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ANNUAL REPORT 2010

WÄRTSILÄ

Five Years in Figures

MEUR		2010	2009	2008	2007	2006
Net sales		4 553	5 260	4 612	3 763	3 190
of which outside Finland	%	99.4	99.3	98.1	98.2	98.5
Exports from Finland		2 584	3 114	2 574	2 017	1 726
Personnel on average		18 000	18 830	17 623	15 337	13 264
of which in Finland		3 326	3 506	3 378	3 010	2 641
Order book		3 795	4 491	6 883	6 308	4 439
From the consolidated statement of income						
Depreciation, amortisation and impairment		116	165	99	78	72
Share of result of associates and joint ventures*		5	6	-	1	1
Operating result before nonrecurring items		487	638	525	380	263
as a percentage of net sales	%	10.7	12.1	11.4	10.1	8.2
Operating result		412	592	525	380	263
as a percentage of net sales	%	9.1	11.2	11.4	10.1	8.2
Financial income and expenses		-13	-34	-9	-8	-7
as a percentage of net sales	%	-0.3	-0.6	-0.2	-0.2	-0.2
Net income from financial assets available for sale		149	-	-	-	124
Share of result of associates; Ovako*		-	-	-	-	67
Profit before taxes		548	558	516	372	447
as a percentage of net sales	%	12.0	10.6	11.2	9.9	14.0
Profit for the financial period		397	396	389	265	353
as a percentage of net sales	%	8.7	7.5	8.4	7.1	11.1
From the consolidated statement of financial position						
Non-current assets		1 483	1 548	1 498	1 283	1 233
Current assets		3 213	3 108	3 245	2 466	1 955
Total equity attributable to equity holders of the parent		1 638	1 496	1 184	1 315	1 217
Non-controlling interests		26	16	15	10	13
Interest-bearing debt		628	664	664	283	270
Non-interest-bearing liabilities		2 404	2 479	2 880	2 141	1 687
Total equity and liabilities		4 696	4 655	4 743	3 749	3 188
Gross capital expenditure		98	152	366	231	193
as a percentage of net sales	%	2.2	2.9	7.9	6.1	6.1
Research and development expenses		141	141	121	122	85
as a percentage of net sales	%	3.1	2.7	2.6	3.2	2.7
Dividends paid for the financial year		173**	173	148	216	167
Extra dividend		99**	-	-	192	-
Dividends total		271	173	148	408	167
Financial ratios						
Earnings per share (EPS)	EUR	3.91	3.94	3.88	2.74	3.72
Diluted EPS	EUR	3.91	3.94	3.88	2.73	3.71
Dividend per share	EUR	2.75**	1.75	1.50	4.25	1.75
Dividend per earnings	%	70.3**	44.4	38.7	155.1	47.0
Interest coverage		18.9	16.4	14.0	13.7	13.1
Return on investment (ROI)	%	26.0	29.9	32.4	26.0	31.8
Return on equity (ROE)	%	25.0	29.2	30.8	20.8	29.5
Solvency ratio	%	40.8	40.0	34.3	45.9	47.0
Gearing		-0.09	0.28	0.39	-0.01	0.07
Equity per share	EUR	16.61	15.17	12.01	13.70	12.74

* Share of result of associates excluding Oy Ovako Ab has been transferred above operating result.

** Proposal of the Board of Directors. Financial ratios calculated from total amount of dividend.

Calculations of Financial Ratios

Return on investment (ROI)

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

Return on equity (ROE)

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

Interest coverage

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

Solvency ratio

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

Gearing

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

Earnings per share (EPS)

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

Equity per share

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

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)

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

Nonrecurring items

nonrecurring items related to restructuring measures

Consolidated Financial Statements

Consolidated Statement of Income

MEUR	Note	2010	%	2009	%
Net sales	1, 3	**4 553**	100.0	5 260	100.0
Change in inventories of finished goods & work in progress		**-164**		98	
Work performed by the Group and capitalised		**2**		1	
Other operating income	4	**52**		50	
Material and services	5	**-2 372**		-3 183	
Employee benefit expenses	6	**-948**		-910	
Depreciation amortisation and impairment	7	**-116**		-165	
Other operating expenses		**-601**		-564	
Share of result of associates and joint ventures	14	**5**		6	
Operating result		**412**	9.1	592	11.2
Dividend income	8	**7**		6	
Interest income	8	**6**		4	
Other financial income	8	**12**		12	
Interest expenses	8	**-18**		-21	
Other financial expenses	8	**-20**		-35	
Net income from financial assets available for sale	15	**149**			
Profit before taxes		**548**		558	
Income taxes	9	**-151**		-161	
Profit for the financial period		**397**	8.7	396	7.5
Attributable to:					
Equity holders of the parent company	10	**386**		389	
Non-controlling interests		**11**		8	
		397		396	
Earnings per share attributable to equity holders of the parent company:					
Earnings per share (basic and diluted) EUR		**3.91**		3.94	

	Note	2010	2009
Statement of Comprehensive Income	11		
Profit for the financial period		**397**	396
Other comprehensive income after tax:			
Exchange rate differences on translating foreign operations		**17**	18
Financial assets available for sale			
fair valuation		**30**	34
transferred to statement of income		**-110**	
Cash flow hedges		**-9**	20
Share of other comprehensive income of associates and joint ventures			1
Other income/expenses		**1**	
Other comprehensive income		**-71**	73
Total comprehensive income for the period		**326**	469
Total comprehensive income attributable to:			
Equity holders of the parent company		**313**	460
Non-controlling interests		**13**	9
		326	469

Consolidated Statement of Financial Position, Assets

MEUR	Note	31.12.2010	%	31.12.2009	%
Non-current assets					
Goodwill	12	**574**		558	
Intangible assets	12	**205**		222	
Property, plant and equipment	13	**455**		449	
Investment properties	13	**11**		9	
Investments in associates and joint ventures	14	**65**		56	
Financial assets available for sale	15, 17	**18**		151	
Interest-bearing investments	17	**16**		2	
Deferred tax receivables	20	**122**		88	
Trade receivables	17			2	
Other receivables	18	**16**		12	
		1 483	31.6	1 548	33.2
Current assets					
Inventories	16	**1 244**		1 577	
Interest-bearing receivables	17	**1**		4	
Trade receivables	17	**860**		1 028	
Income tax receivables		**26**		10	
Other receivables	18	**305**		244	
Cash and cash equivalents	19	**776**		244	
		3 213	68.4	3 108	66.8
Total assets		**4 696**	100.0	4 655	100.0

Consolidated Statement of Financial Position, Equity and liabilities

MEUR	Note	31.12.2010	%	31.12.2009	%
Equity					
Share capital	22	**336**		336	
Share issue premium	22	**61**		61	
Translation differences		**8**		-6	
Fair value reserve	23	**12**		99	
Retained earnings		**1 221**		1 006	
Total equity attributable to equity holders of the parent		**1 638**	34.9	1 496	32.1
Non-controlling interests		**26**	0.6	16	0.3
Total equity		**1 664**	35.4	1 512	32.5
Liabilities					
Non-current liabilities					
Interest-bearing debt	17, 25	**572**		591	
Deferred tax liabilities	20	**70**		93	
Pension obligations	21	**40**		46	
Provisions	24	**45**		24	
Advances received		**104**		187	
Other liabilities	17, 26			1	
		831	17.7	941	20.2
Current liabilities					
Interest-bearing debt	17, 25	**56**		73	
Provisions	24	**233**		181	
Advances received		**511**		691	
Trade payables	17, 25	**366**		299	
Income tax liabilities		**105**		75	
Other liabilities	16, 25	**929**		883	
		2 201	46.9	2 202	47.3
Total liabilities		**3 032**	64.6	3 143	67.5
Total equity and liabilities		**4 696**	100.0	4 655	100.0

Consolidated Statement of Cash Flows

MEUR	2010	2009
Cash flow from operating activities:		
Profit before taxes	**548**	558
Adjustments:		
Depreciation, amortisation and impairment	**116**	165
Financial income and expenses	**13**	34
Selling profit and loss of fixed assets and other changes	**-147**	-7
Share of result of associates and joint ventures	**-5**	-6
Cash flow before changes in working capital	**526**	743
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	**132**	114
Inventories, increase (-) / decrease (+)	**379**	66
Liabilities, non-interest-bearing, increase (+) / decrease (-)	**-141**	-358
Changes in working capital	**370**	-179
Cash flow from operating activities before financial items and taxes	**896**	564
Financial items and taxes:		
Interest and other financial income	**11**	15
Interest and other financial expenses	**-72**	-72
Income taxes	**-173**	-158
Financial items and taxes	**-233**	-215
Cash flow from operating activities	**663**	349
Cash flow from investing activities:		
Investments in shares and acquisitions	**-6**	-16
Investments in property, plant and equipment and intangible assets	**-92**	-136
Proceeds from sale of property, plant and equipment and intangible assets	**9**	3
Proceeds from sale of financial assets available for sale	**173**	-21
Loan receivables, increase (-) / decrease (+) and other changes	**-13**	-1
Dividends received	**8**	8
Cash flow from investing activities	**79**	-163
Cash flow after investing activities	**742**	187
Cash flow from financing activities:		
Proceeds from non-current borrowings	**37**	263
Repayments and other changes in non-current loans	**-78**	-109
Loan receivables, increase (-) / decrease (+)	**2**	3
Current loans, increase (+) / decrease (-)	**-2**	-141
Dividends paid	**-175**	-156
Cash flow from financing activities	**-216**	-140
Change in cash and cash equivalents, increase (+) / decrease (-)	**525**	47
Cash and cash equivalents at beginning of period	**244**	197
Exchange rate changes	**7**	
Cash and cash equivalents at end of period	**776**	244

Consolidated Statement of Changes in Equity

MEUR	Share capital	Share issue premium	Translation difference	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Total equity attributable to equity holders of the parent							
Equity on 1 January 2009	336	61	-27	50	764	1 184	15	1 199
Translation differences			21			21		21
Other changes					1	1		1
Financial assets 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 statement of income, 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
Equity on 31 December 2009	**336**	**61**	**-6**	**99**	**1 006**	**1 496**	**16**	**1 512**
Translation differences			14			14	1	15
Other changes					2	2	-1	1
Financial assets available for sale								
gain / loss arising from fair valuation, net of taxes				30		30		30
transferred to statement of income, net of taxes				-110		-110		-110
Cash flow hedges								
gain / loss arising from fair valuation, net of taxes				6		6		6
transferred to statement of income, net of taxes				-13		-13		-12
Comprehensive income			14	-87	2	-72	1	-71
Profit for the financial period					386	386	11	397
Total comprehensive income for the period			14	-87	387	314	12	326
Dividends paid					-173	-173	-2	-175
Equity on 31 December 2010	**336**	**61**	**8**	**12**	**1 221**	**1 638**	**26**	**1 664**

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 organised 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 2010, Wärtsilä's net sales totalled EUR 4.6 billion with approximately 17,500 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 2010. 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 financial assets available for sale, financial assets and liabilities designated at fair value through the statement of income, 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 2010 the Group has applied the following updated standards, amendments and interpretations which have effect on the consolidated financial statements:

- *Revised IFRS 3 Business Combinations.* Changes have an impact on the amount recognised as goodwill and gain or loss resulting from the sale of business. The revised standard also has an impact in the items recognised in the statement of income both when the business combination is carried out and in the subsequent periods during which additional purchase price is paid or additional acquisitions are made.
- *Amendment to IAS 27 Consolidated and Separate Financial Statements.* According to the amendment the effects, arising from changes in subsidiary ownership, are recognised directly in Group's equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is recognised at fair value through the statement of income. The same is applicable to investments in associates (IAS 28) and joint ventures (IAS 31). As a consequence of the amendment in the standard, potential losses of a subsidiary can be allocated to non-controlling interests even if the loss amount exceeds the investment made by the non-controlling interest.

Since 1 January 2010 the Group has applied the following updated standards, amendments and interpretations which have no significant impact on the consolidated 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*

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 statement of income. 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 recognised 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 recognised. Revenue from long-term projects, and long-term operations and maintenance agreements is recognised 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 realisation of the project or agreement. These estimates are reviewed regularly. Recognised 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 property, plant and equipment, 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 purchase price and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of non-controlling interests, if the Group already has control, the non-controlling interest is valued either at fair value or at the non-controlling interests' proportionate share of the identifiable net assets. The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. Goodwill is tested for impairment at least annually.

The purchase price includes the possible consideration paid, measured at fair value. The acquisition costs are expensed in the same reporting period in which they occur. For the acquisitions made before January 1, 2010, the accounting principles valid at the time of the acquisition have been applied.

All intra group transactions, dividend distributions, receivables and liabilities and unrealised margins are eliminated in the consolidated financial statements. In the statement of income, non-controlling interests have been separated from the income for the reporting period. In the Group's statement of financial position, non-controlling 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 property, plant and equipment and intangible assets acquired. In the case of property, plant and equipment, 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 statement of income on line Share of result in associates and joint ventures. Wärtsilä's proportion of retained earnings post acquisition is included in the equity.

Foreign subsidiaries

The statements of income and other comprehensive income of foreign subsidiaries are translated into euros at the quarterly average exchange rates. Statements of financial position 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 statement of financial position cause translation differences, which are recognised 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 statement of income and are included in operating result. Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income.

Net sales and revenue recognition

Sales are presented net of indirect sales taxes and discounts. Sales are recognised 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 construction contracts and long-term operating and maintenance agreements is recognised 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 capitalised 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. Capitalised development costs are amortised 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 operating 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 statement of income 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 unrecognised 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 recognised in the statement of income 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 statement of income 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 amortised but tested for impairment at least annually, and more often if there are indications of impairment.

Other intangible assets include patents, licenses, capitalised 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 amortised 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 amortised over the life of the contract.

The general guidelines for scheduled amortisation are:

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

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

Property, plant and equipment

Fixed assets acquired by the Group are recorded in the statement of financial position 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 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 statement of financial position 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 recognised 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 recognised in the statement of income 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.

Inventories

Inventories are carried at the lower of cost or net realisable 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 the statement of income, 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 statement of financial position 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 recognised at the settlement date and measured at amortised cost using the effective interest rate method. Transaction costs are included in the initially recognised amount.

Loans and other receivables

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

Financial assets available for sale

Investments in other companies are classified as financial assets available for sale and are recognised 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 statement of income. If the fair value of shares becomes permanently impaired or there is objective evidence that it is impaired, impairment is recognised in the statement of income.

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 and presented in the fair value reserve in equity, provided that they meet the requirements for hedge accounting. Changes in fair value due to interest rate differences are reported in the statement of income. 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 statement of income.

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

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 the statement of income and financial assets available for sale.

Impairments

The carrying amounts of assets are reviewed at the end of the reporting period 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 recognised 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 realisable value or the recoverable amount from the asset. The recoverable amount is based on discounted future cash flows. Previously reported impairment losses of property, plant and equipment are reversed if the assumptions for calculating the recoverable amount have changed.

Provisions

Provisions are recognised in the statement of financial position 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 statement of income 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. They are recognised in the statement of income unless related to items recognised directly in equity and other comprehensive income. The statement of financial position 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

In 2011 the Group will adopt the following new and updated standards and interpretations issued by the IASB. The changes will have no significant impact on the consolidated financial statements.

- *Amendment to IAS 32 Financial instruments: Presentation - Classification of Rights Issues* (effective for periods beginning or after 1 February 2010). The amendment concerns the classification of rights (share options, share subscription rights or other share rights) offered for a fixed amount of foreign currency.
- *Revised IAS 24 Related Party Disclosures* (effective for periods beginning or after 1 January 2011). The change simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

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, Asia, Americas and other continents. In the geographical information net sales is split by the customer's destination and non-current assets by origin.

Geographical information
2010

MEUR	Finland	Other European countries	Asia	Americas	Other	Total
Net sales	**26**	**1 239**	**1 754**	**1 034**	**499**	**4 553**
Non-current assets*	**256**	**879**	**122**	**47**	**8**	**1 311**

2009

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

* Non-current assets consist of goodwill, intangible assets, property, plant and equipment, investment properties and investments 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 2010 and 1 January-31 December 2009, Wärtsilä did not have individual significant customers or lands according to the definition of IFRS 8.

Net sales

MEUR	2010	2009
Ship Power	**1 201**	1 767
Power Plants	**1 525**	1 645
Services	**1 823**	1 830
Other	**4**	17
Total	**4 553**	5 260

2. Acquisitions and disposals

Acquisitions 2010

In 2010, no acquisitions have been made.

Acquisitions 2009

Overall impact on performance

MEUR	Booked in income statement 2009	On full-year pro forma performance
Net sales	24	5 271
Operating result	-1	592

In full-year pro forma performance the estimated impact of acquisitions on the consolidated financial statements is presented as if all the acquisitions were made on 1 January 2009.

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 was 100%. The assets, liabilities and contingent liabilities of the company are measured at market 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 materialize when the entire operation can be integrated in the Group's former operation in Italy.

The other acquisitions are related to Ship Design companies in Serbia and Russia.

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

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

Long-term construction contracts

MEUR	2010	2009
Net sales in the statement of income	**589**	585

Long-term construction projects in progress

MEUR	2010	2009
Cumulative net sales	**1 324**	1 705
Cumulative operating result	**228**	218
Advances received at 31 December	**1 014**	1 368
Receivables from the revenue recognition netted with the advances received at 31 December	**116**	92

Long-term operating and maintenance agreements

MEUR	2010	2009
Net sales in the statement of income	**225**	225

4. Other operating income

MEUR	2010	2009
Profit on sales of property, plant and equipment and intangible assets	**4**	3
Government grants	**6**	7
Sale of by-products	**2**	3
Sale of scrapped material	**3**	2
Income related to cancelled orders*	**27**	30
Other operating income	**9**	4
Total	**52**	50

* Expenses related to cancelled orders are recorded on respective expense accounts. The net effect of the cancelletions is not material.

5. Material and services

MEUR	2010	2009
Raw material and consumables		
Purchases during the financial year	**-1 209**	-1 809
Change in inventories	**-156**	-122
External services	**-1 007**	-1 253
Total	**-2 372**	-3 183

6. Employee benefit expenses

MEUR	2010	2009
Wages and salaries	**773**	735
Pension costs		
Defined benefit plans	**12**	12
Other pension and past service costs	**51**	58
Other compulsory personnel costs	**112**	106
Total	**948**	910

Salaries paid to the management are specified in Note 29.

Wages and salaries include bonus salaries paid, based on the bonus scheme 2007 and a provision for expenses arising from bonus schemes 2008 and 2009, totalling EUR 18 million (6). These bonus schemes are tied to the price development of the company's share.

The 2007 bonus scheme comprised 662,500 bonus rights. The 2008 bonus scheme comprises 800,000 bonus rights and the 2009 bonus scheme 841,500 bonus rights. The bonus payments for the bonus scheme 2007 were 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 with the maximum bonus amount per bonus right being EUR 9.00. In the 2008 and 2009 bonus schemes, the bonus payment is based on the share price development during a two-year period, for the bonus scheme 2008 on the basis of a share price of EUR 23.04 and for the bonus scheme 2009 on the basis of a share price of EUR 28.47.
Both bonus schemes 2008 and 2009 are taking into account a 50% dividend payout and the paid bonuses can not exceed EUR 15.00 per bonus right.

	2010	2009
Personnel on average	**18 000**	18 830

7. Depreciation, amortisation and impairment

MEUR	2010	2009
Intangible rights	**5**	6
Other intangible assets	**37**	52
Buildings and structures	**12**	10
Machinery and equipment	**58**	54
Other tangible assets	**3**	3
Impairment*		40
Total	**116**	165

* Refers to restructuring programs published in January, 2010.

8. Financial income and expenses

MEUR	2010	2009
Dividend income on financial assets available for sale	**7**	6
Interest income on loans and other receivables	**5**	4
Interest income on financial assets at fair value through the statement of income	**3**	11
Interest income on investments held to maturity	**1**	
Changes in fair values of financial assets/liabilities at fair value through the statement of income	**1**	
Exchange rate differences*	**5**	
Other financial income	**2**	2
Total financial income	**25**	22
Interest expenses on financial liabilities measured at amortised cost	**-18**	-21
Interest expenses on financial liabilities at fair value through the statement of income	**-8**	-10
Changes in fair values of financial assets/liabilities at fair value through the statement of income		-1
Write-down of loan receivables		-10
Exchange rate differences*		-6
Other financial expenses	**-12**	-9
Total financial expenses	**-38**	-57
Total financial income and expenses	**-13**	-34

* Includes the result from the ineffective portion of cash flow hedges, EUR 4 million (-5).

9. Income taxes

MEUR	2010	2009
Income taxes		
for the financial year	**-169**	-174
for prior years	**-11**	-7
Change in deferred tax	**28**	20
Total	**-151**	-161
Profit before taxes	**548**	558
Tax calculated at the domestic corporate tax rate (26%)	**-143**	-145
Effect of changed tax rates		1
Effect of different tax rates in foreign subsidiaries	**-2**	1
Effect of income not subject to tax and non-deductible expenses	**-7**	-6
Utlilisation of previously unrecognised tax losses carried forward	**22**	5
Unrecognised taxes on losses carried forward	**-10**	-2
Other taxes	**-12**	-10
Other temporary differences	**10**	2
Income taxes for prior years	**-11**	-7
Tax charge in the consolidated statement of income	**-151**	-161

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	2010	2009
Profit for the period attributable to equity holders of the parent company	**386**	389
Thousands of shares		
Weighted average number of shares outstanding	**98 621**	98 621
Earnings per share (basic and diluted), EUR	**3.91**	3.94

11. Components of other comprehensive income

MEUR		2010		2009
Exchange rate differences on translating foreign operations		**17**		18
Financial assets available for sale				
Gains (losses) arising during the period	40		46	
Adjustments for amounts transferred to initial amount of hedge items	-149	**-108**		46
Cash flow hedges				
Gains (losses) arising during the period	11		3	
Adjustments for amounts transferred to initial amount of hedge items	-18	**-7**	23	26
Share of other comprehensive income of associates and joint ventures				1
Other income/expenses		**1**		
Income tax relating to components of other comprehensive income		**26**		-19
Other comprehensive income		**-71**		73

Tax effects relating to other comprehensive income

			2010			2009
MEUR	Before tax amount	Tax	Net-of-tax	Before tax amount	Tax	Net-of-tax
Exchange rate differences on translating foreign operations	**17**		**17**	18		18
Financial assets available for sale	**-108**	**28**	**-80**	46	-12	34
Cash flow hedges	**-7**	**-2**	**-9**	26	-7	20
Share of other comprehensive income of associates and joint ventures				1		1
Other income/expenses	**1**		**1**			
Other comprehensive income	**-97**	**26**	**-71**	91	-19	73

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 two (2009: 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 for impairment testing separately. These companies as well as CGU Automation have been integrated into the Power Business operations in 2010 and no longer constitute a separately identifiable CGU.

Cash-Generating Units (CGU)

	Goodwill	
MEUR	2010	2009
Automation		36
Ship design	**116**	110
Other acquired companies, non-integrated		7
Power Businesses, other	**459**	405
Total	**574**	558

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 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 projected development in labour cost.

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 2010 it has been considered that the general interest rate is currently on a lower level. Wärtsilä has used a WACC of 9,3% (2009: 10,0%) in the calculations.

As a result of the impairment test no impairment loss for non of the CGUs was recognized for the period ended December 31, 2010 and 2009 respectively. The recoverable amounts from all CGUs exceeded their carrying values by more than 200%.

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 and EBIT profitability lowered based on scenario analysis in each business, effect 28% (13%)
- terminal growth rate lowered by 50%, effect 12% (10)
- WACC increased by 2%, effect 28% (20).

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.

2010

MEUR	Intangible rights	Construction in progress and advances paid	Other intangible assets	Goodwill	Total
Acquisition cost at 1 January 2010	**74**	**27**	**395**	**562**	**1 058**
Changes in exchange rates			**3**	**17**	**21**
Additions	**2**	**8**	**7**		**17**
Disposals and reclassifications	**5**	**-17**	**8**		**-4**
Acquisition cost at 31 December 2010	**81**	**18**	**414**	**579**	**1 091**
Accumulated amortisation and impairments 1 January 2010	**-43**		**-231**	**-4**	**-279**
Changes in exchange rates			**-2**		**-2**
Accumulated amortisation on disposals	**2**		**9**		**11**
Amortisation during the financial year	**-5**		**-37**		**-42**
Accumulated amortisation and impairments 31 December 2010	**-46**		**-261**	**-4**	**-311**
Book value at 31 December 2010	**35**	**18**	**153**	**574**	**780**

Developing costs for internally produced assets amounting to EUR 6 million (7) were activated during the financial period and the asset value was EUR 38 million (36).

2009

MEUR	Intangible rights	Construction in progress and 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 and impairments at 31 December 2009	-43		-231	-4	-279
Book value at 31 December 2009	31	27	164	558	779

13. Property, plant & equipment

Wärtsilä centralises warehousing and logistics of spare parts by investing in a new distribution centre in the Netherlands. The investments to the new distribution centre amounted to EUR 26 million during the review period and commitments related to the investment were EUR 6 million at the end of the review period.

2010

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 2010	25	251	682	60	63	9	1 092
Changes in exchange rates		8	17	1	1		27
Additions		2	25	43	3	2	75
Disposals	-3	-5	-32		-2		-42
Reclassification	3	1	30	-33			
Acquisition cost at 31 December 2010	25	258	724	70	65	11	1 153
Accumulated depreciation at 1 January 2010		-117	-471		-46		-634
Changes in exchange rates		-3	-10		-1		-14
Accumulated depreciation on disposals		5	29		1		35
Depreciation during the financial year		-12	-58		-3		-73
Reclassification			1				
Accumulated depreciation at 31 December 2010		-128	-510		-48		-686
Book value at 31 December 2010	25	130	214	70	17	11	466
Value of finance-leased assets included in book value		2	8				10

Investment properties include land areas not used by the Group. Their estimated market value is around EUR 32 million (31). During the period, investment properties were sold totalling EUR 1 million (3) generating a profit of EUR 0 million (2).

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 and impairment 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

14. Investments in associates and joint ventures

MEUR	2010	2009
Book value at 1 January	**56**	41
Acquired shares*		11
Share of result	**5**	6
Dividends	**-1**	-2
Changes in exchange rates	**4**	
Book value at 31 December	**65**	56

* Business arrangement Wärtsilä Biopower/MW Power included in 2009.

Summary financial information (100%):

2010

MEUR		Holding %	Assets	Equity	Liabilities	Net sales	Profit for the financial period
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	**29**	**14**	**15**	**28**	**2**
Wärtsilä Hyundai Engine Co Ltd.	Korea	50.0	**153**	**59**	**94**	**89**	**6**
Repropel Sociedad de reparacao de helices	Portugal	50.0	**1**	**1**		**1**	
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		**-1**	**1**	**1**	
MW Power Oy	Finland	40.0	**135**	**36**	**98**	**111**	**7**
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	**4**	**2**	**2**	**4**	
Neptun Maritime AS	Norway	40.0	**1**		**1**	**1**	
El-Design AS	Norway	37.0	**1**	**1**			
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd.	China	27.0	**208**	**40**	**168**	**58**	**-3**
AWEK Industrial Patents Ltd. Oy	Finland	25.0	**1**			**3**	
WD Power Investment Ky	Finland	21.7	**1**	**1**			

2009

MEUR		Holding %	Assets	Equity	Liabilities	Net sales	Profit for the financial period
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	25	10	15	31	-1
Wärtsilä Hyundai Engine Co Ltd.	Korea	50.0	143	48	96	85	8
Repropel Sociedad de reparacao de helices	Portugal	50.0	1	1	1	1	
IHB Design AD	Bulgaria	50.0				1	
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		-1	1		-1
MW Power Oy	Finland	40.0	101	36	65	168	10
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	3	1	2	4	1
Neptun Maritime AS	Norway	40.0	1	1		2	
El-Design AS	Norway	37.0	1			1	
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd.	China	27.0	180	39	142	22	-9
AWEK Industrial Patents Ltd. Oy	Finland	25.0	1			3	
WD Power Investment Ky	Finland	21.7	1	1			

15. Financial assets available for sale

Financial assets 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	2010	2009
Book value at January 1	**151**	106
Acquired shares	**5**	2
Fair value adjustments	**40**	46
Changes in exchange rates	**1**	1
Decrease of shares	**-179**	-3
Book value at December 31	**18**	151

		2010		2009
MEUR	Acquisition cost	Market value	Acquisition cost	Market value
Listed shares (level 1)				
Sampo plc			4	32
Assa Abloy AB			18	98
Lyxor ETF MSCI Emerging Markets	**2**	**2**		
Listed shares	**2**	**2**	22	130
Unlisted shares (level 3)				
Other shares	**16**	**16**	21	21
Unlisted shares	**16**	**16**	21	21
Total shares	**18**	**18**	43	151

In 2010 EUR 149 million gain was recognised in the consolidated statement of income, of which EUR 32 million is related to the sale of Sampo plc shares and EUR 117 million to the sale of Assa Abloy AB shares. In 2009 EUR 2 million loss was recognised in the operating result in the consolidated statement of income.

16. Inventories

MEUR	2010	2009
Materials and consumables	**470**	625
Work in progress	**596**	753
Finished products	**53**	59
Advances paid	**126**	140
Total	**1 244**	1 577

17. Financial assets and liabilities by measurement category

2010

MEUR	Cash flow and net investment hedges	Financial assets/ liabilities at fair value through the statement of income	Loans and receivables	Financial assets available for sale	Investments held to maturity	Financial liabilities measured at amortised cost	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets								
Financial assets available for sale				**18**			**18**	**18**
Interest-bearing investments			**1**		**15**		**16**	**16**
Other receivables			**3**				**3**	**3**
Current financial assets								
Interest-bearing receivables			**1**				**1**	**1**
Trade receivables			**860**				**860**	**860**
Derivatives	**10**						**10**	**10**
Other receivables		**6**	**3**				**9**	**9**
Cash and cash equivalents		**776**					**776**	**776**
Carrying amount by category	**10**	**782**	**868**	**18**	**15**		**1 693**	**1 693**
Non-current financial liabilities								
Interest-bearing debt						**572**	**572**	**572**
Current financial liabilities								
Interest-bearing debt						**56**	**56**	**56**
Trade payables						**366**	**366**	**366**
Derivatives	**6**	**2**					**8**	**8**
Other liabilities						**15**	**15**	**15**
Carrying amount by category	**6**	**2**				**1 009**	**1 017**	**1 017**

2009

MEUR	Cash flow and net investment hedges	Financial assets/ liabilities at fair value through the statement of income	Loans and receivables	Financial assets available for sale	Investments held to maturity	Financial liabilities measured at amortised cost	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets								
Financial assets 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

18. Other receivables

MEUR	2010	2009
Interest receivables	**2**	1
Derivatives	**10**	7
Other financial items	**6**	16
Insurance receivables	**14**	5
Rental accruals	**4**	6
Project accruals	**12**	14
Accruals from long-term contracts	**103**	54
Other accruals	**47**	31
Loan receivables	**5**	6
Defined benefit plan	**12**	8
VAT receivables	**66**	62
Other receivables	**40**	46
Total	**321**	256
Non-current	**16**	12
Current	**305**	244

19. Cash and cash equivalents

MEUR	2010	2009
Cash and bank balances	**751**	221
Current deposits	**26**	23
Total	**776**	244

20. Deferred taxes

Change in deferred taxes during 2010

MEUR	1 January 2010	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Acquisitions	31 December 2010
Deferred tax assets						
Tax loss carry-forwards	**23**	**19**				**42**
Pension obligations	**4**			**1**		**5**
Provisions	**10**	**4**				**15**
Eliminating the intra group profit in stock	**10**	**-1**				**9**
Other temporary differences	**41**	**8**		**2**		**51**
Total	**88**	**30**		**4**		**122**
Deferred tax liabilities						
Intangible assets and property, plant and equipment	**26**					**26**
Fair value reserve	**31**	**3**	**-27**			**8**
Other temporary differences	**35**	**-1**		**1**		**36**
Total	**93**	**2**	**-26**	**2**		**70**
Net deferred tax assets/ liabilities	**-4**	**28**	**26**	**2**		**52**

Change in deferred taxes during 2009

MEUR	1 January 2009	Recognised in the consolidated statement of income	Other comprehensive 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 2010 the Group had temporary differences on which no deferred tax receivables were booked totalling EUR 15 million (38), as it is uncertain if they will be realized. Most of them were related to cumulative losses.

21. Pension obligations

MEUR	2010	2009
Recognised asset for defined benefit plan at 31 December	**12**	8
Recognised liability for defined benefit obligations	**20**	20
Long-service leave and other past service obligations	**36**	26
Total past service obligations at 31 December	**56**	46

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.

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

Movement in defined benefit obligations	2010	2009
Defined benefit obligations at 1 January	**254**	229
Exchange rate differences	**32**	6
Current service costs	**13**	11
Interest cost	**11**	9
Benefits paid	**-12**	-13
Curtailments and settlements	**-2**	
Changes in actuarial gains and losses	**14**	3
Impact of acquired and disposed companies and other changes	**4**	8
Defined benefit obligations at 31 December	**315**	254

Movement in plan assets		
Fair value of plan assets at 1 January	**227**	198
Exchange rate differences	**30**	4
Contribution paid to the fund	**16**	14
Benefits paid by the plan	**-9**	-12
Expected return on plan assets	**11**	9
Actuarial gains and losses		13
Total	**275**	227
Unrecognised assets		-2
Recognised fair value of plan assets at 31 December	**275**	225

Unrecognised actuarial gains and losses		
Unrecognised actuarial gains and losses at beginning of year	**-18**	-21
Exchange rate differences	**-2**	-2
Actuarial gains and losses for year -obligations	**-13**	-7
Actuarial gains and losses for year -plan assets		13
Impact of acquired/disposed companies and other changes	**1**	-1
Unrecognised actuarial gains and losses at the year end	**-32**	-18
Recognised net liability for defined benefit obligations	**9**	12

Expenses recognised in income statement		
Current service costs	**13**	11
Interest on obligation	**11**	9
Expected return on plan assets	**-11**	-9
Actuarial gains and losses	**1**	1
Gains and losses on curtailments and settlements	**-2**	
Defined benefit expenses	**12**	12
Actual return on plan assets	**10**	19

Historical information	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	**315**	254	229	212	307
Fair value of plan assets	**-275**	-227	-198	-202	-295
Deficit in the plan	**40**	28	31	9	12

Plan assets invested in:	2010	2009
Equity instruments (%)	**24**	24
Bonds and other financial instruments (%)	**47**	49
Properties (%)	**16**	14
Other assets (%)	**13**	14

Actuarial assumptions 2010	Europe	Other
Discount rate (%)	**2.5-5.4**	**1.5-12.5**
Expected return on plan assets (%)	**4.0-7.2**	**1.75-10.5**
Future salary increases (%)	**1.0-4.0**	**4.0-15.0**

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

22. Share capital of the parent company

MEUR

Share capital	Number of shares	Share capital	Share issue premium	Total
1 January 2009	98 620 565	336	61	397
31 December 2009	98 620 565	336	61	397
31 December 2010	**98 620 565**	**336**	**61**	**397**

23. Fair value reserve

MEUR	Cash flow hedges	Financial assets available for sale	Total
Difference between fair value and book value at 1 January 2009		63	63
Deferred tax liabilities/assets	4	-16	-12
Fair value reserve at 1 January 2009	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
Transferred to income statement, net of taxes	-13	-110	-123
Fair value adjustments	9	40	49
Deferred tax liabilities/assets	-3	-11	-14
Fair value reserve at 31 December 2010	**12**		**12**

24. Provisions

2010

MEUR	Litigation	Warranty liabilities	Foreseeable losses	Restructuring	Other provisions	Total
Provisions at 1 January 2010	**10**	**151**	**11**	**7**	**26**	**205**
Changes in exchange rates		**2**				**2**
Additions	**5**	**81**	**19**	**46**	**24**	**176**
Used provisions	**-2**	**-59**	**-7**	**-25**	**-4**	**-98**
Released provisions			**-3**	**-1**	**-5**	**-10**
Provisions at 31 December 2010	**14**	**175**	**20**	**27**	**42**	**277**
Non-current						**45**
Current						**233**

2009

MEUR	Litigation	Warranty liabilities	Foreseeable losses	Restructuring	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

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

2010

	Current	Non-current		
MEUR	< 1 year	1-5 years	> 5 years	Total
Loans from pension insurance companies*	**34**	**210**	**79**	**323**
Loans from other financial institutions*	**15**	**132**	**142**	**290**
Finance lease liabilities	**3**	**7**	**1**	**11**
Other interest-bearing loans	**4**			**4**
Trade payables	**366**			**366**
Derivatives	**8**			**8**
Other liabilities	**15**			**15**
Total	**445**	**349**	**222**	**1 017**
* Estimated interest expenses, total	**15**	**42**	**9**	**66**

2009

	Current	Non-current		
MEUR	< 1 year	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

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

26. Other liabilities

MEUR	2010	2009
Project costs	**611**	572
Personnel costs	**153**	113
Derivatives	**8**	24
Interest and other financial items	**15**	12
Other accruals	**60**	82
VAT liabilities	**17**	11
Other liabilities	**65**	69
Total	**929**	883
Non-current		1
Current	**929**	883

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	2010	of which closed	2009	of which closed
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps	**20**		90	
Currency forwards				
Transaction risk	**608**	**114**	1 042	433
Translation risk	**415**		339	
Currency options, written	**19**		5	
Currency options, purchased			72	
Total	**1 063**	**114**	1 548	433
Fair values of derivative financial instruments (level 2)				
Interest rate swaps	**-1**		-2	
Currency forwards				
Transaction risk	**7**		-9	
Translation risk	**-4**		-5	
Currency options, purchased	**-1**		-1	
Total	**2**		-17	

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 29 months.

Currency distribution of currency forwards and currency options

MEUR	Outstanding offers	Order book	Net loans	Translation risk
Currency forwards				
USD		290	11	86
NOK		3	44	150
CHF			51	
SGD			22	44
JPY		68	7	18
GBP			14	21
Other*			61	98
		361	210	417
Currency options				
USD	19			
Total	19	361	210	417

* Other does not include any material single currencies.

28. Collateral, contingent liabilities and other commitments

	2010		2009	
MEUR	Debt in the statement of financial position	Collateral	Debt in the statement of financial position	Collateral
Mortgages given as collateral for liabilities and commitments				
Loans from credit institutions			1	2
Loans from pension institutions	**33**	**43**	34	44
Other commitments	**16**	**16**	5	10
Total	**49**	**59**	40	56
Chattel mortgages given as collateral for liabilities and commitments				
Other commitments		**18**		10
Total		**18**		10

MEUR	2010	2009
Guarantees and contingent liabilities		
on behalf of Group companies	**623**	678
on behalf of associated companies	**9**	8
Total	**632**	686
Nominal amounts of rents according to leasing contracts		
Payable within one year	**22**	21
Payable later	**52**	68
Total	**74**	89

29. Related party disclosures

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

Salaries and bonuses paid to management

In thousands of euros	2010	2009
President and CEO and his deputy		
Salaries and other short-term benefits	**924**	922
Bonuses*	**367**	246
Share based bonuses	**675**	
	1 966	1 169
Other members of the Board of Management		
Salaries and other short-term benefits	**1 503**	1 678
Bonuses*	**561**	376
Share based bonuses	**1 350**	
	3 415	2 054
Board of Directors 31 December 2010		
Antti Lagerroos, chairman	**138**	125
Matti Vuoria, deputy chairman	**97**	89
Maarit Aarni-Sirviö, member	**67**	61
Kaj-Gustaf Bergh, member	**66**	60
Alexander Ehrnrooth, member	**64**	
Paul Ehrnrooth, member	**63**	
Ole Johansson, member		
Bertel Langenskiöld, member	**67**	60
Mikael Lilius, member	**62**	
Board of Directors, until 4 March 2010		
Kari Kauniskangas, member	**2**	59
	626	455
Salaries and bonuses paid to management, total	**6 006**	3 677

* In addition a cost reserve of EUR 4,876 thousand (1,780), has been made for the expenses arising from the bonus schemes tied to the price development of the company's share for President and CEO and his deputy and the other members of the Board of Management.

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 76,009 shares (70,428).

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 associated companies and joint ventures

MEUR	2010	2009
Net sales to the associates and joint ventures in the consolidated statement of income	**5**	16
Receivables from the associates and joint ventures in the consolidated statement of financial position	**12**	23
Advances paid to the associates and joint ventures in the consolidated statement of financial position	**52**	54
Payables to the associates and joint ventures in the consolidated statement of financial position	**8**	11

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 2010 the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditors.

Auditors' fees

	KPMG		Others	
MEUR	**2010**	**2009**	**2010**	**2009**
Audit fees	**2.1**	1.9	**0.2**	0.1
Statement fees		0.1		
Tax advisor fees	**0.9**	1.0	**0.1**	0.3
Other fees	**0.4**	0.6	**0.1**	
Total	**3.5**	3.5	**0.4**	0.4

31. Exchange rates

In the consolidated financial statements there are nearly 60 currencies consolidated. The most essential currencies are presented here.

		Closing rates		Average rates
	31 December 2010	**31 December 2009**	**2010**	**2009**
USD	**1.33620**	1.44060	**1.33126**	1.39327
NOK	**7.80000**	8.30000	**8.00948**	8.72877
CHF	**1.25040**	1.48360	**1.37888**	1.50987
GBP	**0.86075**	0.88810	**0.85896**	0.89105
SGD	**1.71360**	2.01940	**1.80993**	2.02296
BRL	**2.21770**	2.51130	**2.33874**	2.76237
INR	**59.75800**	67.04000	**60.64895**	67.48022
JPY	**108.65000**	133.16000	**116.80901**	130.23383
CNY	**8.82200**	9.83500	**9.00655**	9.51737

32. Subsidiaries

Geographical area	Company name	Location	Share %
Europe	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 France S.A.S.	France	100.0
	Wärtsilä Defence 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
	Vulcan Insurance Ltd.	Great Britain	100.0
	Wärtsilä Greece S.A.	Greece	100.0
	Wärtsilä Ireland Ltd.	Ireland	100.0
	Wärtsilä Polska Sp.z.o.o.	Poland	100.0
	Wärtsilä Ship Design Poland Sp.z.o.o.	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

Americas	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
Asia	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 Ship Design Singapore Pte Ltd	Singapore	100.0
	Wärtsilä Japan Company Ltd	Japan	99.7
	Wärtsilä India Ltd.	India	100.0
	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 Ships Repairing & Maintenance LLC	United Arab Emirates	100.0
Other	Wärtsilä Australia Pty Ltd.	Australia	100.0
	Wärtsilä New Zealand Ltd	New Zealand	100.0
	Wärtsilä PNG Ltd	Papua New Guinea	100.0
	Wärtsilä Egypt Power S.A.E	Egypt	100.0
	Wärtsilä South Africa (Pty) Ltd.	South Africa	100.0
	Wärtsilä Eastern Africa S.A.	Kenya	100.0
	Wärtsilä Uganda Ltd.	Uganda	100.0
	Wärtsilä West Africa S.A.	Senegal	100.0
	Wärtsilä Central Africa Ltd.	Cameroon	100.0
	Wärtsilä Tanzania Ltd	Tanzania	100.0

A complete list of shares and securities in accordance with the Accounting Ordinance is included in the official financial statements of the parent 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 position of the statement of financial position, which includes receivables and payables denominated in foreign currencies. The Group does not expect significant losses from foreign exchange rate changes in 2011. The cancellation of orders could lead to ineffective currency hedge. Approximately 70% of sales and 63% of operating costs in 2010 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 41 million.

Since Wärtsilä has subsidiaries outside the euro zone, the Group's shareholders' equity is sensitive to exchange rate fluctuations. At the end of 2010 the net asset value of Wärtsilä's foreign subsidiaries outside the euro zone totalled EUR 447 million, of which EUR 407 million was hedged. The ineffective portion of the equity hedges was not significant.

IFRS hedge accounting has been applied to EUR 889 million currency forwards. 10% change in the exhange rates would cause from these currency forwards an approximately EUR 66 million after tax influence on the equity. In 2010 EUR 6 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 statement of income as net sales or operating expenses during 2010. The result from ineffective portion of the cash flow hedges, EUR 4 million, has been booked in financial items.

Currency distribution 2010

%	Net sales	Operating costs	Trade receivables	Trade payables
EUR	70	63	72	74
USD	12	9	9	2
NOK	3	4	3	2
CHF	1	3	1	3
Other EU currencies	1	2	1	2
SGD	1	2	3	1
BRL	2	3	1	1
INR	1	2	2	1
CNY	2	2	1	1
JPY		3	1	2
Other currencies	7	9	5	9
	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 statement of income. 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 2010 totalled EUR 628 (664) million. The average interest rate was 2.5% (2.3) and the average re-fixing time 22 (23) months. At the end of 2010 a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 11 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 2010 the floating rate portion of total loans was 44% 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 note 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 560 million.
- Finnish Commercial Paper programmes totalling EUR 700 million.

The average maturity of the long-term loans is 46 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 776 million at the year end as well as EUR 560 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)
2010		560
2011	95	465
2012	35	430
2013	270	160
2014		160
2015	160	

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 2010. 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

		2010		2009
MEUR	**Trade receivables**	**of which impaired**	**Trade receivables**	**of which impaired**
Not past due	**568**		613	
Past due 1-30 days	**100**		139	
Past due 31-180 days	**121**	**1**	180	2
Past due 181-360 days	**42**	**5**	78	3
Past due 1 year	**81**	**45**	58	33
Total	**911**	**51**	1 068	38

In 2010, EUR 16 million provisions for doubtful receivables has been recognised in the statement of income.

Equity price risk
Wärtsilä has investments in publicly quoted shares (Note 15). The market value of these shares at the end of 2010 was EUR 2 million. 10% strengthening or weakening in share price does not have any significant impact on Group's 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 non-controlling interests 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.

Wärtsilä redefined in January 2011 its long-term financial targets. Wärtsilä's target is to maintain gearing below 50% and to pay a dividend equivalent to 50% of earnings.

MEUR	**31.12.2010**	**31.12.2009**
Equity and liabilities	**4 696**	4 655
Advances received	**-616**	-879
	4 080	3 777
Total equity	**1 664**	1 512
Solvency ratio,%	**40.8**	40.0

In the capital management Wärtsilä also follows the gearing development:

Interest-bearing liabilities, non-current	**572**	591
Interest-bearing liabilities, current	**56**	73
Cash and cash equivalents	**-776**	-244
	-148	420
Loan receivables	**-17**	-6
Net interest-bearing loan capital	**-165**	414
Gearing	**-0.09**	0.28

Parent Company Financial Statements

Parent Company Income Statement (FAS)

MEUR	Note	2010	2009
Other operating income	1	**72**	77
Personnel expenses	2	**-48**	-40
Depreciation and amortisation	3	**-14**	-12
Other operating expenses		**-102**	-87
Operating result		**-93**	-62
Financial income and expenses	4		
Income from financial assets		**377**	84
Interest income and other financial income		**27**	32
Exchange gains and losses		**-39**	-13
Interest expenses and other financial expenses		**-42**	-30
		324	74
Result before extraordinary items		**231**	11
Group contribution	5	**360**	393
Result before appropriations and taxes		**591**	405
Change in depreciation difference		**-2**	-1
Result before taxes		**589**	404
Income taxes	6	**-101**	-84
Result for the financial period		**488**	320

Parent Company Balance Sheet (FAS)

MEUR	Note	31.12.2010	31.12.2009
ASSETS			
Fixed assets	7		
Intangible assets			
Other long-term expenditure		**32**	31
Construction in progress		**6**	14
		38	46
Tangible assets			
Land and water		**8**	7
Buildings and structures		**1**	1
Machinery and equipment		**1**	2
Other tangible assets		**1**	1
Construction in progress		**2**	1
		13	12
Financial assets			
Shares in Group companies		**450**	450
Loan receivables from Group companies			1
Other shares and securities		**6**	19
		456	470
Fixed assets and other non-current financial assets		**507**	527
Non-current receivables			
Receivables from Group companies	8	**172**	166
Loan receivables		**17**	12
		188	177
Current receivables			
Trade receivables		**1**	
Receivables from Group companies	9	**1 401**	1 444
Other receivables		**1**	3
Prepaid expenses and accrued income	10	**15**	19
		1 419	1 467
Cash and bank balances		**665**	151
Total current assets		**2 272**	1 795
Assets		**2 779**	2 322

MEUR	Note	31.12.2010	31.12.2009
EQUITY AND LIABILITIES			
Equity	11		
Share capital		**336**	336
Share premium reserve		**61**	61
Retained earnings		**413**	266
Result for the financial year		**488**	320
Total equity		**1 298**	983
Accumulated appropriations			
Depreciation difference		**10**	8
Provisions		**17**	
Liabilities	12		
Non-current			
Loans from credit institutions		**249**	263
Loans from pension insurance companies		**217**	221
Liabilities to Group companies	14	**72**	77
		538	561
Current			
Loans from credit institutions		**14**	64
Loans from pension insurance companies		**29**	
Trade payables		**5**	4
Liabilities to Group companies	14	**766**	618
Other current liabilities		**2**	5
Accrued expenses and deferred income	13	**99**	79
		915	770
Total liabilities		**1 453**	1 331
Equity and liabilities		**2 779**	2 322

Parent Company Cash Flow Statement (FAS)

MEUR	2010	2009
Cash flow from operating activities:		
Operating result	**-93**	-62
Adjustments for:		
Depreciation and amortisation	**14**	12
Selling profit and loss of fixed assets		-3
Cash flow before changes in working capital	**-78**	-53
Changes in working capital:		
Assets, non-interest-bearing, increase (-)/ decrease (+)	**-40**	115
Liabilities, non-interest-bearing, increase (+)/ decrease (-)	**7**	-60
	-33	55
Cash flow from operating activities before financial items and taxes	**-112**	2
Interest and other financial expenses	**-96**	-46
Dividends received from operating activities	**217**	80
Interest and other financial income from operating activities	**22**	25
Income taxes	**-68**	-65
	76	-6
Cash flow from operating activities	**-36**	-4
Cash flow from investing activities:		
Investments in tangible and intangible assets	**-8**	-12
Proceeds from sale of investments	**13**	
Proceeds from sale of tangible and intangible assets	**155**	3
Loan receivables, increase (-)/ decrease (+) and other changes	**-14**	1
Dividends received	**5**	5
Cash flow from investing activities	**151**	-3
Cash flow after investing activities	**115**	-7
Cash flow from financing activities:		
Loans receivables, increase (-)/ decrease (+)	**82**	129
Current loans, increase (+)/ decrease (-)	**140**	-367
Proceeds from non-current borrowing	**25**	185
Repayments and other changes of non-current loans	**-69**	-20
Group contributions	**393**	301
Dividends paid	**-173**	-148
Cash flow from financing activities	**399**	80
Change in cash and bank balances, increase (+) / decrease (-)	**514**	74
Cash and bank at beginning of period	**151**	77
Cash and bank at end of period	**665**	151

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 Standards (FAS).

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	2010	2009
Rental income	**2**	2
Profit on sales of fixed assets		3
Services to Group companies	**69**	71
Other operating income	**1**	1
Total	**72**	77

2. Personnel expenses

MEUR	2010	2009
Wages and salaries	**41**	30
Pension costs	**6**	8
Other compulsory personnel costs	**2**	2
Total	**48**	40
Salaries and remunerations to senior management		
The President and CEO and his deputy and members of the Board of Directors	**3**	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 during the year	**389**	398

3. Depreciation and amortisation

MEUR	2010	2009
Depreciation according to plan		
Other long-term expenditure	**14**	12
Total depreciation according to plan	**14**	12
Total book depreciation	**17**	13
Depreciation difference	**-2**	-1
Accumulated depreciation difference		
Depreciation difference on 1 January	**8**	7
Change in the depreciation difference	**2**	1
Depreciation difference on 31 December	**10**	8

4. Financial income and expenses

MEUR	2010	2009
Dividend income		
From Group companies	**217**	80
From other companies	**5**	5
Total	**222**	84
Other interest income		
From Group companies	**22**	30
From other companies	**2**	1
Total	**24**	30
Other financial income		
From Group companies	**4**	5
From other companies	**6**	11
Total	**10**	16
Exchange gains and losses	**-39**	-13
Interest expenses		
To Group companies	**-8**	-9
To other companies	**-13**	-17
Total	**-21**	-26
Other financial expenses		
To Group companies	**-3**	-3
To other companies	**-15**	-15
Total	**-18**	-18
Impairments of non-current receivables	**-9**	
Net income from financial assets available for sale	**155**	
Financial income and expenses, total	**324**	74

5. Extraordinary income and expenses

MEUR	2010	2009
Group contributions received	**360**	393

6. Income taxes

MEUR	2010	2009
Income taxes		
for the financial year	**-100**	-84
for prior years	**-1**	-1
Total	**-101**	-84
Income taxes on extraordinary items	**94**	102

7. Fixed assets

Intangible assets

MEUR	Other long-term expendi-tures	Construction in progress	Total 2010	Total 2009
Acquisition cost at January 1	**110**	**14**	**126**	116
Additions	**2**	**4**	**6**	8
Reclassifications	**13**	**-13**		2
Acquisition cost at December 31	**125**	**6**	**132**	126
Accumulated amortisation at January 1	**-79**		**-80**	-68
Amortisation during the financial year	**-14**		**-14**	-12
Accumulated amortisation at December 31	**-93**		**-94**	-80
Book value at 31 December 2010	**32**	**6**	**38**	
Book value at 31 December 2009	31	14		46

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress	Other tangible assets	Total 2010	Total 2009
Acquisition cost at January 1	**7**	**11**	**12**	**1**	**2**	**32**	32
Additions	**1**			**1**		**3**	3
Disposals							-2
Reclassifications							-2
Acquisition cost at December 31	**8**	**11**	**12**	**2**	**2**	**35**	32
Accumulated amortisation at January 1		**-10**	**-10**		**-1**	**-21**	-20
Amortisation during the financial year			**-1**			**-1**	-1
Accumulated amortisation at December 31		**-10**	**-11**		**-1**	**-22**	-21
Book value at 31 December 2010	**8**	**1**	**1**	**2**	**1**	**13**	
Book value at 31 December 2009	7	1	2	1	1		12

Shares and securites

MEUR	Shares in Group companies	Receivables from Group companies	Shares in other companies	Total 2010	Total 2009
Acquisition cost at January 1	**450**	**1**	**19**	**470**	471
Additions			**2**		
Disposals			**-15**	**-15**	-1
Acquisition cost at December 31	**450**		**6**	**456**	470
Book value at 31 December 2010	**450**		**6**	**456**	
Book value at 31 December 2009	450	1	19		470

8. Non-current receivables

MEUR	2010	2009
Receivables from Group companies		
Non-current investments		1
Loan receivables	**172**	166
Total	**172**	166

9. Current receivables from Group companies

MEUR	2010	2009
Trade receivables	**3**	3
Loan receivables	**1 390**	1 428
Prepaid expenses and accrued income	**8**	13
Total	**1 401**	1 444

10. Prepaid expenses and accrued income

MEUR	2010	2009
Derivatives	**13**	13
Other financial items	**2**	6
Total	**15**	19

11. Shareholders' equity

MEUR	2010	2009
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	**586**	415
Ordinary dividend distribution	**-173**	-148
Reversal of revaluation		-1
Result for the financial period	**488**	320
Retained earnings on 31 December	**901**	586
Total shareholders' equity	**1 298**	983
Distributable equity	**901**	586

12. Liabilities

MEUR	2010	2009
Non-current		
Interest-bearing	**538**	561
Total	**538**	561
Current		
Non-interest-bearing	**135**	114
Interest-bearing	**781**	656
Total	**915**	770

Debt with maturity profile

2010 MEUR	Current < 1 year	Long-term 1-5 years	 > 5 years	 Total
Loans from financial institutions	**14**	**121**	**128**	**263**
Loans from pension institutions	**29**	**172**	**45**	**246**
Total	**43**	**293**	**173**	**509**

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

13. Accrued expenses and deferred income

MEUR	2010	2009
Income and other taxes	**64**	31
Derivatives	**10**	27
Personnel costs	**18**	11
Interest and other financial items	**3**	4
Other	**4**	6
Total	**99**	79

14. Liabilities to Group companies

MEUR	2010	2009
Other long-term liabilities	**72**	77
Trade payables	**3**	4
Other current liabilities	**738**	589
Accrued expenses and deferred income	**26**	25
Total	**839**	695

15. Collateral, contingent liabilities and other commitments

MEUR	2010 Debt in balance sheet	2009 Debt in balance sheet
Guarantees and contingent liabilities		
On behalf of Group companies	**623**	678
On behalf of Associated companies	**9**	8
Total	**632**	686
Nominal amounts of rents according to leasing contracts		
Payable within one year	**3**	3
Payable after one year	**9**	12
Total	**12**	15

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 2010 the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditors.

Auditors' fees

TEUR	2010	2009
Audit fees	**166**	155
Tax advisor fees	**284**	153
Other fees	**102**	242
Total	**552**	550

Proposal of the Board

The parent company's distributable funds total 901,099,082.48 euros, which includes 487,792,193.41 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
An extra dividend of EUR 1.00 per share be paid, making a total of	98 620 565.00
That the following sum be retained in shareholders' equity	629 892 528.73
Total	901 099 082.48

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 2011

Antti Lagerroos

Matti Vuoria

Maarit Aarni-Sirviö

Kaj-Gustaf Bergh

Alexander Ehrnrooth

Paul Ehrnrooth

Bertel Langenskiöld

Mikael Lilius

Ole Johansson
President and CEO

Auditor's 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 December 31, 2010. The financial statements comprise the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in equity, consolidated 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.

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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, January 27, 2011

KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Quarterly Figures 2009–2010

Condensed Statement of Income MEUR	Q4/2010	Q3/2010	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Net sales	1 462	1 039	1 131	922	1 519	1 167	1 333	1 241
Other operating income	21	13	11	7	11	20	13	5
Expenses	-1 313	-910	-1 007	-851	-1 280	-1 026	-1 167	-1 087
Depreciation, amortisation and impairment	-29	-29	-28	-30	-73	-31	-30	-30
Share of result of associates and joint ventures	2	2		2	1	3	1	1
Operating result	143	114	105	49	179	133	149	130
Financial income and expenses	-10	-6	4		-9	-9	-9	-7
Net income from assets available for sale	117	32						
Profit before taxes	251	140	109	49	170	125	141	123
Income taxes	-71	-35	-31	-14	-51	-38	-39	-34
Profit for the financial period	179	104	79	35	119	87	102	89
Earnings per share, EUR	1.78	1.03	0.77	0.33	1.17	0.87	1.01	0.89

Order intake	1 003	1 004	1 117	881	823	725	785	958
Order book, at the end of period	3 795	4 243	4 315	4 330	4 491	5 351	5 829	6 477
Personnel, at the end of period	17 528	17 704	17 905	18 410	18 541	18 806	19 106	18 844