

WÄRTSILÄ
Q1 2015 Interim Report
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10:00 a.m. EET

Björn Rosengren: Good morning and welcome to the Wärtsilä Q1 report. I will start with the presentation and then we will go over to question and answers. With me today I have our management team and also Natalia Valtasaari who will help me to answer your questions.

The Q1 is traditionally the slowest quarter when it comes to deliveries and there is no exception during this year. I think it's pretty much in line with our expectations and I think on a positive and thing out is the orders received that is close to EUR1.3b, which is actually up 15 percent compared to last year.

Our book-to-bill ratio is 1.3 and our earnings per share EUR0.43. Our cash flow is EUR37m, we will come back to that a little bit later and our order book increased with 12 percent. Positive is also that all the regulatory approvals for the L-3 MSI acquisition is now received and we expected to do the closing during the second quarter.

Starting up with the orders and it was a good order received for the first quarter. I'd just also like to add here that the 30 percent up in service is a very strong number. Included in these numbers is about EUR50m of, let's say, three larger orders.

Ship Power is down 24 percent compared to last year, but I think to be fair to Jaakko, who is here today also, if you include the joint venture orders, we actually exceed the orders received there from last year with EUR474m compared to EUR465m. And I think today the joint venture are playing an important role in the ship power orders, so I think it's fair to include that. We'll come back more to ship power later.

And Power Plants, up 74 percent, but it's pretty clear that last year was a disappointing quarter and this quarter is pretty much in line with what our expectation was for the quarter.

On the sales, as I mentioned, first quarter is always a weak quarter when it comes to the deliveries and we are down 1 percent compared to last year. Sticking out also here is service which is up 11 percent. In that is about 5 percent related to FX. We have ship power down 14 percent and power plants 5 percent. So with these sales during the first quarter service is taking a bigger part of the pie and it's today approximately half of our sales.

The book-to-bill ratio I mentioned, it was 1.3, which is a good number and you know the way we work, we take the orders and then we deliver them in the next year, so orders received is important during the first half-year to secure that we will have a good sales also next year.

The order book looks, for the deliveries this year, pretty much in line with last year and we have also seen that the deliveries for next year has gone up. This means that in ship power during the first quarter a lot of the orders that came in during this quarter will be delivered out during 2016 and 2017.

Profitability, yes, 10.1 percent, it's in line with our expectation. Last year, which we had included the 2-stroke business it was actually 8.9 percent before non-recurring items. This year we do not have any non-recurring items, as I have informed before, so I'd say it's a clean result.

Looking at the power plant market we see that the activity on the power plant side continues to be strong. There's a lot of quotations and the gas is dominating the quotation part. During the first quarter we see that gas represented 36 percent and oil 64 percent, but that's pretty much related to the big orders, one of the big orders that we received of EUR120m which was an oil order. We see also that IPPs represent 61 percent of the orders.

So geographically spread, yes, one of the big orders was in Turkey, and then we had also in Cameroon the Kribi project to which there was an extension. So it's Europe and Africa Middle East that is taking the biggest part.

We also have one order in the U.S which is here, which is actually backup power to wind in Kansas, U.S. And this adds another backup plant to the

installed base of 2.5 gigawatts that we have in the United States and we are excited about the U.S. and the opportunities going forward.

Looking at market share, the numbers for 2014 has come, we can see that the total market for gas and liquid fuel-based power plants actually went down from 73 gigawatts to 47.8 gigawatts, so it's a pretty dramatic drop in size, so it means that it's a lot under pressure. And if we're looking at the market more that we are targeting, it's the one smaller than 500 megawatts, we can see that the market went down from 32 gigawatts to 23 gigawatts. We have about 10.7 percent market share and I think we are well-placed for the trend towards distributed power going forward.

Ship power, yes, we all know that the number of contracted vessels continued to be under pressure. In the first quarter only 220 vessels were contracted and that's approximately half compared to the previous year. In combination with that, the oil price continues to be on a low level, even if it has gone above \$60 per barrel, is of course affecting the offshore industry.

We can see that the offshore side continued to shrink, if we're looking at the orders, they represent 11 percent and if you remember from last year 28 percent was offshore and the year before was 45 percent, so we have a quite significant decrease. And I think this is reflecting our customers' wait-and-see attitude, no one really knows where this is taking and there is a lot of cost-cutting today in the offshore companies and this is making them holding back. We do not have any actually cancellation of projects for the year, it's more wait-and-see and hesitating to be signing the contracts.

On the other hand we can see a good market for gas carriers and in addition to this 41 percent we should include the Yamal project which was EUR130m which we booked in our Korean joint venture. So the Yamal project almost included 100 engines today that will be delivered during the next three years - that we are very proud of and it's gas-related.

We are also going forward optimistic about cruise and ferry where we do think there's a lot of good opportunities for this year.

As I mentioned, the joint venture should be at least taken into consideration when we talk about orders for ship power. This year, the first quarter was EUR138m, very much dominated by the Yamal project of course, compared to last year where we had EUR25m, but I think these are real orders and they are important for ship power and they should be part of our order book.

I mentioned cruise and ferry as an interesting segment. We have received many good orders for ferries that have chosen LNG as the fuel, and the latest one is the Tallink, the ferry that will go between Helsinki and Tallinn and this will be three of our DF50 engines with the propulsion systems. So in just this region now we will have Gotland's (inaudible), we have the Viking GRACE and now this Tallink. So it will be quite a good area for our gas-fueled ferries.

Looking at market share, our market share for the main engines grew to 56 percent from 52 percent last year. We also see a small increase here in auxiliary engines and I think it's very much related to a good order through one of our joint ventures in China who got good auxiliary orders for those ships, it was actually COSCO.

So moving over to Services, and I said that this is the lightening of our report, we see Services' sales up 11 percent. I think if we're looking at the currency effect EUR30m is coming from currency and the rest is organic growth.

We see now that looking at the spare parts it's about 50 percent, there's actually no change compared to previous year for all the different kinds of businesses we have within Services.

I mentioned there were three bigger projects which totally was EUR50m and one of these projects was an upgrade of Maltese power plant which has upgraded to gas and to dual-fuel engines. And there was also a couple of propulsion projects among these sticking out a little bit bigger than normal.

You know there's a strong focus in our service operation today on contracts and I'm very happy to see that also during Q1 we see an increased number of contracts with our marine customers. We can see here that it's about 7 percent today of our installed base in ship power. If you do exclude the 2-stroke business, which is a significant part of our installed base, it's actually close to

20 percent. So it's a significant part of our business now and I think this ensures strong relations with our customers and a guarantee that our customers are using our spare parts.

The market, we've seen during the last years a number of new vessels being introduced, so we can see that that's up. At the same time there is still a huge number of vessels being anchored. Slow steaming will continue, we do not believe that this will change until it can be proven that these oil prices will be continuing. I think the changes for many of our customers from slow steaming to high speed is quite a lot of investment, it would require a lot of investment.

On the financial side, cash flow is lower than last year, it was EUR37m this year. And what differs from last year is that we decided to pay pension costs during the first quarter which we normally have been spreading out during the year due to that the interest rates were that high so it makes more sense to us to pay it upfront, that's about EUR41m. In addition to that, our inventories are up approximately EUR100m. But there is no change in expectations; we do expect that also this year we will be delivering strong cash flow for the full year.

On the working capital, if we're looking compared to one year ago, it's about the same level as the previous year.

On the gearing, after paying the dividend we are at 14 percent and we expect it to be on a good level also after paying the L-3 MSI acquisition.

Looking for the market outlook, no big changes, exactly the same as before. We see the power plant market, it's still a challenging market, still we see good opportunities for the coming years.

Ship power, yes, the shipbuilding industry is under pressure at the same time as the low oil prices which will be affecting the offshore market, so we'd have a cautious viewpoint on that.

And service, I think we are cautiously positive that it will continue to give us good opportunities moving forward.

So guidance, absolutely no change, we feel confident that we will deliver the numbers according to our prospects.

With that, that was the last slide and I think we can now move over to questions and answers.

Operator: Thank you sir. As a reminder, if you wish to ask a question, please press star and one on your telephone keypad.

Björn Rosengren: No questions? It must have been a clear presentation or we are in line with your expectations. Maybe someone on the line?

Operator: Yes sir. Your first question via the telephone lines comes from the line of Max Yates from Credit Suisse.

Max Yates: Hi, good morning. There were just two questions from me. If I look at the mix of sales this quarter the mix has improved, obviously there's more Services which is high margin and also there's around EUR10m to EUR15m of cost savings I would imagine. What were the negative impacts on profitability this quarter?

And then the second question was just in terms of your sales guidance, when you look at current FX rates what kind of positive impact are you assuming for FX this year? Thank you.

Björn Rosengren: On the first one, it's a good observation there on the parts because service delivered excellent numbers as normal. What we have in this quarter, there are two things actually offsetting some of the effects that we did from the efficiency program which was launched during last year. One was that the profit from our joint ventures was significantly lower, actually EUR9m lower, due to low deliveries during the first quarter, so we will see that picking up during the rest of the year.

The other part is that we had one hit of EUR5m in ship power in two of their projects where we had to take provision for so, and that is actually offsetting the improvements that we have again from the efficiency program during the first quarter. But we are optimistic that we will not see any more of these

things in ship power and on the joint venture we think it looks good for the coming quarters.

And then we had on the FX, yes, we have, today most of the FX we have is actually in service, so on the orders we had EUR40m effect there and totally for the Group EUR47m, so it's about that. And if we're looking at the sales side I think it was about EUR30m for there and EUR37m or EUR38m, something like that totally for the Group.

You know we are not, as we are invoicing most of our products in euros, so there is quite a limited effect on the FX and on the bottom line it's negligible actually.

Max Yates: OK, maybe just one follow-up. When you look at the ship power market shares obviously medium speed engines you had a pretty good market share gain. The other market share gain was the others segment outside Caterpillar and MAN. Could you comment on who is winning share there and what you're seeing in that others segment in the market shares?

Björn Rosengren: You mean on the others there or –?

Max Yates: Yes, exactly.

Björn Rosengren: Yes, I think we had a couple of Japanese suppliers there and there was also some success from Rolls Royce on their Bergen engines during this quarter. And there are always, of course, some sales from the Hyundai HiMSEN engines included in that so-called others.

Max Yates: Sure. And I think, just on that services business, you mentioned at the Capital Markets Day that you were expecting around 5 percent growth of your services business per year in the medium term. Is there any reason, or should we assume given the strong Q1 orders in services, that this year will be a year above that 5 percent or shall we expect a reversion towards that 5 percent in the rest of the quarters of the year?

Björn Rosengren: Yes, we have a currency effect there which is, of course, coming there and I think that will be continuous during the year if we don't see any dramatic

changes in the currencies that we are. So I think you could probably add the currency effect on that also.

Max Yates: OK, thank you very much.

Björn Rosengren: So there you are.

Operator: The next question is from the line of Colin Gibson from HSBC.

Colin Gibson: Hi, thanks very much. Morning Björn, morning, everybody.

Björn Rosengren: Morning.

Colin Gibson: Actually we just had a couple of my questions but I'll add another one. We've enjoyed over the last few quarters some positive order flow that you've tried to warn us couldn't last forever, so we've seen double-digit service order growth over the last couple of quarters but we've seen a big contribution this quarter from gas carriers and, of course, also in 2014 from gas carriers.

I guess you're telling us we should expect those numbers to normalize a bit over the coming quarters. Can you give us any guidance in terms of how much they're going to normalize, how quickly they're going to normalize and what, if anything, elsewhere in your end market exposure could offset if those start to drop. Thanks.

Björn Rosengren: Yes. I think with the soft start in the contracting part of the vessels in ship power and the oil prices which are there, I think we will see a continuous challenge when it comes to the offshore projects. There are a lot of exciting projects in the gas market and I think we have a chance to pick up many of them, but I think for the full year it will be a challenging year for ship power and that's pretty clear. We've seen a drop during this first quarter and I think we have to expect that this, we'll be running on these levels going forward.

I don't know if there's anything you'd like to add to that, Jaakko?

Jaakko Eskola: Thank you, Björn. I would like to add a couple of comments on the other segments as Colin asked and, of course, the market on cruise and ferries is still very active. The market on containers and tankers is very active and add to

that today of course with our joint ventures in China can provide a very good product for the auxiliary engines for the merchant ships.

And with Hamworthy in our portfolio we can also provide solutions for the tanker market. So when you include those in the whole picture actually there you have positive effects to our order intake going forward.

Colin Gibson: OK, thanks very much indeed, and one quite follow-up if I can. Obviously I appreciate there's no third party data available on the total power plant market for Q1 yet, but do you have a feeling yourselves if you look at the sub-500-megawatt power plant market, do you think you, I mean 74 percent order growth sounds pretty impressive, do you think that was mostly market share gains from your part or do you think the whole of the sub-500-megawatt market was booming in terms of orders?

Björn Rosengren: Maybe I can just answer. You know how our market works, we are running a lot of projects in different parts of the world that we are and when we show this market share change we are actually looking at the whole gas market which is including combined cycle power plants, so it's a much bigger one. We are so much more focused in the areas where we are operating and I think the important thing is that we manage to close those projects that we have as prospects in our list, I think that is what we are focusing and I think we are doing a good job on that.

Maybe you would like to add something to that, Rakesh, regarding the market?

Rakesh Sarin: Yes, on the power plant front we see a lot of changes happening fundamentally in the market. There is a very heavy emphasis on the renewables which is calling for a dynamic feature in the plant and when we talk of the dynamic features Wärtsilä is one of the best.

Also we see that the markets are transforming from the capacity market we know now, we see that the wind of change is there in front of us. We already see that two markets in the U.S., ERCOT and Southwest Power Pool are

working on instead of a day ahead now they're in the five-minute interval market.

So likewise, the changes are happening in Mexico, the changes are evident in Japan and many places this need is being felt into the energy market. And essentially this need is being felt to bring the stability in the grid and that is becoming challenging because of renewables.

And when we look at the energy markets which are, for example, the five-minute market, there Wärtsilä solutions add a huge amount of value. So we see that when the market shifts from capacity to a dynamic market there we strongly pitch in and we have already early indicators where we have won the tenders where these dynamic features are required and the we have won these tenders vis-à-vis in comparison to the gas turbines, the open cycle gas turbines, in certain cases even the combined cycle gas turbines.

Similar activity we see now in Europe and Germany, for example, as leader of the pack is going ahead and this debate is on and we are very eagerly watching how it is going. And our early indicators show that Germany is also looking at the dynamic market rather than at the capacity market.

So with these changes I would say that we are very optimistic from the point of view of the technology that we hold and, more importantly, how do we do this modeling and showcasing the benefit to the customers. So this in a nutshell I would say about the market going forward.

Björn Rosengren: Thank you, Rakesh.

Colin Gibson: Thanks very much.

Operator: The next question is from the line of Sven Weier of UBS.

Sven Weier: Yes, good morning. Two questions from my side please. The first one also coming back to the ship power area and regarding the sequential drop in the order intake, obviously you have the deterioration in the shipyard orders but to what extent would you also say this can be also referred to maybe the lumpiness of some larger orders and what the pipeline is there? So I guess

you already commented that we'd probably take the Q1 order level as the new normal but maybe you can just give us some more color on that?

And then the other question is with regards to your M&A pipeline and we obviously have a new incoming CEO at Rolls Royce and he might be under pressure to split the Group. Could you just confirm that your M&A interest is somewhere else. Thank you.

Björn Rosengren: I think on the ship power, I think I will let Jaakko answer a little bit, even though we don't give any projection of orders going forward, but still you can talk a little bit about the market there, what you expect.

Jaakko Eskola: Thank you, Björn, and thank you for the question. As already we have now indicated starting already one month ago in the Capital Markets Day, the market is very challenging and there are certain segments, as now repeated here a couple of times, where there is activity.

And with our portfolio of products and at the same time with our capabilities of providing integrated solutions, I mean there is activity in the market and the market is not dead, there is only basically one segment which is also a segment where people are waiting, I mean they are waiting more than anybody else.

But still some orders in Q1, also in the offshore sector and some orders definitely coming in also on some supply vessels and service vessels in the offshore market.

But gas vessels there is activity and that's going quite well at the moment, a lot of interest in the cruise and ferry, and you probably all have heard about Carnival placing an – or basically planning to finalize an order of 10 ships in the coming months, RCCL and related companies thinking of it, MSA and NCL and so on. And adding all the ferry activities which is all, quite many of those are related to the gas business.

So what is the new normal, nobody knows, but I still wish that these orders will be placed as Björn already indicated earlier. In some segments a little bit longer wait and see than the other ones. Thank you.

Björn Rosengren: Thank you, Jaakko. And on the M&A pipeline, yes you know that, I think we've been pretty clear on that, we are looking at a number of prospects for M&A and we're working with them all the time. You need to be too, first, you have to find something that fits well strategically with your business and you have to have someone who wants to sell the company and then the second part is that the price has to be right. So there are a lot of factors that have to fall in place before M&A.

At this moment we are very happy about the L-3 MSI and that's where we're concentrating on at the moment and that's where we have a big job to do on integration and make sure that that will be as a good fit to Wärtsilä as we had with Hamworthy and then going forward we'll see, we'll be informing you at that right time when something is coming up. Thanks.

Sven Weier: Thank you both.

Operator: The next question is from the line of Johan Eliason of Kepler Cheuvreux.

Johan Eliason: Yes hi, this is Johan Eliason, Kepler Cheuvreux. Just a curious question about the power plants, you mentioned that in the quotation it's predominantly gas, while in the quarter you took more orders in terms of megawatts for oil than for gas and then you said it was related to one big order.

But if I look over the last three quarters, the growth in terms of order intake in megawatts for the oil side has been growing quite dramatically Q2, Q3 and Q4. And then I'm just curious isn't that some sort of impact coming from the lower oil price and we should expect that going forward, or how should one really look at that part of this side. And does it matter for you in terms of profitability whether it's eventually gas or oil or a dual-fuel solution?

And then secondly, I think you said something about the L-3 MSI acquisition, are still the antitrust approval on track, if you said previously I missed that part of your presentation. Thank you.

Björn Rosengren: Starting with the L-3 MSI, yes, the antitrust approval, we have got that and so we will be closing that one during Q2, so that is already clear.

Yes, it's correct, it's a correct observation that the last quarters, oil has taken a bigger part. Maybe I will let Rakesh answer that, if this is a new trend for Wärtsilä or if this is a special case.

Rakesh Sarin: Yes. In fact that is a very, very important question for our business, and I would say it's a good question and it's good news that we are selling oil as of now. Of course this is coming from the emerging markets, as Björn mentioned earlier in the presentation.

But the unique feature in our solution is that it can be oil today and gas in the future. So when we say that we have sold an oil-based solution right now, so that is to take care of the fuel availability what is there in the market today. But then it's good news for our services business, for example in a year from now, two years from now, five years from now.

And it's good news for the customer also, when they get the right fuel they have the flexibility to change from oil to gas. And, for example, our largest product which is our 50 (bore) engine power plants, so there when we sell (a certain) oil power plant, the conversion is really easy and really cost effective for the customer. So partly this is the good news what is accompanied with the oil sales, what we're doing right now.

The second part is we are also in the value chain in the gas business which is the LNG terminals. Now where all these power plants are going they also would need gas and they will need gas in the hinterland, inside maybe smaller terminals and that's where with the capability what we have built in the last one or two years, and the first example is four new terminals which we are already building. So, again, this opens up a few more tools in terms of us taking position in the small and medium scale LNG terminals.

So that's what I would say, market activity is still in Q1, if you look at our quotation level which is pretty high at 16 gigawatt, still about 75 percent is gas and 25 percent is oil. But that's a flexibility I would say which is a big advantage and benefit for our customers which we offer.

Björn Rosengren: Thank you, Rakesh. I hope that answered the question.

Johan Eliason: OK, yes, thank you.

Björn Rosengren: Thanks.

Operator: The next question is from the line of Jaisika Kaur.

Daniela Costa: Hi, good morning. It's actually Daniela Costa from Goldman Sachs. One question which is regarding service, particularly on the order intake which has done quite well. Can you talk a little bit first about it by area, whether there are any areas that have made much stronger progress than others?

And then a second related question which is when you look to that good performance that you've been having on service, is it more a consequence just of the installed base developments or how is the penetration of, the increase of penetration in the installed base impacting that. I'm just curious on that.

Thank you.

Björn Rosengren: Thank you, Daniela. Yes, I think I will let Pierpaolo answer that question a little more in detail.

Pierpaolo Barbone: Yes, let's start with the second one. We have started to harvest opportunities that we have created in the last months. On the marine side, and especially on the transactional business, we have increased our sales and also our order intake in the merchant given to the developments related to the oil price.

Second, very good development in cruise and navy business, and in terms of areas specifically Americas and North Europe.

Then if we talk about power plants the business is characterized mainly by project and contracts. The activities are related to areas like Africa, Americas, especially Brazil, and then also Australasia, I would underline Indonesia and also Papua New Guinea.

Daniela Costa: Sorry, if I may just follow up regarding the dynamics you see on the shorter term with offshore, can you comment a little bit on that as well, whether that part of services for offshore are still growing.

Pierpaolo Barbone: Thanks for asking. The development of the offshore is for services neutral in a way. It is clear that in the future we will have some decrease of the sales in that but, let's say, this will be compensated by an increase in terms of penetration. We have not been able to harvest all the potential that we have first of all and so we are focusing on new markets, new installations.

Second, also the effect of decreasing, let's say, the engine base or the base, the customer base, will touch us in one and a half, two years probably. So this is the reason why I'm saying it's neutral at the moment.

Daniela Costa: OK, thank you.

Pierpaolo Barbone: Thank you.

Björn Rosengren: And the percentage of our service business in offshore is 14 percent, around 14 percent.

Pierpaolo Barbone: Yes, yes.

Daniela Costa: Thank you.

Operator: The next question is from the line of Nick Wilson.

Nick Wilson: Good morning, this is Nick Wilson from BESI here. A couple of follow-up questions if I may. Going back to this market share on power plant, I mean one thing I don't think we've discussed obviously is the potential shift in currency and there may be, let's suggest, pricing advantage because it looks like of that pie chart that GE has particularly lost market share sub-500 megawatts and it looks like MHI and yourselves have been a couple of the beneficiaries. So maybe you can just discuss a little bit currency, are you using it in your favor, what are your thoughts going forwards?

And then my second question is coming back to this cruise and ferry point, and thanks very much obviously for flagging the Carnival side, but longer term, I think we've discussed in the past the benefit or potential benefit coming through from the Chinese so, again, just a bit of an update where you

are in terms of the overall discussions with the Chinese in terms of assisting them growing aggressively their cruise industry. Thank you.

Björn Rosengren: Yes, I think on the power plant business related to the currency, I think it's too early yet to say that you can see anything in your market share related to the switch to high dollar compared to the euro.

It has opened a lot of opportunities for us in these projects but it normally takes a little bit longer time to develop projects, but I think it helps us going forward to be competitive during the year and hopefully if it stays like this even during the next year. So I think it's more related to the opportunities that we can see going forward and what you have seen in our order book today.

Yes, on the cruise and ferry, I think this is actually in a very early stage, you can correct me if you want to, but I think there has been agreements that have been done there but there are, of course, no order placed or anything, I think it's a very early stage where they're looking into the opportunity.

It's pretty complicated to build cruising vessels today and there have been good attempts in Asia before, especially in Japan which has been disastrous for the companies doing it. So I think everybody who wants to build a cruising ship going forward has to do their homework and I think that's probably what's taking place at the moment.

So we are, at the moment, building our central joint venture, together with CSSC and hopefully the engines that we will be producing there in the future will be very suited for that market when it comes up. But it's in a very early stage there.

Do you have anything to add there? No. I think Jaakko agrees.

Nick Wilson: Thank you.

Operator: The next question is from the line of Glen Liddy.

Glen Liddy: Good morning. You've highlighted the prospect for a lot of ferries being powered by gas. I think what you've said in the past for things like LNG

tankers is that you get a very high percentage of the ships that you supply giving you service agreements. Is the same true in the ferry market when it's powered by LNG?

Björn Rosengren: Yes, I think so far it's all ships or ferries that are using gas as a fuel is really good prospects for service contracts and I think so far we are more or less close to 100 percent in signing up agreements with them. This is one of the big parts, as you've seen the number of contracts we have in the marine industry is very much driven by the gas market.

Glen Liddy: And LNG terminals was something that you were speaking about last year. Are they still just in the background or is progress being made in terms of the planning and getting close to placing orders, particularly in Scandinavia?

Björn Rosengren: Yes, there's a lot of exciting projects also in the Nordic region and also here in Finland that we are working on, but there are plenty of these. All these projects take a little bit of time, the market is pretty young, the marine industry is still very young when it comes to gas as a fuel and I think we'll be seeing during a number of years, we are actually quoting a big number of projects and hopefully we'll see something within the near future.

Glen Liddy: OK. Finally, the regulations for emissions in the emission control zones came into effect this year, is this helping with scrubber demand because the price of low-sulfur diesel has not come down great a deal. So this is actually helping stimulate demand?

Björn Rosengren: I think we didn't mention that but we had nine scrubbers and six ships orders during this quarter so it continues to move and there is a lot of activity which continues and we are now running on this level during the last quarters and we probably will continue this. It's a good level to work on. We still think that there is more potential going forward but, of course, the oil price probably makes some of our customers in holding back decisions at the moment.

There is an alternative of using marine diesel today but most of the investment you are doing is not on a short-term basis but that is on a long term basis and I think most of, they have to find a suitable solution and I think scrubber is one

of them that can suit. Gas is, of course, also an excellent solution to fulfill these requirements.

They are becoming a little bit tougher in the harbors, I think we have some reports, the U.S. has fined a number of ships that have not been complying. I think in (inaudible) I think there have been some measures and they have seen that actually the sulfur in the air around the area has also decreased, so there are actions being taken clearly.

Glen Liddy: OK, thank you very much.

Björn Rosengren: Thanks.

Operator: The next question is from the line of Stephen Stakhiv.

Stephen Stakhiv: Hi, morning, Stephen Stakhiv from Deutsche Bank. Most of mine have been answered, so just two quick ones. I think previously you had mentioned that there was a one-time hit of EUR5m for two projects in the ship power segment. Could you just comment a little bit further on that?

And then secondly, just more generally, it seemed like there were some lumpy orders in the Services segment in Q1, could you provide more clarity as to how you see that going forward for the rest of the year? Thanks.

Björn Rosengren: I'll start on the lumpy orders, was that from service, yes. I think on the service side it's probably the most least lumpy business that we have but there is one part of service which is the projects and a project can be, like we mentioned here, these Maltese power plant where we are upgrading it to gas from oil, that's a typical project. So there are these projects that are coming in but most of the business is pretty much in line with the invoicing.

On the contract side we have received a lot of contracts during the last years and here we only book two years out of five or ten years contracts, so there are more, let's say, hidden behind.

So I think normally it's pretty, I think the last two quarters we've seen good orders from service also on the project side so hopefully we can continue to

get some of these good ones in because it's good business for Wärtsilä. That was that.

Then it was the EUR5m, yes. You know a lot of our business is project business and you are running larger projects and you have a lot of things going in and not every project goes perfectly and this was one of the, or actually two projects within the same area, in the offshore sector, which was higher cost than was anticipated when we took the project and that is hitting.

I think we've been relieved from a lot of this during the last years so it's not that common but it happens and I think during Q1 this is one of the projects. We have taken measures on this and we do not believe that we will see that going forward.

Stephen Stakhiv: OK, thank you.

Operator: There are no further questions from the phone line.

Björn Rosengren: OK, then thank you very much. Thank you.

END