Wärtsilä Corporation QUARTERLY REPORT 4 May 2007 at 8.30 local time

INTERIM REPORT JANUARY – MARCH 2007

ORDER INTAKE CONTINUED STRONG – MARKET EXPECTED TO REMAIN ACTIVE

FIRST-QUARTER HIGHLIGHTS

- Order intake EUR 1,157 million (1,023), growth 13%
- Order book total EUR 4,860 million (3,415), growth 42%
- Net sales EUR 761 million (592), growth 29%
- Operating income EUR 63 million (36), growth 77%
- Profitability 8.3% (6.1)
- EPS 0.44 (0.55)

OLE JOHANSSON, PRESIDENT AND CEO:

"The robust order book and continued good demand in all markets boosted net sales to grow at 29% in the first quarter. The long term measures to improve profitability in combination with good demand and a favourable sales mix contributed to improved operating profit as expected".

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

ANALYST AND PRESS CONFERENCE

An analyst and press conference will be held on Friday 4 May 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=1437901. To participate in the teleconference and have the possibility to ask questions, please call: +358 9 8248 6348 and enter the PIN-code 2160. To only listen to the teleconference call the same number and enter PIN-code 390911.
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	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 14,000 professionals manning 130 Wärtsilä locations in close to 70 countries around the world.

INTERIM REPORT JANUARY-MARCH 2007

The figures in this interim report are unaudited.

REVIEW PERIOD JANUARY – MARCH 2007 IN BRIEF

MEUR	1-3/2007	1-3/2006	Change	2006
Net sales	761	592	29%	3 190
Operating income	63	36	77%	262
% of net sales	8.3%	6.1%		8.2%
Income before taxes	60	40 1)		447 2)
Earnings/share, EUR	0.44	0.55 3)		3.72
Cash flow from operating activities	79	-2		302
Interest-bearing net debt at the end of the period	179	435		55
Gross capital Expenditure	42	40		193

1) The January-March 2006 result includes Wärtsilä’s share of Ovako’s profit after taxes, EUR 7 million.
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–March 2006 result includes deferred tax assets totalling EUR +26 million relating to previously recognized restructuring expenses.

MARKET DEVELOPMENT

Ship Power
During the first quarter of 2007 the shipbuilding market remained active, although at a somewhat more moderate level than during the previous two years. During the review period 785 (988) new vessel orders were registered, which corresponds to the order levels of 2003 and 2004. The bulk carrier segment and specialized tonnage such as the offshore and ro-ro cargo ship segments kept or even increased the pace of new orders compared to 2006. Demand in the container and tanker segments was significantly slower during the review period.

China continued to grow in the shipbuilding market during the first quarter of 2007. In terms of new orders, measured in number of vessels, China clearly dominated the market with a 45% market share, followed by Korea with 24% and Europe 13%. Japan had a market share of approximately 9%. China was also the dominating player in terms of deadweight tonnage during the first quarter of 2007 with a share of 51%, compared to Korea’s share of 27%.

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 first quarter 2007 was 8,800 MW. Wärtsilä’s share of this market remained at a very high level at 46% (51% at the end of the previous quarter). In the low-speed main engine market Wärtsilä’s market share was 14% (16% at the end of the previous quarter). Wärtsilä retained its volumes but the market grew to 27,700 MW (26,600). Wärtsilä’s market share in auxiliary engines remained at 6% (6% at the end of the fourth quarter of 2006).

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. Demand remained evenly spread around the world, reducing the risks associated with single markets and geographical concentration.

Demand for gas power plants was strong during the review period, power plants running on renewable fuels, in which liquid bio-fuel power plants are included, continued to offer opportunities for Wärtsilä especially in Europe. Demand in oil-producing areas, such as Africa and the Middle East, 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 relevant 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

The order intake for the review period totalled EUR 1,157 million (1,023), representing growth of 13%. Order intake in the Ship Power business remained, as expected, at a high level at EUR 521 million (501), 4% higher than during the corresponding period in 2006. During the review period the offshore segment in particular continued to be very active, accounting for more than 50% of the Ship Power order intake. Orders were booked for semi-submersible rigs, drill ships, floating production units as well as for various supply vessels.

The Power Plants order intake for the review period amounted to EUR 211 million (138), 53% higher than one year earlier. Demand for oil-fired power plants was high and the largest orders were received from Mayotte, French Polynesia and Italy. During the review period Wärtsilä received 10 orders for liquid biofuel power plants with a total output of 172 MW in Italy. The largest gas power plant orders were received in the USA and Russia.

At the end of the review period the total order book stood at 4,860 million (3,415), representing growth of 42%. Some 42% of the order book is due for delivery in 2007.

Order intake by business

MEUR	1-3/2007	1-3/2006	Change %	2006
Ship Power	521	501	4	2 270
Services	423	383	11	1 322
Power Plants	211	138	53	1 027
Order intake, total	1 157	1 023	13	4 621

Order intake Power Plants

MW	1-3/2007	1-3/2006	Change %	2006
Oil	130	172	-24	766
Gas	122	106	15	1 232
Renewable fuels	204	142	44	353

Order book by business

MEUR	31.3.2007	31.3.2006	Change %	2006
Ship Power	3 285	2 080	58	3 020
Services	433	388	12	357
Power Plants	1 140	943	21	1 061
Order book, total	4 860	3 415	42	4 439

NET SALES

Wärtsilä's net sales for January-March 2007 totalled EUR 761 million (592), growth of 29%. Ship power net sales grew by 69% to EUR 256 million (152), representing 34% of total net sales. Power Plant net sales totalled EUR 150 million (140), 20% of total net sales. Net sales from the Services business increased to EUR 352 million (300), growth of 17% on the corresponding period last year. Organic growth represented 13% of Services net sales growth. Services net sales accounted for 46% of total net sales.

Net sales by business

MEUR	1-3/2007	1-3/2006	Change %	2006
Ship Power	256	152	69	985
Services	352	300	17	1 266
Power Plants	150	140	7	934
Net sales, total	761	592	29	3 190

FINANCIAL RESULTS

The operating income rose to EUR 63 million (36) for January – March 2007, which is 8.3% of net sales (6.1).

Financial items amounted to EUR -4 million (-3). Net interest totalled EUR -2 million (-3).

Income before taxes amounted to EUR 60 million (40).

Taxes in the reporting period amounted to EUR -17 million (12). Taxes in the comparison period included deferred tax assets totalling EUR +26 million relating to previously recognized restructuring expenses.

The earnings per share were EUR 0.44 (0.55).

BALANCE SHEET, FINANCING AND CASH FLOW

Liquid reserves at the end of the period amounted to EUR 148 million (115). Net interest-bearing loan capital totalled EUR 179 million (435). The solvency ratio was 42.4% (41.9) and gearing was 0.19 (0.41).

Cash flow from operating activities for January-March 2007 was strong and totalled EUR 79 million (-2).

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 124 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 42 million (40), which comprised EUR 12 million (17) in acquisitions and investments in securities and EUR 30 million (23) in production and information technology investments. Depreciation amounted to EUR 18 million (18).

Due to strong volume growth the total capital expenditure for 2007 is expected to be appr. 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. Focusing on assembly and testing of the engines, the joint venture is scheduled to deliver its first engine in the second half of 2008. The Trieste factory 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. The deal is subject to approval of the relevant regulatory authorities.

In February Wärtsilä signed an agreement to acquire 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 the South African company Marine Propeller (Pty) Ltd in Cape Town, South Africa. Marine Propeller (Pty) Ltd focuses mainly on repairing propellers. This acquisition expands Wärtsilä’s offering in South Africa to include propeller repair.

The total acquisition price of the two acquisitions is EUR 3 million out of which EUR 2 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 pursuant to the offer about 6.9% of the total shares will be acquired. This implies a consideration of approximately EUR 9 million. After the completion of the offer Wärtsilä Corporation will hold directly or indirectly 96.6% of

Wärtsilä India shares. The actual delisting will take place in about three months.

MANUFACTURING

The investment programmes to increase production capacity for medium-speed engines in Vaasa and Trieste are proceeding according to plan and will achieve the full capacity increase during the second half of 2007. 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.

Hitachi Zosen joined the family of Wärtsilä Corporation licensees to manufacture Wärtsilä RT-flex electronically-controlled common-rail marine engines. Hitachi Zosen was awarded a contract in March 2007 to build four six-cylinder Wärtsilä RT-flex50-B engines for ships to be built in China. The first of the ships will be delivered in the second quarter of 2009.

R&D

The engine testing of the Wärtsilä Auxpac 26 began during the review period. This product enhances the Auxpac product range to meet market demand for bigger auxiliary engines.

In the area of Fuel Cells, the Large-SOFC (Solid Oxide Fuel Cell) project has been started. Wärtsilä is a key participant in the project with other European players in this field such as VTT of Finland, Forschungszentrum Jülich GmbH, Topsoe Fuel Cell A/S and Rolls-Royce Fuel Cell Systems Ltd.

The current Hercules programme aimed at reduction of fuel consumption and CO2 emissions ends in September 2007. The main parties in the present programme, Wärtsilä and MAN Diesel, are now preparing a the next phase of the project.

PERSONNEL

Wärtsilä had 14,583 (12,286) employees on average during the reporting period and 14,754 (12,605) at the end of March. The largest personnel increases took place in the Services business where the personnel increase was close to 20% compared to the correponding period 2006. At the end of the period the Services business employed 8,746 (7,388).

SHARES AND SHAREHOLDERS

SHARES ON HELSINKI EXCHANGES

31 March 2007	A-share	B-share	Total
Number of shares	23 579 587	72 123 010	95 702 597
Number of votes	235 795 870	72 123 010	307 918 880
Number of shares traded, 1-3/2007	439 000	33 485 382	33 924 382

1 Jan.- 31 March 2007	High	Low	Average 1)	Close
A-share	49.74	38.05	44.38	45.75
B-share	50.80	38.44	44.87	46.29

1) Trade-weighted average price.

Market capitalization	31 Mar. 2007	31 Mar. 2006
EUR million	4 417	2 879

Foreign shareholders	31 Mar. 2007	31. Mar. 2006
	30.5%	27.2%

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 298,020 shares, representing 0.3 % 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 Heikki Allonen, Maarit Aarni-Sirviö 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 worked hard to overcome the situation and several measures have been taken 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 freight market has remained robust 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. Although the start of the year has been slower than last year, overall expectations for the full year are still good.

High energy prices have led to continued investments in the offshore segment. Offshore investments in both vessels and various production units have increased during the first quarter of 2007 and are expected to remain at a high level.

In the Power Plant market the situation remains good. Increased environmental concerns favour efficient power generation solutions. All segments relevant to

Wärtsilä are expected to remain highly active. Geographically demand is distributed evenly, reducing any dependency on single markets.

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 be the case also this year. Wärtsilä sees further possibilities for growth in 2008.

WÄRTSILÄ INTERIM REPORT JANUARY – MARCH 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	**1-3/2007**	**1-3/2006**	**2006**
Net sales	761	592	3 190
Other income	4	2	25
Expenses	-683	-541	-2 881
Depreciation and impairment	-18	-18	-72
Operating result	63	36	262
Financial income and expenses	-4	-3	-7
Net income from assets available for sale			124
Share of profit of associates		7	68
Profit before taxes	60	40	447
Taxes for the period	-17	12	-94
Profit for the financial period	42	52	353
Attributable to:			
Equity holders of the parent company	42	52	351
Minority interest			2
Total	42	52	353
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	0.44	0.55	3.72
Diluted earnings per share, EUR	0.44	0.55	3.71

CONDENSED BALANCE SHEET

MEUR	31 March 2007	31 March 2006	31 December 2006
Non-current assets			
Intangible assets	605	555	602
Property, plant and equipment	315	287	315
Equity in associates	11	116	3
Investments available for sale	192	323	183
Deferred tax receivables	82	97	87
Other receivables	43	30	43
	1 248	1 408	1 233
Current assets			
Equity in associates	6		6
Inventories	960	764	838
Other receivables	962	815	932
Cash and cash equivalents	148	115	179
	2 076	1 694	1 955
Assets	3 324	3 102	3 188
Shareholders' equity			
Share capital	335	329	334
Other shareholders' equity	768	775	882
Total equity attributable to equity holders of the parent	1 103	1 104	1 217
Minority interest	11	10	13
Total shareholders' equity	1 115	1 114	1 230
Non-current liabilities			
Interest-bearing debt	257	223	205
Deferred tax liabilities	77	94	74
Other liabilities	80	72	73
	414	389	352
Current liabilities			
Interest-bearing debt	107	353	66
Other liabilities	1 689	1 246	1 540
	1 796	1 599	1 606
Total liabilities	2 210	1 988	1 958
Shareholders' equity and liabilities	3 324	3 102	3 188

CONDENSED CASH FLOW STATEMENT

MEUR	1-3/2007	1-3/2006	2006
Cash flow from operating activities:			
Profit before taxes	60	40	447
Depreciation and impairment	18	18	72
Financial income and expenses	4	3	6
Selling profit and loss of fixed assets and other adjustments	-1	-1	-129
Share of profit of associates		-7	-68
Changes in working capital	28	-30	52
Cash flow from operating activities	108	23	379

before financial items and taxes			
Net financial items and income taxes	-29	-24	-77
Cash flow from operating activities	79	-2	302
Cash flow from investing activities:			
Investments in shares and acquisitions	-12	-17	-86
Net investments in tangible and intangible assets	-27	-12	-94
Proceeds from sale of shares			318
Cash flow from other investing activities		-1	11
Cash flow from investing activities	-38	-29	148
Cash flow from financing activities:			
Issuance of share capital	3		19
New long-term loans	58	2	6
Amortization and other changes in long-term loans	-16	-10	-37
Dividends paid	-167	-141	-283
Changes in short term loans and other financing activities	50	176	-92
Cash flow from financing activities	-72	27	-387
Change in liquid funds, increase (+) / decrease (-)	**-31**	**-4**	**63**
Cash and cash equivalents at beginning of period	179	120	120
Fair value adjustments, investments			1
Exchange rate changes	-1	-1	-4
Cash and cash equivalents at end of period	148	115	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
Other changes						-2	-2
Available-for-sale investments gain / loss from fair valuation, net of taxes				7			7
Cash flow hedges after taxes				1			1
Net income recognized directly in equity				8		-2	7
Profit for the financial period					42		42
Total recognized income an expense for the period				8	42	-2	49
Options exercised	1	3					3

Dividends paid					-167		-167
Shareholders' equity on 31 March 2007	335	61	3	136	568	11	1 115
Shareholders' equity on 31 December 2005	329	44	7	147	626	10	1 163
Translation differences			1				1
Available-for-sale investments gain/loss from fair valuation, net of taxes				29			29
Cash flow hedges after taxes				10			10
Net income recognized directly in equity			1	39			40
Profit for the financial period					52		52
Total recognized income and expense for the period			1	39	52		92
Dividends paid					-141		-141
Shareholders' equity on 31 March 2006	329	44	8	186	537	10	1 114

BUSINESS SEGMENTS

Income statement 1-3/2007 **MEUR**	**Power Businesses**	**Holdings**	**Unallocated**	**Group**
Net sales	761			761
Operating result	63			63
Financial income and expenses, dividends			-4	-4
Profit before taxes				60
Assets	3 014	217	93	3 324
Liabilities	2 061		148	2 210
Investments	42			42
Depreciation and impairment	-18			-18

Income statement 1-3/2006 **MEUR**	**Power Businesses**	**Holdings**	**Unallocated**	**Group**
Net sales	592			592
Operating result	36			36
Financial income and expenses, dividends			-3	-3
Share of profit of associates		7		7
Profit before taxes				40
Assets	2 550	437	115	3 102
Liabilities	1 879		108	1 988
Investments	40			40
Depreciation and impairment	-18			-18

Geographical segments **MEUR**	**Europe**	**Asia**	**Americas**	**Other**	**Group**

Net sales 1-3/2007	330	257	98	75	761
Net sales 1-3/2006	218	213	117	44	592

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	**1-3/2007**	**1-3/2006**	**2006**
Intangible assets			
Book value at 1 January	602	541	541
Changes in exchange rates	-2	-3	-4
Acquisitions	3	13	69
Additions	6	5	22
Depreciation and impairment	-7	-7	-28
Disposals and intra-balance sheet transfer	2	6	2
Book value at end of period	605	555	602
Property, plant and equipment			
Book value at 1 January	315	273	273
Changes in exchange rates		-1	-6
Acquisitions		16	18
Additions	24	18	84
Companies sold	-10		
Depreciation and impairment	-10	-11	-44
Disposals and intra-balance sheet transfer	-4	-8	-11
Book value at end of period	315	287	315

GROSS CAPITAL EXPENDITURE

MEUR	**1-3/2007**	**1-3/2006**	**2006**
Investments in securities and acquisitions	12	17	86
Other investments	30	23	107
Group	42	40	193

During the review period investments in the factories in Trieste, Italy and Vaasa, Finland amounted to EUR 8 million, and Wärtsilä had commitments related to the investment programmes amounting to EUR 13 million at the end of the review period. The investment in the enlargement of propulsion equipment manufacturing in China and the Netherlands amounted to EUR 2 million during the review period, and Wärtsilä had commitments related to the enlargements amounting to EUR 12 million at the end of the review period.

INTEREST-BEARING LOAN CAPITAL

MEUR	**31 Mar. 2007**	**31 Mar. 2006**	**31 Dec. 2006**
Long-term liabilities	257	223	205
Current liabilities	107	353	66
Loan receivables	-37	-26	-36
Cash and bank balances	-148	-115	-179
Net	**179**	**435**	**55**

FINANCIAL RATIOS	**1-3/2007**	**1-3/2006**	**2006**
Earnings per share, EUR	0.44	0.55	3.72
Diluted earnings per share, EUR	0.44	0.55	3.71
Equity per share, EUR	11.53	11.71	12.74

Solvency ratio, %	42.4	41.9	47.0
Gearing	0.19	0.41	0.07

PERSONNEL

	1-3/2007	1-3/2006	2006
On average	14 583	12 286	13 264
At end of period	14 754	12 605	14 346

CONTINGENT LIABILITIES

MEUR	31 Mar. 2007	31 Mar. 2006	31 Dec. 2006
Mortgages	15	15	20
Chattel mortgages	21	23	21
Total	37	38	42
Guarantees and contingent liabilities			
On behalf of Group companies	359	299	317
Nominal amount of rents according to leasing contracts	42	40	50
Total	401	339	367

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	140	
Foreign exchange forward contracts	1 069	114
Currency options, purchased	22	8
Currency options, written	17	8

CONDENSED INCOME STATEMENT, QUARTERLY

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

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

Earnings per share, EUR	0.44	1.13	0.44	1.60	0.55
Diluted earnings per share, EUR	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

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

3 May 2007
Wärtsilä Corporation
Board of Directors