WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY–SEPTEMBER 2012

Q3

WÄRTSILÄ

GROWTH IN ORDER INTAKE AND NET SALES DESPITE TOUGH MARKETS

This interim report is unaudited.

THIRD QUARTER HIGHLIGHTS

- Prospects for 2012 improved
- Order intake increased 14% to EUR 1,275 million (1,118)
- Net sales increased 28% to EUR 1,087 million (851)
- Operating result (EBIT) EUR 113 million or 10.4% of net sales (EUR 94 million or 11.0%)
- EBITA EUR 129 million or 11.9% of net sales (EUR 103 million or 12.1%)
- Earnings per share amounted to EUR 0.38 (0.26)
- Book-to-bill 1.17 (1.31)
- Cash flow from operating activities EUR 121 million (219)

HIGHLIGHTS OF THE REVIEW PERIOD JANUARY-SEPTEMBER 2012

- Order intake increased 10% to EUR 3,583 million (3,267)
- Net sales increased 7% to EUR 3,191 million (2,970)
- Operating result (EBIT) EUR 328 million or 10.3% of net sales (EUR 324 million or 10.9%)
- EBITA EUR 354 million or 11.1% of net sales (EUR 336 million or 11.3%)
- At the end of the period the order book totalled EUR 4,724 million (4,042), an increase of 17%
- Earnings per share amounted to 1.09 euro (0.99)
- Cash flow from operating activities EUR -34 million (303)

BJÖRN ROSENGREN, PRESIDENT AND CEO:

“Despite the continuing uncertainty in the global economy and the tough market conditions, both our order intake and net sales developed well. In the third quarter they were up by 14% and 28% respectively. Ship Power’s year-on-year performance is strong, and has been supported by both an active offshore sector and the Hamworthy acquisition. Among the highlights are a major engine and propulsion equipment order for six Brazilian drillships from Jurong Shipyard Pte Ltd, and three platform supply vessel related orders from Statoil, as well as the first four ballast water management system orders. Wärtsilä again received a record power plant order, this time for an approximately 600 MW power plant to be constructed in Jordan. It will be the world’s largest tri-fuel power plant. I am also happy to note that the growth trend for Services continues, regardless of the difficult market environment that many of our marine service customers are experiencing.

We believe that net sales will grow this year by around 10-15%, which is more than originally estimated. Our profitability now stands at 10.3% and we believe it will improve in the fourth quarter. As a result, we expect profitability for the full year to be 10.5-11%.”

WÄRTSILÄ’S PROSPECTS FOR 2012 REVISED

Wärtsilä expects its net sales for 2012 to grow by 10-15% (previously 5-10%) and its operational profitability (EBIT% before non-recurring items) to be 10.5-11% (previously 10-11%).

KEY FIGURES

MEUR	**7-9/2012**	7-9/2011	Change	**1-9/2012**	1-9/2011	Change	2011
Order intake	**1 275**	1 118	14%	**3 583**	3 267	10%	4 516
Order book at the end of the period				**4 724**	4 042	17%	4 007
Net sales	**1 087**	851	28%	**3 191**	2 970	7%	4 209
Operating result (EBITA)[1]	**129**	103	25%	**354**	336	5%	485
% of net sales	**11.9%**	12.1%		**11.1%**	11.3%		11.5%
Operating result (EBIT)[2]	**113**	94	21%	**328**	324	1%	469
% of net sales	**10.4%**	11.0%		**10.3%**	10.9%		11.1%
Profit before taxes	**99**	83		**291**	298		429
Earnings/share, EUR	**0.38**	0.26		**1.09**	0.99		1.44
Cash flow from operating activities	**121**	219		**-34**	303		232
Net interest-bearing debt at the end of the period				**698**	-57		58
Gross capital expenditure				**530**	140		187
Gearing				**0.41**	-0.03		0.04

[1] EBITA is shown excluding non-recurring items of EUR 16 million (17) and intangible asset amortisation related to acquisitions of EUR 26 million (12) during the review period January-September 2012. During the third quarter, non-recurring items amounted to EUR 3 million (6) and intangible asset amortisation related to acquisitions to EUR 16 million (9).

[2] EBIT is shown excluding non-recurring items.

MARKET DEVELOPMENT

POWER PLANTS

Markets continued to be active

Despite a decrease of 39% in the overall gas and liquid fuel based power generation markets in the first half of the year, power plant market activity was at a good level in the third quarter of 2012, and the level of quoted MWs was also good. The number of quotations increased slightly, but the average size was smaller. 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, the volatility in the macro economy continues to delay investment decisions in the power generation markets overall. Activity has been strongest in the flexible baseload segment.

Power Plants market share

During H1/2012 the global orders for natural gas and liquid fuel based power generation (including all prime mover units of over 5 MW) totalled 28.8GW, a decrease of 39%. Wärtsilä's share represents 4.9% of the market (3.3% for the full year 2011).

SHIP POWER

Offshore and specialised vessels activity continues to stand out

During the third quarter of 2012, 229 contracts for new vessels were registered. Since the beginning of 2012, 761 vessels have thus far been contracted globally. This activity level is considerably lower than in 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 30% of all contracting, as measured in the number of vessels. The gas carrier market (LNG carriers and LPG carriers) has also been active with respectively 21 and 43 contracts booked this year to date. There has also been good contracting activity in the ferry segment.

China and South Korea continued to be the dominant countries in shipbuilding, capturing respectively 36% and 35% of the contracts confirmed in 2012 in terms of gross tonnage. China closed the gap on South Korea as Chinese yards diversify their product mix and are moving into the offshore segment, in particular offshore support vessels. Non-traditional shipbuilding countries are emerging with 17% of the contracts confirmed. Brazil, Norway, the USA and Turkey stand out amongst the small shipbuilding nations that have been capturing newbuilding contracts during 2012.

Ship Power market shares

Wärtsilä’s share of the medium-speed main engine market was 48% (49% at the end of the previous quarter). The market share in low-speed engines decreased to 18% (22). In the auxiliary engine market, Wärtsilä’s share was 5% (5).

SERVICES

Stable development continued in the service markets

Development in the service market continued to be at a stable level for services to both marine and power customers. The market in the different marine segments was also stable with some further improvement in the merchant segment compared to the previous quarter. Activity in the different geographic regions was relatively flat with some improvements seen in the Middle East and Asia.

ORDER INTAKE

Wärtsilä’s order intake for the third quarter increased by 14% to EUR 1,275 million (1,118). In relation to the previous quarter, Wärtsilä’s order intake increased by 6% (EUR 1,198 million in the second quarter of 2012). The book-to-bill ratio for the third quarter was 1.17 (1.31).

The order intake for Power Plants in the third quarter totalled EUR 453 million (466), which was 3% lower than for the corresponding period last year. Compared to the previous quarter, the order intake increased by 60% (EUR 283 million in the second quarter of 2012). During the third quarter, Wärtsilä received its largest power plant order for a 573 MW project in Jordan. This plant is the largest tri-fuel plant in the world. Other orders were for small and mid size plants, mainly in the emerging markets. The ability to deliver a wide range of power plant sizes for many types of applications demonstrates the strengths of Wärtsilä’s Smart Power Generation concept.

The third quarter order intake for Ship Power totalled EUR 391 million (196), an increase of 99% over the corresponding period last year. Compared to the previous quarter, the order intake decreased by 13% (EUR 447 million in the second 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 a major engine and propulsion equipment order for six Brazilian drillships from Jurong Shipyard Pte Ltd, an order for three new Platform Supply Vessels for use by the Norwegian oil and gas company Statoil, and an order for dual-fuel engines for China’s first LNG powered tugs from CNOOC Energy Technology & Services Ltd. The recently acquired Hamworthy related ordering activity continued to be lively, especially for oil & gas and environmental solutions.

The Offshore segment represented 53% of the third quarter order intake, while the Merchant segment's share was 21% and Special Vessels accounted for 18%. The Navy segment's share of the order intake was 4% and the Cruise & Ferry segment's 3%.

The order intake for Services in the third quarter totalled EUR 428 million (455), which was 6% lower than for the corresponding period last year. Compared to the previous quarter, the order intake decreased by 8% (EUR 466 million in the second quarter of 2012). During the third quarter, Wärtsilä signed an Operations & Maintenance (O&M) agreement with Gulf Power Ltd, a subsidiary of Gulf Energy Ltd, a market leader in the Kenyan energy sector.

The total order intake for the review period January-September 2012 was EUR 3,583 million (3,267), which represents an increase of 10% compared to the corresponding period in 2011. The book-to-bill ratio for the review period was 1.12 (1.10). Power Plants' order intake was EUR 1,045 million (1,138), which is 8% lower than in 2011. Ship Power's order intake was EUR 1,114 million (675), an increase of 65% from the corresponding period last year. Services' order intake for the review period totalled EUR 1,418 million (1,450), a decrease of 2% 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 175 million (216) during the review period January-September 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	**7-9/2012**	7-9/2011	Change	**1-9/2012**	1-9/2011	Change	2011
Power Plants	**453**	466	-3%	**1 045**	1 138	-8%	1 602
Ship Power	**391**	196	99%	**1 114**	675	65%	1 000
Services	**428**	455	-6%	**1 418**	1 450	-2%	1 909
Order intake, total	**1 275**	1 118	14%	**3 583**	3 267	10%	4 516

Order intake Power Plants

MW	**7-9/2012**	7-9/2011	Change	**1-9/2012**	1-9/2011	Change	2011
Oil	**167**	311	-46%	**715**	926	-23%	1 647
Gas	**824**	608	36%	**1 672**	1 480	13%	1 693
Renewable fuels	**22**			**27**			
Order intake, total	**1 013**	919	10%	**2 414**	2 407	0%	3 340

ORDER BOOK

The total order book at the end of the review period stood at EUR 4,724 million (4,042), an increase of 17%. In relation to the previous quarter, Wärtsilä's order book increased by 5% (EUR 4,515 million in the second quarter of 2012). At the end of the review period, the Power Plants order book amounted to EUR 1,691 million (1,478), an increase of 14%. The Ship Power order book stood at EUR 2,226 million (1,740), which is 28% higher than at the same date last year. The Services order book decreased by 2% to EUR 808 million (825).

Order book by business

MEUR	30.9.2012	30.9.2011	Change	31.12.2011
Power Plants	1 691	1 478	14%	1 536
Ship Power	2 226	1 740	28%	1 684
Services	808	825	-2%	786
Order book, total	4 724	4 042	17%	4 007

NET SALES

Wärtsilä's net sales for the third quarter increased by 28% to EUR 1,087 million (851) compared to the corresponding period last year. Net sales for Power Plants totalled EUR 304 million (243), an increase of 25%. Ship Power's net sales for the third quarter totalled EUR 339 million (197), which is 72% higher than in the corresponding quarter last year. The third quarter net sales for Services increased by 5% to EUR 435 million (412).

Wärtsilä's net sales for January-September 2012 increased by 7%, totalling EUR 3,191 million (2,970). Net sales for Power Plants totalled EUR 930 million (952), a decrease of 2%. Ship Power's net sales increased by 23% and totalled EUR 875 million (713). Net sales from the Services business totalled EUR 1,377 million (1,303), an increase of 6%. Of the total net sales, Power Plants accounted for 29%, Ship Power for 27% and Services for 43%.

Of Wärtsilä's net sales for January-September 2012, approximately 58% was EUR denominated, 20% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	7-9/2012	7-9/2011	Change	1-9/2012	1-9/2011	Change	2011
Power Plants	**304**	243	25%	**930**	952	-2%	1 365
Ship Power	**339**	197	72%	**875**	713	23%	1 022
Services	**435**	412	5%	**1 377**	1 303	6%	1 816
Net sales, total	**1 087**	851	28%	**3 191**	2 970	7%	4 209

OPERATING RESULT AND PROFITABILITY

The third quarter operating result (EBIT) before non-recurring items was EUR 113 million (94), or 10.4% of net sales (11.0). Including non-recurring items, the operating result was EUR 110 million (88) or 10.1% of net sales (10.3). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 129 (103), or 11.9% of net sales (12.1).

For the review period January-September 2012, the operating result (EBIT) before non-recurring items was EUR 328 million (324), which is 10.3% of net sales (10.9). Including non-recurring items, the operating result was EUR 312 million (307) or 9.8% of net sales (10.3). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 354 million (336), or 11.1% of net sales (11.3). Wärtsilä recognised EUR 16 million of non-recurring items (17) during the review period January-September 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 26 million (12) during the review period January-September 2012.

Financial items amounted to EUR -22 million (-9). Net interest totalled EUR -13 million (-3). Dividends received totalled EUR 2 million (3). Profit before taxes amounted to EUR 291 million (298). Taxes in the reporting period amounted to EUR 72 million (96), implying a tax rate of 24.6%. Earnings per share were 1.09 euro (0.99) and the equity per share was 8.55 euro (7.84).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-September 2012 totalled EUR -34 million (303). The third quarter cash flow from operating activities was EUR 121 million (219). Net working capital at the end of the period totalled EUR 539 million (122). While the receivables decreased during the third quarter, inventories increased ahead of large volumes to be delivered in the fourth quarter. Advances received at the end of the period totalled EUR 685 million (EUR 643 million at the end of the previous quarter). Cash and cash equivalents at the end of the period amounted to EUR 199 million (658).

Wärtsilä had interest-bearing debt totalling EUR 899 million (604) at the end of September 2012. The total amount of short-term debt maturing within the next 12 months was EUR 321 million, including EUR 218 million of Finnish Commercial Papers. Net interest-bearing loan capital totalled EUR 698 million (-57).

The funding programmes at the end of September 2012 included long-term loans of EUR 578 million and unutilised Committed Revolving Credit Facilities totalling EUR 532 million. The funding programmes also included Finnish Commercial Paper programmes totalling EUR 700 million.

The solvency ratio was 40.5% (41.3) and gearing was 0.41 (-0.03). The increase in gearing relates mainly to the acquisition of Hamworthy.

Wärtsilä has decided to discontinue hedging 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 530 million (140), comprising EUR 468 million (97) in acquisitions and investments in securities, and EUR 62 million (43) in intangible assets and property, plant and equipment. Depreciation, amortisations and impairment for the review period amounted to EUR 101 million (84).

Maintenance capital expenditure for 2012 will be lower than depreciation.

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

The joint venture between Wärtsilä and Jiangsu CuiXing Marine Offshore Engineering Co. Ltd. for the manufacture of Wärtsilä 26 and Wärtsilä 32 medium-speed marine engines in China has been discontinued. Wärtsilä's strategic target has not changed and preparations are ongoing to begin manufacturing engines for the Chinese markets in China. Wärtsilä Qiyao Diesel Company, a joint venture company manufacturing Wärtsilä 20 auxiliary engines, is planning to expand its production capacity.

Wärtsilä TMH Diesel Engine Company LLC, a joint venture owned 50/50 by Wärtsilä and Transmashholding, has begun 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 18,961 (17,875) employees at the end of September 2012. On average, the number of personnel for January-September 2012 totalled 18,809 (17,838). Power Plants employed 921 (830) people. Ship Power employed 2,112 (989) people, Services 11,239 (11,200), and PowerTech 3,840 (4,062) 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 36% (36) elsewhere in Europe. Personnel employed in Asia represented 33% (33) of the total.

RESEARCH AND DEVELOPMENT, PRODUCT LAUNCHES

Progress with regard to ballast water management systems continues. All testing of the AQUARIUS UV (ultraviolet) system has been completed, and type approval is anticipated by December 2012. The first orders for the ultraviolet based systems have been received conditional upon receipt of type approval. IMO Basic Approval was granted to the AQUARIUS EC (electro-chlorination) based system on 1 October 2012. The remaining sea trial tests will be completed by December 2012 and the type approval is expected in July 2013. The Aquarius name is now a registered trademark. Testing of Trojan's MARINEX ultraviolet system continues. Both land and sea based trials have yet to be completed, but type approval is anticipated by the end of December 2012.

Wärtsilä today has the widest portfolio of scrubbing systems, and the most extensive reference list on the market. The portfolio consists of open-loop exhaust gas scrubbers which are well established. Closed-loop scrubbing technology has recently been introduced to the market. After initial parameter tuning, the closed loop exhaust gas scrubber is now in operation and Wärtsilä has several projects currently under delivery. A combination of these two systems, the hybrid system, is just being introduced and the first pilot orders have been received. Wärtsilä has to date a total of 45 exhaust gas cleaning scrubbers delivered or on order, for a total of 23 vessels.

On 20 August 2012 Wärtsilä Finland Oy began the consultation process regarding the reorganisation of the Fuel Cell function in Espoo. These negotiations came as a result of Wärtsilä's renewed product development strategy, where the development of fuel cells is not seen as a contributing activity to company operations in a mid-term perspective. In spring 2012, Wärtsilä, together with an external co-operation partner, also started to evaluate the possibilities for securing a continuation of the activities. The consultation process has now been finalised and there are a total of 24 people at risk of dismissal. The establishment of a new company is still in process, but if realised, it would employ 8 people.

CHANGES IN THE ORGANISATIONAL STRUCTURE

To further strengthen competitiveness and to serve customers more effectively, Wärtsilä has changed its organisational set up within Ship Power and Wärtsilä Industrial Operations. With this change, Wärtsilä aims to further increase the flexibility of its operations and ensure faster decision making; factors that are needed for meeting both customer demands and intensified competition. The new organisational set-up will also lead to a better utilisation of resources. No job reductions are planned as a result of the changes in the organisational structure. The new set up became effective as of 1 October 2012.

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

30.9.2012	Number of shares and votes	Number of shares traded 1-9/2012
WRT1V	197 241 130	131 971 622

1.1.-30.9.2012	High	Low	Average[1)]	Close
Share price	31.33	22.30	26.68	26.95

[1)]Trade-weighted average price

	30.9.2012	30.9.2011
Market capitalisation, EUR million	5 316	3 533
Foreign shareholders	49.8%	47.0%

Flagging notifications

During the review period January-September 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. 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. 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 is challenging and 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 during the remainder of 2012. Ordering activity continues to be focused on emerging markets, which continue to invest in new power generation capacity. 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. Despite the continuing interest for new power generation investments, the macro economic uncertainty may delay investment decisions.

Robust contracting activity, in line with the activity levels seen during 2011 and so far in 2012, is expected for the offshore, gas carrier, and other specialised vessel markets. The outlook for overall vessel contracting activity during 2012 is slightly negative, with full year contracting expected to be less than during 2011. The decrease is largely driven by the low contracting levels in the traditional merchant segments. Interesting opportunities are being 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.

The outlook for the overall service market is stable despite the continued uncertainty in the global economy. The outlook for service activities in the merchant segment remains challenging, while the outlook for offshore remains promising. Activity in the other marine markets is expected to be stable. Market conditions for power plants related services are expected to remain on a good level.

WÄRTSILÄ'S PROSPECTS FOR 2012 REVISED

Wärtsilä expects its net sales for 2012 to grow by 10-15% (previously 5-10%) and its operational profitability (EBIT% before non-recurring items) to be 10.5-11% (previously 10-11%).

WÄRTSILÄ INTERIM REPORT JANUARY – SEPTEMBER 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	1-9/2012	1-9/2011	2011
Net sales	3 191	2 970	4 209
Other operating income	56	35	47
Expenses	-2 837	-2 620	-3 706
Depreciation, amortisation and impairment	-101	-84	-113
Share of result of associates and joint ventures	3	6	8
Operating result	312	307	445
Financial income and expenses	-22	-9	-16
Net income from financial assets available-for-sale	1		
Profit before taxes	291	298	429
Income taxes	-72	-96	-136
Profit for the financial period	219	201	293
Attributable to:			
Equity holders of the parent company	216	195	283
Non-controlling interests	4	7	10
Total	219	201	293
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (basic and diluted), EUR	1.09	0.99	1.44

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	219	201	293
Other comprehensive income after tax:			
Exchange rate differences on translating foreign operations	1	-8	-4
Financial assets available-for-sale			
fair valuation	2	6	16
transferred to the statement of income	-1		
Cash flow hedges	7	-12	-23
Other comprehensive income	9	-15	-12
Total comprehensive income for the period	228	187	281
Total comprehensive income attributable to:			
Equity holders of the parent company	225	180	270
Non-controlling interests	4	7	11
	228	187	281

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	30 Sep. 2012	30 Sep. 2011	31 Dec. 2011
Non-current assets			
Intangible assets	1 261	821	826
Property, plant and equipment	473	446	472
Investments in associates and joint ventures	83	83	87
Financial assets available-for-sale	42	26	39
Deferred tax assets	110	122	119
Other receivables	37	32	34
	2 006	1 530	1 577
Current assets			
Inventories	1 498	1 312	1 222
Other receivables	1 217	940	1 209
Cash and cash equivalents	199	658	592
	2 914	2 909	3 023
Total assets	4 920	4 439	4 600
Equity			
Share capital	336	336	336
Other equity	1 350	1 211	1 301
Total equity attributable to equity holders of the parent company	1 686	1 547	1 636
Non-controlling interests	27	25	30
Total equity	1 713	1 572	1 666
Non-current liabilities			
Interest-bearing debt	578	507	485
Deferred tax liabilities	100	67	69
Other liabilities	198	229	212
	877	803	765
Current liabilities			
Interest-bearing debt	321	97	167
Other liabilities	2 009	1 969	2 001
	2 330	2 065	2 169
Total liabilities	3 207	2 868	2 934
Total equity and liabilities	4 920	4 439	4 600

CONDENSED STATEMENT OF CASH FLOWS

MEUR	1-9/2012	1-9/2011	2011
Cash flow from operating activities:			
Profit for the financial period	219	201	293
Depreciation, amortisation and impairment	101	84	113
Financial income and expenses	22	9	16
Selling profit and loss of fixed assets and other changes	-12	-2	-6
Share of result of associates and joint ventures	-3	-6	-8
Income taxes	72	96	136
Changes in working capital	-297	91	-88
Cash flow from operating activities before financial items and taxes	102	474	456
Financial items and paid taxes	-136	-171	-224
Cash flow from operating activities	-34	303	232
Cash flow from investing activities:			
Investments in shares and acquisitions	-400	-91	-91
Net investments in property, plant and equipment and intangible assets	-53	-43	-81
Proceeds from sale of financial assets available-for-sale and shares in associated companies	26	4	3
Cash flow from other investing activities	3	3	3
Cash flow from investing activities	-425	-127	-166
Cash flow from financing activities:			
Proceeds from non-current borrowings	158		
Repayments and other changes in non-current loans	-63	-25	-50
Changes in current loans and other changes	154	14	82
Dividends paid	-184	-278	-279
Cash flow from financing activities	65	-289	-247
Change in cash and cash equivalents, increase (+) / decrease (-)	-393	-113	-181
Cash and cash equivalents at the beginning of the period	592	776	776
Exchange rate changes		-5	-3
Cash and cash equivalents at the end of the period	199	658	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	-6	-184
Total comprehensive income for the period			1	10	217	4	231
Equity on 30 September 2012	336	61	2	15	1 272	27	1 713
Equity on 1 January 2011	336	61	8	12	1 221	26	1 664
Dividends paid					-271	-8	-279
Total comprehensive income for the period			-9	-6	194	7	187
Equity on 30 September 2011	336	61	-1	7	1 144	25	1 572

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	The Americas	Other	Total
Net sales 1–9/2012	875	1 298	643	376	3 191
Net sales 1–9/2011	928	1 095	612	335	2 970

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-9/2012	1-9/2011	2011
Intangible assets			
Carrying amount on 1 January	826	780	780
Changes in exchange rates	35	-2	5
Acquisitions	424	64	64
Additions	17	12	21
Amortisation and impairment	-46	-32	-44
Disposals and reclassifications	6		-1
Carrying amount at the end of the period	1 261	821	826
Property, plant and equipment			
Carrying amount on 1 January	472	466	466
Changes in exchange rates	4	-2	4
Acquisitions	19	15	15
Additions	45	31	69
Depreciation and impairment	-55	-53	-69
Disposals and reclassifications	-13	-10	-10
Carrying amount at the end of the period	473	446	472

GROSS CAPITAL EXPENDITURE

MEUR	1-9/2012	1-9/2011	2011
Investments in securities and acquisitions	468	97	97
Intangible assets and property, plant and equipment	62	43	90
Total	530	140	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 eight months to 30 September 2012 Hamworthy contributed net sales of EUR 232 million and operating result of EUR 25 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 3,217 million, and consolidated operating result for the period would have been EUR 313 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	1-9/2012	1-9/2011	2011
Non-current liabilities	578	507	485
Current liabilities	321	97	167
Loan receivables	-2	-3	-2
Cash and cash equivalents	-199	-658	-592
Net	698	-57	58

FINANCIAL RATIOS

	1-9/2012	1-9/2011	2011
Earnings per share (basic and diluted), EUR	1.09	0.99	1.44
Equity per share, EUR	8.55	7.84	8.30
Solvency ratio, %	40.5	41.3	41.3
Gearing	0.41	-0.03	0.04

PERSONNEL

	1-9/2012	1-9/2011	2011
On average	18 809	17 838	17 708
At the end of the period	18 961	17 875	17 913

CONTINGENT LIABILITIES

MEUR	1-9/2012	1-9/2011	2011
Mortgages	41	57	57
Chattel mortgages and other pledges	72	17	62
Total	113	74	119
Guarantees and contingent liabilities			
on behalf of Group companies	429	429	903
on behalf of associated companies	10	10	10
Nominal amount of rents according			
to leasing contracts	77	68	64
Total	516	507	976

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 141	321
Currency options, purchased	103	
Currency options, written	56	
	1 320	321

CONDENSED STATEMENT OF INCOME, QUARTERLY

MEUR	7-9/2012	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011
Net sales	1 087	1 099	1 005	1 238	851	1 036
Other operating income	11	35	10	13	20	4
Expenses	-958	-990	-889	-1 086	-758	-906
Depreciation, amortisation and impairment	-33	-35	-33	-29	-27	-28
Share of result of associates and joint ventures	3	-1	1	2	2	1
Operating result	110	108	94	138	88	108
Financial income and expenses	-11	-11	-1	-6	-5	
Net income from financial assets available-for-sale		1				
Profit before taxes	99	98	93	131	83	108
Income taxes	-23	-22	-27	-39	-30	-35
Profit for the financial period	77	77	66	92	53	73
Attributable to:						
Equity holders of the parent company	75	76	65	89	51	70
Non-controlling interests	2	1	1	3	3	2
Total	77	77	66	92	53	73
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.38	0.38	0.33	0.45	0.26	0.35

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

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

16 October 2012
Wärtsilä Corporation
Board of Directors

WARTSILA.COM