WÄRTSILÄ CORPORATION
INTERIM REPORT JANUARY-SEPTEMBER 2010

OLE JOHANSSON, PRESIDENT & CEO
20 OCTOBER 2010
Q3/10 Highlights

- Order intake EUR 1,004 million (+38%)
- Net sales EUR 1,039 million (-11%)
- Operating result* EUR 117 million (-13%), 11.2% of net sales
- EPS* EUR 0.83 (0.87)
- Cash flow from operating activities EUR 222 million (214)

* Excluding nonrecurring items
Strong growth in order intake

Order intake  Power Plants  Ship Power  Services

Third quarter development


725  1 004
-10%  38%
160%  131%
Order book distribution

Delivery current year

Delivery next year +
Net sales developed as expected

Third quarter development

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net sales</th>
<th>Power Plants</th>
<th>Ship Power</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3/2009</td>
<td>1,167 MEUR</td>
<td>3%</td>
<td>-27%</td>
<td>-11%</td>
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Net sales developed as expected.
Net sales by business 1-9/2010

Ship Power 27% (33)
Power Plants 31% (31)
Services 42% (35)
Strong profitability

Operating result before nonrecurring items
Ship Power market – vessel order development
Continued recovery in ordering activity

Source: Clarkson Research Services
Ship Power order intake  
Recovery continued
Ship Power order intake by segment Q3/2010

- Offshore: 43%
- Merchant: 33%
- Special vessels: 18%
- Ship Design: 3%
- Cruise & Ferry: 2%

Total EUR 176 million (68)
Ship Power market
Market position of Wärtsilä’s marine engines

Medium-speed main engines

- Wärtsilä: 32% (37)
- MAN Diesel: 31% (22)
- Caterpillar (MAK): 8% (4)
- Others: 29% (37)

Low-speed main engines

- MAN Diesel: 85% (82)
- Wärtsilä: 12% (15)
- Mitsubishi: 3% (3)

Auxiliary engines

- Wärtsilä: 3% (1)
- Others: 97% (99)

Total market volume last 12 months:
- Medium-speed main engines: 914 MW (553)
- Low-speed main engines: 6,752 MW (5,667)
- Auxiliary engines: 2,775 MW (1,795)

Wärtsilä’s market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. Wärtsilä’s own calculation is based on Marine Market Database.
Ship Power order book Sept. 30, 2010
All vessel segments represented

- Offshore: 30%
- Merchant: 47%
- Containers: 6%
- Tankers: 8%
- Cargo: 12%
- RoRo: 4%
- LNG: 6%
- Special vessels: 8%
- Cruise & Ferry: 7%
- Ship Design: 2%
- Navy: 6%

Total EUR 2,038 million (3,230)
Share of natural gas is consistently increasing
Power Plants order intake by application

Order intake by fuel Q3/2010

- Oil: 54%
- Gas: 46%

Third quarter development

- Oil: 131% (MEUR 393)
- Gas: 487% (MEUR 170)
- Flexible baseload: 1285% (MEUR 393)
- Grid stability & peaking: -60% (MEUR 170)

Order intake by application:
- Industrial self-generation
- Flexible baseload
- Grid stability & peaking
- Oil & Gas
Power Plants quarterly order intake

MEUR

2004 2005 2006 2007 2008 2009 2010

Q1 Q2 Q3 Q4
Power Plants order intake
Asia strongest region

Order intake 1-9/2010: 2,342 MW (1,382)

- America: 704 (280)
- Europe: 304 (400)
- Africa & Middle East: 253 (612)
- Asia: 1,081 (90)

Flexible baseload
Industrial self-generation
Oil & gas
Grid stability & peaking
Services – Net sales stable

Third quarter development

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<tr>
<td>424 MEUR</td>
<td>435 MEUR</td>
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Percentage change:
- 2009 to 2010: 3%
- 2008 to 2009: 18%
- 2007 to 2008: 22%
- 2006 to 2007: 18%

MEUR
Services – Net sales per quarter

Graph showing quarterly net sales from Q1 2001 to Q4 2010, with data in millions of euros (MEUR). The chart indicates a steady increase in net sales over the years, peaking in Q4 2008 and Q4 2009.
Services – Net sales distribution 1-9/2010

- Spare parts: 54%
- Field service: 24%
- Contracts: 13%
- Projects: 9%
Services
Level of laid-up vessels normalised

* Anchored (reported navigation status at anchor). Source Bloomberg (AISLive). More than 25 000 vessels (>299 GT) covered.

** Idle (no movement for 19 days for containerships, others 35 days). Source Lloyd’s MIU. Around 15 000 vessels (>299 GT) covered.
### All time high cash flow

<table>
<thead>
<tr>
<th>MEUR</th>
<th>7-9/10</th>
<th>7-9/09</th>
<th>1-9/10</th>
<th>1-9/09</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>222</td>
<td>214</td>
<td>491</td>
<td>142</td>
<td>349</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>21</td>
<td>-23</td>
<td>-3</td>
<td>-113</td>
<td>-163</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>11</td>
<td>-45</td>
<td>-159</td>
<td>36</td>
<td>-140</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>578</td>
<td>262</td>
<td>578</td>
<td>262</td>
<td>244</td>
</tr>
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Net working capital development

All figures relate to the Power Businesses.

Working Capital  Total Inventories  Advances Received  Working Capital / Net Sales

2003  206  206  9.5%
2004  155  212  7.0%
2005  212  212  8.4%
2006  176  176  5.8%
2007  102  102  2.7%
2008  267  267  5.0%
2009  482  482  9.2%

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30 Sept. 2010

Working Capital / Net Sales

* Annualised Working Capital / Net Sales

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At the end of the reporting period, drawn revolving credits amounted to 0 euros. In addition, there are Finnish Commercial Paper Programs of EUR 700 million (uncommitted).
Financial position

Solvency

Gearing

<table>
<thead>
<tr>
<th>Year</th>
<th>Solvency</th>
<th>Gearing</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
<td>45.00</td>
<td>0.10</td>
</tr>
<tr>
<td>2007</td>
<td>45.00</td>
<td>0.10</td>
</tr>
<tr>
<td>2008</td>
<td>35.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2009</td>
<td>40.00</td>
<td>0.20</td>
</tr>
<tr>
<td>30.9.2010</td>
<td>50.00</td>
<td>0.30</td>
</tr>
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# Restructuring measures

<table>
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<th>Restructuring measures</th>
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<tbody>
<tr>
<td><strong>May 2009:</strong> Ship Power adjustment program</td>
</tr>
<tr>
<td><strong>January 2010:</strong> Adaption of manufacturing capacity initiated</td>
</tr>
<tr>
<td><strong>October 2010:</strong> Processes initiated for reduction of 400 jobs in global staff functions</td>
</tr>
</tbody>
</table>

## Impacts of all restructuring measures

- Personnel to be reduced by approx. 1,800 employees
- Total cost savings approx. EUR 110-120 million, of which EUR 30 million to materialise in 2010 and the rest gradually in 2011.
- Total non-recurring costs EUR 140 million, of which 40 million recognised in 2009. In January-September 2010 Wärtsilä recorded EUR 59 million nonrecurring items related to restructuring measures.
Market outlook

- **Ship Power**: Ordering volumes will remain at lower levels than during peak years. Competition and price pressure will remain intense. Wärtsilä Ship Power’s order intake in 2010 expected to clearly improve over 2009.

- **Power Plants**: The power generation market recovery is expected to continue in 2010. Wärtsilä Power Plants’ order intake in 2010 expected to clearly improve over 2009.

- **Services**: Services development is expected to remain steady. Scrapping of older tonnage and its replacement with new tonnage may impact Services. Power plant installations continue to be run at high operating levels. Increased interest in maintenance partnerships seen.
Prospects for 2010 improved

- Net sales expected to decline by approximately 15 percent.
- Operational profitability (EBIT% before nonrecurring items) expected to be better than earlier estimated and to exceed 10%.