



WÄRTSILÄ

Wärtsilä Corporation

Financial Statements Bulletin

January – December 2019

2019 – A year marked by difficult market conditions and project related challenges

Highlights of the fourth quarter 2019

- Order intake decreased 17% to EUR 1,555 million (1,874)
- Net sales increased 10% to EUR 1,684 million (1,532)
- Book-to-bill amounted to 0.92 (1.22)
- Comparable operating result decreased to EUR 202 million (226), which represents 12.0% of net sales (14.7)
- Earnings per share decreased to 0.17 euro (0.25)
- Cash flow from operating activities decreased to EUR 295 million (349)

Highlights of the review period January-December 2019

- Order intake decreased 16% to EUR 5,327 million (6,307)
- Order book at the end of the period decreased 5% to EUR 5,878 million (6,166)
- Net sales were stable at EUR 5,170 million (5,174)
- Book-to-bill amounted to 1.03 (1.22)
- Comparable operating result decreased to EUR 457 million (577), which represents 8.8% of net sales (11.2)
- Earnings per share decreased to 0.37 euro (0.65)
- Cash flow from operating activities decreased to EUR 232 million (470)
- Dividend proposal 0.48 euro per share (0.48)

The comparable operating result includes charges related to project cost overruns in the Marine and Energy businesses, which amounted to EUR 68 million in the fourth quarter and EUR 152 million for the full year 2019.

Wärtsilä's prospects

The demand for Wärtsilä's services and solutions in the coming 12 months is expected to be somewhat below that of the previous 12 months. Demand by business area is anticipated to be as follows:

- Soft in Wärtsilä Marine Business, as low vessel contracting is expected to affect equipment ordering activity.
- Soft in Wärtsilä Energy Business. While some recovery in equipment order intake is anticipated, market conditions remain challenging.

Wärtsilä's current order book for 2020 deliveries is EUR 3,571 million (3,696), comprised mainly of equipment deliveries.

Jaakko Eskola, President & CEO

“The year 2019 was characterised by a difficult demand environment and poor financial performance. Although the increase in both marine equipment deliveries and service volumes resulted in stable net sales for the group, our operating result was well below the previous year. Performance was weakened in the second half of the year by cost overruns in a handful of complex marine and energy projects, which were caused by inaccurate assumptions in cost estimates, insufficient risk identification, and supplier related challenges. The decline in energy deliveries and the impact of the Industrial Union’s three-day strike in Finland during December further burdened our operating result.

Order intake for both marine and energy related equipment picked up in the fourth quarter, but was not sufficient to raise the order level to that of the previous year. In the marine markets, vessel contracting fell short of initial forecasts, largely due to concerns related to the implications of geopolitical developments on seaborne trade. Furthermore, the demand for scrubbers declined from exceptionally high levels in the previous year, as a result of uncertainty related to the price and availability of bunker fuels. In this context, we can be pleased with the level of equipment orders received in the Marine Business, which was supported by continued activity in specialised vessels, such as cruise ships and gas carriers. In the energy sector, the demand for new, gas and liquid fuelled power generation capacity declined significantly during the year, as macroeconomic uncertainty and the ongoing energy transition delayed investment decisions. While equipment orders in the Energy Business were well below that of the previous year, energy services orders developed well, thanks to a record high order intake for service agreements.

The business environment is expected to continue to be challenging during the upcoming year. For this reason, we remain cautious on the demand outlook. Our focus will be on improving operational efficiency and on optimising our portfolio, with the aim of mitigating the near-term headwinds related to pricing and mix to the extent possible. Delivery of the projects affected by cost overruns will also weigh on our performance. However, I am confident that the steps we have taken to tighten controls on risk analysis and technical assessments, as well as to strengthen our project management organisation, will prevent similar issues from occurring in future projects.

Looking further ahead, we see energy production and marine transport being greatly affected by the need to improve their environmental footprint. Wärtsilä, with its broad offering of flexible technologies and strong in-house capabilities, has the solutions needed to enable the shift to low-carbon energy sources in both our end-markets. Furthermore, we will continue to emphasise the strengthening of lifecycle partnerships with our customers to support progression towards our long-term target of profitable growth.”

Key figures

MEUR	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Order intake	1 555	1 874	-17%	5 327	6 307	-16%
of which services	722	700	3%	2 676	2 598	3%
Order book, end of period				5 878	6 166	-5%
Net sales	1 684	1 532	10%	5 170	5 174	-0%
of which services	740	731	1%	2 502	2 419	3%
Book-to-bill	0.92	1.22		1.03	1.22	
Operating result	164	206	-20%	362	543	-33%
% of net sales	9.7	13.4		7.0	10.5	
Comparable operating result ¹	202	226	-10%	457	577	-21%
% of net sales	12.0	14.7		8.8	11.2	
Comparable adjusted EBITA ²	213	237	-10%	498	621	-20%
% of net sales	12.6	15.4		9.6	12.0	
Profit before taxes	153	194	-21%	315	502	-37%
Earnings/share, EUR	0.17	0.25		0.37	0.65	
Cash flow from operating activities	295	349		232	470	
Net interest-bearing debt, end of period ³				726	333	
Gross capital expenditure				122	306	
Gearing ³				0.30	0.14	
Solvency, %				40.8	44.4	
Personnel, end of period				18 795	19 294	-3%

¹Items affecting comparability in the fourth quarter of 2019 included costs of EUR 39 million (20). During January-December, items affecting comparability amounted to EUR 95 million (35).

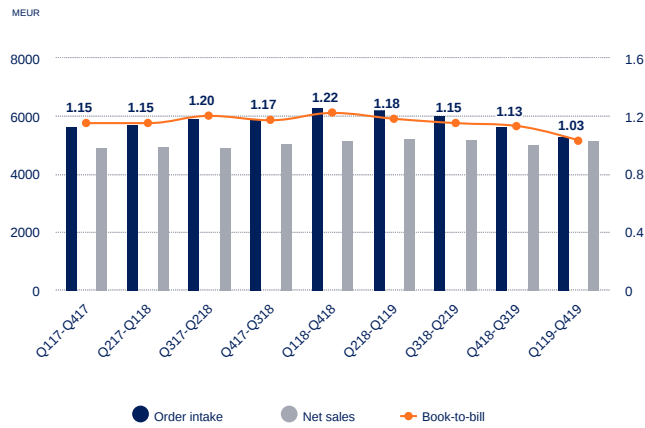
²Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

³The increase in net interest-bearing debt is partly related to the inclusion of lease liabilities on the balance sheet as a result of the new IFRS 16 standard.

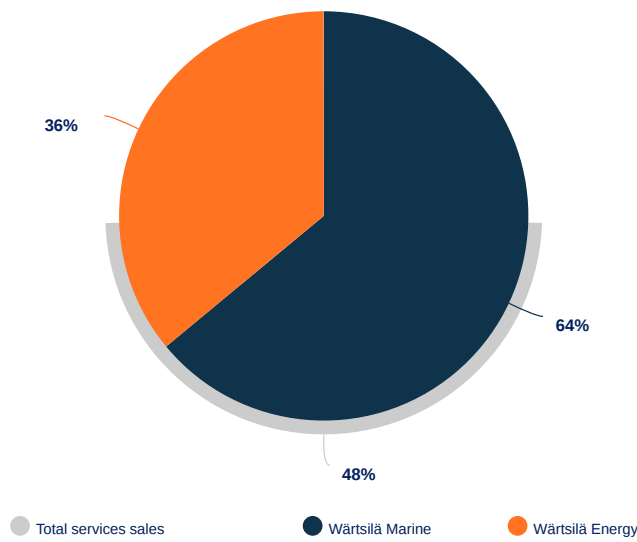
As of the first quarter of 2019, Wärtsilä's financial reporting has been amended to reflect its new organisational structure. Financial reporting for 2018 has been adjusted to reflect this change. The two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, constitute the reportable segments. Wärtsilä will additionally report the services related order intake and net sales for the two segments. In Wärtsilä Marine Business, order intake and net sales for retrofit scrubber projects have been transferred from services to new equipment. The comparison figures have been adjusted accordingly.

Wärtsilä presents certain alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definition of these alternative performance measures is presented in the calculation formulas of financial ratios at the end of this report.

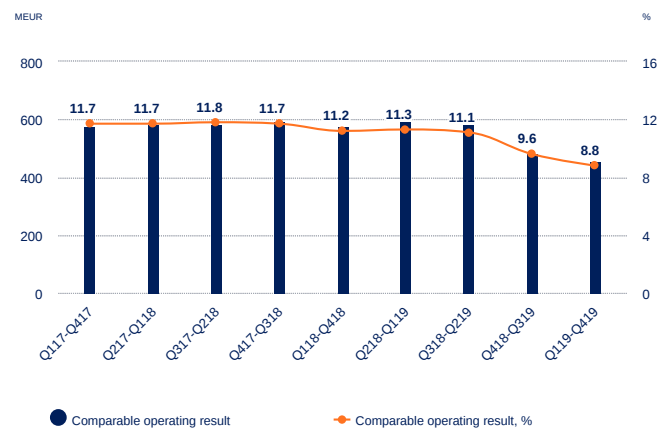
Book-to-bill, 12 months rolling



January-December net sales by business area



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment, order intake, and order book

Demand for Wärtsilä's services and solutions during the period January-December 2019 was below that of the previous year. In the marine markets, equipment order intake was affected by fewer orders received for scrubber solutions and by the weak contracting environment in certain vessel segments. Delayed investment decisions burdened activity in the energy market throughout the year. The demand for services was, however, sound in both end-markets.

Wärtsilä's **fourth quarter order intake** totalled EUR 1,555 million (1,874), a decrease of 17% compared to the corresponding period last year. The book-to-bill ratio was 0.92 (1.22). Wärtsilä Marine accounted for 61% of the order intake and Wärtsilä Energy for 39%. Services related order intake increased by 3% to EUR 722 million (700).

Wärtsilä's **January-December order intake** decreased by 16% to EUR 5,327 million (6,307) from the previous year, due to fewer equipment orders in both businesses. The book-to-bill ratio was 1.03 (1.22). Wärtsilä Marine accounted for 66% of the order intake and Wärtsilä Energy for 34%. Services related order intake increased by 3% to EUR 2,676 million (2,598).

The total **order book at the end of December** decreased by 5% to EUR 5,878 million (6,166). Wärtsilä Marine accounted for 65% of the order book and Wärtsilä Energy for 35%.

Order intake and order book by reporting segment

MEUR	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Order intake	1 555	1 874	-17%	5 327	6 307	-16%
Marine	951	1 031	-8%	3 517	3 945	-11%
Energy	604	843	-28%	1 810	2 362	-23%
Order book, end of period				5 878	6 166	-5%
Marine				3 799	3 651	4%
Energy				2 079	2 515	-17%

Net sales and operating result

Wärtsilä's **fourth quarter net sales** increased by 10% to EUR 1,684 million (1,532) compared to the corresponding period last year, largely due to improved marine equipment deliveries. Wärtsilä Marine accounted for 61% of net sales and Wärtsilä Energy for 39%. Services related net sales was stable at EUR 740 million (731). Adjusting for the effects of currency translation, services related net sales remained stable.

The **fourth quarter operating result** amounted to EUR 164 million (206), which represents 9.7% of net sales (13.4). The comparable operating result was EUR 202 million (226), which represents 12.0% of net sales (14.7). Items affecting comparability amounted to EUR 39 million (20). These consisted primarily of restructuring costs and additional costs related to the closure of the Wärtsilä Hyundai Engine Company (WHEC) joint venture in South Korea. The comparable operating result for Wärtsilä Marine amounted to EUR 119 million (190) or 11.7% of net sales (22.9), while the comparable operating result for Wärtsilä Energy amounted to EUR 83 million (35) or 12.5% of net sales (5.0). The comparable adjusted EBITA was EUR 213 million (237), or 12.6% of net sales (15.4). Purchase price allocation amortisation amounted to EUR 10 million (11). The fourth quarter result figures include charges of EUR 68 million related to cost overruns in certain large and complex project deliveries in the Marine and Energy businesses, of which EUR 34 million was recognised in Wärtsilä Marine and EUR 34 million in Wärtsilä Energy.

Wärtsilä's **January-December net sales** were stable compared to the corresponding period last year, amounting to EUR 5,170 million (5,174). Increased marine equipment deliveries and growth in service volumes served to offset

the decline in energy equipment deliveries. Wärtsilä Marine accounted for 64% of net sales and Wärtsilä Energy for 36%. Services related net sales increased by 3% to EUR 2,502 million (2,419). Adjusting for the effects of currency translation, services related net sales increased by 2%. Of Wärtsilä's net sales, approximately 67% was EUR denominated, 20% USD denominated, with the remainder being split between several currencies.

The **January-December operating result** amounted to EUR 362 million (543), which represents 7.0% of net sales (10.5). The comparable operating result was EUR 457 million (577), or 8.8% of net sales (11.2). Items affecting comparability included costs of EUR 95 million (35). These consisted primarily of restructuring costs and additional costs related to the closure of the WHEC joint venture. The comparable operating result for Wärtsilä Marine amounted to EUR 305 million (380), or 9.1% of net sales (13.5), while the comparable operating result for Wärtsilä Energy amounted to EUR 152 million (197), or 8.3% of net sales (8.4). The comparable adjusted EBITA was EUR 498 million (621), or 9.6% of net sales (12.0). Purchase price allocation amortisation amounted to EUR 41 million (43). The full year result figures include charges of EUR 152 million related to cost overruns in certain large and complex project deliveries in the Marine and Energy businesses. Of the total amount, EUR 51 million was recognised in Wärtsilä Marine and EUR 101 million in Wärtsilä Energy.

Financial items amounted to EUR -47 million (-40) during the period January-December. Net interest totalled EUR -12 million (-7). Profit before taxes amounted to EUR 315 million (502). Taxes amounted to EUR 97 million (116), implying an effective tax rate of 30.7% (23.1). The effective tax rate was burdened by tax charges related to previous financial periods. Profit for the financial period amounted to EUR 218 million (386). Earnings per share were 0.37 euro (0.65), while the equity per share was 4.05 euro (4.09). Return on investment (ROI) was 11.5% (18.1), while return on equity (ROE) was 9.0% (16.1).

Net sales and operating result by reporting segment

MEUR	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Net sales	1 684	1 532	10%	5 170	5 174	-0%
Marine	1 020	831	23%	3 330	2 815	18%
Energy	664	701	-5%	1 840	2 359	-22%
Operating result	164	206	-20%	362	543	-33%
Marine	99	171	-42%	237	349	-32%
Energy	64	35	86%	125	194	-35%
Operating result, % of net sales	9.7	13.4		7.0	10.5	
Marine	9.7	20.6		7.1	12.4	
Energy	9.7	4.9		6.8	8.2	
Comparable operating result	202	226	-10%	457	577	-21%
Marine	119	190	-37%	305	380	-20%
Energy	83	35	135%	152	197	-23%
Comparable operating result, % of net sales	12.0	14.7		8.8	11.2	
Marine	11.7	22.9		9.1	13.5	
Energy	12.5	5.0		8.3	8.4	

Financing and cash flow

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 295 million (349). For the January-December period, cash flow from operating activities totalled EUR 232 million (470). Cash flow weakened due to the decrease in operating result and the increase in working capital. The latter was largely related to the build-up of inventories for upcoming scrubber deliveries. Working capital totalled EUR 732 million (581) at the end of the review period, a decrease of EUR 138 million from the end of September. Advances received at the end of the period totalled EUR 452 million (584). At the end of September, advances totalled EUR 609 million. Cash and cash equivalents at the end of the period amounted to EUR 369 million (487) and unutilised Committed Credit Facilities totalled EUR 640 million (640).

Wärtsilä had interest-bearing debt totalling EUR 1,096 million (823) at the end of December. The increase in interest-bearing debt is largely related to the inclusion of lease liabilities amounting to EUR 188 million on the balance sheet, as a result of the new IFRS 16 standard. The total amount of short-term debt maturing within the next 12 months was EUR 99 million. Long-term loans amounted to EUR 997 million. Net interest-bearing debt totalled EUR 726 million (333), due to weak cash flow and the implementation of IFRS 16. Gearing was 0.30 (0.14) and the solvency ratio was 40.8% (44.4). Excluding the impact of lease liabilities, gearing amounted to 0.22.

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 116 million (110) during January-December. Capital expenditure related to acquisitions totalled EUR 6 million (196). The comparison figure includes the acquisition of Transas, which was completed in May 2018. Depreciation, amortisation, and impairment for the period amounted to EUR 180 million (130). The increase is related to the implementation of the new IFRS 16 Leases standard.

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

Strategy

Wärtsilä's purpose is to enable sustainable societies with smart technology. The demand for clean and flexible energy and the need for efficient and safe transportation are increasingly affecting the way that customers operate. This forms the basis for Wärtsilä's Smart Marine and Smart Energy visions.

Wärtsilä's profitable growth ambitions are supported by its strong presence in key markets and a superior global service network. An integrated portfolio of services, systems, and products that covers customer needs throughout the full lifecycle positions Wärtsilä well to respond to the demand for energy efficient and innovative solutions. Emphasis is given to optimising performance through upgrades, modernisations, fuel conversions, and safety solutions, and by using data analytics and artificial intelligence to support customer business decisions. The utilisation of connectivity and smart technologies plays a key role in the optimisation of assets and in providing strategic input to customers in order to enhance their business growth. Asset management will drive future growth in lifecycle solutions and enable new "as-a-service" business models.

Wärtsilä's digital transformation provides enhanced customer value through an increased focus on collaboration and knowledge sharing. With its flexible production and supply chain management, Wärtsilä constantly seeks new ways to maintain high quality and cost efficiency - often in co-operation with customers and leading industrial partners. Investments in research and development, and specifically in digitalisation, create a strong foundation for securing and strengthening the company's position at the forefront of market innovation.

This innovative culture, together with a constant emphasis on safety, diversity, and high ethical standards, attracts skilled and committed people and creates the basis for a high performing organisation. The focus on operational excellence ensures that Wärtsilä is a company easy to do business with and drives increased productivity and efficiencies for its customers.

Acquisitions and divestments

In May, Wärtsilä announced the acquisition of Ships Electronic Services Ltd (SES), a UK based company specialising in navigation and communication electronics, as well as installation, maintenance, and repair services, mainly for commercial and leisure vessels. SES, established in 1974, has its headquarters in Rochester and operates also out of nine other offices in the UK.

In December, Wärtsilä announced the divestment of Wärtsilä ELAC Nautik GmbH (ELAC Nautik) to Cohort plc, a UK listed company specialising in defence, security, and related market sectors. ELAC Nautik became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015. Its main market focus is on hydroacoustic products, including sonars, underwater communication systems, and echo systems for small and medium sized military submarines. ELAC Nautik employs approximately 120 people and generates annual revenues of

approximately EUR 21 million. Subject to approvals, completion of the transaction is expected in the early part of 2020.

Strategic projects and partnerships

In April, Wärtsilä agreed to provide seed funding to Soletair Power Oy, a Finland-based start-up company operating in the field of Power-to-X. Soletair Power Oy has developed a concept to improve air quality in buildings by capturing carbon dioxide and converting it to synthetic renewable fuel. This was followed in May by the announcement of a research collaboration with Lappeenranta-Lahti University of Technology on strategic power system modelling, with the aim of understanding and developing paths towards energy systems operating 100% on renewable energy sources.

In June, Wärtsilä entered into a cooperation agreement with Aggreko, a global power equipment supplier, to introduce a new concept for power markets built around the Wärtsilä Modular Block solution. The cooperation will also enable new business and financing models, such as power as a service or rentals.

In September, Wärtsilä and Q Power Oy, a Finnish bio-methanisation company, signed a cooperation agreement to accelerate the development and commercialisation of renewable fuels. The companies will work together to develop the market and find new business opportunities for bio-methanisation and synthetic fuels globally.

In October, Wärtsilä co-founded a new global cyber security alliance for operational technology, which aims to bridge dangerous gaps in security for operational technology and industrial control systems. Operational technology encompasses the hardware and software used to control physical systems, such as machinery in factories, power stations, ships, or ports. The Internet of Things and inter-connectedness of production systems in smart factories means that there is a significantly and rapidly growing risk of serious security breaches in these environments.

In November, Wärtsilä and Singapore-based PSA Marine announced their collaboration in the co-creation of smart technologies for the marine sector. Specific collaboration areas include the use of electric or hybrid technologies that enhance the utilisation of low-emission energy and propulsion systems, the incorporation of next-generation smart vessel technologies, the adoption of secured connectivity to facilitate ship-to-shore data exchange, as well as marketing and branding activities that generate awareness.

In December, Wärtsilä signed a strategic development agreement with the Chinese state-owned shipbuilder CSSC Huangpu Wenchong Shipbuilding Company Limited. The purpose of the five-year agreement is to build a cooperation framework and working mechanism for the research and development of hybrid power systems. Wärtsilä will support Huangpu Wenchong during the design and construction phases with technology innovations, system selection, performance calculations, and long-term services.

Innovations, research and development

Research and development expenditure totalled EUR 164 million (165) during the review period January-December, which represents 3.2% of net sales (3.2). The key focus areas included digitalisation, efficiency improvement, fuel flexibility, and the reduction of environmental impact.

The Wärtsilä 31 engine application range was expanded during the year, with the Wärtsilä 31SG pure gas engine being made available to the marine sector, and applications for the Wärtsilä 31DF multi-fuel engine being extended to include power generation markets. The Wärtsilä 31SG engine further reduces the total cost of ownership and the environmental footprint for vessels operating in regions where there is a developed gas supply infrastructure. The gas-only focus and lean-burn spark ignition technology allows for further optimisation of the engine's thermal efficiency, while also lowering greenhouse gas emissions and facilitating adaptations for alternative heavier gas fuels, such as LPG. The Wärtsilä 31SG engine is ideally suited for hybrid applications, since it provides outstanding thermal efficiency. It also enables investment cost reductions that help offset the additional cost of energy storage. The Wärtsilä 31DF engine, in turn, offers unequalled open-cycle efficiency, fuel flexibility, and unparalleled dynamic operational features for markets where a gas supply is anticipated but not yet available, or where there are concerns about the availability or price of gaseous fuels.

For the energy markets, Wärtsilä launched Engine+ Hybrid Energy, a solution that pairs engines with energy storage to form a fully integrated, automated system providing reliable and environmentally sound power generation with improved efficiency for the operators and power producers of islanded grids. The solution serves load requirements instantly, addresses step changes and intermittencies, and provides spinning reserves. GEMS, the control platform, automatically dispatches available assets and takes into account any operational constraints to ensure optimal operation. Wärtsilä also introduced its Modular Block power plant solution. This pre-fabricated, modularly configured, and expandable enclosure for Wärtsilä medium-speed 34SG gas engine generators enables the reduction of on-site installation time from several months to a few weeks. The solution makes Wärtsilä's advanced medium-speed engine technology available for applications where it would not be viable with a conventional custom-designed permanent building.

Digital developments included the launch of Wärtsilä Online, a new web-based customer platform aimed at providing a state-of-the-art support service that allows customers to better manage their installed assets. Wärtsilä Online enables mobile usage, new features for smart maintenance management, and real-time collaboration. Wärtsilä also introduced a digital version of Operim – Operational Performance Improvement & Monitoring, the new Navi-Planner voyage planning and optimisation solution, as well as the Expert Insight predictive maintenance product. By digitally augmenting physical products through the addition of data collection capabilities and cloud-based analytics, Operim enables improvements in operational performance through the continuous monitoring of and reporting on the key performance indicators, along with virtual instrumentation. The collected data are delivered to the system's user in real-time, thereby allowing appropriate and timely manual or autonomous decision-making in a predictive or adaptive manner. Developed by Transas, a Wärtsilä company, Navi-Planner makes use of the connected Electronic Chart Display and Information System (ECDIS) to significantly shorten voyage planning and to provide a minimum navigational safety standard for a less experienced crew. Expert Insight enables customer support to be delivered proactively by Wärtsilä Expertise Centres to ensure long-term accurate insight for their predictive maintenance strategies. The solution leverages artificial intelligence and advanced diagnostics to monitor equipment and systems in real-time, enabling enhanced safety, reliability, and efficiency.

Restructuring programmes

In January 2019, Wärtsilä announced a group-wide programme to realign its operations and resources in order to secure future profitability and competitiveness. When finalised, the program is expected to lead to a reduction of approximately 1,200 employees globally and to generate savings of EUR 100 million. The related costs are estimated be EUR 75 million.

The majority of the planned actions were taken during the year. Approximately EUR 50 million of savings materialised by the end of 2019, of which a significant portion was volume related. Costs related to the restructuring measures amounted to approximately EUR 70 million. The remaining savings and costs will be recognised during 2020.

Personnel

Wärtsilä had 18,795 (19,294) employees at the end of December. On average, the number of personnel totalled 19,110 (18,899) during the period January-December. Wärtsilä Marine employed 13,460 (13,582) people at the end of the period and Wärtsilä Energy 5,335 (5,712).

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 42% (40) elsewhere in Europe. Personnel employed in Asia represented 23% (24) of the total, personnel in the Americas 11% (11), and personnel in other countries 4% (4).

Changes in management

Ms Alid Dettke (38), double-degree BA (Hons) European Business, was appointed Executive Vice President Human Resources and member of the Board of Management, as of 24 October 2019. Ms Dettke joined Wärtsilä in November 2017 and had most recently held the position of Vice President for Open Innovation.

Ms Päivi Castrén acted as Executive Vice President, Human Resources until 24 October 2019.

Mr Marco Ryan acted as Executive Vice President and Chief Digital Officer until 17 July 2019. Following his departure, Wärtsilä's digital activities were embedded into the Marine and Energy businesses.

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, and to support its customers in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN sustainability 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.

In February, Wärtsilä and Aalto University in Finland signed a partnership agreement that aims at strengthening and broadening their current cooperation. The challenges related to climate change, scarcity of natural resources and digitalisation call for creative solutions that require new research, talent, and ideas. Wärtsilä and Aalto University are looking to take on these challenges together by stepping up their collaboration.

Personnel health and safety is a priority for Wärtsilä. Wärtsilä's fifth global safety day was arranged in March. The aim was to raise awareness of Wärtsilä's lifesaving rules, which were introduced to ensure safe practices and consistent behaviour for preventing incidents that could result in a serious injury or fatality.

In May, Wärtsilä solutions for reducing emissions from gas flaring at oil drilling and production sites were recognised with White Snow, Clean Air awards held in conjunction with the 11th Arctic Council Ministerial meeting. Wärtsilä was also granted US Coastguard (USCG) Type Approval for its Aquarius UV Ballast Water Management System (BWMS). The Wärtsilä Aquarius UV (Ultra-Violet) technology utilises proven filtration and UV irradiation, while maintaining a high degree of safety and operability.

In September, Wärtsilä joined the "Getting to Zero 2030 Coalition", whereby Wärtsilä, along with 74 other organisations, committed to the decarbonisation of deep-sea shipping and its energy value chains in line with the most ambitious interpretation of the IMO's carbon emissions reduction strategy and the latest relevant IPCC climate science.

In October, Wärtsilä's power plant in Kibuye, Rwanda, which operates on harmful gases from a 'killer lake' was recognised as one of the Project Management Institute's (PMI) Top 10 Renewable Energy Projects of the last 50 years.

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 Business

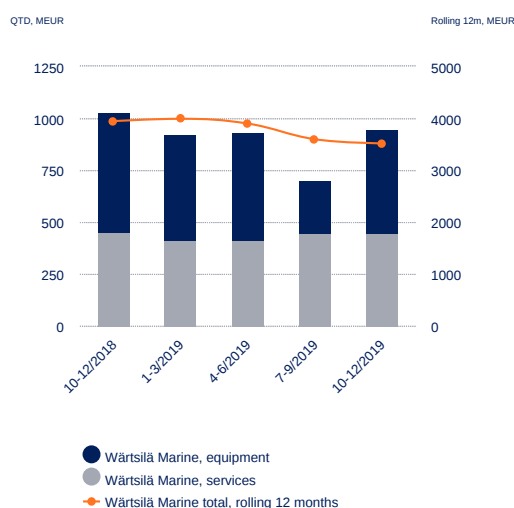
Wärtsilä is on a mission to create a Smart Marine Ecosystem – one in which the maritime industry uses only the cleanest available fuels. Where on-board power production is optimised, and routes are precision-planned to avoid navigational hazards, traffic congestion, and unexpected waiting times. Through our know-how, integrated product portfolio, and full lifecycle solutions – all supported by the market's most extensive service network – we are committed to being the main driving force in sustainable shipping.

- Order intake development was satisfactory in a challenging market environment, with the decline in orders received driven by softening demand for scrubber systems
- Services activity was healthy throughout the year
- Cost overruns in gas solution project deliveries burdened the operating result, while profitability was also affected by the higher proportional share of equipment deliveries

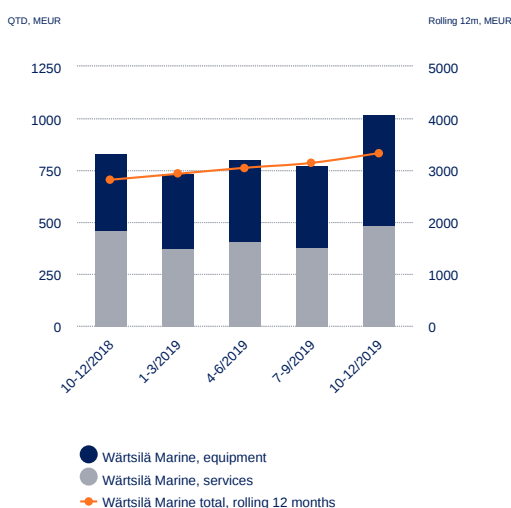
Key figures

MEUR	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Order intake	951	1 031	-8%	3 517	3 945	-11%
of which services	443	447	-1%	1 715	1 747	-2%
Order book, end of period				3 799	3 651	4%
Net sales	1 020	831	23%	3 330	2 815	18%
of which services	484	461	5%	1 639	1 577	4%
Book-to-bill	0.93	1.24		1.06	1.40	
Operating result	99	171	-42%	237	349	-32%
% of net sales	9.7	20.6		7.1	12.4	
Comparable operating result	119	190	-37%	305	380	-20%
% of net sales	11.7	22.9		9.1	13.5	
Personnel, end of period				13 460	13 582	-1%

Order intake



Net sales



Operating environment

During 2019, 1,153 contracts for new vessels were registered (1,237 in 2018, excluding late contracting). Economic uncertainty, trade tensions, and regulatory considerations resulted in subdued contracting activity particularly in the merchant marine market. A wave of shipyard consolidations was announced during the year, as yards moved towards improving their competitiveness and better managing the prevailing overcapacity.

Activity remained solid in the gas carrier segment, driven by the growth in demand for liquefied natural gas (LNG), the increasing role of gas in the global energy mix, and firm spot rates. In the cruise segment, contracting activity favoured small and medium-sized vessels, due to the growing interest in luxury and expedition cruises, as well as capacity constraints in building larger ships. Investments in the ferry segment continued to be driven mainly by the replacement of older vessels, while the ferry market remained balanced in terms of supply and demand. In the offshore sector, contracting was burdened by reactivation and upgrades of stacked vessels, as well as by the slow rate of growth in vessel utilisation and day rates.

The focus on environmental issues and related regulations are driving increased efforts to minimise the environmental footprint of the shipping industry. This is resulting in a growing interest in LNG as a fuel and hybrid battery packs across vessel segments. While fuel price spreads are supportive of investments in scrubber technology, uncertainty around future developments and fuel availability has delayed decision-making among customers.

The demand for marine services was solid, with the most positive development seen in the merchant and cruise and ferry segments. In the cruise segment, activity favoured the servicing of automation and navigation solutions. For merchant vessels, demand increased particularly in the gas carrier segment, driven by continued growth in LNG trade and LNG carriers reaching their maintenance window for larger overhauls. Economic and trade related uncertainties resulted in slower service activity in the container vessel segment. Activity improved from a low level in the offshore support vessel segment, thanks to fleet reactivation and improving vessel utilisation.

Financial development

Wärtsilä Marine's **fourth quarter order intake** totalled EUR 951 million (1,031), a decrease of 8% compared to the corresponding period last year. Book-to-bill was 0.93 (1.24). Services orders were stable at EUR 443 million (447), while equipment orders decreased by 13% to EUR 508 million (584). Demand was highest in the cruise and ferry segment, which represented 53% and 28% of the order intake of equipment and services, respectively. Orders received from this segment included a sizeable order to supply a broad scope of solutions to multiple cruise vessels. Activity was healthy also in the merchant segment, where Wärtsilä received a strategically important order to supply its fleet operations solution to Anglo-Eastern's global fleet of more than 600 vessels.

Fourth quarter net sales increased by 23% to EUR 1,020 million (831) compared to the corresponding period last year. Services net sales increased by 5% to EUR 484 million (461), while equipment net sales increased by 45% to EUR 536 million (370). The **comparable operating result** for the quarter was EUR 119 million (190), or 11.7% of net sales (22.9). The comparable operating result includes a charge of EUR 34 million related to cost overruns in certain gas solution project deliveries, while the comparison figure was elevated by a capital gain amounting to EUR 27 million from the divestment of the pumps business. Profitability was also affected by the higher proportional share of equipment deliveries in the net sales mix of 2019.

Order intake for January-December amounted to EUR 3,517 million (3,945), a decrease of 11% compared to the corresponding period last year. Book-to-bill was 1.06 (1.40). Services orders decreased by 2% to EUR 1,715 million (1,747), while equipment orders decreased by 18% to EUR 1,802 million (2,198). The **order book** at the end of December amounted to EUR 3,799 million (3,651), which is 4% higher than last year. Demand was highest in the merchant segment, which, including both traditional merchant vessels and gas carriers, represented 40% and 35% of the order intake of equipment and services, respectively. In the gas carrier segment, Wärtsilä received multiple orders for gas solutions, power supply solutions, and service agreements during the year. Activity was strong also in the cruise and ferry segment, where, in addition to several equipment orders for cruise ships, Wärtsilä was awarded a contract to supply an integrated package of products, systems, and solutions to Wasaline's new, efficient, and environmentally sustainable RoPax ferry.

January-December net sales increased by 18% to EUR 3,330 million (2,815) compared to the corresponding period last year. Services net sales increased by 4% to EUR 1,639 million (1,577), while equipment net sales increased by 37% to EUR 1,691 million (1,238) largely due to a significant increase in scrubber deliveries. The **comparable operating result** during the same period amounted to EUR 305 million (380), which represents 9.1% of net sales (13.5). The decline is largely due to charges of EUR 51 million related to cost overruns in certain gas solution project deliveries and a lower share of result from joint ventures. Profitability was also affected by the higher proportional share of equipment deliveries in the net sales mix.

Reporting segment: Wärtsilä Energy Business

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.

- Slow decision-making burdened equipment orders throughout the year
- An all-time high order intake in long-term agreements demonstrates the importance of installation reliability
- The operating result was affected by cost overruns in certain equipment project deliveries

Key figures

MEUR	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Order intake	604	843	-28%	1 810	2 362	-23%
of which services	279	254	10%	961	851	13%
Order book, end of period				2 079	2 515	-17%
Net sales	664	701	-5%	1 840	2 359	-22%
of which services	256	270	-5%	863	842	2%
Book-to-bill	0.91	1.20		0.98	1.00	
Operating result	64	35	86%	125	194	-35%
% of net sales	9.7	4.9		6.8	8.2	
Comparable operating result	83	35	135%	152	197	-23%
% of net sales	12.5	5.0		8.3	8.4	
Personnel, end of period				5 335	5 712	-7%

Order intake Wärtsilä Energy

MW	10-12/2019	10-12/2018	Change	1-12/2019	1-12/2018	Change
Gas	520	813	-36%	1 413	1 941	-27%
Oil	42	178	-76%	124	877	-86%
Other*	229	6	3722%	443	93	377%
Order intake, total	791	998	-21%	1 980	2 911	-32%

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



Operating environment

Activity in the liquid and gas fuelled power plant markets was well below that of the previous year. Energy policies are being developed to drive ambitious decarbonisation targets, and utilities continue to update their investment strategies accordingly. This, combined with macroeconomic uncertainty, has slowed decision-making globally. The low number of new power plant projects resulted in a tough competitive environment. In contrast to the challenges in the equipment business, the demand for services was solid, as customers continued to see the benefit of enhancing installation reliability with long-term service agreements.

Wärtsilä's market share in the up to 500 MW market segment increased to 17% (14), while global orders for natural gas and liquid power plants decreased by 44% to 11.6 GW during the twelve-month period ending in September 2019 (15.1 GW at the end of June). Global orders include gas turbines and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Financial development

Wärtsilä Energy's **fourth quarter order intake** totalled EUR 604 million (843), a decrease of 28% compared to the corresponding period last year. Book-to-bill was 0.91 (1.20). Services order intake increased by 10% to EUR 279 million (254), while equipment order intake decreased by 45% to EUR 325 million (589). Equipment orders received included the first Modular Block Solution of 40 MW in Mali. Wärtsilä also received several orders for energy storage and optimisation solutions during the quarter, including a 100 MW/100 MWh total capacity energy storage project in South East Asia. Services orders included a gas conversion project in the Dominican Republic, as well as an automation upgrade project with a five-year extension to an existing maintenance agreement in Hungary. Wärtsilä also signed its largest ever long-term operation and maintenance agreement with Energia del Pacifico for a power plant under construction in El Salvador, for which order intake will be recognised once the plant is in operation.

Fourth quarter net sales decreased by 5% to EUR 664 million (701) compared to the corresponding period last year. Services net sales declined by 5% to EUR 256 million (270), and equipment net sales decreased by 5% to EUR 408 million (431). The **comparable operating result for the quarter** was EUR 83 million (35), or 12.5% of net sales (5.0). A charge of EUR 34 million related to cost overruns in certain projects in the equipment business was booked during the fourth quarter.

Order intake for January-December totalled EUR 1,810 million (2,362), a decrease of 23% compared to the corresponding period last year. Book-to-bill was 0.98 (1.00). Services order intake increased by 13% to EUR 961 million (851), largely thanks to the all-time high order intake in long-term service agreements, which grew by 50% compared to the previous year. Equipment order intake decreased by 44% to EUR 849 million (1,511). The **order book** at the end of December declined by 17% to EUR 2,079 million (2,515). Demand for new equipment and services was highest in Asia and the Americas. New equipment orders received during the year included a 132 MW

dual-fuel power plant to improve system reliability in the Bahamas, as well as a 200 MW dual-fuel power plant to be delivered to Cambodia to provide grid stability and to enable increasing levels of renewable energy integration into the system. Signed service agreements included Bangladesh's largest ever service agreement to maintain Summit's 464 MW power plants and a 5-year operation and maintenance agreement for a newly installed 145 MW power plant in Myanmar.

January-December net sales decreased by 22% to EUR 1,840 million (2,359) compared to the corresponding period last year. Services net sales increased by 2% to EUR 863 million (842), while equipment net sales decreased by 36% to EUR 977 million (1,517). The **comparable operating result** during the same period was EUR 152 million (197), which represents 8.3% of net sales (8.4). The comparable operating result for 2019 includes charges of EUR 101 million related to cost overruns in certain projects in the equipment business, while the comparison figure includes a charge of approximately EUR 70 million covering cost overruns and project delays in two nuclear power plant back-up genset projects.

Outlook

Risks and business uncertainties

Trade tensions, geopolitical uncertainty, and a possible slowdown in the global economy are affecting investment decisions in the shipping industry, especially in the bulk carrier and container sectors. While slow economic growth is also a risk to demand development in the service markets, the capital-intensive newbuilding market is more sensitive to changes in the economic outlook. Changes in the financial landscape have resulted in challenges to securing financing for newbuilds. The continued oversupply in the market, together with low contracting volumes, has led to further price pressure. Consolidation among the major shipyards is a potential risk that might result in lower capture rates in equipment sales due to changed relationships with the shipyards. The shortage of available shipyard capacity to install and commission scrubber retrofits has resulted in delays in project deliveries. While concerns related to climate change require increasing efforts to reduce emissions within the shipping industry, uncertainties concerning developments in the regulatory environment may slow newbuild activity.

In the power generation markets, fragile economic growth, and slow decision-making related to the ongoing energy transition continue to be the primary risks for demand development. Geopolitical tensions and the implications of trade barriers are also notable challenges to the demand environment. Significant currency fluctuations can result in investment decisions being postponed in certain countries. Price pressure resulting from the prevailing competitive environment remains a risk.

Effective cyber risk management is increasingly important as cyber security has become vital to the operation and management of many safety, security, and protection systems in the shipping environment. This is also the case with the increasing importance of energy management systems as renewable energy penetration grows. Wärtsilä emphasises a holistic approach to the management of cyber and physical security risks in its internal operations and customer offerings. In its operational and governance activities, the company's cyber security team has continued to move towards compliance with the IEC62443 and ISO 27000 protocols. Such activities include cyber assurance, risk management and detection, a secure software development lifecycle, training, endpoint protection, network security, and cyber advisory services.

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. The Group receives from time to time 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 the loss can be reasonably estimated.

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

Shares and shareholders

During January-December, the volume of trades on Nasdaq Helsinki was 333,483,579 shares, equivalent to a turnover of EUR 3,947 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 229,045,024 shares.

Shares on Nasdaq Helsinki

31.12.2019			Number of shares and votes	Number of shares traded 1-12/2019
WRT1V			591 723 390	333 483 579
<hr/>				
1.1. - 31.12.2019	High	Low	Average ¹	Close
Share price	15.56	8.78	11.82	9.85
<hr/>				
¹ Trade-weighted average price				
<hr/>				
			31.12.2019	31.12.2018
Market capitalisation, EUR million			5 828	8 222
Foreign shareholders, %			52.8	54.5

Flagging notifications

During the period January-December, Wärtsilä was informed of the following changes in ownership:

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2019	BlackRock, Inc.	Below 5%	4.94	5.35
26.2.2019	BlackRock, Inc.	Above 5%	5.07	5.42
22.3.2019	BlackRock, Inc.	Below 5%	4.82	5.38
26.4.2019	BlackRock, Inc.	Above 5%	5.02	5.18
3.5.2019	BlackRock, Inc.	Below 5%	4.95	5.18
7.5.2019	BlackRock, Inc.	Above 5%	5.00	5.23
10.5.2019	BlackRock, Inc.	Below 5%	4.98	5.23
21.5.2019	BlackRock, Inc.	Above 5%	5.02	5.16
24.5.2019	BlackRock, Inc.	Below 5%	4.97	5.16
31.5.2019	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
11.6.2019	Fiskars Corporation	Below 5%	Below 5%	Below 5%

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 7 March 2019, 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 2018.

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

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2019.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to distribute a dividend of EUR 0.48 per share in two instalments. The first instalment of EUR 0.24 per share was distributed on 18 March 2019. The second instalment of EUR 0.24 per share was distributed on 27 September 2019.

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 8 March 2018 to distribute the Company's own shares.

Organisation of the Board of Directors

Convening after the Annual General Meeting the Board of Directors elected Mikael Lilius as its chairman and Tom Johnstone as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination 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

Nomination Committee: Chairman Mikael Lilius, Kaj-Gustaf Bergh, Johan Forssell, Risto Murto

Remuneration Committee: Chairman Mikael Lilius, Maarit Aarni-Sirviö, Tom Johnstone

Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 0.48 per share be paid for the financial year 2019. The parent company's distributable funds total EUR 993,534,893.15, which includes EUR 239,590,080.77 in net profit for the year. There are 591,723,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.24 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the dividend record date of 9 March 2020. The payment day proposed by the Board for this instalment is 16 March 2020.

The second instalment of EUR 0.24 per share shall be paid in September 2020. The second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the dividend record day, which, together with the payment day, shall be decided by the Board of Directors in its meeting scheduled for 8 September 2020. The dividend record day for the second instalment as per the current rules of the Finnish book-entry system would be 10 September 2020 and the dividend payment day 17 September 2020.

The Annual Report 2019, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com and at www.wartsilareports.com during week 7.

Wärtsilä Financial Statements Bulletin 2019

This financial statements bulletin 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 2018, 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.

Segment information

As of 1 January 2019, Wärtsilä is organised into two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, according to its two main customer markets. The Businesses cover both new equipment sales and services for their respective markets. The new organisational structure enables Wärtsilä to accelerate growth and the implementation of its Smart Marine and Smart Energy strategies. Integrating newbuild and service activities enhances customer value by strengthening the focus on complete lifecycle solutions tailored to specific market needs. Wärtsilä Marine Business and Wärtsilä Energy Business constitute Wärtsilä's operating and reportable segments.

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 Business and Energy Business are both led by Presidents of respective business area and both are supported by Business management teams. Discrete financial information for the Businesses is provided to the CODM to support decision-making. The segment information presented by Wärtsilä reflects the internal management reporting. The segment information is reported to the level of operating result, as items below the operating result are not allocated to segments.

Internal sales between segments is not reported in the management reporting, 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 are net sales and personnel amount. Management considers these allocation principles the most suitable to reflect the cost carried by each segment. The allocation principles are reviewed regularly.

Wärtsilä Energy Business

Wärtsilä Energy Business 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. 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.

Wärtsilä Marine Business

Wärtsilä's aim 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 Marine aims to unlock new customer values through connectivity, digitalisation and smart technology.

Wärtsilä provides marine power solutions, processing solutions and voyage solutions, which are supported by a broad scope of services ranging from spare part delivery to optimising customer operations, providing performance guarantees and offering cyber intelligence and incident support.

Marine Power Solutions

- Power Supply
- Power conversion
- Propulsion
- Exhaust treatment

Processing Solutions

- Water and waste treatment
- Gas solutions for marine and land based applications

Voyage Solutions

- Automation, navigation & communication
- Simulation & training solutions
- Fleet operations solutions
- Ship traffic control solutions
- Special products
- Entertainment systems

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.

Entity wide information

In addition to segment information, Wärtsilä reports the services revenue and order intake for both segments.

Wärtsilä continues to report information for the geographical areas Finland, other European countries, Asia, the Americas, and other continents. In the geographical information net sales are split by customer destination and non-current assets by customer origin. Non-current assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, and investments in associates and joint ventures.

IFRS amendments

In 2019, the Group has adopted the following new and amended standards and interpretation issued by the IASB.

IFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019) addresses the definition, recognition and measurement of lease agreements and notes related to leases. The standard replaced IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16, the companies are required to recognise right-of-use assets (ROU) and lease liabilities in the statement of financial position. These are initially measured at the present value of unavoidable future lease payments. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. Whether a contract contains a lease is determined based on whether the customer has the right to control the use of an identified asset for a period of time. Exemptions regarding recognition of leases apply to short-term leases with lease period less than 12 months and to assets of low value. The lessor accounting remains similar to IAS 17.

Wärtsilä Group's capitalised lease agreements consist mainly of office premise and machinery and equipment lease agreements. Based on the applied accounting policy, the Group recognises the lease agreements as lease liabilities and as ROU assets in its statement of financial position. Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets and variable payments are presented in the cash flow from operating activities.

The Group applied the modified approach in the transition. The Group applies the two available exemptions, which relate to either short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are

expensed to other operating expenses. Based on the Group's calculation, the net present value of the capitalised lease liability amounts to EUR 212 million according to the following bridge calculation:

MEUR	
Nominal amount of rents according to leasing contracts on 31 December 2018	284
Variable lease payments	-23
Residual value	-3
Expenses relating to short-term leases and leases of low-value assets	-15
Leases not yet commenced to which Wärtsilä is committed	-3
Nominal amount of lease liability on 1 January 2019	240
Present value	212

The nominal lease liability is initially measured at the present value of the lease payments. The lease payments exclude variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income. The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgement based on realistic estimates is used when determining the lease term for artificially short-term and leasing agreements with non-fixed terms. At transition, the lease payments were discounted by using the Group's incremental borrowing rate. The incremental borrowing rates used are the sum of relevant interbank rates and average margin of group loan portfolio and are currency specific.

The Group recognised at transition ROU assets amounting to EUR 213 million, non-current lease liabilities amounting to EUR 169 million, and current lease liabilities amounting to EUR 43 million. The lease expense reduction during 2019 arising from the lease agreements amounted to EUR 54 million and the increase of interest expense to EUR 5 million. The total depreciation expense for the financial period 2019 in the statement of income increased by EUR 49 million due to the ROU asset depreciations. The comparison figures have not been restated.

Condensed statement of financial position

MEUR	31.12.2018	IFRS 16 adjustment	1.1.2019
Non-current assets			
Intangible assets	1 747		1 747
Property, plant and equipment	324	-2	321
Right-of-use assets		215	215
Investments in associates and joint ventures	66		66
Other investments	16		16
Deferred tax assets	129		129
Other receivables	86		86
Total non-current assets	2 369	213	2 581
Current assets			
Inventories	1 165		1 165
Other receivables	2 038		2 038
Cash and cash equivalents	487		487
Total current assets	3 690	-1	3 690
Total assets	6 059	212	6 271

Equity			
Share capital	336		336
Other equity	2 082		2 082
Total equity attributable to equity holders of the parent company	2 418		2 418
Non-current liabilities			
Non-controlling interests	14		14
Total equity	2 432		2 432
Non-current liabilities			
Interest-bearing debt	748	169	917
Deferred tax liabilities	99		99
Other liabilities	245		245
Total non-current liabilities	1 092	169	1 261
Current liabilities			
Interest-bearing debt	74	43	117
Other liabilities	2 461		2 461
Total current liabilities	2 535	43	2 578
Total liabilities	3 627	212	3 839
Total equity and liabilities	6 059	212	6 271

Amendments to **IAS 28 by Long-term Interests in Associates and Joint Ventures** (effective for financial periods beginning on or after 1 January 2019). The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interest in an associate or joint venture to which the equity method is not applied. The amendments have no impact on the consolidated financial statements.

Amendment to **IAS 19 by Plan Amendment, Curtailment or Settlement** (effective for financial periods beginning on or after 1 January 2019). This amendment clarifies the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment specifies that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to use updated assumptions to determine the current service cost and net interest. The amendment does not have a material impact on the consolidated financial statements.

Amendments to **IFRS 9 by Prepayment Features with Negative Compensation** (effective for financial periods beginning on or after 1 January 2019). Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Without the amendment these financial assets would have had to be measured at FVPL. The amendments have no impact on the consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial periods beginning on or after 1 January 2019). This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The key matter is whether the tax authority will accept the chosen tax treatment. When considering this, the assumption is that tax authorities will have full knowledge of all relevant information in assessing the proposed tax treatment. The interpretation does not have any significant impact on the consolidated financial statements.

Annual improvements to IFRS Standards 2015-2017 Cycle: The improvements that include smaller amendments to four standards do not have an impact on the consolidated financial statements.

Adoption of new and updated IFRS standards

In 2020, the Group will adopt 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 are not expected to have an 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 are not expected to have an 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 are not expected to have significant impact on the consolidated financial statements.

The Group expects to adopt later than 2020 the following new standard issued by the IASB.

IFRS 17 Insurance Contracts* (effective from financial periods beginning on or after 1 January 2021). 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 31 December 2019.

This financial statements bulletin is unaudited.

Consolidated statement of income

MEUR	2019	2018	10-12/ 2019	10-12/ 2018
Net sales	5 170	5 174	1 684	1 532
Change in inventories of finished goods & work in progress	137	64	-127	-111
Work performed by the Group and capitalised	18	14	6	5
Other operating income	67	80	25	53
Material and services	-3 003	-2 852	-930	-776
Employee benefit expenses	-1 260	-1 175	-320	-273
Depreciation, amortisation and impairment	-180	-130	-39	-37
Other operating expenses	-578	-648	-134	-190
Share of result of associates and joint ventures	-9	13	-2	3
Operating result	362	543	164	206
Financial income	27	24	6	12
Financial expenses	-74	-65	-17	-24
Profit before taxes	315	502	153	194
Income taxes	-97	-116	-51	-41
Profit for the financial period	218	386	102	153
Attributable to:				
equity holders of the parent company	217	386	101	152
non-controlling interests	1	1	1	1
	218	386	102	153
Earnings per share attributable to equity holders of the parent company (basic and diluted):				
Earnings per share (EPS), basic and diluted, EUR	0.37	0.65	0.17	0.25

Consolidated statement of comprehensive income

MEUR	2019	2018	10-12/ 2019	10-12/ 2018
Profit for the financial period	218	386	102	153
Other comprehensive income, net of taxes:				
Items that will not be reclassified to the statement of income				
Remeasurements of defined benefit liabilities	-20	-3	-3	-4
Tax on items that will not be reclassified to the statement of income	5			
Total items that will not be reclassified to the statement of income	-16	-4	-3	-4

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	42	-23	18	-22
for non-controlling interests		-1		
Associates and joint ventures, share of other comprehensive income	-1	-1		
Cash flow hedges			31	-21
measured at fair value	4	-17		
transferred to the statement of income	19	-8		
Tax on items that may be reclassified to the statement of income				
Cash flow hedges			-6	6
measured at fair value		3		
transferred to the statement of income	-4	2		
Total items that may be reclassified to the statement of income	60	-45	43	-37
Other comprehensive income for the financial period, net of taxes	45	-48	40	-41
Total comprehensive income for the financial period	263	338	142	112
Total comprehensive income attributable to:				
equity holders of the parent company	262	338	141	111
non-controlling interests	1		1	1
	263	338	142	112

Consolidated statement of financial position

MEUR	31.12.2019	31.12.2018
Assets		
Non-current assets		
Goodwill	1 380	1 355
Intangible assets	397	392
Property, plant and equipment	307	324
Right-of-use assets	185	
Investments in associates and joint ventures	42	66
Other investments	18	16
Interest-bearing investments	1	3
Deferred tax assets	155	129
Trade receivables	19	49
Other receivables	15	34
Total non-current assets	2 518	2 369
Current assets		
Inventories	1 365	1 165
Trade receivables	1 237	1 222
Current tax receivables	42	31

Contract assets	515	557
Other receivables	281	228
Cash and cash equivalents	358	487
Total current assets	3 797	3 690
Assets held for sale	82	
Total assets	6 398	6 059
Equity and liabilities		
Equity		
Share capital	336	336
Share premium	61	61
Translation differences	-114	-155
Fair value reserve	-11	-31
Remeasurements of defined benefit liabilities	-55	-39
Retained earnings	2 178	2 245
Total equity attributable to equity holders of the parent company	2 396	2 418
Non-controlling interests	14	14
Total equity	2 410	2 432
Liabilities		
Non-current liabilities		
Interest-bearing debt	997	748
Deferred tax liabilities	83	99
Pension obligations	155	149
Provisions	45	54
Contract liabilities	38	41
Other liabilities	1	1
Total non-current liabilities	1 317	1 092
Current liabilities		
Interest-bearing debt	99	74
Provisions	278	251
Trade payables	624	596
Current tax liabilities	100	81
Contract liabilities	880	888
Other liabilities	622	645
Total current liabilities	2 603	2 535
Total liabilities	3 920	3 627
Liabilities directly attributable to assets held for sale	68	
Total equity and liabilities	6 398	6 059

Consolidated statement of cash flows

MEUR	2019	2018	10-12/ 2019	10-12/ 2018
Cash flow from operating activities:				
Profit for the financial period	218	386	102	153
Adjustments for:				
Depreciation, amortisation and impairment	180	130	39	37
Financial income and expenses	47	39	11	12
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-15	-26	-3	-22
Share of result of associates and joint ventures	9	-13	2	-3
Income taxes	97	116	51	41
Other non-cash flow adjustments	3	-7	1	-7
Cash flow before changes in working capital	540	625	202	211
Changes in working capital:				
Receivables, non-interest-bearing, increase (-) / decrease (+)	9	-22	-187	-103
Inventories, increase (-) / decrease (+)	-213	-130	129	91
Liabilities, non-interest-bearing, increase (+) / decrease (-)	74	117	191	167
Changes in working capital	-130	-35	133	155
Cash flow from operating activities before financial items and taxes	410	589	335	366
Financial items and taxes:				
Interest income	4	6	1	2
Interest expenses	-13	-14	-4	-4
Other financial income and expenses	-27	-7	-5	-10
Income taxes paid	-141	-104	-33	-5
Financial items and paid taxes	-178	-119	-41	-17
Cash flow from operating activities	232	470	295	349
Cash flow from investing activities:				
Acquisitions	-4	-191		1
Investments in associates and joint ventures		-1		
Other investments	-2	-3	-2	
Investments in property, plant and equipment and intangible assets	-116	-110	-41	-49
Reduction of share capital in associates and joint ventures		13		
Proceeds from sale of property, plant and equipment and intangible assets	25	11	11	2
Proceeds from sale of shares in subsidiaries	1	41		41
Loan receivables, increase (-) / decrease (+), and other changes		1		
Cash flow from investing activities	-95	-240	-33	-5
Cash flow after investing activities	137	230	262	344
Cash flow from financing activities:				
Proceeds from non-current debt	150	279		

Repayments and other changes in non-current debt	-105	-84	-13	-26
Loan receivables, increase (-) / decrease (+)	2	-4	2	-4
Current loans, increase (+) / decrease (-)	-18	-35	-236	-34
Dividends paid	-284	-274	-16	-13
Cash flow from financing activities	-256	-118	-263	-77
Change in cash and cash equivalents, increase (+) / decrease (-)	-119	112	-1	267
Cash and cash equivalents at the beginning of the financial period	487	379	374	221
Exchange rate changes		-5	-5	-2
Cash and cash equivalents at the end of the financial period*	369	487	369	487

* Cash and cash equivalents at the end of the financial period include the cash and cash equivalents pertaining to assets held for sale.

Consolidated statement of changes in equity

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2018	336	61	-132	-10	-38	2 135	2 352	24	2 376
Translation differences			-24				-24	-1	-25
Cash flow hedges									
net change in fair value, net of taxes				-14			-14		-14
transferred to the statement of income, net of taxes				-6			-6		-6
Defined benefit plans					-3		-3		-3
Other changes					3	-3			
Other comprehensive income			-24	-20	-1	-3	-47	-1	-48
Profit for the financial period						386	386	1	386
Total comprehensive income for the financial period			-24	-20	-1	383	338		338
Total transactions with the owners of the company									
dividends paid						-272	-272	-3	-275
non-controlling interests in disposed subsidiaries								-7	-7
Equity on 31 December 2018	336	61	-155	-31	-39	2 245	2 418	14	2 432

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2019	336	61	-155	-31	-39	2 245	2 418	14	2 432
Translation differences			41				41		41
Cash flow hedges									
net change in fair value, net of taxes				4			4		4
transferred to the statement of income, net of taxes				16			16		16
Defined benefit plans					-16		-16		-16
Other comprehensive income			41	20	-16		45		45
Profit for the financial period						217	217	1	218
Total comprehensive income for the financial period			41	20	-16	217	262	1	263
Total transactions with the owners of the company									
dividends paid						-284	-284	-1	-285
Equity on 31 December 2019	336	61	-114	-11	-55	2 178	2 396	14	2 410

Segment information

Wärtsilä's reportable segments are Wärtsilä Marine Business and Wärtsilä Energy Business. The segments cover both new equipment sales and services for the respective business area. The segment information presented reflects the internal management reporting. The segment information is reported to the level of operating result as items below operating result are not allocated to segments.

The main factors affecting the allocation of indirect and administration costs to the segments are net sales and personnel amount. Management considers these allocation principles the most suitable to reflect the cost carried by each segment. In Wärtsilä Marine Business, order intake and net sales for retrofit scrubber projects have been transferred from services to new equipment. The comparison period figures for the segment reporting and the service information have been adjusted to reflect the new reporting structure.

MEUR	2019	2018	10-12/2019	10-12/2018
Net sales				
Wärtsilä Marine Business	3 330	2 815	1 020	831
Wärtsilä Energy Business	1 840	2 359	664	701
Total	5 170	5 174	1 684	1 532
Depreciation, amortisation and impairment				
Wärtsilä Marine Business	-147	-102	-31	-30
Wärtsilä Energy Business	-33	-28	-9	-7
Total	-180	-130	-39	-37

Share of result of associates and joint ventures				
Wärtsilä Marine Business	-9	13	-2	3
Total	-9	13	-2	3
Operating result				
Wärtsilä Marine Business	237	349	99	171
Wärtsilä Energy Business	125	194	64	35
Total	362	543	164	206
Operating result as a percentage of net sales (%)				
Wärtsilä Marine Business	7.1	12.4	9.7	20.6
Wärtsilä Energy Business	6.8	8.2	9.7	4.9
Total	7.0	10.5	9.7	13.4
Comparable operating result				
Wärtsilä Marine Business	305	380	119	190
Wärtsilä Energy Business	152	197	83	35
Total	457	577	202	226
Comparable operating result as a percentage of net sales (%)				
Wärtsilä Marine Business	9.1	13.5	11.7	22.9
Wärtsilä Energy Business	8.3	8.4	12.5	5.0
Total	8.8	11.2	12.0	14.7

Net sales by geographical areas

MEUR	2019	2018	10-12/2019	10-12/2018
Europe	1 690	1 485	523	399
Asia	1 968	1 867	625	555
The Americas	1 098	1 245	397	368
Other	414	577	139	210
Total	5 170	5 174	1 684	1 532

Service information

MEUR	2019	2018	10-12/2019	10-12/2018
Net sales				
Marine service	1 639	1 577	484	461
Energy service	863	842	256	270
Total	2 502	2 419	740	731

Measures of profit and items affecting comparability

MEUR	2019	2018
Comparable adjusted EBITA	498	621
Purchase price allocation amortisation	-41	-43
Comparable operating result	457	577
Items affecting comparability:		
Restructuring costs		
Social plan costs	-31	-8
Impairment and write-downs	-23	-19
Other restructuring costs and transfer costs	-17	-2
Other items affecting comparability		
Impairment and write-downs	-13	
Litigation settlements	-6	
Acquisition related costs		-6
Other	-4	
Items affecting comparability, total	-95	-35
Operating result	362	543

Acquisitions

Ships Electronic Services Ltd

In May, Wärtsilä acquired 100% of Ships Electronic Services Ltd ("SES"), a UK based company specialising in navigation and communication electronics, installation, maintenance and repair services, mainly for commercial and leisure vessels. SES' turnover was approximately GBP 10 million and the company employed a staff of 47. The enterprise value of the transaction was GBP 3.2 million. The consideration paid and the impact on profit for the financial period are not significant.

Assets held for sale

The assets classified as held for sales include the Elac Nautik business, which shares Wärtsilä announced in December 2019 are to be divested. Additionally, Wärtsilä has started preparations to divest its Entertainment business. The assets pertaining to the entertainment business are also classified as held for sale.

The assets classified as held for sale belong to the Wärtsilä Marine Business segment and 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	2019	2018
Products	1 184	1 145
Goods and services	603	557
Projects	2 899	2 992
Long-term agreements	484	480
Total	5 170	5 174

Timing of satisfying performance obligations

MEUR	2019	2018
At a point in time	3 728	3 740
Over time	1 442	1 434
Total	5 170	5 174

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

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

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

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

Intangible assets and property, plant & equipment

MEUR	2019	2018
Intangible assets		
Carrying amount on 1 January	1 747	1 577
Changes in exchange rates	29	3
Acquisitions and disposals		190
Additions	65	45
Amortisation and impairment	-63	-68
Decreases and reclassifications	-3	-1
Carrying amount at the end of the financial period	1 776	1 747

Property, plant and equipment		
Carrying amount on 1 January	324	349
Transfer to right-of-use assets	-2	
Changes in exchange rates	1	-1
Acquisitions and disposals		-21
Additions	49	64
Depreciation and impairment	-55	-62
Decreases and reclassifications	-11	-7
Carrying amount at the end of the financial period	307	324

Leases

MEUR	31.12.2019
Land and buildings, right-of-use assets	
Carrying amount on 1 January	203
Additions	28
Depreciation and impairment	-43
Decreases and reclassifications	-14
Carrying amount at the end of the financial period	174
Machinery and equipment, right-of-use assets	
Carrying amount on 1 January	12
Additions	6
Depreciation and impairment	-6
Decreases and reclassifications	-1
Carrying amount at the end of the financial period	11
Lease liabilities	
Carrying amount on 1 January	215
Additions	33
Interest expense	2
Payments	-49
Other adjustments	-13
Carrying amount at the end of the financial period	188

MEUR	2019
Amounts recognised in statement of income	
Depreciation and impairment	-49
Interest expense	-5
Expense - short-term leases	-32
Expense - leases of low-value assets	-6
Expense - variable lease payments	-4

Gross capital expenditure

MEUR	2019	2018
Investments in securities and acquisitions	6	196
Intangible assets and property, plant and equipment	116	110
Total	122	306

Net interest-bearing debt

MEUR	2019	2018
Interest-bearing debt, non-current	851	748
Lease liabilities, non-current	146	
Interest-bearing debt, current	58	74
Lease liabilities, current	42	
Total interest-bearing liabilities	1 096	823
Interest-bearing receivables	-1	-3
Cash and cash equivalents	-358	-487
Cash and cash equivalents pertaining to assets held for sale	-11	
Total interest-bearing assets	-370	-490
Total net interest-bearing debt	726	333

Financial ratios

	2019	2018
Earnings per share (EPS), basic and diluted, EUR	0.37	0.65
Equity per share, EUR	4.05	4.09
Solvency ratio, %	40.8	44.4
Gearing*	0.30	0.14
Return on investment (ROI), %	11.5	18.1
Return on equity (ROE), %	9.0	16.1

The increase in interest-bearing debt due to the accounting treatment of lease agreements according to IFRS 16 affects solvency ratio and gearing.

* Includes cash and cash equivalents pertaining to assets held for sale.

Personnel

	2019	2018
On average	19 110	18 899
At the end of the financial period	18 795	19 294

Contingent liabilities

MEUR	2019	2018
Mortgages	10	10
Chattel mortgages and other pledges and securities	22	19
Total	32	29
Guarantees and contingent liabilities		
on behalf of Group companies	718	775
Nominal amount of rents according to leasing contracts		284
Nominal amount of leasing contracts		
Low-value lease liabilities	3	
Short-term lease liabilities	5	
Leases not yet commenced but to which Wärtsilä is committed	143	
Total	869	1 060

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	400	
Cross currency swaps	246	
Foreign exchange forward contracts	2 366	1 086
Total	3 012	1 086

In addition, the Group had copper futures and swaps amounting to 173 tons.

Fair values

Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	18	18
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	2	2
Derivatives (level 2)	24	24
Financial liabilities		
Interest-bearing debt, non-current (level 2)	997	1 005
Derivatives (level 2)	23	23

Quarterly figures

MEUR					Restated				
	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017**
Order intake									
Wärtsilä Marine Business*	951	705	936	922	1 031	1 009	1 027	877	
Wärtsilä Energy Business*	604	274	441	494	843	363	526	630	
Total	1 555	979	1 377	1 416	1 874	1 372	1 553	1 507	1 514
Order book at the end of the financial period									
Wärtsilä Marine Business*	3 799	3 895	3 974	3 861	3 651	3 536	3 244	2 818	
Wärtsilä Energy Business*	2 079	2 399	2 496	2 469	2 515	2 382	2 660	2 672	
Total	5 878	6 294	6 470	6 330	6 166	5 918	5 904	5 490	5 100
Net sales									
Wärtsilä Marine Business*	1 020	776	801	733	831	680	685	619	
Wärtsilä Energy Business*	664	342	416	418	701	650	561	447	
Total	1 684	1 118	1 217	1 151	1 532	1 330	1 246	1 066	1 441
Share of result of associates and joint ventures	-2	-6	-1		3	3	4	3	6
Comparable adjusted EBITA	213	49	123	113	237	152	134	98	250
as a percentage of net sales	12.6	4.4	10.1	9.8	15.4	11.5	10.7	9.2	17.4
Depreciation, amortisation and impairment	-39	-58	-42	-41	-37	-31	-31	-30	-42
Purchase price allocation amortisation	-10	-10	-10	-11	-11	-11	-11	-10	-10

Comparable operating result	202	39	113	102	226	141	123	88	241
as a percentage of net sales	12.0	3.5	9.3	8.9	14.7	10.6	9.8	8.3	16.7
Items affecting comparability, total	-39	-28	-17	-11	-20		-12	-3	-19
Operating result	164	11	96	91	206	141	111	85	222
as a percentage of net sales	9.7	1.0	7.9	7.9	13.4	10.6	8.9	8.0	15.4
Financial income and expenses	-11	-11	-13	-13	-12	-11	-8	-9	-10
Profit before taxes	153		83	78	194	130	102	76	211
Income taxes	-51	-5	-21	-19	-41	-29	-28	-19	-47
Profit for the financial period	102	-5	62	59	153	101	75	57	165
Earnings per share (EPS), basic and diluted, EUR	0.17	-0.01	0.11	0.10	0.25	0.17	0.13	0.10	0.28
Gross capital expenditure	44	24	32	23	48	26	194	37	79
Investments in securities and acquisitions	2		4		-1		177	20	45
Cash flow from operating activities	295	-61	-37	35	349	122	41	-42	276
Working capital (WCAP) at the end of the financial period	732	870	784	656	581	782	790	726	563
Personnel at the end of the financial period									
Wärtsilä Marine Business*	13 460	13 530	13 598	13 467	13 582	13 727	13 609	12 618	
Wärtsilä Energy Business*	5 335	5 488	5 641	5 758	5 712	5 692	5 622	5 564	
Total	18 795	19 018	19 239	19 225	19 294	19 420	19 231	18 182	18 065

* Segment figures in the comparison period 2018 have been restated to reflect the new organisational structure.

** Figures in the comparison period 2017 have been restated due to the adoption of IFRS 15.

Calculation of financial ratios

Earnings per share (EPS), basic and diluted

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

Adjusted number of shares over the financial period

Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the financial period

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

Solvency ratio

Equity

Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses

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

x 100

Return on equity (ROE)

Profit for the financial period

Equity, average over the financial period

x 100

Working capital (WCAP)

(Inventories + trade receivables + income tax receivables + other non-interest-bearing receivables)

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

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.

Order intake

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

Operating result

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

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Comparable operating result

Operating result – items affecting comparability

Items affecting comparability

Certain income and expenses are presented as Items Affecting Comparability, when they have significant impact on Wärtsilä's 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.

Wärtsilä Corporation
Board of Directors
29 January 2020