

Salary and remuneration report 2012

Remuneration of the Board of Directors

The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time.

The Annual General Meeting approved the following fees to the members of the Board of Directors for 2012:

- to the ordinary members EUR 60,000/year
- to the deputy chairman EUR 90,000/year
- to the chairman EUR 120,000/year

Roughly 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 400/board meeting attended, the chairman's meeting fee being double this amount. Each member of the Nomination Committee and the Remuneration Committee will be paid EUR 500/committee meeting attended and each member of the Audit Committee will be paid EUR 1,000/committee meeting attended, the chairman's meeting fee being double these amounts.

The nine members of Wärtsilä's Board of Directors were paid altogether EUR 728,900.00 for the financial period that ended on 31 December 2012. The Board's members were not covered by the company's incentive schemes.

Fees paid to the Board of Directors in 2012 (thousands of euros)

	Attendance fees		Yearly fees		Total	
	2012	2011	2012	2011	2012	2011
Board of Directors						
Mikael Lilius, Chairman	18	15	120	120	138	135
Matti Vuoria, Deputy Chairman	8	10	90	90	98	100
Maarit Aarni-Sirviö	11	8	60	60	71	68
Kaj-Gustaf Bergh	8	10	60	60	68	70
Alexander Ehrnrooth	11	8	60	60	71	68
Paul Ehrnrooth	8	7	60	60	68	67
Lars Josefsson	10	5	60	60	70	65
Gunilla Nordström	2	0	60	0	62	0
Markus Rauramo	17	8	60	60	77	68
Until 8 March 2012						
Bertel Langenskiöld	4	7	0	60	4	67

Fees paid in Wärtsilä shares in 2012

Board of Directors	No. of shares
Mikael Lilius, Chairman	1 607
Matti Vuoria, Deputy Chairman	1 205
Maarit Aarni-Sirviö	803
Kaj-Gustaf Bergh	803
Alexander Ehrnrooth	803
Paul Ehrnrooth	803
Lars Josefsson	803
Gunilla Nordström	803
Markus Rauramo	803

Board of Directors' share ownership in Wärtsilä on 31 December 2012

Board of Directors	No. of shares
Mikael Lilius, Chairman	13 170
Change in 2012	1 607
Matti Vuoria, Deputy Chairman	11 386
Change in 2012	1 205
Maarit Aarni-Sirviö	7 190
Change in 2012	803
Kaj-Gustaf Bergh	5 782
Change in 2012	803
Alexander Ehrnrooth	3 214
Change in 2012	803
Paul Ehrnrooth	3 188
Change in 2012	803
Paul Ehrnrooth, through controlled corporations	730 000
Change in 2012	-
Lars Josefsson	2 000
Change in 2012	889
Gunilla Nordström	803
Change in 2012	803
Markus Rauramo	1 914
Change in 2012	803

Remuneration of the President & CEO and the Board of Management

The remuneration paid to the President & CEO and other members of the Board of Management, and the principles underlying it, are determined by the Board of Directors. The remuneration paid to the President & CEO and to the other members of the Board of Management consists of a monthly salary and a bonus. The Board of Directors determines on a yearly basis the terms for the bonus payment. The bonus payments for the President & CEO and the Board of Management are paid based on the achievement of the company's profitability targets for the financial year. The variable salary can be at most one third of the maximum total salary. Additionally, the group has a long-term incentive scheme for senior management tied to the development of the company's share price.

The President & CEO is eligible to take retirement upon reaching the age of sixty. His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is a relative part of his annual salary. Remuneration paid to the President & CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.

The optional retirement age of certain Board of Management members is sixty years. For these members, additional pension schemes are based on the retirement scheme of the national social security system to which the person in question belongs. The pension scheme is determined according to a defined benefit based system. The retirement pension is 60% of statutory earnings.

Financial benefits of President & CEO Björn Rosengren:

- Salary 2012: EUR 614 thousand
- Bonuses 2012: EUR 75 thousand
- Bonus schemes based on share price development: -*
- Optional retirement age: 60
- Period of notice: 6 months
- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary.

* EUR 424 thousand has been reserved for long-term bonus schemes based on the share price development.

Further information on Board of Management remuneration can be found in the Consolidated Financial Statements, Note 28 Related party disclosures

Board of Management's share ownership in Wärtsilä on 31 December 2012

Board of Management	No. of shares
Björn Rosengren	6 000
Change in 2012	2 000
Raimo Lind	6 766
Change in 2012	0
Päivi Castrén	0
Change in 2012	0
Jaakko Eskola	0
Change in 2012	-10
Lars Hellberg	0
Change in 2012	0
Kari Hietanen	144
Change in 2012	0
Atte Palomäki	600
Change in 2012	0
Vesa Riihimäki	0
Change in 2012	0
Christoph Vitzthum	932
Change in 2012	0

Monthly updated information on shares held by the President and CEO and other members of the Board of Management can be found on Wärtsilä's website at www.wartsila.com.

Incentive schemes

The Board of Directors determines the incentive schemes for the President and CEO and other members of the Board of Management and the principles underlying them. The Board of Directors also decides on other possible long-term incentive schemes for senior management, unless they are by law determined by the Annual General Meeting. The Board of Management decides on bonus schemes for other directors and managers.

Short-term management incentive schemes

The Group operates a bonus scheme, which is implemented globally in all businesses. The bonus is based on the Group's profitability and agreed personal targets. Close to 1,800 directors and managers are covered by this bonus scheme.

The Group's white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country's legislation, or to agreements concerning profit-sharing schemes. All in all, some 60% of the company's employees are covered by the Group's bonus schemes and various other profit-related incentive schemes.

Long-term incentive scheme

The Board of Directors has decided on a long-term bonus scheme for senior management tied to the development of the company's share. The yearly bonus scheme applies to approximately 100 directors. The size of the bonus is based on the share price development during a pre-determined

timeframe, and an upper limit is set for the bonus. The bonus scheme takes into account 50% of the dividends paid.

The 2009 bonus scheme came to a close at the end of 2011 and was paid in April 2012.

The 2010 bonus scheme comprises 1,606,000 bonus rights. The bonus payment is based on the share price development during a two-year period on the basis of a share price of EUR 30.01. The bonus cannot exceed EUR 7.50 per bonus right and takes into account 50% of dividends paid. The 2010 bonus scheme will be due for payment in April 2013.

The 2011 bonus scheme comprises 1,967,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 23.34. The bonus cannot exceed EUR 10.00 per bonus right and takes into account 50% of dividends paid. The 2011 bonus scheme will be due for payment in February 2015. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

Risks and risk management

Wärtsilä is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The purpose of risk management is to ensure that Wärtsilä is able to effectively execute its strategy so as to reach both short and long term targets. The key is to identify those risks having the potential to keep us from reaching our goals, and to determine whether such risks are within the limits of our risk acceptance. Actions need to be taken to avoid, mitigate, transfer, or to purely monitor the risk. For this purpose our structured risk management process offers a set of reactive, proactive, protective and preventive tools, which are used not only to protect us against threats, but to also turn certain risks into opportunities.

Risks can only be managed if they are identified and understood in advance, and plans have been made to manage the risks. Therefore, risk management is a central part of both Wärtsilä's strategic and operational management.

Risk management principles

Risk management at Wärtsilä is a continuous process of analysing and managing the opportunities and threats faced by the company in its efforts to achieve its goals, and to ensure the continuity of the business. The basis for risk management is the lifecycle quality of Wärtsilä's operations and products and the continuous, systematic loss-prevention work at all levels of the Group based on the principle "everybody is responsible". In the long-term this is the only way to reduce the total risk costs.

The Board of Directors and the Board of Management decide and provide guidelines on strategic matters. The Businesses are responsible for achieving their set strategic goals and for mitigating and managing their risks. The risk management function is part of Group Treasury, which reports to the CFO. It reviews the risk profile of the businesses, prepares the risk management policy, co-operates with the businesses in the implementation of risk mitigation work, and develops global and local insurance schemes with insurance companies and brokers. The Audit Committee reviews and assesses the adequacy of the risk management.