Wärtsilä Corporation

Interim Report

January – September 2018

Good development in net sales

Third quarter highlights

- Order intake stable at EUR 1,372 million (1,354)
- Net sales increased 13% to EUR 1,330 million (1,175)
- Book-to-bill 1.03 (1.15)
- Comparable operating result increased to EUR 141 million (131), which represents 10.6% of net sales (11.2)
- Earnings per share increased to 0.17 euro (0.14)
- Cash flow from operating activities decreased to EUR 122 million (150)

Highlights of the review period January–September 2018

- Order intake increased 7% to EUR 4,433 million (4,130)
- Net sales increased 5% to EUR 3,642 million (3,471)
- Book-to-bill 1.22 (1.19)
- Comparable operating result improved to EUR 352 million (335), which represents 9.7% of net sales (9.7)
- Earnings per share increased to 0.39 euro (0.35)
- Cash flow from operating activities decreased to EUR 121 million (154)
- Order book at the end of the period increased 16% to EUR 5,918 million (5,107)

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:

- Solid in Services (lowered from good). Although there are growth opportunities in selected regions and segments, the development of transactional service volumes has been slower than anticipated.
- Good in Energy Solutions. The global shift towards renewable energy sources and increasing electricity demand in the emerging markets are supporting the need for distributed and flexible power capacity, including gas-fired generation, energy storage, and smart integration technology.
- Good in Marine Solutions. Wärtsilä’s demand outlook is supported by its extensive product mix and broad segment exposure, which compensates for the slow pace of recovery in overall vessel contracting.

Wärtsilä’s current order book for 2018 deliveries is EUR 1,364 million (1,206) and is comprised mainly of equipment deliveries. Services’ business is largely transactional, with only around 30% of its annual net sales coming from the order book.

Jaakko Eskola, President & CEO

“Wärtsilä's net sales developed well in the third quarter, thanks to the strong growth in newbuild marine and energy deliveries. This, in combination with slower than anticipated development in transactional service volumes, is affecting the group sales mix and burdening profitability.

In the marine industry, the approaching IMO 2020 sulphur regulations have resulted in increased demand for exhaust gas cleaning systems. This boosted order intake in both Marine Solutions and Services. Marine Solutions’ orders were further supported by the continued high level of activity in the cruise and ferry segment. In the energy markets, postponed investment decisions for certain projects adversely affected Energy Solutions’ order intake. Nevertheless, a healthy project pipeline provides confidence in improved activity going forward.

In August, Wärtsilä announced that it will build a new centre for research, development and production, in Vaasa, Finland. When finalised in 2020, this Smart Technology Hub will enable more agile and efficient testing, development, and production of solutions for the maritime, oil and gas, and energy industries. Another key step in the execution of our strategies was the decision to reorganise into two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, as of the beginning of next year. By forming two business areas that cover both new sales and services, we will enhance customer value through a stronger focus on lifecycle solutions tailored to specific market needs. Customers will also benefit from increased flexibility and even faster response times. I firmly believe that this will support our progression towards our long-term financial targets."

Key figures

MEUR	7-9/2018	Restated 7-9/2017	Change	1-9/2018	Restated 1-9/2017	Change	Restated 2017
Order intake	1 372	1 354	1%	4 433	4 130	7%	5 644
Order book at the end of the period				5 918	5 107	16%	5 100
Net sales	1 330	1 175	13%	3 642	3 471	5%	4 911
Operating result[1]	141	127	11%	337	316	6%	538
% of net sales	10.6	10.8		9.2	9.1		11.0
Comparable operating result	141	131	8%	352	335	5%	576
% of net sales	10.6	11.2		9.7	9.7		11.7
Comparable adjusted EBITA	152	141	8%	384	362	6%	612
% of net sales	11.5	12.0		10.5	10.4		12.5
Profit before taxes	130	110	18%	308	280	10%	491
Earnings/share, EUR	0.17	0.14		0.39	0.35		0.63
Cash flow from operating activities	122	150		121	154		430
Net interest-bearing debt at the end of the period				647	432		234
Gross capital expenditure				258	176		255
Gearing				0.28	0.20		0.10

[1]Items affecting comparability in the third quarter comparison period included costs related to restructuring programmes of EUR 4 million. During the review period January-September 2018 restructuring and acquisition related costs amounted to EUR 15 million (19).

As of 1 January 2018, Wärtsilä has adopted the IFRS 15 Revenue from Contracts with Customers standard by using the full retrospective method. This interim report is published according to the new standard and comparison periods for 2017, including the opening balance sheet, have been restated accordingly. Wärtsilä has also restated the 2017 figures for Marine Solutions and Services, due to an internal transfer of certain service activities. This transfer has no impact on Group totals.

The share issue without payment approved by Wärtsilä's Annual General Meeting on 8 March 2018 increased the total number of Wärtsilä shares to 591,723,390. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Market development

Steady development in the service markets

Service market activity during January-September 2018 was in line with the corresponding period of the previous year. In the marine markets, transactional service activity remained on a lower than anticipated level in the merchant and offshore segments, while the demand for services was healthy in the cruise and ferry segment. The approaching IMO 2020 sulphur regulations continued to drive demand for environmental retrofit projects. In power plant related services, there was some slowness in demand development in specific countries.

Power generation markets shifting towards smart and flexible technologies

The interest in flexible power generation and storage solutions is growing, as solar and wind become increasingly cost competitive. Utilities are assessing how to integrate such energy sources into their asset base, and are updating their long-term investment plans accordingly. In the emerging markets, currency volatility has resulted in postponed decision-making in certain countries, despite the continued need for flexible baseload capacity to support economic growth and alleviate power shortages.

Energy Solutions' market share

For the twelve months period ending in June, Wärtsilä's market share in the below 500 MW market segment decreased to 17% (21). Global orders for natural gas and liquid fuel power plants increased by 15% to 20.7 GW (18.1). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size.

Gradual recovery in marine markets with strong demand for environmental solutions

During January-September 2018, 801 contracts for new vessels were registered (690). In the merchant markets, the positive outlook for LNG trade resulted in robust gas carrier orders, while investments in bulkers and container ships declined partly due to global trade tariff concerns. Overcapacity continued to slow newbuild investments in the offshore industry. Contracting in the cruise and ferry markets remained at a high level. The demand for exhaust gas cleaning systems continued to grow as a result of the approaching IMO 2020 sulphur regulations.

In terms of compensated gross tonnage, South Korea and China remain the largest shipbuilding nations with 39% and 32% of all confirmed contracts respectively. Japan and Italy accounted for 14% and 4% respectively of the global total.

Order intake

Wärtsilä's third quarter order intake was stable at EUR 1,372 million (1,354). The third quarter book-to-bill ratio was 1.03 (1.15).

Order intake for the Services business increased by 17% to EUR 699 million (598) in the third quarter of 2018. During the quarter, Wärtsilä signed a 10-year asset management agreement for a power station in Papua New Guinea, as well as a 10-year maintenance and operational advisory agreement with Hawaiian Electric Co. In the marine markets, Wärtsilä extended its service agreement with Royal Caribbean to the year 2028. Orders received in the third quarter also included several environmental retrofit projects.

Third quarter order intake for Energy Solutions declined by 65% to EUR 148 million (418). While the pipeline remains healthy, postponed investment decisions for certain projects affected ordering activity in the quarter. The most active markets were Asia and Africa, where orders received included one for a 38 MW dual-fuel equipment supply to Equatorial Guinea.

Marine Solutions' third quarter order intake totalled EUR 525 million (339), an increase of 55% compared to the corresponding period last year. Among the orders received were a considerable number of exhaust gas cleaning system orders for newbuilds. Ordering activity was particularly strong in the cruise and ferry segment, which represented 30% of the third quarter order intake.

The conventional merchant segment's share was 22%, while the gas carrier segment accounted for 10%. Navy represented 16%, special vessels 7%, and offshore 5% of the total. Other orders accounted for 10%.

The total order intake for the review period January-September 2018 increased by 7% to EUR 4,433 million (4,130). The book-to-bill ratio for the review period was 1.22 (1.19). Services' order intake amounted to EUR 2,221 million (1,974), an increase of 12%. Energy Solutions' order intake decreased by 22% to EUR 921 million (1,184). Marine Solutions' order intake increased by 33% to EUR 1,291 million (972).

Order intake by business

MEUR	7-9/2018	Restated 7-9/2017	Change	1-9/2018	Restated 1-9/2017	Change	Restated 2017
Services	699	598	17%	2 221	1 974	12%	2 670
Energy Solutions	148	418	-65%	921	1 184	-22%	1 685
Marine Solutions	525	339	55%	1 291	972	33%	1 288
Order intake, total	1 372	1 354	1%	4 433	4 130	7%	5 644

Due to the internal reorganisation of service activities, EUR 48 million was transferred from Marine Solutions to Services in the figures for the third quarter of 2017 and EUR 190 million for the full year.

Order intake Energy Solutions

MW	7-9/2018	7-9/2017	Change	1-9/2018	1-9/2017	Change	2017
Oil	21	757	-97%	699	1 445	-52%	1 838
Gas	212	284	-26%	1 127	1 411	-20%	1 938
Renewables	-	-	-	42	-	100%	-
Order intake, total	232	1 041	-78%	1 868	2 856	-35%	3 775

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and in the Wärtsilä Qiyao Diesel Company Ltd, CSSC Wärtsilä Engine Company Ltd. and CSSC Wärtsilä Electrical & Automation Company Ltd. joint venture companies in China totalled EUR 141 million (56) during the review period January-September 2018. 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 5,918 million (5,107), an increase of 16%. The Services order book increased by 39% to EUR 1,742 million (1,249), thanks to the increased demand for exhaust gas cleaning retrofit projects and continued interest in long-term service agreements. For service agreements, only the expected net sales for the next 24 months are included in the Services order book. The Energy Solutions order book decreased by 6%, totalling EUR 1,725 million (1,839). The Marine Solutions order book increased by 21% to EUR 2,451 million (2,018).

Order book by business

MEUR	30.9.2018	Restated 30.9.2017	Change	Restated 31.12.2017
Services	1 742	1 249	39%	1 220
Energy Solutions	1 725	1 839	-6%	1 871
Marine Solutions	2 451	2 018	21%	2 009
Order book, total	5 918	5 107	16%	5 100

Due to the internal reorganisation of service activities, EUR 55 million was transferred from Marine Solutions to Services in the figures at the end of September 2017 and EUR 49 million at the end of 2017.

Net sales

Wärtsilä's net sales for the third quarter totalled EUR 1,330 million (1,175), an increase of 13% compared to the corresponding period last year. Net sales from the Services business was stable at EUR 572 million (569). When adjusting for the effects of currency translation, Services' net sales increased by 2%. Net sales for Energy Solutions increased by 39% to EUR 451 million (324). Marine Solutions' net sales totalled EUR 307 million (282), which is 9% higher than in the corresponding quarter last year.

Wärtsilä's net sales for the review period January-September 2018 increased by 5% to EUR 3,642 million (3,471). Net sales from the Services business was stable at EUR 1,689 million (1,696). Adjusting for the effects of currency translation, Services' net sales grew by 4%. Net sales for Energy Solutions totalled EUR 1,086 million (975), an increase of 11%. Marine Solutions' net sales increased by 9% to EUR 867 million (799). Of the total net sales, Services accounted for 46%, Energy Solutions for 30%, and Marine Solutions for 24%.

Of Wärtsilä's net sales for the period January-September 2018, approximately 68% was EUR denominated, 21% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	7-9/2018	Restated 7-9/2017	Change	1-9/2018	Restated 1-9/2017	Change	Restated 2017
Services	572	569	1%	1 689	1 696	0%	2 407
Energy Solutions	451	324	39%	1 086	975	11%	1 401
Marine Solutions	307	282	9%	867	799	9%	1 104
Net sales, total	1 330	1 175	13%	3 642	3 471	5%	4 911

Due to the internal reorganisation of service activities, EUR 39 million was transferred from Marine Solutions to Services in the figures for the third quarter of 2017 and EUR 177 million for the full year.

Operating result and profitability

The third quarter operating result was EUR 141 million (127), which represents 10.6% of net sales (10.8). The comparable operating result was EUR 141 million (131), or 10.6% of net sales (11.2). Items affecting comparability in the comparison period included costs related to restructuring programmes of EUR 4 million. The comparable adjusted EBITA was EUR 152 million (141), or 11.5% of net sales (12.0). Purchase price allocation amortisation amounted to EUR 11 million (9).

The operating result for the review period January-September 2018 was EUR 337 million (316), which represents 9.2% of net sales (9.1). The comparable operating result was EUR 352 million (335), or 9.7% of net sales (9.7). Items affecting comparability included costs related to restructuring programmes and acquisitions of EUR 15 million (19). The comparable adjusted EBITA was EUR 384 million (362), or 10.5% of net sales (10.4). Purchase price allocation amortisation amounted to EUR 32 million (27).

Wärtsilä's operating result for the review period January-September 2018 was positively affected by the release of an EUR 2 million provision related to long-term incentive schemes. In the comparison period a provision of EUR 36 million was booked. 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-September 2018 amounted to EUR -29 million (-37). Net interest totalled EUR -5 million (-6). Profit before taxes amounted to EUR 308 million (280). Taxes amounted to EUR 75 million (70), implying an effective tax rate of 24.4% (24.9). Earnings per share were 0.39 euro (0.35) and the equity per share was 3.90 euro (3.71). Return on investments (ROI) was 18.6% (19.1). Return on equity (ROE) was 17.5% (17.5).

Measures of profit and items affecting comparability

MEUR	7-9/2018	Restated 7-9/2017	1-9/2018	Restated 1-9/2017	Restated 2017
Comparable adjusted EBITA	152	141	384	362	612
Purchase price allocation amortisation	-11	-9	-32	-27	-36
Comparable operating result	141	131	352	335	576
Items affecting comparability	0	-4	-15	-19	-37
Operating result	141	127	337	316	538

Balance sheet, financing and cash flow

Wärtsilä's third quarter cash flow from operating activities amounted to EUR 122 million (150). For January-September 2018, the operating cash flow totalled EUR 121 million (154). Cash flow was negatively affected by the increase in inventories ahead of deliveries later in the year. At the end of the review period, working capital totalled EUR 782 million (632), a decrease of EUR 8 million from the end of the previous quarter. Advances received at the end of the period totalled EUR 557 million (495). At the end of the previous quarter, advances totalled EUR 563 million. Cash and cash equivalents at the end of the period amounted to EUR 221 million (292) and unutilised Committed Credit Facilities totalled EUR 640 million (640).

Wärtsilä had interest-bearing debt totalling EUR 874 million (729) at the end of September 2018. At the end of December 2017, the interest-bearing debt totalled EUR 619 million. The total amount of short-term debt maturing within the next 12 months was EUR 129 million. Long-term loans amounted to EUR 746 million. Net interest-bearing debt totalled EUR 647 million (432) and gearing was 0.28 (0.20).

Liquidity preparedness

MEUR	30.9.2018	31.12.2017
Cash and cash equivalents	221	379
Unutilised committed credit facilities	640	765
Liquidity preparedness	861	1 144
% of net sales (rolling 12 months)	17	23
Less Commercial Papers	50	-
Liquidity preparedness excluding Commercial Papers	811	1 144
% of net sales (rolling 12 months)	16	23

On 30 September 2018, the average maturity of the total loan portfolio was 48 months and the average maturity of the long-term debt was 51 months.

Capital expenditure

Capital expenditure related to intangible assets and property, plant and equipment amounted to EUR 61 million (30) during the review period January-September 2018. Capital expenditure related to acquisitions and investments in joint ventures totalled EUR 197 million (145). Depreciation, amortisation, and impairment for the review period amounted to EUR 92 million (93).

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

Strategic projects, acquisitions and joint ventures

In August, Wärtsilä announced that it will build the Smart Technology Hub, a new centre for research, development and production, in Vaskiluoto, Vaasa, Finland. The hub will be unique in its field, enabling more agile and efficient testing and development of solutions for the maritime and oil and gas industries, as well as new energy systems. As part of the project, Wärtsilä will invest EUR 83 million in modern testing and production technology for the hub. The total investment in the Smart Technology Hub will be in the region of EUR 200 million, consisting of office and factory buildings, logistics, and infrastructure.

Research and development, product launches

A new standardised energy storage solution was launched in September. GridSolv is an advanced storage solution designed to offer maximum flexibility and speed of deployment. The solution architecture supports both standalone deployments, as well as hybrid solutions with thermal or renewable generation assets.

In September, Wärtsilä inaugurated the upgrading of the Exhaust Gas Cleaning (EGC) test facilities located in Moss, Norway. The facilities in Moss are central to the development of Wärtsilä's EGC offering, aiding in the development of new and improved solutions for reducing air pollution from exhaust gas emissions. The upgrading will facilitate the analysing and improvement of the interaction between engines and abatement equipment. Solutions for the treatment of wash water and sludge in EGC systems can also be refined and developed.

During the third quarter, Wärtsilä's Aquarius EC Ballast Water Management System was granted Type Approval by the United States Coastguard (USCG) authorities. This approval verifies that the product has met the specified regulatory, technical, and safety requirements, and represents an endorsement of its design and efficiency principles. In addition, the Aquarius UV Ballast Water Management System successfully completed all testing procedures required for USCG type approval compliance. The documentation for full USCG type approval is being finalised for submission and awaits final input from DNV-GL, the USCG approved independent laboratory.

Personnel

Wärtsilä had 19,420 (17,859) employees at the end of September 2018. On average, the number of personnel for January-September 2018 totalled 18,781 (17,822). The increase in the number of employees relates mainly to the acquisition of Transas. Services employed 11,426 (11,135) people at the end of September, Energy Solutions 1,165 (1,017), and Marine Solutions 6,195 (5,167).

Of Wärtsilä’s total number of employees, 20% (20) were located in Finland and 40% (38) elsewhere in Europe. Personnel employed in Asia represented 25% (27) of the total, personnel in the Americas 11% (11), and personnel in other countries 4% (4).

Changes in management

The following appointments have been made to the Board of Management of Wärtsilä Corporation:

Mr Marco Wirén (52), M.Sc. (Econ.), has been appointed President of Energy Solutions, Executive Vice President and a member of the Board of Management of Wärtsilä Corporation, effective from 1 October 2018. In this position, he is responsible for Wärtsilä's Energy Solutions business globally, and reports to President & CEO Jaakko Eskola. He succeeds Mr Javier Cavada Camino, who has left Wärtsilä to become President & CEO of the London-based energy storage company, Highview Power.

Mr Arjen Berends (50), MBA, has been appointed Chief Financial Officer, Executive Vice President and a member of the Board of Management of Wärtsilä Corporation, effective from 1 October 2018. He reports to President & CEO Jaakko Eskola.

Mr Pierpaolo Barbone (61), President of Services, Executive Vice President and Deputy to the CEO, will pursue opportunities outside Wärtsilä at the end of the year.

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.

In August 2018, Wärtsilä successfully commissioned its first engine plus storage hybrid installation, enabling Hungary’s ALTEO Group to optimise its generation portfolio. Wärtsilä energy storage solutions enable power companies and developers to integrate and optimise a diverse mix of grid resources, and deliver flexibility, reliability, and resilience for customers seeking best-in-class system performance.

In September, Wärtsilä announced ‘An Oceanic Awakening’ – a global initiative focused on the radical transformation of the world’s marine and energy industries into one supremely efficient, ecologically sound, and digitally connected ecosystem.

During the third quarter, the Wärtsilä 34DF engine was awarded the USA Environmental Protection Agency’s Tier III certification for diesel mode operation when installed together with the Wärtsilä NOx Reducer system. Wärtsilä is the first engine manufacturer to be awarded this certification. Wärtsilä’s hybrid power module, the innovative Wärtsilä HY, was granted Approval in Principle by ABS, a leading global provider of classification and technical advisory services to the marine and offshore industries.

Wärtsilä's share is included in several sustainability indices. During the third quarter, Wärtsilä was reconfirmed as a constituent of the following sustainability indices: Dow Jones Sustainability Indices (DJSI), FTSE4Good Index Series and Ethibel Sustainability Index (ESI) Excellence Europe.

Shares and shareholders

During January-September 2018, the volume of trades on Nasdaq Helsinki was 204,389,160 shares, equivalent to a turnover of EUR 3,668 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 159,822,648 shares.

Shares on Nasdaq Helsinki

30.9.2018	Number of shares and votes	Number of shares traded 1-9/2018
WRT1V	591 723 390	204 389 160

1.1. - 30.9.2018	High	Low	Average [1]	Close
Share price	19.88	16.06	17.95	16.79

[1] Trade-weighted average price

	30.9.2018	30.9.2017
Market capitalisation, EUR million	9 935	11 815
Foreign shareholders, %	55.2	56.0

Flagging notifications

During the review period January-September 2018, BlackRock Inc. informed Wärtsilä of the following changes in ownership:

Release date	Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
26.2.2018	23.2.2018	BlackRock, Inc.	Above 10%	9.88	10.04
28.2.2018	27.2.2018	BlackRock Investment Management (UK) Limited	Below 5%	4.85	6.10
2.3.2018	1.3.2018	BlackRock, Inc.	Below 10%	7.13	9.98
8.3.2018	6.3.2018	BlackRock, Inc.	Above 10%	6.64	10.01
9.3.2018	8.3.2018	BlackRock, Inc.	Below 10%	6.60	9.97
14.3.2018	13.3.2018	BlackRock, Inc.	Above 10%	6.69	10.04
19.3.2018	16.3.2018	BlackRock, Inc.	Below 10%	8.22	9.66
22.3.2018	21.3.2018	BlackRock Investment Management (UK) Limited	Above 5%	5.07	6.03
6.9.2018	5.9.2018	BlackRock Investment Management (UK) Limited	Below 5%	4.75	5.78
28.9.2018	27.9.2018	BlackRock Investment Management (UK) Limited	Above 5%	5.03	5.14

Decisions taken by the Annual General Meeting

Wärtsilä Corporation's Annual General Meeting, held on 8 March 2018, 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 2017.

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 company's auditor for the year 2018.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.38 per share in two instalments. The first instalment of EUR 0.69 per share was paid on 19 March 2018. In accordance with the approved share issue without payment (share split), the second instalment was divided between one old and two new shares so that EUR 0.23 was paid on each share. The second instalment was paid on 27 September 2018.

Share issue without payment (share split)

The Annual General Meeting approved the Board of Directors' proposal to issue new shares to the shareholders without payment in proportion to their holdings so that two new shares are issued for each share. Thereby, a total of 394,482,260 new shares were issued. The new shares were registered in the trade register on 12 March 2018.

Authorisation to repurchase and distribute the Company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 57,000,000 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 57,000,000 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 2 March 2017. The Board of Directors was authorised to resolve to whom and in which order the shares will be distributed. The Board of Directors was authorised to decide on the repurchase or 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 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.

Risks and business uncertainties

In the Services business, slow economic growth and political instability in specific regions are the main risks for demand development. Weakening currencies in certain countries may affect customers' purchasing power. The challenging conditions in the merchant and offshore markets 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, implications of trade barriers, as well as significant currency fluctuations can result in investment decisions being postponed in certain countries. Price pressure resulting from the prevailing competitive environment remains a risk.

Economic uncertainty and escalating trade tensions is a concern in the marine markets. Investments in the offshore industry remain limited, and offshore production is facing increasing competition from low cost onshore and shale production. In addition, the increasing importance of energy efficiency and the substitution of other energy sources, will challenge growth in crude oil demand. Enforcement of environmental regulations and potential new regulations remain as a source of uncertainty. Climate change requires increasing efforts to lower GHG emissions within the shipping industry.

Wärtsilä emphasises a holistic approach to the 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 the IEC62443 and ISO 27k protocols. Such activities include cyber assurance, risk management, detection, a secure software development lifecycle, training, endpoint protection, network security, and cyber advisory services. Wärtsilä has implemented new procedures for storing, processing, and using data in the company's systems so as to comply with the General Data Protection Regulation. Cyber security was taken into consideration in this implementation.

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.

Events after the review period

In October, Wärtsilä announced the decision to reorganise into two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, covering both new sales and services for the respective markets. With this change, Wärtsilä aims to deliver increased value to its customers by better serving their needs throughout the full lifecycle. Forming two business areas will enable Wärtsilä to accelerate growth and the implementation of its Smart Marine and Smart Energy strategies. It also allows Wärtsilä to more effectively serve its customers with increased flexibility and faster response times. The new organisational structure will be operational as of 1 January 2019.

Wärtsilä Interim report January-September 2018

This interim 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 2017, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

In 2018, the Group has adopted the following new standards and interpretation issued by the IASB.

As of 1 January 2018, Wärtsilä has adopted the **IFRS 15 Revenue from Contracts with Customers** standard by using the full retrospective method. This interim report is published according to the new standard, and comparison periods for 2017, including the opening balance sheet, have been restated accordingly.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. It replaces IAS 18 Revenue, and IAS 11 Construction Contracts, and related interpretations, providing a new basis for revenue recognition. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 has an impact on the timing of recognition of revenue in two business lines: long-term service and maintenance agreements, and gas solutions related construction contracts. The changes and impact caused by the standard are described below.

In long-term service and maintenance agreements, 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 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).

In the project business, 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 a variable consideration according to IFRS 15 and are required to be estimated at contract inception. According to IFRS 15, the net sales will be reduced by late delivery penalties and liquidated damages, which have been expensed under IAS 18 and IAS 11. The restatement impact of reclassification of penalties is insignificant.

Arising from the change of revenue recognition in long-term service and maintenance agreements, and gas solutions related construction contracts from output method to input method, an adjustment of EUR -13 million has been made to the Group's retained earnings as at 1 January 2017.

The restatement of financials 2017 result in a decrease in net sales of EUR 11 million, an increase in material and services expenses of EUR 3 million, a decrease in income taxes of EUR 5 million, and a decrease in profit for the financial period of EUR 9 million. From the consolidated statement of financial position perspective, the application of the new principles impact the deferred tax assets, other receivables, and other liabilities. Deferred tax assets increased by EUR 8 million and other receivables increased by EUR 33 million. Other liabilities increased by EUR 60 million mainly due to changes in accrued expenses and deferred income. These changes do not have an impact on cash flows.

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 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 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 has no impact on consolidated financial statements.

Internal transfer of service activities

Wärtsilä has decided to transfer certain service activities from Marine Solutions to Services as of 1 January 2018. The aim is to strengthen the focus on the development of these activities. The comparison periods for 2017 have been restated, resulting in EUR 177 million in net sales, EUR 190 million in order intake, and EUR 49 million in the order book being transferred from Marine Solutions to Services for the financial period 2017. This transfer has no impact on Group totals.

This interim report is unaudited.

Condensed statement of income

MEUR	1–9/2018	Restated 1–9/2017	7–9/2018	Restated 7–9/2017	Restated 2017
Net sales	3 642	3 471	1 330	1 175	4 911
Other operating income	27	38	11	16	60
Expenses	-3 250	-3 106	-1 173	-1 037	-4 312
Depreciation, amortisation and impairment	-92	-93	-31	-30	-134
Share of result of associates and joint ventures	10	7	3	3	13
Operating result	337	316	141	127	538
Financial income and expenses	-29	-37	-11	-17	-47
Profit before taxes	308	280	130	110	491
Income taxes	-75	-70	-29	-28	-117
Profit for the reporting period	233	210	101	82	375
Attributable to:					
Equity holders of the parent company	233	209	101	83	375
Non-controlling interests		1			-1
	233	210	101	82	375
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share (EPS), basic and diluted, EUR	0.39	0.35	0.17	0.14	0.63

Earnings per share for comparison periods have been restated to reflect the increased number of shares.

Statement of other comprehensive income

MEUR	1–9/2018	Restated 1–9/2017	7–9/2018	Restated 7–9/2017	Restated 2017
Profit for the reporting period	233	210	101	82	375
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities		2		1	7
Total items that will not be reclassified to the statement of income		1		1	7

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	-1	-58	-3	-12	-73
for non-controlling interests	-1	-2	-1		-2
Associates and joint ventures, share of other comprehensive income	-1	-4		-2	-1
Cash flow hedges	-4	38	2	19	37
Tax on items that may be reclassified to the statement of income		-6	-1	-4	-9
Total items that may be reclassified to the statement of income	-8	-33	-3		-48
Other comprehensive income for the reporting period, net of taxes	-8	-32	-3	1	-41
Total comprehensive income for the reporting period	225	178	98	83	334
Total comprehensive income attributable to:					
Equity holders of the parent company	226	179	99	84	337
Non-controlling interests	-1	-1		-1	-3
	225	178	98	83	334

Condensed statement of financial position

MEUR	30.9.2018	Restated 30.9.2017	Restated 31.12.2017
Non-current assets			
Intangible assets	1 768	1 540	1 577
Property, plant and equipment	344	362	349
Investments in associates and joint ventures	62	74	83
Other investments	16	13	13
Deferred tax assets	129	152	131
Other receivables	80	99	132
Total non-current assets	2 399	2 241	2 285
Current assets			
Inventories	1 280	1 125	1 051
Other receivables	1 980	1 743	1 933
Cash and cash equivalents	221	292	379
Total current assets	3 482	3 159	3 363
Total assets	5 880	5 400	5 648
Equity			
Share capital	336	336	336

Other equity	1 970	1 859	2 016
Total equity attributable to equity holders of the parent company	2 306	2 195	2 352
Non-controlling interests	20	26	24
Total equity	2 326	2 221	2 376
Non-current liabilities			
Interest-bearing debt	746	530	517
Deferred tax liabilities	117	103	102
Other liabilities	275	268	270
Total non-current liabilities	1 137	902	889
Current liabilities			
Interest-bearing debt	129	198	102
Other liabilities	2 288	2 080	2 281
Total current liabilities	2 417	2 278	2 383
Total liabilities	3 554	3 180	3 272
Total equity and liabilities	5 880	5 400	5 648

Condensed statement of cash flows

		Restated		Restated	Restated
MEUR	1–9/2018	1–9/2017	7–9/2018	7–9/2017	2017
Cash flow from operating activities:					
Profit for the reporting period	233	210	101	82	375
Adjustments for:					
Depreciation, amortisation and impairment	92	93	31	30	134
Financial income and expenses	27	37	10	17	47
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-4	-11	-3	-7	-17
Share of result of associates and joint ventures	-10	-7	-3	-3	-13
Income taxes	75	70	29	28	117
Cash flow before changes in working capital	414	392	164	148	643
Changes in working capital	-191	-149	-6	25	-87
Cash flow from operating activities before financial items and taxes	223	243	157	173	555
Financial items and paid taxes	-102	-89	-36	-23	-126
Cash flow from operating activities	121	154	122	150	430
Cash flow from investing activities:					
Investments in shares and acquisitions	-197	-145		-145	-191
Net investments in property, plant and equipment and intangible assets	-52	-26	-18	-11	-47
Reduction of share capital in associates and joint ventures	13		13		

Proceeds from sale of shares in associated companies and other investments		2			2
Cash flow from other investing activities	1				1
Cash flow from investing activities	-235	-169	-5	-155	-235
Cash flow from financing activities:					
Proceeds from non-current debt	279	90			90
Repayments and other changes in non-current debt	-58	-100	-4	-25	-101
Changes in current loans and other changes	-1	107	-9	108	-2
Dividends paid	-261	-250	-125	-115	-264
Cash flow from financing activities	-41	-153	-138	-31	-278
Change in cash and cash equivalents, increase (+)/decrease (-)	-155	-169	-21	-36	-83
Cash and cash equivalents at the beginning of the reporting period	379	472	245	332	472
Exchange rate changes	-3	-11	-3	-5	-10
Cash and cash equivalents at the end of the reporting period	221	292	221	292	379

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	Remeasurements of defined benefit liabilities	Retained earnings		
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	34	2 321
Restatement due to IFRS 9						-3		-3
Restatement due to IFRS 15						-13		-13
Equity on 1 January 2017	336	61	-57	-39	-45	2 016	34	2 305
Restated total comprehensive income for the financial period			-74	28	7	376	-3	333
Dividends paid						-256	-6	-263
Equity on 1 January 2018	336	61	-132	-10	-38	2 135	24	2 376
Total comprehensive income for the reporting period			-3	-5		233	-1	225
Dividends paid						-272	-3	-275
Equity on 30 September 2018	336	61	-134	-15	-38	2 096	20	2 326

	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	Remeasurements of defined benefit liabilities	Retained earnings		
Equity on 31 December 2016	336	61	-57	-39	-45	2 032	34	2 321
Restatement due to IFRS 9						-3		-3
Restatement due to IFRS 15						-13		-13
Equity on 1 January 2017	336	61	-57	-39	-45	2 016	34	2 305
Restated total comprehensive income for the reporting period			-63	32	1	209	-1	178
Dividends paid						-256	-6	-263
Equity on 30 September 2017	336	61	-120	-7	-44	1 968	26	2 221

Acquisitions

Transas Group

In May, Wärtsilä acquired 100% of Transas, a global company headquartered in the U.K. Transas is a global market leader in marine navigation solutions that include complete bridge systems, digital products and electronic charts. The company is also a leader in professional training and simulation services, ship traffic control, as well as monitoring, and support.

The following tables summarise the preliminary amounts for the consideration paid for Transas, 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	185
Total consideration transferred	185

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	185
Cash and cash equivalents of the acquired companies	-12
Total cash flow from the acquisition	173

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	67
Property, plant and equipment	3
Inventories	9
Trade and other receivables	51
Deferred tax assets	2

Cash and cash equivalents	12
Total assets	144
Interest-bearing debt	29
Trade payables and other liabilities	40
Deferred tax liabilities	13
Total liabilities	82
Total net assets	62
Preliminary goodwill	123

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including technology, customer relations, and trade marks) amounted to EUR 55 million. The fair value of current trade receivables and other receivables is approximately EUR 51 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 123 million reflects the value of know-how and expertise in digital marine solutions and services. The acquisition takes Wärtsilä a significant step closer to achieving its mission of enabling sustainable societies with smart technologies. It will also speed delivery on the company's promise to disrupt the industry by establishing an ecosystem that is digitally connected across the entire supply chain, through applications that are secure, smart and cloud-based.

During 2018 the Group incurred acquisition-related costs of EUR 3 million related to external legal fees and due diligence costs. The costs have been included in the other operating expenses in the condensed statement of income.

Pro forma

If the acquisition had occurred on 1 January 2018, management estimates that consolidated net sales would have been EUR 3,680 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 2018.

Trident Group and LOCK-N-STITCH Inc.

In February, Wärtsilä acquired 100% of Trident B.V. and LOCK-N-STITCH Inc.

Trident B.V. is a Netherland based company specialised in underwater ship maintenance, inspection, and repair services. With this acquisition, Wärtsilä builds in-house competence, captures the full potential of services' product synergies, and strengthens its position in the market.

LOCK-N-STITCH Inc. is an American engineering company serving customers within the marine and energy sectors as well as other industries. It specialises in cast iron repairs. The acquisition strengthens Wärtsilä's service portfolio for customers operating multiple brands.

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	25
Total consideration transferred	25

Preliminary cash flow from the acquisitions	MEUR
Consideration paid in cash	20
Contingent consideration	4
Cash and cash equivalents of the acquired companies	-1
Total cash flow from the acquisitions	24

Provisional values of the assets and liabilities arising from the acquisitions	MEUR
Intangible assets	11
Property, plant and equipment	2
Inventories	1
Trade and other receivables	5
Cash and cash equivalents	1
Total assets	19
Trade payables and other liabilities	3
Deferred tax liabilities	2
Total liabilities	6
Total net assets	14
Preliminary goodwill	11

The preliminary fair values of acquired identifiable intangible assets at the dates of acquisitions (including technology, customer relations, and trade marks) amounted to EUR 11 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 11 million reflects the value of know-how and expertise in advanced underwater services.

During 2018, the acquisition-related costs the Group incurred related to external legal fees and due diligence costs were insignificant. The costs have been included in the other operating expenses in the condensed statement of income.

Pro forma

If the acquisitions had occurred on 1 January 2018, management estimates that consolidated net sales would have been EUR 3,643 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 2018.

Net sales by geographical areas

MEUR	1–9/2018	Restated 1–9/2017	Restated 2017
Europe	1 086	1 083	1 526
Asia	1 311	1 353	1 933
The Americas	877	833	1 132
Other	367	201	321
Total	3 642	3 471	4 911

Disaggregation of revenue

Revenue from the contracts with customers is derived over time and at a point in time in the following revenue types.

Net sales by revenue type

MEUR	1–9/2018	1–9/2017	2017
Products	812	833	1 149
Goods and services	384	397	567
Projects	2 099	1 952	2 785
Long-term agreements	347	289	410
Total	3 642	3 471	4 911

Timing of satisfying performance obligations

MEUR	1–9/2018	1–9/2017	2017
At a point in time	2 688	2 515	3 522
Over time	954	956	1 389
Total	3 642	3 471	4 911

Product sales consist of sales of spare parts and standard equipment for which the revenue is recognised at a point in time when the control of the products has transferred to customer, in general at the delivery of the goods.

Goods and services -type of revenue involves short-term field service jobs, which includes the delivery of a combination of service and equipment. The revenue is recognised at a point in time when service is rendered.

Projects contain short-term and long-term projects. Depending on the contract terms and the duration of the project, the revenue is recognised at a point in time or over time. Revenue related to long-term projects, such as construction contracts, integrated solutions projects, ship design, and energy solutions contracts, is recognised over time. Revenue for tailor-made equipment delivery projects is recognised at a point in time.

Long-term agreements contain long-term operating and maintenance agreements for which the revenue is recognised over time.

Measures of profit and items affecting comparability

MEUR	1–9/2018	Restated 1–9/2017	Restated 2017
Comparable adjusted EBITA	384	362	612
Purchase price allocation amortisation	-32	-27	-36
Comparable operating result	352	335	576
Items affecting comparability:			
Social plan costs	-7	-5	-10
Impairment and write-downs	-3	-6	-18
Other restructuring costs		-5	-9
Acquisition related costs	-6	-1	-2
Items affecting comparability, total	-15	-19	-37
Operating result	337	316	538

Intangible assets and property, plant & equipment

MEUR	1–9/2018	1–9/2017	2017
Intangible assets			
Carrying amount on 1 January	1 577	1 434	1 434
Changes in exchange rates	8	-27	-39
Acquisitions	212	168	217
Additions	21	9	25
Amortisation and impairment	-50	-44	-60
Carrying amount at the end of the reporting period	1 768	1 540	1 577
Property, plant and equipment			
Carrying amount on 1 January	349	405	405
Changes in exchange rates	-2	-10	-12
Acquisitions	5		
Additions	39	22	39

Depreciation and impairment	-43	-49	-75
Disposals and reclassifications	-5	-6	-10
Carrying amount at the end of the reporting period	344	362	349

Gross capital expenditure

MEUR	1–9/2018	1–9/2017	2017
Investments in securities and acquisitions	197	145	191
Intangible assets and property, plant and equipment	61	30	64
Total	258	176	255

Net interest-bearing debt

MEUR	1–9/2018	1–9/2017	2017
Non-current liabilities	746	530	517
Current liabilities	129	199	102
Loan receivables	-6	-5	-5
Cash and cash equivalents	-221	-292	-379
Total	647	432	234

Financial ratios

		Restated	Restated
	1–9/2018	1–9/2017	2017
Earnings per share (EPS), basic and diluted, EUR	0.39	0.35	0.63
Equity per share, EUR	3.90	3.71	3.97
Solvency ratio, %	43.7	45.3	46.3
Gearing	0.28	0.20	0.10
Return on investment (ROI), %	18.6	19.1	18.5
Return on equity (ROE), %	17.5	17.5	16.0

Earnings per share and equity per share for comparison periods have been restated to reflect the increased number of shares.

Personnel

	1–9/2018	1–9/2017	2017
On average	18 781	17 822	17 866
At the end of the reporting period	19 420	17 859	18 065

Contingent liabilities

MEUR	1–9/2018	1–9/2017	2017
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	20	23	19
Total	30	33	29
Guarantees and contingent liabilities			
on behalf of Group companies	761	748	737
Nominal amount of rents according to leasing contracts			
payable within one year	42	30	35
payable between one and five years	120	87	101
payable later	53	44	48
Total	976	909	922

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	270	
Cross currency swaps	229	
Foreign exchange forward contracts	2 545	1 143
Total	3 043	1 143

In addition, the Group had copper futures and swaps amounting to 295 tons.

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		
Other investments (level 3)	16	16
Interest-bearing investments, non-current (level 2)	6	6
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	16	16
Financial liabilities		
Interest-bearing debt, non-current (level 2)	746	751
Derivatives (level 2)	46	46

Quarterly figures

				Restated	Restated	Restated	Restated		
MEUR	7–9/ 2018	4–6/ 2018	1–3/ 2018	10–12/ 2017	7–9/ 2017	4–6/ 2017	1–3/ 2017	10–12/ 2016	7–9/ 2016
Order intake									
Services	699	785	737	696	598	641	735	565	522
Energy Solutions	148	360	414	501	418	361	405	501	330
Marine Solutions	525	409	357	316	339	361	273	258	287
Total	1 372	1 553	1 507	1 514	1 354	1 363	1 413	1 324	1 139
Order book at the end of the reporting period									
Services	1 742	1 622	1 401	1 220	1 249	1 239	1 234	999	1 031
Energy Solutions	1 725	2 013	2 012	1 871	1 839	1 764	1 847	1 680	1 676
Marine Solutions	2 451	2 269	2 077	2 009	2 018	2 087	2 033	2 017	2 317
Total	5 918	5 904	5 490	5 100	5 107	5 089	5 114	4 696	5 024
Net sales									
Services	572	582	535	710	569	594	534	636	512
Energy Solutions	451	368	267	425	324	412	239	414	177
Marine Solutions	307	296	264	305	282	284	233	509	390
Total	1 330	1 246	1 066	1 441	1 175	1 290	1 005	1 559	1 079
Share of result of associates and joint ventures	3	4	3	6	3	3	1	5	2
Comparable adjusted EBITA	152	134	98	250	141	130	90	262	132

as a percentage of net sales	11.5	10.7	9.2	17.4	12.0	10.1	9.0	16.8	12.3
Depreciation, amortisation and impairment	-31	-31	-30	-42	-30	-30	-33	-34	-31
Purchase price allocation amortisation	-11	-11	-10	-10	-9	-9	-9	-9	-9
Comparable operating result	141	123	88	241	131	122	82	253	123
as a percentage of net sales	10.6	9.8	8.3	16.7	11.2	9.5	8.1	16.3	11.4
Items affecting comparability, total		-12	-3	-19	-4	-8	-6	-22	-2
Operating result	141	111	85	222	127	114	76	231	122
as a percentage of net sales	10.6	8.9	8.0	15.4	10.8	8.8	7.5	14.8	11.3
Financial income and expenses	-11	-8	-9	-10	-17	-14	-5	-5	-7
Profit before taxes	130	102	76	211	110	99	70	226	115
Income taxes	-29	-28	-19	-47	-28	-26	-16	-55	-31
Profit for the reporting period	101	75	57	165	82	73	54	172	84
Earnings per share (EPS), basic and diluted, EUR	0.17	0.13	0.10	0.28	0.14	0.12	0.09	0.29	0.14
Gross capital expenditure	26	194	37	79	156	11	9	20	55
Investments in securities and acquisitions		177	20	45	145		1		42
Cash flow from operating activities	122	41	-42	276	150	2	2	235	189
Working capital (WCAP) at the end of the reporting period	782	790	726	563	632	658	561	490	540
Personnel at the end of the reporting period									
Services	11 426	11 345	11 328	11 234	11 135	11 059	11 067	10 567	10 648
Energy Solutions	1 165	1 135	1 084	1 038	1 017	928	913	903	920
Marine Solutions	6 195	6 151	5 197	5 235	5 167	5 257	5 317	6 074	6 305
Other	634	601	573	559	540	539	533	467	464
Total	19 420	19 231	18 182	18 065	17 859	17 783	17 832	18 011	18 337

Earnings per share for comparison periods have been restated to reflect the increased number of shares.

Comparison periods for 2017 have been restated due to the internal transfer of service activities.

Calculation of financial ratios

Earnings per share (EPS), basic and diluted

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

Working capital (WCAP)

(Inventories + trade receivables + 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

22 October 2018
Wärtsilä Corporation
Board of Directors