Wärtsilä's Interim Report January-March 2008

THE ENGINE OF INDUSTRY

INTERIM REPORT JANUARY-MARCH 2008

The figures in this interim report are unaudited.

REVIEW PERIOD JANUARY – MARCH 2008 IN BRIEF

MEUR	1-3/2008	1-3/2007	Change	2007
Order intake	1 936	1 157	67%	5 633
Order book 31 March	7 219	4 860	49%	6 308
Net sales	850	761	12%	3 763
Operating result	81	63	28%	379
% of net sales	9.6%	8.3%		10.1%
Profit before taxes	74	60		372
Earnings/share, EUR	0.49	0.44		2.74
Cash flow from operating activities	75	79		431
Interest-bearing net debt at the end of the period	-79	179		-27
Gross capital expenditure	38	42		231

MARKET DEVELOPMENT

SHIP POWER

In terms of new vessel orders, the start of 2008 has been clearly below the exceptionally high ordering of recent years. Monthly orders began to decline already at the end of last year, and ordering activity during the first three months, relating to the number of vessels, was at the same level as in 2003. This indicates a drop of as much as 50% from the very high activity in 2007. The decline was most visible in various merchant segment vessels. New orders for bulk carriers remained good, but volumes have normalized from their peak levels. In the offshore segment, the trend from smaller vessels to bigger and more complex tonnage continued. Despite the recent dip, freight rates are still at a high level, and new build prices have not come down, which indicates that ship yards still believe in continuing demand. To summarize the situation, there still seems to be overall market demand, but various uncertainty factors have postponed decision-making.

Korea has clearly regained the leading position in new vessel ordering with 41% of the market, in terms of number of new vessels ordered in the first quarter. China is a clear number two with 33% but has suffered somewhat from the current uncertain market conditions. During the review period, Europe received 11%, Japan 5%, and other countries 10% of new orders.

Ship Power market shares

Wärtsilä's market share for medium speed main engines continued a slight downward trend to 36% (38 at the end of the previous quarter). This is explained by Wärtsilä's capacity constraints and the deferred ordering of LNG vessels. Wärtsilä's market share for low speed engines declined to 13% (16). In low speed engines, Wärtsilä's demand has shifted from bigger engines to medium size bore, implying less power and a smaller share of the total market. The market share for auxiliary engines remained almost unchanged at 6% (5).

POWER PLANTS

Markets continued to be globally active during the review period. The main growth drivers in the power plant market remain world economic growth, as well as the need to increase efficiency and versatility in power generation due to high fuel prices. Other drivers for the power plant market demand are environmental concerns and fuel availability issues. The market situation remained good and demand in the Power plant market remained high in all segments relevant to Wärtsilä – flexible baseload production, industrial self generation, grid stability and peaking, as well as power solutions for the oil and gas industry.

Power Plants market shares

According to the statistics compiled by Diesel and Gas Turbine magazine the total global market for oil and gas power plants in Wärtsilä´s power range was 14,060 MW (14,750) between June 2006 and May 2007. Wärtsilä´s market share of heavy fuel oil plants was 38% (34). In the market for light fuel oil, Wärtsilä´s market share increased slightly to 24% (23), mainly as a result of high demand for Wärtsilä´s power plants fuelled by liquid bio-fuels. The market for gas power plants, including both reciprocating engines and gas turbines, was roughly 10,900 MW (10,400), Wärtsilä´s share in this segment was 12% (8).

ORDER INTAKE AND ORDER BOOK

The order intake for the review period totalled EUR 1,936 million (1,157), representing growth of 67%. Wärtsilä Ship Power continued to enjoy extremely lively ordering and its order intake for the review period totalled EUR 758 million (521), a growth of 45%. Merchant vessel orders were clearly dominant with 52% of total Ship Power orders. Most of the orders were for bulk carriers, and it seems that marine equipment orders are still profiting from the bulk carrier boom of last year. The remaining orders within the Merchant vessel segment, were distributed quite equally between tankers, RoRo vessels and cargo vessels, while containerships had a somewhat smaller share. The Offshore segment accounted for 21% of Wärtsilä Ship Power’s new orders during the review period. The orders were still highly supply and support vessel driven, but orders were also received for offshore drilling appliances. The Cruise & ferry and special vessel segments each had 13% share of the orders, the rest being for Naval vessels.

Order intake for the Power Plants business was very strong during the first quarter, and 168% higher than during the corresponding period last year, totalling EUR 566 million (211). The largest oil-fired power plant orders were received from Brazil, Indonesia and Greece. The two Brazilian projects, disclosed in March, are the first power plants to materialize from the A-3 energy auction conducted in Brazil in 2007. Wärtsilä sees further potential in the Brazilian market. The largest gas power plants orders were received from the USA and Algeria. The power plant order from South Texas Electric Cooperative marks an entry into the Texas utility market and further improves Wärtsilä’s foothold in the US grid stability market.

The Services business received several substantial project orders during the review period. These include a contract from Norwegian ferry operator New Kystlink AS for an overhaul project of the “Pride of Telemark” ferry, a major retrofit order from Laurin Maritime for Wärtsilä Senitec oily water separators, and the gas conversion and relocation of the EGESUR power plant in Peru. These orders confirm the success of Wärtsilä’s Services business and the suitability of its offering to the needs of the market.

At the end of the review period the Ship Power order book stood at EUR 4,810 million (3,285), a growth of 46%. The Power Plants order book stood at EUR 1,822 million (1,140), which is 60% higher than the corresponding period in 2007. In 2004, Wärtsilä received two orders for power plant deliveries to Iraq. The first power plant of the Iraqi order has almost been completed, and all corresponding payments have been received. The second order has been excluded from the order book during the review period due to the uncertainty of delivery. At the end of the review period Wärtsilä’s total order book stood at EUR 7,219 million (4,860), a growth of 49%.

Order intake by business

MEUR	1-3/2008	1-3/2007	Change	2007
Ship Power	758	521	45%	2 600
Services	611	423	44%	1 607
Power Plants	566	211	168%	1 421
Order intake, total	1 936	1 157	67%	5 633

Order intake Power Plants

MW	1-3/2008	1-3/2007	Change	2007
Oil	442	130	239%	1 358
Gas	543	122	344%	1 005
Renewable fuels	37	204	-82%	483

Order book by business

MEUR	31 Mar. 2008	31 Mar. 2007	Change	2007
Ship Power	4 810	3 285	46%	4 292
Services	588	433	36%	405
Power Plants	1 822	1 140	60%	1 608
Order book, total	7 219	4 860	49%	6 308

NET SALES

Wärtsilä's net sales for January-March 2008 totalled EUR 850 million (761), a growth of 12%. Ship Power net sales fell by 5% due to the timing of deliveries and totalled EUR 244 million (256). Net Sales for Power Plants developed favourably during the review period and totalled EUR 175 million (150), a growth of 17% compared to the corresponding period last year. Net sales from the Services business increased to EUR 428 million (352), a growth of 22%. Organic growth represented 20% of Services' net sales growth. Ship Power net sales accounted for 29%, Services net sales for 50%, and Power Plants for 21% of total net sales.

Net sales by business

MEUR	1-3/2008	1-3/2007	Change	2007
Ship Power	244	256	-5%	1 320
Services	428	352	22%	1 550
Power Plants	175	150	17%	882
Net sales, total	850	761	12%	3 763

FINANCIAL RESULTS

The operating result rose to EUR 81 million (63) for January-March 2008, which is 9.6% of net sales (8.3). Financial items amounted to EUR -7 million (-4). Net interest totalled EUR 0 million (-2). Profit before taxes amounted to EUR 74 million (60). Taxes in the reporting period amounted to EUR -25 million (-17). Earnings per share were EUR 0.49 (0.44).

BALANCE SHEET, FINANCING AND CASH FLOW

Cash flow from operating activities for January-March 2008 was strong and totalled EUR 75 million (79). Advance payments at the end of the period totalled EUR 1,083 million (698). Liquid reserves at the end of the period amounted to EUR 432 million (148). Net interest-bearing loan capital totalled EUR -79 million (179). The solvency ratio was 32.0% (42.4) and gearing was -0.07 (0.19). Dividends based on the decision taken by the AGM 2008, paid on 2 April 2008, affect the solvency ratio.

HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% of the total. This holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 83 million.

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 38 million (42), which comprised EUR 5 million (12) in acquisitions and investments in securities and EUR 33 million (30) in production and information technology investments. Depreciation amounted to EUR 21 million (18).

Due to strong volume growth, the total capital expenditure for 2008 is expected to be approx. EUR 200 million.

STRATEGIC ACQUISITIONS, JOINT-VENTURES AND EXPANSION OF NETWORK

In March Wärtsilä acquired the Norwegian company Maritime Service AS, which specializes in ship service, mechanical and reconditioning services. Maritime Service has its operations in Ålesund, on the west coast of Norway. The annual net sales of Maritime Service were 26 million NOK (EUR 3.2 million) in 2007.

During the review period Wärtsilä Services continued the expansion of its network by opening offices and workshops in Namibia, Chile and Brazil.

OTHER STRATEGIC ISSUES

The importance of Asia as a shipbuilding hub has notably increased during recent years. In order to be closer to the fastest growing shipbuilding markets, the senior management of Wärtsilä Ship Power will relocate to Shanghai, China during 2008.

MANUFACTURING

During the review period, new investments to increase the capacity of the Automation business in Norway and the Propulsion business in Spain were initiated. This capacity will become available in 2009. All other ongoing investment programs to increase capacity, including joint ventures, are proceeding according to plan. Continuous progress has been made in enlarging the supplier base in emerging markets.

In March, Wärtsilä and Jiangsu Rongsheng Heavy Industries Group Co Ltd (RSHI) signed a licence agreement for the manufacture and sale of Wärtsilä low speed marine diesel engines by RSHI in China. Another license agreement was signed in April between Wärtsilä and Zhenjiang CME Co Ltd (CME) for the manufacture and sale of Wärtsilä RT-flex low speed marine diesel engines by CME in China.

RESEARCH & DEVELOPMENT

During the review period several R&D accomplishments were achieved. The 20kW solid oxide fuel power plant prototype that was started in Wärtsilä's Fuel Cell test centre in October, passed the 1,000 hours milestone.

The first RTA 82 engine was successfully started and passed the factory acceptance test witnessed by the customer and classification society. The engine is an addition to Wärtsilä's low speed engine portfolio and has been developed in collaboration with Hyundai Heavy Industry.

PERSONNEL

Wärtsilä had 16,979 (14,754) employees at the end of March. The largest personnel increases took place in the Services business where the personnel increase was 15% compared to the corresponding period 2007. 10,095 (8,746) people were employed by the Services business.

During the review period Wärtsilä launched a Top Graduates professional programme for R&D. During the programme, attendees will drive R&D projects throughout Wärtsilä's international organization. A similar program for finance graduates has been in action since March 2007.

CHANGES IN MANAGEMENT

Atte Palomäki (42) M.Sc. (pol.) started as Group Vice President, Corporate Communications and member of the Wärtsilä Board of Management on 1 of March 2008.

SHARES AND SHAREHOLDERS

In March Wärtsilä's A and B-series shares were combined. After the combination all shares carry one vote and equal rights. The combination of the share series involved a free share issue directed to the holders of Series A-shares so that holders of Series A-shares received one share free of charge for each nine Series A-shares. In the directed share issue 2,619,954 shares were given. Trading with the new and combined shares started on 27 of March.

SHARES ON HELSINKI EXCHANGES

26 March 2008	Number of shares	Number of votes
A-share (WRTAV)	23 579 587	235 795 870
B-share (WRTBV)	72 389 974	72 389 974

31 March 2008	Number of shares	Number of votes	Number of shares traded 1-3/2008
WRT1V	98 589 515	98 589 515	47 876 412

1 Jan. -26 March 2008	High	Low	Average 1)	Close
A-shares	53.00	33.05	46.51	42.79

1 Jan. -31 March 2008	High	Low	Average 1)	Close
	52.40	35.02	43.71	42.75

1) Trade-weighted average price.

	31 Mar. 2008	31 Mar. 2007
Market capitalization, EUR million	4 215	4 417
Foreign shareholders	49.6%	30.5%

CHANGES IN OWNERSHIP

In relation to the combination of the share series and the directed free share issue, Wärtsilä was informed of the following changes in ownership:

The Fiskars Group's share of Wärtsilä Corporation's votes decreased to less than 1/5 (20%). Following the transaction Fiskars Corporation holds 901,857 or 0.9% of Wärtsilä's share capital and votes, and the Fiskars wholly owned subsidiary Avlis AB's holds 15,944,444 or 16.2% of Wärtsilä's share capital and total votes. In total, Fiskars Group holds 16,846,301 or 17.1% of Wärtsilä Corporation's share capital and votes.

Varma Mutual Pension Insurance's share of Wärtsilä Corporation's shares increased to more than 1/20 (5%) and the share of the votes decreased to less than 1/10 (10%). Following the transaction Varma holds 5,130,087 or 5.2% of Wärtsilä's share capital and total votes.

Svenska Litteratursällskapet i Finland r.f's share of Wärtsilä Corporation's votes decreased to less than 1/20 (5%). Following the transaction Svenska Litteratursällskapet holds 1,735,506 or 1.76% of Wärtsilä's share capital and total votes.

The above-mentioned changes came into effect when the combined and new shares were registered in the trade register on 26 March 2008.

OPTION SCHEMES

During the review period Wärtsilä had one option scheme. This 2002 option scheme ended on 31 March 2008 and all option rights were exercised.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Wärtsilä's Annual General Meeting on 19 March approved the financial statements and discharged the company's President & CEO and the members of the Board of Directors from liability for the financial year 2007. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 2.25 per share and an extra dividend of EUR 2.00 per share for a total dividend of EUR 4.25 per share.

The Annual General Meeting decided that the Board of Directors shall have six members. The following were elected to the Board: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Kari Kauniskangas, Mr Antti Lagerroos, Mr Bertel Langenskiöld and Mr Matti Vuoria.

The firm of authorized public accountants KPMG Oy Ab were appointed as the company's auditors.

The Annual General Meeting approved the proposal of the Board of Directors to amend the Articles of Association.

The Annual General Meeting approved the proposal of the Board of Directors to direct a free share issue to holders of A shares and to combine the Series A and Series B shares and the changes to the Articles of Association.

ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors of Wärtsilä Corporation elected Antti Lagerroos as its chairman and Matti Vuoria as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Compensation Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee:

Antti Lagerroos, chairman
Maarit Aarni-Sirviö
Matti Vuoria

Nomination Committee:

Antti Lagerroos, chairman
Matti Vuoria
Kaj-Gustaf Bergh

Compensation Committee:

Antti Lagerroos, chairman
Matti Vuoria
Bertel Langenskiöld

RISKS AND BUSINESS UNCERTAINTIES

No major changes in the risks and business uncertainties occurred during the review period. The biggest risks remain related to sub-suppliers capacity constraints. Sub-suppliers are running at capacity and global demand in key components such as castings, forgings and thruster gear-wheels exceeds supply. Wärtsilä's measures to secure availability of key components continue in close collaboration with the supply chain. The uncertainty within the financial markets, as well as the US housing market, has so far not had any impact on Wärtsilä.

MARKET OUTLOOK

Record long order books and high ship prices, in combination with fluctuating charter rates and uncertainties in the financial markets, impacted the shipping and ship building industry and led to a decrease in new vessel orders. This has been long anticipated and could, in fact, be seen as healthy for the industry because it has reduced market speculation. At this stage it is too early to predict what direction the market will take following these developments.

Wärtsilä Ship Power's ordering activity has continued at the same high level as at the end of last year. Even though key components, such as main engines and propulsion equipment, remain critical factors for the entire vessel supply, there is a time lag between vessel ordering and component ordering. For this reason Wärtsilä foresees an active Ship Power market for at least the second quarter of 2008. During the third quarter, it is expected that a slowdown will be seen within the merchant segment ordering as a consequence of a reduction in vessel orders.

In the Power Plant market the situation remains good. The main drivers for continued growth, such as economic growth and the need to increase efficiency and versatility in power generation, remain. Other drivers for the power plant market demand are environmental concerns and fuel availability issues. Flexible baseload, as well as industrial self-generation applications, are forecasted to remain active market segments throughout the Middle East, Africa and the Americas. Continued growth potential is seen in the grid stability services market in North America as well as in other developed countries. Wärtsilä's power plant solutions are ideally suited for today's markets, which require high efficiency and operational flexibility plus environmental sustainability. For Wärtsilä Power Plants, continued high ordering activity is expected in all segments for at least the next two quarters.

Activity in the Services business will continue strong and it will continue to constitute a considerable share of Wärtsilä's net sales.

The long order book and flexible manufacturing model, in combination with the solid growth in Services, gives Wärtsilä ample time to react to potential fluctuations in the market.

WÄRTSILÄ'S PROSPECTS FOR 2008 REITERATED

Based on the strong order book, Wärtsilä's net sales are expected to grow by about 25% in 2008. Wärtsilä's profitability varies considerably from one quarter to another. The full-year operating margin will exceed 11%.

WÄRTSILÄ INTERIM REPORT JANUARY – MARCH 2008

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2007. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. Amended and new International Financial Reporting Standards (IFRS) as of 1 January 2008:

- IFRIC 11 IFRS 2 – Group Treasury Share Transaction
- IFRIC 12 Service Concession Agreements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new and revised standards and interpretations does not have any material effect on the interim financial report.

Wärtsilä Corporation
24 April 2008
Board of Directors

CONDENSED INCOME STATEMENT

MEUR	1-3/2008	1-3/2007	2007
Net sales	850	761	3 763
Other income	5	4	21
Expenses	-754	-683	-3 328
Depreciation and impairment	-21	-18	-78
Operating result	81	63	379
Financial income and expenses	-7	-4	-8
Share of profit of associates			1
Profit before taxes	74	60	372
Income taxes	-25	-17	-106
Profit for the financial period	49	42	265
Attributable to:			
Equity holders of the parent company	47	42	262
Minority interest	2		3
Total	49	42	265
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	0.49	0.44	2.74
Diluted earnings per share, EUR	0.49	0.44	2.73

CONDENSED BALANCE SHEET

MEUR	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
Non-current assets			
Intangible assets	641	605	646
Property, plant and equipment	385	315	377
Equity in associates	15	11	16
Investments available for sale	138	192	155
Deferred tax receivables	68	82	70
Other receivables	18	43	19
	1 266	1 248	1 283
Current assets			
Equity in associates	1	6	1
Inventories	1 311	960	1 081
Other receivables	1 117	962	1 088
Cash and cash equivalents	432	148	296
	2 861	2 076	2 466
Assets	4 127	3 324	3 749
Shareholders' equity			
Share capital	336	335	336
Other shareholders' equity	628	768	979
Total equity attributable to equity holders of the parent	964	1 103	1 315
Minority interest	11	11	10
Total shareholders' equity	975	1 115	1 325
Non-current liabilities			
Interest-bearing debt	241	257	245
Deferred tax liabilities	80	77	81
Other liabilities*	559	437	466
	881	771	792
Current liabilities			
Interest-bearing debt	123	107	38
Other liabilities	2 148	1 332	1 594
	2 271	1 439	1 632
Total liabilities	3 152	2 210	2 424
Shareholders' equity and liabilities	4 127	3 324	3 749

*In Q1/2007, the total amount of Advances received was presented in Current liabilities.

CONDENSED CASH FLOW STATEMENT

MEUR	1-3/2008	1-3/2007	2007
Cash flow from operating activities:			
Profit before taxes	74	60	372
Depreciation and impairment	21	18	78
Financial income and expenses	7	4	8
Selling profit and loss of fixed assets and other adjustments	-4	-1	-7
Share of profit of associates			-1
Changes in working capital	5	28	135
Cash flow from operating activities before financial items and taxes	103	108	585
Net financial items and income taxes	-27	-29	-154
Cash flow from operating activities	75	79	431
Cash flow from investing activities:			
Investments in shares and acquisitions	-5	-12	-65
Net investments in tangible and intangible assets	-31	-27	-166
Proceeds from sale of shares			7
Cash flow from other investing activities	1		9
Cash flow from investing activities	-35	-38	-214
Cash flow from financing activities:			
Issuance of share capital		3	4
New long-term loans		58	65
Amortization and other changes in long-term loans	-9	-16	-33
Changes in short term loans and other financing activities	108	50	36
Dividends paid		-167	-168
Cash flow from financing activities	100	-72	-95
Change in liquid funds, increase (+) / decrease (-)	140	-31	122
Cash and cash equivalents at beginning of period	296	179	179
Fair value adjustments, investments			1
Exchange rate changes	-4	-1	-6
Cash and cash equivalents at end of period	432	148	296

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Total equity attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share issue premium	Translation differences	Fair value and other reserves	Retained earnings		
Shareholders' equity on 31 December 2007	336	61	3	127	788	10	1 325
Translation differences			-4			-1	-5
Available-for-sale investments gain / loss from fair valuation, net of taxes				-14			-14
Cash flow hedges after taxes				27			27
Net income recognized directly in equity			-4	14		-1	9
Profit for the financial period					47	2	49
Total recognized income an expense for the period			-4	14	47	1	58
Dividends					-408		-408
Shareholders' equity on 31 March 2008	336	61	-1	141	427	11	975
Shareholders' equity on 31 December 2006	334	58	3	128	693	13	1 230
Other changes						-2	-2
Available-for-sale investments gain/loss from fair valuation, net of taxes				7			7
Cash flow hedges after taxes				1			1
Net income recognized directly in equity				8		-2	7
Profit for the financial period					42		42
Total recognized income and expense for the period				8	42	-2	49
Options exercised	1	3					3
Dividends paid					-167		-167
Shareholders' equity on 31 March 2007	335	61	3	136	568	11	1 115

GEOGRAPHICAL SEGMENTS

MEUR	Europe	Asia	Americas	Other	Group
Net sales 1-3/2008	318	301	159	71	850
Net sales 1-3/2007	330	257	98	75	761

INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

MEUR	1-3/2008	1-3/2007	2007
Intangible assets			
Book value at 1 January	646	602	602
Changes in exchange rates	-6	-2	-6
Acquisitions	2	3	47
Additions	7	6	33
Depreciation and impairment	-8	-7	-30
Disposals and intra-balance sheet transfer		2	
Book value at end of period	641	605	646
Property, plant and equipment			
Book value at 1 January	377	315	315
Changes in exchange rates	-1		3
Acquisitions	2		1
Additions	26	24	133
Companies sold		-10	-17
Depreciation and impairment	-13	-10	-48
Disposals and intra-balance sheet transfer	-6	-4	-9
Book value at end of period	385	315	377

GROSS CAPITAL EXPENDITURE

MEUR	1-3/2008	1-3/2007	2007
Investments in securities and acquisitions	5	12	65
Intangible assets and property, plant and equipment	33	30	166
Group	38	42	231

During the review period investment in the enlargement of propulsion equipment manufacturing in the Netherlands and China amounted to EUR 2 million, and Wärtsilä had commitments related to the enlargements amounting to EUR 8 million at the end of the review period. In addition, Wärtsilä's part of the investments related to the investment programme in the Korean joint venture Wärtsilä Hyundai Engine Company Ltd. amounted to EUR 5 million and the part of the commitments related to the investment programme were EUR 7 million at the end of the review period.

IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET

During the review period Wärtsilä has acquired a Norwegian company Maritime Service AS, specializing in ship service, mechanical and reconditioning services.

MEUR	1-3/2008
Acquisition costs	3
Acquired assets to fair value	1
Goodwill	2
Specification of acquired assets:	
Intangible assets	1
Property, plant and equipment	2
Cash and cash equivalents	1
Liabilities	-2
Total	1

INTEREST-BEARING LOAN CAPITAL

MEUR	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
Long-term liabilities	241	257	245
Current liabilities	123	107	38
Loan receivables	-12	-37	-14
Cash and bank balances	-432	-148	-296
Net	-79	179	-27

FINANCIAL RATIOS

	1-3/2008	1-3/2007	2007
Earnings per share, EUR	0.49	0.44	2.74
Diluted earnings per share, EUR	0.49	0.44	2.73
Equity per share, EUR	9.78	11.53	13.70
Solvency ratio, %	32.0	42.4	45.9
Gearing	-0.07	0.19	-0.01

PERSONNEL

	1-3/2008	1-3/2007	2007
On average	16 813	14 583	15 337
At end of period	16 979	14 754	16 336

CONTINGENT LIABILITIES

MEUR	31 Mar. 2008	31 Mar. 2007	31 Dec. 2007
Mortgages	13	15	13
Chattel mortgages	8	21	8
Total	21	37	22
Guarantees and contingent liabilities on behalf of Group companies	441	359	479
Nominal amount of rents according to leasing contracts	71	42	69
Total	512	401	548

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed
Interest rate swaps	140	
Foreign exchange forward contracts	1 456	278
Currency options, purchased	151	20
Currency options, written	20	20

CONDENSED INCOME STATEMENT, QUARTERLY

MEUR	1-3/2008	10-12/2007	7-9/2007	4-6/2007	1-3/2007
Net sales	850	1 272	933	797	761
Other income	5	10	3	4	4
Expenses	-754	-1 114	-821	-710	-683
Depreciation and impairment	-21	-22	-19	-18	-18
Operating result	81	146	96	73	63
Financial income and expenses	-7	-1	-2	-1	-4
Share of profit of associates		1			
Profit before taxes	74	145	95	72	60
Income taxes	-25	-43	-26	-20	-17
Profit for the financial period	49	103	68	52	42
Attributable to:					
Equity holders of the parent company	47	101	68	52	42
Minority interest	2	2	1	1	
Total	49	103	68	52	42
Earnings per share attributable to equity holders of the parent company:					
Earnings per share, EUR	0.49	1.05	0.71	0.54	0.44
Diluted earnings per share, EUR	0.49	1.05	0.70	0.54	0.44

CALCULATION OF FINANCIAL RATIOS

Earnings per share (EPS)

$$\frac{\text{profit before taxes - income taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the period}}$$

Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \text{ x 100}$$

Gearing

$$\frac{\text{Interest-bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

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