WÄRTSILÄ'S
INTERIM REPORT
JANUARY–SEPTEMBER 2011

WÄRTSILÄ

INTERIM REPORT JANUARY-SEPTEMBER 2011

This interim report is unaudited.

THIRD QUARTER 7-9/2011 IN BRIEF

MEUR	7-9/2011	7-9/2010	Change
Order intake	1 118	1 004	11%
Net sales	851	1 039	-18%
Operating result	94	117	-20%
% of net sales	11.0%	11.2%	
Profit before taxes	83	140	
Earnings/share, EUR	0.28	0.41	

REVIEW PERIOD JANUARY-SEPTEMBER 2011 IN BRIEF

MEUR	1-9/2011	1-9/2010	Change	2010
Order intake	3 267	3 002	9%	4 005
Order book, end of period	4 042	4 243	-5%	3 795
Net sales	2 970	3 091	-4%	4 553
Operating result	324	328	-1%	487
% of net sales	10.9%	10.6%		10.7%
Profit before taxes	298	298		548
Earnings/share, EUR	1.05	1.18		1.68
Cash flow from operating activities	303	491		663
Interest-bearing net debt at the end of the period	-57	91		-165
Gross capital expenditure	140	54		98

The operating result and earnings per share are shown excluding nonrecurring items. Wärtsilä recognised EUR 6 million (2) of nonrecurring items related to restructuring measures during the third quarter and EUR 17 million (59) of nonrecurring items during the review period January-September 2011.

MARKET DEVELOPMENT

SHIP POWER

Contracting for specialised tonnage continued to be strong

Overall vessel contracting activity slowed down in the third quarter. 916 contracts have been registered in 2011, which is in line with expectations of lower contracting compared to 2010. The slowdown continues to be linked with certain merchant segments, such as bulk carriers and tankers.

Meanwhile, activity continued to be on a good level in the special vessel markets. During 2011, 44 LNG carriers have been contracted, compared to 10 vessels contracted during 2008-2010. Offshore vessels, notably drillships, have also seen a significant rise in contracting activity during 2011. The shift in contracting activity towards specialised tonnage means that the amount of capital invested in new buildings during 2011 is at the same level as investments in 2010, despite lower overall vessel contracting numbers. Korea and China continue to dominate contracting activity, securing 40% and 35% of contracts placed in 2011 (in number of vessels).

Ship Power market shares

Wärtsilä's share of the medium speed main engine market increased from 44% (at the end of the previous quarter) to 46%. The market share in low speed engines increased to 18% (17). In the auxiliary engine market Wärtsilä's share remained at 3% (3).

POWER PLANTS

Natural gas based power plant market continued to be active

Activity in the natural gas based power plant market continued at a high level despite the global economic slowdown. The liquid fuel based power plant markets were less active during the third quarter. 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

During the period July 2010 – June 2011, the overall market for gas and liquid fuel based power plants grew to approximately 70.1 GW (51.1). This includes all prime mover units of over 5 MW. Wärtsilä's share represents 4.5% of the market (4.8).

SERVICES

Power plant service market stable

The European markets, which are dominated by marine customers, continued to be slow in the third quarter. In the Americas, the Middle East and Asia where there are a mix of marine and power customers, development of the service market was more stable. Service activities in these areas are also supported by higher economic growth. In the Merchant segment especially, customers are holding back on maintenance spending. However, the Offshore and Container vessel segments continued to be active. The interest in various service agreements also continued to increase.

ORDER INTAKE

Good order intake in all three businesses and joint ventures

Wärtsilä's order intake for the third quarter totalled EUR 1,118 million (1,004), an increase of 11%. In relation to the previous quarter, Wärtsilä's order intake decreased by 4% (EUR 1,170 million in the second quarter of 2011). The book-to-bill ratio for the third quarter was 1.31 (0.97).

Ship Power's order intake for the third quarter totalled EUR 196 million (176), an increase of 11%. Compared to the previous quarter, order intake decreased by 36% (EUR 306 million in the second quarter of 2011). During the third quarter, Offshore and Special Vessels segment orders continued to be active. Important orders were booked for drillships, as well as for cruise and navy applications. The Merchant segment represented 30% of the total order intake. It was followed by the Offshore segment with a 25% share, and Cruise & Ferry with a 20% share. The Special Vessels and Navy segments both represented 11% of the order intake, and Ship Design accounted for 2%.

The order intake for Power Plants in the third quarter was on a high level and totalled EUR 466 million (393). This was 19% higher than for the corresponding period last year, and 11% higher than in the previous quarter (EUR 419 million in the second quarter of 2011). During the third quarter, Wärtsilä received a large turnkey project order from the Dominican Republic, several midsize projects from Africa, Australia and the United Arab Emirates, as well as a large gas power plant order from Turkey.

Order intake for the Services business totalled EUR 455 million (433) in the third quarter, an increase of 5% from the corresponding period 2010. Compared to the previous quarter, order intake increased by 2% (EUR 444 million in the second quarter of 2011).

The total order intake for the review period January-September 2011 was EUR 3,267 million (3,002), which represents an increase of 9% compared to the corresponding period 2010. The book-to-bill ratio for the review period was 1.10 (0.97). Ship Power's order intake was EUR 675 million (479), an increase of 41% from the corresponding period last year. Power Plants' order intake was EUR 1,138 million (1,097), which is 4% higher than in 2010. Services' order intake for the review period totalled EUR 1,450 million (1,421), an increase of 2% over the corresponding period in 2010.

Order intake in joint ventures

During the review period, the joint venture company in Korea, Wärtsilä Hyundai Engine Company Ltd (WHEC), received orders for dual-fuel engines for 16 LNG carriers. Total order intake in WHEC and in the joint venture company Wärtsilä Qiyao Diesel Company Ltd in China producing auxiliary engines, totalled EUR 182 million (68) in the third quarter. Order intake for the review period January-September grew significantly to EUR 216 million (73). Wärtsilä's share of ownership in these companies is 50% and the profits will be reported as a share of result of associates and joint ventures.

Order intake by business

MEUR	7-9/2011	7-9/2010	Change
Ship Power	196	176	11%
Power Plants	466	393	19%
Services	455	433	5%
Order intake, total	1 118	1 004	11%

MEUR	1-9/2011	1-9/2010	Change	2010
Ship Power	675	479	41%	657
Power Plants	1 138	1 097	4%	1 413
Services	1 450	1 421	2%	1 931
Order intake, total	3 267	3 002	9%	4 005

Order intake Power Plants

MW	7-9/2011	7-9/2010	Change
Oil	311	475	-34%
Gas	609	393	55%
Renewable fuels	0	0	

MW	1-9/2011	1-9/2010	Change	2010
Oil	926	1 574	-41%	1 797
Gas	1 480	767	93%	1 377
Renewable fuels	0	1		1

ORDER BOOK

The total order book at the end of the review period stood at EUR 4,042 million (4,243), a decrease of 5%. In relation to the previous quarter, Wärtsilä's order book increased by 7% (EUR 3,779 million in the second quarter of 2011). The Ship Power order book stood at EUR 1,740 million (2,038), which is 15% lower than at the same date last year. At the end of the review period, the Power Plants order book amounted to EUR 1,478 million (1,517), a decrease of 3%. The Services order book totalled EUR 825 million (689) at the end of the review period, representing an increase of 20%.

Order book by business

MEUR	30 Sept. 2011	30 Sept. 2010	Change	31 Dec. 2010
Ship Power	1 740	2 038	-15%	1 825
Power Plants	1 478	1 517	-3%	1 299
Services	825	689	20%	671
Order book, total	4 042	4 243	-5%	3 795

NET SALES

Wärtsilä's net sales for the third quarter decreased by 18% to EUR 851 million (1,039) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 197 million (277), a decrease of 29%. Power Plants' net sales for the third quarter totalled EUR 243 million (321), which is 24% lower than in the corresponding quarter last year. The third quarter net sales for Services amounted to EUR 412 million (435), a decrease of 5%. The reason for the decline is mainly related to the timing of deliveries. Another factor is a further decline in global economic sentiment, which has an impact on Services customers' maintenance and investment spending.

Wärtsilä's net sales for January-September 2011 decreased by 4% and totalled EUR 2,970 million (3,091). Ship Power's net sales decreased by 14% and totalled EUR 713 million (831). Net sales for Power Plants totalled EUR 952 million (948). Net sales from the Services business were stable and amounted to EUR 1,303 million (1,307). Ship Power accounted for 24%, Power Plants for 32% and Services for 44% of the total net sales.

Of Wärtsilä's net sales for January-September 2011, approximately 69% was EUR denominated, 13% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	7-9/2011	7-9/2010	Change
Ship Power	197	277	-29%
Power Plants	243	321	-24%
Services	412	435	-5%
Net sales, total	851	1 039	-18%

MEUR	1-9/2011	1-9/2010	Change	2010
Ship Power	713	831	-14%	1 201
Power Plants	952	948	0%	1 525
Services	1 303	1 307	0%	1 823
Net sales, total	2 970	3 091	-4%	4 553

FINANCIAL RESULTS

The third quarter operating result before nonrecurring expenses totalled EUR 94 million (117), which is 11.0% of net sales (11.2). For the review period January-September 2011, the operating result before nonrecurring expenses was EUR 324 million (328), which is 10.9% of net sales (10.6). Including nonrecurring expenses, the operating result was EUR 307 million or 10.3% of net sales. Wärtsilä recognised EUR 17 million (59) of nonrecurring expenses related to the restructuring measures during the review period January-September 2011.

Financial items amounted to EUR -9 million (-3). Net interest totalled EUR -3 million (-8). Dividends received totalled EUR 3 million (6). The deviation in other financial items is mainly due to losses from exchange rates, which were positive during the corresponding period of 2010. Profit before taxes amounted to EUR 298 million (298). Taxes in the reporting period amounted to EUR 96 million (80). Earnings per share after nonrecurring expenses were 0.99 euro (1.07) and equity per share was 7.84 euro (7.89).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-September 2011 totalled EUR 303 million (491). Net working capital at the end of the period totalled EUR 122 million (229). Advances received at the end of the period totalled EUR 632 million (EUR 603 million at the end of the previous quarter). Cash and cash equivalents at the end of the period amounted to EUR 658 million (578). Net interest-bearing loan capital totalled EUR -57 million (91).

Wärtsilä had interest bearing debt totalling EUR 604 million (688) at the end of September 2011. The existing funding programmes include long-term loans of EUR 507 million, unutilised Committed Revolving Credit Facilities totalling EUR 548 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 97 million.

The solvency ratio was 41.3% (40.5) and gearing was -0.03 (0.07).

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 140 million (54), which comprised EUR 97 million (5) in acquisitions and investments in securities, and EUR 43 million (49) in intangible assets and property, plant and equipment. Depreciation amounted to EUR 84 million (87).

Maintenance capital expenditure for 2011 will be below depreciation. Possible acquisition opportunities may affect capital expenditure for the year.

STRATEGIC STEPS, ACQUISITIONS AND EXPANSION OF NETWORK

The set up of a joint venture between Wärtsilä and Jiangsu CuiXing Marine Offshore Engineering Co. Ltd. for the manufacturing of Wärtsilä 26 and Wärtsilä 32 medium-speed marine engines in China, announced in June, is proceeding according to plan.

In July, Wärtsilä acquired Cedervall, one of the leading manufacturers of shaft seal and bearing systems for the marine industry. This acquisition strengthens Wärtsilä's leading position in the global service market, in line with its strategy. The combination of Wärtsilä's and Cedervall's businesses will create the market leader for oil and water lubricated seals and bearings, as well as for sterntubes. The total preliminary consideration of the transaction is EUR 81 million.

During the review period Wärtsilä continued expanding its Services network. A new workshop was inaugurated in Gdansk, Poland during the second quarter. During the third quarter a new workshop facility was opened in Helsinki, Finland. This workshop is strategically located near the main shipping routes.

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. This target has nearly been reached.

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-September 2011, Wärtsilä recognised EUR 17 million (59) of nonrecurring items related to the restructuring measures. The remainder of the costs will be recognised during 2011.

PERSONNEL

Wärtsilä had 17,875 (17,704) employees at the end of September 2011. The average number of personnel for January-September 2011 totalled 17,838 (18,116). Ship Power employed 989 (974) people. Power Plants employed 830 (845) people, Services 11,200 (11,157) and Wärtsilä Industrial Operations 4,062 (4,347) people.

Of Wärtsilä's total employees, 19% (19) were located in Finland, 6% (7) in the Netherlands and 30% (31) in the rest of Europe. Personnel employed in Asia represented 33% (31), out of which 7% (7) were in China, in India 7% (6), in Singapore 4% (5), and in the rest of Asia 14% (13).

MANUFACTURING

In July, CSSC Guangzhou Marine Diesel Co. Ltd., a member of the state-owned China State Shipbuilding Corporation and Wärtsilä jointly signed a license agreement for the manufacturing and sale of Wärtsilä 2-stroke engines in China. It covers the entire engine portfolio with a power range from 4,300 to 80,000 kW per engine. With the shipbuilding industry increasingly concentrated in Asia, the local manufacture of Wärtsilä's marine engines is a key element in the company's growth strategy.

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.

Workload in the factories is continuously evaluated against the current order book and market development, and adjustments are made where necessary.

RESEARCH & DEVELOPMENT

During the third quarter, Wärtsilä's dual-fuel engines exceeded three million running hours in both land-based and marine applications. This milestone represents a dual-fuel track record that cannot be matched by any other engine manufacturer. Today, the total number of Wärtsilä dual-fuel engines delivered to both marine and land-based applications is 470. The fuel flexibility of these engines offers numerous tangible benefits, both economic and environmental.

Wärtsilä has successfully tested its new low-speed gas engine technology in trials conducted at the company's facilities in Trieste, Italy. The tests have demonstrated that the engine performance fully complies with the upcoming IMO Tier III nitrogen oxide limits, thereby setting a new benchmark for low-speed engines running on gas. The new 2-stroke test engine is part of Wärtsilä's 2-stroke dual-fuel gas engine technology development programme.

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.

CHANGES IN MANAGEMENT

Mr Björn Rosengren M.Sc. (Tech.), born 1959, started as the new President and CEO of Wärtsilä Corporation on 1 September 2011. Mr Rosengren succeeded Mr Ole Johansson, who retired at that time.

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 Sept. 2011	**Number of shares**	**Number of votes**	**Number of shares traded 1-9/2011**
WRT1V	197 241 130	197 241 130	146 271 797

1 Jan. -30 Sept. 2011	**High**	**Low**	**Average 1)**	**Close**
Share price	29.55	15.50	29.01	17.91

1) Trade-weighted average price

	30 Sept. 2011	**30 Sept. 2010**
Market capitalisation, EUR million	3,533	4,721
Foreign shareholders	47.0%	49.4%

Flagging notifications

During the review period January-September 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 (the number of shares as before the free share issue) or 5.01% of Wärtsilä's share capital and total votes.

On 9 August 2011, BlackRock, Inc. decreased its holding in Wärtsilä Corporation. Following the transaction BlackRock, Inc. owned 9,838,853 shares or 4.99% 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

Shipping and ship building are sensitive to the global economic outlook and uncertainty is increasing over the strength of the global economy. At present the main risk for Ship Power is still the slippage of ship yard delivery schedules.

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

Increasing risks in the financial markets may have a negative impact on Services' order intake, especially for larger upgrades and conversion projects.

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

MARKET OUTLOOK

Ship Power

Overall vessel contracting activity is expected to be at a lower level than during 2010, but the mix of vessels to be contracted should continue to favour specialised tonnage. In the short term, uncertainty over the outlook of the global economy, coupled with low earnings for shipowners, will affect contracting activity for the main merchant vessel types, such as bulk carriers, tankers and container vessels. Contracting activity is expected to remain strong for offshore vessels, especially production and support vessels, as well as for LNG carriers and other specialised vessels. In newbuilding of ships, interest in natural gas as a fuel, environmentally sound designs and fuel efficiency is expected to remain strong. A significant number of additional dual-fuel engine orders for LNG carriers are expected to materialise. Dual-fuel engine orders for LNG carriers are booked in the order intake of the joint venture Wärtsilä Hyundai Engine Company Ltd. Intense competition and price pressure prevails in the market. 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 in 2011. The 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, as well as the increasing amount of renewable generation, will increase the demand for gas based generation in the medium to long term. We expect to see an increasing demand for a new type of generation based on fuel and operational flexibility. These developments are supported by the production of shale gas in the US, and the expectation that natural gas prices will remain competitive. Wärtsilä Power Plants estimates its order intake in 2011 to be better than in 2010.

Services

Despite the economic uncertainty, the overall service market outlook remains rather stable. Economic growth prospects in BRIC countries are still considered to be good, and the service market outlook continues strongest in these countries. Economic development and the service markets are expected to remain challenging in Europe. The marine service market is still suffering from overcapacity in certain segments and this is likely to continue. The active installed base growth is slowing down due to increased scrapping and idling of vessels. The power plant service market is expected to increase steadily.

WÄRTSILÄ'S PROSPECTS FOR 2011 REITERATED

Wärtsilä expects its net sales for 2011 to decline by 0-5% compared to last year and operational profitability (EBIT% before nonrecurring items) to be around 11%.

WÄRTSILÄ INTERIM REPORT JANUARY-SEPTEMBER 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.

CONDENSED INCOME STATEMENT

MEUR	1-9/2011	1-9/2010	2010
Net sales	2 970	3 091	4 553
Other operating income	35	31	52
Expenses	-2 620	-2 769	-4 082
Depreciation, amortisation and impairment	-84	-87	-116
Share of result of associates and joint ventures	6	3	5
Operating result	307	269	412
Financial income and expenses	-9	-3	-13
Net income from financial assets available for sale		32	149
Profit before taxes	298	298	548
Income taxes	-96	-80	-151
Profit for the financial period	201	218	397
Attributable to:			
Owners of the parent	195	210	386
Non-controlling interests	7	8	11
Total	201	218	397
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR (basic and diluted)	0.99	1.07	1.96

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	201	218	397
Other comprehensive income after tax:			
Exchange differences on translating foreign operations	-8	12	17
Financial assets available for sale			
fair valuation	6	28	30
transferred to statement of income		-21	-110
Cash flow hedges	-12	4	-9
Share of other comprehensive income of associates and joint ventures			1
Other comprehensive income	-15	23	-71
Total comprehensive income for the period	187	240	326
Total comprehensive income attributable to:			
Owners of the parent	180	232	313
Non-controlling interests	7	9	13
	187	240	326

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	30 Sep. 2011	30 Sep. 2010	31 Dec. 2010
Non-current assets			
Intangible assets	821	773	780
Property, plant and equipment	446	449	466
Investments in associates and joint ventures	83	61	65
Financial assets available for sale	26	156	18
Deferred tax receivables	122	98	122
Other receivables	32	30	32
	1 530	1 568	1 483
Current assets			
Inventories	1 312	1 473	1 244
Other receivables	940	1 092	1 192
Cash and cash equivalents	658	578	776
	2 909	3 143	3 213
Total assets	4 439	4 711	4 696

Equity			
Share capital	336	336	336
Other equity	1 211	1 220	1 302
Total equity attributable to equity holders of the parent	1 547	1 556	1 638
Non-controlling interests	25	22	26
Total equity	1 572	1 578	1 664
Non-current liabilities			
Interest-bearing debt	507	599	572
Deferred tax liabilities	67	93	70
Other liabilities	229	242	189
	803	934	831
Current liabilities			
Interest-bearing debt	97	89	56
Other liabilities	1 969	2 110	2 145
	2 065	2 199	2 201
Total liabilities	2 868	3 133	3 032
Total equity and liabilities	4 439	4 711	4 696

CONDENSED CASH FLOW STATEMENT

MEUR	1-9/2011	1-9/2010	2010
Cash flow from operating activities:			
Profit for the financial period	201	218	397
Depreciation, amortisation and impairment	84	87	116
Financial income and expenses	9	3	13
Selling profit and loss of fixed assets and other changes	-2	-31	-147
Share of result of associates and joint ventures	-6	-3	-5
Income taxes	96	80	151
Changes in working capital	91	333	370
Cash flow from operating activities before financial items and taxes	474	687	896
Financial items and paid taxes	-171	-195	-233
Cash flow from operating activities	303	491	663
Cash flow from investing activities:			
Investments in shares and acquisitions	-91	-5	-6
Net investments in property, plant and equipment and intangible assets	-43	-44	-83
Proceeds from sale of financial assets available for sale	4	36	173
Cash flow from other investing activities	3	9	-5
Cash flow from investing activities	-127	-3	79
Cash flow from financing activities:			
Proceeds from non-current borrowings		37	37
Repayments and other changes in non-current loans	-25	-24	-76
Changes in current loans and other changes	14	2	-2
Dividends paid	-278	-175	-175
Cash flow from financing activities	-289	-159	-216
Change in cash and cash equivalents, increase (+) / decrease (-)	-113	329	525
Cash and cash equivalents at beginning of period	776	244	244
Exchange rate changes	-5	5	7
Cash and cash equivalents at end of period	658	578	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	-8	-279
Total comprehensive income for the period			-9	-6	194	7	187
Equity on 30 Sep. 2011	336	61	-1	7	1 144	25	1 572
Equity on 1 January 2010	336	61	-6	99	1 006	16	1 512
Dividends					-173	-2	-175
Total comprehensive income for the period			11	10	210	9	240
Equity on 30 Sep. 2010	336	61	5	110	1 044	22	1 578

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	Americas	Other	Total
Net sales 1-9/2011	928	1 239	468	335	2 970
Net sales 1-9/2010	896	1 130	719	346	3 091

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-9/2011	1-9/2010	2010
Intangible assets			
Book value at 1 January	780	779	779
Changes in exchange rates	-2	16	20
Acquisitions	64		
Additions	12	10	17
Amortisation and impairment	-32	-32	-42
Disposals and intra-balance sheet transfer			6
Book value at end of period	821	773	780
Property, plant and equipment			
Book value at 1 January	466	457	457
Changes in exchange rates	-2	9	14
Acquisitions	15		
Additions	31	40	75
Depreciation and impairment	-53	-54	-73
Disposals and intra-balance sheet transfer	-10	-3	-6
Book value at end of period	446	449	466

GROSS CAPITAL EXPENDITURE

MEUR	1-9/2011	1-9/2010	2010
Investments in securities and acquisitions	97	5	6
Intangible assets and property, plant and equipment	43	49	92
Total	140	54	98

IMPACT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

On August 31, 2011 Wärtsilä obtained control of Cedervall, a manufacturer of shaft seal and bearing systems for the marine industry, by acquiring 100% of shares and voting interests in the company.

Taking control of Cedervall will enable Wärtsilä to strengthen its leading position in the global marine service market, in line with Wärtsilä's strategy. The combination of Wärtsilä's and Cedervall's businesses will create the market leader for oil and water lubricated seals and bearings, as well as for sterntubes.

The total consideration is calculated on the basis of Cedervall's preliminary balance sheet as per 31 August, 2011 which is prepared, in all material respect, in accordance with IFRS' and Wärtsilä Group's accounting principles.

The total preliminary consideration of the transaction is EUR 81 million and the amount will be revised after the final closing of the accounts, which is expected to materialise during the fourth quarter in 2011. The acquisition does not include any additional consideration.

The preliminary goodwill of EUR 40 million reflects the value of know-how and expertise in marine seal and bearing systems as well as Wärtsilä's widened propulsion line product portfolio, which strengthens Wärtsilä's total propulsion solutions offering. The goodwill recognised for Cedervall is not tax deductible.

The following table summarises the consideration paid for Cedervall and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date. The below mentioned acquisition consideration and the fair values at August 31, 2011 are preliminary until the final closing of the accounts.

Total consideration (EUR million)	**August 31, 2011**
Cash	81
Total consideration transferred	**81**
The assets and liabilities arising from the acquisition are as follows:	
Intangible assets	23
Property, plant and equipment	15
Inventories	7
Trade and other receivables	6
Cash and cash equivalents	6
Total assets	**56**
Provisions	1
Interest-bearing liabilities	1
Trade and other liabilities	6
Deferred tax liabilities	8
Total	**16**

According to the preliminary valuation of the fair value of the net assets (including technology, customer relations, trademarks and valuation of order book) amounted to EUR 41 million.

The fair value of current trade receivables and other receivables is approximately EUR 6 million and includes trade receivables with a fair value of EUR 5 million. The fair value of trade receivables does not include any significant risk.

The Group incurred during the third quarter acquisition-related costs of EUR 0.4 million related to external legal fees and due diligence costs. The total acquisition-related costs are estimated to be approximately EUR 1 million. The costs have been included in the other operating expenses in the condensed income statement.

The net sales included in the condensed income statement since August 31, 2011 contributed by Cedervall companies was EUR 2 million and operating profit EUR 0 million.

Had Cedervall been consolidated from January 1, 2011, the condensed income statement would show net sales of EUR 2,994 million and operating profit EUR 310 million.

INTEREST-BEARING LOAN CAPITAL

MEUR	1-9/2011	1-9/2010	2010
Non-current liabilities	507	599	572
Current liabilities	97	89	56
Loan receivables	-3	-19	-17
Cash and cash equivalents	-658	-578	-776
Net	-57	91	-165

FINANCIAL RATIOS

FINANCIAL RATIOS	1-9/2011	1-9/2010	2010
Earnings per share, EUR (basic and diluted)	0.99	1.07	1.96
Equity per share, EUR	7.84	7.89	8.30
Solvency ratio, %	41.3	40.5	40.8
Gearing	-0.03	0.07	-0.09

PERSONNEL

	1-9/2011	1-9/2010	2010
On average	17 838	18 116	18 000
At end of period	17 875	17 704	17 528

CONTINGENT LIABILITIES

MEUR	1-9/2011	1-9/2010	2010
Mortgages	57	56	59
Chattel mortgages	17	18	18
Total	74	74	77
Guarantees and contingent liabilities			
on behalf of Group companies	429	619	623
on behalf of associated companies	10	9	9
on behalf of others			
Nominal amount of rents according			
to leasing contracts	68	75	74
Total	507	703	706

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1109	172
Currency options, purchased	54	
Currency options, written	60	

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	7-9/2011	4-6/2011	1-3/2011	10-12/2010	7-9/2010	4-6/2010
Net sales	851	1 036	1 083	1 462	1 039	1 131
Other operating income	20	4	10	21	13	11
Expenses	-758	-906	-956	-1 313	-910	-1 007
Depreciation, amortisation and impairment	-27	-28	-29	-29	-29	-28
Share of result of associates and joint ventures	2	1	3	2	2	
Operating result	88	108	111	143	114	105
Financial income and expenses	-5		-4	-10	-6	4
Net income from financial assets available for sale				117	32	
Profit before taxes	83	108	107	251	140	109
Income taxes	-30	-35	-31	-71	-35	-31
Profit for the financial period	53	73	76	179	104	79
Attributable to:						
Owners of the parent	51	70	74	176	101	76
Non-controlling interests	3	2	2	4	3	3
Total	53	73	76	179	104	79
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.26	0.35	0.38	0.89	0.51	0.39

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

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

18 October 2011
Wärtsilä Corporation
Board of Directors