

Wärtsilä Corporation

Interim Report January-June 2003

Ole Johansson
President & CEO

31 July 2003



Group structure



Revision of the corporate strategy

Focus on ship power systems and service

- shipbuilding concentrates to Asia, price competition more stringent
- acquisitions
- production in China

Power Plants business structure re-examined

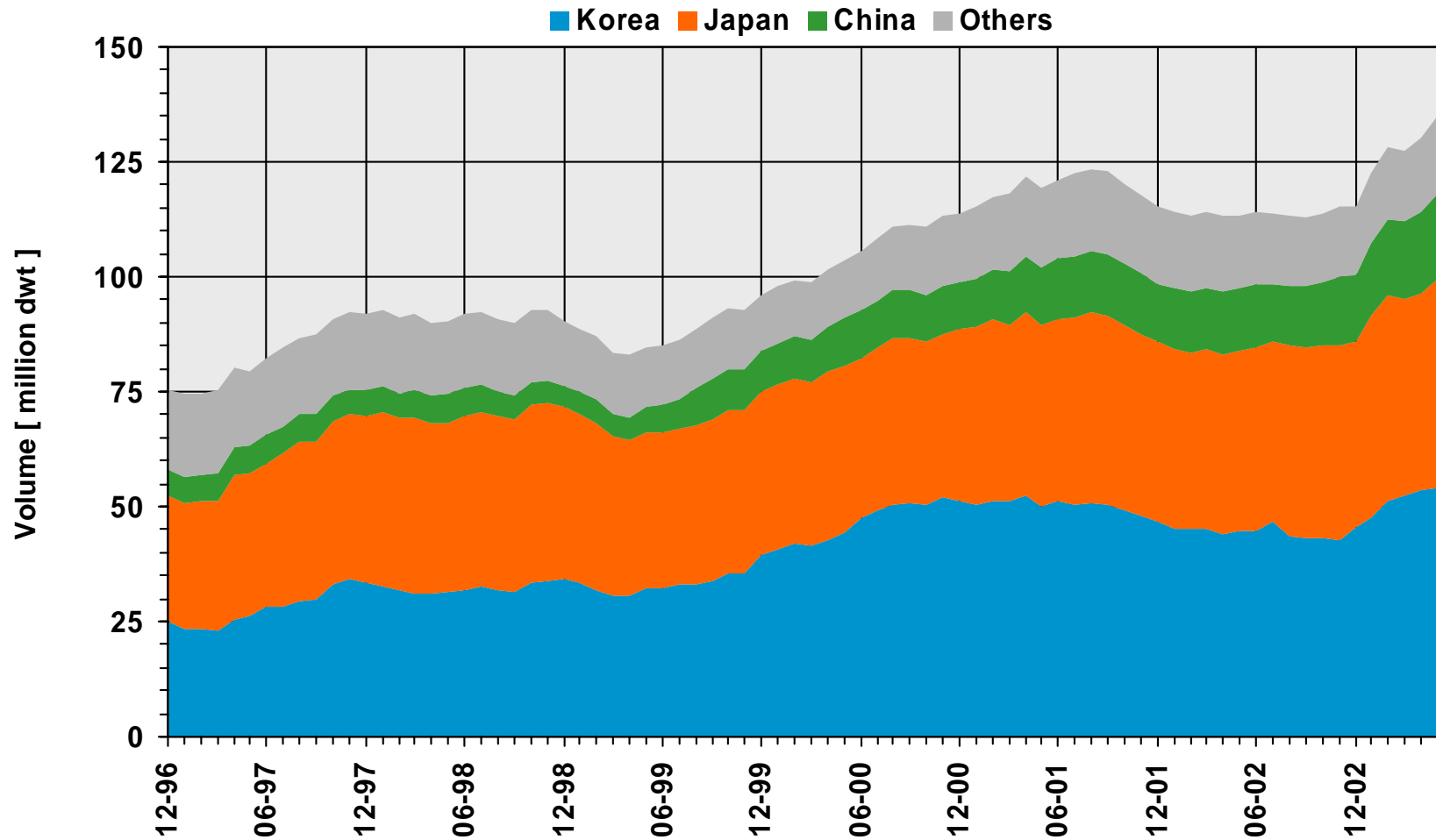
- no significant recovery on the power plant market

Capacity utilisation insufficient

Operating margin of 7-8%

- further actions needed in pending market demands

Shipyard orderbook

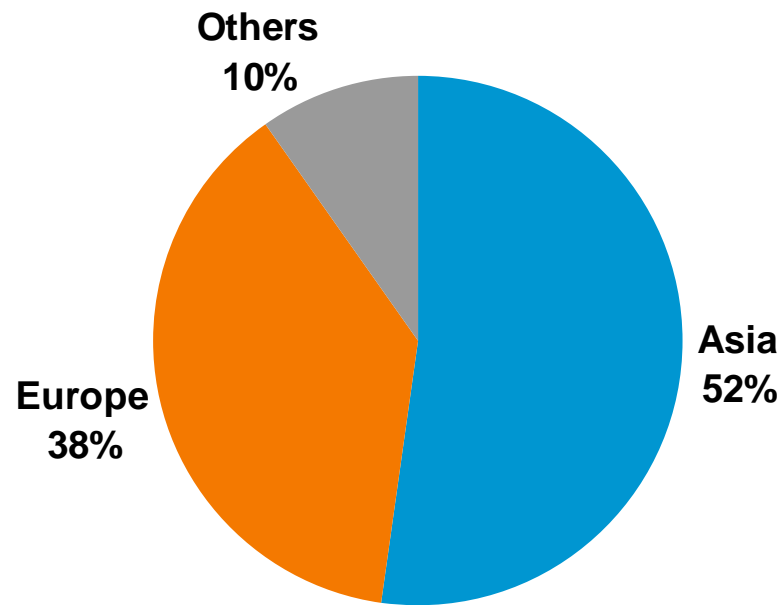


Source: Based on data from Clarkson Research Studies
Note: Cargo vessels > 5,000 dwt, Other vessels > 2000 grt
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Q2/2003 presentation

Shipyard orders and deliveries

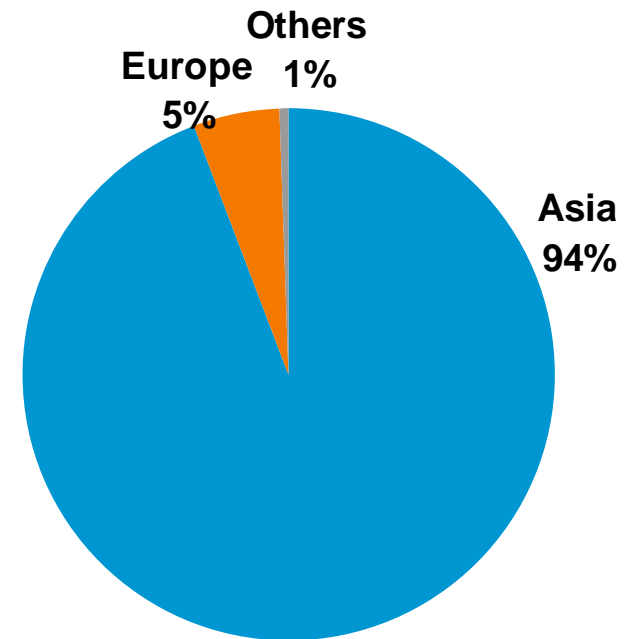
July 2002 - June 2003

Vessel deliveries



Total deliveries: 75 million dwt

Vessel orders



Total orders: 76 million dwt

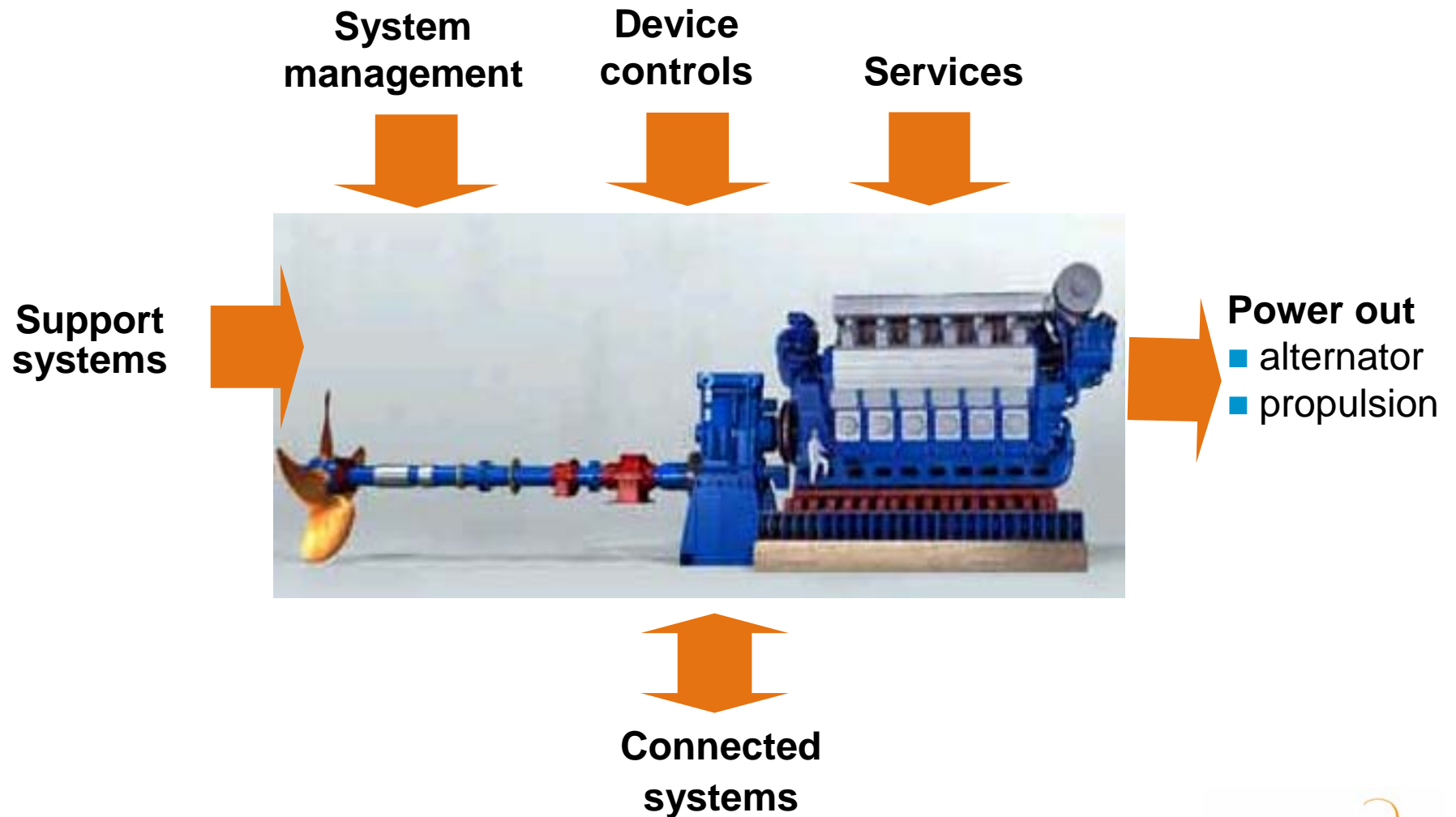
Data Source: Clarkson Research Studies Lloyds-Register Fairplay

Note: vessels > 100 gt

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Expanding the scope of supply



MEUR	Q2/2003	Q2/2002
Net sales	538.5	701.4
Operational EBIT	16.2	33.6
EBIT	16.2	144.7
EPS, EUR	0.22	1.60

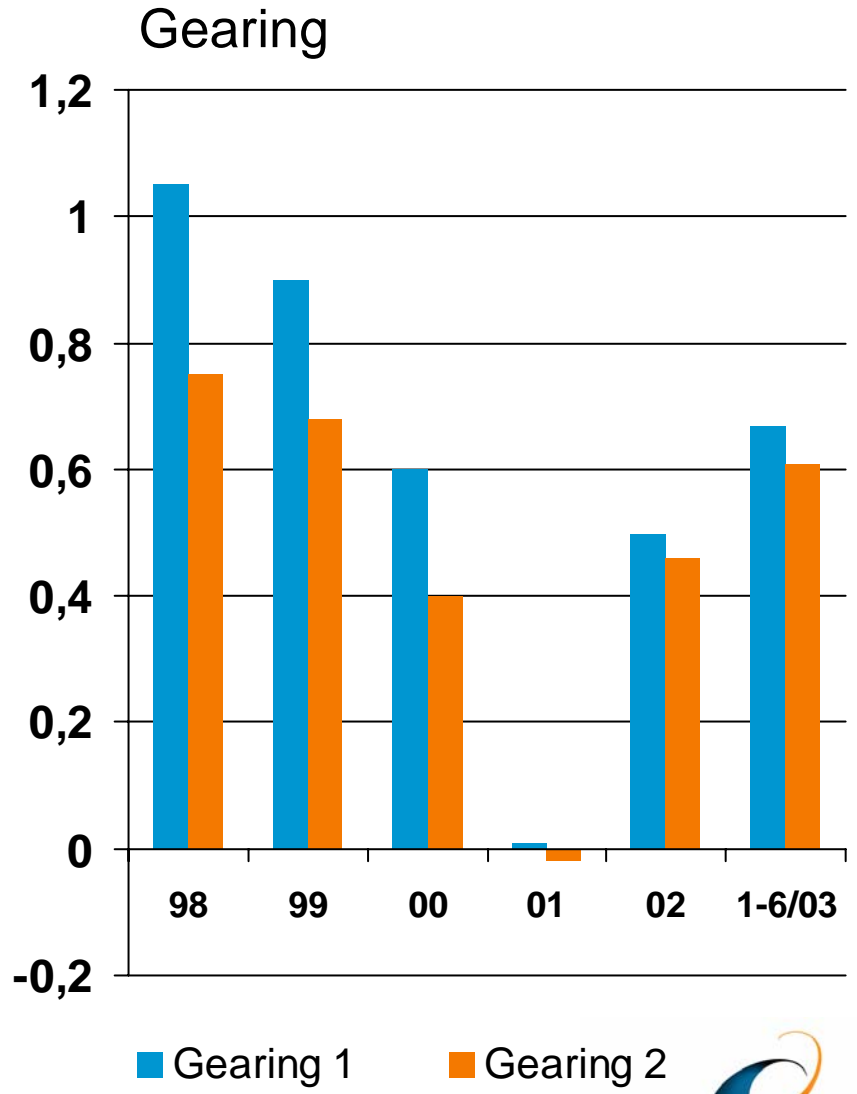
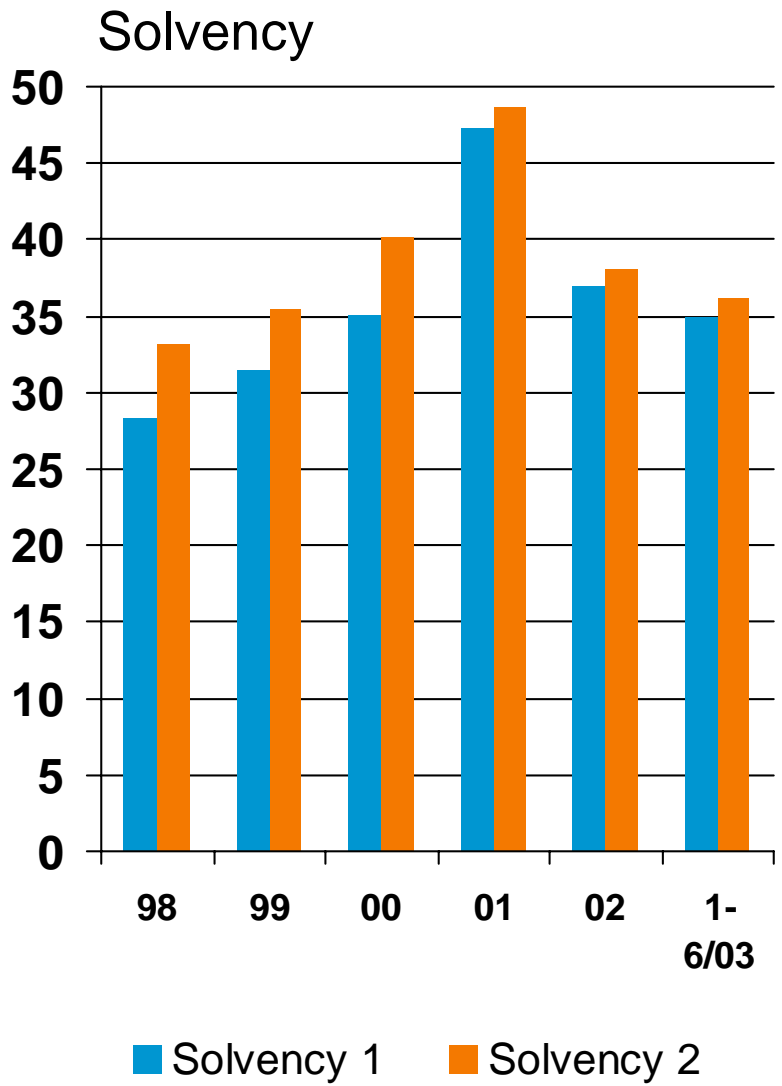
MEUR	1-6/2003	1-6/2002	2002
Net sales	1,026.6	1,282.3	2,519.0
Operational EBIT	21.1	37.7	77.8
EBIT	21.1	148.8	188.9
Profit before taxes	15.6	147.3	170.4
EPS, EUR	0.13	1.58	2.05





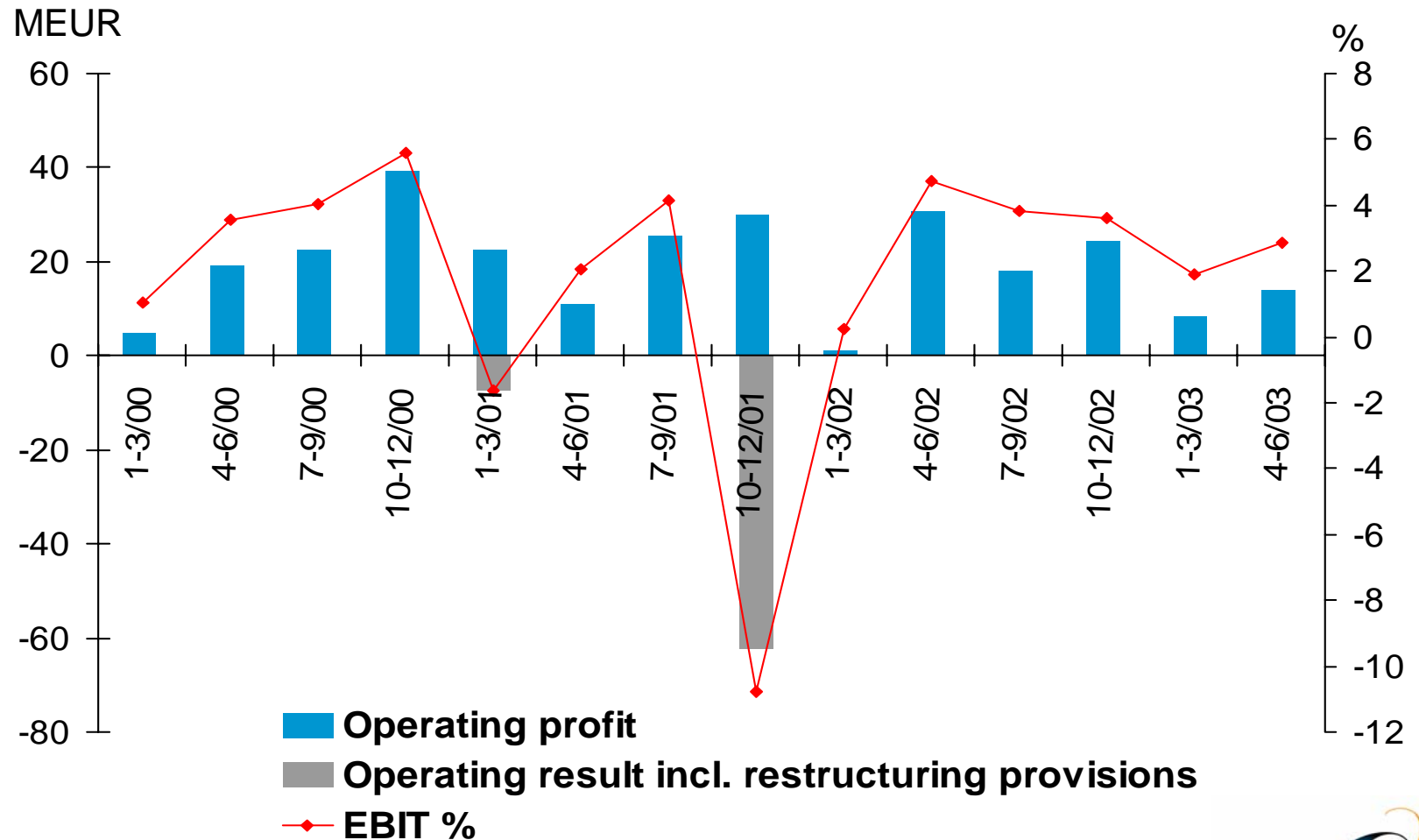
MEUR	1-6/2003	1-6/2002	2002
Cashflow from operating activities	3.9	28.3	55.4
Cashflow from investing activities	-9.3	-212.9	-286.5
Cashflow from financing activities	-44.0	212.6	232.3
Liquid funds at the end of period	136.5	212.5	185.8

Solvency and gearing



Power Divisions' profitability

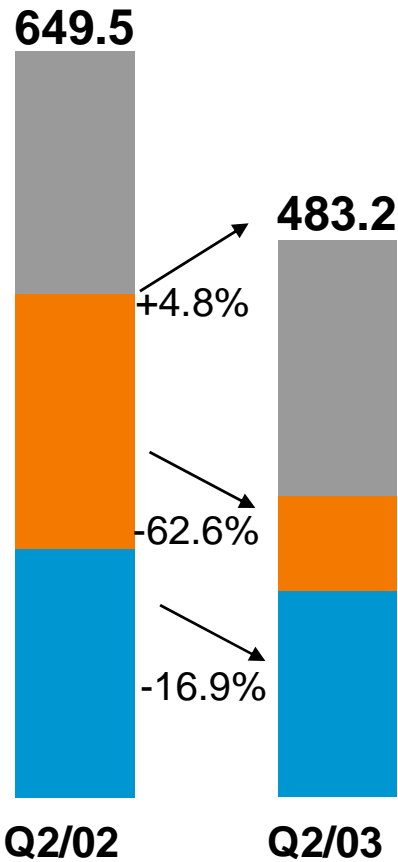
Operating profit and EBIT-% by quarter 2000-2003



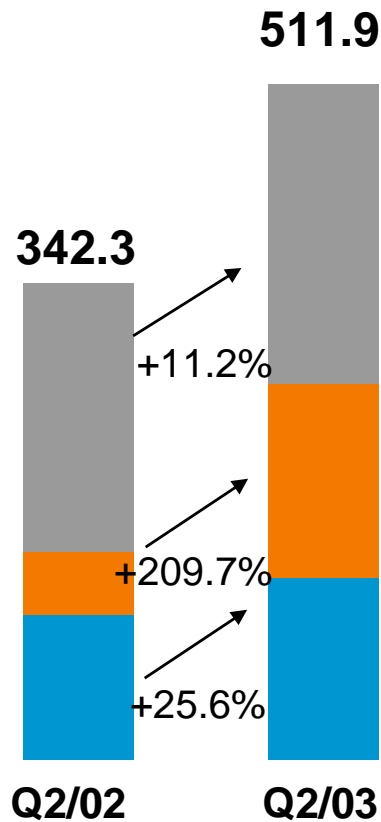
Power Divisions – key figures

MEUR

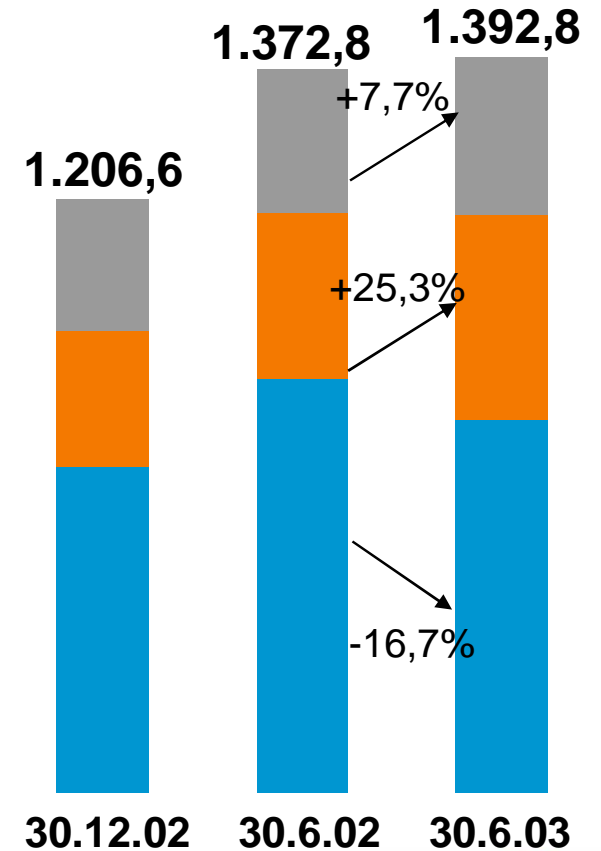
Net sales



Order intake



Order book



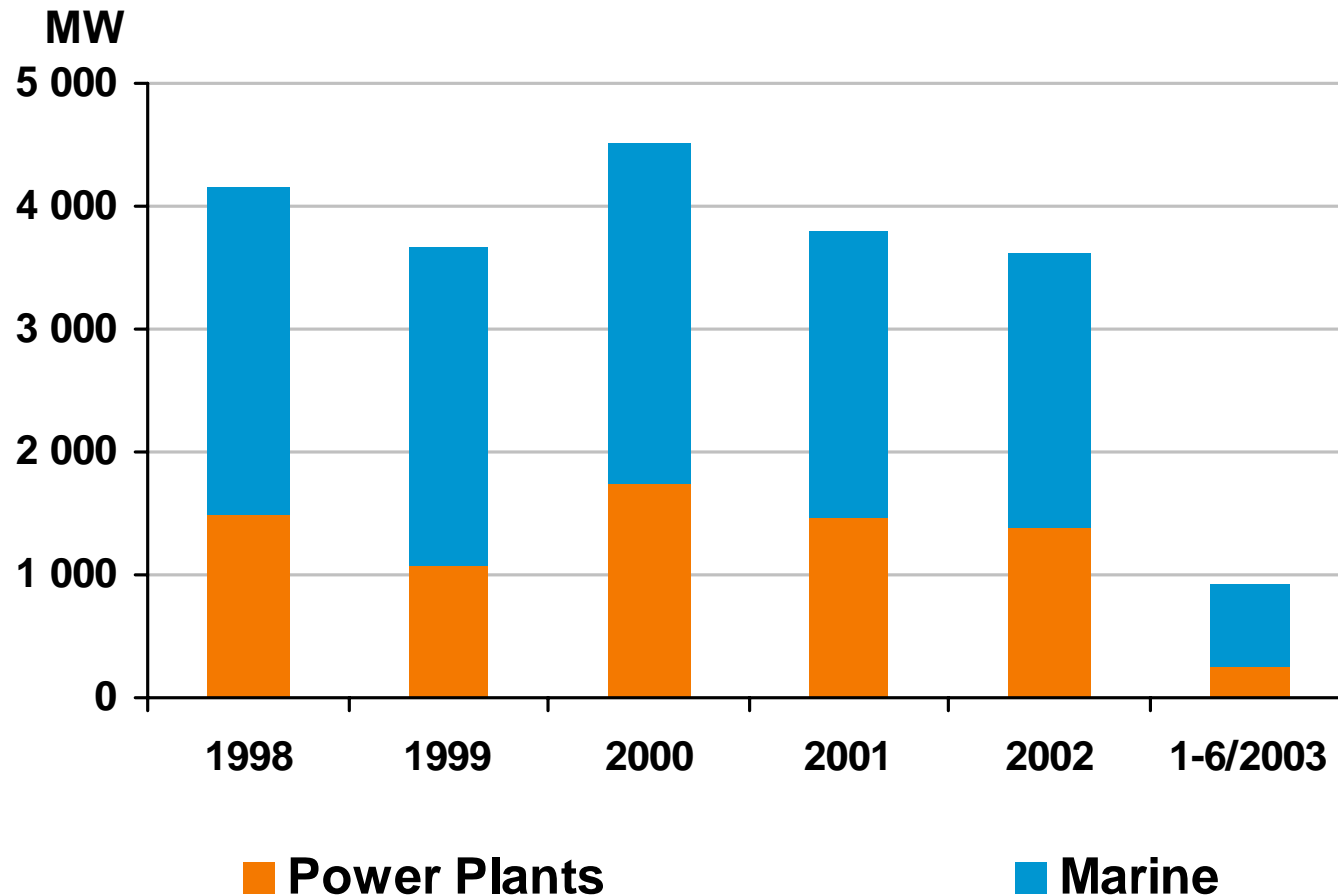
■ Marine ■ Power Plants ■ Service

Power Divisions

MEUR	Q2/2003	Q2/2002	Change	
Net sales	483.2	649.5	-25.6%	
EBIT	14.0	30.7	-54.4%	
% of net sales	2.9%	4.7%		
Order intake	511.9	342.3	49.5%	

MEUR	1-6/2003	1-6/2002	Change	2002
Net sales	916.3	1,176.5	-22.1%	2,319.9
EBIT	22.3	32.1	-30.5%	74.6
% of net sales	2.4%	2.7%		3.2%
Order intake	1,102.3	855.0	28.9%	1,882.8
Order book, end of period	1,392.8	1,372.8	1.5%	1,206.6

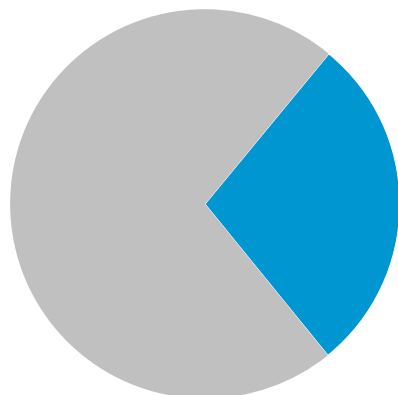
Delivered engine megawatts from Wärtsilä factories



Note! Does not include Biopower and licensing.

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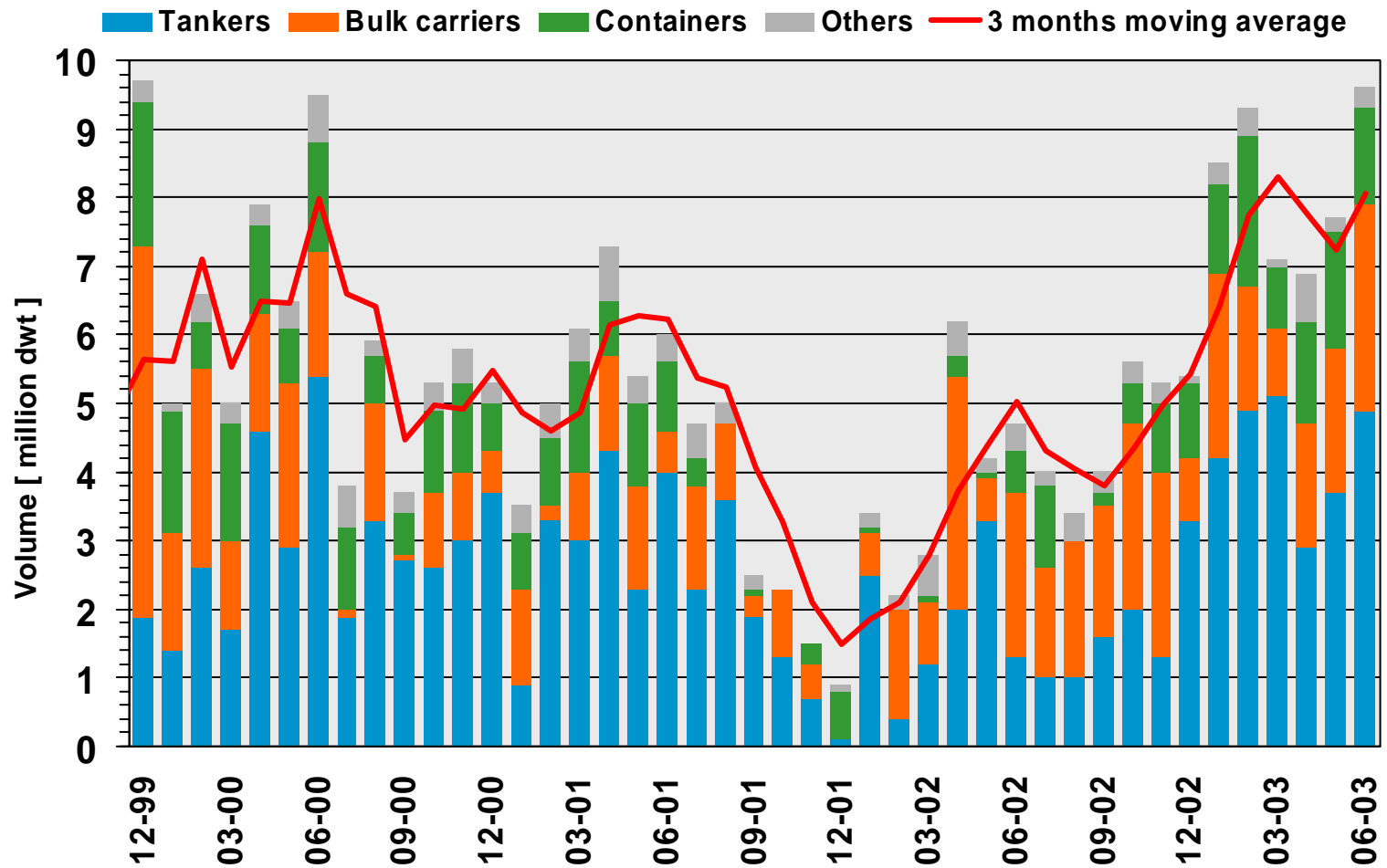
MEUR	Q2/2003	Q2/2002	Change	2002
Net sales	176.3	212.1	-16.9%	763.4
Order intake	130.2	103.7	25.6%	506.7
Order book, end of period	616.4	739.9	-16.7%	617.7



**Power Divisions net sales Q2/2003
MEUR 483.2**

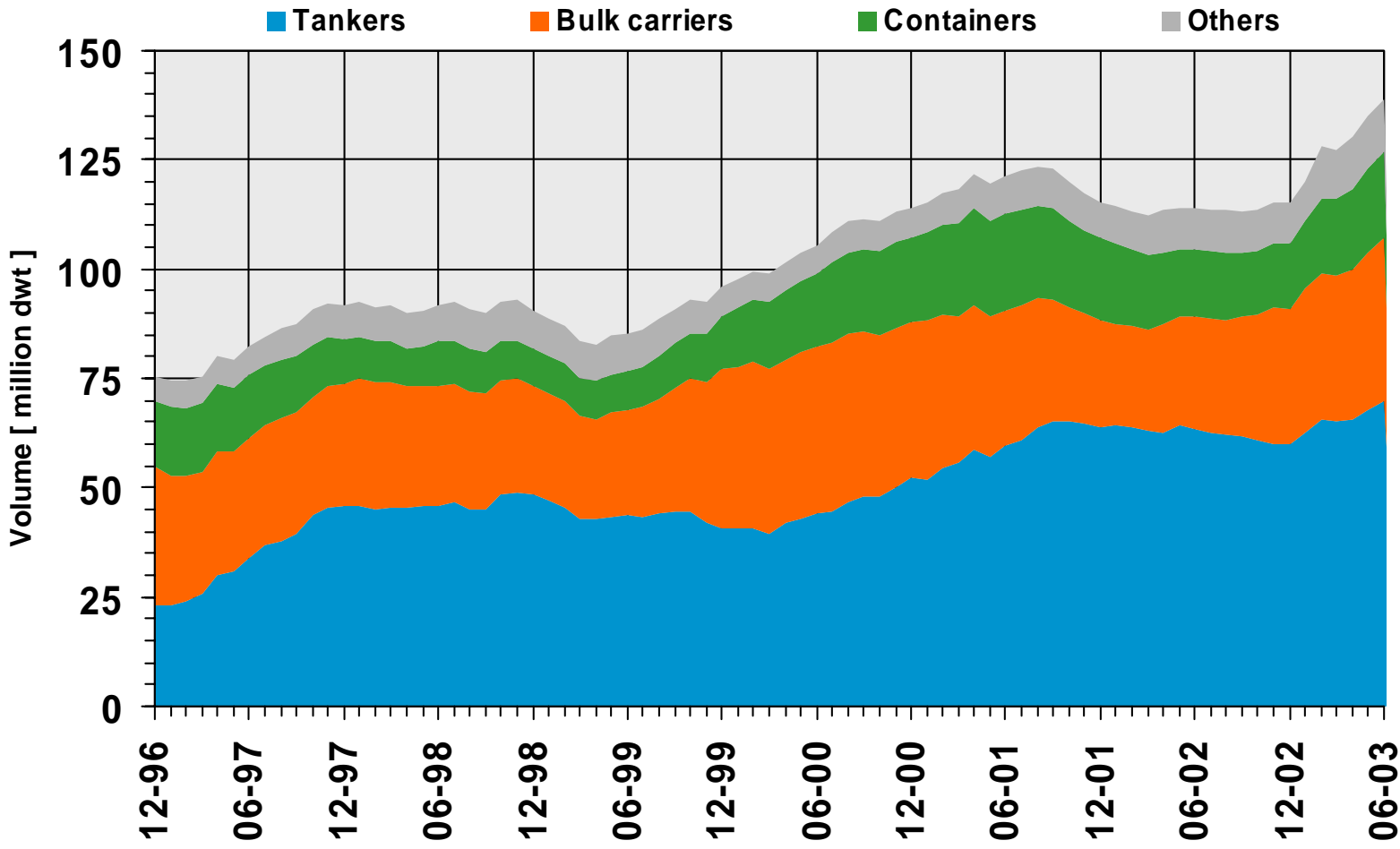
■ **Marine 36%**

Vessel orders



Source: Based on data from Clarkson Research Studies
 Note: Cargo vessels > 5,000 dwt
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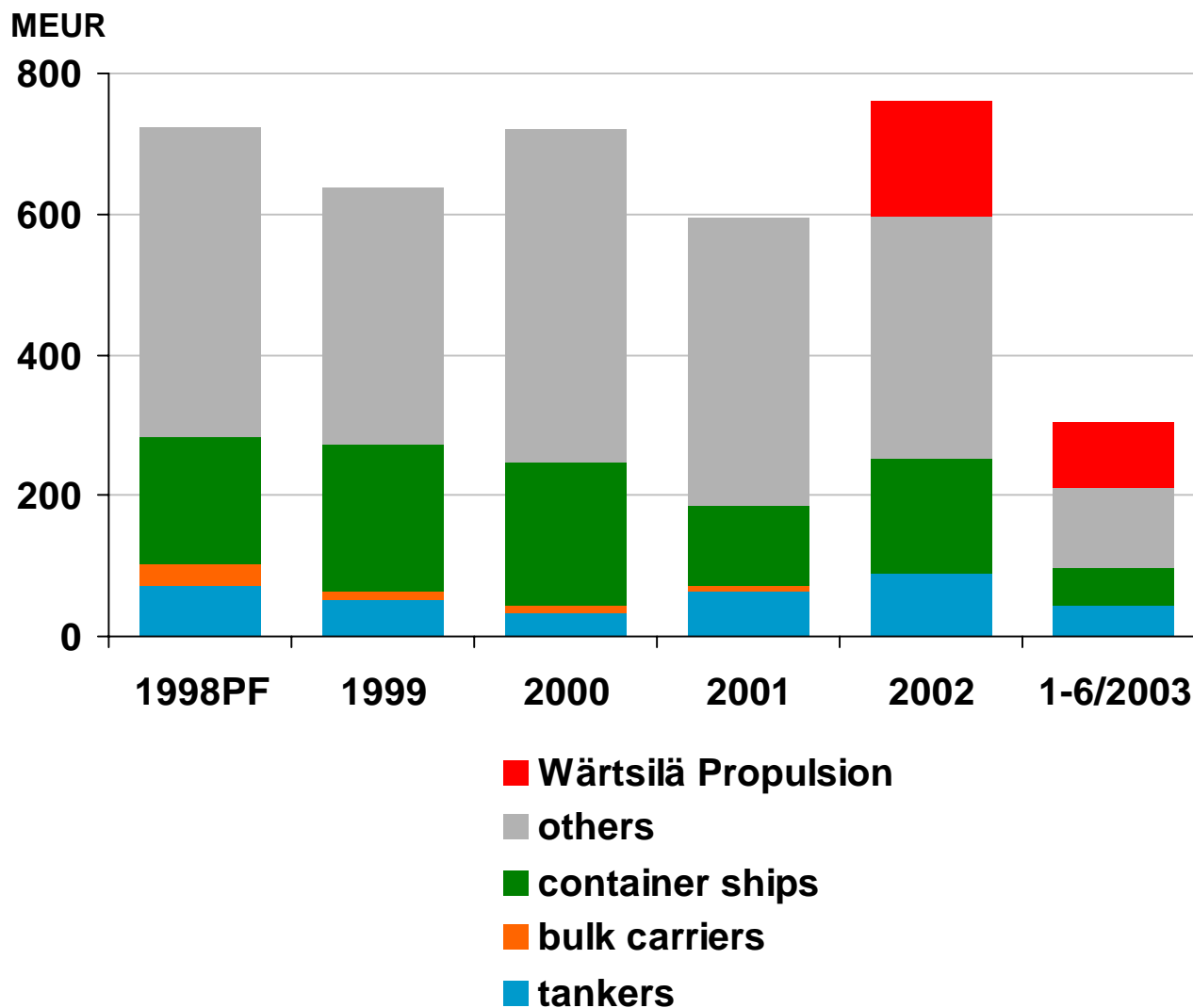
Vessel orderbook



Source: Based on data from Clarkson Research Studies
 Note: Cargo vessels > 5,000 dwt
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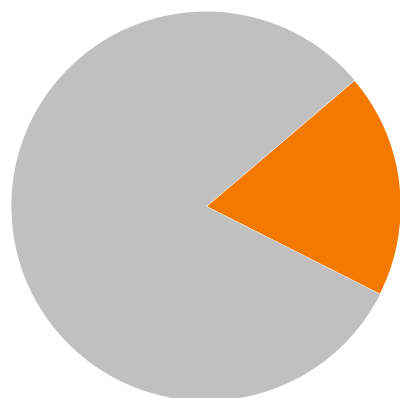
Net sales of Marine division by vessel type



Note! 1998 incl. Grandi Motori Trieste

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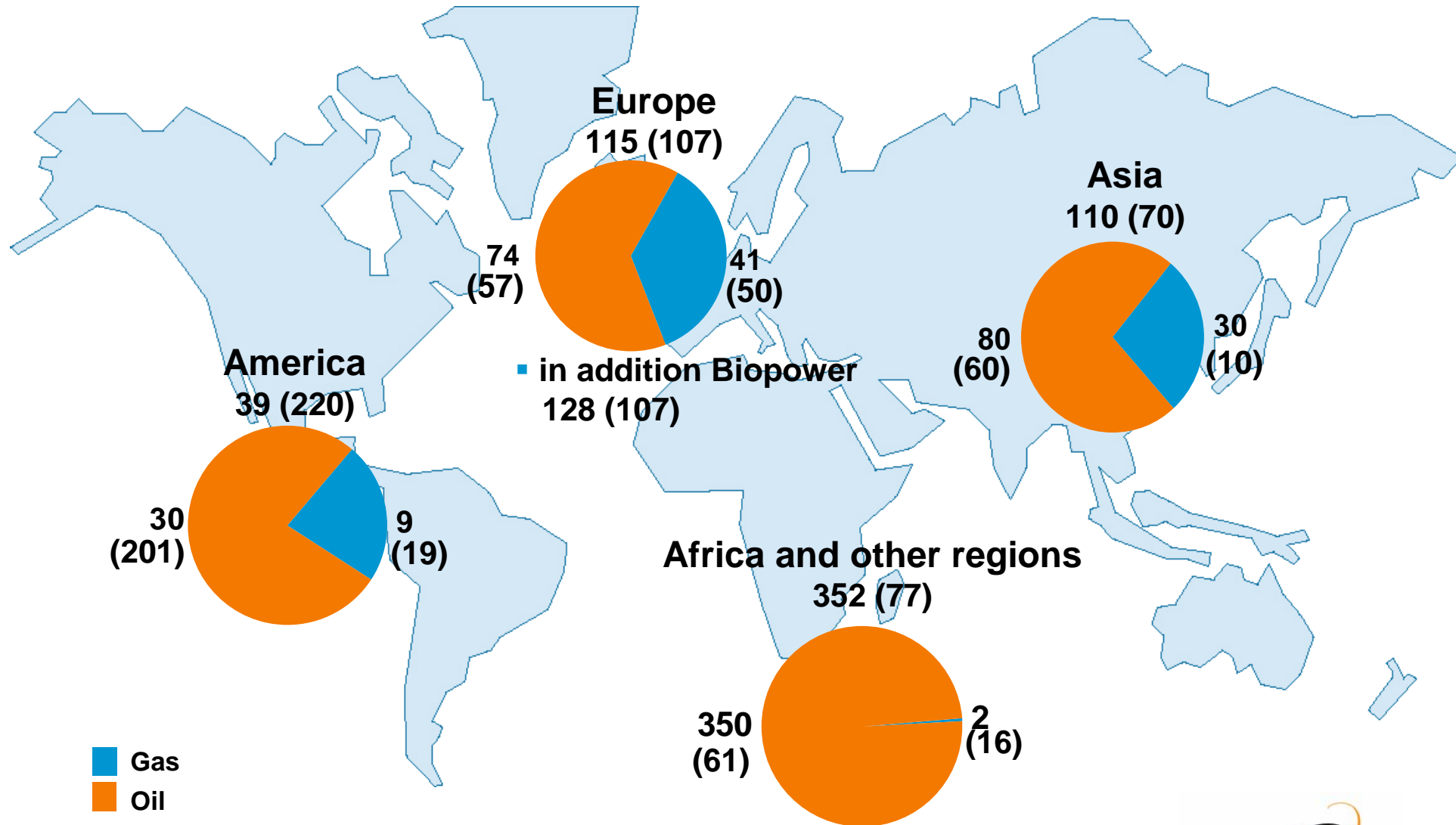
MEUR	Q2/2003	Q2/2002	Change	2002
Net sales	81.5	217.9	-62.6%	666.0
Order intake	137.8	44.5	209.7%	427.9
Order intake (MW),				
diesel	238	75	217.3%	539
gas	50	32	56.3%	293
Biopower, MW _{th}	46	28	64,3%	107
Order book, end of period	391.0	312.1	25.3%	255.2



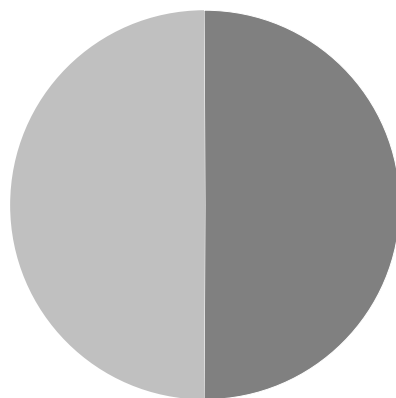
**Power Divisions net sales Q2/2003
EUR 483.2 million.**

■ **Power Plants 17%**

Power plant order intake 1-6/2003: 616 MW (475)



	Q2/2003	Q2/2002	Change	2002
Net sales, MEUR	217.6	207.6	4.8%	843.4
Personnel, end of period	5,839	5,314	9.9%	5,644
Long-term service agreements, MW	9,867	9,321	5.9%	9,756
O&M (operation and maintenance) agreements, MW	2,182	1,824	19.6%	2,056

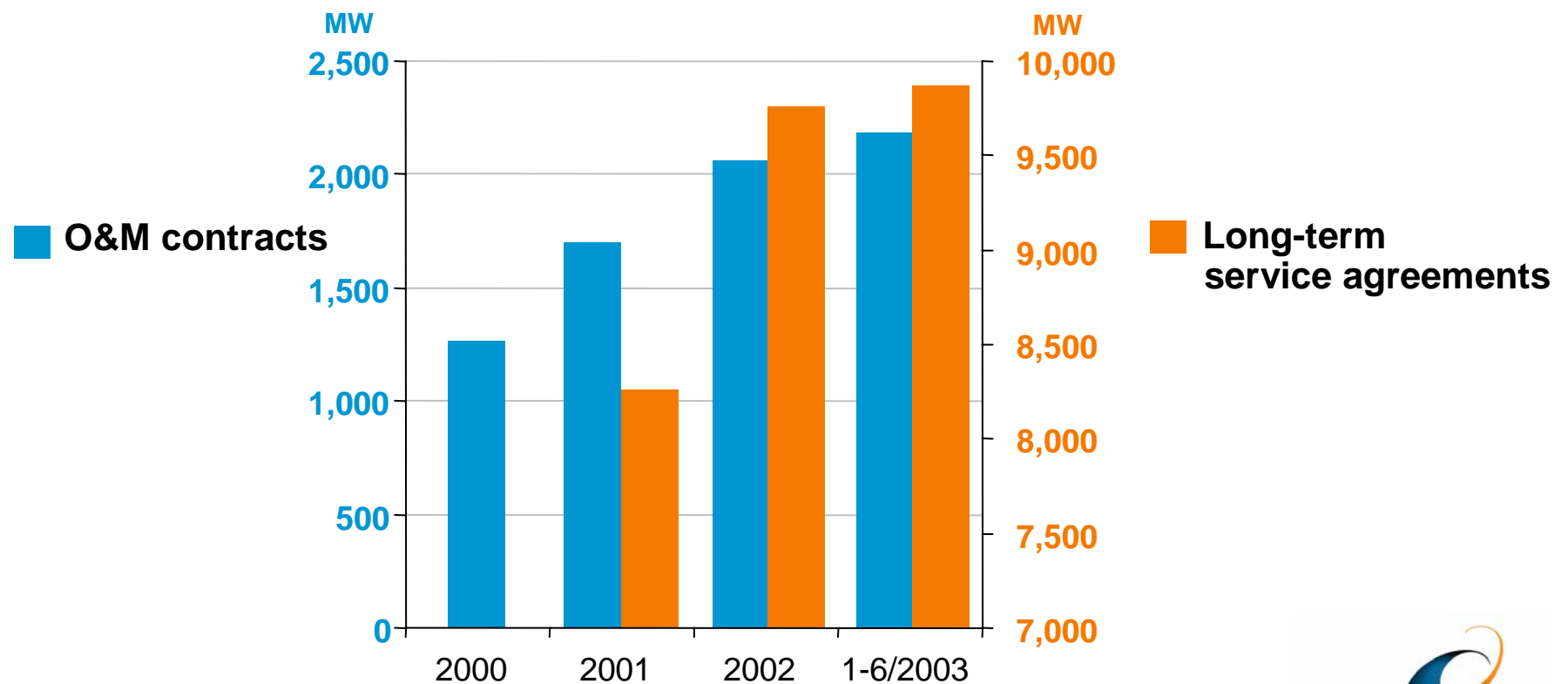


**Power Divisions net sales Q2/2003
EUR 483.2 million.**

■ **Service 45%**

Long-term service and O&M contracts

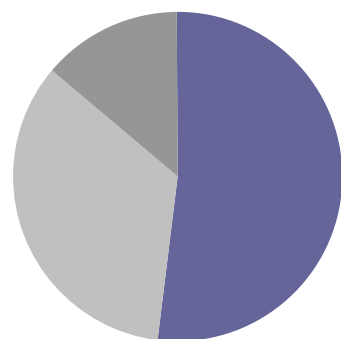
- O&M contracts' rapid growth continues
- Long-term service and O&M contracts cover 12,049 MW
- Active engine base 128,000 MW





Key figures, MEUR	Q2/2003	Q2/2002	Change	2002
Net sales	55.5	52.6	5.5%	200.4
Operating profit	2.2	2.9		3.2
% of net sales	4.0%	5.5%		1.6%

Imatra Steel's net sales by market segment 2002



- Trucks 52%
- Engineering industries 34%
- Cars 14%

- sale of Billnäs Spring Works
- impact on profits neutral after write-down of fixed assets
- will concentrate on manufacturing long special engineering steels and forged components for the truck industry

Power Divisions

- sales and operational profitability on last year's level
- streamlining measures will continue
- restructuring provision will burden the 2003 result

Imatra Steel

- increased sales
- operational result will improve

