

Wärtsilä Corporation QUARTERLY REPORT 30 October 2007 at 8.30 local time

INTERIM REPORT JANUARY - SEPTEMBER 2007

YET ANOTHER QUARTER OF STRONG ORDER INTAKE – MARKET EXPECTED TO REMAIN ACTIVE

HIGHLIGHTS OF THE THIRD QUARTER JULY- SEPTEMBER 2007

- Order intake EUR 1,514 million (1,090), growth 39%
- Net sales EUR 933 million (767), growth 22%
- Operating result EUR 96 million (56), growth 71%
- Profitability 10.3% (7.3)

HIGHLIGHTS OF THE REVIEW PERIOD JANUARY-SEPTEMBER 2007

- Order intake EUR 4,039 million (3,304), growth 22%
- Order book total EUR 6,162 million (4,108), growth 50%
- Net sales EUR 2,491 million (2,204), growth 13%
- Operating result EUR 233 million (162), growth 43%
- Profitability 9.3% (7.4)
- EPS 1.69 (comparable EPS 1.42)
- Cash flow strongly positive

OLE JOHANSSON, PRESIDENT & CEO:

“Good demand continued in the markets boosting new orders and resulting in an order book of EUR 6 billion. Net sales grew strongly by 22% supported by the strong order book in Ship Power and high activity in Services. The enlarged manufacturing capacity in Vaasa, Trieste and China will support continuing growth prospects.”

WÄRTSILÄ’S PROSPECTS IN 2007

Demand in the ship power and energy markets looks likely to remain active for Wärtsilä for the next two quarters. Based on the strong order book, Wärtsilä’s net sales are expected to grow this year by around 15%. Full year profitability will exceed 9%. Wärtsilä sees further possibilities for growth in 2008.

ANALYST AND PRESS CONFERENCE

An analyst and press conference will be held on Tuesday 30 October 2007 starting at 10.45 a.m. Finnish time (8.45 a.m. UK time) at the Wärtsilä headquarters in Helsinki, Finland. The combined web- and teleconference can be viewed on the Internet at the following address: <http://194.100.179.98:80/wip/directlink.do?newbrowser=1&pid=1841477>. To participate in the teleconference and have the possibility to ask questions, please call: +358 9 8248 3735 and enter the PIN-code 8503. To only listen to the teleconference call the same number and enter PIN-code 8823. An on-demand version of the conference will be available on the company website later the same day.

Wärtsilä Corporation

Raimo Lind

Executive Vice President & CFO

Eeva Kainulainen

Vice President, Corporate Communications

Wärtsilä in brief

Wärtsilä enhances the business of its customers by providing them with complete lifecycle power solutions. When creating better and environmentally compatible technologies, Wärtsilä focuses on

the marine and energy markets with products and solutions as well as services. Through innovative products and services, Wärtsilä sets out to be the most valued business partner of all its customers. This is achieved by the dedication of more than 15,000 professionals manning 150 Wärtsilä locations in close to 70 countries around the world.

## INTERIM REPORT JANUARY-SEPTEMBER 2007

The figures in this interim report are unaudited.

### THIRD QUARTER 7-9/2007 IN BRIEF

EUR million	7-9/2007	7-9/2006	Change
Order intake	1 514	1 090	39%
Net sales	933	767	22%
Operating result	96	56	71%
% of net sales	10.3%	7.3%	
Profit before taxes	95	58 1)	63%
Earnings per share, EUR	0.71	0.40 1)	

1) For comparability reasons the 7-9/2006 figure does not include Wärtsilä's share of Ovako's profit after taxes, EUR 3 million.

### REVIEW PERIOD 1-9/2007 IN BRIEF

MEUR	1-9/2007	1-9/2006	Change	2006
Order intake	4 039	3 304	22 %	4 621
Order book 30 September	6 162	4 108	50 %	4 439
Net sales	2 491	2 204	13 %	3 190
Operating result	233	162	43 %	262
% of net sales	9.3%	7.4%		8.2%
Profit before taxes	227	163 1)	39%	255 2)
Earnings per share, EUR	1.69	1.42 1)		2.03 2)
Cash flow from operating activities	299	172	74%	302
Interest-bearing net debt at the end of the period	61	185	-67%	55
Gross capital expenditure	172	142	21%	193

1) For comparability reasons the 1-9/2006 figure does not include Wärtsilä's share of Ovako's profit after taxes, EUR 18 million and the capital gain of EUR 124 million from the sale of Assa Abloy B shares.

2) For comparability reasons the 2006 figure does not include Wärtsilä's share of Ovako's profit after taxes, EUR 67 million and the capital gain of EUR 124 million from the sale of Assa Abloy B shares.

## MARKET DEVELOPMENT

### Ship Power

During the period, vessel order volumes have continued to grow from last year and it is clear that for the year 2007, new all-time-high figures will be reached, both in terms of number of vessels and tonnage. As regards the number of vessels, contracting is approximately 15% above the previous year's level, while tonnage is up by 40%. Among the shipbuilding nations, China has kept its position during the review period January–September 2007, having 41% of new vessel orders, while Korea, the number two shipbuilding nation, has 30%. Europe has a 9% and Japan has a 10 % share of vessels ordered during 2007. On a year-on-year comparison, China and Korea have gained market share whereas Europe and Japan's share has diminished.

Order volumes for the bulk carrier segment doubled compared to the previous year, and this continues to be the strongest segment. In the container vessel segment, the boom continued in the

ultra large sizes. The offshore market is still very active and a slowdown in demand can be seen only in small supply vessels.

#### Wärtsilä Ship Power market shares

The third quarter did not bring any major changes to Wärtsilä market shares. In medium-speed main engines, Wärtsilä's share remained at 42% for the 12 month period ending at the end of the third quarter (42% at the end of the previous quarter). Market share for low-speed main engines grew slightly to 16% (15% at the end of the previous quarter), while auxiliary engines' market share remained at 5% (5% at the end of the previous quarter). The total market for medium-speed main engines decreased from 9,400 MW to 8,700 MW. The low-speed market grew significantly to 34,100 MW (29,400). The very high demand in the bulk carrier segment in Asian yards has decreased the yard capacity for vessels powered by medium-speed engines and this has led to the somewhat slower development in demand for medium-speed engines. Bulk carriers are mainly powered by low-speed engines.

#### Power Plants

Demand in the Power Plant market remained high and all segments relevant to Wärtsilä – baseload production, industrial self-generation and grid stability – were active during the review period. Markets continued to be globally active.

Demand for oil-fired power plants was strong during the review period, especially in Africa and the Middle East. The order intake for power plants running on renewable fuels, which includes among others liquid bio-fuel power plants, continued actively especially in Italy. Demand for gas-fired power plants, remained at a healthy level.

#### Wärtsilä's market shares in Power Plants

Wärtsilä has a strong foothold in the market for heavy fuel oil (HFO) power plants. For the period June 2006 to May 2007 Wärtsilä's market share was approximately 38% (34) of the HFO market in Wärtsilä's power range. In the market for light fuel oil (LFO) power plants, including liquid biofuels, Wärtsilä had 24% (23). The gas power plant market is growing and Wärtsilä sees good growth potential in it. Wärtsilä's market share in the relevant gas power plant market grew to approximately 12% (8).

#### ORDER INTAKE AND ORDER BOOK

Wärtsilä's order intake continued to be very strong and amounted to EUR 1,514 million (1,090) in the third quarter, representing a 39% growth. In the Ship Power business, the July - September period again marked an all-time-high quarter with an order intake totalling EUR 766 million. This was 56% higher than for the corresponding period in 2006. During the third quarter orders for various kinds of merchant vessels exceeded those for the previously dominant offshore segment. Wärtsilä also received many orders for auxiliary engines for bulk carriers to be built in Chinese shipyards. Demand in the offshore segment remained strong and Wärtsilä booked several orders for anchor handlers, supply vessels, and other offshore vessels - both for European and Asian customers. A slight slowdown could be seen in offshore supply vessels.

The Power Plant market was active during the third quarter and the order intake for the third quarter amounted to EUR 420 million (335), representing growth of 25%. Orders for 969 MW were booked during the period. The most active market areas in terms of order intake during the third quarter were Europe (362 MW) and Africa (295 MW). All customer segments remained active. During the quarter Wärtsilä was particularly successful in the Russian and Eastern European markets. Important oil and gas industry orders were booked for gas compression purposes in Hungary, oil pumping in Russia, and for refinery power production in the Ukraine. Additionally, the first order ever from Belarus was secured for a combined heat and power installation. The Italian liquid bio

fuel market continued to be active and Wärtsilä received 7 orders during the quarter for more than 70 MW in total. Important gas-fired orders totalling 216 MW were received from four customers in Turkey and an additional 108 MW was sold to Azerbaijan. The African market continues to be active with orders coming from many parts of the African continent. Wärtsilä's single biggest order this quarter was a 122 MW oil fired plant to a utility customer in Morocco.

In the review period January-September Wärtsilä's order intake totalled EUR 4,039 million (3,304), representing growth of 22%. The Ship Power order intake grew by a further 19% to EUR 1,960 million from the very high level of EUR 1,651 million. The Power Plant order intake amounted to EUR 958 million (716), representing growth of 34%.

At the end of the review period Wärtsilä's order book stood at a new all-time high level of EUR 6,162 million (4,108), representing growth of 50%. The Ship Power order book stood at EUR 4,183 million (2,801), corresponding to deliveries for approximately two years. The Power Plants order book stood at EUR 1,548 million (967).

#### Order intake, third quarter 7-9/2007

MEUR	7-9/2007	7-9/2006	Change
Ship Power	766	490	56 %
Services	326	266	23 %
Power Plants	420	335	25 %
Order intake, total	1 514	1 090	39 %

#### Order intake Power Plants

MW	7-9/2007	7-9/2006	Change
Oil, MW	495	163	204 %
Gas plants, MW	402	425	-5 %
Renewable fuels, MW	87	70	24 %

#### Order intake review period 1-9/2007

MEUR	1-9/2007	1-9/2006	Change	2006
Ship Power	1 960	1 651	19 %	2 270
Services	1 118	934	20 %	1 322
Power Plants	958	716	34 %	1 027
Order intake, total	4 039	3 304	22 %	4 621

#### Order intake Power Plants

MW	1-9/2007	1-9/2006	Change	2006
Oil, MW	939	712	32 %	766
Gas plants, MW	761	707	8 %	1 232
Renewable fuels, MW	404	229	76 %	353

#### Orderbook by business

MEUR	30.9.2007	30.9.2006	Change	2006
Ship Power	4 183	2 801	49 %	3 020
Services	429	338	27 %	357
Power Plants	1 548	967	60 %	1 061
Order book, total	6 162	4 108	50 %	4 439

#### NET SALES

During the third quarter Wärtsilä's net sales increased by 22%. Ship Power net sales grew by 69% and Services net sales by 26%. Organic growth in Services accounted for 24% in the third quarter. Power Plants net sales decreased by 17% due to the uneven character of the business. In terms of net sales the fourth quarter will be the strongest for the Power Plants business.

Wärtsilä's net sales for the review period January-September totalled EUR 2,491 million (2,204), a growth of 13%. Ship Power net sales grew strongly by 50% to EUR 871 million (580). Power Plants net sales amounted to EUR 491 million (706). The net sales from the Services business increased to EUR 1,119 million (916), a growth of 22% over the corresponding period last year. Organic growth represented 18% of Services net sales growth. Services net sales accounted for 45% of Wärtsilä's total net sales, Ship Power represented 35% and Power Plants 20%.

#### Net sales, third quarter 7-9/2007

MEUR	7-9/2007	7-9/2006	Change
Ship Power	310	184	69 %
Services	394	312	26 %
Power Plants	228	274	-17 %
Net sales, total	933	767	22 %

#### Net sales review period 1-9/2007

MEUR	1-9/2007	1-9/2006	Change	2006
Ship Power	871	580	50 %	985
Services	1 119	916	22 %	1 266
Power Plants	491	706	-31 %	934
Net sales, total	2 491	2 204	13 %	3 190

## FINANCIAL RESULTS

In the third quarter the operating result rose to EUR 96 million (56) and the profitability increased to 10.3% (7.3). In the review period 1-9/2007 the operating result improved to EUR 233 million (162), representing profitability of 9.3% (7.4).

In the review period 1-9/2007 the financial items amounted to EUR -6 million (1). Net interest totalled EUR -7 million (-9). Dividends received amounted to EUR 7 million (8). Profit before taxes was EUR 227 million (305, out of which EUR 142 million refers to Wärtsilä's share of Ovako profit after taxes and sales of Assa Abloy B shares)

Taxes in the reporting period amounted to EUR 64 million (61). Taxes in the comparison period included deferred tax assets totalling EUR +26 million relating to previously recognized restructuring expenses.

Earnings per share for the review period were EUR 1.69 (2.59, comparable EPS 1.42).

## BALANCE SHEET, FINANCING AND CASH FLOW

Liquid reserves at the end of the period amounted to EUR 202 million (143). Net interest-bearing loan capital totalled EUR 61 million (185). The solvency ratio was 46.1% (47.3) and gearing was 0.08 (0.15).

Cash flow from operating activities for January-September 2007 was strong and totalled EUR 299 million (172).

## 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 106 million.

## CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 172 million (142), which comprised EUR 59 million (76) in acquisitions and investments in securities and EUR 113 million (66) in

production and information technology investments. Depreciation amounted to EUR 56 million (53).

Due to the strong volume growth the total capital expenditure for 2007 is expected to be EUR 170 million excluding acquisitions.

#### STRATEGIC ACQUISITIONS AND JOINT VENTURES

In January Wärtsilä and Hyundai Heavy Industries Co. Ltd (HHI) signed an agreement to set up a 50/50-owned joint venture in Korea to manufacture dual-fuel engines for LNG (liquefied natural gas) carriers. The total equity of the company will be EUR 58 million, Wärtsilä's share being EUR 29 million. The joint venture will manufacture Wärtsilä 50DF dual-fuel engines for the Korean, Japanese, Chinese and Taiwanese shipbuilding markets. The first engine will be delivered during the second half of 2008. The Trieste delivery centre in Italy will continue to manufacture Wärtsilä 50DF dual-fuel engines for the marine markets outside East Asia and for the growing worldwide power plant market. In June, the European Union competition authorities cleared the joint venture and the permits from the different authorities to start the business, have been received.

To support its growth targets, Wärtsilä has acquired companies in order to broaden the Services and Ship Power product offering, and to increase geographical presence in key areas.

In February Wärtsilä acquired the Swedish company Senitec AB. The company specializes in environmental technology products for separating waste, such as oily water and sludge, in power plants, harbours and ships. This new business gives Wärtsilä the possibility to expand its offering of environmental solutions in waste management.

In February Wärtsilä acquired the entire business of Marine Propeller (Pty) Ltd in Cape Town, South Africa. Marine Propeller (Pty) Ltd focuses mainly on repairing propellers.

In May Wärtsilä continued extending its service offering in Propulsion services with the acquisition of UK-based propeller repair company McCall Propellers Ltd. The acquisitions complement Wärtsilä's propeller services.

In May Wärtsilä signed an agreement to acquire the marine business of Railko Ltd. in the UK, a company specializing in stern tube bearing technology. The acquisition will improve Wärtsilä's competitive position in oil-lubricated bearing systems and adds water-lubricated bearings to the product portfolio. Railko's products are used on all types of vessels, from cruise ships to cargo vessels. The acquisition was finalized at the beginning of July.

In August Wärtsilä acquired the Scottish company, Electrical Power Engineering (Scotland) Ltd. The company specializes in electrical power engineering solutions for marine, offshore, industrial and utilities segments.

The total acquisition price of the acquisitions mentioned above is EUR 42 million out of which EUR 24 million is reported as goodwill.

#### OTHER STRATEGIC ISSUES

In January Wärtsilä announced a public offer to the minority shareholders of Wärtsilä India Ltd to acquire 1,240,599 shares, or 10.3% of the share capital. The offer period expired on 23 March 2007. The delisting offer was successful and 8.2% of the total shares were acquired. This implies a consideration of EUR 11 million, of which EUR 8 million has been recognised as goodwill. Wärtsilä holds 97.9% of Wärtsilä India shares. The shares of Wärtsilä India Ltd were delisted from the Bombay Stock Exchange on 18 June 2007.

To improve marine customer service in the rapidly growing Chinese markets, Wärtsilä opened a large reconditioning workshop in Shanghai in March. In May Wärtsilä also opened a service workshop close to Saigon port in Ho Chi Minh City and an office in Hanoi to serve the growing Vietnamese shipping, shipbuilding and power industries.

The demand for training services is steadily rising and Wärtsilä opened a new training centre in South Korea, the world's largest shipbuilding country, to provide training for customers' engineers.

In May Wärtsilä and Vietnam Shipbuilding Industry Corporation (Vinashin) signed a licence agreement for the manufacture and sale of Wärtsilä low-speed marine engines in Vietnam.

Wärtsilä Ship Power is in the process of reorganising into five Ship Power customer segments: Merchant, Offshore, Cruise & Ferry, Navy, and Special Vessels. The aim is to respond better to market requirements and technology development, as well as to be prepared for market fluctuations. The new organisation will be fully operational by the end of 2007.

## MANUFACTURING

The new production facilities in both Vaasa and Trieste became operational during the third quarter. Ramp up to full utilization is expected during the fourth quarter as planned. Investments to increase the propulsion production capacity, gearboxes and controllable pitch propellers in India, the Netherlands and Norway are proceeding according to plan. Most of this additional propulsion capacity will become available in 2008.

Construction work in the joint venture with Hyundai Heavy industries in Korea to manufacture dual-fuel engines for LNG carriers has started and is proceeding according to plan.

The establishment of the joint venture between Wärtsilä, China Shipbuilding Industry Corporation (CSIC) and Mitsubishi Heavy Industries (MHI) to manufacture large low-speed marine engines in China is proceeding according to plan. Production is expected to begin in the fourth quarter of 2008.

Good progress has been made to enlarge the supplier base in order to ensure capacity and availability of components.

## R&D

In June Wärtsilä and MAN Diesel submitted a follow-up of the Hercules project, a new large-scale collaborative research project; Hercules-B, to the European Commission. The principal aim of the proposed Hercules-B is to considerably improve the efficiency of marine diesel propulsion systems and to achieve substantial reductions in fuel consumption and emissions. The first phase of the Hercules project ended in September.

During the third quarter Wärtsilä introduced the new 20-cylinder 46F engine offering more power and lower emissions while maintaining high energy efficiency.

## PERSONNEL

Wärtsilä had 15,040 (13,100) employees on average during the reporting period and 15,811 (13,986) at the end of September. The largest personnel increases took place in the Services business where the personnel increase was close to 11% compared to the corresponding period 2006. At the end of the period the Services business employed 9,288 (8,387).

## SHARES AND SHAREHOLDERS

### SHARES ON HELSINKI EXCHANGES

30 September 2007

A-share

B-share

Total

Number of shares	23 579 587	72 228 127	95 807 714
Number of votes	235 795 870	72 228 127	308 023 997
Number of shares traded, 1-9/2007	4 373 696	87 172 298	91 545 994

<b>1 Jan.- 30 September 2007</b>	<b>High</b>	<b>Low</b>	<b>Average 1)</b>	<b>Close</b>
A-share	50.50	38.05	45.71	48.60
B-share	51.94	38.44	46.45	48.05

1) Trade-weighted average price.

<b>Market capitalization</b>	<b>30 Sept. 2007</b>	<b>30 Sept. 2006</b>
MEUR	4616	3021

<b>Foreign shareholders</b>	<b>30 Sept. 2007</b>	<b>30 Sept. 2006</b>
	32.8%	28.5%

## CHANGES IN OWNERSHIP

On 3 July 2007 Varma Mutual Pension Insurance Company increased its holding in Wärtsilä Corporation. Following the transaction Varma owned 2,795,615 A shares and 1,188,691 B shares giving a total holding of 3,984,306 Wärtsilä shares or 4.16% of Wärtsilä's share capital and 9.46% of the total votes.

On 3 July 2007 Sampo plc decreased its holding in Wärtsilä Corporation. Following the transaction Sampo owns 584,668 A shares or 0.61% of Wärtsilä's share capital and 1.90% of the total votes.

On 22 August 2007 Svenska Litteratursällskapet i Finland r.f. increased its holding in Wärtsilä Corporation. Following the transaction it owns over 1/20 of the company's votes, 1,546,596 A shares and 17,000 B shares giving a total holding of 1,563,596 Wärtsilä shares or 1.63% of Wärtsilä's share capital and 5.03% of the total votes.

On 23 August 2007 Varma Mutual Pension Insurance Company increased its holding in Wärtsilä Corporation. Following the transaction it owns over one tenth (1/10) of the company's votes, 3,547,257 A shares and 1,188,691 B shares giving a total holding of 4,735,948 Wärtsilä shares or 4.94% of Wärtsilä's share capital and 11.91% of the total votes.

## OPTION SCHEMES

During the review period Wärtsilä had two option schemes. The 2001 option scheme ended on 31 March 2007. The 2002 option scheme will end on 31 March 2008. Based on the option schemes altogether 192.903 shares, representing 0.2 % of the share capital remained unsubscribed at the end of the review period.

## DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting on 14 March 2007 approved the financial statements and discharged the company's President & CEO and the members of the Board of Directors from liability for the financial year 2006. The Meeting approved the Board of Directors' proposal to pay a dividend of 1.75 euros per share.

Wärtsilä's 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 Heikki Allonen, Mr Göran J. Ehrnrooth, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria. The firm of authorized public accountants KPMG Oy Ab were appointed as the company's auditors.

## AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

The AGM authorized the Board to issue new Series A and/or Series B shares in one or several instalments. The share issue can be executed on the conditions and at the price determined by the Board.

Under this authorization at most totally 9,555,434 new shares may be issued. Within this total amount of shares

- at most 2,357,958 new A shares and at most 7,197,476 new B shares are issued to the shareholders in proportion to their existing holdings, and/or
- at most 9,555,434 B shares are issued, disapplying the pre-emptive right of the shareholders provided that the Company has important financial grounds for doing so.

The authorization may be exercised, within the restrictions listed above, to develop the company's capital structure, to broaden its ownership base, as consideration in acquisitions or when the company acquires assets related to its business. The rights issue may also be executed as payment in kind or by using the right of set-off.

The authorization remains in force until the following Annual General Meeting.

## ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors of Wärtsilä Corporation elected Antti Lagerroos as its chairman and Göran J. Ehrnrooth 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; Members Maarit Aarni-Sirviö, Heikki Allonen and Matti Vuoria.

Nomination Committee:

Chairman Antti Lagerroos; Members Göran J. Ehrnrooth and Matti Vuoria.

Compensation Committee:

Chairman Antti Lagerroos; Members Heikki Allonen and Matti Vuoria.

## RISKS AND BUSINESS UNCERTAINTIES

The very high demand has led to a short supply of certain key components. Examples of bottlenecks are castings and forgings where global demand exceeds supply. Various measures by Wärtsilä to ensure the availability of these key components have been initiated and many suppliers have invested in their production capacity, many of which are already operational.

## MARKET OUTLOOK

The outlook for the global economy remains strong and is expected to remain favourable in the near future. The shipping and shipbuilding industries continue to be active. The freight markets have remained strong and freight rates are still at historically high levels. Slightly higher interest rates, inflation and the recent developments in the US credit market have not affected the shipbuilding market. However, the increase in deliveries of new ships has become faster than growth in demand for new tonnage and this is expected to start affecting the freight market in the medium term. The market is expected to continue to be active, at least for the next two quarters. Also offshore investments in both vessels and various production units are expected to remain at a high level for at least half a year. It is also expected that the market for passenger-cargo vessels will revive during the fall and winter.

Demand in the Power Plants business is expected to remain strong for the next two quarters. Power Plants is enjoying all-time high inquiry levels and requests for quotations. All relevant customer segments and geographical areas remain active. Wärtsilä's power generation equipment brings added value in terms of fuel flexibility and efficiency, in a market where energy security and the responsible use of fuels are at the forefront of the energy debate.

#### WÄRTSILÄ'S PROSPECTS FOR 2007

Demand in the ship power and energy markets looks likely to remain active for Wärtsilä for the next two quarters. Based on the strong order book, Wärtsilä's net sales are expected to grow this year by around 15%. Full year profitability will exceed 9%. Wärtsilä sees further possibilities for growth in 2008.

#### WÄRTSILÄ INTERIM REPORT JANUARY – SEPTEMBER 2007

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 2006. 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) as of 1 January 2007:

- IFRS 7, financial instruments: Disclosures
- Amendment to IAS 1, Capital disclosures
- IFRIC 8: Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 10, Interim financial Reporting and Impairment.

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.

29 October 2007

Wärtsilä Corporation  
Board of Directors

#### CONDENSED INCOME STATEMENT

MEUR	1-9/2007	1-9/2006	2006
Net sales	2 491	2 204	3 190
Other income	11	14	25
Expenses	-2 214	-2 002	-2 881
Depreciation and impairment	-56	-53	-72
Operating result	233	162	262
Financial income and expenses	-6	1	-7
Net income from assets available for sale		124	124
Share of profit of associates		19	68

Profit before taxes	227	305	447
Taxes for the period	-64	-61	-94
Profit for the financial period	163	245	353
Attributable to:			
Equity holders of the parent company	161	244	351
Minority interest	1	1	2
Total	163	245	353
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	1.69	2.59	3.72
Diluted earnings per share, EUR	1.68	2.56	3.71

## CONDENSED BALANCE SHEET

MEUR	30 Sep 2007	30 Sep 2006	31 Dec 2006
<b>Non-current assets</b>			
Intangible assets	647	593	602
Property, plant and equipment	357	298	315
Equity in associates	11	3	3
Investments available for sale	168	163	183
Deferred tax receivables	72	81	87
Other receivables	43	7	43
	1 297	1 146	1 233
<b>Current assets</b>			
Equity in associates	1	127	6
Inventories	1 113	881	838
Other receivables	980	807	932
Cash and cash equivalents	202	143	179
	2 296	1 958	1 955
<b>Assets</b>	<b>3 593</b>	<b>3 104</b>	<b>3 188</b>
<b>Shareholders' equity</b>			
Share capital	335	331	334
Other shareholders' equity	889	886	882
Total equity attributable to equity holders of the parent	1 225	1 217	1 217
Minority interest	8	10	13
<b>Total shareholders' equity</b>	<b>1 232</b>	<b>1 227</b>	<b>1 230</b>
<b>Non-current liabilities</b>			
Interest-bearing debt	253	208	205
Deferred tax liabilities	80	58	74
Other liabilities	76	74	73
	409	341	352
<b>Current liabilities</b>			
Interest-bearing debt	43	123	66
Other liabilities	1 909	1 413	1 540
	1 951	1 536	1 606
<b>Total liabilities</b>	<b>2 360</b>	<b>1 877</b>	<b>1 958</b>
<b>Shareholders' equity and liabilities</b>	<b>3 593</b>	<b>3 104</b>	<b>3 188</b>

## CONDENSED CASH FLOW STATEMENT

MEUR	1-9/2007	1-9/2006	2006
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<b>Cash flow from operating activities:</b>			
Profit before taxes	227	305	447
Depreciation and impairment	56	53	72
Financial income and expenses	6	-1	6
Selling profit and loss of fixed assets and other adjustments	-3	-121	-129
Share of profit of associates		-19	-68
Changes in working capital	126	16	52
Cash flow from operating activities before financial items and taxes	411	234	379
Net financial items and income taxes	-112	-62	-77
<b>Cash flow from operating activities</b>	<b>299</b>	<b>172</b>	<b>302</b>
<b>Cash flow from investing activities:</b>			
Investments in shares and acquisitions	-59	-76	-86
Net investments in tangible and intangible assets	-110	-53	-94
Proceeds from sale of shares		149	318
Cash flow from other investing activities	11	9	11
<b>Cash flow from investing activities</b>	<b>-159</b>	<b>29</b>	<b>148</b>
<b>Cash flow from financing activities:</b>			
Issuance of share capital	3	7	19
New long-term loans	65	2	6
Amortization and other changes in long-term loans	-30	-31	-37
Dividends paid	-168	-141	-283
Changes in short term loans and other financing activities	15	-10	-92
<b>Cash flow from financing activities</b>	<b>-115</b>	<b>-174</b>	<b>-387</b>
<b>Change in liquid funds, increase (+) / decrease (-)</b>	<b>25</b>	<b>27</b>	<b>63</b>
Cash and cash equivalents at beginning of period	179	120	120
Fair value adjustments, investments			1
Exchange rate changes	-4	-4	-4
Cash and cash equivalents at end of period	202	143	179

#### 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	Trans-lation differences	Fair value and other reserves	Retained earnings		
<b>Shareholders' equity on 31 December 2006</b>	334	58	3	128	693	13	1 230
Translation differences			1				2
Other changes						-6	-6
Available-for-sale investments gain / loss from fair valuation, net of taxes				-9			-9
Cash flow hedges after taxes				18			18
<b>Net income recognized directly in equity</b>			1	9		-5	5
Profit for the financial period					161	1	163
<b>Total recognized income an expense for the period</b>			1	9	161	-4	167
Options exercised	1	2					3
Dividends paid					-167	-1	-168
<b>Shareholders' equity on 30 September 2007</b>	<b>335</b>	<b>60</b>	<b>4</b>	<b>137</b>	<b>688</b>	<b>8</b>	<b>1 232</b>

<b>Shareholders' equity on 31 December 2005</b>	329	44	7	147	626	10	1163
Translation differences			-2			-1	-2
Other changes						1	1
Available-for-sale investments							
gain/loss from fair valuation, net of taxes				10			10
transferred to income statement, net of taxes				-81			-81
Cash flow hedges after taxes				26			26
<b>Net income recognized directly in equity</b>			-2	-45		0	-46
Profit for the financial period					244	1	245
<b>Total recognized income and expense for the period</b>			-2	-45	244	1	199
Options exercised	2	5					7
Dividends paid					-141		-141
<b>Shareholders' equity on 30 September 2006</b>	331	49	5	102	729	10	1228

#### BUSINESS SEGMENTS

##### Income statement 1-9/2007

	<b>Power Businesses</b>	<b>Holdings</b>	<b>Unallocated</b>	<b>Group</b>
<b>MEUR</b>				
Net sales	2 491			2 491
Operating result	233			233
Financial income and expenses, dividends		6	-12	-6
Profit before taxes				227
Assets	3 368	131	94	3 593
Liabilities	2 229		131	2 360
Investments	172			172
Depreciation and impairment	-56			-56

##### Income statement 1-9/2006

	<b>Power Businesses</b>	<b>Holdings</b>	<b>Unallocated</b>	<b>Group</b>
<b>MEUR</b>				
Net sales	2 204			2 204
Operating result	162			162
Financial income and expenses, dividends		8	-7	1
Net income from assets available for sale		124		124
Share of profit of associates		18		19
Profit before taxes				305
Assets	2 734	270	100	3 104
Liabilities	1 756		120	1 877
Investments	142			142
Depreciation and impairment	-53			-53

##### Geographical segments

	<b>Europe</b>	<b>Asia</b>	<b>Americas</b>	<b>Other</b>	<b>Group</b>
<b>MEUR</b>					
Net sales 1-9/2007	1 034	903	313	241	2 491
Net sales 1-9/2006	860	804	403	136	2 204

#### INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

<b>MEUR</b>	<b>1-9/2007</b>	<b>1-9/2006</b>	<b>2006</b>
<b>Intangible assets</b>			
Book value at 1 January	602	541	541
Changes in exchange rates	-6	-1	-4
Acquisitions	46	59	69

Additions	22	14	22
Depreciation and impairment	-22	-20	-28
Disposals and intra-balance sheet transfer	5		2
<b>Book value at end of period</b>	<b>647</b>	<b>593</b>	<b>602</b>

#### **Property, plant and equipment**

Book value at 1 January	315	273	273
Changes in exchange rates	-1	-4	-6
Acquisitions	1	18	18
Additions	91	52	84
Companies sold	-17		
Depreciation and impairment	-34	-33	-44
Disposals and intra-balance sheet transfer	2	-8	-11
<b>Book value at end of period</b>	<b>357</b>	<b>298</b>	<b>315</b>

#### **GROSS CAPITAL EXPENDITURE**

<b>MEUR</b>	<b>1-9/2007</b>	<b>1-9/2006</b>	<b>2006</b>
Investments in securities and acquisitions	59	76	86
Other investments	113	66	107
<b>Group</b>	<b>172</b>	<b>142</b>	<b>193</b>

During the review period investments in the factories in Vaasa, Finland and Trieste, Italy amounted to EUR 31 million, and Wärtsilä had commitments related to the investment programmes amounting to EUR 4 million at the end of the review period. The investment in the enlargement of propulsion equipment manufacturing in the Netherlands and China amounted to EUR 16 million during the review period, and Wärtsilä had commitments related to the enlargements amounting to EUR 13 million at the end of the review period. In addition, Wärtsilä's commitment related to the investment programme in the Korean joint venture Wärtsilä Hyundai Engine Company Ltd. amounted to EUR 6 million at the end of the review period.

#### **IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET**

During the reporting period Wärtsilä has acquired the propeller repair business of the South African company Marine Propeller (Pty) Ltd., a Swedish environmental technology company Senitec AB, a propeller repair company McCall propellers Ltd. in U.K., marine business of the UK-based Railko Ltd., a company specializing in synthetic stern tube bearing technology and a Scottish company Electrical Power Engineering (Scotland) Ltd. specializing in electrical power engineering solutions for marine, offshore, industrial and utilities segments. In addition Wärtsilä acquired 8.2% of Wärtsilä India Ltd. and at the end of the review period the percentage of ownership was 97.9%

<b>MEUR</b>	<b>1-9/2007</b>
Acquisition costs	53
Acquired assets to fair value	20
Goodwill	33

#### Specification of acquired assets:

Intangible assets	14
Property, plant and equipment	1
Inventories	3
Receivables	9
Cash and cash equivalents	2
Minority interest	3
Liabilities	-6
Deferred tax liabilities	-4
<b>Total</b>	<b>20</b>

#### **INTEREST-BEARING LOAN CAPITAL**

<b>MEUR</b>	<b>30 Sep 2007</b>	<b>30 Sep 2006</b>	<b>31 Dec 2006</b>
Long-term liabilities	253	208	205
Current liabilities	43	123	66

Loan receivables	-33	-5	-36
Cash and bank balances	-202	-143	-179
<b>Net</b>	<b>61</b>	<b>185</b>	<b>55</b>

<b>FINANCIAL RATIOS</b>	<b>1-9/2007</b>	<b>1-9/2006</b>	<b>2006</b>
Earnings per share, EUR	1.69	2.59	3.72
Diluted earnings per share, EUR	1.68	2.56	3.71
Equity per share, EUR	12.78	12.86	12.74
Solvency ratio, %	46.1	47.3	47.0
Gearing	0.08	0.15	0.07

<b>PERSONNEL</b>	<b>1-9/2007</b>	<b>1-9/2006</b>	<b>2006</b>
On average	15 040	13 100	13 264
At end of period	15 811	13 986	14 346

<b>CONTINGENT LIABILITIES</b>			
<b>MEUR</b>	<b>30 Sep 2007</b>	<b>30 Sep 2006</b>	<b>31 Dec 2006</b>
Mortgages	14	15	20
Chattel mortgages	9	21	21
<b>Total</b>	<b>23</b>	<b>37</b>	<b>42</b>

<b>Guarantees and contingent liabilities</b>			
On behalf of Group companies	412	300	317
Nominal amount of rents according to leasing contracts	52	50	50
<b>Total</b>	<b>465</b>	<b>350</b>	<b>367</b>

<b>NOMINAL VALUES OF DERIVATIVE INSTRUMENTS</b>		
<b>MEUR</b>	<b>Total amount</b>	<b>of which closed</b>
Interest rate swaps	140	
Foreign exchange forward contracts	1 133	131
Currency options, purchased	14	

<b>CONDENSED INCOME STATEMENT, QUARTERLY</b>							
<b>MEUR</b>	<b>7-9/2007</b>	<b>4-6/2007</b>	<b>1-3/2007</b>	<b>10-12/2006</b>	<b>7-9/2006</b>	<b>4-6/2006</b>	<b>1-3/2006</b>
Net sales	933	797	761	986	767	845	592
Other income	3	4	4	11	4	8	2
Expenses	-821	-710	-683	-880	-696	-764	-541
Depreciation and impairment	-19	-18	-18	-18	-18	-18	-18
Operating result	96	73	63	99	56	70	36
Financial income and expenses	-2	-1	-4	-8	1	2	-3
Net income from assets available for sale						124	
Share of profit of associates				50	4	8	7
Profit before taxes	95	72	60	141	61	204	40
Taxes for the period	-26	-20	-17	-33	-20	-53	12
Profit for the financial period	68	52	42	108	42	151	52
Attributable to:							
Equity holders of the parent company	68	52	42	107	41	150	52

Minority interest	1	1		1			
Total	68	52	42	108	42	151	52
Earnings per share attributable to equity holders of the parent company:							
Earnings per share, EUR	0.71	0.54	0.44	1.13	0.44	1.60	0.55
Diluted earnings per share, EUR	0.70	0.54	0.44	1.15	0.43	1.58	0.55

## CALCULATION OF FINANCIAL RATIOS

### Earnings per share (EPS)

profit before taxes - income taxes - minority interests

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Adjusted number of shares over the financial year

### Equity per share

Shareholders' equity

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Adjusted number of shares at the end of the period

### Solvency ratio

Shareholders' equity + minority interests x 100

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Balance sheet total - advances received

### Gearing

Interest-bearing liabilities - cash and bank balances

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Shareholders' equity + minority interests