

# Wärtsilä Corporation

Interim Report January-March 2005

Ole Johansson, President & CEO

4 May 2005

# Highlights of the first quarter



- Net sales up by 9.4% to EUR 570.7 million (521.7)
- Operating income improved to EUR 46.4 million (-63.2)
- Order book at new record level EUR 2,066.9 million (1,656.2)
- Profitability of Power Businesses 6.0%
- Agreement on transfer of Imatra Steel to new steel company
- Service base increased through acquisition of DEUTZ marine engine service business
- Propeller manufacturing expands in China



## IFRS

| <u>MEUR</u>         | <u>Q1/2005</u> | <u>Q1/2004</u>     | <u>2004</u>        |
|---------------------|----------------|--------------------|--------------------|
| Net sales           | 570.7          | 521.7              | 2.478.2            |
| Operating income    | 46.4           | -63.2 <sup>2</sup> | 112.0 <sup>1</sup> |
| Profit before taxes | 42.2           | 40.1               | 217.3              |
| EPS, EUR            | 0.33           | 0.22               | 1.42               |

## FAS

| <u>MEUR</u>         | <u>Q1/2004</u> |
|---------------------|----------------|
| Net Sales           | 521.7          |
| Operating income    | 101.5          |
| Profit before taxes | 97.4           |
| EPS, EUR            | 0.79           |

<sup>1</sup> The Assa Abloy capital gains are entered below operating income in the income statement as required by IFRS.

<sup>2</sup> The IFRS and FAS figures for result in the first quarter of 2004 differ because under IFRS the restructuring provision made according to FAS in 2003 was required to be partially moved to 2004.



## Adjustments in shareholders' equity

- Pension liabilities
- Goodwill
- Timing of restructuring provisions
- R&D
- Deferred tax

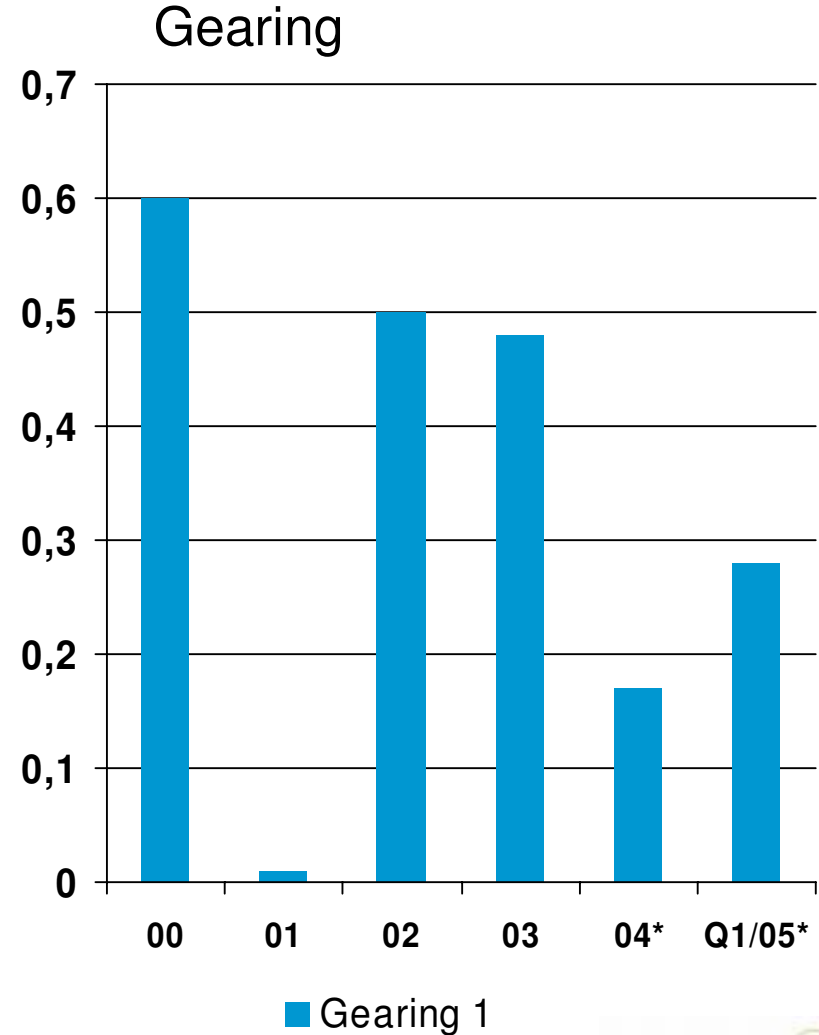
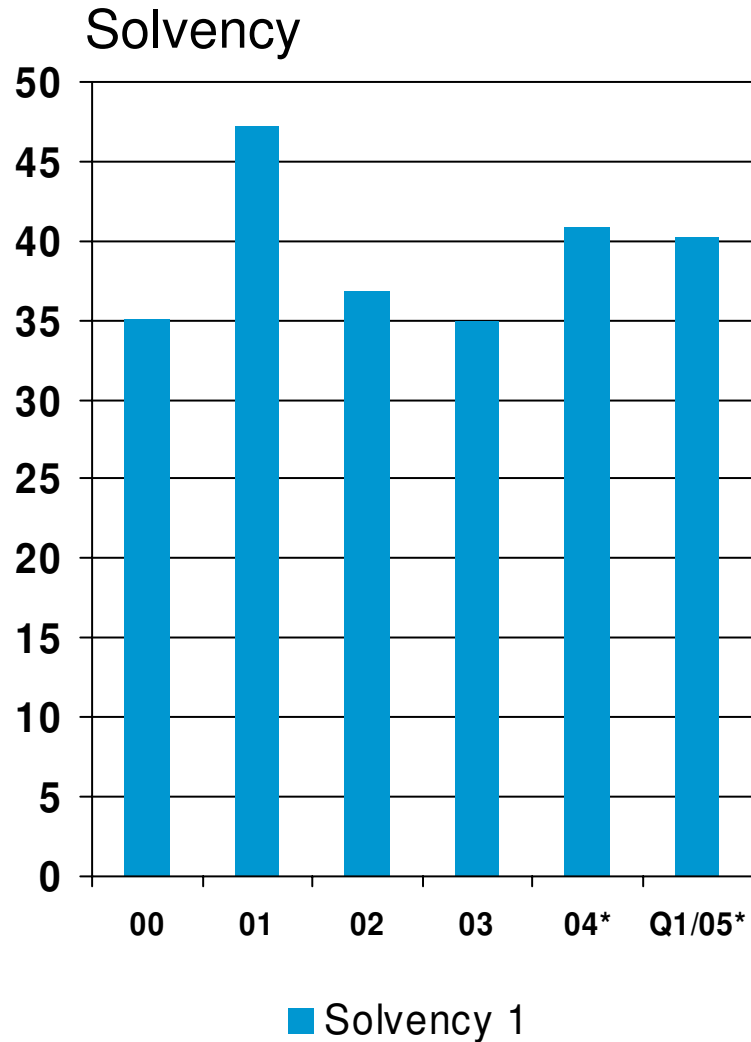
## IAS 39 fair value adjustments

- Assa-Abloy (other holdings)
- Cash flow Hedges



| <u>MEUR</u>                         | <u>Q1/2005</u> | <u>Q1/2004</u> | <u>2004</u> |
|-------------------------------------|----------------|----------------|-------------|
| Cash flow from operating activities | 6.9            | 4.5            | 220.1       |
| Cash flow from investing activities | -125.8         | 124.3          | 85.0        |
| Cash flow from financing activities | 88.6           | -130.8         | -284.9      |
| Liquid funds at the end of period   | 140.7          | 150.7          | 169.6       |

# Solvency and gearing



\* IFRS-adjusted figures

NOTE: Convertible subordinated debentures treated as equity

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# Power Businesses



## IFRS

| <u>MEUR</u>      | <u>Q1/2005</u> | <u>Q1/2004</u>     | <u>Change%</u> | <u>2004</u> |
|------------------|----------------|--------------------|----------------|-------------|
| Net sales        | 483.8          | 463.3              | 4.4%           | 2,224.7     |
| Operating profit | 29.3           | -66.1 <sup>1</sup> |                | 87.7        |
| % net sales      | 6.0%           | -14.3%             |                | 3.9%        |
| Order intake     | 678.0          | 888.7              | -23.7%         | 2,791.4     |
| Order book       | 2,066.9        | 1,656.2            | 24.8%          | 1,855.3     |

## FAS

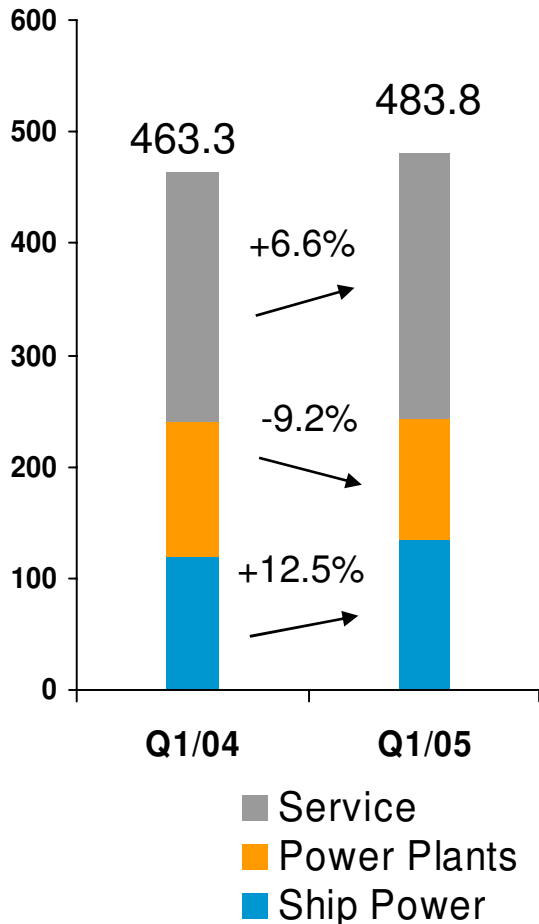
| <u>MEUR</u>      | <u>Q1/2004</u> |
|------------------|----------------|
| Net Sales        | 463.3          |
| Operating Profit | -9.2           |
| % net sales      | -2.0%          |
| Order intake     | 888.7          |
| Order book       | 1,656.2        |

<sup>1</sup> The IFRS and FAS figures for result in the first quarter of 2004 differ because under IFRS the restructuring provision made according to FAS in 2003 was required to be partially moved to 2004.

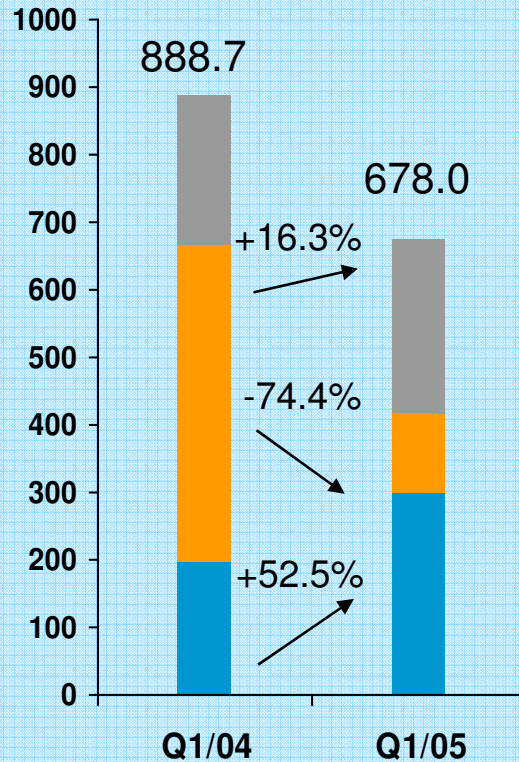
# Power Businesses – Key figures

MEUR

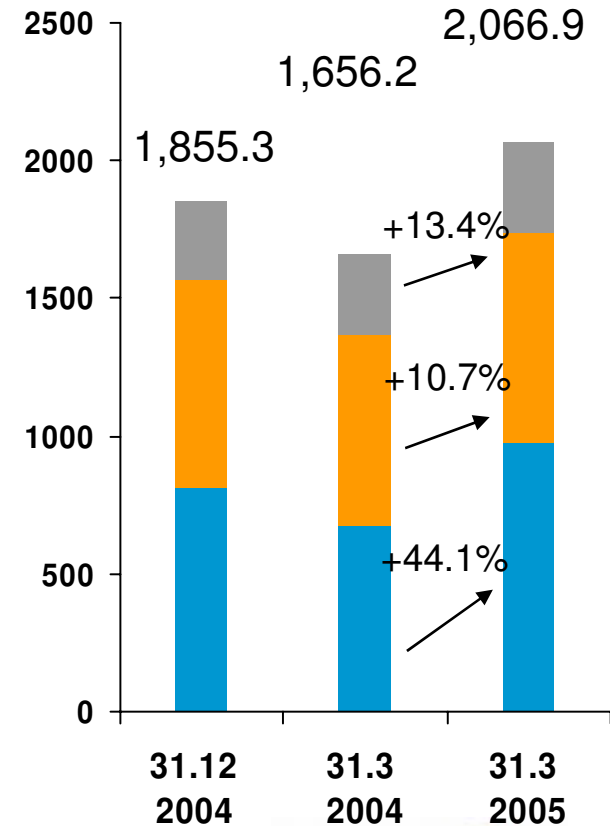
## Net sales



## Order intake

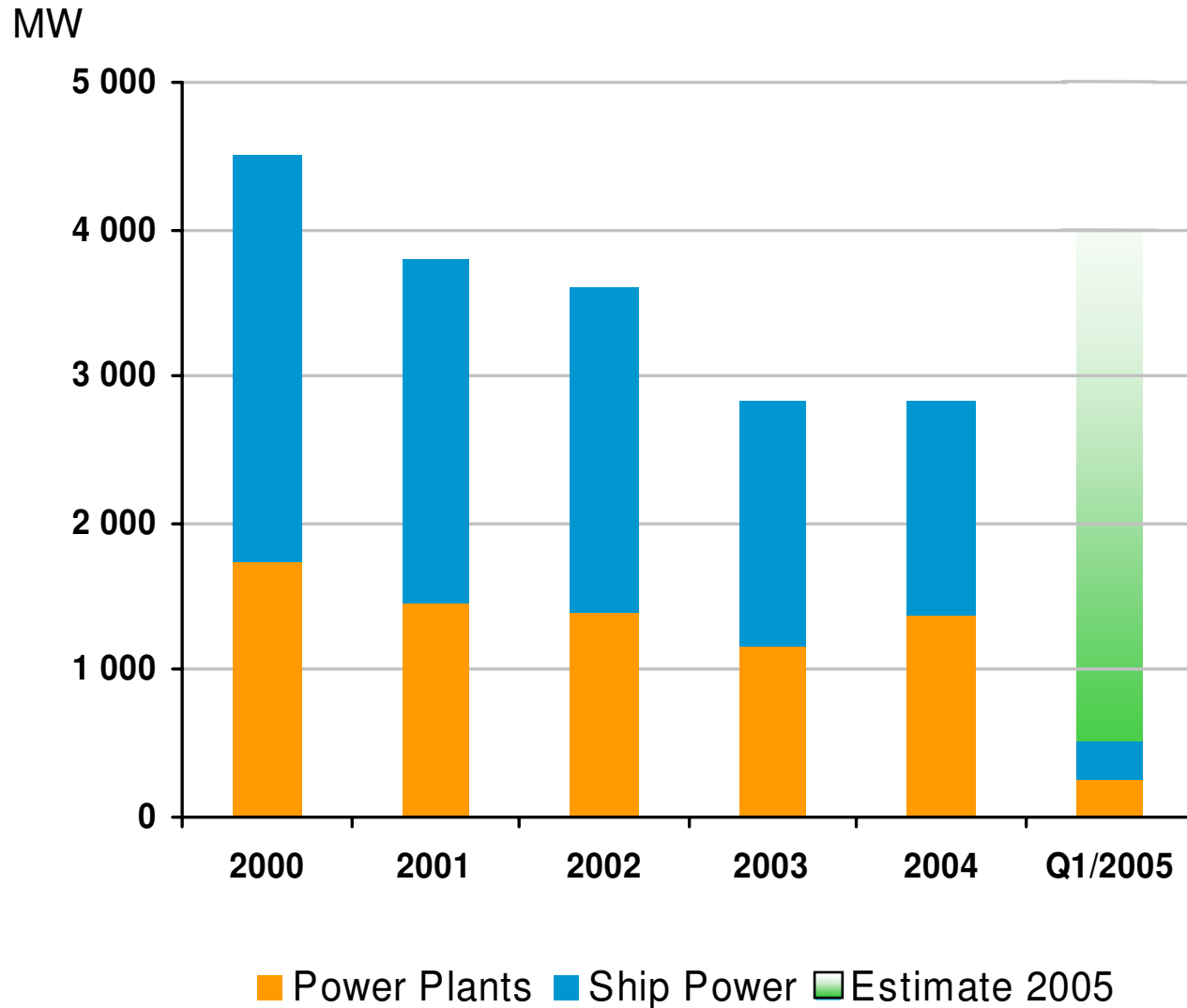


## Order book





# Delivered engine megawatts from Wärtsilä factories



| MEUR                      | Q1/2005 | Q1/2004 | Change | 2004  |
|---------------------------|---------|---------|--------|-------|
| Net sales                 | 133.9   | 119.0   | 12.5%  | 631.2 |
| Order intake              | 298.9   | 196.0   | 52.5%  | 836.7 |
| Order book, end of period | 974.0   | 675.9   | 44.1%  | 812.7 |



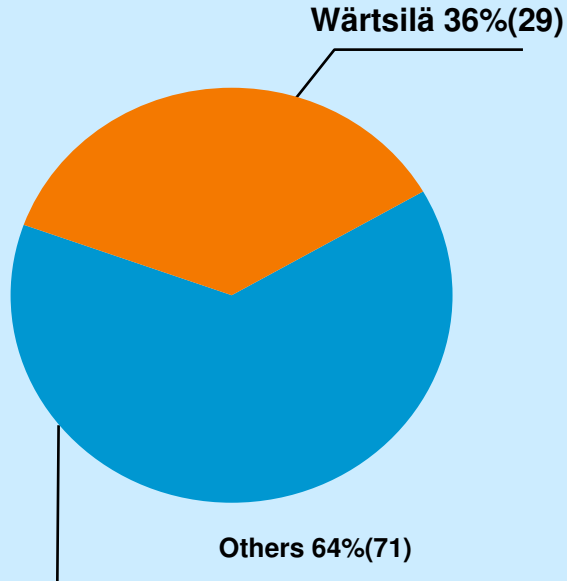
*Power Businesses net sales Q1/2005  
EUR 483.8 million.*

■ *Ship Power 27.7 %*

# The market position of Wärtsilä's marine engines

## Own production

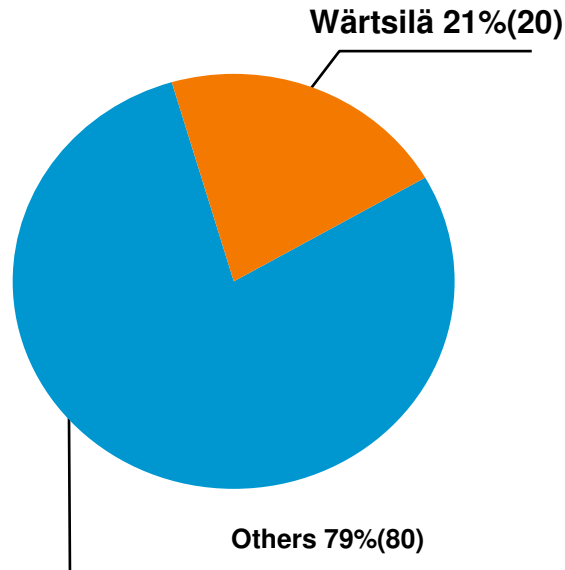
### Medium speed main engines



**Total market volume last 12 months:**  
4,972 MW (3,471)

## Production of licensees

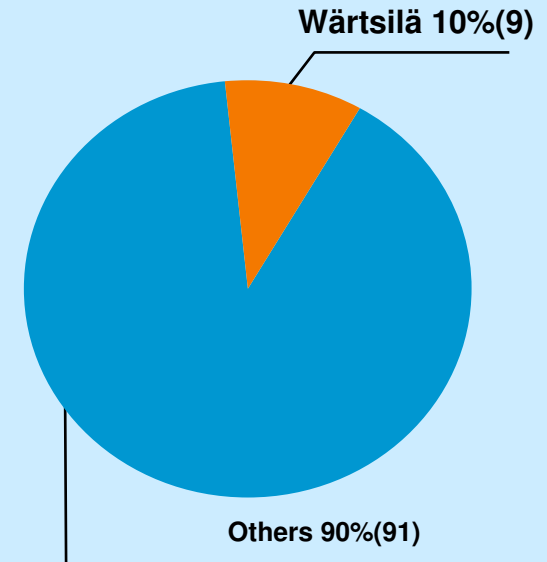
### Low speed main engines



**Total market volume last 12 months:**  
24,488 MW (28,658)

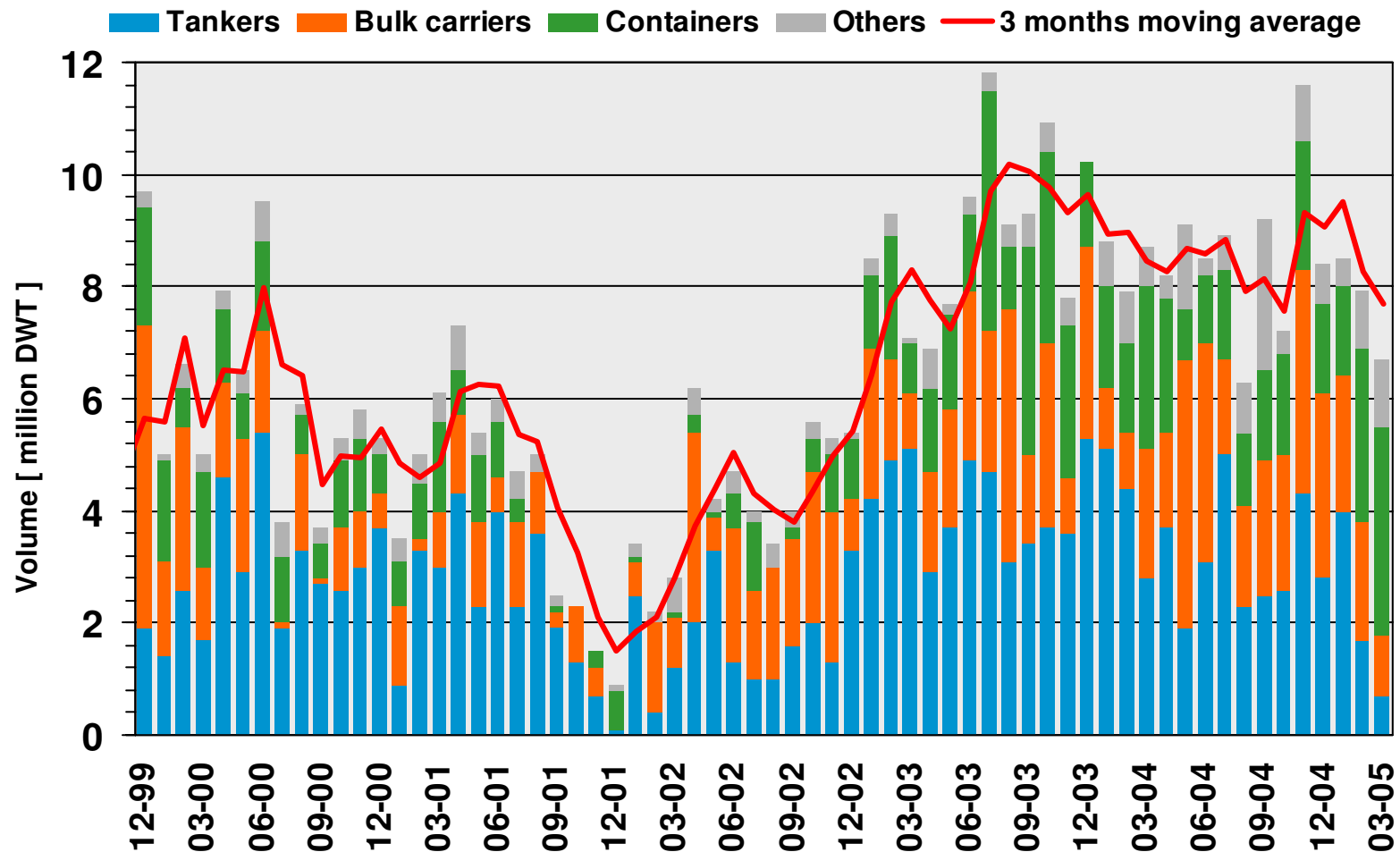
## Own production

### Auxiliary engines



**Total market volume last 12 months:**  
4,000 MW (3,500)

# Vessel orders



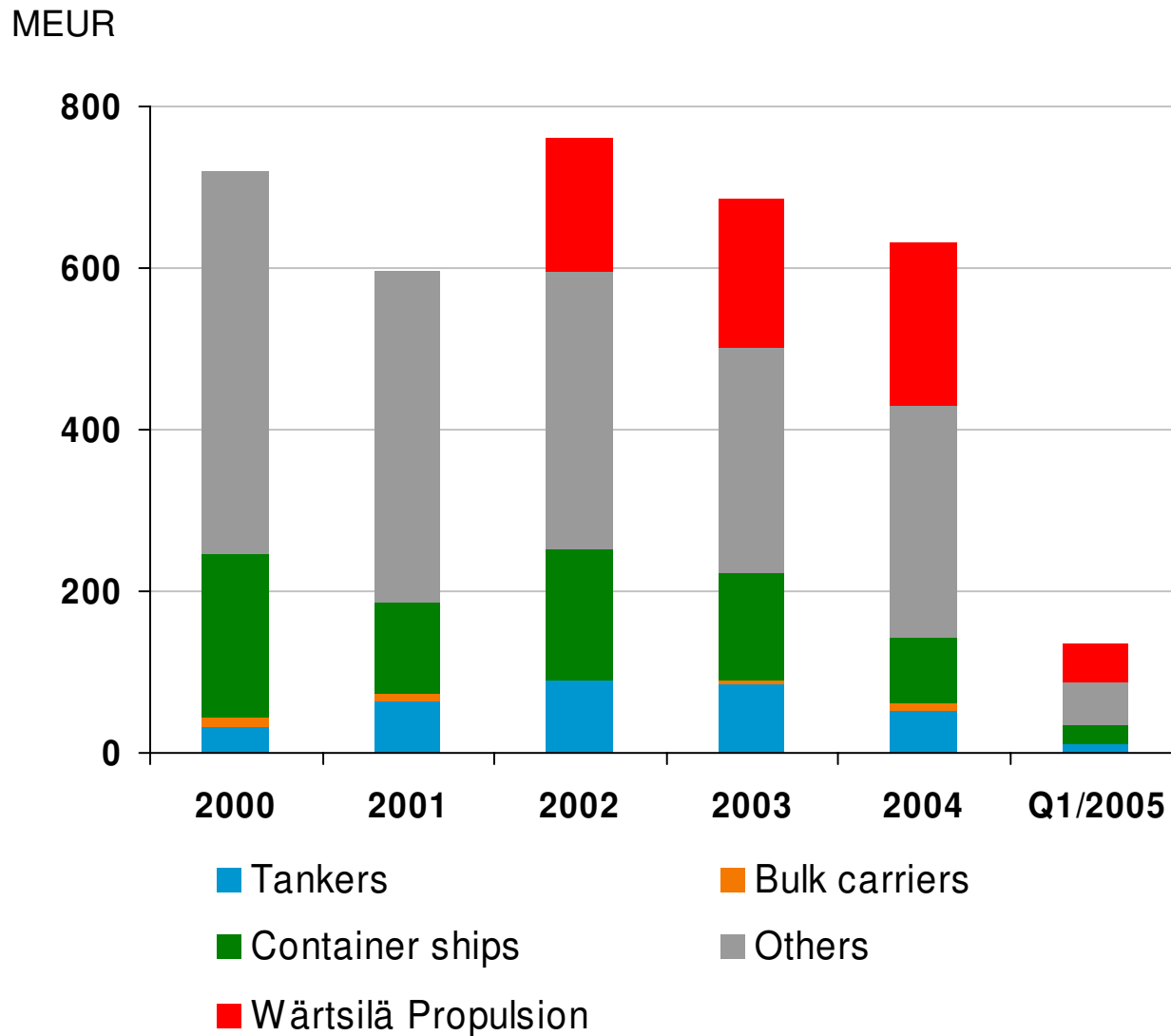
Source: Clarkson Research Studies

Note: Cargo vessels > 5,000 dwt

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# Net sales of Ship Power by vessel type



| MEUR   | Q1/2005 | Q1/2004 | Change | 2004  |
|--|---------|---------|--------|-------|
| Net sales                                      | 237.9   | 223.2   | 6.6%   | 936.8 |
| Personnel, end of period                       | 6 489   | 6 135   | 5.8%   | 6 378 |
| Long-term service agreements, MW               | 9,544   | 9,680   | -1.4%  | 9,609 |
| O&M (operation and Maintenance agreements), MW | 2,711   | 2,318   | 17.0%  | 2,569 |

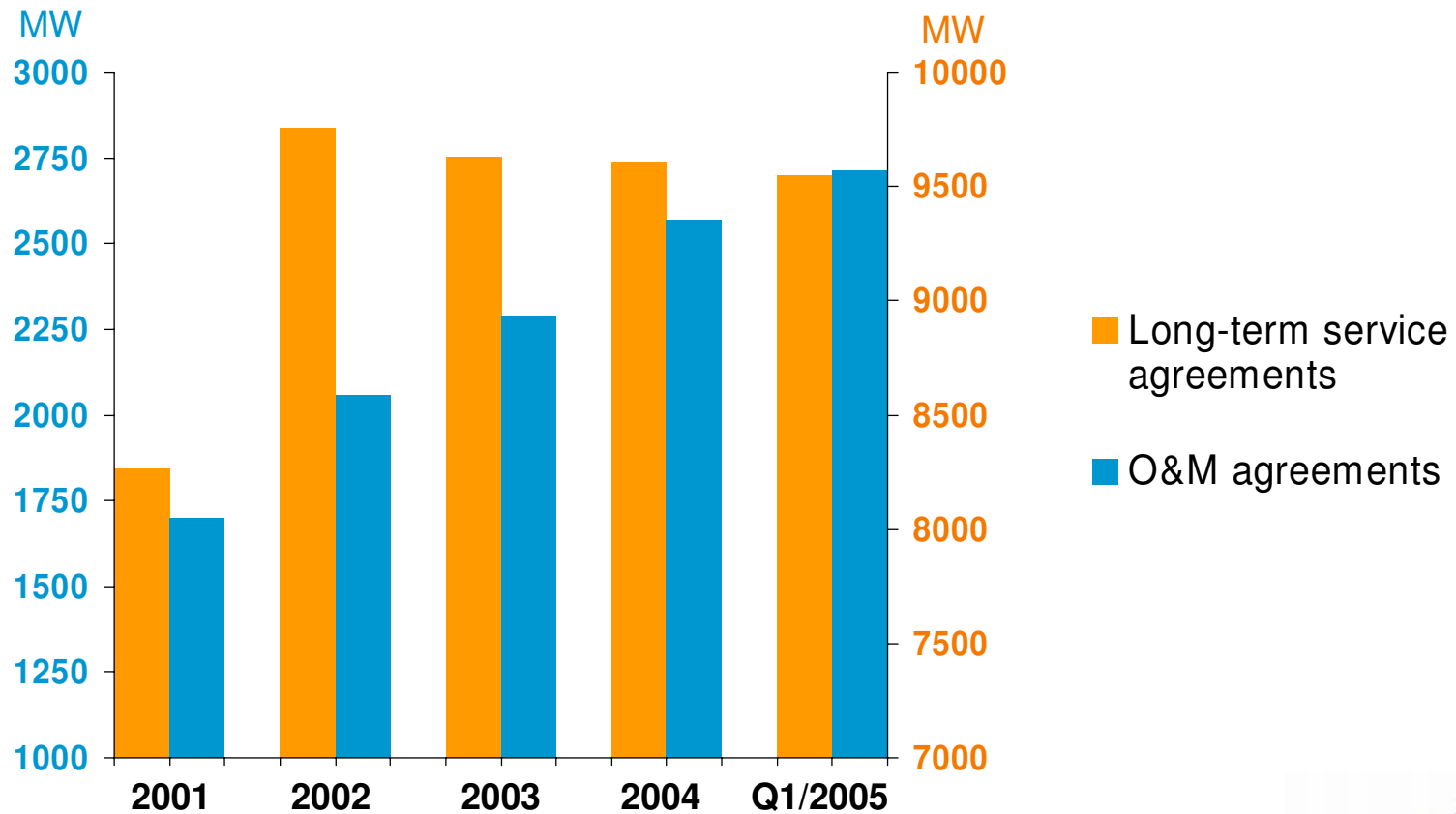


*Power Businesses net sales Q1/2005  
EUR 483.8 million.*

■ *Service 49.2%*

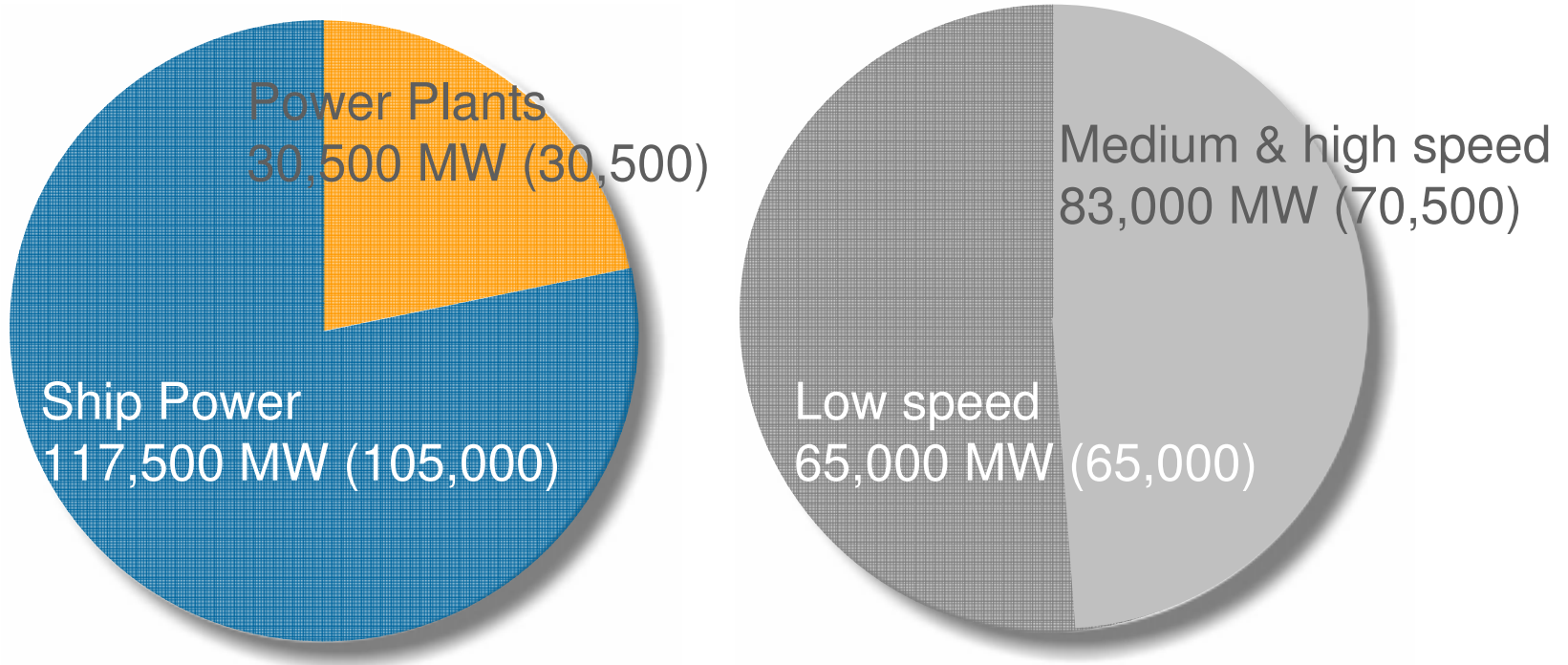
# Long-term service and O&M agreements

- Long-term service and O&M agreements cover 12,000 MW.





Active engine base 148,000 MW (135,500)



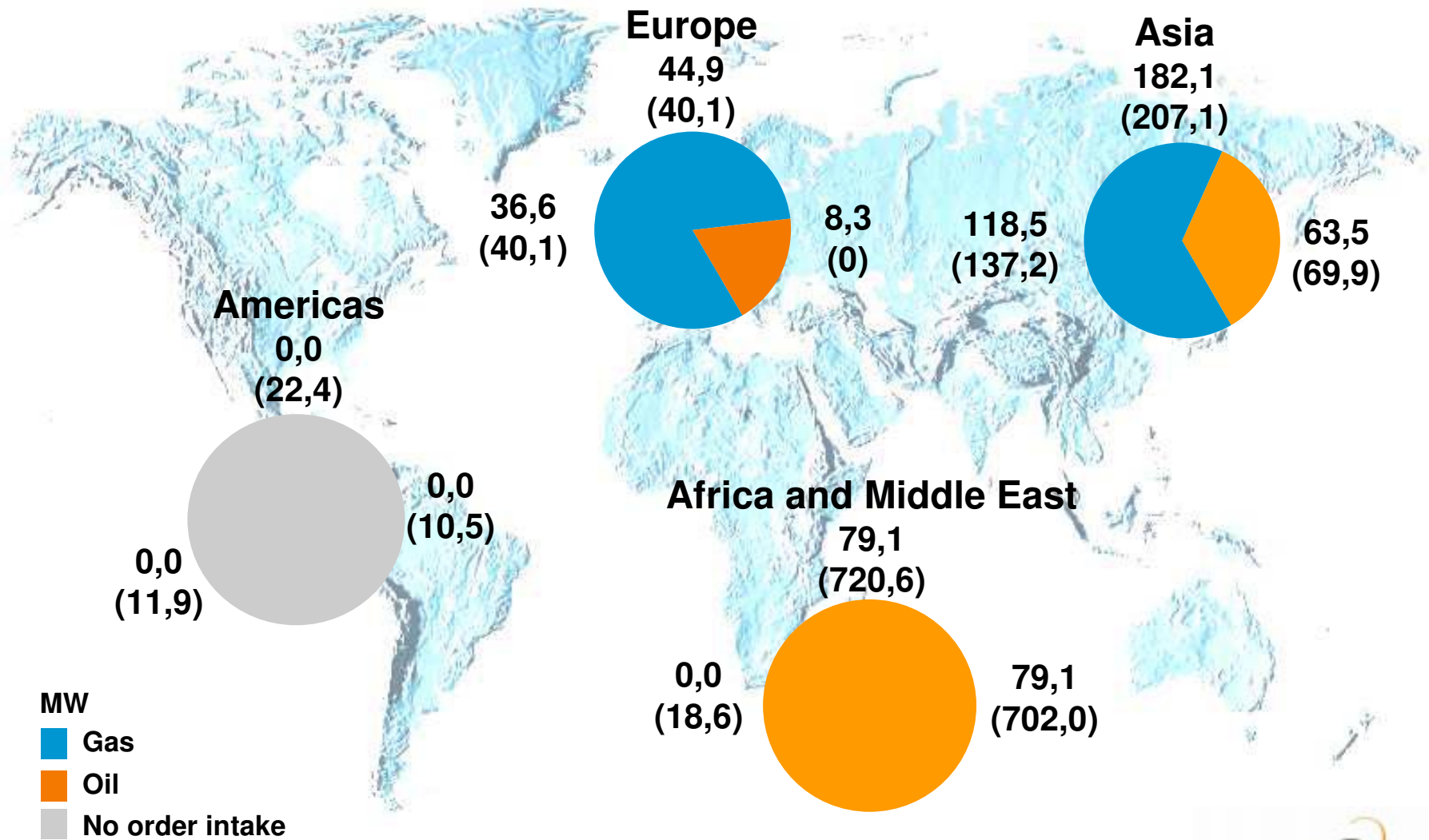
| MEUR                      | Q1/2005 | Q1/2004 | Change | 2004    |
|---------------------------|---------|---------|--------|---------|
| Net sales                 | 109.4   | 120.5   | -9.2%  | 651.9   |
| Order intake              | 120.7   | 470.8   | -74.4% | 1,019.5 |
| Order intake, MW          |         |         |        |         |
| heavy fuel oil, MW        | 151     | 782     | -80.7% | 1,664   |
| gas, MW                   | 155     | 208     | -25.3% | 649     |
| BioPower, MWth            | 58      | 43      | 34.9%  | 110     |
| Order book, end of period | 766.7   | 692.8   | 10.7%  | 752.4   |



*Power Businesses net sales Q1/2005  
EUR 483.8 million.*

■ *Power Plants 22.6%*

# Power plant order intake Q1/2005: 306,0 MW (990,1)





| IFRS<br>MEUR     | Q1/2005 | Q1/2004 | Change | FAS<br>2004 | FAS<br>Q1/2004 |
|------------------|---------|---------|--------|-------------|----------------|
| Net sales        | 87.3    | 58.7    | 48.8%  | 254.4       | 58.7           |
| Operating income | 17.1    | 2.9     | 490.1% | 24.3        | 2.9            |
| % net sales      | 19.6%   | 4.9%    |        | 9.5%        | 4.9%           |

- Demand for special steels remained buoyant and delivery volumes of both steels and forgings increased
- In February Wärtsilä, Rautaruukki and the Swedish SKF signed a Memorandum of Understanding of a new long steel company
- Wärtsilä's holding will be 26.5%
- Definitive agreement signed on 22 April 2005
- The transaction is expected to be closed by 31 May 2005

# Outlook for the rest of the year 2005



## Power Businesses

- Wärtsilä maintains its forecast for the year unchanged. Net sales of Wärtsilä's Power Businesses will rise 10-15% during 2005 based on the Group's strong order book.
- Profitability will vary from quarter to quarter, the first quarter being the weakest. The profitability target set for the Power Businesses will be reached by the end of the year.
- The profitability target (EBITA) is above 8%.

## Imatra Steel

- Imatra Steel is estimated to become part of a new steel company by 31 May 2005.