WÄRTSILÄ CORPORATION FINANCIAL STATEMENTS BULLETIN 2013

WÄRTSILÄ

Resilient profitability and strong cash flow in challenging markets

Fourth quarter highlights

- Order intake remained stable at EUR 1,351 million (1,357)
- Net sales decreased 8% to EUR 1,411 million (1,533)
- Book-to-bill 0.96 (0.89)
- Operating result before non-recurring items EUR 201 million, or 14.2% of net sales (EUR 188 million or 12.3%)
- EBITA EUR 208 million, or 14.8% of net sales (EUR 198 million or 12.9%)
- Earnings per share EUR 0.74 (0.62)
- Cash flow from operating activities EUR 317 million (187)

Highlights of the review period January-December 2013

- Order intake decreased 1% to EUR 4,872 million (4,940)
- Net sales decreased 1% to EUR 4,654 million (4,725)
- Book-to-bill 1.05 (1.05)
- Order book at the end of the period decreased 1% to EUR 4,426 million (4,492)
- Operating result before non-recurring items EUR 520 million, or 11.2% of net sales (EUR 517 million or 10.9%)
- EBITA EUR 552 million, or 11.9% of net sales (EUR 552 million or 11.7%)
- Earnings per share EUR 1.98 (1.72)
- Cash flow from operating activities EUR 578 million (153)
- Dividend proposal 1.05 euro per share

Events after the reporting period

- A Group-wide efficiency programme was announced on 29 January 2014

Björn Rosengren, President and CEO

"Wärtsilä's performance in 2013 was impacted by the continued uncertainty in the global economy. Due to unfavorable exchange rates and some delayed deliveries, the net sales development was slightly weaker than expected. However, profitability remained resilient despite the lower level of sales. Supported by a strong fourth quarter and a focus on cost control, our full year operational profitability reached 11.2%. Cash flow from operating activities developed well, increasing to EUR 578 million during the year. There was significant improvement in the marine markets during 2013, and ordering was active in all major vessel segments. In the power plant markets delays in customer decision-making continued. This impacted our Group order intake levels, which decreased by 1% compared to the previous year. The service markets remained stable. Long-term agreements continue to be a strategic focus area for the Services business, and I am pleased that several such contracts were signed during the year.

Our market outlook for 2014 remains cautious, although a slight improvement may be seen in certain areas. Based on our current order book and project pipeline we expect some growth in net sales during 2014 and profitability to remain at a similar level to that of 2013."

Wärtsilä's prospects for 2014

Wärtsilä expects its net sales for 2014 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Key figures

MEUR	10-12/2013	Restated[3] 10-12/2012	Change	1-12/2013	Restated[3] 1-12/2012	Change
Order intake	1 351	1 357	0%	4 872	4 940	-1%
Order book at the end of the period				4 426	4 492	-1%
Net sales	1 411	1 533	-8%	4 654	4 725	-1%
Operating result (EBITA)[1]	208	198	5%	552	552	0%
% of net sales	14.8	12.9		11.9	11.7	
Operating result (EBIT)[2]	201	188	7%	520	517	1%
% of net sales	14.2	12.3		11.2	10.9	
Profit before taxes	181	162		507	453	
Earnings/share, EUR	0.74	0.62		1.98	1.72	
Cash flow from operating activities	317	187		578	153	
Net interest-bearing debt at the end of the period				276	567	
Gross capital expenditure				134	513	
Gearing				0.15	0.32	

[1] EBITA is shown excluding non-recurring items of EUR 20 million (34) and intangible asset amortisation related to acquisitions of EUR 32 million (35) during the review period January-December 2013. During the fourth quarter, non-recurring items amounted to EUR 9 million (17) and intangible asset amortisation related to acquisitions to EUR 8 million (10).

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

[3] Figures have been restated due to changes in pension accounting (IAS 19 Employee benefits).

Market development

Power Plants

Moderate activity in power generation markets

Activity in the overall power generation markets declined during 2013, as macro-economic volatility continued to cause delays in investment decisions throughout the year. Customer decision-making was further impacted by the significant exchange rate fluctuations seen in multiple emerging market currencies during the second and third quarters. Still, economic growth in the emerging markets continued to support demand for new power generation capacity. Wärtsilä's power plant quotation activity was higher in 2013 than during the previous year, although the level of quoted MWs decreased somewhat during the fourth quarter. Activity remained focused on natural gas based generation.

Power Plants market share

During the first half of 2013, global orders for natural gas and liquid fuel based power generation (including all prime mover units of over five MW) totalled 18.8 GW, a decrease of 35% compared to first half 2012 (28.8). Wärtsilä's share represents 5.8% of the market (4.9%).

Ship Power

Improvement in marine market activity

The total number of new registered vessel contracts in 2013 was 2,201. Market activity improved significantly compared to 2012, when the volume for known contracts was 1,090 vessels. During the fourth quarter of 2013, 633 contracts for new vessels were registered. Ordering was active in all major vessel segments, resulting in a more evenly spread contracting mix compared to the previous year.

Counter-cyclical ordering played an important role in 2013. Competitive new building prices and the increased fuel efficiency of modern vessels attracted investments in merchant vessels. Notable activity was seen in the product tanker, LPG carrier, and large containership segments. The gas carrier market (LNG carriers and LPG carriers) recorded 39 contracts during the fourth quarter of 2013, bringing the total for the year to 158 contracts. The contracting of mobile drilling units was positive, with active ordering of jack-up rigs. Contracting activity in the anchor handling tug supply and platform supply vessel segments was lower than in recent years.

China and South Korea captured respectively 41% and 33% of the contracts confirmed during 2013 in terms of compensated gross tonnage, while Japan secured 15%.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market increased to 52% (49% at the end of the previous quarter). The market share in low-speed engines remained at 10%, while in auxiliary engines the market share decreased slightly to 4% (10% and 5% respectively at the end of the previous quarter).

Services

Stable development in the service markets

Service market activity developed well in the fourth quarter of 2013, in line with typical seasonality. There was an improvement in demand from marine customers, and markets were especially active in the Norwegian offshore and the US cruise segments. During 2013, the overall service market development was stable. The pick-up in activity during the fourth quarter compensated for the slightly slower beginning of the year. The demand for power plant related services remained at a good level throughout the year, and activity was healthy especially in Africa. The overall marine service activity was satisfactory.

At the end of 2013, Wärtsilä's installed base totalled 182,000 MW. The marine installed base decreased slightly due to the scrapping of merchant vessels with 2-stroke engines. This development was compensated for by the continued increase in the 4-stroke installed base, particularly in power plant installations.

Order intake

Fourth quarter order intake

Wärtsilä's order intake for the fourth quarter of 2013 remained stable at EUR 1,351 million (1,357). In relation to the previous quarter, Wärtsilä's order intake increased by 23% (EUR 1,097 million in the third quarter of 2013). The fourth quarter book-to-bill ratio was 0.96 (0.89).

Power Plants' fourth quarter order intake totalled EUR 409 million (471), which was 13% less than for the corresponding period last year. Compared to the previous quarter, order intake increased by 57% (EUR 261 million in the third quarter of 2013). Significant orders were received from Indonesia and Mauritania.

The fourth quarter order intake for Ship Power totalled EUR 462 million (339), an increase of 36% compared to the corresponding period last year. Compared to the previous quarter, order intake increased by 22% (EUR 378 million in the third quarter of 2013). Ordering activity was highest in the offshore and merchant segments. Ship Power's merchant related orders included an order for Wärtsilä X92 main engines to four container ships being built for Ciner Group based in Turkey, as well as an order for Wärtsilä's new low-speed, low pressure dual-fuel engine to two environmentally advanced tankers for Terntank Rederi A/S. Ship Power also received an order to supply complete dual-fuel propulsion and LNG equipment to a new passenger ferry being built for Reederei Cassen Eils GmbH based in Germany. The ordering of environmental solutions continued, with Ship Power receiving orders for 11 exhaust gas cleaning systems during the fourth quarter. The merchant segment represented 44% of the fourth quarter order intake, while the offshore segment's share was 37%. Special vessels and navy both accounted for 6% of the order intake, and the cruise & ferry segment represented 5%. Other orders accounted for 2%.

Order intake for the Services business totalled EUR 457 million (543) in the fourth quarter, a decrease of 16% compared to the corresponding period last year. Compared to the previous quarter, order intake increased by 1% (EUR 454 million in the third quarter of 2013).

Review period order intake

The total order intake for the review period January-December 2013 was EUR 4,872 million (4,940), which represents a decrease of 1% compared to the corresponding period in 2012. The book-to-bill ratio for the review period was 1.05 (1.05).

For the review period January-December 2013, the Power Plants order intake totalled EUR 1,292 million (1,515), a decrease of 15% compared to the previous year. This development is in line with the decline in the global power generation markets. 82% of the orders received, measured in MW, were for gas based power plants. In 2013, major orders were received for a 274 MW power plant from Jordan and a 220 MW power plant from Oregon, USA. Other important orders were received from Finland, Russia and Indonesia.

Ship Power's order intake increased by 14% to EUR 1,662 million (1,453) during January-December 2013, reflecting the improvement in the marine market. Ordering was active in the offshore and special tonnage segments, as well as in the merchant segment. In line with the Ship Power strategy, Wärtsilä received several orders for the delivery of integrated solutions, including ship design, propulsion machinery, automation and other equipment. The ordering of environmental solutions picked up somewhat and Wärtsilä was awarded an order for its AQUARIUS®UV ballast water management system by Carboflotta Group, as well as exhaust gas cleaning system orders by TT-Line, Color Line and Messina among others. A total of 41 exhaust gas cleaning systems for 17 vessels were ordered during 2013. The interest in gas as a marine fuel continued throughout the year, and Ship Power received many orders for dual-fuel engines and gas related systems. Among these was the strategically interesting contract to supply a comprehensive solutions package, including the cargo handling system, the gas supply system, and the propulsion machinery, for a series of LNG carriers being built for the Danish operator Evergas. In the offshore segment, notable orders included supplying propulsion solutions for six new offshore pipe laying vessels being built for Subsea 7 and Seabras Sapura, as well as several orders for platform support vessels. The offshore segment represented 42% of the review period order intake, while the merchant segment's share was 34% and cruise & ferry accounted for 8%. The special vessels segment's share was 7% and navy represented 6% of the order intake. Other orders accounted for 3%.

Services' order intake for January-December 2013 decreased by 4% to EUR 1,885 million (1,961). During the review period, Wärtsilä signed important long-term operations and maintenance agreements with power plant customers in Africa, Australia and the USA. Wärtsilä was also awarded a service agreement by Viking Line for maintaining and servicing the gas-fuelled passenger ferry Viking Grace.

Order intake by business

MEUR	10-12/2013	10-12/2012	Change	1-12/2013	1-12/2012	Change
Power Plants	**409**	471	-13%	**1 292**	1 515	-15%
Ship Power	**462**	339	36%	**1 662**	1 453	14%
Services	**457**	543	-16%	**1 885**	1 961	-4%
Order intake, total	**1 351**	1 357	0%	**4 872**	4 940	-1%

Order intake Power Plants

MW	10-12/2013	10-12/2012	Change	1-12/2013	1-12/2012	Change
Oil	**90**	80	11%	**444**	796	-44%
Gas	**526**	652	-19%	**1 957**	2 323	-16%
Renewable fuels					27	
Order intake, total	**615**	732	-16%	**2 401**	3 146	-24%

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 222 million (242) during the review period January-December 2013. 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

The total order book at the end of the review period stood at EUR 4,426 million (4,492), a decrease of 1%. At the end of the review period, the Power Plants order book amounted to EUR 1,367 million (1,561), a decrease of 12%. The Ship Power order book stood at EUR 2,289 million (2,127), which is 8% higher than at the same date last year. The Services order book decreased by 7% to EUR 751 million (804).

Order book by business

MEUR	31.12.2013	31.12.2012	Change
Power Plants	1 367	1 561	-12%
Ship Power	2 289	2 127	8%
Services	751	804	-7%
Order book, total	4 426	4 492	-1%

Net sales

Wärtsilä's net sales for the fourth quarter decreased by 8% to EUR 1,411 million (1,533) compared to the corresponding period last year. Net sales for Power Plants totalled EUR 468 million (568), a decrease of 18%. Ship Powers' net sales for the fourth quarter was stable, totalling EUR 425 million (426). The fourth quarter net sales for Services totalled EUR 507 million (531), a decrease of 5% compared to the corresponding period last year.

Net sales for January-December 2013 decreased by 1%, totalling EUR 4,654 million (4,725). The development was slightly weaker than the expected 0-5% net sales growth, mainly due to unfavourable exchange rates and some delayed deliveries during the fourth quarter. Power Plants' net sales totalled EUR 1,459 million (1,498), a decrease of 3%. Ship Power's net sales increased by 2% and totalled EUR 1,325 million (1,301). Net sales from the Services business totalled EUR 1,842 million (1,908), a decrease of 3%. The Services' sales mix saw an increase in revenues from maintenance service and long-term contracts. Of the total net sales, Power Plants accounted for 31%, Ship Power for 28% and Services for 40%.

Of Wärtsilä's net sales for January-December 2013, approximately 59% was EUR denominated, 24% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	10-12/2013	10-12/2012	Change	1-12/2013	1-12/2012	Change
Power Plants	468	568	-18%	1 459	1 498	-3%
Ship Power	425	426	0%	1 325	1 301	2%
Services	507	531	-5%	1 842	1 908	-3%
Other	11	7		28	17	
Net sales, total	1 411	1 533	-8%	4 654	4 725	-1%

Operating result and profitability

The fourth quarter operating result (EBIT) before non-recurring items was EUR 201 million (188), or 14.2% of net sales (12.3). Including non-recurring items, the operating result was EUR 191 million (171) or 13.6% of net sales (11.1). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 208 million (198), or 14.8% of net sales (12.9). During the fourth quarter, non-recurring items amounted to EUR 9 million (17), and intangible asset amortisation related to acquisitions totalled EUR 8 million (10).

For the review period January-December 2013, the operating result (EBIT) before non-recurring items was EUR 520 million (517). This represents 11.2% of net sales (10.9), which is in line with the guidance of around 11% profitability. Joint venture profitability developed well, which had a positive impact on the Group's operating result. Including non-recurring items, the operating result was EUR 500 million (483) or 10.7% of net sales (10.2). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 552 million (552) or 11.9% of net sales (11.7). During the review period January-December 2013, Wärtsilä recognised intangible asset amortisation related to acquisitions of EUR 32 million (35) and EUR 20 million of non-recurring items (34). Non-recurring items related to restructuring measures and discontinued operations.

In March, Wärtsilä sold its holding of 1,987,940 shares in Sato Oyj, for EUR 27 million. Wärtsilä recorded a capital gain of EUR 25 million on this sale. The tax on the capital gain is EUR 6 million.

Financial items amounted to EUR -19 million (-31). Net interest totalled EUR -14 million (-18). Dividends received totalled EUR 1 million (2). Profit before taxes amounted to EUR 507 million (453). Taxes amounted to EUR 113 million (109), implying an effective tax rate of 22%. The profit for the financial period amounted to EUR 393 million (344). Earnings per share were 1.98 euro (1.72) and equity per share was 9.35 euro (8.95). Return on investment (ROI) was 21.2% (20.4). Return on equity (ROE) was 21.4% (20.1).

Balance sheet, financing and cash flow

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 317 million (187). For January-December 2013, the cash flow from operating activities was EUR 578 million (153). The improvement in cash flow is mainly due to the favourable development in working capital, which totalled EUR 313 million at the end of the period (465). Advances received at the end of the period totalled EUR 913 million (695). Cash and cash equivalents at the end of the period amounted to EUR 388 million (225).

Wärtsilä had interest-bearing debt totalling EUR 665 million (794) at the end of December 2013. The total amount of short-term debt maturing within the next 12 months was EUR 94 million. The funding programmes included Finnish Commercial Paper programmes totalling EUR 800 million, of which EUR 14 million was in use. Net interest-bearing debt totalled EUR 276 million (567).

The funding programmes at the end of December 2013 included long-term loans of EUR 571 million, committed undrawn long-term loans totalling EUR 100 million, and unutilised Committed Revolving Credit Facilities totalling EUR 599 million.

The solvency ratio was 43.9% (41.3). Gearing decreased to 0.15 (0.32) as a result of good cash flow development. Key figures for the comparison period have been restated due to changes in pension accounting (IAS 19 Employee benefits). The impact is described in the IFRS amendments section.

Capital expenditure

Capital expenditure for 2013 was in line with depreciation and amortisations. Gross capital expenditure in the review period totalled EUR 134 million (513), comprising EUR 5 million (402) in acquisitions and investments in securities, and EUR 129 million (111) in intangible assets and property, plant and equipment. Investments related mainly to product development and expansion of manufacturing capacity in key emerging markets. The comparison period's gross capital expenditure includes the acquisition of Hamworthy plc. Depreciation, amortisations and impairment for the review period amounted to EUR 123 million (139).

Personnel

Wärtsilä had 18,663 (18,887) employees at the end of December 2013. On average, the number of personnel for January-December 2013 totalled 18,749 (18,930). Power Plants employed 1,053 (932) people. Ship Power employed 3,612 (2,139) people, Services 10,785 (11,163) and PowerTech 2,449 (3,811). The increase in the number of Ship Power employees and decrease in the number of PowerTech employees relates mainly to changes in the organisational set up, which became effective in 2012.

Of Wärtsilä's total number of employees, 20% (19) were located in Finland and 36% (36) elsewhere in Europe. Personnel employed in Asia represented 31% (32) of the total.

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, in gas-fuelled engines and related systems for the marine market, as well as in medium-scale LNG infrastructure development. We also seek growth in environmental solutions, including exhaust gas cleaning systems for SOx 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, joint ventures and expansion of the network

Construction of the new production facilities for Wärtsilä Yuchai Engine Co., Ltd, the joint venture owned 50/50 by Wärtsilä and Yuchai Marine Power Co. Ltd., is proceeding according to plan. The company will manufacture Wärtsilä 20, Wärtsilä 26 and Wärtsilä 32 medium-speed marine engines to serve the increasingly dominant Chinese shipbuilding industry. Production is planned to begin in mid 2014.

The Wärtsilä TMH Diesel Engine Company LLC factory is expected to begin production during the first quarter of 2014.

In March, Wärtsilä announced the set up of a new, fully-owned manufacturing facility in Brazil to meet the increasing market demand, particularly in the offshore market. The manufacturing premises will be based on a multi-product factory concept for the assembly and testing of Wärtsilä's generating sets and propulsion products. In the initial phase, activities will focus on medium sized, medium-speed generating sets and steerable thrusters, with the possibility to flexibly expand the product range to respond to market needs. The value of Wärtsilä's investment is approximately EUR 20 million and the facility is scheduled to be fully operational by mid 2014.

In February, Wärtsilä continued to expand its service network by opening a new service workshop in Niterói, Rio de Janeiro, Brazil.

Research and development

Wärtsilä continued to place strong emphasis on R&D activities during 2013, the key focus areas being efficiency improvement, fuel flexibility, and the reduction of environmental impact. The R&D related expenditure totalled EUR 185 million, which represents 4.0% of net sales.

During the review period Wärtsilä was granted a 10-year loan totalling EUR 150 million from the European Investment Bank and a 10-year loan totalling EUR 50 million from the Nordic Investment Bank for research and development financing. With these loans, Wärtsilä will further develop its medium-speed engine technology in terms of efficiency, reliability and environmental performance, as well as for reducing lifecycle costs.

Wärtsilä currently has the widest portfolio of exhaust gas cleaning systems for the removal of SOx, and the most extensive reference list on the market. The portfolio consists of open-loop, closed-loop, and hybrid systems. Wärtsilä has to date a total of 88 exhaust gas cleaning systems delivered or on order, for a total of 41 vessels.

Progress with regards to type approvals for ballast water management systems continues. In November, the Wärtsilä AQUARIUS UV (ultraviolet) system received United States Coast Guard Alternate Management System acceptance. In addition, Wärtsilä's AQUARIUS EC (electro-chlorination) system was granted IMO Type Approval in December.

Product launches

In December, Wärtsilä expanded its engine portfolio with two new auxiliary engines, the Wärtsilä Auxpac 16 and the Wärtsilä Auxpac 32. The new engines offer a high level of reliability and are compliant with the IMO's Tier II environmental regulations. Their launch is an important step in strengthening Wärtsilä's presence in the auxiliary engine market. Also in December, Wärtsilä launched its new 2-speed marine gearbox. The product, which will serve vessels with multiple operational modes or reduced transit speeds, offers notable economic and environmental benefits. Compared to a single mechanical propulsion system, a fuel consumption reduction of eight percent was verified with Wärtsilä's 2-speed gearbox during sea trials.

In November, Wärtsilä introduced its new low-speed dual-fuel engine technology. The benefits of this technology include capital expenditure reductions through a substantially simpler and lower cost LNG and gas handling system. Furthermore, the new engines are compliant with IMO Tier III emission requirements in gas mode. The first engine utilising this technology, the Wärtsilä RT-flex50DF, will be available for delivery in the third quarter of 2014.

In October, Wärtsilä released its Wärtsilä 20DF dual-fuel engine for sale in the US market. The engine meets the United States Environmental Protection Agency's strict Tier 4 emission requirements. A new series of steerable and transverse thrusters was also introduced. The new thrusters have been developed in response to changing market demand, which requires competitive products that are more efficient and that cover a wider power range. Wärtsilä also launched a new Bio Seal Ring™ product for maritime stern tube seal applications. The seal ring is the first in the market that works with environmentally acceptable lubricants for a lifetime of at least five years.

A new version of the Wärtsilä 34DF engine was launched in June. The engine offers increased power output and increased efficiency in both liquid and gas operating modes, as well as lower fuel consumption and improved environmental performance.

In March, Wärtsilä launched a unique product, the Wärtsilä GasReformer, which uses steam reforming technology to convert associated gas to a quality that can be used as fuel in Wärtsilä's range of gas fuelled engines. Traditionally such gases would be flared and wasted.

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 the organisational structure

In August 2013, Wärtsilä announced the combination of PowerTech and Ship Power's 4-stroke organisation into a single business unit. The reorganisation is a continuation of the changes implemented in 2012. It aims to further strengthen competitiveness, and to serve customers more effectively with increased flexibility, faster decision-making, and the optimal utilisation of resources. Mr Roger Holm (41), MSc (Econ.), was appointed Senior Vice President, 4-stroke, and a member of the Ship Power management team as of 1 September 2013. Holm also headed the PowerTech organisation until the changes in the organisational structure became effective on 1 January 2014.

Changes in management

Mr Pierpaolo Barbone (56) MSc (Eng.) was appointed President of Services, Executive Vice President and a member of the Board of Management.

Mr Jaakko Eskola (55) MSc (Eng.) was appointed Senior Executive Vice President and Deputy to the CEO. He assumed this responsibility in addition to his existing position as President of Ship Power.

Mr Marco Wirén (47), MSc (Econ.), was appointed Chief Financial Officer, Executive Vice President and a member of the Board of Management.

The previous heads of Services and PowerTech, Mr Christoph Vitzthum and Mr Lars Hellberg, have left Wärtsilä to pursue careers outside the company. The previous Chief Financial Officer and Deputy to the CEO, Mr Raimo Lind, reached his contractual retirement age and retired in August 2013.

Shares and shareholders

During January-December 2013, the volume of trades on the Nasdaq OMX exchange was 95,127,366 shares, equivalent to a turnover of EUR 3,328 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 54,651,206 shares.

Shares on the Nasdaq OMX Helsinki Stock Exchange

31.12.2013	Number of shares and votes	Number of shares traded 1-12/2013
WRT1V	197 241 130	95 127 366

1.1. - 31.12.2013	High	Low	Average [1]	Close
Share price	39.00	30.66	35.00	35.77

[1] Trade-weighted average price

	31.12.2013	31.12.2012
Market capitalisation, EUR million	7 055	6 454
Foreign shareholders, %	51.3	51.0

Flagging notifications

During the review period January-December 2013, Wärtsilä was informed of the following changes in ownership:

On 25 September, BlackRock, Inc. decreased its holding in Wärtsilä. Following the transaction BlackRock Inc. owned 9,824,523 shares or 4.98% of Wärtsilä's share capital and total votes.

On 7 February, Wärtsilä was informed that Fiskars Corporation and Investor AB had completed the legal combination of their Wärtsilä ownership into a joint venture in accordance with a release published on 24 April 2012. At the time of the announcement, the total ownership for the joint company, Avlis AB, and its wholly owned subsidiary, Avlis Invest AB (formerly Instoria AB), was 42,948,325 or 21.77% of Wärtsilä's share capital and votes. Fiskars owned 59.7% of Avlis AB and Investor 40.3%.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting held on 7 March 2013 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 2012. The Meeting approved the Board of Directors' proposal to pay a dividend of 1.00 euro per share. The dividend was paid on 19 March 2013.

The Annual General Meeting decided that the Board of Directors has nine members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, 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 2013.

Authorisation to repurchase and distribute the Company's own shares

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

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own shares shall be valid for three years from the authorisation of the shareholders' meeting and it cancels the authorisation given by the General Meeting on 8 March 2012. 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 Kaj-Gustaf Bergh 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

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 1.05 euro per share be paid for the financial year 2013. The parent company's distributable funds total 1,027,025,847.20 euro, which includes 174,475,007.05 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 11 March 2014. The dividend payment date proposed by the Board is 18 March 2014. The Annual Report 2013, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com and at www.wartsilareports.com during week 7.

Risks and business uncertainties

In the Power Plants business, uncertainty in the financial markets and significant currency fluctuations may impact financing availability and the timing of bigger projects. Lack of demand for commodities, e.g. minerals, can affect industrial customers' investment decisions.

The business environment for the shipping and shipbuilding industry remains challenging, and concerns over the global economy continue to cause uncertainty. Overcapacity is still a concern, as the large order book accumulated during the shipbuilding boom has been delivered. In addition, financing remains under pressure as banks continue to be cautious. Investments in offshore exploration and production are highly sensitive to changes in oil prices. However, current oil prices continue to support the offshore industry's operational activities in harsher conditions and deeper waters.

Continued risks in the global economy and political instability in certain areas may have a negative impact on Services' order intake. The challenging conditions in several marine market segments are also seen as a potential risk.

The Group is a defendant in a number of legal cases which arise out of, or are incidental to, the ordinary course of its business. These lawsuits concern mainly issues such as contractual and other liability, labour relations, property damage and regulatory matters. The Group receives from time to time claims of different amounts and with varying degrees of substantiation. The claims received in 2013 include two unusually sizable ones. It is the Group's policy to provide for amounts related to the claims, as well as for the litigation and arbitration matters, when an unfavourable outcome is probable and the amount of loss can be reasonably estimated.

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

Events after the reporting period

On 29 January 2014, Wärtsilä announced plans to realign its organisation to secure future profitability and competitiveness. The Group-wide efficiency programme is expected to lead to a reduction of approximately 1,000 employees globally, of which about 200 are planned to be in Finland. The reductions will impact all businesses and support functions. With these actions Wärtsilä seeks annual savings of EUR 60 million. The effect of these savings is expected to materialise fully by the end of 2014. The non-recurring costs related to the restructuring measures will be EUR 50 million. Of these costs EUR 11 million was recognised in 2013, as certain measures were initiated at the end of the year.

Market outlook

Power generation markets closely follow global macro-economic development. Uncertainty in the macro economy, combined with slow global growth projections, has impacted the power generation markets, leading to two consecutive years of decline. Based on the forecasted GDP growth in 2014, the overall market for liquid and gas fuelled power generation is expected to improve slightly. Ordering activity remains focused on emerging markets, which continue to invest in new power generation capacity. In the OECD countries, there is still pent-up power sector demand, mainly driven by CO_2 neutral generation and the ramp down of older, mainly coal-based generation.

The main drivers supporting activity in the shipping and offshore sectors are in place. World seaborne trade and the world economy are showing signs of improvement, which benefits the merchant shipping market. Furthermore, the current oil price level supports activity in the offshore industry, including operations in harsh and deep water areas. The importance of fuel efficiency and the regulatory environment are clearly visible, and the interest in gas as a fuel is increasing. Overall contracting is expected to remain at improved levels, keeping in mind the prevailing overcapacity and the market's limited capacity to absorb new tonnage. Due to the relatively high level of contracting in the traditional merchant segment during 2013, a small downturn in merchant ordering activity may be seen in 2014.

The overall service market outlook remains stable. An increase in the installed base partly balances the slower service demand for older installations and the continued focus of merchant marine customers on reducing operating expenses. The outlook for services to offshore and gas fuelled vessels remains positive. Demand for services in the power plant segment continues to be good. From a regional perspective, the outlook for the Middle East and Asia is slightly more positive, supported by interest in power plant related services. The outlook is also good in the Americas and Africa.

Wärtsilä's prospects for 2014

Wärtsilä expects its net sales for 2014 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be around 11%.

Wärtsilä financial statements bulletin 2013

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 2012, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2013 the following are applicable to the Group reporting:

- Amendment to *IAS 19 Employee benefits:* The amendment eliminates the possibility to use the corridor approach in recognising the actuarial gains and losses from defined benefit plans. In the corridor approach the actuarial gains and losses had to be recognised only when they exceeded by more than 10% the greater of the present value of the defined benefit obligation and the fair value of the plan assets. The excess was recognised in the statement of income over the expected average remaining working lives of employees participating in the plan.

The revised IAS 19 standard requires the actuarial gains and losses to be recognised immediately in the statement of other comprehensive income. This change in accounting principles leads to faster recognition of actuarial gains and losses than the corridor approach. As a result of the change the Group now determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. Previously the Group applied a long-term rate of expected return on the plan assets. The Group reports the service cost in employee benefit expenses and the net interest in financial expenses.

The amendments to IAS 19 have been applied retrospectively. The impact on comparison figures presented in the condensed statement of financial position, the condensed statement of income and the statement of other comprehensive income in this interim report, are the following. The impact on the equity in the opening balance 2012 was EUR -33 million. Pension obligations increased by EUR 43 million and working capital reduced by EUR 43 million. The impact on profit for the reporting period 2012 was EUR 0 million. A table showing the impact is included in the Interim Report January-June 2013.

- *IFRS 13 Fair value measurement:* The standard defines fair value. It sets out in a single standard a framework for measuring fair value and the requirement for disclosures about fair value measurements. The standard does not introduce any new requirements to measure at fair value. It provides guidance for fair value measurement when other standards require or permit that.

The annual figures in this financial statements bulletin are audited.

Consolidated statement of income

MEUR	2013	Restated 2012
Net sales	4 654	4 725
Change in inventories of finished goods & work in progress	187	-30
Work performed by the Group and capitalised	19	15
Other operating income	85	68
Material and services	-2 696	-2 527
Employee benefit expenses	-1 104	-1 094
Depreciation, amortisation and impairment	-123	-139
Other operating expenses	-543	-543
Share of result of associates and joint ventures	22	9
Operating result	500	483
Dividend income	1	2
Interest income	3	4
Other financial income	15	9
Interest expenses	-17	-22
Other financial expenses	-22	-25
Net income from available-for-sale financial assets	25	1
Profit before taxes	507	453
Income taxes	-113	-109
Profit for the financial period	393	344
Attributable to:		
Equity holders of the parent company	391	339
Non-controlling interests	3	5
	393	344
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (basic and diluted), EUR	1.98	1.72

Consolidated statement of other comprehensive income

MEUR	2013	Restated 2012
Profit for the financial period	393	344
Other comprehensive income, net of taxes:		
Items that will not be reclassified to the statement of income:		
Remeasurement of defined benefit liability	-9	-2
Tax on items that will not be reclassified to the statement of income	-1	1
Total items that will not be reclassified to the statement of income	-10	-1
Items that may be reclassified subsequently to the statement of income:		
Exchange rate differences on translating foreign operations	-72	-14
Available-for-sale financial assets		
measured at fair value	1	3
transferred to the statement of income	-25	-1
Cash flow hedges		
measured at fair value	-22	9
transferred to the statement of income	-2	9
Tax on items that may be reclassified to the statement of income:		
Available-for-sale financial assets		
transferred to the statement of income	6	
Cash flow hedges		
measured at fair value	7	-2
transferred to the statement of income	1	-2
Total items that may be reclassified to the statement of income	-107	1
Other comprehensive income for the financial period, net of taxes	-117	
Total comprehensive income for the financial period	276	344
Total comprehensive income attributable to:		
Equity holders of the parent company	275	339
Non-controlling interests	2	5
	276	344

Consolidated statement of financial position, assets

MEUR	31.12.2013	Restated 31.12.2012
Non-current assets		
Goodwill	914	942
Intangible assets	321	317
Property, plant and equipment	434	456
Investment properties	15	14
Investments in associates and joint ventures	103	90
Available-for-sale financial assets	15	44
Interest-bearing investments	1	1
Deferred tax assets	128	112
Other receivables	5	24
	1 935	2 000
Current assets		
Inventories	1 367	1 322
Interest-bearing receivables	1	1
Trade receivables	1 146	1 128
Current tax receivables	33	27
Other receivables	339	334
Cash and cash equivalents	388	225
	3 274	3 036
Total assets	5 209	5 036

Consolidated statement of financial position, equity and liabilities

MEUR	31.12.2013	Restated 31.12.2012
Equity		
Share capital	336	336
Share premium	61	61
Translation differences	-85	-12
Fair value reserve	-13	21
Actuarial gains and losses	-43	-34
Retained earnings	1 587	1 393
Total equity attributable to equity holders of the parent company	1 844	1 766
Non-controlling interests	40	26
Total equity	1 884	1 791
Liabilities		
Non-current liabilities		
Interest-bearing debt	571	545
Deferred tax liabilities	84	95
Pension obligations	107	99
Provisions	40	38
Advances received	86	88
Other liabilities	4	3
	892	868
Current liabilities		
Interest-bearing debt	94	249
Provisions	204	228
Advances received	827	607
Trade payables	375	385
Current tax liabilities	81	40
Other liabilities	853	868
	2 434	2 377
Total liabilities	3 325	3 245
Total equity and liabilities	5 209	5 036

Consolidated statement of cash flows

MEUR	2013	Restated 2012
Cash flow from operating activities:		
Profit for the financial period	393	344
Adjustments for:		
Depreciation, amortisation and impairment	123	139
Financial income and expenses	19	31
Selling profit and loss of fixed assets and other changes	-29	-16
Share of result of associates and joint ventures	-22	-9
Income taxes	113	109
Cash flow before changes in working capital	598	598
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	-64	-234
Inventories, increase (-) / decrease (+)	-88	-6
Liabilities, non-interest-bearing, increase (+) / decrease (-)	211	-38
Changes in working capital	60	-278
Cash flow from operating activities before financial items and taxes	658	320
Financial items and taxes:		
Interest and other financial income	23	14
Interest and other financial expenses	-7	-71
Income taxes paid	-97	-110
Financial items and paid taxes	-81	-167
Cash flow from operating activities	578	153
Cash flow from investing activities:		
Acquisitions		-392
Investments in associates and joint ventures	-1	-7
Investments in available-for-sale financial assets	-4	-3
Investments in property, plant and equipment and intangible assets	-129	-111
Proceeds from sale of property, plant and equipment and intangible assets	7	12
Proceeds from sale of shares in associates and joint ventures		23
Proceeds from sale of available-for-sale financial assets	34	3
Loan receivables, increase (-) / decrease (+) and other changes	13	2
Dividends received	1	2
Cash flow from investing activities	-79	-471
Cash flow after investing activities	499	-318

Cash flow from financing activities:		
Contribution by non-controlling interests	16	
Proceeds from non-current borrowings	153	158
Repayments and other changes in non-current loans	-157	-92
Loan receivables, increase (-) / decrease (+)		4
Current loans, increase (+) / decrease (-)	-135	69
Dividends paid	-202	-186
Cash flow from financing activities	-324	-47
Change in cash and cash equivalents, increase (+) / decrease (-)	176	-365
Cash and cash equivalents at the beginning of the financial period	225	592
Exchange rate changes	-13	-2
Cash and cash equivalents at the end of the financial period	388	225

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	Actuarial gains and losses	Retained earnings	Total		
Equity on 31 December 2011	336	61	2	5		1 233	1 636	30	1 666
Change in accounting policy (IAS19)					-33		-33		-33
Equity on 1 January 2012, restated	336	61	2	5	-33	1 233	1 604	30	1 633
Translation differences			-14				-14		-14
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
Defined benefit plans					-1		-1		-1
Other 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	-1	338	340	5	344
Total transactions with the owners of the company									
dividends paid						-178	-178	-9	-186

Equity on 31 December 2012	336	61	-12	21	-34	1 393	1 766	26	1 791

			Total equity attributable to equity holders of the parent company					Non-controlling interests	Total equity
MEUR	Share capital	Share premium	Translation difference	Fair value reserve	Actuarial gains and losses	Retained earnings	Total		
Equity on 1 January 2013	336	61	-12	21	-34	1 393	1 766	26	1 791
Translation differences			-73				-73	-1	-74
Available-for-sale financial assets									
net change in fair value, net of taxes				1			1		1
transferred to the statement of income, net of taxes				-19			-19		-19
Cash flow hedges									
net change in fair value, net of taxes				-14			-14		-14
transferred to the statement of income, net of taxes				-2			-2		-2
Defined benefit plans					-9		-9		-9
Other comprehensive income			-73	-34	-9		-116	-1	-117
Profit for the financial period						391	391	3	393
Total comprehensive income for the financial period			-73	-34	-9	391	275	2	276
Total transactions with the owners of the company									
dividends paid						-197	-197	-4	-201
contribution by non-controlling interests								16	16
Equity on 31 December 2013	336	61	-85	-13	-43	1 587	1 844	40	1 884

Net sales by geographical areas

MEUR	2013	2012
Europe	1 329	1 202
Asia	1 759	2 009
The Americas	1 068	994
Other	498	520
Total	4 654	4 725

Intangible assets and property, plant & equipment

MEUR	2013	2012
Intangible assets		
Carrying amount on 1 January	1 259	826
Changes in exchange rates	-37	24
Acquisitions		426
Additions	53	41
Amortisation and impairment	-58	-61
Disposals and reclassifications	17	5
Carrying amount at the end of the financial period	1 235	1 259
Property, plant and equipment		
Carrying amount on 1 January	470	472
Changes in exchange rates	-12	1
Acquisitions		19
Additions	76	70
Depreciation and impairment	-66	-78
Disposals and reclassifications	-20	-14
Carrying amount at the end of the financial period	449	470

Gross capital expenditure

MEUR	2013	2012
Investments in securities and acquisitions	5	402
Intangible assets and property, plant and equipment	129	111
Total	134	513

Net interest-bearing debt

MEUR	2013	2012
Non-current liabilities	571	545
Current liabilities	94	249
Loan receivables	-1	-2
Cash and cash equivalents	-388	-225
Net	276	567

Personnel

	2013	2012
On average	18 749	18 930
At the end of the period	18 663	18 887

Financial ratios

	2013	Restated 2012
Earnings per share (basic and diluted), EUR	1.98	1.72
Equity per share, EUR	9.35	8.95
Solvency ratio, %	43.9	41.3
Gearing	0.15	0.32

Contingent liabilities

MEUR	2013	2012
Mortgages	26	28
Chattel mortgages and other pledges	25	34
Total	51	62
Guarantees and contingent liabilities		
on behalf of Group companies	665	433
on behalf of associated companies	7	9
Nominal amount of rents according to leasing contracts		
payable within one year	27	23
payable between one and five years	78	44
payable later	26	10
Total	803	518

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	125	
Inflation hedges	9	
Foreign exchange forward contracts	1 545	534
Currency options, purchased	7	
Total	1 686	534

Fair values

Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Available-for-sale financial assets (level 3)	15	15
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	5	5
Derivatives (level 2)	20	20
Financial liabilities		
Interest-bearing debt, non-current (level 2)	571	576
Derivatives (level 2)	21	21

Condensed statement of income, quarterly

MEUR	10–12/2013	7–9/2013	4–6/2013	1–3/2013	Restated 10–12/2012	Restated 7–9/2012
Net sales	1 411	1 209	1 152	882	1 533	1 087
Other operating income	29	18	31	7	12	11
Expenses	-1 226	-1 071	-1 046	-793	-1 343	-958
Depreciation, amortisation and impairment	-29	-30	-32	-32	-38	-33
Share of result of associates and joint ventures	7	4	6	5	7	3
Operating result	191	130	110	69	171	110
Financial income and expenses	-11	-4	-5	1	-9	-11
Net income from available-for-sale financial assets				25		
Profit before taxes	181	126	104	96	162	99
Income taxes	-33	-31	-25	-23	-37	-23
Profit for the financial period	147	95	79	73	124	77
Attributable to:						
Equity holders of the parent company	147	94	78	72	123	75
Non-controlling interests		1	1	1	1	2
Total	147	95	79	73	124	77
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.74	0.48	0.39	0.37	0.62	0.38

Calculation of financial ratios

Earnings per share (EPS)

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the financial period}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Profit for the financial period}}{\text{Equity, average over the financial period}} \times 100$$

Working capital (WCAP)

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

EBITA

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

28 January 2014

Wärtsilä Corporation,
Board of Directors