WÄRTSILÄ CORPORATION
INTERIM REPORT

JANUARY-JUNE 2013

WÄRTSILÄ

Stable development in the first half of 2013

This interim report is unaudited.

Second quarter highlights

- Order intake decreased 11% to EUR 1,071 million (1,198)
- Net sales increased 5% to EUR 1,152 million (1,099)
- Book-to-bill 0.93 (1.09)
- Operating result EUR 111 million, or 9.6% of net sales (EUR 113 million or 10.3%)
- EBITA EUR 119 million, or 10.3% of net sales (EUR 123 million or 11.2%)
- Earnings per share EUR 0.39 (0.38)
- Cash flow from operating activities EUR 38 million (-183)

Highlights of the review period January-June 2013

- Order intake increased 5% to EUR 2,424 million (2,308)
- Net sales decreased 3% to EUR 2,034 million (2,104)
- Book-to-bill 1.19 (1.10)
- Operating result EUR 181 million, or 8.9% of net sales (EUR 215 million or 10.2%)
- EBITA EUR 198 million, or 9.7% of net sales (EUR 232 million or 11.0%)
- Earnings per share EUR 0.76 (0.72)
- Cash flow from operating activities EUR 122 million (-154)
- Order book at the end of the period increased by 5% to EUR 4,763 million (4,515)

Björn Rosengren, President and CEO

“The second quarter development was reasonable considering the current economic situation, with net sales increasing by 5% and profitability at 9.6%. We continue to work towards reaching this year’s growth and profitability targets. Marine markets are showing some signs of improvement, with the offshore and specialised vessel segments continuing to be active. Furthermore, competitive new building prices and the increased fuel efficiency of modern vessels are attracting investments in the merchant segment. Overall order intake levels were lower than in the previous year, especially in Power Plants where we are experiencing delays in customer decision-making. We have seen some recovery in the service markets, which was reflected in the Services’ net sales increase of 4%. Supported by our solid order book and the stable Services business, our prospects for 2013 remain unchanged.”

Wärtsilä's prospects for 2013 unchanged

Wärtsilä expects its net sales for 2013 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Key figures

MEUR	4-6/2013	Restated 4-6/2012	Change	1-6/2013	Restated 1-6/2012	Change	Restated 2012
Order intake	1 071	1 198	-11%	2 424	2 308	5%	4 940
Order book at the end of the period				4 763	4 515	5%	4 492
Net sales	1 152	1 099	5%	2 034	2 104	-3%	4 725
Operating result (EBITA)[1]	119	123	-3%	198	232	-15%	552
% of net sales	10.3	11.2		9.7	11.0		11.7
Operating result (EBIT)[2]	111	113	-2%	181	215	-16%	517
% of net sales	9.6	10.3		8.9	10.2		10.9
Profit before taxes	104	98		200	192		453
Earnings/share, EUR	0.39	0.38		0.76	0.72		1.72
Cash flow from operating activities	38	-183		122	-154		153
Net interest-bearing debt at the end of the period				658	790		567
Gross capital expenditure				49	433		513
Gearing				0.40	0.50		0.32

[1] EBITA is shown excluding non-recurring items of EUR 2 million (13) and intangible asset amortisation related to acquisitions of EUR 16 million (17) during the review period January-June 2013. During the second quarter, non-recurring items amounted to EUR 1 million (6) and intangible asset amortisation related to acquisitions to EUR 8 million (10).

[2] EBIT is shown excluding non-recurring items.

Market development

Power Plants

Continued activity in gas based power generation markets

Power plant market activity was stable during the second quarter of 2013. The amount of quoted MWs was comparable to the previous quarter, with continued focus on natural gas based generation. Supported by their economic growth, the emerging markets continued to invest in new power generation capacity. However, the volatility in the macro economy continues to delay investment decisions in the overall power generation markets.

Power Plants market share

During 2012, global orders for natural gas and liquid fuel based power generation (including all prime mover units of over five MW) totalled 75.4 GW, a decrease of 25% compared to 2011 (100.8). Wärtsilä's share represents 4.2% of the market (3.3%).

Ship Power

Market activity showing signs of improvement

During the second quarter of 2013, 383 contracts for new vessels were registered. Thus far in 2013, 749 vessels have been contracted globally. Market activity has improved from 2012, when 490 vessels were contracted in the first half and the average quarterly contracting volume was 320 vessels. Competitive new building prices and the increased fuel efficiency of modern vessels have attracted investments in merchant vessels, although accessing financing is still a challenge. The gas carrier market (LNG carriers and LPG carriers) continued to be active with a total of 49 contracts registered during the first half of 2013. Contracting of offshore and specialised vessels remained active.

China and South Korea remain the dominant shipbuilding countries, capturing respectively 39% and 36% of the contracts confirmed in 2013 in terms of compensated gross tonnage (CGT), whereas Japan secured 13%. The remaining 125 orders, representing 12% of the contracts confirmed in CGT, were placed outside of these top three shipbuilding countries.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market was 47% (48% at the end of the previous quarter). The market share in low-speed engines was 14% (15%). In the auxiliary engine market, Wärtsilä's share remained at 4% (4%).

Services

Stable development in the service markets

Service market activity was stable during the first half of 2013. Overall marine service activity was satisfactory. Europe continues to be the most challenging region. Development in the Americas remained favourable, especially in power plant services. Power plant service activity was also healthy in Africa. The demand from IPP and utility customers for power plant related services remained at a good level, while demand from industrial customers was somewhat lower.

Order intake

Wärtsilä's order intake for the second quarter decreased by 11% to EUR 1,071 million (1,198). In relation to the previous quarter, Wärtsilä's order intake decreased by 21% (EUR 1,352 million in the first quarter of 2013). The book-to-bill ratio for the second quarter was 0.93 (1.09).

The order intake for Power Plants in the second quarter totalled EUR 217 million (283), which was 23% less than during the corresponding period last year. The decrease compared to the previous quarter was 46% (EUR 406 million in the first quarter of 2013). During the second quarter, Wärtsilä received a 110 MW order from Russia and an order for nuclear emergency diesel generators from Finland. The ability to deliver power plants in a wide range of plant sizes for many types of applications demonstrates the strengths of Wärtsilä Smart Power Generation concept.

The second quarter order intake for Ship Power totalled EUR 380 million (447), a decrease of 15% compared to the corresponding period last year. Compared to the previous quarter, order intake decreased by 14% (EUR 443 million in the first quarter of 2013). Activity continued to be highest in the offshore and specialised tonnage segments. Ship Power's offshore related orders included supplying an integrated solution, comprising engines, the Wärtsilä Control & Communication Centre (3C), and the electrical and automation system, for Harvey Gulf International Maritime's new multi-purpose support vessel. In the merchant segment, Wärtsilä received an order to supply propulsion packages for 24 new multi-purpose vessels being built for the Singapore based China Navigation Co. Pte. Ltd. The contracts were signed in 2012 and during the first half of 2013 with Wärtsilä licensee Hudong Heavy Machinery. There was also good ordering activity in environmental and flow & gas solutions. Ship Power received orders for four Wärtsilä open loop exhaust gas cleaning systems, with options for an additional three vessels, and a Wärtsilä AQUARIUS®UV ballast water management system retrofit, as well as orders for a direct electrical heating system and inert gas systems. The merchant segment represented 44% of the second quarter order intake, the offshore segment's share was 37% and special vessels accounted for 7%. The cruise & ferry segment's share of the order intake was 3% and the navy segment's 1%. Other orders accounted for 8%.

Order intake for the Services business totalled EUR 469 million (466) in the second quarter of 2013, an increase of 1% compared to the corresponding period last year. Compared to the previous quarter, order intake decreased by 7% (EUR 504 million in the first quarter of 2013). During the second quarter, Wärtsilä signed operations and maintenance agreements with power plant customers in Zambia and Mozambique.

The total order intake for the review period January-June 2013 was EUR 2,424 million (2,308), which represents an increase of 5% compared to the corresponding period in 2012. The book-to-bill ratio for the review period was 1.19 (1.10). Power Plants' order intake was EUR 623 million (591), which is 5% higher than in 2012. Ship Power's order intake was EUR 822 million (723), an increase of 14% from the corresponding period last year. Services' order intake for the review period totalled EUR 974 million (989), a decrease of 2% over the corresponding period in 2012.

Order intake by business

MEUR	4-6/2013	4-6/2012	Change	1-6/2013	1-6/2012	Change	2012
Power Plants	217	283	-23%	623	591	5%	1 515
Ship Power	380	447	-15%	822	723	14%	1 453
Services	469	466	1%	974	989	-2%	1 961
Order intake, total	1 071	1 198	-11%	2 424	2 308	5%	4 940

Order intake Power Plants

MW	4-6/2013	4-6/2012	Change	1-6/2013	1-6/2012	Change	2012
Oil	67	246	-73%	204	548	-63%	796
Gas	286	546	-48%	909	848	7%	2 323
Renewable fuels					5		27
Order intake, total	353	792	-55%	1 113	1 401	-21%	3 146

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and the Wärtsilä Qiyao Diesel Company Ltd joint venture company in China, producing auxiliary engines, totalled EUR 113 million (148) during the review period January-June 2013. 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 stood at EUR 4,763 million (4,515), an increase of 5%. At the end of the review period, the Power Plants order book amounted to EUR 1,638 million (1,514), an increase of 8%. The Ship Power order book stood at EUR 2,289 million (2,187), which is 5% higher than at the same date last year. The Services order book increased by 2% to EUR 833 million (815).

Order book by business

MEUR	30.6.2013	30.6.2012	Change	31.12.2012
Power Plants	1 638	1 514	8%	1 561
Ship Power	2 289	2 187	5%	2 127
Services	833	815	2%	804
Order book, total	4 763	4 515	5%	4 492

Net sales

Wärtsilä's net sales for the second quarter increased by 5% to EUR 1,152 million (1,099) compared to the corresponding period last year. Net sales for Power Plants totalled EUR 369 million (353), an increase of 4%. Ship Powers' net sales for the second quarter totalled EUR 315 million (298), which is 6% higher than in the corresponding quarter last year. The second quarter net sales for Services increased by 4% to EUR 465 million (449). This increase in sales relates mainly to the timing of service projects, while revenue from maintenance services was stable.

Net sales for January-June 2013 decreased by 3%, totalling EUR 2,034 million (2,104). Power Plants' net sales totalled EUR 570 million (625), a decrease of 9%. Ship Power's net sales increased by 4% and totalled EUR 560 million (536). Net sales from the Services business totalled EUR 899 million (942), a decrease of 5%. Of the total net sales, Power Plants accounted for 28%, Ship Power for 28% and Services for 44%.

Of Wärtsilä's net sales for January-June 2013, approximately 58% was EUR denominated, 23% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	4-6/2013	4-6/2012	Change	1-6/2013	1-6/2012	Change	2012
Power Plants	369	353	4%	570	625	-9%	1 498
Ship Power	315	298	6%	560	536	4%	1 301
Services	465	449	4%	899	942	-5%	1 908
Other	3	-1		5	1		17
Net sales, total	1 152	1 099	5%	2 034	2 104	-3%	4 725

Operating result and profitability

The second quarter operating result (EBIT) before non-recurring items was EUR 111 million (113), or 9.6% of net sales (10.3). Including non-recurring items, the operating result was EUR 110 million (108) or 9.5% of net sales (9.8). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 119 million (123), or 10.3% of net sales (11.2). During the second quarter, non-recurring items amounted to EUR 1 million (6) and intangible asset amortisation related to acquisitions to EUR 8 million (10).

For the review period January-June 2013, the operating result (EBIT) before non-recurring expenses was EUR 181 million (215), which is 8.9% of net sales (10.2). Including non-recurring expenses, the operating result was EUR 179 million (202) or 8.8% of net sales (9.6). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 198 million (232) or 9.7% of net sales (11.0). Wärtsilä recognised EUR 2 million of non-recurring items (13) and intangible asset amortisation related to acquisitions of EUR 16 million (17) during the review period January-June 2013.

During the review period January-June 2013, Wärtsilä sold its holding of 1,987,940 shares in Sato Oyj, for approximately EUR 27 million. Wärtsilä recorded a capital gain of approximately EUR 25 million on this sale. The tax on the capital gain is approximately EUR 6 million.

Financial items amounted to EUR -4 million (-11). Net interest totalled EUR -8 million (-9). Profit before taxes amounted to EUR 200 million (192). Taxes in the reporting period amounted to EUR 48 million (49), implying an effective tax rate of 24%. Earnings per share were 0.76 euro (0.72) and equity per share was 8.31 euro (7.90).

Balance sheet, financing and cash flow

Cash flow from operating activities for January-June 2013 totalled EUR 122 million (-154). The net working capital at the end of the period totalled EUR 508 million (485), the increase being mainly due to the timing of projects. Advances received at the end of the period totalled EUR 838 million (643). Cash and cash equivalents at the end of the period amounted to EUR 219 million (148).

Wärtsilä had interest-bearing debt totalling EUR 889 million (942) at the end of June 2013. The total amount of short-term debt maturing within the next 12 months was EUR 341 million, including EUR 239 million of Finnish Commercial Papers. Net interest-bearing debt totalled EUR 658 million (790).

The funding programmes at the end of June 2013 included long-term loans of EUR 549 million, undrawn long-term loans totalling EUR 150 million, and unutilised Committed Revolving Credit Facilities totalling EUR 529 million. The funding programmes also included Finnish Commercial Paper programmes totalling EUR 700 million.

The solvency ratio was 39.6% (37.6) and gearing was 0.40 (0.50). Key figures have been restated due to changes in pension accounting (IAS 19 Employee benefits). The impact is described in the IFRS amendments section.

Capital expenditure

Gross capital expenditure in the review period totalled EUR 49 million (433), comprising EUR 5 million (393) in acquisitions and investments in securities, and EUR 44 million (39) in intangible assets and property, plant and equipment. Depreciation, amortisation and impairment for the review period amounted to EUR 65 million (68).

Maintenance capital expenditure for 2013 will be below depreciation.

Personnel

Wärtsilä had 18,620 (19,161) employees at the end of June 2013. On average, the number of personnel for January-June 2013 totalled 18,663 (17,931). Power Plants employed 1,017 (902) people. Ship Power employed 3,625 (2,194) people, Services 10,829 (11,358), and PowerTech 2,397 (3,859) people. The increase in the number of Ship Power employees relates mainly to changes in the organisational set up within Ship Power and PowerTech, which became effective in 2012.

Of Wärtsilä's total number of employees, 20% (19) were located in Finland and 36% (37) elsewhere in Europe. Personnel employed in Asia represented 31% (33) of the total.

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

Wärtsilä Yuchai Engine Co., Ltd, the joint venture company owned 50/50 by Wärtsilä and Yuchai Marine Power Co. Ltd., has begun construction of its new production facilities. The company will manufacture medium-speed marine engines, including the Wärtsilä 20, Wärtsilä 26 and Wärtsilä 32 engines, to serve the increasingly dominant Chinese shipbuilding industry. Production is planned to begin in 2014. Due to control of the company, Wärtsilä will consolidate the joint venture's figures into group figures.

In March, Wärtsilä announced the set up of a new fully-owned manufacturing facility in Brazil to meet increasing market demand, particularly in the offshore market. The manufacturing premises will be based on a multi-product factory concept for the assembly and testing of Wärtsilä's generating sets and propulsion products. In the initial phase, activities will focus on medium sized, medium-speed generating sets and steerable thrusters, while retaining the possibility to flexibly expand the product range to respond to market needs. The value of Wärtsilä's investment is approximately EUR 20 million and the facility is scheduled to be fully operational by mid 2014.

Construction of the Wärtsilä TMH Diesel Engine Company LLC factory is proceeding according to plan. The new plant is expected to begin production during the second half of 2013.

During the review period Wärtsilä continued to expand its service network by opening a new service workshop in Niterói, Rio de Janeiro, Brazil.

Research and development, product launches

In June, the European Investment Bank granted Wärtsilä a 10-year loan agreement totalling EUR 150 million to finance the company's research, development and innovation activities in several European countries. With the loan Wärtsilä will continue to develop engines and power plants that are cleaner, more efficient, and more reliable with higher levels of automation, lower lifecycle costs, and improved environmental performance.

During the review period, Wärtsilä obtained a certification of emission standard compliance from the United States Environmental Protection Agency for its Wärtsilä 34DF dual-fuel engines. The certification will enable Wärtsilä to enter the American market strongly with marine engine technology that offers operators and owners the option of using either diesel or gas as fuel. A new version of the Wärtsilä 34DF engine was launched in June. The engine offers increased power output and increased efficiency in both liquid and gas operating modes, as well as lower fuel consumption and improved environmental performance.

The Wärtsilä X40 two-stroke engine has successfully passed its Type Approval Test. This verifies that the engine fulfils all classification society requirements, and it will be fully introduced to the market following its sea trials, which are currently underway.

Progress with regards to type approvals for ballast water management systems continues. The AQUARIUS EC (electro-chlorination) based system was granted final approval status in May 2013. All testing of the AQUARIUS UV (ultraviolet) system has been completed, and type approval was received in December 2012.

Wärtsilä currently has the widest portfolio of exhaust gas cleaning systems for the removal of SOx, and the most extensive reference list on the market. The portfolio consists of open-loop, closed-loop and hybrid exhaust gas cleaning systems. Wärtsilä has to date a total of 61 exhaust gas cleaning systems delivered or on order, for a total of 30 vessels.

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.

Changes in management

Mr Marco Wirén (47), M.Sc. (Econ.), has been appointed Chief Financial Officer, Executive Vice President and a member of the Board of Management of Wärtsilä Corporation, effective 1 August 2013. He succeeds Mr Raimo Lind, who has reached his contractual retirement age and will retire in August.

Mr Christoph Vitzthum (44), M.Sc. (Econ.), President of Services, Executive Vice President and member of the Board of Management will leave Wärtsilä to become the President and CEO of Fazer Group no later than 15 November 2013.

Mr Lars Hellberg (54), President of PowerTech, Executive Vice President and member of the Board of Management will leave Wärtsilä to become the President & CEO of Fortaco Group no later than mid-December 2013.

Shares and shareholders

During January-June 2013, the volume of trades on the Nasdaq OMX exchange was 47,772,310 shares, equivalent to a turnover of EUR 1,707 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 25,177,359 shares.

Shares on the Nasdaq OMX Helsinki Stock Exchange

30.6.2013	Number of shares and votes	Number of shares traded 1-6/2013
WRT1V	197 241 130	47 772 310

1.1. - 30.6.2013	High	Low	Average [1]	Close
Share price	39.00	32.71	35.74	33.43

[1] Trade-weighted average price

	30.6.2013	30.6.2012
Market capitalisation, EUR million	6 594	5 087
Foreign shareholders, %	51.9	49.5

Flagging notifications

During the review period January-June 2013, Wärtsilä was informed of the following changes in ownership:

On 7 February, Wärtsilä was informed that Fiskars Corporation and Investor AB had completed the legal combination into a joint venture in accordance with a release published on 24 April 2012. At the time of the announcement, the total ownership for the joint company, Avlis AB, and its wholly owned subsidiary, Avlis Invest AB (formerly Instoria AB), was 42,948,325 or 21.77% of Wärtsilä’s share capital and votes. Fiskars owned 59.7% of Avlis AB and Investor 40.3%.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 7 March 2013 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 2012. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.00 per share. The dividend was paid on 19 March 2013.

The Annual General Meeting decided that the Board of Directors has nine members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Mikael Lilius, Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

The firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2013.

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 8 March 2012. 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, Matti Vuoria

Remuneration Committee:

Chairman Mikael Lilius, Paul Ehrnrooth, Matti Vuoria

Risks and business uncertainties

In the Power Plants business, uncertainty in the financial markets may impact the timing of bigger projects.

The business environment for the shipping and shipbuilding industry remains challenging and concerns over the global economy continue to cause uncertainty. Despite increased scrapping of vessels, recovery of the freight market is being deterred by overcapacity in the traditional merchant markets. In addition, financing remains under pressure, especially for new merchant tonnage, as banks are cautious to finance projects without charter commitments.

Continued risks in the financial markets 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 annual report 2012 contains a more specific description of Wärtsilä's risks and risk management.

Market outlook

The general macroeconomic uncertainty and the slow global growth projections are expected to continue to impact the global power generation markets. It is expected that the overall market for natural gas and liquid fuel based power generation in 2013 will be similar to that of 2012. In 2013, ordering activity is expected to remain 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.

Our outlook for the shipping and shipbuilding market in 2013 is cautious, although market conditions are expected to be better than in 2012. Despite the continued activity in orders, financing and overcapacity related issues are still visible in the traditional merchant markets. The orders placed in these markets focus more on fuel-efficient design and technology. Current emission regulations create interesting opportunities in environmental solutions. The contracting mix is expected to be largely in line with that seen in 2012, favouring contracting in offshore and specialised vessel segments. The outlook for gas demand remains healthy and the attractiveness of LNG as a fuel is supported by its low carbon intensity, global trade, and pricing.

The overall service market outlook remains stable. A continued increase in the medium-speed engine and propulsion installed base helps to balance the market environment in regions such as Europe, where the market is expected to remain challenging - especially on the marine side. The outlook for offshore services remains positive. Interesting opportunities can be seen in long term service agreements for gas powered vessels. Demand for services in the power segment continues to be good. The outlook for the Middle East and Asia remains slightly more positive, supported by interest in power plant related service projects. The outlook is also good in the Americas, where there is a mix of marine and power plant customers.

Wärtsilä's prospects for 2013 unchanged

Wärtsilä expects its net sales for 2013 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Wärtsilä Interim Report January-June 2013

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 2012, 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 2013 the following are applicable on the Group reporting:

- Amendment to *IAS 19 Employee benefits*: The amendment eliminates the possibility to use the corridor approach in recognising the actuarial gains and losses from defined benefit plans. In the corridor approach the actuarial gains and losses had to be recognised only when they exceeded by more than 10% the greater of the present value of the defined benefit obligation and the fair value of the plan assets. The excess was recognised in the statement of income over the expected average remaining working lives of employees participating in the plan.

The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income. This change in accounting principles leads to faster recognition of actuarial gains and losses than the corridor approach. As a result of the change the Group now determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. Previously the Group applied a long-term rate of expected return on the plan assets. The Group reports the service cost in employee benefit expenses and the net interest in financial expenses.

The amendments to IAS 19 have been applied retrospectively. The impact on comparison figures presented in the condensed statement of financial position, condensed statement of income and statement of other comprehensive income in this interim report are shown in the table below. The impact on the equity in the opening balance 2012 was EUR -33 million. Pension obligations increased by EUR 43 million and working capital reduced by EUR 43 million. The impact on profit for the reporting period 2012 was EUR 0 million, and for January-June 2012 there was no impact.

MEUR	2012
Impact on Consolidated statement of income	
Decrease in employee benefit expenses	2
Impact on operating result	2
Increase in financial expenses	-1
Increase in deferred tax expenses	-0
Impact on profit for the reporting period	0

MEUR	2012
Impact on Equity	
Reported total equity 1.1.	1 666
Restatement impact on 1.1.	-33
Restated total equity 1.1.	1 633
Reported total equity 31.12.	1 824
Restatement impact on 1.1.	-33
Restatement impact on the statement of income 2012	0
Restatement impact on other comprehensive income 2012	-1
Restated total equity 31.12.	1 791

MEUR	2012
Impact on deferred tax assets and liabilities	
Reported deferred tax assets 1.1.	119
Reported deferred tax liabilities 1.1.	69
Restatement impact on 1.1.	10
Restated deferred tax assets 1.1.	127
Restated deferred tax liabilities 1.1.	67
Reported deferred tax assets 31.12.	104
Reported deferred tax liabilities 31.12.	98
Restatement impact on 1.1.	10
Restatement impact on the statement of income 2012	-0
Restatement impact on other comprehensive income 2012	1
Restated deferred tax assets 31.12.	112
Restated deferred tax liabilities 31.12.	95

MEUR	2012
Impact on non-current other receivables and liabilities	
Reported other receivables 1.1.	34
Reported other liabilities 1.1.	212
Restatement impact on 1.1.	43

Restated other receivables 1.1.	23
Restated other liabilities 1.1.	244
Reported other receivables 31.12.	34
Reported other liabilities 31.12.	194
Restatement impact on 1.1.	43
Restatement impact on the statement of income 2012	-0
Restatement impact on other comprehensive income 2012	2
Restated other receivables 31.12.	24
Restated other liabilities 31.12.	228

- *IFRS 13 Fair value Measurement*: The standard defines fair value. It sets out in a single standard a framework for measuring fair value and requirement for disclosures about fair value measurements. The standard does not introduce any new requirements to measure at fair value. It provides guidance for fair value measurement when other standards require or permit that.

The adaption of the revised standards and interpretations have an effect on the interim report.

This interim report is unaudited.

Condensed statement of income

MEUR	1-6/2013	Restated 1-6/2012	Restated 2012
Net sales	2 034	2 104	4 725
Other operating income	38	45	68
Expenses	-1 839	-1 880	-4 180
Depreciation, amortisation and impairment	-65	-68	-139
Share of result of associates and joint ventures	10		9
Operating result	179	202	483
Financial income and expenses	-4	-11	-31
Net income from available-for-sale financial assets	25	1	1
Profit before taxes	200	192	453
Income taxes	-48	-49	-109
Profit for the reporting period	151	143	344
Attributable to:			
Equity holders of the parent company	150	141	339
Non-controlling interests	2	2	5
	151	143	344
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (basic and diluted), EUR	0.76	0.72	1.72

Statement of other comprehensive income

MEUR	1-6/2013	Restated 1-6/2012	Restated 2012
Profit for the reporting period	151	143	344
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income:			
Actuarial gains (losses) on defined benefit plan	8		-2
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		-1
Items that may be reclassified subsequently to the statement of income:			
Exchange rate differences on translating foreign operations	-44	-6	-14
Available-for-sale financial assets			
measured at fair value	1	2	3
transferred to the statement of income	-25	-1	-1
Cash flow hedges	-32	-3	18
Tax on items that may be reclassified to the statement of income	15		-4
Total items that may be reclassified to the statement of income	-85	-9	1
Other comprehensive income for the reporting period, net of taxes	-80	-9	
Total comprehensive income for the reporting period	71	134	344
Total comprehensive income attributable to:			
Equity holders of the parent company	69	131	339
Non-controlling interests	2	2	5
	71	134	344

Condensed statement of financial position

MEUR	30.6.2013	Restated 30.6.2012	Restated 31.12.2012	Restated 1.1.2012
Non-current assets				
Intangible assets	1 231	1 259	1 259	826
Property, plant and equipment	437	476	470	472
Investments in associates and joint ventures	94	74	90	87
Available-for-sale financial assets	17	41	44	39
Deferred tax assets	122	125	112	127
Other receivables	17	22	24	23
	1 918	1 997	2 000	1 574
Current assets				
Inventories	1 498	1 421	1 322	1 222
Other receivables	1 402	1 291	1 489	1 209
Cash and cash equivalents	219	148	225	592
	3 120	2 860	3 036	3 023
Total assets	5 038	4 857	5 036	4 597
Equity				
Share capital	336	336	336	336
Other equity	1 303	1 223	1 430	1 268
Total equity attributable to equity holders of the parent company	1 639	1 559	1 766	1 604
Non-controlling interests	24	28	26	30
Total equity	1 663	1 586	1 791	1 633
Non-current liabilities				
Interest-bearing debt	549	594	545	485
Deferred tax liabilities	88	98	95	67
Other liabilities	191	240	228	244
	828	932	868	795
Current liabilities				
Interest-bearing debt	341	348	249	167
Other liabilities	2 206	1 992	2 128	2 001
	2 547	2 339	2 377	2 169
Total liabilities	3 375	3 271	3 245	2 964
Total equity and liabilities	5 038	4 857	5 036	4 597

Condensed statement of cash flows

MEUR	1-6/2013	Restated 1-6/2012	Restated 2012
Cash flow from operating activities:			
Profit for the reporting period	151	143	344
Depreciation, amortisation and impairment	65	68	139
Financial income and expenses	4	11	31
Selling profit and loss of fixed assets and other changes	-28	-12	-16
Share of result of associates and joint ventures	-10		-9
Income taxes	48	49	109
Changes in working capital	-56	-306	-278
Cash flow from operating activities before financial items and taxes	175	-47	320
Financial items and paid taxes	-52	-108	-167
Cash flow from operating activities	122	-154	153
Cash flow from investing activities:			
Investments in shares and acquisitions	-5	-393	-402
Net investments in property, plant and equipment and intangible assets	-40	-32	-99
Proceeds from sale of available-for-sale financial assets and shares in associated companies	32	26	26
Cash flow from other investing activities	3	2	4
Cash flow from investing activities	-10	-397	-471
Cash flow from financing activities:			
Proceeds from non-current borrowings	50	159	158
Repayments and other changes in non-current loans	-61	-50	-92
Changes in current loans and other changes	97	179	73
Dividends paid	-200	-182	-186
Cash flow from financing activities	-114	106	-47
Change in cash and cash equivalents, increase (+) / decrease (-)	-1	-446	-365
Cash and cash equivalents at the beginning of the reporting period	225	592	592
Exchange rate changes	-4	1	-2
Cash and cash equivalents at the end of the reporting period	219	148	225

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	Actuarial gains and losses	Retained earnings		
Equity on 1 January 2013, restated	336	61	-12	21	-34	1 393	26	1 791
Dividends paid						-197	-3	-200
Total comprehensive income for the reporting period			-45	-41	6	151	2	72
Equity on 30 June 2013	336	61	-57	-20	-28	1 347	24	1 663
Equity on 31 December 2011	336	61	2	5		1 233	30	1 666
Change in accounting policy (IAS19)					-33			-33
Equity on 1 January 2012, restated	336	61	2	5	-33	1 233	30	1 633
Dividends paid						-178	-4	-182
Total comprehensive income for the reporting period			-7	-2	-1	142	2	135
Equity on 30 June 2012, restated	336	61	-5	3	-33	1 197	28	1 586

Net sales by geographical areas

MEUR	1-6/2013	1-6/2012	2012
Europe	572	575	1 202
Asia	850	828	2 009
The Americas	419	437	994
Other	193	264	520
Total	2 034	2 104	4 725

Intangible assets and property, plant & equipment

MEUR	1-6/2013	1-6/2012	2012
Intangible assets			
Carrying amount on 1 January	1 259	826	826
Changes in exchange rates	-35	25	24
Acquisitions		424	426
Additions	27	13	41
Amortisation and impairment	-30	-31	-61
Disposals and reclassifications	10	3	5
Carrying amount at the end of the reporting period	1 231	1 259	1 259
Property, plant and equipment			
Carrying amount on 1 January	470	472	472
Changes in exchange rates	-4	4	1
Acquisitions		19	19
Additions	17	26	70
Depreciation and impairment	-34	-37	-78
Disposals and reclassifications	-12	-10	-14
Carrying amount at the end of the reporting period	437	476	470

Gross capital expenditure

MEUR	1-6/2013	1-6/2012	2012
Investments in securities and acquisitions	5	393	402
Intangible assets and property, plant and equipment	44	39	111
Total	49	433	513

Net interest-bearing debt

MEUR	1-6/2013	1-6/2012	2012
Non-current liabilities	549	594	545
Current liabilities	341	348	249
Loan receivables	-12	-3	-2
Cash and cash equivalents	-219	-148	-225
Total	658	790	567

Financial ratios

	1-6/2013	Restated 1-6/2012	Restated 2012
Earnings per share (basic and diluted), EUR	0.76	0.72	1.72
Equity per share, EUR	8.31	7.90	8.95
Solvency ratio, %	39.6	37.6	41.3
Gearing	0.40	0.50	0.32

Personnel

	1-6/2013	1-6/2012	2012
On average	18 663	17 931	18 930
At the end of the reporting period	18 620	19 161	18 887

Contingent liabilities

MEUR	1-6/2013	1-6/2012	2012
Mortgages	28	43	28
Chattel mortgages and other pledges	25	71	34
Total	53	114	62
Guarantees and contingent liabilities			
on behalf of Group companies	690	454	433
on behalf of associated companies	8	10	9
Nominal amount of rents according to leasing contracts			
payable within one year	19	22	23
payable between one and five years	48	43	44
payable later	22	9	10
Total	786	537	518

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	125	
Foreign exchange forward contracts	1 592	638
Currency options, purchased	115	
Currency options, written	47	
Total	1 879	638

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 1	2	2
level 3	15	15
Interest-bearing investments, non-current (level 2)	11	11
Other receivables, non-current (level 2)	5	5
Derivatives (level 2)	7	7
Financial liabilities		
Interest-bearing debt, non-current (level 2)	549	556
Derivatives (level 2)	29	29

Condensed statement of income, quarterly

MEUR	4–6/2013	1–3/2013	Restated 10–12/2012	Restated 7–9/2012	Restated 4–6/2012	Restated 1–3/2012
Net sales	1 152	882	1 533	1 087	1 099	1 005
Other operating income	31	7	12	11	35	10
Expenses	-1 046	-793	-1 343	-958	-990	-889
Depreciation, amortisation and impairment	-32	-32	-38	-33	-35	-33
Share of result of associates and joint ventures	6	5	7	3	-1	1
Operating result	110	69	171	110	108	94
Financial income and expenses	-5	1	-9	-11	-11	-1
Net income from available-for-sale financial assets		25			1	
Profit before taxes	104	96	162	99	98	93
Income taxes	-25	-23	-37	-23	-22	-27
Profit for the reporting period	79	73	124	77	77	66
Attributable to:						
Equity holders of the parent company	78	72	123	75	76	65
Non-controlling interests	1	1	1	2	1	1
	79	73	124	77	77	66
Earnings per share attributable to equity holders of the parent company:						
Earnings per share (basic and diluted), EUR	0.39	0.37	0.62	0.38	0.38	0.33

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

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

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)

EBITA

Operating result – non-recurring items – intangible asset amortisation related to acquisitions

17 July 2013
Wärtsilä Corporation
Board of Directors