# Wärtsilä's Interim Report January-June 2009

# INTERIM REPORT JANUARY-JUNE 2009

The figures in this interim report are unaudited.

## SECOND QUARTER 4-6/2009 IN BRIEF

| MEUR | 4-6/2009 | 4-6/2008 | Change |
|---|---|---|---|
| Order intake | 785 | 1 432 | -45% |
| Net sales | 1 333 | 1 092 | 22% |
| Operating result (EBIT) before nonrecurring restructuring items | 155 | 124 | 25% |
| % of net sales | 11.7% | 11.4% | |
| Operating result | 149 | | |
| % of net sales | 11,2% | | |
| Profit before taxes | 141 | 131 | 7% |
| Earnings/share, EUR | 1.01 | 0.96 | |

## REVIEW PERIOD JANUARY-JUNE 2009 IN BRIEF

| MEUR | 1-6/2009 | 1-6/2008 | Change | 2008 |
|---|---|---|---|---|
| Order intake | 1 743 | 3 368 | -48% | 5 573 |
| Order book 30 June | 5 829*) | 7 479 | -22% | 6 883 |
| Net sales | 2 574 | 1 942 | 33% | 4 612 |
| Operating result (EBIT) before nonrecurring restructuring items | 286 | 206 | 39% | 525 |
| % of net sales | 11.1% | 10.6% | | 11.4% |
| Operating result | 280 | | | |
| % of net sales | 10.9% | | | |
| Profit before taxes | 263 | 206 | 28% | 516 |
| Earnings/share, EUR | 1.90 | 1.45 | | 3.88 |
| Cash flow from operating activities | -72 | 207 | | 278 |
| Interest-bearing net debt at the end of the period | 759 | 254 | | 455 |
| Gross capital expenditure | 72 | 87 | | 366 |

*) Cancellations amounting to EUR 154 million have been eliminated from the order book during the review period January-June 2009.

## MARKET DEVELOPMENT

### SHIP POWER

The market activity in new building remained very low and only a handful of ship orders were placed during the second quarter. The recent decrease in new building prices did not attract owners to place new orders as the economical fundaments and an oversupply in bigger ship segments still prevail. The orders that materialised during the second quarter were mainly placed for specialised tonnage at specialised yards.

With the exception of increased oil prices, there were no material changes in the general business environment during the second quarter. Increased oil prices are expected to have a positive impact on offshore investments as soon as the pressure on the financial market eases.

More cancellations and rescheduling of existing newbuilding orders occurred during the period and markets are expected to continue to seek balance by cancelling and reorganising orders. The reduction of existing fleet capacity through temporary lay-ups, scrapping and slow steaming continues.

### Ship Power market shares

Wärtsilä's share of the medium speed main engine market increased from 35% (at the end of the previous quarter) to 40%. The market share in low speed engines decreased to 11% (13). In the auxiliary engine market Wärtsilä's share remained at 6% (6). The decrease in total contracting volume has led to market shares becoming more volatile and increasingly sensitive to large individual orders. This is creating greater variances between reporting periods.

## POWER PLANTS

The market environment for Power Plants was mostly unchanged from the previous quarter. Inquiries for new power plants remained at a high level and market activity was good with customers showing continued interest in new flexible capacity. The impact of the financial crisis was evident through a slower conclusion of projects, mainly due to difficulties in securing financing. In North America an increased amount of inquiries were seen. The industrial self-generation customer segment is so far the most negatively affected market, with many projects being postponed due to the uncertainty in the market, or for instance through a lack of demand for minerals.

## SERVICES

In the marine industry, the imbalance between vessel capacity and vessel demand continues to drive capacity adaption through slowing down vessel speed and vessel lay-ups. During the review period Wärtsilä launched new service packages in response to demand for all phases of ship lay-ups and de-activation. The Services business in the power plant segment remained active, and Wärtsilä received several service contracts for power plants during the review period.

Wärtsilä's installed engine base in the Ship Power and Power Plant markets totals over 160,000 MW and consists of thousands of installations distributed throughout the world. Both end markets consist of several customer segments for Services, and Wärtsilä's portfolio is the broadest in the market. These factors limit the impacts of fluctuations in any individual market or customer segment.

## ORDER INTAKE

The order intake for the second quarter totalled EUR 785 million (1,432) a decrease of 45%. The order intake for Ship Power totalled EUR 67 million (467), 86% below the corresponding period last year. During the second quarter Ship Power registered 31% of orders in the Merchant segment and 24% in the Offshore segment. Orders from the Navy segment represented 19% and orders from the Cruise&Ferry segment 12%. The Special vessels segment and Ship design each accounted for 7% of Ship Power's total order intake. Compared to the first quarter 2009 order intake fell by 47% (EUR 127 million during the first quarter of 2009). For the review period January-June 2009 Ship Power's order intake was EUR 194 million (1,224), a decrease of 84% from the corresponding period last year.

The second quarter order intake for the Power Plants business totalled EUR 257 million (556), which was 54% lower than in the corresponding period last year. The largest orders for oil-fired power plants were received from Chad, Malta and Yemen. The largest orders for gas-fired power plant were received from Turkey. Timing of order intake has become even more challenging due to the financial crisis. Compared to the first quarter, order intake fell 20% (EUR 321 million in the first quarter of 2009).The order intake for the review period January-June 2009 was EUR 577 million (1,122), which is 49% lower than in 2008.

Order intake for the Services business totalled EUR 458 million (402) in the second quarter, a growth of 14% compared to the corresponding period 2008. During the second quarter Wärtsilä Services signed an important Operations & Management contract in the Philippines. Compared to the first quarter, order intake fell 10% (EUR 507 million in the first quarter of 2009). Services' order intake for the review period January-June totalled EUR 965 million (1,013), a reduction of 5% over the corresponding period in 2008.

For the review period January-June 2009 Wärtsilä's total order intake amounted to EUR 1,743 million (3,368), which represents a reduction of 48% compared to the corresponding period 2008.

## ORDER BOOK

At the end of the review period Wärtsilä's total order book stood at EUR 5,829 million (7,479), a decrease of 22%. The Ship Power order book stood at EUR 3,602 million (4,841), -26%. Wärtsilä continuously evaluates the firmness of the order book. During the review period January-June 2009, cancellations of EUR 154 million materialised and were deducted from the order book. The cancellations were mainly within the Merchant segment but cancellations also materialised in the Offshore and Special vessel segments. Wärtsilä sees a potential cancellation risk of approximately EUR 800 million. The estimate at the end of the previous quarter was EUR 1,000 million. At the end of the review period, the Power Plants order book amounted to EUR 1,705 million (2,107), which is 19% lower than at the corresponding date last year. The Services order book totalled EUR 522 million (530) at the end of the review period, a decrease of 2%.

### Order intake by business

| MEUR | 4-6/2009 | 4-6/2008 | Change |
|---|---|---|---|
| Ship Power | 67 | 467 | -86% |
| Power Plants | 257 | 556 | -54% |
| Services | 458 | 402 | 14% |
| Order intake, total | 785 | 1 432 | -45% |

| MEUR | 1-6/2009 | 1-6/2008 | Change | 1-12/2008 |
|---|---|---|---|---|
| Ship Power | 194 | 1 224 | -84% | 1 826 |
| Power Plants | 577 | 1 122 | -49% | 1 883 |
| Services | 965 | 1 013 | -5% | 1 858 |
| Order intake, total | 1 743 | 3 368 | -48% | 5 573 |

### Order intake Power Plants

| MW | 4-6/2009 | 4-6/2008 | Change |
|---|---|---|---|
| Oil | 426 | 617 | -31% |
| Gas | 51 | 333 | -85% |
| Renewable fuels | 0 | 47 | -100% |

| MW | 1-6/2009 | 1-6/2008 | Change | 1-12/2008 |
|---|---|---|---|---|
| Oil | 770 | 1 059 | -27% | 2 029 |
| Gas | 294 | 876 | -66% | 1 240 |
| Renewable fuels | 0 | 84 | -100% | 80 |

### Order book by business

| MEUR | 30 June 2009 | 30 June 2008 | Change | 2008 |
|---|---|---|---|---|
| Ship Power | 3 602 | 4 841 | -26% | 4 486 |
| Power Plants | 1 705 | 2 107 | -19% | 1 949 |
| Services | 522 | 530 | -2% | 445 |
| Order book, total | 5 829*) | 7 479 | -22% | 6 883 |

*) Cancellations amounting to EUR 154 million have been eliminated from the order book during the review period January-June 2009.

## NET SALES

During the second quarter, Wärtsilä's net sales increased by 22% to EUR 1,333 million (1,092) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 479 million (365), a growth of 31% compared to the corresponding period last year. Power Plants' net sales for the second quarter totalled 379 million (273), which is 39% higher than in the corresponding quarter last year. The second quarter net sales for Services amounted to EUR 469 million (454), a growth of 3%.

Wärtsilä's net sales for January-June 2009 grew strongly by 33% and totalled EUR 2,574 million (1,942). Ship Power's net sales grew by 40% and totalled EUR 852 million (609). Net Sales for Power Plants developed very strongly during the review period and totalled EUR 810 million (448), a growth of 81% compared to the corresponding period last year. Net sales from the Services business grew 2% from last year's high level and amounted to EUR 902 million (882). Net sales were evenly spread between the businesses in the review period January-June 2009. Ship Power accounted for 33%, Power Plants for 32% and Services net sales for 35% of the total net sales.

### Net sales by business

| MEUR | 4-6/2009 | 4-6/2008 | Change |
|---|---|---|---|
| Ship Power | 479 | 365 | 31% |
| Power Plants | 379 | 273 | 39% |
| Services | 469 | 454 | 3% |
| Net sales, total | 1 333 | 1 092 | 22% |

| MEUR | 1-6/2009 | 1-6/2008 | Change | 1-12/2008 |
|---|---|---|---|---|
| Ship Power | 852 | 609 | 40% | 1 531 |
| Power Plants | 810 | 448 | 81% | 1 261 |
| Services | 902 | 882 | 2% | 1 830 |
| Net sales, total | 2 574 | 1 942 | 33% | 4 612 |

## FINANCIAL RESULTS

The second quarter operating result before nonrecurring expenses was EUR 155 million (124), representing 11.7% of net sales (11.4). Wärtsilä recognised EUR 6 million of nonrecurring expenses related to the adjustment measures taken within the Ship Power business. Including these, the operating result for the second quarter totalled EUR 149 million representing 11.2% of net sales. For the review period January-June 2009, the operating result before the said nonrecurring expenses rose to EUR 286 million (206), which is 11.1% of net sales (10.6). Including the nonrecurring expenses the operating result grew to EUR 280 million or 10.9% of net sales.

Financial items amounted to EUR -16 million (0). Net interest totalled EUR -10 million (-5). Financial items developed negatively due to the increase in interest expenses and the fair valuation of foreign exchange hedging contracts. Dividends received totalled EUR 5 million (6). Profit before taxes amounted to EUR 263 million (206). Taxes in the reporting period amounted to EUR -73 million (-61). Earnings per share were EUR 1.90 (1.45).

## BALANCE SHEET, FINANCING AND CASH FLOW

Wärtsilä's cash flow from operating activities was EUR -72 million (207) in January-June 2009. Net cash generated by operating activities is burdened by the net working capital being tied up in high delivery volumes, and by lower advances received due to the decrease in ordering activity. Net working capital at the end of the period totalled EUR 591 million (107). Net working capital has increased by EUR 324 million since the beginning of the year. The increase comes mainly from the increase in inventories of EUR 166 million, and from EUR 223 million in trade receivables. Advances received decreased by EUR 101 million. Advances received at the end of the period totalled EUR 1,143 million (1,214). Net working capital has been very low in

2007 and 2008 due to the high amount of advances received and the long order book. Working capital management is one of Wärtsilä's management's key focus areas going forward. Liquid reserves at the end of the period amounted to EUR 118 million (143).

Net interest-bearing loan capital totalled EUR 759 million (267). Wärtsilä had loans from financial institutions totalling EUR 890 million (422) at the end of June 2009. The existing funding programmes include long term loans EUR 646 million, Committed Revolving Credit Facilities totalling EUR 535 million and Finnish Commercial Paper programmes totalling EUR 600 million. At the end of the period non-utilised committed credit facilities totalled EUR 445 million. In addition Wärtsilä has agreed on a EUR 30 million long-term loan that will be disbursed in August 2009. The total amount of short-term debt maturing within the next 12 months is EUR 208 million.

The solvency ratio was 32.7% (36.7) and gearing was 0.61 (0.25).

## HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% of the total. This holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 72 million.

## CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 72 million (87), which comprised EUR 15 million (14) in acquisitions and investments in securities of which the Navim Diesel acquisition accounts for the biggest share, and EUR 58 million (73) in production and information technology investments. Depreciation amounted to EUR 61 million (42).

Due to the high delivery volumes, efficiency improvements, and Services related logistical development plans, the total capital expenditure excluding acquisitions for 2009, is expected to be approx. EUR 180 million.

## STRATEGIC ACQUISITIONS, JOINT-VENTURES AND EXPANSION OF NETWORK

Wärtsilä continued expanding its Service network with the inauguration of a new Wärtsilä Land & Sea Academy training centre and new modern service premises in the Netherlands as well as new office and workshop facilities in the city of Veracruz in Mexico.

In May, Wärtsilä acquired 60% of the shares of Wärtsilä Navim Diesel of Italy, thus increasing its ownership of the company to 100%. Wärtsilä Navim Diesel, which specialises in marine sales and service, has a strong market position, particularly in the Cruise & Ferry segment. The transaction resulted in EUR 8 million of new goodwill.

## MANUFACTURING

In April, Wärtsilä together with China Shipbuilding Industry Corporation (CSIC) and Mitsubishi Heavy Industries (MHI) inaugurated a jointly owned, low-speed marine engine factory QMD in Qingdao, Shandong Province, China. The joint venture company Qingdao Qiyao Wartsila MHI Linshan Marine Diesel Co. Ltd. (QMD) is owned jointly by CSIC (50%), Wärtsilä Corporation (27%) and MHI (23%).

In May, Wärtsilä and 3. Maj Shipbuilding Industry Ltd. of Croatia signed a ten-year renewal of the existing licence agreement for the marketing, sale, manufacturing and servicing of Wärtsilä low-speed marine diesel engines.

An important milestone was reached for the Wärtsilä 32 engine with the 6000th engine being rolled out of the factory in Vaasa, Finland.

## RESEARCH & DEVELOPMENT

In June, Wärtsilä inaugurated its Manufacturing Technology Center (MTC) in Vaasa, Finland. The MTC is dedicated to securing and further developing the company's manufacturing competencies, and to sharing manufacturing know-how throughout the global Wärtsilä network.

## PERSONNEL

In May Wärtsilä Ship Power announced that it had initiated the formal process to reduce 400-450 jobs. The negotiations were initiated to adjust to the substantially weakened global marine market situation. The annual savings from these measures will be approximately EUR 30 million. The effect of the savings will start to materialise gradually from the second half of 2009, and will take full effect by the end of 2010. In the second quarter Wärtsilä recognised EUR 6 million of nonrecurring expenses in its operating result related to the adjustment measures taken in the Ship Power business.

In Finland, the co-operation negotiations, which ended in June, resulted in the reduction of 77 jobs. The major part of these job reductions will be implemented through internal job transfers within the company and by the expiration of temporary employment contracts. As a result of the negotiations 28 Ship Power employees in Finland are under threat of redundancy. Similar negotiations have also come to an end in several other countries. In the remaining countries, the adjustment process is proceeding as planned. Altogether, Wärtsilä Ship Power employs sales, project management, engineering services and ship design personnel in 30 countries.

Wärtsilä had 19,016 (17,552) employees at the end of June. The average number of personnel during January-June 2009 totalled 18,910 (17,084). Services had 11,316 employees (10,394), a growth of 9%.

## SUSTAINABLE DEVELOPMENT

The global strive for sustainable and environmentally sound development is an important demand driver for Wärtsilä. Increased environmental concerns and more stringent regulations both globally and locally put pressure on the marine industry to constantly investigate new ways of reducing the environmental impact of ships. Greenhouse gas emission reduction continues to drive change also in the energy sector. Wärtsilä is well positioned to reduce sea transport emissions and greenhouse gas emissions with its various technologies and specialised services.

## CHANGES IN MANAGEMENT

The following appointments have been made to Wärtsilä Corporation's Board of Management, with effect from 1 August 2009:
Christoph Vitzthum (40) MSc (Econ.) has been appointed Group Vice President, Services. Tage Blomberg, the current Group Vice President, Services, will in line with his employment contract retire during 2009.
Vesa Riihimäki (43) MSc (Eng.) has been appointed Group Vice President, Power Plants and a member of the Board of Management.

## SHARES AND SHAREHOLDERS

### SHARES ON HELSINKI EXCHANGES

| 30 June 2009 | Number of shares | Number of votes | Number of shares traded 1-6/2009 |
|---|---|---|---|
| WRT1V | 98 620 565 | 98 620 565 | 82 569 753 |

| 1 Jan. – 30 June 2009 | High | Low | Average 1) | Close |
|---|---|---|---|---|
| Share price | 30.91 | 15.81 | 21.78 | 22.94 |

1) Trade-weighted average price

| | 30 June 2009 | 30 June 2008 |
|---|---|---|
| Market capitalisation, EUR million | 2 262 | 3 940 |
| Foreign shareholders | 46.1% | 50.0% |

### DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 11 March 2009 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 2008. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.50 per share totalling EUR 148 million. Dividends were paid on 23 March 2009.

The Annual General Meeting decided that the Board of Directors shall have six members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Kari Kauniskangas, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria.

The firm of authorised public accountants KPMG Oy Ab, was appointed as the company's auditors.

### ORGANISATION OF THE BOARD OF DIRECTORS

The Board of Directors of Wärtsilä Corporation elected Antti Lagerroos as its chairman and Matti Vuoria as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Compensation Committee. The Board appointed from among its members, the following members to the Committees:

#### Audit Committee:

Chairman Antti Lagerroos, Maarit Aarni-Sirviö, Bertel Langenskiöld

#### Nomination Committee:

Chairman Antti Lagerroos, Matti Vuoria, Kaj-Gustaf Bergh

#### Compensation Committee:

Chairman, Antti Lagerroos, Matti Vuoria, Bertel Langenskiöld

### RISKS AND BUSINESS UNCERTAINTIES

Due to the uncertainty in the shipping industry, the main risks in Ship Power remain the slippage of shipyard delivery schedules, as well as the risk of cancellation of existing orders. Wärtsilä Ship Power sees a potential cancellation risk of approximately EUR 800 million. The estimate at the end of the previous quarter was EUR 1,000 million.

The market risks in the Power Plant business remain unchanged. The current financial crisis has some effect on the timing of orders. The actual impact of the financial crisis is still small, but the possible effect on orders in the pipeline is difficult to predict. The financing of many future projects appears secure, and there is an increased level of activity from utilities and governmentally funded power producers.

In Services, the biggest risks still relate to a further deterioration of the underlying shipping industry leading to larger scale lay-ups of ships, which could reduce demand for maintenance and services within this segment. During the second quarter, business activity in Services remained stable.

The current market situation has impacted the whole supply chain and Wärtsilä is monitoring the stability of its supplier base. The risk level has not significantly changed during the period. The supply chain is becoming more flexible with a shortening of lead times, in order to effectively respond to the rapid changes in the market.

## MARKET OUTLOOK

The shipping markets have been at a virtual standstill for more or less 9 months now, and a quick recovery seems unlikely. Record low freight rates and expensive fuel costs have penalised many operators and have led to financial difficulties. Various measures are being taken by players in the market in order to mitigate the current risks in the marine industry. There is a lot of national interest involved as shipbuilding represents a significant employer in many nations. Consequently, all the major shipbuilding nations have launched national support packages for their shipyards. Industry consolidation among ship owners will also follow as weaker players get taken over by bigger and more solid ship owners.

It is still questionable if the recent increase in oil prices has been based on demand driven factors. In the mid-term, however, new investments in the offshore segment are expected to be activated as the industry moves to deeper waters and other unconventional oil and gas exploration areas.

In the short term, the market will continue focusing on specialised tonnage, whereas conventional volume segments, such as container vessels and bulk carriers, are expected to continue at a standstill. Wärtsilä's core business is clearly within the more specialised tonnage. During the latter part of 2009 the market in general is expected to become slightly more active.

The demand in the Power Plants market remains at a good level, but the timing of orders in dependent on the availability of financing. The fundamental global need for a more flexible, efficient, and environmentally friendly power generation mix remains and continues to position Wärtsilä well for the future. The quest for increased efficiency and better energy security through fuel versatility and flexibility, are trends that clearly work in Wärtsilä's favour. The flexible baseload segment is forecasted to remain active throughout the Middle East, Africa and the Americas. Increased interest in grid stability and peaking solutions in North America and throughout the developed world can be seen, whereas less activity is shown in the industrial self-generation segment. Power Plants ordering activity is expected to be at a good, albeit lumpy level.

Services continues its stable development, but due to the uncertainty within the marine industry, visibility has become shorter.

## WÄRTSILÄ'S PROSPECTS FOR 2009 REITERATED

Despite the risk of cancellations and the nonrecurring restructuring items booked in the second quarter, the substantial order book should support a 10-20 percent growth in net sales for 2009, which would maintain profitability at last year's good level.

## WÄRTSILÄ INTERIM REPORT JANUARY - JUNE 2009

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2008. 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 income statement. 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

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2009 the following are applicable to the Group reporting:

- IFRS 8 Operating Segments
- IAS 23 Borrowing Cost
- IAS 1 Presentation of financial Statement
- IFRIC 16 Hedges of Net Investment in a foreign Operation

The adaption of the revised standards and interpretations does not have any material effect on the interim report.

This interim report is unaudited.

## CONDENSED INCOME STATEMENT

| MEUR | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| Net sales | 2 574 | 1 942 | 4 612 |
| Other income | 19 | 10 | 26 |
| Expenses | -2 254 | -1 706 | -4 015 |
| Depreciation and impairment | -61 | -42 | -99 |
| Share of profit of associates and joint ventures | 2 | 1 | |
| Operating result | 280 | 206 | 525 |
| Financial income and expenses | -16 | | -9 |
| Profit before taxes | 263 | 206 | 516 |
| Income taxes | -73 | -61 | -127 |
| Profit for the financial period | 190 | 145 | 389 |
| | | | |
| Attributable to: | | | |
| Owners of the parent | 187 | 142 | 380 |
| Non-controlling interest | 3 | 4 | 9 |
| Total | 190 | 145 | 389 |
| | | | |
| Earnings per share attributable to equity holders of the parent company: | | | |
| Earnings per share, EUR | 1.90 | 1.45 | 3.88 |
| Diluted earnings per share, EUR | 1.90 | 1.45 | 3.88 |

## STATEMENT OF COMPREHENSIVE INCOME

| | | | |
|---|---|---|---|
| **Profit for the financial period** | 190 | 145 | 389 |
| **Other comprehensive income after tax:** | | | |
| Exchange differences on translating foreign operations | 5 | -6 | -27 |
| Investments available for sale | 10 | -27 | -37 |
| Cash flow hedges | 12 | 18 | -44 |
| Share of other comprehensive income of associates and joint ventures | | | -1 |
| Other income/expenses | | | 6 |
| **Other comprehensive income for the period** | 28 | -15 | -103 |
| | | | |
| **Total comprehensive income for the period** | 219 | 130 | 286 |
| | | | |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 214 | 127 | 277 |
| Non-controlling interest | 5 | 3 | 9 |
| | 219 | 130 | 286 |

## CONDENSED BALANCE SHEET

| MEUR | 30 June 2009 | 30 June 2008 | 31 Dec. 2008 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 801 | 648 | 793 |
| Property, plant and equipment | 462 | 388 | 446 |
| Equity in associates and joint ventures | 48 | 42 | 41 |
| Investments available for sale | 118 | 121 | 106 |
| Deferred tax receivables | 80 | 69 | 85 |
| Other receivables | 25 | 17 | 26 |
| | 1 536 | 1 285 | 1 498 |
| **Current assets** | | | |
| Inventories | 1 823 | 1 503 | 1 656 |
| Other receivables | 1 522 | 1 124 | 1 392 |
| Cash and cash equivalents | 118 | 143 | 197 |
| | 3 463 | 2 770 | 3 245 |
| **Assets** | 4 998 | 4 055 | 4 743 |
| **Shareholders' equity** | | | |
| Share capital | 336 | 336 | 336 |
| Other shareholders' equity | 915 | 698 | 848 |
| Total equity attributable to equity holders of the parent | 1 251 | 1 034 | 1 184 |
| Minority interest | 12 | 11 | 15 |
| **Total shareholders' equity** | 1 262 | 1 044 | 1 199 |
| **Non-current liabilities** | | | |
| Interest-bearing debt | 682 | 335 | 448 |
| Deferred tax liabilities | 86 | 76 | 86 |
| Other liabilities | 281 | 841 | 394 |
| | 1 049 | 1 251 | 927 |
| **Current liabilities** | | | |
| Interest-bearing debt | 208 | 86 | 216 |
| Other liabilities | 2 479 | 1 674 | 2 400 |
| | 2 687 | 1 759 | 2 616 |
| **Total liabilities** | 3 736 | 3 010 | 3 544 |
| **Shareholders' equity and liabilities** | 4 998 | 4 055 | 4 743 |

## CONDENSED CASH FLOW STATEMENT

| MEUR | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Profit before taxes | 263 | 206 | 516 |
| Depreciation and impairment | 61 | 42 | 99 |
| Financial income and expenses | 16 | -1 | 9 |
| Selling profit and loss of fixed assets and other adjustments | -6 | -5 | 2 |
| Share of profit of associates and joint ventures | -2 | -2 | |
| Changes in working capital | -305 | 6 | -250 |
| Cash flow from operating activities before financial items and taxes | 28 | 247 | 377 |
| Net financial items and income taxes | -100 | -40 | -99 |
| **Cash flow from operating activities** | -72 | 207 | 278 |
| | | | |
| **Cash flow from investing activities:** | | | |
| Investments in shares and acquisitions | -15 | -14 | -198 |
| Net investments in tangible and intangible assets | -58 | -68 | -168 |
| Proceeds from sale of shares | -20 | 1 | 30 |
| Cash flow from other investing activities | 3 | 6 | 8 |
| **Cash flow from investing activities** | -90 | -75 | -329 |
| | | | |
| **Cash flow from financing activities:** | | | |
| New long-term loans | 239 | 100 | 260 |
| Amortization and other changes in long-term loans | | -10 | -4 |
| Changes in short term loans and other financing activities | -2 | 54 | 129 |
| Dividends paid | -156 | -410 | -412 |
| **Cash flow from financing activities** | 81 | -266 | -26 |
| | | | |
| **Change in liquid funds, increase (+) / decrease (-)** | -80 | -135 | -76 |
| | | | |
| Cash and cash equivalents at beginning of period | 197 | 296 | 296 |
| Joint ventures' cash and cash equivalents at beginning of period | | -13 | -18 |
| Fair value adjustments, investments | | 1 | 1 |
| Exchange rate changes | 1 | -6 | -6 |
| Cash and cash equivalents at end of period | 118 | 143 | 197 |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| MEUR | Total equity attributable to equity holders of the parent | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|
| | Share capital | Share issue premium | Translation differences | Fair value and other reserves | Retained earnings | | |
| **Shareholders' equity on 1 January 2009** | 336 | 61 | -27 | 50 | 764 | 15 | 1 199 |
| Dividends | | | | | -148 | -8 | -156 |
| Total comprehensive income for the period | | | 9 | 18 | 187 | 5 | 219 |
| **Shareholders' equity on 30 June 2009** | 336 | 61 | -18 | 68 | 803 | 12 | 1 262 |
| | | | | | | | |
| **Shareholders' equity on 1 January 2008** | 336 | 61 | 3 | 127 | 788 | 10 | 1 325 |
| Dividends | | | | | -408 | -2 | -410 |
| Total comprehensive income for the period | | | -5 | -10 | 142 | 3 | 129 |
| **Shareholders' equity on 30 June 2008** | 336 | 61 | -2 | 117 | 522 | 11 | 1 044 |

## GEOGRAPHICAL DISTRIBUTION OF NET SALES

| MEUR | Europe | Asia | Americas | Other | Group |
|---|---|---|---|---|---|
| Net sales 1-6/2009 | 792 | 947 | 537 | 298 | 2 574 |
| Net sales 1-6/2008 | 699 | 773 | 315 | 155 | 1 942 |

## INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

| MEUR | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| **Intangible assets** | | | |
| Book value at 1 January | 793 | 646 | 646 |
| Changes in exchange rates | 14 | -5 | -30 |
| Acquisitions | 12 | 8 | 191 |
| Additions | 8 | 14 | 29 |
| Depreciation and impairment | -29 | -16 | -42 |
| Disposals and intra-balance sheet transfer | 2 | | -1 |
| **Book value at end of period** | 801 | 648 | 793 |
| | | | |
| **Property, plant and equipment** | | | |
| Book value at 1 January | 446 | 377 | 377 |
| Changes in exchange rates | 1 | -1 | -3 |
| Acquisitions | 1 | 3 | 9 |
| Additions | 49 | 58 | 139 |
| Depreciation and impairment | -32 | -26 | -57 |
| Joint ventures' opening balances | | -17 | -6 |
| Disposals and intra-balance sheet transfer | -3 | -6 | -13 |
| **Book value at end of period** | 462 | 388 | 446 |

## GROSS CAPITAL EXPENDITURE

| MEUR | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| Investments in securities and acquisitions | 15 | 14 | 198 |
| Intangible assets and property, plant and equipment | 58 | 73 | 168 |
| **Group** | 72 | 87 | 366 |

During the review period investment in the enlargement of propulsion equipment manufacturing in the Netherlands and China amounted to EUR 5 million, and Wärtsilä had commitments related to the enlargements amounting to EUR 2 million at the end of the review period. Wärtsilä centralises warehousing and logistics of spare parts by investing in a new distribution centre in the Netherlands. The commitments related to the new distribution centre amounted to EUR 56 million at the end of the review period.

## INTEREST-BEARING LOAN CAPITAL

| MEUR | 30 June 2009 | 30 June 2008 | 31 Dec. 2008 |
|---|---|---|---|
| Long-term liabilities | 682 | 335 | 448 |
| Current liabilities | 208 | 87 | 216 |
| Loan receivables | -14 | -12 | -12 |
| Cash and bank balances | -118 | -143 | -197 |
| **Net** | 759 | 267 | 455 |

## FINANCIAL RATIOS

| | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| Earnings per share, EUR | 1.90 | 1.45 | 3.88 |
| Equity per share, EUR | 12.68 | 10.48 | 12.01 |
| Solvency ratio, % | 32.7 | 36.7 | 34.3 |
| Gearing | 0.61 | 0.25 | 0.39 |

## PERSONNEL

| | 1-6/2009 | 1-6/2008 | 2008 |
|---|---|---|---|
| On average | 18 910 | 17 084 | 17 623 |
| At end of period | 19 016 | 17 552 | 18 812 |

## CONTINGENT LIABILITIES

| MEUR | 30 June 2009 | 30 June 2008 | 31 Dec. 2008 |
|---|---|---|---|
| Mortgages | 56 | 13 | 61 |
| Chattel mortgages | 10 | 7 | 10 |
| **Total** | 66 | 21 | 71 |
| | | | |
| Guarantees and contingent liabilities on behalf of Group companies | 647 | 463 | 664 |
| Nominal amount of rents according to leasing contracts | 67 | 71 | 87 |
| **Total** | 714 | 534 | 751 |

## NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

| MEUR | Total amount | of which closed |
|---|---|---|
| Interest rate swaps | 90 | |
| Foreign exchange forward contracts | 1 407 | 238 |
| Currency options, purchased | 43 | |

## COMMODITY DERIVATIVES

| | Amount in metric tons | of which closed |
|---|---|---|
| Oil swaps | 4 275 | |
| Copper futures | 300 | |

## CONDENSED INCOME STATEMENT, QUARTERLY

| MEUR | 4-6/2009 | 1-3/2009 | 10-12/2008 | 7-9/2008 | 4-6/2008 | 1-3/2008 |
|---|---|---|---|---|---|---|
| Net sales | 1 333 | 1 241 | 1 530 | 1 140 | 1 092 | 850 |
| Other income | 13 | 5 | 10 | 6 | 5 | 5 |
| Expenses | -1 167 | -1 087 | -1 313 | -996 | -953 | -753 |
| Depreciation and impairment | -30 | -30 | -31 | -26 | -21 | -21 |
| Share of profit of associates and joint ventures | 1 | 1 | 1 | -1 | 1 | |
| Operating result | 149 | 130 | 197 | 123 | 124 | 81 |
| Financial income and expenses | -9 | -7 | -14 | 5 | 7 | -7 |
| Profit before taxes | 141 | 123 | 183 | 127 | 131 | 75 |
| Income taxes | -39 | -34 | -36 | -30 | -36 | -25 |
| Profit for the financial period | 102 | 89 | 147 | 97 | 96 | 49 |
| | | | | | | |
| Attributable to: | | | | | | |
| Owners of the parent | 100 | 87 | 144 | 95 | 94 | 47 |
| Non-controlling interest | 2 | 1 | 3 | 3 | 2 | 2 |
| Total | 102 | 89 | 147 | 97 | 96 | 49 |
| | | | | | | |
| Earnings per share attributable to equity holders of the parent company: | | | | | | |
| Earnings per share, EUR | 1.01 | 0.89 | 1.46 | 0.97 | 0.96 | 0.49 |

## CALCULATION OF FINANCIAL RATIOS

**Earnings per share (EPS)**

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

**Equity per share**

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

**Solvency ratio**

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

**Gearing**

$$\frac{\text{Interest-bearing liabilities - cash and bank balances}}{\text{Shareholders' equity}}$$

21 July 2009
Wärtsilä Corporation
Board of Directors

WARTSILA.COM

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