

Wärtsilä Corporation

# Financial Statements Bulletin

January – December 2020



## 2020 – a year characterised by COVID-19 related uncertainty

### Highlights of October–December 2020

- Order intake decreased by 28% to EUR 1,118 million (1,555)
- Net sales decreased by 28% to EUR 1,220 million (1,684)
- Book-to-bill amounted to 0.92 (0.92)
- Comparable operating result decreased by 49% to EUR 103 million (202), which represents 8.4% of net sales (12.0)
- Earnings per share decreased to 0.10 euro (0.17)
- Cash flow from operating activities decreased to EUR 274 million (295)

### Highlights of January–December 2020

- Order intake decreased by 18% to EUR 4,359 million (5,327)
- Order book at the end of the period decreased by 14% to EUR 5,057 million (5,878)
- Net sales decreased by 11% to EUR 4,604 million (5,170)
- Book-to-bill amounted to 0.95 (1.03)
- Comparable operating result decreased by 40% to EUR 275 million (457), which represents 6.0% of net sales (8.8)
- Earnings per share decreased to 0.23 euro (0.37)
- Cash flow from operating activities increased to EUR 681 million (232)
- Dividend proposal 0.20 euro per share (0.48)

### Wärtsilä's prospects for 2021

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

## Jaakko Eskola, President & CEO

“2020 proved to be an unprecedented year, with Wärtsilä’s end markets heavily affected by the coronavirus (COVID-19) outbreak and the measures taken globally to contain the pandemic. Vessel contracting decreased to record low levels, investments in new power plant capacity were postponed, and maintenance activities were pushed out, as the utilisation of installations declined and travel restrictions limited the mobility of service engineers. Although Wärtsilä’s order intake declined as a result, I am pleased to note some areas of resilience. Activity in the energy storage market held up well, driven by the increasing need for short-term flexible capacity, while the marine markets’ digital transformation accelerated along with the adoption of new technologies and digital applications in response to restrictions in physical travel and to enhance competitive positioning.

Not surprisingly, the impact of the pandemic on our financial performance for the year was significant. Net sales decreased because of lower service volumes and disruptions to equipment deliveries. While fourth quarter profitability improved sequentially, the seasonal pick-up in service activity was, as anticipated, weaker than in previous years. The operating result and profitability for the full year came in well below that of 2019, the main reasons being a less favourable sales mix, under absorption of fixed costs, and COVID-19 driven cost inflation. To mitigate the financial effects of COVID-19, we have implemented temporary actions to create savings in the form of reduced discretionary spending, worktime reductions, and temporary layoffs. We also placed a significant focus on decreasing credit risk and improving working capital, particularly in the areas of inventory management and receivables collection. As a result, our operating cash flow reached record high levels.

Despite the disruptions to our operations, our commitment to R&D activities has remained unchanged. Last year saw the launch of many solutions aimed at delivering higher efficiency, greater reliability, and better environmental sustainability to enhance the business of our customers. I am also pleased with the progress we have made in future-proofing engine technology, in line with the global trend towards the decarbonisation of the energy and marine markets. During the year, we initiated full-scale testing of ammonia as a fuel in our 4-stroke combustion engines and announced our intention to develop the gas engine combustion process to enable them over time to burn 100% hydrogen fuel. In the energy markets, we have stepped up our efforts to support our customers in understanding and accelerating the energy transformation. An example of this is the launch of the Energy Transition Lab, a platform that provides a better understanding of the implications on electricity generation, demand, and pricing resulting from the increased integration of energy from renewable sources, such as wind and solar.

The demand environment is likely to remain challenging in the short term, with near-term demand similar to the levels seen in early 2020. However, vaccine developments have provided some relief to the markets. We expect to see this having a positive effect on our business during the course of 2021, as country level vaccination programmes are implemented on a global scale. Looking further ahead, I remain confident that our strategy, and the organisational changes we implemented last year, position us well to capture opportunities arising from decarbonisation efforts in both the marine and energy markets.

This being the last results to be published before my retirement, I would like to take the opportunity to thank all my colleagues throughout Wärtsilä for your dedication and support. In particular, your help in navigating our way through the past challenging year is highly appreciated. It has been a true pleasure to work with you in developing Wärtsilä into the smart technology company it is today.”

## Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	1,118	1,555	-28%	4,359	5,327	-18%
of which services	626	726	-14%	2,267	2,683	-16%
Order book, end of period				5,057	5,878	-14%
Net sales	1,220	1,684	-28%	4,604	5,170	-11%
of which services	654	741	-12%	2,255	2,505	-10%
Book-to-bill	0.92	0.92		0.95	1.03	
Operating result	90	164	-45%	234	362	-35%
% of net sales	7.4	9.7		5.1	7.0	
Comparable operating result	103	202	-49%	275	457	-40%
% of net sales	8.4	12.0		6.0	8.8	
Comparable adjusted EBITA*	111	213	-48%	308	498	-38%
% of net sales	9.1	12.6		6.7	9.6	
Profit before taxes	78	153	-49%	191	315	-39%
Earnings/share, EUR	0.10	0.17		0.23	0.37	
Cash flow from operating activities	274	295		681	232	
Net interest-bearing debt, end of period				394	726	
Gross capital expenditure				117	122	
Gearing				0.18	0.30	
Solvency, %				38.1	40.8	
Personnel, end of period				17,792	18,795	-5%

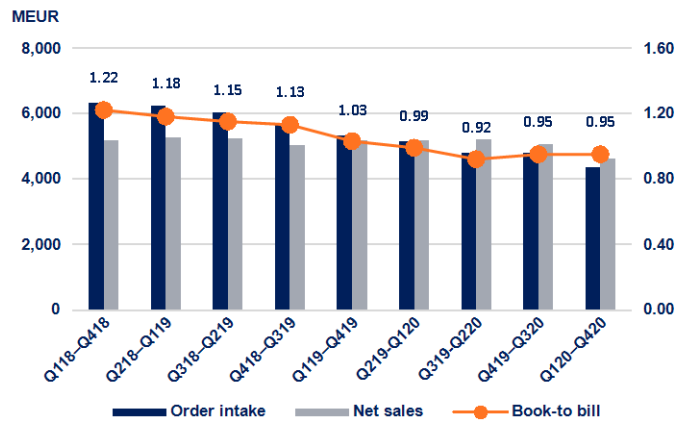
\*Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

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

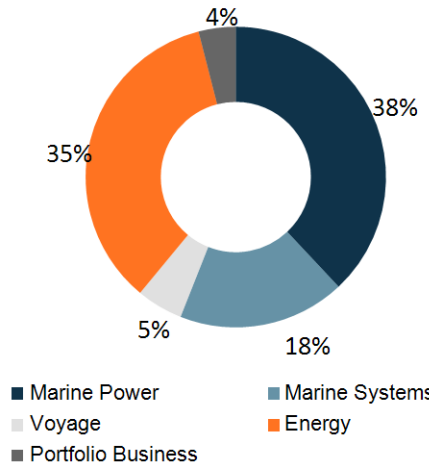
As published in the Interim report January-March 2020, order book figures for 2019 have been restated due to the stricter requirements for booking new orders, and personnel comparison figures for 2019 have been adjusted to correctly reflect the business line composition of the Portfolio Business and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

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

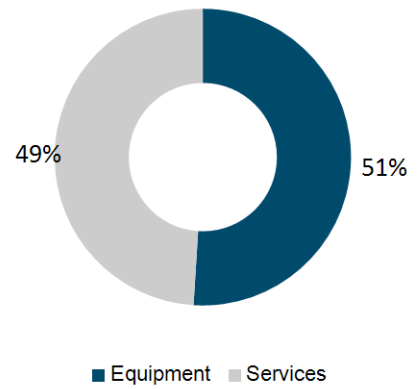
### Book-to-bill, 12 months rolling



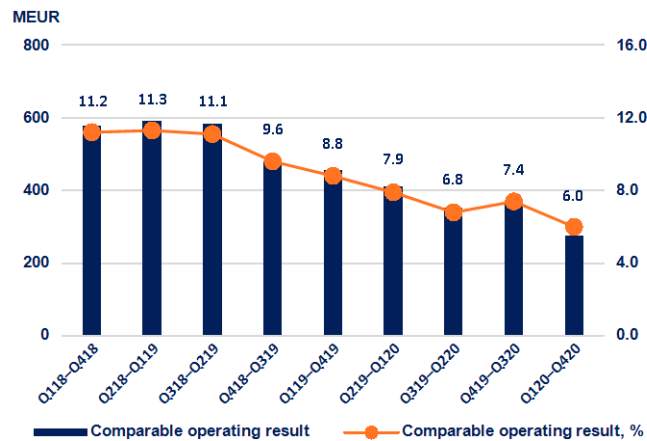
### Net sales by business, January–December



### Net sales by business type, January–December



### Comparable operating result, 12 months rolling



# Group financial and strategic development

## Operating environment

### Marine

The effects of the COVID-19 pandemic significantly affected the demand for equipment and services in the shipping and shipbuilding markets throughout 2020. The decline in seaborne trade and travel restrictions impacted the fleet utilisation rate, especially in the passenger sector, and limited the appetite for newbuild investments. As a result, only 815 vessels were contracted during the year (1,153 in 2019, excluding late contracting) and the demand for spare parts and maintenance activities softened. The news released in November regarding COVID-19 vaccine results improved confidence in a recovery in both newbuild and service activities across all vessel segments.

Cruise operations were heavily affected by the travel restrictions and no-sail orders. Despite a marginal uptick in cruise activity towards the end of the year, the vast majority of the fleet remains idled. After the initial disruptions following the first virus outbreak, the ferry fleet was gradually reactivated over the summer, but was increasingly idled again in the fourth quarter as, on top of the typical seasonal unwinding, a new wave of COVID-19 hit the European markets. The offshore sector continued to be under severe pressure due to low oil demand. Limited exploration activity led to a decline in utilisation of drilling rigs and support vessels to levels similar to the post-2014 market cycle. Conversely, the expected growth in offshore wind projects generated demand for specialised vessels, providing newbuild and service opportunities in wind farm related vessels. In the LNG shipping sector, a positive trend in spot rates began in the third quarter as a result of the rapid increase in Asian LNG demand. This was due to seasonal factors as well as constrained supply resulting from outages at several liquefaction terminals. The containership market recovered rapidly from the initial shock posed by COVID-19. This recovery was supported by continuous gains in freight volumes resulting in higher freight rates and less idle capacity. Crude oil and product tanker earnings remained under significant pressure during the latter part of the year, as oil supply cuts and the unwinding of floating storage lowered the demand for oil. Although earnings for bulk carriers increased in the second half, thanks to a higher demand for iron ore from China, the number of idled vessels continues to be above normal levels.

The HSFO/MLSFO price differential narrowed significantly as a result of both the sharp decline in oil prices and improved VLSFO availability, thus negatively impacting the pace of scrubber retrofits and installations on newbuilds. After the positive news regarding COVID-19 vaccine breakthroughs in November, oil prices surged and, consequently, the price spread between bunker fuel types increased to around 80 USD per tonne. Nevertheless, the market for scrubber contracting is still characterised by a high degree of uncertainty, mostly due to the limited visibility on future price spreads.

While the pandemic has led to a significant contraction in trade volumes, it has also accelerated the digital transformation through new technologies and digital applications being adopted as a matter of necessity. The use of cloud-based remote solutions has also accelerated in response to restrictions on physical travel. Ship-to-port communications, as well as document and data exchange, are increasingly being handled electronically rather than via personal interaction, both on ships and in port. Furthermore, fleet optimisation and performance management technologies are increasingly being accepted as central in order to secure profitability in a competitive market.

Meanwhile, the path towards the decarbonisation of the shipping industry continued to gain pace. The share of alternative-fuel capable vessels among the total newbuild contracting increased during the year. LNG has cemented its position as the most widely adopted alternative fuel, as it enables immediate GHG emission reductions. Moreover, the dual-fuel engine technology used to burn LNG is fuel flexible, thus mitigating business risks associated with future fuel related uncertainties. Zero-carbon fuels, such as biofuels, ammonia and hydrogen, are also gaining interest as are various energy saving technologies. The IMO released a plan in November to drive the shipping industry towards its ambitious decarbonisation targets, with a set of policies coming into force from 2022 onwards. At the same time, the European Parliament approved a proposal to include shipping in its emissions trading scheme (ETS). With new rules expected in the coming years that will require shipowners to reduce their emissions through technical or operational measures, there is a growing consensus that vessels should increasingly adopt interoperable network technology to link onboard machinery, navigation, cargo handling, and other systems.

Such technology will reduce fuel consumption, while representing an important step towards decarbonisation and increased efficiency.

## Energy

The COVID-19 pandemic and the resulting slowdown of economic activity had a negative impact on the global liquid and gas fuelled power plant markets throughout 2020. While the market situation has stabilised and is showing some improvement, the prevailing uncertainty regarding the duration, development, and economic impacts of the pandemic continues to result in customers postponing investments in new power plant capacity. Additionally, energy policies are being developed to drive ambitious decarbonisation targets, and utilities continue to update their investment strategies, which is causing uncertainty and delays in decision-making. However, activity in energy storage was at a good level, driven by the increasing need for short-term flexible capacity in power systems with a high share of renewables. While mobility restrictions affected the ability to perform service activities, the demand for services held up reasonably well, and customers continued to show interest in long-term service agreements.

Wärtsilä's market share in the up to 500 MW market segment was stable at 9% (9), while global orders for natural gas and liquid power plants increased by 3% to 16.6 GW during the twelve-month period ending in September 2020 (16.0 GW at the end of June). 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 October–December** decreased by 28% to EUR 1,118 million (1,555) compared to the corresponding period in the previous year. Book-to-bill was 0.92 (0.92). Service order intake decreased by 14% to EUR 626 million (726), while equipment order intake decreased by 41% to EUR 493 million (829).

**Order intake in January–December** decreased by 18% to EUR 4,359 million (5,327) compared to the corresponding period in the previous year. Uncertainty related to the COVID-19 pandemic and its long-term implications weakened demand across all businesses. Book-to-bill was 0.95 (1.03). Service order intake decreased by 16% to EUR 2,267 million (2,683), while equipment order intake decreased by 21% to EUR 2,091 million (2,644).

The **order book** at the end of the period decreased by 14% to EUR 5,057 million (5,878). Cancellations during the period were largely in line with normal low levels. Wärtsilä has implemented stricter requirements for the inclusion of new and existing projects in the order book. This resulted in orders amounting to approximately EUR 340 million being removed from the order book during January–December, primarily due to lack of progress or milestone payments not being received, as well as some cancellations. Wärtsilä's current order book for 2021 deliveries is EUR 3,298 million (3,571).

## Order intake and order book by reporting segment

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
<b>Order intake</b>	<b>1,118</b>	<b>1,555</b>	<b>-28%</b>	<b>4,359</b>	<b>5,327</b>	<b>-18%</b>
Marine Power	440	656	-33%	1,737	2,247	-23%
Marine Systems	133	147	-9%	539	754	-28%
Voyage	55	93	-40%	262	310	-16%
Energy	469	585	-20%	1,653	1,769	-7%
Portfolio Business	21	74	-71%	168	248	-32%
<b>Order book, end of period</b>				<b>5,057</b>	<b>5,878</b>	<b>-14%</b>
Marine Power				1,839	2,019	-9%
Marine Systems				857	1,232	-31%
Voyage				275	274	0%
Energy				1,830	2,014	-9%
Portfolio Business				257	338	-24%

## Net sales and operating result

Wärtsilä's **net sales in October–December** decreased by 28% to EUR 1,220 million (1,684) compared to the corresponding period in the previous year. Service net sales decreased by 12% to EUR 654 million (741), as the typical seasonal improvement was limited by the lower utilisation of installations and continued mobility restrictions. Equipment net sales decreased by 40% to EUR 566 million (943).

The **operating result in October–December** amounted to EUR 90 million (164) or 7.4% of net sales (9.7). The comparable operating result totalled EUR 103 million (202) or 8.4% of net sales (12.0). Items affecting comparability amounted to EUR 13 million, consisting mainly of costs related to divestments and restructuring programmes. In the comparison period, items affecting comparability of EUR 39 million consisted primarily of restructuring costs and additional costs related to the closure of the Wärtsilä Hyundai Engine Company (WHEC) joint venture in South Korea. The comparable adjusted EBITA amounted to EUR 111 million (213) or 9.1% of net sales (12.6). Purchase price allocation amortisation amounted to EUR 8 million (10).

**Net sales in January–December** decreased by 11% to EUR 4,604 million (5,170) compared to the corresponding period in the previous year. Service net sales decreased by 10% to EUR 2,255 million (2,505). Equipment net sales decreased by 12% to EUR 2,349 million (2,665). Of Wärtsilä's net sales, approximately 65% was EUR denominated and 20% USD denominated, with the remainder being split between several currencies.

The **operating result in January–December** amounted to EUR 234 million (362) or 5.1% of net sales (7.0). The result was burdened by a decline in service volumes, COVID-19 driven cost inflation, and weaker fixed cost absorption. The comparable operating result totalled EUR 275 million (457) or 6.0% of net sales (8.8). Items affecting comparability comprised costs related to divestments and restructuring programmes of EUR 41 million (95). The comparable adjusted EBITA amounted to EUR 308 million (498) or 6.7% of net sales (9.6). Purchase price allocation amortisation amounted to EUR 33 million (41).

Financial items amounted to EUR -43 million (-47) in January–December. Net interest totalled EUR -10 million (-12). Profit before taxes amounted to EUR 191 million (315). Taxes amounted to EUR 58 million (97), implying an effective tax rate of 30.3% (30.7). Profit for the financial period amounted to EUR 133 million (218). Earnings per share totalled 0.23 euro (0.37). Return on investment (ROI) was 7.1% (11.5), while return on equity (ROE) was 5.8% (9.0).



## Net sales and operating result by reporting segment

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
<b>Net sales</b>	<b>1,220</b>	<b>1,684</b>	<b>-28%</b>	<b>4,604</b>	<b>5,170</b>	<b>-11%</b>
Marine Power	489	603	-19%	1,748	1,923	-9%
Marine Systems	167	279	-40%	808	952	-15%
Voyage	68	82	-17%	248	280	-12%
Energy	465	648	-28%	1,620	1,779	-9%
Portfolio Business	30	71	-57%	181	236	-24%
<b>Operating result</b>	<b>90</b>	<b>164</b>	<b>-45%</b>	<b>234</b>	<b>362</b>	<b>-35%</b>
Marine Power	42	93	-55%	134	221	-40%
Marine Systems	15	12	31%	81	53	53%
Voyage	-11	-6	-86%	-42	-37	-13%
Energy	51	63	-19%	91	131	-31%
Portfolio Business	-7	2		-29	-7	
<b>Operating result, % of net sales</b>	<b>7.4</b>	<b>9.7</b>		<b>5.1</b>	<b>7.0</b>	
Marine Power	8.6	15.4		7.7	11.5	
Marine Systems	9.2	4.2		10.0	5.6	
Voyage	-16.2	-7.2		-17.0	-13.3	
Energy	10.9	9.7		5.6	7.4	
Portfolio Business	-23.1	2.8		-16.2	-2.8	
<b>Comparable operating result</b>	<b>103</b>	<b>202</b>	<b>-49%</b>	<b>275</b>	<b>457</b>	<b>-40%</b>
Marine Power	45	107	-58%	137	273	-50%
Marine Systems	16	14	16%	83	60	39%
Voyage	-11	-4		-41	-31	-30%
Energy	55	82	-32%	101	155	-35%
Portfolio Business	-2	4		-6	0	
<b>Comparable operating result, % of net sales</b>	<b>8.4</b>	<b>12.0</b>		<b>6.0</b>	<b>8.8</b>	
Marine Power	9.1	17.7		7.8	14.2	
Marine Systems	9.6	4.9		10.3	6.3	
Voyage	-16.0	-4.5		-16.5	-11.2	
Energy	11.9	12.6		6.3	8.7	
Portfolio Business	-8.0	6.0		-3.1	0.1	

## Net sales bridge

MEUR	10–12/2020	1–12/2020
<b>2019</b>	<b>1,684</b>	<b>5,170</b>
Organic	-24%	-9%
Acquisitions and divestments	-1%	-0%
FX impact	-3%	-2%
<b>2020</b>	<b>1,220</b>	<b>4,604</b>

## Financing and cash flow

Wärtsilä's cash flow from operating activities in October–December amounted to EUR 274 million (295). During January–December, cash flow from operating activities increased to EUR 681 million (232), thanks to improved working capital. Working capital decreased to EUR 257 million at the end of the period (732 at the end of 2019), driven by lower inventories, as well as by efforts to reduce credit risk through strengthening the collection of receivables. Advances received totalled EUR 452 million (452 at the end of 2019). Additionally, EUR 38 million of advances pertained to assets held for sale.

Wärtsilä aims to ensure sufficient liquidity at all times through efficient cash management and by maintaining the availability of sufficient committed and uncommitted credit lines. Refinancing risk is managed by having a balanced and sufficiently long loan portfolio. Wärtsilä has focused on further strengthening its liquidity reserves during the year

in response to the COVID-19 pandemic. Measures taken include the extension of revolving credit facilities and the negotiation of additional loan facilities.

Cash and cash equivalents amounted to EUR 919 million (358 at the end of 2019). Additionally, EUR 14 million of cash and cash equivalents pertained to assets held for sale (11 at the end of 2019). Unutilised committed credit facilities totalled EUR 660 million (640 at the end of 2019).

Wärtsilä had interest-bearing debt totalling EUR 1,327 million at the end of the period (1,096 at the end of 2019). The total amount of short-term debt maturing within the next 12 months was EUR 198 million. Long-term loans amounted to EUR 1,129 million.

Net interest-bearing debt totalled EUR 394 million (726 at the end of 2019). Gearing was 0.18 (0.30 at the end of 2019), while the solvency ratio was 38.1% (40.8 at the end of 2019). Equity per share was 3.68 euro (4.05 at the end of 2019).

## Key financing items

MEUR	10–12/2020	10–12/2019	1–12/2020	1–12/2019
Cash flow from operating activities	274	295	681	232
Working capital			257	732
Net interest-bearing debt, end of period			394	726
Gearing			0.18	0.30
Solvency, %			38.1	40.8
Equity/share, EUR			3.68	4.05

## Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 115 million (116) in January–December. Capital expenditure related to acquisitions and investments in securities totalled EUR 2 million (6). Depreciation, amortisation, and impairment amounted to EUR 174 million (180).

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

## Strategy

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

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

With its flexible production and supply chain management, Wärtsilä constantly seeks new ways to maintain high quality and cost efficiency – often in co-operation with customers and leading industrial partners. Investments in research and development, specifically in digitalisation, create a strong foundation for securing and strengthening the company's position at the forefront of market innovation. Customer value creation through collaboration and knowledge sharing are also key components in Wärtsilä's innovation activities.

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

## 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 solutions offering, Wärtsilä goes beyond mere maintenance and operation by delivering guaranteed performance based on mutually agreed target levels. Research and development expenditure totalled EUR 153 million (164) in 2020, which represents 3.3% of net sales (3.2).

### Marine

In the development of viable future fuels Wärtsilä, in close cooperation with Knutsen OAS Shipping AS, Repsol, and Sustainable Energy Catapult Centre, initiated the world's first long-term, full-scale testing of ammonia as a fuel in a marine 4-stroke combustion engine in 2020. The testing is supported by a NOK 20 million grant from the Norwegian Research Council through the DEMO 2000 programme.

Key developments in the context of portfolio enhancements included the completion of full-scale testing of Wärtsilä's LPG fuel supply system 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 the Norwegian operator BW LPG. In addition, Wärtsilä launched its FuelFlex Injection Control Unit upgrade solution to meet the requirements of operating RT-flex type 2-stroke diesel engines with both residual and low-viscosity marine fuels. This is particularly relevant in view of the industry's increasing use of low-sulphur-content fuels in order to be compliant with sulphur emission regulations. Wärtsilä also introduced its Compact Reliq reliquefaction plant, designed to reliquefy boil-off gas (BOG) onboard gas carriers and LNG bunker vessels and keep the cargo cool under all operational conditions. Thanks to its compact design, the system can be installed on existing vessels without extensive modification work. During the year, Wärtsilä also upgraded the power output of the Wärtsilä 31DF dual-fuel engine, further heightening the engine's sustainability factor as a result of lower greenhouse gas emissions, while allowing a reduction in both installation and maintenance costs.

As the shipping industry enters a new era of innovation and unprecedented efficiency, Wärtsilä is using high levels of connectivity and digitalisation to bring value and optimisation to all marine applications, and to enhance the efficiency, sustainability, and safety of customer operations. Achievements in the field of smart navigation included the launch of Navi-Port, a new solution for the seamless exchange of data between ship and shore, enabling just-in-time arrival. This was implemented in collaboration with Carnival Maritime and the Hamburg Vessel Coordination Center (HVCC). Moreover, Wärtsilä Voyage and PSA Marine successfully completed initial sea trials for the 'IntelliTug' project in Singapore, thereby proving IntelliTug's capability to avoid a variety of obstacles, including virtual and real-life moving vessels. It was the first trial to use the Maritime and Port Authority of Singapore's (MPA) Maritime Autonomous Surface Ship (MASS) regulatory sandbox, which was established to facilitate the testing of MASS and other autonomous technologies in a safe and controlled environment within the Port of Singapore. Wärtsilä also successfully trialled the Wärtsilä SmartMove Suite, a unique pairing of sensor technology with navigation systems for semi-autonomous ship movement. The American Steamship Company became the first to install Wärtsilä SmartMove solutions, which will be used for hands-off transit along the Cuyahoga River in Ohio, USA.

The year 2020 also saw the launch of a number of remote support services. These included the global Smart Support Centre service, which is designed to deliver operational support via virtual service engineers to all Wärtsilä Voyage equipment, and the Assured Operations remote support service for Wärtsilä 4-stroke and 2-stroke engine customers. This enables technical experts to assess and resolve operational issues via a remote connection between seagoing vessels and Wärtsilä's Expertise Centres. During the year, Wärtsilä also made the digital



predictive maintenance product Expert Insight available for 2-stroke engines. The company simultaneously released a minimum viable product for remote monitoring of scrubbers to provide continuous fleet-wide insight into vessel compliance and scrubber utilisation. Moreover, Wärtsilä Voyage expedited the launch of Wärtsilä's new cloud simulation platform to enable maritime academies and seafarer schools to continue training despite the lockdowns and distancing imposed by the COVID-19 outbreak. The solution was selected by Anglo-Eastern, a leading ship management company, to provide online capacity for the company's training centres in India, the Philippines, and Ukraine. The cloud-based simulators are being used for navigation, engineering, and liquid cargo handling training.

## Energy

In line with its aim to lead the transition towards a 100% renewable energy future, Wärtsilä launched the Energy Transition Lab, an open-data platform for the energy industry to understand the impact of greater utilisation of renewable energy and the effects of COVID-19, and help accelerate the energy transition. The tool provides detailed data on electricity generation, demand, and pricing for the EU countries and the UK. It allows users to model how systems could operate in the future with more renewables, helping to pinpoint problem areas and highlighting where to focus policies and investments.

Key achievements in the advancement of engine technology included Wärtsilä's highly efficient 12 MWe Wärtsilä 31SG gas-fuelled generating set being awarded type certification by the classification society DNV GL. This is globally the largest synchronous generating set of this technology to have been awarded the unit certificate after full-scale testing. The certification verifies the design and engineering standards as being in full compliance with Germany's grid code requirements, the first country in Europe to have implemented guidelines for grid code compliance, although other countries have already or are in the process of requiring similar compliance. Wärtsilä also announced during the year that it is developing the combustion process in its gas engines to enable them over time to burn 100% hydrogen fuel. Wärtsilä has researched hydrogen as a fuel for 20 years, and has tested its engines with blends of up to 60% hydrogen and 40% natural gas. This development is part of the company's strategy to future-proof its engine technology in line with the global trend towards decarbonisation of the energy and marine markets. In addition to hydrogen, other potential renewable fuels are being studied for future applications. Wärtsilä engines are already capable of combusting 100% synthetic carbon-neutral methane and methanol.

Developments in the area of Power-to-X included funding granted by Business Finland for the X-Ahead project, as well as an agreement with Vantaa Energy Ltd. regarding a joint concept feasibility study for a power-to-gas facility at Vantaa Energy's waste-to-energy plant in the city of Vantaa. The X-Ahead project aims at developing deep expertise in both the technical and business potential of Power-to-X, which will be used to promote a carbon-neutral economy in Finland. It will also act as a base for defining Wärtsilä's role in this field as part of the global transition to carbon-neutral solutions. Vantaa Energy's power-to-gas facility would produce carbon-neutral synthetic biogas using carbon dioxide emissions and electricity generated at the waste-to-energy plant. The purpose of the joint study is to confirm the optimal size of the project and the cost of synthetic biogas for district heating, as well as to understand the boundary conditions for project feasibility.

## 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 the performance of existing products and services, and to develop new ones. The project will examine the application of digital technologies in areas such as autonomous ships, advanced remote services, new bridge technologies, and data sharing. Cyber security will be another natural area of co-operation.

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.

In June, Wärtsilä joined a global consortium to develop the Mayflower Autonomous ship project, which will enable the world's first fully autonomous, unmanned vessel to cross the Atlantic. Wärtsilä Voyage will equip the ship with the Wärtsilä RS24 system, a ground-breaking high-speed, high-resolution FMCW K-Band radar designed to provide optimised levels of situational awareness, especially in densely populated marine environments. Wärtsilä also joined ING Bank, Engie, and the Port of Rotterdam Authority to form Zero Emission Services B.V. (ZES), an enterprise aimed at making inland waterway shipping more sustainable. The concept is based on the use of replaceable battery containers charged with renewable energy. It will be utilised, among others, by the Heineken beer company and is supported by the Dutch Ministry of Infrastructure and Water Management.

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

In October, Wärtsilä signed a Memorandum of Understanding (MoU) tied to a license and co-operation agreement with the UK-based Anemoi Marine Technologies for the future sales and servicing of rotor sail solutions to the shipping industry. Rotor sails are comprised of vertical cylinders which, when driven to rotate, harness the renewable power of the wind to propel ships. These highly efficient mechanical sails will provide additional thrust to vessels and deliver significant fuel and emission savings. Wärtsilä will fully integrate Anemoi Marine Technologies' rotor sails within its propulsion business and promote the solution for both newbuild projects and for retrofitting to existing ships.

In December, Wärtsilä joined the CHEK project which aims to achieve zero emissions shipping. The project will develop and demonstrate a wind energy optimised bulk carrier, and a hydrogen powered cruise ship equipped with a combination of innovative technologies to reduce greenhouse gas emissions by 99%, achieve at least 50% energy savings, and reduce black carbon emissions by over 95%. The CHEK partners are the University of Vaasa (coordinator), Wärtsilä, Cargill International, MSC Cruises, Lloyd's Register, the World Maritime University, Silverstream Technologies, HASYTEC Electronics, Deltamarin, Climeon, and BAR Technologies.

## Capacity adjustments

In March, Wärtsilä announced that proactive steps would be taken to minimise the negative business impact of the COVID-19 pandemic and the measures initiated to contain it. These included reducing working hours and initiating temporary layoffs, as well as streamlining hiring and minimising the use of external personnel and consultants. Discretionary spending was also reduced and non-critical development projects postponed. Decisions on temporary cost reduction actions were taken in key countries where such measures were deemed necessary. The actions taken resulted in temporary cost savings of approximately EUR 100 million being recognised during the year, which was in line with initial expectations. The market situation is continuously monitored, and further actions will be taken as needed.

## Changes in organisational structure

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

## Personnel

Wärtsilä had 17,792 (18,795) employees at the end of the period. On average, the number of personnel totalled 18,307 (19,110) in the period January–December.

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

## Personnel by reporting segment

	31.12.2020	31.12.2019	Change
<b>Personnel</b>	<b>17,792</b>	<b>18,795</b>	<b>-5%</b>
Marine Power	8,355	8,820	-5%
Marine Systems	1,897	1,870	1%
Voyage	1,915	1,889	1%
Energy	4,888	5,137	-5%
Portfolio Business	737	1,080	-38%

## Changes in management

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

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

In July, Sushil Purohit (b. 1972, B.Sc. (Eng.), MBA) was appointed President of Wärtsilä Energy and Executive Vice President as of 3 August 2020. He replaced Marco Wirén, who left Wärtsilä on 31 August 2020 for a position outside the Group.

In September, Håkan Agnevall (b. 1966, M.Sc. (Tech), MBA) was appointed as the new President and CEO for Wärtsilä Corporation. Mr Agnevall will assume the role on 1 February 2021. He succeeds Jaakko Eskola, who will continue as a senior advisor to the Board and executive team until he retires on 30 June 2021.

## Sustainability

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

Sustainability highlights in January–December included the following:

In January, Wärtsilä's Exhaust Gas Cleaning (EGC) system was type approved by the China Classification Society (CCS), endorsing the efficiency and quality of the company's EGC systems.

In April, a 22.7 MW flexible gas power plant delivered to Benndale, Mississippi, USA by Wärtsilä commenced commercial operations. The new plant will provide flexible power generation for Cooperative Energy to extend their use of renewable energy. The plant has two highly efficient Wärtsilä 31SG gas engines as prime movers. With the



fast-starting, flexible engines it is able to rapidly respond to continuously changing load patterns, which is necessary in systems utilising inherently intermittent solar and wind energy.

In May, MSCI ESG Research LLC completed its annual update of the ESG (environmental, social, and governance) Ratings report on Wärtsilä, resulting in Wärtsilä receiving the best rating of “AAA”, placing it in the top 6% of companies. This is yet another external recognition of Wärtsilä’s continuous work on sustainability across multiple fronts, supporting its purpose of enabling sustainable societies with smart technology.

In June, Wärtsilä’s Aquarius EC ballast water management system (BWMS) was granted compliance with the IMO’s Resolution MEPC.300(72) for the Approval of Ballast Water Management Systems (BWMS Code) on behalf of the Norwegian Maritime Authority. Compliance with the IMO Resolution, which is otherwise known as the Revised G8, is important for ship owners globally. All vessels installing a BWMS as of 28 October 2020 will need to comply with the international BWMS Code. Wärtsilä’s Aquarius UV BWMS was awarded the certification already in March.

In July, Wärtsilä was awarded a contract to convert a Brazilian power plant to 100% natural gas operation, while at the same time increasing its output from 85 MW to 92 MW. The improved plant performance will raise its overall competitiveness, while also reducing its carbon footprint by approximately 10%, representing some 35,000 metric tons of carbon dioxide equivalent (MTCDE) per year. In addition to the conversion, the two companies renewed an operation and maintenance agreement for ten years, thus ensuring the plant’s availability and performance.

In September, Wärtsilä was awarded first prize in the United Nations’ AIS Big Data Hackathon. Altogether, teams from 17 organisations were selected to participate in the event. The Wärtsilä team, named ‘Blue Carbon’, developed a model for attributing the CO<sub>2</sub> emissions from vessels to their geographical locations based on their AIS (Automatic Identification System) locations. The model supports the creation of a global map, identifying both the geographical concentrations and the build-up over time of CO<sub>2</sub> emissions from shipping. This will enable environmental policy making to be based on factual evidence, allowing greater input from national and regional authorities to support the IMO’s regulatory efforts.

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

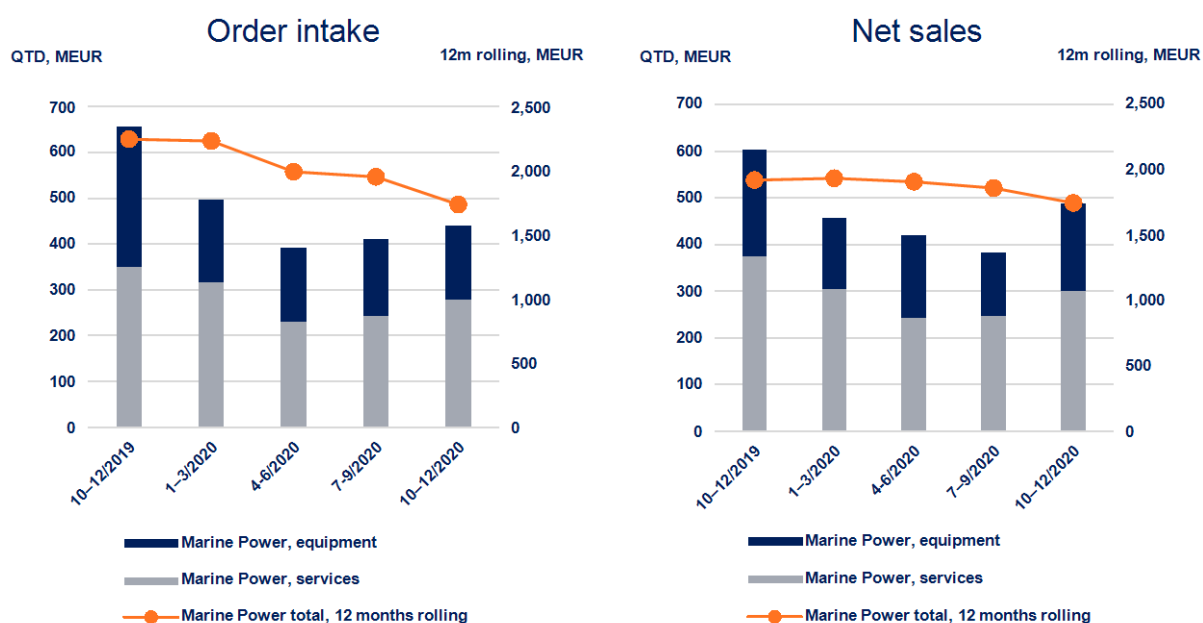
## Reporting segment: Wärtsilä Marine Power

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

- Fleet idling put pressure on ordering activity, as did customers adjusting capital and operating expenditures to meet prevailing market conditions.
- Profitability weakened primarily due to an unfavourable sales mix, as COVID-19 caused a decline in service activity. Weak fixed cost absorption was also a headwind.

### Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	440	656	-33%	1,737	2,247	-23%
of which services	279	349	-20%	1,070	1,315	-19%
Order book, end of period				1,839	2,019	-9%
Net sales	489	603	-19%	1,748	1,923	-9%
of which services	300	374	-20%	1,096	1,279	-14%
Book-to-bill	0.90	1.09		0.99	1.17	
Operating result	42	93	-55%	134	221	-40%
% of net sales	8.6	15.4		7.7	11.5	
Comparable operating result	45	107	-58%	137	273	-50%
% of net sales	9.1	17.7		7.8	14.2	
Personnel, end of period				8,355	8,820	-5%



## Financial development

Marine Power's **order intake in October–December** decreased by 33% to EUR 440 million (656) compared to the corresponding period in the previous year. Ordering activity weakened in many marine markets, with the largest decline seen in the cruise segment. Book-to-bill was 0.90 (1.09). Service order intake decreased by 20% to EUR 279 million (349). Equipment order intake decreased by 48% to EUR 161 million (307). Orders received during the quarter included a sizeable order to supply dual-fuel engines for six new LNG vessels and a contract to supply a fully integrated Wärtsilä hybrid solution for Misje Rederi's three newbuild eco-friendly 5,000 DWT bulk carriers.

**Net sales in October–December** decreased by 19% to EUR 489 million (603) compared to the corresponding period in the previous year. Service net sales decreased by 20% to EUR 300 million (374), while equipment net sales decreased by 18% to EUR 189 million (229). The **comparable operating result** amounted to EUR 45 million (107) or 9.1% of net sales (17.7).

**Order intake in January–December** decreased by 23% to EUR 1,737 million (2,247) compared to the corresponding period in the previous year. Book-to-bill was 0.99 (1.17). Service order intake decreased by 19% to EUR 1,070 million (1,315), with the largest decline seen in the cruise segment where vessel utilisation remained low throughout the year. Equipment order intake decreased by 28% to EUR 667 million (931). Demand was the highest in the merchant segment which, including both traditional merchant vessels and gas carriers, represented 35% and 42% of the order intake of equipment and services, respectively. Noteworthy orders received during the year included a contract to supply the engines and a range of electric solutions for two new ferries under construction for Finnlines, as well as a contract to supply Wärtsilä 14 EUR Stage V compliant engines and related emissions control after-treatment systems for two new passenger ferries being built for operation between Switzerland and France. The **order book** at the end of the period decreased by 9% to EUR 1,839 million (2,019).

**Net sales in January–December** decreased by 9% to EUR 1,748 million (1,923) compared to the corresponding period in the previous year. Service net sales decreased by 14% to EUR 1,096 million (1,279), while equipment net sales increased by 1% to EUR 652 million (643). The **comparable operating result** amounted to EUR 137 million (273) or 7.8% of net sales (14.2). The result was burdened by the COVID-19 related decline in service volumes, as well as by weaker absorption of fixed costs and lower utilisation.



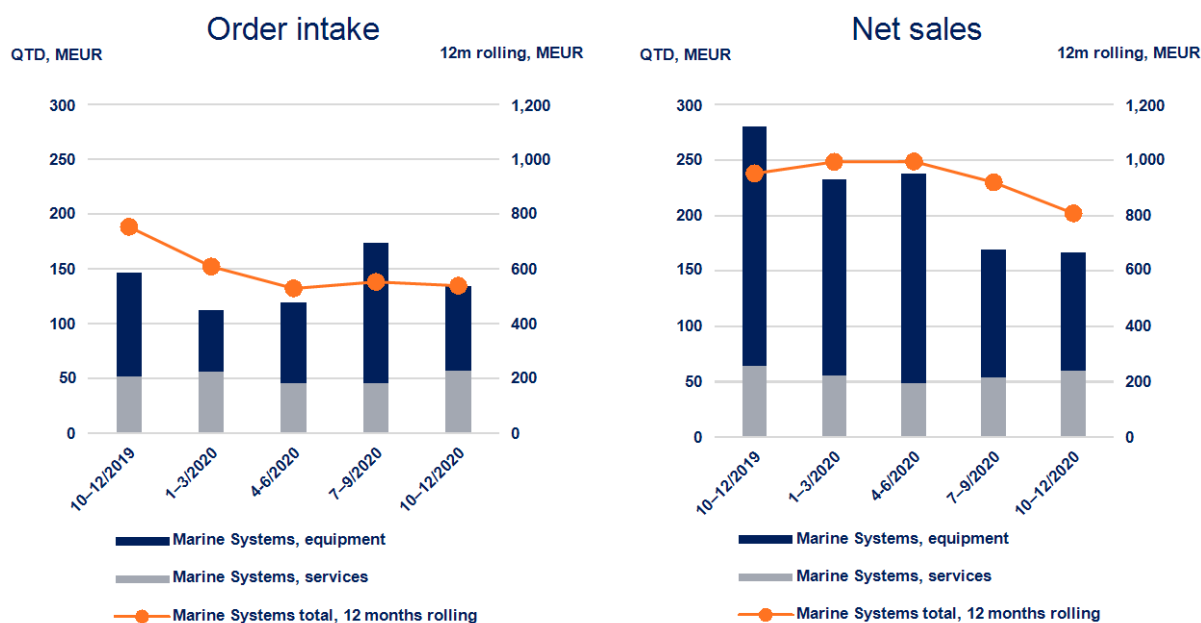
## Reporting segment: Wärtsilä Marine Systems

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

- Market activity was affected by postponed customer decision-making due to uncertain economic development.
- Order intake was heavily impacted by reduced fuel spreads lowering demand for scrubber investments.
- The decline in net sales was driven by the ending impact of the boom in scrubber demand.

### Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	133	147	-9%	539	754	-28%
of which services	57	52	9%	205	230	-11%
Order book, end of period				857	1,232	-31%
Net sales	167	279	-40%	808	952	-15%
of which services	60	64	-6%	219	202	8%
Book-to-bill	0.80	0.53		0.67	0.79	
Operating result	15	12	31%	81	53	53%
% of net sales	9.2	4.2		10.0	5.6	
Comparable operating result	16	14	16%	83	60	39%
% of net sales	9.6	4.9		10.3	6.3	
Personnel, end of period				1,897	1,870	1%



## Financial development

Marine Systems' **order intake in October–December** decreased by 9% to EUR 133 million (147) compared to the corresponding period in the previous year. Book-to-bill was 0.80 (0.53). Service order intake increased by 9% to EUR 57 million (52). Equipment order intake decreased by 20% to EUR 77 million (95). Orders received during the quarter included the first order for the Compact Reliq reliquefaction plant, a system designed to reliquefy boil-off gas (BOG) onboard gas carriers and LNG bunker vessels and keep the cargo cool under all operational conditions. The order was placed by Norway-based Knutsen OAS Shipping.

**Net sales in October–December** decreased by 40% to EUR 167 million (279) compared to the corresponding period in the previous year mainly due to the anticipated decline in scrubber deliveries. Service net sales decreased by 6% to EUR 60 million (64), while equipment net sales decreased by 50% to EUR 107 million (216). The **comparable operating result** amounted to EUR 16 million (14) or 9.6% of net sales (4.9).

**Order intake in January–December** decreased by 28% to EUR 539 million (754) compared to the corresponding period in the previous year as reduced fuel spreads scaled back scrubber investments. Book-to-bill was 0.67 (0.79). Service order intake decreased by 11% to EUR 205 million (230). Equipment order intake decreased by 36% to EUR 334 million (523). Noteworthy orders received during the year included a major contract to supply and construct a plant for the production of CO<sub>2</sub>-neutral liquid transport fuels, with a capacity of approximately 100,000 tons per year to be located in Cologne, Germany. The **order book** at the end of the period decreased by 31% to EUR 857 million (1,232) due to the shortage of scrubber orders.

**Net sales in January–December** decreased by 15% to EUR 808 million (952) compared to the corresponding period in the previous year. Service net sales increased by 8% to EUR 219 million (202), while equipment net sales decreased by 22% to EUR 588 million (750). The **comparable operating result** amounted to EUR 83 million (60) or 10.3% of net sales (6.3). The operating result for the comparison period was weakened by charges for cost overruns in certain gas solution projects.

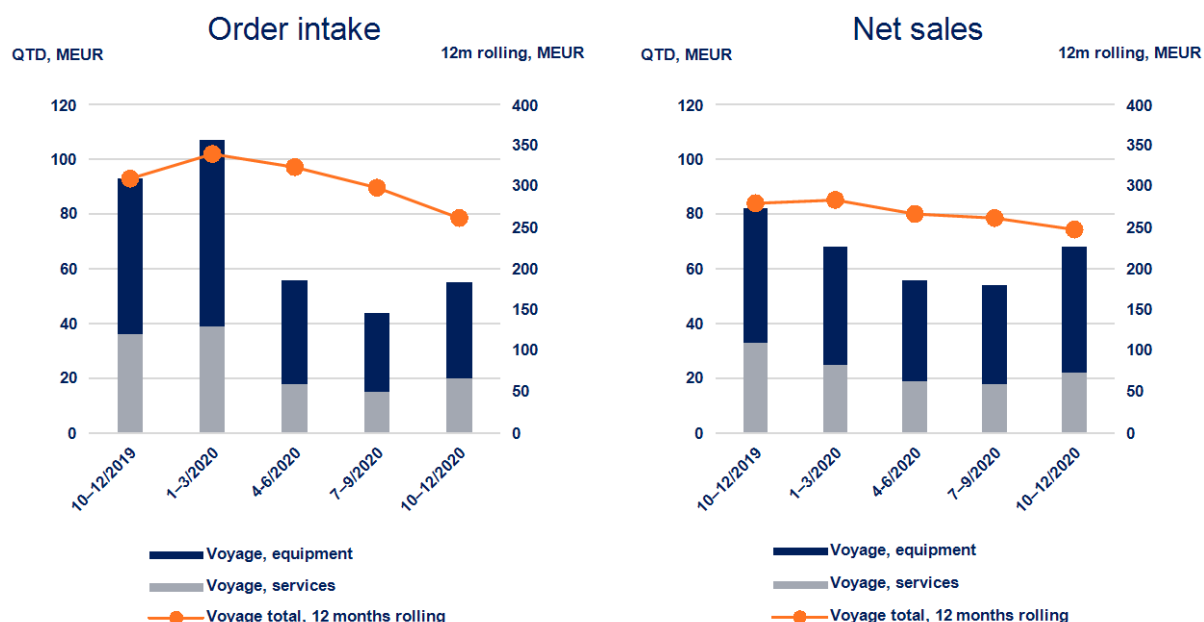
## Reporting segment: Wärtsilä Voyage

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 on the market, we are well positioned to lead the industry towards becoming digitally connected across the entire value chain, and to be the first partner of choice when leveraging the latest digital technologies.

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

### Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	55	93	-40%	262	310	-16%
of which services	20	36	-44%	92	117	-22%
Order book, end of period				275	274	0%
Net sales	68	82	-17%	248	280	-12%
of which services	22	33	-35%	85	103	-18%
Book-to-bill	0.81	1.13		1.06	1.11	
Operating result	-11	-6	-86%	-42	-37	-13%
% of net sales	-16.2	-7.2		-17.0	-13.3	
Comparable operating result	-11	-4		-41	-31	-30%
% of net sales	-16.0	-4.5		-16.5	-11.2	
Personnel, end of period				1,915	1,889	1%





## Financial development

Voyage's **order intake in October–December** decreased by 40% to EUR 55 million (93) compared to the corresponding period in the previous year. Book-to-bill was 0.81 (1.13). Service order intake decreased by 44% to EUR 20 million (36), while equipment order intake decreased by 38% to EUR 35 million (57). The decline in order intake was mainly driven by COVID-19, which heavily impacted demand in the cruise segment. However, orders for automation system retrofits were received during the quarter, indicating confidence in a gradual recovery in the cruise industry. Wärtsilä also received important new orders for the cloud-based Wärtsilä Fleet Operations Solution (FOS). UltraShip Denmark signed a contract to install FOS across their entire fleet in a move that will enable direct and real-time connection between shore and vessel systems for collaborative voyage planning and execution. This demonstrates a market development towards digital solutions that improve efficiency and reduce the burden on the crew.

**Net sales in October–December** decreased by 17% to EUR 68 million (82) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 crisis, which negatively impacted newbuild and service activity, particularly in the cruise segment. Service net sales decreased by 35% to EUR 22 million (33), while equipment net sales decreased by 6% to EUR 46 million (49). The **comparable operating result** amounted to EUR -11 million (-4) or -16.0% of net sales (-4.5).

**Order intake in January–December** decreased by 16% to EUR 262 million (310) compared to the corresponding period in the previous year. Book-to-bill was 1.06 (1.11). Service order intake decreased by 22% to EUR 92 million (117), while equipment order intake decreased by 12% to EUR 170 million (193). While COVID-19 put pressure on orders received from the cruise industry, order intake for fleet optimisation solutions developed well and Wärtsilä also received contracts for major newbuild projects in other segments. The **order book** at the end of the period was stable at EUR 275 million (274).

**Net sales in January–December** decreased by 12% to EUR 248 million (280) compared to the corresponding period in the previous year. The decline was primarily due to the COVID-19 pandemic, which has resulted in project postponements and lower transactional service business. Service net sales decreased by 18% to EUR 85 million (103), while equipment net sales decreased by 8% to EUR 163 million (177). The **comparable operating result** amounted to EUR -41 million (-31) or -16.5% of net sales (-11.2). The result was negatively impacted by lower sales volumes and a less favourable service mix. In addition, investments in digital competences have been increased to further accelerate the execution of Wärtsilä's Smart Marine strategy. In both the current and the comparison period, the operating result was burdened by amortisation resulting from various acquisitions.

## Reporting segment: Wärtsilä Energy

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

- The COVID-19 pandemic and the resulting slowdown of economic activity burdened gas and liquid power plant orders throughout the year, but activity increased towards year-end.
- Energy storage markets were resilient to the pandemic, and activity was at a good level.
- Operating result was affected by COVID-19 impacts and by the delivery of projects communicated in 2019 to be affected by cost overruns.

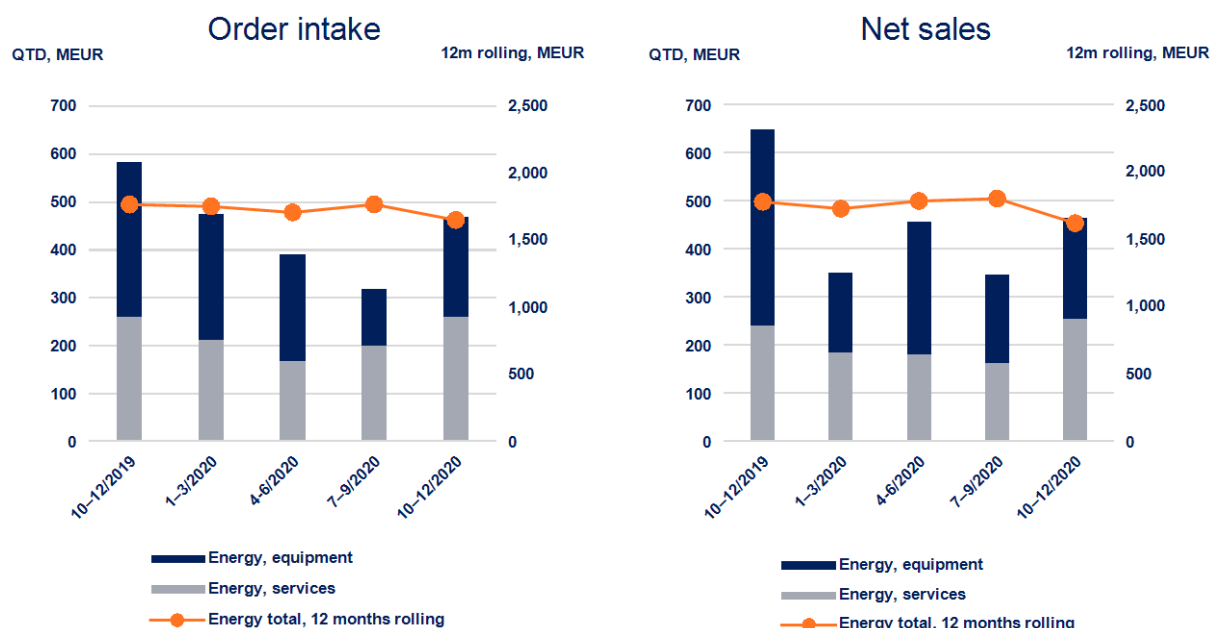
### Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	469	585	-20%	1,653	1,769	-7%
of which services	260	260	0%	840	920	-9%
Order book, end of period				1,830	2,014	-9%
Net sales	465	648	-28%	1,620	1,779	-9%
of which services	255	240	6%	782	802	-2%
Book-to-bill	1.01	0.90		1.02	0.99	
Operating result	51	63	-19%	91	131	-31%
% of net sales	10.9	9.7		5.6	7.4	
Comparable operating result	55	82	-32%	101	155	-35%
% of net sales	11.9	12.6		6.3	8.7	
Personnel, end of period				4,888	5,137	-5%

### Order intake Energy

MW	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Gas	147	520	-72%	1,071	1,413	-24%
Oil	6	42	-86%	99	124	-20%
Storage	262	229	14%	375	423	-11%
Other*	-	-	0%	12	21	-43%
Order intake, total	415	791	-48%	1,557	1,980	-21%

\*Includes biofuel power plants and solar installations



## Financial development

Energy's **order intake in October–December** decreased by 20% to EUR 469 million (585) compared to the corresponding period in the previous year. Book-to-bill was 1.01 (0.90). Service order intake was stable at EUR 260 million (260), while equipment order intake decreased by 36% to EUR 209 million (325). Received orders included a contract in Europe to deliver four power plants with a combined output of nearly 300 MW. The new fast-starting plants will provide flexible system balancing as more renewable power is incorporated into the power system. Wärtsilä also received several orders for energy storage and optimisation solutions during the quarter, including contracts from the USA for a 40 MW/80 MWh project to support the integration of solar power into the energy system and a 123 MW/185 MWh energy storage system to support a major renewable project. Service orders received during the quarter included a 10-year agreement covering maintenance and operations advisory services for a 170 MW plant serving a mine in Papua New Guinea.

**Net sales in October–December** decreased by 28% to EUR 465 million (648) compared to the corresponding period in the previous year. Service net sales increased by 6% to EUR 255 million (240), thanks to improved demand for agreements and conversion projects. Equipment net sales decreased by 49% to EUR 210 million (408). The **comparable operating result** amounted to EUR 55 million (82) or 11.9% of net sales (12.6).

**Order intake in January–December** decreased by 7% to EUR 1,653 million (1,769) compared to the corresponding period in the previous year. Book-to-bill was 1.02 (0.99). Service order intake decreased by 9% to EUR 840 million (920), while equipment order intake decreased by 4% to EUR 813 million (849). Demand for equipment was evenly split across geographical areas. Noteworthy equipment orders received during the year included a 200 MW flexible baseload plant in South America to support the integration of renewables. Activity in the storage market was resilient, with orders including a 90 MW/90 MWh energy storage system in South East Asia to provide flexibility and grid stability, as well as the first-ever GridSolv Quantum energy storage system in the USA. Received service orders included a 5-year maintenance agreement to support the availability, performance, and reliability of a 200 MW power plant in Cambodia, as well as a gas conversion project in Brazil along with a related 10-year operations and maintenance agreement renewal. The **order book** at the end of the period decreased by 9% to EUR 1,830 million (2,014).

**Net sales in January–December** decreased by 9% to EUR 1,620 million (1,779) compared to the corresponding period in the previous year. Service net sales decreased by 2% to EUR 782 million (802), while equipment net sales decreased by 14% to EUR 838 million (977). The **comparable operating result** amounted to EUR 101 million

(155) or 6.3% of net sales (8.7). The result was burdened by COVID-19 impacts in the form of delivery delays, weaker absorption of fixed costs, and increased costs for project execution, as well as by the delivery of projects communicated in 2019 to be affected by cost overruns.

## Other business activities: Wärtsilä Portfolio Business

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

### Key figures

MEUR	10–12/2020	10–12/2019	Change	1–12/2020	1–12/2019	Change
Order intake	21	74	-71%	168	248	-32%
Order book, end of period				257	338	-24%
Net sales	30	71	-57%	181	236	-24%
Operating result	-7	2		-29	-7	
% of net sales	-23.1	2.8		-16.2	-2.8	
Comparable operating result	-2	4		-6	0	
% of net sales	-8.0	6.0		-3.1	0.1	
Personnel, end of period				737	1,080	-38%

### Financial development

Portfolio Business' **order intake in October–December** decreased by 71% to EUR 21 million (74) compared to the corresponding period in the previous year. The decline related to the divestment of certain business lines as well as an unusually sizeable order being booked in the comparison period.

**Net sales in October–December** decreased by 57% to EUR 30 million (71) compared to the corresponding period in the previous year, primarily due to lower volumes in the Water & Waste, Special Products, and American Hydro business units. The **comparable operating result** amounted to EUR -2 million (4) or -8.0% of net sales (6.0). Profitability was affected by an unfavourable sales mix, as the impact of COVID-19 on the cruise segment lowered service activity, particularly in Water & Waste and Entertainment Systems.

**Order intake in January–December** decreased by 32% to EUR 168 million (248) compared to the corresponding period in the previous year. Activity was the highest in American Hydro, where orders received during the year included a contract to perform rehabilitation services and to complete the upgrade and refurbishment of two units at the Keokuk hydroelectric plant in Iowa, USA. Water & Waste and Entertainment Systems continued to work closely with the Italian shipbuilder Fincantieri for a number of ships, resulting in orders for complete waste treatment systems and fresh water generators for two vessels, as well as entertainment systems for two new series of ships comprising eight vessels. The **order book** at the end of the period decreased by 24% to EUR 257 million (338).

**Net sales in January–December** decreased by 24% to EUR 181 million (236) compared to the corresponding period in the previous year. COVID-19 lowered activity, particularly in the Water & Waste and Entertainment Systems business units, where especially the cruise segment was heavily affected. The **comparable operating result** amounted to EUR -6 million (0) or -3.1% of net sales (0.1). Items affecting comparability amounting to EUR 24 million were recognised during the year largely as a result of the divestments of Wärtsilä JOVYATLAS GmbH and Wärtsilä Valves Ltd.

## Divestments

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

In October, Wärtsilä announced the divestment of 100% of the shares in Wärtsilä Valves Ltd to an affiliate of Evergreen Capital L.P., based in New York, USA. Its activities include engineering, assembly, testing, sales, and delivery of nickel aluminium bronze (NAB) and duplex valves for the marine, oil and gas, and energy markets. Additionally, it offers applications for Valves' products, including FPSO, petrochemical facilities, power generation, LNG, naval marine, marine services, waste water treatment plants, and pipelines. Wärtsilä Valves became part of Wärtsilä as a result of the Hamworthy acquisition in 2012. The company is located in Brough, UK and currently has approximately 65 employees. The annual revenues were approximately EUR 15 million in 2019.

In December, Wärtsilä closed the divestment of Wärtsilä ELAC Nautik GmbH (ELAC Nautik) to Cohort plc, a UK listed company, specialising in defence, security and related market sectors. ELAC Nautik became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015. Its main market focus is on hydroacoustic products, including sonars, underwater communication and echo systems for small and medium sized military submarines. The company is located in Kiel, Germany and employs 125 people. The annual revenues were approximately EUR 20 million in 2019.



## Risks and business uncertainties

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

In the marine markets, the risk of a prolonged period of weak demand affects the investment decisions of shipowners and operators, who are forced to re-evaluate their strategies related to both vessel newbuilding and existing fleets, and to cut capital and operational expenditures. The prevailing market conditions may result in continued price pressure and an elevated risk of order cancellations or slippage. Surplus capacity can drive further consolidation among shipyards, ship owners, and operators in certain segments, which may result in lower capture rates in services and equipment sales due to changed customer relationships. Extensions of no-sail orders, the limited ability or desire of people to travel, and the escalation of COVID-19 cases are a risk for recovery in the cruise and ferry markets. In the offshore industry, crude oil price volatility is pushing the oil majors to reduce their spending, exploration activity, and operational costs, leading to an increasing number of laid-up drilling units and support vessels. The average price spread between high- and low-sulphur fuels is projected to remain narrow in the near term, negatively impacting the scrubber investment case for both the existing fleet and newbuilds. At the same time, the low oil price is widening the price differential between existing fuels and green alternatives. This, combined with the market challenges shipowners are facing, further raises the importance of a clear and foreseeable development of the regulatory environment as a fundamental condition to the decarbonisation of shipping.

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

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

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

## Shares and shareholders

In January–December, the number of shares traded on Nasdaq Helsinki was 635,449,872, equivalent to a turnover of EUR 4,865 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 199,394,959 shares.

### Shares on Nasdaq Helsinki

31.12.2020	Number of shares and votes	Number of shares traded 1–12/2020
WRT1V	591,723,390	635,449,872

1.1.-31.12.2020	High	Low	Average*	Close
Share price	12.00	5.01	7.66	8.15

\*Trade-weighted average price

	31.12.2020	31.12.2019
Market capitalisation, EUR million	4,823	5,828
Foreign shareholders, %	50.7	52.8

### Flagging notifications

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

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
24.3.2020	BlackRock, Inc.	Above 5%	4.85	5.11
31.3.2020	BlackRock, Inc.	Below 5%	4.30	4.82
1.4.2020	BlackRock, Inc.	Above 5%	4.48	5.00
2.4.2020	BlackRock, Inc.	Below 5%	4.37	4.94
25.5.2020	BlackRock, Inc.	Above 5%	4.48	5.00
26.5.2020	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
18.6.2020	BlackRock, Inc.	Above 5%	4.69	5.13
15.7.2020	BlackRock, Inc.	Above 5%	5.02	5.80
23.7.2020	BlackRock, Inc.	Below 5%	4.88	5.33
24.7.2020	BlackRock, Inc.	Above 5%	5.12	5.54
27.7.2020	BlackRock, Inc.	Below 5%	4.98	5.44
28.7.2020	BlackRock, Inc.	Above 5%	5.01	5.47
29.7.2020	BlackRock, Inc.	Below 5%	4.95	5.40
31.7.2020	BlackRock, Inc.	Above 5%	5.04	5.48
5.8.2020	BlackRock, Inc.	Below 5%	4.99	5.43
6.8.2020	BlackRock, Inc.	Above 5%	5.08	5.47
11.8.2020	BlackRock, Inc.	Below 5%	4.96	5.31
11.9.2020	BlackRock, Inc.	Above 5%	5.03	5.58
18.9.2020	BlackRock, Inc.	Below 5%	4.78	5.57
21.10.2020	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
14.12.2020	BlackRock, Inc.	Above 5%	4.89	5.00
15.12.2020	BlackRock, Inc.	Below 5%	Below 5%	Below 5%

## Decisions taken by the Annual General Meeting

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

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

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

### Dividend distribution

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

### Shareholders' Nomination Board

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

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

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

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

### Authorisation to repurchase the company's own shares

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

### Authorisation to issue shares

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

## Organisation of the Board of Directors

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

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

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

## Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of EUR 0.20 per share be paid for the financial year 2020. The parent company's distributable funds total EUR 974,008,736.28, which includes EUR 264,838,387.72 in net profit for the year. There are 591,723,390 shares with dividend rights. The dividend shall be paid in two instalments.

The first instalment of EUR 0.10 per share shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on the dividend record date of 8 March 2021. The payment day proposed by the Board for this instalment is 15 March 2021.

The second instalment of EUR 0.10 per share shall be paid in September 2021. The second instalment of the dividend shall be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Oy on the dividend record day, which, together with the payment day, shall be decided by the Board of Directors in its meeting scheduled for 9 September 2021. The dividend record day for the second instalment as per the current rules of the Finnish book-entry system would be 13 September 2021 and the dividend payment day 20 September 2021.

The Annual Report 2020, including the financial review and the Board of Directors' report, will be available on the company website [www.wartsila.com](http://www.wartsila.com) on 10 February 2021.

## Events after the review period

In January 2021, Wärtsilä announced the divestment of 100% of the shares in its Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. Wärtsilä Entertainment is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution and announcement systems for cruise vessels and entertainment parks. The company became part of Wärtsilä as a result of the acquisition of L-3 Communications MSI in 2015 and has 172 employees in five countries, with the majority being based in Emden, Germany. The annual revenues were approximately EUR 50 million in 2020.

# Wärtsilä Financial Statements Bulletin 2020

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

## Use of estimates

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

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

The COVID-19 (coronavirus) pandemic has caused Wärtsilä to review the estimates and assumptions used in the preparation of 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.

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

Considering the impact of the COVID-19 pandemic, Wärtsilä has revaluated the pension assets and obligations in all its significant pension arrangements. The latest market information has been taken into account.

## Segment information

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

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

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



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

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

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

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

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

#### **Wärtsilä Marine Power**

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

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

#### **Wärtsilä Marine Systems**

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

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

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

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

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

## Wärtsilä Voyage

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

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

## Wärtsilä Energy

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

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

## Wärtsilä Portfolio Business

Wärtsilä reports Portfolio Business as other business activities.

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

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

Portfolio Business also included Wärtsilä ELAC Nautik GmbH until the divestment of shares, which was finalised on 2 December 2020.

## Entity wide information

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

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

## New and amended IFRS standards

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

Amendments to **IFRS 3 Business Combinations** (effective for financial periods beginning on or after 1 January 2020). The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a

business and of outputs and introduce an optional fair value concentration test. The amendments have no impact on the consolidated financial statements.

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

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

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

In 2021 or later, the Group will adopt the following new or amended standards issued by the IASB.

Amendments to **IAS 1 Presentation of Financial Statements\*** (effective for financial periods beginning on or after 1 January 2022). 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.

Amendments to **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.

Amendments to **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.

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

\* Not yet endorsed for use by the European Union as of 31 December 2020

This financial statements bulletin is unaudited.

## Consolidated statement of income

MEUR	10–12/2020	10–12/2019	2020	2019
Net sales	1,220	1,684	4,604	5,170
Change in inventories of finished goods & work in progress	-79	-127	-104	137
Work performed by the Group and capitalised	6	6	19	18
Other operating income	25	25	61	67
Material and services	-631	-930	-2,551	-3,003
Employee benefit expenses	-310	-320	-1,192	-1,260
Result from net position hedges			-1	
Depreciation, amortisation and impairment	-49	-39	-174	-180
Other operating expenses	-91	-134	-431	-578
Share of result of associates and joint ventures		-2	3	-9
<b>Operating result</b>	<b>90</b>	<b>164</b>	<b>234</b>	<b>362</b>
Financial income	3	6	16	27
Financial expenses	-15	-17	-59	-74
<b>Profit before taxes</b>	<b>78</b>	<b>153</b>	<b>191</b>	<b>315</b>
Income taxes	-23	-51	-58	-97
<b>Profit for the financial period</b>	<b>55</b>	<b>102</b>	<b>133</b>	<b>218</b>
Attributable to:				
equity holders of the parent company	57	101	134	217
non-controlling interests	-1	1	-1	1
	55	102	133	218
Earnings per share attributable to equity holders of the parent company (basic and diluted):				
Earnings per share (EPS), basic and diluted, EUR	0.10	0.17	0.23	0.37

## Consolidated statement of comprehensive income

MEUR	10–12/2020	10–12/2019	2020	2019
<b>Profit for the financial period</b>	<b>55</b>	102	<b>133</b>	218
<b>Other comprehensive income, net of taxes:</b>				
<b>Items that will not be reclassified to the statement of income</b>				
Remeasurements of defined benefit liabilities	5	-3	6	-20
Tax on items that will not be reclassified to the statement of income			-1	5
<b>Total items that will not be reclassified to the statement of income</b>	<b>5</b>	-3	<b>5</b>	-16
<b>Items that may be reclassified subsequently to the statement of income</b>				
Exchange rate differences on translating foreign operations				
for equity holders of the parent company	14	18	-74	42
for non-controlling interests			-1	
transferred to the statement of income	-6		-6	
Associates and joint ventures, share of other comprehensive income	1		-2	-1
Cash flow hedges	29	31		
measured at fair value			-3	4
transferred to the statement of income			6	19
<b>Tax on items that may be reclassified to the statement of income</b>				
Cash flow hedges	-5	-6		
transferred to the statement of income			-1	-4
<b>Total items that may be reclassified to the statement of income</b>	<b>33</b>	43	<b>-81</b>	60
<b>Other comprehensive income for the financial period, net of taxes</b>	<b>38</b>	40	<b>-76</b>	45
<b>Total comprehensive income for the financial period</b>	<b>93</b>	142	<b>57</b>	263
<b>Total comprehensive income attributable to:</b>				
equity holders of the parent company	95	141	59	262
non-controlling interests	-2	1	-1	1
	<b>93</b>	142	<b>57</b>	263



## Consolidated statement of financial position

MEUR	31.12.2020	31.12.2019
<b>Non-current assets</b>		
Goodwill	1,325	1,380
Intangible assets	391	397
Property, plant and equipment	282	307
Right-of-use assets	162	185
Investments in associates and joint ventures	23	42
Other investments	19	18
Interest-bearing investments	1	1
Deferred tax assets	183	155
Trade receivables	30	19
Other receivables	11	15
<b>Total non-current assets</b>	<b>2,427</b>	<b>2,518</b>
<b>Current assets</b>		
Inventories	1,192	1,365
Trade receivables	922	1,237
Current tax receivables	27	42
Contract assets	389	515
Other receivables	258	281
Cash and cash equivalents	919	358
<b>Total current assets</b>	<b>3,706</b>	<b>3,797</b>
Assets held for sale	99	82
<b>Total assets</b>	<b>6,232</b>	<b>6,398</b>
<b>Equity</b>		
Share capital	336	336
Share premium	61	61
Translation differences	-197	-114
Fair value reserve	-9	-11
Remeasurements of defined benefit liabilities	-45	-55
Retained earnings	2,030	2,178
<b>Total equity attributable to equity holders of the parent company</b>	<b>2,177</b>	<b>2,396</b>
Non-controlling interests	11	14
<b>Total equity</b>	<b>2,188</b>	<b>2,410</b>
<b>Non-current liabilities</b>		
Interest-bearing debt	1,129	997
Deferred tax liabilities	76	83
Pension obligations	139	155
Provisions	55	45
Contract liabilities	51	38
Other liabilities	1	1
<b>Total non-current liabilities</b>	<b>1,451</b>	<b>1,317</b>

<b>Current liabilities</b>		
Interest-bearing debt	198	99
Provisions	269	278
Trade payables	411	624
Current tax liabilities	56	100
Contract liabilities	926	880
Other liabilities	664	622
<b>Total current liabilities</b>	<b>2,524</b>	<b>2,603</b>
<b>Total liabilities</b>	<b>3,975</b>	<b>3,920</b>
Liabilities directly attributable to assets held for sale	68	68
<b>Total equity and liabilities</b>	<b>6,232</b>	<b>6,398</b>

## Consolidated statement of cash flows

MEUR	10–12/2020	10–12/2019	2020	2019
<b>Cash flow from operating activities:</b>				
Profit for the financial period	55	102	133	218
Adjustments for:				
depreciation, amortisation and impairment	49	39	174	180
financial income and expenses	12	11	43	47
gains and losses on sale of intangible assets and property, plant and equipment and other changes	-9	-3	-9	-15
share of result of associates and joint ventures		2	-3	9
income taxes	23	51	58	97
other non-cash flow adjustments	1	1	7	3
<b>Cash flow before changes in working capital</b>	<b>132</b>	<b>202</b>	<b>403</b>	<b>540</b>
<b>Changes in working capital:</b>				
Receivables, non-interest-bearing, increase (-) / decrease (+)	58	-187	338	9
Inventories, increase (-) / decrease (+)	114	129	122	-213
Liabilities, non-interest-bearing, increase (+) / decrease (-)	23	191	-32	74
Changes in working capital	195	133	428	-130
<b>Cash flow from operating activities before financial items and taxes</b>	<b>327</b>	<b>335</b>	<b>832</b>	<b>410</b>
<b>Financial items and taxes:</b>				
Interest income	1	1	4	4
Interest expenses	-4	-4	-14	-13
Other financial income and expenses	-6	-5	-19	-27
Income taxes paid	-43	-33	-122	-141
<b>Financial items and paid taxes</b>	<b>-53</b>	<b>-41</b>	<b>-150</b>	<b>-178</b>
<b>Cash flow from operating activities</b>	<b>274</b>	<b>295</b>	<b>681</b>	<b>232</b>
<b>Cash flow from investing activities:</b>				
Acquisitions	-1		-1	-4
Other investments		-2	-1	-2
Investments in property, plant and equipment and intangible assets	-36	-41	-115	-116
Proceeds from sale of property, plant and equipment and intangible assets	8	11	13	25
Proceeds from sale of shares in subsidiaries	22		22	1
Proceeds from sale of shares in associates and joint ventures	27		27	
<b>Cash flow from investing activities</b>	<b>19</b>	<b>-33</b>	<b>-55</b>	<b>-95</b>
<b>Cash flow after investing activities</b>	<b>293</b>	<b>262</b>	<b>627</b>	<b>137</b>
<b>Cash flow from financing activities:</b>				
Proceeds from non-current debt			317	150
Repayments and other changes in non-current debt	-4	-13	-76	-105
Loan receivables, increase (-) / decrease (+)	1	2	1	2
Current loans, increase (+) / decrease (-)	-84	-236		-18
Dividends paid	-15	-16	-286	-284

<b>Cash flow from financing activities</b>	<b>-102</b>	-263	<b>-44</b>	-256
<b>Change in cash and cash equivalents, increase (+)/decrease (-)</b>	<b>192</b>	-1	<b>582</b>	-119
Cash and cash equivalents at the beginning of the financial period*	<b>744</b>	374	<b>369</b>	487
Exchange rate changes	<b>-4</b>	-5	<b>-19</b>	
Cash and cash equivalents at the end of the financial period*	<b>932</b>	369	<b>932</b>	369

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

## Consolidated statement of changes in equity

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



MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
<b>Equity on 1 January 2020</b>	336	61	-114	-11	-55	2,178	2,396	14	2,410
Translation differences			-76				-76	-1	-77
Translation differences, transferred to statement of income			-6				-6		-6
Cash flow hedges									
net change in fair value, net of taxes				-3			-3		-3
transferred to the statement of income, net of taxes				5			5		5
Defined benefit plans					5		5		5
Other changes					5	-5			
<b>Other comprehensive income</b>			-82	2	10	-5	-75	-1	-76
Profit for the financial period						134	134	-1	133
<b>Total comprehensive income for the financial period</b>			-82	2	10	129	59	-1	57
Dividends paid						-284	-284	-2	-286
Other changes						7	7		7
<b>Equity on 31 December 2020</b>	336	61	-197	-9	-45	2,030	2,177	11	2,188

## Segment information

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

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

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

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

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

MEUR	10–12/2020	10–12/2019	2020	2019
<b>Net sales</b>				
Marine Power	489	603	1,748	1,923
Marine Systems	167	279	808	952
Voyage	68	82	248	280
Energy	465	648	1,620	1,779
Portfolio Business	30	71	181	236
<b>Total</b>	<b>1,220</b>	<b>1,684</b>	<b>4,604</b>	<b>5,170</b>
<b>Depreciation, amortisation and impairment</b>				
Marine Power	-23	-16	-68	-88
Marine Systems	-5	-6	-20	-23
Voyage	-8	-6	-27	-26
Energy	-8	-8	-32	-31
Portfolio Business	-6	-3	-28	-11
<b>Total</b>	<b>-49</b>	<b>-39</b>	<b>-174</b>	<b>-180</b>
<b>Share of result of associates and joint ventures</b>				
Marine Power		-2	2	-9
<b>Total</b>		<b>-2</b>	<b>3</b>	<b>-9</b>
<b>Operating result</b>				
Marine Power	42	93	134	221
Marine Systems	15	12	81	53
Voyage	-11	-6	-42	-37

Energy	51	63	91	131
Portfolio Business	-7	2	-29	-7
<b>Total</b>	<b>90</b>	<b>164</b>	<b>234</b>	<b>362</b>
<b>Operating result as a percentage of net sales (%)</b>				
Marine Power	8.6	15.4	7.7	11.5
Marine Systems	9.2	4.2	10.0	5.6
Voyage	-16.2	-7.2	-17.0	-13.3
Energy	10.9	9.7	5.6	7.4
Portfolio Business	-23.1	2.8	-16.2	-2.8
<b>Total</b>	<b>7.4</b>	<b>9.7</b>	<b>5.1</b>	<b>7.0</b>
<b>Comparable operating result</b>				
Marine Power	45	107	137	273
Marine Systems	16	14	83	60
Voyage	-11	-4	-41	-31
Energy	55	82	101	155
Portfolio Business	-2	4	-6	
<b>Total</b>	<b>103</b>	<b>202</b>	<b>275</b>	<b>457</b>
<b>Comparable operating result as a percentage of net sales (%)</b>				
Marine Power	9.1	17.7	7.8	14.2
Marine Systems	9.6	4.9	10.3	6.3
Voyage	-16.0	-4.5	-16.5	-11.2
Energy	11.9	12.6	6.3	8.7
Portfolio Business	-8.0	6.0	-3.1	0.1
<b>Total</b>	<b>8.4</b>	<b>12.0</b>	<b>6.0</b>	<b>8.8</b>

**Net sales by geographical areas**

MEUR	10–12/2020	10–12/2019	2020	2019
Europe	454	523	1,542	1,690
Asia	345	625	1,570	1,968
The Americas	321	397	1,077	1,098
Other	100	139	415	414
<b>Total</b>	<b>1,220</b>	<b>1,684</b>	<b>4,604</b>	<b>5,170</b>

## Service information

MEUR	10–12/2020	10–12/2019	2020	2019
<b>Net sales</b>				
Marine Power, services	300	374	1,096	1,279
Marine Systems, services	60	64	219	202
Voyage, services	22	33	85	103
Energy, services	255	240	782	802
Portfolio Business, services	17	30	74	119
<b>Total</b>	<b>654</b>	<b>741</b>	<b>2,255</b>	<b>2,505</b>

## Measures of profit and items affecting comparability

MEUR	10–12/2020	10–12/2019	2020	2019
<b>Comparable adjusted EBITA</b>	<b>111</b>	<b>213</b>	<b>308</b>	<b>498</b>
Purchase price allocation amortisation	-8	-10	-33	-41
<b>Comparable operating result</b>	<b>103</b>	<b>202</b>	<b>275</b>	<b>457</b>
<b>Items affecting comparability:</b>				
Social plan costs	-5	-6	-12	-31
Impairment and write-downs	-10	-19	-22	-36
Profits and losses from disposals	7		6	
Other costs	-5	-13	-14	-27
<b>Items affecting comparability, total</b>	<b>-13</b>	<b>-39</b>	<b>-41</b>	<b>-95</b>
<b>Operating result</b>	<b>90</b>	<b>164</b>	<b>234</b>	<b>362</b>

## Disposals

In October 2020, Wärtsilä divested the shares in Wärtsilä JOVYATLAS GmbH to Jacob Waitz Industrie GmbH. The company has been manufacturing UPS systems, rectifiers, power inverters, frequency transformers and resistors with related services for many industries already for seven decades. In 2019, its net sales were EUR 20 million. The impact of the divestment on the profit for the financial period is approximately EUR -6 million.

Also in October 2020, Wärtsilä divested the shares in Wärtsilä Valves Ltd to an affiliate of Evergreen Capital L.P. The company's activities included engineering, assembly, testing, sales and delivery of nickel aluminium bronze (NAB) and duplex valves for marine, oil & gas and energy markets. It also offers applications for Valves' products, including e.g. FPSO, petrochemical facilities, power generation, LNG, naval marine, marine services, waste water treatment plants and pipelines. The annual net sales were approximately EUR 15 million in 2019. The impact of the divestment on the profit for the financial period is approximately EUR -10 million.

In December 2020, Wärtsilä has finalized the divestment of shares in Wärtsilä ELAC Nautik GmbH (ELAC Nautik) to Cohort plc. The divestment was originally announced in December 2019. ELAC Nautik main market focus was hydroacoustic products, including sonars, underwater communication systems, and echo systems for small and medium sized military submarines. The annual net sales were approximately EUR 21 million in 2019. The impact of the divestment on the profit for the financial period is not significant.

All businesses disposed belonged to the Portfolio Business.

## Assets held for sale

Wärtsilä has classified Entertainment and Tank Control businesses as assets held for sale. Entertainment business has been classified as assets held for sale since the fourth quarter of 2019 and Tank Control business since the second quarter of 2020. Completion of the transactions are expected in the first half of 2021.

Additionally, Wärtsilä has started preparations to divest Wärtsilä EUROATLAS GmbH, which is also classified as assets held for sale. Completion of the transaction is expected during the second half of 2021. The impact on the profit for the financial period is approximately EUR -6 million.

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

## Disaggregation of revenue

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

### Net sales by revenue type

MEUR	10–12/2020	10–12/2019	2020	2019
Products	293	355	1,091	1,184
Goods and services	144	171	511	603
Projects	656	1,023	2,557	2,899
Long-term agreements	126	135	445	484
<b>Total</b>	<b>1,220</b>	<b>1,684</b>	<b>4,604</b>	<b>5,170</b>

**Timing of satisfying performance obligations**

<b>MEUR</b>	<b>10–12/2020</b>	<b>10–12/2019</b>	<b>2020</b>	<b>2019</b>
At a point in time	803	1,243	3,150	3,728
Over time	416	441	1,455	1,442
<b>Total</b>	<b>1,220</b>	<b>1,684</b>	<b>4,604</b>	<b>5,170</b>

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

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

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

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



## Intangible assets and property, plant and equipment

MEUR	2020	2019
<b>Intangible assets</b>		
Carrying amount on 1 January	1,776	1,747
Changes in exchange rates	-49	29
Acquisitions and disposals	-5	
Additions	61	65
Amortisation and impairment	-58	-63
Decreases and reclassifications	-9	-3
<b>Carrying amount at the end of the financial period</b>	<b>1,716</b>	<b>1,776</b>
<b>Property, plant and equipment</b>		
Carrying amount on 1 January	307	324
Transfer to right-of-use assets		-2
Changes in exchange rates	-6	1
Acquisitions and disposals	-4	
Additions	54	49
Depreciation and impairment	-57	-55
Decreases and reclassifications	-11	-11
<b>Carrying amount at the end of the financial period</b>	<b>282</b>	<b>307</b>

### Impairment testing of goodwill in 2020

The carrying amount of goodwill allocated to cash generating units is reviewed annually for signs of possible impairment or more frequently should any indication of impairment arise. If any such indication exists, the recoverable amount of the goodwill is estimated.

Due to the COVID-19 outbreak and the new organisational structure, Wärtsilä performed an intermediate impairment testing of goodwill during the second quarter of 2020. As a result of the impairment test, no impairment loss for the CGUs was recognised for the reporting period ended 30 June 2020.

The Group performed its annual impairment testing of goodwill during the third quarter of the year. Wärtsilä compared the recoverable amount of each business against its carrying amount to define whether there were any indications of goodwill impairment. As a result of the impairment test, no impairment loss for the CGUs was recognised for the reporting period ended on 30 September 2020.

As there are no recent indications of impairment of goodwill the Group considers that no further testing is needed for the reporting period ended on 31 December 2020.

## Inventories

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

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

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

MEUR	31.12.2020	31.12.2019
Materials and consumables	453	484
Work in progress	632	736
Finished products	45	53
Advances paid	62	93
<b>Total</b>	<b>1,192</b>	<b>1,365</b>

During 2020, EUR 24 million (4) impairment for obsolete inventories has been recognised in the consolidated statement of income. Total value of inventories presented under assets held for sale amounts to EUR 23 million (18).

## Contract balances

MEUR	31.12.2020	31.12.2019
Trade receivables	953	1,255
Contract assets	389	515
Contract liabilities		
Advances received	452	452
Deferred income	524	465
<b>Trade receivables and contract assets</b>		
Non-current	30	19
Current	1311	1,752
<b>Contract liabilities</b>		
Non-current	51	38
Current	926	880

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

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

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

## Leases

MEUR	2020	2019
<b>Land and buildings, right-of-use assets</b>		
Carrying amount on 1 January	174	203
Changes in exchange rates	-6	
Acquisitions and disposals	-2	
Additions	29	28
Depreciation and impairment	-40	-43
Decreases and reclassifications	-6	-14
<b>Carrying amount at the end of the financial period</b>	<b>151</b>	<b>174</b>
<b>Machinery and equipment, right-of-use assets</b>		
Carrying amount on 1 January	11	12
Additions	8	6
Depreciation and impairment	-7	-6
Decreases and reclassifications	-1	-1
<b>Carrying amount at the end of the financial period</b>	<b>11</b>	<b>11</b>
<b>Lease liabilities</b>		
Carrying amount on 1 January	188	215
Changes in exchange rates	-6	
Acquisitions and disposals	-1	
Additions	37	33
Interest expenses		2
Payments	-45	-49
Other adjustments	-7	-13
<b>Carrying amount at the end of the financial period</b>	<b>166</b>	<b>188</b>
<b>MEUR</b>		
<b>Amounts recognised in statement of income</b>		
Depreciation and impairment	-47	-49
Interest expenses	-4	-5
Expense – short-term leases	-27	-32
Expense – leases of low-value assets	-4	-6
Expense – variable lease payments	-4	-4

## Gross capital expenditure

MEUR	2020	2019
Investments in securities and acquisitions	2	6
Intangible assets and property, plant and equipment	115	116
<b>Total</b>	<b>117</b>	<b>122</b>

## Net interest-bearing debt

MEUR	2020	2019
Interest-bearing debt, non-current	1,005	851
Lease liabilities, non-current	124	146
Interest-bearing debt, current	156	58
Lease liabilities, current	42	42
<b>Total interest-bearing liabilities</b>	<b>1,327</b>	<b>1,096</b>
Interest-bearing receivables	-1	-1
Cash and cash equivalents	-919	-358
Cash and cash equivalents pertaining to assets held for sale	-14	-11
<b>Total interest-bearing assets</b>	<b>-933</b>	<b>-370</b>
<b>Total net interest-bearing debt</b>	<b>394</b>	<b>726</b>

## Financial ratios

	2020	2019
Earnings per share (EPS), basic and diluted, EUR	0.23	0.37
Equity per share, EUR	3.68	4.05
Solvency ratio, %	38.1	40.8
Gearing	0.18	0.30
Return on investment (ROI), %	7.1	11.5
Return on equity (ROE), %	5.8	9.0

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

## Personnel

	2020	2019
On average	18,307	19,110
At the end of the financial period	17,792	18,795

## Contingent liabilities

MEUR	2020	2019
Mortgages	10	10
Chattel mortgages and other pledges and securities	17	22
<b>Total</b>	<b>27</b>	<b>32</b>
Guarantees and contingent liabilities		
on behalf of Group companies	887	718
Nominal amount of lease liabilities		
Low-value lease liabilities	7	3
Short-term lease liabilities	3	5
Leases not yet commenced, but to which Wärtsilä is committed	191	143
<b>Total</b>	<b>1,088</b>	<b>869</b>

## Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	450	
Cross currency swaps	237	
Foreign exchange forward contracts	1,660	803
<b>Total</b>	<b>2,347</b>	<b>803</b>

In addition, the Group had copper futures and swaps amounting to 113 tons.

## Fair values

### Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
<b>Financial assets</b>		
Other investments (level 3)	19	19
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	2	2
Derivatives (level 2)	37	37
<b>Financial liabilities</b>		
Interest-bearing debt, non-current (level 2)	1,129	1,139
Derivatives (level 2)	27	27

## Financial risks

Due to the COVID-19 pandemic, Wärtsilä reviewed its financial risks more carefully in 2020.

As a result of this review, Wärtsilä strengthened the liquidity reserves of the Group. The Revolving Credit Facilities (RCF) having maturity dates in 2020 were extended until the end of 2021, and their total amount was increased by EUR 20 million. The total amount of available RCFs, EUR 660 million, is fully un-utilised. Other COVID-19 related funding arrangements resulted in disbursement of new long-term loans totalling EUR 190 million.

As of 31.12. 2020 the Group's liquidity reserves were at high level and the liquidity position is expected to remain strong during 2021.

### Ageing of trade receivables

MEUR	31.12.2020		31.12.2019	
	Trade receiv- ables	of which impaired	Trade receiv- ables	of which impaired
Not past due	657	1	788	1
Past due 1–30 days	112		149	
Past due 31–180 days	123	2	227	2
Past due 181–360 days	29	3	73	1
Past due more than 1 year	93	56	81	57
<b>Total</b>	<b>1,014</b>	<b>61</b>	<b>1,317</b>	<b>61</b>

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

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



## Events after the balance sheet date

In January 2021, Wärtsilä announced the divestment of 100% of the shares in its Entertainment business, Wärtsilä Funa GmbH, to Videlio SA, a French public limited company. Wärtsilä Entertainment is engaged in the field of design, fabrication, engineering and integration of entertainment systems, illumination, light control, cabin control, broadcast and digital audio distribution and announcement systems for cruise vessels and entertainment parks. The annual revenues were approximately EUR 50 million in 2020.

The event is not expected to have a material impact on the profit for the financial period 2021.

## Quarterly figures

MEUR	10–12/ 2020	7–9/ 2020	4–6/ 2020	1–3/ 2020	10–12/ 2019	7–9/ 2019	4–6/ 2019	1–3/ 2019	10–12/ 2018
<b>Order intake</b>									
Marine Power*	440	410	391	496	656	449	632	509	
Marine Systems*	133	174	119	113	147	150	198	258	
Voyage*	55	44	56	107	93	69	72	76	
Wärtsilä Marine Business*									1,031
Energy*	469	319	390	475	585	260	435	489	843
Portfolio Business*	21	34	55	57	74	51	40	83	
<b>Total</b>	<b>1,118</b>	<b>981</b>	<b>1,011</b>	<b>1,247</b>	<b>1,555</b>	<b>979</b>	<b>1,377</b>	<b>1,416</b>	<b>1,874</b>
<b>Order book at the end of the financial period**</b>									
Marine Power*	1,839	1,908	1,913	1,967	2,019	1,981	1,976	1,800	
Marine Systems*	857	872	902	1,051	1,232	1,377	1,471	1,516	
Voyage*	275	289	305	304	274	265	252	257	
Wärtsilä Marine Business*									3,651
Energy*	1,830	1,865	1,939	2,087	2,014	2,023	2,120	2,043	2,515
Portfolio Business*	257	331	341	336	338	336	338	361	
<b>Total</b>	<b>5,057</b>	<b>5,265</b>	<b>5,401</b>	<b>5,745</b>	<b>5,878</b>	<b>5,982</b>	<b>6,157</b>	<b>5,977</b>	<b>6,166</b>
<b>Net sales</b>									
Marine Power*	489	382	420	457	603	430	447	443	
Marine Systems*	167	169	238	234	279	244	237	192	
Voyage*	68	54	56	69	82	60	73	65	
Wärtsilä Marine Business*									831
Energy*	465	347	457	351	648	328	400	403	701
Portfolio Business*	30	43	48	59	71	56	60	49	
<b>Total</b>	<b>1,220</b>	<b>995</b>	<b>1,220</b>	<b>1,170</b>	<b>1,684</b>	<b>1,118</b>	<b>1,217</b>	<b>1,151</b>	<b>1,532</b>
Share of result of associates and joint ventures			1	1	-2	-6	-1		3
Comparable adjusted EBITA	111	69	63	65	213	49	123	113	237
as a percentage of net sales	9.1	7.0	5.2	5.6	12.6	4.4	10.1	9.8	15.4

Depreciation, amortisation and impairment	-49	-47	-38	-39	-39	-58	-42	-41	-37
purchase price allocation amortisation	-8	-8	-8	-9	-10	-10	-10	-11	-11
Comparable operating result	103	61	55	56	202	39	113	102	226
as a percentage of net sales	8.4	6.1	4.5	4.8	12.0	3.5	9.3	8.9	14.7
Items affecting comparability, total	-13	-18	-6	-4	-39	-28	-17	-11	-20
Operating result	90	43	49	52	164	11	96	91	206
as a percentage of net sales	7.4	4.3	4.0	4.5	9.7	1.0	7.9	7.9	13.4
Financial income and expenses	-12	-9	-13	-9	-11	-11	-13	-13	-12
Profit before taxes	78	34	36	43	153		83	78	194
Income taxes	-23	-9	-12	-14	-51	-5	-21	-19	-41
Profit for the financial period	55	25	23	29	102	-5	62	59	153
Earnings per share (EPS), basic and diluted, EUR	0.10	0.04	0.04	0.05	0.17	-0.01	0.11	0.10	0.25
Gross capital expenditure	38	25	27	27	44	24	32	23	48
investments in securities and acquisitions	1	1			2		4		-1
Cash flow from operating activities	274	114	252	42	295	-61	-37	35	349
Working capital (WCAP) at the end of the financial period	257	431	492	660	732	870	784	656	581
<b>Personnel at the end of the financial period***</b>									
Marine Power*	8,355	8,412	8,674	8,934	8,820	8,962	9,005	8,881	
Marine Systems*	1,897	1,891	1,846	1,862	1,870	1,828	1,887	1,882	
Voyage*	1,915	1,946	1,917	1,939	1,889	1,875	1,849	1,852	
Wärtsilä Marine Business*									13,582
Energy*	4,888	4,837	4,799	4,819	5,137	5,295	5,449	5,513	5,712
Portfolio Business*	737	1,097	1,098	1,088	1,080	1,058	1,050	1,096	
<b>Total</b>	<b>17,792</b>	<b>18,183</b>	<b>18,334</b>	<b>18,642</b>	<b>18,795</b>	<b>19,018</b>	<b>19,239</b>	<b>19,225</b>	<b>19,294</b>

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

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

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

## Calculations of financial ratios

### Operating result

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

### Earnings per share (EPS), basic and diluted

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

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Adjusted number of shares, average over the financial period

### Items affecting comparability

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

### Comparable operating result

Operating result – items affecting comparability

### Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

### Gross capital expenditure

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

### Net interest-bearing debt

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

### Equity per share

Equity attributable to equity holders of the parent company

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Adjusted number of shares at the end of the financial period

### Solvency ratio

Equity

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Total equity and liabilities – advances received

x 100

### Gearing

Interest-bearing liabilities – cash and cash equivalents

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Equity

### Return on investment (ROI)

Profit before taxes + interest and other financial expenses

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

x 100

### Return on equity (ROE)

Profit for the financial period

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Equity, average over the financial period

x 100

### Order intake

Total amount of orders received during the financial period to be delivered either during the current financial 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)

27 January 2021  
Wärtsilä Corporation  
Board of Directors