



# Interim Report

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Spare Parts for the engine 7B10

100-002 Hydraulic jack for main bearing cap

Part No	Description	Weight	Price	Part Basket
100038	NUT	0,0		+ ADD TO BASKET
100039	O-RING	0,0		+ ADD TO BASKET
100040	FLANGE	2,5		+ ADD TO BASKET
100041	O-RING	0,0		+ ADD TO BASKET
100042	SUPPORTING RING	0,0		+ ADD TO BASKET

81 012 181 004

General description

- 100 Engine Block
- 100-002 Hydraulic jack
- 100-003
- 100-004
- 100-005
- 107-010
- 107-011
- 107-012
- 107-013
- 107-014
- 107-015
- 130 Crankshaft
- 120 Cylinder Head with valves
- 130 Intermediate Gears
- 140 Valve Mechanism, Camshaft
- 150 Charge Air System
- 160 Injection Equipment, Gas Manifold
- 170 Fuel Feed Pumps
- 180 Lubricating Oil Pumps, Thermostatic Valves
- 190 Cooling Water Pumps, Thermostatic Valves
- 200 Exhaust Manifold

January - March 2001

# INTERIM REPORT JANUARY - MARCH 2001 WÄRTSILÄ CORPORATION

## INTERIM REPORT JANUARY - MARCH 2001

- The operative result of Power Divisions improved.
- A provision of EUR 30 million for improving operational efficiency.
- Orders for gas power plants more than doubled.
- The Swedish service company Ciserv will be bought.
- A significant capital gain will be recorded from Sanitec shares.

### NET SALES BY DIVISION

EUR million	1-3/2001	1-3/2000	Change	2000
Power Divisions	441.5	480.5	-8.1%	2287.8
Imatra Steel	55.7	51.0	9.2%	194.1
Other operations	1.3	2.1		8.3
Incl. intragroup sales	-1.1	-2.0		-7.8
Ongoing operations	497.4	531.6	-6.4%	2482.4
Sanitec		224.4		224.4
Total	497.4	756.0	-34.2%	2706.8

### OPERATING RESULT BY DIVISION

EUR million	1-3/2001	1-3/2000	Change	2000
Power Divisions	-9.4 <sup>1</sup>	5.1		86.2
Imatra Steel	3.3	4.8	-31.3%	17.4
Other operations	2.1	109.1 <sup>2</sup>		245.6
Ongoing operations	-4.0	119.0		349.2
Sanitec		17.9		17.9
Total	-4.0	136.9		367.1

<sup>1</sup> Includes a provision of EUR 30 million

<sup>2</sup> Includes a EUR 99.1 million profit on sale of Assa Abloy shares

Wärtsilä's net sales in the first three months of the year totalled EUR 497.4 (756.0) million. During the same period last year Sanitec was still consolidated in Wärtsilä's accounts as a subsidiary. Wärtsilä posted a consolidated operating result of EUR -4.0 (136.9) million. The same figure in the comparable period included Sanitec's operating profit of 17.9 million as well as a profit of EUR 99.1 million on the sale of Assa Abloy shares. Net financial items amounted to EUR -0.4 (-3.0) million and included dividend from Sanitec, EUR 8.6 (0.0) million. Financial items in the comparable period were exceptionally low owing to exchange rate gains. The result before extraordinary items was EUR -4.4 (133.9) million. Capital expenditure, EUR 12.5 (117.3) million, remained well below the level of depreciation.

At the beginning of March Pekka Ahlqvist was appointed Group Vice President, Power Plants, and a member of the Board of Management after his predecessor left the company. Mr. Ahlqvist was previously president of Wärtsilä Finland Oy.

In May the decision was made to acquire Ciserv AB, a Swedish service company. The acquisition strengthens Wärtsilä's positions as a service supplier for marine engines and systems.

### POWER DIVISIONS

EUR million	1-3/2001	1-3/2000	Change	2000
Net sales	441.5	480.5	-8.1%	2,287.8
Operating result	-9.4	5.1		86.2
% of net sales	-2.1%	1.1%		3.8%
Order intake	552.6	592.9	-6.8%	2,460.6
Order book	1,782.0	1,462.7	21.8%	1,624.2

Net sales of the Power Divisions were lower than in the same period last year, but the profitability developed better than expected. This is due to the project nature of the business and the timing of deliveries. Net sales for the whole year is expected to increase. The order book remains at a record high level. The operating profit of EUR -9.4 (5.1) million includes a EUR 30 million restructuring provision, which will mainly involve restructuring of project organisations and some service functions.

### Marine & Licensing

EUR million	1-3/2001	1-3/2000	Change	2000
Net sales	112.4	147.1	-23.6%	719.7
Order intake	165.8	179.3	-7.5%	878.9
Order book	965.7	767.9	25.8%	888.1

Shipyard order books continue to be very high worldwide, and the order intake grew during the first part of the year. Growth was fastest in Japan whereas growth by South Korean shipyards slowed down due to their high capacity utilisation. Order books at European shipyards developed favourably. Tankers continue to make up the bulk of orders for newbuildings while new orders for bulk carriers declined.

Wärtsilä's first EnviroEngine was delivered for installation in the cruise liner Carnival Spirit, which was completed at the Kvaerner Masa-Yards shipyard in Helsinki in April 2001.

Marine & Licensing's net sales declined owing to the exceptionally large deliveries made during the same period last year, but order book showed further growth. The order book for Wärtsilä medium-speed engines was spread evenly between the most important engine and ship types. Regarding the low-speed Sulzer engines particularly worth mentioning are orders for 17 RTA96C and six RTA84T engines.

### Power Plants

EUR million	1-3/2001	1-3/2000	Change	2000
Net sales	136.2	163.7	-16.8%	834.6
Order intake	186.2	238.0	-21.8%	851.0
Order intake MW	445.7	517.2	-13.8%	1,929.2
of which gas power plants	126.7	54.6	132.1%	232.0
Order book	568.5	555.8	2.3%	518.5

Electricity shortages in California have had a strong impact to the market in recent months. Two other large areas, Brazil and Mexico, are gradually privatising their electricity markets. These trends offer interesting opportunities for Wärtsilä's multifuel power plants.

The intake of new power plant orders was good although lower than in the comparable period. Growth in new orders for gas-fired power plants was especially strong, largely because of buoyant demand in the USA but also due to significant gas power plant orders placed for example in Great Britain. The most important orders for heavy fuel oil power plants were received from Turkey, South Asia and Africa.

### Service

	1-3/2001	1-3/2000	Change	2000
Net sales, EUR million	181.9	163.9	11.0%	702.0
Personnel on 31 March	4,641	4,430 <sup>1</sup>	4.8%	4,485 <sup>1</sup>
O&M agreements, MW	1,378	1,169	17.9%	1,262

<sup>1</sup> Proforma, 485 O&M personnel included

The Service division continued to grow well during the first quarter Sulzer low-speed service increased particularly strongly, 30%, despite intense competition. Long-term service agreements now represent 7,800 MW or some 6% of Wärtsilä's active engine base, new service agreements have been made mostly in India, the Americas and Italy. New Operations & Maintenance (O&M) agreements were concluded in India and Sri Lanka. O&M business is expected to grow.

To be able to meet demand and in order to adapt to environmental rules and regulations, more focus has been put on service product development. New service products are gradually introduced on the market. Competence management is an essential part of this development work.

For the e-business piloting phase, the Spares-on-Line concept has been further developed to include service functions

# WÄRTSILÄ GROUP UNAUDITED

## INCOME STATEMENT

EUR million	1-3/2001	1-3/2000	1-3/2000 Proforma <sup>1</sup>	2000
Net sales	497.4	756.0	531.6	2,706.8
Other operating income	5.3	118.4	106.7	264.1
Expenses	-484.1	-701.1	-497.5	-2,512.7
Depreciations and writedowns	-22.7	-35.5	-22.4	-103.1
Share of profits/losses in associated companies	0.1	-0.9	0.6	12.0
Operating profit	-4.0	136.9	119.0	367.1
Fin income and expenses	-0.4	-3.0	0.3	-31.0
Profit before extr'y items	-4.4	133.9	119.3	336.1
Extraordinary items				-20.4
Profit before taxes	-4.4	133.9	119.3	315.7
Income taxes <sup>2</sup>	-8.0	-46.8	-41.0	-96.4
Minority interests	-0.6	-3.5	-0.3	-6.1
Result for the financial period	-13.0	83.6	78.0	213.2

<sup>1</sup>Excl. Sanitec

<sup>2</sup>Taxes calculated on the profit for the period

## BALANCE SHEET

EUR million	31.3.2001	31.3.2000	31.12.2000
Fixed assets	976.8	1,003.9	978.6
Current assets			
Inventories	650.8	620.3	539.0
Receivables	778.4	974.3	828.8
Cash and bank balances	85.5	83.2	118.9
Total	2,491.5	2,681.7	2,465.3
Share capital	189.7	189.7	189.7
Other shareholder's equity	564.3	602.0	718.4
Minority interest	14.4	12.8	14.3
Provisions	141.7	134.5	109.4
Long-term liabilities	455.8	484.3	294.5
Current liabilities	1,125.6	1,258.4	1,139.0
Total	2,491.5	2,681.7	2,465.3

## GROSS CAPITAL EXPENDITURE

EUR million	1-3/2001	1-3/2000	2000
Investments in securities			
Power Divisions	2.7	1.5	14.1
Other operations		101.2	137.6
	2.7	102.7	151.7
Other investments			
Power Divisions	9.0	12.8	47.4
Imatra Steel	0.8	1.5	7.7
Other operations		0.3	0.9
	9.8	14.6	56.0
Group	12.5	117.3	207.7

## INTEREST BEARING LOAN CAPITAL

EUR million	31.3.2001	31.3.2000	31.12.2000
Long-term liabilities	409.3	429.4	245.7
Short-term liabilities	225.3	296.7	239.3
Preferred capital notes	117.2	117.2	117.2
Loan receivables	-86.8	-209.8	-86.6
Cash and bank balances	-85.5	-83.2	-118.9
Net	579.5	550.3	396.7

## FINANCIAL ANALYSIS

EUR million	1-3/2001	1-3/2000	2000
Net cash from operating activities	3.2	59.3	140.3
Net cash used in investing activities	-8.7	-24.4 <sup>1</sup>	81.1
Net cash used in financing activities	-27.9	-74.2	-212.8
Change in liquid funds	-33.4	-39.3	8.6

<sup>1</sup>Change includes subtraction of Sanitec's liquid funds, EUR -30.7 million

## FINANCIAL RATIOS

	1-3/2001	1-3/2000	2000
Earnings per share, EUR	-0.24	1.54	4.20
Equity per share, EUR	11.75	12.45	14.59
Solvency ratio 1, %	28.5	27.7	35.1
Solvency ratio 2 <sup>1</sup> , %	33.6	32.4	40.2
Gearing 1	1.02	1.11	0.60
Gearing 2 <sup>1</sup>	0.71	0.80	0.40

<sup>1</sup>In solvency ratio 2 and gearing 2 shareholders' equity includes the convertible subordinated debentures (EUR 117.2 million)

## PERSONNEL

On average	1-3/2001	1-3/2000	2000
Power Divisions	9,253	9,017	9,404
Imatra Steel	1,269	1,252	1,281
Other operations <sup>2</sup>	8	46	30
Ongoing operations	10,530	10,315	10,715
Sanitec <sup>1</sup>		8,340	2,085 <sup>1</sup>
Group	10,530	18,655	12,800
Personnel at end of period	10,572	10,246	10,564

<sup>1</sup>Sanitec only Jan-March 2000

<sup>2</sup>Wärtsilä Real Estate and Corporate Management

## CONTINGENT LIABILITIES

EUR million	31.3.2001	31.3.2000	31.12.2000
Mortgages	83.1	99.3	54.5
Chattel mortgages	30.6	9.0	4.2
Total	113.7	108.3	58.7
Guarantees and contingent liabilities			
on behalf of the company	446.0	525.9	500.3
on behalf of assoc. companies	0.8	30.5	
on behalf of others	2.1	2.4	2.1
Leasing obligations	41.7	34.4	45.7
Total	490.6	593.2	548.1

## NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	Total	of which closed
Interest rate options, purchased	11.3	
Interest rate swaps	196.8	
Interest rate futures	56.6	
Foreign exchange forward contracts	1,392.2	54.6

If all the above instruments has been sold at market prices at the end of the period, the effect would have been EUR -12.1 million

supporting the management of inquiries and orders as well as new system integration possibilities, such as integration of electronic manuals and spare part catalogues. E-business also offers an opportunity for extensive system integration with business partners.

### R&D and manufacturing

Wärtsilä made further progress in the development of the smokeless engine, marked by deliveries of the first medium-speed engine with Common Rail technology and the first electronically controlled low-speed engine. A second R&D priority alongside environmental enhancements has been continuous improvements in engine reliability. Wärtsilä has succeeded in raising the reliability of its engines through correctly allocated resources and this has also reduced warranty costs.

The manufacturing load is reasonably good overall although variations exist among the individual factories.

### IMATRA STEEL

EUR million	1-3/2001	1-3/2000	Change	2000
Net sales	55.7	51.0	9.2%	194.1
Operating profit	3.3	4.8	-31.3%	17.4
% of net sales	5.9%	9.4%		9.0%

Imatra Steel's net sales rose 9.2% on the same period last year to EUR 55.7 (51.0) million following an increase in delivery volumes. Demand for special engineering steels began to decline during the first quarter, however, from the record levels in the final quarter of 2000. Production volumes in the vehicle industry have decreased and stocks are being run down at all points in the supply chain.

Imatra Steel's operating profit was EUR 3.3 (4.8) million or 5.9% (9.4%) of net sales. The first-quarter result was depressed by changes in inventory values arising from the price development of raw materials. All business units in Imatra Steel are taking measures to adjust manufacturing volumes to the weakening markets.

### HOLDINGS

Wärtsilä sells its 46.7% holding in Sanitec to a new company owned by the private equity fund BC Partners. The selling price is EUR 14.60 per share. The total value of the deal is approximately EUR 420 million, and it will result in a capital gain of approximately EUR 254 million, which means a EUR 2,60 profit per share after taxes. The deal is subject to the approval of relevant competition authorities. The closing of the deal is estimated to take place during the second quarter of the year. Then the profit will be booked to other operating income.

Sanitec has not been consolidated as a subsidiary, but the dividend paid by Sanitec, EUR 8.6 million was entered under financial items. Sanitec publishes its interim report on 11 May 2001

Wärtsilä's holding in Assa Abloy is 16.4%. The market capitalisation of this holding at the close of the period was EUR 883 million and its book value in Wärtsilä's balance sheet was EUR 140.0 million. Assa Abloy publishes its interim report on 4 May 2001.

Wärtsilä Real Estate sold properties and shares in housing companies totalling EUR 2.8 (9.3) million during the first

quarter, entering a profit of EUR 2.0 (5.4) million on these transactions. Rental income totalled EUR 1.0 (1.7) million.

### ANNUAL GENERAL MEETING

The Annual General Meeting, held on 20 March 2001, decided to distribute a normal dividend of EUR 0.65 per share and an extra dividend of EUR 2.00 per share. The terms of the convertible subordinated debentures and bond warrants were adjusted by the amount of extra dividend. The composition of the company's Board of Directors remains unchanged. The chairman is Robert G. Ehrnrooth and the deputy chairman is Vesa Vainio. The Meeting also approved a new stock option scheme for key company employees. The Board's authorisations to purchase and dispose of the company's own shares were renewed. After the Meeting, the Board of Directors decided to purchase the company's own shares but no shares have so far been purchased.

SHARES	1-3/2001	1-3/2000	2000
Trading in Helsinki, shares	12.2%	15.8%	33.2%
Trading in Helsinki, votes	5.1%	6.8%	16.8%
Trading on the SEAQ, shares	4.1%	3.5%	8.7%
Foreign ownership on 31 March 01	11.0%	12.9%	12.4%

### Shares on 31 March 2001

	A share	B share	Total
No. of shares	13,935,412	40,266,946	54,202,358
No. of votes	139,354,120	40,266,946	179,621,066

### PROSPECTS TO THE YEAR END

Market conditions for Wärtsilä and Sulzer marine engines are forecast to remain good throughout the year. The order book is expected to level off from the record levels of recent years. The proportion of main engine orders including propulsion is expected to grow steadily. New areas of expertise are being actively developed and Wärtsilä aims to expand its product range through strategic alliances and acquisitions.

Wärtsilä's ability to deliver gas power plants to short timetables is opening up promising opportunities in the US market, while in Europe demand for gas power plants also appears to be improving after a slack period. In Latin America Wärtsilä has promising market prospects for its multifuel engine solutions.

Given the good order book of Wärtsilä's Power Divisions and the currently favourable outlook net sales in 2001 will increase. Systematic measures to raise productivity and quality will be continued in order to achieve the long-term performance target. Even though the result is depressed by the restructuring provision, the result for the whole year is expected to achieve the previous year's level.

Imatra Steel's market outlook is uncertain especially as regards production volumes in the truck and car manufacturing industry. Net sales during the current year is expected to fall and the result to be weaker than one year earlier.

Helsinki, 2 May 2001  
Wärtsilä Corporation  
Board of Directors

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