Wärtsilä's Financial Statements Bulletin January-December 2009

All time high net sales and operating profit, strong cash flow

FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2009

ALL TIME HIGH NET SALES AND OPERATING PROFIT, STRONG CASH FLOW

The annual figures in this financial statements bulletin are audited.

FOURTH QUARTER 10-12/2009 IN BRIEF

MEUR	10-12/2009	10-12/2008	Change
Order intake	823	823	0%
Net sales	1 519	1 530	-1%
Operating result (EBIT) before nonrecurring restructuring items	219	197	11%
% of net sales	14.4%	12.9%	
Nonrecurring items	40		
Operating result	179		
% of net sales	11.8%		
Profit before taxes	170	183	
Earnings/share, EUR	1.48 1)	1.46	
Cash flow from operating activities	207	23	

1) Earnings/share excluding nonrecurring items (EPS including nonrecurring items total 1.17)

REVIEW PERIOD JANUARY-DECEMBER 2009 IN BRIEF

MEUR	1-12/2009	1-12/2008	Change
Order intake	3 291	5 573	-41%
Order book at the end of the period	4 491 1)	6 883	-35%
Net sales	5 260	4 612	14%
Operating result (EBIT) before nonrecurring restructuring items	638	525	21%
% of net sales	12.1%	11.4%	
Nonrecurring items	46		
Operating result	592		
% of net sales	11.2%		
Profit before taxes	558	516	8%
Earnings/share, EUR	4.30 2)	3.88	
Cash flow from operating activities	349	278	
Interest-bearing net debt at the end of the period	414	455	
Gross capital expenditure	152	366	

1) Cancellations amounting to EUR 410 million have been eliminated form the order book during the review period January-December 2009.
2) Earnings/share excluding nonrecurring items (EPS including nonrecurring items total EUR 3.94)

THE YEAR 2009 IN BRIEF – A STRONG YEAR IN CHALLENGING ENVIRONMENT

The year 2009 was in many ways very successful for Wärtsilä. Group net sales, EUR 5,260 million grew by 14 percent compared to the year 2008. Operating profit reached an all time high level of EUR 638 million (525) and the operating margin stood at 12.1 percent (11.4 percent). The cash flow for the review period was very strong EUR 349 million (278).

At the same time our order intake decreased clearly as a result of weak demand particularly for marine equipment. New shipbuilding orders continued to be at a standstill during the first half of the year. An environment of oversupply within the major vessel segments prevailed throughout the year. In the latter part of the year market activity picked up somewhat and first signs of recovery can be seen in some Offshore and Special vessel segments.

In the power plant markets ordering activity during 2009 was hampered by difficulties in arranging financing although demand for power plants was at a good level and offering activity remained high. Ordering activity improved in the fourth quarter, due mainly to the improved situation in the financial markets. Most parts of the world have neglected making adequate investments into power generation capacity for years. Environmental considerations favour investment into renewable power sources and the active search and exploration of natural resources, particularly in Africa, requires electricity. Wärtsilä's technology is well positioned to respond to the needs arising from these trends.

The situation on the Services market remained quite stable. Although approximately 10% of the total vessel fleet is laid-up and the active engine base is underutilised, the medium-speed engine base has largely maintained its planned maintenance schedules. In some market segments, fuel conversions, retrofits or other larger investments have been postponed while customers focus on essential repairs and maintenance. Demand for power plant services remained stable.

Wärtsilä's order intake for the review period totalled EUR 3,291 million (5,573), a decrease of 41%. During the year adjustments to the weakened market situation in the shipbuilding sector were started in Ship Power and manufacturing.

MARKET DEVELOPMENT

CONTINUED WEAKNESS IN THE SHIP POWER MARKET

In 2009, only 400 new ships were ordered, which is less than 10% of average new orders during the all time high years. The first half of the year was particularly difficult, an environment of oversupply within the major vessel segments prevailed throughout the year. In the latter part of the year market activity picked up somewhat and a slight recovery was seen. Project financing still seems to remain the most important factor in many new investments, and this can be seen for example in offshore projects where there has not yet been a recovery, despite a surge in the price of oil. The strong and on-going recession in the shipping and shipbuilding industry has left its marks on the market, with both freight rates and new build prices at very low levels. Cancellations and rearrangements of existing orders will continue.

Ship Power geographical markets

In 2009, China secured approximately 50% (39) of global new building orders in terms of number of vessels, followed by Korea with approximately 30% (29) of the orders. China's gain of market share continues to be at the expense of Japan 2% (16) and Europe 9% (10). In terms of Dead Weight Tons (DWT), China and Korea each secured around 45% of the global contracted volume. Once the broader recovery commences, the Asian shipbuilding market is expected to emerge even stronger than earlier. The dominance will grow in all areas, including the more specialised vessel segments.

Ship Power market shares

Wärtsilä's market share in medium speed main engines increased from 31% at the end of the previous quarter to 36%. The company's market share in low speed main engines remained stable at 12% (13). In auxiliary engines the market shares decreased to 2% (4). Market shares have become more sensitive to individual orders since the total contracting volume is low.

POWER PLANTS MARKETS RECOVERED SLIGHTLY BY THE END OF THE YEAR

In 2009, demand for power plants was at a good level and offering activity remained high. Ordering activity was hampered by difficulties in arranging financing and customer decision-making processes were slow. Ordering activity improved in the fourth quarter, due mainly to the improved situation in the financial markets.

Power Plants market shares

According to statistics compiled by Diesel and Gas Turbine magazine, the global market for oil and gas power plants in Wärtsilä's power range declined to 11,570 MW (20,980) between June 2008 and May 2009. The market for gas power plants, including both reciprocating engines and gas turbines, declined to 7,090 MW (15,630), Wärtsilä's share of the market being 13% (8). The market for heavy fuel oil plants decreased to 3,430 MW (4,050), Wärtsilä's share being 46% (49). In light fuel oil plants the market decreased to 1.050 MW (1,300) and Wärtsilä's market share was 3% (20). For Wärtsilä the relevant markets for light fuel oil power plants are those running on liquid bio-fuels where hardly any new plants were ordered.

SERVICES BUSINESS STABLE DESPITE CHALLENGING MARINE MARKET

The economic crisis has affected customers' businesses, cash flow and investment levels. Marine customers have been especially hit and this has also impacted the maintenance of their installations, especially in the Merchant vessel segment. However, although approximately 10% of the total vessel fleet is laid-up and the active engine base is underutilised, the medium-speed engine base has largely maintained its planned maintenance schedules. In some market segments, fuel conversions, retrofits or other larger investments have been postponed while customers focus on essential repairs and maintenance. Power plant installations continue to run at high levels with a stable demand for maintenance.

Wärtsilä's installed engine base in the Ship Power and Power Plant markets totals over 160,000 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

The Group order intake for the fourth quarter was at the same level as in the corresponding period last year, and totalled EUR 823 million (823).
The order intake for Ship Power totalled EUR 54 million (152), 64% below the corresponding period last year. The fourth quarter order intake was 21% lower than in the third quarter of 2009 (EUR 68 million in the third quarter of 2009). The order intake for Power Plants in the fourth quarter totalled EUR 300 million (263), which was 14% higher than for the corresponding period last year. The order intake was 77% higher than in the previous quarter. This was mainly due to the improved situation in the financial markets. During the quarter the largest oil-fired power plant orders were those received from Greece and Kenya. During the fourth quarter Wärtsilä was contracted to supply a 170 MW gas-fired power plant to Texas, USA. The power plant is to be located close to significant wind farm generation, and will serve to stabilise the grid when the output from the wind farms change unexpectedly because of weather changes. Wärtsilä also received several orders for gas-fired power plants to Turkey during the quarter.
Order intake for the Services business totalled EUR 470 million (410) in the fourth quarter, a growth of 15% compared to the corresponding period 2008. Compared to the third quarter order intake decreased by 3% (EUR 483 million in the third quarter of 2009). During the quarter an operation & maintenance agreement was signed for a 160 MW coal plant located in India supplied by a third party. In December, a major 5-year agreement with Maersk LNG for five LNG vessels equipped with Wärtsilä 50DF dual-fuel engines.

Wärtsilä's order intake for the review period January-December 2009 totalled EUR 3,291 million (5,573), a decrease of 41%. Wärtsilä Ship Power's order intake for the review period was EUR 317 million (1,826), a decrease of 83% from the corresponding period last year. The main part of the year reflected the very difficult circumstances in the market. The Merchant customer segment represented 36%, Offshore 17%, Navy 16% and Cruise & Ferry 15% of total orders received in Ship Power during the review period.

For the review period January-December 2009, the Power Plants order intake totalled EUR 1,048 million (1,883), a 44% decrease compared to last year. Ordering activity was low during the first three quarters of the review period due to the financial crisis but improved during the fourth quarter. Wärtsilä Power Plants' order intake for the review period is the third highest order intake in the business' history, which is notable considering the challenging market environment.
Services' order intake for the review period January-December totalled EUR 1,917 million (1,858). During the review period Wärtsilä Services signed several operations and maintenance contracts in Brazil, Pakistan and the Philippines among others.

ORDER BOOK

At the end of the review period Wärtsilä's total order book stood at EUR 4,491 million (6,883), a decrease of 35%.

The Ship Power order book stood at EUR 2,553 million (4,486), -43%. During the review period January-December 2009, cancellations of EUR 410 million materialised and were deducted from the order book. The cancellations were mainly within the Merchant and Offshore segments. Wärtsilä sees a cancellation risk in the year-end order book of approximately EUR 500 million (EUR 800 million at the end of 2008).

At the end of the review period the Power Plants order book amounted to EUR 1,362 million (1,949), which is 30% lower than at the same date last year.

The Services order book totalled EUR 576 million (445) at the end of the review period, an increase of 29%.

Order intake by business

MEUR	**10-12/2009**	**10-12/2008**	**Change**
Ship Power	54	152	-64%
Power Plants	300	263	14%
Services	470	410	15%
Order intake, total	823	823	0%

MEUR	**1-12/2009**	**1-12/2008**	**Change**
Ship Power	317	1 826	-83%
Power Plants	1 048	1 883	-44%
Services	1 917	1 858	3%
Order intake, total	3 291	5 573	-41%

Order intake Power Plants

MW	**10-12/2009**	**10-12/2008**	**Change**
Oil	293	290	1%
Gas	332	207	60%
Renewable fuels	0	0	0%

MW	**1-12/2009**	**1-12/2008**	**Change**
Oil	1 172	2 029	-42%
Gas	800	1 240	-35%
Renewable fuels	35	80	-56%

Order book by business

MEUR	31 Dec. 2009	31 Dec. 2008	Change
Ship Power	2 553	4 486	-43%
Power Plants	1 362	1 949	-30%
Services	576	445	29%
Order book, total	4 491*)	6 883	-35%

*) Cancellations amounting to EUR 410 million have been eliminated form the order book during the review period January-December 2009.

STRONG SALES GROWTH

During the fourth quarter, Wärtsilä's net sales totalled EUR 1,519 million (1,530). Net sales for Ship Power totalled EUR 538 million (579), a decrease of 7%. Power Plants' net sales for the fourth quarter totalled 476 million (464), +3%. In Services the fourth quarter of 2009 represented an all time high quarter and amounted to EUR 504 million (495), +2%.

Wärtsilä's net sales for January-December 2009 grew by 14% and totalled EUR 5,260 million (4,612). Ship Power's net sales grew 15% to EUR 1,767 million (1,531). Net Sales for Power Plants totalled EUR 1,645 million (1,261), a growth of 30%. Net sales from the Services business remained stable and on a good level amounting to EUR 1,830 million (1,830). Net sales were evenly distributed between the businesses during the review period, Ship Power accounted for 34%, Power Plants for 31% and Services for 35% of the total net sales.

Net sales by business

MEUR	10-12/2009	10-12/2008	Change
Ship Power	538	579	-7%
Power Plants	476	464	3%
Services	504	495	2%
Net sales, total	1 519	1 530	-1%

MEUR	1-12/2009	1-12/2008	Change
Ship Power	1 767	1 531	15%
Power Plants	1 645	1 261	30%
Services	1 830	1 830	0%
Net sales, total	5 260	4 612	14%

PROFITABILITY IMPROVED CONSIDERABLY

The fourth quarter operating result before nonrecurring expenses was EUR 219 million (197), 14.4% of net sales (12.9). For the review period January-December 2009, the operating result before nonrecurring expenses rose to an all time high EUR 638 million (525), 12.1% of net sales (11.4). Including the nonrecurring expenses, the operating result was EUR 592 million or 11,2% of net sales. Wärtsilä recognised EUR 46 million of nonrecurring expenses related to the restructuring measures during the year.

Financial items amounted to EUR -34 million (-9). Net interest totalled EUR -17 million (-19). Dividends received totalled EUR 6 million (7). Other financial items include impairment write-offs of non-operating receivables of EUR 10 million and the interest rate differences on derivatives amounted to EUR 1 million (10). Profit before taxes amounted to EUR 558 million (516). Taxes in the reporting period amounted to EUR 161 million (127). The profit for the financial period amounted to EUR 396 million (389). Earnings per share were EUR 3.94 (3.88). Return on Investment (ROI) was 29.9% (32). Return on equity (ROE) was 29.2% (31).

BALANCE SHEET, FINANCING AND CASH FLOW

Wärtsilä's fourth quarter cash flow from operating activities was strong and totalled EUR 207 million (23). For January-December 2009 the cash flow from operating activities was EUR 349 million (278). Working capital in the cash flow decreased by EUR 25 million during the fourth quarter. Net working capital at the end of the period totalled EUR 482 million (267). Advances received at the end of the period totalled EUR 879 million (1,243). Net working capital has been exceptionally low during the past years due to the high amount of advances received. Cash and cash equivalents at the end of the period amounted to EUR 244 million (197).

Net interest-bearing loan capital totalled EUR 414 million (455). Wärtsilä had interest bearing loans totalling EUR 664 million (664) at the end of December 2009. The existing funding programmes include long-term loans of EUR 591 million, unutilised Committed Revolving Credit Facilities totalling EUR 555 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 73 million.

The solvency ratio was 40.0% (34.3) and gearing was 0.28 (0.39).

HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% of the total. This holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 98 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 152 million (366), which comprised EUR 16 million (198) in acquisitions and investments in securities, and EUR 136 million (168) in production and information technology investments. Depreciation and amortisations for the review period amounted to EUR 165 million (99), of which EUR 40 million is related to the restructuring measures announced at the beginning of 2010.

Maintenance capital expenditure for 2010 will be in line with or below depreciation. Wärtsilä continues to pursue its strategy to expand the Services offering and network, and any acquisition opportunities in this market may affect total capital expenditure for the year.

STRATEGIC ACQUISITIONS, JOINT VENTURES AND EXPANSION OF THE NETWORK

Wärtsilä continued pursuing its strategy of expanding its network with new service facilities in many countries, including Ukraine, Cameroon, Hungary, Chile, Dubai, Russia and Sweden. These facilities provide a good base for future service growth, and expansion the network will continue to be one of Wärtsilä's strategic focus areas in the future.

In May, Wärtsilä acquired 60% of the shares of Wärtsilä Navim Diesel of Italy, thus increasing its ownership of the company to 100%. Wärtsilä Navim Diesel, which specialises in marine sales and service, has a strong market position, particularly in the Cruise & Ferry segment. The transaction resulted in EUR 8 million of new goodwill.

MANUFACTURING

In April, Wärtsilä, China Shipbuilding Industry Corporation (CSIC) and Mitsubishi Heavy Industries (MHI) inaugurated a jointly owned, low-speed marine engine factory in Qingdao, Shandong Province, China. The joint venture company Qingdao Qiyao Wartsila MHI Linshan Marine Diesel Co. Ltd. (QMD) is owned by CSIC (50%), Wärtsilä Corporation (27%), and MHI (23%).

In May, Wärtsilä and 3. Maj Shipbuilding Industry Ltd. of Croatia signed a ten-year renewal of the existing licence agreement for the marketing, sale, manufacturing and servicing of Wärtsilä low-speed marine diesel engines.

During the second quarter, an important milestone was reached for the Wärtsilä 32 engine with the 6000th engine produced Vaasa, Finland factory.

The newest expansion investment in the Wärtsilä CME Zhenjiang Propeller Co. Ltd joint venture in Zhenjiang, China was concluded and inaugurated in the second quarter according to plan.

The concentration of shipbuilding activity to Asia, particularly to China is expected to continue. This is the basis for the adjustments of capacity within Wärtsilä Industrial operations that were initiated during 2009. At the beginning of the year 2010 a plan was announced to move the main part of the propeller and W20-generating set production to China.

RESEARCH & DEVELOPMENT

During 2009 several R&D milestones were passed. The Hercules-Beta research project proposal was approved by the European Commission in March. Hercules-Beta represents a major international co-operative effort to maximise fuel efficiency while producing ultra-low emissions, and to develop future generations of optimally efficient and clean marine diesel engines.

After performing successfully in a series of tests, the Wärtsilä sulphur oxides (SOx) scrubber was awarded the Sulphur Emission Control Area (SECA) Compliance Certificate during the third quarter, by the classification societies Det Norske Veritas and Germanischer Lloyd.

In the fourth quarter, Wärtsilä extended its dual-fuel technology to the lower power range with the launch of the new environmentally advanced Wärtsilä 20DF engine. The new Wärtsilä 20DF engine is a testimony to Wärtsilä's ability to successfully utilise gas as a main fuel for marine operations.

The joint development project between Wärtsilä and Mitsubishi Heavy Industries Ltd. to design and develop new small, low-speed marine diesel engines of less than 450 mm cylinder bore, proceeded according to plan. This agreement is an extension of the strategic alliance created by Wärtsilä and Mitsubishi in 2005.

Wärtsilä is one of the three leading companies driving a major national three-year combustion engine research programme in Finland. The initiative has been set up by a wide and cross-functional consortium of Finnish technology companies and leading research institutes. The principle aim of the Future Combustion Engine Power Plant (FCEP) programme is to develop reciprocating engine and related power plant technologies. The aim is to maintain a leading position in global markets while meeting the requirements of tightening environmental legislation.

In 2009, Wärtsilä's research and development expenses totalled EUR 141 million (121), or 2.7% of net sales.

PERSONNEL

In May 2009, Wärtsilä Ship Power announced that it had initiated the formal process to reduce 400-450 jobs. The negotiations were initiated to adjust to the substantially weakened global marine market situation. The annual savings from these measures will be approximately EUR 30 million. The effect of the savings started to materialise gradually from the second half of 2009, and will take full effect by the end of 2010. In the second quarter Wärtsilä recognised EUR 6 million of nonrecurring expenses in its operating result related to the adjustment measures taken in the Ship Power business. Altogether, Wärtsilä Ship Power employs sales, project management, engineering services and ship design personnel in 30 countries.

As the order book started to diminish also the Industrial Operations commenced personnel reductions in the form of temporary lay-offs and by reducing temporary employment contracts. In January 2010 Wärtsilä announced its plans to adjust to the fundamental changes in the market by reducing its manufacturing capacity. Wärtsilä also plans to move the majority of its propeller production and W20-generating set production to China, close to the main marine markets. In the course of 2010 Wärtsilä plans to reduce approximately 1,400 jobs globally within the Group.

During the review period Wärtsilä's personnel on average was 18,830 (17,623). At the end of December Wärtsilä had 18,541 (18,812) employees. As the biggest single business, Services had 11,219 employees (11,011) globally.

SUSTAINABLE DEVELOPMENT

At the beginning of 2009, Wärtsilä was for the first time included in the list of the 100 most sustainable companies in the world. The list was published at the World Economic Forum in Davos, Switzerland.

To illustrate its strong commitment to sustainability, Wärtsilä signed the United Nations Global Compact in 2009.

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.

CHANGES IN MANAGEMENT

The following appointments were made to Wärtsilä Corporation's Board of Management, with effect from 1 August 2009:

Christoph Vitzthum (40) MSc (Econ.) was appointed Group Vice President, Services.
Vesa Riihimäki (43) MSc (Eng.) was appointed Group Vice President, Power Plants and a member of the Board of Management.

Tage Blomberg, Group Vice President, Services, retired during 2009 in line with his employment contract.

SHARES AND SHAREHOLDERS

SHARES ON HELSINKI EXCHANGES

31 December 2009	Number of Shares	Number of votes	Number of shares traded 1-12/2009
WRT1V	98 620 565	98 620 565	137 102 273

1. Jan - 31 Dec. 2009	High	Low	Average 1)	Close
Share price	30.91	15.81	23.46	28.07

1) Trade-weighted average price

	31 Dec. 2009	31 Dec. 2008
Market capitalisation, EUR million	2 768	2 072
Foreign shareholders	45.4%	45.8%

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 11 March 2009 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 2008. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.50 per share totalling EUR 148 million. Dividends were paid on 23 March 2009.

The Annual General Meeting decided that the Board of Directors shall have six members. The following were elected to the Board: Ms Maarit Aarni-Siriviö, 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 as the company's auditors.

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, Bertel Langenskiöld

Nomination Committee:

Chairman Antti Lagerroos, Matti Vuoria, Kaj-Gustaf Bergh

Compensation Committee:

Chairman Antti Lagerroos, Matti Vuoria, Bertel Langenskiöld

EVENTS AFTER THE REPORTING PERIOD

On January 19th 2010, Wärtsilä announced its plans to adjust to the fundamental changes in the market by reducing its manufacturing capacity. Wärtsilä also plans to move the majority of its propeller production and W20-generating set production to China, close to the main marine markets. The current propeller manufacturing in Drunen, and the component manufacturing DTS in Zwolle, both in The Netherlands, are planned to be closed. The Wärtsilä 20 generating set production in Vaasa Finland is planned to be closed and moved to China in order to stay competitive in this market.

In the course of 2010 Wärtsilä plans to reduce approximately 1,400 jobs globally within the Group. Of these reductions 570 are planned to be in the Netherlands, where Wärtsilä employs 1,561 people. The remaining reduction will impact various divisions, functions and countries and will be clarified during the first half of this year.

The nonrecurring costs related to the restructuring will be approximately EUR 140 million. This includes non-cash write-offs of approximately EUR 50 million of which EUR 40 million is recognised in 2009. Wärtsilä is looking for an annual cost savings of approximately EUR 80-90 million. The effect of the savings will start to materialise gradually during 2010, and will take full effect in the first half of 2011.

BOARD OF DIRECTOR'S DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of 1,75 euros per share be paid for the financial year 2009. Wärtsilä's distributable funds at the end of the period totalled EUR 585,892,877.82. The Annual Report 2009, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com on during week 6.

RISKS AND BUSINESS UNCERTAINTIES

Due to the uncertainties within the shipping industry, the main risk in Ship Power remains the slippage of ship yard delivery schedules and it seems probable that some orders will be rescheduled or cancelled. As a result of this development, Wärtsilä sees a cancellation risk of approximately EUR 500 million.

In the Power Plant business, the impact from the financial crisis can mainly be seen in the timing of larger projects.

In Services, the biggest risks still relate to the further deterioration of the shipping industry leading to a larger scale lay-up of ships, which could reduce demand for maintenance and services within this segment.

The current market situation has impacted the entire supply chain during 2009 and Wärtsilä is continuously monitoring its supplier base. The risk level has not significantly changed during the year.

The annual report for 2009 contains a thorough description of Wärtsilä's risks and risk management.

MARKET OUTLOOK

At the end of the year, signs of easing in the financing of new projects have spurred project development, especially in the Offshore segment. The gradual normalisation of the financial markets is also expected to result in revitalisation in investments for various special vessels. These vessel categories have not faced any significant over supply issues during recent years. Some recovery in new ordering of Offshore and Special vessels is expected in the first two quarters of 2010. In the Merchant segment, demand for the biggest vessel categories is expected to remain low for another two years. The market is still burdened by overcapacity and finance related issues. It is expected that more cancellations, swaps and splits of old orders will be seen, all of which will hamper new ordering activity.

Even though markets seem to have bottomed out, it is clear that current overcapacity and prevailing conditions will lead to more intense competition and price pressure among shipbuilding suppliers. Wärtsilä Ship Power estimates order intake in 2010 to be moderately better than in 2009.

In 2010, the power generation market is expected to recover gradually, along with the improvements in the financial sector. The recovery is expected to happen at varying pace in different regions and countries, while emerging markets are expected to be in the forefront of the recovery. The flexible baseload and grid stability & peaking customer segments are expected to recover first. Wärtsilä Power Plants estimates order intake to improve in 2010.

Uncertainty will continue in 2010 with regards to larger service projects, as many customers are still adapting to the economic crisis. Power plant installations continue to be run at high operating levels. Environmental compliance and economic considerations have been the main drivers of this business, and will remain so in the foreseeable future. Wärtsilä is continuously developing its portfolio in these areas. Customers are increasingly looking for remote management and optimisation of their assets, as this allows them to reduce both their costs and environmental footprint at the same time. Wärtsilä also sees an increased interest in maintenance partnerships, which reduce the fixed costs for our marine, offshore and power plant customers.

In 2010, Services will continue its stable development.

WÄRTSILÄ'S PROSPECTS FOR 2010

Due to the weakness of the shipbuilding sector we expect net sales to decline by 10-20 percent in 2010. As a result of a stable service business, good demand for power plants and proper adaptation of capacity, our operational profitability (EBIT% before nonrecurring items) should be between 9-10 %, well within the upper end of our long-term target range.

WÄRTSILÄ FINANCIAL STATEMENTS BULLETIN 2009

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 2008. 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 2009 the following are applicable to the Group reporting:

- IFRS 8 Operating Segments
- IAS 23 Borrowing Cost
- IAS 1 Presentation of financial Statement
- IFRIC 16 Hedges of Net Investment in a foreign Operation

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.

27 January 2010
Wärtsilä Corporation
Board of Directors

CONSOLIDATED INCOME STATEMENT

MEUR	2009	2008
Net sales	5 260	4 612
Change in inventories of		
finished goods & work in progress	98	304
Work performed by the Group and capitalized	1	7
Other income	50	26
Material and services	-3 183	-2 999
Employee benefit expenses	-910	-854
Depreciation and amortizations	-165	-99
Other expenses	-564	-474
Share of profit of associates and joint ventures	6	
Operating result	592	525
Income from financial assets	6	7
Interest income	4	9
Other financial income	12	22
Interest expenses	-21	-27
Other financial expenses	-35	-20
Profit before taxes	558	516
Income taxes	-161	-127
Profit for the financial period	396	389
Attributable to:		
Owners of the parent	389	380
Non-controlling interest	8	9
Total	396	389
Earnings per share attributable to equity holders of the parent company:		
Earnings per share, EUR (basic and diluted)	3.94	3.88

STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	396	389
Other comprehensive income after tax:		
Exchange differences on translating foreign operations	18	-27
Investments available for sale	34	-37
Cash flow hedges	20	-44
Share of other comprehensive income of associates and joint ventures	1	-1
Other income/expenses		6
Other comprehensive income for the period	73	-103
Total comprehensive income for the period	469	286
Total comprehensive income attributable to:		
Owners of the parent	460	277
Non-controlling interest	9	9
	469	286

CONSOLIDATED BALANCE SHEET, ASSETS

MEUR	31 Dec. 2009	31 Dec. 2008
Non-current assets		
Goodwill	558	549
Intangible assets	222	244
Property, plant and equipment	449	435
Investment properties	9	11
Equity in associates and joint ventures	56	41
Investments available for sale	151	106
Interest-bearing investments	2	11
Deferred tax receivables	88	85
Trade receivables	2	3
Other receivables	12	12
	1 548	1 498
Current assets		
Inventories	1 577	1 656
Interest-bearing receivables	4	1
Trade receivables	1 028	891
Income tax receivables	10	14
Other receivables	244	486
Cash and cash equivalents	244	197
	3 108	3 245
Assets	4 655	4 743

CONSOLIDATED BALANCE SHEET, SHAREHOLDER' EQUITY AND LIABILITIES

MEUR	31 Dec. 2009	31 Dec. 2008
Shareholders' equity		
Share capital	336	336
Share premium reserve	61	61
Translation differences	-6	-27
Fair value reserve	99	50
Retained earnings	1 006	764
Total equity attributable to equity holders of the parent	1 496	1 184
Minority interest	16	15
Total shareholders' equity	1 512	1 199
Liabilities		
Non-current liabilities		
Interest-bearing debt	591	448
Deferred tax liabilities	93	86
Pension obligations	46	40
Provisions	24	24
Advances received	187	329
Other liabilities	1	1
	941	927
Current liabilities		
Interest-bearing debt	73	216
Provisions	181	165
Advances received	691	915
Trade payables	299	444
Income tax liabilities	75	58
Other liabilities	883	819
	2 202	2 616
Total liabilities	3 143	3 544
Shareholders' equity and liabilities	4 655	4 743

CONSOLIDATED CASH FLOW STATEMENT

MEUR	2009	2008
Cash flows from operating activities:		
Profit before taxes	558	516
Adjustments:		
Depreciation and amortizations	165	99
Financial income and expenses	34	9
Selling profit and loss of fixed assets and other changes	-7	2
Share of profit of associates and joint ventures	-6	
Cash flow before changes in working capital	743	626
Changes in working capital:		
Current assets, non-interest-bearing, increase (-) / decrease (+)	114	-278
Inventories, increase (-) / decrease (+)	66	-561
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-358	589
Changes in working capital	-179	-250
Cash flow from operating activities before financial items and taxes	564	377
Financial items and taxes:		
Interest and other financial expenses	-72	-45
Interest and other financial income	15	50
Income taxes	-158	-104
Financial items and taxes	-215	-99
Cash flow from operating activities	349	278
Cash flow from investing activities:		
Investments in shares and acquisitions	-16	-198
Investments in tangible and intangible assets	-136	-168
Proceeds from sale of shares	3	21
Proceeds from sale of tangible and intangible assets	-21	9
Loan receivables, increase (-) / decrease (+) and other changes	-1	1
Dividends received from investments	8	7
Cash flow from investing activities	-163	-329
Cash flow after investing activities	187	-51
Cash flow from financing activities:		
New long-term loans	263	260
Amortization and other changes in long-term loans	-109	-4
Loan receivables, increase (-) / decrease (+)	3	
Current loans, increase (+) / decrease (-)	-141	129
Dividends paid	-156	-412
Cash flow from financing activities	-140	-26
Change in cash and cash equivalents, increase (+) / decrease (-)	47	-76
Cash and cash equivalents at beginning of period	197	296
Joint ventures' cash and cash equivalents at beginning of period		-18
Fair value adjustments, investments		1
Exchange rate changes		-6
Cash and cash equivalents at end of period	244	197

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 2009	336	61	-27	50	764	15	1 199
Translation differences			21				21
Other changes					1		1
Available-for-sale investments							
gain/loss from fair valuation, net of taxes				34			34
Cash flow hedges							
gain/loss from fair valuation, net of taxes				3			3
transferred to income statement, net of taxes				12		2	14
Comprehensive income			21	49	1	1	73
Profit for the financial period					389	8	396
Total comprehensive income for the period			21	49	390	9	469
Dividends paid					-148	-8	-156
Shareholders' equity on 31 Dec. 2009	336	61	-6	99	1 006	16	1 512
Shareholders' equity on 1 January 2008	336	61	3	127	788	10	1 325
Translation differences			-23				-23
Other changes					4		4
Available-for-sale investments							
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
Comprehensive income			-23	-77	4		-96
Profit for the financial period			-7		380	9	382
Total comprehensive income 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

GEOGRAPHICAL AREAS

MEUR	Europe	Asia	Americas	Other	Group
Net sales 2009	1 654	1 937	1 176	493	5 260
Net sales 2008	1 695	1 792	689	436	4 612

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	2009	2008
Intangible assets		
Book value at 1 January	793	646
Changes in exchange rates	26	-30
Acquisitions	12	191
Additions	24	29
Depreciation and amortizations	-62	-42
Disposals and intra-balance sheet transfer	-14	-1
Book value at end of period	779	793
Property, plant and equipment		
Book value at 1 January	446	377
Changes in exchange rates	3	-3
Acquisitions	1	9
Additions	112	139
Depreciation and amortizations	-103	-57
Joint ventures' opening balances		-6
Disposals and intra-balance sheet transfer	-2	-13
Book value at end of period	457	446

GROSS CAPITAL EXPENDITURE

MEUR	2009	2008
Investments in securities and acquisitions	16	198
Intangible assets and property, plant and equipment	136	168
Group	152	366

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 22 million during the review period and commitments related to the investment were EUR 41 million at the end of the review period.

IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET

During the review period Wärtsilä has acquired the remaining 60 per cent of the shares of Wärtsilä Navim Diesel of Italy, a company specialised in marine sales and service. Wärtsilä has also aquired Serbian Vik-Sandvik Albatross d.o.o. and Russian CJSC Vik-Sandvik Russland during the review period. These companies specialise in ship design.

MEUR	2009
Acquisition costs	13
Acquired assets to fair value	-5
Goodwill	8
Specification of acquired assets:	
Intangible assets	4
Property, plant and equipment	1
Inventories	1
Receivables	10
Liabilities	-10
Deferred tax liabilities	-1
Total	5

INTEREST-BEARING LOAN CAPITAL

MEUR	31 Dec. 2009	31 Dec. 2008
Long-term liabilities	591	448
Current liabilities	73	216
Loan receivables	-6	-12
Cash and bank balances	-244	-197
Net	414	455

FINANCIAL RATIOS

	2009	2008
Earnings per share, EUR	3,94	3,88
Diluted earnings per share, EUR	3,94	3,88
Equity per share, EUR	15,17	12,01
Solvency ratio, %	40,0	34,3
Gearing	0,28	0,39

PERSONNEL

	2009	2008
On average	18 830	17 623
At end of period	18 541	18 812

CONTINGENT LIABILITIES

MEUR	31 Dec. 2009	31 Dec. 2008
Mortgages	56	61
Chattel mortgages	10	10
Total	66	71
Guarantees and contingent liabilities		
on behalf of Group companies	678	664
on behalf of associated companies	8	
Nominal amount of rents according to leasing contracts	77	87
Total	763	751

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	90	
Foreign exchange forward contracts	1 381	433
Currency options, purchased	72	
Currency options, written	5	

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	10-12/ 2009	7-9/ 2009	4-6/ 2009	1-3/ 2009	10-12/ 2008	7-9/ 2008	4-6/ 2008	1-3/ 2008
Net sales	1 519	1 167	1 333	1 241	1 530	1 140	1 092	850
Other income	11	20	13	5	10	6	5	5
Expenses	-1 280	-1 026	-1 167	-1 087	-1 313	-996	-953	-753
Depreciation and amortizations	-73	-31	-30	-30	-31	-26	-21	-21
Share of profit of associates and joint ventures	1	3	1	1	1	-1	1	0
Operating result	179	133	149	130	197	123	124	81
Financial income and expenses	-9	-9	-9	-7	-14	5	7	-7
Profit before taxes	170	125	141	123	183	127	131	75
Income taxes	-51	-38	-39	-34	-36	-30	-36	-25
Profit for the financial period	119	87	102	89	147	97	96	49
Attributable to:								
Owners of the parent	115	86	100	87	144	95	94	47
Non-controlling interest	4	1	2	1	3	3	2	2
Total	119	87	102	89	147	97	96	49
Earnings per share attributable to equity holders of the parent company:								
Earnings per share, EUR	1.17	0.87	1.01	0.89	1.46	0.97	0.96	0.49

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

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

Gearing

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