



Lifetime Performance

INTERIM REPORT
January - March 2005

INTERIM REPORT JANUARY- MARCH 2005 WÄRTSILÄ CORPORATION

FIRST-QUARTER HIGHLIGHTS:

- Net sales grew to EUR 570.7 million (521.7)
- Operating income improved to EUR 46.4 million (-63.2)
- Order book at new record level EUR 2,066,9 million (1,656.2)
- Profitability of Power Businesses 6.0%
- Agreement on transfer of Imatra Steel to new steel company
- Service base expanded through acquisition of DEUTZ marine engine service business
- Profitability estimate for full year unchanged. Profitability improves towards end of year.

WÄRTSILÄ GROUP IN BRIEF

MEUR	IFRS		FAS	
	1-3/2005	1-3/2004	2004	1-3/2004
Net sales	570.7	521.7	2,478.2	521.7
Operating income	46.4	-63.2	112.0	101.5 ¹
Income before taxes	42.2	40.1	217.3	97.4 ¹
Earnings / share, EUR	0.33	0.22	1.42	0.79
Interest-bearing net debt at end of period	270.7	281.0	141.6	271.6
Gross capital expenditure	132.3	12.6	69.2	10.0

¹The IFRS and FAS figures for result in the first quarter of 2004 differ because under IFRS the restructuring provision made according to FAS in 2003 was required to be partially 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 also 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 31 March 2005 was EUR 22.4 million from derivative financial instruments and EUR 122.0 million from assets available for sale.

DEVELOPMENT OF GROUP STRUCTURE

In February Wärtsilä, Rautaruukki and the Swedish SKF signed a Memorandum of Understanding expressing their intention to combine their long-steel businesses into a new, jointly owned company. Wärtsilä's subsidiary Imatra Steel will become a part of this company. Wärtsilä's holding in the new company will be 26.5%.

STRATEGY – ACTIONS TO SUPPORT GROWTH

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 enables the company also to grow through acquisitions within the bounds set by the solvency targets.

Wärtsilä's Power Plant business continues to focus on the decentralized energy market and to develop in the growth sectors of these markets i.e. gas power plant markets.

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

In January a new, wholly owned subsidiary, Wärtsilä Propulsion (WUXI) Co Ltd, was established in China to

produce thrusters. Thruster manufacturing will begin by mid-2005. In India it was decided to start producing marine reduction gears at the existing plant in Khopoli. The production will start at the end of current year. In January Wärtsilä also acquired a 12.5% holding in Aker Arctic Technology Inc., which provides marine engineering services for shipyards, shipowners and offshore companies interested in operating in icy waters.

In February Wärtsilä signed a letter of intent with China Shipbuilding Industry Corporation (CSIC) to establish a 50/50-owned joint venture. The final agreement was signed on 21 April 2005. The intention is to start production of Wärtsilä Auxpac W20 diesel generating sets for the growing Chinese marine market and to sell these through Wärtsilä's global network. The start-up of the new company is subject to regulatory approvals. Production is expected to begin in early 2006.

In March a marine service company was set up with the Estonian BLRT Grupp to serve the Baltic market. Wärtsilä owns 51% of this company, which is called Oü Ciserv BLRT Baltica.

At the end of March Wärtsilä closed the deal with the German company DEUTZ AG on the transfer of the DEUTZ marine engine service business to Wärtsilä. The agreement was signed in January. Wärtsilä began to provide service and OEM parts for these engines globally from 1 of April.

EVENTS AFTER THE REPORTING PERIOD

Wärtsilä's manufacturing unit in France was sold to Mitsubishi Heavy Industries Ltd (MHI) on 19 April 2005. MHI took over the production along with 70 Wärtsilä France employees. The transaction was part of Wärtsilä's restructuring programme started in 2003. The transfer had no impact on the result.

A definite agreement was signed on 22 April 2005 on transferring Imatra Steel to a new steel company. The transfer is expected to be completed by 31 May 2005 subject to receiving the requisite regulatory approvals.

GROUP NET SALES AND RESULT

Wärtsilä's consolidated net sales for the first quarter of the year totalled EUR 570.7 million (521.7), representing growth of 9.4%. The reason(s) behind the growth were increased sales of the Ship Power Solutions and Imatra Steel. Operating income rose to EUR 46.4 million having been EUR -63.2 million one year earlier. The earnings per share were EUR 0.33 (0.22). The result in the comparison period was burdened by a restructuring provision reported 2003, of which EUR 63.8 million was required by IFRS to be entered in the first quarter of 2004 because that was when the personnel negotiations related to the restructuring were completed.

GROUP NET SALES BY BUSINESS

MEUR	1-3/2005	1-3/2004	Change (%)	2004
Power Businesses	483.8	463.3	4.4%	2,224.7
Imatra Steel	87.3	58.7	48.8%	254.4
Intragroup net sales	-0.3	-0.3		-0.9
Total	570.7	521.7	9.4%	2,478.2

GROUP OPERATING INCOME BY BUSINESS

MEUR	IFRS		FAS	
	1-3/2005	1-3/2004	2004	1-3/04
Power Businesses	29.3	-66.1	87.7	-9.2
Imatra Steel	17.1	2.9	24.3	2.9
Assets available for sale				107.7 ¹
Total	46.4	-63.2	112.0	101.5

¹The 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 6.9 million (4.5). Capital was tied up in inventories due to an increase in business volumes in both the Power businesses and Imatra Steel.

Liquid funds reserves at the end of the period amounted to EUR 140.7 million (150.7). Net interest-bearing loan capital totalled EUR 270.7 million (281.0). The solvency ratio was 40.2% (36.8) and gearing was 0.28 (0.36).

CAPITAL EXPENDITURE

Gross capital expenditure in the first quarter totalled in EUR 132.3 million (12.6), which comprised EUR 116.3 million in acquisitions and investments in securities and EUR 16.0 million (12.6) in production and information technology investments. Capital investments also includes EUR 0.5 million in capitalized emissions rights for Imatra Steel. Depreciation amounted to EUR 17.2 million (17.3).

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 115.5 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.

ENGINE MANUFACTURING AND R&D

Wärtsilä's goal with respect to its engine technology is to gain a leading position in the areas of environmental technology, reliability, economy and automation. Product development on new engines is proceeding according to plan. The company has achieved very good test results in its efforts to meet more stringent environmental regulations.

The manufacturing volume of the Trieste factory has been continued to expand and the manufacturing of the Wärtsilä 46 engine, transferred to Trieste from Turku, Finland, has proceeded at the same pace on average as earlier in Turku. Several other engine types are produced at Trieste as well.

Enhancements to the supplier chain have increased the flexibility to manage fluctuations in manufacturing load in both Vaasa and Trieste. The current order book will ensure that capacity utilization will remain good throughout the year and the beginning of 2006. Lively demand and increased raw material costs are also reflected in the components used in engine and propeller manufacture, and in the prices and availability of raw materials.

WÄRTSILÄ'S HOLDING IN ASSA ABLOY

Wärtsilä's holding in Assa Abloy AB (publ) has remained unchanged i.e. 4.7% of the company's shares. The holding has been booked in the balance sheet at the market value of the end of the reporting period, EUR 188.9 million.

PERSONNEL

Wärtsilä Group had 12 231 (12 143) employees on average during the first quarter and 12 322 (12 152) at the end of March. The largest personnel increases took place in the Service business. Due to the close down of the Turku production, the personnel in Turku decreased with 359 people during the first quarter. The DEUTZ AG agreement added roughly 170 employees from the beginning of April.

ANNUAL GENERAL MEETING

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.

Constitutive meeting of the Board of Directors

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

SHARES AND SHAREHOLDERS

	1-3/2005	1-3/2004	2004
Trading in Helsinki, shares	19.0%	21.5%	51.5%
Trading in Helsinki, votes	6.9%	7.5%	21.9%
Trading on the SEAQ, shares	3.8%	2.7%	7.9%
Foreign ownership at end of period	17.9%	12.7%	15.7%

SHARES AT 31.3.2005	A share	B share	Total
Number of shares	23,579,587	68,971,030	92,550,617
Number of votes	235,795,870	68,971,030	304,766,900

SHARE ON HELSINKI STOCK EXCHANGE

	1 Jan. – 31 Mar. 2005		Average ¹	Amount
	High	Low		
	EUR	EUR	EUR	
A share	21.49	15.31	18.71	370,097
B share	21.79	15.68	19.71	17,260,065

¹Trade-weighted average price.

MARKET CAPITALIZATION

	31 Mar. 2005	31 Mar. 2004	31 Dec. 2004
MEUR	1,888.0	1,091.4	1,440.8

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.

As a consequence of the bonus issue on 7 December 2004, each option entitles the holder to subscribe for three (3) Wärtsilä B shares with two (2) options. A total of 1,500,000 options have been issued and they may be exercised to subscribe for altogether 2,250,000 Wärtsilä B shares. Subscriptions based on these options may increase the share capital by at most 7,875,000 euros.

The decision of Wärtsilä's 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 IN 2005

Shipyards capacities in Asia are almost full for the next few years and shipyards with spare capacity for 2008 will be filled up within the next half year. Due to this, also the orderbooks of the European shipyards have grown. Demand for marine vessels has remained high despite a rise in prices. As a consequence of full shipyards in Asia Western European shipyards have received a considerable number of orders despite the strong euro. Western European shipyards are using eastern European yards as their subcontractors but recently the eastern European yards have also received orders for large, demanding vessels such as containerships and RoRo vessels.

Although there are no signs at present of a decline in ship orders, we still forecast, that a decrease in orders for new vessels can be expected in 2005–2006. The decrease will be due to the high capacity utilization of the shipyards.

The situation in the power plant market has continued to be good. Demand is distributed evenly, which is reducing dependency on single markets.

WÄRTSILÄ'S PROSPECTS IN 2005

Wärtsilä maintains its forecast for the Power Businesses for the year unchanged. Net sales of Power Businesses will rise 10-15% during 2005 based on the Group's strong order book. Profitability will vary from quarter to quarter, the first quarter being the weakest in the year. The profitability target set for the Power Businesses will be reached by the end of the year. The profitability target (EBITA) is above 8%.

Imatra Steel will become part of a new steel company by 31 May 2005. The start-up of the new company is subject to regulatory approvals. Wärtsilä's holding in the new company will be 26.5% and it will be consolidated as an associated company for the first time in the second quarter of 2005.

BUSINESS REVIEW

POWER BUSINESS SEGMENT:

Ship Power, Service and Power Plants

MEUR	IFRS			FAS	
	1-3/2005	1-3/2004	Change (%)	2004	1-3/2004
Net sales	483.8	463.3	4.4%	2,224.7	463.3
Operating income	29.3	-66.1 ¹		87.7	-9.2
% of net sales	6.0%	-14.3% ¹		3.9%	-2.0%
Order intake	678.0	888.7	-23.7%	2,791.4	888.7
Order book	2,066.9	1,656.2	24.8%	1,855.3	1,656.2

¹Includes according to FAS year 2003 booked restructuring provisions, which according to IFRS have been transferred to the first quarter of 2004.

Net sales of the Power Businesses rose 4.4% to EUR 483.8 million (463.3). Of this total, 28% was contributed by Ship Power, 49% by Service and 23% by Power Plants. The order intake of the Power businesses in the first quarter decreased to EUR 678.0 million (888.7). In the first quarter of 2004 Wärtsilä received from Iraq, the largest power plant order, EUR 360 million, in the company's history. The order book of the Power Businesses at the end of the period stood at a record EUR 2,066.9 million (1,656.2), which was 24.8% higher than at the same time last year.

Operating income of the Power Businesses totalled EUR 29.3 million (-66.1). The profitability of the Power Businesses grew to 6.0%. Comparable profitability in year 2004 was -0.5%.

SHIP POWER BUSINESS

MEUR	Ship Power			2004
	1-3/2005	1-3/2004	Change(%)	
Net sales	133.9	119.0	12.5%	631.2
Order intake	298.9	196.0	52.5%	836.7
Order intake at end of period	974.0	675.9	44.1%	812.7

Net sales of the Ship Power business rose 12.5% on the previous year to EUR 133.9 million (119.0). The shipbuilding market has shifted focus from large to smaller vessels, which is Wärtsilä's strongest market. The order intake continued a strong growth during the first quarter and it was 52.5% higher than last year. The order book at the close of the period stood at high level of EUR 974.0 million (675.9), which represents a growth of 44.1%.

Wärtsilä's market share in the medium-speed main engine segment increased to 36% (27), while in auxiliary engines the market share was 10% (9) over the past 12 months which ended on 31st of March 2005. Wärtsilä's market share in the low-speed main engine segment was 21% (20). The market shares have slightly increased since the year end of 2004. The increase was strongest in medium speed main engines due to the large orders for LNG vessels.

During the first quarter activity was especially lively in the offshore and cargo ship markets in Europe and in the feeder-container market in Asia.

Wärtsilä has gained a strong foothold in the LNG (liquefied natural gas) market. At the end of March the Samsung Heavy Industries shipyard in Korea placed an order for 24 Wärtsilä 50DF dual-fuel engines. These will be installed in four LNG carriers ordered by AP Möller in Denmark and in two LNG carriers under construction for Kawasaki Kisen Kaisha in Japan.

The first order for the new Wärtsilä 46F engine, launched in September 2004, was received in March. The main orders for low-speed engines were the Sulzer 14RT-flex96C engines, the largest in the world in terms of output, ordered by Hyundai Heavy Industries Co Ltd and Hyundai Samho Heavy Industries Co Ltd.

Demand for propellers was brisk as well, and this was reflected in a number of significant orders. The joint-venture fixed pitch propeller company in China continued to develop well and a programme is underway for manufacturing larger propellers at the factory and expanding its capacity. The new thruster factory project in China is making planned progress and production there will start in June. This factory, wholly owned by Wärtsilä, will make LIPS thrusters for distribution worldwide. Wärtsilä decided to expand its range of marine reduction gears by starting to manufacture this product in India.

SERVICE BUSINESS

Service

	1-3/2005	1-3/2004	Change(%)	2004
Net sales, MEUR	237.9	223.2	6.6%	936.8
Personnel, end of period	6 489	6 135	5.8%	6 378
Long-term service agreements, MW	9,544	9,680	-1.4%	9,609
O&M-agreements ¹ , MW	2,711	2,318	17.0%	2,569
Order intake	257.4	221.4	16.3%	930.8
Order book, end of period	326.1	287.5	13.4%	290.2

¹Long-term operations and maintenance agreements

Net sales of the Service business increased to EUR 237.9 million (223.2), or 6.6% compared to last year. The acquisition of the DEUTZ AG marine engine service business, closed at the end of March didn't affect the sales of Service during the first quarter. The deal will increase Wärtsilä's active engine base by 12,500 MW, bringing the total to 148,000 MW.

Long-term service and O&M (Operations and Maintenance) contracts cover more than 12,200 MW, or 8.3% of the active engine base. Wärtsilä has O&M agreements covering 2,700 MW and 140 power plants, an increase of 17% on the same period last year.

The Service business will continue to grow by broadening its portfolio of maintenance and repair services. The Ciserv group is growing further following the establishment of a new Ciserv company in Estonia to serve the Baltic market. There are now ten Ciserv companies located at hubs along strategically important shipping routes.

Sales of spare parts and service for low-speed engines showed further growth. Demand also rose for power plant relocations, engine conversions to run on natural gas, and other services of a project nature.

POWER PLANTS BUSINESS

Power Plants

MEUR	1-3/2005	1-3/2004	Change(%)	2004
Net sales	109.4	120.5	-9.2%	651.9
Order intake	120.7	470.8	-74.4%	1,019.5
Order intake, MW				
HFO	151	782	-80.7%	1,664
Gas	155	208	-25.3%	649
BioPower, MWth	58	43	34.9%	110
Order book, end of period	766.7	692.8	10.7%	752.4

Net sales of the Power Plants business declined slightly to EUR 109.4 million (120.5.). The high order intake in the first quarter of 2004 compared with this years was due to the EUR 360 million power plant orders from Iraq, the largest in the company's history. The biggest orders during the first quarter of 2005 were placed in Africa, Japan, India and Indonesia. The order book at the end of the first quarter was approximately 11% higher than in the comparison period.

On the growing gas power plant markets Wärtsilä's gas power plant sales has further strengthened and during the first quarter Wärtsilä gained as many orders for gaspowerplants as for heavy fuel oil driven power plants. The latter's share of orders has previously been considerably higher.

The market situation remains good. Geographically demand is distributed evenly, which is reducing dependency on single markets.

IMATRA STEEL BUSINESS SEGMENT

IMATRA STEEL

	IFRS			FAS	
MEUR	1-3/2005	1-3/2004	Change(%)	2004	1-3/2004
Net sales	87.3	58.7	48.8%	254.4	58.7
Operating income	17.1	2.9	490.1%	24.3	2.9
% of net sales	19.6%	4.9%		9.5%	4.9%

Imatra Steel's net sales rose 48.8% compared to the same period last year. Demand for special steels remained buoyant and delivery volumes of both steels and forgings increased. The sales prices of the products were higher than last year as well.

Operating income was excellent and totalled EUR 17.1 million (2.9). The improvement in performance was attributable to the rise in sales prices and good productivity development.

Demand for the company's products is expected to remain favourable during the months ahead.

3 May 2005

Wärtsilä Corporation
Board of Directors

WÄRTSILÄ GROUP, UNAUDITED

Wärtsilä Group's interim financial statements for January-March 2005 are prepared according to 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

MEUR	1-3/2005	1-3/2004	1-12/2004
Net Sales	570.7	521.7	2,478.2
Other operating income	4.5	3.7	26.9
Expenses	-511.7	-571.3	-2,330.1
Depreciations and writedowns	-17.2	-17.3	-63.0
Operating income	46.4	-63.2	112.0
Share of income from associates	0.4	0.0	1.4
Net income from assets available for sales		107.7	107.7
Financial income and expenses	-4.5	-4.3	-3.7
Income before taxes	42.2	40.1	217.3
Income taxes	-11.7	-19.9	-86.1
Net income	30.5	20.2	131.3
Attributable to:			
Equity holders of the parent	30.1	20.1	130.0
Minority interest	0.4	0.2	1.3
Total	30.5	20.2	131.3
Earnings per share	0.33	0.22	1.42
Diluted earnings per share	0.32	0.21	1.42

BALANCE SHEET

MEUR	31 March 2005	31 March 2004	31 Dec. 2004
Non-current assets			
Intangible assets	545.0	434.1	435.8
Property, plant and equipment	354.7	369.1	357.0
Available for sales investments	236.8	71.4	68.4
Other long-term assets	83.2	122.2	90.9
	1,219.7	996.8	952.0
Current assets			
Inventories	617.9	551.1	565.1
Other current assets	717.9	701.0	710.6
Cash and cash equivalents	140.7	150.7	169.6
	1,476.6	1,402.8	1,445.3
Total assets	2,696.2	2,399.6	2,397.3
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	323.9	208.8	323.9
Other shareholders' equity	662.5	615.6	568.8
Minority interest	8.5	6.6	7.8
	994.9	831.0	900.5
Long-term liabilities			
Long-term interest-bearing debt	255.1	325.5	271.2
Other long-term liabilities	184.1	147.2	109.0
	439.2	472.7	380.2
Current debt			
Interest-bearing current debt	164.0	122.7	48.8
Other current liabilities	1,098.1	973.2	1,067.8
	1,262.1	1,095.8	1,116.6
Total shareholders' equity and liabilities	2,696.2	2,399.6	2,397.3

CASH FLOW STATEMENT

MEUR	1-3/2005	1-3/2004	2004
Cash flow from operating activities:			
Operating income	46.4	-63.2	112.0
Depreciation and writedowns	17.2	17.3	63.0
Selling profit and loss of fixed assets and other adjustments	-0.3	-1.3	-10.6
Changes in working capital	-31.3	68.6	76.8
Cash flow from operating activities before financial items and taxes	31.8	21.4	241.2
Net financial expenses and paid income tax	-24.9	-16.9	-21.1
Cash flow from operating activities (A)	6.9	4.5	220.1
Cash flow from investing activities:			
Net investments in tangible and intangible assets	-12.6	-11.7	-61.0
Investments in shares and acquisitions	-116.3	0.0	4.4
Proceeds from sale of shares after taxes	0.6	134.4	129.6
Cashflow from other investing activities	2.5	1.6	11.9
Cash flow from investing activities (B)	-125.8	124.3	85.0
Cash flow from financing activities:			
New long-term loans	0.3	30.0	30.0
Amortisation of long-term loans and other changes	-29.8	14.3	-50.0
Paid dividends		-44.8	-106.7
Changes in short term loans and other financing activities	118.1	-101.7	-158.1
Cash flow from financing activities (C)	88.6	-130.8	-284.9
Change in liquid funds (A+B+C), increase (+)/decrease (-)	-30.3	-1.9	20.2
Liquid funds at beginning of period	169.6	151.4	151.5
Translation difference	1.4	1.2	-2.0
Liquid funds at end of period	140.7	150.7	169.6

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	To parent company owners:			Fair value reserves	Retained earnings	Minority interest	Total
	Share capital	Share-premium	Translation differences				
Shareholders equity on December 31, 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 January 1, 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 December 31, 2004	323.9	27.3	-1.0		542.5	7.8	900.5
Impacts from implementation of							
Adoption of IAS 39 from January 1, 2005				184.2			184.2
Translation differences			2.5			0.4	2.8
Dividends booked as debt					-83.3		-83.3
Cash flow hedges after taxes				-20.3			-20.3
Change in value of assets available for sale after tax				-19.5			-19.5
Net income for the period					30.1	0.4	30.5
Shareholders' equity on March 31, 2005	323.9	27.3	1.5	144.3	489.3	8.5	994.9
EUR million							
Shareholders equity on December 31, 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 January 1, 2004 (IFRS)	208.8	117.9	0.0		519.5	6.1	852.2
Conversion of subordinated debentures		1.0					1.0
Translation differences			1.9			0.4	2.3
Dividends paid					-44.7		-44.7
Net income for the period					20.1	0.2	20.2
Shareholders' equity on March 31, 2004	208.8	118.9	1.9		494.8	6.6	831.0

BUSINESS SEGMENTS

Income statement 1-3/2005	Power Businesses	Imatra Steel	Group
MEUR			
Net sales	483.8	87.3	570.7
Other operating income	2.7	1.8	4.5
Expenses	-443.3	-68.8	-511.7
Depreciations and write-downs	-13.9	-3.3	-17.2
Operating income	29.3	17.1	46.4

BALANCE SHEET March 31, 2005

MEUR	Power businesses	Imatra Steel	Investments	Group
Non-current assets	929.7	79.5	210.5	1,219.7
Current assets	1,351.4	125.2		1,476.6
Total assets	2,281.1	204.6	210.5	2,696.2
Shareholders' equity	764.2	66.7	164.0	994.9
Long-term liabilities	339.4	53.3	46.5	439.2
Current debt	1,177.5	84.6		1,262.1
Total shareholders' equity and liabilities	2,281.1	204.6	210.5	2,696.2

GROSS CAPITAL EXPENDITURE

MEUR	1-3/2005	1-3/2004	1-12/2004
Investments in securities and acquisitions			
Power businesses	116.3		7.9
Other investments			
Power businesses	13.2	11.9	55.5
Imatra Steel	2.8	0.7	5.8
	16.0	12.6	61.3
Group	132.3	12.6	69.2

INTEREST-BEARING LOAN CAPITAL

MEUR	1-3/2005	1-3/2004	1-12/2004
Long-term liabilities	255.1	299.1	271.2
Current liabilities	164.0	122.7	48.8
Convertible subordinated debentures		26.4	
Loan receivables	-7.8	-16.5	-8.9
Cash and bank balances	-140.7	-150.7	-169.6
Net	270.7	281.0	141.6

FINANCIAL RATIOS

	1-3/2005	1-3/2004	1-12/2004
Earnings/share, EUR	0.33	0.22	1.42
Earnings/share, diluted, EUR	0.32	0.21	1.42
Shareholders equity/share, EUR	10.66	9.21	9.65
Solvency ratio, %	40.2	36.8	40.8
Gearing	0.28	0.36	0.17

PERSONNEL			
On average	1-3/2005	1-3/2004	1-12/2004
Power businesses	10 961	10 928	11 133
Imatra Steel	1 270	1 215	1 228
Group	12 231	12 143	12 361
Personnel, at end of the period	12 322	12 152	12 475

CONTINGENT LIABILITIES			
MEUR	1-3/2005	1-3/2004	1-12/2004
Mortgages	44.5	43.2	44.1
Chattel mortgages	27.8	34.4	30.0
Total	72.3	77.6	74.1
Guarantees and contingent liabilities -on behalf of Group companies	228.4	228.9	228.4
Rental obligations	39.0	35.5	37.5
Total	267.4	264.4	265.9

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS		
MEUR	Total amount	of which closed contracts
Interest swaps	120.0	
Foreign exchange forward contracts	1,128.7	55.9
Currency options, purchased	37.3	
Currency options, written	38.4	

Specification of changes in result 1 January to 31 March 2004

INCOME STATEMENT 1)			
MEUR	FAS 1-3/2004	IFRS adjustment	IFRS 1-3/2004
Net sales	521.7		521.7
Other operating income	111.4	-107.7	3.7
Expenses	-508.5	-62.8	-571.3
Depreciations and write-downs	-16.1	-1.2	-17.3
Operating income before goodwill amortisation	108.5	-171.7	-63.2
Goodwill amortisation	-7.0	7.0	0.0
Operating income	101.5	-164.7	-63.2
Share of income from associates	0.0		0.0
Net income from assets available for sales		107.7	107.7
Financial income and expenses	-4.1	-0.3	-4.3
Income before taxes	97.4	-57.2	40.1
Income taxes	-26.7	6.8	-19.9
Minority interests	-0.2		-0.2
Net income	70.5	-50.5	20.1
Earnings per share	0.79		0.22
Earnings/share, diluted	0.78		0.21

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

Specification of changes in the balance sheet and in shareholders' equity 31 March 2004

Balance sheet ²			
MEUR	FAS 31 Mar.2004	IFRS adjustment	IFRS 31 Mar.2004
Assets			
Intangible assets	54.1	18.0	72.1
Consolidated goodwill	348.0	14.0	362.0
Property, plant and equipment	367.5	-18.8	348.8
Investment properties		20.3	20.3
Equity in associates	2.7		2.7
Shares available for sales	71.7	-0.3	71.4
Interest-bearing receivables	10.0		10.0
Other long-term receivables	69.2	40.4	109.6
Inventories	550.8	0.3	551.1
Interest-bearing receivables	6.5	0.0	6.5
Other receivables	687.5	6.9	694.5
Cash and cash equivalents	149.2	1.5	150.7
Total assets	2,317.3	82.3	2,399.6
Shareholders' equity and liabilities			
Share capital	208.8		208.8
Other shareholders' equity	597.1	18.5	615.6
Minority interests	6.6		6.6
Convertible subordinated debentures	26.4		26.4
Long-term interest-bearing debt	298.6	0.4	299.1
Other long-term liabilities	103.7	43.4	147.2
Interest-bearing current debt	112.2	10.4	122.7
Other current liabilities	963.7	9.5	973.2
Total shareholders' equity and liabilities	2,317.3	82.3	2,399.6

² The impacts of the transition to IFRS is described in the stock exchange release 18 March 2005