



Wärtsilä Corporation

Half year financial report

January – June 2019

Stable development in net sales, equipment profitability challenging

Highlights of the second quarter 2019

- Order intake decreased 11% to EUR 1,377 million (1,553)
- Net sales decreased 2% to EUR 1,217 million (1,246)
- Book-to-bill amounted to 1.13 (1.25)
- Comparable operating result decreased 8% to EUR 113 million (123), which represents 9.3% of net sales (9.8)
- Earnings per share decreased to 0.11 euro (0.13)
- Cash flow from operating activities decreased to EUR -37 million (41)

Highlights of the review period January-June 2019

- Order intake decreased 9% to EUR 2,793 million (3,060)
- Order book at the end of the period increased 10% to EUR 6,470 million (5,904)
- Net sales increased 2% to EUR 2,368 million (2,312)
- Book-to-bill amounted to 1.18 (1.32)
- Comparable operating result increased 2% to EUR 215 million (211), which represents 9.1% of net sales (9.1)
- Earnings per share decreased to 0.21 euro (0.22)
- Cash flow from operating activities was stable at EUR -2 million (-1)

Wärtsilä's prospects

The demand for Wärtsilä's services and solutions in the coming 12 months is expected to be somewhat below that of the previous 12 months (previously in-line). Demand by business area is anticipated to be as follows:

- Soft in Wärtsilä Marine Business. The demand outlook has been downgraded from solid, due to lower vessel contracting volumes and an anticipated decline in the demand for scrubber solutions from last year's exceptionally high level. Activity in the marine services market is expected to continue.
- Soft in Wärtsilä Energy Business. The demand outlook has been downgraded from solid, as market conditions in the energy industry remain challenging, with geopolitical risks and economic uncertainty affecting customers' appetite for investments. The demand for energy services remains healthy.

Wärtsilä's current order book for 2019 deliveries is EUR 2,613 million (2,336). Deliveries are expected to be concentrated to the last quarter of the year.

Jaakko Eskola, President & CEO

“While the first half of 2019 was generally marked by stable development in our net sales and profitability, our performance in the second quarter was burdened by fewer power plant deliveries, as well as an unfavourable project and equipment mix.

Order intake for the first six months was below that of the previous year, largely resulting from the continued macroeconomic and geopolitical uncertainty that has prolonged customer decision-making in the energy markets. Orders received in the Marine Business remained stable during the same period, as newbuild contracting has favoured the more specialised vessel segments. Nevertheless, uncertainty regarding fuel price development has slowed scrubber orders, which, in combination with concerns related to lower overall vessel contracting volumes, has prompted us to lower our marine demand outlook for the coming twelve months. The outlook for the energy markets has also been lowered, as we expect market conditions to remain challenging in the near-term. In contrast to the softer demand trends in the equipment markets, I am pleased to note that the growth in services related sales has continued in both businesses throughout the second quarter.

The phasing of the order book indicates that volume related challenges will continue in the coming months, followed by unusually strong deliveries in the fourth quarter. Successful delivery execution, the implementation of ongoing realignment actions, and finalising certain power plant contracts will be central to our financial performance this year.

Looking beyond 2019, we are well placed to benefit from the demand for energy efficiency and the shift to low-carbon energy sources in both of our end-markets. We remain focused on improving operational efficiency and delivering increased lifecycle value to further strengthen our competitive position.”

Key figures

MEUR	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Order intake	1 377	1 553	-11%	2 793	3 060	-9%	6 307
of which services	622	592	5%	1 275	1 258	1%	2 598
Order book, end of period				6 470	5 904	10%	6 166
Net sales	1 217	1 246	-2%	2 368	2 312	2%	5 174
of which services	612	582	5%	1 184	1 117	6%	2 419
Book-to-bill	1.13	1.25		1.18	1.32		1.22
Operating result	96	111	-13%	187	196	-4%	543
% of net sales	7.9	8.9		7.9	8.5		10.5
Comparable operating result ¹	113	123	-8%	215	211	2%	577
% of net sales	9.3	9.8		9.1	9.1		11.2
Comparable adjusted EBITA ²	123	134	-8%	236	232	2%	621
% of net sales	10.1	10.7		10.0	10.0		12.0
Profit before taxes	83	102	-18%	162	178	-9%	502
Earnings/share, EUR	0.11	0.13		0.21	0.22		0.65
Cash flow from operating activities	-37	41		-2	-1		470
Net interest-bearing debt, end of period ³				746	642		333
Gross capital expenditure				54	232		306
Gearing				0.33	0.29		0.14
Solvency, %				40.5	41.7		44.4
Personnel, end of period				19 239	19 231	0%	19 294

¹Items affecting comparability in the second quarter of 2019 included costs related primarily to restructuring programmes of EUR 17 million (12). During January-June, items affecting comparability amounted to EUR 28 million (15).

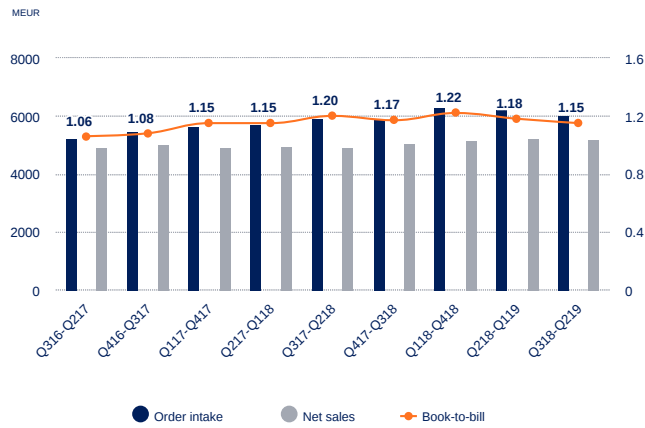
²Comparable adjusted EBITA excludes items affecting comparability and purchase price allocation amortisation.

³The increase in net interest-bearing debt is largely related to the inclusion of lease liabilities on the balance sheet, as a result of the new IFRS 16 standard.

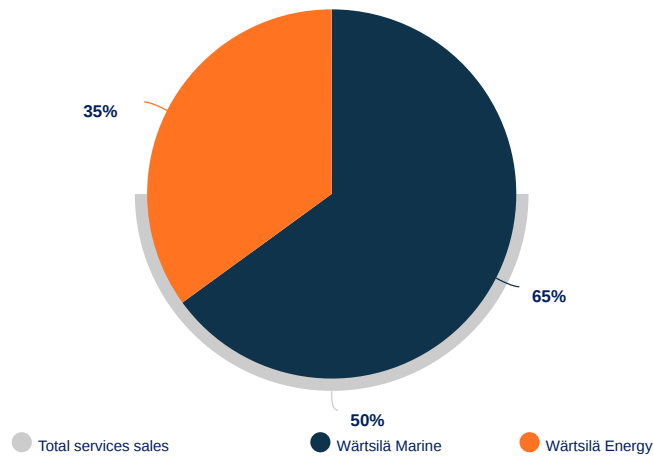
As of the first quarter of 2019, Wärtsilä's financial reporting has been amended to reflect its new organisational structure. The two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, constitute the reportable segments. Financial reporting for 2018 has been adjusted to reflect this change. Wärtsilä will additionally report the services related order intake and net sales for the two segments. In Wärtsilä Marine Business, order intake and net sales for retrofit scrubber projects have been transferred from services to new equipment. The comparison figures have been adjusted accordingly.

Wärtsilä presents certain alternative performance measures in accordance with the guidance issued by the European Securities and Markets Authority (ESMA). The definition of these alternative performance measures is presented in the calculations of financial ratios at the end of this report.

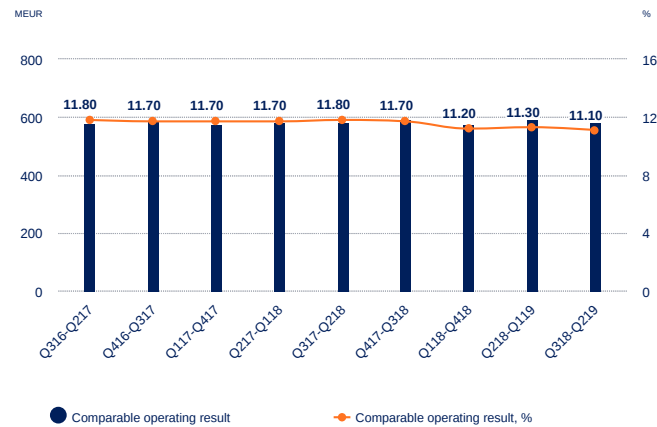
Book-to-bill, 12 months rolling



January-June net sales by business area



Comparable operating result, 12 months rolling



Group financial and strategic development

Operating environment, order intake, and order book

The demand for Wärtsilä's services and solutions during the period January-June 2019 was below that of the corresponding period last year. While demand development in the marine markets was stable, delayed investment decisions continued to burden activity in the energy markets.

Wärtsilä's **second quarter order intake** totalled EUR 1,377 million (1,553), a decrease of 11% over the corresponding period last year. The book-to-bill ratio was 1.13 (1.25). Wärtsilä Marine accounted for 68% of the order intake and Wärtsilä Energy for 32%. The services related order intake increased by 5% to EUR 622 million (592).

Wärtsilä's **January-June order intake** amounted to EUR 2,793 million (3,060) a decrease of 9% over the corresponding period last year. The book-to-bill ratio was 1.18 (1.32). Wärtsilä Marine accounted for 67% of the order intake and Wärtsilä Energy for 33%. The services related order intake was stable at EUR 1,275 million (1,258).

The total **order book at the end of June** increased by 10% to EUR 6,470 million (5,904). Wärtsilä Marine accounted for 61% of the order book and Wärtsilä Energy for 39%.

Order intake and order book by reporting segment

MEUR	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Order intake	1 377	1 553	-11%	2 793	3 060	-9%	6 307
Marine	936	1 027	-9%	1 859	1 905	-2%	3 945
Energy	441	526	-16%	935	1 155	-19%	2 362
Order book, end of period				6 470	5 904	10%	6 166
Marine				3 974	3 244	23%	3 651
Energy				2 496	2 660	-6%	2 515

Net sales and operating result

Wärtsilä's **second quarter net sales** totalled EUR 1,217 million (1,246), a decrease of 2% over the corresponding period last year. Wärtsilä Marine accounted for 66% of net sales and Wärtsilä Energy for 34%. Services related net sales increased by 5% to EUR 612 million (582). Adjusting for the effects of currency translation, Services related net sales increased by 4%.

The **second quarter operating result** amounted to EUR 96 million (111), which represents 7.9% of net sales (8.9). The comparable operating result was EUR 113 million (123), or 9.3% of net sales (9.8). The comparable operating result was affected by fewer energy equipment deliveries, an unfavourable project and business mix, as well as a lower contribution from joint ventures. Items affecting comparability included costs of EUR 17 million (12) primarily related to restructuring programmes. The comparable operating result for Wärtsilä Marine amounted to EUR 76 million (64) or 9.5% of net sales (9.4), while the comparable operating result for Wärtsilä Energy amounted to EUR 37 million (58) or 8.9% of net sales (10.4). The comparable adjusted EBITA was EUR 123 million (134), or 10.1% of net sales (10.7). Purchase price allocation amortisation amounted to EUR 10 million (11).

Wärtsilä's **January-June net sales** increased by 2% to EUR 2,368 million (2,312) compared to the corresponding period last year. Wärtsilä Marine accounted for 65% of net sales and Wärtsilä Energy for 35%. Services related net sales increased by 6% to EUR 1,184 million (1,117). Adjusting for the effects of currency translation, Services related net sales increased by 4%. Of Wärtsilä's net sales, approximately 65% was EUR denominated, 19% USD denominated, with the remainder being split between several currencies.

The **January-June operating result** amounted to EUR 187 million (196), which represents 7.9% of net sales (8.5). The comparable operating result was EUR 215 million (211), or 9.1% of net sales (9.1). Items affecting comparability included costs of EUR 28 million (15) related primarily to restructuring programmes. The comparable operating result for Wärtsilä Marine amounted to EUR 137 million (121) or 8.9% of net sales (9.3), while the comparable operating result for Wärtsilä Energy amounted to EUR 79 million (89) or 9.4% of net sales (8.8). The comparable adjusted EBITA was EUR 236 million (232), or 10.0% of net sales (10.0). Purchase price allocation amortisation amounted to EUR 21 million (21).

Financial items amounted to EUR -25 million (-17) during the period January-June. Net interest totalled EUR -6 million (-3). Profit before taxes amounted to EUR 162 million (178). Taxes amounted to EUR 40 million (46), implying an effective tax rate of 24.9% (25.9). Earnings per share were 0.21 euro (0.22) and the equity per share was 3.84 euro (3.73). The return on investments (ROI) was 17.2% (18.9), while the return on equity (ROE) was 16.7% (17.4).

Net sales and operating result by reporting segment

MEUR	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Net sales	1 217	1 246	-2%	2 368	2 312	2%	5 174
Marine	801	685	17%	1 534	1 304	18%	2 815
Energy	416	561	-26%	834	1 008	-17%	2 359
Operating result	96	111	-13%	187	196	-4%	543
Marine	61	54	13%	116	109	7%	349
Energy	35	57	-38%	71	87	-18%	194
Operating result, % of net sales	7.9	8.9		7.9	8.5		10.5
Marine	7.6	7.9		7.6	8.3		12.4
Energy	8.4	10.1		8.5	8.6		8.2
Comparable operating result	113	123	-8%	215	211	2%	577
Marine	76	64	19%	137	121	13%	380
Energy	37	58	-37%	79	89	-12%	197
Comparable operating result, % of net sales	9.3	9.8		9.1	9.1		11.2
Marine	9.5	9.4		8.9	9.3		13.5
Energy	8.9	10.4		9.4	8.8		8.4

Financing and cash flow

Wärtsilä's second quarter cash flow from operating activities amounted to EUR -37 million (41). For the January-June period, the cash flow from operating activities totalled EUR -2 million (-1). Working capital totalled EUR 784 million (790) at the end of the review period, an increase of EUR 128 million from the end of the previous quarter in preparation for fourth quarter deliveries. Advances received at the end of the period totalled EUR 559 million (563). At the end of the previous quarter, advances totalled EUR 629 million. Cash and cash equivalents at the end of the period amounted to EUR 383 million (245) and unutilised Committed Credit Facilities totalled EUR 640 million (640).

Wärtsilä had interest-bearing debt totalling EUR 1,132 million (893) at the end of June 2019. At the end of December 2018, the interest-bearing debt totalled EUR 823 million. The increase in interest-bearing debt is largely related to the inclusion of lease liabilities on the balance sheet, as a result of the new IFRS 16 standard. Lease liabilities amounted to EUR 207 million at the end of June. The total amount of short-term debt maturing within the next 12 months was EUR 98 million. Long-term loans amounted to EUR 1,034 million. Net interest-bearing debt totalled EUR 746 million (642). Gearing was 0.33 (0.29) and the solvency ratio was 40.5% (41.7).

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 51 million (35) during January-June. Capital expenditure related to acquisitions and investments in joint ventures totalled EUR 3

million (197). The comparison figure includes the acquisition of Transas, which was completed in May 2018. Depreciation, amortisation, and impairment for the period amounted to EUR 83 million (61).

In 2019, capital expenditure related to intangible assets and property, plant, and equipment is expected to be below depreciation and amortisation.

Innovations, research and development

In the marine markets, products launched during the second quarter included Wärtsilä Online, a new web-based customer platform aimed at providing a state-of-the-art support service that allows customers to better manage their installed assets. Wärtsilä Online enables mobile usage, new features for smart maintenance management, and real-time collaboration. Wärtsilä also introduced a digital version of Operim – Operational Performance Improvement & Monitoring, as well as the new Navi-Planner voyage planning and optimisation solution. By digitally augmenting physical products through the addition of data collection capabilities and cloud-based analytics, Operim enables improvements in operational performance through continuous monitoring and reporting of the key performance indicators, along with virtual instrumentation. The collected data is delivered to the system's user in real-time, thereby allowing appropriate and timely manual or autonomous decision-making in a predictive or adaptive manner. Developed by Transas, a Wärtsilä company, Navi-Planner makes use of the connected Electronic Chart Display and Information System (ECDIS) to significantly shorten voyage planning and provide a minimum navigational safety standard for a less experienced crew.

In the energy markets, the second quarter saw the launch of Engine+ Hybrid Energy, a solution that pairs engines with energy storage to form a fully integrated, automated system providing reliable and environmentally sound power generation. The solution delivers load instantly, addresses step changes and intermittencies, and provides spinning reserves. Wärtsilä also introduced its Modular Block power plant solution during the quarter. This pre-fabricated, modularly configured, and expandable enclosure for Wärtsilä medium-speed 34SG gas engine generators enables the reduction of on-site installation time from several months to a few weeks. It also makes Wärtsilä's advanced medium-speed engine technology available for applications where it would not otherwise be viable.

In May, Wärtsilä and Lappeenranta University of Technology announced a research collaboration on strategic power system modelling, with the aim of understanding and developing paths towards 100% renewable energy systems.

Strategic projects, acquisitions, and joint ventures

In April, Wärtsilä agreed to provide seed funding to Soletair Power Oy, a Finland based start-up company operating in the field of Power-to-X. Soletair Power Oy has developed a concept for improving air quality in buildings by capturing carbon dioxide and converting it to synthetic renewable fuel.

In May, Wärtsilä announced the acquisition of Ships Electronic Services Ltd ("SES"), a UK based company specialising in navigation and communication electronics, as well as installation, maintenance, and repair services, mainly for commercial and leisure vessels. SES' turnover was approximately GBP 10 million and the company employed a staff of 47. The enterprise value of the transaction was GBP 3.2 million.

In June, Wärtsilä entered into a cooperation agreement with Aggreko, a global power equipment supplier, to introduce a new concept for power markets built around the Wärtsilä Modular Block solution. The cooperation will also enable new business and financing models such as power as a service or rentals.

Restructuring programmes

Wärtsilä's Group-wide programme to realign its operations and resources in order to secure future profitability and competitiveness is proceeding according to plan. The programme emphasises sustainable savings and actions that increase customer value. The planned actions include an increased focus on targeted sales activities, developing the agreements-based and "as-a-service" business, reviewing the cost structure, and optimising the business portfolio. The programme is expected to lead to a reduction of approximately 1,200 employees globally. The reductions will impact all businesses and support functions. With these actions Wärtsilä seeks annual savings of EUR 100 million. Savings are expected to materialise gradually during the second half of 2019, with the full effect being seen by the end of 2020. Costs related to the restructuring measures are expected to be EUR 75 million.

Personnel

Wärtsilä had 19,239 (19,231) employees at the end of June 2019. On average, the number of personnel totalled 19,193 (18,506) during the period January-June. Wärtsilä Marine employed 13,598 people at the end of the period (13,609) and Wärtsilä Energy 5,641 (5,622).

Of Wärtsilä's total number of employees, 20% (20) were located in Finland and 41% (40) elsewhere in Europe. Personnel employed in Asia represented 24% (25) of the total, personnel in the Americas 11% (11), and personnel in other countries 4% (4).

Sustainability

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, and to support its customers in preparing for new regulatory requirements. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä is also committed to supporting the UN sustainability goals that deal with issues to which Wärtsilä contributes in a positive way. Such goals include those related to clean energy, a low-carbon marine ecosystem, and responsible business conduct.

During the second quarter, Wärtsilä solutions for reducing emissions from gas flaring at oil drilling and production sites were recognised with White Snow, Clean Air awards held in conjunction with the 11th Arctic Council Ministerial meeting.

In May, Wärtsilä's Aquarius UV Ballast Water Management System (BWMS) was granted US Coastguard (USCG) Type Approval. The Wärtsilä Aquarius UV (Ultra-Violet) technology utilises proven filtration and UV irradiation, while maintaining a high degree of safety and operability.

Wärtsilä's share is included in several sustainability indices. During the second quarter, Wärtsilä was reconfirmed for inclusion in the Ethibel Sustainability Index (ESI) Excellence Europe. Wärtsilä was also included in the S&P Europe 350 ESG index.

Reporting segment: Wärtsilä Marine Business

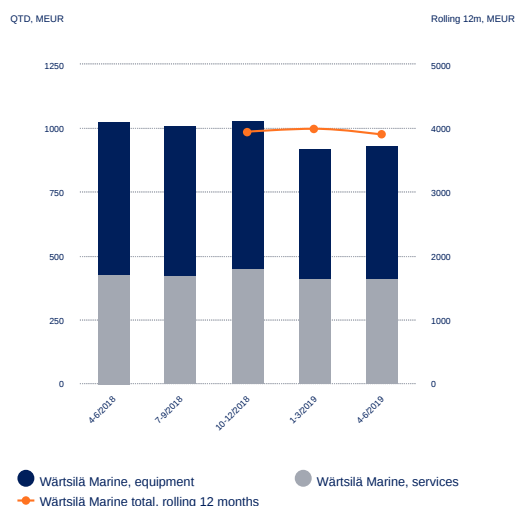
In the marine and oil & gas industries, no other company has a broader offering of technologically advanced, environmentally sustainable, and economically sound solutions. We are leading the industry's transformation towards a Smart Marine Ecosystem, whereby real-time communication and the digitalisation of all aspects of shipping and port operations, are utilised to create long-term value for our customers and partners. With an integrated product portfolio comprising full lifecycle solutions that are supported by the market's most extensive service network, we are able to optimise performance and achieve the safest, smartest, most ecological and efficient operating profiles possible.

- A favourable vessel contracting mix supported order intake development in January-June, despite the decline in overall vessel orders
- Profitability was affected by the higher proportional share of equipment deliveries

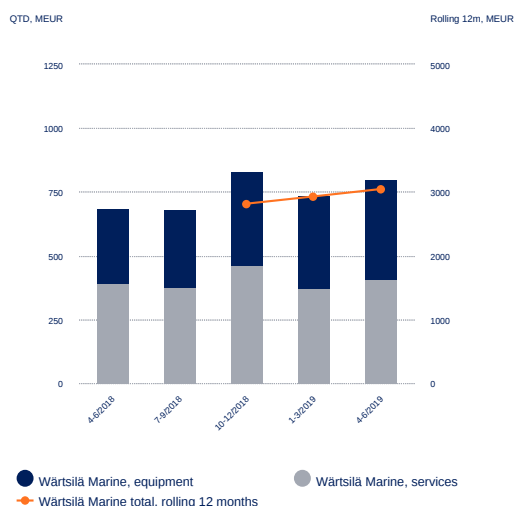
Key figures

MEUR	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Order intake	936	1 027	-9%	1 859	1 905	-2%	3 945
of which services	413	426	-3%	825	875	-6%	1 747
Order book, end of period				3 974	3 244	23%	3 651
Net sales	801	685	17%	1 534	1 304	18%	2 815
of which services	409	389	5%	778	744	5%	1 577
Book-to-bill	1.17	1.50		1.21	1.46		1.40
Operating result	61	54	13%	116	109	7%	349
% of net sales	7.6	7.9		7.6	8.3		12.4
Comparable operating result	76	64	19%	137	121	13%	380
% of net sales	9.5	9.4		8.9	9.3		13.5
Personnel, end of period				13 598	13 609	0%	13 582

Order intake



Net sales



Operating environment

During the first half of 2019, 420 contracts for new vessels were registered (472). The slowing global economy, trade tensions, and higher newbuilding prices resulted in low contracting activity in the container, tanker, and bulker markets. Contracting remained healthy in the gas carrier segment, thanks to the growth in demand for liquified natural gas (LNG), firming rates, the expected increase in seaborne LNG trade, and the trend towards cleaner fuels. The need for modern capacity to meet anticipated growth in passenger volumes continued to support activity in the cruise and ferry segments, and customers are showing increased interest in the benefits of connectivity and data driven solutions. Market conditions in the offshore newbuild market remained burdened by overcapacity, volatile oil prices, and competition from onshore shale oil.

The entry into force of the 2020 global sulphur cap is approaching. While the current pricing and availability of compliant fuels are supportive of investments in scrubber technology, uncertainty regarding future developments and limited delivery capacity for this year have delayed decision-making among some customers.

Activity in the marine service markets improved slightly during the period January-June. The offshore marine service sector is showing some positive signals with a gradual re-activation of newer laid-up offshore support vessels (OSVs). The demand for services in the traditional merchant and gas carrier segments continued to be at a good level.

Financial development

Wärtsilä Marine's **second quarter order intake** decreased by 9% to EUR 936 million (1,027) compared to the corresponding period last year. Book-to-bill was 1.17 (1.50). Services orders decreased by 3% to EUR 413 million (426), while fewer orders for scrubber systems resulted in equipment orders decreasing by 13% to EUR 523 million (601). Demand was highest in the merchant segment, which, including both traditional merchant vessels and gas carriers, represented 40% and 38% of the order intake of equipment and services respectively. Activity remained healthy also in the cruise and ferry markets.

Second quarter net sales increased by 17% to EUR 801 million (685) compared to the corresponding period last year. Services net sales increased by 5% to EUR 409 million (389), while equipment net sales increased by 32% to EUR 392 million (296). The **comparable operating result** for the quarter was EUR 76 million (64), or 9.5% of net sales (9.4).

Order intake for January-June decreased by 2% to EUR 1,859 million (1,905). Book-to-bill was 1.21 (1.46). Services orders decreased by 6% to EUR 825 million (875), while equipment orders were stable at EUR 1,034 million (1,030). The **order book** at the end of June amounted to EUR 3,974 million (3,244), which is 23% higher than last year, thanks largely to the strong demand for exhaust gas cleaning systems in 2018.

January-June net sales increased by 18% to EUR 1,534 million (1,304) compared to the corresponding period last year. Services net sales increased by 5% to EUR 778 million (744), while equipment net sales increased by 35% to EUR 756 million (560). The **comparable operating result** during the same period amounted to EUR 137 million (121), which represents 8.9% of net sales (9.3). Profitability was affected by the higher proportional share of equipment deliveries.

Reporting segment: Wärtsilä Energy Business

Wärtsilä Energy is leading the transition towards a 100% renewable energy future. As an energy system integrator, we understand, design, build and serve optimal power systems for future generations. Wärtsilä's solutions provide the needed flexibility to integrate renewables and secure power system reliability. Our offering comprises engine-based flexible power plants – including liquid gas systems – hybrid solar power plants, energy management systems, and storage and integration solutions. We support our customers over the lifecycle of their installations with services that enable increased efficiency and guaranteed performance.

- The challenging demand environment affected equipment order intake development
- Profitability in the period January-June was supported by the growth in services net sales

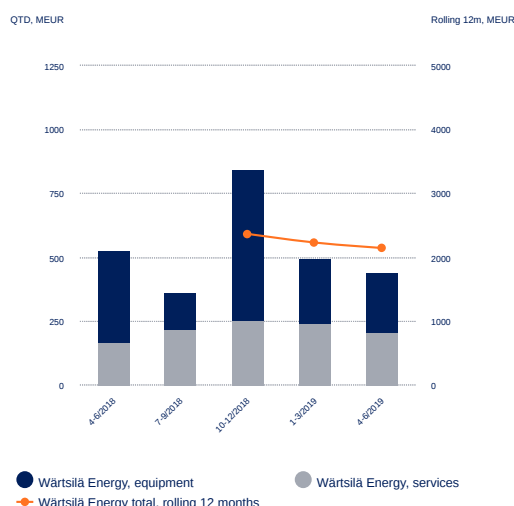
Key figures

MEUR	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Order intake	441	526	-16%	935	1 155	-19%	2 362
of which services	209	166	25%	450	382	18%	851
Order book, end of period				2 496	2 660	-6%	2 515
Net sales	416	561	-26%	834	1 008	-17%	2 359
of which services	203	193	5%	406	373	9%	842
Book-to-bill	1.06	0.94		1.12	1.15		1.00
Operating result	35	57	-38%	71	87	-18%	194
% of net sales	8.4	10.1		8.5	8.6		8.2
Comparable operating result	37	58	-37%	79	89	-12%	197
% of net sales	8.9	10.4		9.4	8.8		8.4
Personnel, end of period				5 641	5 622	0%	5 712

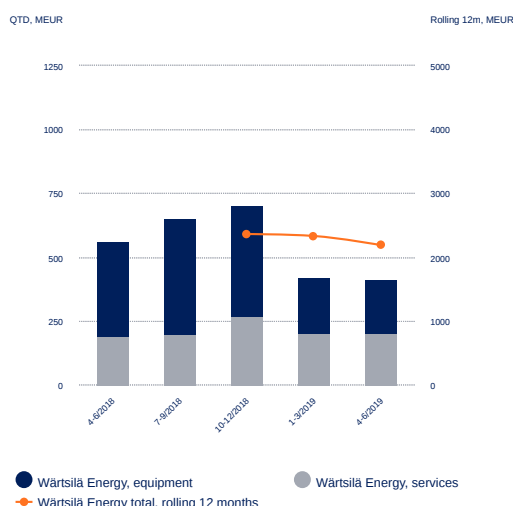
Order intake Wärtsilä Energy

MW	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	2018
Gas	289	487	-41%	807	916	-12%	1 941
Oil	36	279	-87%	114	678	-83%	877
Renewable	30	42	-29%	30	42	-29%	87
Order intake, total	355	808	-56%	950	1 636	-42%	2 905

Order intake



Net sales



Operating environment

Growth in the energy service markets partially compensated for the lower activity in new equipment business during the first half of 2019. Renewables continue to take the market from inflexible thermal plants. Utilities globally are updating their strategies to achieve ambitious decarbonisation targets, which is causing delays in investment decisions beyond renewable technologies. As the energy transition progresses, the demand for flexible power solutions is expected to grow along with the increasing penetration of renewables. In the emerging markets, there is a continued need for new baseload capacity to support economic growth and to alleviate power shortages. However, macroeconomic uncertainty is slowing decision-making. The demand for service work in the energy markets improved, and customers continued to show interest in long-term service agreements.

Wärtsilä's market share in the up to 500 MW market segment increased slightly to 15% (14), while global orders for natural gas and liquid power plants decreased by 12% to 17.6 GW during the twelve-month period ending in March 2019 (20.1 at the end of December). Global orders include gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Financial development

Wärtsilä Energy's **second quarter order intake** totalled EUR 441 million (526), a decrease of 16% compared to the corresponding period last year. Book-to-bill was 1.06 (0.94). Services order intake increased by 25% to EUR 209 million (166), while equipment order intake decreased by 35% to EUR 232 million (360).

Demand for both new equipment and services was highest in Asia and the Americas. New equipment orders received during the second quarter included a 200 MW dual-fuel power plant to Cambodia to provide grid stability and reliability and to enable increasing levels of renewable energy integration to the system. Service orders include a 7-year maintenance management and operational advisory agreement for two power plants in Bangladesh having a total capacity of 464 MW.

Second quarter net sales decreased by 26% to EUR 416 million (561) compared to the corresponding period last year. Services net sales increased by 5% to EUR 203 million (193), while equipment net sales decreased by 42% to EUR 213 million (368). The **comparable operating result** for the quarter amounted to EUR 37 million (58), or 8.9% of net sales (10.4).

The **January-June order intake** totalled EUR 935 million (1,155), a decrease of 19% compared to the corresponding period last year. Book-to-bill was 1.12 (1.15). Services order intake increased by 18% to EUR 450 million (382), while equipment order intake decreased by 37% to EUR 484 million (773). The **order book** at the end of June decreased by 6% to EUR 2,496 million (2,660), as a result of lower demand in the equipment business.

January-June net sales decreased by 17% to EUR 834 million (1,008) compared to the corresponding period last year. Services net sales increased by 9% to EUR 406 million (373), while longer order book delivery times resulted in equipment net sales decreasing by 33% to EUR 428 million (635). The **comparable operating result** during the same period was EUR 79 million (89), which represents 9.4% of net sales (8.8). Profitability improved thanks to growth in services net sales.

Outlook

Risks and business uncertainties

Trade tensions, geopolitical uncertainty, and an anticipated slowdown in the global economy are affecting investment decisions in the shipping industry, especially in the bulk carrier and container sectors. Access to finance is currently challenging for many owners. While slow economic growth is also a risk to demand development in the service markets, the capital-intensive newbuilding market is more sensitive to changes in economic outlook. Pricing pressure remains a concern in a low demand environment. The development of bunker fuel costs and availability remains uncertain ahead of the IMO 2020 deadline, posing a potential risk for scrubber investments. Climate change requires increasing efforts to reduce emissions within the shipping industry. However, the enforcement of environmental regulations and potential new regulations continue to be sources of uncertainty and may slow newbuild activity.

In the power generation markets, fragile economic growth and slow decision-making continue to be the primary risks for demand development. Geopolitical tensions and trade barrier implications, 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.

Effective cyber risk management is increasingly important as cyber security has become vital to the operation and management of many safety, security, and protection systems in the shipping environment. This is also the case with the increasing importance of energy management systems as renewable penetration grows. 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.

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.

Shares and shareholders

During January-June 2019, the volume of trades on Nasdaq Helsinki was 134,783,317 shares, equivalent to a turnover of EUR 1,895 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 105,365,331 shares.

Shares on Nasdaq Helsinki

30.6.2019			Number of shares and votes	Number of shares traded 1-6/2019
WRT1V			591 723 390	134 783 317
<hr/>				
1.1. - 30.6.2019	High	Low	Average ¹	Close
Share price	15.56	12.69	14.06	12.76
<hr/>				
<small>¹Trade-weighted average price</small>				
<hr/>				
			30.6.2019	30.6.2018
Market capitalisation, EUR million			7 547	9 959
Foreign shareholders, %			52.1	55.3

Flagging notifications

During the period January-June 2019, Wärtsilä was informed of the following changes in ownership:

Transaction date	Shareholder	Threshold	Direct holding, %	Total holding, %
22.2.2019	BlackRock, Inc.	Below 5%	4.94	5.35
26.2.2019	BlackRock, Inc.	Above 5%	5.07	5.42
22.3.2019	BlackRock, Inc.	Below 5%	4.82	5.38
26.4.2019	BlackRock, Inc.	Above 5%	5.02	5.18
7.5.2019	BlackRock, Inc.	Below 5%	4.95	5.18
9.5.2019	BlackRock, Inc.	Above 5%	5.00	5.23
13.5.2019	BlackRock, Inc.	Below 5%	4.98	5.23
23.5.2019	BlackRock, Inc.	Above 5%	5.02	5.16
27.5.2019	BlackRock, Inc.	Below 5%	4.97	5.16
4.6.2019	BlackRock, Inc.	Below 5%	Below 5%	Below 5%
11.6.2019	Fiskars Corporation	Below 5%	Below 5%	Below 5%

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 7 March 2019, 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 2018.

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 2019.

Dividend distribution

The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.48 per share in two instalments. The first instalment of EUR 0.24 per share was paid on 18 March 2019. The second instalment of EUR 0.24 per share shall be paid in September 2019.

Authorisation to repurchase 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.

Authorisation to issue shares

The Board of Directors was authorised to resolve to issue new shares or transfer shares held by the Company. The maximum amount of shares to be so issued shall not exceed 57,000,000. The shares can be issued for consideration or without consideration. They can also be issued in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the Company to do so. The authorisation for the Board of Directors to issue shares shall be valid for three years from the authorisation of the shareholders' meeting and it cancels the authorisation given by the General Meeting on 8 March 2018 to distribute the Company's own shares.

Wärtsilä Half year financial report 2019

This half year financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2018, 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.

Segment information

As of 1 January 2019, Wärtsilä is organised into two business areas, Wärtsilä Marine Business and Wärtsilä Energy Business, according to its two main customer markets. The Businesses cover both new equipment sales and services for their respective markets. The new organisational structure enables Wärtsilä to accelerate growth and the implementation of its Smart Marine and Smart Energy strategies. Integrating newbuild and service activities enhances customer value by strengthening the focus on complete lifecycle solutions tailored to specific market needs. Wärtsilä Marine Business and Wärtsilä Energy Business constitute Wärtsilä's operating and reportable segments.

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO, with the support of the Board of Management and in some cases the Board of Directors.

Marine Business and Energy Business are both led by Presidents of respective business area and both are supported by Business management teams. Discrete financial information for the Businesses is provided to the CODM to support decision-making. The segment information presented by Wärtsilä reflects the internal management reporting. The segment information is reported to the level of operating result, as items below the operating result are not allocated to segments.

Internal sales between segments is not reported in the management reporting, revenue and costs of sales are booked directly to the respective customer projects and orders. The main factors affecting the allocation of indirect and administration costs to the segments are net sales and personnel amount. Management considers these allocation principles the most suitable to reflect the cost carried by each segment. The allocation principles are reviewed regularly.

Wärtsilä Energy Business

Wärtsilä Energy Business is leading the transition towards a 100% renewable energy future. As an energy systems integrator, Wärtsilä understands, designs, builds and serves optimal power systems for future generations. Its offering includes flexible internal combustion engine-based power plants, hybrid solar power plants, energy storage and integration solutions, as well as gas to power systems. Wärtsilä supports its customers throughout the lifecycle of their installations with services that enable increased efficiency and guaranteed performance.

Wärtsilä's three main customer segments in the energy markets are utilities, independent power producers and industrial customers. Wärtsilä's energy solutions are used for a wide variety of applications. These include baseload generation, capacity for grid stability, peaking and load-following generation, and for the integration of wind and solar power. Wärtsilä provides its customers with a comprehensive understanding of energy systems, including fully integrated assets and software, complete with value adding lifecycle services.

Wärtsilä Marine Business

Wärtsilä's aim is to lead the industry's transformation towards a Smart Marine Ecosystem. Building on a sound foundation of being a leading provider of innovative products, integrated solutions and lifecycle services to the

marine and oil & gas industries, Wärtsilä Marine aims to unlock new customer values through connectivity, digitalisation and smart technology.

Wärtsilä provides marine power solutions, processing solutions and voyage solutions, which are supported by a broad scope of services ranging from spare part delivery to optimising customer operations, providing performance guarantees and offering cyber intelligence and incident support.

Marine Power Solutions

- Power Supply
- Power conversion
- Propulsion
- Exhaust treatment

Processing Solutions

- Water and waste treatment
- Gas solutions for marine and land based applications

Voyage Solutions

- Automation, navigation & communication
- Simulation & training solutions
- Fleet operations solutions
- Ship traffic control solutions
- Special products
- Entertainment systems

Wärtsilä's marine customer base covers all the main vessel segments, including traditional merchant vessels, gas carriers, cruise & ferry, navy, and special vessels. In the oil & gas industry, Wärtsilä is active in serving offshore installations and related industry vessels, as well as land-based gas installations. Wärtsilä's customers comprise ship owners, shipyards and ship management companies.

Entity wide information

In addition to segment information, Wärtsilä reports the services revenue and order intake for both segments.

Wärtsilä continues to report information for the geographical areas Finland, other European countries, Asia, the Americas, and other continents. In the geographical information net sales are split by customer destination and non-current assets by customer origin. Non-current assets consist of goodwill, intangible assets, property, plant and equipment, and investments in associates and joint ventures.

IFRS amendments

In 2019, the Group has adopted the following new standards and interpretation issued by the IASB.

IFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019) addresses the definition, recognition and measurement of lease agreements and notes related to leases. The standard replaced IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16, the companies are required to recognise right-of-use assets (ROU) and lease liabilities in the statement of financial position. These are initially measured at the present value of unavoidable future lease payments. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. Whether a contract contains a lease is determined based on whether the customer has the right to control the use of an identified asset for a period of time. Exemptions regarding recognition of leases apply to short-term leases with lease period less than 12 months and to assets of low value. The lessor accounting remains similar to IAS 17.

Wärtsilä Group's capitalised lease agreements consist mainly of office premise and machinery and equipment lease agreements. Based on the applied accounting policy, the Group recognises the lease agreements as lease liabilities and as ROU assets in its statement of financial position. Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets and variable payments are presented in the cash flow from operating activities.

The Group applied the modified approach in the transition. The Group applies the two available exemptions, which relate to either short-term contracts, in which the lease term is less than 12 months, or low-value assets, which are

expensed to other operating expenses. Based on the Group's calculation, the net present value of the capitalised lease liability amounts to EUR 212 million according to the following bridge calculation:

MEUR	
Nominal amount of rents according to leasing contracts on 31 December 2018	284
Variable lease payments	-23
Residual value	-3
Expenses relating to short-term leases and leases of low-value assets	-15
Leases not yet commenced to which Wärtsilä is committed	-3
Nominal amount of lease liability on 1 January 2019	240
Present value	212

The nominal lease liability is initially measured at the present value of the lease payments. The lease payments exclude variable elements. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of income. The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgment based on realistic estimates is used when determining the lease term for artificially short-term and leasing agreements with non-fixed terms. At transition, the lease payments were discounted by using the Group's incremental borrowing rate. The incremental borrowing rates used are the sum of relevant interbank rates and average margin of group loan portfolio and are currency specific.

The Group recognised at transition ROU assets amounting to EUR 213 million, non-current lease liabilities amounting to EUR 169 million, and current lease liabilities amounting to EUR 43 million. The lease expense reduction during 2019 arising from the lease agreements is estimated to be approximately EUR 53 million and increase of interest expense is estimated to be approximately EUR 5 million. The total depreciation expense for the financial period 2019 in the statement of income is estimated to increase by EUR 49 million due to ROU asset depreciations. The comparison figures have not been restated.

Condensed statement of financial position

MEUR	31.12.2018	IFRS 16 adjustment	1.1.2019
Non-current assets			
Intangible assets	1 747		1 747
Property, plant and equipment	324	-2	321
Right-of-use assets		215	215
Investments in associates and joint ventures	66		66
Other investments	16		16
Deferred tax assets	129		129
Other receivables	86		86
Total non-current assets	2 369	213	2 581
Current assets			
Inventories	1 165		1 165
Other receivables	2 038		2 038
Cash and cash equivalents	487		487
Total current assets	3 690	-1	3 690
Total assets	6 059	212	6 271

Equity			
Share capital	336		336
Other equity	2 082		2 082
Total equity attributable to equity holders of the parent company	2 418		2 418
Non-current liabilities			
Non-controlling interests	14		14
Total equity	2 432		2 432
Non-current liabilities			
Interest-bearing debt	748	169	917
Deferred tax liabilities	99		99
Other liabilities	245		245
Total non-current liabilities	1 092	169	1 261
Current liabilities			
Interest-bearing debt	74	43	117
Other liabilities	2 461		2 461
Total current liabilities	2 535	43	2 578
Total liabilities	3 627	212	3 839
Total equity and liabilities	6 059	212	6 271

Amendments to **IAS 28 Long-term Interests in Associates and Joint Ventures** (effective for financial periods beginning on or after 1 January 2019). The amendments clarify that IFRS 9 Financial Instruments is applied to the accounting for long-term interest in an associate or joint venture to which the equity method is not applied. The amendments have no impact on the consolidated financial statements.

Amendment to **IAS 19 Plan Amendment, Curtailment or Settlement** (effective for financial periods beginning on or after 1 January 2019). This amendment clarifies the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment specifies that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to use updated assumptions to determine the current service cost and net interest. The interpretation has an impact on the consolidated financial statements in the case of curtailments or settlements.

Amendments to **IFRS 9 Prepayment Features with Negative Compensation** (effective for financial periods beginning on or after 1 January 2019). Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Without the amendment these financial assets would have had to be measured at FVPL. The amendments have no impact on the consolidated financial statements.

IFRIC 23 Uncertainty over income tax treatment (effective for financial periods beginning on or after 1 January 2019). This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The key matter is whether the tax authority will accept the chosen tax treatment. When considering this, the assumption is that tax authorities will have full knowledge of all relevant information in assessing the proposed tax treatment. The interpretation does not have any significant impact on the consolidated financial statements.

Annual improvements to IFRSs 2015-2017 cycle: The improvements that include smaller amendments to four standards do not have an impact on the consolidated financial statements.

Adoption of new and updated IFRS standards

IFRS 17 Insurance contracts* (effective from financial periods beginning on or after 1 January 2021). IFRS 17 applies to all types of insurance contracts (direct insurance and re-insurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective is to provide a consistent accounting model for insurance contracts. The impact is under review within the Group.

* Not yet endorsed for use by the European Union as of 30 June 2019

This half year financial report is unaudited.

Condensed statement of income

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Net sales	2 368	2 312	1 217	1 246	5 174
Other operating income	32	16	15	9	80
Expenses	-2 129	-2 077	-1 093	-1 117	-4 595
Depreciation, amortisation and impairment	-83	-61	-42	-31	-130
Share of result of associates and joint ventures	-1	6	-1	4	13
Operating result	187	196	96	111	543
Financial income and expenses	-25	-17	-13	-8	-40
Profit before taxes	162	178	83	102	502
Income taxes	-40	-46	-21	-28	-116
Profit for the reporting period	121	132	62	75	386
Attributable to:					
Equity holders of the parent company	122	133	62	75	386
Non-controlling interests		-1			1
	121	132	62	75	386
Earnings per share attributable to equity holders of the parent company (basic and diluted):					
Earnings per share (EPS), basic and diluted, EUR	0.21	0.22	0.11	0.13	0.65

Statement of other comprehensive income

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Profit for the reporting period	121	132	62	75	386
Other comprehensive income, net of taxes:					
Items that will not be reclassified to the statement of income					
Remeasurements of defined benefit liabilities	-1		-1		-3
Total items that will not be reclassified to the statement of income	-1		-1		-4
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	9	1	-28	5	-23
for non-controlling interests					-1
Associates and joint ventures, share of other comprehensive income	-1	-1	-2	1	-1
Cash flow hedges	13	-6	-6	-20	-26
Tax on items that may be reclassified to the statement of income	-2		3	3	5
Total items that may be reclassified to the statement of income	19	-5	-33	-12	-45
Other comprehensive income for the reporting period, net of taxes	18	-5	-34	-12	-48
Total comprehensive income for the reporting period	139	127	28	63	338

Total comprehensive income attributable to:					
Equity holders of the parent company	139	128	29	63	338
Non-controlling interests		-1			
	139	127	28	63	338

Condensed statement of financial position

MEUR	30.6.2019	30.6.2018	31.12.2018
Non-current assets			
Intangible assets	1 745	1 776	1 747
Property, plant and equipment	318	345	324
Right-of-use assets	205		
Investments in associates and joint ventures	63	72	66
Other investments	17	16	16
Deferred tax assets	133	120	129
Other receivables	66	116	86
Total non-current assets	2 547	2 447	2 369
Current assets			
Inventories	1 372	1 266	1 165
Other receivables	1 897	1 948	2 038
Cash and cash equivalents	383	245	487
Total current assets	3 651	3 460	3 690
Total assets	6 198	5 906	6 059
Equity			
Share capital	336	336	336
Other equity	1 937	1 871	2 082
Total equity attributable to equity holders of the parent company	2 273	2 207	2 418
Non-controlling interests	13	20	14
Total equity	2 286	2 228	2 432
Non-current liabilities			
Interest-bearing debt	1 034	758	748
Deferred tax liabilities	90	114	99
Other liabilities	238	292	245
Total non-current liabilities	1 362	1 164	1 092
Current liabilities			
Interest-bearing debt	98	135	74
Other liabilities	2 451	2 380	2 461

Total current liabilities	2 549	2 515	2 535
Total liabilities	3 912	3 679	3 627
Total equity and liabilities	6 198	5 906	6 059

Condensed statement of cash flows

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Cash flow from operating activities:					
Profit for the reporting period	121	132	62	75	386
Adjustments for:					
Depreciation, amortisation and impairment	83	61	42	31	130
Financial income and expenses	25	17	13	8	39
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-11	-1	-2		-26
Share of result of associates and joint ventures	1	-6	1	-4	-13
Income taxes	40	46	21	28	116
Other non-cash flow adjustment	-1		-1		-7
Cash flow before changes in working capital	260	250	136	138	625
Changes in working capital	-155	-185	-107	-77	-35
Cash flow from operating activities before financial items and taxes	104	66	28	61	589
Financial items and paid taxes	-106	-66	-66	-21	-119
Cash flow from operating activities	-2	-1	-37	41	470
Cash flow from investing activities:					
Investments in shares and acquisitions	-3	-197	-4	-177	-196
Net investments in property, plant and equipment and intangible assets	-37	-33	-24	-16	-99
Proceeds from sale of shares in associated companies and other investments	2				54
Cash flow from other investing activities					1
Cash flow from investing activities	-39	-230	-28	-193	-240
Cash flow from financing activities:					
Proceeds from non-current debt	150	279		154	279
Repayments and other changes in non-current debt	-66	-54	-32	-39	-84
Changes in current loans and other changes	-8	7	-9	9	-39
Dividends paid	-141	-136	-10	-10	-274
Cash flow from financing activities	-65	97	-51	114	-118
Change in cash and cash equivalents, increase (+)/decrease (-)	-106	-134	-116	-38	112
Cash and cash equivalents at the beginning of the reporting period	487	379	501	282	379
Exchange rate changes	2	-1	-2	2	-5
Cash and cash equivalents at the end of the reporting period	383	245	383	245	487

Consolidated statement of changes in equity

MEUR	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings		
Equity on 1 January 2019	336	61	-155	-31	-39	2 245	14	2 432
Total comprehensive income for the reporting period			8	11	-1	122		139
Dividends paid						-284	-1	-285
Equity on 30 June 2019	336	61	-148	-19	-40	2 083	13	2 286

MEUR	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings		
Equity on 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			-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				-6		133	-1	127
Dividends paid						-272	-3	-275
Equity on 30 June 2018	336	61	-131	-16	-38	1 995	20	2 228

Segment information

Wärtsilä's reportable segments are Wärtsilä Marine Business and Wärtsilä Energy Business. The segments cover both new equipment sales and services for the respective business area. The segment information presented reflects the internal management reporting. The segment information is reported to the level of operating result as items below operating result are not allocated to segments.

The main factors affecting the allocation of indirect and administration costs to the segments are net sales and personnel amount. Management considers these allocation principles the most suitable to reflect the cost carried by each segment. In Wärtsilä Marine Business, orderintake and net sales for retrofit scrubber projects have been transferred from services to new equipment. The comparison period figures for the segment reporting and the service information have been adjusted to reflect the new reporting structure.

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Net sales					
Wärtsilä Marine Business	1 534	1 304	801	685	2 815
Wärtsilä Energy Business	834	1 008	416	561	2 359
Total	2 368	2 312	1 217	1 246	5 174
Depreciation, amortisation and impairment					
Wärtsilä Marine Business	-67	-49	-34	-25	-102
Wärtsilä Energy Business	-16	-13	-8	-7	-28
Total	-83	-61	-42	-31	-130
Share of result of associates and joint ventures					
Wärtsilä Marine Business	-1	6	-1	4	13
Total	-1	6	-1	4	13
Operating result					
Wärtsilä Marine Business	116	109	61	54	349
Wärtsilä Energy Business	71	87	35	57	194
Total	187	196	96	111	543
Operating result as a percentage of net sales (%)					
Wärtsilä Marine Business	7.6	8.3	7.6	7.9	12.4
Wärtsilä Energy Business	8.5	8.6	8.4	10.1	8.2
Total	7.9	8.5	7.9	8.9	10.5
Comparable operating result					
Wärtsilä Marine Business	137	121	76	64	380
Wärtsilä Energy Business	79	89	37	58	197
Total	215	211	113	123	577
Comparable operating result as a percentage of net sales (%)					
Wärtsilä Marine Business	8.9	9.3	9.5	9.4	13.5
Wärtsilä Energy Business	9.4	8.8	8.9	10.4	8.4
Total	9.1	9.1	9.3	9.8	11.2

Net sales by geographical areas

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Europe	809	729	436	389	1 485
Asia	869	785	434	419	1 867
The Americas	489	553	249	307	1 245
Other	201	245	98	131	577
Total	2 368	2 312	1 217	1 246	5 174

Service information

MEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018	2018
Net sales					
Marine service	778	744	409	389	1 577
Energy service	406	373	203	193	842
Total	1 184	1 117	612	582	2 419

Measures of profit and items affecting comparability

MEUR	1-6/2019	1-6/2018	2018
Comparable adjusted EBITA	236	232	621
Purchase price allocation amortisation	-21	-21	-43
Comparable operating result	215	211	577
Items affecting comparability:			
Social plan costs	-18	-6	-8
Impairment and write-downs	1	-3	-19
Other restructuring costs and transfer costs	-10		-2
Acquisition related costs		-5	-6
Items affecting comparability, total	-28	-15	-35
Operating result	187	196	543

Acquisitions

Ships Electronic Services Ltd

In May, Wärtsilä acquired 100% of Ships Electronic Services Ltd ("SES"), a UK based company specializing in navigation and communication electronics, installation, maintenance and repair services, mainly for commercial and leisure vessels. SES' turnover was approximately GBP 10 million and the company employed a staff of 47. The enterprise value of the transaction was GBP 3.2 million. The consideration paid and the impact on profit for the reporting period are not significant.

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	1-6/2019	1-6/2018	2018
Products	559	541	1 145
Goods and services	285	247	557
Projects	1 283	1 284	2 992
Long-term agreements	241	241	480
Total	2 368	2 312	5 174

Timing of satisfying performance obligations

MEUR	1-6/2019	1-6/2018	2018
At a point in time	1 639	1 655	3 740
Over time	729	657	1 434
Total	2 368	2 312	5 174

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.

Intangible assets and property, plant & equipment

MEUR	1-6/2019	1-6/2018	2018
Intangible assets			
Carrying amount on 1 January	1 747	1 577	1 577
Changes in exchange rates		5	3
Acquisitions and disposals	4	213	190
Additions	27	14	45
Amortisation and impairment	-31	-33	-68
Decreases and reclassifications			-1
Carrying amount at the end of the reporting period	1 745	1 776	1 747

Property, plant and equipment			
Carrying amount on 1 January	324	349	349
Transfer to right-of use assets	-2		
Changes in exchange rates	1	-1	-1
Acquisitions and disposals		5	-21
Additions	24	20	64
Depreciation and impairment	-28	-29	-62
Decreases and reclassifications	-1	-1	-7
Carrying amount at the end of the reporting period	318	345	324

Leases

MEUR	30.6.2019
Land and buildings, right-of-use assets	
Carrying amount on 1 January	203
Additions	11
Depreciation and impairment	-21
Carrying amount at the end of the reporting period	193
Machinery and equipment, right-of-use assets	
Carrying amount on 1 January	12
Additions	1
Depreciation and impairment	-3
Decreases and reclassifications	2
Carrying amount at the end of the reporting period	12
Lease liabilities	
Carrying amount on 1 January	215
Additions	12
Interest expense	2
Payments	-24
Other adjustments	-1
Carrying amount at the end of the reporting period	207

MEUR	1-6/2019
Amounts recognised in statement of income	
Depreciation expense of right-of-use assets	-24
Interest expense	-3
Expense - short-term leases	-17
Expense - leases of low-value assets	-3
Expense - variable lease payments	-1

Gross capital expenditure

MEUR	1-6/2019	1-6/2018	2018
Investments in securities and acquisitions	3	197	196
Intangible assets and property, plant and equipment	51	35	110
Total	54	232	306

Net interest-bearing debt

MEUR	1-6/2019	1-6/2018	2018
Interest-bearing debt, non-current	865	758	748
Lease liabilities, non-current	169		
Interest-bearing debt, current	60	135	74
Lease liabilities, current	38		
Total interest-bearing liabilities	1 132	893	823
Interest-bearing receivables	-4	-6	-3
Cash and cash equivalents	-383	-245	-487
Total interest-bearing assets	-386	-251	-490
Total net interest-bearing debt	746	642	333

Financial ratios

	1-6/2019	1-6/2018	2018
Earnings per share (EPS), basic and diluted, EUR	0.21	0.22	0.65
Equity per share, EUR	3.84	3.73	4.09
Solvency ratio, %	40.5	41.7	44.4
Gearing	0.33	0.29	0.14
Return on investment (ROI), %	17.2	18.9	18.1
Return on equity (ROE), %	16.7	17.4	16.1

The increase in interest-bearing debt due to the accounting treatment of lease agreements according to IFRS 16 affects solvency ratio and gearing.

Personnel

	1-6/2019	1-6/2018	2018
On average	19 193	18 506	18 899
At the end of the reporting period	19 239	19 231	19 294

Contingent liabilities

MEUR	1-6/2019	1-6/2018	2018
Mortgages	10	10	10
Chattel mortgages and other pledges and securities	22	125	19
Total	32	135	29
Guarantees and contingent liabilities			
on behalf of Group companies	677	711	775
Nominal amount of rents according to leasing contracts		214	284
Nominal amount of leasing contracts			
Low-value lease liabilities	5		
Short-term lease liabilities	9		
Lease not yet commenced but to which Wärtsilä is committed.	147		
Total	839	925	1 060

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	270	
Cross currency swaps	241	
Foreign exchange forward contracts	2 149	906
Total	2 660	906

In addition, the Group had copper futures and swaps amounting to 288 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)	17	17
Interest-bearing investments, non-current (level 2)	3	3
Other receivables, non-current (level 2)	3	3
Derivatives (level 2)	17	17
Financial liabilities		
Interest-bearing debt, non-current (level 2)	1 034	1 046
Derivatives (level 2)	32	32

Quarterly figures

MEUR	Restated								
	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017
Order intake									
Wärtsilä Marine Business*	936	922	1 031	1 009	1 027	877			
Wärtsilä Energy Business*	441	494	843	363	526	630			
Total	1 377	1 416	1 874	1 372	1 553	1 507	1 514	1 354	1 363
Order book at the end of the reporting period									
Wärtsilä Marine Business*	3 974	3 861	3 651	3 536	3 244	2 818			
Wärtsilä Energy Business*	2 496	2 469	2 515	2 382	2 660	2 672			
Total	6 470	6 330	6 166	5 918	5 904	5 490	5 100	5 107	5 089
Net sales									
Wärtsilä Marine Business*	801	733	831	680	685	619			
Wärtsilä Energy Business*	416	418	701	650	561	447			
Total	1 217	1 151	1 532	1 330	1 246	1 066	1 441	1 175	1 290
Share of result of associates and joint ventures	-1		3	3	4	3	6	3	3
Comparable adjusted EBITA	123	113	237	152	134	98	250	141	130
as a percentage of net sales	10.1	9.8	15.4	11.5	10.7	9.2	17.4	12.0	10.1
Depreciation, amortisation and impairment	-42	-41	-37	-31	-31	-30	-42	-30	-30
Purchase price allocation amortisation	-10	-11	-11	-11	-11	-10	-10	-9	-9

Comparable operating result	113	102	226	141	123	88	241	131	122
as a percentage of net sales	9.3	8.9	14.7	10.6	9.8	8.3	16.7	11.2	9.5
Items affecting comparability, total	-17	-11	-20		-12	-3	-19	-4	-8
Operating result	96	91	206	141	111	85	222	127	114
as a percentage of net sales	7.9	7.9	13.4	10.6	8.9	8.0	15.4	10.8	8.8
Financial income and expenses	-13	-13	-12	-11	-8	-9	-10	-17	-14
Profit before taxes	83	78	194	130	102	76	211	110	99
Income taxes	-21	-19	-41	-29	-28	-19	-47	-28	-26
Profit for the reporting period	62	59	153	101	75	57	165	82	73
Earnings per share (EPS), basic and diluted, EUR	0.11	0.10	0.25	0.17	0.13	0.10	0.28	0.14	0.12
Gross capital expenditure	32	23	48	26	194	37	79	156	11
Investments in securities and acquisitions	4		-1		177	20	45	145	
Cash flow from operating activities	-37	35	349	122	41	-42	276	150	2
Working capital (WCAP) at the end of the reporting period	784	656	581	782	790	726	563	632	658
Personnel at the end of the reporting period									
Wärtsilä Marine Business*	13 598	13 467	13 582	13 727	13 609	12 618			
Wärtsilä Energy Business*	5 641	5 758	5 712	5 692	5 622	5 564			
Total	19 239	19 225	19 294	19 420	19 231	18 182	18 065	17 859	17 783

* The segment figures have been restated for the financial period 2018.

Calculation of financial ratios

Earnings per share (EPS), basic and diluted

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

Adjusted number of shares over the reporting period

Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the reporting period

Solvency ratio

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 reporting period

x 100

Return on equity (ROE)

Profit for the reporting period

Equity, average over the reporting 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

Certain income and expenses are presented as Items Affecting Comparability, when they have significant impact on Wärtsilä's statement of income.

Items affecting comparability consist of income and expenses, which result from restructuring activities aiming to adjust the capacity of Wärtsilä's operations. They may also include other income and expenses incurred outside Wärtsilä's normal course of business, such as impairment charges, acquisition related costs, settlements recorded as a result of legal proceedings with third parties or unforeseen obligations from earlier discontinued businesses.

Wärtsilä Corporation

Board of Directors

17 July 2019