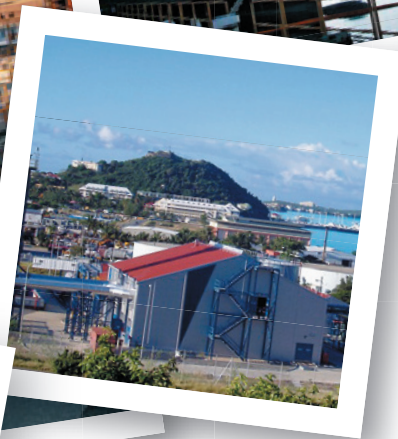




WÄRTSILÄ



INTERIM REPORT  
'06  
JANUARY-MARCH



**ORDER INTAKE 51 % HIGHER THAN IN SAME PERIOD LAST YEAR – PROFITABILITY ON TRACK**

**FIRST-QUARTER HIGHLIGHTS:**

- Net sales from comparative operations grew to EUR 591.9 million (483.8)
- Operating income from comparative operations improved to EUR 35.9 million (29.3)
- Profitability 6.1% (6.0)
- Order intake grew 51.0% to EUR 1,023.4 million (678.0)
- Order book at new record level EUR 3,415.4 million (2,066.9)
- EPS increased to EUR 0.55 (0.33)
- Profitability estimate for full year unchanged

**REVIEW PERIOD JANUARY – MARCH 2006 IN BRIEF**

Wärtsilä's business comprises the Ship Power, Services and Power Plants businesses. Imatra Steel, reported as the company's second business segment in 2005, was transferred to Oy Ovako Ab. For comparability reasons net sales and operating income are presented without Imatra Steel.

MEUR	1-3/2006	1-3/2005	2005
Net sales	591.9	483.8	2,520.3
Operating income	35.9	29.3	202.5
Income before taxes	40.0	42.2 <sup>1</sup>	212.4
Earnings / share, EUR	0.55	0.33	1.80
Interest-bearing net debt at end of period	435.5	270.7	255.9
Gross capital expenditure	39.6	132.3	231.1

<sup>1</sup>The first-quarter result 2006 includes Wärtsilä's share of Ovako's profit after taxes, EUR 6.7 million. The figure in the comparison period includes Imatra Steel's pretax profit of EUR 16.5 million.

**ORDER INTAKE GREW 51 %**

The order intake totalled EUR 1,023.4 million (678.0), representing growth of 51.0%. Most new orders were registered in the Ship Power business, where the order intake was EUR 501.5 million (298.9) or 67.8% higher than one year earlier. The first quarter order intake for the Power Plant business grew to EUR 138.0 million (120.7).

Wärtsilä's order book at the end of the review period reached an all-time high, EUR 3,415.4 million (2,066.9), up 65.2% on the previous year.

**Order intake by business**

MEUR	1-3/2006	1-3/2005	Change (%)	2005
Ship Power	501.5	298.9	67.8%	1,545.3
Services	382.8	257.4	48.7%	1,077.1
Power Plants	138.0	120.7	14.4%	865.2
Order intake, total	1,023.4	678.0	51.0%	3,491.1
Order book, total	3,415.4	2,066.9	65.2%	2,905.7

**NET SALES AND PROFITABILITY**

Wärtsilä's consolidated net sales from the comparative operations for the first quarter of the year totalled EUR 591.9 million (483.8), representing growth of 22.3%. The comparative operating income rose to EUR 35.9 million (29.3). The Group's profitability improved to 6.1% (6.0).

**Net sales by business**

MEUR	1-3/2006	1-3/2005	Change (%)	2005
Ship Power	151.6	133.9	13.3%	710.3
Services	299.7	237.9	26.0%	1,093.1
Power Plants	139.7	109.4	27.8%	710.3
Other	0.9	2.7		6.6
Total	591.9	483.8	22.3%	2,520.3

Financial items amounted to -2.6 million (-4.5). Net interest totalled EUR -3.0 million (-3.9).

Income before taxes amounted to EUR 40.0 million (42.2). The first-quarter result 2006 includes Wärtsilä's share

of Ovako's profit after taxes, EUR 6.7 million. The figure in the comparison period includes Imatra Steel's pretax profit of EUR 16.5 million.

Taxes amounted to EUR 12.2 million (-11.7). Taxes include deferred tax assets totalling EUR +25.5 million related to previously recognized restructuring expenses.

The earnings per share improved to EUR 0.55 (0.33).

**FINANCING**

Wärtsilä's cash flow from operating activities was EUR -1.7 million (6.9). Capital was tied up in inventories due to an increase in business volume.

Liquid funds reserves at the end of the period amounted to EUR 114.8 million (140.7). Net interest-bearing loan capital totalled EUR 435.5 million (270.7). The solvency ratio was 41.9% (40.2) and gearing was 0.41 (0.28).

**CAPITAL EXPENDITURE**

Gross capital expenditure in the first quarter totalled EUR 39.6 million (132.3), which comprised EUR 17.0 million (116.3) in acquisitions and investments in securities and EUR 22.5 million (16.0) in production and information technology investments. Depreciation amounted to EUR 17.6 million (17.2).

**HOLDINGS**

Wärtsilä owns 17,270,350 shares in Assa Abloy AB (publ), or 4.7% of the total. This holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 264.6 million from which deferred tax liabilities totalling EUR 61.6 million has been recorded.

Wärtsilä's holding in Oy Ovako Ab is 26.5%. The balance sheet value of this holding at the close of the period was EUR 113.4 million. Furthermore Wärtsilä has granted a shareholder's loan of EUR 21.2 million to Ovako. Ovako has repaid the loan in April, 2006. Wärtsilä has recorded EUR 6.7 million as its share of this associated company's result for the period 1-3/2006.

In March it was announced that the shareholders of Oy Ovako Ab are conducting a review of strategic options for their holding in Ovako, which may include a partial or total divestment of their shareholdings.

**PERSONNEL**

Wärtsilä had 12,286 (12,231) employees on average during the first quarter and 12,605 (12,322) at the end of March. The largest personnel increases took place in the Services business.

**CHANGES IN MANAGEMENT**

Jaakko Eskola (47) MSc (Eng.) was appointed Group Vice President, Ship Power and a member of the Board of Management with effect from 1 April 2006. Mr Eskola joined Wärtsilä in 1998.

Executive Vice President and head of the Ship Power Business, Mikael Mäkinen, left Wärtsilä to join another company on 1 April 2006.

Christoph Vitzthum (36) MSc (Econ.) was appointed Group Vice President, Power Plants and a member of the Board of Management with effect from 1 April 2006. Mr Vitzthum joined Wärtsilä in 1995.

Pekka Ahlqvist MSc (Eng.) MBA, reached 60 years of age in spring 2006 and was then entitled to retire under the terms of his employment contract. He will continue to be employed by the company with responsibility for strategic management of Wärtsilä's automation activities.

Matti Kleimola, Prof. CTO, Group Vice President, Technology and Environment, retired on 1 May 2006 having reached the retirement age stipulated in his employment contract. Professor Kleimola will continue to act as an advisor to the Board of Management in matters related to Wärtsilä's field of technology.

#### STRATEGY – ACTIONS TO SUPPORT GROWTH

Wärtsilä's strategic goal is to maintain the leading position in its field and to grow further by providing customers with the best lifetime efficiency and reliability in the market through an integrated offering that meets their business needs throughout the world. Wärtsilä will also grow by adding to the offering new products and services that will help customers operate their power systems more efficiently and safely. Wärtsilä will increase its capabilities in automation, as well as strengthen its offering of solutions for environmentally safe and reliable power system operation through a combination of organic growth, partnerships and acquisitions.

#### STRATEGIC STEPS DURING THE REVIEW PERIOD

During the first quarter Wärtsilä took several steps which support these strategic objectives:

In February Wärtsilä acquired Aker Kvaerner Power and Automation Systems AS (AKPAS) from Aker Kvaerner. AKPAS supplies power and automation systems for the oil and gas, marine and industrial markets. The company operates mainly in the North Sea region with major oil and gas companies and Norwegian shipyards. The acquisition supports Wärtsilä's growth strategy and it will enhance Wärtsilä's product portfolio and system integration capabilities in electric propulsion, power distribution and automation, especially in the oil and gas and offshore sectors. After becoming part of Wärtsilä the company was renamed Wärtsilä Automation Norway AS. The company has been consolidated as of 1 March 2006. The company has 135 employees.

In February Wärtsilä announced that it will acquire the entire business and all subsidiaries of Total Automation Ltd, a Singapore-based public marine automation company. In addition to general marine automation, Total Automation has a strong foothold within the offshore and LNG sectors. The company focuses on refit projects and service work. The customers are multinational companies, shipyards and ship owners. The transaction complements Wärtsilä's earlier automation acquisitions in Europe and North America. It enables Wärtsilä to provide comprehensive automation services. The transaction will be closed in the second quarter of 2006.

In March, Wärtsilä and the BLRT Grupp of Estonia agreed on a second joint venture to service ships in the Baltic area. The joint venture will be owned 51% by Wärtsilä and 49% by the BLRT Grupp and will be located in Lithuania.

SHARES AND SHAREHOLDERS	1-3/2006	1-3/2005	2005
Trading in Helsinki, shares	30.4%	19.0%	88.0%
Trading in Helsinki, votes	10.5%	6.9%	36.3%
Trading on the SEAQ, shares	2.8%	3.8%	12.0%
Foreign ownership at end of period	27.2%	17.9%	24.1%

SHARES AT 31 Mar. 2006	A share	B share	Total
Number of shares	23,579,587	70,538,104	94,117,691
Number of votes	235,795,870	70,538,104	306,333,974

#### SHARE ON HELSINKI STOCK EXCHANGE

1 Jan. – 31 Mar. 2006	High	Low	Average <sup>1</sup>	Number
	EUR	EUR	EUR	
A share	32.45	24.80	28.77	380,400
B share	32.28	24.80	28.77	28,216,962

<sup>1</sup>Trade-weighted average price.

#### MARKET CAPITALIZATION

	31 Mar. 2006	31 Mar. 2005	31 Dec. 2005
MEUR	2,879.5	1,888.0	2,348.9

#### OPTION SCHEMES

The decision of Wärtsilä's annual general meeting to pay an extra dividend of 0.60 euros per share reduced the subscription price of the B share under Wärtsilä's 2001 and 2002 stock option schemes by the amount of extra dividend, as stipulated in the terms and conditions of these schemes. Hence the subscription price of shares based on the 2001 options is 16.10 euros per share and based on the 2002 options 8.90 euros per share.

#### ANNUAL GENERAL MEETING

The annual general meeting on 15 March 2006 approved the Board of Directors' proposal to distribute a dividend of EUR 0.90 and an extra dividend of EUR 0.60 per share, i.e. a total of EUR 1.50 per share.

The AGM confirmed the number of Board members to be seven. The following were elected to the Board: Heikki Allonen, Göran J. Ehrnrooth, Risto Hautamäki, Jaakko Iloniemi, Antti Lagerroos, Bertel Langenskiöld and Matti Vuoria.

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

The Meeting authorized the Board for one year to repurchase and dispose of the company's own Series A and B shares in proportion to the total number of shares in each series provided that the total nominal value of the shares so purchased, and the votes carried by these shares, shall not exceed ten per cent (10%) of the company's total share capital and voting rights. This authorization has not been exercised during the reporting period.

#### CONSTITUTIVE MEETING OF THE BOARD OF DIRECTORS

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

##### Audit Committee

Chairman, Antti Lagerroos; Members, Heikki Allonen, Risto Hautamäki and Matti Vuoria.

##### Nomination Committee

Chairman, Antti Lagerroos; Members Göran J. Ehrnrooth and Matti Vuoria.

##### Compensation Committee

Chairman, Antti Lagerroos; Members Heikki Allonen and Jaakko Iloniemi.

#### BUSINESS REVIEW

##### SHIP POWER BUSINESS

MEUR	1-3/2006	1-3/2005	Change (%)	2005
Net sales	151.6	133.9	13.3%	710.3
Order intake	501.5	298.9	67.8%	1,545.3
Order book, end of period	2,079.8	974.0	113.5%	1,658.5

Net sales from the Ship Power business rose to EUR 151.6 million, up 13.3% on the previous year (133.9). The order intake showed continuous strong growth in the first quarter and was EUR 501.5 million (298.9) which were 67.8% more than last year. The order book stood at EUR 2,079.8 million (974.0) at the end of March.

Market segments important for Wärtsilä have remained active, as predicted. All segments related to oil and gas exploration, exploitation or transportation were very active during the review period. This was reflected in strong activity in offshore platforms and support vessels, as well as many orders for LNG carriers and further orders for tankers.

For Wärtsilä the first-quarter activity was particularly high in the LNG and offshore segments. LNG vessel powering by Wärtsilä 50 DF engines continued with several new orders. The first engine deliveries for vessel series to be built by Hyundai Heavy Industries took place in March. In the offshore sector Wärtsilä received many orders consisting of machinery and propulsion equipment for both deep water drilling rigs and support vessels. These rigs and vessels are built mainly at Asian shipyards. In the future, Wärtsilä will be in an even better position in this area, as it can offer integrated systems including vessel automation and power system solutions with its newly acquired products and competences. Other active segments during the period were cruise, passenger and Ropax vessels, and Wärtsilä booked various important orders from yards in Finland, France and Italy.

During the review period Wärtsilä's market share continued to grow in medium-speed main engines and at end of march the company had a 46% share of the market (compared to 45% at the end of 2005). The strong market share reflects how well the current market demand matches Wärtsilä's offering. Wärtsilä also increased its share in low speed main engines from 24% at the end of 2005 to 27%. In January Wärtsilä signed a licence agreement with the Brazilian company NUCLEPin (Nuclebrás Equipamentos Pesados S.A.). This signals Wärtsilä's strengthened position in low-speed engines which has made the company more attractive in the eyes of the potential licensed builders in emerging shipbuilding countries. Wärtsilä's market share for auxiliary engines rose from the year end to 10% (8). Wärtsilä's auxiliary engine factory in China will start production at the end of June. This will enhance the company's competitiveness in the auxiliary engine market.

#### SERVICES BUSINESS

	1-3/2006	1-3/2005	Change (%)	2005
Net sales, MEUR	299.7	237.9	26.0%	1,093.1
Order intake	382.8	257.4	48.7%	1,077.1
Order book, end of period	388.1	326.1	19.0%	303.3
Personnel, end of period	7,388	6,489	13.9%	7,200

Net sales from the Services business increased to EUR 299.7 million (237.9), representing growth of 26.0% compared to last year. Organic growth represented 16.6%.

Sales and services for low-speed engines continued to increase. Also services of a project nature and automation services showed an increase in demand.

Wärtsilä's Services business will continue to grow by broadening the portfolio of support, operation, maintenance and repair services.

#### POWER PLANTS BUSINESS

MEUR	1-3/2006	1-3/2005	Change (%)	2005
Net sales	139.7	109.4	27.8%	710.3
Order intake	138.0	120.7	14.4%	865.2
Order intake, MW				
HFO	189	151	25.6%	1,134
Gas	106	155	-31.6%	924
BioPower, MWth	124	58	114.1%	117
Order book, end of period	943.0	766.7	23.0%	943.9

Net sales from the Power Plants business increased to EUR 139.7 million (109.4), a growth of 27.8%. The order intake during the first quarter rose by 14.4% to EUR 138.0 million. The order book at the end of the first quarter was EUR 943.0 million which is 23.0% higher than in the comparison period.

The majority of the new orders were orders for oil-driven power plants, a segment largely dominated by Wärtsilä. The largest order in this sector was received from El Salvador. The largest orders in the gas power plants segment were received from Gabon, Japan and Bangladesh.

At beginning of April Wärtsilä was selected to supply a 163 MW gas power plant in Humbolt Bay, California. The agreement is subject to the approval of the California Public Utility commission and environmental permits issued by the California Energy Commission and will be recorded in the order book when permits have been approved. The plant is expected to enter commercial operation by mid-2009.

#### ENGINE MANUFACTURING

In order to meet the growing market demand Wärtsilä has decided to increase engine assembly and testing capacity in both Vaasa and Trieste. In addition, streamlining of the manufacturing process will raise efficiency and enable even more flexibility throughout the supply chain.

In February Wärtsilä acquired the machining capacity of Diesel Technology Solutions BV (DTS) in the Netherlands. DTS has been consolidated as of 1 March, 2006. The company has 82 employees.

These measures in combination with the investment plans now in place at many of Wärtsilä's key suppliers, coupled with a focused approach addressing capacity issues with the supply chain, Wärtsilä will be able to meet the increased market demand.

#### R&D

In efforts to develop environmentally sound technologies for its customers, the Wärtsilä's strong focus on gas technology applications has contributed to the success of both its marine and onshore applications in this growing market segment.

To support customers' continuous demand for higher reliability special focus has been given to the product validation process and activities in the validation centres.

Wärtsilä continues to broaden the 2-stroke engine and common rail (RT-flex) portfolio. The newest versions of the RT-flex84 and RT-flex68 respectively have been successfully delivered to customers.

The development of the RT-flex82 engine in cooperation with Hyundai Heavy Industries is proceeding according to plan. The start of the first engine on the test bed at Hyundai is scheduled for the end of 2007.

#### MARKET OUTLOOK 2006

Oil and gas related activities have been high at the beginning of the year and supported high vessel order volumes. In other segments demand has remained at last year's level. Order books in the shipbuilding industry are at a record high level after three historically high years of order activity. During the first quarter freight and charter rates slipped from the year end and have become more volatile. Furthermore, the strong increase in oil prices together with rising interest rates are set-

ting challenges for the world economy. Taken together these factors give reason to expect decreasing vessel order volumes, as predicted.

On the other hand the offshore industry, for example, is benefiting from high oil price and therefore investment willingness looks likely to continue. The high oil prices are also encouraging increased use of gas and therefore investments in LNG carriers and supporting infrastructure will continue. The cruise industry is still forecasting stable growth in passenger volumes and its need for new vessels for years to come.

In the near future Wärtsilä sees ordering activity continuing on a high level.

In the Power Plants market the situation remains good. The need for electric power to fuel economic growth remains unchanged. Geographically demand is distributed evenly, which is reducing dependency on single markets.

Services will continue to grow through new products, acquisitions, and as a result of the high utilisation of the engine base.

Wärtsilä stands well prepared for any downturn in the market as a result of the restructuring of its business and growth in the Services business.

#### WÄRTSILÄ'S PROSPECTS IN 2006

Wärtsilä maintains its forecast for the year unchanged. Demand in the ship power and energy markets looks likely to remain favourable for Wärtsilä for at least the following six months. Based on the strong order book Wärtsilä's net sales are expected to grow this year by as much as 20%. The profitability level reached in 2005 will remain. Wärtsilä's profitability varies considerably from one quarter to another. This pattern will repeat itself again during the current year. The first quarter, like last year, is likely to be the weakest, and the last quarter the best. Net sales are expected to show further growth in 2007.

#### NOTES TO THE INTERIM REPORT

This interim financial report is prepared in accordance with IAS 34 (Interim Financial Reporting).

#### Use of estimates

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

Amended and new International Financial Reporting Standards (IFRS) as of January 1, 2006:

Wärtsilä has adopted the following amended and new standards as of January 1, 2006:

IAS 39 Financial Instruments: Recognition and Measurement: Amendments after March 31, 2004:

-Cash flow hedges of forecast intra group transactions, issued on April 14, 2005, effective date January 1, 2006.

-Fair value option, issued on June 16, 2005, effective date January 1, 2006.

-Financial guarantee contracts, issued on August 18, 2005, effective date January 1, 2006.

The adoption of these amendments has not had any material effect on the first quarter financial statements.

Amendment to IAS 19: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, issued on December 16, 2004, effective date January 1, 2006. The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts in the annual report.

IFRIC 4 Interpretation: Determining whether an Arrangement contains a Lease, issued on December 2, 2004, effective date January 1, 2006. The adoption of this interpretation had an increase in investments for the period of 7.8 million euros. The impact in income statement is not material.

#### CONDENSED INCOME STATEMENT

MEUR	1-3/2006	1-3/2005	1-12/2005
Net sales	591.9	570.7	2,638.8
Other income	2.4	4.5	26.8
Expenses	-540.8	-511.7	-2,369.7
Depreciations and impairments	-17.6	-17.2	-71.6
Operating result	35.9	46.4	224.3
Financial income and expenses	-2.6	-4.5	-23.4
Net income from assets available for sales			0.5
Share of profit from associates	6.7	0.4	10.9
Profit before taxes	40.0	42.2	212.4
Taxes for the period	12.2	-11.7	-44.0
Profit for the financial period	52.2	30.5	168.4
Attributable to:			
Equity holders of the parent company	52.2	30.1	167.0
Minority interest	-0.0	0.4	1.4
Total	52.2	30.5	168.4
Earnings per share attributable to equity holders of the parent company:			
Earnings per share	0.55	0.33	1.80
Diluted earnings per share	0.55	0.32	1.78

**CONDENSED BALANCE SHEET**

MEUR	31 March 2006	31 Mar.2005	31 Dec.2005
<b>Non-current assets</b>			
Intangible assets	554.8	545.0	541.1
Property, plant and equipment	287.3	354.7	272.9
Equity in associates	115.7	23.3	108.5
Investments available for sales	323.4	213.5	284.4
Deferred tax receivables	96.9	71.7	77.6
Other assets	29.6	11.5	31.4
	1,407.7	1,219.7	1,315.8
<b>Current assets</b>			
Inventories	764.1	617.9	638.6
Other current assets	815.3	717.9	794.6
Cash and cash equivalents	114.8	140.7	119.6
	1,694.2	1,476.5	1,552.8
<b>Assets</b>	<b>3,102.0</b>	<b>2,696.2</b>	<b>2,868.6</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	329.4	323.9	329.4
Other shareholders' equity	775.1	662.5	823.8
Equity attributable to equity holders of the parent company	1,104.5	986.4	1,153.1
Minority interest	9.6	8.5	9.8
	1,114.1	994.9	1,163.0
<b>Non-current liabilities</b>			
Interest-bearing debt	223.3	255.1	229.4
Deferred tax liabilities	93.5	93.7	78.8
Other liabilities	71.8	90.4	69.0
	388.6	439.2	377.2
<b>Current debt</b>			
Interest-bearing debt	352.8	164.0	174.2
Other liabilities	1,246.5	1,098.1	1,154.3
	1,599.2	1,262.1	1,328.5
<b>Shareholders' equity and liabilities</b>	<b>3,102.0</b>	<b>2,696.2</b>	<b>2,868.6</b>

**CONDENSED CASH FLOW STATEMENT**

MEUR	1-3/2006	1-3/2005	2005
<b>Cash flow operating activities:</b>			
Profit before taxes	40.0	42.2	212.4
Depreciation and impairments	17.6	17.2	71.6
Financial income and expenses	2.6	4.5	23.4
Share of profit from associates	-6.7	-0.4	-10.9
Selling profit and loss of fixed assets and other adjustments	-0.9	-0.3	-13.3
Changes in working capital	-29.8	-31.3	-119.8
Cash flow from operating activities before financial items and taxes	22.8	31.8	163.3
Net financial expenses and paid income tax	-24.5	-24.9	-87.3
<b>Cash flow from operating activities</b>	<b>-1.7</b>	<b>6.9</b>	<b>76.0</b>
<b>Cash flow from investing activities:</b>			
Investments in shares and acquisitions	-17.0	-116.3	-152.2
Net investments in tangible and intangible assets	-12.0	-12.6	-27.8
Proceeds from sale of shares	0.4	0.6	0.7
Cash flow from other investing activities	-0.9	2.5	0.9
<b>Cash flow from investing activities</b>	<b>-29.4</b>	<b>-125.8</b>	<b>-178.3</b>
<b>Cash flow from financing activities:</b>			
Issuance of share capital	0.2		22.1
New long-term loans	2.1	0.3	53.2
Amortization of long-term loans	-10.4	-29.8	-83.0
Dividends paid	-141.2		-83.9
Changes in short term loans and other financing activities	176.1	118.1	139.1
<b>Cash flow from financing activities</b>	<b>26.9</b>	<b>88.6</b>	<b>47.6</b>
<b>Change in liquid funds, increase (+)/decrease (-)</b>	<b>-4.3</b>	<b>-30.3</b>	<b>-54.7</b>
Cash and cash equivalents at beginning of period	119.6	169.6	169.6
Exchangerate changes	-0.5	1.4	4.8
Cash and cash equivalents at end of period	114.8	140.7	119.6

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**MEUR To equity holders of the parents company:**

	Share capital	Share-premium	Translation-differences	Fair value reserves	Retained earnings	Minority interest	Total
<b>Shareholders' equity on Dec. 31, 2004</b>	323.9	27.3	-1.0		542.5	7.8	900.5
IAS 39 applied on 1 January 2005				184.2			184.2
Translation differences			8.0			1.2	9.2
Other changes					-0.3		-0.3
Available-for-sale investments gain/loss from fair valuation, net of tax transferred to income statement, net of tax				15.7			15.7
Cash flow hedges after tax				-0.1			-0.1
				-52.8			-52.8
<b>Net income recognized directly in the equity</b>			8.0	146.9	-0.3	1.2	155.8
Profit for the financial period					167.0	1.4	168.4
<b>Total recognized income and expense for the period</b>			8.0	146.9	166.7	2.6	324.2
Options exercised	5.4	16.7					22.1
Dividends paid					-83.3	-0.6	-83.9
<b>Shareholders' equity on Dec. 31, 2005</b>	329.4	44.0	7.0	146.9	625.8	9.8	1,163.0
Translation differences			0.8			-0.2	0.6
Available-for-sale investments gain/loss from fair valuation, net of tax				29.4			29.4
Cash flow hedges after tax				10.0			10.0
<b>Net income recognized directly in equity</b>			0.8	39.4		-0.2	40.0
Profit for the financial period					52.2	-0.0	52.2
<b>Total recognized income and expense for the period</b>			0.8	39.4	52.2	-0.2	92.2
Options exercised	0.0	0.1					0.2
Dividends paid					-141.2		-141.2
<b>Shareholders' equity on March 31, 2006</b>	329.4	44.2	7.7	186.3	536.8	9.6	1,114.1

**BUSINESS SEGMENTS**

**INCOME STATEMENT 1-3/2006**

MEUR	Power Businesses	Imatra Steel	Investments	Non-allocated	Group
Net sales	591.9				591.9
Operating result	35.9				35.9
Financial income and expenses, dividends				-2.6	-2.6
Share of profit from associates			6.7		6.7
Profit before taxes					40.0
Assets	2,550.0		436.8	115.2	3,102.0
Liabilities	1,879.4			108.4	1,987.8
Investments	40.0				40.0
Depreciations and impairments	-17.2				-17.2

**INCOME STATEMENT 1-3/2005**

MEUR	Power Businesses	Imatra Steel	Investments	Non-allocated	Group
Net sales	483.8	87.3		-0.3	570.7
Operating result	29.3	17.1			46.4
Financial income and expenses, dividends				-4.5	-4.5
Net income from assets available for sales					
Share of profit from associates				0.4	0.4
Profit before taxes					42.2
Assets	2,196.5	203.8	210.5	85.4	2,696.2
Liabilities	1,445.2	122.1		134.1	1,701.3
Investments	129.5	2.8			132.3
Depreciations and impairments	-13.9	-3.3			-17.2

**Geographical segments**

	Europe	Asia	Americas	Others	Group
Net sales 1-3/2006	217.8	213.3	116.5	44.3	591.9
Net sales 1-3/2005	288.8	171.7	70.2	40.1	570.7 <sup>1</sup>

<sup>1</sup>Includes Imatra Steel net sales.

**GROSS CAPITAL EXPENDITURE**

MEUR	1-3/2006	1-3/2005	2005
Investments in securities and acquisitions			
Power Businesses	17.0	116.3	152.2
Other investments			
Power Businesses	22.5	13.2	75.6
Imatra Steel		2.8	3.4
	22.5	16.0	79.0
Group	39.6	132.3	231.1

**INTEREST-BEARING LOAN CAPITAL**

MEUR	1-3/2006	1-3/2005	2005
Long-term liabilities	223.3	255.1	229.4
Current liabilities	352.8	164.0	174.2
Loan receivables	-25.7	-7.8	-28.1
Cash and bank balances	-114.8	-140.7	-119.6
Net	435.5	270.7	255.9

**FINANCIAL RATIOS**

	1-3/2006	1-3/2005	2005
Earnings per share, EUR	0.55	0.33	1.80
Diluted earnings per share, EUR	0.55	0.32	1.78
Shareholders equity/share, EUR	11.71	10.66	12.25
Solvency ratio, %	41.9	40.2	46.6
Gearing	0.41	0.28	0.24

**PERSONNEL**

On average	1-3/2006	1-3/2005	2005
Power Businesses	12 286	10 961	11 625
Imatra Steel		1 270	424
Group	12 286	12 231	12 049
Personnel, at the end of the period	12 605	12 322	12 008

**CONTINGENT LIABILITIES**

MEUR	1-3/2006	1-3/2005	2005
Mortgages	15.4	44.5	15.0
Chattel mortgages	22.8	27.8	23.1
Total	38.2	72.3	38.1
Guarantees and contingent liabilities -on behalf of Group companies	298.8	228.4	290.0
Nominal amounts of rents according to leasing contracts	40.0	39.0	37.4
Total	338.8	267.4	327.4

**NOMINAL VALUES OF DERIVATIVE INSTRUMENTS**

MEUR	Total amount	of which closed contracts
Interest rate swaps	180.0	
Currency forward contracts	1,282.6	242.9
Currency options, purchased	40.7	
Currency options, written	41.7	

**Income statement, quarterly**

MEUR	1-3/2006	1-3/2005	4-6/2005	7-9/2005	10-12/2005	2005
Net sales	591.9	570.7	686.8	607.8	773.5	2,638.8
Power Businesses	591.9	483.8	655.2	607.8	773.5	2,520.3
Imatra Steel		87.3	31.7			119.0
Operating result	35.9	46.4	48.4	43.5	86.1	224.3
Power Businesses	35.9	29.3	43.6	43.5	86.1	202.5
Imatra Steel		17.1	4.8			21.8
Financial income and expenses	-2.6	-4.5	-5.0	-9.9	-4.0	-23.4
Net income from assets available for sales				0.5		0.5
Share of profit from associates	6.7	0.4	6.8	2.9	0.9	10.9
Profit before taxes	40.0	42.2	50.2	36.9	83.0	212.4
Power Businesses and Holdings	40.0	25.7	45.3	36.9	83.0	191.0
Imatra Steel		16.5	5.0			21.4
Earnings per share, EUR	0.55	0.33	0.40	0.32	0.75	1.80

3 May 2006  
Wärtsilä Corporation

Board of Directors