

Wärtsilä Corporation STOCK EXCHANGE RELEASE 31 October 2006 at 8.30 local time

INTERIM REPORT JANUARY-SEPTEMBER 2006

CONTINUED GROWTH IN ORDER INTAKE - PROFITABILITY ON TRACK
DEMAND EXPECTED TO CONTINUE ON A GOOD LEVEL

THIRD-QUARTER HIGHLIGHTS

- Order intake EUR 1,090.0 million (870.8), growth 25.2%
- Net sales from comparative operations EUR 766.8 million (607.8), growth 26.2%
- Operating income from comparative operations EUR 56.3 million (43.5), growth 29.3%
- Profitability 7.3% (7.2)

HIGHLIGHTS OF THE REPORTING PERIOD 1-9/2006

- Order intake EUR 3,303.5 million (2,390.6), growth 38,2%
- Order book total EUR 4,108.2 million (2,544.7), growth 61.4%
- Net sales from comparative operations EUR 2,203.7 million (1,746.8), growth 26.2%
- Operating income from comparative operations EUR 162.4 million (116.4), growth 39.5%
- Profitability 7.4% (6.7)
- Capital gain of EUR 123.9 million from sales of Assa Abloy shares
- EPS increased to EUR 2.59 (1.05), 0.97 euros refers to Assa Abloy share sales
- Strong cash flow from operating activities EUR 172.0 million (14.0)
- Full year net sales expected to grow over 20%, profitability estimate unchanged

OLE JOHANSSON, PRESIDENT & CEO:

"Demand in our main markets continued strong during the third quarter giving us very good visibility for the years to come. Net sales continued its strong growth and profitability developed as expected. Demand is expected to continue on a good level for at least the following six months."

WÄRTSILÄ'S PROSPECTS IN 2006 AND 2007

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 over 20%. The profitability level reached in 2005 will remain. Wärtsilä's net sales for 2007 are estimated to grow by approximately 10-15% compared to net sales in 2006 based on the strong order book and the lively ordering activity. A capacity increase, available from mid-2007, will make further growth possible in 2008.

Wärtsilä Corporation

Raimo Lind
Executive Vice President

Eeva Kainulainen
Vice President, Corporate Communications

ANALYST AND PRESS CONFERENCE

An analyst and press conference will be held on Tuesday 31 October 2006 starting at 10.45 a.m. Finnish time (8.45 a.m. UK time) at the Wärtsilä headquarters in Helsinki, Finland. The conference can be viewed on the Internet at the following address: <http://194.100.179.98:80/wip/directlink.do?newbrowser=1&pid=852435>
An on-demand version of the conference will be available on the company website www.wartsila.com later the same day.

INTERIM REPORT JANUARY-SEPTEMBER 2006

The figures in this interim report are unaudited.

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REVIEW PERIOD JANUARY - SEPTEMBER 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 below are presented without Imatra Steel.

The acquisition of Total Automation Pte Ltd was closed on 30 June 2006. Total Automation has been consolidated as of 30 June 2006. The acquisition price was EUR 59.7 million. Goodwill of EUR 36.8 million has been recognized.

MEUR	7-9/2006	7-9/2005	Change%	
Net sales	766.8	607.8	26.2%	
Operating income	56.3	43.5	29.3%	
% of net sales	7.3%	7.2%		
Income before taxes	61.4	36.9		
Earnings / share, EUR	0.44	0.32		

MEUR	1-9/2006	1-9/2005	Change%	2005
Net sales	2,203.7	1,746.8	26.2%	2,520.3
Operating income	162.4	116.4	39.5%	202.5
% of net sales	7.4%	6.7%		8.0%
Income before taxes	305.5 2)	129.4 1)		212.4
Earnings / share, EUR	2.59	1.05		1.80
Interest-bearing net debt at end of period	184.5	317.5		255.9
Gross capital expenditure	141.9	196.1		231.1

1) The figure in the comparison period includes Imatra Steel's pre-tax profit of EUR 21.4 million and Wärtsilä's share of Ovako's profit after taxes EUR 9.6 million.

2) The January - September result 2006 includes Wärtsilä's share of Ovako's profit after taxes, EUR 18.1 million, and a capital gain of EUR 123.9 million from the sales of Assa Abloy B shares.

MARKET DEVELOPMENT

Demand in the shipbuilding industry remained strong during the review period. By the end of September 2006 altogether 1,720 (1,818) vessels had been ordered globally. The energy-related sectors remained the biggest market drivers. Recovery was also seen in the container segment after a fairly slow start at the beginning of the year.

China continued to grow in the shipbuilding market. During the first nine months shipyards in China took roughly 33% of all contracts placed worldwide in terms of number of vessels. They are followed by South Korea with about 29%, Europe 16% and Japan 12%. Measured in deadweight tonnage Korea has a market share of around 41%, followed by China about 33% and Japan about 18%.

High energy prices have increased demand in the power plant market. Oil-producing countries and oil and gas companies continued investments in new infrastructure, while high electricity prices created increasing demand for industrial combined heat and power in Europe. The market for ancillary service power plants continued to grow in the USA. Africa is developing strongly and demand for Wärtsilä products is high in many countries.

Demand in Wärtsilä Power Plants continued active on a global level and activity was high in all segments: baseload, industrial self-generation as well as grid stability.

ORDER INTAKE AND ORDER BOOK

The order intake during the first nine months of 2006 totalled EUR 3,303.5 million (2,390.6), representing growth of 38.2%. In the third quarter the order intake amounted to EUR 1,090.0 million (870.8), which was 25.2% higher than in the corresponding quarter of 2005. Most new orders during the third quarter were registered in the Ship Power business, where the order intake was EUR 490.0 million (361.5) or 35.5% higher than one year earlier.

The third-quarter order intake for the Power Plants business grew by 22.2% and totalled EUR 335.0 million.

Wärtsilä's order book at the end of the review period stood at EUR 4,108.2 million (2,544.7), up 61.4% on the previous year.

Order intake by business

MEUR	7-9/2006	7-9/2005	Change(%)	
Ship Power	490.0	361.5	35.5%	
Services	265.9	234.4	13.4%	
Power Plants	335.0	274.0	22.2%	
Order intake, total	1,090.0	870.8	25.2%	
MEUR	1-9/2006	1-9/2005	Change(%)	2005
Ship Power	1,651.0	1,070.3	54.3%	1,545.3
Services	934.2	798.8	17.0%	1,077.1
Power Plants	715.9	518.6	38.0%	865.2
Order intake, total	3,303.5	2,390.6	38.2%	3,491.1

Order book by business

MEUR	9/2006	9/2005	Change(%)	2005
Ship Power	2,800.7	1,444.5	93.9%	1,658.5
Services	337.5	325.6	3.7%	303.3
Power Plants	966.5	774.6	24.8%	943.9
Order book, total	4,108.2	2,544.7	61.4%	2,905.7

NET SALES AND PROFITABILITY

Growth in net sales continued strong. Net sales from comparative operations for January - September 2006 were up 26.2% year on year and amounted to EUR 2,203.7

million (1,746.8). Net sales from comparative operations for the third quarter of the year totalled EUR 766.8 million (607.8), representing growth of 26.2%.

The comparative operating income rose to EUR 162.4 million (116.4) for January - September 2006, which is 7.4% of net sales (6.7). Operating income for the third quarter was EUR 56.3 million (43.5), or 7.3 % (7.2) of net sales.

Net sales by business

MEUR	7-9/2006	7-9/2005	Change (%)
Ship Power	183.8	158.0	16.4%
Services	312.0	273.4	14.1%
Power Plants	274.2	176.4	55.4%
Total	766.8	607.8	26.2%

MEUR	1-9/2006	1-9/2005	Change (%)	2005
Ship Power	580.4	444.8	30.5%	710.3
Services	916.1	778.1	17.7%	1,093.1
Power Plants	706.4	516.6	36.7%	710.3
Total	2,203.7	1,746.8	26.2%	2,520.3

Financial items amounted to EUR 0.5 million (-19.4). Net interest totalled EUR -9.1 million (-11.8). Dividends received amounted to EUR 8.1 million (6.8).

Income before taxes amounted to EUR 305.5 million (129.4). The result includes a capital gain of EUR 123.9 million from the sale of 10 million Assa Abloy B shares and Wärtsilä's share of Ovako's profit after taxes, EUR 18.1 million. The figure in the comparison period includes Imatra Steel's pretax profit of EUR 21.4 million and Ovako's profit after taxes EUR 9.6 million.

Taxes in the reporting period amounted to EUR -60.7 million (-31.1), of which EUR -32.2 million related to the sale of Assa Abloy shares. Taxes include deferred tax assets totalling EUR +25.5 million related to previously recognized restructuring expenses.

The earnings per share improved to EUR 2.59 (1.05), of which 0.97 euros refers to Assa Abloy share sales.

FINANCING

Wärtsilä's cash flow from operating activities was strong EUR 172.0 million (14.0).

Liquid reserves at the end of the period amounted to EUR 142.6 million (133.2). Net interest-bearing loan capital totalled EUR 184.5 million (317.5). The solvency ratio was 47.3% (43.2) and gearing was 0.15 (0.33).

CAPITAL EXPENDITURE

Gross capital expenditure in the review period totalled EUR 141.9 million (196.1), which comprised EUR 76.2 million (142.3) in acquisitions and investments in securities and EUR 65.6 million (53.8) in production and information technology investments. Depreciation amounted to EUR 53.4 million (52.1).

HOLDINGS

Wärtsilä owns 7,270,350 B shares in Assa Abloy, or 2.0% (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 106.7 million.

During the review period Wärtsilä's holding in Oy Ovako Ab was 26.5%. The balance sheet value of this holding at the close of the period was EUR 126.6 million. Wärtsilä has recorded EUR 18.1 million as its share of this associated company's result for the period 1-9/2006.

In July Wärtsilä, SKF and Rautaruukki signed an agreement to sell the operating companies owned by Oy Ovako Ab. The total price for the shares is approximately EUR 660 million, comprising a cash payment at closing of approximately EUR 535 million, a deferred cash payment of EUR 15 million to be paid in July 2008 and an interest-bearing vendor note of EUR 110 million to be paid within 3-6 years from closing. The transaction is subject to relevant regulatory approvals and is expected to close during the fourth quarter 2006. As a result of the transaction and the subsequent liquidation of Oy Ovako Ab, Wärtsilä will record a capital gain. EUR 3 million of the capital gain has been recognized on the third quarter as a share of the profit in associated companies and the remaining EUR 49 million tax free capital gain will be recognized in the fourth quarter, when the regulatory approvals have been received.

PERSONNEL

Wärtsilä had 13,100 (11,914) employees on average during the reporting period and 13,986 (11,589) at the end of September. 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.

Mikael Mäkinen, Executive Vice President and head of the Ship Power Business, 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.

The former head of the Power Plants business, 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. This is done 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 reporting period Wärtsilä took several steps which support these strategic objectives:

In February Wärtsilä acquired Aker Kvaerner Power and Automation Systems AS (AKPAS) from Aker Kvaerner. 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 supplies power and automation systems for the oil and gas, marine and industrial markets. It 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.

An alliance between Wärtsilä Automation Norway and the US company Emerson Process Management increases Wärtsilä's capabilities in process automation for FPSO vessels.

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. The transaction was closed in June 2006. 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 shipowners. The transaction complements Wärtsilä's earlier automation acquisitions.

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

Ciserv, the group of service companies owned by Wärtsilä, was integrated within Wärtsilä's service organization with effect from 1 May 2006. Operating under the name Wärtsilä Services, the business is a leading worldwide service organization in the power and marine industries.

In July Wärtsilä acquired the German service company INTEC Injectortechnik GmbH. The acquisition enhances Wärtsilä's capabilities in fuel injection technology and services.

The new factory for Wärtsilä Auxpac marine generating sets in China was inaugurated at the end of June by Wärtsilä Qiyao Diesel Company Ltd (Shanghai), the joint venture between Wärtsilä Corporation and the Shanghai Marine Diesel Engine Research Institute. The joint venture is a step in Wärtsilä's strategy to be close to customers in Asia and increase its global market share in auxiliary engines.

At the end of September Wärtsilä, China Shipbuilding Industry Corporation and Mitsubishi Heavy Industries announced the establishment of a joint venture to manufacture large, low-speed marine engines in China. The joint venture is another step in Wärtsilä's strategy to better penetrate the Asian shipbuilding market. Wärtsilä's objective is also to strengthen its market position in low-speed engines.

In China the joint-venture Wärtsilä-CME is investing in additional capacity to meet the increased demand of fixed pitch propellers.

The acquisition of the business of the Swedish company Stockholms Fartygsreparationer AB made in October is a base for further expansion along the Swedish east coast and a part of Wärtsilä's strategy to expand the business operations of the Wärtsilä Services.

The agreement signed in July by Wärtsilä, SKF and Rautaruukki to sell the operating companies owned by Oy Ovako Ab is expected to close during the fourth quarter of 2006. Ovako was sold to a company owned by the shareholders of Homborgh Holdings BV, WP de Pundert Ventures BV and Pampus Industrie Beteiligungen GmbH & Co. KG. The divestment concludes Wärtsilä's plan to focus on the company's core businesses.

SHARES AND SHAREHOLDERS

30 September, 2006	A SHARE	B SHARE	Total
Number of shares	23,579,587	71,048,704	94,628,291
Number of votes	235,795,870	71,048,704	306,844,574
Number of shares traded, 1-9/2006	1,241,693	68,540,027	69,781,720

30 Sept. 2006 30 Sept. 2005 31 Dec.2005

Foreign shareholders	28.5%	25.6%	24.1%
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SHARE ON HELSINKI EXCHANGES

1 Jan. - 30 September 2006	High	Low	Average 1)	Close
A share	36.82	24.60	30.81	32.00
B share	37.57	24.80	30.54	31.65

1) Trade-weighted average price

MARKET CAPITALIZATION

	30 Sept 2006	30 Sept 2005	31 Dec.2005
MEUR	3,021.0	2,469.7	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 was not exercised during the reporting period.

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	7-9/2006	7-9/2005	Change(%)
Net sales	183.8	158.0	16.4%
Order intake	490.0	361.5	35.5%

MEUR	1-9/2006	1-9/2005	Change(%)	2005
Net sales	580.4	444.8	30.5%	710.3
Order intake	1,651.0	1,070.3	54.3%	1,545.3
Order book, end of period	2,800.7	1,444.5	93.9%	1,658.5

Order intake continued very active during the third quarter of the year. The Ship Power order intake for the quarter was EUR 490.0 million, 35.5% higher than in the corresponding period last year. The majority of orders came from the offshore segment, representing 27% of total Ship Power order intake in the third quarter; tankers, cruise and passenger, and gas carriers each represented around 10% of the new orders in the period.

Wärtsilä received many significant orders during the reporting period. One of the milestones in the period was an order from MPF Corporation Ltd for a Multi Purpose Floater mobile drilling unit for which the company will be delivering an integrated onboard power plant along with power distribution, automation and propulsion systems. The value of the total delivery is more than EUR 50 million. In the cruise and passenger vessel segment the company announced the order for main engines and transfer tunnel thrusters for the world's biggest cruise vessel to be built by Aker Yards in Finland. Wärtsilä also received orders for cruise projects both for German and Italian yards. In its propeller business Wärtsilä booked a historic order for altogether 50 fixed pitch propellers for two Chinese customers. Propellers are to be manufactured in Zhenjiang, China.

In the period from January to September the order intake was EUR 1,651.0 million (1,070.3), which was 54.3% higher than the corresponding period in 2005. The order book at the end of the period stood at EUR 2,800.7 million (1,444.5).

Ship Power net sales totalled EUR 580,4 million for the first nine months of 2006, growth of 30.5% compared to the corresponding period in 2005.

Market share

Wärtsilä's market share for medium-speed main engines reached 50% (48% at the end of the previous quarter). As earlier the main drivers were the offshore, gas carriers and cruise segments. In marine auxiliary engines Wärtsilä's market share declined slightly to 7% (9%) due to European shipyards whose proportion of new orders have decreased during the year. Wärtsilä's auxiliary engine factory in China, inaugurated at the end of June, will enhance the company's competitiveness in the auxiliary engine market. Wärtsilä's market share for low-speed engines decreased to 17% (21%). Wärtsilä's objective is to strengthen the market position in low-speed engines through the establishment of a joint venture company for low-speed engine manufacturing in China.

SERVICES BUSINESS

	7-9/2006	7-9/2005	Change(%)	
Net sales, MEUR	312.0	273.4	14.1%	
Order intake	265.9	234.4	13.4%	
	1-9/2006	1-9/2005	Change(%)	2005
Net sales, MEUR	916.1	778.1	17.7%	1,093.1
Order intake	934.2	798.8	17.0%	1,077.1
Order book, end of period	337.5	325.6	3.7%	303.3
Personnel, end of period	8,387	6,937	20.9%	7,200

Net sales from the Services business increased to EUR 916.1 million (778.1) during the first nine months of 2006, representing growth of 17.7% compared to last year. Organic growth was 11.8%.

During July-September Wärtsilä signed altogether eight new Operation & Maintenance and Maintenance agreements. In September a long-term service agreement was signed with U.S.-based Princess Cruises. Under the agreement,

Wärtsilä will supply all scheduled spare parts according to the engines' maintenance schedules, provide all workshop services to overhaul critical components, and provide supervision and technical support for engine overhauls for many of the vessels within the Princess Cruises fleet. Other agreements were signed in among others India and Brazil.

POWER PLANTS BUSINESS

MEUR	7-9/2006	7-9/2005	Change(%)	
Net sales	274.2	176.4	55.4%	
Order intake	335.0	274.0	22.2%	
Order intake, MW				
HFO	233	307	-24.0%	
Gas	425	291	46.1%	
BioPower, MWth	0	21		
	1-9/2006	1-9/2005	Change(%)	2005
Net sales, MEUR	706.4	516.6	36.7%	710.3
Order intake	715.9	518.6	38.0%	865.2
Order intake, MW				
HFO	804	646	24.5%	1.134
Gas	707	579	22.1%	924
BioPower, MWth	138	100	38.3%	117
Order book, end of period, MEUR	966.5	774.6	24.8%	943.9

The Power Plants order intake for July - September 2006 rose by 22.2% compared to the corresponding period last year. The total order intake for the third quarter amounted to EUR 335.0 million. The order intake for gas-fired power plants was strong. The largest orders in this sector were received from Tanzania, the USA and Venezuela. The largest orders for oil-driven power plants were received from Italy and Madagascar. Liquid biofuel power plants continue to offer Wärtsilä interesting opportunities in Europe and interest for this product can also be seen in many developing countries.

The order intake for January-September 2006 was EUR 715.9 million, 38.0% higher than in the corresponding period last year.

As a result of the good order intake during 2006 the order book for the Power Plants business is EUR 966.5 million (774.6), which is 24.8% higher than at the end of the reporting period one year ago.

Net sales for Power Plants developed favourably during the review period and totalled EUR 706.4 million (516.6), marking growth of 36.7% compared to the corresponding period in 2005. Third-quarter net sales amounted to EUR 274.2 million, growth of 55.4% compared to the third quarter of 2005. During the third quarter 543 MW of power was delivered to the customers.

ENGINE MANUFACTURING

The ramp-up of production of Wärtsilä Auxpac marine generating sets at the new factory in China proceeded according to plan. The factory is expected to reach full capacity during 2007.

The investments in delivery centres in Trieste and Vaasa to raise production capacity are proceeding according to plan and will increase the production capacity as of mid-2007.

Wärtsilä, China Shipbuilding Industry Corporation (CSIC) and Mitsubishi Heavy Industries (MHI) are establishing a joint venture factory to produce low-speed engines in China. The joint venture will develop, manufacture and sell a new generation of energy-saving and environmentally-friendly low-speed two-stroke marine engines under licence from Wärtsilä and MHI. The factory will be built in the Qingdao area, where CSIC is setting up a marine industry cluster. Production is expected to start at the end of 2008.

Wärtsilä continues the close co-operation with its suppliers in order to ensure supply of critical components to meet demand for the following years. Investments are being implemented by many of the company's suppliers and most of the investments will be operational during 2007.

R&D

The 14RT-flex96C engine, the most powerful diesel engine ever built, has been delivered to the customer, and has an output of 108,920 bhp.

Investments in both two-stroke and four-stroke test engines will continue in line with Wärtsilä's strategy to deliver the latest technology and quality products to customers.

The two world-leading European marine engine manufacturing companies, Wärtsilä and MAN Diesel, have agreed to propose a large-scale Cooperative Research Project - HERCULES-β. The principal target in HERCULES-β is to improve the efficiency of marine diesel engines to a level of more than 60%, thus reducing fuel consumption and CO2 emissions substantially. A concurrent aim is to move towards ultra-low exhaust emissions from marine engines by the year 2015. Today diesel propulsion systems power 99% of the world fleet. The HERCULES-β Project is planned to run over a four-year period. The project will be proposed for funding within the framework program 7 of the EU.

MARKET OUTLOOK 2006

The mix in new vessel orders has swung towards bigger vessels this year. In terms of vessel tonnage 2006 is even ahead of 2003, which has so far been a record year. This is mainly due to high ordering activity in the tanker segment. The number of vessels ordered in 2006 could end up very close to 2,000 vessels, which is only slightly lower than in the record year 2005.

Freight rates are one of the most important drivers behind new vessel orders and after the dip during the first months of the year, rate development has been on the rise and stayed robustly above the historical average. New-building prices at shipyards have increased since demand has outstripped supply both in own production and in the supporting marine equipment industry. The high ordering activity in recent years is currently materializing into deliveries and thereby increasing vessel fleet sailing. So far the market has absorbed the capacity increase well and this has not affected earnings or new ordering willingness.

High energy prices are accelerating investments in the energy-related industries and all energy-related segments are expected to continue active on a high level. Despite some warning signals visible at the moment global shipbuilding is sailing full steam ahead. Wärtsilä expects its ordering activity for the next six months to remain lively and there are no immediate signs of a drastic market deceleration.

The need for electric power to fuel economic growth remains unchanged. Oil- and gas-producing countries and oil and gas companies are investing in new infrastructure continuously. A continued high order intake is expected for both gas- and oil-fired power plants during the next six months. Geographically demand is distributed evenly, which is reducing dependency on single markets. High oil prices increase the competitiveness of heavy fuel oil and gas power plants and hence also Wärtsilä's competitiveness, compared to light-fuel-oil-driven power plants.

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

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

WÄRTSILÄ'S PROSPECTS IN 2006 AND 2007

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 over 20%. The profitability level reached in 2005 will remain. Wärtsilä's net sales for 2007 are estimated to grow by approximately 10-15% compared to net sales in 2006 based on the strong order book and the lively ordering activity. The capacity increase, available from mid-2007, will make further growth possible in 2008.

NOTES TO THE INTERIM REPORT

This interim financial report has been 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 1 January 2006:

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

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

- Cash flow hedges of forecast intra group transactions, issued on 14 April 2005, effective date 1 January 2006.
- Fair value option, issued on 16 June 2005, effective date 1 January 2006.
- Financial guarantee contracts, issued on 18 August 2005, effective date 1 January 2006.

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

Amendment to IAS 19: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures, issued on 16 December 2004, effective date 1 January 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 affect the format and extent of disclosures presented in the accounts in the financial statements.

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

CONDENSED INCOME STATEMENT

MEUR	1-9/2006	1-9/2005	2005
Net sales	2,203.7	1,865.3	2,638.8
Other income	13.7	14.1	26.8
Expenses	-2,001.5	-1,689.1	-2,369.7
Depreciations and impairment	-53.4	-52.1	-71.6
Operating result	162.4	138.2	224.3
Financial income and expenses	0.5	-19.4	-23.4
Net income from assets available for sales	123.9	0.5	0.5
Share of profit of associates	18.6	10.0	10.9
Profit before taxes	305.5	129.4	212.4
Taxes for the period	-60.7	-31.1	-44.0
Profit for the financial period	244.8	98.3	168.4

Attributable to:			
Equity holders of the parent company	244.0	97.2	167.0
Minority interest	0.8	1.0	1.4
Total	244.8	98.3	168.4

Earnings per share attributable to equity holders of the parent company:

Earnings per share, EUR	2.59	1.05	1.80
Diluted earnings per share, EUR	2.56	1.04	1.78

CONDENSED BALANCE SHEET

MEUR	30 Sept. 2006	30 Sept. 2005	31 Dec.2005
Non-current assets			
Intangible assets	593.5	542.4	541.1
Property, plant and equipment	297.9	288.4	272.9
Equity in associates	3.0	107.1	108.5
Investments available for sale	162.9	254.1	284.4
Deferred tax receivables	81.4	79.8	77.6
Other receivables	7.3	16.7	31.4
	1,146.1	1,288.5	1,315.8
Current assets			
Inventories	881.3	630.7	638.6
Other receivables	807.4	726.1	794.6
Equity in associates	126.6 1)		
Cash and cash equivalents	142.6	133.2	119.6
	1,957.9	1,490.0	1,552.8
Assets	3,104.0	2,778.5	2,868.6
Shareholders' equity			
Share capital	331.2	326.8	329.4
Other shareholders' equity	885.8	724.9	823.8
Equity attributable to equity holders of the parent company	1,217.0	1,051.7	1,153.1
Minority interest	10.5	9.3	9.8
Total shareholders' equity	1,227.5	1,061.0	1,163.0
Non-current liabilities			
Interest-bearing debt	208.4	229.1	229.4
Deferred tax liabilities	58.3	74.5	78.8
Other liabilities	74.0	73.2	69.0
	340.6	376.7	377.2
Current liabilities			
Interest-bearing debt	123.3	250.1	174.2
Other liabilities	1,412.6	1,090.7	1,154.3
	1,535.9	1,340.8	1,328.5
Total liabilities	1,876.5	1,717.5	1,705.7
Shareholders' equity and liabilities	3,104.0	2,778.5	2,868.6

1) Shares in Oy Ovako Ab

CONDENSED CASH FLOW STATEMENT

MEUR	1-9/2006	1-9/2005	2005
Cash flow operating activities:			
Profit before taxes	305.5	129.4	212.4
Depreciation and impairment	53.4	52.1	71.6
Financial income and expenses	-0.5	19.4	23.4
Selling profit and loss of fixed assets and other adjustments	-121.1	-5.6	-13.3

Share of profit from associates	-18.6	-10.0	-10.9
Changes in working capital	15.8	-107.9	-119.8
Cash flow from operating activities			
before financial items and taxes	234.4	77.4	163.3
Net financial items and income taxes	-62.4	-63.4	-87.3
Cash flow from operating activities	172.0	14.0	76.0
Cash flow from investing activities:			
Investments in shares and acquisitions	-76.2	-142.3	-152.2
Net investments in tangible			
and intangible assets	-52.7	-47.5	-27.8
Proceeds from sale of shares	148.5	1.7	0.7
Cash flow from other investing activities	9.5	8.6	0.9
Cash flow from investing activities	29.0	-179.5	-178.3
Cash flow from financing activities:			
Issuance of share capital	7.1	20.0	22.1
New long-term loans	1.7	20.2	53.2
Amortization of long-term loans	-30.7	-38.5	-83.0
Dividends paid	-141.5	-83,8	-83.9
Changes in short term loans and other			
financing activities	-10.5	207.2	139.1
Cash flow from financing activities	-173.9	125.1	47.6
Change in liquid funds,			
increase (+)/decrease (-)	27.2	-40.4	-54.7
Cash and cash equivalents at beginning			
of period	119.6	169.6	169.6
Exchange rate changes	-4.2	4.0	4.8
Cash and cash equivalents			
at end of period	142.6	133.2	119.6

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR

To equity holders of the parents company:

	Share	Share-	Translation-	Fair	Retained	Minority	Total
	capital premium	Share-	differences	value	earnings	interest	reserves
		capital premium	differences	reserves			
Shareholders' equity							
on Dec. 31, 2004	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 taxes				15.7			15.7
transferred to income statement,							
net of taxes				-0.1			-0.1
Cash flow hedges after tax				-52.8			-52.8
Net income recognized directly							
in equity			8.0	146.9	-0.3	1.2	155.8
Profit for the financial period					167.0	1.4	168.4
Total recognized income and							
expense for the period			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
Shareholders' equity							
on 31 Dec. 2005	329.4	44.0	7.0	146.9	625.8	9.8	1,163.0
Translation differences			-1.5			-0.7	-2.2
Other changes						0.8	0.8
Available-for-sale investments							

gain/loss from fair valuation, net of taxes				9.8		9.8
transferred to income statement, net of taxes				-80.6		-80.6
Cash flow hedges after taxes				26.3		26.3
Net income recognized directly in equity	-1.5			-44.5	0.2	-45.9
Profit for the financial period					244.0	244.8
Total recognized income and expense for the period	-1.5			-44.5	244.0	199.0
Options exercised	1.8	5.2				7.1
Dividends paid					-141.2	-141.5
Shareholders' equity on 30 Sept. 2006	331.2	49.3	5.5	102.4	728.6	1,227.5

BUSINESS SEGMENTS

INCOME STATEMENT 1-9/2006 MEUR	Power Businesses	Imatra Steel	Holdings	Non- allocated	Group
Net sales	2,203.7				2,203.7
Operating result	162.4				162.4
Financial income and expenses, dividends			7.9	-7.4	0.5
Net income from assets available for sale			123.9		123.9
Share of profit from Associates	0.5		18.1		18.6
Profit before taxes					305.5
Assets	2,734.0		269.5	100.5	3,104.0
Liabilities	1,756.4			120.1	1,876.5
Investments	141.9				141.9
Depreciations and impairment	-53.4				-53.4

INCOME STATEMENT 1-9/2005 MEUR	Power Businesses	Imatra Steel	Holdings	Non- allocated	Group
Net sales	1,746.8	119.0		-0.5	1,865.3
Operating result	116.4	21.8			138.2
Financial income and expenses, dividends			5.8	-25.2	-19.4
Net income from assets available for sale			0.5		0.5
Share of profit of associates	0.4		9.6		10.0
Profit before taxes					129.4
Assets	2,698.7		353.0	79.8	2,778.5
Liabilities	1,650.0		51.0	67.5	1,717.5
Investments	192.8	3.4			196.1
Depreciations and impairment	-47.7	-4.4			-52.1

Geographical segments

	Europe	Asia	Americas	Others	Group
Net sales 1-9/2006	859.7	804.5	403.4	136.1	2,203.7
Net sales 1-9/2005	771.8	670.3	273.0	150.2	1,865.3

1) Includes Imatra Steel net sales 1-4/2005

GROSS CAPITAL EXPENDITURE

MEUR	1-9/2006	1-9/2005	2005
Investments in securities and acquisitions			
Power Businesses	76.2	142.3	152.2
Other investments			
Power Businesses	65.6	50.5	75.6

Imatra Steel		3.4	3.4
	65.6	53.8	79.0
Group	141.9	196.1	231.1

IMPACT OF ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET:

During the reporting period Wärtsilä has acquired Wärtsilä Automation Norway A/S in Norway, DTS-Zwolle B.V. in the Netherlands, Total Automation Group in Singapore and INTEC Injectortechnik GmbH in Germany.

MEUR

Acquisition costs	88.4
Acquired assets	36.8
Goodwill	51.6

Specification of acquired assets:

Tangible and intangible assets	26.2
Inventories	14.8
Receivables	25.4
Cash and cash equivalents	13.4
Minority interest	-0.7
Non-current liabilities	-5.7
Current liabilities	-36.6
Total	36.8

INTEREST-BEARING LOAN CAPITAL

MEUR	30 Sept. 2006	30 Sept. 2005	31 Dec. 2005
Long-term liabilities	208.4	229.1	229.4
Current liabilities	123.3	250.1	174.2
Loan receivables	-4.5	-28.5	-28.1
Cash and bank balances	-142.6	-133.2	-119.6
Net	184.5	317.5	255.9

FINANCIAL RATIOS

	1-9/2006	1-9/2005	2005
Earnings per share, EUR	2.59	1.05	1.80
Diluted earnings per share, EUR	2.56	1.04	1.78
Shareholders equity/share, EUR	12.86	11.26	12.25
Solvency ratio, %	47.3	43.2	46.6
Gearing	0.15	0.33	0.24

PERSONNEL

On average	1-9/2006	1-9/2005	2005
Power Businesses	13 100	11 350	11 625
Imatra Steel		564	424
Group	13 100	11 914	12 049
Personnel, at the end of period	13 986	11 589	12 008

CONTINGENT LIABILITIES

MEUR	30 Sept. 2006	30 Sept. 2005	31 Dec. 2005
Mortgages	15.4	22.7	15.0
Chattel mortgages	21.2	29.4	23.1
Total	36.6	52.1	38.1

Guarantees and contingent liabilities

on behalf of Group companies	299.7	272.8	290.0
Nominal amounts of rents according to leasing contracts	50.2	38.7	37.4
Total	349.9	311.5	327.4

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

MEUR	Total amount	of which closed contracts
Interest rate swaps	140.0	
Currency forward contracts	1,098.8	102.2
Currency options, purchased	80.6	80.6
Currency options, written	80.6	80.6

Income statement, quarterly

MEUR	7-9/06	4-6/06	1-3/06	10-12/05	7-9/05	4-6/05
Net sales	766.8	845.0	591.9	773.5	607.8	686.8
Power Businesses	766.8	845.0	591.9	773.5	607.8	655.2
Imatra Steel						31.7
Operating result	56.3	70.2	35.9	86.1	43.5	48.4
Power Businesses	56.3	70.2	35.9	86.1	43.5	43.6
Imatra Steel						4.8
Financial income and expenses	1.4	1.7	-2.6	-4.0	-9.9	-5.0
Net income from assets available for sales		123.9			0.5	
Share of profit from associates	3.7	8.3	6.7	0.9	2.9	6.8
Profit before taxes	61.4	204.1	40.0	83.0	36.9	50.2
Power Businesses and Holdings	61.4	204.1	40.0	83.0	36.9	45.3
Imatra Steel						5.0
Earnings per share, EUR	0.44	1.60	0.55	0.75	0.32	0.40

30 October 2006

Wärtsilä Corporation
Board of Directors