



Wärtsilä Corporation

Financial statements bulletin

JANUARY-DECEMBER 2014



Good performance despite challenging market conditions

As of the third quarter of 2014, the two-stroke business is reported as discontinued operations. Consequently, comparison figures related to the statement of income have been restated. The comments in the text refer only to continuing operations.

Fourth quarter highlights

- Order intake increased 14% to EUR 1,522 million (1,334)
- Net sales increased 10% to EUR 1,549 million (1,403)
- Book-to-bill 0.98 (0.95)
- Operating result before non-recurring items EUR 196 million, or 12.7% of net sales (EUR 211 million or 15.0%)
- Earnings per share EUR 0.60 (0.74)
- Cash flow from operating activities EUR 212 million (317)

Highlights of the review period January-December 2014

- Order intake increased 5% to EUR 5,084 million (4,821)
- Net sales increased 4% to EUR 4,779 million (4,607)
- Book-to-bill 1.06 (1.05)
- Operating result before non-recurring items EUR 569 million, or 11.9% of net sales (EUR 557 million or 12.1%)
- Earnings per share EUR 1.76 (1.98)
- Cash flow from operating activities EUR 452 million (578)
- Order book at the end of the period increased 5% to EUR 4,530 million (4,311)
- Dividend proposal 1.15 euro per share

Wärtsilä's prospects for 2015

Wärtsilä expects its net sales for 2015 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be between 12.0-12.5%. The guidance excludes the impact of the L-3 Marine Systems International acquisition.

Björn Rosengren, President and CEO

“Wärtsilä performed well in 2014, a year characterised by challenging market conditions. Net sales and profitability developed in line with our expectations. Net sales grew by 4% to EUR 4,779 million (4,607), largely due to a strong fourth quarter. Profitability reached 11.9% (12.1), with the development in Services and Ship Power performance and the restructuring measures introduced in January compensating for the effect of lower Power Plants’ sales.

Although overall vessel contracting slowed during 2014, the robust ordering of gas carriers and the continued demand for specialised tonnage resulted in good ordering activity for Ship Power. In the power generation markets, activity among our customers increased significantly during the second half. Consequently, Power Plants’ order intake picked up after a difficult first six months. I am especially pleased that we have achieved

our ambition to grow the Services business. Supported by an all-time high fourth quarter, Services' full year net sales increased by 5%.

In December we announced the acquisition of L-3 Marine Systems International, a global supplier of automation, navigation and electrical systems to the marine, naval and offshore markets. Through this acquisition our position in the electrical and automation business will be unique in terms of sector competence.

How the current market uncertainties will impact customers' investment decisions is not yet clear, and therefore our market outlook remains cautious. We are, however, confident that our strategic focus areas position us well, and continue to see opportunities to grow sales and improve profitability in the coming year."

Key figures

MEUR	10-12/2014	Restated 10-12/2013	Change	1-12/2014	Restated 1-12/2013	Change
Order intake	1 522	1 334	14%	5 084	4 821	5%
Order book at the end of the period				4 530	4 311	5%
Net sales	1 549	1 403	10%	4 779	4 607	4%
Operating result (EBIT) ¹	196	211	-7%	569	557	2%
% of net sales	12.7	15.0		11.9	12.1	
Profit before taxes ²	157	191		494	544	
Earnings/share, EUR ²	0.60	0.74		1.76	1.98	
Cash flow from operating activities	212	317		452	578	
Net interest-bearing debt at the end of the period				94	276	
Gross capital expenditure				101	134	
Gearing				0.05	0.15	

¹ EBIT is shown excluding non-recurring items. Wärtsilä recognised non-recurring items amounting to EUR 30 million (9) in the fourth quarter, of which EUR 25 million related to the efficiency programme announced in January and EUR 5 million to acquisitions and other costs. During the review period January-December 2014, non-recurring items amounted to EUR 47 million (20), of which EUR 42 million (11) related to the efficiency programme and EUR 5 million to acquisitions and other costs.

² Earnings/share and profit before taxes for January-December 2013 include the sale of Wärtsilä's shares in Sato Oyj.

Market development

Power Plants

Continued uncertainty in power generation markets

The market situation remained challenging throughout 2014, with macroeconomic uncertainty and slower global growth projections impacting investments in new power generation capacity. However, the economic growth in the emerging markets supported the demand for new power plants. The strengthening of the US dollar against the euro also contributed to ordering activity. Wärtsilä's power plant quotation activity was strong in 2014. Quotations remained focused on natural gas power plants.

Power Plants market share

During the first nine months of 2014, global orders for natural gas and liquid fuel power plants (including all prime mover units of over five MW) totalled 37.7 GW. The market was stable compared to the corresponding

period last year, when global orders totalled 38.0 GW. Wärtsilä's market share was 5.0% (4.7%). In Wärtsilä's main addressable market, i.e. the market for installations up to 500 MW, orders totalled 16.5 GW (25.0) and Wärtsilä's market share was 10.5% (7.1%).

Ship Power

Contracting activity favours specialised tonnage

During the fourth quarter of 2014, 216 (633) contracts for new vessels were registered, bringing the total number of vessel contracts for the year to 1,769 (2,201). Newbuilding prices are under pressure due to current market volumes. In the traditional merchant markets, contracting activity was slow and freight rates remained weak. The ordering of gas carriers (LNG and LPG carriers) was, however, robust throughout the year. A total of 177 gas carrier contracts were registered, compared to 116 in the previous year. LPG carrier ordering was strong in the beginning of the year but slowed down during the second half, while LNG carrier ordering picked up. The cruise vessel markets developed well with contracting volumes doubling compared to 2013. Demand for offshore vessels was clearly lower than in the previous year, mainly due to the decline in oil prices, poor day rates, and spending cuts from international oil companies.

China and South Korea continued to be the largest shipbuilding countries, capturing respectively 41% and 27% of the contracts confirmed in 2014 in terms of compensated gross tonnage, whereas Japan secured 20%. During the period January-December, 266 orders were placed from countries other than these top three.

Ship Power market shares

Wärtsilä's share of the medium-speed main engine market was 52% (51% at the end of the previous quarter). The market share in auxiliary engines was 3% (2% at the end of the previous quarter).

Services

Growth in the service markets

The demand for services grew in the fourth quarter, with particularly good activity in the European offshore markets and the Middle Eastern power plant service markets. For the full year 2014, overall service market activity developed well. Marine customers' service demand picked up in the second half, and the demand for power plant related services was healthy throughout the year. From a regional perspective, service activity increased in all areas. The highest growth was seen in southern Europe and Africa, largely due to customer interest in service projects. At the end of 2014, 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

Fourth quarter order intake

Wärtsilä's order intake for the fourth quarter of 2014 increased by 14% to EUR 1,522 million (1,334). In relation to the previous quarter, order intake increased by 16% (EUR 1,309 million in the third quarter of 2014). The fourth quarter book-to-bill ratio was 0.98 (0.95).

The order intake for Power Plants in the fourth quarter totalled EUR 501 million (409), which was 23% more than for the corresponding period last year. Compared to the previous quarter, order intake increased by

31% (EUR 383 million in the third quarter of 2014). Significant orders received during the fourth quarter included a 120 MW power plant contract from Oman and contracts for 11 industrial power plants with a combined capacity of 314 MW from the EUROCEMENT group in Russia. Other important orders came from Panama and the USA. In December, Wärtsilä received full notice to proceed with the LNG terminal in Tornio, which was announced earlier in the year.

Ship Power's order intake in the fourth quarter totalled EUR 460 million (468), a decrease of 2% compared to the corresponding period last year. Compared to the previous quarter, order intake was stable (EUR 463 million in the third quarter of 2014). All segments contributed well to this order intake. In the offshore segment, Wärtsilä received an order to supply integrated solutions for a series of six anchor handling tug supply vessels being built for the Denmark based Maersk Supply Service A/S. The scope of supply comprises the complete power generation solution, the electrical distribution and drive system, the vessel automation system and the propulsion system. Among the noteworthy gas fuelled vessel orders was the integrated solution contract for the world's first LNG fuelled high speed RoPax ferry being built for the Swedish operator Rederi AB Gotland. Wärtsilä also received an order to supply the design, propulsion and other equipment for an LNG operated harbour tug from Drydocks World based in Dubai, UAE. In the special vessel segment, Wärtsilä was contracted to supply engines for one of the world's largest cutter dredger vessels being built for Jiangsu Haihong Construction Engineering Co. in China. Within environmental solutions, a total of 12 (11) exhaust gas cleaning systems were ordered for 6 (5) vessels and an order was received to supply 12 ballast water management systems for 6 new bulk carriers being built at the Namura and Onomichi shipyards in Japan.

Order intake for the Services business totalled EUR 561 million (457) in the fourth quarter, an increase of 23% compared to the corresponding period last year. Compared to the previous quarter, the order intake increased by 21% (EUR 463 million in the third quarter of 2014), mainly due to improved demand for spare parts and service projects.

Review period order intake

Wärtsilä's order intake for the review period January-December 2014 was EUR 5,084 million (4,821), which represents an increase of 5% compared to the corresponding period in 2013. The book-to-bill ratio for the review period was 1.06 (1.05).

For the review period, Power Plants' order intake was stable at EUR 1,293 million (1,292). 61% of the orders received, measured in MW, were for gas based power plants. Activity was high in Russia and the USA. Highlights included the order to supply a 112 MW peaking power plant to North Dakota. Other major orders were the 140 MW power plant order from Mexico, and Wärtsilä's first order for a turnkey LNG receiving terminal to be built in Tornio, northern Finland.

Despite the slowdown in vessel contracting, Ship Power's order intake increased by 6% to EUR 1,746 million (1,644) during the review period. The ordering of gas handling systems and dual fuel engines for LNG and LPG carriers was strong, and gas as a marine fuel is being increasingly applied also in other vessel markets. In line with the Ship Power strategy, Wärtsilä received several orders for the delivery of integrated solutions, including ship design, propulsion machinery, automation and other equipment. Among the noteworthy orders was the contract to supply an integrated solution, comprising the main propulsion equipment, the gas fuel supply system, and the cargo handling system, for three multigas carriers being built for the Danish operator Evergas. This order is an extension of the one placed in 2013 for a series of three similar vessels. Important offshore related orders included a contract to supply the design and integrated solutions for four new platform supply vessels being built for Siem Offshore. Customers continued to show interest in environmental solutions. A total of 41 (41) exhaust gas cleaning systems for 26 (17) vessels were ordered during 2014. The gas carrier segment represented 34% of the order intake for the review period, while the offshore segment's share was 28% and cruise & ferry accounted for 16%. The traditional merchant segment represented 9% of the order intake, special vessels 6% and navy 4%. Other orders accounted for 2%.

Services' order intake for the review period increased by 9%, totalling EUR 2,045 million (1,885). Several important long-term service agreements were signed during the review period, with particular interest from customers with gas fuelled vessels, as well as cruise customers. Noteworthy contracts included the 10-year maintenance and technical support agreement with Royal Caribbean Cruises Ltd covering 36 vessels, and the 5-year technical maintenance agreements signed with three Greek LNG carrier owners for a total of 15 vessels. Power plant related service agreements included the 5-year renewal of the operation and maintenance agreement with Cemex Colombia.

Order intake by business

MEUR	10-12/2014	Restated 10-12/2013	Change	1-12/2014	Restated 1-12/2013	Change
Power Plants	501	409	23%	1 293	1 292	0%
Ship Power ¹	460	468	-2%	1 746	1 644	6%
Services	561	457	23%	2 045	1 885	9%
Order intake, total	1 522	1 334	14%	5 084	4 821	5%
<i>Discontinued operations</i>	<i>28</i>	<i>18</i>	<i>56%</i>	<i>95</i>	<i>51</i>	<i>87%</i>

¹ The comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

Order intake Power Plants

MW	10-12/2014	10-12/2013	Change	1-12/2014	1-12/2013	Change
Oil	189	90	111%	980	444	121%
Gas	584	526	11%	1 509	1 957	-23%
Order intake, total	773	615	26%	2 489	2 401	4%

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and the Wärtsilä Qiyao Diesel Company Ltd joint venture company in China, totalled EUR 181 million (79) in the fourth quarter of 2014. During the review period January-December 2014, order intake amounted to EUR 306 million (222). Wärtsilä's share of ownership in these joint venture companies is 50%, and the results are reported as a share of the result of associates and joint ventures. In November, Wärtsilä Hyundai Engine Company Ltd received a major order to supply 54 dual-fuel engines to power icebreaking LNG carriers being built for use in arctic conditions. The order was placed by Daewoo Shipbuilding and Marine Engineering and the vessels will serve the Yamal LNG project in northern Russia.

Order book

The total order book at the end of the review period stood at EUR 4,530 million (4,311), an increase of 5%. The Power Plants order book amounted to EUR 1,475 million (1,367), which is 8% higher than at the same date last year. The Ship Power order book was stable at EUR 2,213 million (2,193). The Services order book increased by 12% to EUR 842 million (751).

Order book by business

MEUR	31.12.2014	Restated 31.12.2013	Change
Power Plants	1 475	1 367	8%
Ship Power ¹	2 213	2 193	1%
Services	842	751	12%
Order book, total	4 530	4 311	5%
<i>Discontinued operations</i>	<i>124</i>	<i>114</i>	<i>9%</i>

¹ The comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

Net sales

Wärtsilä's net sales for the fourth quarter increased by 10% to EUR 1,549 million (1,403) compared to the corresponding period last year. Net sales for Power Plants totalled EUR 433 million (468), a decrease of 8%. Ship Power's net sales for the fourth quarter totalled EUR 552 million (425), which is 30% higher than for the corresponding quarter last year. Net sales from the Services business reached an all-time high, increasing by 11% to EUR 564 million (507).

Net sales for January-December 2014 increased by 4% to EUR 4,779 million (4,607), which is in line with the guidance of around 5% growth. Power Plants' net sales declined by 22% due to slow order intake during the first half of the year, and totalled EUR 1,138 million (1,459). Ship Power's net sales increased by 30% and totalled EUR 1,702 million (1,309). Net sales from the Services business amounted to EUR 1,939 million (1,842), an increase of 5%. The Services sales mix saw an increase in revenues from spare parts and projects. Of the total net sales, Power Plants accounted for 24%, Ship Power for 36% and Services for 41%.

Of Wärtsilä's net sales for January-December 2014, approximately 67% was EUR denominated, 19% USD denominated, with the remainder being split between several currencies.

Net sales by business

MEUR	10-12/2014	Restated 10-12/2013	Change	1-12/2014	Restated 1-12/2013	Change
Power Plants	433	468	-8%	1 138	1 459	-22%
Ship Power ¹	552	425	30%	1 702	1 309	30%
Services	564	507	11%	1 939	1 842	5%
Other ²		4			-2	
Net sales, total	1 549	1 403	10%	4 779	4 607	4%
<i>Discontinued operations</i>	<i>13</i>	<i>8</i>	<i>72%</i>	<i>60</i>	<i>48</i>	<i>27%</i>

¹ The comparison figures have been adjusted to reflect the combination of PowerTech and Ship Power, which became effective on 1 January 2014.

² Other comprises hedges, which have not been allocated to the businesses.

Operating result and profitability

The fourth quarter operating result (EBIT) before non-recurring items was EUR 196 million (211), or 12.7% of net sales (15.0). Compared to 2013, fourth quarter profitability was on a lower level due to an unfavourable business mix and a more stable quarterly development throughout the year. Including non-recurring items, the operating result was EUR 166 million (202) or 10.7% of net sales (14.4). Non-recurring items amounted to EUR 30 million (9) during the fourth quarter, of which EUR 25 million related to the efficiency programme announced in January and EUR 5 million to acquisitions and other costs.

For the review period January-December 2014, the operating result (EBIT) before non-recurring items was EUR 569 million (557). This represents 11.9% of net sales (12.1), which is at the upper end of the guided 11.5-12.0% range. Including non-recurring items, the operating result was EUR 522 million (537) or 10.9% of net sales (11.7). Non-recurring items amounted to EUR 47 million (20), of which EUR 42 million related to the efficiency programme and EUR 5 million to acquisitions and other costs. Intangible asset amortisation related to acquisitions amounted to EUR 26 million (32) during the review period.

Financial items amounted to EUR -28 million (-19). The weakening of the euro resulted in unrealised exchange rate losses. Net interest totalled EUR -9 million (-14). Profit before taxes amounted to EUR 494 million (544). Profit before taxes for 2013 includes the sale of Wärtsilä's Sato Oyj shares. Taxes in the reporting period amounted to EUR 106 million (119), implying an effective tax rate of 21%. The profit for the financial period amounted to EUR 351 million (393), which includes a loss from discontinued operations of EUR 37 million (31). Earnings per share were EUR 1.76 (1.98) and equity per share was EUR 9.94 (9.35). Return on investment (ROI) was 18.7% (21.2). Return on equity (ROE) was 18.0% (21.4). ROI and ROE for continuing operations were 20.3% (22.6) and 20.0% (23.1) respectively.

Balance sheet, financing and cash flow

Wärtsilä's fourth quarter cash flow from operating activities amounted to EUR 212 million (317). For January-December 2014 the operating cash flow totalled EUR 452 million (578). Working capital totalled EUR 251 million (313) at the end of the review period. Working capital developed well, with decreased inventories compensating for lower advances received. Advances received at the end of the period totalled EUR 673 million (913). Cash and cash equivalents at the end of the period amounted to EUR 571 million (388) and unutilised Committed Revolving Credit Facilities totalled EUR 629 million (599).

Wärtsilä had interest-bearing debt totalling EUR 666 million (665) at the end of December 2014. The total amount of short-term debt maturing within the next 12 months was EUR 129 million. Long-term loans amounted to EUR 537 million. Net interest-bearing debt totalled EUR 94 million (276) and gearing was 0.05 (0.15).

Liquidity preparedness

MEUR	31.12.2014	31.12.2013
Cash and cash equivalents	571	388
Unutilised committed credit facilities	629	699
Liquidity preparedness	1 200	1 087
% of net sales (rolling 12 months)	25	23
Commercial Papers	-	14
Liquidity preparedness excluding Commercial Papers	1 200	1 073
% of net sales (rolling 12 months)	25	23

On 31 December 2014, the average maturity of the total loan portfolio was 42 months and the average maturity of the long-term debt was 43 months.

Capital expenditure

Capital expenditure for 2014 was below depreciation and amortisation, in accordance with expectations. Gross capital expenditure for continuing operations totalled EUR 95 million (121) during the review period, comprising EUR 2 million (5) in acquisitions and investments in securities, and EUR 93 million (116) in intangible assets and property, plant and equipment. Gross capital expenditure related to intangible assets and property, plant and equipment from discontinued operations was EUR 6 million (13). Depreciation, amortisation and impairment for the review period amounted to EUR 115 million (120).

Capital expenditure for 2015 is expected to be in line with depreciation and amortisation.

Strategy

Wärtsilä aims to be the leader in complete lifecycle power solutions for the marine and selected energy markets worldwide. We see growth opportunities in gas fuelled power plants as part of our Smart Power Generation concept, in gas fuelled engines and related systems for the marine market, as well as in the development of medium-scale LNG infrastructures. We also seek growth in environmental solutions, including exhaust gas cleaning systems for SO_x removal and ballast water management systems. Our strengths are our technological leadership, an integrated product and service offering, our close and long-standing customer relationships, and our unparalleled global presence. With our production and supply chain management we constantly seek ways to maintain cost efficiency and high quality - often in co-operation with leading industrial partners in our key growth markets. Our strong focus on R&D allows us to stay at the forefront of technology and innovation in our industry. We are determined to capture growth opportunities within our end markets, while maintaining a solid profitability.

Strategic projects, acquisitions, joint ventures, and expansion of the network

In December, Wärtsilä announced the acquisition of L-3 Marine Systems International (L-3 MSI) from NYSE-listed L-3 Communications Holdings Inc. L-3 MSI delivers automation, navigation and electrical systems, as well as dynamic positioning technology, and sonar and underwater communications technology for the marine, naval and offshore markets. The transaction is valued at EUR 285 million (enterprise value), subject to customary adjustments including an estimated reduction of EUR 60 million for L-3 MSI employee pension-related liabilities to be assumed by Wärtsilä. Financing for the deal will be from existing cash resources and credit facilities. The acquisition is subject to clearance from the regulatory authorities and is expected to be closed during the second quarter of 2015.

Wärtsilä Yuchai Engine Co. Ltd., the 50/50 joint venture between Wärtsilä and Yuchai Marine Power Co., Ltd, inaugurated its new factory in Zhuhai, China in September. The new factory site covers a total area of 266,700 square meters. The factory will be used for the assembly and testing of Wärtsilä 20, Wärtsilä 26 and Wärtsilä 32 medium-speed engines. The plant is expected to be in full production before the end of 2016. The inauguration ceremony for Wärtsilä's new fully-owned manufacturing facility in Brazil is expected to take place in the first quarter of 2015.

The set-up of a joint venture between Wärtsilä and China State Shipbuilding Corporation (CSSC) for the manufacturing of medium and large bore medium-speed diesel and dual-fuel engines, announced in July, is proceeding according to plan. Wärtsilä's share of the joint venture will be 49% and the size of Wärtsilä's equity investment is approximately EUR 12 million. The CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory will be located in Lingang, Shanghai and is expected to have its first engine ready for delivery during the first half

of 2016. The joint venture will target the growing offshore and LNG markets, as well as the auxiliary engine market for very large container vessels.

The divestment of Wärtsilä's 50% share in the joint venture Wärtsilä TMH Diesel Engine Company LLC to Transmashholding, the other joint venture party, was completed in July. The joint venture was established for the manufacture of modern and multipurpose diesel engines to be used in shunter locomotives, as well as in various marine and power applications. The value of the agreement was approximately EUR 12 million and the transaction did not have a significant impact on Wärtsilä's operating result.

In January 2014, Wärtsilä confirmed the approach by Rolls-Royce with a preliminary proposal for a possible offer and that there were no longer ongoing discussions with Rolls-Royce.

Discontinued operations

Due to the re-organisation of the two-stroke operations, Wärtsilä has commenced reporting the two-stroke business as discontinued operations.

In July, Wärtsilä and China State Shipbuilding Corporation (CSSC) signed an agreement to establish a joint venture to takeover Wärtsilä's 2-stroke engine business. The Winterthur Gas & Diesel Ltd (WinGD) joint venture has received the required regulatory approvals and was finalised in January 2015. Wärtsilä's ownership of WinGD is 30% and the value of the transaction is approximately EUR 46 million. In August, Wärtsilä divested its shares in the joint venture Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd. The joint venture company was established for manufacturing large, low-speed marine diesel engines. Wärtsilä's shares in the joint venture were transferred to the majority shareholder, Qingdao Qiyao Linshan Power Development Co Ltd, a company fully owned by China Shipbuilding Industry Corporation. The transaction price was not significant.

The financial impact of re-organising the two-stroke business is described in the discontinued operations table included in this financial statements bulletin. The effect on Wärtsilä's continuing operations is positive.

Research and development, product launches

Wärtsilä placed strong emphasis on R&D activities during 2014, the key focus areas being efficiency improvement, fuel flexibility, and the reduction of environmental impact. The R&D related expenditure totalled EUR 139 million, which represents 2.9% of net sales.

In November, Wärtsilä announced that its Aquarius EC Ballast Water Management System had been granted Alternate Management System acceptance by the United States Coast Guard. This allows all US and foreign flag ships fitted with this system to operate in US territorial waters, and to discharge treated ballast water for an interim period of up to five years from the ship specific implementation date.

In October, the DNV GL classification society approved the design of the Wärtsilä WST-14 thruster, thus indicating that the design fully complies with the classification rules. The approval also confirms that the design calculations meet the classification society's requirements regarding standard operations, as well as for operations in ice conditions.

Wärtsilä was active in terms of bringing new products to the market during 2014. During the first quarter, the Wärtsilä 46DF engine offering lower fuel consumption in both gas and diesel fuel modes, higher output, and attractive lifecycle costs was introduced. In February, Wärtsilä's Propulsion Condition Monitoring Service received service level recognition from DNV GL.

During the second quarter, a new, highly efficient, Aframax tanker design offering practical and viable solutions that meet current and forthcoming emissions legislation was launched. In May, Wärtsilä received an important service level recognition for its Wärtsilä Airguard and Wärtsilä Oceanguard propeller shaft sealing systems from Lloyd's Register.

In the third quarter, Wärtsilä launched its latest development of large controllable pitch propellers featuring increased load capability, high propulsive efficiency, and a reduced environmental footprint. A new Low Loss Hybrid innovation was introduced to the market, offering annual fuel savings of up to 15%, depending on the type and configuration of the engine and mission profile, as well as a substantial reduction in exhaust gas emissions. Wärtsilä also introduced its new LNGPac, which was granted AIP (Approval in Principle) Certificate from the DNV GL classification society in September. Wärtsilä's propulsion condition monitoring services offering was expanded, enabling the extension of overhaul intervals and promoting optimal equipment condition. Dynamic lifetime prognosis, a new functionality in the upgraded offering, fulfils the need for certainty of operations and long-term maintenance planning.

During the fourth quarter, Wärtsilä announced that it had extended its range of duplex and super duplex stainless steel valves to cover higher pressure ratings, enabling Wärtsilä to provide customers with single source supply of all the corrosion resistant valves needed for an entire project.

Personnel

Wärtsilä had 17,717 (18,315) employees in continuing operations at the end of December 2014. On average, the number of personnel for January-December 2014 totalled 18,042 (18,339). Power Plants employed 978 (1,053) people, Ship Power employed 5,603 (5,714) and Services 10,692 (10,785). Personnel in discontinued operations was 325 at the end of the reporting period.

Of Wärtsilä's total number of employees, 20% (21) were located in Finland and 34% (34) elsewhere in Europe. Personnel employed in Asia represented 31% (31) of the total, personnel in the Americas 10% (10) and in other countries 4% (4).

Restructuring programmes

In January 2014, Wärtsilä initiated a global efficiency programme in order to realign Wärtsilä's organisation to secure its future profitability and competitiveness. The restructuring measures were completed by the end of 2014. The programme will result in a reduction of approximately 1,000 employees globally. At the end of the January-December 2014 review period, approximately EUR 30 million in savings had materialised. The full impact of the targeted EUR 60 million annual savings will be seen in 2015. The non-recurring costs related to the restructuring measures were EUR 53 million, of which EUR 11 million was recognised in 2013 and EUR 42 million during the review period January-December 2014.

Changes in management

The following changes were made within Wärtsilä Corporation's Board of Management, with effect from 1 September 2014:

Mr Rakesh Sarin (59), B.Sc. (Eng.), was appointed President of Power Plants, Executive Vice President and a member of the Board of Management of Wärtsilä Corporation. Mr Vesa Riihimäki (48), M.Sc. (Eng.), who previously headed the Power Plants business, was appointed Vice President, Wärtsilä Quality.

Sustainable development

Wärtsilä is well positioned to help reduce emissions and the use of natural resources, thanks to its various technologies and specialised services. 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 2014, the volume of trades of Wärtsilä shares on the Nasdaq OMX Helsinki exchange was 132,525,134 shares, equivalent to a turnover of EUR 5,114 million. Wärtsilä's shares are also traded on alternative exchanges, including Chi-X, Turquoise and BATS. The trading volume on alternative exchanges was 60,480,854 shares.

Shares on the Nasdaq OMX Helsinki Stock Exchange

			Number of shares and votes	Number of shares traded 1-12/2014
31.12.2014				
WRT1V			197 241 130	132 525 134
1.1. - 31.12.2014	High	Low	Average ¹	Close
Share price	43.82	31.85	38.09	37.09
¹ Trade-weighted average price				
			31.12.2014	31.12.2013
Market capitalisation, EUR million			7 315	7 055
Foreign shareholders, %			48.1	51.3

Flagging notifications

On 19 September 2014, Wärtsilä was informed that Fiskars, Investor and their joint venture company Avlis AB had signed an agreement, which would result in the following changes in ownership:

Avlis Invest AB acquires 15,759,566 shares or 7.99% of Wärtsilä's share capital and total votes from Avlis AB. All Avlis Invest AB's shares are distributed to Invaw Holding AB, a wholly-owned subsidiary of Investor AB. Fiskars acquires 9,881,781 shares or 5.01% of Wärtsilä's share capital and total votes from Avlis AB. The shareholder's agreement between Fiskars and Investor is terminated and their joint venture, which held 42,948,325 shares or 21.77% of Wärtsilä's share capital and total votes, dissolved. Following the transaction Investor AB's indirect ownership in Wärtsilä is 33,066,544 shares or 16.76% of Wärtsilä's share capital and total votes, while Fiskars Group's direct ownership is 9,881,781 shares or 5.01% of Wärtsilä's share capital and total votes.

On 9 October 2014, Wärtsilä was informed that the agreement had been completed. Consequently, the above changes in holdings have taken place and the shareholder's agreement has been terminated.

Decisions taken by the Annual General Meeting

Wärtsilä's Annual General Meeting, held on 6 March 2014, 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 2013. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.05 per share. The dividend was paid on 18 March 2014.

The Annual General Meeting decided that the Board of Directors has nine members. The following were elected to the Board: M.Sc. (Techn), MBA Maarit Aarni-Sirviö, Managing Director Kaj-Gustaf Bergh, M.Sc. (Eng) Sune Carlsson, M.Sc. (Econ), MBA Alexander Ehrnrooth, M.Sc. (Econ) Paul Ehrnrooth, B.Sc. (Econ) Mikael Lilius, Managing Director Risto Murto, Executive Vice President Gunilla Nordström and Executive Vice President Markus Rauramo.

The firm of public auditors KPMG Oy Ab was appointed as the company's auditor for the year 2014.

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 for no longer than 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 7 March 2013. 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 Kaj-Gustaf Bergh 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, Alexander Ehrnrooth

Nomination Committee:

Chairman Mikael Lilius, Kaj-Gustaf Bergh, Risto Murto, Sune Carlsson

Sune Carlsson was appointed to the Nomination Committee in the Board meeting held on 22 October 2014.

Remuneration Committee:

Chairman Mikael Lilius, Paul Ehrnrooth, Risto Murto

Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.15 euro per share be paid for the financial year 2014. The parent company's distributable funds total 1,002,766,535.62 euro, which includes 183,367,874.92 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 9 March 2015. The dividend payment date proposed by the Board is 16 March 2015.

The Annual Report 2014, including the financial review and the review by the Board of Directors, will be available on the company website www.wartsila.com and at www.wartsilareports.com during week 7.

Risks and business uncertainties

In the Power Plants business uncertainty in the financial markets and significant currency fluctuations can impact financing availability and the timing of bigger projects. Geopolitical tension may slow customer decision-making in specific regions. In the industrial segment the lack of demand for commodities, e.g. minerals, may also affect investment decisions. Low oil prices can affect investment decisions in oil and gas based economies.

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 limit freight rate recovery within the traditional shipping markets. Low oil prices, slow growth in oil demand, and increasing exploration and production costs may further impact offshore investments.

Continued risks in the global economy and political instability in specific regions may have a negative impact on Services' order intake. The challenging conditions in several 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 are currently two claims, which are unusually sizable. 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 the loss can be reasonably estimated.

The annual report contains a more specific description of Wärtsilä's risks and risk management.

Market outlook

Power generation markets closely follow global macroeconomic development. Based on the difficult market situation seen during 2014 and the GDP forecasts for 2015, the overall market for liquid and gas fuelled power generation is expected to continue to be challenging. Ordering activity remains focused on emerging markets and countries benefiting from a stronger US dollar. The low oil prices may impact investments in new power generation capacity in oil and gas production based economies. In the OECD countries, there is still pent-up power sector demand, mainly driven by CO₂ neutral generation and the ramp down of older, largely coal-based generation.

Our outlook for shipping and shipbuilding is cautious, due to the current uncertainties in the market. Overcapacity continues to affect demand for traditional merchant vessels. Vessels are being scrapped at a younger age, which along with a more balanced fleet growth, supports a gradual recovery in the freight

market. Low oil prices are expected to impact investments in exploration and development, thus limiting the demand for offshore vessels. In other vessel markets, lower bunkering costs may have a positive impact on the operating expenses for ship owners. The outlook for gas carriers continues to be positive, although the strong ordering volumes seen in 2014 are expected to normalise. The importance of fuel efficiency and environmental regulations are clearly visible, driving interest in environmental solutions and gas as a marine fuel for the broader marine markets.

The overall service market outlook remains stable, with interesting developments in selected regions. An increase in the installed base of medium-speed engines and propulsion equipment offsets the slower service demand for older installations and the continued emphasis of merchant marine customers on reducing operating expenses. The service outlook for offshore and gas fuelled vessels remains favourable. Demand for services in the power plant segment continues to be good. Marine and power plant customers show healthy interest in long-term service agreements. From a regional perspective, the outlook for the Middle East and Africa is positive, and is supported by demand for power plant related services.

Wärtsilä's prospects for 2015

Wärtsilä expects its net sales for 2015 to grow by 0-10% and its operational profitability (EBIT% before non-recurring items) to be between 12.0-12.5%. The guidance excludes the impact of the L-3 Marine Systems International acquisition.

Wärtsilä Financial Statements Bulletin 2014

This financial statements bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the annual financial statements for 2013, except for the IFRS amendments stated below. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the statement of income. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

IFRS amendments

Wärtsilä Corporation has applied as from 1 January 2014 the following new and amended standards that have come into effect.

- *IFRS 12 Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities.
- *IAS 28 Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard had no significant impact on consolidated financial statements.
- Amendments to *IAS 32 Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation

requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on the consolidated financial statements.

- Amendments to *IAS 36 Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on the consolidated financial statements.
- *IFRIC 21 Levies* (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on the consolidated financial statements.

The standards have been approved for application in the EU.

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 year, from the beginning of the subsequent financial year.

- Amendment to *IAS 1 Presentation of Financial Statements: Disclosure Initiative** (effective for financial years 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 had no significant impact on the consolidated financial statements.

* Not yet endorsed for use by the European Union as of 31 December 2014.

The annual figures in this financial statements bulletin are audited.

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

Consolidated statement of income

MEUR	2014	Restated 2013
Continuing operations		
Net sales	4 779	4 607
Change in inventories of finished goods & work in progress	-240	190
Work performed by the Group and capitalised	14	12
Other operating income	52	65
Material and services	-2 392	-2 658
Employee benefit expenses	-1 113	-1 073
Depreciation, amortisation and impairment	-115	-120
Other operating expenses	-489	-513
Share of result of associates and joint ventures	26	28
Operating result	522	537
Dividend income	1	1
Interest income	4	3
Other financial income	8	15
Interest expenses	-13	-17
Other financial expenses	-27	-22
Net income from available-for-sale financial assets		25
Profit before taxes	494	544
Income taxes	-106	-119
Profit for the financial period from the continuing operations	389	425
Loss for the financial period from the discontinued operations	-37	-31
Net profit for the financial period	351	393
Attributable to:		
Equity holders of the parent company	347	391
Non-controlling interests	5	3
	351	393
Earnings per share attributable to equity holders of the parent company (basic and diluted):		
Earnings per share, continuing operations, EUR	1.95	2.15
Earnings per share, discontinued operations, EUR	-0.19	-0.16
Earnings per share, EUR	1.76	1.98

Consolidated statement of other comprehensive income

MEUR	2014	2013
Net profit for the financial period	351	393
Other comprehensive income, net of taxes:		
Items that will not be reclassified to the statement of income		
Remeasurement of defined benefit liability	-29	-9
Tax on items that will not be reclassified to the statement of income	4	-1
Total items that will not be reclassified to the statement of income	-25	-10
Items that may be reclassified subsequently to the statement of income		
Exchange rate differences on translating foreign operations	56	-72
Exchange rate differences on translating foreign operations for non-controlling interests	4	
Available-for-sale financial assets		
measured at fair value		1
transferred to the statement of income		-25
Cash flow hedges		
measured at fair value	-85	-22
transferred to the statement of income	12	-2
Tax on items that may be reclassified to the statement of income		
Available-for-sale financial assets		
transferred to the statement of income		6
Cash flow hedges		
measured at fair value	24	7
transferred to the statement of income	-4	1
Total items that may be reclassified to the statement of income	5	-107
Other comprehensive income for the financial period, net of taxes	-20	-117
Total comprehensive income for the financial period	332	276
Total comprehensive income attributable to:		
Equity holders of the parent company	323	275
Non-controlling interests	9	2
	332	276

Figures in consolidated statement of other comprehensive income include both continuing and discontinued operations.

Consolidated statement of financial position, assets

MEUR	31.12.2014	31.12.2013
Non-current assets		
Goodwill	909	914
Intangible assets	271	321
Property, plant and equipment	421	434
Investment properties	14	15
Investments in associates and joint ventures	90	103
Available-for-sale financial assets	16	15
Interest-bearing investments	1	1
Deferred tax assets	144	128
Trade receivables	15	
Other receivables	4	5
Total non-current assets	1 884	1 935
Current assets		
Inventories	1 156	1 367
Interest-bearing receivables	1	1
Trade receivables	1 186	1 146
Current tax receivables	42	33
Other receivables	338	339
Cash and cash equivalents	571	388
Total current assets	3 294	3 274
Assets held for sale	102	
Total assets	5 280	5 209

Consolidated statement of financial position, equity and liabilities

MEUR	31.12.2014	31.12.2013
Equity		
Share capital	336	336
Share premium	61	61
Translation differences	-30	-85
Fair value reserve	-66	-13
Actuarial gains and losses	-65	-43
Retained earnings	1 726	1 587
Total equity attributable to equity holders of the parent company	1 960	1 844
Non-controlling interests	45	40
Total equity	2 005	1 884
Liabilities		
Non-current liabilities		
Interest-bearing debt	537	571
Deferred tax liabilities	64	84
Pension obligations	100	107
Provisions	51	40
Advances received	77	86
Other liabilities	2	4
Total non-current liabilities	832	892
Current liabilities		
Interest-bearing debt	129	94
Provisions	242	204
Advances received	596	827
Trade payables	436	375
Current tax liabilities	51	81
Other liabilities	934	853
Total current liabilities	2 388	2 434
Total liabilities	3 220	3 325
Liabilities directly attributable to assets held for sale	55	
Total equity and liabilities	5 280	5 209

Figures in consolidated statement of financial position for comparison period include both continuing and discontinued operations.

Consolidated statement of cash flows

MEUR	2014	2013
Cash flow from operating activities:		
Net profit for the financial period	351	393
Adjustments for:		
Depreciation, amortisation and impairment	119	123
Financial income and expenses	28	19
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	2	-29
Share of result of associates and joint ventures	-24	-22
Income taxes	99	113
Cash flow before changes in working capital	574	598
Changes in working capital:		
Receivables, non-interest-bearing, increase (-) / decrease (+)	-52	-64
Inventories, increase (-) / decrease (+)	206	-88
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-122	211
Changes in working capital	32	60
Cash flow from operating activities before financial items and taxes	606	658
Financial items and taxes:		
Interest and other financial income	29	23
Interest and other financial expenses	-36	-7
Income taxes paid	-147	-97
Financial items and paid taxes	-154	-81
Cash flow from operating activities	452	578
Cash flow from investing activities:		
Investments in associates and joint ventures		-1
Investments in available-for-sale financial assets	-1	-4
Investments in property, plant and equipment and intangible assets	-99	-129
Proceeds from sale of property, plant and equipment and intangible assets	14	7
Proceeds from sale of available-for-sale financial assets	16	34
Loan receivables, increase (-) / decrease (+), and other changes	-1	13
Dividends received	1	1
Cash flow from investing activities	-71	-79
Cash flow after investing activities	381	499
Cash flow from financing activities:		
Contribution by non-controlling interests		16
Proceeds from non-current debt	100	153
Repayments and other changes in non-current debt	-81	-157
Current loans, increase (+) / decrease (-)	-18	-135
Dividends paid	-211	-202
Cash flow from financing activities	-210	-324
Change in cash and cash equivalents, increase (+) / decrease (-)	172	176

Cash and cash equivalents at the beginning of the financial period	388	225
Exchange rate changes	12	-13
Net change in cash effect from discontinued operations	1	
Cash and cash equivalents at the end of the financial period	571	388

Figures in consolidated statement of cash flows include both continuing and discontinued operations.

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	Actuarial gains and losses	Retained earnings	Total		
Equity on 1 January 2013	336	61	-12	21	-34	1 393	1 766	26	1 791
Translation differences			-73				-73	-1	-74
Available-for-sale financial assets									
net change in fair value, net of taxes				1			1		1
transferred to the statement of income, net of taxes				-19			-19		-19
Cash flow hedges									
net change in fair value, net of taxes				-14			-14		-14
transferred to the statement of income, net of taxes				-2			-2		-2
Defined benefit plans					-9		-9		-9
Other comprehensive income			-73	-34	-9		-116	-1	-117
Profit for the financial period						391	391	3	393
Total comprehensive income for the financial period			-73	-34	-9	391	275	2	276
Total transactions with the owners of the company									
dividends paid						-197	-197	-4	-201
contribution by non-controlling interests								16	16
Equity on 31 December 2013	336	61	-85	-13	-43	1 587	1 844	40	1 884

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	Actuarial gains and losses	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

Figures in consolidated statement of changes in equity include both continuing and discontinued operations.

Discontinued operations

In July, Wärtsilä and China State Shipbuilding Corporation (CSSC) signed an agreement to establish a joint venture to takeover Wärtsilä's 2-stroke engine business. The Winterthur Gas & Diesel Ltd (WinGD) joint venture has received the required regulatory approvals and the transaction was finalised in January 2015. Wärtsilä's ownership of WinGD is 30% and the value of the transaction is approximately EUR 46 million.

In August, Wärtsilä divested its shares in the joint venture Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd. The joint venture company was established for manufacturing large, low-speed marine diesel engines. Wärtsilä's shares in the joint venture were transferred to the majority shareholder, Qingdao Qiyao Linshan Power Development Co Ltd, a company fully owned by China Shipbuilding Industry Corporation. The transaction price was not significant. The selling loss of the shares was EUR 10 million and it is included in the expenses from discontinued operations.

As of the third quarter of 2014, the two-stroke business has been classified as discontinued operations, 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. The comparison figures in the statement of income and the items related to it have been restated to show the discontinued operations separately from continuing operations. The financial impact of re-organising the two-stroke business is positive on Wärtsilä's continuing operations.

Loss for the financial period from the discontinued operations

MEUR	2014	2013
Discontinued operations		
Net sales	60	48
Expenses	-95	-85
Total	-35	-37
Losses on sale of shares	-10	
Operating result	-44	-37
Income taxes	7	6
Loss for the financial period	-37	-31
Earnings per share, discontinued operations, EUR	-0.19	-0.16

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

Cash flows from discontinued operations

MEUR	2014
Cash flow from operating activities	-38
Cash flow from investing activities	-16
Cash flow from financing activities	56
Change in cash and cash equivalents, increase (+) / decrease (-)	1

Net sales by geographical areas

MEUR	2014	Restated 2013
Europe	1 402	1 328
Asia	1 989	1 713
The Americas	840	1 068
Other	548	498
Total	4 779	4 607

Figures in this table include continuing operations.

Intangible assets and property, plant & equipment

MEUR	2014	Restated 2013
Intangible assets		
Carrying amount on 1 January	1 235	1 259
Changes in exchange rates	22	-37
Additions	36	53
Amortisation and impairment	-51	-56
Disposals and reclassifications		17
Reclassifications to assets held for sale	-61	-2
Carrying amount at the end of the financial period	1 180	1 235
Property, plant and equipment		
Carrying amount on 1 January	449	470
Changes in exchange rates	7	-12
Additions	62	76
Depreciation and impairment	-63	-64
Disposals and reclassifications	-10	-20
Reclassifications to assets held for sale	-8	-2
Carrying amount at the end of the financial period	435	449

Figures in this table include both continuing and discontinued operations.

Gross capital expenditure

MEUR	2014	2013
Investments in securities and acquisitions	2	5
Intangible assets and property, plant and equipment	99	129
Total	101	134

Gross capital expenditure related to intangible assets and property, plant & equipment from discontinued operations for the financial period was 6 million euros (13).

Figures in this table include both continuing and discontinued operations.

Net interest-bearing debt

MEUR	2014	2013
Non-current liabilities	537	571
Current liabilities	129	94
Loan receivables	-1	-1
Cash and cash equivalents	-571	-388
Total	94	276

Figures in this table for comparison period include both continuing and discontinued operations.

Financial ratios

	2014	Restated 2013
Earnings per share (basic and diluted), EUR	1.76	1.98
Equity per share, EUR	9.94	9.35
Solvency ratio, %	43.5	43.9
Gearing	0.05	0.15
Return on investment (ROI), %	18.7	21.2
Return on investment (ROI), continuing operations, %	20.3	22.6
Return on equity (ROE), %	18.0	21.4
Return on equity (ROE), continuing operations, %	20.0	23.1

Figures in this table include both continuing and discontinued operations.

Personnel

	2014	Restated 2013
On average	18 042	18 339
At the end of the financial period	17 717	18 315

The amount of personnel in discontinued operations at the end of the financial period was 325.

Figures in this table include continuing operations.

Contingent liabilities

MEUR	2014	2013
Mortgages	10	26
Chattel mortgages and other pledges	26	25
Total	36	51
Guarantees and contingent liabilities		
on behalf of Group companies	746	665
on behalf of associated companies		7
Nominal amount of rents according to leasing contracts		
payable within one year	25	27
payable between one and five years	66	78
payable later	23	26
Total	859	803

Figures in this table include both continuing and discontinued operations.

Nominal values of derivative instruments

MEUR	Total amount	of which closed
Interest rate swaps	125	
Inflation hedges	3	
Foreign exchange forward contracts	2 212	763
Currency options, purchased	30	
Total	2 370	763

Total amount of foreign exchange forward contracts includes EUR 35 million from discontinued operations.

Figures in this table include both continuing and discontinued operations.

Fair values

Fair value measurements at the end of the financial period:

MEUR	Carrying amounts of the statement of financial position items	Fair value
Financial assets		
Available-for-sale financial assets (level 3)	16	16
Interest-bearing investments, non-current (level 2)	1	1
Other receivables, non-current (level 2)	4	4
Derivatives (level 2)	16	16
Financial liabilities		
Interest-bearing debt, non-current (level 2)	537	550
Derivatives (level 2)	67	67

Derivatives in financial assets and financial liabilities include EUR 1 million from discontinued operations, both in the carrying amounts of the statement of financial position items and fair value.

Condensed statement of income, quarterly

MEUR	10–12/2014	7–9/2014	Restated 4–6/2014	Restated 1–3/2014	Restated 10–12/2013	Restated 7–9/2013
Continuing operations						
Net sales	1 549	1 117	1 116	997	1 403	1 199
Other operating income	17	10	12	12	22	18
Expenses	-1 375	-964	-983	-898	-1 204	-1 054
Depreciation, amortisation and impairment	-30	-29	-27	-29	-28	-29
Share of result of associates and joint ventures	4	7	5	10	8	6
Operating result	166	141	123	92	202	140
Financial income and expenses	-9	-12	-4	-3	-11	-4
Profit before taxes	157	129	119	89	191	136
Income taxes	-27	-31	-28	-20	-35	-33
Profit for the financial period from the continuing operations	129	98	91	70	156	103
Loss for the financial period from the discontinued operations	-9	-13	-8	-7	-9	-8
Net profit for the financial period	121	85	83	63	147	95
Attributable to:						
Equity holders of the parent company	118	84	83	62	147	94
Non-controlling interests	3	1		1		1
	121	85	83	63	147	95
Earnings per share attributable to equity holders of the parent company (basic and diluted):						
Earnings per share, continuing operations, EUR	0.64	0.50	0.46	0.35	0.79	0.52
Earnings per share, discontinued operations, EUR	-0.04	-0.07	-0.04	-0.04	-0.04	-0.04
Earnings per share, EUR	0.60	0.43	0.42	0.31	0.74	0.48

Calculation of financial ratios

Earnings per share (EPS)

Net profit for the financial period attributable to equity holders of the parent company

Adjusted number of shares over the financial period

Equity per share

Equity attributable to equity holders of the parent company

Adjusted number of shares at the end of the financial period

Solvency ratio

Equity

Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents

Equity

Return on investment (ROI)

Profit before taxes + interest and other financial expenses

Total equity and liabilities – non-interest-bearing liabilities – provisions, average over the financial period

x 100

Return on equity (ROE)

Net profit for the financial period

Equity, average over the financial period

x 100

Working capital (WCAP)

(Inventories + trade receivables + income tax receivables + other non-interest-bearing receivables)

– (trade payables + advances received + pension obligations + provisions + income tax liabilities + other non-interest-bearing liabilities)

28 January 2015

Wärtsilä Corporation

Board of Directors