



WÄRTSILÄ  
CORPORATION  
**FINANCIAL STATEMENTS  
BULLETIN 2012**



# Net sales back to growth with stable profitability

## Fourth quarter highlights

- Order intake increased 9% to EUR 1,357 million (1,250)
- Net sales increased 24% to EUR 1,533 million (1,238)
- Book-to-bill 0.89 (1.01)
- Operating result (EBIT) EUR 186 million or 12.2% of net sales (EUR 145 million or 11.7%)
- EBITA EUR 196 million or 12.8% of net sales (EUR 149 million or 12.1%)
- Earnings per share amounted to EUR 0.62 (0.45)
- Cash flow from operating activities EUR 187 million (-71)

## Highlights of the review period January-December 2012

- Order intake increased 9% to EUR 4,940 million (4,516)
- Net sales increased 12% to EUR 4,725 million (4,209)
- Book-to-bill 1.05 (1.07)
- Operating result (EBIT) EUR 515 million or 10.9% of net sales (EUR 469 million or 11.1%)
- EBITA EUR 550 million or 11.6% of net sales (EUR 485 million or 11.5%)
- At the end of the period the order book increased 12% to EUR 4,492 million (4,007)
- Earnings per share amounted to 1.72 euro (1.44)
- Cash flow from operating activities EUR 153 million (232)
- Dividend proposal 1.00 euro/share

## Björn Rosengren, President and CEO

"I am pleased with our result for the year 2012, which was a year marked by difficult conditions in the global economy. Supported by a very strong fourth quarter, Wärtsilä's full year net sales grew by 12% with profitability at 10.9%. The order intake grew by 9%, with strong development in Ship Power orders, especially in the offshore markets.

During 2012, we closed our largest ever acquisition with the purchase of Hamworthy. This supports our growth strategy in the marine gas, offshore and environmental solutions markets. Interest in marine gas solutions continued to be strong and the orders received demonstrate our leading position in the dual-fuel markets. As regards environmental solutions, market activity showed an upward trend. In the growing offshore markets, our position is good, not least in Brazil where we secured several important orders. Power Plants received two of their largest orders ever, and Wärtsilä is today recognised as a serious contender in the market for power plants above 500 MWs of capacity. I am also very pleased that the Services net sales have returned to growth and that important long-term service contracts are being secured in tough market conditions.

Looking at 2013, the economic situation continues to be uncertain, however our outlook for the markets remains stable. Supported by the solid order book, we see some growth in net sales next year and believe we can maintain our profitability on approximately the same level as in 2012."

## Wärtsilä's prospects for 2013

Wärtsilä expects its net sales for 2013 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

## Key figures

MEUR	10-12/2012	10-12/2011	Change	1-12/2012	1-12/2011	Change
Order intake	1 357	1 250	9%	4 940	4 516	9%
Order book at the end of the period				4 492	4 007	12%
Net sales	1 533	1 238	24%	4 725	4 209	12%
Operating result (EBITA) <sup>1</sup>	196	149	32%	550	485	13%
% of net sales	12.8%	12.1%		11.6%	11.5%	
Operating result (EBIT) <sup>2</sup>	186	145	28%	515	469	10%
% of net sales	12.2%	11.7%		10.9%	11.1%	
Profit before taxes	161	131		452	429	
Earnings/share, EUR	0.62	0.45		1.72	1.44	
Cash flow from operating activities	187	-71		153	232	
Net interest-bearing debt at the end of the period				567	58	
Gross capital expenditure				513	187	
Gearing				0.31	0.04	

<sup>1</sup> EBITA is shown excluding non-recurring items of EUR 34 million (24) and intangible asset amortisation related to acquisitions of EUR 35 million (16) during the review period January-December 2012. During the fourth quarter, non-recurring items amounted to EUR 17 million (7) and intangible asset amortisation related to acquisitions to EUR 10 million (4).

<sup>2</sup> EBIT is shown excluding non-recurring items.

## Market development

### Power Plants

#### Good activity in gas based power generation markets

Power plant market activity was at a good level in the fourth quarter of 2012, and the level of quoted MWs was higher than in the third quarter. The number of quotes also increased compared to previous quarters in 2012. 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 uncertainty of economic development continues to delay investment decisions in the power generation markets overall. Activity was strongest in the flexible baseload segment.

## Power Plants market share

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

## Ship Power

### An active year in offshore and specialised vessels

During the fourth quarter of 2012, 199 contracts for new vessels were registered. The total number of new registered vessel contracts in 2012 was 1,090, which is a decrease of 35% compared to the previous year. Overall, 2012 was a difficult year for the traditional merchant segment that continued to struggle with overcapacity. There was a diverse mix of orders in 2012 with a clear emphasis on the contracting of offshore and specialised vessels. The LNG and LPG carrier markets also had an active year with 35 LNG carrier contracts booked. During 2012, shipping started to be more affected by the challenges of emission reductions and other environmental responsibilities.

China and South Korea continued to be the dominant countries in shipbuilding, capturing 35% and 34% respectively of the contracts confirmed in 2012 in terms of compensated gross tonnage (CGT). Brazil, Norway and the USA stood out amongst the small shipbuilding nations that captured new building contracts during 2012.

### Ship Power market shares

Wärtsilä's share of the medium-speed main engine market remained high at 47% (48% at the end of the previous quarter). The market share in low-speed engines remained stable at 18% (18). In the auxiliary engine market, Wärtsilä's share was 4% (5).

## Services

### Stable development supported by power plant and offshore markets

The stable services market development continued in all areas during 2012. Development in the power plants and offshore markets continued to be strong. From a regional perspective, the market was still the most active in the Middle East and Asia.

At the end of 2012, Wärtsilä's installed base was 181,200 MW, representing an increase of 1% compared to the previous year. The installed power plants base continued to increase during 2012, while the marine installed base showed a slight decline. This decline is due to the scrapping of older merchant vessels with large 2-stroke engines.

## Order intake

### Fourth quarter order intake

Wärtsilä's fourth quarter order intake increased by 9% to EUR 1,357 million (1,250). In relation to the previous quarter, Wärtsilä's order intake increased by 6% (EUR 1,275 million in the third quarter of 2012). The book-to-bill ratio for the fourth quarter was 0.89 (1.01).

The order intake for Power Plants in the fourth quarter totalled EUR 471 million (464), which was stable compared to the corresponding period last year, and 4% higher than in the previous quarter (EUR 453 million in the third quarter of 2012). During the fourth quarter, Wärtsilä received significant power plant orders from Brazil, Mauritania, Mozambique and the USA. The ability to deliver a broad range of different sizes of power plants for many types of applications demonstrates the strengths of Wärtsilä's Smart Power Generation concept.

The fourth quarter order intake for Ship Power totalled EUR 339 million (324), an increase of 5% over the corresponding period last year. Compared to the previous quarter order intake decreased by 13% (EUR 391 million in the third quarter of 2012). During the quarter, order activity was highest in the Offshore segment. Wärtsilä's major offshore related orders included an order to supply complete mechanical packages for three new drillships to be built by a Brazilian shipyard, an integrated solution for an LNG powered platform supply vessel to be built in Norway, and yet another contract to supply a complete LNG package for an offshore support vessel to operate in the Gulf of Mexico. Wärtsilä was also awarded the contract to supply integrated power and automation systems for two new Russian icebreakers, as well as a contract to supply propulsion machinery and gas storage and handling systems for the first passenger ferry in Canada to operate on LNG. During the quarter, Wärtsilä received an order to supply the complete dual-fuel propulsion package for two new gas tankers being built for a Dutch customer. The Offshore segment represented 44% of the fourth quarter order intake, while the Merchant segment share was 28% and Special Vessels 15%. The Cruise & Ferry segment's share of order intake was 11% and Navy accounted for 1%.

The order intake for Services in the fourth quarter totalled EUR 543 million (459) which was 18% higher than for the corresponding period last year. Compared to the previous quarter, order intake increased by 27% (EUR 428 million in the third quarter of 2012). During the fourth quarter, Wärtsilä signed a 15-year parts supply agreement and a 5-year technical service agreement with KEPCO Plant Service & Engineering Co. Ltd, covering Amman Asia Electric Power's 573 MW power plant being built in Jordan. Wärtsilä also signed a maintenance agreement with South Texas Electric Cooperative in the USA, a four year extension to its operations & maintenance agreement with Guyana Power & Light, Inc., and an extension of three years to an operations & maintenance agreement with United Cement Company of Nigeria Ltd.

## Review period order intake

Wärtsilä's order intake for the review period January-December 2012 totalled EUR 4,940 million (4,516), an increase of 9%. The book-to-bill ratio for the review period was 1.05 (1.07).

For the review period January-December 2012, the Power Plants order intake totalled EUR 1,515 million (1,602). Compared to the previous year, this represents a 5% decrease, while the total market is estimated to have decreased by 30-40%. Around 74% of the orders received, in terms of MW's, were from gas based markets. In 2012, Wärtsilä received its largest ever power plant order for a 573 MW tri-fuel project in Jordan. Another major order was received from Azerbaijan, for a 384 MW plant operating on gas. In addition to the fourth quarter orders, other important orders were received from Indonesia, Australia and the USA during 2012.

Wärtsilä Ship Power's order intake for January-December 2012 was EUR 1,453 million (1,000), an increase of 45% over the corresponding period last year. Throughout 2012, there was good order activity in the Offshore and Special Vessels segments. In line with the Ship Power strategy, Wärtsilä received several significant orders for the delivery of total solutions, including ship design, propulsion machinery, automation and other equipment as well as several orders for environmental solutions, such as exhaust gas cleaning systems for SO<sub>x</sub> removal and the first orders for ballast water

management systems. In the Offshore segment, major orders included those for nine drillships and six pipe laying vessels related to the ongoing Brazilian offshore programme, and for several platform support vessels. Wärtsilä received many orders for dual-fuel engines, underlining the company's frontrunner position in gas applications. Dual-fuel equipment will be delivered among others for a Canadian passenger ferry, for two gas tankers to be built for a Dutch shipping company, for two Chinese tug boats, for a dry cargo inland waterway vessel to operate in Europe, for a guideship ordered by the Korean port authority, as well as for three offshore support vessels to operate in the Gulf of Mexico. The Offshore segment represented 46% of the total order intake, while the Merchant segment share was 28% and Special Vessels 12%. The Cruise & Ferry segment's share was 6% and Navy represented 7% of the order intake. Other orders accounted for 1%.

For the review period January-December 2012, the Services order intake totalled EUR 1,961 million (1,909). During the review period, Wärtsilä signed major Operations & Maintenance agreements for power plants in Kenya, Timor-Leste, South Africa and Brazil. Wärtsilä was also awarded service agreements by Princess Cruise Lines Ltd, and by Prestige Cruise Holdings, Inc.

### Order intake

MEUR	10-12/2012	10-12/2011	Change	1-12/2012	1-12/2011	Change
Power Plants	471	464	1%	1 515	1 602	-5%
Ship Power	339	324	5%	1 453	1 000	45%
Services	543	459	18%	1 961	1 909	3%
Order intake, total	1 357	1 250	9%	4 940	4 516	9%

MW	10-12/2012	10-12/2011	Change	1-12/2012	1-12/2011	Change
Oil	80	720	-89%	796	1 647	-52%
Gas	652	213	206%	2 323	1 693	37%
Renewable fuels				27		
Order intake, total	732	933	-22%	3 146	3 340	-6%

### 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 242 million (394) during the review period January-December 2012. Wärtsilä's share of ownership in these companies is 50%, and the results are reported as a share of result of associates and joint ventures.

## Order book

At the end of the review period, Wärtsilä's total order book stood at EUR 4,492 million (4,007), an increase of 12%. In relation to the previous quarter, Wärtsilä's order book decreased by 5% (EUR 4,724 million at the end of the third quarter of 2012). At the end of the review period the Power Plants order book amounted to EUR 1,561 million (1,536), which is 2% higher than on the same date last year. The Ship Power order book stood at EUR 2,127 million (1,684), an increase of 26%. The Services order book totalled EUR 804 million (786) at the end of the review period, an increase of 2%.

## Order book

MEUR	31.12.2012	31.12.2011	Change
Power Plants	1 561	1 536	2%
Ship Power	2 127	1 684	26%
Services	804	786	2%
Order book, total	4 492	4 007	12%

## Net sales

Wärtsilä's net sales for the fourth quarter increased by 24% to EUR 1,533 million (1,238). Power Plants' net sales for the fourth quarter totalled 568 million (413), which is 38% higher than in the corresponding quarter last year. Net sales for Ship Power totalled EUR 426 million (309), an increase of 38%. The fourth quarter Services net sales amounted to EUR 531 million (513), an increase of 4%.

Wärtsilä's net sales for January-December 2012 increased by 12% to EUR 4,725 million (4,209). Power Plants accounted for 32%, Ship Power for 28% and Services for 40% of the total net sales. Net sales for Power Plants totalled EUR 1,498 million (1,365), an increase of 10%. Ship Power's net sales increased by 27% and totalled EUR 1,301 million (1,022). During the review period, net sales from the Services business amounted to EUR 1,908 million (1,816), reaching an all time high level. Compared to the previous year, this represents a growth of 5%. This increase relates to the growth in the installed engine base, as well as the wide services offering aimed at reducing our customers' operating expenses and increasing the availability of their equipment. Engine related services amounted to over three quarters of the Services net sales, the growth being mainly related to 4-stroke services.

Of Wärtsilä's net sales for January-December 2012, approximately 59% was EUR denominated, 21% USD denominated, with the remainder being split between several currencies.

### Net sales

MEUR	10-12/2012	10-12/2011	Change	1-12/2012	1-12/2011	Change
Power Plants	568	413	38%	1 498	1 365	10%
Ship Power	426	309	38%	1 301	1 022	27%
Services	531	513	4%	1 908	1 816	5%
Other	7	4	75%	17	6	183%
Net sales, total	1 533	1 238	24%	4 725	4 209	12%

## Operating result and profitability

The fourth quarter operating result (EBIT) before non-recurring items was EUR 186 million (145), or 12.2% of net sales (11.7). Including non-recurring items, the operating result was EUR 169 million (138) or 11.0% of net sales (11.1). The operating result (EBITA), excluding non-recurring items and intangible asset amortisation related to acquisitions, was EUR 196 million (149), or 12.8% of net sales (12.1). During the fourth quarter, non-recurring items amounted to EUR 17 million (7) and intangible asset amortisation related to acquisitions to EUR 10 million (4).

For the review period January-December 2012, the operating result (EBIT) before non-recurring items was EUR 515 million (469), which is 10.9% of net sales (11.1). Including non-recurring items, the operating result was EUR 481 million (445) or 10.2% of net sales (10.6). The operating result (EBITA), excluding non-recurring items and intangible asset amortisation related to acquisitions, was EUR 550 million (485), or 11.6% of net sales (11.5). Wärtsilä recognised EUR 34 million of non-recurring items (24) during the review period January-December 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 35 million (16) during the review period January-December 2012.

Financial items amounted to EUR -30 million (-16). Net interest totalled EUR -18 million (-5). Dividends received totalled EUR 2 million (3). Profit before taxes amounted to EUR 452 million (429). Taxes in the reporting period amounted to EUR 109 million (136), implying an effective tax rate of 24%. The profit for the financial period amounted to EUR 344 million (293). Earnings per share were 1.72 euro (1.44) and the equity per share was 9.12 euro (8.30). Return on investment (ROI) was 20.1% (20.4). Return on equity (ROE) was 20.0% (17.5).

## Balance sheet, financing and cash flow

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 187 million (-71). For January-December 2012, the cash flow from operating activities was EUR 153 million (232). Net working capital at the end of the period totalled EUR 509 million (235). The increase in net working capital is mainly due to the timing of projects. Advances received at the end of the period totalled EUR 695 million (563). Cash and cash equivalents at the end of the period amounted to EUR 225 million (592).

Wärtsilä had interest-bearing debt totalling EUR 794 million (652) at the end of December 2012. The total amount of short-term debt maturing within the next 12 months was EUR 249 million, including EUR 141 million of Finnish Commercial Papers. Net interest-bearing loan capital totalled EUR 567 million (58).

The funding programmes at the end of December 2012 included long-term loans of EUR 545 million and unutilised Committed Revolving Credit Facilities totalling EUR 554 million. The funding programmes also included Finnish Commercial Paper programmes totalling EUR 700 million.

The solvency ratio was 42.0% (41.3) and gearing was 0.31 (0.04). The increase in gearing relates mainly to the acquisition of Hamworthy.

## Capital expenditure

Gross capital expenditure in the review period totalled EUR 513 million (187), which comprised EUR 402 million (97) in acquisitions and investments in securities, and EUR 111 million (90) in intangible assets and property, plant and equipment. Depreciation, amortisations and impairment for the review period amounted to EUR 139 million (113).

Maintenance capital expenditure for 2012 was below depreciation. For 2013, maintenance capital expenditure will be in line with depreciation.



## Personnel

Wärtsilä had 18,887 (17,913) employees at the end of December 2012. On average, the number of personnel for January-December 2012 totalled 18,930 (17,708). Power Plants employed 932 (855) people. Ship Power employed 2,139 (999) people, Services 11,163 (11,168) and PowerTech 3,811 (4,091) people. The increase in Ship Power personnel relates mainly to the acquisition of Hamworthy.

Of Wärtsilä's total number of employees, 19% (20) were located in Finland and 36% (35) elsewhere in Europe. Personnel employed in Asia represented 32% (33). 13% (12) of the personnel were located in the rest of the world.

## Strategy

Wärtsilä aims to be the leader in complete lifecycle power solutions for the global marine markets and selected energy markets worldwide. We see growth opportunities in gas power plants as part of our Smart Power Generation concept, as well as in gas-fuelled engines and related systems for the marine market. We also seek growth in environmental solutions, including exhaust gas cleaning systems for SO<sub>x</sub> removal and ballast water management systems. Our strengths are our technological leadership, an integrated product and service offering, our close and long-standing customer relationships, and our unparalleled global presence. With our production and supply chain management we constantly seek ways to maintain cost efficiency and high quality – often in co-operation with leading industrial partners in our key growth markets. Our strong focus on R&D allows us to stay at the forefront of technology and innovation in our industry.

We are determined to capture growth opportunities within our end markets, while maintaining a solid profitability.

## Strategic projects, acquisitions and joint ventures

In the beginning of 2012, Wärtsilä finalised the acquisition of Hamworthy. The acquisition brings important growth synergies to Wärtsilä in the offshore, marine gas applications and environmental solutions markets. Hamworthy has been divided into two business lines; Flow & Gas solutions and Environmental solutions and the integration into Wärtsilä's Ship Power business is moving according to plan. Wärtsilä's target is to double the net sales for Flow & Gas solutions and Environmental solutions over the next five years. The total consideration for the company was EUR 456 million, while the cash flow from the acquisition was EUR 389 million due to Hamworthy's cash balance at closing.

In March 2012, Wärtsilä signed a contract to acquire the assets and business of MMI Boiler Management Pte Ltd., the Singapore-based company specialising in the service and maintenance of boilers for marine and industrial applications. The purchase price is approximately EUR 3 million.

In December 2012 Wärtsilä and Yuchai Marine Power Co. Ltd. signed an agreement in Zhuhai, China to establish a 50/50 joint venture for manufacturing medium-speed marine engines in Zhuhai City, Guangdong Province. The joint venture will serve the increasingly dominant Chinese shipbuilding

industry, with the emphasis being on the assembly and testing of Wärtsilä 20, Wärtsilä 26 and Wärtsilä 32 engines. Operations are planned to start in 2014.

Wärtsilä Qiyao Diesel Company, a joint venture company manufacturing Wärtsilä 20 auxiliary engines, is planning to expand its production capacity. The planned joint venture between Wärtsilä and Jiangsu CuiXing Marine Offshore Engineering Co. Ltd. has been discontinued.

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 the second half of 2013, and will provide world-class assembly and manufacturing facilities. The joint venture will give Wärtsilä a stronger industrial foothold in Russia.

## Research and development, product launches

During 2012, Wärtsilä's R&D activities continued strongly with the focus being on the development of technologies and products to meet tightened environmental legislation and also on products and solutions that can secure profitable operations for our customers. The R&D related expenditure was at a high level of EUR 188 million, which represents 4% of net sales.

Progress with regard to ballast water management systems' type approvals continues. All testing of the AQUARIUS UV (ultraviolet) system has been completed, and type approval was received in December 2012. The first orders for the ultraviolet based systems have been received and were delivered in 2012. IMO Basic Approval was granted to the AQUARIUS EC (electro-chlorination) based system on 1 October 2012 and the type approval is expected during the second quarter of 2013.

Wärtsilä has today the widest portfolio of exhaust gas cleaning systems for the removal of SO<sub>x</sub>, and the most extensive reference list on the market. The portfolio consists of open-loop, closed-loop and hybrid exhaust gas cleaning systems. Wärtsilä has to date a total of 47 exhaust gas cleaning scrubbers delivered or on order, for a total of 24 vessels.

Last autumn Wärtsilä Finland Oy announced that its product development strategy had been redefined and that consequently its fuel cell function would be reorganised. Key persons in Wärtsilä's fuel cell development have started up a new company that will focus on fuel cell technology development. Wärtsilä will have a minority interest of 19.9% in the new company, named Convion Oy, and nine former Wärtsilä employees will move to the new company.

Development of Wärtsilä's low-speed dual-fuel engine technology is progressing at its test laboratory in Italy. Testing during 2012 showed that this new technology will meet IMO Tier III emission requirements without exhaust gas treatment systems. The low-speed dual-fuel technology will undergo full engine testing during 2013. The first onboard installation is planned for 2014.

## Manufacturing

Due to the production volume level dropping temporarily at Vaasa Delivery Centre, Wärtsilä started a consultation process regarding temporary lay-offs on 5 November. The drop in volume level is due to lower than expected order intake at the beginning of the year for some of the products manufactured

in Vaasa, and changes in project timing. The consultation process has been completed and the temporary lay-offs will concern more than 700 persons. The temporary lay-offs will be around 40 days on an individual level.

On 1 November Wärtsilä announced its plans to move the assembly and testing of controllable pitch propellers and gear boxes from Norway to China and Italy respectively. A group consisting of members from the local management and Wärtsilä have reached an agreement for a management buyout with regards to component manufacturing. Wärtsilä and Olvondo Industries, the newly formed company, have now completed the detailed negotiations and signed the sale agreement of machinery and equipment, a long-term lease agreement for the premises, and a long-term supply frame agreement. The arrangement involves 88 Wärtsilä Norway employees within the gear and propeller manufacturing and the costs related to the transaction have been included in the fourth quarter non-recurring items.

## 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. All product development and manufacturing related to other than 4-stroke engines has been transferred to Ship Power from WIO, which has been renamed PowerTech. 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, the 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) LL.M. was appointed Group Vice President, Corporate Relations and Legal. Ms Päivi Castrén (53) M.Sc. (Soc.Sc.), was appointed Group Vice President, Human Resources and a member of the Board of Management.

## Shares and shareholders

During 2012, the volume of trades on the Nasdaq OMX exchange was 159,852,645 shares, equivalent to a turnover of EUR 4,380 million. Wärtsilä's shares are also traded on alternative exchanges, such as Chi-X, Turquoise and BATS. The total trading volume on these alternative exchanges was 84,900,518 shares.

### Shares on the Nasdaq OMX Helsinki Stock Exchange

31.12.2012			Number of shares and votes	Number of shares traded 1-12/2012
WRT1V			197 241 130	159 852 645
1.1. - 31.12.2012	High	Low	Average <sup>1</sup>	Close
Share price	33.11	22.30	27.31	32.72
<sup>1</sup> Trade-weighted average price				
Market capitalisation			31.12.2012	31.12.2011
EUR million			6 454	4 402
Foreign shareholders			31.12.2012	31.12.2011
%			51.0	47.0

### Flagging notifications

During the review period January-December 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.

On 13 December 2012, Investor AB's subsidiary Aktiebolaget Navigare transferred all of its Wärtsilä shares to Instoria Aktiebolaget, a total of 17,306,978 shares corresponding to 8.77% of the share capital and votes. Instoria Aktiebolaget is a wholly owned subsidiary of Investor AB. The joint

ownership of Fiskars Group and Investor AB in Wärtsilä Corporation did not change or reach a flagging notification limit.

## 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 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 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

## Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.00 euro per share be paid for the financial year 2012. The parent company's distributable funds total 1,049,791,970.15 euro, which includes 252,563,755.88 euro in net profit for the year. There are 197,241,130 shares with dividend rights. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date, which is 12 March 2013. The dividend payment date proposed by the Board is 19 March 2013. The Annual Report 2012, including the financial review and the review by the Board of Directors, will be available on the company website [www.wartsila.com](http://www.wartsila.com) and at [www.wartsilareports.com](http://www.wartsilareports.com) during week 6.

## 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 remain under pressure, as the industry waits to see how trade conditions develop in 2013.

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 contains a more specific description of Wärtsilä's risks and risk management.

## Market outlook

The general economic uncertainty and the slow global growth projections are expected to continue to impact power generation markets. It is expected that the overall market for natural gas and liquid fuel based power generation in 2013 will be similar to that of 2012. In 2013 ordering activity is expected to remain centered on the 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<sub>2</sub> neutral generation and the ramp down of older, mainly coal-based generation.

Our outlook for the shipping and shipbuilding market in 2013 is cautious, although slightly better than in 2012. The contracting outlook remains challenging for certain ship types, such as bulk carriers, due to the remaining overcapacity. Overall, the contracting mix is expected to be in line with that seen in 2012, favouring offshore and specialised vessel segments. Interesting opportunities can be seen in environmental solutions and fuel efficient designs.

The overall service market outlook remains stable. The outlook for the Middle East and Asia continues to be slightly more positive, while Southern Europe is likely to present more challenging conditions in line with overall economic development. An increase in the installed power plants base, compared to the marine sector, provides a better outlook for services to the power segment. The outlook for services to the marine sector remains, however, stable and is supported by the continued positive outlook for the offshore sector.

## Wärtsilä's prospects for 2013

Wärtsilä expects its net sales for 2013 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

## Wärtsilä financial statements bulletin 2012

This financial statements bulletin 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 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 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.

The annual figures in this financial statements bulletin are audited.

**Consolidated statement of income**

MEUR	2012	2011
<b>Net sales</b>	4 725	4 209
Change in inventories of finished goods & work in progress	-30	39
Work performed by the Group and capitalised	15	1
Other operating income	68	47
<b>Material and services</b>	-2 527	-2 285
Employee benefit expenses	-1 096	-956
Depreciation, amortisation and impairment	-139	-113
Other operating expenses	-543	-506
Share of result of associates and joint ventures	9	8
<b>Operating result</b>	481	445
Dividend income	2	3
Interest income	4	13
Other financial income	9	10
Interest expenses	-22	-18
Other financial expenses	-24	-23
Net income from available-for-sale financial assets	1	
<b>Profit before taxes</b>	452	429
Income taxes	-109	-136
<b>Profit for the financial period</b>	344	293
Attributable to:		
Equity holders of the parent company	339	283
Non-controlling interests	5	10
	344	293
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (basic and diluted), EUR	1.72	1.44



**Consolidated statement of other comprehensive income**

MEUR	2012	2011
Profit for the financial period	344	293
<b>Other comprehensive income, net of taxes:</b>		
Exchange rate differences on translating foreign operations	-14	-4
Available-for-sale financial assets		
measured at fair value	2	16
transferred to the statement of income	-1	
Cash flow hedges	14	-23
<b>Other comprehensive income</b>	<b>1</b>	<b>-12</b>
<b>Total comprehensive income for the financial period</b>	<b>345</b>	<b>281</b>
Total comprehensive income attributable to:		
Equity holders of the parent company	340	270
Non-controlling interests	5	11
	<b>345</b>	<b>281</b>

**Consolidated statement of financial position, assets**

MEUR	31.12.2012	31.12.2011
<b>Non-current assets</b>		
Goodwill	942	616
Intangible assets	317	209
Property, plant and equipment	456	463
Investment properties	14	9
Investments in associates and joint ventures	90	87
Available-for-sale financial assets	44	39
Interest-bearing investments	1	1
Deferred tax assets	104	119
Other receivables	33	33
	<b>2 002</b>	<b>1 577</b>

<b>Current assets</b>		
Inventories	1 322	1 222
Interest-bearing receivables	1	1
Trade receivables	1 128	877
Income tax receivables	27	38
Other receivables	334	294
Cash and cash equivalents	225	592
	<b>3 036</b>	<b>3 023</b>
<b>Total assets</b>	<b>5 038</b>	<b>4 600</b>

### Consolidated statement of financial position, equity and liabilities

MEUR	31.12.2012	31.12.2011
<b>Equity</b>		
Share capital	336	336
Share premium	61	61
Translation differences	-12	2
Fair value reserve	21	5
Retained earnings	1 392	1 233
Total equity attributable to equity holders of the parent company	1 799	1 636
Non-controlling interests	26	30
<b>Total equity</b>	<b>1 824</b>	<b>1 666</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing debt	545	485
Deferred tax liabilities	98	69
Pension obligations	65	39
Provisions	38	52
Advances received	88	120
Other liabilities	3	
	<b>837</b>	<b>765</b>

<b>Current liabilities</b>		
Interest-bearing debt	249	167
Provisions	228	215
Advances received	607	443
Trade payables	385	348
Income tax liabilities	40	55
Other liabilities	868	941
	<b>2 377</b>	<b>2 169</b>
<b>Total liabilities</b>	<b>3 214</b>	<b>2 934</b>
<b>Total equity and liabilities</b>	<b>5 038</b>	<b>4 600</b>

### Consolidated statement of cash flows

MEUR	2012	2011
<b>Cash flow from operating activities:</b>		
Profit for the financial period	344	293
Adjustments for:		
Depreciation, amortisation and impairment	139	113
Financial income and expenses	30	16
Selling profit and loss of fixed assets and other changes	-16	-6
Share of result of associates and joint ventures	-9	-8
Income taxes	109	136
Cash flow before changes in working capital	596	544
<b>Changes in working capital:</b>		
Assets, non-interest-bearing, increase (-) / decrease (+)	-233	3
Inventories, increase (-) / decrease (+)	-6	33
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-37	-125
Changes in working capital	-276	-88
<b>Cash flow from operating activities before financial items and taxes</b>	<b>320</b>	<b>456</b>
<b>Financial items and taxes:</b>		
Interest and other financial income	14	25
Interest and other financial expenses	-71	-49
Income taxes paid	-110	-199
Financial items and paid taxes	-167	-224
<b>Cash flow from operating activities</b>	<b>153</b>	<b>232</b>

<b>Cash flow from investing activities:</b>		
Acquisitions	-392	-75
Investments in associates and joint ventures	-7	-16
Investments in available-for-sale financial assets	-3	
Investments in property, plant and equipment and intangible assets	-111	-90
Proceeds from sale of property, plant and equipment and intangible assets	12	9
Proceeds from sale of shares in associates and joint ventures	23	
Proceeds from sale of available-for-sale financial assets	3	3
Loan receivables, increase (-) / decrease (+) and other changes	2	
Dividends received	2	3
<b>Cash flow from investing activities</b>	<b>-471</b>	<b>-166</b>
<b>Cash flow after investing activities</b>	<b>-318</b>	<b>66</b>
<b>Cash flow from financing activities:</b>		
Proceeds from non-current borrowings	158	
Repayments and other changes in non-current loans	-92	-50
Loan receivables, increase (-) / decrease (+)	4	2
Current loans, increase (+) / decrease (-)	69	79
Dividends paid	-186	-279
<b>Cash flow from financing activities</b>	<b>-47</b>	<b>-247</b>
Change in cash and cash equivalents, increase (+) / decrease (-)	-365	-181
Cash and cash equivalents at the beginning of the financial period	592	776
Exchange rate changes	-2	-3
Cash and cash equivalents at the end of the financial period	225	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 difference	Fair value reserve	Retained earnings	Total		
Equity on 1 January 2011	336	61	8	12	1 221	1 638	26	1 664
Translation differences			-6			-6	2	-4
Available-for-sale financial assets								
net change in fair value, net of taxes				16		16		16
Cash flow hedges								
net change in fair value, net of taxes				-12		-12		-12
transferred to the statement of income, net of taxes				-11		-11		-11
Comprehensive income			-6	-7		-14	1	-12
Profit for the financial period					283	283	10	293
Total comprehensive income for the financial period			-6	-7	283	270	11	281
Dividends paid					-271	-271	-8	-279
Equity on 31 December 2011	336	61	2	5	1 233	1 636	30	1 666

MEUR	Total equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Retained earnings	Total		
Equity on 1 January 2012	336	61	2	5	1 233	1 636	30	1 666
Translation differences			-14			-14		-14
Other changes					-1	-1		-1
Available-for-sale financial assets								
net change in fair value, net of taxes				3		3		3
transferred to the statement of income, net of taxes				-1		-1		-1
Cash flow hedges								
net change in fair value, net of taxes				7		7		7
transferred to the statement of income, net of taxes				7		7		7
Comprehensive income			-14	16	-1	1		1
Profit for the financial period					339	339	5	344
Total comprehensive income for the financial period			-14	16	337	340	5	345
Dividends paid					-178	-178	-9	-186
Equity on 31 December 2012	336	61	-12	21	1 392	1 799	26	1 824

### Net sales by geographical areas

MEUR	2012	2011
Europe	1 202	1 249
Asia	2 009	1 594
The Americas	994	845
Other	520	520
<b>Total</b>	<b>4 725</b>	<b>4 209</b>

## Intangible assets and property, plant & equipment

MEUR	2012	2011
<b>Intangible assets</b>		
Carrying amount on 1 January	826	780
Changes in exchange rates	24	5
Acquisitions	426	64
Additions	41	21
Amortisation and impairment	-61	-44
Disposals and reclassifications	5	-1
<b>Carrying amount at the end of the financial period</b>	<b>1 259</b>	<b>826</b>
<b>Property, plant and equipment</b>		
Carrying amount on 1 January	472	466
Changes in exchange rates	1	4
Acquisitions	19	15
Additions	70	69
Depreciation and impairment	-78	-69
Disposals and reclassifications	-14	-10
<b>Carrying amount at the end of the financial period</b>	<b>470</b>	<b>472</b>

## Gross capital expenditure

MEUR	2012	2011
Investments in securities and acquisitions	402	97
Intangible assets and property, plant and equipment	111	90
<b>Total</b>	<b>513</b>	<b>187</b>

## 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.

<b>Total consideration</b>	<b>MEUR</b>
Cash	456
<b>Total consideration transferred</b>	<b>456</b>
<b>Cash flow from the acquisition</b>	<b>MEUR</b>
Consideration paid in cash	456
Cash and cash equivalents of the acquired companies	-67
<b>Total cash flow from the acquisition</b>	<b>389</b>
<b>The assets and liabilities arising from the acquisition</b>	<b>MEUR</b>
Intangible assets	118
Property, plant and equipment	19
Inventories	91
Trade and other receivables	81
Cash and cash equivalents	67
<b>Total assets</b>	<b>376</b>
Provisions	33
Trade payables and other liabilities	156
Deferred tax liabilities	35
<b>Total liabilities</b>	<b>221</b>
<b>Total net assets</b>	<b>152</b>
<b>Goodwill</b>	<b>304</b>

The fair values of acquired identifiable intangible assets at the date of acquisition (including technology, customer relationships and trademarks) amounted to 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 goodwill of EUR 304 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 EUR 3 million.

In the eleven months to 31 December 2012 Hamworthy contributed net sales of EUR 331 million and operating result of EUR 38 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 4 750 million, and consolidated operating result for the period would have been EUR 482 million. In determining these amounts, management has assumed that the fair value adjustments, 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	2012	2011
Non-current liabilities	545	485
Current liabilities	249	167
Loan receivables	-2	-2
Cash and cash equivalents	-225	-592
<b>Net</b>	<b>567</b>	<b>58</b>

**Financial ratios**

	2012	2011
Earnings per share (basic and diluted), EUR	1.72	1.44
Equity per share, EUR	9.12	8.30
Solvency ratio, %	42.0	41.3
Gearing	0.31	0.04

**Personnel**

	2012	2011
On average	18 930	17 708
At the end of the financial period	18 887	17 913

**Contingent liabilities**

MEUR	2012	2011
Mortgages	28	57
Chattel mortgages and other pledges	34	62
<b>Total</b>	<b>62</b>	<b>119</b>

Guarantees and contingent liabilities		
on behalf of Group companies	433	903
on behalf of associated companies	9	10
Nominal amount of rents according to leasing contracts		
payable within one year	23	18
payable between one and five years	44	34
payable later	10	11
<b>Total</b>	<b>518</b>	<b>976</b>

### Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 182	341
Currency options, purchased	223	
Currency options, written	82	
<b>Total</b>	<b>1 507</b>	<b>341</b>

### Condensed statement of income, quarterly

MEUR	10–12/2012	7–9/2012	4–6/2012	1–3/2012	10–12/2011	7–9/2011
Net sales	1 533	1 087	1 099	1 005	1 238	851
Other operating income	12	11	35	10	13	20
Expenses	-1 344	-958	-990	-889	-1 086	-758
Depreciation, amortisation and impairment	-38	-33	-35	-33	-29	-27
Share of result of associates and joint ventures	7	3	-1	1	2	2
Operating result	169	110	108	94	138	88
Financial income and expenses	-8	-11	-11	-1	-6	-5
Net income from available-for-sale financial assets			1			
Profit before taxes	161	99	98	93	131	83
Income taxes	-37	-23	-22	-27	-39	-30
Profit for the financial period	124	77	77	66	92	53

Attributable to:						
Equity holders of the parent company	123	75	76	65	89	51
Non-controlling interests	1	2	1	1	3	3
<b>Total</b>	<b>124</b>	<b>77</b>	<b>77</b>	<b>66</b>	<b>92</b>	<b>53</b>

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

Earnings per share, EUR	0.62	0.38	0.38	0.33	0.45	0.26
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## Calculation of financial ratios

### Earnings per share (EPS)

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

Adjusted number of shares over the financial period

### Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the financial period

### Solvency ratio

Equity

Total equity and liabilities – advances received x 100

### Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

### Return on investment (ROI)

Profit before taxes + interest and other financial expenses

Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the financial period x 100

### Return on equity (ROE)

Profit for the financial period

Equity, average over the financial period x 100

### Working capital (WCAP)

(Inventories + trade receivables + income tax receivables + other non-interest-bearing receivables)

– (trade payables + advances received + pension obligations + provisions + income tax liabilities + other non-interest-bearing liabilities)

### EBITA

Operating result – non-recurring items – intangible asset amortisation related to acquisitions

24 January 2013  
Wärtsilä Corporation  
Board of Directors