

Wärtsilä Corporation

Interim Report January-June 2005

Ole Johansson, President & CEO

5 August 2005

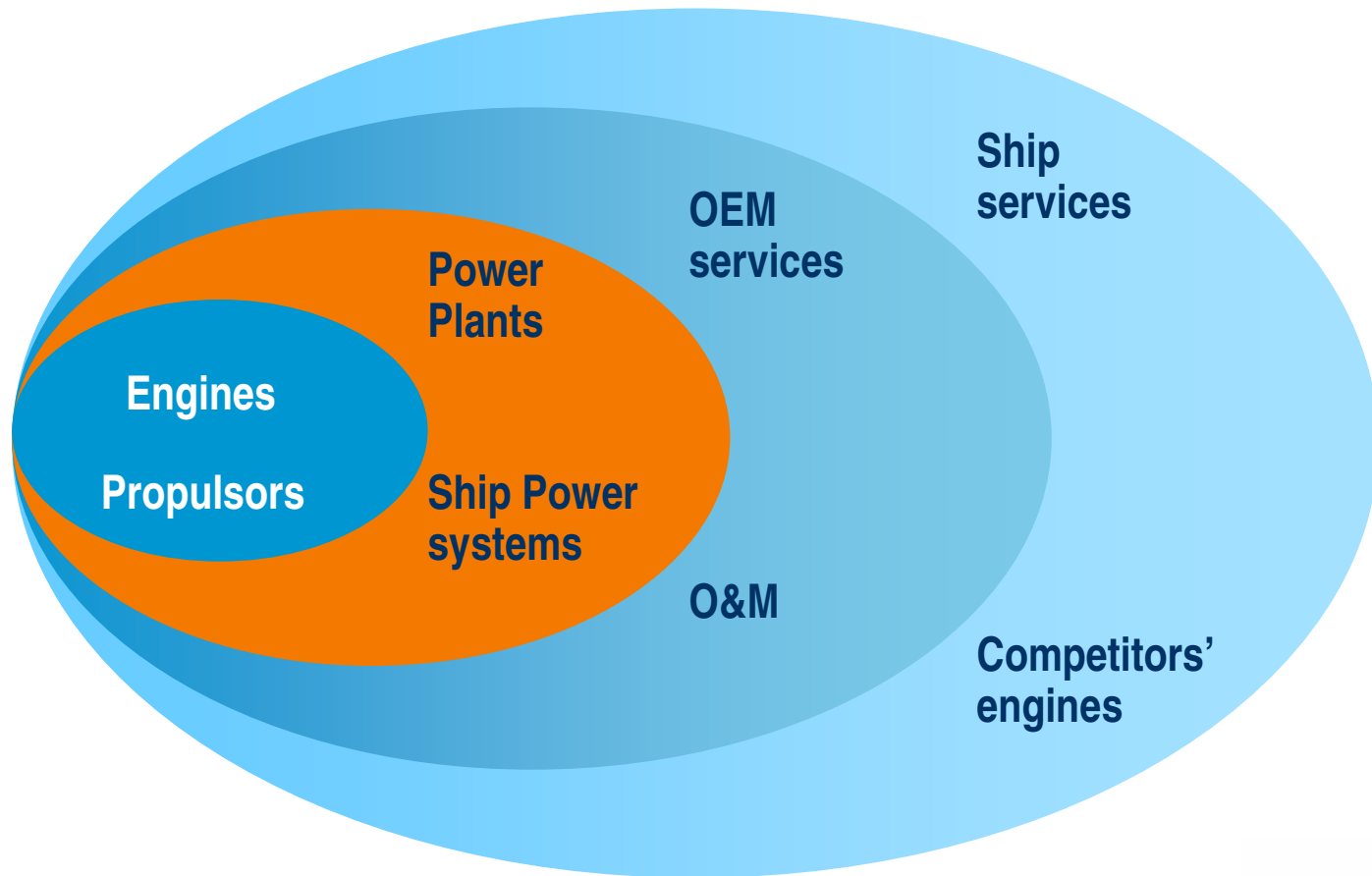
Mission

We provide life cycle power solutions to enhance the business of our customers, whilst creating better technologies that benefit both the customer and the environment.

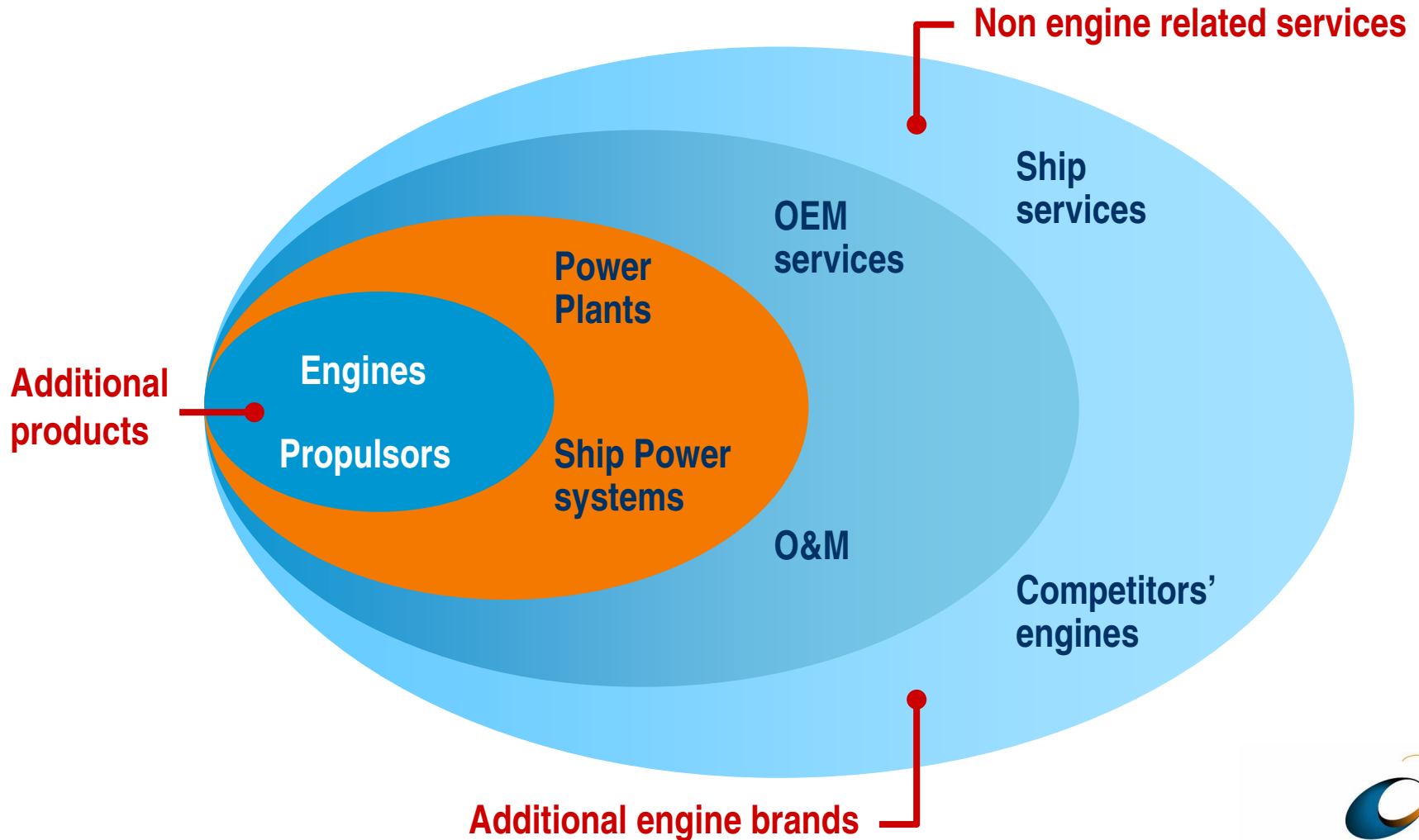
Vision

We will be the most valued business partner of all our customers.

We are in business to power your business



...and we are seeking growth beyond the organic growth



Highlights of the second quarter



- Net sales grew to EUR 686.8 million (581.3)
- Operating income improved to EUR 48.4 million (32.9)
- Power Businesses profitability (EBITA) 6.7%
- Order intake grew 43.1% to EUR 841.8 million (588.3)
- Order book at new record level EUR 2,267.9 million (1,779.2)
- Engine base grew due to acquisition of DEUTZ marine engine service business
- Imatra Steel became part of Oy Ovako Ab
- Power Businesses profitability (EBITA) for the full year around 8%



<u>MEUR</u>	<u>Q2/2005¹</u>	<u>Q2/2004</u>
Net sales	686.8	581.3
Operating income	48.4	32.9
Profit before taxes	50.2	38.1
EPS, EUR	0.40	0.28

<u>MEUR</u>	<u>1-6/2005¹</u>	<u>1-6/2004</u>	<u>2004</u>
Net sales	1,257.5	1,103.0	2,478.2
Operating income	94.8	-30.3	112.0
Profit before taxes	92.5	78.2	217.3
EPS, EUR	0.73	0.50	1.42

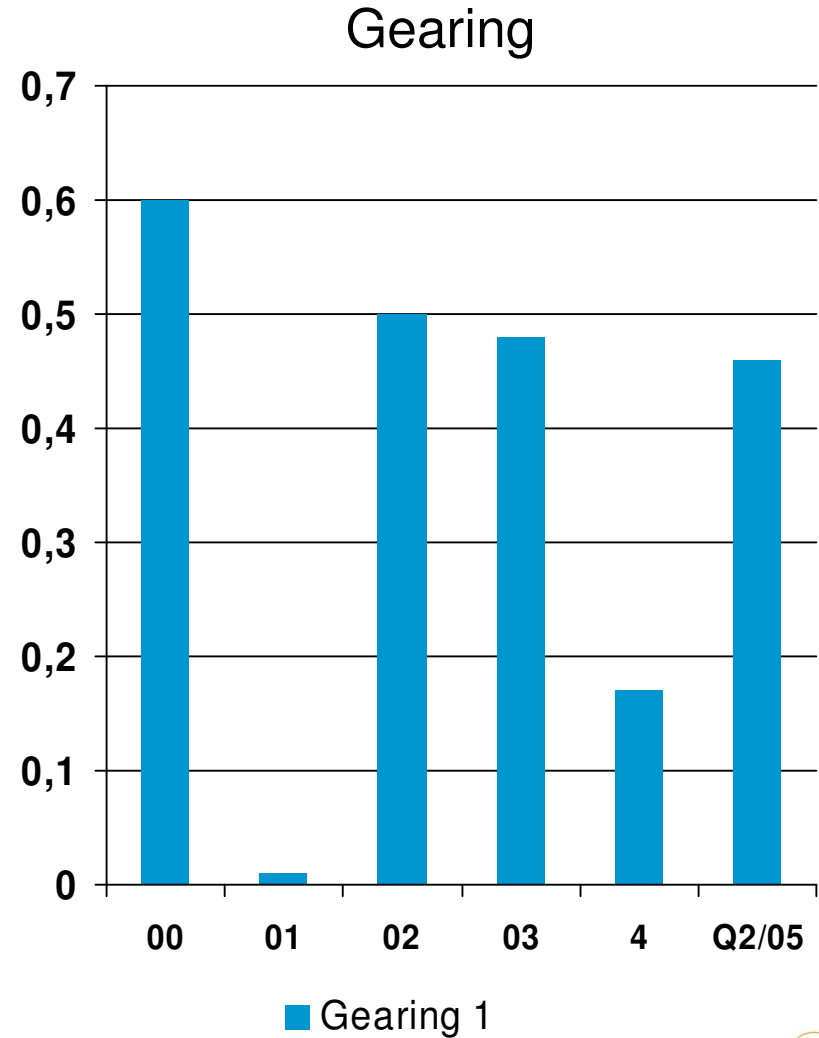
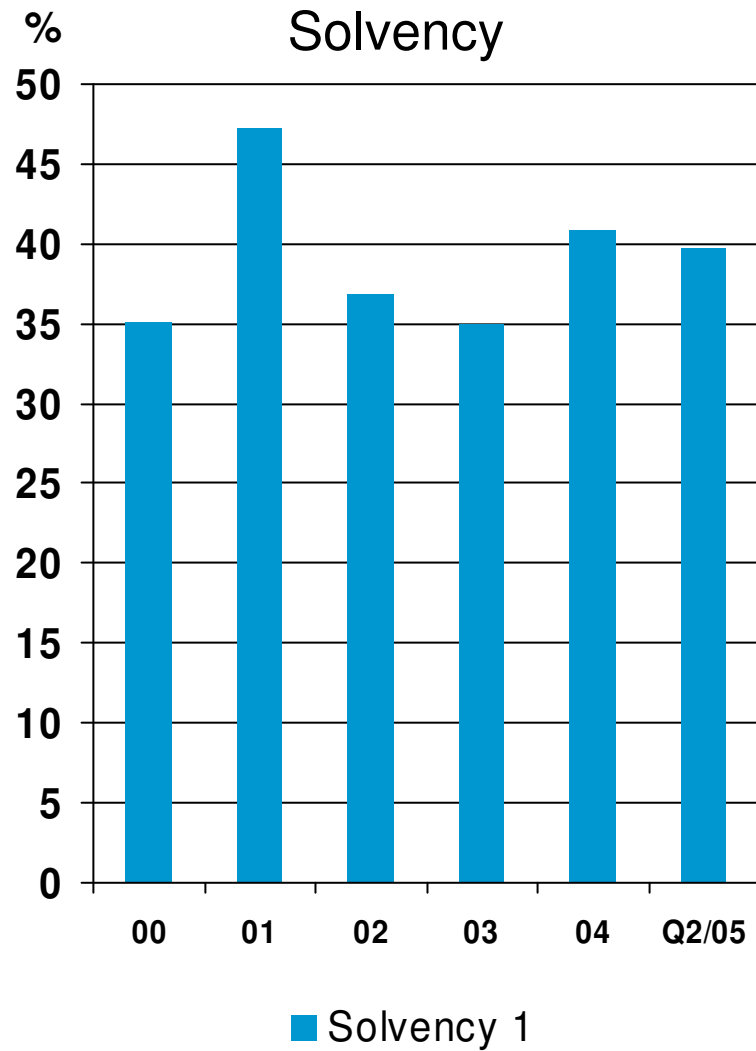
¹ Imatra Steel became part of Oy Ovako Steel Ab, a new steel company that began operating on 10 May 2005. The company has been accounted for as an associated company from 1 May 2005. In the interim report Imatra Steel is consolidated as a subsidiary for one month of the second quarter and for four months of the full six-month period.





<u>MEUR</u>	<u>1-6/2005</u>	<u>1-6/2004</u>	<u>2004</u>
Cash flow from operating activities	-92.1	-2.7	220.1
Cash flow from investing activities	-165.6	114.8	85.0
Cash flow from financing activities	203.9	-112.0	-284.9
Liquid funds at the end of period	119.6	152.2	169.6

Solvency and gearing



NOTE: 2000-2003 according to FAS, 2004- IFRS
Convertible subordinated debentures treated as equity

Power Businesses



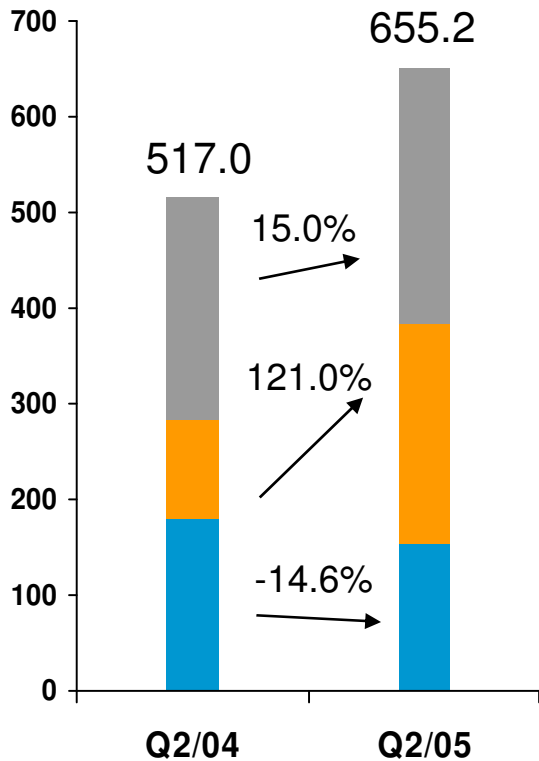
MEUR	Q2/2005	Q2/2004	Change%
Net sales	655.2	517.0	26.7%
Operating income	43.6	27.2	60.1%
% net sales	6.7%	5.3%	
Order intake	841.8	588.3	43.1%

MEUR	1-6/2005	1-6/2004	Change%	2004
Net sales	1,139.0	980.3	16.2%	2,224.7
Operating income	72.9	-38.9		87.7
% net sales	6.4%	-4.0%		3.9%
Order intake	1,519.8	1,477.0	2.9%	2,791.4
Order book end of period	2,267.9	1,779.2	27.5%	1,855.3

Power Businesses – Key figures

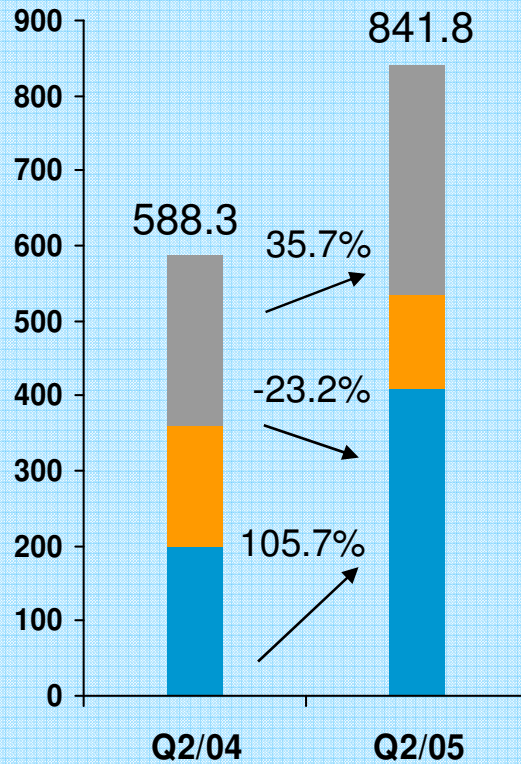
MEUR

Net sales

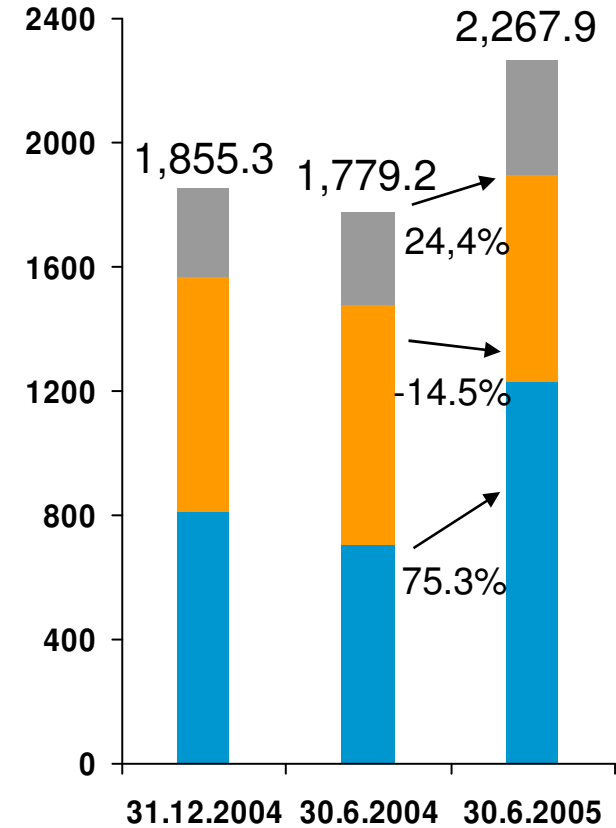


- Service
- Power Plants
- Ship Power

Order intake

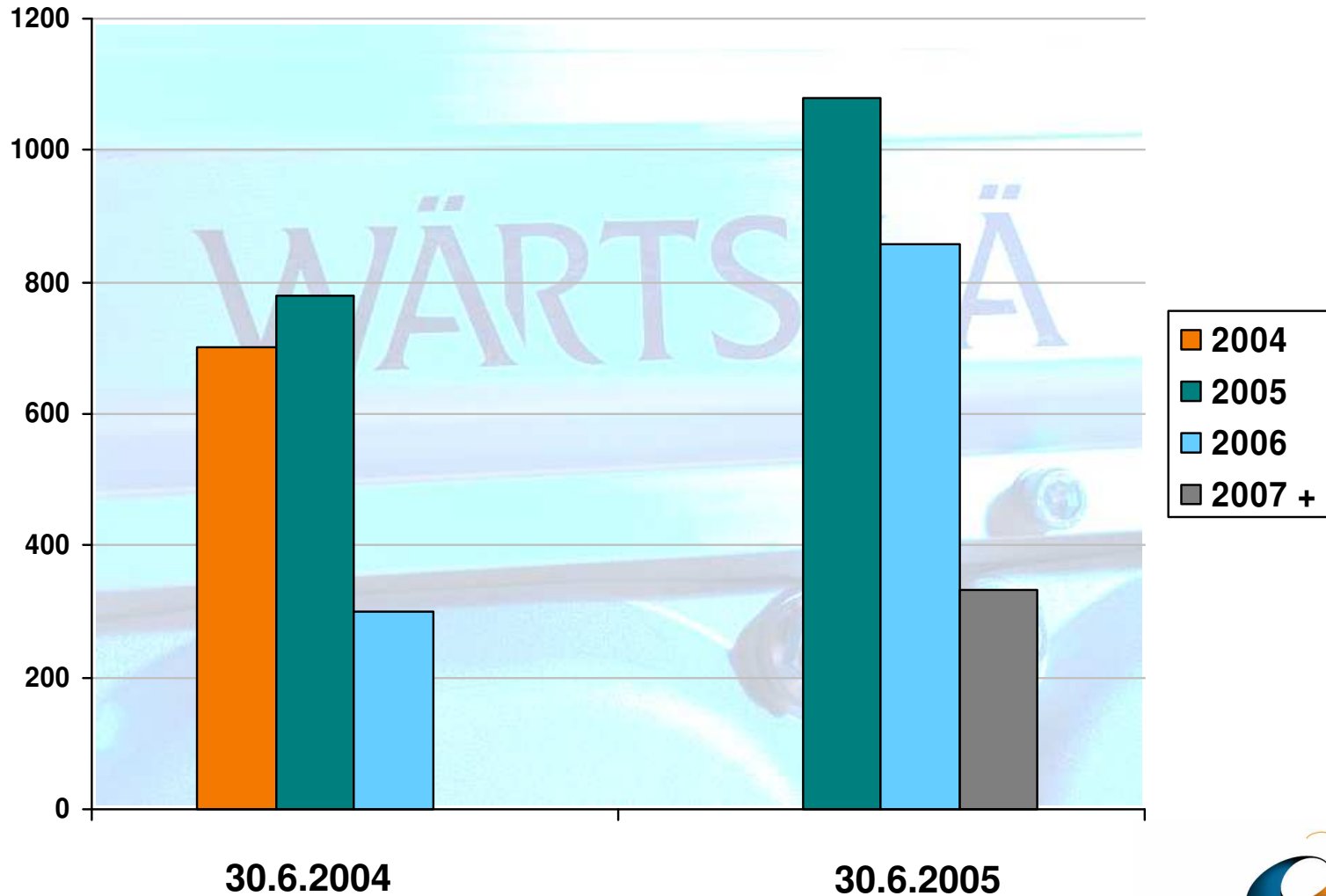


Order book



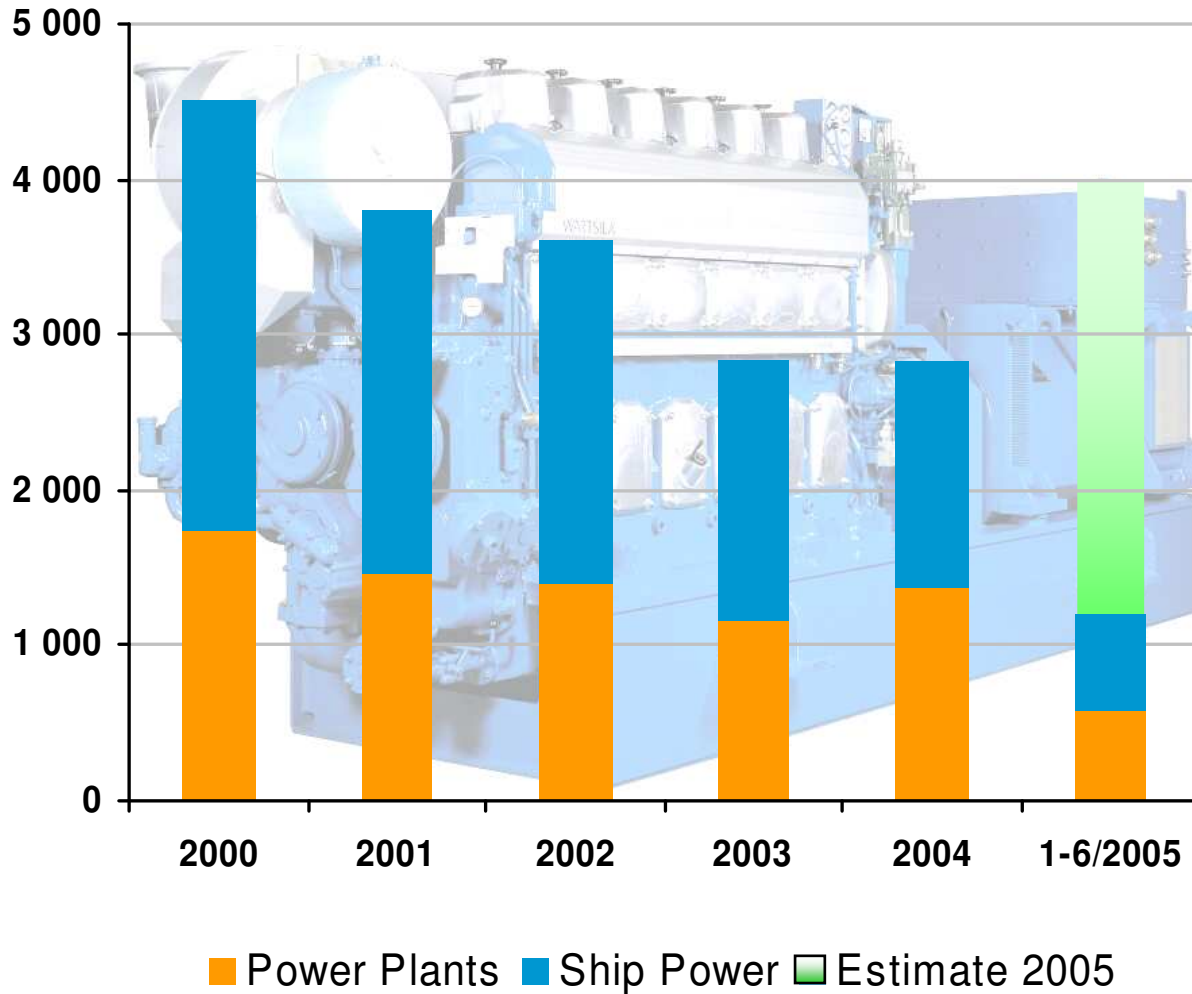
Power Businesses - Order book split

MEUR



Delivered engine megawatts from own factories

MW



<u>MEUR</u>	<u>Q2/2005</u>	<u>Q2/2004</u>	<u>Change</u>	<u>2004</u>
Net sales	153.0	179.1	-14.6%	631.2
Order intake	409.9	199.3	105.7%	836.7
Order book, end of period	1,230.8	702.0	75.3%	812.7



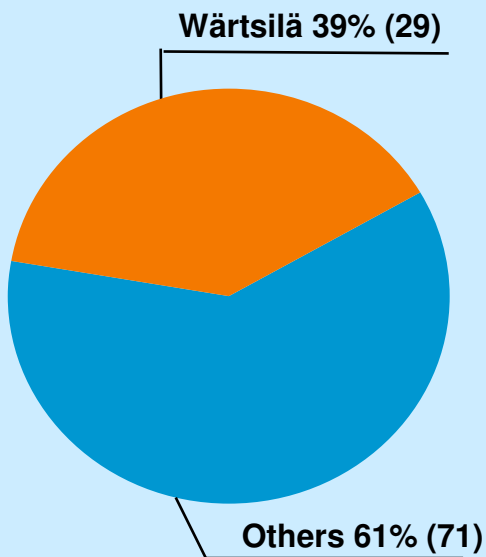
Power Businesses net sales Q2/2005
EUR 655.2 million.

- Ship Power 23.4%

The market position of Wärtsilä's marine engines Q2/2005

Own production

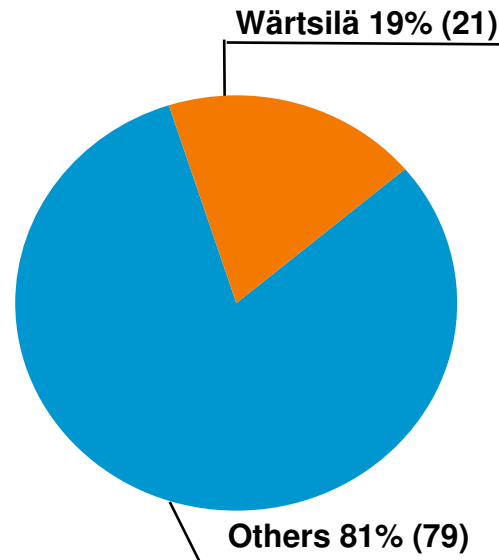
Medium speed main engines



Total market volume last 12 months:
4,727 MW (3,691)

Production of licensees

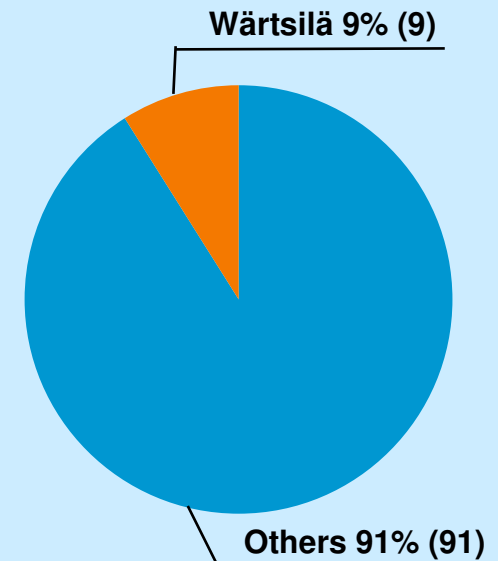
Low speed main engines



Total market volume last 12 months:
25,001 MW (30,286)

Own production

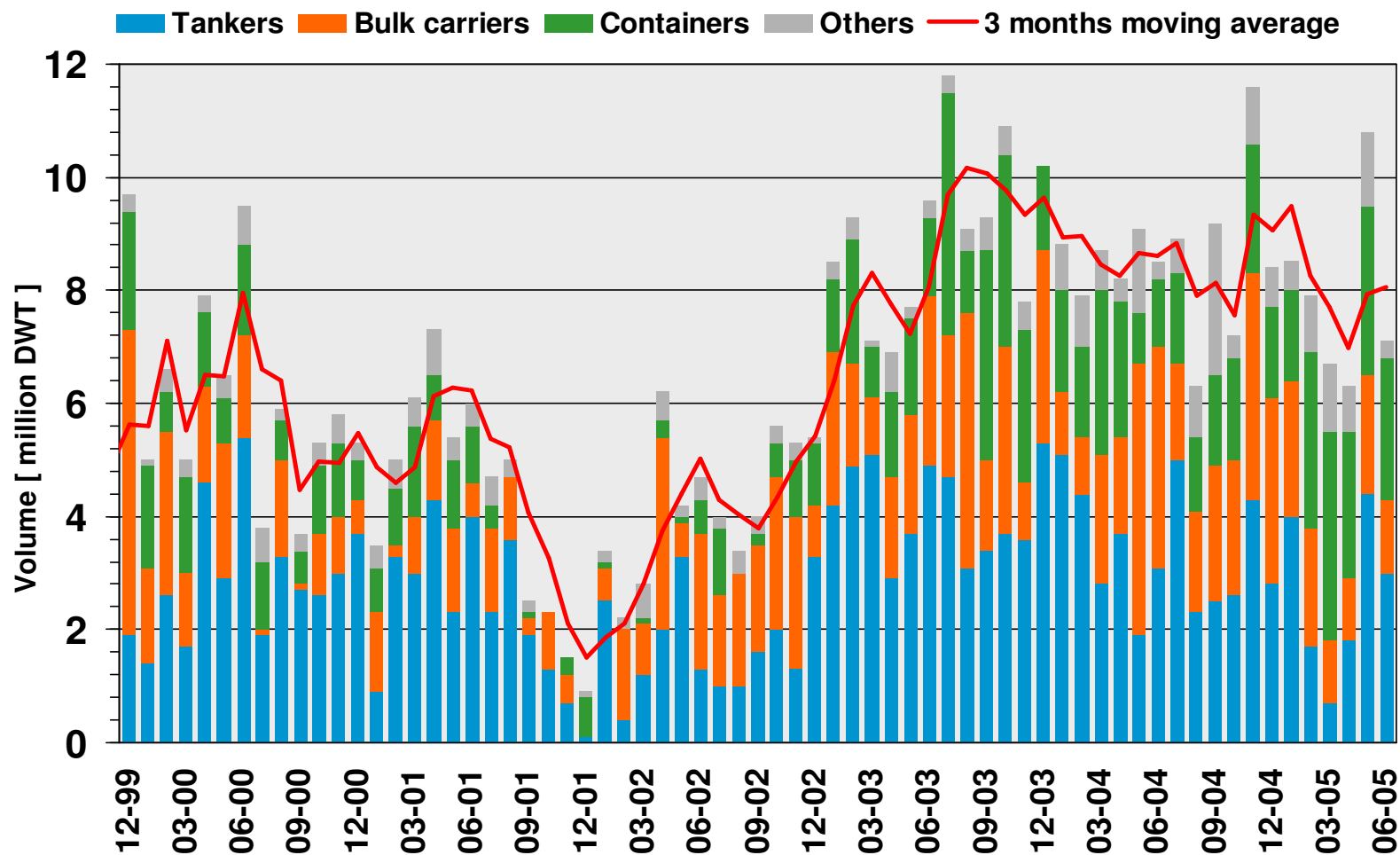
Medium speed auxiliary engines



Total market volume last 12 months:
3,600 MW (3,700)

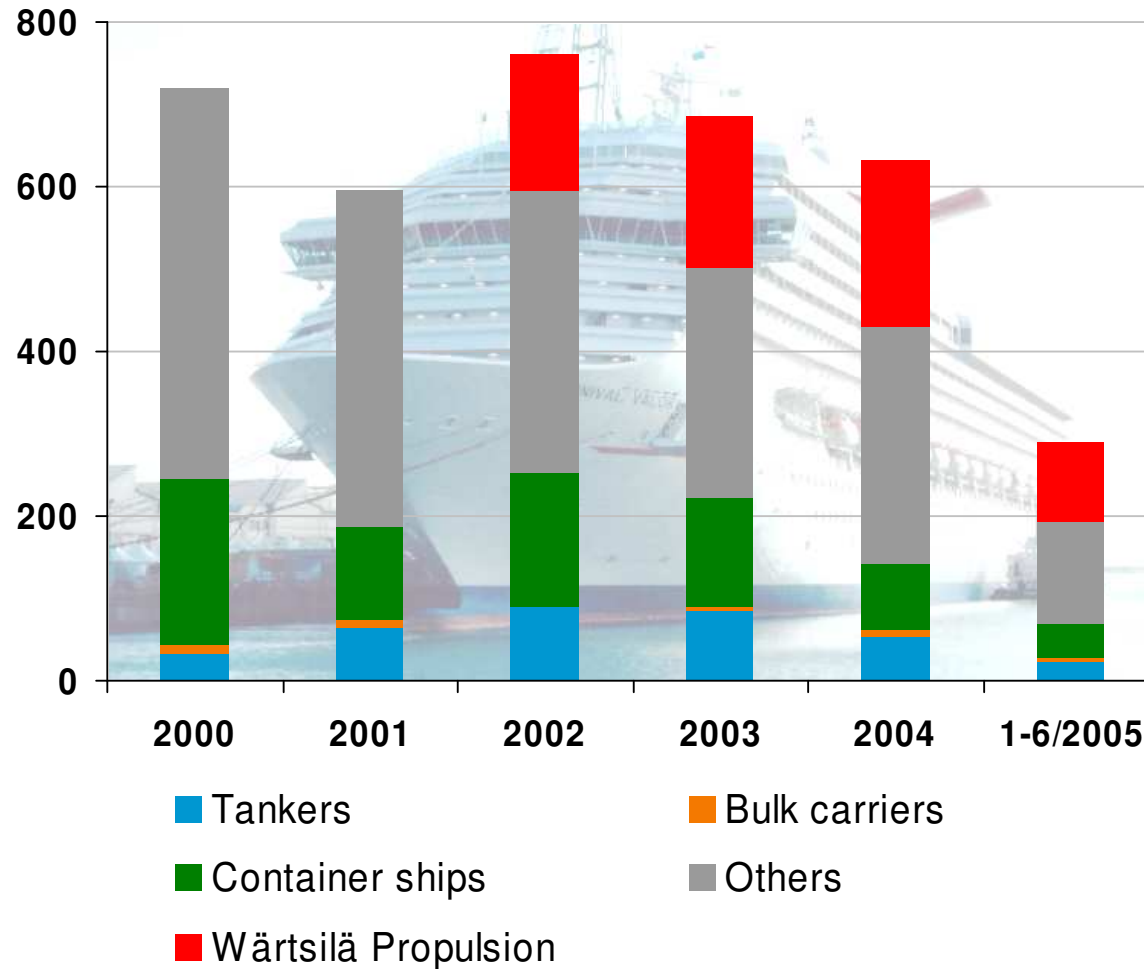
Wärtsilä's own calculation is based on: Lloyd's Register – Fairplay, Clarkson's Research Studies and BRL Shipping Consultants.
Market shares based on installed power, numbers in brackets are from 12 months ago.

Vessel orders



Source: Clarkson Research Studies
Note: Cargo vessels > 5,000 dwt

Net sales of Ship Power by vessel type



	Q2/2005	Q2/2004	Change%	2004
Net sales, MEUR	266.8	232.0	15.0%	936.8
Personnel, end of period	6 839	6 193	10.4%	6 378
Long-term service agreements, MW	9,505	9,668	-1.7%	9,609
O&M (operation and maintenance agreements), MW	2,560	2,572	-0.5%	2,569

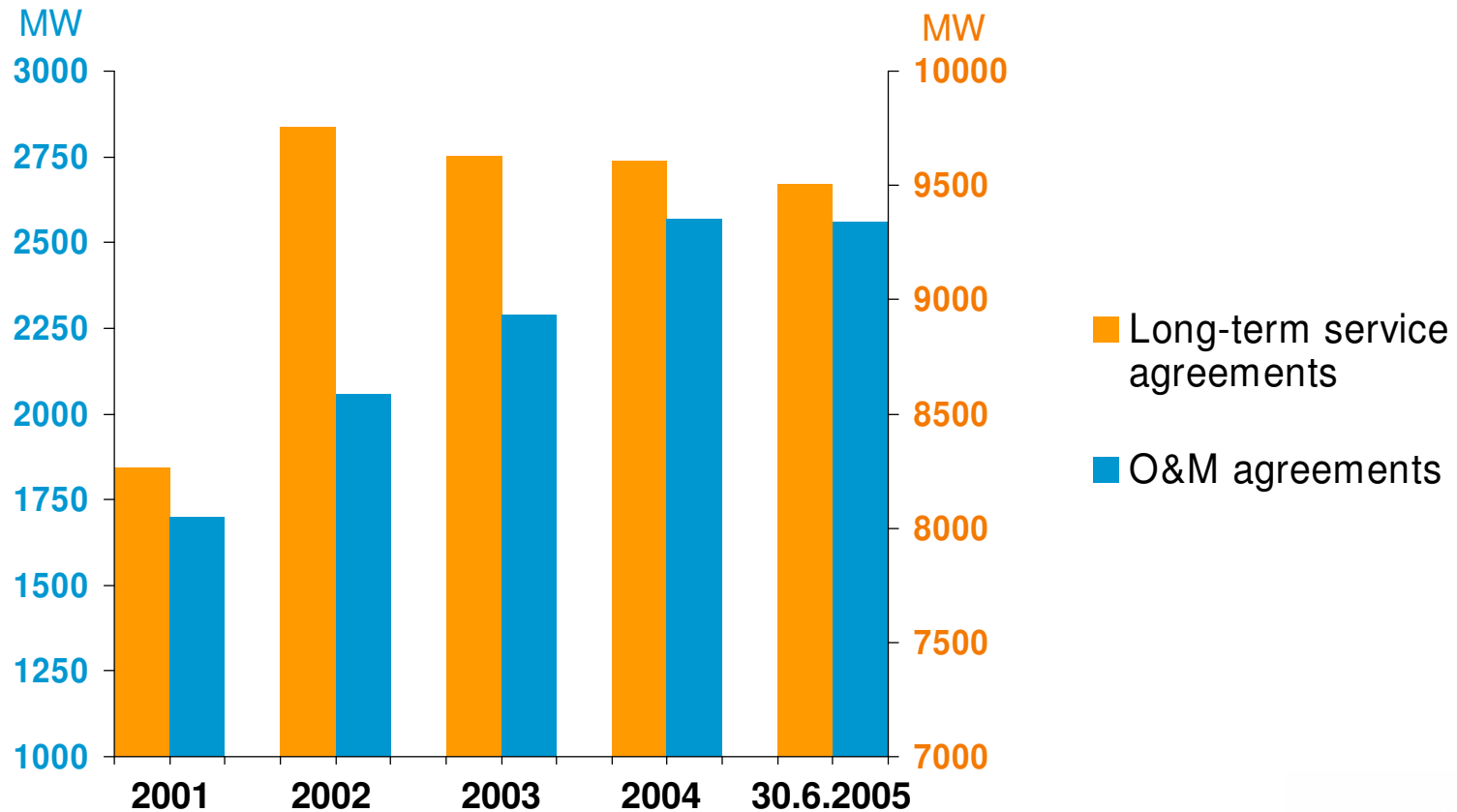


Power Businesses net sales Q2/2005
EUR 655.2 million.

- Service 40.7%

Long-term service and O&M agreements

- Active engine base 148,000 MW
- Long-term service and O&M agreements cover 12,000 MW



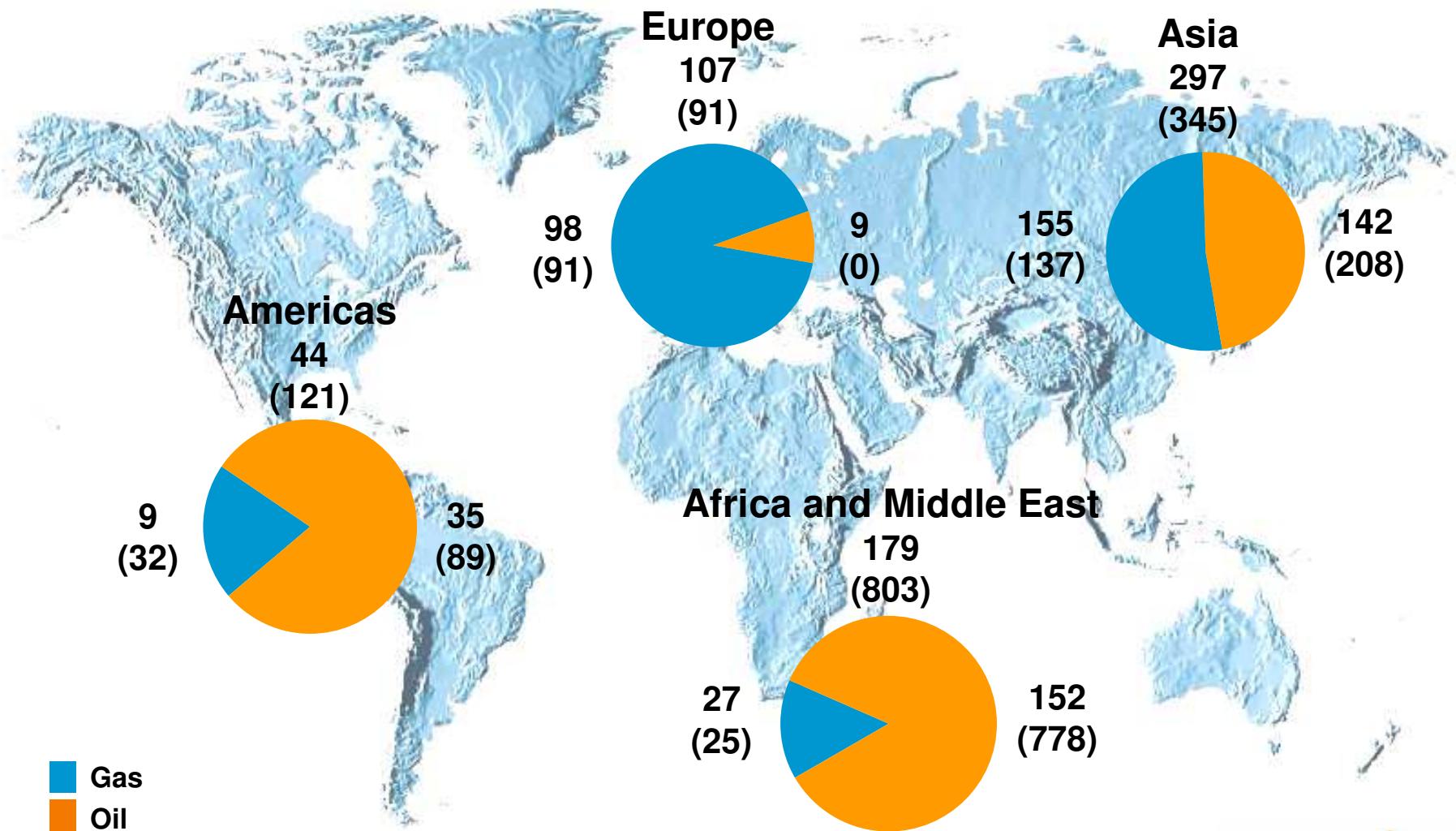
<u>MEUR</u>	<u>Q2/2005</u>	<u>Q2/2004</u>	<u>Change</u>	<u>2004</u>
Net sales	230.9	104.5	121.0%	651.9
Order intake	123.9	161.4	-23.2%	1,019.5
Order intake, MW				
heavy fuel oil	188	292	-35.7%	1,664
gas	133	77	73.2%	649
BioPower, MW _{th}	21	0		110
Order book, end of period	665.9	778.7	-14.5%	752.4



Power Businesses net sales Q2/2005
EUR 655.2 million.

- Power Plants 35.2%

Power plant order intake 1-6/2005: 627 MW (1,359)



OVAKO

- The new company was accounted for as an associated company from 1st of May 2005.
- Wärtsilä's ownership in the company is 26.5%. Wärtsilä's share of the associated company's result was EUR 6.7 million.
- The holding's balance sheet value EUR 101.0 million.
- Wärtsilä has granted a shareholders' loan of EUR 21.2 million to Ovako.

ASSA ABLOY

- Wärtsilä owns 4.7% of Assa Abloy shares.
- The holding's market value EUR 184.1 million (30th June 2005).

Wärtsilä's prospects 2005 and 2006



- The net sales of Wärtsilä Power Businesses for the current year are estimated to grow approximately 15%.
- Regardless of the fluctuations between the individual quarters, the full-year profitability (EBITA) of Power Businesses is expected to be around 8%.
- Net sales in 2006 are estimated to increase by about 10% based on the current strong order book and lively market activity.
- Profitability (EBITA) in 2006 is estimated to improve slightly.

THANK YOU!



WÄRTSILÄ