

Wärtsilä Corporation Annual Report 2014

A single, strong, company-wide purpose defines Wärtsilä's actions in 2014.

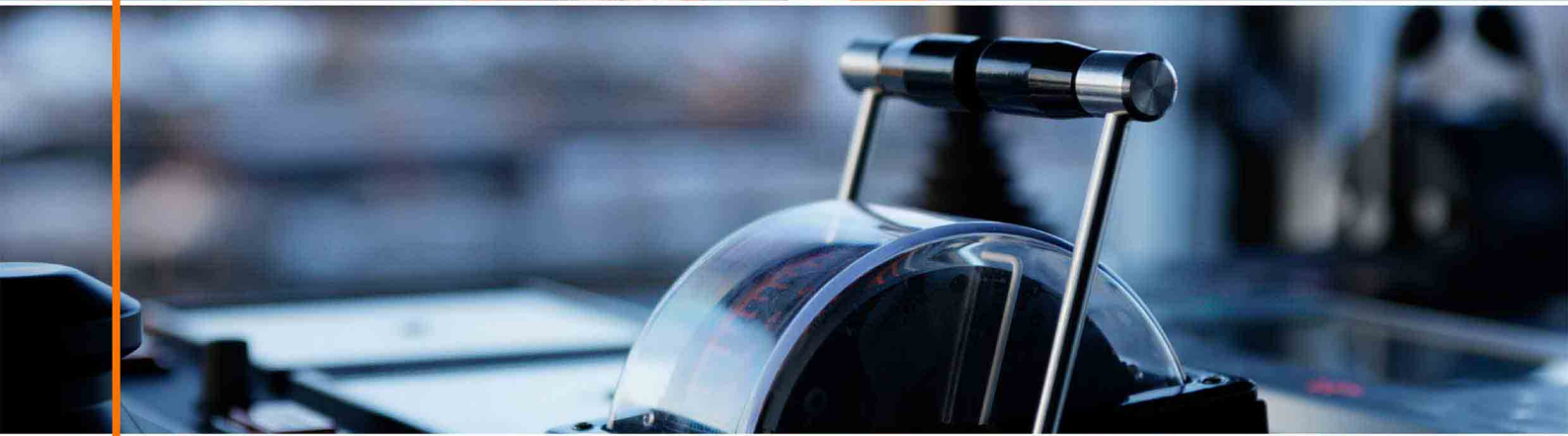


TABLE OF CONTENTS

This is Wärtsilä

Sustainability

Governance

Investors

Board of Directors' report

Financials

THIS IS WÄRTSILÄ

CEO review	04	Power Plants development in 2014	33
Wärtsilä in brief	06	Ship Power	34
Operating environment	06	Operating environment	36
Corporate strategy	07	Strategy	39
Our targets		Ship Power and sustainability	40
Financial targets	09	Ship Power development in 2014	42
Sustainability targets	11	Services	42
The value of sustainable innovations	14	Operating environment	44
Sustainability highlights	16	Strategy	46
Power Plants	26	Services and sustainability	47
Operating environment	27	Services development in 2014	48
Strategy	31	Manufacturing review	48
Power Plants and sustainability	32	Research and development	49

CEO REVIEW

2014 was a year of refocusing on Wärtsilä's core areas of expertise, and on developing our business through new partnerships and acquisitions. It was also a year of good performance despite challenges in the market environment. Net sales grew by 4% with profitability at 11.9%, and I am pleased with the resilience that we have shown in reaching our targets for the year.

The power generation markets were impacted by continued macroeconomic uncertainty and slower global growth projections. However, activity improved significantly after the summer, supported by the demand for new power plants in the emerging markets and the US dollar strengthening against the euro. Power Plants' order intake developed accordingly; the 32% growth seen in the second half resulted in the full year's order intake reaching 2013 levels. Significant orders included those for a 120 MW dual-fuel power plant from Oman, and a 139 MW gas fuelled power plant from Mexico. During the year, we also received our first order for a turnkey LNG receiving terminal to be built in Tornio, Finland. This is a good illustration of the value that we can provide by combining our strong project execution skills with our LNG handling expertise.

Ship Power's order intake increased by 6% during 2014, despite the general slowdown in vessel contracting and the lower demand for offshore vessels. The growth is largely due to our strong position in gas carriers, where contracting remained robust. It demonstrates the benefits of our broad offering and wide market exposure, which compensates for shifts in demand within the different vessel categories. Gas carriers represented 34% of the order intake, while interesting orders for dual-fuel engines and related systems were also received in other vessel segments. We are committed to maintaining our leading position in the marine gas markets. During the year we launched a new dual-fuel engine, the Wärtsilä 46DF, and a new LNGPac gas handling system.

Within the service markets, demand from our marine customers improved in the second half, and the demand for power plant related services was healthy throughout the year. Consequently, after several years of stable development, net sales from the Services business increased by 5%. I strongly believe that the Services organisation, with its unique offering and global reach, is one of our key strengths. Representing over 40% of Wärtsilä's sales, it offsets the cyclicity of our end-markets, while supporting our growth ambitions and our target to improve long-term profitability.

At the very start of 2014, the signs of continued market difficulties were evident. We therefore initiated measures to realign our operations globally, with the aim of securing future profitability and competitiveness. Such decisions are not made lightly; nevertheless, developing the efficiency and flexibility of our organisation is essential in order to adapt to changes in market demand.

The reorganisation of our operations was not limited to internal activities. In July, we announced a joint venture with China State Shipbuilding Corporation (CSSC), which will take over Wärtsilä's two-stroke engine business. Wärtsilä's share of the joint venture is 30%. The partnership with CSSC, the largest shipbuilding conglomerate in China, will accelerate growth in important Asian markets and enhance the position of Wärtsilä's two-stroke technology globally. The transaction will have a positive impact on our continuing operations, and represents a step forward in the work towards reaching our long-term profitability goals. During the summer we also announced the sale of our shares in the Wärtsilä TMH Diesel Engine Company LLC joint venture in Russia. The divestment will enable us to concentrate on our core areas of expertise, namely complete lifecycle power solutions for the marine and energy markets.

In order to further strengthen the position of our four-stroke technology in key emerging markets, we also agreed to establish a joint venture with CSSC for the manufacturing of our medium-speed diesel and dual-fuel engines in China. The joint venture will target the growing offshore and LNG markets, as well as the auxiliary engine market for very large container carriers.

Towards the end of the year we announced the acquisition of L-3 Marine Systems International, a company that supplies automation, navigation and electrical systems to the marine, naval and offshore markets. Through this acquisition we will create an electrical and automation business that is unique in terms of sector competence. The deal is fully in line with our strategy of acquiring companies that strengthen our position in markets where we are not yet a leading player.

Wärtsilä's edge lies in its technological expertise. We continuously invest into technology development in order to maintain the competitiveness of our product portfolio, and to secure a leading position at the forefront of sustainable innovation. In 2014, our R&D investments represented approximately 3% of net sales, the key focus areas being efficiency improvement, fuel flexibility, and environmental performance. High ethical standards are our priority. We are committed to supporting the UN Global Compact and its principles with respect to human rights, labour, the environment and anti-corruption.

The demand for gas and energy efficiency, coupled with environmental considerations, drives our business. The need for efficient, flexible, and clean power generation in both the emerging markets and developed economies, offers growth opportunities for our Smart Power Generation power plants. Our gas expertise positions us well as there is a gradual transition in the marine markets to a wider scale use of gas as fuel. We also see opportunities in the development of medium-scale LNG infrastructures. More stringent environmental legislation is entering into force, which we expect will increase interest in our environmental solutions. By emphasising these strategic focus areas, we anticipate some growth in net sales and improved profitability for 2015, despite our cautious market outlook.

I would like to take this opportunity to thank our customers for the interest you have shown in our solutions and services, our shareholders for the confidence placed in Wärtsilä's future development, and the entire Wärtsilä organisation for your dedication to reaching our common goals.



Björn Rosengren
President & CEO

Key figures

MEUR	2014	Q4 / 2014	Q3 / 2014	Restated** Q2 / 2014	Restated** Q1 / 2014	Restated** 2013	Restated* 2012
Net sales	4 779	1 549	1 117	1 116	997	4 607	4 725
Power Plants	1 138	433	282	233	190	1 459	1 498
Ship Power	1 702	552	363	415	371	1 309	1 301
Services	1 939	564	472	468	435	1 842	1 908
Depreciation and amortisations	-115	-30	-29	-27	-29	-120	-139
Operating result ¹	569	196	142	132	98	557	517
Operating result ¹ , %	11.9	12.7	12.7	11.8	9.8	12.1	10.9
Profit before taxes	494	157	129	119	89	544	453
Earnings per share, EUR	1.76	0.60	0.43	0.42	0.31	1.98	1.72
Balance sheet total	5 280	5 280	5 090	5 119	5 042	5 209	5 036
Interest-bearing liabilities, gross	666	666	679	697	633	665	794
Cash and cash equivalents	571	571	400	345	242	388	225
ROI, %	18.7	-	-	-	-	21.2	20.4
Gearing	0.05	0.05	0.14	0.19	0.22	0.15	0.32
Order book, end of period	4 530	4 530	4 674	4 420	4 384	4 311	4 492
Order intake	5 084	1 522	1 309	1 138	1 115	4 821	4 940
Year-end market capitalisation	7 315	-	-	-	-	7 055	6 454

Personnel, number at end of period	17 717	17 717	17 817	17 876	18 159	18 315	18 887
------------------------------------	--------	--------	--------	--------	--------	--------	--------

¹ Figures exclude non-recurring items.

* The figures in the comparison period 2012 have been restated during 2013 according to the revised IAS 19.

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

WÄRTSILÄ IN BRIEF

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

In 2014, Wärtsilä's net sales totalled EUR 4.8 billion with approximately 17,700 employees. The company has operations in over 200 locations in nearly 70 countries around the world. Wärtsilä is listed on NASDAQ Helsinki.

Power Plants

Wärtsilä Power Plants is a leading global supplier of flexible baseload power plants of up to 600 MW operating on various gaseous and liquid fuels. Our portfolio includes unique solutions for peaking, reserve and load-following power generation, as well as for balancing intermittent power production. Wärtsilä Power Plants also provides LNG terminals and distribution systems. As of 2014, Wärtsilä has installed nearly 5,000 power plants in 170 countries around the world.

Ship Power

Wärtsilä 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 clients around the world.

Services

Wärtsilä supports its customers throughout the lifecycle of their installations by optimising efficiency and performance. We provide the most comprehensive portfolio of services - from spare parts to complete operational and maintenance service - and the broadest service network in the industry, for both the energy and marine markets. We are committed to providing high quality, expert support and the availability of services in the most environmentally sound way possible, wherever our customers are located.

WÄRTSILÄ'S OPERATING ENVIRONMENT

According to the IMF, GDP grew by 3.3% in 2014. The uncertainty over global economic development continues. GDP growth is expected to remain broadly stable in the emerging markets and developing economies in 2015. Although forecasts have been revised downwards, these economies will continue to account for the bulk of global growth. Over

50% of the Wärtsilä's net sales came from non-OECD countries in 2014. In advanced economies the stronger than expected recovery in economic growth in the US is expected to continue.

Demand in Wärtsilä's end-markets is largely driven by GDP development. In the power generation markets, macroeconomic uncertainty and slower global growth projections continued to impact investments during 2014. However, the demand for new power plants was supported by economic growth in the emerging markets, which account for the majority of Power Plants' order intake. Several orders were also received from the US, as the strengthening of the US dollar against the euro had a positive impact on demand. The shipbuilding markets continue to be focused on Asia. China and South Korea accounted for 41% and 27% respectively of the confirmed vessel contracts in 2014 in terms of compensated gross tonnage. Overcapacity is still one of the main obstacles to a full recovery in the shipping industry. Stronger global GDP growth would be required for this overcapacity to be absorbed. An improved global economic outlook would also boost spending on discretionary maintenance and investments, thereby benefitting the Services business.

Oil prices declined significantly in 2014, mainly due to supply related factors. In the marine markets, lower oil prices will impact the demand for new offshore vessels. In other vessel segments, lower bunkering costs may have a positive impact on the operating expenses for ship owners. Offshore related orders accounted for 28% of Ship Power's order intake in 2014 and approximately 10% of Group order intake. In the Power Plants business, the low oil prices may impact demand oil and gas production based economies. Offsetting this trend is the strengthening purchasing power of oil importing economies and the potential for increased interest in dual-fuel installations.

CORPORATE 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.

Sustainability

Wärtsilä's aim is to meet shareholder expectations and contribute toward the well-being of the 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.

Values



FINANCIAL TARGETS

Net sales

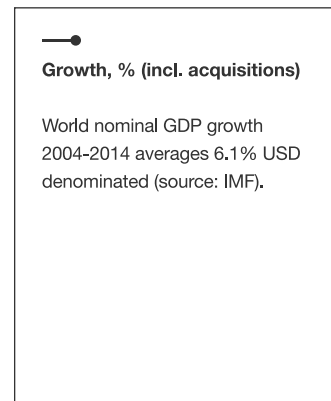
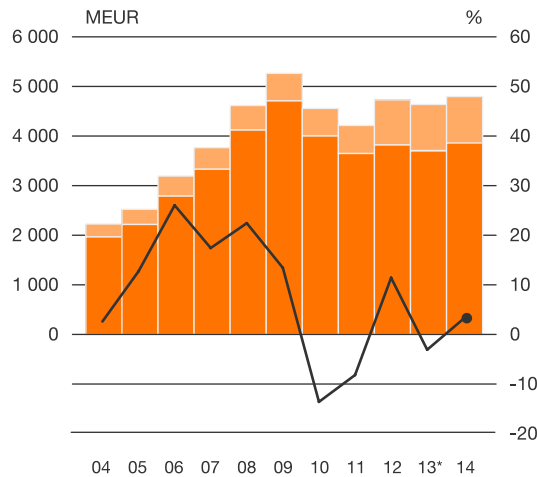
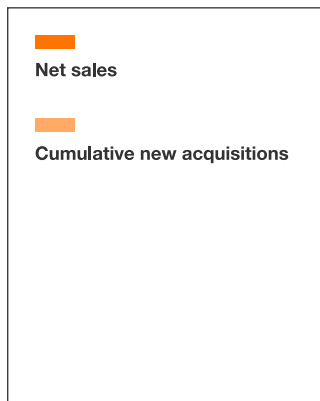
TARGET

Our target is to grow faster than global GDP.

DEVELOPMENT

In 2014, Wärtsilä's net sales increased by 4% to EUR 4,779 million. Wärtsilä's CAGR 2004–2014 was 7.9%.

Growth over the cycle



* Restated, figures include continuing operations.

Profitability

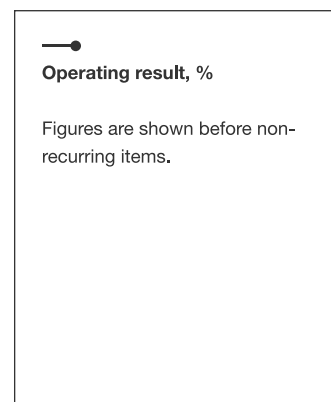
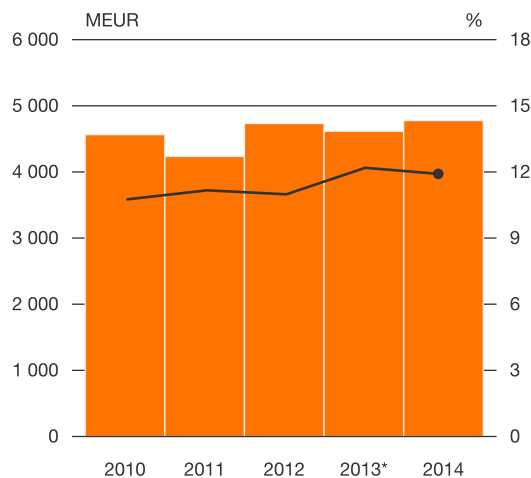
TARGET

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 2014, our operating profit was EUR 569 million, 11.9% of net sales.

Profitability



* Restated, figures include continuing operations.

Capital structure

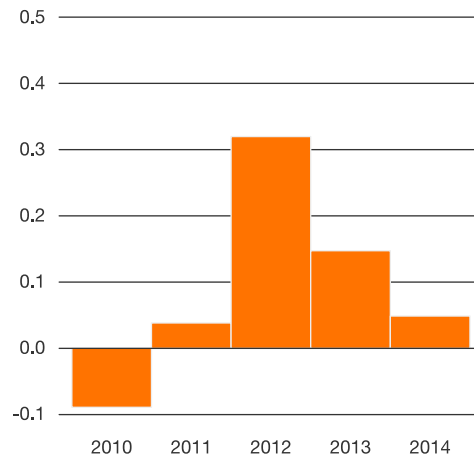
TARGET

Our target is to maintain gearing below 0.50.

DEVELOPMENT

In 2014, our gearing was 0.05.

Gearing



Dividend

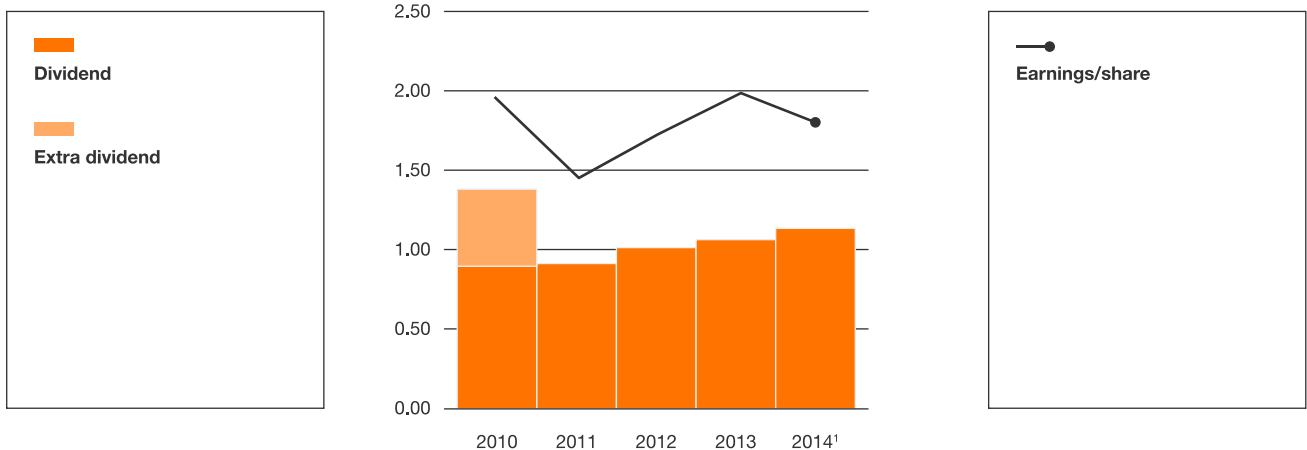
TARGET

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

DEVELOPMENT

The Board of Directors proposes that a dividend of 1.15 euro per share be paid for the financial year 2014, which represents 65% of operational earnings.

Earnings/share, dividend/share



¹ Proposal by the Board 2014

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 2014, energy savings of 37,5 GWh have been reached. This represents 80% of the final energy savings target.
To create solutions for enabling medium-sized LNG to replace liquid fuel infrastructure.	2015	First turnkey project was signed with Manga LNG Oy. Feasibility study ongoing in Indonesia for the project to develop bio-gas plant with local partners.
To enable emission reductions through gas conversion projects.	2015	Since 2004, Wärtsilä has performed gas conversions for more than 28 installations totalling 925 MW. During 2014, Wärtsilä has received gas conversion orders for three power plant installations totalling 161 MW.
To increase total net electrical efficiency in simple and combined cycle power plants in cyclic operations.	2015	In 2014 Wärtsilä sold its highest efficiency power plant of all times, i.e. the 140 MW Flexicycle power plant to Mexico. In total four Flexicycle power plants were sold during the year. With the market release of the turbo generator, Wärtsilä is able to provide 50% plant net efficiency at site conditions. Wärtsilä Dry Flexicycle, with high electrical efficiency and minimal water consumption, have been offered to several projects.
To influence developing dynamic power markets in order to enable wide scale renewable integration.	2015	Wärtsilä has participated in many studies which have assessed the value of flexibility for the power systems. Wärtsilä has also assessed various power market models and their ability to secure adequate flexibility in the power systems. Wärtsilä has conducted an active dialogue with various stakeholders concerning dynamic power markets.
To enable the reduction of power losses by 3-5% in electrical propulsion using medium voltage system.	2015	Full scale validation and verification of MV (medium voltage) frequency converter started in the first quarter of 2014, validation of MV LLC (medium voltage low loss concept) will continue in 2015. The reduction target is anticipated to be achieved by the end of year 2015.

To develop performance management solutions for different vessel types enabling better efficiency of the plant.	2012	Wärtsilä Control and Communication Centre (3C) has been developed and is ready for pilot project.
To develop 10 new Wärtsilä Optimiser solutions enabling customer to optimise lifecycle performance.	2015	As part of the Wärtsilä Services "Go Digital" strategy, a condition based monitoring and maintenance concept for all Wärtsilä delivered equipment, performance optimisation concepts for vessels and power plants powered by Wärtsilä engines or propulsion systems and remote services for all customer support activities will continue to be developed heavily during 2015. Focus will be on providing improved end customer business, efficiency, reliability and availability optimisation of the customer's assets.
To reduce GHG emissions by 3% through improving the engine efficiency.	2015	Target achieved.
To expand the gas portfolio.	2015	LNGPac sold to 12 installations in 2014.
To stimulate growth for LNG-fuelled OSV's (offshore support vessel).	2015	Wärtsilä received: <ul style="list-style-type: none"> • Two orders for LNG powered OSV's in the North Sea market • One order for LNG powered RoPax in the Baltic Sea market • Three orders for LNG powered ferries in Canada • One order for an LNG powered tug in the Middle Eastern market
To expand the field of LNG applications beyond present vessel types and to facilitate LNG re-engining.	2015	Wärtsilä has received LNG powered vessel orders beyond present types: <ul style="list-style-type: none"> • Icebreaker • Cement carrier (bulk carrier) • Harbour tug • Icebreaking LNG carrier
To deliver environmental and energy efficiency consultancy projects: 10 projects.	2015	In 2014, the major focus of the consultancy projects has been in environmental compliance, sustainability and in some aspects of energy savings. During 2014, altogether 11 full projects including consultancy, design and hardware delivery have been sold. The target has been achieved.

Decrease Water Consumption

Target	Schedule	Status
To develop further the dry concepts for high-efficiency combined cycle solutions.	2015	The first business case is in the pipeline. The 355 MW power plant in El Salvador will feature Wärtsilä's dry combined cycle system plant concept in place. The international patent application that was filed in 2013 is expected to be in force during 2015.

Wärtsilä's targets for improving overall performance

Target	Schedule	Status
To conduct 3 lifecycle assessments.	2015	The potential product categories for the lifecycle assessment have been reviewed. First lifecycle assessment is ongoing.

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	Open vacancies filled: 63% internal selections in job level 3 and up and 37% in external selections. In 2014, training days/employee rate was 4.2 (4.1).
To develop a new way of working in supplier relations, safeguarding Wärtsilä's sustainability commitment.	2015	In 2014, periodical assessments for key suppliers were conducted based on the new model and by the end of 2014 Wärtsilä had rated 95% of its suppliers in terms of total spent on Wärtsilä Supply Management supplies.
Development discussion coverage 100%.	Continuous	Altogether 92% employees had completed development discussions by the end of 2014.
To implement certified EHS management systems in all subsidiaries (excluding purely sales offices).	Continuous	Launch of two new OHSAS 18001 certified and two new ISO 14001 certified companies during 2014. In 2014, a new management system framework was introduced including new approved global EHS instructions.
To reach the long-term goal for zero lost time injuries.	Continuous	Wärtsilä continued improving, consolidating and spreading the safety culture. By the end of 2014 over 8,900 employees had completed the 4-hour e-learning focusing on Wärtsilä's Zero Injury approach. The positive trend continued, the lost-time injury frequency rate for 2014 was 3.5 (4.4).
To ensure Code of Conduct commitment throughout the organisation.	2014	At the end of 2014, 17,220 employees covering 95% of total employees had successfully participated in the training.

To reinforce the Anticorruption/ Broker training of key employee groups and obtaining anti-corruption commitments from all key employees trained. Target 2014: Training of all employees to achieve 80% completion rate.	2014	At the end of 2014, 14,683 employees (81%) had successfully participated in the training.
To conduct three community support projects by 2015.	2015	Three community projects have been conducted. Wärtsilä has supported two school building projects in South Sudan. In addition Wärtsilä has carried out ParticipAid programme in Finland. The target has been achieved.
To improve well-being at work and increase productivity by reducing sickness day cost.	2015	Analysis done in selected countries, action plans done and monitored in respective local companies.

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.

SUSTAINABLE POWER SYSTEMS	<ul style="list-style-type: none"> • Wärtsilä to supply a 112 MW peaking power plant to North Dakota • Wärtsilä supplies a 50 MW power plant to help integration of solar energy in Hawaii • Wärtsilä supplies flexible capacity to integrate wind and solar energy in Oklahoma
SOLUTIONS TO REDUCE EMISSIONS	<ul style="list-style-type: none"> • Wärtsilä to supply Exhaust Gas Cleaning Systems for six vessels in the Baltic and North Seas • Wärtsilä supplies its new Slop Water Treatment System for an ultra-deep water drill ship operating in the Gulf of Mexico • Wärtsilä Ballast Water Management Systems will be installed in a total of 22 bulk carriers owned by Pioneer Marine • Wärtsilä's new NOx reducers will be fitted to two new HB Grandi fishing vessels
FLEXIBILITY IN FUEL USE	<ul style="list-style-type: none"> • Wärtsilä to develop Indonesia's first bio-LNG plant in cooperation with local partners • Biogas liquefaction plant supplied by Wärtsilä to produce biofuel for buses in Norway • Wärtsilä signs a contract to supply an LNG terminal to Tornio in Finland
SOLUTIONS TO MAXIMISE EFFICIENCY WITH LOWEST LIFECYCLE COST	<ul style="list-style-type: none"> • Wärtsilä launches a low loss hybrid (LLH) system offering fuel savings and reduced emissions • Wärtsilä's Propulsion Condition Monitoring Service (PCM) recognised by three major classification societies
GAS AND SHIPPING	<ul style="list-style-type: none"> • Wärtsilä to deliver gas handling systems for the world's largest ethane carriers • World's first LNG fuelled icebreaker to be powered by Wärtsilä dual-fuel engines • Wärtsilä integrated solutions chosen for new series of six deep water Anchor Handling Tug Supply vessels • Wärtsilä designs and supplies propulsion and other equipment for a new harbour tug that will operate on liquefied natural gas (LNG)

SUSTAINABILITY HIGHLIGHTS 2014

Q1



10.1. Wärtsilä signs a contract to supply an LNG terminal to Tornio in Finland.



14.1. Wärtsilä donates to Tegla Loroupe Peace Foundation's orphanage in Kenya.



31.1. Wärtsilä West Africa S.A received ISO 14001 and OHSAS 18001 certifications.

**NOTHING GROWS
UNLESS YOU PLANT
A FEW SEEDS.**

11.2. Wärtsilä's Sustainability Report 2013 published as part of the Annual Report.



12.2. Biogas liquefaction plant supplied by Wärtsilä begins biofuel production for buses in Oslo, Norway.



14.2. US Environmental Protection Agency (EPA) approved the regulatory compliance of Wärtsilä's environmental seal systems.



18.2. Wärtsilä contracted to supply the largest ever LNG ship conversion in North America.



21.2. Wärtsilä receives the first order for its new slop water treatment system.



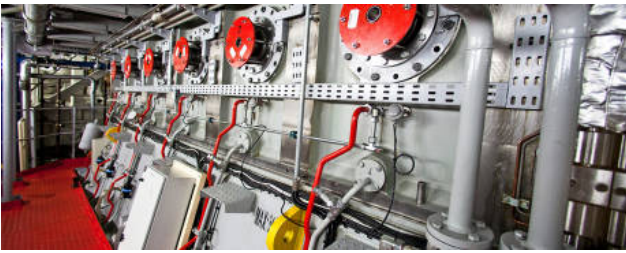
14.3. Wärtsilä contracted to supply fast-response gas power plant for city of Alexandria, Louisiana, USA.



19–21.3. Wärtsilä's expertise in sustainable and efficient shipping on show at Asia Pacific Maritime 2014.



24.3. The Wärtsilä 46DF dual-fuel engine is introduced.



25.3. Wärtsilä receives its first order to supply a low-pressure, 2-stroke, dual-fuel engine for an LNG carrier.



26.3. Wärtsilä contracted to supply the world's first LNG fuelled icebreaker with dual-fuel engines.

Q2



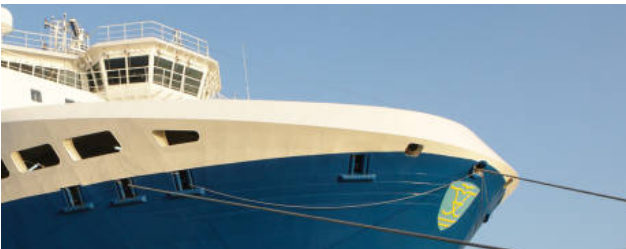
9.4. Wärtsilä arranged a sustainability conference for customers to mark the inauguration of a new test centre in Norway.



2.5. Wärtsilä signs the Diversity Charter of the Corporate Responsibility Network FIBS.



12.5. International Energy Agency (IEA) report finds combustion engines competitive in enabling wind and solar energy.



15.5. Wärtsilä Exhaust Gas Cleaning Systems ordered for six vessels operating in the Baltic and North Sea.



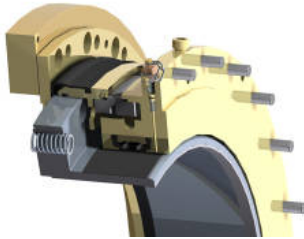
2.6. Connecting rod workshop in Vaasa, Finland reached two years without injuries.



4.6. Wärtsilä introduces a new fixed pitch propeller design offering significant fuel savings.



5.6. Wärtsilä wins its third consecutive Best Paper Award at Power-Gen Europe.



24.6. Wärtsilä's environmental seal systems gain recognition by Lloyd's Register for meeting EPA requirements, as the first company in its industry.

Q3



7.7. Wärtsilä wins biggest ever single owner order for Ballast Water Management Systems.



9.7. Wärtsilä contracted to supply control system for Harvey Gulf's shore-based LNG fuelling facility - the first source of LNG fuel in the Gulf of Mexico.



4.8. Wärtsilä wins ship design contract for environmentally sound Gulf of Bothnia ferry.



14.8. Wärtsilä awarded a contract to supply dual-fuel engine technology to a bulk carrier for the first time.



18.8. Wärtsilä elected one of the 130 best companies to work for in Brazil, according to the ranking Great Place to Work® 2014.



25.8. Wärtsilä launched the Low Loss Hybrid energy system offering fuel savings and reduced emissions for ships.

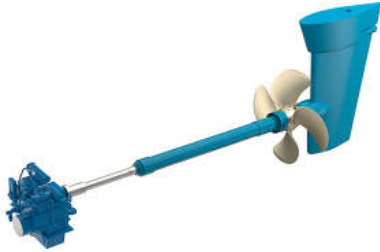


26.8. Wärtsilä launched the upgraded Wärtsilä LNGPac system.



28.8. Wärtsilä's Annual Report 2013 ranked 6th globally in Report Watch's yearly ranking of best annual reports, and was the highest placed Finnish report.

WeAct WeReport WeCare



3.9. Wärtsilä WeCare tool for reporting and managing occupational health and safety, security and environmental incidents implemented in all Wärtsilä companies.

8.9. Wärtsilä introduced high efficiency Controllable Pitch Propeller system.

9.9. Wärtsilä receives AIP Certificate for its new LNGPac system.

22.9. Wärtsilä and MAN Diesel & Turbo initiate HERCULES-2 research project aimed at minimising marine engine emissions.

25.9. Wärtsilä contracted to supply a Smart Power Generation power plant to integrate wind and solar energy in Oklahoma, USA.

26.9. Wärtsilä selected for inclusion in the Ethibel EXCELLENCE Investment Register.



30.9. Wärtsilä India Ltd. exceeded 4 million working hours without lost time injuries.

Q4



7.10. Wärtsilä hosted a dinner debate on Flexibility Challenge attended by the European Energy Forum.



8.10. Wärtsilä signed a joint development agreement to develop Indonesia's first bio-LNG plant in cooperation with local partners.



27.10. Wärtsilä contracted to supply a Smart Power Generation power plant to help integration of solar energy in Hawaii.

ISO14001
OHSAS18001

5.11. Wärtsilä Solutions Oy received ISO 14001 and OHSAS 18001 certifications.



10.11. Wärtsilä dual fuel engines chosen to power new icebreaking LNG carriers.

CMI

Martti Ahtisaari Centre



11.11. Wärtsilä supporting CMI (Crisis Management Initiative) as lead partner: The Ahtisaari Day Seminar tackled the new dynamics in politics and business.

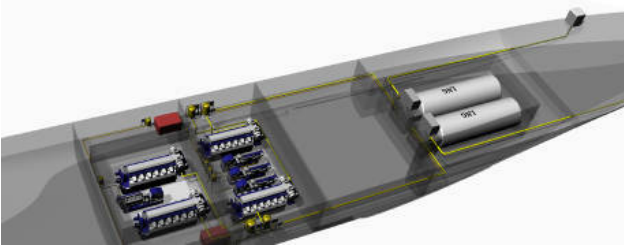
12.11. Wärtsilä Aquarius EC Ballast Water Management System granted US Coast Guard AMS acceptance.

18.11. Middle East's first LNG fuelled harbour tug ordered to feature full scope of Wärtsilä solutions.

30.11. Wärtsilä Columbia completed a local Wärtsilä ParticipAid programme, where employees donated money, amount doubled by the company, to Fundación Chanita helping children with cancer.

8.12. Wärtsilä contracted to supply a 120 MW Smart Power Generation power plant for island mode operations to Oman.

16./17.12. Wärtsilä donated funds, given by employees in Finland and doubled by the company in a Wärtsilä ParticipAid program, to Plan International's 'Because I am a girl' charity campaign.



22.12. Wärtsilä contracted to power world's first high speed LNG fuelled RoPax ferry.



29.12. Wärtsilä donated a marine engine to Nelson Mandela Metropolitan University in South Africa.



31.12. The annual Lost Time Injury frequency index reached record low again.

Wärtsilä in sustainable development indices

FTSE4Good Index



FTSE4Good

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



OMX GES Sustainability Nordic Index & OMX GES Sustainability Finland Index



Wärtsilä has also been rated a Prime company by oekom research



Ethibel EXCELLENCE Investment Register



POWER PLANTS REVIEW

Wärtsilä Power Plants provides superior value to its customers by offering decentralised, flexible, efficient, and environmentally advanced energy solutions. We offer dependable power plants that can be constructed in multiple parallel generation units, and on a fast track basis.

An offering based on flexibility

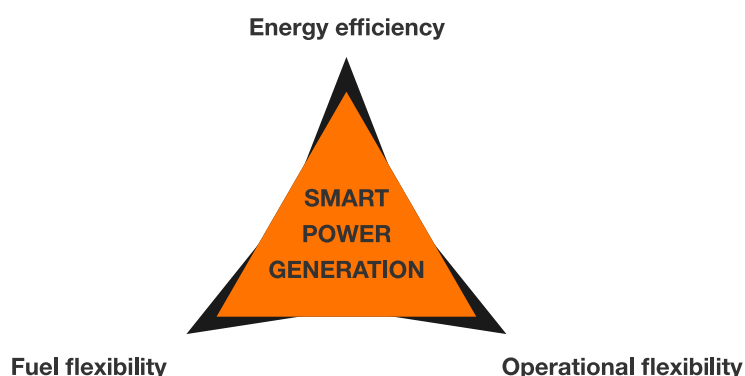
We offer our customers Smart Power Generation power plants for baseload generation, peaking and load following operation, as well as dynamic system balancing and ultra-fast grid reserve, with solutions ranging from equipment only deliveries to full turnkey power plants. Our tried and tested power plants are modularised so as to enable them to be located close to the end-user customers. This also allows construction to be carried out in phases according to the customer's needs. The fuel flexibility of our solutions supports the transition from oil to gas as the markets increasingly embrace natural gas. Through operation and maintenance agreements we support our customers throughout the lifecycle of their installations. While we operate mainly in the emerging markets, there is, however, demand for our power plant projects also in the developed markets.

In the LNG business, we offer complete end-to-end LNG distribution infrastructures, including small and medium sized LNG terminals and liquefaction and regasification technology. An LNG terminal can be integrated with a Smart Power Generation power plant to form a joint and efficient turnkey solution.

Our power business is divided into three segments

Our three main customer segments are: Utilities, Independent Power Producers (IPP's) and Industrial customers. Utilities supply electricity to residential, commercial and industrial end users, whereas IPP's are financial investors investing in power plants and selling the generated power to utilities. Customer needs in these segments vary according to the application for which the plant is used. In traditional baseload power generation, customers require competitive lifecycle costs, reliability, world-class product quality, and fuel and operational flexibility. In balancing and peaking applications, customer needs typically include rapid start and ramp up, the ability to operate at varying loads, as well as competitive electricity generation and capacity costs. Industrial customers are mainly private companies in, for instance, the mining, cement and oil & gas industries, investing in captive power plants. Reliability, reduced energy costs, and independence from the grid are among the key factors in their decision-making.

Smart Power Generation



OPERATING ENVIRONMENT

Wärtsilä's power plants are used in wide variety of applications. These include traditional baseload energy generation for national grids, providing dynamic grid power balancing services in order to integrate larger shares of renewable energy, and island mode applications that operate independently.

As a global supplier of power plant solutions, we recognise that there are significant differences in the energy infrastructure models between regions and countries. We serve primarily four types of energy infrastructure:

- Natural gas based energy infrastructure with pure gas flexible baseload power plants
- Energy infrastructure with high levels of intermittent renewable energy requiring dynamic balancing power plants with a fast response capability
- Liquid fuel based energy infrastructure with heavy fuel oil power plants
- Energy infrastructure transitioning to gas through LNG with dual-fuel power plants

The commercial drivers for power plant investments vary between the different customer segments. Generating and selling power is the core business for utilities and power generation facilities are, therefore, strategic assets. IPP projects are typically financial investments in order to gain returns. Industrial customers need a power supply for their process facilities or factories. The common factor for all customer segments is that the power plant projects are often significant investments. Wärtsilä's power plants are funded in many geographical markets. Funding sources are typically a mix of international, commercial, governmental, export credit agency and multilateral financing. Wärtsilä provides support in finding funding solutions for customers, while it does not itself participate in the funding.

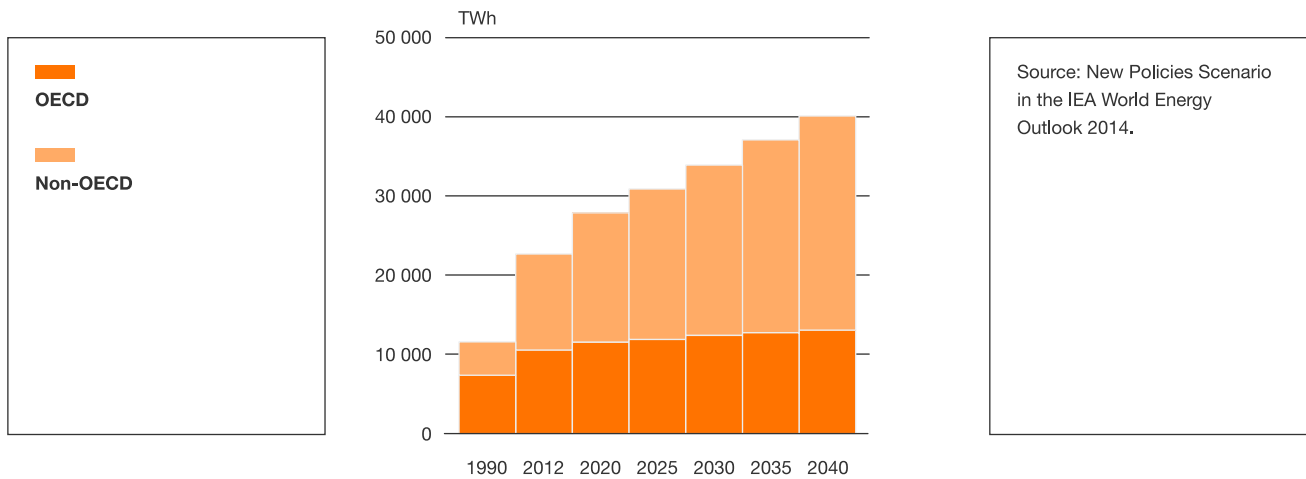
General market drivers in the Power Plants business

The demand for power generation is driven primarily by population growth and economic development. As electricity consumption grows, the demand for both new power generation equipment and replacement equipment for older

capacity increases correspondingly. Looking ahead, growth is expected to be higher in non-OECD countries due to increasing industrialisation and improving living standards.

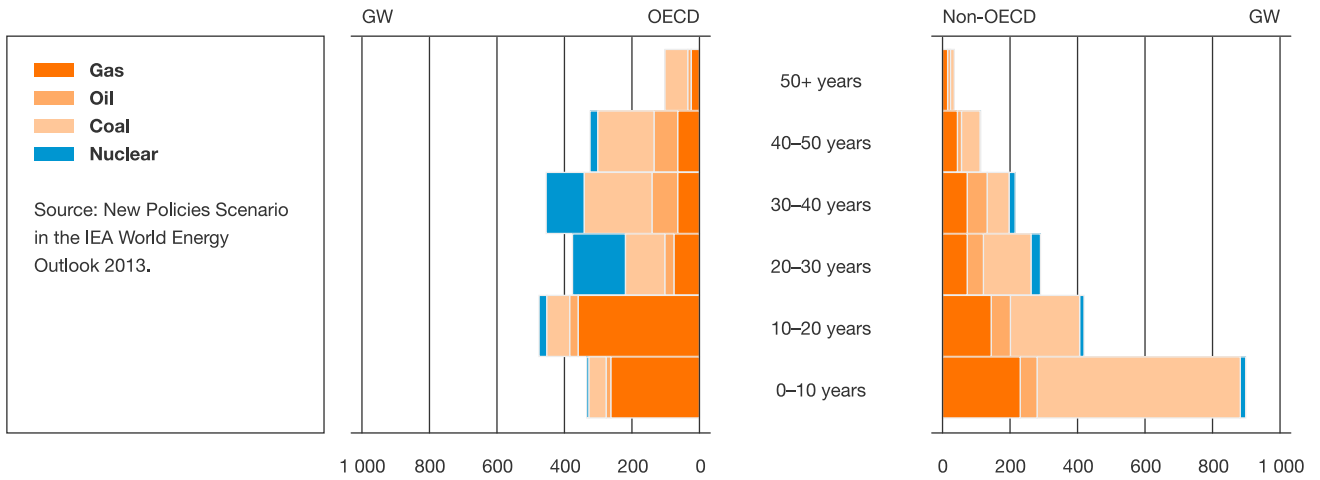
In emerging markets and remote areas, the demand for flexible baseload power plants, as well as for industrial self-generation, is driven by increasing electricity consumption and by developments in the commodity prices. The demand for gas and dual-fuel driven plants increases along with the introduction of gas networks to the emerging markets.

Final electricity generation by region

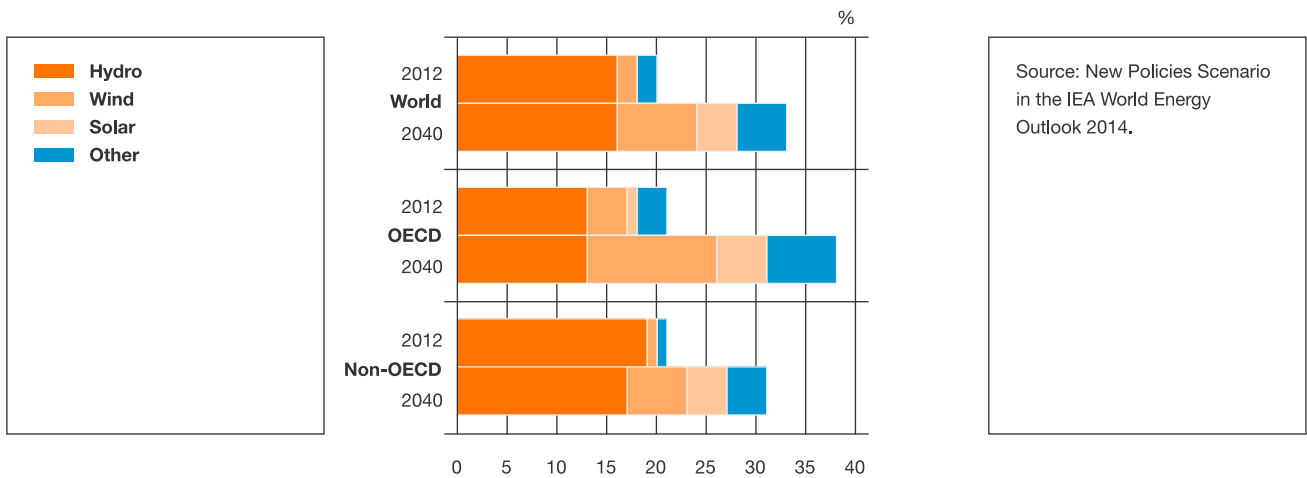


While economic development is a less important driver in the OECD countries, the ageing installed capacity will drive demand for new investments. Other important drivers include stricter environmental regulations and targets to achieve low carbon power systems, which are spurring investments in renewable energy. The significant growth in wind and power installations has led to unforeseen grid stability challenges, which require flexible balancing power. Wärtsilä's Smart Power Generation power plants not only back up renewable generation, but enable much more of it, thereby increasing the sustainability, reliability and affordability of the entire power system.

Age profile of installed thermal and nuclear capacity by region

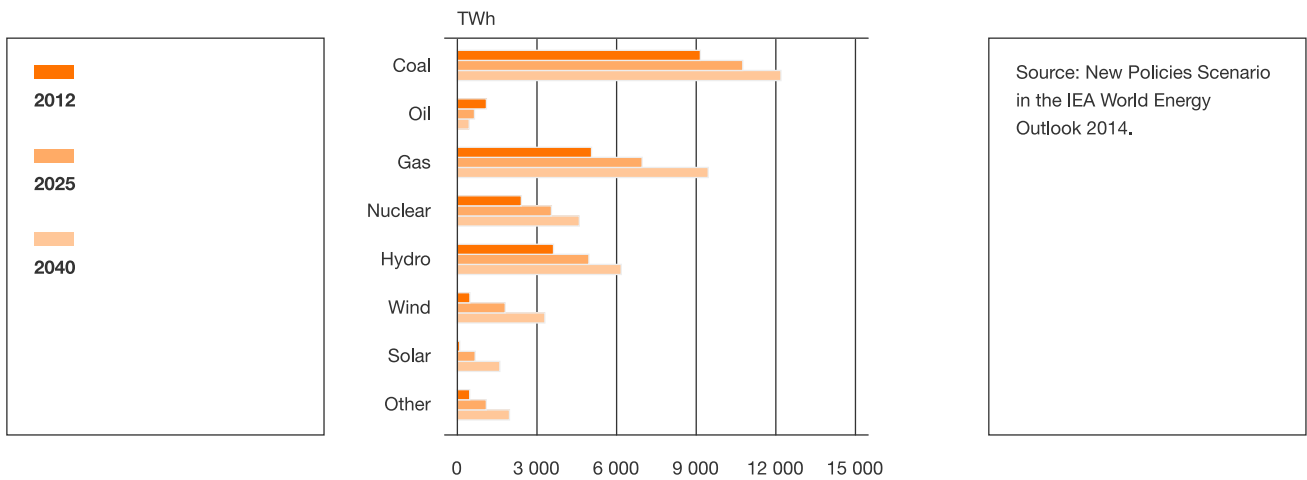


Share of renewables in electricity generation by region



The demand for gas is expected to grow, as it enables system balancing with minimal emissions compared to other fossil fuels. This is further supported by the increasing availability of gas resulting from growing investments in the LNG infrastructure, as well as from the economic viability of unconventional sources, such as shale gas. The share of gas in the global energy mix is expected to grow by 2.4% per year, and most of this growth will occur in non-OECD countries. Wärtsilä is well positioned in these markets. In regions where the gas infrastructure is being built, a key feature of our power plants is their capability to utilise available liquid fuels until the availability of gas is fully reliable.

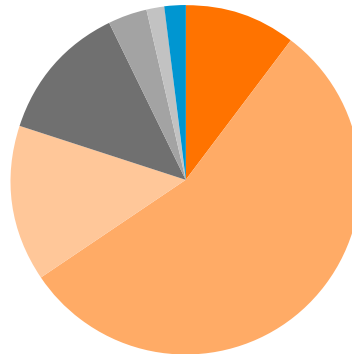
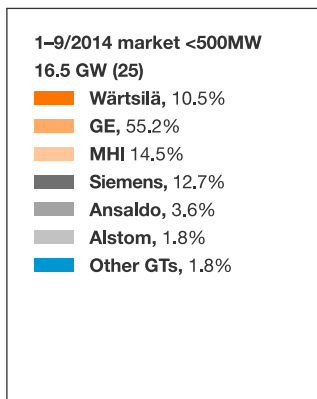
World electricity generation by type



Power Plants' competition

In larger gas-fired projects, Wärtsilä's internal combustion engine technology often competes against gas turbine manufacturers, such as GE and Siemens. In smaller gas based projects and in the heavy fuel oil based power plant market, Wärtsilä's competitors are mainly other engine suppliers such as MAN Diesel, Caterpillar (MAK), and Rolls-Royce. Our advanced gas and dual-fuel engine technology has given us a leading position in gas-fired engine power plants where we hold a 70% market share, while in the entire market for engine power plants where all fuels are used, we have a 50% market share. Our competitive strengths include the ability to provide anywhere in the world, complete turnkey power plants with fuel flexibility and lifetime support through operation & maintenance agreements. Our main advantages over gas turbine technology are higher efficiency in varying loads, the capability to go from start-up to full load in less than 5 minutes, the ability for unlimited starts and stops without impact on maintenance needs, and the ability to offer dual-fuel solutions for markets transitioning to natural gas.

Gas turbine and engine manufacturers



Includes all Wärtsilä power plants and other manufacturers' gas and liquid fuelled 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.

Main drivers for Wärtsilä's Power Plants business

- Increased need for flexibility in power systems around the world
- Economic development and growth in electricity consumption
- Growth in the use of gas as fuel in power plants
- Need for fuel flexibility due to uncertainty in fuel availability and price
- Environmental concerns and renewable energy investments
- Ageing generation capacity

POWER PLANTS' STRATEGY

Our aim is to be a globally recognised leader in liquid fuel and gas power plants. We will promote Smart Power Generation technology to the increasingly dynamic and environmentally conscious global energy market to enable more sustainable, affordable and reliable power systems.

Our strategy is to:

- Maintain our leading position in heavy fuel oil & dual-fuel power plants by enhancing our value proposition, and by influencing and actively developing selected target markets
- Grow strongly in the large utility gas power plants market by capturing market share from combustion turbines
- Grow in the biofuel power plants market by enabling a wide range of fuels
- Grow in special applications - LNG infrastructure, oil & gas, nuclear emergency power and combined heat and power - by introducing our value proposition to selected customer segments.

Our value proposition is based on providing solutions with guaranteed performance, high energy efficiency, and unique fuel and operational flexibility, which make them ideal for many types of energy infrastructures in varying applications. Modularity is a key enabler for ensuring cost competitive solutions in both equipment and turnkey deliveries.

The capability of our engines to run on a wide range of fuels makes it possible for us to further grow in the market for power plants using renewable fuels. Our focus is on products and projects that provide unquestionable environmental benefits and that make economic sense.

POWER PLANTS 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 market and solution development, 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 the 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 a certain 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 baseload thermal power plant and, according to the results on future power system modeling, enables dramatic reductions in system level CO₂ emissions.

- Wärtsilä's Smart Power Generation technology allows true operational optimisation of the entire energy system in a cost-efficient, reliable and sustainable way:
 - Enables extremely low carbon emissions from the total system
 - Enables the highest penetration of wind and solar power capacity without 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 expansion 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

POWER PLANTS DEVELOPMENT IN 2014

Power generation markets were challenging throughout 2014, with macroeconomic uncertainty and slower global growth projections impacting customer decision-making. Activity improved after the summer, supported by the demand for new power plants in the emerging markets and the dollar strengthening against euro. In Wärtsilä's main addressable market, i.e. the market for installations up to 500 MW, orders totalled 16.5 GW (25.0) during the first nine months of 2014, and Wärtsilä's market share increased to 10.5% (7.1%).

In 2014, Power Plants' order intake was stable at EUR 1,293 million. 61% of the orders received, measured in MW, were for gas based power plants. 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 the 120 MW order from Oman. Wärtsilä also received its first order for a turnkey LNG receiving terminal to be built in Tornio, northern Finland. 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. This represents 24% of Wärtsilä's net sales.

SHIP POWER REVIEW

Wärtsilä Ship Power has a strong position in the marine and oil & gas industries. We provide optimised, environmentally sustainable, and economically sound solutions, which enhance the business of our customers. Our reputation is based on a good understanding of our customers' businesses, our design capabilities, a broad product portfolio and technological leadership. Our 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.

We serve both shipyards and ship owners

Ship Power's marine customers comprise both shipyards and ship owners, and their needs and demands 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.

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

Our offering is the broadest in the industry

Ship Power is active in all the main vessel segments with a wide range of products and solutions, and understands the particular needs and requirements related to each of them – from the initial vessel design choices to everyday operations throughout the vessel's lifecycle. Our portfolio also covers gas systems for land-based installations, such as gas terminals. Innovative and competitive products, delivered efficiently and with high quality, form the basis of our 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
- Automation systems
- Communication and control systems
- Power distribution and management systems
- 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 we offer into larger systems and solutions supports our strategy of being the main ship power supplier to our customers. This strategy provides added value to both our yard and ship owner customers.

Shipyard customers can focus on their areas of expertise and benefit from reduced risks of product interface problems, while ship owners can rely on benefits related to operations and maintenance.

Segment	Vessel type	Main offering*
Merchant	LNG carriers	4-st main dual-fuel engines, controllable pitch propellers (CPP), gearboxes, tunnel thrusters
	Tankers, Containers, Bulkers	2-st engines sold through the WinGD joint venture, auxiliary engines, fixed pitch propellers (FPP), tunnel thrusters, 4-st engines for smaller vessels
	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, electric power distribution, gearboxes
	Floating production units: FPSO's, FSO, floating LNG, etc.	4-st engines, steerable thrusters, tunnel thrusters, CPP, vessel automation, electric power distribution, gearboxes
	Service/Supply vessels: OSV's, PSV's, AHTS, AHS	4-st engines, steerable thrusters, tunnel thrusters, CPP, electrical propulsion, ship design, automation, gearboxes
	Other: crane vessels, pipelayers, accommodation vessels	All of the above
Cruise and Ferry	Cruise vessels	4-st engines, FPP, tunnel thrusters
	Ferries	4-st engines, CPP, FPP, steerable thrusters, tunnel thrusters
	Other: ro-pax, yachts	All of the above
Special vessels	Tugs	4-st engines, FPP, steerable thrusters, tunnel thrusters, vessel automation, ship design
	Dredgers	4-st engines, CPP, FPP, steerable thrusters, tunnel thrusters, vessel automation
	Other: fishing vessels, ice breakers, research vessels, work boats, inland waterway vessels	All of the above
Navy	Frigates, corvettes, patrol vessels, aircraft carriers, destroyers, support vessels	Waterjets, seals and bearings, tunnel thrusters, 4-st engines

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

Growth through gas, environmental solutions and efficient vessels

Within the industry, Ship Power 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 as a result of high fuel costs.

Stricter environmental regulations are driving the interest in gas as a marine fuel, as well as in emissions abatement technology, such as exhaust gas cleaning systems and ballast water treatment systems. Ship Power offers its customers

alternative solutions for meeting these requirements in a way that best meets the needs of their business and operating model, both as part of new build projects and as retrofits to vessels already in operation.

Our market leading offering for the gas segment consists of gas fuelled engines, gas conversions, and gas handling systems. We have a strong position in exhaust gas cleaning systems, with the most extensive reference list on the market. Today, our portfolio of exhaust gas cleaning 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. In ballast water treatment we offer our customers systems based on the two most common technologies; ultraviolet treatment and electro-chlorination.

High fuel prices have made efficiency one of the top concerns for ship owners and operators. Our in-depth expertise and system skills help to optimise the efficiency of vessels and make it possible for our customers to achieve the performance, cost, and environmental compliance parameters that specifically match their operating profile.

SHIP POWER'S OPERATING ENVIRONMENT

Ship Power 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 we are active in offshore installations and vessels, and in 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, it increases 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 Ship Power's 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 Ship Power 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 Ship Power 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. Our 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 our customers globally.

Our field of competitors is broad. 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, ABB and Kongsberg, pump and gas system providers, such as Colfax and Cryostar, and companies with broad offerings like Rolls-Royce or Hyundai Heavy Industries. Wärtsilä is recognised as a proven supplier of innovative and sustainable technologies across our portfolio serving the marine and oil & gas markets.

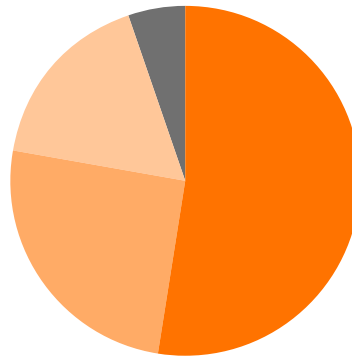
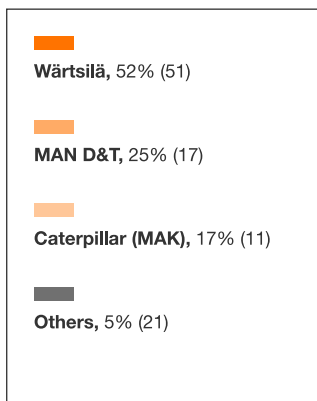
Wärtsilä's offering	Main application*	Main competition**	Wärtsilä's market position
4-stroke main engines	Small merchant vessels, offshore, special vessels	MAN D&T, MAK (CAT), Rolls-Royce, HiMSEN.	Approximately half of the market (in kW) is controlled by Wärtsilä.
4-stroke auxiliary generating sets	All 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 around 3% 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 <ul style="list-style-type: none"> • Controllable Pitch Propellers (CPP) • Fixed Pitch Propellers (FPP) • Steerable thrusters • Tunnel thrusters 	All vessel types	Rolls-Royce, Schottel, Hyundai Heavy Industries, Mitsubishi Heavy Industries, Mecklenburger Metallguss, Thrustmaster, Brunvoll, Kawasaki, Caterpillar (Berg Propulsion)	CPP & FPP: fragmented market, Wärtsilä among the top players. Steerable thrusters: Wärtsilä among the top players. Tunnel thrusters: highly fragmented market, Wärtsilä is a market challenger.
Electrical & Automation <ul style="list-style-type: none"> • Low loss concept (LLC) • LV & MV switchboards • Variable speed drive • Flowline heating • Ship automation systems • Power management 	Offshore, special vessels	ABB, Siemens, Kongsberg, Rolls-Royce, General Electrics	Established position in offshore, otherwise market challenger.

<p>systems</p> <ul style="list-style-type: none"> • Integrated bridge solutions 			
Ship design	OSVs, merchant vessels, specialised vessels, fishing vessels	Skipsteknik, Marinteknik, MMC, Rolls-Royce, Ulstein	Amongst the leading independent ship design houses.
<p>Oil & Gas systems</p> <ul style="list-style-type: none"> • Regasification systems • Gas reliquefaction systems • Onshore gas liquefaction systems • Gas recovery systems • Oil separation systems • Fuel gas systems 	Offshore gas processing & storage vessels, LNG/LEG/LPG carriers, floating production systems, industry applications, fuel gas systems for all vessel types	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	Wärtsilä Hamworthy among the top players.
<p>Pumps and valves</p> <ul style="list-style-type: none"> • Deepwell cargo pumps • Pump room systems • Engine room pumps • Fire-fighting systems • Valves 	All vessel types, on- and offshore oil & gas facilities	Niigata, Marflex, Framo, Hyundai Heavy Industries, Shinko, Colfax, Ellehammer	Wärtsilä Hamworthy among the top players.
<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 	All vessel types	Alfa Laval, Green Tech Marine, Techcross, Panasia, Evac, Scanship GEA Westfalia, Marinfloc	Wärtsilä among the top players.

* 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 third quarter. The calculation is based on Wärtsilä's own data portal.

SHIP POWER'S STRATEGY

Wärtsilä Ship Power's strategic goal is to be the leading provider of innovative products and integrated solutions to the marine and oil & gas industries.

To achieve this we will build on our deep customer understanding and:

- Solidify our leading position in solutions for gas fuelled vessels, environmental compliance and efficiency optimisation
- Further develop our 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 the most efficient lifecycle solutions for our customers.

As a solutions provider, we are ready to deliver everything from a single product to complete lifecycle support of complex systems for powering ships; from concept development to operational use. We are uniquely positioned in being the industry's only true provider of a total marine offering. Our wide range of products is supported by world class ship design, engineering, and project delivery capabilities, all of which allow us to provide solutions that optimise the lifecycle value of our customers' installations.

We see important mid-term growth opportunities 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 track record in running gas engines, a unique portfolio of products for emissions control and abatement, and a holistic approach to ship-level efficiency optimisation through our engineering and ship design capabilities.

Wärtsilä Ship Power seeks organic growth that will be supported by targeted acquisitions and partnerships. We develop and deliver our offering of innovative and competitive products based on the requirements of our customer segments and the operating profiles of their vessels. Together with the Services business, we offer ship owners and operators integrated lifecycle solutions, whereby performance and availability are guaranteed. We will maintain our position as the shipbuilding industry's leading systems integrator, and will further strengthen our already strong foothold in the oil & gas

business. Finally, we will invest further in strengthening our presence and maximising the efficiency of our supply chain, engineering and sales, especially in the key shipbuilding areas, notably China, South Korea and Brazil.

Ship Power's 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 services 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 our customers' needs concerning fuel flexibility, efficiency and environmental requirements
- A unique synergy between ship design and engineering capabilities that allows us to maximise a vessel's efficiency throughout its lifecycle
- A strong presence in all the major marine and offshore oil & gas segments, thereby allowing us to navigate ship building cycles

SHIP POWER AND SUSTAINABILITY

The marine and oil & gas industries are at the center 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 possible 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 Ship Power to have sustainability at the very core of its product and solutions development. Our R&D and business development activities are based on a deep understanding of how these megatrends affect our customers. The expansion and development of Wärtsilä's offering to the marine and oil & gas industries over the years demonstrates our response to our customers' needs. Gas, environmental compliance, and efficiency are the three pillars on which Ship Power 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. We are the marine industry's undisputed leader when it comes to gas-fuelled propulsion, with dual-fuel medium-speed engines ordered for more than 200 vessels and over 7 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% NO_x, -99% SO_x, up to 99% reduction of particulates, 20-30% less CO₂ emissions, no smoke
- Fuel flexibility to enhance operational security and competitiveness, operation on HFO, MDO, bio fuels and crude oil is 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 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 supplying a proven technology on gas engines. For Wärtsilä, it means also 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 and gas industry with, for instance, its liquefaction and regasification solutions.

Environmental compliance

The marine industry is implementing changes to comply with existing environmental regulations, while evaluating the possibilities for complying with upcoming regulations. Emissions to air (CO₂, NO_x, SO_x, PM, 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 our global network. We are committed to providing our 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. We can also assist our customers in the process of evaluating the best options for compliance so as to adopt a solution that meets their specific operational needs.

In the marine industry our offering for environmental compliance covers the following:

- For SO_x and NO_x compliance: gas propulsion, conversions to gas propulsion, exhaust gas cleaning systems (NOR, hybrid scrubber system, open loop scrubber system)
- For ballast water compliance: ultraviolet treatment and electro-chlorination
- For EEDI compliance: improved efficiency of individual products, ship design
- For emissions to water compliance: 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
- Waste and fresh water management systems
- Oil separation
- Flare gas recovery

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 affected. In the marine industry especially, the high 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.

At Wärtsilä, we strive to optimise the lifecycle cost of installations. We do this because it makes economic sense to our customers, since we understand 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 us, one way of improving efficiency is to continuously invest in renewing our product portfolio. During 2014, we launched the Wärtsilä 46DF engine, which drastically lowers specific fuel consumption in both gas and diesel fuel mode, as well as a new Aframax tanker design and an upgraded SK 5054 MkII tanker design which emphasise improvements in energy efficiency. Furthermore, our propulsion portfolio has been expanded with the introduction of a new fixed pitch propeller design, and a new controllable pitch propeller system. In both cases the emphasis has been on efficiency, resulting in improved fuel efficiency. Finally, our new Low Loss Hybrid Energy System utilises different power sources in combination with energy storage devices to operate the prime movers closest to their optimum performance, thus achieving annual fuel savings of up to 15%.

SHIP POWER DEVELOPMENT IN 2014

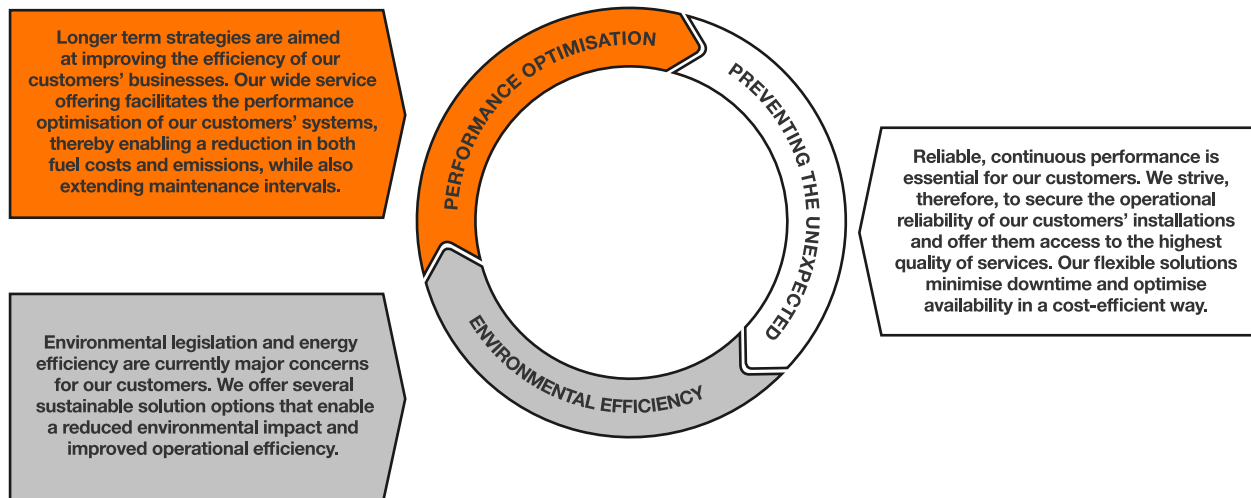
During the year 2014 a total of 1,769 contracts for new vessels were registered, compared to 2,201 in 2013. In the traditional merchant markets contracting activity was slow, and the demand for offshore vessels was clearly lower than in the previous year. The ordering of gas carriers (LNG and LPG carriers) was, however, robust and the cruise vessel markets developed well with contracting volumes doubling compared to 2013. Wärtsilä's share of the medium-speed main engine market was 52% (51% at the end of the previous quarter).

Despite the slowdown in vessel contracting, Ship Power's order intake increased by 6% to EUR 1,746 million during 2014. 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. 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. Ship Power's net sales increased by 30% and totalled EUR 1,702 million, which represents 36% of Wärtsilä's net sales.

SERVICES REVIEW

Wärtsilä Services supports its customers by offering the most comprehensive portfolio of services in the industry, thereby optimising their operations and the lifecycle performance of their installations. Our service network is the most extensive in the industry, consisting of approximately 11,000 service professionals in more than 160 locations in over 70 countries. We offer expertise, local availability, responsiveness, and the most environmentally sound solutions for all customers, regardless of the manufacturer of their equipment.

We focus on three key elements for optimal lifecycle efficiency



Our service offering

We aim to develop close relationships with our customers, thus enabling us to gain an in-depth understanding of their business, and to extend our offering accordingly. Our Services business provides full and complete support for both Ship Power and Power Plants installations, and is based primarily on the equipment sold and designed by Wärtsilä, including engines, propulsion systems, and electrical and automation systems. However, Wärtsilä Services has the capability to retrofit and service other brands as well.

We are continuously developing our existing competences while also building new skills in strategic growth areas, such as oil & gas, asset optimisation, and environmental solutions. Expanding our offering by developing our portfolio through innovations connected to the overall digitalisation of the industry will continue to be our focus in the future. Further growth is sought by strengthening our service offering in response to our customers' increased interest in partnerships, thereby providing them with both lower costs and improved operational efficiency.

Our areas of expertise include:

Engine services

We provide a full range of services for medium- and low-speed diesel, gas, dual and multiple fuel engines and other related systems. Our offering comprises everything from standard engine overhauls to optimisation retrofits that improve the performance of older engine designs.

Propulsion services

We offer a complete range of services for propulsion systems throughout their lifecycle. Propulsion improvements enable optimal fuel efficiency for vessel and offshore installations.

Seals & bearings services

We provide 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.

Electrical & automation services

Electrical and automation services include the maintenance and upgrade of all types of control and automation systems for power plants, marine applications and oil & gas installations, as well as for power plant and vessel safety systems.

Boiler services

We provide a comprehensive range of boiler services, including inspection services, condition based services, retrofits and spare parts for all types of boiler plants, economisers, and their control systems.

Environmental services

We offer land based power plants and ship installations an extensive set of services aimed at improving efficiency and minimising emissions. These solutions include fuel conversions, low NO_x solutions, and propulsion efficiency services. Furthermore, our field service organisation supports Ship Power's environmental retrofit market in the installation and commissioning of environmental solutions.

Service agreements

We tailor our service agreements to enable customers to choose from different levels of partnership. Technical management agreements include regular inspections, monthly reporting, and exchange programmes for spare parts. In our maintenance agreements, we provide fixed prices for inspections, technical support, spare parts, training, and maintenance work. Our operations and maintenance agreements can cover complete operational, management and maintenance services, as well as installation performance guarantees.

Service projects

Our project management capabilities enable us to optimise the performance of our customers' installations through upgrades, modernisations, fuel conversions and safety solutions.

Training services

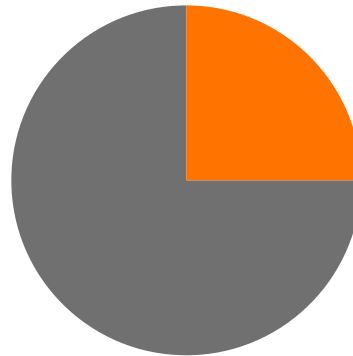
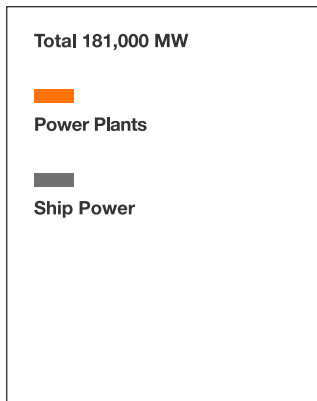
Our training services cover all aspects of management, operational, maintenance, and safety issues, and range from traditional hands-on training to advanced remote training systems and e-learning opportunities.

SERVICES OPERATING ENVIRONMENT

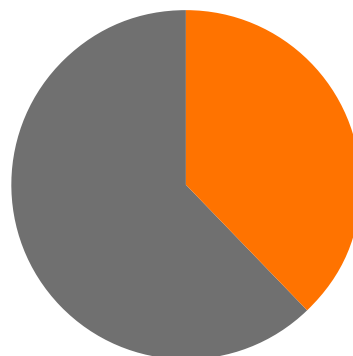
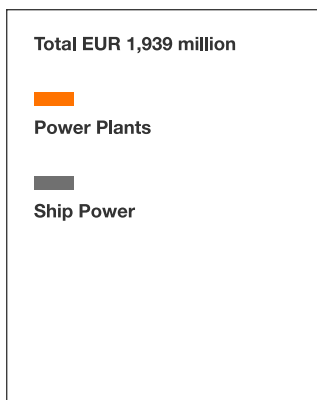
Wärtsilä Services supports the company's marine and power plant customers. Of the company's existing installed engine base, measured in MW, approximately one quarter is power plant related with the remainder being marine industry installations. In terms of Services' revenues, the breakdown is approximately 40% power plant related and 60% marine sector related. The service portfolio includes everything from spare parts and field service work, to more advanced lifecycle solutions aimed at reducing operational costs and improving efficiency. Roughly half of Services' revenues come

from spare parts, one quarter from field service, and one quarter from service solutions, such as maintenance agreements and service projects.

Installed base by business



Services net sales by business



General market drivers for Services

The main market driver in the service business is the size and development of the installed equipment base. The market conditions faced by end customers have a direct impact on the utilisation rate and the estimated lifetime of installations in operation. The lifecycle phase of an installation also affects maintenance requirements, and thereby the service needs in both the marine and power plant markets. Lifecycle solutions are offered through long-term service agreements and

retrofit projects. The need for such solutions is driven by changes in, for instance, the cost or availability of different fuels, the cost or availability of crew, and/or the level of technical expertise needed to operate the vessels or power plants. Changes in environmental regulations, as well as improved safety aspects, also influence the need for lifecycle solutions. The outsourcing of operations and management to a reliable partner is today an important trend in the power plants service market. It is also becoming a more important driver for marine customers, whereby partnerships can improve clarity concerning future costs and improve operational efficiency.

Competition and market position

Wärtsilä has a strong position in servicing equipment sold and designed by Wärtsilä. Only a few players are able to provide such a broad services offering globally. Thus competition is mainly local, consisting of parts traders, repair yards, local workshops, and component suppliers for spare parts and the field service business. The number of local players is quite large; therefore competition is rather fragmented and focused on a limited scope of offering.

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 being competitors in this area. Wärtsilä Services offers a variety of options to ensure the best solution for the end user.

SERVICES STRATEGY

Our customers recognise Wärtsilä as being a reliable service partner; namely competitive, trusted, and easy to deal with:

- We focus on customer needs in order to constantly develop our offering proposition with value-enhancing products
- We support our customers locally through our qualified global field service network
- We grow by expanding our agreements scope in both marine and power plant applications
- We support our customers in minimising their environmental footprint and foster a quality attitude and a safe way of working
- We actively scan the market for acquisitions that allow us to further strengthen our offering.

The size and scope of the Services business provides a platform for further growth. We are continuously developing our service offering and delivery process in order to cost-efficiently provide better value for our customers. We offer global 24/7 support in the fields of logistics, maintenance, plant-operating services, asset monitoring systems and technical support, as well as real-time information and analyses through effective online services. Our offering includes a variety of long-term agreements, allowing customers to focus on their core business. Moreover, we are able to deliver service projects that match the changing needs of our customers' businesses.

Services' strengths

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

SERVICES AND SUSTAINABILITY

Environmental legislation and the need for energy efficiency are currently the main drivers for our 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. Through continuous innovation, we will continue to provide shipping companies and energy providers with environmentally sound solutions well into the future. We conduct our business in a responsible way, and create added value by providing services from locations in close proximity to our customers and by offering employment opportunities in local communities.

Solutions for the marine and power industries

The essential role for Wärtsilä Services as regards sustainability is to provide a range of services that ensure reliable and optimised operational, environmental, and safety performance. The increasing availability of alternative liquid fuels and gas, together with stricter environmental requirements, creates opportunities for the Services business to improve the operational efficiency of customer installations, while at the same time reducing their environmental impact.

Our solutions enable the application of the latest technologies in power plants and ships that are already in operation, thereby allowing them to comply with new legislative requirements. A lifecycle optimised approach guides the creation of our solutions, which are developed in co-operation with the customer. The aim is to improve the economic and environmental performance of existing installations, and to ensure their safety and reliability throughout their operational life.

Energy efficiency and maintenance

We develop and provide services, such as upgrades, reconditioning, fuel conversions and retrofit solutions, that improve environmental performance, comply with stringent environmental legislation, and extend the operational lifetime of the application.

Good maintenance of equipment is a key factor in material effectiveness and energy efficiency. Wärtsilä's proactive Dynamic Maintenance Planning programme includes the planning and scheduling of engine and propulsion maintenance based on online monitoring of the installed equipment's mechanical condition and performance, and by using system efficiency data and other indicators. The data is collected and monitored daily, which enables fault sources to be identified before failure occurs.

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

- 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 contributing to emissions abatement. Wärtsilä Services provide unparalleled environmental solutions, as well as the field experts needed for their installation and commissioning.

SERVICES DEVELOPMENT IN 2014

Service market activity developed well during 2014. Marine customers' service demand picked up in the second half, and the demand for power plant related services was healthy throughout the year. 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%.

Services' order intake increased by 9%, totalling EUR 2,045 million. Several important long-term service agreements were signed during the year, 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. Net sales from the Services business increased by 5% to EUR 1,939 million, which represents 41% of Wärtsilä's net sales. The Services sales mix saw an increase in revenues from spare parts and projects.

MANUFACTURING REVIEW

Wärtsilä's manufacturing is focused mainly on the assembly, test running, and finishing of products and key strategic components. Our 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 our focus on quality and the continuous emphasis we place on technology leadership in our R&D activities.

The focus on gas, environmental solutions, and Smart Power Generation drives the development of our operations. We provide products and systems that are reliable, cost efficient, functional, environmentally compatible, technologically leading, and able to be integrated into solutions or delivered as stand-alone equipment.

Manufacturing footprint

Wärtsilä operates a global manufacturing footprint which is continuously optimized considering competence availability, customer presence and efficiency. As structural changes continue in our end markets, we remain focused on strengthening our presence in key markets, such as China. This enables us to better serve our customers locally and allows savings to be achieved in both production and transportation costs.

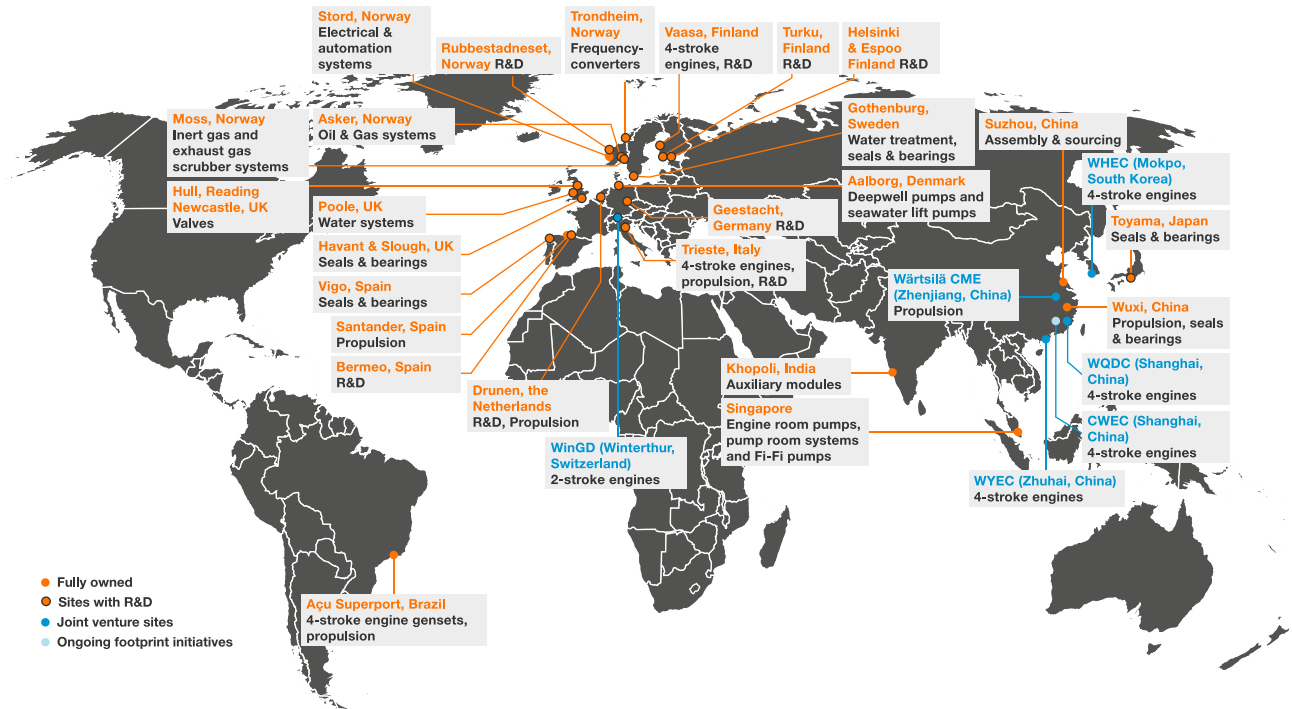
Wärtsilä currently has four joint ventures globally. In Korea, we manufacture dual-fuel engines for the LNG carrier markets in partnership with Hyundai Heavy Industries Co. In China, we produce engines for the local markets in two joint ventures. The Wärtsilä Qiyao Diesel Company Ltd joint venture manufactures medium-speed auxiliary engines, while the Wärtsilä Yuchai Engine Co., Ltd joint venture manufactures medium-speed auxiliary and main engines. The Wärtsilä CME Zhenjiang Propeller Co. Ltd. joint venture, also located in China, produces fixed pitch and controllable pitch propellers. We are currently in the process of setting up two joint ventures with China State Shipbuilding Corporation. One will focus on manufacturing medium-speed diesel and dual fuel engines and the other will assume responsibility for Wärtsilä's low-speed engine business. In addition to these joint ventures we are constructing a fully owned manufacturing facility in Açú, Brazil to meet increasing market demand, particularly in the offshore segment.

Wärtsilä's global supplier network supports flexibility in manufacturing

Through close co-operation, excellent relations, and the sharing of information with our suppliers, the supply of components and market-conform lead times are secured. Wärtsilä has around 1,200 suppliers globally. Our sourcing

strategy is to focus on carefully selected suppliers, with a strong emphasis on performance, innovation, and a presence close to our manufacturing units and joint ventures. Our aim is to continuously develop and strengthen our 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 & 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 are targeted at securing environmental compliancy and providing short- and long-term benefits for our customers.

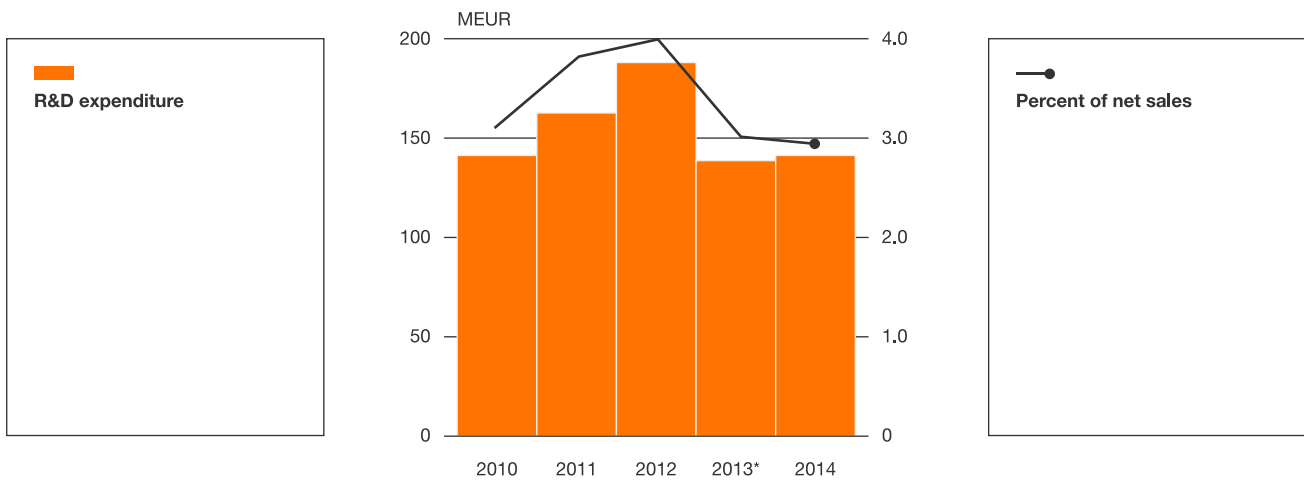
By focusing on the initial stages of the development process and by utilizing simulation, virtual testing and validation, Wärtsilä is able to reduce the lead time for new solutions without compromising reliability and safety aspects.

Validation testing on site with existing installations, in cooperation with our 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 the field, and its performance meets Wärtsilä's high standards, it can be delivered to the market.

We protect innovation and competitiveness through close attention to our Intellectual Asset Management and the continuous development of our internal key competences. We build networks and clusters to further extend our 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.

IMPROVEMENTS IN EFFICIENCY

- **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.
- **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.

REDUCING EMISSIONS TO AIR

- **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 NOx Tier II compliant. Wärtsilä solutions for IMO NOx TIER III are:
 - Selective Catalytic Reduction (SCR)
 - Gas engine (Dual fuel (DF) in gas mode)

REDUCING EMISSIONS TO WATER

- **BALLAST WATER MANagements SYSTEMS:** Wärtsilä provides Ballast Water Management systems. Its Aquarius® range of Ballast Water Management Systems (BWMS) has been developed to comply with the Ballast Water performance requirements from both the IMO and the USCG.

SUSTAINABILITY

Wärtsilä's sustainability approach	52	Energy	76
Stakeholder relations	53	Water	77
Sustainability management	57	Emissions	78
Guiding principles	57	Effluents and waste	78
Code of Conduct	58	Products and services	79
QEHS Policy	60	Expenditures	80
Employee practices	61	Social	80
Management approach	63	Structural changes	80
People management	66	Employment	81
Environmental management	67	Labour / management relations	82
Occupational health and safety	69	Occupational health and safety	83
Responsible business conduct	70	Training and education	84
Product design principles	72	Diversity and Equal opportunity	84
Supply chain management	72	Product and Service Labelling	84
Sustainability data		Compliance	85
Economic	73	Report profile	86
Economic performance	74	Materiality assessment	88
Market presence	75	Reporting principles	92
Environment	75	Independent Assurance Report	94
Materials	76	GRI and UNGC index	96

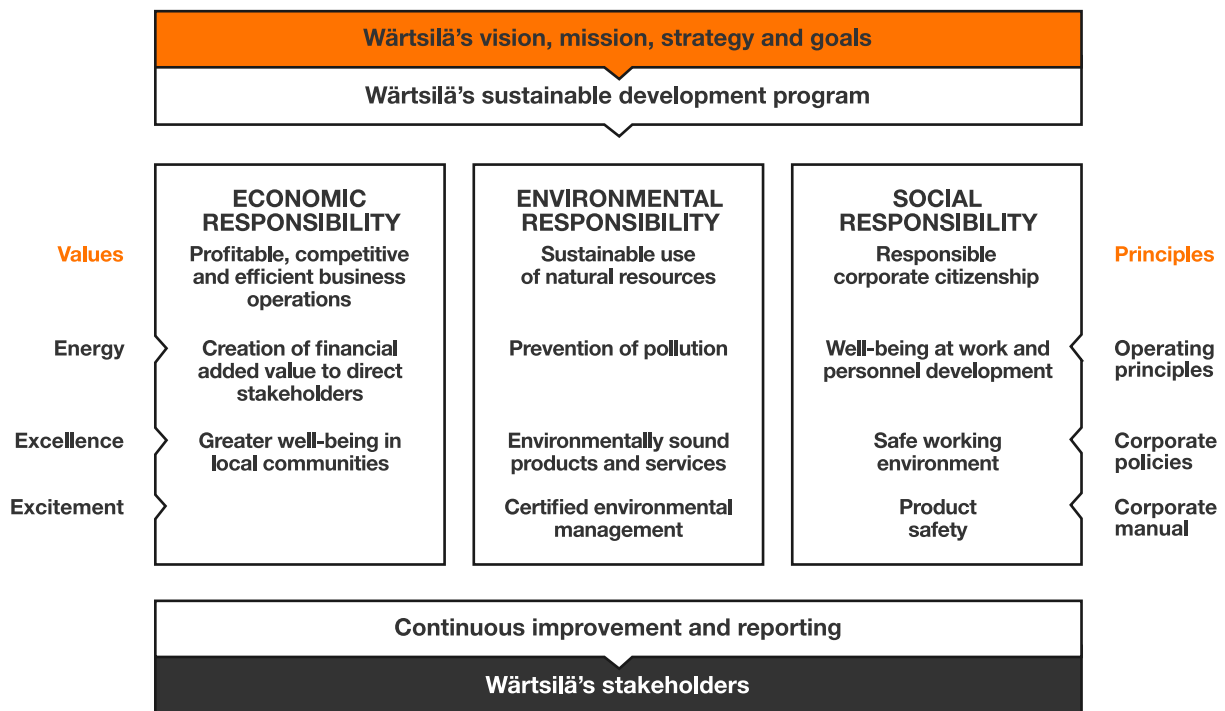
WÄRTSILÄ'S SUSTAINABILITY APPROACH

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, Smart Power Generation, gas as a fuel and environmental solutions, all of which contribute to a more sustainable future in both the energy and the shipping industry.

Our strength is our technological leadership and therefore technology plays a central role in our sustainability work. The Power Plants and Ship Power 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 annual basis. Based on the current assessment, the sustainability risks are considered to be at a low 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

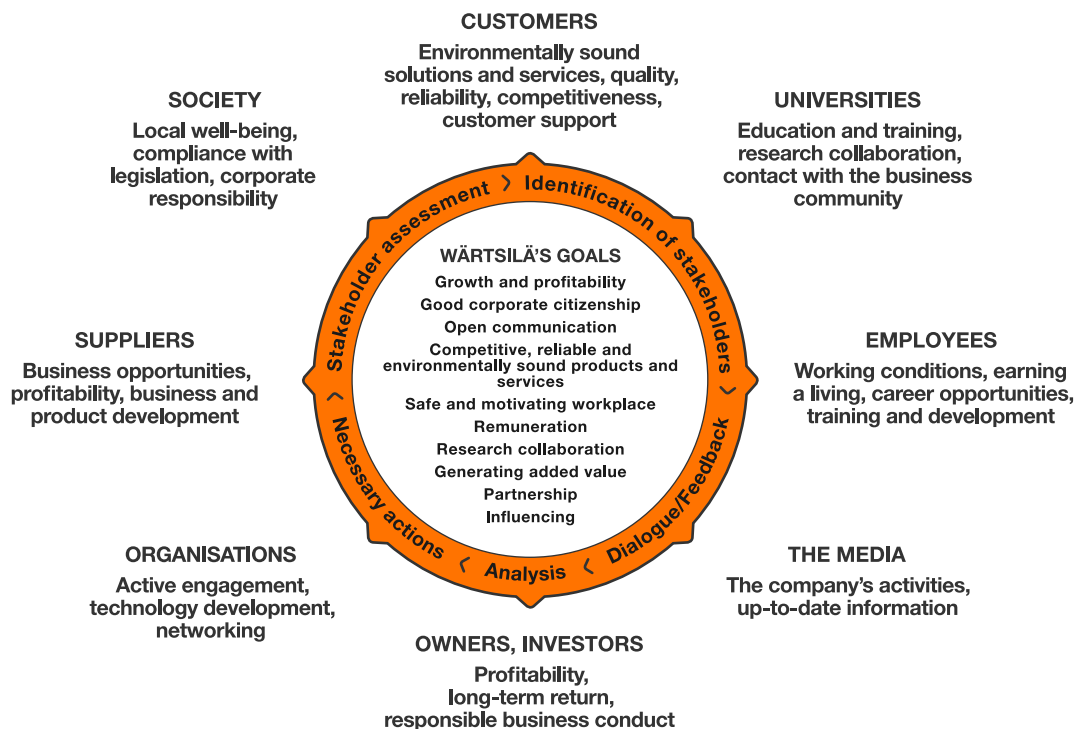
- Environment: environmentally sound products and services
- Social: responsible business conduct

The other core areas of sustainability are 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. Wärtsilä continuously works to enhance its reporting performance, both on its own initiative and in response to feedback from its stakeholders.

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 Ship Power and Power Plants businesses arranged or participated in some 195 industry-related events globally during 2014, 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.

The HERCULES programme and CLEEN – Cluster for Energy and the Environment

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. In sharing a joint vision, the two major low- and medium-speed engine manufacturers, Wärtsilä and MAN Diesel & Turbo, have been collaborating with universities, research institutions, and other industrial partners to develop new technologies for marine engines. In the third phase that started in 2012, the HERCULES-C project took marine engine technology a step further towards improved sustainability in energy production and total energy economy. This has been achieved through extensive integration of the new technologies developed in the first two phases, HERCULES-A and HERCULES-B. This challenge was addressed by adopting a combined approach for engine thermal process optimisation, systems integration, engine reliability, and extended lifetime. The particular objectives were:

- Further substantial reductions in fuel consumption, while optimising power production and usage
- Near-zero emissions
- Maintaining the technical performance of engines throughout their operational lifetime

HERCULES-C comprised 47 sub-projects under 10 work packages, involving the complete spectrum of marine diesel engine technology. It was running for three years, from 2012 to 2014, with a total budget of EUR 17 million. The project was made possible by a EUR 9.4 million funding through the European Commission Framework Programme 7. Wärtsilä has, together with the main Hercules consortium partners, been preparing for a continuation of the research programme within the EU's Horizon 2020 framework. The aim of the work is to ensure joint pan-European long-term research using marine technology solutions to maintain and enhance the competitive advantage of the key European industrial players in the field.

CLEEN Ltd. maintains and develops a world-class open innovation platform for market-driven joint research between industry and academia, and is part of SHOK (Strategic Centres for Science, Technology and Innovation). Wärtsilä participated in the Future Combustion Engine Power Plant (FCEP) research programme under CLEEN, which was started on 1 January 2010 and ended in February 2014. The programme, which had an overall budget of EUR 37.8 million and 17 partners, focused on research topics and development efforts in the areas of reciprocating engine technologies and related power plant technologies. During 2014, CLEEN renewed its strategic research agenda (SRA), and Wärtsilä actively participated in that work. The SRA work led to the identification of strategically important future research aspects

in the areas of energy and cleantech under 4 designated themes. New, large research programmes with a high level of technical and scientific expertise are under preparation based on this work.

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 development, supplier management system, Supplier Days, Supplier Award	Supplier assessments (Continual)
Society	Reporting to, and co-operation with, public officials on issues such as the environment and occupational health & 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, e.g. 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 2014, 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.

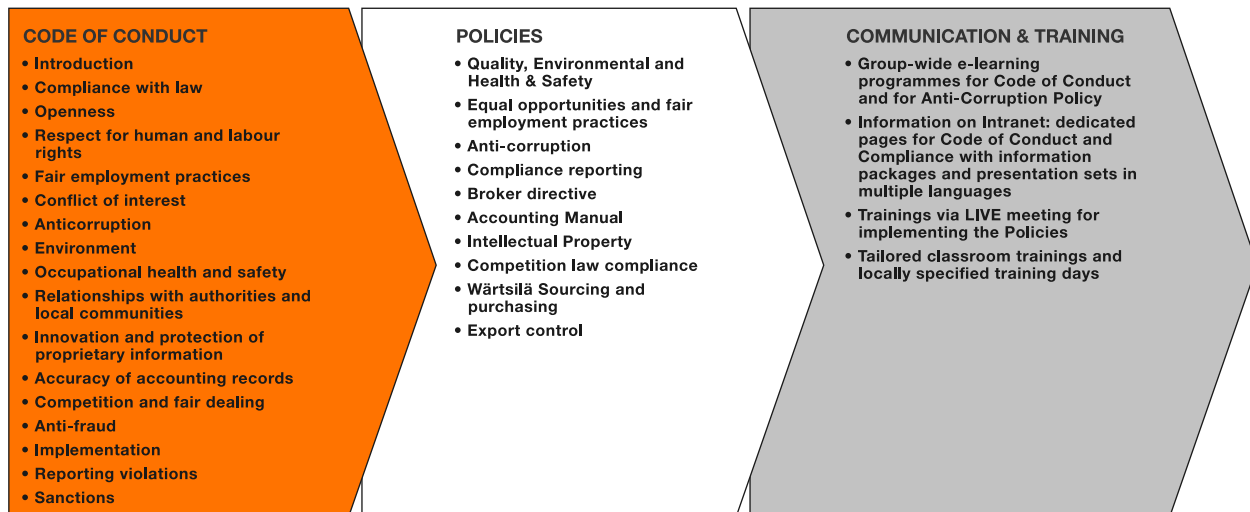
Stakeholder	Organisation	Nature of activity
Interest groups	Association for Finnish Work, Confederation of Finnish Industries (EK), Finland Chamber of Commerce (ICC Finland), The Federation of Finnish Technology Industries	Membership and participation in activities.
Industrial organisations	Association 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	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).
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.

SUSTAINABILITY MANAGEMENT

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. The Corporate Manual includes, in addition to those mentioned above, other policies and directives, a description of the company's operating procedures, responsibilities and the management system structure. Wärtsilä's governance and risk management principles, as well as the main sustainability risks, are described in the [Governance section](#).

GUIDING PRINCIPLES

Wärtsilä's Corporate Manual gives a brief description of the Wärtsilä way of working and contains the core policies, guidelines and instructions that are applicable to the entire Wärtsilä Group. These policies complement the Code of Conduct which sets out, among other things, the requirement to maintain the highest legal and ethical standards in the Wärtsilä business practices.



Voluntary commitments

Wärtsilä participates in the Sustainable Shipping Initiative and the UN Global Compact initiative. In 2014, Wärtsilä signed the Diversity Charter of the Finnish Corporate Responsibility Network FIBS. 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.

WÄRTSILÄ QUALITY, ENVIRONMENTAL AND HEALTH & SAFETY POLICY

We provide lifecycle power solutions and services which meet or exceed our customers' and other stakeholders' expectations being:

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

We continually improve our performance and reduce adverse environmental impact, through objectives set by management, to satisfy our customers and other stakeholders.

Our business premises provide a safe and healthy working environment for our employees and partners.

Our skilled organisation acts as a responsible global citizen.

Approved by Wärtsilä Board of Management 15 March, 2012.

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 labor 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, color, 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 awards 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 sixteen 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 training 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 corporate level 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 EHS Management Team	Environmental, health and safety (EHS)	Overall responsibility for Wärtsilä EHS, EHS management system development, corporate level overall responsibility for Wärtsilä quality measuring and target setting and monitoring of legislation developments.

Management systems

Proportion of Wärtsilä companies with certification	
ISO 9001	82%
ISO 14001	68%
ISO 18001	65%

GRI G4 material aspects

Material Aspect	Guiding principles	Roles and Responsibilities	Management approach	Goals
Environmental impacts of Wärtsilä's products and services	Strategy Code of Conduct QEHS Policy	Corporate Governance	Environmental management Product Design Principles	Sustainability targets
Compliance with laws and regulations	Strategy Code of Conduct QEHS Policy	Corporate Governance	Responsible business conduct Supply chain management	Sustainability targets
Economic impacts to stakeholders	Strategy Code of Conduct	Corporate Governance	Responsible business conduct	Sustainability targets
Personnel skills and development	Strategy Code of Conduct Employee practices	Corporate Governance	People Management	Sustainability targets
Anti-corruption and -bribery	Strategy Code of Conduct	Corporate Governance	Responsible business conduct Supply chain management	Sustainability targets
Occupational health and safety	Strategy Code of Conduct QEHS Policy	Corporate Governance	Occupational health and Safety management Product design principles Supply chain management	Sustainability targets

PEOPLE MANAGEMENT IN 2014

The main goal of Wärtsilä's People Strategy is to support the group business strategies and to bring them alive by developing Wärtsilä's organisation and competencies to meet the business needs. The key focus areas of the strategy continues to be further development of leadership and leadership culture in the company as well as a high-performance culture throughout the organisation by promoting true employee engagement through a culture of open communication, integrity and innovation and finally by ensuring that the businesses have the requisite resources and skilled and motivated people at their disposal. This means supporting implementation of changes in the organisation, continuous competence development and stronger performance management focus with quality in target setting, proper and regular feedback, evaluation of overall performance and recognition of strong performance.

Wärtsilä Human Resources continued to develop its common people management processes and tools and common ways of working across national and organisational boundaries. Strong focus and effort has been made to further develop managerial skills in people management by rolling out Management Focus, a modular training programme for all line managers. Close to 100% of all line managers have participated in these training modules during the last two years. In 2014, a Rewarding module was added to the Management Focus training content. Wärtsilä Human Resources has continued to invest in technologies and tools that enable quick access to online reports, employee information and annual compensation planning both local and multi country teams.

Diversity initiative

Wärtsilä continued to work on diversity during 2014. 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.

Since the Diversity Initiative was initiated, awareness of diversity-related questions has risen. Follow-up analysis shows that overall feedback towards the initiative is positive, and diversity has become a key topic for Wärtsilä. The Diversity Forum will continue developing actions both on global and local levels internally and externally, to work towards a more diverse and balanced corporation.

In 2014, Wärtsilä signed FIBS' Diversity Charter. The Corporate Responsibility Network FIBS is a non-profit Finnish organisation that helps companies promote financially, socially and ecologically sustainable business. By signing the Charter, Wärtsilä promises to offer equal career opportunities, recognise and utilise everyone's competences and practice fair and transparent management. As a member of the FIBS network, we can learn from others, have dialogue across and with other organisations and share also our own experiences with them.

Performance management

The performance management process supports Wärtsilä in reaching its business targets by translating business strategies to 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. As part of the performance management process, each employee has a proper performance evaluation based on their overall job performance. Overall performance evaluation is one of the inputs for the compensation decisions following 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 the managers 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 carried out during 2014. The number of managerial training days is followed regularly as one of the HR KPIs.

Continuous development of 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 2015 as well.

Wärtsilä HR organisation created Leading Change intranet pages including supporting materials for all leading change in the organisation.

Learning at work, self-learning, mentoring, coaching, job rotation and assignments designed to enable the 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 the training courses for the company's top executives. Wärtsilä employees attended 73,847 training days in total which gives 4.2 training days per employee on average. Many of the training programmes are tailored to the specific strategic competence development needs of the businesses.

Engagement

In October 2014, Wärtsilä launched 3 Big Ideas communication for all employees. 3 Big Ideas promote the importance of Entrepreneurial Drive, Customer Centricity and Passion for doing right as core elements of our company culture. The positive trend in development discussion compliance has continued. The average coverage of annual development discussions was 92% globally. Strengthening engagement through active strategy communication and dialogue has been a main target for all Wärtsilä entities.

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.

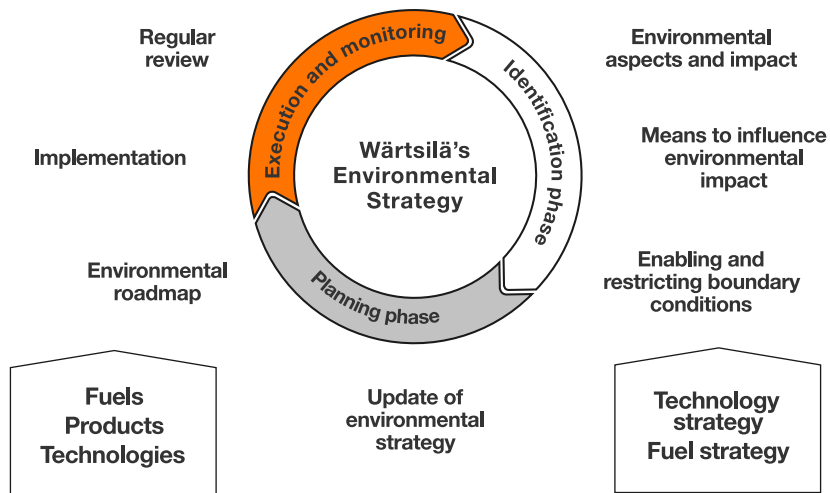
To continually improve environmental performance within the company's operations requires the organisation to constantly work in a systematic way. This work is guided by our strategy and its environmental targets, the Code of Conduct and the company's policies relating to Quality, Environmental, Health and Safety, and it is co-ordinated and monitored by the EHS 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.

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.

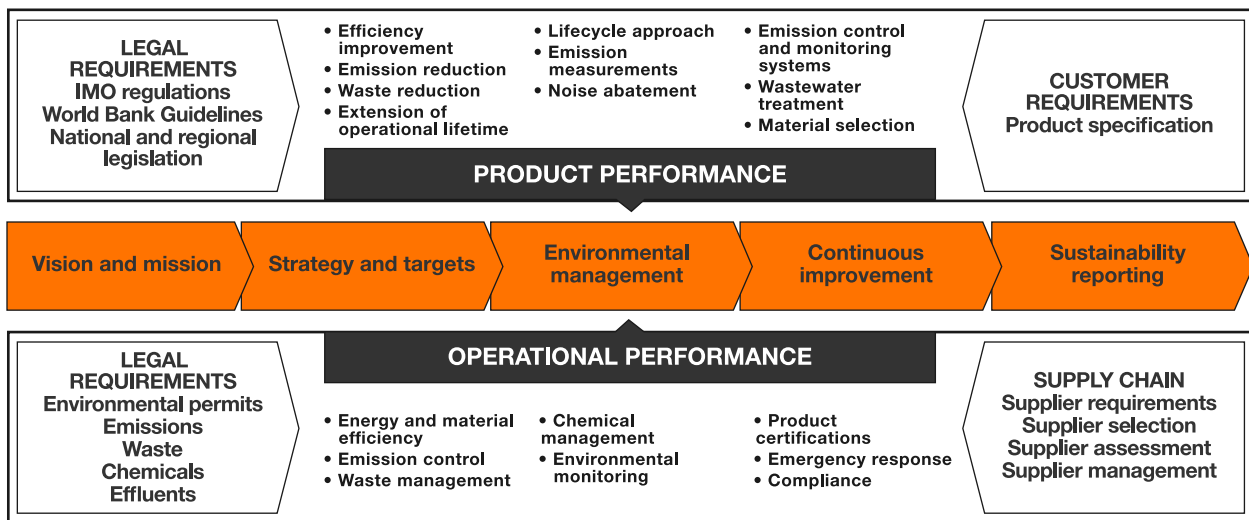
Wärtsilä continuously develops and improves its operations and products with the help of certified environmental management systems. Our principle is to apply the certified EHS (Environmental, Health and Safety) management systems based on ISO 14001 and OHSAS 18001 in all Group companies, excluding those 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 2014, 50 Wärtsilä companies operated with a certified environmental management system. These certified environmental management systems cover roughly 91% 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 use 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 coverage of OHSAS 18001 certifications in Wärtsilä subsidiaries increased during 2014. At the end of 2014, 48 Wärtsilä companies operated with a certified occupational health and safety management system. These certified occupational health and safety management systems cover roughly 81% of Wärtsilä's total workforce.

In addition to the management system, 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.

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 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 in the Board of Management.

As a main proactive action in 2014, Wärtsilä introduced WeCare, a global software for reporting and investigating near misses, hazards and accidents. The new reporting approach was successfully implemented in local subsidiaries. A total of 5,077 incidents were reported into the WeCare system in 2014, of which 86% represented proactive near miss or hazard observations. Over 2,800 Wärtsilä employees took part in the process of reporting, investigation and action handling through WeCare, which indicates a good acceptance and communication of the new system. As a final result, incident investigations resulted in 3,342 different improvement actions completed within Wärtsilä.

In 2014, Wärtsilä has continued the global Zero Injury training programme comprised of 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 various countries. Over 1,200 employees completed the e-learning and over 2,000 the practical training during 2014. Since the implementation period started in 2012, a total of 8,200 employees have now completed the e-learning and 3,100 employees the practical training.

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 122 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). 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. Wärtsilä is unaware of any cases of breach of human rights, discrimination, infringements of rights at work or the use of forced or child labour.

Human and Labour rights are part of Wärtsilä Code of Conduct training material and also Wärtsilä Supplier Handbook. At the end of 2014, 95% 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 to reporting 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 corporate 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 instructions for Wärtsilä's internal procedures. As before, Wärtsilä arranged a number of competition law training seminars in 2014 for the relevant personnel in order to further promote knowledge of competition laws and thus ascertain full compliance with them.

Security management

Wärtsilä has a corporate security policy and different 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 and Legal and Finance and Control and security professionals. Security management in Wärtsilä is divided into four specific security areas: personnel, premises (physical), information and automation security. Operational security management in these areas is conducted on the business and local level.

Through its network companies Wärtsilä has C-TPAT and AEO certifications for supply chain security management. Wärtsilä deploys security professionals who are members of ASIS International and CSO Roundtable.

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 create added value for suppliers through the knowledge and development support we offer them, and at the same time Wärtsilä gains from the supplier competence. Successful relationships can also help a local supplier to expand internationally by becoming a part of our

global supply chain. Wärtsilä has more than 3,700 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 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. Wärtsilä controls regularly that suppliers comply with these requirements by using performance indicators and 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 supplier selection, conformance with requirements and performance reviews.

Wärtsilä assesses and manages its 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 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.

Wärtsilä has implemented measures to regularly track its suppliers' performance. As part of the supplier evaluation, Wärtsilä conducts a rating based upon Wärtsilä's supplier requirements. This rating includes an evaluation of compliance with Wärtsilä's sustainability requirements related to legal compliance, environmental, occupational health and safety management and social performance, including responsible business conduct. This rating is a result of pre-qualification questionnaires and conducted audits.

Based on this rating, the suppliers can be approved, approved with limitations or remarks, or banned. During 2014, 222 suppliers with no valid assessment were rated, and 95 suppliers received a renewal of their rating. By the end of 2014, Wärtsilä has rated 657 of its key suppliers (1,219 overall), and this covers 95% of the total spent on Wärtsilä Supply Management supplies.

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 2014, two suppliers were banned because of non-compliance with Wärtsilä's requirements for environmental, health and occupational safety management, or through non-compliance with legislation.

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	2014	2013	2012	2011	2010
Customers					
Net sales	4 779	4 654	4 725	4 209	4 553
Suppliers					
Cost of goods, materials and services purchased	3 066	2 901	3 007	2 694	2 927
Value added	1 713	1 753	1 717	1 514	1 626
Distribution of value added					
Distributed to stakeholders	1 475	1 443	1 432	1 286	1 384
Employees					
Wages and salaries	906	903	887	770	773
Public sector					
Taxes and social dues	313	314	317	322	326
Creditors					
Net financial items	-28	-19	-30	-16	-13
Shareholder					
Dividends	227	207	197	178	271
Communities					
Donations given	1	1	1	1	1
For business development	239	310	285	228	242
Customers	2014	2013	2012	2011	2010
Net sales (MEUR)	4 779	4 654	4 725	4 209	4 553
Net sales by market area (MEUR)					
Europe	1 402	1 329	1 202	1 249	1 266
Asia	1 989	1 759	2 009	1 594	1 754
Americas	840	1 068	994	845	1 034
Africa	398	405	398	443	390
Other	150	93	122	77	109
Suppliers					
Cost of goods, materials and services purchased (MEUR)	3 066	2 901	3 007	2 694	2 927
Employees					
Salaries and wages (MEUR)	906	903	887	770	773
Salaries and wages by market area (MEUR)					
Europe	637	649	631	552	565
Asia	144	138	145	119	111
Americas	99	91	91	80	78
Africa	18	14	12	11	12
Other	8	10	8	7	6
Net sales / employee (TEUR)	265	248	250	238	253
Public sector					
Taxes and social dues (MEUR)	313	314	317	322	326
Taxes and social costs by market area (MEUR)					
Europe	220	232	234	240	253
Asia	42	34	39	41	35
Americas	37	39	36	38	31
Africa	12	8	6	2	5
Other	2	2	2	1	2
Subsidies received (TEUR)	11 486	6 331	5 543	8 263	7 406
Net financial items (MEUR)	-28	-19	-30	-16	-13
Community					
Donations given, Board of Directors (TEUR)	110	111	104	60	670

Donations given, Wärtsilä companies (TEUR)	608	609	456	940	421
--	-----	-----	-----	-----	-----

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. We also advise and support our customers in utilising the Kyoto Protocol's Flexibility Mechanisms (JI and CDM) in their power plant projects. More information about Wärtsilä's solutions for climate change can be found in the Environmental Performance section. 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 the Netherlands, Switzerland and the United Kingdom. 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)	2014	2013	2012	2011	2010
	11 486	6 331	5 543	8 263	7 406

The value of the subsidies received in 2014 was 11.486 MEUR and they were among others related to R&D projects. The most contributing countries in 2014 were Norway, Finland, Spain and Italy.

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, 77% of Wärtsilä's senior management is locally hired, i.e. 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 & 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 2014, the total material usage was 88,736 tons (91,720). The major material groups were various metals 74% (76), sand 19% (18) and various chemicals 6% (4).

Materials	2014	2013	2012	2011	2010
Total material usage (t)	88 736	91 720	99 570	98 142	100 896
Metals (t)	65 363	69 991	70 323	65 263	69 194
Sand (t)	16 445	16 537	21 279	23 072	20 739
Chemicals (t)	5 447	3 865	6 730	7 963	8 500
Others (t)	1 481	1 327	1 238	1 844	2 462

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 2014 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	2014	2013	2012	2011	2010
Total energy consumption (TJ)	1 475	1 613	1 691	1 735	1 916
Electricity consumption (MWh)	140 713	143 833	143 810	145 078	149 047
Purchased electricity (MWh)	131 896	136 098	125 761	129 885	131 562
Generated electricity (MWh)	8 817	7 735	18 007	15 109	17 485
Sold electricity (MWh)	25 548	23 527	22 568	36 893	39 958
Heat consumption (MWh)	25 073	29 077	27 910	31 805	41 401
Light fuel oil (t)	4 461	4 765	5 096	3 409	3 623
Heavy fuel oils (t)	3 579	3 755	5 920	7 652	9 020
Natural gas (t)	8 721	9 806	9 767	10 486	12 347
Other fuels (t)	3 348	4 214	4 025	4 173	3 729

Energy intensity (G4-EN5)

Energy	2014	2013	2012	2011	2010
Total energy consumption (TJ)/ Net sales	0.319	0.354	0.406	0.417	0.423

Reduction of energy consumption (G4-EN6)

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 2014 energy savings of 37.5 GWh have been reached.

Energy savings	2014	2013	2012	2011	2010
Annual energy savings	1.9 GWh	15.7 GWh	7.5 GWh	5.9 GWh	6.5 GWh
Cumulative energy savings	37.5 GWh	35.6 GWh	19.9 GWh	12.4 GWh	6.5 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 2014 about 91% was seawater for cooling purposes, about 9% was from municipal water supplies, about 0.17% was directly withdrawn groundwater, and about 0.06% was waste-water re-used from another organisation.

Water	2014	2013	2012	2011	2010
Total water consumption (1 000 m ³)	7 774	7 534	9 546	9 775	10 292
Consumption of domestic water (1 000 m ³)	683	744	799	830	840
Consumption of cooling water (1 000 m ³)	7 091	6 790	8 747	8 945	9 452

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 223,383 m³ of water in 2014 by running it through a water treatment plant and reusing the cleaned water in production processes. The amount corresponds to roughly 77% of Wärtsilä Italia's water consumption and 3% of Wärtsilä's total water consumption in 2014. 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 2014, the calculated secondary CO₂ emissions were 55,989 tons (57,040) (from purchased electricity and heat) and the CO₂ emissions from flights totalled 39,619 tons (40,596).

GHG emissions	2014	2013	2012	2011	2010
Emissions of carbon dioxide (t) (direct) (SCOPE 1)	57 477	59 631	63 762	68 897	80 234
Emissions of carbon dioxide (t) (indirect) (SCOPE 2)	55 989	57 040	54 011	56 610	58 002
Emissions of carbon dioxide (t) (indirect - flights) (SCOPE 3)	39 619	40 596	39 033	37 459	35 060
GHG emissions intensity (all)	33.10	34.50	37.70	39.10	38.30

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: Lync instant messaging, which enables live chats between two people or more; Lync meetings allowing multi-person meetings from personal computers, in which presentation material can be shared and the Telepresence videoconferencing system. In Wärtsilä Lync and Telepresence are in everyday use. Approximately 3,000 Lync-meetings are arranged daily, and there are 39 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	2014	2013	2012	2011	2010
Emissions of nitrogen oxides (t)	519	549	697	765	826
Emissions of sulphur oxides (t)	76	91	145	265	277
Emissions of total hydrocarbons (t)	87	130	180	166	211
Particulates (t)	9	10	13	20	19
Emissions of VOC (t)	40	49	51	58	61

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 2014, the total amount of water discharge was 7,728,835 m³.

2014 water discharge	Municipal sewer	Sea	River	Ground
Amount (m ³)	301 623	7 054 481	372 291	440
% 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	2014	2013	2012	2011	2010
Total waste (t)	46 829	44 741	62 517	85 153	43 566
Non-hazardous waste (t)	39 409	33 623	39 512	42 865	38 391
Hazardous waste (t)	7 420	11 118	23 005	42 288	5 175
Waste for landfills (t)	9 621	16 875	21 988	27 808	21 682
Waste for recycling (t)	27 328	14 622	15 423	12 444	14 221
Waste for incineration (t)	2 460	2 125	2 101	2 614	2 542
Hazardous waste for landfills (t)	2 504	6 360	17 376	38 054	1 127
Hazardous waste for recycling (t)	3 792	2 796	3 200	2 082	2 161
Hazardous waste for incineration (t)	1 124	1 963	2 429	2 152	1 887

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 environmental sound solutions and services that enable our customers to develop their business in sustainable way. The value of sustainable innovation is delivered across 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.

Read more:

- [Engine efficiency](#)
- [The value of sustainable innovations](#)
- [Sustainability targets](#)
- [Biogas cuts Oslo's emissions](#)

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 whole value chain and ultimately for the environment.

Expenditures	2014	2013	2012	2011	2010
R&D costs (MEUR)	139	185	188	162	141
Environmental costs					
Environmental capital expenditures (MEUR)	1.9	0.6	0.8	0.9	2.9
Environmental operating expenditures (MEUR)	4.8	5.1	6.3	6.1	5.5

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 2014 (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. The reductions will impact all businesses and support functions. With these actions Wärtsilä seeks annual savings of EUR 60 million. The planned 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.

In July 2014 Wärtsilä and China State Shipbuilding Corporation (CSSC) signed an agreement to establish a joint venture for manufacturing medium and large bore medium speed diesel and dual-fuel engines. The CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory will be located in Lingang, Shanghai.

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 head office of the JV will be at Wärtsilä's present 2-stroke engine headquarters in Winterthur, Switzerland. CSSC will become the owner of 70% of the business and Wärtsilä will hold a 30% ownership position. Responsibility for servicing Wärtsilä 2-stroke engines will remain 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 intention is to have the JV established and fully operationally effective within Q1/2015 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. L-3 Marine Systems International (L-3 MSI) is a business sector within L-3's Electronic Systems business segment primarily focused on the commercial ship industry. The acquisition is expected to be closed during the second quarter of 2015. Headquartered in Hamburg, Germany, L-3 MSI currently has more than 1,700 employees in 38 locations in 14 countries. The company is well regarded internationally for its technology and systems integration capabilities. Wärtsilä foresees that the new unit will be able to capture new market opportunities and improve operational efficiency for its customers, thereby increasing both the sales and profitability of the business.

Employment

Personnel in 2014 (G4-10, G4-11, G4-LA1, G4-LA12)

In addition to direct employment, Wärtsilä employed also indirectly an external workforce totalling 3,291 man-years in subcontracting at its factories and units. The units located in Finland had a total personnel of 3,441 employees.

All in all, 2,342 employees left and 1,713 joined Wärtsilä globally during 2014 for different reasons. Wärtsilä had 17,717 employees at the end of 2014 (18,663).

Personnel	2014	2013	2012	2011	2010
Number of employees at the end of the year	17 717	18 663	18 887	17 913	17 528
Personnel by business					
Services	10 692	10 785	11 163	11 168	11 150
Ship Power	5 603	3 612	2 139	999	969
Power Plants	978	1 053	932	855	835
PowerTech	*	2 449	3 811	4 091	4 210
Other	444	764	842	800	364
Personnel by market area					
Europe	9 633	10 507	10 490	9 813	9 790
Asia	5 477	5 628	6 084	5 830	5 503
Americas	1 840				
Africa	676	563	533	484	443
Other	91	89	87	86	92
Average age of employees	40.2	39.7	39.4	38.8	38.9
Permanent employees (%)	88	88	88	88	90
Temporary employees (%)	12	12	12	12	10
Full-time employees (%)	98	97	97	97	97
Part-time employees (%)	2	3	3	3	3
Employee turnover (resigned) (%)	6.2	7.7	6.9	8.6	9.8
Net employment creation	-283	-477	-416	-191	-814

*PowerTech was merged into Ship Power in 2014

Number of employees by employment contract and gender in 2014

	Permanent	Temporary
Total	15 573	2 144
Male	13 342	1 851
Female	2 231	293

Permanent employees by employment contract type and gender in 2014

	Full-time	Part-time
Total	15 293	280
Male	13 239	109
Female	2054	171

Total workforce by employees and supervised workers and by gender in 2014*

	Employees	Supervised workers
Total	17 717	615
Male	15 206	521
Female	2511	94

* Total workforce includes Wärtsilä employees and supervised external employees.

Total workforce by market area in 2014*

Europe	
Male	8 363

	Female	1 657
Asia	Male	5 015
	Female	592
Americas	Male	1 605
	Female	267
Africa	Male	657
	Female	81
Other	Male	87
	Female	8

* Total workforce includes Wärtsilä employees and supervised external employees.

New employee hires in 2014		Employees	Rate (%)
	Total	1 713	9.2
Gender	Male	1 437	9.0
	Female	276	10.2
Age group	< 30 years	725	22.9
	30 - 50	864	7.4
	> 50 years	124	3.3
Market area	Europe	671	6.4
	Asia	631	11.0
	Americas	279	15.5
	Africa	108	18.5
	Other	24	26.4

Employee turnover (resigned) in 2014		Employees	Rate (%)
	Total	997	6.2
Gender	Male	833	6.1
	Female	164	6.8
Age group	< 30 years	214	10.3
	30 - 50	604	6.0
	> 50 years	179	5.1
Market area	Europe	490	5.0
	Asia	370	9.3
	Americas	101	6.3
	Africa	21	4.8
	Other	15	17.2

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 90% 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 2014, with a lost time frequency index of 20% 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 three Wärtsilä employees and two subcontractors' employees lost their lives in four different fatal accidents during year 2014. All casualties were male gender, and regional distribution of the fatalities were: one fatality in Asia region, two fatalities in Americas region and two fatalities in Africa region.

A Wärtsilä employee had a fatal road accident in Malaysia while driving to attend a customer's vessel at the harbour. Accident has been investigated and corrective actions implemented.

Two Wärtsilä employees lost their lives when attending a customer's vessel in Caribbean and a fire broke out in the engine room. This incident is under investigation by authorities and Wärtsilä.

Two subcontractors' employees lost their lives in two different accidents which took place in a power plants construction project in Mauritania. In the first accident, a driver got crushed inside the truck cabin when a structural beam of the truck broke and the dumper collapsed on the cabin. Second fatality occurred when employee fell down eight meters due to collapsing scaffolding. These accidents have been investigated and corrective actions implemented.

Injuries	2014	2013	2012	2011	2010
Total number of injuries	510	730	742	987	971
Number of lost time injuries resulting in at least 1 day absence, total	168	199	238	267	333
Number of lost time injuries - work-related	130	162	194	221	274
Number of lost time injuries - commuting	38	37	44	46	59
Lost time injuries / million working hours	3.5	4.4	5.5	6.3	7.8
Absence rate					
Absence due to illness (% of total working hours)	2.0	2.1	2.0	2.1	2.3
Absence due to lost time injury (% of total working hours)	0.1	0.1	0.1	0.1	0.2
Absence due to occupational diseases (% of total working hours)	0.0	0.0	0.0	0.0	0.0
Fatalities					
Number of fatalities, total	5	1	0	1	1
Employees	3	1	0	1	0
Contractors	2	0	0	0	1

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 average training days in 2014 for male employees were 4.3 and for female employees were 3.5.

Training days/ employee	2014	2013	2012	2011	2010
All employees	4.2	4.1	3.4	3.0	3.1
Managers and superiors	5.1	4.6	3.3	3.4	3.2
Other white-collar employees	3.5	4.1	3.9	2.5	2.9
Blue-collar employees	4.4	3.6	3.0	3.4	3.3

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	2014	2013	2012	2011	2010
Coverage %	92	91	84	89	72

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	2014	2013	2012	2011	2010
Male/female ratio (%)	86/14	85/15	84/16	86/14	86/14
Executive positions globally: male/female ratio (%)	90/10	90/10	90/9	90/10	90/10
Regional diversity					
Number of nationalities	122	120	107	114	109

Product and Service Labelling

Results of surveys measuring customer satisfaction (G4-PR5)

To put our customers' interest always first, Wärtsilä uses an integrated customer feedback process. Wärtsilä's aim is to achieve excellent long-term customer relationships by understanding the domain in which our customers operate. While challenges may arise in our kind of business, by carefully listening to our customers, taking a pro-active approach, and addressing their needs, relationships will develop.

Our customers provide us with important feedback during project deliveries, as well as during the operation of their installations. To ensure that we meet our customers' expectations, their feedback is systematically reviewed and the needed actions are taken accordingly, at both the operative and management levels. In addition, Wärtsilä collects feedback during different events, activities and interactions with our customers.

Customer satisfaction	2014	2013	2012	2011	2010
Ship Power	8.0	8.2	8.1	8.1	7.6

Services	8.5	8.5	8.4	8.3	7.9
Power Plants	8.7	8.5	8.5	8.4	8.3
Sample	4 225	3 911	3 022	2 188	1 933

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 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 the local environmental legislation. The operations of Wärtsilä's manufacturing companies require a valid environmental permit. Wärtsilä companies have the required environmental permits, 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 cover incidents in which the Wärtsilä company concerned has usually been obliged to report the disturbance to the authorities.

The main environmental disturbances that occurred in Wärtsilä's business locations in 2014 were 10 oil spills and a soot spill. All the disturbances were investigated and appropriate corrective actions were taken in each case to minimise the impact on the environment. There was also a complaint made by occupants of neighbouring property related to noise. The complaint was investigated and the sound levels promptly normalised.

Cases of non-compliance (G4-EN29)

Wärtsilä UK Ltd. had a case of plumbing failing to meet the standards of water supply regulations. The plumbing was promptly rectified to reach compliance with the standards.

Disturbances, complaints and non-compliances	2014	2013	2012	2011	2010
Environmental					
Disturbances	11	5	3	6	8
Non-compliances	1	2	2	6	3
Complaints	1	1	7	5	5
Social					
Non-compliances	1	4	3	4	2

Fines of non-compliance cases (EUR)	9 824	9 787	45 079	7 869	26 157
-------------------------------------	-------	-------	--------	-------	--------

Non-compliance cases presented in previous reports

Wärtsilä de Mexico S.A. arranged the Environmental Impact Statement required to operate in the protected natural area of Cd. Del Carmen.

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 122 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). 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. Wärtsilä is unaware of any cases of breach of human rights, discrimination, infringements of rights at work or the use of forced or child labour. During the reporting period the following misconduct was realised:

Wärtsilä Korea Ltd. was charged a penalty fee of EUR 9,824 for not fulfilling its legal obligation to hire disabled persons covering a minimum of 5% of the total headcount. The company has mainly hired blue collar employees, which limits the suitable job offerings to disabled persons.

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 for aggravated giving of bribe (corporate criminal liability), for which prosecution demanded that Wärtsilä Finland Oy be ordered to pay a corporate fine. Both the senior manager and Wärtsilä Finland 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 condemned the former senior manager to prison on probation for a period of 1 year 6 months on account 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 the former senior manager and Wärtsilä Finland Oy. The Court of Appeal ordered the Finnish State to reimburse Wärtsilä Finland Oy and the former senior manager for their legal costs. In June 2014, prosecution submitted a petition for leave to appeal to the Supreme Court. The Supreme Court has not yet given its decision to the petition.

Political lobbying (G4-SO6)

During 2014, Wärtsilä did not make any contributions to political parties.

Competition regulation (G4-SO7)

As before, Wärtsilä arranged a number of competition law training seminars in 2014 for the relevant personnel in order to further promote knowledge of competition laws and thus ascertain full compliance with them.

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 video conferencing. Site assurance was carried out in Wärtsilä Finland in Vaasa, Finland. Wärtsilä-CME Zhenjiang Propeller CO, Wärtsilä Brasil, Wärtsilä Suzhou, Wärtsilä Pumps and Wärtsilä Svanehøj were assessed through video conferencing.

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

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 Relations

Minna Kröger Manager, Corporate 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 2014 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.

During the autumn of 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 were 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 disclosures 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 Projects Oy
 Wärtsilä Solutions Oy
 Antigua Energy Operators Ltd
 Wärtsilä Operations Guyana Inc.
 Wärtsilä Yuchai Engine Co. Ltd.
 Wärtsilä Egypt Power S.A.E
 Wärtsilä Tanzania 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

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	94	93	79	92	93
Social	100	93	79	92	93

Operational data, % of personnel

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	98	99	94	98	98
Social	100	99	94	98	98

Operational data, % of product manufacturing

	2014	2013	2012	2011	2010
Economic	100	100	100	100	100
Environmental	100	99	93	100	100
Social	100	99	93	100	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. Performance data 2014 covers continuing operations following the financial accounting rules. Historical data covers all entities that were part of 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 2014.

Subsidies: The data of this indicator included all Wärtsilä subsidiaries and the parent company in 2014.

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 2014 this covered 466 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. 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. Lower heat values (LHVs) of fuels are used to calculate the energy consumption in Joules. LHVs are based on results of fuel analysis.

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 net sales of the subsidiaries included in the data gathering in particular year.

GHG emissions intensity describes the ratio of total greenhouse gas emissions divided by the net sales of the subsidiaries included in the data gathering in 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's) 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 hazards: As such are considered major incidents, which generally require communication to local authorities.

Social performance data

Injuries: The reported figures include all types of reported cases other than lost time injuries.

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

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

Employee turnover is calculated from permanent employees. The number of resigned permanent employees is divided by the headcount 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 2014 from the reporting period 1.1.–31.12.2014.

The sustainability information subject to the limited assurance engagement (hereafter: the Sustainability Information) is included in various sections of Wärtsilä Annual Report 2014 and in the separate document "Improving efficiency reduction of emissions" found on Wärtsilä web-pages. The sections and documents subject to the engagement are listed in the Global Reporting Initiative (GRI) Index.

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* comprehensive level.

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 Finnish Institute of Authorised Public Accountants' Standard 3000 *Assurance Engagements other than Audits or Review of Historical Financial Information*. 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 2014 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* comprehensive

level 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 data management processes, information systems and working methods used at the Head Office 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 site visit and five 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* comprehensive level in all material respects.

Helsinki, 10. February 2015

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	External assurance	UNGC
G4-1 CEO's statement	CEO review		•	•
G4-2 Key impacts, risks and opportunities	Risks and risk management Corporate strategy Our targets Power Plants and sustainability Ship Power and sustainability Services and sustainability The value of sustainable innovation	See also business strategy sections	•	•

ORGANIZATIONAL PROFILE

GRI Content	Links	Remarks	External assurance	UNGC
G4-3 Name of the Organization	This is Wärtsilä		•	•
G4-4 Primary Brands, Products and Services	This is Wärtsilä Power Plants Ship Power Services		•	•
G4-5 Location of the Organization's Headquarters	Shares and shareholders	Helsinki, Finland	•	•
G4-6 Number of Countries where the Organization Operates	This is Wärtsilä Notes to the Consolidated financial statements	www.wartsila.com	•	•
G4-7 Nature of Ownership and Legal Form	Shares and shareholders		•	•
G4-8 Market areas	This is Wärtsilä Operating environment		•	•
G4-9 Scale of the Organization	This is Wärtsilä Shareholders Operating environment		•	•
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 2014.	•	•
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 focus		•	
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	External assurance	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	External assurance	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	External assurance	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		•	•
G4-33 Policy and Current Practice with Regard to Seeking External Assurance	Independent assurance report		•	•

GOVERNANCE

GRI Content	Links	Remarks	External assurance	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		•	•
G4-39 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	12 meetings in 2014.	•	•
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 2014		•	•
G4-52 Process for determining remuneration	Board committees Employee practices		•	•
G4-53 Stakeholders' views on remuneration	Salary and remuneration report 2014		•	•
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	External assurance	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	External assurance	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		●	●	

CATEGORY: ENVIRONMENTAL

GRI Content	Links	Remarks	External assurance	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	<u>Emissions</u>	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	<u>Emissions</u>		•	•	
EFFLUENTS AND WASTE					
G4-EN22 Total water discharge by quality and destination	<u>Effluents and waste</u>		•	•	
G4-EN23 Total weight of waste by type and disposal method	<u>Effluents and waste</u>		•	•	
G4-EN24 Total number and volume of significant spills	<u>Compliance</u>		•	•	
Material aspect: PRODUCTS AND SERVICES					
G4-EN27 Extent of impact mitigation of environmental impacts of products and services	<u>Products and services</u>	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	<u>Compliance</u>		•	•	•
OVERALL					
G4-EN31 Total environmental protection expenditures and investments	<u>Expenditures</u>		•	•	
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	<u>Compliance</u>		•	•	

CATEGORY: SOCIAL

GRI Content	Links	Remarks	External assurance	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	<u>Employment</u>		•	•	
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<u>Employment</u>		•		

LABOUR/ MANAGEMENT RELATIONS					
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<u>Labor/Management Relations</u>		•	•	
Material aspect: OCCUPATIONAL HEALTH AND SAFETY					
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees	<u>Occupational health and safety</u>		•	•	•
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	<u>Occupational health and safety</u>	Partly reported. More detailed breakdown will be reported in 2015, by utilising the new global incident management system implemented in 2014.	•	•	•
G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	<u>Occupational health and safety</u>		•	•	•
G4-LA8 Health and safety topics covered in formal agreements with trade unions	<u>Responsible business conduct</u>	In some cases local collective bargaining agreements also cover OHS issues. At the moment detailed information is unavailable. We will investigate the matter in 2015.	•	•	•
Material aspect: TRAINING AND EDUCATION					
G4-LA9 Average hours of training per year per employee by gender, and by employee category	<u>Training and education</u>		•	•	•
G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<u>Training and education</u>	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	<u>Training and education</u>		•	•	•
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	<u>Employment Diversity and equal opportunity</u>		•	•	

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	Risks and risk management	Coverage of risk management processes is 100% of our operations.	•	•	•
G4-SO4 Communication and training on anti-corruption policies and procedures	Sustainability targets	Partly reported. More detailed information will be provided in 2015.	•	•	•
G4-SO5 Confirmed incidents of corruption and actions taken	Compliance		•	•	•
PUBLIC POLICY					
G4-SO6 Total value of political contributions by country and recipient/beneficiary	Compliance		•	•	

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

Corporate governance	106	Audit	126
Annual General Meeting	107	Internal control	127
Board of Directors	108	Values and the control environment	130
Responsibilities	109	Business processes	130
Board of Directors CV's	110	Guidelines and communication	130
Board committees	114	Monitoring	131
Board of Management	116	Salary and remuneration report 2014	131
The President & CEO and the Deputy CEO	117	Risks and risk management	135
Board of Management CV's	117	Strategic risks	137
Other management	121	Operational risks	140
Business management teams	122	Hazard risks	143
Managing Directors of the subsidiaries	125	Financial risks	145
Insider management	125	Risk profiles and responsibilities	145

CORPORATE GOVERNANCE

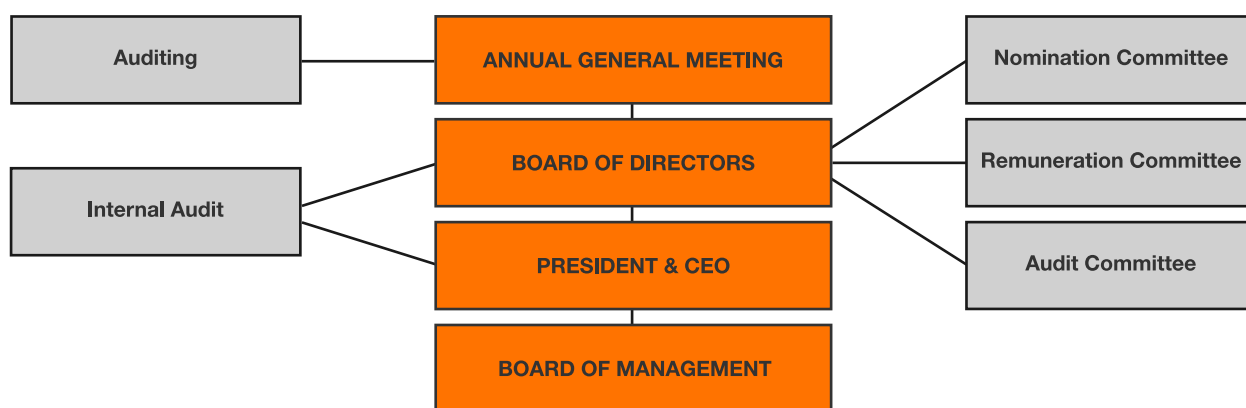
Wärtsilä Corporation complies with the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act, and the rules and regulations of NASDAQ OMX Helsinki Stock Exchange. Wärtsilä also applies the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines and complies with the Corporate Governance Code 2010 issued by the Finnish Securities Market Association. The Code is publicly available on www.cgfinland.fi. Wärtsilä has not deviated from any of the Code’s recommendations.

Wärtsilä’s Corporate Governance Statement, prepared in accordance with recommendation 54 of the Finnish Corporate Governance 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 and 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 and 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 an Extraordinary General Meeting. 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. The invitation to the General Meeting contains the proposed meeting agenda.

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 well in advance of the meeting so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes well in advance on the company website the date by which a shareholder shall notify the Board of Directors of his or her demand, and the address or email address to which it 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 and a sufficient number of members of the Board attend the General Meeting. A person proposed for the first time as a Board member is to participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence. The President & CEO and members of the Board of Management are also in attendance.

Annual General Meeting 2014

Wärtsilä's Annual General Meeting was held on 6 March 2014. A total of 1,490 shareholders representing 103,732,746 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 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 minutes of the meeting and other related documents can be found on Wärtsilä's website www.wartsila.com > Investors > Governance.

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 14, 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 proposal for Board composition 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 has also approved 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.

Board of Directors in 2014

As of 6 March 2014, 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.

Until 6 March 2014, 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), Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

During 2014, the 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, major items on the Board's agenda. Other matters on the agenda have been items related to Wärtsilä's operational environment.

Independence of the Board of Directors

All nine Board members were determined to be independent of the company and one member, Mr. Sune Carlsson, was determined to be dependent of significant shareholders due to his position on the board of Investor AB. On 9 October 2014, Fiskars Corporation and Investor AB completed the restructuring of their Wärtsilä ownership. Following the transaction, Fiskars' share of ownership in Wärtsilä decreased to 5.01% and Investor's increased to 16.76%.

Consequently, Mr. Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth and Mr Paul Ehrnrooth, all members of the Board of Directors of Fiskars Corporation, were determined to no longer be dependent of significant shareholders.

Meeting attendance of the Board of Directors

During 2014, Wärtsilä's Board of Directors held 12 meetings. The average attendance of all directors was 97%.

Board member meeting participation in 2014

	Number of meetings	% of meetings
Mikael Lilius, Chairman	12/12	100
Kaj-Gustaf Bergh, Deputy Chairman	11/12	92
Maarit Aarni-Sirviö	12/12	100
Sune Carlsson	11/12	92
Alexander Ehrnrooth	12/12	100
Paul Ehrnrooth	12/12	100
Risto Murto	8/9	89
Gunilla Nordström	12/12	100
Markus Rauramo	12/12	100
Until 6 March 2014		
Matti Vuoria	4/4	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 President 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 Group's strategic plan and long-term goals
- approval of the Group's annual business plan
- decisions concerning investments, acquisitions or divestments that are significant or that deviate from the Group's strategy
- approval of product development projects and development programmes with strategic importance
- decisions to raise loans and the granting of security or similar collateral commitments when their size is significant
- approval of risk management principles
- approval of the Group's organisational structure
- appointment of the company's Board of Management and approval of their remuneration and pension benefits
- monitoring and assessing the performance of the President and CEO
- approval of the company's management principles and steering systems
- appointment of the Board of Director's committees
- the granting of donations to good causes

BOARD OF DIRECTORS CV'S



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

Metso Corporation, 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.



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, Deputy Chairman of the Board since 2013.

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; Fiskars Corporation, Ramirent Group and JM AB, Member of the Boards.

Relevant prior positions of trust

Board chairmanships: Ålandsbanken Abp 2011-2013 and Aktia Abp 2005-2009. Board membership: Stockmann Oyj Abp 2007-2013.



Maarit Aarni-Sirviö

Independent of the company and significant shareholders. Born 1953, M.Sc. (Tech.), eMBA. Secretary General of the 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.



Sune Carlsson

Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Investor AB. Born 1941, M.Sc. (Eng.). Vice Chairman of the Board of Investor AB. Member of the Board of Wärtsilä since 2013.

Primary working experience

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

Relevant prior positions of trust

Board chairmanships: Atlas Copco AB, 2003-2014; Stena AB, 2009-2011; Autoliv Inc, 2003-2011 and Scania AB, 2004-2006.



Alexander Ehrnrooth

Independent of the company and significant shareholders. Born 1974, M.Sc. (Econ.), MBA. President & CEO of Virala Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience

President & CEO of Virala Oy Ab 1995-.

Other positions of trust

Fiskars Corporation, Vice Chairman of the Board; Munksjö Oyj, Member of the Board; Aleba Corporation and Belgrano Idiomas Oy, Chairman of the Boards.



Paul Ehrnrooth

Independent of the company and significant shareholders. Born 1965, M.Sc. (Econ.). President & Chairman of the Board of Turret Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience

Savox Oy, President and CEO, 1999-2007; several management positions in Wärtsilä Corporation 1994-1999 and Kone Corporation 1993-1994.

Other positions of trust

Fiskars Corporation and Savox Group, Chairman of the Boards; Ixonos Oyj, Deputy Chairman of the Board.



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, Deputy Chairman of the Board; Kaleva Mutual Insurance Company Deputy Chairman of the Board; Nokian Tyres plc and Federation of Finnish Financial Services, Member of the Boards; The Finnish Pension Alliance TELA, Deputy Chairman of the Board.



Gunilla Nordström

Independent of the company and significant shareholders. Born 1959, M.Sc. in Electronics, Industrial Marketing Management. President and CEO of Electrolux Major Appliances Asia/Pacific, based in Singapore, and Executive Vice President of Electrolux AB. Member of the Board of Wärtsilä Corporation since 2012.

Primary working experience

Senior management positions with Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983-2007.

Other positions of trust

Member of the Board of Directors of Atlas Copco AB, Sweden.

Relevant prior positions of trust

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



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.

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. 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 its work. 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 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.

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 2014

Chairman Markus Rauramo, members Maarit Aarni-Sirviö and Alexander Ehrnrooth. All members are independent of the company and significant shareholders. The Audit Committee met five times in 2014. 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 Committee communicates, as necessary, with major shareholders in matters concerning the appointment of the Board of Directors. The Nomination Committee can also, as necessary, prepare proposals to be put before the General Meeting concerning the appointment of Board members. The Nomination Committee prepares matters concerning the remuneration that applies to Board members.

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 2014

Chairman Mikael Lilius, members Kaj-Gustaf Bergh, Risto Murto and Sune Carlsson. Sune Carlsson was appointed to the Nomination Committee in the Board meeting held on 22 October 2014. All members are independent of the company and three are independent of significant shareholders. The Nomination Committee met three times in 2014. 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 of the President and CEO, the CEO's deputy and other board of management members to be put before the Board. The Committee prepares proposals to be put before the Board of Directors concerning the 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 2014

Chairman Mikael Lilius, members Paul Ehrnrooth and Risto Murto. All members are independent of the company and significant shareholders. The Remuneration Committee met three times in 2014. The average attendance of all Committee members was 100%.

Board member committee meeting participation in 2014

	Audit Committee	Nomination Committee	Remuneration Committee
Mikael Lilius	-	3/3	3/3
Kaj-Gustaf Bergh	-	3/3	-
Maarit Aarni-Sirviö	5/5	-	-
Sune Carlsson	-	2/2	-
Alexander Ehrnrooth	5/5	-	-
Paul Ehrnrooth	-	-	3/3
Risto Murto	-	3/3	2/2
Gunilla Nordström	-	-	-
Markus Rauramo	5/5	-	-
Until 6 March 2014			
Matti Vuoria	-	-	1/1

BOARD OF MANAGEMENT

The company's Board of Management comprises eight members: the President & CEO, the Senior Executive Vice President heading the Ship Power business, the Executive Vice Presidents heading the Power Plants 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. Board of Management members are appointed by the company's Board of Directors, which also approves their remuneration and other terms of 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 2014

In 2014, the Board of Management met 14 times. The main issues addressed by the Board of Management included market development and business strategy, the growth and profitability of the company, as well as issues relating to developments regarding competitiveness and costs. 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, as was possible growth through acquisitions.

Other important considerations for the Board of Management included the development of the company's personnel and management resources worldwide.

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. The President & CEO of the company is Mr Björn Rosengren. The deputy to the President & CEO is Mr Jaakko Eskola, Senior Executive Vice President, Ship Power.

BOARD OF MANAGEMENT CV'S



Björn Rosengren

President & CEO of Wärtsilä Corporation since 2011. Born 1959, M.Sc. (Tech.).
Joined the company in 2011.

Primary working experience

Senior Executive Vice President, Atlas Copco AB and Business Area President for Construction and Mining Technique 2002-2011; President of the Atlas Copco Rock Drilling Equipment division 2001-2002; President of the Atlas Copco Craelius division 1998-2001; GM of Nordhydraulic, Nordwin AB, Sweden 1995-1998; Various positions within ESAB Group 1985-1995.

Positions of trust

Outotec Oyj and Danfoss A/S, Member of the Boards.



Jaakko Eskola

Senior Executive Vice President and Deputy to the CEO since 2013. President, Ship Power since 2006. Born 1958, M.Sc. (Eng.). Joined the company in 1998.

Primary working experience

Wärtsilä Corporation, Vice President, Power Plants Sales & Marketing 2005-2006; Wärtsilä Development & Financial Services Oy, President 1998-2005; PCA Corporate Finance, Executive Director 1997-1998; National Banking Group, 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, Member of the Board; The Federation of Finnish Technology Industries, Member of the Board.

Relevant prior positions of trust

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



Pierpaolo Barbone

President, Services & Executive Vice President 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.



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; Confederation of Technology Industries, Chairman of the Committee of Education and Employment; Wilhelm Wahlforss Foundation, Chairman of the Board.



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

Group 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-Korean Trade Association, Deputy Chairman of the Board; East Office of Finnish Industries Ltd, Member of the Board; Confederation of Finnish Industries, Chairman of the Trade Policy Committee.



Atte Palomäki

Executive Vice President, Communications & Branding 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

European Association of Communication Directors (EACD) and Talentum Oyj, Member of the Boards; Finnfacts, Member of the Advisory Board.



Rakesh Sarin

President, Power Plants & Executive Vice President, Wärtsilä Corporation, since 1 September 2014. Born 1955, B.Sc. (Eng.). Joined the company in 1998.

Primary working experience

Vice President Sales Middle East, Asia & Australia, Wärtsilä Power Plants and Managing Director, Wärtsilä India Ltd. 2008-2014; Vice President Sales & Marketing, Power Plants 2006-2008; Head of Service Business Unit India 2001-2006; Managing Director, Coastal Wärtsilä Petroleum Ltd. 1998-2001.



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.

Vesa Riihimäki

Vesa Riihimäki acted as President, Power Plants & Executive Vice President until 31 August 2014.

CORPORATE MANAGEMENT

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

Riitta Hovi

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

Anu Hämäläinen

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

Vesa Riihimäki

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

Johan Jägerroos

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

Jukka Kumpulainen

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

Markus Pietikäinen

Vice President, Group Treasury & Financial Services
Born 1975, M.Sc. (Econ.)

BUSINESS MANAGEMENT TEAMS

Each business head is supported by a Business Management team.

Power Plants

Rakesh Sarin

President, Power Plants & Executive Vice President
Born 1955, B.Sc. (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, as of 1 November 2014
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.)

Risto Paldanius

Vice President, Sales, Europe & Africa
Born 1971, M.Sc. (Eng.)

Ship Power

Jaakko Eskola

President, Ship Power & Senior Executive Vice President and Deputy to the CEO
Born 1958, M.Sc. (Eng.)

Arjen Berends

Vice President, Finance & Control
Born 1968, MBA

Aaron Bresnahan

Vice President, Ship Power Sales
Born 1969, MBA & MA (Strategic Studies)

Per Hansson

Vice President, Strategy
Born 1967, M.Sc. (Eng.)

Roger Holm

Senior Vice President, 4-stroke
Born 1972, M.Sc. (Econ.)

Sinikka Ilveskoski

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

Timo Koponen

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

Juha Kytölä

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

Arto Lehtinen

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

Magnus Miemois

Vice President, Solutions
Born 1970, M.Sc. (Eng.)

Mikael Simelius

Vice President, Marketing
Born 1964, M.Sc. (Econ.)

Helena Telaranta

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

Martin Wernli

Vice President, 2-stroke
Born 1960, J.D., Attorney at Law

The two-stroke engine business has been moved in to a joint venture as of January 2015.

Services

Pierpaolo Barbone

President, Services & Executive Vice President
Born 1957, M.Sc. (Min. Eng.)

Fred van Beers

Vice President, Area North Europe
Born 1962, B.Sc. (Merchant Eng.), B.Sc./BBA (BtB Marketing)

Peter Bjurs

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

Henri van Boxtel

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

Javier Cavada

Vice President, South Europe & Africa
Born 1975, Ph.D. (Eng.)

Stefan Fant

Vice President, Contract and Project Management
Born 1955, B.Sc. (Mech.)

Tomas Hakala

Vice President, Solutions Management
Born 1968, B.Sc. (Mech.)

Ralf Lindbäck

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

Stefan Nysjö

Vice President, Delivery Management
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, Human Resources
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's quality system, that these operations comply with the respective country's legal requirements and with good business practice, and that communication within the subsidiary is conducted according to the targets of the Group.

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 permanent insiders and related parties is available on Wärtsilä's website.

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 3-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.

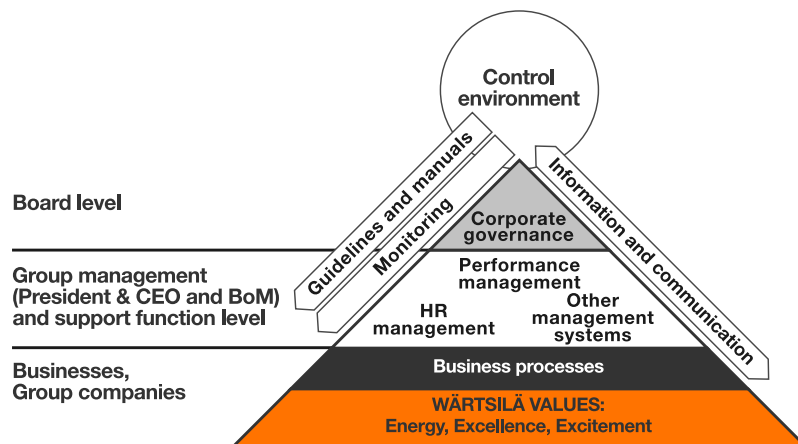
Following the closing of the annual accounts, the external auditor submits the statutory auditor's report to the company's shareholders and reports regularly also its findings to the Board of Directors' Audit Committee. An auditor, in addition to fulfilling general competency requirements, must also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

Auditor in 2014

The Annual General Meeting appointed the firm of public auditors, KPMG Oy Ab, as Wärtsilä Corporation's auditor for the year 2014. The lead partner was Virpi Halonen. Auditing fees paid to all the auditors of the Group companies amounted to EUR 3 million in 2014. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 1 million. These latter fees mainly concerned consultation on taxation matters.

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 and the achievement of the targets of the Group and of 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 system 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. The Corporate Manual includes, in addition to those mentioned above, 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 on 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 co-operates 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 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 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 in Wärtsilä, influencing 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 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 (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 in 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 key 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 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 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 the adherence to the compliance policies of the group. The external auditors verify the correctness of the external annual financial reports.

SALARY AND REMUNERATION REPORT 2014

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 2014:

- to the ordinary members EUR 60,000/year
- to the deputy chairman EUR 90,000/year
- to the chairman EUR 120,000/year

Approximately 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 400 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 500 per committee meeting attended and each member of the Audit Committee will be paid EUR 1,000 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 713 thousand for the financial period that ended on 31 December 2014. The Board's members were not covered by the company's incentive schemes.

Fees paid to the Board of Directors (thousands of euros)

Board of Directors	Attendance fees		Yearly fees		Total	
	2014	2013	2014	2013	2014	2013
Mikael Lilius, Chairman	16	12	120	120	136	132
Kaj-Gustaf Bergh, Deputy Chairman	6	6	90	90	96	96
Maarit Aarni-Sirviö	11	8	60	60	71	68
Sune Carlsson	6	4	60	60	66	64
Alexander Ehrnrooth	10	9	60	60	70	69
Paul Ehrnrooth	6	6	60	60	66	66
Risto Murto	6	-	60	-	66	-
Gunilla Nordström	5	4	60	60	65	64
Markus Rauramo	15	14	60	60	75	74
Until 6 March 2014						
Matti Vuoria	3	6	-	60	3	66

Fees paid in Wärtsilä shares in 2014

Board of Directors	No. of shares
Mikael Lilius, Chairman	1 241
Kaj-Gustaf Bergh, Deputy Chairman	930
Maarit Aarni-Sirviö	620
Sune Carlsson	620
Alexander Ehrnrooth	620
Paul Ehrnrooth	620
Risto Murto	620
Gunilla Nordström	620
Markus Rauramo	620

Board of Directors' share ownership in Wärtsilä on 31 December 2014

Board of Directors	No. of shares
Mikael Lilius, Chairman	15 692
Change in 2014	1 241
Kaj-Gustaf Bergh, Deputy Chairman	7 672
Change in 2014	930
Maarit Aarni-Sirviö	8 450
Change in 2014	620
Sune Carlsson	11 260
Change in 2014	10 620
Alexander Ehrnrooth	4 474
Change in 2014	620
Paul Ehrnrooth	4 448

Change in 2014	620
Paul Ehrnrooth, through controlled corporations	850 000
Change in 2014	120 000
Risto Murto	620
Change in 2014	620
Gunilla Nordström	2 063
Change in 2014	620
Markus Rauramo	3 174
Change in 2014	620

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 President & CEO is eligible to take retirement upon reaching the age of sixty. 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. The optional retirement age of certain Board of Management members is sixty years. Additional pension schemes are 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 Björn Rosengren:

- Salary and other short term benefits 2014: EUR 662 thousand
- Bonuses 2014: EUR 430 thousand
- Bonus schemes based on share price development: -
- Optional retirement age: 60
- Period of notice: 6 months
- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary

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 2014

Board of Management	No. of shares
Björn Rosengren	6 000
Change in 2014	0
Jaakko Eskola	0
Change in 2014	0
Pierpaolo Barbone	0
Change in 2014	0

Päivi Castrén	0
Change in 2014	0
Kari Hietanen	144
Change in 2014	0
Atte Palomäki	600
Change in 2014	0
Rakesh Sarin	0
Change in 2014	0
Marco Wirén	0
Change in 2014	0

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 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 2,000 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 scheme

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. The bonus scheme takes into account 50% of the dividends paid. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

The 2011 bonus scheme comprises 1,700,250 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 23.34. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2011 bonus scheme will be due for payment in February 2015.

The 2012 bonus scheme comprises 1,913,000 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 2,114,000 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.

RISKS AND RISK MANAGEMENT

Wärtsilä, like all companies, is exposed to risk through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The purpose of risk management is to ensure that Wärtsilä is able to effectively execute its strategy 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 on 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.

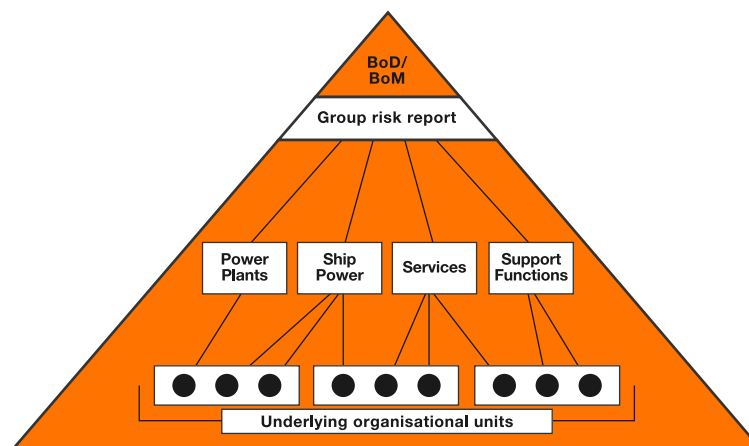
Risks can only be managed if they are identified and understood in advance, if plans have been made to manage them, and if a process of continuous follow-up is in place for the related controls. Therefore, risk management is a central part of Wärtsilä's strategic and operational management.

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 "everybody is responsible". In the long-term this is the only way to reduce the total risk related costs.

The Board of Directors and the Board of Management decide and give 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 risk management activities within the Group, reviews the business risk profile, and co-operates with the Businesses in the implementation of risk mitigation work. It is also responsible for the preparation of the group risk management policy, which was reviewed and revised during 2014 to accurately describe 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 within the Finance Management Review once a year.

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.

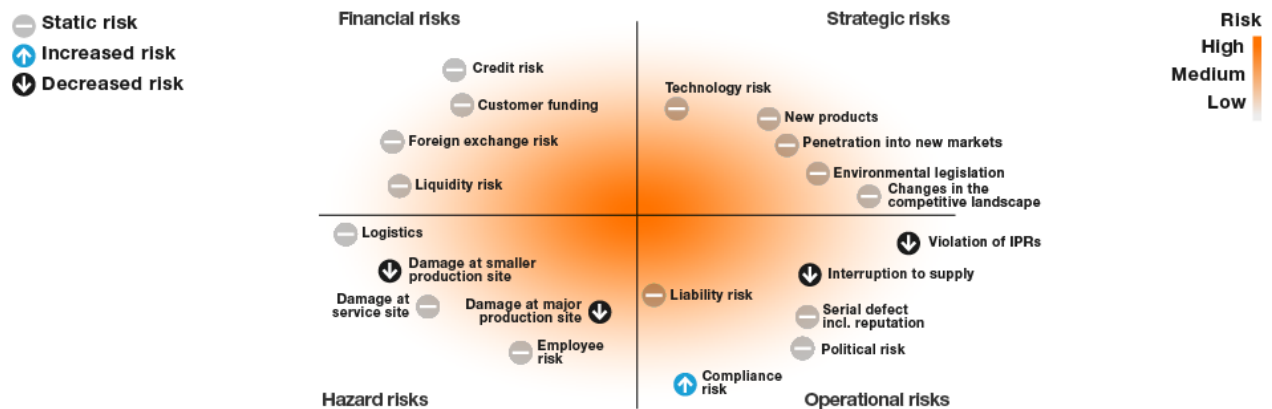
Risk management is part of the Businesses' management process and risk management has been integrated into the Business Management teams' agenda. The Businesses are accountable for organising and reporting on risk management from their underlying geographical business areas, business lines, organisations, 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. The relevant risks for Wärtsilä have been classified under four categories, namely; strategic, operational, hazard, 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

The business cycles in the global economy, and in customers' industries, influence the demand for Wärtsilä's products, as well as our financial condition and operating result. The flexible multi-product manufacturing model based on capacity outsourcing, together with a stable business mix with a large share of sales deriving from Services, brings Wärtsilä certain 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 as we have a comprehensive portfolio of products and services that allow 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 Power Plants business, the market situation remained challenging during the year, as macro-economic uncertainty and slower global growth projections continued to impact investments in new power generation capacity. Nevertheless, economic growth in the emerging markets and the strengthening of the US dollar against the euro supported the demand

for new power plants. Orders were received from all geographic regions, limiting the risk of over exposure to one particular market. Power Plants has three customer segments: industrial customers, IPPs (Independent Power Producers) and utilities. All customer types were 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 has been good during 2014, although it was slower in the latter part of the year. Challenges resulting from the uncertainty in the global economy and the business environment within the shipping and ship building industries continue to affect markets. Overcapacity in several shipping markets is currently one of the major obstacles to a full recovery. In the offshore segment contracting is expected to be impacted by the decline in oil prices. 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 continues to be dominated by Asian yards, notably China and South Korea.

Service market activity developed well in 2014, with increased demand from marine customers and healthy activity in power plant related services. 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 has more than 10,000 individual customers engaging in service and spare part sales annually, and the current active engine base is 181,000 MW. Thus, dependency on any single customer or customer segment is minor. During the last few years, Wärtsilä has increased its focus on credit management processes 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 totalled 16.5 GW (25.0) during the first nine months of 2014. Wärtsilä's market share increased to 10.5% (7.1). 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 Ship Power, the competitive landscape remained largely unchanged in 2014. 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 52% market share in 2014. In auxiliary engines Wärtsilä's market share was 3%. 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. 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. However, larger projects may increase variations in business volume, depending on the timing of the projects.

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 customers' continued focus on optimising operating expenditure can lead to a further increase in competition for services where price is more important than quality. The main action to mitigate this risk is to promote the value based offering.

Political and legislative risks

Wärtsilä is present in more than 200 locations in nearly 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, more trade sanctions were introduced in 2014. 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 utilization 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.

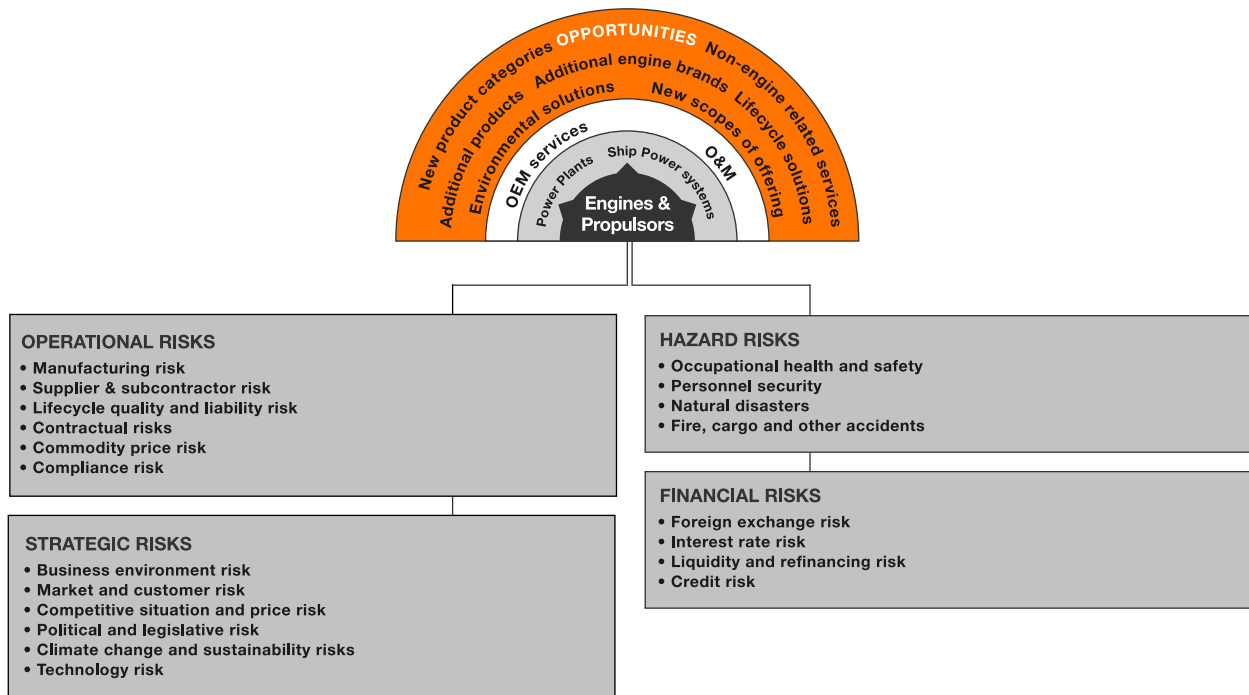
Environmental Solutions offer alternative technologies to reduce SO_x emissions and to treat waste and ballast water. In Power Plants, Wärtsilä's Smart Power Generation concept supports the increase in low carbon power generation, including wind, solar and natural gas fired plants. Wärtsilä offers several 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, 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.

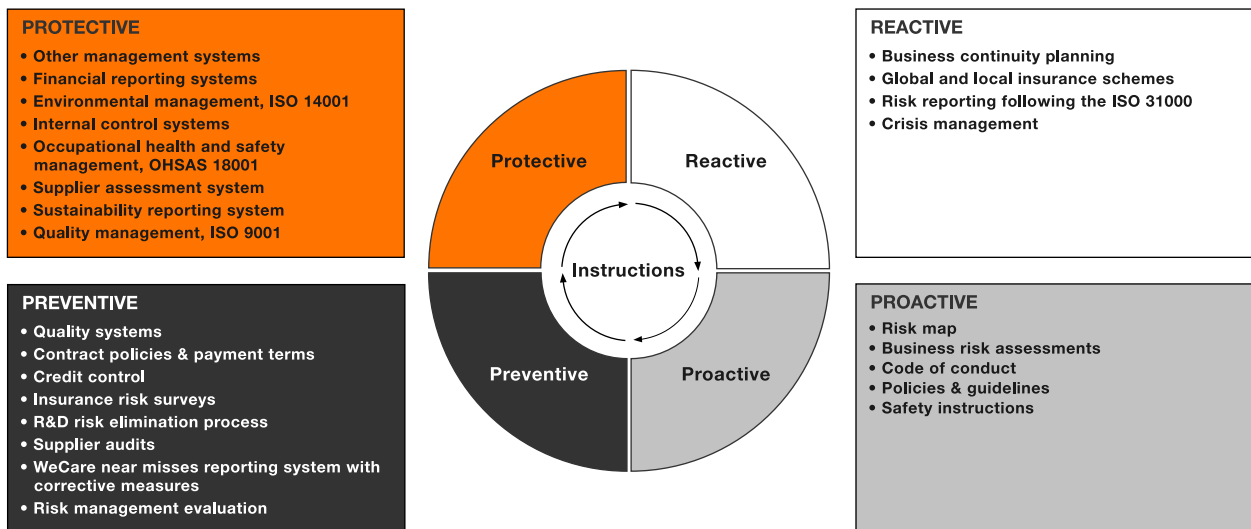
Operations, risks and opportunities



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 utilized to improve productivity, and safety and business continuity plans have been implemented for the key delivery centres.

Supplier and subcontractor risk

During 2014, Wärtsilä’s supply management was reorganised. The previously centralised organisation was moved into the business lines, with the goal of securing 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 co-operation with our suppliers. Several supplier risk audits have been completed jointly with the insurer as one means of mitigating risk. These audits are now part of the regular work 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 co-operation with the suppliers creates a common view towards values and goals, which in turn supports the management of Wärtsilä’s strategic risks. To further mitigate supplier and subcontractor 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 products with all due care. Wärtsilä applies a GATE model in order to control the product development process. First, 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. The 5S (sort, shine, set, standardise and sustain) philosophy is implemented in all production sites to increase quality and to support lean operations.

Services is 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, 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.

For Services, the target is to sign long-term service agreements aimed at keeping the customer's investment productive throughout its lifetime. This enables customers to focus on their core business while Wärtsilä ensures optimal performance of the installation. Reliable performance and risk management are identified as key needs of our customers. An essential part of a service agreement is adequate preparation prior to the operational phase of the installation, including the recruitment and training of personnel, the purchasing of safety stock and tools, the establishment of the operational infrastructure, maintenance routines, and occupational health and safety systems. The target is to prevent the unexpected and to ensure cost efficiency and smooth operations for both the customers and Wärtsilä as the service provider.

Risk of non-compliance, corruption and fraud

Wärtsilä complies with the law and its own internal regulations 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, 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 co-operates 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 Power Plants business, high electricity prices support investments in new capacity from utility customers. Lower grid electricity prices do not favour industrial customers' investments 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 for 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 2014, a near-miss reporting system, WeCare, was implemented worldwide in order to manage information related to incidents that can threaten the safety, health and security of our employees and operations, as well as the

environment. This IT solution itself does not alone improve performance, but it provides a guide to identifying causes of incidents and taking proper 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.

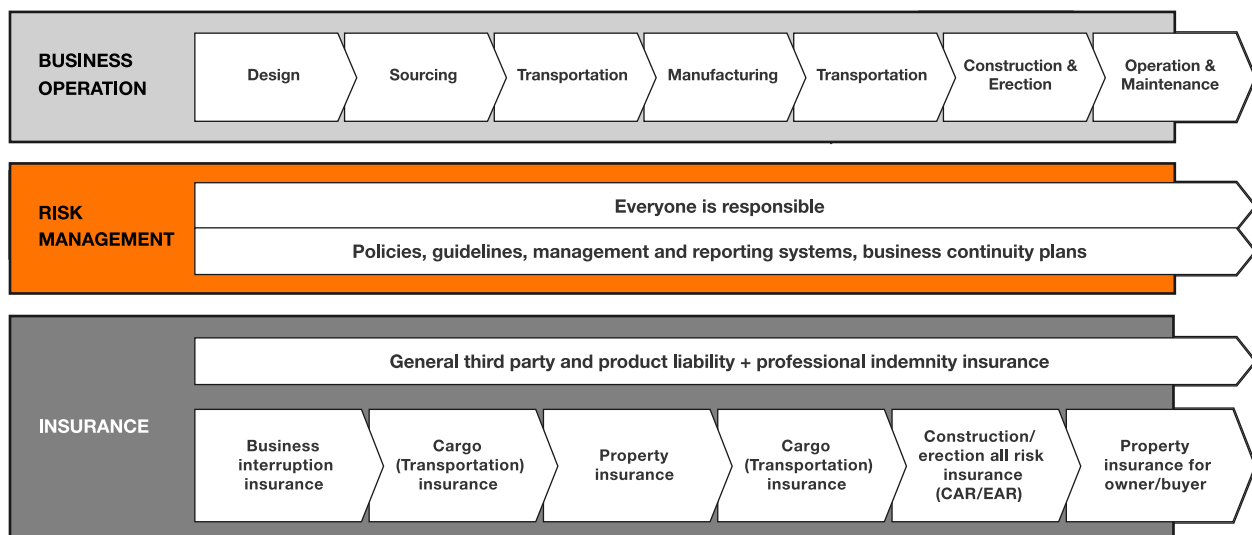
The risks that Wärtsilä is unable to influence through its own efforts are transferred whenever possible to insurance companies. Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions; including supplier triggered interruptions, 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

Information security risks are continuously identified and mitigation activities have been executed in network security, endpoint protection, access risk management and vulnerability management. The Wärtsilä Security Operations Centre (SOC) and vulnerability scanning capabilities for cyber security threats have improved situation awareness in digital services during 2014. Common information security capabilities, such as enhancing cloud usage and disaster and recovery planning of critical applications, has continued during 2014.

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 review 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

Shares and shareholders	148	Analysts	155
The Wärtsilä share on the Helsinki Stock Exchange	148	Information for shareholders	157
Shareholders	150	Financial information 2015	158
Wärtsilä on the capital markets	153	Annual summary of stock exchange releases	158

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 2014, Wärtsilä's total number of shares was 197,241,130 and the share capital entered in the trade register was EUR 336,002,138.50. Wärtsilä has one share series and each share entitles its holder to one vote at the General Meeting and to an equal dividend.

Key figures for the Wärtsilä share

		2014	2013	2012	2011	2010
Earnings per share (EPS)	EUR	1.76	1.98	1.72	1.44	1.96
Book value of equity per share	EUR	9.94	9.35	8.95	8.30	8.30
Dividend per share	EUR	1.15 ¹	1.05	1.00	0.90	1.38
Dividend per earnings	%	65.4 ¹	53.0	58.1	62.7	70.3
Dividend yield	%	3.1 ¹	2.9	3.1	4.0	4.8
Price per earnings (P/E)		21.1	18.1	19.0	15.5	14.6
Price to book-value (P/BV)		3.7	3.8	3.7	2.7	3.4
Adjusted number of shares	x 1 000					
end of financial year		197 241	197 241	197 241	197 241	98 621
on average		197 241	197 241	197 241	197 241	98 621

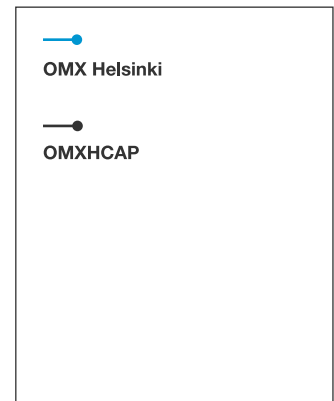
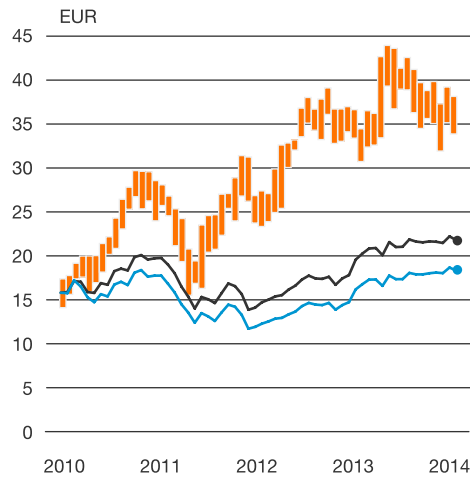
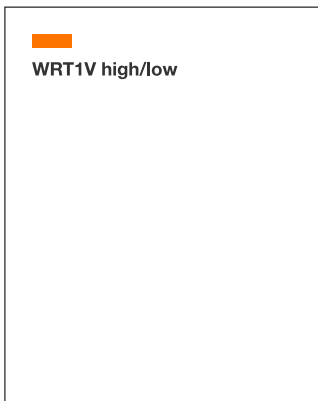
¹ Proposal of the Board of Directors.

THE WÄRTSILÄ SHARE ON THE HELSINKI STOCK EXCHANGE

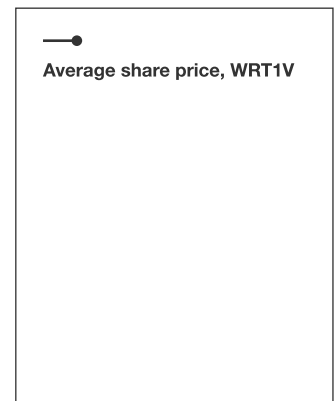
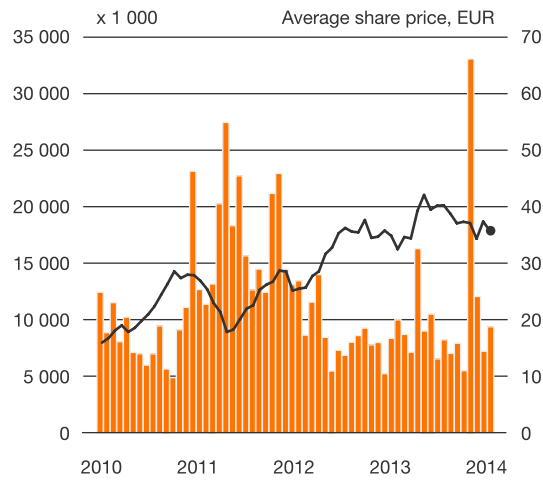
Wärtsilä's share price increased by 4.7% during 2014, while the OMX Helsinki Cap index increased by 6.2%. The highest quoted price for Wärtsilä's share during the financial period was EUR 43.82 and the lowest EUR 31.85. The closing price on 31 December 2014 was EUR 37.09 and the volume weighted average price for the year was EUR 38.09. At year-end, Wärtsilä's market capitalisation was EUR 7,315 million. The volume of trades on Nasdaq Helsinki was 132,525,134 shares, equivalent to a turnover of EUR 5,114 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 60,480,854 shares.

Further information on share price development can be found on the Wärtsilä IR pages www.wartsila.com/investors.

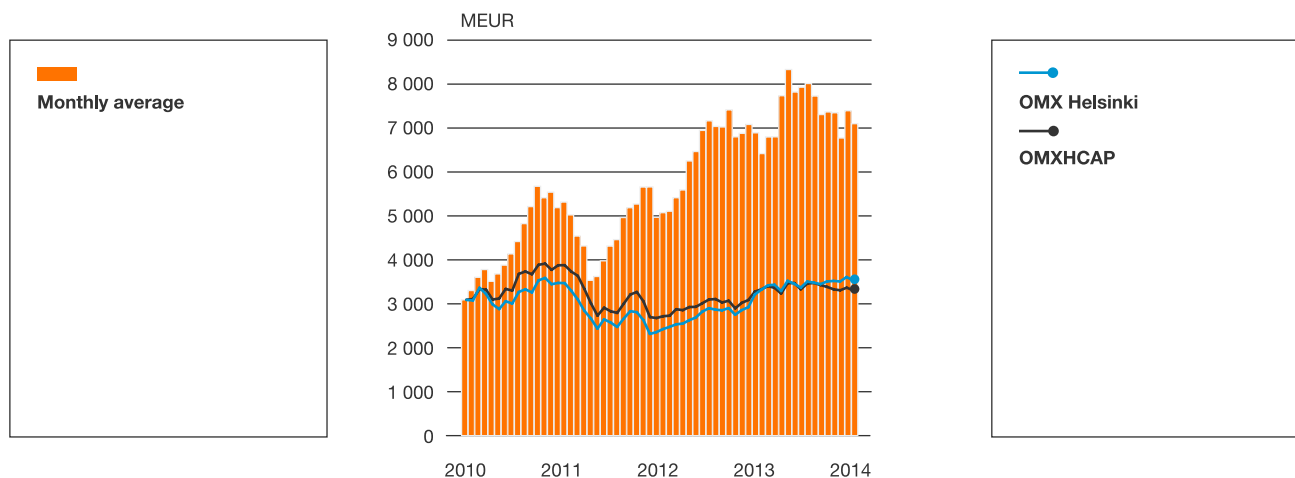
Share price development



Traded shares/month



Market capitalisation



The Wärtsilä share on the Helsinki Stock Exchange

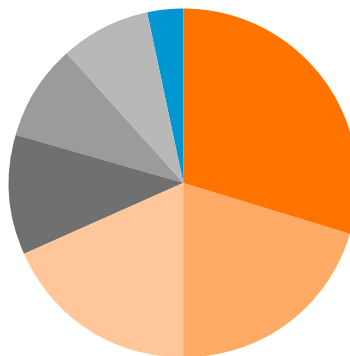
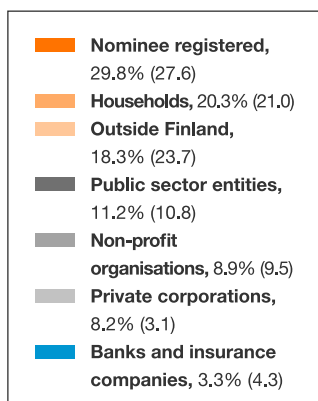
		2014	2013	2012	2011	2010
Trading volume	MEUR	5 114	3 328	4 380	5 016	3 912
Number of traded	x 1 000	132 525	95 127	159 853	197 186	98 076
Stock turnover	%	67.2	48.2	81.0	100.0	99.4
Share price, high	EUR	43.82	39.00	33.11	29.55	29.63
Share price, low	EUR	31.85	30.66	22.30	15.50	14.10
Average share price	EUR	38.09	35.00	27.31	25.44	19.93
Share price at the year-end	EUR	37.09	35.77	32.72	22.32	28.55
Year-end market capitalisation	MEUR	7 315	7 055	6 454	4 402	5 631

SHAREHOLDERS

Wärtsilä had approximately 42,280 shareholders at the end of the financial period 2014. Foreign shareholding, including nominee-registered shares, represented 48% (51) at the end of the period, and Finnish retail investors held 20% of the share capital (21). The largest shareholder was Investor AB with 33,366,544 shares, after the dissolution of Fiskars and Investors' joint venture in October and the related changes in shareholding.

Further information concerning developments in Wärtsilä's shareholder base can be found on the IR pages www.wartsila.com/investors.

Ownership structure on 31 December 2014



Ownership structure on 31 December 2014

Group	Number of shareholders	%	Number of shares	%
Private corporations	1 888	4.5	16 170 670	8.2
Banks and insurance companies	85	0.2	6 518 043	3.3
Public sector entities	47	0.1	22 138 256	11.2
Non-profit organisations	916	2.2	17 535 347	8.9
Households	39 015	92.3	40 045 768	20.3
Outside Finland	328	0.8	36 133 669	18.3
Nominee registered			58 699 377	29.8
Total	42 279	100.0	197 241 130	100.0

Division of shares on 31 December 2014

Number of shares	Number of shareholders	%	Number of shares	%
1-100	12 039	28.5	667 346	0.3
101-1 000	21 599	51.1	8 707 294	4.4
1 001-10 000	7 810	18.5	21 485 983	10.9
10 001-100 000	752	1.8	18 359 237	9.3
100 001-1 000 000	67	0.2	18 485 962	9.4
1 000 001-10 000 000	10	0.0	27 209 213	13.8
10 000 001-	2	0.0	43 626 718	22.1
Nominee registered			58 699 377	29.8
Total	42 279	100.0	197 241 130	100.0

Wärtsilä's 50 major shareholders on 31 December 2014, excl. nominee registered

Owner	Shares	%
1 Avlis Invest AB	33 366 544	16.92
2 Varma Mutual Pension Insurance Company	10 260 174	5.20
3 Fiskars Corporation	9 881 781	5.01
4 Ilmarinen Mutual Pension Insurance Company	3 978 914	2.02
5 Svenska Litteratursällskapet i Finland	2 743 352	1.39
6 Elo Mutual Pension Insurance Company	2 140 088	1.09
7 The Social Insurance Institution of Finland	1 935 910	0.98
8 State Pension Fund	1 850 000	0.94
9 Kuntien eläkevakuutus	1 211 204	0.61
10 Jenny and Antti Wihuri Foundation	1 200 000	0.61
11 Mandatum Henkivakuutusosakeyhtiö	1 197 064	0.61
12 Sigrid Jusélius Foundation	1 070 900	0.54
13 The Finnish Cultural Foundation	970 000	0.49
14 Schweizerische Nationalbank	870 484	0.44
15 Sijoitusrahasto Nordea Fennia	771 229	0.39
16 Savox Investments S.A.	730 000	0.37
17 The Signe and Ane Gyllenberg Foundation	614 888	0.31
18 Livränteanstalten Hereditas	605 498	0.31
19 Samfundet Folkhälsan i Svenska Finland rf	581 948	0.30
20 Ingman Finance Oy Ab	575 000	0.29
21 OP-Delta Equity Fund	525 798	0.27
22 Rantanen Tuula Anneli	505 066	0.26
23 Folkhälsan i Svenska Finland rf Inez och Julius Polins Fond	503 912	0.26
24 Sijoitusrahasto Nordea Pro Suomi	449 500	0.23
25 Sijoitusrahasto SEB Finlandia	396 732	0.20
26 Svenska Kulturfonden i Björneborg	394 010	0.20
27 Louise och Göran Ehrnrooth Stiftelse	377 630	0.19
28 Brita Maria Renlund Foundation	348 000	0.18
29 Op-Focus Erikoissijoitusrahasto	345 000	0.17
30 Blåberg Olli Edvard	320 000	0.16
31 William Thuring's Stiftelse	309 200	0.16
32 Von Fieandt Johan	308 492	0.16
33 Fromond Elsa	300 956	0.15
34 Ella and Georg Ehrnrooth Foundation	300 280	0.15
35 Folkhälsans Forskningsstiftelse - Kansanterveyden tutkimussäätiö	299 286	0.15
36 Sijoitusrahasto Aktia Capital	290 000	0.15
37 Stockmann Marita	271 226	0.14
38 Tallberg Carl Johan	260 582	0.13
39 Sijoitusrahasto Seligson & Co	257 848	0.13
40 Åbo Akademi Foundation	252 610	0.13
41 Keskinäinen Vakuutusyhtiö Kaleva	241 751	0.12
42 Odin Finland	232 780	0.12
43 Blomberg Anne-Sofie Marie	221 266	0.11
44 Sr Danske Invest Suomi Yhteisöosake	215 714	0.11
45 Sr Danske Invest Suomi Osake	204 021	0.10
46 Relander Harald	180 000	0.09
47 Markkola Leena	171 000	0.09
48 Barry Staines Linoleum Oy	166 570	0.08
49 Valion Eläkekassa	166 357	0.08
50 Perceval Ann-Marie Caussin De	166 280	0.08
Total	85 536 845	43.37

Changes in ownership – flagging notifications

During 2014, Wärtsilä was informed of the following changes in ownership:

On 19 September 2014, Wärtsilä was informed that Fiskars, Investor and their joint venture 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, representing 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.

Management holdings

The members of the Board of Directors, the CEO, the CEO's deputy, and the corporations under their control, owned altogether 913,853 Wärtsilä Corporation shares at the end of 2014, which represents 0.5% of the stock and voting rights.

The Board of Directors' share ownership in Wärtsilä on 31 December 2014

Authorisations granted to the Board of Directors

The Annual General Meeting, held on 6 March 2014, 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 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.

The Board of Directors' dividend proposal

The Board of Directors proposes that a dividend of 1.15 euro per share is to be distributed for the financial period that ended on 31 December 2014.

WÄRTSILÄ ON THE CAPITAL MARKETS 2014

Wärtsilä's IR team, consisting of the CEO, CFO, IR Director and IR Officer, participated in over 330 investor meetings during 2014. IR also maintained regular contact with equity research analysts throughout the year. Meetings were conducted in North America, the UK, continental Europe, and in the Nordic countries. In addition to one-on-one and

group meetings, Wärtsilä hosted visits to its manufacturing site in Vaasa and participated in several broker arranged field trips in Asia. The IR team also attended 10 institutional investor conferences in Finland and abroad. During the year, Wärtsilä's foreign ownership represented 48% (51) 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 a retail investor evening organised jointly by the communications agency Kreab Gavin Anderson and Espoo-Kauniaisten osakesäästäjät. In 2014, retail investors accounted for approximately 20% (21) 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 revealing 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 inquiries can be sent to investor.relations@wartsila.com.

Natalia Valtasaari
 Director, Investor Relations
 Tel. +358 10 709 5637
natalia.valtasaari@wartsila.com

Mari Hamarila
 Investor Relations Officer
 Tel. +358 50 364 3413
mari.hamarila@wartsila.com

Alexandra Carlzén
 Investor Relations Coordinator
 Tel. +358 10 709 5445
alexandra.carlzen@wartsila.com

Wärtsilä's corporate communications and media relations are the responsibility of Atte Palomäki, Executive Vice President, Communications & Branding.

Atte Palomäki
 Executive Vice President, Communications & Branding
 Tel. +358 10 709 5599
atte.palomaki@wartsila.com

ANALYSTS

To our knowledge at least the following brokers and financial analysts have followed Wärtsilä's development during the last 12 months on their own initiative. They have analysed Wärtsilä and drawn up reports and comments and they are able to evaluate the company as an investment target. Wärtsilä takes no responsibility for the opinions expressed.

Company	Analyst	Contact
ABG Sundal Collier AB	Anders Idborg	anders.idborg@abgsc.se +46 8 566 286 74
Bank of America Merrill Lynch	Ben Maslen	ben.maslen@baml.com +44 20 7996 4783

Carnegie Investment Bank AB, Finland Branch	Timo Heinonen	timo.heinonen@carnegie.fi +358 9 6187 1234
Credit Suisse	Max Yates	max.yates@credit-suisse.com +44 20 7883 8501
Danske Bank A/S, Helsinki Branch	Antti Suttelin	antti.suttelin@danskebank.com +358 10 236 4708
Deutsche Bank AG	Stephen Stakhiv	stephen.stakhiv@db.com +44 20 7541 6213
DNB Bank ASA	Christer Magnergård	christer.magnergard@dnb.no +46 8 473 48 44
Espirito Santo	Nick Wilson	nick.wilson@espiritosantoib.co.uk +44 20 3364 6766
Evli Bank plc	Elina Riutta	elina.riutta@evli.com +358 9 4766 9204
Fearnley Fonds ASA	Rikard Vabo	r.vabo@fearnleys.no +47 22 93 60 00
Goldman Sachs International	Daniela Costa	daniela.costa@gs.com +44 20 7774 8354
Handelsbanken Capital Markets	Tom Skogman	tom.skogman@handelsbanken.fi +358 10 444 2752
HSBC Bank plc	Colin Gibson	colin.gibson@hsbcib.com +44 20 7991 6592
Inderes	Juha Kinnunen	juha.kinnunen@inderes.com +358 40 778 1368
JPMorgan Cazenove	Glen Liddy	glen.liddy@jpmorgan.com +44 20 7134 4570
Kepler Cheuvreux	Johan Eliason	jeliason@keplercheuvreux.com +46 8 723 5100
Nordea Markets	Jan Kaijala	jan.kaijala@nordea.com +358 9 1655 9706
Pohjola Bank plc	Pekka Spolander	pekka.spolander@pohjola.fi +358 10 252 4351
SEB Enskilda, Helsinki Branch	Tomi Railo	tomi.railo@enskilda.fi +358 9 6162 8727
Swedbank Markets	Anders Roslund	anders.roslund@swedbank.se +46 8 5859 0093
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, 5 March 2015, 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 23 February 2015 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 2 March 2015 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 2 March 2015. 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 1.15 euro per share be paid for the financial year 2014. The dividend will be paid to the 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.

Stock exchange releases

Wärtsilä's stock exchange releases are available in English, Finnish and Swedish on Wärtsilä's website.

FINANCIAL INFORMATION 2015

Annual Report 2014

The electronic Annual Report 2014 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 2015

- January-March on Thursday, 23 April 2015
- January-June on Friday, 17 July 2015
- January-September on Thursday, 22 October 2015
- Financial Statements Bulletin January-December on Thursday, 28 January 2016

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

16 December 2014

Wärtsilä strengthens its position in automation and electrical systems by acquiring L-3 Marine Systems International

23 October 2014

Wärtsilä Interim Report January-September 2014

9 October 2014

Notification in accordance with the Finnish Securities Market Act Chapter 9 § 5: The restructuring of Fiskars and Investors' ownership in Wärtsilä has been completed

19 September 2014

Notification in accordance with the Finnish Securities Market Act Chapter 9 § 5: Changes in Investor AB and Fiskars Group's ownership in Wärtsilä

1 September 2014

Changes in Wärtsilä's management

24 July 2014

Wärtsilä to divest its shares in QMD 2-stroke joint venture

18 July 2014

Interim Report January-June 2014

18 July 2014

Wärtsilä and China State Shipbuilding Corporation to join forces in 2-stroke engine joint venture

18 July 2014

Wärtsilä establishes joint venture with China State Shipbuilding Corporation - expands range of engines manufactured in China

3 June 2014

Wärtsilä sells its share in the Wärtsilä TMH Diesel Engine Company LLC joint venture to Transmashholding

24 April 2014

Interim Report January-March 2014

19 March 2014

Wärtsilä's consultation process in Finland completed

6 March 2014

Constitutive meeting of the Board of Directors of Wärtsilä Corporation

6 March 2014

Decisions of Wärtsilä's Annual General Meeting 6 March 2014

11 February 2014

Wärtsilä Corporation's Annual Report 2013 published

29 January 2014

Notice to convene the Annual General Meeting of Wärtsilä Corporation

29 January 2014

Wärtsilä's Financial Statements Bulletin January-December 2013

29 January 2014

Wärtsilä aligns its operations globally to enhance competitiveness

9 January 2014

The Board of Wärtsilä confirms no ongoing discussions with Rolls-Royce

BOARD OF DIRECTORS' REPORT

Highlights 2014	161	Personnel	171
Strategy	161	Restructuring programmes	172
The year 2014		Changes in management	172
Market development	163	Sustainable development	173
Order intake and order book	164	Shares and shareholders	173
Net sales and profitability	165	Decisions by the AGM	174
Balance sheet, financing and cash flow	166	Risk and uncertainties	175
Capital expenditure	168	Market outlook	175
Strategic projects, joint ventures and expansion of the network	169	Prospects for 2015	176
R&D, product launches	170	Dividend proposal	176

HIGHLIGHTS 2014

Wärtsilä's performance in 2014 was in line with the targets set for the year. Supported by a strong fourth quarter, net sales increased by 4%. Profitability reached 11.9%, which is at the upper end of the guided 11.5-12.0% range. Order intake grew by 5%, with good development in Ship Power and Services orders.

Power generation markets were challenging throughout 2014, with macroeconomic uncertainty and slow global growth projections impacting customer decision-making. Activity improved after the summer, supported by the demand for new power plants in the emerging markets and the dollar strengthening against euro. Power Plants' order intake development was stable compared to the previous year, as the growth seen during the second half compensated for a difficult first six months. Although overall vessel contracting slowed in 2014, the ordering of gas carriers was robust and there was continued demand for specialised tonnage. Consequently Ship Power's orders outperformed the markets, increasing by 6%. Service markets developed well. Marine customers' service demand improved in the second half, and the demand for power plant related services was healthy throughout the year. Supported by an all-time high fourth quarter, Services' full year net sales increased by 5%.

During the year, Wärtsilä continued to develop its business by expanding its product offering, strengthening its manufacturing capabilities in key emerging markets, and pursuing growth opportunities through acquisitions. In July, Wärtsilä and China State Shipbuilding Corporation (CSSC) agreed to establish a joint venture to take over Wärtsilä's two-stroke engine business. Subsequently, Wärtsilä began reporting the two-stroke business as discontinued operations. The reorganisation of the two-stroke business will have a positive effect of Wärtsilä's continuing operations. The joint venture, Winterthur Gas and Diesel Ltd, was finalised in January 2015. In December, Wärtsilä 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 Wärtsilä's position in the electrical and automation business will be unique in terms of sector competence and product offering.

Net sales

MEUR	2014	Restated*	
		2013	Change %
Power Plants	1 138	1 459	-22%
Ship Power	1 702	1 309	30%
Services	1 939	1 842	5%
Other		-2	
Group	4 779	4 607	4%

*Figures include continuing operations.

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.

Strategy implementation in 2014

The shift towards natural gas fuelled applications in the power generation market is evident, with gas and dual-fuel applications accounting for 70% of Power Plants' quotation activity and 61% of its order intake. Significant orders included those for a 120 MW dual-fuel power plant from Oman, and a 139 MW gas fuelled power plant from Mexico. Wärtsilä also received its first order for a turnkey liquefied natural gas (LNG) receiving terminal to be built in Tornio, northern Finland. In the marine markets, the importance of fuel efficiency and environmental regulations are clearly visible, driving interest in environmental solutions and in gas as a marine fuel. Gas carriers represented 34% of Ship Power's order intake and Wärtsilä's dual-fuel technology and gas handling systems were widely ordered in other vessel markets as well. Within environmental solutions, Wärtsilä received orders for a total of 41 exhaust gas cleaning systems for 26 vessels, as well as several orders for ballast water treatment systems. The Services business represented slightly over 40% of net sales, bringing stability to Wärtsilä's overall development.

In order to strengthen its manufacturing footprint in key emerging markets, Wärtsilä announced the set-up of a joint venture with China State Shipbuilding Corporation (CSSC) for the manufacturing of medium and large bore medium-speed diesel and dual-fuel engines. The joint venture will target the growing offshore and LNG markets, as well as the auxiliary engine market for very large container vessels. During the year, the Wärtsilä Yuchai Engine Co. Ltd joint venture inaugurated its new factory in Zhuhai, China, and the set-up of Wärtsilä's fully-owned manufacturing facility in Brazil progressed. Wärtsilä's focus on R&D activities was strong, the key areas of emphasis 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.

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 equivalent to 50% of earnings per share over the cycle.

Wärtsilä's performance in 2014 was in line with the company's long-term targets and with the guidance set for the year. On 29 January 2014, Wärtsilä estimated its net sales for 2014 to grow by 0-10% and operational profitability to be around 11%. The expectations were revised on 18 July, whereby profitability was estimated to be around 11.5% due to the two-stroke business transaction, and net sales were expected to grow by around 5%. On 23 October, the prospects for profitability were further improved to 11.5-12.0% supported by an underlying business improvement.

Net sales for 2014 increased by 4%, while global GDP increased by 3.3%. Profitability reached 11.9%, well within the guided range. Gearing was 0.05 and the Board of Directors' proposed dividend of 1.15 euro per share represented 65% of operational earnings.

Long-term financial targets

Target	Development in 2014	Development in 2013
Net sales growth faster than global GDP	4% growth	1% decline
Operating profit margin between 10% and 14%	11.9%	12.1%
Gearing below 0.50	0.05	0.15
Dividend payment equivalent to 50% of earnings per share	65% ¹	53%

¹ Proposal of the Board of Directors.

MARKET DEVELOPMENT

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%).

Marine contracting activity favours specialised tonnage

During 2014 1,769 (2,201) contracts for new vessels were registered. 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).

Growth in the service markets

Service market activity developed well during 2014. 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 AND ORDER BOOK

Order intake increased despite market challenges

Wärtsilä's order intake for the financial period 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 financial period was 1.06 (1.05).

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 the 120 MW order from Oman. Wärtsilä also received its 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). 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 financial 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 increased by 9%, totalling EUR 2,045 million (1,885). Several important long-term service agreements were signed during the year, 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 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 306 million (222) during the financial period. 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 remains sound

The total order book at the end of the financial 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

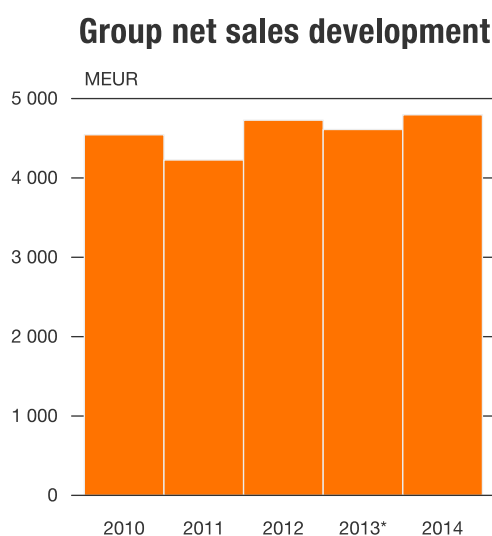
Power order book was stable at EUR 2,213 million (2,193). The Services order book increased by 12% to EUR 842 million (751).

NET SALES AND PROFITABILITY

Net sales developed according to expectations

Net sales for the financial period 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.



* Restated, figures include continuing operations.

Solid profitability

The operating result (EBIT) before non-recurring items was EUR 569 million (557) for the financial period. This represents 11.9% of net sales (12.1), which is at the upper end of the guided 11.5-12.0% range. Profitability development was somewhat held back by an unfavourable business mix. 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 announced in January and EUR 5 million to acquisitions and other costs. Intangible asset amortisation related to acquisitions amounted to EUR 26 million (32) during the financial 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 financial 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 respectively 20.3% (22.6) and 20.0% (23.1).

BALANCE SHEET, FINANCING AND CASH FLOW

The operating cash flow for January-December 2014 amounted to EUR 452 million (578). Working capital totalled EUR 251 million (313) at the end of the financial 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).

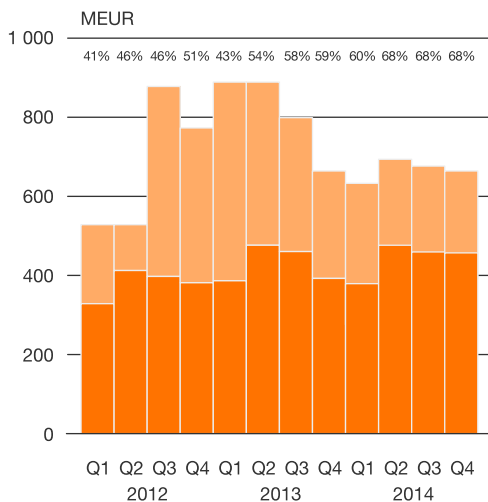
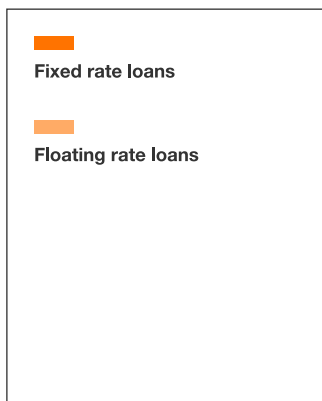
Wärtsilä had interest-bearing debt totalling EUR 666 million (665) at the end of December 2014. The total amount of short-term debt maturing within the next 12 months was EUR 129 million. Long-term loans amounted to EUR 537 million. Net interest-bearing debt totalled EUR 94 million (276) and gearing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

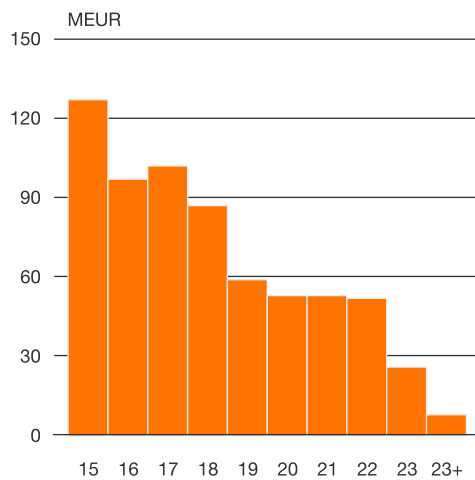
On 31 December 2014, the average maturity of the total loan portfolio was 42 months and the average maturity of the long-term debt was 43 months.

Loans

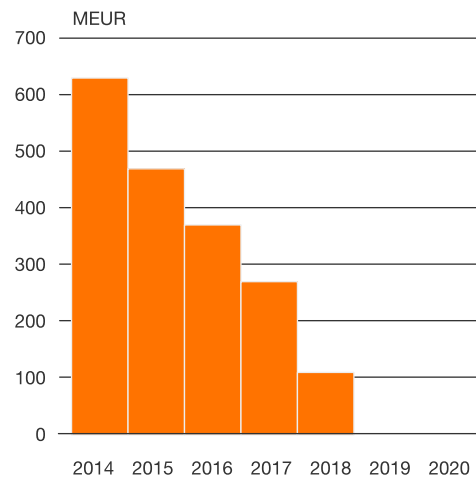


% = Fixed portion of loans (incl. derivatives).

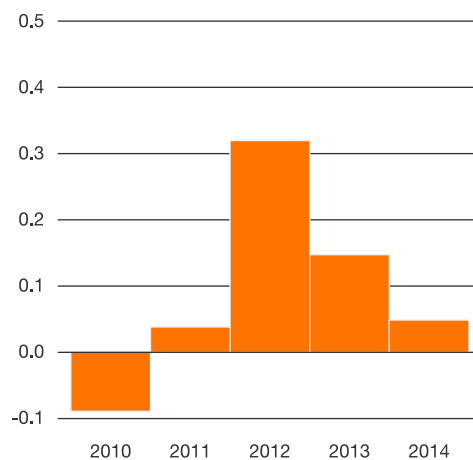
Maturity profiles of long-term loans



Committed revolving credit facilities (end of period)



Gearing

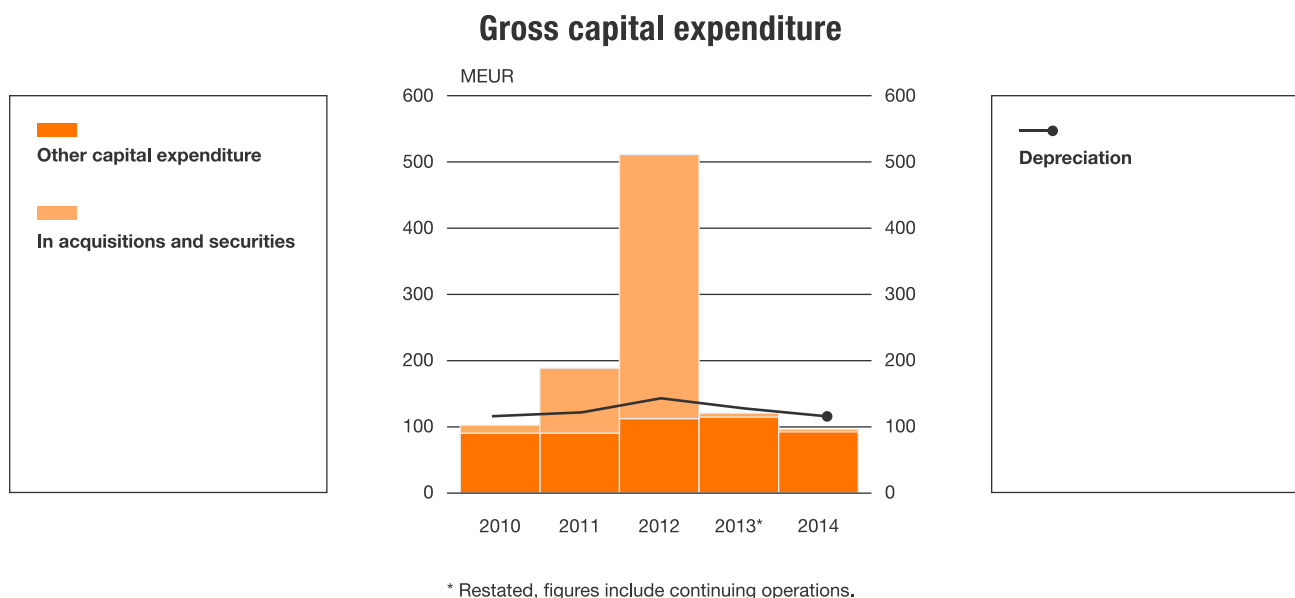


CAPITAL EXPENDITURE

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 financial 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 financial period amounted to EUR 115 million (120).

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



STRATEGIC PROJECTS, 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 take over 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 the consolidated financial statements. The effect on Wärtsilä's continuing operations is positive.

R&D, 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.

Megawatts delivered

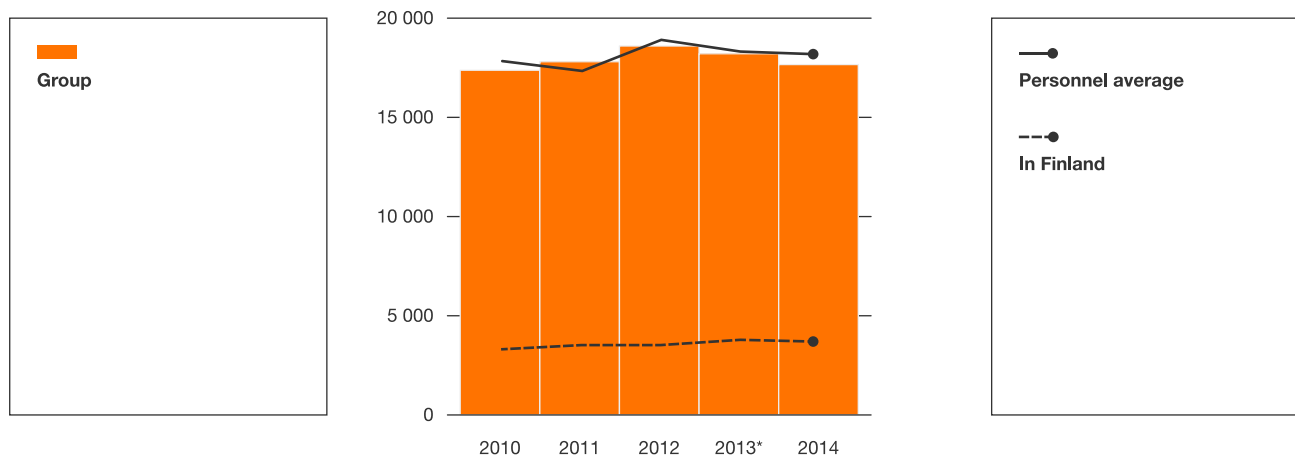
	2014	2013	Change %
Power Plants engines	2 409	2 710	-11%
Ship Power, own engines	2 206	1 777	24%
Wärtsilä total	4 615	4 487	3%
By licensees	1 902	1 430	33%
By joint ventures	1 010	1 135	-11%
Engine deliveries total	7 527	7 052	7%

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 financial 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).

Personnel



* Restated, figures include continuing operations.

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 financial 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 financial 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 Nasdaq Helsinki 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.

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

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 Risks and risk management section in this annual report contains a more specific description of Wärtsilä's risks and business uncertainties.

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.

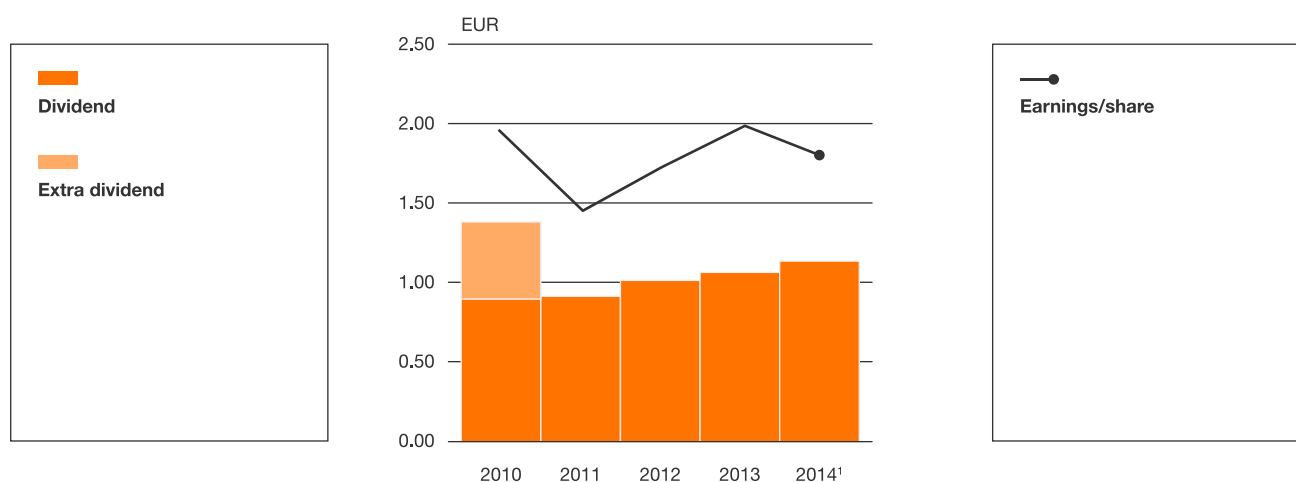
WÄRTSILÄ'S PROSPECTS FOR 2015

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.

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.

Earnings/share, dividend/share



¹ Proposal by the Board 2014

FINANCIALS

Five years in figures	178		
Calculations of financial ratios	179		
Consolidated financial statements			
Consolidated statement of income	180	26. Other liabilities	215
Consolidated statement of comprehensive income	181	27. Derivative financial instruments	215
Consolidated statement of financial position	182	28. Collateral, contingent liabilities and other commitments	216
Consolidated statement of cash flows	183	29. Related party disclosures	217
Consolidated statement of changes in equity	184	30. Auditors' fees and services	218
Accounting principles for the consolidated financial statements	186	31. Exchange rates	218
Notes to the consolidated financial statements		32. Subsidiaries	219
1. Segment information	198	33. Financial risks	221
2. Acquisitions	199	34. Events after the balance sheet date	223
3. Assets held for sale and discontinued operations	199		
4. Long-term construction contracts and operating and maintenance agreements	200	Parent Company financial statements	
5. Other operating income	200	Parent company income statement	224
6. Material and services	200	Parent company balance sheet	225
7. Employee benefit expenses	200	Parent company cash flow statement	226
8. Depreciation, amortisation and impairment	201	Accounting principles for the parent company	227
9. Non-recurring items	201	Notes to the parent company financial statements	
10. Financial income and expenses	202	1. Other operating income	229
11. Income taxes	202	2. Personnel expenses	229
12. Earnings per share	203	3. Depreciation and amortisation	229
13. Intangible assets	203	4. Financial income and expenses	229
14. Property, plant & equipment	205	5. Extraordinary income and expenses	230
15. Investments in associates and joint ventures	206	6. Income taxes	230
16. Available-for-sale financial assets	207	7. Fixed assets	231
17. Inventories	207	8. Non-current receivables	232
18. Financial assets and liabilities by measurement category	208	9. Current receivables from Group companies	232
19. Other receivables	209	10. Prepaid expenses and accrued income	232
20. Cash and cash equivalents	209	11. Shareholders' equity	232
21. Deferred taxes	209	12. Liabilities	233
22. Pension obligations	210	13. Accrued expenses and deferred income	233
23. Equity	212	14. Liabilities to Group companies	233
24. Provisions	213	15. Collateral, contingent liabilities and other commitments	234
25. Financial liabilities	214	16. Related party loans and other commitments	234
		17. Auditor's fees and services	234
		Proposal of the Board	235
		Auditor's report	236
		Quarterly figures 2013-2014	238

Five years in figures

MEUR		2014	Restated 2013**	Restated 2012*	2011	2010
Net sales		4 779	4 607	4 725	4 209	4 553
of which outside Finland	%	98.9	99.0	98.8	99.3	99.4
Exports from Finland		2 280	2 306	2 349	2 458	2 584
Personnel on average		18 042	18 339	18 930	17 708	18 000
of which in Finland		3 582	3 662	3 599	3 421	3 326
Order book		4 530	4 311	4 492	4 007	3 795
From the consolidated statement of income						
Depreciation, amortisation and impairment		115	120	139	113	116
Share of result of associates and joint ventures		26	28	9	8	5
Operating result before non-recurring items		569	557	517	469	487
as a percentage of net sales	%	11.9	12.1	10.9	11.1	10.7
Operating result		522	537	483	445	412
as a percentage of net sales	%	10.9	11.7	10.2	10.6	9.1
Financial income and expenses		-28	-19	-31	-16	-13
Net income from available-for-sale financial assets		-	25	1	-	149
Profit before taxes		494	544	453	429	548
as a percentage of net sales	%	10.3	11.8	9.6	10.2	12.0
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	344	293	397
From the consolidated statement of financial position						
Non-current assets		1 884	1 935	2 000	1 577	1 483
Current assets		3 294	3 274	3 036	3 023	3 213
Assets held for sale		102	-	-	-	-
Total equity attributable to equity holders of the parent company		1 960	1 844	1 766	1 636	1 638
Non-controlling interests		45	40	26	30	26
Interest-bearing debt		666	665	794	652	628
Non-interest-bearing liabilities		2 554	2 660	2 451	2 282	2 404
Liabilities directly attributable to assets held for sale		55	-	-	-	-
Total equity and liabilities		5 280	5 209	5 036	4 600	4 696
From the consolidated statement of cash flows						
Cash flow from operating activities		452	578	153	232	663
Cash flow from investing activities		-71	-79	-471	-166	79
Cash flow from financing activities		-210	-324	-47	-247	-216
Gross capital expenditure		101	134	513	187	98
as a percentage of net sales	%	2.1	2.9	10.9	4.4	2.2
Research and development expenses		139	138	188	162	141
as a percentage of net sales	%	2.9	3.0	4.0	3.8	3.1
Dividends paid		227***	207	197	178	173
Extra dividend		-	-	-	-	99
Dividends total		227***	207	197	178	271
Financial ratios						
Earnings per share, basic and diluted (EPS)****	EUR	1.76	1.98	1.72	1.44	1.96
Dividend per share****	EUR	1.15***	1.05	1.00	0.90	1.38
Dividend per earnings	%	65.4***	53.0	58.1	62.7	70.3
Interest coverage		15.9	18.1	13.9	14.6	18.9
Return on investment (ROI)	%	18.7	21.2	20.4	20.4	26.0
Return on investment (ROI), continuing operations	%	20.3	22.6	-	-	-
Return on equity (ROE)	%	18.0	21.4	20.1	17.5	25.0
Return on equity (ROE), continuing operations	%	20.0	23.1	-	-	-

Solvency ratio	%	43.5	43.9	41.3	41.3	40.8
Gearing		0.05	0.15	0.32	0.04	-0.09
Equity per share****	EUR	9.94	9.35	8.95	8.30	8.30
Working capital (WCAP)	EUR	251	313	465	235	118

* The figures in the comparison period 2012 have been restated during year 2013 according to the revised IAS 19. Figures in comparison periods 2010 and 2011 have not been restated.

** Figures related to the statement of income in the comparison period 2013 have been restated due to the two-stroke business being classified as discontinued operations. Figures in comparison periods 2010, 2011 and 2012 have not been restated.

*** Proposal of the Board of Directors.

**** Free share issue approved by Wärtsilä Corporation's Annual General Meeting on 3 March 2011 increased the total number of Wärtsilä shares to 197,241,130. The figures in the comparison period 2010 have been adjusted to reflect the increased number of shares.

Calculations of financial ratios

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)

Profit for the financial period
 Equity, average over the financial period

x 100

Interest coverage

Profit before taxes + depreciation, amortisation and impairment + interest and other financial expenses
 Interest and other financial expenses

Solvency ratio

Equity
 Total equity and liabilities – advances received

x 100

Gearing

Interest-bearing liabilities – cash and cash equivalents
 Equity

Earnings per share (EPS), basic and diluted

Profit for the financial period attributable to equity holders of the parent company
 Adjusted number of shares, average 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

Dividend per share

Dividends paid for the financial period
 Adjusted number of shares at the end of the financial period

Dividend per earnings

Dividend per share
 Earnings per share (EPS), basic and diluted

x 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

Consolidated statement of income

MEUR	2014	Restated 2013	Note
Continuing operations			
Net sales	4 779	4 607	1 4
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	5
Material and services	-2 392	-2 658	6
Employee benefit expenses	-1 113	-1 073	7
Depreciation, amortisation and impairment	-115	-120	8
Other operating expenses	-489	-513	
Share of result of associates and joint ventures	26	28	15
Operating result	522	537	
as a percentage of net sales	10.9	11.7	
Dividend income	1	1	10
Interest income	4	3	10
Other financial income	8	15	10
Interest expenses	-13	-17	10
Other financial expenses	-27	-22	10
Net income from available-for-sale financial assets		25	16
Profit before taxes	494	544	
Income taxes	-106	-119	11
Profit for the financial period from the continuing operations	389	425	
Loss for the financial period from the discontinued operations	-37	-31	3
Net profit for the financial period	351	393	

Attributable to:			
equity holders of the parent company	347	391	12
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	

The notes are an integral part of these consolidated financial statements.

Consolidated statement of 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

The notes are an integral part of these consolidated financial statements.

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	Note
Non-current assets			
Goodwill	909	914	<u>13</u>
Intangible assets	271	321	<u>13</u>
Property, plant and equipment	421	434	<u>14</u>
Investment properties	14	15	<u>14</u>
Investments in associates and joint ventures	90	103	<u>15</u>
Available-for-sale financial assets	16	15	<u>16</u> <u>18</u>
Interest-bearing investments	1	1	<u>18</u>
Deferred tax assets	144	128	<u>21</u>
Trade receivables	15		<u>18</u>
Other receivables	4	5	<u>19</u>
Total non-current assets	1 884	1 935	
Current assets			
Inventories	1 156	1 367	<u>17</u>
Interest-bearing receivables	1	1	<u>18</u>
Trade receivables	1 186	1 146	<u>18</u>
Current tax receivables	42	33	<u>18</u>
Other receivables	338	339	<u>19</u>
Cash and cash equivalents	571	388	<u>20</u>
Total current assets	3 294	3 274	
Assets held for sale	102		<u>3</u>
Total assets	5 280	5 209	

The notes are an integral part of these consolidated financial statements.

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

Consolidated statement of financial position, equity and liabilities

MEUR	31.12.2014	31.12.2013	Note
Equity			
Share capital	336	336	<u>23</u>
Share premium	61	61	<u>23</u>
Translation differences	-30	-85	<u>23</u>
Fair value reserve	-66	-13	<u>23</u>
Actuarial gains and losses	-65	-43	
Retained earnings	1 723	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	<u>18</u> <u>25</u>
Deferred tax liabilities	64	84	<u>21</u>
Pension obligations	100	107	<u>22</u>
Provisions	51	40	<u>24</u>
Advances received	77	86	

Other liabilities	2	4	<u>26</u>
Total non-current liabilities	832	892	
Current liabilities			
Interest-bearing debt	129	94	<u>18</u> <u>25</u>
Provisions	242	204	<u>24</u>
Advances received	596	827	
Trade payables	436	375	<u>18</u> <u>25</u>
Current tax liabilities	51	81	
Other liabilities	934	853	<u>25</u>
Total current liabilities	2 388	2 434	
Total liabilities	3 220	3 325	
Liabilities directly attributable to assets held for sale	55		<u>3</u>
Total equity and liabilities	5 280	5 209	

The notes are an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows

MEUR	2014	2013	Note
Cash flow from operating activities:			
Net profit for the financial period	351	393	
Adjustments for:			
Depreciation, amortisation and impairment	119	123	<u>8</u>
Financial income and expenses	28	19	<u>10</u>
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	<u>15</u>
Income taxes	99	113	<u>11</u>
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	<u>17</u>
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 <u>15</u>
Investments in available-for-sale financial assets	-1	-4 <u>16</u>
Investments in property, plant and equipment and intangible assets	-99	-129 <u>13</u> <u>14</u>
Proceeds from sale of property, plant and equipment and intangible assets	14	7
Proceeds from sale of available-for-sale financial assets	16	34 <u>16</u>
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 <u>25</u>
Repayments and other changes in non-current debt	-81	-157 <u>25</u>
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

The notes are an integral part of these consolidated financial statements.

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 at 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
transferred to the statement of income, net of taxes										-2
Defined benefit plans										-9
Other comprehensive income										-116
Profit for the financial period										3
Total comprehensive income for the financial period										2
Total transactions with the owners of the company										16
dividends paid										-201
contribution by non-controlling interests										16
Equity at 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 at 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
transferred to the statement of income, net of taxes									8
Defined benefit plans									-22
Other changes									-4
Other comprehensive income									-20
Profit for the financial period									5
Total comprehensive income for the financial period									9
Total transactions with the owners of the company									-210
dividends paid									-210
Equity at 31 December 2014	336	61	-30	-66	-65	1 723	1 960	45	2 005

Additional information on share capital, share premium, translation difference and fair value reserve is presented in Note 23. Equity.

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

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 complete lifecycle power solutions for the marine and energy markets. By emphasising technological innovation and total efficiency, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers.

In 2014, Wärtsilä's net sales totalled EUR 4.8 billion with approximately 17,700 employees. The company has operations in over 200 locations in nearly 70 countries around the world. Wärtsilä is listed on the Nasdaq Helsinki, Finland.

These consolidated financial statements were authorised for release by the Board of Directors of Wärtsilä Corporation on 28 January 2015, 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 as at 31 December 2014. 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

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 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 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 consolidated financial statements.

The standards have been approved for application in the EU.

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, comprise 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 reporting 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 reporting period, and the resulting loss or gain is recognised through profit or loss. Contingent consideration classified as equity is not remeasured.

For the acquisitions 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 on 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. 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.

Result from 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 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 reporting 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 reporting 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 reporting 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.

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 based on the ratio of costs incurred to total estimated costs to date for long-term construction contracts, whereas for long-term operating and maintenance agreements it 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 reporting 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 technique, the projected unit credit method. The Group recognises the defined benefit obligation net of fair value of the plan assets at the measurement date.

Actuarial gains and losses and other remeasurements of the net defined benefit obligation are recognized 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 reporting 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 recognized 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 reporting 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 reporting 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 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 reporting 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 reporting period. Financial liabilities (or parts thereof) are only derecognised once the debt has extinguished, i.e. once the contractually specified obligation is discharged or 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 reporting 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 reporting period and currency options at their market value at the end of the reporting 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 reporting 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 reporting period in accordance with local tax regulations, tax adjustments for previous reporting 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 reporting 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 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 consolidated financial statements.

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

1. Segment information

In 2014, the business of Wärtsilä consists of one business area, the Power Business. The Power Business is subdivided into two mutually supportive market areas, Ship Power and Power Plants. 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 segments 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	2014		Restated 2013	
	Net sales	Non-current assets*	Net sales	Non-current assets*
Finland	54	233	44	306
Other European countries	1 348	1 255	1 284	1 292
Asia	1 989	133	1 713	125
The Americas	840	74	1 068	57
Other	548	8	498	7
Total	4 779	1 704	4 607	1 787

* 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. It is also considered that they are of limited value to an external reader due to poor comparability, for example.

Against this background, Wärtsilä's business cannot be divided into separate operating segments with individual reporting.

During the financial period 1 January–31 December 2014 and 1 January–31 December 2013, Wärtsilä did not have any individual significant customers or countries.

Net sales

MEUR	2014	Restated 2013
	Power Plants	1 138
Ship Power	1 702	1 309
Services	1 939	1 842
Other		-2
Total	4 779	4 607

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

2. Acquisitions

In 2014 and 2013, there were no acquisitions.

3. Assets held for sale and 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.

As of the third quarter of 2014, the two-stroke business has been classified as discontinued operations, including the transfer of 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
Total	1

4. Long-term construction contracts and operating and maintenance agreements

MEUR	2014	2013
Net sales recognised for the financial period		
From long-term constructions contracts	708	845
From long-term operating and maintenance agreements	313	303
Long-term construction contracts in progress		
Aggregated amount of costs incurred and recognised profits	1 788	1 891
Advances received at 31 December	1 554	1 576
Receivables from the revenue recognition netted with the advances received at 31 December	234	315

5. Other operating income

MEUR	2014	Restated 2013
Gains on sale of shares	2	
Gains on sale of property, plant and equipment and intangible assets	6	4
Government grants	11	8
Sale of scrapped material	4	4
Sale of by-products	1	1
Income related to cancelled orders*	9	28
Other	19	20
Total	52	65

* Expenses related to cancelled orders are recorded on respective expense accounts.

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

6. Material and services

MEUR	2014	Restated 2013
Purchases during the financial period	-1 395	-1 430
Change in inventories	21	-112
External services	-1 018	-1 116
Total	-2 392	-2 658

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

7. Employee benefit expenses

MEUR	2014	Restated 2013
Wages and salaries	906	877
Pension costs		
Defined benefit plans	9	7
Defined contribution plans	73	65

Other compulsory personnel costs	126	123
Total	1 113	1 073

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 2011, 2012 and 2013, totalling EUR 21 million (13). These bonus schemes are tied to the price development of the company's share.

The 2011 bonus scheme comprises 1,700,250 bonus rights, the 2012 bonus scheme comprises 1,913,000 bonus rights and the 2013 bonus scheme 2,114,000 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 2011 the basis of a share price is EUR 23.34, for the bonus scheme 2012 EUR 33.28 and for the bonus scheme 2013 EUR 37.05. All bonus schemes are taking into account a 50% dividend payout. The paid bonuses in these bonus schemes cannot exceed EUR 10.00 per bonus right.

	2014	Restated 2013
Personnel on average	18 042	18 339
Personnel at the end of the financial period	17 717	18 315

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

8. Depreciation, amortisation and impairment

MEUR	2014	Restated 2013
Intangible rights	6	4
Other intangible assets	45	52
Buildings and structures	16	14
Machinery and equipment	46	47
Other tangible assets		3
Impairments	1	
Total	115	120

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

9. Non-recurring items

MEUR	2014	Restated 2013
Social plan costs	-34	-14
Impairment and write-downs	-7	-6
Other restructuring costs	-5	
Total	-47	-20

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

10. Financial income and expenses

MEUR	2014	Restated 2013
Dividend income on available-for-sale financial assets	1	1
Interest income on loans and receivables	4	3
Interest income on financial assets at fair value through the statement of income	7	9
Exchange rate differences*		2
Other financial income	1	5
Total financial income	13	20
Interest expenses on financial liabilities recognised at amortised cost	-14	-17
Interest expenses on financial liabilities at fair value through the statement of income	-3	-5
Net interest from defined benefit plans	-2	-3
Changes in fair values of financial assets/liabilities at fair value through the statement of income	-4	-2
Exchange rate differences*	-8	
Other financial expenses	-10	-13
Total financial expenses	-41	-39
Total financial income and expenses	-28	-19

* In 2014, the ineffective portion of cash flow hedges was not significant. In 2013, the result from the ineffective portion of cash flow hedges, EUR 1 million, was included in other financial income in the consolidated statement of income.

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

11. Income taxes

MEUR	2014	Restated 2013
Income taxes		
for the financial period	-120	-136
for prior financial periods	3	2
Change in deferred tax		
origination and reversal of temporary differences	13	9
change in Finnish tax rate		2
change in tax rates in other countries	-1	4
Total	-106	-119
Reconciliation of effective tax rate:		
Profit before taxes	494	544
Tax calculated at parent company tax rate 20.0% (24.5)	-99	-133
Effect of changed tax rates	-1	6
Effect of different tax rates in foreign subsidiaries	-2	6
Effect of income not subject to tax and non-deductible expenses		-7
Effect of share of result of associates and joint ventures	1	5
Utilisation of previously unrecognised tax losses carried forward	1	14
Unrecognised taxes on losses carried forward	-10	-10
Other taxes*	-11	-10
Other temporary differences	11	8
Income taxes for prior financial periods	3	2

Tax charge in the consolidated statement of income	-106	-119
Effective tax rate (%)	21.4	21.9

* 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.

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

12. Earnings per share

Earnings per share is calculated by dividing the 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	2014	2013
Profit for the financial period attributable to equity holders of the parent company	347	391
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	1.95	2.15
Earnings per share, discontinued operations, EUR	-0.19	-0.16
Earnings per share, EUR	1.76	1.98

* 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 1 (2) separate independent cash inflow CGU to which goodwill can directly be linked as per the below table.

Cash-Generating Unit

Goodwill

MEUR	2014	2013
Hamworthy		304
Power Business, other	909	609
Total	909	914

The recoverable amounts from the CGU are determined based on value-in-use calculations. The calculations are 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 performance of the CGU is 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 2014, it has been considered that the general interest rate is currently on a lower level. Wärtsilä has used a WACC of 8.9% (8.4) in the calculations.

As a result of the impairment test, no impairment loss for the CGUs were recognized for the financial periods ended 31 December 2014 and 2013 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 CGU by changing the assumption used in the calculation. 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:	
Power Business, other	increase more than 19%
Terminal growth rate:	
Power Business, other	decrease more than 50%
Profitability:	
Power Business, other	decrease more than 75%

The Group estimates that no theoretically possible change in the assumptions can cause the carrying amount to exceed the recoverable amount in the CGU. As a result of the performed impairment tests, there is no need for write-downs of the goodwill in the CGU.

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.

2014

MEUR	Intangible rights	Construction in progress and advances paid	Other intangible assets	Goodwill	Total
Cost at 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 at 31 December 2014	84	55	607	914	1 658
Accumulated amortisation and impairment at 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 at 31 December 2014	-55		-421	-5	-479
Carrying amount at 31 December 2014	29	55	187	909	1 180

Development costs for internally generated assets capitalised during the financial period amounted to EUR 25 million (33), which includes EUR 5 million (14) from discontinued operations. The carrying amount was EUR 85 million (99).

Amortisations related to the purchase price allocations from acquisitions were EUR 26 million (33) and the carrying amount of them was EUR 131 million (156).

2013

MEUR	Intangible rights	Construction in progress and advances paid	Other intangible assets	Goodwill	Total
Cost at 1 January 2013	92	33	601	947	1 673
Changes in exchange rates		-2	-14	-29	-45
Additions		35	18		53
Disposals			-1		-1
Reclassifications	4	6	7		17
Cost at 31 December 2013	96	72	610	918	1 696
Accumulated amortisation and impairment at 1 January 2013	-56		-352	-4	-414
Changes in exchange rates			8		9
Accumulated amortisation on disposals and other changes			1		1
Amortisation during the financial period	-4		-53		-56
Reclassification to assets held for sale	-2				-2
Accumulated amortisation and impairment at 31 December 2013	-61		-396	-4	-462
Carrying amount at 31 December 2013	35	72	215	914	1 235

14. Property, plant & equipment

2014

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Investment properties	Total
Cost at 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
Reclassification	-4	25	20	-17	-33	3	-5
Reclassification to assets held for sale	-2	-16	-24		-1		-42
Cost at 31 December 2014	26	319	806	53	27	14	1 247
Accumulated depreciation and impairment at 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
Reclassification		-16	-8		25		2
Reclassification to assets held for sale		14	20		1		34
Accumulated depreciation and impairment at 31 December 2014	-1	-159	-630		-23		-813
Carrying amount at 31 December 2014	25	160	175	53	5	14	434
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 24 million (28). During the financial period, investment properties were sold totalling EUR 4 million (3) generating a gain of EUR 3 million (2).

2013

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress and advances paid	Other tangible assets	Investment properties	Total
Cost at 1 January 2013	29	319	782	46	62	14	1 250
Changes in exchange rates	-1	-9	-20	-2	-1		-33
Additions	8	3	29	33		2	76
Disposals	-1	-13	-9			-1	-22
Reclassification	-3	8	17	-41	1		-16
Cost at 31 December 2013	32	307	800	38	62	15	1 254
Accumulated depreciation and impairment at 1 January 2013		-149	-586		-46		-780
Changes in exchange rates		4	16		1		21
Accumulated depreciation on disposals		11	8				19
Depreciation during the financial period		-12	-48		-3		-64
Reclassification to assets held for sale			-2				-2
Accumulated depreciation and impairment at 31 December 2013		-147	-612		-48		-806
Carrying amount at 31 December 2013	32	160	188	38	15	15	449
Value of finance-leased assets included in carrying amount		1					1

15. Investments in associates and joint ventures

MEUR	2014	2013
Carrying amount at 1 January	103	90
Investments		1
Share of result	26	28
Dividends	-21	-7
Translation differences	7	-3
Share of result, discontinued operations	-3	-6
Disposal of shares	-22	
Carrying amount at 31 December	90	103

In 2014, EUR 2 million gain 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. In 2013, no shares in associates or joint ventures were sold.

Summary of financial information (100%):

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

2013

MEUR		Holding %	Assets	Equity	Liabilities	Net sales	Profit for the financial period
Joint ventures							
Wärtsilä Qiyao Diesel Company Ltd.	China	50.0	36	25	11	31	2
Wärtsilä Hyundai Engine Co Ltd.	South Korea	50.0	332	125	207	272	53
Wärtsilä TMH Diesel Engine Company LLC	Russia	50.0	28	21	7	2	-1
Repropel Sociedad de reparacao de helices	Portugal	50.0	1	1		1	
Associated companies							
Wärtsilä Land & Sea Academy, Inc.	Philippines	40.0		-2	2		
Cosco-Shipyard Total Automation Co Ltd.	China	40.0	5	3	2	7	
Neptun Maritime AS	Norway	40.0	1	1		1	
Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co Ltd.	China	33.8	199	42	157	36	-17

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	2014	2013
Carrying amount at 1 January	15	44
Acquired shares	1	4
Fair value adjustments*		-24
Disposal of shares		-9
Carrying amount at 31 December	16	15

MEUR	2014		2013	
	Cost	Market value	Cost	Market value
Unlisted shares (level 3)				
Other shares	16	16	15	15
Total shares	16	16	15	15

In 2013, EUR 25 million gain was recognised in the consolidated statement of income related to the sale of Sato Oyj shares. In addition, Lyxor ETF MSCI Emerging Markets shares were sold in 2013, but the impact was not significant.

* Additional information on fair value adjustments is presented in Note 23. Equity.

17. Inventories

MEUR	2014	2013
Materials and consumables	441	420
Work in progress	641	873
Finished products	38	47
Advances paid	35	28
Total	1 156	1 367

In 2014, EUR 28 million (12) impairment for obsolete inventories has been recognised in the consolidated statement of income.

18. Financial assets and liabilities by measurement category

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

2013

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				15		15	15
Interest-bearing investments			1			1	1
Other receivables			5			5	5
Current financial assets							
Interest-bearing receivables			1			1	1
Trade receivables			1 146			1 146	1 146
Derivatives	20					20	20
Other receivables		10				10	10
Cash and cash equivalents			388			388	388
Carrying amount by category	20	10	1 541	15		1 586	1 586
Non-current financial liabilities							
Interest-bearing debt					571	571	576
Current financial liabilities							
Interest-bearing debt					94	94	94
Trade payables					375	375	375

Derivatives	21		21	21
Other liabilities		13	13	13
Carrying amount by category	21	1 053	1 074	1 079

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	2014	2013
Derivatives	16	20
Interest and other financial items	6	10
Insurance receivables	7	5
Rental accruals	4	5
Project accruals	18	19
Accruals from long-term contracts	147	152
Other accruals	35	28
Loan receivables	4	5
VAT receivables	50	45
Other*	56	55
Total	343	344
Non-current	5	5
Current	338	339

* Includes payroll related tax receivables of EUR 11 million in Brazil, which can not necessarily be utilized within a year.

20. Cash and cash equivalents

MEUR	2014	2013
Cash and bank balances	549	373
Current deposits	22	15
Total	571	388

21. Deferred taxes

Change in deferred taxes during 2014

MEUR	1 January 2014	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Reclas-sifications to assets held for sale	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

Change in deferred taxes during 2013

MEUR	1 January 2013	Recognised in the consolidated statement of income	Other comprehensive income	Translation differences	Reclas-sifications to assets held for sale	31 December 2013
Deferred tax assets						
Tax loss carry-forwards	28	11		-2		36
Pension obligations	17			1		19
Provisions	20	-1		-1		18
Intragroup margin in inventories	6	-1				6
Other temporary differences	42	7	5	-3		50
Total	112	16	6	-6		128
Deferred tax liabilities						
Intangible assets and property, plant and equipment	53	-9		-2		43
Fair value reserve	15		-8			6
Other temporary differences	27	10	2	-3		36
Total	95	1	-6	-6		84
Net deferred tax assets/liabilities	17	15	12			45

At 31 December 2014, the Group had temporary differences on which no deferred tax assets were booked totalling EUR 25 million (21), as it is uncertain if they will be realised. Most of them were related to cumulative losses.

22. Pension obligations

MEUR	2014	2013
Net defined benefit liabilities at 31 December	100	104
Liability for other long term employee benefits at 31 December	5	3

Wärtsilä has defined benefit plans for its employees mainly in Europe and Asia. The major plans are located in Switzerland, Great Britain, Sweden and Norway. The Swiss defined benefit plan accounts for 40% of Group's total defined benefit obligations and 55% 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 of the employers vary depending on the age of the employee and cover on average two thirds of the total contributions. There is no other way to fund a pension plan.

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 2014. 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.

MEUR	2014	2013
Present value of unfunded defined benefit obligations	66	65
Present value of funded defined benefit obligations	169	311
Fair value of plan assets	-136	-272
Net liability in the statement of financial position	100	104

%	Present value of defined benefit obligations	Fair value of plan assets
Switzerland	40	55
Other Europe	52	35
Asia	8	10
Total	100	100

MEUR	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at 1 January 2013	382	-307	75
Changes in exchange rates	-14	10	-4
Other adjustments	20	3	23
Recognised in the statement of income:			
Current service cost	13		13
Past service cost (- credit)	-5		-5
Gains (-) / losses (+) on curtailments and settlements	-30	29	-1
Interest cost (+) / interest income (-)	11	-8	3
Remeasurements recognised in other comprehensive income:			
Experience adjustments	10		10
Changes in demographic assumptions	6		6
Changes in financial assumptions	2		2
Contribution paid by the plan members	4	-4	
Contribution paid by the employer		-13	-13
Benefits paid	-22	17	-5
Balance at 31 December 2013	376	-272	104
Balance at 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 at 31 December 2014	236	-136	100

Plan assets invested in:

	2014	2013
Shares and other equity instruments (%)	29	28
Bonds and other debt instruments (%)	33	43
Property (%)	14	18
Other assets (%)	24	11

The main actuarial assumptions at the reporting date are (expressed as weighted averages):

	2014	2013
Discount rate (%)	2.67	2.68
Future salary growth (%)	3.29	1.94
Future pension growth (%)	1.13	0.78

At 31 December 2014 the weighted average duration of the defined benefit obligation was 10 years. Company expects to contribute EUR 3 million to the plans during next year.

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:

	2014	2013
Plan participants retiring at the end of the financial period:		
Male	17.5	20.2
Female	19.2	22.8
Plan participants retiring 20 years after the end of the financial period:		
Male	19.2	21.6
Female	20.1	24.2

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	
		2014	2013
Discount rate	increase 1%	-25	-50
Discount rate	decrease 1%	28	45
Future salary increase	increase 1%	24	13
Future salary increase	decrease 1%	-5	-11
Future pension growth	increase 1%	11	32
Future pension growth	decrease 1%	-4	-7

23. Equity

Equity consists of share capital, share premium, translation difference, fair value reserve and retained earnings.

Share capital and number of shares

MEUR

	Number of shares and votes	Share capital	Share premium	Total
Share capital				
1 January 2013	197 241 130	336	61	397
31 December 2013	197 241 130	336	61	397
31 December 2014	197 241 130	336	61	397

Wärtsilä 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	Available-for-sale financial assets	Total
Difference between fair value and carrying amount at 1 January 2013	4	24	28
Deferred tax liabilities/assets	-1	-6	-7
Fair value reserve at 1 January 2013	3	18	21
Transferred to the statement of income, net of taxes	-2	-19	-21
Fair value adjustments	-19	1	-18
Deferred tax liabilities/assets	6		6
Fair value reserve at 31 December 2013	-13		-13
Transferred to the statement of income, net of taxes	8		8
Fair value adjustments	-85		-85
Deferred tax liabilities/assets	24		24
Fair value reserve at 31 December 2014	-66		-66

Parent company's distributable funds

After the balance sheet date, the Board of Directors proposed that a dividend of 1.15 euro per share be paid for the financial period 2014, total dividend payable being EUR 227 million. The remaining part of the retained profits will be carried further in the unrestricted equity. For the profit for the financial period 2013, a dividend of EUR 1.05 per share was distributed, totalling EUR 207 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

2014

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions at 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 at 31 December 2014	25	190	24	24	28	292

Non-current	49
Current	242

2013

MEUR	Litigation	Warranties	Onerous contracts	Restructuring	Other provisions	Total
Provisions at 1 January 2013	17	180	24	14	31	266
Changes in exchange rates		-2	-2		-1	-5
Additions	2	56	17	6	18	98
Used provisions	-5	-71	-10	-8	-10	-104
Released provisions	-1		-4	-1	-5	-11
Provisions at 31 December 2013	13	162	25	11	33	244

Non-current	40
Current	204

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 are 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 loss can be reasonably estimated.

25. Financial liabilities

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

2013

MEUR	Current			Non-current	Total
	< 1 year	1-3 years	3-5 years	> 5 years	
Loans from pension insurance companies*	37	62	18		117
Loans from other financial institutions*	35	146	177	167	525
Finance lease liabilities*	1				1
Other interest-bearing debt*	22				23
Trade payables	375				375
Derivatives	21				21
Other liabilities	13				13
Total	504	208	195	167	1 074
* Estimated interest expenses, total	9	14	11	11	45
Estimated contractual cash flows	513	222	206	178	1 119

Fair values of financial liabilities are presented in Note 18. Financial assets and liabilities by measurement category.

26. Other liabilities

MEUR	2014	2013
Project costs	534	527
Personnel costs	189	164
Derivatives	67	21
Interest and other financial items	7	13
Other accruals	64	50
VAT liabilities	8	12
Other	66	70
Total	936	856
Non-current	2	4
Current	934	853

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	2014	of which closed	2013	of which closed
Nominal values of derivative financial instruments (level 2)				
Interest rate swaps	125		125	
Inflation hedges	3		9	
Currency forwards				
transaction risk	2 212	763	1 545	534
Currency options, purchased	30		7	
Total	2 370	763	1 686	534
Fair values of derivative financial instruments (level 2)				
Interest rate swaps	-3		1	
Currency forwards				
transaction risk	-47		-1	
Total	-50		-1	

Total amount of foreign currency forward contracts in nominal value included EUR 35 million (5) from discontinued operations.

Foreign currency forward contracts fall due during the following 12 months. Interest rate swaps are denominated in euros and their average interest-bearing period is 42 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	2014	2013
Gross fair values of derivative financial instruments subject to ISDAs		
Assets		
Interest rate swaps		1
Currency forwards	17	19
Currency options	1	
Total	18	20

Liabilities		
Interest rate swaps	-3	
Currency forwards	-63	-21
Total	-66	-21
Net fair values of derivative financial instruments subject to ISDAs		
Assets		15
Liabilities	-48	-15
Total	-48	-1

Currency distribution of currency forwards and currency options

MEUR	Order book	Net loans
Currency forwards		
USD	858	48
NOK	348	79
CHF	129	47
SGD		14
JPY	48	
GBP	13	41
SEK	18	
Other*	110	28
Currency options		
USD	30	
Total	1 554	257

* Other does not include any material single currencies.

28. Collateral, contingent liabilities and other commitments

MEUR	2014		2013	
	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	21	10	22	26
Total	21	10	22	26
Chattel mortgages and other pledges given as collateral for liabilities and commitments				
Loans from credit institutions	22	10	25	12
Other commitments		16		13
Total	22	26	25	25

MEUR	2014	2013
Guarantees and contingent liabilities		
on behalf of Group companies	746	665
on behalf of associated companies		7
Total	746	672

Nominal amounts 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	114	131

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	
	2014	2013
President and CEO		
Salaries and other short-term benefits	662	660
Bonuses	425	309
Share based bonuses	556	608
Statutory pension costs	155	99
Voluntary pension costs	258	152
Deputy of President and CEO		
Salaries and other short-term benefits	578	359
Bonuses	226	95
Share based bonuses	278	157
Statutory pension costs	114	54
Voluntary pension costs	294	391
Other members of the Board of Management		
Salaries and other short-term benefits	1 639	2 144
Bonuses	609	808
Share based bonuses	1 194	1 326
Statutory pension costs	294	311
Voluntary pension costs	461	993
Total	7 744	8 466
Board of Directors at 31 December 2014		
Mikael Lilius, chairman	136	132
Kaj-Gustaf Bergh, deputy chairman	96	96
Maarit Aarni-Sirviö, member	71	68
Sune Carlsson, member	66	64
Alexander Ehrnrooth, member	70	69
Paul Ehrnrooth, member	66	66
Risto Murto, member	66	64
Gunilla Nordström, member	65	74
Markus Rauramo, member	75	
Board of Directors, until 6 March 2014		
Matti Vuoria, member	3	66
Board of Directors, until 7 March 2013		
Lars Josefsson, member		2
Total	713	703
Management remuneration, total	8 457	9 169

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 907,853 shares (790,112).

The President and CEO and some members of the Board of Management are entitled to retire on reaching 60 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	2014	2013
Sales to the associates and joint ventures	66	74
Purchases from the associates and joint ventures	30	30
Receivables from the associates and joint ventures	11	15
Advances paid to the associates and joint ventures	9	5
Payables to the associates and joint ventures	9	6

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 2014, the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditor.

MEUR	2014		2013	
	KPMG	Others	KPMG	Others
Audit	2.5	0.2	2.5	0.2
Tax advisory	0.7	0.1	0.6	0.1
Other services	0.5	0.1	0.7	
Total	3.9	0.3	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 2014	Closing rates 31 December 2013	2014	Average rates 2013
AED	United Arab Emirates Dirham	4.62148	5.06530	4.85217	4.88796
BRL	Brazil Real	3.08210	3.25760	3.12309	2.86681
CHF	Switzerland Franc	1.20630	1.22760	1.21463	1.23092
CNY	China Yuan Renminbi	7.72620	8.34910	8.18857	8.16549
DKK	Danish krone	7.44310	7.45930	7.45493	7.45792
GBP	United Kingdom Pound	0.77730	0.83370	0.80647	0.84925
INR	India Rupee	77.85640	85.36600	81.07102	77.87525
JPY	Japan Yen	138.11000	144.72000	140.37046	129.65950
NOK	Norway Krone	8.11900	8.36300	8.35531	7.80507
SAR	Saudi Arabian Riyal	4.72013	5.17204	4.95520	4.99087
SEK	Sweden Krona	9.14650	8.85910	9.09661	8.65050
SGD	Singapore Dollar	1.60630	1.74140	1.68312	1.66181
USD	United States Dollar	1.25830	1.37910	1.32890	1.32814

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
	IPP3 Investment 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 Svanebjerg 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	
The Americas	Wärtsilä North America, Inc.	USA	Sales and services	100.0
	Wärtsilä Defence Inc.	USA	Sales and services	100.0
	Wärtsilä Hamworthy 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
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
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 West Africa	Sales and services	100.0
	Wärtsilä Tanzania Ltd	Tanzania	Sales and services	100.0
	Wartsila 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: 1) to arrange adequate funding for the Group's underlying operations on competitive terms and 2) 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 reserves, profits and shareholders' 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 in accordance with IFRS 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 2015. The cancellation of orders could lead to ineffective currency hedge. Approximately 67% (59) of sales and 57% (56) of operating costs in 2014 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 and China have unhedged, intercompany loans nominated either in EUR or USD. Total amount of the loans is EUR 115 million (99).

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 2014, the net assets of Wärtsilä's foreign subsidiaries and joint ventures outside the euro zone totalled EUR 794 million (831). In addition, goodwill and purchase price allocations from acquisitions nominated in foreign currencies amounted to EUR 549 million (551).

IFRS hedge accounting has been applied to EUR 1,307 million (784) currency forwards. 10% change in the exchange rates would cause from these currency forwards an approximately EUR 100 million (61) net of tax impact on the equity. In 2014, EUR -61 million (-14) fair value adjustments related to cash flow hedges were recognised in equity. EUR -8 million (2) of the fair value adjustments were transferred from equity to the statement of income as net sales or operating expenses during 2014. In 2014, the result from ineffective portion of the cash flow hedges was not significant. In 2013, 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.

Currency distribution 2014

%	Net sales	Operating costs	Trade receivables	Trade payables
EUR	67	57	72	83
USD	19	7	14	3
NOK	2	8	2	1
GBP	2	3	1	3
CHF		3	2	4
Other EU currencies		2		1
SGD	1	2	1	
SAR	1			
BRL	1	2	1	
INR	1	1	1	
CNY	1	3	1	
JPY		1		2
Other currencies	5	9	6	3
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 2014 totalled EUR 666 million (665). The average interest rate was 1.7% (1.7) and the average re-fixing time 27 months (17). At the end of 2014, a one percentage point parallel decrease/increase of the yield curve would have resulted in a EUR 18 million (14) 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 2014 the floating rate portion of total loans was 32% (41) after adjustment for interest rate derivatives. A one percentage point change in the interest level would cause a EUR 2 million (3) 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 (599).
- Finnish Commercial Paper programmes totalling EUR 800 million (800).

The average maturity of the non-current debt is 43 months (44) and the average maturity of the confirmed credit lines is 29 months (37). Additional information in Note 25. Financial liabilities.

The Group had cash and cash equivalents totalling EUR 571 million (388) at the year end as well as EUR 629 million (599) non-utilised committed credit facilities. In 2014, Commercial Paper programme was not utilised. In 2013, Commercial Paper Programme utilisation amounted to EUR 14 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)
2014		629
2015	160	469
2016	99	370
2017	100	270
2018	160	110
2019	110	

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	2014		2013	
	Trade receivables	of which impaired	Trade receivables	of which impaired
Not past due	748		648	1
Past due 1–30 days	159		161	
Past due 31–180 days	140	2	171	4
Past due 181–360 days	31	1	113	9
Past due 1 year	171	43	114	46
Total	1 249	47	1 207	61

In 2014, the result impact of write-offs was EUR 4 million (-13).

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 12 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	31.12.2014	31.12.2013
Interest-bearing liabilities, non-current	537	571
Interest-bearing liabilities, current	129	94
Cash and cash equivalents	-571	-388
	95	277
Loan receivables	-1	-1
Net interest-bearing debt	94	276
Total equity	2 005	1 884
Gearing	0.05	0.15
In the capital management Wärtsilä also follows the gearing development:		
Equity and liabilities	5 280	5 209
Advances received	-673	-913
	4 607	4 296
Solvency ratio, %	43.5	43.9

34. Events after the balance sheet date

Wärtsilä and China State Shipbuilding Corporation (CSSC) signed an agreement to establish a joint venture to takeover Wärtsilä's 2-stroke engine business in July 2014. The Winterthur Gas & Diesel Ltd (WinGD) joint venture has now 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.

Related to the transaction, Wärtsilä divested its shares in the joint venture Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd in August. 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.

Parent company income statement (FAS)

MEUR	2014	2013	Note
Other operating income	75	71	<u>1</u>
Personnel expenses	-41	-41	<u>2</u>
Depreciation, amortisation and impairments	-7	-10	<u>3</u>
Other operating expenses	-77	-87	
Operating result	-50	-67	
Financial income and expenses			<u>4</u>
Income from financial assets	130	107	
Interest income and other financial income	39	46	
Exchange gains and losses	2	-1	
Interest expenses and other financial expenses	-38	-42	
	133	111	
Result before extraordinary items	83	44	
Group contribution	112	161	<u>5</u>
Result before appropriations and taxes	195	205	
Change in depreciation difference	1	3	
Result before taxes	196	208	
Income taxes	-13	-33	<u>6</u>
Result for the financial period	183	174	

Parent company balance sheet (FAS)

MEUR	2014	2013	Note
ASSETS			
Fixed assets			<u>7</u>
Intangible assets			
Other long-term expenditure	15	15	
Construction in progress	3	5	
	18	20	
Tangible assets			
Land and water	6	8	
Buildings and structures	1	1	
Machinery, equipment and other tangible assets	1	1	
Construction in progress	4	3	
	11	13	
Financial assets			
Shares in Group companies	950	450	
Other shares and securities	2	2	
	952	452	
Total fixed assets	980	485	
Non-current receivables			
Receivables from Group companies	16	44	<u>8</u>
Loan receivables	2	2	
	18	46	
Current receivables			
Receivables from Group companies	1 420	2 042	<u>9</u>
Other receivables	2	1	
Prepaid expenses and accrued income	37	33	<u>10</u>
	1 459	2 076	
Cash and bank balances	395	243	
Total current assets	1 872	2 365	
Assets	2 852	2 850	

MEUR	2014	2013	Note
EQUITY AND LIABILITIES			
Equity			<u>11</u>
Share capital	336	336	
Share premium reserve	61	61	
Retained earnings	819	853	
Result for the financial period	183	174	
Total equity	1 400	1 424	

Accumulated appropriations			
Depreciation difference	6	8	
Provisions	21	22	
Liabilities			<u>12</u>
Non-current			
Loans from credit institutions	473	469	
Loans from pension insurance companies	45	80	
	<u>518</u>	<u>549</u>	
Current			
Loans from credit institutions	88	31	
Loans from pension insurance companies	35	37	
Trade payables	6	5	
Liabilities to Group companies	677	697	<u>14</u>
Other current liabilities	1	15	
Accrued expenses and deferred income	100	62	<u>13</u>
	<u>907</u>	<u>848</u>	
Total liabilities	<u>1 425</u>	<u>1 397</u>	
Equity and liabilities	<u>2 852</u>	<u>2 850</u>	

Parent company cash flow statement (FAS)

MEUR	2014	2013
Cash flow from operating activities:		
Result before extraordinary items	83	44
Adjustments for:		
Depreciation and amortisation	7	10
Gains and losses on sale of intangible and tangible assets	-3	-25
Financial income and expenses	-133	-85
Cash flow before changes in working capital	<u>-45</u>	<u>-57</u>
Changes in working capital:		
Assets, non-interest-bearing, increase (-) / decrease (+)	-43	184
Liabilities, non-interest-bearing, increase (+) / decrease (-)	52	28
	<u>9</u>	<u>212</u>
Cash flow from operating activities before financial items and taxes	<u>-37</u>	<u>154</u>
Interest and other financial expenses	-45	-16
Dividends received from operating activities	130	82
Interest and other financial income from operating activities	39	46
Income taxes paid	-37	-6
	<u>87</u>	<u>106</u>
Cash flow from operating activities	<u>50</u>	<u>260</u>

Cash flow from investing activities:		
Investments in shares	-500	
Investments in tangible and intangible assets	-5	-7
Proceeds from sale of investments		29
Proceeds from sale of tangible and intangible assets	5	
Loan receivables, increase (-) / decrease (+) and other changes		13
Cash flow from investing activities	-500	35
Cash flow after investing activities	-450	295
Cash flow from financing activities:		
Loans receivables, increase (-) / decrease (+)	668	-52
Current loans, increase (+) / decrease (-)	-45	-86
Proceeds from non-current borrowing	100	153
Repayments and other changes of non-current loans	-75	-132
Group contributions	161	160
Dividends paid	-207	-197
Cash flow from financing activities	602	-155
Change in cash and bank balances, increase (+) / decrease (-)	152	140
Cash and bank at beginning of period	243	103
Cash and bank at end of period	395	243

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 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. 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	2014	2013
Rental income	1	1
Services to Group companies	71	69
Profit on sales of fixed assets	3	
Total	75	71

2. Personnel expenses

MEUR	2014	2013
Wages and salaries	34	34
Pension costs	5	6
Other compulsory personnel costs	2	2
Total	41	41

Salaries and remunerations paid to senior management

The President and CEO and his deputy and members of the Board of Directors	2	2
--	---	---

The President and CEO and some of the members of the Board of Management have the right to retire at the age of 60 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	274	320
--------------------------------------	-----	-----

3. Depreciation and amortisation

MEUR	2014	2013
Depreciation and amortisation according to plan		
Other long-term expenditure	7	10
Total depreciation according to plan	7	10
Tax depreciations	6	7
Depreciation difference	1	3
Depreciation difference		
Depreciation difference on 1 January	7	10
Change in the depreciation difference	-1	-3
Depreciation difference on 31 December	6	7

4. Financial income and expenses

MEUR	2014	2013
Dividend income		
From Group companies	130	82
Total	130	82
Other interest income		
From Group companies	27	29
Total	27	29

Other financial income		
From Group companies	6	4
From other companies	6	12
Total	12	16
Exchange gains and losses	2	-1
Interest expenses		
To Group companies	-4	-6
To other companies	-11	-12
Total	-16	-18
Other financial expenses		
To Group companies	-12	-12
To other companies	-11	-12
Total	-22	-24
Net income from sales of shares and securities		25
Financial income and expenses, total	133	111

5. Extraordinary income and expenses

MEUR	2014	2013
Group contributions received	112	161

6. Income taxes

MEUR	2014	2013
Income taxes		
for the financial period	-14	-33
for prior financial periods	1	
Total	-13	-33
Income taxes on extraordinary items	22	39

7. Fixed assets

Intangible assets

MEUR	Other intangible assets	Other long-term expenditures	Construction in progress	Total 2014	Total 2013
Acquisition cost at January 1	1	140	5	145	139
Additions		2	2	5	5
Disposals		-14		-14	
Reclassifications		4	-4	0	1
Acquisition cost at December 31	1	133	3	136	145
Accumulated amortisation at January 1	-1	-125		-126	-116
Accumulated amortisation on disposals and other changes		14		14	
Amortisation during the financial period		-7		-7	-10
Accumulated amortisation at December 31	-1	-118		-119	-126
Carrying amount at 31 December 2014		15	3	18	
Carrying amount at 31 December 2013		15	5		20

Tangible assets

MEUR	Land and water	Buildings and structures	Machinery and equipment	Construction in progress	Other tangible assets	Total 2014	Total 2013
Acquisition cost at January 1	8	11	11	3	2	35	35
Additions						1	1
Disposals	-3		-1			-5	
Reclassifications							-1
Acquisition cost at December 31	6	11	10	4	1	31	35
Accumulated depreciation at January 1		-10	-11		-1	-23	-23
Accumulated amortisation on disposals and other changes			1			2	
Accumulated depreciation at December 31		-10	-10		-1	-21	-23
Carrying amount at 31 December 2014	6	1		4		11	
Carrying amount at 31 December 2013	8	1		3	1		13

Shares and securities

MEUR	Shares in Group companies	Shares in other companies	Total 2014	Total 2013
Acquisition cost at January 1	450	2	452	456
Additions	*500		500	
Disposals			0	-4
Acquisition cost at December 31	950	2	952	452
Carrying amount at 31 December 2014	950	2	952	
Carrying amount at 31 December 2013	450	2		452

*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	2014	2013
Receivables from Group companies		
Loan receivables	16	44
Total	16	44

9. Current receivables from Group companies

MEUR	2014	2013
Trade receivables	4	3
Loan receivables	1 334	2 007
Prepaid expenses and accrued income	82	32
Total	1 420	2 042

10. Prepaid expenses and accrued income

MEUR	2014	2013
Derivatives	20	26
Other financial items	2	5
Income and other taxes	12	
Other	2	2
Total	37	33

11. Shareholders' equity

MEUR	2014	2013
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	1 027	1 050
Dividends paid	-207	-197
Reversal of revaluation	-1	
Result for the financial period	183	174
Retained earnings on December 31	1 003	1 027
Total shareholders' equity	1 400	1 424
Distributable equity	1 003	1 027

12. Liabilities

MEUR	2014	2013
Non-current		
Interest-bearing	518	549
Total	518	549
Current		
Non-interest-bearing	140	98
Interest-bearing	767	750
Total	907	848

Debt with maturity profile

2014 MEUR	Current <1 year	Long-term 1-5 years	>5 years	Total
Loans from financial institutions	88	286	188	561
Loans from pension institutions	35	45		80
Total	123	331	188	641

2013 MEUR	Current <1 year	Long-term 1-5 years	>5 years	Total
Loans from financial institutions	31	310	159	499
Loans from pension institutions	37	80		117
Total	68	390	159	617

13. Accrued expenses and deferred income

MEUR	2014	2013
Income and other taxes		12
Derivatives	65	27
Personnel costs	23	17
Interest and other financial items	7	4
Other	6	4
Total	100	62

14. Liabilities to Group companies

MEUR	2014	2013
Trade payables	6	5
Other current liabilities	645	668
Accrued expenses and deferred income	26	24
Total	677	697

15. Collateral, contingent liabilities and other commitments

MEUR	2014 Debt in balance sheet	2013 Debt in balance sheet
Guarantees and contingent liabilities		
On behalf of Group companies	746	665
On behalf of associated companies		7
Total	746	672
Future nominal lease payments		
Payable within one year	2	2
Payable after one year	19	21
Total	21	23

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 2014, the AGM appointed the firm of public accountants KPMG Oy Ab as Wärtsilä Corporation's auditor.

Auditor's fees

TEUR	2014	2013
Audit	169	177
Tax advisory	170	136
Other services	192	289
Total	531	602

PROPOSAL OF THE BOARD

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 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 1.15 per share be paid, making a total of	226 827 299.50
That the following sum be retained in shareholders' equity	775 939 236.12
Totalling	1 002 766 535.62

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, 28 January 2015

Mikael Lilius	Kaj-Gustaf Bergh
Maarit Aarni-Sirviö	Sune Carlsson
Alexander Ehrnrooth	Paul Ehrnrooth
Risto Murto	Gunilla Nordström
Markus Rauramo	

Björn Rosengren, President and CEO

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, 2014. 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 28, 2015

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Quarterly figures 2013–2014

Condensed Statement of Income		Restated	Restated	Restated	Restated	Restated	Restated	
MEUR	10–12/2014	7–9/2014	4–6/2014	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Continuing operations								
Net sales	1 549	1 117	1 116	997	1 403	1 199	1 137	867
Other operating income	17	10	12	12	22	18	19	6
Expenses	-1 375	-964	-983	-898	-1 204	-1 054	-1 014	-771
Depreciation, amortisation and impairment	-30	-29	-27	-29	-28	-29	-31	-31
Share of result of associates and joint ventures	4	7	5	10	8	6	7	6
Operating result	166	141	123	92	202	140	119	77
Financial income and expenses	-9	-12	-4	-3	-11	-4	-5	1
Net income from available-for-sale assets								25
Profit before taxes	157	129	119	89	191	136	113	103
Income taxes	-27	-31	-28	-20	-35	-33	-27	-24
Profit for the financial period from the continuing operations	129	98	91	70	156	103	86	79
Loss for the financial period from the discontinued operations	-9	-13	-8	-7	-9	-8	-7	-7
Net profit for the financial period	121	85	83	63	147	95	79	73
Attributable to:								
equity holders of the parent company	118	84	83	62	147	94	78	72
non-controlling interests	3	1		1		1	1	1
	121	85	83	63	147	95	79	73
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	0.44	0.40
Earnings per share, discontinued operations, EUR	-0.04	-0.07	-0.04	-0.04	-0.04	-0.04	-0.04	-0.03
Earnings per share, EUR	0.60	0.43	0.42	0.31	0.74	0.48	0.39	0.37
Order intake	1 522	1 309	1 138	1 115	1 334	1 086	1 052	1 347
Order book, at the end of the financial period	4 530	4 674	4 420	4 384	4 311	4 455	4 648	4 861
Number of personnel, at the end of the financial period	17 717	17 817	17 876	18 159	18 315	18 421	18 262	18 314