Wärtsilä's Interim Report January-June 2008

THE ENGINE OF INDUSTRY

INTERIM REPORT JANUARY-JUNE 2008

The figures in this interim report are unaudited.

SECOND QUARTER 4-6/2008 IN BRIEF

MEUR	4-6/2008	4-6/2007	Change
Order intake	1 432	1 369	5%
Net sales	1 092	797	37%
Operating result	122	73	67%
% of net sales	11.2%	9.2%	
Profit before taxes	132	72	
Earnings/share, EUR	0.96	0.54	

REVIEW PERIOD JANUARY - JUNE 2008 IN BRIEF

MEUR	1-6/2008	1-6/2007	Change	2007
Order intake	3 368	2 526	33%	5 633
Order book 31 June	7 479	5 460	37%	6 308
Net sales	1 942	1 558	25%	3 763
Operating result	204	136	49%	379
% of net sales	10.5%	8.8%		10.1%
Profit before taxes	206	132		372
Earnings/share, EUR	1.45	0.98		2.74
Cash flow from operating activities	207	129		431
Interest-bearing net debt at the end of the period	254	178		-27
Gross capital expenditure	87	112		231

MARKET DEVELOPMENT

SHIP POWER

During the second quarter the trend of lower new vessel ordering continued, bringing the market to the same level as in 2003 and 2004 in terms of the number of new vessels ordered. As demand has remained relatively stronger in bigger tonnage vessels, the overall market size measured in tonnage is at 2006 levels. The global uncertainty has clearly impacted investments in new vessels, as well as plans to invest in new yards.

Following the somewhat slower first quarter of this year for Chinese shipyards, China has regained its leading position during the second quarter in terms of new vessel orders. For the first part of 2008, China's share of new vessels ordered was 41% and Korea's 37%. Europe's share of the market was approximately 10% and Japan's 4%. Other countries accounted for 8% of new orders. Measured in tonnage, Korea is clearly dominant with almost 60% of the market. This is due to the market's concentration on bigger tonnage for which Korean ship yards are most suited. As regards new orders for larger size vessels, June was the strongest ordering month so far, and after the dry bulk boom, there has been an increase in demand for big container vessels and tankers. Demand for bulk carriers has continued, driven by the attractive development in freight rates. Demand in the offshore segment during the period focused mainly on anchor handlers and bigger tonnage for deeper waters. The Brazilian oil discoveries, as well as Petrobras' announcement of its intention to significantly increase the size of its fleet, are very positive signals to the market. Demand in the Cruise&Ferry segment remained steady, while in the Special vessel segment demand was strongest for tug boats.

Ship Power market shares

Wärtsilä's market share for medium speed main engines declined to 32% (36 at the end of the previous quarter). This is mainly due to the slowdown in demand of the North Sea offshore market where Wärtsilä has a strong position. Wärtsilä's market share for low speed engines increased to 16% (13) due to the success of the company's medium size low speed engine series. The market share for auxiliary engines increased slightly to 8% (6) as a result of the positive trend in the Chinese market.

POWER PLANTS

The market for efficient and flexible power plants continued to remain globally active during the review period. The ongoing environmental debate and the need to find highly efficient power generation solutions is clearly beneficial to Wärtsilä. Demand for new production capacity remains strong as does the need to increase efficiency and versatility in power generation due to high fuel prices. Strong business fundamentals are continuing to generate high levels of activity in all the power plant segments relevant to Wärtsilä - flexible baseload production, industrial self-generation, grid stability and peaking, as well as power solutions for the oil and gas industry.

SERVICES

Increasing energy prices, together with new and more stringent environmental legislation, are driving machinery development towards more complex technologies and advanced control systems. Maintaining, tuning or upgrading this equipment for optimal efficiency and emission compliance requires highly skilled specialists that aren't always available to the market. The lack of skilled resources in the marine, oil & gas as well as energy industries, is resulting in increased demand for services provided by equipment suppliers.

ORDER INTAKE AND ORDER BOOK

The order intake for the second quarter continued to be strong, totalling EUR 1,432 million (1,369) and representing growth of 5%. The order intake for Ship Power was at a good level and totalled EUR 467 million (673) for the second quarter of 2008, 31% lower than the corresponding period last year. This is partially a reflection of the slowdown in the shipbuilding market that started at the beginning of 2008, which has affected Wärtsilä Ship Power earlier than expected, and partially due to capacity limitations. More capacity has been allocated to respond to the strong demand in the Power Plant market.
For the review period January-June 2008 Ship Power's order intake was EUR 1,224 million (1,194), a 3% growth from the corresponding period last year. Merchant vessel orders continued to be dominant with 50% of total Ship Power orders, with orders for general cargo and bulkers being the strongest within this segment. Offshore segment orders represented 25%, Special vessels and Cruise&Ferry had 11% and 10% of orders received whereas Navy received 4% of the total Ship Power orders for the review period.

Order intake for the Power Plants business continued to be very strong during the second quarter and totalled EUR 556 million (326), 70% higher than during the corresponding period last year. During the second quarter the largest oil-fired power plant orders were received from Pakistan and from Brazil. The latest Brazilian order followed two others, signed in March 2008. Wärtsilä sees further potential in these important markets. The largest gas power plant orders were received from Togo and Turkey. The quarter also marked a milestone for Wärtsilä with the receipt of an order for a combined heat and power (CHP) plant that will run on the liquid biofuel extracted from the seeds of the jatropha plant. This CHP plant will be the first power plant in the world ever to produce both electricity and heat using crude jatropha oil as the fuel and is yet another important step in the development of Wärtsilä's fuel flexibility.

For the review period January-June 2008 the Power Plants order intake totalled EUR 1,122 million (537), a 109% growth compared to the corresponding period last year.

During the second quarter the Services business received several larger contracts such as operations & maintenance contracts in Madagascar and Brazil, the supply of a main switch board of an ARAMCO Jack Up / Heavy Lift Platform, and the thruster conversion of the Seillean vessel in Brazil. Among others, these orders confirm the suitability of Wärtsilä's Services offering to the needs of the market. Order intake for the Services business totalled EUR 402 million (369) during the second quarter.
Services' order intake for the review period January-June totalled EUR 1,013 million (792), a 28% growth over the corresponding period in 2007.

For the review period January-June 2008 Wärtsilä's total order intake amounted to EUR 3,368 million (2,526), a growth of 33%. At the end of the review period Wärtsilä's total order book stood at a new record level of EUR 7,479 million (5,460),a growth of 37%. Ship Power order book stood at EUR 4,841 million (3,681), a growth of 31%.The Power Plants order book grew by 55% compared to the corresponding period last year and amounting to 2,107 million (1,361). The Services order book totalled EUR 530 million (416) at the end of the review period, a growth of 27%.

Order intake by business

MEUR	4-6/2008	4-6/2007	Change
Ship Power	467	673	-31%
Services	402	369	9%
Power Plants	556	326	70%
Order intake, total	1 432	1 369	5%

MEUR	1-6/2008	1-6/2007	Change	2007
Ship Power	1 224	1 194	3%	2 600
Services	1 013	792	28%	1 607
Power Plants	1 122	537	109%	1 421
Order intake, total	3 368	2 526	33%	5 633

Order intake Power Plants

MW	4-6/2008	4-6/2007	Change
Oil	617	313	97%
Gas	333	236	41%
Renewable fuels	47	114	-59%

MW	1-6/2008	1-6/2007	Change	2007
Oil	1 059	443	139%	1 358
Gas	876	358	145%	1 005
Renewable fuels	84	317	-73%	483

Order book by business

MEUR	30.6.2008	30.6.2007	Change	2007
Ship Power	4 841	3 681	31%	4 292
Services	530	416	27%	405
Power Plants	2 107	1 361	55%	1 608
Order book, total	7 479	5 460	37%	6 308

NET SALES

During the second quarter Wärtsilä's net sales increased by 37% to EUR 1,092 million (797) compared to the corresponding period last year. Net sales for Ship Power totalled EUR 365 million (305), a growth of 20% compared to the corresponding period last year. Power Plants' net sales for the second quarter totalled 273 million (112), which is 143% higher than in the corresponding quarter last year. The second quarter net sales for Services amounted to EUR 454 million (374), a growth of 21%, out of which 20% was organic growth.

Wärtsilä's net sales for January-June 2008 totalled EUR 1,942 million (1,558), a growth of 25%. Ship Power net sales grew by 8% and totalled EUR 609 million (561). Net Sales for Power Plants developed favourably during the review period and totalled 448 million (262), which represents a growth of 71% compared to the corresponding period last year. Net sales from the Services business increased to EUR 882 million (726), a growth of 22%. Organic growth represented 20% of Services' net sales growth. For the review period January-June 2008 Ship Power net sales accounted for 31%, Services net sales for 45%, and Power Plants for 23% of the total net sales.

Net sales by business

MEUR	4-6/2008	4-6/2007	Change
Ship Power	365	305	20%
Services	454	374	21%
Power Plants	273	112	143%
Net sales, total	1 092	797	37%

MEUR	1-6/2008	1-6/2007	Change	2007
Ship Power	609	561	8%	1 320
Services	882	726	22%	1 550
Power Plants	448	262	71%	882
Net sales, total	1 942	1 558	25%	3 763

FINANCIAL RESULTS

The operating result for the second quarter amounted to EUR 122 million (73) or 11.2% (9.2) of net sales. The operating result for the review period January-June 2008 rose to EUR 204 million (136), which is 10.5% of net sales (8.8). Financial items amounted to EUR +1 million (-5). Net interest totalled EUR -5 million (-6). Dividends received totalled EUR 6 million (6). Profit before taxes amounted to EUR 206 million (132). Taxes in the review period amounted to EUR -61 million (-37). Earnings per share were EUR 1.45 (0.98).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-June 2008 was strong and totalled EUR 207 million (129). Liquid reserves at the end of the period amounted to EUR 156 million (133). Net interest-bearing loan capital amounted EUR 254 million (178). Advance payments at the end of the period totalled EUR 1,214 million (810). The solvency ratio was 36.7% (44.3) and gearing was 0.25 (0.18).

HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% of the total. This holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 67 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 87 million (112), which comprised EUR 14 million (43) in acquisitions and investments in securities, and EUR 73 million (69) in production and information technology investments. Depreciation for the review period amounted to EUR 42 million (37).

Due to strong volume growth, the total capital expenditure excluding acquisitions for 2008 is expected to be approx. EUR 200 million.

STRATEGIC ACQUISITIONS, JOINT-VENTURES AND EXPANSION OF THE NETWORK

In March Wärtsilä signed an agreement to acquire the Norwegian company Maritime Service AS, which specializes in ship service, and mechanical and reconditioning services. Maritime Service has its operations in Ålesund, on the west coast of Norway. The annual net sales of Maritime Service were 26 million NOK (EUR 3.2 million) in 2007.

In April Wärtsilä acquired the Danish company International Combustion Engineering A/S (I.C.E.) that specializes in project engineering and the service and repair of steam boilers and ancillary burner systems. The company's annual net sales amounted to 46.8 million Danish crowns (EUR 6.3 million) in 2007. This acquisition expands Wärtsilä's service offering into the new category of boiler services. The new service category further improves Wärtsilä's competitiveness as a leading total services provider. Wärtsilä continued to expand its boiler services capability with the acquisition of the boiler services business of I.C.E.'s former subsidiary in Dubai in June.

In June Wärtsilä acquired the German company Claus D. Christophel Mess- und Regeltechnik GmbH (CDC), which specializes in the design, delivery and service of automation systems for ship owners and yards. CDC's annual net sales were EUR 2.1 million in 2007.

The total price of the above three acquisitions was EUR 11 million, out of which EUR 5 million is reported as goodwill.

During the review period Wärtsilä Services continued the expansion of its network by opening and expanding offices and workshops in Namibia, Chile, Brazil, Madagascar, Azerbaijan, China, Turkey and Dubai. Geographical expansion continues to be part of Wärtsilä's strategic focus, and acquisitions to this effect will continue.

STRATEGIC ACQUISITIONS AFTER THE REVIEW PERIOD

On July 3 2008 Wärtsilä signed an agreement to acquire the global ship design group Vik-Sandvik, a leading independent group providing design and engineering services to ship owners and the ship building industry worldwide. This acquisition is 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 lifecycle services. Wärtsilä's goal is to become the leading provider of ship design services in various segments.

The value of the acquisition was EUR 132 million, with an additional maximum sum of EUR 38 million to be paid based on the performance of the business over the next three years. In 2007, Vik-Sandvik's turnover was EUR 55 million and the profitability is at a very good level. The number of employees is 410. The acquisition is subject to relevant regulatory approvals, which are expected during the third quarter of 2008.

OTHER STRATEGIC ISSUES

In May Wärtsilä announced its intention to strengthen its international customer service by centralizing its spare parts logistics and by building a new spare parts distribution centre in the Netherlands. A large and modern central warehouse is planned near the company's current service unit in the Netherlands. Wärtsilä will invest approximately EUR 70 million in the new distribution centre and related logistics systems. The investments will be spread over three years from 2008 to 2010. The intention is to outsource logistics and warehousing operations.

Wärtsilä and Emerson Process Management announced the expansion of their global offshore alliance in June. Under the expansion, the companies can now deliver integrated energy and automation systems for Floating Production Storage and Offloading vessels and for semi submersible oil and gas drilling rigs. The collaboration between the companies began in 2006 within an alliance then mainly covering FPSO vessels.

The importance of Asia as a shipbuilding hub has increased during recent years. In order to be closer to the fastest growing shipbuilding markets, the senior management of Wärtsilä Ship Power will relocate to Shanghai, China during 2008.

MANUFACTURING

During the second quarter investments to enhance the production capabilities and flexibility of the large engines continued in Italy and Spain. Investment decisions have been made to increase capacity for propulsion products in Norway and the Netherlands. All these investments will be operational during 2009. In Asia further investments are being made to increase production capacity in the Wärtsilä-CME Zhenjiang Propeller Co. Ltd joint venture. This capacity will be operational in the second half of 2009. In Vaasa, Finland, an important environmental step was taken by launching an investment program in test bed facilities to reach a step change in improved energy efficiency. Wärtsilä is further promoting similar initiatives globally. All other ongoing investment programmes to increase capacity, including joint ventures, are proceeding according to plan. Continuous progress has been made in enlarging the supplier base in emerging markets.

RESEARCH & DEVELOPMENT

During the second quarter the new RTX-4 full-scale, low-speed research engine was inaugurated in the Diesel Technology Centre in Winterthur, Switzerland. This large research engine is employed to further develop Wärtsilä low-speed marine engines to meet market needs.

In May Wärtsilä and Mitsubishi Heavy Industries Ltd. signed a joint development agreement to design and develop new small, low-speed marine diesel engines of less than 450 mm cylinder bore. This agreement is an extension of the strategic alliance created by Wärtsilä and Mitsubishi in September 2005.

PERSONNEL

Wärtsilä had 17,552 (15,180) employees at the end of June, growth of 16%. The largest personnel increases took place in the Services business where 10,394 (8,937) people were employed at the end of June.

During the review period Wärtsilä launched a Top Graduates professional programme for R&D. During the programme, attendees will drive R&D projects throughout Wärtsilä's international organization. A similar programme for finance graduates has been in action since March 2007.

CHANGES IN MANAGEMENT

Atte Palomäki (42) M.Sc. (pol.) started as Group Vice President, Corporate Communications and member of the Board of Management on March 1, 2008.

SHARES AND SHAREHOLDERS

In March Wärtsilä's A and B-series shares were combined. Following the combination all shares now carry one vote and equal rights. The combination of the share series involved a free share issue directed to the holders of Series A-shares so that holders of Series A-shares received one share free of charge for each nine Series A-shares. In the directed share issue 2,619,954 shares were given. Trading with the new and combined shares started on March 27.

SHARES ON HELSINKI EXCHANGES

30 June 2008	Number of shares	Number of votes	Number of shares traded 1-6/2008
WRT1V	98 620 565	98 620 565	76 035 377

1. Jan -30 June 2008	High	Low	Average 1)	Close
WRT1V	52.40	35.02	43.75	39.95

1) Trade-weighted average price

	30 June 2008	30 June 2007
Market capitalization, EUR million	3 940	4 659

	30 June 2008	30 June 2007
Foreign shareholders	50.0%	32.6%

CHANGES IN OWNERSHIP

During the review period and in relation to the combination of the share series and the directed free share issue, Wärtsilä was informed of the following changes in ownership:

The Fiskars Group's share of Wärtsilä Corporation's votes decreased to less than 1/5 (20%). Following the transaction Fiskars Corporation holds 901,857 or 0.9% of Wärtsilä's share capital and votes, and the Fiskars wholly owned subsidiary Avlis AB's holds 15,944,444 or 16.2% of Wärtsilä's share capital and total votes. In total, Fiskars Group holds 16,846,301 or 17.1% of Wärtsilä Corporation's share capital and votes.

Varma Mutual Pension Insurance's share of Wärtsilä Corporation's shares increased to more than 1/20 (5%) and the share of the votes decreased to less than 1/10 (10%). Following the transaction Varma holds 5,130,087 or 5.2% of Wärtsilä's share capital and total votes.

Svenska Litteratursällskapet i Finland r.f's share of Wärtsilä Corporation's votes decreased to less than 1/20 (5%). Following the transaction Svenska Litteratursällskapet holds 1,735,506 or 1.76% of Wärtsilä's share capital and total votes.

The above-mentioned changes came into effect when the combined and new shares were registered in the trade register on 26 March 2008.

OPTION SCHEMES

During the review period Wärtsilä had one option scheme that ended on 31 March 2008. All option rights of this 2002 option scheme were exercised.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting on 19 March approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2007. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 2.25 per share and an extra dividend of EUR 2.00 per share for a total dividend of EUR 4.25 per share.

The Annual General Meeting decided that the Board of Directors shall have six members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Kari Kauniskangas, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria.

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

The Annual General Meeting approved the proposal of the Board of Directors to amend the Articles of Association.

The Annual General Meeting approved the proposal of the Board of Directors to direct a free share issue to holders of A shares and to combine the Series A and Series B shares and the changes to the Articles of Association.

ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors of Wärtsilä Corporation elected Antti Lagerroos as its chairman and Matti Vuoria as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Compensation Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee:

Chairman Antti Lagerroos, Maarit Aarni-Sirviö, Matti Vuoria

Nomination Committee:

Chairman Antti Lagerroos, Matti Vuoria, Kaj-Gustaf Bergh

Compensation Committee:

Chairman Antti Lagerroos, Matti Vuoria, Bertel Langenskiöld

RISKS AND BUSINESS UNCERTAINTIES

During the review period the uncertainty in the global market for raw materials increased. Raw material prices have increased which will impact production costs globally in the future. Wärtsilä's Corporate Supply Management organization monitors cost development closely, while long term cost development is managed via our supplier agreements. Other risks remain mainly related to the capacity constraints of the suppliers as a result of high global demand in key components. Wärtsilä's measures to secure the availability of key components continue in close collaboration with the supply chain. In Services, the biggest risks continue to be the attraction and retention of new personnel in a very active business environment. Wärtsilä's measures to ensure the availability of these profiles are ongoing.

MARKET OUTLOOK

During the second quarter of 2008 no major shifts in the fundamentals of the shipping sector have occurred. Freight rates have remained very strong and ship prices were still very high. The unrest in the financial markets has put investment plans on hold especially in emerging shipbuilding countries, but business for established shipbuilders is still strong.

In 2008 the activity level of new vessel ordering will be at significantly lower levels than during the past very highly active years. From a historical perspective, markets remain active and the ordering activity in June evidenced, at least momentarily, a renewal of stronger ordering. Investments in new projects are still being made and short term indicators remain favourable for Wärtsilä. During the third quarter, Wärtsilä Ship Power expects its ordering activity to continue at the same good level as during the second quarter. In the fourth quarter some slowdown is foreseen. Due to the current market conditions market visibility has become shorter.

In the Power Plant market the situation remains good. The main drivers for continued growth in the power plant market remain the quest for increased efficiency and versatility in power generation due to environmental concerns and fuel availability issues. Flexible baseload, as well as industrial self-generation applications, are forecasted to remain active market segments especially throughout the Middle East, Africa and the Americas. Continued growth potential is seen in the grid stability services market in North America as well as in other developed countries. Wärtsilä's power plant solutions are ideally suited for today's markets, which require high efficiency and operational flexibility as well as environmental sustainability. For Wärtsilä Power Plants continued high ordering activity is expected in all segments for the remainder of the year.

Growth in Services continues to be solid and will continue to constitute a considerable share of Wärtsilä's net sales.

The long order book and flexible manufacturing model, in combination with the solid growth and global presence in Services, gives Wärtsilä ample time to react to potential fluctuations in the market.

WÄRTSILÄ'S PROSPECTS FOR 2008 REITERATED

Based on the strong order book, Wärtsilä's net sales are expected to grow by about 25% in 2008. Wärtsilä's profitability varies considerably from one quarter to another. The full-year operating margin will exceed 11%.

WÄRTSILÄ INTERIM REPORT JANUARY -JUNE 2008

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2007. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. Amended and new International Financial Reporting Standards (IFRS) and Interpretations as of 1 January 2008:

- IFRIC 11 IFRS 2 – Group Treasury Share Transaction
- IFRIC 12 Service Concession Agreements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new and revised standards and interpretations does not have any material effect on the interim financial report.

This interim report is unaudited.

Wärtsilä Corporation
23 July 2008
Board of Directors

CONDENSED INCOME STATEMENT

MEUR	1-6/2008	1-6/2007	2007
Net sales	1 942	1 558	3 763
Other income	10	8	21
Expenses	-1 706	-1 393	-3 328
Depreciation and impairment	-42	-37	-78
Operating result	204	136	379
Financial income and expenses	1	-5	-8
Share of profit of associates	2		1
Profit before taxes	206	132	372
Income taxes	-61	-37	-106
Profit for the financial period	145	95	265
Attributable to:			
Equity holders of the parent company	142	94	262
Minority interest	4	1	3
Total	145	95	265
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	1,45	0,98	2,74
Diluted earnings per share, EUR	1,45	0,98	2,73

CONDENSED BALANCE SHEET

MEUR	30 June 2008	30 June 2007	31 Dec. 2007
Non-current assets			
Intangible assets	648	634	646
Property, plant and equipment	405	333	377
Equity in associates	17	11	16
Investments available for sale	121	184	155
Deferred tax receivables	69	76	70
Other receivables	17	43	19
	1 277	1 281	1 283
Current assets			
Equity in associates		1	1
Inventories	1 511	1 087	1 081
Other receivables	1 114	929	1 088
Cash and cash equivalents	156	133	296
	2 781	2 149	2 466
Assets	4 058	3 430	3 749
Shareholders' equity			
Share capital	336	335	336
Other shareholders' equity	698	817	979
Total equity attributable to equity holders of the parent	1 034	1 152	1 315
Minority interest	11	8	10
Total shareholders' equity	1 044	1 160	1 325
Non-current liabilities			
Interest-bearing debt	335	259	245
Deferred tax liabilities	76	77	81
Other liabilities*	841	75	466
	1 251	411	792
Current liabilities			
Interest-bearing debt	87	89	38
Other liabilities	1 675	1 771	1 594
	1 762	1 860	1 632
Total liabilities	3 013	2 270	2 424
Shareholders' equity and liabilities	4 058	3 430	3 749

*In Q2/2007, the total amount of Advances received was presented in Current liabilities.

CONDENSED CASH FLOW STATEMENT

MEUR	1-6/2008	1-6/2007	2007
Cash flow from operating activities:			
Profit before taxes	206	132	372
Depreciation and impairment	42	37	78
Financial income and expenses	-1	5	8
Selling profit and loss of fixed assets and other adjustments	-5	-3	-7
Share of profit of associates	-2		-1
Changes in working capital	6	51	135
Cash flow from operating activities before financial items and taxes	247	221	585
Net financial items and income taxes	-40	-92	-154
Cash flow from operating activities	207	129	431
Cash flow from investing activities:			
Investments in shares and acquisitions	-14	-43	-65
Net investments in tangible and intangible assets	-68	-66	-166
Proceeds from sale of shares	1		7
Cash flow from other investing activities	6	10	9
Cash flow from investing activities	-75	-99	-214
Cash flow from financing activities:			
Issuance of share capital		3	4
New long-term loans	100	61	65
Amortization and other changes in long-term loans	-10	-18	-33
Changes in short term loans and other financing activities	54	46	36
Dividends paid	-410	-168	-168
Cash flow from financing activities	-266	-76	-95
Change in liquid funds, increase (+) / decrease (-)	-135	-46	122
Cash and cash equivalents at beginning of period	296	179	179
Fair value adjustments, investments	1	1	1
Exchange rate changes	-6	-1	-6
Cash and cash equivalents at end of period	156	133	296

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Total equity attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share issue premium	Translation differences	Fair value and other reserves	Retained earnings		
Shareholders' equity on 31 December 2007	336	61	3	127	788	10	1 325
Translation differences			-5				-6
Available-for-sale investments							
gain/loss from fair valuation, net of taxes				-27			-27
Cash flow hedges after taxes				18			18
Net income recognized directly in equity			-5	-10		-1	-16
Profit for the financial period					142	4	145
Total recognized income an expense for the period			-5	-10	142	3	129
Dividends paid					-408	-2	-410
Shareholders' equity on 30 June 2008	336	61	-2	117	522	11	1 044
Shareholders' equity on 31 December 2006	334	58	3	128	693	13	1 230
Translation differences			3				4
Other changes						-5	-5
Available-for-sale investments							
gain/loss from fair valuation, net of taxes				1			1
Cash flow hedges after taxes				1			1
Net income recognized directly in equity			3	2		-5	0
Profit for the financial period					94	1	95
Total recognized income and expense for the period			3	2	94	-4	95
Options exercised	1	2					3
Dividends paid					-167	-1	-168
Shareholders' equity on 30 June 2007	335	60	6	130	620	8	1 160

GEOGRAPHICAL SEGMENTS

MEUR	Europe	Asia	Americas	Other	Group
Net sales 1-6/2008	699	773	315	155	1 942
Net sales 1-6/2007	677	558	188	134	1 558

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-6/2008	1-6/2007	2007
Intangible assets			
Book value at 1 January	646	602	602
Changes in exchange rates	-5	-1	-6
Acquisitions	8	34	47
Additions	14	15	33
Depreciation and impairment	-16	-14	-30
Disposals and intra-balance sheet transfer		-3	
Book value at end of period	648	634	646
Property, plant and equipment			
Book value at 1 January	377	315	315
Changes in exchange rates	-1		3
Acquisitions	3	1	
Additions	58	54	133
Companies sold		-17	-17
Depreciation and impairment	-26	-23	-48
Disposals and intra-balance sheet transfer	-6	3	-9
Book value at end of period	405	333	377

GROSS CAPITAL EXPENDITURE

MEUR	1-6/2008	1-6/2007	2007
Investments in securities and acquisitions	14	43	65
Intangible assets and property, plant and equipment	73	69	166
Group	87	112	231

During the review period investment in the enlargement of propulsion equipment manufacturing in the Netherlands and China amounted to EUR 3 million, and Wärtsilä had commitments related to the enlargements amounting to EUR 10 million at the end of the review period. In addition, Wärtsilä's part of the investments related to the investment programme in the Korean joint venture Wärtsilä Hyundai Engine Company Ltd. Amounted to EUR 10 million and the part of the commitments related to the investment programme were EUR 2 million at the end of the review period.

IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET

During the review period Wärtsilä has acquired a Norwegian company Maritime Service AS, specializing in ship service, mechanical and reconditioning services, a Danish company International Combustion Engineering A/S, specializing in project engineering and the service and repair of steam boilers and ancillary burner systems, the boiler services business of International Combustion Engineering's (I.C.E) former subsidiary in Dubai and a German company Claus D. Christophel Mess- und Regeltechnik GmbH (CDC) specializing in the design, delivery and service of automation systems for ship owners and yards.

MEUR	1-6/2008
Acquisition costs	11
Acquired assets to fair value	-6
Goodwill	5
Specification of acquired assets:	
Intangible assets	4
Property, plant and equipment	3

Inventories	1
Receivables	3
Cash and cash equivalents	1
Liabilities	-4
Deferred tax liabilities	-1
Total	6

INTEREST-BEARING LOAN CAPITAL

MEUR	30 June 2008	30 June 2007	31 Dec. 2007
Long-term liabilities	335	259	245
Current liabilities	87	89	38
Loan receivables	-12	-36	-14
Cash and bank balances	-156	-133	-296
Net	254	178	-27

FINANCIAL RATIOS

	1-6/2008	1-6/2007	2007
Earnings per share, EUR	1,45	0,98	2,74
Diluted earnings per share, EUR	1,45	0,98	2,73
Equity per share, EUR	10,48	12,03	13,70
Solvency ratio, %	36,7	44,3	45,9
Gearing	0,25	0,18	-0,01

PERSONNEL

	1-6/2008	1-6/2007	2007
On average	17 084	14 791	15 337
At end of period	17 552	15 180	16 336

CONTINGENT LIABILITIES

MEUR	30 June 2008	30 June 2007	31 Dec. 2007
Mortgages	13	15	13
Chattel mortgages	7	22	8
Total	21	38	22
Guarantees and contingent liabilities on behalf of Group companies	463	391	479
Nominal amount of rents according to leasing contracts	71	51	69
Total	534	442	548

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	110	
Foreign exchange forward contracts	1 426	378
Currency options, purchased	152	20
Currency options, written	20	20

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	4-6/2008	1-3/2008	10-12/2007	7-9/2007	4-6/2007	1-3/2007
Net sales	1 092	850	1 272	933	797	761
Other income	5	5	10	3	4	4
Expenses	-953	-754	-1 114	-821	-710	-683
Depreciation and impairment	-22	-21	-22	-19	-18	-18
Operating result	122	81	146	96	73	63
Financial income and expenses	7	-7	-1	-2	-1	-4
Share of profit of associates	2		1			
Profit before taxes	132	74	145	95	72	60
Income taxes	-36	-25	-43	-26	-20	-17
Profit for the financial period	96	49	103	68	52	42
Attributable to:						
Equity holders of the parent company	94	47	101	68	52	42
Minority interest	2	2	2	1	1	
Total	96	49	103	68	52	42
Earnings per share attributable to equity holders of the parent company:						
Earnings per share, EUR	0,96	0,49	1,05	0,71	0,54	0,44
Diluted earnings per share, EUR	0,96	0,49	1,05	0,70	0,54	0,44

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

$$\frac{\text{profit before taxes - income taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the period}}$$

Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Gearing

$$\frac{\text{Interest-bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

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