



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 940 193 575
Organisasjonsform: Aksjeselskap
Foretaksnavn: WÄRTSILÄ NORWAY AS
Forretningsadresse: Wichmannvegen 3
5420 RUBBESTADNESET

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Hans Petter Nesse
Dato for fastsettelse av årsregnskapet: 26.05.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 09.06.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	1 685 274 815	1 767 104 023
Annen driftsinntekt	18	144 170 346	91 483 000
Sum inntekter		1 829 445 160	1 858 587 023
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		21 413 408	22 826 356
Varekostnad	4, 17	1 062 376 962	1 115 333 530
Lønnskostnad	6	473 201 452	456 577 492
Avskrivning av driftsmidler og immaterielle eiendeler	7, 8	14 338 284	15 488 024
Annen driftskostnad	2, 6	155 977 717	153 742 650
Sum kostnader		1 727 307 823	1 763 968 051
Driftsresultat		102 137 337	94 618 971
Finansinntekter og finanskostnader			
Annen renteinntekt		6 606 056	12 596 325
Sum finansinntekter		6 606 056	12 596 325
Annen rentekostnad		5 354 928	9 537 040
Annen finanskostnad		6 045 939	10 482 489
Sum finanskostnader		11 400 867	20 019 529
Netto finans	2	-4 794 811	-7 423 204
Ordinært resultat før skattekostnad		97 342 526	87 195 767
Skattekostnad på ordinært resultat	9	22 080 090	17 893 226
Ordinært resultat etter skattekostnad		75 262 436	69 302 541
Ekstraordinær inntekt	12, 16	-5 329 582	1 476 151
Ekstraordinær kostnad	9	1 172 508	-324 753
Årsresultat		71 105 362	70 453 939
Årsresultat etter minoritetsinteresser		71 105 362	70 453 939



Resultatregnskap

Beløp i: NOK	Note	2020	2019
Totalresultat		71 105 362	70 453 939
Overføringer og disponeringer			
Ordinært utbytte		30 000 000	
Konsernbidrag		30 244 500	-14 138 974
Avsatt til annen egenkapital		10 860 862	84 592 913
Sum overføringer og disponeringer	12	71 105 362	70 453 939



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Forskning og utvikling	8	10 287 428	16 666 626
Utsatt skattefordel	9	36 367 855	35 849 104
Goodwill	8	184 543 069	184 543 069
Sum immaterielle eiendeler		231 198 352	237 058 799
Varige driftsmidler			
Maskiner og anlegg		39 511 134	43 639 341
ROU asset		112 339 227	147 040 179
Sum varige driftsmidler	7	151 850 361	190 679 520
Finansielle anleggsmidler			
Investeringer i aksjer og andeler		1 576 000	1 576 000
Sum finansielle anleggsmidler		1 576 000	1 576 000
Sum anleggsmidler		384 624 714	429 314 319
Omløpsmidler			
Varer			
Sum varer	4	179 850 834	142 567 028
Fordringer			
Kundefordringer	5, 15		
Andre kortsiktige fordringer		455 275 105	511 909 183
Sum fordringer		455 275 105	511 909 183
Investeringer			
Konsernfordringer		141 550 848	46 860 694
Sum investeringer		141 550 848	46 860 694
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.	13		809 906
Sum bankinnskudd, kontanter og lignende			809 906



Balanse

Beløp i: NOK	Note	2020	2019
Sum omløpsmidler		776 676 786	702 146 812
SUM EIENDELER		1 161 301 500	1 131 461 131
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	12	60 000 000	60 000 000
Overkurs		22 325 000	22 625 000
Annen innskutt egenkapital		168 770 390	168 470 390
Sum innskutt egenkapital		251 095 390	251 095 390
Opptjent egenkapital			
Annen egenkapital		126 298 102	115 437 240
Sum opptjent egenkapital		126 298 102	115 437 240
Sum egenkapital	12	377 393 492	366 532 630
Gjeld			
Langsiktig gjeld			
Andre avsetninger for forpliktelser		90 526 927	89 487 578
Sum avsetninger for forpliktelser		90 526 927	89 487 578
Annen langsiktig gjeld			
Obligasjonslån		98 120 284	130 662 812
Sum annen langsiktig gjeld		98 120 284	130 662 812
Sum langsiktig gjeld		188 647 211	220 150 390
Kortsiktig gjeld			
Sertifikatlån		18 331 397	19 225 794
Kortsiktige lån	11		
Leverandørgjeld		215 781 716	225 877 034
Betalbar skatt		12 486 638	14 259 915
Skattetrekk og andre trekk			-50
Annen kortsiktig gjeld	14	348 661 046	285 415 419
Sum kortsiktig gjeld		595 260 797	544 778 111



Balanse

Beløp i: NOK	Note	2020	2019
Sum gjeld		783 908 008	764 928 501
SUM EGENKAPITAL OG GJELD		1 161 301 500	1 131 461 131



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 26.02.2016	Vår dato 29.02.2016
Telefon 22078139	Deres referanse Rita Viste Bratland	Vår referanse 2016/179268

WARTSILA NORWAY AS
Wichmannvegen 1
5420 RUBBESTADNESET

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Wärtsilä Norway AS, org. nr. 940 193 575

Vi viser til deres brev av 26. februar 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Wärtsilä Norway AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Wärtsilä Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Wärtsilä Norway AS er heleid av Wärtsilä Technology Oy Ab, hjemmehørende i Finland. Dette selskapet er i sin tur heleid datterselskap av Wärtsilä Finland Oy, også hjemmehørende i Finland, og notert på Helsinki Børs. Selskapets arbeidsspråk er engelsk. Kundene er alt fra lokale rederiselskaper, til store internasjonale selskaper innen olje- og gassvirksomhet, samt shippingvirksomhet. En stor del av selskapets omsetning skjer i tillegg mot andre Wärtsilä-selskaper, hjemmehørende i utlandet. Selskapets virksomhet er internasjonal. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er eid av et utenlandsk selskap. Eierkretsen er begrenset. Selskapet opererer i en internasjonal bransje. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



To the General Meeting of Wartsila Norway AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wartsila Norway AS, which comprise the balance sheet as at 31 December 2020, the profit and loss, statement of comprehensive income and the cash-flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

*PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and
authorised accounting firm*



Independent Auditor's Report - Wartsila Norway AS



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

(2)



Independent Auditor's Report - Wartsila Norway AS



Stavanger, 26 May 2021
PricewaterhouseCoopers AS

Tom Notland
State Authorised Public Accountant

(This document is signed electronically)

(3)



 Securely signed with Brevio

Revisjonsberetning

Signers:

Name	Method	Date
Notland, Tom	BANKID_MOBILE	2021-05-31 21:26

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- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



This file is sealed with a digital signature.
The seal is a guarantee for the authenticity
of the document.



Report from the Board of Directors 2020

Business Concept

Wartsila Norway AS's main office is located at Rubbestadneset, Bømlo. The Company also has branch offices at Stord, Asker and Trondheim.

The ultimate parent company is Wärtsilä Corporation which is listed on the Large Cap list of Nasdaq Helsinki.

In 2020, Wärtsilä Corporation's net sales totalled EUR 4.60 billion with approximately 17 800 employees. The Corporation has operations in over 250 locations in more than 70 countries around the world. The Group is listed on Nasdaq Helsinki. At year-end 2020 the market capitalisation of Wärtsilä Corporation was close to EUR 4.8 billion. The Group's Annual Report 2020 is available on web page www.wartsila.com

Wartsila Norway AS's (*The Company*) principal activities are Development, New build sales, and Services of Wartsila delivered equipment such as e.g. engines, propulsion systems and electrical and automation systems for the marine, oil and gas industry.

The Service business covers lifecycle support with the span from basic support with spare parts, field service and technical support to service agreements and condition based maintenance.

Engineering, research- and development of Propulsion systems are located at Rubbestadneset, and similar at Stord for the Electrical and Automation systems (e.g. Hybrid Systems). The systems are sold worldwide but The Company mainly acts as a sub supplier to our sister companies when selling total integrated solutions to our end customers.

2020 In Short

Despite the coronavirus (COVID-19) outbreak and the measures taken globally to contain the pandemic the workload and activity level in 2020 was satisfactory. During 2020 The Company reported net sales of 1 685 MNOK which is slightly lower than 2019. Result before tax for the same period was a profit of 97 MNOK including accruals for non-recurring items.

In accordance with the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption, on which the financial statements have been prepared, is appropriate.

The equity and liquidity of The Company is considered to be sound, and the year ended without any loan position against The Group. The Company's liquidity is considered good and the cashpool agreement held a balance of 181MNOK by the end of the year. It was decided to pay 38,8MNOK to Wärtsilä Valmarine AS as group contribution, and also a pay-out of dividends of 30MNOK to our shareholders.



The Company's investments during 2020 was total 4,2 MNOK (3,7 MNOK in 2019). This is mainly related to investment in machinery and equipment.

The Annual Accounts for 2020 have been prepared in accordance with Accounting Act §3-9 and regulations regarding simplified IFRS issued by the Ministry of Finance. This means that recognition and measurement complies with IFRS (International Financial Reporting Standards) and presentation and disclosures in accordance with the Norwegian Accounting Act and accounting practice.

For 2020 our Marine Power business received governmental funding (amounting to gross 10,5 MNOK), engaging in several development projects. One of which is Pilot-E – Urban Water Shuttle, being the leading project partner for developing a concept for light and fast going passenger shuttles, using battery electric propulsion. Another project is looking for new energy storage systems. The project working on new solutions for hybrid fishing vessels, continued to receive governmental funding in 2020.

Financial risk

The Company is exposed to operational financial risk by the nature of the business. Freight rates, currency exchange rates and interest rates may impact the value of The Company's assets, liabilities and future cash flows. To reduce and manage these risk factors, management regularly reviews and reassesses the main market risks. Whenever a major risk factor is identified, actions to reduce the specific threat are considered. The Company is exposed to interest rate risk both through financing and contracts with clients. The Company's hedging strategy is to secure all cash flows with contract amount of more than 40 KEUR, but due to a considerable amount of minor contracts, The Company has decided also to hedge these as the total amount is significant.

The Company's liquidity is considered good. A significant portion of the Company's sales are sales to other Wärtsilä companies. These include payment terms established by the Group's internal payment-routines. In respect to sales to external customers, The Company use prepayment as a payment term, and also bank-guarantees. The sales-invoices are mainly in EURO or NOK, which is hedged primarily with forward exchange contracts.

Health, Safety, Environmental and Quality

In 2020, Wartsila Norway AS continued the process of implementing the business management system in compliance with recognized industry standards for HSE and Quality Management. Wartsila Norway AS has a working environment that is considered to be satisfactory.

While the health and safety of personnel is the top priority of Wärtsilä Norway AS, it reached a new level of importance in 2020 with the global COVID-19 pandemic. Many employees are involved in tasks onsite in different countries related to project execution and services.

Wartsila quickly established a global crisis response team with local incident management teams. Numerous employees resorted to performing their work remotely using digital collaboration tools and method. Furthermore, guidelines and devices were provided to secure an appropriate working environment at home.



We continue to invest in employees' competencies through external and internal training programmes both to be an interesting place to work and not least to stay competitive as a global technology business. 2020 led to a step change in digitalisation and remote collaboration and competencies needed to adapt to the challenging business environment.

The Company's sick leave was higher than the previous year, 4,6% against 3,5% in 2019. The sick leave has previously been mainly due to long term sick leave, but for 2020, Covid incentives also has a great impact. The need for continuous effort to reduce absence due to sickness, continues. The Company has an IA agreement, which will be continued also in 2021.

Safety awareness helps us to reduce risk. The Company is committed to achieving the highest standards of safety and accident prevention, through systematic risk assessment and continuous improvement processes. The Company had 1 Lost Time injury during 2020.

The Company had a target of reporting 1050 WeCare reports but ended up with a total of 968. The system for proper reporting is continuously improved to find measures to reduce accidents from occurring.

Wartsila Norway AS is proactive in relation to climate challenges. The company policy is to reduce all feasible emissions to air, land and sea.

The Company reports under §29 of the Pollution Control Act. This includes similar requirements for emissions to air and water, as well as noise limits in previous permits. The requirements of this new law is compiled within 2018.

Social Responsibility

In 2017 Wärtsilä launched a new purpose, **Enable Sustainable Societies with smart technology**, to address the challenge articulated by the last IMO Green House Gas strategy; **"Achieve zero CO2 emissions as soon as the development of new fuels and propulsion systems will allow it"**.

This important task requires an industry that is up to meet both the environmental and consumer driven needs for change, with disruptive innovation of new solutions.

Wartsila Norway quickly realised that the company could not capture the potential in our new vision alone, and encouraged people from a variety of arenas to share, connect and bring insight in how we could start to make the change in the ecosystem of shipping

In 2019 the ZEEDS initiative was spearheaded by Wärtsilä to meet this challenge, by combining the strength and competence of five forward-leaning Nordic companies which share one common goal: **To explore the fastest routes towards zero emissions shipping**. The ZEEDS partners support the UN sustainability goals and believe they can contribute to accelerate the shift towards a zero emission shipping transition by addressing challenges related to supply, storage and distribution of clean alternative fuels.

During 2020 the partners have continued their close cooperation and worked on concrete projects and piloting different part of the concept in four different workstreams; **Green ammonia onshore supply**



chain, Offshore Hub production unit for hydrogen/ammonia, Energy providing vessel (Green ammonia bunkering vessel) and Conversion of vessel to green ammonia propulsion.

The ZEEDS project have received a lot of positive attention and interest from the maritime sector, both in Norway, the Nordic but also worldwide. ZEEDS will enter into a new phase in 2021. Several development initiatives among the partners and associated companies will be kicked off during 2021. Target is to demonstrate concrete projects supporting the route towards Zero Emission shipping.

Wartsila Norway AS takes a proactive role to safeguard and integrate the consideration of human rights, labour rights and social conditions.

The Company will maintain an organisation with high ethical standards and values set into practice and defined via the Code of Conduct, Personnel Handbook, internal and external training as well as team building activities.

Regardless of gender, background, religion, nationality or disability, all employees in Wartsila Norway has the same rights and possibilities. The Company promotes freedom from discrimination based on race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age or political beliefs, or other characteristics protected by law. Wartsila Norway fosters equal opportunities and employees are selected and treated on the basis of their abilities and merits. The Company continues to employ fair employment practices, and these are in the essence of Wärtsilä's code of conduct. Recruitment & resourcing policies and practices support the actions that encourage the hiring of more females in senior and technical roles.

By the end of 2020, Wartsila Norway AS had a total of 471 employees, 79 females and 392 males, 12 part time employees, 7 females and 5 males. There were 3 temporary positions, 2 females and 1 male. Female ratios for the different position levels are: Level 1 – 14%, level 2 – 11%, level 3 – 26%, level 4 – 31% and level 5 – 13%. Average parental leave weeks for females is 43.4 weeks, for males 12.2 weeks.

Wartsila Norway's management group consists of 3 females and 6 males while The Board of Directors consists of 5 males. Both the Board and management are familiar with the social expectation for measures to promote gender equality, both within The Company and the Board.

Outlook

The continued COVID-19 pandemic, the global lockdown and its impact on the global economy will still lead to high uncertainty in order intake, delivery postponements in on-going projects and financial results. It is highly uncertain how long the normalization process of the global economy will take. However, the development of effective vaccines and implementing country wide vaccination programs on global scale will have a positive effect on our business in 2021.


The full financial impact cannot be quantified at this time, as it will depend on the duration and severity of the measures taken to control the virus spread, and the pace of the eventual market recovery.




The New build market is still challenging but with a positive development. There are limited demands for new-build vessels and the uncertainty continue to impact investments in offshore exploration and development. On other segments such as Specials, Cruise and Merchant we see a slightly positive increase in demand for new vessels. Decarbonisation discussions and opportunities for greener energy is continues to influence the market positively.

The Service market outlook continues the positive trend with growth opportunities in selected regions and customer segments. Offshore is still suffering from overcapacity, but other segments such as Specials, Cruise and Merchant show healthy improvements. Operators in the marine markets continue to show interests in long-term service agreements – and The Company closed several agreement contracts in 2020.


On the Board of Wartsila Norway AS – Rubbestadneset 26.05.2021


Paul Kohle (May 26, 2021 15:58 GMT+1)

Paul Kohle
Chairman of the Board



Antti Kuokkanen
Board Member


TOMAZ NABERGOJ (May 31, 2021 09:27 GMT+2)


Tomaz Nabergoj
Board Member



Tor-Olav Berg
Board Member


Sigurd Mikkelsen (May 27, 2021 14:54 GMT+2)

Sigurd Mikkelsen
Board Member


Hans-Petter Nesse (May 26, 2021 15:12 GMT+2)

Hans-Petter Nesse
Managing Director



Wartsila Norway AS

Financial Statements 2020



Wartsila Norway AS Financial Statements 2020

Profit and Loss

NOK '000	Note	2020	2019
REVENUE			
Sales Revenue	3,18	1 685 275	1 767 104
Other Operational Income	3,18,19	144 170	91 483
Total Revenues		1 829 445	1 858 587
OPERATING COST			
Cost of sales	18	(1 099 660)	(1 140 529)
Change in inventories of goods	4	37 283	25 195
Personnel expenses	6	(473 201)	(456 577)
Other operating expenses	2,6,8	(155 978)	(153 743)
Depreciation and amortisation	7,8,9	(35 752)	(38 314)
Total operating expenses		(1 727 308)	(1 763 968)
Operating profit		102 137	94 619
FINANCIAL ITEMS			
Financial income	2	6 606	12 596
Financial expenses	2,8	(6 213)	(10 278)
Exchange gains (loss)	2	(5 188)	(9 742)
Net financial items		(4 795)	(7 423)
PROFIT BEFORE TAX		97 343	87 196
Tax on ordinary result	10	22 080	17 893
PROFIT (LOSS)		75 262	69 302
OTHER INCOME/ COST			
Changes in fair value of hedging instruments with cash flow hedges	13, 17	(5 330)	1 476
Tax on other comprehensive income	10	1 173	(325)
Total other income and expenses		(4 157)	1 152
TOTAL RESULT		71 105	70 454
ALLOCATIONS			
Group Contribution given	13	30 245	-
Dividend payment	13	30 000	-
Allocated to Other Equity	13	10 860	70 454
Total allocated		71 105	70 454



Wartsila Norway AS Financial Statements 2020

Balance sheet

NOK '000	Note	2020	2019
Assets			
Non-current assets			
Intangible assets			
Deferred tax asset	10	36 368	35 849
Intangible assets	9	194 830	201 210
Total intangible assets		231 198	237 059
Fixed assets			
Property, plant & equipment	7	39 511	43 639
Right-to-use assets	8	112 339	147 040
Total fixed assets		151 850	190 679
Financial fixed assets			
Long term receivables		-	-
Investments		1 576	1 576
Total financial fixed asset		1 576	1 576
Total non-current assets		384 625	429 314
Current assets			
Inventories	4	179 851	142 567
Trade and other receivables	5,16	596 826	558 769
Cash and cash equivalents	14,16	-	810
Total current assets		776 677	702 146
Total Assets		1 161 302	1 131 460




Wartsila Norway AS
Financial Statements 2020


Balance sheet

NOK '000	Note	2020	2019
Equity and liabilities			
Equity			
Share capital	13	60 000	60 000
Share premium	13	22 325	22 325
Other paid in capital	13	168 770	168 770
Total paid in capital		251 095	251 095
Retained earnings	13	126 298	115 437
Total equity attributable to equity holders of the Company		377 393	366 532
Liabilities			
Non-current liabilities			
Lease liabilities (non-current)	8	98 120	130 663
Provisions		90 527	89 488
Total non-current liabilities		188 647	220 151
Current liabilities			
Trade and other payables	5	215 133	225 853
Lease liabilities (current)	8	18 331	19 226
Other short term liabilities	5,15	361 796	299 699
Short term loans & borrowings	12		
Total current liabilities		595 261	544 778
Total Equity and Liabilities		1 161 302	1 131 460

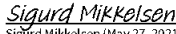
Bomlo, 26.05.2021


Paul Kohle (May 26, 2021 15:56 GMT+1)

Paul Kohle
Chairman of the Board


TOMAZ NABERGOJ (May 27, 2021 14:32 GMT+2)

Tomaz Nabergoj
Board Member


Sigurd Mikkelsen (May 27, 2021 14:56 GMT+2)


Sigurd Mikkelsen
Board Member



Antti Kuokkanen
Board Member



Tor Olav Berg
Board Member


Hans Petter Nesse (May 26, 2021 15:10 GMT+2)

Hans Petter Nesse
Managing Director



Wartsila Norway AS Financial Statements 2020

Cash-flow statement

NOK '000	2020	2019
Cash flows from operating activities		
Operating profit	102 137	94 619
Adjustments for:		
Depreciation & Amortisation	35 752	38 314
Loss/gain on sale of fixed assets	0	-479
Change in short term receivables	-38 057	-119 390
Change in inventory	-37 284	-25 196
Change in other short term liabilities	401	62 344
Change in trade and other liabilities	-8 946	13 008
Items classified as investment or financing activities	0	-1 317
Financial expense	-6 213	-10 278
Financial income	6 606	12 596
Exchange gains (loss)	-5 188	-9 742
Taxes paid	-14 684	-24 048
Net cash from operating activities	34 525	30 431
Cash flows from investing activities		
Net cash flow from buying and selling intangibles	0	0
Net cash flow from purchasing and sales of fixed assets	-3 831	14 211
Net cash flow from purchase and sales of shares	0	0
Net cash flows from long-term interest bearing receivables	0	
Net cash from investing activities	-3 831	14 211
Cash flows from financing activities		
Changes in short-term debt	0	-60 000
Changes in long-term debt	-31 504	52 366
Paid dividend	0	-58 000
Paid/received Group Contribution	0	19 368
Net cash from financing activities	-31 504	-46 266
Net increase in cash and cash equivalents	-810	-1 624
Cash and cash equivalents at 1 January (included merged company)	810	2 435
Cash and cash equivalents at 31 December	0	810



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**Wartsila Norway AS**
Financial Statements 2020**Note 1 General info and summary of significant accounting principles**

Wartsila Norway AS is domiciled in Bømlo Kommune, Norway.

The Company is engaged in the development, sales, production and service of propulsion systems as well as electrical- and automation systems for the marine, oil and gas industry.

The Financial Statements includes the following:

- Income Statement
- Balance sheet
- Cash Flow analysis
- Notes

1.1 The Basis of preparation

The Financial Statements are prepared in accordance with the Norwegian Legislation and the International Financial Reporting Standards (IFRS). Interpretations are adopted by the International Accounting Standard Board (IASB) as approved by the European Union (EU).

The accounts are prepared on a historical cost basis, except for certain financial instruments, measured at fair value.

1.2 Simplified IFRS

The Company has applied the following simplifications to the recognition and valuation rules in IFRS:

- IAS 16 no. 43 departs so that the same assessment of depreciation unit (decomposition) in company accounts are the same as in the consolidated accounts.
- IFRS 9.4.3.3-4.3.7 departs so that it is not considered whether there are embedded derivatives to be separated from the host contract for contracts entered into between group companies.

Exemption from simplified IFRS

The Company has elected to record proposed dividend in the balance sheet per year end

1.3 Classification and valuation of balance sheet items

Current assets and liabilities include items due for payment within one year, and entries related to goods circulation. Other items are classified as fixed assets/ liabilities.



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Current assets are valued at the lower of cost and net realizable value. Current liabilities are recognized at their nominal value at the time.

Assets are only recognized if they meet the definition of an asset, it is probably that future economic benefits associated with the asset will flow to The Company and the cost or fair value can be measured reliably.

Assets intended for long- term ownership or use, are classified as non-current. By long- term ownership it is normally mentioned assets held for more than 12 months.

1.4 Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates available at the dates of the transactions. All currency changes arising from the difference in spot rates between Group Treasury and the closing spot, whether unrealized or realized, are continuously booked to profit and loss.

1.5 Use of estimates

The Management uses estimates and assumptions that affect assets, liabilities, revenues, expenses and information on potential liabilities. This especially concern depreciations of fixed assets and assumptions made in relation to write down of shares.

Future events may cause the estimates to change. Estimates and assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period the change occurs. If the change also apply to future periods, the effect of the current and future periods are accrued over the different periods.

1.6 Recognition of revenue

Revenue is presented net of indirect sales taxes, penalties and discounts. Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

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



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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. Goods and service-type contracts generally include one performance obligation.

Projects contain short- 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. Project contracts generally represent one performance obligation but can under certain circumstances contain multiple performance obligations in the Marine business, when a contract contains multiple units of delivery.

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

Contracts with customers often include warranties in line with Wärtsilä's General terms and conditions, which are regarded as part of the promise to the customer.

Revenue recognised over time is measured in accordance with the input method (percentage of completion method based on costs incurred) when the outcome of the contract can be estimated reliably. If revenue for goods and services is recognised at a point in time, it is when control is transferred to the customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms.

The practical expedient according to IFRS 15.63 concerning significant financing components arising from contracts with customers and the practical expedient stated in IFRS 15.94 according to which an entity can recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less have been applied.

1.7 Property, plant and equipment

Property, plant and equipment (excluding investment properties) acquired are measured at cost less accumulated depreciations and impairment losses. When an asset is sold or scrapped, the carrying amount is derecognized and profit or loss booked to income statement.

The cost of an asset includes costs directly attributed to preparing an asset for its intended use. Maintenance costs are booked to income statement, while other expenses leading to future earnings, will be booked to the balance sheet.

Depreciation is expensed on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated, as its useful life is considered as infinite. The estimated useful lives and the residual values are reviewed at least at the end of each financial period, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly. Depreciation of property, plant and equipment is stopped when an item is classified as held for sale. A gain or loss arising from the



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sale of property, plant and equipment is recognised in other operating income or other operating expenses in the statement of income.

Impairment test are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of the assets at which independent cash flows can be identified.

1.8 Intangible assets

Goodwill is the difference between the aggregate of the acquisition-date fair value of the consideration transferred, and the acquirer's share of the company's net identifiable assets and liabilities measured at fair value on the acquisition date.

Other intangible assets acquired separately are capitalized at cost. The cost of intangible assets acquired through acquisitions are recognized at fair value in the opening balance of The Company. Capitalized intangible assets are carried at cost less depreciation and impairment.

Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the hardware acquisition costs. Software is depreciated over three years. Maintenance costs are directly charged unless the change in the software increases the future economic benefit.

An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

1.9 Cash and cash equivalents

The statement of cash flow is presented in accordance with the indirect method.

Cash and cash equivalents include cash, bank deposits and other short term highly liquid investments that can easily be converted into known amounts of cash, and with maturity date less than three months from acquisition. The Company participates in the cash pool arrangement with the parent company in Finland and is included in trade and other receivables.

1.10 Taxation

The tax expense in the period consists of taxes payable and changes in deferred taxes. Deferred tax assets are recognized when there is a probability that The Company will have a future taxable



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income. Deferred taxes are based on expected future tax rates where the temporary differences are calculated.

Deferred tax liabilities and assets are measured based on anticipated future tax relating to items on which the temporary difference has arisen. Deferred tax liabilities and assets are recognized at nominal value and are classified as financial assets (non-current liabilities) in the balance sheet. Current and deferred taxes are recognized directly in equity if the tax items relate to equity transactions.

1.11 Inventory

Inventories are stated at the lower of cost and net realizable value. Materials and consumables are valued weighted average cost. Finished products are valued at direct purchasing and manufacturing costs and allocated purchasing and manufacturing overhead costs. Work in progress includes costs for direct labour and material costs and allocated overhead costs related to manufacturing and purchasing when control has not yet transferred to the customer. Net realizable value is the estimated selling price for ordinary operations deducted estimated costs of completion, marketing and distribution. Cost is determined using the FIFO method and includes expenses incurred in acquiring the inventories and bringing them to their present location.

The devaluation of inventory due to obsolete and excess stock, is performed based on the management's best estimate on the balance sheet date. Analysis of inventory aging, turn over and composition compared to anticipated future use is the basis for the estimates.

1.12 Contract assets

Contract balances consist of customer-related assets.

When control over goods or services is transferred to a customer before the customer pays the consideration, the receivable is recognised as a contract asset. The contract asset represents the right to future consideration.

1.13 Derivatives and hedge accounting

Derivatives are measured at fair value. Gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistently with the hedged item. The effective portion of the change in the fair value is deferred into the cash flow reserve through OCI and will be recognised in profit or loss when the



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hedged item affects profit or loss. Impact from ineffective hedging instruments is recognised in financial income and expenses immediately.

For derivatives eligible for hedge accounting, The Company documents the relationship between each hedging instrument and the hedged asset upon entering into a hedging arrangement, along with the risk management objective and the strategy applied. Through this process, the hedging instrument is linked to the relevant assets and liabilities, projected business transactions or binding contracts. The Company also documents its ongoing assessment of the effectiveness of the hedge regarding the relationship between a change in the derivative's fair value and a change in the value of the hedged cash flows or transactions.

Wartsila hedges its sales and purchases in foreign currencies with foreign exchange derivatives or currency options. Certain foreign exchange derivatives are eligible for hedge accounting. Changes in the fair value of derivative contracts designated to hedge future cash flows are recognised in other comprehensive income and presented in the fair value reserve in equity, provided that the hedging is effective. The ineffective portion is immediately recognised in the financial items in the statement of income for the financial period. Changes in fair value due to interest rate differences are recognised in the statement of income. Any gain or loss in the fair value reserve accumulated through other comprehensive income is reported as an adjustment to net sales or material and services in the same period as any transactions relating to the hedged obligations or estimates. Currency forwards are measured at forward rates at the end of the financial period and currency options at their market value at the end of the financial period.

1.14 Financial assets and liabilities

The Company's financial assets at amortised cost includes trade receivables, other receivables and investments in commercial papers that are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance for impairment. Financial assets at fair value through profit or loss include derivatives not included in hedge accounting, other financial investments and cash. Financial assets recognised at fair value through other comprehensive income include derivatives eligible for hedge accounting.

Financial liabilities recognised at amortised cost include trade and other payables, loans and borrowings. Financial liabilities recognised at fair value through the statement of income include derivatives that are not eligible for hedge accounting. Realised and unrealised gains and losses from changes in fair values of derivatives are recognised in the statement of income in the period in which they have arisen



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1.15 Accruals

A provision is recognized when The Company has an obligation (legal or constructive) as a result of a past event. An accrual should be considered if it is probable that there will be a financial settlement as a result of this obligation and the amount can be reliably measured. If the effect is significant, provision is determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments.

A provision for warranties is recognized when the underlying products or services will be sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Provisions for restructuring are recognized when The Company has approved a detailed and formal restructuring plan and restructuring has either started or been publicly announced.

Provisions for onerous contracts are recognized when The Company's expected income from a contract is lower than unavoidable costs of meeting the obligations under the contract.

1.16 Investments in other companies

The cost method is applied to investments in other companies.

1.17 Leasing

The Company's capitalised lease agreements consist mainly of office premises, production machinery and equipment lease agreements. Wartsila recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. Whether a contract contains a lease is determined based on whether Wartsila has the right to control the use of an identified asset for a period of time. At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments include fixed payments, amounts to be expected to be paid under residual value guarantees, the exercise price of reasonably certain extension options, and payments of penalties for terminating a lease in case this reflects the lease term. The lease payments are discounted using the interest rate implicit in the lease, if this rate can be readily determined. Otherwise the lessee's incremental borrowing rate is used. The incremental borrowing rates used are the sum of relevant interbank rates and average margin of group loan portfolio and are currency specific.



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The initial measurement of the lease payments does not include possible variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income.

The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgment based on realistic estimates is used when determining the lease term, especially concerning lease agreements containing termination and purchase options and lease agreements with indefinite lease terms.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

Lease payments are presented as repayments of liabilities and related interest expenses. Modifications to lease agreements may result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification and a termination of a lease agreement is recognised in other operating income or other operating expenses in the statement of income.

The Company applies the two available exemptions, which relate to either short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are expensed to other operating expenses.

1.18 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost.

1.19 Employee Benefits

Pensions

Defined contribution pension plan is recorded for all employees of The Company (previously defined benefit plan). The Company's pension scheme meets the requirements of the Law on Occupational Pensions. The premium is expensed as incurred through operations. Employer's taxes are expensed based on actual paid pension.



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Share-based remuneration

Agreements that gives employees (only relevant for two employees) the right to a cash compensation based on share price development in the parent company are treated as compensation expenses in the period of the cash consideration.

1.20 Government Grants

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and The Company will comply with all attached conditions.

1.21 Contingent liabilities and assets

Contingent liabilities and assets are not recognized in the financial statement. Information is provided about material contingent liabilities except for contingent liabilities where the probability of the liability is low.

1.22 Equity

Financial instruments are classified as liabilities or equity in accordance with the underlying financial asset.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income.

A contingent asset is not recognized in the financial statements but disclosed in the notes if there is a certain probability that a benefit will be addressed to The Company.

1.23 Subsequent events

New information after the balance sheet date about The Company's financial position are included in the accounts. Subsequent events that do not affect The Company's financial position at the reporting date but will affect The Company's future financial position are reported if they are considered significant.

1.24 New Standards

No new standards with significant effect implemented in 2020.



Wartsila Norway AS
Financial Statements 2020

Notes

NOK '000

Note 2 Specification of income statement items

	2020	2019
Other operating expenses		
Other operating expenses	145 444	145 299
Office cost	4 531	4 407
Rental cost	1 930	949
Losses on claims and change in provision for bad debts	4 073	3 087
Total other operating cost	155 978	153 743
Financial items		
Interest income from Group Companies	397	693
Other interest income	448	238
Other financial income from Group Companies	5 761	11 666
Total Financial Income	6 606	12 596
Interest Expense to other Group Companies	398	2 650
Other interest expense	4 782	6 057
Other financial expense to Group Companies	404	962
Other financial expense	629	609
Total Financial Cost	6 213	10 278
Currency Gains	15 457	8 280
Currency Loss	20 645	18 022
Exchange gains (loss)	5 188	9 742

Note 3 Sales Revenue

Business area	2020	2019
Service *)	1 299 758	1 320 661
Marine Solutions **)	385 517	446 443
Total Sales Revenue	1 685 275	1 767 104

*) Revenues related to the sale of spare parts and commission income from the sale of spare parts in other Group Companies, and services related to reconditioning of equipment, routine maintenance on equipment and installation of equipment.

**) Revenues related to the sale of propulsion systems, electrical and automation systems (E&A) and ship design for the marine-, oil- and gas industry and the sale of engineering services related to these types of products.

Provisions for warranty liabilities, ref other short term liabilities, on products delivered, amounts to 41,2 MNOK per 31.12.2020 (increase from 37,3 MNOK per 31.12.2019).

Other operational income is mainly related to intragroup fees, in addition to government grants (ref note 19)

Geographical distribution	2020			in % av total
	External	Internal	Total	
Africa	15 553		15 553	0,9 %
America	6 057	47 407	53 464	3,2 %
Asia	63 611	4 276	67 887	4,0 %
Europe	1 118 164	430 207	1 548 371	91,9 %
Total Sales Revenue	1 203 385	481 890	1 685 275	100,0 %

Geographical distribution	2019			in % av total
	External	Internal	Total	
Africa	9	5 249	5 258	0,3 %
America	10 425	29 883	40 308	2,3 %
Asia	28 781	8 905	37 686	2,1 %
Europe	1 154 943	528 909	1 683 852	95,3 %
Total Sales Revenue	1 194 158	572 946	1 767 104	100,0 %



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Notes

NOK '000

Note 4 Inventory

Stock of goods for production and spare parts are valued at acquiring cost deducted obsolescence. Obsolescence is determined by the item's age.

Finished goods are valued by using the lowest value method of manufacturing cost and net realizable value. Finished goods are defined as goods intended for direct resale or sub-components of these goods.

Goods are valued at manufacturing costs. The valuation includes cost of raw materials, direct salaries and social securities, engineering and project management, as well as indirect cost.

Inventory	31.12.2020	31.12.2019	Change
Inventories of goods for production and spare parts	79 971	64 080	15 891
Obsolete Provision goods for production and spare parts	-14 198	-11 700	-2 498
Finished Goods	3 506	1 338	2 168
Devaluation Finished Goods	-71	-67	-4
Goods in process	110 643	88 916	21 727
Inventory	179 851	142 567	37 283

Note 5 Trade and other receivables/ payables

Accounts Receivable	31.12.2020	31.12.2019	Change
Trade receivables - external	147 885	188 197	-40 312
Trade receivables - intragroup	129 246	116 030	13 216
Total Accounts Receivable	277 131	304 227	-27 096

Accounts receivable are valued at nominal value less provision for bad debts.

Accounts receivable- provision for bad debt

Provision for bad debt amount to MNOK 7,8 at 31.12.2020 (2019: 4,9 MNOK). Change in provision for uncollectable accounts receivable are classified as other operating expences in the income statement.

Bad debt	2020	2019
New accruals	9 237	4 289
Realized losses	35	95
Reversal of previous provisions	-5 200	-1 297
Bad debt in income statement	4 072	3 087



Wartsila Norway AS Financial Statements 2020

Notes

NOK '000

Note 5 (continued) Trade and other receivables/ payables

Contract Balances

Contract assets primarily relate to the Company'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 assets arise from long-term service agreements and projects recognised over time. Unbilled revenue, ref accounts receivable, is the net amount of accumulated operating revenue, reduced accumulated invoices for all current contracts, where accumulated operating revenues exceed accumulated invoicing. Advances from customers, ref other payables, is the net amount of accumulated operating revenue minus the invoiced amount for all ongoing contracts where the accumulated invoices exceed the accumulated operating revenue.

	2020	2019
Work in progress - accrued cost	318 565	316 713
+ estimated margin on work in progress	30 931	29 606
Total value of work in progress	349 496	346 319
Billed revenue related to work in progress per 31.12	-356 197	-292 817
Contract asset	79 744	113 467
Contract liabilities	-86 446	-59 964
Net	-6 701	53 503

The Company have accrued for loss on work in progress amounting to MNOK 10,4 (MNOK 6,7 in 2019)

Accounts Payable and other liabilities	31.12.2020	31.12.2019	Change
Accounts payables external	39 271	49 151	-9 880
Total other liabilities	27 258	29 158	-1 900
Amount due to Group Companies	148 605	147 546	1 059
Total Accounts Payable and other liabilities	215 133	225 854	-10 720



Wartsila Norway AS Financial Statements 2020

Notes

NOK '000

Note 6 - Wages, number of employees, benefits and loans to employees

Salaries	2020	2019
Wages and salaries	387 550	371 062
Social security cost	53 435	57 943
Pension cost	25 205	28 610
Other personnel cost	7 011	-1 037
Total	473 201	456 579

Average number of employees during the fiscal year

	490	483
--	-----	-----

Salary (incl bonus) for Managing Director	1 418	1 415
Other remuneration	153	160

Bonus schemes

Managing Director participates in a bonus scheme which entitles to a bonus of up to 36% of annual salary, based on the achievements of pre-defined goals.

Bonus paid in 2020 amounted to NOK 0

The Managing Director is in connection with his resignation not entitled to any special compensation.

Other senior executives are participating in the bonus scheme entitling bonuses from 16 % upto 36 % of annual salary based on the achievement of specified objectives related to the company and personal goals.

Other employees participate in profit-sharing which entitles to payment of up to one month's salary based on the achievement of performance goals related to Wärtsilä Corporation.

Accrued bonuses per 31.12.2020 amount to MNOK 12,7 (MNOK 0 in 2019.)

Audit fees from Auditors	2020	2019
Fees for audit and audit related services, excl VAT	1 404	1 352
Tax advisor fees	216	46
Other fees	60	170



Wartsila Norway AS Financial Statements 2020

Notes

NOK '000

Note 6 (continued) Wages, number of employees, benefits and loans to employees

Composition of total pensions

The Company's pension plan is a defined contribution plan, and satisfies the requirements in "Lov om obligatorisk tjenestepensjon".

In July 2011 The Company chose to change the pension scheme from defined benefit-plan to defined contribution-plan. At the date of the transfer, employees could choose whether they wanted to stay in the defined benefit-scheme or transfer to the defined contribution plan. Defined benefit plan was until 31.12.2013 covered by insurance company. From this point, all employees were transferred to the Defined Contribution Plan.

In addition to the above, The Company also participates in "AFP- ordning" through "tariffavtale". At the end of 2020, 500 persons are included in this "AFP"- agreement.

With effect from 01.01.2011 The Company was introduced to a new scheme of contractual pensions. The new scheme is a multi-employer-plan and is administered by LO/NHO. In the absence of sufficient information to calculate the required provisions under the new scheme, this is not done per 31.12.2020.

Pension cost	2020	2019
Defined contribution plans	25 205	28 610
Total pension cost recognized in the net income	25 205	28 610



Wartsila Norway AS Financial Statements 2020

Notes

(NOK '000)

Note 7 Property, plant and equipment

	Land	Buildings	Machinery & Equipment	Asset under construction	2020 Total
Cost					
At 1. January 2020	3 203	94 017	86 095	2 590	185 905
Additions merger					-
Additions and transfers			5 412	(1 581)	3 831
Disposals at cost/retirement					-
Cost at 31 December 2020	3 203	94 017	91 507	1 008	189 736
Accumulated depreciation and impairment losses at 01.01.2020	-	68 495	73 770	-	142 265
Additions merger					-
This years depreciation		3 590	4 369		7 959
Impairment losses					-
Disposal of depreciation					-
Per 31. December 2020	-	72 086	78 139	-	150 225
Carrying amounts at 31. December 2020	3 203	21 932	13 368	1 008	39 511
Economic life cycle	no dep	until 20 years	until 10 years	no dep	
Depreciation plan		linear	linear		

	Land and buildings	Buildings	Machinery & equipment	Asset under construction	2019 Total
Cost					
At 1. January 2019	3 203	91 337	80 069	3 354	177 963
Additions merger			32 772		32 772
Additions and transfers		2 833	1 711	(763)	3 780
Disposals at cost/retirement		(153)	(28 457)		(28 610)
Cost at 31 December 2019	3 203	94 017	86 095	2 590	185 905
Accumulated depreciation and impairment losses at 01.01.2019	-	64 829	65 369	-	130 198
Additions merger			32 763		32 763
This years depreciation		3 819	4 095		7 913
Impairment losses					-
Disposal of depreciation		(153)	(28 457)		(28 610)
Per 31. December 2019	-	68 495	73 770	-	142 264
Carrying amounts at 31. December 2019	3 203	25 521	12 325	2 590	43 639
Economic life cycle	no dep	until 20 years	until 10 years	no dep	
Depreciation plan		linear	linear		

Note 8 Leases

	Land and buildings	Machinery & equipment	2020 Total
Carrying amount, Right-of-use assets			
At 1. January 2020	145 210	1 830	147 040
Additions	6 112	383	6 495
Depreciations and impairment	(20 569)	(845)	(21 414)
Decreases and reclassifications	(19 687)	(95)	(19 782)
At 31 December 2020	111 066	1 273	112 339
Carrying amount, Lease liabilities			
At 1. January 2020	148 030	1 858	149 888
Additions	6 112	383	6 495
Interest expense	4 589	36	4 625
Payments	(23 411)	(869)	(24 280)
Other adjustments	(20 179)	(98)	(20 277)
At 31. December 2020	115 141	1 310	116 451
Total lease liabilities			
Non-current			98 120
Current			18 331
Amounts recognised in profit and loss			
Depreciation and impairment of right-of-use assets			21 414
Interest expense			4 625
Expense - short-term leases			1 421
Expense - low-value assets			2 319
Expense - variable lease payments			(1 811)
			27 968



	Land and buildings	Machinery & equipment	2019 Total
<i>Carrying amount, Right-of-use assets</i>			
At 1. January 2019	167 256	1 969	169 224
Additions	-	642	642
Depreciations and impairment	(22 045)	(781)	(22 826)
Decreases and reclassifications	-	-	-
At 31 December 2019	145 210	1 830	147 040
<i>Carrying amount, Lease liabilities</i>			
At 1. January 2019	167 256	1 969	169 224
Additions	-	642	642
Interest expense	5 172	39	5 211
Payments	(24 397)	(792)	(25 189)
Other adjustments			
At 31. December 2019	148 030	1 858	149 889
<i>Total lease liabilities</i>			
Non-current			130 663
Current			19 226
<i>Amounts recognised in profit and loss</i>			
Depreciation and impairment of right-of-use assets			22 826
Interest expense			5 211
Expense - short-term leases			5 998
Expense - low-value assets			2 859
Expense - variable lease payments			(7 907)
			<u>28 987</u>



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Note 9 Intangible Assets

	Research and Development	Goodwill	2020 Total
Cost			
At 1. January 2020	118 517	187 263	305 779
Additions merger			-
Additions and transfers			-
Disposals at cost/ retirement			-
Cost at 31 December 2020	118 518	187 263	305 779
Accumulated depreciation and impairment losses at 01.01 2020	101 850	2 720	104 570
Additions merger			-
This years depreciation	6 380		6 380
Disposal of depreciation			-
Cost at 31 December 2020	108 230	2 720	110 950
Carrying amount 31. December 2020	10 288	184 543	194 830

	Research and Development	Goodwill	2019 Total
Cost			
At 1. January 2019	88 365	187 263	275 628
Additions merger	30 151		30 151
Additions and transfers			-
Disposals at cost/ retirement			-
Cost at 31 December 2019	118 517	187 263	305 779
Accumulated depreciation and impairment losses at 01.01 2019	64 124	2 720	66 844
Additions merger	30 151		30 151
This years depreciation	7 575		7 575
Disposal of depreciation			-
Cost at 31 December 2019	101 850	2 720	104 570
Carrying amount 31. December 2019	16 667	184 543	201 210
Expected economic life	Up to 15 years	No	
Depreciation schedule	Linear	depreciation	

Goodwill

Goodwill is entirely related to synergies by acquisitions. The Company will perform an annual impairment test of goodwill.

Goodwill is specified against the following acquisitions

John Crane Lips Norway	2000	20 976
Wartsila Propulsion Norway AS	2002	89 348
Wartsila Automation Norway AS	2006	66 754
Maritim Service AS (Ålesund)	2008	7 465
Total		184 543

The Company's capitalized development costs are mainly related to proprietary drives for low and medium power, and proprietary control -panel for controlling gears and propulsion- systems.



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Note 10 - Tax

	31.12.2020	31.12.2019	Change
Deferred Tax			
Fixed assets	(29 207)	(30 263)	(1 056)
Inventories	(14 198)	(11 700)	2 498
Receivables	(7 819)	(4 875)	2 944
Projects	30 930	29 606	(1 324)
Leasing	(4 112)	(2 848)	1 264
Guarantees and other accruals	(99 377)	(99 008)	369
Profit- and loss account	(30 666)	(38 333)	(7 667)
Total temporary differences	(154 449)	(157 421)	(2 972)
Tax loss carry forward	-	-	-
Net temporary differences	(154 449)	(157 421)	(2 972)
Basis for deferred tax/deferred tax asset (-)	(154 449)	(157 421)	(2 972)
Deferred tax asset 22 %	(33 979)	(34 633)	654
Temporary differences in equity	(10 859)	(5 529)	(5 330)
Net deferred tax asset recognized in equity	(2 389)	(1 216)	(1 173)
Total deferred tax asset	(36 368)	(35 849)	(519)

	2020	2019
Payable tax		
Profit before tax	97 343	87 196
Non- deductible expenses	1 161	1 474
Received/ paid Group Contribution with tax effect	(38 775)	-
This year's change in temporary differences	(2 972)	(10 878)
Applied carryforwards	-	-
Additional tax on interest	-	-
Taxable income	56 757	77 793

Tax payable 22 %	12 486	17 114
Income tax expense	2020	2019
Payable tax for the year	12 486	17 114
Settlement tax in prior years	(14)	(1 828)
Withholding tax	424	215
Tax on Group Contribution with tax effect	8 531	-
Additional tax on interest	-	-
Change in deferred tax liabilities/ assets	654	2 393
Tax on income/ expenses recognized directly in equity	-	-
Total income tax expense	22 080	17 893

Why the tax cost does not correspond to 22%

	2020	2019
22% on profit before tax	21 415	19 183
Permanent differences 22 %	255	324
Effect of change in tax rate	-	-
Additional tax on interest	-	-
Deviations on deferred taxes in previous years	(14)	(1 828)
Withholding tax	424	215
Settlement tax payable previous years	-	-
Calculated tax cost	22 080	17 893
Effective tax (***)	22,7 %	20,5 %

***) Includes non-deductible expenses such as representation.

***) Tax cost in relation to profit before tax.



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Note 11 Pledges and guarantees

Guarantees that are not recognized	31.12.2020	31.12.2019
Guarantee for payment of tax per 31.12	25 000	25 000
Guarantee for payment of customs credit	0	0
Guarantees prepayments from customers	7 098	14 444
Total	32 098	39 444

The Company has no assets as security for long-term or short-term debt as of 31.12.2020

The Company did not pledge collateral or guarantees in favour of group companies per 31.12.2020

Note 12 Balances with group companies

	31.12.2020	31.12.2019
Trade receivable	129 246	116 030
Other payables/ Group Contribution/ Dividend	68 775	-
Trade Payables	148 605	147 546
Other short term debt *)	-	-

*) Other short term debt per 31.12.2019

	Amount	Interest	Due Date
Loan from Wärtsilä Corporation, Group Treasury	0		
Loan from Wärtsilä Corporation, Group Treasury	0		
	0		



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Note 13 Equity and shareholders information

Equity	Share capital	Share premium account and other paid in capital	Retained earnings	Total
Equity per 01.01.2020	60 000	191 095	115 437	366 532
Change in equity:				0
Annual result			71 105	71 105
Group Contribution			-30 244	-30 244
Dividends			-30 000	-30 000
Equity per 31.12.2020	60 000	191 095	126 298	377 393

Other income and expenses in the income statement related to the change in fair value of the hedging instrument in a cash flow hedge are items that may be reclassified to profit or loss in subsequent periods.

Share Capital in Wärtsilä Norway AS per 31.12.2020	No of shares	Nominal value	Carrying amount
A-shares	1	60 000	60 000

Shareholders information

Wärtsilä Technology Oy AB, Finland, holds 100% of the shares in the Company. Wärtsilä Norway AS is included in the consolidated financial statement for Wärtsilä Corporation, Finland. The consolidated financial statements are available at www.wartsila.com. The consolidated financial statements are presented in other currency, EUR, than the company accounts.



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Note 14 Cash and cash equivalents

	31.12.2020	31.12.2019
Restricted bank deposits	-	810
Bank deposits	-	-
Total	0	810

Note 15 Current liabilities

	31.12.2020	31.12.2019
Provisions	91 957	50 274
Contract liabilities - over time projects	86 445	59 964
Provision Wages and Holiday Pay	67 072	49 283
Other accruals	23 700	85 941
Payable Group Contribution	38 775	-
Payable Dividends	30 000	-
Prepayments from customer/contract liabilities	11 359	39 977
Taxes	12 486	14 260
Total other short term liabilities	361 796	299 699

Note 16 Receivables

	31.12.2020	31.12.2019
Trade receivables	277 131	304 227
Contract assets	79 744	113 467
Advances paid on inventory	2 975	8 677
Prepaid expenses and other receivables	32 623	38 067
Receivables Group Contribution	-	-
Accounts receivable VAT/ taxes	22 882	22 388
Group cash pool arrangement *)	181 472	71 944
Total trade and other receivables	596 826	558 769

*) The Company participates in a cash pool arrangement with the parent company in Finland. The amount on the consolidated account are presented as bank deposits.



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Note 17 Financial Risk Management

Financial risk Factors

The Company is exposed to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk through the operational business. The Wärtsilä Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on both the Group's and also the Company's financial performance.

To reduce and manage these risks, certain procedures for risk-management are adopted by the Company and undertaken by a Central Finance-department in co-operation with the individual operating units.

The main financial risks the Company is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Company's management team has an ongoing assessment of the risks and has established guidelines for how they should be handled. The Company uses financial instruments to hedge risks associated with changes in foreign currency.

(i) Credit risk

The Company is exposed to credit risk through its trade receivables. The Company mainly trades with creditworthy third-parties which has been pre-approved to reduce this risk. Exposure to bad debt is steady at a relatively low level due to differences in the credit risk in the customer group.

(ii) Cash flow and fair value Interest rate risk

The Company's exposure to the risk of moving market interest rates are mainly related to the Company's short term obligations with floating interest rates. Borrowings issued at variable rates expose the Company to fair value interest rate risk. The Company has currently no external debt.

(iii) Liquidity risk

The Company's strategy to cope with liquidity risk is always to have cash in hand. This is controlled by regularly cash/currency calculations and funds can be arranged via short term-loans from Corporate.

(iv) Market Risk

Foreign exchange risk: The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to NOK, USD, PLN and EURO.

Foreign exchange risk arises when future commercial transactions recognised as assets or liabilities are denominated in a currency that is not the Company's functional currency. The Company aims to achieve a natural hedge between cash inflows and cash outflows while the remaining exposure is hedged mainly using forward contracts.

The Company's risk management policy is to hedge anticipated transactions in each major currency.

Price risk: The Company is exposed to commodity price risk at two main levels:

The demand for new builds is sensitive to oil price development, fluctuations in production levels and general activity within the oil industry.

The cost of construction of future units is sensitive to changes in market prices of the input factors.

(v) Other

Fair value of derivatives are recognized directly in equity to avoid fluctuations in profit and loss.

Hedge- activities- cash flow hedges

All contracts are recognised at fair value and net unrealized gains on cash flow hedges are accrued in equity.

For contracts accrued for by the complete-contract method, unrealized gain/ loss is fully booked to equity. These accruals are reversed via income statement when delivery takes place. For projects which are recorded under the percentage-of-completion method, unrealized gains and losses are reversed according to the percentage calculated by revenue recognition.

	31.12.2020	31.12.2019	Change
The fair value of forward contracts recognized in equity (in KNOK)	-10 859	-5 529	-5 330



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Note 18 Transactions with related parties

Wärtsilä Group is a global leader in complete energy solutions for the marine and energy market. Our solutions support our customers throughout the product lifecycle. By emphasizing technological innovation and total efficiency, Wärtsilä maximizes the environmental and economic results of client's vessels and power plants.

In 2020 Wärtsilä Group had a net sale of EUR 4.604 Million and nearly 18.000 employees. The Group has operations in over 250 locations in more than 70 countries around the world. Wärtsilä is listed on Nasdaq OMX Helsinki, Finland.

Wärtsilä Norway AS has two different business areas: Marine Solutions and Services.

Marine Solutions contribute to the Group's strategy of engineering, research and development of propulsion-systems for the marine market, as well as production, development and marketing of electrical and automation systems.

Services perform a wide range of services to existing facilities and the sale of spare parts.

By the end of 2020 the Company had 470 employees.

Total net sales to other Group Companies amounted to 482 MNOK in 2020 (MNOK 573 in 2019).

The most significant sales- transactions with related parties are (in KNOK):

Wärtsilä Finland Oy	177 234
Wärtsilä Switzerland ZGLS	96 016
Wärtsilä Oil and Gas solution	64 005

Total procurement of goods and services from other Group companies amounts to 799 MNOK in 2020 (MNOK 916 in 2019).

The most significant acquisitions from related parties are (KNOK)

Wärtsilä Services Switzerland Ltd.	455 414
Wärtsilä Finland Oy	92 348
Wärtsilä Corporation	62 707

The service business trades spare parts and offer services to and from other Group companies. Marine Solutions in Norway buys equipment from other affiliates in those cases where they have contract with a 3rd party. All sale of equipment in Norway is offered to other Group Companies, through Marine Solutions. This applies both to complete gear- and propeller-equipment, as well as electrical- and automation deliveries. Purchases related to Wärtsilä Corporation are basically Management and IM fee offered by the headquarter.

Note 19 Government grants

Government grants recognized in 2020 amounts to MNOK 10,5 (MNOK 19,6 in 2019) ref Other Operating Income. The most significant amounts are related to Norwegian Research Council (Norges Forskningsråd) and Innovation Norway.

Government grants are not deducted from investments in 2020.



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Note 20 Subsequent events

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The coronavirus outbreak occurred at a time close to the reporting date in 2020 and the condition has continued to evolve throughout the time line crossing 31 December 2020. Many countries have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities. As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact.

As the oil, gas and offshore industry where just about to show positive signs, the virus hit the industry and the oil prices quite hard. The management expect that the demand for environmental friendly solutions will continue, and the market will slowly show signs of recovery

The Company has managed very well during the crisis and still delivers projects with profitable margins. The orderbook is significantly higher in 2021 than it was in 2020, so the market outlook is very good. The first quarter of 2021 also shows a strong revenues and a solid surplus.