

WÄRTSILÄ CORPORATION INTERIM REPORT Q1 2016

[Interim Report Q1 2016 \(pdf\)](#)



Stable orders and sales in challenging markets

“In terms of Wärtsilä’s operations, 2016 has started in line with our expectations. We continued to advance steadily in our maintenance markets, as reflected by an increase of 3% in Services’ net sales during the first quarter. I am satisfied with this development given the strong volumes in the corresponding period last year. Order intake was on a good level in Marine Solutions, largely due to healthy demand for electrical & automation systems and positive activity in the cruise and ferry segment. Ordering activity was solid also in the Energy Solutions business, but the reduction in power plant deliveries and price pressure in the power generation markets affected Wärtsilä’s overall financial performance. Group net sales declined slightly to EUR 967 million in the first quarter and profitability ended up at 8.7%. Nevertheless, we remain committed to our guidance of modest growth in sales based upon our broad customer offering, our current order book and the demand outlook in the Services business. Furthermore, we expect our continuous focus on cost control and increased efficiency to support an improvement in profitability this year.

We have seen market conditions weakening in our equipment businesses. Despite the somewhat improved sentiment in the power generation markets, the competitive environment remains tough. Furthermore, the combined effect of overcapacity of **merchant** ships, and a continued lack of demand in the **offshore** segment, caused vessel contracting to decline in the first quarter. We continue to strive for success despite the prevailing market challenges. Consequently, we have today announced plans to realign our Marine Solutions and Energy Solutions businesses. These adjustments, although unfortunate, are necessary for securing our future competitiveness and performance. In addition, we plan to concentrate more of the engine related R&D activities to Finland with the aim of reducing development cycles.”

Order book

+3%

Wärtsilä's prospects for 2016 unchanged

Wärtsilä expects its net sales for 2016 to grow by 0-5% and its profitability (comparable operating result as a percent of net sales) to be 12.5-13.0%.

Highlights of the review period January-March 2016

- Order intake decreased 1% to EUR 1,271 million (1,285)
- Net sales decreased 2% to EUR 967 million (988)
- Book-to-bill 1.31 (1.30)
- Comparable operating result EUR 84 million, or 8.7% of net sales (EUR 100 million or 10.1%)
- Earnings per share 0.30 euro (0.43)
- Cash flow from operating activities EUR -13 million (37)
- Order book at the end of the period increased 3% to EUR 5,103 million (4,931)

Events after the reporting period

- Plans to realign the Marine Solutions and Energy Solutions businesses announced on 21 April 2016

Wärtsilä has revised the terminology used for alternative performance measures due to new guidelines by the European Securities and Market Authority. ‘Operating result before **non-recurring items**’ has been replaced with ‘comparable operating result’, and ‘operating result before non-recurring items and purchase price allocation amortisation’ has been replaced with ‘comparable adjusted **EBITA**’. Definitions of these performance measures and of items affecting comparability can be found on the page [Calculation of financial ratios](#). Wärtsilä presents alternative performance measures to show the underlying business performance and to enhance comparability between reporting periods.

Key figures

| MEUR | 1-3/2016 | 1-3/2015 | Change | 2015 |
|--|----------|----------|--------|-------|
| Order intake | 1 271 | 1 285 | -1% | 4 932 |
| Order book at the end of the period | 5 103 | 4 931 | 3% | 4 882 |
| Net sales | 967 | 988 | -2% | 5 029 |
| Operating result | 83 | 100 | -17% | 587 |
| % of net sales | 8.6 | 10.1 | | 11.7 |
| Comparable operating result ¹ | 84 | 100 | -16% | 612 |
| % of net sales | 8.7 | 10.1 | | 12.2 |
| Comparable adjusted EBITA ¹ | 93 | 106 | -12% | 643 |
| % of net sales | 9.6 | 10.7 | | 12.8 |
| Profit before taxes | 80 | 82 | | 553 |
| Earnings/share, EUR | 0.30 | 0.43 | | 2.25 |
| Cash flow from operating activities | -13 | 37 | | 255 |
| Net interest-bearing debt at the end of the period | 639 | 251 | | 372 |
| Gross capital expenditure | 11 | 18 | | 346 |
| Gearing | 0.32 | 0.14 | | 0.17 |

¹Items affecting comparability in the first quarter of 2016 included costs of EUR 1 million related to the ongoing restructuring measures in the Marine Solutions business.