Interim Report

January - March 2002

WÄRTSILÄ'S FIRST-QUARTER NET SALES UP 17%

- Wärtsilä Group's net sales EUR 580.9 (497.4) million
- Profit before extraordinary items EUR 3.6 (-4.4) million
- Earnings per share EUR -0.02 (-0.24)
- Power Divisions operating profit EUR 1.4 (-7.3) million
- John Crane-Lips acquisition completed

NET SALES BY DIVISION

MEUR	1-3/2002	1-3/2001	Change	2001
Power Divisions	527.0	442.8	19.0%	2,174.3
Imatra Steel	54.1	55.7	-2.8%	186.4
Intragroup sales	-0.1	-1.1		-2.0
Total	580.9	497.4	16.8%	2,358.7

OPERATING PROFIT BY DIVISION

MEUR	1-3/2002	1-3/2001	Change	2001
Power Divisions	1.4	22.7	-93.7%	89.4
Imatra Steel	2.7	3.3	-17.8%	6.4
Operational EBIT	4.2	26.0	-83.8%	95.8
Non-recurring items:				
Power Divisions, cost provision		-30.0		-122.4
Capital gains Sanitec, Assa Abloy				550.4
Total	4.2	-4.0		523.9

Wärtsilä's net sales increased 17% to EUR 580.9 (497.4) million. The operating profit was EUR 4.2 (-4.0) million. Last year's operating profit included a EUR 30 million non-recurring restructuring provision. Net financial items amounted to EUR -0.6 (-0.4) million. Net financial items last year included a dividend of EUR 8.6 million paid by Sanitec. The profit before extraordinary items increased to EUR 3.6 (-4.4) million. Earnings per share were EUR -0.02 (-0.24).

Capital expenditure in the first quarter totalled EUR 12.3 (12.5) million. Cash reserves amounted to EUR 197.3 (85.5) million at the end of the period. Interest-bearing loan capital was EUR 198.8 (579.5) million. The solvency ratio rose to 36.3% (28.5) and gearing was 0.33 (1.02).

After the close of the period Wärtsilä paid GBP 215 million (approx. EUR 350 million) for the acquisition of John Crane-Lips.

POWER DIVISIONS

MEUR	1-3/2002	1-3/2001	Change	2001
Net sales	527.0	442.8	19.0%	2,174.3
Operational EBIT	1.4	22.7	-93.7%	89.4
Operating profit/loss	1.4	-7.3		-33.0
% of net sales	0.3%	-1.6%		-1.5%
Order intake	512.7	552.6	-7.2%	2,040.4
Order book, end of period	1,508.8	1,782.0	-15.3%	1,516.5

Net sales of the Power Divisions rose in all divisions, increasing altogether by 19%. The operational EBIT was EUR 1.4 (22.7) million and the corresponding margin was 0.3% (5.1). The operating profit of the period was depressed by a provision of approximately EUR 13 million related to the project activities.

Wärtsilä reached agreement in March on the termination of engine manufacturing, engineering and related activities in Zwolle. These activities will be transferred to Trieste, Italy, and key employees will be relocated from the Netherlands to Italy to ensure that the transfer proceeds smoothly. A service and sales organization will stay in Zwolle. Manufacture of engine components will be handed over to an outside supplier, who will continue this operation in the existing premises. Approximately 320 employees will be made redundant as a result of the reorganization. The cost provision of EUR 90 million entered in the four-quarter accounts last year is expected to be sufficient to cover the costs.

Marine

MEUR	1-3/2002	1-3/2001	Change	2001
Net sales	144.6	112.4	28.7%	595.1
Order intake	82.1	165.8	-50.5%	476.8
Order book, end of period	706.6	965.7	-26.8%	769.6

The weak global economic conditions affected Wärtsilä's order intake during the first months of the year. However, project activity in all important vessel segments was lively compared to the quiet final quarter in 2001. Demand was most active for tankers and bulk carriers. The containership market has all but halted.

John Crane-Lips, the world's leading supplier of marine propulsion systems, became part of Wärtsilä on 15 April 2002. The acquisition marked an important milestone for Wärtsilä's strategy to be the leading global ship power supplier. John Crane-Lips, now renamed Wärtsilä Propulsion, will be consolidated within Wärtsilä Marine from 1 April.

Wärtsilä gained a significant order for dual-fuel engines in April. Wärtsilä 50DF engines will be supplied to an LNG carrier ordered by Gaz de France. The vessel is the first in the world to deploy a propulsion system based on diesel technology.

Power Plants

MEUR	1-3/2002	1-3/2001	Change	2001
Net sales	172.6	136.2	26.7%	760.6
Order intake	168.1	186.2	-9.8%	658.6
Order intake MW	366	446	-17.8%	1,431
incl. gas power plants	63	127	-50.5%	422
Order book, end of period	468.4	568.5	-17.6%	467.7

Wärtsilä received orders related to an energy programme in Brazil during the first quarter and further orders are expected during the second quarter. The market situation in Latin America remains good and offers new opportunities. Demand is high for biofuel power plants in the Nordic countries. The bankruptcy of a large American energy company has generated uncertainty in the marketplace and hampered the deregulation of the electricity markets in several countries.

Though slower than one year ago, the order intake was still satisfactory. The intake of gas power plant orders slowed down, mainly due to the market situation in the USA. The most significant gas power plant orders came from Russia, Hungary and Bangladesh. Orders for heavy fuel oil power plants were booked in Brazil, Senegal, India and Russia, among others.

WÄRTSILÄ GROUP UNAUDITED

INCOME STATEMENT

MEUR	1-3/2002	1-3/2001	2001
Net sales	580.9	497.4	2,358.7
Other operating income	4.8	5.3	571.9
Expenses	-559.5	-484.1	-2,280.9
Depreciations and writedowns	-22.5	-22.7	-126.0
Share of profits in associated companies	0.5	0.1	0.1
Operating profit	4.2	-4.0	523.9
Fin. income and expenses	-0.6	-0.4	-15.2
Profit before extr´y items	3.6	-4.4	508.7
Extraordinary items			-6.0
Profit before taxes	3.6	-4.4	502.7
Income taxes[1]	-4.5	-8.0	-194.7
Minority interests	-0.2	-0.6	-2.2
Result for the financial period	-1.1	-13.0	305.7

[1]Taxes calculated on the profit for the period.

BALANCE SHEET

MEUR	31.3.2002	31.3.2001	31.12.2001
Fixed assets	712.0	976.8	721.4
Current assets			
Inventories	667.4	650.8	668.3
Receivables	861.8	778.4	830.7
Cash and bank balances	197.3	85.5	184.6
Total	2,438.5	2,491.5	2,405.0
Share capital	208.1	189.7	208.1
Other shareholder´s equity	624.9	564.3	863.5
Minority interest	6.1	14.4	6.4
Provisions	166.6	141.7	183.0
Long-term liabilities	310.4	455.8	183.6
Current liabilities	1,122.4	1,125.6	960.4
Total	2,438.5	2,491.5	2,405

GROSS CAPITAL EXPENDITURE

MEUR	1-3/2002	1-3/2001	2001
Investments in securities			
Power Divisions	0.4	2.7	21.7
Imatra Steel			7.8
	0.4	2.7	29.6
Other investments			
Power Divisions	9.4	9.0	56.8
Imatra Steel	2.6	0.8	10.7
	12.0	9.8	67.5
Group	12.3	12.5	97.1

INTEREST BEARING LOAN CAPITAL

MEUR	31.3.2002	31.3.2001	31.12.2001
Long-term liabilities	272.3	409.3	148.9
Short-term liabilities	162.3	225.3	19.3
Preferred capital notes	28.1	117.2	28.1
Loan receivables	-66.5	-86.8	-68.3
Cash and bank balances	-197.3	-85.5	-184.6
Net	198.8	579.5	-56.5

FINANCIAL ANALYSIS

MEUR	1-3/2002	1-3/2001	2001
Net cash from operating activities	-5.5	3.2	27.6
Net cash used in investing activities	-7.9	-8.7	504.8[1]
Net cash used in financing activities	26.3	-27.9	-466.8
Change in liquid funds	12.8	-33.4	65.7

[1]Includes taxes for Assa Abloy and Sanitec capital gains.

FINANCIAL RATIOS

	1-3/2002	1-3/2001	2001
Earnings per share, EUR	-0.02	-0.24	5.53
Equity per share, EUR	13.54	11.75	18.60
Solvency ratio 1, %	36.3	28.5	47.3
Solvency ratio 2[1] %	37.6	33.6	48.6
Gearing 1	0.33	1.02	0.01
Gearing 2[1]	0.28	0.71	-0.02

[1]In solvency ratio 2 and gearing 2 shareholders´ equity includes the convertible subordinated debentures (EUR 28.1 million).

PERSONNEL

On average	1-3/2002	1-3/2001	2001
Power Divisions	9,651	9,261	9,562
Imatra Steel	1,386	1,269	1,284
Group	11,037	10,530	10,846
Personnel at the end of period	11,115	10,572	11,122

CONTINGENT LIABILITIES

MEUR	31.3.2002	31.3.2001	31.12.2001
Mortgages	64.7	83.1	69.9
Chattel mortgages	39.6	30.6	41.2
Total	104.3	113.7	111.1
Guarantees and contingent liabilities			
on behalf of the company	420.8	446.0	403.8
on behalf of assoc. companies	1.1	0.8	1.1
on behalf of others	2.1	2.1	2.1
Leasing obligations	40.0	41.7	41.9
Total	464.0	490.6	448.9

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total	of which closed
Interest rate swaps	160.0	160.0
Foreign exchange forward contracts	1,437.2	211.8

If all above instruments had been sold at market prices at the end of the period, the effect would have been EUR -6.1 million.

Service	1-3/2002	1-3/2001	Change	2001
Net sales, MEUR	199.2	181.9	9.5%	790.4
Personnel at end of period	5,255	4,641	13.2%	5,026
Long-term service agreements, MW	8,821	7,799	13.1%	8,262
O&M agreements, MW (operations & maintenance)	1,741	1,378	26.3%	1,698

Net sales of the Service division grew 9.5% to EUR 199.2 million. The volume of service and operations agreements now covers more than 10,500 MW of Wärtsilä's active engine base (9,177 MW). The volume of O&M agreements continues to increase rapidly. Major markets in this respect were India, Saudi-Arabia and the USA.

Wärtsilä will acquire the engine repair and reconditioning business from Metalock Singapore Ltd. The operation to be acquired, with annual net sales of approx. EUR 9 million, further strengthens Wärtsilä's position as the total service provider. The transaction is subject to regulatory approvals, which are expected in May 2002.

Manufacturing and technology

Product development has concentrated on continuous improvements to existing products. Product concepts based on new technologies are being evaluated as well. Engine delivery volumes by the product factories remained at a good level.

The Group's internal divisions Technology and Manufacturing were merged into Engine Division at the beginning of April. The main reason was to concentrate engineering and manufacturing planning and control responsibilities within the same organization.

IMATRA STEEL MEUR	1-3/2002	1-3/2001	Change	2001
Net sales	54.1	55.7	-2.8%	186.4
Operating profit	2.7	3.3	-17.8%	6.4
% of net sales	5.0%	5.9%		3.4%

Imatra Steel's net sales decreased 2.8% compared to the first quarter last year. The market for special engineering steels continued to weaken and truck production declined further during the reporting period. Imatra Steel's operating profit was 5.0% (5.9) of net sales.

ASSA ABLOY

Wärtsilä's holding in Assa Abloy is 10.7%. The market capitalization of this holding at the close of the period was EUR 574 million and its book value in Wärtsilä's consolidated balance sheet was EUR 92 million.

ANNUAL GENERAL MEETING

The Annual General Meeting on 12 March 2002 approved the distribution of a normal dividend of EUR 0.50 per share and an extra dividend of EUR 3.50 per share. The terms of the convertible subordinated debentures and the bond with warrants were changed corresponding to the amount of extra dividend. The number of members of the Board of Directors was reduced by one when Mr Christoffer Taxell announced that he would not stand for re-election. In other respects the composition of the Board remained unchanged. The meeting also approved a new share option scheme for key employees in the Group. Implementation of the scheme is conditional upon the company's achieving the minimum profitability targets set by the Board of Directors for 2003. The Board's authorizations to repurchase and dispose of the company's own shares were renewed.

SHARES AND SHAREHOLDERS

Based on agreements between If Skadeförsäkring Holding AB and Sampo Oyj, If Skadeförsäkring Holding group's holding of the Wärtsilä voting rights rose above 5% of the total votes and Sampo Oyj's holding decreased to below 5% of the total shares and votes. This change took place on 2 January 2002.

	1-3/2002	1-3/2001	2001
Trading in Helsinki, shares	25.9%	12.2%	35.4%
Trading in Helsinki, votes	11.2%	2.1%	19.9%
Trading on the SEAQ, shares	8.1%	4.1%	10.5%
Foreign ownership on 31 March 2002	9.8%	11.0%	10.5%

Shares on 31 March 2002	A share	B share	Total
No. of shares	15,414,429	44,039,431	59,453,860
No. of votes	154,144,290	44,039,431	198,183,721

PROSPECTS FOR 2002

The John Crane-Lips acquisition offers good opportunities to develop and expand Wärtsilä's The Ship Power Supplier concept. The general market uncertainty makes it difficult to assess the future order intake but activity is expected to become more lively during the year.

Demand for heavy fuel oil plants is briskest in Latin America. Demand for gas power plants is not expected to reach last year's level, principally because of the US market. Demand for biofuel power plants will increase in line with expectations.

The order book of Wärtsilä's Power Divisions is on a satisfactory level overall. Net sales is expected to increase this year. The result of operations is forecast to remain at the same level as in 2001. The benefits of the restructuring measures decided in 2001 and to be implemented this year will be visible in 2003. John Crane-Lips will add approx. EUR 170 million to the Marine division's net sales this year. This will increase the Group's operating profit and its effect on the Group's earnings per share is expected to be neutral.

The market outlook for Imatra Steel for the full year continues to be uncertain. No real improvement in demand is yet visible. Net sales is forecast to grow as a result of growth in the forging business and the result is expected to remain unchanged.

2 May 2002

Wärtsilä Corporation
Board of Directors