HIGHLIGHTS OF SECOND QUARTER 4-6/2004:

- Net sales rose 7.9% on the same period in 2003.
- The operating margin was 4.7% (3.0) for the Group, for Power Businesses 4.2% (2.9) and for Imatra Steel 8.7% (4.0).
- The order intake grew 14.9%.
- Propeller manufacture in China started.

HIGHLIGHTS OF THE REPORTING PERIOD 1-6/2004:

- Net sales rose 7.4% to EUR 1,103.0 (1,026.6) million.
- Operating income was EUR 128.6 (21.1) million.
- The Power Businesses’ operating income was EUR 12.4 (22.3) million and operating margin 1.3% (2.4).
- Imatra Steel’s operating income was EUR 8.5 (-1.1) million and operating margin 6.9% (-1.0).
- The order intake grew 34.0% to EUR 1,477.0 (1,102.3) million.
- The Group’s earnings per share (EPS) were EUR 1.54 (0.13).

WÄRTSILÄ GROUP IN BRIEF

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>581.3</td>
<td>538.5</td>
<td>1,103.0</td>
<td>1,026.6</td>
<td>2,357.5</td>
</tr>
<tr>
<td>Operational EBITA¹</td>
<td>33.9</td>
<td>22.9</td>
<td>34.4</td>
<td>39.0</td>
<td>127.0</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>27.2</td>
<td>16.2</td>
<td>20.9</td>
<td>25.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Nonrecurring costs &amp; income</td>
<td>107.7</td>
<td>-4.5</td>
<td>-118.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>27.2</td>
<td>16.2</td>
<td>128.6</td>
<td>21.1</td>
<td>-18.4</td>
</tr>
<tr>
<td>Result before taxes</td>
<td>32.2</td>
<td>15.4</td>
<td>129.6</td>
<td>15.6</td>
<td>-34.4</td>
</tr>
<tr>
<td>EPS, EUR</td>
<td>0.36</td>
<td>0.22</td>
<td>1.54</td>
<td>0.13</td>
<td>-0.66</td>
</tr>
</tbody>
</table>

¹ EBITA is the operating income before amortization of goodwill on consolidation.

GROUP NET SALES AND RESULT

Wärtsilä Group’s net sales for the reporting period 1-6/2004 rose 7.4% compared to the first six months of 2003. The Group’s operating income totalled EUR 128.6 (21.1) million, which included a one-time capital gain of EUR 107.7 million on the sale of Assa Abloy shares. The operating income of the Power Businesses amounted to EUR 12.4 (22.3) million. Imatra Steel’s operating EBIT was EUR 8.5 (3.4) million.

Net financial items were EUR 0.9 (-5.5) million owing to low gearing and the higher dividend income compared to last year. The Group’s result before taxes was EUR 129.6 (15.6) million. Earnings per share (EPS) were EUR 1.54 (0.13).

CAPITAL EXPENDITURE AND CASH FLOW

Capital expenditure in the reporting period amounted to EUR 29.7 (24.9) million. Cash reserves at the close of the period totalled EUR 150.7 (136.5) million. Net interest-bearing loan capital decreased to EUR 271.2 (521.5) million owing to strong cash flow in 2003 and the sale of shares this year. Cash flow after operating activities declined to EUR -5.6 (3.9) million due to an increase in working capital, mainly in anticipation of large deliveries at the end of the year. The solvency ratio stood at 39.0% (35.0) and gearing was 0.33 (0.67).

STRUCTURAL DEVELOPMENT OF THE GROUP

Personnel consultations on discontinuing manufacturing at Turku and Mulhouse were completed in March. The agreed restructuring continued as planned. The current order book and the order intake over recent months correspond to the new level of manufacturing capacity.

In May Wärtsilä made a public offer to the minority shareholders of Japan Marine Technologies Co Ltd, a leading producer of marine seals. Wärtsilä’s holding in the company prior to the offer was 93.9%, and 98.4% when the offer expired on 21 June. Wärtsilä paid altogether EUR 2.7 million for the shares.

In May Wärtsilä established Ciserv Korea Ltd, a Ciserv group company, in Korea. In June Wärtsilä acquired two Dutch marine electrotechnical repair and service companies, which were renamed Ciserv Europool BV.

Wärtsilä-CME Zhenjiang Propeller Co Ltd, the joint venture company set up by Wärtsilä and CSSC (China State Shipbuilding Corporation) to manufacture propellers in China, started operating at the beginning of June.

In June Wärtsilä decided to outsource the global maintenance and support of its information technology applications. The decision underpins the company’s aim to enhance operational efficiency.

GROUP NET SALES BY BUSINESSES

EUR mill. | 4-6/2004 | 4-6/2003 | Change% |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Businesses</td>
<td>517.0</td>
<td>483.2</td>
<td>7.0%</td>
</tr>
<tr>
<td>Imatra Steel</td>
<td>64.5</td>
<td>55.5</td>
<td>16.2%</td>
</tr>
<tr>
<td>Internal net sales</td>
<td>-0.2</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>581.3</td>
<td>538.5</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

GROUP OPERATING INCOME BY BUSINESSES

EUR mill. | 4-6/2004 | 4-6/2003 | Change% |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Businesses</td>
<td>21.5</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>Imatra Steel</td>
<td>5.6</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Group operational EBIT</td>
<td>27.2</td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>Group operating income</td>
<td>27.2</td>
<td>16.2</td>
<td></td>
</tr>
</tbody>
</table>

GROUP NET SALES BY BUSINESSES

EUR mill. | 1-6/2004 | 1-6/2003 | Change% |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Businesses</td>
<td>980.3</td>
<td>916.3</td>
<td>7.0%</td>
</tr>
<tr>
<td>Imatra Steel</td>
<td>123.1</td>
<td>110.6</td>
<td>11.4%</td>
</tr>
<tr>
<td>Internal net sales</td>
<td>-0.4</td>
<td>-0.3</td>
<td>-1.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,103.0</td>
<td>1,026.6</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

GROUP OPERATING INCOME BY BUSINESSES

EUR mill. | 1-6/2004 | 1-6/2003 | Change% |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational EBIT, Power Businesses</td>
<td>12.4</td>
<td>22.3</td>
<td>95.0</td>
</tr>
<tr>
<td>Imatra Steel</td>
<td>8.5</td>
<td>3.4</td>
<td>151.0</td>
</tr>
<tr>
<td>Group operational EBIT</td>
<td>20.9</td>
<td>25.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Nonrecurring costs, Power Businesses</td>
<td>-130.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imatra Steel</td>
<td>-4.5</td>
<td>-4.4</td>
<td></td>
</tr>
<tr>
<td>Capital gains</td>
<td>107.7¹</td>
<td>15.9²</td>
<td></td>
</tr>
<tr>
<td>Group operating income</td>
<td>128.6</td>
<td>21.1</td>
<td>-18.4</td>
</tr>
</tbody>
</table>

¹ Assa Abloy
² Polar
POWER BUSINESSES: Ship Power, Service and Power Plants

<table>
<thead>
<tr>
<th>EUR mill.</th>
<th>4-6/2004</th>
<th>4-6/2003</th>
<th>Change%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>517.0</td>
<td>483.2</td>
<td>7.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>21.5</td>
<td>14.0</td>
<td>54.4%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>4.2%</td>
<td>2.9%</td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>588.3</td>
<td>511.9</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>980.3</td>
<td>916.3</td>
<td>7.0% 2,155.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>12.4</td>
<td>22.3</td>
<td>–35.0%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>1.3%</td>
<td>2.4%</td>
<td>–1.6%</td>
</tr>
<tr>
<td>Order intake</td>
<td>1,477.0</td>
<td>1,102.3</td>
<td>34.0% 2,148.7</td>
</tr>
<tr>
<td>Order book, end of period</td>
<td>1,779.2</td>
<td>1,392.8</td>
<td>27.7% 1,245.0</td>
</tr>
</tbody>
</table>

*Year 2003 incl. restructuring provision of EUR 130 million.

POWER BUSINESSES

The second-quarter operating income of the Power Businesses showed a considerable improvement, standing at 4.2% (2.9) of net sales. The operating income for the whole six-month period, however, remained at EUR 12.4 (22.3) million owing to the weak result recorded in the first quarter. The operating margin was 1.3% (2.4). The volume of new orders received during the first half of the year was 34.0% higher than in the comparable period. Demand rose fastest for power plants.

Ship Power

EUR mill. 4-6/2004 4-6/2003 Change%
Net sales 179.1 182.5 –1.8%
Order intake 193.3 160.4 24.2%

Net sales 298.1 315.1 –5.4% 686.1
Order intake 395.3 360.1 9.8% 626.4
Order book, end of period 702.0 706.0 –0.6% 606.8

Ship Power business

The order intake of the Ship Power Business grew 9.8% during the reporting period. During the second quarter this growth strengthened and the order intake was 24.2% higher than in the comparable period. Activity was lively in the medium-speed engine markets of importance to Wärtsilä - particularly the offshore sector. The order book improved on the situation at the end of 2003 reaching the same level as at the end of June 2003. Net sales in the reporting period declined slightly. Net sales in the second quarter were at the same level as in the comparable period.

In the medium-speed engine market Wärtsilä gained significant new orders in Japan, Singapore, Russia and China. Wärtsilä was also contracted to supply six marine engines for electricity generation on the former Admiral Gorshkov aircraft carrier being refitted for the Indian navy.

The most important propulsion orders were for controllable pitch propellers (CPP) for ten chemical tankers being built at the Hyundai Mipo shipyard in Korea, and for CPPs, reduction gearboxes, seals and bearings for two deep-sea anchor-handling tugs under construction at the Niigata Shipbuilding and Repair yard in Japan. Orders for seals were received for the Royal Navy’s Astute submarine programme in Great Britain.

Service

Growth in the Service net sales strengthened during the second quarter and was 6.6%. The increase in net sales for the whole reporting period was 4.7% compared to the first six months of 2003. Without adjustments to exchange rates growth was 8.6%.

Wärtsilä has approximately 140 operations and maintenance (O&M) agreements for power plants worldwide covering now over 2,500 MW, an increase of 17.9% compare to last year. Roughly 40% of new orders Wärtsilä power plants include an O&M agreement. Long-term service and O&M agreements cover more than 12,000 MW, or over 9% of Wärtsilä’s active engine base (130 GW).

Wärtsilä signed O&M agreements for five power plants in May. At the beginning of June Wärtsilä and PT Antam Tbk (Antam) in Indonesia concluded an 11-year O&M agreement covering the operation and maintenance of the 152 MW power plant supplying the energy needs of the Pomala nickel mine. In terms of power plant output this O&M agreement is the second largest ever made by Wärtsilä.

Wärtsilä has now nine Ciserv companies at strategic maritime locations around the world. The companies acquired in the Netherlands strengthen Wärtsilä’s know-how and technical competence in electrotechnical systems and measurement and control systems.

Power Plants

EUR mill. 4-6/2004 4-6/2003 Change%
Net sales 104.5 81.5 28.1%
Order intake 161.4 137.8 17.1%
Order intake MW
HFO 292 238 22.7%
gas 77 50 54.0%
BioPower, MWth 0 46

Net sales 225.0 162.6 38.4% 577.5
Order intake 632.1 300.9 110.1% 639.3
Order intake MW
HFO 1,074 533 101.5% 1,249
gas 285 83 243.4% 219
BioPower, MWth 43 128 –66.4% 133
Order book, end of period 778.7 391.0 99.2% 357.2

Power Plants business

Net sales of the Power Plants business were well above the comparable period’s level, showing growth of 38.4%. The order intake strengthened clearly as well. The order book at the close of the period, EUR 778.7 million, was double that of both the compa-
### FINANCIAL ANALYSIS


**Cash flow from operating activities**
- Operating result: 128.6 21.1 – 18.4
- Depreciations and write downs: 47.4 56.3 156.0
- Selling profit and loss of fixed assets and other adjustments: –109.8 – 2.8 – 22.7
- Changes in working capital: –48.4 –59.7 96.2
- Cash flow from operating activities before financial items and taxes: 17.8 15.0 211.1
- Net financial income and expenses and paid income taxes: – 23.4 –11.0 – 19.0
- Cash flow from operating activities (A): –5.6 3.9 192.1

**Cash flow from investing activities:**
- Investments in tangible and intangible assets: –22.0 –18.6 –62.8
- Investments in shares and acquisitions: –6.4 –0.9 –2.6
- Proceeds from sale of shares: 133.4 1.2 7.5
- Cash flow from other investing activities: 12.2 9.1 35.7
- Total: 117.2 –9.3 – 22.2

**Cash flow from financing activities:**
- Issuance for share capital: 24.6 1.0 1.4
- New long-term loans: 8.2 155.6 303.0
- Amortisation and other changes to long-term loans: 5.8 –194.3 –337.0
- Paid dividends: –45.0 –104.3 –104.6
- Changes in short-term loans and other financing activities: –104.5 98.0 –68.6
- Cash flow from financing activities (B): –110.8 – 44.0 –205.8

**Change in liquid funds (A+B+C), increase(+)/decrease(-)**: 0.8 – 49.3 –35.9

**Liquid funds at beginning of period**: 150.0 185.8 185.8

**Liquid funds at end of period**: 150.7 136.5 150.0

### INCOME STATEMENT


**Net sales**: 1,103.0 1,026.6 2,357.5
**Other operating income**: 115.1 12.9 37.9
**Expenses**: –1,042.3 –961.7 –2,257.7
**Depreciation and write downs**: –47.4 –56.3 –156.0

**Share of profits/losses in associated companies**: 0.2 –0.3 0.0
**Operating income**: 128.6 21.1 – 18.4
**Financial income and expenses**: 0.9 –5.5 – 15.9
**Result before taxes**: 129.6 15.6 – 34.4
**Income taxes1**: –36.8 –7.5 –4.0
**Minority interests**: –0.3 –0.2 –0.9
**Result of the financial period**: 92.5 8.0 –39.3

**1**Taxes calculated on the profit for the period.

### BALANCE SHEET

**EUR mill. 30 June 2004 30 June 2003 2003**

**Fixed assets**: 840.9 971.5 887.3
**Current assets**
- Inventories: 572.0 683.4 555.5
- Receivables: 798.6 757.5 790.1
- Cash and bank balances: 150.7 136.5 150.0

**Total**: 2,362.2 2,548.9 2,382.9

**Share capital**: 216.0 208.7 208.8
**Other shareholders’ equity**: 633.0 646.7 595.8
**Minority interests**: 7.9 6.0 6.1
**Provisions**: 216.3 135.4 235.1
**Current**: 968.5 1,257.1 1,009.9
**Total**: 2,362.2 2,548.9 2,382.9

### GROSS CAPITAL EXPENDITURE


**Investments in securities and acquisitions**
- Power Businesses: 6.4 0.9 2.6
- Other investments
  - Power Businesses: 21.2 19.3 51.2
  - Imatra Steel: 2.1 4.7 11.6
- Group: 29.7 24.9 65.4

### INTEREST-BEARING LOAN CAPITAL

**EUR mill. 30 June 2004 30 June 2003 2003**

**Long-terms liabilities**: 297.0 251.6 288.2
**Current liabilities**: 134.7 411.9 208.6
**Convertible subordinated debentures**: 27.9 27.5
**Loan receivables**: –9.7 –33.3 –21.2
**Cash and bank balances**: –150.7 –136.5 –150.0
**Net**: 271.2 521.5 363.2

### FINANCIAL RATIOS


**Earnings per share, EUR**: 1.54 0.13 –0.66
**Diluted earnings per share, EUR**: 1.54
**Book value of equity /share EUR**: 13.76 13.88 13.03
**Solvency ratio 1, %**: 39.0 35.0 35.0
**Solvency ratio 2, %2**: 39.0 36.1 36.2
**Gearing 1**: 0.33 0.67 0.48
**Gearing 2**: 0.33 0.61 0.43

1 In year 2003 solvency ratio 2 and gearing 2 shareholders’ equity includes the convertible subordinated debentures.

### CONTINGENT LIABILITIES

**EUR mill. 30 June 2004 30 June 2003 2003**

**Mortgages**: 44.5 46.7 51.7
**Chattel mortgages**: 31.3 45.8 32.5
**Total**: 75.8 92.5 84.2

**Guarantees and contingent liabilities**
- on behalf of the company: 251.1 246.8 258.9
- on behalf of assoc. companies: 1.1
**Total**: 289.3 297.9 310.2

### NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

**EUR mill. of which closed**

**Interest rate swaps**: 300.0 160.0
**Foreign exchange forward contracts**: 1,076.3 68.4
**Currency options, purchased**: 146.3

If all above instruments had been sold at market prices at the end of the period, the effect would be EUR 9.1 million.
rable period and the level at the end of 2003. The historically high order book was due considerably to the two power plants, with an aggregate value of EUR 361 million, ordered for Iraq in March. The most important orders received in the second quarter were placed in Asia and Africa, although large orders were also won in other areas. The order intake increased in both heavy fuel oil (HFO) and gas power plants.

Engine manufacture and technology
Wärtsilä’s research and development activities have continued to focus on common rail and gas engine technology. The largest 2-stroke engines on the market (12RT-Flex96C) were completed and successfully test-run in May by Wärtsilä’s licence manufacturers in Japan and Korea. Destined for installation in containerships, these engines will be brought into operation at the end of this year. Good results were also achieved in gas engine trial runs.

**IMATRA STEEL**

<table>
<thead>
<tr>
<th>EUR mill.</th>
<th>4-6/2004</th>
<th>4-6/2003</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>123.1</td>
<td>110.6</td>
<td>11.4%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>8.7%</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>5.6</td>
<td>2.2</td>
<td>150.5%</td>
</tr>
</tbody>
</table>

**IMATRA STEEL**

Imatra Steel's six-month net sales rose 11.4% compared to the same period last year, during which the Billnäs Spring Works was still part of Imatra Steel Oy Ab. The comparable growth in net sales during the period was 17.3% due both to higher delivery volumes and to price increases.

Operating income between January and June improved to EUR 8.5 (1.1) million. Last year's result was burdened by a onetime EUR 4.5 million writedown of fixed assets (the comparable result in 2003 was EUR 3.7 million). The second-quarter result was EUR 5.6 (2.2) million. The improvement in performance was attributable to the investment in the base metallurgical line, the company's streamlining measures and price increases implemented in the second quarter.

Demand for special engineering steels increased with respect to both forgings and steels. Heavy truck production, in particular, has been rising clearly.

**HOLDING IN ASSA ABLOY**

During the first quarter Wärtsilä sold its entire holding of Assa Abloy AB (publ.) Series A shares, i.e. 10,546,425 for SEK 116.50 per share, or SEK 1,228.7 million (EUR 133.3 million). Wärtsilä entered a capital gain of EUR 107.7 million on this sale.

Wärtsilä still owns 17,270,350 Assa Abloy B shares, or 4.7% of Assa Abloy's share capital. The market value of this holding at the end of June was EUR 181.8 million and its book value in the Group's balance sheet was EUR 41.8 million.

**ANNUAL GENERAL MEETING**

The Annual General Meeting, held on 15 March 2004, decided to pay a dividend of EUR 0.75 per share. The meeting decided that the company's Board of Directors would have seven members. The following were elected to the Board: Heikki Allonen, Göran J. Ehrnrooth, Risto Hautamäki, Jaakko Iloniemi, Antti Lagerroos, Bertel Langensköld and Paavo Pitkänen.

The firm of authorized public accountants KPMG Wideri Oy Ab was appointed as the company's auditors. The meeting also renewed the Board's authorizations to purchase and dispose of the company's own shares.

**BOARD OF DIRECTORS**

The Board elected Antti Lagerroos as its chairman and Göran J. Ehrnrooth as the deputy chairman. The Board decided to establish an Audit Committee and a Nomination and Compensation Committee. The Board appointed Antti Lagerroos chairman of the Audit Committee and its other members Heikki Allonen, Risto Hautamäki and Paavo Pitkänen. The Board appointed Antti Lagerroos chairman of the Nomination and Compensation Committee and its other members Göran J. Ehrnrooth and Jaakko Iloniemi.

**MANAGEMENT**

Lars Hellberg, (45), BSc (Eng.) was appointed Group Vice President, Engine Division, and a member of the Board of Management on 1 June 2004. He follows Sven Bertlin, who continues as Executive Vice President of the Group until his retirement at the end of the year.

**OTHER EVENTS**

Wärtsilä floated two convertible subordinated debentures in 1994 which together totalled EUR 117.7 million. Of the outstanding loan, EUR 27.5 million at the end of 2003, EUR 1.0 million was converted into Series A and B shares between January and March and EUR 23.6 million between 1 and 19 April 2004. The non-converted balance, EUR 2.8 million, was repaid by the company on 3 May 2004. These conversions raised Wärtsilä’s share capital by EUR 7,176,540. The share capital after the increase was EUR 215,951,442 and the total number of shares was 61,700,412 divided into 15,719,725 Series A shares and 45,980,687 Series B shares.

Varma Mutual Pension Insurance Company’s holding of Wärtsilä votes decreased below 5%. The change was the result of the aforementioned share capital increase recorded in the Trade Register on 24 May 2004.

In April Fiskars Corporation raised its holding in Wärtsilä Corporation to 21.2% of the shares and 28.7% of the votes.

**SHARES AND SHAREHOLDERS**

| Turnover of shares in Helsinki Exchange | 34.6% | 26.2% | 41.9% |
| Turnover of votes in Helsinki Exchange | 16.3% | 9.2% | 20.2% |
| Turnover of shares in SEAQ | 6.2% | 0.5% | 1.9% |
| Outside of Finland and nominee-registered | 14.5% | 8.8% | 8.4% |
SHARES 30 June 2004

<table>
<thead>
<tr>
<th>Series</th>
<th>Number of shares</th>
<th>Number of votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>15,719,725</td>
<td>157,197,250</td>
</tr>
<tr>
<td>B</td>
<td>45,980,687</td>
<td>45,980,687</td>
</tr>
<tr>
<td>Total</td>
<td>61,700,412</td>
<td>203,177,937</td>
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</table>

SHARE PRICE ON THE HELSINKI EXCHANGES

<table>
<thead>
<tr>
<th>1 January-30 June 2004</th>
<th>Series A</th>
<th>Series B</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>19.60</td>
<td>19.85</td>
</tr>
<tr>
<td>Low</td>
<td>15.25</td>
<td>14.95</td>
</tr>
<tr>
<td>Average1</td>
<td>18.17</td>
<td>17.69</td>
</tr>
<tr>
<td>Amount</td>
<td>1,313,824</td>
<td>20,021,855</td>
</tr>
</tbody>
</table>

1Trading volume weighted average price.

MARKET CAPITALIZATION

|-------------|--------------|--------------|--------------|
| IFRS REPORTING

Wärtsilä will adopt IFRS reporting standards from the beginning of 2005. Preparations have proceeded as planned.

MARKET PROSPECTS

A record number of orders for new ships were placed during the first six months of the year. The capacity of large shipyards to handle big vessels is full, especially in Asia. The bulk of shipbuilding capacity has been sold to the end of 2007. The lack of capacity, the sharp increase in the price of steel and the resulting rise in shipbuilding costs, and the action taken by China to curtail its economic growth will slow the rate of orders for large new vessels in the months ahead. Owing to the lack of capacity in Asia, European shipyards able to build smaller containerships, for example, with short delivery times increased their order books during the first half of the year.

Project activity has grown as expected in the sectors of importance to Wärtsilä's own manufacturing - cruise ships, RoPax and ro-ro vessels, LNG carriers and offshore applications.

The shift towards contract-based service is continuing although spare parts and components still contribute significantly to Wärtsilä’s service sales. Sales of spare parts and performance optimizing solutions for 2-stroke engines continues to grow, which gives Wärtsilä strong potential to increase its share of the 2-stroke engine service market. Condition Based Maintenance (CBM) agreements and the conversion of engines to run on gas developed positively.

A large part of the net sales of the Power Plants business will accrue at the end of the year. The order intake is expected to remain at a good level as demand for decentralized power plants remains good.

Demand in Imatra Steel’s market is expected to continue to remain favourable. Trends in raw material prices, however, are unclear during the second half of the year.

GROUP PROSPECTS 2004

Net sales of the Power Businesses are expected to grow slightly. Wärtsilä’s forecast for its full-year result remains unchanged, i.e. profitability is expected to improve slightly compared to 2003. A risk factor that could affect this estimate is the uncertain political situation in Iraq. The EUR 130 million restructuring provision made during the fourth quarter of 2003 is expected to be sufficient to cover the programme.

Imatra Steel’s net sales are expected to increase and its result to improve due to streamlining measures and the improvement in demand.

5 August 2004

Wärtsilä Corporation
Board of Directors

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