



Wärtsilä Corporation

Half year financial report

January – June 2020

Stable net sales and strong cash flow, while COVID-19 impact and mix weakened profitability

Highlights of April–June 2020

- Order intake decreased by 27% to EUR 1,011 million (1,377)
- Net sales was stable at EUR 1,220 million (1,217)
- Book-to-bill amounted to 0.83 (1.13)
- Comparable operating result decreased by 51% to EUR 55 million (113), which represents 4.5% of net sales (9.3)
- Earnings per share decreased to 0.04 euro (0.11)
- Cash flow from operating activities increased to EUR 252 million (-37)

Highlights of January–June 2020

- Order intake decreased by 19% to EUR 2,259 million (2,793)
- Order book at the end of the period decreased by 12% to EUR 5,401 million (6,157)
- Net sales increased by 1% to EUR 2,390 million (2,368)
- Book-to-bill amounted to 0.95 (1.18)
- Comparable operating result decreased by 48% to EUR 111 million (215), which represents 4.7% of net sales (9.1)
- Earnings per share decreased to 0.09 euro (0.21)
- Cash flow from operating activities increased to EUR 293 million (-2)

Wärtsilä's prospects

The markets in which Wärtsilä operates are being affected by the coronavirus (COVID-19) outbreak and the measures taken to contain the global pandemic. This will materially impact the demand for Wärtsilä's solutions and services, as well as the company's financial performance in 2020. The full financial impact cannot be quantified at this time, as it will depend on the duration and severity of the measures taken to contain the virus spread, and the pace of the eventual market recovery in different geographies. Consequently, Wärtsilä withdrew its market outlook for 2020 on 31 March 2020 pending an improvement in visibility.

Jaakko Eskola, President & CEO

"The adverse impact of COVID-19 on both our own operations and those of our customers increased during the second quarter. This was clearly visible in the decrease in orders received across all businesses. The decline in demand was especially strong in the cruise industry, as travel bans and other mitigation measures have kept most passenger vessels idle for the past few months. Customer interest in scrubber investments was another area of weakness, due to the turmoil in global oil markets. In the Energy business, customers remained hesitant to commit to new investments. With this in mind, the order to supply a 200 MW flexible baseload power plant to South America showed that progress can be made, even in exceptional circumstances. Service activity was negatively affected in our businesses by the lower utilisation of installations, as well as by virus containment measures.

Given this difficult back-drop, second quarter net sales held up reasonably well. This was mainly thanks to increased equipment deliveries, which offset the volume decline in services. The resulting sales mix weakened our profitability, as did COVID-19 driven cost inflation, lower than normal capacity utilisation in our European factories, and the ongoing limited mobility of field service personnel despite some recent easing of travel restrictions. While visibility remains low, it is clear that the effects of the pandemic on our financial performance this year will be material. The short-term cost saving initiatives announced in the first quarter to moderate these effects have progressed according

to plan. In the second quarter, we realised the first savings, both from reduced discretionary spending and worktime reductions.

The highlight of the quarter was clearly the strong development in cash flow. I'm pleased to see that our efforts to decrease credit risk by intensifying receivables collection has paid off. Strengthening our liquidity reserves has also been a priority. During the second quarter, we extended and expanded our revolving credit facilities, and initiated arrangements for additional two-year term loans.

In addition to securing our financial position, we have taken extraordinary precautions to secure the health and safety of our people and focused on developing commercial solutions to support our customers in overcoming the COVID-19 related business disruption. One example of such a solution is Wärtsilä Energy Transition Lab, a platform that helps accelerate the energy transition by providing a better understanding of COVID-19 implications for electricity generation, demand, and pricing. Another example is the recently introduced Assured Operations remote support service, which enables technical experts to assess and resolve operational issues via a remote connection between vessels and Wärtsilä's Expertise Centres.

Mitigating the COVID-19 related near-term business disruptions has naturally been high on our agenda. However, positioning ourselves for the eventual market recovery is of equal importance. Our new organisational structure, which became operational at the beginning of July, is central in this context. Our business areas are today in very different development phases and thus require different strategies for creating long-term value. Marine Power, Marine Systems, and Energy will continue to focus on driving performance by strengthening their lifecycle offerings. Voyage, on the other hand, still needs investments in R&D, sales, and marketing to scale the digital business and to create a basis for sustainable, profitable growth. Thanks to its unique offering, and with the maritime industry's increasing interest in utilising data to optimise performance, I am confident that Voyage will eventually play a key role in Wärtsilä reaching its long-term financial targets."

Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	1,011	1,377	-27%	2,259	2,793	-19%	5,327
of which services	486	623	-22%	1,120	1,277	-12%	2,683
Order book, end of period				5,401	6,157	-12%	5,878
Net sales	1,220	1,217	0%	2,390	2,368	1%	5,170
of which services	510	613	-17%	1,103	1,186	-7%	2,505
Book-to-bill	0.83	1.13		0.95	1.18		1.03
Operating result	49	96	-49%	101	187	-46%	362
% of net sales	4.0	7.9		4.2	7.9		7.0
Comparable operating result	55	113	-51%	111	215	-48%	457
% of net sales	4.5	9.3		4.7	9.1		8.8
Comparable adjusted EBITA*	63	123	-49%	128	236	-46%	498
% of net sales	5.2	10.1		5.4	10.0		9.6
Profit before taxes	36	83	-57%	79	162	-51%	315
Earnings/share, EUR	0.04	0.11		0.09	0.21		0.37
Cash flow from operating activities	252	-37		293	-2		232
Net interest-bearing debt, end of period				643	746		726
Gross capital expenditure				54	54		122
Gearing				0.31	0.33		0.30
Solvency, %				35.0	40.5		40.8
Personnel, end of period				18,334	19,239	-5%	18,795

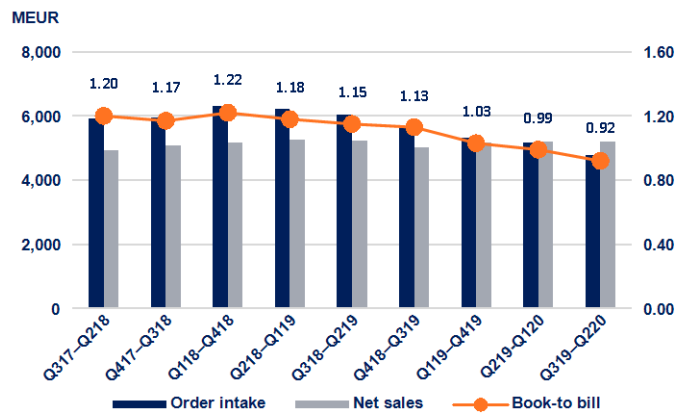
*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

Wärtsilä's financial information for the first quarter of 2020 and full year 2019 has been adjusted to reflect the group's new reporting structure. As of the second quarter of 2020, Marine Power, Marine Systems, Voyage, and Energy constitute the reportable segments of the group, while Portfolio Business continues to be reported as other business activities. This restatement has no impact on the group's total financial figures.

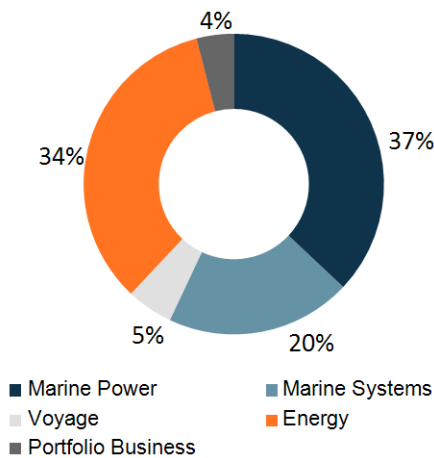
As published in the Interim report January-March 2020, order book figures for 2019 have been restated due to the stricter requirements for booking new orders, and personnel comparison figures for 2019 have been adjusted to correctly reflect the business line composition of the Portfolio Business and a change in allocation principles. The tables in this report reflect both changes.

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

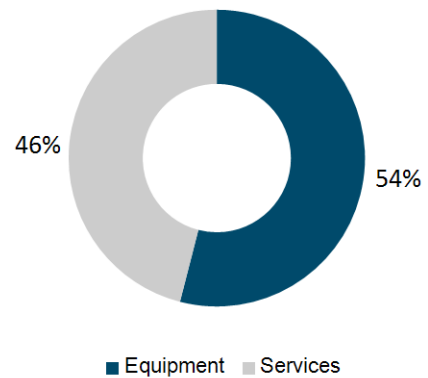
Book-to-bill, 12 months rolling



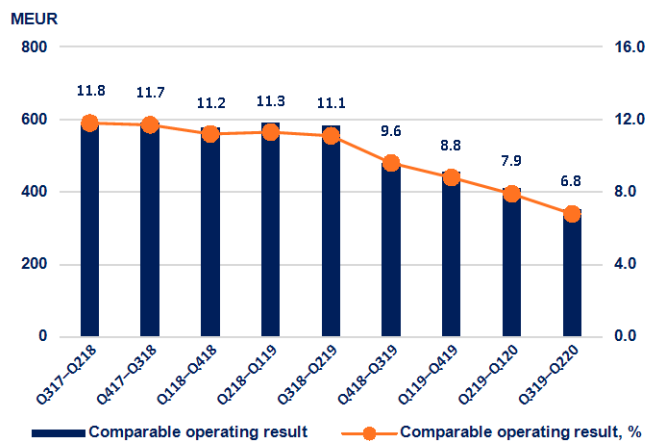
Net sales by business area, January–June



Net sales by business type, January–June



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

The COVID-19 pandemic and its long-term economic implications have caused significant disruptions in the maritime industry. Vessel contracting declined to 312 registered contracts in the first six months of the year (420 in the corresponding period last year, excluding late contracting), reflecting uncertainty in the newbuild markets. In the service markets, the decline in fleet utilisation and mobility restrictions have reduced spare part consumption and maintenance activities across several vessel segments.

The cruise and ferry segment has been severely impacted by reduced sailings and temporary vessel lay-ups, as travel bans and other mitigation measures have kept most passenger vessels idle throughout the second quarter. The negative impact of COVID-19 on the power generation market weighed on gas demand. Orders for LNG carriers slowed and freight rates softened due to low LNG prices and surplus vessel capacity in the spot market. Nevertheless, Qatar Petroleum recently announced an agreement to reserve capacity at Korean shipyards for the construction of more than 100 LNG carriers by 2027. In the containership segment, newbuild investments were affected by a weakening trade outlook and supply chain disruptions, while reduced consumer activity increased the number of vessels laying idle. The operating environment for oil and product tankers was mixed in the second quarter. While the increased number of vessels being used for floating storage boosted freight rates temporarily, the sharp decrease in oil demand caused tanker contracting to decline. The collapse in oil prices resulted in the postponement and cancellation of offshore related investments, as well as a notably negative impact on earnings and utilisation levels in the offshore drilling and offshore support vessel segments.

The price spread between low sulphur and high sulphur fuels stagnated at just above USD 60 per metric tonne in the second quarter as a result of the turmoil in global oil markets caused by the COVID-19 pandemic. This has substantially prolonged the payback time for scrubber technology investments and has led to decreased demand, particularly for retrofit installations. Demand for newbuild scrubbers has also been subdued due to the low order level of new vessels.

Governments worldwide have announced relief packages to respond to the economic distress caused by the COVID-19 pandemic. In many cases, the packages are linked to the development of greener infrastructures. This is anticipated to incentivise the decarbonisation of the maritime sector, and increase interest in alternative fuels, electric and hybrid-battery propulsion, as well as in digital solutions across the industry.

Energy

The COVID-19 pandemic and the resulting slowdown of economic activity negatively impacted global liquid and gas fuelled power plant markets, as well as the energy storage business, in the second quarter of 2020. Mobility restrictions are creating disruptions and increasing costs throughout the business, from sales and sourcing to deliveries and lifecycle services, despite the recent easing of restrictions in certain countries. Furthermore, the decrease in power demand has had a negative impact on the operating hours of power plants, despite costs decreasing because of lower oil and gas prices. In the emerging markets, weakening currencies are contributing to investments in new capacity additions being postponed. The energy transition is expected to slow temporarily as a result of delays in project deliveries and investment decisions, cheaper fossil fuels, as well as the continued focus on containing the virus spread and mitigating the business impact. However, decreasing power demand, combined with higher levels of renewable energy, is highlighting the increased need for flexibility in power systems. The allocation of financial stimulus packages by governments and monetary institutions to the energy sector will further support investments in green energy.

Wärtsilä's market share in the up to 500 MW market segment decreased slightly to 8% (9), while global orders for natural gas and liquid power plants increased by 1% to 17.8 GW during the twelve-month period ending in March

2020 (17.6 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

Uncertainty related to the COVID-19 pandemic and its long-term implications weakened demand in most business areas during the review period. Wärtsilä's **order intake in April–June** decreased by 27% to EUR 1,011 million (1,377) compared to the corresponding period in the previous year. Book-to-bill was 0.83 (1.13). Service order intake decreased by 22% to EUR 486 million (623), while equipment order intake decreased by 30% to EUR 526 million (754).

Order intake in January–June decreased by 19% to EUR 2,259 million (2,793) compared to the corresponding period in the previous year. Book-to-bill was 0.95 (1.18). Service order intake decreased by 12% to EUR 1,120 million (1,277), while equipment order intake decreased by 25% to EUR 1,139 million (1,516).

Order book at the end of the period decreased by 12% to EUR 5,401 million (6,157). Cancellations during the period were largely in line with normal, low levels. Wärtsilä has implemented stricter requirements for the inclusion of new and existing projects in the order book. This has resulted in orders amounting to approximately EUR 270 million being removed from the order book during January–June, primarily due to lack of progress or milestone payments not being received, as well as some cancellations. Of the total amount, EUR 125 million was removed in the second quarter. Wärtsilä's current order book for 2020 deliveries is EUR 2,165 million (2,613), comprised mainly of equipment deliveries.

Order intake and order book by reporting segment

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	1,011	1,377	-27%	2,259	2,793	-19%	5,327
Marine Power	391	632	-38%	887	1,141	-22%	2,247
Marine Systems	119	198	-40%	232	457	-49%	754
Voyage	56	72	-23%	162	148	10%	310
Energy	390	435	-10%	865	924	-6%	1,769
Portfolio Business	55	40	40%	112	123	-9%	248
Order book, end of period				5,401	6,157	-12%	5,878
Marine Power				1,913	1,976	-3%	2,019
Marine Systems				902	1,471	-39%	1,232
Voyage				305	252	21%	274
Energy				1,939	2,120	-9%	2,014
Portfolio Business				341	338	1%	338

Net sales and operating result

Wärtsilä's **net sales in April–June** was stable at EUR 1,220 million (1,217) compared to the corresponding period in the previous year. Service net sales decreased by 17% to EUR 510 million (613) due to the lower utilisation of installations and virus containment measures. Equipment net sales increased by 18% to EUR 710 million (604) thanks to higher deliveries in the Energy and Marine Power businesses, as well as higher scrubber volumes in Marine Systems.

The **operating result in April–June** amounted to EUR 49 million (96) or 4.0% of net sales (7.9). The result was burdened by the decline in service volumes, COVID-19 impacts, and weaker fixed cost absorption. The comparable operating result was EUR 55 million (113) or 4.5% of net sales (9.3). Items affecting comparability comprised costs related to restructuring programmes of EUR 6 million (17). The comparable adjusted EBITA was EUR 63 million (123) or 5.2% of net sales (10.1). Purchase price allocation amortisation amounted to EUR 8 million (10).

Net sales in January–June increased by 1% to EUR 2,390 million (2,368) compared to the corresponding period in

the previous year. Service net sales decreased by 7% to EUR 1,103 million (1,186). Equipment net sales increased by 9% to EUR 1,287 million (1,182). Of Wärtsilä's net sales, approximately 62% was EUR denominated and 23% USD denominated, with the remainder being split between several currencies.

The **operating result in January–June** amounted to EUR 101 million (187) or 4.2% of net sales (7.9). The comparable operating result totalled EUR 111 million (215) or 4.7% of net sales (9.1). Items affecting comparability comprised costs related to restructuring programmes of EUR 10 million (28). The comparable adjusted EBITA amounted to EUR 128 million (236) or 5.4% of net sales (10.0). Purchase price allocation amortisation amounted to EUR 17 million (21).

Financial items amounted to EUR -22 million (-25) in January–June. Net interest totalled EUR -5 million (-6). Profit before taxes amounted to EUR 79 million (162). Taxes amounted to EUR 26 million (40), implying an effective tax rate of 33.2% (24.9). Profit for the financial period amounted to EUR 53 million (121). Earnings per share totalled 0.09 euro (0.21). Return on investments (ROI) was 8.7% (17.2), while return on equity (ROE) was 6.8% (16.7).

Net sales and operating result by reporting segment

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Net sales	1,220	1,217	0%	2,390	2,368	1%	5,170
Marine Power	420	447	-6%	877	889	-1%	1,923
Marine Systems	238	237	1%	472	429	10%	952
Voyage	56	73	-23%	125	138	-9%	280
Energy	457	400	14%	808	803	1%	1,779
Portfolio Business	48	60	-21%	107	109	-2%	236
Operating result	49	96	-49%	101	187	-46%	362
Marine Power	21	52	-60%	56	105	-47%	221
Marine Systems	26	20	31%	44	32	37%	53
Voyage	-12	-11	-12%	-25	-20	-26%	-37
Energy	18	37	-52%	31	77	-60%	131
Portfolio Business	-4	-2	-71%	-5	-8	38%	-7
Operating result, % of net sales	4.0	7.9		4.2	7.9		7.0
Marine Power	5.0	11.7		6.4	11.9		11.5
Marine Systems	11.0	8.4		9.4	7.5		5.6
Voyage	-21.8	-15.1		-19.6	-14.2		-13.3
Energy	3.9	9.2		3.8	9.6		7.4
Portfolio Business	-7.5	-3.5		-4.6	-7.4		-2.8
Comparable operating result	55	113	-51%	111	215	-48%	457
Marine Power	24	62	-61%	60	117	-48%	273
Marine Systems	27	23	16%	45	36	26%	60
Voyage	-12	-9	-26%	-23	-16	-47%	-31
Energy	19	38	-52%	32	81	-60%	155
Portfolio Business	-3	-1	-204%	-3	-3	2%	0
Comparable operating result, % of net sales	4.5	9.3		4.7	9.1		8.8
Marine Power	5.7	13.8		6.9	13.2		14.2
Marine Systems	11.2	9.7		9.6	8.4		6.3
Voyage	-20.8	-12.8		-18.7	-11.6		-11.2
Energy	4.0	9.6		4.0	10.1		8.7
Portfolio Business	-5.8	-1.5		-3.2	-3.1		0.1

Net sales bridge

MEUR	4–6/2020	1–6/2020
2019	1,217	2,368
Organic	2%	2%
Acquisitions and divestments	0%	0%
FX impact	-2%	-1%
2020	1,220	2,390

Financing and cash flow

Wärtsilä's cash flow from operating activities in April–June amounted to EUR 252 million (-37). In January–June, cash flow from operating activities totalled EUR 293 million (-2). The increase in cash flow is related to the improved working capital, which totalled EUR 492 million at the end of the period (732 at the end of 2019). The improvement in working capital was driven by efforts to decrease credit risk by strengthening receivables collection. Advances received totalled EUR 429 million (452 at the end of 2019). Additionally, EUR 43 million of advances pertained to assets held for sale.

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 705 million (369 at the end of 2019). Additionally, EUR 17 million of cash and cash equivalents pertained to assets held for sale. Unutilised committed credit facilities totalled EUR 660 million (640 at the end of 2019). During the second quarter, Wärtsilä extended its revolving credit facilities with maturity dates in 2020 until the end of 2021. At the same time, the total amount of these facilities was increased by EUR 20 million.

Wärtsilä had interest-bearing debt totalling EUR 1,366 million at the end of the period (1,096 at the end of 2019). The total amount of short-term debt maturing within the next 12 months was EUR 332 million. Long-term loans amounted to EUR 1,035 million. Wärtsilä has initiated arrangements for additional two-year term loans to further strengthen liquidity reserves in response to the COVID-19 pandemic. During the second quarter, loans amounting to EUR 80 million were signed, of which EUR 40 million has already been disbursed.

Net interest-bearing debt totalled EUR 643 million (726 at the end of 2019). Gearing was 0.31 (0.30 at the end of 2019), while solvency ratio was 35.0% (40.8 at the end of 2019). Equity per share was 3.51 euro (4.05 at the end of 2019).

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Cash flow from operating activities	252	-37	293	-2	232
Working capital			492	784	732
Net interest-bearing debt, end of period			643	746	726
Gearing			0.31	0.33	0.30
Solvency, %			35.0	40.5	40.8
Equity/share, EUR			3.51	3.84	4.05

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 54 million (51) in January–June. Wärtsilä had no capital expenditure related to acquisitions during the review period. In the corresponding period of the previous year, such investments amounted to EUR 3 million. Depreciation, amortisation, and impairment amounted to EUR 78 million (83).

In 2020, capital expenditure related to intangible assets and property, plant, and equipment is expected to be below depreciation, amortisation, and impairment.

Innovations, research, and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Developing the use of alternative, commercially viable, and environmentally friendly fuels for future solutions is a key focus area of research and development, as is improving the efficiency, sustainability, and safety of customer operations through the increased use of digital solutions. Investments in R&D are central to securing Wärtsilä's future positioning, and will continue despite the prevailing market uncertainty.

Marine

In April, Wärtsilä launched its global Smart Support Centre service, which delivers operational support via virtual service engineers. The service is designed to maintain all Wärtsilä Voyage equipment, including ship handling solutions, such as ECDIS and charts, simulation and training systems, and ship traffic control solutions. The service is a notable extension to Wärtsilä's extensive remote monitoring and support capabilities covering other areas of the company's total offering. The Smart Support Centre remotely manages the health of systems, proactively warns if anything is deteriorating, makes software updates, and assists system users in all operative questions with fast response times. The service has been extensively tested with Danish shipping company J. Lauritzen AS.

In May, Wärtsilä launched its FuelFlex Injection Control Unit (ICU) upgrade solution to meet the requirements of operating RT-flex type two-stroke diesel engines with both residual and low-viscosity marine fuels. This is particularly relevant in view of the industry's increasing use of low-sulphur-content fuels in order to be compliant with sulphur emission regulations. The new FuelFlex ICU provides better resistance against leakage, while maintaining the designed service life expectancy of the component.

In June, Wärtsilä introduced its Assured Operations remote support service for Wärtsilä 4-stroke and 2-stroke engine customers. With the COVID-19 pandemic severely restricting global travel, access to normal field service expertise is limited. Wärtsilä Assured Operations overcomes this dilemma by enabling technical experts to assess and resolve operational issues via a remote connection between customer vessels and Wärtsilä's Expertise Centres. Wärtsilä Assured Operations is available around-the-clock and can be mobilised in less than 24 hours. Support is delivered via chat, video, and audio collaboration tools, and can be provided using a smartphone, tablet, or computer with a remote support application. This development shows Wärtsilä's commitment to serve customers even during a pandemic and marks another milestone in the exploration of what is possible in terms of remote assistance.

In June, Wärtsilä, in close cooperation with Knutsen OAS Shipping AS, Repsol, and Sustainable Energy Catapult Centre, initiated the world's first long-term, full-scale testing of ammonia as a fuel in a marine four-stroke combustion engine. The testing is supported by a NOK 20 million grant from the Norwegian Research Council through the DEMO 2000 programme. Wärtsilä's first ammonia combustion tests were commenced in Vaasa, Finland in winter 2020, and long-term testing will continue at the Sustainable Energy Catapult Centre facilities in Stord, Norway.

Energy

In April, Wärtsilä launched Wärtsilä Energy Transition Lab, an open-data platform for the energy industry to understand the impact of COVID-19 and help accelerate the energy transition. The tool provides detailed data on

electricity generation, demand, and pricing for the EU countries and the UK. It allows users to model how systems could operate in the future with more renewables, helping to pinpoint problem areas and highlighting where to focus policies and investments. Also in April, Wärtsilä's highly efficient 12 MWe Wärtsilä 31SG gas-fuelled generating set was awarded type certification by the classification society DNV GL. This is globally the largest synchronous generating set of this technology to have been awarded the unit certificate after full-scale testing. The certification verifies the design and engineering standards as being in full compliance with Germany's grid code requirements, the first country in Europe to have implemented guidelines for grid code compliance, although other countries have already or are in the process of requiring similar compliance.

In May, Wärtsilä announced that it is developing the combustion process in its gas engines to enable them to burn 100% hydrogen fuel. Wärtsilä has researched hydrogen as a fuel for 20 years, and has tested its engines with blends of up to 60% hydrogen and 40% natural gas. This development is part of the company's strategy to future-proof its engine technology in line with the global trend towards decarbonisation of the energy and marine markets. In addition to hydrogen, other potential renewable fuels are being studied for future applications. Wärtsilä engines are already capable of combusting 100% synthetic carbon-neutral methane and methanol.

Second quarter developments in the area of Power-to-X included funding granted by Business Finland for the X-Ahead project, as well as an agreement with Vantaa Energy Ltd. regarding a joint concept feasibility study for a power-to-gas facility at Vantaa Energy's waste-to-energy plant in the city of Vantaa. The X-Ahead project aims at developing deep expertise in both the technical and business potential of Power-to-X, which will be used to promote a carbon-neutral economy in Finland. It will also act as a base for defining Wärtsilä's role in this field as part of the global transition to carbon-neutral solutions. Vantaa Energy's power-to-gas facility would produce carbon-neutral synthetic biogas using carbon dioxide emissions and electricity generated at the waste-to-energy plant. The purpose of the joint study is to confirm the optimal size of the project and the cost of synthetic biogas for district heating, as well as to understand the boundary conditions for project feasibility.

Strategic projects

In June, Wärtsilä joined a global consortium to develop the Mayflower Autonomous ship project, which will enable the world's first fully autonomous, unmanned vessel to cross the Atlantic. Wärtsilä will equip the ship with the Wärtsilä RS24 system, a ground-breaking high-speed, high-resolution FMCW K-Band radar designed to provide optimised levels of situational awareness, especially in densely populated marine environments. Wärtsilä also joined ING Bank, Engie, and the Port of Rotterdam Authority to form Zero Emission Services B.V. (ZES), an enterprise aimed at making inland waterway shipping more sustainable. The concept is based on the use of replaceable battery containers charged with renewable energy. It will be utilised by the Heineken beer company and is supported by the Dutch Ministry of Infrastructure and Water Management.

Capacity adjustments

In March, Wärtsilä announced that proactive steps will be taken to minimise the negative business impact of the COVID-19 pandemic and the measures initiated to contain it. These include reducing working hours and initiating temporary layoffs, as well as streamlining hiring and minimising the use of external personnel and consultants. Discretionary spending is also reduced, and non-critical development projects are being postponed. Decisions on temporary cost reduction actions have been taken in key countries, and are being executed where applicable. Wärtsilä expects these measures to generate temporary cost savings in the range of EUR 100 million, of which approximately EUR 30 million was recognised in the second quarter. The market situation will be continuously monitored and further actions taken as needed.

Personnel

Wärtsilä had 18,334 (19,239) employees at the end of the period. On average, the number of personnel totalled 18,548 (19,193) in January–June.

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 42% (41) elsewhere in Europe. Personnel employed in Asia represented 23% (24) of the total, personnel in the Americas 10% (11), and personnel in other countries 4% (4).

Personnel by reporting segment

MEUR	30.6.2020	30.6.2019	Change	31.12.2019
Personnel	18,334	19,239	-5%	18,795
Marine Power	8,674	9,005	-4%	8,820
Marine Systems	1,846	1,887	-2%	1,870
Voyage	1,917	1,849	4%	1,889
Energy	4,799	5,449	-12%	5,137
Portfolio Business	1,098	1,050	5%	1,080

Changes in management

The below changes in Wärtsilä's Board of Management took place in January–June:

Following the announcement that Wärtsilä's Marine Business would be reorganised into three independent businesses to accelerate strategy execution and simplify the business structure, Roger Holm (b. 1972, M.Sc. Economics), previously the President of Wärtsilä Marine Business and Executive Vice President, was appointed President of Wärtsilä Marine Power and Executive Vice President, Tamara de Gruyter (b. 1972, B.Sc. Shipbuilding Engineering) was appointed President of Wärtsilä Marine Systems and Executive Vice President, and Sean Fernback (b. 1963, Dipl. Electronics Engineering) was appointed President of Wärtsilä Voyage and Executive Vice President.

In June, Wärtsilä announced Mr Marco Wirén's, President of Wärtsilä Energy and Executive Vice President, decision to leave Wärtsilä for a position outside the Group by 1 September 2020. After the review period, Wärtsilä announced in July that Sushil Purohit (b. 1972, B.Sc. (Eng.), MBA) will replace Mr Wirén as the President of Wärtsilä Energy and a member of the Board of Management of Wärtsilä Corporation, effective 3 August 2020.

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, and to support its customers 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, a 22.7 MW flexible gas power plant delivered by Wärtsilä to Benndale, Mississippi, USA commenced commercial operations. The new plant will provide flexible power generation for Cooperative Energy to extend their use of renewable energy. The plant has two highly efficient Wärtsilä 31SG gas engines as prime movers. With the fast-starting, flexible engines it is able to rapidly respond to continuously changing load patterns, which is necessary in systems with inherently intermittent solar and wind energy. Wärtsilä was also awarded a contract to design and equip two new zero-emission ferries to be built for the Norwegian operator Boreal Sjö at Holland Shipyards in the Netherlands. These battery-powered ferries represent the future in environmental sustainability, and their design is

the result of the years of R&D efforts that Wärtsilä has invested in smart marine solutions to lower the carbon footprint of shipping.

In May, MSCI ESG Research LLC completed their annual update of the ESG (Environmental, Social and Governance) Ratings report on Wärtsilä, resulting in Wärtsilä receiving an “AAA” rating, which includes the top 6% of companies. This is yet another external recognition of Wärtsilä’s continuous work on sustainability across multiple fronts, supporting its purpose of enabling sustainable societies with smart technology.

In June, Wärtsilä’s Aquarius EC ballast water management system (BWMS) was granted compliance with the IMO’s Resolution MEPC.300(72) for the Approval of Ballast Water Management Systems (BWMS Code) on behalf of the Norwegian Maritime Authority. Compliance with the IMO Resolution, which is otherwise known as the Revised G8, is important for ship owners globally. All vessels installing a BWMS as of 28 October 2020 will need to comply with the international BWMS Code. Wärtsilä’s Aquarius UV BWMS was awarded the certificate already in March.

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, OMX GES Sustainability Finland Index, and STOXX Global ESG Leaders Index.

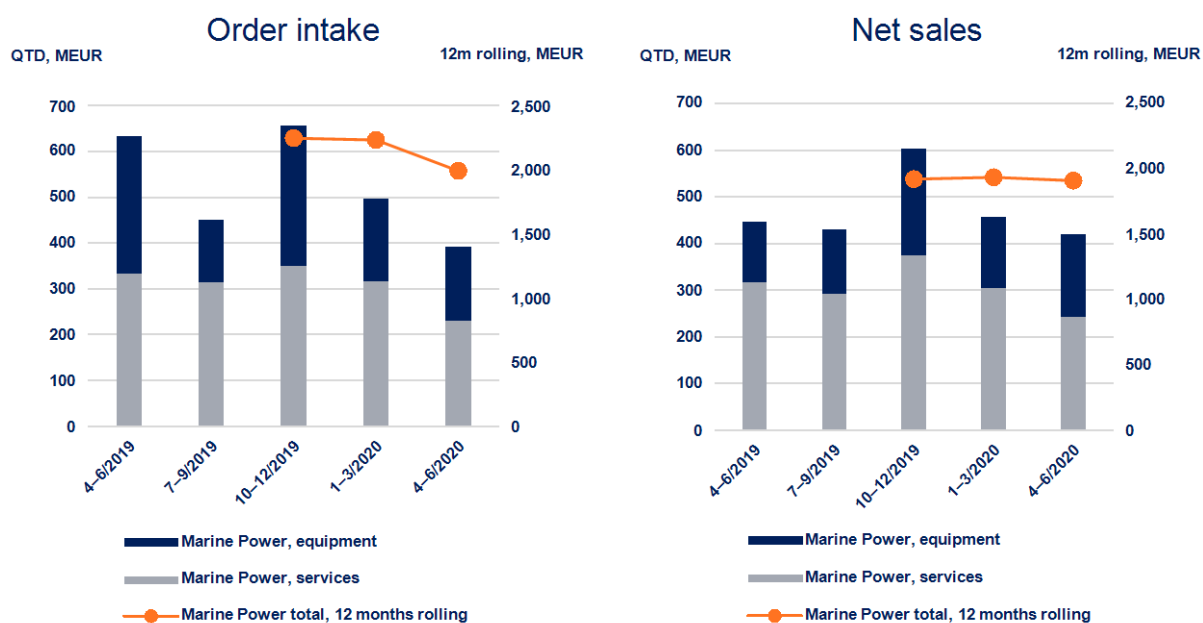
Reporting segment: Wärtsilä Marine Power

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.

- Ordering activity was under pressure due to idling of fleet as well as customers adjusting capital and operating expenditures to prevailing market conditions.
- Profitability weakened primarily due to an unfavourable sales mix, as COVID-19 caused service activity to decline. Weaker fixed cost absorption was also a headwind.

Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	391	632	-38%	887	1,141	-22%	2,247
of which services	231	333	-30%	548	652	-16%	1,315
Order book, end of period				1,913	1,976	-3%	2,019
Net sales	420	447	-6%	877	889	-1%	1,923
of which services	243	317	-23%	549	613	-10%	1,279
Book-to-bill	0.93	1.42		1.01	1.28		1.17
Operating result	21	52	-60%	56	105	-47%	221
% of net sales	5.0	11.7		6.4	11.9		11.5
Comparable operating result	24	62	-61%	60	117	-48%	273
% of net sales	5.7	13.8		6.9	13.2		14.2
Personnel, end of period				8,674	9,005	-4%	8,820



Financial development

Marine Power's **order intake in April–June** decreased by 38% to EUR 391 million (632) compared to the corresponding period in the previous year. Ordering activity weakened in many marine markets, with the largest decline seen in the cruise segment. Book-to-bill was 0.93 (1.42). Service order intake decreased by 30% to EUR 231 million (333), while equipment order intake decreased by 47% to EUR 160 million (300). Equipment orders received included a contract to supply engines, propulsion solutions, and a bridge control system to a high speed ferry being built for Molslinjen.

Net sales in April–June decreased by 6% to EUR 420 million (447) compared to the corresponding period in the previous year. Service net sales decreased by 23% to EUR 243 million (317), while equipment net sales increased by 37% to EUR 177 million (129). The **comparable operating result** amounted to EUR 24 million (62) or 5.7% of net sales (13.8).

Order intake in January–June decreased by 22% to EUR 887 million (1,141) compared to the corresponding period in the previous year. Book-to-bill was 1.01 (1.28). Service order intake decreased by 16% to EUR 548 million (652), while equipment order intake decreased by 31% to EUR 339 million (489). The **order book** at the end of the period decreased by 3% to EUR 1,913 million (1,976).

Net sales in January–June decreased by 1% to EUR 877 million (889) compared to the corresponding period in the previous year. Service net sales decreased by 10% to EUR 549 million (613), while equipment net sales increased by 19% to EUR 329 million (277). The **comparable operating result** amounted to EUR 60 million (117) or 6.9% of net sales (13.2). The result was burdened by the COVID-19 related decline in the service business, as well as by weaker absorption of fixed costs and lower utilisation.

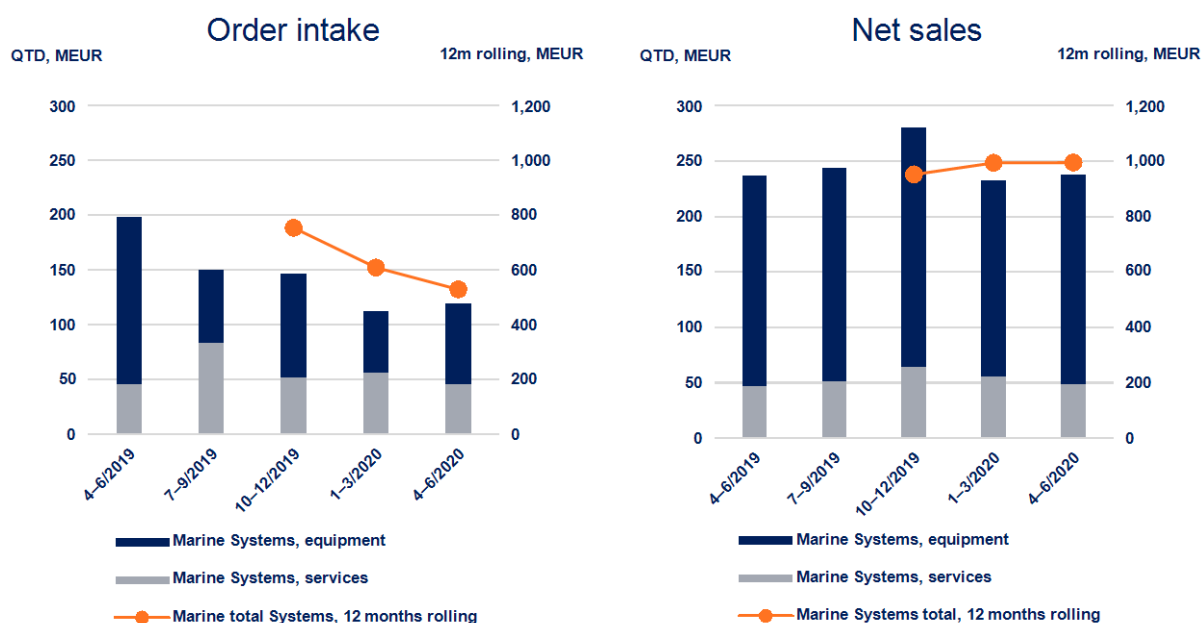
Reporting segment: Wärtsilä Marine Systems

Wärtsilä Marine Systems offers high-quality products, solutions, and lifecycle services related to the gas value chain, exhaust treatment applications, seals & bearings, shaftline 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.

- Order intake heavily impacted by lower demand for scrubber investments as a result of reduced fuel spreads
- Newbuild ordering activity expected to remain under pressure, as customers adjust investment plans to prevailing market conditions
- Net sales and profitability growth in the first half of the year driven by increased scrubber deliveries

Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	119	198	-40%	232	457	-49%	754
of which services	46	46	0%	103	95	8%	230
Order book, end of period				902	1,471	-39%	1,232
Net sales	238	237	1%	472	429	10%	952
of which services	49	47	4%	105	88	20%	202
Book-to-bill	0.50	0.84		0.49	1.06		0.79
Operating result	26	20	31%	44	32	37%	53
% of net sales	11.0	8.4		9.4	7.5		5.6
Comparable operating result	27	23	16%	45	36	26%	60
% of net sales	11.2	9.7		9.6	8.4		6.3
Personnel, end of period				1,846	1,887	-2%	1,870



Financial development

Marine Systems' **order intake in April–June** decreased by 40% to EUR 119 million (198) compared to the corresponding period in the previous year, as reduced fuel spreads scaled back scrubber investments. Book-to-bill was 0.50 (0.84). Service order intake was stable at EUR 46 million (46), while equipment order intake decreased by 52% to EUR 73 million (152). Received orders included a contract to provide a volatile organic compounds (VOC) recovery system, together with an LNG fuel gas supply system, for two new 124,000 DWT shuttle tankers ordered by Knutsen NYK Offshore Tankers (KNOT) from the Daewoo Shipbuilding & Marine yard in Korea. With this technology, the liquefied VOC is mixed with LNG and used as fuel for the main and auxiliary engines, enabling a 30–35% CO₂ equivalent emission reduction compared to conventional shuttle tankers.

Net sales in April–June increased by 1% to EUR 238 million (237) compared to the corresponding period in the previous year. Service net sales increased by 4% to EUR 49 million (47), while equipment net sales was stable at EUR 189 million (190). The **comparable operating result** amounted to EUR 27 million (23) or 11.2% of net sales (9.7). Increased scrubber delivery volumes boosted profitability.

Order intake in January–June decreased by 49% to EUR 232 million (457) compared to the corresponding period in the previous year. Book-to-bill was 0.49 (1.06). Service order intake increased by 8% to EUR 103 million (95), while equipment order intake decreased by 64% to EUR 129 million (361). The **order book** at the end of the period decreased by 39% to EUR 902 million (1,471) due to increased deliveries of both scrubbers and gas solutions.

Net sales in January–June increased by 10% to EUR 472 million (429) compared to the corresponding period in the previous year. Service net sales increased by 20% to EUR 105 million (88), while equipment net sales increased by 7% to EUR 366 million (341). The **comparable operating result** amounted to EUR 45 million (36) or 9.6% of net sales (8.4), as increased scrubber volumes offset the negative effect of deliveries of projects communicated in 2019 to be affected by cost overruns.

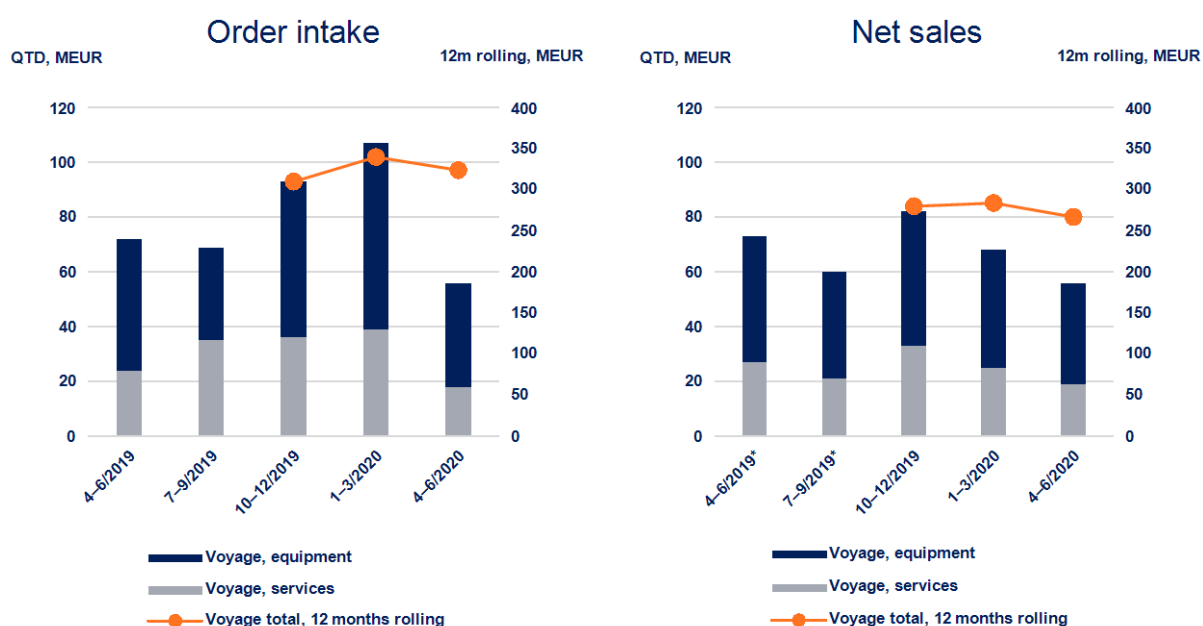
Reporting segment: Wärtsilä Voyage

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.

- Despite the decline in order intake caused by COVID-19 impacts to demand in the cruise segment, the growth in fleet optimisation products and services demonstrates successful execution on the Smart Marine strategy
- Net sales development was slower than anticipated, mainly due to COVID-19, which caused project postponements and less transactional service business
- Profitability was negatively impacted by lower sales volumes and a less favourable service mix, as well as by increased investments in digital competences to further accelerate the Smart Marine strategy

Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	56	72	-23%	162	148	10%	310
of which services	18	24	-25%	57	47	21%	117
Order book, end of period				305	252	21%	274
Net sales	56	73	-23%	125	138	-9%	280
of which services	19	27	-29%	44	49	-9%	103
Book-to-bill	0.99	0.98		1.30	1.08		1.11
Operating result	-12	-11	-12%	-25	-20	-26%	-37
% of net sales	-21.8	-15.1		-19.6	-14.2		-13.3
Comparable operating result	-12	-9	-26%	-23	-16	-47%	-31
% of net sales	-20.8	-12.8		-18.7	-11.6		-11.2
Personnel, end of period				1,917	1,849	4%	1,889



Financial development

Voyage's **order intake in April–June** decreased by 23% to EUR 56 million (72) compared to the corresponding period in the previous year. Book-to-bill was 0.99 (0.98). Service order intake decreased by 25% to EUR 18 million (24), while equipment order intake decreased by 22% to EUR 38 million (48). The decline in order intake was mainly driven by COVID-19, which heavily impacted demand in the cruise segment.

Net sales in April–June decreased by 23% to EUR 56 million (73) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 crisis, particularly in the cruise segment, which negatively impacted newbuild projects and the service business. Service net sales decreased by 29% to EUR 19 million (27), while equipment net sales decreased by 19% to EUR 37 million (46). The **comparable operating result** amounted to EUR -12 million (-9) or -20.8% of net sales (-12.8).

Order intake in January–June increased by 10% to EUR 162 million (148) compared to the corresponding period in the previous year. Book-to-bill was 1.30 (1.08). Service order intake increased by 21% to EUR 57 million (47), while equipment order intake increased by 4% to EUR 106 million (101). The negative impact of COVID-19 on cruise demand was offset by high order intake growth in fleet optimisation products and services, as well as by major newbuild projects in other segments. Orders received during the period included a newbuild project to equip five LNG gas carriers with fully integrated bridge systems under the Arctic LNG-2 project for Samsung Heavy Industries Co., Ltd, as well as a simulation project to build Europe's most modern simulator for inland shipping training in the city of Duisburg, Germany. The **order book** at the end of the period increased by 21% to EUR 305 million (252), the highest increase being in the digital service business.

Net sales in January–June decreased by 9% to EUR 125 million (138) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 crisis, which resulted in project postponements and less transactional service business. Service net sales decreased by 9% to EUR 44 million (49), while equipment net sales decreased by 9% to EUR 81 million (89). The **comparable operating result** amounted to EUR -23 million (-16) or -18.7% of net sales (-11.6). The result was negatively impacted by lower sales volumes and a less favourable service mix. In addition, investments in digital competences have been increased to further accelerate the Smart Marine strategy. In both the current and comparison period, the operating result continued to be burdened by substantial amounts of amortisation resulting from various acquisitions.

Reporting segment: Wärtsilä Energy

Wärtsilä Energy leads the transition towards a 100% renewable energy future. We help our customers unlock the value of the energy transition by optimising their energy systems and future-proofing their assets. Our offering comprises flexible power plants, energy management and storage systems, as well as lifecycle services that enable increased efficiency and guaranteed performance.

- Equipment order intake developed well in the second quarter considering the prevailing conditions, mainly thanks to a large order received from South America
- Mobility restrictions and decreased electricity consumption weighed on service activities
- The operating result was burdened by an unfavourable sales mix, COVID-19 impacts, and the delivery of projects communicated in 2019 to be affected by cost overruns

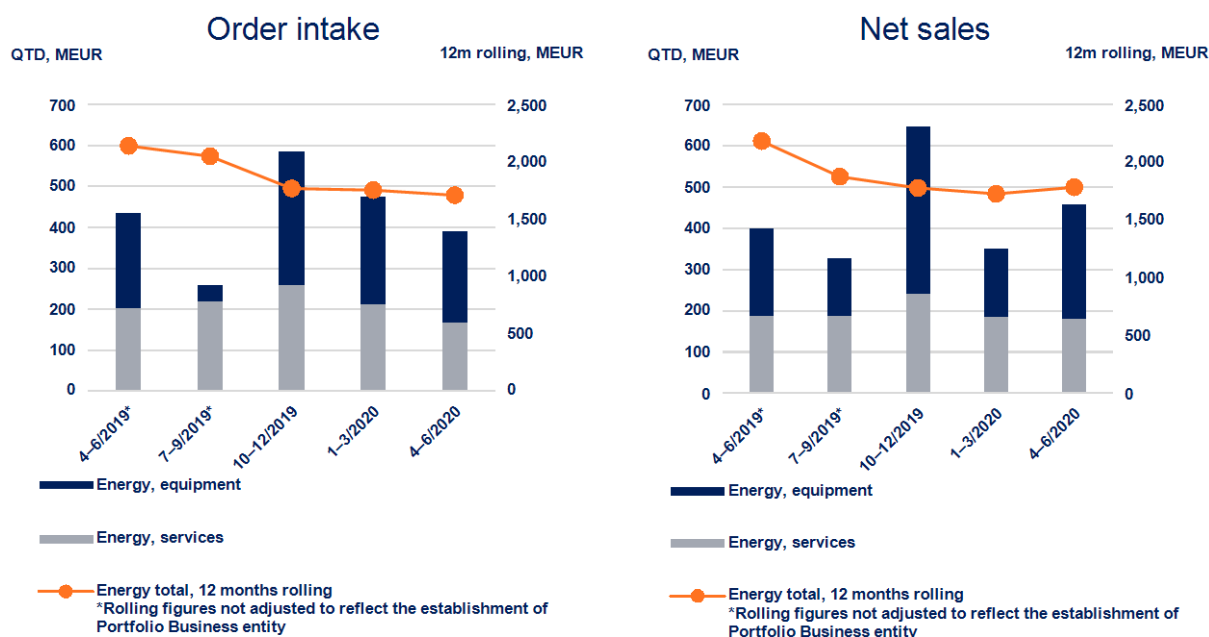
Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	390	435	-10%	865	924	-6%	1,769
of which services	168	203	-17%	380	440	-14%	920
Order book, end of period				1,939	2,120	-9%	2,014
Net sales	457	400	14%	808	803	1%	1,779
of which services	180	187	-4%	365	375	-3%	802
Book-to-bill	0.85	1.09		1.07	1.15		0.99
Operating result	18	37	-52%	31	77	-60%	131
% of net sales	3.9	9.2		3.8	9.6		7.4
Comparable operating result	19	38	-52%	32	81	-60%	155
% of net sales	4.0	9.6		4.0	10.1		8.7
Personnel, end of period				4,799	5,449	-12%	5,137

Order intake Energy

MW	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Gas	347	325	7%	796	843	-6%	1,413
Oil				90	78	16%	124
Other*	21	126	-83%	26	138	-81%	443
Order intake, total	368	451	-18%	912	1,058	-14%	1,980

*Includes energy storage solutions, biofuel power plants, and solar installations



Financial development

Energy's **order intake in April–June** decreased by 10% to EUR 390 million (435) compared to the corresponding period in the previous year. Book-to-bill was 0.85 (1.09). Service order intake decreased by 17% to EUR 168 million (203), while equipment order intake decreased by 4% to EUR 222 million (232). Demand for both equipment and services was highest in the Americas. Received equipment orders included a 200 MW flexible baseload power plant to be delivered to South America. The plant will provide the grid balancing capability that is essential with increasing amounts of intermittent wind and solar power generation entering the power systems. At the same time, it will serve as a capacity plant to back up the system in cases of shortage.

Net sales in April–June increased by 14% to EUR 457 million (400) compared to the corresponding period in the previous year. Service net sales decreased by 4% to EUR 180 million (187), while equipment net sales increased by 30% to EUR 277 million (213). The **comparable operating result** amounted to EUR 19 million (38) or 4.0% of net sales (9.6).

Order intake in January–June decreased by 6% to EUR 865 million (924) compared to the corresponding period in the previous year. Book-to-bill was 1.07 (1.15). Service order intake decreased by 14% to EUR 380 million (440), while equipment order intake was stable at EUR 486 million (484). The **order book** at the end of the period decreased by 9% to EUR 1,939 million (2,120).

Net sales in January–June increased by 1% to EUR 808 million (803) compared to the corresponding period in the previous year. Service net sales decreased by 3% to EUR 365 million (375), while equipment net sales increased by 4% to EUR 444 million (428). The **comparable operating result** amounted to EUR 32 million (81) or 4.0% of net sales (10.1). The result was burdened by the higher share of equipment deliveries within the sales mix, COVID-19 impacts, as well as by the delivery of projects communicated in 2019 to be affected by cost overruns.

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 Entertainment Systems, Special Products covering power converter products and UPS systems, Tank Control Systems, Water & Waste, Valve Solutions, as well as the hydropower solution and turbine service business American Hydro.

Key figures

MEUR	4–6/2020	4–6/2019	Change	1–6/2020	1–6/2019	Change	2019
Order intake	55	40	40%	112	123	-9%	248
Order book, end of period				341	338	1%	338
Net sales	48	60	-21%	107	109	-2%	236
Operating result	-4	-2	-71%	-5	-8	38%	-7
% of net sales	-7.5	-3.5		-4.6	-7.4		-2.8
Comparable operating result	-3	-1	-204%	-3	-3	-2%	0
% of net sales	-5.8	-1.5		-3.2	-3.1		0.1
Personnel, end of period				1,098	1,050	5%	1,080

Financial development

Portfolio Business' **order intake in April–June** increased by 40% to EUR 55 million (40) compared to the corresponding period in the previous year. The highest demand was seen in the American Hydro and Water & Waste business units.

Net sales in April–June decreased by 21% to EUR 48 million (60) compared to the corresponding period in the previous year, primarily due to lower volumes in Water & Waste and Entertainment Systems. The **comparable operating result** amounted to EUR -3 million (-1) or -5.8% of net sales (-1.5). Profitability was affected by an unfavourable sales mix, as the impact of COVID-19 on the cruise segment lowered service activity, particularly in the Water and Waste business unit.

Order intake in January–June decreased by 9% to EUR 112 million (123) compared to the corresponding period in the previous year. The **order book** at the end of the period increased by 1% to EUR 341 million (338).

Net sales in January–June decreased by 2% to EUR 107 million (109) compared to the corresponding period in the previous year. The **comparable operating result** amounted to EUR -3 million (-3) or -3.2% of net sales (-3.1).

Risks and business uncertainties

The COVID-19 outbreak and the measures taken to contain its spread represent the main short-term risk to business operations and the demand environment. While COVID-19 lockdowns have recently been lifted in many countries, travel restrictions continue to affect business activities and project delivery schedules. Furthermore, there is still uncertainty over the duration of the pandemic and concerns about a possible second virus outbreak. Disruptions to global supply chains resulting from a potential second wave of COVID-19 infections are a risk for both factory activity and the delivery of spare parts and services.

The risk of a prolonged period of weak demand is affecting the investment decisions of ship owners and operators, who are forced to re-evaluate their strategies related to both vessel newbuilding and their existing fleets, and to cut capital and operating expenditures. In the mid-term, challenging market conditions may result in continued price pressure and an elevated risk of cancellations. Furthermore, surplus capacity can fuel further consolidation among shipyards, ship owners, and operators in some segments, which may result in lower capture rates in services and equipment sales due to changed customer relationships. In the offshore industry, the continued low crude oil price is pushing the oil majors to reduce their spending, exploration activities, and operational costs, leading to an increasing number of laid-up drilling units and support vessels. The low oil price is widening the price differential between existing fuels and green alternatives. This, combined with the challenging financial positions of ship owners and operators and with uncertainties concerning developments in the regulatory environment, may raise the barriers for the decarbonisation of shipping.

The slowdown in economic activity, currency fluctuations, and potential financing constraints are anticipated to postpone investment decisions for new power generation capacity. The energy transition may temporarily slow down, as the focus is on containing the virus spread and mitigating its impacts. Stimulus packages that aim to accelerate renewable energy investments still include uncertainties about the allocation of funding. However, once stimulus measures are realised, the need for flexibility in power systems will be emphasised. Geopolitical tensions and trade barrier implications continue to be 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 344,636,648, equivalent to a turnover of EUR 2,719 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 148,748,877 shares.

Shares on Nasdaq Helsinki

30.6.2020	Number of shares and votes	Number of shares traded 1–6/2020
WRT1V	591,723,390	344,636,648

1.1.2020-30.6.2020	High	Low	Average*	Close
Share price	12.00	5.01	7.90	7.36

*Trade-weighted average price

	30.6.2020	30.6.2019
Market capitalisation, EUR million	4,354	7,547
Foreign shareholders, %	50.7	52.1

Flagging notifications

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

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
24.3.2020	BlackRock, Inc.	Above 5%	4.85	5.11
31.3.2020	BlackRock, Inc.	Below 5%	4.30	4.82
1.4.2020	BlackRock, Inc.	Above 5%	4.48	5.00
2.4.2020	BlackRock, Inc.	Below 5%	4.37	4.94
25.5.2020	BlackRock, Inc.	Above 5%	4.48	5.00
26.5.2020	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
18.6.2020	BlackRock, Inc.	Above 5%	4.69	5.13

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 5 March 2020, approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2019.

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 Markus Rauramo.

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2020.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.48 per share in two instalments. The first instalment of EUR 0.24 per share was paid on 16 March 2020. The second instalment of EUR 0.24 per share shall be paid in September 2020.

Shareholders' Nomination Board

The Annual General Meeting decided to establish a Shareholders' Nomination Board to prepare matters pertaining to the appointment and remuneration of the Board of Directors. It also adopted the proposed Charter of the Shareholders' Nomination Board. The Charter is available on Wärtsilä Corporation's website.

The Nomination Board consists of five members. Four representatives are nominated by the company's four largest shareholders, with the fifth member being the Chairman of Wärtsilä's Board of Directors. The four largest shareholders are determined on the basis of the shareholders' register maintained by Euroclear Finland Ltd. as of 1 June preceding the Annual General Meeting of shareholders.

The following members were appointed to Wärtsilä's Shareholders' Nomination Board:

- Petra Hedengran (General Counsel, Investor AB), appointed by Invaw Invest AB
- Reima Rytsölä (Deputy CEO, Investments, Varma Mutual Pension Insurance Company), appointed by Varma Mutual Pension Insurance Company
- Mikko Mursula (Deputy CEO, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Satu Huber (CEO, Elo Mutual Pension Insurance Company), appointed by Elo Mutual Pension Insurance Company
- Tom Johnstone (Chairman of the Board of Directors of Wärtsilä)

Authorisation to repurchase the company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 of the company's own shares. 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 authorisation of the shareholders' meeting.

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue new shares or transfer shares held by the company. The maximum amount of shares to be so issued shall not exceed 57,000,000. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the company to do so. The authorisation for the Board of Directors to issue shares shall be valid for three years from the authorisation of the shareholders'

meeting and it cancels the authorisation given by the General Meeting on 7 March 2019 to distribute the company's own shares.

Organisation of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors elected Tom Johnstone as its chairman and Markus Rauramo as the deputy chairman. The Board decided to establish an Audit Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee: Chairman Markus Rauramo, Maarit Aarni-Sirviö, Risto Murto

Remuneration Committee: Chairman Maarit Aarni-Sirviö, Johan Forssell, Tom Johnstone

Events after the review period

Wärtsilä's new organisational structure became operational on 1 July 2020. With the new structure, Wärtsilä aims to accelerate strategy execution and drive long-term performance. Marine Power, Marine Systems, and Energy will focus on delivering profitable growth by strengthening their offering of solutions and lifecycle value propositions. Established through the combination of acquisitions in the past few years, notably Eniram and more recently Transas, Voyage positions Wärtsilä as a market leader in digital business in the commercial marine industry. Voyage's focus will be on scaling and developing the business, with the support of continued investments in R&D, sales and marketing, in order to create a basis for sustainable, profitable growth in the long-term. Portfolio Business is run as an independent entity, with the objective of unlocking the value of business units that are not central to Wärtsilä's strategy.

Wärtsilä Half Year Financial Report January-June 2020

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 2019, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the statement of income. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

For Wärtsilä, the most significant judgements, estimates, and assumptions made by the management relate to revenue recognition, especially to project estimates for long-term projects and agreements, assumptions used in impairment testing, the valuation of trade receivables, contract assets and inventories, determining the length of lease terms, estimates and assumptions used in 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 use of estimates.

The COVID-19 (coronavirus) pandemic has caused Wärtsilä to review the estimates and assumptions used in the preparation of the interim financial reporting. 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.

Significant judgement has been used when Wärtsilä management has evaluated indications of impairment. The recoverable amounts of the operating segments have been evaluated against the carrying amounts. The full financial impact of the COVID-19 outbreak cannot be quantified at this time, as it will depend on the duration and severity of the virus in different geographical areas, which largely depends on the measures taken to contain the virus, which in turn will determine the pace of recovery in these geographical areas. Therefore, estimates for market development, growth, and other significant factors is challenging in the current situation. The assumptions used in the evaluation of goodwill recoverability are based on management's best estimates under the current circumstances. More information on the impairment testing can be found in section Intangible assets and property, plant and equipment.

Considering the impact of the COVID-19 pandemic, Wärtsilä has revaluated the pension assets and obligations in all the significant pension arrangements. The latest market information has been taken into account.

Segment information

From 1 January to 30 June 2020, Wärtsilä was organised into three business areas: Wärtsilä Marine Business, Wärtsilä Energy Business, and Portfolio Business. Wärtsilä Marine Business and Wärtsilä Energy Business constituted Wärtsilä's operating and reportable segments, while Portfolio Business was reported as other business activities.

On 5 March 2020, Wärtsilä announced the reorganisation of its Marine Business into three independent businesses. The change in organisational structure is reflected in Wärtsilä's financial reporting as of the second quarter of 2020. In the new organisational structure, Marine Power, Marine Systems, Voyage, and Energy constitute the reportable segments of the Group, while Portfolio Business continues to be reported as other business activities.

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO, with the support of the Board of Management, and in some cases the Board of Directors.

Marine Power, Marine Systems, Voyage, Energy, and Portfolio Business are each led by their President. Discrete financial information for each business area is provided to the CODM to support decision-making. The segment

information presented by Wärtsilä reflects internal management reporting. Segment information is reported to the level of operating result, as items below operating result are not allocated to the business areas.

Internal sales between segments and other business activities are not reported in management reporting, but revenue and costs of sales are booked directly to the respective customer projects and orders. The main factors affecting the allocation of indirect and administration costs to the segments and other business activities are net sales and the number of personnel. Management considers these allocation principles to be the most suitable means for reflecting the costs carried by each segment and other business activities. The allocation principles are reviewed regularly.

The aim of Wärtsilä's marine business is to lead the industry's transformation towards a Smart Marine Ecosystem. Building on a sound foundation of being a leading provider of innovative products, integrated solutions, and lifecycle services to the marine and oil & gas industries, Wärtsilä aims to unlock new customer values through connectivity, digitalisation, and smart technology.

Wärtsilä's marine customer base covers all the main vessel segments, including traditional merchant vessels, gas carriers, cruise & ferry, navy, and special vessels. In the oil & gas industry, Wärtsilä is active in serving offshore installations and related industry vessels, as well as land-based gas installations. Wärtsilä's customers comprise ship owners, shipyards, and ship management companies.

Energy leads the transition towards a 100% renewable energy future. Wärtsilä helps its customers unlock the value of the energy transition by optimising their energy systems and future-proofing their assets.

Energy

Wärtsilä's offering comprises flexible power plants, energy management and storage systems, as well as lifecycle services that enable increased efficiency and guaranteed performance.

Wärtsilä's three main customer segments in the energy markets are utilities, independent power producers, and industrial customers. Wärtsilä's energy solutions are used for a wide variety of applications. These include baseload generation, capacity for grid stability, peaking and load-following generation, and for the integration of wind and solar power. Wärtsilä provides its customers with a comprehensive understanding of energy systems, including fully integrated assets and software, complete with value adding lifecycle services.

Marine Power

Marine Power focuses on Wärtsilä's comprehensive range of engine and propulsion solutions. Its offering – including engines, generating sets, gearboxes, propulsion equipment, as well as LNG fuel handling, power management, and NOx reduction technologies – positions Marine Power as a leading partner for its customers in the decarbonisation of the maritime industry, particularly through fuel flexibility and hybrid solutions.

Marine Power has six business units: Power Supply, Propulsion, Parts, Performance, Projects, and Field Services & Workshops. Marine Power setup has been specifically designed to support its customers throughout the entire lifecycle of the vessel: from designing, developing, and delivering high quality products and solutions ensuring superior performance and capable of meeting the changing environmental requirements, to assisting customers with a wide service network supplying spare parts, competent field service personnel, and product and solution upgrades, as well as reducing operational risk.

Marine Systems

Marine Systems consists of four end-to-end business units: Exhaust Treatment, Gas Solutions, Marine Electrical Systems, and Shaft Line Solutions.

Exhaust Treatment focuses on developing the exhaust gas cleaning business. Wärtsilä's exhaust gas cleaning technology is an economical and environmentally friendly solution for tackling all new and existing rules and regulations. Wärtsilä scrubber systems are designed to provide flexibility and reliable operations wherever customers operate.

Gas Solutions is the leading technology and service provider for the gas value chain, with a wide range of products covering cargo handling systems for gas carriers, liquefaction and gasification systems for various applications, fuel

systems for alternative engine configurations and fuels, and renewable gas systems with solutions for biogas upgrading and liquefaction.

Marine Electrical Systems offers comprehensive electrical turnkey solutions to selected niche segments like navy and super yachts, assuming responsibility for the entire project from basic design to commissioning.

Shaft Line Solutions (formerly Seals & Bearings) comprises all capabilities to provide complete integrated shaft line solutions from its global factories and service locations to customers in its core markets of navy, merchant, and cruise segments.

Voyage

Voyage helps transform the way vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. By combining bridge systems, cloud data management, data services, decision support tools, and access to real-time information, Voyage collaborates in creating the digital ecosystem of the future. Voyage has one of the largest installed bases and offerings of navigation, automation, simulation, and training solutions, as well as ship traffic control solutions.

Serving the key market segments across cruise, ferry, merchant, navy, and non-vessel related segments, such as port authorities and maritime institutes, Voyage is active in both newbuild and existing vessel markets. Voyage executes a growth strategy based on innovative product development, system integration, connectivity, remote operations, and cyber security, in line with the development of the Smart Marine Ecosystem.

Portfolio Business

Wärtsilä reports Portfolio Business as other business activities.

Portfolio Business includes the following business units: Entertainment Systems, Special Products covering power converter products and UPS systems, Tank Control Systems, Water and Waste, Valve Solutions, as well as Hydropower Solutions and Turbine Services. These business units have either limited synergies with Wärtsilä's other products and services or limited growth potential within Wärtsilä.

Entity wide information

In addition to segment information, Wärtsilä reports the services revenue and order intake for all segments and for other business activities.

Wärtsilä continues to report information for the geographical areas Europe, Asia, the Americas, and other continents. In the geographical information, net sales are split by customer destination.

IFRS amendments

In 2020, the Group has adopted the following amended standards issued by the IASB.

Amendments to **IFRS 3 Business Combinations** (effective for financial periods beginning on or after 1 January 2020). The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. The amendments have no impact on the consolidated financial statements.

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for financial periods beginning on or after 1 January 2020). The purpose of the amendments is to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments have no impact on the consolidated financial statements.

Amendments to **IFRS 9 Financial Instruments**, **IAS 39 Financial Instruments: Recognition and Measurement**, and **IFRS 7 Financial Instruments: Disclosures** (effective for financial periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. Any hedge ineffectiveness should continue to be recorded in the statement of income. The amendments do not have a significant impact on the consolidated financial statements.

Adoption of new and updated IFRS standards

Amendment to **IFRS 16 Leases Covid-19-Related Rent Concessions*** (effective for financial periods beginning on or after 1 June 2020). The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of the COVID-19 pandemic. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications when the criteria presented in the amendment are met. The amendment is not expected to have a significant impact on the consolidated financial statements.

IFRS 17 Insurance Contracts* (effective for financial periods beginning on or after 1 January 2023). IFRS 17 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 2020.

This half year financial report report is unaudited.

Condensed statement of income

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Net sales	1,220	1,217	2,390	2,368	5,170
Other operating income	14	15	21	32	67
Expenses	-1,147	-1,093	-2,233	-2,129	-4,686
Depreciation, amortisation and impairment	-38	-42	-78	-83	-180
Share of result of associates and joint ventures	1	-1	2	-1	-9
Operating result	49	96	101	187	362
Financial income and expenses	-13	-13	-22	-25	-47
Profit before taxes	36	83	79	162	315
Income taxes	-12	-21	-26	-40	-97
Profit for the reporting period	23	62	53	121	218
Attributable to:					
equity holders of the parent company	23	62	53	122	217
non-controlling interests					1
	23	62	53	121	218
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share (EPS), basic and diluted, EUR	0.04	0.11	0.09	0.21	0.37

Statement of other comprehensive income

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Profit for the reporting period	23	62	53	121	218
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities	5	-1		-1	-20
Tax on items that will not be reclassified to the statement of income	-1				5
Total items that will not be reclassified to the statement of income	4	-1		-1	-16
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	-7	-28	-62	9	42
Associates and joint ventures, share of other comprehensive income		-2	-2	-1	-1
Cash flow hedges	41	-6	-38	13	23
Tax on items that may be reclassified to the statement of income	-9	3	11	-2	-3
Total items that may be reclassified to the statement of income	25	-33	-90	19	60
Other comprehensive income for the reporting period, net of taxes	29	-34	-90	18	45
Total comprehensive income for the reporting period	52	28	-37	139	263
Total comprehensive income attributable to:					
equity holders of the parent company	52	29	-37	139	262
non-controlling interests					1
	52	28	-37	139	263

Condensed statement of financial position

MEUR	30.6.2020	30.6.2019	31.12.2019
Non-current assets			
Intangible assets	1,735	1,745	1,776
Property, plant and equipment	297	318	307
Right-of-use assets	171	205	185
Investments in associates and joint ventures	42	63	42
Other investments	18	17	18
Deferred tax assets	188	133	155
Other receivables	30	66	35
Total non-current assets	2,481	2,547	2,518
Current assets			
Inventories	1,328	1,372	1,365
Other receivables	1,822	1,897	2,074
Cash and cash equivalents	705	383	358
Total current assets	3,856	3,651	3,797
Assets held for sale	103		82
Total assets	6,440	6,198	6,398
Equity			
Share capital	336	336	336
Other equity	1,739	1,937	2,060
Total equity attributable to equity holders of the parent company	2,075	2,273	2,396
Non-controlling interests	13	13	14
Total equity	2,088	2,286	2,410
Non-current liabilities			
Interest-bearing debt	1,035	1,034	997
Deferred tax liabilities	76	90	83
Other liabilities	245	238	238
Total non-current liabilities	1,356	1,362	1,317
Current liabilities			
Interest-bearing debt	332	98	99
Other liabilities	2,585	2,451	2,503
Total current liabilities	2,916	2,549	2,603
Total liabilities	4,272	3,912	3,920
Liabilities directly attributable to assets held for sale	80		68
Total equity and liabilities	6,440	6,198	6,398

Condensed statement of cash flows

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Cash flow from operating activities:					
Profit for the reporting period	23	62	53	121	218
Adjustments for:					
depreciation, amortisation and impairment	38	42	78	83	180
financial income and expenses	13	13	22	25	47
gains and losses on sale of intangible assets and property, plant and equipment and other changes		-2	-1	-11	-15
share of result of associates and joint ventures	-1	1	-2	1	9
income taxes	12	21	26	40	97
other non-cash flow adjustment	2	-1	4	-1	3
Cash flow before changes in working capital	88	136	179	260	540
Changes in working capital	190	-107	168	-155	-130
Cash flow from operating activities before financial items and taxes	279	28	348	104	410
Financial items and paid taxes	-27	-66	-54	-106	-178
Cash flow from operating activities	252	-37	293	-2	232
Cash flow from investing activities:					
Investments in shares and acquisitions		-4		-3	-6
Net investments in property, plant and equipment and intangible assets	-26	-24	-50	-37	-91
Proceeds from sale of shares in subsidiaries, associated companies and other investments				2	1
Cash flow from investing activities	-26	-28	-50	-39	-95
Cash flow from financing activities:					
Proceeds from non-current debt	40		165	150	150
Repayments and other changes in non-current debt	-27	-32	-53	-66	-105
Changes in current loans and other changes	82	-9	148	-8	-16
Dividends paid	-16	-10	-142	-141	-284
Cash flow from financing activities	79	-51	119	-65	-256
Change in cash and cash equivalents, increase (+)/decrease (-)	304	-116	362	-106	-119
Cash and cash equivalents at the beginning of the reporting period*	420	501	369	487	487
Exchange rate changes	-1	-2	-9	2	
Cash and cash equivalents at the end of the reporting period*	722	383	722	383	369

* Cash and cash equivalents on 30 June 2020, 31 March 2020 and 31 December 2019 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 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

	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 2019	336	61	-155	-31	-39	2,245	14	2,432
Total comprehensive income for the reporting period			8	11	-1	122		139
Dividends paid						-284	-1	-285
Equity on 30 June 2019	336	61	-148	-19	-40	2,083	13	2,286

Segment information

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

The segments and other business activities cover both the equipment sales and services for the respective business area. The segment information presented reflects internal management reporting. Segment information is reported to the level of operating result, as items below operating result are not allocated to the business areas.

The main factors affecting the allocation of indirect and administration costs to the segments and other business activities are net sales and the number of personnel. Management considers these allocation principles to be the most suitable means for reflecting the costs carried by each segment and other business activities.

From 1 January to 30 June 2020, Wärtsilä was organised into three business areas: Wärtsilä Marine Business, Wärtsilä Energy Business, and Portfolio Business. Wärtsilä Marine Business and Wärtsilä Energy Business constituted Wärtsilä's operating and reportable segments, while Portfolio Business was reported as other business activities.

On 5 March 2020, Wärtsilä announced the reorganisation of its Marine Business into three independent businesses. The change in organisational structure is reflected in Wärtsilä's financial reporting as of the second quarter of 2020. The comparison figures for the segment reporting and service information have been adjusted to reflect the new reporting structure.

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Net sales					
Marine Power	420	447	877	889	1,923
Marine Systems	238	237	472	429	952
Voyage	56	73	125	138	280
Energy	457	400	808	803	1,779
Portfolio Business	48	60	107	109	236
Total	1,220	1,217	2,390	2,368	5,170
Depreciation, amortisation and impairment					
Marine Power	-18	-19	-36	-38	-88
Marine Systems	-5	-6	-10	-11	-23
Voyage	-6	-7	-13	-13	-26
Energy	-7	-8	-15	-15	-31
Portfolio Business	-2	-3	-4	-5	-11
Total	-38	-42	-78	-83	-180
Share of result of associates and joint ventures					
Marine Power	1	-1	2	-1	-9
Total	1	-1	2	-1	-9
Operating result					
Marine Power	21	52	56	105	221
Marine Systems	26	20	44	32	53
Voyage	-12	-11	-25	-20	-37

Energy	18	37	31	77	131
Portfolio Business	-4	-2	-5	-8	-7
Total	49	96	101	187	362
Operating result as a percentage of net sales (%)					
Marine Power	5.0	11.7	6.4	11.9	11.5
Marine Systems	11.0	8.4	9.4	7.5	5.6
Voyage	-21.8	-15.1	-19.6	-14.2	-13.3
Energy	3.9	9.2	3.8	9.6	7.4
Portfolio Business	-7.5	-3.5	-4.6	-7.4	-2.8
Total	4.0	7.9	4.2	7.9	7.0
Comparable operating result					
Marine Power	24	62	60	117	273
Marine Systems	27	23	45	36	60
Voyage	-12	-9	-23	-16	-31
Energy	19	38	32	81	155
Portfolio Business	-3	-1	-3	-3	
Total	55	113	111	215	457
Comparable operating result as a percentage of net sales (%)					
Marine Power	5.7	13.8	6.9	13.2	14.2
Marine Systems	11.2	9.7	9.6	8.4	6.3
Voyage	-20.8	-12.8	-18.7	-11.6	-11.2
Energy	4.0	9.6	4.0	10.1	8.7
Portfolio Business	-5.8	-1.5	-3.2	-3.1	0.1
Total	4.5	9.3	4.7	9.1	8.8

Net sales by geographical areas

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Europe	356	436	735	809	1,690
Asia	458	434	872	869	1,968
The Americas	295	249	573	489	1,098
Other	110	98	210	201	414
Total	1,220	1,217	2,390	2,368	5,170

Service information

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Net sales					
Marine Power, services	243	317	549	613	1,279
Marine Systems, services	49	47	105	88	202
Voyage, services	19	27	44	49	103
Energy, services	180	187	365	375	802
Portfolio Business, services	18	34	40	62	119
Total	510	613	1,103	1,186	2,505

Measures of profit and items affecting comparability

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Comparable adjusted EBITA	63	123	128	236	498
Purchase price allocation amortisation	-8	-10	-17	-21	-41
Comparable operating result	55	113	111	215	457
Items affecting comparability:					
Social plan costs	-3	-9	-4	-18	-31
Impairment and write-downs		1		1	-36
Other restructuring costs and transfer costs	-3	-8	-6	-10	-27
Items affecting comparability, total	-6	-17	-10	-28	-95
Operating result	49	96	101	187	362

Assets held for sale

In December 2019, Wärtsilä announced the divestment of shares in Wärtsilä ELAC Nautik GmbH (ELAC Nautik) to Cohort plc. ELAC Nautik's main market focus is on hydroacoustic products, including sonars, underwater communication systems, and echo systems for small and medium sized military submarines.

Wärtsilä sees that Elac Nautik business has no clear synergistic link to Wärtsilä's Smart Marine activities in transforming the marine sector.

Additionally, Wärtsilä has started preparations to divest its Entertainment and Tank Control businesses, which are also classified as assets held for sale. Entertainment business has been classified as assets held for sale since the fourth quarter of 2019 and Tank Control business since the second quarter of 2020.

The assets held for sale belong to the Portfolio Business and they are valued at the lower of book value or fair value.

Subject to approvals, completion of these transactions is expected during 2020.

Disaggregation of revenue

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

Net sales by revenue type

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
Products	263	276	536	559	1,184
Goods and services	118	155	262	285	603
Projects	744	662	1,374	1,283	2,899
Long-term agreements	94	124	218	241	484
Total	1,220	1,217	2,390	2,368	5,170

Timing of satisfying performance obligations

MEUR	4–6/2020	4–6/2019	1–6/2020	1–6/2019	2019
At a point in time	853	856	1,657	1,639	3,728
Over time	367	362	733	729	1,442
Total	1,220	1,217	2,390	2,368	5,170

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 products has transferred to customer, in general at the delivery of the goods.

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

Projects contain short-term and long-term projects. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. Revenue related to long-term projects, such as construction contracts, integrated solutions projects, ship design, and energy solutions contracts, is recognised over time. Revenue for tailor-made equipment delivery projects is recognised at a point in time.

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

Intangible assets and property, plant and equipment

MEUR	1–6/2020	1–6/2019	2019
Intangible assets			
Carrying amount on 1 January	1,776	1,747	1,747
Changes in exchange rates	-44		29
Acquisitions and disposals		4	
Additions	31	27	65

Amortisation and impairment	-27	-31	-63
Decreases and reclassifications	-1		-3
Carrying amount at the end of the reporting period	1,735	1,745	1,776
Property, plant and equipment			
Carrying amount on 1 January	307	324	324
Transfer to right-of-use assets		-2	-2
Changes in exchange rates	-3	1	1
Additions	22	24	49
Depreciation and impairment	-27	-28	-55
Decreases and reclassifications	-2	-1	-11
Carrying amount at the end of the reporting period	297	318	307

Annual impairment testing of goodwill in 2019

The Group performed its annual testing of goodwill on 30 September. Based on the testing conducted in 2019, no impairment loss for the cash generating units (CGUs) was recognised for the financial period ended 31 December 2019. The recoverable amounts from both CGUs, Wärtsilä Marine Business and Wärtsilä Energy Business, exceeded their respective carrying amount substantially.

Preliminary allocation of goodwill per cash generating unit

Goodwill arising from business acquisitions has been preliminarily allocated to the new operating segments and other business activities, which are also Group's CGUs in impairment testing of goodwill. From 1 July 2020 onwards, these are Marine Power, Marine Systems, Voyage, Energy and Portfolio Business.

The preliminary allocation of goodwill to operating segments and other business activities has been defined based on the estimated fair values of the business areas.

MEUR	1.7.2020
Marine Power	553
Marine Systems	184
Voyage	71
Energy	511
Portfolio Business	19
Total goodwill	1,339

Impairment testing of goodwill

Due to the COVID-19 outbreak and the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the second quarter of 2020. As a result of the impairment test, no impairment loss for the CGUs was recognised for the reporting period ended 30 June 2020.

In the testing, Wärtsilä compared the recoverable amount in each business area against its carrying amount to define whether there would be indications that the goodwill would have impaired. The recoverable amounts of CGUs were based on four-year cash flow projections. Cash flow beyond the four-year period was calculated using the terminal value method. Some simplifications compared to the annual impairment test were applied. There were no indications that the value of goodwill would have impaired in Marine Power, Marine Systems nor in Energy CGUs. Also in Voyage and Portfolio Business the recoverable amount exceeded its carrying amount.

Inventories

The Group has drawn attention to valuation of inventories due to the COVID-19 pandemic.

Main items under materials and consumables are production and spare part inventories. Inventory under work in progress relates to ongoing projects and deliveries mainly in Marine Power, Marine Systems, and Energy.

Although COVID-19 has impacted the spare part sales volumes to some extent, the impact is not so significant that it would elevate the inherent risk of valuation relating to inventories. Cancellations of orders have been largely in line with normal levels in Wärtsilä. Also, Wärtsilä safeguards the recoverability of WIP with advance payments collected from customers.

MEUR	30.6.2020	31.12.2019
Materials and consumables	501	484
Work in progress	685	736
Finished products	44	53
Advances paid	97	93
Total	1,328	1,365

During 2020, EUR 9 million (4 in financial period 1-12/2019) impairment for obsolete inventories has been recognised in the consolidated statement of income. Total value of inventories presented under assets held for sale amounts to EUR 24 million (18).

Contract balances

MEUR	30.6.2020	31.12.2019
Trade receivables	986	1,255
Contract assets	472	515
Contract liabilities		
Advances received	429	452
Deferred income	461	465
Trade receivables and contract assets		
Non-current	17	19
Current	1,441	1,752
Contract liabilities		
Non-current	49	38
Current	841	880

Contract assets primarily relate to the Group's right to consideration for transferred goods or services, but which is not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance consideration received from customers for contracts, but for which the corresponding good or service has not yet been transferred.

The contract assets and liabilities arise from long-term service agreements and projects recognised over time such as gas solutions construction contracts, integrated solutions projects, ship design, and energy solutions turnkey contracts.

The recoverability of contract assets has been evaluated under the uncertainty caused by COVID-19 pandemic. The risk in the recoverability of the contract assets is not seen to have significantly increased. At reporting date, Wärtsilä has not received any significant cancellations for projects or long-term agreements under execution. Cancellations and postponements of orders have largely been in line with normal levels.

Leases

MEUR	1–6/2020	1–6/2019	2019
Land and buildings, right-of-use assets			
Carrying amount on 1 January	174	203	203
Changes in exchange rates	-4		
Additions	14	11	28
Depreciation and impairment	-20	-21	-43
Decreases and reclassifications	-3		-14
Carrying amount at the end of the reporting period	160	193	174
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	11	12	12
Additions	3	1	6
Depreciation and impairment	-3	-3	-6
Decreases and reclassifications		2	-1
Carrying amount at the end of the reporting period	10	12	11
Lease liabilities			
Carrying amount on 1 January	188	215	215
Changes in exchange rates	-5		
Additions	17	12	33
Interest expenses		2	2
Payments	-22	-24	-49
Other adjustments	-3	-1	-13
Carrying amount at the end of the reporting period	175	207	188
Amounts recognised in statement of income			
Depreciation and impairment	-24	-24	-49
Interest expenses	-2	-3	-5
Expense – short-term leases	-14	-17	-32
Expense – leases of low-value assets	-2	-3	-6
Expense – variable lease payments	-2	-1	-4

Gross capital expenditure

MEUR	1–6/2020	1–6/2019	2019
Investments in securities and acquisitions		3	6
Intangible assets and property, plant and equipment	54	51	116
Total	54	54	122

Net interest-bearing debt

MEUR	1–6/2020	1–6/2019	2019
Interest-bearing debt, non-current	898	865	851
Lease liabilities, non-current	136	169	146
Interest-bearing debt, current	293	60	58
Lease liabilities, current	38	38	42
Total interest-bearing liabilities	1,366	1,132	1,096
Interest-bearing receivables	-1	-4	-1
Cash and cash equivalents	-705	-383	-358
Cash and cash equivalents pertaining to assets held for sale	-17		-11
Total interest-bearing assets	-723	-386	-370
Total net interest-bearing debt	643	746	726

Financial ratios

	1–6/2020	1–6/2019	2019
Earnings per share (EPS), basic and diluted, EUR	0.09	0.21	0.37
Equity per share, EUR	3.51	3.84	4.05
Solvency ratio, %	35.0	40.5	40.8
Gearing	0.31	0.33	0.30
Return on investment (ROI), %	8.7	17.2	11.5
Return on equity (ROE), %	6.8	16.7	9.0

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

Personnel

	1–6/2020	1–6/2019	2019
On average	18,548	19,193	19,110
At the end of the reporting period	18,334	19,239	18,795

Contingent liabilities

MEUR	1–6/2020	1–6/2019	2019
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	17	22	22
Total	27	32	32
Guarantees and contingent liabilities			
on behalf of Group companies	868	677	718
Nominal amount of lease liabilities			
Low-value lease liabilities	4	5	3
Short-term lease liabilities	4	9	5
Leases not yet commenced, but to which Wärtsilä is committed	191	147	143
Total	1,067	839	869

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	450	
Cross currency swaps	249	
Foreign exchange forward contracts	1,942	844
Total	2,641	844

In addition, the Group had copper futures and swaps amounting to 143 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)	1	1
Other receivables, non-current (level 2)	2	2
Derivatives (level 2)	49	49
Financial liabilities		
Interest-bearing debt, non-current (level 2)	1,035	1,045
Derivatives (level 2)	29	29

Financial risks

During the second quarter of 2020, Wärtsilä has reviewed its financial risks more carefully due to the COVID-19 pandemic.

As a response, Wärtsilä has strengthened the liquidity reserves for the Group. The Revolving Credit Facilities (RCF) having maturity dates in 2020 have been extended until end of 2021. At the same time the total amount of these facilities was increased by EUR 20 million, so the total amount of available RCFs is now EUR 660 million which are fully un-utilized. Wärtsilä has initiated arrangements for additional two-year term loans, out of which a loan for EUR 40 million has been disbursed, another loan for EUR 40 million has been signed.

Wärtsilä has reviewed its receivables for credit risk. There has not been any significant indication of change in customer payment behaviour and thus same principles have been applied for expected loss recognition as in the annual report 2019. The collection of trade receivables has been emphasized.

Aging of trade receivables

MEUR	30.6.2020		31.12.2019	
	Trade receivables	of which impaired	Trade receivables	of which impaired
Not past due	602	1	788	1
Past due 1–30 days	121		149	
Past due 31–180 days	177	3	227	2
Past due 181–360 days	60	1	73	1
Past due more than 1 year	89	57	81	57
Total	1,048	62	1,317	61

Wärtsilä does not see any significant increase in counterparty credit risk to outstanding derivatives due to COVID-19 pandemic, as only high credit quality counterparties have been used. Also, the expected credit loss from investments remain minimal, as the credit quality requirements have been tightened and no such investments were outstanding at the outbreak of the pandemic.

Derivatives under hedge accounting are expected to remain effective, as there has not been significant increase in the cancellations of orders. The hedged cash flows are still considered to be highly probable.

Quarterly figures

MEUR	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019	1–3/ 2019	10–12/ 2018	7–9/ 2018	4–6/ 2018
Order intake									
Marine Power*	391	496	656	449	632	509			
Marine Systems*	119	113	147	150	198	258			
Voyage*	56	107	93	69	72	76			
Wärtsilä Marine Business*							1,031	1,009	1,027
Energy*	390	475	585	260	435	489	843	363	526
Portfolio Business*	55	57	74	51	40	83			
Total	1,011	1,247	1,555	979	1,377	1,416	1,874	1,372	1,553

Order book at the end of the reporting period**									
Marine Power*	1,913	1,967	2,019	1,981	1,976	1,800			
Marine Systems*	902	1,051	1,232	1,377	1,471	1,516			
Voyage*	305	304	274	265	252	257			
Wärtsilä Marine Business*							3,651	3,536	3,244
Energy*	1,939	2,087	2,014	2,023	2,120	2,043	2,515	2,382	2,660
Portfolio Business*	341	336	338	336	338	361			
Total	5,401	5,745	5,878	5,982	6,157	5,977	6,166	5,918	5,904
Net sales									
Marine Power*	420	457	603	430	447	443			
Marine Systems*	238	234	279	244	237	192			
Voyage*	56	69	82	60	73	65			
Wärtsilä Marine Business*							831	680	685
Energy*	457	351	648	328	400	403	701	650	561
Portfolio Business*	48	59	71	56	60	49			
Total	1,220	1,170	1,684	1,118	1,217	1,151	1,532	1,330	1,246
Share of result of associates and joint ventures	1	1	-2	-6	-1		3	3	4
Comparable adjusted EBITA	63	65	213	49	123	113	237	152	134
as a percentage of net sales	5.2	5.6	12.6	4.4	10.1	9.8	15.4	11.5	10.7
Depreciation, amortisation and impairment	-38	-39	-39	-58	-42	-41	-37	-31	-31
purchase price allocation amortisation	-8	-9	-10	-10	-10	-11	-11	-11	-11
Comparable operating result	55	56	202	39	113	102	226	141	123
as a percentage of net sales	4.5	4.8	12.0	3.5	9.3	8.9	14.7	10.6	9.8
Items affecting comparability, total	-6	-4	-39	-28	-17	-11	-20		-12
Operating result	49	52	164	11	96	91	206	141	111
as a percentage of net sales	4.0	4.5	9.7	1.0	7.9	7.9	13.4	10.6	8.9
Financial income and expenses	-13	-9	-11	-11	-13	-13	-12	-11	-8
Profit before taxes	36	43	153		83	78	194	130	102
Income taxes	-12	-14	-51	-5	-21	-19	-41	-29	-28
Profit for the reporting period	23	29	102	-5	62	59	153	101	75
Earnings per share (EPS), basic and diluted, EUR	0.04	0.05	0.17	-0.01	0.11	0.10	0.25	0.17	0.13

Gross capital expenditure	27	27	44	24	32	23	48	26	194
investments in securities and acquisitions			2		4		-1		177
Cash flow from operating activities	252	42	295	-61	-37	35	349	122	41
Working capital (WCAP) at the end of the reporting period	492	660	732	870	784	656	581	782	790
Personnel at the end of the reporting period***									
Marine Power*	8,674	8,934	8,820	8,962	9,005	8,881			
Marine Systems*	1,846	1,862	1,870	1,828	1,887	1,882			
Voyage*	1,917	1,939	1,889	1,875	1,849	1,852			
Wärtsilä Marine Business*							13,582	13,727	13,609
Energy*	4,799	4,819	5,137	5,295	5,449	5,513	5,712	5,692	5,622
Portfolio Business*	1,098	1,088	1,080	1,058	1,050	1,096			
Total	18,334	18,642	18,795	19,018	19,239	19,225	19,294	19,420	19,231

* The comparison period 2018 segment figures have been restated to reflect the organisational structure, which was in place during 2019. The comparison period 2019 and 1-3/2020 segment figures have been restated to reflect the new 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.

*** 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 and diluted

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

Adjusted number of shares, average over the reporting period

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

Adjusted number of shares at the end of the reporting period

Solvency ratio

Equity x 100

Total equity and liabilities – advances received

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses x 100

Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the reporting period

Return on equity (ROE)

Profit for the reporting period x 100

Equity, average over the reporting period

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)

16 July 2020
Wärtsilä Corporation
Board of Directors