The year 2016

Market development

Improved activity in the power generation markets
Sentiment in the power generation markets improved during 2016. The emerging markets were active and their growing demand for electricity drove interest in Wärtsilä’s solutions. New energy policies and increasing power generation from renewable sources provided further support for power plant investments, both in the emerging markets and the industrialised world. Despite the positive developments in many regions, competition remained tight globally.

Energy Solutions market share
In the first nine months of 2016, global orders for natural gas and liquid fuel power plants of up to 500 MW totalled 17.4 GW (17.0), an increase of 2% from the previous year. Wärtsilä’s market share increased to 15% (10). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size.

Weak marine market environment
Newbuild vessel orders fell to an exceptionally low level in 2016, with merely 537 vessels contracted during the year compared to 1,836 in 2015. The challenges related mainly to overcapacity, low oil and gas prices, and weak freight rates in the traditional merchant, offshore, and gas carrier segments.

While the general marine market sentiment was weak throughout the year, activity remained resilient in selected niche segments. Demand was particularly strong in the cruise segment due to fleet expansion programmes. An ageing fleet, planned regulatory developments, and attractive newbuilding prices supported contracting in the ferry segment. In the ro-ro segment, healthy earnings also supported the demand for new vessels.

The shift in vessel contracting mix has benefitted European shipyards. In terms of compensated gross tonnage, Italy and Germany’s share of confirmed contracts was above average at 11% and 10% respectively. China remained the largest shipbuilding nation with 36% of the confirmed contracts, while South Korea’s share declined to 16% and Japan’s share was 11%. The low vessel contracting volumes have led to some consolidation of yards in the major shipbuilding countries during the year.

Marine Solutions market shares
Wärtsilä’s share of the medium-speed main engine market was 51% (50% at the end of the previous quarter). The market share in auxiliary engines was 18% (16% at the end of the previous quarter). Wärtsilä also has a strong position in other key products and solutions, such as electrical & automation systems and gas systems.

Solid activity in the service markets
Service market activity was solid during 2016. In the marine market, low oil prices affected the demand for offshore services throughout the year, while low freight rates caused the demand for services in the merchant segment to slow down in the second half. The cruise segment developed positively, especially during the latter part of the year. In power plant related services, the interest in long-term agreements continued to be impacted by global economic uncertainty. However, the demand for maintenance services was healthy throughout the year.

Wärtsilä’s installed equipment base consists of propellers, engines and other products. At the end of 2016, Wärtsilä’s installed engine base totalled approximately 180,000 MWs, of which four-stroke engines accounted for approximately 65% and two-stroke engines for approximately 35%.
Order intake

Wärtsilä’s order intake for the financial period January-December 2016 was stable at EUR 4,927 million (4,932). The book-to-bill ratio was 1.03 (0.98).

Energy Solutions’ order intake was EUR 1,448 million (1,009), which represents an increase of 43% compared to the previous year. Asia and the Americas were the most active regions in terms of ordering activity. Demand was especially strong in Argentina, where Wärtsilä received orders for seven projects comprising in excess of 500 MW of new power generation capacity. Other strategically important orders included a 225 MW power plant, which will provide balancing power to the City of Denton in Texas, USA.

Marine Solutions’ order intake declined by 20% to EUR 1,285 million (1,599). The upcoming implementation of emission regulations in the marine industry supported the demand for gas-fuelled vessels particularly in the ferry segment. Orders received during the year included the design and supply of the LNG power and propulsion machinery for the Mediterranean’s first LNG fuelled passenger ferry, as well as fully integrated Wärtsilä propulsion machinery packages for the first ever UK domestic dual-fuelled ro-ro passenger ferries. Other significant orders received included a contract to supply the re-gasification system for an FSRU conversion project that Höegh LNG plans to carry out on a modern LNG vessel. Orders for electrical & automation systems developed well throughout the year. Cruise & ferry accounted for 38% of the order intake. The conventional merchant segment represented 20%, while the gas carrier segment’s share was 13%. Navy represented 10%, special vessels 9%, and offshore 3% of the total. Other orders accounted for 7%.

Services’ order intake totalled EUR 2,194 million (2,324). The 6% decline related primarily to challenges in certain offshore markets, as well as slower activity in the merchant segment.

Order intake in joint ventures

Order intake in the Wärtsilä Hyundai Engine Company Ltd joint venture company in South Korea, and in the Wärtsilä Qiyao Diesel Company Ltd and CSSC Wärtsilä Engine Company Ltd joint venture companies in China totalled EUR 62 million (182) during the financial period January-December 2016. The results of these companies are reported as a share of the result of associates and joint ventures.

Order book

The total order book at the end of the financial period amounted to EUR 4,696 million (4,882), a decrease of 4%. The Energy Solutions order book increased by 23%, totalling EUR 1,680 million (1,366). The Marine Solutions order book decreased by 21% to EUR 2,017 million (2,558). The Services order book totalled EUR 999 million (958), an increase of 4%.

Net sales

Net sales for January-December 2016 developed in line with guidance, decreasing by 5% to EUR 4,801 million (5,029) primarily due to fewer power plant deliveries than in the previous year. Net sales for Energy Solutions totalled EUR 943 million (1,126), a decrease of 16%. Marine Solutions’ net sales decreased by 3% to EUR 1,667 million (1,720). Net sales from the Services business was stable, totalling EUR 2,190 million (2,184), thanks to the growth in revenues from service projects. Of the total net sales, Energy Solutions accounted for 20%, Marine Solutions for 35% and Services for 46%.

Of Wärtsilä’s net sales for January-December 2016, approximately 67% was EUR denominated, 20% USD denominated, with the remainder being split between several currencies.
For the financial period January-December 2016, the operating result was EUR 532 million (587). This represents 11.1% of net sales (11.7). The decrease from the previous year was primarily due to restructuring costs and fewer power plant deliveries. The comparable operating result was EUR 583 million (612), or 12.1% of net sales (12.2), which is in line with the guidance of around 12% profitability. Items affecting comparability amounted to EUR 51 million (25), of which EUR 48 million (19) related to restructuring programmes and EUR 3 million (6) to acquisitions and other costs. The comparable adjusted EBITA was EUR 618 million (643), or 12.9% of net sales (12.8). Purchase price allocation amortisation amounted to EUR 35 million (32).

During January-December 2016, financial items amounted to EUR -53 million (-34). The financial items were negatively affected by write-downs related to the divestment of the two-stroke joint venture Winterthur Gas &
Diesel and to other receivables, which were booked in the second quarter. Net interest totalled EUR -11 million (-12). Profit before taxes amounted to EUR 479 million (553). Taxes amounted to EUR 123 million (124), implying an effective tax rate of 25.6% (22.5). The profit for the financial period amounted to EUR 357 million (451). Earnings per share were 1.79 euro (2.25, including 0.11 from discontinued operations) and the equity per share was 11.60 euro (11.16). Return on investments (ROI) was 17.1% (21.0). Return on equity (ROE) was 15.6% (20.2).

Result

Balance sheet, financing and cash flow

For the financial period January-December 2016, the operating cash flow totalled EUR 613 million (255). Working capital totalled EUR 490 million (543) at the end of the period. Advances received at the end of the period totalled EUR 516 million (564). Cash and cash equivalents at the end of the period amounted to EUR 472 million (334) and unutilised Committed Credit Facilities totalled EUR 640 million (679).

Wärtsilä had interest-bearing debt totalling EUR 629 million (724) at the end of December 2016. The total amount of short-term debt maturing within the next 12 months was EUR 108 million. Long-term loans amounted to EUR 520 million. Net interest-bearing debt totalled EUR 150 million (372) and gearing was 0.07 (0.17).

Liquidity preparedness

Wärtsilä Oyj Abp
**Cash and cash equivalents** | 472 | 334  
**Unutilised committed credit facilities** | 640 | 679  
**Liquidity preparedness** | 1,112 | 1,013  
**% of net sales (rolling 12 months)** | 23 | 20  
**Less Commercial Papers** | - | 130  
**Liquidity preparedness excluding Commercial Papers** | 1,112 | 883  
**% of net sales (rolling 12 months)** | 23 | 18

On 31 December 2016, the average maturity of the total loan portfolio was 42 months and the average maturity of the long-term debt was 43 months.

---

**Loans**

![Bar chart showing loans over time](chart.png)

<table>
<thead>
<tr>
<th>Fixed rate loans</th>
<th>Floating rate loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>200</td>
</tr>
</tbody>
</table>

% = Fixed portion of loans (incl. derivatives).
Maturity profiles of long-term loans

Committed revolving credit facilities (end of period)

In 2017, capital expenditure related to intangible assets and property, plant and equipment is expected to be below depreciation and amortisation.
Strategic projects, acquisitions, joint ventures and manufacturing footprint

In March, Wärtsilä and China State Shipbuilding Corporation signed a letter of intent to establish a new joint venture company, which will focus on China’s growing market for marine electrical & automation solutions.

In March, Wärtsilä also announced that it had conducted an internal audit of test processes, which brought forward limited deviations in fuel consumption measurement tests conducted for certain marine engines before customer dispatches. Wärtsilä has reached out to customers on an individual basis, as well as reviewed all test procedures, using both internal and external resources, to secure new, more transparent processes and controls. The financial impact of this issue has not been material.

In April, Wärtsilä announced that it would enter the solar energy business by offering utility-scale solar photovoltaic (PV) solutions. The new solutions include solar PV power plants of 10 MW and above, and hybrid power plants comprising solar PV plants and internal combustion engines. Both solutions are offered with full engineering, procurement and construction capability.

In June, Wärtsilä announced the acquisition of Eniram, a Finland-based technology company providing the marine industry with energy management and analytics solutions. Eniram will enable Wärtsilä to enhance its digital offering and in-house capabilities, specifically in data analytics, modelling and performance optimisation. Ownership of the company transferred to Wärtsilä with effect from 1 July 2016. Wärtsilä also announced the acquisition of American Hydro, a U.S.-based supplier and installer of large equipment upgrades and servicing for the hydroelectric and water distribution industries. Ownership of the company transferred to Wärtsilä with effect from 30 June 2016.

During the second quarter, Wärtsilä transferred its 30% minority stake in the two-stroke joint venture Winterthur Gas & Diesel (WinGD) to China State Shipbuilding Corporation (CSSC). Following the transaction, CSSC owns 100% of WinGD. Wärtsilä recognised write-downs of EUR 21 million related to the divestment of shares in its financial items for the second quarter of 2016.

In July, Wärtsilä announced that it had entered into a cooperation agreement with U.S.-based Greensmith Energy to further strengthen its energy system integration capabilities. Greensmith Energy, a leading provider of energy storage software and integration services, will provide the full optimisation software needed for hybrid energy systems.
In December, Wärtsilä signed a manufacturing license agreement with Jiujiang Precision Measuring Technology Research Institute, a subsidiary of China State Shipbuilding Corporation (CSSC), based in Jiujiang, China. The two-way agreement provides CSSC with access to technology and the rights to manufacture the Wärtsilä Aquarius EC Ballast Water Management System under license for CSSC customer applications. In return, Wärtsilä gains access to CSSC’s new manufacturing facility, thereby further supporting the supply and demand needs of Wärtsilä customers for the company’s ballast water management systems.

Construction of the CSSC Wärtsilä Engine (Shanghai) Co. Ltd factory in Lingang, Shanghai was finalised in the fourth quarter and the official inauguration took place on 9 January 2017.

Wärtsilä is committed to promoting the widespread adoption of liquefied natural gas (LNG) as a fuel in the marine and energy industries. In July, Wärtsilä and other leading marine industry players formed a coalition, known as SEA/LNG, with the aim of helping to break down the barriers hindering the global development of LNG in marine applications, thereby improving the environmental performance of the shipping industry. In August, Wärtsilä and Finland-based Gasum signed a cooperation agreement aimed at developing the use and distribution, as well as service solutions for natural gas in marine and onshore applications. Wärtsilä will provide the gas value chain technology know-how, while Gasum’s expertise relates to distributing and selling natural gas and biogas. The development work regarding LNG for marine applications will also utilise the expertise of Skangas, a subsidiary of Gasum and the leading LNG player in the Nordic market. In November, Wärtsilä and the French multinational energy company ENGIE signed an agreement to develop solutions and services within the small-scale LNG business sector. This cooperation combines ENGIE’s vast experience in LNG distribution with Wärtsilä’s technical expertise, engineering and construction capabilities, supporting the shift towards a low-carbon economy through joint solutions and services.

**Research and development, product launches**

Wärtsilä has placed a strong emphasis on both product and solution innovation during 2016, particularly in the areas of efficiency improvement, fuel flexibility, and the reduction of environmental impact. The R&D related expenditure totalled EUR 131 million, which represents 2.7% of net sales.

In January, Wärtsilä and Cavotec signed an agreement to jointly develop the world’s first combined induction charging and automatic mooring concept. Wärtsilä has developed a wireless charging system based on inductive power transfer. Cavotec in turn provides automated mooring systems for various types of vessels, as well as shore power and reel systems. By combining the expertise of the two companies, an integrated wireless charging/mooring concept will be developed for use in Wärtsilä’s ship designs.

In March, Wärtsilä launched a complete concept for a series of innovative and cost-effective shuttle ferries, featuring zero or low exhaust emissions. The design characteristic focuses on high energy efficiency with low resistance, both above and below the water line. The ferries are designed to run entirely on batteries or in a battery-engine hybrid configuration where the fuel options are liquefied natural gas or biofuel.

The updated Wärtsilä Nacos Platinum series of navigation, automation and control systems was launched in September. Among the most interesting of the new features is Intelligent Route Planning, which takes into account weather and sea conditions to provide route and power optimisation and, therefore, notable fuel savings. Also in September, Eniram introduced a fleet performance monitoring service called SkyLight, which allows ship operators to monitor the performance of their vessels and fleet, and enables reporting, planning and cost optimisation.

During the third quarter, Wärtsilä launched QuantiServ, which offers reconditioning services, in-situ services, as well as onboard repair and overhaul services to customers operating multiple brand equipment in the marine and energy markets.

Within the Services business, Wärtsilä broadened its range of marine agreement concepts with the launch of Lifecycle solutions. This new concept is an innovative, comprehensive offering that optimises the efficiency and performance of customer assets in the marine and offshore industries. It includes the digital service portfolio Wärtsilä Genius services, which was launched towards the end of 2015. The Lifecycle solutions offering was broadened in November through the introduction of the Wärtsilä Guaranteed Asset Performance
solution for power plant operators, in which Wärtsilä guarantees the reliability and availability of the power plant with fixed costs while the customer operates the power plant.

### Megawatts delivered

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Solutions engines</td>
<td>2 189</td>
<td>2 269</td>
<td>-4%</td>
</tr>
<tr>
<td>Marine Solutions engines</td>
<td>1 649</td>
<td>1 634</td>
<td>1%</td>
</tr>
<tr>
<td>Wärtsilä total</td>
<td>3 838</td>
<td>3 903</td>
<td>-2%</td>
</tr>
<tr>
<td>By joint ventures</td>
<td>657</td>
<td>789</td>
<td>-17%</td>
</tr>
<tr>
<td>Engine deliveries total</td>
<td>4 495</td>
<td>4 692</td>
<td>-4%</td>
</tr>
</tbody>
</table>

### Research and development expenditure

* Restated, figures include continuing operations.

### Restructuring programmes

The measures related to the organisational adjustments in Marine Solutions announced in July 2015 have been implemented. The aim of the programme was to reduce 600 jobs globally in response to the sluggish global marine market situation.

In April 2016, Wärtsilä announced further measures to adapt the organisation to the weakened newbuild market situation and to the tough competitive environment in both the marine and energy markets. The organisational adjustments, which will mean the reduction of approximately 550 jobs and the concentration of engine related R&D activities to Finland, are progressing according to plan.
When fully implemented, these restructuring programmes are expected to result in annual savings of approximately EUR 90 million. Of these savings, approximately EUR 60 million materialised by the end 2016, of which EUR 7 million were in 2015. The remainder is estimated to materialise by the end of 2017. The total non-recurring costs related to the restructuring programmes will be approximately EUR 75-80 million, of which EUR 19 million were recognised in 2015. In January-December 2016, restructuring costs amounted to EUR 48 million.

Wärtsilä’s aim is to continuously pursue more cost-efficient ways of operating and align its operation to market conditions. In this context, local actions in the Marine Solutions business are expected to result in additional savings of approximately EUR 45 million. The savings will start to materialise during 2017, and will take full effect by the end of 2018. The related non-recurring costs are estimated to be approximately EUR 35 million, of which the majority is expected to be recognised in 2017.

**Personnel**

Wärtsilä had 18,011 (18,856) employees at the end of December 2016. On average, the number of personnel for January-December 2016 totalled 18,332 (18,565). Marine Solutions employed 6,074 (6,847) people, Energy Solutions 903 (959), and Services 10,567 (10,592).

Of Wärtsilä’s total number of employees, 19% (19) were located in Finland and 39% (39) elsewhere in Europe. Personnel employed in Asia represented 28% (28) of the total, personnel in the Americas 11% (10), and personnel in other countries 4% (4).

**Changes in management**

Wärtsilä appointed Mr Marco Ryan (50) as Chief Digital Officer & Executive Vice President, and a member of the Board of Management, effective from 26 September 2016.

**Sustainable development**

Thanks to its various technologies and specialised services, Wärtsilä is well positioned to reduce exhaust emissions and the use of natural resources, and to support its customers in preparing for new regulatory requirements. 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.

The International Convention for the Control and Management of ships’ ballast water and sediments was ratified in September 2016, and will enter into force on 8 September 2017. Wärtsilä has proactively developed its Aquarius range of Ballast Water Management System solutions, which comprises two treatment technologies. Aquarius-UV provides disinfection using ultra-violet light, while Aquarius-EC provides disinfection using sodium hypochlorite generated through side stream electro-chlorination. Both systems are IMO Type Approved, and are available for installations in both safe and hazardous areas. They also have USCG Alternate Management System (AMS) status.

In October, the IMO’s Marine Environmental Protection Committee (MEPC) agreed to implement the global cap on the sulphur content of marine fuels effective from January 2020. The global cap will limit the sulphur content of marine fuels to 0.5%, requiring vessels to run on a cleaner fuel such as LNG, or install abatement systems. Wärtsilä’s exhaust gas cleaning systems have in excess of 200,000 running hours of operation, and this, together with its broad offering in gas and dual-fuel engine technologies, positions Wärtsilä well to assist fleet owners around the world to implement plans for compliance.

During 2016, Wärtsilä was selected as an index component of the Dow Jones Sustainability Indices (DJSI), both in the DJSI World and DJSI Europe indices. Inclusion in the DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices. Wärtsilä was also reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register, and selected for inclusion in the Ethibel PIONEER register.

**Shares and shareholders**

During January-December 2016, the volume of trades on Nasdaq Helsinki was 98,870,222 shares, equivalent to a turnover of EUR 3,826 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 91,947,606 shares.

**Shares on Nasdaq Helsinki**

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of shares and votes</th>
<th>Number of shares traded 1-12/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2016</td>
<td></td>
<td>98 870 222</td>
</tr>
<tr>
<td>WRT1V</td>
<td>197 241 130</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>High</th>
<th>Low</th>
<th>Average</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. - 31.12.2016</td>
<td>43.44</td>
<td>33.90</td>
<td>38.68</td>
<td>42.68</td>
</tr>
</tbody>
</table>

1 Trade-weighted average price

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MEUR</td>
<td>8 418</td>
<td>8 314</td>
</tr>
</tbody>
</table>
Flagging notifications

During the financial period January-December 2016, BlackRock Inc. informed Wärtsilä of the below changes in ownership. The total number of shares held by BlackRock, Inc. remained above 5% of Wärtsilä’s share capital and total votes throughout the year.

Flagging notifications in 2016

<table>
<thead>
<tr>
<th>Release date</th>
<th>Transaction date</th>
<th>Shareholder</th>
<th>Threshold</th>
<th>Direct holding, %</th>
<th>Total holding, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.4.2016</td>
<td>27.4.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Above 5%</td>
<td>4.88</td>
<td>5.01</td>
</tr>
<tr>
<td>6.5.2016</td>
<td>3.5.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Above 5%</td>
<td>5.01</td>
<td>5.13</td>
</tr>
<tr>
<td>26.8.2016</td>
<td>25.8.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Below 5%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19.9.2016</td>
<td>16.9.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Above 5%</td>
<td>5.00</td>
<td>5.01</td>
</tr>
<tr>
<td>22.9.2016</td>
<td>21.9.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Below 5%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26.9.2016</td>
<td>23.9.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Above 5%</td>
<td>5.05</td>
<td>5.06</td>
</tr>
<tr>
<td>15.12.2016</td>
<td>14.12.2016</td>
<td>BlackRock Investment Management (UK)</td>
<td>Below 5%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Decisions taken by the Annual General Meeting

Wärtsilä’s Annual General Meeting held on 3 March 2016 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 2015. The Meeting approved the Board of Directors’ proposal to pay a dividend of EUR 1.20 per share. The dividend was paid on 14 March 2016.

The Annual General Meeting decided that the Board of Directors shall have eight members. The following were elected to the Board: Maarit Aarni-Sirviö, Kaj-Gustaf Bergh, Sune Carlsson, Tom Johnstone, Mikael Lilius, Risto Murto, Gunilla Nordström and Markus Rauramo.
The audit firm KPMG Oy Ab was appointed as the company’s auditor for the year 2016.

Authorisation to repurchase and distribute the Company’s own shares

The Board of Directors was authorised to resolve to repurchase a maximum of 19,000,000 of the Company’s own shares. The authorisation to repurchase the Company’s own shares shall be valid until the close of the next Annual General Meeting, however no longer than for 18 months from the authorisation of the shareholders’ meeting.

The Board of Directors was authorised to resolve to distribute a maximum of 19,000,000 of the Company’s own shares. The authorisation for the Board of Directors to distribute the Company’s own shares shall be valid for three years from the authorisation of the shareholders’ meeting and it cancels the authorisation given by the General Meeting on 5 March 2015. The Board of Directors is authorised to resolve to whom and in which order the own shares will be distributed. The Board of Directors is authorised to decide on the distribution of the Company’s own shares otherwise than in proportion to the existing pre-emptive right of the shareholders to purchase the Company’s own shares.

Changes to the Articles of Association

The Annual General Meeting decided upon updating Article 2 of the Articles to read as follows:

“The company shall develop, manufacture and sell mechanical and electrical products, plants and systems, sell spare parts and provide operation and maintenance services in the marine and energy markets either directly or through its subsidiaries and associated companies. The company can also provide financing, design and consulting services, as well as engage in other industrial and commercial activities. The company may deal in securities and engage in other investment activities.”

It was decided to change Article 8 of the Articles so that the notice to the general meeting can be given by publishing it on the Company’s website or in not less than two (2) daily newspapers, which are commonly distributed in Finland, as determined by the Board.

Donations to universities

The Board of Directors was authorised to resolve on donations of EUR 1,300,000 at the maximum to be made to universities during 2016 and 2017. The most significant recipient of the donations would be Aalto University.

Organisation of the Board of Directors

The Board of Directors of Wärtsilä Corporation elected Mikael Lilius as its chairman and Sune Carlsson as the deputy chairman. The Board decided to establish an Audit Committee, a Nomination Committee and a Remuneration Committee. The Board appointed from among its members the following members to the Committees:

Audit Committee:
Chairman Markus Rauramo, Maarit Aarni-Sirviö, Risto Murto

Nomination Committee:
Chairman Mikael Lilius, Kaj-Gustaf Bergh, Tom Johnstone, Risto Murto

Remuneration Committee:
Chairman Mikael Lilius, Maarit Aarni-Sirviö, Tom Johnstone

Risks and business uncertainties

In the power generation markets, slow economic growth represents the primary risk for demand development. Delays in customer investment decisions can occur also in regions with geopolitical tension or significant currency fluctuations. Low oil prices are affecting national infrastructure development in the oil and gas producing economies, especially in the Middle East and Russia. Price pressure remains a risk due to the challenging competitive environment.
In the marine markets, the weak short-term global economic outlook, overcapacity, and the low demand for cargo tonnage continue to delay recovery in the conventional shipping segment. Economic and political uncertainty, as well as emerging technologies and innovations, will continue to challenge current business models and trade patterns. Offshore investments will remain limited due to an oversupply of oil and gas and reduced capital expenditure from oil companies, despite the recent increase in oil prices. Offshore production continues to face increasing competition from low cost onshore and shale production. In addition, increasing energy efficiency and the introduction of other energy sources, is expected to challenge crude oil demand growth. The decline in newbuilding prices may push shipyards to pressure suppliers on prices. While the risk of cancellations exists, negotiations to extend existing delivery contracts appear to be a larger risk for shipyard order books.

In the Services business, slow economic growth and political instability in specific regions are the main risks for demand development. The challenging conditions in specific marine market segments are also seen as a potential risk.

The Group is a defendant in a number of legal cases that have arisen out of, or are incidental to, the ordinary course of its business. These lawsuits mainly concern issues such as contractual and other liability, labour relations, property damage, and regulatory matters. The Group receives from time to time claims of different amounts and with varying degrees of substantiation. There is currently one unusually sizeable claim. It is the Group’s policy to provide for amounts related to the claims, as well as for litigation and arbitration matters, when an unfavourable outcome is probable and the amount of the loss can be reasonably estimated.

The Risks and risk management section of the Annual Report contains a more detailed description of Wärtsilä’s risks and business uncertainties.