



WÄRTSILÄ'S INTERIM REPORT JANUARY-JUNE 2010

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SECOND QUARTER 4-6/2010 IN BRIEF

MEUR	4-6/2010	4-6/2009	Change
Order intake	1 117	785	42%
Net sales	1 131	1 333	-15%
Operating result	117	155	-25%
% of net sales	10.4%	11.7%	
Profit before taxes	109	141	
Earnings/share, EUR	0.86	1.06	

REVIEW PERIOD JANUARY-JUNE 2010 IN BRIEF

MEUR	1-6/2010	1-6/2009	Change	2009
Order intake	1 998	1 743	15%	3 291
Order book 30 June	4 315*)	5 829	-26%	4 491
Net sales	2 052	2 574	-20%	5 260
Operating result	211	286	-26%	638
% of net sales	10.3%	11.1%		12.1%
Profit before taxes	158	263		558
Earnings/share, EUR	1.53	1.94		4.30
Cash flow from operating activities	270	-72		349
Interest-bearing net debt at the end of the period	328	759		414
Gross capital expenditure	36	72		152

*) Cancellations amounting to EUR 162 million have been eliminated from the order book during the period January-June 2010.

All numbers in the tables above are shown excluding nonrecurring items. Wärtsilä recognised EUR 12 million (6) of nonrecurring items related to restructuring measures during the second quarter and EUR 56 million (6) of nonrecurring items during the review period January-June 2010.

OPERATING ENVIRONMENT AND DEMAND DEVELOPMENT

SHIP POWER

Markets are recovering

During the second quarter, new vessel ordering activity continued to recover with approximately 100 vessels being ordered per month. This is a clear improvement compared to 2009 when only some 400 vessels were ordered during the whole year. Contracting activity has been especially strong in the bulk carrier segment with competitive new building prices, improved financing availability, and healthier earnings levels making investments attractive. Last years' renegotiations and cancellations of vessel orders have left the current vessel orderbooks at levels where the imbalance between fleet capacity and demand will be less than earlier expected.

Activity in the offshore segment has continued strong and recovery in the more specialised tonnage continues.

Ship Power market shares

Wärtsilä's share of the medium speed main engine market increased from 35% (at the end of the previous quarter) to 37%. The market share in low speed engines increased to 15% (11). In the auxiliary engine market Wärtsilä's share remained at 1% (1). Due to the very low contracting volumes, market shares are still very sensitive to individual orders.

POWER PLANTS

The Power Plants markets remain solid

The Power Plants market activity continued to be at a good level during the second quarter of 2010 and several large contracts were closed. The large projects were mainly flexible power generation plants for utilities and IPP's. Orders for small industrial captive power plants started to pick up, with the main orders coming from the textile and cement industries.

SERVICES

Steady service market focusing on savings

In the marine industry, activity is slowly recovering in the major hubs as well as in the merchant market as vessels are returning to normal operations. Nevertheless, the pressure to reduce maintenance costs through postponing overhauls and focusing only on essential repairs remains. The power plant service market is active and there is an increased interest in efficiency improvements and the outsourcing of plant operations and management. During the second quarter, market activity was very strong in the Americas, especially in Brazil. Demand in Europe showed signs of a pick-up in a challenging market.

ORDER INTAKE

Good growth in order intake

Wärtsilä's order intake for the second quarter totalled EUR 1,117 million (785) an increase of 42%.

Ordering activity for Ship Power showed clear signs of a pick-up and the order intake totalled EUR 213 million (67), 215% above the corresponding period last year. During the quarter, Wärtsilä Ship Power signed a major contract with the Brazilian industrial group QUIP to supply a total integrated power solution for a new FPSO (Floating Production Supply and Offloading) vessel. The vessel is unique in that it will be the first FPSO vessel ever to operate on more than 100 MWe of installed power, produced by gas engines. During the quarter Wärtsilä Ship Power registered 14% of its orders in the Merchant segment and 57% in the Offshore segment. Orders from the Navy segment represented 6%, Cruise&Ferry segment 8%, the Special vessels segment 11% and Ship design 3% of Ship Power's total order intake. Compared to the first quarter 2010 order intake grew by 136% (EUR 90 million during the first quarter of 2010). For the review period January-June 2010 Ship Power's order intake was EUR 303 million (194), an increase of 56% from the corresponding period last year.

The order intake for Power Plants for the second quarter totalled EUR 437 million (257), which was 70% higher than for the corresponding period last year. During the second quarter, the largest power plant orders were received from Brazil, the Caribbean and from Bangladesh. Compared to the previous quarter, the order intake for Power Plants increased by 64% (EUR 267 million in the first quarter of 2010). The order intake for the review period January-June 2010 was EUR 704 million (577), which is 22% higher than in 2009.

Order intake for the Services business totalled EUR 465 million (458) in the second quarter, a growth of 2% compared to the corresponding period 2009. During the second quarter Wärtsilä Services signed several important Operations & Management contracts in Brazil and several conversion contracts in Europe.

Compared to the first quarter, order intake fell 11% (EUR 522 million in the first quarter of 2010). Services' order intake for the review period January-June totalled EUR 988 million (965), an increase of 2% over the corresponding period in 2009.

For the review period January-June 2010 Wärtsilä's total order intake amounted to EUR 1,998 million (1,743), which represents an increase of 15% compared to the corresponding period 2009.

ORDER BOOK

At the end of the review period Wärtsilä's total order book stood at EUR 4,315 million (5,829), a decrease of 26%. The Ship Power order book stood at EUR 2,157 million (3,602), -40%. During the review period January-June 2010, cancellations of EUR 162 million materialised and were deducted from the order book. As the remaining orders at risk have reached the levels of normal business and as some of the recent cancellations were renegotiated and converted to new orders, Wärtsilä will cease reporting the risk and the actual cancellations. At the end of the review period, the Power Plants order book amounted to EUR 1,438 million (1,705), which is 16% lower than at the corresponding date last year. The Services order book totalled EUR 720 million (522) at the end of the review period, an increase of 38%.

Order intake by business

MEUR	4-6/2010	4-6/2009	Change
Ship Power	213	67	215%
Power Plants	437	257	70%
Services	465	458	2%
Order intake, total	1 117	785	42%

MEUR	1-6/2010	1-6/2009	Change	1-12/2009
Ship Power	303	194	56%	317
Power Plants	704	577	22%	1 048
Services	988	965	2%	1 917
Order intake, total	1 998	1 743	15%	3 291

Order intake Power Plants

MW	4-6/2010	4-6/2009	Change
Oil	1 021	426	140%
Gas	14	51	-72%
Renewable fuels	0	0	

MW	1-6/2010	1-6/2009	Change	1-12/2009
Oil	1 100	770	43%	1 172
Gas	374	294	27%	800
Renewable fuels	19	0		35

Order book by business

MEUR	30 June 2010	30 June 2009	Change	31 Dec. 2009
Ship Power	2 157	3 602	-40%	2 553
Power Plants	1 438	1 705	-16%	1 362
Services	720	522	38%	576
Order book, total	4 315*)	5 829	-26%	4 491

*) Cancellations amounting to EUR 162 million have been eliminated from the order book during the review period January-June 2010.

NET SALES

As expected, Wärtsilä's net sales for the second quarter decreased by 15% to EUR 1,131 million (1,333) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 276 million (479), a decrease of 42%. Power Plants' net sales for the second quarter totalled 390 million (379), which is 3% higher than in the corresponding quarter last year. The second quarter net sales for Services amounted to EUR 463 million (469), a decrease of 1%.

Wärtsilä's net sales for January-June 2010 fell by 20% and totalled EUR 2,052 million (2,574). Ship Power's net sales decreased by 35% and totalled EUR 554 million (852). Net sales for Power Plants totalled EUR 627 million (810), a decrease of 23%. Net sales from the Services business decreased 3% from last year's strong level and amounted to EUR 872 million (902). Ship Power accounted for 27%, Power Plants for 31% and Services for 42% of the total net sales.

Of Wärtsilä's net sales for January-June 2010 approximately 70% was EUR denominated, 11% USD denominated with the remainder being split between several currencies.

Net sales by business

MEUR	4-6/2010	4-6/2009	Change
Ship Power	276	479	-42%
Power Plants	390	379	3%
Services	463	469	-1%
Net sales, total	1 131	1 333	-15%

MEUR	1-6/2010	1-6/2009	Change	1-12/2009
Ship Power	554	852	-35%	1 767
Power Plants	627	810	-23%	1 645
Services	872	902	-3%	1 830
Net sales, total	2 052	2 574	-20%	5 260

FINANCIAL RESULTS

The second quarter operating result before nonrecurring expenses was EUR 117 million (155), 10.4% of net sales (11.7). For the review period January-June 2010, the operating result before nonrecurring expenses was EUR 211 million (286), which is 10.3% of net sales (11.1). Including nonrecurring expenses, the operating result decreased to EUR 155 million or 7.5% of net sales. Wärtsilä recognised EUR 56 million of nonrecurring expenses related to the restructuring measures during the first part of the year.

Financial items amounted to EUR 3 million (-16). Net interest totalled EUR -5 million (-10). Dividends received totalled EUR 7 million (5). The deviation in other financial items is mainly due to gains from exchange rates, which were negative in the corresponding period of 2009. Profit before taxes amounted to EUR 158 million (263). Taxes in the reporting period amounted to EUR -45 million (-73). Earnings per share were 1.10 euro (1.90) and equity per share was 14.75 euro (12.68).

BALANCE SHEET, FINANCING AND CASH FLOW

Wärtsilä's cash flow from operating activities developed favourably amounting to EUR 270 million (-72) in January-June 2010. Net working capital at the end of the period totalled EUR 314 million (591). Advances received at the end of the period totalled EUR 860 million (1,143). Liquid reserves at the end of the period amounted to EUR 331 million (118).

Wärtsilä had interest bearing loans totalling EUR 678 million at the end of June 2010. The existing funding programmes include long-term loans of EUR 599 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 79 million.

The solvency ratio was 38.1% (32.7) and gearing was 0.24 (0.61).

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 120 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 36 million (72), which comprised EUR 4 million (15) in acquisitions and investments in securities, and EUR 32 million (58) in production and information technology investments. Depreciation amounted to EUR 58 million (61).

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

STRATEGIC STEPS, ACQUISITIONS AND EXPANSION OF NETWORK

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

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

RESTRUCTURING PROGRAMMES

In January, Wärtsilä announced plans to adjust its manufacturing footprint to the fundamental changes in the market. Wärtsilä plans to eliminate approximately 1,400 jobs globally as part of this programme during 2010. Wärtsilä 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, will be closed. Adjusting the entire organisation to current market developments means that 570 jobs are to be reduced in the Netherlands from a total of 1,500. During the second quarter, the consultation process was concluded and the closure of Drunen and DTS are entering the implementation stage. The entire production restructuring programme in the Netherlands will be finalised by the end of 2010. The Wärtsilä 20 generating set production in Vaasa Finland has been moved to China in order to stay competitive in this market.

Various restructuring measures in other locations have been carried out during the spring. Temporary lay-offs are currently underway in Finland and Norway. In France, Wärtsilä plans to close the Mulhouse workshop and reduce the workforce by 116 jobs. In addition to these, other readjustment programmes are also ongoing in a number of countries around the world.

With these restructuring measures, Wärtsilä is looking for 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. The total nonrecurring costs related to the restructuring will be approximately EUR 140 million, out of which EUR 40 million non-cash write-offs were recognised in 2009 and EUR 100 million will be recognised in 2010. During the review period January-June, EUR 56 million was recognised.

The programme to evaluate all Wärtsilä's global staff functions with the aim of streamlining processes, decreasing overlaps, and improving the cost efficiency of Wärtsilä's operations is proceeding according to plan.

The adjustment programme announced in May 2009 to reduce 400-450 jobs in Ship Power is proceeding according to plan and the majority of the savings have materialised. The annual savings of EUR 30 million will take full effect by the end of 2010.

PERSONNEL

Wärtsilä had 17,905 (19,016) employees at the end of June 2010. On average personnel for January-June 2010 totalled 18,295 (18,910). Ship Power employed 1,010 (1,321) people. The number of personnel in Ship Power has decreased as a result of the restructuring measures initiated in May 2009. Power Plants employed 851 (839) people, Services 11,318 (11,316) and manufacturing and R&D (Wärtsilä Industrial Operations) 4,328 (5,098) people.

Of Wärtsilä's total number of employees, 18% (19) were located in Finland, 8% (9) in the Netherlands and 31% (32) in the rest of Europe. Personnel employed in Asia represented 30% (29), out of which 6% (7) were in China, in India 6% (6), in Singapore 5% (6), and in the rest of the Asia 12% (11).

RESEARCH & DEVELOPMENT

During the second quarter, Wärtsilä's WFC20 fuel cell unit was installed onboard "the Udine", a car carrier owned by Swedish Wallenius Lines and managed by Wallenius Marine. This unique power unit is the first of its kind in the world, and during the test period will provide the vessel with auxiliary power while producing close to zero emissions.

SUSTAINABLE DEVELOPMENT

Wärtsilä is well positioned to reduce the use of natural resources and emissions, thanks to its various technologies and specialised services. Wärtsilä continues to focus on the development of advanced environmental technologies. During the second quarter Wärtsilä started a joint project, the aim of which is to develop an innovative compact selective catalytic reduction (SCR) system especially tailored to operation with 2-stage turbocharging. Wärtsilä also joined, as a first associated partner, in the World Bank-led Global Gas Flaring Reduction (GGFR) organisation, which strives to reduce the flaring or burning of natural gas associated with oil production and thus reduce greenhouse gas emissions.

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

SHARES AND SHAREHOLDERS

SHARES ON HELSINKI EXCHANGES

30 June 2010	Number of shares	Number of votes	Number of shares traded 1-6/2010	
WRT1V	98 620 565	98 620 565	58 139 484	
1 Jan. – 30 June 2010	High	Low	Average 1)	Close
Share price	39.99	28.19	35.09	37.47
1) Trade-weighted average price				
	30 June 2010	30 June 2009		
Market capitalisation, EUR million	3 695	2 262		
Foreign shareholders	48.2%	46.1%		

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting held on 4 March 2010 approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2009. The Meeting approved the Board of Directors' proposal to pay a dividend of 1.75 euro per share. The dividend was paid on 16 March 2010.

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

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

The Annual General Meeting decided that the Board of Directors shall have nine members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Ole Johansson, Mr Antti Lagerroos, Mr Bertel Langenskiöld, Mr Mikael Lilius and Mr Matti Vuoria.

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

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

ORGANISATION OF THE BOARD OF DIRECTORS

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

Audit Committee:

Chairman Antti Lagerroos, Maarit Aarni-Sirviö, Alexander Ehrnrooth, Bertel Langenskiöld

Nomination Committee:

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

Compensation Committee:

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

RISKS AND BUSINESS UNCERTAINTIES

Wärtsilä expects that its business environment will continue to improve in 2010. If the recovery in the global economy is interrupted by a new downturn, it might affect new projects under negotiation.

Although the risks have decreased substantially, the main risks within Ship Power remain the slippage of shipyard delivery schedules, as well as the risk of cancellation of existing orders.

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

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

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

MARKET OUTLOOK

In the marine industry, attractive new building prices, healthy earnings levels, and a more balanced vessel orderbook have led to a pick-up in market activity in all main vessel segments and this development is expected to continue throughout the year. For Wärtsilä, the most interesting developments are in specialised tonnage and in the offshore area.

Even though markets have bottomed out, the prevailing conditions will maintain ordering volumes at lower levels than during the previous peak years. Competition and price pressure among shipbuilding suppliers will remain intense. Wärtsilä expects Ship Power's order intake to clearly improve compared to 2009.

The power generation market recovery is expected to continue in 2010. The recovery will happen at a varying pace in different regions and countries. The emerging markets are anticipated to be in the forefront of the recovery and the Flexible baseload and Grid stability & peaking segments are expected to pick-up first. Western Europe and the USA are not expected to recover during 2010. Wärtsilä estimates its Power Plants' 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 consequences of the economic crisis. Services development is expected to remain steady. Though the size of the active fleet remains stable, the scrapping of older tonnage and its replacement with new tonnage, which is still under warranty and has lower maintenance needs, may impact Services. 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 simultaneously reduce both their costs and environmental footprint. Wärtsilä also sees an increased interest in maintenance partnerships, which reduce the fixed costs for our marine, offshore and power plant customers.

WÄRTSILÄ'S PROSPECTS FOR 2010 REITERATED

Based on the current order book, a stable service business and proper adaptation of capacity we expect net sales to decline by 10-20 percent in 2010 and our operational profitability (EBIT% before nonrecurring items) to be between 9-10%, well within the upper end of our long-term target range.

WÄRTSILÄ INTERIM REPORT JANUARY – JUNE 2010

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2009. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

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

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

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

This interim report is unaudited.

CONDENSED INCOME STATEMENT

MEUR	1-6/2010	1-6/2009	2009
Net sales	2 052	2 574	5 260
Other income	18	19	50
Expenses	-1 859	-2 254	-4 559
Depreciation and impairment	-58	-61	-165
Share of profit of associates and joint ventures	1	2	6
Operating result	155	280	592
Financial income and expenses	3	-16	-34
Profit before taxes	158	263	558
Income taxes	-45	-73	-161
Profit for the financial period	114	190	396
Attributable to:			
Owners of the parent	109	187	389
Non-controlling interest	5	3	8
Total	114	190	396

Earnings per share attributable to equity holders of the parent company:

Earnings per share, EUR (basic and diluted)	1.10	1.90	3.94
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STATEMENT OF COMPREHENSIVE INCOME

Profit for the financial period	114	190	396
Other comprehensive income after tax:			
Exchange differences on translating foreign operations	22	5	18
Investments available for sale	17	10	34
Cash flow hedges	-14	12	20
Share of other comprehensive income of associates and joint ventures			1
Other comprehensive income for the period	24	28	73
Total comprehensive income for the period	138	219	469
Total comprehensive income attributable to:			
Owners of the parent	131	214	460
Non-controlling interest	7	5	9
	138	219	469

CONDENSED BALANCE SHEET

MEUR	30 June 2010	30 June 2009	31 Dec. 2009
Non-current assets			
Intangible assets	787	801	779
Property, plant and equipment	461	462	457
Equity in associates and joint ventures	62	48	56
Investments available for sale	179	118	151
Deferred tax receivables	95	80	88
Other receivables	30	25	15
	1 614	1 536	1 548
Current assets			
Inventories	1 590	1 823	1 577
Other receivables	1 202	1 522	1 287
Cash and cash equivalents	331	118	244
	3 122	3 463	3 108
Assets	4 737	4 998	4 655
Shareholders' equity			
Share capital	336	336	336
Other shareholders' equity	1 118	915	1 160
Total equity attributable to equity holders of the parent	1 454	1 251	1 496
Minority interest	21	12	16
Total shareholders' equity	1 476	1 262	1 512
Non-current liabilities			
Interest-bearing debt	599	682	591
Deferred tax liabilities	95	86	93
Other liabilities	211	281	258
	905	1 049	941
Current liabilities			
Interest-bearing debt	79	208	73
Other liabilities	2 277	2 479	2 129
	2 356	2 687	2 202
Total liabilities	3 261	3 736	3 143
Shareholders' equity and liabilities	4 737	4 998	4 655

CONDENSED CASH FLOW STATEMENT

MEUR	1-6/2010	1-6/2009	2009
Cash flow from operating activities:			
Profit before taxes	158	263	558
Depreciation and impairment	58	61	165
Financial income and expenses	-3	16	34
Selling profit and loss of fixed assets and other adjustments	4	-6	-7
Share of profit of associates and joint ventures	-1	-2	-6
Changes in working capital	238	-305	-179
Cash flow from operating activities before financial items and taxes	453	28	564
Net financial items and income taxes	-184	-100	-215
Cash flow from operating activities	270	-72	349
Cash flow from investing activities:			
Investments in shares and acquisitions	-4	-15	-16
Net investments in tangible and intangible assets	-31	-58	-133
Proceeds from sale of shares		-20	-21
Cash flow from other investing activities	10	3	7
Cash flow from investing activities	-25	-90	-163
Cash flow from financing activities:			
New long-term loans	26	239	263
Amortization and other changes in long-term loans	-27		-106
Changes in short term loans and other financing activities	6	-2	-141
Dividends paid	-175	-156	-156
Cash flow from financing activities	-171	81	-140
Change in cash and cash equivalents, increase (+) / decrease (-)	74	-80	47
Cash and cash equivalents at beginning of period	244	197	197
Exchange rate changes	12	1	
Cash and cash equivalents at end of period	331	118	244

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Total equity attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share issue premium	Translation differences	Fair value and other reserves	Retained earnings		
Shareholders' equity on 1 January 2010	336	61	-6	99	1 006	16	1 512
Dividends					-173	-2	-175
Total comprehensive income for the period			19	3	109	7	138
Shareholders' equity on 30 June 2010	336	61	13	102	942	21	1 476
Shareholders' equity on 1 January 2009	336	61	-27	50	764	15	1 199
Dividends					-148	-8	-156
Total comprehensive income for the period			9	18	187	5	219
Shareholders' equity on 30 June 2009	336	61	-18	68	803	12	1 262

GEOGRAPHICAL DISTRIBUTION OF NET SALES

MEUR	Europe	Asia	Americas	Other	Group
Net sales 1-6/2010	578	739	473	262	2 052
Net sales 1-6/2009	792	947	537	298	2 574

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-6/2010	1-6/2009	2009
Intangible assets			
Book value at 1 January	779	793	793
Changes in exchange rates	21	14	26
Acquisitions		12	12
Additions	7	8	24
Depreciation and impairment	-21	-29	-62
Disposals and intra-balance sheet transfer		2	-14
Book value at end of period	787	801	779
Property, plant and equipment			
Book value at 1 January	457	446	446
Changes in exchange rates	18	1	3
Acquisitions		1	1
Additions	25	49	112
Companies sold		-32	
Depreciation and impairment	-37		-103
Disposals and intra-balance sheet transfer	-2	-3	-2
Book value at end of period	461	462	457

GROSS CAPITAL EXPENDITURE

MEUR	1-6/2010	1-6/2009	2009
Investments in securities and acquisitions	4	15	16
Intangible assets and property, plant and equipment	32	58	136
Group	36	72	152

Wärtsilä centralises warehousing and logistics of spare parts by investing in a new distribution centre in the Netherlands. The investments to the new distribution centre amounted to EUR 8 million during the review period and commitments related to the investment were EUR 27 million at the end of the review period.

INTEREST-BEARING LOAN CAPITAL

MEUR	30 June 2010	30 June 2009	31 Dec. 2009
Long-term liabilities	599	682	591
Current liabilities	79	208	73
Loan receivables	-20	-14	-6
Cash and bank balances	-331	-118	-244
Net	328	759	414

FINANCIAL RATIOS

	1-6/2010	1-6/2009	2009
Earnings per share, EUR (basic and diluted)	1.10	1.90	3.94
Equity per share, EUR	14.75	12.68	15.17
Solvency ratio, %	38.1	32.7	40.0
Gearing	0.24	0.61	0.28

PERSONNEL

	1-6/2010	1-6/2009	2009
On average	18 295	18 910	18 830
At end of period	17 905	19 016	18 541

CONTINGENT LIABILITIES

MEUR	30 June 2010	30 June 2009	31 Dec. 2009
Mortgages	56	56	56
Chattel mortgages	18	10	10
Total	74	66	66
Guarantees and contingent liabilities on behalf of Group companies	681	647	678
on behalf of associated companies	9		8
Nominal amount of rents according to leasing contracts	79	67	77
Total	770	714	763

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	20	
Foreign exchange forward contracts	1 422	429
Currency options, purchased	40	7
Currency options, written	7	7

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Net sales	1 131	922	1 519	1 167	1 333	1 241
Other income	11	7	11	20	13	5
Expenses	-1 007	-851	-1 280	-1 026	-1 167	-1 087
Depreciation and impairment	-28	-30	-73	-31	-30	-30
Share of profit of associates and joint ventures		2	1	3	1	1
Operating result	105	49	179	133	149	130
Financial income and expenses	4		-9	-9	-9	-7
Profit before taxes	109	49	170	125	141	123
Income taxes	-31	-14	-51	-38	-39	-34
Profit for the financial period	79	35	119	87	102	89
Attributable to:						
Owners of the parent	76	32	115	86	100	87
Non-controlling interest	3	2	4	1	2	1
Total	79	35	119	87	102	89
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0.77	0.33	1.17	0.87	1.01	0.89

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

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

Equity per share

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

Solvency ratio

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

Gearing

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

20 July 2010
Wärtsilä Corporation
Board of Directors