WÄRTSILÄ

Wärtsilä Corporation

Interim Report

January – September 2021

Order intake, net sales, and profitability increased

Highlights from July–September 2021

- Order intake increased by 21% to EUR 1,186 million (981)
- Service order intake increased by 14% to EUR 595 million (521)
- Net sales increased by 11% to EUR 1,103 million (995)
- Book-to-bill amounted to 1.07 (0.99)
- Comparable operating result increased by 43% to EUR 87 million (61), which represents 7.9% of net sales (6.1)
- Operating result increased by 77% to EUR 75 million (43), which represents 6.8% of net sales (4.3)
- Basic earnings per share increased to 0.08 euro (0.04)
- Cash flow from operating activities decreased to EUR 49 million (114)

Highlights from January–September 2021

- Order intake increased by 11% to EUR 3,584 million (3,240)
- Service order intake increased by 16% to EUR 1,903 million (1,641)
- Order book at the end of the period increased by 1% to EUR 5,325 million (5,265)
- Net sales decreased by 6% to EUR 3,181 million (3,385)
- Book-to-bill amounted to 1.13 (0.96)
- Comparable operating result increased by 16% to EUR 199 million (172), which represents 6.3% of net sales (5.1)
- Operating result increased by 18% to EUR 170 million (144), which represents 5.3% of net sales (4.3)
- Basic earnings per share increased to 0.19 euro (0.13)
- Cash flow from operating activities decreased to EUR 360 million (407)

Wärtsilä's prospects

While market conditions remain uncertain, we expect the demand environment for our offering in the fourth quarter to be considerably better than that of the corresponding period in the previous year.

Håkan Agnevall, President & CEO: Good progress in services continued

“During the third quarter of 2021, stabilisation and recovery continued in both our end markets.

In the energy markets, the demand for energy storage solutions continued at a strong level, highlighted by an order of more than EUR 100 million for a 250 MW / 250 MWh system that we received from AGL in Australia. Nevertheless, the pandemic continued to slow down investments in new power plant capacity, especially in the emerging markets.

In the marine markets, vessel ordering activity improved, largely driven by containership orders. The activity in our key vessel segments remained relatively low. In particular, the important cruise industry is still heavily affected by covid-19. The demand for services, on the other hand, has developed positively across all vessel segments. The reactivation of cruise and ferry fleets continued in the third quarter, and the active cruise fleet capacity increased from around 20% at the end of June to around 50% at the end of September, which supports our service business going forward.

Overall, order intake grew by 21% from a low level in the corresponding period in 2020, supported by all our core businesses. The demand for services remained solid across customer segments, resulting in a 14% growth in service order intake. Net sales increased by 11%, driven by a 20% growth in service sales. Furthermore, profitability continued to improve. The comparable operating result increased by 43%, driven by higher sales volumes and a more favourable sales mix between equipment and services. We saw good progress especially in the Energy and Marine Power businesses. Marine Systems' result continued to be burdened by low scrubber volumes.

To further enhance the adoption of carbon-free fuels, Wärtsilä signed a joint development programme agreement with Samsung Heavy Industries aimed at developing ammonia-fuelled vessels with 4-stroke auxiliary engines. I am pleased to see that our strong long-term focus on R&D is producing tangible solutions to limit greenhouse gas emissions.

While market conditions remain uncertain, we expect the demand environment for our offering in the fourth quarter to be considerably better than that of the corresponding period in the previous year. In the longer term, we see the decarbonisation transformation taking place in both the marine and energy industries to offer exciting opportunities.

Today, we announced our future commitment to ambitious climate targets. Our goal is by 2030 to become carbon neutral in our own operations and to provide a product portfolio which will be ready for zero carbon fuels. These new targets demonstrate our commitment to a sustainable future. Our aim is to support our customers on their decarbonisation journey and thus shape the decarbonisation of the marine and energy sectors. Our products, solutions, and services will meet the stringent environmental requirements, and the fuel flexibility and fuel efficiency of the engines powering these sectors are key to enabling the transformation. Naturally, we also need to do our part as an organisation and minimise our own environmental footprint.

Ahead of COP26 climate conference, Wärtsilä issued a Front Loading Net Zero report on how regions across the world can transition to renewable energy and decarbonise before 2050, while saving billions of euros in energy production costs. Our report is aimed to act as a wake-up call for global leaders, as this is our last and best chance to point countries towards the pathways leading to carbon neutrality and meeting the Paris agreement. Our modelling shows that it is viable for energy systems to be fully decarbonised before 2050. But to do so, it is vital that leaders and power producers come together now to make the necessary decisions."

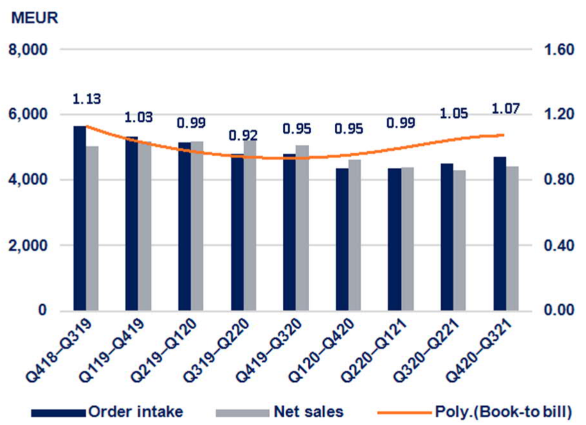
Key figures

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**1,186**	981	21%	**3,584**	3,240	11%	4,359
of which services	**595**	521	14%	**1,903**	1,641	16%	2,267
Order book, end of period				**5,325**	5,265	1%	5,057
Net sales	**1,103**	995	11%	**3,181**	3,385	-6%	4,604
of which services	**598**	499	20%	**1,738**	1,602	9%	2,255
Book-to-bill	**1.07**	0.99		**1.13**	0.96		0.95
Operating result	**75**	43	77%	**170**	144	18%	234
% of net sales	**6.8**	4.3		**5.3**	4.3		5.1
Comparable operating result	**87**	61	43%	**199**	172	16%	275
% of net sales	**7.9**	6.1		**6.3**	5.1		6.0
Comparable adjusted EBITA*	**95**	69	37%	**223**	197	13%	308
% of net sales	**8.6**	7.0		**7.0**	5.8		6.7
Profit before taxes	**74**	34	120%	**162**	113	44%	191
Basic earnings/share, EUR	**0.08**	0.04		**0.19**	0.13		0.23
Cash flow from operating activities	**49**	114		**360**	407		681
Net interest-bearing debt, end of period				**309**	678		394
Gross capital expenditure				**98**	79		117
Gearing				**0.14**	0.33		0.18
Solvency, %				**39.3**	36.0		38.1
Personnel, end of period				**17,303**	18,183	-5%	17,792

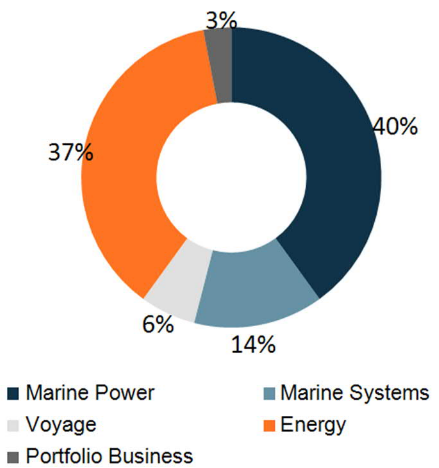
*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

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

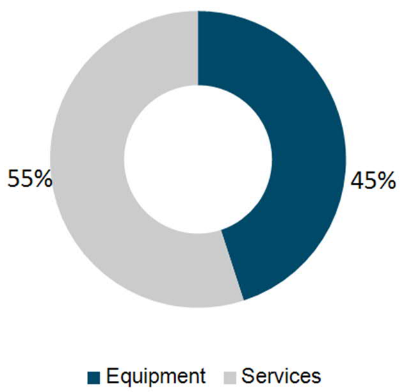
Book-to-bill, 12 months rolling



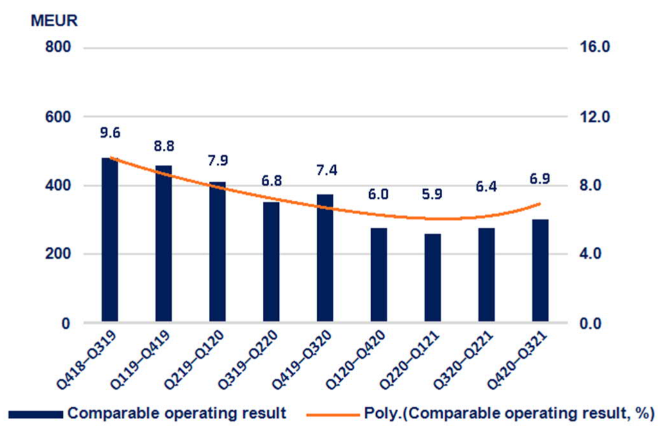
Net sales by business area, January–September



Net sales by business type, January–September



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment

Marine

The shipping and shipbuilding markets continue to be characterised by mixed activity levels across different vessel segments. Altogether 1,402 contracts for new vessels were registered in the review period January–September (505 in the corresponding period last year, excluding late reporting of contracts), largely driven by containerships. Growing and pent-up demand, along with logistical disruptions, has resulted in a shortage of available tonnage in the containership, gas carrier, and bulker sectors, and has pushed earnings and newbuild contracting to levels exceeding the pre-covid era. The surge in newbuild ordering has supported the forward cover of shipyards, although the rapid increase in raw material costs has pressurised their profitability. However, high earnings and tonnage demand have led to postponements of activities that require dry-docking, such as scrubber retrofits. At the same time, good progress in covid-19 vaccination programmes and the lifting of travel restrictions have accelerated the reactivation of cruise and ferry fleets. Newbuild activity, however, remains limited and utilisation rates are still below the 2019 levels.

The most attractive vessel segments for Wärtsilä, specialised tonnage, have recovered from the turmoil caused by the pandemic to a varying degree. The cruise industry’s uptake significantly improved during the third quarter, as operators resumed sailing from the U.S. At the end of September, around 50% of the cruise fleet capacity was active, up from around 20% at the end of June, and around 10% at the end of March. The ferry market continues on a positive trend, although passenger travelling is still somewhat limited due to covid-19 related restrictions. The outlook for offshore oil and gas is also improving, with a resumption of the gradual progress in fleet utilisation seen in 2018-19 underway, supported by a slight rise in vessel demand and elevated demolition activity. With the demand for offshore wind turbine installation vessels (WTIVs) appearing set to increase over the coming years (10,000 turbines to be installed between 2021 and 2025), and future wind farms likely to feature larger turbines, a new ordering cycle for WTIVs has developed. The LNG (liquified natural gas) carrier sector remains healthy amid a firm rebounding in gas demand and strong long-haul U.S.–Asia trade. The container shipping markets have continued to see spectacular market conditions. Severe port congestion and logistical disruption, alongside firm demand, have led to further new records in freight and charter rates, as well as newbuild ordering. Bulk carrier earnings have recently hit repeated post-financial crisis highs as a result of dry bulk seaborne trade exceeding 2019 volumes, and widespread disruption. The tanker market continues to face challenges with weak demand, especially in the crude sector, and ongoing deep OPEC+ production cuts which are limiting oil trade recovery.

The acceleration of an environmental focus remains the main underlying trend, as a regulatory framework and wider policy announcements are being ramped up from political regulators, cargo owners, and financiers, all of whom are building pressure to move faster than the current targets set by the International Maritime Organisation. In July, the European Commission adopted a package of proposals (‘Fit for 55’) to cut greenhouse gas (GHG) emissions by at least 55% from 1990 levels by 2030. Two of the many proposals were the inclusion of shipping in the EU Emissions Trading System from 2023, and the FuelEU Maritime Initiative aimed at increasing the adoption of cleaner technologies and sustainable alternative fuels by imposing a limit on the GHG intensity of energy used by ships. As the global pressure to find solutions to moderate climate change builds, ship owners are considering a number of options, including slow steaming, energy saving devices, hybrid and full-electric power systems, and alternative fuels. The transition to cleaner fuels has already started, with 297 orders placed for alternative fuel capable vessels, representing 21.2% (15.0%) of all orders in the review period January–September. LNG is the dominant choice and is gaining further traction, although other alternative fuels are slowly emerging. The price differential between high- and low-sulphur fuels, which was around USD 100 per tonne in the third quarter, triggered a strong interest in scrubber installations on newbuilds, with orders recorded for 188 vessels globally in 2021. On the other hand, scrubber retrofitting activity continued to be muted.

Energy

The covid-19 pandemic and the resulting weakening of the investment environment continued to negatively impact the global liquid and gas fuelled power plant markets in the third quarter of 2021. While the market situation has stabilised, customers continue to postpone investments due to prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic. As vaccination programmes in a large number of our core markets move slowly, recovery will most likely take time. Additionally, energy policies are being developed and reviewed around the world to drive more ambitious decarbonisation targets, and utilities continue to update their investment strategies, which is causing uncertainty and delays in decision making. In the energy storage markets, activity has continued at a good level, driven by the increasing need for short-term flexible capacity in power systems with a high share of renewables. Going forward, the increasing adoption of intermittent renewable energy in power systems is expected to bring forward the need for various flexible solutions, such as balancing power plants and energy storage. Financial stimuli by governments and financial institutions to the energy sector will support investments in green energy, but the execution of such plans on a wider scale is still pending. Demand for services was at a good level, and customers continued to show interest in long-term agreements, thereby bringing stability to the business during low market volumes.

Wärtsilä's market share in the up to 500 MW market segment decreased to 6% (8), while global orders for natural gas and liquid power plants increased by 13% to 17.4 GW during the twelve-month period ending in June 2021 (15.4 GW at the end of March). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Order intake and order book

Wärtsilä's **order intake in July–September** increased by 21% to EUR 1,186 million (981) compared to the low ordering levels of the corresponding period in the previous year. Book-to-bill was 1.07 (0.99). Service order intake increased by 14% to EUR 595 million (521), reflecting improved market sentiment, especially in the marine markets. Equipment order intake increased by 29% to EUR 591 million (460), driven by strong demand for energy storage solutions.

Order intake in January–September increased by 11% to EUR 3,584 million (3,240) compared to the corresponding period in the previous year. Book-to-bill was 1.13 (0.96). Service order intake increased by 16% to EUR 1,903 million (1,641). Equipment order intake increased by 5% to EUR 1,681 million (1,599).

The **order book** at the end of the period increased by 1% to EUR 5,325 million (5,265) despite divestments of certain business units. Wärtsilä's current order book for 2021 deliveries is EUR 1,402 million (1,196).

Order intake and order book by reporting segment

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**1,186**	**981**	**21%**	**3,584**	**3,240**	**11%**	**4,359**
Marine Power	**443**	410	8%	**1,352**	1,297	4%	1,737
Marine Systems	**191**	174	10%	**526**	406	30%	539
Voyage	**53**	44	20%	**199**	206	-4%	262
Energy	**486**	319	52%	**1,413**	1,185	19%	1,653
Portfolio Business	**14**	34	-60%	**94**	146	-36%	168
Order book, end of period				**5,325**	**5,265**	**1%**	**5,057**
Marine Power				**1,930**	1,908	1%	1,839
Marine Systems				**944**	872	8%	857
Voyage				**280**	289	-3%	275
Energy				**2,056**	1,865	10%	1,830
Portfolio Business				**115**	331	-65%	257

Net sales and operating result

Wärtsilä's **net sales in July–September** increased by 11% to EUR 1,103 million (995) compared to the corresponding period in the previous year. Service net sales increased by 20% to EUR 598 million (499) on the back of a weak comparison period. Equipment net sales increased by 2% to EUR 506 million (496).

The **operating result in July–September** amounted to EUR 75 million (43) or 6.8% of net sales (4.3). The improvement in profitability was driven by higher sales volumes and a more favourable sales mix between equipment and services. The comparable operating result totalled EUR 87 million (61) or 7.9% of net sales (6.1). Items affecting comparability amounted to EUR 12 million (18) related to both divestments and restructuring programmes. The comparable adjusted EBITA amounted to EUR 95 million (69) or 8.6% of net sales (7.0). Purchase price allocation amortisation amounted to EUR 8 million (8).

Net sales in January–September decreased by 6% to EUR 3,181 million (3,385) compared to the corresponding period in the previous year. Service net sales increased by 9% to EUR 1,738 million (1,602). Equipment net sales decreased by 19% to EUR 1,443 million (1,783). Of Wärtsilä's net sales, approximately 63% was EUR denominated and 22% USD denominated, with the remainder being split between several currencies.

The **operating result in January–September** amounted to EUR 170 million (144) or 5.3% of net sales (4.3). The comparable operating result totalled EUR 199 million (172) or 6.3% of net sales (5.1). Items affecting comparability comprised costs of EUR 29 million (28) related to both divestments and restructuring programmes. The comparable adjusted EBITA amounted to EUR 223 million (197) or 7.0% of net sales (5.8). Purchase price allocation amortisation amounted to EUR 24 million (25).

Financial items amounted to EUR -7 million (-31) in January–September. Net interest totalled EUR -9 million (-7). Profit before taxes amounted to EUR 162 million (113). Taxes amounted to EUR 54 million (35), implying an effective tax rate of 33.2% (30.8). Profit for the financial period amounted to EUR 108 million (78). Basic earnings per share totalled 0.19 euro (0.13). Return on investments (ROI) was 8.0% (9.1), while return on equity (ROE) was 7.7% (8.2).

Net sales and operating result by reporting segment

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Net sales	**1,103**	**995**	**11%**	**3,181**	**3,385**	**-6%**	**4,604**
Marine Power	**382**	382	0%	**1,273**	1,259	1%	1,748
Marine Systems	**142**	169	-16%	**433**	641	-32%	808
Voyage	**68**	54	24%	**195**	180	8%	248
Energy	**487**	347	40%	**1,190**	1,155	3%	1,620
Portfolio Business	**25**	43	-41%	**89**	150	-40%	181
Operating result	**75**	**43**	**77%**	**170**	**144**	**18%**	**234**
Marine Power	**36**	36	0%	**112**	92	23%	134
Marine Systems	**14**	21	-33%	**34**	66	-48%	81
Voyage	**-11**	-7	-71%	**-37**	-31	-18%	-42
Energy	**42**	9	362%	**71**	40	77%	91
Portfolio Business	**-6**	-17	66%	**-11**	-22	50%	-29
Operating result, % of net sales	**6.8**	**4.3**		**5.3**	**4.3**		**5.1**
Marine Power	**9.4**	9.4		**8.8**	7.3		7.7
Marine Systems	**10.1**	12.6		**7.8**	10.2		10.0
Voyage	**-16.4**	-12.0		**-18.8**	-17.3		-17.0
Energy	**8.7**	2.6		**6.0**	3.5		5.6
Portfolio Business	**-23.5**	-40.2		**-12.4**	-14.8		-16.2
Comparable operating result	**87**	**61**	**43%**	**199**	**172**	**16%**	**275**
Marine Power	**37**	32	17%	**120**	92	31%	137
Marine Systems	**14**	22	-34%	**35**	67	-48%	83
Voyage	**-5**	-6	23%	**-29**	-30	4%	-41
Energy	**43**	14	214%	**72**	46	56%	101
Portfolio Business	**-2**	0		**1**	-3		-6
Comparable operating result, % of net sales	**7.9**	**6.1**		**6.3**	**5.1**		**6.0**
Marine Power	**9.7**	8.3		**9.5**	7.3		7.8
Marine Systems	**10.2**	13.0		**8.1**	10.5		10.3
Voyage	**-7.4**	-11.9		**-14.7**	-16.7		-16.5
Energy	**8.8**	3.9		**6.0**	4.0		6.3
Portfolio Business	**-8.1**	0.8		**0.6**	-2.1		-3.1

Net sales bridge

MEUR	7–9/2021	1–9/2021
2020	**995**	**3,385**
Organic	**13%**	**-3%**
Acquisitions and divestments	**-2%**	**-2%**
FX impact	**0%**	**-1%**
2021	**1,103**	**3,181**

Financing and cash flow

Wärtsilä’s cash flow from operating activities in July–September amounted to EUR 49 million (114). Working capital increased during the third quarter to support near-term deliveries.

During January–September, cash flow from operating activities totalled EUR 360 million (407). Working capital totalled EUR 107 million at the end of the period (257 at the end of 2020). Advances received totalled EUR 506 million (452 at the end of 2020). There were no additional advances pertaining to assets held for sale (38 at the end of 2020). Wärtsilä's second dividend instalment of EUR 0.10 per share (0.24) was distributed in September, corresponding to a total of EUR 59 million (142).

Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio.

Cash and cash equivalents amounted to EUR 707 million (919 at the end of 2020). There were no additional cash or cash equivalents pertaining to assets held for sale (14 at the end of 2020). Unutilised committed credit facilities totalled EUR 650 million (660 at the end of 2020).

Wärtsilä had interest-bearing debt totalling EUR 1,021 million at the end of the period (1,327 at the end of 2020). The total amount of short-term debt maturing within the next 12 months was EUR 170 million. Long-term loans amounted to EUR 851 million.

Net interest-bearing debt totalled EUR 309 million (394 at the end of 2020). Gearing was 0.14 (0.18 at the end of 2020), while the solvency ratio was 39.3% (38.1 at the end of 2020). Equity per share was 3.73 euro (3.68 at the end of 2020).

Key financing items

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Cash flow from operating activities	**49**	114	**360**	407	681
Working capital			**107**	431	257
Net interest-bearing debt, end of period			**309**	678	394
Gearing			**0.14**	0.33	0.18
Solvency, %			**39.3**	36.0	38.1
Equity/share, EUR			**3.73**	3.52	3.68

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 98 million (78) for the period January–September. Wärtsilä had no capital expenditure related to acquisitions or investments in securities during the review period. In the comparison period, these amounted to EUR 1 million. Depreciation, amortisation, and impairment amounted to EUR 122 million (125), including depreciation of right of use assets of EUR 35 million (35).

In 2021, capital expenditure related to intangible assets and property, plant, and equipment is expected to be somewhat lower than depreciation, amortisation, and impairment.

Innovations, research and development

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

In July, Wärtsilä launched a major test programme towards carbon-free solutions with hydrogen and ammonia. The company is pioneering the adoption of hydrogen and ammonia as viable engine fuels through advanced testing in Wärtsilä's fuel-flexible combustion engines. Hydrogen and ammonia contain no carbon, meaning the combustion releases no CO_2 emissions. The full-scale engine test results are very encouraging, with one test engine performing very well when running on a fuel with 70% ammonia content at a typical marine load range. Tests were also completed successfully on another engine in pure hydrogen operation. For the marine market, the company expects to have an engine running on an ammonia blend already this year, and anticipates having an engine concept with pure ammonia fuel in 2023. Wärtsilä is also developing ammonia storage and supply systems as part of the EU's

ShipFC project. In addition, Wärtsilä will begin testing ammonia in a marine 4-stroke combustion engine together with Knutsen OAS, Repsol Norway and Equinor at the Sustainable Energy Catapult Centre in Stord, Norway, as part of the Demo2000 project.

In July, Wärtsilä Voyage's NTPRO (Navi-Trainer Professional 5000) navigational simulator was awarded certification according to the new DNV Class D standard for cloud-based simulators – making it the first certified cloud solution that offers both interactive instructor-led and student-led training. With this, the navigational simulator now has full compliance (Class A, B, C, D) with DNV's ST-0033 Maritime Simulator Systems standard. The maritime industry is in the process of identifying those learning events that can effectively be conducted remotely, and those that require a physical presence or team interactions at a training facility. Wärtsilä cloud solutions, however, are certified to provide both the interactive exercise control required for mandatory training and examination, as well as self-directed detached exercise and assessment to enhance or supplement instructor controlled simulations.

In August, Wärtsilä introduced an upgraded version of its popular and successful Wärtsilä 20DF dual-fuel engine. The new version will deliver increased power output, have a reduced environmental impact, and will feature lower fuel consumption. It will also further increase the engine's fuel flexibility by allowing a much wider gas quality span, down to methane number (MN) 65, while still delivering full output. The engine's power per cylinder is increased from 185 to 195 kW, while methane slip is lowered by as much as 40%, thereby drastically reducing CO_2 emissions.

In September, the first vessel fitted with Wärtsilä battery containers, the 'Alphenaar' commenced operations along the Zoeterwoude – Alpherium – Moerdijk corridor in the Netherlands. The vessel transports beer for Heineken, the first customer of the service. Wärtsilä has developed and delivered this mobile battery container solution that will enable inland waterway vessels to operate with zero emissions. The 104 TEU inland waterway container vessel has been modified to allow two battery container units to be mounted onboard. The system enables the vessel to operate on full electric power alone, with no carbon emissions being generated. When discharged, the containers can be exchanged and charged onshore using energy from renewable sources.

Strategic projects

In July, Wärtsilä and the Korean shipbuilding company Samsung Heavy Industries (SHI) signed a joint development programme agreement aimed at developing ammonia-fuelled vessels with 4-stroke auxiliary engines available for future newbuild projects. Wärtsilä has a leading role in developing engines for operation on future clean fuels. According to SHI, the most likely initial newbuild targets for ships utilising ammonia fuel will be container vessels and very large crude carriers, operating with 2-stroke main engines and 4-stroke Wärtsilä auxiliary engines.

In September, Wärtsilä advanced its carbon capture and storage (CCS) capabilities for maritime applications as part of the LINCCS consortium. The LINCCS project is focused on reducing costs for new carbon storage facilities by 70% and advancing the development of carbon capture technologies in a range of sectors. It was also announced that the LINCCS consortium would receive NOK 111 million from the Norwegian government's Green Platform Initiative over the next three years. Carbon capture technology can be a significant enabler in the decarbonisation of the maritime industry, and one of the major workstreams of the LINCCS project is to bring to market a maritime CCS solution. Wärtsilä will lead this workstream with support from the Sustainable Energy Catapult Center and SINTEF Energy. To support CCS technology development, Wärtsilä will expand its engineering facility in Moss, Norway to develop, test, and verify CCS solutions. This will bring the technology to a maturity level whereby it can be full-scale piloted on a vessel.

Personnel

Wärtsilä had 17,303 (18,183) employees at the end of the period. On average, the number of personnel totalled 17,516 (18,441) during the period January–September.

Of Wärtsilä's total number of employees, 21% (20) were located in Finland and 40% (42) elsewhere in Europe. Personnel employed in Asia represented 22% (22) of the total, personnel in the Americas 12% (11), and personnel in other countries 5% (5).

Personnel by reporting segment

MEUR	30.9.2021	30.9.2020	Change	31.12.2020
Personnel	**17,303**	**18,183**	**-5%**	**17,792**
Marine Power	**8,157**	8,412	-3%	8,355
Marine Systems	**1,891**	1,891	0%	1,897
Voyage	**1,799**	1,946	-8%	1,915
Energy	**4,975**	4,837	3%	4,888
Portfolio Business	**481**	1,097	-56%	737

Changes in management

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

Wärtsilä has appointed Teija Sarajärvi (b. 1969, MA) as Executive Vice President, Human Resources and member of the Board of Management. Ms Sarajärvi will commence in her role on 1 January 2022. She will succeed Ms Alid Dettke, who will take on new responsibilities at Wärtsilä.

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to support its customers in their decarbonisation journey, as well as in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN Sustainable Development Goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

In October, Wärtsilä announced its commitment to ambitious climate targets. The company's goal is by 2030 to become carbon neutral in its own operations and to provide a product portfolio which will be ready for zero carbon fuels. These new targets demonstrate Wärtsilä's commitment to a sustainable future. The company's aim is to support its customers on their decarbonisation journey and thus shape the decarbonisation of the marine and energy sectors. Wärtsilä's products and solutions will meet the stringent environmental requirements, and the fuel flexibility of the engines powering these sectors is key to enabling the transformation. Naturally, Wärtsilä also needs to do its part as an organisation and minimise its own environmental footprint.

In October, Wärtsilä also issued a report ahead of COP26, the UN's Climate Change Conference to be held in Glasgow in the autumn, demonstrating the environmental and economic opportunities for states that decarbonise rapidly. The 'Front-Loading Net Zero' report states that electricity production costs could be reduced by up to 50% by 2050 if countries and states adopt 100% renewable systems faster than currently planned. Significant cost reductions can be achieved by front-loading the deployment of renewables, mainly wind and solar photovoltaic, and by utilising the technologies needed to balance their inherent intermittency, such as energy storage and thermal balancing power plants. The report indicates that carbon neutral systems can provide cheaper electricity compared to current fossil fuel-based systems.

Sustainability highlights in July–September included the following:

In August, Wärtsilä was awarded a contract to supply a 5.2 MW / 5.2 MWh energy storage system in Taiwan for North-Star International Co., Ltd. The frequency regulation provided by the energy storage system will enable the integration of greater levels of renewables, thus supporting Taiwan's goal to achieve 20% of its energy from renewable sources by 2025.

In September, Wärtsilä became a signatory to the Call to Action for Shipping Decarbonization initiative launched in conjunction with the UN General Assembly. It will be delivered to world governments ahead of COP26, the UN's

Climate Change Conference being held in Glasgow, Scotland in the autumn. The signatories urge world leaders to align shipping with the Paris Agreement temperature goal, and to fully decarbonise shipping using net-zero energy sources by 2050.

In September, Wärtsilä and Gabon Power Company signed a concession agreement with the government of Gabon for the development, supply, construction, operation and maintenance of a 120 MW gas power plant. The project, which is in line with Gabon's sustainability ambitions, represents one of the largest of its kind in Sub-Saharan Africa and a sizeable energy infrastructure project for Gabon.

In September, Wärtsilä received the marine sector's commercial certification for compliance with the EU's Stage V standards, which set strict limits on emissions, especially particulate matter (PM) and nitrogen oxide (NOx) emissions. The certification is required for engines powering European inland waterways' vessels, which together comprise a fleet of approximately 17,500 ships. The first deliveries of the certified Wärtsilä 14 engine will be for two new passenger ferries being built for the Swiss company General Navigation Company (CGN) by Shiptec AG.

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

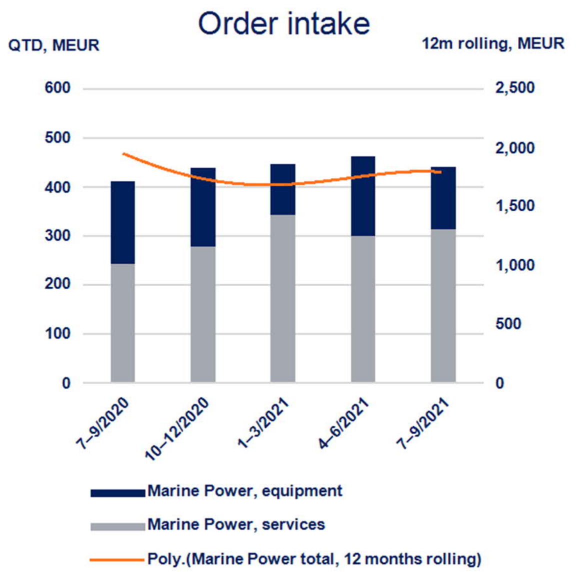
Reporting segment: Wärtsilä Marine Power

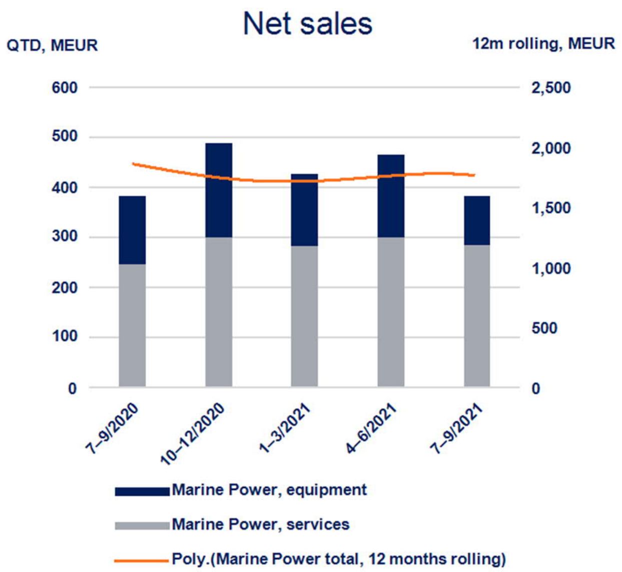
Wärtsilä Marine Power leads the industry in its journey towards a decarbonised and sustainable future. Our portfolio of engines, propulsion systems, hybrid technology, and integrated powertrain systems deliver the reliability, safety, and environmental performance that Wärtsilä's Smart Marine vision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

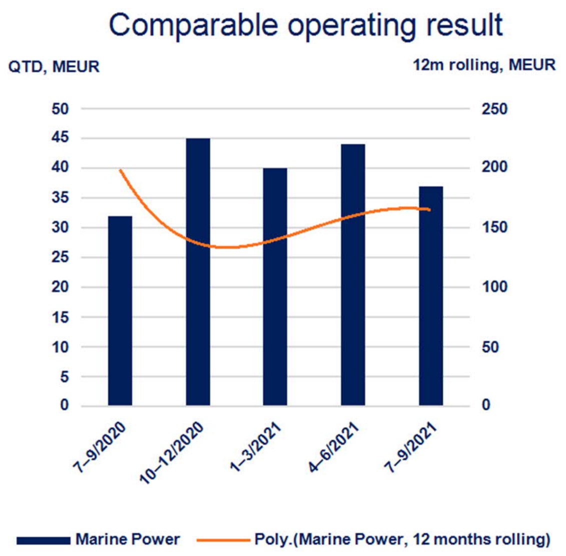
- Newbuild vessel contracting continued to be driven by containerships, whereas vessel contracting in the cruise and ferry markets remains low.
- Service business performance continued to improve on the back of a weak comparison period.
- Profitability improved, driven by a gradual return of the cruise business and a favourable sales mix between equipment and services.

Key figures

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**443**	410	8%	**1,352**	1,297	4%	1,737
of which services	**313**	243	29%	**958**	791	21%	1,070
Order book, end of period				**1,930**	1,908	1%	1,839
Net sales	**382**	382	0%	**1,273**	1,259	1%	1,748
of which services	**285**	247	15%	**868**	795	9%	1,096
Book-to-bill	**1.16**	1.07		**1.06**	1.03		0.99
Operating result	**36**	36	0%	**112**	92	23%	134
% of net sales	**9.4**	9.4		**8.8**	7.3		7.7
Comparable operating result	**37**	32	17%	**120**	92	31%	137
% of net sales	**9.7**	8.3		**9.5**	7.3		7.8
Personnel, end of period				**8,157**	8,412	-3%	8,355







Financial development

Marine Power's **order intake in July–September** increased by 8% to EUR 443 million (410) compared to the corresponding period in the previous year. Book-to-bill was 1.16 (1.07). Service order intake increased by 29% to EUR 313 million (243) on the back of a weak comparison period. Equipment order intake decreased by 23% to EUR 129 million (168), burdened by low vessel contracting in the cruise and ferry markets. Overall, demand was highest in the merchant segment which, including both traditional merchant vessels and gas carriers, represented 30% and 48% of the order intake of equipment and services, respectively. Orders received during the period included equipment for two new fishing vessels from the Danish ship builder Karstensens and a long-term service agreement with Wasaline.

Net sales in July–September was stable at EUR 382 million (382) compared to the corresponding period in the previous year. Service net sales increased by 15% to EUR 285 million (247), driven by sales to the cruise and merchant segments. Equipment net sales decreased by 28% to EUR 97 million (135), due to a low order intake earlier. The **comparable operating result** amounted to EUR 37 million (32) or 9.7% of net sales (8.3). The result improvement was driven by a gradual return of the cruise business and a favourable sales mix between equipment and services. These compensated for the negative impacts related to factory load and cost inflation.

Order intake in January–September increased by 4% to EUR 1,352 million (1,297) compared to the corresponding period in the previous year. Book-to-bill was 1.06 (1.03). Service order intake increased by 21% to EUR 958 million (791). Equipment order intake decreased by 22% to EUR 394 million (506). The **order book** at the end of the period increased by 1% to EUR 1,930 million (1,908).

Net sales in January–September increased by 1% to EUR 1,273 million (1,259) compared to the corresponding period in the previous year. Service net sales increased by 9% to EUR 868 million (795). Equipment net sales decreased by 12% to EUR 406 million (464). The **comparable operating result** amounted to EUR 120 million (92) or 9.5% of net sales (7.3). Items affecting comparability comprised costs of EUR 8 million primarily related to the closure of the joint venture Wärtsilä CME in Zhenjiang, China.

Divestments

In May, Wärtsilä announced the divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria ("JCCC"). Delivery Centre Santander is a state-of-the-art foundry able to cast the highest grades of NiAlBronze alloys. The facility located in Santander, Northern Spain, employs 45 professionals and has an annual casting capacity of 700 tons. As part of the divestment, Wärtsilä and JCCC signed a strategic supply agreement whereby

JCCC becomes a supplier for bronze alloy castings parts to Wärtsilä Marine Power. Subject to the fulfilment of closing conditions, closing of the transaction is expected in the fourth quarter of 2021.

Also in May, Wärtsilä and its joint venture partner Zhenjiang CME Co Ltd (CSSC Marine Power, owned by the CSSC group) announced the closure of the Wärtsilä CME joint venture in Zhenjiang, China. Some parts of the production and delivery activities of the joint venture have been moved to Propulsion Delivery Centre Wuxi (DCW) in China.

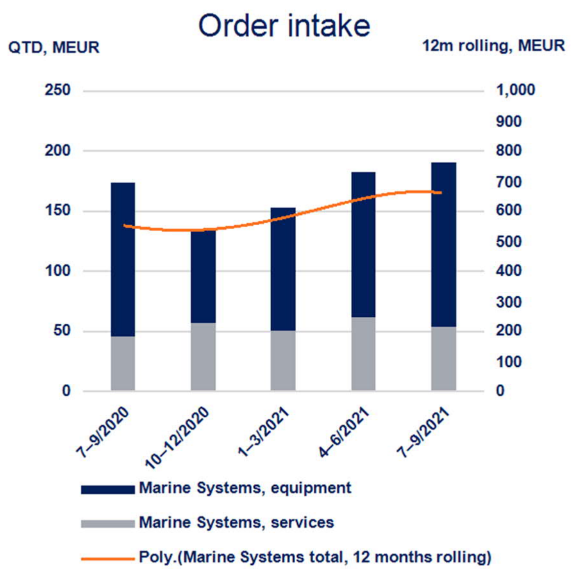
Reporting segment: Wärtsilä Marine Systems

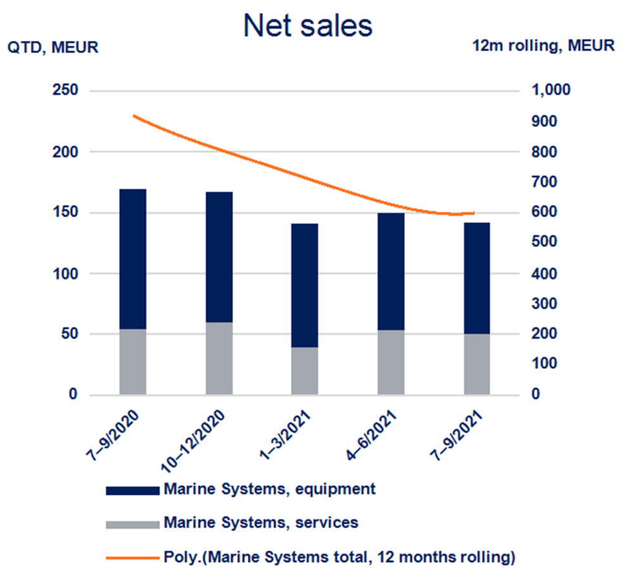
Wärtsilä Marine Systems offers high-quality products, solutions, and lifecycle services related to the gas value chain, exhaust treatment applications, seals & bearings, shaft line repair services, underwater services, and marine electrical integrations. Our aim is to provide the latest and most efficient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

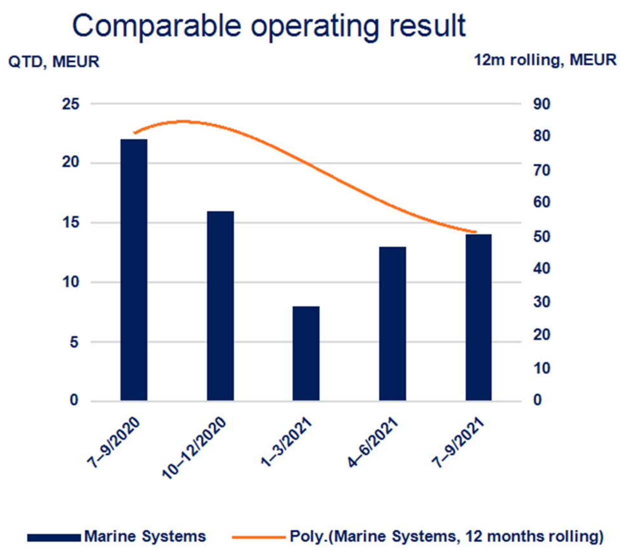
- Market activity in the equipment business continued to be solid, supported especially by strong contracting of gas carriers at the beginning of the year.
- Market demand for transactional services was robust in the third quarter.
- Sales and profitability continued to be impacted by the end of the scrubber delivery boom.

Key figures

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**191**	174	10%	**526**	406	30%	539
of which services	**54**	46	17%	**166**	149	12%	205
Order book, end of period				**944**	872	8%	857
Net sales	**142**	169	-16%	**433**	641	-32%	808
of which services	**50**	54	-7%	**142**	159	-11%	219
Book-to-bill	**1.35**	1.03		**1.21**	0.63		0.67
Operating result	**14**	21	-33%	**34**	66	-48%	81
% of net sales	**10.1**	12.6		**7.8**	10.2		10.0
Comparable operating result	**14**	22	-34%	**35**	67	-48%	83
% of net sales	**10.2**	13.0		**8.1**	10.5		10.3
Personnel, end of period				**1,891**	1,891	0%	1,897







Financial development

Marine Systems' **order intake in July–September** increased by 10% to EUR 191 million (174) compared to the corresponding period in the previous year, reflecting improved market sentiment connected largely to covid-19 developments. Book-to-bill was 1.35 (1.03). Service order intake increased by 17% to EUR 54 million (46). Equipment order intake increased by 7% to EUR 137 million (128). Received orders included several contracts for the Gas Solutions business unit, such as the newly developed Compact Reliq solution ordered for three LNG carriers being built at the Hyundai Samho Heavy Industries (HSHI) shipyard in South Korea for Norway-based Knutsen OAS Shipping. The order represents options taken following an earlier order for two such vessels.

Net sales in July–September decreased by 16% to EUR 142 million (169) compared to the corresponding period in the previous year. Service net sales decreased by 7% to EUR 50 million (54). Equipment net sales decreased by 20% to EUR 92 million (115). The **comparable operating result** amounted to EUR 14 million (22) or 10.2% of net sales (13.0). The main reason for the decline in both net sales and profitability is related to a decreased level of scrubber business due to the ending of the legislation-driven boom, which offset the positive impact of higher sales volumes in Gas Solutions. An insolvency provision and cost inflation also burdened profitability.

Order intake in January–September increased by 30% to EUR 526 million (406) compared to the corresponding period in the previous year. Book-to-bill was 1.21 (0.63). Service order intake increased by 12% to EUR 166 million (149). Equipment order intake increased by 40% to EUR 360 million (257). The **order book** at the end of the period increased by 8% to EUR 944 million (872), with the main improvement seen in Gas Solutions.

Net sales in January–September decreased by 32% to EUR 433 million (641) compared to the corresponding period in the previous year. Service net sales decreased by 11% to EUR 142 million (159). Equipment net sales decreased by 40% to EUR 291 million (481). The **comparable operating result** amounted to EUR 35 million (67) or 8.1% of net sales (10.5) as a consequence of lower scrubber volumes.

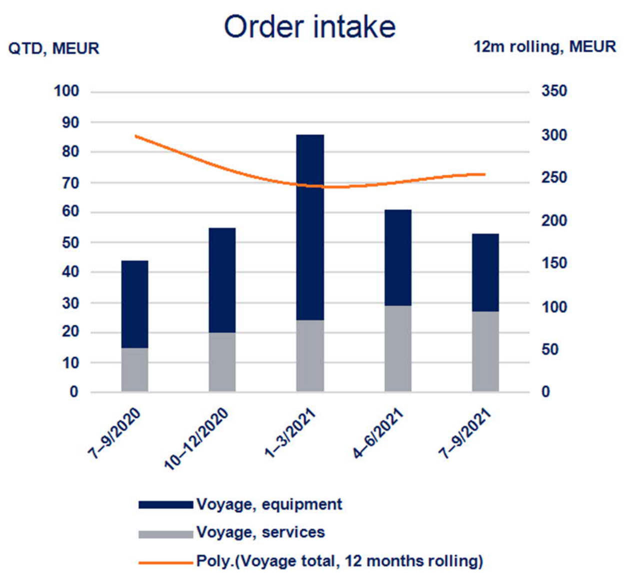
Reporting segment: Wärtsilä Voyage

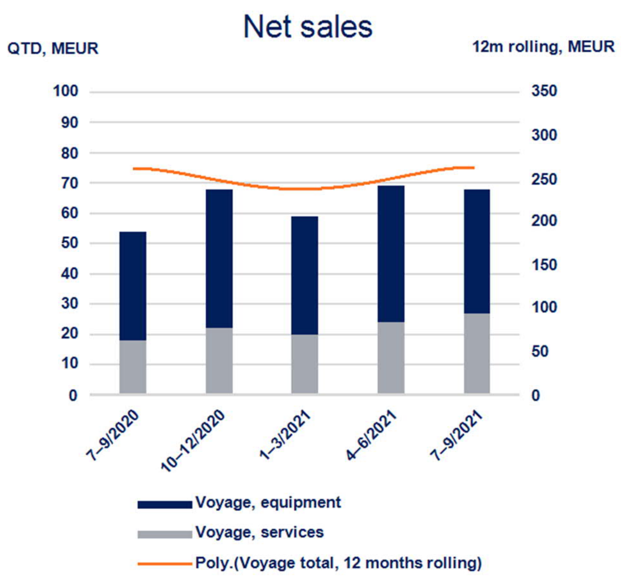
Wärtsilä Voyage transforms how vessels perform their voyage by leveraging the latest digital technologies to deliver a step-change in safety, efficiency, reliability, and emissions. We are committed to creating a Smart Marine Ecosystem, whereby every vessel can connect to digital services that make voyaging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

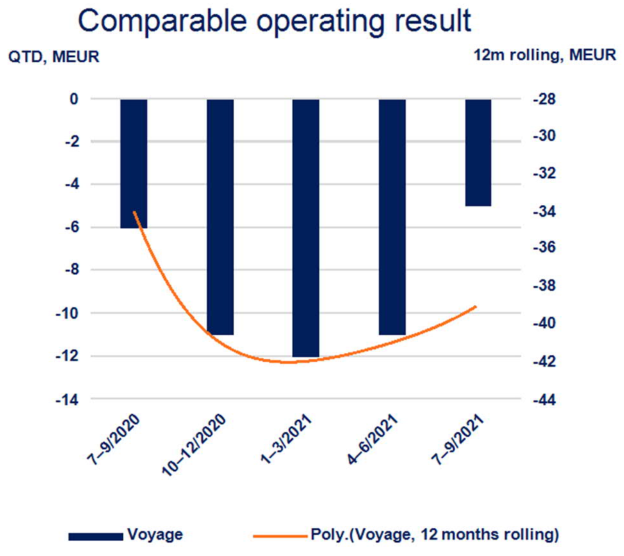
- Both order intake and sales improved, as economic activity improved and the cruise industry continued to resume sailing.
- The number of connected vessels increased by 61% compared to the third quarter of 2020.
- Profitability improved, driven by higher sales volumes, but remained low due to high R&D spending and covid-19 related challenges in the global utilisation of personnel.

Key figures

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**53**	44	20%	**199**	206	-4%	262
of which services	**27**	15	75%	**79**	72	10%	92
Order book, end of period				**280**	289	-3%	275
Net sales	**68**	54	24%	**195**	180	8%	248
of which services	**27**	18	47%	**70**	63	12%	85
Book-to-bill	**0.78**	0.81		**1.02**	1.15		1.06
Operating result	**-11**	-7	-71%	**-37**	-31	-18%	-42
% of net sales	**-16.4**	-12.0		**-18.8**	-17.3		-17.0
Comparable operating result	**-5**	-6	23%	**-29**	-30	4%	-41
% of net sales	**-7.4**	-11.9		**-14.7**	-16.7		-16.5
Personnel, end of period				**1,799**	1,946	-8%	1,915







Financial development

Voyage's **order intake in July–September** increased by 20% to EUR 53 million (44) compared to the corresponding period in the previous year. Book-to-bill was 0.78 (0.81). Service order intake increased by 75% to EUR 27 million (15), mainly as a result of increased economic activity in general and the continued restarting of cruise industry activities. Equipment order intake decreased by 9% to EUR 26 million (29). Orders received during the period included several automation projects.

Net sales in July–September increased by 24% to EUR 68 million (54) compared to the corresponding period in the previous year. Service net sales increased by 47% to EUR 27 million (18). Equipment net sales increased by 12% to EUR 41 million (36). However, travel and other restrictions related to the pandemic continue to affect the completion of projects, although the situation was somewhat improving towards the end of the quarter. The **comparable operating result** amounted to EUR -5 million (-6) or -7.4% of net sales (-11.9). The improvement in profitability was driven by higher sales volumes, especially in services. At the same time, increased R&D spending and covid-19 related challenges in the global utilisation of personnel burdened the operating result. Items affecting comparability comprised costs of EUR 6 million related to restructuring programmes.

Order intake in January–September decreased by 4% to EUR 199 million (206) compared to the corresponding period in the previous year. Book-to-bill was 1.02 (1.15). Service order intake increased by 10% to EUR 79 million (72). Equipment order intake decreased by 11% to EUR 120 million (134). The **order book** at the end of the period decreased by 3% to EUR 280 million (289).

Net sales in January–September increased by 8% to EUR 195 million (180) compared to the corresponding period in the previous year. Service net sales increased by 12% to EUR 70 million (63). Equipment net sales increased by 6% to EUR 124 million (117). The **comparable operating result** amounted to EUR -29 million (-30) or -14.7% of net sales (-16.7). Items affecting comparability comprised costs of EUR 8 million related to restructuring programmes.

Reporting segment: Wärtsilä Energy

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

- Energy storage business volumes grew strongly in terms of both orders and sales.
- Service business recorded the highest ever third quarter sales.
- Growth in sales volumes and robust execution supported profitability.

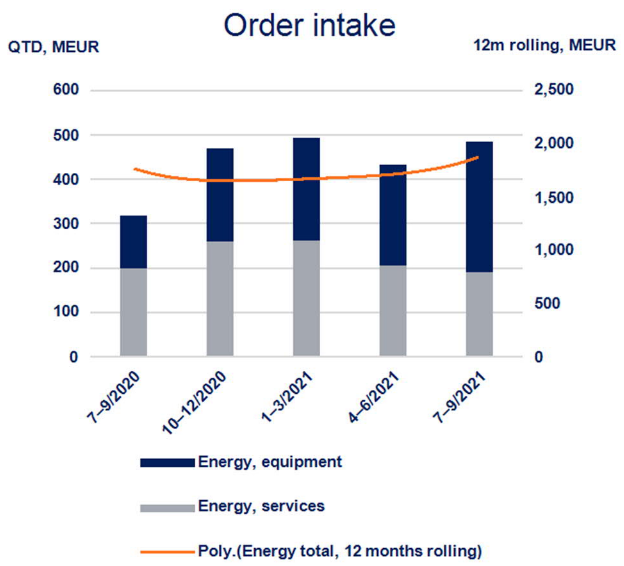
Key figures

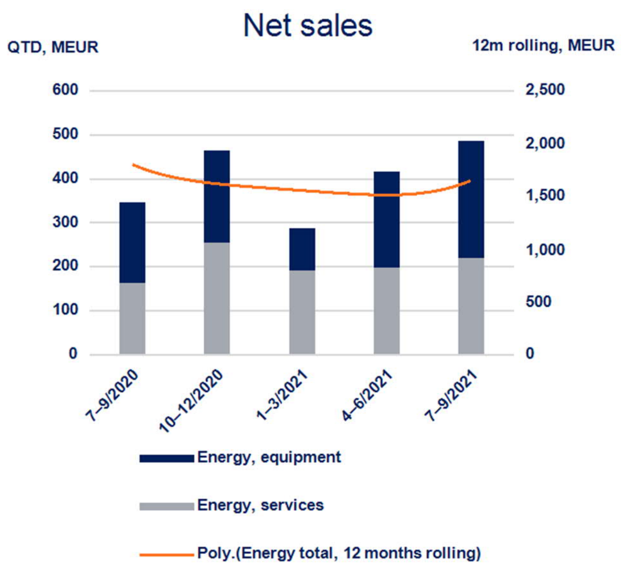
MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**486**	319	52%	**1,413**	1,185	19%	1,653
of which services	**191**	200	-4%	**657**	580	13%	840
Order book, end of period				**2,056**	1,865	10%	1,830
Net sales	**487**	347	40%	**1,190**	1,155	3%	1,620
of which services	**220**	163	36%	**610**	527	16%	782
Book-to-bill	**1.00**	0.92		**1.19**	1.03		1.02
Operating result	**42**	9	362%	**71**	40	77%	91
% of net sales	**8.7**	2.6		**6.0**	3.5		5.6
Comparable operating result	**43**	14	214%	**72**	46	56%	101
% of net sales	**8.8**	3.9		**6.0**	4.0		6.3
Personnel, end of period				**4,975**	4,837	3%	4,888

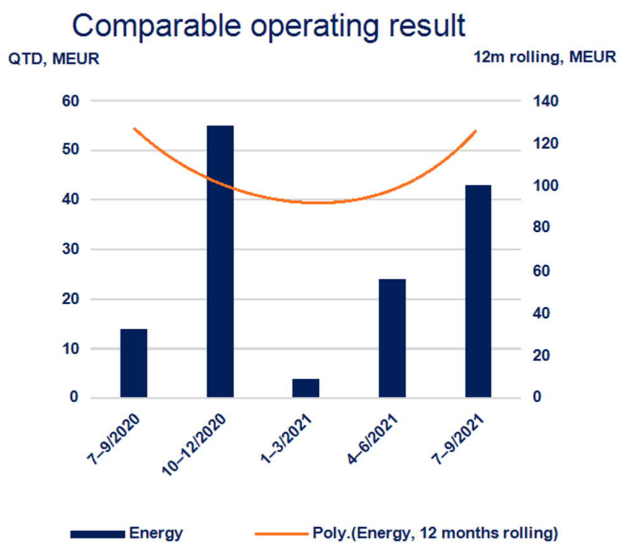
Order intake Energy

	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Gas, MW	**10**	128	-92%	**366**	924	-60%	1,071
Oil, MW	**19**	3	540%	**47**	93	-50%	99
Storage, MWh	**1,131**	103	998%	**2,456**	126		460
Other*, MW	**-**	-	-	**-**	12	-100%	12

*Includes biofuel power plants and solar installations







Financial development

Energy's **order intake in July–September** increased by 52% to EUR 486 million (319) compared to the corresponding period in the previous year. Book-to-bill was 1.00 (0.92). Service order intake decreased by 4% to EUR 191 million (200), due to lower service project orders. Equipment order intake increased by 147% to EUR 295 million (119), driven by strong demand for energy storage solutions. Demand for equipment was highest in the Americas. Equipment orders received included a grid-scale 250 MW / 250 MWh energy storage project in Australia. Service orders received included a 5-year operations and maintenance agreement for a 100 MW power plant in Nigeria.

Net sales in July–September increased by 40% to EUR 487 million (347) compared to the corresponding period in the previous year. Service net sales increased by 36% to EUR 220 million (163), driven by service projects and long-term service agreements. Equipment net sales increased by 45% to EUR 267 million (184), impacted by the ramping up of energy storage project deliveries. The **comparable operating result** amounted to EUR 43 million (14) or 8.8% of net sales (3.9). Profitability improved mainly due to volume growth in both services and equipment, supported by robust execution, which counterbalanced the impact of the under-absorption of factory capacity costs and cost inflation.

Order intake in January–September increased by 19% to EUR 1,413 million (1,185) compared to the corresponding period in the previous year. Book-to-bill was 1.19 (1.03). Service order intake increased by 13% to EUR 657 million (580). Equipment order intake increased by 25% to EUR 755 million (605). The **order book** at the end of the period increased by 10% to EUR 2,056 million (1,865).

Net sales in January–September increased by 3% to EUR 1,190 million (1,155) compared to the corresponding period in the previous year. Service net sales increased by 16% to EUR 610 million (527). Equipment net sales decreased by 8% to EUR 581 million (628). The **comparable operating result** amounted to EUR 72 million (46) or 6.0% of net sales (4.0).

Other business activities: Wärtsilä Portfolio Business

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

Key figures

MEUR	7–9/2021	7–9/2020	Change	1–9/2021	1–9/2020	Change	2020
Order intake	**14**	34	-60%	**94**	146	-36%	168
Order book, end of period				**115**	331	-65%	257
Net sales	**25**	43	-41%	**89**	150	-40%	181
Operating result	**-6**	-17	66%	**-11**	-22	50%	-29
% of net sales	**-23.5**	-40.2		**-12.4**	-14.8		-16.2
Comparable operating result	**-2**	0		**1**	-3		-6
% of net sales	**-8.1**	0.8		**0.6**	-2.1		-3.1
Personnel, end of period				**481**	1,097	-56%	737

Financial development

Portfolio Business' **order intake in July–September** decreased by 60% to EUR 14 million (34) compared to the corresponding period in the previous year, due to the divestments of certain business units completed in 2020 and 2021, as well as lower orders in the American Hydro business unit.

Net sales in July–September decreased by 41% to EUR 25 million (43) compared to the corresponding period in the previous year. The **comparable operating result** amounted to EUR -2 million (0) or -8.1% of net sales (0.8). The decline in both net sales and profitability was primarily due to the divestments of certain business units completed in 2020 and 2021. Items affecting comparability amounting to EUR 4 million were recognised as a result of divestments.

Order intake in January–September decreased by 36% to EUR 94 million (146) compared to the corresponding period in the previous year. The **order book** at the end of the period decreased by 65% to EUR 115 million (331), mainly due to the exclusion of the order books of divested business units.

Net sales in January–September decreased by 40% to EUR 89 million (150) compared to the corresponding period in the previous year. The **comparable operating result** amounted to EUR 1 million (-3) or 0.6% of net sales (-2.1), driven by improved profitability in the Water & Waste business unit. Items affecting comparability amounting to EUR 12 million were recognised as a result of divestments.

Divestments

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

In March, Wärtsilä announced the divestment of 100% of its shares in Wärtsilä Euroatlas GmbH to Mimir, a global investment firm based in Sweden. The former Wärtsilä business provides its global customer base with tailormade solutions for high-performance power conversion in naval, aviation, and mobile land-based applications requiring the highest reliability and power density, and leading-edge energy efficiency under harsh environmental conditions.

The company became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015 and has 79 employees based in Bremen, Germany. The transaction was completed in July.

In September, Wärtsilä announced the divestment of its Tank Control Systems business to Svanehøj, a Danish gas pump specialist involved in the design and manufacture of specialised deep well pump solutions. Wärtsilä Tank Control Systems designs, manufactures, sells, and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. Tank Control Systems is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. The business became part of Wärtsilä as a result of the acquisition of Total Automation in 2006 and has approximately 50 employees based in the UK, France and Singapore with revenues of EUR 7.5 million in 2020. Closing of the transaction is subject to the fulfilment of closing conditions, and is expected in the fourth quarter of 2021.

Risks and business uncertainties

New variants of covid-19 and the measures taken to contain its spread represent the main short-term risk to the demand for equipment and services, as they impact global energy consumption, seaborne trade, as well as consumer confidence in cruise and ferry transportation. Mobility restrictions continue to affect business operations, project delivery schedules, and the ability to perform services. Disruptions to global supply chains may impact factory activities and the delivery of spare parts, while generating risks in terms of raw material prices and availability, as well as transportation costs. Whilst the roll-out of vaccines is proceeding well overall, there is still uncertainty over the duration of the pandemic and how quickly country level vaccination programmes are implemented on a global scale, especially in developing countries.

The shipping and shipbuilding markets are faced with increasing regulatory, financial, and end-customer pressure to decarbonise their operations. Uncertainties around the development and deployment of suitable future technologies may affect the investment appetite of ship owners and operators, concerning both newbuilding programmes and the management of existing fleets. At the same time, the limited development of alternative fuel infrastructures, the substantial price gap between conventional and alternative fuels, and uncertainties concerning the regulatory environment and the uptake of new technology may raise barriers for the green transition.

The travel bans still in force, the limited ability or desire of people to travel, and a new escalation of covid-19 cases in some countries pose risks to the cruise and ferry market recovery. In the offshore oil and gas industry, the uncertainty around future demand for crude oil and oil price volatility are pushing oil majors to re-evaluate their spending on exploration activities and operational costs, which might lead to an increasing number of laid-up drilling units and support vessels. The volatility of oil prices also affects the price spread between high- and low-sulphur fuels. A narrower differential might weaken the scrubber investment case.

In the energy markets, despite economic activity growing globally, the prevailing covid-19 pandemic, currency fluctuations, and potential financing constraints are likely to postpone investment decisions on new power generation capacity. Many countries are still struggling with the pandemic, which limits their ability to implement new infrastructure projects. Similarly, the energy transition may temporarily be slowed, as the focus is on containing the virus spread and mitigating its impacts. Agreed and proposed stimulus packages to accelerate renewable energy investments still include uncertainties about the allocation of funding and implementation timelines. However, once stimulus measures are executed, the need for flexibility in power systems will be emphasised. Changes in climate policies and regulations cause uncertainty in the markets, as they may impact technology choices for customers. Geopolitical tensions and trade barrier implications are also notable challenges to the demand environment. Price pressure resulting from the prevailing competitive environment remains a risk. Gas price volatility and increasing prices may impact the competitiveness of thermal gas plants. In addition, there are risks related to the efficient and fast scaling up of the energy storage business and resources to meet the increasing market demand.

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

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

Shares and shareholders

In January–September, the number of shares traded on Nasdaq Helsinki was 342,194,872, equivalent to a turnover of EUR 3,461 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 27,404,096 shares.

Shares on Nasdaq Helsinki

30.9.2021	Number of shares outstanding	Number of treasury shares	Total number of shares	Number of shares traded 1–9/2021
WRT1V	590,023,390	1,700,000	591,723,390	342,194,872

1.1.2021-30.9.2021	High	Low	Average*	Close
Share price	13.00	7.78	10.11	10.36

*Trade-weighted average price

	30.9.2021	30.9.2020
Market capitalisation, EUR million	6,127	3,975
Foreign shareholders, %	52.6	49.7

Flagging notifications

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

Decisions taken by the Annual General Meeting

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

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

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

Dividend distribution

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

Remuneration of the Board of Directors

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

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

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

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

Authorisation to repurchase the company's own shares

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

Authorisation to issue shares

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

Organisation of the Board of Directors

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

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

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

Wärtsilä Interim Report January–September 2021

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

Use of estimates

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

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

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

Change in accounting principles

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

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

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

Repurchase of own shares

The Board of Directors of Wärtsilä Corporation decided to use the authorisation given by the Annual General Meeting repurchase the Company's own shares. The repurchases started on 27 April 2021 and ended on 5 May 2021. Following the repurchases, the Company holds a total of 1,700,000 shares. The repurchased shares are to be used for pay-outs under the share-based incentive programmes of Wärtsilä Corporation.

Number of shares outstanding on 1 January 2021	**591,723,390**
Repurchase of own shares on 27 April 2021	**-250,000**
Repurchase of own shares on 28 April 2021	**-290,000**
Repurchase of own shares on 29 April 2021	**-400,000**
Repurchase of own shares on 30 April 2021	**-160,000**
Repurchase of own shares on 3 May 2021	**-200,000**
Repurchase of own shares on 4 May 2021	**-250,000**
Repurchase of own shares on 5 May 2021	**-150,000**
Number of shares outstanding on 30 September 2021	**590,023,390**
Weighted average number of shares outstanding during the period	**590,766,687**

Equity-settled share-based payments

Wärtsilä has long-term incentive schemes, which can be settled in company shares. These contingently issuable ordinary shares are issuable when certain pre-defined conditions in the incentive programmes are met during a timeframe set in the incentive programmes' conditions. If the settlement would happen at the reporting date, it would result in issuing 1,231,006 shares. These shares are considered as potential ordinary shares causing dilutive effect to the EPS.

Weighted average number of shares outstanding during the period	**590,766,687**
Weighted average number of dilutive potential ordinary shares during the period	**1,231,006**
Weighted average number of shares outstanding during the period to be used in the calculation of diluted EPS	**591,997,693**

New and amended IFRS standards

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

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

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

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

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

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

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction* amends IAS 12 Income taxes (effective for financial periods beginning on or after 1 January 2023). The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations. The impact is under review within the Group.

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

* Not yet endorsed for use by the European Union as of 30 September 2021.

This interim report is unaudited.

Condensed statement of income

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Net sales	**1,103**	995	**3,181**	3,385	4,604
Other operating income	**32**	16	**55**	36	61
Expenses	**-1,020**	-921	**-2,945**	-3,154	-4,260
Result from net position hedges			**-2**	-1	-1
Depreciation, amortisation and impairment	**-41**	-47	**-122**	-125	-174
Share of result of associates and joint ventures	**1**		**2**	2	3
Operating result	**75**	43	**170**	144	234
Financial income and expenses	**-1**	-9	**-7**	-31	-43
Profit before taxes	**74**	34	**162**	113	191
Income taxes	**-25**	-9	**-54**	-35	-58
Profit for the reporting period	**50**	25	**108**	78	133
Attributable to:					
equity holders of the parent company	**49**	25	**110**	77	134
non-controlling interests	**1**	1	**-1**	1	-1
	50	25	**108**	78	133
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (EPS), basic, EUR	**0.08**	0.04	**0.19**	0.13	0.23
Earnings per share (EPS), diluted, EUR	**0.08**	-	**0.19**	-	-

Statement of other comprehensive income

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Profit for the reporting period	**50**	25	**108**	78	133
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities	**1**				6
Tax on items that will not be reclassified to the statement of income				-1	-1
Total items that will not be reclassified to the statement of income					5
Items that may be reclassified subsequently to the statement of income					
Exchange rate differences on translating foreign operations					
for equity holders of the parent company	**7**	-26	**48**	-88	-74
for non-controlling interests				-1	-1
transferred to the statement of income					-6
Associates and joint ventures, share of other comprehensive income	**1**	-1	**2**	-2	-2
Cash flow hedges	**-7**	11	**-3**	-26	3
Tax on items that may be reclassified to the statement of income	**1**	-8	**-1**	4	-1
Total items that may be reclassified to the statement of income	**1**	-24	**46**	-114	-81
Other comprehensive income for the reporting period, net of taxes	**2**	-24	**46**	-114	-76
Total comprehensive income for the reporting period	**51**	1	**154**	-36	57
Total comprehensive income attributable to:					
equity holders of the parent company	**50**	1	**155**	-36	59
non-controlling interests	**1**		**-1**		-1
	51	1	**154**	-36	57

Condensed statement of financial position

MEUR	30.9.2021	30.9.2020	31.12.2020
Non-current assets			
Intangible assets	**1,752**	1,709	1,716
Property, plant and equipment	**302**	291	282
Right-of-use assets	**184**	162	162
Investments in associates and joint ventures	**24**	50	23
Other investments	**18**	19	19
Deferred tax assets	**205**	187	183
Other receivables	**48**	48	42
Total non-current assets	**2,534**	2,466	2,427
Current assets			
Inventories	**1,310**	1,307	1,192
Other receivables	**1,581**	1,690	1,596
Cash and cash equivalents	**707**	725	919
Total current assets	**3,598**	3,722	3,706
Assets held for sale	**2**	129	99
Total assets	**6,134**	6,317	6,232
Equity			
Share capital	**336**	336	336
Other equity	**1,865**	1,745	1,841
Total equity attributable to equity holders of the parent company	**2,201**	2,081	2,177
Non-controlling interests	**8**	12	11
Total equity	**2,209**	2,093	2,188
Non-current liabilities			
Interest-bearing debt	**851**	1,151	1,129
Deferred tax liabilities	**66**	73	76
Other liabilities	**248**	252	246
Total non-current liabilities	**1,165**	1,477	1,451
Current liabilities			
Interest-bearing debt	**170**	273	198
Other liabilities	**2,589**	2,377	2,326
Total current liabilities	**2,759**	2,650	2,524
Total liabilities	**3,924**	4,127	3,975
Liabilities directly attributable to assets held for sale		97	68
Total equity and liabilities	**6,134**	6,317	6,232

Condensed statement of cash flows

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Cash flow from operating activities:					
Profit for the reporting period	**50**	25	**108**	78	133
Adjustments for:					
depreciation, amortisation and impairment	**41**	47	**122**	124	174
financial income and expenses	**1**	9	**7**	31	43
gains and losses on sale of intangible assets and property, plant and equipment and other changes	**-1**	1	**1**		-9
share of result of associates and joint ventures	**-1**		**-2**	-2	-3
income taxes	**25**	9	**54**	35	58
other non-cash flow adjustments	**2**	2	**5**	6	7
Cash flow before changes in working capital	**117**	92	**295**	271	403
Changes in working capital	**-49**	65	**151**	233	428
Cash flow from operating activities before financial items and taxes	**68**	157	**446**	505	832
Financial items and paid taxes	**-19**	-44	**-85**	-98	-150
Cash flow from operating activities	**49**	114	**360**	407	681
Cash flow from investing activities:					
Investments in shares and acquisitions		-1		-1	-2
Net investments in property, plant and equipment and intangible assets	**-34**	-23	**-96**	-73	-102
Proceeds from sale of shares in subsidiaries, associated companies and other investments	**-2**		**10**		49
Cash flow from investing activities	**-36**	-24	**-86**	-74	-55
Cash flow from financing activities:					
Repurchase of own shares			**-18**		
Proceeds from non-current debt		151		316	317
Repayments and other changes in non-current debt	**-172**	-19	**-375**	-72	-76
Changes in current loans and other changes	**1**	-64	**-3**	84	1
Dividends paid	**-50**	-128	**-111**	-271	-286
Cash flow from financing activities	**-221**	-61	**-507**	57	-44
Change in cash and cash equivalents, increase (+)/decrease (-)	**-209**	29	**-232**	391	582
Cash and cash equivalents at the beginning of the reporting period*	**912**	722	**932**	369	369
Exchange rate changes	**3**	-7	**7**	-16	-19
Cash and cash equivalents at the end of the reporting period*	**707**	744	**707**	744	932

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

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	**Share capital**	**Share premium**	**Translation difference**	**Fair value reserve**	**Remeasurements of defined benefit liabilities**	**Retained earnings**		
Equity on 1 January 2021	**336**	**61**	**-197**	**-9**	**-45**	**2,030**	**11**	**2,188**
Total comprehensive income for the reporting period			**50**	**-4**		**110**	**-1**	**154**
Transactions with equity holders of the parent company and non-controlling interests								
Dividends paid						**-118**	**-2**	**-120**
Repurchase of own shares						**-18**		**-18**
Share-based payments						**5**		**5**
Equity on 30 September 2021	**336**	**61**	**-147**	**-13**	**-45**	**2,009**	**8**	**2,209**

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

Segment information

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

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

Portfolio Business also included business units Entertainment Systems and Special Products until the divestments. In April 2021, Wärtsilä divested 100% of the shares in its Entertainment Systems business unit, Wärtsilä Funa GmbH. In July 2021, Wärtsilä divested 100% of the shares in Wärtsilä EUROATLAS GmbH, which belonged to Special Products business unit.

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Net sales					
Marine Power	**382**	382	**1,273**	1,259	1,748
Marine Systems	**142**	169	**433**	641	808
Voyage	**68**	54	**195**	180	248
Energy	**487**	347	**1,190**	1,155	1,620
Portfolio Business	**25**	43	**89**	150	181
Total	**1,103**	995	**3,181**	3,385	4,604
Depreciation, amortisation and impairment					
Marine Power	**-18**	-9	**-55**	-45	-68
Marine Systems	**-5**	-5	**-15**	-15	-20
Voyage	**-6**	-6	**-17**	-19	-27
Energy	**-7**	-9	**-22**	-24	-32
Portfolio Business	**-4**	-18	**-13**	-22	-28
Total	**-41**	-47	**-122**	-125	-174
Share of result of associates and joint ventures					
Marine Power	**1**		**2**	2	2
Total	**1**		**2**	2	3
Operating result					
Marine Power	**36**	36	**112**	92	134
Marine Systems	**14**	21	**34**	66	81
Voyage	**-11**	-7	**-37**	-31	-42
Energy	**42**	9	**71**	40	91
Portfolio Business	**-6**	-17	**-11**	-22	-29
Total	**75**	43	**170**	144	234

	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Operating result as a percentage of net sales (%)					
Marine Power	**9.4**	9.4	**8.8**	7.3	7.7
Marine Systems	**10.1**	12.6	**7.8**	10.2	10.0
Voyage	**-16.4**	-12.0	**-18.8**	-17.3	-17.0
Energy	**8.7**	2.6	**6.0**	3.5	5.6
Portfolio Business	**-23.5**	-40.2	**-12.4**	-14.8	-16.2
Total	**6.8**	4.3	**5.3**	4.3	5.1
Comparable operating result					
Marine Power	**37**	32	**120**	92	137
Marine Systems	**14**	22	**35**	67	83
Voyage	**-5**	-6	**-29**	-30	-41
Energy	**43**	14	**72**	46	101
Portfolio Business	**-2**		**1**	-3	-6
Total	**87**	61	**199**	172	275
Comparable operating result as a percentage of net sales (%)					
Marine Power	**9.7**	8.3	**9.5**	7.3	7.8
Marine Systems	**10.2**	13.0	**8.1**	10.5	10.3
Voyage	**-7.4**	-11.9	**-14.7**	-16.7	-16.5
Energy	**8.8**	3.9	**6.0**	4.0	6.3
Portfolio Business	**-8.1**	0.8	**0.6**	-2.1	-3.1
Total	**7.9**	6.1	**6.3**	5.1	6.0

Net sales by geographical areas

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Europe	**362**	354	**1,115**	1,089	1,542
Asia	**295**	353	**938**	1,225	1,570
The Americas	**321**	183	**814**	756	1,077
Other	**126**	104	**314**	315	415
Total	**1,103**	995	**3,181**	3,385	4,604

Service net sales

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Net sales					
Marine Power, service	**285**	247	**868**	795	1,096
Marine Systems, service	**50**	54	**142**	159	219
Voyage, service	**27**	18	**70**	63	85
Energy, service	**220**	163	**610**	527	782
Portfolio Business, service	**16**	17	**48**	57	74
Total	**598**	499	**1,738**	1,602	2,255

Measures of profit and items affecting comparability

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Comparable adjusted EBITA	**95**	69	**223**	197	308
Purchase price allocation amortisation	**-8**	-8	**-24**	-25	-33
Comparable operating result	**87**	61	**199**	172	275
Items affecting comparability:					
Social plan costs	**-4**	-3	**-10**	-7	-12
Impairment and write-downs	**-3**	-11	**-10**	-11	-22
Profits and losses from disposals		-1	**-1**	-1	6
Other costs	**-4**	-3	**-8**	-9	-14
Items affecting comparability, total	**-12**	-18	**-29**	-28	-41
Operating result	**75**	43	**170**	144	234

Disposals

In April 2021, Wärtsilä divested 100% of the shares in its Entertainment Systems business unit, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. The divestment was announced in January 2021.

Entertainment Systems is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution, and announcement systems for cruise vessels and entertainment parks. The annual revenues were approximately EUR 50 million in 2020. The impact of the divestment on the profit for the financial period is not significant.

In July 2021, Wärtsilä divested 100% of the shares in Wärtsilä EUROATLAS GmbH to Mimir, a global investment firm based in Sweden. Wärtsilä EUROATLAS belonged to Special Products business unit, and the divestment was announced in March 2021.

Wärtsilä EUROATLAS is providing its global customer base tailor-made solutions for high performance power conversion in naval, aviation and mobile land-based applications requiring highest reliability and power density and leading-edge energy efficiency under harsh environmental conditions. Products and services include original design, retrofits, upgrades, maintenance, spare parts, and education. The annual revenues were approximately EUR 10 million in 2020. The impact of the classification as assets held for sale on the profit for the financial period 2020 was approximately EUR -6 million. The estimated impact of the divestment on the profit for the financial period 2021 is EUR -2 million.

All disposed business units belonged to Portfolio Business.

Assets held for sale

Wärtsilä has classified Tank Control Systems business unit and Delivery Centre Santander as assets held for sale. Tank Control Systems has been classified as assets held for sale since the second quarter of 2020 and Delivery Centre Santander since the second quarter of 2021.

In September 2021, Wärtsilä announced the divestment of Tank Control Systems business unit to Svanehøj, a Danish gas pump specialist. Tank Control Systems designs, manufactures, sells and services high-end measurement systems for gas tanks on LNG ships, offshore storage, and land-based LNG terminals. Tank Control

Systems is also a leading supplier of safety products and associated systems and solutions for LPG land-based storage and underground cavern storage. Classifying Tank Control Systems business unit as assets held for sale has an estimated impact of EUR -7 million on the profit for the financial period 2021. Completion of the transaction is expected in the fourth quarter of 2021. Tank Control Systems business unit belongs to Portfolio Business.

The divestment of Delivery Centre Santander to Javier Cavada Corporación Cantabria was announced in May 2021. Completion of the transaction is expected in the fourth quarter of 2021. Delivery Centre Santander belongs to Marine Power.

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

Disaggregation of revenue

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

Net sales by revenue type

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
Products	**281**	262	**822**	798	1,091
Goods and services	**130**	106	**372**	367	511
Projects	**581**	527	**1,643**	1,901	2,557
Long-term agreements	**112**	101	**344**	319	445
Total	**1,103**	995	**3,181**	3,385	4,604

Timing of satisfying performance obligations

MEUR	7–9/2021	7–9/2020	1–9/2021	1–9/2020	2020
At a point in time	**679**	689	**2,062**	2,346	3,150
Over time	**424**	306	**1,119**	1,038	1,455
Total	**1,103**	995	**3,181**	3,385	4,604

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

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

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

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

Intangible assets and property, plant and equipment

MEUR	1–9/2021	1–9/2020	2020
Intangible assets			
Carrying amount on 1 January	**1,716**	1,776	1,776
Changes in exchange rates	**35**	-55	-49
Acquisitions and disposals	**-4**		-5
Additions	**40**	42	61
Amortisation and impairment	**-40**	-43	-58
Decreases and reclassifications	**5**	-11	-9
Carrying amount at the end of the reporting period	**1,752**	1,709	1,716
Property, plant and equipment			
Carrying amount on 1 January	**282**	307	307
Changes in exchange rates	**3**	-5	-6
Acquisitions and disposals	**-3**		-4
Additions	**59**	36	54
Depreciation and impairment	**-38**	-39	-57
Decreases and reclassifications		-6	-11
Carrying amount at the end of the reporting period	**302**	291	282

Leases

MEUR	1–9/2021	1–9/2020	2020
Land and buildings, right-of-use assets			
Carrying amount on 1 January	**151**	174	174
Changes in exchange rates	**2**	-6	-6
Acquisitions and disposals	**-1**		-2
Additions	**56**	19	29
Depreciation and impairment	**-30**	-30	-40
Decreases and reclassifications	**-4**	-4	-6
Carrying amount at the end of the reporting period	**173**	153	151
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	**11**	11	11
Additions	**5**	4	8
Depreciation and impairment	**-5**	-5	-7
Decreases and reclassifications		-1	-1
Carrying amount at the end of the reporting period	**11**	9	11

Lease liabilities			
Carrying amount on 1 January	**166**	188	188
Changes in exchange rates	**2**	-6	-6
Acquisitions and disposals	**-1**		-1
Additions	**61**	22	37
Payments	**-35**	-33	-45
Other adjustments	**-4**	-4	-7
Carrying amount at the end of the reporting period	**189**	166	166

MEUR	1–9/2021	1–9/2020	2020
Amounts recognised in statement of income			
Depreciation and impairment	**-35**	-35	-47
Interest expenses	**-3**	-3	-4
Expense – short-term leases	**-21**	-20	-27
Expense – leases of low-value assets	**-4**	-4	-4
Expense – variable lease payments	**-4**	-3	-4

Gross capital expenditure

MEUR	1–9/2021	1–9/2020	2020
Investments in securities and acquisitions		1	2
Investments in intangible assets and property, plant and equipment	**98**	78	115
Total	**98**	79	117

Net interest-bearing debt

MEUR	1–9/2021	1–9/2020	2020
Interest-bearing debt, non-current	**703**	1,022	1,005
Lease liabilities, non-current	**149**	129	124
Interest-bearing debt, current	**130**	236	156
Lease liabilities, current	**40**	37	42
Total interest-bearing liabilities	**1,021**	1,424	1,327
Interest-bearing receivables	**-6**	-1	-1
Cash and cash equivalents	**-707**	-725	-919
Cash and cash equivalents pertaining to assets held for sale		-20	-14
Total interest-bearing assets	**-712**	-745	-933
Total net interest-bearing debt	**309**	678	394

Financial ratios

	1–9/2021	**1–9/2020**	**2020**
Earnings per share (EPS), basic, EUR	**0.19**	0.13	0.23
Earnings per share (EPS), diluted, EUR	**0.19**	-	-
Equity per share, EUR	**3.73**	3.52	3.68
Solvency ratio, %	**39.3**	36.0	38.1
Gearing	**0.14**	0.33	0.18
Return on investment (ROI), %	**8.0**	9.1	7.1
Return on equity (ROE), %	**7.7**	8.2	5.8

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

Personnel

	1–9/2021	**1–9/2020**	**2020**
On average	**17,516**	18,441	18,307
At the end of the reporting period	**17,303**	18,183	17,792

Contingent liabilities

MEUR	**1–9/2021**	**1–9/2020**	**2020**
Mortgages	**10**	10	10
Chattel mortgages and other pledges and securities	**9**	17	17
Total	**19**	27	27
Guarantees and contingent liabilities			
on behalf of Group companies	**1,079**	943	887
Nominal amounts of lease liabilities			
Low-value lease liabilities	**11**	5	7
Short-term lease liabilities	**3**	3	3
Leases not yet commenced, but to which Wärtsilä is committed	**146**	191	191
Residual value guarantee	**18**		
Total	**1,257**	1,142	1,088

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	410	
Cross currency swaps	154	
Foreign exchange forward contracts	1,744	687
Total	2,309	687

In addition, the Group had copper futures and swaps amounting to 163 tons.

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	18	18
Interest-bearing investments, non-current (level 2)	5	5
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	9	9
Financial liabilities		
Interest-bearing debt, non-current (level 2)	851	857
Derivatives (level 2)	24	24

Quarterly figures

MEUR	7–9/ 2021	4–6/ 2021	1–3/ 2021	10–12/ 2020	7–9/ 2020	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019
Order intake									
Marine Power*	**443**	**463**	**446**	440	410	391	496	656	449
Marine Systems*	**191**	**183**	**153**	133	174	119	113	147	150
Voyage*	**53**	**60**	**86**	55	44	56	107	93	69
Energy*	**486**	**433**	**493**	469	319	390	475	585	260
Portfolio Business*	**14**	**14**	**66**	21	34	55	57	74	51
Total	**1,186**	**1,154**	**1,244**	1,118	981	1,011	1,247	1,555	979
Order book at the end of the reporting period**									
Marine Power*	**1,930**	**1,860**	**1,882**	1,839	1,908	1,913	1,967	2,019	1,981
Marine Systems*	**944**	**912**	**887**	857	872	902	1,051	1,232	1,377
Voyage*	**280**	**295**	**305**	275	289	305	304	274	265
Energy*	**2,056**	**2,035**	**2,029**	1,830	1,865	1,939	2,087	2,014	2,023
Portfolio Business*	**115**	**135**	**297**	257	331	341	336	338	336
Total	**5,325**	**5,238**	**5,399**	5,057	5,265	5,401	5,745	5,878	5,982
Net sales									
Marine Power*	**382**	**466**	**426**	489	382	420	457	603	430
Marine Systems*	**142**	**150**	**142**	167	169	238	234	279	244
Voyage*	**68**	**68**	**59**	68	54	56	69	82	60
Energy*	**487**	**416**	**288**	465	347	457	351	648	328
Portfolio Business*	**25**	**31**	**33**	30	43	48	59	71	56
Total	**1,103**	**1,131**	**946**	1,220	995	1,220	1,170	1,684	1,118
Share of result of associates and joint ventures	**1**	**1**	**1**			1	1	-2	-6
Comparable adjusted EBITA	**95**	**79**	**49**	111	69	63	65	213	49
as a percentage of net sales	**8.6**	**7.0**	**5.1**	9.1	7.0	5.2	5.6	12.6	4.4
Depreciation, amortisation and impairment	**-41**	**-42**	**-39**	-49	-47	-38	-39	-39	-58
Purchase price allocation amortisation	**-8**	**-8**	**-8**	-8	-8	-8	-9	-10	-10
Comparable operating result	**87**	**71**	**41**	103	61	55	56	202	39
as a percentage of net sales	**7.9**	**6.3**	**4.3**	8.4	6.1	4.5	4.8	12.0	3.5
Items affecting comparability, total	**-12**	**-14**	**-4**	-13	-18	-6	-4	-39	-28
Operating result	**75**	**58**	**36**	90	43	49	52	164	11
as a percentage of net sales	**6.8**	**5.1**	**3.8**	7.4	4.3	4.0	4.5	9.7	1.0

Financial income and expenses	**-1**	**-5**	**-1**	-12	-9	-13	-9	-11	-11
Profit before taxes	**74**	**53**	**35**	78	34	36	43	153	
Income taxes	**-25**	**-18**	**-11**	-23	-9	-12	-14	-51	-5
Profit for the reporting period	**50**	**35**	**24**	55	25	23	29	102	-5
Earnings per share (EPS), basic, EUR	**0.08**	**0.06**	**0.04**	0.10	0.04	0.04	0.05	0.17	-0.01
Earnings per share (EPS), diluted, EUR	**0.08**	**0.06**	**-**	-	-	-	-	-	-
Gross capital expenditure	**35**	**34**	**29**	38	25	27	27	44	24
Investments in securities and acquisitions				1	1			2	
Cash flow from operating activities	**49**	**245**	**67**	274	114	252	42	295	-61
Working capital (WCAP) at the end of the reporting period	**107**	**73**	**243**	257	431	492	660	732	870
Personnel at the end of the reporting period* **									
Marine Power*	**8,157**	**8,131**	**8,317**	8,355	8,412	8,674	8,934	8,820	8,962
Marine Systems*	**1,891**	**1,882**	**1,864**	1,897	1,891	1,846	1,862	1,870	1,828
Voyage*	**1,799**	**1,865**	**1,925**	1,915	1,946	1,917	1,939	1,889	1,875
Energy*	**4,975**	**4,953**	**4,905**	4,888	4,837	4,799	4,819	5,137	5,295
Portfolio Business*	**481**	**555**	**732**	737	1,097	1,098	1,088	1,080	1,058
Total	**17,303**	**17,386**	**17,742**	17,792	18,183	18,334	18,642	18,795	19,018

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

Calculations of financial ratios

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

Earnings per share (EPS), basic

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

Earnings per share (EPS), diluted

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

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

Comparable operating result

Operating result – items affecting comparability

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Gross capital expenditure

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

Net interest-bearing debt
Total of non-current and current interest-bearing debt + total of non-current and current lease liabilities – interest-bearing receivables – cash and cash equivalents

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Order intake

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

Order book

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

Working capital (WCAP)

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

25 October 2021
Wärtsilä Corporation
Board of Directors