Wärtsilä Corporation

Interim Report

January – September 2020

Mix supported third quarter profitability, but COVID-19 continues to impact customer decision-making

Highlights of July–September 2020

- Order intake was stable at EUR 981 million (979)
- Net sales decreased by 11% to EUR 995 million (1,118)
- Book-to-bill amounted to 0.99 (0.88)
- Comparable operating result increased by 55% to EUR 61 million (39), which represents 6.1% of net sales (3.5)
- Earnings per share increased to 0.04 euro (-0.01)
- Cash flow from operating activities increased to EUR 114 million (-61)

Highlights of January–September 2020

- Order intake decreased by 14% to EUR 3,240 million (3,772)
- Order book at the end of the period decreased by 12% to EUR 5,265 million (5,982)
- Net sales decreased by 3% to EUR 3,385 million (3,486)
- Book-to-bill amounted to 0.96 (1.08)
- Comparable operating result decreased by 32% to EUR 172 million (254), which represents 5.1% of net sales (7.3)
- Earnings per share decreased to 0.13 euro (0.20)
- Cash flow from operating activities increased to EUR 407 million (-63)

Wärtsilä's prospects for 2020 reinstated

Wärtsilä expects the near-term demand in the marine and energy markets to improve from current levels. However, visibility remains limited, and the prevailing market conditions make the outlook uncertain.

Based on its current order book, Wärtsilä expects net sales for 2020 to decline by approximately 10% (EUR 5,170 million in 2019). Profitability is expected to continue to be burdened by the effects of COVID-19 and, while service demand is anticipated to improve, the seasonal pick-up is unlikely to be as strong as in previous years.

Jaakko Eskola, President & CEO

“The COVID-19 pandemic continued to limit the appetite for investments in both the marine and energy markets in the third quarter, resulting in depressed vessel contracting and the postponement of decisions on new power plant capacity. Furthermore, despite some easing of mobility restrictions, low vessel utilisation, power plant site access constraints, and customers’ focus on conserving cash led to soft demand for services.

The difficult market backdrop was reflected in the low level of orders received during the third quarter, as well as in the decline in net sales from services and some delays in equipment deliveries. Profitability remained low due to COVID-19 driven cost inflation, fixed cost underabsorption, and a higher share of equipment deliveries within the net sales mix. However, a better than anticipated service mix contributed to sequential improvement, as did the ongoing temporary cost saving actions. I am pleased to note that our efforts to improve working capital, particularly in the areas of inventory management and receivables collection, resulted in yet another quarter of positive cash flow development.

Looking at the months ahead, our solid order book will contribute to a reasonable level of equipment deliveries. However, as service activity is likely to remain subdued, we expect the resulting unfavourable sales mix to put pressure on profitability. Visibility into demand development remains low, due to widespread concerns over escalating virus infection rates and the longer-term implications of the COVID-19 pandemic. Thus, our near-term focus will be on ensuring both a sound financial position and an optimal cost structure for the prevailing market conditions. Simultaneously, we will continue to invest in developing our digital offering and fuel flexible solutions, enabling us to capture future growth opportunities related to the decarbonisation and transformation of the marine and energy industries."

Key figures

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**981**	979	0%	**3,240**	3,772	-14%	5,327
of which services	**521**	681	-23%	**1,641**	1,957	-16%	2,683
Order book, end of period				**5,265**	5,982	-12%	5,878
Net sales	**995**	1,118	-11%	**3,385**	3,486	-3%	5,170
of which services	**499**	579	-14%	**1,602**	1,764	-9%	2,505
Book-to-bill	**0.99**	0.88		**0.96**	1.08		1.03
Operating result	**43**	11	293%	**144**	198	-27%	362
% of net sales	**4.3**	1.0		**4.3**	5.7		7.0
Comparable operating result	**61**	39	55%	**172**	254	-32%	457
% of net sales	**6.1**	3.5		**5.1**	7.3		8.8
Comparable adjusted EBITA*	**69**	49	40%	**197**	285	-31%	498
% of net sales	**7.0**	4.4		**5.8**	8.2		9.6
Profit before taxes	**34**	-0		**113**	162	-30%	315
Earnings/share, EUR	**0.04**	-0.01		**0.13**	0.20		0.37
Cash flow from operating activities	**114**	-61		**407**	-63		232
Net interest-bearing debt, end of period				**678**	987		726
Gross capital expenditure				**79**	79		122
Gearing				**0.33**	0.44		0.30
Solvency, %				**36.0**	39.4		40.8
Personnel, end of period				**18,183**	19,018	-4%	18,795

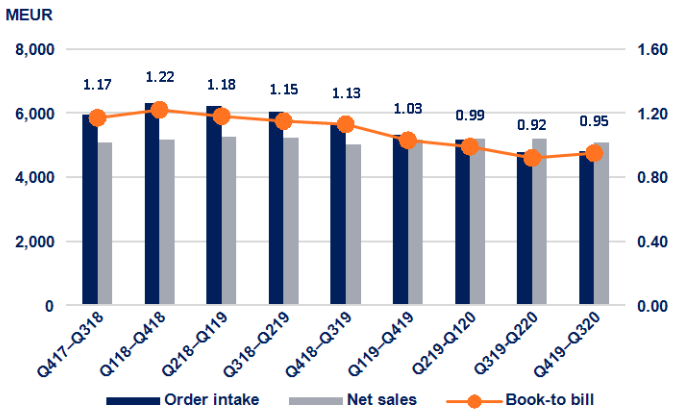
*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

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

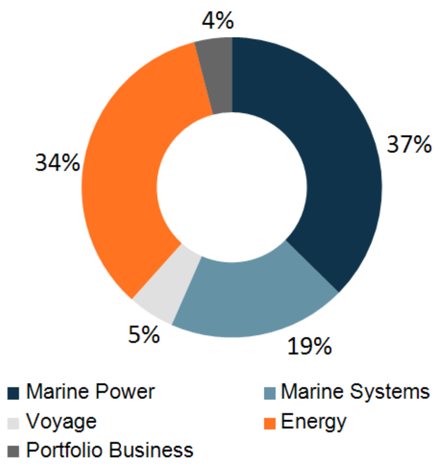
As published in the Interim report January-March 2020, order book figures for 2019 have been restated due to the stricter requirements for booking new orders, and personnel comparison figures for 2019 have been adjusted to correctly reflect the business line composition of the Portfolio Business and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

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

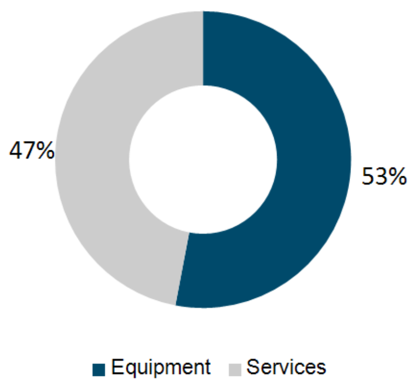
Book-to-bill, 12 months rolling



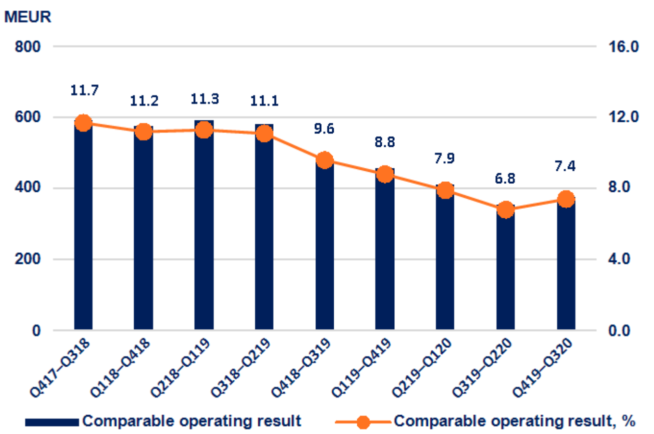
Net sales by business area, January–September



Net sales by business type, January–September



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

The impact of COVID-19 has significantly disrupted the shipping and shipbuilding markets during the period January-September 2020. Shipyard delivery volumes have been globally affected by travel restrictions, yard closures, localised lockdowns, and supply chain disruptions. The pandemic has also severely dampened the appetite for newbuild investments. As a result, only 505 vessels were contracted during the period (655 over the same period in 2019, excluding late contracting), with ordering declining across all major vessel segments. Despite some easing of mobility restrictions, activity in the service market remained soft, as the decline in fleet utilisation has reduced demand for spare parts and maintenance activities across all segments.

Cruise operations continue to be heavily affected by ‘no-sail orders’, along with the COVID-19 infection rate, which remains high in the main cruise passenger markets. While some cruise lines have begun carefully controlled cruising in Europe, the vast majority of the cruise fleet remains idled. Ferry services have gradually resumed following lockdowns, but the number of port calls is still clearly lower than during the previous year. Low oil prices continue to put pressure on the offshore industry, where utilisation of the drilling rig and offshore support vessel fleets has declined to levels comparable to the bottom of the post-2014 market cycle. However, the expected increase in offshore wind projects will generate demand for specialised vessels, resulting in opportunities in terms of both newbuilds and retrofits of the existing oil and gas fleet. In the LNG shipping sector, project sanctioning remains weak. More positive trends started to materialise during the third quarter, with US exports recently picking up from the second quarter lows and Asian demand improving. After a deep contraction in the first half of the year, the containership sector saw a recovery in the third quarter, with volumes exceeding expectations and idle fleet capacity easing from the peaks of May. Average bulker earnings have improved since May, on the back of record iron ore imports into China and soybean exports from Brazil. Tanker market conditions weakened after record-high earnings in the second quarter, with seaborne oil trade remaining low amidst ongoing OPEC+ output cuts, whilst tanker fleet availability has increased.

The HSFO/LSFO price differential has narrowed significantly since January as a result of both the sharp decline in oil prices and improved LSFO availability. This has negatively impacted the pace of scrubber retrofits and installations on newbuilds. Although the average price spread slightly increased during the third quarter, the market for scrubbers is still characterized by a high degree of uncertainty due to the COVID-19 pandemic and the subsequent turmoil in the global oil markets.

With the European Parliament approving a proposal to include shipping in its emissions trading scheme (ETS), the pressure to decarbonise is growing, with an increased uptake of alternative fuels. While LNG remains the most widely adopted alternative fuel, with 22% of tonnage contracted since 2019 set to be equipped with dual-fuel engines, R&D activities and investments are also focusing on zero-carbon fuels, such as ammonia and hydrogen, as well as on energy saving technologies.

While the pandemic has led to a significant contraction in trade volumes, it has also speeded up the digital transformation through new technologies and digital applications being adopted as a matter of necessity. The use of cloud-based remote solutions has accelerated 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 technologies are increasingly being accepted as central to the global requirement for reducing operating costs and complying with environmental regulations.

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 third quarter of 2020. While the market situation has stabilised somewhat and power demand has returned to near normal levels, the prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic continues to cause customers to postpone investments in new power plant capacity. Furthermore, site access constraints are affecting project deliveries and field service activities, despite certain countries partially easing mobility restrictions. The energy transition is expected to slow down temporarily as a result of delays in project deliveries and investment decisions, cheaper fossil fuels, as well as the continued focus on containing the virus spread and mitigating its business impacts. Nevertheless, activity in the energy storage markets has improved, driven by the increasing need for short-term flexible capacity in power systems with a higher share of renewables. The allocation of financial stimulus packages by governments and monetary institutions to the energy sector will further support investments in green energy, although funding execution details are still pending.

Wärtsilä's market share in the up to 500 MW market segment increased slightly to 9% (8), while global orders for natural gas and liquid power plants decreased by 10% to 16.0 GW during the twelve-month period ending in June 2020 (17.8 GW at the end of March). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Order intake and order book

Wärtsilä's **order intake in July–September** was stable at EUR 981 million (979) compared to the corresponding period in the previous year. Book-to-bill was 0.99 (0.88). Service order intake decreased by 23% to EUR 521 million (681), while equipment order intake increased by 54% to EUR 460 million (298) from low ordering levels in the comparative quarter.

Order intake in January–September decreased by 14% to EUR 3,240 million (3,772) compared to the corresponding period in the previous year. Uncertainty related to the COVID-19 pandemic and its long-term implications weakened demand across all business areas. Book-to-bill was 0.96 (1.08). Service order intake decreased by 16% to EUR 1,641 million (1,957), while equipment order intake decreased by 12% to EUR 1,599 million (1,815).

The **order book** at the end of the period decreased by 12% to EUR 5,265 million (5,982). Cancellations during the period were largely in line with normal low levels. Wärtsilä has implemented stricter requirements for the inclusion of new and existing projects in the order book. This has resulted in orders amounting to approximately EUR 310 million being removed from the order book during January-September, primarily due to lack of progress or milestone payments not being received, as well as some cancellations. Of the total amount, EUR 45 million was removed in the third quarter. Wärtsilä's current order book for 2020 deliveries is EUR 1,196 million (1,708).

Order intake and order book by reporting segment

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**981**	**979**	0%	**3,240**	**3,772**	**-14%**	**5,327**
Marine Power	**410**	449	-9%	**1,297**	1,590	-18%	2,247
Marine Systems	**174**	150	16%	**406**	607	-33%	754
Voyage	**44**	69	-36%	**206**	217	-5%	310
Energy	**319**	260	23%	**1,185**	1,184	0%	1,769
Portfolio Business	**34**	51	-33%	**146**	174	-16%	248
Order book, end of period				**5,265**	**5,982**	**-12%**	**5,878**
Marine Power				**1,908**	1,981	-4%	2,019
Marine Systems				**872**	1,377	-37%	1,232
Voyage				**289**	265	9%	274
Energy				**1,865**	2,023	-8%	2,014
Portfolio Business				**331**	336	-1%	338

Net sales and operating result

Wärtsilä's **net sales in July–September** decreased by 11% to EUR 995 million (1,118) compared to the corresponding period in the previous year. Service net sales decreased by 14% to EUR 499 million (579) due to lower utilisation of installations and virus containment measures. Equipment net sales decreased by 8% to EUR 496 million (540) mainly due to fewer scrubber deliveries.

The **operating result in July–September** amounted to EUR 43 million (11) or 4.3% of net sales (1.0). The operating result for the comparison period was weakened by charges for cost overruns in certain Energy and Marine Systems projects. The comparable operating result totalled EUR 61 million (39) or 6.1% of net sales (3.5). Items affecting comparability amounted to EUR 18 million, consisting mainly of costs related to the divestments of Wärtsilä JOVYATLAS GmbH and Wärtsilä Valves Ltd. In the comparison period, items affecting comparability comprised costs for restructuring programmes of EUR 28 million. The comparable adjusted EBITA amounted to EUR 69 million (49) or 7.0% of net sales (4.4). Purchase price allocation amortisation amounted to EUR 8 million (10).

Net sales in January–September decreased by 3% to EUR 3,385 million (3,486) compared to the corresponding period in the previous year. Service net sales decreased by 9% to EUR 1,602 million (1,764). Equipment net sales increased by 4% to EUR 1,783 million (1,722). Of Wärtsilä's net sales, approximately 65% was EUR denominated and 21% USD denominated, with the remainder being split between several currencies.

The **operating result in January–September** amounted to EUR 144 million (198) or 4.3% of net sales (5.7). The result was burdened by a decline in service volumes, COVID-19 driven cost inflation, and weaker fixed cost absorption. The comparable operating result totalled EUR 172 million (254) or 5.1% of net sales (7.3). Items affecting comparability comprised costs related to both divestments and restructuring programmes of EUR 28 million (56). The comparable adjusted EBITA amounted to EUR 197 million (285) or 5.8% of net sales (8.2). Purchase price allocation amortisation amounted to EUR 25 million (31).

Financial items amounted to EUR -31 million (-36) in January–September. Net interest totalled EUR -7 million (-9). Profit before taxes amounted to EUR 113 million (162). Taxes amounted to EUR 35 million (45), implying an effective tax rate of 30.8% (28.0). Profit for the financial period amounted to EUR 78 million (116). Earnings per share totalled 0.13 euro (0.20). Return on investments (ROI) was 9.1% (12.8), while return on equity (ROE) was 8.2% (11.7).

Net sales and operating result by reporting segment

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Net sales	**995**	**1,118**	**-11%**	**3,385**	**3,486**	**-3%**	**5,170**
Marine Power	**382**	430	-11%	**1,259**	1,319	-5%	1,923
Marine Systems	**169**	244	-31%	**641**	673	-5%	952
Voyage	**54**	60	-9%	**180**	198	-9%	280
Energy	**347**	328	6%	**1,155**	1,131	2%	1,779
Portfolio Business	**43**	56	-23%	**150**	165	-9%	236
Operating result	**43**	**11**	**293%**	**144**	**198**	**-27%**	**362**
Marine Power	**36**	23	55%	**92**	129	-29%	221
Marine Systems	**21**	9	140%	**66**	41	60%	53
Voyage	**-7**	-12	45%	**-31**	-31	1%	-37
Energy	**9**	-9	204%	**40**	68	-41%	131
Portfolio Business	**-17**	-1		**-22**	-9	-161%	-7
Operating result, % of net sales	**4.3**	**1.0**		**4.3**	**5.7**		**7.0**
Marine Power	**9.4**	5.4		**7.3**	9.7		11.5
Marine Systems	**12.6**	3.6		**10.2**	6.1		5.6
Voyage	**-12.0**	-19.9		**-17.3**	-15.9		-13.3
Energy	**2.6**	-2.7		**3.5**	6.0		7.4
Portfolio Business	**-40.2**	-0.9		**-14.8**	-5.2		-2.8
Comparable operating result	**61**	**39**	**55%**	**172**	**254**	**-32%**	**457**
Marine Power	**32**	49	-36%	**92**	166	-45%	273
Marine Systems	**22**	10	115%	**67**	46	46%	60
Voyage	**-6**	-12	44%	**-30**	-28	-8%	-31
Energy	**14**	-8	277%	**46**	74	-38%	155
Portfolio Business	**0**	-1	164%	**-3**	-4	22%	0
Comparable operating result, % of net sales	**6.1**	**3.5**		**5.1**	**7.3**		**8.8**
Marine Power	**8.3**	11.4		**7.3**	12.6		14.2
Marine Systems	**13.0**	4.2		**10.5**	6.9		6.3
Voyage	**-11.9**	-19.4		**-16.7**	-14.0		-11.2
Energy	**3.9**	-2.4		**4.0**	6.5		8.7
Portfolio Business	**0.8**	-1.0		**-2.1**	-2.4		0.1

Net sales bridge

MEUR	7–9/2020	1–9/2020
2019	**1,118**	**3,486**
Organic	**-8%**	**-1%**
Acquisitions and divestments	**0%**	**0%**
FX impact	**-3%**	**-2%**
2020	**995**	**3,385**

Financing and cash flow

Wärtsilä’s cash flow from operating activities in July–September amounted to EUR 114 million (-61). During January–September, cash flow from operating activities totalled EUR 407 million (-63). The increase in cash flow is related to the improved working capital, which totalled EUR 431 million at the end of the period (732 at the end of 2019). The improvement in working capital was driven by decreased inventories, as well as by efforts to decrease credit risk by strengthening the collection of receivables. Advances received totalled EUR 456 million (452 at the end of 2019). Additionally, EUR 45 million of advances pertained to assets held for sale. Wärtsilä's second dividend instalment of EUR 0.24 per share (0.24) was distributed in September, corresponding to a total of EUR 142 million (142).

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. Wärtsilä has further strengthened its liquidity reserves in response to the COVID-19 pandemic. Measures taken include the extension of revolving credit facilities and the negotiation of additional loan facilities.

Cash and cash equivalents amounted to EUR 725 million (369 at the end of 2019). Additionally, EUR 20 million of cash and cash equivalents pertained to assets held for sale. Unutilised committed credit facilities totalled EUR 660 million (640 at the end of 2019).

Wärtsilä had interest-bearing debt totalling EUR 1,424 million at the end of the period (1,096 at the end of 2019). The total amount of short-term debt maturing within the next 12 months was EUR 273 million. Long-term loans amounted to EUR 1,151 million. During the third quarter, Wärtsilä finalised its COVID-19 pandemic related funding arrangements. A two-year loan amounting to EUR 40 million that was signed in the second quarter was disbursed, and additional two-year loans totalling EUR 110 million were taken.

Net interest-bearing debt totalled EUR 678 million (726 at the end of 2019). Gearing was 0.33 (0.30 at the end of 2019), while the solvency ratio was 36.0% (40.8 at the end of 2019). Equity per share was 3.52 euro (4.05 at the end of 2019).

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Cash flow from operating activities	**114**	-61	**407**	-63	232
Working capital			**431**	870	732
Net interest-bearing debt, end of period			**678**	987	726
Gearing			**0.33**	0.44	0.30
Solvency, %			**36.0**	39.4	40.8
Equity/share, EUR			**3.52**	3.81	4.05

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 78 million (75) in January–September. Capital expenditure related to acquisitions and investments in securities totalled EUR 1 million (4). Depreciation, amortisation, and impairment amounted to EUR 125 million (141).

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

Innovations, research and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. 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 July, Wärtsilä introduced its Compact Reliq reliquefaction plant. The system is designed to reliquefy boil-off gas (BOG) onboard gas carriers and LNG bunker vessels, and to keep the cargo cool under all operational conditions. This allows a portion of the BOG to be utilised as fuel for the vessel, while the excess can be liquefied and sold with the LNG cargo. Liquefying the BOG instead of burning it in a gas combustion unit also has a positive environmental effect, as no gases are released into the atmosphere. Thanks to its compact design, the system can be installed on existing vessels without extensive modification work. The system takes advantage of the latest digital technologies to optimise efficiency and is ready instrumented for remote monitoring and online operational support.

In July, Wärtsilä Expert Insight, the unique digital predictive maintenance product, was made available for 2-stroke engines. This is a significant extension of the product, which was originally launched for 4-stroke engines in November 2019. Expert Insight leverages Wärtsilä's extensive know-how of predictive maintenance systems and its deep in-house experience with onboard assets. Simultaneously, Wärtsilä released a minimum viable product for scrubbers to provide continuous fleet-wide insight into vessel compliance and scrubber utilisation.

In September, Wärtsilä was awarded the first prize in the United Nations' AIS Big Data Hackathon. Altogether, teams from 17 organisations were selected to participate in the event. The Wärtsilä team, named 'Blue Carbon', developed a model for attributing the CO_2 emissions from vessels to their geographical locations based on their AIS (Automatic Identification System) locations. The model supports the creation of a global map, identifying both the geographical concentrations and the build-up over time of CO_2 emissions from shipping. This will enable environmental policy making to be based on factual evidence, allowing greater input from national and regional authorities to support the IMO's regulatory efforts.

Strategic projects

In July, Wärtsilä joined a global coalition dedicated to accelerating the energy transition in the transportation and logistics industries, together with a cluster of market-leading companies representing a broad spectrum of industry stakeholders. The aim of the coalition is to drive the development of energy sources and technologies in order to curb global warming, reduce air pollution, and protect biodiversity. The members will pool their R&D efforts in pursuit of three key goals: unlocking a more extensive portfolio of clean energy sources, lowering energy consumption per kilometre-equivalent for transported goods, and eliminating a substantial proportion of harmful emissions being released into the atmosphere.

Capacity adjustments

In March, Wärtsilä announced that proactive steps would be taken to minimise the negative business impact of the COVID-19 pandemic and the measures initiated to contain it. These include reducing working hours and initiating temporary layoffs, as well as streamlining hiring and minimising the use of external personnel and consultants. Discretionary spending has also been reduced and non-critical development projects postponed. Decisions on temporary cost reduction actions have been taken in key countries and are being executed where applicable. Wärtsilä expects these measures to generate temporary cost savings in the range of EUR 100 million, of which approximately EUR 70 million had been recognised by the end of September 2020. The market situation will be continuously monitored and further actions taken as needed.

Changes in organisational structure

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

Personnel

Wärtsilä had 18,183 (19,018) employees at the end of the period. On average, the number of personnel totalled 18,441 (19,213) in the period January–September.

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 42% (41) 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	30.9.2020	30.9.2019	Change	31.12.2019
Personnel	**18,183**	**19,018**	**-4%**	**18,795**
Marine Power	**8,412**	8,962	-6%	8,820
Marine Systems	**1,891**	1,828	3%	1,870
Voyage	**1,946**	1,875	4%	1,889
Energy	**4,837**	5,295	-9%	5,137
Portfolio Business	**1,097**	1,058	4%	1,080

Changes in management

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

Following the announcement that Wärtsilä's Marine Business would be reorganised into three independent businesses, Roger Holm (b. 1972, M.Sc. Economics), previously the President of Wärtsilä Marine Business and Executive Vice President, was appointed President of Wärtsilä Marine Power and Executive Vice President as of 5 March 2020, Tamara de Gruyter (b. 1972, B.Sc. Shipbuilding Engineering) was appointed President of Wärtsilä Marine Systems and Executive Vice President as of 5 March 2020, and Sean Fernback (b. 1963, Dipl. Electronics Engineering) was appointed President of Wärtsilä Voyage and Executive Vice President as of 4 May 2020.

In July, Sushil Purohit (b. 1972, B.Sc. (Eng.), MBA) was appointed President of Wärtsilä Energy and a member of the Board of Management of Wärtsilä Corporation, effective 3 August 2020. He replaces Mr Marco Wirén, who left Wärtsilä on 31 August 2020 for a position outside the Group.

In September, Håkan Agnevall (b. 1966, M.Sc. (Tech), MBA) was appointed to be the new President and CEO for Wärtsilä Corporation. Mr Agnevall will commence in his role no later than in April 2021. He succeeds 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, as well as to support its customers in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN Sustainable Development Goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

Sustainability highlights from July–September included the following:

A unique profit-sharing contract between Wärtsilä and the French operator Brittany Ferries has shown clear environmental benefits. Within six months of the addition of the Trim and Speed energy management and optimisation technology provided by Wärtsilä Voyage to the 'Cap Finistere' ferry, its fuel consumption was reduced by four percent. This equates to a reduction of approximately 2,600 tons of carbon dioxide emissions, according to calculations made by Brittany Ferries and Wärtsilä. The contract, signed in 2018, was recently expanded to cover three more ships in the Brittany Ferries fleet.

In August, Wärtsilä was awarded a contract for two high-efficiency combined heat and power (CHP) power plant projects in Italy to be powered by the Wärtsilä 31SG gas-fuelled engine. The Wärtsilä 31 engine was chosen based on its ability to create energy cost savings through its outstanding efficiency, which also leads to a reduced environmental impact. The Wärtsilä 31SG engine fuelled by natural gas is particularly clean burning, which in turn prolongs maintenance intervals. Furthermore, CHP plants are supported by Italian governmental policies, thanks to their contribution to reduced CO_2 emissions.

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

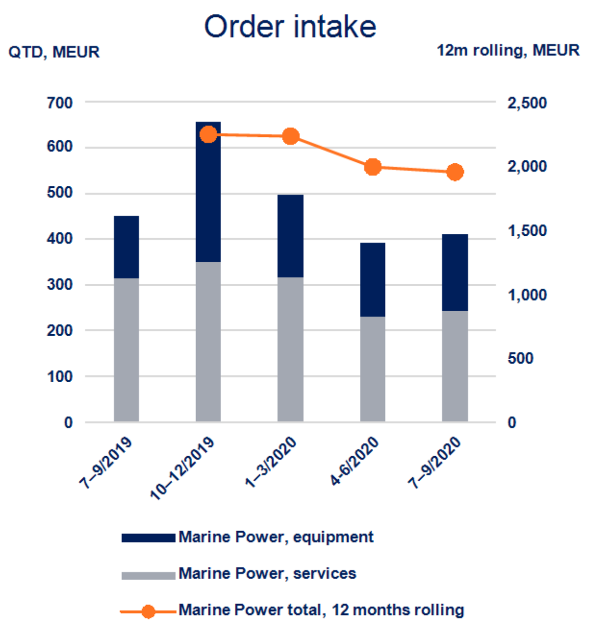
Reporting segment: Wärtsilä Marine Power

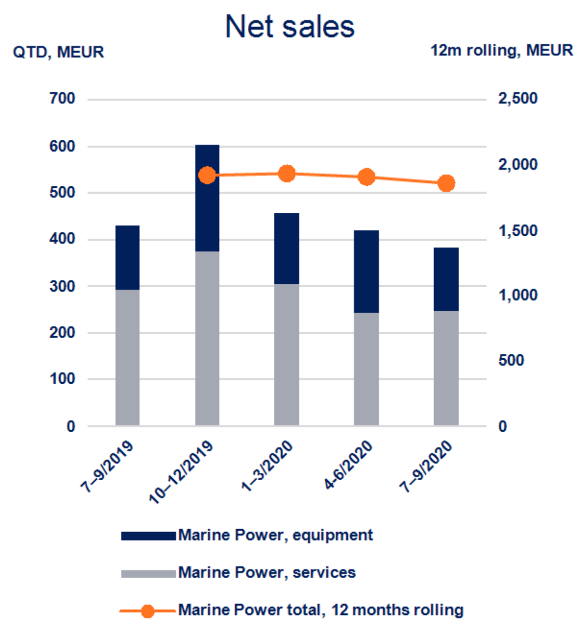
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems deliver the reliability, safety, and environmental performance that Wärtsilä's Smart Marine vision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

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

Key figures

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**410**	449	-9%	**1,297**	1,590	-18%	2,247
of which services	**243**	315	-23%	**791**	967	-18%	1,315
Order book, end of period				**1,908**	1,981	-4%	2,019
Net sales	**382**	430	-11%	**1,259**	1,319	-5%	1,923
of which services	**247**	293	-16%	**795**	906	-12%	1,279
Book-to-bill	**1.07**	1.04		**1.03**	1.21		1.17
Operating result	**36**	23	55%	**92**	129	-29%	221
% of net sales	**9.4**	5.4		**7.3**	9.7		11.5
Comparable operating result	**32**	49	-36%	**92**	166	-45%	273
% of net sales	**8.3**	11.4		**7.3**	12.6		14.2
Personnel, end of period				**8,412**	8,962	-6%	8,820





Financial development

Marine Power's **order intake in July–September** decreased by 9% to EUR 410 million (449) compared to the corresponding period in the previous year. Book-to-bill was 1.07 (1.04). Service order intake decreased by 23% to EUR 243 million (315), with the largest decline seen in the cruise segment where vessel utilisation remained low. Equipment order intake increased by 25% to EUR 168 million (135). Activity improved particularly in the special vessel segment, where the received equipment orders included a contract to deliver the main propulsion machinery, including a Wärtsilä 31 main engine, for an 89-metre-long pelagic purser/trawler.

Net sales in July–September decreased by 11% to EUR 382 million (430) compared to the corresponding period in the previous year. Service net sales decreased by 16% to EUR 247 million (293), while equipment net sales decreased by 2% to EUR 135 million (137). The **comparable operating result** amounted to EUR 32 million (49) or 8.3% of net sales (11.4).

Order intake in January–September decreased by 18% to EUR 1,297 million (1,590) compared to the corresponding period in the previous year. Book-to-bill was 1.03 (1.21). Service order intake decreased by 18% to EUR 791 million (967), while equipment order intake decreased by 19% to EUR 506 million (624). The **order book** at the end of the period decreased by 4% to EUR 1,908 million (1,981).

Net sales in January–September decreased by 5% to EUR 1,259 million (1,319) compared to the corresponding period in the previous year. Service net sales decreased by 12% to EUR 795 million (906), while equipment net sales increased by 12% to EUR 464 million (414). The **comparable operating result** amounted to EUR 92 million (166) or 7.3% of net sales (12.6). The result was burdened by the COVID-19 related decline in the service business as well as by weaker absorption of fixed costs and lower utilisation.

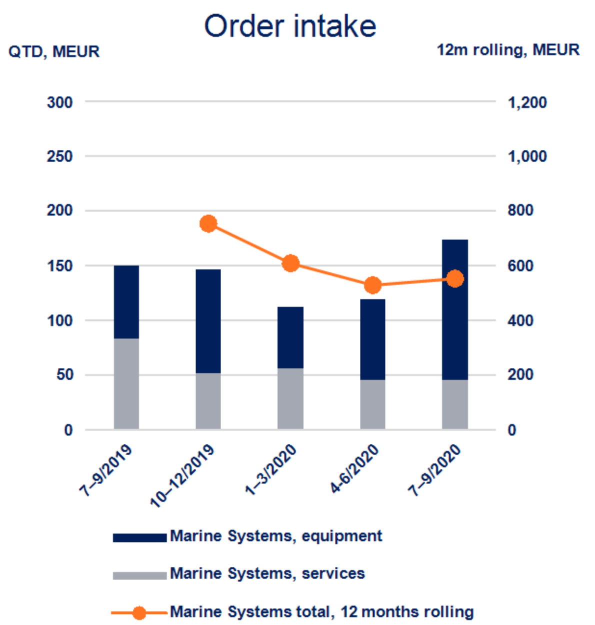
Reporting segment: Wärtsilä Marine Systems

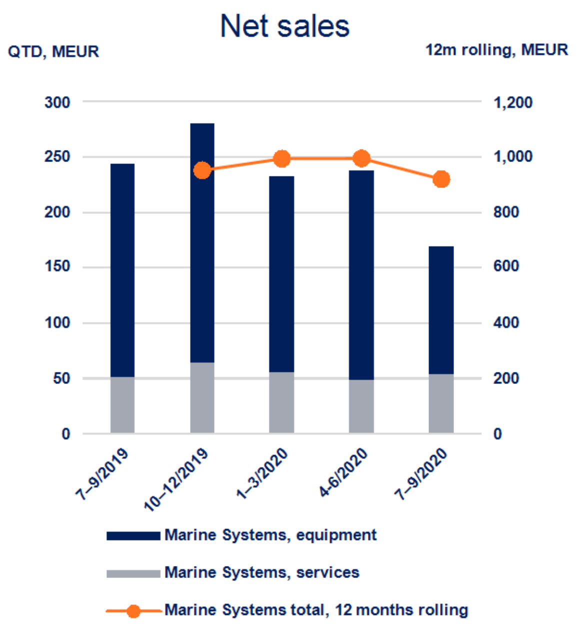
Wärtsilä Marine Systems offers high-quality products, solutions, and lifecycle services related to the gas value chain, exhaust treatment applications, seals & bearings, shaftline repair services, underwater services, and marine electrical integrations. Our aim is to provide the latest and most efficient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

- Although order intake continued to be heavily impacted by reduced fuel spreads lessening the demand for scrubber investments, the third quarter was supported by good development in the Gas Solutions business line.
- Year-to-date net sales and profitability were supported by increased scrubber deliveries.

Key figures

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**174**	150	16%	**406**	607	-33%	754
of which services	**46**	83	-45%	**149**	178	-17%	230
Order book, end of period				**872**	1,377	-37%	1,232
Net sales	**169**	244	-31%	**641**	673	-5%	952
of which services	**54**	51	6%	**159**	138	15%	202
Book-to-bill	**1.03**	0.61		**0.63**	0.90		0.79
Operating result	**21**	9	140%	**66**	41	60%	53
% of net sales	**12.6**	3.6		**10.2**	6.1		5.6
Comparable operating result	**22**	10	115%	**67**	46	46%	60
% of net sales	**13.0**	4.2		**10.5**	6.9		6.3
Personnel, end of period				**1,891**	1,828	3%	1,870





Financial development

Marine Systems' **order intake in July–September** increased by 16% to EUR 174 million (150) compared to the corresponding period in the previous year, mainly thanks to good development in the Gas Solutions business line. Book-to-bill was 1.03 (0.61). Service order intake decreased by 45% to EUR 46 million (83) due to a sizeable service project having been booked in the comparison period. Equipment order intake increased by 92% to EUR 128 million (67). Orders received during the quarter included a major contract to supply and construct a plant for the production of CO_2-neutral liquid transport fuels, with a capacity of approximately 100,000 tons per year to be located in Cologne, Germany.

Net sales in July–September decreased by 31% to EUR 169 million (244) compared to the corresponding period in the previous year. Service net sales increased by 6% to EUR 54 million (51), while equipment net sales decreased by 41% to EUR 115 million (193) mainly due to fewer scrubber deliveries. The **comparable operating result** amounted to EUR 22 million (10) or 13.0% of net sales (4.2). The operating result for the comparison period was weakened by charges for cost overruns in certain gas solution projects.

Order intake in January–September decreased by 33% to EUR 406 million (607) compared to the corresponding period in the previous year. Book-to-bill was 0.63 (0.90). Service order intake decreased by 17% to EUR 149 million (178). Equipment order intake decreased by 40% to EUR 257 million (428), as reduced fuel spreads scaled back scrubber investments. The **order book** at the end of the period decreased by 37% to EUR 872 million (1,377) due to the increase in deliveries of scrubbers.

Net sales in January–September decreased by 5% to EUR 641 million (673) compared to the corresponding period in the previous year. Service net sales increased by 15% to EUR 159 million (138), while equipment net sales decreased by 10% to EUR 481 million (534). The **comparable operating result** amounted to EUR 67 million (46) or 10.5% of net sales (6.9), as increased scrubber volumes offset the negative effect of deliveries of projects communicated in 2019 to be affected by cost overruns.

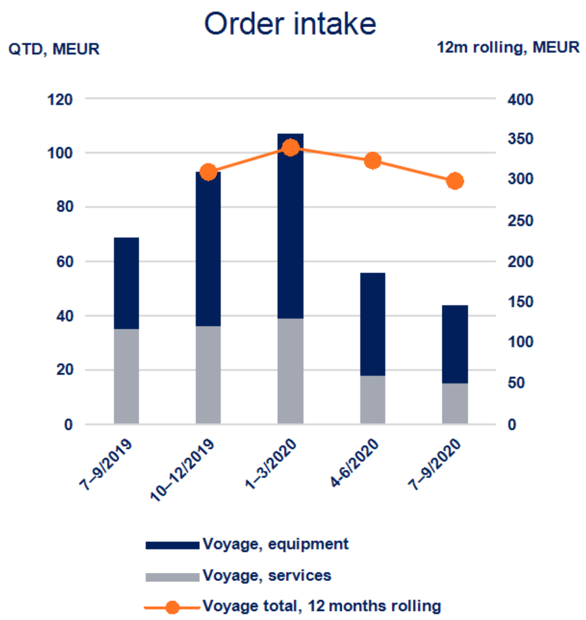
Reporting segment: Wärtsilä Voyage

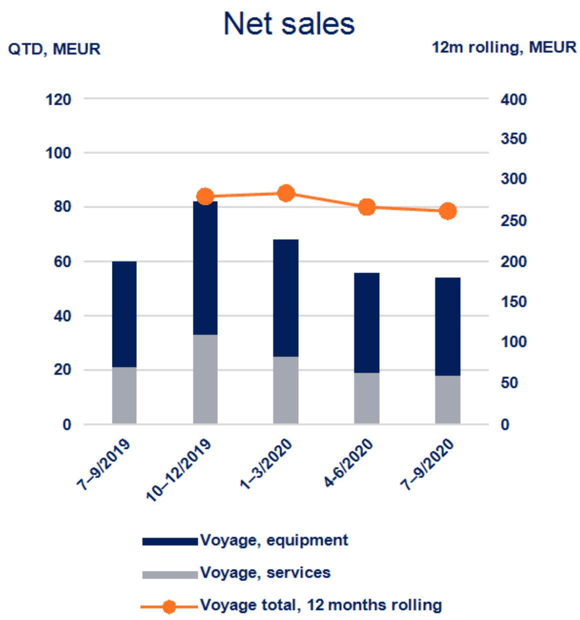
Wärtsilä Voyage transforms how vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. We are committed to creating a Smart Marine Ecosystem, whereby every vessel can connect to digital services that make voyaging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

- The COVID-19 impact on demand in the cruise segment continued to put pressure on order intake, while the growth in fleet optimisation products and services demonstrates successful execution of the Smart Marine strategy.
- Net sales development remained slow, mainly due to COVID-19 related project postponements and lower transactional service business.
- Year-to-date profitability was negatively impacted by lower sales volumes, a less favourable service mix, and increased investments in digital competences, while the third quarter improvement was supported by COVID-19 related cost savings.

Key figures

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**44**	69	-36%	**206**	217	-5%	310
of which services	**15**	35	-56%	**72**	82	-12%	117
Order book, end of period				**289**	265	9%	274
Net sales	**54**	60	-9%	**180**	198	-9%	280
of which services	**18**	21	-14%	**63**	70	-11%	103
Book-to-bill	**0.81**	1.15		**1.15**	1.10		1.11
Operating result	**-7**	-12	45%	**-31**	-31	1%	-37
% of net sales	**-12.0**	-19.9		**-17.3**	-15.9		-13.3
Comparable operating result	**-6**	-12	44%	**-30**	-28	-8%	-31
% of net sales	**-11.9**	-19.4		**-16.7**	-14.0		-11.2
Personnel, end of period				**1,946**	1,875	4%	1,889





Financial development

Voyage's **order intake in July–September** decreased by 36% to EUR 44 million (69) compared to the corresponding period in the previous year. Book-to-bill was 0.81 (1.15). Service order intake decreased by 56% to EUR 15 million (35), while equipment order intake decreased by 16% to EUR 29 million (34). The decline in order intake was mainly driven by COVID-19, which heavily impacted demand in the cruise segment. Orders received during the period included a project to equip three new vessels with a high-end Nacos Platinum Naval Integrated Bridge system, as well as a contract to deliver Valmatic automation systems to an additional three cruise vessels.

Net sales in July–September decreased by 9% to EUR 54 million (60) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 crisis, particularly in the cruise segment, which negatively impacted newbuild projects and the service business. Service net sales decreased by 14% to EUR 18 million (21), while equipment net sales decreased by 6% to EUR 36 million (39). During the period, a brand-new cloud simulation solution, comprising navigational, engine room, and liquid cargo handling simulators, was successfully delivered to Abu Dhabi Maritime Academy. Wärtsilä is the first company to offer class-approved cloud-based simulation technology to the maritime industry. The **comparable operating result** amounted to EUR -6 million (-12) or -11.9% of net sales (-19.4). The result was positively impacted by COVID-19 related cost savings.

Order intake in January–September decreased by 5% to EUR 206 million (217) compared to the corresponding period in the previous year. Book-to-bill was 1.15 (1.10). Service order intake decreased by 12% to EUR 72 million (82), while equipment order intake decreased by 1% to EUR 134 million (136). The negative impact of COVID-19 on cruise demand was offset by high order intake growth in fleet optimisation products and services, as well as by major newbuild projects in other segments. The **order book** at the end of the period increased by 9% to EUR 289 million (265).

Net sales in January–September decreased by 9% to EUR 180 million (198) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 pandemic, which has resulted in project postponements and lower transactional service business. Service net sales decreased by 11% to EUR 63 million (70), while equipment net sales decreased by 8% to EUR 117 million (127). The **comparable operating result** amounted to EUR -30 million (-28) or -16.7% of net sales (-14.0). The result was negatively impacted by lower sales volumes and a less favourable service mix. In addition, investments in digital competences have been increased to further accelerate the execution of the Smart Marine strategy. In both the current and the comparison period, the operating result was burdened by amortisation resulting from various acquisitions.

Reporting segment: Wärtsilä Energy

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

- Market conditions have stabilised at low levels, but order intake continued to be affected by postponed decision making and site access constraints.
- The operating result was burdened by an unfavourable sales mix, COVID-19 impacts, and the delivery of projects communicated in 2019 to be affected by cost overruns.

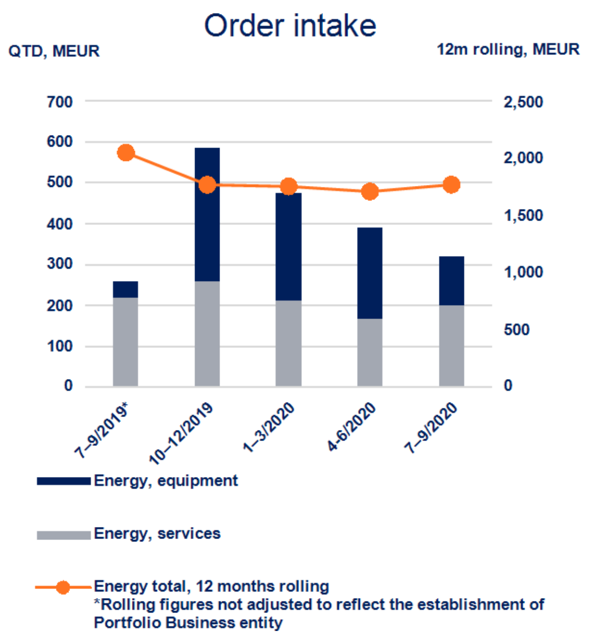
Key figures

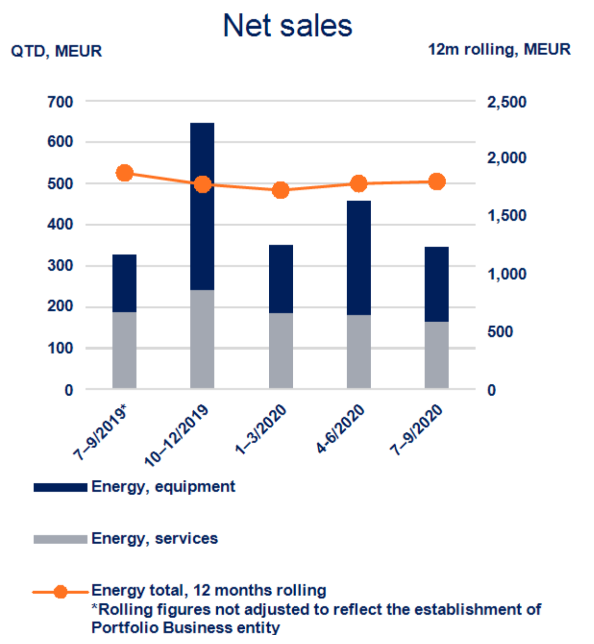
MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**319**	260	23%	**1,185**	1,184	0%	1,769
of which services	**200**	220	-9%	**580**	660	-12%	920
Order book, end of period				**1,865**	2,023	-8%	2,014
Net sales	**347**	328	6%	**1,155**	1,131	2%	1,779
of which services	**163**	187	-13%	**527**	562	-6%	802
Book-to-bill	**0.92**	0.79		**1.03**	1.05		0.99
Operating result	**9**	-9	204%	**40**	68	-41%	131
% of net sales	**2.6**	-2.7		**3.5**	6.0		7.4
Comparable operating result	**14**	-8	277%	**46**	74	-38%	155
% of net sales	**3.9**	-2.4		**4.0**	6.5		8.7
Personnel, end of period				**4,837**	5,295	-9%	5,137

Order intake Energy

MW	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Gas	**128**	50	156%	**924**	893	3%	1,413
Oil	**3**	4	-31%	**93**	82	14%	124
Other*	**99**	76	30%	**125**	214	-42%	443
Order intake, total	**230**	131	76%	**1,142**	1,189	-4%	1,980

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





Financial development

Energy's **order intake in July–September** increased by 23% to EUR 319 million (260) compared to the corresponding period in the previous year. Book-to-bill was 0.92 (0.79). Service order intake decreased by 9% to EUR 200 million (220), while equipment order intake increased by 203% to EUR 119 million (39). Demand for equipment was the highest in Asia, while demand for services was the highest in the Americas. Equipment orders received included a contract to deliver a 36 MW power plant and a 9 MW energy storage system to the US Virgin Islands, making it the first engine-hybrid sale. Service orders received included a 5-year maintenance agreement to support the availability, performance, and reliability of a 200 MW power plant in Cambodia, as well as a gas conversion project in Brazil and a related 10-year operations and maintenance agreement renewal.

Net sales in July–September increased by 6% to EUR 347 million (328) compared to the corresponding period in the previous year. Service net sales decreased by 13% to EUR 163 million (187), primarily due to a decline in field service activities. Equipment net sales increased by 31% to EUR 184 million (141). The **comparable operating result** amounted to EUR 14 million (-8) or 3.9% of net sales (-2.4). Operating result for the comparison period was weakened by charges for cost overruns in certain projects in the equipment business.

Order intake in January–September was stable at EUR 1,185 million (1,184) compared to the corresponding period in the previous year. Book-to-bill was 1.03 (1.05). Service order intake decreased by 12% to EUR 580 million (660), while equipment order intake increased by 15% to EUR 605 million (524). The **order book** at the end of the period decreased by 8% to EUR 1,865 million (2,023).

Net sales in January–September increased by 2% to EUR 1,155 million (1,131) compared to the corresponding period in the previous year. Service net sales decreased by 6% to EUR 527 million (562), while equipment net sales increased by 10% to EUR 628 million (569). The **comparable operating result** amounted to EUR 46 million (74) or 4.0% of net sales (6.5). The result was burdened by a higher share of equipment deliveries within the sales mix, COVID-19 impacts in the form of delivery delays and increased costs for project execution, as well as by the delivery of projects communicated in 2019 to be affected by cost overruns.

Other business activities: Wärtsilä Portfolio Business

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

Key figures

MEUR	7–9/2020	7–9/2019	Change	1–9/2020	1–9/2019	Change	2019
Order intake	**34**	51	-33%	**146**	174	-16%	248
Order book, end of period				**331**	336	-1%	338
Net sales	**43**	56	-23%	**150**	165	-9%	236
Operating result	**-17**	-1		**-22**	-9	-161%	-7
% of net sales	**-40.2**	-0.9		**-14.8**	-5.2		-2.8
Comparable operating result	**0**	-1	164%	**-3**	-4	22%	0
% of net sales	**0.8**	-1.0		**-2.1**	-2.4		0.1
Personnel, end of period				**1,097**	1,058	4%	1,080

Financial development

Portfolio Business' **order intake in July–September** decreased by 33% to EUR 34 million (51) compared to the corresponding period in the previous year. The highest demand was seen in the American Hydro business unit, where the contract to perform rehabilitation services and to complete the upgrade and refurbishment of two units at the Keokuk hydroelectric plant in Iowa, USA was the highlight of the quarter.

Net sales in July–September decreased by 23% to EUR 43 million (56) compared to the corresponding period in the previous year, primarily due to lower volumes in Water & Waste and Entertainment Systems. The **comparable operating result** amounted to EUR 0 million (-1) or 0.8% of net sales (-1.0). Profitability was affected by an unfavourable sales mix, as the impact of COVID-19 on the cruise segment lowered service activity, particularly in the Water and Waste business unit. Items affecting comparability amounting to EUR 18 million were recognised during the third quarter as a result of the divestments of Wärtsilä JOVYATLAS GmbH and Wärtsilä Valves Ltd.

Order intake in January–September decreased by 16% to EUR 146 million (174) compared to the corresponding period in the previous year. The **order book** at the end of the period decreased by 1% to EUR 331 million (336).

Net sales in January–September decreased by 9% to EUR 150 million (165) compared to the corresponding period in the previous year. The **comparable operating result** amounted to EUR -3 million (-4) or -2.1% of net sales (-2.4).

Divestments

In September, Wärtsilä announced the divestment of 100% of the shares in Wärtsilä JOVYATLAS GmbH to Jacob Waitz Industrie GmbH, a German based industry holding. The Wärtsilä JOVYATLAS offering consists of UPS systems, rectifiers, power inverters, frequency transformers, and resistors with related services. The company, which became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015, is located in Jemgum in Germany and currently has some 125 employees. In 2019, its annual revenues were EUR 20 million.

After the review period in October, Wärtsilä announced the divestment of 100% of the shares in Wärtsilä Valves Ltd to an affiliate of Evergreen Capital L.P., based in New York, USA. The divested entity supplies the entire range of three long-established brands: Shipham, John Mills, and Robert Cort. Its activities include engineering, assembly, testing, sales, and delivery of nickel aluminium bronze (NAB) and duplex valves for the marine, oil & gas, and energy markets. Additionally, it offers applications for Valves' products, including among others, FPSOs, petrochemical facilities, power generation, LNG, naval marine, marine services, waste water treatment plants, and pipelines.

Wärtsilä Valves became part of Wärtsilä as a result of the Hamworthy acquisition in 2012. The company is located in Brough, UK and currently has approximately 65 employees. The annual revenues were approximately EUR 15 million in 2019.

Risks and business uncertainties

The COVID-19 outbreak and the measures taken to contain its spread represent the main short-term risk to business operations and the demand environment, 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. Furthermore, there is still uncertainty over the duration of the pandemic, and concerns about rising virus infection rates. Disruptions to global supply chains resulting from a second wave of COVID-19 infections are a risk for both factory activity and the delivery of spare parts and services.

The risk of a prolonged period of weak demand affects the investment decisions of shipowners 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. Extensions of no-sail orders and the escalation of COVID-19 cases in the main cruise passenger markets are a risk for the recovery of cruise operations. In the offshore industry, crude oil price volatility is pushing the oil majors to reduce their spending, exploration activity, and operational costs, leading to an increasing number of laid-up drilling units and support vessels. Challenging market conditions may result in continued price pressure and an elevated risk of cancellations. 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. The average price spread between high- and low-sulphur fuels is projected to remain narrow, negatively impacting the scrubber investment case for both the existing fleet and newbuilds. At the same time, the low oil price is widening 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 the barriers for the decarbonisation of shipping.

In the energy markets, the anticipated slowdown in economic activity, currency fluctuations, and potential financing constraints are likely to postpone investment decisions for new power generation capacity. The energy transition may temporarily slow down, as the focus is on containing the virus spread and mitigating its impacts. Agreed and proposed stimulus packages to accelerate renewable energy investments still include uncertainties about the allocation of funding. However, once stimulus measures are executed, the need for flexibility in power systems will be emphasised. 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–September, the number of shares traded on Nasdaq Helsinki was 479,709,188, equivalent to a turnover of EUR 3,681 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 148,294,444 shares.

Shares on Nasdaq Helsinki

30.9.2020	Number of shares and votes	Number of shares traded 1–9/2020
WRT1V	591,723,390	479,709,188

1.1.2020-30.9.2020	High	Low	Average*	Close
Share price	12.00	5.01	7.68	6.72

*Trade-weighted average price

	30.9.2020	30.9.2019
Market capitalisation, EUR million	3,975	6,080
Foreign shareholders, %	49.7	51.9

Flagging notifications

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

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
24.3.2020	BlackRock, Inc.	Above 5%	4.85	5.11
31.3.2020	BlackRock, Inc.	Below 5%	4.30	4.82
1.4.2020	BlackRock, Inc.	Above 5%	4.48	5.00
2.4.2020	BlackRock, Inc.	Below 5%	4.37	4.94
25.5.2020	BlackRock, Inc.	Above 5%	4.48	5.00
26.5.2020	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
18.6.2020	BlackRock, Inc.	Above 5%	4.69	5.13
15.7.2020	BlackRock, Inc.	Above 5%	5.02	5.80
23.7.2020	BlackRock, Inc.	Below 5%	4.88	5.33
24.7.2020	BlackRock, Inc.	Above 5%	5.12	5.54
27.7.2020	BlackRock, Inc.	Below 5%	4.98	5.44
28.7.2020	BlackRock, Inc.	Above 5%	5.01	5.47
29.7.2020	BlackRock, Inc.	Below 5%	4.95	5.40
31.7.2020	BlackRock, Inc.	Above 5%	5.04	5.48
5.8.2020	BlackRock, Inc.	Below 5%	4.99	5.43
6.8.2020	BlackRock, Inc.	Above 5%	5.08	5.47
11.8.2020	BlackRock, Inc.	Below 5%	4.96	5.31
11.9.2020	BlackRock, Inc.	Above 5%	5.03	5.58
18.9.2020	BlackRock, Inc.	Below 5%	4.78	5.57

Decisions taken by the Annual General Meeting

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

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

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

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.48 per share in two instalments. The first instalment of EUR 0.24 per share was paid on 16 March 2020 and the second instalment of EUR 0.24 per share on 17 September 2020.

Shareholders' Nomination Board

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

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

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

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

Authorisation to repurchase the company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 of the company's own shares. The authorisation to repurchase the company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the authorisation of the shareholders' meeting.

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue new shares or transfer shares held by the company. The maximum amount of shares to be so issued shall not exceed 57,000,000. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the company to do so. The authorisation for the Board of Directors to issue shares shall be valid for three years from the authorisation of the shareholders' meeting and it cancels the authorisation given by the General Meeting on 7 March 2019 to distribute the company's own shares.

Organisation of the Board of Directors

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

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

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

Wärtsilä Interim Report January-September 2020

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

Use of estimates

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

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

The COVID-19 (coronavirus) pandemic has caused Wärtsilä to review the estimates and assumptions used in the preparation of interim financial reporting. The possible impact of the situation caused by the coronavirus pandemic on the relevant factors in each estimate have been considered. The impact of the COVID-19 pandemic on estimates in the financial reporting rely on management's best judgement.

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

Considering the impact of the COVID-19 pandemic, Wärtsilä has revaluated the pension assets and obligations in all its significant pension arrangements.

Segment information

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

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

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

Marine Power, Marine Systems, Voyage, Energy, and Portfolio Business are each led by their President. Discrete financial information for each business area is provided to the CODM to support decision-making. The segment information presented by Wärtsilä reflects internal management reporting. Segment information is reported to the level of operating result, as items below operating result are not allocated to the business areas.

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

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

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

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

Marine Power

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

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

Marine Systems

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

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

Gas Solutions is the leading technology and service provider for the gas value chain, with a wide range of products covering cargo handling systems for gas carriers, liquefaction and gasification systems for various applications, fuel systems for alternative engine configurations and fuels, and renewable gas systems with solutions for biogas upgrading and liquefaction.

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

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

Voyage

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

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

Energy

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

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

Portfolio Business

Wärtsilä reports 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, Special Products covering power converter products and UPS systems, Tank Control Systems, Water & Waste, as well as the hydropower solutions and turbine services business American Hydro.

Until 30 September 2020 Portfolio Business also included Wärtsilä JOVYATLAS GmbH and Wärtsilä Valves Ltd. On 1 October, Wärtsilä has divested 100% of the shares of Wärtsilä JOVYATLAS and 100% of the shares of Wärtsilä Valves.

Entity wide information

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

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

New and amended IFRS standards

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

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

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

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

In 2020 or later, the Group will adopt the following new and amended standards issued by the IASB.

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

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

* Not yet endorsed for use by the European Union as of 30 September 2020.

This interim financial report report is unaudited.

Condensed statement of income

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Net sales	**995**	1,118	**3,385**	3,486	5,170
Other operating income	**16**	10	**36**	42	67
Expenses	**-921**	-1,053	**-3,154**	-3,182	-4,686
Result from net position hedges			**-1**		
Depreciation, amortisation and impairment	**-47**	-58	**-125**	-141	-180
Share of result of associates and joint ventures		-6	**2**	-7	-9
Operating result	**43**	11	**144**	198	362
Financial income and expenses	**-9**	-11	**-31**	-36	-47
Profit before taxes	**34**		**113**	162	315
Income taxes	**-9**	-5	**-35**	-45	-97
Profit for the reporting period	**25**	-5	**78**	116	218
Attributable to:					
equity holders of the parent company	**25**	-5	**77**	116	217
non-controlling interests	**1**		**1**		1
	25	-5	**78**	116	218
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share (EPS), basic and diluted, EUR	**0.04**	-0.01	**0.13**	0.20	0.37

Statement of other comprehensive income

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Profit for the reporting period	**25**	-5	**78**	116	218
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		-16		-17	-20
Tax on items that will not be reclassified to the statement of income		5	**-1**	5	5
Total items that will not be reclassified to the statement of income		-11		-13	-16
Items that may be reclassified subsequently to the statement of income					
Exchange rate differences on translating foreign operations					
for equity holders of the parent company	**-26**	14	**-88**	23	42
for non-controlling interests			**-1**		
Associates and joint ventures, share of other comprehensive income	**-1**		**-2**	-1	-1
Cash flow hedges	**11**	-22	**-26**	-8	23
Tax on items that may be reclassified to the statement of income	**-8**	5	**4**	3	-3
Total items that may be reclassified to the statement of income	**-24**	-2	**-114**	17	60
Other comprehensive income for the reporting period, net of taxes	**-24**	-13	**-114**	5	45
Total comprehensive income for the reporting period	**1**	-18	**-36**	121	263
Total comprehensive income attributable to:					
equity holders of the parent company	**1**	-19	**-36**	121	262
non-controlling interests		1			1
	1	-18	**-36**	121	263

Condensed statement of financial position

MEUR	30.9.2020	30.9.2019	31.12.2019
Non-current assets			
Intangible assets	**1,709**	1,753	1,776
Property, plant and equipment	**291**	315	307
Right-of-use assets	**162**	200	185
Investments in associates and joint ventures	**50**	41	42
Other investments	**19**	17	18
Deferred tax assets	**187**	158	155
Other receivables	**48**	60	35
Total non-current assets	**2,466**	2,543	2,518
Current assets			
Inventories	**1,307**	1,512	1,365
Other receivables	**1,690**	1,930	2,074
Cash and cash equivalents	**725**	374	358
Total current assets	**3,722**	3,817	3,797
Assets held for sale	**129**		82
Total assets	**6,317**	6,360	6,398
Equity			
Share capital	**336**	336	336
Other equity	**1,745**	1,919	2,060
Total equity attributable to equity holders of the parent company	**2,081**	2,254	2,396
Non-controlling interests	**12**	13	14
Total equity	**2,093**	2,268	2,410
Non-current liabilities			
Interest-bearing debt	**1,151**	1,031	997
Deferred tax liabilities	**73**	84	83
Other liabilities	**252**	258	238
Total non-current liabilities	**1,477**	1,373	1,317
Current liabilities			
Interest-bearing debt	**273**	333	99
Other liabilities	**2,377**	2,386	2,503
Total current liabilities	**2,650**	2,719	2,603
Total liabilities	**4,127**	4,092	3,920
Liabilities directly attributable to assets held for sale	**97**		68
Total equity and liabilities	**6,317**	6,360	6,398

Condensed statement of cash flows

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Cash flow from operating activities:					
Profit for the reporting period	**25**	-5	**78**	116	218
Adjustments for:					
depreciation, amortisation and impairment	**47**	58	**124**	141	180
financial income and expenses	**9**	11	**31**	36	47
gains and losses on sale of intangible assets and property, plant and equipment and other changes	**1**			-11	-15
share of result of associates and joint ventures		6	**-2**	7	9
income taxes	**9**	5	**35**	45	97
other non-cash flow adjustment	**2**	3	**6**	3	3
Cash flow before changes in working capital	**92**	78	**271**	337	540
Changes in working capital	**65**	-107	**233**	-263	-130
Cash flow from operating activities before financial items and taxes	**157**	-30	**505**	75	410
Financial items and paid taxes	**-44**	-31	**-98**	-137	-178
Cash flow from operating activities	**114**	-61	**407**	-63	232
Cash flow from investing activities:					
Investments in shares and acquisitions	**-1**		**-1**	-4	-6
Net investments in property, plant and equipment and intangible assets	**-23**	-23	**-73**	-60	-91
Proceeds from sale of shares in subsidiaries, associated companies and other investments				1	1
Cash flow from investing activities	**-24**	-23	**-74**	-62	-95
Cash flow from financing activities:					
Proceeds from non-current debt	**151**		**316**	150	150
Repayments and other changes in non-current debt	**-19**	-26	**-72**	-92	-105
Changes in current loans and other changes	**-64**	225	**84**	218	-16
Dividends paid	**-128**	-128	**-271**	-269	-284
Cash flow from financing activities	**-61**	72	**57**	7	-256
Change in cash and cash equivalents, increase (+)/decrease (-)	**29**	-11	**391**	-118	-119
Cash and cash equivalents at the beginning of the reporting period*	**722**	383	**369**	487	487
Exchange rate changes	**-7**	3	**-16**	6	
Cash and cash equivalents at the end of the reporting period*	**744**	374	**744**	374	369

* Cash and cash equivalents on 30 September 2020, 30 June 2020 and 31 December 2019 include the cash and cash equivalents pertaining to assets held for sale.

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2020	**336**	**61**	**-114**	**-11**	**-55**	**2,178**	**14**	**2,410**
Total comprehensive income for the reporting period			**-91**	**-23**		**77**		**-36**
Other changes						**6**		**6**
Dividends paid						**-284**	**-2**	**-286**
Equity on 30 September 2020	**336**	**61**	**-205**	**-34**	**-55**	**1,977**	**12**	**2,093**

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2019	336	61	-155	-31	-39	2,245	14	2,432
Total comprehensive income for the reporting period			22	-5	-13	116		121
Dividends paid						-284	-1	-285
Equity on 30 September 2019	336	61	-133	-36	-52	2,078	13	2,268

Segment information

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

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

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

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

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

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Net sales					
Marine Power	**382**	430	**1,259**	1,319	1,923
Marine Systems	**169**	244	**641**	673	952
Voyage	**54**	60	**180**	198	280
Energy	**347**	328	**1,155**	1,131	1,779
Portfolio Business	**43**	56	**150**	165	236
Total	**995**	1,118	**3,385**	3,486	5,170
Depreciation, amortisation and impairment					
Marine Power	**-9**	-35	**-45**	-73	-88
Marine Systems	**-5**	-6	**-15**	-17	-23
Voyage	**-6**	-6	**-19**	-20	-26
Energy	**-9**	-8	**-24**	-23	-31
Portfolio Business	**-18**	-3	**-22**	-8	-11
Total	**-47**	-58	**-125**	-141	-180
Share of result of associates and joint ventures					
Marine Power		-6	**2**	-7	-9
Total		-6	**2**	-7	-9
Operating result					
Marine Power	**36**	23	**92**	129	221
Marine Systems	**21**	9	**66**	41	53
Voyage	**-7**	-12	**-31**	-31	-37

Energy	**9**	-9	**40**	68	131
Portfolio Business	**-17**	-1	**-22**	-9	-7
Total	**43**	11	**144**	198	362
Operating result as a percentage of net sales (%)					
Marine Power	**9.4**	5.4	**7.3**	9.7	11.5
Marine Systems	**12.6**	3.6	**10.2**	6.1	5.6
Voyage	**-12.0**	-19.9	**-17.3**	-15.9	-13.3
Energy	**2.6**	-2.7	**3.5**	6.0	7.4
Portfolio Business	**-40.2**	-0.9	**-14.8**	-5.2	-2.8
Total	**4.3**	1.0	**4.3**	5.7	7.0
Comparable operating result					
Marine Power	**32**	49	**92**	166	273
Marine Systems	**22**	10	**67**	46	60
Voyage	**-6**	-12	**-30**	-28	-31
Energy	**14**	-8	**46**	74	155
Portfolio Business		-1	**-3**	-4	
Total	**61**	39	**172**	254	457
Comparable operating result as a percentage of net sales (%)					
Marine Power	**8.3**	11.4	**7.3**	12.6	14.2
Marine Systems	**13.0**	4.2	**10.5**	6.9	6.3
Voyage	**-11.9**	-19.4	**-16.7**	-14.0	-11.2
Energy	**3.9**	-2.4	**4.0**	6.5	8.7
Portfolio Business	**0.8**	-1.0	**-2.1**	-2.4	0.1
Total	**6.1**	3.5	**5.1**	7.3	8.8

Net sales by geographical areas

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Europe	**354**	358	**1,089**	1,167	1,690
Asia	**353**	474	**1,225**	1,343	1,968
The Americas	**183**	213	**756**	702	1,098
Other	**104**	74	**315**	275	414
Total	**995**	1,118	**3,385**	3,486	5,170

Service information

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Net sales					
Marine Power, services	**247**	293	**795**	906	1,279
Marine Systems, services	**54**	51	**159**	138	202
Voyage, services	**18**	21	**63**	70	103
Energy, services	**163**	187	**527**	562	802
Portfolio Business, services	**17**	27	**57**	88	119
Total	**499**	579	**1,602**	1,764	2,505

Measures of profit and items affecting comparability

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Comparable adjusted EBITA	**69**	49	**197**	285	498
Purchase price allocation amortisation	**-8**	-10	**-25**	-31	-41
Comparable operating result	**61**	39	**172**	254	457
Items affecting comparability:					
Social plan costs	**-3**	-8	**-7**	-26	-31
Impairment and write-downs	**-12**	-17	**-12**	-17	-36
Other restructuring costs and transfer costs	**-3**	-4	**-9**	-14	-27
Items affecting comparability, total	**-18**	-28	**-28**	-56	-95
Operating result	**43**	11	**144**	198	362

Assets held for sale

In December 2019, Wärtsilä announced the divestment of shares in Wärtsilä ELAC Nautik GmbH to Cohort plc. The company's main market focus is on hydroacoustic products, including sonars, underwater communication systems, and echo systems for small and medium sized military submarines. ELAC Nautik has been classified as assets held for sale since the fourth quarter of 2019, and subject to approvals, completion of the transaction is expected in early 2021.

Additionally, Wärtsilä has started preparations to divest its Entertainment and Tank Control businesses, which are also classified as assets held for sale. Entertainment business has been classified as assets held for sale since the fourth quarter of 2019 and Tank Control business since the second quarter of 2020. Completion of the transactions are expected in the fourth quarter of 2020 and during the first half of 2021, respectively.

In September 2020, Wärtsilä announced the divestment of shares in Wärtsilä JOVYATLAS GmbH to Jacob Waitz Industrie GmbH. The company has been manufacturing UPS systems, rectifiers, power inverters, frequency transformers and resistors with related services for many industries already for seven decades. Wärtsilä JOVYATLAS GmbH has been classified as assets held for sale since the third quarter of 2020, and completion of the transaction is expected in October 2020. The impact on the profit for the financial period is expected to be approximately EUR -6 million.

In October 2020, Wärtsilä announced the divestment of shares in Wärtsilä Valves Ltd to an affiliate of Evergreen Capital L.P. The company's activities include engineering, assembly, testing, sales and delivery of nickel aluminium bronze (NAB) and duplex valves for marine, oil & gas and energy markets. It also offers applications for Valves' products, including e.g. FPSO, petrochemical facilities, power generation, LNG, naval marine, marine services, waste water treatment plants and pipelines. Wärtsilä Valves Ltd has been classified as assets held for sale since the third quarter of 2020, and completion of the transaction is expected in October 2020. The impact on the profit for the financial period is expected to be approximately EUR -12 million.

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

Disaggregation of revenue

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

Net sales by revenue type

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
Products	**262**	271	**798**	830	1,184
Goods and services	**106**	147	**367**	432	603
Projects	**527**	592	**1,901**	1,876	2,899
Long-term agreements	**101**	109	**319**	349	484
Total	**995**	1,118	**3,385**	3,486	5,170

Timing of satisfying performance obligations

MEUR	7–9/2020	7–9/2019	1–9/2020	1–9/2019	2019
At a point in time	**689**	846	**2,346**	2,486	3,728
Over time	**306**	272	**1,038**	1,001	1,442
Total	**995**	1,118	**3,385**	3,486	5,170

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

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

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

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

Intangible assets and property, plant and equipment

MEUR	1–9/2020	1–9/2019	2019
Intangible assets			
Carrying amount on 1 January	**1,776**	1,747	1,747
Changes in exchange rates	**-55**	14	29
Additions	**42**	40	65
Amortisation and impairment	**-43**	-47	-63
Decreases and reclassifications	**-11**	-1	-3
Carrying amount at the end of the reporting period	**1,709**	1,753	1,776
Property, plant and equipment			
Carrying amount on 1 January	**307**	324	324
Transfer to right-of-use assets		-2	-2
Changes in exchange rates	**-5**	2	1
Additions	**36**	34	49
Depreciation and impairment	**-39**	-41	-55
Decreases and reclassifications	**-6**	-3	-11
Carrying amount at the end of the reporting period	**291**	315	307

Allocation of goodwill per cash generating unit

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

The reallocation has been performed using a relative value approach with minor exceptions.

MEUR	1.7.2020	30.9.2020
Marine Power	**535**	**531**
Marine Systems	**165**	**164**
Voyage	**98**	**97**
Energy	**502**	**499**
Portfolio Business	**39**	**29**
Total goodwill	**1,339**	**1,321**

Annual impairment testing of goodwill in 2020

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business area against its carrying amount to define whether there were any indications of goodwill impairment.

For Marine Power, Marine Systems, Voyage, and Energy the recoverable amounts were defined based on the discounted cash flow method, derived from the order book and four-year cash flow projections. The estimated cash flows of the CGUs were based on the utilisation of existing property, plant, and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the four-year period were calculated using the terminal value method.

For the Portfolio Business units, which were classified as assets held for sale, the recoverable amounts were defined based on estimations of the selling price on cash-free, debt-free basis. For the other business units, the recoverable amounts were defined based on either the discounted cash flow method or estimations of the selling price on cash-free, debt-free basis, whichever was higher at the time.

Wärtsilä has written down approximately EUR -18 million of assets held for sale due to the reclassification of Wärtsilä JOVYATLAS GmbH and Wärtsilä Valves Ltd as assets held for sale. Approximately EUR -2 million is related to goodwill. The assets relate to Portfolio Business.

As a result of the impairment test, no impairment loss for the CGUs was recognised for the financial period ended on 30 September 2020. The recoverable amounts of Marine Power, Marine Systems, and Energy CGUs exceeded their respective carrying values substantially.

Also, the defined recoverable amount of Voyage CGU exceeded the carrying amount of the unit. The key assumption for Voyage CGU is that Voyage is estimated to break even within the next few years on the EBITDA level and that its growth rate will exceed the Group average. Any future negative changes in these assumptions would have an adverse impact on the valuation of the business.

Based on the testing conducted, there was no additional impairment noted for Portfolio Business.

Inventories

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

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

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

MEUR	30.9.2020	31.12.2019
Materials and consumables	**487**	484
Work in progress	**697**	736
Finished products	**44**	53
Advances paid	**79**	93
Total	**1,307**	1,365

During 2020, EUR 9 million (4 in financial period 1-12/2019) impairment for obsolete inventories has been recognised in the statement of income. Total value of inventories related to assets held for sale amounts to EUR 35 million (18 in financial period 1-12/2019).

Contract balances

MEUR	30.9.2020	31.12.2019
Trade receivables	**899**	1,255
Contract assets	**485**	515
Contract liabilities		
Advances received	**456**	452

Deferred income	**490**	465
Trade receivables and contract assets		
Non-current	**37**	19
Current	**1,348**	1,752
Contract liabilities		
Non-current	**58**	38
Current	**889**	880

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

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

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

Leases

MEUR	1–9/2020	1–9/2019	2019
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**174**	203	203
Changes in exchange rates	**-6**		
Additions	**19**	21	28
Depreciation and impairment	**-30**	-32	-43
Decreases and reclassifications	**-4**	-4	-14
Carrying amount at the end of the reporting period	**153**	188	174
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**11**	12	12
Additions	**4**	3	6
Depreciation and impairment	**-5**	-4	-6
Decreases and reclassifications	**-1**		-1
Carrying amount at the end of the reporting period	**9**	11	11
Lease liabilities			
Carrying amount on 1 January	**188**	215	215
Changes in exchange rates	**-6**		
Additions	**22**	25	33

Interest expenses		2	2
Payments	**-33**	-36	-49
Other adjustments	**-4**	-5	-13
Carrying amount at the end of the reporting period	**166**	203	188

MEUR	**1–9/2020**	**1–9/2019**	**2019**
Amounts recognised in statement of income			
Depreciation and impairment	**-35**	-36	-49
Interest expenses	**-3**	-4	-5
Expense – short-term leases	**-20**	-25	-32
Expense – leases of low-value assets	**-4**	-5	-6
Expense – variable lease payments	**-3**	-3	-4

Gross capital expenditure

MEUR	**1–9/2020**	**1–9/2019**	**2019**
Investments in securities and acquisitions	**1**	4	6
Intangible assets and property, plant and equipment	**78**	75	116
Total	**79**	79	122

Net interest-bearing debt

MEUR	**1–9/2020**	**1–9/2019**	**2019**
Interest-bearing debt, non-current	**1,022**	867	851
Lease liabilities, non-current	**129**	164	146
Interest-bearing debt, current	**236**	294	58
Lease liabilities, current	**37**	39	42
Total interest-bearing liabilities	**1,424**	1,365	1,096
Interest-bearing receivables	**-1**	-4	-1
Cash and cash equivalents	**-725**	-374	-358
Cash and cash equivalents pertaining to assets held for sale	**-20**		-11
Total interest-bearing assets	**-745**	-378	-370
Total net interest-bearing debt	**678**	987	726

Financial ratios

	1–9/2020	1–9/2019	2019
Earnings per share (EPS), basic and diluted, EUR	**0.13**	0.20	0.37
Equity per share, EUR	**3.52**	3.81	4.05
Solvency ratio, %	**36.0**	39.4	40.8
Gearing	**0.33**	0.44	0.30
Return on investment (ROI), %	**9.1**	12.8	11.5
Return on equity (ROE), %	**8.2**	11.7	9.0

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

Personnel

	1–9/2020	1–9/2019	2019
On average	**18,441**	19,213	19,110
At the end of the reporting period	**18,183**	19,018	18,795

Contingent liabilities

MEUR	1–9/2020	1–9/2019	2019
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**17**	14	22
Total	**27**	24	32
Guarantees and contingent liabilities			
on behalf of Group companies	**943**	662	718
Nominal amount of lease liabilities			
Low-value lease liabilities	**5**	5	3
Short-term lease liabilities	**3**	14	5
Leases not yet commenced, but to which Wärtsilä is committed	**191**	147	143
Total	**1,142**	828	869

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	**450**	
Cross currency swaps	**242**	
Foreign exchange forward contracts	**1,869**	**1,005**
Total	**2,562**	**1,005**

In addition, the Group had copper futures and swaps amounting to 143 tons.

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	**19**	**19**
Interest-bearing investments, non-current (level 2)	**1**	**1**
Other receivables, non-current (level 2)	**2**	**2**
Derivatives (level 2)	**39**	**39**
Financial liabilities		
Interest-bearing debt, non-current (level 2)	**1,151**	**1,161**
Derivatives (level 2)	**37**	**37**

Financial risks

Due to the COVID-19 pandemic, Wärtsilä has reviewed its financial risks more carefully.

As a result of this review, Wärtsilä has strengthened the liquidity reserves for the Group. The Revolving Credit Facilities (RCF) having maturity dates in 2020 have been extended until the end of 2021, and their total amount has also been increased by EUR 20 million. The total amount of available RCFs, EUR 660 million, is fully un-utilised. The funding arrangements started in the second quarter for additional two-year term loans have now been finalised resulting in disbursement of loans totalling to EUR 150 million. As there are no major long-term loans maturing in the fourth quarter of 2020, the liquidity reserves are expected to remain at high level until the end of the financial period.

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

Aging of trade receivables

		30.9.2020		31.12.2019
MEUR	Trade receiv-ables	of which impaired	Trade receiv-ables	of which impaired
Not past due	**636**		788	1
Past due 1–30 days	**80**		149	
Past due 31–180 days	**124**	**4**	227	2
Past due 181–360 days	**46**	**2**	73	1
Past due more than 1 year	**78**	**60**	81	57
Total	**965**	**66**	1,317	61

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

Derivatives under hedge accounting are expected to remain effective, as there has been no significant increase in the cancellations of orders. The hedged cash flows are still considered to be highly probable.

Events after the balance sheet date

On 1 October Wärtsilä has divested 100% of the shares of Wärtsilä JOVYATLAS GmbH and 100% of the shares of Wärtsilä Valves Ltd.

Wärtsilä JOVYATLAS GmbH was sold to Jacob Waits Industrie GmbH, a German based industry holding. Wärtsilä JOVYATLAS has been manufacturing UPS systems, rectifiers, power inverters, frequency transformers and resistors with related services for many industries already for seven decades. The company became a part of the Group as a result of the acquisition of L-3 Communications MSI in 2015.

Wärtsilä Valves Ltd was sold to an affiliate of Evergreen Capital L.P., based in New York, US. Wärtsilä Valves Ltd. supplied the entire range of three long-established brands: Shipham, John Mills and Robert Cort. Its activities included engineering, assembly, testing, sales and delivery of nickel aluminium bronze (NAB) and duplex valves for marine, oil & gas and energy markets. Additionally, Wärtsilä Valves offered applications for Valves' products, including e.g. FPSO, petrochemical facilities, power generation, LNG, naval marine, marine services, waste water treatment plants and pipelines. The company became a part of the Group as a result of the Hamworthy acquisition in 2012.

Quarterly figures

MEUR	7–9/ 2020	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019	1–3/ 2019	10–12/ 2018	7–9/ 2018
Order intake									
Marine Power*	**410**	**391**	**496**	656	449	632	509		
Marine Systems*	**174**	**119**	**113**	147	150	198	258		
Voyage*	**44**	**56**	**107**	93	69	72	76		
Wärtsilä Marine Business*								1,031	1,009
Energy*	**319**	**390**	**475**	585	260	435	489	843	363
Portfolio Business*	**34**	**55**	**57**	74	51	40	83		
Total	**981**	**1,011**	**1,247**	1,555	979	1,377	1,416	1,874	1,372
Order book at the end of the reporting period**									
Marine Power*	**1,908**	**1,913**	**1,967**	2,019	1,981	1,976	1,800		
Marine Systems*	**872**	**902**	**1,051**	1,232	1,377	1,471	1,516		
Voyage*	**289**	**305**	**304**	274	265	252	257		
Wärtsilä Marine Business*								3,651	3,536
Energy*	**1,865**	**1,939**	**2,087**	2,014	2,023	2,120	2,043	2,515	2,382
Portfolio Business*	**331**	**341**	**336**	338	336	338	361		
Total	**5,265**	**5,401**	**5,745**	5,878	5,982	6,157	5,977	6,166	5,918
Net sales									
Marine Power*	**382**	**420**	**457**	603	430	447	443		
Marine Systems*	**169**	**238**	**234**	279	244	237	192		

Voyage*	**54**	**56**	**69**	82	60	73	65		
Wärtsilä Marine Business*								831	680
Energy*	**347**	**457**	**351**	648	328	400	403	701	650
Portfolio Business*	**43**	**48**	**59**	71	56	60	49		
Total	**995**	**1,220**	**1,170**	1,684	1,118	1,217	1,151	1,532	1,330
Share of result of associates and joint ventures		**1**	**1**	-2	-6	-1		3	3
Comparable adjusted EBITA	**69**	**63**	**65**	213	49	123	113	237	152
as a percentage of net sales	**7.0**	**5.2**	**5.6**	12.6	4.4	10.1	9.8	15.4	11.5
Depreciation, amortisation and impairment	**-47**	**-38**	**-39**	-39	-58	-42	-41	-37	-31
purchase price allocation amortisation	**-8**	**-8**	**-9**	-10	-10	-10	-11	-11	-11
Comparable operating result	**61**	**55**	**56**	202	39	113	102	226	141
as a percentage of net sales	**6.1**	**4.5**	**4.8**	12.0	3.5	9.3	8.9	14.7	10.6
Items affecting comparability, total	**-18**	**-6**	**-4**	-39	-28	-17	-11	-20	
Operating result	**43**	**49**	**52**	164	11	96	91	206	141
as a percentage of net sales	**4.3**	**4.0**	**4.5**	9.7	1.0	7.9	7.9	13.4	10.6
Financial income and expenses	**-9**	**-13**	**-9**	-11	-11	-13	-13	-12	-11
Profit before taxes	**34**	**36**	**43**	153		83	78	194	130
Income taxes	**-9**	**-12**	**-14**	-51	-5	-21	-19	-41	-29
Profit for the reporting period	**25**	**23**	**29**	102	-5	62	59	153	101
Earnings per share (EPS), basic and diluted, EUR	**0.04**	**0.04**	**0.05**	0.17	-0.01	0.11	0.10	0.25	0.17
Gross capital expenditure	**25**	**27**	**27**	44	24	32	23	48	26
investments in securities and acquisitions	**1**			2		4		-1	
Cash flow from operating activities	**114**	**252**	**42**	295	-61	-37	35	349	122
Working capital (WCAP) at the end of the reporting period	**431**	**492**	**660**	732	870	784	656	581	782
Personnel at the end of the reporting period* **									
Marine Power*	**8,412**	**8,674**	**8,934**	8,820	8,962	9,005	8,881		
Marine Systems*	**1,891**	**1,846**	**1,862**	1,870	1,828	1,887	1,882		
Voyage*	**1,946**	**1,917**	**1,939**	1,889	1,875	1,849	1,852		
Wärtsilä Marine Business*								13,582	13,727

Energy*	**4,837**	**4,799**	**4,819**	5,137	5,295	5,449	5,513	5,712	5,692
Portfolio Business*	**1,097**	**1,098**	**1,088**	1,080	1,058	1,050	1,096		
Total	**18,183**	**18,334**	**18,642**	18,795	19,018	19,239	19,225	19,294	19,420

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

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

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

Calculations of financial ratios

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

Earnings per share (EPS), basic and diluted

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

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)

23 October 2020
Wärtsilä Corporation
Board of Directors