WÄRTSILÄ'S FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2010

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The annual figures in this financial statements bulletin are audited.

FOURTH QUARTER 10-12/2010 IN BRIEF

MEUR	10-12/2010	10-12/2009	Change
Order intake	1 003	823	22%
Net sales	1 462	1 519	-4%
Operating result (EBIT)	159	219	-27%
% of net sales	10.9%	14.4%	
Profit before taxes	251	170	
Earnings/share, EUR	0.99	1.48	
Cash flow from operating activities	171	207	

REVIEW PERIOD JANUARY-DECEMBER 2010 IN BRIEF

MEUR	1-12/2010	1-12/2009	Change
Order intake	4 005	3 291	22%
Order book at the end of the period	3 795	4 491	-16%
Net sales	4 553	5 260	-13%
Operating result (EBIT)	487	638	-24%
% of net sales	10.7%	12.1%	
Profit before taxes	548	558	
Earnings/share, EUR	3.35	4.30	
Cash flow from operating activities	663	349	
Interest-bearing net debt at the end of the period	-165	414	
Gross capital expenditure	98	152	

All numbers above are shown excluding nonrecurring items and selling profits from assets available for sale. Wärtsilä recognised EUR 16 million (40) of nonrecurring items related to restructuring measures during the fourth quarter and a selling profit of EUR 117 million from the divestment of its Assa Abloy holding. Wärtsilä recognised EUR 75 million (46) of nonrecurring restructuring items and selling profits of EUR 149 million from the divestment shares during the review period January-December 2010.

OPERATING ENVIRONMENT AND MARKET DEVELOPMENT

SHIP POWER

2010 contracting activity stronger than expected

The number of vessels contracted in 2010 represented an increase of 75% compared to the previous year. This was a much faster and more significant recovery than expected. The improvement was backed by a recovery in trade and ship owner earnings, as well as by attractive new building prices. A more positive outlook for ship financing, together with low interest rates, also contributed to the development. While the first half of the year was characterised by high contracting activity for bulk carriers, the second half saw a similar increase in contracting activity for container vessels and more specialised vessel types. The offshore segment continued strong throughout the year and demand was good especially for floating production units. In the fourth quarter demand for more specialised vessels was good.

Ship Power geographical markets - China the biggest market

As expected, the Asian shipbuilding market, and especially China, emerged stronger than earlier after the downturn. In 2010, China secured the majority of global new building orders, followed by Korea. Both Japan and Europe lost market share in 2010. Growing shipbuilding nations, such as Brazil, were active throughout the year and secured a good share of orders.
In 2010, Chinese ship owners were the most active, ordering more than 20% of all vessels ordered. German owners, traditionally strong in shipping, were slow in ordering whereas Greek owners continued to be active.

Ship Power market shares

Wärtsilä's market share in medium speed main engines increased from 32% at the end of the previous quarter to 42%. The company's market share in low speed main engines increased slightly to 13% (12). In auxiliary engines the market shares increased slightly to 4% (3).

POWER PLANTS

Power Plants markets remain solid

The Power Plants market activity continued at a good level during the fourth quarter of 2010. The orders were predominantly for small and medium size projects. Industrial output is increasing in most emerging markets which, in combination with population growth and enhanced standard of living, is driving the need for more power generation. The installed base of wind power generation has also increased, which is creating a need for flexible power generation. The financial crisis led to the postponement of investments for power generation in 2009, and this is now creating demand in several markets.

Power generation market overview

As energy consumption grows, the need for both new power generation equipment increases, as does demand for replacement equipment for older capacity. Today, the global installed power generation capacity totals approximately 4,700 GW, out of which over half is in OECD-countries. Going forward, growth is expected to be stronger in non-OECD countries, due to increasing industrialization and higher living standards. The majority of Wärtsilä's Power Plants business derives from these emerging markets. Heavy fuel oil (HFO) has traditionally been the dominant fuel for power generation in emerging markets but demand for gas driven plants increases along with the introduction of gas networks. OECD-countries have focused on the development of wind power and increasing the share of natural gas power generation with the target to ramp down old coal based installations. In the USA, the introduction of shale gas has been rapid, and has made the natural gas prices very competitive. Wärtsilä is the only player in the market with such a broad gas engine portfolio within its power range.

Power Plants market position

The size of Wärtsilä's target markets is approximately 15,000 MW and Wärtsilä's yearly delivery volumes are 2,500-3,000 MW. The development of the heavy fuel oil driven power plants market, where Wärtsilä has a market share of over 50%, is rather stable whereas the market for gas driven power plants is growing. Wärtsilä has a market share of over 60% in the gas engine driven power plants. Wärtsilä is continuously strengthening its position in the gas market, by capturing market share from other technologies and currently has 14% of the market including both gas engines and gas turbines.

SERVICES

Marine service market focused on cost savings throughout the year

During 2010, the global economic downturn had its effect on the marine service market which focused strongly on cost savings. Marine customers, especially in the merchant segment continued to limit their maintenance and modernisation investments. A large number of ships were slow steaming which reduces maintenance and repair expenditures. At the end of the year, the amount of idled vessels had decreased to 6% from its peak of 10% at the beginning of 2010. The power plants service business was less affected by the downturn.

Wärtsilä's installed engine base in the Ship Power and Power Plants markets totals close to 180,000 MW and consists of thousands of installations distributed throughout the world. Both end markets consist of several customer segments for Services, and Wärtsilä's portfolio is the broadest in the market. These factors limit the impacts of fluctuations in any individual market or customer segment.

ORDER INTAKE INCREASED

The Group order intake for the fourth quarter totalled EUR 1,003 million (823), 22% higher than the corresponding period last year. The book-to-bill ratio for the fourth quarter was 0.69 (0.54).

The fourth quarter order intake for Ship Power totalled EUR 178 million (54), 227% above the corresponding period last year. During the quarter, Wärtsilä received an important order for LNG Platform Supply Vessels (PSVs) from the Norwegian operator Eidesvik Offshore. This and other orders in the Offshore segment highlight the success of Wärtsilä's strategy to be a system integrator, ship designer, and solutions provider. During the last quarter Wärtsilä was also successful in the big cruise vessel market, endorsing its traditionally strong position in this area. The Offshore segment represented 34% of total orders, Merchant 20%, Special vessels 19%, Cruise&Ferry 21% and Navy and Ship design 2% and 4% respectively. Compared to the previous quarter, order intake increased by 1% (EUR 176 million in the third quarter of 2010).

The order intake for Power Plants in the fourth quarter totalled EUR 317 million (300), which was 5% higher than for the corresponding period last year. During the fourth quarter, the largest power plant orders were received from Timor Leste, Turkey and Bangladesh. Compared to the previous quarter, the Power Plants business order intake decreased 19% (EUR 393 million in the third quarter of 2010). In the Power Plants business, big projects lead to swings between the quarters.

The order intake for Services in the fourth quarter totalled EUR 510 million (470), which was 8% higher than for the corresponding period last year. Compared to the previous quarter, order intake increased by 18% (EUR 433 million in the third quarter of 2010*).* During the quarter, Wärtsilä signed and renewed a number of O&M and maintenance contracts in several countries, including India and Turkey. Wärtsilä Services has more than 400 installations and over 13,000 MW under O&M and Maintenance agreements in approximately 50 countries.

Wärtsilä's order intake for the review period January-December 2010 totalled EUR 4,005 million (3,291), an increase of 22%. The book-to-bill ratio for the review period was 0.88 (0.63). Wärtsilä Ship Power's order intake for the review period was EUR 657 million (317), an increase of 107% over the corresponding period last year. The market started to show small signs of recovery in the first quarter of 2010, leading to increased ordering activity for Wärtsilä Ship Power from the second quarter of 2010. Wärtsilä noted increased activity in the Offshore segment throughout the year and secured several offshore orders during the period. Wärtsilä signed a major contract with the Brazilian industrial group QUIP to supply a totally integrated power solution for a new FPSO (Floating Production Supply and Offloading) vessel. The vessel is unique in that it will be the first FPSO vessel ever to operate on more than 100 MWe of installed power, produced by gas engines.

For the review period January-December 2010, the Power Plants order intake totalled EUR 1,413 million (1,048), a 35% increase compared to last year. The clearly increased order intake was attributable to the improved financing situation in general, as well as recovery in many emerging economies. During the year Wärtsilä received several significant orders. Wärtsilä was contracted to supply Africa's largest gas engine power plant. The contract value is EUR 120 million and it is to be installed in Cameroon. In the second quarter, Wärtsilä was awarded a contract from Brazil to build the largest power plant ever built by Wärtsilä anywhere in the world. This turnkey contract is valued at close to EUR 200 million and the plant will have an electrical output of 380 MW. In addition, Wärtsilä received more than 900 MW of orders from Bangladesh, and almost 700 MW of orders from Turkey.

For the review period January-December 2010, the Services order intake totalled EUR 1,931 million (1,917). Customers showed an increasing interest throughout the year in cost savings and in reducing their environmental footprint and Wärtsilä received several orders for environmental upgrades and conversions.

Order intake by business

MEUR	10-12/2010	10-12/2009	Change
Ship Power	178	54	227%
Power Plants	317	300	5%
Services	510	470	8%
Order intake, total	1 003	823	22%

MEUR	1-12/2010	1-12/2009	Change
Ship Power	657	317	107%
Power Plants	1 413	1 048	35%
Services	1 931	1 917	1%
Order intake, total	4 005	3 291	22%

Order intake Power Plants

MW	10-12/2010	10-12/2009	Change
Oil	223	293	-24%
Gas	611	332	84%

MW	1-12/2010	1-12/2009	Change
Oil	1 797	1 172	53%
Gas	1 377	800	72%
Renewable fuels	1	35	-97%

ORDER BOOK

At the end of the review period Wärtsilä's total order book stood at EUR 3,795 million (4,491), a decrease of 16%.

The Ship Power order book stood at EUR 1,825 million (2,553), -29%. At the end of the review period the Power Plants order book amounted to EUR 1,299 million (1,362), which is 5% lower than at the same date last year. The Services order book totalled EUR 671 million (576) at the end of the review period, an increase of 16%.

Order book by business

MEUR	31 Dec. 2010	31 Dec. 2009	Change
Ship Power	1 825	2 553	-29%
Power Plants	1 299	1 362	-5%
Services	671	576	16%
Order book, total	3 795	4 491	-16%

SALES DEVELOPED AS EXPECTED

Wärtsilä's net sales for the fourth quarter decreased by 4% to EUR 1,462 million (1,519) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 371 million (538), a decrease of 31%. Power Plants' net sales for the fourth quarter totalled 577 million (476), which is 21% higher than in the corresponding quarter last year. The fourth quarter again marked an all time high for Services net sales, which amounted to EUR 516 million (504), an increase of 2%.

Wärtsilä's net sales for January-December 2010 totalled EUR 4,553 million (5,260), -13%. This was well in line with Wärtsilä's estimate of a decrease of approximately 15%. Ship Power's net sales decreased by 32% and totalled EUR 1,201 million (1,767). Net sales for Power Plants totalled EUR 1,525 million (1,645), a decrease of 7%. Net sales from the Services business remained at last year's level and amounted to EUR 1,823 million (1,830). Ship Power accounted for 26%, Power Plants for 34% and Services for 40% of the total net sales.

Of Wärtsilä's net sales for January-December 2010, approximately 70% was EUR denominated, 12% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	10-12/2010	10-12/2009	Change
Ship Power	371	538	-31%
Power Plants	577	476	21%
Services	516	504	2%
Net sales, total	1 462	1 519	-4%

MEUR	1-12/2010	1-12/2009	Change
Ship Power	1 201	1 767	-32%
Power Plants	1 525	1 645	-7%
Services	1 823	1 830	0%
Net sales, total	4 553	5 260	-13%

SOLID PROFITABILITY

The fourth quarter operating result before nonrecurring expenses was EUR 159 million (219), or 10.9% of net sales (14.4). For the review period January-December 2010, the operating result before nonrecurring expenses was EUR 487 million (638). The operating margin (EBIT) was 10.7% of net sales (12.1), well in line with Wärtsilä's estimate for 2010. Including nonrecurring expenses, the operating result was EUR 412 million or 9.1% of net sales. Wärtsilä recognised EUR 75 million of nonrecurring expenses related to the restructuring measures during the review period January-December 2010.

Based on the new, leaner structure, its good position in the markets and its efficient services organisation, Wärtsilä has redefined its long-term EBIT margin target to be 14% at the peak of the cycle. At the trough of the cycle Wärtsilä's target is to keep the operating profit margin above 10%. This replaces the previous target of 8-10% +/-2% over the cycle.

Financial items amounted to EUR -13 million (-34). Net interest totalled EUR -12 million (-17). Dividends received totalled EUR 7 million (6). The deviation in financial items is mainly due to exchange rate differences, which were negative during the corresponding period of 2009 as well as lower net interest expenses. Profit before taxes amounted to EUR 548 million (558). Taxes in the reporting period amounted to EUR 151 million (161). The profit for the financial period amounted to EUR 397 million (396). Earnings per share were 3.91 euro (3.94) and equity per share was 16.61 euro (15.17). Return on investment (ROI) was 26.0% (29.9). Return on equity was 25.0% (29.2)

BALANCE SHEET, FINANCING AND CASH FLOW

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 171 million (207). For January-December 2010 the cash flow from operating activities was at an all time high level, 663 million (349). Net working capital at the end of the period totalled EUR 170 million (482). Advances received at the end of the period totalled EUR 616 million (879). Liquid reserves at the end of the period amounted to EUR 776 million (244).

Wärtsilä had interest bearing loans totalling EUR 628 million at the end of December 2010. The existing funding programmes include long-term loans of EUR 572 million, unutilised Committed Revolving Credit Facilities totalling EUR 560 million, and Finnish Commercial Paper programmes totalling EUR 700 million. The total amount of short-term debt maturing within the next 12 months is EUR 56 million.

The solvency ratio was 40.8% (40.0) and gearing was -0.09 (0.28).

HOLDINGS DIVESTED

During the third quarter Wärtsilä sold its holding in Sampo Group for EUR 35 million. The realised selling profit amounted to EUR 32 million. During the fourth quarter Wärtsilä sold its holding of 7,270,350 B shares in Assa Abloy for EUR 135 million and booked a selling profit of EUR 117 million.

CAPITAL EXPENDITURE WAS CLEARLY BELOW DEPRECIATION

Gross capital expenditure in the review period totalled EUR 98 million (152), which comprised EUR 92 million (136) in production, logistics and information technology investments, and EUR 6 million (16) in acquisitions and investments in securities. Depreciation and amortisations for the review period amounted to EUR 116 million (165).

Maintenance capital expenditure for 2011 will be in line with or slightly above depreciation. Possible acquisition opportunities may affect capital expenditure for the year.

STRATEGY

Wärtsilä's strategic aim is to strengthen its leading position in its markets and to ensure continued growth by offering customers reliability and the best lifecycle efficiency available. This is made possible by an integrated equipment and solutions portfolio combined with a broad service offering that matches customers' needs worldwide. The foundation of Wärtsilä's competitive edge lies in its continuous focus on innovation and R&D and its aim is to be the technology leader in its industries. Wärtsilä's ability to focus on long-term business drivers, its strong financial base, and agility in adapting to changing market conditions puts the company in a strong position to pursue its strategy.

STRATEGIC ACQUISITIONS, JOINT VENTURES AND EXPANSION OF THE NETWORK IN 2010

In May, Wärtsilä signed a joint venture agreement with the Russian company Transmashholding (TMH) to manufacture modern multipurpose diesel engines in Russia. The engines, including a new and technically advanced version of the Wärtsilä 20-engine, will be used in shunter locomotives and for various marine and power applications. The two companies will jointly engineer the railway application. Wärtsilä and TMH will also evaluate broadening the activities of the joint venture to include the development and manufacturing of other diesel engine models in the future. The value of Wärtsilä's investment in the joint venture is approximately EUR 30 million and production of the engines is planned to start in 2012.

During the review period, Wärtsilä continued to expand its service network with the inauguration of a new office and workshop facility in Panama.

LONG-TERM FINANCIAL TARGETS

Wärtsilä has redefined its long-term financial targets. Our target is to grow faster than global GDP. Our operating profit margin (EBIT%) target is 14% at the peak of the cycle. Even at the trough of the cycle, our target is to keep the operating profit margin above 10%. Our target is to maintain gearing below 50%. Our target is to pay a dividend equivalent to 50% of earnings.

RESTRUCTURING MEASURES

Following the global financial crisis, Wärtsilä began adjusting its capacity and cost structure in May 2009 to reflect lower demand. These efforts were intensified in January 2010.
The first steps taken were to reduce the number of jobs in Ship Power, the business that had been the most severely hit by the market downturn.
In January 2010, measures continued by starting the adaptation of manufacturing capacity to both the structural changes in the market and to a lower demand environment. Some of the manufacturing capacity has been moved to China and two factories in the Netherlands are in the process of being closed. New and more efficient ways to operate have been introduced, thus enabling the closure of smaller units and the consolidation of operations to larger entities in various countries, as well as the consolidation of manufacturing close to growing markets. Temporary lay-offs have mainly been used in Finland and Norway. Lower capacity utilisation has also triggered an adaptation of all Wärtsilä's global staff functions with the aim of streamlining processes, decreasing overlaps, and improving the cost efficiency. Wärtsilä initiated processes to reduce approximately 400 jobs globally in its support functions during the fourth quarter.

Through all of these measures initiated in different phases, Wärtsilä is reducing the number of personnel by approximately 1,800 employees.

When fully implemented, it is estimated that the reductions will decrease costs by approximately EUR 130 million, which is slightly higher than previously anticipated. Of these cost savings, about EUR 60 million have materialised by the end of 2010. The remainder of the savings will gradually materialise during 2011. Wärtsilä anticipates that the majority of these cost savings will be permanent.

The total nonrecurring costs related to the restructuring will be approximately EUR 150 million, somewhat higher than previously estimated. From the costs, EUR 40 million non-cash write-offs were recognised in 2009. In January-December 2010, Wärtsilä recorded EUR 75 million nonrecurring items related to restructuring measures. The remainder of the costs will be recognised during the first half of 2011.

MANUFACTURING

The year 2010 was characterised by restructuring and reorganisation of Wärtsilä's manufacturing footprint and measures continued throughout the year.

The set up for manufacturing controllable pitch (CP) propellers at the joint venture, Wärtsilä CME Zhenjiang Propeller Co. Ltd. in Zhenjiang, China, is proceeding according to plan. The majority of the equipment needed will be relocated from the Wärtsilä factory in Drunen, The inauguration of the new factory and the first deliveries are planned for the second quarter of 2011.

The activities in Wärtsilä's joint venture with Transmashholding in Russia relating to the manufacturing of modern and multipurpose diesel engines, including a new and technically advanced version of the Wärtsilä 20 engine which will be used in shunter locomotives and for various marine and power applications, is proceeding according to plan. The first test locomotive was started at the end of the year.

RESEARCH AND DEVELOPMENT

The foundation of Wärtsilä's competitive edge lies in its continuous focus on innovation and R&D and in its aim is to be the technology leader in its industries. This is done by offering a streamlined portfolio of products and by integrating products into larger solutions Environmental solutions are an integrated part of Wärtsilä's product portfolio. Wärtsilä's R&D activities focus on products and solutions that are fuel-efficient, reliable and safe, cost-efficient to operate, and that produce minimal environmental impacts throughout their lifecycles. Wärtsilä is in the process of renewing its 4-stroke and 2-stroke engine portfolio to meet the needs brought by the tightened environmental legislation.
In 2010, Wärtsilä's research and development expenses totalled EUR 141 million (141), or 3.1% of net sales.

NEW PRODUCT LAUNCHES

During the first quarter of 2010, Wärtsilä launched a new product, the Wärtsilä NOR, which is a NOx reducer based on Selective Catalytic Reduction technology. This is a proven means for the effective reduction of NOx emissions.

In the third quarter, Wärtsilä launched its new Communication and Control Centre, the first system to integrate an entire ship control system into a single solution.

In September, Wärtsilä launched the latest addition to its gas engine portfolio, the Wärtsilä 18V50SG engine. The engine has an electrical output of 18,321 kW, making it the largest gas powered generating set in the world.

Wärtsilä also launched the Wärtsilä Ballast Water Treatment solution which provides customers with a reliable means for responding to the requirements set by the International Maritime Organization, and to additional requirements stipulated by maritime authorities.

The new Propulsion Condition Monitoring Service, adapted from the remote monitoring architecture Wärtsilä developed for its engine monitoring service, is the first of its kind in the marine propulsion market

In the fourth quarter, Wärtsilä introduced a more powerful version of its popular Wärtsilä 32 engine for marine applications.

PERSONNEL

Wärtsilä had 17,528 (18,541) employees at the end of December 2010. On average, the number of personnel for January-December 2010 totalled 18,000 (18,830). Ship Power employed 969 (1,140) people. Power Plants employed 835 (835) people, Services 11,150 (11,219) and manufacturing and R&D (Wärtsilä Industrial Operations) 4,210 (4,911) people.

Of Wärtsilä's total number of employees, 19% (19) were located in Finland, 6% (8) in the Netherlands and 31% (31) in the rest of Europe. Personnel employed in Asia represented 31% (30), out of which 7% (7) were in China, in India 6% (6), in Singapore 5% (5), and in the rest of the Asia 14% (12)

SUSTAINABLE DEVELOPMENT

The global quest for sustainable and environmentally sound development is an important demand driver for Wärtsilä. Increased environmental concerns and more stringent regulations, both globally and locally, are creating pressure on the marine industry to constantly investigate new ways of reducing the environmental impact of ships. Wärtsilä is well positioned to reduce sea transport emissions and greenhouse gas emissions, thanks to its various technologies and specialised services. The need to reduce greenhouse gas emissions also continues to drive change in the energy sector.

During the second quarter, Wärtsilä in co-operation with the Baltic Sea Action Group (BSAG), arranged an environmental conference to seek shipping solutions that can benefit the seriously polluted Baltic Sea.

Wärtsilä joined the World Bank-led Global Gas Flaring Reduction organisation, which strives to reduce the flaring or burning of natural gas associated with oil production, thereby reducing greenhouse gas emissions.

In December, Wärtsilä joined the Sustainable Shipping Initiative (SSI), a programme initiated by Forum for the Future. The initiative brings together the industry's leading organisations to show what can and must be done for shipping to contribute to, and benefit from, a sustainable future.

In 2010, Wärtsilä's share was included in two new sustainability indexes: The ECPI Global Carbon Equity Index, and the OMX GES Sustainability Nordic index. Wärtsilä was also rated a PRIME company by Oekom Research.

Wärtsilä is committed to support the UN Global Compact and its principles with respect to human rights, labour, environment and anti-corruption.

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.

SHARES AND SHAREHOLDERS

SHARES ON HELSINKI EXCHANGES

31 Dec. 2010	Number of Shares	Number of votes	Number of shares traded 1-12/2010
WRT1V	98 620 565	98 620 565	98 075 775

1 Jan. - 31 Dec. 2010	High	Low	Average 1)	Close
Share price	59.25	28.19	39.86	57.10

1) Trade-weighted average price

	31 Dec. 2010	31 Dec. 2009
Market capitalisation, EUR million	5 631	2 768
Foreign shareholders	51.0%	45.4%

FLAGGING NOTIFICATIONS

During the review period, Wärtsilä was informed of the following changes in ownership:

On 17 December 2010 BlackRock Inc. increased its holding in Wärtsilä Corporation. Following the transaction BlackRock Inc. owned 4,941,759 shares or 5.01% of Wärtsilä's share capital and total votes.

On 20 December 2010 BlackRock Inc. decreased its holding in Wärtsilä Corporation. Following the transaction BlackRock Inc. owned 4,898,350 shares or 4.97% of Wärtsilä's share capital and total votes.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 4 March 2010 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 2009. The Meeting approved the Board of Directors' proposal to pay a dividend of 1.75 euro per share. The dividend was paid on 16 March 2010.

The Annual General Meeting decided to change the eighth article of the Articles of Association so that the publication of the notice for the general meeting will be no later than three weeks, but at least nine (9) days before the record date of the general meeting. The change is due to a change in the Finnish Limited Liability Companies Act.

The Annual General Meeting decided to change the fourth article of the Articles of Association so that the maximum number of members of the Board of Directors was increased to ten, and that the Board of Directors consists of 5-10 members.

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 Ole Johansson, Mr Antti Lagerroos, Mr Bertel Langenskiöld, Mr Mikael Lilius and Mr Matti Vuoria.

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

The Annual General Meeting authorised the Board to resolve on donations of EUR 1,500,000 at the maximum to be made to universities during 2010. The primary recipient of the donations is Aalto University.

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, Alexander Ehrnrooth, Bertel Langenskiöld

Nomination Committee:

Chairman Antti Lagerroos, Kaj-Gustaf Bergh, Paul Ehrnrooth, Matti Vuoria

Compensation Committee:

Chairman Antti Lagerroos, Bertel Langenskiöld, Mikael Lilius, Matti Vuoria

BOARD OF DIRECTOR'S DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of 1.75 euro per share and an extra dividend of 1.00 euro per share, totalling 2.75 euro per share, be paid for the financial year 2010. Wärtsilä's distributable funds at the end of the period totalled EUR 901,099,082.48. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by the Finnish Central Securities Depository Ltd on the record date, which is 8 March 2011. The dividend payment date proposed by the Board is 15 March 2011. The Annual Report 2010, including the financial review and the review by the Board of Directors, will be available the company website www.wartsila.com during week 6.

RISKS AND BUSINESS UNCERTAINTIES

No major changes occurred in Wärtsilä's business environment in the fourth quarter and Wärtsilä expects that its business environment will continue to improve.

Although the risks have decreased substantially, the main risks within Ship Power remain the slippage of shipyard delivery schedules, as well as the risk of cancellation of existing orders. Due to high contracting activity in 2010, there is a risk of a slowdown in certain vessel segments.

In the Power Plant business, the consequences from the financial crisis can still be seen in the timing of bigger projects.

In Services, the biggest risk continues to be the uncertainty in the marine markets.

The annual report for 2010 contains a thorough description of Wärtsilä's risks and risk management.

MARKET OUTLOOK

Although the recovery of the shipbuilding markets has been much stronger than anticipated, the market fundamentals in some vessel segments remain unchanged. There is overcapacity, especially in the merchant segment, as order books are still being delivered and ordering activity has been strong in this segment in 2010. Wärtsilä's view on the developments in the merchant segment is cautious for 2011. The strengthening of the offshore segment as well as other more specialised vessel segments important for Wärtsilä, is expected to continue in 2011. Interest in the use of natural gas as fuel in the shipping industry is expected to continue, providing good potential for Wärtsilä within this field.

In 2011, the prevailing conditions will continue to affect competition and price pressure among shipbuilding suppliers. Wärtsilä expects that its Ship Power order intake in 2011 will be moderately better than in 2010.

Recovery in the power generation market is expected to continue in 2011. The growing emerging markets will continue to invest in power generation, and the OECD countries are expected to gradually address the need for changes in their power generation systems. The investments in renewable power may still take some time to recover, but the operational base of renewable energy, mainly wind power, has increased substantially in the past years. This creates a need for flexible power generation to manage the power variations.
At the same time the economics of natural gas generation are good. Natural gas prices have remained stable, and in the USA the prices of natural gas and oil have decoupled as a result of the quick ramp up of shale gas supply and moderate demand. There is also expectation that the ramp down of older coal based generation, due to environmental reasons, will create demand for clean, gas based generation. Wärtsilä Power Plants estimates its order intake to remain at a good level in 2011.

Wärtsilä expects that a sustainable recovery in the marine service market will begin during 2011. Power plant installations will continue to be run at high operating levels.The focus on operational improvement and competiveness will remain high on customers' agendas. Wärtsilä is well positioned to offer service solutions that ensure the reliability and availability of installations whilst reducing the overall maintenance spend. Increasingly stringent environmental regulations pose a challenge for our customers. Wärtsilä's extensive product portfolio offers competitive options for our customers for meeting the new requirements. The size and scope of Wärtsilä Services creates stability in a changing market environment, and provides a platform for future growth.

WÄRTSILÄ'S PROSPECTS FOR 2011

Wärtsilä expects its net sales for 2011 to grow 3-5% and operational profitability (EBIT% before nonrecurring items) to be around 11%.

WÄRTSILÄ FINANCIAL STATEMENTS BULLETIN 2010

This financial statement bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2009. 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.

IFRS amendments

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of 1 January 2010 the following are applicable on the Group reporting:

- Revised IFRS 3 Business Combinations
- Amendment to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRIC 18 Transfers of Assets from Customers
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives

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

The annual figures in this financial statements bulletin are audited.

CONSOLIDATED STATEMENT OF INCOME

MEUR	2010	2009
Net sales	4 553	5 260
Change in inventories of finished goods & work in progress	-164	98
Work performed by the Group and capitalised	2	1
Other operating income	52	50
Material and services	-2 372	-3 183
Employee benefit expenses	-948	-910
Depreciation, amortisation and impairment	-116	-165
Other operating expenses	-601	-564
Share of result of associates and joint ventures	5	6
Operating result	412	592
Dividend income	7	6
Interest income	6	4
Other financial income	12	12
Interest expenses	-18	-21
Other financial expenses	-20	-35
Net income from financial assets available for sale	149	
Profit before taxes	548	558
Income taxes	-151	-161
Profit for the financial period	397	396
Attributable to:		
Equity holders of the parent company	386	389
Non-controlling interests	11	8
	397	396
Earnings per share attributable to equity holders of the parent company:		
Earnings per share (basic and diluted), EUR	3.91	3.94

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	397	396
Other comprehensive income after tax:		
Exchange rate differences on translating foreign operations	17	18
Financial assets available for sale		
fair valuation	30	34
transferred to statement of income	-110	
Cash flow hedges	-9	20
Share of other comprehensive income of associates and joint ventures		1
Other income/expenses	1	
Other comprehensive income	-71	73
Total comprehensive income for the period	326	469
Total comprehensive income attributable to:		
Equity holders of the parent company	313	460
Non-controlling interests	13	9
	326	469

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, ASSETS

MEUR	**31.12.2010**	**31.12.2009**
Non-current assets		
Goodwill	574	558
Intangible assets	205	222
Property, plant and equipment	455	449
Investment properties	11	9
Investments in associates and joint ventures	65	56
Financial assets available for sale	18	151
Interest-bearing investments	16	2
Deferred tax receivables	122	88
Trade receivables		2
Other receivables	16	12
	1 483	1 548
Current assets		
Inventories	1 244	1 577
Interest-bearing receivables	1	4
Trade receivables	860	1 028
Income tax receivables	26	10
Other receivables	305	244
Cash and cash equivalents	776	244
	3 213	3 108
Total assets	4 696	4 655

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EQUITY AND LIABILITIES

MEUR	31.12.2010	31.12.2009
Equity		
Share capital	336	336
Share issue premium	61	61
Translation differences	8	-6
Fair value reserve	12	99
Retained earnings	1 221	1 006
Total equity attributable to equity holders of the parent	1 638	1 496
Non-controlling interests	26	16
Total equity	1 664	1 512
Liabilities		
Non-current liabilities		
Interest-bearing debt	572	591
Deferred tax liabilities	70	93
Pension obligations	40	46
Provisions	45	24
Advances received	104	187
Other liabilities		1
	831	941
Current liabilities		
Interest-bearing debt	56	73
Provisions	233	181
Advances received	511	691
Trade payables	366	299
Income tax liabilities	105	75
Other liabilities	929	883
	2 201	2 202
Total liabilities	3 032	3 143
Total equity and liabilities	4 696	4 655

CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	2010	2009
Cash flow from operating activities:		
Profit before taxes	548	558
Adjustments:		
Depreciation, amortisation and impairment	116	165
Financial income and expenses	13	34
Selling profit and loss of fixed assets and other changes	-147	-7
Share of result of associates and joint ventures	-5	-6
Cash flow before changes in working capital	526	743
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	132	114
Inventories, increase (-) / decrease (+)	379	66
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-141	-358
Changes in working capital	370	-179
Cash flow from operating activities before financial items and taxes	896	564
Financial items and taxes:		
Interest and other financial income	11	15
Interest and other financial expenses	-72	-72
Income taxes	-173	-158
Financial items and taxes	-233	-215
Cash flow from operating activities	663	349
Cash flow from investing activities:		
Investments in shares and acquisitions	-6	-16
Investments in property, plant and equipment and intangible assets	-92	-136
Proceeds from sale of property, plant and equipment and intangible assets	9	3
Proceeds from sale of financial assets available for sale	173	-21
Loan receivables, increase (-) / decrease (+) and other changes	-13	-1
Dividends received	8	8
Cash flow from investing activities	79	-163
Cash flow after investing activities	742	187
Cash flow from financing activities:		
Proceeds from non-current borrowings	37	263
Repayments and other changes in non-current loans	-78	-109
Loan receivables, increase (-) / decrease (+)	2	3
Current loans, increase (+) / decrease (-)	-2	-141
Dividends paid	-175	-156
Cash flow from financing activities	-216	-140

Change in cash and cash equivalents, increase (+) / decrease (-)	525	47
Cash and cash equivalents at beginning of period	244	197
Exchange rate changes	7	
Cash and cash equivalents at end of period	776	244

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	**Total equity attributable to equity holders of the parent**						**Non-controlling Interests**
	Share capital	**Share issue premium**	**Trans-lation differ-ence**	**Fair value reserve**	**Retained earnings**	**Total**	
Equity on 1 January 2009	336	61	-27	50	764	1 184	15
Translation differences			21			21	
Other changes					1	1	
Financial assets available for sale							
gain / loss arising from fair valuation, net of taxes				34		34	
Cash flow hedges							
gain / loss arising from fair valuation, net of taxes				3		3	
transferred to statement of income, net of taxes				12		12	2
Comprehensive income			21	49	1	71	1
Profit for the financial period					389	389	8
Total comprehensive income for the period			21	49	390	460	9
Dividends paid					-148	-148	-8
Equity on 31 December 2009	**336**	**61**	**-6**	**99**	**1 006**	**1 496**	**16**
Translation differences			14			14	1
Other changes					2	2	-1
Financial assets available for sale							
gain / loss arising from fair valuation, net of taxes				30		30	
transferred to statement of income, net of taxes				-110		-110	
Cash flow hedges							
gain / loss arising from fair valuation, net of taxes				6		6	
transferred to statement of income, net of taxes				-13		-13	
Comprehensive income			14	-87	2	-72	1
Profit for the financial period					386	386	11
Total comprehensive income for the period			14	-87	387	314	12
Dividends paid					-173	-173	-2
Equity on 31 December 2010	**336**	**61**	**8**	**12**	**1 221**	**1 638**	**26**

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	Americas	Other	Total
Net sales 1-12/2010	1 266	1 754	1 034	499	4 553
Net sales 1-12/2009	1 654	1 937	1 176	493	5 260

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	2010	2009
Intangible assets		
Book value at 1 January	779	793
Changes in exchange rates	20	26
Acquisitions		12
Additions	17	24
Amortisation and impairment	-42	-62
Disposals and intra-balance sheet transfer	6	-14
Book value at end of period	780	779
Property, plant and equipment		
Book value at 1 January	457	446
Changes in exchange rates	14	3
Acquisitions		1
Additions	75	112
Depreciation and impairment	-73	-103
Disposals and intra-balance sheet transfer	-6	-2
Book value at end of period	466	457

GROSS CAPITAL EXPENDITURE

MEUR	2010	2009
Investments in securities and acquisitions	6	16
Intangible assets and property, plant and equipment	92	136
Total	98	152

Wärtsilä centralises 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 26 million during the review period and commitments related to the investment were EUR 6 million at the end of the review period.

INTEREST-BEARING LOAN CAPITAL

MEUR	31 Dec. 2010	31 Dec. 2009
Non-current liabilities	572	591
Current liabilities	56	73
Loan receivables	-17	-6
Cash and cash equivalents	-776	-244
Net	-165	414

FINANCIAL RATIOS

	2010	2009
Earnings per share, EUR (basic and diluted)	3.91	3.94
Equity per share, EUR	16.61	15.17
Solvency ratio, %	40.8	40.0
Gearing	-0.09	0.28

PERSONNEL

	2010	2009
On average	18 000	18 830
At end of period	17 528	18 541

CONTINGENT LIABILITIES

MEUR	31 Dec. 2010	31 Dec. 2009
Mortgages	59	56
Chattel mortgages	18	10
Total	77	66
Guarantees and contingent liabilities		
on behalf of Group companies	623	678
on behalf of associated companies	9	8
Nominal amount of rents according to leasing contracts	74	89
Total	706	775

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 023	114
Currency options, purchased	19	

CONDENSED STATEMENT OF INCOME, QUARTERLY

MEUR	10-12/2010	7-9/2010	4-6/2010	1-3/2010	10-12/2009	7-9/2009
Net sales	1 462	1 039	1 131	922	1 519	1 167
Other operating income	21	13	11	7	11	20
Expenses	-1 313	-910	-1 007	-851	-1 280	-1 026
Depreciation, amortisation and impairment	-29	-29	-28	-30	-73	-31
Share of result of associates and joint ventures	2	2		2	1	3
Operating result	143	114	105	49	179	133
Financial income and expenses	-10	-6	4		-9	-9
Net income from financial assets available for sale	117	32				
Profit before taxes	251	140	109	49	170	125
Income taxes	-71	-35	-31	-14	-51	-38
Profit for the financial period	179	104	79	35	119	87
Attributable to:						
Owners of the parent	176	101	76	32	115	86
Non-controlling interests	4	3	3	2	4	1
Total	179	104	79	35	119	87
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	1.78	1.03	0.77	0.33	1.17	0.87

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

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

Equity per share

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

Solvency ratio

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

Gearing

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

Return on investment (ROI)

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

Return on equity (ROE)

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

27 January 2011
Wärtsilä Corporation
Board of Directors