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**Board of Directors' report**

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Net sales back to growth with stable profitability

2012 was a year marked by difficult conditions in the global economy. Supported by a very strong fourth quarter, Wärtsilä’s full year net sales grew by 12% to EUR 4,725 million with profitability at 10.9%. This was well in line with the targets set for the year. Order intake grew by 9% to EUR 4,940 million, with strong development in Ship Power orders, especially in the offshore markets. The order book totalled EUR 4,492 million (4,007) at the end of the period, which represented an increase of 12%.

In 2012, Power Plants order intake totalled EUR 1,515 million, a decrease of 5%, while the total market is estimated to have decreased by 30-40%. Around 74% of the orders received, in terms of MW, were from gas based markets. Wärtsilä received its largest ever power plant order for a 573 MW tri-fuel project in Jordan. Another major order was received from Azerbaijan, for a 384 MW plant operating on gas. For Ship Power, it was an active year in offshore and specialised vessels and Ship Power orders increased by 45% to EUR 1,453 million. Wärtsilä received several significant offshore orders as well as many orders for dual-fuel engines, underlining the company’s frontrunner position in gas applications. Supported by recent developments in environmental regulation, Wärtsilä also received strategically noteworthy orders for exhaust gas cleaning systems for SOx removal and the first ballast water management system orders. Interest in service agreements was high during 2012. Wärtsilä Services signed major service agreements for power plants in Kenya, Timor-Leste, South Africa, Brazil, the USA and Jordan. Within the marine industry, Wärtsilä was also awarded service agreements by Princess Cruise Lines Ltd and Prestige Cruise Holdings, Inc. Services’ net sales grew by 5% and reached an all-time high level of EUR 1,908 million.

During 2012, Wärtsilä closed its largest ever acquisition with the purchase of Hamworthy. The acquisition supports Wärtsilä’s strategy in the marine gas, offshore and environmental solutions markets. Wärtsilä also signed an agreement to establish a joint venture with Yuchai Marine Power Co. Ltd. in Zhuhai, China for the manufacture of medium-speed marine engines. Wärtsilä’s continued to invest strongly in R&D activities with the focus being on the development of technologies and products to meet tightened environmental legislation, and on products and solutions that can secure profitable operations for our customers. Wärtsilä invested more than ever in technological development, spending EUR 188 million on R&D activities, which represented 4% of net sales.

### Net sales

<table>
<thead>
<tr>
<th></th>
<th>MEUR 2012</th>
<th>MEUR 2011</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Plants</td>
<td>1,498</td>
<td>1,365</td>
<td>10%</td>
</tr>
<tr>
<td>Ship Power</td>
<td>1,301</td>
<td>1,022</td>
<td>27%</td>
</tr>
<tr>
<td>Services</td>
<td>1,908</td>
<td>1,816</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>6</td>
<td>183%</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>4,725</strong></td>
<td><strong>4,209</strong></td>
<td><strong>12%</strong></td>
</tr>
</tbody>
</table>

### Strategy

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

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

**Strategic projects, acquisitions and joint ventures**

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

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

In December 2012 Wärtsilä and Yuchai Marine Power Co. Ltd. signed an agreement in Zhuhai, China 
to establish a 50/50 joint venture for manufacturing medium-speed marine engines in Zhuhai City, 
Guangdong Province. The joint venture will serve the increasingly dominant Chinese shipbuilding 
industry, with the emphasis being on the assembly and testing of Wärtsilä 20, Wärtsilä 26 and Wärtsilä 
32 engines. Operations are planned to start in 2014.

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

Wärtsilä TMH Diesel Engine Company LLC, a joint venture owned 50/50 by Wärtsilä and 
Transmashholding, has begun construction of a modern factory located in Penza, Russia. The new 
plant is expected to be ready to start production in the second half of 2013, and will provide world-
class assembly and manufacturing facilities. The joint venture will give Wärtsilä a stronger industrial 
foothold in Russia.

**Market development**

**Power Plants**

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

Based on the level of quoted MWs, the power plant market activity was at a good level during 2012. 
Activity remains focused on natural gas based generation. Supported by their economic growth, the
emerging markets continued to invest in new power generation capacity. However, the uncertainty of economic development continues to delay investment decisions in the power generation markets overall. Activity was strongest in the flexible baseload segment.

**Power Plants market share**

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

**Ship Power**

**An active year in offshore and specialised vessels**

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

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

**Ship Power market shares**

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

**Services**

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

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

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

Order intake

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

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

Wärtsilä Ship Power’s order intake for January-December 2012 was EUR 1,453 million (1,000), an increase of 45% over the corresponding period last year. Throughout 2012, there was good order activity in the Offshore and Special Vessels segments. In line with the Ship Power strategy, Wärtsilä received several significant orders for the delivery of total solutions, including ship design, propulsion machinery, automation and other equipment as well as several orders for environmental solutions, such as exhaust gas cleaning systems for SOx removal and the first orders for ballast water management systems. In the Offshore segment, major orders included those for nine drillships and six pipe laying vessels related to the ongoing Brazilian offshore programme, and for several platform support vessels. Wärtsilä received many orders for dual-fuel engines, underlining the company’s frontrunner position in gas applications. Dual-fuel equipment will be delivered among others for a Canadian passenger ferry, for two gas tankers to be built for a Dutch shipping company, for two Chinese tug boats, for a dry cargo inland waterway vessel to operate in Europe, for a guideship ordered by the Korean port authority, as well as for three offshore support vessels to operate in the Gulf of Mexico. The Offshore segment represented 46% of the total order intake, while the Merchant segment share was 28% and Special Vessels 12%. The Cruise & Ferry segment’s share was 6% and Navy represented 7% of the order intake. Other orders accounted for 1%.

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

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and the Wärtsilä Qiyao Diesel Company Ltd joint venture company in China, producing auxiliary engines, totalled EUR 242 million (394) during the financial period January-December 2012. Wärtsilä’s share of ownership in these companies is 50%, and the results are reported as a share of result of associates and joint ventures.
Order book

At the end of the financial period, Wärtsilä’s total order book stood at EUR 4,492 million (4,007), an increase of 12%. At the end of the financial period the Power Plants order book amounted to EUR 1,561 million (1,536), which is 2% higher than on the same date last year. The Ship Power order book stood at EUR 2,127 million (1,684), an increase of 26%. The Services order book totalled EUR 804 million (786) at the end of the financial period, an increase of 2%.

Net sales and profitability

Net sales

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

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

Development of Group net sales

In 2012, Wärtsilä’s net sales was EUR 4,725 million.
Net sales by business area

- Services 40% (43)
- Power Plants 32% (32)
- Ship Power 28% (24)

Operating result and profitability

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

Financial items amounted to EUR -30 million (-16). Net interest totalled EUR -18 million (-5). Dividends received totalled EUR 2 million (3). Profit before taxes amounted to EUR 452 million (429). Taxes in the reporting period amounted to EUR 109 million (136), implying an effective tax rate of 24%. The profit for the financial period amounted to EUR 344 million (293). Earnings per share were 1.72 euro (1.44) and the equity per share was 9.12 euro (8.30). Return on investment (ROI) was 20.1% (20.4). Return on equity (ROE) was 19.7% (17.5).
Result

In 2012 our operating profit was EUR 515 million or 10.9% of net sales.

Balance sheet, financing and cash flow

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Long-term liabilities</td>
<td>545</td>
<td>485</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>249</td>
<td>167</td>
</tr>
<tr>
<td>Loan receivables</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-225</td>
<td>-592</td>
</tr>
<tr>
<td>Net</td>
<td>567</td>
<td>58</td>
</tr>
</tbody>
</table>

Loans

Maturity profiles of long-term loans (end of period)
Committed revolving credit facilities (end of period)

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

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

Gross capital expenditure
Gross capital expenditure in 2012 is on a higher level due to the acquisition of Hamworthy.
Research and development, product launches

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

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

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

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

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

Manufacturing

Due to the production volume level dropping temporarily at Vaasa Delivery Centre, Wärtsilä started a consultation process regarding temporary lay-offs on 5 November. The drop in volume level is due to lower than expected order intake at the beginning of the year for some of the products manufactured in Vaasa, and changes in project timing. The consultation process has been completed and the temporary lay-offs will concern more than 700 persons. The temporary lay-offs will be around 40 days on an individual level.

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Plants engines</td>
<td>3 078</td>
<td>2 990</td>
<td>3%</td>
</tr>
<tr>
<td>Ship Power, own engines</td>
<td>1 701</td>
<td>1 673</td>
<td>2%</td>
</tr>
<tr>
<td>Wärtsilä total</td>
<td>4 778</td>
<td>4 653</td>
<td>3%</td>
</tr>
<tr>
<td>By licensees</td>
<td>2 826</td>
<td>2 940</td>
<td>-4%</td>
</tr>
<tr>
<td>Engine delivery total</td>
<td>7 604</td>
<td>7 593</td>
<td>0%</td>
</tr>
</tbody>
</table>

Personnel

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

Of Wärtsilä’s total number of employees, 19% (20) were located in Finland and 36% (35) elsewhere in Europe. Personnel employed in Asia represented 32% (33).

Personnel by business area

The increase in Ship Power personnel relates mainly to the Hamworthy acquisition.
Changes in the organisational structure

To further strengthen competitiveness and to serve customers more effectively, Wärtsilä has changed its organisational set up within Ship Power and Wärtsilä Industrial Operations. With this change, Wärtsilä aims to further increase the flexibility of its operations and ensure faster decision making. All product development and manufacturing related to other than 4-stroke engines has been transferred to Ship Power from WIO, which has been renamed PowerTech. No job reductions are planned as a result of the changes in the organisational structure. The new set up became effective as of 1 October 2012.

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.

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.

Shares and shareholders

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

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Number of shares and votes</th>
<th>Number of shares traded 1-12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>WRT1V</td>
<td></td>
<td>197 241 130</td>
</tr>
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<table>
<thead>
<tr>
<th>1.1. - 31.12.2012</th>
<th>High</th>
<th>Low</th>
<th>Average ¹</th>
<th>Close</th>
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</thead>
<tbody>
<tr>
<td>Share price</td>
<td>33.11</td>
<td>22.30</td>
<td>27.31</td>
<td>32.72</td>
</tr>
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</table>

¹ Trade-weighted average price

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Market capitalisation</td>
<td>EUR million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6 454</td>
<td>4 402</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Foreign shareholders</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>51.0</td>
<td>47.0</td>
</tr>
</tbody>
</table>

Flagging notifications

During the financial period January-December 2012, Wärtsilä was informed of the following changes in ownership:

On 24 April 2012, Wärtsilä was informed of Fiskars Group’s and Investor AB’s agreement to merge their ownership interest through a joint venture. Fiskars Group had, through its subsidiary Avlis AB, sold Wärtsilä’s shares on 23 April 2012 and owned less than 3/20 (15%) of the company’s votes. Following the transaction, Avlis AB owned 25,641,347 shares or 13% of Wärtsilä’s share capital and total votes. Investor AB had, through its subsidiary Aktiebolaget Navigare, purchased Wärtsilä’s shares on 23 April 2012 and owned more than 1/20 (5%) of the company’s votes. Following the transaction, Aktiebolaget Navigare owned 12,701,821 shares or 6.44% of Wärtsilä’s share capital and total votes. The joint ownership of Fiskars Group and Investor AB exceeded 3/20 (15%), and totalled 38,343,168 shares or 19.44% of Wärtsilä’s share capital and votes.

On 26 April 2012, Investor AB increased its holding in Wärtsilä. Following the transaction, the joint ownership of Fiskars Group and Investor AB was 40,317,168 shares or 20.44% of Wärtsilä’s share capital and votes.

On 29 June 2012, BlackRock Inc. increased its holding in Wärtsilä. Following the transaction BlackRock Inc. owned 9,945,554 shares or 5.04% of Wärtsilä’s share capital and total votes.
On 13 December 2012, Investor AB’s subsidiary Aktiebolaget Navigare transferred all of its Wärtsilä shares to Instoria Aktiebolaget, a total of 17,306,978 shares corresponding to 8.77% of the share capital and votes. Instoria Aktiebolaget is a wholly owned subsidiary of Investor AB. The joint ownership of Fiskars Group and Investor AB in Wärtsilä Corporation did not change or reach a flagging notification limit.

**Decisions taken by the annual general meeting**

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

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

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

**Authorisation to repurchase and distribute the Company's own shares**

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

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

**Organisation of the Board of Directors**

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

**Audit Committee:**
Chairman Markus Rauramo, Maarit Aarni-Sirviö, Alexander Ehrnrooth, Lars Josefsson

**Nomination Committee:**
Chairman Mikael Lilius, Kaj-Gustaf Bergh, Matti Vuoria

**Remuneration Committee:**
Chairman Mikael Lilius, Paul Ehrnrooth, Matti Vuoria
Risks and business uncertainties

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

The business environment for the shipping and shipbuilding industry is challenging and concerns over the global economy continue to cause uncertainty. The traditional merchant segments remain under pressure, as the industry waits to see how trade conditions develop in 2013.

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

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

Market outlook

The general economic uncertainty and the slow global growth projections are expected to continue to impact power generation markets. It is expected that the overall market for natural gas and liquid fuel based power generation in 2013 will be similar to that of 2012. In 2013 ordering activity is expected to remain centered on the emerging markets, which continue to invest in new power generation capacity. In the OECD countries, there is still pent-up power sector demand, mainly driven by CO₂ neutral generation and the ramp down of older, mainly coal-based generation.

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

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

Wärtsilä's prospects for 2013

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

The Board of Directors proposes that a dividend of 1.00 euro per share be paid for the financial year 2012. The parent company’s distributable funds total 1,049,791,970.15 euro, which includes 252,563,755.88 euro in net profit for the year. There are 197,241,130 shares with dividend rights. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date, which is 12 March 2013. The dividend payment date proposed by the Board is 19 March 2013.

Earnings/share, dividend/share

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1 Proposal by the Board 2012.