Wärtsilä Danmark A/S
Kystvejen 100
DK-9400 Nørresundby

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Wärtsilä Danmark A/S

Annual report 2015

The annual report was presented and approved at the Company's annual general meeting

on April 19. 2016

chairman

CVR no. 14 28 17 46

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Wärtsilä Danmark A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Nørresundby, 19 April 2016
Executive Board:

19/4-16

Bernd Bertram

Board of Directors:

Stefan Lars-Olof Nysjö Chairman	Bernd Bertram	Henrik T. U. Sørensen
Leif Nydal Abildgaard	Michael Hansen	

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

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CVR no. 25 57 81 98

Independent auditor's report

To the shareholders of Wärtsilä Danmark A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Wärtsilä Danmark A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 19 April 2016
KPMG
Statsautoriseret Revisionspartnerselskab

Steffen S. Hansen State Authorised Public Accountant	Jakob Westerdahl State Authorised Public Accountant

Management's review

Company details

Wärtsilä Danmark A/S
Kystvejen 100
DK-9400 Nørresundby

Telephone:	+45 99 56 99 56
Fax:	+45 98 94 39 20
Website:	www.wartsila.dk
E-mail:	dkinfo@wartsila.com
CVR no.:	14 28 17 46
Established:	2 July 1990
Registered office:	Aalborg
Financial year:	1 January – 31 December

Board of Directors

Stefan Lars-Olof Nysjö (Chairman)
Bernd Bertram
Henrik T. U. Sørensen
Leif Nydal Abildgaard
Michael Hansen

Executive Board

Bernd Bertram

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Key figures					
Revenue	361,948	244,559	254,025	276,264	281,160
Gross profit	72,541	64,265	72,183	69,194	85,806
Ordinary operating profit/loss	9,753	-864	2,473	-42,591	-43,216
Profit/loss from financial income and expenses	945	493	-3,204	-7,233	-5,350
Profit/loss before tax	10,698	-371	-731	-49,824	-48,566
Profit/loss for the year	9,992	383	-1,558	-39,915	-49,985
Non-current assets	2,138	2,819	673	169,799	203,545
Current assets	124,049	169,208	106,059	101,946	93,818
Total assets	126,187	172,027	106,732	271,745	297,363
Share capital	500	500	500	500	61,320
Equity	22,240	12,248	11,865	13,423	53,338
Provisions	13,431	15,014	12,917	6,193	0
Non-current liabilities other than provisions	0	0	36,604	190,206	187,932
Current liabilities other than provisions	90,516	144,765	45,346	61,923	56,093
Operating margin	2.7%	-0.4%	1.0%	-15.4%	-15.4%
Return on invested capital	6.5%	-0.6%	1.3%	-15.7%	-14.5%
Gross margin	20.0%	26.3%	28.4%	25.0%	30.5%
Current ratio	137.0%	116.9%	233.9%	164.6%	167.3%
Solvency ratio	17.6%	7.1%	11.1%	4.9%	17.9%
Return on equity	57.9%	3.2%	-12.3%	-120.0%	-63.8%
Average number of full-time employees	**76**	**75**	**78**	**122**	**178**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

Wärtsilä Corporation

Wärtsilä is a global leader in complete lifecycle power solutions for the marine and energy markets. By emphasising technological innovation and total efficiency, Wärtsilä maximizes the environmental and economic performance of vessels and power plant across the world.

In 2015, Wärtsilä's net sales totalled EUR 5,029 million. The Company employs 18,856 people at operations in more than 200 locations in nearly 70 countries around the world. The Wärtsilä Corporation is headquartered in Helsinki, Finland and is listed on the NASDAQ OMX Helsinki, Finland.

The Wärtsilä Group's main activities include Marine Solutions, Energy Solutions and Services. Wärtsilä delivers turnkey engine room solutions as well as shafts, propellers and control systems for both commercial vessels in the merchant fleet as well as for offshore units, including both mobile and stationary units.

The Wärtsilä Group delivers power plant for decentralised energy production, which includes both electricity as well as heating depending on customer demand. The Wärtsilä facilities are able to produce within a range from a few hundred kW up to several hundred mW, either as turnkey projects or component delivery of natural gas, diesel oil, heavy oil or a mixture thereof as fuel.

Wärtsilä Danmark

The main activities at Wärtsilä Danmark A/S, owned by Wärtsilä Corporation, is the sale and service of engines for power plants and of a comprehensive portfolio of products and solutions for the maritime and offshore industry. Field Service activities are performed on-site, either by field service engineers employed by Wärtsilä Danmark A/S or by other world-wide Wärtsilä service entities.

Wärtsilä Danmark A/S is utilising the global Wartsila network of workshop and competence centres for machining, re-conditioning, calibration and programing jobs when required as part of specific service jobs.

Wärtsilä Danmark A/S takes advantage of modern and well-functioning inventory of spare parts available 24x7x365 via the global consolidation and logistic centres, ensuring prompt delivery spare-parts globally.

Wärtsilä Danmark's head office is placed at Kystvejen 100 in Nørresundby with approximately 63 employees and a sales office in Copenhagen with 13 employees, bringing the total number of employees to 76.

Wärtsilä Svanehøj A/S located in Svenstrup, Wartsila Lyngsø Marine A/S located in Hørsholm and Wärtsilä Danmark A/S are all separate companies.

Management's review

Operating review

Development in activities and financial position

Operating results (EBIT) came in at DKK 9,753 thousand as against a negative DKK 864 thousand in 2014. EBIT for 2014 was negatively affected by write-down of an outstanding insurance case from 2012, totalling DKK 3,574 thousand.

The Board of Directors is of the opinion that the Company's ability to report positive normalised results is satisfactory.

The balance sheet total amounts to DKK 126,187 thousand, of which equity accounted for DKK 22,240 thousand corresponding to a solvency ratio of 17.6%. The balance sheet was on the decrease due to the delivery of significant projects during 2015, which were recognised as work in progress at 31 December 2014.

Wärtsilä Danmark is of the opinion that sufficient liquidity is available to carry out its activities and operations based on the 2016 budget.

Outlook for 2016

Wärtsilä Danmark expects to further develop its business in 2016 based on a promising order book, and as a result thereof, to report positive operating results. This assumption was supported by positive earnings in Q1 2016, which is expected to be evidenced throughout the rest of the year.

Particular risks

Financial risks

The activities of Wärtsilä Danmark involve the use of financial instruments for trade receivables and payables both in Danish kroner and foreign currencies as well as balances with group enterprises, credit institutions and banks. It is company policy not to engage actively in speculation in financial risks. Wärtsilä Danmark's financial management solely aims at managing financial risks already assumed.

Currency risks

Wärtsilä Danmark hedges currency risks while taking projected future cash flows into consideration. Any hedging is made via forward exchange contracts. Currency transactions are not entered into for speculative purposes.

International sales activities are primarily settled in DKK, EUR and USD. Suppliers are primarily paid in DKK, EUR and USD. Foreign exchange fluctuations are deemed not to significantly affect Wärtsilä Danmark's results.

Management's review

Operating review

Credit risks

Wärtsilä strives to limit credit risks by means of effective credit management or credit insurance or alternative collateral, when deemed necessary. As part of Group agreement, the Company has transferred receivables to factoring company.

IT risks

Wärtsilä Danmark is to comply with the IT policy of Wärtsilä Group. The interrelationship to Wärtsilä Group in relation to SAP, email, internet and intranet is run via a closed network.

Environment

Wärtsilä Danmark has maintained its certifications at Det Norske Veritas (DNV Managing Risk) according to DS/EN ISO 14001 (environment) as well DS/EN OHSAS 18001 (working environment).

Intellectual capital and organisation

Employees and their insight as well as knowledge are important resources to Wärtsilä Danmark. Committed and qualified employees are vital to the further development of Wärtsilä Danmark. Consequently, development, education and empowerment are given a high priority. Wärtsilä Danmark constantly strives to attract and retain current and new employees.

Quality

Wärtsilä Danmark has maintained its certifications at Det Norske Veritas (DNV Managing Risk) according to DS/EN ISO 9001 (quality).

Financial statements 1 January – 31 December

Accounting policies

The annual report of Wärtsilä Danmark A/S for 2015 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to Section 86 (4) of the Danish Financial Statements Act, a cash flow statement has not been prepared

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Sale of services are recognised in the income statement after completion due to uncertainties related to estimation of sales value.

A contract is broken down by individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down by the individual sales transactions in accordance with the relative current cost method. The separate sales transactions are recognised as revenue when complying with the criteria applying to the sale of goods and services.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts under which highly customised products are delivered are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage-of-completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to costs incurred to the extent that it is probable that they will recovered.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on disposal of plant and equipment.

External costs

External costs comprise costs related to distribution, sales, advertising, administration, lease expenses, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees.

Financial income and expenses

Financial income and expenses comprises interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Wärtsilä is jointly taxed with its affiliated company Wärtsilä Svanehøj A/S. Current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to profit/loss for the year from ordinary activities.

Financial statements 1 January – 31 December

Accounting policies

Balance sheet

Plant and equipment

Plant and machinery, fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, energy consumption, staff and depreciation of machinery used.

Where individual components of an item of plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life.

The estimated useful lives are as follows:

Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Gains and losses on the disposal of plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

All leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contingencies, etc.

Impairment of non-current assets

The carrying amount of plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January – 31 December

Accounting policies

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made based on an individual assessment.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of projected cash flows, including realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Contract work in progress

Construction contracts are measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceeds the selling price.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Financial statements 1 January – 31 December

Accounting policies

Prepayments, assets

Prepayments comprise costs incurred concerning subsequent financial years.

Equity - dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions comprise anticipated costs related to warranties, onerous contracts, restructuring charge, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured and recognised on the basis of past experience.

If it is likely that total costs will exceed total income from contract work in progress and service contracts, a provision is made for the total loss anticipated on the contract. The provision is recognised as costs in the income statement.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Accounting policies

Corporation tax and deferred tax

In its capacity as the administrative company, Wärtsilä Danmark A/S is liable to the tax authorities for its Danish group enterprises' corporation taxes as well as the payment of join taxation contribution by the group enterprises.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Financial statements 1 January – 31 December

Accounting policies

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$
Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2015	2014
Revenue		361,948	244,559
Other operating income		1,028	0
External costs		-290,435	-180,294
Gross profit		72,541	64,265
Staff costs	1	-62,058	-64,722
Depreciation of non-current assets		-730	-407
Ordinary operating profit/loss		9,753	-864
Financial income	2	1,196	939
Financial expenses	3	-251	-446
Profit/loss before tax		10,698	-371
Tax on profit/loss for the year	4	-706	754
Profit for the year		9,992	383

Proposed profit appropriation/distribution of loss			
Distributed dividends		10,000	0
Retained earnings		-8	383
		9,992	383

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Plant and equipment	5		
Plant and machinery		410	660
Fixtures and fittings, tools and equipment		0	0
Leasehold improvements		1,728	2,159
		2,138	2,819
Total non-current assets		2,138	2,819
Current assets			
Inventories			
Raw materials and consumables		3,907	4,726
Prepayments for goods		20,746	52,199
		24,653	56,925
Receivables			
Trade receivables	6	35,284	28,017
Service work in progress		9,128	4,215
Amounts owed by group enterprises		9,415	10,587
Other receivables		4,378	3,207
Prepayments		443	527
Tax receivables		78	4,895
Deferred tax asset	7	4,084	4,807
		62,810	56,255
Cash at bank and in hand		36,586	56,028
Total current assets		124,049	169,208
TOTAL ASSETS		126,187	172,027

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
EQUITY AND LIABILTIES			
Equity			
Share capital	8	500	500
Retained earnings		11,740	11,748
Proposed dividends for the financial year		10,000	0
Total equity		22,240	12,248
Provisions			
Warranty provision		206	206
Other provisions		13,225	14,808
Total provisions		13,431	15,014
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		15,924	49,265
Trade payables		1,644	1,188
Amounts owed to group enterprises		54,854	80,942
Other payables		18,094	13,370
		90,516	144,765
Total liabilities other than provisions		90,516	144,765
TOTAL EQUITY AND LIABILITIES		126,187	172,027
Contractual obligations, contingencies, etc.	9		
Related party disclosures and ownership	10		

Financial statements 1 January – 31 December

Notes

DKK'000		2015	2014
1	**Staff costs**		
	Wages and salaries	51,567	53,424
	Pensions	6,737	6,684
	Other social security costs	483	572
	Other staff costs	3,271	4,042
		62,058	64,722
	Average number of employees	76	75

Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statements Act.

2	**Financial income**		
	Interest income from group entities	51	81
	Other financial income	1,145	858
		1,196	939
3	**Financial expenses**		
	Interest expense to group entities	36	260
	Other financial expenses	215	186
		251	446
4	**Tax on profit/loss for the year**		
	Tax on profit/loss for the year	706	754
	Specified as follow		
	Adjustment of deferred tax	723	4,157
	Adjustment of tax from prior years	-17	-16
	Joint taxation contribution	0	-4,895
		706	-754

Financial statements 1 January – 31 December

Notes

5 Plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2015	9,435	10,661	2,159	22,255
Additions during the year	58	0	0	58
Disposals during the year	-6,577	-3,991	0	-10,568
Cost at 31 December 2015	2,916	6,670	2,159	11,745
Impairment losses and depreciation at 1 January 2015	8,775	10,661	0	19,436
Depreciation	299	0	431	730
Disposals	-6,568	-3,991	0	-10,559
Impairment losses and depreciation at 31 December 2015	2,506	6,670	431	9,607
Carrying amount at 31 December 2015	410	0	1,728	2,138

6 Trade receivables

As part of Group agreement, the Company had transferred receivables to factoring company at an amount of DKK 4.8 million at 31 December 2015 (2014: DKK 9.4 million).

DKK'000	2015	2014
7 Deferred tax asset		
Deferred tax at 1 January	4,807	8,964
Deferred tax adjustment (expense)	-723	-4,157
Deferred tax at 31 December	4,084	4,807
Deferred tax relates to :		
Intangible assets	9	9
Plant and equipment	1,181	708
Provisions	2,894	4,090
	4,084	4,807

Financial statements 1 January – 31 December

Notes

7 **Deferred tax asset (continued)**

Deferred tax asset related to tax losses amounts to DKK 12 million. Based on projected low earnings, the pending tax dispute and the inability to use the tax losses in the joint taxation, Management has considered it fair not to recognise the asset.

8 **Equity**

DKK'000	Share capital	Retained earnings	Proposed divi-dends	Total
Equity at 1 January 2015	500	11,748	0	12,248
Transferred, see profit appropriation/distribution of loss	0	-8	10,000	9,992
Equity at 31 December 2015	500	11,740	10,000	22,240

Changes in share capital during the past five years are specified as follows:

	2015	2014	2013	2012	2011
Share capital at 1 January	500	500	500	61,320	61,320
Reduction of share capital	0	0	0	-60,820	0
Share capital at 31 December	500	500	500	500	61,320

All shares rank equally.

9 **Contractual obligations, contingencies, etc.**

Leasehold and guarantees

In addition to disclosure on the balance sheet, the Company had assumed operating lease obligations at a maximum of DKK 5,008 thousand at 31 December 2015, of which DKK 2,900 thousand fall due within the initial year.

The Company has provided a standard guarantee upon vacation of the premises at a total of DKK 700 thousand at 31 December 2015.

The Company has provided other general guarantees relating to products and services delivered.

Claims

The Company is a party to a few minor lawsuits and disputes. Management is of the opinion that the outcome thereof will not affect the Company's financial position other than receivables and liabilities recognised on the balance sheet at 31 December 2015.

Financial statements 1 January – 31 December

Notes

9 Contractual obligations, contingencies, etc. (continued)

Joint taxation

The Company is jointly taxed with Wärtsilä Svanehøj A/S and Wärtsilä Lyngsø Marine A/S. As a wholly-owned subsidiary, together with the other companies included in the join taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent correction of the taxable joint taxation income or withholding taxes might increase the Company's liability.

10 Related party disclosures and ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Wärtsilä Corporation
John Stenbergin ranta 2
Postbox 196
00531 Helsinki
Finland
www.wartsila.com

Related parties also comprise the Board of directors, the Executive Board and group enterprises within the Wärtsilä Group.

Related party transactions are not disclosed as the Company is included in the consolidated financial statements of Wärtsilä Corporation, Finland.