

Notes to the Consolidated Financial Statements

1. Segment information

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

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

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

Geographical information

2009

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

2008

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

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

Business area information

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

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

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

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

2009

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

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

2008

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

2. Acquisitions and disposals

Acquisitions 2009

Overall impact on performance

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

The acquisition of 60% of the shares in the Italian company Wärtsilä Navim Diesel was the most significant acquisition for Wärtsilä during the year. After the acquisition Wärtsilä's ownership in the company is 100%. The assets, liabilities and contingent liabilities of the company are measured at fair value at the time of acquisition. The valuation of customer

relations and goodwill in intangible assets amounted to EUR 8 million. The goodwill calculated on this acquisition is based on synergic effects expected to materialise when the entire operation can be integrated into the Group's former operation in Italy.

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

Acquisition price	MEUR
Consideration paid in cash	13
Acquisition costs	-
	13
Acquired assets to fair value	-5
Goodwill	8
Cash flow from the acquisitions	
Consideration paid in cash	13

Specification of acquired assets

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

Acquisitions 2008

Overall impact on performance

MEUR	Booked in income statement 2008	On full-year pro forma performance
Net sales	42	4 674
Operating income	16	558

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.

Vik-Sandvik Group

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

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

Acquisition price	MEUR
Consideration paid in cash	165
Acquisition costs	-
	<hr/> 165
Acquired assets to fair value	-68
Goodwill	97

Cash flow from the acquisitions	
Consideration paid in cash	165
Cash and cash equivalents of the acquired companies	-24
	<hr/> 141

Specification of acquired assets

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

Other acquisitions

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

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

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

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

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

Acquisition price	MEUR
Consideration paid in cash	49
Acquisition costs	1
	<hr/> 49
Acquired assets to fair value	-20
Goodwill	29

Cash flow from the acquisitions

Consideration paid in cash	49
Acquisition costs	1
Cash and cash equivalents of the acquired companies	-3
	46

Specification of acquired assets

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

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

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

Long-term construction contracts

MEUR	2009	2008
Net sales in the income statement	585	544

Long-term construction projects in progress

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

Long-term operating and maintenance agreements

MEUR	2009	2008
Net sales in the income statement	225	207

4. Other income

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

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

5. Material and services

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

6. Employee benefit expenses

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

Salaries paid to the management are specified in Note 29.

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

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

	2009	2008
Personnel on average	18 830	17 623

7. Depreciation and amortisations

Depreciation according to plan and amortisations

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

* Refers to restructuring programs published in 2010.

8. Financial income and expenses

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

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

9. Income taxes

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

10. Earnings per share

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

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

11. Components of other comprehensive income

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

Tax effects relating to each component of other comprehensive income

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

12. Intangible assets

Impairment testing of goodwill

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

Cash-Generating Units (CGU)

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

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

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

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

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

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

Sensitivity analysis

Sensitivity analyses have been carried out for the valuation of each Cash Generating Unit by making downside scenarios. The change in the enterprise value was evaluated through these downside scenarios by changing the underlying assumptions in the valuations. The changes in the assumptions and their effects are:

- sales growth lowered by 15%, effect 6% (8)
- terminal growth rate lowered by 50%, effect 10% (11)
- EBIT profitability lowered by 10%, effect 10% (11)
- WACC increased by 15%, effect 16% (15).

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

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

2009

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

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

2008

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

13. Property, plant & equipment

Wärtsilä has centralised its warehousing and logistics of spare parts by investing in a new distribution centre in the Netherlands. The investments to the new distribution centre amounted to EUR 22 million during the review period and commitments related to the investment were EUR 41 million at the end of the review period.

2009

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

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

2008

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

14. Investments in associated companies and joint ventures

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

* Includes business arrangement Wärtsilä Biopower/MW Power.

** Due to the change in accounting principles for joint ventures.

Summary of financial information on associates (100%):

2009

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

2008

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

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

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

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

2009

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

2008

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

15. Investments available for sale

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

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

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

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

16. Inventories

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

17. Financial assets and liabilities by measurement category

2009

MEUR	Cash flow and net investment hedges	Financial assets/liabilities at fair value through income statement	Loans and receivables	Investments available for sale	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Investments available for sale				151		151	151
Interest-bearing investments			2			2	2
Trade receivables			2			2	2
Other receivables			5			5	5
Current financial assets							
Interest-bearing receivables			4			4	4
Trade receivables			1 028			1 028	1 028
Derivatives	6	1				7	7
Other receivables		16	2			18	18
Cash and cash equivalents		244				244	244
Carrying amount by category	6	261	1 043	151		1 461	1 461
Non-current financial liabilities							
Interest-bearing debt					591	591	593
Other liabilities					1	1	1
Current financial liabilities							
Interest-bearing debt					73	73	73
Trade payables					299	299	299
Derivatives	15	9				24	24
Other liabilities					12	12	12
Carrying amount by category	15	9			976	1 000	1 002

2008

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

18. Other receivables

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

19. Cash and cash equivalents

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

20. Deferred taxes

Change in deferred taxes during 2009

MEUR	1 January 2009	Recognised in the income statement	Other 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
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At 31 December 2009 the Group had unrecognized deferred tax receivables totalling EUR 38 million (52), as it is uncertain if they will be realised. Most of them were related to cumulative losses.

Change in deferred taxes during 2008

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

21. Pension obligations

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

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

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

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

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

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

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

Expenses recognised in income statement

Current service costs	11	9
Interest on obligation	9	8
Expected return on plan assets	-9	-10
Actuarial gains and losses	1	1
Defined benefit expenses	12	8

Actual return on plan assets	19	-17
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Historical information	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	254	229	212	307	293
Fair value of plan assets	-227	-198	-202	-295	-292
Deficit in the plan	28	31	9	12	1

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

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

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

22. Share capital of the parent company

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

23. Fair value reserve

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

24. Provisions

2009

	Litigation	Warranty liabilities	Foreseeable losses	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

2008

	Litigation	Warranty liabilities	Foreseeable losses	Restructuring	Other provisions	Total
Provisions at 1 January 2008	7	107	12	6	31	164
Changes in exchange rates		1				
Additions	1	70	10		7	88
Used provisions		-40	-5		-12	-58
Released provisions			-2	-1	-5	-8
Provisions at 31 December 2008	8	138	16	5	23	189
Non-current						24
Current						165

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

25. Financial liabilities

2009

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

2008

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

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

26. Other liabilities

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

27. Financial instruments

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

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

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

Currency distribution of currency forwards and currency options

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

* Other does not include any material single currencies.

Commodity derivatives

2009

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

2008

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

28. Collateral, contingent liabilities and other commitments

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

MEUR	2009	2008
Guarantees and contingent liabilities		
on behalf of Group companies	678	664
on behalf of associated companies	8	
Total	686	664

Nominal amounts of rents according to leasing contracts

Payable within one year	21	21
Payable later	68	66
Total	89	87

29. Related party disclosures

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

Salaries and bonuses paid to management

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

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

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

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

Business transactions with the associates and joint ventures

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

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

30. Auditors' fees and services

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

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

Auditors' fees

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

31. Exchange rates

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

32. Subsidiaries

Company name	Location	Share %
Wärtsilä Technology Oy Ab	Finland	100.0
Wärtsilä Finland Oy	Finland	100.0
Wärtsilä Sweden AB	Sweden	100.0
Wärtsilä Norway A/S	Norway	100.0
Wärtsilä Ship Design Norway AS	Norway	100.0
Wärtsilä Danmark A/S	Denmark	100.0
Wärtsilä Italia S.p.A.	Italy	100.0
Wärtsilä Navim Diesel S.r.l.	Italy	100.0
Wärtsilä France S.A.S.	France	100.0

Wärtsilä Defence S.A.	France	100.0
Whessoe S.A.	France	100.0
Wärtsilä Switzerland Ltd.	Switzerland	100.0
Wärtsilä Netherlands B.V.	The Netherlands	100.0
DTS-Zwolle B.V.	The Netherlands	100.0
Wärtsilä Ibérica S.A.	Spain	100.0
Wärtsilä Portugal Lda.	Portugal	100.0
Wärtsilä Deutschland GmbH	Germany	100.0
Wärtsilä Ship Design Germany GmbH	Germany	100.0
Wärtsilä UK Ltd	Great Britain	100.0
Whessoe Total Automation Ltd.	Great Britain	100.0
Vulcan Insurance Ltd.	Great Britain	100.0
Wärtsilä Greece S.A.	Greece	100.0
Wärtsilä Ireland Ltd.	Ireland	100.0
Wärtsilä Polska Sp.z.oo.	Poland	100.0
Wärtsilä Ship Design Poland Sp.z.oo.	Poland	100.0
Wärtsilä-Enpa A.S.	Turkey	51.0
Wärtsilä BLRT Estonia Oü	Estonia	51.7
Wärtsilä BLRT Lietuva UAB	Lithuania	51.0
Wärtsilä Vostok, LLC	Russia	100.0
Wärtsilä Hungary Kft	Hungary	100.0
Wärtsilä Ukraine LLC	Ukraine	100.0
Wärtsilä North America, Inc.	USA	100.0
Wärtsilä Defence Inc.	USA	100.0
Wärtsilä Development & Financial Services Inc.	USA	100.0
Wärtsilä Canada Inc.	Canada	100.0
Wärtsilä de Mexico SA	Mexico	100.0
Wärtsilä Caribbean, Inc.	Puerto Rico	100.0
Wärtsilä Dominicana Inc.	Dominican Republic	100.0
Wärtsilä Guatemala S.A.	Guatemala	100.0
Wärtsilä Chile Ltda.	Chile	100.0
Wärtsilä Ecuador S.A.	Ecuador	100.0
Wärtsilä Brasil Ltda.	Brasil	100.0
Wärtsilä Colombia S.A.	Colombia	100.0
Wärtsilä Peru S.A.C.	Peru	100.0
Wärtsilä Argentina S.A.	Argentina	100.0
Wärtsilä Venezuela, C.A.	Venezuela	100.0
Wärtsilä Panama S.A.	Panama	100.0
Wärtsilä Australia Pty Ltd.	Australia	100.0
Wärtsilä China Ltd.	Hong Kong	100.0
Wärtsilä-CME Zhenjiang Propeller Co. Ltd	China	55.0
Wärtsilä Engine (Shanghai) Co Ltd	China	100.0
Wärtsilä Shanghai Services Ltd.	China	100.0
Wärtsilä Propulsion (Wuxi) Co. Ltd.	China	100.0
Wärtsilä Singapore Pte Ltd.	Singapore	100.0
Wärtsilä Automation Services Singapore Pte Ltd	Singapore	100.0
Wärtsilä Japan Company Ltd	Japan	99.7
Wärtsilä India Ltd.	India	98.9
Wärtsilä Vietnam Co Ltd.	Vietnam	100.0
Wärtsilä Korea Ltd.	South Korea	100.0
Wärtsilä Taiwan Ltd.	Taiwan	100.0
Wärtsilä Philippines Inc.	Philippines	100.0
PT. Wärtsilä Indonesia	Indonesia	100.0
Wärtsilä Lanka Ltd.	Sri Lanka	100.0
Wärtsilä Pakistan (Pvt.) Ltd.	Pakistan	100.0
Wärtsilä Bangladesh Ltd.	Bangladesh	100.0
Wärtsilä Azerbaijan LLC	Azerbaijan	100.0
Wärtsilä Power Contracting Saudi Arabia Ltd.	Saudi Arabia	60.0

Wärtsilä Gulf FZE	United Arab Emirates	100.0
Wärtsilä Arab Mediterranean Power Ltd	Egypt	100.0
Wärtsilä South Africa (Pty) Ltd.	South Africa	100.0
Wärtsilä Eastern Africa S.A.	Kenya	100.0
Wärtsilä West Africa S.A.	Senegal	100.0
Wärtsilä Central Africa Ltd.	Cameroon	100.0

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

33. Financial risks

General

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

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

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

Foreign exchange risk

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

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

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

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

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

Currency distribution 2009

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

Interest rate risk

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

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

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

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

Liquidity and refinancing risk

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

The existing funding programmes include:

- Committed Revolving Credit Facilities totalling EUR 555 million.
- Finnish Commercial Paper programmes totalling EUR 700 million.

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

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

Revolving credit facilities

MEUR

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

Credit risk

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

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

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

Aging of trade receivables

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

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

Equity price risk

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

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

Capital risk management

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

MEUR	31.12.2009	31.12.2008
Balance sheet total	4 655	4 743
Advances received	-879	-1 243
	3 777	3 500
Total shareholders' equity	1 512	1 199
Solvency ratio,%	40.0	34.3

In the capital management Wärtsilä also follows the gearing development:

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