



Wärtsilä Corporation

Financial Statements Bulletin

January – December 2017

2017 – A year of solid sales and strong order intake

Fourth quarter highlights

- Order intake increased 14% to EUR 1,514 million (1,324)
- Net sales decreased 7% to EUR 1,445 million (1,559)
- Book-to-bill reached 1.05 (0.85)
- Comparable operating result decreased to EUR 244 million (253), which represents 16.9% of net sales (16.3)
- Earnings per share amounted to 0.86 euro (0.87)
- Cash flow from operating activities increased to EUR 276 million (235)

Highlights of the review period January-December 2017

- Order intake increased 15% to EUR 5,644 million (4,927)
- Net sales increased 3% to EUR 4,923 million (4,801)
- Book-to-bill reached 1.15 (1.03)
- Comparable operating result increased to EUR 590 million (583), which represents 12.0% of net sales (12.1)
- Earnings per share increased to 1.95 euro (1.79)
- Cash flow from operating activities decreased to EUR 430 million (613)
- Order book at the end of the period increased 8% to EUR 5,064 million (4,696)
- Dividend proposal EUR 1.38 per share (1.30). The dividend will be paid in two instalments.

Wärtsilä's prospects for 2018

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

- Good in Services thanks to growth opportunities in selected regions and segments.
- Good in Energy Solutions. The global shift towards renewable energy sources and increasing electricity demand in the emerging markets support the need for distributed and flexible power capacity, including gas-fired generation, energy storage, and smart integration technology.
- Solid in Marine Solutions. Despite improving sentiment, the marine market environment remains challenging due to overcapacity and lack of financing.

Wärtsilä's current order book for 2018 deliveries is EUR 3,171 million (3,143), which mainly comprises equipment deliveries. Services' business is largely transactional, with only around 30% of annual net sales coming from the order book.

Jaakko Eskola, President & CEO

"The year 2017 developed according to our expectations. Increased power plant deliveries supported some growth in net sales, while profitability was in line with the previous year, due in part to a positive business mix

in the fourth quarter. The favourable order trends seen throughout the year continued in the fourth quarter, providing us with a solid basis from which we can develop our business.

Activity in the service markets improved in the second half, despite low volumes in the offshore and merchant segments. I am especially pleased with the healthy growth in Services' orders received, which demonstrates that our customers are increasingly seeing the value of longer-term partnerships. Energy Solutions' order intake was boosted by both increased investments in modernising power infrastructures in the emerging markets, and the growing need for flexible power capacity to support the transition into renewable energy sources. In the marine industry, the sentiment among merchant customers improved during the latter part of the year. This, together with a healthy demand in the cruise and gas carrier segments, supported the growth of Marine Solutions' order intake.

During the year, we introduced our smart marine and smart energy visions, which emphasise Wärtsilä's commitment to promoting a low emission economy and providing intelligent ways of producing and using energy. The launch of our marine hybrid module, the development of our capabilities for remote vessel operation, the introduction of new service concepts, and the expansion into energy storage and software solutions are all concrete examples of how we increase customer value with energy efficiency, lifecycle optimisation and innovative solutions.

Looking ahead, I believe that developing smart technology and integrating new business models into our offering will be at the core of our long-term value creation, both for our shareholders and society at large. In terms of 2018, our demand outlook has improved somewhat. We continue to see growth opportunities in our service business, based on our portfolio of long-term agreements and the increasing technological sophistication of our installed base. The demand for our energy solutions is anticipated to be at a good level, supported by a healthy project pipeline and favourable market trends. Market conditions are expected to improve in the marine industry, thus supporting a solid demand outlook."

Key figures

MEUR	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Order intake	1 514	1 324	14%	5 644	4 927	15%
Order book at the end of the period				5 064	4 696	8%
Net sales	1 445	1 559	-7%	4 923	4 801	3%
Operating result ¹	225	231	-3%	552	532	4%
% of net sales	15.6	14.8		11.2	11.1	
Comparable operating result	244	253	-4%	590	583	1%
% of net sales	16.9	16.3		12.0	12.1	
Comparable adjusted EBITA	254	262	-3%	626	618	1%
% of net sales	17.5	16.8		12.7	12.9	
Profit before taxes	215	226	-5%	506	479	6%
Earnings/share, EUR	0.86	0.87		1.95	1.79	
Cash flow from operating activities	276	235		430	613	
Net interest-bearing debt at the end of the period				234	150	
Gross capital expenditure				255	146	
Gearing				0.10	0.07	

¹ Items affecting comparability amounted to EUR 19 million (22) during the fourth quarter, of which EUR 18 million (22) related to restructuring programmes, and EUR 1 million (0) to acquisitions and other costs. During the review period January-December 2017, items affecting comparability amounted to EUR 37 million (51), of which EUR 36 million (48) related to restructuring programmes and EUR 2 million (3) to acquisitions and other costs.

Market development

Steady development in the service markets

Service market activity was solid during 2017. In the marine industry, low freight rates affected merchant customers' appetite for service investments. The offshore service markets remained challenging throughout 2017, although increased oil prices led to some recovery in sentiment towards the end of the year. The cruise segment developed positively, largely due to increased demand for long-term agreements especially in the first part of the year. The demand for power plant related services was steady, supported by the growth in long-term service agreements in Asia.

Power generation markets shifting towards smart and flexible technologies

The demand for Wärtsilä's energy solutions was strong in 2017. The continued decline in renewable energy prices have made solar and wind power especially competitive in many markets and utilities globally are assessing how to integrate such energy sources into their asset base. The first steps are already being taken in the USA, Australia and the Middle East, where market conditions are the most favourable. This, in turn, is increasing the need for flexible power capacity. Demand was also strong in the emerging markets, where countries are investing in new power generation capacity to support economic growth and alleviate power shortages.

Energy Solutions' market share

For the twelve months ending in September, global orders for natural gas and liquid fuel power plants of up to 500 MW amounted to 25.2 GW (24.8 GW at the end of June). Wärtsilä's market share was 15% (14). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size.

Vessel contracting supported by improved sentiment

During 2017, 1,037 contracts for new vessels were registered (916, including late contracting). Conditions in the merchant and gas carrier markets improved towards the end of the year along with economic growth. However, large order books and scheduled newbuilding deliveries continue to limit utilisation levels and rates in the gas carrier segment. FSRU contracting was healthy, supported by growing LNG demand from the emerging markets and long-term fundamentals. Contracting activity was on a good level also in the cruise, ferry and Ro-Ro segments due to higher earnings, ageing fleets, planned regulatory developments, and attractive newbuilding prices. Despite some recovery in oil and gas prices towards the end of the year, overcapacity continued to limit newbuild investments in the offshore industry.

In terms of compensated gross tonnage, China and South Korea remain the largest shipbuilding nations with 40% and 27% of all confirmed contracts respectively. Japan and Italy accounted for 8% and 5% of the global total respectively.

Marine Solutions' market shares

Wärtsilä is well positioned in key product and solution areas, such as electrical & automation and gas systems. In the medium-speed main engine market, Wärtsilä's share was 47% (43% at the end of the previous quarter). The market share in auxiliary engines was 10% (13% at the end of the previous quarter).

Order intake

Fourth quarter order intake

Wärtsilä's fourth quarter order intake totalled EUR 1,514 million (1,324), an increase of 14% over the corresponding period last year. The fourth quarter book-to-bill ratio was 1.05 (0.85).

The fourth quarter order intake for the Services business increased by 14% to EUR 646 million (565). Demand improved particularly in long-term service agreements. Orders received during the quarter included one for retrofitting an energy storage system onboard the North Sea Giant, one of the largest and most advanced sub-sea construction vessels in the world. The system reduces the vessel's energy consumption, operating costs, and exhaust emissions.

Order intake for Energy Solutions was stable at EUR 501 million (501) in the fourth quarter. Demand was strongest in the Americas and in Asia. Significant orders received from these regions included a 200 MW natural gas plant in Arizona and a 130 MW gas plant in Mexico, as well as three new projects in Indonesia and Bangladesh. Wärtsilä was also contracted to supply a 52 MWp solar PV plant to Jordan. In addition to power generation solutions, energy storage and software orders were received for projects in the USA, Singapore, and Portugal.

Marine Solutions' fourth quarter order intake totalled EUR 366 million (258), an increase of 42% compared to the corresponding period last year. Activity was strongest in the merchant segment, where Wärtsilä received a sizeable order for four new shuttle tankers from TEEKAY, of which two were included in the order intake for the fourth quarter. The vessels will feature a wide range of Wärtsilä's latest technology innovations, which enables them to reach a new level of economic and ecological performance. Among other orders received was a contract to supply engines, the navigation system, and a broad scope of other products and systems for a new environmentally friendly luxury ferry being built for the Finland based operator Viking Line at the Xiamen Shipbuilding Industry yard in China. Wärtsilä's SmartPredict system, launched during the year, is part of the scope, providing the vessel greater safety and more efficient operations. Another strategically interesting order was the contract to provide two Wärtsilä HY 2 hybrid power modules for a new escort tug being built at GONDAN Shipbuilders in Spain for the Swedish port of Luleå. The conventional merchant segment represented 38% of the fourth quarter order intake. The cruise and ferry segment's share was 22%, and the gas carrier segment accounted for 20%. The offshore segment's share was 4%, while navy represented 5%, special vessels 6%, and other orders 5% of the total.

Review period order intake

Wärtsilä's order intake for the review period January-December 2017 increased by 15% to EUR 5,644 million (4,927). The book-to-bill ratio for the review period was 1.15 (1.03).

Services' order intake for the review period increased by 13% to EUR 2,481 million (2,194), thanks to higher demand for long-term service agreements in both the marine and energy markets. The highlight of the year was the strategic performance-based partnership with Carnival Corporation. According to the agreement, Wärtsilä will handle all engine maintenance and monitoring work for 79 Carnival vessels. A strategically interesting order was the contract with Belize Electric Company Limited (BECOL) for a plant upgrade with high quality hydroelectric solutions and technical support, which expands the business of American Hydro, a Wärtsilä company, to Central America.

Energy Solutions' order intake for the review period was EUR 1,685 million (1,448), which represents an increase of 16% from the previous year. Asia was the most active region in terms of ordering activity. Demand was particularly good in growing economies, such as Indonesia, and in Bangladesh, where the government is making a strong effort to increase the number of households having access to electricity. In the developed markets, Wärtsilä received orders for two 50 MW power plants from the UK and contracts exceeding 500 MW to support the expansion of renewable energy in the USA. During the year, Wärtsilä also received a turnkey

order to build a liquefied natural gas (LNG) receiving terminal, with a net storage capacity of 30,000 m³, in Hamina, Finland.

Marine Solutions' review period order intake increased by 15% to EUR 1,478 million (1,285). Expectations for growth in cruise tourism supported demand in the cruise and ferry segment, which represented 31% of Marine Solutions' order intake. Significant orders included a contract to supply the main engines and exhaust gas cleaning systems to Norwegian Cruise Line's four new generation cruise ships being built by Fincantieri. The gas carriers' share of the order intake was 25%, largely due to improved demand for FSRUs. Orders received within this segment included a contract to equip two new vessels being built for Höegh LNG at the Samsung Heavy Industries and Hyundai Heavy Industries shipyards in Korea, with dual-fuel main engines and regasification technology. The conventional merchant segment's share of the order intake was 23%, while special vessels represented 8%, navy 7%, and offshore 3% of the total. Other orders accounted for 4%.

Order intake by business

MEUR	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Services	646	565	14%	2 481	2 194	13%
Energy Solutions	501	501	0%	1 685	1 448	16%
Marine Solutions	366	258	42%	1 478	1 285	15%
Order intake, total	1 514	1 324	14%	5 644	4 927	15%

Order intake Energy Solutions

MW	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Oil	393	427	-8%	1 838	1 929	-5%
Gas	526	531	-1%	1 938	1 584	22%
Order intake, total	920	958	-4%	3 775	3 513	7%

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture in South Korea, and in the Wärtsilä Qiyao Diesel Company Ltd and CSSC Wärtsilä Engine Company Ltd. joint ventures in China totalled EUR 70 million (62) during the review period January-December 2017. The results of these companies are reported as a share of the result of associates and joint ventures.

Order book

The total order book at the end of the review period amounted to EUR 5,064 million (4,696), an increase of 8%. The Services order book totalled EUR 1,171 million (999), which is 17% higher than at the same time last year thanks to the increased demand for long-term service agreements. The Energy Solutions order book increased by 11%, totalling EUR 1,871 million (1,680), while the Marine Solutions order book was stable at EUR 2,023 million (2,017).

Order book by business

MEUR	31.12.2017	31.12.2016	Change
Services	1 171	999	17%
Energy Solutions	1 871	1 680	11%
Marine Solutions	2 023	2 017	0%
Order book, total	5 064	4 696	8%

Net sales

Wärtsilä's net sales for the fourth quarter decreased by 7% to EUR 1,445 million (1,559), due to a more even distribution of deliveries in the second half of the year. Net sales from the Services business increased by 3% to EUR 654 million (636). Net sales for Energy Solutions increased by 3% to EUR 425 million (414). Marine Solutions' net sales totalled EUR 366 million (509), which is 28% lower than in the corresponding quarter last year.

Wärtsilä's net sales for January-December 2017 amounted to EUR 4,923 million (4,801), an increase of 3% over the corresponding period last year. Net sales from the Services business was solid at EUR 2,215 million (2,190). Increased revenues from long-term service agreements offset low volumes from service projects. Net sales for Energy Solutions totalled EUR 1,401 million (943), an increase of 48%. Marine Solutions' net sales decreased by 22% to EUR 1,307 million (1,667). Of the total net sales, Services accounted for 45%, Energy Solutions for 28%, and Marine Solutions for 27%.

Of Wärtsilä's net sales for January-December 2017, approximately 69% was EUR denominated, 18% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	10-12/2017	10-12/2016	Change	1-12/2017	1-12/2016	Change
Services	654	636	3%	2 215	2 190	1%
Energy Solutions	425	414	3%	1 401	943	48%
Marine Solutions	366	509	-28%	1 307	1 667	-22%
Net sales, total	1 445	1 559	-7%	4 923	4 801	3%

Operating result and profitability

The fourth quarter operating result was EUR 225 million (231), which represents 15.6% of net sales (14.8). The comparable operating result was EUR 244 million (253), or 16.9% of net sales (16.3). Items affecting comparability amounted to EUR 19 million (22), of which EUR 18 million (22) related to restructuring programmes and EUR 1 million (0) to acquisitions and other costs. The comparable adjusted EBITA was EUR

254 million (262), or 17.5% of net sales (16.8). Purchase price allocation amortisation amounted to EUR 10 million (9).

The operating result for the review period January-December 2017 was EUR 552 million (532), which represents 11.2% of net sales (11.1). The comparable operating result was EUR 590 million (583), or 12.0% of net sales (12.1). Items affecting comparability amounted to EUR 37 million (51), of which EUR 36 million (48) was related to restructuring programmes and EUR 2 million (3) to acquisitions and other costs. The comparable adjusted EBITA was EUR 626 million (618), or 12.7% of net sales (12.9). Purchase price allocation amortisation amounted to EUR 36 million (35).

Wärtsilä's operating result was affected by a provision related to long-term incentive schemes, which amounted to EUR 4 million (5) in the fourth quarter and EUR 40 million (5) in the review period January-December 2017. The provision covers all three ongoing programmes. Wärtsilä's three-year long-term incentive schemes are tied to the development of the company's share price, and they apply to approximately 100 company executives.

Financial items for the review period January-December 2017 amounted to EUR -47 million (-53). Financial items include exchange rate losses related to terminated hedges. Net interest totalled EUR -8 million (-11). Profit before taxes amounted to EUR 506 million (479). Taxes amounted to EUR 122 million (123), implying an effective tax rate of 24.2% (25.6). The profit for the financial period amounted to EUR 383 million (357). Earnings per share were 1.95 euro (1.79) and the equity per share was 12.02 euro (11.60). The return on investments (ROI) was 18.9% (17.1), while return on equity (ROE) was 16.3% (15.6).

Measures of profit and items affecting comparability

MEUR	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Comparable adjusted EBITA	254	262	626	618
Purchase price allocation amortisation	-10	-9	-36	-35
Comparable operating result	244	253	590	583
Items affecting comparability	-19	-22	-37	-51
Operating result	225	231	552	532

Balance sheet, financing and cash flow

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 276 million (235). For January-December 2017, the operating cash flow totalled EUR 430 million (613). Cash flow was negatively impacted by the increase in receivables. At the end of the review period, working capital totalled EUR 591 million (490), a decrease of EUR 66 million from the end of the previous quarter. Advances received at the end of the period totalled EUR 522 million (516). At the end of the previous quarter, advances totalled EUR 495 million. Cash and cash equivalents at the end of the period amounted to EUR 379 million (472). Unutilised Committed Credit Facilities totalled EUR 765 million (640), which includes a signed EUR 125 million long-term loan available for disbursement as of 31 December 2017.

Wärtsilä had interest-bearing debt totalling EUR 619 million (629) at the end of December 2017. The total amount of short-term debt maturing within the next 12 months was EUR 102 million. Long-term loans amounted to EUR 517 million. Net interest-bearing debt totalled EUR 234 million (150) and gearing was 0.10 (0.07).

Liquidity preparedness

MEUR	31.12.2017	31.12.2016
Cash and cash equivalents	379	472
Unutilised committed credit facilities	765 ¹	640
Liquidity preparedness	1 144	1 112
% of net sales (rolling 12 months)	23	23
Less Commercial Papers	-	-
Liquidity preparedness excluding Commercial Papers	1 144	1 112
% of net sales (rolling 12 months)	23	23

On 31 December 2017, the average maturity of the total loan portfolio was 43 months and the average maturity of the long-term debt was 44 months.

¹ Includes a EUR 125 million EIB loan that remains undrawn.

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 64 million (55) during the review period January-December 2017. Capital expenditure related to acquisitions and investments in joint ventures totalled EUR 191 million (91). The figure for 2017 includes the acquisitions of Guidance Marine Limited, Puregas Solutions, and Greensmith Energy Management Systems Inc. Depreciation, amortisation, and impairment for the review period amounted to EUR 134 million (138).

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

Strategy

Wärtsilä's purpose is to enable sustainable societies with smart technology. The demand for clean and flexible energy and the need for efficient and safe transportation are increasingly affecting the way that customers operate. This forms the basis for Wärtsilä's offering of smart solutions to the marine and energy markets. With an integrated portfolio of services, systems and products, the company is well positioned to respond to the demand for energy efficient and innovative solutions. The emphasis is placed on optimising installation performance throughout the lifecycle, using data analytics and artificial intelligence to support customers' business decisions. Wärtsilä's digital transformation will provide increased customer value through a new era of collaboration and knowledge sharing. A strong presence in key markets and a superior global service network support the company's profitable growth ambitions.

With its flexible production and supply chain management, Wärtsilä constantly seeks new ways to maintain high quality and cost efficiency – often in co-operation with customers and leading industrial partners. The investments in R&D and the focus on digitalisation create a strong foundation for securing and strengthening a position at the forefront of market innovation. This innovative culture, together with a constant emphasis on safety, diversity, and high ethical standards, attracts skilled and committed people and creates the basis for a high performing organisation. The implementation of operational excellence ensures that Wärtsilä is easy to do business with, and drives increased productivity and efficiency throughout the lifecycle.

Strategic projects, acquisitions and joint ventures

In July, Wärtsilä completed the acquisition of Greensmith Energy Management Systems Inc., a market leader in grid-scale energy storage software and integrated solutions. The acquisition will enable Wärtsilä to rapidly expand its footprint in the global energy storage market, and position itself as a premier energy systems integrator. In 2016, Greensmith's revenues were USD 32 million with over 40 employees. The integration of Greensmith is proceeding according to plan.

In August, Wärtsilä and ABB signed an agreement to expand their co-operation in lifecycle service offerings. ABB granted Wärtsilä Authorized Service Provider status for the standard maintenance of ABB turbochargers installed with Wärtsilä 4-stroke engines.

In September, Wärtsilä added wave power technology to its capabilities as an energy systems integrator through its partnership with AW-Energy. The co-operation is based on AW-Energy's patented and certified wave energy technology and Wärtsilä's global project execution, services, and integration capabilities.

In October, Wärtsilä announced the acquisitions of Puregas Solutions and Guidance Marine. Puregas Solutions is a Sweden based leader in turnkey biogas upgrading solutions. The acquisition complements Wärtsilä's existing position in the biogas liquefaction market. In 2016, Puregas Solutions had approximately 40 employees and a turnover of SEK 200 million. Guidance Marine Limited, a UK based privately owned company, is a technology leader in the marine industry for sensor solutions relating to dynamic positioning and other vessel control systems. The acquisition enhances Wärtsilä's capabilities in the areas of situational awareness and near-field measurement, both essential for more intelligent vessel navigation. In 2016, Guidance Marine employed more than 50 people worldwide and had a turnover of GBP 6 million.

In December, Wärtsilä and GTT, the designer of cryogenic membrane containment solutions for liquefied gases, finalised a co-operation agreement to explore potential business opportunities in the marine sector in relation to LNG storage, fuel gas supply systems, and associated services that will benefit both shipyards and vessel owners. Wärtsilä also signed a 10-year service partnership agreement with Winterthur Gas & Diesel Ltd. (WinGD). According to the agreement, Wärtsilä will continue to provide extensive customer support and services to the end users of WinGD's products, to WinGD, as well as to licensed engine builders. The agreement includes service work conducted for any 2-stroke engines delivered under the Wärtsilä, Sulzer, and WinGD brands.

Towards the end of the year, Wärtsilä announced the opening of the CSSC Wartsila Electrical & Automation Co Ltd (CWE&A) joint venture between Wärtsilä and China State Shipbuilding Corporation (CSSC), and the acquisition of Trident B.V., a Netherlands based company specialised in underwater ship maintenance, inspection, and repair services. The acquisition of Trident enables Wärtsilä to become a leading global operator in the underwater services market.

Research and development, product launches

Wärtsilä continued to invest in product and solution innovation during 2017. The R&D related expenditure totalled EUR 141 million (131), which represents 2.9% of net sales (2.7). The key focus areas included

digitalisation, efficiency improvement, fuel flexibility, and the reduction of environmental impact.

In March, Wärtsilä launched SmartPredict, a system designed to provide safer and more efficient operations for all vessel types with the help of advanced motion prediction.

In May, Wärtsilä introduced the Wärtsilä HY, a fully integrated hybrid power module combining engines, an energy storage system, and power electronics optimised to work together through a newly developed energy management system. Wärtsilä also announced its decision to invest in expanding its capability to service turbochargers at more than 20 service workshops globally. With this investment, Wärtsilä is able to offer customers global turbocharger services coupled with engine know-how in flexible co-operation with other Wärtsilä service centres. Eniram, a Wärtsilä company, launched an update to the SkyLight performance monitoring system, adding nautical maps, weather layers, and route importation to make predictive analysis and proactive planning more available.

In August, Wärtsilä successfully tested its automatic wireless induction charging system on a hybrid powered coastal ferry, owned by Norled, one of Norway's largest ferry operators. Wärtsilä also took a further step in developing its Smart Marine capabilities by successfully testing the remote control of ship operations in collaboration with the U.S. based operator Gulfmark Offshore. The testing involved driving a vessel through a sequence of manoeuvres using a combination of dynamic positioning and manual joystick control via standard bandwidth onboard satellite communication.

Product launches in November included EnergoFlow; a solution for reducing the power losses that occur in a ship's propeller slipstream by providing an optimised inflow, thereby bringing cost savings in the form of fuel efficiency. A gas-fuelled version of the successful Wärtsilä 31 engine was also launched. The defining feature of the Wärtsilä 31SG is its ability to achieve simple-cycle efficiency levels in excess of 50%, which enables reduced emissions and offers the potential for considerable cost savings to power producers. Another benefit is the provision of increased flexibility, which enables a rapid response to continuously changing load patterns, especially in systems with a notable share of solar and wind energy.

In December, Wärtsilä introduced its Voyage Emissions Reduction system, which reduces environmental impact and increases oil tanker revenues by effectively eliminating the problem of volatile organic compound emissions during voyages, as well as Linesafe, a new simplified bearing design that enhances flexibility and lowers lifecycle costs for customers.

Also in December, the European Investment Bank (EIB) and Wärtsilä signed a EUR 125 million loan agreement to support the research and development of more environmentally friendly and efficient ship engines and power plants. This fifth loan to support Wärtsilä's Research, Development and Innovation (RDI) will further solidify the successful co-operation with the EIB, which has resulted in tangible improvements in European engine technology since the first loan was signed in 2003.

Restructuring programmes

Wärtsilä's aim is to continuously pursue more cost-efficient ways of operating and align its operations to market conditions. The incremental savings from local actions within Marine Solutions and restructuring measures initiated in previous years amounted to approximately EUR 55 million in 2017, while the related costs totalled EUR 36 million. The remaining savings of EUR 15-20 million are expected to materialise in 2018.

Personnel

Wärtsilä had 18,065 (18,011) employees at the end of December 2017. On average, the number of personnel for January-December 2017 totalled 17,866 (18,332). Services employed 10,624 (10,567) people, Energy Solutions 1,038 (903), and Marine Solutions 5,845 (6,074).

Of Wärtsilä's total number of employees, 20% (19) were located in Finland and 38% (39) elsewhere in Europe. Personnel employed in Asia represented 27% (28) of the total, personnel in the Americas 11% (11), and personnel in other countries 4% (4).

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.

Personnel health and safety is a priority for Wärtsilä. During the first quarter, Wärtsilä arranged its third global Safety Day under the theme 'Stop and Care', addressing the importance of intervening when unsafe acts are seen. Wärtsilä also launched a Zero Mindset training programme, with the aim of strengthening safety leadership within the company. During the year, Wärtsilä moved steadily closer to its on-going target of zero lost-time injuries. The lost-time injury frequency was 2.48 (2.59), which represents a decrease of 4% compared to the previous year.

In June, Wärtsilä and a group of environmentally conscious maritime industry players signed up to a new Global Industry Alliance (GIA) to support transitioning shipping and its related industries towards a low carbon future. Together, the thirteen GIA partners will collectively identify and develop innovative solutions to address common barriers to the uptake and implementation of energy efficiency technologies and operational measures.

The International Convention for the Control and Management of ships' ballast water and sediments entered into force on 8 September 2017. In July, the International Maritime Organisation's MEPC Committee approved a revised implementation schedule for the installation of ballast water management systems based on an evaluation of the vessels' International Oil Pollution Prevention Certificate (IOPP) renewal, whereby in certain cases, the deadline is postponed by up to two years. Wärtsilä is well placed to support its customers as they prepare to meet these regulatory requirements.

Wärtsilä's share is included in several sustainability indices. During the second quarter, Wärtsilä was informed that it would continue to be included in the Euronext Vigeo index Eurozone 120 (the 120 most advanced companies in the Eurozone region) and, during the third quarter, that it had been selected as an index component of the Dow Jones Sustainability Indices (DJSI) for the second consecutive year.

Shares and shareholders

During January-December 2017, the volume of trades on Nasdaq Helsinki was 89,407,327 shares, equivalent to a turnover of EUR 4,800 million. Wärtsilä's shares are also traded on alternative exchanges, such as Turquoise, BATS CXE, and BATS BXE. The total trading volume on these alternative exchanges was 60,463,921 shares.

Shares on Nasdaq Helsinki

31.12.2017		Number of shares and votes	Number of shares traded 1-12/2017		
WRT1V		197 241 130	89 407 327		
1.1. - 31.12.2017		High	Low	Average ¹	Close
Share price		62.30	41.90	53.70	52.60
¹ Trade-weighted average price					
		31.12.2017	31.12.2016		
Market capitalisation, EUR million		10 375	8 418		
Foreign shareholders, %		55.9	55.0		

Flagging notifications

During the review period January-December 2017, BlackRock Inc. informed Wärtsilä of the following changes in ownership. The total number of shares held by BlackRock, Inc. remained above 5% of Wärtsilä's share capital and total votes throughout the review period.

Release date	Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
23.11.2017	22.11.2017	BlackRock Investment Management (UK) Limited	Above 5%	4.63	5.05
30.11.2017	29.11.2017	BlackRock Investment Management (UK) Limited	Above 5%	5.10	5.47

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 2 March 2017 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 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, Karin Falk, Johan Forssell, Tom Johnstone, Mikael Lilius, Risto Murto and Markus Rauramo.

The audit firm PricewaterhouseCoopers Oy was elected as the auditor of the Company for the year 2017.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.30 per share in two instalments. The first instalment of EUR 0.65 per share was paid on 13 March 2017, and the second instalment of EUR 0.65 per share was paid on 21 September 2017.

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 3 March 2016. The Board of Directors was authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors was 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 Tom Johnstone as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

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

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

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

Board of Director's dividend proposal

The Board of Directors proposes that a dividend of EUR 1.38 per share be paid for the financial year 2017. The parent company's distributable funds total EUR 1,002,092,268.56, which includes EUR 161,085,555.55 in net profit for the year. There are 197,241,130 shares with dividend rights. The dividend will be paid in two instalments.

The first instalment of 0.69 euro per share will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date 12 March 2018. The payment date proposed by the Board for this instalment is 19 March 2018.

The second instalment of the dividend shall be paid in September 2018. The Board of Directors will propose to the Annual General Meeting a share issue without payment (share split). If the Board's proposal is approved, the second instalment will be divided between one old and two new shares so that EUR 0.23 will

be paid for each share. If the general meeting does not approve the share issue without payment proposed by the Board, the second instalment will be paid in the same manner as the first, i.e. EUR 0.69 per share.

The second dividend instalment will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the dividend record day, which, together with the payment day, shall be decided by the Board of Directors in its meeting scheduled for 18 September 2018. The dividend record day for the second instalment as per the current rules of the Finnish book-entry system would be 20 September 2018 and the dividend payment day 27 September 2018.

The Annual Report 2017, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com and at www.wartsilareports.com during week 7.

Risks and business uncertainties

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

In the power generation markets, fragile economic growth and slow decision-making continue to be the primary risks for demand development. Geopolitical tensions and significant currency fluctuations can result in investment decisions being postponed in certain countries. Low oil prices have a similar impact in the oil and gas producing countries. Price pressure resulting from the prevailing competitive environment remains a risk.

Economic and political uncertainty, as well as new emerging technologies and innovations in the marine industry, will challenge current business models and trade patterns. Reduced capital expenditure from oil companies continues to limit offshore investments, and offshore production is facing increasing competition from low cost onshore and shale production. In addition, increasing energy efficiency and the substitution of other energy sources, will challenge crude oil demand growth. The enforcement of environmental regulations and potential new regulations remain as a source of uncertainty. Climate change continues to create pressure for reducing greenhouse gas emissions within the shipping industry.

Wärtsilä emphasises a holistic approach to management of cyber and physical security risks in its internal operations and customer offerings. The company's cyber security team carries out its operational, governance and compliance activities in line with IEC62443 and ISO 27k. Such activities include cyber assurance, risk management, detection, secure software development lifecycle, training, endpoint protection, network security, and cyber advisory services. Wärtsilä is assessing the way in which data is stored, processed and used in the company's systems so as to comply with the upcoming General Data Protection Regulation. Cyber security is taken into consideration in this assessment.

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

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

Wärtsilä Financial Statements Bulletin 2017

This financial statements bulletin 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 2016. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the statement of income. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

IFRS amendments

In 2017, the Group has adopted the following new and amended standards issued by the IASB.

New **IFRS 9 Financial Instruments** replaces the existing guidance in IAS 39 Financial Instruments - Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including new general hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Adoption of IFRS 9 led to some changes in the hedging processes and presentation. The new model aligns the accounting treatment with risk management activities and allows net hedging, from which the gains or losses will be presented on a separate line in the consolidated statement of income. Regarding impairment of financial assets, the change mainly concerns trade receivables where the credit losses will be recognised based on the expected lifetime credit losses.

The restatement impact on equity and trade receivables was EUR -3 million. Figures in the comparison period have not been restated.

On the date of initial application, 1 January 2017, the financial instruments of the Group were as follows, with any reclassifications noted.

Reclassifications of financial instruments on adoption of IFRS 9	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount in MEUR IAS 39	Carrying amount in MEUR IFRS 9	Change
Non-current financial assets					
Other investments (shares)	Available-for-sale financial assets	Fair value through the statement of income	15	15	
Interest-bearing investments	Loans and receivables	Fair value through the statement of income	6	6	
Other receivables	Loans and receivables	Amortised cost	6	6	
Current financial assets					
Trade receivables	Loans and receivables	Amortised cost	1 220	1 214	-6

Investments in commercial papers	Loans and receivables	Amortised cost		
Other receivables	Loans and receivables	Amortised cost	10	10
Derivatives included in hedge accounting	Cash flow hedges (at fair value through other comprehensive income)	Fair value through other comprehensive income	9	9
Derivatives, no hedge accounting	Financial assets at fair value through the statement of income	Fair value through the statement of income		
Trade receivables for sale	Loans and receivables	Fair value through the statement of income		3
Cash and cash equivalents	Loans and receivables	Fair value through the statement of income	472	472
Current financial liabilities				
Derivatives included in hedge accounting	Cash flow hedges (at fair value through other comprehensive income)	Fair value through other comprehensive income	31	31
Derivatives, no hedge accounting	Financial liabilities at fair value through the statement of income	Fair value through the statement of income	13	13
Other liabilities	Financial liabilities measured at amortised cost	Amortised cost	6	6

Amendments to **IAS 7 Statement of Cash Flows** - Disclosure Initiative clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities (separately from changes in other assets and liabilities). The amendments had an impact on the notes of the consolidated financial statements.

Amendments to **IAS 12 Income Taxes** - Recognition of Deferred Tax Assets for Unrealised Losses clarify the requirements on recognition of deferred tax assets for debt instruments measured at fair value. The amendments had no impact on consolidated financial statements.

Adoption of new and updated IFRS standards

In 2018, the Group will adopt the following new and amended standards and interpretations issued by the IASB.

New **IFRS 15 Revenue from Contracts with Customers** (effective for financial periods beginning on or after 1 January 2018): IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. It replaces existing revenue guidance, including IAS 18 Revenue, and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. When applying the new standard, the entity needs to assess whether the revenue will be recognised over time or at a point in time. The effect of variable considerations and the time value of money on transaction price need to be assessed. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements to be made. The Group is adopting the new standard on the required effective date using the full retrospective method.

In product delivery, short-term service orders, and short-term projects the management expects to identify mostly one performance obligation in a contract under the new standard, and revenue is typically recognised at a point in time when transfer of control occurs.

In long-term service agreements, and long-term projects the management expects to recognise mostly one performance obligation in a contract, and revenue is recognised at a point in time. When applying IFRS 15, the revenue recognition method is changed in two business lines: long-term service and maintenance agreements, and gas solutions related construction contracts.

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

The two business lines together represent, depending on the year, approximately 10-15% of the group's net sales. However, the impact on Group net sales is in large extent mitigated with wide portfolio of projects and agreements in different stages of lifetime. The combined restatement impact on equity on 1 January 2017 is EUR -10 million.

In project business the contracts usually have clauses for liquidated damages, which were previously accounted as provisions for cost when their probability was more likely than not to occur. Liquidated damages are treated as variable consideration in IFRS 15, and they are required to be estimated at contract inception. According to analyses, this will reduce the Group's recognised revenue to some extent as the penalties accounted as costs are deducted from sales according to IFRS 15.

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

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

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

The following new standard already issued by the IASB will be adopted in 2018 or later, depending on the effective date.

New **IFRS 16 Leases** (effective for financial periods beginning on or after 1 January 2019): IFRS 16 changes the accounting for operating leases by requiring companies to recognise lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments, and to depreciate those assets and interest on lease liabilities in the statement of income over the lease term. Whether a contract contains a lease is determined on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

When adapting IFRS 16, the portion of the lease payments currently included in other operating expenses in the consolidated statement of income will be transferred to depreciations and amortisations, and the interest portion to financial expenses. The standard will affect primarily the accounting for the Group's operating leases increasing the balance sheet totals and leading to some changes in key figures. At the reporting date,

the Group has non-cancellable operating lease commitments of 182 MEUR. The Group is assessing the impact of IFRS 16.

At this stage, the Group does not intend to adopt the standard before its effective date.

* Not yet endorsed for use by the European Union as of 31 December 2017.

The annual figures in this financial statements bulletin are audited.

Consolidated statement of income

MEUR	2017	2016	10-12 /2017	10-12 /2016
Net sales	4 923	4 801	1 445	1 559
Change in inventories of finished goods & work in progress	28	-134	-66	-172
Work performed by the Group and capitalised	12	2	10	-2
Other operating income	60	55	22	15
Material and services	-2 558	-2 353	-686	-675
Employee benefit expenses	-1 214	-1 159	-309	-317
Depreciation, amortisation and impairment	-134	-138	-42	-34
Other operating expenses	-577	-556	-156	-148
Share of result of associates and joint ventures	13	14	6	5
Operating result	552	532	225	231
Financial income	12	19	3	2
Financial expenses	-59	-72	-13	-7
Profit before taxes	506	479	215	226
Income taxes	-122	-123	-48	-55
Profit for the financial period	383	357	167	172
Attributable to:				
equity holders of the parent company	384	352	168	172
non-controlling interests	-1	4	-2	
	383	357	167	172
Earnings per share attributable to equity holders of the parent company (basic and diluted):				
Earnings per share (EPS), basic and diluted, EUR	1.95	1.79	0.86	0.87

Consolidated statement of comprehensive income

MEUR	2017	2016	10-12 /2017	10-12 /2016
Profit for the financial period	383	357	167	172
Other comprehensive income, net of taxes:				
Items that will not be reclassified to the statement of income				
Remeasurements of defined benefit liabilities	7	-12	5	1
Tax on items that will not be reclassified to the statement of income		3		
Total items that will not be reclassified to the statement of income	7	-9	5	

Items that may be reclassified subsequently to the statement of income				
Exchange rate differences on translating foreign operations				
for equity holders of the parent company	-74	-52	-15	14
for non-controlling interests	-2	-1		
Associates and joint ventures, share of other comprehensive income	-1	1	3	-1
Cash flow hedges			-1	-20
measured at fair value	1	-16		
transferred to the statement of income	36	58		
Tax on items that may be reclassified to the statement of income				
Cash flow hedges			-2	5
measured at fair value	-1	4		
transferred to the statement of income	-8	-14		
Total items that may be reclassified to the statement of income	-50	-21	-15	-2
Other comprehensive income for the financial period, net of taxes	-43	-30	-10	-1
Total comprehensive income for the financial period	341	327	157	170
Total comprehensive income attributable to:				
equity holders of the parent company	344	323	159	170
non-controlling interests	-3	3	-2	
	341	327	157	170

Consolidated statement of financial position

MEUR	31.12.2017	31.12.2016
Assets		
Non-current assets		
Goodwill	1 237	1 112
Intangible assets	340	322
Property, plant and equipment	338	394
Investment properties	11	12
Investments in associates and joint ventures	83	84
Other investments	13	15
Interest-bearing investments	5	6
Deferred tax assets	123	141
Trade receivables	109	13
Other receivables	18	18
Total non-current assets	2 277	2 116
Current assets		
Inventories	1 051	1 042
Trade receivables	1 307	1 220
Current tax receivables	53	46

Other receivables	539	494
Cash and cash equivalents	379	472
Total current assets	3 331	3 275
Total assets	5 607	5 391
Equity and liabilities		
Equity		
Share capital	336	336
Share premium	61	61
Translation differences	-133	-57
Fair value reserve	-10	-39
Remeasurements of defined benefit liabilities	-38	-45
Retained earnings	2 156	2 032
Total equity attributable to equity holders of the parent company	2 371	2 288
Non-controlling interests	24	34
Total equity	2 396	2 321
Liabilities		
Non-current liabilities		
Interest-bearing debt	517	520
Deferred tax liabilities	102	93
Pension obligations	154	168
Provisions	52	44
Advances received	64	58
Other liabilities	1	1
Total non-current liabilities	889	884
Current liabilities		
Interest-bearing debt	102	108
Provisions	209	206
Advances received	459	458
Trade payables	539	502
Current tax liabilities	83	78
Other liabilities	931	833
Total current liabilities	2 323	2 186
Total liabilities	3 212	3 070
Total equity and liabilities	5 607	5 391

Consolidated statement of cash flows

MEUR	2017	2016	10-12 /2017	10-12 /2016
Cash flow from operating activities:				
Profit for the financial period	383	357	167	172
Adjustments for:				
Depreciation, amortisation and impairment	134	138	42	34
Financial income and expenses	47	53	10	5
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-17	-6	-7	-1
Share of result of associates and joint ventures	-13	-14	-6	-5
Income taxes	122	123	48	55
Cash flow before changes in working capital	657	650	254	260
Changes in working capital:				
Receivables, non-interest-bearing, increase (-) / decrease (+)	-264	89	-212	-171
Inventories, increase (-) / decrease (+)	-27	162	72	210
Liabilities, non-interest-bearing, increase (+) / decrease (-)	189	-167	199	-28
Changes in working capital	-102	84	58	11
Cash flow from operating activities before financial items and taxes	555	734	312	271
Financial items and taxes:				
Interest income	1		2	
Interest expenses	-6	-13	1	-3
Other financial income and expenses	-2	19	-3	1
Income taxes paid	-119	-127	-37	-34
Financial items and paid taxes	-126	-121	-36	-36
Cash flow from operating activities	430	613	276	235
Cash flow from investing activities:				
Acquisitions	-191	-81	-45	
Investments in associates and joint ventures		-9		
Investments in property, plant and equipment and intangible assets	-64	-55	-34	-20
Proceeds from sale of property, plant and equipment and intangible assets	17	18	13	8
Proceeds from sale of other investments	2	1		1
Loan receivables, increase (-) / decrease (+), and other changes	1		1	
Cash flow from investing activities	-235	-126	-66	-11
Cash flow after investing activities	195	487	211	224
Cash flow from financing activities:				
Proceeds from non-current debt	90	131		
Repayments and other changes in non-current debt	-101	-91	-1	-1
Loan receivables, increase (-) / decrease (+)	2	-4		
Current loans, increase (+) / decrease (-)	-5	-125	-109	-98
Dividends paid	-264	-250	-14	
Cash flow from financing activities	-278	-339	-125	-100
Change in cash and cash equivalents, increase (+) / decrease (-)	-83	148	86	125

Cash and cash equivalents at the beginning of the financial period	472	334	292	345
Exchange rate changes	-10	-9	2	3
Cash and cash equivalents at the end of the financial period	379	472	379	472

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	Total		
Equity on 1 January 2016	336	61	-6	-70	-36	1 916	2 201	41	2 242
Translation differences			-51				-51	-1	-52
Cash flow hedges									
net change in fair value, net of taxes				-13			-13		-13
transferred to the statement of income, net of taxes				44			44		44
Defined benefit plans					-9		-9		-9
Other comprehensive income			-51	31	-9		-29	-1	-30
Profit for the financial period						352	352	4	357
Total comprehensive income for the financial period			-51	31	-9	352	323	3	327
Total transactions with the owners of the company									
dividends paid						-237	-237	-11	-247
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	2 288	34	2 321

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	Total		
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	2 288	34	2 321
Restatement due to IFRS 9						-3	-3		-3
Equity on 1 January 2017	336	61	-57	-39	-45	2 028	2 284	34	2 318
Translation differences			-76				-76	-2	-78
Cash flow hedges									
transferred to the statement of income, net of taxes				28			28		28
Defined benefit plans					7		7		7
Other comprehensive income			-76	28	7		-41	-2	-43
Profit for the financial period						384	384	-1	383
Total comprehensive income for the financial period			-76	28	7	384	343	-3	340
Total transactions with the owners of the company									
dividends paid						-256	-256	-6	-263
Equity on 31 December 2017	336	61	-133	-10	-38	2 156	2 371	24	2 396

Acquisitions

Greensmith Energy Management Systems Inc.

On 3 July 2017, Wärtsilä acquired 100% of Greensmith Energy Management Systems Inc.

Greensmith Energy Management Systems Inc. is a market leader in grid-scale energy storage software and integrated solutions. The acquisition of Greensmith enables Wärtsilä to rapidly expand its footprint in the energy storage market globally and position as a premier energy system integrator.

The following tables summarise the preliminary amounts for the consideration paid for Greensmith, 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	144
Total consideration transferred	144

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	144
Total cash flow from the acquisition	144

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	42
Trade and other receivables	5
Deferred tax assets	4
Total assets	51
Provisions	5
Trade payables and other liabilities	5
Deferred tax liabilities	17
Total liabilities	27
Total net assets	24
Preliminary goodwill	120

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including trademark and technology related IP) amounted to EUR 42 million. The fair value of current trade receivables and other receivables is approximately EUR 5 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 120 million reflects the value of know-how and expertise in grid-scale energy storage and integrated solutions. Wärtsilä foresees that the acquisition will strengthen its position as an energy system integrator as well as support its growth strategy by improving Wärtsilä's offering and services towards customers.

During 2017 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 consolidated statement of income.

Pro Forma

If the Greensmith acquisition had occurred on 1 January 2017, management estimates that consolidated net sales would have been EUR 4,928 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 2017.

Other acquisitions

In October, Wärtsilä acquired 100% of Puregas Solutions Ab and Guidance Navigation Holdings Limited.

Puregas Solutions is a Sweden based leader in turnkey biogas upgrading solutions. The acquisition complements Wärtsilä's existing position in the biogas liquefaction market.

Guidance Navigation Holdings Limited is a UK based privately owned company. The company is a technology leader in the marine industry for sensor solutions relating to dynamic positioning and other vessel control systems. The acquisition enhances Wärtsilä's capabilities in the areas of situational awareness and near-field measurement, both essential for more intelligent vessel navigation.

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

Preliminary consideration	MEUR
Consideration transferred	63
Total consideration transferred	63

Preliminary cash flow from the acquisitions	MEUR
Consideration paid in cash	53
Contingent consideration	9
Cash and cash equivalents of the acquired companies	-10
Total cash flow from the acquisitions	52

Provisional values of the assets and liabilities arising from the acquisitions	MEUR
Intangible assets	17
Inventories	1
Trade and other receivables	14
Cash and cash equivalents	10
Total assets	43
Provisions	1
Trade payables and other liabilities	9
Advances received	4
Deferred tax liabilities	4
Total liabilities	17
Total net assets	26
Preliminary goodwill	37

The preliminary fair values of acquired identifiable intangible assets at the dates of acquisitions (including customer relations, technology and trade marks) amounted to EUR 17 million. The fair value of current trade receivables and other receivables is approximately EUR 14 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 37 million reflects the value of know-how and expertise in turnkey biogas upgrading solutions and more intelligent vessel navigation. Wärtsilä foresees that acquisition of Puregas Solutions Ab will strengthen and complement its position in the biogas liquefaction market as well as improve Wärtsilä's offering and reach in the gas value chain. The acquisition of Guidance Navigation Holdings Limited enhances Wärtsilä's capabilities in the areas of situational awareness and near-field measurement, both essential for more intelligent vessel navigation.

During 2017, 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 consolidated statement of income.

Pro forma

If the other acquisitions had occurred on 1 January 2017, management estimates that consolidated net sales would have been EUR 4,940 million. The impact in the consolidated operating result would not have been significant. In determining these amounts, management has assumed that the fair value adjustments, which arose on the dates of acquisitions would have been the same if the acquisitions had occurred on 1 January 2017.

Net sales by geographical areas

MEUR	2017	2016
Europe	1 527	1 581
Asia	1 948	1 774
The Americas	1 113	1 039
Other	335	407
Total	4 923	4 801

Measures of profit and items affecting comparability

MEUR	2017	2016
Comparable adjusted EBITA	626	618
Purchase price allocation amortisation	-36	-35
Comparable operating result	590	583
Items affecting comparability:		
Social plan costs	-10	-22
Impairment and write-downs	-18	-22
Transfer costs	-3	
Other restructuring costs	-7	-7
Items affecting comparability, total	-37	-51
Operating result	552	532

Intangible assets and property, plant & equipment

MEUR	2017	2016
Intangible assets		
Carrying amount on 1 January	1 434	1 464
Changes in exchange rates	-39	-52
Acquisitions	217	71
Additions	25	16
Amortisation and impairment	-60	-62
Disposals and reclassifications		-3
Carrying amount at the end of the financial period	1 577	1 434
Property, plant and equipment		
Carrying amount on 1 January	405	431
Changes in exchange rates	-12	5
Acquisitions		14

Additions	39	38
Depreciation and impairment	-75	-76
Disposals and reclassifications	-10	-7
Carrying amount at the end of the financial period	349	405

Gross capital expenditure

MEUR	2017	2016
Investments in securities and acquisitions	191	91
Intangible assets and property, plant and equipment	64	55
Total	255	146

Net interest-bearing debt

MEUR	2017	2016
Non-current liabilities	517	520
Current liabilities	102	108
Loan receivables	-5	-7
Cash and cash equivalents	-379	-472
Total	234	150

Financial ratios

	2017	2016
Earnings per share (EPS), basic and diluted, EUR	1.95	1.79
Equity per share, EUR	12.02	11.60
Solvency ratio, %	47.1	47.6
Gearing	0.10	0.07
Return on investment (ROI), %	18.9	17.1
Return on equity (ROE), %	16.3	15.6

Personnel

	2017	2016
On average	17 866	18 332
At the end of the financial period	18 065	18 011

Contingent liabilities

MEUR	2017	2016
Mortgages	10	10
Chattel mortgages and other pledges and securities	19	26
Total	29	36
Guarantees and contingent liabilities		
on behalf of Group companies	737	921
Nominal amount of rents according to leasing contracts		
payable within one year	35	34
payable between one and five years	101	84
payable later	48	30
Total	922	1 069

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	165	
Cross currency swaps	74	
Foreign exchange forward contracts	1 948	746
Total	2 187	746

In addition, the Group had copper futures and swaps amounting to 254 tons.

Fair values

Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Other investments (level 3)	13	13
Interest-bearing investments, non-current (level 2)	5	5
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	28	28
Financial liabilities		
Interest-bearing debt, non-current (level 2)	517	524
Derivatives (level 2)	41	41

Events after the balance sheet date

Wärtsilä strengthens its service offering by acquiring Trident B.V., a Netherland based company specialised in underwater ship maintenance, inspection, and repair services. Through the acquisition Wärtsilä becomes the first global operator in the underwater services market as well as builds in-house competence, captures the full potential of services' product synergies, and strengthens its position in the market.

The enterprise value of the transaction is EUR 17.5 million and an additional EUR 3.5 million earn-out, based on the business performance in the coming years. The turnover of Trident is approximately EUR 9 million.

Quarterly figures

MEUR	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015
Order intake									
Services	646	550	599	686	565	522	527	580	572
Energy Solutions	501	418	361	405	501	330	304	312	366
Marine Solutions	366	387	403	322	258	287	362	379	465
Total	1 514	1 354	1 363	1 413	1 324	1 139	1 194	1 271	1 403
Order book at the end of the financial period									
Services	1 171	1 194	1 193	1 187	999	1 031	1 048	1 017	958
Energy Solutions	1 871	1 839	1 764	1 847	1 680	1 676	1 547	1 491	1 366
Marine Solutions	2 023	2 042	2 108	2 062	2 017	2 317	2 488	2 595	2 558
Total	5 064	5 075	5 065	5 096	4 696	5 024	5 083	5 103	4 882
Net sales									
Services	654	526	546	490	636	512	542	500	619
Energy Solutions	425	324	412	239	414	177	220	132	374
Marine Solutions	366	328	334	279	509	390	433	335	598
Total	1 445	1 178	1 292	1 007	1 559	1 079	1 196	967	1 590
Share of result of associates and joint ventures	6	3	3	1	5	2	4	3	6
Comparable adjusted EBITA	254	144	134	94	262	132	131	93	224
as a percentage of net sales	17.5	12.2	10.4	9.4	16.8	12.3	10.9	9.6	14.1
Depreciation, amortisation and impairment	-42	-30	-30	-33	-34	-31	-42	-31	-33
Purchase price allocation amortisation	-10	-9	-9	-9	-9	-9	-9	-9	-9
Comparable operating result	244	135	126	86	253	123	122	84	215
as a percentage of net sales	16.9	11.4	9.7	8.5	16.3	11.4	10.2	8.7	13.5
Items affecting comparability, total	-19	-4	-8	-6	-22	-2	-26	-1	-13
Operating result	225	130	117	80	231	122	96	83	202
as a percentage of net sales	15.6	11.1	9.1	7.9	14.8	11.3	8.0	8.6	12.7
Financial income and expenses	-10	-17	-14	-5	-5	-7	-38	-3	-2
Profit before taxes	215	114	103	74	226	115	58	80	199

Income taxes	-48	-29	-27	-17	-55	-31	-17	-20	-41
Profit for the financial period	167	85	76	57	172	84	41	60	159
Earnings per share (EPS), basic and diluted, EUR	0.86	0.43	0.38	0.28	0.87	0.43	0.19	0.30	0.79
Gross capital expenditure	79	156	11	9	20	55	60	11	32
Investments in securities and acquisitions	45	145		1		42	49		5
Cash flow from operating activities	276	150	2	2	235	189	202	-13	176
Working capital (WCAP) at the end of the financial period	591	658	680	580	490	540	602	709	543
Personnel at the end of the financial period									
Services	10 624	10 528	10 455	10 464	10 567	10 648	10 575	10 331	10 592
Energy Solutions	1 038	1 017	928	913	903	920	945	958	959
Marine Solutions	5 845	5 774	5 861	5 920	6 074	6 305	6 443	6 681	6 847
Other	559	540	539	533	467	464	465	457	459
Total	18 065	17 859	17 783	17 832	18 011	18 337	18 428	18 427	18 856

Calculation of financial ratios

Earnings per share (EPS), basic and diluted

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

Adjusted number of shares over the financial period

Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the financial period

Solvency ratio

Equity

Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses

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

x 100

Return on equity (ROE)

Profit for the financial period

Equity, average over the financial period

x 100

Working capital (WCAP)

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

Comparable adjusted EBITA

Operating result – items affecting comparability – purchase price allocation amortisation

Comparable operating result

Operating result – items affecting comparability

Items affecting comparability

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

30 January 2018
Wärtsilä Corporation
Board of Directors