

Net sales stable, profitability burdened by COVID-19 impacts and mix

Highlights of the review period January-March 2020

- Order intake decreased by 12% to EUR 1,247 million (1,416)
- Order book at the end of the period decreased by 4% to EUR 5,745 million (5,977)
- Net sales increased by 2% to EUR 1,170 million (1,151)
- · Book-to-bill amounted to 1.07 (1.23)
- · Comparable operating result decreased to EUR 56 million (102), which represents 4.8% of net sales (8.9)
- Earnings per share decreased to 0.05 euro (0.10)
- · Cash flow from operating activities increased to EUR 42 million (35)

Wärtsilä's prospects

The markets in which Wärtsilä operates are being affected by the coronavirus (COVID-19) outbreak and the measures taken to contain the global pandemic. This will materially impact Wärtsilä's net sales and earnings for 2020 starting in March. The full financial impact cannot be quantified at this time, as it will depend on the duration and severity of the measures taken to contain the virus spread, and the pace of the eventual market recovery. Consequently, Wärtsilä withdrew its market outlook for 2020 on 31 March 2020 pending an improvement in visibility.

Jaakko Eskola, President & CEO

"During the first quarter of 2020, Wärtsilä's business environment was characterised by a sudden increase in uncertainty related to the coronavirus pandemic and its longer-term impact on the global economy. Net sales increased slightly from the corresponding period last year, thanks to growth in both equipment deliveries and service activity in the Marine Business. Energy equipment deliveries, on the other hand, declined largely due to project timing and some COVID-19 related delays. Measures taken to contain the spread of COVID-19 have resulted in factories running at lower than usual capacity and in restricted mobility of field service personnel. Our operating result was consequently impacted by weaker fixed cost absorption, as well as by the mix of service sales and the delivery of the projects we flagged last year to be affected by cost overruns.

Demand in the first quarter was reasonable considering the prevailing market conditions. The decline in marine order intake was largely due to the lack of scrubber investments, as fuel spreads have narrowed. Equipment order intake in the Energy Business improved, thanks to the turnkey contracts received for two large power plants in Latin America. The effects of the coronavirus pandemic are increasingly becoming visible in the demand environment of our markets. The cruise segment in particular has been severely affected by the actions taken to contain the virus spread, while several energy project sites have been demobilised. The risk of weakening economic activity has caused shipowners and operators to re-evaluate their investment plans. Similarly, in the energy markets, deteriorating macroeconomic conditions and the anticipated decrease in electricity consumption are resulting in postponed investment decisions for new power generation capacity.

The weakened demand outlook, in combination with anticipated delivery postponements and challenges in accessing customer sites, will have a material effect on our financial development this year. To mitigate this impact, we have taken proactive steps to lower our cost base with approximately EUR 100 million by reducing working hours and initiating temporary layoffs, as well as by limiting the use of external personnel and consultants. The first concrete actions have been taken in locations where operations have been adversely impacted by the pandemic.

While adjustments to our cost base are necessary, we must also secure our ability to capture future growth opportunities. In this context, the progression of our Marine Business reorganisation into three independent businesses is central. It will allow us to accelerate strategy execution and simplify the business structure in order to increase the agility and speed of our decision-making. In addition, although we are reducing discretionary spending,

we remain committed to investing in R&D projects that are critical to our long-term success. Among other initiatives, we are actively working on developing the use of alternative, commercially viable and environmentally friendly fuels to reduce greenhouse gas emissions in the shipping and energy sectors. I am therefore pleased to highlight both the advances we have recently made in testing the use of ammonia in our engines and fuel systems, as well as the funding we have received for the X-Ahead project. The aim of this project is to develop deep expertise in the technical and business potential of Power-to-X, which will be used to promote a carbon neutral economy. These initiatives are indicative of our commitment to enabling sustainable societies with smart technology."

Key figures

MEUR	1-3/2020	1-3/2019	Change	2019
Order intake	1,247	1,416	-12%	5,327
of which services	627	653	-4%	2,676
Order book, end of period*	5,745	5,977	-4%	5,878
Net sales	1,170	1,151	2%	5,170
of which services	592	573	3%	2,502
Book-to-bill	1.07	1.23		1.03
Operating result	52	91	-43%	362
% of net sales	4.5	7.9		7.0
Comparable operating result	56	102	-45%	457
% of net sales	4.8	8.9		8.8
Comparable adjusted EBITA**	65	113	-42%	498
% of net sales	5.6	9.8		9.6
Profit before taxes	43	78	-45%	315
Earnings/share, EUR	0.05	0.10		0.37
Cash flow from operating activities	42	35		232
Net interest-bearing debt, end of period	849	658		726
Gross capital expenditure	27	23		122
Gearing	0.42	0.29		0.30
Solvency, %	35.3	39.6		40.8
Personnel, end of period	18,642	19,225	-3%	18,795

^{*}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 quarter of 2019 has been adjusted to reflect this change.

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

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

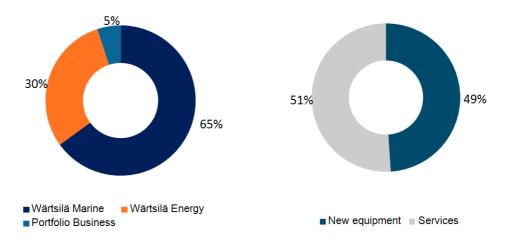
^{**}Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

Book-to-bill, 12 months rolling



Net sales by business area

Net sales by business type



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment, order intake, and order book

The demand for Wärtsilä's services and solutions in January-March was below that of the corresponding period last year. The coronavirus (COVID-19) pandemic effects, revised forecasts for economic development, and the sharp decline in the price of oil have disrupted activity in both the marine and energy markets.

Wärtsilä's **order intake** in January-March totalled EUR 1,247 million (1,416), a decrease of 12% compared to the corresponding period last year. The book-to-bill ratio was 1.07 (1.23). Wärtsilä Marine accounted for 57% (60) of the order intake, Wärtsilä Energy for 38% (35), and Portfolio Business for 5% (6). Services related order intake decreased by 4% to EUR 627 million (653).

The **order book** at the end of March decreased by 4% to EUR 5,745 million (5,977). Wärtsilä Marine accounted for 58% of the order book (60), Wärtsilä Energy for 36% (34), and Portfolio Business for 6% (6). Wärtsilä's current order book for 2020 deliveries is EUR 3,032 million (3,263), comprised mainly of equipment deliveries.

Order intake and order book by reporting segment

MEUR	1–3/2020	1-3/2019	Change	2019
Order intake	1,247	1,416	-12%	5,327
Marine	715	843	-15%	3,310
Energy	475	489	-3%	1,769
Portfolio Business	57	83	-32%	248
Order book, end of period*	5,745	5,977	-4%	5,878
Marine	3,322	3,573	-7%	3,525
Energy*	2,087	2,043	2%	2,014
Portfolio Business	336	361	-7%	338

^{*}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 quarter of 2019 has been adjusted to reflect this change.

Net sales and operating result

Wärtsilä's **net sales** in January-March increased by 2% to EUR 1,170 million (1,151) compared to the corresponding period last year. The sales growth was driven by increased equipment deliveries and service projects in the Marine Business. Wärtsilä Marine accounted for 65% of net sales (61), Wärtsilä Energy for 30% (35), and Portfolio Business for 5% (4). Service related net sales increased by 3% to EUR 592 million (573). Adjusting for the effects of currency translation, service related net sales increased by 3%. Of Wärtsilä's net sales, approximately 65% was EUR denominated, 25% USD denominated, with the remainder being split between several currencies.

The operating result in January-March amounted to EUR 52 million (91), which represents 4.5% of net sales (7.9). The operating result was burdened by lower energy equipment deliveries, a less favourable service mix in both businesses, as well as by COVID-19 impacts in the form of weaker absorption of fixed costs and lower utilisation of field service engineers. The delivery of projects previously flagged to be affected by cost overruns also weighed on the result. The comparable operating result totalled EUR 56 million (102) or 4.8% of net sales (8.9). Items affecting comparability included costs related to restructuring programmes of EUR 4 million (11). The comparable operating result amounted to EUR 43 million (62) or 5.7% of net sales (8.8) for Wärtsilä Marine, EUR 14 million (43) or 3.9% of net sales (10.6) for Wärtsilä Energy, and EUR -1 million (-2) or -1.1% of net sales (-5.0) for Portfolio Business. The comparable adjusted EBITA amounted to EUR 65 million (113) or 5.6% of net sales (9.8). Purchase price allocation amounted to EUR 9 million (11).

Financial items amounted to EUR -9 million (-13) in January-March. Net interest totalled EUR -3 million (-3). Profit before taxes amounted to EUR 43 million (78). Taxes amounted to EUR 14 million (19), implying an effective tax rate of 32.1% (24.8). Profit for the financial period amounted to EUR 29 million (59). Earnings per share totalled

0.05 euro (0.10), while equity per share was 3.42 euro (3.79). Return on investments (ROI) was 10.3% (18.2), while the return on equity (ROE) was 8.8% (17.5).

Net sales and operating result by reporting segment

MEUR	1-3/2020	1-3/2019	Change	2019
Net sales	1,170	1,151	2%	5,170
Marine	759	699	9%	3,155
Energy	351	403	-13%	1,779
Portfolio Business	59	49	22%	236
Operating result	52	91	-43%	362
Marine	41	57	-29%	237
Energy	13	40	-68%	131
Portfolio Business	-1	-6	77%	-7
Operating result, % of net sales	4.5	7.9		7.0
Marine	5.3	8.1		7.5
Energy	3.7	10.0		7.4
Portfolio Business	-2.3	-12.2		-2.8
Comparable operating result	56	102	-45%	457
Marine	43	62	-30%	301
Energy	14	43	-68%	155
Portfolio Business	-1	-2	73%	0
Comparable operating result, % of net sales	4.8	8.9		8.8
Marine	5.7	8.8		9.6
Energy	3.9	10.6		8.7
Portfolio Business	-1.1	-5.0		0.1

Financing and cash flow

Wärtsilä's January-March cash flow from operating activities amounted to EUR 42 million (35). Working capital totalled EUR 660 million (656) at the end of the review period, a decrease of EUR 72 million from the end of December 2019. Advances received at the end of the period totalled EUR 440 million (629). At the end of December 2019, advances received totalled EUR 452 million. Cash and cash equivalents at the end of the period amounted to EUR 420 million (501). Total cash at the end of the review period included EUR 15 million of cash and cash equivalents pertaining to assets held for sale. Unutilised Committed Credit Facilities totalled EUR 640 million (640). A dividend of EUR 0.24 per share (0.24) corresponding to a total of EUR 142 million (142) was paid during the review period. Per the Annual General Meeting's decision, the second dividend instalment of equal size shall be paid in September.

Wärtsilä had interest-bearing debt totalling EUR 1,270 million (1,162) at the end of March. At the end of December 2019, interest-bearing debt totalled EUR 1,096 million. The total amount of short-term debt maturing within the next 12 months was EUR 166 million. Long-term loans amounted to EUR 1,104 million. Net interest-bearing debt totalled EUR 849 million (658). Gearing was 0.42 (0.29), while the solvency ratio was 35.3% (39.6).

Capital expenditure

Capital expenditure related to intangible assets and property, plant and equipment amounted to EUR 27 million (23) in the January-March period. Wärtsilä had no capital expenditure related to acquisitions during the review period or in the comparison period. Depreciation, amortisation, and impairment amounted to EUR 39 million (41).

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

Innovations, research, and development

Wärtsilä is committed to helping minimise the environmental footprint of the maritime and energy industries. Developing the use of alternative, commercially viable, and environmentally friendly fuels for future solutions is a key focus area of research and development, as is improving the efficiency, sustainability, and safety of customer operations through the increased use of digital solutions.

In February, Wärtsilä together with Carnival Maritime and Hamburg Vessel Coordination Center (HVCC), announced they have successfully implemented and tested a new solution for just-in-time sailing. Together, the partners achieved a seamless exchange of data between ship and shore enabling optimal port arrival. The applied solution, Wärtsilä Navi-Port, has received approval in principle from Bureau Veritas Marine and Offshore for meeting the classification society's cyber security requirements.

In February, Wärtsilä's LPG fuel supply system successfully completed full scale testing with a full-sized 2-stroke marine engine burning liquid petroleum gas (LPG) as fuel. The tests were completed by retrofitting the system on four very large gas carriers (VLGC) owned by Norwegian operator BW LPG. As a result of the successful completion of these initial tests, BW LPG decided to exercise their option to retrofit the systems on four additional vessels. The system is now available as a stand-alone solution, or as an integrated element within the complete LPG cargo handling system.

In March, Wärtsilä initiated combustion trials using ammonia as the fuel. The research will help to evaluate the viability of ammonia as a fuel, which can contribute to reducing the greenhouse gas emissions from the shipping and energy sectors. Based on initial results, the tests will be continued with both dual-fuel and spark-ignited gas engines. These will be followed, starting in 2022, with field tests in collaboration with ship owners.

Strategic projects

In February, Wärtsilä and DNV GL agreed to work together to contribute to the marine industry's ongoing digital transformation. In particular, the two companies wish to further explore the potential use of digital technologies, collaborative data sharing, and standardisation to enhance existing products and services, and to develop new ones. Wärtsilä was also awarded a cyber security certification for the GEMS Power Plant Controller (PPC) by the International Electrotechnical Commission (IEC). The system-level certification is a global standard for critical devices, and Wärtsilä is the first manufacturer in the energy industry to have a hybrid power plant certified.

In March, Wärtsilä together with a consortium of six other industry and academic partners, was awarded EU funding for a major project named SeaTech. The project is aimed at reducing fuel consumption and lowering emission levels for shipping by developing ship engine and propulsion systems to enable precise control of the engine, and capturing wave energy to produce extra thrust. Wärtsilä also signed a licence and co-operation agreement covering the future development, sales, and servicing of gate rudders with Kuribayashi Steamship in Japan. As an authorised license holder and partner, Wärtsilä intends to fully integrate gate rudders within its propulsion product designs, and will focus on global markets outside Japan. Gate rudder technology lowers fuel consumption and reduces emissions, while improving manoeuvrability and course stability in both calm and rough seas.

Capacity adjustments

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

Personnel

Wärtsilä had 18,642 (19,225) employees at the end of March. On average, the number of personnel totalled 18,653 (19,295) in January-March. Wärtsilä Marine employed 12,735 people at the end of the period (12,615), Wärtsilä Energy 4,819 (5,513), and Portfolio Business 1,088 (1,096).

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 42% (41) elsewhere in Europe. Personnel employed in Asia represented 23% (24) of the total, personnel in the Americas 11% (11), and personnel in other countries 4% (4).

Changes in management

The below appointments were made to Wärtsilä Corporation's Board of Management in March, following the announcement that Wärtsilä's Marine Business will be reorganised into three independent businesses, the objective being to accelerate strategy execution and simplify the business structure. The new businesses, consisting of Marine Power, Marine Systems and Marine Voyage, will be operational as of 1 July 2020.

Roger Holm (b. 1972, M.Sc. Economics), previously President of Wärtsilä Marine Business & Executive Vice President, was appointed President of Marine Power & Executive Vice President as of 5 March 2020.

Tamara de Gruyter (b. 1972, B.Sc. Shipbuilding Engineering) was appointed President of Marine Systems & Executive Vice President as of 5 March 2020. Prior to the appointment, De Gruyter held a key role in driving Wärtsilä's transformation, in addition to heading the recently established Portfolio Business.

Sean Fernback (b. 1963, Dipl. Electronics Engineering) was appointed President of Marine Voyage & Executive Vice President as of 4 May 2020. Fernback joins Wärtsilä from Navico, where he most recently held the position of Chief Technology Officer and was responsible for driving the company's digital marine agenda.

Sustainability

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

In January, the Wärtsilä Exhaust Gas Cleaning (EGC) system was Type Approved in China by the China Classification Society (CCS), thereby endorsing the efficiency and quality of the company's EGC systems. This achievement was followed by a contract to supply specially customised hybrid scrubber system packages for two Norwegian cruise vessels, enabling them to be in compliance with the International Maritime Organization's (IMO) sulphur restriction regulation while operating on heavy fuel oil.

In February, Wärtsilä completed the delivery of an island grid energy solution on Graciosa in the Azores, including an energy storage system that enables a more resilient and sustainable power system as a critical grid asset. The use of renewables on the island will increase from 15% to 65% thanks to Wärtsilä's new technology solution.

During the period, Wärtsilä was included on the 2020 Clean200 list by Corporate Knights in partnership with the U.S. non-profit organisation As You Sow. The Clean200 is a list of the world's most significant publicly traded firms according to the size of 'clean revenue' from products and services that provide solutions benefitting the planet. Wärtsilä was also rated "Prime" by ISS ESG Corporate Rating, meaning that the company fulfils ISS ESG's demanding requirements regarding sustainability performance in its sector.

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

Reporting segment: Wärtsilä Marine Business

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

- The decline in vessel contracting activity reflects uncertainty related to revised economic and trade forecasts
- Order intake was affected by the decline in scrubber investments caused by reduced fuel spreads
- Net sales was boosted by increased scrubber deliveries and growth in service projects, while profitability
 was negatively affected by a less favourable service mix, the delivery of projects affected by cost overruns,
 and the impacts of the coronavirus (COVID-19)

Key figures

MEUR	1–3/2020	1-3/2019	Change	2019
Order intake	715	843	-15%	3,310
of which services	405	391	4%	1,656
Order book, end of period	3,322	3,573	-7%	3,525
Net sales	759	699	9%	3,155
of which services	386	357	8%	1,581
Book-to-bill	0.94	1.21		1.05
Operating result	41	57	-29%	237
% of net sales	5.3	8.1		7.5
Comparable operating result	43	62	-30%	301
% of net sales	5.7	8.8		9.6
Personnel, end of period*	12,735	12,615	1%	12,579

^{*}Comparison figures have been adjusted to correctly reflect the business line composition of the Portfolio Business and a change in allocation principles.



Operating environment

The ongoing global coronavirus (COVID-19) crisis, revised economic and trade forecasts, as well as discontinued oil production cuts by OPEC and Russia, have together caused significant disruptions to the marine operating environment during the first quarter of 2020. Vessel contracting declined to 127 registered contracts in the period (227 in the corresponding period last year, excluding late contracting), reflecting the prevailing demand uncertainty.

Shipowners and operators have been forced to re-evaluate their investment plans and to adjust their operations to secure the safety of personnel and retain business continuity. In the cruise and ferry markets, activity has been severely impacted by precautionary actions taken to contain the virus spread, including reducing the frequency of sailings and temporary vessel lay-ups. Earnings softened in the LNG carrier segment due to reduced demand for LNG in China, and lower overall demand for LNG as a result of the mild winter. Investments in the container ship segment were affected by increasing concerns related to weaker economic growth, supply chain disruptions, and reduced consumer activity. The contracting of oil and product tankers was supported by the enforcement of the IMO2020 regulations and the increased demand for floating storage capacity. The sharp decline in oil prices has created further challenges for the offshore segment, where many projects are on hold or have been postponed due to overcapacity. Lower oil prices have also reduced the spread between low sulphur and high sulphur fuels, thus prolonging the payback time of scrubber technology investments and decreasing the interest in exhaust gas scrubber retrofits. Furthermore, due to limited shipyard capacity and mobility restrictions, there have been some delays in the commissioning of on-going scrubber retrofits.

Despite the difficult market conditions, long-term efforts to minimise the environmental footprint of the shipping industry continue to support interest in alternative fuels, such as LNG, LPG, and ammonia, and in the use of hybrid battery packs across all vessel segments.

Marine service demand improved compared to the corresponding period last year, despite decreased activity in the cruise and ferry segment. Improved demand for service projects for offshore support vessels supported the offshore service business. In the merchant segment, service demand for LNG carriers remained positive, thanks to vessels reaching their major overhaul windows. In general, maintenance demand in the merchant segment is expected to be impacted by the coronavirus pandemic, but with some delay.

Financial development

Wärtsilä Marine's **order intake** in the period January-March amounted to EUR 715 million (843), a decrease of 15% compared to the corresponding period last year. Book-to-bill was 0.94 (1.21). Service orders increased by 4% to EUR 405 million (391), while equipment orders decreased by 31% to EUR 310 million (452) primarily due to the decline in scrubber investments as a result of narrowed fuel spreads. The highest demand was seen in the Cruise & Ferry segment, which represented 31% and 22% of the order intake of equipment and services, respectively. Orders received in this segment included a contract to provide an integrated system consisting of an LNG plant, dual-fuel engines, and an electrical propulsion system for the latest addition to Vancouver, Canada based BC Ferries' fleet of Salish Class vessels. The **order book** at the end of March stood at EUR 3,322 million (3,573), which is 7% lower than last year.

January-March **net sales** increased by 9% to EUR 759 million (699) compared to the corresponding period last year. Service net sales increased by 8% to EUR 386 million (357), largely thanks to strong growth in service projects. Equipment net sales increased by 9% to EUR 373 million (342). The **comparable operating result** amounted to EUR 43 million (62) or 5.7% of net sales (8.8). The operating result was burdened by a less favourable service mix and the delivery of projects affected by cost overruns, as well as by COVID-19 impacts in the form of weaker absorption of fixed costs and lower utilisation of field service engineers.

Reporting segment: Wärtsilä Energy Business

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

- The energy markets are increasingly being affected by the coronavirus (COVID-19) outbreak and related intensified restrictions, as well as by the expected slowdown of economic activity and the forecasted decrease in electricity consumption
- Equipment order intake developed well, with two large turnkey contracts booked in Latin America
- Energy Business' healthy orderbook will provide stability during the disruption

Key figures

MEUR	1-3/2020	1-3/2019	Change	2019
Order intake	475	489	-3%	1,769
of which services	212	237	-11%	920
Order book, end of period*	2,087	2,043	2%	2,014
Net sales	351	403	-13%	1,779
of which services	184	188	-2%	802
Book-to-bill	1.35	1.22		0.99
Operating result	13	40	-68%	131
% of net sales	3.7	10.0		7.4
Comparable operating result	14	43	-68%	155
% of net sales	3.9	10.6		8.7
Personnel, end of period**	4,819	5,513	-13%	5,137

^{*}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 quarter of 2019 has been adjusted to reflect this change.

Order intake Wärtsilä Energy

MW	1-3/2020	1-3/2019	Change	2019
Gas	449	518	-13%	1,413
Oil	90	78	16%	124
Other*	5	12	-58%	443
Order intake, total	544	607	-10%	1,980

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

^{**}Comparison figures have been adjusted to correctly reflect the business line composition of the Portfolio Business and a change in allocation principles.



Operating environment

The gas and liquid fuelled power plant markets, as well as the energy storage business, are increasingly being affected by the coronavirus (COVID-19) pandemic and the resulting expected slowdown of economic activity. Mobility restrictions are disrupting operations throughout the business, from sales and sourcing to deliveries and lifecycle services. The energy transition to greater use of renewables is expected to slow down temporarily as a result of delays in project deliveries, cheaper fossil fuels, and the focus being shifted to containing the virus spread and mitigating business impacts. However, the decreasing power demand, combined with high levels of renewable energy, is highlighting the increased need for flexibility in power systems. In the emerging markets, the slowdown of economic activity and weakening currencies are expected to reduce investments in power capacity additions. Services activity has continued at a reasonable level, but the decrease in power demand is expected to have a negative impact on the running hours of operating power plants, despite decreased oil prices lowering the running costs of liquid power plants.

Wärtsilä's market share in the up to 500 MW market segment decreased to 9% (17), while global orders for natural gas and liquid power plants increased by 52% to 17.6 GW during the twelve-month period ending in December 2019 (11.6 GW at the end of September). The market increase was due to two large steam turbine projects booked in the fourth quarter of 2019. 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.

Financial development

Wärtsilä Energy's **order intake** in the period January-March totalled EUR 475 million (489), a decrease of 3% compared to the corresponding period last year. Book-to-bill was 1.35 (1.22). Service order intake decreased by 11% to EUR 212 million (237), while equipment order intake increased by 4% to EUR 263 million (252). The highest demand for both equipment and services was seen in the Americas. Received equipment orders included two EPC contracts of 200 MW each in Latin America. These gas power plants will operate in flexible baseload mode when completed in the second half of 2021, and will support the country's growth in renewable energy and aid grid stability. Wärtsilä will operate and maintain both plants under a 10-year service agreement. Order intake for the

O&M agreements will be recognised following plant commissioning. The **order book** at the end of March increased by 2% to EUR 2,087 million (2,043).

January-March **net sales** decreased by 13% to EUR 351 million (403) compared to the corresponding period last year. Service net sales decreased by 2% to EUR 184 million (188), while equipment net sales decreased by 22% to EUR 167 million (215). The **comparable operating result** totalled EUR 14 million (43) or 3.9% of net sales (10.6). The operating result was burdened by the lower equipment delivery volumes, a less favourable service mix, and the delivery of projects affected by cost overruns.

Other business activities: Portfolio Business

Key figures

MEUR	1–3/2020	1-3/2019	Change	2019
Order intake	57	83	-32%	248
Order book, end of period	336	361	-7%	338
Net sales	59	49	22%	236
Operating result	-1	-6	77%	-7
% of net sales	-2.3	-12.2		-2.8
Comparable operating result	-1	-2	73%	0
% of net sales	-1.1	-5.0		0.1
Personnel, end of period*	1,088	1,096	-1%	1,080

^{*}Comparison figures have been adjusted to correctly reflect the business line composition of the Portfolio Business and a change in allocation principles.

Financial development

Portfolio Business' **order intake** in the period January-March totalled EUR 57 million (83), a decrease of 32% compared to the corresponding period last year. The highest demand was seen in the Entertainment Systems business line. **Order book** at the end of March decreased by 7% to EUR 336 million (361).

January-March **net sales** increased by 22% to EUR 59 million (49) compared to the corresponding period last year. The **comparable operating result** amounted to EUR -1 million (-2), which represents -1.1% of net sales (-5.0).

Risks and business uncertainties

The coronavirus (COVID-19) outbreak and the measures taken to contain its spread represent the main short-term risk to business operations and the demand environment in both the Marine and Energy Businesses.

The lockdowns in many countries and uncertainty over the duration of the pandemic, on-going trade tensions and geopolitical uncertainties are affecting investment decisions in the shipping and maritime industry. The resulting disruptions to global supply chains and increased logistics costs are a potential risk for factories and to the delivery of spare parts and services. The reduced demand for cargo and mobility restrictions are impacting the revenues of shipowners and operators, which may result in capital and operating expenditure cuts. Temporary shipyard closures and travel restrictions can further delay scrubber retrofits and vessel deliveries. Price pressure remains a risk. In the mid-term, the risk of a global recession is expected to affect various sectors in shipping and passenger travel. This may elevate the risk for cancellations within the marine industry. Furthermore, low shipyard orderbooks might lead to further consolidation among shipyards and is a potential risk to capture rates in equipment sales due to changed relationships with the shipping industry, uncertainties concerning developments in the regulatory environment may slow newbuild activity in the mid-term.

In the Energy Business, mobility restrictions are expected to affect project delivery schedules, access to customer sites, and the ability to perform services activities. The anticipated slowdown in economic activity, currency fluctuations, and potential financing constraints are anticipated to postpone investment decisions for new power generation capacity. The energy transition may temporarily slow down, as the focus is on containing the virus spread and mitigating its impacts. Should stimulus packages be directed to accelerating investments into renewable energy, the need for flexibility will be emphasised. Geopolitical tensions and trade barrier implications are also notable challenges to the demand environment. Price pressure resulting from the prevailing competitive environment remains a risk.

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

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

Shares and shareholders

In January-March, the number of shares traded on Nasdaq Helsinki was 176,600,944, equivalent to a turnover of EUR 1,546 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 84,138,112 shares.

Shares on Nasdaq Helsinki

31.3.2020			Number of shares and votes	Number of shares traded 1–3/2020
WRT1V			591,723,390	176,600,944
1.1.2020-31.3.2020	High	Low	Average*	Close
Share price	12.00	5.01	8.76	6.69
*Trade-weighted average price				
			31.3.2020	31.3.2019
Market capitalisation, EUR million			3,959	8,512
Foreign shareholders %			51.7	53.0

Flagging notifications

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

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
24.3.2020	BlackRock, Inc.	Above 5%	4.85	5.11
31.3.2020	BlackRock, Inc.	Below 5%	4.30	4.82

Decisions taken by the Annual General Meeting

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

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

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

Dividend distribution

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

Shareholders' Nomination Board

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

Authorisation to repurchase the company's own shares

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

Authorisation to issue shares

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

Organisation of the Board of Directors

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

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

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

Wärtsilä Interim Report January-March 2020

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2019, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

Segment information

As of 1 January 2020, Wärtsilä is organised into three business areas, Wärtsilä Marine Business, Wärtsilä Energy Business and Portfolio Business. Wärtsilä Marine Business and Wärtsilä Energy Business constitute Wärtsilä's operating and reportable segments. Furthermore, Wärtsilä reports Portfolio Business as other business activities.

The new organisational structure enables Wärtsilä to accelerate growth and the implementation of its Smart Marine and Smart Energy strategies. The objective of running Portfolio Business as a stand-alone entity is to strengthen the focus on businesses that are critical to strategy execution and to accelerate performance improvement.

The Businesses cover both new equipment sales and services for their respective markets. Integrating newbuild and service activities enhances customer value by strengthening the focus on complete lifecycle solutions tailored to specific market needs.

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

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

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

Wärtsilä Energy Business

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

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

Wärtsilä Marine Business

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

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

Marine Power Solutions

- · Power Supply
- · Power conversion
- · Propulsion
- · Exhaust treatment

Processing Solutions

· Gas solutions for marine and land based applications

Voyage Solutions

- · Automation, navigation & communication
- · Simulation & training solutions
- Fleet operations solutions
- · Ship traffic control solutions

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

Portfolio Business

Wärtsilä reports Portfolio Business as other business activities. Wärtsilä Marine Business and Wärtsilä Energy Business constitute the reportable segments of the group.

Portfolio Business includes the following business units: entertainment systems, power converter products and UPS systems, tank control systems, water and waste, valve solutions, as well as hydropower solutions and turbine services. These business units have either limited synergies with Wärtsilä's other products and services or limited growth potential within Wärtsilä.

Entity wide information

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

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

IFRS amendments

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

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

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial periods beginning on or after 1 January 2020). The purpose of the amendments is to align the definition of 'material' across the standards and to clarify certain aspects

of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments have no impact on the consolidated financial statements.

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

Adoption of new and updated IFRS standards

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

* Not yet endorsed for use by the European Union as of 31 March 2020.

This interim report is unaudited.

Condensed statement of income

MEUR	1-3/2020	1-3/2019	2019
Net sales	1,170	1,151	5,170
Other operating income	7	17	67
Expenses	-1,086	-1,035	-4,686
Depreciation, amortisation and impairment	-39	-41	-180
Share of result of associates and joint ventures	1		-9
Operating result	52	91	362
Financial income and expenses	-9	-13	-47
Profit before taxes	43	78	315
Income taxes	-14	-19	-97
Profit for the reporting period	29	59	218
Attributable to:			
equity holders of the parent company	30	59	217
non-controlling interests			1
	29	59	218
Earnings per share attributable to equity holders of the parent company (basic and diluted):			
Earnings per share (EPS), basic and diluted, EUR	0.05	0.10	0.37

Statement of other comprehensive income

MEUR	1-3/2020	1-3/2019	2019
Profit for the reporting period	29	59	218
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit liabilities	-5	-1	-20
Tax on items that will not be reclassified to the statement of income	1		5
Total items that will not be reclassified to the statement of income	-4	-1	-16
Items that may be reclassified subsequently to the statement of			
Exchange rate differences on translating foreign operations			
for equity holders of the parent company	-55	36	42
Associates and joint ventures, share of other comprehensive income	-1	1	-1
Cash flow hedges	-79	19	23
Tax on items that may be reclassified to the statement of income	20	-4	-3
Total items that may be reclassified to the statement of income	-115	52	60
Other comprehensive income for the reporting period, net of taxes	-118	52	45
Total comprehensive income for the reporting period	-89	111	263
Total comprehensive income attributable to:			
equity holders of the parent company	-89	111	262
non-controlling interests			1
	-89	111	263

Condensed statement of financial position

MEUR	31.3.2020	31.3.2019	31.12.2019
Non-current assets			
Intangible assets	1,745	1,769	1,776
Property, plant and equipment	301	321	307
Right-of-use assets	173	206	185
Investments in associates and joint ventures	42	67	42
Other investments	18	17	18
Deferred tax assets	183	138	155
Other receivables	35	68	35
Total non-current assets	2,498	2,586	2,518
Current assets			
Inventories	1,378	1,251	1,365
Other receivables	1,879	1,999	2,074
Cash and cash equivalents	405	501	358
Total current assets	3,662	3,751	3,797
Assets held for sale	90		82
Total assets	6,249	6,337	6,398
Equity			
Share capital	336	336	336
Other equity	1,687	1,909	2,060
Total equity attributable to equity holders of the parent company	2,023	2,244	2,396
Non-controlling interests	14	14	14
Total equity	2,036	2,259	2,410
Non-current liabilities			
Interest-bearing debt	1,104	1,047	997
Deferred tax liabilities	81	103	83
Other liabilities	235	234	238
Total non-current liabilities	1,419	1,384	1,317
Current liabilities			
Interest-bearing debt	166	115	99
Other liabilities	2,555	2,579	2,503
Total current liabilities	2,721	2,694	2,603
Total liabilities	4,140	4,078	3,920
Liabilities directly attributable to assets held for sale	73		68
Total equity and liabilities	6,249	6,337	6,398

Condensed statement of cash flows

MEUR	1-3/2020	1-3/2019	2019
Cash flow from operating activities:			
Profit for the reporting period	29	59	218
Adjustments for:			
depreciation, amortisation and impairment	39	41	180
financial income and expenses	9	13	47
gains and losses on sale of intangible assets and property, plant and equipment and other changes	-1	-8	-15
share of result of associates and joint ventures	-1		9
income taxes	14	19	97
other non-cash flow adjustment	2		3
Cash flow before changes in working capital	91	124	540
Changes in working capital	-22	-48	-130
Cash flow from operating activities before financial items and	69	76	410
Financial items and paid taxes	-27	-41	-178
Cash flow from operating activities	42	35	232
Cash flow from investing activities:			
Investments in shares and acquisitions			-6
Net investments in property, plant and equipment and intangible	-24	-13	-91
Proceeds from sale of shares in associated companies and other investments		2	1
Cash flow from investing activities	-24	-12	-95
Cash flow from financing activities:			
Proceeds from non-current debt	125	150	150
Repayments and other changes in non-current debt	-26	-35	-105
Changes in current loans and other changes	66	2	-16
Dividends paid	-127	-131	-284
Cash flow from financing activities	39	-14	-256
Change in cash and cash equivalents, increase (+)/decrease (-)	57	10	-119
Cash and cash equivalents at the beginning of the reporting period	369	487	487
Exchange rate changes	-7	4	
Cash and cash equivalents at the end of the reporting period*	420	501	369

^{*} Cash and cash equivalents at 31.3.2020 and 31.12.2019 includes the cash and cash equivalents pertaining to assets held for sale.

Consolidated statement of changes in equity

	Total ed	quity attribu	utable to e	quity hold	ers of the paren	t company	Non- controlling interests	Total equity
MEUR	Share capital	Share premium	Transla- tion dif- ference	Fair value reserve	Remea- sure- ments 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 Dividends paid			-56	-59	-4	30 -284		-89 -284
Equity on 31 March 2020	336	61	-170	-70	-59	1,924	14	2,036

	Non-	
	controlling	Total
Total equity attributable to equity holders of the parent company	interests	equity

MEUR	Share capital	Share premium	Transla- tion dif- ference	Fair value reserve	Remea- sure- ments of defined benefit liabilities	Retained earnings		
Equity on 1 January 2019	336	61	-155	-31	-39	2,245	14	2,432
Total comprehensive income for the reporting period			37	14	-1	59		111
Dividends paid						-284		-284
Equity on 31 March 2019	336	61	-118	-16	-40	2,021	14	2,259

Segment information

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

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

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

Wärtsilä has established Portfolio Business as an independent entity alongside its Marine and Energy businesses. The comparison period figures for the segment reporting and service information have been adjusted to reflect the new reporting structure.

MEUR	1-3/2020	1–3/2019	2019
Net sales			
Wärtsilä Marine Business	759	699	3,155
Wärtsilä Energy Business	351	403	1,779
Portfolio Business	59	49	236
Total	1,170	1,151	5,170
Depreciation, amortisation and impairment			
Wärtsilä Marine Business	-30	-31	-138
Wärtsilä Energy Business	-8	-7	-31
Portfolio Business	-2	-3	-11
Total	-39	-41	-180
Share of result of associates and joint ventures			
Wärtsilä Marine Business	1		-9
Total	1		-9
Operating result			
Wärtsilä Marine Business	41	57	237
Wärtsilä Energy Business	13	40	131
Portfolio Business	-1	-6	-7
Total	52	91	362
Operating result as a percentage of net sales (%)			
Wärtsilä Marine Business	5.3	8.1	7.5
Wärtsilä Energy Business	3.7	10.0	7.4
Portfolio Business	-2.3	-12.2	-2.8
Total	4.5	7.9	7.0
Comparable operating result			
Wärtsilä Marine Business	43	62	301
Wärtsilä Energy Business	14	43	155
Portfolio Business	-1	-2	
Total	56	102	457
Comparable operating result as a percentage of net sales (%)			
Wärtsilä Marine Business	5.7	8.8	9.6
Wärtsilä Energy Business	3.9	10.6	8.7
Portfolio Business	-1.1	-5.0	0.1
Total	4.8	8.9	8.8

Net sales by geographical areas

MEUR	1-3/2020	1-3/2019	2019
Europe	379	373	1,690
Asia	414	435	1,968
The Americas	277	240	1,098
Other	100	103	414
Total	1,170	1,151	5,170

Service information

MEUR	1-3/2020	1-3/2019	2019
Net sales			
Marine service	386	357	1,581
Energy service	184	188	802
Portfolio Business, service	22	28	119
Total	592	573	2,502

Measures of profit and items affecting comparability

MEUR	1-3/2020	1-3/2019	2019
Comparable adjusted EBITA	65	113	498
Purchase price allocation amortisation	-9	-11	-41
Comparable operating result	56	102	457
Items affecting comparability:			
Social plan costs	-1	-9	-31
Impairment and write-downs			-36
Other restructuring costs and transfer costs	-3	-2	-27
Items affecting comparability, total	-4	-11	-95
Operating result	52	91	362

Assets held for sale

In December 2019, Wärtsilä announced the divestment of shares in Wärtsilä ELAC Nautik GmbH (ELAC Nautik) to Cohort plc. ELAC Nautik's main market focus is on hydroacoustic products, including sonars, underwater communication systems and echo systems for small and medium sized military submarines.

Wärtsilä, through its Smart Marine Ecosystem approach, is leading the marine industry's transition into a new era of high efficiency, greater safety, and outstanding environmental performance. As this is Wärtsilä's core strategy for Marine Business, and ELAC Nautik business has no clear synergistic link to Wärtsilä's Smart Marine activities in transforming the marine sector, the portfolio is aligned to those growth businesses that can drive this transition.

Additionally, Wärtsilä has started preparations to divest its Entertainment business, which is also classified as assets held for sale.

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

Subject to approvals, completion of these transactions is expected during 2020.

Disaggregation of revenue

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

Net sales by revenue type

MEUR	1-3/2020	1-3/2019	2019
Products	273	283	1,184
Goods and services	143	131	603
Projects	630	621	2,899
Long-term agreements	124	116	484
Total	1,170	1,151	5,170

Timing of satisfying performance obligations

MEUR	1-3/2020	1-3/2019	2019
At a point in time	804	784	3,728
Over time	366	367	1,442
Total	1,170	1,151	5,170

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

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

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

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

Intangible assets and property, plant and equipment

MEUR	1-3/2020	1-3/2019	2019
Intangible assets			_
Carrying amount on 1 January	1,776	1,747	1,747
Changes in exchange rates	-33	28	29
Additions	15	12	65
Amortisation and impairment	-14	-16	-63
Decreases and reclassifications		-2	-3
Carrying amount at the end of the reporting period	1,745	1,769	1,776
Property, plant and equipment			
Carrying amount on 1 January	307	324	324
Transfer to right-of-use assets		-2	-2
Changes in exchange rates	-3	2	1
Additions	12	11	49
Depreciation and impairment	-13	-13	-55
Decreases and reclassifications	-2	-1	-11
Carrying amount at the end of the reporting period	301	321	307

Leases

MEUR	1-3/2020	1-3/2019	2019
Land and buildings, right-of-use assets			
Carrying amount on 1 January	174	203	203
Changes in exchange rates	-5	2	
Additions	6		28
Depreciation and impairment	-11	-10	-43
Decreases and reclassifications	-2	1	-14
Carrying amount at the end of the reporting period	162	195	174
Machinery and equipment, right-of-use assets			
Carrying amount on 1 January	11	12	12
Additions	2	1	6
Depreciation and impairment	-2	-1	-6
Decreases and reclassifications			-1
Carrying amount at the end of the reporting period	10	11	11
Lease liabilities			
Carrying amount on 1 January	188	215	215
Changes in exchange rates	-4	2	
Additions	8	1	33
Interest expenses		1	2
Payments	-13	-12	-49
Other adjustments	-2	-1	-13
Carrying amount at the end of the reporting period	176	207	188

MEUR	1-3/2020	1-3/2019	2019
Amounts recognised in statement of income			
Depreciation and impairment	-12	-12	-49
Interest expenses	-1	-1	-5
Expense – short-term leases	-7	-9	-32
Expense – leases of low-value assets	-1	-2	-6
Expense – variable lease payments	-2	1	-4

Gross capital expenditure

MEUR	1-3/2020	1-3/2019	2019
Investments in securities and acquisitions			6
Intangible assets and property, plant and equipment	27	23	116
Total	27	23	122

Net interest-bearing debt

MEUR	1-3/2020	1-3/2019	2019
Interest-bearing debt, non-current	967	883	851
Lease liabilities, non-current	137	163	146
Interest-bearing debt, current	127	71	58
Lease liabilities, current	39	44	42
Total interest-bearing liabilities	1,270	1,162	1,096
Interest-bearing receivables	-1	-3	-1
Cash and cash equivalents	-405	-501	-358
Cash and cash equivalents pertaining to assets held for sale	-15		-11
Total interest-bearing assets	-421	-504	-370
Total net interest-bearing debt	849	658	726

Financial ratios

	1-3/2020	1-3/2019	2019
Earnings per share (EPS), basic and diluted, EUR	0.05	0.10	0.37
Equity per share, EUR	3.42	3.79	4.05
Solvency ratio, %	35.3	39.6	40.8
Gearing*	0.42	0.29	0.30
Return on investment (ROI), %	10.3	18.2	11.5
Return on equity (ROE), %	8.8	17.5	9.0

^{*} Gearing includes the cash and cash equivalents pertaining to assets held for sale.

Personnel

	1-3/2020	1-3/2019	2019
On average	18,653	19,295	19,110
At the end of the reporting period	18.642	19.225	18.795

Contingent liabilities

MEUR	1-3/2020	1-3/2019	2019
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	19	23	22
Total	29	33	32
Guarantees and contingent liabilities			
On behalf of Group companies	847	762	718
Nominal amount of lease liabilities			
Low-value lease liabilities	4	6	3
Short-term lease liabilities	4	14	5
Leases not yet commenced, but to which Wärtsilä is			
committed	158		143
Total	1,013	781	869

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	450	
Cross currency swaps	252	
Foreign exchange forward contracts	2,414	988
Total	3,116	988

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

Fair values

Fair value measurements at the end of the reporting period:

<u>MEUR</u>	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	18	18
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	2	2
Derivatives (level 2)	41	41
Financial liabilities		
Interest-bearing debt, non-current (level 2)	1,104	1,113
Derivatives (level 2)	87	87

Quarterly figures

MEUR	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019	1–3/ 2019	10–12/ 2018	7–9/ 2018	4–6/ 2018	1–3/ 2018
Order intake									
Wärtsilä Marine Business*	715	896	668	902	843	1,031	1,009	1,027	877
Wärtsilä Energy Business*	475	585	260	435	489	843	363	526	630
Portfolio Business**	57	74	51	40	83				
Total	1,247	1,555	979	1,377	1,416	1,874	1,372	1,553	1,507
Order book at the end of the reporting period***									
Wärtsilä Marine Business*	3,322	3,525	3,622	3,699	3,573	3,651	3,536	3,244	2,818
Wärtsilä Energy Business*	2,087	2,014	2,023	2,120	2,043	2,515	2,382	2,660	2,672
Portfolio Business**	336	338	336	338	361				
Total	5,745	5,878	5,982	6,157	5,977	6,166	5,918	5,904	5,490
Net sales									
Wärtsilä Marine Business*	759	965	734	756	699	831	680	685	619
Wärtsilä Energy Business*	351	648	328	400	403	701	650	561	447
Portfolio Business**	59	71	56	60	49				
Total	1,170	1,684	1,118	1,217	1,151	1,532	1,330	1,246	1,066
Share of result of associates and joint ventures	1	-2	-6	-1		3	3	4	3
Comparable adjusted EBITA	65	213	49	123	113	237	152	134	98
as a percentage of net sales	5.6	12.6	4.4	10.1	9.8	15.4	11.5	10.7	9.2
Depreciation, amortisation and impairment	-39	-39	-58	-42	-41	-37	-31	-31	-30

purchase price allocation amortisation	-9	-10	-10	-10	-11	-11	-11	-11	-10
Comparable operating result	56	202	39	113	102	226	141	123	88
as a percentage of net sales	4.8	12.0	3.5	9.3	8.9	14.7	10.6	9.8	8.3
Items affecting comparability, total	-4	-39	-28	-17	-11	-20		-12	-3
Operating result	52	164	11	96	91	206	141	111	85
as a percentage of net sales	4.5	9.7	1.0	7.9	7.9	13.4	10.6	8.9	8.0
Financial income and expenses	-9	-11	-11	-13	-13	-12	-11	-8	-9
Profit before taxes	43	153		83	78	194	130	102	76
Income taxes	-14	-51	-5	-21	-19	-41	-29	-28	-19
Profit for the reporting period	29	102	-5	62	59	153	101	75	57
Earnings per share (EPS), basic and diluted, EUR	0.05	0.17	-0.01	0.11	0.10	0.25	0.17	0.13	0.10
Gross capital expenditure	27	44	24	32	23	48	26	194	37
investments in securities and acquisitions		2		4		-1		177	20
Cash flow from operating activities	42	295	-61	-37	35	349	122	41	-42
Working capital (WCAP) at the end of the reporting period	660	732	870	784	656	581	782	790	726
Personnel at the end of the reporting period****									
Wärtsilä Marine Business*	12,735	12,579	12,665	12,741	12,615	13,582	13,727	13,609	12,618
Wärtsilä Energy Business*	4,819	5,137	5,295	5,449	5,513	5,712	5,692	5,622	5,564
Portfolio Business**	1,088	1,080	1,058	1,050	1,096				
Total	18,642	18,795	19,018	19,239	19,225	19,294	19,420	19,231	18,182

^{*} The comparison period 2018 segment figures have been restated to reflect the new organisational structure.

Calculations of financial ratios

Operating result

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

Earnings per share (EPS), basic and diluted

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

Adjusted number of shares, average over the reporting period

Items affecting comparability

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

^{*} The comparison period 2019 segment figures have been restated to reflect the new organisational structure that separates the Portfolio Business.

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

^{****}Comparison figures have been adjusted to correctly reflect the business line composition of the Portfolio Business and a change in allocation principles.

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

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the reporting period

Solvency ratio

Equity x 100 Total equity and liabilities - advances received

Gearing

Interest-bearing liabilities - cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses x 100 Total equity and liabilities - non-interest-bearing liabilities - provisions, average over the reporting period

Return on equity (ROE)

Profit for the reporting period

x 100 Equity, average over the reporting period

Order intake

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

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

Working capital (WCAP)

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

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

20 April 2020

Wärtsilä Corporation

Board of Directors