Wärtsilä Corporation FINANCIAL STATEMENTS BULLETIN 4 FEB. 2005 at 8.30 AM

WÄRTSILÄ'S PROFITABILITY IMPROVED, ORDERBOOK ON RECORD LEVEL

- -Wärtsilä Group's net sales EUR 2,478.2 million (2,357.5).
- -Power Businesses' operational profitability rose to 5.0% (4.4)
- -Group's operating result EUR 239.8 million (-18.4); result included capital gain of EUR 107.7 million.
- -Order book on record level EUR 1,855.3 million (1,245.0)
- -Board's dividend proposal is EUR 0,45 per share and a extra dividend of EUR 0,45 per share, i.e. a total of EUR 0.90 per share

WÄRTSILÄ GROUP IN BRIEF

MEUR	10-12/2004	10-12/2003	2004	2003
Net sales	816.2	722.1	2,478.2	2,357.5
Operational EBITA 1)	84.3	55.3	158.8	127.0
Operational EBIT	77.7	48.4	132.0	100.0
Operating result	77.7	-65.7	239.8	-18.4
Result before taxes	75.2	-69.3	236.5	-34.4
EPS, EUR	0.53	-0.71	1.75	-0.44
EPS, EUR 2)	0.53	0.36	0.92	0.67

1) EBITA is operating income before goodwill amortization.
2) EPS excluding non-recurring costs and capital gains.

In 2004 Wärtsilä continued to pursue its strategy to develop and strengthen the Ship Power and Service businesses. Wärtsilä's response to the challenge posed by the growing shipbuilding market in Asia was to start propeller manufacturing in China. The Service business was further developed both by broadening its portfolio of services and by expanding the Ciserv group.

In its Power Plants business, the company improved its capabilities as a supplier of decentralized power generation solutions. On the power plants side, the strategy to focus on Wärtsilä's areas of strength has proved successful and the order intake has been good. Sales of operation and maintenance services for power plants continued to grow favourably.

Decisions were taken in 2004 to reduce engine production capacity and to increase flexibility. Manufacturing at the factory in Turku, Finland ceased at the end of 2004 and the Wärtsilä 46 engines are now made in the factory in Trieste, Italy. The decision to cease manufacturing high-speed engines altogether will result in the closure of the factory in Mulhouse, France. The product rights to the high-speed engines manufactured at Mulhouse were sold and negotiations are still in progress on the sale of the manufacturing unit. When these are concluded, Wärtsilä will have two flexible engine factories with broad sortiments: one in Vaasa and one in Trieste.

Net sales and result

Wärtsilä Group's consolidated net sales increased to EUR 2,478.2 million (2,357.5). Net sales of the Power Businesses totalled EUR 2,224.7 million (2,155.8). Imatra Steel's net sales increased by 25.5% to EUR 254.4 million (202.7).

The Group's operating income was EUR 239.8 million (-18.4), which included a gain of EUR 107.7 million on the sale of Assa Abloy shares. The Group's operational EBIT improved to EUR 132.0 million (100.0), giving an operating margin of 5.3%.

Net financial expenses amounted to EUR 3.3 million (15.9), or 0.1 % (0.7) of net sales. Financial items included dividends totalling EUR 8.8 million (6.8), the largest being the dividend paid by Sampo plc and Assa Abloy AB(publ.). Net interest payments decreased to EUR 9.0 million (18.8) due to the good liquidity. The Group recorded a pretax profit of EUR 236.5 million (-34.4).

Taxes totalled EUR -74.9 million (-4.0) including EUR -62.4 million (-35.3) in income taxes for the financial year.

Wärtsilä's net profit for the year was EUR 160.3 million (-39.3). The EUR 130 million restructuring provision and writedown entered in 2003 proved sufficient.

Earnings per share (EPS) improved to EUR 1.75 (-0.44). Excluding the capital gain on the sale of the Assa Abloy shares, EPS was EUR 0.92 (0,67). Return on investment (ROI) was 20.4% (0.1). Operational ROI was 11.2% (7.9). Return on shareholders' equity (ROE) was 19.7% (-4.5).

Financing and capital expenditure

Wärtsilä's cash flow from operating activities was a strong EUR 207.3 million (192.1) and the financial position was good. Cash reserves at the close of the period totalled EUR 168.5 million (150.0). Net interest-bearing loan capital was EUR 142.2 million (353.2). The solvency ratio was 40.3% (35.0) and gearing was 0.18 (0.48).

Capital expenditure in 2004 amounted to EUR 64.8 million (65.4), which comprised EUR 56.9 million (62.8) in production and information technology investments and EUR 7.9 million (2.6) in investments in shares. Depreciation totalled EUR 85.5 million (156.0). This included amortization of goodwill on consolidation, EUR 26.7 million, as well as EUR 14.5 million writedown related to restructuring measures and reversed in 2004.

Research and development in the Power Businesses totalled EUR 57.7 million (68.4), or 2.6% (3.2) of net sales. Imatra Steel's corresponding expenses amounted to EUR 1.6 million (1.7).

Changes in Group structure

A new Ciserv company, Ciserv Korea Ltd, was established in Korea in May. In June Wärtsilä acquired two Dutch marine electrotechnical repair and service companies, which were renamed Ciserv Europoort BV.

Wärtsilä-CME Zhenjiang Propeller Co Ltd, the joint venture propeller manufacturing company set up in China by Wärtsilä and China State Shipbuilding Corporation (CSSC), started operating at the beginning of June. The company is majority owned by Wärtsilä.

Wärtsilä increased its holding in Japan Marine Technologies Co Ltd from 93.9% to 99.6%, paying altogether EUR 4.2 million for the new shares.

Wärtsilä decided to outsource the global management and support for its information technology functions.

The Power Businesses: Ship Power, Service, Power Plants

The full-year net sales of the Power Businesses grew 3.2% to EUR 2,224.7 million (2,155.8). Growth in the final quarter was 10.2%.

The operating income of the Power businesses rose to EUR 111.6 million (-35.0). The previous year's figure included a EUR 130 million restructuring provision. The operating margin improved to 5.0% (-1.6). The previous year's operating margin excluding the restructuring provision was 4.4%.

The volume of new orders was considerably higher than in the previous year, up 29.9%. The volume of power plant orders rose 59.5% and of Ship Power orders 33.6%. The total order intake amounted to EUR 2,791.4 million (2,148.7). The order book at the end of 2004 stood at the record level of EUR 1,855.3 million (1,245.0), representing growth of 49.0%. In terms of power output, the volume of

marine engines and power plants delivered to customers totalled 2,958 MW (2,935).

Ship Power - Market activity lively

For the shipbuilding industry 2004 was another record year. The LNG market grew particularly strongly. Order activity in the tanker segment still remained lively and demand for bulk carriers continued to be strong due to exceptionally high freight prices. The increase in container freight prices was reflected in a record number of orders for containerships. Order activity was lively for passenger and RoPax vessels especially at the end of the year.

The strong pace of activity in the maritime and shipbuilding sector was clearly reflected in the number of orders gained by Wärtsilä; 33.6% more orders for new marine engines and propulsion systems in 2004 than one year earlier. The order book at the year end was at a record level, EUR 812.7 million (606.8).

Net sales of the Ship Power business for the full year decreased by 8.0% to EUR 631.2 million (686.1), which reflected the lower order intake in 2002–2003 than at present. However, in the final quarter of the year Ship Power's net sales rose 14.5% and its order intake doubled to EUR 276.5 million (138.7) compared to the same period in 2003.

Wärtsilä's success in the LNG carrier segment continued during the final quarter with the third engine order for an LNG vessel received from Alstom Chantiers de l'Atlantique in late autumn. In November Wärtsilä gained orders for dual-fuel engines for four LNG vessels under construction in Korea.

Wärtsilä has begun using a number of sources to establish its position in marine engines. According to this analysis, the total market for new orders for low-speed main engines's was 24,863 MW (28,727).Wärtsilä's share of this was 4,503 MW (5,868) i.e. 18% (25). In medium-speed main engines the total market rose to 3,990 MW (3,462) and the company's share was 1,360 MW (1,018), i.e. 34% (28). The total market for auxiliary engines amounted to 3,544 MW (4,325). Wärtsiläs' share was 319 MW (346) which is a slight increase to 9% (8).

Wärtsilä is no longer using the statistics compiled by Diesel & Gas Turbine Worldwide because it considers that these are not fully comparable. The last monitoring period was June 2003 to May 2004. During this period Wärtsilä's market share decreased in both medium-speed and low-speed main marine engines. In auxiliary engines, Wärtsilä's share grew slightly.

Wärtsilä strengthened its position in both controllable pitch propellers (CPPs) and reduction gears.

Service

The Service business's net sales increased by 5.8% on 2003 to EUR 936.8 million (885.5). Growth during the fourth quarter was 9.1% compared to the same period in the previous year.

Long-term operation and maintenance (O&M) contracts cover more than 12,000 MW, or over 9% of Wärtsilä's active engine base, which totals 130,000 MW.

More than 750 engines are now covered by Wärtsilä's CBM system and the popularity of online services continues to rise. Wärtsilä signed significant maritime training agreements. The Ciserv group was expanded further.

Power Plants

The volume of new orders gained by the Power Plants business grew strongly on the previous year and at an annual level was higher than at any time in the past. Especially the orders for gaspowerplant grew strongly. New orders placed during 2004 totalled EUR 1,019.5 million (639.3). The main factor behind the high figure was the order for two power plant for Iraq, the largest in Wärtsilä's history, with a total value of EUR 360 million. The order intake during the final quarter amounted to EUR 211.7 million (134.7), representing growth of 57.2% on the comparable period. The year-end order book, EUR 752.4 million (357.2), was more than twice as high as the figure one year earlier.

Net sales of the Power Plants business increased 12.9% to EUR 651.9 million (577.5). Net sales between October and December were 8.3% higher than in the previous year.

The volume of orders compared to 2003 rose clearly in oil-fired and especially in gas power plants; the intake of new orders for gas power plants was more than three times higher than in the previous year. The most important gas power plant order in the final quarter was placed in the USA. It will be the largest biofuelled power plant ever supplied by Wärtsilä for decentralized power generation. The order intake for gas power plants rose during the final quarter compared to the same period in 2003.

The total market for small (1–60 MW output) power plants driven by small reciprocating engine and gas turbines grew by approximately 14% between June 2003 and May 2004, according to Diesel & Gas Turbine Worldwide. Growth was especially strong in heavy fuel oil power plants, the market for which increased by 81%. In this market segment Wärtsilä reached the highest market share in its history, 70.8% (39.4). The total market for gas power plants (engine-driven and gas turbine) grew by 21.6%. Wärtsilä's market share in this segment increased from 3.5% to 4.8%.

Engine manufacture, R&D

Wärtsilä completed most of its programme of major restructuring measures last year. The flexibility this has created, along with new operating principles, provide a good framework for meeting changing market needs and responding to possible growth in the future. Today's order book is high enough to ensure complete capacity utilization.

Product development was once again focused on the development of new engines and on applying common-rail technology to the existing engines. The largest common-rail engine, the Sulzer RT-flex96C, was successfully started up in May and is now in operation. Development of the Sulzer RT-flex50 continues and the first engine of this type will be started up in May 2005.

The Wärtsilä 46F, a new engine type, was launched in September. The prototype has been test-run since April. The purpose of this engine is to strengthen Wärtsilä's leading position in this output range. Development of gas engines continued and these were positively received by the market.

At the end of the year it was decided to convert the test power plant in Vaasa (WPPP) into the Wärtsilä Validation Centre, WVC.

Imatra Steel

Demand for both forgings and steels grew strongly in the special engineering steels market in Europe during 2004. Steel production worldwide rose to new records. Growth in demand and production, especially outside Europe, raised raw material prices heavily and at times caused temporary shortages.

Imatra Steel's net sales totalled EUR 254.4 million (202.7), which was 25.5 % more than in the previous year when the Billnäs Spring Works was still part of Imatra Steel Oy Ab. The growth in comparable net sales during the year was 29.5%.

The operating profit improved to EUR 20.4 million (0.7), giving an operating margin of 8.0% (0.3). The previous year's operating profit was depressed by a one-time writedown of fixed assets totalling EUR 4.4 million. The improvement in operating profit was attributable to the effect of streamlining measures along with increased delivery volumes and price increases.

Investments during the year were mainly targeted at enhancing Imatra Steel's delivery reliability and service capabilities. Imatra's R&D activities focused on the development of more environmentally progressive products.

Carbon dioxide emission allowances affects only Imatra steel works. Any purchases of emission allowances are not expected to form a major cost for business operations.

Holdings

During the first quarter Wärtsilä sold its entire holding of Assa Abloy AB (publ.) Series A shares, i.e. 10,546,425 shares. The price was SEK 116.50 per share making a total of SEK 1,228.7 million (EUR 133.3). Wärtsilä recorded a capital gain of EUR 107.7 million on this sale.

Wärtsilä continues to own 17,270,350 Assa Abloy Series B shares, i.e. 4.7% of all the Assa Abloy shares. The value of the Assa Abloy B-share at the end of 2004 was 113,50 SEK. The market value of Wärtsiläs' holding at the close of the reporting period was EUR 217.3 million and the book value in the consolidated balance sheet was EUR 41.8 million .

Wärtsilä sold properties and shares in property companies totalling EUR 14.7 million (6.5) during 2004, generating a profit of EUR 9.8 million (4.4). At the end of the year the properties managed by Wärtsilä Real Estate, excluding the properties used by Wärtsilä itself, had a total book value of EUR 14.2 million (20.7).

Personnel

The Group had 12,361 (12,293) employees on average during the year and 12,475 (12,110) at the year end. The Power Businesses had 11,216 (10,897) employees at the year end. The number of employees in the Service business rose due to an increase in operations and maintenance and through acquisitions. The largest single increase, 260 employees, was in China where Wärtsilä started propeller manufacturing. Personnel reductions took place in Finland, France, Norway and Switzerland. The largest reductions, the result of terminating production operations, will take place in Turku, Finland and in Mulhouse, France, during 2005.

Changes in ownership structure

Varma Mutual Pension Insurance Company's holding of Wärtsilä votes decreased below 5%. The change was the result of the conversion of the subordinated debentures and aforementioned share capital increase recorded in the Trade Register on 24 May 2004.

In April Fiskars Corporation increased its holding in Wärtsilä Corporation to 20.5% of the shares and 28.1% of the votes.

General meetings

The Annual General Meeting held on 15 March 2004 voted to pay a dividend of EUR 0.75 per share.

The meeting decided that the Board of Directors would have seven members. Heikki Allonen, Göran J. Ehrnrooth, Risto Hautamäki, Jaakko Iloniemi, Antti Lagerroos, Bertel Langenskiöld and Paavo Pitkänen were elected to the Board.

The Board elected Antti Lagerroos as its chairman and Göran J. Ehrnrooth as the deputy chairman. The Board decided to establish two committees: an Audit Committee and a Nomination and Compensation Committee. The Board appointed Antti Lagerroos chairman of the Audit Committee and its other members Heikki Allonen, Risto Hautamäki and Paavo Pitkänen. The Board appointed Antti Lagerroos chairman of the Nomination and Compensation Committee and its other members Göran J. Ehrnrooth and Jaakko Iloniemi.

The firm of authorized public accountants KPMG Oy Ab were appointed to be the company’s auditors.

The extraordinary general meeting on 1 December 2004 decided to pay an extra dividend of EUR 1.00 per share. The meeting also decided to raise the share capital from EUR 215,951,442 to EUR 323,927,159.50 through a bonus issue in which one new A share was given for two existing A shares and one new B share for two existing B shares. This made a total of 7,859,862 new A shares of nominal value EUR 3.50 per share and 22,990,343 new B shares of nominal value EUR 3.50 per share. Following this increase the total number of shares now stands at 92,550,617 shares, consisting of 23,579,587 Series A shares and 68,971,030 Series B shares.

The articles of association were amended making the minimum share capital EUR 200,000,000 and maximum share capital EUR 800,000,000. Within these limits the share capital can be raised or lowered without amending the articles. The company’s shares belong to two series, A and B. There are at most 100,000,000 A shares and at most 200,000,000 B shares.

Management

Lars Hellberg, (45), BSc (Eng.) was appointed Group Vice President, Engine Division, and a member of the Board of Management on 1 June 2004.

Raimo Lind, MSc (Econ.), Group Vice President, CFO, and Mikael Mäkinen, MSc (Eng.), Naval Architect, Group Vice President, Ship Power, were appointed Executive Vice Presidents of Wärtsilä Corporation with effect from 1 January 2005. Mr Lind also acts as deputy to President and CEO Ole Johansson. The previous Executive Vice President, Sven Bertlin, who was also responsible for Wärtsilä’s technology and engine division, retired on 31 December 2004.

Events after the period

At the beginning of 2005 Wärtsilä signed an agreement under which it will acquire the medium and large marine engine service business of Deutz AG. The acquisition price is EUR 115 million. The parties aim to close the transaction in the first four months of 2005. The deal is subject to regulatory authority approvals.

Wärtsilä decided to start production of transverse thrusters in China at a new factory to be built in Wuxi, PR China. The value of the factory investment is EUR 6.6 million.

Market outlook in 2005

Demand for new ships will remain high due to the sharp rise in freight prices. Shipyards continue to operate at full capacity and have started selling deliveries scheduled for 2008. In Japan, domestic demand for ships is strong, according to Clarkson Research Studies, and shipbuilding capacity has been reserved right up to 2008 and also part of 2009. Driving the need for transport capacity are the continuous shift of the consumergoods industry to Asia, and increasing worldwide demand for metals, food and beverages, fuels and natural gas.

There are no signs at present of a decline in ship orders. Estimates by customers suggest that orders for new ships will remain at last year’s level during the first half of 2005. A slight decrease in orders for new vessels can be expected during 2005–2006 because the capacity utilization at shipyards is high.

The high price of steel and the weak dollar are encouraging shipyards to pass on their costs to both the ship operators and to their subcontractors.

Wärtsilä’s Service business continues to grow through new product launches and acquisitions. Wärtsilä provides a broad range of services, tailored solutions and comprehensive training through its global service network. The underlying aim is to ensure the longest possible service life of the customer’s equipment, its high productivity and minimum lifecycle costs. The level of O&M agreements demonstrates the confidence placed by customers in Wärtsilä’s ability to optimize the performance of the equipment it supplies.

The market for power plants, both HFO and gas, is expected to remain at a good level in the short term. Demand is becoming more balanced among the different segments of this HFO power plant sector, which will reduce Wärtsilä’s dependency on individual markets. Over a certain time span the power plant sector could be affected by the impact of the rather high oil prices on the global economy and exchange rate fluctuations.

Wärtsilä’s traditional power plant markets have been islands, remote areas and countries with a weak power grid. Wärtsilä will continue to maintain its leadership in this HFO power plant sector with its current competitive product range and global sales network. The share of gas-fired power plants will grow further partly because new orders can be expected in Europe and especially in North America. A further factor in this respect is the increasingly strong foothold that gas is assuming all over the world.

Demand for Imatra Steel’s products is expected to remain good in the special engineering steels and automotive markets throughout 2005.

Wärtsilä’s prospects in 2005

Net sales of Wärtsilä’s Power Businesses will rise 10–15% during 2005 based on the Group’s strong order book. Profitability will vary sharply from quarter to quarter, the first quarter being the weakest in the year. The profitability target set for the Power Businesses will be reached by the end of the year. Wärtsilä adopted the new international reporting standards (IFRS) at the beginning of the current year. Under IFRS, the comparable profitablity target (EBITA) is above 8%.

Imatra Steel’s net sales are expected to continue growing and its profitability to improve compared to last year.

The figures in this financial statements bulletin are not audited.

ENCLOSURES:
Highlights of 2004
Income statement
Balance sheet
Financial analysis
Key indicators
Board's proposal to the AGM

Wärtsilä Corporation
ATTACHMENT 1 TO FINANCIAL STATEMENTS BULLETIN 4 Feb. 2005

HIGHLIGHTS OF 2004

WÄRTSILÄ CORPORATION

MEUR	2004	2003	Change
Net sales	2,478.2	2,357.5	5.1%
Operational EBIT	132.0	100.0	32.0%
Operating result	239.8	-18.4	
Result before taxes	236.5	-34.4	
Result for the financial year	160.3	-39.3	
Earnings per share, EUR	1.75	-0.44	

POWER DIVISIONS

MEUR	Q4/2004	Q4/2003	Change
Net sales	739.4	671.0	10.2%
Operational EBIT	68.4	45.8	49.3%
Operating result	68.4	-84.2 1)	
% of net sales	9.2%	-12.6%	
Order intake	716.0	490.6	45,9%

	2004	2003	Change
Net sales	2,224.7	2,155.8	3.2%
Operational EBIT	111.6	95.0	17.6%
% of net sales	5.0%	4.4%	
Operating result	111.6	-35,0 1)	
% of net sales	5.0%	-1.6%	
Order intake	2,791.4	2,148.7	29.9%
Order book	1,855.3	1,245.0	49.0%

1) Year 2003 incl. restructuring provisions EUR 130 million.

IMATRA STEEL

MEUR	Q4/2004	Q4/2003	Change
Net sales	77.1	51.6	49.4%
Operating result	9.4	2.6	257.9%
% of net sales	12.1%	5.1%	

	2004	2003	Change
Net sales	254.4	202.7	25,5%
Operating result	20.4	0.7	
% of net sales	8.0%	0.3%	

NET SALES BY BUSINESS

MEUR	2004	2003	Change
Ship Power	631.2	686.1	-8.0%
Service	936.8	885.5	5.8%
Power Plants	651.9	577.5	12.9%
Imatra Steel	254.4	202.7	25.5%
Other operations and internal sales	3.9	5.8	-31.9%
Group	2,478.2	2,357.5	5.1%

OPERATING RESULT

MEUR	2004	2003	Change
Power Businesses	111.6	95.0	17.6%
Imatra Steel	20.4	5.1	301.2%
Operational EBIT	132.0	100.0	32.0%
Non-recurring items,			
Power Divisions		-130,0	
Imatra Steel		-4.4	
Capital gains 1)	107.7	15.9	
Group	239.8	-18.4	

1) Year 2003 Polar, Year 2004 Assa Abloy.

HIGHLIGHTS OF 2004

POWER BUSINESSES

Ship Power

MEUR	Q4/2004	Q4/2003	Change
Net sales	202,1	176,5	14,5%
Order intake	276,5	138,7	99,3%

	2004	2003	Change
Net sales	631,2	686,1	-8,0%
Order intake	836,7	626,4	33,6%
Order book, end of period	812,7	606,8	33,9%

Service

	Q4/2004	Q4/2003	Change
Net sales, MEUR	253.3	232.2	9.1%

	2004	2003	Change
Net sales, MEUR	936.8	885.5	5.8%
Personnel, end of period	6,378	5,993	6.4%
O&M agreements, MW	2,569	2,289	12.2%
Service agreements, MW	9,609	9,629	-0.2%

Power plants

MEUR	Q4/2004	Q4/2003	Change
Net sales	283.0	261.2	8.3%
Orderintake	211.7	134.7	57.2%
Orderintake, MW			
HFO, MW	252	232	8.9%
gas plants, MW	207	61	239.9%
Bio power, MWth	36	5	612.0%

	2004	2003	Change
Net sales	651.9	577.5	12.9%
Order intake	1,019.5	639.3	59.5%
Order intake, MW			
HFO, MW	1,664	1,249	33.2%
gas plants, MW	649	219	196.6%
Bio power, MWth	110	133	-17.7%
Orderbook, end of period	752.4	357.2	110.6%

Wärtsilä Corporation

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THE GROUP INCOME STATEMENT

MEUR	2004	%	2003	%

Net sales	2,478.2	100.0	2,357.5	100.0
Change in inventories of finished goods & work in progress	-21.5	-24.0		
Production for own use	0.8		1.6	
Other operating income	135.2		37.9	
Materials and services				
Materials and consumables				
Purchases during the financial year	-958.5		-809.4	
Change in inventories	29.2		-25.0	
External services	-511.5		-532.5	
	-1,440.8		-1,367.0	
Personnel expenses	-573.3		-554.4	
Depreciation and writedowns	-85.5		-156.0	
Other operating expenses	-254.7		-314.0	
Share of profits/losses in associated companies	1.4		0.0	
Operating result	239.8	9.7	-18.4	-0.8
Financial income and expenses				
Income from financial assets	8.8		6.8	
Interest income and other financial income	5.2		12.6	
Exchange gains and losses	-0.3		-0.5	
Interest expenses and other financial expenses	-16.9		-34.8	
	-3.3		-15.9	
Result before taxes	236.5		-34.4	
Income taxes	-74.9		-4.0	
Minority interests	-1.3		-0.9	
Result for the financial period	160.3	6.5	-39.3	-1.7

Wärtsilä Corporation
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THE GROUP BALANCE SHEET
MEUR

Assets	31 Dec.2004	%	31 Dec.2003	%
Fixed assets				
Intangible assets				
Intangible rights	11.6		14.6	
Goodwill on consolidation	328.3		354.0	
Other long-term expenditure	45.2		22.7	
	385.1	16.5	391.3	16.4
Tangible assets				
Land and water	34.4		37.5	
Buildings and structures	113.1		116.7	
Machinery and equipment	175.3		177.5	
Other tangible assets	22.1		24.8	
Advance payments and construction in progress	10.9		32.8	
	355.7	15.3	389.3	16.3
Financial assets				
Shares in associated companies	2.8		2.7	
Receivables from associated companies	2.2		2.3	
Other shares and securities	68.7		96.8	
Other receivables	1.9		4.8	

	75.5	3.2	106.7	4.5
Total fixed assets	816.3	35.1	887.3	37.2
Current assets				
Inventories				
Materials and consumables	279.4		250.6	
Work in progress	230.9		261.2	
Finished products/goods	43.5		36.3	
Advance payments	10.7		7.4	
	564.5	24.3	555.5	23.3
Long-term receivables				
Trade receivables	5.2			
Loan receivables	7.2		7.2	
Deferred tax assets	47.9		66.6	
Other receivables	0.6		0.5	
Prepaid expenses and accrued income	1.0		0.3	
	61.9	2.7	74.6	3.1
Short-term receivables				
Trade receivables	574.3		547.1	
Receivables from associated companies	2.6		4.6	
Loan receivables	2.0		10.6	
Deferred tax assets	10.5		10.1	
Other receivables	50.1		63.2	
Prepaid expenses and accrued income	76.0		79.7	
	715.4	30.7	715.4	30.0
Financial assets				
Shares and securities	15.0		11.1	
Other securities	3.7		4.0	
	18.6	0.8	15.0	0.6
Cash and bank balances	149.8	6.4	134.9	5.7
Total current assets	1,510.3	64.9	1,495.6	62.8
Assets	2,326.7	100.0	2,382.9	100.0

Shareholders’ equity and liabilities

MEUR	31 Dec.2004	%	31 Dec.2003	%
Shareholders' equity				
Share capital	323.9		208.8	
Share premium reserve	27.3		117.9	
Other reserves	60.0		62.4	
Retained earnings	281.4		427.5	
Result for the financial year	160.3		-39.3	
	853.0	36.7	777.1	32.6
Convertible subordinated debentures			27.5	1.2
Total shareholders' equity	853.0	36.7	804.6	33.8
Minority interests	7.8	0.3	6.1	0.3
Provisions				
Provisions for pensions	41.9		39.7	
Other provisions	148.4		195.5	
	190.3	8.2	235.1	9.9
Liabilities				

Long-term				
Loans from credit institutions	194.9		204.6	
Pension loans	70.9		77.7	
Deferred tax liability	31.5		38.1	
Other long-term liabilities	5.9		6.8	
	303.2	13.0	327.2	13.7
Current				
Loans from credit institutions	12.3		179.3	
Pension loans	31.8		25.7	
Advances received	191.8		142.8	
Trade payables	243.2		241.6	
Liabilities to associated companies	0.7		0.4	
Other current liabilities	36.8		33.8	
Accrued expenses and deferred income	455.8		386.4	
	972.4	41.8	1,009.9	42.4
Total liabilities	1,275.6	54.8	1,337.1	56.1
Shareholders' equity and liabilities	2,326.7	100.0	2,382.9	100.0

Wärtsilä Corporation
ATTACHMENT 4 TO FINANCIAL STATEMENTS BULLETIN 4 Feb. 2005

FINANCIAL ANALYSIS

MEUR	2004	2003
Cash flow from operating activities		
Operating result	239.8	-18.4
Adjustments for:		
Share of profits/losses in associated companies	-1.4	0.0
Depreciation and write-downs	85.5	156.0
Selling profit and loss of fixed assets	-118.3	-24.2
Other adjustments		1,5
Cash flow before changes in working capital	205.5	114.9
Changes in working capital		
Current assets, non-interest bearing, increase(-)/decrease(+)	-20.1	22.4
Inventories, increase (-)/decrease(+)	-11.8	59.3
Current liabilities, non-interest bearing, increase(+)/decrease(-)	54.3	14.4
	22.5	96.2
Cash flow from operating activities before financial items and taxes	228.0	211.1
Interest and other financial expenses	-29.1	-41.5
Dividend income from operating activities	0.4	0,7
Interest and other financial income from operating activities	31.5	38.7
Income taxes	-23.5	-16.9
	-20.6	-19.0
Cash flow from operating activities (A)	207.3	192.1
Cash flow from investing activities:		
Investments in subsidiary shares	-7.5	-1.3
Investments in other shares	-0.5	-1.3
Investments in other tangible and intangible assets	-56.9	-62.8
Proceeds from sale of shares	137.5	10.8
Proceeds from sale of tangible and intangible assets	12.4	28.2

Loan receivables, increase(-), decrease(+)	3.1	0.9
Dividends received from investments	8.8	6.6
Taxes on sales of shares	-7.8	-3.3
Cash flow from investing activities (B)	89.1	-22.2
Cash flow after investing activities	296.4	169.9
Cash flow from financing activities:		
Issuance of share capital	24.6 1)	1.4
Loans receivable, increase (-)/decrease(+)	5.1	7.1
Current loans, increase (+)/decrease(-)	-157.8	-62.5
New long-term loans	30.0	303.0
Amortization and other changes to long-term loans	-36.7	-337.0
Paid dividends	-106.7	-104.6
Changes in subordinated debentures	-27.5	-0.4
Other changes	-9.0	-12.7
Cash flow from financing activities (C)	-277.9	-205.8
Change in liquid funds (A)+(B)+(C), increase (+)/decrease(-)	18.5	-35.9
Liquid funds at beginning of period	150.0	185.8
Liquid funds at end of period	168.5	150.0

The impact of changes in exchange rates on consolidation has been eliminated.

1)Conversion of subordinated debentures

Wärtsilä Corporation
ATTACHMENT 5 TO FINANCIAL STATEMENTS BULLETIN 4 Feb. 2005

FINANCIAL RATIOS

	31 Dec. 2004	31 Dec. 2003
Earnings per share, EUR	1.75	-0.44
Book value of equity /share EUR	9.22	8.69
Solvency ratio 1, %	40.3	35.0 1)
Solvency ratio 2, %	40.3	36.2 2)
Gearing 1	0.18	0.48 1)
Gearing 2	0.18	0.43 2)
Return on investment (ROI), %	20.4	0.1
Return on equity (ROE), %	19.7	-4.5

1) EUR 27.5 million convertible debentures included as interest-bearing debt.
2) EUR 27.5 million convertible debentures incl. in equity.

PERSONNEL ON AVERAGE	2004	2003
Power Businesses	11 133	10 976
Imatra Steel	1 228	1 317
Group	12 361	12 293
Personnel, end of period	12 475	12 110

GROSS CAPITAL EXPENDITURE

MEUR	2004	2003
Investments in securities and acquisitions		
Power Businesses	7.9	2.6
Total	7.9	2.6
Other investments		
Power Businesses	51.1	51.2
Imatra Steel	5.8	11.6
Total	56.9	62.8
Group	64.8	65.4

INTEREST BEARING LOAN

MEUR	2004	2003
Long-term liabilities	271.0	288.2
Short-term liabilities	48.5	208.6
Subordinated debentures		27.5
Loan receivables	-8.9	-21.2
Cash and bank balances	-168.5	-150.0
Net	142.2	353.2

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS 31.12.2004

MEUR	Total Amount	Of which closed contracts
Interest rate swaps	260.0	160.0
Forward foreign exchange contracts	950.0	40.4
Currency options, purchased	37.8	
Total	1,247.8	200.4

If all above instruments had been sold at market prices at the end of the year, the net effect would have been EUR 29.7 million.

SHARES 31 December 2004

	Series A	Series B	Total
Shares	23,579,587	68,971,030	92,550,617
Votes	235,795,870	68,971,030	304,766,900

Wärtsilä Corporation
ATTACHMENT 6 TO FINANCIAL STATEMENTS BULLETIN 4 Feb. 2005

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON 21 MARCH 2005 REQUESTING AUTHORIZATION TO RESOLVE ON THE REPURCHASE AND DISPOSAL OF THE COMPANY’S OWN SHARES

The Board of Directors proposes to the Annual General Meeting:
a) that the AGM authorize the Board to repurchase, using distributable funds, the company’s own Series A and Series B shares in proportion to the total number of shares in each series provided that the total nominal value of the shares so purchased, and the votes carried by these shares, shall not exceed five per cent (5%) of the company’s total share capital and voting rights.
The shares may be purchased only in public trading at the prevailing price and otherwise than in proportion to the shareholders’ holdings.
The purchased shares may be used as consideration in future mergers and acquisitions or industrial reorganizations or for the development of the capital structure of the company or as part of its management incentive system. The shares may be purchased or disposed of for other consideration than cash.
This authorization shall remain in force for one year from the resolution of the Annual General Meeting. Should it grant this authorization, the AGM at the same time revokes the Board’s previous corresponding authorization.

b) that the AGM authorizes the Board to dispose of the shares purchased in the manner described above provided that the total nominal value of the shares so disposed of, and the votes carried by these shares, shall not exceed five per cent (5%) of the company’s total share capital and voting rights.
The Board shall be authorized to determine to whom and in what order the company’s own shares shall be disposed of. The Board may decide on the disposal of the shares otherwise than in proportion to shareholders’ pre-emptive subscription rights. The Board shall decide on the disposal price of the shares and on the other terms related to their disposal, and the shares may be disposed of for other consideration than cash. The authorization includes the right to set the principles used to determine the disposal price. The shares may be disposed of as consideration in future mergers and acquisitions or industrial reorganizations or for the development of the capital structure of the company or as part of its management incentive system.
This authorization shall remain in force for one year from the resolution of the Annual General Meeting. Should it grant this authorization, the AGM at the same time revokes the Board’s previous corresponding authorization.

Helsinki, 4 February 2004

BOARD OF DIRECTORS

A teleconference on annual results 2004 will be held today Friday 4 February starting at 10.45 am Finnish time (8.45 am UK time) when the opportunity will be given to put questions to President and CEO Ole Johansson and to CFO Raimo Lind. To participate in the teleconference, please call +44 87000 13144, "Wärtsilä Annual Results" slightly before the starting time.

The conference can also be viewed on the Internet at http://www.kauppalehti.fi/4/i/yritykset/live/?presid=67150