

Wärtsilä Corporation

Annual Report 2015



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This is Wärtsilä

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CEO review

2015 was in many ways a successful year for Wärtsilä. Net sales and profitability grew steadily from the previous year as a result of the Company's well-positioned offering, its growing Services business, and the focus on continuous improvement. Given the developments in our market environment, we can be pleased with our performance.

Conditions in the power generation markets were challenging. The decline in our Energy Solutions order intake reflected hesitancy on the part of our customers to commit to investment decisions in the wake of continued macro-economic uncertainty. Nevertheless, industrialisation and changing demographics continue to drive growth in electricity consumption in the emerging markets, and the increasing share of renewables within the energy mix raises the need for dynamic balancing power. The flexibility and efficiency of our power plant offering positions us well to benefit from the trend towards decentralised, sustainable power production.

In the marine markets, contracting activity remained under pressure. Low oil prices reduced exploration and development activities, which resulted in a sharp decline in demand for offshore vessels. At the same time, the shipping industry continues to suffer from overcapacity and low freight rates. While our broad market exposure and extensive offering has enabled us to navigate the current shipbuilding cycle relatively well, we need the flexibility to adapt to changes in market dynamics. Therefore, during the summer, we announced measures to realign our Marine Solutions organisation. The decision to adjust capacity is never made lightly, but it became necessary in order to maintain our competitive position in the global market.

Services' net sales reached an all-time high level of EUR 2,184 million.

The Services business was a key contributor to our improved financial performance. We have worked actively to develop a more targeted sales approach, and to enhance our value proposition, in order to achieve our growth ambition for this business area. The 13% growth in Services' net sales clearly demonstrates that our efforts have paid off.

Environmental awareness and changing energy needs are increasingly influencing investments in the markets in which we operate. During the summer, we revised our strategy and mission to reflect these changing industry dynamics. Our aim is to shape the marine and energy markets with advanced technologies and focus on lifecycle performance to enhance our customers' businesses and benefit the environment. We seek growth by offering innovative and energy efficient lifecycle solutions, as well as by leveraging our leading position in gas based technology. Digitalisation will support our growth ambition, as we utilise the increasing amount of data available to optimise our customers' operations and equipment, as well as our own internal processes and performance.

During 2015, our digital presence was expanded by the launch of a new digital service portfolio as well as by the acquisition of L-3 Marine Systems International.

The emphasis we place on sustainable innovations becomes increasingly important as the regulatory environment intensifies. The agreement reached during the Paris Climate Conference last fall was a clear milestone in the universal effort to limit global warming. In the marine industry, the ratification of the Ballast Water Convention is close at hand, and the sulphur directive has been implemented in environmentally controlled areas as of the beginning of 2015. Our R&D activities, which represent 2.6% of net sales, are focused on developing clean technologies to support our customers in improving the environmental performance and efficiency of their installations.

Attracting and retaining skilled and committed people is central to our success.

Our aim is to foster an inclusive corporate culture, emphasising diversity and high ethical standards. In this context, we are committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Ensuring the safety of our personnel is our priority and I am pleased that we have continued to move steadily closer to our on-going target of zero lost-time injuries.

We expect the market environment to remain more or less unchanged in 2016. Nevertheless, we anticipate modest growth in sales and profitability based on our solid order book and pipeline.

I would like to take this opportunity to thank our shareholders for your confidence in our future development, our customers for your trust in our products and services, and last but not least, the entire staff of Wärtsilä for your commitment towards reaching our common goals.



Jaakko Eskola
President & CEO

Key figures

MEUR	2015	10-12/2015	7-9/2015	4-6/2015	1-3/2015	Restated*	
						2014	2013
Net sales	5 029	1 590	1 222	1 230	988	4 779	4 607
Energy Solutions	1 126	374	243	327	182	1 138	1 459
Marine Solutions	1 720	598	448	354	321	1 702	1 309
Services	2 184	619	531	548	485	1 939	1 842
Depreciation, amortisation and impairment	-124	-33	-32	-30	-29	-115	-120
Operating result ¹	612	215	160	137	100	569	557
Operating result ¹ , %	12.2	13.5	13.1	11.1	10.1	11.9	12.1
Profit before taxes	553	199	132	140	82	494	544
Earnings per share, EUR	2.25	0.79	0.49	0.54	0.43	1.76	1.98
Order intake	4 932	1 403	1 086	1 159	1 285	5 084	4 821

MEUR	2015	31.12.2015	30.9.2015	30.6.2015	31.3.2015	Restated*	
						2014	2013
Balance sheet total	5 589	5 589	5 609	5 622	5 271	5 280	5 209
Interest-bearing liabilities, gross	724	724	778	779	648	666	665
Cash and cash equivalents	334	334	250	269	382	571	388
ROI, continuing operations, %	21.0	21.0	20.3	20.8	22.0	20.3	22.6
Gearing	0.17	0.17	0.26	0.25	0.14	0.05	0.15
Order book, end of period	4 882	4 882	5 112	5 325	4 931	4 530	4 311
Year-end market capitalisation	8 314	-	-	-	-	7 315	7 055
Personnel, number at end of period	18 856	18 856	19 237	19 427	17 707	17 717	18 315

¹ Figures exclude non-recurring items.

* Figures related to the statement of income have been restated due to the two-stroke business being classified as discontinued operations.

Wärtsilä in brief

Wärtsilä is a global leader in advanced technologies and complete lifecycle solutions for the marine and energy markets. By emphasising sustainable innovation and total efficiency, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2015, Wärtsilä's net sales totalled EUR 5 billion with approximately 18,800 employees. The company has operations in over 200 locations in more than 70 countries around the world. Wärtsilä is listed on Nasdaq Helsinki.

Energy Solutions

Wärtsilä Energy Solutions is a leading global supplier of flexible power plants of up to 600 MW, capable of operating on most gas and liquid fuels. The company's portfolio includes power plant solutions for base load, load-following, peaking, and fast reserve applications. As of 2015, Wärtsilä has installed 58 GW of power plant capacity in 175 countries around the world. The portfolio of LNG solutions consists of small and medium scale terminals and distribution systems.

Marine Solutions

Wärtsilä Marine Solutions enhances the business of its marine and oil & gas industry customers by providing innovative products and integrated solutions that are safe, environmentally sustainable, efficient, flexible, and economically sound. Being a technology leader, and through the experience, know-how and dedication of our personnel, we are able to customise solutions that provide optimal benefits to our customers around the world.

Services

Wärtsilä Services supports its customers throughout the lifecycle of their installations by optimising efficiency and performance. The company's service network of approximately 11,000 professionals in 160 locations is unmatched in the industry, delivering services to more than 12,000 customers every year. The portfolio of services – from spare parts to complete operational, maintenance, and optimisation services – is constantly being developed, not only to improve the availability of customers' installations, but to support them in growing their businesses. Wärtsilä is committed to providing high quality, expert support and the availability of services in the most environmentally sound way possible, whenever, wherever.

Corporate strategy

Wärtsilä aims at profitable growth by providing advanced technologies and lifecycle solutions to its marine and energy market customers.

Increasing environmental awareness and changing energy needs are affecting the way that our customers operate. With our integrated products and services, we are well positioned today to respond to the need for energy efficient and flexible solutions. We will meet the increasing demand for gas based technologies with our industry leading multiple fuel

products and LNG solutions. We will leverage our project management and engineering competences to achieve growth by offering our customers new and innovative solutions. Our growth ambitions are supported by our superior global service network.

With our production and supply chain management, we constantly seek ways to provide high quality and maintain cost efficiency – often in co-operation with leading industrial partners in our key growth markets. Our market driven investments in R&D and our focus on digitalisation create a strong foundation for securing and strengthening our position at the forefront of technological innovation. This innovative culture, together with our constant emphasis on safety, diversity, and high ethical standards, attract skilled and committed people and lead to a high performing organisation. Our entrepreneurial drive, customer focus, and passion for doing right not only create new opportunities and environmentally sustainable solutions, but also bring value to all our stakeholders.

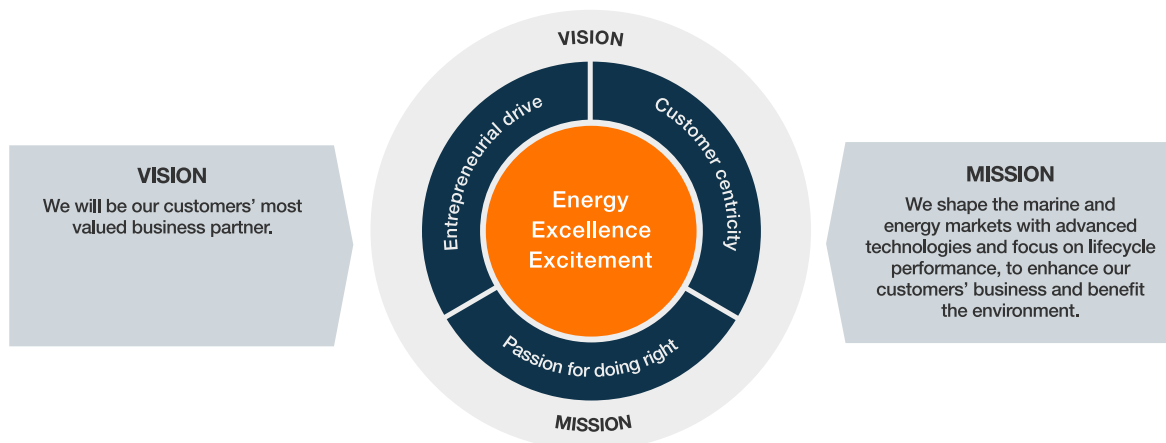
Sustainability

Wärtsilä's aim is to meet shareholder expectations and contribute toward the well-being of society. This requires efficient, profitable, and competitive company operations. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.

Wärtsilä's overriding promise is to supply power solutions that offer high efficiency with low environmental load. Our objective is to continuously improve the environmental performance of our products and services, as well as to maintain technological leadership by utilising new technologies and collaborating with our customers and other stakeholder groups. In doing this, we help our customers and society at large to meet the goals of the tightening global environmental regulations and guidelines.

Wärtsilä acts as a good corporate citizen wherever we are active. Our business operations and relations with our stakeholders are governed by our Code of Conduct. Wärtsilä is a responsible employer, and we seek to offer our employees an interesting and exciting workplace where openness, respect, trust, equal opportunities and, scope for personal development prevail. A further aim is to offer a hazard-free working environment to our employees and contractors, and to minimise the health and safety risks associated with the use of our products and services. Supply chain management and development are integral elements of our operations.

VISION, MISSION AND VALUES



Financial targets

Net sales

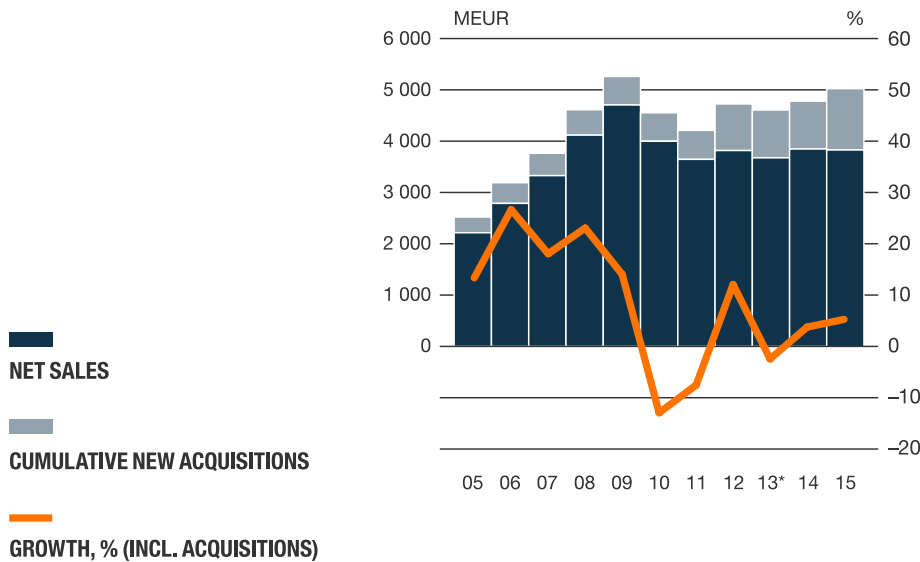
TARGET

Our target is to grow faster than global GDP.

DEVELOPMENT

In 2015, Wärtsilä's net sales increased by 5% to EUR 5,029 million. Wärtsilä's CAGR 2005-2015 was 7.2%.

GROWTH OVER THE CYCLE



World nominal GDP growth 2005-2015 averages 6.1% USD denominated (source: IMF).

* Restated, figures include continuing operations.

Profitability

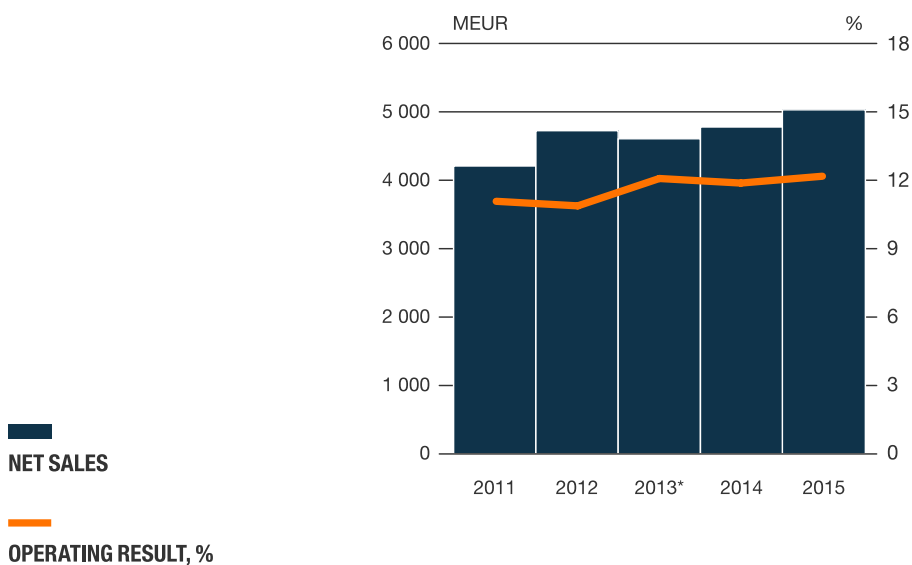
TARGET

Our operating profit margin (EBIT%) target is 14% at the peak of the cycle. At the trough of the cycle, our target is to keep the operating profit margin above 10%.

DEVELOPMENT

In 2015, our operating profit was EUR 612 million, 12.2% of net sales.

PROFITABILITY



Figures are shown before non-recurring items.

* Restated, figures include continuing operations.

Capital structure

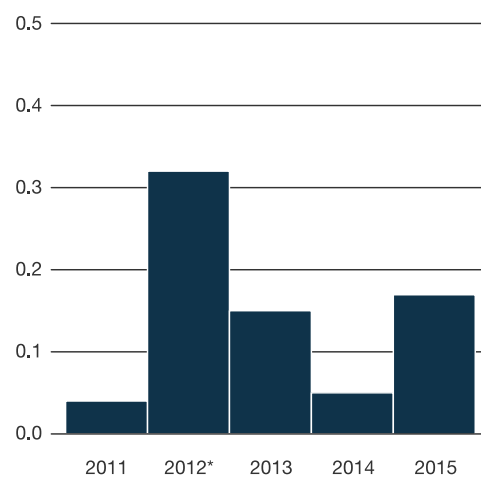
TARGET

Our target is to maintain gearing below 0.50.

DEVELOPMENT

In 2015, our gearing was 0.17.

GEARING



* Restated due to the revised IAS 19.

Dividend

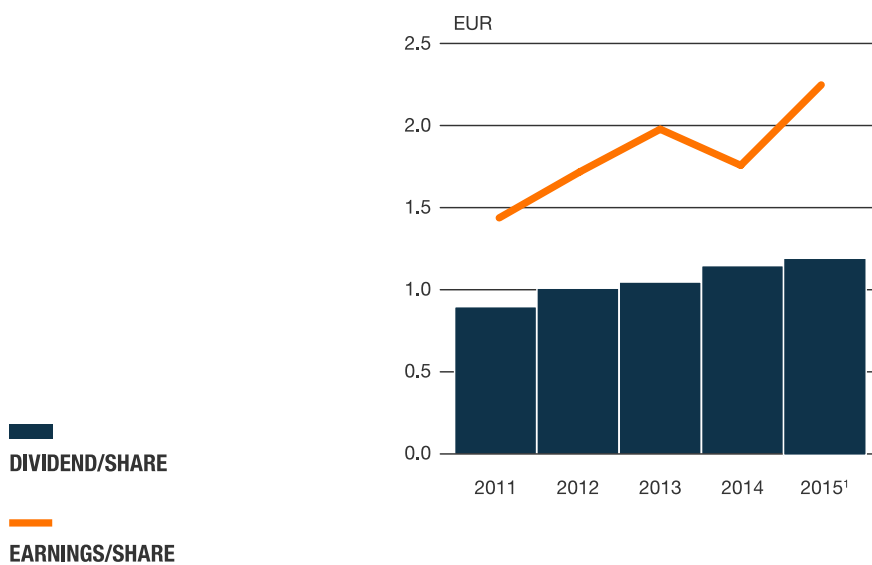
TARGET

Our target is to pay a dividend of at least 50% of earnings over the cycle.

DEVELOPMENT

The Board of Directors proposes that a dividend of 1.20 euro per share be paid for the financial year 2015, which represents 53% of operational earnings.

EARNINGS/SHARE, DIVIDEND/SHARE



¹ Proposal by the Board 2015.

Sustainability targets

Wärtsilä's targets for reducing GHG and other emissions

TARGET	SCHEDULE	STATUS
To reduce energy consumption by at least 10% in terms of absolute consumption (GWh) by 2016 compared to mean energy consumption in 2005.	2016	By the end of 2015, energy savings of 42 GWh were achieved, representing 89% of the final target.
To create medium-sized LNG storage solutions to replace the liquid fuel infrastructure.	2015	The Manga project in Tornio, Finland is under execution. In 2015, Wärtsilä further expanded its portfolio of small scale LNG infrastructure solutions with a new floating LNG storage and regasification barge designed for shallow waters. As this complete barge can be built in a shipyard, it is ideal for remote or environmentally restricted sites where construction of an onshore terminal would be difficult.
To enable emission reductions through gas conversion projects.	2015	During 2015, Wärtsilä received gas conversion orders for two power plant installations in Indonesia and Mexico with a total capacity of 146 MW. In total, Wärtsilä has converted more than 900 MW of generating capacity to gas and has more than 300 MW under delivery.
To increase total net electrical efficiency in simple and combined cycle power plants in cyclic operations.	2015	In 2015, standby conditions have been further developed and tested. As a result, engine pre-heating temperatures have decreased and energy use during stand-by status has been reduced. Currently, two Dry FlexiCycle power plants, with high electrical efficiency and minimal water consumption, are under installation.
To influence developing dynamic power markets in order to enable wide scale renewable integration.	2015	In 2015, Wärtsilä has provided electricity market design recommendations based on studies for decision makers in Germany and the EU. Wärtsilä has also responded to the consultation on energy market design launched by the European Commission, and has conducted an active dialogue with various stakeholders concerning dynamic power markets.

To enable the reduction of power losses in electrical propulsion by 3-5% using a medium voltage system.	2015	MV development has been slowed due to unfavourable market conditions.
To develop performance management solutions for different vessel types, thereby enabling better efficiency.	2012	The development of performance management solutions has been merged into the Wärtsilä Genius services concept described below.
To develop 10 new Wärtsilä Optimiser solutions enabling the lifecycle performance of customer installations to be optimised.	2015	The original target project was closed in 2015. As part of Wärtsilä Services' digitalisation development, a new product family, Wärtsilä Genius services, was launched at the end of 2015. These services include Wärtsilä Optimise, Wärtsilä Predict, and Wärtsilä Solve services. Depending on the primary needs of the customer, different solutions ranging from condition monitoring, hull cleanliness predictions, to different advisory services and remote support, such as virtual engineering, will be offered. Wärtsilä Genius services will be an essential part of Wärtsilä Service's digital offering and development of these services will continue during the coming years.
To reduce GHG emissions by 3% by improving engine efficiency.	2015	The Wärtsilä 31 engine featuring record breaking efficiency was released to the market in 2015. The target has been achieved.
To expand the gas portfolio.	2015	The Wärtsilä LNGPac was selected for 21 installations in 2015, and the first orders for the ECA Fuel Pump for LNG were received. In addition, the first 2-stroke Wärtsilä low pressure fuel gas handling system was sold. New LNGPac features were included in many project specifications and are becoming the new standard. In other areas of gas value chain Wärtsilä signed the orders for three more regasification modules for large scale FSRU vessels in 2015 as well as cargo handling systems for 18 LPG-/multigas carriers.
To stimulate growth for LNG-fuelled OSV's (offshore support vessels).	2015	Harvey Gulf's two LNG-powered PSV's, to which Wärtsilä has supplied integrated solutions, were delivered during 2015. These are the first LNG powered vessels for the offshore market segment in the USA.
To expand the field of LNG applications beyond present vessel types and to facilitate LNG re-engining.	2015	Wärtsilä received orders to supply LNG powered vessel orders beyond types previously supplied:

		<ul style="list-style-type: none"> • Inland Waterway Transport (IWW) vessels for the river Rhine • First dual-fuel cable layer and repair vessel • First dual-fuel Trailing Suction Hopper Dredger (TSHD) • First dual-fuel application for a Floating Storage & Regasification Unit (FSRU) • Dual-fuel ferries and the first Mechanical Drive application passenger and cargo vessel • Dual-fuel re-engining on a RORO vessel
To deliver environmental and energy efficiency consultancy projects: 10 projects.	2015	In 2015, the consultancy projects sold included engineering or advisory services for 13 vessels.

Wärtsilä's targets for reducing water consumption

TARGET	SCHEDULE	STATUS
To further develop the dry concepts for high-efficiency combined cycle power plant solutions.	2015	Wärtsilä has been contracted to supply a major Flexicycle power plant in El Salvador. This power plant will be the first plant running on natural gas in Central America and utilising Wärtsilä's Dry Flexicycle technology with a closed loop cooling system and zero water consumption making it the most environmentally advanced thermal power plant in the region.

Wärtsilä's targets for improving overall performance

TARGET	SCHEDULE	STATUS
To conduct three lifecycle assessments.	2015	The first LCA assessment is ongoing. An LCA approach concerning a simplified LCA model for different product categories is under review.

Wärtsilä's social targets

TARGET	SCHEDULE	STATUS
To make Wärtsilä a workplace where all employees have the opportunity to show their best and develop their career – to build a company of equal opportunities.	Continuous	In 2015, 54% of open vacancies were filled through internal selections for job level 3 and up, and 46% through external selections. There were 3.0 average training days per employee.
To develop a new way of working in supplier relations, so as to safeguard Wärtsilä's commitment to sustainability.	2015	Periodical assessments for key suppliers are conducted based on the supplier assessment and development model. By the end of 2015, Wärtsilä had rated 688 of its key suppliers (1,126 in total), covering 96% of the total spent on Wärtsilä Supply Management supplies. Renewal of the Supplier Qualification Process begun in 2015.
Development discussion coverage 100%.	Continuous	Altogether, 92% of the company's employees had completed development discussions by the end of 2015.
To implement certified EHS management systems in all subsidiaries (excluding purely sales offices).	Continuous	Wärtsilä currently has 49 certified ISO 14001 companies and 48 certified OHSAS 18001 companies. The management system coverage is presented in the management system section.
To reach the long-term goal of zero lost-time injuries.	Continuous	The positive trend in improving, consolidating, and spreading a safety culture within Wärtsilä continued. The corporate lost-time injury frequency rate target for the year 2015 was 3.0, and a result of 2.8 was achieved. This represents an 18% improvement compared to the previous year's result (3.5). ZeroMindset

		was introduced as a new programme to further strengthen Wärtsilä's safety culture.
To ensure commitment to the Code of Conduct throughout the organisation.	2014	Training records are continuously monitored. At the end of 2015, 16,430 employees covering 87% of the total number of employees had successfully participated in training programmes.
To reinforce the Anti-corruption/ Broker training of key employee groups and obtain anti-corruption commitments from all key employees trained.	2014	Training records are continuously monitored. At the end of 2015, 14,877 employees (78%) had successfully participated in training programmes.
To conduct three community support projects by 2015.	2015	The target was reached in 2014 with three community projects.
To improve well-being at work and increase productivity by reducing sickness day costs.	2015	An analysis was conducted and action plans implemented in respective local companies. For example, Wärtsilä companies in Finland have a comprehensive programme supporting well-being and the ability to work.

The value of sustainable innovations

As a global leader in complete lifecycle solutions for the marine and energy markets, Wärtsilä plays a key role in providing environmental sound solutions and services that enable its customers to develop their businesses in a sustainable way. This approach is the basis of our sustainability work and it is supported by our strong commitment to responsible business conduct.

The growth in the world's energy needs, combined with increasingly stringent environmental requirements and the scarcity of natural resources, create a challenging operating climate for companies in Wärtsilä's line of business.

To secure our leading position at the forefront of sustainable innovation, we continuously invest in technology development. We focus on improving the energy efficiency of our products, while we simultaneously strive to reduce emissions from them. As part of our sustainable innovation approach, we also assess the benefits that our solutions bring to, for example, power systems.

Innovation in product development and the willingness to explore new technologies is essential in order to meet the current needs of our customers, to be prepared for future requirements, and to remain an industrial frontrunner. We strive to develop environmentally sound products and solutions across a wide front, including technologies related to efficiency

improvement, the reduction of gaseous and liquid emissions, waste reduction, noise abatement, as well as effluent and ballast water treatment. Our proactive approach to meeting future demand has resulted in the development of both primary and secondary abatement technologies, and has broadened the range of usable fuels. The commitment to investing in research and product development benefits Wärtsilä's customers as well as the environment, both in the short-term and over a longer time span.

The key features of Wärtsilä's environmentally sound solutions include:

- Reliability, safety and, long lifetime
- Solutions to reduce emissions
- Alternatives to heavy fuel oil
- Flexibility in fuel use
- Solutions to maximise efficiency with the lowest lifecycle cost
- Solutions to minimise water consumption
- Optimisation of vessel design and operations

By combining the key features and through understanding the system level benefits of our offering, we are able to provide solutions that enable the development of sustainable shipping and power systems.

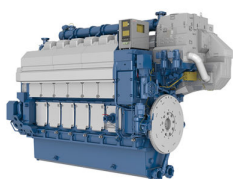
THE VALUE OF SUSTAINABLE INNOVATION

SUSTAINABLE POWER SYSTEMS	<ul style="list-style-type: none"> • Wärtsilä contracted to supply a Smart Power Generation power plant for flexible generation to Kansas, USA • World's largest engine power plant IPP3 by Wärtsilä inaugurated in Jordan - helping to integrate renewable energy • Wärtsilä contracted to supply a Smart Power Generation power plant in Kazakhstan
SOLUTIONS TO REDUCE EMISSIONS	<ul style="list-style-type: none"> • Queen Mary 2 cruise ship to meet strict environmental regulations with Wärtsilä wastewater treatment systems • Wärtsilä exhaust scrubber systems ordered to achieve emissions compliance for two Stena Line ferries • Wärtsilä explosion proof (EX) -certified Ballast Water Management Systems ordered for eight new chemical tankers • Wärtsilä Hybrid Scrubber System chosen to clean exhaust emissions from three new container vessels
FLEXIBILITY IN FUEL USE	<ul style="list-style-type: none"> • Wärtsilä to boost efficiency and reduce emissions through conversion of a Maltese power station to operate on natural gas • Wärtsilä 50DF engine successfully demonstrates its capability to operate on ethane gas • Wärtsilä begins collaboration with GoodFuels Marine and Boskalis in a marine bio-fuels programme
SOLUTIONS TO MAXIMISE EFFICIENCY WITH LOWEST LIFECYCLE COST	<ul style="list-style-type: none"> • Wärtsilä launches the new Wärtsilä 31 engine: a breakthrough in efficiency achieves Guinness World Records title • Wärtsilä launches new series of fuel efficient LNG Carrier designs • Wärtsilä and Carnival Corporation announce agreement to partner piloting technologies and systems to optimise vessel operations • Wärtsilä, MAN Diesel & Turbo, and Winterthur Gas & Diesel to collaborate on major EU-funded project Hercules-2, aimed at fostering environmentally sustainable and more efficient shipping
GAS AND SHIPPING	<ul style="list-style-type: none"> • Wärtsilä's energy efficient propulsion system selected for world's first ever CNG carrier • Wärtsilä agrees with Cryonorm to develop advanced LNGPac fuel system for the inland waterway market • Wärtsilä introduces new ECA Fuel Pump (EFP) for efficient and environmentally sustainable gas operations • Wärtsilä contracted to power the world's first dual-fuelled dredger

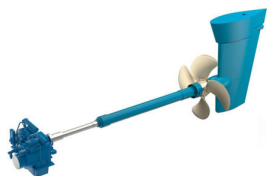
Sustainability highlights 2015

13.1.

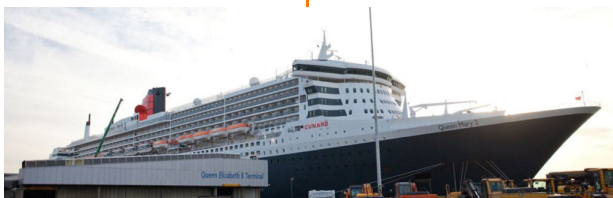
Wärtsilä, together with Crisis Management Initiative (CMI), gives a special Sports Philanthropist award to the International Association of Athletics Federation (IAAF) 'Athletics for a Better World' programme in the Finnish Sports Gala.



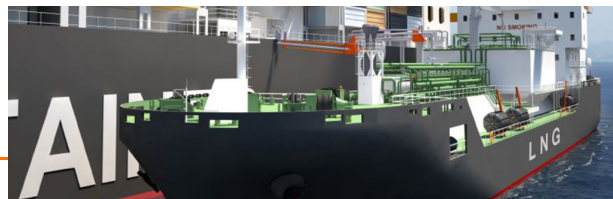
28.1. Wärtsilä receives order to supply integrated propulsion solution for three new natural gas fuelled tugs in Norway.



5.2. Wärtsilä's energy efficient propulsion system selected for world's first ever CNG carrier.



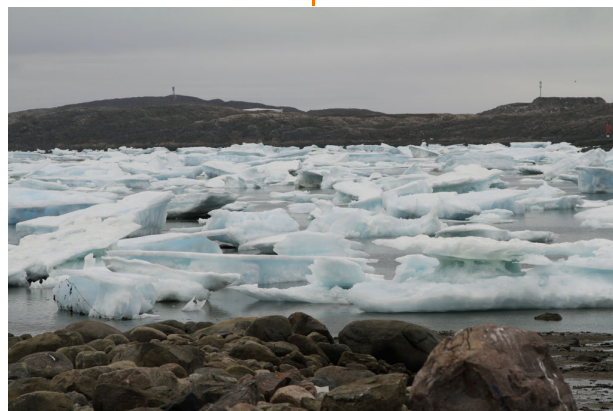
6.2. Queen Mary 2 cruise ship to meet strict environmental regulations with Wärtsilä wastewater treatment systems.



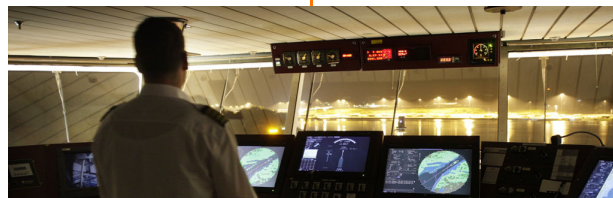
9.2. New LNG bunker vessel ordered for Shell to be powered by Wärtsilä dual-fuel engines.

10.2.

Wärtsilä's Sustainability Report 2014 published as part of the Annual Report.



11.2. Wärtsilä contracted to supply five new icebreaking LNG carriers with dual-fuel engines.



16.2. Wärtsilä agrees with Cryonorm to develop advanced LNGPac fuel system for inland waterway market.



17.2. Wärtsilä exhaust scrubber systems ordered to achieve emissions compliance for two Stena Line ferries.

18.2.

Wärtsilä is included in the 2015 edition of RobecoSAM's The Sustainability Yearbook.



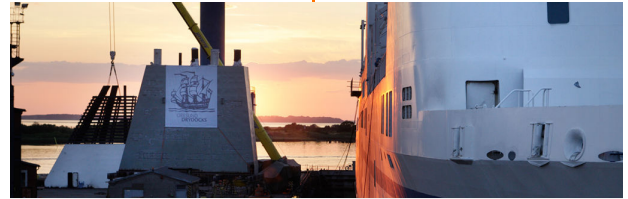
24.2. Wärtsilä to boost efficiency and reduce emissions through conversion of a Maltese power plant to operate on natural gas.



3.3. First Wärtsilä explosion proof (EX) -certified Ballast Water Management Systems ordered for 8 new chemical tankers.



4.3. Wärtsilä contracted to supply a Smart Power Generation power plant for flexible generation to Kansas, USA.



6.3. Wärtsilä and Clean Marine Energy align to offer ship owners "scrubber finance", a solution to drive the uptake of exhaust gas cleaning technology.



10.3. Global Wärtsilä Safety Day with "Save your fingers" theme.



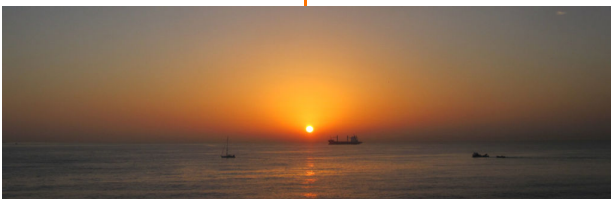
12.3. Contract for new Baltic Sea ferry to be powered by environmentally sustainable Wärtsilä dual-fuel engines.



23.3. Wärtsilä launches new series of fuel efficient LNG carrier designs.



23.3. Wärtsilä selected to Ethibel Sustainability Index Excellence Europe.



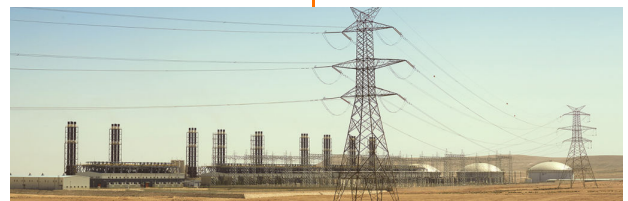
9.4. Wärtsilä introduces new ECA Fuel Pump for efficient and environmentally sustainable gas operations.



21.4. Wärtsilä launches new environmentally sound Anchor Handling Tug Supply vessel design at Sea Asia exhibition.



27.4. Over 1,000 Wärtsilä 34SG engines delivered.



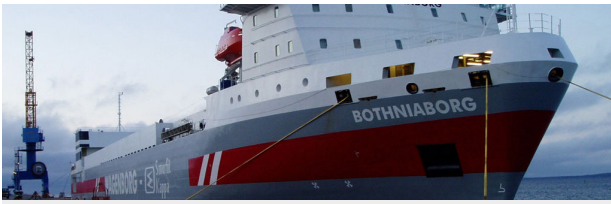
29.4. World's largest engine power plant IPP3 by Wärtsilä inaugurated in Jordan - helping to integrate renewable energy.



4.5. Wärtsilä 50DF engine successfully demonstrates its capability to operate on ethane gas.



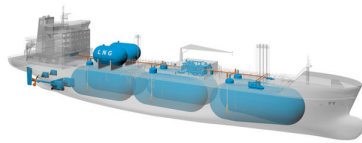
8.5. Wärtsilä and Carnival Corporation announce agreement to partner piloting technologies and systems to optimise vessel operations.



11.5. Wärtsilä ordered to deliver scrubber systems to clean the exhaust from two Dutch RoRo carriers.



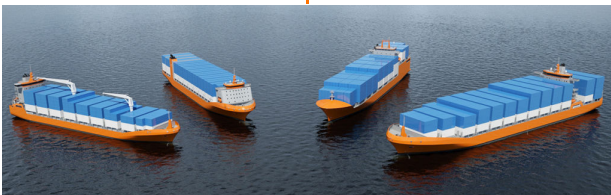
25.5. Wärtsilä offers complete propulsion packages compatible with Environmentally Acceptable Lubricants in US waters.



28.5. First 'Dragon' class liquid gas transport vessel featuring Wärtsilä integrated systems and engines is delivered.

1.6.

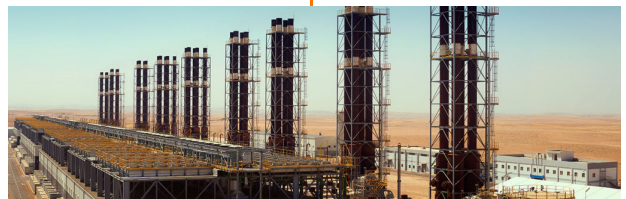
Wärtsilä selected to MSCI Global Sustainability Index Series.



2.-5.6. Wärtsilä launches a new platform supply vessel and four new fuel efficient container feeder vessel designs at Nor-Shipping.



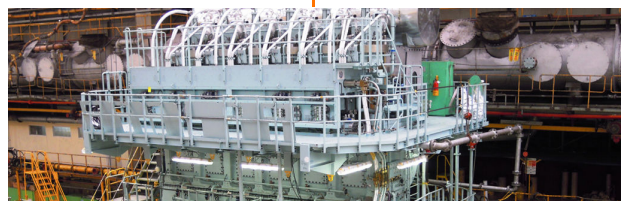
2.6. Wärtsilä launches the new Wärtsilä 31 engine: a breakthrough in efficiency achieves Guinness World Records title.



11.6. IPP3 receives award for the Best Large-Scale Gas Engine Project in the EMEA Projects of the Year 2015 in the Power Engineering International awards.

18.6.

Wärtsilä Hybrid Scrubber System chosen to clean exhaust emissions from three new container vessels.



6.7. Wärtsilä, MAN Diesel & Turbo, and Winterthur Gas & Diesel to collaborate on major EU-funded project Hercules-2, aimed at fostering environmentally sustainable and more efficient shipping.



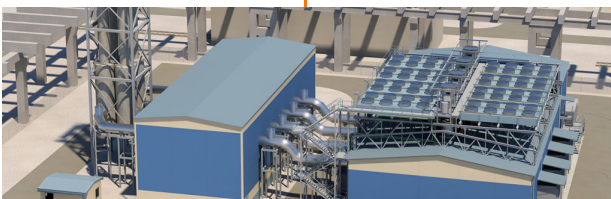
6.8. Wärtsilä contracted to power the world's first dual-fuelled dredger.



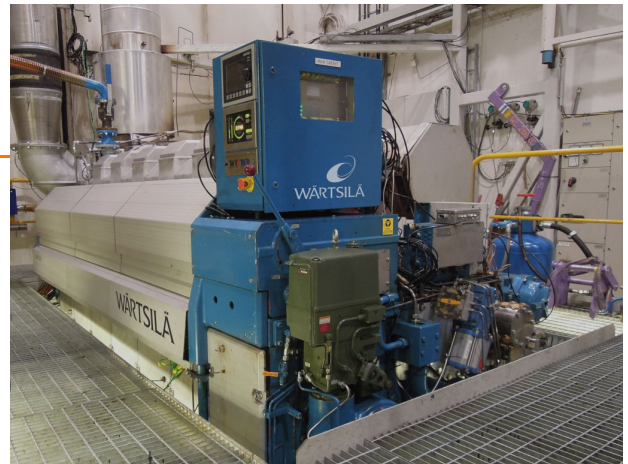
28.8. Wärtsilä awarded repeat order to supply exhaust gas cleaning systems for three Finlines vessels.



4.9. Wärtsilä wins a retrofit contract for installing Ballast Water Management Systems for 11 German container vessels.



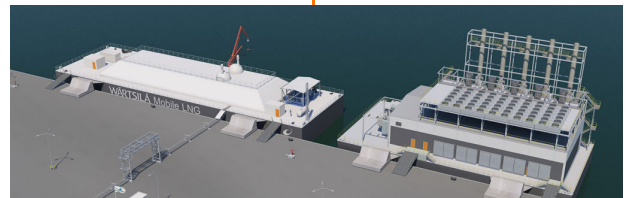
24.9. Wärtsilä contracted to supply a Smart Power Generation power plant in Kazakhstan.



7.10. Wärtsilä begins collaboration with GoodFuels Marine and Boskalis in a marine bio-fuels programme.



26.10. Wärtsilä launches innovation contest for ideas to digitalise the marine industry.



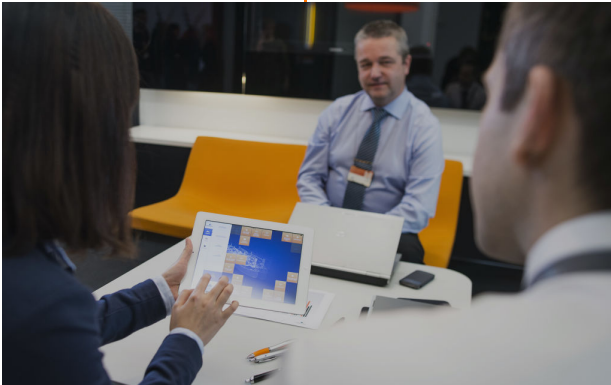
27.10. Wärtsilä introduces new LNG storage and regasification barge concept.



23.11. Internal release of a video in which President & CEO Jaakko Eskola discusses the importance of sustainability for Wärtsilä.

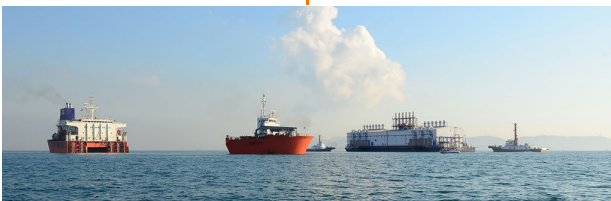


7.12. Wärtsilä contracted to supply a 40 MW Smart Power Generation LNG-fired peaking power plant to Kerala, India.



8.12. Mobile application for Wärtsilä WeCare incident reporting and investigation programme launched.

10.12.
New Wärtsilä Quality, Environmental, Health, and Safety Policy approved by Board of Management.



11.12. Wärtsilä contracted to supply combined inert gas generators and gas combustion units with minimal environmental footprint for 17 new LNG carrier vessels.



17.12. Wärtsilä China selected as a Winner of the 2015 Best Employee Development Plan Company Award.



28.12. Wärtsilä fuel flexible solution chosen for 15 LNG powered barges to be chartered by Shell.



30.12. Wärtsilä contracted to supply a 47 MW Smart Power Generation power plant running on natural gas to Minnesota, USA.



31.12. The annual lost-time injury frequency index reached record low again.

Energy Solutions review

Wärtsilä's power plants are used for a wide variety of purposes. These include base load generation for national grids and industrial needs; load following, dynamic balancing services and peak power for power systems; and fast starting grid reserves. The company's energy solutions are tailored according to the specific requirements of its customers, utilising modular products and services.

Wärtsilä plants consist of multiple independent units, which enable very flexible operations over a broad load range. They can be expanded in size later as power production needs increase. The delivery scope is adapted to customer requirements, ranging from equipment deliveries to complete turnkey power plants, all of which are supported by Wärtsilä's superior project management capabilities. The fuel flexibility of the solutions enables the choice and utilisation of most feasible fuels, including natural gas and many other gases, as well as most fuel oils. Also offered is the option to run on multiple fuels or to convert from heavy fuel oil to gas. Wärtsilä provides project development and financial services to help customers arrange and assemble complex projects with multiple interconnected contracts, as well as a wide palette of services to support them through the lifecycle of their installations.

The same logic is applied for the LNG terminal business. Wärtsilä is developing a range of modular products and services, and offering complete small to medium scale LNG terminals, distribution infrastructures, and liquefaction and regasification solutions. In the future, it is expected that there will be more projects where an LNG terminal is integrated with a Smart Power Generation power plant to form a complete turnkey solution, utilising gas as fuel in places where gas was not earlier available.

Focus on flexibility

The increasing level of variable renewables in many power systems has created a rapidly growing need for greater flexibility to enable the full and efficient utilisation of such renewable energy. Gas fuelled power plants are technologically the most flexible and environmentally sound alternative for the purpose of balancing renewable sources.

Of the gas power plant alternatives, Smart Power Generation power plants support the power system best by offering the highest degree of flexibility, providing major savings, and enabling an optimised response to rapid changes in variable generation. The savings are materialised throughout the system, as investments in flexible assets enable the system operators to operate less flexible coal and nuclear power plants in steadier state conditions, thereby optimising also their performance while reducing emissions.

Wärtsilä serves three main customer segments

Wärtsilä's three main customer segments are:

- Utilities
- Independent Power Producers (IPP's)
- Industrial customers.

Serving all these customers competitively requires the capability to adjust the offering to the specific needs of the customer.

Utilities supply electricity to residential, commercial and industrial end users, and typically also generate some or all of the power themselves. They invest in various types of power plants to ensure adequate load coverage in the most cost effective and reliable manner. Utilities produce the base load, the intermittent load, and the peak load, and maintain necessary reserves for contingencies. Fuel efficiency is required in all applications. In the intermittent, peak load, and reserve applications, operational flexibility (including fast starting & ramping, and a wide load range) is also necessary, as is a lower capital cost because of the fewer operating hours.

IPP's are financial investors investing in power plants and selling the generated power to utilities. Their investments are return driven, and as with utilities, their technical requirements are dependent on the type of application.

Industrial customers are mainly private companies with production in an energy intensive factory, such as cement or iron ore production facilities. By investing in captive power, they can achieve lower energy costs and compensate for any grid reliability problems to ensure security of supply. Industrial customers have less power industry experience and, therefore, they rely on the knowledge and experience of large global power plant providers such as Wärtsilä. Wärtsilä serves the top end of this customer group, i.e. large industries requiring a relatively high electrical load.

Operating environment

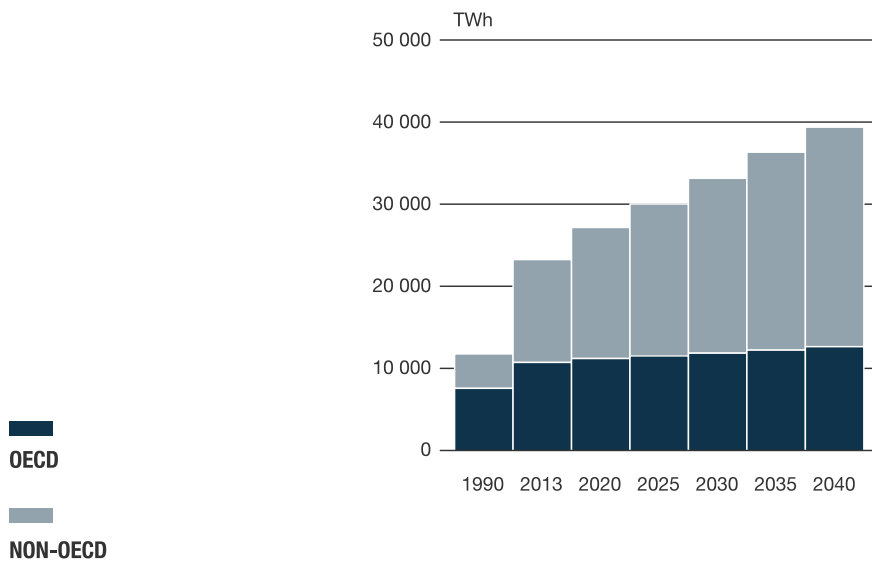
General market drivers in the Energy Solutions business

The main drivers for Wärtsilä's Energy Solutions business are:

- Growth in electricity consumption
- Ageing generation capacity
- Renewable energy investments & an increased need for flexibility in power systems
- Increase in the use of gas as a power plant fuel

Population and economic growth jointly drive increases in electricity consumption. Looking ahead, growth is expected to be higher in non-OECD countries because of increasing industrialisation and improving living standards.

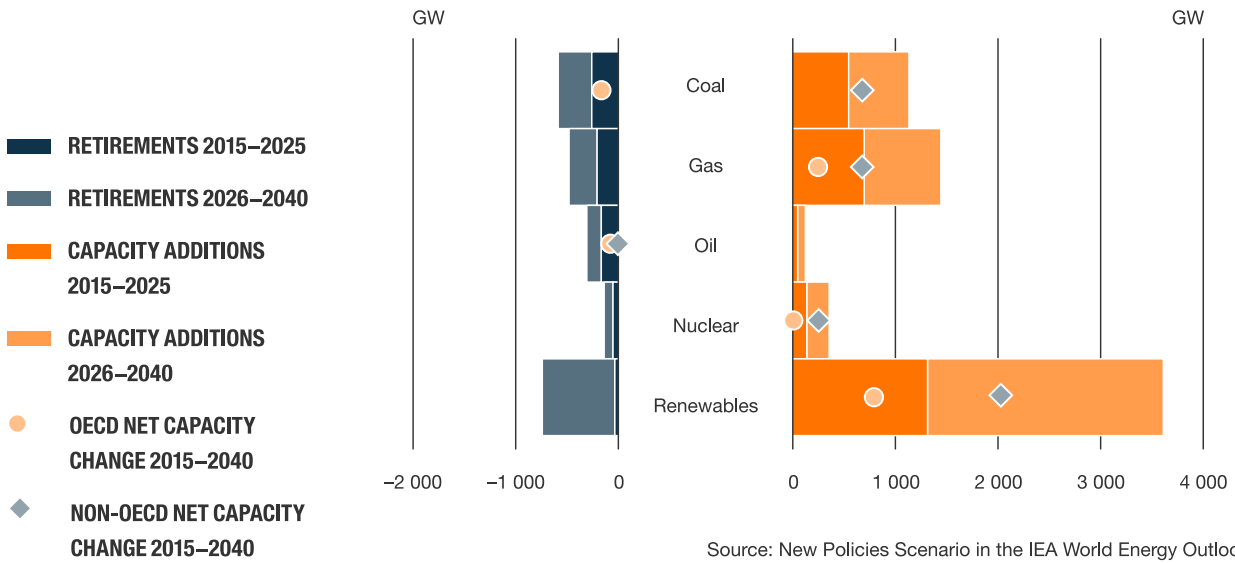
In the emerging markets, the demand for flexible base load power plants, as well as for industrial self-generation, is driven by the price of electricity purchased from the grid, and by fuel price developments. With the introduction of gas supply networks to the emerging markets, the demand for gas and dual-fuel driven power plants increases. Wärtsilä has a leading position in these markets.

FINAL ELECTRICITY GENERATION BY REGION

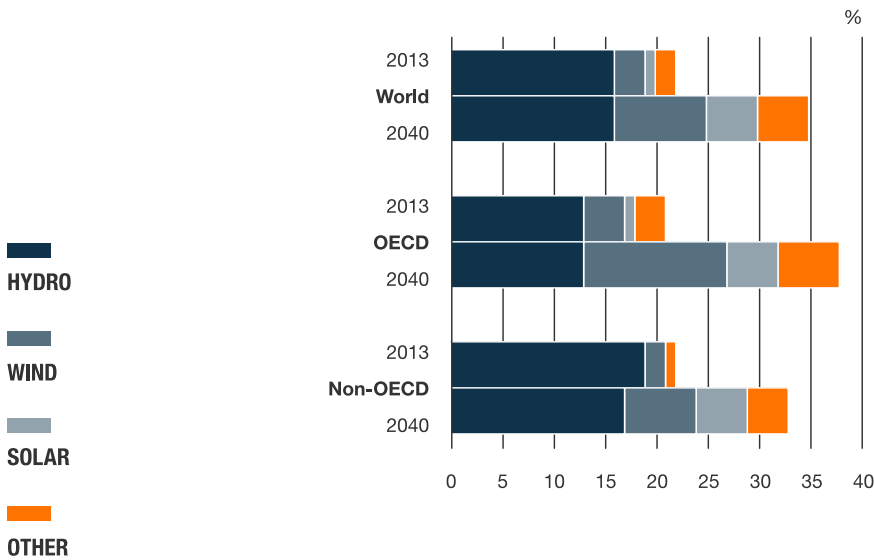
Source: New Policies Scenario in the IEA World Energy Outlook 2015.

In the OECD countries, tightening emission legislation is forcing the closure of ageing capacity, which in turn drives the demand for new investments. Another driver is the political emphasis towards low carbon power systems, which means rapidly increasing levels of renewable generation. This has already created a substantial need to add flexibility to power systems. Wärtsilä's Smart Power Generation power plants are the most efficient solution for backing up variable renewable generation, and enabling the transition to a sustainable, reliable, and affordable low carbon power system.

GLOBAL POWER GENERATION CAPACITY, RETIREMENTS AND ADDITIONS



SHARE OF RENEWABLES IN ELECTRICITY GENERATION BY REGION

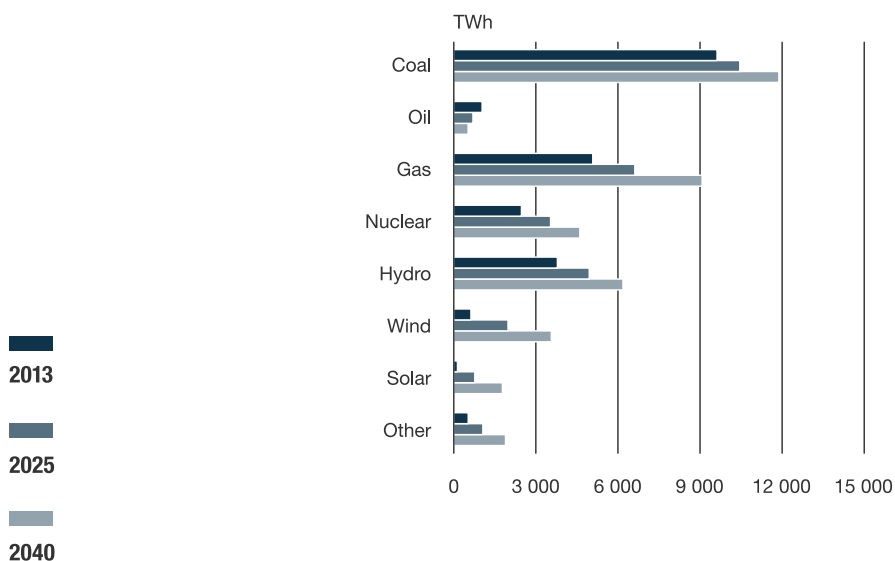


The demand for gas is driven by environmental issues, which are making the use of coal more and more difficult in many markets. Gas resources are abundant and, through expansions to the infrastructure, LNG is being introduced to energy intensive areas where pipeline gas is not viable. The share of gas in the global energy mix will continue to grow and most

of this growth will occur in non-OECD countries. Wärtsilä offers a broad range of solutions to support customers in their transition to gas:

- Dual-fuel power plants, capable of using the most inexpensive liquid fuels until gas becomes available
- LNG terminals and distribution infrastructures
- Fuel conversion packages
- Flexible and highly efficient gas power plants that enable power system optimisation.

WORLD ELECTRICITY GENERATION BY TYPE



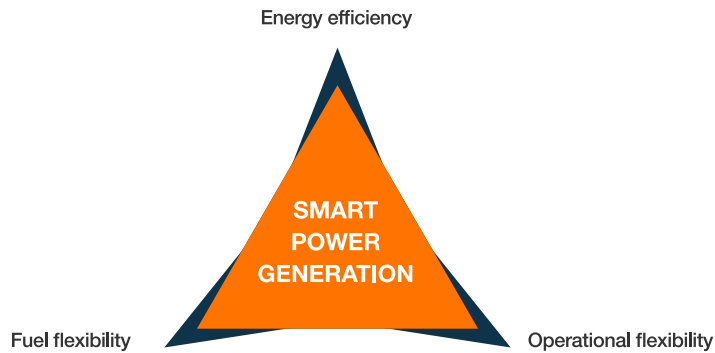
Source: New Policies Scenario in the IEA World Energy Outlook 2015.

Energy Solutions' competition

In larger gas-fired projects, Wärtsilä is creating increased competition for gas turbine manufacturers, such as GE and Siemens. In smaller gas power plant projects, and in the heavy fuel oil power plant market, the competitors are mainly other engine suppliers, such as MAN Diesel, GE Jenbacher, Caterpillar (MAK), and Rolls-Royce.

In competing against gas turbines, the main value elements are crystallised in the Smart Power Generation triangle. The combination of competitive efficiency, better fuel flexibility, and superior operational flexibility enables Wärtsilä to present better value propositions and business cases to many customers and projects. As the industry is quite conservative, the need is to shape this market utilising a value based market approach.

SMART POWER GENERATION

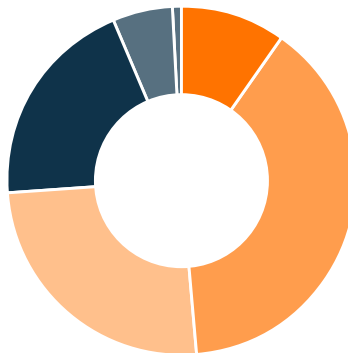


Wärtsilä’s advanced gas and dual-fuel engine technology, modular power plants, project management capabilities, and the service support provided throughout the lifecycle of installations, have led to Wärtsilä’s position as market leader in the gas and liquid fuel engine power plant markets.

GAS TURBINE AND ENGINE MANUFACTURERS

1-9/2015 MARKET <500MW 17.0 GW (16.5)

- WÄRTSILÄ**, 9.9%
- GE**, 38.8%
- SIEMENS**, 25.2%
- MHI**, 19.8%
- ANSALDO**, 5.5%
- OTHER GAS TURBINE MANUFACTURERS**, 0.8%



Market data includes all Wärtsilä power plants and other manufacturers’ gas and liquid fueled turbine based power plants with prime movers above 5MW, as well as estimated output of steam turbines for combined cycles. The data is gathered from the McCoy Power Report. Other combustion engines not included. In engine technology, Wärtsilä has a leading position.

Energy Solutions' strategy

Wärtsilä Energy Solutions' mission is to provide superior value to its customers with distributed, flexible, efficient, and environmentally advanced energy solutions, which enable a global transition to a more sustainable and modern energy infrastructure.

Wärtsilä is focused on achieving its strategic goal of becoming a globally recognised leader in liquid fuel and gas power plants by:

- Growing strongly in the large utility gas power plants market by capturing market share from combustion turbines
- Maintaining a leading position in heavy fuel oil and dual-fuel power plants by enhancing the value proposition
- Growing in the small to medium scale LNG terminal business by introducing a new value proposition to selected markets.

The company's value propositions are based on customised solutions with guaranteed performance, one-stop-shopping project services, and lifecycle commitment through long-term operation and maintenance agreements.

Modularity and repeatability are key enablers for ensuring cost competitive solutions. Wärtsilä will continuously expand the fuel portfolio to ensure wide market coverage, and will focus on products and projects that make economic sense and provide unquestionable environmental benefits.

Energy Solutions and sustainability

The development of a more sustainable energy infrastructure is driven by climate policies, energy security, and economics. Carbon-intensive energy sources are being replaced by low carbon fuels, such as natural gas and renewable solutions. Energy savings and efficiency improvements are encouraged, and even legally enforced, at every level. This development is evident on a global scale, even though short-term actions can vary in different regions.

In line with its commitment to sustainability and responsible business conduct, Wärtsilä has taken an active role in the development of markets and solutions, advising national decision makers on changes in the power markets, and on relevant technical and commercial norms. In this way, Wärtsilä helps speed the transition to more sustainable power systems. Wärtsilä strives to maintain a deep understanding of market requirements, and to develop its solutions in a way that enables them to contribute effectively to improved energy system performance in the various regions of the world.

Wärtsilä's solutions for the energy industry offer a unique combination of flexibility, high efficiency, and low emissions. Many different fuels, including bio-fuels, can be used efficiently, which helps reduce greenhouse gas emissions. Wärtsilä's Smart Power Generation technology enables the development of a reliable energy infrastructure, wherein most of the sustainable characteristics are already known. Moreover, integrating more wind and solar energy with flexible back-up capacity has great potential for reducing carbon emissions.

Towards sustainable power systems

The effects of climate change require a dramatic decrease in coal based power generation and a major increase in low carbon power generation, including wind, solar, and natural gas fired plants. In modern power systems, the majority of electricity will be generated by wind and solar power, while thermal power generation will be increasingly used for system balancing and back-up. The variability of renewable energy generation requires the balancing and back-up power to be flexible and dynamic. Current and earlier power systems were not designed for this purpose, and in order to meet the required capacity, new flexible power generation assets need to be added to the system. Such flexible capacity is based on three elements: operational flexibility, energy efficiency, and fuel flexibility.

Operational flexibility is needed for reacting to the rapid changes in wind and solar output. Power plant requirements include the following capabilities:

- Frequent and fast starts and stops without negative wear and tear consequences
- Cyclic operation with high up and down ramp rates
- High full and part load efficiency
- A broad load range
- Minimal CO₂ emissions.

Energy efficiency means that less fuel is needed to generate electricity. Lower fuel consumption results in lower CO₂ levels in power generation.

Fuel flexibility enables the transition to more sustainable fuels when they become available. This feature becomes increasingly important when investing in new power capacity, because the plant is not fixed to any particular fuel where more sustainable fuels may be available in the future.

These three elements form the cornerstones of the Smart Power Generation technology. It enables the maximal utilisation of valuable renewable power, the smooth operation of inelastic base load thermal power plant and, according to the results from future power system modelling, enables dramatic reductions in system level CO₂ emissions.

- Wärtsilä's Smart Power Generation power plants allows true operational optimisation of the entire energy system in a cost-efficient, reliable, and sustainable way, and:
 - Enables extremely low carbon emissions from the total system
 - Enables the highest penetration of wind and solar power capacity without related balancing problems
 - Enables baseload plants to operate with high output and efficiency, thereby lowering CO₂ levels
 - Minimises wind curtailment and helps to avoid negative prices
 - Reduces the amount of spinning reserve
 - Enables the efficient use of bio gas- and liquid bio-fuel resources.
- Allows the entire system to operate in the most cost effective way:
 - Removes the abusive cyclic load from plants that are not designed for it, enabling them to operate in their most cost-effective way
 - High efficiency over a wide load range enables flexible power plants to operate in the most cost effective way.
- Ensures system reliability, even during extreme conditions, such as wind variations and contingency situations.
- Enables decentralisation of the intermediate and peak load capacity:
 - Flexible plant sizing facilitates later expansions to match local needs

- Installing generation capacity in load pockets reduces grid losses and helps to avoid investments in new high voltage grid expansions
- Fast track delivery enables local capacity deficits to be rapidly overcome.

Energy Solutions' development in 2015

The power generation markets were challenging throughout 2015, as global macro-economic uncertainty limited investments in new power plant capacity. Growth in the emerging markets and the availability of financing continued to support demand. In the industrialised world, electricity consumption was on a low level and economic growth is needed to boost power plant investments. During the first nine months of 2015, global orders for natural gas and liquid fuel power plants up to 500 MW totalled 17.0 GW, an increase of 3% from the corresponding period of 2014. Wärtsilä's market share was 9.9% (10.5).

Order intake for Energy Solutions totalled EUR 1,009 million, a decrease of 22% from the corresponding period last year. Of the orders received, measured in MW, 46% were for gas based power plants. Turkish owners contributed to the high level of activity in Europe, while in the USA several orders were received for peaking and renewable support power plants. Energy Solutions' net sales was stable at EUR 1,126 million, which represents 22% of Wärtsilä's net sales.

Marine Solutions review

Wärtsilä Marine Solutions has a strong position in the marine and oil & gas industries. The company provides optimised, environmentally sustainable, and economically sound solutions that enhance the business of its customers. Wärtsilä's reputation is based on a good understanding of customer businesses, design capabilities, a broad product portfolio, and technological leadership. The organisation is structured into end to end business lines with full control over sales, R&D, engineering, procurement, and manufacturing. This enables increased flexibility, fast decision-making, and the optimal utilisation of resources to provide superior customer service.

Serving both shipyards and ship owners

Wärtsilä's marine customers comprise both shipyards and ship owners; the needs and demands of which differ significantly. The decision-making process of shipyard customers is typically affected by product prices, delivery times and reliability, project management, ease of installation, and the supplier's ability to manage large delivery scopes. Ship owners, on the other hand, require safe and efficient operations, reliability and support, as well as the availability of services. Their decision-making is also impacted by freight rates, interest rates, and the capital and operating costs of the ship. Furthermore, both ship owners and operators are having to increasingly consider factors such as environmental compliance and fuel flexibility in their decision-making.

Wärtsilä is committed to meeting the needs of all customer groups. Success is achieved through an in-depth understanding of their businesses, operating models, and requirements. This understanding is backed by an extensive network, a broad product portfolio, and the ability to be involved in the life of the vessel as early as the design process. This enables the company to support its customers throughout the lifecycle of their installations with products and solutions that best serve their business interests.

The broadest offering in the industry

Wärtsilä Marine Solutions is active in all the main vessel segments with a wide range of products, services, and solutions. The company understands the particular needs and requirements related to each of these segments – from the initial vessel design choices to everyday operations throughout the vessel's lifecycle. The portfolio also covers gas systems for land-based installations, such as gas terminals. During 2015, Marine Solutions' electrical and automation offering was strengthened through the acquisition of L-3 Marine Systems International (MSI). MSI has extensive experience in supplying automation, navigation and electrical systems, dynamic positioning technology, as well as sonar and underwater communications technology for a variety of vessel types and offshore installations.

Innovative and competitive products, delivered efficiently and with high quality, form the basis of Wärtsilä's offering, which consists of:

- Medium-speed diesel and dual-fuel engines
- Low-speed engines sold through the Winterthur Gas & Diesel Ltd. (WinGD) joint venture
- Propulsion systems and gears
- Seals and bearings
- Navigation and automation systems
- Entertainment systems
- Communication and control systems
- Power distribution and management systems
- Electric power drives and motors
- Electrical design for complex vessels
- Environmental solutions, including exhaust gas cleaning, ballast water management, and fresh water systems
- Pumps and valves
- Gas systems, including LNG and LPG handling, inert gas systems, compressors, liquefaction, regasification, and equipment for small-to-medium scale onshore gas installations
- Ship design.

The ability to combine the products offered into larger systems and solutions supports the company's strategy of being the main solutions provider to customers. This strategy provides added value to both shipyard and ship owner customers. Shipyard customers can focus on their areas of expertise and benefit from the risk of product interface problems being reduced, while ship owners can rely on benefits related to operations and maintenance.

SEGMENT	VESSEL TYPE	MAIN OFFERING*
Merchant	LNG carriers	2-st (sold through the WinGD joint venture) and 4-st main dual-fuel engines, auxiliary engines, controllable pitch propellers (CPP), gearboxes, tunnel thrusters
	Tankers, Containers, Bulkers	2-st engines (WinGD), auxiliary engines, fixed pitch propellers (FPP), tunnel thrusters, 4-st engines for smaller vessels, navigation and automation systems, electric power distribution
	Other: cargo, RoRo, car carriers, LPG carriers	All of the above
Offshore	Floating exploration: drillships, semi-submersibles, etc.	4-st engines, steerable thrusters, tunnel thrusters, vessel automation systems, electric power distribution, gearboxes
	Floating production units: FPSO's, FSO, floating LNG, etc.	4-st engines, steerable thrusters, tunnel thrusters, CPP, vessel automation systems, electric power distribution, gearboxes
	Service/Supply vessels: OSV's, PSV's, AHTS, AHS	4-st engines, steerable thrusters, tunnel thrusters, CPP, electrical propulsion systems, ship design, automation systems, gearboxes
	Other: crane vessels, pipelayers, accommodation vessels	All of the above
Cruise and Ferry	Cruise vessels	4-st engines, FPP, tunnel thrusters, navigation, entertainment and automation systems, electric propulsion and power distribution
	Ferries	4-st engines, CPP, FPP, steerable thrusters, tunnel thrusters, navigation, entertainment and automation systems, electric propulsion and power distribution
	Other: ro-pax, yachts	All of the above
Special vessels	Tugs	4-st engines, FPP, steerable thrusters, tunnel thrusters, vessel automation systems, ship design
	Dredgers	4-st engines, CPP, FPP, steerable thrusters, tunnel thrusters, vessel automation systems
	Other: fishing vessels, ice breakers, research vessels, work boats, inland waterway vessels	All of the above
Navy	Frigates, corvettes, patrol vessels, aircraft carriers, destroyers, submarines, support vessels	Waterjets, seals and bearings, tunnel thrusters, 4-st engines, navigation and automation systems, electric propulsion and power distribution, underwater communication, sonar systems

* Excluding Wärtsilä Hamworthy's offering, which can be installed in nearly all ship types.

Growth through gas, environmental solutions and efficient vessels

Wärtsilä Marine Solutions is uniquely positioned for growth driven by the increasing availability and use of gas as a marine fuel, the introduction of new environmental regulations, and the increased demand for more efficient vessels.

Stricter environmental regulations are driving the interest in gas as a marine fuel, as well as in emissions abatement technologies, such as exhaust gas cleaning systems and ballast water treatment systems. Marine Solutions offers its customers alternative solutions for meeting these requirements in a way that best meets the needs of their businesses and operating models, both as part of new build projects and as retrofits to vessels already in operation.

Wärtsilä's market leading offering for the gas segment consists of gas fuelled engines, gas conversions, and gas handling systems. There is a complete offering for each step in the gas value chain, from product level to entire LNG terminals with the latest technology and innovations. In 2015, the company introduced a new LNG storage and regasification barge concept. This innovative solution provides a flexible means of meeting small to medium scale requirements where pure land-based LNG options are limited.

Wärtsilä has a strong position in exhaust gas cleaning systems, with the most extensive reference list on the market. Today, the portfolio of SOx scrubber systems is the broadest in the industry and consists of closed loop systems for fresh water use, open loop systems for seawater use, and a combination of the two, i.e. the hybrid system. For NOx reduction and IMO Tier III compliance Wärtsilä provides its customers with products based on the selective catalytic reduction (SCR) technology. For ballast water treatment, customers can select systems based on the two most common technologies: ultraviolet treatment and electro-chlorination.

Efficiency is one of the top concerns for ship owners and operators. Wärtsilä's in-depth expertise and system skills help to optimise the efficiency of vessels and make it possible for customers to achieve the performance, cost, and environmental compliance parameters that specifically match their operating profile.

Marine Solutions' operating environment

Wärtsilä Marine Solutions serves the marine and oil & gas industries. The main vessel segments covered in the marine industry are traditional merchant vessels, gas carriers, cruise & ferry, navy, and special vessels. In the oil & gas industry, Wärtsilä is active in serving offshore installations and vessels, as well as land-based gas installations.

General shipbuilding and shipping market drivers

Demand in the shipbuilding and shipping industries is mainly driven by developments within the global economy and the resulting impact on trade and transportation capacity requirements. The global economy also influences fuel prices, which in turn has both a direct and an indirect impact on the marine and oil & gas industries. The price, availability, and demand for fuel drives development in the oil & gas industry, while in the general shipping industry, fuel costs increase the demand for efficient vessels. Other factors, such as shipyard capacity, newbuild prices, decommissioning and scrapping, and interest and freight rates, also affect these industries. Global demand for new vessels drives Wärtsilä's Marine Solutions business, in particular ships built for seaborne cargo transportation, offshore oil drilling, production and support, cruise and ferry services, and for naval use. Another important driver is the development of environmental regulations and their impact on the demand for optimised vessel efficiency, environmental solutions, and gas as a marine fuel.

Main drivers for Wärtsilä's Marine Solutions business

- Developments in the global economy
- Development of world trade and needed transportation capacity
- Development of gas as an energy source
- Development of oil and gas prices
- Development of new offshore oil & gas fields and infrastructures
- Environmental regulations

Competitors and market position

Wärtsilä Marine Solutions has continuously broadened its portfolio, which today ranges from engines and propulsion equipment to electrical equipment, automation, ship design, environmental solutions, gas systems, and pumps and valves. This is backed by the capability to build environmentally sound solutions, and by superior service support throughout the lifecycle of the product. Wärtsilä's competitive advantage lies in having the industry's broadest marine focused offering comprised of leading, innovative products, integrated systems, and engineering, which is supported by a unique sales and service network in touch with customers globally.

The field of competitors is extensive. It includes engine companies, such as MAN D&T, Caterpillar and Chinese licensee manufacturers, propeller makers such as Schottel and Thrustmaster, and environmental and auxiliary equipment providers like Alfa Laval. It also includes electrical and automation houses, notably Siemens, GE, ABB, and Kongsberg, pump and gas system providers, such as Colfax and Cryostar, and companies with broad offerings, like Rolls-Royce and Hyundai Heavy Industries. Wärtsilä is recognised as a proven supplier of innovative and sustainable technologies across its portfolio serving the marine and oil & gas markets.

WÄRTSILÄ'S OFFERING	MAIN APPLICATION*	MAIN COMPETITION**	WÄRTSILÄ'S MARKET POSITION
4-stroke main engines	Small merchant vessels, offshore, special vessels	MAN D&T, MAK (CAT), Rolls-Royce, HiMSEN	59% of the market (in kW) is controlled by Wärtsilä.
4-stroke auxiliary generating sets	All vessel types	The market is highly fragmented, price sensitive, and with heavy competition. The main competitors are MAN D&T and its local license manufacturers, Yanmar and HiMSEN. High-speed engines also compete in the auxiliary engine market.	Wärtsilä is a market challenger, having 12% of the total market.
2-stroke engines sold through the WinGD joint venture	Large and medium size merchant vessels	MAN D&T, Mitsubishi Heavy Industries	Market challenger, approximately 10% of the market (in kW) is controlled by Wärtsilä branded engines
Propulsion • Controllable Pitch Propellers (CPP)	All vessel types	Rolls-Royce, Schottel, Hyundai Heavy Industries, Mitsubishi Heavy Industries, Mecklenburger Metallguss, Thrustmaster, Brunvoll, Kawasaki, Caterpillar (Berg Propulsion)	CPP & FPP: fragmented market, with Wärtsilä among the top players.

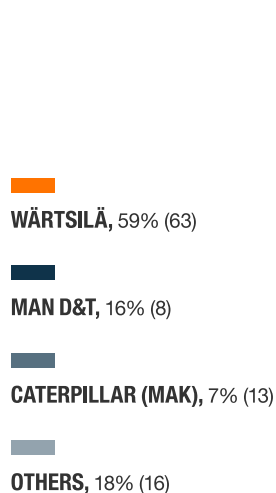
<ul style="list-style-type: none"> • Fixed Pitch Propellers (FPP) • Steerable thrusters • Tunnel thrusters 			<p>Steerable thrusters: Wärtsilä is among the top players.</p> <p>Tunnel thrusters: highly fragmented market, Wärtsilä is a market challenger.</p>
<p>Electrical & Automation</p> <ul style="list-style-type: none"> • Ship Automation systems • Navigation and electrical systems • Dynamic positioning technology • Integrated bridge solutions • Entertainment systems • Electric propulsion • Power distribution • Sonar systems • Underwater communication 	<p>Cruise, cargo, offshore, special vessels, navy</p>	<p>ABB, Siemens, Kongsberg, Rolls-Royce, General Electric</p>	<p>Navigation and automation leader in the cruise and large cargo segments, and an established position in offshore markets.</p>
<p>Ship design</p>	<p>OSV's, merchant vessels, specialised vessels, fishing vessels</p>	<p>Skipsteknik, Marinteknik, MMC, Rolls-Royce, Ulstein</p>	<p>Among the leading independent ship design houses.</p>
<p>Oil & Gas systems</p> <ul style="list-style-type: none"> • Mobile LNG (barge) offering • Regasification systems • Gas reliquefaction systems • Onshore gas liquefaction systems • Gas recovery systems • Oil separation systems • Fuel gas systems 	<p>Offshore gas processing & storage vessels, LNG/LEG/LPG carriers, floating production systems, industry applications, fuel gas systems for all vessel types</p>	<p>TGE Marine, Cryostar, Linde GAS - AGA, Kobelco, Moss Maritime, Daewoo Shipbuilding & Marine Engineering, Weir LGE, Cryonorm, John Zink, Black & Veatch, Air Liquid, Aker Solutions, FMC/CDS, Cameron/Concept</p>	<p>Wärtsilä is among the top players.</p>

<p>Pumps and valves</p> <ul style="list-style-type: none"> • Deepwell cargo pumps • Pump room systems • Engine room pumps • Fire-fighting systems • Valves 	<p>All vessel types, on- and offshore oil & gas facilities</p>	<p>Niigata, Marflex, Framo, Hyundai Heavy Industries, Shinko, Colfax, Ellehammer</p>	<p>Wärtsilä is among the top players.</p>
<p>Environmental solutions</p> <ul style="list-style-type: none"> • Exhaust gas cleaning • Ballast water management systems • Inert gas systems • Water production systems • Water treatment systems 	<p>All vessel types</p>	<p>Alfa Laval, Green Tech Marine, Techcross, Panasia, Evac, Scanship GEA Westfalia, Marinfloc</p>	<p>Wärtsilä is among the top players.</p>

* Only main applications mentioned.

** Only main competitors mentioned.

MARKET POSITION OF MEDIUM-SPEED MAIN ENGINES



Wärtsilä's market shares are calculated on a 12 months rolling basis, numbers in brackets are from the end of the previous quarter. The calculation is based on Wärtsilä's own data portal.

Marine Solutions' strategy

The strategic goal of Wärtsilä Marine Solutions is to be the leading provider of innovative products and integrated solutions to the marine and oil & gas industries. To achieve this the aim is to build on deep understanding of the customers' needs and:

- Solidify the company's leading position in solutions for gas fuelled vessels, environmental compliance, and efficiency optimisation
- Further develop the company's position as the shipbuilding industry's leading systems integrator
- Provide a competitive offering of products for the growing needs of the marine and oil & gas markets
- Seek further growth through the ability to offer customers the most efficient lifecycle solutions.

As a solutions provider, Wärtsilä is ready to deliver everything from a single product to complete lifecycle support of complex systems for powering ships; from concept development to operational use. As the industry's only true provider of a total marine offering, Wärtsilä is uniquely positioned. The extensive range of products is supported by world class ship design, engineering, and project delivery capabilities, all of which facilitate the provision of solutions that optimise the lifecycle value of customers' installations.

Important mid-term growth opportunities are envisioned in solutions for gas fuelled vessels, environmental compliance, and efficiency optimisation. Wärtsilä is already well positioned in these areas, having the most extensive experience and an unrivalled track record in delivering gas engines, a unique portfolio of products for emissions control and abatement, and a holistic approach to ship-level efficiency optimisation through the company's engineering and ship design capabilities.

Wärtsilä Marine Solutions seeks organic growth that will be supported by targeted acquisitions and partnerships. The offering of innovative and competitive products is developed and delivered based on the requirements of the various customer segments and the operating profiles of their vessels. Together with the Services business, Wärtsilä Marine Solutions offers ship owners and operators integrated lifecycle solutions, with guaranteed performance and availability. Wärtsilä will maintain its position as the shipbuilding industry's leading systems integrator, and will further strengthen its already strong foothold in the oil & gas business. Finally, the company will invest further in strengthening its presence and maximising the efficiency of its supply chain, engineering and sales, especially in the key shipbuilding areas, notably China and South Korea.

Marine Solutions' strengths

- The broadest portfolio of reliable and high performing products and solutions in the marine and offshore oil & gas industries, supported by the industry's strongest global service network
- An unmatched track record in providing gas fuelled vessels with dual-fuel technology and gas systems
- The most comprehensive selection of options for meeting the needs of customers concerning fuel flexibility, efficiency, and environmental requirements
- A strong position and good customer understanding in navigation and automation systems for cruise and large cargo vessels
- A unique synergy between ship design and engineering capabilities enabling the maximisation of a vessel's efficiency throughout its lifecycle
- A strong presence in all the major marine and offshore oil & gas segments, thereby allowing shipbuilding cycles to be navigated

Marine Solutions and sustainability

The marine and oil & gas industries are at the centre of converging megatrends, namely a move towards a more diverse and cleaner energy mix, increased transparency and accountability with regards to environmental performance, and a need to improve economic performance despite uncertainties in the global economy. For Wärtsilä it is clear that improved sustainability is central to addressing all these trends.

Wärtsilä is committed to becoming the most valued business partner of its customers. Thus it is essential for Marine Solutions to have sustainability at the very core of its product and solutions development. The company's R&D and business development activities are based on a deep understanding of how these megatrends affect customers. The expansion and development of Wärtsilä's offering to the marine and oil & gas industries over the years demonstrates the response made to the needs of customers. Gas, environmental compliance, and efficiency are the three pillars on which Marine Solutions builds its offering.

The shift towards natural gas

The global energy landscape is shifting towards a more diverse and sustainable energy mix, and natural gas – the cleanest fossil fuel – has a key role to play in this transition. The oil & gas industry has, during recent years, seen a dramatic rise in the demand for natural gas along with the increase in supply. The marine industry is also affected by this transition, with interest in the use of gas as a marine fuel rising sharply.

Wärtsilä develops products and services that enable the safe use, handling, and distribution of natural gas for the marine and oil & gas industries. Wärtsilä is the marine industry's undisputed leader when it comes to gas-fuelled propulsion, with dual-fuel medium-speed engines ordered for more than 250 vessels and more than 12 million running hours accumulated

in both land-based and marine applications. These milestones represent achievements that cannot be matched today by any other engine manufacturer. Thanks to a strong and safe track record in the use of gas as a marine fuel for LNG carriers, the industry is increasingly keen on expanding the use of LNG to other vessel types.

The benefits of using Wärtsilä's well proven low-pressure dual-fuel technology are many:

- Emission reductions (when operating in gas mode): 85% less NO_x, 99% less SO_x, up to 99% reduction in particulates, 20-30% less CO₂ emissions, and no smoke
- Fuel flexibility to enhance operational security and competitiveness, with the use of heavy fuel oil, marine diesel oil, bio fuels, and crude oil possible
- Capital expenditure reductions of 15-20%, since the use of low pressure technology means simpler (lower cost) gas handling systems, and no need for further exhaust gas cleaning systems
- Reduced waste streams (liquid waste)
- No need to use secondary emission reduction systems (and hence no consumption of reagents)
- Redundancy and safety
- Stable operation on gas fuel across the entire load range, with no need to switch to diesel fuel at low loads
- Lower consumption of pilot fuel (just 1% of the total fuel used).

Enabling the use of gas as a marine fuel means much more than merely applying a proven technology to gas engines. For Wärtsilä, it also means maintaining its leading position in the design of gas fuelled vessels, and offering reliable and competitive gas storage and handling systems. Wärtsilä also supports the development of the broader gas value chain in the oil & gas industry with, for instance, its liquefaction and regasification solutions.

Environmental compliance

The marine industry is undergoing the implementation of changes in order to comply with existing environmental regulations, while at the same time evaluating the possibilities for complying with upcoming regulations. Emissions to air (CO₂, NO_x, SO_x, particulate matter, volatile organic compounds (VOC), and others) and water are under scrutiny. Similarly, regulations relating to safe and clean operations are becoming stricter, especially for the oil & gas industry.

Wärtsilä offers a wide set of options for compliance with environmental regulations. All include working technologies, fast installation, and support throughout the company's global network. Wärtsilä is committed to providing its customers and society at large with reliable and safe technologies for environmental compliance, which will be available for use as new regulations come into force. The company can also assist customers in evaluating the best options for compliance so as to adopt a solution that meets their specific operational needs.

In the marine industry, Wärtsilä's offering for environmental compliance covers the following:

- For SO_x and NO_x compliance: gas propulsion, conversions to gas propulsion, NO_x reducers, SO_x scrubber systems, and retrofit services
- For ballast water compliance: products based on ultraviolet treatment and electro-chlorination technologies, and retrofit services
- For Energy Efficient Design Index (EEDI) compliance: improved efficiency of individual products and ship design
- For emissions to water compliance: waste water, bilge water, scrubber water, and sealing systems.

In addition to these, Wärtsilä's offering to the oil & gas industry includes the following solutions to facilitate safe and clean operations:

- VOC recovery

- Flare gas recovery
- Inert gas and nitrogen systems
- Oil separation
- Waste water systems
- Oily and slop water cleaning
- Fresh water generation
- High pressure compressors.

Focus on efficiency

The global economic downturn has put enormous pressure on the cost structure of the marine industry in particular, while the oil & gas industry is also deeply affected by low oil prices. In the marine industry especially, the cost of fuel is a key driver for upgrading equipment, re-thinking operational profiles, and for new vessel designs. Investments in improved energy efficiency have both economic and improved environmental performance benefits.

Wärtsilä strives to optimise the lifecycle cost of installations. This is done because it makes economic sense to customers, and because of the company's in-house understanding of the pressure for reducing costs and investing in developing products and solutions that will help achieve significant savings. Furthermore, improved efficiency results in better environmental performance.

For Wärtsilä, one way of improving efficiency is to continuously invest in renewing the product portfolio. During 2015, the Wärtsilä 31 engine was launched. The Wärtsilä 31 engine's diesel fuel consumption is as low as 165 g/kWh, which is far lower than that of any other 4-stroke engine currently on the market. The engine can be operated using a range of different fuels, and comes in three alternative versions: diesel, dual-fuel, and spark-ignited gas. Wärtsilä also launched new ship designs (container feeder, AHTS, PSV, and LNG carrier designs) featuring exceptionally low fuel consumption, and a new WST-14 steerable thruster aimed at inland cargo waterway applications, which provides increased reliability and efficiency.

Marine Solutions' development in 2015

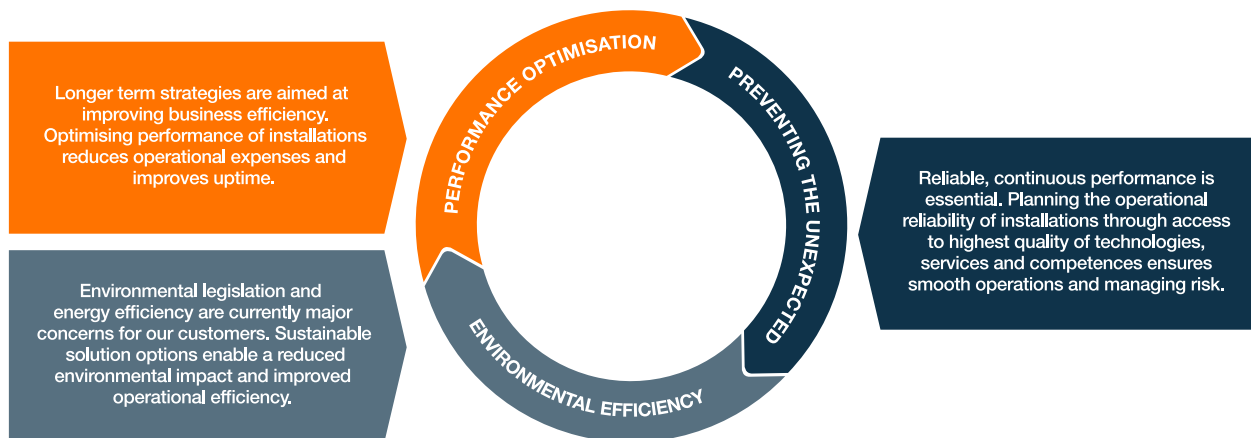
During 2015, 1,371 contracts for new vessels were registered, compared to 1,711 in the previous year. Contracting activity in the conventional merchant markets was slow and activity in the gas carrier market normalised from the strong volumes seen in 2014. Demand in the offshore market declined from the previous year due to depressed oil prices. There was a good level of contracting for cruise vessels and ferries. Wärtsilä's share of the medium-speed main engine market was 59% (63% at the end of the previous quarter). The market share in auxiliary engines increased to 12% (9% at the end of the previous quarter).

Marine Solutions' order intake declined by 8% to EUR 1,599 million, which was satisfactory given the general slowdown in vessel contracting and the further weakening of the offshore market. In line with the Marine Solutions strategy, Wärtsilä received several orders for the delivery of integrated solutions. Highlights included the contract to power the world's first dual-fuelled dredger being built for DEME Group. Other strategically significant orders included the first order for the new generation Wärtsilä 31 engine, which was launched in June. The interest in environmental solutions continued to increase during 2015. Net sales for Marine Solutions was stable at EUR 1,720 million, which represents 34% of net sales.

Services review

Wärtsilä Services supports its customers by offering the most comprehensive portfolio of services in the industry, thereby optimising operational and lifecycle performance. Wärtsilä Services offers expertise, local availability, responsiveness, and the most environmentally sound solutions for all customers. The Services offering also strongly builds on digitalisation in order to utilise the opportunities opened by real-time data and related analytics. Customers recognise Wärtsilä as being a reliable service partner; namely competitive, trusted, and easy to deal with.

WE FOCUS ON THREE KEY ELEMENTS FOR OPTIMAL LIFECYCLE EFFICIENCY



The service offering

Services develops close relationships with its customers, thus enabling an in-depth understanding of their business so as to extend the offering accordingly. The Services business provides full and complete support for customers operating in the marine and energy industries, as well as a comprehensive package of seals, bearings, and associated solutions to hydropower installations and industrial plants worldwide as of 2015. This support is based primarily on the equipment sold and designed by Wärtsilä, including engines, propulsion, and other systems. However, Wärtsilä Services has the capability to retrofit and service other brands as well.

An in-depth knowledge of the customers' business and operational challenges, combined with technical expertise, forms the basis for being able to offer different levels of support:

- Spare parts for equipment, with an emphasis on excellent delivery performance and the availability of a broad range of parts
- Full maintenance and performance monitoring, utilising both equipment (spare parts) and services (field services, condition based maintenance)
- Optimising customers' business via analytics, proactive recommendations, efficiency improvements (e.g. fuel cost savings), and shared performance targets for the operation and maintenance of their equipment.

Areas of expertise include:

Engine services

Wärtsilä Services provides a full range of services for medium- and low-speed diesel, gas, dual and multiple fuel engines, and other related systems. The wide offering ranges from standard engine overhauls to optimisation retrofits that improve the performance of mature engine designs.

Propulsion services

Wärtsilä offers a complete range of services throughout the lifecycle of propulsion systems. Parts, repairs, maintenance, modernisation solutions, and efficiency upgrades are also provided in order to keep propulsion systems running powerfully and efficiently.

Seals & Bearings services

Wärtsilä Services provides a wide range of sealing, bearing, and sterntube solutions in the form of integrated systems, packages, and products. These services provide marine and industrial customers with increased efficiency, reduced running costs, and operational longevity.

Hydro & Industrial services

The offering includes seals, bearings, and associated equipment for hydro and industrial installations (in mining, paper, oil & gas), including hydropower, tidal power, and offshore wind installations. These are complemented with a comprehensive array of services, ranging from repairs and fabrications to underwater services, retrofits, component reconditioning, and refurbishments.

Environmental services

Wärtsilä offers an extensive set of services aimed at improving efficiency and minimising emissions for energy and marine installations. These solutions include fuel conversions, low NO_x solutions, and propulsion efficiency services. Furthermore, Wärtsilä's field service organisation supports the marine retrofit market in the installation and commissioning of environmental solutions.

Service agreements

Wärtsilä tailors service agreements to enable customers to choose from different levels of partnership. Technical management agreements include provisions for regular inspections, monthly reporting, and exchange programmes for spare parts. Maintenance agreements provide fixed prices for inspections, technical support, spare parts, training, and maintenance work. Operations and maintenance agreements can cover complete operational, management and, maintenance services, as well as installation performance guarantees.

Service projects

Project management capabilities enable Wärtsilä to optimise the performance of customers' installations through upgrades, modernisations, fuel conversions, and safety solutions.

Training services

The training services offered cover all aspects of management, operational, maintenance, and safety issues, and range from traditional hands-on training to advanced remote training systems and e-learning opportunities.

Services operating environment

Wärtsilä Services supports customers in the marine, energy, oil & gas industries. In 2015, the offering was extended to a new market segment, the hydro & industrial businesses.

Marine customers are generally ship owners or operators operating in the merchant shipping, cruise and ferry, navy, or other special vessels segments. Oil & gas customers are typically those either operating ships in the offshore segment or having land based oil and gas installations. Hydro and industrial customers are companies operating in the hydropower, ocean energy, and offshore wind sectors, and customers with specific installations in industrial applications.

The main driver in the Services business is the size and development of Wärtsilä's installed equipment base. However, the offering and competences are constantly being developed in order to extend the servicing capabilities to multiple brand equipment.

INSTALLED BASE BY BUSINESS

TOTAL 181,000 MW

ENERGY SOLUTIONS, 26%

MARINE SOLUTIONS,
4-STROKE, 36%

MARINE SOLUTIONS,
2-STROKE, 38%



The market conditions faced by Wärtsilä's end customers have a direct impact on the utilisation rate of installations in operation, and dictate the need for services relating to maintenance, lay-down, or re-deployments. The lifecycle phase of an installation also affects the maintenance requirements, and possible needs for upgrades or life-extension services.

Wärtsilä's customers may also face the need for retrofits and upgrades of their equipment based on structural changes to their operating environments, such as changes in the availability or pricing of fuels, the implementation of regulations, or increased safety requirements. Interest in a full lifecycle approach from customers in the marine, energy, and oil & gas markets is increasing. This is because it is possible to optimise maintenance and performance so as to improve operational efficiency, reduce costs, and create business growth. The outsourcing of power plant operations and management to a reliable partner is normal practice in the energy industry and interest for long-term service agreements is increasing also in the marine and oil & gas service markets.

Competition and market position

Wärtsilä has a strong position in servicing equipment sold and designed by Wärtsilä. The key differentiators are a truly global presence and the capability to provide support throughout the lifecycle. Only a few other players are able to provide such a broad services offering globally; these being other Original Equipment Manufacturers (OEM) focusing on their own equipment brands, and service companies with a global or more typically local presence.

Competition is, therefore, mainly local, consisting of parts traders, repair yards, local workshops, component suppliers for spare parts (non-OEM), and field service businesses. The number of local players is quite large; consequently competition is rather fragmented and focused on a limited offering scope and speed of delivery. Wärtsilä is constantly developing its global footprint and local operations in order to serve its customers with superior quality, while meeting the speed of response of smaller local players.

The competition for long-term service agreements for operating power plants comes from a few regional players capable of offering plant operational services. In the marine market, the competition for long-term service agreements is even more fragmented with some ship management companies serving this area. Wärtsilä Services offers a variety of options to ensure the best solution for the end user.

Services' strategy

Wärtsilä Services aims to be recognised as a reliable service partner; namely competitive, trusted, and easy to deal with. Wärtsilä is committed to growing its services business by:

- Doing more business with existing customers through superior customer service
- Developing and digitalising the offering to create new competitive advantages
- Exploring opportunities within new customer segments by leveraging on current competences
- Acquiring businesses in growing markets.

Services is constantly developing its global footprint and operations in order to meet and exceed customers' expectations. This is the very basis upon which the business with existing customers will grow. Further growth is sought by strengthening our service offering in response to our customers' increased interest in long-term service agreements, thereby providing them with both lower costs and improved operational efficiency.

An important growth area is the digitalisation of the existing offering and the development of a new digital offering to further increase revenue potential, transparency, availability, and performance. Continuing the digitalisation journey in 2015, Services launched Wärtsilä Genius services, which will enable real-time optimisation of customers' assets, improve predictability, and help solving of issues with digital solutions. Other examples of outcomes from the investments in

digital innovations are the Wärtsilä Online Services platform for spare parts ordering and tracking and technical support, as well as the remote service concepts such as the Virtual Service Engineer.

Wärtsilä's current competences and capabilities (e.g. in-situ machining, reconditioning, and field services) place the company in a unique position to provide services to new customer segments, such as Hydro and Industrial, and extending the offering to customers who operate a variety of equipment – regardless of the manufacturer.

Services' strengths

- Long-term relationships with customers and an in-depth understanding of their operations and needs
- A complete lifecycle offering
- The broadest service portfolio in the industry
- An unmatched global service network

Services and sustainability

Environmental legislation, the need for energy efficiency, and safety requirements are currently the main drivers for customers' actions towards developing their businesses in a more sustainable way.

Wärtsilä Services strives to be a leader in supporting its customers' efforts to meet and exceed current and future business and sustainability demands. This is the essence of Wärtsilä Services' role as regards sustainability: we continuously develop the offering in order to provide customers with solutions that will enable them to run their businesses and grow in the most sustainable way.

Furthermore, Wärtsilä conducts its business in a responsible way, including providing services from locations in close proximity to the customers' installations, and by investing and offering employment opportunities in local communities.

Energy efficiency and emissions

The increasing availability of alternative liquid fuels and gas, together with stricter environmental and safety requirements, creates opportunities for the Services business to improve the operational efficiency of customer installations, while at the same time reducing their environmental impact. Wärtsilä develops and provides services, such as upgrades, reconditioning projects, fuel conversions, and retrofit solutions that improve both fuel efficiency and environmental performance. This enables compliance with stringent environmental legislation while extending the operational lifetime of the application.

For existing installations, a set of primary upgrading solutions are available, including:

- Engine, propulsion, or electrical & automation system efficiency upgrade packages that reduce fuel and/or lube-oil consumption, thereby contributing to lower emissions and the generation of economic benefits
- Low NO_x solutions that combine various engine modifications designed to find the ideal combination of compression ratio, injection timing, and injection rate. The concept has been developed so as to achieve the best possible trade-off between NO_x reduction and fuel consumption.
- The conversion of propeller shaft sealing systems to an anti-pollution version that eliminates the risk of water pollution
- Diesel to gas conversions that considerably reduce emissions from the installation. The conversion of heavy fuel oil or marine diesel oil installations to operate on natural gas offers extended benefits.

For new and existing installations, secondary methods are available to integrate additional equipment that contribute towards emissions abatement. Wärtsilä Services provides unparalleled environmental solutions, as well as the field experts needed for their installation and commissioning.

Optimising the sustainability of customer operations

Wärtsilä's offering goes beyond retrofits, upgrades, conversions, and field services expertise. The lifecycle support approach using long term service agreements, allows Wärtsilä to offer customers guarantees for reduced fuel consumption, and hence have a direct impact in reducing emissions. Furthermore, the recently launched Wärtsilä Genius optimisation services enable increased competitiveness and effectiveness in daily operations with real-time efficiency and emissions abatement improvements:

- Engine efficiency monitoring: the bridge/dashboard monitor indicates specific fuel oil consumption to create awareness of fuel usage, and to enable a vessel's crew to make the necessary operational adjustments to optimise the consumption. Measuring fuel consumption online, visualising it, and comparing it to other performance data over time is the first step towards ship energy efficiency monitoring plan services.
- Trim optimisation: provides an indication to the bridge / dashboard of the optimal vessel trim. Real-time optimisation of the ship's trim provides 2-5% fuel savings, thereby contributing to lower levels of emissions.
- Hull and propeller cleaning interval optimisation: calculates the optimal cleaning dates for the hull and propeller. This results in avoiding fuel consumption increases of up to 30% caused by surface roughness, and hence enables emissions optimisation.

Services' development in 2015

Service market activity developed favourably in 2015. Activity in the marine industry improved globally, supported by increased investments in maintenance activities and higher demand for propulsion upgrades and thruster retrofits. Power plant service activity developed well, thanks to increased utilisation of installations under contract and the demand for spare parts in specific regions resulting from the ageing installed base. At the end of 2015, Wärtsilä's installed base totalled 181,000 MW. Four-stroke engines accounted for approximately 60% of the installed base and two-stroke engines for approximately 40%.

Services' order intake for the review period increased by 14% to EUR 2,324 million. Larger service projects included an order from Shanghai Electric Power to convert the Maltese Delimara Power Station to operate on natural gas. Customer focus on the optimisation of maintenance and performance strengthened interest in long-term service agreements. The signed contracts included a 5-year technical management agreement with Golar Management Oslo for its LNG carrier fleet, and a 10-year operations and maintenance agreement for Central Generadora Electrica Huinala's flexicycle power plant, located near Monterrey, Mexico. Net sales for the Services business reached an all-time high level of EUR 2,184 million, which represents 43% of Wärtsilä's net sales.

Manufacturing review

Wärtsilä's manufacturing is focused mainly on the assembly, test running, and finishing of products and key strategic components. The company's business model, which is strongly connected to a broad network of suppliers, guarantees flexibility in capacity. Being close to the customer is important, as is the focus on quality and the continuous emphasis placed on technology leadership in the company's R&D activities.

Wärtsilä provides products and systems that are reliable, cost efficient, functional, environmentally compatible, technologically advanced, and capable of being integrated into solutions or delivered as stand-alone equipment.

Manufacturing footprint

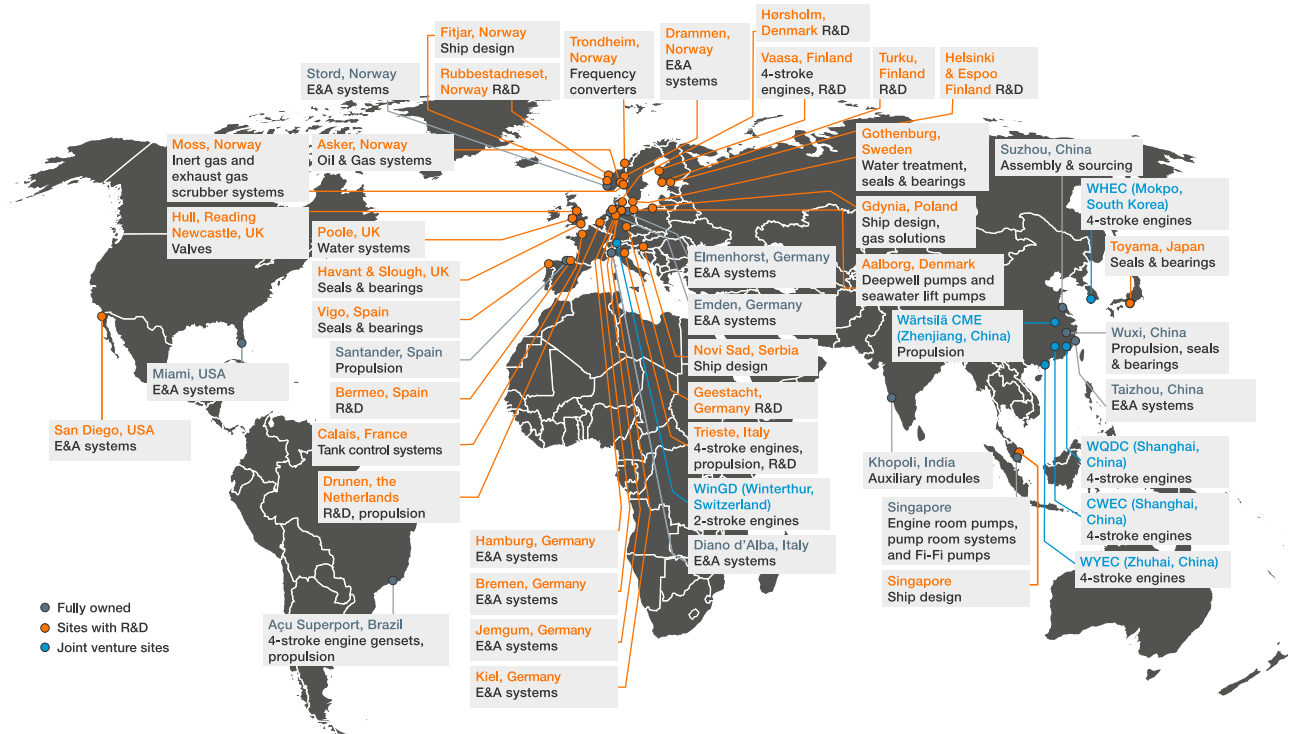
Wärtsilä's manufacturing footprint is global and continuously optimised for competence, availability, customer presence, and efficiency. As structural changes continue in the end markets, the focus remains on strengthening the company's presence in key markets, such as China. This enables better service to customers locally, and allows savings to be achieved in both production and transportation costs.

Wärtsilä currently has five joint ventures globally. In Korea, dual-fuel engines are manufactured for the LNG carrier markets in partnership with Hyundai Heavy Industries Co. In China, engines are produced for local markets in two joint ventures with a third under construction. The Wärtsilä Qiyao Diesel Company Ltd joint venture manufactures medium-speed auxiliary engines, the Wärtsilä Yuchai Engine Co., Ltd joint venture manufactures medium-speed auxiliary and main engines, and, once finalised, the CSSC Wärtsilä Engine Company Ltd will manufacture medium and large bore medium-speed diesel and dual-fuel engines. The Wärtsilä CME Zhenjiang Propeller Co. Ltd. joint venture, also located in China, produces fixed pitch and controllable pitch propellers. In addition to these, the Winterthur Gas & Diesel Ltd (WinGD) joint venture with China State Shipbuilding Corporation has assumed responsibility for Wärtsilä's low-speed engine business.

Wärtsilä's global supplier network supports flexibility in manufacturing

Through close co-operation, excellent relations, and the sharing of information with suppliers, the supply of components and market-conform lead times are secured. Wärtsilä has around 1,100 suppliers globally. The sourcing strategy is to focus on carefully selected suppliers, with a strong emphasis on performance, innovation, and a presence close to Wärtsilä's manufacturing units and joint ventures. The aim is to continuously develop and strengthen the company's global supply chain with a strong emphasis on quality and cost competitiveness.

PRODUCTION AND R&D GLOBALLY



Research and development

Wärtsilä is strongly committed to research and development. The aim of its R&D activities is to continuously strengthen the company’s technology leadership position, and to further improve its competitive edge in the global marine and energy markets. This is achieved by developing products that are based on reliable, efficient, and cost-competitive technologies, and which address customer needs.

The focus of Wärtsilä’s R&D activities is on products and solutions that are flexible, efficient, reliable, safe, cost-efficient to operate, and that have a minimal environmental footprint throughout their lifecycles. A substantial proportion of the company’s investments in product development is targeted at securing environmental compliancy and providing short- and long-term benefits for the company’s customers.

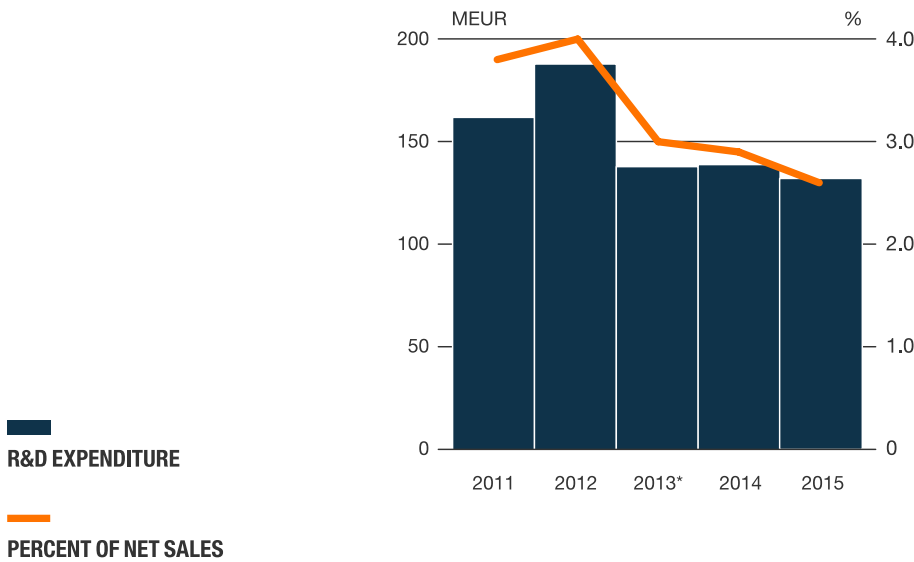
By focusing on the initial stages of the development process and by utilising modularity, simulation, virtual testing, and validation, Wärtsilä is able to reduce the lead time for new solutions without compromising quality, reliability and safety aspects.

Validation testing on site with existing installations, in cooperation with the customers, is an important element in furthering the improved performance of existing solutions. It also assists in finding new and better solutions while, at the same time, gaining long-term experience under real field conditions. A field installation also provides an opportunity to gain valuable learning and insight regarding new technologies and solutions.

When the product has successfully passed all the validation process steps, both in the laboratory and in the field, and its performance meets Wärtsilä's high standards, it can be delivered to the market.

Wärtsilä protects innovation and competitiveness through close attention to Intellectual Asset Management and the continuous development of internal key competences. Networks and clusters are formed to further extend the company's know-how, skills, and capabilities by committing to long-term relationships with suppliers, engineering companies, university partners, and with licensees and other Original Equipment Manufacturers.

RESEARCH AND DEVELOPMENT EXPENDITURE



* Restated, figures include continuing operations.

MINIMISING ENVIRONMENTAL FOOTPRINT THROUGH R&D

IMPROVEMENTS IN EFFICIENCY	REDUCING EMISSIONS TO AIR	REDUCING EMISSIONS TO WATER
<ul style="list-style-type: none"> • TOTAL SHIP EFFICIENCY: An efficient and low emission system for the entire vessel is achieved by combining optimised ship design with Wärtsilä's knowledge of automation, machinery, propulsion, and control systems. Wärtsilä has developed numerous efficiency concepts, such as Low Loss Concept (LLC) and Low Loss Hybrid (LLH). • ENGINE EFFICIENCY IMPROVEMENTS: A long-term focus on improving engine efficiency has resulted in Wärtsilä engines having the highest efficiency ratings among existing prime movers. A key success factor has been the development of integrated engine functionalities that enable low emissions and high engine efficiency. The new Wärtsilä 31 has the best 4-stroke engine fuel economy in the world. • PROPELLER EFFICIENCY UPGRADES: Propulsion products incorporate environmental features and are critical for the overall environmental impact of the vessel. The new generation propulsion units from Wärtsilä result in significant fuel efficiency improvements (5-12%) that also result in fewer emissions. 	<ul style="list-style-type: none"> • GREENHOUSE GASES (GHG): Wärtsilä focuses on the development of technologies that reduce GHG emissions and improve engine efficiency. • SO_x EMISSIONS: Wärtsilä's technology development supports solutions that enable the use of fuels with different sulphur contents, as well as systems that clean sulphur from the exhaust gas, and enable alternative fuels, e.g. to natural gas. • NO_x EMISSIONS: All Wärtsilä engine portfolio products are IMO NO_x Tier II compliant. Wärtsilä solutions for IMO NO_x TIER III are: <ul style="list-style-type: none"> • Selective Catalytic Reduction (SCR) • Gas engine (dual fuel in gas mode) 	<ul style="list-style-type: none"> • BALLAST WATER MANagements SYSTEMS: Wärtsilä provides Ballast Water Management systems. Its Aquarius® range of Ballast Water Management Systems has been developed to comply with the Ballast Water performance requirements from both the IMO and the USCG.

The HERCULES programme and CLIC innovation, sustainable innovation through partnerships

The long-term HERCULES R&D programme was conceived in 2002, and has been set up within the context of the EU's sixth and seventh Framework programmes. Sharing a joint vision, the major low- and medium-speed engine manufacturers, Wärtsilä, Winterthur Gas&Diesel, and MAN Diesel & Turbo, are collaborating with universities, research institutions, and other industrial partners to develop new technologies for marine engines and related systems. The fourth phase kicked off in 2015 in the form of the HERCULES-2 project that aims at creating fuel flexible large marine engines that are optimally adaptive to their operating environment.

The project HERCULES-2 comprises four R&D Work Package Groups:

- I: Fuel flexible engine
- II: New Materials (Applications in engines)
- III: Adaptive Powerplant for Lifetime Performance
- IV: Near-Zero Emissions Engine

The HERCULES-2 consortium comprises 32 partners of which 30% are Industrial and 70% are Universities/Research Institutes. HERCULES-2 is planned to run for three years, from 2015 to 2018, with a total budget of EUR 25 million. The project was made possible by a EUR 20 million funding through the European Commission Horizon 2020 innovation Programme and a contribution from the Swiss government.

2015 saw the merger of CLEEN Oy and Finnish Bioeconomy Cluster FIBIC Oy into one new company, CLIC Innovation Oy. CLIC is an innovation company that is directly involved in the bioeconomy and cleantech investments of the Government Programme with a determined objective of global impact. CLIC will identify and bring together value chains and offer a wide range of novel services for the entire field of research, development, and innovation. Wärtsilä participates in the Future Flexible Energy Systems (FLEXe) research programme, which was started on 1 May 2015. FLEXe is a consortium in Finland gathering 27 organisations covering the entire value network of energy systems. The aim is to create novel technological and business concepts enhancing the radical transition from the current energy systems towards sustainable systems. FLEXe combines smartness, flexibility, environmental performance, and economic success with customer acceptance and engagement.

Sustainability

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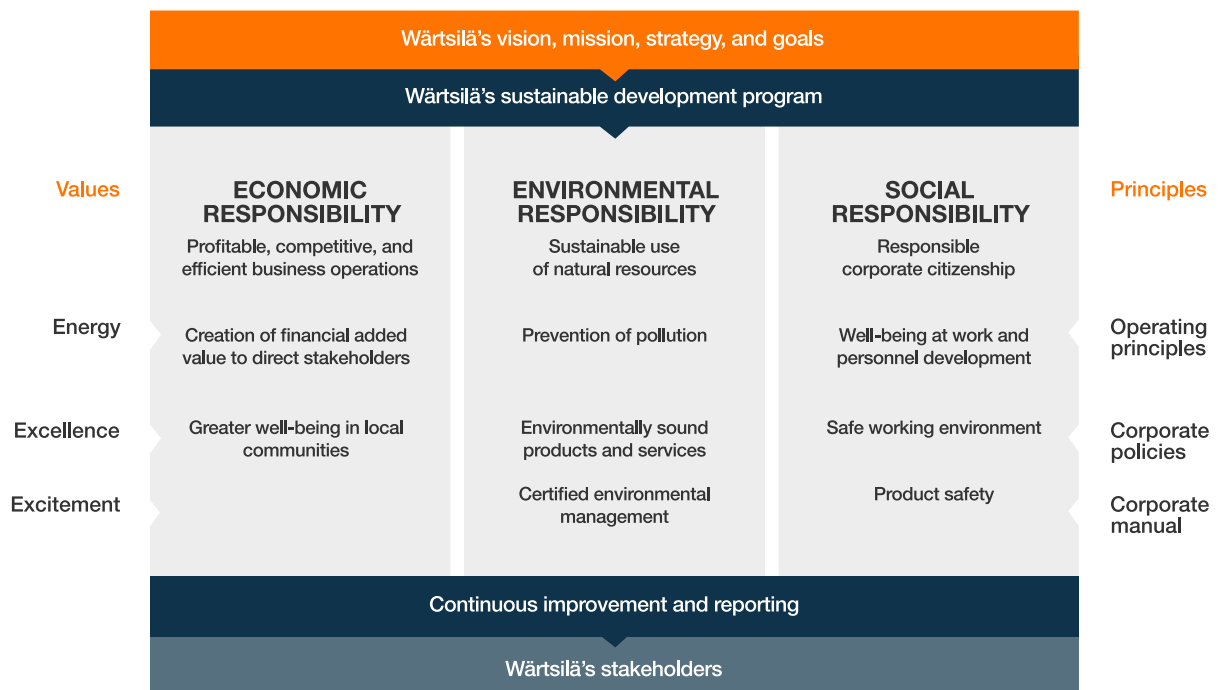
Wärtsilä's sustainability approach

Our commitment to sustainability and responsible business is based on our mission, vision, and strategy, which along with our sustainable development objectives create the framework for developing the company's activities and products. Wärtsilä's strategy is based on three key growth areas, energy efficient solutions, gas based technology, and innovative solutions, all of which contribute to a more sustainable future in both the energy and the marine industry.

Our strength is our technological leadership and therefore technology plays a central role in our sustainability work. Wärtsilä Energy Solutions and Marine Solutions businesses focus on developing and providing sustainable solutions for the industries in which they operate, whereas Wärtsilä Services has a key role in supporting our solutions and providing the latest technologies for existing installations through upgrades and modernisation packages.

Wärtsilä identifies and assesses its sustainability risks on an annual basis. Based on the current assessment, the sustainability risks are considered to be at a moderate level. Generally speaking sustainability can be seen as an opportunity for Wärtsilä.

WÄRTSILÄ'S SUSTAINABILITY APPROACH



Wärtsilä's sustainable development is based on three closely interrelated pillars: economic, environmental, and social performance. In the field of sustainable development, Wärtsilä's overriding focus is on the following:

- Economic: profitability
- Environment: environmentally sound products and services
- Social: responsible business conduct

For the sustainability reporting purposes Wärtsilä has identified the following aspects as material: Environmental impacts of Wärtsilä’s products and services, compliance with laws and regulations, economic impacts to stakeholders, personnel skills and development, anti-corruption and -bribery, and occupational health and safety.

The overall management approach of sustainability is presented in the picture Wärtsilä’s sustainability approach. Wärtsilä’s strategy for environmental and social responsibility is presented in the [Strategy section](#). Wärtsilä sets corporate level [sustainability targets](#) for the core areas.

Stakeholder relations

Wärtsilä takes active care of its relations with stakeholders by engaging with them in an open and constructive dialogue. Wärtsilä believes that such an approach is essential when developing operations, products, and services. At the corporate level, Wärtsilä has defined its most important stakeholders to be its customers, owners, suppliers, employees, and society in general. Wärtsilä’s subsidiaries define their own primary stakeholders which, in addition to the ones mentioned above, include local residents close to production plants, educational institutes, and public authorities. Wärtsilä’s Code of Conduct provides the foundation for the management of stakeholder relations. The priorities in managing stakeholder relations vary within Wärtsilä from one subsidiary to another.

MAIN EXPECTATIONS OF WÄRTSILÄ’S STAKEHOLDERS AND WÄRTSILÄ’S GOALS



In order to facilitate this active dialogue with customers, Wärtsilä arranges customer days for existing and potential customers at locations in various parts of the world. During these customer days, subjects of topical interest from both local and global perspectives are reviewed, and existing and future needs and challenges are discussed.

In addition to customer days, the Marine Solutions and Energy Solutions businesses arranged or participated in 191 industry-related events globally during 2015, including international and national seminars, exhibitions, and conferences. These events were attended by customers, potential customers, and other stakeholders, such as investors, consultants, suppliers, students, and other interested parties.

Long-term research programmes are an important means of enhancing open dialogue and cooperation with key industry players and important research institutions. Wärtsilä has actively initiated and participated in the development and work of common research programmes, both locally and internationally.

Dialogue with employees takes place in many formats. More information about the procedures and processes to support active and engaging dialogue with Wärtsilä employees is described in the section covering [Consultation and information procedures in Group companies](#).

The open dialogue and discussions with local and international public authorities and officials is aimed at sharing information and supporting authorities so as to improve the quality of regulation. Wärtsilä participates in public consultations in areas that are of importance to the company.

Channels of dialogue

STAKEHOLDER	CHANNEL OF DIALOGUE	ASSESSMENTS (FREQUENCY)
Customers	Regular contact with customers, lifecycle support for products, customer events and seminars, customer days, customer magazines, the internet, conferences and exhibitions, product documentation, customer feedback system	System for measuring customer satisfaction and quality (Continual)
Employees	Open and continuous communication between management and employees, annual development discussions, information meetings and internal communications (intranet), employee magazines, training events, national statutory employee bodies and European Works Council, occupational health and safety committees, suggestion system, continuous improvement process (CIP), Technology and Innovation Award, Customer Care Award	Employee satisfaction surveys - MyVoice (Biennial)
Owners, investors	Management meetings with investors, financiers, and analysts, stakeholder magazines, general meetings, information meetings, stock exchange and press releases, annual and interim reports, capital markets days, the internet, investor relations surveys, sustainability questionnaires	Investor relations surveys, sustainability surveys and indices (Annual)
Suppliers	Open and active dialogue between the sourcing organisation and suppliers, supplier portal, supplier	Supplier assessments (Continual)

	development, supplier management system, Supplier Days, Supplier Award	
Society	Reporting to, and co-operation with, public officials on issues such as the environment and occupational health and safety, meetings with decision makers, position papers, Open Doors days, sustainability report, corporate presentations, local communications, the internet	Stakeholder feedback (Continual), corporate image surveys (Annual)
Organisations	Membership, regular contact, participation in activities of local trade and industrial organisations, active role in working groups, contact with various public bodies, for example through ministries, reports	
Universities	Opportunities for practical training and degrees, R&D projects, participation in recruitment fairs and seminars, sponsorship of student activities, lectures	Preferred employer surveys (Annual)
Media	National and international business media and journals, trade publications, interviews and press releases, main annual publications, meetings, visits, factory tours	Surveys conducted among business journalists, media surveys, reporting comparisons (Annual)

Activities in organisations

In 2015, Wärtsilä participated in several relevant activities organised by various national and international organisations and associations. The key organisations for Wärtsilä and the nature of Wärtsilä's activities are shown in the table below.

STAKEHOLDER	ORGANISATION	NATURE OF ACTIVITY
Interest groups	Association for Finnish Work, Confederation of Finnish Industries (EK), Finland Chamber of Commerce (ICC Finland), The Federation of Finnish Technology Industries	Membership and participation in activities.
Industrial organisations	Association of Singapore Marine Industries, Brazilian Institute of Oil and Gas (IBP), Brazilian Thermoelectric Generators Association (ABRAGET), Cogen Europe, Confederation of Indian Industry (CII), Cruise Line International Association (CLIA), EnergyVaasa, Engine Manufacturers Association (EMA), EURELECTRIC, European Association of Engine Manufacturers (Euromot), European Cruise Council (ECC), European Engine Power Plants association (EUGINE), Exhaust Gas Cleaning System Association (EGCSA), Hong Kong Shipowner Association, Indian diesel engine manufacturers association (IDEMA), International Council on Combustion Engines (CIMAC), International shipping association (BIMCO), Verband Deutscher Maschinen- und Anlagenbau (VDMA), WaterBorne TP, SolarPower Europe	Board membership and participation in activities of specific working groups (CIMAC, EMA, Euromot, EUGINE). Membership and participation in activities (ABRAGET, Association of Singapore Marine Industries, BIMCO, CII, CLIA, Cogen Europe, ECC, EGCSA, EURELECTRIC, EnergyVaasa, Hong Kong Shipowner Association, IBP, IDEMA, WaterBorne TP, VDMA), SolarPower Europe.

Standardisation organisations	European Committee for Standardisation (CEN), International Organisation for Standardisation (ISO)	Participation in activities.
International organisations	European Sustainable Shipping Forum (ESSF), International Maritime Organisation (IMO), UN Global Compact Nordic Network, United Nations Economic Commission for Europe (UNECE)	Participation in activities through national delegations (IMO). Participation in activities (ESSF, UNECE, UN Global Compact Nordic Network).
Other	Cleantech Finland, Finnish Business & Society (FIBS), European Energy Forum (EEF), European Federation for Quality Management (EFQM), Global Reporting Initiative (GRI)	Participation in activities.

Wärtsilä is included in the following sustainability indices:

FTSE4Good Index



FTSE4Good

MSCI Global Sustainability Index Series



Ethibel Sustainability Index (ESI) Excellence Europe



OMX GES Sustainability Nordic Index &
OMX GES Sustainability Finland Index



ECPI Global Carbon Equity Index &
ECPI Global ESG Best in Class Equity index



Other recognitions:

Wärtsilä is included in the Ethibel Excellence Investment Register



Wärtsilä has been rated a Prime company by oekom research



Wärtsilä has also been included in the RobecoSAM Sustainability Yearbook 2015

Sustainability management

Wärtsilä's sustainability approach is systematically managed through the Group-wide guiding principles and management systems in place for material sustainability aspects and impacts. Wärtsilä's global guiding principles together with the company's values ensure a harmonised way of working towards sustainable development. Wärtsilä's Corporate Manual includes a description of the company's operating procedures, responsibilities, and the management system structure that are applicable for the entire company. Wärtsilä's governance and risk management principles are described in the [Governance section](#).

The key elements of Wärtsilä's sustainability management is described in the table below. The guiding principles lay the foundations for uniform management practices. The management approach covers procedures, processes, and systems to manage and monitor material aspects.

GUIDING PRINCIPLES	MANAGEMENT APPROACH	MATERIAL ASPECT
<ul style="list-style-type: none"> • Code of Conduct • QEHS Policy • Employee practices • Other policies and guidelines 	<ul style="list-style-type: none"> • People Management • Product Design Principles • Environmental management • Occupational health and Safety management • Responsible business conduct • Supply chain management 	<ul style="list-style-type: none"> • Personnel skills and development • Environmental impacts of Wärtsilä's products and services • Occupational health and safety • Compliance with laws and regulations • Anti-corruption and -bribery • Economic impacts to stakeholders

Guiding principles

Wärtsilä Code of Conduct defines common rules for all our employees, and provides guidance on Wärtsilä's approach to responsible business practices. Key areas of Wärtsilä Code of Conduct include: compliance with laws, transparency and continuous stakeholder dialogue, respect for human and labour rights, fair employment practices, anti-corruption, anti-fraud, and data privacy.

Wärtsilä takes an active approach to the application of the Code of Conduct and promotes its implementation through the effective communication of its contents to its employees. Wärtsilä monitors the application of the Code internally. Suppliers and business partners are an important and integral part of the total value chain of the products and services of Wärtsilä. They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Wärtsilä also promotes the application of the Code of Conduct by monitoring the actions of its suppliers and business partners.

CODE OF CONDUCT IMPLEMENTATION



Group-wide policies complement the Code of Conduct and the commitment to maintain the highest legal and ethical standards in everything we do. Wärtsilä's Quality, Environmental, Health and Safety Policy sets principles for managing environmental impacts of Wärtsilä's products and services. Wärtsilä's corporate policy on equal opportunities and fair employment practices creates a common framework for employee practices in all Wärtsilä companies and covers the following issues: equal opportunities, human and labour rights, well-being at work, non-harassment, and remuneration. Wärtsilä's Corporate Manual includes also other policies, such as anti-corruption, compliance reporting, and Wärtsilä sourcing and purchasing policies, the purpose of which is to safeguard compliance with relevant legislation and provide more guidance on daily business conduct.

Voluntary commitments

Wärtsilä has signed the UN Global Compact initiative in 2009. Wärtsilä supports the ten principles of the Global Compact with respect to human rights, labour, environment, and anti-corruption. Wärtsilä is committed to align the strategy, culture and day-to-day operations with the principles, and to engage in collaborative projects, which advance sustainable development. Wärtsilä's Code of Conduct and sustainability programmes are the practical tools to progress the principles in our sphere of influence.

Wärtsilä participates in the Sustainable Shipping Initiative (SSI). The initiative brings together some of the biggest companies in the maritime sector with the aim of creating a sustainable and successful shipping industry by 2040.

Wärtsilä participates in the Sustainable Marine Biofuel Initiative, the purpose of which is to accelerate the development of reliable combustion engines for sustainable, scalable, and affordable marine bio-fuels.

Wärtsilä has signed the Finnish Business and Society's (FIBS) Diversity Charter. Wärtsilä has also signed an agreement in 2008, whereby the Finnish industry voluntarily endeavours to use energy more efficiently. Wärtsilä North America Inc. has joined the Customs Trade Partnership Against Terrorism (C-TPAT) agreement, signed in 2003.

Wärtsilä Code of Conduct

Introduction

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of Wärtsilä and its stakeholders, the company strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly and with integrity and honesty and to comply with this code and its underlying policies and instructions.

Compliance with laws

All business and other activities of Wärtsilä shall be carried out strictly in compliance with all applicable laws and under the principles of good corporate citizenship in each country where such activities take place.

Each employee is expected to comply with the requirements of those laws and regulations that apply to Wärtsilä's operations and to his/her job and with the Wärtsilä principles of good corporate citizenship.

Openness

Wärtsilä promotes openness and transparency as well as continuous dialogue with its stakeholders, including customers and other business partners, shareholders, personnel, authorities, local communities and the media. Stock exchange rules and competitive considerations may, however, in some cases restrict such openness and transparency.

Wärtsilä strives to be honest and accurate when communicating with its stakeholders, and also Wärtsilä employees shall make their statements in accordance with this principle.

Respect for human and labour rights

Wärtsilä supports and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. No employee is allowed to take any action that violates these human rights principles, either directly or indirectly.

Wärtsilä supports basic labour rights as defined by the International Labour Organization. In this respect, Wärtsilä upholds the freedom of association and the effective recognition of the right to collective bargaining. In the case that these rights are restricted by local law, Wärtsilä endeavours to offer its employees alternative means to present their views. Wärtsilä does not accept any form of forced or compulsory labour or the use of child labour.

Fair employment practices

Wärtsilä promotes freedom from discrimination based on race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age, political beliefs or other characteristics protected by law. Wärtsilä fosters equal opportunity and our employees are selected and treated on the basis of their abilities and merits.

Wärtsilä does not accept any form of discrimination, harassment or bullying from its employees.

Occupational health and safety

Wärtsilä endeavours to create hazard-free workplaces for its employees, contractors and others working in various locations by applying high standards of occupational health and safety. Wärtsilä strives to assure the safety of its products and solutions through its world-class product and solution development processes.

Each employee is responsible for complying with the safety instructions, for using personal protection equipment when required and for reporting on any shortcomings regarding safety instructions or protection measures.

Conflicts of interest

Wärtsilä expects full loyalty from its employees. Employees must avoid situations where their personal interests may conflict with those of Wärtsilä. This means, for instance, that employees are not allowed to accept gifts or entertainment from a stakeholder, except a gift or entertainment of a minor value given on an occasional basis, providing it does not create a conflict of interest situation.

Anti-corruption

No Wärtsilä company or any of its employees may, directly or indirectly, promise, offer, pay, solicit or accept bribes or kickbacks of any kind, including money, benefits, services or anything of value. Such payments and favours may be considered bribery, which violates local legislation and internationally recognised principles for combatting corruption and bribery.

Environment

Wärtsilä's target is to develop and produce for its customers environmentally advanced solutions and services that fulfil essential requirements, such as low emissions and high efficiency. Efforts are made to achieve sustainable development by means of raw material selection, processes, products, wastes and emissions through the use of the latest technical advances. Each employee shall comply with the policies and instructions regarding environmental protection.

Relationship with authorities and local communities

Wärtsilä maintains constructive co-operation with authorities and regulatory bodies, at both local and international levels. Wärtsilä seeks to play a role in serving the needs of the local communities whenever possible.

Innovation and protection of proprietary information

Wärtsilä supports and encourages innovation by its employees in all areas of its activities.

Wärtsilä's intellectual property is one of its most valuable assets, and the patents, trademarks, copyrights, trade secrets and other proprietary information of Wärtsilä must be protected. At the same time, each Wärtsilä employee must respect the intellectual property rights of others.

Accuracy of accounting records

Wärtsilä accounting records must be accurate and reliable in all material respects. Unrecorded funds are prohibited. The records must not contain any false, misleading, or artificial entries.

Competition and fair dealing

Competition laws aim to protect consumers and businesses against unfair business practices. Each employee shall comply with those laws. Actions such as participation in cartels, abuse of a dominant position in the market place or the exchange of price or other commercial information between competitors are prohibited. Wärtsilä employees should be sensitive to competition concerns when attending occasions where competitors, or potential competitors, can be present.

Anti-fraud

Wärtsilä does not tolerate fraudulent behaviour or activities, such as embezzlement, fraud or theft. Such violations will lead to immediate termination of employment and are subject to criminal sanctions.

Implementation

Wärtsilä takes an active approach to the application of this code and promotes its implementation through the effective communication of its contents to employees. Wärtsilä monitors the application of this code internally.

Suppliers and business partners are an important and integral part of the total value chain of the products and services of Wärtsilä. They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä. Wärtsilä promotes the application of this code by monitoring the actions of its suppliers and business partners.

In the case that questions arise regarding the interpretation of, or compliance with, this code, Wärtsilä Legal Affairs should be contacted.

The application of the code will be reviewed from time to time by the Board of Management, which may decide on necessary revisions or interpretations.

Reporting violations

Any Wärtsilä employee becoming aware of a potential violation of this code must contact his or her superior or Wärtsilä Legal Affairs. The president of the respective subsidiary must be informed, unless he or she is party to the alleged violation, in which case the Group General Counsel of Wärtsilä Corporation must be contacted. Wärtsilä will investigate all reported matters with discretion. Wärtsilä shall not take any adverse actions as a result of such reporting against any employee reporting in good faith what he or she believes to be a violation of this code.

Sanctions

Violation of this code may lead to a warning, the termination of employment and the payment of damages. Additionally, certain violations of a criminal nature can lead to criminal sanctions, such as fines or imprisonment.

Approved by Board of Management in 2011.

Wärtsilä's Quality, Environmental, Health and Safety Policy

We shape the marine and energy markets with advanced technologies and focus on lifecycle performance to enhance our customers' business and benefit the environment being:

- Reliable and safe
- Efficient and environmentally sound
- Compliant with the applicable legal requirements and regulations.

We continue to improve our performance and reduce adverse environmental impact to satisfy our customers and other stakeholders.

We create and maintain safe and healthy workplaces for our employees and partners in all of our business operations. We give our employees the authority to stop work if conditions are unsafe or quality is compromised.

Our skilled organisation acts as a responsible global citizen.

Approved by Wärtsilä Board of Management 10.12.2015



Jaakko Eskola
President & CEO

Employee practices

Wärtsilä's corporate policy on equal opportunities and fair employment practices creates a common framework for employee practices in all Wärtsilä companies and contains the following sections: Equal opportunities, Human and labour rights, Well-being at work, No harassment accepted, Remuneration, Implementation, and Violations.

Equal opportunities

Wärtsilä is committed to fostering equal employment opportunities, in which individuals are selected and treated on the basis of their job-relevant merits and abilities and are given equal opportunities within Wärtsilä.

Wärtsilä's policy is to treat all employees equally on the basis of their merits, without discriminating them on the basis of their race, ethnic or national origin, colour, gender, family status, sexual orientation, creed, disability, age, or political beliefs.

Employee benefits and remuneration

The basic principle for remuneration in the company is to pay the same wage for the same job and the same performance. The salary is meant to be just, fair, and encouraging. Differences in individual salaries are based on how demanding the job is, on differences between competence, work experience, and performance and not on gender.

In general, temporary and part time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to months or years of service – such differences being typically based on collective agreements according to local legislation.

Individual salaries are reviewed once a year in connection with the performance review and in the framework of annual salary increase guidance. The company may pay employees an annual bonus in accordance with company rules and based on separate bonus agreements. Based on financial and individual performance, bonus outcome is determined once a year. Employees may be paid a spot bonus based on exceptional performance. Benefits, such as a company car, service year award, and well-being, fitness, and health services, are planned and implemented locally taking into account both company guidelines and national practices.

Minimum notice period

Wärtsilä complies with European Union directives, local acts of co-operation in the companies and corporations, collective agreements and equivalent regulations concerning consultation and local bargaining. Concerning the termination of employment, Wärtsilä respects national labor union agreements and employment legislation.

In the case of occurrences having significant business or social implications, such as personnel redundancies, the transfer in full or part of production facility location, structural changes, as well as transnational effects, the EWC Working Committee and/or local employee representatives are consulted before decisions about such matters are made or, if that is not possible, as soon as possible. The objective is to provide information about any significant operational change at the time of planning.

Competency management

Wärtsilä's Competency Management and Development frame is a structured way to carry out long-term competence development plans within our businesses and functions. Wärtsilä has defined 16 global job families consisting of generic job descriptions for seven different demand levels. In the job description, the most critical competencies of the job are defined and used as a basis for individual position competence requirements. Typically in the connection of annual development discussion, individual competencies are assessed against the job requirements and position profile. Competence assessment of our employees and a comparison with competence targets allow us to analyse competence gaps and create development plans accordingly.

All learning and development activities in Wärtsilä strive to develop, maintain and renew the short- and long-term skills and competencies required to fulfil our strategy. Having the right competencies available at the right time and being able to continuously adapt to a changing business environment are critical success factors for Wärtsilä.

Consultation and information procedures in Group companies

Wärtsilä's procedures for consultation and information within the Group are arranged in each country according to local legislation. Wärtsilä's Code of Conduct calls for ongoing and open dialogue between the company's management and employee representatives through co-determination bodies, and employees are kept informed of both the Group's situation and that of their particular company. Company management and personnel engage in an open discussion also in those countries where there are no formal co-determination bodies as such. Regular briefings for personnel are an integral part of the operating procedures of Wärtsilä companies. Employee participation in decision-making also extends to occupational health and safety (OHS). Most Wärtsilä units have an OHS committee with representatives from all personnel groups.

In addition to Wärtsilä's procedures for consultation and information for employees at the local level, the European Works Council (EWC) handles issues that affect at least two companies located in the EU and the Group as a whole. The EWC and its working committee play an active role in considering and pursuing transnational issues.

Dialogue at the individual level is conducted through development discussions, which are held at least once a year. The subjects covered in these discussions range from the Group's and business unit's targets to the individual's job description, competence development, career alternatives, personal targets, and feedback. Development discussions are by definition held with all employees.

Employees are able to have a direct impact on the company's operations and their development by making suggestions. Each Wärtsilä employee can offer suggestions for improvement in operations either through the continuous improvement process (CIP) or by submitting private initiatives. CIP-proposals are discussed jointly and need a common decision to be put into effect. Individual initiatives are evaluated by experts within the company and, if found to be feasible, are put into effect. Another global channel for new ideas is the MyDea tool in the Idea Management portal via which new ideas concerning products and solutions, operational development, and business are proposed and channeled to the nominated substance owners for comments and further reviews.

Business performance updates are given to all personnel on a regular basis in connection with Wärtsilä interim reporting. The company intranet "Compass" and the employee magazine "Wattsup" are the common global channels for internal communication.

Recognition of excellent performance

Wärtsilä encourages its employees to be innovative by granting an annual Technology and Innovation Award either to an individual or to a team for the best technical innovation of the year. The award criteria are that the invention must be innovative and environmentally sound, it must represent leading technology, improve a product or process, and offer potential for cost savings. Wärtsilä also grants annually a Customer Care Award for a team or individual who actively participated in the initiatives leading to development of business operations, quality improvements in how we serve and partner with customers, customer satisfaction, or Wärtsilä values demonstration.

Management approach

Wärtsilä utilises various tools and processes to manage and to further develop its sustainability. The key tools for sustainability are presented in the table below.

Wärtsilä's tools for sustainability

BASIC PRINCIPLES	SYSTEMS AND PROCESSES	OTHERS
Vision, Mission, and Strategy	Quality Management System	Sustainability target setting
Corporate Governance	Environmental Management System	Sustainability management reviews
Corporate policies and principles: Code of Conduct, QEHS policy, Policy on Equal Opportunities and Fair Employment Practices, Anti-Corruption Policy, Compliance Reporting Policy etc.	Occupational Health and Safety Management System	Business development tools: Due diligence, Environmental surveys
Corporate Manual	Supplier Management System	Stakeholder dialogue
Corporate requirements for suppliers	Risk management process	Sustainability reporting

Wärtsilä's management system

Wärtsilä's management system aims to generate added value for Wärtsilä's various stakeholders, achieve the company's strategic objectives, support sustainability performance, manage operating risks, and enhance Wärtsilä's performance through the continuous improvement process. The system includes a range of tools, such as systems for managing quality, the company's environmental responsibilities, and occupational health and safety. Management reviews are conducted at various levels of the organisation to monitor the effectiveness of the system, the achievement of targets, and the development of key performance indicators. Wärtsilä's processes are developed in the Businesses, the Business lines and the Functions. These development projects are governed by the Wärtsilä Controllers' meeting and OD Portfolio Management Team, Wärtsilä Presidents' Quality Review and Quality Reviews, and the Functional Management Teams.

Wärtsilä's Board of Management is responsible for defining the company's main strategies, principles and policies, and for the management system itself. The Board of Management regularly monitors the effectiveness and performance of the management system. Responsibilities are distributed to the line organisation at all levels of the company, and the management system defines a specific sphere of responsibility for each Wärtsilä employee. Work groups for developing the management system are appointed at the corporate level and in most Wärtsilä subsidiaries. At the Group level, the following work groups coordinate the development of product and operational issues:

WORK GROUP	FOCUS	MAIN TASKS
Wärtsilä Presidents' Quality Review	Quality	Overall responsibility for Wärtsilä's quality, quality process improvement, and achievement of strategic quality goals
Wärtsilä Controllers' Meeting	Strategic Operational development	Overall responsibility for Wärtsilä's operational development and the operational development plans, and governing the work of IM and Process development
Business Line Quality Reviews	Quality	Support and oversee quality development based on customer perception of our quality and full end-to-end life cycle view. Platform for focusing on the key improvement areas with biggest impact to our customers. Cross functional decision making to increase efficiency and shorten resolution lead time.
Wärtsilä OD Portfolio Management Team	Operational development	Operational development road map, targets, and guidelines based on business strategies and targets, and overall operational development process responsibility for the approval of the Wärtsilä Controllers' Team. Cross-divisional operational development alignment and harmonisation.
Wärtsilä EHSS Management Team	Environmental, health and safety and security (EHSS)	Overall responsibility for Wärtsilä EHSS, EHSS management system development, corporate level overall responsibility for Wärtsilä EHSS measuring and target setting, and monitoring of legislation developments

Management systems

PROPORTION OF WÄRTSILÄ COMPANIES WITH CERTIFICATION

Quality (ISO 9001)	82%
Environment (ISO 14001)	66%
Occupational health and safety (ISO 18001)	65%

People management

The main goal of Wärtsilä's People Strategy is to support group strategies and ensure their successful implementation by developing the company's organisation and competencies to meet both current and future business needs.

The key focus areas of the strategy continue to be the further development of leadership and a leadership culture, as well as an emphasis on high-performance and operational excellence throughout the organisation. Strengthening accountability and ownership is encouraged by promoting employee engagement through a culture of open communication, integrity, and innovation. Similarly, the strategy ensures that the Businesses have the required resources and skilled and motivated people at their disposal. This involves the implementation of changes within the organisation, a

continuous focus on the management of competence development and stronger performance with quality target setting, proper and regular feedback, the evaluation of overall performance, and recognition of outstanding performance.

Wärtsilä Human Resources continues to develop people management processes, tools, and ways of working that are consistent across national and organisational boundaries. In particular, an intensive effort has been made to further develop skills in people management by rolling out Management Focus, a modular training programme for line managers. The aim is to have all managers participate in these training modules, and the participation has indeed become a standard way of working in Wärtsilä. Wärtsilä Human Resources invests in technologies and tools that enable quick access to online reports, employee information, and annual compensation planning for both local and multi-country teams.

Building an inclusive company culture

Wärtsilä continued to work on diversity during 2015. The company's values of "Energy, Excellence and Excitement" are strengthened by the diversity of its employees. Wärtsilä aims to capture opportunities and make things happen, do things better than any of its competitors, and foster openness, respect, and trust to create excitement. A diverse workforce generates higher profits, has better complex problem-solving skills, and enables access to a larger talent pool.

Wärtsilä's Diversity Initiative began in 2012 with the aim of fostering an inclusive corporate culture at all levels of the organisation so as to meet global requirements. By investing in diversity and supporting employees of varied age, gender, personality, and educational background, Wärtsilä becomes a more innovative business partner, as well as a more attractive employer.

Since the Diversity Initiative was initiated, awareness of diversity-related questions has risen. Follow-up analyses indicate that the overall feedback towards the initiative is positive, and diversity has become a key topic for Wärtsilä.

In 2015, the emphasis was on local diversity action planning and implementation. In addition to local activities, Wärtsilä participated in various initiatives, including the Dialogi 2015 programme in Finland with nine other major companies. The purpose of this programme was to further develop and promote female leadership and careers in business, and Wärtsilä hopes to attract young female university students and thus become more known as an employer of choice among them. Wärtsilä was also one of the main sponsors of the bi-annual Women in Tech event, which is part of a movement aimed at encouraging more women to enter the field of technology.

Performance management

One of the essential elements of the Wärtsilä People Strategy is to emphasise and develop a culture of high performance throughout the organisation.

The performance management process supports Wärtsilä in reaching its business targets by translating business strategies into team and individual objectives. Each Wärtsilä employee needs to know and understand Wärtsilä's business strategies and their goals. More importantly, everybody needs to know the targets set for their own units and the main target areas related to their own work.

The positive trend in development discussion compliance has continued. The average coverage of annual development discussions was 92% globally. As a part of the performance management process, each employee receives a proper performance feedback and evaluation based on their overall job performance, as well as a personal development plan.

Overall performance evaluation is one of the considerations in compensation decisions, and is in line with the principle of performance-based rewarding.

Learning and development

Wärtsilä continued its leadership development activities in many areas. New learning solutions for line managers have been developed to support them in their people management and leadership roles. An annual executive development programme was held in November, and six other global leadership development programmes for senior managers were held during 2015. New learning solutions for core competence areas in sales, project management, and technology have been developed and delivered, and they continue to be part of the learning offering in 2016.

Wärtsilä's HR organisation has created Leading Change intranet pages with supporting materials for all involved in leading change in the organisation. In addition to the toolkit, a half a day "train the trainers" workshop module was introduced in September 2015. The aim of the programme is to create a pool of internal change facilitators capable of supporting project owners in their change initiatives.

Learning at work, self-learning, mentoring, coaching, job rotation, and assignments designed to encourage competence development and the transfer of competence and skills from experienced to younger employees, are integral parts of the development of learning and competence within the company. Employees are given formal classroom training at all organisational levels; from induction training for new employees to training courses for the company's top executives. Wärtsilä employees attended a total of 55,620 training days during 2015; an average of 3.0 training days per employee.

Engagement

At Wärtsilä, equal opportunities and personal growth are core beliefs. The company supports its employees in self-improvement and in finding their own path within the company. Recruiting and retaining the best talent enables Wärtsilä to be the most valued business partner of its customers, and the employer of choice for current and future employees.

Strengthening engagement through the active communication of strategies, high quality dialogue, and giving and receiving feedback, has been a long term target for all Wärtsilä entities. It has clearly paid off as the Engagement Index measured through MyVoice Survey has had a positive trend through recent years.

In May 2015, the eighth MyVoice survey results were published. MyVoice is a global Wärtsilä employee satisfaction survey. The purpose of the survey is to collect employee feedback on issues related to well-being at work, the work environment, management and strategy, and to initiate development actions for improving practices.

On the corporate level, the results indicate continued improvement. Among the overall observations from the 2015 results, Wärtsilä values are well known, and pride in working at Wärtsilä is at a higher level than earlier. Entrepreneurial drive, customer centricity, and a passion for doing right are seen as strong values in all businesses. There was also a strong positive feedback on communication with managers. The results also indicated that equal opportunities and diversity awareness have increased at Wärtsilä. Challenges indicated in the survey included rewarding, as well as the amount of communication. More aligned work instructions were also expected throughout the teams.

Environmental management

The environment is the key element in Wärtsilä's approach to sustainability. For us, environmental responsibility has two dimensions: products and operations. Most of our efforts to improve our environmental performance, also within our operations, are conducted as part of product development and improvement. This work is supported by operational measures, which are based on achieving high environmental standards and continuous improvement.

Continual improvement of environmental performance requires the organisation to constantly work in a systematic way. This work is guided by our strategy and its environmental targets, the Code of Conduct, and the company's policies relating to Quality, Environment, Health and Safety, and it is co-ordinated and monitored by the EHSS Management team. In developing our operations, processes, and products, we endeavour to use the latest technologies available for improving efficiency in areas such as material and energy consumption, as well as for reducing and managing emissions and waste. To increase Wärtsilä employees' awareness of environmental aspects, an e-learning tool was introduced in 2015, which both explains the environmental aspects of Wärtsilä's products, as well as an individual's possibilities to reduce environmental impacts in office environment

Wärtsilä has defined a process for the development of a product environmental strategy and its targets. The process includes the identification of aspects and impacts of the products, the means to influence these impacts, the identification of enabling and restricting boundary conditions, and the analyses of the information and the preparation and implementation of the strategy and the targets.

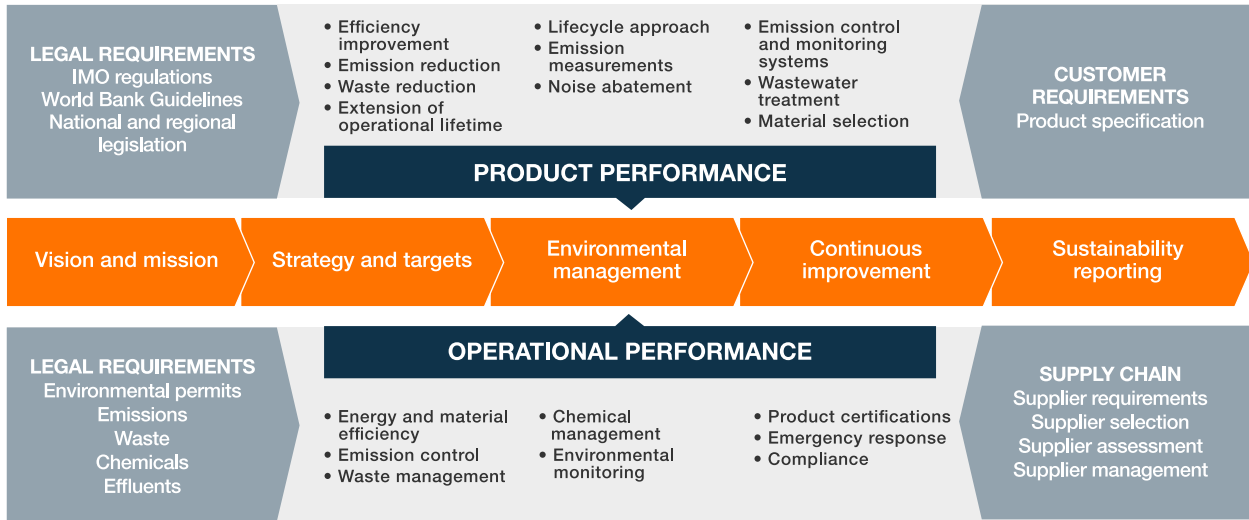
Wärtsilä continuously develops and improves its operations and products with the help of certified environmental management systems. Our principle is to apply the certified EHS (Environmental, Health and Safety) management systems based on ISO 14001 and OHSAS 18001 in all Group companies, excluding those companies focusing purely on sales. These units are required to apply Wärtsilä's internal EHS model. Our EHS management systems cover all the operations of our subsidiaries, which means that we are able to promote environmental protection and reduce adverse impacts on a wide front.

The company's EHS management system focuses especially on complying with legal requirements, identifying and reducing environmental aspects, impacts and risks, training personnel and clearly defining their responsibilities, full documentation of activities and procedures, action in emergencies, and continuous improvement of environmental performance. The company's subsidiaries set their own targets covering significant environmental aspects of their operations and monitor the overall performance of the management systems. At the end of 2015, 49 Wärtsilä companies operated with a certified environmental management system. These certified environmental management systems cover roughly 88% of Wärtsilä's total workforce.

WÄRTSILÄ'S ENVIRONMENTAL STRATEGY – A CONTINUOUS PROCESS



ENVIRONMENTAL MANAGEMENT IN WÄRTSILÄ



Occupational health and safety

Wärtsilä's occupational health and safety principles are defined in the Code of Conduct, the company's QEHS policy, and in the directive on environment, health, and safety (EHS). Wärtsilä's subsidiaries are required to have a management system in place that conforms to the QEHS policy and the EHS directive. The main aspects of the management system relate to compliance with legislation, identifying and minimising occupational health and safety risks, personnel training, implementing effective health and safety programmes and instructions, recording and investigating occurred incidents, and the continual improvement of occupational health and safety performance. The number of Wärtsilä subsidiaries with OHSAS 18001 certification increased during 2015. As at the end of 2015, 48 Wärtsilä companies operated with a certified occupational health and safety management system covering roughly 79% of Wärtsilä's total workforce.

In addition to the management system, Wärtsilä companies apply occupational health and safety programmes as required by local legislation. These are normally developed by occupational health and safety committees made up of company management and personnel representatives. Altogether, 78% of Wärtsilä companies have an occupational health and safety committee.

The indicators used to measure occupational health and safety performance include the number of accidents, the time of absence due to sickness, and the frequency of accidents. Wärtsilä has set a corporate level target of achieving zero lost time injuries. This target is a long-term commitment from the company to strengthen a safety culture, and it requires actions from all Wärtsilä companies and employees. The safety performance of the companies is monitored on a monthly basis and the results are reviewed by the Board of Management. To further strengthen Wärtsilä's safety culture, a new global programme known as ZeroMindset has been introduced. ZeroMindset will focus on three key elements: our leaders, the shared safety mindset of individuals, and effective safety tools and practices.

During 2015, Wärtsilä continued expanding its proactive WeCare programme. WeCare is a global software and way of working for reporting and investigating near misses, hazards, and accidents. A total of 8,960 incidents were reported to the WeCare system in 2015, of which 88% represented proactive near miss or hazard observations. More than 3,820 Wärtsilä employees took part in the process of reporting, investigating, and action handling through WeCare, which indicates a good acceptance and communication of the system. As a final result, incident investigations resulted in 6,150 different improvement actions completed within Wärtsilä. As a new feature, a WeCare mobile app was introduced in 2015 to increase reporting, especially in locations other than Wärtsilä premises.

In 2015, Wärtsilä continued the global Zero Injury training programme comprising a 4-hour e-learning and 4-hour practical training session. The target group for the training consists of Wärtsilä's front-line personnel working in factories, workshops, and customer premises. The e-learning has been translated into 11 major languages in order to ensure effective training in different countries. Since the implementation period started in 2012, a total of 8,940 employees have completed the e-learning, and 5,100 employees the practical training. During 2015, the amount of participants in practical training increased by 2,000. As a new element, zero injury e-learning for office personnel was introduced so as to have full coverage for this training.

In addition, Wärtsilä introduced its first global Safety Day, which took place on the 10 March 2015. The theme for this event was "save your fingers", as hand injuries represent over 40% of Wärtsilä's lost time injuries. This first Safety Day was a great success with local events being held in locations throughout the entire Wärtsilä network. As part of the event, employees put their hand prints to banners to commit themselves to saving their fingers.

Wärtsilä's QEHS policy was revised in 2015 to clearly state that employees are authorised to stop work if conditions are unsafe.

Responsible business conduct

Human and labour rights

Wärtsilä supports and respects basic human values as outlined in the UN's Universal Declaration of Human Rights. Wärtsilä also supports the Ten Principles of UN Global Compact, of which six principles are related to Human and Labour rights.

Wärtsilä's employees represent 131 nationalities. The company supports fair and equal treatment of all its employees. Wärtsilä supports the work-related rights defined by the International Labour Organization. Therefore the company works to ensure that there is freedom of association and right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, Wärtsilä endeavours to give employees other channels for expressing their opinions.

Wärtsilä does not accept the use of forced labour or child labour in any form. Human and Labour rights are part of Wärtsilä Code of Conduct training material and also Wärtsilä Supplier Handbook. At the end of 2015, 87% of Wärtsilä's employees have successfully completed the Code of Conduct training.

Preventing corruption and bribery

Wärtsilä's Code of Conduct, Anti-Corruption Policy, and Broker Directive expressly prohibit the company and its employees from offering or accepting any kind of benefit considered to be a bribe and from taking actions that could give rise to a conflict of interest or breach of loyalty. The instructions make it compulsory to comply with anti-corruption laws of all the countries in which Wärtsilä does or intends to do business and urge the reporting of any cases of corruption and bribery. The company continues to rendering an extensive training programme for its personnel on anti-corruption principles and applicable legislation as well as the relevant company policies and procedures.

Political lobbying

Wärtsilä's policy is to engage in an open dialogue and discussion with both local and international public authorities and officials. The aim of the dialogue is to share information and improve the quality of regulation. Wärtsilä participates in public consultations in the areas of importance to the company. Wärtsilä is part of the Transparency Register of European Commission.

Competition regulation

Wärtsilä has a compliance programme for managing risks relating to competition law in place, and the company's management is strongly committed to implementing this programme. The cornerstone of the programme is a competition law manual, which is kept up-to-date, providing information on competition rules and guidelines for Wärtsilä's personnel. As before, Wärtsilä arranged a number of competition law training seminars in 2015 for the relevant personnel in order to promote knowledge of competition laws and thereby ascertain full compliance with them.

Security management

Wärtsilä has a corporate security policy and various guidelines, which incorporate human rights considerations and international best practices. Wärtsilä's security management principles and strategies are reviewed and approved in the Presidents Security Meetings, which consists of Presidents of each Business, Executive Vice Presidents for Corporate Relations, Legal, Finance, and Control, and security professionals. Security management in Wärtsilä is divided into six specific security areas: Personnel, Premises, Information, Cyber, Crisis Management, and Travel security. Operational security management in these areas is implemented on the business and local level. Wärtsilä prefers security service providers who are members of ICoCA (International Code of Conduct Association).

Local community approach

Wärtsilä aims to contribute towards the well-being of local communities in which the company is present. This can be reached for example by creating employment, by paying taxes and social dues, by providing training and education to employees, by co-operating with local stakeholders, and by supporting local development.

The guiding principle of Wärtsilä's Code of Conduct is to promote openness and good interaction with its stakeholders locally. This applies as much to the families of personnel, our neighbours, educational institutions, and the media as to local authorities and officials. The methods used towards this end include Open Door days, press briefings and different modes of communication for different target groups.

As a truly international company, Wärtsilä has delivered solutions to more than 170 countries. Wärtsilä supports its solutions globally during their entire lifecycle, often spanning up to 30 years. Thus, Wärtsilä can at times be present in countries facing various uprisings, ethnic conflicts, area disputes, or violations of human rights. Conducting business locally emphasises the importance of responsible business practices. Governments and the international community define the proper framework for companies to conduct their business. Wärtsilä complies with relevant legislation and international conventions. Wärtsilä complies with all relevant guidelines of the OECD and the International Chamber of Commerce and with the sanctions set by the United Nations and the European Union, by supporting their implementation. In addition, the Wärtsilä Code of Conduct applies to all Wärtsilä employees. We are committed to sustainable development and responsible business conduct, and we promote the Ten Principles of the UN Global Compact within the sphere of our influence.

Wärtsilä's impact on employment, the public sector, and the company's activities for charitable purposes are described in the Economic Performance section of this report. Measures to evaluate the impacts on local communities in case of operational changes of Wärtsilä subsidiaries are determined case by case.

Product design principles

Wärtsilä strives to develop environmentally sound, safe, and reliable products and solutions for its customers. By providing lifecycle maintenance, reconditioning, and retrofitting services for its products, Wärtsilä is able to support its customers' operations throughout the entire life of service of Wärtsilä products. Reconditioning of engines and components increases the reliable service life of the products. Modernising can improve current operational performance of installations and enables customers operations to meet tightening future regulative requirements.

The majority of the international environmental policies and requirements for Wärtsilä's products and solutions are set by the International Maritime Organization (IMO), the UNECE (United Nations Economic Commission for Europe), and the World Bank. On the national or regional level, organisations such as the U.S. EPA, the European Commission and market areas such as Germany, Japan, and India are considered the most important policy and regulatory directors for Wärtsilä products.

The IMO is responsible for adopting its own standards for the safety and security of shipping and the prevention and control of marine pollution and emissions from vessels. The IMO regulates nitrogen and sulphur oxide emissions as well as ballast water treatment procedures and limitations. The World Bank/IFC (International Finance Corporation) provides general and industry specific instructions of good international practices such as the thermal power plants' EHS (Environmental, Health, and Safety) guideline, which is today the minimum environmental standard in global power plant projects. It is adhered to in most of the finance activities for projects in emerging markets. In the European Union, the EU Industrial Emissions Directive (IED) sets the requirements to minimise pollution from different industrial sources throughout the EU.

Wärtsilä's engines are designed to meet the requirements of the European Commission's Machinery Directive, the SOLAS Convention and other relevant safety directives, while Wärtsilä's propulsion systems are designed to comply with the SOLAS and the safety requirements of relevant classification bodies. New types of engines must also meet international safety requirements. Type approval is acquired from classification societies before new products are launched. Wärtsilä's Ship Design follows class society and flag state rules in the design process to secure safe and compliant designs for its clients. Class approval is required for drawings and calculations to be delivered to the client before construction of the vessel starts. Wärtsilä's products are delivered with appropriate user guides that include basic information about the products and full instructions for their use. In addition, Wärtsilä provides appropriate specific training to ensure environmentally sound and safe utilisation of Wärtsilä's products at customers' daily operations.

In order to ensure Wärtsilä's ability to respond to future regulation requirements, the company actively monitors legislative initiatives and changes in environmental legislation. As a result, Wärtsilä has focused its R&D activities for development of new environmental sound products and solutions that meet the future demands of the changing operating environment.

Supply chain management

Suppliers play a significant role in our delivery process. We aim to have close and excellent relationships with our key suppliers in order to ensure that both parties have a mutual understanding of and are able to respond to our strict process and product requirements. Apart from financial benefits, close relationships stimulate knowledge sharing and create an environment of innovation and stronger integration of strategic suppliers into Wärtsilä's value chain. Wärtsilä has an extensive supply base with more than 25,000 active suppliers, most of whom are located in Europe, where we have our main production units. We are also continuously investing in developing a strong supply chain network in Asia.

Wärtsilä has defined its processes for choosing suppliers, determining their requirements, and developing the supply relationship. Wärtsilä offers its suppliers a partnership that strengthens the competitiveness of both parties. A precondition of this partnership is an open and continuous dialogue. Partnership thinking is also applied in Wärtsilä's research and development activities, where the company often collaborates with universities, research institutes, and key suppliers.

Wärtsilä's supplier requirements address both general features and issues relating to quality, product-specific requirements, environmental management, occupational health and safety, social responsibility, and legal compliance. These requirements are included in standard supply contracts. Suppliers are responsible for complying with relevant legislation and Wärtsilä's requirements. Wärtsilä controls that key suppliers comply with these requirements by using performance indicators and various types of audits. Suppliers must demonstrate their compliance with these requirements in order to receive approved supplier status. The main priorities in Wärtsilä's supplier evaluations are conformance with requirements and performance reviews.

Wärtsilä assesses and manages its key suppliers through its Supplier Management System. Wärtsilä regularly conducts supplier evaluations. These are divided into three categories: pre-assessment, auditing, and performance review. A pre-assessment is made of potential new suppliers before the supplier relationship begins. Audits are conducted for new suppliers of critical components and for suppliers whose performance does not meet Wärtsilä's requirements. Performance reviews are carried out to identify and solve deviations from requirements. In the evaluation of a supplier, Wärtsilä focuses on several critical indicators in which Wärtsilä expects the suppliers to have high standards and performance: compliance with relevant legislation, environmental, occupational health and safety, and quality management, process mapping, risk management, quality plans and social performance.

As part of the supplier evaluation, Wärtsilä conducts a rating based upon Wärtsilä's supplier requirements. This rating is a result of assessment of various information sources, such as pre-qualification questionnaires, dialogue with suppliers, and/or conducted audits.

Based on this rating, the suppliers can be approved, approved with limitations or remarks, or banned. During 2015, 544 suppliers with no valid assessment were rated, and 139 suppliers received a renewal of their rating. By the end of 2015, Wärtsilä has rated 688 of its key suppliers (1,128 overall), and this covers 96% of the total spent on Wärtsilä Supply Management supplies as per set target.

This rating is part of the quarterly supplier reviews conducted by Wärtsilä Supply Management. The rating is reviewed regularly, as are the results of conducted audits.

In 2015, six suppliers were banned because of non-compliance with Wärtsilä's requirements.

Wärtsilä has clear expectations towards its suppliers in terms of compliance with relevant legislation, environmental, occupational health and safety, quality management, and social performance, and strives to ensure the these expectations are met. Wärtsilä develops its supply management system on regular basis.

Economic

Wärtsilä's purpose is to create value for its various stakeholders. The focus is on profitability and raising shareholder value. Achieving this depends on our ability to satisfy the expectations of our other stakeholders as well. These include providing customers with high-quality and environmentally sound products, solutions and services, building long-term partnerships with suppliers, offering employees competitive compensation and working conditions, and contributing to the well-being of the local communities in which we operate. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.

Economic performance

Direct Economic Value Distributed (G4-EC1)

MEUR	2015	2014	2013	2012	2011
Customers					
Net sales	5 029	4 779	4 654	4 725	4 209
Suppliers					
Cost of goods, materials, and services purchased	3 136	3 066	2 901	3 007	2 694
Value added	1 893	1 713	1 753	1 717	1 514
Distribution of value added					
Distributed to stakeholders	1 555	1 475	1 443	1 432	1 286
Employees					
Wages and salaries	935	906	903	887	770
Public sector					
Taxes and social dues	349	313	314	317	322
Creditors					
Net financial items	-34	-28	-19	-30	-16
Shareholder					
Dividends	237	227	207	197	178
Communities					
Donations given	1	1	1	1	1
For business development	338	239	310	285	228

Customers	2015	2014	2013	2012	2011
Net sales (MEUR)	5 029	4 779	4 654	4 725	4 209
Net sales by market area (MEUR)					
Europe	1 566	1 402	1 329	1 202	1 249
Asia	2 051	1 989	1 759	2 009	1 594
Americas	1 006	840	1 068	994	845
Africa	329	398	405	398	443
Other	78	150	93	122	77
Suppliers					
Cost of goods, materials, and services purchased (MEUR)	3 136	3 066	2 901	3 007	2 694
Employees					
Salaries and wages (MEUR)	935	906	903	887	770
Salaries and wages by market area (MEUR)					
Europe	632	637	649	631	552
Asia	163	144	138	145	119
Americas	112	99	91	91	80
Africa	21	18	14	12	11
Other	8	8	10	8	7
Net sales/employee (TEUR)	271	265	248	250	238
Public sector					
Taxes and social dues (MEUR)	349	313	314	317	322
Taxes and social costs by market area (MEUR)					
Europe	246	220	232	234	240
Asia	50	42	34	39	41
Americas	44	37	39	36	38
Africa	6	12	8	6	2
Other	2	2	2	2	1
Subsidies received (TEUR)	9 669	11 486	6 331	5 543	8 263
Net financial items (MEUR)	-34	-28	-19	-30	-16

Community					
Donations given, Board of Directors (TEUR)	110	110	111	104	60
Donations given, Wärtsilä companies (TEUR)	511	608	609	456	940

Financial implications and other risks and opportunities for the organization's activities due to climate change (G4-EC2)

Wärtsilä Italia S.p.A is the only subsidiary that falls into the scope of the EU Emission Trading Scheme (ETS) because of the heating plant of the factory. The EU ETS has not had any impact on the company's profitability. Wärtsilä's response to climate change is to develop and provide products, solutions, and services that enable our customers to reduce their greenhouse gas emissions. More information about Wärtsilä's solutions for climate change can be found from our website: www.wartsila.com. The potential business risks related to climate change and Wärtsilä's products are presented under the sustainability and climate change risks in the Risk Management chapter of the Governance review.

Coverage of the organization's defined benefit plan obligations (G4-EC3)

The pension cover is based on the legislation and agreements in force in each country. In Finland, most of the pension obligations are covered by the Employee Pensions system (TyEL). The largest defined benefit plans are used in Switzerland, Germany, the UK and Sweden. Most of these defined benefit pension plans are managed by pension funds, and their assets are not included in the Group's assets. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practices in each country. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans. More information on the Group's pension obligations can be found in the Financial Review, Note 22. Pension obligations.

Financial assistance received from government (G4-EC4)

Subsidies received (TEUR)	2015	2014	2013	2012	2011
	9 669	11 486	6 331	5 543	8 263

The value of the subsidies received in 2015 was EUR 9 669 thousand and they were among others related to R&D projects. The most contributing countries in 2015 were Norway, Finland and Spain.

Market presence

Wage levels (G4-EC5)

Wärtsilä applies and follows the local employment legislation in all countries and respects the local collective labour agreements, which often define the minimum wage levels. In addition, entry level salaries are benchmarked against the market references by function and educational qualification. Laws and regulations give the minimum level, but often the actual salaries exceed these levels. A total compensation package is tailored for each country on the basis of corporate rewarding guidelines and local market practices. The base salary is set to meet market conditions, the demands of the job, and individual competence and performance.

Hiring principles (G4-EC6)

In principle, all open vacancies are published both externally and internally ensuring equal opportunity to apply for Wärtsilä positions. If there is no specific reason like a competence transfer need from other countries to hire expatriates to the position, local residents are hired. This principle also applies to senior management. Senior management includes global business and corporate management and local company management positions. Globally, 78% of Wärtsilä's senior management is locally hired, in other words from the same country as the Wärtsilä subsidiary they work for.

Environment

The environmental impacts of Wärtsilä's operations largely relate to manufacturing. The main environmental aspects of manufacturing relate to the use of energy and natural resources and thus also to the emissions that are produced by the manufacturing processes. Product development also requires the testing of products and individual components which, alongside manufacturing, loads the environment. However, the positive impacts of product improvements on the environment far outweigh the negative impacts of testing when taking the product's entire lifecycle into account.

The main reasons for significant fluctuations in certain reported environmental performance indicators from year to year are:

- Changes in production volumes
- Changes in R&D testing programmes
- Changes in company structure (divestments, mergers, and acquisitions)
- Changes in the reporting scope and coverage

Monitoring environmental impacts

Within Wärtsilä, environmental impacts caused by operational activities are monitored as follows:

- Participation in the monitoring of air quality with other local stakeholders
- Measurement of air emissions
- Charting of noise levels
- Periodical effluent analysis
- Soil analysis
- Dispersion analyses and bio-indicator surveys

Materials

Materials used by weight or volume (G4-EN1)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys, and bronze. In 2015, the total material usage was 100,767 tons (88,736). The major material groups were various metals 73% (74), sand 21% (19), and various chemicals 5% (6).

Materials	2015	2014	2013	2012	2011
Total material usage (t)	100 767	88 736	91 720	99 570	98 142
Metals (t)	73 285	65 363	69 991	70 323	65 263
Sand (t)	20 915	16 445	16 537	21 279	23 072
Chemicals (t)	5 025	5 447	3 865	6 730	7 963
Others (t)	1 542	1 481	1 327	1 238	1 844

Percentage of materials used that are recycled input materials (G4-EN2)

The main materials used in Wärtsilä products are various metals: cast iron, alloy and structural steel, aluminium alloys and bronze. Recycled material content of these metals vary depending on the material and supplier in question. Recycled material, such as end-of-life coins and bronze propellers, is used for example in the casting of new propellers.

Energy

Energy consumption within organisation (G4-EN3)

The total energy consumption (in terajoules, TJ) includes the electricity, heat, and fuels used in Wärtsilä companies in recent years. The fuels are used mainly in engine testing, but also in heating, production, and transportation. In 2015 the fuels were from non-renewable sources.

Wärtsilä uses electricity in its manufacturing operations - for example in machining components - and in service workshops and offices. Both

the electrical and the heat energy generated during engine test runs can be utilised. Wärtsilä's aim is to use the electrical energy for its own purposes while also selling part of this electrical energy to local power companies. Due to the nature of engine test runs, the production of electricity, and the company's electricity demand are not equivalent; this allows the surplus energy to be sold to local power companies.

Heating for factories and offices accounts for most of Wärtsilä's consumption of heat energy. In several factories, the heat generated in engine test runs is used for heating. Some factories and offices are connected to a local district heating network, some have their own heating plant, and some use electricity for heating.

Energy	2015	2014	2013	2012	2011
Total energy consumption (TJ)	1 539	1 475	1 613	1 691	1 735
Electricity consumption (MWh)	142 819	140 713	143 833	143 810	145 078
Purchased electricity (MWh)	131 501	131 896	136 098	125 761	129 885
Generated electricity (MWh)	11 318	8 817	7 735	18 007	15 109
Sold electricity (MWh)	21 834	25 548	23 527	22 568	36 893
Heat consumption (MWh)	30 161	25 073	29 077	27 910	31 805
Light fuel oil (t)	4 801	4 461	4 765	5 096	3 409
Heavy fuel oils (t)	3 675	3 579	3 755	5 920	7 652
Natural gas (t)	9 750	8 721	9 806	9 767	10 486
Other fuels (t)	2 834	3 348	4 214	4 025	4 173

Energy intensity (G4-EN5)

Energy	2015	2014	2013	2012	2011
Total energy consumption (TJ)/Net sales	0.334	0.319	0.354	0.406	0.417

Reduction of energy consumption (G4-EN6)

The Wärtsilä Energy Efficiency programme was launched in 2008. The ultimate goal of this programme is to reduce Wärtsilä's energy consumption by at least 10% in terms of absolute consumption (GWh) by 2016 compared to mean energy consumption in 2005. Since the launch of the programme comprehensive energy audits have been carried out in nine most energy consuming countries. The energy audits have revealed the savings potential and measures to improve energy efficiency and have been used as a concrete basis for energy saving actions. These energy saving actions have achieved reductions of energy consumption of various energy types, including electricity, heat and fuels. For the smaller energy consuming companies, Wärtsilä has created tools for identifying the energy saving potentials. By the end of 2015 energy savings of 42.0 GWh have been reached.

Energy savings	2015	2014	2013	2012	2011
Annual energy savings	4.6 GWh	1.9 GWh	15.7 GWh	7.5 GWh	5.9 GWh
Cumulative energy savings	42.0 GWh	37.5 GWh	35.6 GWh	19.9 GWh	12.4 GWh

Water

Total water withdrawal by source (G4-EN8)

Wärtsilä's water consumption can be divided into two categories: domestic use and cooling use. Domestic water is used mainly for sanitary purposes and by industrial equipment, such as machine tools and washing machines. Some factories also use domestic water to produce moulds or to fill in their closed-loop cooling system needs. Wärtsilä uses seawater for its engine and process cooling needs.

Total annual water consumption split by the purpose of use: Out of cooling water about 99% comes from local surface watercourses where only heat is released along with clean water, and about 1% of cooling water comes from municipal water utilities. Out of Wärtsilä's total water consumption in 2015 about 90% was seawater for cooling purposes, about 10% was from municipal water supplies, about 0.3% was directly withdrawn groundwater, and about 0.04% was waste-water re-used from another organisation.

Water	2015	2014	2013	2012	2011
Total water consumption (1 000 m ³)	6 971	7 774	7 534	9 546	9 775
Consumption of domestic water (1 000 m ³)	703	683	744	799	830
Consumption of cooling water (1 000 m ³)	6 268	7 091	6 790	8 747	8 945

Water sources significantly affected by withdrawal of water (G4-EN9)

No water source has been found significantly affected by any Wärtsilä subsidiary water withdrawal.

Percentage and total volume of water recycled and reused (G4-EN10)

Wärtsilä Italia S.p.A. recycled 325,118 m³ of water in 2015 by running it through a water treatment plant and reusing the cleaned water in production processes. The amount corresponds to roughly 113% of Wärtsilä Italia's annual water consumption and 5% of Wärtsilä's total water consumption in 2015. No other major water recycling processes are in use in Wärtsilä production facilities globally.

Emissions

Greenhouse gas (GHG) emissions (G4-EN15-EN18)

In addition to direct CO₂ emissions, Wärtsilä's operations generate indirect CO₂ emissions. In 2015, the calculated secondary CO₂ emissions were 60,317 tons (55,989) (from purchased electricity and heat) and the CO₂ emissions from flights totalled 39,033 tons (39,619).

GHG emissions	2015	2014	2013	2012	2011
Emissions of carbon dioxide (t) (direct) (SCOPE 1)	63 441	57 477	59 631	63 762	68 897
Emissions of carbon dioxide (t) (indirect) (SCOPE 2)	60 317	55 989	57 040	54 011	56 610
Emissions of carbon dioxide (t) (indirect - flights) (SCOPE 3)	39 033	39 619	40 596	39 033	37 459
GHG emissions intensity (all)	35.30	33.10	34.50	37.70	39.10

Reduction of greenhouse gas (GHG) emissions (G4-EN19)

Wärtsilä has taken several measures to reduce its indirect CO₂ emissions. The energy efficiency commitment aims to reduce energy consumption and emissions. In addition, Wärtsilä's focus lies on reducing travelling by implementing a strict travel policy and by using three main virtual meeting concepts: Skype instant messaging, which enables live chats between two people or more, Skype meetings allowing multi-person meetings from personal computers, in which presentation material can be shared, and the Telepresence videoconferencing system. In Wärtsilä, Skype and Telepresence are in everyday use. Approximately 1,300 Skype conferences are arranged daily, and there are 52 video conference rooms in 28 countries and 38 Telepresence rooms established in Wärtsilä premises in 19 countries.

NO_x, SO_x and other significant emissions (G4-EN21)

Air emissions are mainly caused by test runs and the painting of completed engines or other Wärtsilä products. Test run emissions consist of nitrogen oxides (NO_x), sulphur dioxide (SO_x), carbon dioxides (CO₂) and particles, as well as small amounts of other emission components. The painting of engines and other Wärtsilä products generates VOC emissions (volatile organic compounds). Engine emissions are reduced through research and development, as well as product development and testing. These measures also generate emissions, but their results reduce the future emissions of manufactured engines.

Emissions	2015	2014	2013	2012	2011
Emissions of nitrogen oxides (t)	553	519	549	697	765
Emissions of sulphur oxides (t)	63	76	91	145	265
Emissions of total hydrocarbons (t)	145	87	130	180	166

Particulates (t)	9	9	10	13	20
Emissions of VOC (t)	40	40	49	51	58

The primary sources of manufacturing noise are the engine test runs and the ventilation machinery on factory roofs. This noise is mostly low frequency and is therefore not easily detected by the human ear. Wärtsilä has specifically addressed the issue of noise protection using technical means and has succeeded in lowering noise levels considerably. However, noise abatement is a continuous need and requires regular monitoring.

Effluents and waste

Total water discharge by quality and destination (G4-EN22)

Wärtsilä uses seawater for its engine and process cooling needs, in which case the cooling water system is kept separate so that only heat is released into the natural water system. Wastewater is sewered and piped to the local wastewater treatment plant or treated on site before being discharged. If the effluent is not suitable for discharge, it is taken away for appropriate processing, for example to a special treatment plant for hazardous wastes.

Several Wärtsilä subsidiaries have environmental permits allowing clean or properly treated water discharge into natural water bodies. Most of this discharge is clean cooling water released back into local surface watercourse, where only heat is released.

In 2015, the total amount of water discharge was 6,881,130 m³.

2015 water discharge	Municipal sewer	Sea	River	Ground
Amount (m ³)	304 941	6 244 650	330 610	929
% of total water discharge	4%	91%	5%	0%

Total weight of waste by type and disposal method (G4-EN23)

Manufacturing activities cause various wastes. These are divided into two main categories: hazardous and non-hazardous wastes. Hazardous wastes include cutting fluids, various types of waste oil, paints and solvents, oily wastes, solid wastes etc. Non-hazardous wastes include scrap metal, metal swarf, waste plastics, waste wood, domestic waste, cardboard and paper waste. All Wärtsilä companies sort their waste according to local municipal regulations. Generally speaking, the main sorting categories are waste to be incinerated, waste for landfills, and waste for recycling.

Waste management in Wärtsilä has four aims, listed in their order of priority:

- to reduce the amount of waste generated in processes
- to use waste as a material
- to use waste as energy
- to dispose of waste in an environmentally sound way

Waste	2015	2014	2013	2012	2011
Total waste (t)	52 037	46 829	44 741	62 517	85 153
Non-hazardous waste (t)	44 864	39 409	33 623	39 512	42 865
Hazardous waste (t)	7 173	7 420	11 118	23 005	42 288
Waste for landfills (t)	8 593	9 621	16 875	21 988	27 808
Waste for recycling (t)	34 074	27 328	14 622	15 423	12 444
Waste for incineration (t)	2 197	2 460	2 125	2 101	2 614
Hazardous waste for landfills (t)	2 586	2 504	6 360	17 376	38 054
Hazardous waste for recycling (t)	3 502	3 792	2 796	3 200	2 082
Hazardous waste for incineration (t)	1 084	1 124	1 963	2 429	2 152

Products and services

Extent of impact mitigation of environmental impacts of products and services (G4-EN27)

Environmental products and services are the most important means for Wärtsilä to mitigate the environmental impacts. Wärtsilä has a key role in providing environmentally sound solutions and services that enable our customers to develop their business in a sustainable way. The value of sustainable innovation is delivered across a wide range of environmentally sound products and solutions, including technologies related to efficiency improvement, reduction of gaseous and liquid emissions, effluent and ballast water treatment, as well as to products and solutions that are flexible, efficient, reliable, safe, cost-efficient to operate, and that have minimal environmental footprint throughout their lifecycles.

Expenditures

Total environmental protection expenditures and investments by type (G4-EN31)

Concerning Wärtsilä's operations, we have defined expenditures as environmental expenditures if they are related to soil, water and air pollution control, waste management, environmental management, or noise control.

A substantial proportion of the company's investments in product development are targeted at securing environmental compliancy providing short- and long-term benefits for the whole value chain and ultimately for the environment.

Expenditures	2015	2014	2013	2012	2011
R&D costs (MEUR)	132	139	185	188	162
Environmental costs					
Environmental capital expenditures (MEUR)	0.5	1.9	0.6	0.8	0.9
Environmental operating expenditures (MEUR)	4.6	4.8	5.1	6.3	6.1

Social

Wärtsilä's aim is to provide the best value and service to our customers by continuously developing our competencies and way of working. The strategic goal of Wärtsilä's social responsibility and people strategy is to bring the business strategy alive by developing Wärtsilä's organisation and competencies to meet the evolving business needs.

Our aim is to have energetic, competent, and motivated personnel with exciting and meaningful jobs and career opportunities led by excellent leaders. We recognise good performance and respect diversity. We also endeavour, by applying high standards of occupational health and safety, to offer a hazard-free workplace to our employees, contractors, and others working in different parts of the corporation.

Good corporate citizenship is accomplished through active co-operation, open communication, and good relationships with our stakeholders. Wärtsilä's operations and relations with its stakeholders are based on the company's Code of Conduct, with which each Wärtsilä company and individual is required to comply.

Structural changes in 2015 (G4-13)

In January 2014 Wärtsilä started a process to realign its organisation to secure future profitability and competitiveness. The Group-wide efficiency programme was expected to lead to a reduction of approximately 1,000 employees globally, of which about 200 were planned to be in Finland. Wärtsilä completed the programme during 2015, and achieved annual savings of EUR 60 million. The personnel reductions were implemented following the local consultation processes in the affected countries according to local practices and legislation. The company has provided support and consultation as well as assistance in re-employment in the impacted countries.

Wärtsilä and China State Shipbuilding Corporation (CSSC) reached an agreement to join forces in a new joint venture based on Wärtsilä's 2-stroke engine business. The joint venture is owned 70% by CSSC and 30% by Wärtsilä. Responsibility for servicing Wärtsilä 2-stroke engines remains with Wärtsilä Services. The basis of the agreement is to take advantage of the synergies between two strong partners, thereby enhancing Wärtsilä's share of the 2-stroke marine engine market. The JV was established and fully operationally effective 19 January 2015 and it employs 330 employees in Switzerland, China, South Korea and Japan.

In December 2014 Wärtsilä Corporation announced the acquisition of L-3 Marine Systems International from NYSE-listed L-3 Communications Holdings Inc. The acquisition was closed in May 2015 and the integration programme in order to establish a global Electrical & Automation business line within Marine Solutions division started immediately after closing. At the time of acquisition, MSI had more than 1,700 employees in 38 locations in 14 countries.

On 17 July 2015 Marine Solutions (former Ship Power) announced a plan to realign its organisation, operations, and resources in response to the sluggish global marine market situation. These plans affect personnel in all functions of Wärtsilä Marine Solutions' global operations. The realignment will mean the reduction of approximately 600 jobs globally. The aim was to reduce 160 jobs in Finland. As a result of the negotiations, the redundancy need was confirmed to be 110 permanent employees in Finnish Marine Solution operations. It was possible to decrease the number of redundancies since also temporary layoffs were agreed upon in the negotiations. The Marine Solutions realignment plan will be completed in 2016.

Employment

Personnel in 2015 (G4-10, G4-11, G4-LA1, G4-LA12)

In addition to direct employment, Wärtsilä employed also indirectly an external workforce totalling 3,946 man-years in subcontracting at its factories and units. The units located in Finland had a total personnel of 3,531 employees.

All in all, 2,421 employees left and 1,641 joined Wärtsilä globally during 2015 for different reasons. Wärtsilä had 18,856 employees at the end of 2015.

Personnel	2015	2014	2013	2012	2011
Number of employees at the end of the year	18 856	17 717	18 663	18 887	17 913
Personnel by business					
Services	10 592	10 692	10 785	11 163	11 168
Marine Solutions	6 847	5 603	3 612	2 139	999
Energy Solutions	959	978	1 053	932	855
PowerTech	*	*	2 449	3 811	4 091
Other	459	444	764	842	800
Personnel by market area					
Europe	10 893	9 633	10 507	10 490	9 813
Asia	5 297	5 477	5 628	6 084	5 830
Americas	1 917	1 840	1 876	1 693	1 700
Africa	656	676	563	533	484
Other	92	91	89	87	86
Average age of employees	41.0	40.2	39.7	39.4	38.8
Permanent employees (%)	89	88	88	88	88
Temporary employees (%)	11	12	12	12	12
Full-time employees (%)	98	98	97	97	97
Part-time employees (%)	2	2	3	3	3
Employee turnover (resigned) (%)	5.2	6.2	7.7	6.9	8.6
Net employment creation	-755	-283	-477	-416	-191

*PowerTech was merged into Marine Solutions in 2014

Number of employees by employment contract and gender in 2015		Permanent	Temporary
	Total	16 824	2 033
	Male	14 314	1 722
	Female	2 510	311

Permanent employees by employment contract type and gender in 2015		Full-time	Part-time
	Total	16 488	336
	Male	14 028	286
	Female	2 460	50

Total workforce by employees and supervised workers and by gender in 2015*		Employees	Supervised workers
	Total	18 857	820
	Male	16 036	697
	Female	2 821	123

* Total workforce includes Wärtsilä employees and supervised external employees.

Total workforce by market area in 2015*

Europe		
	Male	9 434
	Female	1 930
Asia		
	Male	4 895
	Female	640
Americas		
	Male	1 640
	Female	302
Africa		
	Male	660
	Female	81
Other		
	Male	86
	Female	9

* Total workforce includes Wärtsilä employees and supervised external employees.

New employee hires in 2015		Employees	Rate (%)
	Total	1 641	9.3
Gender			
	Male	1 345	8.9
	Female	296	11.7
Age group			
	< 30 years	658	24.7
	30-50	882	7.5
	> 50 years	101	3.1
Market area			
	Europe	816	8.3
	Asia	416	8.0
	Americas	316	17.7
	Africa	77	11.0
	Other	16	16.5

Employee turnover (resigned) in 2015		Employees	Rate (%)
	Total	840	5.3
Gender	Male	732	4.8
	Female	108	4.3
Age group	< 30 years	238	8.9
	30-50	494	4.2
	> 50 years	108	3.3
Market area	Europe	365	4.3
	Asia	310	6.0
	Americas	123	7.6
	Africa	37	6.2
	Other	5	6.3

Benefits provided to full-time employees that are not provided to temporary or part-time employees (G4-LA2)

In general, temporary and part time employees are offered the same benefits as permanent employees. In some countries, eligibility is linked to months or years of service – such differences being typically based on collective agreements according to local legislation.

Labour/management relations

Minimum notice periods regarding operational changes (G4-LA4)

Wärtsilä way of working concerning minimum notice periods is described in the Employee Practices section.

Occupational health and safety

Percentage of total workforce represented in formal joint management-worker health and safety committees (G4-LA5)

Wärtsilä companies apply occupational health and safety programmes as required by local legislation, which are normally developed by occupational health and safety committees consisting of representatives of the companies' management and personnel. Altogether 78% of Wärtsilä companies have an occupational health and safety committee covering 93% of Wärtsilä's employees.

Type of injuries and rates of injuries, occupational diseases, lost days and absenteeism, and total number of work-related fatalities (G4-LA6)

The positive trend in reducing lost time injuries continued. Wärtsilä achieved a good result in 2015, with a lost time frequency index of 18% below that of the previous year. There has been a continual lost time injury frequency reduction since year 2008.

However, Wärtsilä regrets to report that one Wärtsilä employee lost his life in a fatal accident. The employee got caught between two gears of machinery during mechanical assembly operation in Lithuania and died on the scene. This fatality is under investigation by the authorities and Wärtsilä. The deceased was a male employee.

Injuries	2015	2014	2013	2012	2011
Total number of injuries	461	510	730	742	987
Number of lost time injuries resulting in at least 1 day absence, total	157	168	199	238	267
Number of lost time injuries – work-related	104	130	162	194	221
Number of lost time injuries – commuting	53	38	37	44	46
Lost time injuries / million working hours	2.8	3.5	4.4	5.5	6.3
Absence rate					
Absence due to illness (% of total working hours)	1.9	2.0	2.1	2.0	2.1
Absence due to lost time injury (% of total working hours)	0.1	0.1	0.1	0.1	0.1
Absence due to occupational diseases (% of total working hours)	0.0	0.0	0.0	0.0	0.0
Fatalities					
Number of fatalities, total	1	5	1	0	1
Employees	1	3	1	0	1
Contractors	0	2	0	0	0

Workers with high incidence or high risk of diseases related to their occupation (G4-LA7)

Wärtsilä employees constantly work close to the running engines while conducting overhaul operations or testing engines, which exposes them to high levels of noise. Wärtsilä has occupational safety and health programmes in place to prevent hearing loss, including providing hearing protectors to those employees under risk of hearing loss.

Training and education

Average hours of training per year (G4-LA9)

Wärtsilä's average number of training days in 2015 for male employees was 3.1 and for female employees 2.2.

Training days/employee	2015	2014	2013	2012	2011
All employees	3.0	4.2	4.1	3.4	3.0
Managers and superiors	3.5	5.1	4.6	3.3	3.4
Other white-collar employees	2.9	3.5	4.1	3.9	2.5
Blue-collar employees	3.1	4.4	3.6	3.0	3.4

Programmes for skills management and lifelong learning (G4-LA10)

Wärtsilä programmes for skills management is described in People Management section. Wärtsilä offers a wide variety of internal training courses for its employees, covering over 20 training categories. These include topics like engine technology, health and safety, language and culture, project management, environment, security, and leadership.

Percentage of employees receiving regular performance and career development reviews (G4-LA11)

Development discussions held annually	2015	2014	2013	2012	2011
Coverage %	92	92	91	84	89

Diversity and Equal opportunity

Composition of governance bodies and breakdown of employees (G4-LA12)

A diverse workforce generates higher profits, better complex problem-solving skills, and access to a larger talent pool. Wärtsilä's Diversity Initiative began in 2012 and aims to drive an inclusive corporate culture at all levels to meet global requirements in the corporation. By investing in diversity and supporting employees of varied gender, age, personality, and educational background, Wärtsilä becomes a more innovative business partner as well as a more attractive employer.

Gender diversity	2015	2014	2013	2012	2011
Male/female ratio (%)	85/15	86/14	85/15	84/16	86/14
Executive positions globally: male/female ratio (%)	89/11	90/10	90/10	90/9	90/10
Regional diversity					
Number of nationalities	131	122	120	107	114

Product and Service Labelling

Results of surveys measuring customer satisfaction (G4-PR5)

In order to put the needs of customers always first, Wärtsilä carefully listens and acts upon customer feedback, at both operative and management levels. Wärtsilä places great emphasis on earning long-term customer trust through keeping its promises. While challenges may arise at any time in this business, relationships are strengthened by focusing on customer satisfaction and loyalty.

Customer feedback on project deliveries and the operation of their installations, is welcomed. To know what works and where to improve, as well as understanding the customers' operational environments, is critical in developing the company's products and services. To ensure customer satisfaction, their feedback is systematically reviewed and the needed actions are taken. In addition, Wärtsilä collects feedback during different events, activities, and interactions with its customers.

Customer satisfaction	2015	2014	2013	2012	2011
Marine Solutions	7.9	8.0	8.2	8.1	8.1
Services	8.6	8.5	8.5	8.4	8.3
Energy Solutions	8.3	8.7	8.5	8.5	8.4
Sample	4 342	4 225	3 911	3 022	2 188

Compliance

Wärtsilä is committed to carrying out its business in a sustainable way. In order to promote the long-term interests of Wärtsilä and its stakeholders, the company strives to maintain the highest legal and ethical standards in all its business practices. All business and other activities of Wärtsilä shall be carried out strictly in compliance with all applicable laws and under the principles of good corporate citizenship in each country where such activities take place. This requires all employees to act responsibly and with integrity and honesty.

Wärtsilä is committed to ensure compliance with Wärtsilä Code of Conduct in all of its business operations globally and therefore has established a group policy for reporting misconduct incidents and suspected Code of Conduct violations. Wärtsilä employees are encouraged to voice their concerns as to potential violations of the Code and its underlying policies and instructions. The reported misconduct cases are investigated either locally or centrally, as appropriate. The

primary way to report suspect misconduct incidents is through the line management but employees also have alternative reporting routes, including anonymous reporting, directly to the compliance function, or to legal affairs. In the event a suspected violation involves the top management of Wärtsilä Corporation, or the suspected case is believed to be significant, the Audit Committee of the Board of Directors of Wärtsilä Corporation may be contacted directly. An employee who reports a potential Code of Conduct violation in good faith shall suffer no harassment, retaliation, or adverse employment consequences. Finally, Wärtsilä employees are instructed to seek advice on ethical and lawful behaviour and in the matters of integrity from Wärtsilä legal counsels or from the compliance function.

Environmental compliance

Wärtsilä companies comply with all local environmental legislation. The operations of Wärtsilä's manufacturing companies require a valid environmental permit, the terms of which are generally met. Incidents of non-compliance are described in the following chapters.

Environmental disturbances (G4-EN24) and complaints (G4-EN34)

The number of disturbances, complaints, and incidents of non-compliance are presented in the table below. Reported disturbances typically cover incidents in which the Wärtsilä company concerned has been obliged to report the disturbance to the authorities.

The main environmental disturbances that occurred in Wärtsilä's business locations in 2015 were two oily water spills and a soot spill. These disturbances were investigated and the appropriate corrective actions to minimise the impact on the environment were taken in each case. There were also two complaints made by occupants of the neighbouring property related to noise. The complaints were investigated and the noise levels promptly normalised.

Cases of non-compliance (G4-EN29)

Wärtsilä India Pvt. Ltd. reported a case of a temporarily non-operational effluent treatment system at its manufacturing unit in Khopoli, and received a fine of EUR 3,600 for the non-compliance. Necessary actions are ongoing to achieve compliance with the relevant regulation as quickly as possible.

Wärtsilä de Mexico S.A. was fined EUR 1,851 for missing a hazardous waste log in an environmental agency inspection.

Wärtsilä Hungary Kft received a notice from the authorities of non-compliance with safety regulations resulting from storing oil in an unsuitable container.

Disturbances, complaints, and non-compliances	2015	2014	2013	2012	2011
Environmental					
Disturbances	3	11	5	3	6
Non-compliances	3	1	2	2	6
Complaints	2	1	1	7	5
Social					
Non-compliances	4	1	4	3	4
Fines of non-compliance cases (EUR)	30 111	9 824	9 787	45 079	7 869

Human and labour rights compliance (G4-LA16, G4-HR3, G4-HR4, G4-HR5, G4-HR6, G4-HR12, G4-SO8, G4-SO11)

Wärtsilä supports and respects basic human values as outlined in the UN's Universal Declaration of Human Rights. Wärtsilä also supports the Ten Principles of UN Global Compact, of which six principles are related to Human and Labour rights.

Wärtsilä's employees represent 131 nationalities. The company supports fair and equal treatment of all its employees. Wärtsilä supports the work-related rights defined by the International Labour Organization (ILO), and works, therefore, to ensure that there is freedom of association and the right to collective bargaining in the company. In those countries where local legislation does not recognise these rights, Wärtsilä endeavours to give employees other channels for expressing their opinions.

Wärtsilä does not accept the use of forced labour or child labour in any form. Wärtsilä is unaware of any cases of human rights being breached, discrimination, infringements of rights at work, or the use of forced or child labour. During the reporting period the following misconducts were realised:

Wärtsilä Korea Ltd. was charged a penalty fee of EUR 20,438 for not fulfilling its legal obligation to hire six disabled persons. The company has mainly hired blue collar employees, which limits the suitable job offerings to disabled persons.

Wärtsilä Brasil Ltda received a notice of violation for not having a compulsory Health and Safety committee at a power plant under an Operations & Maintenance agreement. A fine is also expected to follow.

Wärtsilä Brasil Ltda has filed an appeal against several claims relating to non-compliances with labour laws in its Manaus facility that allegedly arose during a routine inspection by the Ministry of Labour.

Wärtsilä L.L.C. (UAE) received a fine of EUR 4,222 for failing to arrange compulsory occupational health cards to all relevant employees. Action was promptly taken to ensure compliance.

Preventing corruption and bribery (G4-SO5)

In May 2009, a former senior manager of Wärtsilä Finland Oy was charged before a court of first instance in Finland with bribery, allegedly committed in aggravated circumstances. The charges related to a consulting agreement concluded in 1997 in connection with a power plant project in Kenya. Subsequently, in October 2009, Wärtsilä Finland Oy, which was the Wärtsilä contracting party and the former employer of the senior manager, was charged with the aggravated giving of a bribe (corporate criminal liability), for which the prosecution demanded that Wärtsilä Finland Oy be ordered to pay a corporate fine. Both the senior manager and Wärtsilä Finland Oy regarded the charges as unfounded. Wärtsilä cooperated with the investigation authorities throughout the investigation. On 18 December 2009, the court of first instance in Finland dismissed all the charges and demands. After a lengthy appeals process for reasons of procedural law, the case was referred back to the court of first instance for a new hearing as no evaluation of the evidence had been conducted earlier. On 21 March 2013, the Pohjanmaa district court, being the court of first instance to hear the case for the second time, rendered its verdict. The court dismissed the charges against Wärtsilä Finland Oy but sentenced the former senior manager to a suspended prison term of 1 year 6 months on the charge of aggravated bribery. The Vaasa Court of Appeal, by unanimous decision, overruled the verdict by the Pohjanmaa District Court by finding the former senior manager of Wärtsilä Finland Oy not guilty of aggravated bribery. The Court of Appeal thus dismissed all the charges against both the individual and Wärtsilä Finland Oy. The prosecution submitted a petition for leave to appeal to the Supreme Court but, by its decision of 3 February 2015, the Supreme Court did not grant such leave to appeal. The Vaasa Court of Appeal's decision thus remains final.

Political lobbying (G4-SO6)

During 2015, Wärtsilä did not make any contributions to political parties.

Competition regulation (G4-SO7)

Wärtsilä arranged, as it has earlier, a number of competition law training seminars in 2015 for relevant personnel in order to further promote their knowledge of competition laws, and thus ascertain full compliance with such laws.

Product responsibility (G4-PR2, G4-PR4, G4-PR7, G4-PR8, G4-PR9)

During the review period, no instances of non-compliance related to product liability or customer privacy were identified.

Report profile

Data collection

The data on the products' environmental performance is based on measured test results. Performance data on the environmental and social aspects of sustainability has been collected from the Wärtsilä companies using a detailed questionnaire. Economic performance data is based mainly on audited financial accounts.

The sustainability data is collected and reported according to Wärtsilä's specific internal reporting guidelines that include all the definitions and instructions necessary for this purpose. Environmental expenditure and investments are reported applying the Eurostat instructions.

Each company has a nominated individual responsible for collection and consolidation of the data, and for its quality and reliability. The management of each company approves the data before it is consolidated at the Group level. The companies report their sustainability data using Wärtsilä's CSM reporting system. The reported data is checked at both local and Group levels before its consolidation. The content of this Sustainability Report was reviewed and approved by Wärtsilä's Board of Management.

Report assurance

KPMG Oy Ab has independently assessed the report against GRI principles for defining content and quality. As part of the assurance process, KPMG assesses local level data management and processes, evaluates the relevance and reliability of the data reported to headquarters, and assesses whether the reporting guidelines of Wärtsilä are well understood and applied. This is achieved through conducting site visits and videoconferencing. Site visits were carried out in China by visiting Wärtsilä China in Shanghai, Wärtsilä Suzhou in Suzhou, and Wärtsilä Propulsion (Wuxi) in Wuxi. Wärtsilä Iberica, Wärtsilä Deutschland, Wärtsilä Korea, and Wärtsilä Oil and Gas Systems were assessed through videoconferencing.

Additional sources of information

Wärtsilä has previously published the following reports:

Wärtsilä Environmental Report 2000
Wärtsilä Sustainability Report 2002
Wärtsilä Sustainability Report 2004
Wärtsilä Sustainability Report 2005
Wärtsilä Annual Report 2006
Wärtsilä Annual Report 2007
Wärtsilä Annual Report 2008
Wärtsilä Annual Report 2009
Wärtsilä Annual Report 2010
Wärtsilä Annual Report 2011
Wärtsilä Annual Report 2012
Wärtsilä Annual Report 2013
Wärtsilä Annual Report 2014

These reports and their sustainability data are available on Wärtsilä's website: www.wartsila.com.

Sustainability Report Project Team

Marko Vainikka Director, Corporate Relations and Sustainability (contact person: marko.vainikka@wartsila.com)

Harri Mäkelä Sustainability Officer

Natalia Valtasaari Director, Investor & Media Relations



Materiality assessment

Identified material aspects and boundaries

Entities included in the organization's consolidated financial statements (G4-17)

The entities included in Wärtsilä's Consolidated Financial Statements are listed in the [Notes to the Consolidated Financial Statements 32. Subsidiaries](#).

All the Group companies are included in Wärtsilä's Sustainability reporting. The report covers Wärtsilä's businesses. At the company level, the report includes the parent company and its subsidiaries as well as its manufacturing, service and sales units. The report excludes Wärtsilä's associated companies, joint ventures, and supply chain companies.

Process for defining report content and aspect boundaries (G4-18)

Wärtsilä's Sustainability Reporting 2015 is prepared according to the GRI (Global Reporting Initiative) sustainability Reporting Guidelines (G4) and the Reporting Principles for Defining report content. This report has been prepared in accordance with the G4 sustainability reporting procedures defined by the Global Reporting Initiative (GRI). The report corresponds to the 'Comprehensive' level in the G4's reporting framework. This means that our reporting covers all the Standard Disclosures of the G4 framework and all the sustainability aspects we have identified as material in our operations.

In 2014, Wärtsilä updated the assessment of material sustainability topics. The process included an assessment of economic, environmental, and social aspects from the stakeholders' point of view and as an impact to Wärtsilä's business. Stakeholder views were collected through a questionnaire answered by 96 key stakeholder contacts in various Wärtsilä units and functions worldwide. The aim of the stakeholder questionnaire was to evaluate how important different sustainability aspects are for assessments and decision-making of Wärtsilä's stakeholders. Sustainability aspects for the stakeholder evaluation were identified based on Wärtsilä's previous experience on material sustainability topics, industry peer review, and analysis of significant economic, environmental and social impacts in Wärtsilä's value chain. Focus on stakeholder assessment was in investors and financiers, major customers, personnel, local societies, and media.

The significance of identified aspects was then analysed as a current or potential business impact on Wärtsilä. The business implications of identified sustainability aspects were evaluated based on direct financial impacts as well as risks and opportunities. In addition the level of internal policies or practices were used as an indication of potential business impact.

As a result of the materiality assessment, the following aspects were identified as material for Wärtsilä:

- Environmental impacts of Wärtsilä's products and services
- Compliance with laws and regulations
- Economic impacts to stakeholders
- Personnel skills and development
- Anti-corruption and –bribery, and
- Occupational health and safety

In addition to the identified material aspects Wärtsilä discloses sustainability data on several other areas, because they are frequently asked by Wärtsilä's stakeholders or they are considered important on the basis of continuity of sustainability reporting.

Aspect boundaries for the identified material aspects were then evaluated in reflection to the sustainability context that is based on the significance of their economic, environmental, and social impacts in our value chain. A more detailed description of the aspect boundaries and completeness of data collection for the identified material aspects can be found in the G4-20 Aspect boundary within the organisation and G4-21 Aspect boundary outside the organisation.

Material aspects (G4-19)

From a sustainability impact point of view, product-related environmental issues are the most significant for Wärtsilä. The use of Wärtsilä's products has an environmental impact both locally and globally. Other dimensions of sustainability mainly have a local impact.

SUSTAINABILITY IMPACT	LOCAL	GLOBAL
Economic	•	
Environmental		
- Product related	•	•
- Operational	•	
Social	•	

The following GRI G4 aspects have been identified as material for Wärtsilä's sustainability reporting:

Category	Aspects	Identified material aspect for Wärtsilä, reported in accordance with GRI G4	Other aspects included in Wärtsilä Sustainability Reporting	Excluded from Wärtsilä Sustainability Reporting*
Economic	Economic performance	•		
	Market presence		•	
	Indirect economic impacts			•
	Procurement practices			•
Environmental	Materials		•	
	Energy		•	

	Water		•	
	Biodiversity			•
	Emissions		•	
	Effluents and waste		•	
	Products and services	•		
	Compliance	•		
	Transport			•
	Overall		•	
	Supplier environmental assessment		•	
	Environmental grievance mechanisms		•	
Labor practices and decent work	Employment		•	
	Labour/management relations		•	
	Occupational health and safety	•		
	Training and education	•		
	Diversity and equal opportunity		•	
	Equal remuneration for women and men			•
	Supplier assessment for labour practices		•	
	Labour practices grievance mechanisms		•	

Human rights	Investment			•
	Non-discrimination			•
	Freedom of association and collective bargaining			•
	Child labour			•
	Forced and compulsory labour			•
	Security practices			•
	Indigenous people			•
	Assessment		•	
	Supplier human rights assessment			•
	Human rights grievance mechanisms		•	
Society	Local communities		•	
	Anti-corruption	•		
	Public policy		•	
	Anti-competitive behaviour		•	
	Compliance	•		
	Supplier assessment for impacts on society			•
	Grievance mechanisms for impacts on society		•	
Product responsibility	Customer health and safety		•	

Product and service labelling			•
Marketing communications			•
Customer privacy			•
Compliance	•		

* Several Compliance-related indicators under the excluded GRI aspects have also been included in the reporting in order to supplement a comprehensive description of the overall importance of compliance to Wärtsilä.

Wärtsilä's sustainability reporting provides a full standard disclosure of the management approach and performance indicators defined by the GRI G4 Guidelines.

Aspect boundary within the organisation (G4-20)

The aspect boundary for the material aspects is all Wärtsilä companies. The economic performance data covers all Wärtsilä companies. The data on environmental and social performance covers all Wärtsilä companies except the following:

- Wärtsilä Operations Guyana Inc.
- Wärtsilä Yuchai Engine Co. Ltd.
- Wärtsilä Egypt Power S.A.E
- Wärtsilä Tanzania Ltd.
- Wärtsilä Muscat LLC
- L-3 Marine Systems International's units, acquired during the financial period 2015:
 - Funa International Oy
 - Wärtsilä SAM Electronics Nederland B.V.
 - Wärtsilä JOVYATLAS EUROATLAS GmbH
 - Wärtsilä ELAC Nautik GmbH
 - Wärtsilä SAM Electronics GmbH
 - Wärtsilä FUNA International GmbH
 - Wärtsilä APSS Srl
 - Wärtsilä Lyngsø Marine A/S
 - Wärtsilä Valmarine AS
 - Wärtsilä FUNA International Inc.
 - Wärtsilä Dynamic Positioning Inc.
 - Wärtsilä SAM Electronics (Taizhou) Co. Ltd.
 - Wärtsilä Marine Systems Korea Co Ltd.

These companies will be included in Wärtsilä's sustainable development reporting in the forthcoming years. Wärtsilä's Sustainability Reporting is an integrated part of its annual reporting, and therefore Wärtsilä publishes its sustainability data annually.

Coverage of operational data

Operational data, % of Wärtsilä companies

	2015	2014	2013	2012	2011
Economic	100	100	100	100	100
Environmental	83	94	93	79	92
Social	100	100	93	79	92

Operational data, % of personnel

	2015	2014	2013	2012	2011
Economic	100	100	100	100	100
Environmental	91	98	99	94	98
Social	100	100	99	94	98

Operational data, % of product manufacturing

	2015	2014	2013	2012	2011
Economic	100	100	100	100	100
Environmental	95	100	99	93	100
Social	100	100	99	93	100

Aspect boundary outside the organisation (G4-21)

Wärtsilä's Sustainability Report does not cover performance data collected outside the Group companies.

Explanation of the effect of any re-statements of information provided in earlier reports (G4-22)

There are no major restatements of information provided in previous reports.

Significant changes from previous reporting periods (G4-23)

There are no significant changes from previous reporting periods in the reporting scope and aspect boundaries. Historical data covers all entities that were part of the Group at the end of each reporting period.

Reporting principles

Economic performance data

The economic performance data is based on audited financial accounting and covers all Wärtsilä subsidiaries unless otherwise stated.

Donations: The data of this indicator included 15 major Wärtsilä subsidiaries and the parent company in 2015.

Subsidies: The data of this indicator included all Wärtsilä subsidiaries and the parent company in 2015.

The social costs for employees contribute to the funding of pensions, unemployment, and other social benefits that provide security and improve the quality of life for the company's employees and their families.

Senior management includes all employees with the highest job grade levels 10-15. At the end of 2015 this covered 443 employees.

Environmental performance data

Materials include all the major material flows used in the production processes globally. The most material consuming product categories include engines, propellers, and propulsion systems.

Total energy consumption includes both direct and indirect energy usage. The direct energy usage includes the fuels used by Wärtsilä subsidiaries. Lower heating values (LHV) are used to calculate the energy consumption of fuels in joules. LHVs are based on information supplied by vendors or results of fuel analysis. The indirect energy usage includes the purchased electricity and heat. Since the efficiency of purchased electricity and heat generation is not known, the energy conversion is done directly from the purchased values.

Fuel consumption data is based on either invoices or measured values.

Heat and electricity data is based on either invoices or measured values.

Energy intensity describes the ratio of total internal energy consumption divided by the total net sales of the subsidiaries included in the data gathering in a particular year.

GHG emissions intensity describes the ratio of total greenhouse gas emissions divided by the total net sales of the subsidiaries included in the data gathering in a particular year.

Reduction of energy consumption data is based on energy efficiency actions, which are based on the results of third-party energy audits. Energy audit reports include proposed energy saving actions with calculated energy saving potentials per action item.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units.

Recycled water: The reported amount is the total measured recycled water used in Wärtsilä Italia S.p.A. Their water treatment plant provides reusable water for manufacturing processes.

Water consumption: The reported figures are based on either measured values or invoices. The cooling water usage might also be calculated from the heat load in some units. The water sources have been specified based on a detailed questionnaire for each Wärtsilä subsidiary.

Water discharge: The reported figures are based on either measured values or invoices. The cooling water discharge might also be calculated from the heat load in some units. The water discharge destinations have been specified based on a detailed questionnaire for each Wärtsilä subsidiary.

Emissions: The reported figures are mainly based on measured values, based on which specific emission factors are determined. The specific emission factors are determined for various fuels and engine types. The emissions of the heating boilers are either measured or calculated. The emissions of vehicles are calculated by using the VTT (Technical Research Centre of Finland) Lipasto database emission factors. The indirect CO₂ emissions (scope 2) are calculated by using the emission factors from the GHG Protocol. The CO₂ emissions of air travel are based on calculations by Wärtsilä's travel agency and are based on DEFRA (the UK government Department for Environment, Food and Rural Affairs) defined factors. GWP factor used for converting methane emissions to CO₂-equivalent is 25.

Environmental disturbances: As such are considered major incidents, which generally require communication to local authorities.

Social performance data

Total number of injuries: The reported figures include all types of reported work-related injuries, as well as commuting injuries and possible fatalities.

Lost time injuries: The reported figures include all reported work-related injuries resulting in absence from work of at least one day.

LTI frequency is expressed as reported lost time injuries and possible fatalities per million working hours. The working hours are actual paid working hours. The lost time injury rate does not include commuting injuries.

Net employment creation is calculated by deducting the number of permanent employees having left the company for any reason from the amount of newly hired permanent employees during the reporting period.

Employee turnover is calculated from permanent employees. The number of resigned permanent employees is divided by the number of permanent employees at the beginning of the reporting period.

Independent Assurance Report

To the Board of Management of Wärtsilä Oyj Abp

We have been engaged by the Board of Management of Wärtsilä Oyj Abp (hereafter: Wärtsilä) to provide limited assurance on Wärtsilä's Sustainability Information in the electronic Wärtsilä Annual Report 2015 from the reporting period 1.1.–31.12.2015.

The sustainability information subject to the limited assurance engagement (hereafter: the Sustainability Information) includes data and text presented in the following sections presented in Wärtsilä's Annual Report:

- The "Sustainability" -section and its sub-sections
- The following sub-sections of the "This is Wärtsilä" -section: "CEO review", "Wärtsilä in Brief", "Corporate strategy", "Sustainability targets", "Value of sustainable innovations", "Sustainability highlights", "Energy Solutions and Sustainability", "Marine Solutions and Sustainability", "Services and Sustainability" and "Research and Development"
- The GRI-G4 indicators included in the Governance section
- The data and text in the "Stories" section specifically marked with "Sustainability Assured 2015".

The Board of Management of Wärtsilä is responsible for the preparation and presentation of the Sustainability Information in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance. We have conducted the engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information). We apply the international quality standard ISQC1 and accordingly maintain a comprehensive system including documented policies and procedures. We also comply with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. We do not accept or assume responsibility to anyone other than Wärtsilä for our work, for this assurance report, or for the conclusions we have reached.

Limitations of the engagement

Data and information related to sustainability are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Sustainability Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Wärtsilä. Our assurance report is not intended for use in evaluating Wärtsilä's performance in executing the sustainability principles Wärtsilä has defined. To assess the financial position and performance of Wärtsilä, the Wärtsilä audited Financial Statements for the year ended 31 December 2015 is to be consulted.

The work performed in the engagement

Our assurance procedures are designed to obtain limited assurance on whether the Sustainability information is presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented, and applying analytical and other evidence gathering procedures,

as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interviews with two members of senior management to reassert our understanding of the connection between Wärtsilä's sustainability procedures and Wärtsilä's business strategy and operations as well as sustainability objectives;
- An assessment of the Sustainability Information's conformity with the principles of the G4 guidelines for defining content and reporting quality;
- An assessment of coverage of the material aspects selected for the Sustainability Information and the definition of reporting boundaries in the context of Wärtsilä's business operations and sector;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Sustainability Information, and a review of Wärtsilä's related internal documents and guidelines;
- Comparison of Sustainability Information to underlying rules of procedure, management and reporting systems as well as documentation;
- A review of the presented Sustainability Information, including the performance data and assertions, subject to the engagement, and an assessment of information quality and reporting boundary definitions;
- Assessment of data accuracy and completeness through a review of the original numerical information received from Wärtsilä's subsidiaries as well as through samples the Group's information systems;
- Assessment of the local reporting processes of Wärtsilä's subsidiaries on a sample basis through a three site visits and four video conferences, conducted to Wärtsilä sites selected on the basis of a risk analysis taking into account both qualitative and quantitative information.

Conclusions

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* in all material respects.

Helsinki, 5. February 2016

KPMG OY AB

Virpi Halonen
Authorized Public Accountant

Nathalie Clément
Senior Manager, Advisory

GRI and UNGC index

General standard disclosures

STRATEGY AND ANALYSIS

GRI content	Links	Remarks	UNGC
G4-1 CEO's statement	CEO review		•
G4-2 Key impacts, risks and opportunities	Risks and risk management Corporate strategy Our targets Energy Solutions and sustainability Marine Solutions and sustainability Services and sustainability The value of sustainable innovations	See also business strategy sections	•

ORGANIZATIONAL PROFILE

GRI Content	Links	Remarks	UNGC
G4-3 Name of the Organization	Wärtsilä in brief		•
G4-4 Primary Brands, Products and Services	Wärtsilä in brief Energy Solutions Marine Solutions Services		•
G4-5 Location of the Organization's Headquarters	Shares and shareholders	Helsinki, Finland	•
G4-6 Number of Countries where the Organization Operates	Wärtsilä in brief Notes to the Consolidated financial statements	www.wartsila.com	•
G4-7 Nature of Ownership and Legal Form	Shares and shareholders		•
G4-8 Market areas	Wärtsilä in brief		•
G4-9 Scale of the Organization	Wärtsilä in brief Shareholders		•
G4-10 Total Number of Employees by Employment Contract, Employment Type, Region and Gender	Social		•
G4-11 Percentage of Total Employees Covered by Collective Bargaining Agreements	Responsible business conduct	55% of Wärtsilä employees were covered by collective bargaining agreements in 2015.	•
G4-12 Organization's Supply Chain	Supply chain management		•
G4-13 Significant Changes during the Reporting Period Regarding the Organization's Size, Structure, Ownership, or its Supply Chain	Structural changes Board of Directors' report		•
G4-14 Whether and How the Precautionary Approach or Principle is Addressed by the Organization	Product design principles Risks and risk management Research and development		

G4-15 Externally Developed Economic, Environmental and Social Charters, Principles, or Other Initiatives to Which the Organization Subscribes or Which It Endorses	Guiding principles		
G4-16 Memberships of Associations and National or International Advocacy Organizations	Stakeholder relations		

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

GRI Content	Links	Remarks	UNGC
G4-17 Entities Included in the Organization's Consolidated Financial Statements	Materiality assessment		
G4-18 Process for Defining the Report Content	Materiality assessment		
G4-19 Material Aspects	Materiality assessment		
G4-20 List of Entities or Groups of Entities Within the Organization for Which the Aspects Are Material	Materiality assessment		
G4-21 List of Entities or Groups of Entities Outside of the Organization for Which the Aspects Are Material	Materiality assessment		
G4-22 Effect of any Restatements of Information Provided in Previous Reports, and the Reasons for Such Restatements	Materiality assessment		
G4-23 Significant Changes from Previous Reporting Periods in the Scope and Aspect Boundaries	Materiality assessment		

STAKEHOLDER ENGAGEMENT

GRI Content	Links	Remarks	UNGC
G4-24 List of Stakeholder Groups Engaged by the Organization	Stakeholder relations		●
G4-25 Basis for Identification and Selection of Stakeholders with whom to Engage	Stakeholder relations		●
G4-26 Organization's Approach to Stakeholder Engagement	Stakeholder relations		●
G4-27 Key Topics and Concerns that Have Been Raised through Stakeholder Engagement	Stakeholder relations		●

REPORT PROFILE

GRI Content	Links	Remarks	UNGC
G4-28 Reporting Period	Report profile		●
G4-29 Date of Most Recent Previous Report	Report profile		●
G4-30 Reporting Cycle	Report profile		●
G4-31 Contact Point for Questions Regarding the Report or its Contents	Report profile		●
G4-32 GRI "in accordance" option	Materiality assessment Independent assurance report		●
G4-33 Policy and Current Practice with Regard to Seeking External Assurance	Independent assurance report		●

GOVERNANCE

GRI Content	Links	Remarks	UNGC
G4-34 Governance Structure, Including Committees	Corporate Governance Board of Directors		•
G4-35 Division of responsibilities	Corporate Governance Board of Directors		•
G4-36 Positions with Responsibility	Board of Management		•
G4-37 Processes for Consultation with Stakeholders	Annual General Meeting Internal Control		•
G4-38 Members of the Board of Directors	Board of Directors		•
4-39 Status of the Chair of the Highest Governance Body	Board of Directors		•
G4-40 Election of the Board of Directors	Annual General Meeting Board of Directors	The nomination committee proposes new board members. The committee consults major shareholders, and in their proposals they take into account the specific needs of the Board, including sustainability competencies and diversity.	•
G4-41 Processes to Ensure Conflicts of Interest are Avoided and Managed	Board of Directors Insider management Shareholders		•
G4-42 Highest Governance Body's Role in Setting Purpose, Values, and Strategy	Board of Directors Internal Control		•
G4-43 Highest Governance Body's Collective Knowledge	Internal Control Board of Management		•
G4-44 Evaluation of the Highest Governance Body's Performance	Board of Directors	The evaluation is of general nature, but also includes sustainability issues if such concerns arise. The evaluation partly affects the membership changes within the Board.	•
G4-45 Highest Governance Body's Role in the Identification and Management of Risk	Board of Directors Risks and risk management		•
G4-46 Highest Governance Body's Role in Reviewing the Effectiveness of the Organization's Risk Management	Board of Directors		•
G4-47 Frequency of Risk Reviews	Board of Directors Board committees Internal Control	11 meetings in 2015.	•
G4-48 Highest Committee or Position that Formally Reviews and Approves the Organization's Sustainability Report	Report profile		•
G4-49 Process for Communicating Critical Concerns	Internal Control		•

G4-50 Nature and Total Number of Critical Concerns that Were Communicated		This information is not publicly disclosed.	
G4-51 Remuneration Policies for the Highest Governance Body and Senior Executives	Salary and remuneration report 2015		•
G4-52 Process for determining remuneration	Board committees Employee practices		•
G4-53 Stakeholders' views on remuneration	Salary and remuneration report 2015		•
G4-54 Ratio of the Annual Total Compensation for the Organization's Highest-Paid Individual and the Median for All Employees		This information is not publicly disclosed.	
G4-55 Percentage Increase in Total Compensation for the Organization's Highest-Paid Individual and the Median for All Employees		This information is not publicly disclosed.	

ETHICS AND INTEGRITY

GRI Content	Links	Remarks	UNGC
G4-56 Ethics and Integrity	Corporate strategy Guiding principles		•
G4-57 Mechanisms for Seeking Advice on Ethical and Lawful Behaviour	Code of Conduct Compliance		•
G4-58 Mechanisms for Reporting Concerns about Unethical or Unlawful Behaviour	Code of Conduct Compliance		•

Specific standard disclosures

DMA and Indicators

CATEGORY: ECONOMIC

GRI content	Links	Remarks	UNGC	Material aspect indicators
G4-Generic Disclosures on Management Approach (DMA)	Management approach	www.wartsila.com/sustainability	•	•
Material aspect: ECONOMIC PERFORMANCE				
G4-EC1 Direct economic value generated and distributed	Economic performance			•
G4-EC2 Financial implications and other risks and opportunities due to climate change	Economic performance			•
G4-EC3 Coverage of defined benefit plan obligations	Economic performance			•
G4-EC4 Financial assistance received from governments	Economic performance			•
MARKET PRESENCE				
G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Market presence	Partly reported	•	

G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	Market presence		•	
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CATEGORY: ENVIRONMENTAL

GRI Content	Links	Remarks	UNGC	Material aspect indicators
MATERIALS				
G4-EN1 Materials used by weight	Materials		•	
G4-EN2 Percentage of materials that are recycled input materials	Materials	Partly reported. The recycled material input of metals varies between 20% and 95%, depending on the type of furnace and foundry used by the metal recycling companies in the supply chain, of which there are too many to state an exact percentage.	•	
ENERGY				
G4-EN3 Energy consumption within the organization	Energy		•	
G4-EN5 Energy intensity	Energy		•	
G4-EN6 Reduction of energy consumption	Energy		•	
WATER				
G4-EN8 Total water withdrawal by source	Water		•	
G4-EN9 Water sources significantly affected by withdrawal of water	Water		•	
G4-EN10 Percentage and total volume of water recycled and reused	Water		•	
EMISSIONS				
G4-EN15 Direct greenhouse gas emissions (scope 1)	Emissions		•	
G4-EN16 Indirect greenhouse gas emissions (scope 2)	Emissions		•	
G4-EN17 Other indirect greenhouse gas emissions (scope 3)	Emissions		•	
G4-EN18 Greenhouse gas emissions intensity	Emissions		•	
G4-EN19 Reduction of greenhouse gas emissions	Emissions	It is not possible to state the exact amount of GHG emission reductions achieved from the reduced travelling, because such a figure would be purely hypothetical.	•	
G4-EN21 Nitrogen oxide (NOx), Sulphur oxide (SOx) and other significant air emissions	Emissions		•	

EFFLUENTS AND WASTE				
G4-EN22 Total water discharge by quality and destination	Effluents and waste		•	
G4-EN23 Total weight of waste by type and disposal method	Effluents and waste		•	
G4-EN24 Total number and volume of significant spills	Compliance		•	
Material aspect: PRODUCTS AND SERVICES				
G4-EN27 Extent of impact mitigation of environmental impacts of products and services	Products and services	www.wartsila.com/sustainability	•	•
G4-EN28 Percentage of reclaimed products and their packaging materials for each product category		Not suitable for Wärtsilä	•	•
Material aspect: COMPLIANCE				
G4-EN29 Significant fines and sanctions for non-compliance with environmental regulations	Compliance		•	•
OVERALL				
G4-EN31 Total environmental protection expenditures and investments	Expenditures		•	
ENVIRONMENTAL GRIEVANCE MECHANISMS				
G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Compliance		•	

CATEGORY: SOCIAL

GRI Content	Links	Remarks	UNGC	Material aspect indicators
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
EMPLOYMENT				
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	Employment		•	
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employment			
LABOUR/ MANAGEMENT RELATIONS				
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Labor/Management Relations		•	
Material aspect: OCCUPATIONAL HEALTH AND SAFETY				
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees	Occupational health and safety		•	•
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Occupational health and safety	Partly reported.	•	•
G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	Occupational health and safety		•	•
G4-LA8 Health and safety topics covered in formal agreements with trade unions	Responsible business conduct	In some cases local collective bargaining agreements also cover OHS issues. At the	•	•

		moment detailed information is unavailable.		
Material aspect: TRAINING AND EDUCATION				
G4-LA9 Average hours of training per year per employee by gender, and by employee category	Training and education		•	•
G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Training and education	Various types of training can be offered in restructuring situations, however specific actions are defined case by case.		•
G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Training and education		•	•
DIVERSITY AND EQUAL OPPORTUNITY				
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Employment Diversity and equal opportunity		•	
LABOUR PRACTICES GRIEVANCE MECHANISMS				
G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Compliance		•	
SUB-CATEGORY: HUMAN RIGHTS				
NON-DISCRIMINATION				
G4-HR3 Total number of incidents of discrimination and corrective actions taken	Compliance		•	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measure taken to support these rights	Compliance Supply Chain Management		•	
CHILD LABOUR				
G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Compliance Supply Chain Management		•	
FORCED OR COMPULSORY LABOUR				
G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced compulsory labour, and measures taken to contribute to the elimination of all forms of forced labour	Compliance Supply Chain Management		•	
HUMAN RIGHTS GRIEVANCE MECHANISMS				
G4-HR12 Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms	Compliance		•	

SUB-CATEGORY: SOCIETY				
Material aspect: ANTI-CORRUPTION				
G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<u>Risks and risk management</u>	Coverage of risk management processes is 100% of our operations.	●	●
G4-SO4 Communication and training on anti-corruption policies and procedures	<u>Sustainability targets</u>	Partly reported.	●	●
G4-SO5 Confirmed incidents of corruption and actions taken	<u>Compliance</u>		●	●
PUBLIC POLICY				
G4-SO6 Total value of political contributions by country and recipient/beneficiary	<u>Compliance</u>		●	
ANTI-COMPETITIVE BEHAVIOR				
G4-SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	<u>Compliance</u>			
Material aspect: COMPLIANCE				
G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<u>Compliance</u>			●
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY				
G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>			
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes	<u>Compliance</u>			
PRODUCT AND SERVICE LABELING				
G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	<u>Compliance</u>			
G4-PR5 Results of surveys measuring customer satisfaction	<u>Product and Service Labelling</u>			
MARKETING COMMUNICATIONS				
G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	<u>Compliance</u>			
CUSTOMER PRIVACY				
G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<u>Compliance</u>			
Material aspect: COMPLIANCE				
G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<u>Compliance</u>			●

Governance

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Corporate governance

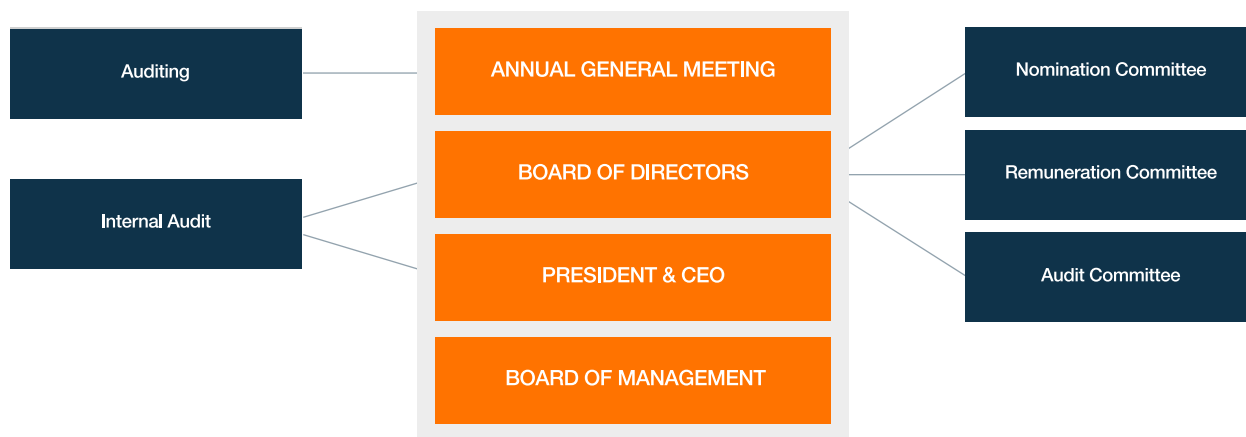
Wärtsilä Corporation complies with the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act, and the rules and regulations of the NASDAQ OMX Helsinki Stock Exchange. Wärtsilä also applies the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines and complies with the Finnish Corporate Governance Code 2015 (“Code”) issued by the Finnish Securities Market Association. The Code is publicly available on <http://cgfinland.fi/en/>. Wärtsilä has not deviated from any of the Code’s recommendations.

Wärtsilä’s Corporate Governance Statement, prepared in accordance with the recommendations of the Code, is also published as a separate statement on Wärtsilä’s website as well as in this Annual Report. The content of this Corporate Governance section corresponds fully to Wärtsilä’s Corporate Governance Statement. Wärtsilä’s Audit Committee has reviewed the Corporate Governance Statement, and the Company’s external auditor has monitored the issuing of the statement and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

Governing bodies

Wärtsilä implements a single-tier governance model, by which management of the Wärtsilä Group is the responsibility of the General Meeting of shareholders, the Board of Directors, and the President & CEO. Their duties are for the most part defined by the Finnish Companies Act. The General Meeting of shareholders elects the Board of Directors and auditors. The Board of Directors is responsible for the strategic management of the company. The Board appoints the President & CEO, who is in charge of the operative, day-to-day management of the company. He is assisted in his work by the Board of Management.

GOVERNING BODIES



Annual General Meeting

Wärtsilä's ultimate decision-making body is the General Meeting of shareholders. It resolves issues as defined for General Meetings in the Finnish Companies Act and the company's Articles of Association. These include:

- approving the financial statements
- deciding on the distribution of dividends
- discharging the company's Board of Directors and CEO from liability for the financial year
- electing the company's Board of Directors and auditors and deciding on their remuneration

A General Meeting of Wärtsilä Corporation shareholders is held at least once a year, at no later than the end of June. If needed, the company may also hold Extraordinary General Meetings. An invitation to the General Meeting is published in at least two daily newspapers in common circulation in Finland, as decided by the Board of Directors. The invitation shall be published no earlier than two months, and no later than three weeks, prior to the General Meeting. It shall, however, be published at least nine days prior to the shareholders' record date. Wärtsilä also publishes invitations to its General Meetings as stock exchange releases, as well as on its website, together with the documents and draft resolutions to be submitted to the General Meeting.

Shareholders have the right to add items falling within the competence of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in writing sufficiently in advance of the meeting so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes on its website the date by which a shareholder must notify the company's Board of Directors of an issue that he or she demands to be addressed at the General Meeting. This information is given no later than by the end of the financial period preceding the General Meeting, and includes the postal or email address to which the demand shall be sent. The demand is always deemed to have arrived in sufficient time if the Board has been notified of the demand at the latest four weeks before the delivery of the Notice of the General Meeting.

All shareholders registered by the record date in the company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holders to one vote. The General Meeting is organised in such a manner that shareholders can participate in the meeting as extensively as possible. The Chairman of the Board of Directors, the members of the Board of Directors, and the President & CEO are present at the General Meeting. The auditor-in-charge also attends the Annual General Meeting. The director candidates shall also be present at the General Meeting that decides upon their election.

Annual General Meeting 2015

Wärtsilä's Annual General Meeting was held on 5 March 2015. A total of 1,171 shareholders representing 109,547,854 votes participated in person or by proxy. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2014. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.15 per share. The dividend was paid on 16 March 2015. All resolutions were made without voting. The minutes of the meeting and other related documents can be found on Wärtsilä's website; www.wartsila.com > Investors > Governance.

Board of Directors



Mikael Lilius

Independent of the company and significant shareholders. Chairman of the Board of Wärtsilä Corporation. Born 1949, B.Sc. (Econ.). Member of the Board of Wärtsilä Corporation since 2010, Chairman of the Board since 2011.

Primary working experience

Fortum Oyj, President and CEO, 2000-2009; Gambro AB, President and CEO, 1998-2000; Incentive AB, President and CEO, 1991-1998; KF Industri AB (Nordico), President & CEO, 1989-1991 and Huhtamäki Oy, President of the Packing Division, 1986-1989.

Other positions of trust

Ahlström Capital Oy, Metso Corporation and Mehiläinen Oy, Chairman of the Boards; Evli Bank Ltd., Member of the Board; Ab Kelonia Oy, Member of the Supervisory Board, East Office of Finnish Industries, Deputy Member of the Board.

Holdings in Wärtsilä Corporation on 31.12.2015: 16,949 shares



Sune Carlsson

Independent of the company and dependent of significant shareholders based on the Board of Directors' overall evaluation. Born 1941, M.Sc. (Eng.). Member of the Board of Wärtsilä Corporation since 2013, Deputy Chairman of the Board since 2015.

Primary working experience

AB SKF, President & CEO, 1998-2003; ABB Ltd, Executive Vice President, 1988-1998 and ASEA AB, Executive Vice President, 1977-1988.

Other positions of trust

Patricia Industries AB, Member of the Board.

Relevant prior positions of trust

Board chairmanship: Atlas Copco AB, 2003-2014. Board memberships: Investor AB, 2002-2015; Stena AB, 2009-2011; Autoliv Inc, 2003-2011 and Scania AB, 2004-2007.

Holdings in Wärtsilä Corporation on 31.12.2015: 12,203 shares



Maarit Aarni-Sirviö

Independent of the company and significant shareholders. Born 1953, M.Sc. (Tech.), eMBA. Secretary General of Directors' Institute of Finland – Hallitusammattilaiset ry; Managing Director of Boardview Oy; Senior Adviser at Eera Oy. Member of the Board of Wärtsilä Corporation since 2007.

Primary working experience

Mint of Finland Ltd., President and CEO, 2008-2010; Borealis Group, 1994-2008, several senior positions of which the most recent was Vice President BU Phenol, 2001-2008; Vice President BU Olefins, 1997-2001 in Copenhagen, Denmark and Neste Oyj, 1977-1994.

Other positions of trust

Non-Executive Director of Berendsen plc; Directors' Institute of Finland – Hallitusammattilaiset ry and ecoDa (The European Confederation of Directors Associations), Member of the Boards.

Relevant prior positions of trust

Board memberships: Rautaruukki Oyj, 2005-2012; Ponsse Oyj, 2007-2010 and Vattenfall AB, Sweden, 2004-2007.

Holdings in Wärtsilä Corporation on 31.12.2015: 9,078 shares



Kaj-Gustaf Bergh

Independent of the company and significant shareholders. Born 1955, B.Sc., LL.M. Managing Director of Föreningen Konstsamfundet r.f. Member of the Board of Wärtsilä Corporation since 2008.

Primary working experience

Skandinaviska Enskilda Banken, Member of management, 2000-2001; SEB Asset Management, Director, 1998-2000; Ane Gyllenberg Ab, Chief executive officer, 1986-1998; Oy Bensow Ab, Director, Executive vice president, 1985-1986; Ane Gyllenberg Ab, Administrative manager, 1984-1985 and Ky von Konow & Co, Administrative manager, 1982-1983.

Other positions of trust

Sponda Oyj, Stockmann Oyj Abp, Julius Tallberg Oy Ab, Ab Forum Capita Oy and KSF Media Holding Ab, Chairman of the Boards; Ramirent Group and JM AB, Member of the Boards.

Relevant prior positions of trust

Board chairmanships: Fiskars Corporation 2006-2014; Ålandsbanken Abp 2011-2013 and Aktia Abp 2005-2009. Board memberships: Fiskars Corporation 2014-2015 and Stockmann Oyj Abp 2007-2013.

Holdings in Wärtsilä Corporation on 31.12.2015: 8,300 shares



Tom Johnstone

Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Investor AB. Born 1955, Master of Arts, Honorary Doctorate in Business Administration and Honorary Doctorate in Science. Member of the Board of Wärtsilä Corporation since 2015.

Primary working experience

Several management posts within the SKF Group, the latest as President and Chief Executive Officer of AB SKF, 2003-2014.

Other positions of trust

Investor AB and Volvo Cars, Member of the Boards; British Swedish Chamber of Commerce and Husqvarna AB, Chairman of the Boards.

Holdings in Wärtsilä Corporation on 31.12.2015: 628 shares



Risto Murto

Independent of the company and significant shareholders. Born 1963, Ph.D. (Econ.). President & CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wärtsilä Corporation since 2014.

Primary working experience

Investments, Varma, Executive Vice President, 2010-2013; Investments, Varma, Senior Vice President, Chief Investment Officer, 2006-2010; Opstock Ltd, Managing Director, 2000-2005; Opstock Ltd, Director, 1997-2000.

Other positions of trust

University of Oulu, Chairman of the Board; Federation of Finnish Financial Services and Sampo plc, Member of the Boards; The Finnish Pension Alliance TELA, I Deputy Chairman of the Board.

Holdings in Wärtsilä Corporation on 31.12.2015: 1,248 shares



Gunilla Nordström

Independent of the company and significant shareholders. Born 1959, M.Sc. in Electronics, Industrial Marketing Management. Member of the Board of Wärtsilä Corporation since 2012.

Primary working experience

President & CEO, Electrolux Major Appliances Asia/Pacific and Executive Vice President, Electrolux AB, 2007-2015; Senior management positions with Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983-2007.

Other positions of trust

Atlas Copco AB, Sweden, Member of the Board; Committee of Swedish Business Association of Singapore, Committee member.

Relevant prior positions of trust

Board memberships: Luleå University, Sweden, 2007-2010 and Videocon Industries Limited, India, 2009-2010.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,691 shares



Markus Rauramo

Independent of the company and significant shareholders. Born 1968, M.Sc. (Econ. and Pol. Hist.). Executive Vice President, Heat, Electricity Sales and Solutions Division and Member of the Fortum Executive Management Team. Member of the Board of Wärtsilä Corporation since 2011.

Primary working experience

Fortum Corporation, Chief Financial Officer, 2012-2014; Stora Enso Oyj Helsinki, CFO and Member of the GET, 2008-2012; Stora Enso International London, SVP Group Treasurer, 2004-2008; Stora Enso Oyj Helsinki, VP Strategy and Investments, 2001-2004; Stora Enso Financial Services Brussels, VP Head of Funding, 1999-2001 and Enso Oyj Helsinki, several financial tasks, 1993-1999.

Other positions of trust

Ahlström Oyj and Teollisuuden Voima Oyj, Member of the Boards.

Holdings in Wärtsilä Corporation on 31.12.2015: 3,802 shares

Operations of the Board of Directors

Responsibility for the management of the company and the proper organisation of its operations is invested in the company's Board of Directors, which is composed of five to ten members. Board members serve for one year at a time and are elected by the General Meeting. According to the Corporate Governance Code's recommendation 10, the majority of Board members shall be independent of the company and at least two of the members representing this majority shall be independent of significant shareholders of the company. The Board evaluates the independence of the members annually and re-evaluates as necessary.

The Nomination Committee prepares the proposal for the General Meeting regarding the election of the directors for the Board, and communicates with significant shareholders, when required, on matters pertaining to the proposal. The proposal for the composition of the Board is included in the Notice of the General Meeting. The same applies to a proposal for the composition of the Board made by shareholders with at least 10% of the votes carried by the company shares, provided that the candidates have given their consent to the election and the company has received information on the proposal sufficiently in advance as to be included in the Notice of the General Meeting. The candidates proposed shall be disclosed separately in corresponding order. Wärtsilä publishes the biographical details of the candidates for the Board on its website in connection with publication of the Notice of the General Meeting.

The Board elects a chairman and a deputy chairman from among its members. The Board steers and supervises the company's operations and decides on policies, goals, and strategies of major importance. The principles applied by the Board to its regular work are set out in the Board Charter. The Board also approves the rules of procedure applied by the Board's committees setting out their main tasks and working principles. In addition to matters requiring its decision, the Board is also given updates at its meetings on the Group's operations, financial position and risks.

The Board conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to act as a basis for developing Board functions.

The Board of Directors convenes 7-10 times a year following a pre-determined schedule. In addition to these meetings, the Board convenes as necessary. All meetings are documented.

Diversity principles

In order for the Board of Directors to discharge its duties in the most effective manner, the Board must be highly qualified and sufficiently diverse. When preparing its proposal for the Board composition, the Nomination Committee takes into account the educational and professional background of the individual candidates, as well as international experience so that the board composition represents a wide variety of competencies and qualifications. The Nomination Committee also takes into account the candidates' age, as having different seniority level on the Board is considered beneficial in terms of ensuring mutually complementing experience. Wärtsilä's principle with regard to gender is to have members of both genders represented on the Board. In December 2015, Wärtsilä had two female board members out of eight members in total. The objective of the Company is to over time achieve a more balanced representation of both genders on the Wärtsilä Board. Wärtsilä shall report on the means and the progress in achieving the gender related objectives in its Corporate Governance Statement for the year 2016.

The Nomination Committee assesses the potential candidates not only in terms of their individual qualifications and characteristics, but also in terms of their ability to effectively work together and jointly support and challenge the company management in a proactive and constructive way.

Board of Directors in 2015

As of 5 March 2015, the Board consisted of the following eight members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Sune Carlsson (deputy chairman), Mr Tom Johnstone, Mr Mikael Lilius (chairman), Mr Risto Murto, Ms Gunilla Nordström and Mr Markus Rauramo.

All eight Board members were determined to be independent of the company and six members were determined to be independent of significant shareholders. Mr Tom Johnstone was determined to be dependent of significant shareholders due to his position on the board of Investor AB. Based on the Board of Directors' overall evaluation, Mr Sune Carlsson was determined to be dependent of significant shareholders due to long-term board positions within the Investor Group.

Until 5 March 2015, the Board consisted of the following nine members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh (deputy chairman), Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Mikael Lilius (chairman), Mr Risto Murto, Ms Gunilla Nordström and Mr Markus Rauramo.

During 2015, Wärtsilä's Board of Directors held 11 meetings. The average attendance of all directors was 100%. The financial and strategic development of Wärtsilä and its position in the markets, its growth opportunities, and the general further development of the Company have been, among other things, the major items on the Board's agenda. People matters and succession planning are an important and continuous part of the Board's work, as they contribute to the long-term success of the Company. In 2015, appointing the new President & CEO and ensuring a smooth transition of responsibilities were central themes in the Board's work. Another area of focus was the acquisition of L-3 Marine Systems International and the overseeing of the resultant integration process. Other matters on the agenda have been items related to Wärtsilä's operational environment.

Board member meeting participation in 2015

	Number of meetings	% of meetings
Mikael Lilius, Chairman	11/11	100
Sune Carlsson, Deputy Chairman	11/11	100
Maarit Aarni-Sirviö	11/11	100
Kaj-Gustaf Bergh	11/11	100
Tom Johnstone	11/11	100
Risto Murto	11/11	100
Gunilla Nordström	11/11	100
Markus Rauramo	11/11	100
Until 5 March 2015		
Alexander Ehrnrooth	2/2	100
Paul Ehrnrooth	2/2	100

Responsibilities of the Board of Directors

The Board considers all matters stipulated to be the responsibility of a board of directors by legislation, other regulations, and the company's Articles of Association. The most important of these are:

- the annual and interim financial statements
- matters to be put before the General Meetings of shareholders
- the appointment of the President and CEO, the Executive Vice Presidents and the CEO's deputy, if any
- the organisation of financial supervision within the company

The Board is also responsible for considering any matters that are so far-reaching with respect to the area of the Group's operations, that they cannot be considered to fall within the scope of the Group's day-to-day administration. Examples of such matters include:

- approval of the long-term goals of the Group and its businesses as well as the strategies to achieve them
- monitoring the developments, opportunities and threats in the external environment, and their impact on goals and strategy
- approval of the annual business plan and target setting for the Group
- approval of risk management principles
- monitoring and assessing the performance of the President and CEO
- approval of the remuneration and pension benefits of the President and CEO, the Executive Vice Presidents and the CEO's deputy
- approval of the corporate governance principles
- overseeing that the Company complies with legal and regulatory requirements and its Code of Conduct and other established values and ethical principles in its operations
- discussing and monitoring the R&D and product development plans of the Company
- appointing of the Board committees
- the granting of charitable donations
- approval of other matters that are strategically or financially important, such as significant investments, acquisitions or divestments.

The Board's committees

The Board of Directors appoints annually an Audit Committee, a Nomination Committee, and a Remuneration Committee, and may also nominate other committees if considered necessary in its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairmen taking into consideration the expertise and experience required for the duties of the committee. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself. In addition to the committee members, other Board members may participate in committee meetings, if they so wish. The purpose of the Board's committees is to prepare matters to be put before the Board for its decision. The committees have no decision-making authority of their own.

The Audit Committee

The Board of Directors appoints an Audit Committee to assist it in the performance of its supervisory duties. The Board appoints from among its members at least three members to the Committee. These members shall have the

qualifications necessary to perform the responsibilities of the Audit Committee. The majority of the members of the Audit Committee shall be independent of the company and at least one member shall be independent of the company's significant shareholders.

The Board defines the duties of the Audit Committee in the charter confirmed for the Committee. The Audit Committee monitors the reporting process of financial statements, supervises the financial reporting process, and monitors the efficiency of the internal control, internal audit and risk management systems. Furthermore, the Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, monitors the statutory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor. Other duties of the Audit Committee include reviewing the accounting principles of the company and approving any amendments to them, reviewing the interim and financial statements of the company and the reports prepared by the auditor for the Audit Committee, as well as evaluating the processes aimed at ensuring compliance with laws and regulations and monitoring the company's credit position and taxation. The Audit Committee also reviews the company's Corporate Governance Statements and reviews and resolves any special issues raised by the Board of Directors that fall within the competence of the Audit Committee.

The Chairman of the Audit Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Audit Committee in 2015

Chairman Markus Rauramo, members Maarit Aarni-Sirviö and Risto Murto. All members are independent of the company and significant shareholders. The Audit Committee met five times in 2015. The average attendance of all Committee members was 100%.

The Nomination Committee

The Board of Directors appoints a Nomination Committee to assist it in its work. The Board appoints at least three of its members to serve on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Nomination Committee in the charter confirmed for the Committee. The Nomination Committee prepares the proposal to be put before the General Meeting regarding the election of the directors for the Board. The Committee communicates, when required, with major shareholders in matters pertaining to the election of the directors for the Board. The Nomination Committee prepares matters concerning the remuneration applying to Board members. The Nomination Committee monitors and reports to the Board of Directors the achievement related to the Board's diversity objectives on a yearly basis and proposes adjustments, if needed, to the Diversity Policy for the Board of Directors.

The Chairman of the Nomination Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Nomination Committee in 2015

Chairman Mikael Lilius, members Kaj-Gustaf Bergh, Sune Carlsson and Risto Murto. All members are independent of the company and three are independent of significant shareholders. The Nomination Committee met once in 2015. The average attendance of all Committee members was 100%.

The Remuneration Committee

The Board appoints a Remuneration Committee to assist it in its work. The Board appoints at least three of its members to sit on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Remuneration Committee in the charter confirmed for the Committee. The Remuneration Committee prepares, as necessary, matters concerning the nomination appointment of the President and CEO, Executive Vice Presidents, the CEO's deputy and other Board of Management members for before the Board of Directors. The Committee prepares proposals for the Board of Directors concerning the remuneration principles, incentive schemes and remuneration that apply to the President and CEO and the Board of Management members. External consultants used by the committee are independent of the company and management.

The Chairman of the Remuneration Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Remuneration Committee in 2015

Chairman Mikael Lilius, members Maarit Aarni-Sirviö and Tom Johnstone. All members are independent of the company and two are independent of significant shareholders. The Remuneration Committee met four times in 2015. The average attendance of all Committee members was 100%.

Board member committee meeting participation in 2015

	Audit Committee	Nomination Committee	Remuneration Committee
Mikael Lilius	-	1/1	4/4
Sune Carlsson	-	1/1	-
Maarit Aarni-Sirviö	5/5	-	3/3
Kaj-Gustaf Bergh	-	1/1	-
Tom Johnstone	-	-	3/3
Risto Murto	4/4	1/1	1/1
Gunilla Nordström	-	-	-
Markus Rauramo	5/5	-	-
Until 5 March 2015			
Alexander Ehrnrooth	1/1	-	-
Paul Ehrnrooth	-	-	1/1

Board of Management



Jaakko Eskola

President & CEO of Wärtsilä Corporation since 1 November 2015. Born 1958, M.Sc. (Eng.). Joined the company in 1998.

Primary working experience

Wärtsilä Corporation, Senior Executive Vice President and Deputy to the CEO, 2013-2015; President, Marine Solutions, 2006-2015; Vice President, Power Plants Sales & Marketing, 2005-2006; Wärtsilä Development & Financial Services Oy, President, 1998-2005; PCA Corporate Finance, Executive Director, 1997-1998; Kansallis-Osake Pankki, various managerial positions in international project finance, 1986-1997; Industrialization Fund of Finland, Corporate Analyst, 1984-1986; VTT Technical Research Centre of Finland, Researcher, 1983-1984.

Positions of trust

ALMACO Group and The Federation of Finnish Technology Industries, Member of the Boards.

Relevant prior positions of trust

European Marine Equipment Council (EMEC), President, 2008-2011.

Holdings in Wärtsilä Corporation on 31.12.2015: 3,320 shares



Pierpaolo Barbone

Deputy to the CEO since 1 November 2015 and President, Services & Executive Vice President, Wärtsilä Corporation, since 2013. Born 1957, M.Sc. (Eng.). Joined the company in 1996.

Primary working experience

Wärtsilä Corporation, Vice President Services, South Europe & Africa January-September, 2013; Wärtsilä Corporation, Vice President Services, Middle East & Asia, 2010-2013; Wärtsilä Italia S.p.A., Executive Vice President, 2000-2003; Ciserv Group, President, 2001-2006; Wärtsilä Corporation, Vice President Field Service, 1997-2009; Wärtsilä Italia S.p.A., Vice President Services, 1997-2003; Fincantieri C.N.I. S.p.A., Isotta Fraschini diesel engines business unit, Sales manager, 1989-1996.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,000 shares



Päivi Castrén

Executive Vice President, Human Resources since 2012. Born 1958, M.Sc. (Soc. Sc.). Joined the company in 2005.

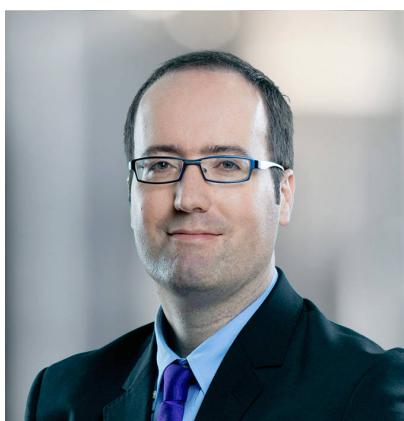
Primary working experience

Wärtsilä Corporation, Vice President, Human Resources, 2005-2011; Nokia Corporation, Director, Human Resources, Nokia Finland, 2002-2005; Nokia Networks, HR Director, 2000-2002; Nokia Networks, Networks Systems division, HR Director, 1999-2000; Nokia Networks, HR manager, 1995-1998; Valmet Paper Machinery, HR manager, 1988-1995.

Positions of trust

Confederation of Finnish Industries (EK), Chairman of the Committee of Education, Work and Employment; The Federation of Finnish Technology Industries, Chairman of the Committee of Education and Employment; Wilhelm Wahlforss Foundation, Chairman of the Board.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,250 shares



Javier Cavada Camino

President, Energy Solutions & Executive Vice President, Wärtsilä Corporation, since 4 November 2015. Born 1975, PhD (Eng.). Joined the company in 2002.

Primary working experience

Wärtsilä Corporation, Vice President, Services South Europe and Africa, 2013-2015; Vice President, Propulsion Services, 2015; Wärtsilä Propulsion, Director, Quality & Operational Development, 2012-2013; Wärtsilä Propulsion Wuxi Co., Ltd., Managing Director, 2011-2013; Cedervall Zhangjiagang Marine Components Co., Ltd., Managing Director, 2011-2013; Wärtsilä CME Zhenjiang Propeller Co. Ltd., Technical Director, 2009-2011; Professor at University of Cantabria, Spain, 2007-2009; Wärtsilä Propulsion Spain, S.A., Director, Delivery Centre, 2008-2009; Production Manager, 2002-2007; Robert Bosch Spain, S.A., Production Manager, Starter Motor, 1999-2002; Technical Manager, Production lines, 1997-2002.

Holdings in Wärtsilä Corporation on 31.12.2015: no shares



Kari Hietanen

Executive Vice President, Corporate Relations and Legal Affairs since 2012. Company Secretary since 2002. Born 1963, LL.M. Joined the company in 1989.

Primary working experience

Wärtsilä Corporation, Executive Vice President, Human Resources and Legal Affairs, 2002-2011; Wärtsilä Power Divisions, Group General Counsel, 2000-2002; Wärtsilä Diesel Group, General Counsel, 1994-1999; Metra Corporation and Wärtsilä Diesel Group, Legal Counsel, 1989-1994.

Positions of trust

European Engine Power Plants Association, EUGINE, President; German-Finnish Chamber of Commerce, Chairman of the Board; Finnish-Russian Intergovernmental Economic Commission, II Deputy Chairman; Finnish-Korean Trade Association, Deputy Chairman of the Board; East Office of Finnish Industries Ltd, Member of the Board; Confederation of Finnish Industries (EK), Chairman of the Trade Policy Committee.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,244 shares



Roger Holm

President, Marine Solutions and Executive Vice President, Wärtsilä Corporation, as of 1 November 2015. Born 1972, M.Sc. (Econ.). Joined the company in 1997.

Primary working experience

Wärtsilä Corporation: Senior Vice President, Engines, 2013-2015; Vice President Seals & Bearings 2011-2013; Vice President Solutions Management, Services, 2010-2011; Vice President Business Development, Services, 2008-2010; Chief Information Officer, 2006-2008; Program Director, Global ERP Program, 2002-2006; Corporate Controller, 2001-2002; Wärtsilä Finland Oy & Wärtsilä NSD Finland Oy: various managerial positions, 1997-2001.

Position of trust

The Association of Finnish Marine Industries, Member of the Board.

Holdings in Wärtsilä Corporation on 31.12.2015: no shares



Atte Palomäki

Executive Vice President, Communications & Branding, Wärtsilä Corporation, since 2008. Born 1965, M.Sc. (Pol.). Joined the company in 2008.

Primary working experience

Nordea Bank AB (publ.), Group Chief Press Officer, 2007-2008, Chief Communication Officer, Finland 2005-2006; Kauppalehti, Senior Business Correspondent, 2002-2005; MTV3, Senior Economic Correspondent, 2000-2002, News Producer, 1995-2000 and News Anchor, 1993-1995.

Positions of trust

Taloudellinen Tiedotustoimisto TAT (Economic Information Office), European Association of Communication Directors (EACD) and Talentum Oyj, Member of the Boards; Finland Promotion Board, member of the Advisory Board.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,121 shares



Marco Wirén

Executive Vice President and Chief Financial Officer since 2013. Born 1966, M.Sc. (Econ.). Joined the company in 2013.

Primary working experience

SSAB, Executive Vice President and CFO, 2008-2013; SSAB, Vice President Business control, 2007-2008; Eltel Networks, CFO and VP Business Development, 2002-2007; NCC, VP Business Development and Group Controller, 1995-2001.

Positions of trust

Neste Oil Corporation, Member of the Board.

Holdings in Wärtsilä Corporation on 31.12.2015: 2,000 shares

Björn Rosengren

Björn Rosengren acted as President & CEO of Wärtsilä Corporation until 31 October 2015.

Rakesh Sarin

Rakesh Sarin acted as President, Energy Solutions & Executive Vice President, Wärtsilä Corporation, until 3 November 2015.

The President & CEO and the Deputy CEO

The Board of Directors appoints a President for the Group who is also its Chief Executive Officer. The President & CEO is in charge of the day-to-day management of the company and its administration, in accordance with the company's Articles of Association, the Finnish Companies Act, and the instructions of the Board of Directors. He is assisted in this work by the Board of Management. The President & CEO's service terms and conditions are specified in writing in his service contract. Effective from 1 November 2015, the President & CEO of the company is Mr Jaakko Eskola. Mr Eskola succeeded Mr Björn Rosengren, who was appointed CEO of Sandvik, a global engineering group based in Sweden. The deputy to the President & CEO, as of 1 November 2015, is Mr Pierpaolo Barbone, President, Services.

Operations of the Board of Management

The company's Board of Management comprises eight members: the President & CEO, the Executive Vice Presidents heading the Energy Solutions, Marine Solutions and Services businesses, the Chief Financial Officer, and the Executive Vice Presidents heading the Communications & Branding, the Corporate Relations & Legal Affairs, and the Human Resources functions. The Board of Management members are appointed by the company's Board of Directors, which also approves their remuneration and other terms of their employment.

The Board of Management is chaired by the President & CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, the Group's structure and corporate steering systems, and it supervises the company's operations.

The Chief Financial Officer's main areas of responsibility include group control, treasury (including project and customer financing), taxation and process development, corporate planning and the information management support functions. The Executive Vice Presidents heading the businesses are each responsible for the sales volumes and profitability of their respective global businesses, employing the services of the Group's worldwide subsidiaries. The main areas of responsibility of the Executive Vice President, Corporate Relations & Legal are corporate relations and legal affairs, intellectual asset management and sustainability, as well as environmental and occupational health and safety. The Executive Vice President, Human Resources is responsible for people related processes. The main areas of responsibility of the Executive Vice President, Communications & Branding are external and internal communications, as well as branding. Information on the members of the Board of Management and their areas of responsibility and holdings can be found in the [Board of Management CVs](#) and in the full Governance statement.

The Board of Management in 2015

In 2015, the Board of Management met 15 times. The main issues addressed by the Board of Management included market development and business strategy, new growth areas, and the profitability of the company, as well as issues relating to developments regarding competitiveness and costs. Carrying out the acquisition of L-3 Marine Systems International and planning and implementing the integration process was a major area of focus. Another focus area was the further development of Wärtsilä's organisational structure and the implementation of organisational changes. The development of markets, the regulatory operating environment, order intake and production capacity, as well as supplier and other stakeholder relationships, were also important matters addressed by the Board of Management.

Corporate Management

The company's Corporate Management includes, in addition to the Board of Management, the following directors responsible for corporate functions:

Juha Hiekkanen

Vice President, Financial Controlling
Born 1978, M.Sc. (Econ.)

Riitta Hovi

Deputy General Counsel, Corporate Legal Affairs
Born 1960, LL.M., MBA

Anu Hämäläinen

Vice President, Group Treasury and Financial Services & Support
Born 1965, M.Sc. (Econ.)

Johan Jägerroos

Vice President, Corporate Internal Audit
Born 1965, M.Sc. (Econ.)

Sari Kolu

Director, Compliance
Born 1967, Master of Laws, Executive MBA

Jukka Kumpulainen

Vice President, Chief Information Officer (CIO)
Born 1968, M.Sc. (Eng.)

Antti Kuokkanen

Vice President, M&A, Business Control & Analysis
Born 1977, M.Sc. (Econ.), M.Sc (Eng.)

Vesa Riihimäki

Vice President, Wärtsilä Quality
Born 1966, M.Sc. (Eng.)

Marko Vainikka

Director, Corporate Relations and Sustainability
Born 1970, M.Sc (Eng.)

Natalia Valtasaari

Director, Investor & Media Relations
Born 1984, M.Sc (Econ.)

Business Management teams

Each business head is supported by a Business Management team.

Energy Solutions

Javier Cavada Camino

President, Energy Solutions and acting Vice President, Sales, Europe & Africa
Born 1975, PhD (Eng.)

Tore Björkman

Vice President, LNG & Nuclear
Born 1957, B.Sc. (Mech. Eng.)

Minna Blomqvist

Vice President, Human Resources
Born 1969, M.Sc. (Eng.)

Jussi Heikkinen

Vice President, Marketing & Business Development
Born 1955, M.Sc. (Energy and Power Plant Technology)

Thomas Hägglund

Vice President, Technology and Solutions
Born 1962, M.Sc. (Eng.)

Antti Kämi

Vice President, Project Management
Born 1964, M.Sc. (Civil Eng.)

Caj Malmsten

Vice President, Finance & Business Control
Born 1972, M.Sc. (Econ.)

Markus Pietikäinen

Vice President, Sales, Americas
Born 1975, M.Sc. (Econ.)

Sushil Purohit

Vice President, Sales, Middle East & Asia
Born 1972, B.Sc. (Eng.), MBA

Laura Susi-Gamba

Vice President, Legal Affairs
Born 1963, LL.M.

Niklas Åberg

Vice President, Quality Management
Born 1967, M.Sc. (Eng.)

Marine Solutions

Roger Holm

President, Marine Solutions
Born 1972, M.Sc. (Econ.)

Arjen Berends

Vice President, Finance & Control
Born 1968, MBA

Aaron Bresnahan

Vice President, Marine Solutions Sales
Born 1969, MBA & MA (Strategic Studies)

Sinikka Ilveskoski

Vice President, Legal & Contract Management
Born 1967, LL.M.

Timo Koponen

Vice President, Flow & Gas Solutions
Born 1969, M.Sc. (Econ.)

Stephan Kuhn

Vice President, Electrical & Automation
Born 1962, MBA

Juha Kytölä

Vice President, Environmental Solutions
Born 1964, M.Sc. (Eng.)

Arto Lehtinen

Vice President, Propulsion
Born 1971, M.Sc. (Eng.)

Helena Telaranta

Vice President, Human Resources
Born 1973, M.Sc. (Econ.)

Stefan Wiik

Vice President, Engines
Born 1971, B.Sc. (Eng.)

Services

Pierpaolo Barbone

President, Services & Deputy to the CEO
Born 1957, M.Sc. (Min. Eng.)

Guido Barbazza

Vice President, Emerging Business
Born 1960, M.Sc. (Mech. Eng.)

Serge Begue

Vice President, Area South Europe & Africa
Born 1954, Mech. Eng.

Peter Bjurs

Vice President, Finance & Control
Born 1965, M.Sc. (Econ.)

Henri van Boxtel

Vice President, Area Middle East & Asia
Born 1959, B.Sc. (Econ.), Nautical degree

Tamara de Gruyter

Vice President, Propulsion System Services and Managing Director of WQDC
Born 1972, B.Sc., Shipbuilding Engineering

Tomas Hakala

Vice President, 4-Stroke Engine Services
Born 1968, B.Sc. (Mech.)

Kai Kamila

Vice President, Human Resources
Born 1960, M.Ed. (Master of Education)

Ralf Lindbäck

Vice President, Legal Affairs
Born 1958, LL.M.

Stefan Nysjö

Vice President, Area North Europe
Born 1970, B.Sc. (Mech.)

Vesa Riihimäki

Vice President, Wärtsilä Quality
Born 1966, M.Sc. (Eng.)

Tomas Rönn

Vice President, Area Americas
Born 1961, B.Sc. (Electrical)

Sini Spets

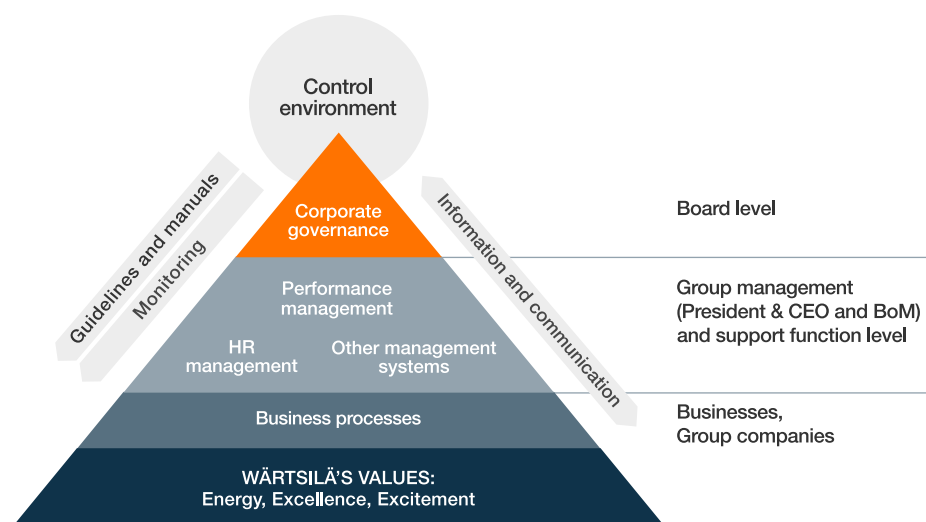
Vice President, Business Development
Born 1974, M.Sc. (Psychology)

Managing Directors of the subsidiaries

The Managing Directors of the Group's subsidiaries are responsible for ensuring that the local resources are correctly dimensioned to meet the needs of the businesses, that the subsidiary's personnel development needs are met, that the subsidiary's operations fulfill the requirements stipulated in the Group processes, including the quality system, that these operations comply with the respective country's legal requirements and with good business practices, and that communication within the subsidiary is conducted according to the targets of the Group.

Internal control

MAIN COMPONENTS OF WÄRTSILÄ'S INTERNAL CONTROL



Wärtsilä has defined its objectives for internal control according to the international COSO framework. Wärtsilä defines internal control as a process implemented by Wärtsilä's Board of Directors, the Management, the Boards of Directors of Group companies, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives.

Internal control covers all the policies, processes, procedures and organisational structures within Wärtsilä that help management, and ultimately the Board, to ensure that Wärtsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, that the company's assets, including its brand, are safeguarded, and that its financial reporting is correct. Internal control is not a separate process or set of activities, but is embedded within Wärtsilä's operations.

The system of internal control operates at all levels of Wärtsilä. Wärtsilä maintains and develops its internal control system with the ultimate aim of improving its business performance and, at the same time, of complying with laws and regulations in countries where it operates.

Performance management

Planning and target setting, an integral part of performance management in Wärtsilä, is a regular management activity and not part of Wärtsilä's internal control system. The establishment of objectives, however, is an important pre-requisite for internal control. Through the performance management process, financial and non-financial targets are set for Wärtsilä annually at the Group level. These Group level targets are then translated into targets for the Businesses, Group Companies, and eventually for individuals.

The achievement of the annual targets is followed up through monthly management reporting. The performance of the Businesses and the achievement of the annual targets are reviewed on a monthly basis in the respective Management team meetings. The performance relating to the targets set by the Group and the different Businesses are reviewed on a monthly basis by the Board of Management. The respective management teams and the Board of Management also address the reliability of Wärtsilä's financial reporting.

Wärtsilä's financial reporting is carried out in a harmonised way in all major Group Companies, using a single instance ERP system and a common chart of accounts. The International Financial Reporting Standards (IFRS) are applied throughout the entire Group. Wärtsilä's finance and control process is essential for the functioning of internal control. Adequate controls in the financial management and accounting processes are needed to ensure the reliability of financial reporting.

The Board of Directors regularly assesses the adequacy and effectiveness of Wärtsilä's internal controls and risk management. It is also responsible for ensuring that the internal control of accounting and financial administration is arranged appropriately. The Audit Committee of Wärtsilä Corporation's Board of Directors is responsible for overseeing the financial reporting process. The Group Finance & Control function is responsible for notifying relevant levels of management regarding deviations from plans, analysing the underlying reasons, and suggesting corrective actions. Group Finance & Control supports the Businesses in decision-making and analyses to ensure the attainment of financial targets. It maintains and develops the company's performance management processes, so that the management at different levels of the organisation is able to receive timely, reliable and adequate information regarding the achievement of the organisation's objectives. In addition, it is responsible for developing the financial reporting processes and respective controls.

Legal and compliance management

Legal and compliance management practices and processes occupy a central role in Wärtsilä's system of internal control. It is Wärtsilä's policy to act in accordance with the applicable laws and regulations in all countries where it operates.

Legal and compliance management acts predominantly in a proactive manner. Legal Affairs supports the President & CEO and the divisions in analysing and making decisions on matters involving contract policy, risk management, and regulatory considerations. Another key activity is to lead compliance management and to strengthen and ensure the culture of appropriate conduct and behaviour, both internally and in external business transactions. Compliance management is based on the Code of Conduct and relevant group level policies and directives. Company-wide control mechanisms and processes are a part of the overall internal control system.

HR management

Human resource management practices and processes play an active role in Wärtsilä's system of internal control. Wärtsilä's key human resource management processes with respect to internal control are compensation and benefits, HR development, recruitment and resourcing management, individual performance management, as well as processes for collecting employee feedback. The HR function is responsible for maintaining and developing Wärtsilä's HR processes to enable effective internal control, also at the individual level.

Other management systems

The Board of Management is responsible for developing and implementing Wärtsilä's management system, continuously improving its performance, and ensuring that it operates effectively. The Wärtsilä management system covers all global

processes and management procedures within Wärtsilä related to fulfilling customer requirements. The proper functioning of the management systems highlighted below ensures, for their part, the attainment of Wärtsilä's internal control objectives.

Quality

The quality of Wärtsilä's solutions, and thus also quality management, is a top priority for Wärtsilä. Compliance with Wärtsilä's Quality Management System ISO 9001:2000 is compulsory throughout the Group, and compliance with the system is rigorously monitored.

Sustainability

Wärtsilä is strongly committed to sustainability. Wärtsilä's vision, mission and values, together with a solid financial performance, form the basis for sustainable development within Wärtsilä. Wärtsilä applies global guiding principles, such as the Quality, Environmental, Health & Safety policy (QEHS policy) and the Code of Conduct, which together with the company's values, ensure a harmonised way of working towards sustainable development. In addition to the aforementioned, the Corporate Manual includes other policies and directives, a description of the company's operating procedures, responsibilities, and the management system structure.

Wärtsilä's Board of Management has the overall responsibility for sustainability performance. The Board of Management approves the guiding principles and reviews the content on a regular basis. The Board of Management defines sustainability targets and monitors performance against these set targets. Performance is reviewed in connection with the management reviews at both Wärtsilä's Board of Management and Business Management Team levels.

The Board of Directors reviews major sustainability issues on an annual basis. In addition, the Board of Management identifies major critical concerns and, when necessary, communicates such concerns to the Board of Directors.

Wärtsilä's sustainability function is responsible for providing the necessary information to management, identifying development needs, as well as for coordinating sustainability programmes and preparing instructions. The function cooperates closely with the Businesses and the supporting functions, such as Human Resources, Legal Affairs, Compliance and Quality. It also collects and consolidates sustainability data from the subsidiaries.

Wärtsilä has clearly defined responsibilities, which are supported by necessary instructions and training. This training covers, for example, the Code of Conduct, anti-corruption, as well as environmental and occupational health and safety issues. Wärtsilä monitors its sustainability performance by utilising the information provided by various sustainability tools and activities, such as internal audits and compliance processes.

Risk management

Internal control within Wärtsilä is designed to support the company in achieving its targets. The risks related to the achievement of targets need to be identified and evaluated in order for them to be managed. Thus, the identification and assessment of risks is a pre-requisite for internal control within Wärtsilä. Wärtsilä's internal control mechanisms and procedures provide management assurance that the risk management actions are carried out as planned.

Wärtsilä has defined and implemented entity level and process level control activities, as well as information system controls. Control activities at different levels are needed to directly mitigate risks at the respective levels. Wärtsilä's risk management processes consist of Group-wide risk assessment and management processes, as well as project-specific

risk assessments and project risk management. The Group-wide risk assessment process results in the creation of action plans for the identified and prioritised risks.

Each Business reports its main risks to Wärtsilä's Board of Management, which follows up the execution of the defined risk management action plans on a regular basis. Wärtsilä's Board of Directors is responsible for defining the Group's overall level of risk tolerance, and for ensuring that Wärtsilä has adequate tools and resources for managing risks. The Board reviews the risk profile regularly. The President & CEO, with the assistance of the Board of Management, is responsible for organising and ensuring risk management in all of Wärtsilä's operations. Business management is responsible for defining action plans for managing the most important risks.

Wärtsilä's most important strategic, operative and financial risks can be found in the [Risks and risk management](#) section.

Information management

Information management plays a key role in Wärtsilä's internal control system. Information systems are critical for effective internal control as many of the control activities are programmed controls.

Values and the control environment

The foundation of Wärtsilä's internal control system is its values: Energy, Excellence and Excitement. Wärtsilä's values are reflected in its day-to-day relations with its suppliers, customers and investors, and also in Wärtsilä's internal guidelines, policies, manuals, processes and practices. The control environment sets the tone for internal control within Wärtsilä and influences the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Wärtsilä's control environment are included in the corporate culture, the integrity, ethical values and competence of Wärtsilä's personnel, as well as in the attention and direction provided to the personnel by the Board of Directors of Wärtsilä. Wärtsilä's values and control environment provide Wärtsilä's Board of Directors and Management with the basis for reasonable assurance regarding the achievement of the objectives for internal control. The President & CEO and the Board of Management define Wärtsilä's values and ethical principles, which are reflected in the Code of Conduct, and set an example for the corporate culture, which together create the basis for the control environment. They are, together with Business management, responsible for communicating Wärtsilä's values to the organisation.

Business processes

The controls embedded in Wärtsilä's business processes play a key role in ensuring effective internal control within the company. Controls in the business processes help ensure the achievement of all the objectives of internal control within Wärtsilä, especially those related to the efficiency of operations and the safeguarding of the company's profitability and reputation. Business management is responsible for ensuring that within its area of responsibility, the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, Business management is responsible for ensuring that efficient Business level processes with adequate controls have been described and implemented.

Guidelines and communication

Guidelines and manuals

The components of Wärtsilä's internal control system, including for example, corporate governance, the management system, the performance management process, as well as the business and other processes, are described in various guidelines and manuals. The essential Group level policies and guidelines are compiled in Wärtsilä's Corporate Manual. Wärtsilä's Group level Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Wärtsilä Group companies. The manual supports the achievement of the objectives regarding the reliability of Wärtsilä's financial reporting. Wärtsilä's Group level policies, and any changes to them, shall be approved by a member of the Board of Management.

In addition to the Group level guidelines and manuals, the Businesses have issued related guidelines and instructions for their own, specific purposes. The Business level guidelines and manuals are aligned with, and do not contradict, the Group level guidelines and manuals.

Information and communication

An effective internal control system needs sufficient, timely and reliable information to enable the management to assess the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal means by which employees can provide feedback to management, and to communicate suspected misconduct (e.g. directly to the Compliance, Legal Affairs or Internal Audit function) are used. All external communications are carried out in accordance with the Group Communications Policy.

Monitoring

Monitoring is a process that assesses the quality of Wärtsilä's system of internal control and its performance over time. Monitoring within Wärtsilä is performed both on an ongoing basis, and through separate evaluations that include internal, external and quality audits. Business management is responsible for ensuring that all relevant laws and regulations are complied with in their respective responsibility areas. Wärtsilä's management in turn performs monitoring as part of its regular supervisory activities. The Audit Committee of the Board of Directors assesses and assures the adequacy and effectiveness of Wärtsilä's internal controls and risk management.

The Internal Audit function assists the Audit Committee in assessing and assuring the adequacy and effectiveness of Wärtsilä's internal controls and risk management by performing regular audits of Group legal entities and support functions according to its annual plan. Wärtsilä's external auditor and other assurance providers, such as quality auditors, conduct evaluations of Wärtsilä's internal controls. The Group Finance & Control function oversees the financial reporting processes and controls to ensure that they are being followed. It also monitors the correctness of all external and internal financial reporting. The Legal and compliance function monitors adherence to the compliance policies of the group. The external auditors verify the correctness of the external annual financial reports.

Audit

Internal

The Group's internal audit is handled by its Internal Audit unit, which reports to the President and CEO. The purpose of the Internal Audit is to analyse the company's operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The internal auditor also participates, if necessary, in audits undertaken in conjunction with acquisitions and carries out special tasks when needed.

The Internal Audit function covers all of the company's organisational levels and subsidiaries. An internal audit is undertaken in the main subsidiaries on an annual basis, and in network companies at three-year intervals. The Internal Audit function prepares an annual plan under which they independently audit different parts of the company, but it is also empowered to carry out special audits. The annual plan is approved by the Audit Committee, to which the Internal Audit function also reports at regular intervals. If required, the auditors also have the possibility to take direct contact with the Audit Committee or members of the Board of Directors.

External

The company has one auditor, which shall be an auditing firm authorised by the Central Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year, and its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company financial statements and accounting records, and the administration of the parent company.

Following the closing of the annual accounts, the external auditor submits the statutory auditor's report to the company's shareholders and reports regularly also its findings to the Board of Directors' Audit Committee. An auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Auditor in 2015

The Annual General Meeting appointed the firm of public auditors, KPMG Oy Ab, as Wärtsilä Corporation's auditor for the year 2015. The auditor-in-charge was Ms Virpi Halonen. Auditing fees paid to all the auditors of the Group companies amounted to EUR 3.2 million in 2015. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 1.3 million. These latter fees mainly concerned consultation on taxation matters.

Related party transactions

Wärtsilä's related parties comprise the Board of Directors, the President and CEO, the Board of Management, as well as the associated companies and joint ventures. The Group Finance and Control function evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are taken into account appropriately in Wärtsilä's decision-making process.

Insider management

Wärtsilä complies with the legal provisions applying to the management of insiders, as well as the Guidelines for Insiders approved by Nasdaq Helsinki for public listed companies and the stipulations and guidelines of the Finnish Financial Supervision Authority.

Wärtsilä's permanent insiders comprise the statutory insiders, i.e. the Board of Directors, the President & CEO, the Deputy to the CEO, the Principal Auditor, as well as the members of the Board of Management.

Certain members of the Corporate Management and other employees, as required by their duties, also belong to the company's own non-public insider register. When significant projects are at the preparation stage, the company also draws up insider registers for the projects concerned. Insiders are given written notification of their status as insiders as well as instructions on the obligations that apply to insiders.

The company's insiders are not permitted to trade in the company's shares for 14 days (however Wärtsilä recommends 30 days) prior to publication of the interim reports or the annual financial statements bulletin.

Wärtsilä's insider register is maintained by the parent company's legal affairs function, which is responsible for keeping the information updated. Information on the interests and holdings of the company's statutory insiders and their related parties is available on Wärtsilä's website.

Salary and remuneration report 2015

Remuneration of the Board of Directors

The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time.

The Annual General Meeting approved the following fees to the members of the Board of Directors for 2015:

- to the ordinary members EUR 66,000/year
- to the deputy chairman EUR 99,000/year
- to the chairman EUR 132,000/year

Approximately 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 600 per board meeting attended, the chairman's meeting fee being double this amount. Each member of the Nomination Committee and the Remuneration Committee will be paid EUR 700 per committee meeting attended and each member of the Audit Committee will be paid EUR 1,200 per committee meeting attended, the chairman's meeting fee being double these amounts. The members of Wärtsilä's Board of Directors were paid altogether EUR 727 thousand for the financial period that ended on 31 December 2015. The Board's members were not covered by the company's incentive schemes.

Fees paid to the Board of Directors

TEUR	Attendance fees		Yearly fees		Total	
	2015	2014	2015	2014	2015	2014
Board of Directors						
Mikael Lilius, Chairman	20	16	132	120	152	136
Sune Carlsson, Deputy Chairman	7	6	99	60	106	66
Maarit Aarni-Sirviö	15	11	66	60	81	71
Kaj-Gustaf Bergh	7	6	66	90	73	96
Tom Johnstone	8	-	66	-	74	-
Risto Murto	13	6	66	60	79	66
Gunilla Nordström	7	5	66	60	73	65
Markus Rauramo	19	15	66	60	85	75
Until 5 March 2015						
Alexander Ehrnrooth	2	10	-	60	2	70
Paul Ehrnrooth	2	6	-	60	2	66

Fees paid in Wärtsilä shares in 2015

Board of Directors	No. of shares
Mikael Lilius, Chairman	1 257
Sune Carlsson, Deputy Chairman	943
Maarit Aarni-Sirviö	628
Kaj-Gustaf Bergh	628
Tom Johnstone	628
Risto Murto	628
Gunilla Nordström	628
Markus Rauramo	628

Board of Directors' share ownership in Wärtsilä on 31 December 2015

Board of Directors	No. of shares
Mikael Lilius, Chairman	16 949
Change in 2015	1 257
Sune Carlsson, Deputy Chairman	12 203
Change in 2015	943
Maarit Aarni-Sirviö	9 078
Change in 2015	628
Kaj-Gustaf Bergh	8 300
Change in 2015	628
Tom Johnstone	628
Change in 2015	628
Risto Murto	1 248
Change in 2015	628
Gunilla Nordström	2 691
Change in 2015	628
Markus Rauramo	3 802
Change in 2015	628

Remuneration of the President & CEO and the Board of Management

The remuneration paid to the President & CEO and other members of the Board of Management, and the principles underlying it, are determined by the Board of Directors. The remuneration paid to the President & CEO and to the other members of the Board of Management consists of a monthly salary and a bonus. The Board of Directors determines on a yearly basis the terms for the bonus payment. The bonus payments for the President & CEO and the Board of Management are paid based on the achievement of the company's profitability and other financial targets for the financial year. The variable salary can be at most 43% of the maximum total salary for the President & CEO and one third of the maximum total salary for the other members of the Board of Management. Additionally, the Group has a long-term incentive scheme for senior management tied to the development of the company's share price.

The base salary of the President & CEO is EUR 780,000 p.a. (as of 1 November 2015). He is entitled to participate in the short- and long-term incentives schemes according to the terms and conditions described above. The President & CEO is eligible to take retirement upon reaching the age of sixty-three. His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is a relative part of his annual salary. Remuneration paid to the President & CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.

The members of the Board of Management have a company specific pension scheme. Additional pension schemes and retirement ages vary and are generally based on the retirement scheme of the national social security system to which the person in question belongs, and is either defined benefit or defined contribution based.

Financial benefits of President & CEO Jaakko Eskola, 1 November - 31 December 2015:

- Salary and other short term benefits: EUR 125 thousand
- Bonuses: -
- Bonus schemes based on share price development: -
- Optional retirement age: 63
- Period of notice: 6 months

- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary

Financial benefits of former President & CEO Björn Rosengren, 1 January - 31 October 2015:

- Salary and other short term benefits: EUR 753 thousand
- Bonuses: EUR 369 thousand
- Bonus schemes based on share price development: EUR 1,200 thousand

Further information on Board of Management remunerations can be found in the Consolidated Financial Statements, [Note 29 Related party disclosures](#).

Board of Management's share ownership in Wärtsilä on 31 December 2015

Board of Management	No. of shares
Jaakko Eskola	3 320
Change in 2015	3 320
Pierpaolo Barbone	2 000
Change in 2015	2 000
Päivi Castrén	2 250
Change in 2015	2 250
Javier Cavada Camino	-
Change in 2015	-
Kari Hietanen	2 244
Change in 2015	2 100
Roger Holm	-
Change in 2015	-
Atte Palomäki	2 121
Change in 2015	1 521
Marco Wirén	2 000
Change in 2015	2 000

Monthly updated information on shares held by the President & CEO and other members of the Board of Management can be found on Wärtsilä's website at <http://www.wartsila.com/>.

Incentive schemes

The Board of Directors determines the incentive schemes for the President & CEO and other members of the Board of Management and the principles underlying them. The Board of Directors also decides on other possible long-term incentive schemes for senior management, unless they are by law determined by the Annual General Meeting. The Board of Management decides on bonus schemes for other directors and managers.

Short-term management incentive schemes

The Group operates a bonus scheme, which is implemented globally in all Businesses. The bonus is based on the Group's profitability and agreed personal targets. Some 2,800 directors and managers are covered by this bonus scheme.

The Group's white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country's legislation, or to agreements concerning profit-sharing schemes.

All in all, some 65% of the company's employees are covered by the Group's bonus schemes and various other profit-related incentive schemes.

Long-term incentive schemes

The Board of Directors has decided on a long-term bonus scheme for senior management tied to the development of the company's share price. The yearly bonus scheme applies to approximately 100 directors. The size of the bonus is based on the share price development during a pre-determined timeframe, and an upper limit is set for the bonus. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

The 2012 bonus scheme comprises 1,847,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 33.28. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2012 bonus scheme will be due for payment in February 2016.

The 2013 bonus scheme comprises 1,846,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 37.05. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2013 bonus scheme will be due for payment in February 2017.

The 2014 bonus scheme comprises 2,076,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 44.25. The bonus cannot exceed EUR 10.60 per bonus right and it takes into account 100% of dividends paid. The 2014 bonus scheme will be due for payment in February 2018.

Evaluation

The Board of Directors has monitored the Group's short- and long-term incentive schemes and evaluated the achievement of the targets on which they are based. The incentive schemes were found to be well balanced and in accordance with market practices.

Risks and risk management

Wärtsilä, like any other company, is exposed to various risks through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gains from business activities are to be assessed against the involved risks.

The purpose of risk management is to ensure that Wärtsilä is able to effectively execute its strategies and to reach its targets, in the short term as well as over the long run. The key is to identify the risks that have the potential to restrain the company from reaching its goals, and thereafter to determine whether those risks are at an acceptable level.

Actions need to be taken to avoid, mitigate, transfer, or monitor identified risks. Wärtsilä's structured risk management process offers a set of reactive, proactive, protective, and preventive tools that are used not only to protect it against threats, but also to turn some of the risks into opportunities.

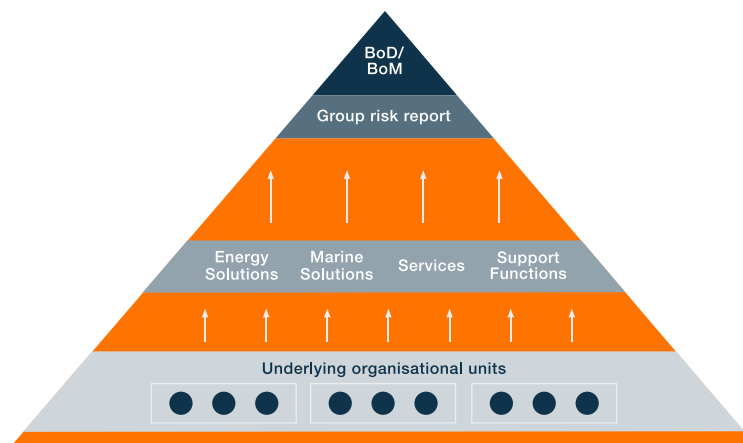
Risks can only be managed if they are identified and understood in advance, if risk treatment and mitigation plans are made to manage them, and if a process of continuous follow-up is in place for the related controls. Therefore, risk management is a central part of Wärtsilä's strategic and operational management.

Risk management principles

Risk management at Wärtsilä is a continuous process of analysing and managing all the opportunities and threats faced by the company in its efforts to achieve its goals, and to ensure the continuity of the business. The basis for risk management is the lifecycle quality of Wärtsilä's operations and products, and the continuous, systematic, loss prevention efforts at all levels of the Group based on the principle that "everybody is responsible". In the long-term, this is the only means for reducing the overall risk related costs.

The Board of Directors and the Board of Management decide and set the guidelines on strategic matters. Each Business is responsible for achieving its set strategic goals, and for mitigating and managing its risks. The Corporate Risk Management function is part of Group Treasury, which reports to the Chief Financial Officer. The function is responsible for the risk reporting process, and for conducting risk assessments with the Businesses and their underlying organisations. It co-ordinates all risk management activities within the Group, reviews the business risk profile, and cooperates with the Businesses in the implementation of risk mitigation work. It is also responsible for maintaining the Group risk management policy, and describing the current way of working in relation to risk reporting. The policy is Wärtsilä specific; it derives from the actual needs of the Group and the Businesses and is, to a large extent, in line with the ISO 31000 standard. The ISO 31000 vocabulary has been adopted in order to streamline risk related communication within the Group. Furthermore, the Risk Management function develops and manages global and local insurance schemes for insurable risks. The Audit Committee reviews and assesses the adequacy of risk management. The Internal Audit function is responsible for reviewing the risk management process on an annual basis.

RISK REPORTING



Risk mitigation actions are decided in the normal course of business. At its meetings, the Board of Management conducts annual Management Reviews for each Business and certain main support functions, including their risks and risk mitigation. The risk map of the Group is then presented once a year within the Finance Management Review.

The risks are identified as being either internal or external; they are quantified in euro, and their probabilities are estimated. The Group risk report is then prepared and presented to the Board of Directors.

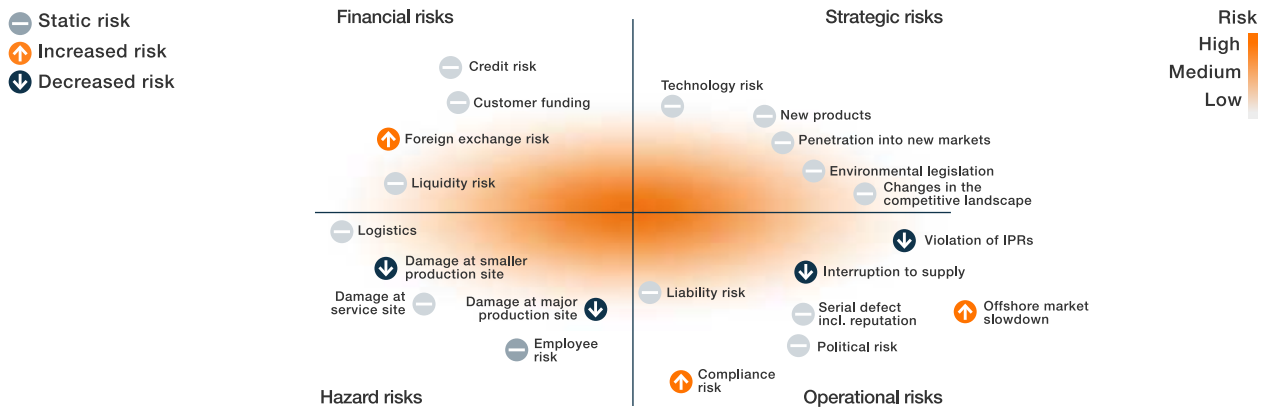
Risk management is part of the Businesses' management process and risk management has been integrated into the Business Management teams' agenda. The Businesses are accountable for organising and reporting on risk management from their underlying geographical business areas, business lines, organisations, and product centres. All follow-up actions are also the Businesses' responsibility.

Risk categories

Wärtsilä defines risk as the effect of uncertainty on its objectives. A failure to capitalise upon an opportunity is also recognised as a potential risk. The magnitude of a risk is determined based on the probability of an occurrence and the potential loss exposure against the objectives set. The relevant risks for Wärtsilä have been classified under four categories, namely; strategic, operational, hazard and compliance, and financial risks. The potential loss expectancy is highest with strategic and operational risks and lowest with hazard and financial risks.

Risk radars are used to map the main risks within the risk categories. In annual risk assessment workshops between the Businesses and the Corporate Risk Management function, Business specific risk radars are generated for the use and evaluation of the Business Management teams, and are reviewed and updated by them on a regular basis. The Business specific radars are consolidated into a single Group Risk Radar, which is presented to the Board of Directors and the Audit Committee once a year. The purpose is to facilitate the discussion on risk and to give a quick overview of where priorities should lie in terms of risk management.

RISK RADAR



Strategic risks

Strategic risk assessment is part of the strategic planning process within the Group. At Wärtsilä, a risk is defined as a strategic risk if it has the potential for imposing a long-term impact on the business.

Business environment risks

Business cycles in the global economy, and in customer industries, influence the demand for Wärtsilä's products, as well as its financial condition and operating result. The flexible manufacturing model based on capacity outsourcing, together with a stable business mix with a large share of sales deriving from Services, provides Wärtsilä with a certain level of stability in a cyclical market. Important economic matters that indirectly affect Wärtsilä, its clients, and suppliers include inter alia, the liquidity and solvency of financial institutions, and thus not only their capability but also their willingness to extend credit, the counter cyclical stimulus programmes adopted by governments – especially in the power and infrastructure sectors, the enhanced activities of multilateral institutions, such as the International Finance Corporation, the availability of export credit schemes and guarantees, and other such factors. However, Wärtsilä's relatively large order book gives the company time to adapt to changes in market conditions.

The implementation of more stringent environmental regulations is important for Wärtsilä's future growth potential since the company's comprehensive portfolio of products and services allows customers to meet such stricter requirements. A delay in legislation implementation may present a risk to Wärtsilä, and possible changes in the legislation timeline and scope are, therefore, actively monitored.

Market and customer risks

In the Energy Solutions business, the market situation remained challenging throughout 2015, as global macro-economic uncertainty continued to limit investments in new power plant capacity. Low oil prices affected national infrastructure developments in oil and gas producing countries where national budgets have been adjusted. While oil importing countries benefit from low oil prices, investment decisions are based on long-term price forecasts not short-term price swings. Delays in customer decision-making continues to be a risk in regions affected by geopolitical tension or by significant currency fluctuations. Orders were received from all geographic regions, limiting the risk of over exposure to one particular market. Energy Solutions' three customer segments including industrial customers, IPPs (Independent Power Producers), and utilities were also all represented in the order intake.

Wärtsilä is well represented in all the major shipbuilding markets, and is active in all the main vessel segments. This mitigates both geographical and single customer risks. Marine market activity was slow during 2015. Challenges resulting from the uncertainty in the global economy and the business environment within the shipping and ship building industries, continue to affect markets. The weak short-term global economic outlook, overcapacity, and low demand for cargo tonnage are the main obstacles to recovery in the conventional shipping markets. Low oil prices, an oversupply of oil and gas, and reduced capital expenditure from oil companies continue to limit offshore investments. The Cruise & Ferry segment has developed positively throughout 2015, with the demand for cruise vessels being supported by the anticipated growth in Asian passenger traffic. The demand for ferries was supported by signs of economic recovery and increasing passenger volumes in the USA and Europe. The importance of fuel efficiency and environmental regulations are clearly visible and offer opportunities for Wärtsilä. The regulatory environment is also driving the adoption of gas as a fuel in the wider marine markets. The shipbuilding market continued to be dominated by Asian yards, notably China and South Korea.

Service market activity developed well in 2015, with increased demand from both marine and energy market customers. Wärtsilä Services' mid- and long-term activities are expected to grow in line with the development of the existing installed base and general global economic developments. Wärtsilä Services' has more than 10,000 individual customers engaging in service and spare part sales annually, and the current active Wärtsilä installed engine base is 181,000 MW. Thus, dependency on any single customer or customer segment is minor. During recent years, Wärtsilä has increased its focus on credit management processes so as to better manage the increasing risks resulting from higher leverage and decreasing profitability in certain customer segments. Exposure to individual customers is limited, but an industry-wide impact might also affect the profitability of Wärtsilä's Services business.

Competitive situation and price risk

In the liquid fuel based power plant market, Wärtsilä's main competitors are MAN D & T, Caterpillar (MAK), and Rolls-Royce. In natural gas based power generation, the main competitors are gas turbine manufacturers, such as GE and Siemens. In Wärtsilä's main market, i.e. the market for installations of up to 500 MW, orders for natural gas and liquid fuel power plants totalled a power output of 17.0 GW (16.5) during the first nine months of 2015. Wärtsilä's market share was 9.9% (10.5). Wärtsilä's success in the market can be attributed to its flexible power generation solution, which can be used in a wide range of different applications and power plant sizes.

For Marine Solutions, the competitive landscape remained largely unchanged in 2015. The most significant competitors in the main engine markets are MAN D & T, Caterpillar (MAK), and Hyundai Heavy Industries (HiMSEN). Wärtsilä has a strong position in medium-speed engines with a 59% market share in 2015. In auxiliary engines Wärtsilä's market share was 12%. In propulsion equipment, the competition is more fragmented and varies by product category. One of the main competitors for these products is Rolls-Royce. In environmental solutions, as well as in flow and gas products, the markets are very fragmented. Alfa Laval is one of the main competitors in environmental solutions, while in the Electrical and Automation segment we face competition from companies such as Kongsberg, General Electric and Siemens. Price competition has continued to be intense in the marine markets. The strategic move of becoming a systems integrator with automation and ship design capability has proven to be important in the competition for new projects with larger and more value added scopes. The concept of selling packaged solutions reduces price volatility.

In the Services business, Wärtsilä has no direct competitors capable of offering a similar portfolio of services from a single source. Excluding the networks of other engine manufacturers, there are few global players in the service market. The continued focus of customers on optimising operating expenditures can lead to a further increase in competition for services where price is more important than quality. The main action for mitigating this risk is to promote the value based offering.

Political and legislative risks

Wärtsilä is present in over 200 locations in more than 70 countries and has delivered power plants to 170 countries. Political developments and changes in legislation can have a significant impact on Wärtsilä's business. Wärtsilä actively monitors political and legal developments in its markets, and engages in dialogue with various official bodies on projects of importance to its operations and intellectual property rights. Much of this engagement takes place through interest groups and trade organisations. The company monitors political and legislative changes at both the corporate and subsidiary levels.

In recent years, there has been increased regulatory activity by different governments worldwide, which has led to the need for emphasising due internal processes to ensure compliance. As an example, the continuing and changing trade sanctions were closely monitored during 2015. This has required increased internal efforts to ensure that adequate procedures are in place.

Climate change and sustainability risks

Wärtsilä has assessed its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. However, the risks were not found to be significant. The potential business risks related to sustainability, climate change, and Wärtsilä's products are in the areas of regulatory emission restrictions and changes in customer attitudes to using combustion engines and fossil fuels. The risks in environmental legislation changes are related to the complexity of the overall field of different emissions, the balance between commercially available fuels and their resulting emissions, available abatement technologies, the impact on overall energy efficiency, and the resulting financial feasibility of the various alternative ways to meet regulatory demands.

Being at the forefront of technological developments mitigates sustainability risks and gives Wärtsilä many opportunities arising from tightening environmental regulations. Over the years, Wärtsilä has worked continuously to improve the efficiency of its products while at the same time seeking ways to reduce emissions. The fuel flexibility of Wärtsilä's products enables the utilisation of various fuels, including gas and those from renewable sources, while their operational flexibility enables the installation of large capacity based wind and solar energy systems without hampering the reliability of the electricity grid. Wärtsilä's technology also enables energy to be generated with a minimum use of water. The lack of fresh water is expected to be one of the major challenges facing the world in the future. In shipping, Wärtsilä can reduce the carbon footprint of vessels through optimised ship design, and optimal propulsion solutions.

Environmental solutions offer alternative technologies to reduce SO_x emissions and to treat waste and ballast water. In Energy Solutions, Wärtsilä's Smart Power Generation concept supports the increase in low carbon power generation, including wind, solar and natural gas fired plants. Wärtsilä offers several retrofit solutions for the after-sales market to reduce emissions and to increase fuel efficiency.

For more information, please see the separate [Sustainability report](#) included in this annual report.

Technology risks

Wärtsilä aims to increase the competitiveness of its solutions and manage technology risks through solid R&D work and innovation. The development of new products is based on the strategic view of optimising lifecycle value for customers with modern and sustainable power solutions through, for example, gas solutions, environmental technologies, ship design, and electrical & automation solutions. As a technology leader, Wärtsilä places strong emphasis on emissions control, enhancing efficiency, and maintaining the cost competitiveness of its products.

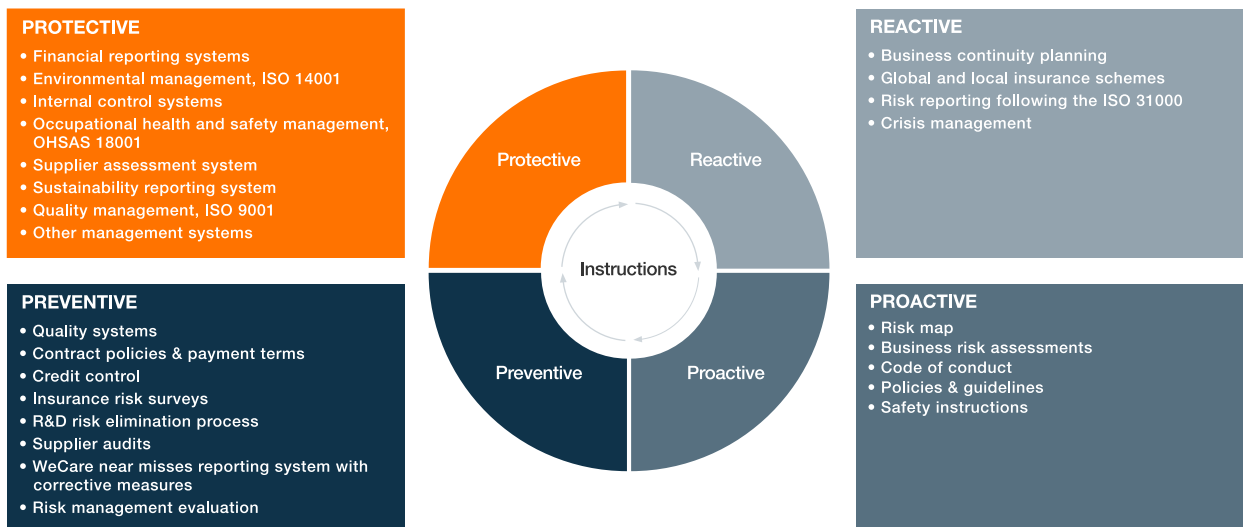
OPERATIONS, RISKS AND OPPORTUNITIES



Operational risks

Operational risk management is part of the daily work of the Businesses. Opportunities and risks are identified, assessed, and managed on a daily basis and reported to, and managed by, the appropriate management level. The status of these opportunities and threats are reviewed on a periodic basis and appropriate further actions are taken.

RISK MANAGEMENT PROCESS



Manufacturing risk

Wärtsilä constantly analyses its manufacturing footprint and capacity costs, including costs related to the supply chain. Risk assessments have been made for all the main delivery centres, and significant safety and risk mitigation investments have been completed. Risks identification, assessment and mitigation actions are executed on a regular basis as part of operational management. Management systems for quality, environmental, occupational health and safety, and other systems are utilised to improve productivity, while safety and business continuity plans have been implemented for the key delivery centres.

Supplier and sub-contractor risk

Wärtsilä’s supply management is integrated within the business lines, the goal being to secure quality, lead times, and costs according to business specific requirements. In order to ensure coordinated interfaces and synergies for the cross-divisional supplier base, a category management structure has been put in place. Indirect Purchasing remains a centralised function responsible for managing strategic sourcing activities for indirect materials and services in all businesses and support functions.

The supply management units have a unified process for managing and controlling Wärtsilä’s supplier network and for verifying that the suppliers’ performance meets Wärtsilä’s expectations. Supplier performance is, therefore, continuously measured. A key activity in managing business continuity planning is the continuous assessment of business interruption risks, which is carried out in cooperation with the company’s suppliers. Several supplier risk audits have been completed jointly with the insurer as one means of mitigating risk. These audits are now one of the regular tasks for the supply category managers and the Risk Management function.

Wärtsilä has developed its supply related activities by creating close collaboration and long-term relationships with its main suppliers. This cooperation creates a common view towards values and goals, which in turn supports the

management of Wärtsilä's strategic risks. To further mitigate supplier and sub-contractor risks, a comprehensive follow-up of suppliers' credit worthiness has been established. Supplier related risks for key components are mitigated by establishing dual or multi sourcing.

Lifecycle quality of products and product liability risk

Launching new products always involves risks. In the R&D process, several risk management techniques are applied, including the risk elimination tool FMEA (Failure Modes and Effects Analysis) and in-house validation testing. Wärtsilä seeks to control quality risks by monitoring the incoming quality from the supply chain, and by designing and manufacturing its products with all due care. Wärtsilä applies a GATE model in order to control the product development process. Initially, only a limited release of new products is allowed, and via the gate approach, full release authority is given to the sales organisations only after testing and further validation has been completed.

Wärtsilä seeks to control its manufacturing quality risks by applying several assurance and quality control principles. The level of quality assurance and control requirements are determined based on component criticality, and they are applied throughout the delivery chain. The 5S (sort, shine, set, standardise and sustain) philosophy is implemented in all production sites to increase quality and to support lean operations.

Both Services and the business lines are responsible for supporting customers in all warranty issues. This offers a feedback loop from the field to production and R&D, while taking care of customers' installations throughout their lifecycle. The company makes warranty provisions to cover any costs that may arise after product delivery. The product liability insurance covers unexpected damages.

Wärtsilä seeks to continuously improve the quality of its products and services through the adoption of best industry practices and good governance. Management at all levels is responsible for the quality of output from their organisations, and is accountable for ensuring that appropriate review and feedback mechanisms are in place. The centralised Wärtsilä Quality function is responsible for coordinating quality activities across the businesses, and for ensuring that senior governance mechanisms are in place and effective.

Contractual risks

Wärtsilä's non-service sales consist of projects and equipment supply deliveries of various sizes. The most substantial orders concern turnkey power plants. However, in relation to the total volume of business, the risks from individual projects do not reach significant levels. The lifecycle quality of the products and work, starting from the initial design, throughout all stages of the production process, to the eventual field service work, plus the use of standard sales contracts, including the establishment of a contract review process, together reduce the risk of product liability claims.

In the Services business, the contractual risk is related mainly to long-term agreements and service projects, such as engine upgrades, retrofits or modifications. These offerings represent approximately 25% of the total Services business, but the risks connected to individual contracts do not reach significant levels since the business between various customers and countries is broadly spread. In addition, both offerings follow a well-defined sales process, thereby bringing multiple control points to observe embedded risks and to plan their control, both in contractual measures as well as in execution.

Risk of non-compliance, corruption and fraud

Wärtsilä complies with the law and its own internal policies and procedures everywhere the company does business. Wärtsilä's Code of Conduct is the key guideline for all employees globally. Wärtsilä is committed to high ethical standards and integrity in its Businesses, and to preventing corruption and violations of the principles set forth in the Code of Conduct, as well as in Wärtsilä's Anti-Corruption and Compliance Reporting policies. Compliance processes are embedded in all of the Businesses, and the responsibility for compliance and awareness of ethics and integrity is that of all Wärtsilä employees. Wärtsilä is fully committed to compliance with the anti-corruption laws and statutes. Wärtsilä's Anti-Corruption Policy absolutely forbids any kind of corruption and bribery, and the top management of the company has a zero-tolerance policy regarding corruption and fraud.

The Compliance function promotes Group wide compliance and continuously strives to raise awareness of the risk of corruption and bribery and other misconduct. It is primarily responsible for creating and enforcing Group level policies and procedures, training programmes, internal compliance investigations, managing the consequences of misconduct, and reporting. The continuous development of Wärtsilä's compliance programme and nurturing the company's commendable ethical culture are pivotal tasks for the Compliance function. Moreover, Compliance supports and cooperates with the Businesses and other corporate functions in their risk management efforts.

While Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is heightened in many markets where the company operates, Wärtsilä maintains its highly ethical practices at all times. Full compliance with its stringent anti-corruption regime, including policies to prevent the corruption and bribery risk of third parties, is demanded by Wärtsilä.

Commodity price risk

Oil

The direct effect of oil price changes on Wärtsilä's production is limited, with their impact being mainly demand related. Higher oil prices represent a risk for global economic growth and increase operating costs, especially in the shipping markets. However, they also stimulate investments in exploration and production for oil and gas, both on land and offshore. Furthermore, high oil prices increase investments in gas carriers, gas based power plants and, increasingly, also in gas fuelled vessels. Low oil prices can delay investment decisions in oil producing countries and regions and in the offshore industry. Wärtsilä is a global company involved in different shipping and power plant segments where oil price changes can have an opposing impact on demand drivers. This position is further diversified by the increasing importance of natural gas in Wärtsilä's business.

Metals

Metal prices have an indirect effect on the component costs of our products. Furthermore, some key components are sourced with long-term contracts, and thus raw material price volatility is limited.

Electricity

Electricity prices have no substantial impact on Wärtsilä's production costs. In the Energy Solutions business, high electricity prices support investments in new capacity from utility customers. Lower grid electricity prices do not favour investments by industrial customers in their own generating capacity.

Hazard risks

Occupational health and safety systems, travel safety instructions, and crises management guidelines are aimed at protecting Wärtsilä employees. Appropriate insurances are in place for the personnel, and to emphasise the importance of employee safety, the Board of Management has decided on a corporate level target of zero lost time injuries. A specific Zero Injury project exists for this purpose, and the target is a part of the company's sustainability programme. During 2015, the near-miss reporting system, WeCare, has been actively used worldwide in order to manage information related to incidents that can threaten the safety, health and security of the company's employees and operations, as well as the environment. This IT solution itself does not alone improve performance, but it does provide a guide for identifying the causes of incidents and for taking all appropriate actions in a systematic way.

Environmental management systems are in place to mitigate environmental hazard risks. Wärtsilä maintains a register of all properties used and gives guidelines for the purchase, sale, rental and security of premises, and uses external advisors for environmental audits.

None of Wärtsilä's major locations are situated in natural disaster areas. Catastrophic peril related scenarios are identified, and where necessary, exposures are mitigated by, for example, elevating sites above the flood risk level or by constructing flood dikes. For Wärtsilä's main sites, business impact analyses have been conducted and continuity plans created to cover both property and business interruption risks.

The risks that Wärtsilä is unable to influence through its own efforts are transferred whenever possible to insurance companies. Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions; including supplier triggered interruptions, as well as third-party and product liability. Wärtsilä has established its own captive insurance company, Vulcan Insurance PCC Ltd, as a risk management tool.

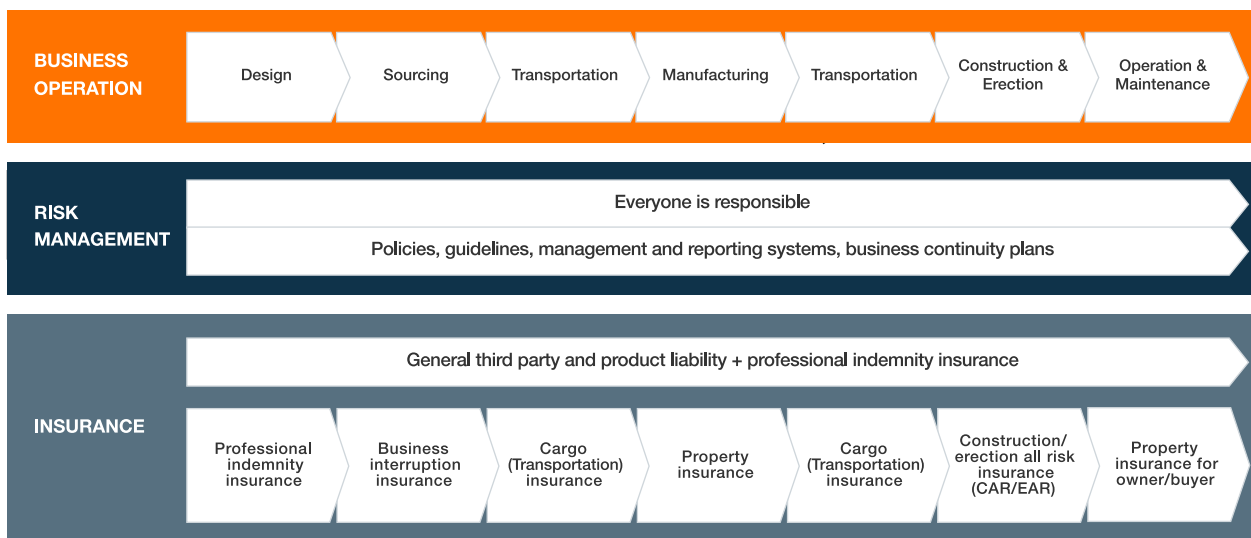
Information & cyber security related risks

During 2015, Wärtsilä established an internal organisation dedicated to cyber security governance and management. This organisation, in cooperation with Wärtsilä's divisional business management, is responsible for Wärtsilä's cyber security governance and management in connection with its customer offerings and internal operations. The Wärtsilä cyber security governance model ties together traditional safety and security functions with cyber security operations.

Information security risks related to Wärtsilä's internal operations are continuously identified, and mitigation activities are continuously executed in network security, endpoint protection, access risk management and vulnerability management. The Wärtsilä Security Operations Centre (SOC) monitors the internal threat exposure level with vulnerability scanning capabilities, and provides a coordinated response to identified cyber security incidents. Furthermore, development of Wärtsilä's information security capabilities is steered through the new cyber security organisation.

Cyber security risks are extensively identified and treated, and it appears that information and automation system related risks have exceeded the physical and personnel risks. Cyber security strategy reviews and implementation will continue during the coming years.

WHICH INSURANCES COVER OUR BUSINESS?



Both risk management work and casualty insurance cover Wärtsilä's products over their entire lifecycle.

Financial risks

Wärtsilä's financial risks are presented in the notes to the financial statements, [Note 33](#).

Wärtsilä's risk profiles & responsibilities

RISKS	RISK PROFILE	POLICY OR OTHER GUIDELINE	RESPONSIBLE BODY
Strategic risks		Wärtsilä's strategy and business plan	Wärtsilä's Board of Directors (BoD), Board of Management (BoM) and Businesses
Business environment risk		Wärtsilä's strategy and business plan	BoM and Businesses
Market and customer risk		Wärtsilä's strategy and business plan	BoM and Businesses
Competitive situation and price risk		Wärtsilä's strategy and business plan	BoM and Businesses
Political and legislative risk		Various guidelines and risk management policy	Businesses, R&D, Risk management (RM) and Legal functions
Climate change and sustainability risk		QHSE policy, Code of Conduct, management systems (ISO 14001 & OHSAS 18001)	Businesses, R&D and Sustainability function
Technology risk		Patents and industrial rights, product guarantees	Businesses and R&D function
Operational risks		Wärtsilä's strategy and business plans	BoM and Businesses
Manufacturing risk		Production systems, Business Continuity Plan	Manufacturing and Businesses
Supplier and subcontractor risk		Supplier requirement and supplier management system, Business Continuity Plan	Businesses and Supply Management
Lifecycle quality of products and product liability risk		Management systems (ISO 9001), safety instruction and manuals, risk management policy, R&D risk elimination instructions	Manufacturing, R&D function, Businesses, RM and Legal functions

Contractual risks		Standard contracts	Legal function and Businesses
Commodity price risk		Production cost control	Businesses and Treasury function
Data security risk		Data security principles and Cyber Security Strategy	Businesses and IM function
Non-compliance risk		Code of Conduct, Anti-corruption policy, Compliance policy	Businesses and Compliance function
Hazard risks		Risk management policy and guidelines	Businesses and RM function
Personnel risk		Management system (OHSAS 18001), travel safety instructions, crises management guidelines, near misses reporting and premises safety plans	Businesses, Human Resources (HR), RM and security functions
Natural catastrophes		Crises management guidelines, Business Continuity Plan	Businesses and RM function
Fire, cargo and other accidents		Management systems (ISO 14001 & OHSAS 18001), premises safety plan	Businesses, RM and Real Estate functions
Financial risks		Wärtsilä's strategy and business plans	Businesses and Treasury function
Foreign exchange risk		Treasury policy	Businesses and Treasury function
Interest rate risk		Treasury policy	Businesses and Treasury function
Liquidity and refinancing risk		Treasury policy	Businesses and Treasury function
Credit risk		Credit and Treasury policy	Businesses and Treasury function

Low High

Investors

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Shares and shareholders

Wärtsilä Corporation's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code WRT1V. At the end of the financial period 2015, the number of Wärtsilä shares totalled 197,241,130 and the share capital entered in the trade register was EUR 336,002,138.50. Wärtsilä has one share series with each share entitling its holder to one vote at the General Meeting and to an equal dividend.

Key figures for the Wärtsilä share

		2015	2014	2013	2012	2011
Earnings per share (EPS)	EUR	2.25	1.76	1.98	1.72	1.44
Book value of equity per share	EUR	11.16	9.94	9.35	8.95	8.30
Dividend per share	EUR	1.20 ¹	1.15	1.05	1.00	0.90
Dividend per earnings	%	53.3 ¹	65.4	53.0	58.1	62.7
Dividend yield	%	2.8 ¹	3.1	2.9	3.1	4.0
Price per earnings (P/E)		18.8	21.1	18.1	19.0	15.5
Price to book-value (P/BV)		3.8	3.7	3.8	3.7	2.7
Adjusted number of shares	x 1 000					
end of financial year		197 241	197 241	197 241	197 241	197 241
on average		197 241	197 241	197 241	197 241	197 241

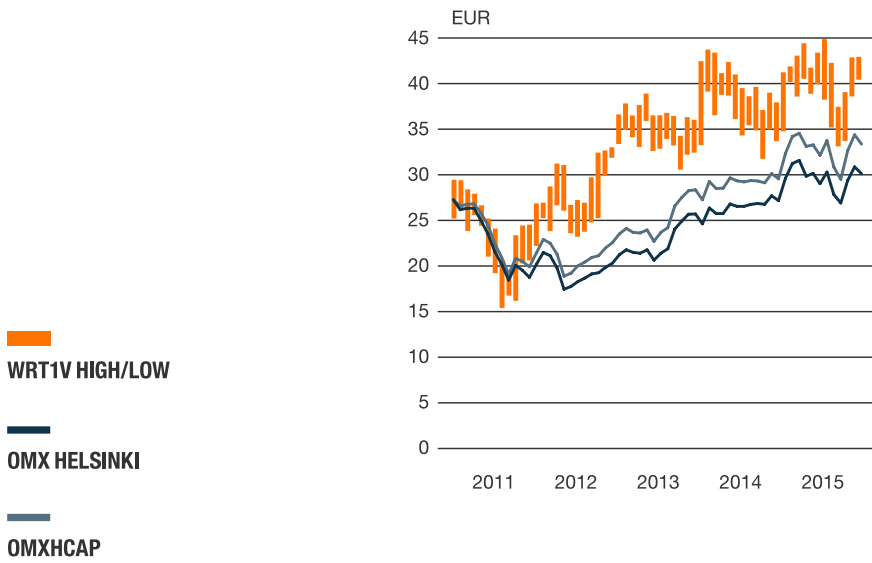
¹ Proposal of the Board of Directors.

The Wärtsilä share on Nasdaq Helsinki

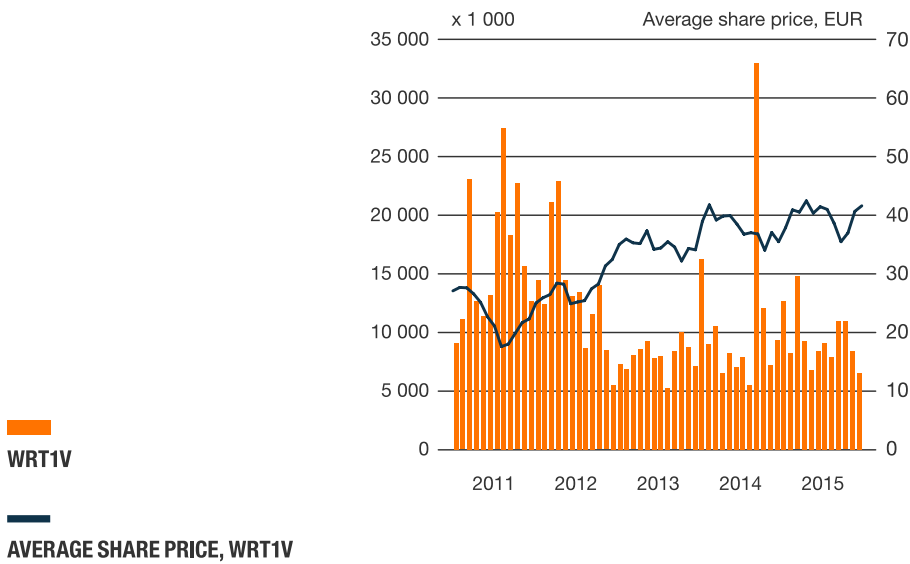
Wärtsilä's share price increased by 13.6% during 2015, while the OMX Helsinki Cap index increased by 11.7%. The highest quoted price for Wärtsilä's share during the financial period was EUR 44.97 and the lowest EUR 33.22. The closing price on 31 December 2015 was EUR 42.15 and the volume weighted average price for the year was EUR 39.83. At year-end, Wärtsilä's market capitalisation was EUR 8,314 million. The volume of trades on Nasdaq Helsinki was 113,736,958 shares, equivalent to a turnover of EUR 4,529 million. Wärtsilä's shares are also traded on alternative exchanges, including Chi-X, Turquoise, and BATS. The total trading volume on these alternative exchanges was 76,773,406 shares.

Further information on share price development can be found on the Wärtsilä IR pages at www.wartsila.com/investors.

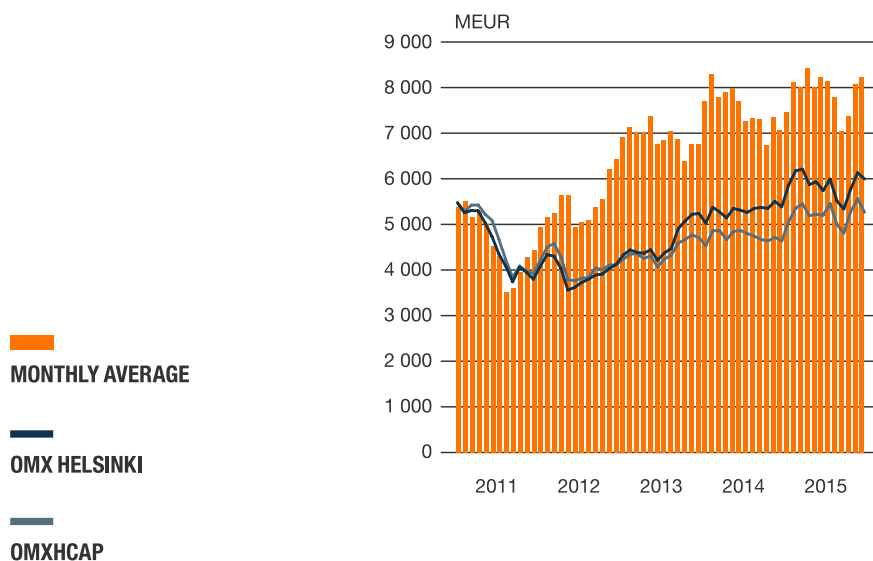
SHARE PRICE DEVELOPMENT



TRADED SHARES/MONTH



MARKET CAPITALISATION



The Wärtsilä share on Nasdaq Helsinki

		2015	2014	2013	2012	2011
Trading volume	MEUR	4 529	5 114	3 328	4 380	5 016
Number of traded	x 1 000	113 737	132 525	95 127	159 853	197 186
Stock turnover	%	80.0	67.2	48.2	81.0	100.0
Share price, high	EUR	44.97	43.82	39.00	33.11	29.55
Share price, low	EUR	33.22	31.85	30.66	22.30	15.50
Average share price	EUR	39.83	38.09	35.00	27.31	25.44
Share price at the year-end	EUR	42.15	37.09	35.77	32.72	22.32
Year-end market capitalisation	MEUR	8 314	7 315	7 055	6 454	4 402

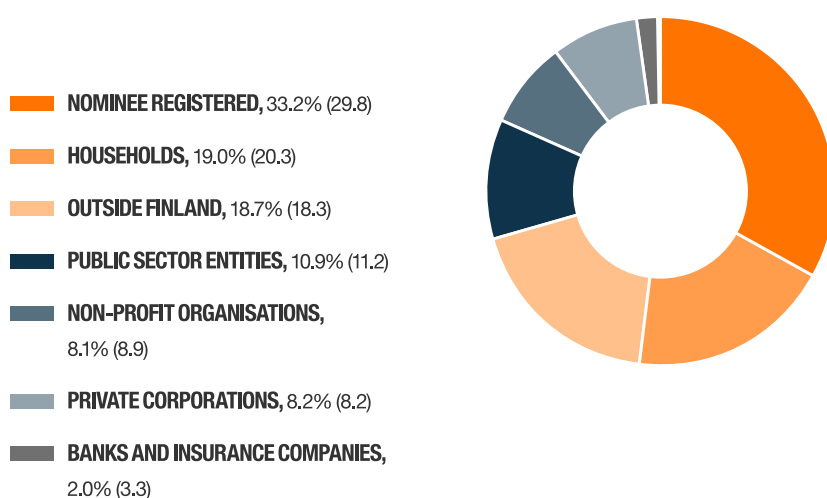
Shareholders

Wärtsilä had approximately 39,200 shareholders at the end of the financial period 2015. Foreign shareholding, including nominee-registered shares, represented 52% (48) at the end of the period, and Finnish retail investors held 19% of the share capital (20). The largest shareholder was Investor AB with 33,866,544 shares or 17% of the share capital.

Further information concerning shareholder base development can be found on the Wärtsilä IR pages at www.wartsila.com/investors.

Ownership structure on 31 December 2015

Group	Number of shareholders	%	Number of shares	%
Private corporations	1 454	3.7	16 145 619	8.2
Banks and insurance companies	76	0.2	3 955 559	2.0
Public sector entities	45	0.1	21 401 259	10.9
Non-profit organisations	863	2.2	15 949 464	8.1
Households	36 454	93.0	37 431 564	19.0
Outside Finland	308	0.8	36 789 865	18.7
Nominee registered			65 567 800	33.2
Total	39 200	100.0	197 241 130	100.0



Division of shares on 31 December 2015

Number of shares	Number of shareholders	%	Number of shares	%
1-100	11 439	29.2	618 191	0.3
101-1 000	19 797	50.5	8 022 310	4.1
1 001-10 000	7 208	18.4	19 771 429	10.0
10 001-100 000	681	1.7	16 366 962	8.3
100 001-1 000 000	65	0.2	17 623 860	8.9
1 000 001-10 000 000	7	0.0	14 262 079	7.2
10 000 001-	3	0.0	55 008 499	27.9
Nominee registered			65 567 800	33.2
Total	39 200	100.0	197 241 130	100.0

Wärtsilä's 50 major shareholders on 31 December 2015, excl. nominee registered

	Owner	Shares	%
1	Avlis Invest AB	33 866 544	17.17
2	Fiskars Corporation	10 881 781	5.52
3	Varma Mutual Pension Insurance Company	10 260 174	5.20
4	Ilmarinen Mutual Pension Insurance Company	3 978 914	2.02
5	Svenska Litteratursällskapet i Finland	2 744 840	1.39
6	The Social Insurance Institution of Finland	1 935 910	0.98
7	State Pension Fund	1 800 000	0.91
8	Elo Mutual Pension Insurance Company	1 595 088	0.81
9	Kuntien eläkevakuutus	1 107 327	0.56
10	Jenny and Antti Wihuri Foundation	1 100 000	0.56
11	The Finnish Cultural Foundation	970 442	0.49
12	Schweizerische Nationalbank	969 173	0.49
13	Sigrid Jusélius Foundation	964 475	0.49
14	Sijoitusrahasto Nordea Suomi	764 782	0.39
15	Savox Investments S.A.	730 000	0.37
16	Ingman Finance Oy Ab	595 000	0.30
17	The Signe and Ane Gyllenberg Foundation	584 888	0.30
18	Samfundet Folkhälsan i Svenska Finland rf	533 900	0.27
19	Rantanen Tuula Anneli	505 066	0.26
20	Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	443 800	0.23
21	Mandatum Henkivakuutusosakeyhtiö	423 064	0.21
22	Svenska Kulturfonden i Björneborg	394 010	0.20
23	Livränteanstalten Hereditas	383 332	0.19
24	Louise och Göran Ehrnrooth Stiftelse	377 630	0.19
25	Blåberg Olli Edvard	320 000	0.16
26	Von Fieandt Johan	308 492	0.16
27	Fromond Elsa	300 956	0.15
28	William Thuring's Stiftelse	299 515	0.15
29	Folkhälsans Forskningssiftelse - Kansanterveyden tutkimussäätiö	287 268	0.15
30	Sijoitusrahasto Seligson & Co	275 798	0.14
31	Stockmann Marita	271 226	0.14
32	Tallberg Carl Johan	260 582	0.13
33	Sr Danske Invest Suomi Yhteisöosake	246 714	0.13
34	Sijoitusrahasto Aktia Capital	245 000	0.12
35	Brita Maria Renlund Foundation	240 400	0.12
36	Sijoitusrahasto SEB Finlandia	240 302	0.12
37	Odin Finland	235 154	0.12
38	Holdix Oy Ab	234 000	0.12
39	Blomberg Anne-Sofie Marie	221 266	0.11
40	Åbo Akademi Foundation	214 010	0.11
41	Sr Danske Invest Suomi Osake	212 021	0.11
42	Ella och Georg Ehrnrooth Stiftelse	201 500	0.10
43	Sijoitusrahasto Alfred Berg Suomi Fokus	180 650	0.09
44	Markkola Leena	171 500	0.09
45	Barry Staines Linoleum Oy	166 570	0.08
46	Perceval Ann-Marie Caussin De	166 280	0.08
47	Suomen Kauppayhtiöt Oy	162 000	0.08
48	Relander Harald Bertel	161 000	0.08
49	Karlsson Anne Christine	160 000	0.08
50	Bergsr. Dr H.C. Marcus Wallenbergs stiftelse för företagsekonomisk forskning rf	151 700	0.08
	Total	83 844 044	42.51

Changes in ownership – flagging notifications

During 2015, Wärtsilä was informed of the following changes in ownership:

On 10 September, BlackRock, Inc. increased its holding in Wärtsilä to more than one twentieth (1/20) of the Company's votes. Following the transaction BlackRock, Inc. owned 10,019,838 shares or 5.08% of Wärtsilä's share capital and total votes.

Management holdings

The members of the Board of Directors, the CEO, the CEO's deputy, and the corporations under their control, owned altogether 60,219 Wärtsilä Corporation shares at the end of 2015, which represents 0.03% of the stock and voting rights.

Further details on the Board of Directors' ownership of shares can be found in the [Corporate Governance section](#).

Authorisations granted to the Board of Directors

The Annual General Meeting, held on 5 March 2015, authorised the Board of Directors to resolve to repurchase a maximum of 19,000,000 of the Company's own shares. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the authorisation.

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own shares shall be valid for three years from the authorisation of the shareholders' meeting and it cancels the authorisation given by the General Meeting on 6 March 2014. The Board of Directors is authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company's own shares other than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

The Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.20 euro per share shall be distributed for the financial period that ended on 31 December 2015.

Wärtsilä on the capital markets 2015

Wärtsilä's Investor Relations (IR) team, consisting of the CEO, CFO, IR Director, and IR Officer, participated in nearly 300 investor meetings during 2015. IR also maintained regular contact with equity research analysts throughout the year. Meetings were conducted in North America, the United Kingdom, continental Europe, and in the Nordic countries. The IR team also attended eight institutional investor conferences in Finland and abroad. In addition to one-on-one and group meetings, Wärtsilä hosted visits to its manufacturing sites in Vaasa and Trieste, as well as to a joint venture company in Shanghai. During the year, Wärtsilä's foreign ownership represented 52% (48) of the total shareholder base. The largest percentage of foreign shares was held by investors in Sweden, the United Kingdom and the United States.

During the year, Wärtsilä gave presentations at events aimed at domestic private investors. Such events included a retail investment fair arranged by Arvopaperi, and events hosted by Ålandsbanken and the Finnish Foundation for Share Promotion. In 2015, retail investors accounted for approximately 19% (20) of Wärtsilä's shareholder base.

Wärtsilä's Investor Relations policy

The ultimate objective of Wärtsilä's Investor Relations is to produce accurate, sufficient, and up-to-date information regarding the development of Wärtsilä's business operations, strategy, markets, and financial position. This is to ensure that the capital markets have the relevant information concerning Wärtsilä in order to determine the fair value of the Company's shares. To achieve this objective, Wärtsilä publishes annually three interim reports, a financial statements bulletin, an annual report, and stock exchange releases. Furthermore, Wärtsilä's management conducts regular discussions with analysts and investors, both in Finland and abroad. Wärtsilä's web pages serve as an archive for all current and historical data on factors affecting the value of its shares.

Prospects

Guidance on Wärtsilä's prospects is published in the Financial Statements Bulletin and in the Interim reports. The most recently published prospects statement is repeated in the Annual Report. The published prospects consist of the net sales and profitability (EBIT%) forecasts, which are approved by the Board of Directors. Wärtsilä does not publish quarterly result forecasts.

Should there be a change in business circumstances that could affect the prospects, Wärtsilä will publish changes to the prospects in accordance with prevailing regulations.

Analyst reports

Wärtsilä will review, upon request by an analyst, his or her earnings model or report only for factual accuracy or information that is in the public domain. Wärtsilä does not comment or take any responsibility for estimates or forecasts published by capital market representatives.

Silent period

Wärtsilä observes a three-week silent period preceding the publication of its results to prevent the revealing of unpublished financial information. During this period, the Company's representatives do not meet with investors or analysts or comment on its financial position.

Disclosure policy and financial communications

Wärtsilä discloses information on its goals, financial position, and business operations in an open, timely, truthful, and systematic manner so as to enable stakeholders to form a true and fair view of the company. Wärtsilä publishes stock exchange releases, press releases, and trade press releases. Wärtsilä's subsidiaries publish press releases with local relevance.

Stock exchange releases are published on matters that could affect share price development. Press releases provide information on business-related news or other news of general interest to our stakeholders, which are not price sensitive in nature. Releases to the trade press provide more detailed information on Wärtsilä's products and technologies. All stock exchange releases are published in Finnish, Swedish, and English. Press releases are published in English and can

also be published in Finnish and Swedish. Trade press releases are only published in English. Stock exchange releases and press releases are available on Wärtsilä's website immediately following publication.

Contacts

Relations with the Company's investors and analysts are handled by IR Director Natalia Valtasaari together with the IR team. General enquiries can be sent to investor.relations@wartsila.com.

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Wärtsilä's corporate communications are the responsibility of Atte Palomäki, Executive Vice President, Communications & Branding.

Atte Palomäki

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atte.palomaki@wartsila.com

Analysts

To the best of our knowledge, at least the following brokers and financial analysts have on their own initiative followed Wärtsilä's development during the last 12 months. They have analysed Wärtsilä and drawn up reports and comments and as a result are able to evaluate the Company as an investment target. Wärtsilä takes no responsibility for the opinions expressed.

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UBS Deutschland AG	Sven Weier	sven.weier@ubs.com +49 69 1369 8278

Information for shareholders

Annual General Meeting

The Annual General Meeting of Wärtsilä Corporation will take place on Thursday, 3 March 2016, beginning at 3 p.m., in the Congress Wing of the Helsinki Fair Center, address: Messuaukio 1, 00520 Helsinki, Finland.

Right to attend

Shareholders registered no later than 22 February 2016 in the Company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting.

Notification of attendees

Shareholders wishing to attend the Annual General Meeting are required to inform the Company thereof no later than 4 p.m. on 29 February 2016 either by letter, e-mail, fax, or telephone.

Registration:

Wärtsilä Corporation
Share Register
P.O. Box 196
FI-00531 Helsinki
Finland
Telephone: +358 10 709 5282
Between 9 a.m. and 12 p.m. (noon) on weekdays
Fax: +358 10 709 5701
E-mail: yk@wartsila.com
Internet: www.wartsila.com/agm_register

Letters, e-mails, and faxes informing of participation must reach the Company before the notification period expires at 4 p.m. on 29 February 2016. Letters authorising a proxy to exercise a shareholder's voting right at the Annual General Meeting should also reach the Company before the notification period expires.

Payment of dividend

The Board of Directors proposes that a dividend of 1.20 euro per share be paid for the financial year 2015. The dividend will be paid to those shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date, which is 7 March 2016. The proposed dividend payment date is 14 March 2016.

Stock exchange releases

Wärtsilä's stock exchange releases are available in English, Finnish, and Swedish on Wärtsilä's website.

Financial information 2016

Annual Report 2015

The electronic Annual Report 2015 is published in English, Finnish, and Swedish at www.wartsilareports.com and is also available on Wärtsilä's website, www.wartsila.com

Interim Reports and Financial Statements Bulletin 2016

- January-March on Thursday, 21 April 2016
- January-June on Wednesday, 20 July 2016
- January-September on Tuesday, 25 October 2016
- Financial Statements Bulletin January-December on Friday, 27 January 2017

Interim reports and the Financial Statements Bulletin are available in English, Finnish, and Swedish on Wärtsilä's website, www.wartsila.com.

Annual summary of stock exchange releases

4 November 2015

Wärtsilä appoints Javier Cavada Camino President of Energy Solutions

22 October 2015

Wärtsilä appoints Pierpaolo Barbone Deputy to the CEO

22 October 2015

Wärtsilä Interim Report January-September 2015

16 October 2015

Wärtsilä supplies 378 MW power plant to El Salvador

14 September 2015

Wärtsilä appoints Roger Holm to lead the Marine Solutions business

14 September 2015

Notification in accordance with the Finnish Securities Market Act Chapter 9 § 5: BlackRock, Inc. increased holding in Wärtsilä Corporation

10 August 2015

Wärtsilä appoints Jaakko Eskola President and CEO as of 1 November 2015

17 July 2015

Wärtsilä Interim Report January-June 2015

17 July 2015

Wärtsilä to adjust its Ship Power business to reflect the weak market situation

29 May 2015

Wärtsilä completes acquisition of L-3 Marine Systems International

23 April 2015

Wärtsilä Interim Report January-March 2015

10 April 2015

Wärtsilä wins a EUR 120 million order for power generation

5 March 2015

Constitutive meeting of the Board of Directors of Wärtsilä Corporation

5 March 2015

Decisions of Wärtsilä's Annual General Meeting 5 March 2015

5 March 2015

Wärtsilä redefines its dividend target

10 February 2015

Wärtsilä Corporation's Annual Report 2014 published

29 January 2015

Notice to convene the Annual General Meeting of Wärtsilä Corporation

29 January 2015

Wärtsilä's Financial Statements Bulletin January-December 2014

Board of Directors' report

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Highlights 2015

Wärtsilä's performance in 2015 was in line with the targets set for the year. Supported by a solid fourth quarter and continued growth in service volumes, net sales increased by 5% and profitability reached 12.2%.

The operating environment was challenging in both the energy and marine markets. Macro-economic development uncertainty limited investments in new power plant capacity, while the demand for new vessels was burdened by overcapacity and depressed oil prices. Order intake for both Marine and Energy Solutions declined from the previous year, although activity improved sequentially during the second half of the year. Service markets developed favourably, supported by increased demand for maintenance work and propulsion system upgrades in the marine markets as well as the increased utilisation of power plant installations. Services' development was clearly the highlight of the year. A focused sales approach and an enhanced value proposition, together with the increasing willingness of customers to invest in performance optimising services, resulted in double digit growth in both orders and sales.

During the year, Wärtsilä continued to develop its business by expanding its product and solutions offering, as well as by pursuing growth opportunities through acquisitions. R&D investments represented 2.6% of net sales. The acquisition of L-3 Marine Systems International was finalised in June and the integration programme is proceeding well. The acquisition considerably strengthens Wärtsilä's position in automation, navigation and electrical systems, and expands the company's digital presence.

Net sales

MEUR	2015	2014	Change %
Energy Solutions	1 126	1 138	-1%
Marine Solutions	1 720	1 702	1%
Services	2 184	1 939	13%
Group	5 029	4 779	5%

Strategy

Wärtsilä aims at profitable growth by providing advanced technologies and lifecycle solutions to its marine and energy market customers.

Increasing environmental awareness and changing energy needs are affecting the way that our customers operate. With our integrated products and services, we are well positioned today to respond to the need for energy efficient and flexible solutions. We will meet the increasing demand for gas based technologies with our industry leading multiple fuel products and LNG solutions. We will leverage our project management and engineering competences to achieve growth by offering our customers new and innovative solutions. Our growth ambitions are supported by our superior global service network.

With our production and supply chain management, we constantly seek ways to provide high quality and maintain cost

efficiency – often in co-operation with leading industrial partners in our key growth markets. Our market driven investments in R&D and our focus on digitalisation create a strong foundation for securing and strengthening our position at the forefront of technological innovation. This innovative culture, together with our constant emphasis on safety, diversity, and high ethical standards, attract skilled and committed people and lead to a high performing organisation. Our entrepreneurial drive, customer focus, and passion for doing right not only create new opportunities and environmentally sustainable solutions, but also bring value to all our stakeholders.

Strategy implementation in 2015

The importance of fuel efficiency is increasing in both the marine and energy markets. Wärtsilä's launch of the new generation Wärtsilä 31 engine was a milestone achievement in product efficiency improvement. The Wärtsilä 31 has been recognised by Guinness World Records as being the world's most efficient 4-stroke diesel engine; its diesel fuel consumption being as low as 165 g/kWh. Within the Services business, customer emphasis on optimising efficiency drove the demand for propulsion system upgrades, as well as for long-term service agreements.

The transition to natural gas fuelled applications in the power generation market is evident, with gas and multi-fuel applications accounting for 71% of Energy Solutions' quotation activity and 46% of its order intake. Gas based contracts included several orders for peaking and renewable support power plants from the USA. Furthermore, Wärtsilä Services received orders to convert power plants to operate on natural gas, among the more significant of these being the Maltese Delimara Power Station. Gas is of interest also in the marine markets. Gas carriers continued to be the largest segment in terms of Marine Solutions' order intake, partly due to the increasing use of Wärtsilä 34DF engines for auxiliary applications in the LNG carrier segment. Wärtsilä maintained its position as a leading supplier of gas handling systems to the marine markets, and received orders to deliver similar equipment to land-based installations as well.

The development of Wärtsilä's digital presence was a key theme during 2015. A new digital service portfolio, Wärtsilä Genius services, was launched, and Wärtsilä's digitalisation competences were further strengthened by the acquisition of L-3 Marine Systems International.

Wärtsilä continued to invest in technology development in order to maintain the competitiveness of its product portfolio, and to secure a leading position in sustainable innovation. The R&D related expenditure totalled EUR 132 million or 2.6% of net sales, with the areas of emphasis being efficiency improvement, fuel flexibility, and the reduction of environmental impact.

To promote a high performance culture, Wärtsilä arranged leadership development programmes, as well as learning solutions for core competence areas in sales, project management, and technology. Wärtsilä employees attended a total of 55,620 training days, which represents on average 3.0 training days per employee. Diversity continued to be a focus area during 2015, the emphasis being on local diversity action planning and implementation. Additionally, Wärtsilä participated in the Dialogi 2015 programme with the aim of developing and promoting female leadership and careers in business. Wärtsilä was also one of the main sponsors of the bi-annual Women in Tech event. Personnel safety is a priority for Wärtsilä and during the year the company moved steadily closer to its on-going target of zero lost-time injuries. Wärtsilä also introduced a WeCare mobile application with the aim of increasing near miss and hazard reporting.

Financial targets and guidance realisation

Wärtsilä's long-term financial target is to grow faster than global GDP and to maintain its operating profit margin between 14% at the peak of the cycle and 10% at the trough. Furthermore, the target is to maintain gearing below 0.50, and to pay a dividend of at least 50% of earnings per share over the cycle.

Wärtsilä's performance in 2015 was in line with the Company's long-term targets and with the guidance set for the year. On 29 January 2015, Wärtsilä estimated its net sales for 2015 to grow by 0-10% and operational profitability to be 12.0-12.5%. The expectations were revised on 17 July to include the impact of the L-3 Marine Systems International (MSI) acquisition, whereby net sales were expected to grow by 5-10% and profitability was estimated to be around 12.0-12.5%. MSI was expected to contribute approximately EUR 250 million to sales and EUR 9 million to the operating result during 2015. Excluding purchase price allocation amortisation, MSI's operating result was estimated to reach EUR 16 million.

Net sales for 2015 increased by 5%, while the IMF estimates global real GDP to have increased by 3.1%. Profitability improved to 12.2%. Gearing was 0.17 and the Board of Directors' proposed dividend of EUR 1.20 per share represents 53% of operational earnings.

Long-term financial targets

Target	Development in 2015	Development in 2014
Net sales growth faster than global GDP	5% growth	4% growth
Operating profit margin between 10% and 14%	12.2%	11.9%
Gearing below 0.50	0.17	0.05
Dividend payment at least 50% of earnings per share over the cycle	53% ¹	65%

¹ Proposal of the Board of Directors.

Market development

Challenging conditions in power generation markets

The power generation markets were challenging throughout 2015, as global macro-economic uncertainty limited investments in new power plant capacity. Market volumes remained at a relatively low level, despite the slight increase in global orders for natural gas and liquid fuel power plants. Growth in the emerging markets and the availability of financing continued to support demand. In the industrialised world, electricity consumption was on a low level and economic growth is needed to boost power plant investments. Excess manufacturing capacity as a result of low demand in the marine industry has caused engine manufacturers to focus more on the power plant sector, resulting in increased competition in several markets. Wärtsilä's quotation activity was at a high level in 2015, and remained concentrated on multi-fuel and natural gas based power plants.

Energy Solutions market share

During the first nine months of 2015, global orders for natural gas and liquid fuel power plants up to 500 MW totalled 17.0 GW (16.5), an increase of 3% from the corresponding period of 2014. Wärtsilä's market share was 9.9% (10.5). Global orders include all gas turbine and Wärtsilä orders of prime movers over 5 MW.

Contracting of new vessels remains low

During the period January-December 2015, 1,371 contracts for new vessels were registered (1,711). Newbuilding prices have been under pressure throughout the year due to the low demand for new vessels. Contracting activity in the conventional merchant markets was slow. Weak freight rates and overcapacity adversely affected the ordering of container vessels and bulkers, while low oil prices and improved earnings supported tanker contracting. Gas carrier orders remained below the strong volumes seen in 2014, with a total of 92 vessel contracts registered in 2015 (173). Demand in the offshore market declined from the previous year, as depressed oil prices continued to limit investments in exploration and development. There was a good level of contracting for cruise vessels and ferries.

The top three shipbuilding countries continued to control contracting activity in terms of compensated gross tonnage. China and South Korea each secured 30% of the confirmed contracts. Japan's share of the confirmed contracts improved to 27%, thanks to increased domestic ordering activity. Other countries improved their share from the previous year, with 292 orders placed outside the top three shipbuilding countries.

Marine Solutions market shares

Wärtsilä's share of the medium-speed main engine market was 59% (63% at the end of the previous quarter). The market share in auxiliary engines increased to 12% (9% at the end of the previous quarter).

Strong development in the service markets

Service market activity developed favourably in 2015, with volume growth accelerating during the first half and demand continuing to be high throughout the rest of the year. Activity in the marine industry improved globally. Lower operating costs due to lower fuel prices and the release of pent up demand supported investments in maintenance activities, especially in the merchant segment, while increased demand for propulsion upgrades and thruster retrofits created growth in service projects. Power plant service activity developed well, thanks to increased utilisation of installations under contract and the demand for spare parts in specific regions resulting from the ageing installed base. Customer focus on the optimisation of maintenance and performance has increased interest in long-term service agreements in both end markets.

At the end of 2015, Wärtsilä's installed base totalled 181,000 MW. Four-stroke engines accounted for approximately 60% of the installed base and two-stroke engines for approximately 40%.

Order intake and order book

Order intake

Wärtsilä's order intake for the financial period January-December 2015 was EUR 4,932 million (5,084), which represents a decrease of 3% compared to the corresponding period in 2014. The book-to-bill ratio for the financial period was 0.98 (1.06).

Order intake for Energy Solutions totalled EUR 1,009 million (1,293), a decrease of 22% from the corresponding period last year. Of the orders received, measured in MW, 46% were for gas based power plants. Turkish owners contributed to the high level of activity in Europe, while in the USA several orders were received for peaking and renewable support power plants.

Marine Solutions' order intake declined by 8% to EUR 1,599 million (1,746). Considering the general slowdown in vessel contracting and the further weakening of the offshore market, this was a satisfactory result. Order intake for Marine Systems International, acquired during the financial period, developed well. The gas carrier segment represented 38% of the order intake, while the conventional merchant share was 18% and cruise & ferry accounted for 15%. The special vessels segment represented 10%, the offshore segment 8%, and navy 4%. Other orders accounted for 6%. In line with the Marine Solutions strategy, Wärtsilä received several orders for the delivery of integrated solutions. Highlights included the contract to supply engines, controllable pitch propellers, transverse thrusters, and an LNGPac gas supply and storage system to the world's first duel-fuelled dredger being built for DEME Group. Other strategically significant orders included the first order for the new generation Wärtsilä 31 engine, which was launched in June. Interest in environmental solutions continued to increase during 2015. A noteworthy order in this respect was the contract to retrofit eleven container vessels owned by Bernhard Schulte GmbH & Co. KG with Wärtsilä Aquarius Ballast Water Management Systems. The development in exhaust gas cleaning systems orders was stable. During 2015, the Wärtsilä 34DF engine strengthened its market position, with three major South Korean shipyards supporting the use of this engine for auxiliary applications in the LNG carrier segment.

Services' order intake increased by 14%, totalling EUR 2,324 million (2,045), supported by increased demand for service projects and long-term agreements. Larger service projects included an order from Shanghai Electric Power to convert the Maltese Delimara Power Station to operate on natural gas, as well as several propulsion system upgrade projects. Customers with gas fuelled vessels showed particular interest in signing long-term agreements. The signed contracts included a 5-year technical management agreement with Golar Management Oslo for its LNG carrier fleet, and a maintenance agreement with GasLog LNG Services Limited to ensure the reliable operation of GasLog's seven LNG carriers. Power plant related service agreements included a 10-year operations and maintenance agreement for Central Generadora Electrica Huinala's flexicycle power plant, located near Monterrey, Mexico.

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and in the Wärtsilä Qiyao Diesel Company Ltd and CSSC Wärtsilä Engine (Shanghai) Co. Ltd joint venture companies in China totalled EUR 182 million (306) during the financial period January-December 2015. The results of these companies are reported as a share of the result of associates and joint ventures.

Order book

The total order book at the end of the financial period amounted to EUR 4,882 million (4,530), an increase of 8%. The Energy Solutions order book decreased by 7%, totalling EUR 1,366 million (1,475). The Marine Solutions order book increased by 16% to EUR 2,558 million (2,213). The Services order book totalled EUR 958 million (842), an increase of 14%.

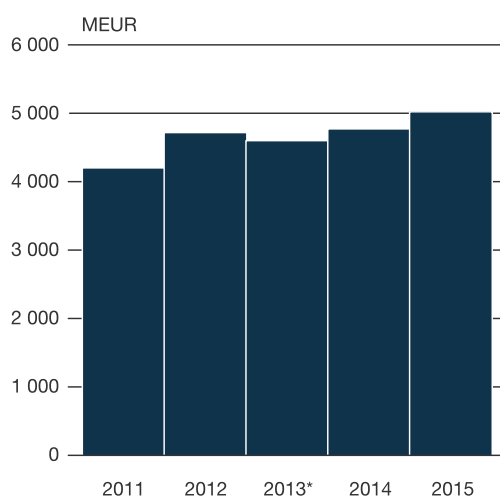
Net sales and profitability

Net sales

Net sales for January-December 2015 developed in line with guidance, increasing by 5% to EUR 5,029 million (4,779), primarily due to improved service volumes. Net sales development for the Energy Solutions and Marine Solutions businesses was stable, totalling EUR 1,126 million (1,138) and EUR 1,720 million (1,702) respectively. Net sales from the Services business increased by 13% to EUR 2,184 million (1,939), supported by good development in all areas. Of the total net sales, Energy Solutions accounted for 22%, Marine Solutions for 34%, and Services for 43%.

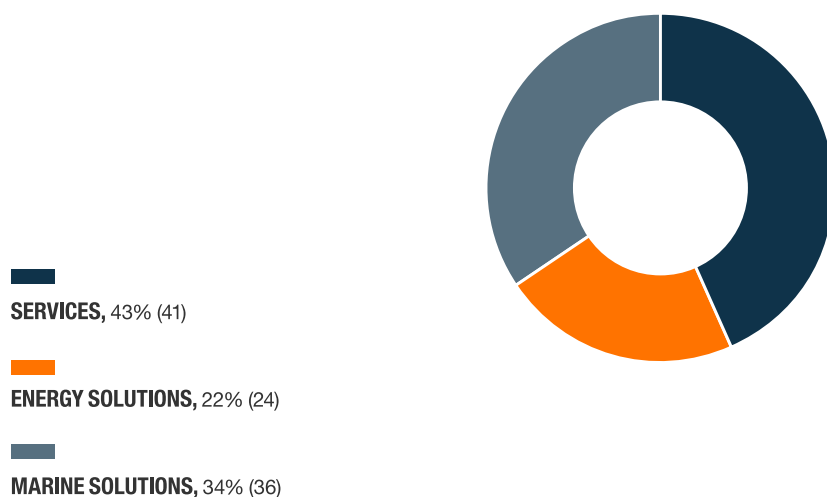
Of Wärtsilä's net sales, approximately 64% was EUR denominated, 21% USD denominated, with the remainder being split between several currencies.

GROUP NET SALES DEVELOPMENT



* Restated, figure includes continuing operations.

NET SALES BY BUSINESS AREA

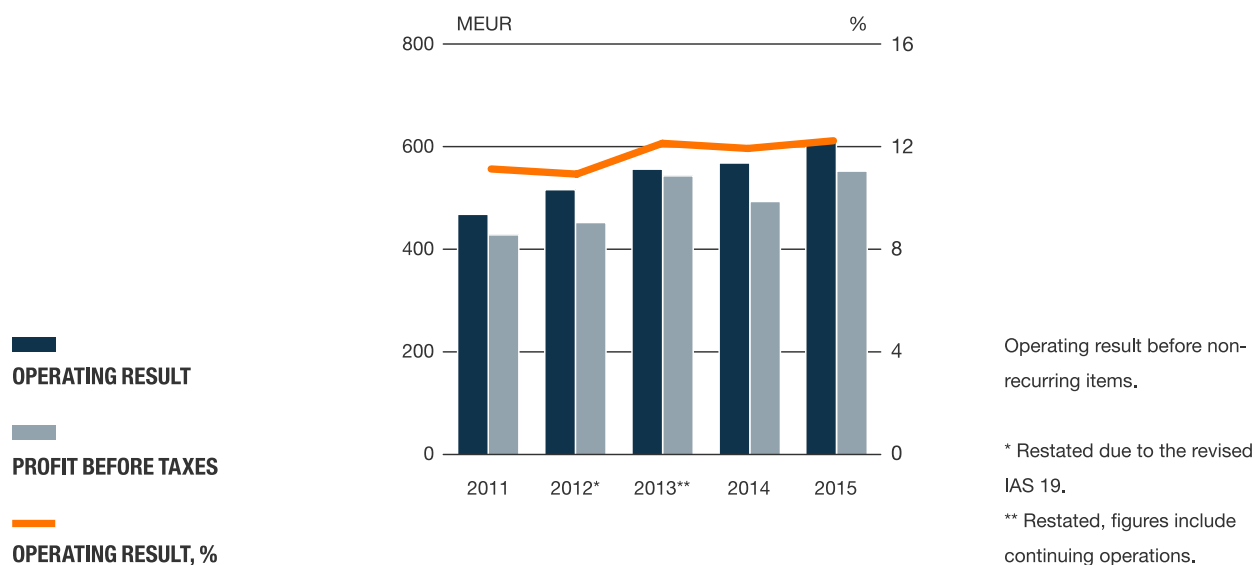


Operating result and profitability

For the financial period January-December 2015, the operating result (EBIT) before non-recurring items was EUR 612 million (569). This represents 12.2% of net sales (11.9), which is within the guided 12.0-12.5% range. The increase in the operating result was primarily due to higher service volumes, the acquisition of L-3 Marine Systems International, and internal cost reductions. Including non-recurring items, the operating result was EUR 587 million (522) or 11.7% of net sales (10.9). The operating result (EBITA) excluding non-recurring items and purchase price allocation amortisation was EUR 643 million (594), or 12.8% of net sales (12.4). Non-recurring items amounted to EUR 25 million (47) during the financial period, of which EUR 19 million related to the restructuring measures announced in June and EUR 6 million to acquisitions and other costs. Purchase price allocation amortisation amounted to EUR 32 million (26).

Financial items amounted to EUR -34 million (-28). The increase in financial items is due to an intragroup loan denominated in Brazilian real, which resulted in unrealised exchange rate losses. Net interest totalled EUR -12 million (-9). Profit before taxes amounted to EUR 553 million (494). Taxes amounted to EUR 124 million (106), implying an effective tax rate of 22.5% (21.4). The profit for the financial period amounted to EUR 451 million (351). Earnings per share were EUR 2.25 (1.76) and the equity per share was EUR 11.16 (9.94). Return on investments (ROI) was 21.0% (20.3). Return on equity (ROE) was 20.2% (20.0).

RESULT



Balance sheet, financing and cash flow

For January-December 2015, the operating cash flow totalled EUR 255 million (452). Working capital totalled EUR 543 million (251) at the end of the financial period. The increase was mainly due to the Energy Solutions business, where the timing of deliveries resulted in inventory build-up and increased receivables. Furthermore, advances received at the end of the period declined to EUR 564 million (673) due to lower order intake in the equipment businesses. Cash and cash equivalents at the end of the period amounted to EUR 334 million (571) and unutilised Committed Credit Facilities totalled EUR 679 million (629).

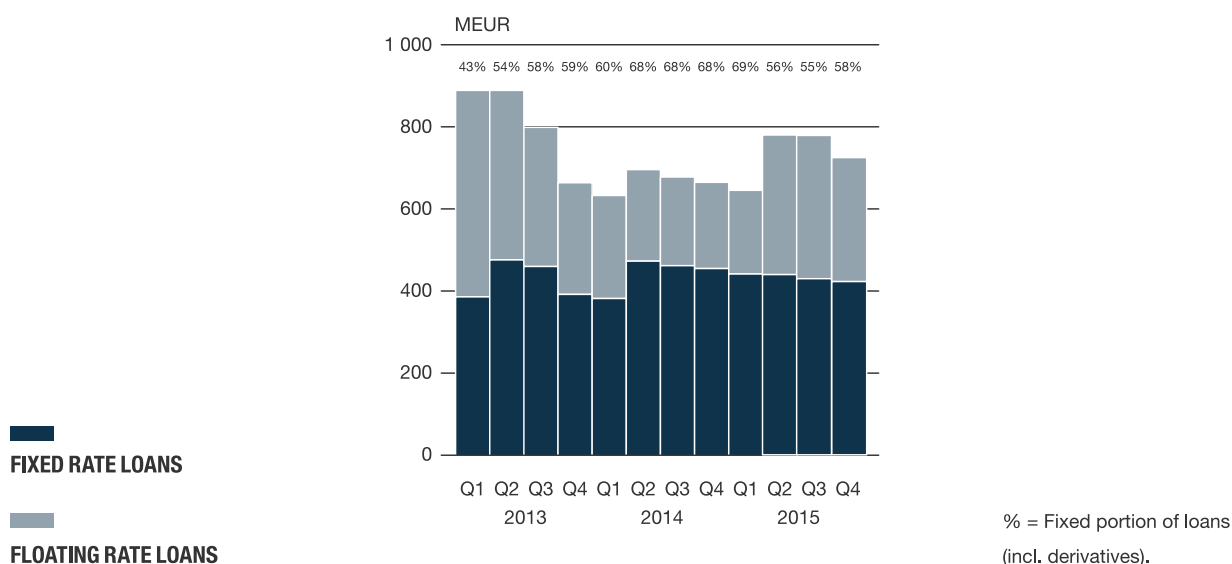
Wärtsilä had interest-bearing debt totalling EUR 724 million (666) at the end of December 2015. The total amount of short-term debt maturing within the next 12 months was EUR 232 million. Long-term loans amounted to EUR 492 million. Net interest-bearing debt totalled EUR 372 million (94) and gearing was 0.17 (0.05). The increase in gearing relates mainly to working capital build up and the acquisition of L-3 Marine Systems International.

Liquidity preparedness

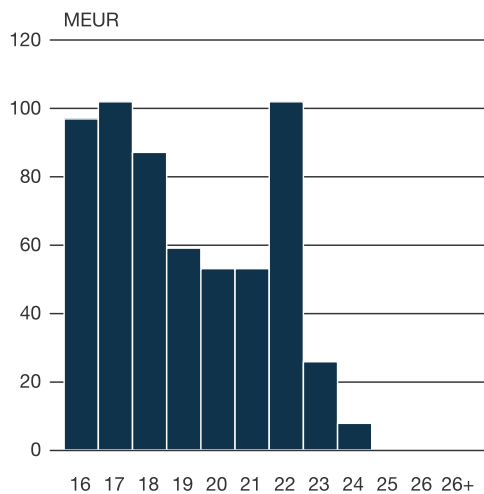
MEUR	31.12.2015	31.12.2014
Cash and cash equivalents	334	571
Unutilised committed credit facilities	679	629
Liquidity preparedness	1 013	1 200
% of net sales (rolling 12 months)	20	25
Less Commercial Papers	130	-
Liquidity preparedness excluding Commercial Papers	883	1 200
% of net sales (rolling 12 months)	18	25

On 31 December 2015, the average maturity of the total loan portfolio was 35 months and the average maturity of the long-term debt was 43 months.

LOANS

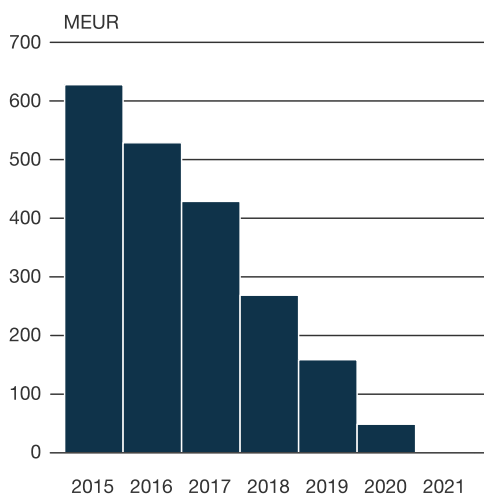


MATURITY PROFILES OF LONG-TERM LOANS

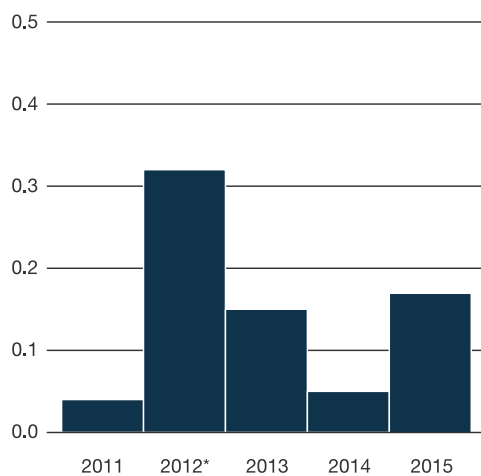


Annual repayments of long term loans.

COMMITTED REVOLVING CREDIT FACILITIES (END OF PERIOD)

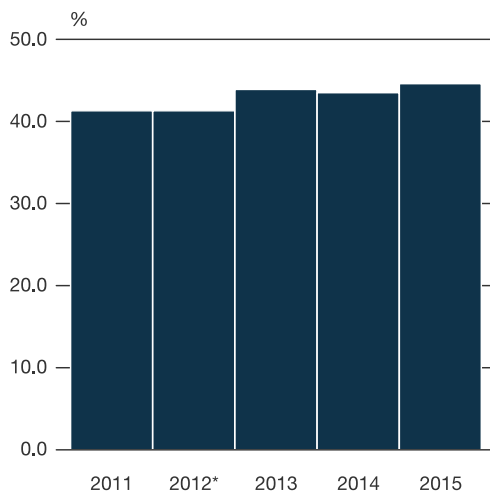


GEARING



* Restated due to the revised IAS 19.

SOLVENCY RATIO



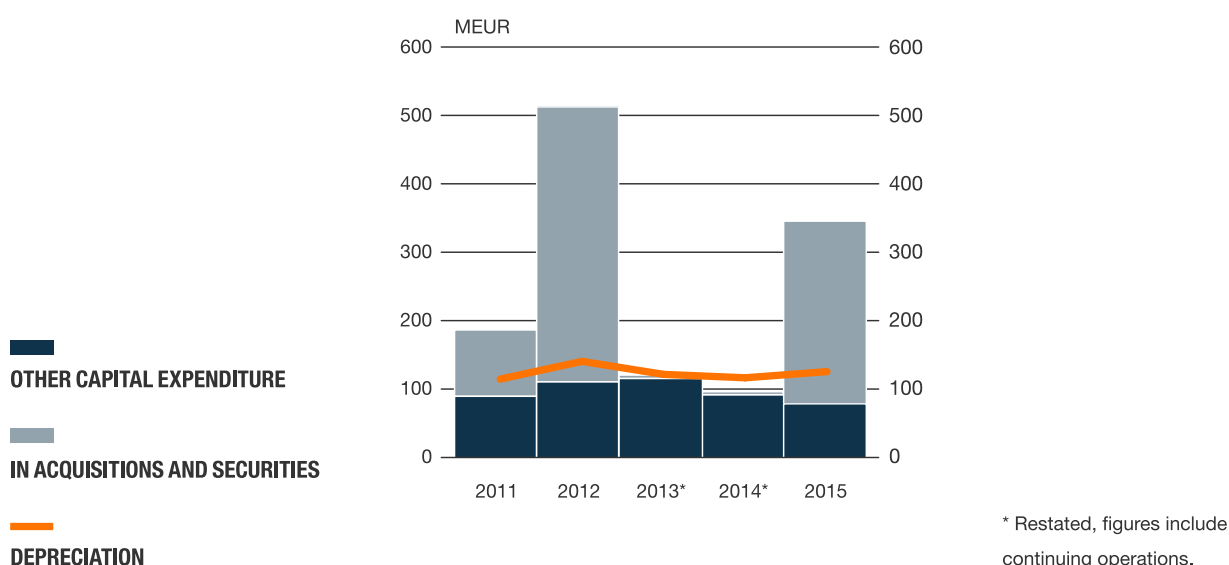
* Restated due to the revised IAS 19.

Capital expenditure

Capital expenditure related to intangible assets and property, plant, and equipment amounted to EUR 79 million (92) during the financial period January-December 2015. The comparison figure includes continuing operations. Capital expenditure related to acquisitions and investments in securities totalled EUR 267 million (2). Depreciation, amortisation, and impairment for the financial period amounted to EUR 124 million (115).

In 2016, capital expenditure related to intangible assets and property, plant, and equipment is expected to be below depreciation and amortisation.

GROSS CAPITAL EXPENDITURE



Strategic projects, acquisitions joint ventures and expansion of the network

The agreement between Wärtsilä and China State Shipbuilding Corporation (CSSC) for the take-over of Wärtsilä's 2-stroke engine business was finalised in January. Winterthur Gas & Diesel Ltd is owned 70% by CSSC and 30% by Wärtsilä.

The acquisition of L-3 Marine Systems International (MSI) from the NYSE-listed L-3 Communications Holdings Inc. was finalised and control of the company transferred to Wärtsilä with effect from 1 June 2015. Integration is proceeding

according to plan and MSI's financial development in 2015 was somewhat better than expected. Further information on the acquisition can be found in the financial statements.

In July, Wärtsilä established a subsidiary to trade spare parts for classic 4-stroke Wärtsilä engines. QuantiParts B.V., fully owned by Wärtsilä, operates from the Netherlands and serves customers in the marine, locomotive, and power plant industries worldwide.

In October, Wärtsilä Services expanded into a new market segment, offering a comprehensive package of seals, bearings, and associated solutions to hydropower installations and industrial plants worldwide.

Construction of the CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory in Lingang, Shanghai is proceeding according to plan. The ground breaking ceremony for the erection of the factory took place on the 28th of October. The first engines are expected to be ready for delivery by the end of 2016.

Research and development, product launches

Wärtsilä has placed a strong emphasis on both product and solution innovation during 2015, particularly in the areas of efficiency improvement, fuel flexibility, and the reduction of environmental impact. The R&D related expenditure totalled EUR 132 million, which represents 2.6% of net sales.

During the first half of 2015, Wärtsilä launched several new innovative ship designs for anchor handling tug supply and platform supply vessels, for various sizes of container feeder vessels and for a new series of LNG carriers. Each design emphasizes fuel economy and performance, and come with optional versions to meet specific needs and the flexibility to choose particular features and solutions.

In May, Wärtsilä announced that the market leading Wärtsilä 50DF engine had been successfully tested and certified to run on ethane (LEG) fuel. The extensive test programme was carried out by Wärtsilä in close collaboration with Evergas, a world renowned owner and operator of seaborne petrochemical and liquid gas transport vessels.

The Wärtsilä 31 engine was launched in June. The new engine model has significant reduced maintenance requirements, while raising fuel efficiency, fuel flexibility, and operational optimisation to levels beyond anything else currently available. The Wärtsilä 31 has been recognised by Guinness World Records as being the world's most efficient 4-stroke diesel engine, with diesel fuel consumption as low as 165 g/kWh.

In September, Wärtsilä introduced the latest addition to its thruster product portfolio, the Wärtsilä WST-14 steerable thruster, aimed primarily at inland waterway cargo vessel applications. The space-saving compact design will provide increased reliability and efficiency, while also lowering costs.

In October, Wärtsilä announced that a consortium comprised of Wärtsilä, GoodFuels Marine, and Boskalis will head a two year pilot programme to accelerate the development of sustainable, scalable, and affordable marine bio-fuels. The programme's focus will be on identifying suitable marine biofuels, securing industry certification, and preparing the building blocks for large-scale production.

Also in October, Wärtsilä introduced a new LNG storage and regasification barge concept. This innovative solution provides a flexible means of meeting small to medium scale requirements where pure land-based LNG options are limited. The Wärtsilä Mobile LNG can easily be combined with a barge-mounted power plant having an output capacity of up to 250 MW. Alternatively, it can be used to supply conventional land-based power plants. The Wärtsilä Mobile LNG solution will make LNG available to new consumer segments, bringing clean energy to areas with limited or no access to the national electricity grid.

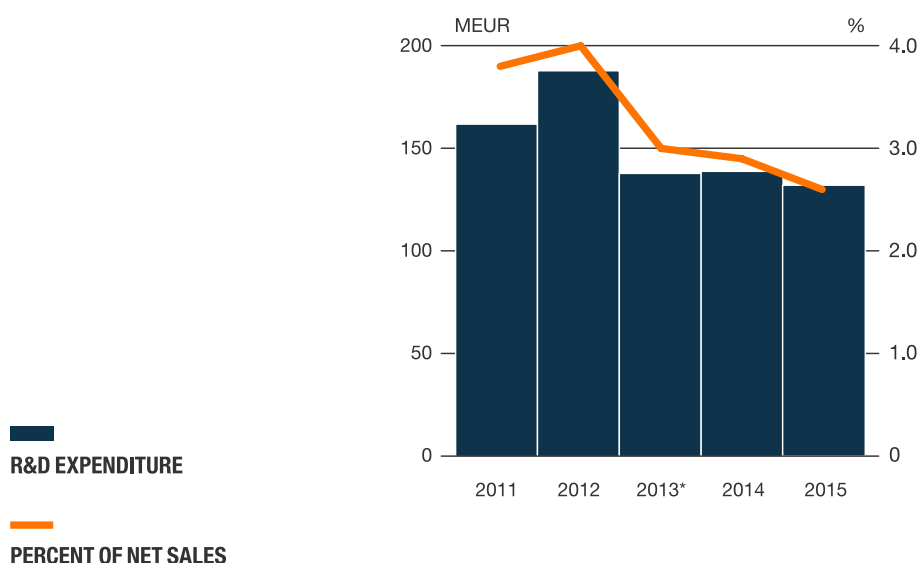
In November, Wärtsilä announced the expansion of its Smart Power Generation portfolio by introducing the capability to use propane as fuel for power generation. Replacing heavy fuel oil with propane enables significant reductions in carbon dioxide and other emissions from power plants.

Also in November, Wärtsilä launched Wärtsilä Genius services, a new digital service portfolio. The new portfolio will enable real-time optimisation of customers' assets, improve predictability, and help the solving of issues through the use of digital solutions and data analytics. Wärtsilä also introduced an innovative new seal for stern tubes and thrusters that can be fully serviced underwater, thereby offering customers increased uptime and lifecycle efficiency.

Megawatts delivered

	2015	2014	Change %
Energy Solutions engines	2 269	2 409	-6%
Marine Solutions, own engines	1 634	2 206	-26%
Wärtsilä total	3 903	4 615	-15%
By licensees	2 107	1 902	11%
By joint ventures	789	1 010	-22%
Engine deliveries total	6 799	7 527	-10%

RESEARCH AND DEVELOPMENT EXPENDITURE



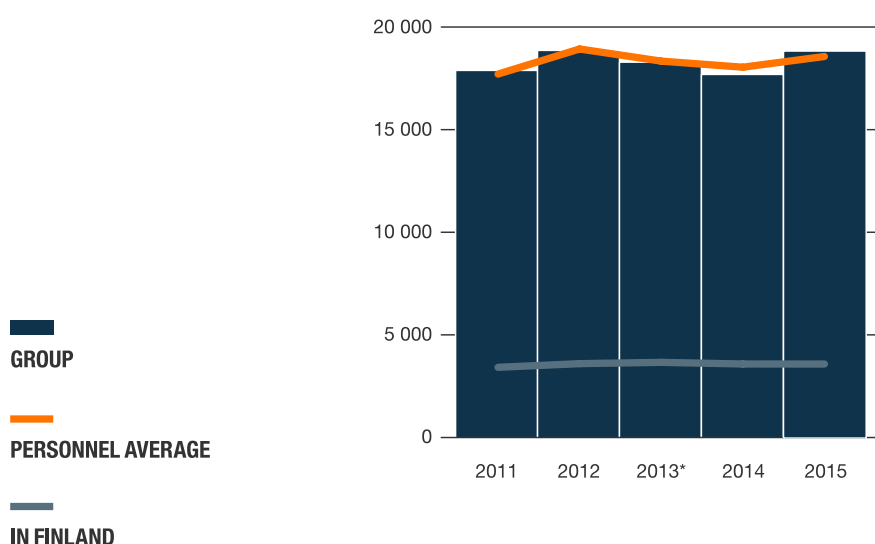
* Restated, figures include continuing operations.

Personnel

Wärtsilä had 18,856 (17,717) employees at the end of December 2015. The number of personnel has declined by 381 from the end of the previous quarter as a result of the ongoing restructuring measures. On average, the number of personnel for January-December 2015 totalled 18,565 (18,042). Marine Solutions employed 6,847 (5,603) people, Energy Solutions 959 (978), and Services 10,592 (10,692). The increase in the number of Marine Solutions employees relates mainly to the acquisition of L-3 Marine Systems International.

Of Wärtsilä's total number of employees, 19% (20) were located in Finland and 39% (34) elsewhere in Europe. Personnel employed in Asia represented 28% (31) of the total, personnel in the Americas 10% (10), and personnel in other countries 4% (4).

PERSONNEL



* Restated, figures include continuing operations.

Restructuring programmes

The organisational adjustments in Marine Solutions announced in July, whereby approximately 600 jobs were planned to be reduced globally, are progressing according to plan. In taking these measures, Wärtsilä seeks annual savings in the region of EUR 40 million, which are expected to materialise fully by the end of 2016. The non-recurring costs related to the restructuring measures will be approximately EUR 25-30 million, of which EUR 19 million was recognised in 2015.

Changes in management

Wärtsilä's Board of Directors appointed Mr Jaakko Eskola (57) M.Sc. (Eng.) as the new President and CEO of Wärtsilä Corporation. He assumed the position on 1 November 2015, succeeding Mr Björn Rosengren who left the company to become the CEO of Sandvik.

Mr Roger Holm (43) M.Sc. (Econ.) was appointed President of Marine Solutions, Executive Vice President and a member of the Board of Management, effective from 1 November 2015.

Mr Pierpaolo Barbone (58) M.Sc. (Eng.) was appointed Deputy to the CEO as of 1 November 2015. He assumed this responsibility in addition to his existing position as President of Services, Executive Vice President.

Mr Javier Cavada Camino (40) Ph.D. (Eng.) was appointed President of Energy Solutions, Executive Vice President and a member of the Board of Management, effective from 4 November 2015. The previous President of Energy Solutions, Mr Rakesh Sarin (60), retired having reached his statutory retirement age earlier in the year.

Sustainable development

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources. Wärtsilä's R&D efforts continue to focus on the development of advanced environmental technologies and solutions. The Company is committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment, and anti-corruption. Wärtsilä's share is included in several sustainability indices.

Shares and shareholders

During January-December 2015, the volume of trades on Nasdaq Helsinki was 113,736,958 shares, equivalent to a turnover of EUR 4,529 million. Wärtsilä's shares are also traded on alternative exchanges, such as Chi-X, Turquoise, and BATS. The total trading volume on these alternative exchanges was 76,773,406 shares.

Shares on Nasdaq Helsinki

31.12.2015	Number of shares and votes	Number of shares traded 1-12/2015
WRT1V	197 241 130	113 736 958

1.1. - 31.12.2015	High	Low	Average ¹	Close
Share price	44.97	33.22	39.83	42.15

¹ Trade-weighted average price

Market capitalisation	31.12.2015	31.12.2014
MEUR	8 314	7 315

Foreign shareholders	31.12.2015	31.12.2014
%	51.9	48.1

Flagging notifications

During the financial period, Wärtsilä was informed of the following changes in ownership:

On 10 September, BlackRock, Inc. increased its holding in Wärtsilä. Following the transaction BlackRock, Inc. owned 10,019,838 shares or 5.08% of Wärtsilä's share capital and total votes.

Decisions taken by the annual general meeting

Wärtsilä's Annual General Meeting held on 5 March 2015 approved the financial statements and discharged the members of the Board of Directors and the Company's President & CEO from liability for the financial year 2014. The Meeting approved the Board of Directors' proposal to pay a dividend of 1.15 euro per share. The dividend was paid on 16 March 2015.

The Annual General Meeting decided that the Board of Directors shall have eight members. The following were elected to the Board: Maarit Aarni-Sirviö, Kaj-Gustaf Bergh, Sune Carlsson, Tom Johnstone, Mikael Lilius, Risto Murto, Gunilla Nordström, and Markus Rauramo.

The firm of public auditors KPMG Oy Ab was appointed as the Company's auditor for the year 2015.

Authorisation to repurchase and distribute the Company's own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 19,000,000 of the Company's own shares. The authorisation to repurchase the Company's own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the authorisation of the shareholders' meeting.

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company's own shares. The authorisation for the Board of Directors to distribute the Company's own shares shall be valid for three years from

the authorisation of the shareholders' meeting and it cancels the authorisation given by the General Meeting on 6 March 2014. The Board of Directors is authorised to resolve to whom and in which order the Company's own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company's own shares other than in proportion to the existing pre-emptive right of the shareholders to purchase the Company's own shares.

Organisation of the Board of Directors

The Board of Directors of Wärtsilä Corporation elected Mikael Lilius as its chairman and Sune Carlsson as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee:

Chairman Markus Rauramo, Maarit Aarni-Sirviö, Risto Murto

Nomination Committee:

Chairman Mikael Lilius, Kaj-Gustaf Bergh, Sune Carlsson, Risto Murto

Remuneration Committee:

Chairman Mikael Lilius, Maarit Aarni-Sirviö, Tom Johnstone

Risks and business uncertainties

Slow decision-making in areas with limited or no economic growth represents the primary risk for demand development in the power generation markets. Delays in customers' investments decisions can occur also in regions with geopolitical tension or significant currency fluctuations. Low oil prices continue to affect the national infrastructure developments in oil and gas producing economies, especially in the Middle East and Russia. Although oil importing countries benefit from low oil prices, short-term price swings do not trigger investment decisions as power plant investment decisions are based on long-term fuel price forecasts. In the industrial segment, investment decisions are impacted by commodity price and demand developments. Competition from engine manufacturers continues to create price pressure.

The business environment for the shipping and shipbuilding industry remains challenging. The weak short-term global economic outlook, overcapacity, and low demand for cargo tonnage are the main obstacles for recovery in the conventional shipping markets. Low oil prices, an oversupply of oil and gas, and reduced capital expenditure from oil companies continue to limit offshore investments. Reduced newbuild prices may push yards to squeeze suppliers on price. Vessel owners are negotiating extensions to existing delivery contracts, which represents a risk to shipyard order books. The risk of cancellations appears to be more limited.

In the Services business, the slow economic growth and political instability in specific regions are the main risks for demand development. The challenging conditions in specific marine market segments are also seen as a potential risk.

The Group is a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business. These lawsuits mainly concern issues such as contractual and other liability, labour relations, property damage, and regulatory matters. The Group receives from time to time claims of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is the Group's policy to provide for amounts related to the claims, as well as for litigation and arbitration matters, when an unfavourable outcome is probable and the amount of the loss can be reasonably estimated.

The Risks and risk management section of the Annual Report contains a more detailed description of Wärtsilä's risks and business uncertainties.

Market outlook

The market for liquid and gas fuelled power generation is expected to remain challenging as economic uncertainty continues. Despite slower economic growth in the emerging markets, growth in electricity demand, and the availability of international funding for infrastructure projects will continue to support power plant investments. In the OECD countries, low economic growth continues to limit demand for new power plants, and in Europe the unfinished new electricity market design is delaying investments. Low gas prices and positive developments in electricity market designs are driving the demand in North America. The megatrend towards distributed, flexible, gas-fired power generation continues to gain ground globally. The increasing deployment of intermittent renewable power, such as wind and solar, requires investments in flexible solutions to balance the power systems. Electricity markets are being developed to reward the necessary flexibility, thereby enabling new profitable investments. Wärtsilä's systematic market development work in these markets will continue to bring forward the benefits of Smart Power Generation.

The outlook for the shipping and shipbuilding markets remains challenging, with oversupply limiting demand for newbuild vessels and low oil prices continuing to impact investments in offshore exploration and development. Gas carrier contracting is expected to remain at a normalised level due to the continued demand for LPG in Asia. The outlook for the cruise and ferry segment remains positive thanks to economic recovery in Europe and the United States, as well as increased interest for cruises in Asia. The importance of fuel efficiency and environmental regulations are clearly visible. Increased environmental awareness and the regulatory environment is driving interest in gas as a marine fuel in the broader marine markets.

The service market outlook is positive with growth opportunities in selected regions and segments. An increase in the installed base of medium-speed engines and propulsion equipment, as well as the shift to gas based technology, offsets the slower service demand for older installations and uncertainty regarding short-term demand development in the merchant marine segment. The favourable impact of low oil prices on operating costs is expected to continue to support the demand for service work on installations operating on oil based fuels. In the offshore segment, the growth in the installed base during recent years is expected to partially compensate for the challenging outlook in certain regions. The service outlook for gas fuelled vessels remains favourable. Service demand in the power plant segment continues to be good with an especially positive outlook in the Middle East and Africa. Customers in both the marine and power plant markets continue to show healthy interest in long-term service agreements.

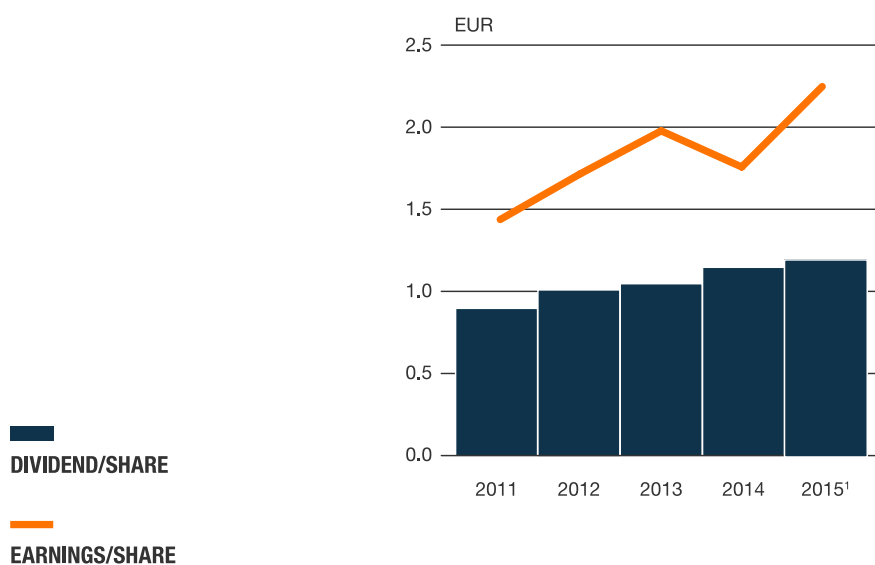
Wärtsilä's prospects for 2016

Wärtsilä expects its net sales for 2016 to grow by 0-5% and its operational profitability (EBIT% before non-recurring items) to be 12.5-13.0%.

Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.20 euro per share be paid for the financial year 2015. The parent Company's distributable funds total 1,052,581,243.14 euro, which includes 276,747,007.02 euro in net profit for the year. There are 197,241,130 shares with dividend rights. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date, which is 7 March 2016. The dividend payment date proposed by the Board is 14 March 2016.

EARNINGS/SHARE, DIVIDEND/SHARE



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Five years in figures

MEUR		2015	2014	Restated 2013*	Restated 2012**	2011
Net sales		5 029	4 779	4 607	4 725	4 209
of which outside Finland	%	97.8	98.9	99.0	98.8	99.3
Exports from Finland		1 936	2 280	2 306	2 349	2 458
Personnel on average		18 565	18 042	18 339	18 930	17 708
of which in Finland		3 580	3 582	3 662	3 599	3 421
Order book		4 882	4 530	4 311	4 492	4 007
From the consolidated statement of income						
Depreciation, amortisation and impairment		124	115	120	139	113
Share of result of associates and joint ventures		17	26	28	9	8
Operating result before non-recurring items		612	569	557	517	469
as a percentage of net sales	%	12.2	11.9	12.1	10.9	11.1
Operating result		587	522	537	483	445
as a percentage of net sales	%	11.7	10.9	11.7	10.2	10.6
EBITA		643	594	589	552	485
as a percentage of net sales	%	12.8	12.4	12.8	11.7	11.5
Financial income and expenses		-34	-28	-19	-31	-16
Net income from available-for-sale financial assets		-	-	25	1	-
Profit before taxes		553	494	544	453	429
as a percentage of net sales	%	11.0	10.3	11.8	9.6	10.2
Profit for the financial period from the continuing operations		429	389	425	-	-
Profit/loss for the financial period from the discontinued operations		22	-37	-31	-	-
Net profit for the financial period		451	351	393	344	293
as a percentage of net sales	%	9.0	7.4	8.5	7.3	7.0
From the consolidated statement of financial position						
Non-current assets		2 215	1 884	1 935	2 000	1 577
Current assets		3 374	3 294	3 274	3 036	3 023
Assets held for sale		-	102	-	-	-
Total equity attributable to equity holders of the parent company		2 201	1 960	1 844	1 766	1 636
Non-controlling interests		41	45	40	26	30
Interest-bearing debt		724	666	665	794	652
Non-interest-bearing liabilities		2 623	2 554	2 660	2 451	2 282
Liabilities directly attributable to assets held for sale		-	55	-	-	-
Total equity and liabilities		5 589	5 280	5 209	5 036	4 600
From the consolidated statement of cash flows						
Cash flow from operating activities		255	452	578	153	232
Cash flow from investing activities		-288	-71	-79	-471	-166
Cash flow from financing activities		-210	-210	-324	-47	-247
Gross capital expenditure		346	101	134	513	187
as a percentage of net sales	%	6.9	2.1	2.9	10.9	4.4
Research and development expenses		132	139	138	188	162
as a percentage of net sales	%	2.6	2.9	3.0	4.0	3.8
Dividends paid		237***	227	207	197	178
Financial ratios						
Earnings per share (EPS), basic and diluted	EUR	2.25	1.76	1.98	1.72	1.44
Dividend per share	EUR	1.20***	1.15	1.05	1.00	0.90
Dividend per earnings	%	53.3***	65.4	53.0	58.1	62.7
Interest coverage		15.9	15.9	18.1	13.9	14.6
Return on investment (ROI)	%	-	18.7	21.2	20.4	20.4
Return on investment (ROI), continuing operations	%	21.0	20.3	22.6	-	-
Return on equity (ROE)	%	-	18.0	21.4	20.1	17.5
Return on equity (ROE), continuing operations	%	20.2	20.0	23.1	-	-

Solvency ratio	%	44.6	43.5	43.9	41.3	41.3
Gearing		0.17	0.05	0.15	0.32	0.04
Equity per share	EUR	11.16	9.94	9.35	8.95	8.30
Working capital (WCAP)	EUR	543	251	313	465	235

* Figures related to the statement of income in the comparison period 2013 have been restated during year 2014 due to the two-stroke business being classified as discontinued operations. Figures in comparison periods 2011 and 2012 have not been restated.

** Figures in the comparison period 2012 have been restated during year 2013 according to the revised IAS 19. Figures in comparison period 2011 have not been restated.

*** Proposal of the Board of Directors.

Calculations of financial ratios

Return on investment (ROI)

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the financial period}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Net profit for the financial period}}{\text{Equity, average over the financial period}} \times 100$$

Interest coverage

$$\frac{\text{Profit before taxes + depreciation, amortisation and impairment + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio

$$\frac{\text{Equity}}{\text{Total equity and liabilities – advances received}} \times 100$$

Gearing

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}}$$

Earnings per share (EPS), basic and diluted

$$\frac{\text{Net profit for the financial period attributable to equity holders of the parent company}}{\text{Adjusted number of shares, average over the financial period}}$$

Equity per share

$$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares at the end of the financial period}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial period}}{\text{Adjusted number of shares at the end of the financial period}}$$

Dividend per earnings

$$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS), basic and diluted}} \times 100$$

Effective dividend yield

Dividend per share
Adjusted share price at the end of the financial period x 100

Price/earnings (P/E)

Adjusted share price at the end of the financial period
Earnings per share (EPS), basic and diluted

Price/carrying amount per share (P/BV)

Adjusted share price at the end of the financial period
Equity per share

Working capital (WCAP)

(Inventories + trade receivables + current tax receivables + other non-interest-bearing receivables)
– (trade payables + advances received + pension obligations + provisions + current tax liabilities + other non-interest-bearing liabilities)

Non-recurring items

Non-recurring items are related to restructuring measures and one-time charges for events or activities, which are not part of the normal business operations

EBITA

Operating result – non-recurring items – intangible asset amortisation related to acquisitions

Consolidated statement of income

MEUR	2015	2014	Note
Continuing operations			
Net sales	5 029	4 779	<u>1</u> <u>4</u>
Change in inventories of finished goods & work in progress	-77	-240	
Work performed by the Group and capitalised	6	14	
Other operating income	51	52	<u>5</u>
Material and services	-2 603	-2 392	<u>6</u>
Employee benefit expenses	-1 159	-1 113	<u>7</u>
Depreciation, amortisation and impairment	-124	-115	<u>8</u>
Other operating expenses	-553	-489	
Share of result of associates and joint ventures	17	26	<u>15</u>
Operating result	587	522	
as a percentage of net sales	11.7	10.9	

Dividend income		1	10
Interest income	2	4	10
Other financial income	10	8	10
Interest expenses	-13	-13	10
Other financial expenses	-32	-27	10
Profit before taxes	553	494	
Income taxes	-124	-106	11
Profit for the financial period from the continuing operations	429	389	
Profit/loss for the financial period from the discontinued operations	22	-37	3
Net profit for the financial period	451	351	
Attributable to:			
equity holders of the parent company	444	347	12
non-controlling interests	7	5	
	451	351	
Earnings per share attributable to equity holders of the parent company (basic and diluted):			
Earnings per share, continuing operations, EUR	2.14	1.95	
Earnings per share, discontinued operations, EUR	0.11	-0.19	
Earnings per share (EPS), basic and diluted, EUR	2.25	1.76	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

MEUR	2015	2014
Net profit for the financial period	451	351
Other comprehensive income, net of taxes:		
Items that will not be reclassified to the statement of income		
Remeasurements of defined benefit liabilities	7	-29
Tax on items that will not be reclassified to the statement of income	-2	4
Total items that will not be reclassified to the statement of income	5	-25
Items that may be reclassified subsequently to the statement of income		
Exchange rate differences on translating foreign operations	23	56
Exchange rate differences on translating foreign operations for non-controlling interests	2	4
Cash flow hedges		
measured at fair value	-23	-85
transferred to the statement of income	21	12

Tax on items that may be reclassified to the statement of income		
Cash flow hedges		
measured at fair value	4	24
transferred to the statement of income	-5	-4
Total items that may be reclassified to the statement of income	21	5
Other comprehensive income for the financial period, net of taxes	26	-20
Total comprehensive income for the financial period	477	332
Total comprehensive income attributable to:		
equity holders of the parent company	468	323
non-controlling interests	9	9
	477	332

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position, assets

MEUR	31.12.2015	31.12.2014	Note
Non-current assets			
Goodwill	1 103	909	<u>13</u>
Intangible assets	361	271	<u>13</u>
Property, plant and equipment	418	421	<u>14</u>
Investment properties	13	14	<u>14</u>
Investments in associates and joint ventures	89	90	<u>15</u>
Available-for-sale financial assets	15	16	<u>16</u> <u>18</u>
Interest-bearing investments	17	1	<u>18</u>
Deferred tax assets	157	144	<u>21</u>
Trade receivables	14	15	<u>18</u>
Other receivables	28	4	<u>19</u>
Total non-current assets	2 215	1 884	
Current assets			
Inventories	1 200	1 156	<u>17</u>
Interest-bearing receivables		1	<u>18</u>
Trade receivables	1 394	1 186	<u>18</u>
Current tax receivables	51	42	
Other receivables	396	338	<u>19</u>
Cash and cash equivalents	334	571	<u>20</u>
Total current assets	3 374	3 294	
Assets held for sale		102	<u>3</u>
Total assets	5 589	5 280	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position, equity and liabilities

MEUR	31.12.2015	31.12.2014	Note
Equity			
Share capital	336	336	<u>23</u>
Share premium	61	61	<u>23</u>
Translation differences	-6	-30	<u>23</u>
Fair value reserve	-70	-66	<u>23</u>
Remeasurements of defined benefit liabilities	-36	-65	<u>22</u>
Retained earnings	1 916	1 723	
Total equity attributable to equity holders of the parent company	2 201	1 960	
Non-controlling interests	41	45	
Total equity	2 242	2 005	
Liabilities			
Non-current liabilities			
Interest-bearing debt	492	537	<u>18</u> <u>25</u>
Deferred tax liabilities	102	64	<u>21</u>
Pension obligations	161	100	<u>22</u>
Provisions	46	51	<u>24</u>
Advances received	77	77	
Other liabilities	2	2	<u>26</u>
Total non-current liabilities	880	832	
Current liabilities			
Interest-bearing debt	232	129	<u>18</u> <u>25</u>
Provisions	223	242	<u>24</u>
Advances received	487	596	
Trade payables	510	436	<u>18</u> <u>25</u>
Current tax liabilities	82	51	
Other liabilities	933	934	<u>26</u>
Total current liabilities	2 467	2 388	
Total liabilities	3 347	3 220	
Liabilities directly attributable to assets held for sale		55	<u>3</u>
Total equity and liabilities	5 589	5 280	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	2015	2014	Note
Cash flow from operating activities:			
Net profit for the financial period	451	351	
Adjustments for:			
Depreciation, amortisation and impairment	124	119	<u>8</u>
Financial income and expenses	34	28	<u>10</u>
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-27	2	
Share of result of associates and joint ventures	-17	-24	<u>15</u>
Income taxes	124	99	<u>11</u>
Cash flow before changes in working capital	688	574	
Changes in working capital:			
Receivables, non-interest-bearing, increase (-) / decrease (+)	-193	-52	
Inventories, increase (-) / decrease (+)	79	206	<u>17</u>
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-229	-122	
Changes in working capital	-343	32	
Cash flow from operating activities before financial items and taxes	346	606	
Financial items and taxes:			
Interest and other financial income	45	29	
Interest and other financial expenses	-29	-36	
Income taxes paid	-108	-147	
Financial items and paid taxes	-91	-154	
Cash flow from operating activities	255	452	
Cash flow from investing activities:			
Acquisitions	-258		<u>2</u>
Investments in associates and joint ventures	-9		<u>15</u>
Investments in available-for-sale financial assets		-1	<u>16</u>
Investments in property, plant and equipment and intangible assets	-79	-99	<u>13</u> <u>14</u>
Proceeds from sale of property, plant and equipment and intangible assets	13	14	
Proceeds from sale of available-for-sale financial assets	1	16	<u>16</u>
Loan receivables, increase (-) / decrease (+), and other changes		-1	
Disposal of discontinued operations, net of cash	44		
Dividends received		1	
Cash flow from investing activities	-288	-71	
Cash flow after investing activities	-33	381	
Cash flow from financing activities:			
Proceeds from non-current debt	50	100	<u>25</u>
Repayments and other changes in non-current debt	-112	-81	<u>25</u>
Loan receivables, increase (-) / decrease (+)	-16		
Current loans, increase (+) / decrease (-)	110	-18	
Dividends paid	-242	-211	
Cash flow from financing activities	-210	-210	

Change in cash and cash equivalents, increase (+) / decrease (-)	-243	172
Cash and cash equivalents at the beginning of the financial period	571	388
Exchange rate changes	5	12
Net change in cash effect from discontinued operations		1
Cash and cash equivalents at the end of the financial period	334	571

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2014	336	61	-85	-13	-43	1 587	1 844	40	1 884
Translation differences			56				56	4	59
Cash flow hedges									
net change in fair value, net of taxes				-61			-61		-61
transferred to the statement of income, net of taxes				8			8		8
Defined benefit plans					-22		-22		-22
Other changes						-4	-4		-4
Other comprehensive income			56	-53	-22	-4	-23	4	-20
Profit for the financial period						347	347	5	351
Total comprehensive income for the financial period			56	-53	-22	343	323	9	332
Total transactions with the owners of the company									
dividends paid						-207	-207	-3	-210
Equity on 31 December 2014	336	61	-30	-66	-65	1 723	1 960	45	2 005

MEUR	Total equity attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation difference	Fair value reserve	Remeasurements of defined benefit liabilities	Retained earnings	Total		
Equity on 1 January 2015	336	61	-30	-66	-65	1 723	1 960	45	2 005
Translation differences			23				23	2	25
Cash flow hedges									
net change in fair value, net of taxes				-20			-20		-20
transferred to the statement of income, net of taxes				16			16		16
Defined benefit plans					29	-24	5		5
Other comprehensive income			23	-4	29	-24	24	2	26
Profit for the financial period						444	444	7	451
Total comprehensive income for the financial period			23	-4	29	420	468	9	477

Total transactions with the owners of the company									
dividends paid						-227	-227	-13	-240
Equity on 31 December 2015	336	61	-6	-70	-36	1 916	2 201	41	2 242

Additional information on share capital, share premium, translation difference and fair value reserve is presented in Note 23. Equity.

Accounting principles for the consolidated financial statements

Basic information

Wärtsilä Corporation is a Finnish listed company organised under the laws of Finland and domiciled in Helsinki. The address of its registered office is John Stenbergin rantaa 2, 00530 Helsinki. Wärtsilä Corporation is the parent company in Wärtsilä Group.

Wärtsilä is a global leader in advanced technologies and complete lifecycle solutions for the marine and energy markets. By emphasising sustainable innovation and total efficiency, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2015, Wärtsilä's net sales totalled EUR 5 billion with approximately 18,800 employees. The company has operations in over 200 locations in more than 70 countries around the world. Wärtsilä is listed on the Nasdaq Helsinki.

These consolidated financial statements were authorised for release by the Board of Directors of Wärtsilä Corporation on 26 January 2016, after which, in accordance with the Finnish Corporate Act, the shareholders have a right to approve or reject the financial statements in the Annual General Meeting. The Annual General Meeting also has a possibility to decide upon changes in the financial statements.

Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards and their SIC and IFRIC interpretations, which were in force on 31 December 2015. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

Reporting is based on the historical cost convention. Exceptions are the available-for-sale financial assets, the financial assets and liabilities at fair value through the statement of income, hedged items under fair value hedging and the cash-settled share-based payment transactions which are measured at fair value. The figures are in millions of euros.

IFRS amendments

No new or updated IFRS standards have been adopted in 2015.

Management judgement and use of estimates

The preparation of the financial statements in accordance with the IFRS requires management to make judgements, estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as

contingent assets and liabilities and the recognition of income and expenses in the statement of income. Although these estimates and assumptions are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The most important items in the consolidated statements, which require management's judgements and which may include uncertainty, consist of the following:

Sales revenue is typically recognised when the product or service has been delivered, its value has been determined and it is probable that the trade receivable will be collected. These estimates affect the amount of sales revenue recognised. Revenue from long-term projects and long-term operations and maintenance agreements is recognised according to their percentage of completion when the profit on the project or agreement can be reliably determined. The percentage of completion and the profit are based on management's estimates as to the realisation of the project or agreement. These estimates are reviewed regularly. Recognised sales revenue and costs recorded are adjusted during the project when assumptions concerning the outcome of the entire project are updated. Changes in assumptions relate to changes in the project's or agreement's schedule, scope of supply, technology, costs and any other relevant factors.

Warranty provisions are recorded on the recognition of sales revenue. The provision is based on the accumulated experience of the level of warranty needed to manage future and current cost claims. Products can contain new and complex technology that can affect warranty estimates with the result that earlier recognised provisions are not always sufficient.

The Group is a defendant in several legal cases arising from its business operations. A provision for a court case is recorded when an unfavourable result is probable and the loss can be determined with reasonable certainty. The final result can differ from these estimates.

The recoverable amounts of goodwill are determined for all cash-generating units annually, or more often if there is an indication of an impairment, where its value in use is determined. The value in use is determined using estimates of future market development, such as growth and profitability, as well as other significant factors. The most important factors underlying such estimates are the net sales growth in the market area, the operating margin, the useful life of the assets, future investment needs and the discount rate. Changes in these assumptions can significantly affect the expected future cash flows.

Estimates of pension obligations regarding defined benefit plans are based on actuarial estimates of factors including future salary increases, discount rates and return on plan assets. Changes in these assumptions can significantly affect the Group's pension obligations and pension costs.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Wärtsilä Corporation and all subsidiaries in which the parent company directly or indirectly holds more than 50% of the voting rights or in which Wärtsilä is otherwise in control on the reporting date. Being in control means the power to govern the financial and operating policies of the company to obtain benefits from its activities.

Acquired and established companies are accounted for using the purchase method of accounting. Accordingly, the purchase price and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. In the acquisition of non-controlling interests, if the Group already has control, the non-controlling interest is measured either at fair value or at the non-controlling interests' proportionate share of the

identifiable net assets. The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. Goodwill is tested for impairment at least annually. The purchase price includes the consideration paid, measured at fair value. The consideration does not include transaction costs, which are recognised in the statement of income. The transaction costs are expensed in the same financial period in which they occur, except the costs resulting from issued debt or equity instruments.

Any contingent consideration (additional purchase price) related to the combination of businesses is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each financial period, and the resulting loss or gain is recognised through profit or loss. Contingent consideration classified as equity is not remeasured.

For the acquisitions which occurred before 1 January 2010, the accounting principles valid at the time of the acquisition have been applied.

The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control, and disposed subsidiaries until the control ends. All intragroup transactions, dividend distributions, receivables and liabilities as well as unrealised margins are eliminated in the consolidated financial statements. In the consolidated statements of income and comprehensive income, non-controlling interests have been separated from the profit and the total comprehensive income for the financial period. In the consolidated statement of financial position, non-controlling interests are shown as a separate item under equity.

Associated companies and joint ventures

Companies, in which the Group usually holds voting rights of between 20% and 50% and in which the Group has a significant influence but no control over the financial and operating policies, are consolidated as associated companies. In joint ventures, the Group has joint control with another party, established by contractual agreement.

Associated companies and joint ventures are included in the consolidated financial statements using the equity method from the date the Group's significant influence or joint control commences until the date it ceases. The Group's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the Group's operating result, on the line Share of result of associates and joint ventures. The Group's share of the associated company's or joint venture's changes recorded in other comprehensive income is recorded in the Group's other comprehensive income. Wärtsilä's proportion of the associated company's or joint venture's post-acquisition accumulated equity is included in the Group's equity. If the Group's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only recognised if the Group has incurred obligations from the associated company or joint venture.

Assets held for sale and discontinued operations

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met; the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets held for sale

are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The result from the discontinued operations is shown separately in the consolidated statement of income and the comparative figures are restated accordingly. Non-current assets held for sale are presented in the statement of financial position separately from other items. The comparative figures for the statement of financial position are not restated.

Translating the transactions in foreign currencies

The items included in the financial statements are initially recognised in the functional currency, which is defined for each group company based on its primary economic environment. The presentation currency of the consolidated financial statements is the euro, which is also the functional and presentation currency of Wärtsilä Corporation.

Foreign subsidiaries

The income and expenses for statements of income and statements of comprehensive income of foreign subsidiaries are translated into euros at the quarterly average exchange rates. Statements of financial position are translated into euros at the exchange rates prevailing at the end of the financial period. The translation of the profit for the financial period and other comprehensive income using different exchange rates in the statement of comprehensive income and the statement of financial position causes translation differences, which are recognised in equity and in other comprehensive income as change. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition profits and losses are recognised in other comprehensive income and are presented as a separate item in equity. The goodwill generated in the acquisition of foreign entities and their fair value adjustments of assets and liabilities are considered as assets and liabilities of foreign entities, which are translated into euros using the exchange rates prevailing at the end of the financial period.

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Receivables and liabilities are translated at the exchange rate prevailing at the end of the financial period. Exchange rate gains and losses related to trade receivables and liabilities are reported on the applicable line in the statement of income and are included in operating result. Exchange rate differences related to financial assets and financial liabilities are reported as financial items in the statement of income, except exchange rate differences related to non-current debt that is part of Group's net investment in a subsidiary. Those are recognised in other comprehensive income and reported in translation differences in equity.

Net sales and revenue recognition

Sales are presented net of indirect sales taxes and discounts. Sales are recognised when the significant risks and rewards connected with ownership have been transferred to the buyer. This typically means that revenue recognition occurs when a product or service is delivered to the customer in accordance with the terms of delivery.

Revenue from long-term construction contracts and long-term operating and maintenance agreements is recognised in accordance with the percentage of completion method when the outcome of the contract can be estimated reliably. The percentage of completion is usually based on the ratio of costs incurred to total estimated costs to date for long-term

construction contracts. In some gas solution projects where the key value drivers are engineering, procurement and project management and where the manufacturing is outsourced, the percentage of completion is assessed with reference to surveys of work performed. For long-term operating and maintenance agreements the percentage of completion is calculated on the basis of the proportion of the contracted services performed. When the final outcome of a long-term project cannot be reliably determined, the costs arising from the project are expensed in the same financial period in which they occur, but the revenue from the project is recorded only to the extent that the company will receive an amount corresponding to actual costs. Any losses due to projects are expensed immediately.

Employee benefits

Pension and other long-term employee benefits

Pension plans

Group companies in different countries have various pension plans in accordance with local conditions and practices. These pension plans are classified either as defined contribution or defined benefit plans. The fixed contributions to the defined contribution plans are expensed in the year to which they relate. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. All other plans are defined benefit plans.

Defined benefit plans are funded through contributions to pension funds or pension insurance companies. Defined benefit plans may be unfunded or wholly or partly funded. The present value of the obligation arising from the defined benefit plans is determined per each plan using actuarial techniques, the projected unit credit method. The Group recognises the defined benefit obligation net of fair value of the plan assets at the end of the financial period.

Actuarial gains and losses and other remeasurements of the net defined benefit obligation are recognised immediately in the statement of other comprehensive income. Current service cost is the present value of the post employment benefit, which is earned by the employees during the year. The Group determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. Service cost is recognised in employee benefit expenses and the net interest in financial expenses. The defined benefit plans are calculated by qualified actuaries.

Other long-term employee benefits

In addition to defined benefit plans, Wärtsilä has other long-term employee benefits. They are presented separately from the defined benefit plans. Similarly to the accounting for a defined benefit plan, for any other long-term benefit the Group recognises a liability for the obligation net of the fair value of plan assets, if any. Changes in other long-term employee benefits are recognised in the statement of income.

Share-based payments

The company's bonus scheme, which is fixed to share value, is measured at the fair value of the share on the reporting date and reported in the statement of income for the term-to-maturity of the bonus scheme.

Goodwill and other intangible assets

Goodwill

Goodwill is the difference between the aggregate of the acquisition-date fair value of the consideration transferred and the acquirer's share of the company's net identifiable assets and liabilities measured at fair value on the acquisition date. The consideration transferred is measured at fair value, including also the acquirer's previously held equity interest.

Research and development costs

Research costs are expensed in the financial period during which they occur. Development costs are capitalised when it is probable that the development project will generate future economic benefits for the Group and when the related criteria, including commercial and technological feasibility, have been met. These projects involve the development of new or significantly improved products or production processes. Earlier expensed development costs are not capitalised.

Capitalised development costs are measured at cost less accumulated amortisations and impairment. Capitalised development costs are amortised and the cost of buildings, machinery and facilities for development depreciated on a straight-line basis over their expected useful lives, 5-10 years. Amortisations are started when the asset is finished and can be taken into use. Before that, the asset is tested for impairment annually. Grants received for research and development are reported as other operating income.

Other intangible assets

Other intangible assets are recorded at cost if the cost is reliably measurable and the future economic benefits for the Group are probable. Wärtsilä's other intangible assets include patents, licenses, software, customer relations and other intellectual property rights that can be transferred to a third party. These are measured at cost, except for intangible assets identified in connection with acquisitions, which are measured at the fair value at the acquisition date. The cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives. Intangible assets, for which the time limit for the right of use is agreed, are amortised over the life of the contract. Intangible assets identified in connection with acquisitions are amortised over their delivery times or estimated useful lives.

The general guidelines for scheduled amortisation are:

- Software 3-7 years
- Development expenses 5-10 years
- Other intangible assets 5-20 years

The estimated useful lives and the residual values are reviewed at least at the end of each financial year, and if they differ significantly from previous estimates, amortisation periods are adjusted accordingly. Amortisation of intangible assets is stopped when an item is classified as held for sale.

A gain or loss arising from the sale of intangible assets is recognised in other operating income or other operating expenses in the statement of income.

Property, plant and equipment

Property, plant and equipment acquired by the Group are measured in the statement of financial position at cost less accumulated depreciation and impairment losses. The cost of an asset includes costs directly attributed to preparing an asset for its intended use. Grants received are reported as a reduction in costs. The property, plant and equipment of acquired subsidiaries are measured at their fair value at the acquisition date. The borrowing costs that are directly attributable to the asset acquisition, construction or production and to completion of the asset for its intended use or sale requiring necessarily a considerable length of time will be capitalised in the statement of financial position as part of the cost of the asset. Other than directly attributable borrowing costs are expensed in the period in which they are incurred.

Subsequent expenditure is included in the cost of an asset only if the future economic benefits for the Group are probable and the costs are reliably measurable. Expenditure related to regular, extensive inspections and maintenance is treated as an investment, capitalised and depreciated during the useful life. All other expenditure such as ordinary maintenance and repairs is recognised in the statement of income as an expense as incurred.

Depreciation is based on the following estimated useful lives:

- Buildings 10-40 years
- Machinery and equipment 5-20 years
- Other tangible assets 3-10 years

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated, as its useful life is considered as infinite. The estimated useful lives and the residual values are reviewed at least at the end of each financial year, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly. Depreciation of property, plant and equipment is stopped when an item is classified as held for sale.

A gain or loss arising from the sale of property, plant and equipment is recognised in other operating income or other operating expenses in the statement of income.

Impairment of intangible assets and property, plant and equipment

The carrying amounts of assets are reviewed regularly for signs of possible impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually also for the goodwill whether or not there are signs of impairment. In order to define a possible impairment, the Group's assets are divided up into the smallest possible cash-generating units which are mainly independent of other units and the cash flows of which are separately identifiable and to a large extent independent of the cash flows of other similar units.

An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on the expected discounted future net cash flows resulting from the asset or cash-generating unit. A pre-tax rate which reflects the markets' position on the time value of money and asset-specific risks is used as the discount rate.

An impairment loss is recognised immediately in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable/depreciable asset is reassessed. An earlier impairment loss recognised for an asset other than goodwill is reversed if the estimates used to determine the recoverable amount change. However, reversal of impairment shall not exceed the asset's carrying amount less impairment loss. An impairment loss recognised for goodwill is not reversed under any circumstances.

Determination of the fair value of assets acquired through business combinations

In significant business combinations, the Group has used external advisors when estimating the fair values of property, plant and equipment and intangible assets. For property, plant and equipment, comparisons have been made of the market prices of similar assets, and the depreciation of the acquired assets due to aging, wear and other similar factors has been estimated. The fair value measurement of intangible assets is based on estimates of the future cash flows associated with the assets.

Investment properties

Properties that are not used in the Group's operating activities or that are held to earn rental income or for capital appreciation, or both, are classified as investment properties. Investment properties are presented in the statement of financial position on a separate line in non-current assets and measured at cost less accumulated depreciations and impairment. A gain or loss arising from the sale of investment properties is recognised in other operating income or other operating expenses in the statement of income.

Leases

Leases related to property, plant and equipment in which all material rewards and risks of ownership have been transferred to the Group are classified as finance leases. Assets acquired under a finance lease are recognised as property, plant and equipment at the lower of the fair value of the leased asset and the estimated present value of the underlying lease payments. The corresponding rental obligation, net of finance charge, is included in interest-bearing debt with the interest element of the finance charge being recognised in the statement of income over the lease period. Assets acquired under a finance lease are depreciated over their estimated useful lives in accordance with the same principles that apply to Group's other similar property, plant and equipment. The shorter alternative of the following is selected: either the useful life of the leased asset or the lease term.

Leases in which the rewards and risks of ownership have not been transferred to the Group are classified as operating leases. Rental payments under operating leases are charged in the statement of income on a straight-line basis over the lease term.

Inventories

Inventories are carried at the lower of cost and net realisable value. Costs include allocated purchasing and manufacturing overhead costs in addition to direct manufacturing costs. Inventory valuation is primarily based on the weighted average cost.

Financial assets and liabilities

Financial assets

Financial assets are classified into the following categories: financial assets at fair value through the statement of income, investments held to maturity, loans and receivables and available-for-sale financial assets. Financial assets are classified on the basis of their purpose of use upon initial recognition.

At the end of the financial period, the Group assesses whether objective indication exists of impairment of an individual financial asset other than those measured at fair value through the statement of income. There is impairment in a financial asset if objective indication exists thereof and if it has an effect on expected future cash flows from the financial asset that can be reliably evaluated. A significant decline in a counterparty's result, a debtor's breach of contract, and for equity instruments, a significant or persistent decline in value below its cost, for example, can be considered as objective indication of impairment.

Financial assets at fair value through the statement of income

The financial assets at fair value through the statement of income category includes derivatives that do not qualify for hedge accounting and are not financial guarantee agreements, as well as other financial assets recognised at fair value through the statement of income, which are financial assets held for trading.

Derivatives are initially recognised at cost in the statement of financial position and are thereafter measured at their fair value at the end of each financial period. Realised and unrealised gains and losses from changes in fair values are recognised in the statement of income in the period in which they have arisen. Derivatives held for trading, as well as financial assets maturing within 12 months after the end of the financial period, are included in current assets.

Investments held to maturity

Investments held to maturity are financial assets with fixed or determinable payments that mature on a fixed date and which the Group has the positive intention and ability to hold until maturity. They are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted on active markets. They arise when the Group provides a loan or delivers products and services directly to a debtor. Loans and receivables are measured at amortised cost using the effective interest rate method. They are included in non-current receivables, unless they have a maturity of less than 12 months from the reporting date. Such items are classified as current receivables.

Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance for impairment. Trade receivables are measured individually. Credit losses are expensed immediately when indication exists that the Group is not able to collect its trade receivables according to initial agreements. Examples of events giving rise to impairment include a debtor's serious financial problems, a debtor's probable bankruptcy or other financial arrangement. The Group may sell undivided interests in trade receivables on an ongoing and one-time basis to other lending institutions.

Financial assets sold under these arrangements are excluded from trade receivables in the Group's consolidated statement of financial position at the time of payment from acquirer, considering that substantially all risks and rewards have been transferred. If the acquirer has not settled the payment to the extent that the ownership, risk and control over the receivable have been substantially transferred then such financial assets sold are re-recognised in the consolidated statement of financial position at the end of the financial period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets allocated to this category. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months from the reporting date.

Wärtsilä's investments in other companies are classified as available-for-sale financial assets, including investments in listed and unlisted shares. Listed shares are measured at fair value, based on their market value. Unlisted shares for which the fair value cannot be reliably measured are valued at cost less impairment.

Changes in the fair value of shares measured at fair value are recognised in other comprehensive income and reported in fair value reserve in equity with the tax impact, until the shares are disposed of or written down, at which point the accumulated fair value changes are released from equity to the statement of income.

Gains and losses on disposal and impairments of shares that are attributable to operating activities are included in operating income, while gains and losses on disposal and impairments of other shares are included in financial income and expenses.

Cash and cash equivalents

Cash comprises cash in hand, deposits held at call with banks and similar investments. Cash equivalents comprise short-term, highly liquid investments that are subject to only minor fluctuations in value. Cash equivalents have a maturity of up to three months on the date of acquisition. Credit accounts related to the Group cash pool accounts are included in current financial liabilities.

Financial liabilities

The Group's financial liabilities are classified either into financial liabilities recognised at amortised cost or financial liabilities recognised at fair value through the statement of income. Financial liabilities are classified as current unless the Group has the unconditional right to defer the payment of the debt to at least 12 months from the end of the financial period. Financial liabilities (or parts thereof) are only derecognised once the debt has extinguished, i.e. once the contractually specified obligation is discharged, cancelled or expires.

Financial liabilities recognised at amortised cost

The loans raised by the Group are included in financial liabilities recognised at amortised cost. They are measured at their initial recognition at fair value using the effective interest rate method. After the initial recognition, loans are measured at amortised cost. Interests on loans are expensed through the statement of income over the maturity of the debt using the effective interest rate method.

Financial liabilities recognised at fair value through the statement of income

In the Wärtsilä Group, financial liabilities recognised at fair value through the statement of income include derivatives that are not eligible for hedge accounting. Realised and unrealised gains and losses from changes in fair values of derivatives are recognised in the statement of income in the period in which they have arisen.

Derivatives and hedge accounting

Derivatives are measured at fair value. Gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistently with the hedged item.

For derivatives eligible for hedge accounting, the Group documents the relationship between each hedging instrument and the hedged asset upon entering into a hedging arrangement, along with the risk management objective and the strategy applied. Through this process, the hedging instrument is linked to the relevant assets and liabilities, projected business transactions or binding contracts. The Group also documents its ongoing assessment of the effectiveness of the hedge regarding to the relationship between a change in the derivative's fair value and a change in the value of the hedged cash flows or transactions.

Hedging of sales and purchases

Wärtsilä hedges its sales and purchases in foreign currencies with foreign exchange derivatives or currency options. Certain foreign exchange derivatives are eligible for hedge accounting. Changes in the fair value of derivative contracts designated to hedge future cash flows are recognised in other comprehensive income and presented in the fair value reserve in equity, provided that the hedging is effective. The ineffective portion is immediately recognised in the statement of income in the financial period. Changes in fair value due to interest rate differences are recognised in the statement of income. Any gain or loss in the fair value reserve accumulated through other comprehensive income is reported as an adjustment to net sales or material and services in the same period as any transactions relating to the hedged obligations or estimates. Currency forwards are measured at forward rates at the end of the financial period and currency options at their market value at the end of the financial period.

Hedges of net investments in foreign operations (equity hedging)

Wärtsilä decided to discontinue hedging the net investments in its foreign subsidiaries and joint ventures in June 2012. Prior to that, the changes in the fair values of instruments determined as equity hedging were recognised in other comprehensive income.

Derivatives not included in hedge accounting

For derivatives not included in hedge accounting, changes in fair value are immediately recognised in financial income or expenses in the statement of income. For example, interest rate swap hedges belong to this group. The fair value of interest rate swaps is calculated by discounting the future cash flows.

Fair value hierarchy

Financial instruments measured at fair value are classified according to the following fair value hierarchy: instruments measured using quoted prices in active markets (level 1), instruments measured using inputs other than quoted prices included in level 1 observable either directly or indirectly (level 2) and instruments measured using inputs that are not based on observable market data (level 3). Financial instruments measured at fair value include financial assets and liabilities at fair value through the statement of income and available-for-sale financial assets.

Provisions and contingent liabilities

Provisions are recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions can arise, for example, from warranties, environmental risks, litigation, foreseeable losses on projects and restructuring costs. The amount to be recognised as provisions corresponds to the management's best estimate of the expenses that will be necessary to meet the existing obligation at the end of the financial period.

Estimated future warranty costs relating to products delivered are recorded as provisions. The amount of future warranty costs is based on accumulated experience.

Provisions for restructuring costs are made once the restructuring plan has been approved and the implementation started or the personnel concerned have been informed of the terms. The plan must indicate which activities and personnel will be affected and the timing and cost of implementation.

Contingent liabilities are possible obligations resulting from previous events, the existence of which will only be ascertained once the uncertain event that is beyond the Group's control materialises. Existing obligations that are not likely to require the fulfilment of a payment obligation or the amount of which cannot be reliably determined are also considered contingent liabilities. Contingent liabilities are presented in the notes.

Income taxes

The statement of income includes taxes on the Group's consolidated taxable income for the financial period in accordance with local tax regulations, tax adjustments for previous financial periods and changes in deferred taxes. Tax effects related to transactions recognised through the statement of income and other events are recognised in the statement of income. Tax effects related to transactions or other events to be presented as components of other comprehensive income or directly in equity are also recognised, respectively, in other comprehensive income or directly in equity.

Deferred tax liabilities and assets are calculated on temporary differences arising from the difference between the tax basis of assets and liabilities and the carrying values using the enacted tax rates at the end of the financial period. The statement of financial position includes deferred tax liabilities in their entirety and deferred tax assets at their estimated probable amount.

Dividends

The dividend proposed by the Board of Directors is deducted from distributable equity when approved by the company's Annual General Meeting.

Adoption of new and updated IFRS standards

Wärtsilä Corporation has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial period, from the beginning of the subsequent financial period.

- Amendment to *IAS 1 Presentation of Financial Statements: Disclosure Initiative** (effective for financial periods beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation will have no significant impact on Group's consolidated financial statements.
- New *IFRS 15 Revenue from Contracts with Customers** (effective for financial periods beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including *IAS 18 Revenue*, *IAS 11 Construction Contracts* and *IFRIC 13 Customer Loyalty Programmes*. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.
- New *IFRS 9 Financial Instruments** (effective for financial periods beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

* Not yet endorsed for use by the European Union as of 31 December 2015.

1. Segment information

The business of Wärtsilä consists of one business area, the Power Business. The Power Business is subdivided into two mutually supportive market areas, Marine Solutions and Energy Solutions. These offer customers the same product concept modified for specific applications. The main products for both these markets are gas and diesel engines and related services. The market areas are highly dependent on each other.

In the Power Business, the design-related research and development and manufacturing required for the engines sold to both markets take place in the same R&D centres and factories. The manufacturing process is the same for each market. Similarly, the same Group companies are responsible for the distribution of these products and the services related to them. Capacity costs cannot be reliably allocated to the two different markets. These costs are significant and vary between the two units in different years. Customers in both markets are capital-intensive corporations with global operations. The development of the two market areas is strongly linked to global economic trends.

As geographical information, Wärtsilä reports the geographical areas Finland, other European countries, Asia, the Americas and other continents. In the geographical information net sales is split by the customer's destination and non-current assets by origin.

Geographical information

MEUR	2015		2014	
	Net sales	Non-current assets*	Net sales	Non-current assets*
Finland	109	284	54	233
Other European countries	1 457	1 462	1 348	1 255
Asia	2 051	143	1 989	133
The Americas	1 006	89	840	74
Other	407	6	548	8
Total	5 029	1 984	4 779	1 704

* Non-current assets consist of goodwill, intangible assets, property, plant and equipment, investment properties and investments in associates and joint ventures.

Business area information

Internal management reporting is used to monitor the development of operations on the basis of market-based business areas. Reporting serves internal goal setting and strategic follow up, and is thus a management tool rather than an actual external economic indicator.

Wärtsilä's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO with the support of the Board of Management, and in some cases, the Board of Directors. The President and CEO assesses the Group's financial position and its development as a whole, not based on the results of the business areas. As the Group's level of integration is high, the reported indicators from business areas do not give a true picture of the business areas' financial position and development.

Against this background, Wärtsilä's business cannot be divided into separate operating segments with individual reporting.

During the financial period 1 January–31 December 2015 and 1 January–31 December 2014, Wärtsilä did not have any individual significant customers or countries.

Net sales

MEUR	2015	2014
Energy Solutions	1 126	1 138
Marine Solutions	1 720	1 702
Services	2 184	1 939
Total	5 029	4 779

2. Acquisitions

Acquisitions 2015

L-3 Marine Systems International

On 31 May 2015 Wärtsilä acquired L-3 Marine Systems International (MSI) from NYSE-listed L-3 Communications Holdings Inc. The preliminary consideration of the transaction is EUR 293 million.

MSI has extensive experience in supplying automation, navigation and electrical systems, dynamic positioning technology, as well as sonar and underwater communications technology for a variety of vessel types and offshore installations. Wärtsilä's strong position in the development of technologies that enhance operational efficiency will be further strengthened with the addition of MSI's broad range of capabilities.

The following tables summarise the preliminary amounts for the consideration paid for MSI, the cash flow from the acquisition and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Preliminary consideration	MEUR
Consideration transferred	293
Total consideration transferred	293

Preliminary cash flow from the acquisition	MEUR
Consideration paid in cash	293
Cash and cash equivalents of the acquired companies	-36
Total cash flow from the acquisition	258

Provisional values of the assets and liabilities arising from the acquisition	MEUR
Intangible assets	132
Property, plant and equipment	8
Inventories	129
Trade and other receivables	70
Deferred tax assets	23
Cash and cash equivalents	36
Total assets	398
Provisions	19
Pension obligations	65
Trade payables and other liabilities	146
Deferred tax liabilities	46
Total liabilities	277
Total net assets	121
Preliminary goodwill	172

The preliminary fair values of acquired identifiable intangible assets at the date of acquisition (including technology, customer relationships and trademarks) amounted to EUR 132 million. The fair value of current trade receivables and other receivables is approximately EUR 70 million. The fair value of trade receivables does not include any significant risk.

The preliminary goodwill of EUR 172 million reflects the value of know-how and expertise in marine electrical & automation. Wärtsilä foresees that the new unit will capture new market opportunities and improve the operational efficiency of its customers. The goodwill recognised for MSI is not tax deductible.

During 2015 the Group incurred acquisition-related costs of EUR 2 million related to external legal fees and due diligence costs. The costs have been included in the other operating expenses in the consolidated statement of income. The total acquisition-related costs were EUR 4 million.

During June-December MSI contributed EUR 264 million to order intake and EUR 263 million to net sales. Contribution to the operating result of the Group was EUR 14 million. If the acquisition had occurred on 1 January 2015, management estimates that consolidated net sales would have been EUR 5,197 million. The impact in the consolidated operating result would not have been significant. In determining these amounts, management has assumed that the fair value adjustments, which arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Acquisitions 2014

In 2014 there were no acquisitions.

3. Disposals

The sale of the two-stroke engine business to the joint venture Winterthur Gas & Diesel Ltd (WinGD) was completed in January 2015. Wärtsilä's ownership of WinGD is 30% and China State Shipbuilding Corporation's (CSSC) ownership is 70%. As a result of the sale transaction, a profit of EUR 24 million has been recognised in profit for the financial period from the discontinued operations.

The two-stroke business was classified as discontinued operations in the third quarter of 2014, including the transfer of non-current assets held for sale and liabilities directly attributable to them on separate rows in the statement of financial position.

Profit/loss for the financial period from the discontinued operations

MEUR	2015	2014
Discontinued operations		
Net sales		60
Expenses	-2	-95
Total	-2	-35
Profit/loss on sale of shares	24	-10
Operating result	22	-44
Income taxes		7
Profit/loss for the financial period	22	-37
Earnings per share, discontinued operations, EUR	-0.11	-0.19

Cash flows from the discontinued operations

MEUR	2015	2014
Cash flow from operating activities		-38
Cash flow from investing activities	44	-16
Cash flow from financing activities		56
Total	44	1

Discontinued operations, items on statement of financial position

MEUR	31.12.2014
Intangible assets and property, plant and equipment	70
Inventories	3
Other receivables	29
Pension obligations	-30
Other liabilities	-25
Net assets	47

4. Long-term construction contracts and operating and maintenance agreements

MEUR	2015	2014
Net sales recognised for the financial period		
From long-term constructions contracts	940	708
From long-term operating and maintenance agreements	355	313
Long-term construction contracts in progress		
Aggregated amount of costs incurred and recognised profits	2 229	1 788
Advances received on 31 December	2 011	1 554
Receivables from the revenue recognition netted with the advances received on 31 December	218	234

5. Other operating income

MEUR	2015	2014
Capital gains	4	8
Government grants	10	11
Sale of scrapped material	4	4
Income related to cancelled orders*	4	9
Insurance indemnities	5	
Other	25	20
Total	51	52

* Expenses related to cancelled orders are recorded on respective expense accounts.

6. Material and services

MEUR	2015	2014
Purchases during the financial period	-1 406	-1 395
Change in inventories	-11	21
External services	-1 186	-1 018
Total	-2 603	-2 392

7. Employee benefit expenses

MEUR	2015	2014
Wages and salaries	935	906
Pension costs		
Defined benefit plans	12	9
Defined contribution plans	65	73
Other compulsory personnel costs	148	126
Total	1 159	1 113

Management remuneration is specified in Note 29. Related party disclosures.

Long-term incentive plan

Wages and salaries include a provision for expenses arising from bonus schemes 2012, 2013 and 2014, totalling EUR 15 million (21). These bonus schemes are tied to the price development of the Company's share.

The 2012 bonus scheme comprises 1,855,000 bonus rights, the 2013 bonus scheme comprises 1,846,000 bonus rights and the 2014 bonus scheme 2,076,000 bonus rights. The bonus payment for all bonus schemes is based on the share price development during a three-year period. For the bonus scheme 2012 the basis of a share price is EUR 33.28, for the bonus scheme 2013 EUR 37.05 and for the bonus scheme 2014 EUR 44.25. The 2012 and 2013 bonus schemes take into account a 50% dividend payout, and the paid bonus cannot exceed EUR 10.00 per bonus right. The 2014 bonus scheme takes into account a 100% dividend payout, and the paid bonus cannot exceed 10.60 per bonus right.

	2015	2014
Personnel on average	18 565	18 042
Personnel at the end of the financial period	18 856	17 717

8. Depreciation, amortisation and impairment

MEUR	2015	2014
Intangible rights	9	6
Intangible asset amortisation related to acquisitions	32	26
Other intangible assets	20	20
Buildings and structures	15	16
Machinery and equipment	47	46
Other tangible assets	1	
Impairments		1
Total	124	115

9. Measures of profit and non-recurring items

MEUR	2015	2014
EBITA	643	594
Intangible asset amortisation related to acquisitions	-32	-26
Operating result before non-recurring items	612	569

Non-recurring items:		
Social plan costs	-16	-34
Impairment and write-downs	-1	-7
Other restructuring costs	-8	-5
Non-recurring items total	-25	-47
Operating result	587	522

In 2015, non-recurring items amounted to EUR 25 million, of which EUR 19 million related to the restructuring programme announced in July, and EUR 6 million to acquisitions and other costs.

10. Financial income and expenses

MEUR	2015	2014
Dividend income on available-for-sale financial assets		1
Interest income on loans and receivables	2	4
Interest income on financial assets at fair value through the statement of income	7	7
Other financial income	3	1
Total financial income	11	13
Interest expenses on financial liabilities recognised at amortised cost	-4	-14
Interest expenses on financial liabilities at fair value through the statement of income	-9	-3
Net interest from defined benefit plans	-3	-2
Changes in fair values of financial assets/liabilities at fair value through the statement of income		-4
Exchange rate differences*	-12	-8
Other financial expenses	-17	-10
Total financial expenses	-45	-41
Total	-34	-28

* In 2015, EUR -15 million exchange rate differences from unhedged internal loans were included in other financial expenses in the consolidated statement of income. Also the result from the ineffective portion of cash flow hedges, EUR -1 million, was included in other financial expenses. In 2014, the ineffective portion of cash flow hedges was not significant.

11. Income taxes

MEUR	2015	2014
Income taxes		
for the financial period	-127	-120
for prior financial periods	-1	3
Change in deferred tax		
origination and reversal of temporary differences	3	13
change in tax rates in other countries		-1
Total	-124	-106

Reconciliation of effective tax rate:		
Profit before taxes	553	494
Tax calculated at the domestic corporate tax rate 20.0%	-111	-99
Effect of changed tax rates	-1	-1
Effect of different tax rates in foreign subsidiaries	5	-2
Effect of income not subject to tax and non-deductible expenses	-2	
Effect of share of result of associates and joint ventures	3	1
Utilisation of previously unrecognised tax losses carried forward	7	1
Unrecognised taxes on losses carried forward	-21	-10
Other taxes*	-11	-11
Other temporary differences	8	11
Income taxes for prior financial periods	-1	3
Tax charge in the consolidated statement of income	-124	-106
Effective tax rate (%)	22.5	21.4

* Other taxes consist mainly of withholding taxes not utilised and taxes not related to income.

Income taxes related to other comprehensive income are presented in Consolidated statement of comprehensive income. Changes in deferred tax assets and liabilities are presented in Note 21. Deferred taxes.

Wärtsilä is subject to tax audits in some countries, which can result in tax reassessment decisions and obligations to pay additional taxes and related payments.

12. Earnings per share

Earnings per share is calculated by dividing the net profit for the financial period attributable to equity holders of the parent company by the weighted average number of shares outstanding. During the financial periods there were no programmes with dilutive effect.

MEUR	2015	2014
Net profit for the financial period attributable to equity holders of the parent company	444	347
Thousands of shares		
weighted average number of shares outstanding*	197 241	197 241
Earnings per share attributable to equity holders of the parent company (basic and diluted):		
Earnings per share, continuing operations, EUR	2.14	1.95
Earnings per share, discontinued operations, EUR	0.11	-0.19
Earnings per share (EPS), basic and diluted, EUR	2.25	1.76

* Additional information on the number of shares is presented in Note 23. Equity.

13. Intangible assets

Impairment testing of goodwill

Goodwill from acquisitions is allocated to the Group's cash-generating units (CGUs). CGUs are the lowest level of assets for which there are separately identifiable cash flows. Currently Wärtsilä identifies 2 (1) separate independent cash inflow CGUs to which goodwill can directly be linked as per the below table.

Cash-generating units

Goodwill

MEUR	2015	2014
Marine Systems International	172	
Power Business, other	931	909
Total	1 103	909

The recoverable amounts from the CGUs are determined based on value-in-use calculations. The calculations are made on a discounted cash flow method basis, derived from the order book and 5-year cash flow projections from management approved strategic plans. The estimated cash flows of CGUs are based on utilisation of the existing property, plant and equipment in their current condition with normal maintenance capital expenditure, excluding any potential future acquisitions. Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate used in projections is based on management's assessment on conservative long-term growth. The terminal growth rate used is 2%.

The key driver for the valuation is the growth in the global economy and in particular the development of the global power market, the global shipbuilding industry and the demand for related services. The projected development of total costs in the market affects the profitability, whereas no single cost item is considered to have a material impact. The valuation driver for the new equipment sales is the growth in the global economy, whereas for after sales the drivers are also the demand for related services and the projected development in labour cost.

The applied discount rate is the weighted average pre-tax cost of capital (WACC) as defined by Wärtsilä. The components of the WACC are risk-free rate, market risk premium, industry specific beta, cost of debt and debt equity ratio. When defining the WACC for 2015, it has been considered that the general interest rate is currently on a lower level. Wärtsilä has used a WACC of 8.9% (8.9) in the calculations.

As a result of the impairment test, no impairment losses for the CGUs were recognised for the financial periods ended 31 December 2015 and 2014 respectively. The recoverable amounts from all CGUs exceeded their carrying values remarkably.

Sensitivity analysis

Sensitivity analyses have been carried out for the valuation of the recoverable amounts for the CGUs by changing the assumptions used in the calculations. A change in an assumption that would cause the recoverable amount to equal the carrying amount is presented in the table below.

	Change
Pre-tax discount rate:	
Marine Systems International	increase more than 7 percentage points
Power Business, other	increase more than 20 percentage points
Terminal growth rate:	
Marine Systems International	decrease more than 50 percentage points
Power Business, other	decrease more than 50 percentage points
Profitability:	
Marine Systems International	decrease more than 55 percentage
Power Business, other	decrease more than 80 percentage

The Group estimates that no theoretically possible change in the assumptions can cause the carrying amount to exceed the recoverable amount in the CGUs. As a result of the performed impairment tests, there is no need for write-downs of the goodwill in the CGUs.

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analyses are hypothetical and should therefore be treated with caution.

2015

MEUR	Construction in progress and advances paid			Goodwill	Total
	Intangible rights		Other intangible assets		
Cost on 1 January 2015	84	55	607	914	1 658
Changes in exchange rates	3	2	5	21	31
Acquisitions			132	172	304
Additions	1	8	6		14
Disposals			-20		-21
Reclassifications	27	-31	1		-1
Cost on 31 December 2015	114	33	730	1 108	1 986
Accumulated amortisation and impairment on 1 January 2015	-55		-421	-5	-479
Changes in exchange rates			-2		-2
Accumulated amortisation on disposals and other changes	-2		22		20
Amortisation during the financial period	-9		-51		-60
Accumulated amortisation and impairment on 31 December 2015	-66		-450	-5	-522
Carrying amount on 31 December 2015	48	33	280	1 103	1 464

Development costs for internally generated assets capitalised during the financial period amounted to EUR 6 million (25), which includes EUR 5 million from discontinued operations in 2014. The carrying amount was EUR 80 million (85).

Intangible asset amortisation related to acquisitions amounted to EUR 32 million (26) and the carrying amount was EUR 236 million (131).

2014

MEUR	Construction in progress and advances paid			Goodwill	Total
	Intangible rights		Other intangible assets		
Cost on 1 January 2014	96	72	610	918	1 696
Changes in exchange rates	-1		4	18	23
Additions	3	25	8		36
Disposals	-7		-20		-27
Reclassifications	21	-29	6		-3
Reclassification to assets held for sale	-29	-14		-23	-66
Cost on 31 December 2014	84	55	607	914	1 658
Accumulated amortisation and impairment on 1 January 2014	-61		-396	-4	-462
Changes in exchange rates				-1	-1
Accumulated amortisation on disposals and other changes	7		20		27
Amortisation during the financial period	-6		-45		-51
Reclassification to assets held for sale	5				5
Accumulated amortisation and impairment on 31 December 2014	-55		-421	-5	-479
Carrying amount on 31 December 2014	29	55	187	909	1 180

14. Property, plant & equipment

2015

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Investment properties	Total
Cost on 1 January 2015	26	319	806	53	27	14	1 247
Changes in exchange rates		1	7	-2			7
Acquisitions		1	5				8
Additions		11	29	25			65
Disposals	1	-17	-49		-1	-1	-67
Reclassifications	4	27	2	-42	-2		-12
Cost on 31 December 2015	32	343	800	33	24	13	1 246
Accumulated depreciation and impairment on 1 January 2015	-1	-159	-630		-23		-813
Changes in exchange rates		-3	-4				-7
Accumulated depreciation on disposals		13	45		1		58
Depreciation during the financial period		-15	-47		-1		-63
Reclassifications		2	6		1		10
Accumulated depreciation and impairment on 31 December 2015	-1	-162	-630		-20		-815
Carrying amount on 31 December 2015	33	181	168	32	4	13	431
Value of finance-leased assets included in carrying amount		1					1

Investment properties include land areas not used by the Group. Their estimated fair value is around EUR 23 million (24). During the financial period, investment properties were sold totalling EUR 1 million (4) generating a gain of EUR 1 million (3).

2014

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Investment properties	Total
Cost on 1 January 2014	32	307	800	38	62	15	1 254
Changes in exchange rates		4	10		1		16
Additions		7	22	33			62
Disposals	-1	-7	-22	-1	-3	-4	-38
Reclassifications	-4	25	20	-17	-33	3	-5
Reclassification to assets held for sale	-2	-16	-24		-1		-42
Cost on 31 December 2014	26	319	806	53	27	14	1 247
Accumulated depreciation and impairment on 1 January 2014		-147	-612		-48		-806
Changes in exchange rates		-1	-7				-9
Accumulated depreciation on disposals		6	21		2		30
Depreciation during the financial period	-1	-16	-46				-62

Impairments	-1						-1
Reclassifications	-16	-8		25			2
Reclassification to assets held for sale	14	20		1			34
Accumulated depreciation and impairment on 31 December 2014	-1	-159	-630		-23		-813
Carrying amount on 31 December 2014	25	160	175	53	5	14	434
Value of finance-leased assets included in carrying amount		1					1

15. Investments in associates and joint ventures

MEUR	2015	2014
Carrying amount on 1 January	90	103
Investments	9	
Share of result	17	26
Dividends	-32	-21
Translation differences	3	7
Result from the discontinued operations		-3
Disposal of shares		-22
Carrying amount on 31 December	89	90

In 2015, Wärtsilä invested EUR 9 million in the joint venture CSSC Wärtsilä Engine (Shanghai) Co., Ltd. In 2014, a gain of EUR 2 million was recognised in the consolidated statement of income related to the sale of Wärtsilä TMH Diesel Engine Company LLC shares. In addition, Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd shares were sold in 2014 and the capital loss EUR 10 million is included in the loss from the discontinued operations.

Summary of financial information (100%):

2015

MEUR		Holding %	Assets	Equity	Liabilities	Net sales	Profit for the financial period
Joint ventures							
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	34	24	10	25	
Wärtsilä Hyundai Engine Co Ltd.	South Korea	50.0	281	132	149	273	34
CSSC Wärtsilä Engine (Shanghai) Co., Ltd.	China	49.0	19	19			
Repropel Sociedad de reparacao de helices	Portugal	50.0	2	1	1	1	
Associated companies							
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		-2	2		
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	8	5	3	8	
Neptun Maritime AS	Norway	40.0	1	1		1	

2014

MEUR		Holding %	Assets	Equity	Liabilities	Net sales	Profit for the financial period
Joint ventures							
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	36	26	10	25	2
Wärtsilä Hyundai Engine Co Ltd.	South Korea	50.0	335	149	186	281	50

Repropel Sociedad de reparacao de helices	Portugal	50.0	2	1	1	1
Associated companies						
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		-2	2	
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	6	3	3	6
Neptun Maritime AS	Norway	40.0	1	1		1

16. Available-for-sale financial assets

Available-for-sale financial assets include unlisted shares. The fair value cannot be reliably measured for the unlisted shares, so the investment is carried at cost.

MEUR	2015	2014
Carrying amount on 1 January	16	15
Acquired shares		1
Disposal of shares	-1	
Carrying amount on 31 December	15	16

MEUR	2015		2014	
	Cost	Market value	Cost	Market value
Unlisted shares (level 3)				
Other shares	15	15	16	16
Total shares	15	15	16	16

17. Inventories

MEUR	2015	2014
Materials and consumables	460	441
Work in progress	655	641
Finished products	41	38
Advances paid	44	35
Total	1 200	1 156

In 2015, EUR 22 million (28) impairment for obsolete inventories has been recognised in the consolidated statement of income. Acquisition-related increase in inventories is EUR 129 million.

18. Financial assets and liabilities by measurement category

2015

MEUR	Cash flow hedges	Financial assets/liabilities at fair value through the statement of income	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets							
				15		15	15
			17			17	17

Other receivables			28		28	28
Current financial assets						
Trade receivables			1 394		1 394	1 394
Derivatives	9				9	9
Other receivables		11			11	11
Cash and cash equivalents			334		334	334
Carrying amount by category	9	11	1 772	15	1 807	1 807
Non-current financial liabilities						
Interest-bearing debt					492	492
Current financial liabilities						
Interest-bearing debt					232	232
Trade payables					510	510
Derivatives	32				32	32
Other liabilities					30	30
Carrying amount by category	32				1 264	1 296

2014

MEUR	Cash flow hedges	Financial assets/ liabilities at fair value through the statement of income	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of the statement of financial position items	Fair value
Non-current financial assets							
Available-for-sale financial assets				16		16	16
Interest-bearing investments			1			1	1
Other receivables			4			4	4
Current financial assets							
Interest-bearing receivables			1			1	1
Trade receivables			1 186			1 186	1 186
Derivatives	16					16	16
Other receivables		6				6	6
Cash and cash equivalents			571			571	571
Carrying amount by category	16	6	1 763	16		1 801	1 801
Non-current financial liabilities							
Interest-bearing debt					537	537	550
Current financial liabilities							
Interest-bearing debt					129	129	129
Trade payables					436	436	436
Derivatives	67					67	67
Other liabilities					7	7	7
Carrying amount by category	67				1 109	1 176	1 189

Fair values of available-for-sale financial assets per hierarchies is presented in Note 16. Available-for-sale financial assets. Other financial assets and liabilities are included in level 2. Additional information on financial liabilities is presented in Note 25. Financial liabilities.

19. Other receivables

MEUR	2015	2014
Derivatives	9	16
Interest and other financial items	11	6
Insurance receivables	15	7
Rental accruals	8	4
Project accruals	14	18
Accruals from long-term contracts	172	147
Other accruals	39	35
Loan receivables	6	4
Defined benefit plans	1	
VAT receivables	76	50
Other*	73	56
Total	424	343
Non-current	28	4
Current	396	338

* Includes payroll related tax receivables of EUR 8 million (11) in Brazil, which cannot be utilized within a year and a receivable of EUR 21 million from the disposal of the two-stroke engine business.

20. Cash and cash equivalents

MEUR	2015	2014
Cash and bank balances	311	549
Current deposits	22	22
Total	334	571

21. Deferred taxes

Changes in deferred taxes during 2015

MEUR	1 January 2015	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Acquisitions and discontinued operations	31 December 2015
Deferred tax assets						
Tax loss carry-forwards	27	-4		-1	2	24
Pension obligations	23	-1	-2	1	6	28
Provisions	27	-5			3	26
Intragroup margin in inventories	9					10
Fair value reserve	24			-1		24
Other temporary differences	35	-3		2	14	46
Total	144	-12	-2	2	23	157
Deferred tax liabilities						
Intangible assets and property, plant and equipment	30	-10		2	42	65
Fair value reserve	5		1	1		7

Other temporary differences	28	-5		2	4	29
Total	64	-15	1	4	46	102
Net deferred tax assets/liabilities	80	3	-3	-2	-24	55

On 31 December 2015, the Group had temporary differences on which no deferred tax assets were booked totalling EUR 47 million (25), as it is uncertain if they will be realised. Most of the unrecognised deferred tax assets are related to cumulative tax losses. Of these, EUR 17 million will expire within the next five years and the rest will expire later or never. The cumulative tax losses on which deferred tax assets have been booked will never expire.

Changes in deferred taxes during 2014

MEUR	1 January 2014	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Acquisitions and discontinued operations	31 December 2014
Deferred tax assets						
Tax loss carry-forwards	36	-8		-1		27
Pension obligations	19	-1	5			23
Provisions	18	7				27
Intragroup margin in inventories	6	3				9
Fair value reserve	7		18	-1		24
Other temporary differences	43	-5	-1	2	-4	35
Total	128	-3	21	1	-4	144
Deferred tax liabilities						
Intangible assets and property, plant and equipment	43	-9			-4	30
Fair value reserve	6		-1			5
Other temporary differences	36	-5		-2	-1	28
Total	84	-14	-1	-1	-5	64
Net deferred tax assets/liabilities	44	12	22	2	1	80

22. Pension obligations

MEUR	2015	2014
Net defined benefit liabilities on 31 December	161	100
Liability for other long term employee benefits on 31 December	8	5

Wärtsilä has defined benefit plans for its employees mainly in Europe and Asia. The major plans are located in Switzerland, Germany, Great Britain and Sweden. The Swiss defined benefit plan accounts for 33% of Group's total defined benefit obligations and 52% of plans' assets. Most of the plans provide lifetime pension to the members at the normal retirement age. However, there are also plans, which provide lump sum payment at the retirement date. Most of these defined benefit pension plans are managed by pension funds. Their assets are not included in the Group's assets. The plans' assets are typically invested according to the investment strategies approved by the funds' Board of Trustees or in some cases they are completely administered by insurance companies. Wärtsilä's subsidiaries make their payments to pension funds in accordance with the local legislation and practice. Authorised actuaries in each country have performed the actuarial calculations required for the defined benefit plans.

The Swiss Plan

Wärtsilä operates a defined benefit plan in Switzerland in accordance with the local pension laws and regulations. The plan provides benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plan is run as a pension fund by the Board of Trustees separately from the company.

Contributions to the plan are paid both by the employees as well as by the employers based on a percentage of the insured salary as defined in the pension fund regulations. Contributions by the employers vary depending on the age of the employee and cover on average two thirds of

the total contributions.

The investment strategy for a pension fund's asset is the responsibility of the Board of Trustees. Assets are invested in accordance with the strategy and the corridors for different investment categories as defined by local laws. Other risks of the plan are longevity of plan members as well as death or disability of employees before their retirement. The pension plan is reinsured for the risk of death and disability until 31 December 2015. Inflationary increases for pensions in payment are at the discretion of the Board of Trustees as benefits paid by the plan are exceeding the minimum level required by law.

The German Plans

As a result of the acquisition of MSI, Wärtsilä operates defined benefit plans in Germany in accordance with the local pension laws and regulations. The plans provide benefits to the members in the form of a pension payable after retirement. The level of benefits provided depends on the accrued retirement savings capital, which is a result of contributions paid up to retirement plus respective interest. The plans vary from unfunded plans to a plan run as a pension fund.

In some of the plans, contributions are paid to the plan both by the employees and the employers based on a percentage of the insured salary as defined in the pension fund regulations. However, in some plans only the employer is obliged to make the payments. Contributions by the employers vary depending on the age of the employee, the duration of the employment and also on the position of the employee.

The main risks of the plans are longevity of plan members and death or disability of employees before their retirement. In a funded plan, also the investment strategy chosen includes certain risk. Inflationary increases for pensions in payment are valued on a yearly basis.

MEUR	2015	2014
Present value of unfunded defined benefit obligations	114	66
Present value of funded defined benefit obligations	200	169
Fair value of plan assets	-153	-136
Net liability in the statement of financial position	161	100

%	Present value of defined benefit obligations	Fair value of plan assets
Switzerland	33	52
Germany	21	4
Other Europe	38	34
Asia	8	10
Total	100	100

MEUR	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance on 1 January 2014	376	-272	104
Changes in exchange rates	6	-6	
Other adjustments	-26	26	
Reclassification to assets held for sale	-142	125	-17
Recognised in the statement of income:			
Current service cost	8		9
Past service cost	2		2
Gains (-) / losses (+) on curtailments and settlements	-2	1	-1
Interest cost (+) / interest income (-)	5	-3	2
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		-7	-7
Changes in financial assumptions	25		25
Contribution paid by the plan members	1	-1	
Contribution paid by the employer		-7	-7
Benefits paid	-17	9	-8
Balance on 31 December 2014	236	-136	100
Balance on 1 January 2015	236	-136	100
Changes in exchange rates	9	-5	4
Acquisitions	75	-10	65

Recognised in the statement of income:			
Current service cost	11		11
Gains (-) / losses (+) on curtailments and settlements	-3	3	
Interest cost (+) / interest income (-)	6	-3	3
Remeasurements recognised in other comprehensive income:			
Return on plan assets, excluding interest income		-8	-8
Changes in demographic assumptions	-1		-1
Changes in financial assumptions	1		1
Contribution paid by the plan members	1	-1	
Contribution paid by the employer		-9	-9
Benefits paid	-24	17	-7
Balance on 31 December 2015	313	-152	161

Plan assets invested in:

%	2015	2014
Shares and other equity instruments	26	29
Bonds and other debt instruments	32	33
Property	14	14
Other assets	28	24

The main actuarial assumptions at the end of the financial period are (expressed as weighted averages):

%	2015	2014
Discount rate	2.06	2.67
Future salary growth	2.23	3.29
Future pension growth	1.14	1.13

On 31 December 2015 the weighted average duration of the defined benefit obligation was 11 years. The Group expects to contribute EUR 5 million to the plans during next financial period.

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in each country. These assumptions translate into a weighted average life expectancy in years for a pensioner at the retirement age as follows:

	2015	2014
Plan participants retiring at the end of the financial period:		
Male	17.7	17.5
Female	19.6	19.2
Plan participants retiring 20 years after the end of the financial period:		
Male	19.5	19.2
Female	21.9	20.1

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the end of the financial period. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety.

Sensitivity analysis

	Change in assumption	Effect to defined benefit obligation, MEUR	
		2015	2014
Discount rate	increase 1%	-36	-25
Discount rate	decrease 1%	46	28
Future salary growth	increase 1%	12	24
Future salary growth	decrease 1%	-7	-5
Future pension growth	increase 1%	31	11
Future pension growth	decrease 1%	-16	-4

23. Equity

Equity consists of share capital, share premium, translation difference, fair value reserve and retained earnings.

Share capital and number of shares

MEUR

Share capital	Number of shares and votes	Share capital	Share premium	Total
1 January 2014	197 241 130	336	61	397
31 December 2014	197 241 130	336	61	397
31 December 2015	197 241 130	336	61	397

Wärtsilä's share does not have a nominal value.

Share Capital

The subscription price of a share received by the Company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the fund for invested non-restricted equity.

Share Premium

Share premium account is restricted equity. It may be reduced in accordance with the rules applying to decreasing share capital and it can also be used to increase the share capital.

Translation difference

Translating foreign subsidiaries' financial statements by using different exchange rates in the statement of comprehensive income and in the statement of financial position causes translation differences, which are recognised in equity. Translation differences of foreign subsidiaries' acquisition cost eliminations and post acquisition gains and losses are also presented in equity. The change in translation differences is recognised in other comprehensive income.

Fair value reserve

Fair value reserve includes the change in the fair value of available-for-sale financial assets. Also the change in fair value in derivative financial instruments is included in fair value reserve, if the hedging is effective and eligible for hedge accounting. The change in items included in fair value reserve are recognised in other comprehensive income.

MEUR	Cash flow hedges
Difference between fair value and carrying amount on 1 January 2014	-19
Taxes related to fair value adjustments	6
Fair value reserve on 1 January 2014	-13
Transferred to the statement of income, net of taxes	8
Fair value adjustments	-85
Taxes related to fair value adjustments	24
Fair value reserve on 31 December 2014	-66
Transferred to the statement of income, net of taxes	16
Fair value adjustments	-23
Taxes related to fair value adjustments	4
Fair value reserve on 31 December 2015	-70

Parent company's distributable funds

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.20 per share be paid for the financial period 2015, total dividend payable being EUR 237 million. The remaining part of the retained profits will be carried further in the unrestricted equity. For the profit for the financial period 2014, a dividend of EUR 1.15 per share was distributed, totalling EUR 227 million and the rest of the retained profits were carried further in the unrestricted equity.

Additional information on equity is presented in Notes to the parent company financial statements, in Note 11. Shareholders' equity.

24. Provisions

2015

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions on 1 January 2015	25	190	24	24	28	292
Changes in exchange rates		2				2
Acquisitions	6	8			7	19
Additions	2	84	11	11	16	123
Used provisions	-14	-97	-13	-17	-12	-154
Released provisions	-3		-4	-2	-6	-15
Provisions on 31 December 2015	15	187	17	15	35	269
Non-current						46
Current						223

2014

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions on 1 January 2014	13	162	25	11	33	244
Changes in exchange rates		1				1
Additions	18	120	16	27	14	195
Used provisions	-5	-92	-13	-13	-15	-139
Released provisions	-1		-3	-1	-4	-9
Provisions on 31 December 2014	25	190	24	24	28	292
Non-current						51
Current						242

Warranty provisions include estimated future warranty costs relating to products delivered. The amount of future warranty costs is based on accumulated experience. The standard warranty period is one year from the delivery onwards.

The Group is a defendant in a number of legal cases which arise out of, or are incidental to, the ordinary course of its business. These lawsuits concern mainly issues such as contractual and other liability, labour relations, property damage and regulatory matters. The Group receives from time to time claims of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is the Group's policy to provide for amounts related to the claims as well as for the litigation and arbitration matters when an unfavourable outcome is probable and the amount of loss can be reasonably estimated.

25. Financial liabilities

2015

MEUR	Current	Non-current			Total
	< 1 year	1–3 years	3–5 years	> 5 years	
Loans from pension insurance companies*	27	18			45
Loans from other financial institutions*	72	170	112	189	544
Finance lease liabilities*	1				1
Other interest-bearing debt*	133				134
Trade payables	510				510
Derivatives	32				32
Other liabilities	30				30
Total	805	188	112	189	1 296

* Estimated interest expenses, total	8	10	8	8	34
Estimated contractual cash flows	813	198	120	197	1 330

2014

MEUR	Current		Non-current		Total
	< 1 year	1–3 years	3–5 years	> 5 years	
Loans from pension insurance companies*	35	37	8		80
Loans from other financial institutions*	93	161	138	192	584
Finance lease liabilities*	1				1
Other interest-bearing debt*	1				2
Trade payables	436				436
Derivatives	67				67
Other liabilities	7				7
Total	640	198	146	192	1 176

* Estimated interest expenses, total	10	15	9	6	40
Estimated contractual cash flows	650	213	155	198	1 216

Fair values of financial liabilities are presented in Note 18. Financial assets and liabilities by measurement category.

26. Other liabilities

MEUR	2015	2014
Project costs	557	534
Personnel costs	189	189
Derivatives	32	67
Interest and other financial items	30	7
Other accruals	40	64
VAT liabilities	18	8
Other	69	66
Total	935	936
Non-current	2	2
Current	933	934

27. Derivative financial instruments

The Group applies hedge accounting to significant foreign currency forward contracts. Detailed financial information is presented in Note 33. Financial risks.

MEUR	2015	of which closed	2014	of which closed
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps	185		125	
Inflation hedges	1		3	
Currency forwards, transaction risk	2 205	678	2 212	763
Currency options, purchased			30	
Total	2 390	678	2 370	763

Fair values of derivative financial instruments (level 2)		
Interest rate swaps	-4	-3
Currency forwards, transaction risk	-18	-47
Total	-22	-50

In 2014, total amount of foreign exchange forward contracts in nominal value included EUR 35 million from discontinued operations.

Foreign currency forward contracts are against transactional risks and fall due during the following 12 months. Interest rate swaps are denominated in euros and their average interest-bearing period is 30 months.

Normally all Groups' derivatives are done under International Swaps and Derivatives Association's Master Agreements (ISDA). In case of an event of default under these agreements the non-defaulting party may request early termination and set-off of all outstanding transactions. These agreements do not meet the criteria for offsetting in the statement of financial position. The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

MEUR	2015	2014
Gross fair values of derivative financial instruments subject to ISDAs		
Assets		
Currency forwards	8	17
Currency options		1
Total	9	18
Liabilities		
Interest rate swaps	-4	-3
Currency forwards	-27	-63
Total	-31	-66
Net fair values of derivative financial instruments subject to ISDAs		
Assets	1	
Liabilities	-23	-48
Total	-22	-48

Currency distribution of currency forwards and currency options

MEUR	Order book	Net loans
Currency forwards		
USD	838	50
NOK	246	76
CHF	20	415
CNY	74	6
JPY	35	
SGD		32
DKK	34	6
GBP	2	51
Other*	47	17
Total	1 295	652

* Other does not include any material single currencies.

28. Collateral, contingent liabilities and other commitments

MEUR	2015		2014	
	Debt in the statement of financial position	Collateral	Debt in the statement of financial position	Collateral
Mortgages given as collateral for liabilities and commitments				
Other commitments	20	10	21	10
Total	20	10	21	10
Chattel mortgages and other pledges and securities given as collateral for liabilities and commitments				
Loans from credit institutions	18	7	22	10
Other commitments		20		16
Total	18	27	22	26

MEUR	2015	2014
Guarantees and contingent liabilities		
on behalf of Group companies	743	746
Total	743	746
Nominal amounts of rents according to leasing contracts		
Payable within one year	29	25
Payable between one and five years	76	66
Payable later	29	23
Total	133	114

29. Related party disclosures

Related parties comprise the Board of Directors, the top management, the associated companies and joint ventures. Top management includes the President and CEO and the Board of Management.

Management remuneration

TEUR	Benefits booked in the statement of income	
	2015	2014
President and CEO		
Salaries and other short-term benefits	878	662
Bonuses	342	425
Share based bonuses	732	556
Statutory pension costs	169	155
Voluntary pension costs	404	258
Deputy of President and CEO		
Salaries and other short-term benefits	562	578
Bonuses	37	226
Share based bonuses	531	278
Statutory pension costs	70	114
Voluntary pension costs	216	294
Other members of the Board of Management		
Salaries and other short-term benefits	1 852	1 639

Bonuses	303	609
Share based bonuses	2 651	1 194
Statutory pension costs	298	294
Voluntary pension costs	426	461
Total	9 471	7 744
Board of Directors on 31 December 2015		
Mikael Lilius, Chairman	152	136
Sune Carlsson, Deputy Chairman	106	66
Maarit Aarni-Sirviö, member	81	71
Kaj-Gustaf Bergh, member	73	96
Tom Johnstone, member	74	
Risto Murto, member	79	66
Gunilla Nordström, member	73	65
Markus Rauramo, member	85	75
Board of Directors, until 5 March 2015		
Alexander Ehrnrooth, member	2	70
Paul Ehrnrooth, member	2	66
Board of Directors, until 6 March 2014		
Matti Vuoria, member		3
Total	727	713
Management remuneration, total	10 198	8 457

The holdings of Wärtsilä shares of the President and CEO, and the members of the Board of Directors and Board of Management at the year end were 68,834 shares (914,597).

The President and CEO is entitled to retire on reaching 63 years of age. Some members of the Board of Management are entitled to retire on reaching 60 years or 63 years of age. The Group has no loan receivables from the executive management or the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

Business transactions with the associated companies and joint ventures

MEUR	2015	2014
Sales to the associates and joint ventures	46	66
Purchases from the associates and joint ventures	32	30
Receivables from the associates and joint ventures	11	11
Advances paid to the associates and joint ventures	25	9
Payables to the associates and joint ventures	19	9

Detailed financial information on the associated companies and joint ventures is presented in Note 15. Investments in associates and joint ventures.

30. Auditors' fees and services

The following remuneration was paid to auditors and accounting firms for audit based on applicable legislation and for other services.

In 2015, the Annual General Meeting appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditor.

MEUR	2015		2014	
	KPMG	Others	KPMG	Others
Audit	3.1	0.2	2.5	0.2

Tax advisory	0.8	0.2	0.7	0.1
Other services	0.4	0.1	0.5	0.1
Total	4.3	0.4	3.9	0.3

31. Exchange rates

In the consolidated financial statements there are nearly 60 currencies consolidated. The most significant currencies are presented here.

		31 December 2015	Closing rates 31 December 2014	2015	Average rates 2014
AED	United Arab Emirates Dirham	3.99814	4.45927	4.05655	4.85217
BRL	Brazil Real	4.31170	3.22070	3.68980	3.12309
CHF	Switzerland Franc	1.08350	1.20240	1.06763	1.21463
CNY	China Yuan Renminbi	7.06080	7.53580	6.97307	8.18857
DKK	Danish krone	7.46260	7.44530	7.45865	7.45493
GBP	United Kingdom Pound	0.73395	0.77890	0.72600	0.80647
INR	India Rupee	72.02150	76.71900	71.17370	81.07102
JPY	Japan Yen	131.07000	145.23000	134.28214	140.37046
NOK	Norway Krone	9.60300	9.04200	8.94169	8.35531
SAR	Saudi Arabian Riyal	4.08644	4.55555	4.14356	4.95520
SEK	Sweden Krona	9.18950	9.39300	9.35401	9.09661
SGD	Singapore Dollar	1.54170	1.60580	1.52507	1.68312
USD	United States Dollar	1.08870	1.21410	1.10962	1.32890

32. Subsidiaries

Geographical area	Company name	Location	Activities	Share %
Europe	Wärtsilä Technology Oy Ab	Finland	Holding	100.0
	Wärtsilä Finland Oy	Finland	Production, sales and services	100.0
	Wärtsilä Projects Oy	Finland	Sales and services	100.0
	Wärtsilä Solutions Oy	Finland	Sales and services	100.0
	Wärtsilä Sweden AB	Sweden	Production, sales and services	100.0
	Wärtsilä Norway AS	Norway	Production, sales and services	100.0
	Wärtsilä Ship Design Norway AS	Norway	Sales and services	100.0
	Wärtsilä Moss AS	Norway	Production, sales and services	100.0
	Wärtsilä Oil & Gas Systems AS	Norway	Sales and services	100.0
	Wärtsilä Danmark A/S	Denmark	Sales and services	100.0
	Wärtsilä Svanehoj A/S	Denmark	Production, sales and services	100.0
	Wärtsilä Italia S.p.A.	Italy	Production, sales and services	100.0
	Wärtsilä France S.A.S.	France	Sales and services	100.0
	Wärtsilä Switzerland Ltd.	Switzerland	Sales and services	100.0
	Wärtsilä Netherlands B.V.	The Netherlands	Production, sales and services	100.0
	Wärtsilä Kampen Real Estate B.V.	The Netherlands	Real estate	100.0
	Wärtsilä Ibérica S.A.	Spain	Production, sales and services	100.0
	Wärtsilä Portugal Lda.	Portugal	Sales and services	100.0
	Wärtsilä Deutschland GmbH	Germany	Sales and services	100.0
	Wärtsilä Serck Como GmbH	Germany	Production, sales and services	100.0
Wärtsilä UK Ltd	Great Britain	Production, sales and services	100.0	
Wärtsilä Hamworthy Ltd	Great Britain	Sales and services	100.0	

	Wärtsilä Valves Ltd	Great Britain	Production, sales and services	100.0
	Wärtsilä Water Systems Ltd	Great Britain	Production, sales and services	100.0
	Wärtsilä Greece S.A.	Greece	Sales and services	100.0
	Wärtsilä Polska Sp.z.o.o.	Poland	Sales and services	100.0
	Wärtsilä Ship Design Poland Sp.z.o.o.	Poland	Sales and services	100.0
	Wärtsilä Baltic Design Centre Sp.z.o.o.	Poland	Sales and services	100.0
	Wärtsilä-Enpa A.S.	Turkey	Sales and services	51.0
	Wärtsilä BLRT Estonia OÜ	Estonia	Sales and services	51.0
	Wärtsilä Vostok, LLC	Russia	Sales and services	100.0
	Wärtsilä Hungary Kft	Hungary	Sales and services	100.0
	Wärtsilä Ukraine LLC	Ukraine	Sales and services	100.0
	Wärtsilä Cyprus Limited	Cyprus	Sales and services	100.0
	Wärtsilä Ship Design Serbia doo	Serbia	Sales and services	83.0
	Quantiparts B.V.	The Netherlands	Sales and services	100.0
	Funa International Oy	Finland	Sales and services	100.0
	Wärtsilä SAM Electronics Nederland B.V.	Germany	Sales and services	100.0
	Wärtsilä JOVYATLAS EUROATLAS GmbH	Germany	Sales and services	100.0
	Wärtsilä ELAC Nautik GmbH	Germany	Sales and services	100.0
	Wärtsilä SAM Electronics GmbH	Germany	Sales and services	100.0
	Wärtsilä FUNA International GmbH	Germany	Sales and services	100.0
	Wärtsilä APSS Srl	Italy	Sales and services	100.0
	Wärtsilä Lyngsø Marine A/S	Denmark	Sales and services	100.0
	Wärtsilä Valmarine AS	Norway	Sales and services	100.0
The Americas	Wärtsilä North America, Inc.	USA	Sales and services	100.0
	Wärtsilä Defence Inc.	USA	Sales and services	100.0
	Wärtsilä Canada Inc.	Canada	Sales and services	100.0
	Wärtsilä de Mexico SA	Mexico	Sales and services	100.0
	Wärtsilä Caribbean, Inc.	Puerto Rico	Sales and services	100.0
	Wärtsilä Dominicana Inc.	Dominican Republic	Sales and services	100.0
	Wärtsilä Guatemala S.A.	Guatemala	Sales and services	100.0
	Wärtsilä Chile Ltda.	Chile	Sales and services	100.0
	Wärtsilä Ecuador S.A.	Ecuador	Sales and services	100.0
	Wärtsilä Brasil Ltda.	Brazil	Production, sales and services	100.0
	Wärtsilä Colombia S.A.	Colombia	Sales and services	100.0
	Wärtsilä Peru S.A.C.	Peru	Sales and services	100.0
	Wärtsilä Argentina S.A.	Argentina	Sales and services	100.0
	Wärtsilä Venezuela, C.A.	Venezuela	Sales and services	100.0
	Antigua Energy Operators Ltd	Antigua and Barbuda	Sales and services	100.0
	Wärtsilä Panama Services S.A.	Panama	Sales and services	100.0
	Wärtsilä Operations Guyana Inc.	Guyana	Sales and services	100.0
	Wärtsilä Uruguay S.A.	Uruguay	Sales and services	100.0
	Wärtsilä FUNA International Inc.	USA	Sales and services	100.0
	Wärtsilä Dynamic Positioning Inc.	USA	Sales and services	100.0
Asia	Wärtsilä China Ltd.	Hong Kong	Sales and services	100.0
	Wärtsilä-CME Zhenjiang Propeller Co. Ltd.	China	Production, sales and services	55.0
	Wärtsilä Services (Shanghai) Co. Ltd.	China	Sales and services	100.0
	Wärtsilä Propulsion (Wuxi) Co. Ltd.	China	Production, sales and services	100.0
	Cedervall Zhangjiagang Marine Products Co. Ltd.	China	Production, sales and services	100.0
	Wärtsilä Suzhou Ltd.	China	Production, sales and services	100.0
	Wärtsilä Ship Design (Shanghai) Co., Ltd	China	Sales and services	95.0
	Wärtsilä Yuchai Engine Co. Ltd.	China	Production, sales and services	50.0
	Wärtsilä Singapore Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Ship Design Singapore Pte Ltd	Singapore	Sales and services	100.0
	Wärtsilä Pumps Pte. Ltd.	Singapore	Production, sales and services	100.0
	Wärtsilä Japan Ltd.	Japan	Production, sales and services	99.7

	Wärtsilä India Ltd.	India	Production, sales and services	100.0
	Wärtsilä Vietnam Co Ltd.	Vietnam	Sales and services	100.0
	Wärtsilä Korea Ltd.	South Korea	Sales and services	100.0
	Wärtsilä Taiwan Ltd.	Taiwan	Sales and services	100.0
	Wärtsilä Philippines Inc.	Philippines	Sales and services	100.0
	PT. Wärtsilä Indonesia	Indonesia	Sales and services	100.0
	Wärtsilä Lanka Ltd.	Sri Lanka	Sales and services	100.0
	Wärtsilä Pakistan (Pvt.) Ltd.	Pakistan	Sales and services	100.0
	Wärtsilä Bangladesh Ltd.	Bangladesh	Sales and services	100.0
	Wärtsilä Azerbaijan LLC	Azerbaijan	Sales and services	100.0
	Wärtsilä Power Contracting Saudi Arabia Ltd.	Saudi Arabia	Sales and services	60.0
	Wärtsilä Gulf FZE	United Arab Emirates	Sales and services	100.0
	Wärtsilä LLC	United Arab Emirates	Sales and services	100.0
	Wärtsilä Ships Repairing & Maintenance LLC	United Arab Emirates	Sales and services	100.0
	Wärtsilä Hamworthy Middle East (FZE)	United Arab Emirates	Sales and services	100.0
	Wärtsilä (Malaysia) Sdn Bhd	Malaysia	Sales and services	100.0
	Wärtsilä Doha WLL	Qatar	Sales and services	100.0
	Wärtsilä SAM Electronics (Taizhou) Co., Ltd.	China	Sales and services	100.0
	Wärtsilä Marine Systems Korea Co Ltd.	South Korea	Sales and services	100.0
Other	Wärtsilä Australia Pty Ltd.	Australia	Sales and services	100.0
	Wärtsilä New Zealand Ltd	New Zealand	Sales and services	100.0
	Wärtsilä PNG Ltd	Papua New Guinea	Sales and services	100.0
	Wärtsilä Egypt Power S.A.E	Egypt	Sales and services	100.0
	Wärtsilä South Africa (Pty) Ltd.	South Africa	Sales and services	100.0
	Wärtsilä Eastern Africa S.A.	Kenya	Sales and services	100.0
	Wärtsilä Uganda Ltd.	Uganda	Sales and services	100.0
	Wärtsilä West Africa S.A.	Senegal	Sales and services	100.0
	Wärtsilä Central Africa Ltd.	Cameroon	Sales and services	100.0
	Wärtsilä Central Africa Gabon	Gabon	Sales and services	100.0
	Wärtsilä West Africa Guinea	Guinea	Sales and services	100.0
	Wärtsilä Tanzania Ltd	Tanzania	Sales and services	100.0
	Wärtsilä Mocambique LDA	Mozambique	Sales and services	100.0
	Wärtsilä Marine & Power Services Nigeria Limited	Nigeria	Sales and services	100.0

Non-controlling interests are not significant in the Group's activities and cash flows in individual subsidiaries.

The list excludes subsidiaries, which do not have an impact on the profit or assets of the Group. A complete list of shares and securities in accordance with the Finnish Accounting Ordinance is included in the official financial statements of the parent company prepared with the Finnish Accounting Standards (FAS).

33. Financial risks

General

Wärtsilä has a centralised Group Treasury with two main objectives: to arrange adequate funding for the Group's underlying operations on competitive terms, and to identify and evaluate the financial risks within the Group and implement the hedges for the Group companies.

The objective is to hedge against unfavorable changes in the financial markets and to minimise the impact of foreign exchange, interest rate, credit and liquidity risks on the Group's cash and cash equivalents, profits and equity.

The Financial Risk Policy is approved by the Board of Directors. The Treasury employs only such instruments whose market value and risk profile can be reliably monitored.

Foreign exchange risk

Foreign exchange exposures are monitored at the Business level and then netted and hedged at Group level. All fixed sales and purchase contracts are hedged. The estimated future commercial exposures are evaluated by the Businesses, and the level of hedging is decided by the Board of Management. Hedge accounting is applied to most of the hedges of these exposures. The hedges cover such time periods that both the prices and costs can be adjusted to new exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges its position of the statement of financial position, which includes receivables and payables denominated in foreign currencies. The Group does not expect significant losses from foreign exchange rate changes in 2016. The cancellation of orders could lead to ineffective currency hedge. Approximately 64% (67) of sales and 57% (57) of operating costs in 2015 were denominated in euros. The Group's profits and competitiveness are also indirectly affected by the home currencies of its main competitors: USD, GBP, JPY and KRW.

The instruments, their nominal values and currency distribution used to hedge the Group's foreign exchange exposures are listed in Note 27. Derivative financial instruments.

Some Group companies in countries whose currencies are not fully convertible like Brazil, have unhedged intercompany loans nominated either in EUR or USD. The total amount of the loans is EUR 96 million (115).

Since Wärtsilä has subsidiaries and joint ventures outside the euro zone, the Group's equity, goodwill and purchase price allocations are sensitive to exchange rate fluctuations. At the end of 2015, the net assets of Wärtsilä's foreign subsidiaries and joint ventures outside the euro zone totalled EUR 1,036 million (794). In addition, goodwill and purchase price allocations from acquisitions nominated in foreign currencies amounted to EUR 591 million (549).

Hedge accounting has been applied to EUR 1,837 million (1,307) currency forwards. A 10% change in the exchange rates would cause from these currency forwards an approximately EUR 147 million (100) net of tax impact on the equity. In 2015, EUR -23 million (-85) fair value adjustments related to cash flow hedges were recognised in equity. EUR -21 million (-12) of the fair value adjustments were transferred from equity to the statement of income as net sales or operating expenses during 2015. In 2015, the result from ineffective portion of the cash flow hedges was EUR -1 million, which was booked in financial items and specified in Note 10. Financial income and expenses. In 2014, the result from ineffective portion of the cash flow hedges was not significant.

Currency distribution 2015

%	Net sales	Operating costs	Trade receivables	Trade payables
EUR	64	57	63	78
USD	21	9	19	4
NOK		6	2	2
GBP	2	3	1	4
CHF		1		4
Other EU currencies	1	2	1	
SGD	1	2	2	
BRL	1	3	2	
INR	1	1	1	
CNY	1	4	1	
JPY		1		2
Other currencies	6	13	8	6
Total	100	100	100	100

Interest rate risk

Wärtsilä is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk) and also through changes in interest rates (re-fixing on rollovers). Wärtsilä hedges interest rate exposure by using derivative instruments such as interest rate swaps, futures and options. Changes in the market value of these derivatives are recognised directly in the statement of income. Interest rate risk is managed by constantly monitoring the market value of the financial instruments and by using sensitivity analysis.

Interest-bearing loan capital at the end of 2015 totalled EUR 724 million (666). The average interest rate was 1.3% (1.7) and the average re-fixing time 20 months (27). At the end of 2015, a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 15 million (18) increase/decrease in the value of the net debt portfolio, including derivatives.

Wärtsilä spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of floating rate loans as a proportion of the total debt can vary between 30–70%. At the end of 2015 the floating rate portion of total loans was 42% (32) after adjustment for interest rate derivatives. A one percentage point change in the interest level would cause a EUR 3 million (2) change in the following year's interest expenses of the debt portfolio, including derivatives.

Additional information related to loans can be found in Note 18. Financial assets and liabilities by measurement category and Note 25. Financial liabilities.

Liquidity and refinancing risk

Wärtsilä ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient committed and uncommitted credit lines available.

The existing funding programmes include:

- Committed Revolving Credit Facilities totalling EUR 629 million (629).
- Finnish Commercial Paper programmes totalling EUR 800 million (800).

The average maturity of the non-current debt is 43 months (43) and the average maturity of the confirmed credit lines is 33 months (29). Additional information in Note 25. Financial liabilities.

At the year end the Group had cash and cash equivalents totalling EUR 334 million (571) as well as EUR 629 million (629) non-utilised committed credit facilities. In addition there was an undrawn EUR 50 million tranche of a long term loan available to the Group. Commercial Paper programme was not utilised in 2014. On 31 December 2015 Commercial Paper Programme utilisation amounted to EUR 130 million. Wärtsilä minimises its refinancing risk by having a balanced and sufficiently long loan portfolio.

Revolving credit facilities**MEUR**

Year	Maturing	Available (end of period)
2015		629
2016	99	530
2017	100	430
2018	160	270
2019	110	160
2020	110	50
2021	50	

Credit risk

The responsibility for managing the credit risks associated with ordinary commercial activities lies with the Businesses and the Group companies. Major trade and project finance credit risks are minimised by transferring risks to banks, insurance companies and export credit organisations.

The credit risks related to the placement of liquid funds and to trading in financial instruments are minimised by setting explicit limits for the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

The Group companies deposit the maximum amount of their liquid financial assets with the centralised treasury when local laws and central bank regulations allow it. The Group's funds are placed in instruments with sufficient liquidity (current bank deposits or Finnish Commercial Papers) and rating (at least single-A rated instruments or other instruments approved by the Group's CFO). These placements are constantly monitored by Group Treasury and Wärtsilä does not expect any future defaults from the placements.

Aging of trade receivables

MEUR	2015		2014	
	Trade receivables	of which impaired	Trade receivables	of which impaired
Not past due	957	2	748	
Past due 1–30 days	121		159	
Past due 31–180 days	173	5	140	2
Past due 181–360 days	43	6	31	1
Past due more than 1 year	176	50	171	43
Total	1 470	63	1 249	47

In 2015, the result impact of write-offs was EUR -12 million (4).

The Group sells trade receivables in an amount that is currently not significant compared to the trade receivables as a whole. Sold receivables have been de-recognised in the consolidated statement of financial position.

Equity price risk

Wärtsilä has equity investments totalling EUR 11 million (12) in power plants companies, most of which are located in developing countries and performing well according to expectations. Additional information in Note 16. Available-for-sale financial assets.

Capital risk management

Wärtsilä's policy is to secure a strong capital base to keep the confidence of investors and creditors and for the future development of the business. The capital is defined as total equity including non-controlling interests and net interest-bearing debt. The target for Wärtsilä is to maintain gearing below 0.50 and to pay a dividend equivalent to 50% of operational earnings per share.

MEUR	31.12.2015	31.12.2014
Interest-bearing liabilities, non-current	492	537
Interest-bearing liabilities, current	232	129
Cash and cash equivalents	-334	-571
	390	95
Loan receivables	-18	-1
Net interest-bearing debt	372	94
Total equity	2 242	2 005
Gearing	0.17	0.05
In the capital management Wärtsilä also follows the gearing development:		
Equity and liabilities	5 589	5 280
Advances received	-564	-673
	5 025	4 607
Solvency ratio, %	44.6	43.5

Parent company income statement (FAS)

MEUR	2015	2014	Note
Other operating income	78	75	1
Personnel expenses	-43	-41	2
Depreciation, amortisation and impairments	-8	-7	3
Other operating expenses	-80	-77	
Operating result	-52	-50	
Financial income and expenses			4
Income from financial assets	270	130	
Interest income and other financial income	38	39	
Exchange gains and losses	4	2	
Interest expenses and other financial expenses	-37	-38	
	276	133	
Result before extraordinary items	224	83	
Group contribution	53	112	5
Result before appropriations and taxes	276	195	
Change in depreciation difference	3	1	
Result before taxes	279	196	
Income taxes	-2	-13	6
Result for the financial period	277	183	

Parent company balance sheet (FAS)

MEUR	2015	2014	Note
ASSETS			
Fixed assets			<u>7</u>
Intangible assets			
Other long-term expenditure	12	15	
Construction in progress	1	3	
	13	18	
Tangible assets			
Land and water	8	6	
Buildings and structures	1	1	
Machinery, equipment and other tangible assets	1	1	
Construction in progress		4	
	10	11	
Financial assets			
Shares in Group companies	950	950	
Other shares and securities	2	2	
	951	952	
Total fixed assets	975	980	
Non-current receivables			
Receivables from Group companies	114	16	<u>8</u>
Loan receivables	2	2	
	116	18	
Current receivables			
Receivables from Group companies	2 148	1 420	<u>9</u>
Other receivables	2	2	
Prepaid expenses and accrued income	36	37	<u>10</u>
	2 186	1 459	
Cash and bank balances	159	395	
Total current assets	2 461	1 872	
Assets	3 436	2 852	

MEUR	2015	2014	Note
EQUITY AND LIABILITIES			
Equity			<u>11</u>
Share capital	336	336	
Share premium reserve	61	61	
Retained earnings	776	819	
Result for the financial period	277	183	
Total equity	1 450	1 400	
Accumulated appropriations			
Depreciation difference	3	6	
Provisions	20	21	
Liabilities			<u>12</u>
Non-current			
Loans from credit institutions	457	473	
Loans from pension insurance companies	18	45	
	475	518	
Current			
Loans from credit institutions	66	88	
Loans from pension insurance companies	27	35	
Trade payables	12	6	
Liabilities to Group companies	1 189	677	<u>14</u>
Other current liabilities	131	1	
Accrued expenses and deferred income	62	100	<u>13</u>
	1 487	907	
Total liabilities	1 963	1 425	
Equity and liabilities	3 436	2 852	

Parent company cash flow statement (FAS)

MEUR	2015	2014
Cash flow from operating activities:		
Result before extraordinary items	224	83
Adjustments for:		
Depreciation and amortisation	8	7
Gains and losses on sale of intangible and tangible assets	-1	-3
Financial income and expenses	-276	-133
Cash flow before changes in working capital	-46	-45

Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	37	-43
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-39	52
	-2	9
Cash flow from operating activities before financial items and taxes	-48	-37
Interest and other financial expenses	-33	-45
Dividends received from operating activities	270	130
Interest and other financial income from operating activities	38	39
Income taxes paid	-2	-37
	273	87
Cash flow from operating activities	226	50
Cash flow from investing activities:		
Investments in shares		-500
Investments in tangible and intangible assets	-3	-5
Proceeds from sale of tangible and intangible assets	2	5
Cash flow from investing activities	-1	-500
Cash flow after investing activities	225	-450
Cash flow from financing activities:		
Loans receivables, increase (-) / decrease (+)	-923	668
Current loans, increase (+) / decrease (-)	649	-45
Proceeds from non-current borrowing	50	100
Repayments and other changes of non-current loans	-123	-75
Group contributions	112	161
Dividends paid	-227	-207
Cash flow from financing activities	-461	602
Change in cash and bank balances, increase (+) / decrease (-)	-236	152
Cash and bank at beginning of period	395	243
Cash and bank at end of period	159	395

Accounting principles for the parent company

The financial statements of the parent company, Wärtsilä Corporation, have been prepared in accordance with the provisions of the Finnish Accounting Standards (FAS).

The preparation of the financial statements requires the management, in compliance with the regulations in force and good accounting practice, to make estimates and assumptions that affect the measurement and timing of the reported information. Actual results may differ from these estimates.

Transactions denominated in foreign currencies

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to other operating income and operating expenses. Exchange gains and losses related to financing operations are entered under financial income and expenses.

Research and development costs

Research and development costs are expensed in the financial period in which they occur.

Receivables

Receivables are valued to acquisition cost or to a lower probable value.

Fixed assets and depreciation and amortisation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation and amortisation. Certain land areas also include revaluations.

Depreciation and amortisation is based on the following useful lives:

Other long-term expenditure	3-10 years
Buildings	20-40 years
Machinery and equipment	5-20 years

Leasing

Lease payments are treated as rentals.

Extraordinary income and expenses

Extraordinary income and expenses consist of items, such as Group contributions, that fall outside the ordinary activities of the company.

Provisions

Provisions in the balance sheet comprise those items which the company is committed to covering either through agreements or otherwise, but which are not yet realized. Changes to provisions are included in the income statement.

Income taxes

Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, as well as adjustments to taxes in prior years. Taxes allocated to extraordinary items are shown in the notes to the financial statements.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

1. Other operating income

MEUR	2015	2014
Rental income	1	1
Services to Group companies	75	71
Profit on sales of fixed assets	1	3
Other	2	
Total	78	75

2. Personnel expenses

MEUR	2015	2014
Wages and salaries	36	34
Pension costs	5	5
Other compulsory personnel costs	2	2
Total	43	41

Salaries and remunerations paid to senior management

The President and CEO and his deputy and members of the Board of Directors	5	2
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The President and CEO has the right to retire at the age of 63 years. Some of the members of the Board of Management have the right to retire at the age of 60 and 63 years.

The Company's Board of Directors decides the remunerations of the President and CEO and his immediate subordinates.

Personnel on average during the year	279	274
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3. Depreciation and amortisation

MEUR	2015	2014
Depreciation and amortisation according to plan		
Other long-term expenditure	7	7
Total depreciation according to plan	8	7
Tax depreciations	5	6
Depreciation difference	3	1
Depreciation difference		
Depreciation difference on 1 January	6	7
Change in the depreciation difference	-3	-1
Depreciation difference on 31 December	3	6

4. Financial income and expenses

MEUR	2015	2014
Dividend income		
From Group companies	270	130
Total	270	130
Other interest income		
From Group companies	20	27
Total	21	27
Other financial income		
From Group companies	11	6
From other companies	7	6
Total	17	12
Exchange gains and losses	4	2
Interest expenses		
To Group companies	-4	-4
To other companies	-10	-11
Total	-14	-16
Other financial expenses		
To Group companies	-10	-12
To other companies	-13	-11
Total	-23	-22
Financial income and expenses, total	276	133

5. Extraordinary income and expenses

MEUR	2015	2014
Group contributions received	53	112

6. Income taxes

MEUR	2015	2014
Income taxes		
for the financial period	-2	-14
for prior financial periods		1
Total	-2	-13
Income taxes on extraordinary items	11	22

7. Fixed assets

Intangible assets

MEUR	Other intangible assets	Other long-term expenditures	Construction in progress	Total 2015	Total 2014
Acquisition cost at January 1	1	133	3	136	145
Additions		2		2	5
Disposals		-12		-12	-14
Reclassifications		2	-2		
Acquisition cost at December 31	1	124	1	126	136
Accumulated amortisation at January 1	-1	-118		-119	-126
Accumulated amortisation on disposals and other changes		12		12	14
Amortisation during the financial period		-7		-7	-7
Accumulated amortisation at December 31	-1	-112		-113	-119
Carrying amount at 31 December 2015		12	1	13	
Carrying amount at 31 December 2014		15	3		18

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress	Other tangible assets	Total 2015	Total 2014
Acquisition cost at January 1	6	11	10	4	1	31	35
Additions						1	1
Disposals	-1		-5			-5	-5
Reclassifications	3			-4			
Acquisition cost at December 31	8	11	5		1	27	31
Accumulated depreciation at January 1		-10	-10		-1	-21	-23
Accumulated amortisation on disposals and other changes			5			5	2
Accumulated depreciation at December 31		-10	-5		-1	-16	-21
Carrying amount at 31 December 2015	8	1	1			10	
Carrying amount at 31 December 2014	6	1		4			11

Shares and securities

MEUR	Shares in Group companies	Shares in other companies	Total 2015	Total 2014
Acquisition cost at January 1	950	2	952	452
Additions				*500
Acquisition cost at December 31	950	2	951	952
Carrying amount at 31 December 2015	950	2	951	
Carrying amount at 31 December 2014	950	2		952

*A EUR 500 million increase in invested unrestricted equity fund was made in 2014 in Wärtsilä Technology Oy Ab, the fully owned subsidiary.

8. Non-current receivables

MEUR	2015	2014
Receivables from Group companies		
Loan receivables	114	16
Total	114	16

9. Current receivables from Group companies

MEUR	2015	2014
Trade receivables	6	4
Loan receivables	2 099	1 334
Prepaid expenses and accrued income	43	82
Total	2 148	1 420

10. Prepaid expenses and accrued income

MEUR	2015	2014
Derivatives	12	20
Other financial items	3	2
Income and other taxes	12	12
Insurance receivables	6	
Other	2	2
Total	36	37

11. Shareholders' equity

MEUR	2015	2014
Share capital		
Share capital on January 1	336	336
Share capital on December 31	336	336
Share premium reserve		
Share premium reserve on January 1	61	61
Share premium reserve on December 31	61	61
Retained earnings		
Retained earnings on January 1	1 003	1 027
Dividends paid	-227	-207
Reversal of revaluation		-1
Result for the financial period	277	183
Retained earnings on December 31	1 053	1 003
Total shareholders' equity	1 450	1 400
Distributable equity	1 053	1 003

12. Liabilities

MEUR	2015	2014
Non-current		
Interest-bearing	475	518
Total	475	518
Current		
Non-interest-bearing	101	140
Interest-bearing	1 387	767
Total	1 487	907

Debt with maturity profile

2015 MEUR	Long-term			Total
	Current <1 year	1-5 years	>5 years	
Loans from financial institutions	66	271	186	523
Loans from pension institutions	27	18		45
Total	93	289	186	568

2014 MEUR	Long-term			Total
	Current <1 year	1-5 years	>5 years	
Loans from financial institutions	88	286	188	561
Loans from pension institutions	35	45		80
Total	123	331	188	641

13. Accrued expenses and deferred income

MEUR	2015	2014
Derivatives	29	65
Personnel costs	21	23
Interest and other financial items	8	7
Other	4	6
Total	62	100

14. Liabilities to Group companies

MEUR	2015	2014
Trade payables	5	6
Other current liabilities	1 164	645
Accrued expenses and deferred income	19	26
Total	1 189	677

15. Collateral, contingent liabilities and other commitments

MEUR	2015 Debt in balance sheet	2014 Debt in balance sheet
Guarantees and contingent liabilities		
On behalf of Group companies	743	746
Total	743	746
Future nominal lease payments		
Payable within one year	2	2
Payable after one year	16	19
Total	18	21

16. Related party loans and other commitments

There are no loans receivables from senior management and the members of the Board of Directors. No pledges or other commitments were given on behalf of senior management or shareholders. In Note 29 in Consolidated financial statements, related party disclosures are specified. Related parties comprise the Board of Directors, the President and CEO, the Board of Management as well as the associated companies and joint ventures. In Notes 9 and 14 in Parent Company financial statement, receivables and liabilities from Group companies are specified.

17. Auditor's fees and services

The following fees were paid to auditors and accounting firms for audits and other services.

In 2015, the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditor.

Auditor's fees

TEUR	2015	2014
Audit	191	169
Tax advisory	201	170
Other services	138	192
Total	530	531

Proposal of the Board

The parent company's distributable funds total EUR 1,052,581,243.14, which includes EUR 276,747,007.02 in net profit for the year. There are 197,241,130 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting that the company's distributable earnings be disposed of in the following way:

EUR

A dividend of EUR 1.20 per share be paid, making a total of	236 689 356.00
That the following sum be retained in shareholders' equity	815 891 887.14
Totalling	1 052 581 243.14

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Helsinki, Finland, 26 January 2016

Mikael Lilius

Sune Carlsson

Maarit Aarni-Sirviö

Kaj-Gustaf Bergh

Tom Johnstone

Risto Murto

Gunilla Nordström

Markus Rauramo

Jaakko Eskola, President and CEO

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Wärtsilä Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Wärtsilä Corporation for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, January 26, 2016

KPMG Oy Ab

Virpi Halonen

Authorized Public Accountant

Quarterly figures 2014–2015

Condensed Statement of Income

MEUR	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014
Continuing operations								
Net sales	1 590	1 222	1 230	988	1 549	1 117	1 116	997
Other operating income	18	12	13	7	17	10	12	12
Expenses	-1 379	-1 058	-1 081	-868	-1 375	-964	-983	-898
Depreciation, amortisation and impairment	-33	-32	-30	-29	-30	-29	-27	-29
Share of result of associates and joint ventures	6	5	5	2	4	7	5	10
Operating result	202	149	137	100	166	141	123	92
Financial income and expenses	-2	-17	3	-18	-9	-12	-4	-3
Profit before taxes	199	132	140	82	157	129	119	89
Income taxes	-41	-35	-31	-18	-27	-31	-28	-20
Profit for the financial period from the continuing operations	159	97	109	64	129	98	91	70
Profit/loss for the financial period from the discontinued operations								
				22	-9	-13	-8	-7
Net profit for the financial period	159	97	109	86	121	85	83	63
Attributable to:								
equity holders of the parent company	157	95	107	85	118	84	83	62
non-controlling interests	2	2	2	1	3	1		1
	159	97	109	86	121	85	83	63
Earnings per share attributable to equity holders of the parent company (basic and diluted):								
Earnings per share, continuing operations, EUR	0.79	0.49	0.54	0.32	0.64	0.50	0.46	0.35
Earnings per share, discontinued operations, EUR				0.11	-0.04	-0.07	-0.04	-0.04
Earnings per share (EPS), basic and diluted, EUR	0.79	0.49	0.54	0.43	0.60	0.43	0.42	0.31
Order intake*	1 403	1 086	1 159	1 285	1 522	1 309	1 138	1 115
Order book, at the end of the financial period*	4 882	5 112	5 325	4 931	4 530	4 674	4 420	4 384
Number of personnel, at the end of the financial period	18 856	19 237	19 427	17 707	17 717	17 817	17 876	18 159

* Unaudited figures.