

WÄRTSILÄ'S INTERIM REPORT

JANUARY–JUNE 2011



INTERIM REPORT JANUARY-JUNE 2011

This interim report is unaudited. All share related financial ratios and their comparison figures have been calculated based on the new amount of shares.

SECOND QUARTER 4-6/2011 IN BRIEF

MEUR	4-6/2011	4-6/2010	Change
Order intake	1 170	1 117	5%
Net sales	1 036	1 131	-8%
Operating result	117	117	0%
% of net sales	11.3%	10.4%	
Profit before taxes	108	109	
Earnings/share, EUR	0.39	0.43	

REVIEW PERIOD JANUARY-JUNE 2011 IN BRIEF

MEUR	1-6/2011	1-6/2010	Change	2010
Order intake	2 149	1 998	8%	4 005
Order book end of period	3 779	4 315	-12%	3 795
Net sales	2 119	2 052	3%	4 553
Operating result	230	211	9%	487
% of net sales	10.9%	10.3%		10.7%
Profit before taxes	215	158		548
Earnings/share, EUR	0.78	0.77		1.68
Cash flow from operating activities	84	270		663
Interest-bearing net debt at the end of the period	64	328		-165
Gross capital expenditure	44	36		98

The operating result and earnings per share are shown excluding nonrecurring items. Wärtsilä recognised EUR 9 million (12) of nonrecurring items related to restructuring measures during the second quarter and EUR 12 million (56) of nonrecurring items during the review period January-June 2011.

MARKET DEVELOPMENT

SHIP POWER

A shift in the mix of vessels contracted

During the second quarter of 2011, vessel contracting activity continued to be stable at around 100 vessels per month. Contracting activity for certain types of merchant vessels, such as bulk carriers and tankers, declined while activity was buoyant for containerships and gas carriers. This development in the merchant market, coupled with strong contracting activity in the offshore markets and good activity in special vessels, means that the mix of vessels contracted during 2011 has clearly shifted towards specialised tonnage. This situation is expected to remain unchanged throughout the remainder of the year.

Asian yards continue to dominate the shipbuilding industry, having secured 89% of the global contracts signed during 2011, with China and Korea each gaining about 40% of all global contracts. Notably, Chinese yards were able to secure important orders for containerships, a segment traditionally dominated by Korean yards.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market increased to 44% (42% at the end of the previous quarter). The market share in low-speed engines increased to 17% (11). This increase is a reflection of good order intake during 2011, especially in China. In the auxiliary engine market Wärtsilä's share was 3% (3).

POWER PLANTS

Power plant markets remain solid

Market activity continued at a good level during the second quarter of 2011. Increasing industrial output in most emerging markets drove the demand from independent power producers (IPP's), utilities and industrial customers. The financial crisis led to the postponement of investments for power generation in 2009 and 2010, and this is now creating demand in several markets.

Power Plants market position

In 2010, the overall market for gas and liquid fuel based power generation was approximately 57,000 MW. This includes all prime mover units of over 5 MW. Wärtsilä's share represented 5.6% of the market. This makes Wärtsilä the fourth largest supplier of gas and liquid fuel based power plants. With its unique value proposition, Wärtsilä aims at strengthening its position in the gas based power plant market by capturing market share from other technologies.

SERVICES

Service market stable

The service market was stable during the second quarter of 2011. The offshore markets showed high activity and activity in the container markets was on a good level. The tanker and especially the bulker markets were somewhat slow. Interest in various operations, maintenance and technical service agreements is growing as customers increasingly focus on ensuring cost effective and energy efficient operations as well as the high reliability of their installations.

ORDER INTAKE

Book-to-bill ratio exceeds one

Wärtsilä's order intake for the second quarter totalled EUR 1,170 million (1,117) an increase of 5%. In relation to the previous quarter Wärtsilä's order intake increased 20% (EUR 979 million in the first quarter of 2011). The book-to-bill ratio for the second quarter was 1.13 (0.99).

Ship Power's order intake for the second quarter totalled EUR 306 million (213), up 44%. Compared to the previous quarter, order intake was up 77% (EUR 173 million in the first quarter of 2011). During the second quarter, Wärtsilä received several significant orders for the delivery of total solutions, including ship design, propulsion machinery, automation and other equipment. Many of these vessels will be equipped with Wärtsilä dual-fuel engines underlining the company's frontrunner position in gas applications. The Offshore segment continued to be active with a 54% share of total orders during the second quarter, followed by the

Merchant segment with 19% of all orders. Special vessels and Navy orders were 12% and 9% respectively. Ship Design represented a 3% share, and Cruise & Ferry a 2% share of the total.

The order intake for Power Plants in the second quarter totalled EUR 419 million (437), which was 4% less than for the corresponding period last year. Compared to the previous quarter, the Power Plants order intake increased 66% (EUR 253 million in the first quarter of 2011). During the second quarter, Wärtsilä received a 250MW turnkey project order from Estonia and a 180MW order from South Africa, both of which rely on key characteristics of the Wärtsilä Smart Power Generation concept. Other significant orders were received from Timor-Leste and Saudi-Arabia.

Order intake for the Services business totalled EUR 444 million (465) in the second quarter, a decrease of 5% from the corresponding period 2010. Compared to the previous quarter, order intake decreased 20% (EUR 551 million in the first quarter of 2011). During the second quarter, Wärtsilä was awarded a five-year technical management contract, based on Dynamic Maintenance Planning, covering a total of 24 Wärtsilä 50DF dual-fuel engines in six LNG carriers. The contract was placed by the operator of the vessels, Ceres LNG Services Ltd, a Greek ship management company and a major marine services provider in LNG shipping.

The total order intake for the review period January-June 2011 was EUR 2,149 million (1,998), which represents an increase of 8% compared to the corresponding period 2010. The book-to-bill ratio for the review period was 1.01 (0.97). Ship Power's order intake was EUR 479 million (303), an increase of 58% from the corresponding period last year. Power Plants' order intake was EUR 672 million (704), which is 4% lower than in 2010. Services' order intake for the review period totalled EUR 995 million (988), an increase of 1% over the corresponding period in 2010.

Order intake by business

MEUR	4-6/2011	4-6/2010	Change
Ship Power	306	213	44%
Power Plants	419	437	-4%
Services	444	465	-5%
Order intake, total	1 170	1 117	5%

MEUR	1-6/2011	1-6/2010	Change	1-12/2010
Ship Power	479	303	58%	657
Power Plants	672	704	-4%	1 413
Services	995	988	1%	1 931
Order intake, total	2 149	1 998	8%	4 005

Order intake Power Plants

MW	4-6/2011	4-6/2010	Change
Oil	355	1 021	-65%
Gas	450	14	3 045%

MW	1-6/2011	1-6/2010	Change	1-12/2010
Oil	615	1 100	-44%	1 797
Gas	872	374	133%	1 377
Renewable fuels		19	-100%	1

ORDER BOOK

The total order book at the end of the review period stood at EUR 3,779 million (4,315), a decrease of 12%. In relation to the previous quarter Wärtsilä's order book increased 3% (EUR 3,669 million in the first quarter of 2011). The Ship Power order book stood at EUR 1,753 million (2,157), which is 19% lower than at the same date last year. At the end of the review period, the Power Plants order book amounted to EUR 1,265 million (1,438), a decrease of 12%. The Services order book totalled EUR 761 million (720) at the end of the review period, representing an increase of 6%.

Order book by business

MEUR	30 June 2011	30 June 2010	Change	31 Dec. 2010
Ship Power	1 753	2 157	-19%	1 825
Power Plants	1 265	1 438	-12%	1 299
Services	761	720	6%	671
Order book, total	3 779	4 315	-12%	3 795

NET SALES

Wärtsilä's net sales for the second quarter decreased by 8% to EUR 1,036 million (1,131) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 223 million (276), a decrease of 19%. Power Plants' net sales for the second quarter totalled EUR 360 million (390), which is 8% lower than in the corresponding quarter last year. The second quarter net sales for Services amounted to EUR 452 million (463), a slight decrease of 2%.

Wärtsilä's net sales for January-June 2011 rose by 3% and totalled EUR 2,119 million (2,052). Ship Power's net sales decreased by 7% and totalled EUR 517 million (554). Net sales for Power Plants totalled EUR 710 million (627), an increase of 13%. Net sales from the Services business increased 2% from last year and amounted to EUR 890 million (872). Ship Power accounted for 24%, Power Plants for 34% and Services for 42% of the total net sales.

Of Wärtsilä's net sales for January-June 2011, approximately 71% was EUR denominated, 12% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	4-6/2011	4-6/2010	Change
Ship Power	223	276	-19%
Power Plants	360	390	-8%
Services	452	463	-2%
Net sales, total	1 036	1 131	-8%

MEUR	1-6/2011	1-6/2010	Change	1-12/2010
Ship Power	517	554	-7%	1 201
Power Plants	710	627	13%	1 525
Services	890	872	2%	1 823
Net sales, total	2 119	2 052	3%	4 553

FINANCIAL RESULTS

The second quarter operating result before nonrecurring expenses totalled EUR 117 million (117), which is 11.3% of net sales (10.4). For the review period January-June 2011, the operating result before nonrecurring expenses was EUR 230 million (211), which is 10.9% of net sales (10.3). Including nonrecurring expenses, the operating result was EUR 219 million or 10.3% of net sales. Wärtsilä recognised EUR 12 million (56) of nonrecurring expenses related to the restructuring measures during the review period January-June 2011.

Financial items amounted to EUR -4 million (3). Net interest totalled EUR -2 million (-5). Dividends received totalled EUR 2 million (7). Profit before taxes amounted to EUR 215 million (158). Taxes in the reporting period amounted to EUR 66 million (45). Earnings per share after nonrecurring expenses were EUR 0.73 (0.55) and equity per share was 7.66 euro (7.37).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-June 2011 totalled EUR 84 million (270). Net working capital at the end of the period totalled EUR 276 million (314). Advances received at the end of the period totalled EUR 603 million (EUR 620 million at the end of the previous quarter). Cash and cash equivalents at the end of the period amounted to EUR 541 million (331). Net interest-bearing loan capital totalled EUR 64 million (328).

Wärtsilä had interest bearing debt totalling EUR 607 million (678) at the end of June 2011. The existing funding programmes include long-term loans of EUR 523 million, unutilised Committed Revolving Credit Facilities totalling EUR 520 million and Finnish Commercial Paper programmes totalling EUR 700 million. The total amount of short-term debt maturing within the next 12 months is EUR 84 million.

The solvency ratio was 40.4% (38.1) and gearing was 0.04 (0.24).

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 44 million (36), which comprised EUR 16 million (4) in acquisitions and investments in securities, and EUR 28 million (32) in intangible assets and property, plant and equipment. Depreciation amounted to EUR 57 million (58).

Maintenance capital expenditure for 2011 will be in line with or slightly above depreciation. Possible acquisition opportunities may affect capital expenditure for the year.

STRATEGIC STEPS, ACQUISITIONS AND EXPANSION OF NETWORK

In July, after the review period, Wärtsilä acquired Cedervall, one of the leading manufacturers of shaft seal and bearing systems for the marine industry. Cedervall is headquartered Gothenburg, Sweden, and the company has subsidiaries in Spain, China and Singapore, and manufacturing facilities in Sweden, China and Spain. This acquisition strengthens Wärtsilä's leading position in the global services market, in line with its strategy. The combination of Wärtsilä's and Cedervall's businesses will create the market leader for oil & water lubricated seals and bearings, and sterntubes. In 2010, the company's annual net sales were SEK 344 million (EUR 39 million) and the company employs 211 people. The acquisition is subject to relevant regulatory approvals, which are expected during the third quarter of 2011.

Wärtsilä Corporation and Metso Corporation have signed an agreement to co-operate in the development and delivery of scrubber systems for marine applications. Under the terms of this agreement, Metso is to supply the scrubber unit, while Wärtsilä is responsible for world-wide sales and for integrating complete, certified and documented marine scrubber systems, including the automation, water treatment, and ancillaries. This co-operation creates the capability to ramp up production to meet future demand arising from increasingly stringent emission regulations.

In June 2011, Wärtsilä and Jiangsu CuiXing Marine Offshore Engineering Co. Ltd. agreed to establish a joint venture for manufacturing Wärtsilä 26 and Wärtsilä 32 medium-speed marine engines in China. The value of Wärtsilä's investment in the joint venture is EUR 16 million. Wärtsilä's share of the joint venture is 49% and Jiangsu CuiXing's share 51%. The joint venture's production facilities in the Rugao city of Nantong, Jiangsu province in Eastern China, will focus on the assembly and testing of engines. Operations are planned to start in early 2013. The agreement is subject to relevant regulatory approvals, which are expected during the third quarter of 2011.

During the second quarter, Wärtsilä opened a new workshop in Gdansk, Poland. In addition to advanced engine service work, the new workshop will also provide fuel system overhauls and overhauls of bow thruster units. Located close to the Polish shipyards and ports, the workshop further strengthens Wärtsilä's presence in the Baltic Sea area and its position as the leading services provider for shipping customers visiting Poland.

RESTRUCTURING PROGRAMMES

In 2009, Wärtsilä began the process of adapting its activities to lower demand through various restructuring measures with the aim of reducing approximately 1,800 persons. To date the total number of personnel has been reduced by more than 1,700.

When fully implemented, it is estimated that the reductions will decrease costs by approximately EUR 130 million. Of these cost savings, about EUR 60 million had materialised by the end of 2010. The remainder of the savings will gradually materialise during 2011. Wärtsilä anticipates that the majority of these cost savings will be permanent. The total nonrecurring costs related to the restructuring will be approximately EUR 150 million, out of which EUR 115 million has been recognised by the end of 2010. In the review period January-June 2011, Wärtsilä recognised EUR 12 million (56) of nonrecurring items related to the restructuring measures. The remainder of the costs will be recognised during 2011.

PERSONNEL

Wärtsilä had 17,654 (17,905) employees at the end of June 2011. The average number of personnel for January-June 2011 totalled 17,585 (18,295). Ship Power employed 961 (1,010) people. Power Plants employed 811 (851) people, Services 11,083 (11,318) and Wärtsilä Industrial Operations 4,022 (4,328) people.

Of Wärtsilä's total employees, 19% (18) were located in Finland, 6% (8) in the Netherlands and 29% (31) in the rest of Europe. Personnel employed in Asia represented 33% (30), out of which 7% (6) were in China, in India 7% (6), in Singapore 4% (5), and in the rest of Asia 15% (12).

MANUFACTURING

In June 2011 Wärtsilä CME Zhenjiang Propeller Co. Ltd., the joint venture company of Wärtsilä and Zhenjiang CME Ltd., inaugurated its new manufacturing facilities for Controllable Pitch propellers in Zhenjiang, China. The majority of the new factory's manufacturing equipment was transferred from the Wärtsilä factory in Drunen, the Netherlands, where production was closed in 2010. The first deliveries from the new factory will take place later this year.

Activities in Wärtsilä's joint venture with Transmashholding in Russia are proceeding according to plan. The joint venture is preparing to manufacture modern and multipurpose diesel engines, including a new and technically advanced version of the Wärtsilä 20 engine, to be used in shunter locomotives and for various marine and power applications.

RESEARCH & DEVELOPMENT

Wärtsilä and Versa Power Systems, a leading developer of environmentally friendly, high-power solid oxide fuel cells (SOFC), announced a co-operative agreement to develop and integrate Versa Power's SOFC technology into Wärtsilä products. A key target of the agreement is to develop commercial Wärtsilä fuel cell products that generate power and heat for various applications in the distributed energy and marine markets.

Wärtsilä has strengthened its offering in the mid-size, low-speed engine sector by adding new 62- and 72-bore engines to its portfolio. These standardised engines offer high propulsion efficiency, reliability, and optimised total cost of ownership for customers in the bulker, tanker, and feeder container markets. The first 62-bore engine will be available for delivery in September 2013 and the first 72-bore engine will be available approximately one year later. All Wärtsilä licensees will have the right to build the new engines. At launch, the new engines are IMO Tier II compatible and available with IMO Tier III solutions.

Wärtsilä has initiated a major project to further develop its low-speed engine portfolio to include gas engines. For this purpose, a new test engine has been installed in the Trieste engine laboratory in Italy. Engine testing was initiated during the second quarter.

SUSTAINABLE DEVELOPMENT

Wärtsilä is well positioned to reduce the use of natural resources and emissions, 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, the environment and anti-corruption. Wärtsilä's share is included in several sustainability indexes.

In April, Wärtsilä entered into co-operation with Crisis Management Initiative, an independent non-profit organisation, led by Nobel Peace Prize laureate Martti Ahtisaari. By promoting CMI's activities in conflict resolution and sustainable peace building Wärtsilä supports the creation of a stable business environment globally.

CHANGES IN MANAGEMENT

Wärtsilä's Board of Directors has appointed Mr Björn Rosengren M.Sc. (Tech.), born 1959, as the new President and CEO of Wärtsilä Corporation, with effect from 1 September 2011. Mr Rosengren will succeed Mr Ole Johansson, who will, at that time, exercise his right to retire at the age of 60.

SHARES AND SHAREHOLDERS

The figures in the table below have been adjusted to reflect the increased number of shares resulting from the free share issue approved by Wärtsilä Corporation's Annual General Meeting on 3 March 2011.

Shares on the Helsinki Exchange

30 June 2011	Number of shares	Number of votes	Number of shares traded 1-6/2011	
WRT1V	197 241 130	197 241 130	80 412 603	
1 Jan. -30 June 2011	High	Low	Average 1)	Close
Share price	29.55	21.12	26.26	23.29
1) Trade-weighted average price				
		30 June 2011	30 June 2010	
Market capitalisation, EUR million		4 594	3 695	
Foreign shareholders		50.0%	48.2%	

Flagging notifications

During the review period January-June 2011, Wärtsilä was informed of the following changes in ownership: On 5 January 2011, BlackRock, Inc. increased its holding in Wärtsilä Corporation. Following the transaction BlackRock, Inc owned 4,941,593 shares or 5.01% of Wärtsilä's share capital and total votes.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 3 March 2011 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 2010. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.75 per share and an extra dividend of EUR 1.00 per share, totalling EUR 2.75 per share. The dividend was paid on 15 March 2011.

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 Bertel Langenskiöld, Mr Mikael Lilius, Mr Markus Rauramo and Mr Matti Vuoria.

Authorized public accountants KPMG Oy Ab were appointed as the company's auditors for the year 2011.

Free share issue

The Annual General Meeting decided to approve the free share issue in accordance with the proposal of the Board of Directors. The free share issue was implemented by applying the pre-emptive right of the shareholders so that for each old share one new share was issued. Thereby a total of 98,620,565 new shares were issued. The new shares were registered in the trade register on 8 March 2011.

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, Bertel Langenskiöld

Nomination Committee:

Chairman Mikael Lilius, Kaj-Gustaf Bergh, Lars Josefsson, Matti Vuoria

Remuneration Committee:

Chairman Mikael Lilius, Paul Ehrnrooth, Matti Vuoria

RISKS AND BUSINESS UNCERTAINTIES

Risk of slowdown in the global economy continues to present a threat for shipping and shipbuilding. For Ship Power, the main risk is the slippage of shipyard delivery schedules.

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

The returning uncertainty in the financial markets as well as unrest in the Middle East and North Africa may have a negative impact on Services' order intake, especially for larger power plant conversion projects.

The annual report for 2010 contains a thorough description of Wärtsilä's risks and risk management.

MARKET OUTLOOK

Ship Power

Vessel ordering activity is expected to remain lower than during the previous year. This is mainly due to lower activity in the bulk carriers markets. The shift towards more robust contracting activity for specialised tonnage benefits Wärtsilä Ship Power due to its strong presence in these markets. Demand for LNG fuelled vessels in several segments continues to pick up. Wärtsilä is unrivalled in this market, with the most extensive range of engines safely operating on LNG and a complete portfolio of products and solutions. In Ship Power, orders for LNG carriers have resumed and a significant number of new engine orders are expected to materialise during the remainder of the year. Dual-fuel engine orders for LNG carriers are booked as the joint venture Wärtsilä Hyundai Engine Company Ltd's order intake. Competition and price pressure among shipbuilding suppliers is expected to remain intense. Wärtsilä expects Ship Power's order intake in 2011 to be significantly better than in the previous year.

Power Plants

Recovery in the power generation market is expected to continue during 2011. Growing emerging markets will continue to invest in new power generation capacity, which will increase demand especially in the flexible baseload segment. The ramp down of older coal based generation, and uncertainty over nuclear power, will increase the demand for gas based generation in the medium to long term. This is supported by the production of shale gas in the US, and the expectation that natural gas prices will remain competitive. Wärtsilä expects Power Plants' order intake to increase in 2011 compared to the previous year.

Services

Uncertainty over economic development has increased, especially in Europe. The service market outlook is strongest in the Middle East, Asia and the Americas, which is in line with economic growth in these areas. The outlook for the offshore and container markets is good, however the short term outlook is bleak in the tanker and bulker markets. While Wärtsilä expects steady demand for power plant services, the overall marine service market is still expected to suffer from overcapacity and the high anchored fleet level in 2011.

WÄRTSILÄ'S PROSPECTS FOR 2011 REVISED

Due to weaker than expected marine service markets and the timing of power plant deliveries, Wärtsilä expects its net sales for 2011 to decline by 0-5% compared to last year. We reiterate our expectation that operational profitability (EBIT% before nonrecurring items) will be around 11%.

WÄRTSILÄ INTERIM REPORT JANUARY – JUNE 2011

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 2010. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2011 the following are applicable on the Group reporting:

- Amendment to IAS 32 Financial instruments: Presentation - Classification of Rights Issues
- Revised IAS 24 Related Party Disclosures

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

This interim report is unaudited. All share related financial ratios and their comparison figures have been calculated based on the new amount of shares.

CONDENSED INCOME STATEMENT

MEUR	1-6/2011	1-6/2010	2010
Net sales	2 119	2 052	4 553
Other operating income	14	18	52
Expenses	-1 862	-1 859	-4 082
Depreciation, amortisation and impairment	-57	-58	-116
Share of result of associates and joint ventures	4	1	5
Operating result	219	155	412
Financial income and expenses	-4	3	-13
Net income from financial assets available for sale			149
Profit before taxes	215	158	548
Income taxes	-66	-45	-151
Profit for the financial period	149	114	397
Attributable to:			
Owners of the parent	144	109	386
Non-controlling interests	4	5	11
Total	149	114	397

Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR (basic and diluted)	0.73	0.55	1.96

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	149	114	397
Other comprehensive income after tax:			
Exchange differences on translating foreign operations	-10	22	17
Financial assets available for sale		17	
fair valuation	6		30
transferred to statement of income			-110
Cash flow hedges	3	-14	-9
Share of other comprehensive income of associates and joint ventures			1
Other comprehensive income	-2	24	-71
Total comprehensive income for the period	147	138	326
Total comprehensive income attributable to:			
Owners of the parent	145	131	313
Non-controlling interests	3	7	13
	147	138	326

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	30 Jun. 2011	30 Jun. 2010	31 Dec. 2010
Non-current assets			
Intangible assets	764	787	780
Property, plant and equipment	433	461	466
Investments in associates and joint ventures	83	62	65
Financial assets available for sale	26	179	18
Deferred tax receivables	121	95	122
Other receivables	32	30	32
	1 459	1 614	1 483
Current assets			
Inventories	1 267	1 590	1 244
Other receivables	1 128	1 202	1 192
Cash and cash equivalents	541	331	776
	2 937	3 122	3 213
Total assets	4 396	4 737	4 696
Equity			
Share capital	336	336	336
Other equity	1 175	1 118	1 302
Total equity attributable to equity holders of the parent	1 511	1 454	1 638
Non-controlling interests	21	21	26
Total equity	1 533	1 476	1 664
Non-current liabilities			
Interest-bearing debt	523	599	572
Deferred tax liabilities	63	95	70
Other liabilities	179	211	189
	766	905	831
Current liabilities			
Interest-bearing debt	84	79	56
Other liabilities	2 014	2 277	2 145
	2 098	2 356	2 201
Total liabilities	2 864	3 261	3 032
Total equity and liabilities	4 396	4 737	4 696

CONDENSED CASH FLOW STATEMENT

MEUR	1-6/2011	1-6/2010	2010
Cash flow from operating activities:			
Profit for the financial period	149	114	397
Depreciation, amortisation and impairment	57	58	116
Financial income and expenses	4	-3	13
Selling profit and loss of fixed assets and other changes		4	-147
Share of result of associates and joint ventures	-4	-1	-5
Income taxes	66	45	151
Changes in working capital	-52	238	370
Cash flow from operating activities before financial items and taxes	219	453	896
Financial items and paid taxes	-135	-184	-233
Cash flow from operating activities	84	270	663
Cash flow from investing activities:			
Investments in shares and acquisitions	-16	-4	-6
Net investments in property, plant and equipment and intangible assets	-28	-31	-83
Proceeds from sale of financial assets available for sale	3		173
Cash flow from other investing activities	2	10	-5
Cash flow from investing activities	-39	-25	79
Cash flow from financing activities:			
Proceeds from non-current borrowings		26	37
Repayments and other changes in non-current loans	-9	-27	-76
Changes in current loans and other changes	13	6	-2
Dividends paid	-278	-175	-175
Cash flow from financing activities	-274	-171	-216
Change in cash and cash equivalents, increase (+) / decrease (-)	-229	74	525
Cash and cash equivalents at beginning of period	776	244	244
Exchange rate changes	-6	12	7
Cash and cash equivalents at end of period	541	331	776

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Total equity attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Share issue premium	Translation differences	Fair value and other reserves	Retained earnings		
Equity on 1 January 2011	336	61	8	12	1 221	26	1 664
Dividends					-271	-7	-278
Total comprehensive income for the period			-8	9	144	3	147
Equity on 30 Jun. 2011	336	61	-1	21	1 094	21	1 533
Equity on 1 January 2010	336	61	-6	99	1 006	16	1 512
Dividends					-173	-2	-175
Total comprehensive income for the period			19	3	109	7	138
Equity on 30 Jun. 2010	336	61	13	102	942	21	1 476

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	Americas	Other	Total
Net sales 1-6/2011	695	964	272	187	2 119
Net sales 1-6/2010	578	739	473	262	2 052

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-6/2011	1-6/2010	2010
Intangible assets			
Book value at 1 January	780	779	779
Changes in exchange rates	-5	21	20
Additions	10	7	17
Amortisation and impairment	-22	-21	-42
Disposals and intra-balance sheet transfer	1		6
Book value at end of period	764	787	780
Property, plant and equipment			
Book value at 1 January	466	457	457
Changes in exchange rates	-5	18	14
Additions	18	25	75
Depreciation and impairment	-35	-37	-73
Disposals and intra-balance sheet transfer	-10	-2	-6
Book value at end of period	433	461	466

GROSS CAPITAL EXPENDITURE

MEUR	1-6/2011	1-6/2010	2010
Investments in securities and acquisitions	16	4	6
Intangible assets and property, plant and equipment	28	32	92
Total	44	36	98

INTEREST-BEARING LOAN CAPITAL

MEUR	1-6/2011	1-6/2010	2010
Non-current liabilities	523	599	572
Current liabilities	84	79	56
Loan receivables	-2	-20	-17
Cash and cash equivalents	-541	-331	-776
Net	64	328	-165

FINANCIAL RATIOS

	1-6/2011	1-6/2010	2010
Earnings per share, EUR (basic and diluted)	0.73	0.55	1.96
Equity per share, EUR	7.66	7.37	8.30
Solvency ratio, %	40.4	38.1	40.8
Gearing	0.04	0.24	-0.09

PERSONNEL

	1-6/2011	1-6/2010	2010
On average	17 585	18 295	18 000
At end of period	17 654	17 905	17 528

CONTINGENT LIABILITIES

MEUR	1-6/2011	1-6/2010	2010
Mortgages	57	56	59
Chattel mortgages	17	18	18
Total	74	74	77

Guarantees and contingent liabilities on behalf of Group companies	508	681	623
on behalf of associated companies	9	9	9
Nominal amount of rents according to leasing contracts	70	79	74
Total	587	770	706

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 168	230
Currency options, purchased	57	

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	4-6/2011	1-3/2011	10-12/2010	7-9/2010	4-6/2010	1-3/2010
Net sales	1 036	1 083	1 462	1 039	1 131	922
Other operating income	4	10	21	13	11	7
Expenses	-906	-956	-1 313	-910	-1 007	-851
Depreciation, amortisation and impairment	-28	-29	-29	-29	-28	-30
Share of result of associates and joint ventures	1	3	2	2		2
Operating result	108	111	143	114	105	49
Financial income and expenses		-4	-10	-6	4	
Net income from financial assets available for sale			117	32		
Profit before taxes	108	107	251	140	109	49
Income taxes	-35	-31	-71	-35	-31	-14
Profit for the financial period	73	76	179	104	79	35
Attributable to:						
Owners of the parent	70	74	176	101	76	32
Non-controlling interests	2	2	4	3	3	2
Total	73	76	179	104	79	35

Earnings per share attributable to equity holders of the parent company:

Earnings per share, EUR	0.35	0.38	0.89	0.51	0.39	0.16
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CALCULATION OF FINANCIAL RATIOS**Earnings per share (EPS)**

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

Adjusted number of shares over the period

Equity per share

Equity attributable to equity holders of the parent company

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

Interest-bearing liabilities - cash and cash equivalents

Equity

19 July 2011
Wärtsilä Corporation
Board of Directors