WÄRTSILÄ CORPORATION

Moderator: Jaakko Eskola
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OPERATOR: This is Conference #: 9856418.

Jaakko Eskola: Good morning, everyone, and welcome to Wärtsilä Interim Report Presentation this morning.

I have here with me the whole Board of management, and also our new Head of HR, Alid Dettke. Welcome. And of course, Natalia Valtasaari, the Head of Investor Relations.

I have a short presentation and then as usual, we can have a questions and answers session. Wärtsilä's third quarter was burdened by project-related challenges, as you know and, at the same time, also low equipment demand. At the same time, our services activity has remained sound.

A couple of words about the market. Our Marine market conditions are today quite sluggish and full year contracting is expected to be below 2018. Cruise, ferry and LNG are actually doing quite well and they are compensating the weaker markets – weaker merchant and offshore markets.

Customers today remain unwilling to commit to scrubber investments due to uncertainty on fuel price development and fuel availability, despite still the supporting initial price indications.

In Energy, the short – the midterm outlook is challenging. The energy landscape is evolving rapidly as technical – as is technical development, the political agenda and public opinion. This is really, today, making the investment environment complex and creating uncertainty among our customers. The geopolitical and economic environment is further slowing decision-making, particularly in emerging markets.

If you look Wärtsilä's short-term outlook, the current market expectations in sales is in our view realistic. As we have communicated, we expect comparable operating result to be EUR 100 million lower than the EUR 550 million profit of 2018 due to the project-related charges. And 2020 will be a challenging year with the main risk being related to Energy equipment orders.

At the same time today, pricing is another headwind we face. And of course, we are following all this progression of ongoing savings initiatives and the development in the market, and we'll take further actions if necessary.

If you look at the specific figures now in Q3, order intake went down, both businesses, but heavily, of course, at the moment, because of the market situations in Energy. Order book is still – or has been growing. Net sales is also down, mainly because of Energy, and result was EUR 39 million. Here in Q3, we took EUR 65 million of – hit of the EUR 150 million earlier communicated.

And our cash flow also is negative at the moment. We are building our inventories and the working capital is very high so that we can get deliveries out in Q4. As said, order intake was weak in both equipment businesses. I'm not so worried about Marine. That might be a seasonal situation.

And, of course, now, when we compare Marine Q3 in 2019 to last year, last year, we had a very high order intake in scrubbers. And this quarter, we haven't seen that one. As said earlier, let's see how the scrubber ordering develops going forward. The decline in sales really due to concentration of deliveries towards Q4. And book-to-bill, still the rolling number is about 1.

Order distribution here. This, of course, supports now the Q4 development, over EUR 1.7 billion orders for this year. And going forward, of course, the order book has been growing a bit by pieces. The result really burdened by the project challenges, and I will come back to the project challenges in a moment.

And actually, the slide is now here. We already communicated about the EUR 150 million. And the projects, which have affected the situation are 12 Marine gas solutions projects for gas tanker vessels; then, we have one LNG terminal construction project, and I think everybody knows that's Hamina here in Finland.

And we have 2 engine EPC projects also in countries with a very strict local standards and requirements. So I would say, handful of projects. Wärtsilä has over 700 projects yearly. And now unfortunately, quite big projects of those were impacted.

Of the EUR 150 million during January and September, we have recognized now EUR 85 million. The rest is going to be in Q4. And the main issues behind the cost overruns. In gas solutions, it was new technologies and the technologies in new applications.

And this new technology is now is only on the gas solutions side. We also have had challenges related to new suppliers. Really difficult situations with some of our suppliers. And specifically, in the Energy side, the local standards and codes have not always been fully priced at the sales phase.

At the same time, regarding the specific EPC projects in Energy, the subcontracting and engineering costs have been underestimated. This development was realized as you know, now during Q3, and we have started corrective actions to strengthen, first of all, our sales and project execution processes. So how do we sell and how we, finally, then link our project execution.

We are doing good projects, as I said, over 700 projects, and most of them are doing well. And, of course, we have to learn from these ones. We have also changed the structure what comes to the organization, both in Marine and Energy, we have strengthened our project management. And of course, have created more strict processes to analyse and understand the risks upfront in these cases.

At the same time, looking at the technologies and where Wärtsilä is working, the assessment has to be tighter; and, of course, at the same time, looking at our suppliers. Sometimes we have noticed that probably the competencies have specifically, in these cases, not been at the right level. So a lot of training, new introduction of tools to facilitate the processes.

Cash flow, negative and really, this is as you see regarding the working capital, specifically, now delivering a lot of engines in Marine and Energy. At the same time, the huge amount of scrubber deliveries are burdening our cash flow situation. Gearing, a bit higher than previously 0.44.

And then moving on a bit to the different businesses. As you know, vessel contracting this year has been extremely low. One of the lowest for many, many years. A short pick up in the last couple of months but still below anybody expected, supporting Wärtsilä's business in LNG, in cruise and ferries. And when you look at this quarterly development, as I already mentioned, you have to remember from last year the big amount of scrubbers.

What and why is – why this is happening. As I said, I think it's going to be coming back. The price difference between low sulphur and high sulphur fuel is large. And the vessels, going forward, starting from next year, they need to find a solution and scrubber is a very viable solution going forward.

The installed base now, again, shown in megawatts – if you look at it in euros, we are not worried. Some of our customers have transferred 2-stroke big megawatt agreements to be handled through transactional business. And at the same time, the net sales now a bit lower but, of course, when you look at the Q4, there will be huge amount of businesses – or deliveries going out.

One highlight, and this is now what comes to technologies. We developed a – from our 31 – Wärtsilä 31 platform, a new engine, which is pure gas engine for the Marine market. This is extremely important because the Marine market is more – going more and more to sustainable solutions, reducing the environmental impact. And this engine is very much suited to work in hybrid operations.

Moving on, the energy market share a bit down. The whole market is – or has been going down. And our order intake in new equipment was very low. Service is, again, also here, in Energy, is doing fine.

And in Energy of course, the big dilemma today is when you look at the structure of the energy market, the renewables are gaining more and more role in the energy systems. At the same time, you have the old systems in place. And before the market is really starting to reduce, first of all, coal, you don't see some of the developments on the flexible gas side.

And, at the same time, we have a pipeline regarding all the developments going on in developing world and at the decision-making, because of – in many times, because of the structure, but political situations and financial situation has been taking more time.

This is the first 9 months really, if you look at the megawatts, almost – pretty much down from last year. Asia has played quite a major role. And Asia and Middle East and Africa is going to play a role also going forward.

We have been able to increase our engine – Energy agreement base. This is an example in Hungary and really showing that Wärtsilä's combined solution with the equipment and life cycle possibilities is gaining really good opportunities.

Net sales, pretty much down, partly because of some of the order intake we were expecting in Q3, now happening in Q4, affected the newbuilding sales. But the services, again, quite stable development in a challenging market.

And an example of the future of combustion engine possibilities, you can burn renewable fuels, you can burn synthetic fuels in our engines. And the way how the development of these fuels are going to be gaining place in the energy market is promising. This is a collaboration with a Finnish-based Q Power, which is basically pioneering biomethanisation, creating synthetic fuels, which can then finally be used in our – with our technology.

We also now, looking at our prospects, downgraded the Energy from soft to weak. And as I already said, the market looks challenging. And before we get all the understanding about the structure, how the energy systems are going to be built, this really affects also our market.

So this is the presentation so far and now we are open for questions, and do we have any questions here in the audience in the Helsinki Campus?

Jaakko Eskola: No questions yet. Then we can go to the lines. And please, please remember that you could limit your questions to one question and then one follow-up question and then get back to the line, if you have further questions.

Let's open the lines, please.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press a “star” and “1” and you wait for your name to be announced. If you wish to cancel your request, please press the “hash” key. Your first question comes from the line of Alexander Virgo.

Alexander Virgo: I wondered, could you go a little bit more into how far or why, I suppose, you've been so far off on the estimation of costs. I guess, particularly given you flagged 12 Marine projects, 1 LNG and 2 EPC and yet the balance of the charges you recognized so far suggests the EPC business is where the problems are. Does that weighting change, I guess, when we look at Q4 and the charge – the remaining charge that needs to come in Q4? Then maybe just talk a little bit about the, sort of, difference in problems.

And then as a follow-up. It sounds very much as if particularly, on some of these technology challenges and the supply chain in particular, it doesn't sound like that's a problem you can address quickly. So how do we think about how this develops over the next 12 to 18 months, and looking into the midterm?

Jaakko Eskola: Thank you for the questions and first of all, now, I mean, now we have two separate kind of difficulties. One is in the Marine side, and that's gas solutions. And clearly – and this is probably covering both the first one and the second question – it's the technology.

And we deliver a huge amount of projects in the gas solutions market. And the technology, what has now been affecting to the businesses is something we are using in new applications. So it's basically not new technology, but new technology in new applications. And so that's why I think we are quite confident on what comes to the – to solve the problems and go forward.

And I could actually also ask Roger Holm, the Head of our Marine, to go through a bit about what was going on with the technologies. Roger, please.

Roger Holm: Thank you, Jaakko. Good morning also from my side. Just a clarification, first of all, so we are all starting from the same starting point, so to say. So please, remember now, this is gas solutions so gas technology. This has nothing to do with our gas engines as such. So that's the first clarification point.

When we talk about the challenges we have in gas solutions, these 12 projects, we talk about tens of vessels of gas tankers. The background for this is new technologies where we have partly failed in the cost calculations for these new technologies. We have underestimated the costs. And on top of that, we have not received the proper deliveries from certain sub-suppliers according to agreements.

And this means then that when you combine these two, it has led to a situation where we have been delayed in our deliveries to the customers. And our clear intention is, of course, to deliver to the customers what we have promised to them. So we have had to do a lot of rework and cover up for delays to do this.

We are confident that this is something now that we – with the processes Jaakko already mentioned, we are in control of the enhanced processes, but this means still that we need to make sure that the deliveries we have in the pipeline go as planned.

Jaakko Eskola: And regarding the amounts we said that EUR 65 million was actually taken into account this Q3. And EUR 17 million was in Marine and EUR 67 million in Energy. And so the rest, which is now 4Q is probably a bit more on the Marine than in Energy because that's how you calculate the EUR 150 million.

What comes to the EPC, we have hundreds of EPC projects in our Energy business. OK, one was the LNG, and we clearly failed with that one. Going forward, we don't do LNG terminals anymore. But the rest, when you look at Wärtsilä delivery in EPC projects globally in 178 countries, and now we have two cases – in cases where we underestimated the cost so I'm not so – I'm not worried about that, but Marco Wirén, the Head of our Energy could a bit say about the Energy now going forward. But I mean, how do you see it?

Marco Wirén: Yes. Thank you, Jaakko. And good morning from my side as well. That's correct. It's two large EPC contracts that we took actually two years ago. And in the sales phase, we didn't quite understand the requirements that are set to us from – not only from customers' side but also at the legal side and the government side.

And this is the reason why we miscalculated, and now when we are proceeding with those and doing, we have realized that we have to comply with all these requirements that we didn't know about and that's why the cost came up and we couldn't actually do something else than just take the cost and because – the applications we have.

What we have done is that we have already, beginning of this year, we have implemented a new training for all project managers, but also now we have changed the organization. So we have a specific Centre of Excellence for these large, complicated projects. So that we have dedicated project managers instead of just shifting from a simple project to a large project, but only doing these large, complicated projects.

At the same time, we have gone through the whole approving process, so now it's much more tighter, and we will actually bring up the risk evaluation to the Board of Management level as well. So we understand that we have taken in the consideration all the different aspects that we have to going forward. So, I feel that we have taken the right steps and we can fix the issues that have had in the past.

Operator: And your next question comes from the line of Sven Weier.

Sven Weier: It's Sven from UBS. First question is on the seasonality you already mentioned, obviously, if you look at the Marine business, the OE side, you also had very low cruise orders this quarter and also on the gas carrier side where I suspect those markets are still quite active, so should we expect the order intake in Q4 to return to a more normalised level? That's the first question, please.

Jaakko Eskola: Thank you, Sven, and Roger, he's happy to talk about the orders. Please, Roger.

Roger Holm: Thank you, Sven, for the good question. First statement is, of course, we are not immune to the lower vessel contracting on the development side. That's clear. Having said that, there are two things to notice when you look at the Q3 order intake. One is the very, very low order intake of scrubber and the comparison period was clearly much better. And then the other side is that there are some timing issues also now looking at Q3.

So I would say that scrubbers, we still need to look at Q4 and start of next year. We have hopes that, if I put it like that, we have hopes that we will still see increased activities in scrubbers going into next year. But at the moment, that's very silent. But, in general, as you said, cruise, gas carriers are still active, and we don't foresee huge changes on that part.

Sven Weier: And because if you look at the sequential development on cruise, it almost went down 2/3 right, and in cruise from 180 to 60, right? So I guess that's quite an element of lumpiness in there.

Roger Holm: It is correct. And timing-wise, as you know we – from the yard point of view, we have extremely long order books, which also means that there are enough time to discuss and negotiate new deals, which makes it also sometimes a bit more tricky to say exactly when it will happen because the yards have time, and that will be used then according to their schedules. So we will see timing issues also going forward. But as said, the pipeline for cruise still looks healthy.

Sven Weier: And the second question is the same for Energy new equipment business. Obviously, also Q3 there probably are some elements of seasonality here. What does the pipeline look like for Q4, I mean, is it like that, that we should not have the usual seasonality in Q4 and things are really pushed into the right, you know?

Roger Holm: Yes. That's right, Sven. It is also so – always so that Q4 is always very heavy on the order intake side. And we definitely see that the pipeline is good for quarter 4 as well.

What has happened now, that is, many orders have been postponed – different reasons. Just like Jaakko mentioned earlier, one reason is that it takes time from the financing institutions to approve projects in – especially in the emerging markets.

And the reason for that is the uncertainty of the macroeconomics, trade wars and so forth. But also in some countries, we see political reasons. It takes a long time for politicians to make a decision.

It could be that there might be government changes or a new government, and they just want to understand what policies they will support and how they're going to approve these different power plant projects.

Operator: And your next question comes from the line of Manu Rimpelä.

Manu Rimpelä: It's Manu Rimpelä from Nordea Markets. My first question would be on the overall pricing environment you're seeing in – and especially in Energy, but also in Marine. So how do you see that this price pressure is starting to intensify given the low level of activity in the overall market, and also how do you think about cost inflation?

We heard other industries talking about the labour cost inflation and installation cost going up. So will we start seeing squeezes of margin from the pricing turning negative and then on top of that, we get volume contraction?

Jaakko Eskola: Manu, thank you for the question, and you are right. The price – pricing is getting tougher. And, of course, it comes from both sides. When the market is getting smaller, you get more competition. And that we have seen now in the market developing clearly. And, at the same time, of course, you see some inflation coming from the other side. So it's getting more and more challenging.

Manu Rimpelä: If I may follow up on that, so how do you see the other turbine producers and other kind of energy equipment providers reacting to this? And are they also getting more aggressive on pricing, or are they talking more about these combustion engine-based technologies?

Jaakko Eskola: Manu, yes, we all know what's the situation with the big players, and they are aggressive at the moment. They, of course, they try to get in places where they can use that technology against our technology, they are extremely aggressive. And, of course, if you look at us, we – our benefit is always, with our technology, to be faster and decentralized, and so on. But the whole market is getting more and more aggressive.

Manu Rimpelä: And then my second question will be just on services growth. I think that slowed down in the third quarter. So I think, can you just update us on your thinking around the services business, and that's obviously key for your margin development as well. So I mean, should we – are we going into a risk of slowing or declining momentum also in the fourth quarter and into 2020 given the overall uncertainty and low level of activity in your markets?

Jaakko Eskola: Of course, the market is challenging. But at the same time, if you look at the first 9 months here, I mean, not always only the quarter, services has been growing. And we have seen elements in the services where Wärtsilä can bring value. You have seen agreements growing in Energy, we have seen our customers using more Wärtsilä spare parts in Marine.

So at the moment, I'm not worried. I would rather say it's a stable development. But who knows about the future. So far, our customers have realised why they should use Wärtsilä for the services and, I mean, let's see how it develops.

Operator: And your next question comes from the line of Antti Suttelin.

Antti Suttelin: I'm just curious why did the fall in Marine equipment happen now. We've seen 20-year low contracting for – already, for some quite time. And it has been looking like until now that you have been protected by gas carriers and cruise and ferry. But now, now it was a clear fall in equipment orders. Why now?

Jaakko Eskola: I mean, please remember now if you compare Q3 last year to Q3 now, it's a scrubber. I mean, that's a big difference. And, of course, if nobody orders any scrubbers, then we just forget it, but that's not going to be the case.

And then cruise and ferry, and I think Roger already explained it a bit that cruise orders – because there's a huge time period before they finally will get the ships out, they can actually negotiate and play with the exact timing of the orders.

I don't know, LNG, Roger, do you want to comment a bit. Is there any specific in Q3? I don't know?

Roger Holm: Not any specific. And if you look at, yes, gas carrier orders, in general, are slightly below last year's levels, but last year was really good. And all activities we see is that gas carrier orders will continue from a vessel contracting point of view. So that's not a change.

If you look at, going back, since we have had very low contracting now for quite many years, we are actually at the newbuild level now that we probably saw somewhere during 2016 quarterly levels. We have managed to utilize our flexibility, and we still see that as a strength to support different segments. I have not seen any major change to that part.

As I said before, we are not immune to the vessel contracting going down at the moment. But from a big picture point of view, if you exclude the scrubbers that we will continue to see big deviations on, I don't see a major difference.

Antti Suttelin: And on the scrubbers, I mean, the overall tone in the industry appears to have improved. We've seen some of your competition booking a come back in scrubber orders. Is there any market share change in the game also?

Roger Holm: During the last quarter, no big difference. As far as we see it, there are not exact reliable figures available from any third parties. There are indications that we also use, but not from that part.

I think we have the same comment as we have seen also from other players in the market that assuming now that the fuel spread is continuing to be where it is, we have still, for our customers, a very good business case to install scrubbers. Let's take out the concerns some might have about HFO availability import and the fuel spread continuing, I think we will see more uptake on scrubber orders next year for retrofits.

Jaakko Eskola: And I think in the scrubber business also the situation is today that if you order now scrubber, you will be anyway late for the 1st of January. So that's why many of our customers are saying that they will want to see the situation 1st of January, and then they make a decision.

Roger Holm: And on top of that, in some segments, there are really good day rates at the moment. So this is not the time either to start installing scrubbers. They want to utilize those day rates and then come back to scrubbers later on.

Operator: And your next question comes from the line of Sean McLoughlin.

Sean McLoughlin: Looking at Q4 and the very large order book you have for delivery in Q4, I get there's an important component of scrubbers and they all have to be delivered by the end of the year. Is there risk of slippage potentially of other projects into Q1? And how are you – how have you prepared the business for this best ever Q4?

Jaakko Eskola: Thank you. Thank you for the question. Yes, the Q4 is really large. And it – of course, there's a huge amount of engines and normal products, what we deliver. And of course, we take care that they will all go out. At the same time, there's a huge amount of scrubbers.

And as already Roger hinted that in some, and specifically, there's one segment in the Marine market, which are the tankers, they're earning so well with the day rates. So if you have any tanker as a customer, you might see there some risks. But, of course, we are taking care of that one with our customers.

And now, I talk about retrofitting business. But we take care of the deliveries out and still, we need some – our services business to perform as it has. And we still need a couple of our energy orders in the pipeline to be signed, and then we can also start delivering them out. So this is the picture for the Q4. But you are right, of course, now all the operations in Wärtsilä has to work very smooth and perfectly.

Sean McLoughlin: And a quick follow-up if I may, just on the services. I didn't quite understand, the fall in penetration of the installed base of long-term service agreements, what exactly has caused that? And is this any way of a trend that we can say is actually a headwind on you increasing further penetration of your installed base?

Jaakko Eskola: OK. And that was the Marine. And Roger, I mean, you can now open it up, what's actually happening there.

Roger Holm: Yes, thank you for the question. And if you look at the reason it's – we have had two agreements now impacting these statistics: 1 in Q2 and 1 in Q3. There are clear similarities on both of these agreements. Both are 2-stroke agreements with huge megawatts involved.

In the Q2 change, the agreement ended and customer decided to renew only half of those vessels for agreement. And the other half due to operational reasons would go into normal transactional business. And now we also had a 2-stroke agreement that ended in Q3.

But very, very, very small financial impact, these are really tiny components, if you look at that what we have supported from an agreement point of view. So when you look at the sales development time, I'm not worried. It looks bad in these statistics, and we need to come back later on how we can picture this better.

Operator: And your next question comes from the line of Robert Davies.

Robert Davies: My main question is just really around some of the discussions you're having with your customers around the technology adoption. You've highlighted I think, on some previous calls, some of the challenges, I guess, from kind of elevated reserve margins or financing.

When you're having that conversation with customers more broadly, how are you, I guess, convincing them to stick with the technology type because I mean, there's obviously a decision-making process between a battery storage and a reciprocating engine, a large gas turbine.

What are the customers seeing? Are you seeing any sort of change in the thought process over the medium-term investment? I know the near-term headwinds are quite well flagged, but how are those conversations going on a medium-term investment horizon?

Jaakko Eskola: A very good question. And definitely, the tone has changed and Marco meets customers every day. So please, tell us.

Marco Wirén: Yes. Thank you. A very good point. And definitely, I would say that differs a lot between different geographies as well. If you take United States which is a good example because they actually have already deployed a lot of renewables and they have bought over a lot of engines from us to balance up the intimacy that you get when you have renewables.

There, actually, customers have taken down coal power plants because of the cost reasons and invested in engine-based power plants. So it's not the renewable story itself that is driving this, but the cost reasons. And when we discuss with customers, we always do the modelling together with the customer, so we get the information and data from them and see how is their grade or their region actually functioning.

And then we calculate, what is the most optimal, based on the patterns that you have in solar and patterns in wind, and what is the most optimal solution for – just for you and your customer or this region, and what is the combination that you should have. And they still might have other fossil fuel generation assets as well and they will say that these we will keep for certain years because of the value that they have. And they might need the baseload as well, and they – gas is cheap especially in the United States, they want to keep those.

And then we factor in that daytime schedule as well. And the rest of that, we see OK, what is the mix that you should have. And this is basically the decision-making point, that you add batteries, you add engines, and you have invested in renewables.

So I would say that batteries and engines are the two solutions today that covers the flexibility need that our customers have. And they are not competing. They're actually complementing each other. And that's why we feel that we are actually the flexibility solution provider for our customers when they have the need.

And then, of course, in emerging markets, it might be different because if you don't have the huge amount of renewables in your plans yet, then they need just the flexible base load, and that's why we are competing with turbines in those markets.

Robert Davies: And then my follow-up is just how you're thinking about I guess, the medium-term margin targets. Given the sort of evolution of pricing dynamics under the changes of order rates in scrubbers, et cetera, over the next year or two, how are you thinking about that sort of 14 percent margin target?

Is that something that you're sort of internally formally sort of giving up on? Is there any reason you should ever be able to get back to that level? How are you thinking about the group margin progression over the next two years?

Jaakko Eskola: Of course, we look at these targets and what we have been talking about between 10 and 14. And clearly, this year, because of the one-offs, we are not going to be there. And we are not going to give up any of these targets.

But as I said earlier, we are going to have, for example, for the next year, a very challenging year. And let's get back to the next year numbers then later on. And definitely, also we have our Capital Markets Day in November where at least I would like to open up it a bit more.

Today, the visibility is so – I mean, low that it's extremely difficult to talk about. Next year, even, I mean, how do you know then about the following years and so on. But the target we haven't been giving out. When do we reach them is then the next question, and let's get back to that one in November.

Operator: And your next question comes from the line of Tom Skogman.

Tom Skogman: This is Tom Skogman from Carnegie. I don't really understand what you mean by these EPC projects. Is it one of these old nuclear projects that you have problems with? And then I have a follow-up after that.

Jaakko Eskola: No. I mean, now, EPC in Energy. We have three projects, one as I said was in Finland, that's a LNG terminal in Hamina. I mean, we do it as an EPC with Wärtsilä gas technologies. And then we have two EPC power plant projects in two different countries.

And unfortunately, we cannot open the discussion about the countries or the projects specifically because of the customer reasons. But they are our normal power plants, not nuclear. Nuclear, we have already closed last year and that's not in relation to this one. Two normal power plant projects in very challenging markets where we didn't take into account all the challenging environment reasons.

Tom Skogman: All right. And then just talking to investors, it's clear that many people have the view that all the value in Wärtsilä at the moment is in service, but they don't know the service profitability, and they're all afraid that cost-cutting will be too small on the Energy equipment side and that you will start to have big losses there.

Can you help us to open up where you really make the money, so that falling earnings next year are not just starting to frighten the market that service profitability would be plummeting as well?

Jaakko Eskola: Tom, I'm not going to open it up how much do we make money in service compared to the new equipment. You already today know how much we make money in Marine and how much we make money in Energy. And we all know that service is extremely – service is profitable.

But within services, of course, spare parts is better than anything else. This is everything what we want to open up at the moment. But you are right, half of Wärtsilä's business is today services, and that's really supporting, of course.

And we need to get our new equipment in order, so that at least we don't have any one-offs. And that's, at least today, pretty much now clear then – and so that we can go forward.

Operator: And your next question comes from the line of Ed Maravanyika.

Edward Maravanyika: My question just relates to the self-help cost improvement program you announced at the beginning of the year. How is that coming on in terms of progress, and how do you expect that to maybe stable some of these issues that you have discussed today on the projects, et cetera?

Jaakko Eskola: We started it really as you said in January, aiming for EUR 100 million savings and basically with the cost estimate of EUR 75 million.

The program is progressing quite well, according to the plan. And then in addition to this original program, we actually added a bit to that one in September, really looking at what's going on in Energy, and we announced a bit further saving program, and that has started and according – and going on accordingly.

So far, I mean, I'm not start opening about the savings, where we are, but that's really going forward. And a lot of those savings is going to be there next year. So far, of the EUR 75 million, I think we might have even reported it somewhere, we have spent EUR 56 million.

Arjen Berends: EUR 56 million.

Jaakko Eskola: Yes.

Operator: There are no further questions at this time. Please continue.

Jaakko Eskola: All right. Any further questions here in the audience? No? Then I thank you all for this one, and let's get back to the new numbers then in January. Thank you. Bye-bye.

END