

Lifetime Performance

INTERIM REPORT
January-June 2005

SECOND QUARTER HIGHLIGHTS:

- Net sales grew to EUR 686.8 million (581.3)
- Operating income improved to EUR 48.4 million (32.9)
- Power Businesses´ profitability (EBITA) 6.7%
- Order intake grew 43.1% to EUR 841.8 million (588.3)
- Imatra Steel became part of Oy Ovako Ab.The share of the associated company's result EUR 6.7 million is not included in the Group operating income

HIGHLIGHTS OF THE REPORTING PERIOD

- Power Businesses´ profitability (EBITA) 6.4%
- Order book at new record level EUR 2,267.9 million (1,779.2)
- Engine base grew due to acquisition of DEUTZ marine engine service business
- Power Businesses´ profitability (EBITA) for the full year around 8%

WÄRTSILÄ GROUP IN BRIEF

IFRS

EUR million	4-6/2005[1]	4-6/2004	1-6/2005[1]	1-6/2004	2004
Net sales	686.8	581.3	1,257.5	1,103.0	2,478,2
Operating income	48.4	32.9	94.8	–30.3[2]	112.0
Income before taxes	50.2	38.1	92.5	78.2[2]	217.3
Earnings/share, EUR	0.40	0.28	0.73	0.50	1.42
Interest-bearing net debt at end of period	432.4	280.3	432.4	280.3	141.6
Gross capital expenditure	42.7	19.9	175.0	32.5	69.2

FAS 2004

EUR million	4-6/2004	1-6/2004
Net sales	581.3	1,103.0
Operating income	27.2	128.6
Income before taxes	32.2	129.6
Earnings/share, EUR	0.24	1.03
Interest-bearing net debt at end of period	271.2	271.2
Gross capital expenditure	19.7	29.7

[1] Imatra Steel became part of Oy Ovako Ab, a new steel company that began operating on 10 May 2005. Wärtsilä's holding in the company is 26.5% and has been accountied for as an associated company from 1 May 2005. The tables in this interim report show Imatra Steel consolidated as a subsidiary for one month of the second quarter and for four months of the full six-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 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 30 June 2005 was EUR -7.2 million from derivative financial instruments and EUR 120.8 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. The definitive agreement transferring Wärtsilä's subsidiary Imatra Steel to the new steel company was signed on 22 April 2005. The new company was named Oy Ovako Ab and is accounted for as an associated company in its shareholders' consolidated accounts as of 1 May 2005. Wärtsilä's holding in the new company is 26.5%.

TARGETS AND STRATEGY – ACTION 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 develop in the growth sectors of this market, i.e. gas power plants.

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

In January a new, wholly owned subsidiary, Wärtsilä Propulsion (WUXI) Co Ltd, was established in China to produce thrusters. Thruster manufacturing was started in June and the first deliveries will be made in the early autumn.

The decision to start producing marine reduction gears at the existing plant in Khopoli in India was taken in January and this project is proceeding as planned. In January Wärtsilä 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 arctic 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. This company will start production of Wärtsilä Auxpac W20 diesel generating sets, which are used in vessels as auxiliary engines, for the growing Chinese marine market and 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. Wärtsilä began to provide service and OEM parts for these engines globally from 1 April 2005.

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.

GROUP NET SALES AND RESULT

April-June 2005

Wärtsilä's consolidated net sales for the second quarter of the year totalled EUR 686.8 million (581.3), representing growth of 18.1%. Net sales in the period were boosted by power plant deliveries and good growth in the Service business. Operating income improved to EUR 48.4 million having been EUR 32.9 million one year earlier.

Reporting period January-June 2005

Net sales grew to EUR 1,257.5 million (1,103.0). Earnings per share were EUR 0.73 (0.50). Operating income rose to EUR 94.8 million, compared with EUR -30.3 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.

GROUP NET SALES BY BUSINESS

EUR million	4-6/2005	4-6/2004	Change (%)
Power Businesses	655.2	517.0	26.7%
Imatra Steel	31.7[1]	64.5	
Intragroup net sales	–0.1	–0.2	
Total	686.8	581.3	18.1%

EUR million	1-6/2005	1-6/2004	Change (%)	2004
Power Businesses	1,139.0	980.3	16.2%	2,224.7
Imatra Steel	119.0[2]	123.1		254.4
Intragroup net sales	–0.5	–0.4		–0.9
Total	1,257.5	1.103.0	14.0%	2,478.2

[1] April 2005

[2] January-April 2005

GROUP OPERATING INCOME BY BUSINESS

EUR million	4-6/2005	IFRS 4-6/2004	FAS 4-6/2004
Power Businesses	43.6	27.2	21.5
Imatra Steel	4.8[1]	5.7	5.6
Total	48.4	32.9	27.2

EUR million	1-6/2005	1-6/2004	IFRS 2004	FAS 1-6/2004
Power Businesses	72.9	–38.9	87.7	12.4
Imatra Steel	21.9[2]	8.6	24.3	8.5
Assets available for sale				107.7[3]
Total	94.8	-30.3	112.0	128.6

[1] April 2005

[2] January-April 2005

[3] 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 -92.1 million (-2.7). Capital was tied up in deliveries in progress and receivables due to an increase in business volumes both in the Power Businesses and Imatra Steel. Also the DEUTZ business tied up working capital. Furhermore cash payments have been made during the period against the restructuring provision made in 2003.

Liquid reserves at the end of the period amounted to EUR 119.6 million (152.2). Net interest-bearing loan capital totalled EUR 432.4 million (280.3). The solvency ratio was 39.7% (38.5) and gearing was 0.46 (0.33).

CAPITAL EXPENDITURE

Gross capital expenditure in the first six months totalled EUR 175.0 million (32.5), which comprised EUR 142.0 million (6.4) in acquisitions and investments in securities and EUR 33.0 million (26.1) in production and information technology investments. EUR 23.0 million was related to the Ovako transaction. Depreciation amounted to EUR 35.2 million (35.9).

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 115.7 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.

R&D AND ENGINE MANUFACTURING

Product development on new engines is proceeding according to plan. The company has achieved very good results in its efforts to meet more stringent environmental regulations in emission control. The first two low-speed RT-Flex 50 engines were started up at the Diesel United and Mitsubishi factories.

The current order book secures capacity utilization throughout the year and a good base for 2006.

WÄRTSILÄ'S HOLDINGS

Wärtsila'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 its market value at the end of the reporting period, EUR 184.1 million.

Wärtsilä's holding in the new steel company Oy Ovako Ab has been 26.5% since 1 May 2005. The balance sheet value of this holding at the close of the period was EUR 101.0 million. Furthermore Wärtsilä has granted a shareholder´s loan of EUR 21.2 million to Ovako. Wärtsilä has recorded EUR 6.7 million as its share of this associated company´s result of the period 5-6/2005.

PERSONNEL

Wärtsilä Group had 12 100 (11 996) employees on average during the half year and 11 378 (12 432) at the end of June. The largest personnel increases took place in the Service business. Due to the termination of production in Turku, the number of employees in Turku decreased by 359 during the first quarter. The DEUTZ AG agreement added 170 employees from the beginning of April. Imatra Steel´s transfer to Ovako reduced the number of employees in the Group by 1 279 persons.

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 has 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

SHARES AND SHAREHOLDERS	1-6/2005	1-6/2004	2004
Trading in Helsinki, shares	45.1%	34.6%	51.5%
Trading in Helsinki, votes	17.5%	16.3%	21.9%
Trading on the SEAQ, shares	8.9%	6.2%	7.9%
Foreign ownership at end of period	24.1%	14.5%	15.7%

SHARES AT 30 JUNE 2005	A share	B share	Total
Number of shares	23,579,587	69,421,030	93,000,617
Number of votes	235,795,870	69,421,030	305,216,900

SHARE ON THE HELSINKI STOCK EXCHANGE

1 January – 30 June 2005	High EUR	Low EUR	Average[1] EUR	Amount
A share	25.30	15.31	21.30	1,269,530
B share	25.00	15.68	21.20	40,700,419

[1] Trade-weighted average price.

MARKET CAPITALIZATION

	30 June 2005	30 June 2004	31 Dec. 2004
MEUR	2,201.6	1,129.0	1,440.8

CHANGES IN SHARE CAPITAL AND OWNERSHIP

A total of 750,000 Wärtsilä B shares were subscribed during the period under Wärtsilä Corporation's 2001 and 2002 option schemes. This increased the share capital by EUR 1,575,000, following which the share capital amounts to EUR 325,502,159.50.

On 14 June 2005 Fiskars Corporation announced that it had sold 4 million Wärtsilä B shares. At the end of the reporting period Fiskars held 7,522,650 Wärtsilä A shares and 7,165,800 B shares, which represents 15.8% of all Wärtsulä shares and 27.0% 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 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

The ordering rate for larger merchant ships declined during the second quarter. The strong increase of new tonnage entering operation in the next two to three years, coupled with high new-building prices and the availability of ship delivery slots only after mid-2008, have reduced the willingness to place new orders. However, in terms of number of vessels, ordering activity has remained at a very high level as a large number of small ships have been ordered.

Major Korean and Japanese shipyards have secured order books into 2008. Although the volume of new orders will inevitably decrease from peak levels within the next 6-18 months, the impact of this decrease on delivery activity will be spread over a longer period than earlier.

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

WÄRTSILÄ'S PROSPECTS IN 2005 AND 2006

The net sales of Wärtsilä Power Businesses for the current year are estimated to grow approximately 15%. Regardless of the fluctuations between the individual quarters, the full-year profitability (EBITA) of 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. Profitability (EBITA) in 2006 is estimated to improve slightly.

BUSINESS REVIEW
POWER BUSINESSES SEGMENT:
Ship Power, Service and Power Plants

	IFRS			FAS
MEUR	4-6/2005	4-6/2004	Change (%)	4-6/2004
Net sales	655.2	517.0	26.7%	517.0
Operating income	43.6	27.2	60,1%	21.5
% of net sales	6.7%	5.3%		4.2%
Order intake	841.8	588.3	43.1%	588.3

	IFRS				FAS
MEUR	1-6/2005	1-6/2004	Change (%)	2004	1-6/2004
Net sales	1,139.0	980.3	16.2%	2,224.7	980.3
Operating income	72.9	–38.9[1]		87.7	12.2
% of net sales	6.4%	–4.0%[1]		3.9%	1.3%
Order intake	1.519.8	1,477.0	2.9%	2,791.4	1,477.0
Order book	2,267.9	1,779.2	27.5%	1,855.3	1,779.2

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

April-June 2005

Net sales of the Power Businesses rose 26.7% to EUR 655.2 million (517.0) in the second quarter. The order intake increased 43.1% on the comparison period. Operating income improved to EUR 43.6 million (27.2) and profitability to 6.7% (5.3).

Reporting period January-June 2005

Net sales rose 16.2% to EUR 1,139.0 million, 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 1,519.8 million (1,477.0). In the comparison period Wärtsilä received the largest power plant order in its history, EUR 360 million, from Iraq. The Power Businesses' order book at the close of the period stood at EUR 2,267.9 million (1,779.2), or 27.5% higher than at the same time last year; about half of the total is scheduled for delivery during or after 2006.

Operating income of the Power Businesses totalled EUR 72.9 million (-38.9) and the profitability improved to 6.4% (-4.0).

SHIP POWER BUSINESS
Ship Power

MEUR	4-6/2005	4-6/2004	Change(%)
Net sales	153.0	179.1	–14.6%
Order intake	409.9	199.3	105.7%

MEUR	1-6/2005	1-6/2004	Change(%)	2004
Net sales	286.9	298.1	–3.8%	631.2
Order intake	708.8	395.3	79.3%	836.7
Order book, end of period	1,230.8	702.0	75.3%	812.7

April-June 2005

The unprecedented order activity in the shipbuilding industry was also reflected in the Ship Power business, the order intake for which continued to grow strongly and was double last year's second-quarter figure. Net sales decreased to EUR 153.0 million (179.1) as deliveries are weighted towards the end of 2005 and the following years.

Reporting period January-June 2005

Net sales of the Ship Power business were EUR 286.9 million (298.1). The order intake rose by 79.3%. Similarly the order book at the close of the period was 75.3% higher than in the comparison period, standing at EUR 1,230.8 million (702.0).

The first-quarter trend for ship orders to move from large to smaller tonnage continued with the strongest movements seen in containerships and tankers. Activity was especially lively in offshore vessels and smaller cargo and container feeder vessels in both Europe and Asia.

Wärtsilä received commercial orders for the new Wärtsilä 46F engine during the spring, all for a series of container feeder vessels at Dutch, Chinese and Singaporean shipyards. At the moment there are altogether 10 new 46F engines on order. Order activity was particularly strong for total solutions, i.e. solutions encompassing engines, gears, propellers and seals. This trend highlights the strength of Wärtsilä's strategy as a provider of total ship power solutions.

The Auxpac generating set products continued to show a steady stream of orders booked during the period.

The most important orders for the newest type of license built 2-stroke engine, the RT-flex50, were an order for six engines by Graig Shipping and an order for five engines by China Shipping Group.

Market shares

Wärtsilä's market share in the medium-speed main engine segment increased to 39% (29) during the 12 months ended 30 June 2005 due to demand suited to Wärtsilä's product range. In auxiliary engines the market share was 9% (9) over the same period. Wärtsilä's market share in the low-speed main engine segment was 19% (21).

SERVICE BUSINESS

Service	4-6/2005	4-6/2004	Change(%)
Net sales, EUR million	266.8	232.0	15.0%
Order intake	307.0	226.3	35.7%

	1-6/2005	1-6/2004	Change(%)	2004
Net sales, EUR million	504.7	455.2	10.9%	936.8
Personnel, end of period	6 839	6 193	10.4%	6 378
Long-term service agreements, MW	9,505	9,668	–1.7%	9,609
O&M agreements[1], MW	2,560	2,572	–0.5%	2,569
Order intake	564.4	447.6	26.1%	930.8
Order book, end of period	371.2	298.4	24.4%	290.2

[1] Long-term operations and maintenance agreements.

April-June 2005

The strong development in the Service business's net sales continued. Second-quarter net sales were EUR 266.8 million (232.0), or 15.0% compared to last year.

Reporting period January-June 2005

The increase in Service's net sales for the whole reporting period was 10.9% compared to the same period last year. The DEUTZ deal increased 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 about 12,000 MW, or 8.2% of the active engine base (148 GW).

In May the first global customer agreement for ocean-going vessels was signed with the German Reederei Blue Star GmbH. Under the agreement Wärtsilä will provide the customer with operation support and maintenance services for the entire Blue Star fleet.

The Service business will continue to grow by broadening its product portfolio. There are now ten Ciserv companies located at hubs along strategically important shipping routes.

POWER PLANTS BUSINESS

Power Plants EUR million	4-6/2005	4-6/2004	Change(%)
Net sales	230.9	104.5	121.0%
Order intake	123.9	161.4	–23.2%
Order intake, MW			
HFO	188	292	–35.7%
Gas	133	77	73.2%
BioPower, MWth	21	0	

EUR million	1-6/2005	1-6/2004	Change(%)	2004
Net sales	340.2	225.0	51.2%	651.9
Order intake	244.6	632.1	–61.3%	1,019.5
Order intake, MW				
HFO	339	1,074	–68.5%	1,664
Gas	289	285	1.2%	649
BioPower, MWth	79	43	83.3%	110
Order book, end of period	665.9	778.7	–14.5%	752.4

April-June 2005

Net sales of the Power Plants business more than doubled to EUR 230.9 million (104.5). The order intake was 23.2% lower than in the same period last year although the order intake for gas power plants increased. The largest orders were received from Asia and the Middle East.

Reporting period January-June 2005

Net sales grew to EUR 340.2 million (225.0). The order intake was on a lower level than last year. As the market for gas power plants increases, these plants are representing an increasingly large share of Wärtsilä´s total power plant sales. The order book at the close of the period was approximately 14.5% lower than at the same time last year but still at a good level. The high order intake in the first quarter of 2004 was due to the EUR 360 million power plant order from Iraq, the largest in the company's history. Delivery of the first of these power plants, EUR 180 million, is in progress. The second power plant is still subject to financing and the delivery schedule is open. This project valued at EUR 180 million is included in the order book for delivery in 2006.

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

IMATRA STEEL BUSINESS SEGMENT

IMATRA STEEL EUR million	April/2005	IFRS 4-6/2004	FAS 4-6/2004
Net sales	31.7	64.5	64.5
Operating income	4.8	5.7	5.6
% of net sales	15.2%	8.8%	8.7%

EUR million	1-4/2005	1-6/2004	IFRS 2004	FAS 1-6/2004
Net sales	119.0	123.1	254.4	123.1
Operating income	21.9	8.6	24.3	8.5
% of net sales	18.4%	7.0%	9.5%	6.9%

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 consolidated as an associated company from 1 May 2005. For this reason the figures in the table show Imatra Steel accounted for a subsidiary for one month in the second quarter and for four months in the entire reporting period.

4 August 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	1-6/2005	1-6/2004	2004
Net sales	1,257.5	1,103.0	2,478.2
Other operating income	11.7	7.3	26.9
Expenses	–1,139.2	–1,104.8	–2,330.1
Depreciations and writedowns	–35.2	–35.9	–63.0
Operating income	94.8	–30.3	112.0
Share of income from associates	7.1	0.2	1.4
Net income from assets available for sale		107.7	107.7
Financial income and expenses	–9.4	0.6	–3.7
Income before taxes	92.5	78.2	217.3
Income taxes	–24.1	–32.6	–86.1
Net income	68.3	45.7	131.3
Attributable to:			
Equity holders of the parent	67.5	45.4	130.0
Minority interest	0.8	0.3	1.3
Total	68.3	45.7	131.3
Earnings/share	0.73	0.50	1.42
Earnings/share/diluted	0.72	0.49	1.42

BALANCE SHEET

EUR million	30 June 2005	30 June2004	30 June2004
Non-current assets			
Intangible assets	544.9	435.0	435.8
Property, plant and equipment	281.4	366.9	357.0
Available for sales investments	235.2	71.2	68.4
Other long-term assets	201.1	123.7	90.9
	1,262.6	996.8	952.0
Current assets			
Inventories	597.3	572.4	565.1
Other current assets	781.6	726.0	710.6
Cash and cash equivalents	119.6	152.2	169.6
	1,498.4	1,450.6	1,445.3
Total assets	2,761.1	2,447.4	2,397.3
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	325.5	216.0	323.9
Other shareholders' equity	676.8	655.0	568.8
Minority interest	8.9	7.9	7.8
	1,011.2	878.8	900.5
Long-term liabilities			
Long-term interest-bearing debt	244.3	297.4	271.2
Other long-term liabilities	141.4	134.4	109.0
	385.6	431.8	380.2
Current debt			
Interest-bearing current debt	337.1	144.8	48.8
Other current liabilities	1,027.2	991.9	1,067.8
	1,364.3	1,136.7	1,116.6
Total shareholders' equity and liabilities	2,761.1	2,447.4	2,397.3

CASH FLOW STATEMENT

EUR million	1-6/2005	1-6/2004	2004
Cash flow from operating activities:			
Operating income	94.8	–30.1	112.0
Depreciation and writedowns	35.2	35.9	63.0
Selling profit and loss of fixed assets and other adjustments	–4.9	–2.1	–10.6
Changes in working capital	–165.7	17.3	76.8
Cash flow from operating activities before financial items and taxes	–40.6	21.0	241.2
Net financial expenses and paid income tax	–51.4	–23.7	–21.1
Cash flow from operating activities (A)	–92.1	–2.7	220.1
Cash flow from investing activities:			
Net investments in tangible and intangible assets	–24.3	–24.4	–61.0
Investments in shares and acquisitions	–142.0	–6.4	4.4
Proceeds from sales of shares after taxes	1.1	133.4	129.6
Cash flow from other investing activities	–0.4	12.2	11.9
Cash flow from investing activities (B)	–165.6	114.8	85.0
Cash flow from financing activities:			
New long-term loans	20.6	30.0	30.0
Amortizations of long-term loans and other changes	–20.9	8.2	–50.0
Paid dividends	–84.1	–45.0	–106.7
Changes in short-term loans and other financing activities	288.3	–105.2	–158.1
Cash flow from financing activities (C)	203.9	–112.0	–284.9
Change in liquid funds (A+B+C), increase (+)/decrease (-)	–53.7	–0.1	20.2
Liquid funds at beginning of period	169.6	151.5	151.5
Translation difference	3.8	0.7	–2.0
Liquid funds at end of period	119.6	152.2	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	1.6	4.2					5.8
Translation differences			6.0			1.0	7.0
Dividends paid					–83.3	–0.8	–84.0
Cash flow hedges after taxes				–49.9			–49.9
Change in value of assets available for sale after tax				–20.7			–20.7
Net income for the period					67.5	0.8	68.3
Shareholders' equity on 31 Jun. 2005	325.5	31.6	5.0	113.6	526.7	8.9	1,011.2

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			–0.5			–0.2	–0.6
Dividends paid					–44.7		–44.7
Other changes						1.7	1.7
Net income for the period					45.4	0.3	45.7
Shareholders' equity on 31 Jun. 2004	216.0	135.3	–0.5		520.1	7.9	878.8

BUSINESS SEGMENTS

INCOME STATEMENT 1-6/2005 EUR million	Power Businesses	Imatra Steel[1]	Investments	Group
Net sales	1,139.0	119.0		1,257.5
Other operating income	9.8	2.2		11.7
Expenses	–1,045.1	–95.0		–1,139.2
Depreciations and writedowns	–30.8	–4.4		–35.2
Operating income	72.9	21.9		94.8
Share of associated company shares			6.7	7.1
Finacial income and expenses, and dividends			5.3	–9.4
Income before taxes			11.9	92.5

BALANCE SHEET 30 June 2005 EUR million	Power Businesses	Investments	Group	Balance sheet transferred to Ovako
Non-current assets	1,001.2	331.2	1,262.6	79.0
Current assets	1,498.4		1,498.4	133.7
Total assets	2,499.7	331.2	2,761.1	212.7
Shareholders' equity	795.5	285.4	1,011.2	71.6
Long-term liabilities	339.9	45.8	385.7	43.9
Current debt	1,364.3		1,364.3	97.2
Total shareholders' equity and liabilities	2,499.7	331.2	2,761.1	212.7

GROSS CAPITAL EXPENDITURE

EUR million	1-6/2005	1-6/2004	2004
Investments in securities and acquisitions			
Power businesses	142.0	6.4	7.9
Other investments			
Power businesses	29.7	24.0	55.5
Imatra Steel[1]	3.3	2.1	5.8
	33.0	26.1	61.3
Group	175.0	32.5	69.2

INTEREST-BEARING LOAN CAPITAL

EUR million	1-6/2005	1-6/2004	2004
Long-term liabilities	244.3	297.4	271.2
Current liabilities	337.1	144.8	48.8
Loan receivables	–29.4	–9.7	–8.9
Cash and bank balances	–119.6	–152.2	–169.6
Net	432.4	280.3	141.6

FINANCIAL RATIOS

	1-6/2005	1-6/2004	2004
Earnings/share, EUR	0.73	0.50	1.42
Earnings/share, diluted, EUR	0.72	0.49	1.42
Shareholders' equity/share, EUR	10.78	9.41	9.65
Solvency ratio, %	39.7	38.5	40.8
Gearing	0.46	0.33	0.17

PERSONNEL

On average	**1-6/2005**	**1-6/2004**	**2004**
Power businesses	11 253	10 759	11 133
Imatra Steel[1]	847	1 237	1 228
Group	12 100	11 996	12 361
Personnel at end of period	11 378	12 432	12 475

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

CONTINGENT LIABILITIES

EUR million	**1-6/2005**	**1-6/2004**	**2004**
Mortgages	43.6	44.5	44.1
Chattel mortgages	29.5	31.3	30.0
Total	73.1	75.8	74.1
Guarantees and contingent liabilities			
-on behalf of Group companies	236.9	241.3	228.4
-on behalf of associated companies	0.7		
Rental obligations	37.7	38.2	37.5
Total	275.3	279.5	265.9

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	**Total amount**	**of which closed contracts**
Interest swaps	140.0	
Foreign exchange forward contracts	1,312.6	184.7
Currency options, purchased	38.7	
Currency options, written	39.8	

Specification of changes in result 1 January to 30 June 2004

INCOME STATEMENT[1] **EUR million**	**FAS** **1-6/2004**	**IFRS** **adjustment**	**IFRS** **1-6/2004**
Net sales	1,103.0		1,103.0
Other operating income	115.1	–107.8	7.3
Expenses	–1,042.3	–62.4	–1,104.8
Depreciations and writedowns	–33.5	–2.4	–35.9
Operating income before goodwill amortization	142.3	–172.6	–30.3
Goodwill amortization	–13.8	13.8	
Operating income	128.4	–158.8	–30.3
Share of income from associates	0.2		0.2
Net income from assets available for sale		107.7	107.7
Financial income and expenses	0.9	–0.3	0.6
Income before taxes	129.6	–51.3	78.2
Income taxes	–36.8	4.2	–32.6
Minority interests	–0.3		–0.3
Net income	92.5	–47.1	45.4
Earnings per share	1.03		0.50
Earnings/share, diluted	1.02		0.49

[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 June 2004

BALANCE SHEET[2] **EUR million**	**FAS** **30 June 2004**	**IFRS** **adjustment**	**IFRS** **30 June 2004**
Assets			
Intangible assets	52.2	17.4	69.6
Consolidated goodwill	344.8	20.6	365.4
Property, plant and equipment	365.5	–18.4	347.1
Investment properties		19.8	19.8
Equity in associates	2.9		2.9
Shares available for sale	71.6	–0.3	71.2
Interest-bearing receivables	7.7		7.7
Other long-term receivables	76.3	36.7	113.1
Inventories	572.0	0.4	572.4
Interest-bearing receivables	2.0	0.0	2.0
Other receivables	716.5	7.5	724.0
Cash and cash equivalents	150.7	1.5	152.2
Total assets	2,362.2	85.2	2,447.4
Shareholders' equity and liabilities			
Share capital	260.0		216.0
Other shareholders' equity	633.0	22.0	655.0
Minority interests	7.9		7.9
Long-term interest-bearing debt	297.0	0.4	297.4
Other long-term liabilities	90.9	43.6	134.4
Interest-bearing current debt	134.7	10.1	144.8
Other current liabilities	982.9	9.0	991.9
Total shareholders' equity and liabilities	2,362.2	85.2	2,447.4

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