



Lifetime Excellence

ANNUAL REPORT 2004
Business Review



Wärtsilä is **The Ship Power Supplier** for builders, owners and operators of vessels and offshore installations. Our own global service network takes **complete care** of customers' ship machinery at every **lifecycle** stage.

Wärtsilä is a **leading provider** of power plants, operation and lifetime care services in **decentralized power** generation.

The Wärtsilä Group includes Imatra Steel, which specializes in special engineering steels.

Wärtsilä product brands:

WÄRTSILÄ®, SULZER®, LIPS®, JMT, Deep Sea Seals and Imatra Steel.

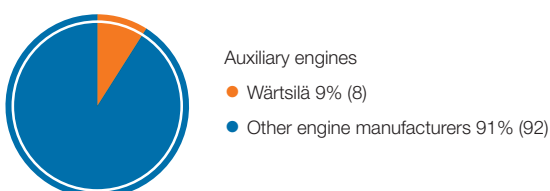
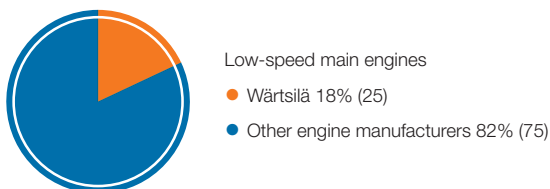
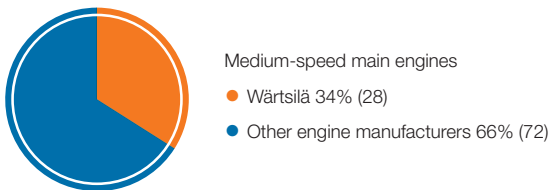


Ship Power

- Net sales EUR 631.2 million (686.1)
- Order intake EUR 836.7 million (626.4)
- Year-end order book EUR 812.7 million (606.8)

Wärtsilä is the leading supplier of ship machinery, and propulsion and manoeuvring systems. Wärtsilä supplies engines and generating sets, reduction gears, propulsion equipment, control systems and sealing solutions for all types of vessels and offshore applications.

The market position of Wärtsilä's marine engines



Source: Wärtsilä's own market share statistics, see information on page 16.



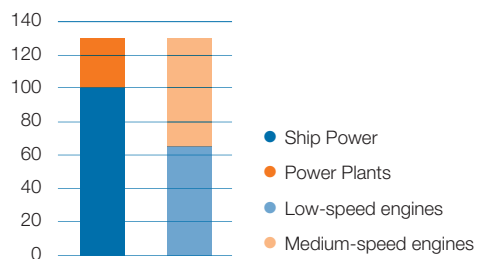
Service

- Net sales EUR 936.8 million (885.5)
- Personnel at year end 6 378 (5 993)
- Long-term service agreements 9,609 MW (9,629)
- Operation and maintenance agreements 2,569 MW (2,289)

Wärtsilä supports its customers throughout the lifetime of their installations. Wärtsilä provides service and reconditioning both for ship machinery and power plants. Wärtsilä is expanding its service business by providing innovative services that support its customers' business, service for several engine brands in key ports, long-term service contracts, predictive and condition-based maintenance, and operations and maintenance contracts.

Wärtsilä's engine base

1,000 MW



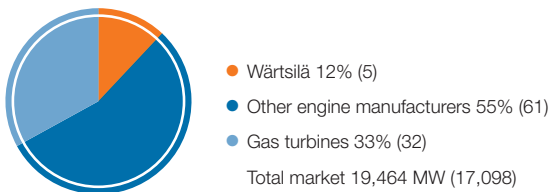


Power Plants

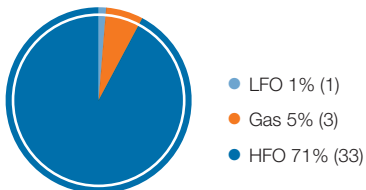
- Net sales EUR 651.9 million (577.5)
- Order intake EUR 1,019.5 million (639.3)
- Year-end order book EUR 752.4 million (357.2)

Wärtsilä is a leading supplier of power plants for decentralized power generation. We offer power plant solutions based on oil, gas and dual-fuel engines and biomass-fuelled plants.

Gas turbine and reciprocating engine orders 1-60 MW unit size



Wärtsilä's share in gas- and oil-fuelled power plants 1-60 MW unit size



Source: Diesel & Gas Turbine Worldwide and Wärtsilä

Timeframe: June 03 – May 04

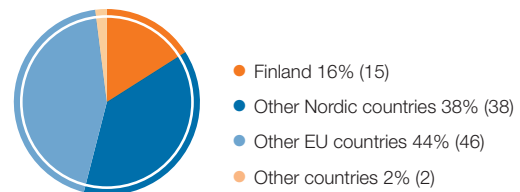


Imatra Steel

- Net sales EUR 254.4 million (202.7)
- Operating profit EUR 20.4 million (0.7)
- Personnel at end of period 1 259 (1 213)

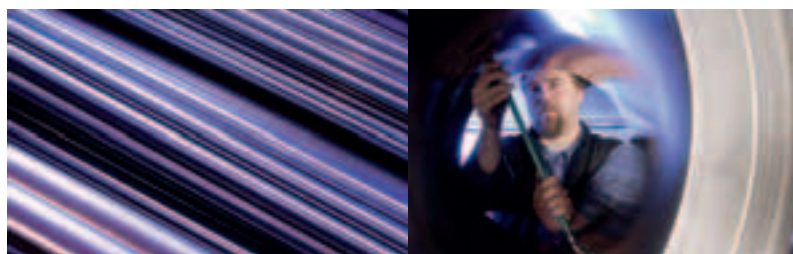
Imatra Steel is Wärtsilä's special engineering steels company. Imatra Steel produces round, square and flat special steel bars, and forged engine and front axle components. Its customers are European automotive and mechanical engineering companies.

Imatra Steel's net sales by market area 2004



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Information for Shareholders

Annual General Meeting

The Annual General Meeting of Wärtsilä Corporation will take place on Monday 21 March 2005, beginning at 4 p.m., in the Congress Wing of the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki.

Right to attend

Shareholders who have been registered no later than 11 March 2005 in the Company's list of shareholders maintained by the Finnish Central Securities Depository Ltd have the right to attend the Annual General Meeting.

Notification of attendance

Shareholders wishing to attend the Annual General Meeting are required to inform the Company thereof not later than 4.00 pm on 17 March 2005 either by letter, by e-mail, by fax or by telephone.

Address:

Wärtsilä Corporation
Share Register
P.O. Box 196
FI-00531 Helsinki
Finland
Telephone +358 10 709 5282, between
10 a.m. and 2 p.m. on weekdays
fax +358 10 709 5283
e-mail: yk@wartsila.com

Letters, e-mails and faxes informing of the participation at the Annual General Meeting must reach the Company before the notification period expires at 4.00 p.m. on 17 March 2005. Letters authorizing a proxy to exercise a shareholder's voting right at the Annual General Meeting should reach the Company before the notification period expires.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 and an extra dividend of EUR 0.45 per share to be paid on the 2004 financial period. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Finnish Central Securities Depository Ltd on the record date, which is 24 March 2005. The dividend payment date proposed by the Board is 4 April 2005.

Financial information 2005

Annual Report 2004

This Annual Report is also available in Finnish and Swedish and may be downloaded at Wärtsilä's internet site, www.wartsila.com.

Wärtsilä will publish its comparable IFRS figures for the financial year 2004 on Friday 18 March 2005.

Interim reports 2005

January–March on Wednesday 4 May 2005
January–June on Friday 5 August 2005
January–September on Friday 28 October 2005.

These Interim Reports are published in English, Finnish and Swedish on Wärtsilä's internet site.

Stock exchange releases

Wärtsilä's Stock Exchange releases are available in English, Finnish and Swedish on Wärtsilä's internet site.

Information material orders

Wärtsilä's Annual and Interim Reports, brochures and releases are available at the Communications Department either by telephone +358 10 709 0000, fax +358 10 709 5219, e-mail: corpcom@wartsila.com or they can be ordered via internet www.wartsila.com.

2004 in brief



Highlights

- Wärtsilä's order book and order intake at record levels
- Restructuring of engine manufacturing completed
- Engine manufacturing in Turku ceased at end of 2004
- Manufacture of high-speed engines discontinued, which means closure of Mulhouse factory
- Launch of new Wärtsilä 46F engine

Key figures

- Net sales EUR 2,478.2 million (2,357.5)
- Operating income EUR 239.8 million (-18.4)
- Operational EBIT EUR 132.0 million (100.0)
- Result before taxes EUR 236.5 million (-34.4)
- Balance sheet total EUR 2,326.7 million (2,382.9)
- Gearing 0.18 (0.48)
- Personnel at the end of period 12 475 (12 110)

Holdings

- Assa Abloy 4.7% (7.6)
- Wärtsilä Real Estate 100%

Market value of Wärtsilä holdings at 31 December 2004:

- Assa Abloy EUR 217.3 million, book value EUR 41.8 million
- Wärtsilä Real Estate, book value EUR 14.2 million.



Ship Power

- Record year for shipbuilding industry
- Strong growth in LNG market. Break-through for Wärtsilä in this new market. Number of orders demonstrates success of Wärtsilä's dualfuel technology
- Passenger ship and RoPax markets, important for Wärtsilä, showed signs of recovery at end of year
- Propeller manufacture started in China, progress excellent



Power Plants

- Order intake higher than at any time earlier
- Power plants to Iraq, EUR 360 million, largest in Wärtsilä's history
- Order intake of gas power plants tripled compared to 2003
- Flexibility to adjust costs was further increased. Outsourcing of power plant engineering started in 2003 was completed



Service

- Sales of spareparts and service for 2-stroke engines increased
- Engine reconditioning forms a major part of this business
- Important milestones reached in operations and maintenance (O&M) agreements
- Ciserv group expanded with addition of three companies
- Long-term maritime training agreements concluded
- CBM (condition-based maintenance) and online service developed well



Imatra Steel

- Demand for both forgings and steels rose strongly in European special steels market
- Imatra Steel's investments targeted primarily at improving delivery reliability and service capabilities
- Significant maintenance investment carried out at Kilsta Forge
- Streamlining programmes were continued in several production units to enhance flexibility

Main events in 2004

14 January
Wärtsilä announced that engine production in the Turku factory will be discontinued. Manufacturing moved to Trieste, Italy.

5 May
Lars Hellberg BSc (Eng.) appointed new Group Vice President and Head of Engine division.

19 May
Co-operation agreement with maritime training academy AB Utbildning Sydväst Maritime in Turku, Finland.

3 June
Wärtsilä's Chinese propeller company started production.

14 June
Group Vice President, CTO Matti Kleimola elected President of CIMAC.

Group net sales by businesses



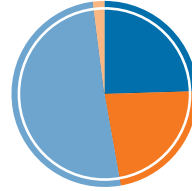
- Ship Power 26% (29)
- Service 38% (38)
- Power Plants 26% (24)
- Imatra Steel 10% (9)

Group net sales by market area



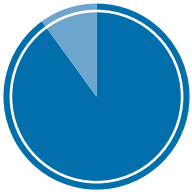
- Europe 46% (50)
- Asia 32% (27)
- The Americas 15% (16)
- Africa 6% (6)
- Other countries 1% (1)

Megawatts delivered



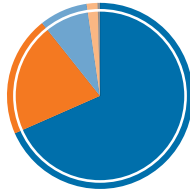
- Ship Power 1,474 (1,665)
- Power Plants 1,363 (1,160)
- Licence-built 3,053 (1,913)
- BioPower, thermal energy 121 (110)

Personnel by business



- Power Businesses 90% (89)
- Imatra Steel 10% (10)

Personnel by market area



- Europe 68% (72)
- Asia 21% (17)
- The Americas 8% (8)
- Africa 2% (2)
- Other countries 1% (1)

Breakdown of capitalization



- Total shareholders equity MEUR 853.0 (804.6)
- Total liabilities 1,275.6 MEUR (1,337.1)

23 June
Wärtsilä signed global IT service agreements with Accenture and HP.

29 September
Wärtsilä launched a new engine, the Wärtsilä 46F, at the SMM marine fair in Hamburg.

30 September
Auxpac generating sets enter the market. These take care of electricity supply on a vessel.

1 December
Wärtsilä extraordinary shareholders' meeting approved extra dividend and bonus issue.

14 December
Mr Raimo Lind and Mr Mikael Mäkinen appointed Executive Vice Presidents of Wärtsilä from 1 January 2005. Mr Lind also acts as deputy to the President and CEO.

Wärtsilä as an investment

Wärtsilä and the capital markets

Wärtsilä was first listed on the Helsinki Stock Exchange in 1927. Today, the Wärtsilä Corporation shares are traded on the main list of the Helsinki Exchanges. The trading codes of the shares are WRTAV for the Series A share and WRTBV for the B share. Wärtsilä's shares are also traded on the SEAQ International (Stock Exchange Automatic Quotation) system in London.

The company has two share series. The A shares carry ten (10) votes per share and the B shares one (1) vote per share at general meetings. The nominal value of the share is EUR 3.50. All the shares carry equal dividend rights.

The company's paid up and registered share capital totals almost EUR 324 million. The market capitalization of the share capital at the end of 2004 was EUR 1,441 million.

The company has approximately 25,000 shareholders. Roughly 85% of the total number of shares are held by Finnish nationals. Private domestic investors hold some 26% of the shares.

In its relations with the capital markets Wärtsilä seeks to strengthen awareness about itself as an investment prospect, to increase interest in the company among existing and potential investors, and to generate added value for its shareholders.

Financial targets

Wärtsilä's financial goal is to offer investors a competitive return on their investment through profitable growth.

The Group's average annual net sales growth target is 6–7%. The growth target for the Ship Power and Power Plants businesses is 4% and for the Service business 10–15%. The profit margin target for the Power Businesses is 7–8% and this will be reached by the end of 2005. According to the IFRS reporting standards this target corresponds to a target (EBITA) which is above 8%.

The solvency ratio target is 40%.

Dividend policy

Wärtsilä's target is to pay a dividend equivalent to 50% of operational earnings per share. By operational earnings the company means operating income per share less non-recurring items.

The Board of Directors will propose a dividend of EUR 0.45 per share and an extra dividend of 0.45 per share on the financial result in 2004 to the Annual General Meeting on 21 March 2005.

Adoption of IFRS reporting standards

Wärtsilä publishes the comparable figures for 2004 in accordance with the International Financial

Reporting Standards (IFRS) on Friday 18 March 2005. This information is provided on the company's website.

Performance and order books

Wärtsilä's financial performance is affected by global economic conditions, the price of the US dollar against other currencies, and raw materials prices. A major factor affecting the company's product development and business operations are changes to environmental legislation. The company's business is cyclical in nature, which is reflected in fluctuations in Wärtsilä's order book and profit development.

The main indicators of Wärtsilä's business performance are its net sales, order book and order intake, and indicators specific to the Service business (active engine base, increase in operation and maintenance agreements). The order book refers to binding orders for products and services not yet delivered. The order intake means the volume of orders booked in a given period. Both order book and order intake are described in millions of euros and their progress is compared with figures for the same period in the previous year. Further information is given by expressing the order intake in terms of aggregate power output (megawatts, MW).

Main releases in 2004

25 February

Wärtsilä sold EUR 10.5 million A shares in Assa Abloy – EUR 108 million capital gain.

15 March

Wärtsilä to repay 1994 convertible subordinated debentures.

17 March

Wärtsilä signs contracts to supply power plants worth USD 450 million to Iraq.

5 April

First Wärtsilä Sulzer RT-flex50 engines ordered by Greek shipowner.

6 April

Orders for Sulzer RT-flex engines reached 100 after launch in 2000.

14 April

Wärtsilä supplies power systems for Australian FPSO and a biofuelled CHP plant for Swedish utility.

26 April

Wärtsilä to supply engines for Swedish tanker built in China and power for two Saudi cement plants.

3 June

Wärtsilä acquires two Dutch marine electrical repair companies for its Ciserv group.

8 June

Wärtsilä power for Ultra Voyager cruise ship built in Finland.

Key Ratios

EUR million	2002	2003	2004	1-3/2004	4-6/2004	7-9/2004	10-12/2004
Net sales	2,519.0	2,357.5	2,478.2	521.7	581.3	559.0	816.2
Ship Power	772.9	686.1	631.2	119.0	179.1	131.0	202.1
Service	843.4	885.5	936.8	223.2	232.0	228.3	253.3
Power Plants	666.0	577.5	651.9	120.5	104.5	144.0	283.0
Imatra Steel	200.4	202.7	254.4	58.7	64.5	54.2	77.1
Operational EBIT	77.8	100.0	132.0	-6.3	27.2	33.4	77.7
Power Businesses	74.6	95.0	111.6	-9.2	21.5	30.9	68.4
Imatra Steel	3.2	5.1	20.4	2.9	5.6	2.5	9.4
Depreciation and write-downs ¹	-105.4	-101.0	-100.0	-23.1	-24.3	-24.3	-28.3
Power Businesses	-93.4	-88.7	-87.6	-	-	-	-
Imatra Steel	-11.9	-12.3	-12.4	-	-	-	-
Operating income	188.9	-18.4 ⁵	239.8	101.5	27.2	33.4	77.7
Power Businesses	74.6	-35.0	111.6	-9.2	21.5	30.9	68.4
Imatra Steel	3.2	0.7	20.4	2.9	5.6	2.5	9.4
Capital gains	111.1 ³	15.9 ⁴	107.7	107.7 ³	-	-	-
Profit before taxes	170.4	-34.4	236.5	97.4	32.2	31.7	75.2
Earnings per share, EUR	1.37	-0.44	1.75	0.79	0.24	0.19	0.53
Balance sheet total	2,685.0	2,382.9	2,326.7	2,317.3	2,362.2	2,325.4	2,326.7
Interest-bearing liabilities, gross	624.3	496.8	319.5	410.9	431.6	339.5	319.5
Convertible subordinated debentures	27.9	27.5	0.0	26.4	0.0	0.0	0.0
Cash and bank balances	185.8	150.0	168.5	149.2	150.7	144.0	168.5
Operating income, %	7.5	-0.8	9.7	19.5	4.7	6.0	9.5
Operational EBIT, %	3.1	4.2	5.3	-1.2	4.7	6.0	9.5
Power Businesses ²	3.2	4.4	5.0	-2.0	4.2	6.1	9.3
Imatra Steel ²	1.6	2.5	8.0	4.9	8.7	4.6	12.1
ROI, %	14.9	0.1	20.1	-	-	-	-
Power Businesses ²	7.7	8.4	10.9	-	-	-	-
Imatra Steel ²	2.9	4.0	16.8	-	-	-	-
Megawatts delivered, Power Businesses	6,354	4,847	6,011	1,039	1,446	1,317	2,210
Order book, end of period, Power Businesses	1,206.6	1,245.0	1,855.3	1,656.2	1,779.2	1,870.3	1,855.3
Order intake, Power Businesses	1,882.8	2,148.7	2,791.4	888.7	558.3	598.4	716
Long-term service agreements, MW	9,756	9,629	9,609	9,680	9,668	9,611	9,609
Operation and maintenance agreements, MW	2,056	2,289	2,569	2,318	2,572	2,596	2,569
Year-end market capitalization	727	907	1,440.5	1,091.4	1,129.0	1,168.4	1,440.5

¹ 2004 and 2003 does not include write-downs included in restructuring. ² Excluding non-recurring costs. ³ Assa Abloy ⁴ Polar ⁵ Incl. restructuring provision of EUR 130 million.

Major shareholders

	Number of shares x 1,000			
	Series A	Series B	% of votes	% of shares
1 Fiskars Corporation	7,392	11,619	28.07	20.54
2 Sampo Life Insurance Company Ltd.	2,584	0	8.48	2.79
3 Varma Mutual Pension Insurance Company	1,395	1,188	4.97	2.79
4 Svenska litteratursällskapet i Finland r.f.	1,449	22	4.76	1.59
5 Brita Maria Renlund Foundation	394	450	1.44	0.91
6 Sigrid Juselius Foundation	387	173	1.33	0.61
7 The Signe & Ane Gyllenberg Foundation	360	75	1.21	0.47
8 The Social Insurance Institution of Finland	284	652	1.15	1.01
9 Technology Industries of Finland	324	262	1.14	0.62
10 Pension Fund Polaris	236	343	0.89	0.63
10 largest total	14,805	14,784	53.44	31.96

28 June
Wärtsilä signs major operation & maintenance agreements.

31 August
Wärtsilä sells high-speed 200/220 engine product rights to US company Dresser Inc.

23-24 September
Two CPH plants for district heating in Hungary and first Wärtsilä 50DF power plant to Turkey.

28 September
Wärtsilä ship power systems for four Sto-Ro vessels.

6 October
Two power plant orders in Mexico.

24 November
Wärtsilä to supply 16 engines for four LNG carriers.

30 November
Wärtsilä to supply 116 MW gas power plant in USA.

13 December
Five-year service agreement for three offshore vessels.

14 December
Further success for Wärtsilä dual-fuel engines in growing LNG carrier market.

14 December
First O&M contract for coal power plant.

Trading in shares lively

Trading in Wärttilä Corporation shares was lively during 2004 and the pace of trading grew towards the end of the year. The total turnover increased from EUR 297 million at the end of 2003 to EUR 902 million.

During 2004 Wärttilä's share prices were well above the average for metal and engineering companies on the Helsinki Exchanges. The metal and engineering index was 3,643 points at its lowest on 2 January and 4,819 points at its highest on 30 November.

An extraordinary shareholders' meeting held in December decided to raise the company's share capital from EUR 215,951,442 to EUR 323,927,159.50 through a bonus issue in which one new A share and one new B share will be issued for two existing A shares and two exist-

ing B shares respectively. The new shares have a nominal value of EUR 3.50 per share regardless of series.

More than 47 million Wärttilä shares changed hands during the year, which represented roughly 52% of the shares and 22% of the votes. The adjusted price of the B share rose from EUR 10.41 at the start of the year to EUR 15.68 at the end of the year. The trading volume during 2004 was approx. 45.5 million B shares, or 66% of the total number of B shares. Some 2.2 million A shares were traded during the year, representing approx. 9.2% of the total number of A shares. About 7.9% of the total, were traded on the SEAQ system in London during 2004.

An important change in ownership structure was the increase in foreign ownership from 8% to 16%.

Wärttilä and responsible investment

Wärttilä is listed on the Kempen/SNS Smaller SRI Europe index which consists only of those companies whose activities meet the index's criteria for ethical behaviour, personnel management and environmental protection.

A separate Sustainability Report is a part of the Annual Report.

Meeting investors during 2004

During 2004 Wärttilä published a financial statements bulletin on its result for 2003, an Annual Report and three interim reports. In each case the company also held a conference for domestic investors, analysts and the financial media as well as a teleconference for international institutional investors and analysts.

During the year the company met around 100 institutional inves-

Key figures for Wärttilä shares

		2004	2003	2002	2001	2000
Earnings per share (EPS)	EUR	1.75	-0.44	1.37	3.69	2.80
Book value of equity/share	EUR	9.22	8.69	10.37	11.70	9.73
Dividend /share	EUR	0.90 ¹	1.17	1.17	2.67	1.77
Dividend/earnings	%	51.4 ¹	n/a	85.4	72.3	63.1
Dividend yield	%					
Series A		5.91 ¹	4.92	13.69	19.42	13.61
Series B		5.74 ¹	4.93	14.56	19.23	13.55
Price/earnings (P/E)						
Series A		8.7	n/a	6.2	3.7	4.6
Series B		9.0	n/a	5.9	3.8	4.7
Price to book value (P/BV)						
Series A		1.7	1.2	0.8	1.2	1.3
Series B		1.7	1.2	0.8	1.2	1.3
Series A quotations						
Average	EUR	13.03	8.37	12.95	13.96	13.43
High	EUR	17.32	10.87	15.67	17.00	16.67
Low	EUR	10.17	6.67	7.21	12.02	10.87
Share price at the year end	EUR	15.24	10.17	8.52	13.73	13.00
Series B quotations						
Average	EUR	13.60	7.89	12.43	14.61	13.34
High	EUR	17.48	10.63	15.67	17.33	16.20
Low	EUR	9.97	6.13	6.97	12.17	11.33
Share price at the year end	EUR	15.68	10.13	8.01	13.87	13.13
Traded shares	1,000	47,707	37,509	38,695	29,721	26,992
Series A		2,180	2,508	1,890	2,853	2,038
Series B		45,527	35,001	36,805	26,868	24,954
Turnover of shares total	%	51.5	41.9	43.4	35.4	33.2
Adjusted number of shares	1,000					
end of financial year		91,341	89,475	89,204	89,181	81,304
on average		92,551	89,341	89,181	84,146	81,300

¹ Proposal of the Board of Directors

tors not only in Finland but in the main financial centres of Europe and the USA, where meetings were held to coincide with the publication of each financial report. In November the company was present at the Sijoitus / Invest Fair in Helsinki and met Finnish investors at local evening events around the country including Oulu and Jyväskylä, Tampere and Lahti. Wärtsilä published its first investor magazine in the autumn in three languages.

Communications policy and investor relations

Wärtsilä discloses information on its goals, financial position and business operations in an open, timely, truthful and systematic manner to enable stakeholders to form a true and fair view of the company. Wärtsilä's communications activities comprise internal and external corporate communications and investor relations.

Wärtsilä publishes stock exchange releases and stock exchange announcements, general press releases and trade press releases. Wärtsilä's subsidiaries publish press releases with local relevance as required. All releases are published in Finnish, Swedish and English except those to the trade press, which are produced only in English. The stock exchange releases and press releases are available on the internet immediately after they are published.

In conjunction with the publication of its annual and interim results Wärtsilä holds conferences for investors, analysts and the media. The company's top management regularly meets analysts and investors.

The company maintains comprehensive investor relations pages at its website, www.wartsila.com. These are published with identical content in Finnish, Swedish and English. The pages contain up-to-date information of topical interest on Wärtsilä's investor relations activities in the form of releases, videos and slide presentations, as well as a list of the analysts that monitor Wärtsilä. The pages also provide abundant information on the company's shares and shareholders, including the share price in real time, and the company's communications policy.

Wärtsilä corporate communications and media relations are the responsibility of Ms Eeva Kainulainen. Relations with the company's investors and analysts are handled by Ms Sophie Jolly.

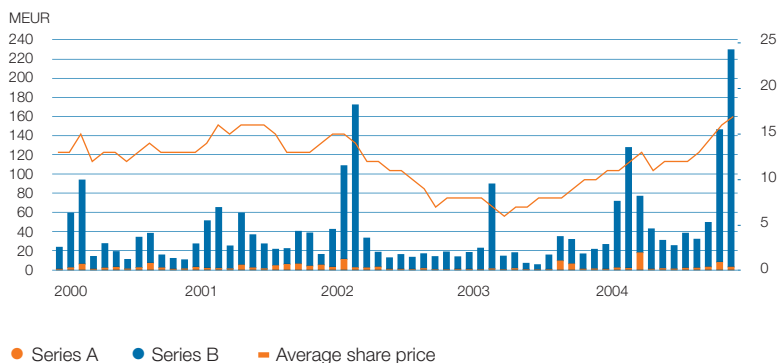
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Traded shares/month



Ownership structure according to shares 31 Dec. 2004



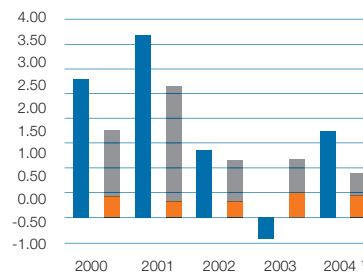
- Private corporations 25.0% (28.3)
- Banks and insurance companies 7.5% (8.3)
- Public sector entities 9.1% (9.4)
- Non-profit organizations 15.8% (15.7)
- Households 26.8% (29.9)
- Outside Finland or nominee-registered 15.7% (8.4)

Ownership structure according to votes 31 Dec. 2004



- Private corporations 31.3% (34.0)
- Banks and insurance companies 11.3% (10.8)
- Public sector entities 8.5% (8.6)
- Non-profit organizations 21.3% (20.3)
- Households 22.3% (23)
- Outside Finland or nominee-registered 5.4% (3.3)

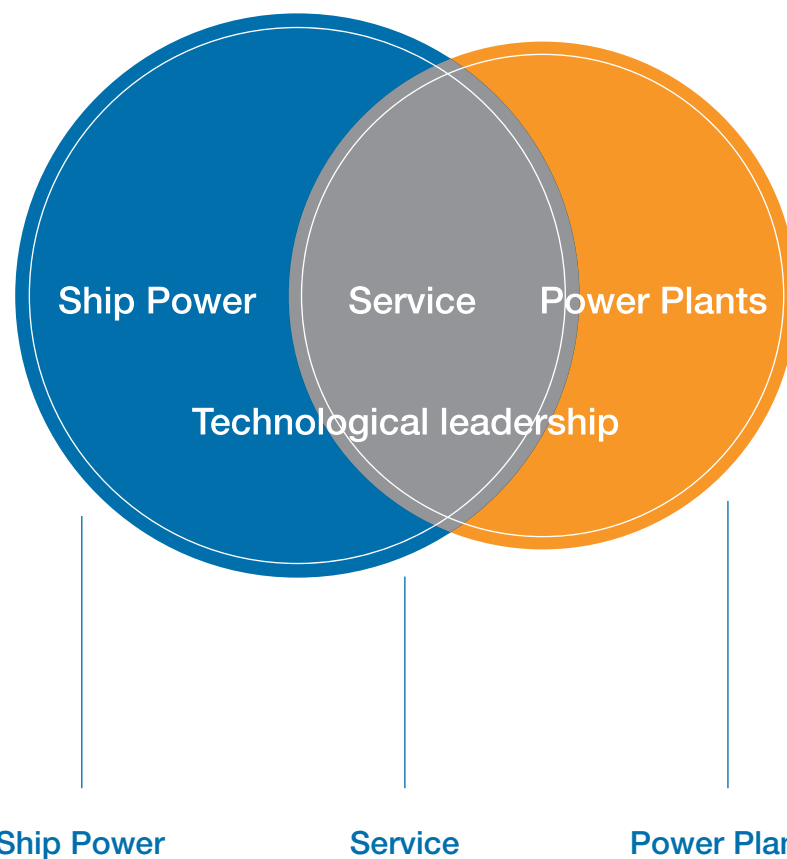
Earnings per share, Dividend per share



- Earnings per share
- Dividend
- Extra Dividend

¹ Proposal by the Board of Directors

Wärtsilä's strategy



Ship Power

The leading global ship power and service provider.

Service

Interlinks these two businesses. Service supports Wärtsilä customers throughout the lifecycle of their installation.

Power Plants

A significant supplier of decentralized power plant solutions and operation and maintenance services.

Wärtsilä is The Ship Power Supplier for builders, owners and operators of vessels and offshore installations. Our own global service network takes complete care of customers' ship machinery at every lifecycle stage. Wärtsilä is a leading provider of power plants, operation and lifetime care services in decentralized power generation.

Mission

We supply solutions that meet the need of our sea transportation and decentralized power generation customers worldwide to convert fuels into power efficiently, reliably and with the lowest possible environmental impact.

Vision

We are the global leader in the ship power market and a leader in the decentralized power generation market.

We will continuously strengthen and develop the leading position we hold in our chosen markets by reliably and professionally providing the equipment, solutions and service that our customers demand to compete successfully in their markets.

The value we create for our customers over the lifecycle of our products will build long-lasting and renewed business relationships.
Our operations and products meet strict environmental regulations.

Values

Energy – Capture opportunities and make things happen
Excellence – Do things better than anyone else in our industry
Excitement – Foster openness, respect and trust to create excitement

Strategy

Ship Power and Service – growth through increased product range and acquisitions

Wärtsilä supplies ship machinery, propulsion and sealing solutions for builders, owners and operators of all types of marine vessels and offshore applications. Wärtsilä will seek its future growth in the ship power and service businesses by broadening its product range and through acquisitions. As global competition increases Wärtsilä focuses on its core competences – leadership in the product technologies and a broad competitive service offering worldwide.

Wärtsilä will be strongly present in the markets that provide the best opportunities to grow. Currently, Asia is a crucial focus area where Wärtsilä will strengthen its position. Wärtsilä is continuously evaluating growth opportunities, including partnerships and acquisitions.

Wärtsilä has its own worldwide service network in 60 countries. Wärtsilä takes complete care of customers' ship machinery and related equipment at every lifecycle stage. Wärtsilä will expand this business by providing innovative, reliable and valuable service, such as non-OEM service in key ports, scheduled and condition-based maintenance, as well as operations and maintenance contracts. The Ciserv group offers a wide range of maintenance and reconditioning services for vessels in a growing number of key ports worldwide.

Power Plants – focus on the growing decentralized power generation market

In its power plant business Wärtsilä is focusing on the decentralized energy generation markets. Wärtsilä's target is to strengthen its global position in this market. Wärtsilä sup-

plies power plants, and operation and maintenance services to electricity utilities, industry, local authorities, and other electricity and heat producers. Wärtsilä provides power generation solutions based on oil, gas and dual-fuel reciprocating engines, and on biomass-fuelled plants. Gas power plants represent a growth area. Wärtsilä will also continue to expand its already extensive Service business that consists of spare parts, field service, and maintenance and operations agreements. Wärtsilä's competitive advantage is the high efficiency of its power plants coupled with operational flexibility.

Technological leadership

Wärtsilä's target is to be the leader in engine technology in the areas of environmental technologies, reliability, operating economy and automation.

Wärtsilä develops, designs and manufactures competitive engine and propulsion products. Wärtsilä will maintain an effective and flexible manufacturing structure, designed to cope with the variable market demand.

In engine technology and manufacturing Wärtsilä focuses on medium-speed engines, primarily designed to run on HFO or gas. Low-speed engines are designed and developed by Wärtsilä and manufactured by licensees, with whom Wärtsilä works in a mutually beneficial partnership business model. Looking to the future the engine portfolio will consist of engines of Wärtsilä design as well as engines sourced from partners.

In its R&D, Wärtsilä strives to improve both efficiency and environmentally sound performance. Partnering with research institutes and other companies will effectively bring together the required spe-

cial competences. In addition to engine and propulsion equipment design, the emphasis will be shifted towards total system design, integration and automation.

The shift in marine market demand towards Asia has made it necessary to realign the manufacturing and component sourcing activity. Accordingly, Wärtsilä has started production of propellers in China.

Financial targets

Wärtsilä's target is to improve its financial performance and create added value for its stakeholders and society. Wärtsilä's financial goal is to offer investors a competitive return on their investment through profitable growth.

The average growth target for corporate annual sales is 6 – 7%. The growth target of the Ship Power and Power Plants businesses is 4% and for the Service business 10 – 15%. The operating profit target of the Wärtsilä Power Businesses is 7 – 8% of net sales, which will be reached by the end of 2005. According to the new IFRS reporting standards this target (EBITA) corresponds to a level which is above 8%.

The balance sheet shall in a capital-efficient way provide the means to execute Wärtsilä's strategy and maintain investment-grade status over the business cycle. To this end, the solvency ratio target is 40%.

Strong financial performance forms a basis for corporate environmental and social responsibility and for contribution to prosperity in the local communities in which Wärtsilä operates.

Environmental targets – systems and service with low emissions and high efficiency

Wärtsilä's target is to develop and produce environmentally advanced solutions and services for its cus-

tomers that fulfill all their vital requirements. We require world-class environmental performance from our solutions and services. We put high priority on developing systems and services that have low environmental impact and high efficiency.

Wärtsilä's principle is to apply certified Environmental Management Systems based on ISO 14001 in all Group companies.

Social targets – good corporate citizenship

Wärtsilä's intention is to act as a good corporate citizen wherever the company is active. This is accomplished through open communication and good relationships with its local stakeholders. The Wärtsilä code of conduct was confirmed in 2004 and it will be the main princi-

ple in conducting the business and relations with our stakeholders. See Code of Conduct at www.wartsila.com.

Wärtsilä strives to offer its employees an interesting and exciting workplace where openness, respect, trust and equal opportunities prevail. The company wants to create a learning framework that enables its employees to continuously develop their skills and competences both on the job and through separate in-house and external training programmes.

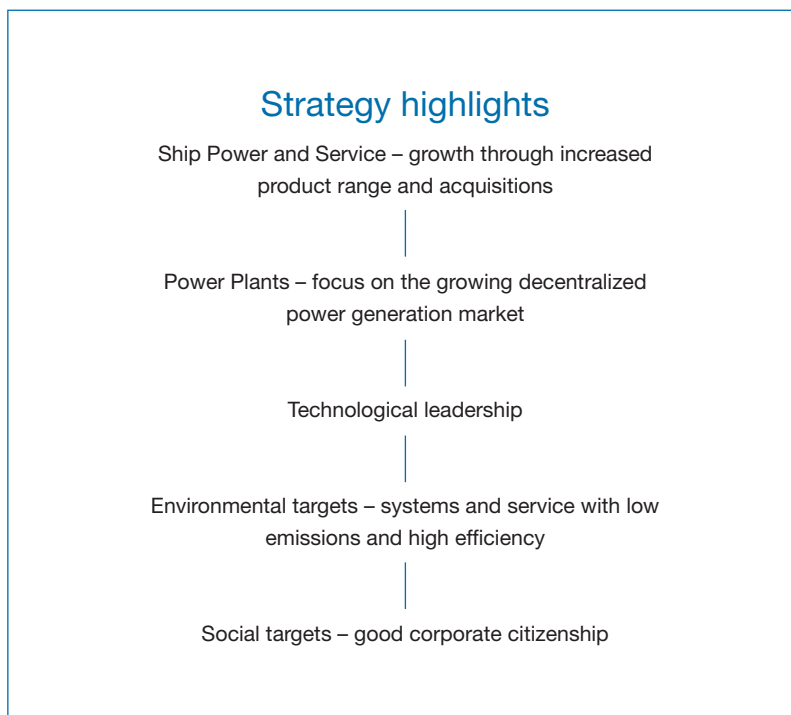
The company also endeavours to offer hazard-free workplaces to its employees, contractors and others working in different parts of the corporation by applying high standards of occupational health and safety. The Group applies on-

ly such product development and manufacturing processes and quality assurance methods that minimize health and safety risks related to the use of its products and services.

Suppliers are an important part of the total supply chain of the Group. Therefore Wärtsilä gives considerable attention to the long-term development of common processes with its suppliers. This includes common design activities, joint development of manufacturing processes and efficient information exchange guided by long-term agreements.

Dividend policy

Wärtsilä's target is to pay a dividend equivalent to 50% of operational earnings per share.



CEO's review



Dear Shareholders

For Wärtsilä 2004 will go down in history as a year of intense activity and change. We have continued to refine our position as the leading global ship power supplier. We have further developed our competitiveness as a supplier of decentralized power plant solutions on land. The business of total lifecycle support to our customers, marine and land-based, has grown to be an even larger part of our offering.

In order to develop the competitiveness of our core sectors significant restructuring measures have been required. Last year marked the end of engine building at our Turku factory in Finland and own production at our Mulhouse factory in France. Reducing our own fixed capacity will decrease our dependence on volume and improve our overall long-term profitability.

The measures undertaken in recent years to improve profitability have not been in vain. With net sales only marginally higher the profitability of our Power Businesses nonetheless improved

clearly. The cash flow was particularly strong. Our order intake increased by 30 percent and our order book now stands at an all-time high. We are well set for reaching our long-term profitability targets by the end of 2005. Also Imatra Steel's profitability improved significantly.

Shipping activity high

The year 2004 was the second in a row of record ship order activity. The world's shipbuilding industry booked orders for 2,012 new vessels (1,801) representing 102 (108) million dwt.

Demand in most areas of international shipping was good. This particularly applies to big container and bulk carriers as well as tankers and LNG vessels. As expected the order activity improved also for feeder containers, ferries, RoPax vessels and cruise ships. Even though the bulk of the world's shipbuilding resides in Asia the improved demand in the latter shipping sectors has also brought orders to European shipyards.

Good demand in the shipbuilding sector also resulted in a surge of new orders for engines and other propulsion machinery. The total market for low-speed main engines in 2004 was 24,863 MW (28,727). Wärtsilä accounted for 18 percent (25) or 4,503 MW (5,868) of this market and the company's two largest competitors for 78 percent and 4 percent respectively.

The total market for medium-speed main engines grew to 3,990 MW (3,462). Wärtsilä's share of this market was 34 percent (28) or 1,360 MW (1,018), making it the market leader. The company's two main competitors in this market accounted for 26 percent and 25 percent. In auxiliary engines Wärtsilä's share of total output showed a slight increase in 2004 to 9 percent (8) or 319 MW (346). This segment is divided among a large number of manufacturers.

With the environmental aspects in shipping assuming ever growing importance, our common rail solutions in main and auxiliary engines have strengthened their market position.

A total of 43 four-stroke common rail engines and 132 RT-flex low-speed engines are delivered or on order.

Environment and total economy also support the breakthrough of Wärtsilä engine technology in the LNG carrier market. Five LNG carriers are currently on order in France and Korea for the first time featuring Wärtsilä dual-fuel engine technology. The prospects for growth in the LNG sector remain good and these first orders are therefore of considerable importance to us.

As the leading global ship power supplier Wärtsilä has an ambition to be present with its engine and propulsion solutions on all continents and in all the main areas of shipping. For the low-speed main engines this is achieved in close co-operation with our licensees who build these products mainly in Korea, Japan and China. For medium-speed main and auxiliary engines our emphasis is on improving the competitiveness of our own production in close co-operation with suppliers and manufacturing partners worldwide.

Propulsion equipment production is gradually strengthening its position in Asia. In the summer of 2004 propeller production started in a joint venture company in China where Wärtsilä has a majority holding. During the spring of 2005 construction will start on a wholly owned plant for producing tunnel thrusters in Wuxi in China. Wärtsilä India will start producing small gearboxes for the global markets at its plant in Khopoli.

Wärtsilä is serving more than 80 of the world's navies. Last year the US navy placed an order for 12 steerable LIPS water jets of a new type from Wärtsilä Propulsion. Completion of the programme would result in an additional 174 units. These jets will be manufactured in the new dedicated facility in Norfolk, Virginia, USA.

Good demand for power plants

The general economic upswing in many parts of the world is boosting the demand for electric power. Investment, very low after a period of high demand in the late 1990s, has again recovered.

The power plant demand which started to improve during the autumn of 2003 held strong throughout the year.

The Diesel and Gas Turbine magazine's survey of power generation orders for the period June 2003 – May 2004 indicated that orders in the unit size 1 – 60 MW had increased to 19,500 (17,100). Wärtsilä's market share in the heavy fuel category had grown to 70.8 percent (39.4) and in the corresponding gas sector (gas turbines and engines) to 4.8 percent (3.3).

We received our biggest power plant order ever in March when the Energy Ministry of Iraq placed an order for two power plants with an aggregate capacity of 2 x 340 MW. The total order value was EUR 360 million. The war in Iraq naturally makes this delivery particularly challenging. We believe, however, that through good co-operation with the customer and a number of international partners it can be fulfilled.

Other significant power plant orders include a 116 MW gas plant to Barrick Goldmine in Nevada, USA and the first order for W50DF dual-fuel engines to Turkey.

Lifetime support is our key offering

Our Service business plays a key role in our offering. The role of Wärtsilä is to support its customers throughout the lifetime of the equipment with adequate service, maintenance, upgrading, end-user training and operation services. This segment of our business grew by 5.8 percent in 2004. The share of total Group sales was 38 percent (38).

Contributing to this growth were the good demand in shipping and an increased utilization rate of power plants in most parts of the world. Furthermore the increase in non-Wärtsilä engine related sales through our multi-skilled Ciserv group is supporting the growth.

In line with our efforts to broaden our services to the shipping community we acquired the marine service activity of Deutz AG in January 2005. This acquisition increases our proprietary installed engine base by 9 percent.

Increased flexibility in production improves results

In an industry such as big engine production where market demand fluctuates heavily and new competition is

emerging, particularly in East Asia, the flexibility of our own resources is imperative. Reducing our own fixed capacity costs has been the leading theme for several years. We have systematically closed down own production and transferred a growing part of this activity to subcontractors. At the same time it has allowed us to concentrate volumes at the remaining plants in Trieste and Vaasa. These measures have naturally been difficult particularly for the personnel involved. The performance of the entire Group was influenced by the announcement of the closure of the Turku plant in January 2004.

The positive financial results of these measures affected the 2004 results and the main impact is expected from 2005 onwards.

Imatra Steel improved profitability

The European special engineering steel market developed favourably during the whole year. This concerns both long steel products and forged components. Imatra Steel increased its deliveries to all customer segments.

The good demand and improved pricing environment contributed to a good result. Other contributors were the investments and the streamlining measures undertaken over the years. The broadening of employee skills and the increased flexibility supports Imatra Steel's ability to respond to the swift fluctuations in demand.

The outlook for the near future looks promising in both the special steels and automotive businesses.

Sustainable technology is imperative

Leadership in our main markets calls for technical leadership. Wärtsilä continues to invest in research and development within its core product groups: low- and medium-speed engines, propulsion equipment, seals and bearings. The solution development within Ship Power and Power Plants has a key role in determining the total efficiency of our delivery. Power Businesses' R&D spending in 2004 was 57.7 million euros (68.4), or 2.6 percent (3.2) of net sales. The decline compared to the previous year reflects the streamlining of our product portfolio.

The leading theme for all our development work is the efficiency and sustainability of our products and processes. Wärtsilä has long been a leader

in providing engine solutions with the highest efficiency and lowest level of harmful emissions. We intend to maintain that lead. We are furthermore investing in future technologies in a fuel cell programme in partnership with Finnish and international collaborators. The sustainability of our processes is monitored and systematically reported. Our Sustainability Report prepared in accordance with the 2002 GRI Guidelines is part of our annual reporting.

Long-term profitability target within reach

In the summer of 2003 Wärtsilä set as the long-term financial target for its Power Businesses an operating margin of 7 – 8 percent. We also indicated that it should be reached by the end of 2005. Wärtsilä will apply the international (IFRS) reporting standard from the beginning of 2005. In this standard the corresponding EBITA margin target is over 8 percent.

Profitability will fluctuate between the quarters also in 2005 with the first one being the weakest. Towards the end of the year, and in accordance with our initial plan, we will have reached a structure where the EBITA run rate meets our targets. Based on a strong order book we expect sales growth in 2005 to be 10 – 15 percent in the Power Businesses.

Demand in the special steel and automotive businesses will continue strong in 2005. Imatra Steel will have higher sales and its profitability will improve over the previous year.

I would like to conclude this time by extending my thanks first and foremost to our personnel who have worked diligently throughout this year of change in order to retain the confidence of our customers. My thanks are also due to our customers for their supportive approach. And last but not least my thanks go to our shareholders for their confidence.

February 2005



Ole Johansson



General manager Mervin Ong has a long career in Wärtsilä. He joined Wärtsilä Singapore 23 years ago. For the last five years he has been responsible for Ship Power sales in South East Asia.

Optimizing the customer's business

Wärtsilä offers tailored, reliable and cost-effective ship machinery, propulsion and manoeuvring solutions, coupled with a worldwide network of service companies that provide extensive support throughout the lifecycle of the vessel. This enables Wärtsilä to contribute to optimizing its customer's business performance and profitability, while ensuring that not only the system's functionality but also the environmental aspects are handled according to the customers' expectations.

The ship power market

The main market drivers for the ship power systems are the global demand for new vessels which are based on seaborne transportation, offshore oil exploration with its services and support, cruise and ferry demand as well as naval contracting. Demand is also affected by other factors such as shipyard capacity, ship prices, freight rates and environmental aspects.

Market conditions in these shipping segments are different and, also within an individual segment, can vary considerably.

Markets grow in Asia

The focus of the shipbuilding market has moved to the Asian countries in recent years. In 2004 roughly 2,000 ships above 400 GT were ordered in the world, 70% of these at Asian shipyards. These shipyards concentrate on standard ships such as containerships and wet and dry bulk carriers whereas European yards focus on cruise and passenger ships and smaller specialized vessels.

Shipbuilders and shipowners are Wärtsilä's customers

Wärtsilä Ship Power has two main customer groups: shipyards and shipowners. The interest of the shipyards is to build a vessel that meets the owner's requirements at the lowest cost, whereas shipowners are looking for the lowest operating costs over the lifetime of the vessel.

Shipyards look for turnkey deliveries to ensure competitiveness

In the highly competitive marine market, shipbuilders are searching for ways to become more competitive. They are increasingly trying to boost productivity partly through series building of vessels as well as making greater use of outsourcing, modular solutions and turnkey deliveries. An important reason behind this trend is the desire among shipbuilders to minimize risky interfaces between machinery from different suppliers, as ship machinery systems become increasingly complex.

Shipowners seek lifetime performance and cost reductions

At the same time, shipowners expect higher performance from the machinery and propulsion installations in their vessels while they seek to achieve further reductions in life-cycle costs.

Shipowners play an important role in the choice of ship machinery including propulsion equipment. Most commonly it is the yard that purchases the equipment, based on the owner's specification, and in this case the yard also has overall responsibility for the vessel's perform-

Did you know this?

A ship's entire machinery system forms a major capital investment. The related costs are up to 30% of the vessel price depending on the vessel type.

ance. The tendency in recent years for yards to influence the supplier list is growing but at the same time they are outsourcing more vessel performance responsibility, i.e. engineering and equipment, to the suppliers. Wärtsilä with its competences and products is in a good position to serve the market.

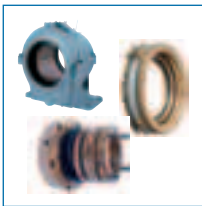
The engine suppliers today are concentrating their resources and skills on building an engine room system that includes main and auxiliary engines with ancillary fuel treatment and exhaust systems, in order to create the most economical power supply solution. The propulsion and manoeuvring system suppliers in turn are focusing their efforts on developing a system that provides optimum manoeuvrability and hydrodynamic efficiency.

One supplier – power elements that match

Relying on one single supplier gives shipbuilders important service benefits in system design, engineering and project management. Coordination work is reduced when one supplier is responsible for procurement, project management and installation supervision for the entire

Wärtsilä provides ship machinery, propulsion and manoeuvring solutions customized for all types of marine vessels and offshore applications. Wärtsilä is committed to providing full customer support throughout the entire process from design to construction and operation of a vessel.

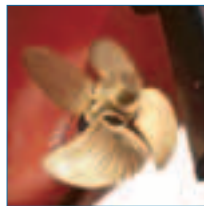
All shipboard shaft sealing requirements can be met with a full range of marine-engineered Deep Sea Seals and JMT face and lip-type sealing systems. JMT bearings support the propeller shaft line and control lateral vibration efficiently.



Lipstronic propulsion control systems are designed for monitoring and controlling all components in a modern propulsion system and always tailored to each individual ship.



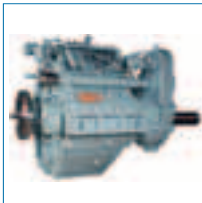
Lips controllable and fixed pitch propellers provide world-class performance in propulsion efficiency and reliability for all ship types.



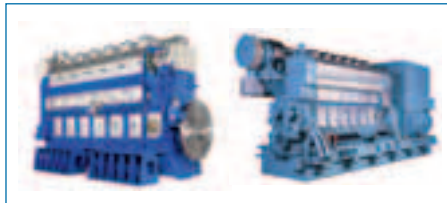
The Lips Efficiency Rudder is an integrated concept designed to optimize performance and reduce fuel consumption, vibration and noise level.



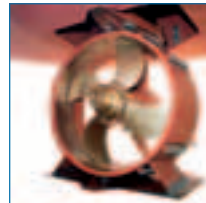
Lips waterjets are designed for high speeds, shallow water operations and excellent manoeuvrability.



Wärtsilä gears meet the highest standards to reduce the main engine revolutions to the optimum propeller speed.



Wärtsilä supplies medium-speed 4-stroke main and auxiliary engines from 0.5 to 23 MW and Sulzer RTA and RT-flex low-speed 2-stroke main engines from 7 to 80 MW. Wärtsilä gas and dual-fuel engines from 1.5 to 16 MW allow flexible choice of fuel. Wärtsilä generating sets range from 0.5 to 24 MW for ship service power generation and diesel electric propulsion.



Lips steerable thrusters with controllable pitch and fixed pitch propellers offer superior manoeuvrability.



Lips transverse thrusters up to 3.5 MW with a bevel-gear-driven propeller in a transverse tunnel provide optimal manoeuvring and economy of operation.

Market share sources

Since the beginning of 2005 Wärtsilä has assessed its market shares in marine engines on a monthly basis by monitoring shipyard orders for maritime vessels of over 100 gross tonnage. This information is gathered from a number of market sources including Lloyd's Register – Fairplay, Clarkson's Research Studies and BRL Shipping Consultants. The data is supplemented with information supplied by Wärtsilä's worldwide network of subsidiaries. This method ensures that the information is more up to date and can be analysed from several perspectives to support the needs of external and internal reporting and business planning. Wärtsilä reports its market shares externally every quarter.

Most commercial cruise vessels today are powered by Wärtsilä. Bon voyage.

system. The shipbuilder can be assured that all elements of the power system are well matched and interface problems are avoided.

Lifetime support from one supplier

For shipowners a single-supplier system gives benefits in terms of operation and maintenance on-board the ship, as well as the availability of extended lifecycle support for the entire system. It also enables a high degree of integration, which brings greater benefits in terms of fuel efficiency, reliability, environmental friendliness, operating flexibility, manoeuvrability, and lower noise and vibration levels than is usually achieved by considering individual items of machinery on their own.

This approach calls for the power and propulsion systems to be tailored exactly to the customers' requirements, a task Wärtsilä has a proven ability to perform.

Optimal ship machinery for all ships

Decades of intensive research, development and acquisitions together with close co-operation with customers have put Wärtsilä in a unique position to offer optimal ship machinery, propulsion and manoeuvring solutions for all types of ships and offshore applications. Wärtsilä solutions are tailored to all ship designs and operational requirements and their performance is further ensured by Wärtsilä's lifetime service support.

Wärtsilä has the flexibility to optimize its products to the business requirements of both yards and owners, and to install these in the ship at the most competitive cost. This flexibility is the result of a full product range coupled with close customer support that extends right through the process from first enquiry to design, delivery and operation.

Wärtsilä's ship power products cover low-speed diesel engines, medium-speed diesel, gas and dual-fuel engines and generating sets, reduction gears, and propulsion equip-



Did you know this?

Every third ship sailing the seas today has Wärtsilä equipment installed. This demonstrates our capability, commitment and the trust we enjoy among shipbuilders and shipowners around the world.

ment such as propellers, thrusters, rudders, waterjets and control systems. Wärtsilä is also the only company in the world able to supply a full range of seals for any marine application.



Installations and engines connected to a Wärtsilä remote monitoring centre and utilizing condition-based maintenance (CBM) services benefit from up to 15% extended maintenance intervals. Extended intervals directly increase the plant availability and productivity. Johan Pellas is responsible for the CBM solution and its further development.

We want to be the best service company in the world

How would you choose the best lifecycle support in the world?

By a combination of criteria: global presence, scope of offering, tailored solutions or advanced training programmes. Whatever the criteria, the top priority of all power plant customers, marine or otherwise, is getting the most out of their installation at the lowest possible lifecycle cost.

Our Total Service concept includes service for a wide variety of engine brands, as well as parts, technical support, commissioning, condition-based maintenance, and long-term service or operations and maintenance (O&M) contracts.

The shipowner enters into a service contract with industry professionals to optimize the operating lifetime of the engine and save costs. The power plant owner, by contrast, is often a company that does not operate directly in the energy business. In signing an O&M contract their interest is the freedom to concentrate on their own core business while Wärtsilä ensures a continuous and steady supply of power.

Service market 130,000 MW

Wärtsilä's service market consists of its active installed base of Wärtsilä and Sulzer engines, including former engine brands, and totals some 130,000 MW. Marine engines account for 100,000 MW of the total and power plants for the remainder.

Wärtsilä's service network provides service support for all Wärtsilä and Sulzer power plants and marine installations, while the Ciserv service group provides a full range of maintenance and reconditioning services for multiple engine brands and vessels.

The Ciserv group offers the world's widest range of reconditioning support for diesel engine components, as well as tailored services for power plants and a variety of ship equipment. Ciserv specialist knowledge is available in nine locations around the world.

In selected markets our service stations are providing spare parts and services for Volvo Penta marine engines, for example.

In April 2004, Wärtsilä signed a co-operation agreement with the

Did you know this?

All around the world, from South America to Siberia, from Asia to Alaska, innovative total service solutions from Wärtsilä help optimize the performance and availability of power systems during their entire lifecycle.

maritime training academy Sydväst Maritime in Turku, Finland. Through this agreement, the Wärtsilä Land and Sea Academy (WLSA) provides accredited training courses and is authorized to award official maritime certificates to successful graduates. This 'one-stop-shop' provides certified maritime training in all aspects of ship handling and engineering including simulator training courses as part of a planned programme.

Service takes care of an installation during its lifetime. Our solutions cover safety and reliability aspects, performance optimizers, modernizations and upgrades, and the environment. They range from original parts, technical support and condition-based maintenance, to complete training packages and full Operations & Maintenance agreements.

Lifecycle efficiency requires lifecycle support
Performance Optimizers • Upgrades & Modernization • Environmental Solutions • Safety & Reliability



Spare Parts

The quality of spare parts is essential – only original parts guarantee reliability. We offer a full range of original (OEM) parts for the engine room, covering all Wärtsilä and Sulzer engines, auxiliary systems and propulsion systems. We also manufacture and supply OEM parts for a wide variety of older engine types.

O&M support

Our range of services draws together the technical expertise of our entire organization worldwide to meet the requirements of your business. An Operations & Maintenance agreement ensures that performance, reliability and maximum equipment lifetime are given top priority.

CBM

Condition-based maintenance (CBM) moves the maintenance effort from a scheduled preventative format to a more flexible and accurate condition-based predictive format. CBM keeps the customer up to date on how the installation is performing and helps to detect any disorder or deviation from expected normal performance in good time.



Training

The Wärtsilä Land & Sea Academy (WLSA) provides a complete range of services. Besides teaching and training, these include arranging courses, budget and personnel career tracking, and providing materials for competence development. WLSA covers everything from traditional hands-on training, to operation & maintenance and safety issues, and training for complete propulsion and control systems.

Our greatest asset is our service network of 6,400 professionals covering 70 nationalities. Every year more than 2,500 Service employees undergo skill enhancement training.



Record-breaking 11-year O&M contract

Roughly 30% of new orders for power plants received by Wärtsilä include an operation and maintenance (O&M) agreement. Such agreements can also be made with customers in the marine sector.

Our (O&M) business is going from strength to strength and at the end of 2004 totalled 2,569 MW of installed capacity. Altogether over 140 power plants around the world have O&M agreements with Wärtsilä under which Wärtsilä is responsible for the operation of the power plant and its service and maintenance.

In June 2004, the Indonesian mining company PT Aneka Tambang Tbk (Antam) awarded Wärtsilä an 11-year O&M contract for its 152 MW power plant at the Pomalaa ferronickel mine and production facility in East Sulawesi, Indonesia.

Wärtsilä, with its long history in the country, has an extremely diverse installed base – some 26 different Wärtsilä engine types in power plants across the country. Wärtsilä has a service pool of roughly 65 skilled engineers and technicians to provide the necessary service to its customers.

CBM analyses the service needs

Today, more than 750 engines are covered by Wärtsilä condition-based maintenance (CBM) services. CBM systems and programmes address the real maintenance need of an installation.

CBM monitors the equipment condition, continuously analyses operating data, and calculates the optimal performance parameters by diagnosing and predicting the future condition of the equipment.

The CBM services include maintenance reporting and inspection services. They are further enhanced by stand-alone products such as data collecting tools and sensor packages.

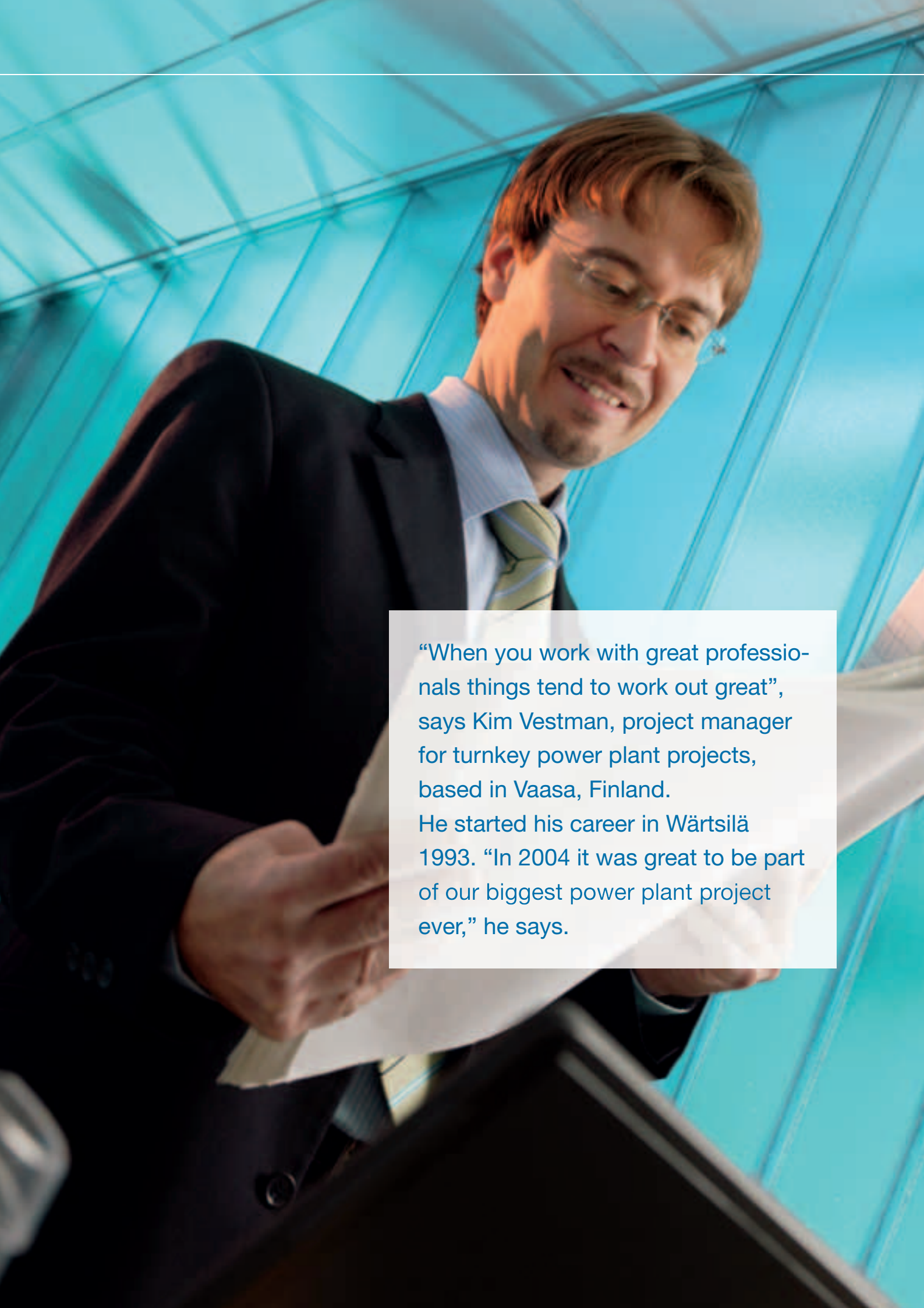
Breaking the barriers with online business

The use of online services is steadily becoming more popular. The Wärtsilä e-business network has been successfully tailored to customers' specific needs. And many customer companies are developing their own e-business networks using the latest concepts in IT communications. Therefore, electronic connectivity between Wärtsilä and the customer is logical as it provides seamless integration of Wärtsilä's e-business channel into the customer's own information systems.



Did you know this?

Ensuring that Queen Mary 2, the Cunard Line's gigantic flagship, stays on schedule is the responsibility of Wärtsilä. The ship carries four Wärtsilä 46 common-rail engines with electrical fuel injection. Our maintenance and automation experts ensure that the engines produce electricity and maintain a stable network frequency.

A man with short brown hair and glasses, wearing a dark suit, light blue shirt, and a striped tie, is smiling and looking down at a large white document he is holding. The background is a bright, blue-tinted glass and metal structure, possibly a modern office or industrial building.

“When you work with great professionals things tend to work out great”, says Kim Vestman, project manager for turnkey power plant projects, based in Vaasa, Finland.

He started his career in Wärtsilä 1993. “In 2004 it was great to be part of our biggest power plant project ever,” he says.

Focus on decentralized energy production

In its Power Plants business Wärtsilä focuses on energy production for industry and power utilities, i.e. continuous or intermediate load applications in the power range of 1 to 300 MW. With an installed base approaching 33,000 MWe, Wärtsilä holds a leading global position in its sector.

Electricity market deregulation

The world's electricity markets are being increasingly deregulated. The first impacts of this trend were that in certain markets, most of Europe for instance, existing overcapacity became visible and in open competition electricity prices dropped to a level very close to the variable costs of coal-based electricity production. Coal prices are stable and coal-fired power plants form the core of the production systems in most markets. This halted most new projects for some years until recently consumption started to reach the level of available production capacity and electricity prices have increased.

New markets look for profits and short payback times. As the central capital-intensive systems in most markets are well developed and managed, the main unexplored opportunities for new power plants are in the smaller, decentralized markets which were not developed when central monopolies gov-

erned the electricity industry. Fast delivery and flexibility regarding fuels and operation (starting, loading, stopping, part-load behaviour) have become real benefits as modern plants in open markets are operated according to economic parameters – “produce when profitable, stop when not”.

Where a heat load exists (the need for process steam, hot water or cooling, for example) the heat from the power plant process can be recovered. This process, the cogeneration of heat and electricity, makes a total fuel efficiency of 70 – 90% possible and is economically superior to pure electricity generation where 45 – 70 % of the fuel energy is lost as waste heat. Suitable heat needs exist mainly in industrial manufacturing processes and in northern district heating systems, and as they are generally quite small, economical optimization leads to small decentralized cogeneration power plants. Although this market has existed for some years and numerous orders were also booked in 2004, the global market potential is still huge.

Impact of European Union emission trading scheme

Emission trading started in Europe from the beginning of 2005. This marked the formation of a new mar-

Did you know this?

Wärtsilä has delivered over 33,000 MW of power plants.

Wärtsilä has vast experience of executing turnkey projects and handling equipment deliveries – more than 100 large projects a year.

ket which will lead to an increase in the cost of electricity based on burning fuels that produce greenhouse gases (coal, oil, gas); this is in fact already happening. This will inevitably favour the cogeneration of electricity and heat using natural gas as fuel since this method greatly reduces carbon dioxide emissions compared to separate production of electricity and heat.

From the perspective of industrial customers, Wärtsilä's range of gas-fired power plants will become more competitive in comparison with purchasing electricity from the grid. The position of Wärtsilä Biopower will also become stronger as biofuelled power plants are CO₂ neutral and the new emission costs will therefore not increase production costs.

Wärtsilä's highly modularized power plants are based on the company's well-known multifuelled reciprocating engines that offer high flexibility and efficiency throughout the power plant's lifetime.

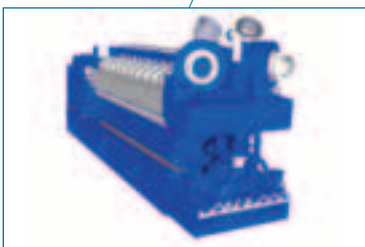
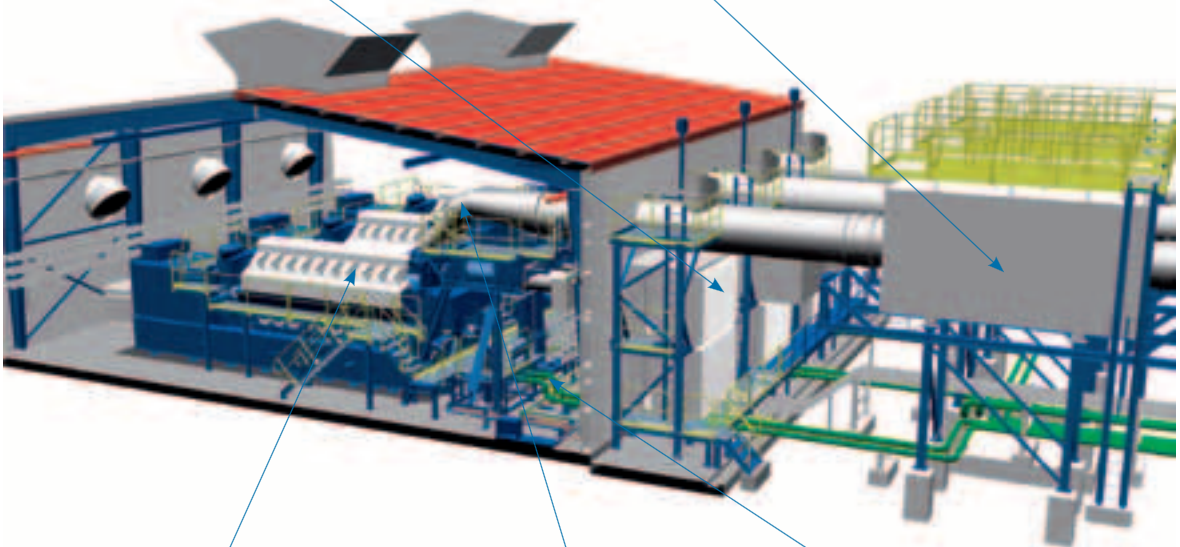
Air intake filter



SCR NO_x reduction equipment



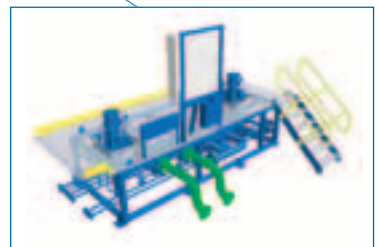
Radiators



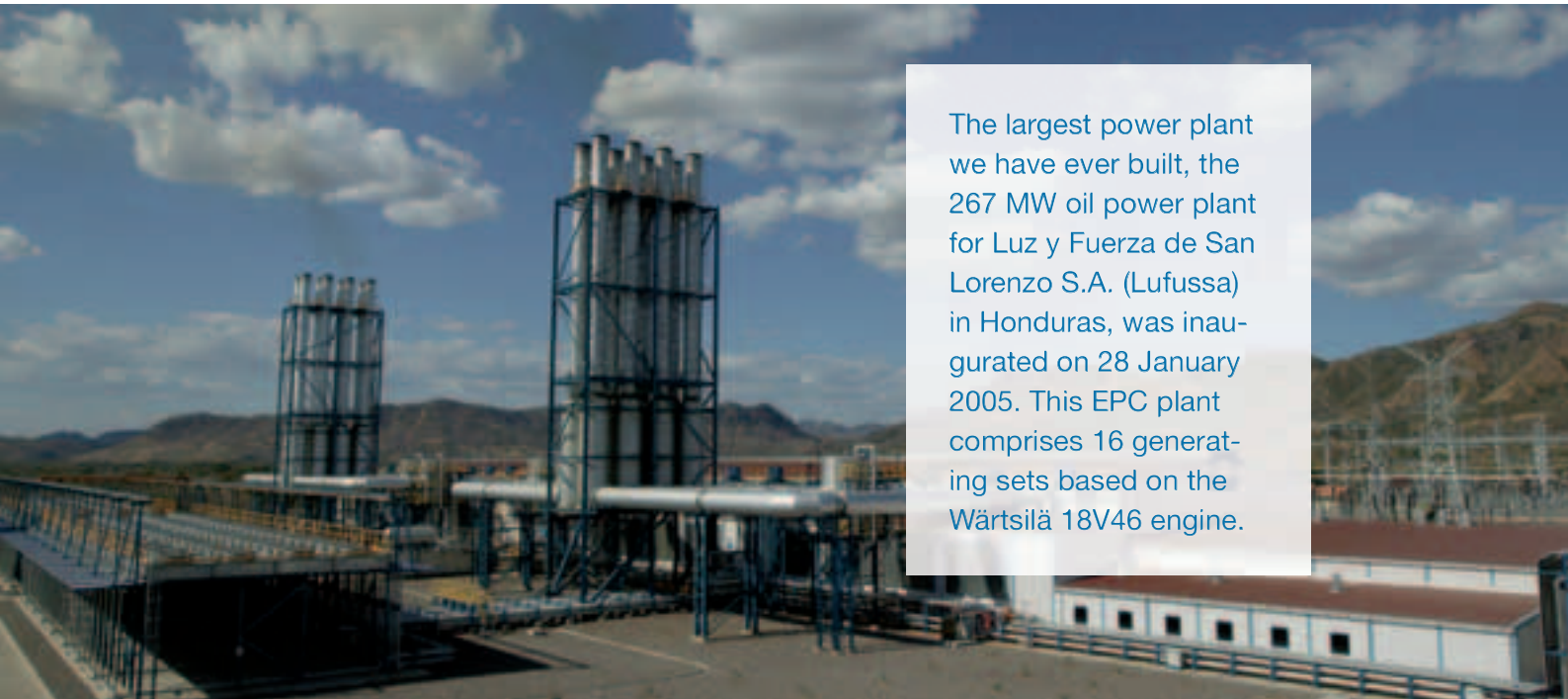
Engine generator set



Exhaust gas module



Engine auxiliary module



The largest power plant we have ever built, the 267 MW oil power plant for Luz y Fuerza de San Lorenzo S.A. (Lufussa) in Honduras, was inaugurated on 28 January 2005. This EPC plant comprises 16 generating sets based on the Wärtsilä 18V46 engine.

Impact of oil prices

The recent high crude oil prices affect Wärtsilä's power plant business in three main ways.

The global supply of heavy fuel oil exceeds demand and the price gap between heavy fuel oil and lighter distilled fractions has increased, improving the competitiveness of heavy fuel oil solutions compared to other available options in remote areas. These projects have formed more than 50% of Wärtsilä's business for years and the order intake was strong in 2004 as well.

Secondly, oil has become a less interesting alternative when new projects are economically compared to reliably available grid-based electricity, which is mainly based on coal and hydropower. This is the situation in most industrialized countries where oil-fired power plants have already been replaced by natural-gas-fired (often cogeneration) plants which will increase in competitiveness as emission trading really starts.

The third impact is for the oil and gas producing industry to increase investments when crude oil prices are high. This has generated major new opportunities for Wärtsilä with projects ranging from oil field applications to pipeline pumping. Major orders have recently been booked in South America and Africa and many new projects are in the pipeline. This business offers further expansion potential for Wärtsilä.

Market outlook for Wärtsilä

Wärtsilä's traditional power plant market has been installations for islands and remote areas and in countries with weak electricity grids. This market potential will continue to exist in the years to come. With the present competitive product portfolio and global sales organization, Wärtsilä is well equipped to maintain its dominant position in this segment.

The share of gas-fired power plants will grow further, partly because Europe and especially North

Did you know this?

In Wärtsilä multifuel engines the fuel can be switched over from one fuel to the other during operation. With Wärtsilä's BioGrate technology you can turn biomass fuels into electricity and heat.

America will bring more orders, and partly because gas is gaining ground worldwide as new gas pipelines are built. With the new and more competitive gas engines in the portfolio, the number of countries where gas power plants are delivered is expected to grow in the near future.

A man in a blue and grey work jacket is working on a large, complex metal engine component in a factory. He is looking upwards and to the right. The background is filled with industrial machinery and bright blue lighting. A semi-transparent text box is overlaid on the right side of the image.

Fulvio Gregoretti has worked for Wärtsilä since 1981. Today he is a fitter on the heavy preassembly line of the Wärtsilä 46 and 64 engines in the Trieste factory in Italy.

Technological leadership and flexibility in manufacturing

Wärtsilä designs, develops, and manufactures engine and propulsion products. Wärtsilä aims to maintain an effective and flexible manufacturing structure designed to cope with the variable market demand.

Leader in engine technology

Wärtsilä's target is to be the leader in engine technology in the areas of environmental technologies, reliability, operating economy and automation.

Customers in both the marine and energy markets are increasingly interested in total power solutions. The task of Wärtsilä's R&D is to ensure that Wärtsilä engines are fully integrated with the company's broader solutions, e.g. marine applications and power plant installations. Wärtsilä enhances the lifetime performance of its customers' equipment and systems by developing products that are easy to operate and service. Wärtsilä also works closely with universities, research institutes and partners to evaluate and develop new engine technologies and functionalities.

R&D organization

Wärtsilä has its main R&D centre for 4-stroke engines in Vaasa, Finland. This is supported by technology units for 4-stroke engines in Trieste, Italy, in Turku, Finland, and in Bermeo, Spain. The main

R&D centre for 2-stroke technology is located in Winterthur, Switzerland.

R&D for the propulsors, seals and bearings is located at the manufacturing units in the Netherlands, Norway, Great Britain and Japan.

Besides R&D related to products, the Ship Power, Power Plants and Service businesses also develop their own business-related solutions. More details of these are given in the Sustainability Report.

The Corporate Technology Unit is responsible for long-term development of new technologies together with the businesses to safeguard Wärtsilä's future competitiveness. The Technology Unit initiates and coordinates national and international research projects. The focus areas are environmental technology, engine technology, system automation and material technology. In the area of new energy technologies Wärtsilä's fuel cell prototype was started during 2004.

Research and development in the Power Businesses totalled EUR 57.7 million (68.4), or 2.6% (3.2) of net sales.

Flexibility in engine manufacturing

Wärtsilä completed a substantial restructuring programme during 2004, one result of which was a new engine manufacturing structure. Wärtsilä now has the flexibility to match its capacity to volatile

Did you know this?

The biggest engine in the Wärtsilä portfolio is the low-speed 12RT-flex96C. It weighs 2,050 tons, which corresponds to the weight of five Boeing 747 aircraft including passengers, luggage and fuel for a long-distance trip.

market needs while ensuring future growth.

Wärtsilä has two 4-stroke engine factories: one in Vaasa, Finland, and one in Trieste, Italy. Both manufacture several engine types to meet the various needs of the global market. Flexibility is enhanced by focusing on production of key components and creating close, long-term partnerships in sourcing. External partners and suppliers contribute to optimal capacity utilization in the changing business environment.

Manufacturing of 2-stroke engines takes place primarily in Asia through qualified engine makers licensed by Wärtsilä. This business model offers quick response and the minimum of logistics for the shipyards.



Helena Erkkilä, a junior metallurgist at the Imatra Steel Works, joined the company in 2003. She appreciates the broad scope of her work and its variety.

Adding value for sustainable customer relations

Imatra Steel produces long special steel products for the automotive industry and other demanding engineering applications, as well as forged engine and front axle components. As a supplier of high-quality products and related services, Imatra Steel focuses on sustaining direct and long-term customer relationships. Towards that end, the company bases its business on customer partnerships and a lean, customer-orientated organization.

Imatra Steel's customers, in both the automotive and the mechanical engineering industries, are experiencing a strong trend towards increased consolidation and globalization, driven in part by the fact that growth in these sectors is clearly shifting outside Europe. Maintaining a market foothold and the confidence of customers in this rapidly changing business environment requires component manufacturers and steel producers to be able to assume increasingly wide responsibility in the supply chain. This translates to even closer involvement with customers in the development of their products, processes and logistics management

Added value in the value chain for the customers

Imatra Steel's business operations are based on meeting customer needs and on producing added value in the value chain for both Imatra Steel's own customers and the customers they serve. The benefits of this approach include reduced production costs for the custom-

er, significant improvements in the properties of finished products, and substantial environmental gains during a product's lifecycle. Key factors for Imatra Steel are lasting customer relationships, concentration on specific products, maintaining competitive production processes, and correctly focused R&D and machinery investments. Managing these tasks requires a team of competent and motivated employees eager to see results.

The main products of the Imatra Steel Works are steels used in manufacturing forged components and steels with high machinability. Steels for sustainable development, especially direct quenching steels and highly machinable steels, are the spearheads of the factory's product development. This product group also includes the Imatra Green Cut® free-cutting steel developed and marketed as an alternative to the lead-alloy free cutting steels used by the automotive industry.

Imatra Steel's decision at the end of the year to produce special steel nuts and bolts as a shareholder in AA Fabricating Oy, a new company established in the town of Imatra, is aimed at safeguarding the competitive viability of the Finnish special steels market and generating new engineering services.

Imatra Steel's forging business comprises Imatra Kilsta and Scottish Stampings. This business has achieved a strong position as a leading manufacturer of engine and front axle components for heavy trucks. The product portfolio for



**Imatra Steel's President
Kari Tähtinen**

To maintain a market foothold and the confidence of customers in this rapidly changing business environment, component manufacturers and steel producers must be able to assume increasingly wide responsibility in the supply chain.

engine components includes crankshafts, and for front axle components front axle beams, steering knuckles and steering arms. Imatra Steel has increased its in-house machining capacity, and also broadened its network of machining contractors, because customers increasingly wish to have forged components that are fully machined.



Wärtsilä's HR function is responsible for ensuring that the Group's human resources and its personnel development programme are competitive worldwide. Automation engineer Michaela Toniutto is responsible for planning and carrying out validation of new software and hardware for engine automation. She works in Trieste in Italy.

Human Resources

Operational targets

Wärtsilä's Human Resources function covers the entire Group. It focuses on predefined HR processes and directly supports the Group's business operations. Its main purpose is to ensure that the Group has the competitive and innovative management and employee resources and competences necessary to reaching its profit targets. The company requires continuous efficiency and high quality in its operations. Human Resources supports this aim by recruiting the best resources and by providing focused and sufficiently wide-ranging training schemes for personnel. Wärtsilä operates a competitive incentive scheme to encourage and reward its employees. The most important elements of this scheme are harmonizing the Group's targets with the individual targets of its employees, and ensuring that the scheme has wide coverage of geographical regions and personnel groups.

Training programmes

In line with its renewed human resources strategy, Wärtsilä implemented management training schemes during 2004 aimed at ensuring that the Group derives maximum benefit from its investments in personnel development. The four-tier training system is designed to cumulatively develop management skills. The HR function also defines, supports and monitors the content and targeting of training programmes run by Wärtsilä business units and subsidiaries.

Wärtsilä organized four training programmes in 2004 for middle management in its main markets as well as two courses for senior management. Wärtsilä managers also participated in a development programme organized by the IMD (International Institute for Management Development) and employees additionally have access to web-based training through the IMD.

A new management training module for senior management has been jointly developed with the London Business School.

Personnel training depends on the active support and encouragement of employee supervisors. Wärtsilä offers its employees two flexible training paths: one to develop specialists and the other senior management. General training is the responsibility of the subsidiaries; the divisions take care of professional training.

Development discussions – a tool for communicating strategy

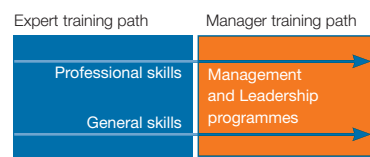
Annual development discussions between supervisors and their subordinates have become an established management tool. Apart from facilitating target-setting and feedback, they are also useful for cascading the Group's strategy down through the organization. All Wärtsilä units hold these discussions and at the moment roughly two-thirds of the discussions take place regularly and are documented. The next target is to raise this performance level even higher.

In the management and executive training schemes top managers participate in planning and running the schemes as trainers. This dialogue and tutor activity has yielded positive and long-term results evident in the form of greater personnel commitment to the company, enhanced personal competences, and the building of a natural forum for discussion.

Job satisfaction and motivation

Wärtsilä conducted a Group-wide employee satisfaction survey during 2004 to chart employees' opinions about their work, wellbeing, the work environment, values, objectives, company strategy and communications. The survey showed that employees are motivated and committed to Wärtsilä's values. Wärtsilä employees are proud

Expert and Manager training paths



of their work and their employer. Employees expressed dissatisfaction about two aspects. Firstly, employees felt they did not know enough about the company's business strategy and objectives and, secondly, they regarded communication between management and personnel as inadequate. Wärtsilä will address these issues promptly by launching a strategy communication programme in 2005, after which the job satisfaction survey will be repeated at the end of 2005.

Personnel safety

Wärtsilä decided to formulate an integrated safety programme to ensure employees' safety, especially when personnel are travelling, and appointed a safety manager to oversee this.

Outsourcing

Human Resources outsourced some of its activities to specialists, including functions relating to occupational health and payroll accounting.

Future challenges

The most important HR target in 2005 is to extend the functional capabilities and geographical coverage of its personnel management information system. This will make it possible to manage the Group's human resource needs and costs more efficiently. The continuing globalization of business also calls for further development of the HR function and a willingness to take up new challenges as new business increasingly has moved to e.g. Asia and Central America.

More information about human resource issues is given in the Sustainability Report.

Board of Directors



Mr Antti Lagerroos

Chairman of the Board. Born 1945, LL.Lic, President & CEO and member of the Board of Finnlines Plc. Member of the Board of Wärtsilä Corporation since 2002. Member of the Board of Fortum Corporation and member of the Supervisory Board of The Mutual Pension Insurance Company Ilmarinen. Owns 11,643 Wärtsilä B shares.

Mr Göran J. Ehrnrooth

Deputy chairman of the Board. Born 1934, MSc (Econ.). Chairman of the Board of Fiskars Corporation. Member of the Board of Wärtsilä Corporation since 1992. Owns 4,222 A shares and 7,669 Wärtsilä B shares.

Mr Heikki Allonen

Member of the Board of Wärtsilä Corporation since 2004. Born 1954, MSc (Eng.). President & CEO of Fiskars Corporation. Member of the Supervisory Board of Rautaruukki Corporation. Owns 946 Wärtsilä B shares.

Mr Risto Hautamäki

Member of the Board of Wärtsilä Corporation since 2003. Born 1945, MSc (Eng.). President & CEO of Tamfelt Corporation. Member of the Board of Metso Corporation. Owns 3,750 Wärtsilä B shares.

Mr Jaakko Iloniemi

Member of the Board of Wärtsilä Corporation since 1994. Born 1932, MSc (Pol. Sc.). Owns 3,342 Wärtsilä B shares.

Mr Bertel Langenskiöld

Member of the Board of Wärtsilä Corporation since 2002. Born 1950, MSc (Eng.). President and CEO of Metso Minerals Inc. Owns 3,168 Wärtsilä B shares.

Mr Paavo Pitkänen

Member of the Board of Wärtsilä Corporation since 1995. Born 1942, MA. Member of the Board of Stora Enso Oyj. Owns 3,342 Wärtsilä B shares.

Photo from left: Risto Hautamäki, Heikki Allonen, Bertel Langenskiöld, Antti Lagerroos, Göran J. Ehrnrooth, Paavo Pitkänen and Jaakko Iloniemi.

Board of Management



Mr Ole Johansson

President & CEO. Born 1951, BSc (Econ.).

Worked for the company 1975-79 and rejoined in 1981. Owns 2,250 Wärtsilä A shares and 11,700 Wärtsilä B shares. Option 2001 allows subscription of 126,000 Wärtsilä B shares and option 2002 allows subscription of 225,000 Wärtsilä B shares.

Mr Raimo Lind

Executive Vice President from 1 January 2005. Group Vice President, CFO. Born 1953, MSc (Econ).

Employed by the company 1976-89 and rejoined in 1998. Owns 795 Wärtsilä A shares and 1,545 Wärtsilä B shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Mikael Mäkinen

Executive Vice President from 1 January 2005. Group Vice President, Ship Power. Born 1956, MSc (Eng.), Naval Architect.

Joined the company in 1982. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Pekka Ahlqvist

Group Vice President, Power Plants.

Born 1946, MSc (Eng.), MBA.

Joined the company in 1999. Owns 2,250 Wärtsilä B Shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Tage Blomberg

Group Vice President, Service. Born 1949, BSc (Eng.).

Joined the company in 1975. Owns 2,025 Wärtsilä A shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Lars Hellberg

Group Vice President, Engine division.

Born 1959, BSc.

Joined the company 1 June 2004. No ownership of Wärtsilä shares.

Mr Kari Hietanen

Group Vice President, Legal Affairs and HR. Company Secretary and secretary to the Board of Management. Born 1963, LL.M.

Joined the company in 1989. Owns 72 Wärtsilä B shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Matti Kleimola

Group Vice President, CTO. Born 1946,

Lic.Sc (Tech.) Prof.

Employed by the company 1974-84 and rejoined in 2000. Owns 750 Wärtsilä A shares and 750 Wärtsilä B shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Mr Sven Bertlin

Executive Vice President until 31 December 2004. Born 1944, BSc (Econ.)

Joined the company in 1970. Owns 177 Wärtsilä A shares and 15,531 Wärtsilä B shares. Option 2001 allows subscription of 63,000 Wärtsilä B shares and option 2002 allows subscription of 60,000 Wärtsilä B shares.

Photo, front from left: Mikael Mäkinen, Ole Johansson and Pekka Ahlqvist. Back, from left: Sven Bertlin, Lars Hellberg, Raimo Lind, Tage Blomberg, Matti Kleimola and Kari Hietanen.

Corporate Governance

Wärtsilä Corporation applies the guidelines and provisions of its Articles of Association, the Finnish Companies Act and the Helsinki Exchanges. Wärtsilä also complies with the Corporate Governance recommendations for public listed companies published by OMX Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers (renamed Confederation of Finnish Industries EK since 1 January 2005). This recommendation came into effect on 1 July 2004.

Management of the Wärtsilä Group is the responsibility of the General Meeting of Shareholders, the Board of Directors and the President and CEO. Their duties are for the most part defined by the Finnish Companies' Act.

General meetings

A General Meeting of Wärtsilä Corporation shareholders is held at least once a year. The Annual General Meeting (AGM) must be held no later than the end of June. The AGM resolves on the issues defined for annual General Meetings in the Finnish Companies Act and Articles of Association. These include approving the financial statements, deciding on the distribution of dividend, discharging the company's Board of Directors and CEO from liability for the financial year, appointing the company's Board of Directors and auditors, and deciding on their compensation.

Under the Articles of Association, an invitation to a General Meeting must be published in at least two daily newspapers chosen by the Board of Directors and commonly distributed in Finland, no earlier than two months and no later than one week prior to the date specified in Chapter 3a, §11 of the Companies Act. Wärtsilä

also publishes its invitations to General Meetings as stock exchange announcements and on its Internet website.

The Board of Directors

Wärtsilä's Board of Directors has between five and eight members who are elected for a term of one year. The Board is elected by a General Meeting. In 2004 the Board had seven members.

The Board elects a chairman and deputy chairman from among its members. The Board of Directors is responsible for the administration of the company and the proper organization of its operations. The Board steers and supervises the company's operations, and decides on policies, goals and strategies of major importance.

The Board's rules of procedure

The principles applied by the Board in its regular work are set out in the Rules of Procedure approved by the Board. The Board's committees and the working principles they apply have been approved by the Board.

The Board considers all the matters stipulated to be the responsibility of a board of directors by legislation, other provisions and the company's Articles of Association. The most important of these are the annual and interim financial statements, the matters to be put before General Meetings of shareholders, the appointment of the President and CEO, the Executive Vice President and the CEO's deputy, and the organization of financial supervision in the company. The Board is also responsible for considering any matters that are so far-reaching with respect to the quality of the Group's operations that they cannot be considered to fall within the scope of the Group's day-to-day administration. Examples of these matters are approval of the Group's strategic

plan and long-term goals; approval of the Group's annual business plan and budget; decisions concerning investments, acquisitions or divestments that are significant or that deviate from the Group's strategy; decisions to raise loans and the granting of security or similar collateral commitments when their size is significant; risk management principles; the Group's organizational structure; appointment of the company's Board of Management; approval of remuneration and pension benefits; monitoring and assessing the performance of the President and CEO; approval of the company's management principles and steering systems; appointment of the Board of Directors' committees; and the granting of donations to good causes. In addition to matters requiring its decision, the Board is also given updates at its meetings on the Group's operations, financial position and risks.

Appointment of the Board of Directors and meetings

The Board of Directors is responsible for ensuring that a proposal to be put before a General Meeting concerning the election of a new member to the Board, and of which it is aware, is published in the notice of meeting provided that the proposal is supported by at least 10% of the votes carried by the company's shares and that the proposed individual has given their written consent. After publication of the notice of meeting the names of the candidate members will be announced separately provided that the conditions mentioned above are met.

The Board of Directors convenes 7 – 10 times a year following a predetermined schedule. In addition to these meetings the Board convenes as necessary.

In 2004 the Board of Direc-

tors convened 11 times. The average attendance of Board members at these meetings was 97.2%.

The Board also conducts a self-assessment of its performance once a year. The purpose of this assessment is to establish how the Board has executed its tasks during the year and to act as a basis when assessing how the Board functions.

Members of the Board of Directors in 2004

In 2004 the members of the Board of Directors were Antti Lagerroos (chairman), Göran J. Ehrnrooth (deputy chairman), Heikki Altonen, Risto Hautamäki, Jaakko Iloniemi, Bertel Langenskiöld and Paavo Pitkänen.

All seven Board members were independent of the company. Furthermore, Risto Hautamäki, Jaakko Iloniemi, Antti Lagerroos, Bertel Langenskiöld and Paavo Pitkänen were independent of the company's shareholders.

Information on the members of the Board of Directors and their business interests is given on page 32. Further details on the Board's members are given on Wärtsilä's website.

Board Committees

The Board of Directors annually appoints an Audit Committee, a Nomination and Compensation Committee and any other committees it considers necessary, at its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairmen. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself.

The purpose of the Board's committees is to prepare matters to be put before the Board for its

decision. The committees have no decision-making authority of their own.

In 2004 the Board appointed an Audit Committee and a Nomination and Compensation Committee. The Board has approved the written rules of procedure of these committees, the most important points of which are described below.

Audit Committee

The Board of Directors appoints an Audit Committee to assist it in the execution of its task of supervising the company's financial management.

The Board appoints from among its members at least three members to the committee who are independent of the company, and who have sufficient experience of accounting procedures and the preparation of financial statements.

The Audit Committee considers Wärtsilä's annual and interim financial statements, the accounting principles and the company's financial reporting in general. The Committee assesses the company's compliance with the relevant legal and other provisions, the adequacy of financial supervision and risk management in the company, and the effectiveness of its internal audit function. The Audit Committee may also, via the Board of Directors, submit recommendations to the General Meeting on matters related to the appointment of the company's auditors.

The chairman convenes the Committee at regular intervals and reports to the Board on the Committee's meeting.

In 2004 the Audit Committee was chaired by Antti Lagerroos and its other members were Heikki Altonen, Risto Hautamäki and Paavo Pitkänen. The members of the Audit Committee are independent of the company. The Audit Committee met 4 times.

Nomination and Compensation Committee

The Board appoints a Nomination and Compensation Committee to assist it in its work.

The Board appoints at least three of its members to sit on the Committee. The members are independent of the company.

The Nomination and Compensation Committee prepares, as necessary, the nomination of the President and CEO, the Executive Vice President and the CEO's deputy.

The Committee prepares proposals to be put before the Board of Directors concerning the incentive schemes and compensation that apply to the President and CEO and the company's other senior executives. The Committee communicates, as necessary, with major shareholders in matters concerning the appointment of the Board of Directors and the compensation of its members. The chairman of the Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors.

In 2004 the Nomination and Compensation Committee was chaired by Antti Lagerroos and its other members were Göran J. Ehrnrooth and Jaakko Iloniemi. The Nomination and Compensation Committee met twice during 2004.

The President and CEO

The Board of Directors appoints a President for the Group who is also its chief executive officer. The President and CEO is in charge of the day-to-day management of the company and its administration in accordance with the company's Articles of Association, the Finnish Companies Act and the instructions of the Board of Directors. He is assisted in this work by a Board of Management. The President and

CEO of the company is Mr Ole Johansson.

The Executive Vice Presidents

The Board of Directors appoints, if necessary, one or several executive vice presidents. The company's Executive Vice President and deputy to the President and CEO was Mr Sven Bertlin until his retirement on 31 December 2004. On 14 December 2004 the Board appointed Mr Raimo Lind and Mr Mikael Mäkinen Executive Vice Presidents with effect from 1 January 2005. Mr Lind is the company's chief financial officer and Mr Mikael Mäkinen head of the Ship Power business. Mr Lind is also the deputy to President and CEO Ole Johansson.

The Board of Management

The company's Board of Management comprises the President and CEO, the heads of the Power Businesses, the chief financial officer, the group vice president, technology & environment, the group vice president, Engine division, and the group vice president, legal affairs and personnel. Board of Management members are appointed by the company's Board of Directors, which also approves their remuneration and other terms of employment.

The Board of Management is chaired by the President and CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, the Group's structure and corporate steering systems, and it supervises the company's operations.

The heads of the businesses on the Board of Management are each responsible for the sales volumes and profitability of their respective global businesses, employing the services of the Group's worldwide subsidiaries. Information on the members of the Board of Man-

agement, their areas of responsibility and holdings are given on page 33.

Meetings of the Board of Management

In 2004 the Board of Management met 14 times. The main issues addressed by the Board of Management related to the Group's strategic focus, i.e. strengthening its Ship Power and Service businesses and developing their competitiveness.

The strategic priorities related to the Power Plants business were matters of central importance likewise. Reducing production capacity and increasing production flexibility were also vital concerns addressed by the Board of Management. Other important matters considered by the Board of Management included personnel development and raising the efficiency of internal global processes and working practices.

The Corporate Management

The company's Corporate Management includes, in addition to the members of the Board of Management, the directors in charge of corporate functions and the president of Imatra Steel.

Corporate Management meetings are chaired by the President and CEO and their composition varies depending on the issues under consideration. Corporate Management meetings are convened to prepare proposals to the company's Board of Directors, to deal with issues concerning communications, personnel development, quality, information management and other development issues, to handle relations with stakeholders, and to consider issues specific to Imatra Steel.

Information on the members of Corporate Management and their areas of responsibility is presented on page 39.

Business Boards

Each business head is supported by a Business Board to consider issues including the business's strategy and business operations. Information on the members of the Business Boards is given on page 39. Imatra Steel is supervised by its own Board of Directors.

Managing Directors of the subsidiaries

The Managing Directors of the Group's subsidiaries are responsible for ensuring that the local service, sales and manufacturing resources are correctly dimensioned to meet the needs of the businesses; that the subsidiary's personnel development needs are met, that the subsidiary's operations fulfil the requirements stipulated in the Group's quality system; and that these operations comply with the respective country's legal requirements and with good business practice.

Remuneration of the Board of Directors

Annual fees paid to the members of the Board of Directors in 2004

The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time. The Board's Nomination and Compensation Committee prepares a fees proposal for the decision of the Annual General Meeting.

In 2004 the members of the Board of Directors were paid the following fees: the chairman 55,000 euros, the deputy chairman 42,000 euros and each member 27,500 euros. The Board members were also paid fees for attending meetings as follows: the chairman 800 euros/meeting and the other members 400 euros/meeting. 40% of the annual fees are paid in the form of Wärtsilä shares. The fee for attendance at meetings is paid in cash.

The seven members of Wärtsilä's Board of Directors, none of whom are employees of the company, were paid altogether approximately 272,000 euros for the financial period ended 31 December 2004. The Board's members are not covered by the company's stock option scheme or bonus scheme.

Salaries and fees paid to the President and CEO and the Board of Management

The remuneration paid to the President and CEO and other members of the Board of Management, and the principles underlying it, are determined by the Board of Directors.

muneration, including benefits in kind and bonuses, totalled EUR 600,000. The President and CEO is eligible to take retirement on reaching the age of sixty and his retirement pension is 60% of his statutory (TEL) earnings. Compensation paid to the President and CEO if he is dismissed by the company corresponds to 12 month's salary in addition to six months' period of notice salary. Information on the President and CEO and his holdings of Wärtsilä shares and share options is given on page 33.

The bonuses paid to the members of the Board of Management are based on the achievement of the

of Directors. Decisions on bonus schemes for other directors and managers are made by the Board of Management.

The Group's white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country's legislation or agreements concerning profit-sharing schemes. All in all, some 60% of the company's employees are covered by the Group's bonus scheme and various other profit-based incentive schemes.

Internal supervision, risk management and the internal audit

Responsibility for the management of the company and its proper organization lies with the Board of Directors. In practice it is the President and CEO's task to ensure the proper organization of the company's internal supervision, risk management, internal audit and accounting supervision mechanisms, assisted by the Board of Management. The instructions and guidelines apply to the entire Group or to individual businesses.

The company's financial progress is reviewed monthly through a Group-wide reporting system. This includes an income statement, balance sheet information, key indicators, and events of importance to the company's operations.

Risk management

The purpose of risk management is to ensure that the company's business objectives are reached and that the company remains a going concern. The risk management function analyses the risks faced by the company's various businesses and units. It also defines the risk management principles applied throughout the Group and it develops risk management methods

Fees paid as Wärtsilä B shares in 2004

	No. of shares
Antti Lagerroos (chairman)	1,262
Göran J. Ehrnrooth (deputy chairman)	964
Heikki Allonen	631
Risto Hautamäki	631
Jaakko Iloniemi	631
Bertel Langenskiöld	631
Paavo Pitkänen	631

The remuneration paid to the President and CEO and the other members of the Board of Management consists of a monthly salary and a bonus. The President and CEO and the other members of the Board of Management also have share option rights under the company's two option schemes. Information on the Wärtsilä shares and options held by the President and CEO and the other members of the Board of Management are given on page 31.

The Board of Directors confirms the salary paid to President and CEO Ole Johansson as well as the terms and content of his employment contract. The President and CEO is paid a bonus in addition to his monthly salary, the terms of which are determined by the Board of Directors. The President and CEO holds share options under the company's two option schemes. In 2004 the President and CEO's re-

muneration is based on the company's profit targets. The retirement age of the members of the Board of Management is sixty.

Management incentive schemes

The company has two stock option schemes for senior managers. The 2001 options covered 78 and the 2002 options 39 key personnel. More information on these schemes is provided on page 33 of the Financial Review 2004.

The Group also operates a bonus scheme in the parent company, the Power Businesses and the subsidiaries. The bonus is based on the company's profitability and agreed personal targets. Approximately 900 directors and managers are covered by this bonus scheme.

Decisions on stock option schemes, and the bonuses paid to the President and CEO and members of the Board of Management, are made by the company's Board

and insurance schemes. Areas of responsibility have been defined in the organization to cover different risks. The company's risk management policies and procedures are described on page 44.

Code of Conduct

The company has formulated a Code of Conduct which is summarized below. The principles are available in full on the company's website.

Wärtsilä aims to maintain high legal and ethical standards in its operations. Wärtsilä acts in compliance with the laws and regulations in each country of operation while also applying the principals of good corporate citizenship. The company wishes to engage in open and constructive dialogue with its stakeholders. Its principles include respect for human rights and the promotion of equal opportunities. Wärtsilä expects its employees to show loyalty and not to accept or give bribes. In its R&D activities Wärtsilä's aim is to develop products that protect the environment. With respect to its employees, Wärtsilä aims to offer an interesting workplace in which occupational health and safety issues are handled to the highest standards. Wärtsilä expects its suppliers to apply similar high standards of legal compliance, ethical behaviour, and environmental and personnel management.

The internal audit

The Group's internal audit is handled by an internal auditor provided by KPMG Oy Ab's Management Assurance Services. He works under the guidance and supervision of Wärtsilä's Board of Management. The purpose of the internal audit is to analyse the company's operations and processes, and

the effectiveness and quality of the supervision mechanisms. The internal auditor also participates, if necessary, in audits undertaken in conjunction with acquisitions and he carries out special tasks assigned by the Board of Management. The internal audit function covers all the company's organizational levels and subsidiaries. An internal audit is undertaken in the main subsidiaries at 1–3 year intervals. The internal auditor prepares an annual plan under which he independently audits different parts of the company but he is also empowered to carry out special audits. The internal auditor reports to the President and CEO. If required the auditor can also take direct contact with the Audit Committee or members of the Board of Directors.

Insider management

Wärtsilä applies the Guidelines for Insiders approved by the OMX Helsinki Stock Exchange for public listed companies on 28 October 1999. The guidelines are also available on Wärtsilä's website.

Wärtsilä's permanent insiders comprise the statutory insiders, i.e. the Board of Directors, the President and CEO, the Executive Vice Presidents and the Principal Auditor, as well as the members of the Board of Management and certain other members of the Corporate Management. When significant projects are at the preparation stage the company can also make other individuals temporary insiders, maintaining insider registers of these persons for each project. Insiders are given written notification of their status as insiders as well as instructions on the obligations that apply to insiders.

The company's insider register is maintained by the parent company's legal affairs department,

which is responsible for keeping the information updated. Information on the interests and holdings of the company's permanent insiders is available from the SIRE system of the Finnish Central Securities Depository Ltd, Eteläesplanadi 20, FI-00130 Helsinki, Finland, tel. +358 800 180 500. The same information is also posted on Wärtsilä's website.

The external audit

The company has at least one and at most three CPA-authorized auditors, at least one of whom is an auditing firm. The auditors are elected by the AGM to audit the accounts for the ongoing financial year and their duties cease at the close of the subsequent Annual General Meeting. The auditors are responsible for auditing the consolidated and parent company's financial statements and accounting records and the administration of the parent company. In 2004 the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditors.

Auditing fees paid to the auditors during 2004 amounted to EUR 2.1 million. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 1.1 million. These latter fees concerned acquisitions and consultation on taxation matters.

Communication

The principal information on Wärtsilä's administration and management is published on the company's website. All stock exchange releases and press releases as well as significant presentation material used by senior executives are likewise published on the company's website as soon as these are made public.

Corporate Management

Corporate Management comprises the Board of Management along with the following directors responsible for various corporate functions:

Ms Maj-Len Ek,

Vice President, Group Control.
Born 1948, BSc (Econ.).

Ms Bodil Forss,

Chief Information Officer (CIO).
Born 1957, MSc (Eng.).

Mr Per Hansson,

Vice President, Corporate Planning.
Born 1967, MSc (Eng.).

Mr Heikki Horstia,

Vice President, Group Treasury.
Born 1950, BSc (Econ.).

Ms Eeva Kainulainen,

Vice President, Corporate Communications & IR. Born 1948, MSc (Soc.Sc.).

Mr Kari Tähtinen,

President of Imatra Steel Oy Ab.
Born 1946, doctor of technology.

Business Boards

Ship Power

Mr Mikael Mäkinen

Executive Vice President. Group Vice President, Ship Power. Born 1956, MSc (Eng.), Naval Architect.

Mr Carl-Henrik Björk

Vice President, Sales & Marketing.
Born 1947, Marine Engineer.

Mr Vicente Iza

Vice President, Solutions. Born 1953, Naval Architect.

Mr Timo Koponen

Vice President, Finance & Control.
Born 1969, MSc (Econ.).

Mr Magnus Miemois

Vice President, 4-stroke Business.
Born 1970, MSc (Eng.).

Mr Clas-Eirik Strand

Vice President, 2-stroke engines.
Born 1945, BSc (Eng.).

Mr Christoph Vitzthum

Vice President, Propulsion- and Seal Systems. Born 1969, MSc (Econ.).

Service

Mr Tage Blomberg

Group Vice President, Service.
Born 1949, BSc (Eng.).

Mr Pierpaolo Barbone

Vice President, Field Service.
Born 1957, MSc (Min.Eng.).

Mr Stefan Fant

Vice President, Operations & Maintenance.
Born 1955, BSc (Mech.).

Mr Christer Kantola

Vice President, Service Sales.
Born 1952, BSc (Mech.).

Mr Donal Lynch

Vice President, Parts. Born 1956, Business Management Diploma (Operations/General).

Ms Eva-Stina Stén

Vice President, Finance & Control.
Born 1967, MSc (Econ.).

Mr Rolf Vestergren

Vice President, Technical Service.
Born 1948, BSc (Eng.).

Power Plants

Mr Pekka Ahlqvist

Group Vice President, Power Plants.
Born 1946, MSc (Eng.), MBA.

Mr Jaakko Eskola

President, Wärtsilä Development & Financial Services. Born 1958, MSc (Eng.).

Mr Osmo Härkönen

Vice President, Delivery Management.
Born 1949, MSc (CE).

Mr Pekka Ilvonen

Vice President, Sales. Born 1954, MSc (Eng.), MBA.

Mr Vesa Riihimäki

Vice President, Power Plant Technology.
Born 1966, MSc (Eng.).

Mr Olli-Pekka Vanhanen

Vice President, Finance & Control.
Born 1964, MSc (Econ.).

Engine division

Mr Lars Hellberg

Group Vice President, Engine division.
Born 1959, BSc (Eng.).

Mr Klaus Heim

Vice President, 2-stroke engine development. Born 1962, MSc (Eng.).

Mr Jorma Koskenmäki

Deputy Vice President, Supply Management.
Born 1953, MSc (Eng.).

Mr Juha Kytölä

Vice President, 4-stroke engine development. Born 1964, MSc (Eng.).

Mr Erik Pettersson

Vice President, Production.
Born 1953, BSc (Eng.).

Mr Hans Westö

Vice President, Finance & Control.
Born 1947, BSc (Econ.).

Imatra Steel

Mr Kari Tähtinen

President of Imatra Steel Oy Ab. Born 1946, Doctor of Technology.

Mr Kalevi Laaksonen

Corporate Controller. Born 1943, BSc (Econ.).

Mr Kalevi Taavitsainen

General Manager of Imatra Steel Works.
Born 1949, MSc (Eng.).

Mr Dan-Åke Widenberg

Managing Director, Imatra Kilsta AB. Born 1949, MSc (Econ.).

Management systems

Sustainable development

Wärtsilä's internal Corporate Manual and Code of Conduct approved in 2004 define the company's working procedures and provide instructions for complying with them. The company is committed to operating in compliance with the principle of responsible and sustainable development and does so by deciding on the strategy and objectives for sustainable development.

The company complies with applicable legislation and the principles of responsible corporate citizenship in all its business operations and other activities. Wärtsilä supports and respects human rights as outlined in the UN's Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. The company supports freedom of association and the right to collective bargaining. Wärtsilä does not accept forced labour or

the use of child labour in any form.

Wärtsilä expects its suppliers to operate in compliance with the same legal, ethical and environmental standards that Wärtsilä complies with.

Wärtsilä promotes awareness of its Code of Conduct among its own employees and suppliers. Wärtsilä's Code of Conduct can be viewed on the company's Internet website at: www.wartsila.com.

As part of its commitment to social responsibility, Wärtsilä supports open communication, transparency and continuous dialogue with its stakeholders.

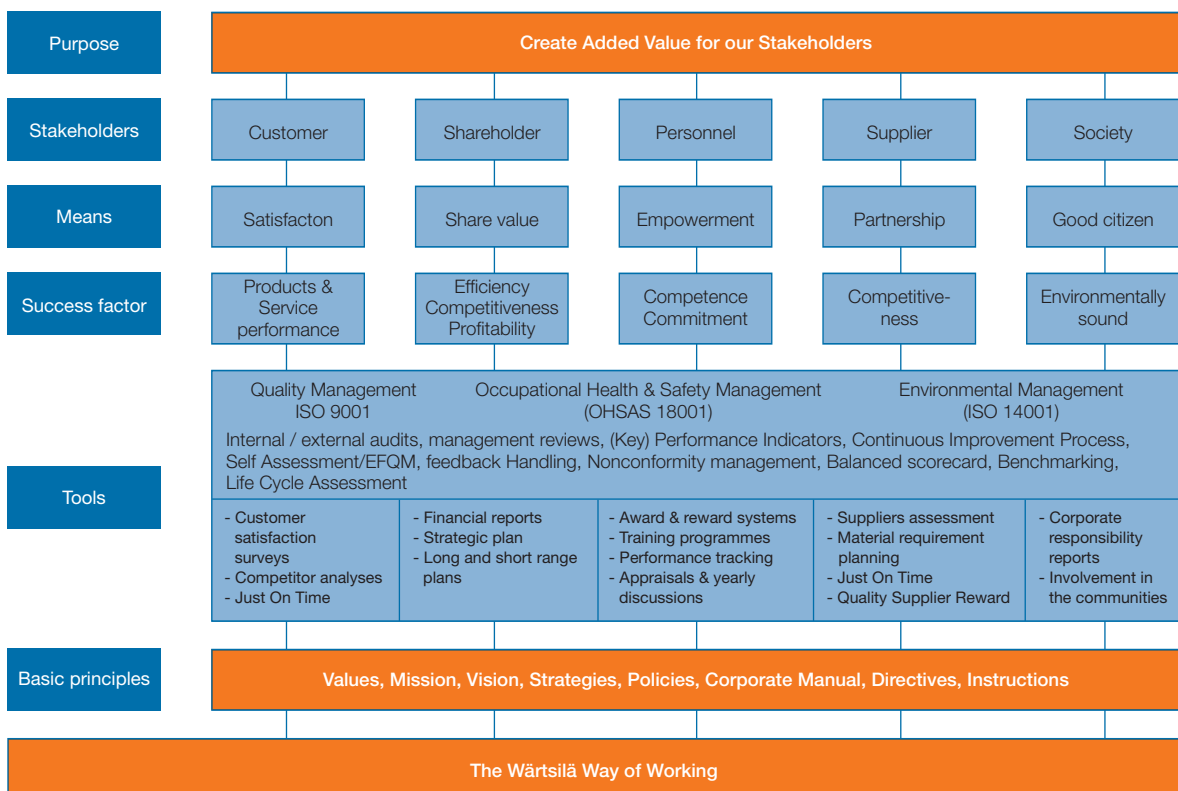
Wärtsilä Finland Oy and Imatra Steel Oy apply a voluntary agreement signed in 1998 whereby Finnish industry endeavours to use energy more efficiently. Wärtsilä North America Inc. has joined the Customs-Trade Partnership Against Terrorism (C-TPAT) agreement in 2003.

Wärtsilä's OpExS management system

Wärtsilä's management system (Operative Excellence System, OpExS) aims to generate added value for Wärtsilä's various stakeholders, achieve strategic objectives, manage operating risks and enhance the company's performance. The system includes a range of tools, such as systems for managing quality, environmental management, and occupational health and safety.

The underlying principle of the management system is to continuously improve the company's operations, products and the whole supply chain. Targets are set for each level of the organization. The management reviews monitor the effectiveness of the system, the achievement of targets and key performance indicators.

Wärtsilä's Board of Management is responsible for defining the main strategies, principles and poli-



cies and for the management system itself. The Board of Management regularly monitors the effectiveness and performance of the management system. Responsibilities are distributed to the line organization at all levels of the company and the management system defines a specific sphere of responsibility for each Wärtsilä employee. Work groups for developing the management system are appointed at the corporate level and in most Wärtsilä subsidiaries.

Wärtsilä's Board of Management has approved the following policies:

- Quality Policy 2002 – director responsible: Lars Hellberg, Engine Division
- Environmental Management Policy 1999 – director responsible: Matti Kleimola, Technology and Environment
- Occupational Health and Safety Policy 2001 – director responsible: Kari Hietanen, HR and Legal Affairs

Risk management

The principles and methods of risk management are presented in this Review on pages 44 – 46.

Product liability

Wärtsilä endeavours to develop environmentally sound, reliable and safe products. The long service life of Wärtsilä's products also means that most of their environmental impacts occur during their operation. Wärtsilä supports its customers throughout the entire service lives of Wärtsilä products by developing environmentally sound solutions, and also offering them for use with products that are already in operation. Engine and component reconditioning lengthens the service life of products, while modernizing engines can improve the performance of power plants to the level where they meet both exist-

Management systems

	Environment ISO 14001	Quality ISO 9001
Share of certified Wärtsilä companies %	55	84

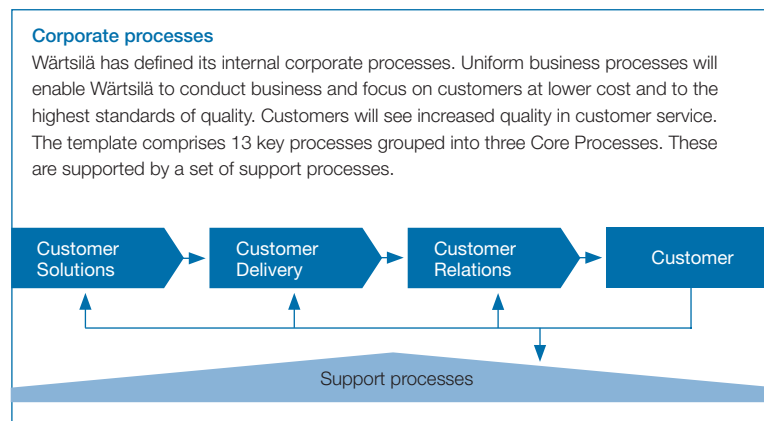
In addition, 11 companies have OHSAS 18001 certification

ing and future requirements. Wärtsilä offers comprehensive round-the-clock customer support that allows customers to utilize Wärtsilä's expertise.

Wärtsilä's engines are designed to meet the requirements of the European Commission's Machinery Directive, the SOLAS Convention, and other relevant safety directives, while Wärtsilä's propulsion systems are designed to comply with SOLAS and the safety requirements of other relevant classification bodies. Boiler plants are designed to fulfil the requirements of the Machinery Directive and other pertinent directives such as the PED, ASME and CE safety requirements, in line with national requirements. New types of engines and boiler plants must also meet international safety requirements. Type approval is acquired from classification societies before new products are launched. Wärtsilä's products are delivered with appropriate user guides that include basic information about the products and full instructions for their use.

Supply chain management

Wärtsilä's management system also covers supply chain management. Wärtsilä regularly supervises the performance of its suppliers. The company has common requirements for its suppliers, and uses performance indicators and audits to ensure these requirements are met. The requirements address general aspects and issues relating to quality, specific products, environmental management, and occupational health and safety. Suppliers must comply with these requirements to receive approved supplier status. The main priorities in Wärtsilä's supplier evaluations are supplier selection, conformance to requirements, and performance reviewing. In 2004 Wärtsilä conducted 30 supplier audits related to compliance with the requirements Wärtsilä has set for its suppliers.



Stakeholder engagement

Wärtsilä and its stakeholders

Wärtsilä's aim is to engage in open and constructive dialogue with its various stakeholders. Wärtsilä actively maintains relations with its stakeholders, developing its activities, products and services based on the feedback it receives from them. At the corporate level the company has defined its most important stakeholders to be its customers, owners, suppliers, employees and society. Wärtsilä's subsidiaries define their own primary stakeholders which, in addition to the above, could include local residents close to production plants, universities and public authorities. Priorities vary from one company to another.

Wärtsilä is continuously enhancing its reporting performance both on its own initiative and in response to feedback from its stakeholders.

Customers

Enhancing and deepening relations with customers is a continuous process for Wärtsilä. The company provides support tailored to the specific needs of each customer at the design, commissioning and operation stages of the equipment and systems it supplies. Dialogue with customers is vital to developing operations, products and services. Besides daily contact with customers, Wärtsilä has also adopted various tools to improve its customer relations and increase dialogue with customers.

In its main markets Wärtsilä regularly organizes customer events for existing and potential customers. In 2004 the Power Plants business held customer days in the USA and India. The Power Plants business also held a series of seminars on gas power plants in ten countries, which attracted 1,100 existing

and potential customers. Ship Power arranged 60 customer events in 25 countries and participated in 40 marine congresses and exhibitions.

Wärtsilä introduced a new system for measuring customer and quality satisfaction called Customer Relationship On-Line (CROL) during 2004. The system is used to measure customer satisfaction in individual projects from the sales stage to delivery and service during operation. The coverage of customer satisfaction assessment by Wärtsilä has broadened as a result and the processing of feedback is now faster. Part of the system requires Wärtsilä to conduct self-assessments, the results of which are compared with feedback received from customers. This allows the company to respond rapidly to any discrepancies during the project itself. Business managers regularly monitor customer satisfaction in their own areas and decide independently on any improvements necessary.

Wärtsilä has further developed its customer feedback system related to products, services and performance. Any action to be taken is also agreed with customers. The latest stage in this work has been to integrate the system within Wärtsilä's enterprise resource planning system.

Suppliers

Wärtsilä's sourcing organization maintains open and active dialogue between the company and its suppliers. In many cases suppliers and Wärtsilä develop processes and products jointly. Wärtsilä also chooses a "Supplier of the Year" every year.

Wärtsilä regularly organizes Supplier Days around the world. In 2004 these were held in Turku, Finland, and in Trieste, Italy. The main theme of these events was the trans-

fer of manufacturing operations from Turku to Trieste. The Turku event was attended by 46 suppliers and the day in Trieste by 32 suppliers. Wärtsilä's supplier management system defines the processes for choosing suppliers, for setting out Wärtsilä's requirements, and for developing the supplier relationship. Wärtsilä offers its suppliers a partnership in order to strengthen the competitiveness of both parties. To work effectively, partnership requires open and continuous dialogue.

The concept of partnership is also applied in Wärtsilä's research and development activities, as these often require close co-operation with universities and key suppliers.

Employees

Wärtsilä emphasizes open and continuous dialogue between the management and employees. Wärtsilä also maintains discussion with its employees in Europe within the framework of its long established European works council (EWC) and national statutory bodies.

Wärtsilä holds regular information meetings for personnel to discuss issues of current interest in the company. Dialogue at the individual level takes place in the form of development discussions, which are held every year.

Suggestions for improvement are a direct means of influencing the company's development. Each Wärtsilä employee is encouraged to offer suggestions for improvement either through the company's continuous improvement process (CIP) or by submitting individual proposals. In the former case suggestions are discussed jointly and put into action by unanimous agreement. Individual proposals are assessed by appointed experts and, if considered feasible, are put into effect.

Wärtsilä also encourages its people to be innovative by awarding an annual Technology Prize either to an individual employee or to a team for the best technical innovation of the year. The criteria underlying this award are innovativeness, environmental friendliness, promoting technological leadership, product/process improvement, and scope for reducing costs.

Wärtsilä regularly commissions surveys to assess employee satisfaction in the company. In 2004 these surveys related to internal communications and employee job satisfaction. Wärtsilä is using the results of these surveys to make the necessary improvements.

Shareholders, investors and financiers

Wärtsilä publishes information on its targets and goals, financial position and operations through stock exchange and press releases, its website, an investor magazine, an annual report and interim reports. The company publishes its financial results four times a year and at the same time holds a conference for analysts. Wärtsilä's top management meets investors, financiers and investment analysts and the company regularly arranges a Capital Markets Day. All the material produced for these events is available to investors on the Internet. To improve communication with investors Wärtsilä participates in annual investor communications studies which allow the company to benchmark its performance against other companies.

The media

The media of primary importance to Wärtsilä are the Finnish media, international business and financial journals, the trade publications of the maritime and energy businesses, and the local media in areas where Wärtsilä has significant operations. The media are sent Wärtsilä's releases and main annual publications. The company maintains regular contact with the me-

dia through meetings and visits to its places of operation. Conferences are held when financial results are released and also in conjunction with events of major importance. In Finland Wärtsilä participates in surveys conducted among Finnish financial journalists in order to improve its service to the media.

Public relations

Wärtsilä wishes to act as a good corporate citizen. Wärtsilä pursues a policy of open communication and good co-operation with its stakeholders wherever the company operates.

Local stakeholders are the families of employees, residents living close to Wärtsilä factories or other units, local decision-makers, public officials, educational institutions and the local media. Wärtsilä's local companies arrange Open Days for their stakeholders. They also present the company to local schoolchildren and students, decision-makers and the media. Wärtsilä works closely with public officials in areas including environmental protection and occupational health and safety. During 2004 special attention was given to the needs of stakeholders in Turku and Mulhouse.

Students

Wärtsilä maintains close contact with the technical and business universities in order to secure the availability of competent employees in the future. Wärtsilä offers students the opportunity for practical training and the chance to complete master's degree theses on subjects relevant to the company. During 2004 the company employed roughly 360 trainees and apprentices, most of them in Vaasa, Finland. Wärtsilä regularly attends recruitment fairs arranged for college and university students and it also sponsors certain student activities.

Students' opinions about Wärtsilä as a potential employer are monitored annually through surveys conducted among various student groups.

Participation in industrial and international activities

In Finland Wärtsilä plays an active role in working groups set up by the Confederation of Finnish Industries EK, the Central Chamber of Commerce and Technology Industries of Finland. Wärtsilä also participates in the following international associations: the European Association of Combustion Engine Manufacturers (Euro-mot), the Conference Board, the International Maritime Organization (IMO), the European Committee for Standardization (CEN), the International Organization for Standardization (ISO), the International Council on Combustion Engines (CIMAC), the IMD international business school in Switzerland, and the European Federation for Quality Management (EFQM). Wärtsilä is in regular contact with the World Bank on matters related to environmental technologies for power plants based on reciprocating combustion engines. Wärtsilä is also a member of the following organizations that focus on power plant performance and emissions: Cogen Europe, VDMA in Germany and SCSMI in France. Contact with the United Nations Economic Commission for Europe (UNECE) is organized via various ministries of the environment. Wärtsilä companies play an active role in the industrial and trade organizations in their respective areas.

More information of Sustainability development is available in the Sustainability Report.

Risk management

Risk management principles

Risk management is a continuous process of analysing and managing all the opportunities, threats and risks faced by the company to achieve the goals set and to ensure the company remains a going concern. The basis for risk management is the quality of Wärtsilä's operations and products, and the continuous, systematic loss prevention work at all the levels of the Group on the principle that "everybody is responsible". In the long term this is the only way to reduce the total risk costs.

The Wärtsilä Businesses are responsible for their operational risks and for mitigating and covering them.

The risk management function is subordinate to Group Treasury, which reports to the CFO.

Hazard risk

Risks that cannot be controlled internally are transferred, if possible, through insurance. The objective is that property damage, business interruption and general third-party and product liability risks are covered by proper insurance policies.

Reinsurance Company Vulcan Insurance Ltd. has been established as a risk management tool. Wärtsilä performs risk mapping in all major units every second year.

Environmental and social risks are monitored in the same way as other business risks, the main tool being Wärtsilä's management system OpExS. Management system tools, training and development of personnel competences, and active dialogue with stakeholders help the company to identify and reduce risks related to its operations and products.

Financial risk management

General

Wärtsilä has a centralized Group Treasury with two main objectives. It arranges adequate funding for the Group's underlying operations on competitive terms using debt and equity financing instruments. The Treasury also identifies and evaluates the financial risks within the Group and implements the hedges for the Group companies.

The objective is to hedge against unfavourable changes in the financial markets and to minimize the impact of foreign exchange, interest rate, credit and liquidity risks on the Group's cash reserves, profits and shareholders' equity.

The Financial Risk Policy is approved by the Board of Directors. The Treasury employs only such instruments whose market value and risk profile can be reliably monitored.

Foreign exchange risk

Foreign exchange exposures are monitored at the Business level. All fixed sales and purchase contracts are hedged on a net basis. The estimated commercial exposures are evaluated by the Businesses and the level of hedging is decided by the Board of Management. The hedges cover such time periods that both the prices and costs can be adjusted to new exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges its balance sheet position, which includes receivables and payables denominated in foreign currencies. Furthermore foreign exchange risks are managed by each Group company separately. These risks are reported to the Treasury on a continuous basis.

Some 54.3% of sales and 68.5% of operating costs in 2004 were de-

nominated in euros. The Group's profits and competitiveness are also indirectly affected by the home currencies of its main competitors: USD, GBP, JPY and KRW.

The instruments, and their nominal values, used to hedge the Group's foreign exchange exposures are listed in the notes to the financial statements, page 29.

Since Wärtsilä has subsidiaries outside the euro zone, the Group's shareholders' equity is sensitive to exchange rate fluctuations. At the end of 2004 the net asset value of Wärtsilä's foreign subsidiaries outside the euro zone totalled EUR 210 million, of which EUR 188 million was hedged.

Interest rate risk

Wärtsilä is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk) and also through changes in interest rates (re-fixing on roll-overs). Wärtsilä hedges interest rate exposure by using derivative instruments such as interest rate swaps, forwards and options. Interest rate risk is managed by constantly monitoring the market value of the financial instruments and by using sensitivity analysis.

Interest-bearing loan capital decreased and at the end of 2004 totalled EUR 319.5 (524.3) million. The average interest rate was 3.4% (3.4) and the average re-fixing time 12 (10) months. The maturity profile, division by currency and other information on debt is provided on page 27 of the Financial Review. At the end of 2004 a one percentage point parallel change in the yield curve would have resulted in a EUR 6.2 million change in the value of the net debt portfolio.

Wärtsilä spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of

floating rate loans as a proportion of the total debt can vary between 30 – 70%. At the end of 2004 the floating rate portion of total loans was 35% after adjustment for interest rate derivatives.

Liquidity and refinancing risk

Wärtsilä guarantees sufficient liquidity at all times by efficient cash management and by keeping large enough committed and uncommitted credit lines available.

The existing funding programmes include:

- committed revolving credit facilities totalling EUR 330 million
- Finnish commercial paper programmes totalling EUR 600 million.

The average maturity of the long-term loans is 48 months and the average maturity of the confirmed credit lines is 27 months. Wärtsilä Group’s liquidity is good. Wärtsilä had cash reserves total-

ling EUR 168.5 million at the year end as well as EUR 330 million in non-utilized committed credit facilities and substantial Commercial Paper programmes. Wärtsilä minimizes its refinancing risk by having a balanced and sufficiently long loan portfolio. Information on the Group’s loans is given on page 27 of the Financial Review.

Credit risk

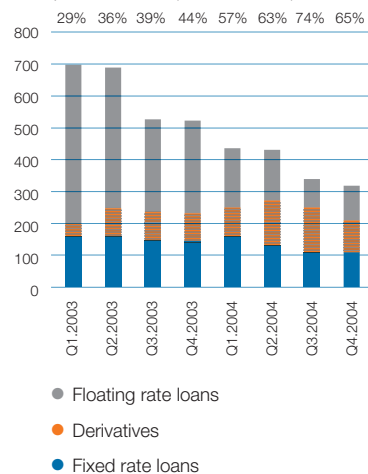
The responsibility for managing the credit risks associated with ordinary commercial activities lies with the Businesses and the Group companies. Major trade and project finance credit risks are minimized by sharing these risks with banks, insurance companies, export credit organizations and suppliers. The company’s long-term receivables from suppliers’ credits totalled EUR 20.2 million at the end of 2004. No losses were recorded on suppliers’ credits.

Credit risks related to the placement of liquid funds and to trading in financial instruments are minimized by setting explicit limits for the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

The Group companies deposit all their liquid financial assets with the centralized treasury (Wärtsilä Finance) if local laws and central bank regulations allow it. The Group’s funds are placed in instruments with sufficient liquidity (short-term bank deposits or Finnish Commercial Papers) and rating (at least single-A rated instruments or other instruments approved by the Group CFO). These placements are constantly monitored by Wärtsilä Finance and Wärtsilä does not expect any defaults from the placements.

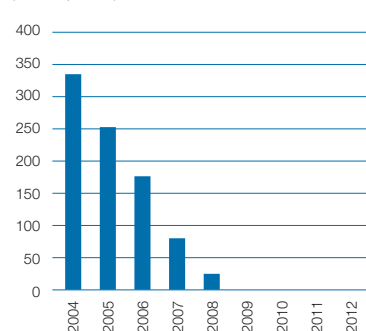
Wärtsilä Group’s loans

Fixed portion of loans (incl. derivatives)



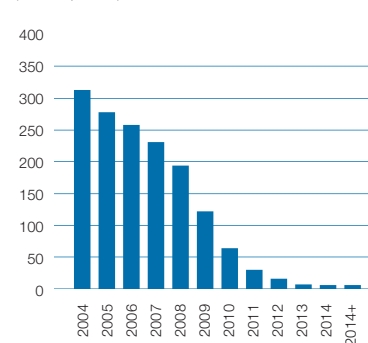
Wärtsilä revolving credit lines

(end of period)



Wärtsilä long-term loans

(end of period)



Equity price risk

Wärtsilä has investments in publicly quoted shares (see page 30 in the Financial Review). The market value of these shares at the end of 2004 was EUR 237 million. The company also has equity investments in power plant companies totalling EUR 39.2 million.

Commodity price risk**Oil**

The direct effect of oil price changes on production in Wärtsilä is quite

limited. The indirect effects of oil price volatility on customers are outweighed in importance by the long economic life of the investments and the availability of alternative fuels.

Metals

The Propulsion Business hedges its exposures on different metal prices. These risks are small from the Group's perspective. The profit/loss of the hedges is booked directly in the Income Statement. Metal prices have an indirect effect on engine

component cost. This exposure is not hedged but annual agreements are in place to balance the short-term fluctuations.

Imatra Steel passes the price changes of scrap and alloys to its product prices.

Electricity

The price of electricity is an important component in steel production. The price risk is mitigated by long-term electricity purchase agreements entered into by Imatra Steel.

Wärtsilä's risk management organization 2004

Risks	Policy or other guidelines ¹⁾	Responsible body
Business risks	Wärtsilä's strategy and business plans	Board of Management Wärtsilä's Businesses
Supply chain risks	Supplier requirements Supplier relation management	Wärtsilä's Businesses and sourcing function
Technology risks	Patents and industrial rights Product guarantees	Wärtsilä's Businesses and technology function
Product responsibility and safety	Safety instructions and manuals Risk management policy	Wärtsilä's Businesses and risk management function
Personnel risks	Human resources policy Safety instructions and manuals OHS policy and system (OHSAS 18001) Risk management policy	Wärtsilä's Businesses and Wärtsilä's human resources function
Data security risks	Data security principles	Wärtsilä's Businesses and IM function
Environmental risks	Environmental policy Environmental management systems (ISO 14001)	Wärtsilä's Businesses and environmental management function
Hazard, indemnity and third-party risks	Risk management policy and guidelines	Wärtsilä's Businesses and risk management function
Political risk	Risk management policy and guidelines	Wärtsilä's Businesses and risk management function
Financing risk	Treasury policy	Wärtsilä's Businesses and treasury function
Reputation risk	Code of conduct	Wärtsilä's stakeholder relations All Wärtsilä employees

The policies and guidelines are described in the Group's internal Corporate Manual.

Glossary

Terms frequently used in Wärtsilä's publications.

Baseload = Power plants running for more than 6,000 hours/year, i.e. generating power for continuous use.

Biofuel = Biofuels are a large source of energy worldwide. They are derived from forest, swamp and agricultural biomass, and from organic solid, liquid and gaseous bio wastes recoverable from municipal, agricultural and industrial processes.

BioGrate = The patented BioGrate combustion technology is especially suitable for burning wood residue, bark and sawdust. BioPower's small power plant technology is based on BioGrate combustion technology.

Biopower = Biofuels are considered renewables; therefore biopower is viewed as a "clean" technology.

Boiler plant = The plant entity which includes the boiler and all the necessary equipment and auxiliary components needed for operating the plant processes.

Bow thruster = A transverse thruster mounted in the bow of a ship to make manoeuvring easier in harbours.

cgt (compensated gross tonnage) = The compensated tonnage of a ship, i.e. the ship's volume adjusted (compensated) by a factor to render the amount of work at the yard equivalent for different types and sizes of ship.

CIPS (Coastal and Inland Propulsion System) = A tailor-made propulsion system with small fixed pitch propellers (diameter below 3.5 m) suitable for inland navigation vessels, fishery vessels, coasters and luxury (mega) yachts.

CO₂ = Carbon dioxide. A component in exhaust gases formed when fossil fuels are burned. CO₂ is the most significant greenhouse gas in the atmosphere; it prevents thermal radiation entering the atmosphere from being reflected back into space.

Cogeneration = The simultaneous generation of electricity and heat. Also called Combined Heat and Power (CHP) = This method raises total efficiency to above 90% since the heat produced by power generation is recovered and used, for example, in industrial processes or to supply district heat.

Combined cycle technology = The use of two different power generation processes, e.g. fuel engines and steam turbines, in the same power plant. The second process utilizes the heat recovered from the first.

Common rail = A method of fuel injection that eliminates the principle of one pump/cylinder. The common rail is constructed from a series of accumulators inter-connected by small-bore piping. The injection pressure is adjusted as desired and the injection timing (start and stop) controlled electronically. Wärtsilä has used common-rail technology to develop the "smokeless engine", which also reduces NO_x and CO₂ emissions.

Controllable pitch propeller (CPP) = A propeller whose pitch can be controlled (changed) by rotating the blades during a voyage with a hydraulic or electro-mechanical system in the propeller's hub.

DCC (Diesel Combined Cycle) = Technology utilizing waste heats from diesel engine for additional electricity generation via a steam turbine.

Decentralized power plant = A small local power plant for small towns, communities or industrial processes i.e. close to consumption.

DWI (Direct Water Injection) = A method in which water is injected into the engine cylinders prior to fuel injection in order to reduce nitrogen oxide emissions. Direct water injection reduces the combustion temperature and therefore the formation of nitrogen oxides.

DWT (dead weight tons) = The difference between the displacement and the light-weight of a ship, i.e. the combined weight of its cargo, passengers, crew, stores, fuel and other liquids.

EEQ (Engineering equipment) = Engineering and delivery of equipment for a power plant.

Efficiency (power generation) = The ratio between the input fuel energy and the power produced. The total efficiency of a power plant means the amount of total fuel energy that can be converted into electricity and heat.

Electrical efficiency = In simple cycle, the ratio between the input fuel energy and the electrical energy produced.

EnviroEngineTM = An environmentally sound diesel propulsion package developed jointly by Wärtsilä and Carnival Corporation for marine vessels. Combines the use of common rail and DWI, CASS and other environmentally sound technologies.

EPC (Engineering procurement construction) = Turnkey delivery = A power plant delivered to the customer ready for operation.

Eutrophication = A process by which pollution from such sources as sewage effluent or leachate from fertilized fields causes a lake, pond or fen to become over-rich in organic and mineral nutrients, so that algae grow rapidly and deplete the oxygen supply.

Extra dividend = A supplementary dividend distributed to shareholders on the decision of a General Meeting if the company has extra assets which it will not use for business development or acquisitions.

Face seal = A non-polluting seal (e.g. Coastguard) that eliminates oil loss from a ship's outboard seal, even when this is fouled or badly damaged. The face seal is suitable either for retrofitting to existing vessels or for use on new tonnage, especially cruise vessels, tankers, bulk carriers, RoRo vessels and offshore applications.

FGD (Flue Gas Desulphurization) = Secondary emission reduction technology for emissions of sulphur oxides. Examples include alkali scrubbing and semidry FGD using quicklime or calcium carbonate scrubbers.

Fixed pitch propeller (FPP) = A monoblock (cast in one piece) or built propeller optimized for only one operating condition.

Four-stroke engine = An engine in which the pistons complete their power stroke every second crankshaft revolution.

FSN (Filter Smoke Number) = A unit defining the amount of smoke. When measuring, exhaust gas is fed through a special filter element, the colour of which is then analysed optically.

Fuel cell = Fuel cells are electrochemical devices (disks) that convert the energy of a fuel through a chemical reaction directly into electrical energy and heat. The basic physical structure or "building block" of a fuel cell consists of an electrolyte layer in contact with a porous anode and cathode on either side of it.

Fuel cell stack = A fuel cell stack is a multi-layer sandwich of fuel cells and interconnecting plates. The disks function as channels for distributing fuel gas and oxygen to the cells and also as an electrical conductor to couple the repeating cells in series. Piling a sufficient number of cells in series raises the stack voltage and power to the optimum level. See also Solid oxide fuel cell.

Gas compression = The raising of gas pressure and density for further processing. This makes it possible to use smaller storage tanks or pipes to transport a given quantity of gas.

Gasification = The production of fuel gas from biofuel for heat and/or power generation.

GT (gross tonnage) = The gross tonnage of a vessel, i.e. its total enclosed volume.

HFO = Heavy fuel oil.

High-powered special vessels = Passenger or naval vessels able to travel at high speeds.

High-speed engine (diesel/gas) = An engine running at speeds over 1,200 rpm (revolutions per minute).

Hot combustion = A method that raises the temperature of the engine exhaust gases by reducing the air intake and isolating the combustion chamber. This increases total efficiency and enhances the engine's suitability for combined cycle technology.

IMO = The International Maritime Organization.

Independent Power Producer (IPP) = A private corporation producing electricity for sale on a national grid. Also an IPP power plant.

Lean-burn gas engine = A gas-fired engine in which the gas-air mixture in the engine's cylinders contains substantially more air (roughly double) than required for complete combustion of the gas. The over-abundance of air achieves high output and efficiency combined with low nitrogen oxide emissions.

Licensee = A company authorized to manufacture under licence and that pays royalty fees on the products sold. Wärtsilä's low-speed Sulzer engines are mainly manufactured under licence.

Lip seal = (e.g. MKII) Multi-barrier type of sealing system. Applicable to any size or type of vessel. Highly resistant to wear and fouling.

LNG carrier = A ship transporting liquefied natural gas (LNG) as cargo.

Load management = Meeting varying demand for power, e.g. producing more or less energy as required.

Low NO_x technology = A method for reducing nitrogen oxide emissions that also raises engine efficiency. Emission levels are reduced by regulating the combustion temperature in the cylinders and the duration of the fuel injection.

Low-speed engine = An engine running at speeds below 300 rpm.

Medium-speed engine (diesel/gas) = An engine running at speeds of 300–1,200 rpm.

Multifuel engine = A Wärtsilä engine running on both gaseous and liquid fuels. Engines denoted DF (dual-fuel) and GD (gas-diesel) are multifuel engines.

Multipurpose container carrier = A freighter carrying primarily containers but also able to transport other unitized cargo.

NO_x = Nitrogen oxides (NO and NO₂). Products formed during the combustion of nitrogen in both the fuel and combustion air. Nitrogen oxides contribute to local eutrophication and acidification.

NT (net tonnage) = The net tonnage of a vessel, i.e. the volume of its payload spaces.

O&M = Operations and Maintenance.

OEM = Original Equipment Manufacturer.

Offshore = Industrial activity at sea, e.g. drilling and pumping at an oil or gas well.

Operations agreement = Operations & Maintenance (O&M) = Full performance and operational responsibility for the plant, its engines and auxiliary systems.

OpExS (Operative Excellence System) = This system, which covers all Wärtsilä's operations, aims to generate added value for Wärtsilä's various stakeholders. The system addresses issues including quality, the environment, occupational health and safety, continuous improvement process and self-assessment.

Orimulsion® = An emulsion of Orinoco bitumen and water that can be used as fuel, produced in Venezuela.

Panamax vessel = A vessel whose main dimensions (beam/length/draught) are limited to enable the vessel to negotiate the Panama Canal.

Post-panamax vessel = A vessel too large for the Panama Canal. Generally refers to cruise ships and large container ships.

Propulsion package = The propulsion train used to drive a ship (propeller, reduction gear, engine, etc.).

Pyrolysis = The production of a fuel gas which can be processed as oil and which is combustible in boilers or diesel engines. This is still at the R&D stage although pilot plant projects exist.

Reduction gear = The core function of a reduction gearbox is to convert the speed of a main engine to the optimum propeller revolutions.

Ropax vessel = Combined RoRo and passenger ship, a ship equipped with large RoRo decks and limited passenger facilities.

RoRo vessel = Roll-On/Roll-Off, a ship designed for carrying vehicles and wheel based cargo, which are driven onboard and ashore.

Selective Catalytic Reduction (SCR) = A method to reduce NO_x emissions using a catalytic converter fitted to the engines exhaust piping. The catalytic converter requires the addition of an ammonia or a urea solution to the exhaust gases.

Semi-submersible vessel = A vessel designed to be partially submerged to perform a specific task (e.g. semi-submersible oil or gas drilling rigs).

Service agreement = A service agreement covers all aspects of maintenance and service for optimizing a power plant's lifecycle. This can include everything from parts supply and daily assistance, inspection and maintenance to implementation of agreed performance targets and even complete operations & maintenance packages for the installations.

Shaft efficiency (engine) = The ratio between the mechanical power measured on the engine shaft and the chemical power of the input fuel.

Shaft output = The power output developed by the engine's crankshaft.

Simple cycle = Power generation using only a thermal prime mover.

SO₂ = Sulphur dioxide. Formed by the combustion of sulphur when burning sulphur-containing fuels. Sulphur dioxide contributes to acidification.

SOFC (Solid oxide fuel cell) = The fuel for a SOFC can be hydrogen, natural gas or diesel. Fuel cells offer very low emissions, high electrical efficiency and outstanding reliability. They are very suitable for the production of power in decentralized stationary (CHP) and marine applications.

Steerable thruster = A 360-degree vertically rotatable propulsor with FPP or CPP, which applies thrust in any direction and thus achieves superior manoeuvrability. Steerable thrusters can be used for both offshore (dynamic positioning) and seagoing (free-running) applications.

TEU (Twenty-foot equivalent unit) = 1 TEU is equivalent to the capacity of one 20-ft long container; hence a 12,500 TEU container-ship can in principle carry 12,500 20-ft long containers. The TEU takes no account of a container's weight.

Thermal efficiency = The ratio between the mechanical power measured on the engine shaft and the chemical energy of the input fuel.

Traditional fuel injection = Mechanically controlled fuel injection. Each engine cylinder has its own fuel injection pump and the pumped fuel is fed directly into the cylinder.

Turbocharging = The pressure of the air fed into the cylinder is raised using the energy in the engine's exhaust gas. This increases the amount of air in the cylinder, allowing injection of a higher quantity of fuel for greater output.

Turnkey power plant = A power plant delivered to the customer ready for operation.

Two-stroke engine = An engine in which the pistons complete their power stroke every crankshaft revolution.

ULCC tanker = Ultra Large Crude Carrier, an ocean-going supertanker designed to carry extremely large amounts of crude oil (>300,000 dwt).

VLCC tanker = Very Large Crude Carrier, an ocean-going supertanker designed to carry large amounts of crude oil (200,000 – 299,000 dwt).

Waterjet = A propulsor that uses a pump to accelerate waterflow. The momentum generated by the acceleration of the flow results in a force that propels a ship.

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