WÄRTSILÄ CORPORATION

INTERIM REPORT JANUARY–MARCH 2012

Q1

WÄRTSILÄ

OFFSHORE AND POWER PLANT MARKETS SUPPORTED GROWTH IN ORDER INTAKE

This interim report is unaudited.

HIGHLIGHTS OF THE REVIEW PERIOD JANUARY-MARCH 2012

- Order intake increased 13% to EUR 1,109 million (979)
- Book-to-bill 1.10 (0.90)
- At the end of the period the order book totalled EUR 4,409 million (3,669), +20%
- Net sales decreased 7% to EUR 1,005 million (1,083)
- Operating result EUR 102 million, or 10.1% of net sales (EUR 113 million and 10.4%)
- Earnings per share 0.33 euro (0.38)
- Cash flow from operating activities EUR 28 million (133)
- The acquisition of Hamworthy became effective on 31 January 2012

BJÖRN ROSENGREN, PRESIDENT AND CEO:

“The year has started rather well with order intake increasing by 13%. Our profitability was 10.1% and we are well on track to reach our targets for this year. Our net sales development was in line with our overall expectation of rather low Power Plants and Ship Power deliveries during the first quarter. Services’ net sales grew by 12% with the increase coming from both parts and field services. During the first quarter, we signed a service agreement with US-based Prestige Cruise Holdings, as well as an operations & management agreement with Energética Suape II SA in Brazil for the largest power plant ever delivered by Wärtsilä. These contracts signify our commitment to deliver lifecycle value to our customers.

The offshore market was active, and we received a repeat order from Harvey Gulf International to supply integrated solutions for two gas fuelled offshore support vessels that will operate in the Gulf of Mexico. Power Plants’ major orders included a dual-fuel power plant from Matanuska Electric Association in Alaska, USA and Indonesia’s first gas engine peaking plant ordered by PT Perusahaan Listrik Negara.

Integration of the recently acquired company Hamworthy is proceeding according to plan and the company is performing better than expected. Our target is to double Hamworthy’s net sales within the next five years.”

WÄRTSILÄ’S PROSPECTS FOR 2012 REITERATED

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

KEY FIGURES

MEUR	1-3/2012	1-3/2011	Change	2011
Order intake	1 109	979	13%	4 516
Order book at the end of period	4 409	3 669	20%	4 007
Net sales	1 005	1 083	-7%	4 209
Operating result (EBITA)[1]	109	117	-7%	485
% of net sales	10.9	10.8		11.5
Operating result (EBIT)[2]	102	113	-10%	469
% of net sales	10.1	10.4		11.1
Profit before taxes	93	107		429
Earnings/share, EUR	0.33	0.38		1.44
Cash flow from operating activities	28	133		232
Net interest-bearing debt at the end of the period	615	-17		58
Gross capital expenditure	481	19		187
Gearing	0.40	0.00		0.04

[1] EBITA is shown excluding non-recurring items of EUR 7 million (2) and intangible asset amortisation of EUR 8 million (4) related to acquisitions.
[2] EBIT is shown excluding non-recurring items.

MARKET DEVELOPMENT

POWER PLANTS

High activity in gas based power generation markets

Power plant market activity was at a good level in the first quarter of 2012, and the quoted MWs were on a high level. Quotation activity continues to be focused on natural gas based generation. During the review period, the growing emerging markets continued to invest in new power generation capacity. This created a good level of demand across the globe and segments.

Power Plants market share

During the year 2011, the overall market for gas and liquid fuel based power plants grew to approximately 100.8 GW (70.1). This includes all prime mover units of over 5 MW. Wärtsilä's share represents 3.3% of the market (4.5).

SHIP POWER

Further shifts in contracting towards specialised vessels

During the first quarter 2012, 200 contracts for newbuildings were registered. This compares to a quarterly average of 353 contracts registered during 2011. The decrease is a reflection of weak contracting activity for traditional merchant segments, such as bulkers, tankers, and container vessels. The activity seen so far in 2012 indicates acceleration in the shift towards the contracting of specialised vessels. The LNG carrier sector has remained robust, with 11 contracts registered during the first quarter of 2012. Similarly, the offshore segment has been buoyant with active contracting in the offshore service vessel (OSV) segment.

In terms of builder countries, China and South Korea continue to be the dominant players in the industry, capturing respectively 26% and 52% of the contracts confirmed in 2012 in terms of gross tonnage compensated with workload. Non-traditional shipbuilding countries are emerging with 22% of the contracts.

Ship Power market shares

Wärtsilä's share of the medium speed main engine market increased to 49% (46% at the end of the previous quarter). The market share in low speed engines increased to 24% (22). In the auxiliary engine market, Wärtsilä's share increased to 5% (4).

SERVICES

Strongest development in the Middle East and Asia

During the first quarter, the demand for power plant related services continued to be stable. The marine service markets showed some improvement in the offshore industry, while the other marine sectors were stable. From a geographic perspective, the strongest performance continued to be in the Middle East and in Asia, while activity also picked up in Southern Europe and Africa.

ORDER INTAKE INCREASED

Wärtsilä's order intake for the first quarter increased by 13% to EUR 1,109 million (979). In relation to the previous quarter, Wärtsilä's order intake decreased by 11% (EUR 1,250 million in the fourth quarter of 2011). The book-to-bill ratio for the first quarter was 1.10 (0.90).

The order intake for Power Plants in the first quarter totalled EUR 309 million (253), which was 22% higher than for the corresponding period last year. Compared to the previous quarter, order intake decreased by 33% (EUR 464 million in the fourth quarter of 2011). During the first quarter, Wärtsilä received a 170 MW project order from Alaska, USA, and a 110 MW order from Indonesia. Both of these plants rely on the benefits of Wärtsilä's Smart Power Generation concept.

The first quarter order intake for Ship Power totalled EUR 276 million (173), an increase of 60% over the corresponding period last year. Compared to the previous quarter, order intake decreased by 15% (EUR 324 million in the fourth quarter of 2011). During the review period, offshore and specialised tonnage related orders continued to dominate. Offshore supply vessels (OSVs) were the biggest single sub segment and Ship Power received a repeat order for two gas fuelled offshore support vessels from Harvey Gulf International. Wärtsilä will deliver an integrated system that includes the dual-fuel machinery, an electrical and automation package, complete propulsion equipment, and also the LNG fuel storage and gas conditioning system. Wärtsilä Ship Power also received orders to supply equipment for tugs and naval vessels. The recently acquired Hamworthy related ordering activity continued lively especially in offshore and gas related businesses. The Offshore segment represented 47% of the first quarter order intake, while the Merchant segment's share was 27% and Special Vessels accounted for 15%. The Navy segment's share of order intake was 5% and the Cruise & Ferry segment's 4%. Other orders accounted for 2%.

The order intake for Services in the first quarter totalled EUR 523 million (551), which was 5% lower than for the corresponding period last year. Compared to the previous quarter, order intake increased by 14% (EUR 459 million in the fourth quarter of 2011). During the review period, Wärtsilä signed a five-year service agreement with US-based Prestige Cruise Holdings, Inc., the parent company of Oceania Cruises and Regent Seven Seas Cruises. The long-term service agreement covers six vessels, a total of 27 Wärtsilä engines, and has the option to include further vessels in the future. Wärtsilä also signed an operations & management (O&M) agreement for a 380 MW power plant in Brazil, the biggest plant ever built by Wärtsilä. The three-year agreement was signed with Energética Suape II SA and has an option for renewal.

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 54 million (3) during the review period January-March 2012. Wärtsilä's share of ownership in these companies is 50%, and the results will be reported as a share of the result of associates and joint ventures.

Order intake by business

MEUR	1-3/2012	1-3/2011	Change	2011
Power Plants	309	253	22%	1 602
Ship Power	276	173	60%	1 000
Services	523	551	-5%	1 909
Order intake, total	1 109	979	13%	4 516

Order intake Power Plants

MW	1-3/2012	1-3/2011	Change	2011
Oil	302	260	16%	1 647
Gas	302	422	-29%	1 693
Renewable fuels	5	0		0

ORDER BOOK

The total order book at the end of the review period stood at EUR 4,409 million (3,669), an increase of 20%. At the end of the review period, the Power Plants order book amounted to EUR 1,578 million (1,204), an increase of 31%. The Ship Power order book stood at EUR 2,060 million (1,699), which is 21% higher than at the same date last year. The Services order book remained stable at EUR 771 million (766).

Order book by business

MEUR	31.3.2012	31.3.2011	Change	31.12.2011
Power Plants	1 578	1 204	31%	1 536
Ship Power	2 060	1 699	21%	1 684
Services	771	766	1%	786
Order book, total	4 409	3 669	20%	4 007

NET SALES

Wärtsilä's net sales for January-March 2012 decreased by 7%, totalling EUR 1,005 million (1,083). Net sales for Power Plants totalled EUR 272 million (349), a decrease of 22%. Ship Power's net sales decreased by 19% and totalled EUR 238 million (294). Net sales from the Services business totalled EUR 492 million (439), an increase of 12%. Of the total net sales, Power Plants accounted for 27%, Ship Power for 24% and Services for 49%.

Of Wärtsilä's net sales for January-March 2012, approximately 55% was EUR denominated, 21% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	1-3/2012	1-3/2011	Change	2011
Power Plants	272	349	-22%	1 365
Ship Power	238	294	-19%	1 022
Services	492	439	12%	1 816
Net sales, total	1 005	1 083	-7%	4 209

OPERATING RESULT AND PROFITABILITY

The first quarter operating result (EBIT) before non-recurring items was EUR 102 million (113), or 10.1% of net sales (10.4). Including non-recurring items, the operating result was EUR 94 million (111) or 9.4% of net sales (10.2). The operating result (EBITA) excluding non-recurring items and intangible asset amortisation related to acquisitions was EUR 109 (117), or 10.9% of net sales (10.8). Wärtsilä recognised EUR 7 million of non-recurring items (2) during the review period January-March 2012. These items consisted of restructuring measures, pension liabilities related to restructured operations and acquisition costs.

Financial items amounted to EUR -1 million (-4). Net interest totalled EUR -4 million (-2). Dividends received totalled EUR 1 million (1). Profit before taxes amounted to EUR 93 million (107). Taxes in the reporting period amounted to EUR 27 million (31). Earnings per share were 0.33 euro (0.38) and equity per share was 7.74 euro (7.32).

BALANCE SHEET, FINANCING AND CASH FLOW

Wärtsilä's first quarter cash flow from operating activities amounted to EUR 28 million (133). Net working capital at the end of the period totalled EUR 302 million (142). Advances received at the end of the period totalled EUR 651 million (620). Cash and cash equivalents at the end of the period amounted to EUR 242 million (619). Dividends totalling EUR 178 million were paid during the first quarter.

Wärtsilä had interest-bearing debt totalling EUR 858 million at the end of March 2012. The total amount of short-term debt maturing within the next 12 months was EUR 337 million, including EUR 239 million of Finnish Commercial Papers. Net interest-bearing loan capital totalled EUR 615 million.

The funding programmes at the end of March 2012 included long-term loans of EUR 522 million, undrawn long-term loans totalling EUR 100 million and unutilised Committed Revolving Credit Facilities totalling EUR 494 million. The funding programmes also included Finnish Commercial Paper programmes totalling EUR 700 million.

The solvency ratio was 37.4% (37.5) and gearing was 0.40 (0.00). The increase in gearing relates to the acquisition of Hamworthy.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 481 million (19), comprising EUR 460 million (5) in acquisitions and investments in securities, and EUR 20 million (14) in intangible assets and property, plant and equipment. Depreciation, amortisations and impairment for the review period amounted to EUR 33 million (29).

Maintenance capital expenditure for 2012 will be in line with or slightly above depreciation.

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

The acquisition of Hamworthy was finalised on 31 January 2012, and the integration of Hamworthy into Wärtsilä's Ship Power business has started. Hamworthy will be divided into two business units; Flow and gas solutions and Environmental solutions. The acquisition will bring important growth synergies to Wärtsilä in the offshore, marine gas applications and environmental solutions markets. Wärtsilä's target is to double the net sales for Flow and 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. Further information about the acquisition of Hamworthy can be found in the Acquisitions 2012 table on page 15 of this report.

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. MMI Boiler Management has its main operations in Singapore and coverage throughout Southeast Asia and the Pacific region. The company has a strong market position, particularly within the offshore segment. MMI Boiler Management's net sales were approximately EUR 5.3 million in 2011, and the company had 138 employees. The acquisition was closed on 1 April 2012 and the purchase price is approximately EUR 3 million resulting in a goodwill of approximately EUR 1 million.

PERSONNEL

Wärtsilä had 19,073 (17,526) employees at the end of March 2012. On average, the number of personnel for January-March 2012 totalled 17,862 (17,544). Power Plants employed 887 (799) people. Ship Power employed 2,177 (943) people, Services 11,313 (11,024), and manufacturing and R&D (Wärtsilä Industrial Operations) 3,863 (3,990) people. The increase in Ship Power's number of employees relates mainly to the acquisition of Hamworthy.

Of Wärtsilä's total number of employees, 19% (19) were located in Finland and 37% (36) elsewhere in Europe. Personnel employed in Asia represented 32% (32) of the total.

MANUFACTURING

In February, Wärtsilä and Hyundai Heavy Industries (HHI), Engine and Machinery Division signed a ten year extension to their license agreement to build Wärtsilä low-speed engines. HHI has, through its Engine and Machinery Division, been a licensee of Wärtsilä since 1975. The total capacity of the Wärtsilä licensed engines built by HHI exceeds 22,800 MW.

Activities are proceeding in Wärtsilä's joint venture with Transmashholding in Russia for the manufacturing of modern and multipurpose diesel engines, including a new and technically advanced version of the Wärtsilä 20 engine that will be used in shunter locomotives and for various marine and power applications. During March, Transmashholding confirmed that the shunter locomotive TEM18W #001, featuring a W6L20LA diesel engine produced by Wärtsilä, has successfully passed all tests for obtaining a compliance certificate from the Registry Certification bureau at the Federal Railway Transportation.

RESEARCH AND DEVELOPMENT, PRODUCT LAUNCHES

Wärtsilä launched its new Medium Voltage Power Drive. The product will enable the delivery of electrical and automation systems for large, electric propulsion vessels, such as drilling rigs and tankers, large passenger and cruise ships, and various offshore service vessels, as well as for compressors and pumps for the oil & gas industry. With the new power drive, Wärtsilä will be able to offer medium voltage Low Loss Concept solutions with increased efficiency and redundancy, which in turn leads to lower fuel consumption and reduced operating costs. It can also enable the possibility of having less power installed, thus benefiting customers by reducing both capital and operational expenditures.

Wärtsilä's new electronically controlled low-speed engine, the Wärtsilä X35, has successfully passed its factory acceptance tests. The Wärtsilä X35 engine is now available for market introduction at a time when the marine sector has a clear need for electronically controlled, highly efficient two-stroke engines.

Wärtsilä and MAN Diesel & Turbo have announced the kick off of the next phase of the extensive, long-term HERCULES research programme. The overall vision of the programme is to achieve sustainable and safe energy production on board of vessels. This next phase is made possible by funding from the European Commission and is aimed at integrating several successful technologies in order to reduce emissions and optimise the efficiency and long-term reliability of marine engines. HERCULES-C is planned to run for three years, from 2012 to 2014, with a budget of EUR 17 million.

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) LLM was appointed Group Vice President, Corporate Relations and Legal. Ms Päivi Castrén (53) MSc (Soc.Sc.), was appointed Group Vice President Human Resources and a member of the Board of Management.

SHARES AND SHAREHOLDERS

Shares on the Nasdaq OMX Helsinki Stock Exchange

31.3.2012	**Number of shares**	**Number of votes**	**Number of shares traded 1-3/2012**
WRT1V	197 241 130	197 241 130	47 988 928

1.1.-31.3.2012	**High**	**Low**	**Average 1)**	**Close**
Share price	28.82	22.30	26.11	28.28

1) Trade-weighted average price

	31.3.2012	**31.3.2011**
Market capitalisation, EUR million	5 578	5 433
Foreign shareholders	47.9%	49.4%

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 8 March 2012 approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2011. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.90 per share. The dividend was paid on 20 March 2012.

The Annual General Meeting decided that the Board of Directors shall have nine members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Lars Josefsson, Mr Mikael Lilius, Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

The firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2012.

Authorisation to repurchase and distribute the Company's own shares

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

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own shares shall be valid for three years from the authorisation. The Board of Directors is authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company's own shares other than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

Organisation of the Board of Directors

The Board of Directors of Wärtsilä Corporation elected Mikael Lilius as its chairman and Matti Vuoria as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee:

Chairman Markus Rauramo, Maarit Aarni-Sirviö, Alexander Ehrnrooth, Lars Josefsson

Nomination Committee:

Chairman Mikael Lilius, Kaj-Gustaf Bergh, Matti Vuoria

Remuneration Committee:

Chairman Mikael Lilius, Paul Ehrnrooth, Matti Vuoria

RISKS AND BUSINESS UNCERTAINTIES

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

Despite relatively stable global economic conditions, concerns over slowdown prevail and present a risk for shipping and shipbuilding. In the traditional merchant segments, overcapacity, liquidity, and financing remain concerns. Any further difficulties in the financial markets would increase the risk of cancellations.

Increasing risks in the financial markets may have a negative impact on Services' order intake. The tough conditions in the marine merchant markets are also seen as a potential risk.

The annual report for 2011 contains a more specific description of Wärtsilä's risks and risk management.

MARKET OUTLOOK

The power generation market is expected to remain at a good level in 2012. The growing emerging markets will continue to invest in new power generation capacity, which will drive demand - especially in the flexible baseload segment. 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 overall outlook for vessel contracting activity during 2012 remains largely unchanged, with full year contracting expected to be at a similar level or slightly lower than in 2011. Contracting is expected to remain slow for bulk carriers, container vessels and tankers. In these sectors efficient designs are expected to be a common theme in contracting negotiations, due to economic pressures to reduce fuel consumption. Contracting in the LNG carrier segment is expected to remain robust during the year, with levels in line with activity seen during the first quarter of 2012. The offshore segment continues to present good future contracting opportunities, especially for drilling ships and support vessels. The interest for gas fuelled vessels has increased also in segments that have not previously been powered by gas. The environmental agenda is also expected to remain a central issue, thus driving interest in solutions for environmental compliance.

Despite the slightly improved market situation in the first quarter, some uncertainties remain in the service market. The merchant marine segments are still expected to be under pressure, as overcapacity in the market continues to impact the potential for services in this area. Development in the active installed base is also expected to be moderate, with continued scrapping, layups, slow steaming, and the low utilisation of vessels in the merchant segments. The power plant service market is expected to develop steadily.

WÄRTSILÄ'S PROSPECTS FOR 2012 REITERATED

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

WÄRTSILÄ INTERIM REPORT JANUARY – MARCH 2012

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2011. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

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

IFRS amendments

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2012 the following are applicable on the Group reporting:

- Amendment to IFRS 7 Financial Instruments : Disclosures

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

This interim report is unaudited.

CONDENSED STATEMENT OF INCOME

MEUR	1-3/2012	1-3/2011	2011
Net sales	1 005	1 083	4 209
Other operating income	10	10	47
Expenses	-889	-956	-3 706
Depreciation, amortisation and impairment	-33	-29	-113
Share of result of associates and joint ventures	1	3	8
Operating result	94	111	445
Financial income and expenses	-1	-4	-16
Profit before taxes	93	107	429
Income taxes	-27	-31	-136
Profit for the financial period	66	76	293
Attributable to:			
Equity holders of the parent company	65	74	283
Non-controlling interests	1	2	10
Total	66	76	293
Earnings per share attributable to equity holders of the parent company:			
Earnings per share (basic and diluted), EUR	0.33	0.38	1.44

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	66	76	293
Other comprehensive income after tax:			
Exchange rate differences on translating foreign operations	4	-9	-4
Financial assets available-for-sale			
fair valuation	2	6	16
Cash flow hedges	7	4	-23
Other comprehensive income	13	1	-12
Total comprehensive income for the period	79	77	281
Total comprehensive income attributable to:			
Equity holders of the parent company	79	77	270
Non-controlling interests		1	11
	79	77	281

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	31 Mar. 2012	31 Mar. 2011	31 Dec. 2011
Non-current assets			
Intangible assets	1 245	771	826
Property, plant and equipment	479	440	472
Investments in associates and joint ventures	88	70	87
Financial assets available-for-sale	41	26	39
Deferred tax assets	121	118	119
Other receivables	33	32	34
	2 006	1 458	1 577
Current assets			
Inventories	1 336	1 239	1 222
Other receivables	1 223	1 218	1 209
Cash and cash equivalents	242	619	592
	2 801	3 075	3 023
Total assets	4 807	4 533	4 600

Equity			
Share capital	336	336	336
Other equity	1 191	1 107	1 301
Total equity attributable to equity holders of the parent company	1 527	1 443	1 636
Non-controlling interests	27	24	30
Total equity	1 554	1 467	1 666
Non-current liabilities			
Interest-bearing debt	522	553	485
Deferred tax liabilities	101	66	69
Other liabilities	232	180	212
	855	799	765
Current liabilities			
Interest-bearing debt	337	65	167
Other liabilities	2 061	2 201	2 001
	2 398	2 266	2 169
Total liabilities	3 253	3 066	2 934
Total equity and liabilities	4 807	4 533	4 600

CONDENSED STATEMENT OF CASH FLOWS

MEUR	1-3/2012	1-3/2011	2011
Cash flow from operating activities:			
Profit for the financial period	66	76	293
Depreciation, amortisation and impairment	33	29	113
Financial income and expenses	1	4	16
Selling profit and loss of fixed assets and other changes	-1	-1	-6
Share of result of associates and joint ventures	-1	-3	-8
Income taxes	27	31	136
Changes in working capital	-65	30	-88
Cash flow from operating activities before financial items and taxes	60	166	456
Financial items and paid taxes	-32	-34	-224
Cash flow from operating activities	28	133	232
Cash flow from investing activities:			
Investments in shares and acquisitions	-393	-5	-91
Net investments in property, plant and equipment and intangible assets	-20	-14	-81
Proceeds from sale of financial assets available-for-sale	5	2	3
Cash flow from other investing activities	2	1	3
Cash flow from investing activities	-405	-16	-166
Cash flow from financing activities:			
Proceeds from non-current borrowings	54		
Repayments and other changes in non-current loans	-14	2	-50
Changes in current loans and other changes	169	2	82
Dividends paid	-181	-274	-279
Cash flow from financing activities	28	-270	-247
Change in cash and cash equivalents, increase (+) / decrease (-)	-349	-153	-181
Cash and cash equivalents at the beginning of the period	592	776	776
Exchange rate changes	-1	-5	-3
Cash and cash equivalents at the end of the period	242	619	592

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Total equity attributable to equity holders of the parent company					Non-controlling interests	Total equity
	Share capital	Share premium	Translation differences	Fair value reserves	Retained earnings		
Equity on 1 January 2012	336	61	2	5	1 233	30	1 666
Dividends paid					-178	-3	-180
Total comprehensive income for the period			-3	12	60		68
Equity on 31 March 2012	336	61	-2	17	1 115	27	1 554
Equity on 1 January 2011	336	61	8	12	1 221	26	1 664
Dividends paid					-271	-2	-273
Total comprehensive income for the period			-7	10	74	1	77
Equity on 31 March 2011	336	61		22	1 023	24	1 467

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	The Americas	Other	Total
Net sales 1-3/2012	279	402	204	121	1 005
Net sales 1-3/2011	385	369	226	102	1 083

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-3/2012	1-3/2011	2011
Intangible assets			
Carrying amount on 1 January	826	780	780
Changes in exchange rates	2	-5	5
Acquisitions	422		64
Additions	8	7	21
Amortisation and impairment	-15	-11	-44
Disposals and reclassifications	2		-1
Carrying amount at the end of the period	1 245	771	826
Property, plant and equipment			
Carrying amount on 1 January	472	466	466
Changes in exchange rates	-1	-6	4
Acquisitions	19		15
Additions	12	8	69
Depreciation and impairment	-18	-18	-69
Disposals and reclassifications	-5	-8	-10
Carrying amount at the end of the period	479	440	472

GROSS CAPITAL EXPENDITURE

MEUR	1-3/2012	1-3/2011	2011
Investments in securities and acquisitions	460	5	97
Intangible assets and property, plant and equipment	20	14	90
Total	481	19	187

ACQUISITIONS 2012

Hamworthy plc

On 31 January 2012 Wärtsilä acquired all the shares of and obtained control of Hamworthy plc, listed on the London Stock Exchange - AIM, through a recommended cash offer.

The total consideration of the transaction was EUR 456 million, 825 pence in cash for each Hamworthy share.

Hamworthy is a global provider of specialist equipment and services to the marine, oil & gas and industrial sectors. The acquisition of Hamworthy will enable Wärtsilä to strengthen its position as a total solutions provider, and to be the most valued partner for its customers with a complete range of products, integrated solutions, and services to the marine and offshore industries. The combination of Wärtsilä's and Hamworthy's strengths will speed up and ease the means for customers to reduce operating costs and achieve compliance with environmental legislation.

The following tables summarise the consideration paid for Hamworthy, the cash flow from the acquisition and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Total consideration	**MEUR**
Cash	456
Total consideration transferred	456

Cash flow from the acquisition	**MEUR**
Consideration paid in cash	456
Cash and cash equivalents of the acquired companies	-67
Total cash flow from the acquisition	389

The assets and liabilities arising from the acquisition (preliminary)	**MEUR**
Intangible assets	118
Property, plant and equipment	19
Inventories	91
Trade and other receivables	81
Cash and cash equivalents	67
Total assets	376
Provisions	28
Trade payables and other liabilities	156
Deferred tax liabilities	35
Total liabilities	219
Total net assets	156
Goodwill	300

The fair values at the date of acquisition are provisional as work continues to complete the initial accounting for the acquisition. The provisional fair values of acquired identifiable intangible assets (including technology, customer relationships and trademarks) amounted to approximately EUR 116 million.

The fair value of current trade receivables and other receivables is approximately EUR 81 million and includes trade receivables with a fair value of approximately EUR 49 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 300 million reflects the value of know-how and expertise in marine, oil & gas and industrial sectors. The combined resource and competence base creates an exciting platform for long term growth in the offshore, marine gas and environmental solutions markets to the benefit of shareholders, customers and employees alike. The goodwill recognised for Hamworthy is not tax deductible.

The Group incurred during 2012 acquisition-related costs of EUR 3 million related to external legal fees and due diligence costs. The costs have been included in the other operating expenses in the consolidated statement of income. The total acquisition-related costs are estimated to be approximately EUR 4 million.

In the two months to 31 March 2012 Hamworthy contributed net sales of EUR 68 million and operating result of EUR 8 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 1,031 million, and consolidated operating result for the period would have been EUR 95 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

Other acquisitions

On 1 April 2012 Wärtsilä acquired the business of MMI Boiler Management Pte Ltd., a Singapore based company specialising in the service and maintenance of boilers for marine and industrial applications. The purchase price is approximately EUR 3 million resulting in a goodwill of approximately EUR 1 million.

INTEREST-BEARING LOAN CAPITAL

MEUR	1-3/2012	1-3/2011	2011
Non-current liabilities	522	553	485
Current liabilities	337	65	167
Loan receivables	-2	-17	-2
Cash and cash equivalents	-242	-619	-592
Net	615	-17	58

FINANCIAL RATIOS

	1-3/2012	1-3/2011	2011
Earnings per share (basic and diluted), EUR	0.33	0.38	1.44
Equity per share, EUR	7.74	7.32	8.30
Solvency ratio, %	37.4	37.5	41.3
Gearing	0.40	0.00	0.04

PERSONNEL

	1-3/2012	1-3/2011	2011
On average	17 862	17 544	17 708
At the end of the period	19 073	17 526	17 913

CONTINGENT LIABILITIES

MEUR	1-3/2012	1-3/2011	2011
Mortgages	43	57	57
Chattel mortgages	62	17	62
Total	105	74	119
Guarantees and contingent liabilities			
on behalf of Group companies	453	601	903
on behalf of associated companies	9	9	10
Nominal amount of rents according			
to leasing contracts	66	70	64
Total	528	679	976

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	21	
Foreign exchange forward contracts	1 927	255
Currency options, purchased	78	18
Currency options, written	81	18

CONDENSED STATEMENT OF INCOME, QUARTERLY

MEUR	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011	10-12/2010
Net sales	1 005	1 238	851	1 036	1 083	1 462
Other operating income	10	13	20	4	10	21
Expenses	-889	-1 086	-758	-906	-956	-1 313
Depreciation, amortisation and impairment	-33	-29	-27	-28	-29	-29
Share of result of associates and joint ventures	1	2	2	1	3	2
Operating result	94	138	88	108	111	143
Financial income and expenses	-1	-6	-5		-4	-10
Net income from financial assets available-for-sale						117
Profit before taxes	93	131	83	108	107	251
Income taxes	-27	-39	-30	-35	-31	-71
Profit for the financial period	66	92	53	73	76	179
Attributable to:						
Equity holders of the parent company	65	89	51	70	74	176
Non-controlling interests	1	3	3	2	2	4
Total	66	92	53	73	76	179
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.33	0.45	0.26	0.35	0.38	0.89

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

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

19 April 2012
Wärtsilä Corporation
Board of Directors

WARTSILA.COM