Wärtsilä Corporation

Half year financial report

January–June 2023

Improved profitability and continued growth in services

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year.

Highlights from April–June 2023

- Order intake increased by 17% to EUR 1,687 million (1,440), of which organic growth was 21%
- Service order intake increased by 13% to EUR 913 million (811)
- Net sales increased by 3% to EUR 1,454 million (1,407), of which organic growth was 7%
- Book-to-bill amounted to 1.16 (1.02)
- Comparable operating result increased by 26% to EUR 108 million (85), which represents 7.4% of net sales (6.1).
- Operating result decreased by 12% to EUR 66 million (75), which represents 4.5% of net sales (5.3).
- Basic earnings per share decreased to 0.05 euro (0.09)
- Cash flow from operating activities increased to EUR 75 million (-90)

Highlights from January–June 2023

- Order intake increased by 22% to EUR 3,427 million (2,820), of which organic growth was 25%
- Service order intake increased by 17% to EUR 1,802 million (1,543)
- Order book at the end of the period increased by 5% to EUR 6,249 million (5,936)
- Net sales increased by 11% to EUR 2,919 million (2,639), of which organic growth was 13%
- Book-to-bill amounted to 1.17 (1.07)
- Comparable operating result increased by 30% to EUR 196 million (151), which represents 6.7% of net sales (5.7)
- Operating result increased by EUR 230 million to EUR 158 million (-72), which represents 5.4% of net sales (-2.7)
- Basic earnings per share increased to 0.14 euro (-0.16)
- Cash flow from operating activities increased to EUR 219 million (-213)

Key figures

MEUR	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	2022
Order intake	**1,687**	1,440	17%	**3,427**	2,820	22%	6,074
of which services	**913**	811	13%	**1,802**	1,543	17%	3,066
of which equipment	**774**	629	23%	**1,625**	1,277	27%	3,008
Order book, end of period				**6,249**	5,936	5%	5,906
Net sales	**1,454**	1,407	3%	**2,919**	2,639	11%	5,842
of which services	**807**	696	16%	**1,543**	1,327	16%	2,775
of which equipment	**647**	712	-9%	**1,376**	1,312	5%	3,067
Book-to-bill	**1.16**	1.02		**1.17**	1.07		1.04
Comparable adjusted EBITA*	**113**	91	24%	**206**	163	26%	349
% of net sales	**7.8**	6.4		**7.1**	6.2		6.0
Comparable operating result	**108**	85	26%	**196**	151	30%	325
% of net sales	**7.4**	6.1		**6.7**	5.7		5.6
Operating result	**66**	75	-12%	**158**	-72	320%	-26
% of net sales	**4.5**	5.3		**5.4**	-2.7		-0.4
Result before taxes	**53**	72	-26%	**137**	-74	284%	-32
Basic earnings/share, EUR	**0.05**	0.09		**0.14**	-0.16		-0.11
Cash flow from operating activities	**75**	-90		**219**	-213		-62
Net interest-bearing debt, end of period				**462**	432		481
Gearing				**0.23**	0.21		0.23
Solvency, %				**33.5**	35.8		35.3

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

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

Wärtsilä's prospects

Marine

Wärtsilä expects the demand environment for the next 12 months (Q3/2023–Q2/2024) to be similar to that of the comparison period.

Energy

Wärtsilä expects the demand environment for the next 12 months (Q3/2023–Q2/2024) to be similar to that of the comparison period.

Håkan Agnevall, President & CEO: Transforming Wärtsilä to a more profitable and stable company

"The market sentiment remained fairly positive during the second quarter of 2023, and we succeeded to improve our performance. The continued growth in service and positive development in the energy storage business supported our profitability improvement.

In the energy market, higher interest rates, volatile gas prices and longer permitting times continued to hamper new projects, especially in the power plants business. In Energy storage, the decrease of battery raw material prices during the first half of the year has resulted in orders being postponed as certain customers wait for even lower price levels. Interest in balancing technologies remains high as supportive energy and climate policies around the world continue to evolve towards decarbonisation targets. The Energy service business continued to develop well. For example, we signed a two-year renewal of an Operations & Maintenance agreement with the Brazilian independent energy producer, Gera Amazonas. We also signed our largest ever energy storage deal to-date with an Australian customer, Origin Energy.

In the marine market, the increasing cost of new ships and limited capacity at shipyards continued to limit the investment appetite in some segments. However, the market sentiment remained positive in Wärtsilä's key segments due to continued investments in new Liquefied Natural Gas (LNG) terminals, improving sentiment in the passenger travel segment, and the continued growth in demand for offshore assets. Shipping companies face increasing pressure to decarbonise their operations, but more incentives are required to accelerate the pace of investments. Recent IMO MEPC meeting sharpened 2030 targets by introducing additional targets to reduce overall GHG emissions by 20% and revised the long-term goal to be net zero by or around 2050. The clear rise in the ambition supports Wärtsilä's strategy and accelerates our decarbonisation opportunities.

Q2 order intake increased by 17%, supported by good development both in equipment and services. Net sales increased by 3% with solid growth in services and decline in equipment. The comparable operating result increased by 26% with the comparable operating margin amounting to 7.4%, with strong contribution from services and energy storage. We managed to improve our profitability despite taking a 19 MEUR provision in a single turnkey project in the Gas Solutions business unit belonging to Marine Systems. Cash flow from our operating activities also improved.

Wärtsilä is committed to decarbonise shipping operations, and we have continued to invest in our engine portfolio to be capable of utilising carbon neutral and zero carbon fuels. Swedish ferry operator Stena Line contracted us to convert some of its vessels to operate with methanol fuel. This includes the fuel supply system and engine modifications, as well as integrating the new installations with the ships' existing systems. Converting ferries for methanol fuel will enable them to be compliant with various existing and upcoming regulations, including the Carbon Intensity Indicator (CII), FuelEU Maritime, and IMO 2050 GHG reduction target. In the energy storage industry where safety is a major priority, Wärtsilä's technology is designed to meet and exceed stringent safety and quality standards. During the quarter, our GridSolv Quantum energy storage technology attained a new NFPA 69 fire safety standard. In June, Wärtsilä was recognised by TIME Magazine as one of the 100 most influential companies in the world for the continuous pursuit and focus on innovation and for shaping the decarbonisation of the energy and marine sectors.

As announced during the first quarter, we completed the transfer of parts of the Voyage business activities (previously part of Marine Power) and Marine Electrical Systems business unit (previously part of Marine Systems) to the Portfolio Business. By doing this, we will accelerate the performance improvement of these units and unlock their value through divestments or other strategic alternatives.

In June, two new members joined our Board of Management. Anders Lindberg was appointed as President of the Energy business, and Saara Tahvanainen as Executive Vice President, Marketing and Communications. I am very happy to welcome Anders and Saara to the Wärtsilä team and look forward to developing our business together with them.

We expect the demand environment for the next 12 months to be similar to that of the comparison period, in both Marine (including Marine Power and Marine Systems) and Energy businesses. We are step by step moving towards our profitability target. Services continues to grow profitably and we are delivering the part of our order backlog that has been significantly impacted by cost inflation. Energy storage is improving its profitability and the decarbonisation transformation continues to gain momentum in marine and energy. As a technology leader in decarbonisation, Wärtsilä is very well positioned for the future and will benefit from the transformation that lies ahead."

Orders, net sales and profitability

MEUR	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	2022
Order intake	1,687	1,440	17%	3,427	2,820	22%	6,074
Order book, end of period				6,249	5,936	5%	5,906
Net sales	1,454	1,407	3%	2,919	2,639	11%	5,842
Comparable operating result	108	85	26%	196	151	30%	325
% of net sales	7.4	6.1		6.7	5.7		5.6
Operating result	66	75	-12%	158	-72	320%	-26
% of net sales	4.5	5.3		5.4	-2.7		-0.4

Order intake bridge

MEUR	4–6/2023	1–6/2023
2022	1,440	2,820
Organic	21%	25%
Acquisitions and divestments*	-1%	-1%
FX impact	-3%	-2%
2023	1,687	3,427

*Related to American Hydro divestment and exit from Russia

Net sales bridge

MEUR	4–6/2023	1–6/2023
2022	1,407	2,639
Organic	7%	13%
Acquisitions and divestments*	-1%	-1%
FX impact	-3%	-1%
2023	1,454	2,919

Development in April–June

Order intake increased by 17%. Service order intake increased by 13%, driven especially by growth in Marine Power. Equipment order intake increased by 23%, driven by growth in Energy and Marine Power.

Net sales increased by 3%. Service net sales increased by 16%, driven especially by growth in Marine Power. Equipment net sales decreased by 9%, mostly due to lower sales in Marine Systems.

The comparable operating result totalled EUR 108 million (85) or 7.4% of net sales (6.1). The comparable operating result was supported by good development in services and energy storage, however, hampered by a provision taken for a single sizeable turnkey project in Marine Systems' Gas Solutions business unit. **The operating result** amounted to EUR 66 million (75) or 4.5% of net sales (5.3). Items affecting comparability amounted to EUR -42 million (-10), mostly relating to the impairment of goodwill and other non-current assets in the Portfolio Business.

Development in January–June

Order intake increased by 22%. Service order intake increased by 17%, driven by growth in Marine Power and Energy. Equipment order intake increased by 27% driven especially by growth in Energy and Marine Systems.

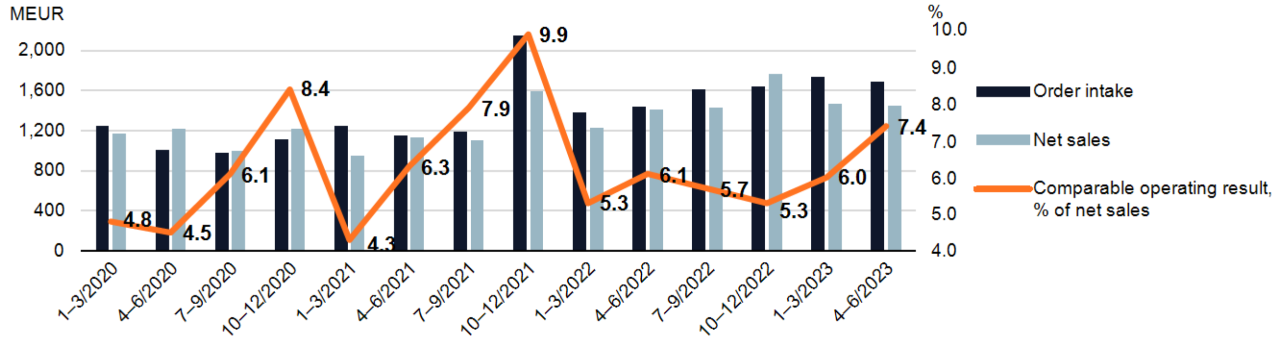
The **order book** at the end of the period increased by 5%. Wärtsilä's current order book for 2023 deliveries is EUR 2,589 million (2,732).

Net sales increased by 11%. Service net sales increased by 16%, driven especially by growth in Marine Power. Equipment net sales increased by 5%, driven by growth in Marine Power and Energy and lower sales in Marine Systems. Of Wärtsilä's net sales, approximately 58% was EUR denominated and 31% USD denominated, with the remainder being split between several currencies.

The comparable operating result totalled EUR 196 million (151) or 6.7% of net sales (5.7). The comparable operating result was supported especially by increase in Marine Power and burdened by decrease in Marine Systems. The **operating result** amounted to EUR 158 million (-72) or 5.4% of net sales (-2.7). Items affecting comparability amounted to EUR -38 million (-222) of which the largest item was EUR -45 million related to the impairment of goodwill and other non-current assets in the Portfolio Business.

Financial items amounted to EUR -21 million (-3). Net interest totalled EUR -9 million (-5). Result before taxes amounted to EUR 137 million (-74). Taxes amounted to EUR -47 million, implying an effective tax rate of 34.1%. Result for the financial period amounted to EUR 90 million (-90). Basic earnings per share totalled 0.14 euro (-0.16). Return on investments (ROI) was 7.7% (5.3), while the return on equity (ROE) was 5.9% (2.1).

Quarterly development



Financing and cash flow

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Cash flow from operating activities	**75**	-90	**219**	-213	-62
Working capital			**134**	168	179
Net interest-bearing debt, end of period			**462**	432	481
Gearing			**0.23**	0.21	0.23
Solvency, %			**33.5**	35.8	35.3
Equity/share, EUR			**3.43**	3.57	3.62

Development in April–June

Cash flow from operating activities amounted to EUR 75 million (-90), driven by the good level of received customer payments. Working capital totalled EUR 134 million at the end of the period (105 at the end of previous quarter). Advances received totalled EUR 680 million (604 at the end of previous quarter).

Development in January–June

Cash flow from operating activities totalled EUR 219 million (-213), supported by good level of received customer payments. Working capital totalled EUR 134 million at the end of the period (179 at the end of 2022). Advances received totalled EUR 680 million (527 at the end of 2022).

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 505 million (461 at the end of 2022). Unutilised committed credit facilities totalled EUR 650 million (650 at the end of 2022).

Wärtsilä had interest-bearing debt totalling EUR 462 million at the end of the period (481 at the end of 2022). The total amount of short-term debt maturing within the next 12 months is EUR 248 million. Long-term loans amounted to EUR 724 million.

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 67 million (70) for the period January–June. Capital expenditure related to acquisitions and investments in securities totalled EUR 0 million (4). Depreciation, amortisation, and impairment amounted to EUR 114 million (156), including depreciation of right of use assets of EUR 25 million (24).

In 2023, capital expenditure related to intangible assets and property, plant, and equipment is expected to be clearly below depreciation, amortisation, and impairment.

Operating environment

Marine

Macroeconomic outlook – limited growth

Global economic activity in Q2/2023 was limited by the continued efforts to contain inflation with tighter monetary policy. In major economies such as China, the wider economic recovery appeared more fragile throughout Q2. The growth in seaborne trade was mainly driven by the energy-related sectors as a consequence of the sanctions against Russia. The recovery in passenger traffic volumes persisted and the demand especially for cruise vacations remained strong.

The prices of new ships increased further. The higher prices combined with less capacity available at shipyards have limited the investment appetite in some segments and further delayed the delivery dates of ships. With 773 contracts for new ships registered in H1/2023, investments in new ships increased marginally compared to the 701 contracts recorded in H1/2022. Mostly driven by the changed mix of contracted vessels, the uptake of alternative fuels remained more limited with 187 orders reported, representing 24% (34%) of all contracted vessels and 43% (61%) of vessel capacity.

With shipping companies facing increasing pressure to decarbonise their operations, investments in upgrading fleets have progressed, but more incentives are required to speed the pace of investments to limit global warming.

Market sentiment remained positive for Wärtsilä's key segments

In the cruise sector, the demand for new vessel capacity remained limited as cruise lines focused on managing the current order book and deleveraging their business. The demand for service was supported by the continued strong growth in demand for cruises. This has enabled the cruise fleet to largely resume operations, and overall the fleet capacity continues to grow.

In the ferry sector, newbuild activity is mainly driven by fleet replacement, which continued to be very limited due to the financial woes of operators during recent years and the excess capacity in some markets. The demand for service is supported by more vessel capacity being activated, since passenger traffic volumes especially have continued to recover, thus improving operator profitability.

In the offshore sector, the demand for newbuild capacity in oil & gas is increasing. However, contracting remains limited due to high prices, availability, the cost of finance, the lack of yard capacity, and limited interest in building offshore assets. The demand for service is being driven by further increases in utilisation rates and day rates across the offshore fleet. The demand for offshore wind vessel capacity is driven by investments in offshore wind projects that were clearly up compared to 2022. Demand for service is increasing seasonally following the increase in utilisation rates of the offshore wind vessel fleet.

In the LNG carrier sector, the demand for newbuild capacity has continued to be driven by further investments in LNG liquefaction capacity, despite demand easing off from the record-levels seen in 2022. The demand for service continued to be driven by the existing fleet operating at full pace delivering cargoes mostly on long-term contract basis.

In the containership sector, the demand for new ships has eased off from the previous record levels. Nevertheless, it has remained healthy due to owners recognising longer-term fleet replacement requirements and having the financial capability to continue the wave of fleet replacement. The demand for service was driven by the growing operational fleet size.

Across all the above sectors, the growing pressure to decarbonise operations supported the demand for both newbuild and service. This resulted in investments in additional fleet capacity due to growing trade volumes, passenger traffic and slow steaming, direct fleet replacements as well as retrofitting and maintenance activities to keep the existing fleet compliant and competitive.

Energy

Commodity markets ease while interest rates rise

The war in Ukraine and related sanctions have contributed to global cost inflation, price volatility, and exchange rate fluctuations. It has also caused the restructuring of supply chains and trade routes. This has resulted in higher quotation prices, slower customer decision-making and considerable uncertainty in the investment environment for power plants. H1/2023 brought relief in some commodity prices, especially in battery raw materials, while rising interest rates have caused some uncertainty. Energy and climate policies around the world continue to evolve towards decarbonisation targets.

Global natural gas prices continued to decline until a slight price rebound in June. The market remains sensitive to disruptions in supply and demand which may cause volatility. Prices are still above historical levels, but some developing countries have increased LNG demand again after cutting back due to high prices and low availability. Commodity and freight prices continued to ease. However, higher and still increasing interest rates are hampering new projects through the higher cost of capital.

Market shares

Wärtsilä's market share in the up to 500 MW market segment decreased to 5% (6), while global orders for natural gas and liquid-fuelled power plants decreased by 6% to 27.7 GW during the twelve-month period ending in 3/2023 (29.7 GW at the end of 12/2022). 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.

Sustainability

With a wide range of technologies and specialised services, Wärtsilä is well positioned to support its customers on their decarbonisation journey, as well as in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. Wärtsilä's aim is to be able to provide a product portfolio ready for zero-carbon fuels by 2030. In addition to promoting the transition to carbon neutrality for its customers, Wärtsilä's goal is to become carbon neutral in its own operations. The company is committed to supporting the UN Global Compact.

During Q2/2023, our GridSolv Quantum energy storage technology attained a new NFPA 69 fire safety standard. The standard sets safety requirements for explosion prevention systems, provides security and confidence for Authority Having Jurisdictions (AHJs), the fire service, and other stakeholders. In Marine, a milestone was marked when the MSC Euribia carried out the industry's first net zero greenhouse gas emissions voyage, powered by Wärtsilä 46DF dual-fuel engines. Among the sustainability highlights of Q2/2023 are the country specific CO2e emissions reduction assessments that were continued as part of the execution of the carbon neutrality target. Also, preparations to comply with the EU Corporate Sustainability Reporting Directive (CSRD) and to report according to the directive for the financial year 2024, were started.

Reporting segment: Wärtsilä Marine Power

Key figures

MEUR	4-6/2023	4-6/2022*	Change	1-6/2023	1-6/2022*	Change	2022*
Order intake	**697**	575	21%	**1,376**	1,195	15%	2,515
of which services	**468**	405	16%	**909**	791	15%	1,593
of which equipment	**230**	170	35%	**467**	403	16%	922
Order book, end of period				**2,366**	2,087	13%	2,273
Net sales	**636**	527	21%	**1,240**	1,004	24%	2,078
of which services	**432**	348	24%	**814**	666	22%	1,424
of which equipment	**204**	178	14%	**426**	338	26%	653
Comparable operating result	**69**	36	89%	**120**	69	75%	184
% of net sales	**10.8**	6.9		**9.7**	6.8		8.9
Operating result	**79**	28	184%	**133**	-131	202%	-109
% of net sales	**12.4**	5.2		**10.8**	-13.1		-5.2

*Restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)

Order intake bridge

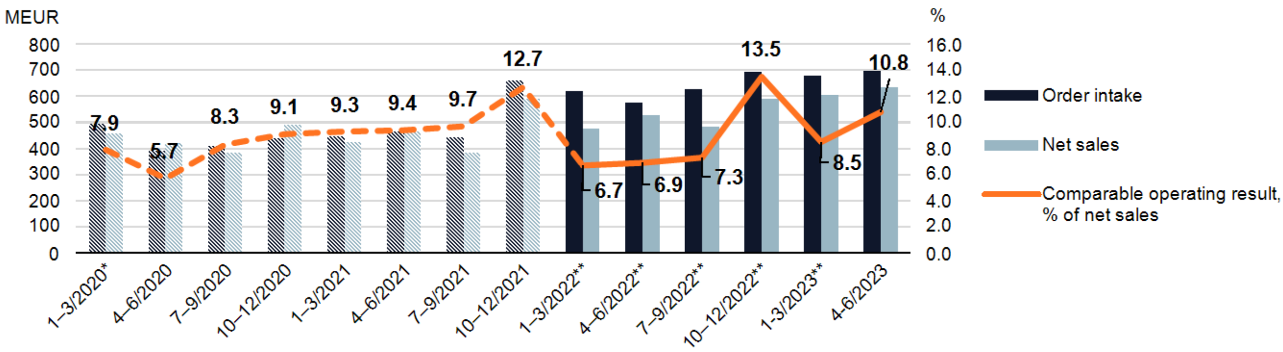
MEUR	4–6/2023	1–6/2023
2022	**575**	1,195
Organic	**24%**	17%
Acquisitions and divestments*	**-1%**	-1%
FX impact	**-2%**	-1%
2023	**697**	1,376

*Related to Wärtsilä's exit from Russia.

Net sales bridge

MEUR	4–6/2023	1–6/2023
2022	**527**	1,004
Organic	**24%**	27%
Acquisitions and divestments*	**0%**	-1%
FX impact	**-3%**	-2%
2023	**636**	1,240

Quarterly development



*Restated due to changes in organisational structure
**Restated to reflect the redefined organisational change considering integration of Voyage to Marine Power and moving part of the Voyage business to Portfolio Business (after integration into a new business unit)
Incomparable periods indicated with dashed columns and line

Financial development in April–June

Order intake increased by 21%. Service order intake increased by 16%. Services related to ferry vessels increased thanks to one particularly large methanol retrofit project. Service demand for the offshore segment also increased thanks to fleet reactivations. Equipment order intake increased by 35% with growth in the cruise segment.

Net sales increased by 21%, supported by the ferry and merchant segments.

The **comparable operating result** amounted to EUR 69 million (36) or 10.8% of net sales (6.9). The result was supported by good service performance whereas transformation of manufacturing footprint burdened the result.

Financial development in January–June

Order intake increased by 15%. Service order intake increased by 15%, mostly in the ferry and offshore segments. Equipment order intake increased by 16% with growth in the cruise and navy segments.

Net sales increased by 24%. Equipment net sales increased by 26%, supported by growth in ferry and merchant segments. Service net sales increased by 22%, mostly in the offshore and merchant segments.

The **comparable operating result** amounted to EUR 120 million (69) or 9.7% of net sales (6.8). The result was supported by good service performance whereas transformation of manufacturing footprint burdened the result. Items affecting comparability totalled EUR +13 million (-200).

Reporting segment: Wärtsilä Marine Systems

Key figures

MEUR	4–6/2023	4–6/2022*	Change	1–6/2023	1–6/2022*	Change	2022*
Order intake	**159**	131	21%	**382**	243	57%	458
of which services	**60**	43	38%	**117**	106	11%	225
of which equipment	**99**	88	13%	**265**	137	93%	233
Order book, end of period				**555**	572	-3%	434
Net sales	**106**	166	-36%	**244**	314	-22%	680
of which services	**58**	45	30%	**116**	101	15%	211
of which equipment	**48**	121	-60%	**128**	213	-40%	468
Comparable operating result	**-8**	14	-159%	**0**	29	-100%	60
% of net sales	**-7.6**	8.2		**0.0**	9.3		8.9
Operating result	**-9**	14	-166%	**-1**	23	-104%	53
% of net sales	**-8.6**	8.4		**-0.3**	7.2		7.7

*Restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business

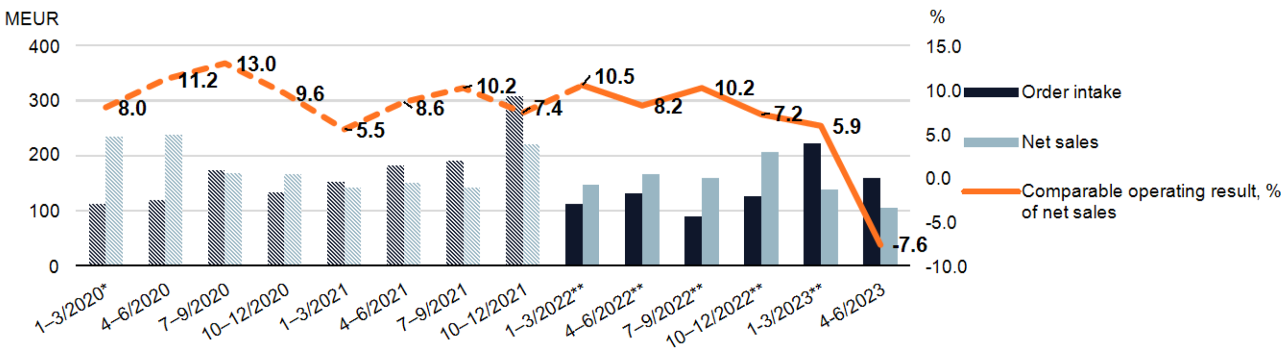
Order intake bridge

MEUR	4–6/2023	1–6/2023
2022	**131**	243
Organic	**34%**	71%
Acquisitions and divestments	**0%**	0%
FX impact	**-13%**	-14%
2023	**159**	382

Net sales bridge

MEUR	4–6/2023	1–6/2023
2022	**166**	314
Organic	**-31%**	-18%
Acquisitions and divestments	**0%**	0%
FX impact	**-5%**	-5%
2023	**106**	244

Quarterly development



*Restated due to changes in organisational structure
**Restated to reflect the move of Marine Electrical Systems business unit to Portfolio Business
Incomparable periods indicated with dashed columns and line.

Financial development in April–June

Order intake increased by 21% due to good development in the Gas Solutions business unit. Service order intake increased by 38%, with good development in all business units. Equipment order intake increased by 13%.

Net sales decreased by 36% due to lower sales in Gas Solutions and lower scrubber volumes. Service net sales increased by 30% with good development in all business units. Equipment net sales decreased by 60% with lower deliveries in all business units.

The **comparable operating result** amounted to EUR -8 million (14) or -7.6% of net sales (8.2), supported by good development in services, however, hampered by a 19 MEUR provision taken for a single sizable turnkey project in Gas Solutions. The project suffered from a combination of supplier quality issues and cost inflation. Gas Solutions stopped offering turnkey projects several years ago.

Financial development in January–June

Order intake increased by 57% due to strong development in selected segments of Gas Solutions. Service order intake increased by 11%. Equipment order intake increased by 93% thanks to the aforementioned development in Gas Solutions.

Net sales decreased by 22% due to delivery delays in Gas Solutions and Exhaust Treatment. Service net sales increased by 15% with good development in all business units. Equipment net sales decreased by 40% mainly due to lower volumes in Gas Solutions.

The **comparable operating result** amounted to EUR 0 million (29) or 0.0% of net sales (9.3), impacted by good development in services and the provision taken for a single sizable turnkey project in Gas Solutions. The project suffered from a combination of supplier quality issues and cost inflation. Gas Solutions stopped offering turnkey projects several years ago.

Reporting segment: Wärtsilä Energy

Key figures

MEUR	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	2022
Order intake	**750**	654	15%	**1,494**	1,160	29%	2,612
of which services	**344**	319	8%	**677**	561	21%	1,062
of which equipment	**407**	334	22%	**818**	599	36%	1,550
Order intake, power plants	**476**	409	16%	**962**	843	14%	1,805
Order intake, energy storage	**275**	245	12%	**532**	317	68%	807
Order book, end of period				**2,548**	2,506	2%	2,376
Net sales	**633**	633	0%	**1,278**	1,168	9%	2,721
of which services	**279**	259	8%	**536**	480	12%	958
of which equipment	**354**	374	-5%	**741**	689	8%	1,763
Net sales, power plants	**440**	524	-16%	**834**	924	-10%	1,946
Net sales, energy storage	**193**	109	76%	**444**	244	82%	775
Comparable operating result	**45**	41	11%	**78**	65	21%	91
% of net sales	**7.1**	6.4		**6.1**	5.5		3.3
% of net sales, 12 months rolling, energy storage	**-1**			**-1**			-4
Operating result	**42**	41	2%	**75**	61	24%	82
% of net sales	**6.6**	6.4		**5.9**	5.2		3.0

Order intake Energy

	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change
Gas, MW	**98**	210	-53%	**262**	536	-51%
Oil, MW	**0**	10	-100%	**0**	132	-100%
Storage**, MWh	**1,073**	716	50%	**1,961**	1,026	91%
Other*, MW						

*Includes biofuel power plants and solar installations

**Comparison period has been restated to nameplate MWh, indicating the actual scope instead of the contracted scope

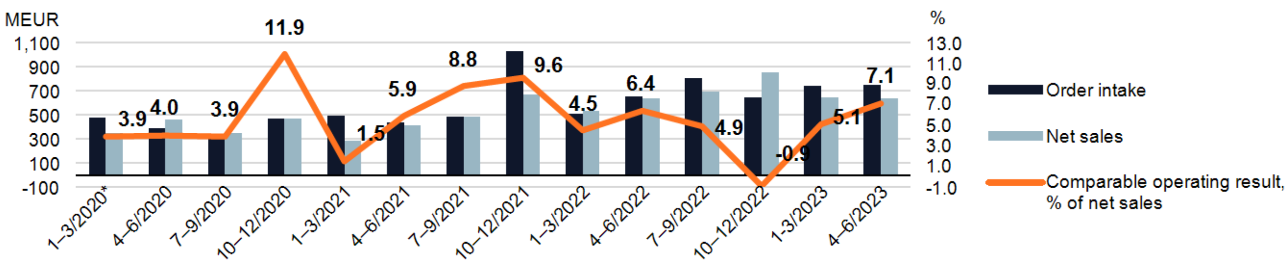
Order intake bridge

MEUR	4–6/2023	1–6/2023
2022	**654**	1,160
Organic	**17%**	31%
Acquisitions and divestments	**0%**	0%
FX impact	**-2%**	-1%
2023	**750**	1494

Net sales bridge

MEUR	4–6/2023	1–6/2023
2022	**633**	1,168
Organic	**2%**	9%
Acquisitions and divestments	**0%**	0%
FX impact	**-2%**	0%
2023	**633**	1278

Quarterly development



*Restated due to changes in organisational structure

Financial development in April–June

Order intake increased by 15%. Service order intake increased by 8%, impacted by a few sizable new long-term agreements deals. Equipment order intake increased by 22% with growth in power plants, which had very low order intake during the comparison period, and energy storage.

Net sales was stable. Service net sales increased by 8%, with higher sales mainly in long-term agreements. Equipment net sales decreased by 5%. Growth occurred in energy storage whereas power plants sales declined.

The **comparable operating result** amounted to EUR 45 million (41) or 7.1% of net sales (6.4). The result was supported by good service performance and improved profitability of the energy storage business while being burdened by inefficient factory capacity utilisation.

Financial development in January–June

Order intake increased by 29%. Service order intake increased by 21%, resulting from sizable new and renewed long-term agreements signed during the period. Equipment order intake increased by 36% with growth in energy storage and stable order intake in power plants.

Net sales increased by 9%, with growth in energy storage and services whereas power plant sales declined. Service net sales increased by 12%, with higher sales in all service revenue streams, particularly in long-term agreements.

The **comparable operating result** amounted to EUR 78 million (65) or 6.1% of net sales (5.5). The result was supported by good service performance and improved profitability of the energy storage business while being burdened by inefficient factory capacity utilisation.

Other business activities: Wärtsilä Portfolio Business

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

Key figures

MEUR	4–6/2023	4-6/2022*	Change	1–6/2023	1-6/2022*	Change	2022*
Order intake	**81**	81	0%	**175**	222	-21%	490
Order book, end of period				**779**	772	1%	823
Net sales	**79**	81	-3%	**157**	152	3%	364
Comparable operating result	**2**	-6	127%	**-3**	-12	75%	-10
% of net sales	**2.0**	-6.9		**-1.9**	-7.9		-2.7
Operating result	**-45**	-7		**-50**	-23	-113%	-52
% of net sales	**-57.5**	-9.1		**-31.8**	-15.4		-14.1

*Restated due to organisational changes

Financial development in April–June

Order intake was stable.

Net sales decreased by 3%.

The **comparable operating result** amounted to EUR 2 million (-6) or 2.0% of net sales (-6.9). Items affecting comparability totalled EUR -47 million (-2), of which EUR -45 million relating to the impairment of goodwill and non-current assets in Portfolio Business.

Financial development in January–June

Order intake decreased by 21% due to the divestment of the American Hydro business unit.

Net sales increased by 3%.

The **comparable operating result** amounted to EUR -3 million (-12) or -1.9% of net sales (-7.9). Items affecting comparability totalled EUR -47 million (-11), of which EUR -45 million relating to the impairment of goodwill and non-current assets in the Portfolio Business.

Risks and business uncertainties

General macro environment

The ongoing war in Ukraine has resulted in various risks to both the demand and supply environment of various commodities globally, a rising risk related to geopolitical fragmentation and increased overall uncertainty to the macroeconomic outlook. Business operations globally are being impacted by continued inflationary pressure, changing trade flows and volumes, tighter monetary policies, concerns over the Chinese economy, and the sanctions in place and planned against Russia. These factors are all contributing to a slowdown in global economic growth.

Further escalation of any of the forementioned factors could result in increased uncertainty over future demand for the equipment and services provided by Wärtsilä. Furthermore, the volatility of the geopolitical environment, and the enforcement of sanctions or embargos, pose a risk to the company’s customer relations and international business activities. With the rapidly growing use of data in shipping and shipbuilding, as well as in the energy markets, cyber threats can potentially result in various forms of financial, operational, or reputational damage to the business.

Marine markets

The shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. Uncertainties around the development and deployment of suitable future technologies as well as a lack of sufficient regulatory and financial incentives or mechanisms to support the transition may affect the investment appetite of ship owners and operators. This concerns both newbuilding programmes and the management of existing fleets.

The limited ability or desire of people to travel, or lower demand for goods as a result of continued high inflation or economic slowdown, along with higher voyage, operating and financing costs pose risks to the business profitability of ship owners and operators.

Highly indebted shipowners or operators may not withstand the potential risk of higher financing costs, a slower than expected growth in demand, or a lowered credit rating. In the offshore oil and gas industry, uncertainty around the longer-term demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs. Any changes to the allocation of investments between traditional offshore upstream oil & gas and renewables might limit the demand for drilling or support vessels. The volatility of oil prices and any disruptions to the supply of marine fuel oils can also have a sizable impact on the price spread between high- and low-sulphur fuels, which might weaken the case for scrubber investments.

Energy markets

The overarching trend in the energy markets is the transition to renewable energy sources such as wind and solar. The pace of this shift is the principal driver in the development of battery energy storage and thermal balancing technologies. New technology innovations, as well as the price and availability of fuels and raw materials, affect our business - directly by impacting the relative competitiveness of our portfolio and indirectly through the energy transition. Similarly, policies related to the energy and electricity markets have direct and indirect impacts on future energy capacity and the generation mix. Recent years have highlighted the role of geopolitics in energy market policy and investment decisions. Concentrated supply chains in some raw materials and the tight competitive situation impose direct risks on the Energy business. Finally, uncertainty related to any of the before mentioned factors tend to delay investment decisions, as shown by Covid-19, the war in Ukraine, and recent macroeconomic development.

Legal cases

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.

Significant events in April–June

Changes in management

In May, Wärtsilä appointed Mr Anders Lindberg as President, Energy, Executive Vice President and a member of the Wärtsilä Board of Management. Mr Lindberg commenced in his role on June 1, 2023 and he reports to Wärtsilä's President & CEO Håkan Agnevall.

In June, Ms Saara Tahvanainen started in her role as Executive Vice President, Marketing and Communications and a member of Wärtsilä Board of Management, as announced in February.

Changes in segment reporting and impairment to Portfolio Business

In February, Wärtsilä announced that it has completed the strategy review of its businesses. Based on the review, part of the Voyage business has been integrated into a new business unit and moved to Portfolio Business. Additionally, the Marine Electrical Systems business unit was moved from Marine Systems to Portfolio Business because of its limited strategic fit with the rest of the group. These changes affect Marine Power, Marine Systems and Portfolio Business, and they are reflected in Wärtsilä's financial reporting as of the second quarter of 2023. In June, Wärtsilä provided restated financial information for the year 2022 and for January-March 2023 reflecting the structural changes.

Wärtsilä has also conducted an impairment test for Portfolio Business. As a result of this impairment test, an impairment of EUR 45 million has been recognised to goodwill and other non-current assets. This reflects the lower than earlier expected revenues in Portfolio Business. The impairment is considered as an item affecting comparability.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 9 March 2023, approved the financial statements, reviewed the Remuneration Report 2022 for Governing Bodies, and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2022.

Decisions taken by the Annual General Meeting can be seen from Wärtsilä's website.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.26 per share in two instalments. The first instalment of EUR 0.13 per share was paid on 20 March 2023 and the second instalment of EUR 0.13 will be paid on 20 September 2023.

Shares

In January–June, the number of shares traded on Nasdaq Helsinki was 154,771,766, equivalent to a turnover of EUR 1,468 million. Wärtsilä's shares are also traded on alternative exchanges, such as CBOE DXE, Turquoise, and BATS. The total trading volume on these alternative exchanges was 70,875,536 shares.

The number of Wärtsilä's shares outstanding as at 30.6.2023 was 589,023,390, and the number of treasury shares was 2,700,000.

Wärtsilä’s half year financial report January–June 2023

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 2022, except for the new and amended IFRS standards stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

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

Repurchase of own shares

The Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting to repurchase the Company’s own shares. The repurchases started on 26 April 2023 and ended on 2 May 2023. Following the repurchases, the Company holds a total of 2,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

Number of shares outstanding on 1 January 2023	**590,023,390**
Repurchase of own shares on 26 April 2023	-270,000
Repurchase of own shares on 27 April 2023	-250,000
Repurchase of own shares on 28 April 2023	-280,000
Repurchase of own shares on 2 May 2023	-200,000
Number of shares outstanding on 30 June 2023	**589,023,390**
Weighted average number of shares outstanding during the period	**589,669,854**

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes’ conditions. If the settlement would happen at the reporting date, it would result in issuing 154,542 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

Weighted average number of shares outstanding during the period	**589,669,854**
Weighted average number of dilutive potential ordinary shares during the period	**154,542**
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**589,824,396**

New and amended IFRS standards

In 2023, the Group has adopted the following new and amended standards issued by the IASB:

Disclosure of Accounting policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose material accounting policy information instead of significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the materiality concept to accounting policy disclosures. Impact on the consolidated financial statements is not significant.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income taxes. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions, such as leases and decommissioning obligations.

Due to the amendments, income taxes, as well as deferred taxes, for comparison period 2022 have been restated in the financial statements. Impact on the consolidated financial statements is not significant.

IFRS 17 Insurance Contracts applies to all types of insurance contracts 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. Impact on the consolidated financial statements is not significant.

Definition of Accounting Estimates amends IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments define both the concept of accounting estimates and changes in those. In addition, the amendments provide clarification on how changes in accounting estimates differ from changes in accounting policies and corrections of errors. No impact on the consolidated financial statements.

In 2024 or later, the Group will adopt the following amended standards issued by the IASB:

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

Lease liability in a Sale and Leaseback* amends IFRS 16 Leases. The amendments to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction. The amendments will have no impact on the consolidated financial statements.

Other new or amended standards and interpretations not yet effective are not expected to have a significant impact on the consolidated financial statements or other disclosures.

* Not yet endorsed for use by the European Union as of 30 June 2023.

This half year financial report is unaudited.

Condensed statement of income

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Net sales	**1,454**	1,407	**2,919**	2,639	5,842
Other operating income	**17**	14	**44**	26	70
Expenses	**-1,328**	-1,313	**-2,691**	-2,581	-5,668
Result from net position hedges	**1**		**-5**		-12
Depreciation, amortisation and impairment	**-81**	-34	**-114**	-156	-263
Share of result of associates and joint ventures	**3**		**4**	1	6
Operating result	**66**	75	**158**	-72	-26
Financial income and expenses	**-12**	-2	**-21**	-3	-6
Result before taxes	**53**	72	**137**	-74	-32
Income taxes	**-24**	-20	**-47**	-15	-26
Result for the reporting period	**30**	52	**90**	-90	-58
Attributable to:					
equity holders of the parent company	**27**	51	**82**	-92	-64
non-controlling interests	**2**	1	**8**	2	6
	30	52	**90**	-90	-58
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (EPS), basic, EUR	**0.05**	0.09	**0.14**	-0.16	-0.11
Earnings per share (EPS), diluted, EUR	**0.05**	0.09	**0.14**	-0.16	-0.11

Statement of other comprehensive income

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Result for the reporting period	**30**	52	**90**	-90	-58
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		24		24	39
Tax on items that will not be reclassified to the statement of income		-5		-5	-8
Total items that will not be reclassified to the statement of income		19		19	31
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	**4**	-1	**-17**	10	-31
for non-controlling interests	**-1**		**-1**		-1
transferred to the statement of income			**-11**		-2
Associates and joint ventures, share of other comprehensive income	**-2**		**-2**	1	-1
Cash flow hedges	**2**	-24	**-2**	-11	35
Tax on items that may be reclassified to the statement of income	**-1**	4		1	-8
Total items that may be reclassified to the statement of income	**2**	-20	**-34**	2	-7
Other comprehensive income for the reporting period, net of taxes	**2**	-1	**-34**	21	23
Total comprehensive income for the reporting period	**32**	51	**56**	-69	-35
Total comprehensive income attributable to:					
equity holders of the parent company	**33**	51	**57**	-69	-34
non-controlling interests	**-1**		**-1**		-1
	32	51	**56**	-69	-35

Condensed statement of financial position

MEUR	30.6.2023	30.6.2022	31.12.2022
Non-current assets			
Intangible assets	**1,655**	1,710	1,680
Property, plant and equipment	**300**	326	304
Right-of-use assets	**262**	240	258
Investments in associates and joint ventures	**30**	28	29
Other investments	**19**	18	19
Deferred tax assets	**202**	185	197
Other receivables	**65**	49	71
Total non-current assets	**2,534**	2,557	2,558
Current assets			
Inventories	**1,485**	1,215	1,361
Other receivables	**2,205**	2,086	2,174
Cash and cash equivalents	**505**	506	461
Total current assets	**4,195**	3,807	3,997
Assets held for sale	**5**	2	54
Total assets	**6,735**	6,366	6,608
Equity			
Share capital	**336**	336	336
Other equity	**1,684**	1,770	1,800
Total equity attributable to equity holders of the parent company	**2,020**	2,106	2,136
Non-controlling interests	**7**	9	12
Total equity	**2,026**	2,115	2,148
Non-current liabilities			
Lease liabilities	**229**	204	223
Other interest-bearing debt	**495**	528	517
Deferred tax liabilities	**43**	59	65
Other liabilities	**277**	200	240
Total non-current liabilities	**1,044**	992	1,044
Current liabilities			
Lease liabilities	**45**	42	43
Other interest-bearing debt	**203**	170	166
Other liabilities	**3,416**	3,048	3,185
Total current liabilities	**3,664**	3,259	3,394
Total liabilities	**4,708**	4,251	4,438
Liabilities directly attributable to assets held for sale			22
Total equity and liabilities	**6,735**	6,366	6,608

Condensed statement of cash flows

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Cash flow from operating activities:					
Result for the reporting period	**30**	52	**90**	-90	-58
Adjustments for:					
depreciation, amortisation and impairment	**81**	34	**114**	156	263
financial income and expenses	**12**	2	**21**	3	6
gains and losses on sale of intangible assets and property, plant and equipment and other changes		18	**-1**	19	23
share of result of associates and joint ventures	**-3**		**-4**	-1	-6
income taxes	**24**	20	**47**	15	26
other non-cash flow adjustments	**-11**	-20	**-19**	77	26
Cash flow before changes in working capital	**132**	106	**248**	180	281
Changes in working capital	**-21**	-162	**37**	-331	-259
Cash flow from operating activities before financial items and taxes	**112**	-56	**285**	-151	22
Financial items and paid taxes	**-37**	-35	**-65**	-62	-84
Cash flow from operating activities	**75**	-90	**219**	-213	-62
Cash flow from investing activities:					
Investments in shares and acquisitions		-4		-4	-5
Net investments in property, plant and equipment and intangible assets	**-35**	-35	**-66**	-69	-138
Proceeds from sale of shares in subsidiaries, associated companies and other investments	**7**	-4	**7**	-4	-9
Cash flow from investing activities	**-27**	-44	**-58**	-77	-151
Cash flow from financing activities:					
Repayments to non-controlling interests			**-5**		
Repurchase of own shares	**-10**		**-10**		
Proceeds from non-current debt	**101**		**101**		
Repayments and other changes in non-current debt	**-104**	-56	**-212**	-106	-145
Changes in current loans and other changes	**47**	-1	**94**	-2	1
Dividends paid	**-10**	-14	**-78**	-73	-145
Cash flow from financing activities	**24**	-70	**-110**	-180	-289
Change in cash and cash equivalents, increase (+)/decrease (-)	**71**	-204	**51**	-471	-501
Cash and cash equivalents at the beginning of the reporting period*	**440**	700	**464**	964	964
Exchange rate changes	**-6**	10	**-10**	13	1
Cash and cash equivalents at the end of the reporting period*	**505**	506	**505**	506	464

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

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 31 December 2022	**336**	**61**	**-156**	**9**	**-5**	**1,889**	**12**	**2,146**
Restatement due to IAS 12						**1**		**1**
Equity on 1 January 2023	**336**	**61**	**-156**	**9**	**-5**	**1,891**	**12**	**2,148**
Total comprehensive income for the reporting period			**-26**	**-2**		**82**	**2**	**56**
Other changes						**-9**	**-5**	**-14**
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						**-153**	**-1**	**-155**
Repurchase of own shares						**-10**		**-10**
Share-based payments						**1**		**1**
Equity on 30 June 2023	**336**	**61**	**-181**	**8**	**-5**	**1,802**	**7**	**2,026**

	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 31 December 2021	336	61	-122	-18	-36	2,094	8	2,323
Restatement due to IAS 12						1		1
Equity on 1 January 2022	336	61	-122	-18	-36	2,095	8	2,324
Total comprehensive income for the reporting period			11	-9	19	-92	2	-69
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						-142	-1	-143
Share-based payments						3		3
Equity on 30 June 2022	336	61	-111	-27	-17	1,865	9	2,115

Segment information

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

As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1–3/2023 and 2022 have been restated to reflect the current organisational structure.

Portfolio Business included business unit American Hydro until it was divested on 1 May 2023.

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Net sales					
Marine Power	**636**	527	**1,240**	1,004	2,078
Marine Systems	**106**	166	**244**	314	680
Energy	**633**	633	**1,278**	1,168	2,721
Portfolio Business	**79**	81	**157**	152	364
Total	**1,454**	1,407	**2,919**	2,639	5,842
Depreciation, amortisation and impairment					
Marine Power	**-21**	-19	**-40**	-119	-181
Marine Systems	**-4**	-3	**-7**	-7	-14
Energy	**-8**	-8	**-16**	-16	-33
Portfolio Business	**-48**	-3	**-50**	-14	-36
Total	**-81**	-34	**-114**	-156	-263
Share of result of associates and joint ventures					
Marine Power	**3**		**4**	1	6
Total	**3**		**4**	1	6
Operating result					
Marine Power	**79**	28	**133**	-131	-109
Marine Systems	**-9**	14	**-1**	23	53
Energy	**42**	41	**75**	61	82
Portfolio Business	**-45**	-7	**-50**	-23	-52
Total	**66**	75	**158**	-72	-26
Operating result as a percentage of net sales (%)					
Marine Power	**12.4**	5.2	**10.8**	-13.1	-5.2
Marine Systems	**-8.6**	8.4	**-0.3**	7.2	7.7
Energy	**6.6**	6.4	**5.9**	5.2	3.0
Portfolio Business	**-57.5**	-9.1	**-31.8**	-15.4	-14.1
Total	**4.5**	5.3	**5.4**	-2.7	-0.4
Comparable operating result					
Marine Power	**69**	36	**120**	69	184
Marine Systems	**-8**	14		29	60
Energy	**45**	41	**78**	65	91
Portfolio Business	**2**	-6	**-3**	-12	-10
Total	**108**	85	**196**	151	325
Comparable operating result as a percentage of net sales (%)					
Marine Power	**10.8**	6.9	**9.7**	6.8	8.9
Marine Systems	**-7.6**	8.2	**0.0**	9.3	8.9
Energy	**7.1**	6.4	**6.1**	5.5	3.3
Portfolio Business	**2.0**	-6.9	**-1.9**	-7.9	-2.7
Total	**7.4**	6.1	**6.7**	5.7	5.6

Net sales by geographical areas

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Europe	**433**	432	**881**	855	1,718
Asia	**471**	382	**828**	693	1,482
The Americas	**412**	461	**917**	837	2,062
Other	**138**	132	**292**	253	580
Total	**1,454**	1,407	**2,919**	2,639	5,842

Service net sales

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Net sales					
Marine Power, service	**432**	348	**814**	666	1,424
Marine Systems, service	**58**	45	**116**	101	211
Energy, service	**279**	259	**536**	480	958
Portfolio Business, service	**37**	43	**76**	81	182
Total	**807**	696	**1,543**	1,327	2,775

Measures of profit and items affecting comparability

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
Comparable adjusted EBITA	**113**	91	**206**	163	349
Purchase price allocation amortisation	**-5**	-5	**-10**	-12	-23
Comparable operating result	**108**	85	**196**	151	325
Items affecting comparability:					
Social plan costs	**1**		**2**		-51
Impairment and write-downs	**-37**	9	**-37**	-171	-162
Gains and losses on disposal of assets		-18	**12**	-20	-24
Other costs	**-6**	-2	**-14**	-32	-115
Items affecting comparability, total	**-42**	-10	**-38**	-222	-351
Operating result	**66**	75	**158**	-72	-26

The financial statements include EUR 16 million of costs related to the restructuring of engine manufacturing in Europe, EUR 45 million of impairment related to goodwill and other non-current assets in Portfolio Business, EUR 23 million of reversal of impairment and provisions related to Russian operations, EUR 11 million of income related to the liquidation of Wärtsilä-CME Zhenjiang Propeller Co. Ltd., a subsidiary of the Group, and EUR 12 million of other costs.

Disposals

On 1 May, Wärtsilä divested American Hydro business unit to Enprotech Corp, a wholly owned subsidiary of publicly traded ITOCHU Corporation (ITC). The divestment was announced in December 2022. Classifying American Hydro business unit as assets held for sale in 2022 had an impact of EUR -24 million on the result for the financial period 2022. American Hydro business unit belonged to Portfolio Business.

Assets held for sale

Wärtsilä has classified certain non-current assets relating to ending the 4-stroke engine manufacturing in Trieste, Italy as assets held for sale.

In July 2022, Wärtsilä announced its plan to ramp down manufacturing in Trieste, Italy and to centralise its 4-stroke engine manufacturing in Europe to Vaasa, Finland. Engine manufacturing in Trieste belongs to Marine Power.

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

Disaggregation of revenue

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

Net sales by revenue type and timing of satisfying performance obligations

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	2022
At a point in time					
Products	**357**	326	**732**	654	1,353
Goods and services	**175**	160	**332**	286	599
Projects	**358**	302	**681**	501	1,235
Total	**890**	789	**1,745**	1,441	3,187
Over time					
Projects	**367**	470	**822**	908	2,054
Long-term agreements	**197**	148	**352**	289	602
Total	**564**	618	**1,174**	1,197	2,655
Total	**1,454**	1,407	**2,919**	2,639	5,842

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

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

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

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

Intangible assets and property, plant and equipment

MEUR	1–6/2023	1–6/2022	2022
Intangible assets			
Carrying amount on 1 January	**1,680**	1,776	1,776
Changes in exchange rates	**-2**	-1	-21
Acquisitions and disposals	**-25**	8	8
Additions	**41**	34	85
Amortisation and impairment	**-64**	-106	-139
Decreases and reclassifications	**25**		-28
Carrying amount at the end of the reporting period	**1,655**	1,710	1,680
Property, plant and equipment			
Carrying amount on 1 January	**304**	312	312
Changes in exchange rates	**-2**	3	1
Acquisitions and disposals	**-8**		
Additions	**25**	36	72
Depreciation and impairment	**-24**	-24	-59
Decreases and reclassifications	**5**	-1	-21
Carrying amount at the end of the reporting period	**300**	326	304

Additional impairment testing of cash generating unit Voyage

As of 1 January 2023, Voyage has been integrated with Marine Power. Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the first quarter of 2023 for cash generating unit (CGU) Voyage. As a result of the impairment test, no impairment loss for the CGU was recognised for the reporting period ended 31 March 2023. Going forward, impairment testing of goodwill is only conducted on Marine Power level as Voyage is integrated with Marine Power.

Additional impairment testing of cash generating unit Portfolio Business

During the second quarter of 2023, a part of Marine Power (NACOS Navigation, NACOS Automation, Dynamic Positioning and sensors) has been integrated into a new business unit and moved to Portfolio Business. Additionally, the Marine Electrical Systems business unit was moved from Marine Systems to Portfolio Business due to its limited strategic fit with the rest of the Group.

Due to the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the second quarter of 2023 for CGU Portfolio Business. As a result of the impairment test, an impairment of EUR 45 million was recognised related to goodwill and other non-current assets. This reflects the lower than earlier expected revenues from Portfolio Business. The impairment is considered as an item affecting comparability.

Leases

MEUR	1–6/2023	1–6/2022	2022
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**248**	181	181
Changes in exchange rates	**-3**	1	-1
Acquisitions and disposals		-2	-3
Additions	**36**	71	118
Depreciation and impairment	**-23**	-21	-43
Decreases and reclassifications	**-4**	-1	-5
Carrying amount at the end of the reporting period	**253**	229	248
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**10**	11	11
Additions	**3**	3	6
Depreciation and impairment	**-3**	-3	-6
Carrying amount at the end of the reporting period	**9**	10	10
Lease liabilities			
Carrying amount on 1 January	**266**	197	197
Changes in exchange rates	**-3**	1	-2
Acquisitions and disposals		-2	-2
Additions	**38**	74	123
Interest expenses	**1**		
Payments	**-24**	-23	-46
Other adjustments	**-5**	-1	-4
Carrying amount at the end of the reporting period	**274**	246	266
Amounts recognised in statement of income			
Depreciation and impairment	**-26**	-24	-49
Interest expenses	**-4**	-2	-4
Expense – short-term leases	**-16**	-14	-28
Expense – leases of low-value assets	**-3**	-3	-6
Expense – variable lease payments	**-5**	-3	-8

Gross capital expenditure

MEUR	1–6/2023	1–6/2022	2022
Investments in securities and acquisitions		4	5
Investments in intangible assets and property, plant and equipment	**67**	70	156
Total	**67**	75	161

Net interest-bearing debt

MEUR	1–6/2023	1–6/2022	2022
Lease liabilities, non-current	**229**	204	223
Other interest-bearing debt, non-current	**495**	528	517
Lease liabilities, current	**45**	42	43
Other interest-bearing debt, current	**203**	170	166
Total interest-bearing liabilities	**972**	944	949
Interest-bearing receivables	**-4**	-6	-4
Cash and cash equivalents	**-505**	-506	-461
Cash and cash equivalents pertaining to assets held for sale			-3
Total interest-bearing assets	**-509**	-512	-468
Total net interest-bearing debt	**462**	432	481

Financial ratios

	1–6/2023	1–6/2022	2022
Earnings per share (EPS), basic, EUR	**0.14**	-0.16	-0.11
Earnings per share (EPS), diluted, EUR	**0.14**	-0.16	-0.11
Equity per share, EUR	**3.43**	3.57	3.62
Solvency ratio, %	**33.5**	35.8	35.3
Gearing	**0.23**	0.21	0.23
Return on investment (ROI), %	**7.7**	5.3	0.1
Return on equity (ROE), %	**5.9**	2.1	-2.6

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

Personnel

	1–6/2023	1–6/2022	2022
On average	**17,633**	17,419	17,482
At the end of the reporting period	**17,553**	17,547	17,581

Contingent liabilities

MEUR	1–6/2023	1–6/2022	2022
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**13**	13	17
Total	**23**	23	27
Guarantees and contingent liabilities			
on behalf of Group companies	**1,009**	1,018	1,037
Nominal amounts of lease liabilities			
Low-value lease liabilities	**12**	11	11
Short-term lease liabilities	**3**	3	3
Leases not yet commenced, but to which Wärtsilä is committed	**12**		14
Residual value guarantee	**90**	90	90
Total	**1,126**	1,122	1,155

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	**173**	
Cross currency swaps	**159**	
Foreign exchange forward contracts	**2,165**	**1,246**
Total	**2,497**	**1,246**

In addition, the Group had copper swaps amounting to 1,315 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)	**19**	**19**
Interest-bearing investments, non-current (level 2)	**4**	**4**
Other receivables, non-current (level 2)	**1**	**1**
Derivatives (level 2)	**35**	**35**
Financial liabilities		
Interest-bearing debt, non-current (level 2)	**724**	**709**
Derivatives (level 2)	**27**	**27**

Quarterly figures

MEUR	4–6/ 2023	1–3/ 2023	10–12/ 2022	7–9/ 2022	4–6/ 2022	1–3/ 2022	10–12/ 2021	7–9/ 2021	4–6/ 2021
Order intake									
Marine Power	**697**	**679**	693	627	575	620	659	443	463
Voyage							93	53	60
Marine Systems	**159**	**223**	126	89	131	112	308	191	183
Energy	**750**	**744**	646	805	654	507	1,031	486	433
Portfolio Business	**81**	**93**	173	95	81	141	59	14	14
Total	**1,687**	**1,739**	1,638	1,616	1,440	1,380	2,150	1,186	1,154
Order book at the end of the reporting period									
Marine Power	**2,366**	**2,332**	2,273	2,250	2,087	2,261	1,994	1,930	1,860
Voyage							288	280	295
Marine Systems	**555**	**505**	434	499	572	638	1,042	944	912
Energy	**2,548**	**2,483**	2,376	2,702	2,506	2,442	2,393	2,056	2,035
Portfolio Business	**779**	**833**	823	779	772	766	142	115	135
Total	**6,249**	**6,153**	5,906	6,229	5,936	6,107	5,859	5,325	5,238
Net sales									
Marine Power	**636**	**604**	589	484	527	477	589	382	466
Voyage							84	68	68
Marine Systems	**106**	**138**	207	159	166	148	221	142	150
Energy	**633**	**645**	856	696	633	535	670	487	416
Portfolio Business	**79**	**78**	118	94	81	71	32	25	31
Total	**1,454**	**1,465**	1,770	1,433	1,407	1,231	1,597	1,103	1,131
Share of result of associates and joint ventures	**3**	**1**	3	2			1	1	1
Comparable adjusted EBITA	**113**	**93**	99	87	91	72	165	95	79
as a percentage of net sales	**7.8**	**6.4**	5.6	6.1	6.4	5.9	10.4	8.6	7.0
Depreciation, amortisation and impairment	**-81**	**-33**	-56	-51	-34	-122	-40	-41	-42
Purchase price allocation amortisation	**-5**	**-5**	-5	-6	-5	-7	-8	-8	-8
Comparable operating result	**108**	**88**	93	82	85	65	158	87	71
as a percentage of net sales	**7.4**	**6.0**	5.3	5.7	6.1	5.3	9.9	7.9	6.3
Items affecting comparability, total	**-42**	**4**	-56	-72	-10	-212	-14	-12	-14
Operating result	**66**	**92**	37	10	75	-147	144	75	58
as a percentage of net sales	**4.5**	**6.3**	2.1	0.7	5.3	-11.9	9.0	6.8	5.1
Financial income and expenses	**-12**	**-8**	-2	-2	-2		-10	-1	-5
Result before taxes	**53**	**84**	35	7	72	-147	134	74	53
Income taxes	**-24**	**-23**	-7	-4	-20	5	-49	-25	-18
Result for the reporting period	**30**	**61**	28	3	52	-142	85	50	35
Earnings per share (EPS), basic, EUR	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14	0.08	0.06
Earnings per share (EPS), diluted, EUR	**0.05**	**0.09**	0.05	0.00	0.09	-0.24	0.14	0.08	0.06
Gross capital expenditure	**35**	**32**	49	37	40	35	45	35	34
Investments in securities and acquisitions					4	1	1		
Cash flow from operating activities	**75**	**145**	51	100	-90	-122	370	49	245
Working capital (WCAP) at the end of the reporting period	**134**	**105**	179	108	168	-18	-100	107	73
Personnel at the end of the reporting period									
Marine Power	**9,293**	**9,227**	9,157	9,200	9,158	9,065	8,224	8,157	8,131
Voyage							1,725	1,799	1,865

Marine Systems	**1,625**	**1,608**	1,584	1,575	1,565	1,554	1,894	1,891	1,882
Energy	**5,380**	**5,342**	5,320	5,309	5,247	5,073	4,980	4,975	4,953
Portfolio Business	**1,254**	**1,536**	1,520	1,501	1,577	1,659	482	481	555
Total	**17,553**	**17,713**	17,581	17,585	17,547	17,351	17,305	17,303	17,386

As of 1 January 2023, Voyage has been integrated with Marine Power. During the second quarter of 2023, further organisational changes have been implemented: a part of Marine Power, as well as a part of Marine Systems, have been moved to Portfolio Business. The segment related comparison figures for 1–3/2023 and 2022 have been restated to reflect the current organisational structure. The segment related comparison figures for 2021 have not been restated accordingly.

Calculations of financial ratios

Operating result

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

Earnings per share (EPS), basic

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

Earnings per share (EPS), diluted

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

Items affecting comparability

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

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

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

Net interest-bearing debt

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

$$\frac{\text{Result for the reporting period}}{\text{Equity, average over the reporting period}} \quad \text{x 100}$$

Order intake

Total amount of orders received during the reporting period to be delivered either during the current reporting period or thereafter.

Order book
The presentation in value of orders that are placed by customers but not yet delivered. For service agreements, only the expected net sales for the next 24 months are included in the order book.

Working capital (WCAP)
(Inventories + trade receivables + current tax receivables + other non-interest-bearing receivables)
– (trade payables + advances received + pension obligations + provisions + current tax liabilities + other non-interest-bearing liabilities – dividend payable)

20 July 2023
Wärtsilä Corporation
Board of Directors