Wärtsilä Corporation

Interim Report January-September 2006
Ole Johansson, President & CEO
31 October 2006
Highlights Q3/2006

- Strong order intake continued (+25%)
- Net sales +26%
- Operating income +29%
- Strong cash flow
- Strong balance sheet enables extraordinary dividend
Net sales by business Q3/2006

<table>
<thead>
<tr>
<th>Sector</th>
<th>Q3/06</th>
<th>Q3/05</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>766.8</td>
<td>607.8</td>
<td>2,520.3</td>
</tr>
<tr>
<td>Operating income</td>
<td>56.3</td>
<td>43.5</td>
<td>202.5</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>61.4</td>
<td>36.9</td>
<td>212.4</td>
</tr>
<tr>
<td>Earnings/share, EUR</td>
<td>0.44</td>
<td>0.32</td>
<td>1.80</td>
</tr>
</tbody>
</table>

Ship Power 24.0% (26.0)  
Power Plants 35.8% (29.0)  
Services 40.7% (45.0)
Key figures

Net sales

Order intake

Order book

MEUR

Q3/05 | Q3/06
--|--
607.8 | 766.8

Services | Power Plants | Ship Power
14.1% | 55.4% | 16.4%

Q3/05 | Q3/06
--|--
870.8 | 1,090.0

2000 | 2400
13.4% | 35.5%

2,905.7 | 2,544.7 | 4,108.2

93.9% | 24.8% | 3.7%
Delivered engine megawatts from own factories

MW

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Power Plants  Ship Power  Full-year estimate
### Cash flow

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<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>172.0</td>
<td>14.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>29.0</td>
<td>-179.5</td>
<td>-178.3</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-173.9</td>
<td>125.1</td>
<td>47.6</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>142.6</td>
<td>133.2</td>
<td>119.6</td>
</tr>
</tbody>
</table>
Solvency and gearing

NOTE: 2002-2003 according to FAS, 2004- IFRS
Convertible subordinated debentures treated as equity
Vessel orders, # of vessels

Source: Based on data from Clarkson Research Studies

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Vessel orders - other vessels, # of vessels

Source: Based on data from Clarkson Research Studies

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Net sales of Ship Power by vessel type

- Cruise & Ferry: 15%
- General cargo: 10%
- LNG: 3%
- Offshore: 27%
- Tankers: 11%
- Bulk carriers: 4%
- Container ships: 14%
- Special vessels & other: 16%

Bar chart showing net sales of Ship Power by vessel type from 2002 to 1-9/2006.
Strong order intake continued
- Offshore segment dominant
- LNG, cruise & tankers also active

**Ship Power net sales**

- **24.0%** of total net sales

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<thead>
<tr>
<th></th>
<th>Q3/06</th>
<th>Q3/05</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>183.8</td>
<td>158.0</td>
<td>16.4%</td>
</tr>
<tr>
<td>Order intake</td>
<td>490.0</td>
<td>361.5</td>
<td>35.5%</td>
</tr>
<tr>
<td>Order book*</td>
<td>2,800.7</td>
<td>1,444.5</td>
<td>93.9%</td>
</tr>
</tbody>
</table>

* End of period
The market position of Wärtsilä’s marine engines Q3/2006

Own production

Medium-speed main engines

- Wärtsilä 50% (48)
- Comp. 2 23% (24)
- Comp. 1 14% (14)
- Others 13% (14)

Total market volume last 12 months:
9,600 MW (7,906)

Production by licensees

Low-speed main engines

- Wärtsilä 17% (21)
- Comp. 1 79% (76)
- Comp. 3 4% (3)

Total market volume last 12 months:
21,900 MW (18,683)

Own production

Medium-speed auxiliary engines

- Wärtsilä 7% (9)
- Others 93% (91)

Total market volume last 12 months:
6,700 MW (4,570)

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 Q2/06. 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.
## Wärtsilä Services

### Services net sales

40.7% of total net sales

### Financial Data

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q3/06</th>
<th>Q3/05</th>
<th>Change</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>312.0</td>
<td>273.4</td>
<td>14.1%</td>
</tr>
<tr>
<td>Personnel*</td>
<td>8 387</td>
<td>6 937</td>
<td>20.9%</td>
</tr>
</tbody>
</table>

- 8 new O&M agreements signed in among others India and Brazil
- Growth 17.7% 1-9/2006, organic growth 11.8%

* End of period
Note I: Wärtsilä’s gas power plant target markets have changed since Wärtsilä stopped manufacturing and selling high speed engines (power range < 3.5 MW)

Note II: The 2006 LFO figure includes liquid biofuels.

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Note I: Wärtsilä’s gas power plant target markets have changed since Wärtsilä stopped manufacturing and selling high speed engines (power range <3.5 MW).

Note II: The 2006 LFO figure includes Liquid Biofuels.

Source: Diesel & gas turbine worldwide, June 2005-May 2006
Power Plants - order intake 1-9/2006: 1511 MW (1223)
### Wärtsilä Power Plants

#### Power Plants net sales

- **35.8%** of total net sales

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<tr>
<td>Net sales</td>
<td>274.2</td>
<td>176.4</td>
<td>55.4%</td>
</tr>
<tr>
<td>Order intake</td>
<td>335.0</td>
<td>274.0</td>
<td>22.2%</td>
</tr>
<tr>
<td>Order book*</td>
<td>966.5</td>
<td>774.6</td>
<td>24.8%</td>
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- High activity in both oil & gas power plants
- Gas power plants order intake was strong
  - Largest orders from Tanzania, USA & Venezuela

* End of period
Wärtsilä’s holdings

ASSA ABLOY

- Wärtsilä owns 2.0% (4.7) of Assa Abloy shares
- The holding’s market value EUR 106.7 million (30 September 2006)

OVAKO

- Wärtsilä’s holding in Oy Ovako Ab 26.5% during review period
- Balance sheet value of the holding EUR 126.6 million
- Wärtsilä has recorded EUR 18.1 million as associated company result for the period 1-9/2006
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 Q4/06.

Tax-free capital gain of approx. EUR 49 million at closing.

Cash flow implications

<table>
<thead>
<tr>
<th>Cash payment Q4/06</th>
<th>appr. EUR 140 million</th>
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<tr>
<td>July 2008</td>
<td>EUR 4 million</td>
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<tr>
<td>Vendor note, within 3-6 years</td>
<td>EUR 29 million</td>
</tr>
</tbody>
</table>

Total appr. EUR 173 million
Ship Power
- High activity continues in all energy related segments

Power Plants
- High ordering activity in both oil & gas fueled power plants expected to continue
- Demand distributed geographically evenly
Wärtsilä’s prospects in 2006 and 2007

Forecast for 2006

- 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 over 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!