Wärtsilä Corporation
Q1 Interim report

JANUARY-MARCH 2014

WÄRTSILÄ

Healthy development in Ship Power and Services offsetting challenges in power generation markets

This interim report is unaudited.

Highlights of the review period January-March 2014

- Order intake decreased 16% to EUR 1,142 million (1,352)
- Net sales increased 15% to EUR 1,012 million (882)
- Book-to-bill 1.13 (1.53)
- Operating result before non-recurring items EUR 90 million, or 8.9% of net sales (EUR 70 million or 8.0%)
- Earnings per share 0.31 euro (0.37)
- Cash flow from operating activities EUR 111 million (84)
- Order book at the end of the period decreased 10% to EUR 4,505 million (4,998)

Björn Rosengren, President and CEO

“In line with our expectations, first quarter net sales developed well with profitability at 8.9%. Favourable development was also seen in the operating cash flow. The power plant markets remain challenging with customers continuing to delay decision-making due to global economic uncertainty and emerging market currency fluctuations. However, activity in the marine market was at a healthy level and Ship Power performed well, which partly offset the current challenges within the power generation markets. Several orders were received for offshore support vessels and there was active ordering of dual-fuel solutions and gas handling systems for the merchant fleet. The demand for services was stable within both of our end markets.

While the market situation continues to be volatile, we remain focused on improving efficiency and our competitive position. The restructuring measures announced in January have proceeded according to plan and are contributing to the efficiency improvement. Based on these measures, the current order book and a stable service market our prospects for 2014 remain unchanged.”

Wärtsilä's prospects for 2014 unchanged

Wärtsilä expects its net sales for 2014 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Key figures

MEUR	1-3/2014	1-3/2013	Change	2013
Order intake	1 142	1 352	-16%	4 872
Order book at the end of the period	4 505	4 998	-10%	4 426
Net sales	1 012	882	15%	4 654
Operating result (EBIT)[1]	90	70	28%	520
% of net sales	8.9	8.0		11.2
Profit before taxes [2]	81	96		507
Earnings/share, EUR [2]	0.31	0.37		1.98
Cash flow from operating activities	111	84		578
Net interest-bearing debt at the end of the period	390	668		276
Gross capital expenditure	22	25		134
Gearing	0.22	0.42		0.15

[1] EBIT is shown excluding non-recurring items of EUR 6 million (1) during the review period.

[2] The comparison figures include the sale of Wärtsilä’s shares in Sato Oyj.

Market development

Power Plants

Continued uncertainty in power generation markets

The power generation market situation remained challenging during the first quarter, as macroeconomic volatility and fluctuations in emerging market currencies continued to cause delays in customer decision-making. The geopolitical tension in Ukraine increased uncertainty for investments in the Russian market. Despite these developments, economic growth in the emerging markets continued to support their underlying demand for new power generation capacity. Wärtsilä’s power plant quotation activity improved somewhat during the first quarter and remained focused on natural gas based generation.

Power Plants market share

During 2013, global orders for natural gas and liquid fuel based power generation (including all prime mover units of over five MW) totalled 73.2 GW, a decrease of 3% compared to 2012 (75.4). Wärtsilä's share represents 3.3% of the market (4.2%). The global market size includes exceptional orders from Algeria, which amounted to 11 GW.

Ship Power

Marine market activity on a healthy level

During the first quarter of 2014, 523 contracts for new vessels were registered. This represents an increase in contracting activity of approximately 83% compared to the number of contracts reported in the corresponding period for 2013. Within the merchant markets activity was highest in the bulker segment. The gas carrier markets (LNG and LPG carriers) continued to be active with a total of 43 contracts registered during the first quarter. The offshore markets remained stable and there was continued demand for production units. Customers' earnings levels are still low, but are nevertheless above last year’s average.

Newbuilding prices have continued to rise at a moderate rate. Financing has eased somewhat and better terms are available for vessel owners.

China captured 42% and South Korea 35% of the confirmed contracts in terms of compensated gross tonnage (CGT), while Japan secured 13%. Chinese yards are striving to diversify their product mix by securing contracts for more complex vessels and offshore projects, and this endeavour is gradually starting to show results.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market was 51% (52% at the end of the previous quarter). The market share in low-speed engines was 9%, while in auxiliary engines the market share was 3% (10% and 4% respectively at the end of the previous quarter).

Services

Stable development in the service markets

Service market activity during the first quarter was stable compared to the corresponding period in the previous year. Demand was steady in both the marine and power markets with a slight increase seen in the navy and mining segments. From a regional perspective, the development in South Europe and Africa remained favourable in both end markets. Activity was particularly good in the US marine service markets and in power plants related services in the Middle East.

Order intake

Wärtsilä's first quarter order intake totalled EUR 1,142 million (1,352), a decrease of 16% compared to both the corresponding period last year and the previous quarter (EUR 1,351 million in the fourth quarter of 2013). The first quarter book-to-bill ratio was 1.13 (1.53).

The first quarter order intake for Power Plants totalled EUR 165 million (406), which was 59% less than for the corresponding period last year. Compared to the previous quarter, the order intake decreased by 60% (EUR 409 million in the fourth quarter of 2013). Ordering was most active in the Middle East and Africa.

The first quarter order intake for Ship Power totalled EUR 467 million (443), an increase of 5% compared to the corresponding period last year. Compared to the previous quarter, the order intake decreased by 4% (EUR 486 million in the fourth quarter of 2013). Ordering activity was highest in the merchant and offshore segments. Offshore related orders included an order to supply the design and integrated solutions for four new platform supply vessels being built for Siem Offshore. In the merchant segment a Wärtsilä licensee received an important order to supply Wärtsilä's new 2-stroke, dual-fuel engine for an LNG carrier vessel being built for the Chinese ship owner and operator Zheijiang Huaxiang Shipping Co. Ltd. Wärtsilä will provide the vessel with a gas valve unit. During the first quarter, orders were received for six exhaust gas cleaning systems for four vessels and there is increasing interest for Wärtsilä's environmental solutions. Orders were also received for ballast water management systems, including an order to retrofit two Ro-Ro ferries owned by UK based Condor Ferries with the new Aquarius ready solution. The merchant segment represented 62% of the first quarter order intake, while the offshore segment's share was 33%. Special vessels' share of order intake was 4%. Other orders accounted for 2% of the total.

Order intake for the Services business totalled EUR 510 million (504) in the first quarter of 2014, an increase of 1% compared to the corresponding period last year. Compared to the previous quarter, the order intake increased by 12% (EUR 457 million in the fourth quarter of 2013). During the first quarter, Wärtsilä signed a three year service agreement with Van Oord, a Dutch dredging and offshore contractor. Wärtsilä also received an order for the technical design and installation of a new fixed pitch propeller for an Australian FPSO conversion project.

Order intake by business

MEUR	1-3/2014	1-3/2013	Change	2013
Power Plants	165	406	-59%	1 292
Ship Power	467	443	5%	1 695
Services	510	504	1%	1 885
Order intake, total	1 142	1 352	-16%	4 872

The Ship Power comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

Order intake Power Plants

MW	1-3/2014	1-3/2013	Change	2013
Oil	161	138	17%	444
Gas	236	622	-62%	1 957
Order intake, total	396	760	-48%	2 401

Order intake in joint ventures

Order intake in the South Korean joint venture Wärtsilä Hyundai Engine Company Ltd and the Chinese joint venture Wärtsilä Qiyao Diesel Company Ltd totalled EUR 25 million (25) during the review period January-March 2014. Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of result of associates and joint ventures.

Order book

The total order book at the end of the review period amounted to EUR 4,505 million (4,998), a decrease of 10%. The Power Plants order book decreased by 25% and totalled EUR 1,343 million (1,787). The Ship Power order book was stable at EUR 2,338 million (2,342). The Services order book totalled EUR 824 million (869), which is 5% lower than at the same date last year.

Order book by business

MEUR	31.3.2014	31.3.2013	Change	31.12.2013
Power Plants	1 343	1 787	-25%	1 367
Ship Power	2 338	2 342	0%	2 308
Services	824	869	-5%	751
Order book, total	4 505	4 998	-10%	4 426

The Ship Power comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

Net sales

Wärtsilä's net sales for January-March 2014 increased by 15% to EUR 1,012 million (882). Net sales for Power Plants totalled EUR 190 million (202), a decrease of 6%. Ship Powers' net sales increased by 54% and totalled EUR 386 million (251). Net sales from the Services business remained stable at EUR 435 million (434). Services' sales mix saw an increase in revenues from spare parts and long-term contracts. Of the total net sales, Power Plants accounted for 19%, Ship Power for 38% and Services for 43%.

Of Wärtsilä's net sales for January-March 2014, approximately 65% was EUR denominated, 18% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	1-3/2014	1-3/2013	Change	2013
Power Plants	190	202	-6%	1 459
Ship Power	386	251	54%	1 357
Services	435	434	0%	1 842
Net sales, total	1 012	882	15%	4 654

The Ship Power comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

Group net sales includes hedges of EUR -2 million for the full year 2013 and EUR -5 million for the first quarter of 2013, which have not been allocated to the businesses.

Operating result and profitability

The first quarter operating result (EBIT) before non-recurring items was EUR 90 million (70), or 8.9% of net sales (8.0). Including non-recurring items, the operating result was EUR 84 million (69) or 8.3% of net sales (7.8). Wärtsilä recognised EUR 6 million (1) of non-recurring items related to restructuring measures during the first quarter.

Financial items amounted to EUR -3 million (1). Net interest totalled EUR -3 million (-3). Profit before taxes amounted to EUR 81 million (96). Profit before taxes for the comparison period includes the sale of Wärtsilä's Sato Oyj shares. Taxes amounted to EUR 18 million (23), implying an effective tax rate of 23%. Earnings per share were 0.31 euro (0.37) and equity per share was 8.64 euro (8.13). Return on investments (ROI) was 14.2% (16.0). Return on equity (ROE) was 14.9% (18.5).

Balance sheet, financing and cash flow

Wärtsilä's first quarter cash flow from operating activities amounted to EUR 111 million (84). The focus on working capital has resulted in a favourable development with the working capital totalling EUR 292 million (446) at the end of the period. Advances received at the end of the period totalled EUR 965 million (810). Cash and cash equivalents at the end of the period amounted to EUR 242 million (205) and unutilised Committed Revolving Credit Facilities totalled EUR 599 million (579). Dividends totalling EUR 209 million (199) were paid during the first quarter.

Wärtsilä had interest-bearing debt totalling EUR 633 million (890) at the end of March 2014. The total amount of short-term debt maturing within the next 12 months was EUR 94 million. Net interest-bearing debt totalled EUR 390 million (668) and gearing was 0.22 (0.42). Long-term loans amounted to EUR 539 million and committed undrawn long-term loans totalled EUR 100 million.

Liquidity preparedness

MEUR	31.3.2014	31.12.2013
Cash and cash equivalents	242	388
Unutilised committed credit facilities	699	699
Liquidity preparedness	941	1 087
% of net sales (rolling 12 months)	20	23
Commercial Papers	4	14
Liquidity preparedness excluding Commercial Papers	937	1 073
% of net sales (rolling 12 months)	20	23

On 31 March 2014, the average maturity of the total loan portfolio was 40 months and the average maturity of the long-term debt was 41 months.

Capital expenditure

Gross capital expenditure during the review period totalled EUR 22 million (25), and comprised EUR 1 million (4) in acquisitions and investments in securities, and EUR 21 million (20) in intangible assets and property, plant and equipment. Depreciation, amortisation and impairment for the review period amounted to EUR 29 million (32).

Maintenance capital expenditure for 2014 is expected to be in line with depreciation.

Strategic projects, acquisitions, joint ventures, and expansion of the network

Construction of the new production facilities for Wärtsilä Yuchai Engine Co., Ltd, the Chinese joint venture owned 50/50 by Wärtsilä and Yuchai Marine Power Co. Ltd., and Wärtsilä’s new fully-owned manufacturing facility in Brazil is ongoing. Production in both locations is planned to begin in mid 2014.

On 9 January 2014, Wärtsilä confirmed in a stock exchange release the approach by Rolls-Royce with a preliminary proposal for a possible offer. Wärtsilä also confirmed that there were no longer ongoing discussions with Rolls-Royce.

Research and development and product launches

In March, Wärtsilä introduced the new Wärtsilä 46DF engine. The benefits of the new engine include lower fuel consumption in gas and diesel fuel mode, higher output, and attractive lifecycle costs compared to other alternatives currently available on the market.

Wärtsilä’s Propulsion Condition Monitoring Service received service level recognition by DNV-GL in February. Wärtsilä is the first company to attain this type of recognition from three of the major classification societies, namely the American Bureau of Shipping, Lloyd's Register, and DNV-GL.

In January, the first ever Wärtsilä X72 mid-bore, low-speed engine successfully passed the factory acceptance test at the Doosan Engine Co. Ltd. factory in South Korea. This milestone verifies that the engine fulfils the design criteria for performance and functioning, and that it has been accepted by both the customer and the Lloyd’s Register of Shipping classification society.

Personnel

Wärtsilä had 18,514 (18,674) employees at the end of March 2014. On average, the number of personnel for January-March 2014 totalled 18,551 (18,680). Power Plants employed 1,056 (1,019) people, Ship Power 6,140 (5,939 including PowerTech employees) and Services 10,875 (10,959).

Of Wärtsilä's total number of employees, 20% (19) were located in Finland and 35% (36) elsewhere in Europe. Personnel employed in Asia represented 31% (32) of the total, personnel in the Americas 10% (9) and in other countries 4% (3).

Restructuring programmes

On 29 January 2014, Wärtsilä announced plans to realign its organisation to secure future profitability and competitiveness. The Group-wide efficiency programme targets annual savings of EUR 60 million and is expected to lead to a reduction of approximately 1,000 employees globally. The effect of the savings is estimated to materialise fully by the end of 2014. The non-recurring costs related to the restructuring measures will be EUR 50 million, of which EUR 11 million was recognised in 2013 and EUR 6 million during the review period January-March 2014. The remainder of the costs will be recognised during 2014.

In March, Wärtsilä completed the consultation process with employee representatives in Finland. As a result of the negotiations, the redundancy need was confirmed as being 142 permanent employees. Including natural attrition and retirements, the number of job reductions in Finland will be approximately 200. The consultation processes in the other affected countries are currently ongoing.

Sustainable development

Wärtsilä is well positioned to reduce emissions and the use of natural resources, thanks to its various technologies and specialised services. 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.

Shares and shareholders

During January-March 2014, the volume of trades of Wärtsilä shares on the Nasdaq OMX exchange was 35,739,747 shares, equivalent to a turnover of EUR 1,427 million. Wärtsilä's shares are also traded on alternative exchanges, such as Chi-X, Turquoise and BATS. The total trading volume on these alternative exchanges was 19,772,648 shares.

Shares on the Nasdaq OMX Helsinki Stock Exchange

31.3.2014	Number of shares and votes	Number of shares traded 1-3/2014
WRT1V	197 241 130	35 739 747

1.1. - 31.3.2014	High	Low	Average [1]	Close
Share price	43.82	33.35	39.92	39.43

[1] Trade-weighted average price

	31.3.2014	31.3.2013
Market capitalisation, EUR million	7 777	6 913
Foreign shareholders, %	53.8	51.8

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 6 March 2014 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 2013. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.05 per share. The dividend was paid on 18 March 2014.

The Annual General Meeting decided that the Board of Directors has nine members. The following were elected to the Board: M.Sc. (Techn), MBA Maarit Aarni-Sirviö, Managing Director Kaj-Gustaf Bergh, M.Sc. (Eng) Sune Carlsson, M.Sc. (Econ), MBA Alexander Ehrnrooth, M.Sc. (Econ) Paul Ehrnrooth, B.Sc. (Econ) Mikael Lilius, Managing Director Risto Murto, President and CEO Gunilla Nordström and Executive Vice President Markus Rauramo.

The firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2014.

Authorisation to repurchase and distribute the Company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 19,000,000 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.

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 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 7 March 2013. The Board of Directors is authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company's own shares other 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 Corporation elected Mikael Lilius as its chairman and Kaj-Gustaf Bergh 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, Alexander Ehrnrooth

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

Remuneration Committee:
Chairman Mikael Lilius, Paul Ehrnrooth, Risto Murto

Risks and business uncertainties

In the Power Plants business, uncertainty in the financial markets and significant currency fluctuations may impact financing availability and the timing of bigger projects. Lack of demand for commodities, e.g. minerals, can affect industrial customers' investment decisions.

The business environment for the shipping and shipbuilding industry continues to be challenging, and there is still some uncertainty in the outlook for the global economy. In the offshore segment, exploration and production investments are highly sensitive to changes in oil prices. Furthermore, increased production costs, in combination with fairly stable oil & gas prices, may increase the hesitancy of some operators to make further investments. Overcapacity in the traditional merchant markets remains a concern, as the vessels from the large order book accumulated during the shipbuilding boom have been delivered. The trend of slow steaming contributes towards absorbing this overcapacity.

Continued risks in the global economy and political instability in certain areas may have a negative impact on Services' order intake. The challenging conditions in several marine market segments are also seen as a potential risk.

The Group is a defendant in a number of legal cases which 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. It is the Group's policy to provide for amounts related to the claims, as well as for the litigation and arbitration matters, when an unfavourable outcome is probable and the amount of the loss can be reasonably estimated.

The annual report 2013 contains a more specific description of Wärtsilä's risks and risk management.

Market outlook

Power generation markets closely follow global macro-economic development. Uncertainty in the macro economy, combined with slow global growth projections, has lead to two consecutive years of decline in the power generation markets. Although customers are still delaying their decision-making, the forecasted GDP growth in 2014 is expected to result in a slightly improved overall market for liquid and gas fuelled power generation. Ordering activity remains focused on the emerging markets, which continue to invest in new power generation capacity. In the OECD countries, there is still pent-up power sector demand, mainly driven by CO_2 neutral generation and the ramp down of older, mainly coal-based generation.

The main drivers supporting activity in the shipping and offshore sectors are in place. World seaborne trade and the world economy are showing signs of improvement, which benefits the merchant shipping market. In the offshore segment, the current oil price level is supportive of investments. Furthermore, the strong drilling rig order book supports the ordering of offshore support vessels and there is continued demand for production units. The importance of fuel efficiency and the regulatory environment are clearly visible, and the interest in gas as a fuel is increasing. Financing has eased with more options and better terms available.

Overall contracting is expected to be in line with that seen in 2013, keeping in mind the prevailing overcapacity and the market's limited capacity to absorb new tonnage. Offshore activity is anticipated to be stable and the shipping markets to remain healthy, although a slight decline in traditional merchant vessel orders may be seen. The gas carrier market is expected to continue to be active, particularly in the LPG vessel segment.

The overall service market outlook remains stable. An increase in the installed base partly balances the slower service demand for older installations and the continued focus of merchant marine customers on reducing operating expenses. The outlook for services to offshore and gas fuelled vessels remains positive. Demand for services in the power plant segment continues to be good. From a regional perspective, the outlook for the Middle East and Asia is slightly more positive, supported by interest in power plant related services. The outlook is also good in the Americas and Africa.

Wärtsilä's prospects for 2014 unchanged

Wärtsilä expects its net sales for 2014 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Wärtsilä Interim Report January-March 2014

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2013, 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

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2014 the following are applicable to the Group reporting:

IFRS 10 Consolidated Financial Statements, *IFRS 11 Joint Arrangements* and *IFRS 12 Disclosure of Interests in Other Entities,* as well as the related amendments to IAS 27 and IAS 28. The standards have no significant impact on the Group's consolidated financial statements. IFRS 12 will expand the information disclosed in the financial statements regarding interests in other entities.

Amendments to *IAS 32 Financial Instruments*: Presentation: The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amended standard is to be applied retrospectively. The amendments have no significant impact on the Group's consolidated financial statements.

The standards have been approved for application in the EU.

This interim report is unaudited.

Condensed statement of income

MEUR	1–3/2014	1–3/2013	2013
Net sales	1 012	882	4 654
Other operating income	18	7	85
Expenses	-925	-793	-4 137
Depreciation, amortisation and impairment	-29	-32	-123
Share of result of associates and joint ventures	9	5	22
Operating result	84	69	500
Financial income and expenses	-3	1	-19
Net income from available-for-sale financial assets		25	25
Profit before taxes	81	96	507
Income taxes	-18	-23	-113
Profit for the reporting period	63	73	393
Attributable to:			
Equity holders of the parent company	62	72	391
Non-controlling interests	1	1	3
	63	73	393
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (basic and diluted), EUR	0.31	0.37	1.98

Statement of other comprehensive income

MEUR	1–3/2014	1–3/2013	2013
Profit for the reporting period	63	73	393
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income:			
Remeasurement of defined benefit liability		8	-9
Tax on items that will not be reclassified to the statement of income		-3	-1
Total items that will not be reclassified to the statement of income		5	-10
Items that may be reclassified subsequently to the statement of income:			
Exchange rate differences on translating foreign operations	1	-6	-72
Available-for-sale financial assets			
measured at fair value		1	1
transferred to the statement of income		-25	-25
Cash flow hedges	7	-22	-24
Tax on items that may be reclassified to the statement of income	-2	12	14
Total items that may be reclassified to the statement of income	6	-41	-107
Other comprehensive income for the reporting period, net of taxes	6	-35	-117
Total comprehensive income for the reporting period	68	37	276
Total comprehensive income attributable to:			
Equity holders of the parent company	68	36	275
Non-controlling interests		1	2
	68	37	276

Condensed statement of financial position

MEUR	31.3.2014	31.3.2013	31.12.2013
Non-current assets			
Intangible assets	1 235	1 253	1 235
Property, plant and equipment	440	451	449
Investments in associates and joint ventures	109	95	103
Available-for-sale financial assets	15	23	15
Deferred tax assets	123	122	128
Other receivables	6	20	5
	1 928	1 964	1 935
Current assets			
Inventories	1 394	1 487	1 367
Other receivables	1 478	1 334	1 518
Cash and cash equivalents	242	205	388
	3 114	3 026	3 274
Total assets	5 042	4 990	5 209
Equity			
Share capital	336	336	336
Other equity	1 369	1 268	1 508
Total equity attributable to equity holders of the parent company	1 705	1 604	1 844
Non-controlling interests	38	25	40
Total equity	1 743	1 629	1 884
Non-current liabilities			
Interest-bearing debt	539	578	571
Deferred tax liabilities	82	92	84
Other liabilities	188	235	237
	810	905	892
Current liabilities			
Interest-bearing debt	94	312	94
Other liabilities	2 395	2 144	2 340
	2 489	2 456	2 434
Total liabilities	3 299	3 361	3 325
Total equity and liabilities	5 042	4 990	5 209

Condensed statement of cash flows

MEUR	1–3/2014	1–3/2013	2013
Cash flow from operating activities:			
Profit for the reporting period	63	73	393
Depreciation, amortisation and impairment	29	32	123
Financial income and expenses	3	-1	19
Selling profit and loss of fixed assets and other changes	-2	-26	-29
Share of result of associates and joint ventures	-9	-5	-22
Income taxes	18	23	113
Changes in working capital	32	14	60
Cash flow from operating activities before financial items and taxes	135	111	658
Financial items and paid taxes	-24	-27	-81
Cash flow from operating activities	111	84	578
Cash flow from investing activities:			
Investments in shares and acquisitions	-1	-4	-5
Net investments in property, plant and equipment and intangible assets	-14	-20	-122
Proceeds from sale of available-for-sale financial assets and shares in associated companies		27	34
Cash flow from other investing activities	1	1	14
Cash flow from investing activities	-15	3	-79
Cash flow from financing activities:			
Contribution by non-controlling interests			16
Proceeds from non-current borrowings		50	153
Repayments and other changes in non-current loans	-26	-23	-157
Changes in current loans and other changes	-6	63	-134
Dividends paid	-209	-199	-202
Cash flow from financing activities	-241	-109	-324
Change in cash and cash equivalents, increase (+) / decrease (-)	-145	-21	176
Cash and cash equivalents at the beginning of the reporting period	388	225	225
Exchange rate changes	-1	1	-13
Cash and cash equivalents at the end of the reporting period	242	205	388

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Actuarial gains and losses	Retained earnings		
Equity on 1 January 2014	336	61	-85	-13	-43	1 587	40	1 884
Dividends paid						-207	-2	-209
Total comprehensive income for the reporting period			3	5		61		68
Equity on 31 March 2014	336	61	-82	-8	-43	1 441	38	1 743
Equity on 1 January 2013	336	61	-12	21	-34	1 393	26	1 791
Dividends paid						-197	-2	-199
Total comprehensive income for the reporting period			-7	-35	5	72	1	37
Equity on 31 March 2013	336	61	-19	-13	-29	1 268	25	1 629

Net sales by geographical areas

MEUR	1–3/2014	1–3/2013	2013
Europe	348	241	1 329
Asia	410	345	1 759
The Americas	163	213	1 068
Other	91	84	498
Total	1 012	882	4 654

Intangible assets and property, plant & equipment

MEUR	1–3/2014	1–3/2013	2013
Intangible assets			
Carrying amount on 1 January	1 235	1 259	1 259
Changes in exchange rates	4	-15	-37
Additions	10	13	53
Amortisation and impairment	-13	-15	-58
Disposals and reclassifications		11	17
Carrying amount at the end of the reporting period	1 235	1 253	1 235
Property, plant and equipment			
Carrying amount on 1 January	449	470	470
Changes in exchange rates		2	-12
Additions	11	7	76
Depreciation and impairment	-16	-17	-66
Disposals and reclassifications	-4	-11	-20
Carrying amount at the end of the reporting period	440	451	449

Gross capital expenditure

MEUR	1–3/2014	1–3/2013	2013
Investments in securities and acquisitions	1	4	5
Intangible assets and property, plant and equipment	21	20	129
Total	22	25	134

Net interest-bearing debt

MEUR	1–3/2014	1–3/2013	2013
Non-current liabilities	539	578	571
Current liabilities	94	312	94
Loan receivables	-1	-16	-1
Cash and cash equivalents	-242	-205	-388
Total	390	668	276

Financial ratios

	1–3/2014	1–3/2013	2013
Earnings per share (basic and diluted), EUR	0.31	0.37	1.98
Equity per share, EUR	8.64	8.13	9.35
Solvency ratio, %	42.8	39.0	43.9
Gearing	0.22	0.42	0.15
Return on investment (ROI), %	14.2	16.0	21.2
Return on equity (ROE), %	14.9	18.5	21.4

Personnel

	1–3/2014	1–3/2013	2013
On average	18 551	18 680	18 749
At the end of the reporting period	18 514	18 674	18 663

Contingent liabilities

MEUR	1–3/2014	1–3/2013	2013
Mortgages	11	28	26
Chattel mortgages and other pledges	25	26	25
Total	36	54	51
Guarantees and contingent liabilities			
on behalf of Group companies	661	570	665
on behalf of associated companies		8	7
Nominal amount of rents according to leasing contracts			
payable within one year	26	22	27
payable between one and five years	69	43	78
payable later	25	9	26
Total	781	652	803

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	125	
Inflation hedges	8	
Foreign exchange forward contracts	1 715	486
Total	1 848	486

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		
Available-for-sale financial assets (level 3)	15	15
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	5	5
Derivatives (level 2)	17	17
Financial liabilities		
Interest-bearing debt, non-current (level 2)	539	546
Derivatives (level 2)	13	13

Condensed statement of income, quarterly

MEUR	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013	Restated 10–12/2012
Net sales	1 012	1 411	1 209	1 152	882	1 533
Other operating income	18	29	18	31	7	12
Expenses	-925	-1 226	-1 071	-1 046	-793	-1 343
Depreciation, amortisation and impairment	-29	-29	-30	-32	-32	-38
Share of result of associates and joint ventures	9	7	4	6	5	7
Operating result	84	191	130	110	69	171
Financial income and expenses	-3	-11	-4	-5	1	-9
Net income from available-for-sale financial assets					25	
Profit before taxes	81	181	126	104	96	162
Income taxes	-18	-33	-31	-25	-23	-37
Profit for the reporting period	63	147	95	79	73	124
Attributable to:						
Equity holders of the parent company	62	147	94	78	72	123
Non-controlling interests	1		1	1	1	1
	63	147	95	79	73	124

Earnings per share attributable to equity holders of the parent company:						
Earnings per share (basic and diluted), EUR	0.31	0.74	0.48	0.39	0.37	0.62

Calculation of financial ratios

Earnings per share (EPS)

$$\frac{\text{Profit for the reporting period attributable to equity holders of the parent company}}{\text{Adjusted number of shares over the reporting period}}$$

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Working capital (WCAP)

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

23 April 2014
Wärtsilä Corporation
Board of Directors