Wärtsilä's Interim Report
January-June 2007

The engine of industry

Interim Report January-June 2007

The figures in this interim report are unaudited.

SECOND QUARTER 4-6/2007 IN BRIEF

MEUR	4-6/2007	4-6/2006	Change
Order intake	1 369	1 190	15%
Net sales	797	845	-6%
Operating result	73	70	4%
% of net sales	9.2%	8.3%	
Profit before taxes	72	204[1]	
Earnings/share, EUR	0.54	1.60[1]	

[1]The April-June 2006 result includes Wärtsilä´s share of Ovako´s profit after taxes EUR 8 million and a capital gain of EUR 124 million from the sale of Assa Abloy B-shares.

REVIEW PERIOD JANUARY – JUNE 2007 IN BRIEF

MEUR	1-6/2007	1-6/2006	Change	2006
Order intake	2 526	2 214	14%	4 621
Order book 30 June	5 460	3 772	45%	4 439
Net sales	1 558	1 437	8%	3 190
Operating result	136	106	29%	262
% of net sales	8.8%	7.4%		8.2%
Profit before taxes	132	244[1]		447[2]
Earnings/share, EUR	0.98	2.15[3]		3.72[3]
Cash flow from operating activities	129	49		302
Interest-bearing net debt at the end of the period	178	293		55
Gross capital Expenditure	112	116		193

[1]The January-June 2006 result includes Wärtsilä's share of Ovako's profit after taxes, EUR 15 million and a capital gain of EUR 124 million from the sale of Assa Abloy B-shares.
[2]The 2006 result includes Wärtsilä's share of Ovako's profit after taxes, EUR 67 million, and a capital gain of EUR 124 million from the sale of Assa Abloy B shares.
[3]The January-June 2006 result also includes deferred tax assets totalling EUR +26 million relating to previously recognized restructuring expenses.

MARKET DEVELOPMENT

Ship Power

The shipbuilding market during the first half of 2007 was very active despite a somewhat slow start at the beginning of the year. Measured in number of vessels contracting was above the level of the corresponding period last year with 1,676 (1,566) vessels registered. Measured in deadweight tons, the order level was also higher than in the same period last year especially due to the very high volume of dry bulk vessels ordered.

The shift in focus from smaller to larger vessels and revitalization of the container vessel market have evened out the differences between the geographical shipbuilding markets. China remains the biggest beneficiary having a share of 42% in the number of vessels ordered. Korea has closed the gap from the beginning of the year, raising its share to 33%. Europe received 8% and Japan 9% of the new orders.

Wärtsilä's market shares in Ship Power

The total market volume for medium-speed main engines for the last 12 months at the end of the second quarter 2007 was 9,400 MW. Wärtsilä's share fell slightly from a very high level to 42% (46% at the end of the previous quarter). The change in the order mix from big engines to smaller ones was the main factor behind this development. The low-speed main engine market grew to 29,400 MW (27,700). Wärtsilä's market share in this market was 15% (14% at the end of the previous quarter). In auxiliary engines Wärtsilä´s market share was 5% (6% at the end of the first quarter of 2007).

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 good level.

Wärtsilä's market shares in Power Plants

Wärtsilä has a strong foothold in the market for heavy fuel oil (HFO) power plants and holds approximately a third of the market in Wärtsilä's power range. In the market for light fuel oil (LFO) power plants, including liquid biofuels, Wärtsilä has approximately a quarter of the market. The gas power plant market is a growing market where Wärtsilä sees good growth potential. Wärtsilä's current market share in gas power plants is approximately 8% of the relevant market.

ORDER INTAKE AND ORDER BOOK

Wärtsilä´s order intake continued strong showing growth of 15% in the second quarter and amounted to EUR 1,369 million (1,190). In the Ship Power business the April-June period marked an all time high quarter with the order intake amounting to EUR 673 million (660). The Power Plants order intake for the second quarter amounted to EUR 326 million (243) representing growth of 34%.

In the review period January-June Wärtsilä´s order intake totalled EUR 2,526 million (2,214), representing growth of 14%. The Ship Power order intake grew further by 3% from the high level in the corresponding period last year (1,161) and was EUR 1,194 million. Offshore vessels and platforms continued to dominate the new orders. One of the landmarks was a contract to supply an entire power, automation and propulsion system for a well-testing FPSO vessel for Brasilian Dynamic Producer Inc. In the cruise ship segment Wärtsilä received an order for the second vessel in the project Genesis for Caribbean Cruise Ltd. Delivery will consist of the main engines and transverse tunnel thrusters.

The Power Plants order intake for the review period was 41% higher than during the corresponding period last year and totalled EUR 537 million (381). The largest oil-fired power plant orders were received from Pakistan, Senegal and Aruba. Success in the liquid bio-fuel power plants continued during the second quarter and Wärtsilä received three orders with a total output of 114 MW in Italy. The largest gas power plant orders were received from Russia and Bangladesh.

At the end of the review period Wärtsilä's order book stood at an all-time high of EUR 5,460 million (3,772), representing growth of 45%. Some 30% of Wärtsilä´s total order book is due for delivery in 2007. The Ship Power order book was EUR 3,681 million (2,505), corresponding deliveries for approximately two years. The Power Plants order book stood at EUR 1,361 million (887), roughly half of which is due for delivery in 2007.

ORDER INTAKE, SECOND QUARTER 4-6/2007

MEUR	4-6/2007	4-6/2006	Change
Ship Power	673	660	2%
Services	369	286	29%
Power Plants	326	243	34%
Order intake, total	1 369	1 190	15%

Order intake Power Plants

MW	4-6/2007	4-6/2006	Change
Oil	313	377	-17%
Gas	236	177	33%
Renewable fuels	114	17	554%

ORDER INTAKE REVIEW PERIOD 1-6/2007

MEUR	1-6/2007	1-6/2006	Change	2006
Ship Power	1194	1161	3%	2 270
Services	792	668	19%	1 322
Power Plants	537	381	41%	1 027
Order intake, total	2 526	2 214	14%	4 621

Order intake Power Plants

MW	1-6/2007	1-6/2006	Change	2006
Oil	443	549	-19%	766
Gas	358	283	27%	1 232
Renewable fuels	317	159	99%	353

ORDER BOOK

MEUR	30 June 2007	30 June 2006	Change	2006
Ship Power	3 681	2 505	47%	3 020
Services	416	377	10%	357
Power Plants	1 361	887	53%	1 061
Order book, total	5 460	3 772	45%	4 439

NET SALES

During the second quarter Wärtsilä´s net sales decreased by 6% due to the timing of power plant deliveries. Ship Power net sales grew 24% and Services net sales by 23%. Organic growth in Services accounted for 17%. Power Plants net sales decreased by 62%.

Wärtsilä's net sales for the review period January-June totalled EUR 1,558 million (1,437), growth of 8%. Ship Power net sales grew strongly by 42% to EUR 561 million (397), representing 36% of Wärtsilä´s total net sales. Power Plants net sales amounted to EUR 262 million (432), 17% of total net sales. The net sales from the Services business increased to EUR 726 million (604), growth of 20% on the corresponding period last year. Organic growth represented 15% of Services net sales growth. Services net sales accounted for 47% of total Wärtsilä net sales.

NET SALES 4-6/2007

MEUR	4-6/2007	4-6/2006	Change
Ship Power	305	245	24%
Services	374	304	23%
Power Plants	112	292	-62%
Net sales, total	797	845	-6%

NET SALES REVIEW PERIOD 1-6/2007

MEUR	1-6/2007	1-6/2006	Change	2006
Ship Power	561	397	42%	985
Services	726	604	20%	1 266
Power Plants	262	432	-39%	934
Net sales, total	1 558	1 437	8%	3 190

FINANCIAL RESULTS

In the second quarter the operating result rose to EUR 73 million (70) and the profitability increased to 9.2% (8.3). In the review period 1-6/2007 the operating result improved to EUR 136 million (106), representing profitability of 8.8 % (7.4).

In the review period 1-6/2007 the financial items amounted to EUR -5 million (-1). Net interest totalled EUR -6 million (-7). Dividends received amounted to EUR 6 million (8). Profit before taxes was EUR 132 million (244).

Taxes in the reporting period amounted to EUR 37 million (41). 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 0.98 (2.15).

BALANCE SHEET, FINANCING AND CASH FLOW

Liquid reserves at the end of the period amounted to EUR 133 million (137). Net interest-bearing loan capital totalled EUR 178 million (293). The solvency ratio was 44.3% (44.0) and gearing was 0.18 (0.25).

Cash flow from operating activities for January-June 2007 was strong and totalled EUR 129 million (49).

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 119 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 112 million (116), which comprised EUR 43 million (72) in acquisitions and investments in securities and EUR 69 million (44) in production and information technology investments. Depreciation amounted to EUR 37 million (35).

Due to the strong volume growth the total capital expenditure for 2007 is expected to be approx. EUR 200 million.

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 in the second half of 2008. The Trieste delivery center 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 different authorities have been received to start the business.

In February Wärtsilä acquired the Swedish company Senitec AB. The company is specialized 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.

The total acquisition price of the acquisitions mentioned above is EUR 25 million out of which EUR 17 million is reported as goodwill.

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 closed at the beginning of July.

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 pursuant to the offer 7.3% of the total shares were acquired. This implies a consideration of EUR 10 million, of which EUR 7 million was recognised as goodwill. Wärtsilä Corporation holds directly or indirectly 97.0% 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 Korea to provide customer training in the world's largest shipbuilding country.

MANUFACTURING

The investment programmes for enlarged production capacity of medium-speed engines in Vaasa and Trieste to meet the growing market demand are proceeding. The full capacity increase will be in use during the second half of 2007 as planned. Wärtsilä's worldwide supplier network has continued to build up capacity and most of these investments made by the suppliers will also be operational during 2007.

In May Wärtsilä and Vietnam Shipbuilding Industry Corporation (Vinashin) signed a licence agreement for the manufacture and sale of certain types of Wärtsilä low-speed engines in Vietnam. The first engine delivery is scheduled for the beginning of 2010.

Wärtsilä's joint venture company in China, Wartsila CME Zhenjiang Propeller Co Ltd, opened its new fixed pitch propeller factory in June. The new factory doubles Wärtsilä's capacity to manufacture this type of propeller.

The manufacturing and technology activities of the propulsor business are being merged with the engine manufacturing into an Industrial Operations organization. The target of the new structure is to further strengthen untilization of core competences.

R&D

Wärtsilä is further increasing its focus on combustion research and engine performance technology development by making new investments in this area.

The current Hercules programme aiming at reduction of fuel consumption and CO2 emissions ends in September 2007. The main parties in the present programme, Wärtsilä and MAN Diesel, are preparing the next phase of the project. The proposal for the next phase was submitted to the EU Commission at the beginning of June.

Testing of the Wärtsilä Auxpac 26 engine began during the review period with positive results. This product will enhance the Auxpac product range to meet market demand for bigger auxiliary engines.

PERSONNEL

Wärtsilä had 14,791 (12,650) employees on average during the reporting period and 15,180 (12,918) at the end of June. The largest personnel increases took place in the Services business where the personnel increase was close to 19% compared to the correponding period 2006. At the end of the period the Services business employed 8,937 (7,537).

SHARES AND SHAREHOLDERS

SHARES ON HELSINKI EXCHANGES

30 June 2007	A-share	B-share	Total
Number of shares	23 579 587	72 223 078	95 802 665
Number of votes	235 795 870	72 223 078	308 018 948
Number of shares traded			
1-6/2007	868 828	57 218 179	58 087 007

1 Jan.- 30 June 2007	High	Low	Average[1]	Close
A-share	50.50	38.05	45.80	47.80
B-share	51.40	38.44	46.38	48.90

[1]Trade-weighted average price.

Market capitalization	30 June 2007	30 June 2006
EUR million	4 659	3 110

Foreign shareholders	30 June 2007	30 June 2006
	32.6%	28.8%

CHANGES IN OWNERSHIP AFTER THE REPORTING PERIOD

On 3rd of July Varma Mutual Pension Insurance Company increased its holding in Wärtsilä Corporation. Following the transaction Varma owns 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 3rd of July 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.

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 197.952 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. Wärtsilä has taken several measures to ensure the availability of these key components. Investments have been implemented by many of the company's suppliers and most of these will be operational during 2007.

MARKET OUTLOOK

The outlook for the global world economy remains strong and is expected to remain favourable in the near future. The shipping and shipbuilding industries continue to be active. The freight market has remained strong and freight rates are still at historically high levels. Slightly higher interest rates and inflation 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 active at least for upcoming six months. Also offshore investments in both vessels and various production units are expected to remain at a high level for at least half a year.

In the Power Plant market the situation remains good. Order intake is expected to remain high during the reminder of the year with particularily good prospects in South Asia, Africa and the Americas.

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%. Profitability will exceed 9%. Wärtsilä's profitability varies considerably between the quarters as will also be the case this year. Wärtsilä sees further possibilities for growth in 2008.

WÄRTSILÄ INTERIM REPORT JANUARY – JUNE 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 affect on the interim financial report.

This interim report is unadited.

CONDENSED INCOME STATEMENT

MEUR	1-6/2007	1-6/2006	2006
Net sales	1 558	1 437	3 190
Other income	8	10	25
Expenses	-1 393	-1 305	-2 881
Depreciation and impairment	-37	-35	-72
Operating result	136	106	262
Financial income and expenses	-5	-1	-7
Net income from assets available for sale		124	124
Share of profit of associates		15	68
Profit before taxes	132	244	447
Taxes for the period	-37	-41	-94
Profit for the financial period	95	203	353
Attributable to:			
Equity holders of the parent company	94	203	351
Minority interest	1		2
Total	95	203	353
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	0.98	2.15	3.72
Diluted earnings per share, EUR	0.98	2.13	3.71

CONDENSED BALANCE SHEET

MEUR	30 June 2007	30 June 2006	31 December 2006
Non-current assets			
Intangible assets	634	594	602
Property, plant and equipment	333	291	315
Equity in associates	11	126	3
Investments available for sale	184	148	183
Deferred tax receivables	76	92	87
Other receivables	43	7	43
	1 281	1 258	1 233
Current assets			
Equity in associates	1		6
Inventories	1 087	847	838
Other receivables	929	887	932
Cash and cash equivalents	133	137	179
	2 149	1 871	1 955
Assets	3 430	3 129	3 188
Shareholders' equity			
Share capital	335	331	334
Other shareholders' equity	817	835	882
Total equity attributable to equity holders of the parent	1 152	1 166	1 217
Minority interest	8	10	13
Total shareholders' equity	1 160	1 176	1 230
Non-current liabilities			
Interest-bearing debt	259	222	205
Deferred tax liabilities	77	56	74
Other liabilities	75	75	73
	411	353	352
Current liabilities			
Interest-bearing debt	89	212	66
Other liabilities	1 771	1 389	1 540
	1 860	1 601	1 606
Total liabilities	2 270	1 954	1 958
Shareholders' equity and liabilities	3 430	3 129	3 188

CONDENSED CASH FLOW STATEMENT

MEUR	1-6/2007	1-6/2006	2006
Cash flow from operating activities:			
Profit before taxes	132	244	447
Depreciation and impairment	37	35	72
Financial income and expenses	5	1	6
Selling profit and loss of fixed assets and other adjustments	-3	-126	-129
Share of profit of associates		-15	-68
Changes in working capital	51	-41	52
Cash flow from operating activities before financial items and taxes	221	98	379
Net financial items and income taxes	-92	-49	-77
Cash flow from operating activities	129	49	302
Cash flow from investing activities:			
Investments in shares and acquisitions	-43	-72	-86
Net investments in tangible and intangible assets	-66	-31	-94
Proceeds from sale of shares		148	318
Cash flow from other investing activities	10	10	11
Cash flow from investing activities	-99	55	148
Cash flow from financing activities:			
Issuance of share capital	3	7	19
New long-term loans	61	2	6
Amortization and other changes in long-term loans	-18	-13	-37
Dividends paid	-168	-141	-283
Changes in short term loans and other financing activities	46	64	-92
Cash flow from financing activities	-76	-82	-387
Change in liquid funds, increase (+) / decrease (-)	-46	22	63
Cash and cash equivalents at beginning of period	179	120	120
Fair value adjustments, investments	1		1
Exchange rate changes	-1	-4	-4
Cash and cash equivalents at end of period	133	137	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	Translation differences	Fair value and other reserves	Retained earnings		
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 an 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
Shareholders' equity on 31 December 2005	329	44	7	147	626	10	1 163
Translation differences			-1			-1	-2
Other changes						1	1
Available-for-sale investments							
gain/loss from fair valuation, net of taxes				-1			-1
transferred to income statement, net of taxes				-81			-81
Cash flow hedges after taxes				28			28
Net income recognized directly in equity			-1	-54			-55
Profit for the financial period					203		203
Total recognized income and expense for the period			-1	-54	203		148
Options exercised	2	5					7
Dividends paid					-141		-141
Shareholders' equity on 30 June 2006	331	49	6	93	687	10	1 176

BUSINESS SEGMENTS

Income statement 1-6/2007

MEUR	Power Businesses	Holdings	Unallocated	Group
Net sales	1 558			1 558
Operating result	136			136
Financial income and expenses, dividends		6	-10	-5
Profit before taxes				132
Assets	3 198	145	87	3 430
Liabilities	2 157		113	2 270
Investments	112			112
Depreciation and impairment	-37			-37

Income statement 1-6/2006

MEUR	Power Businesses	Holdings	Unallocated	Group
Net sales	1 437			1 437
Operating result	106			106
Financial income and expenses, dividends		8	-9	-1
Net income from assets available for sale		124		124
Share of profit of associates		15		15
Profit before taxes				244
Assets	2 770	252	108	3 129
Liabilities	1 840		114	1 954
Investments	116			116
Depreciation and impairment	-35			-35

Geographical segments

MEUR	Europe	Asia	Americas	Other	Group
Net sales 1-6/2007	677	558	188	134	1 558
Net sales 1-6/2006	539	488	310	99	1 437

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-6/2007	1-6/2006	2006
Intangible assets			
Book value at 1 January	602	541	541
Changes in exchange rates	-1	-3	-4
Acquisitions	34	56	69
Additions	15	10	22
Depreciation and impairment	-14	-13	-28
Disposals and intra-balance sheet transfer	-3	3	2
Book value at end of period	634	594	602
Property, plant and equipment			
Book value at 1 January	315	273	273
Changes in exchange rates		-4	-6
Acquisitions	1	18	18
Additions	54	34	84
Companies sold	-17		
Depreciation and impairment	-23	-22	-44
Disposals and intra-balance sheet transfer	3	-8	-11
Book value at end of period	333	291	315

GROSS CAPITAL EXPENDITURE

MEUR	1-6/2007	1-6/2006	2006
Investments in securities and acquisitions	43	72	86
Other investments	69	44	107
Group	112	116	193

During the review period investments in the factories in Vaasa, Finland and Trieste, Italy amounted to EUR 18 million, and Wärtsilä had commitments related to the investment programmes amounting to EUR 9 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 5 million during the review period, and Wärtsilä had commitments related to the enlargements amounting to EUR 11 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 and a propeller repair company McCall Propellers Ltd in UK.
In addition, Wärtsilä acquired 7.3% of Wärtsilä India Ltd. and at the end of the review period the percentage of ownership was 97.0%.

MEUR	1-6/2007
Acquisition costs	35
Acquired assets to fair value	11
Goodwill	24
Specification of acquired assets:	
Tangible and intangible assets	7
Property, plant and equipment	1
Inventories	1
Receivables	4
Minority interest	3
Liabilities	-3
Deferred tax liabilities	-2
Total	11

INTEREST-BEARING LOAN CAPITAL

MEUR	30 June 2007	30 June 2006	31 December 2006
Long-term liabilities	259	222	205
Current liabilities	89	212	66
Loan receivables	-36	-4	-36
Cash and bank balances	-133	-137	-179
Net	178	293	55

FINANCIAL RATIOS	1-6/2007	1-6/2006	2006
Earnings per share, EUR	0.98	2.15	3.72
Diluted earnings per share, EUR	0.98	2.13	3.71
Equity per share, EUR	12.03	12.33	12.74
Solvency ratio, %	44.3	44.0	47.0
Gearing	0.18	0.25	0.07

PERSONNEL	1-6/2007	1-6/2006	2006
On average	14 791	12 650	13 264
At end of period	15 180	12 918	14 346

CONTINGENT LIABILITIES

MEUR	30 June 2007	30 June 2006	31 December 2006
Mortgages	15	15	20
Chattel mortgages	22	21	21
Total	38	37	42
Guarantees and contingent liabilities			
On behalf of Group companies	391	304	317
On behalf of associated companies		1	
Nominal amount of rents according to leasing contracts	51	39	50
Total	442	345	367

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	140	
Foreign exchange forward contracts	1 169	135
Currency options, purchased	22	7
Currency options, written	8	8

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	4-6/2007	1-3/2007	10-12/2006	7-9/2006	4-6/ 2006	1-3/2006
Net sales	797	761	986	767	845	592
Other income	4	4	11	4	8	2
Expenses	-710	-683	-880	-696	-764	-541
Depreciation and impairment	-18	-18	-18	-18	-18	-18
Operating result	73	63	99	56	70	36
Financial income and expenses	-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	72	60	141	61	204	40
Taxes for the period	-20	-17	-33	-20	-53	12
Profit for the financial period	52	42	108	42	151	52
Attributable to:						
Equity holders of the parent company	52	42	107	41	150	52
Minority interest	1		1			
Total	52	42	108	42	151	52

Earnings per share attributable to equity holders of the parent company:

Earnings per share, EUR	0.54	0.44	1.13	0.44	1.60	0.55
Diluted earnings per share, EUR	0.54	0.44	1.15	0.43	1.58	0.55

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

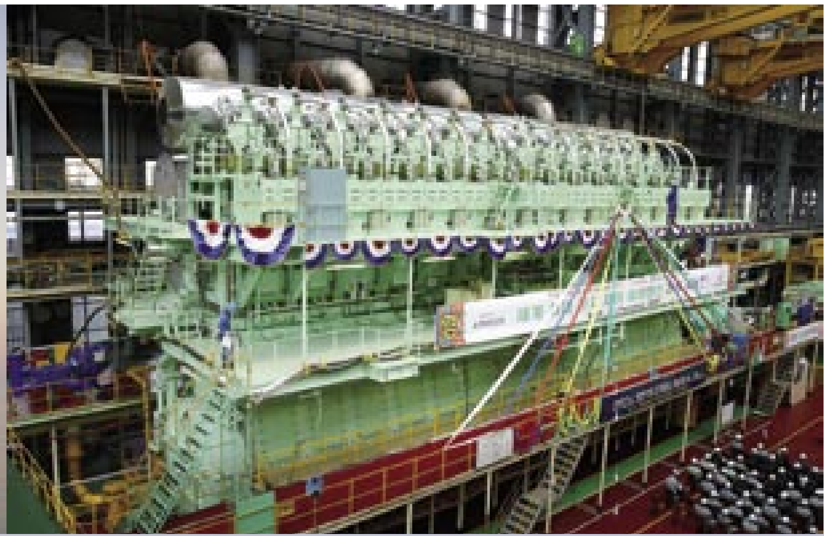
$$\frac{\text{Interest-bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

2 August 2007

Wärtsilä Corporation
Board of Directors

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 130 Wärtsilä locations in close to 70 countries around the world.



WARTSILA.COM

Wärtsilä Corporation
John Stenbergin ranta 2
P.O. Box 196
FI-00531 Helsinki
Finland
Tel. +358 (0)10 709 0000
Fax +358 (0)10 709 5700
www.wartsila.com

WÄRTSILÄ