

# Wärtsilä Corporation

Interim Report January-June 2006

Ole Johansson, President & CEO

4 August 2006

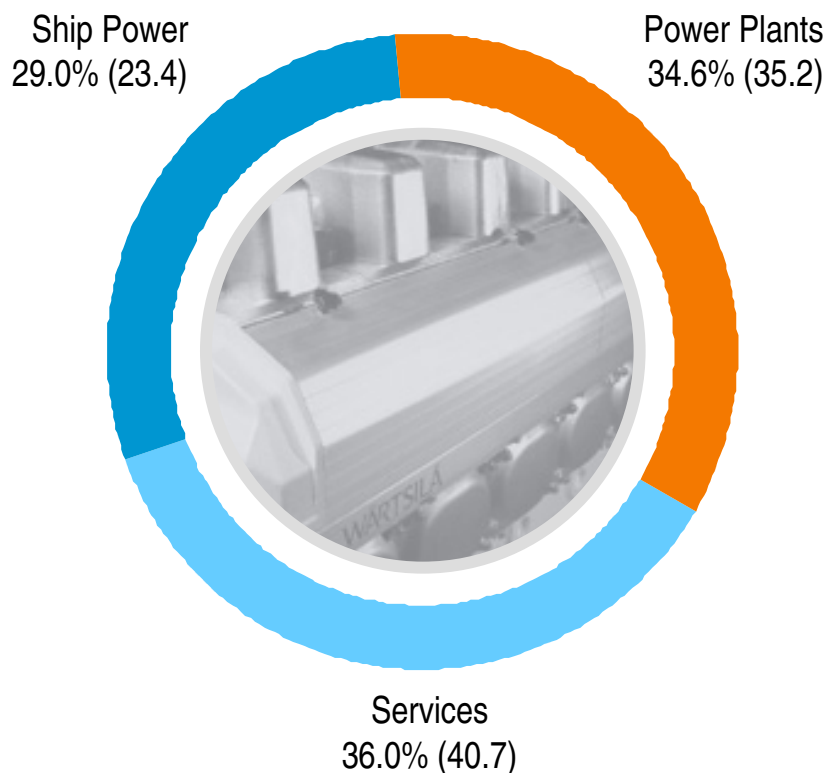
## Second-quarter

- Order intake EUR 1,190.1 million (841.8), growth 41.4%.
- Net sales from comparative operations EUR 845.0 million (655.2), growth 29%.
- Operating income from comparative operations EUR 70.2 million (43.6), growth 61%.
- Second-quarter profitability 8.3% (6.7).
- Agreement to sell Ovako signed in July.

## January-June

- January-June profitability 7.4% (6.4) .
- Capital gain of EUR 123.9 million from sales of Assa Abloy shares.
- EPS EUR 2.15 (0.73), 0.97 euros refers to Assa Abloy share sales.

## Net sales by business Q2/2006



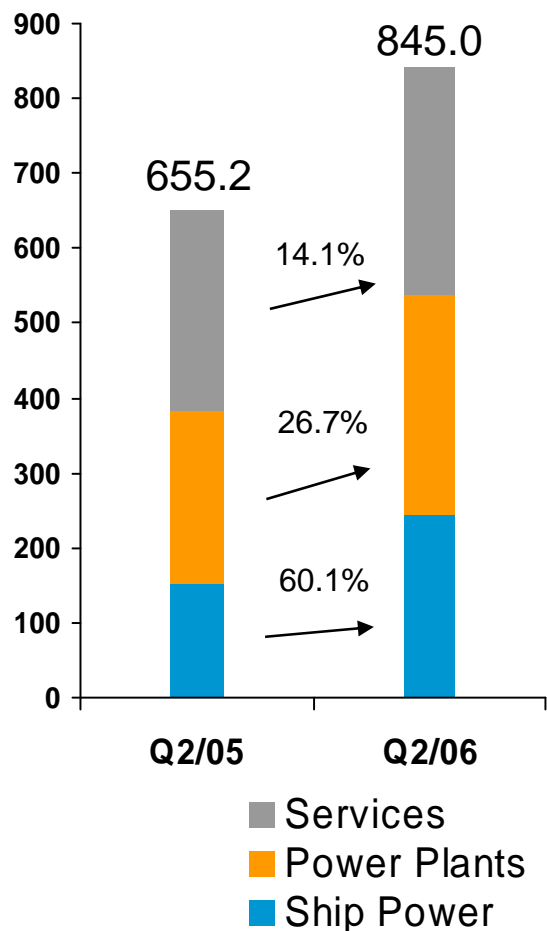
MEUR	Q2/06	Q2/05	2005
Net sales	845.0	655.2	2,520.3
Operating income	70.2	43.6	202.5
Income before taxes	204.1**	50.2*	212.4
Earnings/share, EUR	1.60	0.40	1.80

\*The figure in the comparison period includes Imatra Steel's pre-tax profit of EUR 21.9 million.

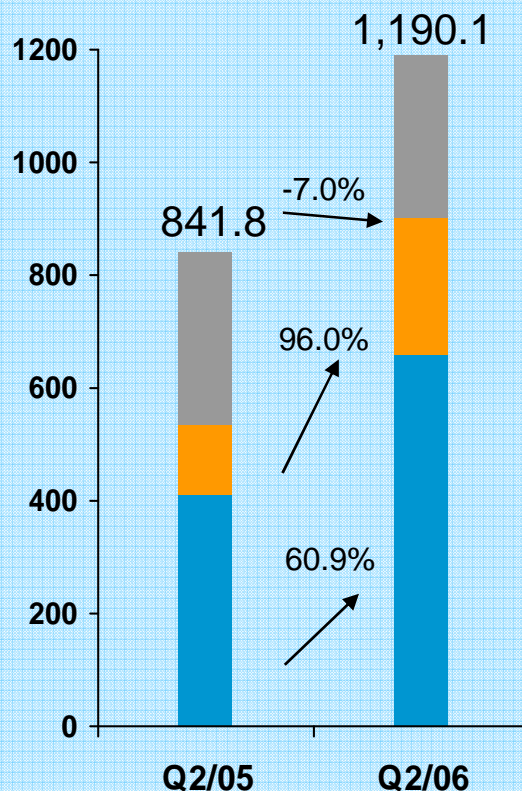
\*\*The first-half year result 2006 includes Wärtsilä's share of Ovako's profit after taxes, EUR 14.8 million and a capital gain of EUR 123.9 million from the sales of Assa Abloy B shares.

MEUR

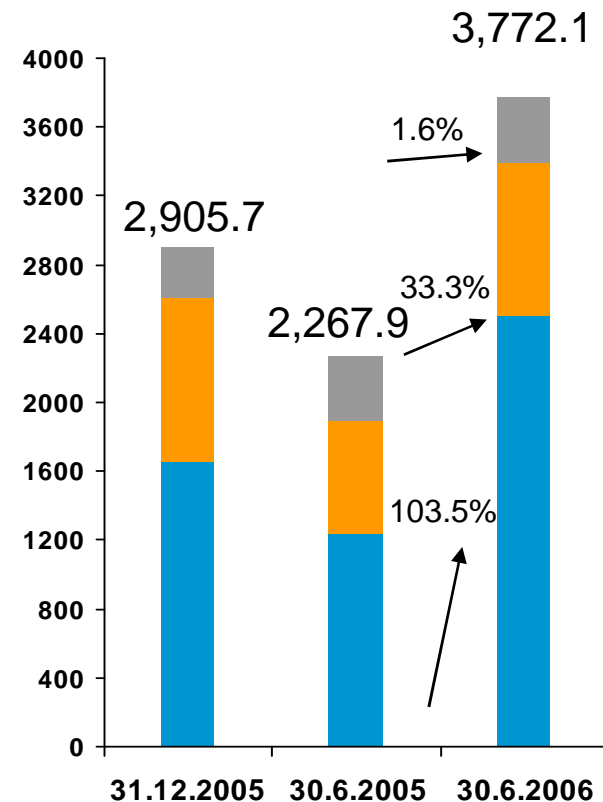
## Net sales



## Order intake

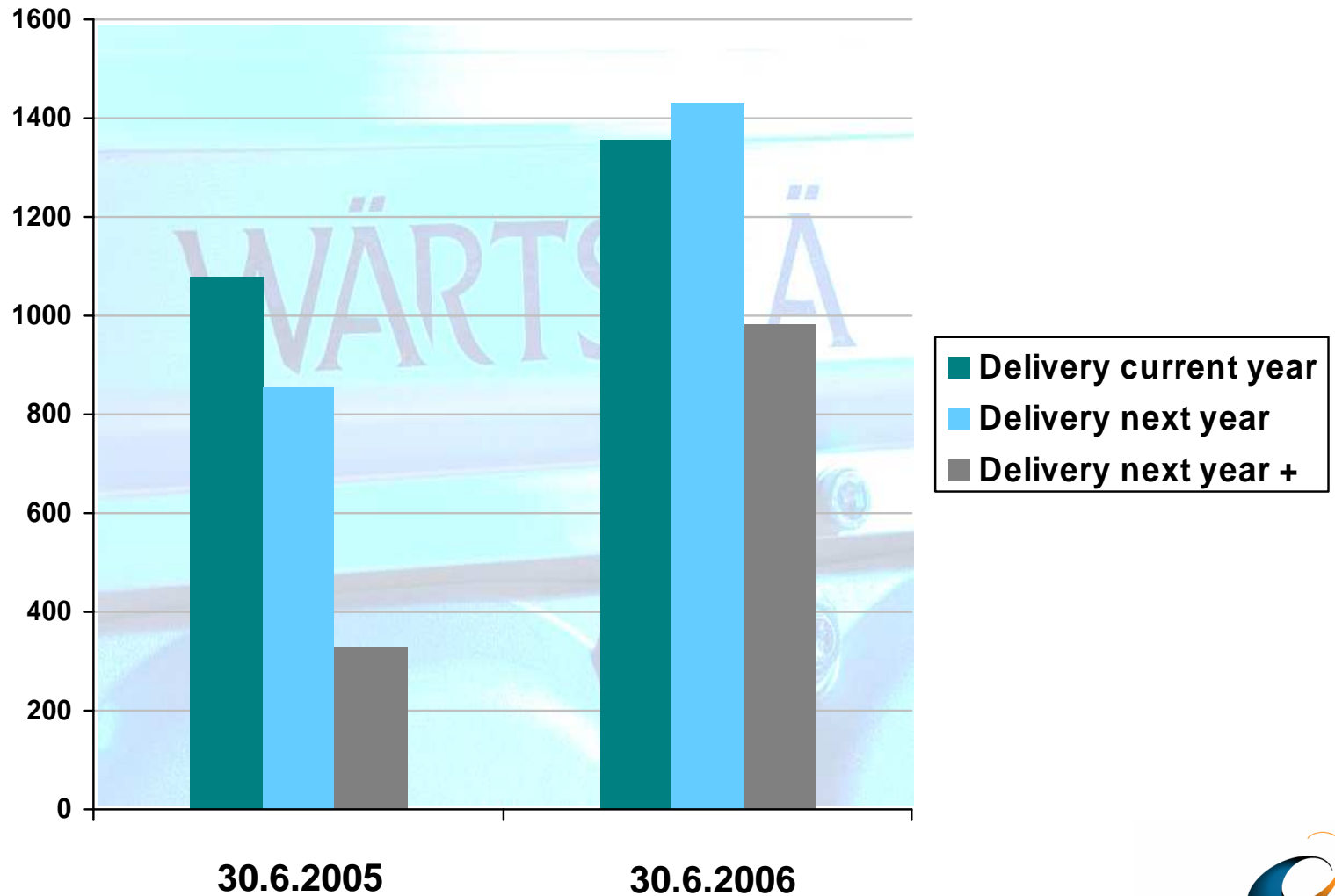


## Order book



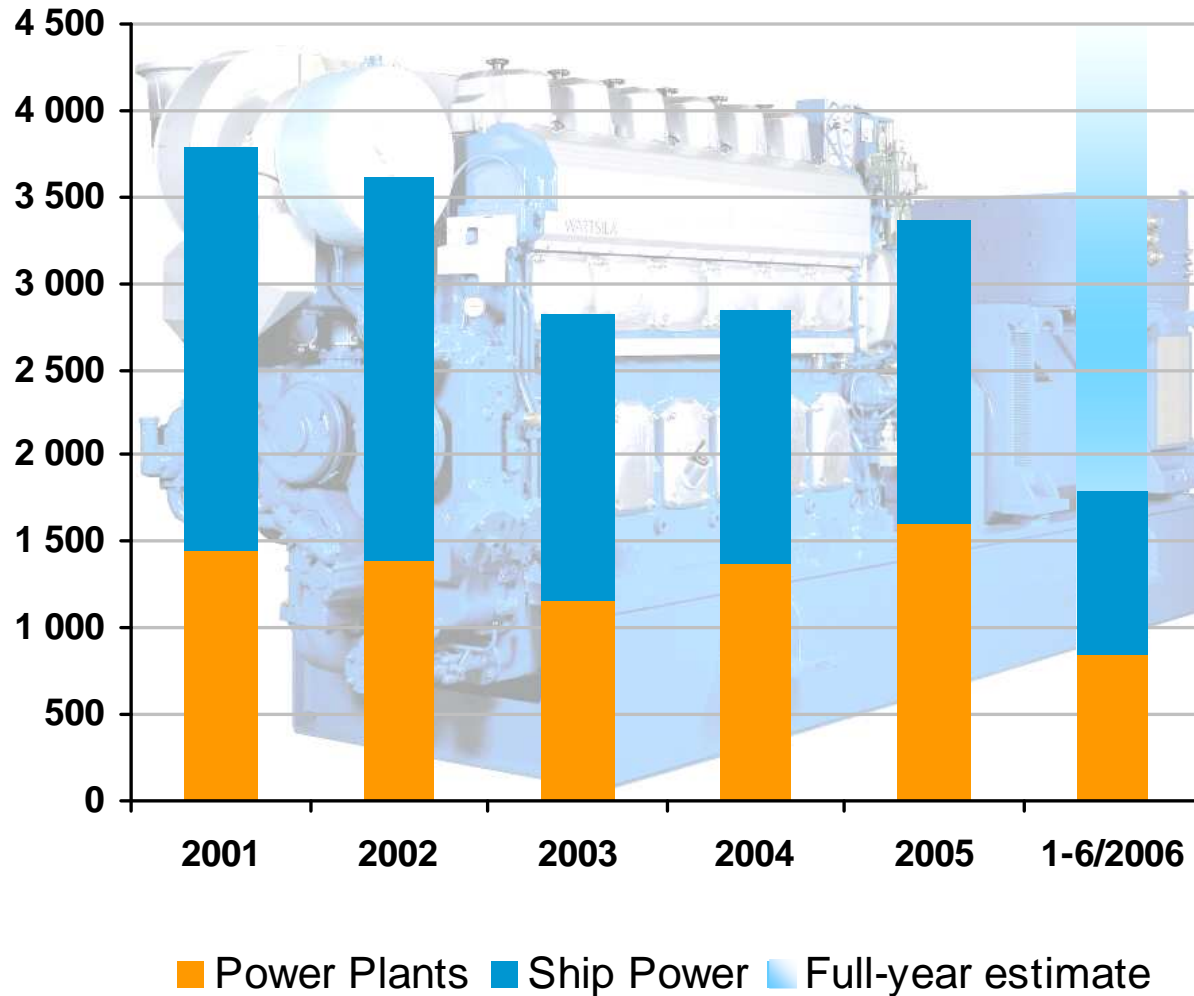
# Order book distribution

MEUR



# Delivered engine megawatts from own factories

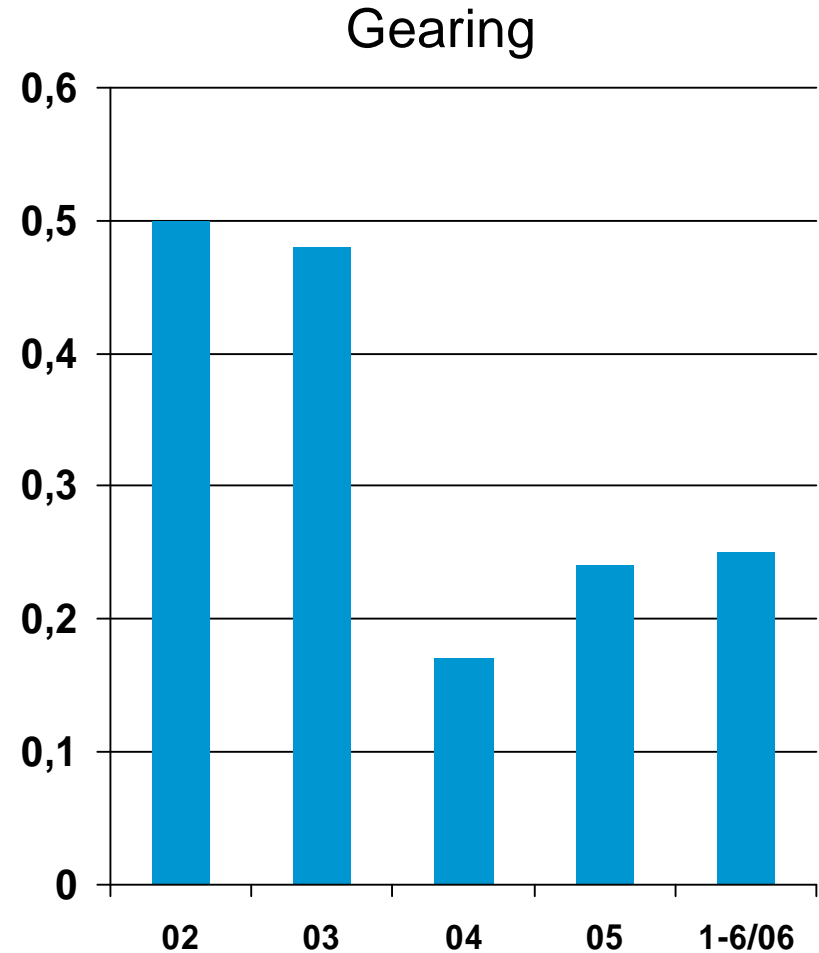
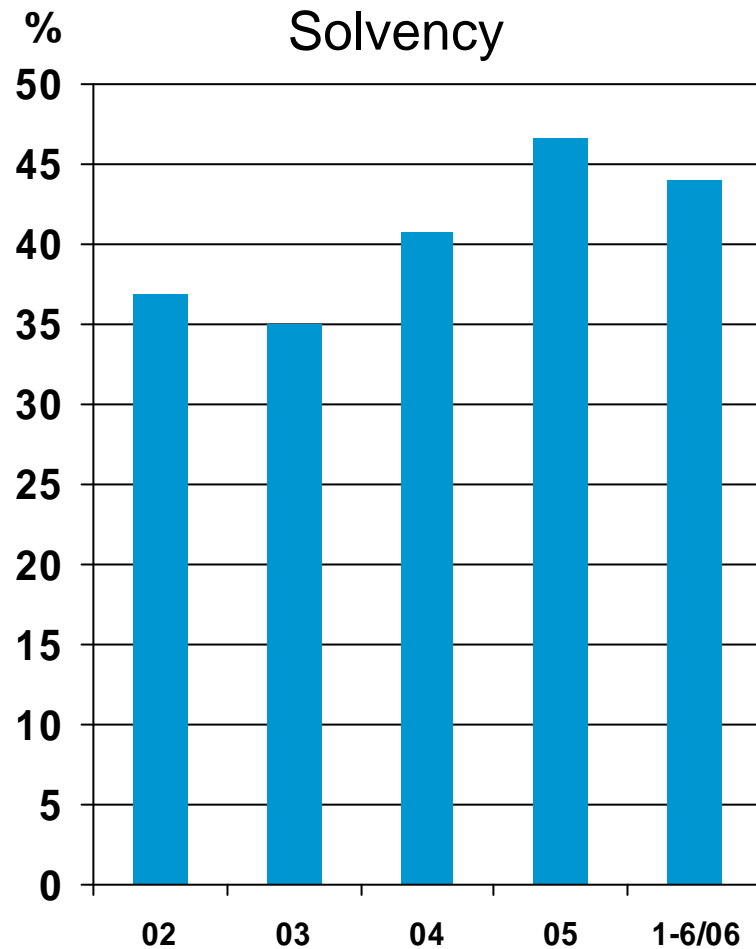
MW





<u>MEUR</u>	<u>1-6/2006</u>	<u>1-6/2005</u>	<u>2005</u>
Cash flow from operating activities	48.6	-92.1	76.0
Cash flow from investing activities	54.6	-165.6	-178.3
Cash flow from financing activities	-81.7	203.9	47.6
Cash and cash equivalents at end of period	137.2	119.6	119.6

# Solvency and gearing

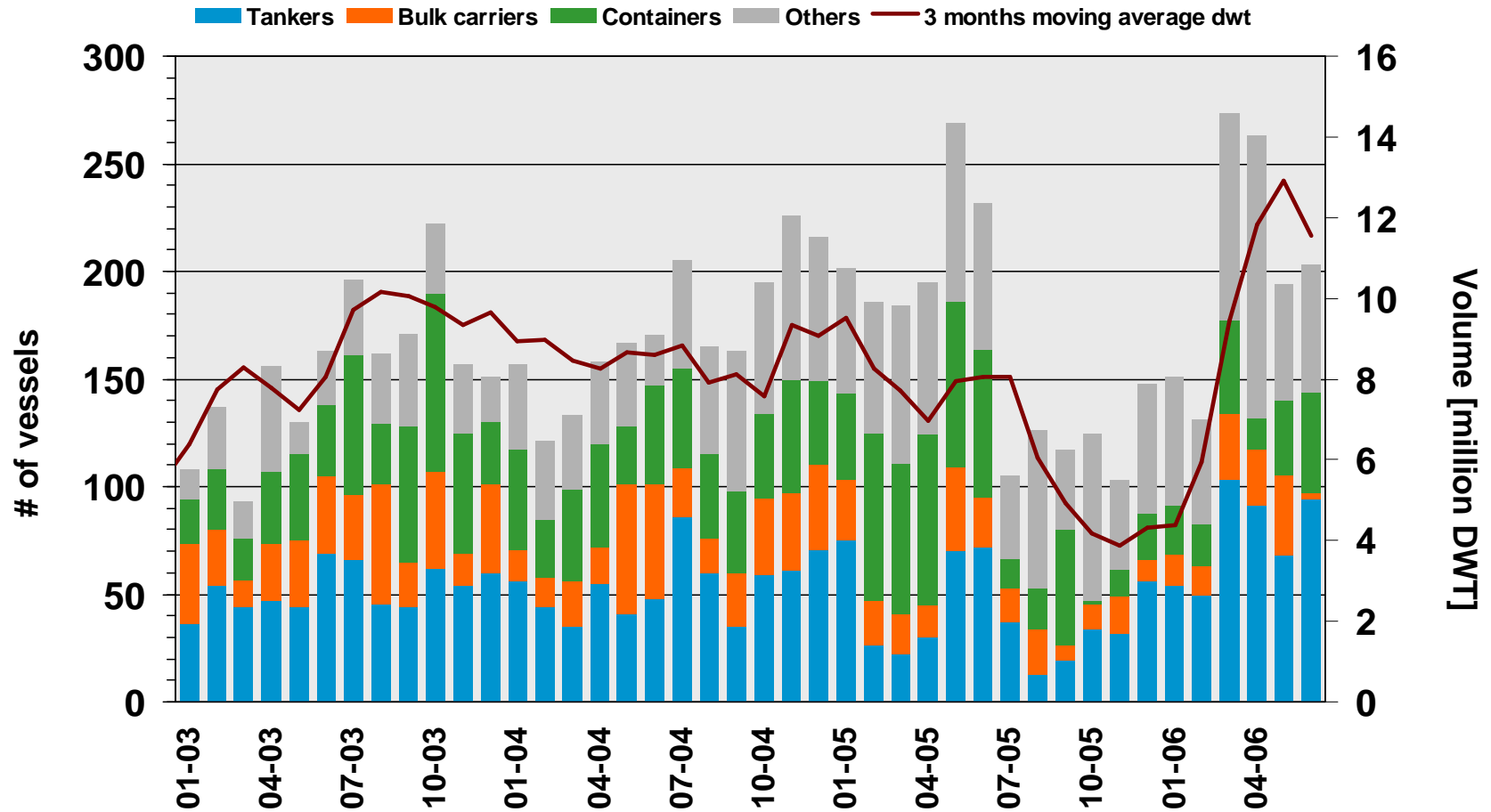


NOTE: 2002-2003 according to FAS, 2004- IFRS  
Convertible subordinated debentures treated as equity

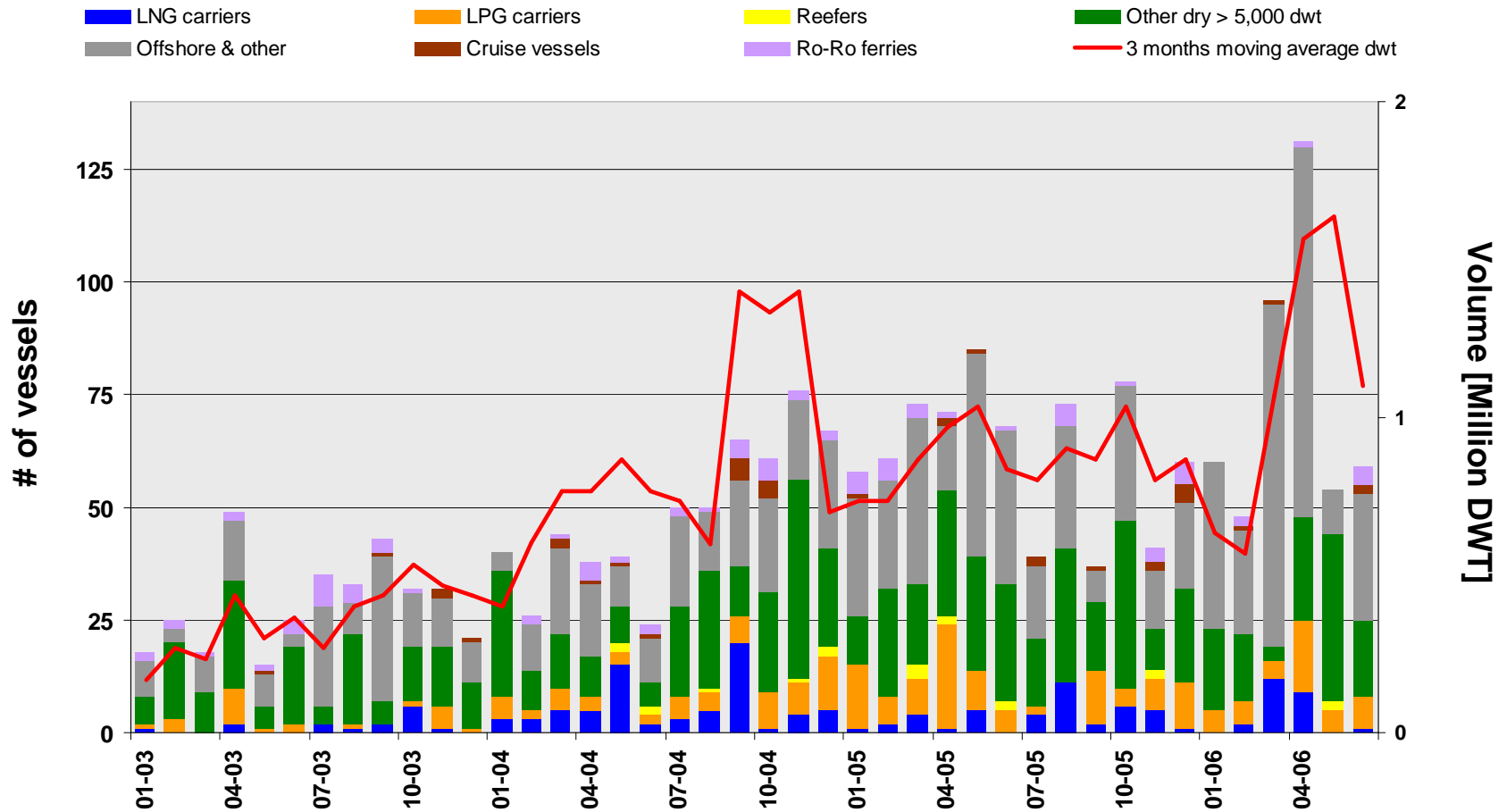


# Business review

# Vessel orders, # of vessels

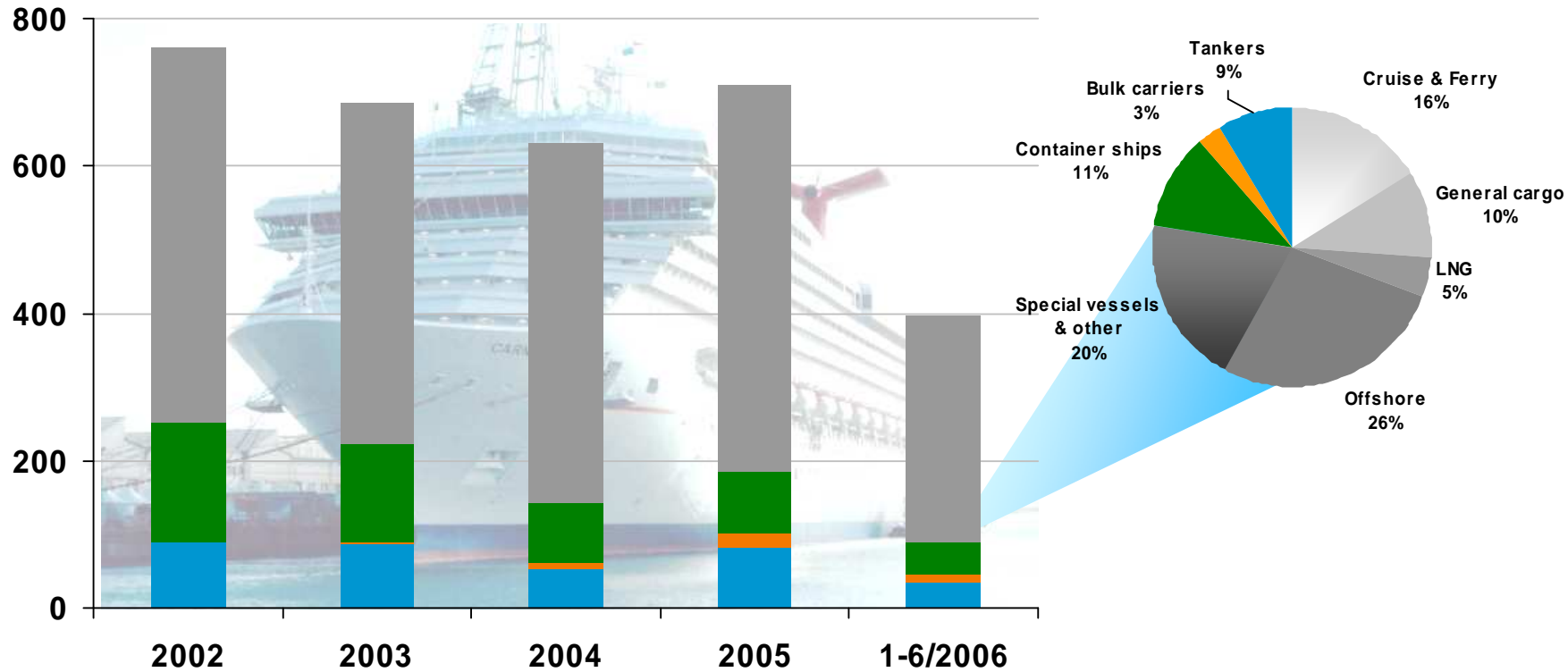


# Vessel orders - other vessels, # of vessels



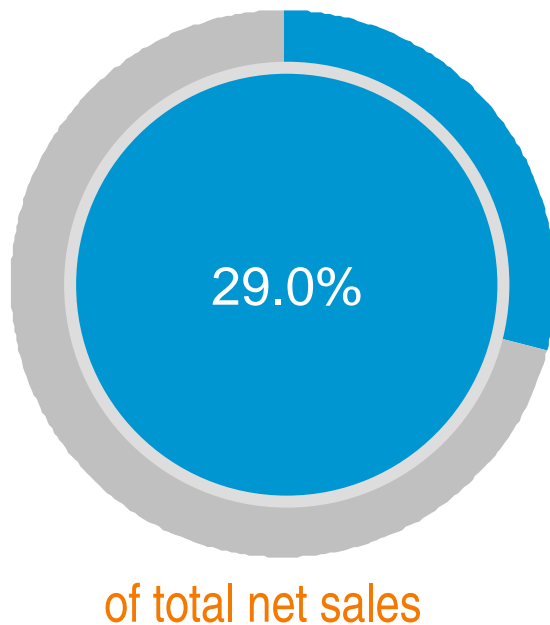
Source: Based on data from Clarkson Research Studies

# Net sales of Ship Power by vessel type



■ Tankers 
 ■ Bulk carriers 
 ■ Container ships 
 ■ Others

## Ship Power net sales



MEUR	Q2/06	Q2/05	Change
Net sales	244.9	153.0	60.1%
Order intake	659.5	409.9	60.9%
Order book*	2,504.6	1,230.8	103.5%

- Demand remained strong.
- Wärtsilä particularly successful in offshore and LNG.

\* End of period

# High demand from LNG and offshore markets during Q2

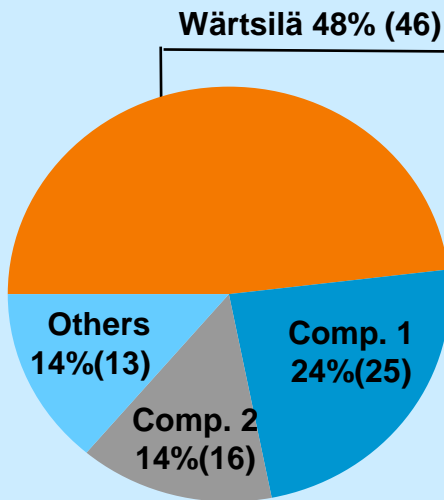


- Wärtsilä received orders to supply 24 Wärtsilä 32 diesel generating sets for drill ships.
- Orders for 26 LNG carriers.
  - ➔ Value of orders; appr. EUR 300 million.
- January-June LNG-order intake; appr. 1,050 MW.
- To date, Wärtsilä engines for totally 49 dual-fuel-electric LNG carriers have been ordered.

# The market position of Wärtsilä's marine engines Q2/2006

## Own production

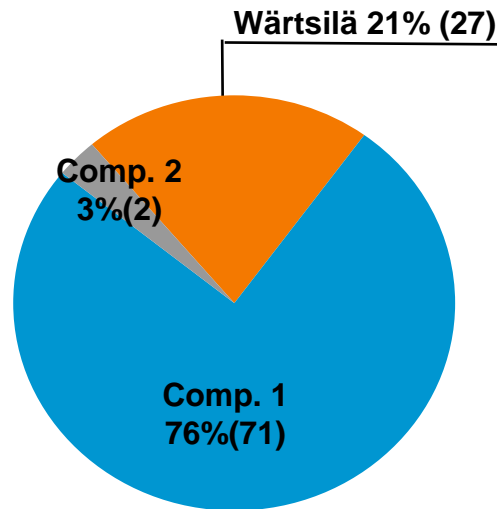
### Medium-speed main engines



**Total market volume last 12 months:**  
7,906 MW (7,289)

## Production by licensees

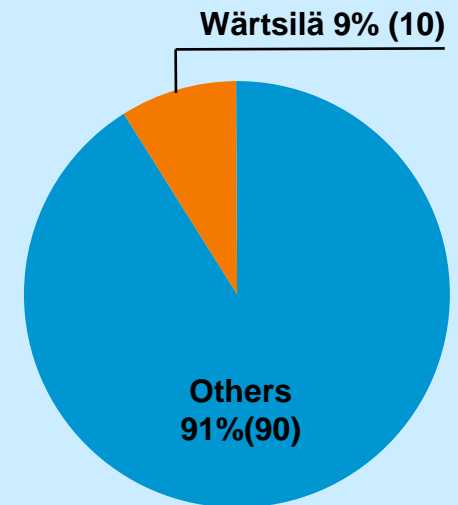
### Low-speed main engines



**Total market volume last 12 months:**  
18,683 MW (19,775)

## Own production

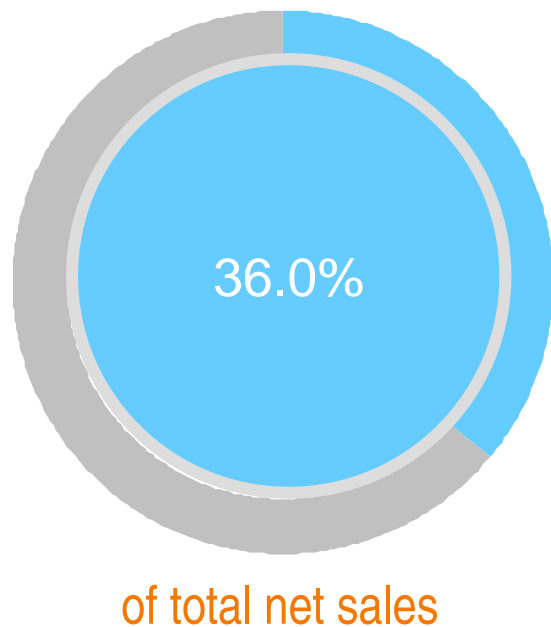
### Medium-speed auxiliary engines



**Total market volume last 12 months:**  
4,570 MW (5,500)

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 Q1/06. 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



MEUR	Q2/06	Q2/05	Change
Net sales	304.4	266.8	14.1%
Personnel*	7 537	6 839	10.2%

- Organic growth 11.8%.
- Services for low-speed engines continued to increase.
- Increase in demand of project and automation services.
- Acquisitions; Total Automation, Singapore and INTEC Injectortechnik GmbH, Germany.

\* End of period



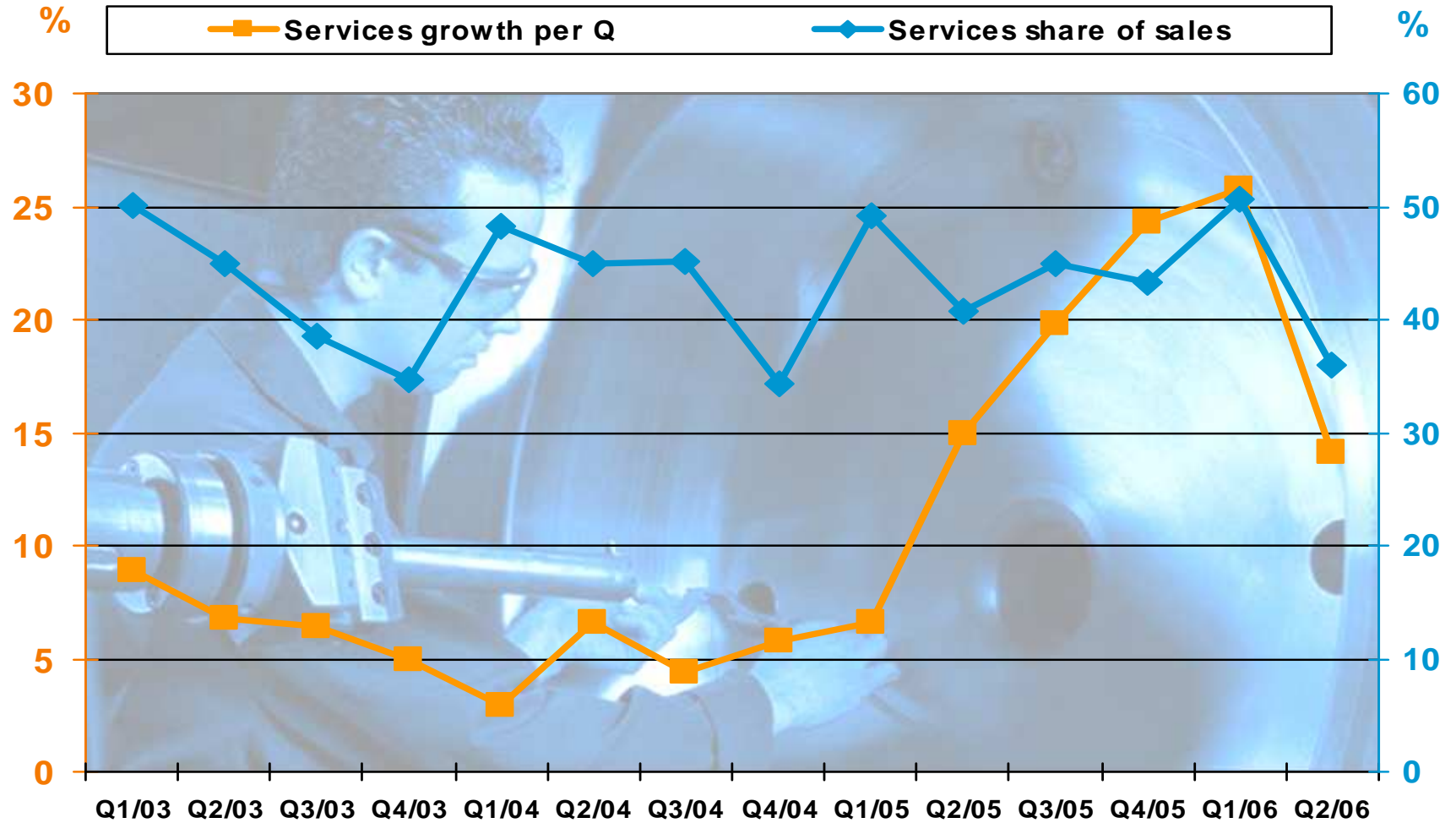


**Total Automation**  
A Wärtsilä Company

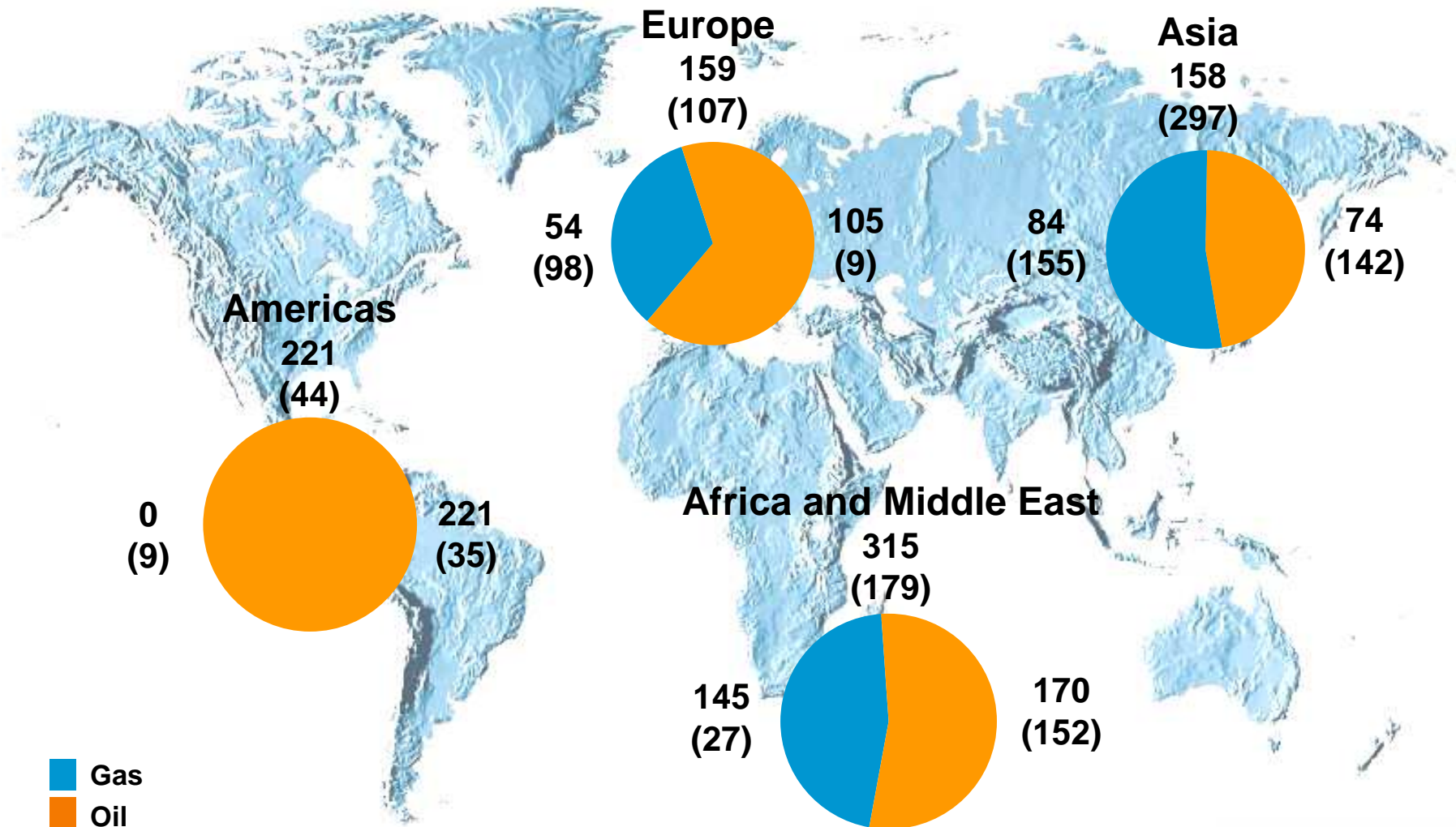
Your Engineering Control & Instrumentation Specialist



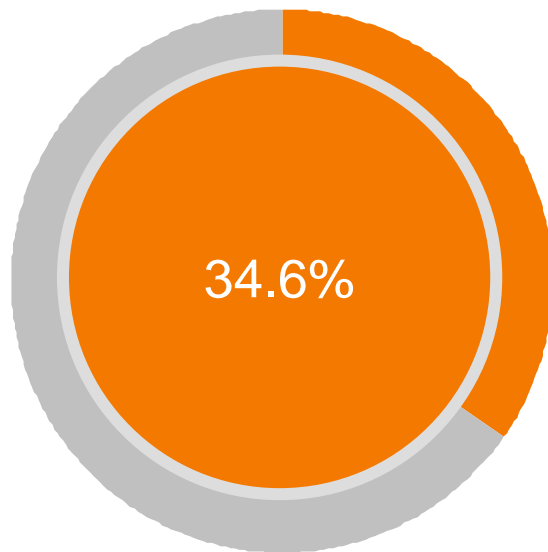
- Total Automation - acquisition closed in June 2006
  - Leading engineering, control and instrumentation specialist serving marine, offshore, oil & petrochemical and power industry.
  - Complements earlier automation acquisitions in Europe and North America.
  - Net sales in 2005 EUR 42.8 million and 400 people.
  - Consolidation as of 30th of June, 2006.



# Power Plants - order intake 1-6/2006: 853 MW (627)



## Power Plants net sales



of total net sales

MEUR	Q2/06	Q2/05	Change
Net sales	292.4	230.9	26.7%
Order intake	242.9	123.9	96.0%
Order book*	887.4	665.9	33.3%

- Good demand in all segments; baseload, industrial self-generation and grid stability.
- Majority of new orders oil-driven power plants.
  - Largest orders from Brazil, Antigua and Saudi-Arabia
- Biggest gas-orders from Nigeria & Russia.

\* End of period

## ASSA ABLOY

### Sale of Assa Abloy shares, 12 May 2006

- 10,000,000 shares sold for EUR 148.1 million.
- Capital gain EUR 123.9 million.
- Net profit after taxes EUR 91.7 million.

### Holding after sales

- Wärtsilä owns 2.0% (4.7) of Assa Abloy shares.
- The holding's market value EUR 95.2 million (30 June 2006).



**OVAKO**



- 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 September 2006.
- Tax-free capital gain of approx. EUR 52 million registered in Q3.

## 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
<hr/>	
Total	appr. EUR 173 million



## Ship Power

- Ordering activity continuing on good level in the near future.
- Decreasing vessel order volumes are expected in the long run, as earlier predicted.

## Power Plants

- Market situation remains good also rest of the year.
- Geographically demand distributed evenly.



## Forecast for 2006 unchanged

- 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 by as much as 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**