Wärtsilä Corporation
Q1 Interim report

January–March 2015

Services and Power Plants' ordering activity compensates for weaker marine markets

As a result of the 2-stroke operations being classified as discontinued operations in 2014, first quarter comparison figures related to the statement of income have been restated.

Highlights of the review period January-March 2015

- Order intake increased 15% to EUR 1,285 million (1,115)
- Net sales decreased 1% to EUR 988 million (997)
- Book-to-bill 1.30 (1.12)
- Operating result before non-recurring items EUR 100 million, or 10.1% of net sales (EUR 98 million or 9.8%)
- Earnings per share 0.43 euro (0.31)
- Cash flow from operating activities EUR 37 million (111)
- Order book at the end of the period increased 12% to EUR 4,931 million (4,384)

Wärtsilä's prospects for 2015 unchanged

Wärtsilä expects its net sales for 2015 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be between 12.0-12.5%. The guidance excludes the impact of the L-3 Marine Systems International acquisition.

Björn Rosengren, President and CEO

"As anticipated, the year 2015 started with a slow marine market. Low oil prices are causing a wait and see attitude among offshore customers that, combined with subdued vessel contracting, resulted in fewer orders being received within the Ship Power business. In the Power Plants business, market sentiment is improving. Economic growth in the emerging markets and electricity consumption growth in the USA supported power plant investments, and our quotation activity indicates a continued good level of underlying customer demand.

Services' development was clearly the highlight of the first quarter. The increased maintenance activity seen towards the end of last year continued into the first quarter, boosting both order intake and sales. Services' sales grew by 11%, which compensated for the lower delivery volumes in the Ship Power and Power Plants businesses. Consequently, Group sales reached a similar level to that of the corresponding period last year and profitability improved somewhat to 10.1%. We remain committed to our guidance for 2015, and continue to see some opportunities for sales growth and improved profitability despite the prevailing market uncertainties."

Key figures

MEUR	1-3/2015	1-3/2014	Change	2014
Order intake	1 285	1 115	15%	5 084
Order book at the end of the period	4 931	4 384	12%	4 530
Net sales	988	997	-1%	4 779
Operating result (EBIT)[1]	100	98	2%	569
% of net sales	10.1	9.8		11.9
Profit before taxes	82	89		494
Earnings/share, EUR	0.43	0.31		1.76
Cash flow from operating activities	37	111		452
Net interest-bearing debt at the end of the period	251	390		94
Gross capital expenditure	18	19		94
Gearing	0.14	0.22		0.05

[1] EBIT is shown excluding non-recurring items. Wärtsilä recognised non-recurring items amounting to EUR 47 million during 2014, of which EUR 6 million was recognised in the first quarter.

Market development

Power Plants

Power generation market sentiment improving

Power generation markets closely follow macroeconomic development, both locally and globally. While slow global growth projections continue to impact investments in new power generation capacity, economic growth in the emerging markets supported the demand for new power plants. Furthermore, electricity consumption has started to grow in certain regions in the USA, which is generating demand for gas fuelled power plants. The strong US dollar supported the competitiveness of euro-based suppliers. Wärtsilä's quotation activity was on a high level during the first quarter of 2015 and remained focused on multi-fuel and natural gas based power plants.

Power Plants market share

During 2014, global orders for natural gas and liquid fuel power plants of up to 500 MW totalled 23.4 GW, a decrease of 27% compared to 2013 (32.1). Wärtsilä's market share grew to 11% (8%). Global orders include all prime mover units of over five MW.

Ship Power

Weaker activity in the marine markets

During the first quarter of 2015, 222 contracts for new vessels were registered. This represents a decline in contracting activity of approximately 58% compared to the 523 contracts reported in the corresponding period for 2014. The low market volumes continue to put pressure on newbuilding prices. In the conventional merchant segment, activity in the dry bulk markets subsided, while increased earnings supported the contracting of crude oil tankers. Interest in gas carrier contracting (LNG and LPG) continues, although first quarter volumes were lower than in the very active 2014. A total of 23 (43) gas carriers were contracted during the first quarter. Demand for offshore vessels remained subdued as uncertainties around oil price recovery drove oil company spending cuts. First quarter offshore contracting favoured support vessels.

The top three shipbuilding countries continued to control contracting activity in terms of compensated gross tonnage. South Korea's share of confirmed contracts increased to 38%, mainly due to the large volume of orders for containerships, tankers and LNG carriers placed with South Korean yards. China secured 29% of the confirmed contracts, whereas Japan's share was 26%.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market was 56% (52% at the end of the previous quarter). The market share in auxiliary engines was 4% (3% at the end of the previous quarter).

Services

Good activity in the service markets

The service market developed well during the first quarter of 2015. Power plant service demand was buoyant globally due mainly to the active operation of installations, with particularly favourable development in Brazil. Increased demand in the merchant and navy segments contributed to a good level of activity in the marine markets. Although merchant customers continue to focus on optimising maintenance expenditure, the decline in oil prices and the resulting lower fuel costs have positively impacted service volumes. From a regional perspective, marine service activities developed especially well in the USA, Canada and Norway.

Order intake

Wärtsilä's first quarter order intake totalled EUR 1,285 million (1,115), an increase of 15% compared to the corresponding period last year. Compared to the previous quarter, order intake decreased by 16% (EUR 1,522 million in the fourth quarter of 2014). The first quarter book-to-bill ratio was 1.30 (1.12).

The order intake for Power Plants totalled EUR 287 million (165), which was 74% more than for the corresponding period last year. Compared to the previous quarter, order intake decreased by 43% (EUR 501 million in the fourth quarter of 2014). Orders received included a EUR 120 million order from a European based customer with international operations, a 135 MW project in Central Africa, and a 56 MW peaking and wind support power plant in the USA.

Ship Power's order intake totalled EUR 336 million (440), a decrease of 24% compared to the corresponding period last year. Compared to the previous quarter, order intake decreased by 27% (EUR 460 million in the fourth quarter of 2014). In the merchant segment, Wärtsilä received an order to supply twenty generating sets for a series of five container vessels being built for COSCO (China Ocean Shipping Group) at the Hudong-Zhonghua Shipbuilding Group yard in China. The generating sets will be produced by the Wärtsilä Yuchai Engine Co. Ltd. joint venture. Wärtsilä also received an order to supply Wärtsilä Aquarius UV explosion proof ballast water management systems to a series of eight new chemical tankers. In the cruise & ferry segment, Wärtsilä was contracted to supply dual-fuel engines and fixed pitch propellers to a new fast ropax ferry ordered by Tallink Grupp, based in Estonia. The ship will be built at the Meyer Turku shipyard in Finland. First quarter orders also included a contract to supply reliquefaction equipment to an LNG terminal project in the UK. Gas carriers represented 41% of the first quarter order intake, while the conventional merchant segment accounted for 18%. Offshore, cruise & ferry and special vessels each accounted for 11%. Navy represented 3% and other orders 5% of the total.

Supported by certain larger project orders, Services order intake increased by 30% to EUR 662 million (510). During the quarter, Wärtsilä received an order from Shanghai Electric Power to convert the Maltese Delimara Power Station to operate on natural gas. Wärtsilä also signed a 3-year service agreement with Newcrest Mining Limited covering major engine servicing and spare parts for three power plants in the Lihir gold mine in Papua New Guinea, and a 5-year technical management agreement with Golar Management Oslo for its LNG carrier fleet.

Order intake by business

MEUR	1-3/2015	1-3/2014	Change	2014
Power Plants	287	165	74%	1 293
Ship Power	336	440	-24%	1 746
Services	662	510	30%	2 045
Order intake, total	1 285	1 115	15%	5 084

Order intake Power Plants

MW	1-3/2015	1-3/2014	Change	2014
Oil	452	160	182%	980
Gas	251	236	6%	1 509
Order intake, total	702	396	77%	2 489

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 totalled EUR 138 million (25) during the review period January-March 2015. Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of the result of associates and joint ventures. During the first quarter, Wärtsilä Hyundai Engine Company Ltd received an order to supply 30 dual-fuel engines to power icebreaking LNG carriers. The vessels will operate in arctic conditions to serve the Yamal LNG project in Northern Russia.

Order book

The total order book at the end of the review period amounted to EUR 4,931 million (4,384), an increase of 12%. The Power Plants order book increased by 21%, totalling EUR 1,619 million (1,343). The Ship Power order book was stable at EUR 2,239 million (2,216). The Services order book totalled EUR 1,073 million (824), which is 30% higher than at the same date last year.

Order book by business

MEUR	31.3.2015	31.3.2014	Change	31.12.2014
Power Plants	1 619	1 343	21%	1 475
Ship Power	2 239	2 216	1%	2 213
Services	1 073	824	30%	842
Order book, total	4 931	4 384	12%	4 530

Net sales

Wärtsilä's net sales for January-March 2015 was stable at EUR 988 million (997). Net sales for Power Plants decreased by 5% to EUR 182 million (190), due to the low level of orders received during the first half of 2014 and the timing of project deliveries. Ship Power's net sales totalled EUR 321 million (371), a decrease of 14%. Net sales from the Services business increased by 11% to EUR 485 million (435), supported by growth in all segments. Of the total net sales, Power Plants accounted for 18%, Ship Power for 32% and Services for 49%.

Of Wärtsilä's net sales for January-March 2015, approximately 63% was EUR denominated, 18% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	1-3/2015	1-3/2014	Change	2014
Power Plants	182	190	-5%	1 138
Ship Power	321	371	-14%	1 702
Services	485	435	11%	1 939
Net sales, total	988	997	-1%	4 779

Operating result and profitability

The first quarter operating result (EBIT) before non-recurring items was stable at EUR 100 million (98), or 10.1% of net sales (9.8). Profitability was supported by the growth in Services sales, which compensated for lower volumes in the Power Plants and Ship Power businesses. Wärtsilä recognised EUR 6 million of non-recurring items during the corresponding period last year. Including non-recurring items the operating result for the first quarter of 2014 was EUR 92 million, or 9.3% of net sales. Intangible asset amortisation related to acquisitions amounted to EUR 6 million (7) during January-March 2015.

Financial items amounted to EUR -18 million (-3). The weakening of the euro resulted in unrealised exchange rate losses. Net interest totalled EUR -4 million (-3). Profit before taxes amounted to EUR 82 million (89). Taxes amounted to EUR 18 million (20), implying an effective tax rate of 21.9%. Earnings per share were 0.43 euro (0.31) and equity per share was 9.43 euro (8.64). Return on investments (ROI) was 22.0% (23.3). Return on equity (ROE) was 21.0% (24.6).

Balance sheet, financing and cash flow

Wärtsilä’s first quarter cash flow from operating activities amounted to EUR 37 million (111). Cash flow was negatively impacted by the change in working capital, as well as by pension advance payments that were paid in full during the first quarter, rather than in quarterly instalments as in 2014. Working capital totalled EUR 296 million (292) at the end of the period. Advances received at the end of the period totalled EUR 743 million (965). Cash and cash equivalents at the end of the period amounted to EUR 382 million (242) and unutilised Committed Revolving Credit Facilities totalled EUR 629 million (599). The dividend for the financial year 2014 was EUR 1.15 per share (1.05) corresponding to a total of EUR 227 million (207).

Wärtsilä had interest-bearing debt totalling EUR 648 million (633) at the end of March 2015. The total amount of short-term debt maturing within the next 12 months was EUR 145 million. Long-term loans amounted to EUR 502 million. Net interest-bearing debt totalled EUR 251 million (390) and gearing was 0.14 (0.22).

Liquidity preparedness

MEUR	31.3.2015	31.12.2014
Cash and cash equivalents	382	571
Unutilised committed credit facilities	629	629
Liquidity preparedness	1 011	1 200
% of net sales (rolling 12 months)	21	25
Commercial Papers	-	-
Liquidity preparedness excluding Commercial Papers	1 011	1 200
% of net sales (rolling 12 months)	21	25

On 31 March 2015, the average maturity of the total loan portfolio was 40 months and the average maturity of the long-term debt was 41 months.

Capital expenditure

Gross capital expenditure during the review period totalled EUR 18 million (19), which consisted in full of intangible assets and property, plant and equipment. Gross capital expenditure for the comparative period in 2014 comprised EUR 1 million in acquisitions and investments in securities and EUR 18 million in intangible assets and property, plant and equipment. Depreciation, amortisation and impairment for the review period amounted to EUR 29 million (29).

Capital expenditure for 2015 is expected to be in line with depreciation and amortisation.

Strategic projects, joint ventures and expansion of the network

The acquisition of L-3 Marine Systems International from NYSE-listed L-3 Communications Holdings Inc. is proceeding according to plan. The acquisition received Korean merger control clearance in March and EU clearance in April. After completion of certain administrative procedures to separate the acquired entities from the L-3 Group, the acquisition is expected to be closed during the second quarter of 2015.

Wärtsilä's new fully-owned manufacturing facility at Porto do Açu in São João da Barra, Brazil was inaugurated in March. The multi-product factory will initially be used for the production, assembly and testing of generating sets and steerable thrusters.

Construction of the CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory in Lingang, Shanghai is proceeding according to plan. The first engines are expected to be ready for delivery in the first half of 2016.

The agreement between Wärtsilä and China State Shipbuilding Corporation (CSSC) for the take-over of Wärtsilä's 2-stroke engine business was finalised in January. Winterthur Gas & Diesel Ltd is owned 70% by CSSC and 30% by Wärtsilä.

Research and development, product launches

During the first quarter, a new research programme was implemented with Wärtsilä and VTT, the Technical Research Centre of Finland, as the main contributors. The aim of the three-year ArTEco programme is to develop propulsion products specifically for operating in arctic conditions.

In March, Wärtsilä launched a series of four new LNG carrier ship designs. The designs have been developed in close cooperation with customers to meet the high safety and performance standards for global LNG transportation.

Also in March, Wärtsilä and Clean Marine Energy (Europe) Ltd announced the shipping industry's first collaboration agreement to provide a funding solution to drive the uptake of exhaust gas cleaning technology. The intention is to ease the financial burden on ship owners seeking to install scrubber systems in order to meet sulphur emissions legislation.

In February, Wärtsilä and Cryonorm Systems BV, a Netherlands based developer and supplier of cryogenic vaporizers, agreed to form a consortium that will deliver LNG systems for the European inland waterway vessel market. The advanced system that the consortium will bring to this segment is based on Wärtsilä's LNGPac gas fuel supply system. Its benefits include reduced costs and maintenance requirements, simplified installation, and shortened delivery times.

Personnel

Wärtsilä had 17,707 (18,159) employees at the end of March 2015. On average, the number of personnel for January-March 2015 totalled 17,678 (18,194). Power Plants employed 975 (1,056) people, Ship Power 5,587 (5,785) and Services 10,711 (10,875).

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 34% (35) elsewhere in Europe. Personnel employed in Asia represented 31% (31) of the total, personnel in the Americas 10% (10), and personnel in other countries 4% (4).

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. In March, Wärtsilä was selected as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe. Wärtsilä's share is also included in several other sustainability indices.

Shares and shareholders

During January-March 2015, the volume of trades on Nasdaq Helsinki was 35,579,912 shares, equivalent to a turnover of EUR 1,417 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 18,710,280 shares.

Shares on Nasdaq Helsinki

31.3.2015	Number of shares and votes	Number of shares traded 1-3/2015
WRT1V	197 241 130	35 579 912

1.1. - 31.3.2015	High	Low	Average [1]	Close
Share price	43.16	34.86	39.83	41.22

[1] Trade-weighted average price

	31.3.2015	31.3.2014
Market capitalisation, EUR million	8 130	7 777
Foreign shareholders, %	49.4	53.8

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 5 March 2015 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 2014. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.15 per share. The dividend was paid on 16 March 2015.

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 firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2015.

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 is valid for three years from the authorisation of the shareholders' meeting and it cancelled the authorisation given by the General Meeting on 6 March 2014. 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 otherwise than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

Organisation of the Board of Directors

The Board of Directors of Wärtsilä 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, Sune Carlsson, Risto Murto

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

Risks and business uncertainties

In the Power Plants business, uncertainty in the financial markets and the availability of financing impact the timing of larger projects in certain markets. Low oil prices may postpone investment decisions in oil and gas based economies. Delays in customer decision-making can also occur in regions affected by geopolitical tension or by significant currency fluctuations. Investment decisions in the industrial segment are impacted by the demand for commodities, e.g. minerals or cement.

The business environment for the shipping and shipbuilding industry remains challenging. The weak short term global economic outlook, overcapacity, and low demand for cargo tonnage limit recovery in the conventional shipping markets. Low oil prices, an oversupply of oil and gas, and reduced capital expenditure from oil companies may further impact offshore investments. Reduced newbuild prices may push yards to squeeze suppliers on price.

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

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

The annual report 2014 contains a more specific description of Wärtsilä's risks and risk management.

Market outlook

Based on the market situation during 2014 and the GDP forecasts for 2015, the market for liquid and gas fuelled power generation is expected to remain challenging. However, the trend towards distributed, flexible gas-fired power generation is continuing. The increasing deployment of intermittent renewable power, such as wind and solar, in many parts of the world will require flexible solutions to balance fluctuations in the grid. In OECD countries, slow economic growth continues to limit demand for new power plants. At the same time, customers are awaiting new electricity market rules which is creating pent up demand. Furthermore, the shift towards CO_2-neutral generation and the consequential ramp down of older, largely coal-based generation will favour flexible, efficient power solutions. In the developing world, GDP growth remains supportive of investments in power generation capacity.

The outlook for the shipping and shipbuilding market environment remains cautious due to weaker market conditions in the dry bulk and offshore segments. Low oil prices continue to impact investments in exploration and development, limiting demand for offshore drilling and support vessels. Overcapacity continues to affect demand for conventional merchant vessels. However, increased scrapping together with a more balanced fleet growth support a gradual recovery in the freight market. The decline in oil prices presents opportunities in the markets for crude oil tankers and containerships, as lower bunkering costs are expected to have a positive impact on operating expenses for ship owners. The sentiment in the gas carrier market remains healthy; activity is however expected to revert to normal levels after strong ordering volumes in 2014. The outlook for cruise and ferry is positive and is backed by new entrants to the market, fleet renewals and increased passenger traffic from Asia. The importance of fuel efficiency and environmental regulations is clearly visible, driving interest in environmental solutions and gas as a marine fuel for the broader marine markets.

The overall service market outlook is cautiously positive with growth opportunities in selected regions and segments. An increase in the installed base of medium-speed engines and propulsion equipment offsets the slower service demand for older installations and uncertainty regarding short-term demand development in the merchant marine segment. The service demand for installations operating on oil based fuels is expected to grow as recent oil price developments have had a favourable impact on operating costs. Although the decline in oil prices has resulted in a cautious outlook for offshore service, the recent years' growth in the offshore installed base partially compensates for a potential decline in service volumes. The service outlook for gas fuelled vessels remains favourable. Demand for services 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 healthy interest in long-term service agreements.

Wärtsilä's prospects for 2015 unchanged

Wärtsilä expects its net sales for 2015 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be between 12.0-12.5%. The guidance excludes the impact of the L-3 Marine Systems International acquisition.

Wärtsilä Interim report January-March 2015

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 2014. 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 will be adopted in 2015.

This interim report is unaudited.

First quarter comparison figures related to the statement of income have been restated due to the two-stroke business being classified as discontinued operations in September 2014.

Condensed statement of income

MEUR	1–3/2015	Restated 1–3/2014	2014
Continuing operations			
Net sales	988	997	4 779
Other operating income	7	12	52
Expenses	-868	-898	-4 220
Depreciation, amortisation and impairment	-29	-29	-115
Share of result of associates and joint ventures	2	10	26
Operating result	100	92	522
Financial income and expenses	-18	-3	-28
Profit before taxes	82	89	494
Income taxes	-18	-20	-106
Profit for the reporting period from the continuing operations	64	70	389
Profit/loss for the reporting period from the discontinued operations	22	-7	-37
Net profit for the reporting period	86	63	351
Attributable to:			
Equity holders of the parent company	85	62	347
Non-controlling interests	1	1	5
	86	63	351
Earnings per share attributable to equity holders of the parent company (basic and diluted):			
Earnings per share, continuing operations, EUR	0.32	0.35	1.95
Earnings per share, discontinued operations, EUR	0.11	-0.04	-0.19
Earnings per share, EUR	0.43	0.31	1.76

Statement of other comprehensive income

MEUR	1–3/2015	1–3/2014	2014
Net profit for the reporting period	86	63	351
Other comprehensive income, net of taxes:			
Items that will not be reclassified to the statement of income:			
Actuarial gains (losses) on defined benefit plan	-3		-29
Tax on items that will not be reclassified to the statement of income	1		4
Total items that will not be reclassified to the statement of income	-3		-25
Items that may be reclassified subsequently to the statement of income:			
Exchange rate differences on translating foreign operations	76	1	56
Exchange rate differences on translating foreign operations for non-controlling interests	5		4
Cash flow hedges	-41	7	-74
Tax on items that may be reclassified to the statement of income	9	-2	20
Total items that may be reclassified to the statement of income	49	6	5
Other comprehensive income for the reporting period, net of taxes	46	6	-20
Total comprehensive income for the reporting period	132	68	332
Total comprehensive income attributable to:			
Equity holders of the parent company	126	68	323
Non-controlling interests	6		9
	132	68	332

Figures in statement of other comprehensive income include both continuing and discontinued operations.

Condensed statement of financial position

MEUR	31.3.2015	31.3.2014	31.12.2014
Non-current assets			
Intangible assets	1 213	1 235	1 180
Property, plant and equipment	444	440	434
Investments in associates and joint ventures	73	109	90
Available-for-sale financial assets	16	15	16
Deferred tax assets	163	123	144
Other receivables	45	6	20
	1 954	1 928	1 884
Current assets			
Inventories	1 330	1 394	1 156
Other receivables	1 605	1 478	1 567
Cash and cash equivalents	382	242	571
	3 317	3 114	3 294
Assets held for sale			102
Total assets	5 271	5 042	5 280
Equity			
Share capital	336	336	336
Other equity	1 523	1 369	1 624
Total equity attributable to equity holders of the parent company	1 859	1 705	1 960
Non-controlling interests	47	38	45
Total equity	1 907	1 743	2 005
Non-current liabilities			
Interest-bearing debt	502	539	537
Deferred tax liabilities	69	82	64
Other liabilities	247	188	231
	818	810	832
Current liabilities			
Interest-bearing debt	145	94	129
Other liabilities	2 401	2 395	2 259
	2 546	2 489	2 388
Total liabilities	3 365	3 299	3 220
Liabilities directly attributable to assets held for sale			55
Total equity and liabilities	5 271	5 042	5 280

Figures in condensed statement of financial position for comparison period 31.3.2014 include both continuing and discontinued operations.

Condensed statement of cash flows

MEUR	1–3/2015	1–3/2014	2014
Cash flow from operating activities:			
Net profit for the reporting period	86	63	351
Depreciation, amortisation and impairment	29	29	119
Financial income and expenses	18	3	28
Selling profit and loss of fixed assets and other changes	-25	-2	2
Share of result of associates and joint ventures	-2	-9	-24
Income taxes	18	18	99
Changes in working capital	-71	32	32
Cash flow from operating activities before financial items and taxes	53	135	606
Financial items and paid taxes	-16	-24	-154
Cash flow from operating activities	37	111	452
Cash flow from investing activities:			
Investments in shares and acquisitions		-1	-2
Net investments in property, plant and equipment and intangible assets	-17	-14	-83
Proceeds from sale of available-for-sale financial assets and shares in associated companies			15
Disposal of discontinued operations, net of cash	44		
Cash flow from other investing activities		1	
Cash flow from investing activities	28	-15	-71
Cash flow from financing activities:			
Proceeds from non-current borrowings			100
Repayments and other changes in non-current loans	-32	-26	-81
Changes in current loans and other changes	-10	-6	-18
Dividends paid	-231	-209	-211
Cash flow from financing activities	-272	-241	-210
Change in cash and cash equivalents, increase (+) / decrease (-)	-208	-145	172
Cash and cash equivalents at the beginning of the reporting period	571	388	388
Exchange rate changes	17	-1	12
Net change in cash effect from discontinued operations			1
Cash and cash equivalents at the end of the reporting period	382	242	571

Figures in condensed statement of cash flows include both continuing and discontinued operations.

Consolidated statement of changes in equity

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Actuarial gains and losses	Retained earnings		
Equity on 1 January 2015	336	61	-30	-66	-65	1 723	45	2 005
Dividends paid						-227	-4	-231
Total comprehensive income for the reporting period			76	-32	22	60	6	132
Equity on 31 March 2015	336	61	47	-98	-43	1 557	47	1 907

	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Actuarial gains and losses	Retained earnings		
Equity on 1 January 2014	336	61	-85	-13	-43	1 587	40	1 884
Dividends paid						-207	-2	-209
Total comprehensive income for the reporting period			3	5		61		68
Equity on 31 March 2014	336	61	-82	-8	-43	1 441	38	1 743

Figures in consolidated statement of changes in equity include both continuing and discontinued operations.

Disposals

The sale of two-stroke engine business to the joint venture Winterthur Gas & Diesel Ltd (WinGD) was completed in January. Wärtsilä's ownership of WinGD is 30% and China State Shipbuilding Corporation's (CSSC) ownership 70%. As a result of the sale transaction, a profit of EUR 24 million has been recognised in profit for the reporting period from the discontinued operations.

The two-stroke business was classified as discontinued operations in the third quarter of 2014, including the transfer of non-current assets held for sale and liabilities directly attributable to them on separate rows in the statement of financial position. The comparison figures in the statement of income and the items related to it have been restated to show the discontinued operations separately from continuing operations.

Profit for the reporting period from discontinued operations

MEUR	1–3/2015
Discontinued operations	
Expenses	-2
Profit on sale of shares	24
Profit for the reporting period	22
Earnings per share, discontinued operations, EUR	0.11

Cash flows from discontinued operations

MEUR	1–3/2015
Cash flow from investing activities	44
Change in cash and cash equivalents, increase (+) / decrease (-)	44

Net sales by geographical areas

MEUR	1–3/2015	Restated 1–3/2014	2014
Europe	292	348	1 402
Asia	403	395	1 989
The Americas	201	163	840
Other	92	91	548
Total	988	997	4 779

Intangible assets and property, plant & equipment

MEUR	1–3/2015	Restated 1–3/2014	2014
Intangible assets			
Carrying amount on 1 January	1 180	1 235	1 235
Changes in exchange rates	47	4	22
Additions	3	10	36
Amortisation and impairment	-13	-13	-51
Disposals and reclassifications	-2		
Reclassifications to assets held for sale			-61
Carrying amount at the end of the reporting period	1 213	1 235	1 180
Property, plant and equipment			
Carrying amount on 1 January	434	449	449
Changes in exchange rates	12		7
Additions	15	11	62
Depreciation and impairment	-16	-16	-63
Disposals and reclassifications	-2	-4	-10
Reclassifications to assets held for sale		-1	-8
Carrying amount at the end of the reporting period	444	440	434

Figures in this table for comparison period 1–3/2014 include both continuing and discontinued operations.

Gross capital expenditure

MEUR	1–3/2015	Restated 1–3/2014	Restated 2014
Investments in securities and acquisitions		1	2
Intangible assets and property, plant and equipment	18	18	92
Total	18	19	94

Net interest-bearing debt

MEUR	1–3/2015	1–3/2014	2014
Non-current liabilities	502	539	537
Current liabilities	145	94	129
Loan receivables	-15	-1	-1
Cash and cash equivalents	-382	-242	-571
Total	251	390	94

Figures in this table for comparison period 1–3/2014 include both continuing and discontinued operations.

Financial ratios

	1–3/2015	Restated 1–3/2014	2014
Earnings per share (basic and diluted), EUR	0.43	0.31	1.76
Equity per share, EUR	9.43	8.64	9.94
Solvency ratio, %	42.1	42.8	43.5
Gearing	0.14	0.22	0.05
Return on investment (ROI), continuing operations, %	22.0	23.3	20.3
Return on equity (ROE), continuing operations, %	21.0	24.6	20.0

Figures in this table include both continuing and discontinued operations.

Personnel

	1–3/2015	Restated 1–3/2014	Restated 2014
On average	17 678	18 194	18 042
At the end of the reporting period	17 707	18 159	17 717

Contingent liabilities

MEUR	1–3/2015	1–3/2014	2014
Mortgages	10	11	10
Chattel mortgages and other pledges	28	25	26
Total	38	36	36
Guarantees and contingent liabilities			
on behalf of Group companies	751	661	746
Nominal amount of rents according to leasing contracts			
payable within one year	24	26	25
payable between one and five years	69	69	66
payable later	21	25	23
Total	864	781	859

Figures in this table for comparison period 1–3/2014 include both continuing and discontinued operations.

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	185	
Inflation hedges	3	
Foreign exchange forward contracts	2 011	458
Currency options, purchased	32	
Total	2 231	458

Fair values

Fair value measurements at the end of the reporting period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Available-for-sale financial assets (level 3)	16	16
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	4	4
Other receivables, non-current (level 3)	21	21
Derivatives (level 2)	13	13
Financial liabilities		
Interest-bearing debt, non-current (level 2)	502	516
Derivatives (level 2)	135	135

Condensed statement of income, quarterly

MEUR	1-3/2015	10–12/2014	7–9/2014	Restated 4–6/2014	Restated 1–3/2014	Restated 10–12/2013
Continuing operations						
Net sales	988	1 549	1 117	1 116	997	1 403
Other operating income	7	17	10	12	12	22
Expenses	-868	-1 375	-964	-983	-898	-1 204
Depreciation, amortisation and impairment	-29	-30	-29	-27	-29	-28
Share of result of associates and joint ventures	2	4	7	5	10	8
Operating result	100	166	141	123	92	202
Financial income and expenses	-18	-9	-12	-4	-3	-11
Profit before taxes	82	157	129	119	89	191
Income taxes	-18	-27	-31	-28	-20	-35
Profit for the reporting period from the continuing operations	64	129	98	91	70	156
Profit/loss for the reporting period from the discontinued operations	22	-9	-13	-8	-7	-9
Net profit for the reporting period	86	121	85	83	63	147
Attributable to:						
Equity holders of the parent company	85	118	84	83	62	147
Non-controlling interests	1	3	1		1	
	86	121	85	83	63	147
Earnings per share attributable to equity holders of the parent company (basic and diluted):						
Earnings per share, continuing operations, EUR	0.32	0.64	0.50	0.46	0.35	0.79
Earnings per share, discontinued operations, EUR	0.11	-0.04	-0.07	-0.04	-0.04	-0.04
Earnings per share, EUR	0.43	0.60	0.43	0.42	0.31	0.74

Calculation of financial ratios

Earnings per share (EPS)

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

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)

22 April 2015
Wärtsilä Corporation
Board of Directors