

# Wärtsilä Corporation

## Q3 Interim report

January–September 2016



# Positive development in order intake

## Third quarter highlights

- Order intake increased 5% to EUR 1,139 million (1,086)
- Net sales decreased 12% to EUR 1,079 million (1,222)
- Book-to-bill 1.06 (0.89)
- Comparable operating result EUR 123 million, or 11.4% of net sales (EUR 160 million or 13.1%)
- Earnings per share 0.43 euro (0.49)
- Cash flow from operating activities EUR 189 million (-5)

## Highlights of the review period January-September 2016

- Order intake increased 2% to EUR 3,604 million (3,529)
- Net sales decreased 6% to EUR 3,242 million (3,439)
- Book-to-bill 1.11 (1.03)
- Comparable operating result EUR 330 million, or 10.2% of net sales (EUR 397 million or 11.5%)
- Earnings per share 0.92 euro (1.46)
- Cash flow from operating activities EUR 378 million (78)
- Order book at the end of the period decreased 2% to EUR 5,024 million (5,112)

## Wärtsilä's prospects for 2016

Wärtsilä revised its prospects on 12 October 2016. Wärtsilä now expects its net sales to decline by around 5% and its profitability (comparable operating result as a percent of net sales) to be around 12%. Previously Wärtsilä expected its net sales to grow by 0-5% and its profitability to be 12.5-13.0%.

## Jaakko Eskola, President & CEO

“The third quarter of 2016 developed largely in line with our expectations. As anticipated, the concentration of deliveries towards the end of the year resulted in lower sales, which burdened our operating result. We continue to focus on increasing efficiency and flexibility within our organisation.

Although service activity has stabilised at a high level, we remain confident in the positive long-term drivers. In the equipment markets, the demand for new vessels was weak, reflecting the challenges related to overcapacity and low earnings. Nevertheless, improved sentiment in the power generation markets has contributed to the growth in overall order intake. I am pleased to note that a solid project pipeline supports continued momentum in our Energy Solutions business.

Despite the growth in order intake, lower than anticipated power plant deliveries in the current year has caused us to adjust our guidance for 2016. We now expect a small decline in sales, and estimate profitability to be around 12%.”

## Key figures

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Order intake	1 139	1 086	5%	3 604	3 529	2%	4 932
Order book at the end of the period				5 024	5 112	-2%	4 882
Net sales	1 079	1 222	-12%	3 242	3 439	-6%	5 029
Operating result <sup>1</sup>	122	149	-18%	301	386	-22%	587
% of net sales	11.3	12.2		9.3	11.2		11.7
Comparable operating result	123	160	-23%	330	397	-17%	612
% of net sales	11.4	13.1		10.2	11.5		12.2
Comparable adjusted EBITA	132	170	-22%	356	420	-15%	643
% of net sales	12.3	13.9		11.0	12.2		12.8
Profit before taxes	115	132	-13%	253	354	-29%	553
Earnings/share, EUR	0.43	0.49		0.92	1.46		2.25
Cash flow from operating activities	189	-5		378	78		255
Net interest-bearing debt at the end of the period				384	513		372
Gross capital expenditure				126	314		346
Gearing				0.18	0.26		0.17

<sup>1</sup>Items affecting comparability included restructuring costs of EUR 2 million (11) in the third quarter of 2016. During the review period January–September 2016 restructuring costs amounted to EUR 29 million (11), of which EUR 17 million were non-cash write-downs.

## Market development

### Energy Solutions

#### Improved sentiment in the power generation market

Growth in electricity demand and changes in energy policies have driven interest in Wärtsilä's power generation solutions during January–September 2016. Emerging markets remained active, while in the industrialised world economic uncertainty and stagnated electricity demand limited investments in new power generation capacity. Despite the more positive market signals in certain regions, including rapidly increasing renewable capacity, macroeconomic uncertainty and tight competition will continue to make the market for liquid and gas fuelled power generation challenging.

#### Energy Solutions market share

In the first half of 2016, global orders for natural gas and liquid fuel power plants of up to 500 MW totalled 11.8 GW (12.6), a decrease of 6% from the previous year. Wärtsilä's market share increased to 16% (10). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size.

## Marine Solutions

### Weak demand in marine markets

Contracting volumes for the period January–September clearly reflect the weak marine market environment. By the end of September, only 349 contracts for new vessels were registered compared to 1,356 contracts in the previous year. The decline in vessel orders primarily affected the traditional merchant segment, while the demand for gas carriers and offshore vessels remained low. Overcapacity, weak freight rates, and low oil and gas prices continued to burden these segments. The contracting of cruise ships, ferries, and ro-ro vessels stayed on a good level, supported by fleet renewals, attractive newbuilding prices, and healthy earnings in the ro-ro segment.

In terms of compensated gross tonnage, China remained the largest shipbuilding nation, with 37% of all contracts confirmed in January–September, while South Korea accounted for 14% and Japan for 12%. The high demand for cruise vessels has driven a pick-up in activity for European yards, where Germany's share of the confirmed contracts was 11%, and Italy's 10%.

### Marine Solutions market shares

Wärtsilä's share of the medium-speed main engine market was 50% (58% at the end of the previous quarter). The market share in auxiliary engines was 16% (13% at the end of the previous quarter).

## Services

### Stable activity in the service markets

Activity in the service markets has stabilised during January–September 2016. The demand for services in the traditional merchant markets developed at a slower pace than in the previous year, and challenges in certain regions continued to affect the interest for offshore services. The demand for power plant related services was healthy, with the exception of Brazil where the utilisation of power plants remained low.

## Order intake

Wärtsilä's third quarter order intake totalled EUR 1,139 million (1,086), an increase of 5% over the corresponding period last year. The third quarter book-to-bill ratio was 1.06 (0.89).

The order intake for Energy Solutions totalled EUR 330 million (167) in the third quarter, which was 97% more than for the corresponding period last year. The Americas was the most active region in terms of ordering activity. Among the more significant orders received were a 92 MW equipment delivery contract and a 100 MW turnkey contract to Argentina, as well as a 225 MW equipment delivery contract to the USA.

Marine Solutions' third quarter order intake totalled EUR 287 million (407), a decrease of 29% compared to the corresponding period last year. Activity favoured the cruise and ferry segment, where Wärtsilä received an order to supply two new generation Wärtsilä 31 main engines to a new car and passenger ferry being built for the Danish operator Mols-Linien. The Wärtsilä 31 was also selected as the main engine for a fishing vessel being built by the Danish shipbuilder Karstensen Shipyard for Peter Hepsø Rederi AS of Norway. In addition to the main engine, Wärtsilä will also supply the complete propulsion system for this vessel. In the gas carrier market, Wärtsilä was contracted to supply the

re-gasification system for an FSRU conversion project that Höegh LNG plans to carry out on a modern LNG vessel. Cruise and ferry represented 37% of the third quarter order intake and the conventional merchant segment accounted for 18%. The gas carrier segment's share was 15%. Special vessels represented 14%, navy 8%, and the offshore segment 3% of the total. Other orders accounted for 5%.

Third quarter order intake for the Services business increased by 2% to EUR 522 million (511). Signed contracts included the extension of Wärtsilä's long-term maintenance agreement with Rederiaktiebolaget Eckerö to cover Eckerö's entire fleet of five vessels.

The total order intake for the review period January-September 2016 increased by 2% to EUR 3,604 million (3,529). The book-to-bill ratio for the review period was 1.11 (1.03). Energy Solutions' order intake increased by 47% to EUR 947 million (642). Marine Solutions' order intake decreased by 9% to EUR 1,028 million (1,134). Services' order intake totalled EUR 1,629 million (1,752), a decrease of 7%.

## Order intake by business

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Energy Solutions	330	167	97%	947	642	47%	1 009
Marine Solutions	287	407	-29%	1 028	1 134	-9%	1 599
Services	522	511	2%	1 629	1 752	-7%	2 324
Order intake, total	1 139	1 086	5%	3 604	3 529	2%	4 932

## Order intake Energy Solutions

MW	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Oil	205	394	-48%	1 503	1 082	39%	1 303
Gas	465	71	557%	1 053	605	74%	1 132
Order intake, total	670	465	44%	2 555	1 687	51%	2 436

## 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 and CSSC Wärtsilä Engine Company Ltd joint venture companies in China totalled EUR 57 million (163) during the review period January-September 2016. The results of these companies 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 5,024 million (5,112), a decrease of 2%. The Energy Solutions order book increased by 21%, totalling EUR 1,676 million (1,388). The Marine Solutions order book decreased by 14% to EUR 2,317 million (2,699). The Services order book remained stable at EUR 1,031 million (1,026).

## Order book by business

MEUR	30.9.2016	30.9.2015	Change	31.12.2015
Energy Solutions	1 676	1 388	21%	1 366
Marine Solutions	2 317	2 699	-14%	2 558
Services	1 031	1 026	1%	958
Order book, total	5 024	5 112	-2%	4 882

## Net sales

Wärtsilä's net sales for the third quarter decreased by 12% to EUR 1,079 million (1,222) compared to the corresponding period last year. Net sales for Energy Solutions decreased by 27% to EUR 177 million (243). Marine Solutions' net sales totalled EUR 390 million (448), which is 13% lower than in the corresponding quarter last year. Net sales from the Services business decreased by 4% to EUR 512 million (531).

Wärtsilä's net sales for January–September 2016 was EUR 3,242 million (3,439), a decrease of 6% over the corresponding period last year. Net sales for Energy Solutions totalled EUR 530 million (752), a decrease of 30%. Marine Solutions' net sales increased by 3% to EUR 1,158 million (1,122). Net sales from the Services business were stable at EUR 1,554 million (1,565). The growth in revenues related to service projects was outweighed by lower demand in the transactional maintenance business. Of the total net sales, Energy Solutions accounted for 16%, Marine Solutions for 36%, and Services for 48%.

Of Wärtsilä's net sales for January–September 2016, approximately 65% was EUR denominated, 20% USD denominated, with the remainder being split between several currencies.

## Net sales by business

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Energy Solutions	177	243	-27%	530	752	-30%	1 126
Marine Solutions	390	448	-13%	1 158	1 122	3%	1 720
Services	512	531	-4%	1 554	1 565	-1%	2 184
Net sales, total	1 079	1 222	-12%	3 242	3 439	-6%	5 029

## Operating result and profitability

The third quarter operating result was EUR 122 million (149), or 11.3% of net sales (12.2). The decrease from the previous year was due to a combined effect of lower delivery volumes and lower margin projects within the Energy Solutions business. The comparable operating result was EUR 123 million (160), or 11.4% of net sales (13.1). Items affecting comparability included restructuring costs of EUR 2 million (11). The comparable adjusted EBITA was EUR 132 million (170), or 12.3% of net sales (13.9). Purchase price allocation amortisation amounted to EUR 9 million (9).

For the review period January–September 2016, the operating result was 301 million (386), or 9.3% of net sales (11.2). The comparable operating result was EUR 330 million (397), or 10.2% of net sales (11.5). Items affecting comparability included restructuring costs of EUR 29 million (11), of which EUR 17 million were non-cash write-downs. The comparable adjusted EBITA was EUR 356 million (420), or 11.0% of net sales (12.2). Purchase price allocation amortisation amounted to EUR 26 million (23).

During the review period January–September 2016, financial items amounted to EUR -48 million (-31). Financial items were negatively affected by write-downs related to the divestment of the two-stroke joint venture Winterthur Gas & Diesel and to other receivables, which were booked in the second quarter. Net interest totalled EUR -9 million (-8). Profit before taxes amounted to EUR 253 million (354). Taxes amounted to EUR 68 million (84), implying an effective tax rate of 26.8% (23.6). Earnings per share were 0.92 euro (1.46) and equity per share was 10.73 euro (10.25). Return on investments (ROI) was 16.6% (20.3). Return on equity (ROE) was 16.3% (19.9).

## Measures of profit and items affecting comparability

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
Comparable adjusted EBITA	132	170	356	420	643
Purchase price allocation amortisation	-9	-9	-26	-23	-32
Comparable operating result	123	160	330	397	612
Restructuring costs	-2	-11	-29	-11	-25
Operating result	122	149	301	386	587

## Cash flow, balance sheet, and financing

Wärtsilä's third quarter cash flow from operating activities amounted to EUR 189 million (-5). For January–September, the operating cash flow totalled EUR 378 million (78). Working capital totalled EUR 540 million (522) at the end of the review period, a decrease of EUR 62 million from the end of the previous quarter. Advances received at the end of the period totalled EUR 626 million (814). At the end of the previous quarter, advances totalled EUR 610 million. Cash and cash equivalents at the end of the period amounted to EUR 345 million (250) and unutilised Committed Credit Facilities totalled EUR 629 million (679).

Wärtsilä had interest-bearing debt totalling EUR 735 million (778) at the end of September 2016. At the end of December, interest-bearing debt totalled EUR 724 million. The total amount of short-term debt maturing within the next 12 months was EUR 203 million. Long-term loans amounted to EUR 532 million. Net interest-bearing debt totalled EUR 384 million (513) and gearing was 0.18 (0.26).

## Liquidity preparedness

MEUR	30.9.2016	31.12.2015
Cash and cash equivalents	345	334
Unutilised committed credit facilities	629	679
Liquidity preparedness	974	1 013
% of net sales (rolling 12 months)	20	20
Less Commercial Papers	90	130
Liquidity preparedness excluding Commercial Papers	884	883
% of net sales (rolling 12 months)	18	18

On 30 September 2016, the average maturity of the total loan portfolio was 40 months and the average maturity of the long-term debt was 45 months.

## Capital expenditure

Capital expenditure related to intangible assets and property, plant and equipment amounted to EUR 35 million (52) during the review period January–September 2016. Capital expenditure related to acquisitions and investments in securities totalled EUR 91 million (262). The figures include the acquisitions of Eniram and American Hydro in 2016 and the acquisition of Marine Systems International in 2015. Depreciation, amortisation, and impairment for the review period amounted to EUR 104 million (91).

In 2016, capital expenditure related to intangible assets and property, plant and equipment is expected to be clearly below depreciation and amortisation.

## Research and development, product launches

In August, Wärtsilä introduced a new optimised stern trawler design that will reduce fuel consumption and notably increase vessel efficiency compared to currently available designs. The propulsion system is based on the Wärtsilä 31 engine and Wärtsilä's 2-speed gearbox. It also incorporates Wärtsilä's hybrid battery technology, which offers a significant improvement in energy efficiency over conventional systems by running the engine at optimal load and absorbing many of the load fluctuations through the use of batteries.

The updated Wärtsilä Nacos Platinum series of navigation, automation and control systems was launched in September. Among the most interesting of the new features is Intelligent Route Planning, which takes into account weather and sea conditions to provide route and power optimisation and, therefore, notable fuel savings. Also in September, the recently acquired Eniram introduced a fleet performance monitoring service called SkyLight. The solution allows ship operators to monitor the performance of their vessels and fleet, and enables reporting, planning and cost optimisation.

During the third quarter, Wärtsilä launched QuantiServ, which offers reconditioning services, in-situ services, as well as onboard repair and overhaul services to customers operating multiple brand equipment in the marine and energy markets.



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

In July, Wärtsilä announced that it had entered into a cooperation agreement with U.S.-based Greensmith Energy to further strengthen its energy system integration capabilities. Greensmith Energy, a leading provider of energy storage software and integration services, will provide the full optimisation software needed for hybrid energy systems.

Wärtsilä is committed to promoting the widespread adoption of liquefied natural gas (LNG) as a fuel in the marine and energy industries. In July, Wärtsilä and other leading marine industry players formed a coalition, known as SEA/LNG, with the aim of helping to break down the barriers hindering the global development of LNG in marine applications, thereby improving the environmental performance of the shipping industry. In August, Wärtsilä and Finland based Gasum signed a cooperation agreement aimed at developing the use and distribution, as well as service solutions for natural gas in marine and onshore applications. Wärtsilä will provide the gas value chain technology know-how, while Gasum's expertise relates to distributing and selling natural gas and biogas. The development work regarding LNG for marine applications will also utilise the expertise of Skangas, a subsidiary of Gasum and the leading LNG player in the Nordic market.

In September, Wärtsilä, together with other leading marine sector and information & communication technology companies, announced its participation in a research programme aimed at creating the world's first autonomous marine transport system.

Construction of the CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory in Lingang, Shanghai is proceeding according to plan. The factory is expected to be ready before the end of the year.

## Restructuring programmes

The measures related to the organisational adjustments in Marine Solutions announced in July 2015 have been implemented. The aim of the programme was to reduce 600 jobs globally in response to the sluggish global marine market situation.

In April 2016, Wärtsilä announced further measures to adapt the organisation to the weakened newbuild market situation and to the tough competitive environment in both the marine and energy markets. The organisational adjustments, which will mean the reduction of approximately 550 jobs and the concentration of engine related R&D activities to Finland, are progressing according to plan.

When fully implemented, these restructuring programmes are expected to result in annual savings of approximately EUR 90 million. Of these savings, approximately EUR 60 million are estimated to materialise by the end 2016 and the remainder by the end of 2017. At the end of September 2016, approximately EUR 37 million of savings had materialised, of which EUR 7 million were in 2015. The total non-recurring costs related to the restructuring programmes will be approximately EUR 75-80 million, of which EUR 19 million were recognised in 2015. In January-September 2016, restructuring costs amounted to EUR 29 million, of which EUR 17 million were non-cash write-downs.

## Personnel

Wärtsilä had 18,337 (19,237) employees at the end of September 2016. On average, the number of personnel for January–September 2016 totalled 18,398 (18,429). Marine Solutions employed 6,305 (7,101) people, Energy Solutions 920 (966), and Services 10,648 (10,714).

Of Wärtsilä's total number of employees, 19% (19) were located in Finland and 39% (39) elsewhere in Europe. Personnel employed in Asia represented 28% (28) of the total, personnel in the Americas 11% (10), and personnel in other countries 4% (4).

## Changes in management

Wärtsilä appointed Mr Marco Ryan (50) as Chief Digital Officer & Executive Vice President, and a member of the Board of Management, effective from 26 September 2016.

## 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.

The International Convention for the Control and Management of ships' ballast water and sediments was ratified in September 2016, and will enter into force on 8 September 2017. Wärtsilä has proactively developed its Aquarius range of Ballast Water Management System solutions, which comprises two treatment technologies. Aquarius-UV provides disinfection using ultra-violet light, while Aquarius-EC provides disinfection using sodium hypochlorite generated through side stream electro-chlorination. Both systems are IMO Type Approved, and are available for installations in both safe and hazardous areas. They also have USCG Alternate Management System (AMS) status.

During the third quarter, Wärtsilä was selected as an index component of the Dow Jones Sustainability Indices (DJSI), both in the DJSI World and DJSI Europe indices. Inclusion in the DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices. Wärtsilä was also reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register and selected for inclusion in the Ethibel PIONEER register.

## Shares and shareholders

During January–September 2016, the volume of trades on Nasdaq Helsinki was 74,801,413 shares, equivalent to a turnover of EUR 2,851 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 69,554,159 shares.

### Shares on Nasdaq Helsinki

30.9.2016		Number of shares and votes	Number of shares traded 1-9/2016		
WRT1V		197 241 130	74 801 413		
1.1. - 30.9.2016		High	Low	Average <sup>1</sup>	Close
Share price		41.88	33.90	38.12	40.07
<sup>1</sup> Trade-weighted average price					
		30.9.2016	30.9.2015		
Market capitalisation, EUR million		7 903	6 996		
Foreign shareholders, %		54.0	51.2		

### Flagging notifications

During the review period January–September 2016, BlackRock Inc. informed Wärtsilä of the following changes in ownership:

On 23 September, BlackRock Investment Management (UK) Limited increased its holding in Wärtsilä. Following the transaction BlackRock Investment Management (UK) Limited owned 5.05% of Wärtsilä's shares and voting rights, while their total holding in Wärtsilä Corporation corresponded to 5.06%.

On 21 September, BlackRock Investment Management (UK) Limited decreased its holding in Wärtsilä, crossing below the 5% disclosure limit on shares and voting rights and on total holdings.

On 16 September, BlackRock Investment Management (UK) Limited increased its holding in Wärtsilä. Following the transaction BlackRock Investment Management (UK) Limited owned 5.00% of Wärtsilä's shares and voting rights, while their total holding in Wärtsilä Corporation corresponded to 5.01%.

On 25 August, BlackRock Investment Management (UK) Limited decreased its holding in Wärtsilä, crossing below the 5% disclosure limit on both holdings of shares and voting rights and total holdings.

On 3 May, BlackRock Investment Management (UK) Limited increased its holding in Wärtsilä. Following the transaction, BlackRock Investment Management (UK) Limited owned 5.01% of Wärtsilä's shares and voting rights and 0.12% of shares and voting rights through financial instruments, corresponding to a total holding of 5.13%.

On 27 April, BlackRock Investment Management (UK) Limited increased its holding in Wärtsilä. Following the transaction,

BlackRock Investment Management (UK) Limited's total holding in Wärtsilä Corporation corresponded to 5.01%.

The total number of shares held by BlackRock, Inc. has remained above 5% of Wärtsilä's share capital and total votes throughout the review period.

## Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 3 March 2016 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 2015. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.20 per share. The dividend was paid on 14 March 2016.

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, Sune Carlsson, Tom Johnstone, Mikael Lilius, Risto Murto, Gunilla Nordström and Markus Rauramo.

The audit firm KPMG Oy Ab was appointed as the company's auditor for the year 2016.

### 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 of the shareholders' meeting.

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 5 March 2015. The Board of Directors is authorised to resolve to whom and in which order the own shares will be distributed. The Board of Directors is authorised to decide on the 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.

### Changes to the Articles of Association

The Annual General Meeting decided upon updating Article 2 of the Articles to read as follows:

"The company shall develop, manufacture and sell mechanical and electrical products, plants and systems, sell spare parts and provide operation and maintenance services in the marine and energy markets either directly or through its subsidiaries and associated companies. The company can also provide financing, design and consulting services, as well as engage in other industrial and commercial activities. The company may deal in securities and engage in other investment activities."

It was decided to change Article 8 of the Articles so that the notice to the general meeting can be given by publishing it on the Company's website or in not less than two (2) daily newspapers, which are commonly distributed in Finland, as determined by the Board.

## Donations to universities

The Board of Directors was authorised to resolve on donations of EUR 1,300,000 at the maximum to be made to universities during 2016 and 2017. The most significant recipient of the donations would be Aalto University.

## Organisation of the Board of Directors

The Board of Directors of Wärtsilä Corporation elected Mikael Lilius as its chairman and Sune Carlsson 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, Tom Johnstone, Risto Murto

### **Remuneration Committee:**

Chairman Mikael Lilius, Maarit Aarni-Sirviö, Tom Johnstone

## Risks and business uncertainties

In the power generation markets, slow economic growth represents the primary risk for demand development. Delays in customer investment decisions can occur also in regions with geopolitical tension or significant currency fluctuations. Low oil prices are affecting national infrastructure development in the oil and gas producing economies, especially in the Middle East and Russia. Price pressure due to the challenging competitive environment remains a risk.

In the marine markets, the weak short-term global economic outlook, overcapacity, and the low demand for cargo tonnage continue to limit recovery in the conventional shipping segment. Low oil prices, an oversupply of oil and gas, and reduced capital expenditure from oil companies continue to limit offshore investments. The decline in newbuilding prices may push yards to pressure suppliers on prices. While the risk of cancellations exists, negotiations to extend existing delivery contracts appear to be a larger risk for shipyard order books.

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

The Group is a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business. These lawsuits mainly concern issues such as contractual and other liability, labour relations, property damage, and regulatory matters. 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 2015 annual report contains a more detailed description of Wärtsilä's risks and risk management.

## Market outlook

Despite slower economic growth in the emerging markets, growth in electricity demand and the availability of international funding for infrastructure projects will continue to support power plant investments. In the industrialised countries, the slow economic growth continues to limit demand for new power plants, except in North America where the market situation is more positive for gas-fired power plants. The megatrend towards renewable energy sources is evident, with investments expected to favour utility scale solar photovoltaic installations. Furthermore, distributed, flexible, gas fired power generation continues to gain ground globally. Electricity markets are being developed to reward the necessary flexibility, thereby enabling new profitable investments. Wärtsilä's systematic market development work in these markets will continue to promote the benefits of Smart Power Generation.

The outlook for the shipping and shipbuilding markets remains challenging. Overcapacity and weak earnings continue to limit the demand for new vessels in the merchant segment, while low oil prices are impacting investments in offshore exploration and development. In the gas carrier markets, the demand for both LNG and LPG carriers remains under pressure due to the low oil and gas prices and supply-demand imbalances. The outlook for the cruise and ferry segment remains positive. Cruise vessel demand is supported by increasing passenger volumes, particularly in Asia, while the contracting of ferries is supported by fleet renewals in Europe, the potential implementation of new emission regulations, and favourable newbuilding prices.

The service market outlook remains solid with growth opportunities in selected regions and segments. An increase in the installed base of medium-speed engines and propulsion equipment, as well as the shift to gas based technology, offsets the slower service demand for older installations and the uncertainty regarding short-term demand development in the merchant marine segment. In the offshore segment, the growth in the installed base during recent years is expected to partially compensate for the challenging outlook in certain regions. The service outlook for gas-fuelled vessels remains favourable. Service demand in the power plant segment continues to be good with an especially positive outlook in the Middle East and Africa. Customers in both the marine and power plant markets continue to show interest in long-term service agreements.

## Wärtsilä Interim report January-September 2016

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 2015. 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**

No new or updated IFRS standards have been adopted in 2016.

This interim report is unaudited.

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## Condensed statement of income

MEUR	1–9/2016	1–9/2015	7–9/2016	7–9/2015	2015
<b>Continuing operations</b>					
Net sales	3 242	3 439	1 079	1 222	5 029
Other operating income	40	33	16	12	51
Expenses	-2 886	-3 007	-944	-1 058	-4 387
Depreciation, amortisation and impairment	-104	-91	-31	-32	-124
Share of result of associates and joint ventures	9	12	2	5	17
<b>Operating result</b>	<b>301</b>	<b>386</b>	<b>122</b>	<b>149</b>	<b>587</b>
Financial income and expenses	-48	-31	-7	-17	-34
<b>Profit before taxes</b>	<b>253</b>	<b>354</b>	<b>115</b>	<b>132</b>	<b>553</b>
Income taxes	-68	-84	-31	-35	-124
<b>Profit for the reporting period from the continuing operations</b>	<b>185</b>	<b>270</b>	<b>84</b>	<b>97</b>	<b>429</b>
<b>Profit/loss for the reporting period from the discontinued operations</b>		<b>22</b>			<b>22</b>
<b>Net profit for the reporting period</b>	<b>185</b>	<b>292</b>	<b>84</b>	<b>97</b>	<b>451</b>
Attributable to:					
Equity holders of the parent company	181	287	84	95	444
Non-controlling interests	5	5		2	7
	<b>185</b>	<b>292</b>	<b>84</b>	<b>97</b>	<b>451</b>
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share, continuing operations, EUR	0.92	1.35	0.43	0.49	2.14
Earnings per share, discontinued operations, EUR		0.11			0.11
<b>Earnings per share (EPS), basic and diluted, EUR</b>	<b>0.92</b>	<b>1.46</b>	<b>0.43</b>	<b>0.49</b>	<b>2.25</b>

## Statement of other comprehensive income

MEUR	1–9/2016	1–9/2015	7–9/2016	7–9/2015	2015
<b>Net profit for the reporting period</b>	<b>185</b>	<b>292</b>	<b>84</b>	<b>97</b>	<b>451</b>
<b>Other comprehensive income, net of taxes:</b>					
<b>Items that will not be reclassified to the statement of income</b>					
Remeasurements of defined benefit liabilities	-13	-2		2	7
Tax on items that will not be reclassified to the statement of income	3			-1	-2
<b>Total items that will not be reclassified to the statement of income</b>	<b>-9</b>	<b>-2</b>		<b>1</b>	<b>5</b>
<b>Items that may be reclassified subsequently to the statement of income</b>					
Exchange rate differences on translating foreign operations	-64	8	-11	-54	23
Exchange rate differences on translating foreign operations for non-controlling interests	-2	2		-1	2
Cash flow hedges	61	-5	17	-9	-2
Tax on items that may be reclassified to the statement of income	-15	1	-4	2	-1
<b>Total items that may be reclassified to the statement of income</b>	<b>-19</b>	<b>6</b>	<b>1</b>	<b>-62</b>	<b>21</b>



Other comprehensive income for the reporting period, net of taxes	-29	4	1	-61	26
<b>Total comprehensive income for the reporting period</b>	<b>156</b>	<b>296</b>	<b>85</b>	<b>36</b>	<b>477</b>
Total comprehensive income attributable to:					
Equity holders of the parent company	153	290	86	35	468
Non-controlling interests	3	6			9
	156	296	85	36	477

## Condensed statement of financial position

MEUR	30.9.2016	30.9.2015	31.12.2015
<b>Non-current assets</b>			
Intangible assets	1 440	1 462	1 464
Property, plant and equipment	409	425	431
Investments in associates and joint ventures	83	75	89
Available-for-sale financial assets	14	16	15
Deferred tax assets	151	168	157
Other receivables	26	55	59
<b>Total non-current assets</b>	<b>2 122</b>	<b>2 202</b>	<b>2 215</b>
<b>Current assets</b>			
Inventories	1 249	1 535	1 200
Other receivables	1 610	1 621	1 840
Cash and cash equivalents	345	250	334
<b>Total current assets</b>	<b>3 203</b>	<b>3 407</b>	<b>3 374</b>
<b>Total assets</b>	<b>5 326</b>	<b>5 609</b>	<b>5 589</b>
<b>Equity</b>			
Share capital	336	336	336
Other equity	1 781	1 686	1 865
Total equity attributable to equity holders of the parent company	2 117	2 022	2 201
Non-controlling interests	33	43	41
<b>Total equity</b>	<b>2 151</b>	<b>2 065</b>	<b>2 242</b>
<b>Non-current liabilities</b>			
Interest-bearing debt	532	499	492
Deferred tax liabilities	99	112	102
Other liabilities	284	310	286
<b>Total non-current liabilities</b>	<b>915</b>	<b>921</b>	<b>880</b>

<b>Current liabilities</b>			
Interest-bearing debt	203	279	232
Other liabilities	2 058	2 343	2 235
<b>Total current liabilities</b>	<b>2 260</b>	<b>2 623</b>	<b>2 467</b>
<b>Total liabilities</b>	<b>3 175</b>	<b>3 544</b>	<b>3 347</b>
<b>Total equity and liabilities</b>	<b>5 326</b>	<b>5 609</b>	<b>5 589</b>

## Condensed statement of cash flows

MEUR	1–9/2016	1–9/2015	7–9/2016	7–9/2015	2015
<b>Cash flow from operating activities:</b>					
Net profit for the reporting period	185	292	84	97	451
Adjustments for:					
Depreciation, amortisation and impairment	104	91	31	32	124
Financial income and expenses	48	31	7	17	34
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-6	-25	-3		-27
Share of result of associates and joint ventures	-9	-12	-2	-5	-17
Income taxes	68	84	31	35	124
<b>Cash flow before changes in working capital</b>	<b>390</b>	<b>461</b>	<b>147</b>	<b>175</b>	<b>688</b>
Changes in working capital	73	-301	83	-136	-343
<b>Cash flow from operating activities before financial items and taxes</b>	<b>463</b>	<b>161</b>	<b>230</b>	<b>39</b>	<b>346</b>
Financial items and paid taxes	-85	-83	-41	-45	-91
<b>Cash flow from operating activities</b>	<b>378</b>	<b>78</b>	<b>189</b>	<b>-5</b>	<b>255</b>
<b>Cash flow from investing activities:</b>					
Investments in shares and acquisitions	-90	-262	-43	-1	-267
Net investments in property, plant and equipment and intangible assets	-26	-45	-9	-13	-66
Proceeds from sale of available-for-sale financial assets and shares in associated companies					1
Disposal of discontinued operations, net of cash		44			44
<b>Cash flow from investing activities</b>	<b>-115</b>	<b>-263</b>	<b>-52</b>	<b>-14</b>	<b>-288</b>
<b>Cash flow from financing activities:</b>					
Proceeds from non-current debt	131	51		51	50
Repayments and other changes in non-current debt	-90	-97	-13	-16	-112
Changes in current loans and other changes	-30	143	-133	-28	94
Dividends paid	-250	-238			-242
<b>Cash flow from financing activities</b>	<b>-240</b>	<b>-141</b>	<b>-147</b>	<b>7</b>	<b>-210</b>
<b>Change in cash and cash equivalents, increase (+)/decrease (-)</b>	<b>23</b>	<b>-326</b>	<b>-10</b>	<b>-13</b>	<b>-243</b>
Cash and cash equivalents at the beginning of the reporting period	334	571	357	269	571
Exchange rate changes	-12	5	-3	-6	5
Cash and cash equivalents at the end of the reporting period	345	250	345	250	334

## 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 1 January 2016	336	61	-6	-70	-36	1 916	41	2 242
Dividends paid						-237	-11	-247
Total comprehensive income for the reporting period			-64	46	-9	181	3	156
Equity on 30 September 2016	336	61	-70	-24	-46	1 860	33	2 151

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 1 January 2015	336	61	-30	-66	-65	1 723	45	2 005
Dividends paid						-227	-9	-236
Total comprehensive income for the reporting period			8	-4	23	262	6	296
Equity on 30 September 2015	336	61	-21	-70	-42	1 758	43	2 065

## Acquisitions

### American Hydro Corporation

On 30 June 2016, Wärtsilä acquired the USA and Canada based company American Hydro Corporation from Weir Group plc.

American Hydro is a leading supplier and installer of large equipment upgrades and servicing for the hydroelectric and water distribution industries, specializing in consultancy, design and precision performance enhancements for hydro-turbines and pumps. This acquisition will enable Wärtsilä to grow and expand its existing global Hydro and Industrial service offering.

The following tables summarise the preliminary amounts for the consideration paid for American Hydro, 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	49
<b>Total consideration transferred</b>	<b>49</b>

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	47
Contingent consideration	2
Cash and cash equivalents of the acquired companies	-4
<b>Total cash flow from the acquisition</b>	<b>44</b>

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	5
Property, plant and equipment	20
Inventories	1
Trade and other receivables	8
Cash and cash equivalents	4
<b>Total assets</b>	<b>38</b>
Trade payables and other liabilities	5
Deferred tax liabilities	1
<b>Total liabilities</b>	<b>6</b>
<b>Total net assets</b>	<b>32</b>
<b>Preliminary goodwill</b>	<b>17</b>

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including customer relationships and order book) amounted to EUR 5 million. The fair value of current trade receivables and other receivables is approximately EUR 8 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 17 million reflects the value of know-how and expertise in hydroelectric and water distribution industries. Wärtsilä foresees that the acquisition will strengthen its presence in hydro and industrial services as well as support growth strategy and expansion in renewables, improving Wärtsilä's offering and services towards customers. The goodwill recognised for American Hydro is expected to be mainly tax deductible.

During 2016 the Group incurred acquisition-related costs of EUR 1 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.

#### Eniram Group

On 30 June 2016, Wärtsilä signed an agreement to acquire Eniram, a Finland-based technology company providing the marine industry with energy management and analytics solutions. Ownership of the company transferred to Wärtsilä with effect from 1 July 2016.

Eniram provides the maritime industry with energy management technology to reduce fuel consumption and emissions. Eniram's solutions range from single onboard applications for trim, speed and engine optimisation to comprehensive fleet analysis. The company's solutions are installed in over 270 vessels; saving fuel, increasing profitability and reducing harmful emissions. Eniram is headquartered in Helsinki, Finland and has subsidiaries in the UK, the USA, Germany and Singapore. In 2015, Eniram's turnover exceeded EUR 10 million with 89 employees worldwide. The acquisition of Eniram will enable Wärtsilä to grow and strengthen its existing digital offering and in-house capabilities, specifically in data analytics, modelling and performance optimisation.

The following tables summarise the preliminary amounts for the consideration paid for Eniram, 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	41
<b>Total consideration transferred</b>	<b>41</b>

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	41
Cash and cash equivalents of the acquired companies	-1
<b>Total cash flow from the acquisition</b>	<b>40</b>

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	11
Trade and other receivables	3
Cash and cash equivalents	1
<b>Total assets</b>	<b>14</b>
Interest-bearing debt	2
Trade payables and other liabilities	4
Deferred tax liabilities	2
<b>Total liabilities</b>	<b>8</b>
<b>Total net assets</b>	<b>7</b>
<b>Preliminary goodwill</b>	<b>34</b>

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including technology) amounted to EUR 11 million. The fair value of current trade receivables and other receivables is approximately EUR 3 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 34 million reflects the value of know-how and expertise in energy management technology. Wärtsilä foresees that the acquisition will enable customers to optimise their assets and improve predictability, as well as support them with real-time analytics. Through this acquisition Wärtsilä takes a solid lead in marine digitalisation.

The acquisition-related costs included in the other operating expenses in the condensed statement of income were not significant.

#### Pro forma

If the acquisitions of American Hydro and Eniram had occurred on 1 January 2016, management estimates that consolidated net sales would have been EUR 3,267 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 2016.

## Disposals

On 30 June 2016 Wärtsilä sold its majority interest in Wärtsilä Ship Design Serbia doo to the operative management of the company. The consideration paid and the impact on profit for the reporting period are not significant.

## Net sales by geographical areas

MEUR	1–9/2016	1–9/2015	2015
Europe	1 111	1 050	1 566
Asia	1 214	1 388	2 051
The Americas	654	697	1 006
Other	263	304	407
<b>Total</b>	<b>3 242</b>	<b>3 439</b>	<b>5 029</b>

## Measures of profit and items affecting comparability

MEUR	1–9/2016	1–9/2015	2015
Comparable adjusted EBITA	356	420	643
Purchase price allocation amortisation	-26	-23	-32
<b>Comparable operating result</b>	<b>330</b>	<b>397</b>	<b>612</b>
<b>Items affecting comparability:</b>			
Social plan costs	-6	-5	-16
Impairment and write-downs	-17		-1
Other restructuring costs	-6	-6	-8
<b>Items affecting comparability, total</b>	<b>-29</b>	<b>-11</b>	<b>-25</b>
<b>Operating result</b>	<b>301</b>	<b>386</b>	<b>587</b>

## Intangible assets and property, plant & equipment

MEUR	1–9/2016	1–9/2015	2015
<b>Intangible assets</b>			
Carrying amount on 1 January	1 464	1 180	1 180
Changes in exchange rates	-58	22	28
Acquisitions	67	293	304
Additions	11	11	14
Amortisation and impairment	-45	-43	-60
Disposals and reclassifications	1		-1
<b>Carrying amount at the end of the reporting period</b>	<b>1 440</b>	<b>1 462</b>	<b>1 464</b>
<b>Property, plant and equipment</b>			
Carrying amount on 1 January	431	434	434
Changes in exchange rates	2	-3	-1
Acquisitions	15	8	8
Additions	24	42	65
Depreciation and impairment	-59	-48	-63
Disposals and reclassifications	-4	-8	-12
<b>Carrying amount at the end of the reporting period</b>	<b>409</b>	<b>425</b>	<b>431</b>

## Gross capital expenditure

MEUR	1–9/2016	1–9/2015	2015
Investments in securities and acquisitions	91	262	267
Intangible assets and property, plant and equipment	35	52	79
<b>Total</b>	<b>126</b>	<b>314</b>	<b>346</b>

## Net interest-bearing debt

MEUR	1–9/2016	1–9/2015	2015
Non-current liabilities	532	499	492
Current liabilities	203	279	232
Loan receivables	-6	-15	-18
Cash and cash equivalents	-345	-250	-334
<b>Total</b>	<b>384</b>	<b>513</b>	<b>372</b>

## Financial ratios

	1–9/2016	1–9/2015	2015
Earnings per share (EPS), basic and diluted, EUR	0.92	1.46	2.25
Equity per share, EUR	10.73	10.25	11.16
Solvency ratio, %	45.8	43.1	44.6
Gearing	0.18	0.26	0.17
Return on investment (ROI), continuing operations, %	16.6	20.3	21.0
Return on equity (ROE), continuing operations, %	16.3	19.9	20.2

## Personnel

	1–9/2016	1–9/2015	2015
On average	18 398	18 429	18 565
At the end of the reporting period	18 337	19 237	18 856

## Contingent liabilities

MEUR	1–9/2016	1–9/2015	2015
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	26	25	27
<b>Total</b>	<b>36</b>	<b>35</b>	<b>37</b>
Guarantees and contingent liabilities			
on behalf of Group companies	864	734	743
on behalf of associated companies		3	
Nominal amount of rents according to leasing contracts			
payable within one year	27	29	29
payable between one and five years	78	81	76
payable later	27	20	29
<b>Total</b>	<b>996</b>	<b>865</b>	<b>876</b>

## Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	185	
Cross currency swaps	88	
Foreign exchange forward contracts	1 769	850
<b>Total</b>	<b>2 042</b>	<b>850</b>

## Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
<b>Financial assets</b>		
Available-for-sale financial assets (level 3)	14	14
Interest-bearing investments, non-current (level 2)	6	6
Other receivables, non-current (level 2)	6	6
Derivatives (level 2)	25	25
<b>Financial liabilities</b>		
Interest-bearing debt, non-current (level 2)	532	544
Derivatives (level 2)	22	22

## Quarterly figures

MEUR	7–9/ 2016	4–6/ 2016	1–3/ 2016	10–12/ 2015	7–9/ 2015	4–6/ 2015	1–3/ 2015	10–12/ 2014	7–9/ 2014
<b>Order intake</b>									
Marine Solutions	287	362	379	465	407	392	336	460	463
Energy Solutions	330	304	312	366	167	188	287	501	383
Services	522	527	580	572	511	579	662	561	463
<b>Total</b>	<b>1 139</b>	<b>1 194</b>	<b>1 271</b>	<b>1 403</b>	<b>1 086</b>	<b>1 159</b>	<b>1 285</b>	<b>1 522</b>	<b>1 309</b>
<b>Order book at the end of the reporting period</b>									
Marine Solutions	2 317	2 488	2 595	2 558	2 699	2 785	2 239	2 213	2 369
Energy Solutions	1 676	1 547	1 491	1 366	1 388	1 459	1 619	1 475	1 426
Services	1 031	1 048	1 017	958	1 026	1 081	1 073	842	879
<b>Total</b>	<b>5 024</b>	<b>5 083</b>	<b>5 103</b>	<b>4 882</b>	<b>5 112</b>	<b>5 325</b>	<b>4 931</b>	<b>4 530</b>	<b>4 674</b>
<b>Net sales</b>									
Marine Solutions	390	433	335	598	448	354	321	552	363
Energy Solutions	177	220	132	374	243	327	182	433	282
Services	512	542	500	619	531	548	485	564	472
<b>Total</b>	<b>1 079</b>	<b>1 196</b>	<b>967</b>	<b>1 590</b>	<b>1 222</b>	<b>1 230</b>	<b>988</b>	<b>1 549</b>	<b>1 117</b>
Share of result of associates and joint ventures	2	4	3	6	5	5	2	4	7



Comparable adjusted EBITA	132	131	93	224	170	144	106	202	149
as a percentage of net sales	12.3	10.9	9.6	14.1	13.9	11.7	10.7	13.1	13.3
Depreciation, amortisation and impairment	-31	-42	-31	-33	-32	-30	-29	-30	-29
Purchase price allocation amortisation	-9	-9	-9	-9	-9	-7	-6	-6	-6
Comparable operating result	123	122	84	215	160	137	100	196	142
as a percentage of net sales	11.4	10.2	8.7	13.5	13.1	11.1	10.1	12.7	12.7
Items affecting comparability, total	-2	-26	-1	-13	-11			-30	-1
Operating result	122	96	83	202	149	137	100	166	141
as a percentage of net sales	11.3	8.0	8.6	12.7	12.2	11.1	10.1	10.7	12.6
Financial income and expenses	-7	-38	-3	-2	-17	3	-18	-9	-12
Profit before taxes	115	58	80	199	132	140	82	157	129
Income taxes	-31	-17	-20	-41	-35	-31	-18	-27	-31
Profit for the reporting period from the continuing operations	84	41	60	159	97	109	64	129	98
Profit/loss for the reporting period from the discontinued operations							22	-9	-13
<b>Net profit for the reporting period</b>	<b>84</b>	<b>41</b>	<b>60</b>	<b>159</b>	<b>97</b>	<b>109</b>	<b>86</b>	<b>121</b>	<b>85</b>
Earnings per share (EPS), basic and diluted, EUR	0.43	0.19	0.30	0.79	0.49	0.54	0.43	0.60	0.43
Gross capital expenditure	55	60	11	32	17	279	18	25	28
Investments in securities and acquisitions	42	49		5		262			1
Cash flow from operating activities	189	202	-13	176	-5	47	37	212	68
Working capital (WCAP) at the end of the reporting period	540	602	709	543	522	404	296	251	379
<b>Personnel at the end of the reporting period</b>									
Marine Solutions	6 305	6 443	6 681	6 847	7 101	7 217	5 587	5 603	5 651
Energy Solutions	920	945	958	959	966	974	975	978	990
Services	10 648	10 575	10 331	10 592	10 714	10 785	10 711	10 692	10 742
Other	464	465	457	459	456	451	433	444	434
<b>Total</b>	<b>18 337</b>	<b>18 428</b>	<b>18 427</b>	<b>18 856</b>	<b>19 237</b>	<b>19 427</b>	<b>17 707</b>	<b>17 717</b>	<b>17 817</b>

## Calculation of financial ratios

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

Net 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**

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

**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)**

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

**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)

**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

24 October 2016

Wärtsilä Corporation

Board of Directors