WÄRTSILÄ

Lifetime Performance

INTERIM REPORT

January-September 2005

WÄRTSILÄ'S GROWTH CONTINUED, ORDER BOOK AT NEW RECORD LEVEL

THIRD-QUARTER HIGHLIGHTS
POWER BUSINESSES

- Demand for ship power and power plant solutions was strong
- Accelerating growth in service business
- Order intake grew 45.5% to EUR 870.8 million (598.4)
- Net sales grew 20.3% to EUR 607.8 million (505.1)
- Profitability (EBITA) 7.2%

HIGHLIGHTS OF THE REPORTING PERIOD 1-9/2005
POWER BUSINESSES

- Profitability (EBITA) 6.7%
- Order book at new record level EUR 2,544.7 million (1,870.3)

- Profitability (EBITA) for the full year around 8%

WÄRTSILÄ GROUP IN BRIEF
IFRS

EUR million	7-9/2005	7-9/2004	1-9/2005 [1]	1-9/2004	2004
Net sales	607.8	559.0	1,865.3	1,662.0	2,478.2
Operating income	43.5	38.3	138.2	8.0[2]	112.0
Income before taxes	36.9	36.5	129.4	114.7[2]	217.3
Earnings/share, EUR	0.32	0.24	1.05	0.74	1.42
Interest-bearing net debt at end of period	317.5	194.8	317.5	194.8	141.6
Gross capital expenditure	21.1	14.9	196.1	47.4	69.2

FAS 2004

EUR million	7-9/2004	1-9/2004
Net sales	559.0	1,662.0
Operating income	33.4	162.0
Income before taxes	31.7	161.2
Earnings/share, EUR	0.29	1.83
Interest-bearing net debt at end of period	185.9	185.9
Gross capital expenditure	14.2	43.9

[1] Imatra Steel became part of Oy Ovako Ab. The company began operating on 10 May 2005. Wärtsilä's holding in the company is 26.5% and has been accounted for as an associated company from 1 May 2005. The tables in this interim report show Imatra Steel consolidated as a subsidiary for four months of the nine-month period.
[2] The IFRS and FAS figures for the result in the 2004 reporting period differ mainly because under IFRS part of the restructuring provision made according to FAS in 2003 was moved to 2004. The 2004 result also includes capital gains on the sale of Assa Abloy shares.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Wärtsilä adopted IFRS reporting standards on 1 January 2005. The comparison figures in this interim report have been adjusted accordingly. The impacts of IFRS on the balance sheet and income statement are described in Wärtsilä's stock exchange release dated 18 March 2005, which is available on the company's website, www.wartsila.com. IAS 39 (Financial Instruments) has been applied since 1 January 2005. Its impact at 1 January 2005 on shareholders' equity was EUR 42.7 million from derivative financial instruments and EUR 141.5 million from assets available for sale. The impact at 30 September 2005 was EUR -5.2 million from derivative financial instruments and EUR 134.8 million from assets available for sale.

DEVELOPMENT OF GROUP STRUCTURE

Imatra Steel became part of a new steel company, Oy Ovako Ab, at the beginning of May. Ovako has been consolidated as an associated company since 1 May 2005. Wärtsilä's holding in Oy Ovako Ab is 26.5%.

TARGETS AND STRATEGY – ACTIONS TO SUPPORT GROWTH

Wärtsilä provides lifecycle power solutions to enhance the business of its customers, whilst creating better technologies that benefit both the customer and the environment. Wärtsilä´s vision is to be the most valued business partner of all its customers.

Wärtsilä's strategic goal is to strengthen the leading positions of its Ship Power and Service businesses globally. This will be done by broadening the product range and developing alliances. In addition to organic growth Wärtsilä´s strong balance sheet also enables the company to grow through acquisitions within the bounds set by the solvency targets.

In its Power Plants business Wärtsilä's strategic goal is to focus on the decentralized energy market and to strengthen its position in the growth sectors of this market, i.e. gas power plants.

Wärtsilä took several steps during the reporting period which support these strategic objectives:

The start-up of manufacturing in China and India underpin the growth target of the Ship Power business. Production at the new thruster manufacturing company in China, Wärtsilä Propulsion (WUXI) Co Ltd, began in June and the first deliveries were made in September. The project to manufacture marine reduction gears in India is making planned progress. Construction of a new factory for production of diesel generating sets for the growing the Chinese market started in September. The factory, Wärtsilä Qiyao Diesel Company Ltd (Shanghai, is a 50/50-owned joint venture set up with China Shipbuilding Industry Corporation (CSIC). This company will start, which are used in vessels as auxiliary engines, for the growing Chinese marine market. Production is expected to begin in early summer 2006.

In September Wärtsilä signed an agreement with Mitsubishi Heavy Industries Ltd (MHI) for a strategic alliance in the field of two-stroke diesel engines.

At the start of the year Wärtsilä took a 12.5% stake in Aker Arctic Technology Inc., which offers ship designs for shipyards, shipowners and offshore operators interested in operations in ice-infested cold waters.

The transfer of the DEUTZ marine engine service business from the German company DEUTZ AG to Wärtsilä was completed in March and Wärtsilä began to provide service and OEM parts for these engines globally from 1 April 2005.

To expand the Service business Wärtsilä set up a marine service company in Estonia with the Estonian BLRT Grupp to serve the Baltic market early in the year. Wärtsilä owns 51% of this company. Wärtsilä now has 11 Ciserv companies in important ports worldwide.

GROUP NET SALES AND RESULT

Third quarter: July-September 2005

Wärtsilä's consolidated net sales for the third quarter of the year totalled EUR 607.8 million (559,0). Operating income improved to EUR 43.5 million having been EUR 38,3 million one year earlier.

Full reporting period: January-September 2005

Net sales totalled EUR 1,865.3 million (1,662.0). Earnings per share improved to EUR 1.05 (0.74). Operating income rose to EUR 138.2 million, compared with EUR 8.0 million one year earlier. The result in the comparison period was burdened by a restructuring provision of EUR 63.8 million which, under IFRS, was entered in the first quarter of 2004 rather than in 2003.

The financial items for the reporting period were EUR -19.4 million (-1.3). Financial expences increased mainly because the derivative instruments, for which the hedge accounting is not applied according to IAS 39, are recorded in the profit and loss account. Their impact is approx. EUR -10 million.

The income before taxes was EUR 129.4 million (114.7)

GROUP NET SALES BY BUSINESS

EUR million	1-9/2005	1-9/2004	Change (%)	2004
Power Businesses	1,746.8	1,485.4	17.6%	2,224.7
Imatra Steel	119.0[1]	177.3		254.4
Intragroup net sales	–0.5	–0.7		–0.9
Total	1,865.3	1,662.0		2,478.2

[1] January-April 2005

GROUP OPERATING INCOME BY BUSINESS

EUR million	1-9/2005	1-9/2004	IFRS 2004	FAS 1-9/2004
Power Businesses	116.4	-3.2	87.7	43.3
Imatra Steel	21.8[1]	11.1	24.3	11.0
Assets available for sale				107.7[2]
Total	138.2	8.0	112.0	162.0

[1] January-April 2005

[2] The Assa Abloy capital gains are entered below operating income in the income statement as required by IFRS.

FINANCING

Wärtsilä's cash flow from operating activities was EUR +14.0 million (+93.3). Working capital was tied up at the beginning of the year due to an increase in business volumes and also to the growing DEUTZ business. Furhermore cash payments have been made during the period against the restructuring provision made in 2003.

During the third quarter working capital was released and the cash flow from operating activities for the third quarter was EUR +106 million.

Liquid reserves at the end of the period amounted to EUR 133.2 million (145.5). Net interest-bearing loan capital totalled EUR 317.5 million (194.8). The solvency ratio was 43.2% (41.1) and gearing was 0.33 (0.23).

CAPITAL EXPENDITURE

Gross capital expenditure for the reporting period totalled EUR 196.1 million (47.4), which comprised EUR 142.3 million (7.4) in acquisitions and investments in securities and EUR 53.8 million (40.0) in production and information technology investments. EUR 23.2 million was related to the Ovako transaction. Depreciation amounted to EUR 52.1 million (54.5).

The largest single investment was the acquisition on 31 March 2005 of the marine engine service business from DEUTZ AG. The investment value of this acquisition, including costs, was EUR 116.0 million which included inventories amounting to EUR 8 million. The remainder was allocated to intangible assets. The business was consolidated in the balance sheet on 31 March 2005.

HOLDINGS

Wärtsila's holding in Assa Abloy AB (publ) is 4.7% of the company's shares. The holding has been booked in the balance sheet at its market value at the end of the reporting period, EUR 202.8 million.

The new steel company Oy Ovako Ab was formed on 1 May 2005 and Wärtsilä´s holding is 26.5%. The balance sheet value of this holding at the close of the period was EUR 103.9 million. Furthermore Wärtsilä has granted a shareholder's loan of EUR 21.2 million to Ovako. Wärtsilä has recorded EUR 9.6 million as its share of this associated company's result for the period 5-9/2005.

PERSONNEL

Wärtsilä Group had 11 914 (12 303) employees on average during the reporting period and 11 589 (12 380) at the end of September. The largest personnel increases took place in the Service business. The DEUTZ AG agreement added 170 service employees. Due to the termination of production, the number of employees in Turku, Finland, decreased by 359 during the first quarter. The number of employees in Vaasa, Finland has increased by 80 persons during the current year. Imatra Steel´s transfer to Ovako reduced the number of employees in the Group by 1 279 persons.

ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS

The annual general meeting on 21 March 2005 approved the Board of Directors' proposal to distribute a dividend of EUR 0.45 per share and an extra dividend of EUR 0.45 per share, i.e. a total dividend of EUR 0.90 per share.

The AGM confirmed the number of Board members to be seven and elected the following 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 AGM 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 five per cent (5%) of the company's total share capital and voting rights. This authorization has not been exercised during the reporting period.

The Board elected Antti Lagerroos as its chairman and Göran J. Ehrnrooth as the deputy chairman. The Board has an Audit Committee and a Nomination and Compensation Committee. The chairman of the Audit Committee is Antti Lagerroos and its other members are Heikki Allonen, Risto Hautamäki and Matti Vuoria. The chairman of the Nomination and Compensation Committee is Antti Lagerroos and its other members are Göran J. Ehrnrooth and Jaakko Iloniemi.

SHARES AND SHAREHOLDERS

	1-9/2005	1-9/2004	2004
Trading in Helsinki, shares	61.9%	42.9%	51.5%
Trading in Helsinki, votes	24.2%	19.9%	21.9%
Trading on the SEAQ, shares	10.9%	6.8%	7.9%
Foreign ownership at end of period	25.6%	15.3%	15.7%

SHARES AT 30 SEPTEMBER 2005

	A share	B share	Total
Number of shares	23,579,587	69,795,130	93,374,717
Number of votes	235,795,870	69,795,130	305,591,000

SHARE ON THE HELSINKI STOCK EXCHANGE
1 January – 30 September 2005

	High EUR	Low EUR	Average 1) EUR	Amount
A share	26.30	15.31	22.29	1,802,995
B share	26.79	15.68	22.20	55,966,581

[1] Trade-weighted average price

MARKET CAPITALIZATION

	30 Sep. 2005	30 Sep. 2004	31 Dec. 2004
MEUR	2,469.7	1,168.4	1,440.8

CHANGES IN SHARE CAPITAL AND OWNERSHIP

A total of 824,100 Wärtsilä B shares were subscribed during the period under Wärtsilä Corporation's 2001 and 2002 option schemes. This increased the share capital by EUR 2,884,350, following which the share capital amounts to EUR 326,811,509.50.

At the end of the reporting period Fiskars Corporation held 7,764,654 Wärtsilä A shares and 7,165,800 B shares, which represents 16.0% of all Wärtsilä shares and 27.7% of the voting power.

OPTION SCHEMES

On 3 February 2005 Wärtsilä's Board of Directors decided to include the 2001 options in the book-entry securities system. These options were admitted for trading on the Main List of the Helsinki Exchanges on 7 March 2005.

The decision of the annual general meeting to pay an extra dividend of 0.45 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 16.70 euros per share and based on the 2002 options 9.50 euros per share.

MARKET OUTLOOK

The good demand is expected to continue both in Ship Power and Power Plants. Capacity utilization at the Vaasa and Trieste factories will be high into 2007.

The number of new vessel orders this year is almost as high as in the record years 2003 and 2004. In terms of tonnage order volumes have decreased, returning to their normal average levels, meaning that orders are focused on smaller vessels.

Demand is still higher than supply in the shipping industry. New-building prices are still high. Charter earnings from freight transport have declined in certain sectors. Some signs of a reduction of the prices are evident. The longer-term outlook is expectant.

As shipyards are essentially fully booked until 2008, shipowners are unwilling to commit themselves to investments with paybacks starting only 3-4 years from now.

The decline in orders for large vessels has not affected Wärtsilä's order intake. The cyclical differences between customer segments have balanced the variations in demand effectively. It is probable that the order intake in 2005 will be the top of this business cycle, and a return to normal level could happen in 2006.

In most segments of the power plant market the situation has remained good and Wärtsilä´s order intake grew 56% during the third quarter. Some larger orders are expected for both gas and heavy fuel oil power plants by the year end.

Demand of electricity continues to grow and programmes have been started in many countries to install additional capacity. Some of this additional capacity will be for baseload power, some for load control and some for local, mainly industrial, consumption. The high cost of fuel is driving the investment for higher efficiency, which favors Wärtsilä´s technical solutions.

WÄRTSILÄ'S PROSPECTS IN 2005 AND 2006

The net sales of the Wärtsilä Power Businesses for the current year are estimated to grow approximately 15%. The full-year profitability (EBITA) of the Power Businesses is expected to be around 8%. Net sales in 2006 are estimated to increase by about 10% based on the current strong order book and lively market activity, and profitability (EBITA) in 2006 is estimated to improve slightly.

BUSINESS REVIEW

POWER BUSINESSES SEGMENT:
Ship Power, Service and Power Plants

EUR million	7-9/2005	7-9/2004	IFRS Change(%)	FAS 7-9/2004
Net sales	607.8	505.1	20.3%	505.1
Operating income	43.5	35.8	21,8%	30.9
% of net sales	7.2%	7.1%		6.1%
Order intake	870.8	598.4	45.5%	598.4

EUR million	1-9/2005	1-9/2004	Change (%)	IFRS 2004	FAS 1-9/2004
Net sales	1,746.8	1,485.4	17.6%	2,224.7	1.485.4
Operating income	116.4	–3.2[1]		87.7	43.3
% of net sales	6.7%	–0.2%[1]		3.9%	2.9%
Order intake	2,390.6	2.075.4	15.2%	2,791.4	2,075.4
Order book	2,544.7	1,870.3	36.1%	1,855.3	1,870.3

[1] Includes restructuring provisions booked according to FAS in 2003 but transferred to the first quarter of 2004 as according to IFRS.

Third-quarter: July-September 2005

Net sales of the Power Businesses rose 20.3% to EUR 607.8 million (505.1) in the third quarter. The strong growth of order intake continued, up 45.5% on the comparison period based on the strong demand in ship power and power plant solutions. Operating income improved to EUR 43.5 million (35,8). Profitability in the third quarter was 7.2% (7.1).

Full reporting period: January-September 2005

Net sales rose 17.6% to EUR 1,746.8 million (1,485.4), 25% of which was contributed by the Ship Power business, 45% by Service and 30% by Power Plants. The order intake of the Power Businesses during the period amounted to EUR 2,390.6 million (2,075.4) representing growth of 15.2%. The Power Businesses' already strong order book continued rising to a new record high of EUR 2,544.7 million (1,870.3), or 36.1% higher than at the same time last year; about 73% of the total is scheduled for delivery during or after 2006.

Operating income of the Power Businesses rose to EUR 116,4 million (-3.2) and profitability improved to 6.7% (-0.2).

SHIP POWER BUSINESS: STRONG ORDER INTAKE

Ship Power

EUR million	7-9/2005	7-9/2004	Change (%)
Net sales	158.0	131.0	20.6%
Order intake	361.5	165.0	119.1%

EUR million	1-9/2005	1-9/2004	Change (%)	2004
Net sales	444.8	429.1	3.7%	631.2
Order intake	1,070.3	560.3	91.0%	836.7
Order book, end of period	1,444.5	736.0	96.3%	812.7

Third quarter: July-September 2005

Order activity continued to be very lively during the third quarter. The order intake of the Ship Power business more than doubled compared to one year earlier while net sales grew by one-fifth.

Full reporting period: January-September 2005

The order intake of the Ship Power Business grew 91% compared to the same period last year and the order book at the close of the period stood at a record EUR 1,444.5 million (736.0). Net sales rose 3.7% to EUR 444.8 million (429.1).

During the third quarter the market segments showed varying development. Many segments such as container feeders and the offshore sector were extremely active and continued to grow. Wärtsilä won several orders for its newest engine, the Wärtsilä 46F.

Lively demand in the offshore drilling segment, evident already at the end of the second quarter, focused in particular on the larger deepwater fleet. All in all, the offshore drilling segment represented almost a third of Wärtsilä's Ship Power order intake for medium-speed engines in the third quarter.

The cruise vessel segment was relatively quiet during the third quarter, but it is estimated to recover before the year end. Orders for large container vessels and tankers decreased after the end of June owing to a decline in charter earnings, the numer of vessels under construction and long delivery times.

The first two-stroke RT-flex50 engines were delivered to shipyards in South Korea and China. This new engine type has been very well received in the market and the order book already contains 40 such engines. The RT-flex50 has been developed jointly by Wärtsilä and Mitsubishi Heavy Industries (MHI).

Continuing their successful joint development of the RT-flex50 engine, Wärtsilä and MHI signed an agreement in September for a broad strategic alliance in the field of two-stroke diesel engines. The purpose of the alliance is to explore various possibilities for research and development, efficiency in production, and the distribution of jointly developed two-stroke diesel engines.

Market shares increased

Wärtsilä's product and solution portfolio correspond well with recent market trends and the company's market shares have continued to grow. In the medium-speed main engine segment Wärtsilä's market share rose to 41% (25) in the 12 months to 30 September 2005, and in auxiliary engines Wärtsilä's share stood at 11% (9). The company's market share also improved in low-speed main engines to 23% (19).

SERVICE BUSINESS: STRONG GROWTH CONTINUED

Service	7-9/2005	7-9/2004	Change (%)
Net sales, EUR million	273.4	228.3	19.8%
Order intake	234.4	256.1	–8.5%

	1-9/2005	1-9/2004	Change (%)	2004
Net sales, EUR million	778.1	683.5	13.8%	936.8
Personnel, end of period	6 937	6 303	10.1%	6 378
Long-term service agreements, MW	9,540	9,611	–0.7%	9,609
O&M agreements 1), MW	2,659	2,596	2.4%	2,569
Order intake	798.8	703.8	13.5%	930.8
Order book, end of period	325.6	325.5	0.0%	290.2

[1] Long-term operations and maintenance agreements.

Third-quarter: July-September 2005

Growth in the Service business continued to be strong. Net sales rose in the third quarter by 19.8% to EUR 273.4 million (228.3).

Full reporting period: January-September 2005

Net sales for the whole period were EUR 778.1 million (683.5), an increase of 13.8%.

Operations and maintenance (O&M) agreements for power plants worldwide cover 2,659 MW (2,596). Long-term service and O&M agreements cover approximately 12,200 MW, or 8% of Wärtsilä's active engine base (150 GW).

POWER PLANTS BUSINESS: SIGNIFICANT GROWTH IN GAS POWER PLANT ORDERS

Power Plants EUR million	7-9/2005	7-9/2004	Change (%)
Net sales	176.4	144.0	22.5%
Order intake	274.0	175.6	56.0%
Order intake, MW			
HFO	307	337	-9.0%
Gas	291	157	84.9%
BioPower, MWth	21	31	

EUR million	1-9/2005	1-9/2004	Change(%)	2004
Net sales	516.6	368.9	40.0%	651.9
Order intake	518.6	807.8	–35.8%	1,019.5
Order intake, MW				
HFO	646	1,412	–54.3%	1,664
Gas	579	442	31.0%	649
BioPower, MWth	100	74	34.6%	110
Order book, end of period	774.6	808.7	–4.2%	752.4

Third-quarter: July-September 2005

The Power Plant order intake grew by 56% compared to the third quarter last year. The largest third-quarter orders were received from Azerbaijan, Brazil, Bangladesh and the Caribbean. The gas power plant market will grow and orders for gas power plants increased significantly. Net sales of the Power Plants business increased 22.5% to EUR 176.4 million (144.0).

Full reporting period: January-September 2005

Gas power plants represented 40% of the January-September order intake, compared with 20% in the same period last year. The order intake for the full period was lower than last year due to the Iraq orders in the comparison period. Net sales rose 40% to EUR 516,6 million (368.9).

Market shares

According to the statistics compiled by Diesel and Gas Turbine magazine Wärtsilä's market share in the heavy fuel oil engine power plant market between June 2004 and May 2005 was 53.0% (74). During the comparable period Wärtsilä received large orders from Iraq. The gas engine power plant market has grown from approximately 2,000 MW to 3,000 MW. Wärtsilä´s share of this market was 19,8% (19,3).

IMATRA STEEL BUSINESS SEGMENT

IMATRA STEEL EUR million	1-4/2005	IFRS 1-9/2004	FAS 1-9/2004
Net sales	119.0	177.3	177.3
Operating income	21.9	11.0	11.0
% of net sales	18.4%	6.2%	6.2%

Imatra Steel became part of a new steel company, Oy Ovako Ab, which started up on 10 May 2005. Wärtsilä´s holding in the new company is 26.5% and it was accounted for as an associated company from 1 May 2005. The figures in the table show Imatra Steel consolidated as a subsidiary for four months in the reporting period.

27 October 2005

Wärtsilä Corporation
Board of Directors

WÄRTSILÄ GROUP, UNAUDITED

The interim report has been prepared in accordance with the recognition and measurement principles under International Financial Reporting Standards (IFRS). The accounting principles applied are the same as in the stock exchange release dated 18 March 2005, which described the impacts of the transfer to IFRS.

INCOME STATEMENT

EUR million	1-9/2005	1-9/2004	2004
Net sales	1,865.3	1,662.0	2,478.2
Other operating income	14.1	11.8	26.9
Expenses	–1,689.1	–1,611.2	–2,330.1
Depreciation and writedowns	–52.1	–54.5	–63.0
Operating income	138.2	8.0	112.0
Share of income from associates	10.0	0.2	1.4
Net income from assets available for sale	0.5	107.7	107.7
Financial income and expenses	–19.4	–1.3	–3.7
Income before taxes	129.4	114.7	217.3
Income taxes	–31.1	–47.0	–86.1
Net income	98.3	67.7	131.3
Attributable to:			
Equity holders of the parent	97.2	67.1	130.0
Minority interest	1.0	0.6	1.3
Total	98.3	67.7	131.3
Earnings/share, EUR	1.05	0.74	1.42
Earnings/share/diluted, EUR	1.04	0.74	1.42

BALANCE SHEET

EUR million	30 Sep. 2005	30 Sep. 2004	30 Dec. 2004
Non-current assets			
Intangible assets	542.4	432.8	435.8
Property, plant and equipment	288.4	358.1	357.0
Available for sale investments	254.1	70.7	68.4
Other long-term assets	203.7	116.6	90.9
	1,288.5	978.2	952.0
Current assets			
Inventories	630.7	610.9	565.1
Other current assets	726.1	680.5	710.6
Cash and cash equivalents	133.2	145.5	169.6
	1,490.0	1,436.9	1,445.3
Total assets	2,778.5	2,415.1	2,397.3
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	326.8	216.0	323.9
Other shareholders' equity	724.9	676.6	568.8
Minority interest	9.3	7.7	7.8
	1,061.0	900.3	900.5
Long-term liabilities			
Long-term interest-bearing debt	229.1	271.1	271.2
Other long-term liabilities	147.6	135.0	109.0
	376.7	406.2	380.2
Current debt			
Interest-bearing current debt	250.1	78.7	48.8
Other current liabilities	1,090.7	1,029.9	1,067.8
	1,340.8	1,108.7	1,116.6
Total shareholders' equity and liabilities	2,778.5	2,415.1	2,397.3

CASH FLOW STATEMENT

EUR million	1-9/2005	1-9/2004	2004
Cash flow from operating activities:			
Operating income	138.2	8.2	112.0
Depreciation and writedowns	52.1	54.5	63.0
Selling profit and loss of fixed assets and other adjustments	–5.1	–3.3	–10.6
Changes in working capital	–107.9	65.2	76.8
Cash flow from operating activities before financial items and taxes	77.4	124.6	241.2
Net financial expenses and paid income tax	–63.4	–31.4	–21.1
Cash flow from operating activities (A)	14.0	93.3	220.1
Cash flow from investing activities:			
Net investments in tangible and intangible assets	–47.5	–32.5	–61.0
Investments in shares and acquisitions	–142.3	–7.4	4.4
Proceeds from sales of shares after taxes	1.7	130.3	129.6
Cash flow from other investing activities	8.6	13.5	11.9
Cash flow from investing activities (B)	–179.5	103.9	85.0
Cash flow from financing activities:			
New long-term loans	20.2	30.0	30.0
Amortization of long-term loans and other changes	–38.5	–16.9	–50.0
Paid dividends	–83.8	–45.0	–106.7
Changes in short-term loans and other financing activities	227.2	–171.6	–158.1
Cash flow from financing activities (C)	125.1	–203.5	–284.9
Change in liquid funds (A+B+C), increase (+)/decrease (-)	–40.4	–6.3	20.2
Liquid funds at beginning of period	169.6	151.5	151.5
Translation difference	4.0	0.3	–2.0
Liquid funds at end of period	133.2	145.5	169.6

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR million	To parent company owners: Share capital	Share-premium	Translation-differences	Fair value reserves	Retained earnings	Minority interest	Total
Shareholders' equity on 31 Dec. 2003, FAS	208.8	117.9	–19.3		469.8	6.1	783.2
IFRS adjustments			19.3		49.7		69.0
Shareholders' equity on 1 Jan. 2004, IFRS	208.8	117.9	0.0		519.5	6.1	852.2
Conversion of subordinated debentures	7.2	17.5					24.6
Bonus issue	108.0	–108.0					0.0
Translation differences			–1.0			0.4	–0.6
Dividends paid					–106.4		–106.4
Other changes					–0.6		–0.6
Net income for the period					130.0	1.3	131.3
Shareholders equity on 31 Dec. 2004	323.9	27.3	–1.0		542.5	7.8	900.5
Impacts of adoption of IAS 39 from 1 Jan. 2005				184.2			184.2
Conversion of options	2.9	7.9					10.8
Translation differences			4.6			1.0	5.6
Dividends paid					–83.3	–0.5	–83.8
Cash flow hedges after taxes				–47.9			–47.9
Available for sale investments gain/loss araising from fair valuation after taxes				–6.5			–6.5
Transferred to income statement after taxes				–0.1			–0.1
Net income for the period					97.2	1.0	98.3
Shareholders' equity on 31 Sep. 2005	326.8	35.2	3.6	129.6	556.4	9.3	1,061.0

EUR million	Share capital	Share-premium	Translation-differences	Fair value reserves	Retained earnings	Minority interest	Total
Shareholders equity on 31 Dec. 2003, FAS	208.8	117.9	–19.3		469.8	6.1	783.2
IFRS adjustments			19.3		49.7		69.0
Shareholders' equity on 1 Jan. 2004, IFRS	208.8	117.9	0.0		519.5	6.1	852.2
Conversion of subordinated debentures	7.2	17.5					24.6
Translation differences			–0.2			–0.0	–0.2
Dividends paid					–45.0	–0.3	–45.3
Other changes						1.3	1.3
Net income for the period					67.1	0.6	67.7
Shareholders' equity on 31 Sep. 2004	216.0	135.3	–0.2		541.6	7.7	900.3

BUSINESS SEGMENTS

INCOME STATEMENT 1-9/2005 EUR million	Power Businesses	Imatra Steel [1]	Investments	Group
Net sales	1,746.8	119.0		1,865.3
Other operating income	12.2	2.2		14.1
Expenses	–1,594.9	–95.0		–1,689.1
Depreciation and writedowns	–47.7	–4.4		–52.1
Operating income	116.4	21.8		138.2
Share of result in associated companies			9.6	10.0
Net income from assets available for sales			0.5	0.5
Financial income and expenses, and dividends			5.8	–19.4
Income before taxes			16.0	129.4

BALANCE SHEET 30 September 2005 EUR million	Power Businesses	Investments	Group	Balance sheet transferred to Ovako
Non-current assets	935.6	353.0	1,288.5	79.0
Current assets	1,490.0		1,490.0	133.7
Total assets	2,425.5	353.0	2,778.5	212.7
Shareholders' equity	759.1	301.9	1,061.0	71.6
Long-term liabilities	325.6	51.0	376.7	43.9
Current debt	1,340.8		1,340.8	97.2
Total shareholders' equity and liabilities	2,425.5	353.0	2,778.5	212.7

GROSS CAPITAL EXPENDITURE

EUR million	1-9/2005	1-9/2004	2004
Investments in securities and acquisitions			
Power Businesses	142.3	7.4	7.9
Other investments			
Power Businesses	50.5	35.7	55.5
Imatra Steel[1]	3.3	4.3	5.8
	53.8	40.0	61.3
Group	196.1	47.4	69.2

INTEREST-BEARING LOAN CAPITAL

EUR million	30 Sep. 2005	30 Sep. 2004	2004
Long-term liabilities	229.1	271.1	271.2
Current liabilities	250.1	78.7	48.8
Loan receivables	-28.5	-9.6	-8.9
Cash and bank balances	-133.2	-145.5	-169.6
Net	317.5	194.8	141.6

FINANCIAL RATIOS

	1-9/2005	1-9/2004	2004
Earnings/share, EUR	1.05	0.74	1.42
Earnings/share, diluted, EUR	1.04		
Shareholders' equity/share, EUR	11.26	9.64	9.65
Solvency ratio, %	43.2	41.1	40.8
Gearing	0.33	0.23	0.17

PERSONNEL

On average	1-9/2005	1-9/2004	2004
Power Businesses	11 350	11 086	11 133
Imatra Steel[1]	564	1 217	1 228
Group	11 914	12 303	12 361
Personnel at end of period	11 589	12 380	12 475

[1] During the reporting period Imatra Steel has been consolidated for four months.

CONTINGENT LIABILITIES

EUR million	30 Sep. 2005	30 Sep. 2004	2004
Mortgages	22.7	43.2	44.1
Chattel mortgages	29.4	30.9	30.0
Total	52.1	74.1	74.1
Guarantees and contingent liabilities			
-on behalf of Group companies	272.8	240.6	228.4
Rental obligations	38.7	33.3	37.5
Total	311.5	273.9	265.9

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	Total amount	of which closed contracts
Interest rate options, purchased	180.0	
Interest swaps	140.0	
Foreign exchange forward contracts	1,243.2	111.7
Currency options, purchased	38.8	
Currency options, written	39.9	

Specification of changes in income statement 1 January to 30 September 2004

INCOME STATEMENT[1] EUR million	FAS 1-9/2004	IFRS adjustment	IFRS 1-9/2004
Net sales	1,662.0		1,662.0
Other operating income	119.5	–107.8	11.8
Expenses	–1,548.0	–63.2	–1,611.2
Depreciation and writedowns	–51.0	–3.5	–54.5
Operating income before goodwill amortization	182.5	–174.5	8.0
Goodwill amortization	–20.7	20.7	
Operating income	161.8	–153.8	8.0
Share of income from associates	0.2		0.2
Net income from assets available for sale		107.7	107.7
Financial income and expenses	–0.8	–0.5	–1.3
Income before taxes	161.2	–46.5	114.7
Income taxes	–49.7	2.7	-47.0
Minority interests	–0.6		–0.6
Net income	111.0	–43.8	67.1
Earnings per share, EUR	1.22		0.74
Earnings/share, diluted, EUR	1.22		0.74

[1] The impacts of the transition to IFRS are described in the stock exchange release 18 March 2005

Specification of changes in the balance sheet and in shareholders' equity 30 September 2004

BALANCE SHEET[1] EUR million	FAS 30 Sep. 2004	IFRS adjustment	IFRS 30 Sep. 2004
Assets			
Intangible assets	50.0	16.6	66.6
Consolidated goodwill	338.3	27.8	366.2
Property, plant and equipment	356.9	–14.8	342.1
Investment properties		16.0	16.0
Equity in associates	1.8		1.8
Shares available for sale	71.1	–0.3	70.7
Interest-bearing investments	7.1		7.1
Other long-term receivables	72.4	35.3	107.7
Inventories	610.2	0.7	610.9
Interest-bearing receivables	2.5	0.0	2.4
Other receivables	671.1	7.0	678.1
Cash and cash equivalents	144.0	1.5	145.5
Total assets	2,325.4	89.8	2,415.1
Shareholders' equity and liabilities			
Share capital	216.0		216.0
Other shareholders' equity	651.4	25.3	676.6
Minority interests	7.7		7.7
Long-term interest-bearing debt	270.7	0.4	271.1
Other long-term liabilities	90.1	44.9	135.0
Interest-bearing current debt	68.8	9.9	78.7
Other current liabilities	1,020.7	9.3	1,029.9
Total shareholders' equity and liabilities	2,325.4	89.8	2,415.1

[1] The impacts of the transition to IFRS are described in the stock exchange release 18 March 2005.