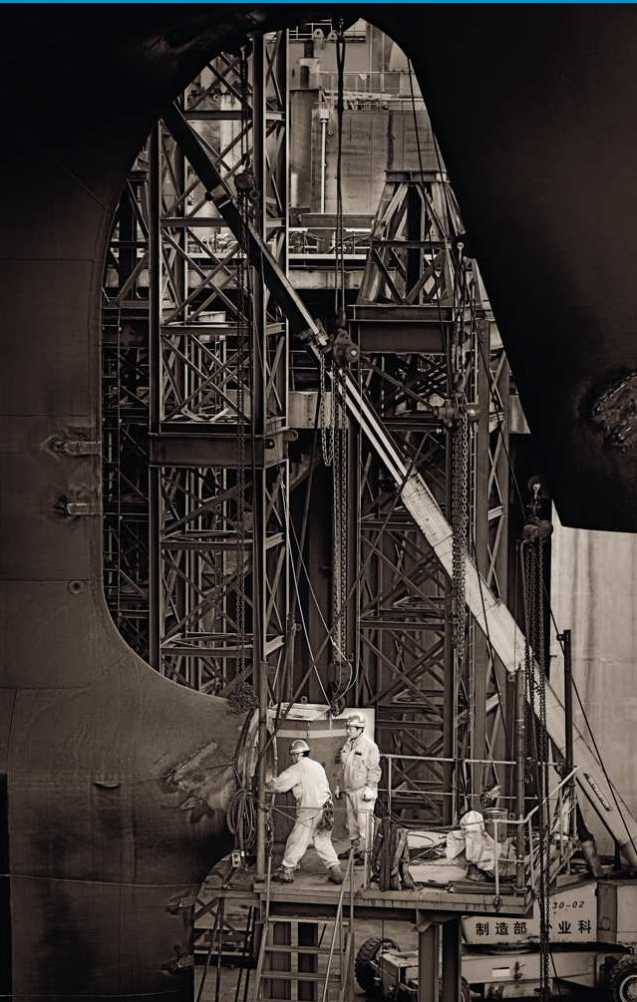


# Wärtsilä Corporation

Interim Report January-September 2006

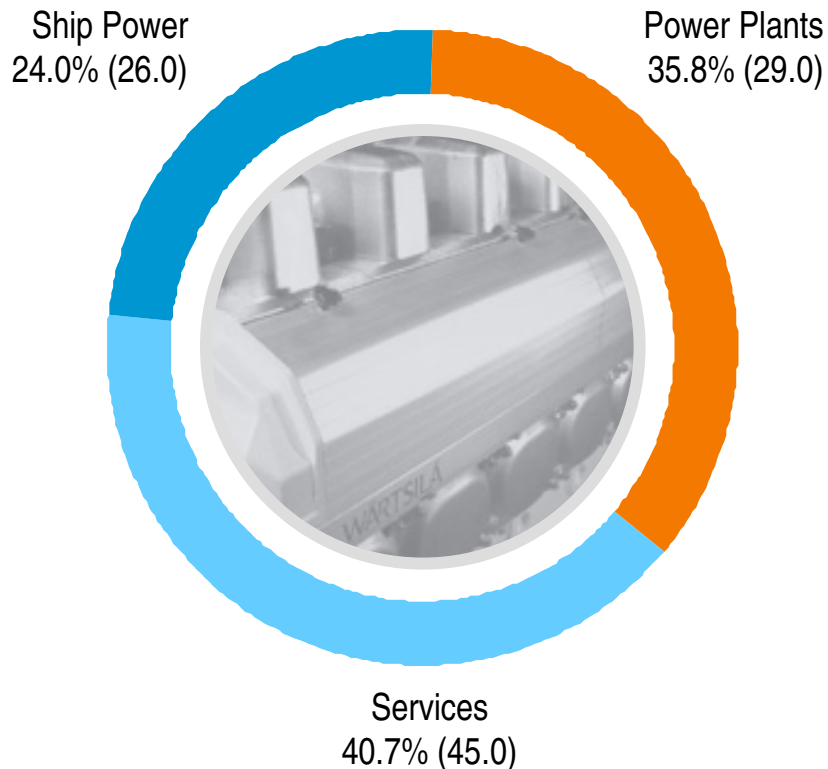
Ole Johansson, President & CEO

31 October 2006



- Strong order intake continued (+25%)
- Net sales +26%
- Operating income +29%
- Strong cash flow
- Strong balance sheet enables extraordinary dividend

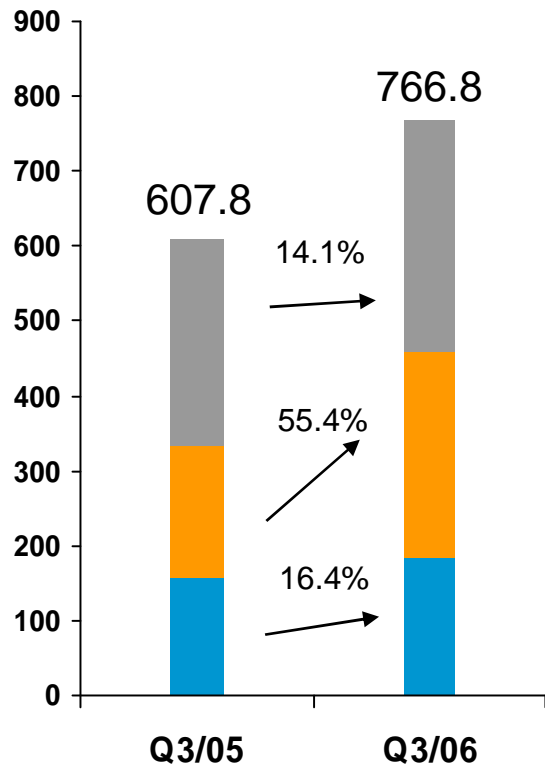
## Net sales by business Q3/2006



MEUR	Q3/06	Q3/05	2005
Net sales	766.8	607.8	2,520.3
Operating income	56.3	43.5	202.5
Income before taxes	61.4	36.9	212.4
Earnings/share, EUR	0.44	0.32	1.80

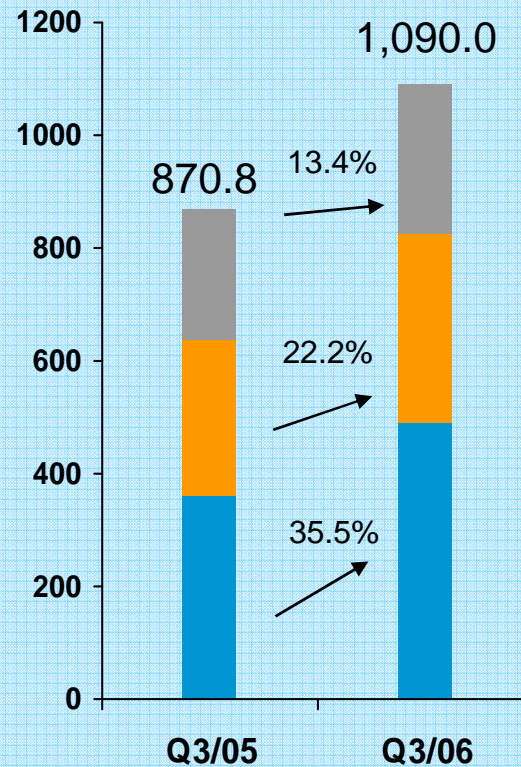
MEUR

## Net sales

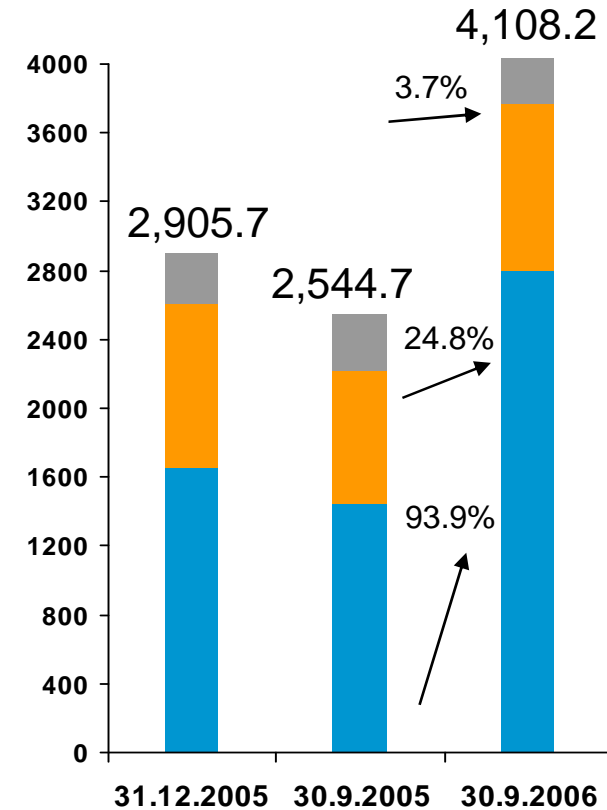


- Services
- Power Plants
- Ship Power

## Order intake

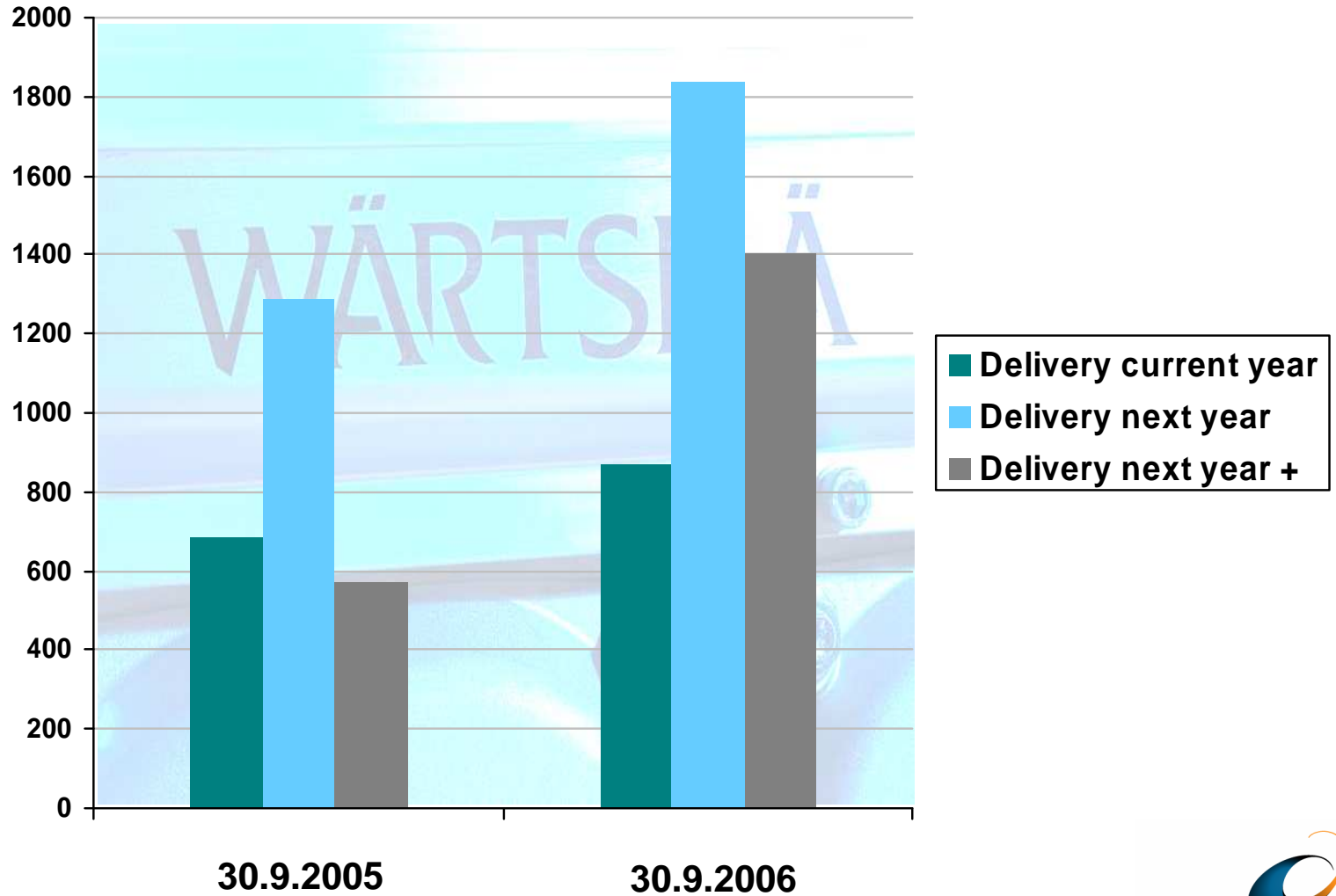


## Order book



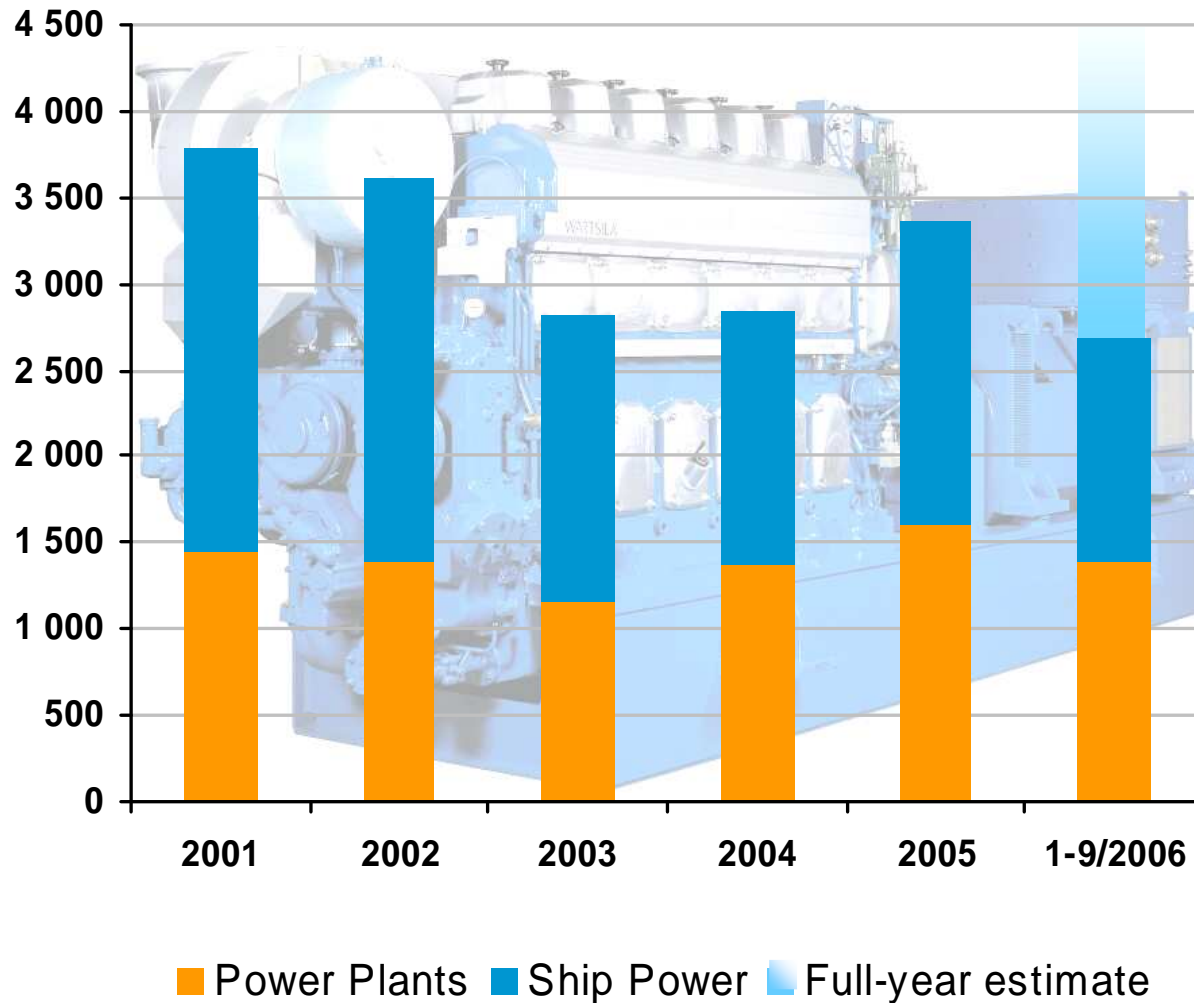
# Order book distribution

MEUR



# Delivered engine megawatts from own factories

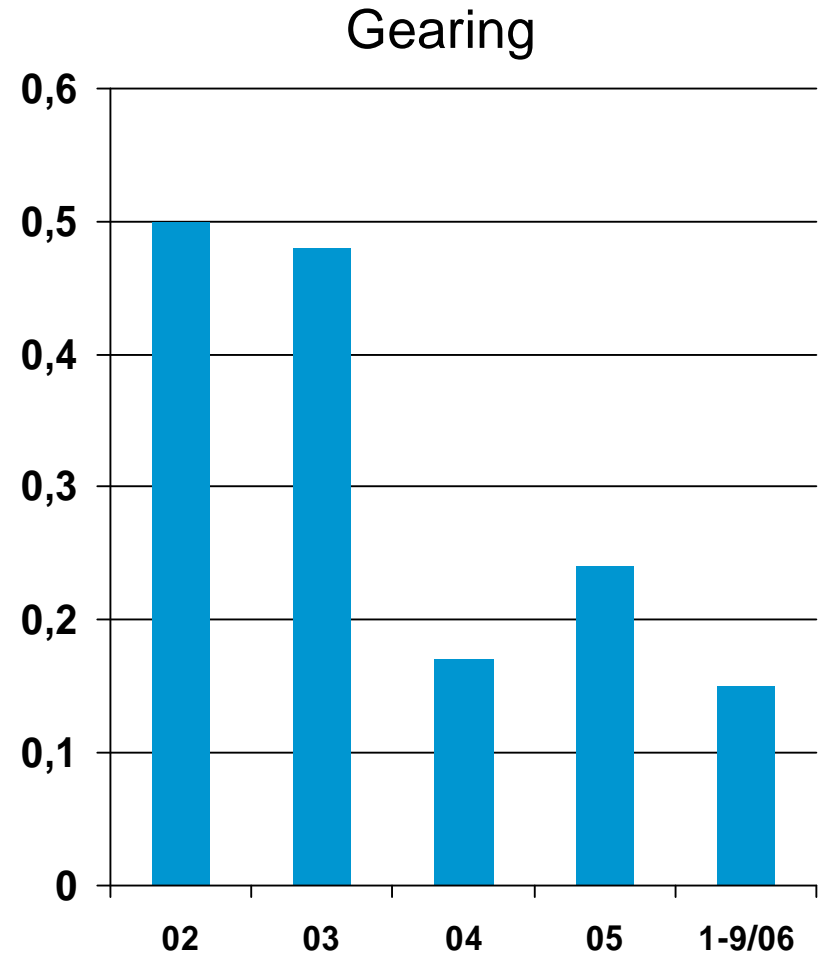
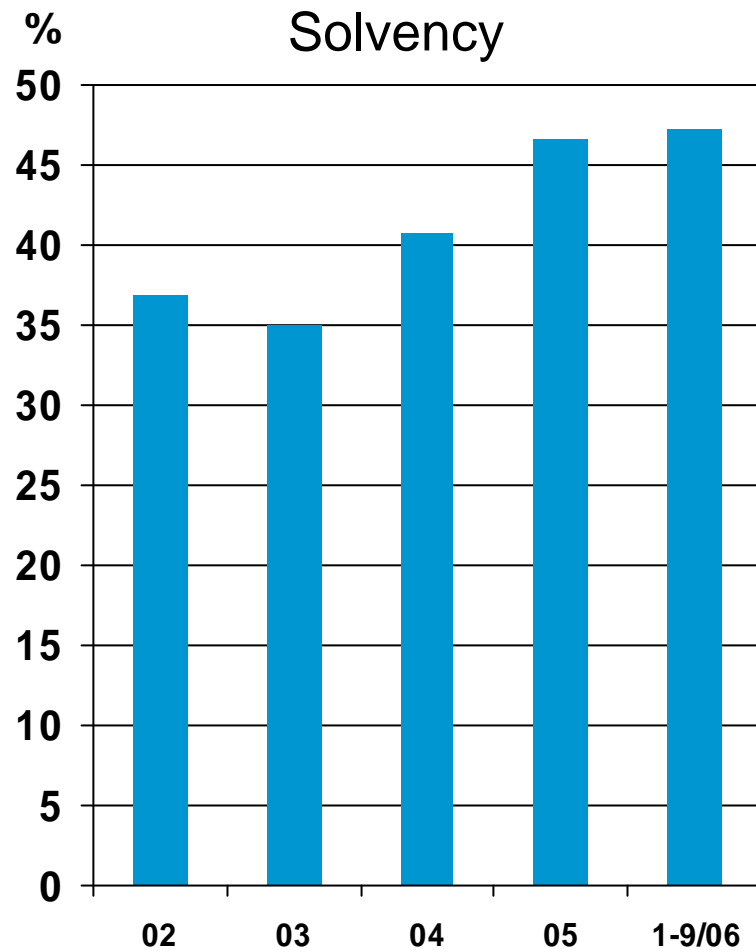
MW





<u>MEUR</u>	<u>1-9/2006</u>	<u>1-9/2005</u>	<u>2005</u>
Cash flow from operating activities	172.0	14.0	76.0
Cash flow from investing activities	29.0	-179.5	-178.3
Cash flow from financing activities	-173.9	125.1	47.6
Cash and cash equivalents at end of period	142.6	133.2	119.6

# Solvency and gearing

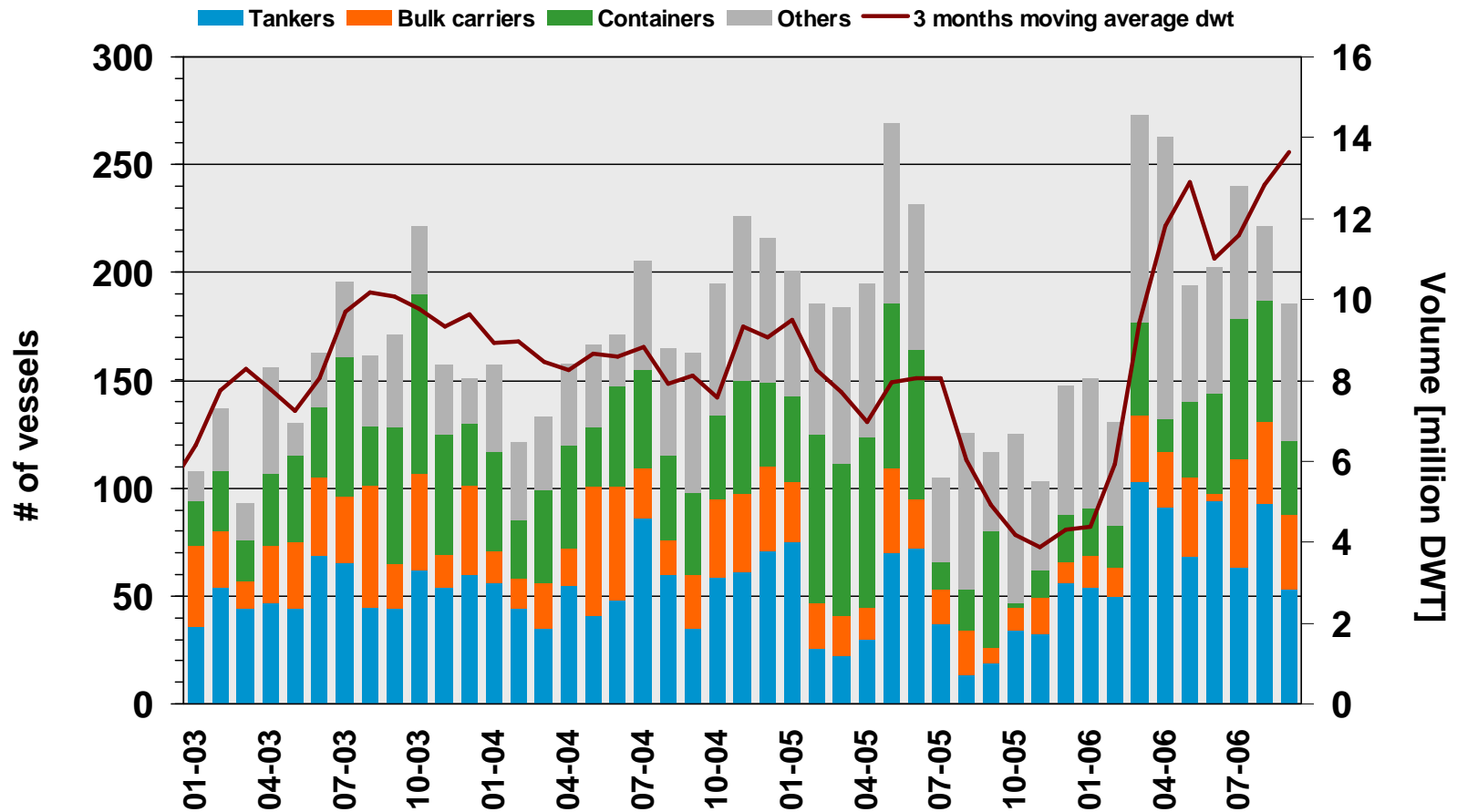


NOTE: 2002-2003 according to FAS, 2004- IFRS  
Convertible subordinated debentures treated as equity



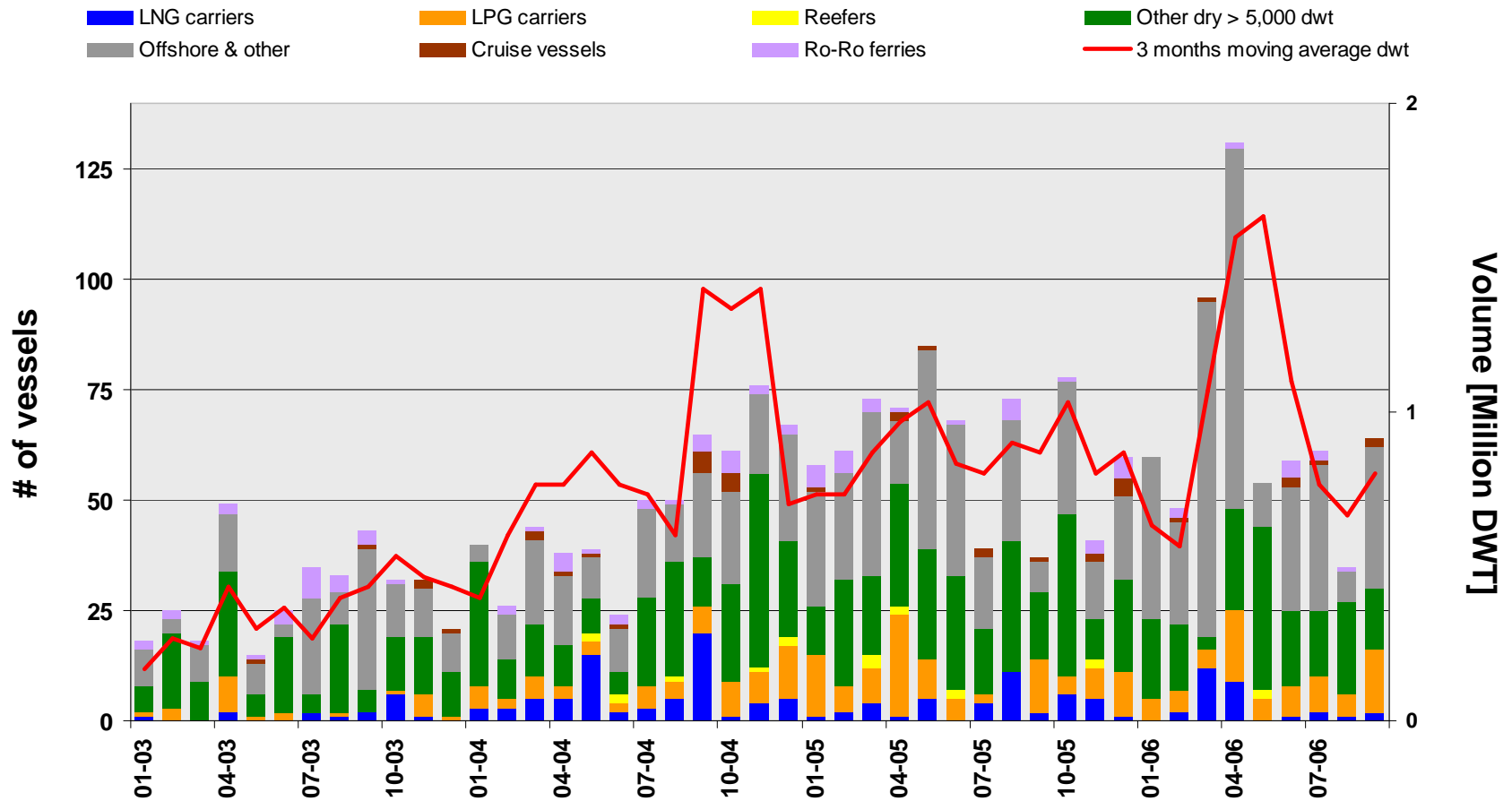
# Business review

# Vessel orders, # of vessels



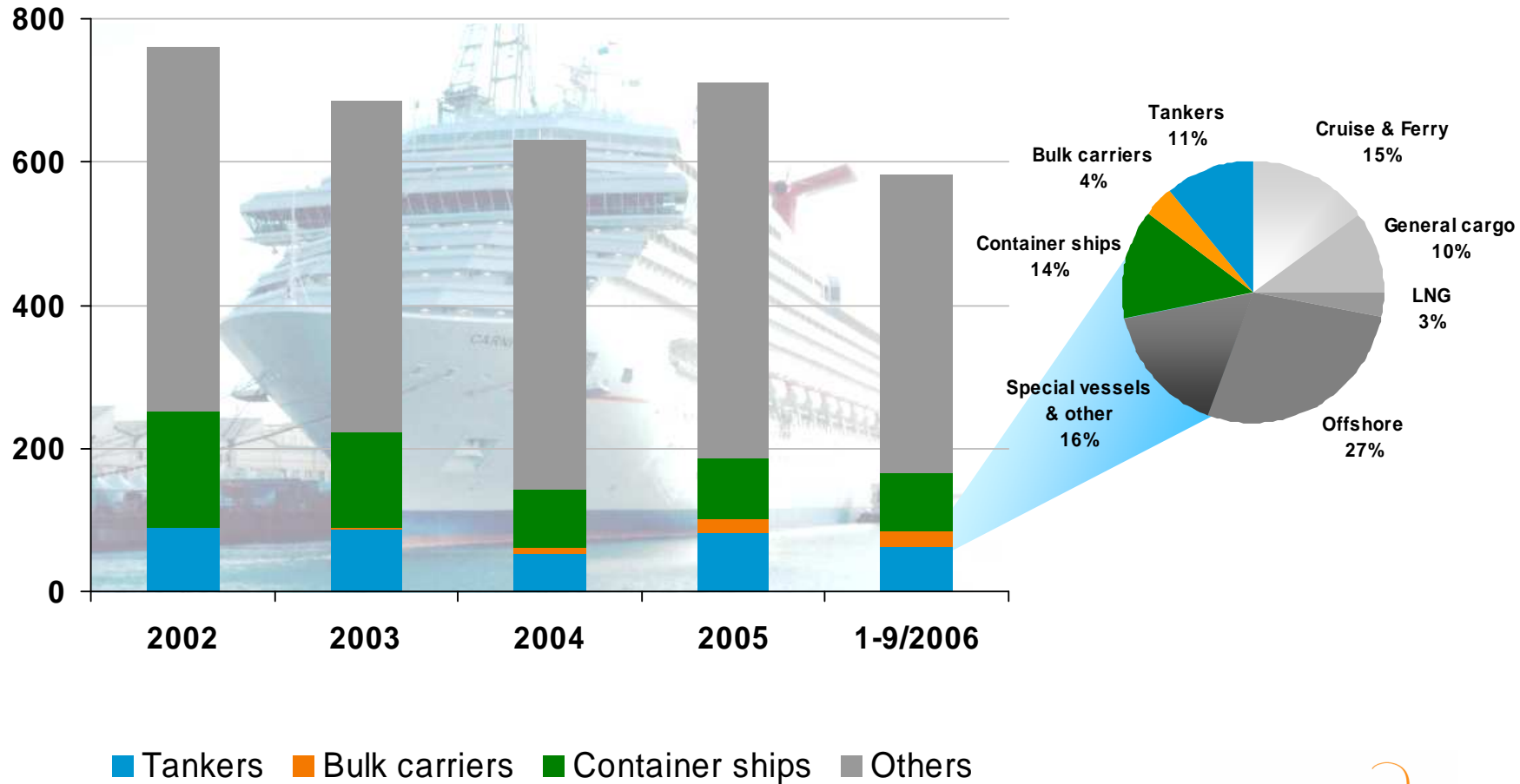
Source: Based on data from Clarkson Research Studies

# Vessel orders - other vessels, # of vessels

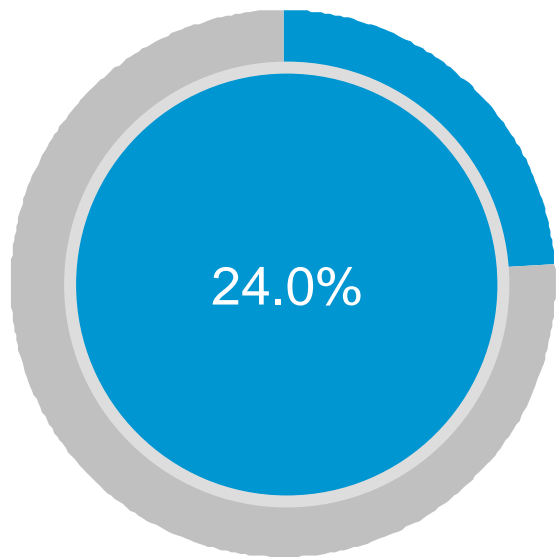


Source: Based on data from Clarkson Research Studies

# Net sales of Ship Power by vessel type



## Ship Power net sales



of total net sales

MEUR	Q3/06	Q3/05	Change
Net sales	183.8	158.0	16.4%
Order intake	490.0	361.5	35.5%
Order book*	2,800.7	1,444.5	93.9%

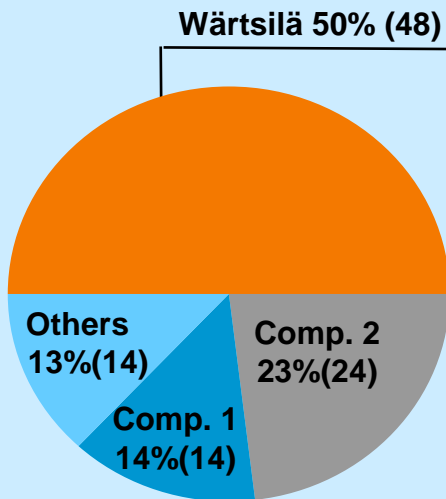
- Strong order intake continued
- Offshore segment dominant
- LNG, cruise & tankers also active

\* End of period

# The market position of Wärtsilä's marine engines Q3/2006

## Own production

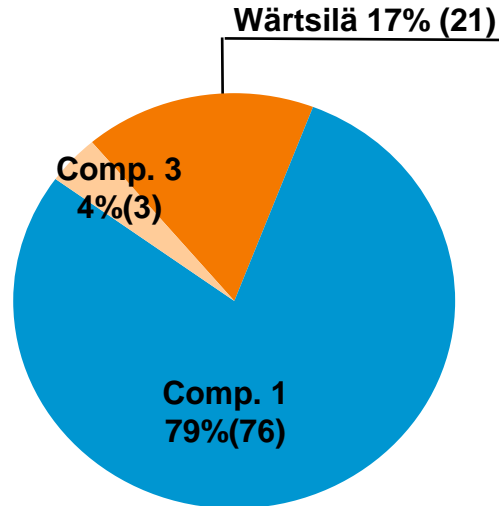
### Medium-speed main engines



**Total market volume last 12 months:**  
9,600 MW (7,906)

## Production by licensees

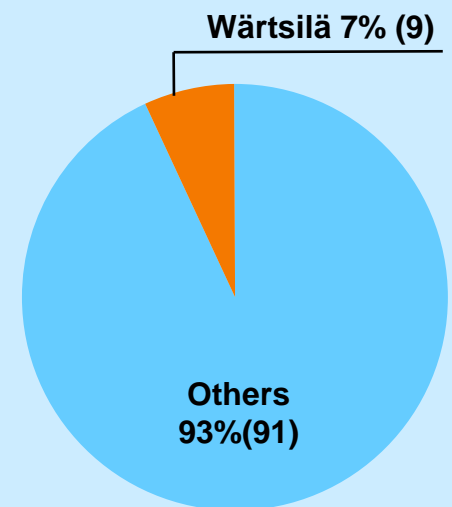
### Low-speed main engines



**Total market volume last 12 months:**  
21,900 MW (18,683)

## Own production

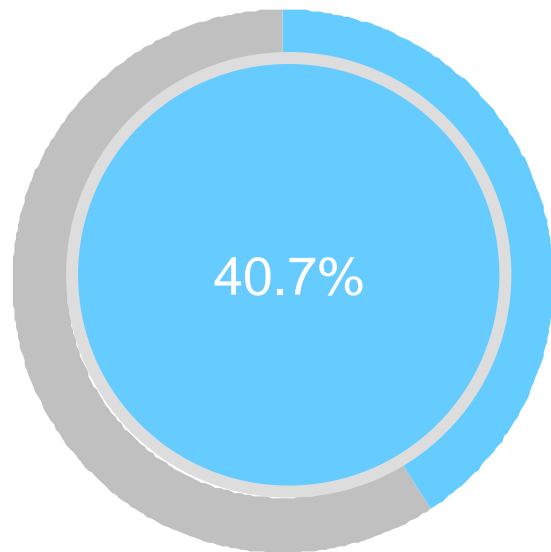
### Medium-speed auxiliary engines



**Total market volume last 12 months:**  
6,700 MW (4,570)

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 Q2/06. The total market is based on the volume of the last 12 months. Numbers in brackets reflect the volume of the last 12 months at the end of the previous quarter.

## Services net sales

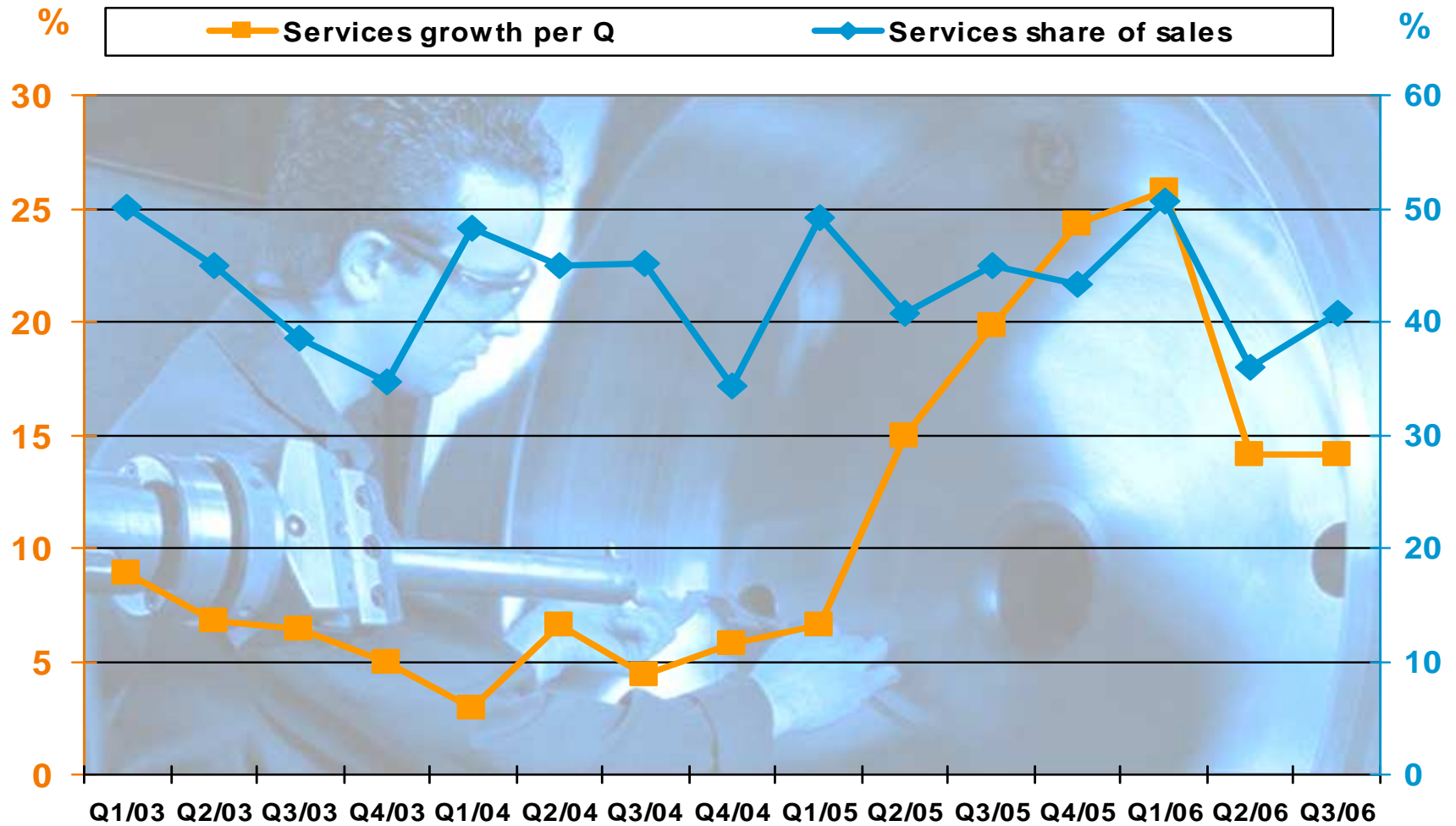


of total net sales

MEUR	Q3/06	Q3/05	Change
Net sales	312.0	273.4	14.1%
Personnel*	8 387	6 937	20.9%

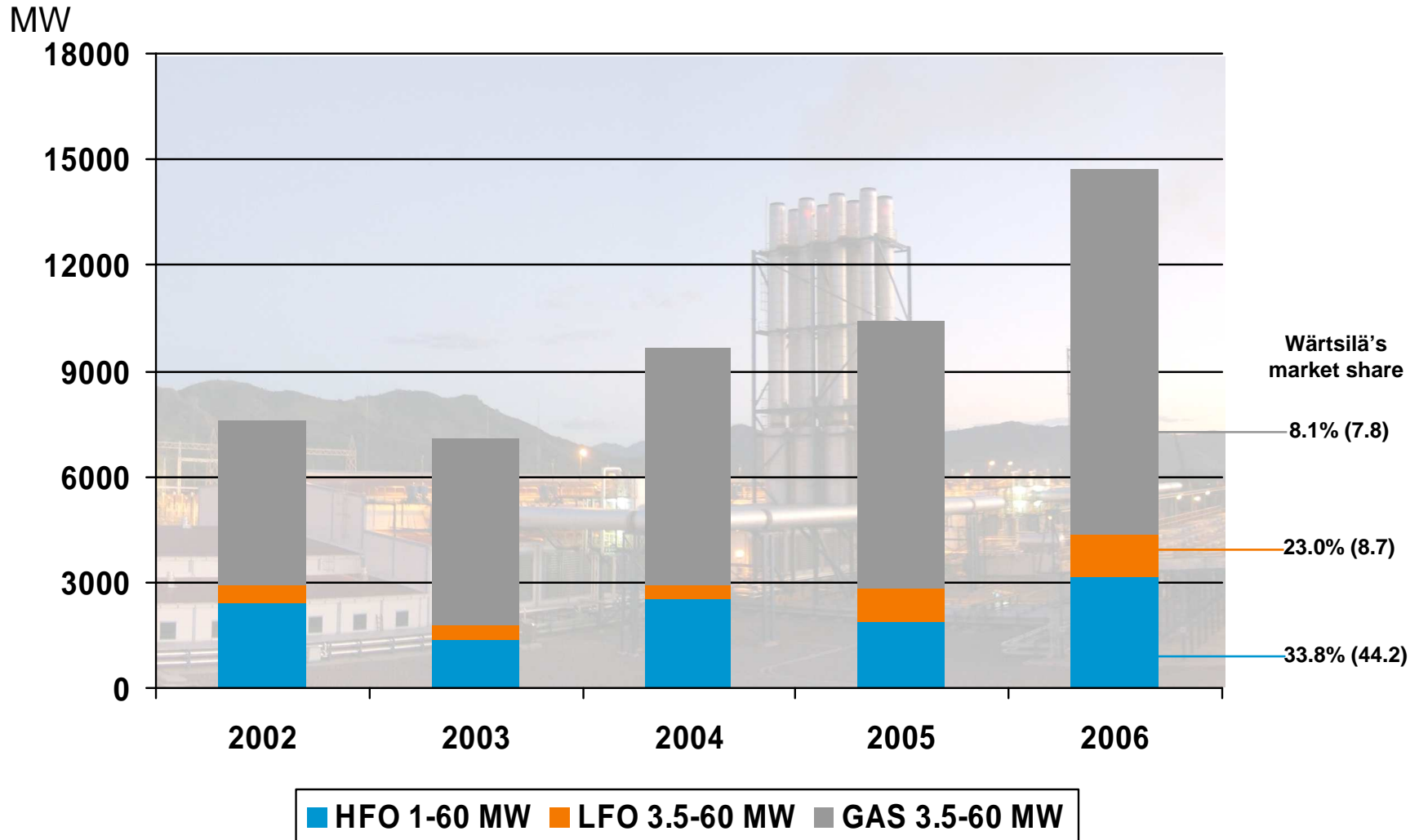
- 8 new O&M agreements signed in among others India and Brazil
- Growth 17.7% 1-9/2006, organic growth 11.8%

\* End of period





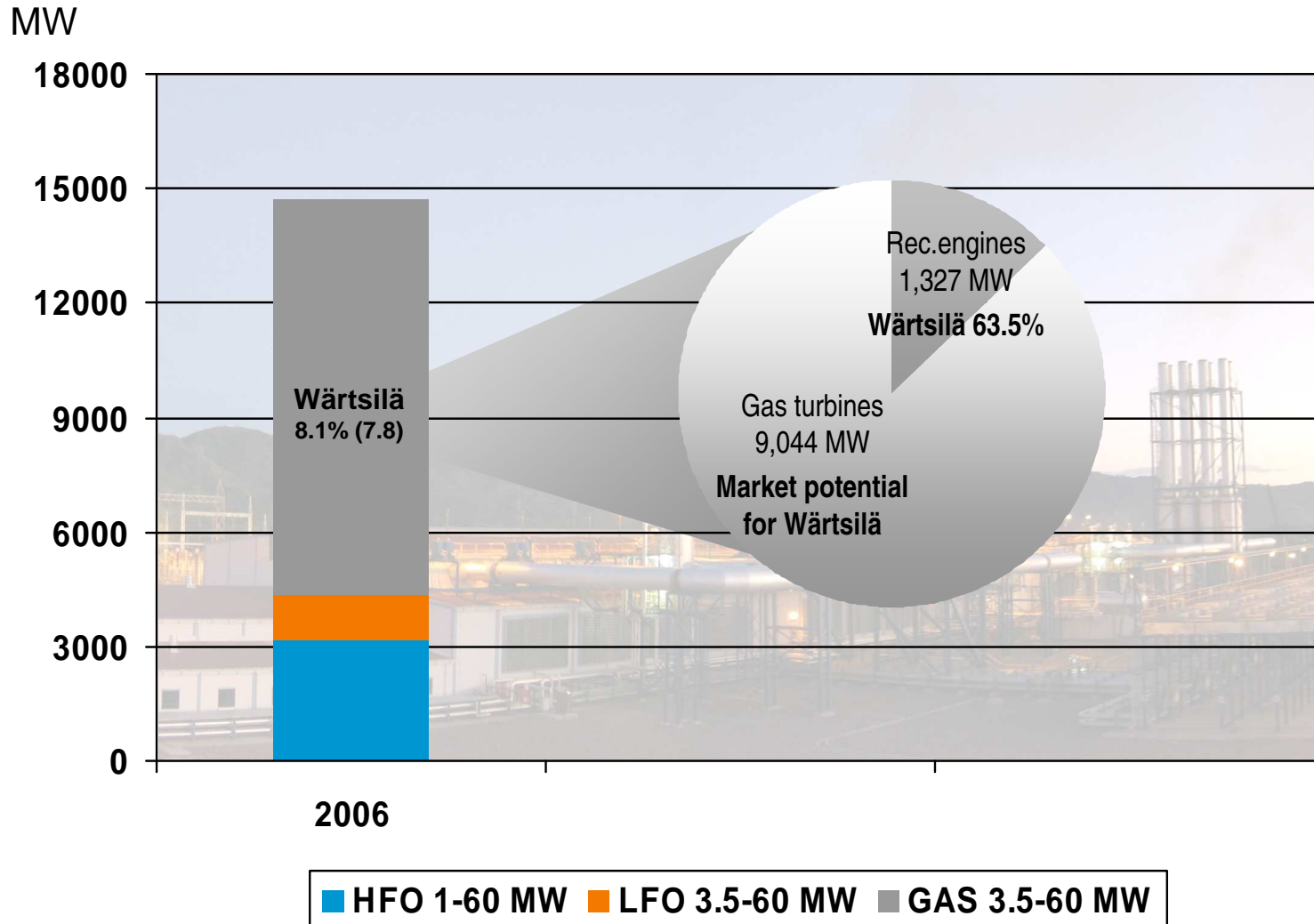
# Target markets per fuel 2002-2006



Note I: Wärtsilä's gas power plant target markets have changed since Wärtsilä stopped manufacturing and selling high speed engines (power range < 3,5 MW)

Note II: The 2006 LFO figure includes liquid biofuels.

# Gas power plant market

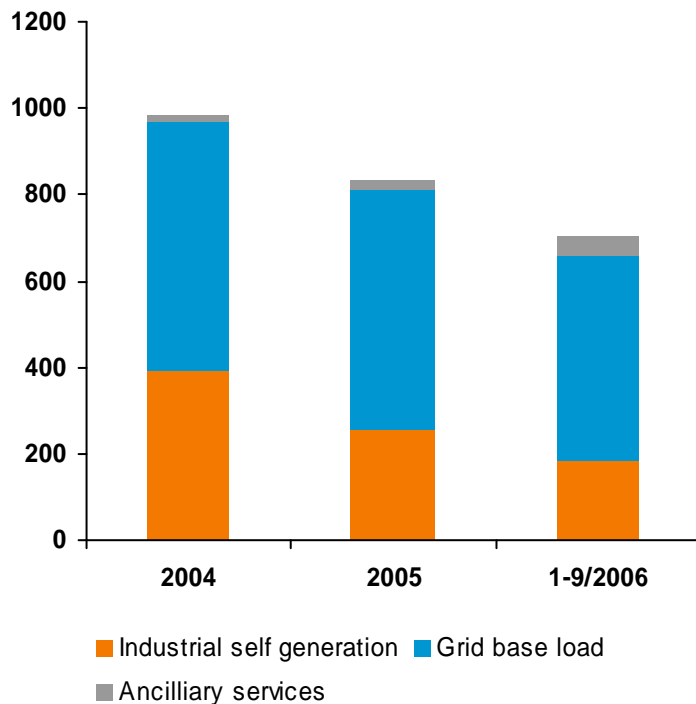


Note I: Wärtsilä's gas power plant target markets have changed since Wärtsilä stopped manufacturing and selling high speed engines (power range < 3,5 MW)

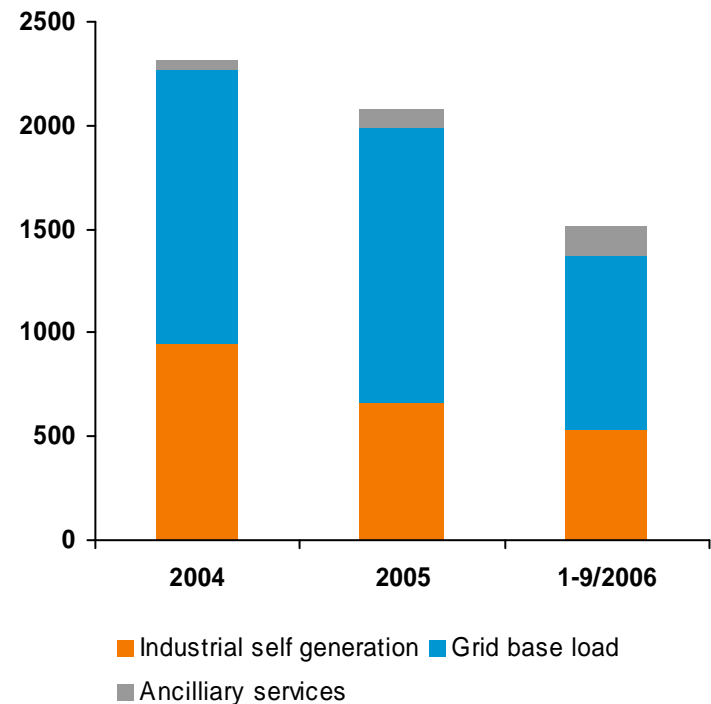
Note II: The 2006 LFO figure includes Liquid Biofuels.

# Power Plants order intake by segment

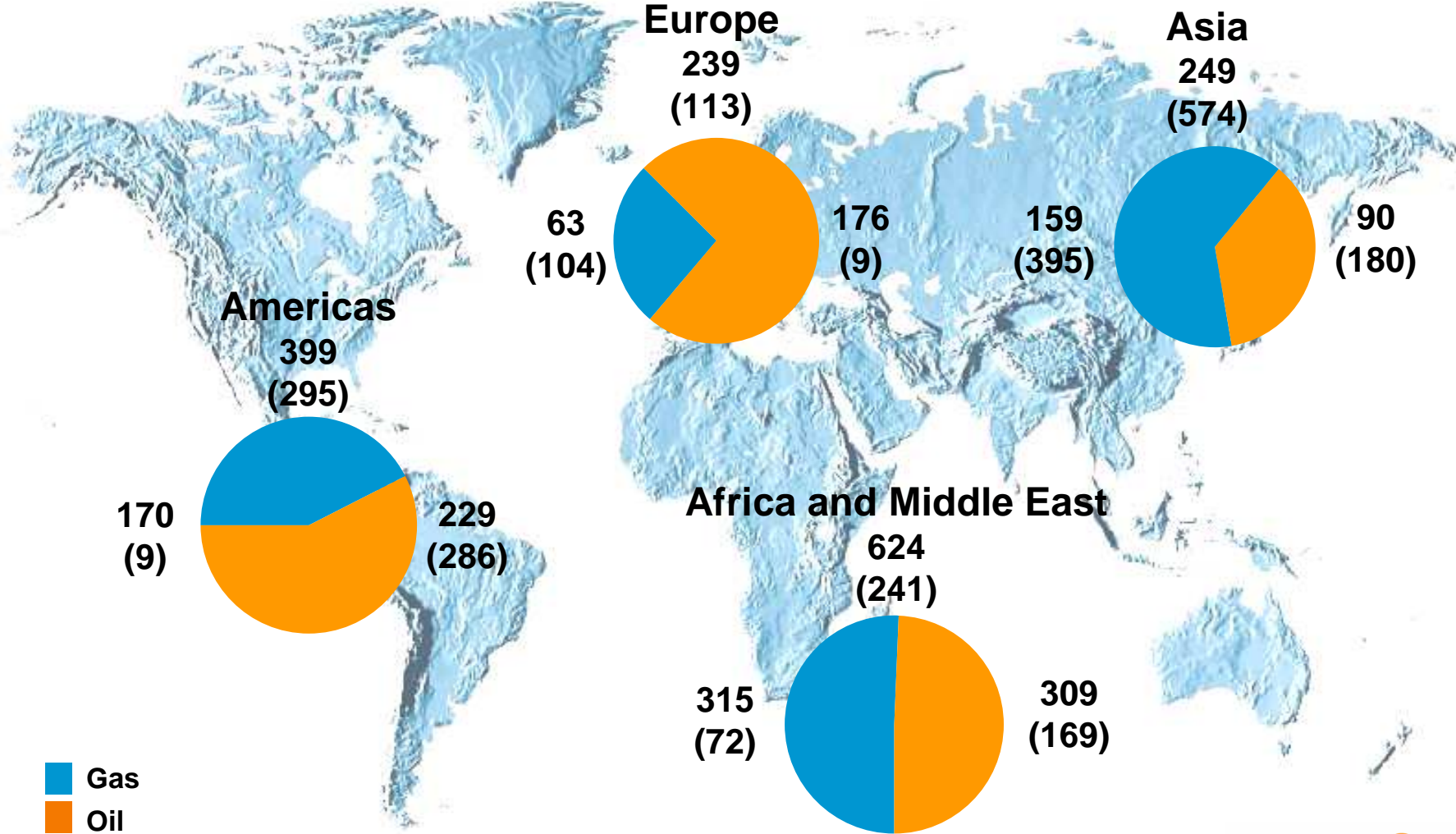
Order intake by segment, MEUR



Order intake by segment, MW



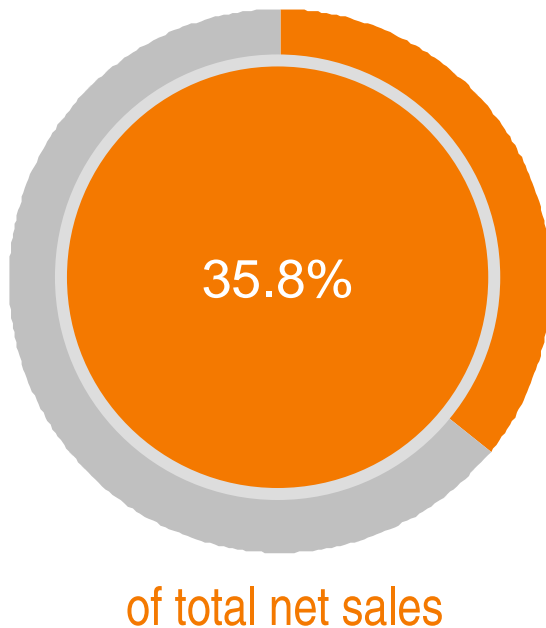
# Power Plants - order intake 1-9/2006: 1511 MW (1223)



■ Gas  
■ Oil



## Power Plants net sales



MEUR	Q3/06	Q3/05	Change
Net sales	274.2	176.4	55.4%
Order intake	335.0	274.0	22.2%
Order book*	966.5	774.6	24.8%

- High activity in both oil & gas power plants
- Gas power plants order intake was strong
  - Largest orders from Tanzania, USA & Venezuela

\* End of period

## ASSA ABLOY

- Wärtsilä owns 2.0% (4.7) of Assa Abloy shares
- The holding's market value EUR 106.7 million (30 September 2006)

## OVAKO

- Wärtsilä's holding in Oy Ovako Ab 26.5% during review period
- Balance sheet value of the holding EUR 126.6 million
- Wärtsilä has recorded EUR 18.1 million as associated company result for the period 1-9/2006



- In July Wärtsilä, SKF and Rautaruukki signed an agreement to sell the operating companies owned by Oy Ovako Ab.
- The transaction is subject to regulatory approvals and expected to close in Q4/06.
- Tax-free capital gain of approx. EUR 49 million at closing.

## Cash flow implications

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Cash payment Q4/06	appr. EUR 140 million
July 2008	EUR 4 million
Vendor note, within 3-6 years	EUR 29 million

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Total	appr. EUR 173 million
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## Ship Power

- High activity continues in all energy related segments

## Power Plants

- High ordering activity in both oil & gas fueled power plants expected to continue
- Demand distributed geographically evenly



# Wärtsilä's prospects in 2006 and 2007



## Forecast for 2006

- Demand in the ship power and energy markets looks likely to remain favorable for Wärtsilä for at least the following six months.
- Based on the strong order book Wärtsilä's net sales are expected to grow this year over 20%.
- The profitability level reached in 2005 will remain.

## Forecast for 2007

- Wärtsilä's net sales for 2007 are estimated to grow by approximately 10-15% compared to net sales 2006 based on the strong order book and the lively ordering activity.
- The capacity increase, available from mid-2007, will make further growth possible in 2008.

Thank you!

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**WÄRTSILÄ**