Wärtsilä's Financial Statements Bulletin
January-December 2008

THE ENGINE OF INDUSTRY

FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2008

The figures in this financial statements bulletin are audited.

FOURTH QUARTER 10-12/2008 IN BRIEF

MEUR	10-12/2008	10-12/2007	Change
Order intake	823	1 594	-48%
Net sales	1 530	1 272	20%
Operating result	197	147	34%
% of net sales	12.9%	11.5%	
Profit before taxes	183	145	26%
Earnings/share, EUR	1.46	1.05	

REVIEW PERIOD JANUARY-DECEMBER 2008 IN BRIEF

MEUR	1-12/2008	1-12/2007	Change
Order intake	5 573	5 633	-1%
Order book at the end of the period *)	6 883	6 308	9%
Net sales	4 612	3 763	23%
Operating result	525	380	38%
% of net sales	11.4%	10.1%	
Profit before taxes	516	372	39%
Earnings/share, EUR	3.88 1)	2.74	
Cash flow from operating activities	278	431	
Interest-bearing net debt at the end of the period	455	-27	
Gross capital expenditure	366	231	

1) 3.96 euros before the effect of the combination of Wärtsilä's share series.
*) Cancellations amounting to EUR 333 million and the order book of Bio Power amounting to EUR 116 million have been eliminated from the order book. Additions relating to acquisitions and other adjustments amounted to EUR 158 million.

OPERATING ENVIRONMENT AND MARKETS 2008

SHIP POWER MARKETS UNDER TURMOIL

The year 2008 started with very high activity in all the main marine vessel segments. Due to the financial crisis uncertainty increased during the autumn. As a consequence the shipping market came to a complete standstill in the last quarter of 2008 and only a handful of new orders were placed. In total, ordering volumes for the year 2008 represented roughly half of the very high volumes of 2007. Despite the gloomy ending to the year, ordering for the full year was still at the same level, or even above, that of the years preceding the booming markets of 2006-2007. Although signs of declining demand have been seen for quite some time, the markets were taken by surprise by the speed at which the slowdown has occurred.

Cancellations and rescheduling of existing orders occurred during the last 6 months of the year. Tightened lending policies together with the low asset values in combination with heavily decreased freight rates totally froze shipbuilding financing. In the bigger vessel segments, such as tankers and bulkers, some 300-400 vessels were cancelled in 2008. It is quite clear that more cancellations will occur. The cancellation risk is still biggest for various merchant vessels and some offshore vessels due to the developments in oil pricing. Furthermore slippage of shipyard delivery schedules will most probably occur in the future. Many yards are scaling back from their original timetables, which in turn inevitably impacts the schedules of the whole supply chain.

Measured by number of vessels, China still holds the number one position with a 38% market share while Korean yards have signed 29% of the new vessels ordered in 2008. Japan's share has grown to 14%, whereas Europe and other areas total 9% and 10% of the total market. Measured by tonnage, Korea still represents the biggest share with 44%, China following with 38%, Japan with 12% and Europe with just 2% of the market.

Ship Power market shares

At the end of 2008, Wärtsilä's market share in medium-speed main engines had increased to 37% (34 at the end of the third quarter 2008). This was mainly due to improved performance within the Merchant segment as well as bigger weighting of traditional Wärtsilä dominated areas such as Cruise&Ferry and Special vessels. The market share in low-speed engines increased slightly to 15% (13 at the end of the previous quarter). In auxiliary engines the market share was 8% (9).

POWER PLANT MARKETS ACTIVE

During the first part of the year, activity in the power plant market was high and demand was strong. When the magnitude of the financial crisis became clear in the autumn, a slowdown in customer decision making processes was seen but towards the end of the year ordering activity again picked up. At the end of the year offering activity still was at a high level and markets were active. The impact of the financial crisis is starting to be seen in certain markets where potential new projects are being delayed, mainly in the industrial self-generation segment.

Power Plants market shares

According to statistics compiled by the Diesel and Gas Turbine magazine, the total global market for oil and gas power plants in Wärtsilä´s power range grew to 20,980 MW (14,065) between June 2007 and May 2008. The market for gas power plants, including both reciprocating engines and gas turbines, grew to 15,630 MW (10,900), Wärtsilä´s share of the market being 8% (12). Wärtsilä´s market share of heavy fuel oil plants increased to 49% (38) following a strong intake of orders from markets such as Brazil and Pakistan. In light fuel oil power plants, Wärtsilä´s market share was 20% (24).

THE MARKET CONDITIONS FOR SERVICES REMAINED FAVOURABLE

The market conditions in the Services business remained favourable throughout the year. Wärtsilä's installed engine base of approx. 162,000 MW, for both the Ship Power and Power Plants markets, consists of thousands of installations distributed all over the world. Both end markets consist of several customer segments for Services. Therefore downturns within specific vessel segments or geographical areas should not significantly affect Services. Also, Wärtsilä's portfolio is the broadest in the market and offers various sources of revenues, which also limits exposure to market fluctuations. Fluctuating energy prices, combined with new and more stringent environmental legislation are driving machinery development towards more complex technologies and advanced control systems. Maintaining, tuning or upgrading this equipment for optimal efficiency and emission compliance requires highly skilled specialists that aren't always available to the market. The market for Wärtsilä's Services remained active throughout the review period.

ORDER INTAKE AT LAST YEAR'S LEVEL, ORDER BOOK GREW 9%

In the fourth quarter Wärtsilä's order intake totalled EUR 823 million (1,594), a decrease of 48%. Order intake for Wärtsilä Ship Power decreased significantly due to the current very unstable market conditions and totalled EUR 152 million (640).

The fourth quarter order intake for the Power Plants business totalled EUR 263 million (463), 43 % lower than the corresponding period last year. Ordering activity was slower during the first two months of the quarter, in the immediate wake of the financial crisis, but accelerated towards the end of the year. Due to its project nature the Power Plants business is lumpy and order intake, as well as net sales can vary significantly from one quarter to another. During the fourth quarter the largest oil-fired power plant orders were received from Brazil and Mali. The latest order from Brazil follows the five others from the same country signed earlier in the year. The largest gas power plants orders were received from Nigeria and the USA.

During the review period January-December 2008 the order intake totalled EUR 5,573 million (5,633), a decrease of 1%. The order intake for Ship Power totalled EUR 1,826 million (2,600), a 30% decrease. Order intake was brisk in Wärtsilä's Ship Power business during the first half of 2008. Demand was especially high for bulk carriers as a result of the bulker boom in 2007 but demand was strong in other Merchant vessel types as well. Ordering within the Offshore vessels segment continued to be strong at the beginning of the year. Along with the global financial and economic crisis uncertainty grew for Wärtsilä's Ship Power business. As a result, the order intake slowed down markedly during the second half of the year and speculations about potential cancellations of vessel orders increased. Towards the end of the year, activity in the shipbuilding markets had come to an almost complete halt. For the review period the Merchant vessel segment represented 47% of Wärtsilä Ship Power's new orders. Offshore represented 27%, Special vessels 11%, Cruise&Ferry 10% and Navy represented 5% of the total Ship Power order intake.

During the review period January-December 2008, growth in Power Plants orders was very strong at 33% totalling EUR 1,883 million (1,421). The increase in order intake was mainly related to orders received from the Americas, the Middle East and some African countries. Ordering activity was especially strong in Brazil from where Wärtsilä received six orders for flexible baseload power plants having a total output of 1,035 MW. The orders were mainly a result of the energy auctions conducted in Brazil in 2007. During the period Wärtsilä also continued to strengthen its position on the US grid stability market. The review period also marked a milestone for Wärtsilä with the receipt of an order for a combined heat and power (CHP) plant that will run on liquid biofuel extracted from the seeds of the jatropha plant. This power plant, which is to o be built in Belgium, will be the first in the world ever to produce both electricity and heat using jatropha oil as fuel and is yet another important step in the development of Wärtsilä's fuel flexibility.

During the review period January-December 2008 the order intake for Wärtsilä Services totalled EUR 1,858 million (1,607), a growth of 16%. Wärtsilä Services received several substantial project orders and signed a number of operations and maintenance contracts all over the world during the period.

The total order book at the end of the review period stood at EUR 6,883 million (6,308), a growth of 9% in relation to the corresponding date last year. During the period cancellations of EUR 333 million materialised and have been deducted from the order book. Wärtsilä sees an additional EUR 800 million at risk. In 2008 realised cancellations were concentrated mainly within the Merchant and Offshore vessel segments, with some minor impact on Special vessels.
At the establishment of the joint venture combining Metso's Heat&Power and Wärtsilä's BioPower businesses, Bio Power's order book amounting to EUR 116 million, has been transferred. Additions relating to acquisitions and other adjustments amounted to EUR 158 million.

The Ship Power order book totalled EUR 4.486 million (4,292), a growth of 5%. At the end of the review period, the Power Plants order book amounted to 1,949 million (1,608), a growth of 21% compared to the corresponding date last year. Services order book totalled EUR 445 million (405), a growth of 10%.

Order intake by business

MEUR	10-12/2008	10-12/2007	Change
Ship Power	152	640	-76%
Services	410	489	-16%
Power Plants	263	463	-43%
Order intake, total	823	1 594	-48%

MEUR	1-12/2008	1-12/2007	Change
Ship Power	1 826	2 600	-30%
Services	1 858	1 607	16%
Power Plants	1 883	1 421	33%
Order intake, total	5 573	5 633	-1%

Order intake Power Plants

MW	10-12/2008	10-12/2007	Change
Oil	290	419	-31%
Gas	207	244	-15%
Renewable fuels	0	79	-100%

MW	1-12/2008	1-12/2007	Change
Oil	2 029	1 358	49%
Gas	1 240	1 005	23%
Renewable fuels	80	483	-83%

Order book by business

MEUR	31.12.2008	31.12.2007	Change
Ship Power	4 486	4 292	5%
Services	445	405	10%
Power Plants	1 949	1 608	21%
Order book, total *)	6 883	6 308	9%

*) Cancellations amounting to EUR 333 million and the order book of Bio Power amounting to EUR 116 million have been deducted from the order book. Additions relating to acquisitions and other adjustments amounted to EUR 158 million.

NET SALES

During the fourth quarter Wärtsilä's net sales increased by 20% to EUR 1,530 million (1,272) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 579 million (449), a growth of 29%. Power Plants' net sales for the fourth quarter totalled 464 million (390), which is 19% higher than in the corresponding quarter last year. The fourth quarter net sales for Services amounted to EUR 495 million (431), a growth of 15%, of which 14% was organic growth.

Wärtsilä's net sales for January-December 2008 grew strongly by 23% and totalled EUR 4,612 million (3,763). Ship Power net sales grew by 16% and totalled EUR 1,531 million (1,320). Net sales for Power Plants developed very strongly during the review period and totalled 1,261 million (882), which represents a growth of 43% compared to the corresponding period last year. Net sales from the Services business increased to EUR 1,830 million (1,550), a growth of 18%. Organic growth represented 17% of Services' net sales growth. For the review period January-December 2008, Services net sales accounted for 40%,Ship Power net sales for 33% and Power Plants for 27% of the total net sales.

Net sales by business

MEUR	10-12/2008	10-12/2007	Change
Ship Power	579	449	29%
Services	495	431	15%
Power Plants	464	390	19%
Net sales, total	1 530	1 272	20%

MEUR	1-12/2008	1-12/2007	Change
Ship Power	1 531	1 320	16%
Services	1 830	1 550	18%
Power Plants	1 261	882	43%
Net sales, total	4 612	3 763	23%

FINANCIAL RESULTS

The operating result for the fourth quarter amounted to EUR 197 million (147) or 12.9% (11.5) of net sales. The operating result for the review period January-December 2008 rose to EUR 525 million (380), which is 11.4% of net sales (10.1). Financial items amounted to EUR -9 million (-8). Net interest totalled EUR -19 million (-11). Dividends received totalled EUR 7 million (7). Other financial items developed positively due to the favourable development of derivative interest differentials despite the negative impact from fair value adjustments. Profit before taxes amounted to EUR 516 million (372). Taxes in the review period amounted to EUR 127 million (106). The profit for the financial period amounted to EUR 389 million (265). Earnings per share were EUR 3.88 (2.74). Return on Investment (ROI) was 32% (26). Return on Equity (ROE) was 31% (21).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-December 2008 totalled EUR 278 million (431). Liquid reserves at the end of the period amounted to EUR 197 million (296). Net interest-bearing loan capital amounted EUR 455 million (-27). Going forward Wärtsilä's financial room to manoeuvre is secured by committed long-term finance agreements. Advance payments at the end of the period totalled EUR 1,243 million (860). The solvency ratio was 34.3% (45.9) and gearing was 0.39 (-0.01). The main reason for the drop in solvency relates to dividends paid, balance sheet growth and the decrease in mark-to-market bookings of assets and hedges.

HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% of the total. This holding has been registered in the balance sheet at its market value at the end of the reporting period, EUR 59 million.

CAPITAL EXPENDITURE

Gross capital expenditure during the review period totalled EUR 366 million (231), which comprised EUR 198 million (65) in acquisitions and investments in securities, and EUR 168 million (166) in production and information technology investments. Investments related mainly to the increase in capacity and the expansion of the Services activities around the world. Depreciation for the review period amounted to EUR 99 million (78).

Due to continued volume growth, efficiency improvements and Services related logistical development plans, the total capital expenditure excluding acquisitions for 2009, is expected to be approx. EUR 180 million.

SUSTAINABLE DEVELOPMENT

Wärtsilä's Sustainability Report, which is part of the annual report, is prepared in accordance with the GRI G3 guidelines. It represents a balanced and reasonable view of Wärtsilä's economic, environmental and social performance. The Sustainability Report is assured.

PERSONNEL

Wärtsilä's personnel on average during the review period was 17.623 (15.337). At the end of December Wärtsilä had 18,812 (16,336) employees, an increase of 15%. The largest personnel increases took place in the Services business where 11,011 (9,563) people were employed at the end of December.

During the review period Wärtsilä launched a Top Graduates professional programme for R&D. During the programme, attendees will drive R&D projects throughout Wärtsilä's international organisation. Similar programmes for finance and IM graduates have been in place since March 2007.

STRATEGIC ACQUISITIONS, JOINT-VENTURES AND EXPANSION OF THE NETWORK

In March, Wärtsilä signed an agreement to acquire the Norwegian company Maritime Service AS, which specialises in ship service, and mechanical and reconditioning services. Maritime Service has its operations in Ålesund, on the west coast of Norway. The annual net sales of Maritime Service were NOK 26 million (EUR 3.2 million) in 2007.

In April, Wärtsilä acquired the Danish company International Combustion Engineering A/S (I.C.E.) that specialises in project engineering and the service and repair of steam boilers and ancillary burner systems. The company's annual net sales amounted to DKK 46.8 million (EUR 6.3 million) in 2007. This acquisition expands Wärtsilä's service offering into the new type of boiler services, which in turn further improves Wärtsilä's competitiveness as a leading total services provider. Wärtsilä continued to expand its boiler services capability in June with the acquisition of the boiler services business of I.C.E.'s former subsidiary in Dubai.

In June, Wärtsilä acquired the German company Claus D. Christophel Mess- und Regeltechnik GmbH (CDC), which specialises in the design, delivery and service of automation systems for ship owners and yards. CDC's annual net sales were EUR 2.1 million in 2007.

In July, Wärtsilä signed an agreement to acquire the global ship design group Vik-Sandvik, a leading independent group providing design and engineering services to ship owners and the ship building industry worldwide. This acquisition was a major step in Wärtsilä's strategy to strengthen its position as a total solutions provider and to be the most valued partner for its customers. By combining ship design capability with its existing offerings in propulsion systems and automation, Wärtsilä will be able to provide more added value to its customers, with further growth potential in new lifecycle services. Wärtsilä's goal is to become the leading provider of ship design services in various segments. The value of the acquisition was EUR 132 million, with an additional maximum sum of EUR 38 million to be paid based on the performance of the business over the next three years. In 2007, Vik-Sandvik's net sales were EUR 55 million and the profitability is at a very good level. The number of employees is 410. Vik-Sandvik has been included in the consolidation since August 1, 2008.

In September, Wärtsilä acquired Navelec SAS, a French company specialising in marine navigation and communication systems, electrical marine services, and control and automation services. Through this acquisition Wärtsilä is able to broaden its service offering and technological knowledge in the areas of navigation and communications. It also strengthens Wärtsilä's position as the leading service provider within electrical marine and automation services. Navelec's annual net sales were EUR 7 million in 2007. The company employs 45 people.

In September Wärtsilä continued to expand within the field of ship design with the signing of an agreement to acquire Conan Wu & Associates Pte Ltd (CWA), a leading naval architecture and ship design company in Singapore. The deal also includes partnership agreements regarding CWA's businesses in Malaysia and China. The price of the deal is EUR 23 million with an additional amount to be paid based on the performance of the business during the years 2008-2010. In 2007, CWA's net sales were EUR 10.7 million and the profitability was at a very good level. CWA has 66 employees in Singapore. The acquisition price was paid and the company consolidated during the fourth quarter.

The total cost of the above acquisitions was EUR 215 million, and EUR 126 million was reported as goodwill. The goodwill of Vik-Sandvik was EUR 97 million.

In July, Wärtsilä Corporation and the Manara Consortium formed a joint venture, Manara Wartsila Power Ltd (MWP), which aims to become the leading developer of decentralised independent power producer (IPP) projects in Islamic countries. Wärtsilä owns 19.9% of the company.

In September, Wärtsilä and Metso signed a contract to form a joint venture combining Metso's Heat & Power business and Wärtsilä's Biopower business. The new joint venture is one of Europe's leading providers of medium- and small-scale power and heating plants, focusing on renewable fuel solutions. Metso owns 60% and Wärtsilä 40% of the joint venture. It is estimated that in 2008 the consolidated annual pro forma net sales of the joint venture was approximately EUR 130 million, and the number of employees approximately 200. All regulatory approvals required for the closing of the transaction were received during the fourth quarter of 2008. The order book relating to the BioPower business, EUR 116 million, was transferred to the joint venture at the end of the year and was thereby eliminated from Wärtsilä's order book.

During the review period, Wärtsilä Services continued the expansion of its network by opening and expanding offices and workshops in Namibia, Chile, Brazil, Madagascar, Azerbaijan, China, Turkey and Dubai. Geographical expansion continues to be part of Wärtsilä's strategic focus.

OTHER STRATEGIC INITIATIVES

Wärtsilä intends to strengthen its international customer service by centralising its spare parts logistics, and by building a new spare parts distribution centre in the Netherlands. A large and modern central warehouse will be built near the company's current service unit. By this action Wärtsilä seeks faster and more efficient deliveries of spare parts. The distribution centre will become fully operational in mid 2011.

Wärtsilä and Emerson Process Management announced the expansion of their global offshore alliance in June. Under the expansion, the companies can now deliver integrated energy and automation systems for Floating Production Storage and Offloading (FPSO) vessels and for semi submersible oil and gas drilling rigs. The collaboration between the companies began in 2006 within an alliance that at the time covered mainly FPSO vessels.

The importance of Asia as a shipbuilding hub has increased during recent years. In order to be closer to the main shipbuilding markets, the senior management of Wärtsilä Ship Power has relocated to Shanghai.

MANUFACTURING

During the fourth quarter Wärtsilä established a new global environmental products know-how unit, known as Delivery Centre Ecotech. The unit will focus on developing and delivering environmental technologies, as well as products for emissions reduction and efficiency improvement. By centralising the broad and outstanding know-how that exists within the company, Wärtsilä will strengthen its global leadership position in offering environmental technologies for power solutions.

In Vaasa, Finland an important environmental initiative was taken by launching a modernisation programme to reduce energy consumption in test bed facilities. Wärtsilä is further promoting similar initiatives globally.

During 2008, new license agreements were signed for the manufacturing and sale of Wärtsilä low-speed marine diesel engines with Jiangsu Rongsheng Heavy Industries Group Co. Ltd. (RSHI), Zhenjiang CME Co. Ltd. (CME) and CSSC-MES Diesel Co. Ltd. (CMD) in China.

In 2008, capacity additions were made in Korea, Norway and India. In Korea the Wärtsilä-Hyundai Engine Company, a joint venture with Hyundai Heavy Industries, was inaugurated. This 50/50 joint venture company manufactures Wärtsilä 50DF dual fuel engines for LNG carriers and other applications. In Rubbestadneset, Norway, Wärtsilä extended its gear plant. This extension will strengthen Wärtsilä's position as leading provider of power solutions to marine customers globally. In Khopoli, India, Wärtsilä inaugurated the extension of its plant for auxiliary units and modules for power stations. This new extension will cater to the demand for supplying auxiliaries all over the world. In Shanghai, China, Wärtsilä inaugurated a new facility related to quality assurance and optimised supply management that will further strengthen the Asian supply chain.

The investment programmes for enhancing productivity in Trieste, Italy and for the extension of propulsion capacity in Drunen, the Netherlands as well as in Zhenjiang, China have proceeded during 2008. These programmes are important for the execution of Wärtsilä's record high order book.

RESEARCH & DEVELOPMENT

During 2008 several R&D milestones were passed. The HALT-chamber (Highly Accelerated Life Test) was inaugurated in January at the University of Applied Sciences in Vaasa. The HALT project is executed in cooperation between Wärtsilä and the University of Applied Sciences. Highly Accelerated Life Test methods provide a way to efficiently develop products to reach increased lifetime and reliability.

In May, Wärtsilä and Mitsubishi Heavy Industries Ltd. signed a joint development agreement to design and develop new small, low-speed marine diesel engines of less than 450 mm cylinder bore. This agreement is an extension of the strategic alliance created by Wärtsilä and Mitsubishi in September 2005.

During the second quarter, the new RTX-4 full-scale, low-speed research engine was inaugurated in the Diesel Technology Centre in Winterthur, Switzerland. This large research engine is employed to further develop Wärtsilä low-speed marine diesel engines to meet market needs

The first RT-flex 82C common rail engine successfully completed its official shop test in September at the Hyundai Heavy Industries Co. Ltd. licensee facilities in Korea. The engine is an addition to Wärtsilä's low speed engine portfolio and has been developed in collaboration with Hyundai Heavy Industries.

The Wärtsilä fuel cell power plant at the Vaasa Housing Fair in Finland was inaugurated during the third quarter. The fuel cell unit, developed by Wärtsilä, is based on planar solid oxide fuel cell (SOFC) technology, and is the first of its kind in the world. The plant is fuelled by methane gas originating from a nearby landfill, a gas that would otherwise be harmful to the environment. The fuel cell power plant produces both electricity and heating for the residential area's needs. In the next stage the fuel cells will be tested for other applications.

In October, the International Maritime Organization (IMO) approved amendments to the MARPOL Annex VI regulations on ship emissions. The amended regulation on NOx emissions will be introduced in two additional tiers; Tier 2 represents a global 20% NOx reduction from the present Tier 1 level and will come into force in 2011, and the Tier 3 level in 2016 represents a massive 80% NOx reduction from the present Tier 1 level when applied to specific designated NOx Emission Control Areas. The engine concepts for meeting the Tier 2 NOx level are ready for the whole Wärtsilä marine engine portfolio and some engines are already pre-certified. For Tier 3, the "Selective Catalytic Reduction" (SCR catalyst) represents a means by which the level can already be achieved today. Wärtsilä has over 100 SCR equipped engines in operation. Wärtsilä is currently investigating and developing other measures to ensure cost efficient compliance with IMO Tier 3 regulations. The revised Annex VI also sets limits on the fuel sulphur content. Wärtsilä engines are designed for operation on any fuel sulphur content.

In the engine laboratory in Vaasa, a 6-cylinder prototype of the new Wärtsilä 34DF, dual-fuel gas engine, was introduced. Testing started in order to confirm the performance of this new engine type. The first orders for the new engine W20V46F for power plant applications were received, and serial production has been started.

In 2008 Wärtsilä's research and development expenses totalled EUR 121 million (122), or 2.6% of net sales.

CHANGES IN MANAGEMENT

Atte Palomäki (43) M.Sc. (pol.) started as Group Vice President, Corporate Communications and a member of the Board of Management on March 1, 2008.

SHARES AND SHAREHOLDERS

In March Wärtsilä's A and B-series shares were combined. Following this combination all shares now carry one vote and equal rights. The combination of the share series involved a free share issue directed to the holders of Series A-shares so that holders of Series A-shares received one share free of charge for each nine Series A-shares. In the directed share issue 2,619,954 shares were given. Trading with the new and combined shares started on 27th of March 2008.

SHARES ON HELSINKI EXCHANGES

31 December 2008	Number of shares	Number of votes	Number of shares traded 1-12/2008
WRT1V	98 620 565	98 620 565	147 205 344

1. Jan - 31 Dec. 2008	High	Low	Average 1)	Close
WRT1V	52.40	15.50	35.41	21.01

1) Trade-weighted average price

	31 Dec. 2008	31 Dec. 2007
Market capitalisation, EUR million	2 072	5 023

	31 Dec. 2008	31 Dec. 2007
Foreign shareholders	45.8%	50.0%

CHANGES IN OWNERSHIP

During the review period and in relation to the combination of the share series and the directed free share issue, Wärtsilä was informed of the following changes in ownership:

Following the transaction, the Fiskars Group's share of Wärtsilä Corporation's votes decreased to less than 1/5 (20%). In total, Fiskars Group holds 16,846,301 or 17.1% of Wärtsilä Corporation's share capital and votes.

Varma Mutual Pension Insurance's share of Wärtsilä Corporation's shares increased to more than 1/20 (5%) and its share of the votes decreased to less than 1/10 (10%). Following the transaction Varma holds 5,130,087 or 5.2% of Wärtsilä's share capital and total votes.

Svenska Litteratursällskapet i Finland r.f's share of Wärtsilä Corporation's votes decreased to less than 1/20 (5%). Following the transaction Svenska Litteratursällskapet holds 1,735,506 or 1.76% of Wärtsilä's share capital and total votes.

The above-mentioned changes came into effect when the combined and new shares were registered in the trade register on 26 March 2008.

OPTION SCHEMES

During the review period, Wärtsilä had one option scheme that ended on 31 March 2008. All option rights of this 2002 option scheme were exercised.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting on 19 March 2008 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 2007. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 2.25 per share and an extra dividend of EUR 2.00 per share for a total dividend of EUR 4.25 per share.

The Annual General Meeting decided that the Board of Directors shall have six members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Kari Kauniskangas, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria.

The firm of authorised public accountants KPMG Oy Ab was appointed to be the company's auditors.

The Annual General Meeting approved the proposal of the Board of Directors to amend the Articles of Association.

The Annual General Meeting approved the proposal of the Board of Directors to direct a free share issue to holders of A shares and to combine the Series A and Series B shares and the changes to the Articles of Association.

ORGANISATION OF THE BOARD OF DIRECTORS

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

Audit Committee:

Chairman Antti Lagerroos, Maarit Aarni-Sirviö, Matti Vuoria

Nomination Committee:

Chairman Antti Lagerroos, Matti Vuoria, Kaj-Gustaf Bergh

Compensation Committee:

Chairman Antti Lagerroos, Matti Vuoria, Bertel Langenskiöld

BOARD OF DIRECTOR'S PROPOSAL TO THE AGM 2009

The Board of Directors proposes to the Annual General Meeting to be held on the 11 March 2009 that a dividend of 1.50 euros per share be paid for the financial year 2008. Wärtsilä's distributable funds at the end of the period totalled EUR 415,185,892.59 million. The Annual Report 2008, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com on 20 February 2009. The printed Annual Report will be available week 9.

RISKS AND BUSINESS UNCERTAINTIES

The global financial crisis has rapidly changed the economic environment and the shipping market. Fears of an oversupply in some vessel types have become evident and freight rates have fallen drastically. The ship owners' asset values have dropped and, in some cases, second hand values are not even available. In most parts of the market, ordering a new vessel is not feasible as new build prices are still high, despite the very recent softening. Banks have almost completely ceased lending for new projects, opting to focus on securing current vessels under construction. Some owners are facing difficulties in taking delivery of their orders and trading of orders is already taking place. The balance is gradually moving from a shipyard market to a ship owners' market as orders have become scarcer. The slippage in shipyard delivery schedules is also a risk that affects the Ship Power business. Due to this uncertainty within the shipbuilding markets, the risk of cancellation of vessel orders has increased from the previous quarter. Wärtsilä sees a potential cancellation risk of approximately EUR 800 million.

Even though the fundamentals within the Power Plant business remain unchanged, the current financial crisis has an effect on the timing of orders. The financing of some future projects may also face difficulties. To date this risk has not materialised. Offering activity remains at a high level. The funding of many future projects appears to be secure, particularly in countries with continued GDP growth. Government funded projects for utilities also seem to be on the upturn, as economic stimulus packages are being implemented in many parts of the world. Infrastructure projects are often prioritised. As expected, the uncertainty in the market has created a slowdown in the industrial self generation segment, in particular in the mining industry where new investments are postponed, down-scaled or put on hold. At the end of 2008, industrial self generation projects represented 19% of the total order book of the Power Plants business.

During the year the risk related to the uncertainty in the global market for raw materials eased and raw material prices became more stabilised. Constraints relating to the availability of key components, previously limiting Wärtsilä's growth, has eased. Due to the current market situation and economical development, Wärtsilä closely monitors the impacts of the financial crisis on the whole supply chain.

MARKET OUTLOOK

Due to the extensive financial crisis and the economic recession, the shipbuilding and shipping environment is in a very different situation compared to six months ago. Ordering activity for new vessels has come to an almost complete stand still, and it is hard to estimate at what point activity could start to pick up again. There is an imbalance between vessel capacity and demand in certain vessel segments such as bulk carriers and container vessels. Ship owners have started to lay up parts of their fleet as well to reduce operating frequency to balance the capacity. In the longer term, the most decisive factor is how fast the market will be able to adapt to this situation and regain balance. In addition to the general global economical development, vessel order cancellations and scrapping of older fleets will play an important role in the market's recovery. In vessel segments of greater importance to Wärtsilä, such as Offshore, Special vessels and Cruise&Ferry, there is still activity on the market. However, difficulties in funding and stricter lending conditions, are affecting these projects as well. These markets are the ones most likely to pick up the fastest when the most acute phase of the crisis is over.

Demand within the Power Plants market remains at a good level. The need for a more efficient and CO_2-friendly power generation mix remains. The main drivers for demand in this market remain the quest for increased efficiency, and versatility in power generation due to environmental concerns and fuel availability issues. The flexible baseload market segment is expected to remain active, especially throughout the Middle East, Africa and the Americas. Continued potential is seen in the grid stability services market in North America as well as in other developed countries. A slow down will be seen in the industrial self-generation market segment, especially in mining but also in the cement industry. Wärtsilä's power plant solutions are ideally suited for today's markets, which require high efficiency and operational flexibility as well as environmental sustainability. For Wärtsilä Power Plants, ordering activity is estimated to be at a good level during the next two quarters. Visibility into the timing of orders is harder to predict.

Services, which during the review period constituted 40% of total net sales, continues its stable development.

The long order book and flexible manufacturing model, in combination with the stable Services business and its global network, gives Wärtsilä time to react to fluctuations in the market.

WÄRTSILÄ'S PROSPECTS FOR 2009

Despite the risk of cancellations, the substantial order book at the end of the year should support a 10-20 percent growth in net sales for 2009, which would maintain the profitability at last year's good level.

WÄRTSILÄ FINANCIAL STATEMENTS BULLETIN 2008

This 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 2007 except for the changes 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 income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

Amended and new International Financial Reporting Standards (IFRS) and Interpretations as of 1 January 2008:

- IFRIC 11 IFRS 2 – Group Treasury Share Transaction
- IFRIC 12 Service Concession Agreements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Instruments

Wärtsilä's consolidation method in joint ventures has changed from a proportionate line by line consolidation to the equity method.

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

The figures in this financial statements bulletin are audited.

Wärtsilä Corporation

29 January 2009
Board of Directors

CONSOLIDATED INCOME STATEMENT

MEUR	2008	2007
Net sales	4 612	3 763
Change in inventories of		
finished goods & work in progress	304	59
Work performed by the Group and capitalized	7	8
Other income	26	21
Material and services	-2 999	-2 249
Employee benefit expenses	-854	-728
Depreciation	-99	-78
Other expenses	-474	-417
Share of profit of associates and joint ventures		1
Operating result	525	380
Income from financial assets	7	7
Interest income	9	8
Other financial income	22	12
Interest expenses	-27	-18
Other financial expenses	-20	-16
Profit before taxes	516	372
Income taxes	-127	-106
Profit for the financial period	389	265
Attributable to:		
Equity holders of the parent company	380	262
Minority interest	9	3
Total	389	265
Earnings per share attributable to equity holders of the parent company:		
Earnings per share, EUR	3,88	2,74
Diluted earnings per share, EUR	3,88	2,73

CONSOLIDATED BALANCE SHEET, ASSETS

MEUR	31 Dec. 2008	31 Dec. 2007
Non-current assets		
Intangible assets	244	202
Goodwill	549	445
Property, plant and equipment	435	365
Investment properties	11	13
Equity in associates and joint ventures	41	16
Investments available for sale	106	155
Interest-bearing investments	11	12
Deferred tax receivables	85	70
Trade receivables	3	
Other receivables	12	7
	1 498	1 283
Current assets		
Equity in associates*		1
Inventories	1 656	1 081
Interest-bearing receivables	1	2

Trade receivables	891	874
Income tax receivables	14	11
Other receivables	486	201
Cash and cash equivalents	197	296
	3 245	2 466
Assets	4 743	3 749

*Oy Ovako Ab has been liquidated 2008

CONSOLIDATED BALANCE SHEET, SHAREHOLDERS' EQUITIES AND LIABILITIES

MEUR	**31 Dec. 2008**	**31 Dec. 2007**
Shareholders' equity		
Share capital	336	336
Share premium reserve	61	61
Translation differences	-27	3
Fair value reserve	50	127
Retained earnings	764	788
Total equity attributable to equity holders of the parent	1 184	1 315
Minority interest	15	10
Total shareholders' equity	1 199	1 325
Liabilities		
Non-current liabilities		
Interest-bearing debt	448	245
Deferred tax liabilities	86	81
Pension obligations	40	45
Provisions	24	25
Advances received	329	394
Other liabilities	1	3
	927	792
Current liabilities		
Interest-bearing debt	216	38
Provisions	165	139
Advances received	915	466
Trade payables	444	348
Income tax liabilities	58	35
Other liabilities	819	605
	2 616	1 632
Total liabilities	3 544	2 424
Shareholders' equity and liabilities	4 743	3 749

CONSOLIDATED CASH FLOW STATEMENT

MEUR	2008	2007
Cash flows from operating activities:		
Profit before taxes	516	372
Adjustments:		
Depreciation	99	78
Financial income and expenses	9	8
Selling profit and loss of fixed assets and other changes	2	-7
Share of profit of associates and joint ventures		-1
Cash flow before changes in working capital	626	450
Changes in working capital:		
Current assets, non-interest-bearing, increase (-) / decrease (+)	-278	-162
Inventories, increase (-) / decrease (+)	-561	-251
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	589	548
Changes in working capital	250	135
Cash flow from operating activities before financial items and taxes	377	585
Financial items and taxes:		
Interest and other financial expenses	-45	-42
Interest and other financial income	50	15
Income taxes	-104	-127
Financial items and taxes	-99	-154
Cash flow from operating activities	278	431
Cash flow from investing activities:		
Investments in shares and acquisitions	-198	-65
Investments in tangible and intangible assets	-168	-166
Proceeds from sale of shares	9	7
Proceeds from sale of tangible and intangible assets	21	2
Loan receivables, increase (-) / decrease (+) and other changes	1	
Dividends received from investments	7	7
Cash flow from investing activities	-329	-214
Cash flow after investing activities	51	217
Cash flow from financing activities:		
Issuance of share capital		4
New long-term loans	260	65
Amortization and other changes in long-term loans	-4	-33
Loan receivables, increase (-) / decrease (+)		5
Current loans, increase (+) / decrease (-)	129	31
Dividends paid	-412	-168
Cash flow from financing activities	-26	-95
Change in liquid funds, increase (+) / decrease (-)	-76	122
Cash and cash equivalents at beginning of period	296	179
Joint ventures' cash and cash equivalents at beginning of period	-18	
Fair value adjustments, investments	1	1
Exchange rate changes	-6	-6
Cash and cash equivalents at end of period	197	296

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Total equity attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share issue premium	Translation differences	Fair value and other reserves	Retained earnings		
Shareholders' equity on 1 January 2008	336	61	3	127	788	10	1 325
Translation differences			-23				-23
Other changes					4		4
Investments available for sale							
gain/loss from fair valuation, net of taxes				-37			-37
Cash flow hedges							
gain/loss from fair valuation, net of taxes				-18			-18
transferred to income statement, net of taxes				-22			-22
Net income recognized directly in equity			-23	-77	4	0	-96
Profit for the financial period			-7		380	9	382
Total recognized income an expense for the period			-30	-77	384	9	286
Dividends paid					-408	-4	-412
Shareholders' equity on 31 Dec. 2008	336	61	-27	50	764	15	1 199
Shareholders' equity on 1 January 2007	334	58	3	128	693	13	1 230
Translation differences							
Other changes						-6	-5
Investments available for sale							
gain/loss from fair valuation, net of taxes				-18			-18
Cash flow hedges							
gain/loss from fair valuation, net of taxes				29			29
transferred to income statement, net of taxes				-13			-13
Net income recognized directly in equity				-1		-6	-7
Profit for the financial period					262	3	265
Total recognized income and expense for the period				-1	262	-2	259
Options exercised	1	3					4
Dividends paid					-167	-1	-168
Shareholders' equity on 31 Dec. 2007	336	61	3	127	788	10	1 325

GEOGRAPHICAL SEGMENTS

MEUR	Europe	Asia	Americas	Other	Group
Net sales 2008	1 695	1 792	689	436	4 612
Net sales 2007	1 442	1 432	520	369	3 763

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	2008	2007
Intangible assets		
Book value at 1 January	646	602
Changes in exchange rates	-30	-6
Acquisitions	191	47
Additions	29	33
Depreciation and impairment	-42	-30
Disposals and intra-balance sheet transfer	-1	
Book value at end of period	793	646
Property, plant and equipment		
Book value at 1 January	377	315
Changes in exchange rates	-3	3
Acquisitions	9	1
Additions	139	133
Companies sold		-17
Depreciation and impairment	-57	-48
Joint ventures' opening balances	-6	
Disposals and intra-balance sheet transfer	-13	-9
Book value at end of period	446	377

GROSS CAPITAL EXPENDITURE

MEUR	2008	2007
Investments in securities and acquisitions	198	65
Intangible assets and property, plant and equipment	168	166
Group	366	231

During the review period investment in the enlargement of propulsion equipment manufacturing in the Netherlands and China amounted to EUR 12 million, and Wärtsilä had commitments related to the enlargements amounting to EUR 6 million at the end of the review period. In addition, Wärtsilä centralizes warehousing and logistics of spare parts by investing in a new distribution centre in the Netherlands. The investments to the new distribution centre amounted to EUR 11 million during the review period.

IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET

During the review period Wärtsilä has acquired a Norwegian company Maritime Service AS, specializing in ship service, mechanical and reconditioning services, a Danish company International Combustion Engineering A/S, specializing in project engineering and the service and repair of steam boilers and ancillary burner systems, the boiler services business of International Combustion Engineering's (I.C.E) former subsidiary in Dubai and a German company Claus D. Christophel Mess- und Regeltechnik GmbH (CDC) specializing in the design, delivery and service of automation systems for ship owners and yards. In addition, Wärtsilä has acquired a French company Navelec SAS specializing in marine navigation and communication systems, electrical marine services and control and automation services, a global Norwegian ship design group Vik-Sandvik which provides ship design and engineering services and a leading naval architecture and ship design company Conan Wu & Associates Pte Ltd (CWA), headquartered in Singapore.

	2008	
MEUR	**Vik-Sandvik**	**Others**
Acquisition costs	165	49
Acquired assets to fair value	-68	-20
Goodwill	97	29
Specification of acquired assets:		
Intangible assets	51	14
Property, plant and equipment	5	4
Investments available for sale	6	
Inventories		4

Receivables	34	9
Cash and cash equivalents	24	3
Liabilities	-4	-10
Deferred tax liabilities	-47	-3
Total	68	20

INTEREST-BEARING LOAN CAPITAL

MEUR	31 Dec. 2008	31 Dec. 2007
Long-term liabilities	448	245
Current liabilities	216	38
Loan receivables	-12	-14
Cash and bank balances	-197	-296
Net	455	-27

FINANCIAL RATIOS

	2008	2007
Earnings per share, EUR	3.88	2.74
Diluted earnings per share, EUR	3.88	2.73
Equity per share, EUR	12.01	13.70
Solvency ratio, %	34.3	45.9
Gearing	0.39	-0.01

PERSONNEL

	2008	2007
On average	17 623	15 337
At end of period	18 812	16 336

CONTINGENT LIABILITIES

MEUR	31 Dec. 2008	31 Dec. 2007
Mortgages	61	13
Chattel mortgages	10	8
Total	71	22
Guarantees and contingent liabilities on behalf of Group companies	664	479
Nominal amount of rents according to leasing contracts	87	69
Total	751	548

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	140	
Foreign exchange forward contracts	1 894	471
Currency options, purchased	50	

COMMODITY DERIVATIVES

	Amount in metric tons	of which closed
Oil swaps	17 700	12 000
Copper futures	1 250	

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	10-12 /2008	7-9 /2008	4-6 /2008	1-3 /2008	10-12 /2007	7-9 /2007	4-6 /2007	1-3 /2007
Net sales	1 530	1 140	1 092	850	1 272	933	797	761
Other income	10	6	5	5	10	3	4	4
Expenses	-1 313	-996	-953	-753	-1 114	-821	-710	-683
Depreciation and impairment	-31	-26	-21	-21	-22	-19	-18	-18
Share of profit of associates and joint ventures	1	-1	1		1			
Operating result	197	123	124	81	147	96	73	64
Financial income and expenses	-14	5	7	-7	-1	-2	-1	-4
Profit before taxes	183	127	131	75	145	95	72	60
Income taxes	-36	-30	-36	-25	-43	-26	-20	-17
Profit for the financial period	147	97	96	49	103	68	52	42
Attributable to:								
Equity holders of the parent company	144	95	94	47	101	68	52	42
Minority interest	3	3	2	2	2	1	1	
Total	147	97	96	49	103	68	52	42
Earnings per share attributable to equity holders of the parent company:								
Earnings per share, EUR	1.46	0.97	0.96	0.49	1.05	0.71	0.54	0.44
Diluted earnings per share, EUR	1.46	0.97	0.96	0.49	1.05	0.70	0.54	0.44

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

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

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

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

Gearing

$$\frac{\text{Interest-bearing liabilities - cash and bank balances}}{\text{Shareholders' equity}}$$

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