



WÄRTSILÄ

Wärtsilä Corporation

Half year financial report

January – June 2018

Good development in orders received

Second quarter highlights

- Order intake increased 14% to EUR 1,553 million (1,363)
- Net sales decreased 3% to EUR 1,246 million (1,290)
- Book-to-bill 1.25 (1.06)
- Comparable operating result stable at EUR 123 million (122), which represents 9.8% of net sales (9.5)
- Earnings per share increased to 0.13 euro (0.12)
- Cash flow from operating activities increased to EUR 41 million (2)

Highlights of the review period January–June 2018

- Order intake increased 10% to EUR 3,060 million (2,776)
- Net sales stable at EUR 2,312 million (2,295)
- Book-to-bill 1.32 (1.21)
- Comparable operating result increased to EUR 211 million (204), which represents 9.1% of net sales (8.9)
- Earnings per share increased to 0.22 euro (0.21)
- Cash flow from operating activities decreased to EUR -1 million (3)
- Order book at the end of the period increased 16% to EUR 5,904 million (5,089)

Wärtsilä's prospects for 2018

The demand for Wärtsilä's services and solutions in 2018 is expected to improve somewhat from the previous year. Demand by business area is anticipated to be as follows:

- Good in Services, although there are concerns related to fuel price development and escalating trade tensions.
- Good in Energy Solutions. The global shift towards renewable energy sources and increasing electricity demand in the emerging markets are supporting the need for distributed and flexible power capacity, including gas-fired generation, energy storage, and smart integration technology.
- Good in Marine Solutions (raised from solid), supported by an extensive product mix and a broad market exposure.

Wärtsilä's current order book for 2018 deliveries is EUR 2,336 million (2,087), which mainly comprises equipment deliveries. Services' business is largely transactional, with only around 30% of annual net sales coming from the order book.

Jaakko Eskola, President & CEO

"The positive momentum in ordering activity continued in the second quarter of 2018. Although vessel contracting activity has been somewhat slower than anticipated, our extensive portfolio of solutions and a favourable contracting mix resulted in the Marine Solutions' order intake developing well. I am pleased to note the increased demand for exhaust gas cleaning solutions in both the newbuild and retrofit markets ahead of the global sulphur regulations, which enter into force in 2020. In the Services business, we have also seen continued interest in service agreements, the agreement to optimise the maintenance of all Wärtsilä thrusters installed within the Transocean fleet being a highlight of the quarter. Market trends remain favourable in the Energy Solutions business, and our project pipeline provides confidence for improved activity in the second half.

Net sales in the second quarter were affected by the timing of power plant deliveries and by customers continuing to limit spending to essential repairs and maintenance, while the operating profit was in line with last year. Looking ahead, we expect deliveries to be concentrated to the latter part of the year. A pick up in transactional service activity and the resulting effect on the group sales mix will be central to the development of our profitability in the second half. The impact of increased geopolitical uncertainty on customer decision-making remains a concern.

Maximising renewable generation is essential in ensuring a sustainable and profitable future for the energy industry. In this context, Wärtsilä has launched a new vision for the energy market. Our ambition is to lead the industry's transformation towards a future that utilises 100% renewable energy, with flexible capacity as the enabler. Coupled with our Smart Marine vision, this reinforces our commitment to developing sustainable societies with smart technology."

Key figures

MEUR	4-6/2018	Restated 4-6/2017	Change	1-6/2018	Restated 1-6/2017	Change	Restated 2017
Order intake	1 553	1 363	14%	3 060	2 776	10%	5 644
Order book at the end of the period				5 904	5 089	16%	5 100
Net sales	1 246	1 290	-3%	2 312	2 295	1%	4 911
Operating result ¹	111	114	-3%	196	189	3%	538
% of net sales	8.9	8.8		8.5	8.2		11.0
Comparable operating result	123	122	1%	211	204	3%	576
% of net sales	9.8	9.5		9.1	8.9		11.7
Comparable adjusted EBITA	134	130	2%	232	221	5%	612
% of net sales	10.7	10.1		10.0	9.6		12.5
Profit before taxes	102	99	3%	178	170	5%	491
Earnings/share, EUR	0.13	0.12		0.22	0.21		0.63
Cash flow from operating activities	41	2		-1	3		430
Net interest-bearing debt at the end of the period				642	299		234
Gross capital expenditure				232	20		255
Gearing				0.29	0.14		0.10

¹Items affecting comparability in the second quarter of 2018 included costs related to restructuring programmes and acquisitions of EUR 12 million (8). During the review period January-June 2018 restructuring and acquisition related costs amounted to EUR 15 million (14).

As of 1 January 2018, Wärtsilä has adopted the IFRS 15 Revenue from Contracts with Customers standard by using the full retrospective method. This half year financial report is published according to the new standard and comparison periods for 2017, including the opening balance sheet, have been restated accordingly. Wärtsilä has also restated the 2017 figures for Marine Solutions and Services, due to an internal transfer of certain service activities. This transfer has no impact on Group totals.

The share issue without payment approved by Wärtsilä's Annual General Meeting on 8 March 2018 increased the total number of Wärtsilä shares to 591,723,390. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Market development

Steady development in the service markets

Service market activity during the first half of 2018 was in line with the corresponding period of the previous year. In the marine service markets, activity in the cruise and ferry segment was at a healthy level and offshore service activity remained stable. Customers in the merchant segment continued to limit their spending to essential repairs and maintenance. The demand for environmental retrofit projects has increased notably, as the entry into force of the global sulphur regulations approaches. The demand for power plant related services continued to be steady.

Power generation markets shifting towards smart and flexible technologies

The continued decline in renewable energy prices has made solar and wind power more affordable in many markets, and utilities are assessing how to integrate such energy sources into their asset base. The USA, Australia and Middle East countries, where market conditions are the most favourable, are leading this transition. The growing share of renewables increases the need for flexible power generation and storage solutions. In addition to flexible capacity, demand remains strong for new baseload capacity to support economic growth and alleviate power shortages in the emerging markets.

Energy Solutions' market share

For the twelve months period ending in March, the increased demand for Wärtsilä's energy solutions supported market share growth, despite declining global power plant investments in the <500 MW market segment. Wärtsilä's market share increased to 21% (19), while global orders for natural gas and liquid fuel power plants of up to 500 MW decreased by 10% to 18.1 GW (20.1). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size.

Gradual recovery in marine markets with improved demand for environmental solutions

During the first half of 2018, 472 contracts for new vessels were registered (376). Market conditions in the merchant segment were stable, supported by continued momentum in the global economy. In the gas carrier sector, contracting remained healthy with good prospects. Overcapacity is limiting newbuild investments in the offshore industry, despite signs of improved sentiment in offshore production. Activity in the cruise and ferry markets continued to be at a high level. In recent months, exhaust gas cleaning business volumes have been growing across all market segments, as ship owners are increasingly opting to install scrubbers on newbuilds to comply with the upcoming sulphur cap in 2020.

In terms of compensated gross tonnage, South Korea and China remain the largest shipbuilding nations with 40% and 35% of all confirmed contracts respectively. Japan accounted for 12% and Germany for 4% of the global total.

Order intake

Wärtsilä's second quarter order intake totalled EUR 1,553 million (1,363), an increase of 14% over the corresponding period last year. The second quarter book-to-bill ratio was 1.25 (1.06).

Order intake for the Services business increased by 22% to EUR 785 million (641) in the second quarter of 2018. During the quarter, Wärtsilä received a EUR 170 million order for hybrid scrubber systems and retrofit services from a major European container shipping company. Wärtsilä also received an order from Finnish Rail (VR) for reconditioning and test running of over 200 diesel engines on 191 locomotives.

Second quarter order intake for Energy Solutions was stable at EUR 360 million (361). Demand was strongest in Asia, where received orders included equipment deliveries of 113 MW to Bangladesh and 145 MW to Myanmar.

Marine Solutions' second quarter order intake totalled EUR 409 million (361), an increase of 13% compared to the corresponding period last year. The demand for environmental solutions continued in the quarter, with a considerable number of scrubber systems ordered for newbuild vessels. In the cruise and ferry segment, which represented 20% of the order intake, Wärtsilä received orders for several options contracted by major cruise companies. Ordering was active also in the gas carrier segment, which accounted for 22% of orders received. Wärtsilä passed a significant milestone with the 100th order for its Fuel Gas Supply System (LNGPac). The Wärtsilä LNGPac has played a key role in establishing the viability of LNG as a marine fuel. The conventional merchant segment's share of order intake was 37%. The offshore segment's share was 11%, while navy represented 2% and special vessels 2%. Other orders accounted for 6% of the total.

The total order intake for the review period January-June 2018 increased by 10% to EUR 3,060 million (2,776). The book-to-bill ratio for the review period was 1.32 (1.21). Services' order intake amounted to EUR 1,522 million (1,376), an increase of 11%.

Energy Solutions' order intake was in line with the previous year at EUR 773 million (766). Marine Solutions' order intake increased by 21% to EUR 766 million (634).

Order intake by business

MEUR	4-6/2018	Restated 4-6/2017	Change	1-6/2018	Restated 1-6/2017	Change	Restated 2017
Services	785	641	22%	1 522	1 376	11%	2 670
Energy Solutions	360	361	0%	773	766	1%	1 685
Marine Solutions	409	361	13%	766	634	21%	1 288
Order intake, total	1 553	1 363	14%	3 060	2 776	10%	5 644

Due to the internal reorganisation of service activities, EUR 42 million was transferred from Marine Solutions to Services in the figures for the second quarter of 2017 and EUR 190 million for the full year.

Order intake Energy Solutions

MW	4-6/2018	4-6/2017	Change	1-6/2018	1-6/2017	Change	2017
Oil	279	478	-42%	678	688	-1%	1 838
Gas	487	505	-4%	916	1 127	-19%	1 938
Renewables	42	-	100%	42	-	100%	-
Order intake, total	808	984	-18%	1 636	1 815	-10%	3 775

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture in South Korea, and in the Wärtsilä Qiyao Diesel Company Ltd, CSSC Wärtsilä Engine Company Ltd, and CSSC Wärtsilä Electrical & Automation Co. Ltd joint ventures in China totalled EUR 113 million (26) during the review period January-June 2018. The results of these companies are reported as a share of the result of associates and joint ventures.

Order book

The total order book at the end of the review period amounted to EUR 5,904 million (5,089), an increase of 16%. The Services order book increased by 31% to EUR 1,622 million (1,239), thanks to increased demand for exhaust gas cleaning retrofit projects and continued interest in long-term service agreements. The Energy Solutions order book increased by 14%, totalling EUR 2,013 million (1,764). The Marine Solutions order book increased by 9% to EUR 2,269 million (2,087).

Order book by business

MEUR	30.6.2018	Restated 30.6.2017	Change	Restated 31.12.2017
Services	1 622	1 239	31%	1 220
Energy Solutions	2 013	1 764	14%	1 871
Marine Solutions	2 269	2 087	9%	2 009
Order book, total	5 904	5 089	16%	5 100

Due to the internal reorganisation of service activities, EUR 46 million was transferred from Marine Solutions to Services in the figures at the end of June 2017 and EUR 49 million at the end of 2017.

Net sales

Wärtsilä's net sales for the second quarter totalled EUR 1,246 million (1,290), a decrease of 3% compared to the corresponding period last year. Net sales from the Services business decreased by 2% to EUR 582 million (594). Adjusting for the effects of currency translation, Services' net sales increased by 3%. Net sales for Energy Solutions decreased by 11% to EUR 368 million (412). Marine Solutions' net sales totalled EUR 296 million (284), which is 4% higher than in the corresponding quarter last year.

Wärtsilä's net sales for the review period January-June 2018 was in line with the previous year at EUR 2,312 million (2,295). Net sales from the Services business was stable at EUR 1,117 million (1,127). Adjusting for the effects of currency translation, Services' net sales increased by 5%. Net sales for Energy Solutions totalled EUR 635 million (651), a decrease of 2%. Marine Solutions' net sales increased by 8% to EUR 560 million (517). Of the total net sales, Services accounted for 48%, Energy Solutions for 27%, and Marine Solutions for 24%.

Of Wärtsilä's net sales for the period January-June 2018, approximately 69% was EUR denominated, 20% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	4-6/2018	Restated 4-6/2017	Change	1-6/2018	Restated 1-6/2017	Change	Restated 2017
Services	582	594	-2%	1 117	1 127	-1%	2 407
Energy Solutions	368	412	-11%	635	651	-2%	1 401
Marine Solutions	296	284	4%	560	517	8%	1 104
Net sales, total	1 246	1 290	-3%	2 312	2 295	1%	4 911

Due to the internal reorganisation of service activities, EUR 44 million was transferred from Marine Solutions to Services in the figures for the second quarter of 2017 and EUR 177 million for the full year.

Operating result and profitability

The second quarter operating result was EUR 111 million (114), which represents 8.9% of net sales (8.8). The comparable operating result was EUR 123 million (122), or 9.8% of net sales (9.5). Items affecting comparability included costs related to restructuring programmes and acquisitions of EUR 12 million (8). The comparable adjusted EBITA was EUR 134 million (130), or 10.7% of net sales (10.1). Purchase price allocation amortisation amounted to EUR 11 million (9).

The operating result for the review period January-June 2018 was EUR 196 million (189), which represents 8.5% of net sales (8.2). The comparable operating result was EUR 211 million (204), or 9.1% of net sales (8.9). Items affecting comparability included costs related to restructuring programmes and acquisitions of EUR 15 million (14). The comparable adjusted EBITA was EUR 232 million (221), or 10.0% of net sales (9.6). Purchase price allocation amortisation amounted to EUR 21 million (17).

Wärtsilä's operating result was affected by a provision related to long-term incentive schemes, which amounted to EUR 1 million (27) for the review period January-June 2018. The provision covers all three ongoing programmes. Wärtsilä's three-year long-term incentive schemes are tied to the development of the company's share price, and they apply to approximately 100 company executives.

Financial items for the review period January-June 2018 amounted to EUR -17 million (-20). Net interest totalled EUR -3 million (-4). Profit before taxes amounted to EUR 178 million (170). Taxes amounted to EUR 46 million (42), implying an effective tax rate of 25.9% (24.7). Earnings per share were 0.22 euro (0.21) and the equity per share was 3.73 euro (3.57). Return on investments (ROI) was 18.9% (19.3). Return on equity (ROE) was 17.4% (18.3).

Measures of profit and items affecting comparability

MEUR	4-6/2018	Restated 4-6/2017	1-6/2018	Restated 1-6/2017	Restated 2017
Comparable adjusted EBITA	134	130	232	221	612
Purchase price allocation amortisation	-11	-9	-21	-17	-36
Comparable operating result	123	122	211	204	576
Items affecting comparability	-12	-8	-15	-14	-37
Operating result	111	114	196	189	538

Balance sheet, financing and cash flow

Wärtsilä's second quarter cash flow from operating activities amounted to EUR 41 million (2). For January-June 2018, the operating cash flow totalled EUR -1 million (3). Working capital increased in preparation for deliveries in the latter part of the year. At the end of the review period, working capital totalled EUR 790 million (658), an increase of EUR 64 million from the end of the previous quarter. Advances received at the end of the period totalled EUR 563 million (525). At the end of the previous quarter, advances totalled EUR 582 million. Cash and cash equivalents at the end of the period amounted to EUR 245 million (332) and unutilised Committed Credit Facilities totalled EUR 640 million (640).

Wärtsilä had interest-bearing debt totalling EUR 893 million (637) at the end of June 2018. At the end of December 2017, the interest-bearing debt totalled EUR 619 million. The total amount of short-term debt maturing within the next 12 months was EUR 135 million. Long-term loans amounted to EUR 758 million. Net interest-bearing debt totalled EUR 642 million (299) and gearing was 0.29 (0.14).

Liquidity preparedness

MEUR	30.6.2018	31.12.2017
Cash and cash equivalents	245	379
Unutilised committed credit facilities	640	765
Liquidity preparedness	885	1 144
% of net sales (rolling 12 months)	18	23
Less Commercial Papers	55	-
Liquidity preparedness excluding Commercial Papers	830	1 144
% of net sales (rolling 12 months)	17	23

On 30 June 2018, the average maturity of the total loan portfolio was 50 months and the average maturity of the long-term debt was 54 months.

Capital expenditure

Capital expenditure related to intangible assets and property, plant and equipment amounted to EUR 35 million (19) during the review period January-June 2018. Capital expenditure related to acquisitions and investments in joint ventures totalled EUR 197 million (1). Depreciation, amortisation, and impairment for the review period amounted to EUR 61 million (62).

In 2018, capital expenditure related to intangible assets and property, plant and equipment is expected to be below depreciation and amortisation.

Strategic projects, acquisitions and joint ventures

In June, Wärtsilä and Hyundai Motor Group signed a technology and commercial partnership contract designed to utilise second-life electric vehicle (EV) batteries for the growing energy storage market. The partnership will target advanced energy storage products and platforms that maximise Hyundai's second-life EV batteries to be commercialised via Wärtsilä's existing customer and channel networks throughout 178 countries globally.

The acquisition of Transas was completed in May. Transas is a global market leader in marine navigation solutions, professional training and simulation services, ship traffic control, as well as monitoring and support. The transaction is valued at EUR 210 million (enterprise value).

In April, Wärtsilä announced a partnership with the cyber security company Templar Executives to establish a world-class cyber academy in Singapore. The academy will offer courses designed to support and enhance the collective cyber maturity of the wider shipping community, notably operators and owners. Wärtsilä has also partnered with the Maritime and Port Authority of Singapore to promote maritime innovation and R&D. The partnership covers four different streams: digital acceleration, cyber-physical security, intelligent vessels, and port operations.

During the quarter Eniram, a Wärtsilä company, signed a memorandum of understanding with Athens-based Arista Shipping to participate in the Project Forward initiative, which is led by Arista. The project has developed a dry bulk carrier vessel design that features an unprecedented high level of energy efficiency. The carrier's design is based on LNG fuelled propulsion. Eniram's contribution will be to assist in the development of monitoring and optimisation tools.

Research and development, product launches

During the second quarter, Wärtsilä completed the testing of its innovative autodocking technology. The tests were carried out with the 'Folgefonn', an 83-metre long ferry owned by leading Norwegian operator Norled. The vessel is equipped with a number of Wärtsilä Smart Marine products and systems, such as the energy optimisation system, the hybrid propulsion system, wireless inductive battery charging, and energy storage. The autodocking tests began in January of this year and were completed in April with actual harbour docking trials. Full manoeuvring of the vessel, including the steering and propulsion, is automatically controlled by the software. Manual intervention and control is possible at any time. The automatic function allows the ship's officers to focus on situational awareness outside the wheelhouse, thereby improving the safety and reliability of the operations.

A new solar PV and storage hybrid solution was launched in June. Wärtsilä Hybrid Solar integrates solar PV generation and storage to deliver a solution that is not only climate-friendly, with increased resilience and efficiencies, but which can be supported by a power producer's existing grid infrastructure. A critical component in maximising the value of this hybrid solution is the GEMS software and controls platform developed by Greensmith Energy, which optimises the performance of the solution.

Personnel

Wärtsilä had 19,231 (17,783) employees at the end of June 2018. On average, the number of personnel for January-June 2018 totalled 18,506 (17,806). Services employed 11,345 (11,059) people, Energy Solutions 1,135 (928), and Marine Solutions 6,151 (5,257). The increase in the number of Marine Solutions employees relates to the acquisition of Transas.

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 40% (38) elsewhere in Europe. Personnel employed in Asia represented 25% (27) of the total, personnel in the Americas 11% (10), and personnel in other countries 4% (4).

Changes in management

Mr Javier Cavada Camino, President of Energy Solutions, Executive Vice President and a member of the Board of Management will leave Wärtsilä to become President & CEO of the London-based energy storage company Highview Power on 30 September 2018 at the latest.

Sustainable development

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, and to support its customers in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä's share is included in several sustainability indices. During the second quarter, Wärtsilä was informed that it would continue to be included in the Euronext Vigeo index Eurozone 120 (the 120 most advanced companies in the Eurozone region).

In June, Wärtsilä launched a new vision for the energy market – a 100% renewable energy future. Maximising renewable generation enables the development of a more sustainable and modern energy system for future generations. As an energy system integrator, and through its offering of flexible power generation and storage solutions and lifecycle services, Wärtsilä is leading this transition.

In April, the International Maritime Organization (IMO) agreed on a plan for shipping to reduce its greenhouse gas (GHG) emissions by 50% from 2008 levels by 2050. Wärtsilä puts great emphasis on creating an offering that enables the effective utilisation of LNG as a marine fuel, which plays a crucial role in the GHG reduction roadmap, and which provides the basis for other actions to reduce even further emissions from shipping. Wärtsilä's Smart Marine vision, which utilises high levels of digitalisation and connectivity, aims at increasing overall resource efficiency, minimising the environmental burden, and increasing the safety and reliability of marine transport.

Shares and shareholders

During January-June 2018, the volume of trades on Nasdaq Helsinki was 137,295,225 shares, equivalent to a turnover of EUR 2,505 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 110,859,365 shares.

Shares on Nasdaq Helsinki

30.6.2018				Number of shares and votes	Number of shares traded 1-6/2018
WRT1V				591 723 390	137 295 225
1.1. - 30.6.2018	High	Low	Average ¹	Close	
Share price	19.88	16.23	18.25	16.83	
¹ Trade-weighted average price					
				30.6.2018	30.6.2017
Market capitalisation, EUR million				9 959	10 207
Foreign shareholders, %				55.3	55.5

Decisions taken by the Annual General Meeting

Wärtsilä Corporation's Annual General Meeting, held on 8 March 2018, 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 2017.

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

The audit firm PricewaterhouseCoopers Oy was elected as the company's auditor for the year 2018.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.38 per share in two instalments. The first instalment of EUR 0.69 per share was paid on 19 March 2018. In accordance with the approved share issue without payment (share split), the second instalment will be divided between one old and two new shares so that EUR 0.23 will be paid on each share. The second instalment shall be paid in September 2018.

Share issue without payment (share split)

The Annual General Meeting approved the Board of Directors' proposal to issue new shares to the shareholders without payment in proportion to their holdings so that two new shares are issued for each share. Thereby, a total of 394,482,260 new shares were issued. The new shares were registered in the trade register on 12 March 2018.

Authorisation to repurchase and distribute 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.

The Board of Directors was authorised to resolve to distribute a maximum of 57,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own 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 2 March 2017. The Board of Directors was authorised to resolve to whom and in which order the shares will be distributed. The Board of Directors was authorised to decide on the repurchase or distribution of the Company's own shares otherwise than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

Organisation of the Board of Directors

The Board of Directors of Wärtsilä elected Mikael Lilius as its chairman and Tom Johnstone as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

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

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

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

Risks and business uncertainties

In the Services business, slow economic growth and political instability in specific regions are the main risks for demand development. The challenging conditions in the merchant and offshore markets are also seen as a potential risk.

In the power generation markets, fragile economic growth and slow decision making continue to be the primary risks for demand development. Geopolitical tensions and trade barrier implications, as well as significant currency fluctuations, can result in investment decisions being postponed in certain countries. Price pressure resulting from the prevailing competitive environment remains a risk.

Economic and political uncertainty and escalating tensions over trade present a risk to activity in the marine markets. New build investments in the offshore sector will remain challenged by increasing competition from low cost onshore and shale production. Furthermore, higher fuel efficiency and other oil substitution effects from gas, electric, and biofuels limit the growth in demand for crude oil. The implementation of environmental regulations and the potential introduction of new regulations remain a source of uncertainty. Climate change continues to require increasing efforts to reduce greenhouse gas emissions within the shipping industry.

Wärtsilä emphasises a holistic approach to the management of cyber and physical security risks in its internal operations and customer offerings. The company's cyber security team carries out its operational, governance and compliance activities in line with the IEC62443 and ISO 27k protocols. Such activities include cyber assurance, risk management, detection, a secure software development lifecycle, training, endpoint protection, network security, and cyber advisory services. Wärtsilä has implemented new procedures for storing, processing, and using data in the company's systems so as to comply with the General Data Protection Regulation. Cyber security was taken into consideration in this implementation.

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

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

Wärtsilä Half year financial report 2018

This half year financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2017, 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.

IFRS amendments

In 2018, the Group has adopted the following new standards and interpretation issued by the IASB.

As of 1 January 2018, Wärtsilä has adopted the **IFRS 15 Revenue from Contracts with Customers** standard by using the full retrospective method. This half year financial report is published according to the new standard, and comparison periods for 2017, including the opening balance sheet, have been restated accordingly.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. It replaces IAS 18 Revenue, and IAS 11 Construction Contracts, and related interpretations, providing a new basis for revenue recognition. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 has an impact on the timing of recognition of revenue in two business lines: long-term service and maintenance agreements, and gas solutions related construction contracts. The changes and impact caused by the standard are described below.

In long-term service and maintenance agreements, customer value is created over time during the contract period. The revenue recognition method changes from an output method (percentage of completion based on the proportion of the contracted services performed) to an input method (percentage of completion based on costs incurred). Due to standard maintenance schedules, this typically delays the revenue recognition in a contract. In construction contracts related to gas solutions, the key value drivers are engineering, procurement, and project management, and the manufacturing is usually outsourced. The revenue recognition method changes from an output method (percentage of completion based on the progress measured by surveys of work performed) to an input method (percentage of completion based on costs incurred).

In the project business, contracts usually have clauses for liquidated damages which were previously accounted as provisions for cost when their probability was more likely than not to occur. Liquidated damages are treated as a variable consideration according to IFRS 15 and are required to be estimated at contract inception. According to IFRS 15, the net sales will be reduced by late delivery penalties and liquidated damages, which have been expensed under IAS 18 and IAS 11. The restatement impact of reclassification of penalties is insignificant.

Arising from the change of revenue recognition in long-term service and maintenance agreements, and gas solutions related construction contracts from output method to input method, an adjustment of EUR -13 million has been made to the Group's retained earnings as at 1 January 2017.

The restatement of financials 2017 result in a decrease in net sales of EUR 11 million, an increase in material and services expenses of EUR 3 million, a decrease in income taxes of EUR 5 million, and a decrease in profit for the financial period of EUR 9 million. From the consolidated statement of financial position perspective, the application of the new principles impact the deferred tax assets, other receivables, and other liabilities. Deferred tax assets increased by EUR 8 million and other receivables increased

by EUR 33 million. Other liabilities increased by EUR 60 million mainly due to changes in accrued expenses and deferred income. These changes do not have an impact on cash flows.

Amendments to **IFRS 2 Share-based Payment** - Clarification and Measurement of Share-based Payment Transactions (effective for financial periods beginning on or after 1 January 2018). The amendments are intended to eliminate the diversity in the classification and measurement of particular share-based payment transactions (accounting for cash-settled share-based payment transactions that include a performance condition, share-based payments in which the manner of settlement is contingent on future events, share-based payments settled net of tax withholdings, and modification of share-based payment transactions from cash-settled to equity-settled). The amendments have no impact on consolidated financial statements.

Amendments to **IFRS 4 Insurance Contracts** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial periods beginning on or after 1 January 2018); Applying IFRS 9 Financial Instruments with IFRS 4. The amendments bring certainty to insurers on whether, and how, they should apply IFRS 9 before they apply the forthcoming insurance contracts standard. The amendments have no impact on consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration (effective for financial periods beginning on or after 1 January 2018). The interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions IAS 21. The guidance aims to reduce diversity in practice. The interpretation has no impact on consolidated financial statements.

Internal transfer of service activities

Wärtsilä has decided to transfer certain service activities from Marine Solutions to Services as of 1 January 2018. The aim is to strengthen the focus on the development of these activities. The comparison periods for 2017 have been restated, resulting in EUR 177 million in net sales, EUR 190 million in order intake, and EUR 49 million in the order book being transferred from Marine Solutions to Services for the financial period 2017. This transfer has no impact on Group totals.

This half year financial report is unaudited.

Condensed statement of income

MEUR	Restated		Restated		Restated
	1-6/2018	1-6/2017	4-6/2018	4-6/2017	2017
Net sales	2 312	2 295	1 246	1 290	4 911
Other operating income	16	22	9	9	60
Expenses	-2 077	-2 069	-1 117	-1 158	-4 312
Depreciation, amortisation and impairment	-61	-62	-31	-30	-134
Share of result of associates and joint ventures	6	4	4	3	13
Operating result	196	189	111	114	538
Financial income and expenses	-17	-20	-8	-14	-47
Profit before taxes	178	170	102	99	491
Income taxes	-46	-42	-28	-26	-117
Profit for the reporting period	132	128	75	73	375
Attributable to:					
Equity holders of the parent company	133	126	75	73	375
Non-controlling interests	-1	1			-1
	132	128	75	73	375
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share (EPS), basic and diluted, EUR	0.22	0.21	0.13	0.12	0.63

Earnings per share for comparison periods have been restated to reflect the increased number of shares.

Statement of other comprehensive income

MEUR	Restated		Restated		Restated
	1-6/2018	1-6/2017	4-6/2018	4-6/2017	2017
Profit for the reporting period	132	128	75	73	375
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		1		1	7
Total items that will not be reclassified to the statement of income		1		1	7
Items that may be reclassified subsequently to the statement of income					
Exchange rate differences on translating foreign operations					

for equity holders of the parent company	1	-46	5	-47	-73
for non-controlling interests		-2		-1	-2
Associates and joint ventures, share of other comprehensive income	-1	-2	1	-6	-1
Cash flow hedges	-6	19	-20	11	37
Tax on items that may be reclassified to the statement of income		-2	3	-1	-9
Total items that may be reclassified to the statement of income	-5	-33	-12	-45	-48
Other comprehensive income for the reporting period, net of taxes	-5	-33	-12	-44	-41
Total comprehensive income for the reporting period	127	95	63	29	334
Total comprehensive income attributable to:					
Equity holders of the parent company	128	96	63	31	337
Non-controlling interests	-1			-1	-3
	127	95	63	29	334

Condensed statement of financial position

MEUR	30.6.2018	Restated 30.6.2017	Restated 31.12.2017
Non-current assets			
Intangible assets	1 776	1 389	1 577
Property, plant and equipment	345	377	349
Investments in associates and joint ventures	72	74	83
Other investments	16	13	13
Deferred tax assets	120	148	131
Other receivables	116	102	132
Total non-current assets	2 447	2 102	2 285
Current assets			
Inventories	1 266	1 168	1 051
Other receivables	1 948	1 692	1 933
Cash and cash equivalents	245	332	379
Total current assets	3 460	3 192	3 363
Total assets	5 906	5 294	5 648
Equity			
Share capital	336	336	336
Other equity	1 871	1 775	2 016
Total equity attributable to equity holders of the parent company	2 207	2 111	2 352

Non-controlling interests	20	27	24
Total equity	2 228	2 138	2 376
Non-current liabilities			
Interest-bearing debt	758	547	517
Deferred tax liabilities	114	89	102
Other liabilities	292	262	270
Total non-current liabilities	1 164	897	889
Current liabilities			
Interest-bearing debt	135	90	102
Other liabilities	2 380	2 169	2 281
Total current liabilities	2 515	2 259	2 383
Total liabilities	3 679	3 156	3 272
Total equity and liabilities	5 906	5 294	5 648

Condensed statement of cash flows

MEUR	Restated		Restated		Restated
	1-6/2018	1-6/2017	4-6/2018	4-6/2017	2017
Cash flow from operating activities:					
Profit for the reporting period	132	128	75	73	375
Adjustments for:					
Depreciation, amortisation and impairment	61	62	31	30	134
Financial income and expenses	17	20	8	14	47
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-1	-4		-1	-17
Share of result of associates and joint ventures	-6	-4	-4	-3	-13
Income taxes	46	42	28	26	117
Cash flow before changes in working capital	250	244	138	140	643
Changes in working capital	-185	-174	-77	-83	-87
Cash flow from operating activities before financial items and taxes	66	70	61	56	555
Financial items and paid taxes	-66	-67	-21	-55	-126
Cash flow from operating activities	-1	3	41	2	430
Cash flow from investing activities:					
Investments in shares and acquisitions	-197	-1	-177		-191
Net investments in property, plant and equipment and intangible assets	-33	-15	-16	-11	-47
Proceeds from sale of shares in associated companies and other investments		2		2	2
Cash flow from other investing activities					1
Cash flow from investing activities	-230	-14	-193	-10	-235

Cash flow from financing activities:					
Proceeds from non-current debt	279	90	154	90	
Repayments and other changes in non-current debt	-54	-75	-39	-30	-101
Changes in current loans and other changes	7	-2	9	-3	-2
Dividends paid	-136	-135	-10	-22	-264
Cash flow from financing activities	97	-123	114	-55	-278
Change in cash and cash equivalents, increase (+)/decrease (-)	-134	-133	-38	-63	-83
Cash and cash equivalents at the beginning of the reporting period	379	472	282	403	472
Exchange rate changes	-1	-7	2	-8	-10
Cash and cash equivalents at the end of the reporting period	245	332	245	332	379

Consolidated statement of changes in equity

MEUR	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings		
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	34	2 321
Restatement due to IFRS 9						-3		-3
Restatement due to IFRS 15						-13		-13
Equity on 1 January 2017	336	61	-57	-39	-45	2 016	34	2 305
Restated total comprehensive income for the financial period			-74	28	7	376	-3	333
Dividends paid						-256	-6	-263
Equity on 1 January 2018	336	61	-132	-10	-38	2 135	24	2 376
Total comprehensive income for the reporting period				-6		133	-1	127
Dividends paid						-272	-3	-275
Equity on 30 June 2018	336	61	-131	-16	-38	1 995	20	2 228

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		
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	34	2 321
Restatement due to IFRS 9						-3		-3
Restatement due to IFRS 15						-13		-13
Equity on 1 January 2017	336	61	-57	-39	-45	2 016	34	2 305

Restated total comprehensive income for the reporting period	-48	17	1	126	-1	95
Dividends paid				-256	-6	-263
Equity on 30 June 2017	336	61	-105	-22	-44	1 885
						27
						2 138

Acquisitions

Transas Group

In May, Wärtsilä acquired 100% of Transas, a global company headquartered in the U.K. Transas is a global market leader in marine navigation solutions that include complete bridge systems, digital products and electronic charts. The company is also a leader in professional training and simulation services, ship traffic control, as well as monitoring, and support.

The following tables summarise the preliminary amounts for the consideration paid for Transas, the cash flow from the acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Preliminary consideration	MEUR
Consideration transferred	185
Total consideration transferred	185

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	185
Cash and cash equivalents of the acquired company	-12
Total cash flow from the acquisition	173

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	66
Property, plant and equipment	3
Inventories	8
Trade and other receivables	51
Deferred tax assets	2
Cash and cash equivalents	12
Total assets	142
Interest-bearing debt	29
Trade payables and other liabilities	39
Deferred tax liabilities	13
Total liabilities	82
Total net assets	60
Preliminary goodwill	125

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including technology, customer relations, and trade marks) amounted to EUR 54 million. The fair value of current trade receivables and other receivables is approximately EUR 51 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 125 million reflects the value of know-how and expertise in digital marine solutions and services. The acquisition takes Wärtsilä a significant step closer to achieving its mission of enabling sustainable societies with smart technologies. It will also speed delivery on the company's promise to disrupt the industry by establishing an ecosystem that is digitally connected across the entire supply chain, through applications that are secure, smart and cloud-based.

During 2018 the Group incurred acquisition-related costs of EUR 3 million related to external legal fees and due diligence costs. The costs have been included in the other operating expenses in the condensed statement of income.

Pro forma

If the acquisition had occurred on 1 January 2018, management estimates that consolidated net sales would have been EUR 2,350 million. The impact in the consolidated operating result would not have been significant. In determining these amounts, management has assumed that the fair value adjustments, which arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Trident Group and LOCK-N-STITCH Inc.

In February, Wärtsilä acquired 100% of Trident B.V. and LOCK-N-STITCH Inc.

Trident B.V. is a Netherland based company specialised in underwater ship maintenance, inspection, and repair services. With this acquisition, Wärtsilä builds in-house competence, captures the full potential of services' product synergies, and strengthens its position in the market.

LOCK-N-STITCH Inc. is an American engineering company serving customers within the marine and energy sectors as well as other industries. It specialises in cast iron repairs. The acquisition strengthens Wärtsilä's service portfolio for customers operating multiple brands.

The following tables summarise the preliminary amounts for the consideration paid, the cash flow from the acquisitions and the amounts of the assets acquired and liabilities assumed recognised at the acquisition dates.

Preliminary consideration	MEUR
Consideration transferred	25
Total consideration transferred	25

Preliminary cash flow from the acquisitions	MEUR
Consideration paid in cash	20
Contingent consideration	4
Cash and cash equivalents of the acquired companies	-1
Total cash flow from the acquisitions	24

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	11
Property, plant and equipment	2
Inventories	1
Trade and other receivables	5

Cash and cash equivalents	1
Total assets	19
Trade payables and other liabilities	3
Deferred tax liabilities	2
Total liabilities	6
Total net assets	14
Preliminary goodwill	11

The preliminary fair values of acquired identifiable intangible assets at the dates of acquisitions (including technology, customer relations, and trade marks) amounted to EUR 11 million. The fair value of current trade receivables and other receivables is approximately EUR 5 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 11 million reflects the value of know-how and expertise in advanced underwater services.

During 2018, the acquisition-related costs the Group incurred related to external legal fees and due diligence costs were insignificant. The costs have been included in the other operating expenses in the condensed statement of income.

Pro forma

If the acquisitions had occurred on 1 January 2018, management estimates that consolidated net sales would have been EUR 2,313 million. The impact in the consolidated operating result would not have been significant. In determining these amounts, management has assumed that the fair value adjustments, which arose on the dates of acquisitions would have been the same if the acquisitions had occurred on 1 January 2018.

Net sales by geographical areas

MEUR	1-6/2018	Restated 1-6/2017	Restated 2017
Europe	729	679	1 526
Asia	785	934	1 933
The Americas	553	538	1 132
Other	245	145	321
Total	2 312	2 295	4 911

Disaggregation of revenue

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

Net sales by revenue type

MEUR	1-6/2018	1-6/2017	2017
Products	541	564	1 149
Goods and services	247	270	567
Projects	1 284	1 276	2 785
Long-term agreements	241	186	410
Total	2 312	2 295	4 911

Timing of satisfying performance obligations

MEUR	1-6/2018	1-6/2017	2017
At a point in time	1 655	1 561	3 522
Over time	657	734	1 389
Total	2 312	2 295	4 911

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

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

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

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

Measures of profit and items affecting comparability

MEUR	1-6/2018	Restated 1-6/2017	Restated 2017
Comparable adjusted EBITA	232	221	612
Purchase price allocation amortisation	-21	-17	-36
Comparable operating result	211	204	576
Items affecting comparability:			
Social plan costs	-6	-4	-10
Impairment and write-downs	-3	-6	-18
Other restructuring costs		-4	-9
Acquisition related costs	-5		-2
Items affecting comparability, total	-15	-14	-37
Operating result	196	189	538

Intangible assets and property, plant & equipment

MEUR	1-6/2018	1-6/2017	2017
Intangible assets			
Carrying amount on 1 January	1 577	1 434	1 434
Changes in exchange rates	5	-24	-39
Acquisitions	213	1	217
Additions	14	6	25
Amortisation and impairment	-33	-29	-60
Carrying amount at the end of the reporting period	1 776	1 389	1 577
Property, plant and equipment			
Carrying amount on 1 January	349	405	405
Changes in exchange rates	-1	-8	-12
Acquisitions	5		
Additions	20	13	39
Depreciation and impairment	-29	-33	-75
Disposals and reclassifications	-1		-10
Carrying amount at the end of the reporting period	345	377	349

Gross capital expenditure

MEUR	1-6/2018	1-6/2017	2017
Investments in securities and acquisitions	197	1	191
Intangible assets and property, plant and equipment	35	19	64
Total	232	20	255

Net interest-bearing debt

MEUR	1-6/2018	1-6/2017	2017
Non-current liabilities	758	547	517
Current liabilities	135	90	102
Loan receivables	-6	-6	-5
Cash and cash equivalents	-245	-332	-379
Total	642	299	234

Financial ratios

	1-6/2018	Restated 1-6/2017	Restated 2017
Earnings per share (EPS), basic and diluted, EUR	0.22	0.21	0.63
Equity per share, EUR	3.73	3.57	3.97
Solvency ratio, %	41.7	44.8	46.3
Gearing	0.29	0.14	0.10
Return on investment (ROI), %	18.9	19.3	18.5
Return on equity (ROE), %	17.4	18.3	16.0

Earnings per share and equity per share for comparison periods have been restated to reflect the increased number of shares.

Personnel

	1-6/2018	1-6/2017	2017
On average	18 506	17 806	17 866
At the end of the reporting period	19 231	17 783	18 065

Contingent liabilities

MEUR	1-6/2018	1-6/2017	2017
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	125	24	19
Total	135	34	29
Guarantees and contingent liabilities			
on behalf of Group companies	711	791	737
Nominal amount of rents according to leasing contracts			
payable within one year	40	31	35
payable between one and five years	120	78	101
payable later	54	25	48
Total	925	926	922

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	270	
Cross currency swaps	232	
Foreign exchange forward contracts	2 936	1 116
Total	3 439	1 116

In addition, the Group had copper futures and swaps amounting to 213 tons.

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	16	16
Interest-bearing investments, non-current (level 2)	6	6
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	12	12
Financial liabilities		
Interest-bearing debt, non-current (level 2)	758	765
Derivatives (level 2)	43	43

Quarterly figures

MEUR	Restated Restated Restated Restated								
	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016
Order intake									
Services	785	737	696	598	641	735	565	522	527
Energy Solutions	360	414	501	418	361	405	501	330	304
Marine Solutions	409	357	316	339	361	273	258	287	362
Total	1 553	1 507	1 514	1 354	1 363	1 413	1 324	1 139	1 194
Order book at the end of the reporting period									
Services	1 622	1 401	1 220	1 249	1 239	1 234	999	1 031	1 048
Energy Solutions	2 013	2 012	1 871	1 839	1 764	1 847	1 680	1 676	1 547
Marine Solutions	2 269	2 077	2 009	2 018	2 087	2 033	2 017	2 317	2 488
Total	5 904	5 490	5 100	5 107	5 089	5 114	4 696	5 024	5 083
Net sales									
Services	582	535	710	569	594	534	636	512	542
Energy Solutions	368	267	425	324	412	239	414	177	220
Marine Solutions	296	264	305	282	284	233	509	390	433
Total	1 246	1 066	1 441	1 175	1 290	1 005	1 559	1 079	1 196
Share of result of associates and joint ventures	4	3	6	3	3	1	5	2	4
Comparable adjusted EBITA	134	98	250	141	130	90	262	132	131

as a percentage of net sales	10.7	9.2	17.4	12.0	10.1	9.0	16.8	12.3	10.9
Depreciation, amortisation and impairment	-31	-30	-42	-30	-30	-33	-34	-31	-42
Purchase price allocation amortisation	-11	-10	-10	-9	-9	-9	-9	-9	-9
Comparable operating result	123	88	241	131	122	82	253	123	122
as a percentage of net sales	9.8	8.3	16.7	11.2	9.5	8.1	16.3	11.4	10.2
Items affecting comparability, total	-12	-3	-19	-4	-8	-6	-22	-2	-26
Operating result	111	85	222	127	114	76	231	122	96
as a percentage of net sales	8.9	8.0	15.4	10.8	8.8	7.5	14.8	11.3	8.0
Financial income and expenses	-8	-9	-10	-17	-14	-5	-5	-7	-38
Profit before taxes	102	76	211	110	99	70	226	115	58
Income taxes	-28	-19	-47	-28	-26	-16	-55	-31	-17
Profit for the reporting period	75	57	165	82	73	54	172	84	41
Earnings per share (EPS), basic and diluted, EUR	0.13	0.10	0.28	0.14	0.12	0.09	0.29	0.14	0.06
Gross capital expenditure	194	37	79	156	11	9	20	55	60
Investments in securities and acquisitions	177	20	45	145		1		42	49
Cash flow from operating activities	41	-42	276	150	2	2	235	189	202
Working capital (WCAP) at the end of the reporting period	790	726	563	632	658	561	490	540	602
Personnel at the end of the reporting period									
Services	11 345	11 328	11 234	11 135	11 059	11 067	10 567	10 648	10 575
Energy Solutions	1 135	1 084	1 038	1 017	928	913	903	920	945
Marine Solutions	6 151	5 197	5 235	5 167	5 257	5 317	6 074	6 305	6 443
Other	601	573	559	540	539	533	467	464	465
Total	19 231	18 182	18 065	17 859	17 783	17 832	18 011	18 337	18 428

Earnings per share for comparison periods have been restated to reflect the increased number of shares.

Comparison periods for 2017 have been restated due to the internal transfer of service activities.

Calculation of financial ratios

Earnings per share (EPS), basic and diluted

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

Adjusted number of shares over the reporting period

Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the reporting period

Solvency ratio

Equity

Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses

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

x 100

Return on equity (ROE)

Profit for the reporting period

Equity, average over the reporting period

x 100

Working capital (WCAP)

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

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

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Comparable operating result

Operating result – items affecting comparability

Items affecting comparability

Items affecting comparability are related to restructuring measures and one-time charges for events or activities, which are not part of the normal business operations

18 July 2018

Wärtsilä Corporation

Board of Directors