WÄRTSILÄ 2009
FINANCIAL REVIEW

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ABOUT THIS REPORT

This printed Financial review is an abbreviation of Wärtsilä's annual report 2009. It contains a few sections from the annual report but the Review by the Board of Directors and the Financial Statements for 2009 in their entirety. The complete annual report for 2009 can be found in electronic format at http://www.annualreport2009.wartsila.com/Home

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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% 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% (11.4). The cash flow for the review period was very strong at 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 anwd 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, mainly due to the improved situation in the financial markets. Most parts of the world have neglected to make 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.

- Order intake for the review period decreased 41% and totalled EUR 3,291 million (5,573)
- Order book decreased 35% and totalled EUR 4,491 million (6,883)
- Net sales grew 14% to EUR 5,260 million (4,612). Ship Power accounted for 34%, Power Plants for 31% and Services for 35% of the total net sales
- Profitability grew strongly and was 12.1% of net sales (11.4). Operating result (before nonrecurring restructuring items) totalled EUR 638 million (525)
- Earnings per share excluding nonrecurring items amounted to 4.30 euros (3.88)
- 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.
- The concentration of shipbuilding activity to Asia, particularly to China, is expected to continue. This is the basis for the capacity adjustments within Wärtsilä Ship Power and Industrial operations that were initiated during 2009 and early 2010.

Key ratios

MEUR	2009	Q4 / 2009	Q3 / 2009	Q2 / 2009	Q1 / 2009	2008	2007
Net sales	**5 260**	**1 519**	**1 167**	**1 333**	**1 241**	4 612	3 763
Ship Power	**1 767**	**538**	**378**	**479**	**373**	1 531	1 320
Power Plants	**1 645**	**476**	**360**	**379**	**431**	1 261	882
Services	**1 830**	**504**	**424**	**469**	**434**	1 830	1 550
Depreciation and amortisations	**-165**	**-73**	**-31**	**-30**	**-30**	-99	-78
Operating result	**638**[1]	**219**[1]	**133**	**155**[1]	**130**	525	380
Operating result, %	**12.1**	**14.4**	**11.4**	**11.7**	**10.5**	11.4	10.1
Profit before taxes	**558**	**170**	**125**	**141**	**123**	516	372
Earnings per share, EUR	**3.94**	**1.17**	**0.87**	**1.01**	**0.89**	3.88 [2]	2.74
Balance sheet total	**4 655**	**4 655**	**4 935**	**4 998**	**4 782**	4 743	3 749
Interest-bearing liabilities, gross	**664**	**664**	**852**	**890**	**774**	664	283
Cash and cash equivalents	**244**	**244**	**262**	**118**	**149**	197	296
ROI, %	**29.9**	**-**	**-**	**-**	**-**	32.4	26.0
Gearing	**0.28**	**0.28**	**0.43**	**0.61**	**0.55**	0.39	-0.01
Order book, end of period	**4 491**	**4 491**	**5 351**	**5 829**	**6 477**	6 883	6 308
Order intake	**3 291**	**823**	**725**	**785**	**958**	5 573	5 633
Personnel, end of period	**18 541**	**18 541**	**18 806**	**19 016**	**18 844**	18 812	16 336
Year-end market capitalization	**2 768**	**2 768**	**2 700**	**2 262**	**1 567**	2 072	5 023

[1] Before nonrecurring restructuring items.

[2] 3.96 euros before the effect of the combination of Wärtsilä's share series.

Dear shareholder,

The autumn of 2008 marked a turning point in the development of Wärtsilä's business environment. As the first signals of what turned out to become the widest financial crisis in recent history hit Wärtsilä, we entered the new phase with a record high order book.

Even with part of that order book being cancelled, the year 2009 was very successful in terms of delivery volumes. 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 Services business, which structurally has a very short order book, maintained its volumes in spite of significant lay ups of vessels.

The order intake, however, was affected by weak demand, particularly for marine equipment. During the 1990's, new ships were ordered at the rate of 1,500 ships per year and during the boom years of 2003–2008 at the rate of 4,500 ships per year. In 2009 only 400 new ships were ordered. This naturally had an effect on our Ship Power business. New orders representing only EUR 317 million (1,826) were received and cancellations representing a value of EUR 410 million were recorded.

The demand for power plants continued at a healthy level. The reasons are evident: 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. Although economic uncertainty held contracting activity back during the first part of the year, order intake recovered towards the end of the year.

The Services business, representing 35 percent (40) of group turnover, has proven to be resilient to the financial downturn. A strong global presence, new service products and concepts combined with a broad installed base have all helped Services to maintain its business at good level of the previous year.

During the last two to three years, the demand in most industrial sectors has increased rapidly. This has put our supply chain under severe pressure and has resulted in price increases, delays and even occasional quality problems. Thanks to systematic investment and development work together with gradually decreasing demand, the situation normalised during 2009 and component prices started to fall. We expect this trend to continue.

The low contracting activity in the shipbuilding sector is expected to continue for more or less another two years. The first signs of recovery can be seen in some Offshore and Special vessel segments. The concentration of shipbuilding activity to Asia, particularly to China, is expected to continue. This is the basis for the adjustments in capacity within Wärtsilä Ship Power and Industrial Operations that were initiated during 2009. At the beginning of the year 2010, we announced our plans to strengthen our propeller and generating set production platform in China. Our Ship Power sales organisation has been adjusted to reflect the current needs of the market. These measures have had, and will have, an effect on employment within the group. This is naturally unfortunate, but unavoidable in order to stay competitive in the changing market environment. I am confident that Wärtsilä will emerge even stronger in the marine markets as a result of this restructuring process - without compromising on our corporate values: Energy, Excellence and Excitement.

Wärtsilä is a technology company and we continue to be committed to investing into research and development. These investments have remained steady at 2.7 percent of turnover (2.6). We consider it our obligation to continue developing products and services that radically reduce the level of emissions to both the air and the sea. Improved ship design, more efficient engines and propulsors, use of gas as fuel, and optimised, flexible power plant solutions all contribute to a more sustainable environment. It is our strategy to maintain and develop this proprietary know-how and to develop new service concepts around it while strengthening our production capabilities close to the markets.

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

Let me take this opportunity to thank our shareholders for your interest in our company, our customers for the confidence you have shown in our products and services, and last but not least, our employees for your undivided attention and dedication to the development of Wärtsilä.

Ole Johansson
President & CEO


Antti Lagerroos


Matti Vuoria


Maarit Aarni-Sirviö


Kaj-Gustaf Bergh


Kari Kauniskangas


Bertel Langenskiöld

Board of Directors

Mr Antti Lagerroos

Independent of the company and significant shareholders. Chairman of the Board of Wärtsilä Corporation. Born 1945, LL.Lic. Member of the Board of Wärtsilä Corporation since 2002.
Primary working experience: *University of Turku*, Lecturer in Process, Criminal and Public law 1971–78. *Vaasa School of Economics*, acting Professor of Fiscal Law 1973–79; *Hollming Oy*, President of Legal Affairs and Finance 1979–81; *Salora Oy*, Chairman & CEO 1981–84; *Salora-Luxor Division*, President 1984–86; *Nokia Corporation*, Member of the Operating Board 1984–86; *Nokia Corporation*, Member of Board of Directors 1986-90; *Nokia Mobile Phones*, Executive President 1989–90. President & CEO and Member of the Board of *Finnlines Plc* 1990–2007.
Other positions of trust: *Cargotec Corporation*, Member of the Board.

Mr Matti Vuoria

Dependent on the company and independent of significant shareholders. Deputy Chairman of the Board of Wärtsilä Corporation. Born 1951, BA, Master of Laws. President & CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wärtsilä Corporation since 2005.
Primary working experience: Secretary General, *Ministry of Trade and Industry* 1992–98; Full-time Chairman of the Board of Directors, *Fortum Corporation* 1998–2003.
Other positions of trust: *Sampo plc*, Deputy Chairman of the Board; *Stora Enso Oyj*, Member of the Board; *The Federation of Financial Services and The Finnish Pension Alliance TELA*, Member of the Boards, *The Securities Market Association* and *the Finnish-Russian Chamber of Commerce*, Chairman of the Boards.

Ms Maarit Aarni-Sirviö

Independent of the company and significant shareholders. Born 1953, MSc. (Tech.), MBA. President & CEO of Mint of Finland Ltd. Member of the Board of Wärtsilä Corporation since 2007.
Primary working experience: *Borealis Group* 1994–2008, several senior leadership positions, latest Vice President, *BU Phenol*; and in *Neste Oyj*; 1977–94.
Other positions of trust: *Oy Nordic Moneta Ab and Det Norske Myntverket*, Chairman of the Boards; *Rautaruukki Oyj* and *Ponsse Oyj*; Member of the Boards.

Mr Kaj-Gustaf Bergh

Independent of the company and significant shareholders. Born 1955. B.Sc., LL.M. Managing Director of Föreningen Konstsamfundet r.f. Member of the Board of Wärtsilä Corporation since 2008.
Primary working experience: *Ky von Konow & Co*, Administrative manager, 1982-83; *Ane Gyllenberg Ab*, Administrative manager, 1984–85; *Oy Bensow Ab*, Director, Executive vice president, 1985–86; *Ane Gyllenberg Ab*, Chief executive officer, 1986–98; *SEB Asset Management*, Director; 1998–2000; *Skandinaviska Enskilda Banken*, Member of management, 2000–9/2001; *Föreningen Konstsamfundet r.f.*, Chief executive officer, 5/2006–.
Other positions of trust: Chairman of Boards; *Aktia Bank plc*; *Finaref Group Ab*; *Fiskars Corporation* and *KSF Media Holding Ab*. Member of Boards; Ab Forum Capita Oy; *Julius Tallberg Oy Ab*; *Ramirent Group* and *Stockmann Oyj Abp*.

Mr Kari Kauniskangas

Independent of the company, dependent on significant shareholder. Born 1962. M.Sc (Econ.). President & CEO of Fiskars Corporation. Member of the Board of Wärtsilä Corporation since 2008.
Primary working experience: Several different positions within *Amer Sports Oyj* since 1984; *Amer Sports Europe GmbH*, Germany, Managing Director, 1999–2004; Director, sales & distribution, 2004–07; Manager for the Winter & outdoor -business unit, 2007.

Mr Bertel Langenskiöld

Independent of the company and significant shareholders. Born 1950, MSc (Eng.). President of Metso Paper Inc. Member of the Board of Wärtsilä Corporation since 2002.
Primary working experience: *Tampella Power Kvaerner Pulping*, Power Division, President 1994–2000; *Fiskars Corporation*, President 2001–03; *Metso Minerals*, *Inc.*, President, 2003–06; *Metso Paper*, *Inc.*, Fiber Business Line, President 8/2006–3/2007.
Other positions of trust: Member of the Board of *Luvata Group*.


Ole Johansson


Raimo Lind


Jaakko Eskola


Lars Hellberg


Kari Hietanen


Atte Palomäki


Vesa Riihimäki


Christoph Vitzthum

Board of Management

Mr Ole Johansson
President & CEO since 2000. Born 1951, BSc (Econ.). Employed by the company in 1975–79 and rejoined in 1981.
Primary working experience: Wärtsilä Group 1975–79 and rejoined in 1981; *Wärtsilä Diesel Inc*, Vice President 1984–86; *Wärtsilä Diesel Group*, Vice President & Controller 1986–94; *Metra Corporation*, Senior Vice President & CFO 1994–96; *Metra Corporation*, Executive Vice President & CFO 1996–98; *Wärtsilä NSD Corporation*, President & CEO 1998–2000.
Positions of trust: *Outokumpu Oyj*, Chairman of the Board; *Varma Mutual Pension Insurance Company*, Deputy Chairman of the Board; *Technology Industries of Finland*, Member of the Board; *Finnish Business and Policy Forum EVA*, Member of the Supervisory Board.

Mr Raimo Lind
Executive Vice President and Deputy to the President since 2005. Group Vice President, CFO since 1998. Born 1953, MSc (Econ.). Employed by the company 1976–89 and rejoined in 1998.
Primary working experience: *Wärtsilä Group*, positions within control and finance and in development and internationalisation 1976–80; *Wärtsilä Diesel Group*, Vice President & Controller 1980–84; *Wärtsilä Singapore*, Managing Director & Area Director 1984–88; *Wärtsilä Service Division*, Deputy Vice President 1988–89; *Scantrailer Ajoneuvoteollisuus Oy*, President 1990–92; *Tamrock Oy*, CFO 1992–93; *Tamrock Service Business*, Vice President 1994–96; *Tamrock Coal Business*, Vice President 1996–97.
Positions of trust: *Sato Oyj*, Deputy Chairman of the Board; *Elisa Oyj*, Member of the Board 2009–.

Mr Jaakko Eskola
Group Vice President, Ship Power since 2006. Born 1958, MSc (Eng.). Joined the company in 1998.
Primary working experience: *VTT Technical Research Centre of Finland*, Researcher 1983–84; *Industrialisation Fund of Finland*, Corporate Analyst 1984–86; *National Banking Group*, various managerial positions in international project finance 1986–97; *PCA Corporate Finance*, Executive Director 1997–98; *Wärtsilä Development & Financial Services Oy*, President 1998–2005; *Wärtsilä Corporation, Power Plants*, Vice President, Sales & Marketing 2005–06.
Positions of trust: *EMEC*, President; *Finpro ry*, Member of the Supervisory Board.

Mr Lars Hellberg
Group Vice President, Industrial Operations since 2004. Born 1959, B.Sc. (Eng.). Joined the company in 2004.
Primary working experience: *Volvo Cars AB*, Research Engine Engineer and Project Manager in vehicle development programmes; *Vice President*, Industrial Operations; Vice President of Global Business & Volume Optimisation; General Manager in *Volvo Car Operations BV* 1979–2001; *Saab Automotive AB*, Executive Director for the Customer Satisfaction and Quality division and a Member of the Board of Management 2001–04.

Mr Kari Hietanen
Group Vice President, Legal Affairs and HR, Company Secretary since 2002. Born 1963, LLM. Joined the company in 1989.
Primary working experience: *Metra Corporation and Wärtsilä Diesel Group*, Legal Counsel 1989–94; *Wärtsilä Diesel Group*, General Counsel 1994–99; *Wärtsilä Power Divisions*, Group General Counsel 2000–01; *Wärtsilä Corporation*, Vice President, Legal Affairs and Group General Counsel 2002–.
Positions of trust: *German-Finnish Chamber of Commerce*, Deputy Chairman of the Board.

Mr Atte Palomäki
Group Vice President, Communications & Branding since 2008. Born 1965, MSc (Pol.). Joined the company in 2008.
Primary working experience: *MTV3*, News anchor 1993–95; News producer 1995–2000; Senior economic correspondent 2000–02; *Kauppalehti*, Senior business correspondent 2002–05; *Nordea Bank AB (publ.)*, Chief communication officer, Finland 2005–06; Group chief press officer 2007–08.
Positions of trust: *Talentum Oyj*, Member of the Board, *Finnfacts*, Member of the Board.

Mr Vesa Riihimäki
Group Vice President, Wärtsilä Power Plants as of August 2009. Born 1966, MSc (Eng.). Joined the company in 1992.
Primary working experience: *Wärtsilä Diesel Oy*, Design Engineer, Projects 1992–1993; Chief Design Engineer, Projects 1993–1997; *Wärtsilä NSD Finland Oy*, Design Manager, Electrical Systems 1997–2000; *Wärtsilä Finland Oy*, Design Manager Power Generation Systems 2000–2002; General Manager, Electrical & Automation Systems 2002–2003, Vice President, Power Plant Technology 2004–2009.

Mr Christoph Vitzthum
Group Vice President, Services as of August 2009. Born 1969, MSc (Econ.). Joined the company in 1995.
Primary working experience: *Metra Finance*, Foreign Exchange Dealer 1995–97; *Wärtsilä NSD Corporation*, Power Plants, Business Controller 1997–99; *Wärtsilä Corporation*, Ship Power, Vice President, Finance & Control 1999–2002; *Wärtsilä Propulsion*, President 2002–06; *Wärtsilä Corporation*, Group Vice President, Power Plants 2006–2009.
Positions of trust: *CLEEN Oy*, Member of the Board; *Tamfelt Oyj Abp*, Member of the Board. *WADE (World Alliance for Decentralized Energy)*, Chairman.

Five Years in Figures

MEUR		2009	2008	2007	2006	2005
Net sales		5 260	4 612	3 763	3 190	2 639
of which outside Finland	%	99.3	98.1	98.2	98.5	97.7
Exports from Finland		3 114	2 574	2 017	1 726	1 405
Personnel on average		18 830	17 623	15 337	13 264	12 049
of which in Finland		3 506	3 378	3 010	2 641	2 572
Order book		4 491	6 883	6 308	4 439	2 906
From the income statement						
Depreciation and amortisations		165	99	78	72	72
Share of profit of associates and joint ventures		6	-	1	1	-
Operating result		592	525	380	263	225*
as a percentage of net sales	%	11.2	11.4	10.1	8.2	8.5
Net financial items		-34	-9	-8	-7	-23
as a percentage of net sales	%	-0.6	-0.2	-0.2	-0.2	-0.9
Net income from investments available for sale		-	-	-	124	1
Share of profit of associates; Ovako**		-	-	-	67	10
Profit before taxes		558	516	372	447	212
as a percentage of net sales	%	10.6	11.2	9.9	14.0	8.0
Profit for the financial year		396	389	265	353	167
as a percentage of net sales	%	7.5	8.4	7.1	11.1	6.3
From the balance sheet						
Non-current assets		1 548	1 498	1 283	1 233	1 316
Current assets		3 108	3 245	2 466	1 955	1 553
Shareholders' equity attributable to equity holders of the parent		1 496	1 184	1 315	1 217	1 153
Minority interest		16	15	10	13	10
Interest-bearing liabilities		664	664	283	270	404
Non-interest-bearing liabilities		2 479	2 880	2 141	1 687	1 302
Balance sheet total		4 655	4 743	3 749	3 188	2 869
Gross capital expenditure		152	366	231	193	231
as a percentage of net sales	%	2.9	7.9	6.1	6.1	8.8
Research and development expenses		141	121	122	85	70
as a percentage of net sales	%	2.7	2.6	3.2	2.7	2.7
Dividends paid for the financial year		173***	148	216	167	85
Supplementary dividend		-	-	192	-	198
Dividends total		173	148	408	167	283
Financial ratios						
Earnings per share (EPS)	EUR	3.94	3.88	2.74	3.72	1.80
Diluted EPS	EUR	3.94	3.88	2.73	3.71	1.78
Dividend per share	EUR	1.75***	1.50	4.25	1.75	3.00
Dividend per earnings	%	44.4***	38.7	155.1	47.0	166.7
Interest coverage		16.4	14.0	13.7	13.1	8.3
Return on investment (ROI)	%	29.9	32.4	26.0	31.8	18.0
Return on equity (ROE)	%	29.2	30.8	20.8	29.5	16.3
Solvency ratio	%	40.0	34.3	45.9	47.0	46.6
Gearing		0.28	0.39	-0.01	0.07	0.24
Equity per share	EUR	15.17	12.01	13.70	12.74	12.25

* Includes result of Imatra Steel EUR 22 million.
** Share of profit of associates excluding Oy Ovako Ab has been transferred above operating profit.
*** Proposal of the Board of Directors. Financial ratios calculated from total amount of dividend.

Calculations of Financial Ratios

Return on investment (ROI)

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

Return on equity (ROE)

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

Interest coverage

$$\frac{\text{Profit before taxes + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio

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

Gearing

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

Earnings per share (EPS)

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

Equity per share

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

Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

Payout ratio

$$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

Price/earnings (P/E)

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

Price/book value per share (P/BV)

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Equity per share}}$$

Review by the Board of Directors 2009

Highlights of 2009

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% 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% (11.4). 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. While the standstill of new shipbuilding orders at large is expected to continue for another two years, 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.

Net sales

MEUR	2009	2008	Change, %
Ship Power	**1 767**	1 531	15
Services	**1 830**	1 830	0
Power Plants	**1 645**	1 261	30
Eliminations and adjustments	**17**	-9	
Group	**5 260**	4 612	14

Strategy

Wärtsilä enhances the business of its customers by providing them with complete lifecycle power solutions. Creating better and environmentally compatible technologies, Wärtsilä focuses on the marine and energy markets with products, solutions and services.

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 service portfolio 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

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 of 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.

Long-term financial targets

The average growth target for our annual sales is 6-7% over the cycle. The growth target for the Ship Power and Power Plants businesses is 4% and for the Services business 10-15%. Our operating profit target (EBIT%) is 8-10% of net sales over the cycle with a range of +/- 2%. Our solvency target is 35-40%.

The year 2009

Operating environment and 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 decreased in difficult market environment

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. Although the financing of bigger projects was challenging during the review period, Wärtsilä received significant orders from Nigeria and Pakistan at the beginning of the year. Wärtsilä strengthened its leading position in the Mediterranean and received several orders from Greece, Cyprus and Turkey. During the last quarter of the year Wärtsilä received an order for an oil fuelled power plant in Kenya. 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%.

Strong sales growth

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.

Profitability improved considerably

For the review period 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

For 2009 the cash flow from operating activities was EUR 349 million (278). 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.

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 in 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 adjust-

Interest-bearing loan capital

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

Gross capital expenditure

MEUR	2009	2008
Investments in securities and acquisitions	**16**	198
Other investments	**136**	168
Group	**152**	366

Megawatts delivered

	2009	2008	Change, %
Power Plant engines	**2 886**	2 324	24.2
Ship Power, own engines	**3 293**	3 205	2.7
Wärtsilä total	**6 179**	5 529	11.7
By licensees	**3 311**	3 725	-11.1
BioPower, thermal energy		49	-100.0
Engine delivery total	**9 490**	9 303	2.0

ments 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.

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.

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.

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.

Shares and shareholders

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
WRT1V	30.91	15.81	23.46	28.07

[1] Trade-weighted avarage price

Market capitalization	31 Dec. 2009	31. Dec. 2008
MEUR	2 768	2 072

Foreign shareholders	31 Dec. 2009	31. Dec. 2008
	45.4%	45.8%

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

Shares and shareholders

Wärtsilä Corporation's shares are listed on the Nasdaq OMX Large Cap list on the Helsinki Stock Exchange. Wärtsilä's total number of shares at the end of the review period was 98,620,565. Wärtsilä has approximately 42,400 shareholders. At the end of the period, approximately 45.4% (45.8) of the capital was held by foreign shareholders.

The share on the Helsinki Stock Exchange

More information about Wärtsilä shares and shareholders can be found in the Corporate Governance review in the annual report.

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-Sirviö, Mr Kaj-Gustaf Bergh, Mr Kari Kauniskangas, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria.

The firm of authorised public accountants KPMG Oy Ab, was appointed 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

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 Plants 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.

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.

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.

Board of Directors’ 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.

Consolidated Financial Statements

Consolidated Income Statement

MEUR	Note	2009	%	2008	%
Net sales	1, 3	**5 260**	100.0	4 612	100.0
Change in inventories of finished goods & work in progress		**98**		304	
Work performed by the Group and capitalised		**1**		7	
Other income	4	**50**		26	
Material and services	5	**-3 183**		-2 999	
Employee benefit expenses	6	**-910**		-854	
Depreciation and amortisations	7	**-165**		-99	
Other expenses		**-564**		-474	
Share of profit of associates and joint ventures	14	**6**			
Operating result		**592**	11.2	525	11.4
Income from financial assets	8	**6**		7	
Interest income	8	**4**		9	
Other financial income	8	**12**		22	
Interest expenses	8	**-21**		-27	
Other financial expenses	8	**-35**		-20	
Profit before taxes		**558**		516	
Income taxes	9	**-161**		-127	
Profit for the financial period		**396**	7.5	389	8.4
Attributable to:					
Equity holders of the parent company	10	**389**		380	
Minority interest		**8**		9	
		396		389	
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (basic and diluted), EUR		**3.94**		3.88	

Statement of Comprehensive Income 11

		2009	2008
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
Minority interest		**9**	9
		469	286

Consolidated Balance Sheet, Assets

MEUR	Note	31.12.2009	%	31.12.2008	%
Non-current assets					
Goodwill	12	**558**		549	
Intangible assets	12	**222**		244	
Property, plant and equipment	13	**449**		435	
Investment properties	13	**9**		11	
Equity in associates and joint ventures	14	**56**		41	
Investments available for sale	15, 17	**151**		106	
Interest-bearing investments	17	**2**		11	
Deferred tax receivables	20	**88**		85	
Trade receivables	17	**2**		3	
Other receivables	18	**12**		12	
		1 548	33.2	1 498	31.6
Current assets					
Inventories	16	**1 577**		1 656	
Interest-bearing receivables	17	**4**		1	
Trade receivables	17	**1 028**		891	
Income tax receivables		**10**		14	
Other receivables	18	**244**		486	
Cash and cash equivalents	19	**244**		197	
		3 108	66.8	3 245	68.4
Assets		**4 655**	100.0	4 743	100.0

Consolidated Balance Sheet, Shareholders' equity and liabilities

MEUR	Note	31.12.2009	%	31.12.2008	%
Shareholders' equity					
Share capital	22	**336**		336	
Share premium reserve	22	**61**		61	
Translation differences		**-6**		-27	
Fair value reserve	23	**99**		50	
Retained earnings		**1 006**		764	
Total equity attributable to equity holders of the parent		**1 496**	32.1	1 184	25.0
Minority interest		**16**	0.3	15	0.3
Total shareholders' equity		**1 512**	32.5	1 199	25.3
Liabilities					
Non-current liabilities					
Interest-bearing debt	17, 25	**591**		448	
Deferred tax liabilities	20	**93**		86	
Pension obligations	21	**46**		40	
Provisions	24	**24**		24	
Advances received		**187**		329	
Other liabilities	17, 26	**1**		1	
		941	20.2	927	19.6
Current liabilities					
Interest-bearing debt	17, 25	**73**		216	
Provisions	24	**181**		165	
Advances received		**691**		915	
Trade payables	17, 25	**299**		444	
Income tax liabilities		**75**		58	
Other liabilities	17, 26	**883**		819	
		2 202	47.3	2 616	55.2
Total liabilities		**3 143**	67.5	3 544	74.7
Shareholders' equity and liabilities		**4 655**	100.0	4 743	100.0

Consolidated Cash Flow Statement

MEUR	2009	2008
Cash flow from operating activities:		
Profit before taxes	**558**	516
Adjustments:		
Depreciation and amortisations	**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:		
Assets, non-interest-bearing, increase (-) / decrease (+)	**114**	-278
Inventories, increase (-) / decrease (+)	**66**	-561
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**	9
Proceeds from sale of tangible and intangible assets	**-21**	21
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
Amortisation 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
Cash and cash equivalents of joint ventures 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

	Total equity attributable to equity holders of the parent						Minority interest	Total equity
MEUR	Share capital	Share issue premium	Trans-lation diffe-rence	Fair value reserve	Retained earnings	Total		
Shareholders' equity on 1 January 2008	336	61	3	127	788	1 315	10	1 325
Translation differences			-30			-30		-30
Other changes					4	4		4
Investments available for sale								
gain / loss arising from fair valuation, net of taxes				-37		-37		-37
Cash flow hedges								
gain / loss arising from fair valuation, net of taxes				-18		-18		-18
transferred to income statement, net of taxes				-22		-22		-22
Comprehensive income			-30	-77	4	-103		-103
Profit for the financial period					380	380	9	389
Total comprehensive income for the period			-30	-77	384	277	9	286
Dividends paid					-408	-408	-4	-412
Shareholders' equity on 31 December 2008	**336**	**61**	**-27**	**50**	**764**	**1 184**	**15**	**1 199**
Translation differences			21			21		21
Other changes					1	1		1
Investments available for sale								
gain / loss arising from fair valuation, net of taxes				34		34		34
Cash flow hedges								
gain / loss arising from fair valuation, net of taxes				3		3		3
transferred to income statement, net of taxes				12		12	2	14
Comprehensive income			21	49	1	71	1	73
Profit for the financial period					389	389	8	396
Total comprehensive income for the period			21	49	390	460	9	469
Dividends paid					-148	-148	-8	-156
Shareholders' equity on 31 December 2009	**336**	**61**	**-6**	**99**	**1 006**	**1 496**	**16**	**1 512**

Additional information on share capital is presented in Note 22 and for fair value and other reserves in Note 23.

Accounting Principles for the Consolidated Accounts

Basic information

Wärtsilä Corporation is a Finnish listed company organized under the laws of Finland and domiciled in Helsinki.

Wärtsilä is a global leader in complete lifecycle power solutions for the marine and energy markets. By emphasising technological innovation and total efficiency, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2009, Wärtsilä's net sales totalled EUR 5.3 billion with more than 18,000 employees. The company has operations in 160 locations in 70 countries around the world.

Basis of preparation

The consolidated annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards, and their SIC and IFRIC interpretations, which were in force as at 31 December 2009. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with Finnish accounting principles and corporate legislation.

Reporting is based on the historical cost convention. Exceptions are assets available for sale, financial assets and liabilities designated at fair value through profit or loss, derivative contracts, items hedged at fair value, and share-based transactions made with cash and measured at fair value. The figures are in millions of euros.

Since 1 January 2009 the Group has applied the following updated standards, amendments and interpretations which have effect on the notes of the consolidated financial statements:

- *IFRS 8 Operating segments*. According to the IFRS 8, segment reporting is based on the internal management reporting and the measurement principles used therein. IFRS 8 did not significantly change the presented information.
- *Amendment to IAS 1 Presentation of Financial Statements*. The amendment mainly affected the presentation of the changes in the statement of comprehensive income and in the shareholders' equity. In addition, the standard has also changed the terminology used in other standards.
- *Amendment to IFRS 7 Improving Disclosures about Financial Instruments*. The amendment introduces the three-level hierarchy of the fair values of financial instruments. The amendment also requires further information about the relative reliability of fair values to facilitate the evaluation. In addition, the amendment extends the presentation requirements of liquidity risk.
- *Amendment to IAS 23 Borrowing Costs*. According to the amendment, an entity shall immediately capitalise to relating assets the borrowing costs that are directly attributable to the acquisition, construction or production. Wärtsilä has earlier expensed borrowing costs during the reporting period to which they relate. The standard amendment had no impact on the financial statements of Wärtsilä.

Since 1 January 2009 the Group has applied the following updated standards, amendments and interpretations which have no significant impact on the notes of the consolidated financial statements:

- *Amendment to IFRS 2 Share Based Payment – Vesting Conditions and Cancellations*
- *Amendments to IAS 32 Financial Instruments: Presentation* and *IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- *Improvements to IFRSs*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*.

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 these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The most important items, which require management estimates and which may include uncertainty, include the following:

Sales revenue is typically recognized when the product or service has been delivered, its value has been determined and it is probable that the receivable will be collected. These estimates affect the amount of sales revenue recognized. Revenue from long-term projects, and long-term operations and maintenance agreements is recognized according to their percentage of completion when the profit on the project or agreement can be reliably determined. The degree of completion and the profit are based on management's estimates as to the realization of the project or agreement. These estimates are reviewed regularly. Recognized sales revenue and profit recorded are adjusted during the project when assumptions concerning the outcome of the entire project are updated. Changes in assumptions relate to changes in the project's or agreement's schedule, scope of supply, technology, costs and any other relevant factors.

Warranty provisions are recorded on the recognition of sales revenue. The provision is based on accumulated experience of the level of warranty needed to manage future and current cost claims. Products can contain new and complex technology that can affect warranty estimates with the result that such provisions are not always sufficient.

The Group is a defendant in several court cases arising from its business operations. A provision is recorded when an unfavourable result is probable and the loss can be determined with reasonable certainty. The final result can differ from these estimates.

The recoverable amounts of tangible and intangible assets and goodwill are determined for all cash-generating units annually or, if it is shown that the asset has lost value, where its value in use is determined. The value in use is determined using estimates of future market development such as growth and profitability as well as other significant factors. The most important factors underlying such estimates are growth, operating margin, useful life, future investment needs, and the discount interest rate. Changes in these assumptions can significantly affect future estimates.

Estimates of pension obligations in the case of defined benefit plans are based on actuarial estimates of factors including future salary increases, discount interest rates and income from reserve funds. Changes in these assumptions can significantly affect the company's pension obligations and pension costs.

Principles of consolidation

The consolidated financial statements include the parent company Wärtsilä Corporation and all subsidiaries in which the parent company directly or indirectly holds more than 50 per cent of the voting rights or in which Wärtsilä is otherwise in control, as well as the Group's associated companies (20 to 50 per cent voting rights and significant influence over the company but not control over its financial and operating policies). Associated companies and joint ventures are included in the consolidated financial statements using the equity method. If the Group's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this losses are only reported if the Group has incurred obligations from the associated company or joint venture.

The Group's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the Group's operating result. The Group's share of the associated company's or joint venture's changes recorded in other comprehensive income are recorded in the Group's other comprehensive income.

Acquired or established subsidiaries, associated companies and joint ventures are included in the consolidated financial statements from the day the company was acquired or established, until ownership of the company legally terminates.

Acquired companies are accounted for using the purchase method of accounting. Accordingly the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The difference between the purchase price and the company's net identifiable assets, liabilities and contingent liabilities is reported as goodwill. In the acquisition of minority interests, if the Group already has control before the minority acquisition, the acquired assets and liabilities are measured at book value on the date of acquisition, and the difference between the purchase price and the book value of the net assets is reported as goodwill. Goodwill is tested for impairment at least annually.

All intra-group transactions, dividend distributions, receivables and liabilities and unrealized margins are eliminated in the consolidated financial statements. In the income statement, minority interests have been separated from the income for the reporting period. In the Group's balance sheet, minority interests are shown as a separate item under equity.

Measurement of fair value of assets acquired in business combinations

In major business combinations, the Group has employed an external advisor when measuring the fair values of the tangible and intangible assets acquired. In the case of tangible assets, comparisons have been made with the market prices of corresponding assets, and the decrease in value resulting from the assets' age, degree of wear and other similar factors has been estimated. Measurement of the fair value of intangible assets is based on estimates of cash flows related to these assets.

Joint ventures

Joint ventures are companies in which the Group shares control with another party. The Group's holdings in joint ventures are consolidated by using the equity method. The Group's proportion of profit is shown in the income statement on line Share of profit in associates and joint ventures. Wärtsilä's proportion of retained earnings post acquisition is included in the shareholders' equity.

Foreign subsidiaries

The income statements and other comprehensive income of foreign subsidiaries are translated into euros at the quarterly average exchange rates. Balance sheets are translated into euros at the exchange rates prevailing at the end of the reporting period. The translation of the profit of the period and other comprehensive income using different exchange rates in the statement of comprehensive income and the balance sheet cause translation differences, which are recognized in equity and which are recorded in other comprehensive income as change. Translation differences of foreign subsidiaries' acquisition cost eliminations and post acquisition profits and losses are recognised in other comprehensive income and are presented as a separate item in equity. The goodwill generated in the acquisition of foreign entities and their fair value adjustments of assets and liabilities are considered as assets and liabilities of foreign entities, which are converted into euros using the exchange rates prevailing at the end of the reporting period.

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into euros using the exchange rate prevailing at the dates of the transactions. Receivables and liabilities are translated into euros at the exchange rate prevailing at the end of the reporting period. Exchange rate gains and losses related to non-financial receivables and liabilities are reported on the applicable line in the income statement and are included in operating result. Exchange rate differences related to financial receivables and financial liabilities are reported as financial items in the income statement.

Net sales and revenue recognition

Sales are presented net of indirect sales taxes and discounts. Sales are recognized when the significant risks and rewards connected with ownership have been transferred to the buyer. This typically means that revenue recognition occurs when a product or service is delivered to the customer in accordance with the terms of delivery.

Revenue from long-term contracts and long-term operating and maintenance agreements is recognized in accordance with the percentage of completion method when the outcome of the contract can be estimated reliably. The percentage of completion is based on the ratio of costs incurred to total estimated costs to date for long-term construction contracts, whereas for long-term operating and maintenance agreements it is calculated on the basis of the proportion of the contracted services performed. When the final outcome of a long-term project cannot be reliably determined, the costs arising from the project are expensed in the same reporting period in which they occur, but revenue from the project is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses due to projects are expensed immediately.

Research and development costs

Research costs are expensed in the reporting period during which they occur. Development costs are capitalized when it is probable that the development project will generate future economic benefits for the Group, and when the criteria of IAS 38 (Intangible assets), including commercial and technological feasibility, have been met. These projects involve the development of new or significantly improved products or production processes. Capitalized development costs are amortized and the cost of buildings, machinery and facilities for development depreciated on a systematic basis over their expected useful lives. Grants received are reported as other income.

Pension plans

Group companies in different countries have various pension plans in accordance with local conditions and practices. These pension plans are classified either as defined contribution or defined benefit plans.

The contributions to defined contribution plans are charged to the income statement in the year to which they relate. The present value of the obligation arising from defined benefit plans is determined using the projected unit credit method and the plan assets are measured at fair value as at the measurement date. The Group's obligation with respect to a plan is calculated by identifying the extent to which the cumulative unrecognized actuarial gain or loss exceeds by more than 10 per cent the greater of the present value of the defined benefit obligation and the fair value of the plan assets. The excess is recognized in the income statement over the expected average remaining working lives of employees participating in the plan. Defined benefit plans are calculated by qualified actuaries.

Share-based payments

The fair value of employee options is reported as an expense and an increase in shareholders' equity.

The company's bonus programme, which is fixed to share value, is valued at the fair value of the share on the reporting date and reported in the income statement for the term-to-maturity of the bonus programme.

Goodwill and other intangible assets

The difference between the purchase price and the fair value of a company's net assets and contingent liabilities at the date of acquisition is reported as goodwill. Goodwill consists of the future economic benefit of those assets whose value the Group is unable to calculate either separately or individually at the date of acquisition. Goodwill is not amortized but tested for impairment at least annually, and more often if there are indications of impairment.

Other intangible assets include patents, licenses, capitalized development costs, software, customer relations and other intellectual property rights. These are valued at cost except for intangible assets identified in connection with acquisitions, which are valued at the fair value at the acquisition date. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Intangible assets, for which the time limit for the right of use is agreed, are amortized over the life of the contract.

The general guidelines for scheduled amortization are:

- Development costs 5–10 years
- Software 3–7 years
- Other intangible assets 5–20 years

Property, plants and equipment and depreciation

Fixed assets acquired by the Group are recorded in the balance sheet at cost less accumulated depreciation and impairment losses. Grants received are reported as a reduction in acquisition costs. The fixed assets of acquired subsidiaries are valued at their fair value at the acquisition date.

Depreciation is based on the following estimated useful lives:

- Buildings 10–40 years
- Machinery and equipment 5–20 years
- Other tangible assets 3–10 years

The estimated useful lives of tangible and intangible assets are reviewed at the end of each reporting period, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly.

Borrowing costs

Borrowing costs that are directly attributable to the asset acquisition, construction or production, and to completion of the asset for its intended use or sale requiring necessarily a considerable length of time, will be activated in the balance sheet as part of the cost of the asset. Other than immediate borrowing cost related costs are expensed in the period in which they are incurred.

Investment properties

Properties that are not used in the Group's operating activities, or that are held to earn rental income or for capital appreciation, or both, are classified as investment properties. Investment properties are treated as long-term investments and are valued at cost less accumulated depreciation and impairments.

Leases

Lease agreements where all material rewards and risks of ownership have been transferred to the Group are classified as finance leases. Assets acquired under finance lease are recognized as fixed assets at the lower of the fair value of the leased asset or the estimated present value of the underlying lease payments. The corresponding rental obligation, net of finance charge, is included in interest-bearing liabilities with the interest element of the finance charge being recognized in the income statement over the lease period. Assets acquired under a finance lease are depreciated over their estimated useful lives in accordance with the same principles that apply to other similar fixed assets.

Lease agreements where the risks and benefits of ownership have not been transferred to the Group are classified as operating leases. Operating lease payments are reported as rental expenses.

Inventory valuation

Inventories are carried at the lower of cost or net realizable value. Costs include allocated purchasing and manufacturing overhead costs in addition to direct manufacturing costs. Inventory valuation is primarily based on the weighted average cost.

Financial assets and financial liabilities

Financial assets are classified into the following categories: financial assets designated at fair value through profit or loss, investments held to maturity, loans and other receivables, and financial assets available for sale. Financial assets are classified on the basis of their purpose upon initial recognition.

Financial assets at fair value through profit and loss

The financial assets at fair value through profit or loss category includes derivatives that do not qualify for hedge accounting, cash and cash equivalents, as well as other financial assets recognised at fair value through income statement, which are financial assets held for trading. The financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Financial assets are recognised at fair value at the end of the reporting period using prevailing market rates.

Derivatives are initially reported at cost in the balance sheet and are thereafter valued at their fair value at the end of each reporting period.

Investments held to maturity

Investments held to maturity are valued at cost. Investments held to maturity are assets with fixed or determinable payments, that mature on a fixed date, and which the Group intends and is able to hold until maturity.

Loan receivables as well as financial liabilities are recognized at the settlement date and measured at amortized cost using the effective interest rate method. Transaction costs are included in the initially recognized amount.

Loans and other receivables

Trade receivables are recognized at their anticipated realizable value, which is the original invoiced amount, less an estimated valuation allowance for impairment. Receivables are valued individually. Credit losses are expensed in the income statement.

Financial assets available for sale

Investments in other companies are classified as investments available for sale and are recognized at fair value. Listed shares are valued at their market value. Unlisted shares for which the fair value cannot be reliably measured are valued at cost less impairment. Changes in fair value are reported directly in other comprehensive income until the shares are disposed of, at which point the accumulated fair value changes are released from equity to the income statement. If the fair value of shares becomes permanently impaired or there is objective evidence that it is impaired, impairment is recognized in the income statement.

Gains and losses on disposal and impairments of shares that are attributable to operating activities are included in operating income, while gains and losses on disposal and impairments of other shares are included in financial income and expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and similar investments. Other liquid funds comprise short-term highly liquid investments that are subject to only minor fluctuations in value.

Derivatives

Certain foreign exchange derivatives are eligible for hedge accounting in accordance with IAS 39. Changes in the fair value of derivative contracts that have been signed to hedge future cash flows are reported under other comprehensive income, provided that they meet the requirements for hedge accounting. Changes in fair value due to interest rate differences are reported in the income statement. Any accrued profit or loss in the hedge reserve under other comprehensive income is reported as an adjustment to selling proceeds or transaction costs in the same period as any transactions relating to the hedged obligations or estimates.

The Group documents the relationship between each hedging instrument and the hedged asset upon entering into a hedging arrangement, along with the risk management objective and the strategy applied. Through this process the hedging instrument is linked to the relevant assets and liabilities, projected business transactions or binding contracts. The Group also documents its ongoing assessment of the effectiveness of the hedge as regards the relationship between a change in the derivative's fair value and a change in the value of the hedged cash flows or transactions.

Equity in foreign subsidiaries situated outside the euro zone is hedged against exchange rate fluctuations, mainly through foreign exchange derivatives and foreign currency borrowings using the equity hedging method to reduce the effect of exchange rates on the Group's equity. When a foreign subsidiary is sold, these translation differences are included in the gain or loss on disposal reported in the income statement.

For derivatives that do not satisfy the conditions for hedge accounting in accordance with IAS 39, changes in fair value are reported directly in the income statement.

The fair value of interest rate swaps is calculated by discounting the underlying future cash flows. Currency forwards are valued at existing forward rates at the end of the reporting period. Currency options are valued at their market value at the end of the reporting period.

Fair value hierarchy

Financial instruments measured at fair value are classified according to the following fair value hierarchy: instruments measured using quoted prices in active markets (level 1), instruments measured using inputs other than quoted prices included within level 1 observable either directly or indirectly (level 2) and instruments measured using inputs that are not based on observable market data (level 3). Financial instruments measured at fair value include financial assets and liabilities at fair value through profit and loss and investments available for sale.

Impairments

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. The assets are divided into the smallest possible cash-generating units that are effectively independent of any other assets of the Group. An impairment loss is recognized whenever the carrying value of the assets or cash-generating unit exceeds their fair value. An asset's value in use is the higher of its net realizable value or the recoverable amount from the asset. The recoverable amount is based on discounted future cash flows. Previously reported impairment losses of tangible assets are reversed if the assumptions for calculating the recoverable amount have changed.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions can arise, for example, from warranties, environmental risks, litigation, forecast losses on projects and restructuring costs.

Estimated future warranty costs relating to products supplied are recorded as provisions. The amount of future warranty costs is based on accumulated experience.

Provisions for restructuring costs are made once the personnel concerned have been informed of the terms or a restructuring plan has been established. The plan must indicate which activities and personnel will be affected and the timing and cost of implementation.

Income taxes

The income statement includes taxes on the Group's consolidated taxable income for the reporting period in accordance with local tax regulations, tax adjustments for previous reporting periods, and changes in deferred taxes. Deferred tax liabilities and assets are calculated on all temporary differences arising from the difference between the tax basis of assets and liabilities and the carrying values using the enacted tax rates at the end of the reporting period. The balance sheet includes deferred tax liabilities in their entirety and deferred tax assets at their estimated probable amount.

Dividends

The dividend proposed by the Board of Directors is deducted from distributable equity when approved by the company's annual general meeting.

Adoption of new and updated IFRS standards

The standards, interpretations and their amendments described below have been released but the Group will not adopt them until the mandatory adoption date. In 2010 the Group will adopt the following new and updated standards and interpretations issued by the IASB:

- *Revised IFRS 3 Business Combinations* (effective for periods beginning on or after 1 July 2009). The scope of the revised standard is broadened. The revised standard includes several material changes to the Group. Changes will have an impact on the amount recognised as goodwill and gain or loss resulting from the sale of business. The revised standard will also impact the items recognised in the income statement both when the business combination is carried out, and in the subsequent periods during which an additional purchase price is paid or additional acquisitions are made.
- *Amendment to IAS 27 Consolidated and Separate Financial Statements* (effective for periods beginning on or after 1 July 2009). According to the amendment the effects, arising from changes in subsidiary ownership, are recognized directly in the Group's equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is recognized at fair value through the income statement.
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (effective for periods beginning on or after 1 July 2009). The amendment provides clarification in relation to hedge accounting. It clarifies the hedging of one-sided risk and the inflation risk of financial assets and liabilities in IAS 39. The amendment will have no considerable impact on future financial statements.
- *IFRIC 18 Transfers of Assets from Customers* (effective for periods beginning on or after 1 July 2009). The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from customers an item of property, plant and equipment. The interpretation will have no impact on the Group's financial statements.
- *Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives* (effective for periods beginning on or after 30 June 2009). The amendments clarify the treatment of embedded derivatives when a hybrid financial asset is reclassified out of the fair value through the income statement. The amendments will have no impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

1. Segment information

The business of Wärtsilä consists of one business area, the Power Businesses. The Power Businesses are subdivided into two mutually supportive market areas, Ship Power and Power Plants. These offer customers the same product concept modified for specific applications. The main products for both these markets are gas and diesel engines and related services. The market segments are highly dependent on each other.

In the Power Businesses, the design-related research and development and manufacturing required for the engines sold to both markets take place in the same R&D centres and factories. The manufacturing process is the same for each market. Similarly, the same Group companies are responsible for the distribution of these products and the services related to them. Capacity costs cannot be reliably allocated to the two different markets. These costs are significant and vary between the two units in different years. Customers in both markets are capital-intensive corporations with global operations. Development of the two market areas is strongly linked to global economic trends.

As geographical information, Wärtsilä reports the geographical areas Finland, other European countries, Americas, Asia and other continents. In the geographical information net sales is split by the customer's destination and non-current assets by origin.

Geographical information

2009

MEUR	Finland	Other European countries	Asia	Americas	Other	Group
Net sales	**37**	**1 618**	**1 937**	**1 176**	**493**	**5 260**
Non-current assets*	**273**	**856**	**113**	**45**	**6**	**1 293**

2008

MEUR	Finland	Other European countries	Asia	Americas	Other	Group
Net sales	87	1 608	1 792	689	436	4 612
Non-current assets*	246	850	136	45	4	1 281

* Non-current assets consist of property, plant and equipment, investment properties and investment in associates and joint ventures.

Business area information

Internal management reporting is used to monitor the development of operations on the basis of market based business areas. Reporting serves goal setting and budget control and is thus a management tool rather than an actual external economic indicator.

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker according to IFRS 8) is the Group President with the support of the Board of Management and, in some cases, the Board of Directors. The Group President assesses the Group's financial position and its development as a whole, not based on the results of the business areas. As the Group's level of integration is high, the reported indicators from business areas do not give a true picture of the business areas' financial position and development. It is also considered that they are of limited value to an external reader due to poor comparability, for example.

Against this background, Wärtsilä's business cannot be divided into separate operative segments with individual reporting.

During the financial year 1 January-31 December 2009 and 1 January-31 December 2008, Wärtsilä did not have individual significant customers or lands according to the definition of IFRS 8.

2009

MEUR	Ship Power	Power Plants	Services	Other	Group
Net sales	**1 767**	**1 645**	**1 830**	**17**	**5 260**
Order intake	**317**	**1 048**	**1 917**	**9**	**3 291**
Order book*	**2 553**	**1 362**	**576**		**4 491**

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

2008

MEUR	Ship Power	Power Plants	Services	Other	Group
Net sales	1 531	1 261	1 830	-9	4 612
Order intake	1 826	1 883	1 858	5	5 573
Order book	4 486	1 949	445	3	6 883

2. Acquisitions and disposals

Acquisitions 2009

Overall impact on performance

MEUR	Booked in income statement	On full-year pro forma performance
Net sales	**24**	**5 271**
Operating income	**-1**	**592**

In full-year pro froma performance the estimated impact of acquisitions on the consolidated financial statements is presented as if all the acquisitions were made on 1 January.

The acquisition of 60% of the shares in the Italian company Wärtsilä Navim Diesel was the most significant acquisition for Wärtsilä during the year. After the acquisition Wärtsilä's ownership in the company is 100%. The assets, liabilities and contingent liabilities of the company are measured at fair value at the time of acquisition. The valuation of customer relations and goodwill in intangible assets amounted to EUR 8 million. The goodwill calculated on this acquisition is based on synergic effects expected to materialise when the entire operation can be integrated into the Group's former operation in Italy.

The other acquisitions are related to Ship Design companies in Serbia and Russia, with whom negotiations have been finished during the year.

Acquisition price	**MEUR**
Consideration paid in cash	**13**
Acquisition costs	**-**
	13
Acquired assets to fair value	**-5**
Goodwill	**8**

Cash flow from the acquisitions	
Consideration paid in cash	**13**

Specification of acquired assets

	Book value	Fair value
Intangible assets	**1**	**4**
Property, plant and equipment	**1**	**1**
Inventories	**1**	**1**
Receivables	**10**	**10**
Liabilities	**-10**	**-10**
Deferred tax liabilities		**-1**
Total	**4**	**5**

Acquisitions 2008

Overall impact on performance

MEUR	Booked in income statement	On full-year pro forma performance
Net sales	42	4 674
Operating income	16	558

In full-year pro froma performance the estimated impact of acquisitions on the consolidated financial statements is presented as if all the acquisitions were made on 1 January.

Vik-Sandvik Group
In August Wärtsilä acquired the global ship design group Vik-Sandvik, a group providing design and engineering services to ship owners and the ship building industry worldwide. This acquisition was a major step in Wärtsilä's strategy to strengthen its position as a total solutions provider and to be the most valued partner for its customers. By combining ship design capability with its existing offerings in propulsion systems and automation, Wärtsilä will be able to provide more added value to its customers, with further growth potential in new life cycle services. Wärtsilä's goal is to become the leading provider of ship design services in various segments.

Vik-Sandvik's sales between August and December amounted to EUR 30 million.

Acquisition price	**MEUR**
Consideration paid in cash	165
Acquisition costs	-
	165
Acquired assets to fair value	-68
Goodwill	97

Cash flow from the acquisitions	
Consideration paid in cash	165
Cash and cash equivalents of the acq	-24
	141

Specification of acquired assets

	Book value	Fair value
Intangible assets		51
Property, plant and equipment	5	5
Investments available for sale	8	6
Receivables	34	34
Cash and cash equivalents	24	24
Liabilities	-4	-4
Deferred tax liabilities	-33	-47
Total	34	68

Other acquisitions
In March Wärtsilä acquired the Norwegian company Maritime Service AS, which specialises in ship service, and mechanical and reconditioning services.

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

In June Wärtsilä acquired the German company Claus D. Christophel Mess- und Regeltechnik GmbH (CDC), which specialises in the design, delivery and service of automation systems.

In September Wärtsilä acquired Navelec SAS, a French company specialising in marine navigation and communication systems, electrical marine services, and control and automation services. Through this acquisition Wärtsilä is able to broaden its service offering and technological knowledge in the areas of navigation and communication. It also strengthens Wärtsilä's position as the leading service provider within electrical marine and automation services.

In October Wärtsilä continued to expand within the field of ship design by acquiring Conan Wu & Associates Pte Ltd (CWA), a leading naval architecture and ship design company, in Singapore. The deal also included partnership agreements regarding CWA's businesses in Malaysia and China.

Acquisition price	**MEUR**
Consideration paid in cash	49
Acquisition costs	1
	49
Acquired assets to fair value	-20
Goodwill	29

Cash flow from the acquisitions	
Consideration paid in cash	49
Acquisition costs	1
Cash and cash equivalents of the acq	-3
	46

Specification of acquired assets

	Book value	Fair value
Intangible assets		14
Property, plant and equipment	3	4
Inventories	4	4
Receivables	9	9
Cash and cash equivalents	3	3
Liabilities	-10	-10
Deferred tax liabilities		-3
Total	8	20

The assets, liabilities and contingent liabilities of the companies are measured at fair value at the time of acquisition. Intangible assets include drawing database, customer relations, trademarks and valuation of order book, the values of which are based on discounted cash flows over a useful life of 1–10 years. The goodwill calculated on these acquisitions is based on the expertise of the companies' employees and on synergies that are expected to materialise as the Group gains a broader product range. Due to the acquisitions Wärtsilä has a significantly stronger position in ship design which broadens the supply in life cycle services and adds the growth possibilities.

3. Long-term construction contracts and long-term operating and maintenance agreements

Long-term construction contracts

MEUR	2009	2008
Net sales in the income statement	**585**	544

Long-term construction projects in progress

MEUR	2009	2008
Cumulative net sales	**1 705**	1 215
Cumulative result	**218**	160
Advances received at 31 December	**705**	922
Receivables from the revenue recognition netted with the advances received at 31 December	**92**	160

Long-term operating and maintenance agreements

MEUR	2009	2008
Net sales in the income statement	**225**	207

4. Other income

MEUR	2009	2008
Rental income		1
Profit on sales of fixed assets	**3**	9
Government grants	**7**	6
Sale of by-products	**3**	4
Cancellations*	**30**	
Other income	**7**	6
Total	**50**	26

* Cancellation expenses are recorded on respective expense accounts. The net effect of the cancelletions is not material.

5. Material and services

MEUR	2009	2008
Raw material and consumables		
Purchases during the financial year	**-1 809**	-1 981
Change in inventories	**-122**	186
External services	**-1 253**	-1 204
Total	**-3 183**	-2 999

6. Employee benefit expenses

MEUR	2009	2008
Wages and salaries	**735**	693
Pension costs		
Defined benefit plans	**12**	8
Other pension and past service costs	**58**	49
Other compulsory personnel costs	**106**	103
Total	**910**	854

Salaries paid to the management are specified in Note 29.

A provision of EUR 6 million (-2) for expenses arising from the bonus schemes tied to the price development of the company's share has been booked in the income statement. The provision amount is based on the market value of the share at the end of the reporting period with a lead time.

The 2007 bonus scheme comprises 687,500 bonus rights and the 2008 bonus scheme 835,000 bonus rights. The bonus payment is based on the share price development during a two-year and nine months period on the basis of a share price of EUR 22.63 for the 2007 bonus scheme. In the 2008 bonus scheme, the bonus payment is based on the share price development during a two-year period on the basis of a share price of EUR 23.04. Both bonus schemes are taking into account a 50% dividend payout. The bonus can not exceed EUR 9 per bonus right for the 2007 bonus scheme, and EUR 15 per bonus right for the 2008 bonus scheme. The 2007 bonus scheme will be due for payment in November 2010 and the 2008 bonus scheme will be due for payment in November 2011.

	2009	2008
Personnel on average	**18 830**	17 623

7. Depreciation and amortisations

Depreciation according to plan and amortisations

MEUR	2009	2008
Intangible rights	**6**	6
Other intangible assets	**52**	37
Buildings and structures	**10**	9
Machinery and equipment	**54**	45
Other tangible assets	**3**	2
Impairments*	**40**	
Total	**165**	99

* Refers to restructuring programs published in 2010.

8. Financial income and expenses

MEUR	2009	2008
Dividend income on investments available for sale	**6**	7
Interest income on loans and other receivables	**4**	9
Interest income on financial assets/liabilities at fair value through income statement	**11**	19
Exchange rate differences*		1
Other financial income	**2**	2
Total financial income	**22**	38
Interest expenses on financial liabilities measured at amortised cost	**-21**	-27
Interest expenses on financial assets/liabilities at fair value through income statement	**-10**	-9
Changes in fair values of financial	**-1**	-5
Write-down of loan receivables	**-10**	
Exchange rate differences*	**-6**	
Other financial expenses	**-9**	-6
Total financial expenses	**-57**	-47
Total financial income and expenses	**-34**	-9

* Includes the result from the ineffective portion of cash flow hedges, EUR -5 million (-2).

9. Income taxes

MEUR	2009	2008
Income taxes		
for the financial year	**-174**	-138
for prior years	**-7**	13
Change in deferred tax	**20**	-2
Total	**-161**	-127
Profit before taxes	**558**	516
Tax calculated at the domestic corporate tax rate (26%)	**-145**	-134
Effect of changed tax rates	**1**	6
Effect of different tax rates in foreign subsidiaries	**1**	-1
Effect of income not subject to tax and non-deductible expenses	**-6**	-9
Utlilisation of previously unrecognised tax losses carried forward	**5**	5
Unrecognised taxes on losses carried forward	**-2**	-5
Other taxes	**-10**	-9
Other temporary differences	**2**	8
Income taxes for prior years	**-7**	13
Tax charge in the consolidated income statement	**-161**	-127

10. Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to shareholders by the weighted average number of the shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number by the dilutive effect of stock options outstanding during the period. The options have a dilutive effect if the exercise price with an option is lower than the market value of the share. During the reporting periods there were no programmes with dilutive effect.

MEUR	2009	2008
Profit attributable to equity holders of the parent company	**389**	380
Thousands of shares		
Weighted average number of shares outstanding	**98 621**	97 994
Effect of issued share options		11
Diluted weighted average number of shares outstanding	**98 621**	98 005
Earnings per share (basic and diluted), EUR	**3.94**	3.88

11. Components of other comprehensive income

Period ended 31 December		2009		2008
Exchange rate differences on translating foreign operations		**18**		-27
Investments available for sale		**46**		-50
Cash flow hedges				
Gains (losses) arising during the period	3		-31	
Adjustments for amounts transferred to initial amount of hedge items	23	**26**	-30	-61
Share of other comprehensive income of associates and joint ventures		**1**		-1
Other income/expenses				6
Income tax relating to components of other comprehensive income		**-19**		29
Other comprehensive income for the period		**73**		-103

Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before-tax amount	**Tax**	**Net-of-tax**	**Before-tax amount**	**Tax**	**Net-of-tax**
Exchange rate differences on translating foreign operations	**18**		**18**	-27		-27
Investments available for sale	**46**	**-12**	**34**	-50	13	-37
Cash flow hedges	**26**	**-7**	**20**	-61	16	-44
Share of other comprehensive income of associates and joint ventures	**1**		**1**	-1		-1
Other income/expenses				6		6
Other comprehensive income	**91**	**-19**	**73**	-132	29	-103

12. Intangible assets

Impairment testing of goodwill
Goodwill from acquisitions is allocated to the Group's cash-generating units (CGUs) being the lowest level of assets for which there are separately identifiable cash flows. Currently Wärtsilä identifies 3 separate independent cash inflow CGUs to which goodwill can directly be linked as per the below table. In addition, the goodwill allocated for companies acquired during the current period has been subject to impairment testing separately. These companies have all been integrated into the Power Business operations and will not constitute a separately identifiable CGU in the future.

Cash-Generating Units (CGU)

	Goodwill	
MEUR	**2009**	**2008**
Automation	**36**	36
Ship design	**110**	124
Other acquired companies, non-integrated	**7**	7
Power Businesses, other	**405**	383
Total	**558**	549

The recoverable amounts from the CGUs are determined based on value-in-use calculations. The calculations are on an orderbook and a discounted cash flow method basis, derived from 5-year cash flow projections from management approved strategic plans. The current market situation has been taken into account as decreased sales expectations as well as adapting capacity. The estimated performances of the CGUs are based on utilisation of the existing property, plant and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the five-year period are calculated using the terminal value method. The terminal growth rate used in projections is based on management's assessment on conservative long term growth. The terminal growth rate used is 2%.

The key driver for the valuation of the CGU Power Business is the growth in the global economy and in particular the development of the global power market, the global shipbuilding industry and demand for related services. The projected development of total costs in the market affects the profitability, whereas any single cost item has not been seen as having material impact. The valuation drivers for the new equipment sales are the growth in the global economy whereas for after sales the drivers are also the demand for related services and the projected development in labour costs.

The applied discount rate is the weighted average pre-tax cost of capital (WACC) as defined by Wärtsilä. The components of the WACC are risk-free rate, market risk premium, industry specific beta, cost of debt and debt equity ratio. When defining the WACC for 2009 it has been considered that the general interest rate is currently on a lower level and that the market risk premium on a higher level. Wärtsilä has used a WACC of 10.0% (2008: 10.4) in the calculations.

As a result of the impairment test no impairment loss for any of the CGUs was recognised for the period ended December 31, 2008 and 2009 respectively. The recoverable amounts from all CGUs exceeded their carrying values by more than 50%.

The Group has initiated a project concerning the reduction of production capacity. As a result, impairment of 40 million euros on the value of certain intangible and tangible assets have been booked, of which 4 million euros refer to goodwill.

Sensitivity analysis
Sensitivity analyses have been carried out for the valuation of each Cash Generating Unit by making downside scenarios. The change in the enterprise value was evaluated through these downside scenarios by changing the underlying assumptions in the valuations. The changes in the assumptions and their effects are:
- sales growth lowered by 15%, effect 6% (8)
- terminal growth rate lowered by 50%, effect 10% (11)
- EBIT profitability lowered by 10%, effect 10% (11)
- WACC increased by 15%, effect 16% (15).

According to the performed sensitivity analyses, none of the downside scenarios would change the long term key assumptions for which Wärtsilä's recoverable amounts are based, and would also not cause their respective values to fall short of their carrying amounts. As a result of performed impairment tests, there is no need for write-downs of the goodwill in a particular cash generating unit.

In management's opinion, changes in the basic assumptions provided in these theoretical downside scenarios shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

2009

MEUR	Intangible rights	Construction in progress & advances paid	Other intangible assets	Goodwill	Total
Acquisition cost at 1 January 2009	**73**	**19**	**368**	**549**	**1 009**
Changes in exchange rates	**1**		**8**	**18**	**27**
Acquisitions			**4**	**8**	**12**
Additions		**17**	**7**		**24**
Disposals and reclassifications		**-8**	**8**	**-14**	**-14**
Acquisition cost at 31 December 2009	**74**	**27**	**395**	**562**	**1 058**
Accumulated amortisation at 1 January 2009	**-37**		**-179**		**-216**
Changes in exchange rates			**-1**		**-1**
Amortisation during the financial year	**-6**		**-52**		**-58**
Impairments				**-4**	**-4**
Accumulated amortisation at 31 December 2009	**-43**		**-231**	**-4**	**-279**
Book value at 31 December 2009	**31**	**27**	**164**	**558**	**779**

Developing costs for internally produced assets amounting to EUR 7 million (6) were activated during the financial period and the asset value was EUR 36 million (35).

2008

MEUR	Intangible rights	Construction in progress & advances paid	Other intangible assets	Goodwill	Total
Acquisition cost at 1 January 2008	68	14	297	445	824
Changes in exchange rates	-1		-7	-21	-30
Acquisitions			65	127	191
Additions	6	14	9		29
Disposals and reclassifications		-9	4		-5
Acquisition cost at 31 December 2008	73	19	368	549	1 009
Accumulated amortisation at 1 January 2008	-32		-146		-178
Changes in exchange rates			4		4
Amortisation during the financial year	-6		-37		-42
Accumulated amortisation at 31 December 2008	-37		-179		-216
Book value at 31 December 2008	37	19	188	549	793

13. Property, plant & equipment

Wärtsilä has centralised its 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.

2009

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Investment properties	Total
Acquisition cost at 1 January 2009	23	225	600	59	62	11	980
Changes in exchange rates		2	6	1			9
Acquisitions							1
Additions	2	17	55	33	6		112
Disposals		-1	-5	-1	-1	-2	-10
Reclassification		8	26	-31	-3		
Acquisition cost at 31 December 2009	25	251	682	60	63	9	1 092
Accumulated depreciation at 1 January 2009		-108	-378		-46		-533
Changes in exchange rates		-1	-5				-6
Accumulated depreciation on disposals		1	5				7
Depreciation during the financial year		-10	-54		-3		-67
Reclassification			-3		3		
Impairments			-36				-36
Accumulated depreciation at 31 December 2009		-117	-471		-46		-634
Book value at 31 December 2009	25	134	211	60	18	9	457
Value of finance-leased assets included in book value		2	8				11

Investment properties include land areas not used by the Group. Their estimated market value is around EUR 31 million. During the period, investment properties were sold totalling EUR 3 million (4) generating a profit of EUR 2 million (2).

2008

MEUR	Land and water	Buildings and struc-tures	Machinery and equip-ment	Cons-truction in progress and advan-ces paid	Other tangible assets	Invest-ment proper-ties	Total
Acquisition cost at 1 January 2008	14	203	529	64	60	13	884
Changes in exchange rates			-6	-2	-2		-9
Acquisitions	1	3	5				9
Additions	8	18	72	36	5		139
Disposals		-4	-25	-4	-1	-2	-35
Joint ventures		-3	-1	-3			-6
Reclassification		10	25	-33	-1		
Acquisition cost at 31 December 2008	23	225	600	59	62	11	980
Accumulated depreciation at 1 January 2008		-103	-355		-47		-506
Changes in exchange rates			5				6
Accumulated depreciation on disposals		3	18				22
Depreciation during the financial year		-9	-45		-2		-57
Reclassification			-2		3		
Accumulated depreciation at 31 December 2008		-108	-378		-46		-533
Book value at 31 December 2008	23	117	221	59	15	11	446
Value of finance-leased assets included in book value		2	11		1		14

14. Investments in associated companies and joint ventures

MEUR	2009	2008
Book value at 1 January	**41**	16
Acquired shares*	**11**	1
Share of results	**6**	
Dividends	**-2**	-1
Change in exchange rates		2
Joint ventures**		22
Book value at 31 December	**56**	41

* Includes business arrangement Wärtsilä Biopower/MW Power.
** Due to the change in accounting principles for joint ventures.

Summary of financial information on associates (100%):

2009

MEUR		Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd.	China	**27.0**	**180**	**142**	**39**	**22**	**-9**
Wärtsilä Land & Sea Academy, Inc.	Philippines	**40.0**		**1**	**-1**		**-1**
AWEK Industrial Patents Ltd. Oy	Finland	**25.0**	**1**			**3**	
Repropel Sociedad de reparacao de helices	Portugal	**50.0**	**1**	**1**	**1**	**1**	
WD Power Investment Ky	Finland	**21.7**	**1**		**1**		
Neptun Maritime AS	Norway	**40.0**	**1**		**1**	**2**	
El-Design AS	Norway	**37.0**	**1**			**1**	
Cosco-Shipyard Total Automation Co Ltd.	China	**40.0**	**3**	**2**	**1**	**4**	**1**
MW Power Oy	Finland	**40.0**	**101**	**65**	**36**	**168**	**10**
IHB Design AD	Bulgaria	**50.0**				**1**	

2008

MEUR		Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd.	China	27.0	143	94	49		-3
Wärtsilä Navim Diesel S.r.l.	Italy	40.0	23	14	9	46	4
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		1	-1		
AWEK Industrial Patents Ltd. Oy	Finland	25.0	1			2	
Repropel Sociedad de reparacao de helices	Portugal	50.0	2	1	1	2	
WD Power Investment Ky	Finland	21.7	4		4		
Neptun Maritime AS	Norway	40.0	1			1	
El-Design AS	Norway	37.0					
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	3	2	1	5	

Summary of financial information on joint ventures (100%):

The group has a 50 per cent interest in the joint venture company Wärtsilä Qiyao Diesel Company Ltd. in China. The other owner is China Shanghai Marine Diesel Research Institute, a subsidiary of China Shipbuilding Industry Corporation (CSIC).

Wärtsilä and Hyundai Heavy Industries Co Ltd. set up a joint venture in Korea, Wärtsilä Hyundai Engine Co Ltd., which manufactures dual-fuel engines for LNG carriers. Wärtsilä's ownership of the company is 50%.

2009

MEUR		Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Wärtsilä Qiyao Diesel Company Ltd.	China	**50.0**	**25**	**15**	**10**	**31**	**-1**
Wärtsilä Hyundai Engine Co Ltd.	Korea	**50.0**	**143**	**96**	**48**	**85**	**8**

2008

MEUR		Holding %	Assets	Liabilities	Equity	Net sales	Profit for the period
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	31	22	9	37	
Wärtsilä Hyundai Engine Co Ltd.	Korea	50.0	86	51	35	18	-2

15. Investments available for sale

Investments available for sale include listed and unlisted shares. Listed shares are measured at fair value. For unlisted shares the fair value cannot be measured reliably, in which case the investment is carried at cost.

MEUR	2009	2008
Book value at January 1	**106**	155
Changes in exchange rates	**1**	1
Additions	**2**	6
Disposals	**-3**	-5
Fair value adjustment	**46**	-50
Book value at December 31	**151**	106

MEUR	Acquisition cost	2009 Market value	Acquisition cost	2008 Market value
Listed shares (level 1)				
Sampo plc	**4**	**32**	4	25
Assa Abloy AB	**18**	**98**	18	59
Listed shares	**22**	**130**	22	84
Unlisted shares (level 3)				
Other shares*	**21**	**21**	21	21
Unlisted shares	**21**	**21**	21	21
Total shares	**43**	**151**	43	106

* In 2009 EUR 2 million loss has been recognized in the consolidated income statement and in 2008 EUR 2 million gain.

16. Inventories

MEUR	2009	2008
Materials and consumables	**625**	741
Work in progress	**753**	684
Finished products	**59**	56
Advances paid	**140**	175
Total	**1 577**	1 656

17. Financial assets and liabilities by measurement category

2009

MEUR	Cash flow and net invest-ment hedges	Finan-cial assets/ liabili-ties at fair value through income state-ment	Loans and recei-vables	Invest-ments available for sale	Finan-cial liabili-ties mea-sured at amorti-sed cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Investments available for sale				**151**		**151**	**151**
Interest-bearing investments			**2**			**2**	**2**
Trade receivables			**2**			**2**	**2**
Other receivables			**5**			**5**	**5**
Current financial assets							
Interest-bearing receivables			**4**			**4**	**4**
Trade receivables			**1 028**			**1 028**	**1 028**
Derivatives	**6**	**1**				**7**	**7**
Other receivables		**16**	**2**			**18**	**18**
Cash and cash equivalents		**244**				**244**	**244**
Carrying amount by category	**6**	**261**	**1 043**	**151**		**1 461**	**1 461**
Non-current financial liabilities							
Interest-bearing debt					**591**	**591**	**593**
Other liabilities					**1**	**1**	**1**
Current financial liabilities							
Interest-bearing debt					**73**	**73**	**73**
Trade payables					**299**	**299**	**299**
Derivatives	**15**	**9**				**24**	**24**
Other liabilities					**12**	**12**	**12**
Carrying amount by category	**15**	**9**			**976**	**1 000**	**1 002**

2008

MEUR	Cash flow and net investment hedges	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Investments available for sale	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Investments available for sale				106		106	106
Interest-bearing investments			11			11	11
Trade receivables			3			3	3
Other receivables			4			4	4
Current financial assets							
Interest-bearing receivables			1			1	1
Trade receivables			891			891	891
Derivatives	56	13				69	69
Other receivables		90				90	90
Cash and cash equivalents		197				197	197
Carrying amount by category	56	300	910	106		1 372	1 372
Non-current financial liabilities							
Interest-bearing debt					448	448	447
Other liabilities					1	1	1
Current financial liabilities							
Interest-bearing debt					216	216	216
Trade payables					444	444	444
Derivatives	40	22				62	62
Other liabilities					85	85	85
Carrying amount by category	40	22			1 194	1 256	1 255

18. Other receivables

MEUR	2009	2008
Interest receivables	**1**	1
Derivatives	**7**	69
Other financial items	**16**	20
Insurance receivables	**5**	4
Rental receivables	**6**	6
Project accruals	**14**	18
Other accruals	**31**	50
Loan receivables	**6**	4
VAT receivables	**62**	90
Defined benefit plan	**8**	7
Accruals from long-term contracts	**54**	160
Other receivables	**46**	68
Total	**256**	498
Non-current	**12**	12
Current	**244**	486

19. Cash and cash equivalents

MEUR	2009	2008
Cash and bank balances	**221**	183
Financial assets	**23**	14
Total	**244**	197

20. Deferred taxes

Change in deferred taxes during 2009

MEUR	1 January 2009	Recognised in the income statement	Other comprehen-sive income	Translation differences	Acquisitions	31 December 2009
Deferred tax assets						
Tax loss carry-forwards	23					23
Pension obligations	3					4
Provisions	10	-1		2		10
Fair value reserve	11		-11			
Eliminating the intra group profit in stock	14	-4				10
Other temporary differences	24	16		1		41
Total	85	12	-11	2		88
Deferred tax liabilities						
Intangible assets and property, plant and equipment	34	-12		4		26
Fair value reserve	23		8			31
Other temporary differences	29	3		2	1	35
Total	86	-8	8	6	1	93
Net deferred tax assets/liabilities		20	-19	-3	-1	-4

At 31 December 2009 the Group had unrecognized deferred tax receivables totalling EUR 38 million (52), as it is uncertain if they will be realised. Most of them were related to cumulative losses.

Change in deferred taxes during 2008

MEUR	1 January 2008	Recognised in the income statement	Other comprehen-sive income	Translation differences	Acquisitions	31 December 2008
Deferred tax assets						
Tax loss carry-forwards	24	-1				23
Pension obligations	3					3
Provisions	15	-6				10
Fair value reserve			11	1		11
Eliminating the intra group profit in stock	14	1				14
Other temporary differences	15	10				24
Total	70	3	11	1		85
Deferred tax liabilities						
Intangible assets and property, plant and equipment	16	5		-1	13	34
Fair value reserve	42		-18			23
Other temporary differences	23			-1	7	29
Total	81	5	-18	-3	20	86
Net deferred tax assets/liabilities	-11	-2	29	3	-20	

21. Pension obligations

MEUR	2009	2008
Recognised asset for defined benefit plan at 31 December	**8**	7
Recognised liability for defined benefit obligations	**20**	17
Long-service leave and other past service obligations	**26**	23
Total past service obligations at 31	**46**	40

Pension cover is based on the legislation and agreement in force in each country. In Finland, most of the pension obligations are covered by the Employee Pensions system (TyEL). The largest defined benefit plans are used in the Netherlands, Switzerland and the United Kingdom. Most of these defined benefit pension plans are managed by pension funds and their assets are not included in the Group's assets. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practice in each country. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans.

Since 1 January 2008, IFRIC 14 has been applied which lead to EUR 5 million increase in shareholders' equity.

Long-service leave and other past service obligations are mainly obligation for benefit payments in Italy and France.

Movement in defined benefit obligations	2009	2008
Defined benefit obligations at 1 January	**229**	212
Exchange rate differences	**6**	5
Current service costs	**11**	9
Interest cost	**9**	8
Benefits paid	**-13**	-10
Changes in actuarial gains and losses	**3**	
Impact of acquired and disposed companies and other changes	**8**	6
Defined benefit obligations at 31 December	**254**	229

Movement in plan assets		
Fair value of plan assets at 1 January	**198**	202
Exchange rate differences	**4**	9
Contribution paid to the fund	**14**	13
Benefits paid by the plan	**-12**	-9
Expected return on plan assets	**9**	10
Actuarial gains and losses	**13**	-28
Impact of acquired and disposed companies and other changes		2
Total	**227**	198
Unrecognised assets	**-2**	
Recognised fair value of plan assets at 31 December	**225**	198

Unrecognised actuarial gains and losses		
Unrecognised actuarial gains and losses at beginning of year	**-21**	5
Exchange rate differences	**-2**	2
Actuarial gains and losses for year -obligations	**-7**	-1
Actuarial gains and losses for year -plan assets	**13**	-28
Impact of acquired/disposed companies and other changes	**-1**	1
Unrecognised actuarial gains and losses at the year end	**-18**	-21
Recognised net liability for defined benefit obligations	**12**	10

Expenses recognised in income statement		
Current service costs	**11**	9
Interest on obligation	**9**	8
Expected return on plan assets	**-9**	-10
Actuarial gains and losses	**1**	1
Defined benefit expenses	**12**	8
Actual return on plan assets	**19**	-17

Historical information	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	**254**	229	212	307	293
Fair value of plan assets	**-227**	-198	-202	-295	-292
Deficit in the plan	**28**	31	9	12	1

Plan assets invested in:	2009	2008
Equity instruments (%)	**24**	22
Bonds and other financial instruments (%)	**49**	51
Properties (%)	**14**	14
Other assets (%)	**14**	13

Actuarial assumptions 2009	Europe	Other
Discount rate (%)	**3.25-5.4**	**1.5-12.0**
Expected return on plan assets (%)	**3.5-6.3**	**1.5-16.0**
Future salary increases (%)	**1.0-4.5**	**1.2-10.0**

Actuarial assumptions 2008	Europe	Other
Discount rate (%)	3.25-6.5	1.5-16.0
Expected return on plan assets (%)	4.0-7.5	1.5-10.0
Future salary increases (%)	1.5-4.5	1.2-14.0

22. Share capital of the parent company

Share capital	Number of A shares	Number of B shares	Number of shares	Share capital	Share issue premium	Total
1 January 2008	23 579 587	72 389 974	95 969 561	336	61	397
Options exercised		31 050	31 050			
Combination of share series and free share issue	-23 579 587	26 199 541	2 619 954			
31 December 2008			98 620 565	336	61	397
31 December 2009			**98 620 565**	**336**	**61**	**397**

23. Fair value reserve

MEUR	Cash flow hedges	Investments available for sale	Total
Difference between fair value and book value at 1 January 2008	56	113	169
Deferred tax liabilities	-12	-29	-42
Fair value reserve at 1 January 2008	44	84	127
Transferred to income statement, net of taxes	-22		-22
Fair value adjustments	-28	-50	-78
Deferred tax liabilities/assets	10	13	23
Fair value reserve at 31 December 2008	4	47	50
Transferred to income statement, net of taxes	12		12
Fair value adjustments	3	46	49
Deferred tax liabilities/assets		-12	-12
Fair value reserve at 31 December 2009	**19**	**80**	**99**

24. Provisions

2009

	Litigation	Warranty liabilities	Foreseeable losses	Restruc-turing	Other provisions	Total
Provisions at 1 January 2009	**8**	**138**	**16**	**5**	**23**	**189**
Changes in exchange rates		**1**	**1**			**2**
Additions	**3**	**66**	**4**	**3**	**18**	**94**
Used provisions	**-1**	**-54**	**-8**		**-8**	**-71**
Released provisions			**-1**	**-1**	**-7**	**-9**
Provisions at 31 December 2009	**10**	**151**	**11**	**7**	**26**	**205**

Non-current	**24**
Current	**181**

2008

	Litigation	Warranty liabilities	Foreseeable losses	Restruc-turing	Other provisions	Total
Provisions at 1 January 2008	7	107	12	6	31	164
Changes in exchange rates		1				
Additions	1	70	10		7	88
Used provisions		-40	-5		-12	-58
Released provisions			-2	-1	-5	-8
Provisions at 31 December 2008	8	138	16	5	23	189

Non-current	24
Current	165

The Group is a defendant in a number of lawsuits that arise out of, or are incidental to, the ordinary course of its business. These lawsuits concern issues such as product liability, labour relations, property damage and personal injury. It is the Group's policy to provide for amounts related to these legal matters if liability is ascertainable with reasonable certainty.

25. Financial liabilities

2009

MEUR	Current < 1 year	Non-current 1-5 years	> 5 years	Total
Loans from pension insurance companies*		**185**	**114**	**299**
Loans from other financial institutions*	**66**	**79**	**201**	**346**
Finance lease liabilities	**3**	**8**	**1**	**12**
Other interest-bearing loans	**4**	**3**		**7**
Non-interest-bearing loans	**1**			**1**
Trade payables	**299**			**299**
Derivatives	**24**			**24**
Other liabilities	**12**			**12**
Total	**409**	**274**	**316**	**1 000**
* Estimated interest expenses, total	**14**	**52**	**24**	**90**

2008

	Current < 1 year	Non-current 1-5 years	> 5 years	Total
Loans from other financial institutions*	61	235	199	495
Finance lease liabilities	4	9	2	14
Other interest-bearing loans	152	3		155
Non-interest-bearing loans	1			1
Trade payables	444			444
Derivatives	62			62
Other liabilities	85			85
Total	808	246	201	1 255
* Estimated interest expenses, total	26	50	16	91

Fair value of financial liabilities are presented in Note 17. Financial assets and liabilities by measurement category.

26. Other liabilities

MEUR	2009	2008
Project costs	**572**	451
Personnel costs	**113**	115
Derivatives	**24**	62
Interest and other financial items	**12**	23
Other accruals	**82**	85
Other liabilities	**80**	84
Total	**883**	820
Non-current	**1**	1
Current	**883**	819

27. Financial instruments

The Group applies hedge accounting to significant foreign currency forward contracts. Detailed financial information is presented in Note 33. Financial risks.

MEUR	2009	of which closed	2008	of which closed
Nominal values of derivative financial				
Interest rate swaps	**90**		140	
Currency forwards				
Transaction risk	**1 042**	**433**	1 553	471
Translation risk	**339**		341	
Currency options, written	**5**			
Currency options, purchased	**72**		50	
Total	**1 548**	**433**	2 084	471
Fair values of derivative financial instruments (level 2)				
Interest rate swaps	**-2**		-2	
Currency forwards				
Transaction risk	**-9**		13	
Translation risk	**-5**			
Currency options, purchased	**-1**			
Total	**-17**		11	

Foreign currency forward contracts fall due during the following 12 months. Interest rate swaps are denominated in euros and their average interest-bearing period is 13 months.

Currency distribution of currency forwards and currency options

MEUR	Outstanding offers	Order book	Net loans	Translation risk
Currency forwards				
USD		325	42	83
NOK		83	67	71
CHF		10	101	
SGD			8	50
JPY		96	7	20
GBP		2	33	19
Other*		42	36	99
	-	557	294	342
Currency options				
USD	35	42		
Total	35	599	294	342

* Other does not include any material single currencies.

Commodity derivatives

2009

	Amount in metric tons	of which closed	Fair value MEUR
Oil swaps (level 2)	-	-	-
Copper futures (level 1)	-	-	-

2008

	Amount in metric tons	of which closed	Fair value MEUR
Oil swaps (level 2)	17 700	12 000	-1
Copper futures (level 1)	1 250		-3

28. Collateral, contingent liabilities and other commitments

MEUR	2009 Debt in balance sheet	2009 Collateral	2008 Debt in balance sheet	2008 Collateral
Mortgages given as collateral for liabilities and commitments				
Loans from credit institutions	**1**	**2**	2	2
Loans from pension institutions	**34**	**44**	34	49
Other commitments	**5**	**10**		10
Total	**40**	**56**	36	61
Chattel mortgages given as collateral for liabilities and commitments				
Other commitments		**10**		10
Total		**10**		10

MEUR	2009	2008
Guarantees and contingent liabilities		
on behalf of Group companies	**678**	664
on behalf of associated companies	**8**	
Total	**686**	664
Nominal amounts of rents according to leasing contracts		
Payable within one year	**21**	21
Payable later	**68**	66
Total	**89**	87

29. Related party disclosures

Related parties comprise the Board of Directors, the President and CEO, the Board of Management as well as the associates and the joint ventures.

Salaries and bonuses paid to management

In thousands of euros	2009	2008
President and CEO and his deputy		
Salaries and other short-term benefits	**922**	884
Bonuses*	**246**	252
	1 169	1 136
Other members of the Board of		
Salaries and other short-term benefits	**1 678**	1 277
Bonuses*	**376**	391
	2 054	1 668
Board of Directors 31 December 2009		
Antti Lagerroos, chairman	**125**	121
Matti Vuoria, deputy chairman	**89**	88
Maarit Aarni-Sirviö, member	**61**	59
Kaj-Gustaf Bergh, member	**60**	56
Kari Kauniskangas, member	**59**	56
Bertel Langenskiöld, member	**60**	57
Board of Directors, until 19 March 2008		
Göran J. Ehrnrooth, deputy chairman		3
Heikki Allonen, member		2
	455	442
Salaries and bonuses paid to management, total	**3 677**	3 246

* In addition a cost reserve of EUR 1,780 thousand, for the expenses arising from the bonus schemes tied to the price development of the company's share, has been made.

The holdings of Wärtsilä shares of the President and CEO, and some of the members of the Board of Directors and Board of Management at the year end were 70 428 shares (56 479).

The President and CEO and some of the members of the Board of Management are entitled to retire on reaching 60 years of age. The Group has no loan receivables from the executive management or the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

Business transactions with the associates and joint ventures

MEUR	2009	2008
Sales to the associates and joint ventures in the income statement	**16**	34
Receivables from the associates and joint ventures in the balance sheet	**23**	22
Advances paid to the associates and joint ventures in the balance sheet	**54**	29
Payables to the associates and joint ventures in the balance sheet	**11**	12

Detailed financial information of the associated companies and joint ventures is presented in Note 14. Investments in associated companies and joint ventures.

30. Auditors' fees and services

The following remuneration was paid to auditors and accounting firms for audit based on applicable legislation and for other services.

In 2009 the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditors.

Auditors' fees

	KPMG		Others	
MEUR	**2009**	**2008**	**2009**	**2008**
Audit fees	**1.9**	1.7	**0.1**	0.1
Statement fees	**0.1**	0.1		
Tax advisor fees	**1.0**	1.1	**0.3**	0.2
Other fees	**0.6**	1.0		0.3
Total	**3.5**	4.0	**0.4**	0.6

31. Exchange rates

	Closing rates 31.12.2009	**Closing rates 31.12.2008**	**Average 2009**	**Average 2008**
USD	**1.44060**	1.39170	**1.39327**	1.47059
GBP	**0.88810**	0.95250	**0.89105**	0.79654
SEK	**10.25200**	10.87004	**10.61995**	9.61688
NOK	**8.30000**	9.75001	**8.72877**	8.22484
DKK	**7.44180**	7.45062	**7.44630**	7.45595
CHF	**1.48360**	1.48500	**1.50987**	1.58708
JPY	**133.16000**	126.13522	**130.23383**	152.33000
SGD	**2.01940**	2.00400	**2.02296**	2.07614
INR	**67.04000**	67.94402	**67.48022**	64.07155

32. Subsidiaries

Company name	**Location**	**Share %**
Wärtsilä Technology Oy Ab	Finland	100.0
Wärtsilä Finland Oy	Finland	100.0
Wärtsilä Sweden AB	Sweden	100.0
Wärtsilä Norway A/S	Norway	100.0
Wärtsilä Ship Design Norway AS	Norway	100.0
Wärtsilä Danmark A/S	Denmark	100.0
Wärtsilä Italia S.p.A.	Italy	100.0
Wärtsilä Navim Diesel S.r.l.	Italy	100.0
Wärtsilä France S.A.S.	France	100.0
Wärtsilä Defence S.A.	France	100.0
Whessoe S.A.	France	100.0
Wärtsilä Switzerland Ltd.	Switzerland	100.0
Wärtsilä Netherlands B.V.	The Netherlands	100.0
DTS-Zwolle B.V.	The Netherlands	100.0
Wärtsilä Ibérica S.A.	Spain	100.0
Wärtsilä Portugal Lda.	Portugal	100.0
Wärtsilä Deutschland GmbH	Germany	100.0
Wärtsilä Ship Design Germany GmbH	Germany	100.0
Wärtsilä UK Ltd	Great Britain	100.0
Whessoe Total Automation Ltd.	Great Britain	100.0
Vulcan Insurance Ltd.	Great Britain	100.0
Wärtsilä Greece S.A.	Greece	100.0
Wärtsilä Ireland Ltd.	Ireland	100.0
Wärtsilä Polska Sp.z.oo.	Poland	100.0
Wärtsilä Ship Design Poland Sp.z.oo.	Poland	100.0
Wärtsilä-Enpa A.S.	Turkey	51.0
Wärtsilä BLRT Estonia Oü	Estonia	51.7
Wärtsilä BLRT Lietuva UAB	Lithuania	51.0
Wärtsilä Vostok, LLC	Russia	100.0
Wärtsilä Hungary Kft	Hungary	100.0
Wärtsilä Ukraine LLC	Ukraine	100.0
Wärtsilä North America, Inc.	USA	100.0
Wärtsilä Defence Inc.	USA	100.0
Wärtsilä Development & Financial Services Inc.	USA	100.0
Wärtsilä Canada Inc.	Canada	100.0
Wärtsilä de Mexico SA	Mexico	100.0
Wärtsilä Caribbean, Inc.	Puerto Rico	100.0
Wartsila Dominicana Inc.	Dominican Republic	100.0
Wärtsilä Guatemala S.A.	Guatemala	100.0
Wärtsilä Chile Ltda.	Chile	100.0
Wärtsilä Ecuador S.A.	Ecuador	100.0
Wärtsilä Brasil Ltda.	Brasil	100.0
Wärtsilä Colombia S.A.	Colombia	100.0
Wärtsilä Peru S.A.C.	Peru	100.0
Wärtsilä Argentina S.A.	Argentina	100.0
Wärtsilä Venezuela, C.A.	Venezuela	100.0
Wärtsilä Panama S.A.	Panama	100.0
Wärtsilä Australia Pty Ltd.	Australia	100.0

Company name	Location	Share %
Wärtsilä China Ltd.	Hong Kong	100.0
Wärtsilä-CME Zhenjiang Propeller Co. Ltd	China	55.0
Wärtsilä Engine (Shanghai) Co Ltd	China	100.0
Wärtsilä Shanghai Services Ltd.	China	100.0
Wärtsilä Propulsion (Wuxi) Co. Ltd.	China	100.0
Wärtsilä Singapore Pte Ltd.	Singapore	100.0
Wärtsilä Automation Services Singapore Pte Ltd	Singapore	100.0
Wärtsilä Japan Company Ltd	Japan	99.7
Wärtsilä India Ltd.	India	98.9
Wärtsilä Vietnam Co Ltd.	Vietnam	100.0
Wärtsilä Korea Ltd.	South Korea	100.0
Wärtsilä Taiwan Ltd.	Taiwan	100.0
Wärtsilä Philippines Inc.	Philippines	100.0
PT. Wärtsilä Indonesia	Indonesia	100.0
Wärtsilä Lanka Ltd.	Sri Lanka	100.0
Wärtsilä Pakistan (Pvt.) Ltd.	Pakistan	100.0
Wärtsilä Bangladesh Ltd.	Bangladesh	100.0
Wärtsilä Azerbaijan LLC	Azerbaijan	100.0
Wärtsilä Power Contracting Saudi Arabia Ltd.	Saudi Arabia	60.0
Wärtsilä Gulf FZE	United Arab Emirates	100.0
Wärtsilä Arab Mediterranean Power Ltd	Egypt	100.0
Wärtsilä South Africa (Pty) Ltd.	South Africa	100.0
Wärtsilä Eastern Africa S.A.	Kenya	100.0
Wärtsilä West Africa S.A.	Senegal	100.0
Wärtsilä Central Africa Ltd.	Cameroon	100.0

A complete list of shares and securities in accordance with the Accounting Ordinance is included in the official financial statements of the company.

33. Financial risks

General

Wärtsilä has a centralised Group Treasury with two main objectives: 1) to arrange adequate funding for the Group's underlying operations on competitive terms, 2) to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies.

The objective is to hedge against unfavorable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, credit and liquidity risks on the Group's cash reserves, profits and shareholders' equity.

The Financial Risk Policy is approved by the Board of Directors. The Treasury employs only such instruments whose market value and risk profile can be reliably monitored.

Foreign exchange risk

Foreign exchange exposures are monitored at the Business level and then netted and hedged at Group level. All fixed sales and purchase contracts are hedged. The estimated future commercial exposures are evaluated by the Businesses and the level of hedging is decided by the Board of Management. Hedge accounting in accordance with IFRS is applied to most of the hedges of these exposures. The hedges cover such time periods that both the prices and costs can be adjusted to new exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges its balance sheet position, which includes receivables and payables denominated in foreign currencies. The Group does not expect significant losses from foreign exchange rate changes in 2010. The cancellation of orders could lead to ineffective currency hedge. Approximately 65% of sales and 70% of operating costs in 2009 were denominated in euros. The Group's profits and competitiveness are also indirectly affected by the home currencies of its main competitors: USD, GBP, JPY and KRW.

The instruments, their nominal values and currency distribution used to hedge the Group's foreign exchange exposures are listed in Note 27.

Some Group companies in countries whose currencies are not fully convertible like Brazil and China have unhedged, intercompany loans nominated either in EUR or USD. Total amount of the loans is EUR 69 million.

Since Wärtsilä has subsidiaries outside the euro zone, the Group's shareholders' equity is sensitive to exchange rate fluctuations. At the end of 2009 the net asset value of Wärtsilä's foreign subsidiaries outside the euro zone totalled EUR 432 million, of which EUR 339 million was hedged. The ineffective portion of the equity hedges was not significant.

IFRS hedge accounting has been applied to EUR 918 million currency forwards. A 10% change in the exhange rates would cause from these currency forwards an approximately EUR 68 million after tax influence on the shareholders' equity. In 2009 EUR 3 million fair value adjustments related to cash flow hedges were booked in equity. EUR -12 million of the fair value adjustments were transferred from equity to the income statement as net sales or operating expenses during 2009. The result from the ineffective portion of the cash flow hedges, EUR -5 million, has been booked in financial items.

Currency distribution 2009

	Net sales	Operating costs	Trade receivab-les	Trade payables
EUR	65	70	75	78
USD	19	9	10	3
NOK	3	3	3	3
CHF	1	2	1	3
Other EU currencies	2	4	2	3
SGD	1	1	1	1
CNY	1	2		
JPY		1		2
Other currencies	7	9	7	7
%	100	100	100	100

Interest rate risk
Wärtsilä is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk) and also through changes in interest rates (re-fixing on roll-overs). Wärtsilä hedges interest rate exposure by using derivative instruments such as interest rate swaps, futures and options. Changes in the market value of these derivatives are booked directly to the income statement. Interest rate risk is managed by constantly monitoring the market value of the financial instruments and by using sensitivity analysis.

Interest-bearing loan capital at the end of 2009 totalled EUR 664 (664) million. The average interest rate was 2.3% (4.1) and the average re-fixing time 23 (11) months. At the end of 2009 a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 13 million increase/decrease in the value of the net debt portfolio including derivatives.

Wärtsilä spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of floating rate loans as a proportion of the total debt can vary between 30–70%. At the end of 2009 the floating rate portion of total loans was 39% after adjustment for interest rate derivatives. A one percentage point change in the interest level would cause a EUR 2 million change in the following year's interest expenses of the debt portfolio, including derivatives.

Additional information related to loans can be found in Notes 17 and 25.

Liquidity and refinancing risk
Wärtsilä ensures sufficient liquidity at all times by efficient cash management, and by maintaining sufficient committed and uncommitted credit lines available.

The existing funding programmes include:
• Committed Revolving Credit Facilities totalling EUR 555 million.
• Finnish Commercial Paper programmes totalling EUR 700 million.

The average maturity of the long-term loans is 71 months and the average maturity of the confirmed credit lines is 31 months. Additional information in Note 25.

Wärtsilä Group's liquidity is strong. Wärtsilä had cash and cash equivalents totalling EUR 244 million at the year end as well as EUR 555 million non-utilised committed credit facilities and substantial Commercial Paper programmes. Wärtsilä minimises its refinancing risk by having a balanced and sufficiently long loan portfolio.

Revolving credit facilities

MEUR

Year	Maturing	Available (end of period)
2009		555
2010	120	435
2011	15	420
2012	175	245
2013	195	50
2014		50
2015	50	

Credit risk
The responsibility for managing the credit risks associated with ordinary commercial activities lies with the Businesses and the Group companies. Major trade and project finance credit risks are minimised by transferring risks to banks, insurance companies and export credit organisations. The company did not have long-term suppliers' credits at the end of 2009. No losses were recorded on suppliers' credits.

Credit risks related to the placement of liquid funds and to trading in financial instruments are minimised by setting explicit limits for the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

The Group companies deposit the maximum amount of their liquid financial assets with the centralised treasury (Wärtsilä Group Treasury) as local laws and central bank regulations allow it. The Group's funds are placed in instruments with sufficient liquidity (short-term bank deposits or Finnish Commercial Papers) and rating (at least single-A rated instruments or other instruments approved by the Group's CFO). These placements are constantly monitored by Wärtsilä Group Treasury and Wärtsilä does not expect any future defaults from the placements.

Aging of trade receivables

MEUR	2009 Trade receivables	2009 of which impaired	2008 Trade receivables	2008 of which impaired
Not past due	**613**		543	
Past due 1-30 days	**139**		128	
Past due 31-180 days	**180**	**2**	157	1
Past due 181-360 days	**78**	**3**	43	2
Past due 1 year	**58**	**33**	53	27
Total	**1 068**	**38**	924	30

In 2009, EUR 12 million provisions for doubtful receivables has been recognised in the consolidated income statement.

Equity price risk
Wärtsilä has investments in publicly quoted shares (Note 15). The market value of these shares at the end of 2009 was EUR 130 million. 10% strengthening or weakening in share price has EUR +/- 10 million impact on Group's shareholders' equity after taxes.

Wärtsilä also has equity investments totalling EUR 9 million in power plants companies, most of which are located in developing countries and performing well according to expectations.

Capital risk management
Wärtsilä's policy is to secure a strong capital base to keep the confidence of investors and creditors and for the future development of the business. The capital is defined as total equity including minority interest and net interest-bearing debt. The target for Wärtsilä is to have a solvency ratio of 35–40% and to pay a dividend equivalent to 50% of operational earnings per share.

MEUR	31.12. 2009	31.12. 2008
Balance sheet total	**4 655**	4 743
Advances received	**-879**	-1 243
	3 777	3 500
Total shareholders' equity	**1 512**	1 199
Solvency ratio,%	**40.0**	34.3

In the capital management Wärtsilä also follows the gearing development:

Interest-bearing liabilities, non-current	**591**	448
Interest-bearing liabilities, current	**73**	216
Cash and cash equivalents	**-244**	-197
	420	467
Loan receivables	**-6**	-12
Net interest-bearing loan capital	**414**	455
Gearing	**0.28**	0.39

Parent Company Financial Statements

Parent Company Income Statement (FAS)

MEUR	Note	2009	2008
Other operating income	1	**77**	78
Personnel expenses	2	**-40**	-32
Depreciation and amortization	3	**-12**	-11
Other operating expenses		**-87**	-83
Operating result		**-62**	-48
Financial income and expenses	4		
Income from financial assets		**84**	49
Interest income and other financial income		**32**	58
Exchange gains and losses		**-13**	9
Interest expenses and other financial expenses		**-30**	-53
		74	64
Result before extraordinary items		**11**	16
Group contribution	5	**393**	301
Result before appropriations and taxes		**405**	317
Change in depreciation difference		**-1**	-1
Result before taxes		**404**	316
Income taxes	6	**-84**	-70
Result for the financial period		**320**	246

Parent Company Balance Sheet (FAS)

MEUR	Note	31.12.2009	31.12.2008
ASSETS			
Fixed assets	7		
Intangible assets			
Other long-term expenditure		**31**	33
Construction in progress		**14**	14
		46	47
Tangible assets			
Land and water		**7**	6
Buildings and structures		**1**	1
Machinery and equipment		**2**	2
Other tangible assets		**1**	1
Construction in progress		**1**	2
		12	12
Financial assets			
Shares in Group companies		**450**	450
Loan receivables from Group companies		**1**	2
Other shares and securities		**19**	19
		470	471
Fixed assets and other non-current financial assets		**527**	531
Non-current receivables	8		
Receivables from Group companies		**166**	97
Loan receivables		**12**	11
		177	108
Current receivables			
Receivables from Group companies	9	**1 444**	1 585
Loan receivables			1
Other receivables		**3**	4
Prepaid expenses and accrued income	10	**19**	87
		1 467	1 677
Cash and bank balances		**151**	77
Total current assets		**1 795**	1 862
Assets		**2 322**	2 393

Parent Company Balance Sheet (FAS)

MEUR	Note	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		**336**	336
Share premium reserve		**61**	61
Retained earnings		**266**	169
Result for the financial year		**320**	246
Total shareholders' equity		**983**	812
Accumulated appropriations			
Depreciation difference		**8**	7
Liabilities	12		
Long-term			
Loans from credit institutions		**263**	317
Loans from pension institutions		**221**	96
Liabilities to Group companies	14	**77**	
		561	413
Current			
Loans from credit institutions		**64**	43
Loans from pension institutions			4
Trade payables		**4**	4
Liabilities to Group companies	14	**618**	871
Other current liabilities		**5**	143
Accrued expenses and deferred income	13	**79**	96
		770	1 161
Total liabilities		**1 331**	1 574
Shareholders' equity and liabilities		**2 322**	2 393

Parent Company Cash Flow Statement (FAS)

MEUR	2009	2008
Cash flow from operating activities:		
Operating result	**-62**	-48
Adjustments for:		
Depreciation and amortization	**12**	11
Selling profit and loss of fixed assets	**-3**	-3
Cash flow before changes in working capital	**-53**	-40
Changes in working capital:		
Assets, non-interest-bearing, increase (-)/ decrease (+)	**115**	-74
Liabilities, non-interest-bearing, increase (+)/ decrease (-)	**-60**	79
	55	6
Cash flow from operating activities before financial items and taxes	**2**	-34
Interest and other financial expenses	**-46**	-78
Dividends received from operating activities	**80**	43
Interest and other financial income from operating activities	**25**	104
Income taxes	**-65**	-60
	-6	10
Cash flow from operating activities	**-4**	-24
Cash flow from investing activities:		
Investments in tangible and intangible assets	**-12**	-14
Proceeds from sale of investments		2
Proceeds from sale of tangible and intangible assets	**3**	4
Loan receivables, increase (-)/ decrease (+) and other changes	**1**	
Dividends received from investments	**5**	6
Cash flow from investing activities	**-3**	-3
Cash flow after investing activities	**-7**	-27
Cash flow from financing activities:		
Loans receivables, increase (-)/ decrease (+)	**129**	-269
Current loans, increase (+)/ decrease (-)	**-367**	201
New non-current loans	**185**	246
Amortization and other changes of non-current loans	**-20**	-16
Group contributions	**301**	169
Paid dividends	**-148**	-408
Cash flow from financing activities	**80**	-76
Change in cash and bank balances, increase (+) / decrease (-)	**74**	-103
Cash and bank at beginning of period	**77**	180
Cash and bank at end of period	**151**	77

Accounting Principles for the Parent Company

The financial statements of the parent company, Wärtsilä Corporation, have been prepared in accordance with the provisions of the Finnish Accounting Act (FAS).

The accounting principles are unchanged compared to the previous year.

The preparation of the financial statements requires management, in compliance with the regulations in force and good accounting practice, to make estimates and assumptions that affect the measurement and timing of the reported information. Actual results may differ from these estimates.

Transactions denominated in foreign currencies

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to net sales and operating expenses. Exchange gains and losses related to financing operations are entered under financial income and expenses.

Research and development costs

Research and development costs are expensed in the financial period in which they occur.

Receivables

Receivables are valued to acquisition cost or to a lower probable value.

Fixed assets and depreciation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation. Certain land areas also include revaluations.

Depreciation is based on the following useful lives:

• Other long-term expenditure	3–10 years
• Buildings	20–40 years
• Machinery and equipment	5–20 years

Leasing

Lease payments are treated as rentals.

Extraordinary income and expenses

Extraordinary income and expenses consist of items, such as Group contributions, that fall outside the ordinary activities of the company.

Provisions

Provisions in the balance sheet comprise those items which the company is committed to covering either through agreements or otherwise, but which are not yet realized. Changes to provisions are included in the income statement.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, as well as adjustments to taxes in prior years. Taxes allocated to extraordinary items are shown in the notes to the financial statements.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

Notes to the Parent Company Financial Statements

1. Other operating income

MEUR	2009	2008
Rental income	**2**	2
Profit on sales of fixed assets	**3**	3
Services to Group companies	**71**	72
Other operating income	**1**	1
Total	**77**	78

2. Personnel expenses

MEUR	2009	2008
Wages and salaries	**30**	24
Pension costs	**8**	5
Other compulsory personnel costs	**2**	2
Total	**40**	32
Salaries and remunerations		
The President and CEO and his deputy and members of the Board of Directors	**2**	2

The President and CEO and some of the members of the Board of Management have the right to retire at the age of 60 years.

The Company's Board of Directors decides the remunerations of the President and CEO and his immediate subordinates.

Personnel on average	**398**	361

3. Depreciation and amortization

MEUR	2009	2008
Depreciation according to plan		
Other long-term expenditure	**12**	11
Total depreciation according to plan	**12**	11
Total book depreciation	**13**	12
Depreciation difference	**-1**	-1
Amortization of fixed assets		
Depreciation difference on 1 January	**7**	7
Change in the depreciation difference	**1**	1
Depreciation difference on 31 December	**8**	7

4. Financial income and expenses

MEUR	2009	2008
Dividend income		
From Group companies	**80**	43
From other companies	**5**	6
Total	**84**	49
Other interest income		
From Group companies	**30**	54
From other companies	**1**	4
Total	**30**	58
Other financial income		
From Group companies	**5**	8
From other companies	**11**	19
Total	**16**	27
Exchange gains and losses	**-13**	9
Interest expenses		
To Group companies	**-9**	-32
To other companies	**-17**	-21
Total	**-26**	-53
Other financial expenses		
To Group companies	**-3**	-8
To other companies	**-15**	-19
Total	**-18**	-27
Financial income and expenses, total	**74**	64

5. Extraordinary income and expenses

MEUR	2009	2008
Group contributions received	**393**	301

6. Income taxes

MEUR	2009	2008
Income taxes		
for the financial year	**-84**	-70
for prior years	**-1**	
Total	**-84**	-70
Income taxes on extraordinary items	**102**	78

7. Fixed assets

Intangible assets

MEUR	Other long-term expenditures	Construction in progress	Total 2009	Total 2008
Acquisition cost at January 1	101	14	116	103
Additions	2	6	8	12
Reclassifications	8	-6	2	
Acquisition cost at December 31	110	14	126	116
Accumulated amortization at January 1	-67		-68	-57
Amortization during the financial year	-12		-12	-11
Accumulated amortization at December 31	-79		-80	-68
Book value at 31 December 2009	31	14	46	
Book value at 31 December 2008	33	14		47

Tangible assets

MEUR	Land and water	Buildings and struc-tures	Machinery and equip-ment	Construction in progress	Other tangible assets	Total 2009	Total 2008
Acquisition cost at January 1	6	11	11	2	2	32	35
Additions	2		1	1		3	2
Disposals	-1					-2	-3
Reclassifications				-2		-2	
Acquisition cost at December 31	7	11	12	1	2	32	34
Accumulated depreciation at January 1		-10	-10		-1	-20	-22
Accumulated depreciation on disposals and transfers							1
Depreciation during the financial year						-1	
Accumulated depreciation at December 31		-10	-10		-1	-21	-22
Book value at 31 December 2009	7	1	2	1	1	12	
Book value at 31 December 2008	6	1	2	2	1		12

Shares and securites

MEUR	Shares in Group companies	Receivables from Group companies	Shares in other companies	Total 2009	Total 2008
Acquisition cost at January 1	450	2	19	471	472
Additions					1
Disposals		-1		-1	-2
Acquisition cost at December 31	450	1	19	470	471
Book value at 31 December 2009	450	1	19	470	
Book value at 31 December 2008	450	2	19		471

8. Non-current receivables

MEUR	2009	2008
Receivables from Group companies		
Non-current investments	**1**	2
Loan receivables	**166**	97
Total	**166**	99

9. Current receivables from Group companies

MEUR	2009	2008
Trade receivables	**3**	3
Loan receivables	**1 428**	1 523
Prepaid expenses and accrued income	**13**	59
Total	**1 444**	1 585

10. Main items in prepaid expenses and accrued income

MEUR	2009	2008
Interests		1
Derivatives	**13**	85
Other financial items	**6**	
Total	**19**	87

11. Shareholder's equity

MEUR	2009	2008
Share capital		
Share capital on 1 January	**336**	336
Share capital on 31 December	**336**	336
Share premium reserve		
Share premium reserve on 1 January	**61**	61
Share premium reserve on 31 December	**61**	61
Retained earnings		
Retained earnings on 1 January	**415**	577
Ordinary dividend distribution	**-148**	-216
Extra dividend distribution		-192
Reversal of revaluation	**-1**	-1
Result for the financial period	**320**	246
Retained earnings on 31 December	**586**	415
Total shareholders' equity	**983**	812
Distributable equity	**586**	415

12. Liabilities

MEUR	2009	2008
Non-current		
Interest-bearing	**561**	413
Total	**561**	413
Current		
Non-interest-bearing	**114**	157
Interest-bearing	**656**	1 004
Total	**770**	1 161

Debt with maturity profile

2009 MEUR	Current < 1 year	Long-term 1-5 years	 > 5 years	 Total
Loans from financial institutions	**64**	**71**	**192**	**327**
Loans from pension institutions		**151**	**70**	**221**
Total	**64**	**222**	**286**	**508**

2008 MEUR	Current < 1 year	Long-term 1-5 years	 > 5 years	 Total
Loans from financial institutions	43	185	132	360
Loans from pension institutions	4	65	32	100
Total	47	249	164	460

13. Main items in accrued expenses and deferred income

MEUR	2009	2008
Income and other taxes	**31**	12
Derivatives	**27**	63
Personnel costs	**11**	8
Interest and other financial items	**4**	7
Other	**6**	6
Total	**79**	96

14. Liabilities to Group companies

MEUR	2009	2008
Other long-term liabilities	**77**	
Trade payables	**4**	4
Other current liabilities	**589**	815
Accrued expenses and deferred income	**25**	52
Total	**695**	871

15. Collateral, contingent liabilities and other commitments

MEUR	2009	2008
Guarantees and contingent liabilities		
On behalf of Group companies	**678**	664
On behalf of Associated companies	**8**	
Total	**686**	664
Nominal amounts of rents according to leasing contracts		
Payable within one year	**3**	3
Payable after one year	**12**	15
Total	**15**	17

16. Inner circle loans and other commitments

There are no loans from senior management and the members of the Board of Directors.
No pledges or other commitments were given on behalf of senior management or shareholders.

17. Auditors' fees and services

The following remuneration was paid to auditors and accounting firms for audits and other reviews based on applicable legislations and for advice as well as for independent advice.

In 2009 the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditors.

Auditors' fees

TEUR	2009	2008
Audit fees	**155**	143
Tax advisor fees	**153**	391
Other fees	**242**	574
Total	**550**	1 108

Proposal of the Board

The parent company's distributable funds total 585,892,877.82 euros, which includes 319,816,166.25 euros in net profit for the year. There are 98,620,565 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting that the company's distributable earnings be disposed of in the following way:

EUR	
A dividend of EUR 1.75 per share be paid, making a total of	172 585 988.75
That the following sum be retained in shareholders' equity	413 306 889.07
Totalling	585 892 877.82

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Helsinki, Finland, 27 January 2010

Antti Lagerroos
Matti Vuoria
Maarit Aarni-Sirviö
Kaj-Gustaf Bergh
Kari Kauniskangas
Bertel Langenskiöld
Ole Johansson, President and CEO

Auditors' Report

To the Annual General Meeting of Wärtsilä Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Wärtsilä Corporation for the year ended on December 31, 2009. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditors' Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the President and CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

Helsinki, January 27, 2010
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Quarterly Figures 2008–2009

Condensed Income Statement

MEUR	Q4/2009	Q3/2009	Q2/2009	Q1/2009	Q4/2008	Q3/2008	Q2/2008	Q1/2008
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 amortisations	-73	-31	-30	-30	-31	-26	-21	-21
Share of profit of associates and joint ventures	1	3	1	1	1	-1	1	
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
Earnings per share, EUR	1.17	0.87	1.01	0.89	1.46	0.97	0.96	0.49

Order intake	823	725	785	958	823	1 382	1 432	1 936
Order book, at the end of period	4 491	5 351	5 829	6 477	6 883	7 762	7 479	7 219
Personnel, at the end of period	18 541	18 806	19 016	18 844	18 812	18 268	17 552	16 979

Shares and Shareholders

Wärtsilä Corporation's shares are listed on the Nasdaq OMX Large Cap list on the Helsinki Stock Exchange. Wärtsilä's total number of shares at the end of the review period was 98,620,565.

The Wärtsilä share on the Helsinki Stock Exchange

		2009	2008	2007	2006	2005
Trading volume	MEUR					
Series A[1]		-	13.5	665.7	55.6	72.2
WRT1V[2]		**3 215.8**	5 220.5	6 018.1	2 963.2	1 796.6
Total		**3 215.8**	5 234.0	6 683.8	3 018.8	1 868.8
Number of traded	x 1 000					
Series A[1]		-	289	13 412	1 716	3 160
WRT1V[2]		**137 102**	147 205	125 257	92 322	79 635
Total		**137 102**	147 595	138 669	94 038	82 795
Stock turnover	%					
Series A[1]		-	4.5	56.8	7.2	13.4
WRT1V[2]		**139.0**	149.3	173.0	128.2	112.9
Total		**139.0**	149.3	144.4	98.4	88.0
Average share price	EUR					
Series A[1]		-	46.79	49.63	32.52	22.73
WRT1V[2]		**23.46**	35.41	48.04	32.07	22.46
Trading low/high	EUR					
Series A[1]	low	-	33.05	38.05	24.60	15.31
	high	-	53.00	58.00	40.99	26.70
WRT1V[2]	low	**15.81**	15.50	38.44	24.80	15.68
	high	**30.91**	52.40	58.89	41.20	27.09
Share price at the year-end						
Series A[1]		-	-	53.09	40.75	24.84
WRT1V[2]		**28.07**	21.01	52.09	40.81	25.00
Year-end market capitalisation	MEUR	**2 768**	2 072	5 023	3 898	2 349

[1] Series A until 26 March 2008.
[2] Series B untill 26 March 2008, thereafter WRT1V.

Key figures for Wärtsilä share

		2009	2008	2007	2006	2005
Earnings per share (EPS)	EUR	**3.94**	3.88[2]	2.74	3.72	1.80
Book value of equity per share	EUR	**15.17**	12.01	13.70	12.74	12.25
Dividend per share		**1.75**[1]	1.50	4.25	1.75	3.00
Dividend per earnings	EUR	**44.40**[1]	38.70	155.10	47.00	166.70
Dividend yield	%					
Series A	%	-	-	8.01	4.29	12.08
WRT1V[3]		**6.23**[1]	7.14	8.16	4.29	12.00
Price per earnings (P/E)						
Series A		-	-	19.4	11.0	13.8
WRT1V[3]		**7.12**	5.41	19.0	11.0	13.9
Price to book- value (P/BV)						
Series A		-	-	3.9	3.2	2.0
WRT1V[3]		**1.9**	1.7	3.8	3.2	2.0
Adjusted number of shares	x 1 000					
end of financial year		**98 621**	98 621	95 970	95 554	94 107
on average		**98 621**	97 944	95 751	94 429	93 010

[1] Proposal of the Board of Directors.
[2] 3.96 euros before the effect of the combination of Wärtsilä's share series.
[3] Series B until 26 March 2008, thereafter WRT1V.

Shareholders

Wärtsilä has approximately 42,400 shareholders. At the end of the period, approximately 45% of the capital was held by foreign shareholders. At the end of 2008, the corresponding figure was 46%.

Ownership structure on 31 December 2009

Group	Number of shareholders	%	Number of shares	%
Private corporations	**1 974**	4.7	3 807 547	3.9
Banks and insurance companies	**87**	0.2	1 660 092	1.7
Public sector entities	**52**	0.1	10 006 204	10.1
Non-profit organisations	**830**	2.0	12 558 156	12.7
Households	**39 131**	92.3	25 800 286	26.2
Outside Finand	**314**	0.7	18 151 295	18.4
Nominee registered			26 636 985	27.0
Total	**42 402**	100.0	98 620 565	100.0

Division of shares 31 December 2009

Number of shares	Number of shareholders	%	Number of shares	%
1-50	**7 325**	17.3	230 462	0.2
51-1000	**6 628**	15.6	576 287	0.6
101-1 000	**22 506**	53.1	8 480 418	8.6
1 001-5 000	**4 888**	11.5	10 220 446	10.4
5 001-10 000	**575**	1.4	4 069 891	4.1
10 001-100 000	**426**	1.0	10 608 441	10.8
100 001-500 000	**41**	0.1	9 094 133	9.2
500 001-1 000 000	**6**	0.0	3 847 626	3.9
1000 001-	**4**	0.0	24 855 876	25.2
Nominee registered			26 636 985	27.0
Total	**42 402**	100.0	98 620 565	100.0

Major shareholders 31 December 2009

	Owner	Shares	Shares %
1	Avlis AB (Subsidiary of Fiskars Plc)	16 846 301	17.08
2	Varma Mutual Pension Insurance Company	5 130 087	5.20
3	Ilmarinen Mutual Pension Insurance Company	1 850 309	1.88
4	Svenska Litteratursällskapet	1 761 416	1.79
5	The Social Insurance Institution of Finland	967 955	0.98
6	Sigrid Jusélius Foundation	665 398	0.67
7	Jenny and Antti Wihuri Foundation	631 608	0.64
8	The Finnish Cultural Foundation	540 000	0.55
9	State Pension Fund	531 148	0.54
10	Inez och Julius Polins Fond	511 517	0.52
11	Brita Maria Renlund Foundation	438 550	0.44
12	Livränteanstalten Hereditas	427 749	0.43
13	Ella and Georg Ehrnrooth Foundation	421 465	0.43
14	The Signe and Ane Gyllenberg foundation	414 444	0.42
15	Samfundet Folkhälsan i Svenska Finland rf	408 825	0.41
16	Savox Investments S.A.	365 000	0.37
17	Åbo Akademi Foundation	300 555	0.30
18	Svenska Kulturfonden i Björneborg	277 505	0.28
19	Sijoitusrahasto Alfred Berg Finland	260 500	0.26
20	Pensionsförsäkringsaktiebolaget	255 986	0.26
21	Mutual Insurance Company Eläke-Fennia	250 000	0.25
22	Magnus Ehrnroot Foundation	246 222	0.25

	Owner	Shares	Shares %
23	William Thurings Stiftelse	242 222	0.25
24	Rantanen Tuula Anneli	241 333	0.24
25	Folkhälsans Forskningsstiftelse - Kansanterveyden tutkimussäätiö	240 489	0.24
26	Odin Finland	223 667	0.23
27	Kuntien Eläkevakuutus	221 652	0.22
28	Blåberg Meeri	220 000	0.22
29	Oy Ingman Finance Ab	210 000	0.21
30	Svenska Folkskolans Vänner	206 218	0.21
31	Louise och Göran Ehrnrooths Stiftelse	188 815	0.19
32	Folketrygdfondet	177 000	0.18
33	SR Danske Invest Suomi Osake	161 532	0.16
34	Fromond Elsa	155 478	0.16
35	Von Fieandt Johan	154 246	0.16
36	Relander Harald Bertel	150 000	0.15
37	Emil Aaltosen Säätiö	146 000	0.15
38	Oy H. Kuningas & Co Ab	145 000	0.15
39	Tallberg Carl Johan	143 341	0.15
40	Riihimäen Konepajakoulun Säätiö	141 293	0.14
41	Stockmann Marita	135 613	0.14
42	Neste Oil Eläkesäätiö	128 700	0.13
43	Etera	125 000	0.13
44	Petter och Margit Forsströms Stiftelse	115 000	0.12
45	Blomberg Anne-Sofie	111 752	0.11
46	Maanpuolustuksen Kannatussäätiö	107 708	0.11
47	Liikesivistysrahasto	103 918	0.11
48	Bergsr. Dr H.C. Marcus Wallenbergs Stiftelse	103 300	0.10
49	SR Danske Invest Suomi Yhteisosake	101 853	0.10
50	Nordea Henkivakuutus Suomi Oy	100 000	0.10
	Total	38 003 670	38.54

Management holdings

The members of the Board of Directors, the CEO, the CEO's deputy, and the corporations under their control own altogether 69.585 Wärtsilä Corporation shares, which represent 0.07% of the stock and of the voting rights.

Authorisations granted to the Board of Directors

Following the Annual General meeting (11 March 2009), there are no current authorisations.

The Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.75 euros per share be distributed for the financial period that ended 31 December 2009.

Information for Shareholders

Annual General Meeting
The Annual General Meeting of Wärtsilä Corporation will take place on Thursday, 4 March 2010, beginning at 4 pm, in the Congress Wing of the Helsinki Fair Center,address: Messuaukio 1, 00520 Helsinki, Finland.

Right to attend
Shareholders registered no later than 22 February 2010 in the company's list of shareholders maintained by the Finnish Central Securities Depository Ltd have the right to attend the Annual General Meeting.

Notification of attendees
Shareholders wishing to attend the Annual General Meeting are required to inform the Company thereof no later than 4 p.m. on 1 March 2010 either by letter, by e-mail, by fax or by telephone.

Registration:
Wärtsilä Corporation
Share Register
P.O. Box 196
FI-00531 Helsinki
Finland
Telephone: +358 10 709 5282
Between 9 a.m. and 12 (noon) on weekdays
Fax: +358 10 709 5283
E-mail: yk@wartsila.com
Internet: www.wartsila.com/agm_register

Letters, e-mails and faxes informing of participation must reach the Company before the notification period expires at 4 p.m. on 1 March 2010. Letters authorising a proxy to exercise a shareholder's voting right at the Annual General Meeting should reach the Company before the notification period expires.

Payment of dividend
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.75 per share will be paid for the 2009 financial period. 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 9 March 2010. The dividend payment date proposed by the Board is 16 March 2010.

Financial information 2010

Annual Report 2009
The electronic Annual Report 2009 and the printed summary are also available in Finnish and Swedish and are published on Wärtsilä's Internet site, www.wartsila.com.

Interim Reports 2010
- January-March on Friday 23 April 2010
- January-June on Wednesday 21 July 2010
- January-September on Wednesday 20 October 2010

Interim Reports are available in English, Finnish and Swedish on Wärtsilä's Internet site.

Stock Exchange Releases
Wärtsilä's Stock Exchange Releases are available in English, Finnish and Swedish on Wärtsilä's Internet site.

Ordering information material
Wärtsilä's Annual Report 2009 summary, Annual and Interim Reports published before 2010, as well as releases and brochures can be ordered from the Communications Department either by telephone +358 10 709 0000, fax +358 10 709 5219, e-mail: corporate.communications@wartsila.com or via the Internet at www.wartsila.com, Contact-section.

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