ability, and high service volumes deliver overall operational stability.

Wärtsilä's success is based on a wide portfolio, global service support, and the innovation capabilities needed to promote the decarbonisation transformation of both the marine and energy industries. During the second quarter, we continued our systematic investments in R&D and participated in several international and local research alliances. Wärtsilä is pioneering the adoption of carbon-free fuels. Extensive tests are ongoing with ammonia, hydrogen and methanol as potential future fuels for Wärtsilä's fuel-flexible combustion engines. Clean fuels, combined with Wärtsilä's strengths in outcome-based service agreements, provide our customers with major opportunities to improve environmental footprint while boosting profitability.

We expect the demand environment in the third quarter to be better than that of the corresponding period in the previous year. In the longer term, we see exciting opportunities driven by the decarbonisation transformation of both the marine and energy industries. With our focus on a holistic system approach, technology leadership, and fuel flexible solutions, we are committed to supporting our customers to succeed in this transformation."

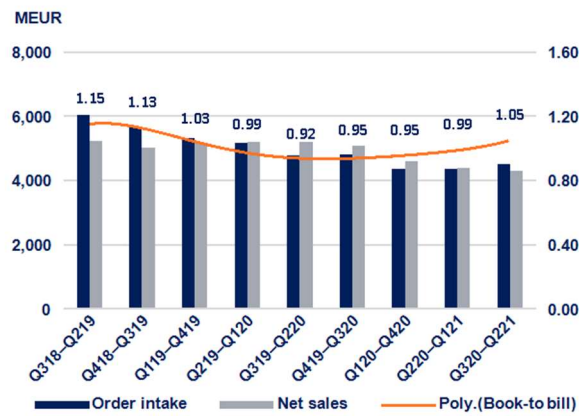
Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	1,154	1,011	14%	2,398	2,259	6%	4,359
of which services	604	486	24%	1,308	1,120	17%	2,267
Order book, end of period				5,238	5,401	-3%	5,057
Net sales	1,131	1,220	-7%	2,078	2,390	-13%	4,604
of which services	591	510	16%	1,141	1,103	3%	2,255
Book-to-bill	1.02	0.83		1.15	0.95		0.95
Operating result	58	49	18%	94	101	-7%	234
% of net sales	5.1	4.0		4.5	4.2		5.1
Comparable operating result	71	55	30%	112	111	1%	275
% of net sales	6.3	4.5		5.4	4.7		6.0
Comparable adjusted EBITA*	79	63	25%	128	128	0%	308
% of net sales	7.0	5.2		6.1	5.4		6.7
Profit before taxes	53	36	47%	88	79	11%	191
Basic earnings/share, EUR	0.06	0.04		0.10	0.09		0.23
Cash flow from operating activities	245	252		312	293		681
Net interest-bearing debt, end of period				253	643		394
Gross capital expenditure				63	54		117
Gearing				0.12	0.31		0.18
Solvency, %				37.8	35.0		38.1
Personnel, end of period				17,386	18,334	-5%	17,792

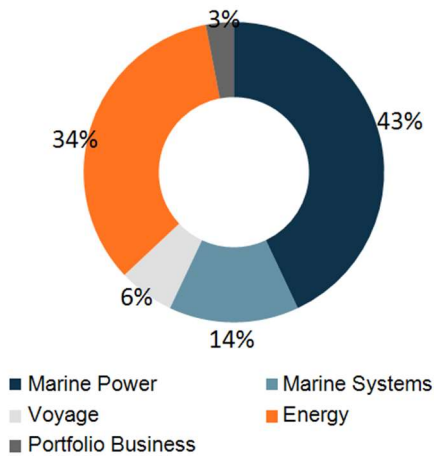
*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

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.

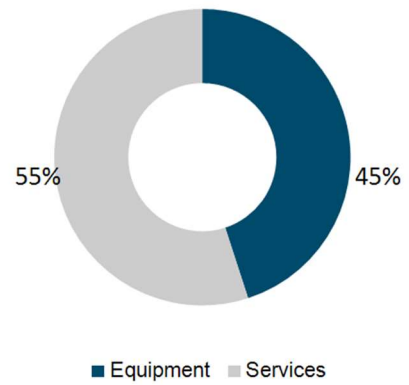
Book-to-bill, 12 months rolling



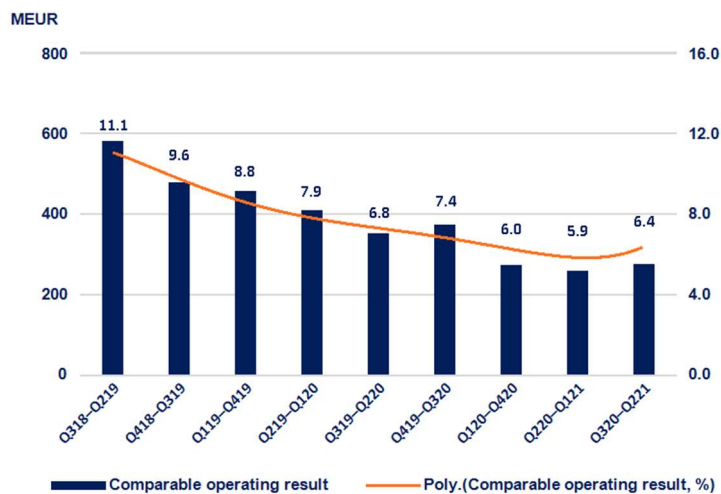
Net sales by business area, January–June



Net sales by business type, January–June



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

Although certain segments in the shipping and shipbuilding markets have largely recovered from the COVID-19 pandemic over the past months, other segments are still suffering. Activity in the cargo sector has continuously improved from the lows seen in 2020, whereas vessel contracting in the cruise and ferry markets remains low. Vessel contracting activity started to pick up during the last quarter of 2020, and this trend continued in the first half of 2021. Altogether 829 contracts were registered in the review period (312 in the corresponding period last year, excluding late reporting of contracts). Much of the uptick came from a surge in containership orders, and to a lesser extent orders for tankers and bulk carriers. Newbuild prices have increased following increased shipyard activity and a substantial rise in steel prices. The demand for spare parts and maintenance has developed positively across vessel segments, supported by improved vessel activity and earnings. Customers continued to show interest in long-term agreements to secure the performance of their fleet.

The fuelling transition is increasingly gaining traction. There were 170 orders for alternative fuel capable vessels in the first half of the year, while 3.9% of the seaborne fleet and 31.2% of the order book in tonnage (GT) terms are capable of using alternative fuels or battery-hybrid propulsion. While scrubber retrofit activity is still recovering from the COVID-19 impact, there were more than 100 newbuild orders globally for scrubber-fitted units reported in the review period. The price differential between high- and low-sulphur fuels has remained slightly above USD 100 per tonne since January. Although the earnings differential for vessels fitted with scrubbers has widened since 2020, the retrofit market for scrubbers is still characterised by a high degree of uncertainty, mostly due to the limited visibility on future fuel price spreads. Meanwhile, as worldwide COVID-19 restrictions ease, the growth in demand for more maritime connectivity is expected to continue, driven by the need for digitalisation, smart shipping, and operational efficiency.

Cruise operations have been gradually resuming in Europe and Asia and are slowly restarting also in the U.S. Nevertheless, the cruise industry is still heavily affected by travel restrictions, as some countries are enforcing cruise bans. As a result, most of the cruise fleet capacity still remains idle. The restrictions in passenger transportation continue to impact also the ferry sector, despite some signs of improvement. Ferry fleet utilisation and the number of port calls are trending upwards, although still clearly below the pre-pandemic levels. The offshore oil and gas sector remains under pressure, despite the outlook having slightly improved in the first half of 2021 against the backdrop of firmer oil prices combined with elevated demolition activity. However, the demand for offshore wind turbine installation vessels (WTIV) has grown, driven by substantial investments in offshore wind power, especially in Europe, China, and the U.S. The spot rates for LNG carriers have strengthened thanks to continued LNG demand and the tight availability of tonnage. Containership market conditions have maintained extraordinary strength, supported by a strong trade rebound combined with major logistical disruption and moderate supply growth. Freight and charter rates have reached record levels. With trade rebounding firmly alongside strong economic sentiment and rising commodity prices, bulk carrier market conditions have been the strongest in over a decade. The tanker market has remained weak due to low global oil demand and production cuts by the oil-producing nations.

The International Maritime Organization (IMO) adopted new measures that will require all ships to meet the Energy Efficiency Existing Ship Index (EEXI) requirements, and to establish their annual operational carbon intensity indicator (CII) and the corresponding CII rating. The requirements for EEXI and CII certification are expected to enter into force on 1 January 2023.

Governments worldwide have announced relief packages to respond to the economic distress caused by the COVID-19 pandemic. These programmes are often linked to the development of a green infrastructure. It is anticipated that this will incentivise and accelerate the decarbonisation of the maritime industry, and increase the attractiveness of alternative fuels, electric and hybrid-battery propulsion, energy saving devices, as well as digital solutions.

Energy

The COVID-19 pandemic and the resulting weakening of the investment environment continued to negatively impact the global liquid and gas fuelled power plant markets in the second quarter of 2021. While the market situation has stabilised, customers continue to postpone investments due to the prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic. As vaccination programmes in a large part of our core markets move slowly, recovery will most likely take time. Additionally, energy policies are being developed to drive ambitious decarbonisation targets, and utilities continue to update their investment strategies, which is causing uncertainty and delays in decision making. However, activity in the energy storage markets has continued at a good level, driven by the increasing need for short-term flexible capacity in power systems with a high share of renewables. Going forward, the increasing amount of intermittent renewable energy in power systems is expected to bring forward the need for various flexible solutions, such as balancing power plants. Financial stimulus by governments and financial institutions to the energy sector will support investments in green energy, but the execution of such plans on a wider scale is still pending. Demand for services was at a good level, and customers continued to show interest in long-term agreements, thereby bringing stability to the business during low market volumes.

Wärtsilä's market share in the up to 500 MW market segment decreased to 8% (9), while global orders for natural gas and liquid power plants increased by 15% to 15.4 GW during the twelve-month period ending in March 2021 (13.5 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 14% to EUR 1,154 million (1,011) compared to the low ordering levels in the corresponding period in the previous year. Book-to-bill was 1.02 (0.83). Service order intake increased by 24% to EUR 604 million (486), reflecting improved economic activity in general. Equipment order intake increased by 4% to EUR 549 million (526).

Order intake in January–June increased by 6% to EUR 2,398 million (2,259) compared to the corresponding period in the previous year. Book-to-bill was 1.15 (0.95). Service order intake increased by 17% to EUR 1,308 million (1,120). Equipment order intake decreased by 4% to EUR 1,090 million (1,139).

The **order book** at the end of the period decreased by 3% to EUR 5,238 million (5,401) due to the divestment of the Entertainment business. Wärtsilä's current order book for 2021 deliveries is EUR 2,225 million (2,165).

Order intake and order book by reporting segment

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	1,154	1,011	14%	2,398	2,259	6%	4,359
Marine Power	463	391	18%	909	887	3%	1,737
Marine Systems	183	119	54%	336	232	45%	539
Voyage	60	56	9%	146	162	-10%	262
Energy	433	390	11%	927	865	7%	1,653
Portfolio Business	14	55	-75%	80	112	-28%	168
Order book, end of period				5,238	5,401	-3%	5,057
Marine Power				1,860	1,913	-3%	1,839
Marine Systems				912	902	1%	857
Voyage				295	305	-3%	275
Energy				2,035	1,939	5%	1,830
Portfolio Business				135	341	-60%	257

Net sales and operating result

Wärtsilä's **net sales in April–June** decreased by 7% to EUR 1,131 million (1,220) compared to the corresponding period in the previous year. Service net sales increased by 16% to EUR 591 million (510) on the back of a weak comparison period. Equipment net sales decreased by 24% to EUR 540 million (710), mainly due to fewer scrubber deliveries and delays in energy equipment deliveries.

The **operating result in April–June** amounted to EUR 58 million (49) or 5.1% of net sales (4.0). The improvement in profitability was mainly driven by a more favourable sales mix between equipment and services. The comparable operating result totalled EUR 71 million (55) or 6.3% of net sales (4.5). Items affecting comparability amounted to EUR 14 million (6) related to both divestments and restructuring programmes, including the closure of the joint venture Wärtsilä CME in Zhenjiang, China. The comparable adjusted EBITA amounted to EUR 79 million (63) or 7.0% of net sales (5.2). Purchase price allocation amortisation amounted to EUR 8 million (8).

Net sales in January–June decreased by 13% to EUR 2,078 million (2,390) compared to the corresponding period in the previous year. Service net sales increased by 3% to EUR 1,141 million (1,103). Equipment net sales decreased by 27% to EUR 937 million (1,287). Of Wärtsilä's net sales, approximately 64% was EUR denominated and 20% USD denominated, with the remainder being split between several currencies.

The **operating result in January–June** amounted to EUR 94 million (101) or 4.5% of net sales (4.2). The comparable operating result totalled EUR 112 million (111) or 5.4% of net sales (4.7). Items affecting comparability comprised costs of EUR 18 million (10) related to both divestments and restructuring programmes. The comparable adjusted EBITA amounted to EUR 128 million (128) or 6.1% of net sales (5.4). Purchase price allocation amortisation amounted to EUR 16 million (17).

Financial items amounted to EUR -6 million (-22) in January–June. Net interest totalled EUR -7 million (-5). Profit before taxes amounted to EUR 88 million (79). Taxes amounted to EUR 29 million (26), implying an effective tax rate of 33.0% (33.2). Profit for the financial period amounted to EUR 59 million (53). Basic earnings per share totalled 0.10 euro (0.09). Return on investments (ROI) was 7.1% (8.7), while return on equity (ROE) was 6.6% (6.8).

Net sales and operating result by reporting segment

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Net sales	1,131	1,220	-7%	2,078	2,390	-13%	4,604
Marine Power	466	420	11%	892	877	2%	1,748
Marine Systems	150	238	-37%	292	472	-38%	808
Voyage	68	56	21%	127	125	2%	248
Energy	416	457	-9%	703	808	-13%	1,620
Portfolio Business	31	48	-34%	64	107	-40%	181
Operating result	58	49	18%	94	101	-7%	234
Marine Power	37	21	77%	77	56	38%	134
Marine Systems	12	26	-54%	19	44	-56%	81
Voyage	-11	-12	7%	-25	-25	-4%	-42
Energy	24	18	35%	28	31	-8%	91
Portfolio Business	-4	-4	-14%	-5	-5	-3%	-29
Operating result, % of net sales	5.1	4.0		4.5	4.2		5.1
Marine Power	8.0	5.0		8.6	6.4		7.7
Marine Systems	8.0	11.0		6.7	9.4		10.0
Voyage	-16.7	-21.8		-20.0	-19.6		-17.0
Energy	5.8	3.9		4.1	3.8		5.6
Portfolio Business	-13.0	-7.5		-8.0	-4.6		-16.2
Comparable operating result	71	55	30%	112	111	1%	275
Marine Power	44	24	81%	83	60	38%	137
Marine Systems	13	27	-52%	21	45	-54%	83
Voyage	-11	-12	5%	-24	-23	-1%	-41
Energy	24	19	32%	29	32	-11%	101
Portfolio Business	1	-3		3	-3		-6
Comparable operating result, % of net sales	6.3	4.5		5.4	4.7		6.0
Marine Power	9.4	5.7		9.4	6.9		7.8
Marine Systems	8.6	11.2		7.1	9.6		10.3
Voyage	-16.3	-20.8		-18.6	-18.7		-16.5
Energy	5.9	4.0		4.1	4.0		6.3
Portfolio Business	4.1	-5.8		4.1	-3.2		-3.1

Net sales bridge

MEUR	4–6/2021	1–6/2021
2020	1,220	2,390
Organic	-4%	-9%
Acquisitions and divestments	-2%	-2%
FX impact	-1%	-2%
2021	1,131	2,078

Financing and cash flow

Wärtsilä's cash flow from operating activities in April–June amounted to EUR 245 million (252), supported by favourable working capital development.

During January–June, cash flow from operating activities totalled EUR 312 million (293). Working capital totalled EUR 73 million at the end of the period (257 at the end of 2020). The low level of working capital was mainly driven by efforts to decrease credit risk by strengthening the collection of receivables. Advances received totalled EUR 461 million (452 at the end of 2020). There were no additional advances pertaining to assets held for sale (38 at the end of 2020).

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 912 million (919 at the end of 2020). There were no additional cash or cash equivalents pertaining to assets held for sale (14 at the end of 2020). Unutilised committed credit facilities totalled EUR 650 million (660 at the end of 2020).

Wärtsilä had interest-bearing debt totalling EUR 1,167 million at the end of the period (1,327 at the end of 2020). The total amount of short-term debt maturing within the next 12 months was EUR 221 million. Long-term loans amounted to EUR 946 million.

Net interest-bearing debt totalled EUR 253 million (394 at the end of 2020). Gearing was 0.12 (0.18 at the end of 2020), while solvency ratio was 37.8% (38.1 at the end of 2020). Equity per share was 3.64 euro (3.68 at the end of 2020).

Key financing items

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Cash flow from operating activities	245	252	312	293	681
Working capital			73	492	257
Net interest-bearing debt, end of period			253	643	394
Gearing			0.12	0.31	0.18
Solvency, %			37.8	35.0	38.1
Equity/share, EUR			3.64	3.51	3.68

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 63 million (54) for the period January–June. Wärtsilä had no capital expenditure related to acquisitions or investments in securities during the review period or in the comparison period. Depreciation, amortisation, and impairment amounted to EUR 81 million (78).

In 2021, capital expenditure related to intangible assets and property, plant, and equipment is expected to be at around the same level as depreciation, amortisation, and impairment.

Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Investments in R&D are central to securing Wärtsilä's future positioning, and will continue despite the prevailing market uncertainty. Developing the use of alternative, commercially viable, 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 its participation in a consortium of Finnish research organisations and leading companies researching the development of radical new solutions for clean and efficient marine and off-road transport. The project is expected to run until spring 2023, and has been granted funding of EUR 7.9 million by Business Finland, the Finnish Government's organisation for innovation funding as well as trade, travel, and investment promotion. The most significant technological aspects of the anticipated project outcome are a ground-breaking medium-speed engine working in fuel-flexible Reactivity Controlled Compression Ignition (RCCI) mode, further development of dual-fuel engine technology to enable a drastic reduction in methane emissions at low and partial load, selective catalytic reduction (SCR) control technology improvements, and the development of machine learning control technology for

greater accuracy in engine automation and control. The research will further focus on developments in advanced after-treatment measures aimed at lowering greenhouse gas emissions by at least 20%.

In May, Wärtsilä announced its participation in an international alliance, headed by the Port of Rotterdam Authority and with EU funding of nearly EUR 25 million, to implement projects aimed at sustainable and smart port logistics. The research project, nicknamed MAGPIE (sMArt Green Ports as Integrated Efficient multimodal hubs), is the result of collaboration between the port authorities of Rotterdam, DeltaPort (Germany), HAROPA (France: La Havre, Rouen, Paris), and Sines (Portugal), in partnership with 10 research institutions and more than 30 companies in the Netherlands, Germany, France, Portugal, and Denmark. Wärtsilä, MAGPIE's largest industrial partner, is set to receive the largest portion of the grant for a sub-project to demonstrate a commercially viable autonomous intra-port inter-terminal container shuttle. This will address an emerging capacity bottleneck for internal container transportation.

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

Also in June, Wärtsilä announced that it will showcase its Power-to-X competence at the upcoming World Expo in Dubai in cooperation with Soletair Power and Q Power. The demonstration unit will create synthetic fuel from CO₂ extracted from the indoor air. Power-to-X technology can be seen as an important stepping stone along the path towards carbon-neutral fuels and the decarbonisation of various industries.

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

Strategic projects

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

In June, Wärtsilä signed an agreement with Global Energy Ventures (GEV) of Australia, a company specialised in delivering compressed shipping solutions for transporting energy to regional markets. The two companies will cooperate on the inclusion of Wärtsilä propulsion systems in GEV's compressed hydrogen (C-H₂) ships. The cooperation aims at advancing GEV's Approval in Principle (AiP) application for its new 430-ton C-H₂ vessel. It is also intended to demonstrate the availability of a highly efficient, low-emissions propulsion system for the vessel.

Also in June, Wärtsilä Voyage and Japan based Weathernews Inc (WNI), the world's largest private weather routing provider, signed a strategic partnership agreement. The partnership will enable the integration of WNI's weather forecasting data and Optimum Ship Routing (OSR) service with Wärtsilä's products and solutions, thereby increasing navigational safety and supporting the decarbonisation efforts of ship owners and operators. Under this agreement, WNI's forecasting models can be integrated, for example, into Wärtsilä's Fleet Operations Solution (FOS). FOS is a unique service that automatically optimises a ship's route by providing the fullest and latest voyage data, at the same time keeping both the onboard and shore-based personnel informed and notified. With the addition of frequent state-of-the-art weather information, FOS can be even more effective in increasing navigational safety, reducing fuel consumption, and optimising the voyage leg.

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

Personnel

Wärtsilä had 17,386 (18,334) employees at the end of the period. On average, the number of personnel totalled 17,626 (18,548) during the period January–June.

Of Wärtsilä's total number of employees, 21% (20) were located in Finland and 41% (42) elsewhere in Europe. Personnel employed in Asia represented 21% (23) of the total, personnel in the Americas 11% (10), and personnel in other countries 5% (4).

Personnel by reporting segment

MEUR	30.6.2021	30.6.2020	Change	31.12.2020
Personnel	17,386	18,334	-5%	17,792
Marine Power	8,131	8,674	-6%	8,355
Marine Systems	1,882	1,846	2%	1,897
Voyage	1,865	1,917	-3%	1,915
Energy	4,953	4,799	3%	4,888
Portfolio Business	555	1,098	-49%	737

Changes in management

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

Sustainability

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

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

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

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

Wärtsilä’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.

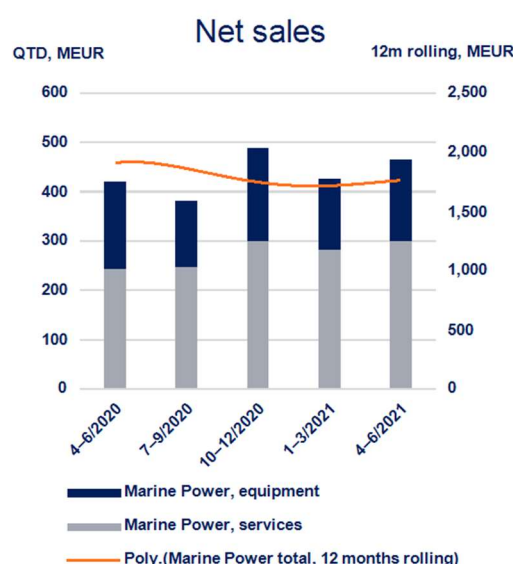
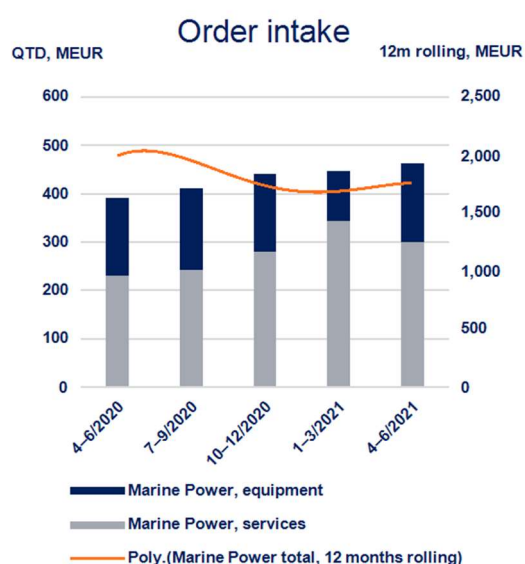
Reporting segment: Wärtsilä Marine Power

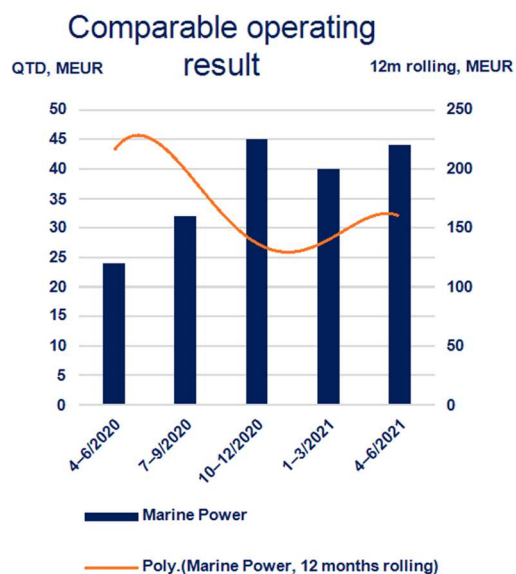
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems deliver the reliability, safety, and environmental performance that Wärtsilä’s Smart Marine vision encompasses. We offer our customers performance-based agreements, lifecycle solutions, and an unrivalled global network of maritime expertise.

- Newbuild order intake continued to be impacted by subdued vessel contracting in the cruise and ferry segment.
- The service business performed well against a weak comparison period.
- Profitability improved driven by higher sales volumes, a favourable sales mix between equipment and services, as well as efficiency improvement actions taken.

Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	463	391	18%	909	887	3%	1,737
of which services	300	231	30%	644	548	18%	1,070
Order book, end of period				1,860	1,913	-3%	1,839
Net sales	466	420	11%	892	877	2%	1,748
of which services	300	243	23%	583	549	6%	1,096
Book-to-bill	0.99	0.93		1.02	1.01		0.99
Operating result	37	21	77%	77	56	38%	134
% of net sales	8.0	5.0		8.6	6.4		7.7
Comparable operating result	44	24	81%	83	60	38%	137
% of net sales	9.4	5.7		9.4	6.9		7.8
Personnel, end of period				8,131	8,674	-6%	8,355





Financial development

Marine Power's **order intake in April–June** increased by 18% to EUR 463 million (391) compared to the corresponding period in the previous year. Book-to-bill was 0.99 (0.93). Service order intake increased by 30% to EUR 300 million (231) on the back of a weak comparison period, driven by demand for long-term service agreements. Equipment order intake increased by 2% to EUR 163 million (160). Overall, demand was highest in the merchant segment which, including both traditional merchant vessels and gas carriers, represented 10% and 45% of the order intake of equipment and services, respectively. Orders received during the period included long-term service agreements signed with Minerva Gas Inc. and Latsco LNG Marine Management.

Net sales in April–June increased by 11% to EUR 466 million (420) compared to the corresponding period in the previous year. Service net sales increased by 23% to EUR 300 million (243), driven by sales to the cruise and merchant segments. Equipment net sales decreased by 6% to EUR 166 million (177). The **comparable operating result** amounted to EUR 44 million (24) or 9.4% of net sales (5.7). The improvement in profitability was driven by higher sales volumes, a favourable sales mix between equipment and services, as well as efficiency improvement actions taken. Items affecting comparability comprised costs of EUR 7 million primarily related to the closure of the joint venture Wärtsilä CME in Zhenjiang, China.

Order intake in January–June increased by 3% to EUR 909 million (887) compared to the corresponding period in the previous year. Book-to-bill was 1.02 (1.01). Service order intake increased by 18% to EUR 644 million (548). Equipment order intake decreased by 22% to EUR 265 million (339). The **order book** at the end of the period decreased by 3% to EUR 1,860 million (1,913).

Net sales in January–June increased by 2% to EUR 892 million (877) compared to the corresponding period in the previous year. Service net sales increased by 6% to EUR 583 million (549). Equipment net sales decreased by 6% to EUR 309 million (329). The **comparable operating result** amounted to EUR 83 million (60) or 9.4% of net sales (6.9). The result improvement was primarily driven by a favourable sales mix between equipment and services, as well as efficiency improvement actions taken.

Divestments

In May, Wärtsilä announced the divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria ("JCCC"). Delivery Centre Santander is a state-of-the-art foundry able to cast the highest grades of NiAlBronze alloys. The facility located in Santander, Northern Spain, employs 45 professionals and has an annual casting capacity of 700 tons. As part of the divestment, Wärtsilä and JCCC signed a strategic supply agreement where

JCCC becomes a supplier for bronze alloy castings parts to Wärtsilä Marine Power. Subject to the fulfilment of closing conditions, closing of the transaction is expected in the third quarter of 2021.

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

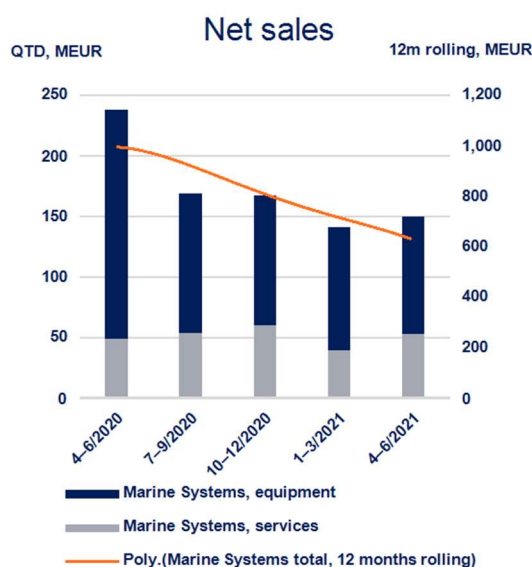
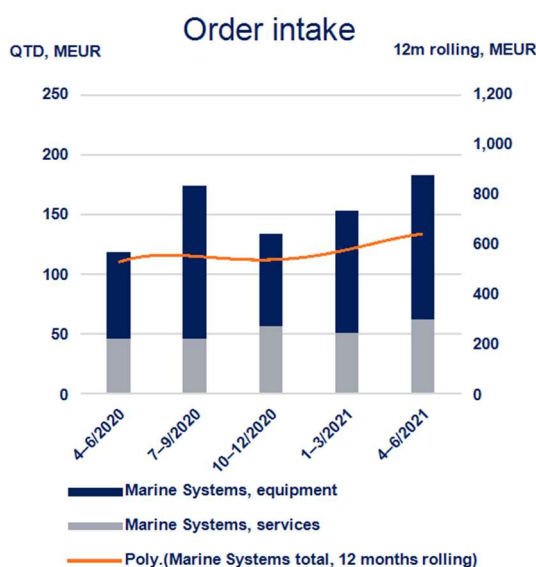
Reporting segment: Wärtsilä Marine Systems

Wärtsilä Marine Systems offers high-quality products, solutions, and lifecycle services related to the gas value chain, exhaust treatment applications, seals & bearings, shaft line repair services, underwater services, and marine electrical integrations. Our aim is to provide the latest and most efficient solutions in line with Wärtsilä’s Smart Marine Ecosystem vision for a safer, better, and more sustainable future for our customers.

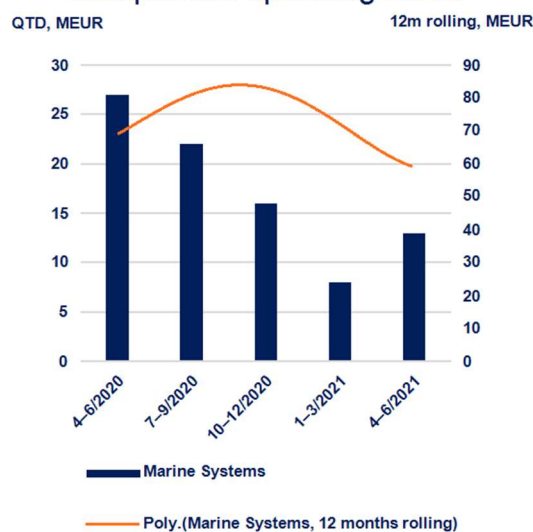
- Market activity in the equipment business continued to improve, with strong contracting of gas carriers and container vessels. The transactional service market also picked up in the second quarter.
- All business units contributed to growth in the order intake.
- Profitability was negatively impacted by lower scrubber deliveries and cost inflation.

Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	183	119	54%	336	232	45%	539
of which services	62	46	34%	113	103	9%	205
Order book, end of period				912	902	1%	857
Net sales	150	238	-37%	292	472	-38%	808
of which services	53	49	8%	92	105	-12%	219
Book-to-bill	1.22	0.50		1.15	0.49		0.67
Operating result	12	26	-54%	19	44	-56%	81
% of net sales	8.0	11.0		6.7	9.4		10.0
Comparable operating result	13	27	-52%	21	45	-54%	83
% of net sales	8.6	11.2		7.1	9.6		10.3
Personnel, end of period				1,882	1,846	2%	1,897



Comparable operating result



Financial development

Marine Systems' **order intake in April–June** increased by 54% to EUR 183 million (119) compared to the corresponding period in the previous year, driven by the boom in gas carrier ordering since late 2020. Book-to-bill was 1.22 (0.50). Service order intake increased by 34% to EUR 62 million (46), driven by transactional services especially in the Shaft Line Solutions business unit. Equipment order intake increased by 66% to EUR 121 million (73). Received orders included several contracts signed by the Gas Solutions business unit, for instance cargo handling system deliveries to a total of 23 vessels.

Net sales in April–June decreased by 37% to EUR 150 million (238) compared to the corresponding period in the previous year. Service net sales increased by 8% to EUR 53 million (49). Equipment net sales decreased by 49% to EUR 97 million (189). The **comparable operating result** amounted to EUR 13 million (27) or 8.6% of net sales (11.2). The main reason for the decline in both net sales and profitability was the lower level of scrubber deliveries resulting from the ending of the legislation driven boom. Furthermore, profitability was negatively impacted by cost inflation.

Order intake in January–June increased by 45% to EUR 336 million (232) compared to the corresponding period in the previous year. Book-to-bill was 1.15 (0.49). Service order intake increased by 9% to EUR 113 million (103). Equipment order intake increased by 73% to EUR 223 million (129). The **order book** at the end of the period increased by 1% to EUR 912 million (902).

Net sales in January–June decreased by 38% to EUR 292 million (472) compared to the corresponding period in the previous year. Service net sales decreased by 12% to EUR 92 million (105). Equipment net sales decreased by 46% to EUR 199 million (366). The **comparable operating result** amounted to EUR 21 million (45) or 7.1% of net sales (9.6) as a consequence of lower scrubber volumes.

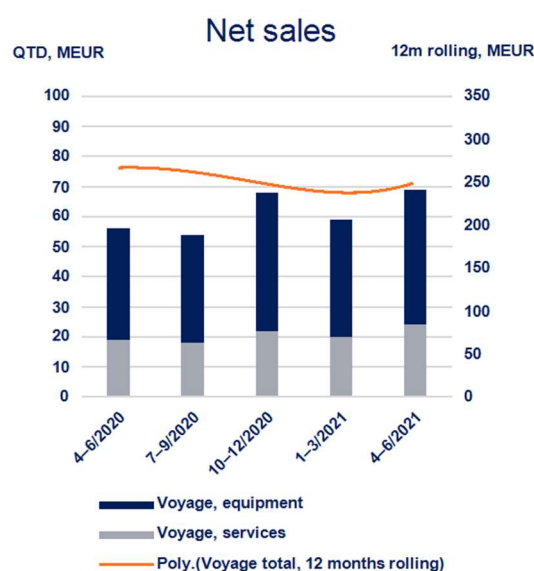
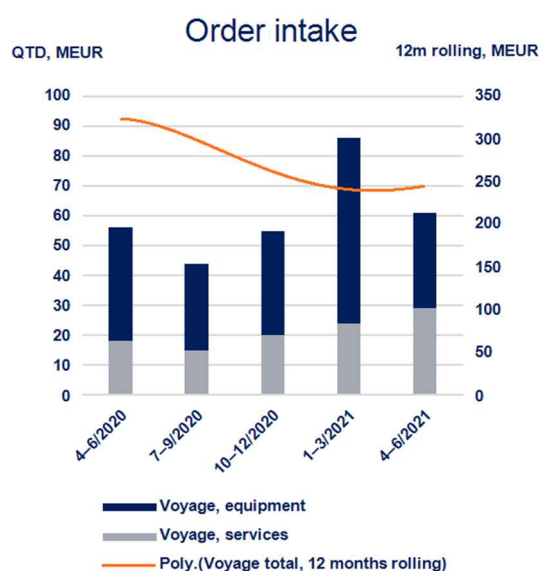
Reporting segment: Wärtsilä Voyage

Wärtsilä Voyage transforms how vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. We are committed to creating a Smart Marine Ecosystem, whereby every vessel can connect to digital services that make voyaging safer and greener. With the broadest Smart Marine portfolio in the market, we are well positioned to lead the industry towards becoming digitally connected across the entire value chain, and to be the first partner of choice when leveraging the latest digital technologies.

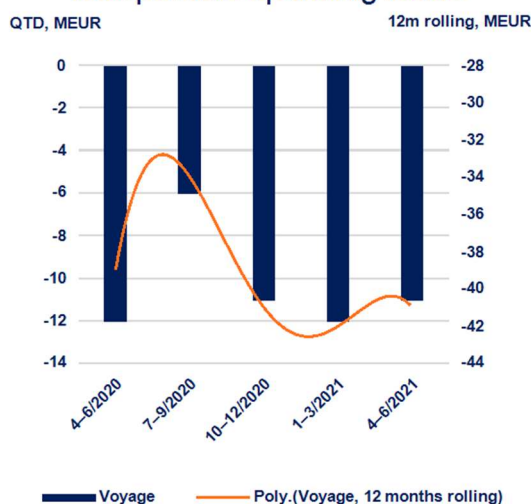
- Both order intake and net sales improved thanks to increased service activity and positive customer sentiment.
- The number of connected vessels increased by 78% compared to the second quarter of 2020.

Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	60	56	9%	146	162	-10%	262
of which services	29	18	61%	53	57	-7%	92
Order book, end of period				295	305	-3%	275
Net sales	68	56	21%	127	125	2%	248
of which services	24	19	24%	43	44	-2%	85
Book-to-bill	0.88	0.99		1.15	1.30		1.06
Operating result	-11	-12	7%	-25	-25	-4%	-42
% of net sales	-16.7	-21.8		-20.0	-19.6		-17.0
Comparable operating result	-11	-12	5%	-24	-23	-1%	-41
% of net sales	-16.3	-20.8		-18.6	-18.7		-16.5
Personnel, end of period				1,865	1,917	-3%	1,915



Comparable operating result



Financial development

Voyage's **order intake in April–June** increased by 9% to EUR 60 million (56) compared to the corresponding period in the previous year. Book-to-bill was 0.88 (0.99). Service order intake increased by 61% to EUR 29 million (18), mainly as a result of improved economic activity in general. Equipment order intake decreased by 16% to EUR 32 million (38). Orders received during the period included a contract to supply the latest technology in radio and integrated navigation systems for six new LNG carrier vessels being built to serve the Arctic LNG 2 project in Russia's Arctic waters.

Net sales in April–June increased by 21% to EUR 68 million (56) compared to the corresponding period in the previous year. Service net sales increased by 24% to EUR 24 million (19), driven especially by the merchant segment and connected vessels. However, lingering travel and other restrictions, which notably affected service sales to the cruise industry, limited the increase in sales. Equipment net sales increased by 20% to EUR 45 million (37), supported by the deployment of a few large projects. The **comparable operating result** amounted to EUR -11 million (-12) or -16.3% of net sales (-20.8). The impact of cost inflation on profitability was offset by higher sales volumes.

Order intake in January–June decreased by 10% to EUR 146 million (162) compared to the corresponding period in the previous year. Book-to-bill was 1.15 (1.30). Service order intake decreased by 7% to EUR 53 million (57). Equipment order intake decreased by 12% to EUR 93 million (106). The decrease in order intake was mainly driven by COVID-19 impacts, especially in the first quarter. The **order book** at the end of the period decreased by 3% to EUR 295 million (305).

Net sales in January–June increased by 2% to EUR 127 million (125) compared to the corresponding period in the previous year. Service net sales decreased by 2% to EUR 43 million (44). Equipment net sales increased by 3% to EUR 84 million (81). The **comparable operating result** amounted to EUR -24 million (-23) or -18.6% of net sales (-18.7).

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, as well as 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.

- Activity in the energy storage markets remained at a good level, while customers continue to postpone investments in new power plant capacity.
- COVID-19 related delays in project deliveries, factory capacity under absorption, and cost inflation had a negative impact on profitability.
- A favourable sales mix between equipment and services supported profitability.

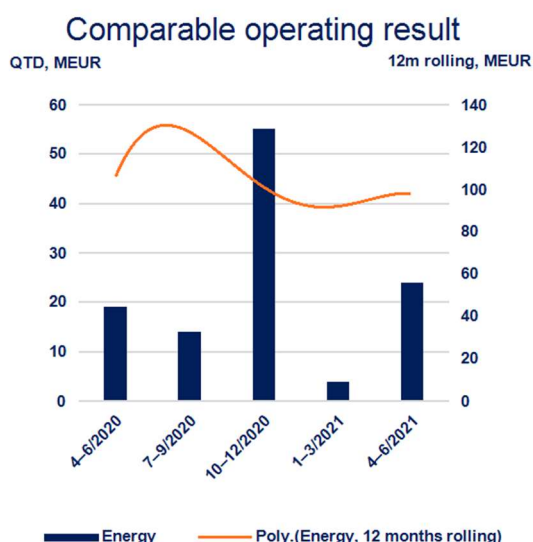
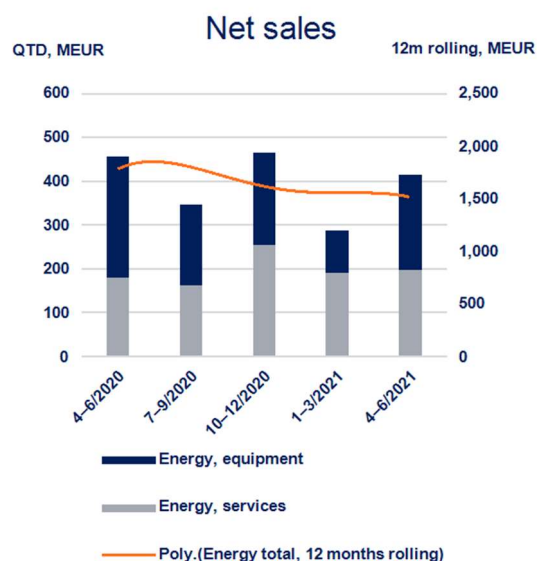
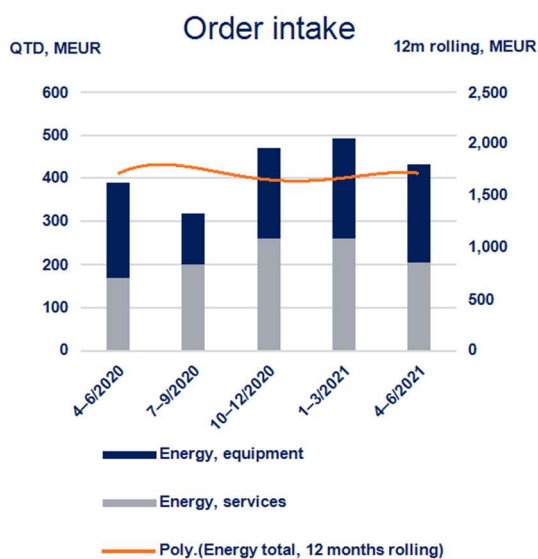
Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	433	390	11%	927	865	7%	1,653
of which services	205	168	22%	466	380	23%	840
Order book, end of period				2,035	1,939	5%	1,830
Net sales	416	457	-9%	703	808	-13%	1,620
of which services	198	180	10%	389	365	7%	782
Book-to-bill	1.04	0.85		1.32	1.07		1.02
Operating result	24	18	35%	28	31	-8%	91
% of net sales	5.8	3.9		4.1	3.8		5.6
Comparable operating result	24	19	32%	29	32	-11%	101
% of net sales	5.9	4.0		4.1	4.0		6.3
Personnel, end of period				4,953	4,799	3%	4,888

Order intake Energy

	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Gas, MW	199	347	-43%	356	796	-55%	1,071
Oil, MW	9	-		28	90	-69%	99
Storage, MWh	519	18		1,325	23		460
Other*, MW	-	12	-100%	-	12	-100%	12

*Includes biofuel power plants and solar installations



Financial development

Energy's **order intake in April–June** increased by 11% to EUR 433 million (390) compared to the corresponding period in the previous year. Book-to-bill was 1.04 (0.85). Service order intake increased by 22% to EUR 205 million (168), driven by certain sizeable service projects. Equipment order intake increased by 3% to EUR 228 million (222). Demand for equipment was highest in the Americas. Equipment orders received included a 156 MW multi-fuel balancing power plant in the United States. Wärtsilä's technology will be used to balance renewable power generation in the grid and ensure system stability. Service orders received included a long-term maintenance agreement for gas power plants with a combined output of 132 MW in three locations in Nigeria, and the renewal of a long-term maintenance agreement for a 150 MW plant in Malta.

Net sales in April–June decreased by 9% to EUR 416 million (457) compared to the corresponding period in the previous year. Service net sales increased by 10% to EUR 198 million (180). Equipment net sales decreased by 21% to EUR 218 million (277), impacted by COVID-19 related delays in project deliveries. The **comparable operating result** amounted to EUR 24 million (19) or 5.9% of net sales (4.0). Profitability was negatively affected by

delays in deliveries, under absorption of factory capacity costs due to low volumes, and cost inflation. These impacts were softened by a more favourable sales mix between equipment and services.

Order intake in January–June increased by 7% to EUR 927 million (865) compared to the corresponding period in the previous year. Book-to-bill was 1.32 (1.07). Service order intake increased by 23% to EUR 466 million (380). Equipment order intake decreased by 5% to EUR 461 million (486). The **order book** at the end of the period increased by 5% to EUR 2,035 million (1,939).

Net sales in January–June decreased by 13% to EUR 703 million (808) compared to the corresponding period in the previous year. Service net sales increased by 7% to EUR 389 million (365). Equipment net sales decreased by 29% to EUR 314 million (444). The **comparable operating result** amounted to EUR 29 million (32) or 4.1% of net sales (4.0).

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 Special Products covering power converter products (divestment announced in March 2021), Tank Control Systems, Water & Waste, as well as the hydropower solution and turbine service business American Hydro.

Key figures

MEUR	4–6/2021	4–6/2020	Change	1–6/2021	1–6/2020	Change	2020
Order intake	14	55	-75%	80	112	-28%	168
Order book, end of period				135	341	-60%	257
Net sales	31	48	-34%	64	107	-40%	181
Operating result	-4	-4	-14%	-5	-5	-3%	-29
% of net sales	-13.0	-7.5		-8.0	-4.6		-16.2
Comparable operating result	1	-3	146%	3	-3	176%	-6
% of net sales	4.1	-5.8		4.1	-3.2		-3.1
Personnel, end of period				555	1,098	-49%	737

Financial development

Portfolio Business' **order intake in April–June** decreased by 75% to EUR 14 million (55) compared to the corresponding period in the previous year, due to the divestments of certain business units completed in 2020 and 2021, as well as lower orders in the American Hydro and Water & Waste business units.

Net sales in April–June decreased by 34% to EUR 31 million (48) compared to the corresponding period in the previous year, due to the divestments of certain business units completed in 2020 and 2021. The **comparable operating result** amounted to EUR 1 million (-3) or 4.1% of net sales (-5.8). This was particularly driven by improved profitability in the Water & Waste business unit. Items affecting comparability amounting to EUR 5 million were recognised as a result of divestments.

Order intake in January–June decreased by 28% to EUR 80 million (112) compared to the corresponding period in the previous year. The **order book** at the end of the period decreased by 60% to EUR 135 million (341), mainly due to the exclusion of the order books of divested business units.

Net sales in January–June decreased by 40% to EUR 64 million (107) compared to the corresponding period in the previous year. The **comparable operating result** amounted to EUR 3 million (-3) or 4.1% of net sales (-3.2). Items affecting comparability amounting to EUR 8 million were recognised as a result of divestments.

Divestments

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

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

employees based in Bremen, Germany. Subject to approvals, closing of the transaction is expected in the second half of 2021.

Risks and business uncertainties

The continuing COVID-19 pandemic and the measures taken to contain its spread represent the main short-term risk to business operations and the demand for equipment and services, as it impacts global energy consumption, seaborne trade, as well as consumer confidence in cruise and ferry transportation. Mobility restrictions continue to affect business activities, project delivery schedules, and the ability to perform service activities. Disruptions to global supply chains resulting from new waves of COVID-19 infections may affect the operating environment, including factory activities and the delivery of spare parts and services. Furthermore, market recovery and disruptions to supply chains generate risks in terms of raw material prices and availability. Although vaccinations against COVID-19 are ongoing in many countries, there is still significant uncertainty over the duration of the pandemic and how quickly country level vaccination programmes are implemented on a global scale, especially in developing countries.

In the marine markets, the increasing regulatory pressure towards decarbonisation and the uncertainties around future technologies may affect the investment appetite of ship owners and operators, concerning both newbuilding programmes and the management of existing fleets. The prevailing market conditions may result in continued price pressure and an elevated risk of delivery slippage. In the cruise and ferry segment, extensions of no-sail orders, the limited ability or desire of people to travel, and the escalation of COVID-19 cases in some countries pose significant risks to market recovery. In the offshore industry, crude oil demand development and price volatility are pushing oil majors to reduce their spending, exploration activity, and operational costs, leading to an increasing number of laid-up drilling units and support vessels. The easing of the supply cuts by the oil-producing nations combined with weak demand may limit the recovery of oil prices. As a result, the price spread between high- and low-sulphur fuels may narrow, thereby negatively impacting the scrubber investment case for both the existing fleet and newbuilds. At the same time, low oil prices may widen the price differential between existing fuels and green alternatives. This, combined with uncertainties concerning developments in the regulatory environment and the uptake of new technology, may raise barriers for the decarbonisation of shipping.

In the energy markets, the slowdown in economic activity, currency fluctuations, and potential financing constraints are likely to postpone investment decisions on new power generation capacity. Many developing countries are still struggling with the COVID-19 pandemic, which limits their ability to implement new infrastructure projects. Similarly, the energy transition may temporarily be slowed, as the focus is on containing the virus spread and mitigating its impacts. Agreed and proposed stimulus packages to accelerate renewable energy investments still include uncertainties about the allocation of funding and implementation timelines. However, once stimulus measures are executed, the need for flexibility in power systems will be emphasised. Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Geopolitical tensions and trade barrier implications are also notable challenges to the demand environment. Price pressure resulting from the prevailing competitive environment remains a risk.

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 266,737,179, equivalent to a turnover of EUR 2,565 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 24,267,105 shares.

Shares on Nasdaq Helsinki

30.6.2021	Number of shares outstanding	Number of treasury shares	Total number of shares	Number of shares traded 1–6/2021
WRT1V	590,023,390	1,700,000	591,723,390	266,737,179

1.1.2021-30.6.2021	High	Low	Average*	Close
Share price	12.74	7.78	9.62	12.52

*Trade-weighted average price

	30.6.2021	30.6.2020
Market capitalisation, EUR million	7,405	4,354
Foreign shareholders, %	52.0	50.7

Flagging notifications

During January–June, Wärtsilä was not informed of any changes in ownership.

Decisions taken by the Annual General Meeting

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

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

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

Dividend distribution

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

Remuneration of the Board of Directors

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

- to the Chair EUR 140,000/year
- to the Deputy Chair EUR 105,000/year
- to the ordinary members EUR 70,000/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 20,000 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 5 March 2020 to issue shares.

Organisation of the Board of Directors

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

Audit Committee: Chair Tiina Tuomela, Maarit Aarni-Sirviö, Risto Murto

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

Wärtsilä Half Year Financial Report January-June 2021

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 2020, except for the change in accounting principles and the IFRS amendment 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 pension benefit 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.

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.

Change in accounting principles

Financial assets and liabilities recognised at fair value through other comprehensive income include the effective portion of derivatives eligible for hedge accounting. Financial assets and liabilities measured at fair value through the statement of income includes derivatives that are not eligible for hedge accounting.

Starting as of 1 January 2021, Wärtsilä has revised the accounting principles regarding presentation of the result from derivatives. Gains and losses on derivatives not included in hedge accounting, as well as ineffectiveness arising from hedges included in hedge accounting, are recognised in other operating income, other operating expenses or financial income and expenses depending on where the underlying hedged item is recognised in the statement of income. Wärtsilä continues to recognise the time value of derivatives in financial income and expenses.

The purpose of this change is to align the presentation of the hedging result in the statement of income with the presentation of the hedged item. This change in the accounting principles does not have a significant impact on the consolidated financial statements.

Repurchase of own shares

The Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting repurchase the Company's own shares. The repurchases started on 27 April 2021 and ended on 5 May 2021. Following the repurchases, the Company holds a total of 1,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

Number of shares outstanding on 1 January 2021	591,723,390
Repurchase of own shares on 27 April 2021	-250,000
Repurchase of own shares on 28 April 2021	-290,000
Repurchase of own shares on 29 April 2021	-400,000
Repurchase of own shares on 30 April 2021	-160,000
Repurchase of own shares on 3 May 2021	-200,000
Repurchase of own shares on 4 May 2021	-250,000
Repurchase of own shares on 5 May 2021	-150,000
Number of shares outstanding on 30 June 2021	590,023,390
Weighted average number of shares outstanding during the period	591,144,495

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 276,133 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

Weighted average number of shares outstanding during the period	591,144,495
Weighted average number of dilutive potential ordinary shares during the period	276,133
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	591,420,628

New and amended IFRS standards

In 2021, the Group adopted the following amended standard issued by the IASB.

Covid-19-Related Rent Concessions beyond 30 June 2021 amends IFRS 16 Leases (effective for financial periods beginning on or after 1 April 2021) by extending the validity of the practical expedient introduced already in 2020, which simplified how a lessee accounts for rent concessions that are a direct consequence of the COVID-19 pandemic by one year. The amendment does not have a significant impact on the consolidated financial statements.

In 2022 or later, the Group will adopt the following new or 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 will 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 will 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 are not expected to have a significant impact on the consolidated financial statements.

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.

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 impact is under review within the Group.

* Not yet endorsed for use by the European Union as of 30 June 2021.

This half year financial report is unaudited.

Condensed statement of income

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Net sales	1,131	1,220	2,078	2,390	4,604
Other operating income	11	14	23	21	61
Expenses	-1,043	-1,147	-1,925	-2,233	-4,260
Result from net position hedges			-2		-1
Depreciation, amortisation and impairment	-42	-38	-81	-78	-174
Share of result of associates and joint ventures	1	1	2	2	3
Operating result	58	49	94	101	234
Financial income and expenses	-5	-13	-6	-22	-43
Profit before taxes	53	36	88	79	191
Income taxes	-18	-12	-29	-26	-58
Profit for the reporting period	35	23	59	53	133
Attributable to:					
equity holders of the parent company	37	23	61	53	134
non-controlling interests	-2		-2		-1
	35	23	59	53	133
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (EPS), basic, EUR	0.06	0.04	0.10	0.09	0.23
Earnings per share (EPS), diluted, EUR	0.06	-	0.10	-	-

Statement of other comprehensive income

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Profit for the reporting period	35	23	59	53	133
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		5	-1		6
Tax on items that will not be reclassified to the statement of income		-1			-1
Total items that will not be reclassified to the statement of income		4	-1		5
Items that may be reclassified subsequently to the statement of income					
Exchange rate differences on translating foreign operations					
for equity holders of the parent company	-2	-7	41	-62	-74
for non-controlling interests					-1
transferred to the statement of income					-6
Associates and joint ventures, share of other comprehensive income			1	-2	-2
Cash flow hedges	-4	41	3	-38	3
Tax on items that may be reclassified to the statement of income	1	-9	-1	11	-1
Total items that may be reclassified to the statement of income	-5	25	45	-90	-81
Other comprehensive income for the reporting period, net of taxes	-5	29	44	-90	-76
Total comprehensive income for the reporting period	30	52	103	-37	57
Total comprehensive income attributable to:					
equity holders of the parent company	32	52	105	-37	59
non-controlling interests	-2		-2		-1
	30	52	103	-37	57

Condensed statement of financial position

MEUR	30.6.2021	30.6.2020	31.12.2020
Non-current assets			
Intangible assets	1,751	1,735	1,716
Property, plant and equipment	291	297	282
Right-of-use assets	175	171	162
Investments in associates and joint ventures	26	42	23
Other investments	18	18	19
Deferred tax assets	206	188	183
Other receivables	46	30	42
Total non-current assets	2,512	2,481	2,427
Current assets			
Inventories	1,257	1,328	1,192
Other receivables	1,471	1,822	1,596
Cash and cash equivalents	912	705	919
Total current assets	3,640	3,856	3,706
Assets held for sale	11	103	99
Total assets	6,163	6,440	6,232
Equity			
Share capital	336	336	336
Other equity	1,813	1,739	1,841
Total equity attributable to equity holders of the parent company	2,149	2,075	2,177
Non-controlling interests	8	13	11
Total equity	2,157	2,088	2,188
Non-current liabilities			
Interest-bearing debt	946	1,035	1,129
Deferred tax liabilities	76	76	76
Other liabilities	221	245	246
Total non-current liabilities	1,242	1,356	1,451
Current liabilities			
Interest-bearing debt	221	332	198
Other liabilities	2,538	2,585	2,326
Total current liabilities	2,759	2,916	2,524
Total liabilities	4,002	4,272	3,975
Liabilities directly attributable to assets held for sale	5	80	68
Total equity and liabilities	6,163	6,440	6,232

Condensed statement of cash flows

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Cash flow from operating activities:					
Profit for the reporting period	35	23	59	53	133
Adjustments for:					
depreciation, amortisation and impairment	42	38	81	78	174
financial income and expenses	5	13	6	22	43
gains and losses on sale of intangible assets and property, plant and equipment and other changes	2		2	-1	-9
share of result of associates and joint ventures	-1	-1	-2	-2	-3
income taxes	18	12	29	26	58
other non-cash flow adjustments	1	2	3	4	7
Cash flow before changes in working capital	102	88	179	179	403
Changes in working capital	173	190	200	168	428
Cash flow from operating activities before financial items and taxes	275	279	378	348	832
Financial items and paid taxes	-31	-27	-66	-54	-150
Cash flow from operating activities	245	252	312	293	681
Cash flow from investing activities:					
Investments in shares and acquisitions					-2
Net investments in property, plant and equipment and intangible assets	-32	-26	-61	-50	-102
Proceeds from sale of shares in subsidiaries, associated companies and other investments	12		12		49
Cash flow from investing activities	-21	-26	-50	-50	-55
Cash flow from financing activities:					
Repurchase of own shares	-18		-18		
Proceeds from non-current debt		40		165	317
Repayments and other changes in non-current debt	-165	-27	-203	-53	-76
Changes in current loans and other changes	-3	82	-4	148	1
Dividends paid	-9	-16	-60	-142	-286
Cash flow from financing activities	-195	79	-286	119	-44
Change in cash and cash equivalents, increase (+)/decrease (-)	29	304	-23	362	582
Cash and cash equivalents at the beginning of the reporting period*	886	420	932	369	369
Exchange rate changes	-3	-1	3	-9	-19
Cash and cash equivalents at the end of the reporting period*	912	722	912	722	932

* 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 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

	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 2020	336	61	-114	-11	-55	2,178	14	2,410
Total comprehensive income for the reporting period			-64	-26		53		-37
Dividends paid						-284	-1	-285
Equity on 30 June 2020	336	61	-178	-37	-55	1,947	13	2,088

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 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 Special Products covering power converter products (divestment announced in March 2021), Tank Control Systems, Water & Waste, as well as American Hydro, the hydropower solution and turbine service business.

Portfolio Business also included Entertainment business until the divestment. In April 2021 Wärtsilä divested 100% of the shares in its Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company.

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Net sales					
Marine Power	466	420	892	877	1,748
Marine Systems	150	238	292	472	808
Voyage	68	56	127	125	248
Energy	416	457	703	808	1,620
Portfolio Business	31	48	64	107	181
Total	1,131	1,220	2,078	2,390	4,604
Depreciation, amortisation and impairment					
Marine Power	-18	-18	-37	-36	-68
Marine Systems	-5	-5	-10	-10	-20
Voyage	-6	-6	-11	-13	-27
Energy	-7	-7	-14	-15	-32
Portfolio Business	-6	-2	-9	-4	-28
Total	-42	-38	-81	-78	-174
Share of result of associates and joint ventures					
Marine Power	1	1	1	2	2
Total	1	1	2	2	3
Operating result					
Marine Power	37	21	77	56	134
Marine Systems	12	26	19	44	81
Voyage	-11	-12	-25	-25	-42
Energy	24	18	28	31	91
Portfolio Business	-4	-4	-5	-5	-29
Total	58	49	94	101	234
Operating result as a percentage of net sales (%)					
Marine Power	8.0	5.0	8.6	6.4	7.7

Marine Systems	8.0	11.0	6.7	9.4	10.0
Voyage	-16.7	-21.8	-20.0	-19.6	-17.0
Energy	5.8	3.9	4.1	3.8	5.6
Portfolio Business	-13.0	-7.5	-8.0	-4.6	-16.2
Total	5.1	4.0	4.5	4.2	5.1
Comparable operating result					
Marine Power	44	24	83	60	137
Marine Systems	13	27	21	45	83
Voyage	-11	-12	-24	-23	-41
Energy	24	19	29	32	101
Portfolio Business	1	-3	3	-3	-6
Total	71	55	112	111	275
Comparable operating result as a percentage of net sales (%)					
Marine Power	9.4	5.7	9.4	6.9	7.8
Marine Systems	8.6	11.2	7.1	9.6	10.3
Voyage	-16.3	-20.8	-18.6	-18.7	-16.5
Energy	5.9	4.0	4.1	4.0	6.3
Portfolio Business	4.1	-5.8	4.1	-3.2	-3.1
Total	6.3	4.5	5.4	4.7	6.0

Net sales by geographical areas

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Europe	436	356	753	735	1,542
Asia	331	458	644	872	1,570
The Americas	265	295	494	573	1,077
Other	100	110	187	210	415
Total	1,131	1,220	2,078	2,390	4,604

Service net sales

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Net sales					
Marine Power, service	300	243	583	549	1,096
Marine Systems, service	53	49	92	105	219
Voyage, service	24	19	43	44	85
Energy, service	198	180	389	365	782
Portfolio Business, service	17	18	33	40	74
Total	591	510	1,141	1,103	2,255

Measures of profit and items affecting comparability

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Comparable adjusted EBITA	79	63	128	128	308
Purchase price allocation amortisation	-8	-8	-16	-17	-33
Comparable operating result	71	55	112	111	275
Items affecting comparability:					
Social plan costs	-6	-3	-6	-4	-12
Impairment and write-downs	-4		-6		-22
Profits and losses from disposals	-2		-2		6
Other costs	-2	-3	-4	-6	-14
Items affecting comparability, total	-14	-6	-18	-10	-41
Operating result	58	49	94	101	234

Disposals

In April 2021, Wärtsilä divested 100% of the shares in its Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. The divestment was announced in January 2021.

Entertainment is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution, and announcement systems for cruise vessels and entertainment parks. The annual revenues were approximately EUR 50 million in 2020. The impact of the divestment on the profit for the financial period is not estimated to be significant.

Assets held for sale

Wärtsilä has classified Tank Control business, Wärtsilä EUROATLAS GmbH, and Delivery Centre Santander as assets held for sale. Tank Control business has been classified as assets held for sale since the second quarter of 2020, Wärtsilä EUROATLAS GmbH since the fourth quarter of 2020, and Delivery Centre Santander since the second quarter of 2021.

Classifying Tank Control business as assets held for sale has an impact of approximately EUR -4 million on the profit for the financial period 2021. Tank Control business belongs to Portfolio Business.

In March 2021, Wärtsilä announced the divestment of 100% of the shares in Wärtsilä EUROATLAS GmbH to Mimir, a global investment firm based in Sweden. Wärtsilä EUROATLAS is providing its global customer base tailor-made solutions for high performance power conversion in naval, aviation and mobile land-based applications requiring highest reliability and power density and leading-edge energy efficiency under harsh environmental conditions. Products and services include original design, retrofits, upgrades, maintenance, spare parts, and education. The impact of the classification as assets held for sale on the profit for the financial period 2020 was approximately EUR -6 million. The estimated impact of the divestment on the profit for the financial period 2021 is EUR -2 million. Completion of the transaction is expected in the second half of 2021. Wärtsilä EUROATLAS GmbH belongs to Portfolio Business.

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 2021. Delivery Centre Santander belongs to Marine Power.

All 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

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
Products	265	263	541	536	1,091
Goods and services	130	118	243	262	511
Projects	607	744	1,062	1,374	2,557
Long-term agreements	130	94	232	218	445
Total	1,131	1,220	2,078	2,390	4,604

Timing of satisfying performance obligations

MEUR	4–6/2021	4–6/2020	1–6/2021	1–6/2020	2020
At a point in time	738	853	1,383	1,657	3,150
Over time	393	367	695	733	1,455
Total	1,131	1,220	2,078	2,390	4,604

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	1–6/2021	1–6/2020	2020
Intangible assets			
Carrying amount on 1 January	1,716	1,776	1,776
Changes in exchange rates	31	-44	-49
Acquisitions and disposals	-1		-5
Additions	28	31	61
Amortisation and impairment	-26	-27	-58
Decreases and reclassifications	3	-1	-9
Carrying amount at the end of the reporting period	1,751	1,735	1,716
Property, plant and equipment			
Carrying amount on 1 January	282	307	307
Changes in exchange rates	2	-3	-6
Acquisitions and disposals			-4
Additions	35	22	54
Depreciation and impairment	-25	-27	-57
Decreases and reclassifications	-3	-2	-11
Carrying amount at the end of the reporting period	291	297	282

Leases

MEUR	1–6/2021	1–6/2020	2020
Land and buildings, right-of-use assets			
Carrying amount on 1 January	151	174	174
Changes in exchange rates	1	-4	-6
Acquisitions and disposals	-1		-2
Additions	35	14	29
Depreciation and impairment	-20	-20	-40
Decreases and reclassifications	-2	-3	-6
Carrying amount at the end of the reporting period	164	160	151
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	11	11	11
Additions	4	3	8
Depreciation and impairment	-3	-3	-7
Decreases and reclassifications			-1
Carrying amount at the end of the reporting period	11	10	11

Lease liabilities			
Carrying amount on 1 January	166	188	188
Changes in exchange rates	2	-5	-6
Acquisitions and disposals	-1		-1
Additions	39	17	37
Payments	-23	-22	-45
Other adjustments	-2	-3	-7
Carrying amount at the end of the reporting period	180	175	166

MEUR	1–6/2021	1–6/2020	2020
Amounts recognised in statement of income			
Depreciation and impairment	-23	-24	-47
Interest expenses	-2	-2	-4
Expense – short-term leases	-14	-14	-27
Expense – leases of low-value assets	-3	-2	-4
Expense – variable lease payments	-3	-2	-4

Gross capital expenditure

MEUR	1–6/2021	1–6/2020	2020
Investments in securities and acquisitions			2
Investments in intangible assets and property, plant and equipment	63	54	115
Total	63	54	117

Net interest-bearing debt

MEUR	1–6/2021	1–6/2020	2020
Interest-bearing debt, non-current	806	898	1,005
Lease liabilities, non-current	140	136	124
Interest-bearing debt, current	181	293	156
Lease liabilities, current	40	38	42
Total interest-bearing liabilities	1,167	1,366	1,327
Interest-bearing receivables	-2	-1	-1
Cash and cash equivalents	-912	-705	-919
Cash and cash equivalents pertaining to assets held for sale		-17	-14
Total interest-bearing assets	-914	-723	-933
Total net interest-bearing debt	253	643	394

Financial ratios

	1–6/2021	1–6/2020	2020
Earnings per share (EPS), basic, EUR	0.10	0.09	0.23
Earnings per share (EPS), diluted, EUR	0.10	-	-
Equity per share, EUR	3.64	3.51	3.68
Solvency ratio, %	37.8	35.0	38.1
Gearing	0.12	0.31	0.18
Return on investment (ROI), %	7.1	8.7	7.1
Return on equity (ROE), %	6.6	6.8	5.8

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

Personnel

	1–6/2021	1–6/2020	2020
On average	17,626	18,548	18,307
At the end of the reporting period	17,386	18,334	17,792

Contingent liabilities

MEUR	1–6/2021	1–6/2020	2020
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	13	17	17
Total	23	27	27
Guarantees and contingent liabilities			
on behalf of Group companies	1,006	868	887
Nominal amounts of lease liabilities			
Low-value lease liabilities	8	4	7
Short-term lease liabilities	2	4	3
Leases not yet commenced, but to which Wärtsilä is committed	154	191	191
Total	1,170	1,067	1,088

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	410	
Cross currency swaps	152	
Foreign exchange forward contracts	1,628	734
Total	2,190	734

In addition, the Group had copper futures and swaps amounting to 163 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)	2	2
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	6	6
Financial liabilities		
Interest-bearing debt, non-current (level 2)	946	953
Derivatives (level 2)	23	23

Quarterly figures

MEUR	4–6/ 2021	1–3/ 2021	10–12/ 2020	7–9/ 2020	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019
Order intake									
Marine Power*	463	446	440	410	391	496	656	449	632
Marine Systems*	183	153	133	174	119	113	147	150	198
Voyage*	60	86	55	44	56	107	93	69	72
Energy*	433	493	469	319	390	475	585	260	435
Portfolio Business*	14	66	21	34	55	57	74	51	40
Total	1,154	1,244	1,118	981	1,011	1,247	1,555	979	1,377
Order book at the end of the reporting period**									
Marine Power*	1,860	1,882	1,839	1,908	1,913	1,967	2,019	1,981	1,976
Marine Systems*	912	887	857	872	902	1,051	1,232	1,377	1,471
Voyage*	295	305	275	289	305	304	274	265	252
Energy*	2,035	2,029	1,830	1,865	1,939	2,087	2,014	2,023	2,120
Portfolio Business*	135	297	257	331	341	336	338	336	338
Total	5,238	5,399	5,057	5,265	5,401	5,745	5,878	5,982	6,157
Net sales									
Marine Power*	466	426	489	382	420	457	603	430	447
Marine Systems*	150	142	167	169	238	234	279	244	237
Voyage*	68	59	68	54	56	69	82	60	73
Energy*	416	288	465	347	457	351	648	328	400
Portfolio Business*	31	33	30	43	48	59	71	56	60
Total	1,131	946	1,220	995	1,220	1,170	1,684	1,118	1,217
Share of result of associates and joint ventures	1	1			1	1	-2	-6	-1
Comparable adjusted EBITA	79	49	111	69	63	65	213	49	123
as a percentage of net sales	7.0	5.1	9.1	7.0	5.2	5.6	12.6	4.4	10.1
Depreciation, amortisation and impairment	-42	-39	-49	-47	-38	-39	-39	-58	-42
Purchase price allocation amortisation	-8	-8	-8	-8	-8	-9	-10	-10	-10
Comparable operating result	71	41	103	61	55	56	202	39	113
as a percentage of net sales	6.3	4.3	8.4	6.1	4.5	4.8	12.0	3.5	9.3
Items affecting comparability, total	-14	-4	-13	-18	-6	-4	-39	-28	-17
Operating result	58	36	90	43	49	52	164	11	96
as a percentage of net sales	5.1	3.8	7.4	4.3	4.0	4.5	9.7	1.0	7.9

Financial income and expenses	-5	-1	-12	-9	-13	-9	-11	-11	-13
Profit before taxes	53	35	78	34	36	43	153		83
Income taxes	-18	-11	-23	-9	-12	-14	-51	-5	-21
Profit for the reporting period	35	24	55	25	23	29	102	-5	62
Earnings per share (EPS), basic, EUR	0.06	0.04	0.10	0.04	0.04	0.05	0.17	-0.01	0.11
Earnings per share (EPS), diluted, EUR	0.06	-	-	-	-	-	-	-	-
Gross capital expenditure	34	29	38	25	27	27	44	24	32
Investments in securities and acquisitions			1	1			2		4
Cash flow from operating activities	245	67	274	114	252	42	295	-61	-37
Working capital (WCAP) at the end of the reporting period	73	243	257	431	492	660	732	870	784
Personnel at the end of the reporting period***									
Marine Power*	8,131	8,317	8,355	8,412	8,674	8,934	8,820	8,962	9,005
Marine Systems*	1,882	1,864	1,897	1,891	1,846	1,862	1,870	1,828	1,887
Voyage*	1,865	1,925	1,915	1,946	1,917	1,939	1,889	1,875	1,849
Energy*	4,953	4,905	4,888	4,837	4,799	4,819	5,137	5,295	5,449
Portfolio Business*	555	732	737	1,097	1,098	1,088	1,080	1,058	1,050
Total	17,386	17,742	17,792	18,183	18,334	18,642	18,795	19,018	19,239

* The segment related comparison figures for 2019 and 1–3/2020 have been restated to reflect the current organisational structure.

** During 2019, Wärtsilä implemented stricter requirements for the booking of new orders, which resulted in certain projects being removed from the Energy Business' order book. The order book for the first three quarters of 2019 has been adjusted to reflect this change.

*** The comparison figures have been adjusted to reflect the business unit composition of the Portfolio Business and a change in allocation principles.

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

Profit for the reporting period attributable to equity holders of the parent company

Number of shares outstanding, average over the reporting period

Earnings per share (EPS), diluted

Profit for the reporting period attributable to equity holders of the parent company

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

Total of non-current and current interest-bearing debt + total of non-current and current lease liabilities – interest-bearing receivables – cash and cash equivalents

Equity per share

Equity attributable to equity holders of the parent company

Number of shares outstanding at the end of the reporting period

Solvency ratio

Equity

Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

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)

19 July 2021
Wärtsilä Corporation
Board of Directors