WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY–JUNE 2012

Q2

WÄRTSILÄ

STEADY DEVELOPMENT IN THE SECOND QUARTER

This interim report is unaudited.

SECOND QUARTER HIGHLIGHTS

- Order intake increased 2% to EUR 1,198 million (1,170)
- Net sales increased 6% to EUR 1,099 million (1,036)
- Operating result EUR 113 million or 10.3% of net sales (EUR 117 million and 11.3%)
- Earnings per share amounted to EUR 0.38 (0.35)
- Book-to-bill 1.09 (1.13)

HIGHLIGHTS OF THE REVIEW PERIOD JANUARY-JUNE 2012

- Order intake increased 7% to EUR 2,308 million (2,149)
- Net sales decreased 1% to EUR 2,104 million (2,119)
- Operating result EUR 215 million, or 10.2% of net sales (EUR 230 million and 10.9%)
- At the end of the period the order book totalled EUR 4,515 million (3,779), +19%
- Earnings per share amounted to 0.72 euro (0.73)
- Cash flow from operating activities EUR -154 million (84)

BJÖRN ROSENGREN, PRESIDENT AND CEO:

"The second quarter marked steady progress for Wärtsilä. Our net sales grew by 6% and our profitability was 10.3%. We continue to work towards reaching our growth and profitability targets this year. I am pleased with the good development within Ship Power's specialised vessel segments, which compensated for Power Plants' slightly weaker second quarter order intake. Ship Power also received interesting pump, gas and environmental system orders. Services development remained rather steady, despite the tough market conditions in the merchant vessel markets.

To further strengthen our competitiveness and to serve our customers more effectively, we have decided to change the organisational set up within Ship Power and Wärtsilä Industrial Operations (WIO). The main change will be that the product development related to 2-stroke, and the manufacturing and product development related to Propulsion and Electrical & Automation will be transferred from WIO to Ship Power. WIO will be renamed PowerTech and it will continue to serve both market areas of Ship Power and Power Plants. There are no job reductions planned based on this change."

WÄRTSILÄ'S PROSPECTS FOR 2012 REITERATED

Wärtsilä expects its net sales for 2012 to grow by 5-10% and its operational profitability (EBIT% before non-recurring items) to be 10-11%.

KEY FIGURES

MEUR	4-6/2012	4-6/2011	Change	1-6/2012	1-6/2011	Change	2011
Order intake	**1 198**	1 170	2%	**2 308**	2 149	7%	4 516
Order book at the end of the period				**4 515**	3 779	19%	4 007
Net sales	**1 099**	1 036	6%	**2 104**	2 119	-1%	4 209
Operating result (EBITA)[1]	**123**	120	3%	**232**	237	-2%	485
% of net sales	**11.2%**	11.6%		**11.0%**	11.2%		11.5%
Operating result (EBIT)[2]	**113**	117	-3%	**215**	230	-7%	469
% of net sales	**10.3%**	11.3%		**10.2%**	10.9%		11.1%
Profit before taxes	**98**	108		**192**	215		429
Earnings/share, EUR	**0.38**	0.35		**0.72**	0.73		1.44
Cash flow from operating activities				**-154**	84		232
Net interest-bearing debt at the end of the period				**790**	64		58
Gross capital expenditure				**501**	44		187
Gearing				**0.49**	0.04		0.04

[1] EBITA is shown excluding non-recurring items of EUR 13 million (12) and intangible asset amortisation related to acquisitions of EUR 17 million (7) during the review period January-June 2012. During the second quarter, non-recurring items amounted to EUR 6 million (9) and intangible asset amortisation related to acquisitions to EUR 10 million (3).
[2] EBIT is shown excluding non-recurring items.

MARKET DEVELOPMENT

POWER PLANTS

Market activity at a good level

Power plant market activity was at a good level in the second quarter of 2012, and the level of quoted MWs was high. Quotation activity remains focused on natural gas based generation. Supported by their economic growth, the emerging markets continued to invest in new power generation capacity. However, some larger investments were delayed because of volatility in the macro economy. Activity has been strongest in the flexible baseload segment.

Power Plants market share

During 2011, the overall market for gas and liquid fuel based power plants grew to approximately 100.8 GW (70.1). This includes all prime mover units of over 5 MW. Wärtsilä’s share represents 3.3% of the market (4.5).

SHIP POWER

Activity in the offshore and specialised vessel markets stands out

During the second quarter of 2012, 238 contracts for new vessels were registered. Thus far in 2012 490 vessels have been contracted globally. This activity level is considerably lower than that of 2011, when the average quarterly contracting volume was 353 vessels. The decrease in activity is a reflection of the continuing tough market conditions for the traditional merchant segments, i.e. bulkers, tankers and container vessels. In these segments owners are experiencing severe pressure resulting from low earnings and high operating expenses, including high fuel costs, as well as difficulties in accessing financing.

Contracting activity has, however, been robust for the offshore and specialised vessel markets during 2012, with offshore accounting for a notable 29% of all contracting measured in number of vessels. The gas carrier market (LNG carriers and LPG carriers) has also been active with 18 and 28 contracts booked respectively. There has also been good contracting activity in the ferry segment.

China and Korea continued to be the dominant countries in shipbuilding, capturing respectively 33% and 40% of the contracts confirmed in 2012 in terms of gross tonnage. Non-traditional shipbuilding countries are emerging with 15% of the contracts confirmed. Brazil, Norway, the USA and Turkey stand out amongst the small shipbuilding nations that have been capturing new building contracts during 2012.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market remained stable at 49% (49% at the end of the previous quarter). The market share in low-speed engines decreased slightly to 22% (24). In the auxiliary engine market, Wärtsilä's share was 5% (5).

SERVICES

Stable development in the service markets

The service market continued to be at a stable level for both marine and power plant customers. The market for the different marine sectors was also stable, with some improvement in the merchant marine sector. The performance for different geographic regions was also stable. A small improvement was seen in North Europe, while there was a slight decrease in the Americas.

ORDER INTAKE

Wärtsilä's order intake for the second quarter increased by 2% to EUR 1,198 million (1,170). In relation to the previous quarter, Wärtsilä's order intake increased by 8% (EUR 1,109 million in the first quarter of 2012). The book-to-bill ratio for the second quarter was 1.09 (1.13).

The order intake for Power Plants in the second quarter totalled EUR 283 million (419), which was 33% lower than for the corresponding period last year. Compared to the previous quarter, order intake decreased by 8% (EUR 309 million in the first quarter of 2012). The volatility in the macro economy delayed the decision making process for certain large investments. During the second quarter, Wärtsilä received its largest order from Azerbaijan for a 384 MW power plant as well as a 113 MW order from Indonesia. Both of these plants rely on the benefits of Wärtsilä's Smart Power Generation concept.

The second quarter order intake for Ship Power totalled EUR 447 million (306), an increase of 46% over the corresponding period last year. Compared to the previous quarter, the order intake increased by 62% (EUR 276 million in the first quarter of 2012). During the review period, offshore and specialised tonnage related orders continued to dominate. Among the various orders in these segments, Ship Power received an order for six Pipe Laying Vessels for use by the Brazilian energy giant Petrobras. The Wärtsilä solutions selected for these six vessels include the design, main engines, and the propellers. The recently acquired Hamworthy related ordering activity continued to be lively especially for oil & gas and environmental solutions. During the quarter, the global ro-ro operator Wilh. Wilhelmsen ASA, placed an order for the world's largest hybrid scrubber. The scrubber will be retrofitted to the MV Tamesis for cleaning the vessel's exhaust gases. Wärtsilä also received an order for four hybrid scrubber systems to be installed on two newbuilt vessels and an option for another similar order.

The Offshore segment represented 40% of the second quarter order intake, while the Merchant segment's share was 35% and Navy accounted for 16%. The Cruise & Ferry segment's share of the order intake was 5% and the Special Vessels segment's 2%. Other orders accounted for 2%.

The order intake for Services in the second quarter totalled EUR 466 million (444), which was 5% higher than for the corresponding period last year. Compared to the previous quarter, the order intake decreased by 11% (EUR 523 million in the first quarter of 2012). During the second quarter, Wärtsilä signed Operations & Maintenance (O&M) agreements with power plant customers in South Africa and the Democratic Republic of Timor-Leste. These power plants have a combined output of approximately 300 MWs. A long-term service agreement was also signed with global cruise operator Princess Cruise Lines Ltd. The contract covers seven Princess Cruise Lines vessels having an installed engine output of 270 MW.

The total order intake for the review period January-June 2012 was EUR 2,308 million (2,149), which represents an increase of 7% compared to the corresponding period in 2011. The book-to-bill ratio for the review period was 1.10 (1.01). Power Plants' order intake was EUR 591 million (672), which is 12% lower than in 2011. Ship Power's order intake was EUR 723 million (479), an increase of 51% from the corresponding period last year. Services' order intake for the review period totalled EUR 989 million (995), a decrease of 1% over the corresponding period in 2011.

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and the Wärtsilä Qiyao Diesel Company Ltd joint venture company in China, producing auxiliary engines, totalled EUR 148 million (33) during the review period January-June 2012. Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of the result of associates and joint ventures.

Order intake by business

MEUR	**4-6/2012**	4-6/2011	Change	**1-6/2012**	1-6/2011	Change	2011
Power Plants	**283**	419	-33%	**591**	672	-12%	1 602
Ship Power	**447**	306	46%	**723**	479	51%	1 000
Services	**466**	444	5%	**989**	995	-1%	1 909
Order intake, total	**1 198**	1 170	2%	**2 308**	2 149	7%	4 516

Order intake Power Plants

MW	**4-6/2012**	4-6/2011	Change	**1-6/2012**	1-6/2011	Change	2011
Oil	**246**	355	-31%	**548**	615	-11%	1 647
Gas	**546**	450	21%	**848**	872	-3%	1 693
Renewable fuels	**0**	0		**5**	0		0
Order intake, total	**792**	805	-2%	**1 401**	1 487	-6%	3 340

ORDER BOOK

The total order book at the end of the review period stood at EUR 4,515 million (3,779), an increase of 19%. In relation to the previous quarter, Wärtsilä's order book increased by 2% (EUR 4,409 million in the first quarter of 2012). At the end of the review period, the Power Plants order book amounted to EUR 1,514 million (1,265), an increase of 20%. The Ship Power order book stood at EUR 2,187 million (1,753), which is 25% higher than at the same date last year. The Services order book increased by 7% to EUR 815 million (761).

Order book by business

MEUR	30.6.2012	30.6.2011	Change	31.12.2011
Power Plants	1 514	1 265	20%	1 536
Ship Power	2 187	1 753	25%	1 684
Services	815	761	7%	786
Order book, total	4 515	3 779	19%	4 007

NET SALES

Wärtsilä's net sales for the second quarter increased by 6% to EUR 1,099 million (1,036) compared to the corresponding period last year. Net sales for Power Plants totalled EUR 353 million (360), a decrease of 2%. Ship Powers' net sales for the second quarter totalled EUR 298 million (223), which is 34% higher than in the corresponding quarter last year. The second quarter net sales for Services remained stable at EUR 449 million (452).

Wärtsilä's net sales for January-June 2012 decreased by 1%, totalling EUR 2,104 million (2,119). Net sales for Power Plants totalled EUR 625 million (710), a decrease of 12%. Ship Power's net sales increased by 4% and totalled EUR 536 million (517). Net sales from the Services business totalled EUR 942 million (890), an increase of 6%. Of the total net sales, Power Plants accounted for 30%, Ship Power for 25% and Services for 45%.

Of Wärtsilä's net sales for January-June 2012, approximately 59% was EUR denominated, 19% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	**4-6/2012**	4-6/2011	Change	**1-6/2012**	1-6/2011	Change	2011
Power Plants	**353**	360	-2%	**625**	710	-12%	1 365
Ship Power	**298**	223	34%	**536**	517	4%	1 022
Services	**449**	452	-1%	**942**	890	6%	1 816
Net sales, total	**1 099**	1 036	6%	**2 104**	2 119	-1%	4 209

OPERATING RESULT AND PROFITABILITY

The second quarter operating result (EBIT) before non-recurring items was EUR 113 million (117), or 10.3% of net sales (11.3). Including non-recurring items, the operating result was EUR 108 million (108) or 9.8% of net sales (10.4). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 123 (120), or 11.2% of net sales (11.6).

For the review period January-June 2012, the operating result (EBIT) before non-recurring expenses was EUR 215 million (230), which is 10.2% of net sales (10.9). Including non-recurring expenses, the operating result was EUR 202 million (219) or 9.6% of net sales (10.3). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 232 million (237), or 11.0% of net sales (11.2). Wärtsilä recognised EUR 13 million of non-recurring items (12) during the review period January-June 2012. Non-recurring items consisted of restructuring measures, pension liabilities related to restructured and discontinued operations, and acquisition costs. Wärtsilä also recognised intangible asset amortisation related to acquisitions of EUR 17 million (7) during the review period January-June 2012.

Financial items amounted to EUR -11 million (-4). Net interest totalled EUR -9 million (-2). Dividends received totalled EUR 1 million (2). Profit before taxes amounted to EUR 192 million (215). Taxes in the reporting period amounted to EUR 49 million (66). Earnings per share were 0.72 euro (0.73) and the equity per share was 8.07 euro (7.66).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-June 2012 totalled EUR -154 million (84). Net working capital at the end of the period totalled EUR 545 million (276). The increase of net working capital resulted from a decrease in mainly project related accruals as well as an increase in inventories. The increase in inventories was related to large deliveries scheduled for the remainder of the year as well as certain customers experiencing delays in arranging payment security. Hamworthy's opening balance for inventories was approximately EUR 90 million. Advances received at the end of the period totalled EUR 643 million (EUR 651 million at the end of the previous quarter). Cash and cash equivalents at the end of the period amounted to EUR 148 million (541).

Wärtsilä had interest-bearing debt totalling EUR 942 million (607) at the end of June 2012. The total amount of short-term debt maturing within the next 12 months was EUR 348 million, including EUR 246 million of Finnish Commercial Papers. Net interest-bearing loan capital totalled EUR 790 million.

The funding programmes at the end of June 2012 included long-term loans of EUR 594 million and unutilised Committed Revolving Credit Facilities totalling EUR 534 million. The funding programmes also included Finnish Commercial Paper programmes totalling EUR 700 million.

The solvency ratio was 38.4% (40.4) and gearing was 0.49 (0.04). The increase in gearing relates mainly to the acquisition of Hamworthy.

Wärtsilä has decided to discontinue hedging of the net assets in its foreign subsidiaries and joint ventures. As of 31 December 2011 these hedges totalled EUR 329 million and all of them were closed out in June 2012.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 501 million (44), comprising EUR 461 million (16) in acquisitions and investments in securities, and EUR 39 million (28) in intangible assets and property, plant and equipment. Depreciation, amortisations and impairment for the review period amounted to EUR 68 million (57).

Maintenance capital expenditure for 2012 will be lower than depreciation.

STRATEGIC PROJECTS, ACQUISITIONS, JOINT VENTURES AND EXPANSION OF THE NETWORK

Wärtsilä and Metso agreed that Wärtsilä would sell its 40% share in the MW Power Oy joint venture to the other joint venture party, Metso. The sale of MW Power to Metso has been cleared by the regulatory authorities and the transaction between Wärtsilä and Metso has now been closed. The value of the agreement was not disclosed. Wärtsilä will follow its strategy and focus on engine-based power plant solutions.

Wärtsilä TMH Diesel Engine Company LLC, a joint venture owned 50/50 by Wärtsilä and Transmashholding, will begin construction of a modern factory located in Penza, Russia. The new plant is expected to be ready to start production in summer 2013, and will provide world-class assembly and manufacturing facilities. The joint venture is strategically important for Wärtsilä since it broadens the company's business activities into the rail market, while giving Wärtsilä a stronger industrial foothold in Russia.

The acquisition of Hamworthy was finalised on 31 January 2012, and the integration of Hamworthy into Wärtsilä's Ship Power business is moving according to plan. Hamworthy has been divided into two business units; Flow & Gas solutions and Environmental solutions.

PERSONNEL

Wärtsilä had 19,161 (17,654) employees at the end of June 2012. On average, the number of personnel for January-June 2012 totalled 17,931 (17,585). Power Plants employed 902 (811) people. Ship Power employed 2,194 (961) people, Services 11,358 (11,083), and manufacturing and R&D (Wärtsilä Industrial Operations) 3,859 (4,022) people. The increase in Ship Power's number of employees relates mainly to the acquisition of Hamworthy.

Of Wärtsilä's total number of employees, 19% (19) were located in Finland and 37% (35) elsewhere in Europe. Personnel employed in Asia represented 33% (33) of the total.

MANUFACTURING

Wärtsilä's advanced dual-fuel technology was first launched in the early 1990s for use in land-based power plant applications. The first marine installation of the 50DF engine came a decade later. Wärtsilä, together with its joint venture company Wärtsilä Hyundai Engine Company (WHEC), has now been contracted to supply Wärtsilä 50DF dual-fuel propulsion engines to 100 Liquefied Natural Gas (LNG) carrier vessels. This notable milestone was passed when supplying a LNG carrier being built in a South Korean shipyard. The 100 LNG carriers represent approximately one quarter of the current global fleet.

Wärtsilä has celebrated another important milestone with the production of the 1000th Wärtsilä Auxpac 20 generating set. This 8-cylinder Wärtsilä Auxpac 20 unit was produced for Jiangsu Rongsheng Heavy Industries, the largest shipyard in China, at the Wärtsilä Qiyao Diesel Company (WQDC) joint venture facilities in China. The WQDC 50/50 joint venture between Wärtsilä and Shanghai Marine Diesel Engine Research Institute was established in 2005, and the first Wärtsilä Auxpac 20 was produced in 2006.

RESEARCH AND DEVELOPMENT, PRODUCT LAUNCHES

The 2-stroke gas engine development project is proceeding according to plan. The outcome of the tests has been encouraging so far. An important milestone was reached last year when the test results showed that the engine performance fully complies with the upcoming IMO Tier III nitrogen oxide (NO_x) limits. This represents a new benchmark for low-speed engines running on gas. The test engine will be converted from one cylinder to full scale gas operation in the fourth quarter of 2012 and further performance data is expected by the end of the year.

Wärtsilä has extended its offering in the low-speed X-generation engine series to the upper end of its portfolio with the new Wärtsilä X92 engine with a bore of 920 mm. The new engine is extremely efficient in terms of fuel consumption and emissions, and will serve the market for large and ultra-large container vessels. The first engine is planned for delivery in 2014.

Wärtsilä has successfully tested its first Wärtsilä RT-flex50 version D engine with a turbocharger installed on the driving end side. With the addition of this engine, Wärtsilä now has an additional 2-stroke engine suitable for smaller vessel types. The de-rated engine runs on lower rpm's and features reduced fuel consumption, thereby enabling lower emission values to be achieved – including smokeless operation, especially at low engine load.

Wärtsilä has an agreement with Canada-based Trojan Technologies to offer the Marinex ballast water management system (BWMS), alongside the Wärtsilä Hamworthy AQUARIUS™ range, which was introduced to the market last year. Wärtsilä now offers the widest range of BWMS and associated services on the market. The Marinex ship board trials are expected to be completed in September of this year, along with land-based testing. The AQUARIUS™ UV land-based and shipboard trials have been completed and the final shipboard tests for the Wärtsilä Hamworthy electro chlorination system will be concluded during the summer.

Wärtsilä offers an efficient and economical method of reducing emissions of sulphur oxides in ships by the use of exhaust gas scrubbers. Wärtsilä today has the widest portfolio of scrubbers and most extensive reference list on the market. The open-loop scrubbers were pioneered 7 years ago, and the longest running installations have accumulated up to 40.000 operating hours and are well established. The closed-loop scrubber technology has recently been introduced to the market. After initial parameter tuning, the closed loop scrubber is now in operation and Wärtsilä has several projects currently under delivery. A combination of these two systems, the hybrid scrubber, is just being introduced and the first pilot orders have been received.

CHANGES IN THE ORGANISATIONAL STRUCTURE

To further strengthen our competitiveness and to serve our customers more effectively we have decided to change the organisational set up within Ship Power and Wärtsilä Industrial Operations (WIO). With this change, Wärtsilä aims to further increase the flexibility of its operations and ensure faster decision making; factors that are needed to meet customer demands and intensified competition. The new organisational set-up will also lead to a better utilisation of resources. No job reductions are planned based on the changes in the organisational structure. The new set up will become effective as of 1 October 2012.

Ship Power will be organised by products, consisting of 4-stroke, 2-stroke, Propulsion, Flow & Gas, Environmental, and Solutions, which will include both Electrical & Automation and Ship Design. A global Sales organisation will be responsible for all Ship Power customer relations and for capturing sales opportunities. WIO will be renamed PowerTech and it will consist of Product Center 4-stroke and Central Operations, serving both market areas, Ship Power and Power Plants. The R&D and manufacturing required for the engines sold to both markets will take place in the same R&D centres and factories. Product development related to 2-stroke, and the manufacturing and product development related to Propulsion and Electrical & Automation will be transferred to Ship Power. Central Operations within PowerTech will include R&D, Supply Management and Quality as well as Centres of Excellence. The Power Plants and Services organisations will not change as a result of the new organisational set-up.

SUSTAINABLE DEVELOPMENT

Wärtsilä is well positioned to reduce emissions and the use of natural resources, thanks to its various technologies and specialised services. 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, environment and anti-corruption. Wärtsilä’s share is included in several sustainability indices.

CHANGES IN MANAGEMENT

The following appointments were made within Wärtsilä Corporation's Board of Management, with effect from 1 January 2012:

Mr Kari Hietanen (48) LLM was appointed Group Vice President, Corporate Relations and Legal. Ms Päivi Castrén (53) MSc (Soc.Sc.), was appointed Group Vice President Human Resources and a member of the Board of Management.

SHARES AND SHAREHOLDERS

Shares on the Nasdaq OMX Helsinki Stock Exchange

30.6.2012	Number of shares	Number of votes	Number of shares traded 1-6/2012
WRT1V	197 241 130	197 241 130	98 383 506

1.1.-30.6.2012	High	Low	Average 1)	Close
Share price	31.33	22.30	26.84	25.79

1) Trade-weighted average price

	30.6.2012	30.6.2011
Market capitalisation, EUR million	5 087	4 594
Foreign shareholders	49.5%	50.0%

Flagging notifications

During the review period January-June 2012, Wärtsilä was informed of the following changes in ownership:

On 24 April 2012, Wärtsilä was informed of Fiskars Group's and Investor AB's agreement to merge their ownership interest through a joint venture. Fiskars Group had, through its subsidiary Avlis AB, sold Wärtsilä shares on 23 April 2012 and owned less than 3/20 (15%) of the company's votes. Following the transaction Avlis AB owned 25,641,347 shares or 13% of Wärtsilä's share capital and total votes. Investor AB had, through its subsidiary Aktiebolaget Navigare, purchased Wärtsilä shares on 23 April 2012 and owned more than 1/20 (5%) of the company's votes. Following the transaction, Aktiebolaget Navigare owned 12,701,821 shares or 6.44% of Wärtsilä's share capital and total votes. The joint ownership of Fiskars Group and Investor AB exceeded 3/20 (15%), and totalled 38,343,168 shares or 19.44% of Wärtsilä's share capital and votes.

On 26 April 2012, Investor AB increased its holding in Wärtsilä Corporation. Following the transaction the joint ownership of Fiskars Group and Investor AB was 40,317,168 shares or 20.44% of Wärtsilä's share capital and votes.

On 29 June 2012, BlackRock, Inc. increased its holding in Wärtsilä Corporation. Following the transaction BlackRock Inc. owned 9,945,554 shares or 5.04% of Wärtsilä's share capital and total votes.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 8 March 2012 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 2011. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.90 per share. The dividend was paid on 20 March 2012.

The Annual General Meeting decided that the Board of Directors shall have nine members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Lars Josefsson, Mr Mikael Lilius, Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

The firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2012.

Authorisation to repurchase and distribute the Company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 19,000,000 of the Company's own shares. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the authorisation.

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own shares shall be valid for three years from the authorisation. The Board of Directors is authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company's own shares other than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

Organisation of the Board of Directors

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

Audit Committee:

Chairman Markus Rauramo, Maarit Aarni-Sirviö, Alexander Ehrnrooth, Lars Josefsson

Nomination Committee:

Chairman Mikael Lilius, Kaj-Gustaf Bergh, Matti Vuoria

Remuneration Committee:

Chairman Mikael Lilius, Paul Ehrnrooth, Matti Vuoria

RISKS AND BUSINESS UNCERTAINTIES

In the Power Plants business, uncertainty in the financial markets may impact the timing of bigger projects.

The business environment for the shipping and shipbuilding industry remains stable; however concerns over the global economy continue to cause uncertainty. The traditional merchant segments are under particular pressure and risks related to cancellations and delayed deliveries in this area have elevated.

Increasing risks in the financial markets may have a negative impact on Services' order intake. The challenging conditions in the marine merchant markets are also seen as a potential risk.

The annual report for 2011 contains a more specific description of Wärtsilä's risks and risk management.

MARKET OUTLOOK

The power generation market is expected to remain active in 2012. The growing emerging markets will continue to invest in new power generation capacity, which will drive demand - especially in the flexible baseload segment. In the OECD countries, there is still pent-up power sector demand, mainly driven by CO_2 neutral generation and the ramp down of older, mainly coal-based, generation.

The outlook for overall vessel contracting activity during 2012 is slightly negative, with full year contracting expected to be somewhat lower than contracting during 2011. The decrease is largely driven by the low contracting levels in traditional merchant segments. Robust contracting activity, in line with activity levels seen during 2011 and so far in 2012, is expected for the offshore, gas carrier, and other specialised vessel markets. Interesting opportunities are seen in the following areas: efficiency improvement, gas as a fuel, and environmental solutions. These are now central issues in many newbuilding discussions and are expected to grow in importance going forward.

Despite the slightly improved market situation in the review period, some uncertainties remain in the service market. The merchant marine segments are still expected to be under pressure, as overcapacity in the market continues to impact the potential for services in this area. Development in the active installed base is also expected to be moderate, with continued scrapping, layups, slow steaming, and low utilisation of vessels in the merchant segments. The power plant service market is expected to develop steadily.

WÄRTSILÄ'S PROSPECTS FOR 2012 REITERATED

Wärtsilä expects its net sales for 2012 to grow by 5-10% and its operational profitability (EBIT% before non-recurring items) to be 10-11%.

WÄRTSILÄ INTERIM REPORT JANUARY – JUNE 2012

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 2011. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2012 the following are applicable on the Group reporting:

- Amendment to IFRS 7 Financial Instruments : Disclosures

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

This interim report is unaudited.

CONDENSED STATEMENT OF INCOME

MEUR	1-6/2012	1-6/2011	2011
Net sales	2 104	2 119	4 209
Other operating income	45	14	47
Expenses	-1 880	-1 862	-3 706
Depreciation, amortisation and impairment	-68	-57	-113
Share of result of associates and joint ventures		4	8
Operating result	202	219	445
Financial income and expenses	-11	-4	-16
Net income from financial assets available-for-sale	1		
Profit before taxes	192	215	429
Income taxes	-49	-66	-136
Profit for the financial period	143	149	293
Attributable to:			
Equity holders of the parent company	141	144	283
Non-controlling interests	2	4	10
Total	143	149	293
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (basic and diluted), EUR	0,72	0,73	1,44

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	143	149	293
Other comprehensive income after tax:			
Exchange rate differences on translating foreign operations	-6	-10	-4
Financial assets available-for-sale			
fair valuation	2	6	16
transferred to the statement of income	-1		
Cash flow hedges	-3	3	-23
Other comprehensive income	-9	-2	-12
Total comprehensive income for the period	134	147	281
Total comprehensive income attributable to:			
Equity holders of the parent company	131	145	270
Non-controlling interests	2	3	11
	134	147	281

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	30 Jun. 2012	30 Jun. 2011	31 Dec. 2011
Non-current assets			
Intangible assets	1 259	764	826
Property, plant and equipment	476	433	472
Investments in associates and joint ventures	74	83	87
Financial assets available-for-sale	41	26	39
Deferred tax assets	117	121	119
Other receivables	33	32	34
	2 000	1 459	1 577
Current assets			
Inventories	1 421	1 267	1 222
Other receivables	1 291	1 128	1 209
Cash and cash equivalents	148	541	592
	2 860	2 937	3 023
Total assets	4 860	4 396	4 600
Equity			
Share capital	336	336	336
Other equity	1 256	1 175	1 301
Total equity attributable to equity holders of the parent company	1 592	1 511	1 636
Non-controlling interests	28	21	30
Total equity	1 619	1 533	1 666
Non-current liabilities			
Interest-bearing debt	594	523	485
Deferred tax liabilities	100	63	69
Other liabilities	208	179	212
	901	766	765
Current liabilities			
Interest-bearing debt	348	84	167
Other liabilities	1 992	2 014	2 001
	2 339	2 098	2 169
Total liabilities	3 241	2 864	2 934
Total equity and liabilities	4 860	4 396	4 600

CONDENSED STATEMENT OF CASH FLOWS

MEUR	1-6/2012	1-6/2011	2011
Cash flow from operating activities:			
Profit for the financial period	143	149	293
Depreciation, amortisation and impairment	68	57	113
Financial income and expenses	11	4	16
Selling profit and loss of fixed assets and other changes	-12		-6
Share of result of associates and joint ventures		-4	-8
Income taxes	49	66	136
Changes in working capital	-306	-52	-88
Cash flow from operating activities before financial items and taxes	-47	219	456
Financial items and paid taxes	-108	-135	-224
Cash flow from operating activities	-154	84	232
Cash flow from investing activities:			
Investments in shares and acquisitions	-393	-16	-91
Net investments in property, plant and equipment and intangible assets	-40	-28	-81
Proceeds from sale of financial assets available-for-sale and shares from associated companies	34	3	3
Cash flow from other investing activities	2	2	3
Cash flow from investing activities	-397	-39	-166
Cash flow from financing activities:			
Proceeds from non-current borrowings	159		
Repayments and other changes in non-current loans	-50	-9	-50
Changes in current loans and other changes	179	13	82
Dividends paid	-182	-278	-279
Cash flow from financing activities	106	-274	-247
Change in cash and cash equivalents, increase (+) / decrease (-)	-446	-229	-181
Cash and cash equivalents at the beginning of the period	592	776	776
Exchange rate changes	1	-6	-3
Cash and cash equivalents at the end of the period	148	541	592

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 differences	Fair value reserves	Retained earnings		
Equity on 1 January 2012	336	61	2	5	1 233	30	1 666
Dividends paid					-178	-4	-182
Total comprehensive income for the period			-7	-2	142	2	136
Equity on 30 June 2012	336	61	-5	3	1 197	28	1 619
Equity on 1 January 2011	336	61	8	12	1 221	26	1 664
Dividends paid					-271	-7	-278
Total comprehensive income for the period			-8	9	144	3	147
Equity on 30 June 2011	336	61	-1	21	1 094	21	1 533

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	The Americas	Other	Total
Net sales 1-6/2012	575	828	437	264	2 104
Net sales 1-6/2011	695	835	402	187	2 119

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-6/2012	1-6/2011	2011
Intangible assets			
Carrying amount on 1 January	826	780	780
Changes in exchange rates	25	-5	5
Acquisitions	424		64
Additions	13	10	21
Amortisation and impairment	-31	-22	-44
Disposals and reclassifications	3	1	-1
Carrying amount at the end of the period	1 259	764	826
Property, plant and equipment			
Carrying amount on 1 January	472	466	466
Changes in exchange rates	4	-5	4
Acquisitions	19		15
Additions	26	18	69
Depreciation and impairment	-37	-35	-69
Disposals and reclassifications	-10	-10	-10
Carrying amount at the end of the period	476	433	472

GROSS CAPITAL EXPENDITURE

MEUR	1-6/2012	1-6/2011	2011
Investments in securities and acquisitions	461	16	97
Intangible assets and property, plant and equipment	39	28	90
Total	501	44	187

ACQUISITIONS 2012

Hamworthy plc

On 31 January 2012 Wärtsilä acquired all the shares of and obtained control of Hamworthy plc, listed on the London Stock Exchange-AIM, through a recommended cash offer.

The total consideration of the transaction was EUR 456 million, 825 pence in cash for each Hamworthy share.

Hamworthy is a global provider of specialist equipment and services to the marine, oil & gas and industrial sectors. The acquisition of Hamworthy will enable Wärtsilä to strengthen its position as a total solutions provider, and to be the most valued partner for its customers with a complete range of products, integrated solutions, and services to the marine and offshore industries. The combination of Wärtsilä's and Hamworthy's strengths will speed up and ease the means for customers to reduce operating costs and achieve compliance with environmental legislation.

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

Total consideration	**MEUR**
Cash	456
Total consideration transferred	456

Cash flow from the acquisition	**MEUR**
Consideration paid in cash	456
Cash and cash equivalents of the acquired companies	-67
Total cash flow from the acquisition	389

The assets and liabilities arising from the acquisition (preliminary)	**MEUR**
Intangible assets	118
Property, plant and equipment	19
Inventories	91
Trade and other receivables	81
Cash and cash equivalents	67
Total assets	376
Provisions	30
Interest-bearing liabilities	
Trade payables and other liabilities	156
Deferred tax liabilities	35
Total liabilities	221
Total net assets	155
Goodwill	301

The fair values at the date of acquisition are provisional as work continues to complete the initial accounting for the acquisition. The provisional fair values of acquired identifiable intangible assets (including technology, customer relationships and trademarks) amounted to approximately EUR 116 million.

The fair value of current trade receivables and other receivables is approximately EUR 81 million and includes trade receivables with a fair value of approximately EUR 49 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 301 million reflects the value of know-how and expertise in marine, oil & gas and industrial sectors. The combined resource and competence base creates an exciting platform for long term growth in the offshore, marine gas and environmental solutions markets to the benefit of shareholders, customers and employees alike. The goodwill recognised for Hamworthy is not tax deductible.

The Group incurred during 2012 acquisition-related costs of EUR 3 million related to external legal fees and due diligence costs. The costs have been included in the other operating expenses in the consolidated statement of income. The total acquisition-related costs are estimated to be approximately EUR 4 million.

In the five months to 30 June 2012 Hamworthy contributed net sales of EUR 144 million and operating result of EUR 14 million to the Group's results. If the acquisition had occurred on 1 January 2012, management estimates that consolidated net sales would have been EUR 2,130 million, and consolidated operating result for the period would have been EUR 203 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

Other acquisitions

On 1 April 2012 Wärtsilä acquired the business of MMI Boiler Management Pte Ltd., a Singapore based company specialising in the service and maintenance of boilers for marine and industrial applications. The purchase price is approximately EUR 3 million resulting in a goodwill of approximately EUR 1 million.

INTEREST-BEARING LOAN CAPITAL

MEUR	1-6/2012	1-6/2011	2011
Non-current liabilities	594	523	485
Current liabilities	348	84	167
Loan receivables	-3	-2	-2
Cash and cash equivalents	-148	-541	-592
Net	790	64	58

FINANCIAL RATIOS

	1-6/2012	1-6/2011	2011
Earnings per share (basic and diluted), EUR	0.72	0.73	1.44
Equity per share, EUR	8.07	7.66	8.30
Solvency ratio, %	38.4	40.4	41.3
Gearing	0.49	0.04	0.04

PERSONNEL

	1-6/2012	1-6/2011	2011
On average	17 931	17 585	17 708
At the end of the period	19 161	17 654	17 913

CONTINGENT LIABILITIES

MEUR	1-6/2012	1-6/2011	2011
Mortgages	43	57	57
Chattel mortgages	71	17	62
Total	114	74	119
Guarantees and contingent liabilities			
on behalf of Group companies	454	508	903
on behalf of associated companies	10	9	10
Nominal amount of rents according			
to leasing contracts	73	70	64
Total	537	587	976

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 214	329
Currency options, purchased	43	
Currency options, written	29	

CONDENSED STATEMENT OF INCOME, QUARTERLY

MEUR	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Net sales	1 099	1 005	1 238	851	1 036	1 083
Other operating income	35	10	13	20	4	10
Expenses	-990	-889	-1 086	-758	-906	-956
Depreciation, amortisation and impairment	-35	-33	-29	-27	-28	-29
Share of result of associates and joint ventures	-1	1	2	2	1	3
Operating result	108	94	138	88	108	111
Financial income and expenses	-11	-1	-6	-5		-4
Net income from financial assets available-for-sale	1					
Profit before taxes	98	93	131	83	108	107
Income taxes	-22	-27	-39	-30	-35	-31
Profit for the financial period	77	66	92	53	73	76
Attributable to:						
Equity holders of the parent company	76	65	89	51	70	74
Non-controlling interests	1	1	3	3	2	2
Total	77	66	92	53	73	76
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.38	0.33	0.45	0.26	0.35	0.38

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

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

Equity per share

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

Solvency ratio

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

Gearing

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

17 July 2012
Wärtsilä Corporation
Board of Directors

WARTSILA.COM