Wärtsilä Corporation

Interim Report

January – March 2021

Order intake stable, but COVID-19 continues to burden net sales and profitability

Highlights of January–March 2021

- Order intake was stable at EUR 1,244 million (1,247)
- Order book at the end of the period decreased by 6% to EUR 5,399 million (5,745)
- Net sales decreased by 19% to EUR 946 million (1,170)
- Book-to-bill amounted to 1.32 (1.07)
- Comparable operating result decreased by 28% to EUR 41 million (56), which represents 4.3% of net sales (4.8). This includes approximately EUR 20 million net provisions arising from a detailed project risk review in Wärtsilä Energy.
- Operating result decreased by 30% to EUR 36 million (52), which represents 3.8% of net sales (4.5)
- Earnings per share decreased to 0.04 euro (0.05)
- Cash flow from operating activities increased to EUR 67 million (42)

Wärtsilä's prospects

Wärtsilä expects the near-term demand environment to be somewhat better than that of the corresponding period in the previous year. However, visibility remains limited, and the prevailing market conditions make the outlook uncertain.

Håkan Agnevall, President & CEO

"During the first quarter of 2021, the prolonged COVID-19 pandemic continued to pose challenges to our business operations, our people, and our financial performance. The cruise industry remained depressed, customers held up investments in new power plant capacity, deliveries were delayed, and profitability remained low due to cost inflation and fixed cost under absorption. However, there were signs of stabilisation and recovery. Vessel ordering activity in general improved, and the demand for services and energy storage solutions was at a good level. As a result, our order intake remained stable compared to the first quarter of 2020, despite the pandemic having a larger impact during the first quarter of 2021. Vaccination programmes are ongoing in many countries, although at varying speeds. This makes us cautiously optimistic about further recovery in the marine markets, while recovery in many of our core energy markets is expected to take longer. Furthermore, our firm focus on working capital resulted in yet another quarter of positive cash flow development. It is of utmost importance to maintain cost control and preserve cash in order to maintain a strong position in the low-demand markets. We will continue to carefully consider our capacity needs and adjust if and where needed.

We have several exciting R&D and strategic projects ongoing, both in-house and together with our partners. These are aimed at accelerating the decarbonisation of the energy and marine industries. During the quarter, we announced that we are installing a pilot plant in Norway to test our carbon capture and storage technologies, and we launched further cost-optimised grid balancing technology capable of ramping up to full load in two minutes. In addition, we are co-operating with several stakeholders in Finland with the aim of utilising emission-free hydrogen in power production, industry, and traffic applications. We also established a strategic partnership with Ocean Technologies Group to enhance safety and efficiency in the maritime sector by combining on-demand digital training, virtual and simulation events via cloud-based solutions, and in-person learning experiences.

In the era of rapid development of new technologies, our starting point will be how we best can make our customers more successful. We will focus on open innovation, services, and cooperation with an end-to-end perspective. Embracing new ideas and sharing best practices will be key, with the ambition to learn something new every day. The technological changes taking place in both of our end-markets during this decade will be more extensive than anything seen during the past 30 years and will result in significant opportunities for Wärtsilä. I believe that with our customer-oriented and innovation-driven culture, leading technologies, highly skilled people, and extensive service network, we are well positioned to harvest on those opportunities.

Visibility into demand development remains low, as the market environment continues to be challenging and unpredictable. We expect the near-term demand environment to be somewhat better than that seen a year ago. Despite our cautious market outlook, we believe that the increasing demand for efficiency and alternative fuels, the digital transformation, and changing energy needs will work in our favour over the long term. In order to maintain our technological leadership, we will continue to invest in developing our fuel flexible solutions and digital offering."

Key figures

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**1,244**	1,247	0%	4,359
of which services	**704**	635	11%	2,267
Order book, end of period	**5,399**	5,745	-6%	5,057
Net sales	**946**	1,170	-19%	4,604
of which services	**550**	593	-7%	2,255
Book-to-bill	**1.32**	1.07		0.95
Operating result	**36**	52	-30%	234
% of net sales	**3.8**	4.5		5.1
Comparable operating result	**41**	56	-28%	275
% of net sales	**4.3**	4.8		6.0
Comparable adjusted EBITA*	**49**	65	-25%	308
% of net sales	**5.1**	5.6		6.7
Profit before taxes	**35**	43	-19%	191
Earnings/share, EUR	**0.04**	0.05		0.23
Cash flow from operating activities	**67**	42		681
Net interest-bearing debt, end of period	**419**	849		394
Gross capital expenditure	**29**	27		117
Gearing	**0.20**	0.42		0.18
Solvency, %	**37.0**	35.3		38.1
Personnel, end of period	**17,742**	18,642	-5%	17,792

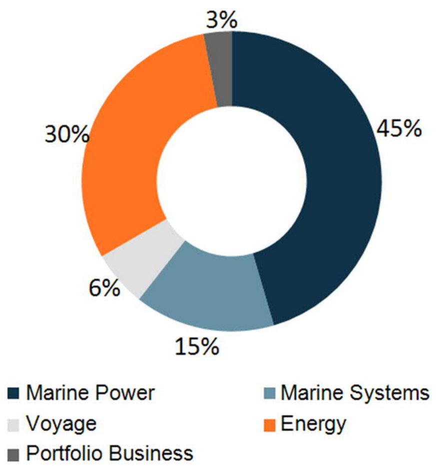
*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

Wärtsilä's financial information for the first quarter of 2020 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.

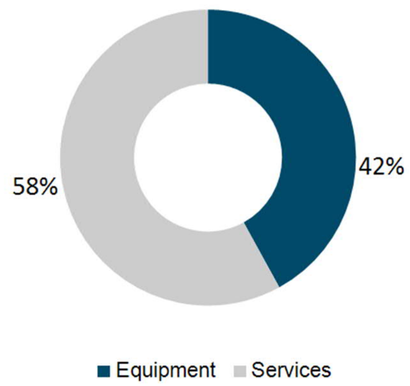
Wärtsilä presents certain alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definitions of these alternative performance measures are presented in the Calculations of financial ratios section.

Book-to-bill, 12 months rolling

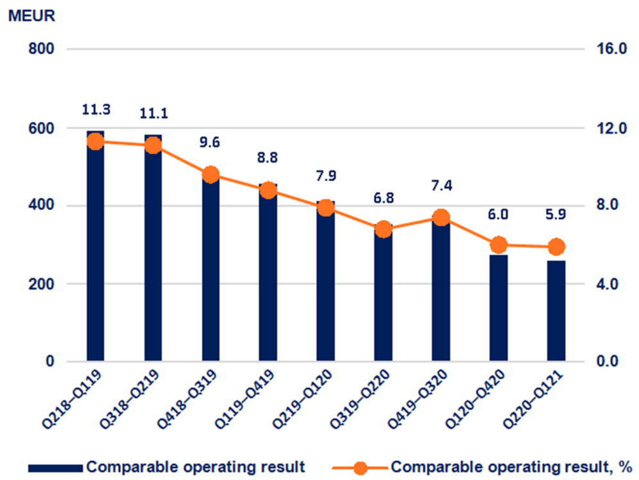
Net sales by business area, January–March



Net sales by business type, January–March



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

Although the economic fallout of the COVID-19 pandemic continues to limit the demand for equipment and services in the shipping and shipbuilding markets, the overall activity level improved during the first quarter of 2021, with significant variance across segments. The number of vessels ordered in the review period increased to 376 (127 in the corresponding period in 2020, excluding late reporting of contracts), against the backdrop of generally improving market conditions, particularly in the containership sector. Dry and wet bulkers together with containerships accounted for close to 80% of the reported vessel contracts in the period.

Cruise operations continued to be heavily affected by travel restrictions and no-sail orders due to the COVID-19 infection rate remaining high in some of the main cruise passenger markets. While some cruise lines have begun carefully controlled cruising in Europe and Asia, the vast majority of the cruise fleet remains idled. Travel restrictions continued to impact also the ferry sector, limiting passenger and cargo traffic volumes. Although higher oil prices led to a modest uptick in offshore activity during the first quarter, exploration remains extremely limited, and the market conditions for drilling rigs and support vessels are still under severe pressure. Conversely, investments in offshore wind installations continued to accelerate. Having initially borrowed many assets from the offshore oil and gas sector, the offshore wind fleet is now moving towards more specialised units, resulting in opportunities in terms of both newbuilds and retrofits. LNG (liquified natural gas) carrier spot rates dropped rapidly from the record high levels in early January, as more tonnage became available and demand declined due to seasonal factors. In February, Qatar Petroleum reached a final investment decision on the first phase of the expansion project for North Field, a major natural gas field located offshore from the Qatar peninsula, with the vessel acquisition process now ongoing. In the containership sector, improvements were swifter and more robust than expected, with trade volume increases driven by unlocked pent-up demand, inventory re-stocking, and shifts in consumer activity. In addition, continued regional port congestion and logistical disruptions, including the blockage of the Suez Canal in March, are generating further market upsides in the containership sector. Crude and product tankers, on the other hand, faced challenging market conditions, as capacity engaged in floating storage continued to unwind and seaborne oil trade remained weak. This was due to the impacts of the COVID-19 pandemic on global oil demand, combined with deep oil supply curbs by the OPEC+ members. Dry bulk trade rebounded firmly, amid a pick-up in coal and grain trade, notably on long-haul routes to Asia.

The price differential between high- and low-sulphur fuels rose above USD 100 per tonne in early January and remained at that level during the first quarter, following the increase in crude oil prices. Although the earnings differential for vessels fitted with scrubbers has widened as a result of lower fuel costs, the market for scrubber contracting is still characterised by a high degree of uncertainty, mostly due to the limited visibility on future fuel price spreads.

While the pandemic has rocked the shipping markets, it has also accelerated the digital transformation through new technologies and digital applications being adopted as a matter of necessity. The use of cloud-based remote solutions has increased in response to restrictions in physical travel. Ship-to-port communications, as well as document and data exchange, are increasingly being handled electronically rather than via personal interaction, both on ships and in port. Furthermore, fleet optimisation and performance management technologies are gradually being accepted as central to the global requirement for reducing operating costs.

In line with the International Maritime Organization’s (IMO) 2030 and 2050 greenhouse gas emission reduction targets, new short-term measures on technical (Energy Efficiency Existing Ship Index, EEXI) and operational efficiency (Carbon Intensity Indicator, CII) are set to come into force from 2023 onwards and are likely to drive a significant change in vessel requirements. With their potential impacts on vessel technology, fuelling, speed, and demolition, these measures will potentially create demand for both newbuild and retrofit solutions. Against this backdrop, interest in alternative fuels and energy saving technologies has continued to grow, with 31% of the gross tonnage on order set to use alternative fuels. LNG remains the dominant alternative fuel option. However, the uptake of liquid petroleum gas (LPG), specifically on LPG carriers, and battery/hybrid propulsion, on passenger ferries in particular, has grown. At the same time, zero-carbon fuels such as ammonia are also gaining interest. With the need to reduce emissions, there is also a growing consensus that vessels should increasingly adopt interoperable network technology. By linking the onboard engine, auxiliary power and machinery, navigation, port arrival, cargo handling, and other systems, vessel operators can reduce fuel consumption as an initial step towards decarbonisation and increased efficiency.

Energy

The COVID-19 pandemic and the resulting slowdown of economic activity continued to negatively impact the global liquid and gas fuelled power plant markets in the first quarter of 2021. While the market situation has stabilised and is showing some improvement on the service business side, the prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic continues to result in customers postponing investments in new power plant capacity. As the pandemic prevails and the execution of vaccination programmes in a large part of our core markets proceeds slowly, recovery will most likely take time. Additionally, energy policies are being developed to drive ambitious decarbonisation targets, and utilities continue to update their investment strategies, which is causing uncertainty and delays in decision-making. However, activity in the energy storage markets has continued at a good level, driven by the increasing need for short-term flexible capacity in power systems with a high share of renewables. The allocation of financial stimulus by governments and financial institutions to the energy sector will support investments in green energy, but the execution of such plans on a wider scale is still pending. Demand for services was at a good level despite travel restrictions, and customers continued to show interest in long-term agreements, which bring stability to the business during low market volumes.

Wärtsilä's market share in the up to 500 MW market segment was stable at 9% (9), while global orders for natural gas and liquid power plants declined by 19% to 13.5 GW during the twelve-month period ending in December 2020 (16.6 GW at the end of September). 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

Order intake in January–March was stable at EUR 1,244 million (1,247) compared to the corresponding period in the previous year. Book-to-bill was 1.32 (1.07). Service order intake increased by 11% to EUR 704 million (635). Equipment order intake decreased by 12% to EUR 541 million (613), as the COVID-19 pandemic and the slowdown of economic activity kept orders for newbuild cruise vessels, as well as gas and liquid power plants, at a low level.

The **order book** at the end of the period decreased by 6% to EUR 5,399 million (5,745). Wärtsilä's current order book for 2021 deliveries is EUR 2,961 million (3,032).

Order intake and order book by reporting segment

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**1,244**	**1,247**	**0%**	**4,359**
Marine Power	**446**	496	-10%	1,737
Marine Systems	**153**	113	35%	539
Voyage	**86**	107	-20%	262
Energy	**493**	475	4%	1,653
Portfolio Business	**66**	57	16%	168
Order book, end of period	**5,399**	**5,745**	**-6%**	**5,057**
Marine Power	**1,882**	1,967	-4%	1,839
Marine Systems	**887**	1,051	-16%	857
Voyage	**305**	304	0%	275
Energy	**2,029**	2,087	-3%	1,830
Portfolio Business	**297**	336	-12%	257

Net sales and operating result

Net sales in January–March decreased by 19% to EUR 946 million (1,170) compared to the corresponding period in the previous year. Service net sales decreased by 7% to EUR 550 million (593). Equipment net sales decreased by 31% to EUR 397 million (577), mainly due to lower scrubber volumes and delays in energy equipment deliveries. Of Wärtsilä's net sales, approximately 64% was EUR denominated and 20% USD denominated, with the remainder being split between several currencies.

The **operating result in January–March** amounted to EUR 36 million (52) or 3.8% of net sales (4.5). The result was burdened by a decline in delivery volumes, COVID-19 driven cost inflation, weaker fixed cost absorption, and approximately EUR 20 million net provisions arising from a detailed project risk review in Wärtsilä Energy. The comparable operating result totalled EUR 41 million (56) or 4.3% of net sales (4.8). Items affecting comparability comprised costs of EUR 4 million (4) related to both divestments and restructuring programmes. The comparable adjusted EBITA amounted to EUR 49 million (65) or 5.1% of net sales (5.6). Purchase price allocation amortisation amounted to EUR 8 million (9).

Financial items amounted to EUR -1 million (-9) in January–March. Net interest totalled EUR -4 million (-3). Profit before taxes amounted to EUR 35 million (43). Taxes amounted to EUR 11 million (14), implying an effective tax rate of 31.6% (32.1). Profit for the financial period amounted to EUR 24 million (29). Earnings per share totalled 0.04 euro (0.05). Return on investments (ROI) was 6.9% (10.3), while return on equity (ROE) was 6.2% (8.8).

Net sales and operating result by reporting segment

MEUR	1–3/2021	1–3/2020	Change	2020
Net sales	**946**	**1,170**	**-19%**	**4,604**
Marine Power	**426**	457	-7%	1,748
Marine Systems	**142**	234	-39%	808
Voyage	**59**	69	-15%	248
Energy	**288**	351	-18%	1,620
Portfolio Business	**33**	59	-45%	181
Operating result	**36**	**52**	**-30%**	**234**
Marine Power	**39**	35	14%	134
Marine Systems	**7**	18	-59%	81
Voyage	**-14**	-12	-14%	-42
Energy	**4**	13	-66%	91
Portfolio Business	**-1**	-1	28%	-29
Operating result, % of net sales	**3.8**	**4.5**		**5.1**
Marine Power	**9.3**	7.6		7.7
Marine Systems	**5.3**	7.8		10.0
Voyage	**-23.8**	-17.8		-17.0
Energy	**1.5**	3.7		5.6
Portfolio Business	**-3.1**	-2.3		-16.2
Comparable operating result	**41**	**56**	**-28%**	**275**
Marine Power	**40**	36	9%	137
Marine Systems	**8**	19	-59%	83
Voyage	**-12**	-12	-7%	-41
Energy	**4**	14	-68%	101
Portfolio Business	**1**	-1		-6
Comparable operating result, % of net sales	**4.3**	**4.8**		**6.0**
Marine Power	**9.3**	7.9		7.8
Marine Systems	**5.5**	8.0		10.3
Voyage	**-21.3**	-17.0		-16.5
Energy	**1.5**	3.9		6.3
Portfolio Business	**4.0**	-1.1		-3.1

Net sales bridge

MEUR	1–3/2021
2020	**1,170**
Organic	**-15%**
Acquisitions and divestments	**-1%**
FX impact	**-3%**
2021	**946**

Financing and cash flow

During January–March, cash flow from operating activities totalled EUR 67 million (42). The increase in cash flow is related to the improved working capital, which totalled EUR 243 million at the end of the period (257 at the end of 2020). Compared to the first quarter of 2020, the improvement in working capital was mainly driven by efforts to decrease credit risk by strengthening the collection of receivables, as well as by a decrease in inventories. Advances received totalled EUR 469 million (452 at the end of 2020). Additionally, EUR 28 million of advances pertained to assets held for sale (38 at the end of 2020). Wärtsilä's first dividend instalment of EUR 0.10 per share (0.24) was distributed in March, corresponding to a total of EUR 59 million (142). In accordance with the Annual General Meeting’s decision, the second dividend instalment of equal size shall be paid in September.

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 875 million (919 at the end of 2020). Additionally, EUR 12 million of cash and cash equivalents pertained to assets held for sale (14 at the end of 2020). Unutilised committed credit facilities totalled EUR 660 million (660 at the end of 2020).

Wärtsilä had interest-bearing debt totalling EUR 1,307 million at the end of the period (1,327 at the end of 2020). The total amount of short-term debt maturing within the next 12 months was EUR 216 million. Long-term loans amounted to EUR 1,091 million.

Net interest-bearing debt totalled EUR 419 million (394 at the end of 2020). Gearing was 0.20 (0.18 at the end of 2020), while solvency ratio was 37.0% (38.1 at the end of 2020). Equity per share was 3.60 euro (3.68 at the end of 2020).

Key financing items

MEUR	1–3/2021	1–3/2020	2020
Cash flow from operating activities	**67**	42	681
Working capital	**243**	660	257
Net interest-bearing debt, end of period	**419**	849	394
Gearing	**0.20**	0.42	0.18
Solvency, %	**37.0**	35.3	38.1
Equity/share, EUR	**3.60**	3.42	3.68

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 29 million (27) for the period January–March. Wärtsilä had no capital expenditure related to acquisitions or investments in securities during the review period or in the comparison period. Depreciation, amortisation, and impairment amounted to EUR 39 million (39).

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

Innovations, research and development

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

In March, Wärtsilä announced that it has conducted extensive research and development work in exploring ways by which carbon capture and storage (CCS) can be developed and scaled in the maritime industry. Initial findings show that CCS on ships is technically viable for the sector to pursue. To further accelerate the development, Wärtsilä is installing a 1 MW pilot plant at its test facility in Moss, Norway. This pilot plant will allow Wärtsilä to test its CCS technologies in a range of scenarios and conditions. With this announcement, Wärtsilä highlights the potential for exhaust gas abatement systems to directly tackle maritime carbon dioxide (CO_2) emissions in the near future as the technology advances. This will enable manufacturers to design and upgrade scrubbers to capture carbon at the point of exhaust.

Also in March, Wärtsilä launched grid balancing technology as part of a portfolio of products designed to cost effectively accelerate the energy transition. The portfolio consists of power plants, as well as energy storage and energy management systems. The first power plant solution in the portfolio is powered by the upgraded Wärtsilä 34SG Balancer engine, optimised for renewable baseload markets. The engine can ramp up to full load in two minutes, and can currently run on natural gas, biogas, synthetic methane, or hydrogen blends.

Strategic projects

In January, Wärtsilä signed a letter of intent with the energy companies Vaasan Sähkö and EPV Energia and the City of Vaasa to cooperate in a project aiming at utilising emission-free hydrogen in power production, industry, and traffic applications. The goal is to jointly build a Power-to-X-to-Power system in Vaasa, and to pilot a hydrogen-based energy generation solution suitable for export markets.

In February, Wärtsilä signed a strategic partnership agreement with SAACKE, a Germany-based global supplier of marine combustion plants for seagoing vessels, offshore plants, and LNG tankers. The agreement will strengthen the companies' ability to offer a comprehensive range of leading technology solutions to shipyards and ship owners. A central feature of the agreement is cooperation regarding the safety of inert gas systems and gas combustion units. The agreement will also enable both partners to offer larger and more comprehensive scopes of supply. This will in turn benefit customers, especially in the LNG and LPG carrier markets, in the form of technology capability, cost savings, improved services, and easier procurement procedures.

Also in February, Wärtsilä and the leading maritime knowledge and technology solutions provider Ocean Technologies Group (OTG) agreed to share their expertise and resources via a strategic partnership that will significantly enhance safety and efficiency in the maritime sector. Wärtsilä and OTG will provide shipping companies, maritime training providers, manning agencies, and seafarers with a unique opportunity to be connected on a single end-to-end learning journey, combining on-demand digital training and assessment, virtual and simulation events via cloud-based solutions, and in-person learning experiences at maritime training centres or aboard ship. Initially, the partnership makes Wärtsilä's cloud simulation services and training catalogue available through OTG's Ocean Learning Platform to a combined customer pool of over 3,000 shipping companies and training centres, plus well over a million seafarers.

In March, Wärtsilä made a further EUR 1 million investment in Soletair Power Oy, a Finnish company developing CO_2 direct air capture technology. The investment enables Soletair Power to further its global sales efforts and to scale up the manufacturing of its CO_2 capture solution for building ventilation applications. Wärtsilä's original investment of EUR 500,000 in the company was made in 2019.

Personnel

Wärtsilä had 17,742 (18,642) employees at the end of the period. On average, the number of personnel totalled 17,751 (18,653) during the period January–March.

Of Wärtsilä's total number of employees, 21% (20) were located in Finland and 41% (42) elsewhere in Europe. Personnel employed in Asia represented 22% (23) of the total, personnel in the Americas 11% (11), and personnel in other countries 5% (4).

Personnel by reporting segment

MEUR	31.3.2021	31.3.2020	Change	31.12.2020
Personnel	**17,742**	**18,642**	**-5%**	**17,792**
Marine Power	**8,317**	8,934	-7%	8,355
Marine Systems	**1,864**	1,862	0%	1,897
Voyage	**1,925**	1,939	-1%	1,915
Energy	**4,905**	4,819	2%	4,888
Portfolio Business	**732**	1,088	-33%	737

Changes in management

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

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, while also supporting 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 January–March included the following:

In January, Wärtsilä was awarded a contract for an integrated hybrid propulsion solution for a Ro-Ro ferry which will operate across the Kootenay Lake, British Columbia, Canada. By opting for Wärtsilä's hybrid solution rather than a conventional propulsion arrangement, the operator will benefit from reduced fuel consumption and a far lower level of exhaust emissions, which is extremely important for preserving the pristine environment in which the vessel will operate. An additional benefit is that through reducing the running hours of the engines, maintenance requirements and costs are also lowered.

Also in January, AGL Energy Limited, one of Australia's leading integrated energy companies, selected Wärtsilä as one of two preferred suppliers for their up to 1,000 MW grid-scale energy storage plans for the next five years. In addition to its state-of-the-art energy storage and energy management systems, Wärtsilä's full engineering, procurement, and construction (EPC) capabilities were among the reasons for AGL to choose Wärtsilä as an energy storage technology partner.

In February, Wärtsilä earned a place on the 2021 Clean200 list, an annual recognition of the world's most significant publicly traded firms according to the size of clean revenue from products and services that provide solutions for the planet and define a clean energy future. The Clean200 list is published by Corporate Knights in partnership with the U.S. non-profit organisation, As You Sow, each year.

In March, Wärtsilä and Lappeenranta-Lahti University of Technology (LUT) in Finland published a first-of-its-kind power system study exploring a carbon neutral power system across India by 2050. The study analysed the development of the power system in a best policy scenario, in which greenhouse gas emissions reach zero across the power sector by 2050 with the comprehensive adoption of sustainable energy and flexible technologies. The study highlights the fact that India stands to gain economically and environmentally by completely shifting towards a renewable powered electricity mix, with flexible technologies providing system reliability.

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

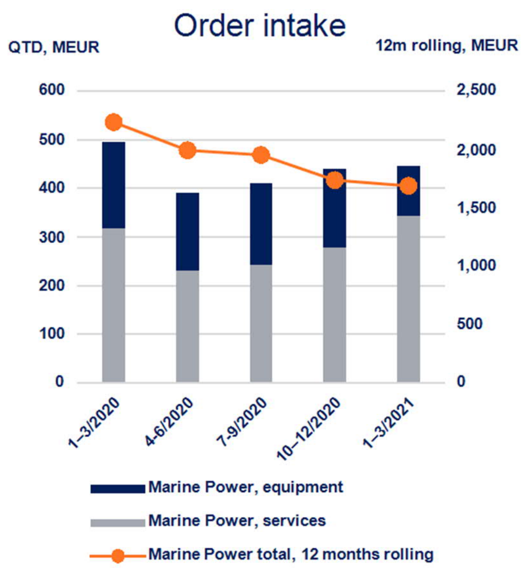
Reporting segment: Wärtsilä Marine Power

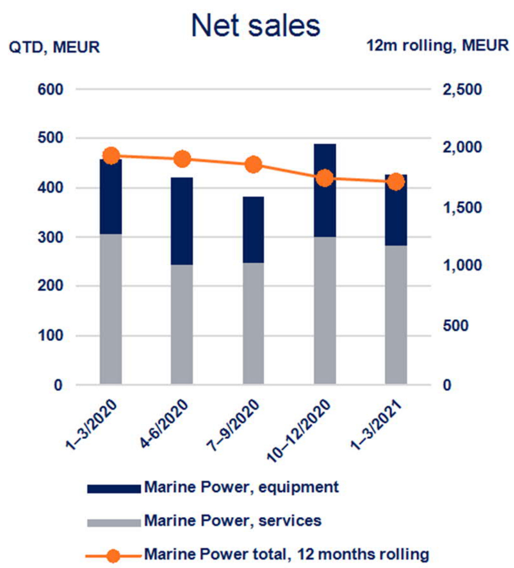
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems deliver the reliability, safety, and environmental performance that Wärtsilä's Smart Marine vision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

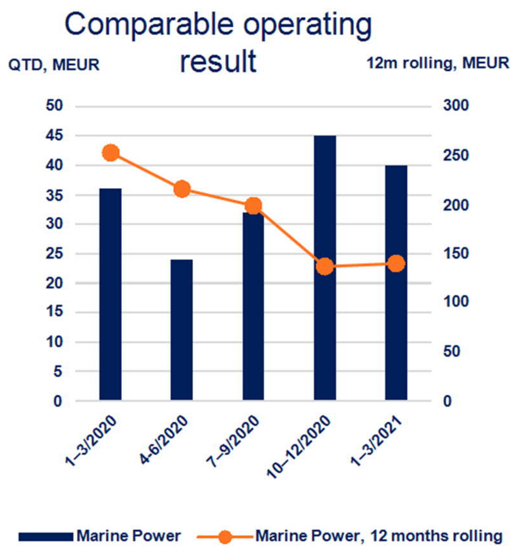
- In most shipping segments, fleet activity has returned to pre-COVID-19 levels. However, the offshore oil and gas, tanker, cruise, and ferry sectors remain under pressure.
- Newbuild order intake continued to be impacted by extremely subdued vessel contracting in the cruise and ferry segment.
- Profitability improved, driven primarily by a favourable service sales mix, as well as by efficiency improvement actions taken.

Key figures

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**446**	496	-10%	1,737
of which services	**344**	317	9%	1,070
Order book, end of period	**1,882**	1,967	-4%	1,839
Net sales	**426**	457	-7%	1,748
of which services	**283**	305	-7%	1,096
Book-to-bill	**1.05**	1.08		0.99
Operating result	**39**	35	14%	134
% of net sales	**9.3**	7.6		7.7
Comparable operating result	**40**	36	9%	137
% of net sales	**9.3**	7.9		7.8
Personnel, end of period	**8,317**	8,934	-7%	8,355







Financial development

Order intake in January–March decreased by 10% to EUR 446 million (496) compared to the corresponding period in the previous year. Book-to-bill was 1.05 (1.08). Service order intake increased by 9% to EUR 344 million (317), driven by demand for long-term service agreements. Equipment order intake decreased by 43% to EUR 102 million (179). Ordering activity weakened mainly in the newbuild markets, with the largest decline seen in the cruise segment. Overall, demand was highest in the merchant segment which, including both traditional merchant vessels and gas carriers, represented 29% and 44% of the order intake of equipment and services, respectively. Service orders received included long-term service agreements with Golar Management, Minerva Gas, Van Oord, and Siem Offshore, covering many different ship types. Most of the agreements are for optimised maintenance, but Wärtsilä also signed a significant guaranteed asset performance agreement for an LNG carrier fleet. The agreement includes normal maintenance management, scheduled and unscheduled maintenance, and performance guarantees to increase availability and safety and to reduce costs, while also sharing profits and risks. **Order book** at the end of the period decreased by 4% to EUR 1,882 million (1,967).

Net sales in January–March decreased by 7% to EUR 426 million (457) compared to the corresponding period in the previous year. Service net sales decreased by 7% to EUR 283 million (305). Equipment net sales decreased by 6% to EUR 143 million (152). **Comparable operating result** amounted to EUR 40 million (36) or 9.3% of net sales (7.9).

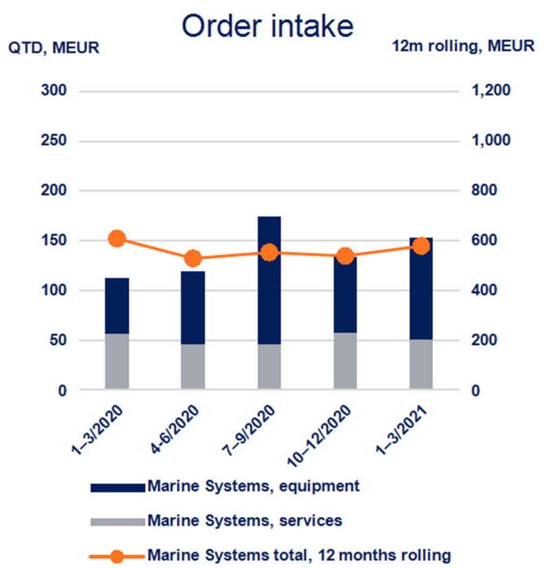
Reporting segment: Wärtsilä Marine Systems

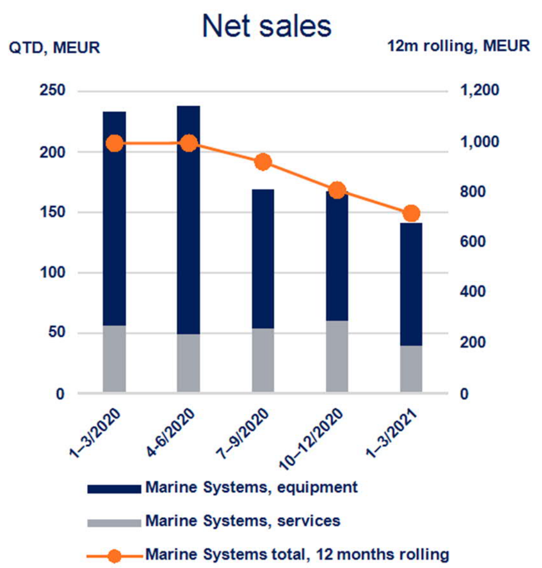
Wärtsilä Marine Systems offers high-quality products, solutions, and lifecycle services related to the gas value chain, exhaust treatment applications, seals & bearings, shaft line repair services, underwater services, and marine electrical integrations. Our aim is to provide the latest and most efficient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

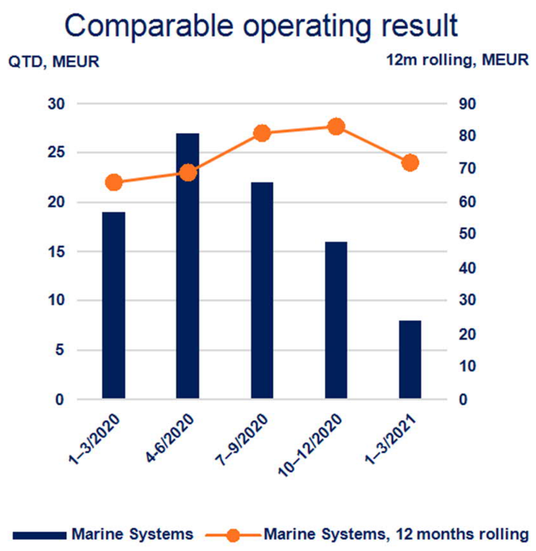
- Market activity in the equipment business slightly improved, with increased ordering of gas carriers and merchant vessels, but continues to provide a rather limited number of opportunities.
- The growth in order intake was driven by equipment business in the Exhaust Treatment, Gas Solutions, and Marine Electrical Systems business units.
- The decline in net sales was mainly due to the ending of the boom in scrubber demand.

Key figures

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**153**	113	35%	539
of which services	**51**	56	-10%	205
Order book, end of period	**887**	1,051	-16%	857
Net sales	**142**	234	-39%	808
of which services	**39**	56	-30%	219
Book-to-bill	**1.08**	0.48		0.67
Operating result	**7**	18	-59%	81
% of net sales	**5.3**	7.8		10.0
Comparable operating result	**8**	19	-59%	83
% of net sales	**5.5**	8.0		10.3
Personnel, end of period	**1,864**	1,862	0%	1,897







Financial development

Order intake in January–March increased by 35% to EUR 153 million (113) compared to the corresponding period in the previous year. Book-to-bill was 1.08 (0.48). Service order intake decreased by 10% to EUR 51 million (56). Equipment order intake increased by 81% to EUR 102 million (56). Orders received during the quarter included a contract to supply the cargo handling and fuel supply systems for six new 93,000 m^3 capacity liquid petroleum gas (LPG) carrier vessels being built at the Jiangnan Shipyard in China for Singapore-based Petredec. In addition, Wärtsilä signed a 5-year agreement to provide the Norwegian shipping company Solvang with its digital Operational Performance Improvement & Monitoring (OPERIM) solution to support the operational efficiency of the Solvang fleet. **Order book** at the end of the period decreased by 16% to EUR 887 million (1,051) due to scrubber deliveries.

Net sales in January–March decreased by 39% to EUR 142 million (234) compared to the corresponding period in the previous year. Service net sales decreased by 30% to EUR 39 million (56), mainly due to the COVID-19-related slowdown, as well as low activity in the navy segment. Equipment net sales decreased by 42% to EUR 102 million (177). **Comparable operating result** amounted to EUR 8 million (19) or 5.5% of net sales (8.0). The decline in both net sales and profitability is mainly due to the ending of the scrubber boom, which has resulted in lower scrubber retrofit volumes.

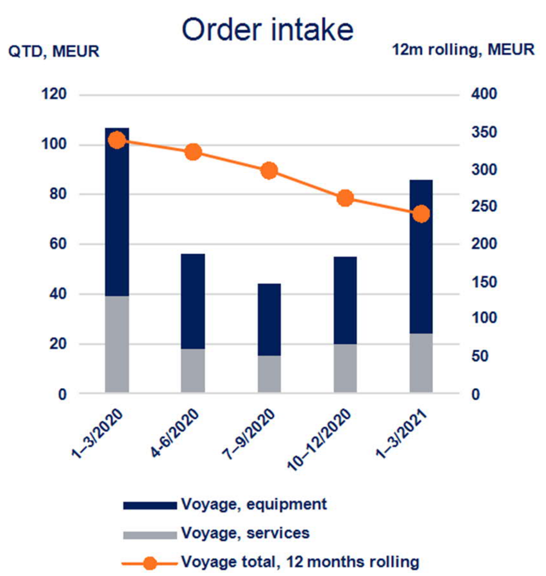
Reporting segment: Wärtsilä Voyage

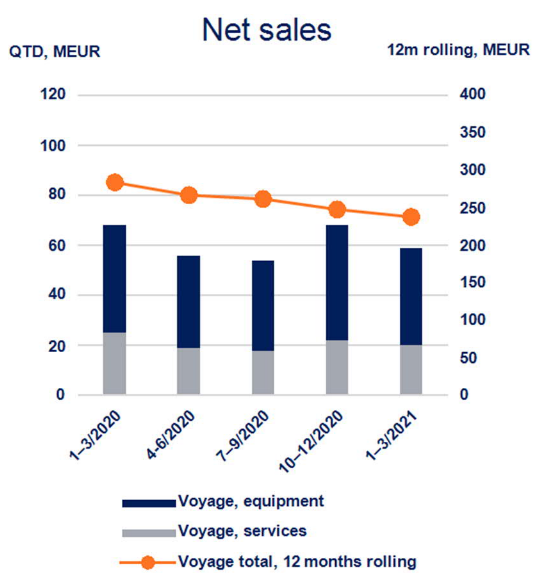
Wärtsilä Voyage transforms how vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. We are committed to creating a Smart Marine Ecosystem, whereby every vessel can connect to digital services that make voyaging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

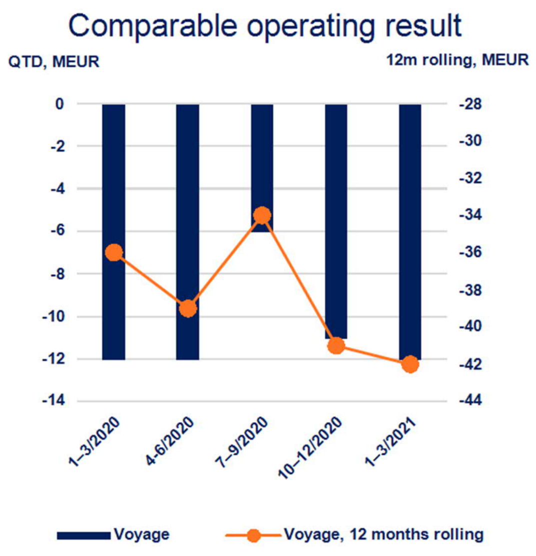
- The COVID-19 impact on demand in the cruise segment continued to put pressure on order intake in both the equipment and service business.
- While net sales development remained slow, mainly due to COVID-19 related project delays and less transactional service business, the number of connected vessels increased by 86%
- Profitability was negatively impacted by lower sales volumes.

Key figures

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**86**	107	-20%	262
of which services	**24**	39	-38%	92
Order book, end of period	**305**	304	0%	275
Net sales	**59**	69	-15%	248
of which services	**20**	25	-21%	85
Book-to-bill	**1.46**	1.55		1.06
Operating result	**-14**	-12	-14%	-42
% of net sales	**-23.8**	-17.8		-17.0
Comparable operating result	**-12**	-12	-7%	-41
% of net sales	**-21.3**	-17.0		-16.5
Personnel, end of period	**1,925**	1,939	-1%	1,915







Financial development

Order intake in January–March decreased by 20% to EUR 86 million (107) compared to the corresponding period in the previous year. Book-to-bill was 1.46 (1.55). Service order intake decreased by 38% to EUR 24 million (39). Equipment order intake decreased by 9% to EUR 62 million (68). The decline in order intake was mainly the result of COVID-19, which impacted demand for both equipment and services, specifically in the cruise segment. Despite postponements in ordering activity, significant newbuild orders were received for automation, navigation, and port solutions. Orders received included a contract to deliver the latest technology in radio and integrated navigation systems for ten icebreaking LNG-fuelled tankers to be constructed for the Arctic LNG-2 project. **Order book** at the end of the period was stable at EUR 305 million (304).

Net sales in January–March decreased by 15% to EUR 59 million (69) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 crisis, which negatively impacted both equipment and service activity in the cruise segment, as well as the simulation and port system businesses. Service net sales decreased by 21% to EUR 20 million (25). Equipment net sales decreased by 11% to EUR 39 million (43). COVID-19 had a negative impact on the sales of the Fleet Operations Solution, creating a substantial backlog of vessels that cannot be accessed for commissioning. **Comparable operating result** amounted to EUR -12 million (-12) or -21.3% of net sales (-17.0).

Reporting segment: Wärtsilä Energy

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

- The pandemic and the resulting slowdown of economic activity kept gas and liquid power plant orders at a low level, but activity in the energy storage markets remained at a good level.
- Services continued to perform well with record high first quarter net sales, as well as good order intake resulting in a strong order book.
- Profitability was burdened by approximately EUR 20 million net provisions arising from a detailed project risk review and by delays in equipment deliveries.

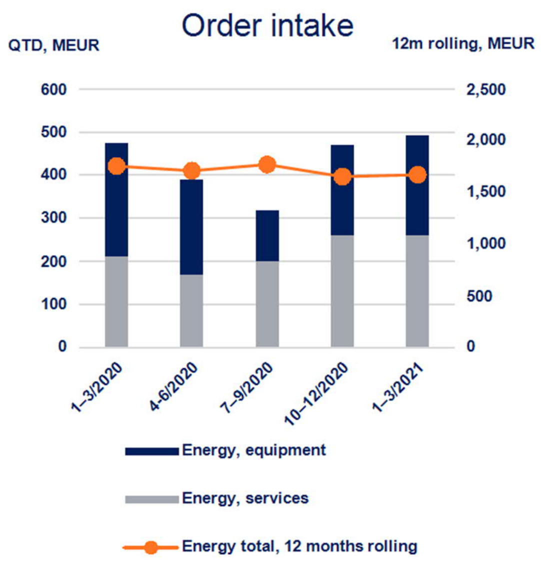
Key figures

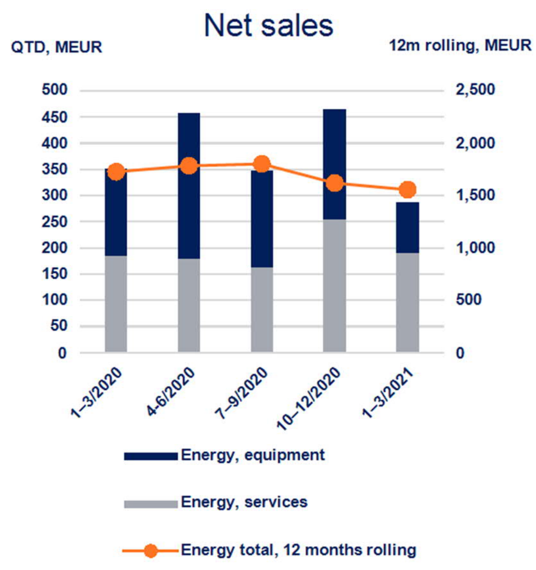
MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**493**	475	4%	1,653
of which services	**261**	212	23%	840
Order book, end of period	**2,029**	2,087	-3%	1,830
Net sales	**288**	351	-18%	1,620
of which services	**191**	184	4%	782
Book-to-bill	**1.71**	1.35		1.02
Operating result	**4**	13	-66%	91
% of net sales	**1.5**	3.7		5.6
Comparable operating result	**4**	14	-68%	101
% of net sales	**1.5**	3.9		6.3
Personnel, end of period	**4,905**	4,819	2%	4,888

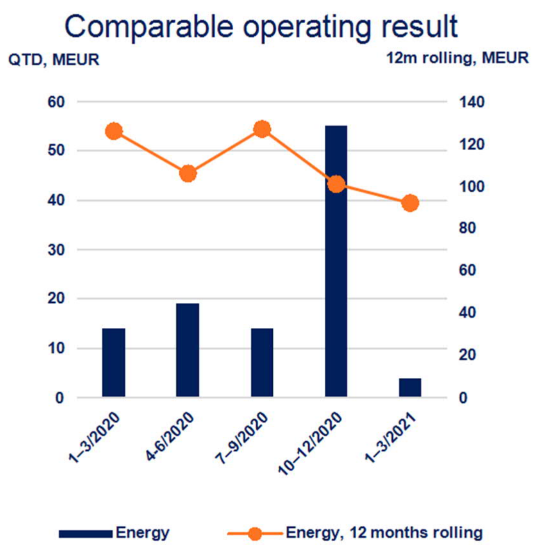
Order intake Energy

	1–3/2021	1–3/2020	Change	2020
Gas, MW	**157**	449	-65%	1,071
Oil, MW	**19**	90	-79%	99
Storage, MWh	**806**	5		460
Other*, MW	**-**	-	-	12

*Includes biofuel power plants and solar installations







Financial development

Order intake in January–March increased by 4% to EUR 493 million (475) compared to the corresponding period in the previous year. Book-to-bill was 1.71 (1.35). Service order intake increased by 23% to EUR 261 million (212). Equipment order intake decreased by 12% to EUR 232 million (263). Demand for equipment was highest in the Americas. Equipment orders received included an energy storage project in the USA with a combined rated capacity of 200 MW. These plants will provide valuable grid support and are covered by ten-year guaranteed asset performance agreements. Service orders received included a gas conversion project concerning a close to 90 MW plant in Senegal. The conversion will enable the plant to switch to the use of gas when available, thus lowering the carbon footprint of energy production. **Order book** at the end of the period decreased by 3% to EUR 2,029 million (2,087).

Net sales in January–March decreased by 18% to EUR 288 million (351) compared to the corresponding period in the previous year. Service net sales increased by 4% to EUR 191 million (184). Equipment net sales decreased by 42% to EUR 96 million (167) due to delays in deliveries, which were mainly caused by COVID-19-related delays in customer site preparation and site works, particularly in Central and South America. **Comparable operating result**

amounted to EUR 4 million (14) or 1.5% of net sales (3.9). Profitability was burdened by approximately EUR 20 million net provisions arising from a detailed project risk review, delays in deliveries, and weak factory cost absorption due to low volumes.

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

Key figures

MEUR	1–3/2021	1–3/2020	Change	2020
Order intake	**66**	57	16%	168
Order book, end of period	**297**	336	-12%	257
Net sales	**33**	59	-45%	181
Operating result	**-1**	-1	28%	-29
% of net sales	**-3.1**	-2.3		-16.2
Comparable operating result	**1**	-1		-6
% of net sales	**4.0**	-1.1		-3.1
Personnel, end of period	**732**	1,088	-33%	737

Financial development

Order intake in January–March increased by 16% to EUR 66 million (57) compared to the corresponding period in the previous year, despite the divestments of certain business units completed in 2020. Demand was highest in the Entertainment Systems business unit, including an order of EUR 31 million, and at a good level also in the American Hydro business unit. **Order book** at the end of the period decreased by 12% to EUR 297 million (336).

Net sales in January–March decreased by 45% to EUR 33 million (59) compared to the corresponding period in the previous year, due to the divestments of certain business units completed in 2020, as well as lower volumes in the Entertainment Systems and Water & Waste business units. **Comparable operating result** amounted to EUR 1 million (-1) or 4.0% of net sales (-1.1). 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 & Waste business unit, and created some delays in Entertainment Systems' deliveries.

Divestments

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

In March, Wärtsilä announced the divestment of 100% of the shares in Wärtsilä Euroatlas GmbH to Mimir, a global investment firm based in Sweden. Wärtsilä Euroatlas provides its global customer base with tailormade solutions for high-performance power conversion in naval, aviation, and mobile land-based applications requiring the highest reliability and power density, and leading-edge energy efficiency under harsh environmental conditions. The company became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015 and has 79 employees based in Bremen, Germany. Subject to approvals, closing of the transaction is expected in the third quarter of 2021.

Risks and business uncertainties

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

In the marine markets, the risk of a prolonged period of uncertainty caused by increasing regulatory pressure to decarbonise the shipping industry and to choose the correct technologies may affect the investment appetite of ship owners and operators, who are forced to re-evaluate their strategies related to both vessel newbuilding and existing fleets, and to cut capital and operational expenditures. The prevailing market conditions may result in continued price pressure and an elevated risk of order cancellations or slippage. Surplus capacity can drive further consolidation among shipyards, ship owners, and operators in certain segments, which may result in lower capture rates in services and equipment sales due to changed customer relationships. Extensions of no-sail orders, the limited ability or desire of people to travel, and the escalation of COVID-19 cases pose significant risks to recovery in the cruise and ferry markets. In the offshore industry, crude oil demand development and price volatility are pushing oil majors to reduce their spending, exploration activity, and operational costs, leading to an increasing number of laid-up drilling units and support vessels. A surge in oil production combined with prolonged weak demand may limit the recovery of oil prices. As a result, the price spread between high- and low-sulphur fuels may narrow down, negatively impacting the scrubber investment case for both the existing fleet and newbuilds. At the same time, low oil prices may widen the price differential between existing fuels and green alternatives. This, combined with the challenging financial positions of shipowners and operators as well as uncertainties concerning developments in the regulatory environment, may raise barriers for the decarbonisation of shipping.

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

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

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

Shares and shareholders

In January–March, the number of shares traded on Nasdaq Helsinki was 152,482,079, equivalent to a turnover of EUR 1,337 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 14,906,058 shares.

Shares on Nasdaq Helsinki

31.3.2021	Number of shares and votes	Number of shares traded 1–3/2021
WRT1V	591,723,390	152,482,079

1.1.2021-31.3.2021	High	Low	Average*	Close
Share price	9.88	7.78	8.77	8.93

*Trade-weighted average price

	31.3.2021	31.3.2020
Market capitalisation, EUR million	5,286	3,959
Foreign shareholders, %	51.7	51.7

Flagging notifications

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

Decisions taken by the Annual General Meeting

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

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

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

Dividend distribution

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

Remuneration of the Board of Directors

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

- to the Chair EUR 140,000/year
- to the Deputy Chair EUR 105,000/year
- to the ordinary members EUR 70,000/year

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

In addition, each member will be paid EUR 750 per Board meeting attended, the Chair's meeting fee being double this amount. Furthermore, the Chair of the Audit Committee will receive a fixed fee of EUR 20,000 and each member of the Committee a fixed fee of EUR 10,000 for the term, while the Chair of the People Committee will receive a fixed fee of EUR 10,000 and each member of the Committee a fixed fee of EUR 5,000 for the term.

Authorisation to repurchase the company's own shares

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

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue a maximum of 57,000,000 shares in the Company. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. A directed issue may be decided upon to develop the capital structure of the Company or to finance or carry out acquisitions or other arrangements. Additionally, the authorisation can also be used as part of the Company's incentive schemes for up to 10,000,000 shares, which represents 1.69% of all the shares in the Company. The authorisation for the Board of Directors to issue shares shall be valid for 18 months from the decision by the Annual General Meeting. However, the authorisation regarding incentive schemes shall be valid for five years from the decision. This authorisation revokes the authorisation given by the Annual General Meeting on 5 March 2020 to issue shares.

Organisation of the Board of Directors

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

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

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

Wärtsilä Interim Report January-March 2021

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2020, except for the change in accounting principles. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

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

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

Change in accounting principles

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

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

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

New and amended IFRS standards

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

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

In 2022 or later, the Group will adopt the following new or amended standards issued by the IASB.

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

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

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

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

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

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

IFRS 17 Insurance Contracts* (effective for financial periods beginning on or after 1 January 2023) applies to all types of insurance contracts (direct insurance and re-insurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective is to provide a consistent accounting model for insurance contracts. The impact is under review within the Group.

* Not yet endorsed for use by the European Union as of 31 March 2021.

This interim financial report is unaudited.

Condensed statement of income

MEUR	1–3/2021	1–3/2020	2020
Net sales	**946**	1,170	4,604
Other operating income	**12**	7	61
Expenses	**-882**	-1,086	-4,260
Result from net position hedges	**-2**		-1
Depreciation, amortisation and impairment	**-39**	-39	-174
Share of result of associates and joint ventures	**1**	1	3
Operating result	**36**	52	234
Financial income and expenses	**-1**	-9	-43
Profit before taxes	**35**	43	191
Income taxes	**-11**	-14	-58
Profit for the reporting period	**24**	29	133
Attributable to:			
equity holders of the parent company	**24**	30	134
non-controlling interests			-1
	24	29	133
Earnings per share attributable to equity holders of the parent company (basic and diluted):			
Earnings per share (EPS), basic and diluted, EUR	**0.04**	0.05	0.23

Statement of other comprehensive income

MEUR	1–3/2021	1–3/2020	2020
Profit for the reporting period	**24**	29	133
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	**-1**	-5	6
Tax on items that will not be reclassified to the statement of income		1	-1
Total items that will not be reclassified to the statement of income	**-1**	-4	5
Items that may be reclassified subsequently to the statement of income			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	**43**	-55	-74
for non-controlling interests			-1
transferred to the statement of income			-6
Associates and joint ventures, share of other comprehensive income	**1**	-1	-2
Cash flow hedges	**8**	-79	3
Tax on items that may be reclassified to the statement of income	**-2**	20	-1
Total items that may be reclassified to the statement of income	**50**	-115	-81
Other comprehensive income for the reporting period, net of taxes	**49**	-118	-76
Total comprehensive income for the reporting period	**73**	-89	57
Total comprehensive income attributable to:			
equity holders of the parent company	**73**	-89	59
non-controlling interests			-1
	73	-89	57

Condensed statement of financial position

MEUR	31.3.2021	31.3.2020	31.12.2020
Non-current assets			
Intangible assets	**1,756**	1,745	1,716
Property, plant and equipment	**287**	301	282
Right-of-use assets	**168**	173	162
Investments in associates and joint ventures	**25**	42	23
Other investments	**19**	18	19
Deferred tax assets	**197**	183	183
Other receivables	**31**	35	42
Total non-current assets	**2,483**	2,498	2,427
Current assets			
Inventories	**1,277**	1,378	1,192
Other receivables	**1,579**	1,879	1,596
Cash and cash equivalents	**875**	405	919
Total current assets	**3,730**	3,662	3,706
Assets held for sale	**84**	90	99
Total assets	**6,297**	6,249	6,232
Equity			
Share capital	**336**	336	336
Other equity	**1,798**	1,687	1,841
Total equity attributable to equity holders of the parent company	**2,134**	2,023	2,177
Non-controlling interests	**11**	14	11
Total equity	**2,145**	2,036	2,188
Non-current liabilities			
Interest-bearing debt	**1,091**	1,104	1,129
Deferred tax liabilities	**78**	81	76
Other liabilities	**235**	235	246
Total non-current liabilities	**1,404**	1,419	1,451
Current liabilities			
Interest-bearing debt	**216**	166	198
Other liabilities	**2,474**	2,555	2,326
Total current liabilities	**2,691**	2,721	2,524
Total liabilities	**4,095**	4,140	3,975
Liabilities directly attributable to assets held for sale	**58**	73	68
Total equity and liabilities	**6,297**	6,249	6,232

Condensed statement of cash flows

MEUR	1–3/2021	1–3/2020	2020
Cash flow from operating activities:			
Profit for the reporting period	**24**	29	133
Adjustments for:			
depreciation, amortisation and impairment	**39**	39	174
financial income and expenses	**1**	9	43
gains and losses on sale of intangible assets and property, plant and equipment and other changes		-1	-9
share of result of associates and joint ventures	**-1**	-1	-3
income taxes	**11**	14	58
other non-cash flow adjustments	**2**	2	7
Cash flow before changes in working capital	**77**	91	403
Changes in working capital	**26**	-22	428
Cash flow from operating activities before financial items and taxes	**103**	69	832
Financial items and paid taxes	**-36**	-27	-150
Cash flow from operating activities	**67**	42	681
Cash flow from investing activities:			
Investments in shares and acquisitions			-2
Net investments in property, plant and equipment and intangible assets	**-29**	-24	-102
Proceeds from sale of shares in subsidiaries, associated companies and other investments			49
Cash flow from investing activities	**-29**	-24	-55
Cash flow from financing activities:			
Proceeds from non-current debt		125	317
Repayments and other changes in non-current debt	**-38**	-26	-76
Changes in current loans and other changes	**-1**	66	1
Dividends paid	**-51**	-127	-286
Cash flow from financing activities	**-90**	39	-44
Change in cash and cash equivalents, increase (+)/decrease (-)	**-52**	57	582
Cash and cash equivalents at the beginning of the reporting period*	**932**	369	369
Exchange rate changes	**6**	-7	-19
Cash and cash equivalents at the end of the reporting period*	**886**	420	932

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

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2021	**336**	**61**	**-197**	**-9**	**-45**	**2,030**	**11**	**2,188**
Total comprehensive income for the reporting period			**45**	**5**	**-1**	**24**		**73**
Other changes						**2**		**2**
Dividends paid						**-118**		**-118**
Equity on 31 March 2021	**336**	**61**	**-152**	**-4**	**-45**	**1,938**	**11**	**2,145**

	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			-56	-59	-4	30		-89
Dividends paid						-284		-284
Equity on 31 March 2020	336	61	-170	-70	-59	1,924	14	2,036

Segment information

Wärtsilä's current organisational structure became operational on 1 July 2020. The change in organisational structure was reflected in Wärtsilä's financial reporting as of the second quarter of 2020. The segment related comparison figures for 1–3/2020 have been restated to reflect the current organisational structure.

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

Portfolio Business consists of multiple business units, which are run independently with the aim of accelerating performance improvement and unlocking value through divestments or other strategic alternatives. The business units included in Portfolio Business comprise Entertainment Systems (divestment announced in January 2021), Special Products covering power converter products (divestment announced in March 2021), Tank Control Systems, Water & Waste, as well as American Hydro, the hydropower solution and turbine service business.

MEUR	1–3/2021	1–3/2020	2020
Net sales			
Marine Power	**426**	457	1,748
Marine Systems	**142**	234	808
Voyage	**59**	69	248
Energy	**288**	351	1,620
Portfolio Business	**33**	59	181
Total	**946**	1,170	4,604
Depreciation, amortisation and impairment			
Marine Power	**-19**	-18	-68
Marine Systems	**-5**	-5	-20
Voyage	**-6**	-6	-27
Energy	**-7**	-8	-32
Portfolio Business	**-3**	-2	-28
Total	**-39**	-39	-174
Share of result of associates and joint ventures			
Marine Power	**1**	1	2
Total	**1**	1	3
Operating result			
Marine Power	**39**	35	134
Marine Systems	**7**	18	81
Voyage	**-14**	-12	-42
Energy	**4**	13	91
Portfolio Business	**-1**	-1	-29
Total	**36**	52	234

Operating result as a percentage of net sales (%)			
Marine Power	**9.3**	7.6	7.7
Marine Systems	**5.3**	7.8	10.0
Voyage	**-23.8**	-17.8	-17.0
Energy	**1.5**	3.7	5.6
Portfolio Business	**-3.1**	-2.3	-16.2
Total	**3.8**	4.5	5.1
Comparable operating result			
Marine Power	**40**	36	137
Marine Systems	**8**	19	83
Voyage	**-12**	-12	-41
Energy	**4**	14	101
Portfolio Business	**1**	-1	-6
Total	**41**	56	275
Comparable operating result as a percentage of net sales (%)			
Marine Power	**9.3**	7.9	7.8
Marine Systems	**5.5**	8.0	10.3
Voyage	**-21.3**	-17.0	-16.5
Energy	**1.5**	3.9	6.3
Portfolio Business	**4.0**	-1.1	-3.1
Total	**4.3**	4.8	6.0

Net sales by geographical areas

MEUR	1–3/2021	1–3/2020	2020
Europe	**317**	379	1,542
Asia	**312**	414	1,570
The Americas	**229**	277	1,077
Other	**88**	100	415
Total	**946**	1,170	4,604

Service net sales

MEUR	1–3/2021	1–3/2020	2020
Net sales			
Marine Power, service	**283**	305	1,096
Marine Systems, service	**39**	56	219
Voyage, service	**20**	25	85
Energy, service	**191**	184	782
Portfolio Business, service	**16**	22	74
Total	**550**	593	2,255

Measures of profit and items affecting comparability

MEUR	1–3/2021	1–3/2020	2020
Comparable adjusted EBITA	**49**	65	308
Purchase price allocation amortisation	**-8**	-9	-33
Comparable operating result	**41**	56	275
Items affecting comparability:			
Social plan costs		-1	-12
Impairment and write-downs	**-2**		-22
Profits and losses from disposals			6
Other costs	**-2**	-3	-14
Items affecting comparability, total	**-4**	-4	-41
Operating result	**36**	52	234

Assets held for sale

Wärtsilä has classified Entertainment business, Tank Control business, and Wärtsilä EUROATLAS GmbH as assets held for sale. Entertainment business has been classified as assets held for sale since the fourth quarter of 2019, Tank Control business since the second quarter of 2020, and Wärtsilä EUROATLAS GmbH since the fourth quarter of 2020.

In January 2021, Wärtsilä announced the divestment of 100% of the shares in its Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. Entertainment is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution, and announcement systems for cruise vessels and entertainment parks. The annual revenues were approximately EUR 50 million in 2020. The event is not expected to have a material impact on the profit for the financial period 2021. Completion of the transaction is expected in the first half of 2021.

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

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

Disaggregation of revenue

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

Net sales by revenue type

MEUR	1–3/2021	1–3/2020	2020
Products	**276**	273	1,091
Goods and services	**113**	143	511
Projects	**455**	630	2,557
Long-term agreements	**102**	124	445
Total	**946**	1,170	4,604

Timing of satisfying performance obligations

MEUR	1–3/2021	1–3/2020	2020
At a point in time	**645**	804	3,150
Over time	**302**	366	1,455
Total	**946**	1,170	4,604

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

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

Projects are of both short- and long-term duration. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. In large-scale system or equipment deliveries which require engineering, for example power plants and gas solutions construction contracts, the revenue is recognised over time. Revenue from tailor-made equipment delivery projects is recognised at a point in time, 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	1–3/2021	1–3/2020	2020
Intangible assets			
Carrying amount on 1 January	**1,716**	1,776	1,776
Changes in exchange rates	**39**	-33	-49
Acquisitions and disposals			-5
Additions	**14**	15	61
Amortisation and impairment	**-13**	-14	-58
Decreases and reclassifications	**1**		-9
Carrying amount at the end of the reporting period	**1,756**	1,745	1,716
Property, plant and equipment			
Carrying amount on 1 January	**282**	307	307
Changes in exchange rates	**2**	-3	-6
Acquisitions and disposals			-4
Additions	**16**	12	54
Depreciation and impairment	**-13**	-13	-57
Decreases and reclassifications		-2	-11
Carrying amount at the end of the reporting period	**287**	301	282

Leases

MEUR	1–3/2021	1–3/2020	2020
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**151**	174	174
Changes in exchange rates	**2**	-5	-6
Acquisitions and disposals			-2
Additions	**14**	6	29
Depreciation and impairment	**-10**	-11	-40
Decreases and reclassifications	**-1**	-2	-6
Carrying amount at the end of the reporting period	**156**	162	151
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**11**	11	11
Additions	**2**	2	8
Depreciation and impairment	**-2**	-2	-7
Decreases and reclassifications			-1
Carrying amount at the end of the reporting period	**11**	10	11
Lease liabilities			
Carrying amount on 1 January	**166**	188	188
Changes in exchange rates	**2**	-4	-6

Acquisitions and disposals			-1
Additions	**16**	8	37
Payments	**-11**	-13	-45
Other adjustments	**-2**	-2	-7
Carrying amount at the end of the reporting period	**171**	176	166

MEUR	**1–3/2021**	**1–3/2020**	**2020**
Amounts recognised in statement of income			
Depreciation and impairment	**-11**	-12	-47
Interest expenses	**-1**	-1	-4
Expense – short-term leases	**-7**	-7	-27
Expense – leases of low-value assets	**-1**	-1	-4
Expense – variable lease payments	**-2**	-2	-4

Gross capital expenditure

MEUR	**1–3/2021**	**1–3/2020**	**2020**
Investments in securities and acquisitions			2
Investments in intangible assets and property, plant and equipment	**29**	27	115
Total	**29**	27	117

Net interest-bearing debt

MEUR	**1–3/2021**	**1–3/2020**	**2020**
Interest-bearing debt, non-current	**960**	967	1,005
Lease liabilities, non-current	**131**	137	124
Interest-bearing debt, current	**176**	127	156
Lease liabilities, current	**40**	39	42
Total interest-bearing liabilities	**1,307**	1,270	1,327
Interest-bearing receivables	**-2**	-1	-1
Cash and cash equivalents	**-875**	-405	-919
Cash and cash equivalents pertaining to assets held for sale	**-12**	-15	-14
Total interest-bearing assets	**-888**	-421	-933
Total net interest-bearing debt	**419**	849	394

Financial ratios

	1–3/2021	1–3/2020	2020
Earnings per share (EPS), basic and diluted, EUR	**0.04**	0.05	0.23
Equity per share, EUR	**3.60**	3.42	3.68
Solvency ratio, %	**37.0**	35.3	38.1
Gearing	**0.20**	0.42	0.18
Return on investment (ROI), %	**6.9**	10.3	7.1
Return on equity (ROE), %	**6.2**	8.8	5.8

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

Personnel

	1–3/2021	1–3/2020	2020
On average	**17,751**	18,653	18,307
At the end of the reporting period	**17,742**	18,642	17,792

Contingent liabilities

MEUR	1–3/2021	1–3/2020	2020
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**17**	19	17
Total	**27**	29	27
Guarantees and contingent liabilities			
on behalf of Group companies	**944**	847	887
Nominal amounts of lease liabilities			
Low-value lease liabilities	**7**	4	7
Short-term lease liabilities	**4**	4	3
Leases not yet commenced, but to which Wärtsilä is committed	**179**	158	191
Total	**1,134**	1,013	1,088

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	**450**	
Cross currency swaps	**231**	
Foreign exchange forward contracts	**1,849**	**832**
Total	**2,530**	**832**

In addition, the Group had copper futures and swaps amounting to 113 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)	**2**	**2**
Other receivables, non-current (level 2)	**2**	**2**
Derivatives (level 2)	**18**	**18**
Financial liabilities		
Interest-bearing debt, non-current (level 2)	**1,091**	**1,099**
Derivatives (level 2)	**45**	**45**

Quarterly figures

MEUR	1–3/ 2021	10–12/ 2020	7–9/ 2020	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019	1–3/ 2019
Order intake									
Marine Power*	**446**	440	410	391	496	656	449	632	509
Marine Systems*	**153**	133	174	119	113	147	150	198	258
Voyage*	**86**	55	44	56	107	93	69	72	76
Energy*	**493**	469	319	390	475	585	260	435	489
Portfolio Business*	**66**	21	34	55	57	74	51	40	83
Total	**1,244**	1,118	981	1,011	1,247	1,555	979	1,377	1,416
Order book at the end of the reporting period**									
Marine Power*	**1,882**	1,839	1,908	1,913	1,967	2,019	1,981	1,976	1,800
Marine Systems*	**887**	857	872	902	1,051	1,232	1,377	1,471	1,516
Voyage*	**305**	275	289	305	304	274	265	252	257
Energy*	**2,029**	1,830	1,865	1,939	2,087	2,014	2,023	2,120	2,043
Portfolio Business*	**297**	257	331	341	336	338	336	338	361
Total	**5,399**	5,057	5,265	5,401	5,745	5,878	5,982	6,157	5,977
Net sales									
Marine Power*	**426**	489	382	420	457	603	430	447	443
Marine Systems*	**142**	167	169	238	234	279	244	237	192
Voyage*	**59**	68	54	56	69	82	60	73	65
Energy*	**288**	465	347	457	351	648	328	400	403
Portfolio Business*	**33**	30	43	48	59	71	56	60	49
Total	**946**	1,220	995	1,220	1,170	1,684	1,118	1,217	1,151
Share of result of associates and joint ventures	**1**			1	1	-2	-6	-1	
Comparable adjusted EBITA	**49**	111	69	63	65	213	49	123	113
as a percentage of net sales	**5.1**	9.1	7.0	5.2	5.6	12.6	4.4	10.1	9.8
Depreciation, amortisation and impairment	**-39**	-49	-47	-38	-39	-39	-58	-42	-41
Purchase price allocation amortisation	**-8**	-8	-8	-8	-9	-10	-10	-10	-11
Comparable operating result	**41**	103	61	55	56	202	39	113	102
as a percentage of net sales	**4.3**	8.4	6.1	4.5	4.8	12.0	3.5	9.3	8.9
Items affecting comparability, total	**-4**	-13	-18	-6	-4	-39	-28	-17	-11
Operating result	**36**	90	43	49	52	164	11	96	91
as a percentage of net sales	**3.8**	7.4	4.3	4.0	4.5	9.7	1.0	7.9	7.9

Financial income and expenses	**-1**	-12	-9	-13	-9	-11	-11	-13	-13
Profit before taxes	**35**	78	34	36	43	153		83	78
Income taxes	**-11**	-23	-9	-12	-14	-51	-5	-21	-19
Profit for the reporting period	**24**	55	25	23	29	102	-5	62	59
Earnings per share (EPS), basic and diluted, EUR	**0.04**	0.10	0.04	0.04	0.05	0.17	-0.01	0.11	0.10
Gross capital expenditure	**29**	38	25	27	27	44	24	32	23
Investments in securities and acquisitions		1	1			2		4	
Cash flow from operating activities	**67**	274	114	252	42	295	-61	-37	35
Working capital (WCAP) at the end of the reporting period	**243**	257	431	492	660	732	870	784	656
Personnel at the end of the reporting period* **									
Marine Power*	**8,317**	8,355	8,412	8,674	8,934	8,820	8,962	9,005	8,881
Marine Systems*	**1,864**	1,897	1,891	1,846	1,862	1,870	1,828	1,887	1,882
Voyage*	**1,925**	1,915	1,946	1,917	1,939	1,889	1,875	1,849	1,852
Energy*	**4,905**	4,888	4,837	4,799	4,819	5,137	5,295	5,449	5,513
Portfolio Business*	**732**	737	1,097	1,098	1,088	1,080	1,058	1,050	1,096
Total	**17,742**	17,792	18,183	18,334	18,642	18,795	19,018	19,239	19,225

* The segment related comparison figures for 2019 and 1–3/2020 have been restated to reflect the current organisational structure.
** During 2019, Wärtsilä implemented stricter requirements for the booking of new orders, which resulted in certain projects being removed from the Energy Business' order book. The order book for the first three quarters of 2019 has been adjusted to reflect this change.
*** The comparison figures have been adjusted to reflect the business unit composition of the Portfolio Business and a change in allocation principles.

Calculations of financial ratios

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

Earnings per share (EPS), basic and diluted

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

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

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Order intake

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

Order book

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

Working capital (WCAP)

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

21 April 2021
Wärtsilä Corporation
Board of Directors