

WÄRTSILÄ CORPORATION

Moderator: Jaakko Eskola

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Operator: This is conference # 79260235.

Jaakko Eskola: Good morning, ladies and gentlemen. Welcome to Wärtsilä quarter first, 2016, result presentation.

Highlights of the first quarter. The start of the year 2016 started as we expected: stable orders and stable sales. Order intake was a bit less than last year as, actually, was the net sales. So book-to-bill remained at a healthy level of 1.31.

When you look at the result, we actually got only 8.7 percent comparable operating result. That was mainly because of the deliveries and a competitive situation in Energy Solutions.

Earnings per share, EUR 0.30.

A disappointing cash flow development. I will come back to the cash flow later in my presentation.

What is positive, of course, is that you can see that the order book at the end of Q1 was actually 3 percent higher.

When you look at the three different divisions, we saw a good development, both in Marine and Energy Solutions. Marine market is extremely challenging and still we were able to get a 13 percent growth in the order intake. I'm extremely happy to see that we started to grow also in the order intake in Energy Solutions this year.

Services order intake a bit less. If you compare that number to last year's numbers where we had three big transactions, actually, in Q1, I'm still happy to see that the orders are developing. Going forward, this year, we will catch up.

A stable development also in net sales. Services 3 percent up, and if you actually take the ForEx effect out, it was over 5 percent. Marine also developed well, but as already commented, Energy Solutions' development was not as expected. That was purely because of certain deliveries we expected to have in the first the quarter, which will then happen later this year.

With these numbers, Services now represents over 50 percent of our sales and Marine Solutions also had some growth compared to last year.

With these numbers, the book-to-bill ratio is 1.31.

Looking at the order book distribution, you can see the development also on the next year and later, which is growing, also, give us some guidance in the further years.

Result, less than last year in the comparable and, as said, mainly due to the Energy Solutions deliveries, but also because of the more competitive situation in energy market.

Moving on to the Energy Solutions division. The quotation activity is still on a satisfactory level. The quarters are going up and down, but this is still on a satisfactory level. A little bit less gas and then, when you look at the activity in different segments, we saw almost only industrial and independent power producers' transactions going forward.

Also, looking at the geographical distribution, you can see that there were a couple of big customers, both in Europe, and in Africa and Middle East, who contributed to the numbers of these orders.

Market share, a bit drop from last year. Here you always see different changes when you have big power plant deliveries from some other competitors. Today, with these numbers we are not worried at all going forward.

Highlight of the Q1 was that Wärtsilä is now entering a utility-scale solar business. This is according to our Smart Power Generation strategy, where we can provide combined a power plant, we call them hybrid power plants, together with Wärtsilä engines and a solar panel power plant. And because of our history of developing power plants, the EPC competence, the network, and also the huge customer base, we look at this new business to add a lot to Wärtsilä's future.

Moving forward to marine. 77 vessels were ordered in Q1. If you compare it to 2009 we are at the same level as that year. It, of course, didn't develop well and that's why we also need to come back to the adjustments I will talk later in my presentations.

In Wärtsilä we saw good development in cruise and ferry, and that's now 48 percent of our order intake this quarter. Offshore is only 3 percent. There is basically no activity in offshore sector. Gas carriers 11 percent, and gas carrier market hasn't started yet this year. There is still expected to be gas carriers to order. In our case, of course, we need to look at not only gas carriers, LNG carriers or LPG carriers, but you also need to look at the receiving end vessels, like FSRUs. Also, you need to look at LNG and biogas terminals, where our gas solutions will be involved.

Joint venture activity not high, and that's purely because of the low LNG order development.

Market moving more to environmentally sustainable solutions and here you see one good example of Wärtsilä upgrading, actually, a RoPax ferry with dual-fuel engines. So that's also a market which is developing towards the gas solutions.

We had a strong position in the previous quarters in marine engine market and we have been expecting that market share, actually, to drop a little bit. This quarter it went up, and it's purely, again, based on the cruise and ferry orders we have; 60 percent in the medium-speed main engines. The auxiliary engine market has also development well, and there we have seen good project pipelines in our Chinese joint venture activities.

Moving on to Services; steady development in our net sales: 3 percent growth, and without the FX effect, over 5 percent; so according to our plans. Not so big differences if you look at the net sales distribution. A bit less in spare parts, but it's good to remember that projects, which is going up you also spare parts included, so no big difference.

Looking at the service agreements, there is a drop in Energy Solutions and that's still the effect of our Brazilian power plants, where we basically have cancelled the transactions, and now dealing with the customer on a normal -- with the normal service activities.

Highlight of the first quarter, a five-year maintenance agreement with an LNG operator. Here it's good to mention the dynamic maintenance planning, and also the agreement including digital services, which is the growing area, of course, in our Services activity.

Some words about finance. Cash flow didn't develop well, and it's purely because of the development in our working capital. We have increased inventories to deliver the expected solutions to our customers, and less advances. But we expect the working capital and also the cash flow to develop more positive going forward this year.

Gearing, 0.32.

If you look at now market outlook Energy Solutions it's a challenging market, but the megatrends on moving more to the renewables, and our solar -- new solar business possibilities favor Wärtsilä solutions going forward. Marine Solutions, a very challenging market. Today there is an overcapacity, low oil

price impact in the offshore industry. Also, the gas carrier market, as already mentioned, is under pressure, but other gas solutions still gives us some possibilities. Services market outlook is positive. Customers are using us and continue in investing in long-term service agreements.

But with these market -- this market outlook, how we see the development going on? We need to start planning for a organizational adjustment. That involves our Marine and Energy Solutions globally, and it approximately involves 550 jobs, and in Finland some 270 jobs. At the same time, it's good to mention that the engine-related R&D activities we are also planning to concentrate in Finland, in order to develop the efficiency in our R&D. Wärtsilä is seeking annual savings of the region of EUR50 million with this one, and the cost, related to it, will be approximately EUR50 million.

With these words I will end by saying that the prospects for 2016 is still unchanged. We expected our net sales for 2016 to grow by 0 percent to 5 percent, and the profitability to be between 12.5 percent and 13 percent.

Thank you. Now, we are here ready for questions. As normal, I have almost the whole Board of management helping me with the questions. Thank you. Please, the first one?

Elina Riutta: Elina Riutta, Evli Bank. What is the reason for the delay in power plant delivery?

Jaakko Eskola: I could actually immediately give that question to Javier and he can explain very detailed how it's going in Energy Solutions.

Javier Cavada Camino: Thank you for the question. Indeed, the market environment has been still very challenging, because lack of trust on the growth and the investments are being postponed, so in that sense the customers are being more conservative in going forwards. Even we have a very positive and healthy mass of projects, but the time to materialize them is being delayed. We are very confident that in the -- along this year, they will be materializing.

The good news in this sense there are no cancellations and that it is a matter of time, and we are in a long-term business.

Elina Riutta: The delays that you show now in Q1, do you expect those projects to come in to sales this year?

Javier Cavada Camino: Absolutely. That is our expectation and we are pretty confident.

Elina Riutta: How many projects are involved?

Javier Cavada Camino: We talk about, as I said, a big mass of projects globally, so we have all sizes of projects. It's not worth to give a figure. We expect, as we saw in quarter 1, certain growth in the order intake in Energy Solutions of 9 percent; we expect to maintain that trend along this year.

Elina Riutta: Thank you. Then on Marine Solutions and gas carriers, I think in Q4 you expected activity to normalize on that level and now there's a more cautious outlook. From your perspective what is the main thing that has changed in between?

Jaakko Eskola: I can start and then I let Roger to continue. When we saw the market at Q4 all the expectations were that they will be the same level. It came down already from 2014, which was a high year, and there was a lot of talks about the LNG carriers going down heavily, because LNG projects are delayed, but some of the LPG carriers still maintaining the steady status.

Now, seemingly decisions, whether you actually make the decision whether the projects globally are moving, and compared to the deliveries of the existing orders, how the vessels are coming out this year, has changed the market a bit.

When you talk with the CPRs, some of the CPRs still expect some of the orders to go forward, but it's - I think it's more difficult to guess whether they will go or not.

But I don't know if you, Roger, want to add anything to that one.

Roger Holm: Yes, I can add it's, in general, more cautious market, and more in securities on when decisions are going to happen. If you look at the Clarkson forecast that came in in March, it's still indicating 60-plus gas carriers this year, and that came as late as in March. Let's see if the indications in Q1 doesn't support that yet, but the estimates are still there.

As Jaakko mentioned already our gas business is not fully one-to-one with the gas carriers, we also see good activities in the receiving end. We need to carefully follow the market.

Elina Riutta: Thank you. Then one more thing, is there something - there's cruise and ferry now 48 percent on Q1 order intake, is there something exceptional in there, or is this some activity level that you believe you can maintain?

Jaakko Eskola: I don't think the cruise orders globally are so many differences. They order eight to 12 vessels, cruise liners, every year; now they have ordered many of those at the beginning of the year, and also at the end of last year.

For us, it has of course changed that today it's not only engines, but it's also automation - propulsion, but automation and electrical, and navigation, and the value of the vessel has increased.

The situation in the cruise industry is moving -- or the business is moving to Asia. I expect that -- at least what we hear the stories is that the market is booming there, so the cruise liners need those vessels.

But there comes a problem also, you can't order too many vessels because there are only these CPRs in Europe, and they are full 'til 2020 or some of them even over 2020. If you order a cruise vessel now you will get it after five years. Probably the orders come when they feel it's the right time.

Elina Riutta: OK, thank you.

Jaakko Eskola: More questions here? No. Then do we have questions from the line?

Operator: As a reminder, to ask a question on the phone, please press star one and wait for your name to be announced. Your first phone question is from the line of Max Yates, please go ahead.

Max Yates: Just two questions from me. Firstly, on the El Salvador contract, obviously with guidance of that being booked in Q2 there must be some expectation of revenues from that contract feeding into this year and also embedded in your guidance. Do you see any risk speaking to that customer that that order slips at all?

Jaakko Eskola: Javier, you want to answer to that one?

Javier Cavada Camino: I can answer, the situation with El Salvador project is maintaining the confidence that it will happen this year, and things continue. We're having a direct contact with the customer in a continuous manner. We have all the reasons to believe that it continues under control.

Max Yates: OK, but in Q2 of this year, or are we thinking more second half?

Javier Cavada Camino: No, no; not in Q2. We expect it to happen, I mean the materializing of the contract, in this year, in 2016. But no net sales recognition expected in short term, but along this year, I mean quarter 3, even quarter 4, but we expect this contract to be fully finalized.

Max Yates: Thank you. My second question was just trying to understand the EUR17 million decline in profits year over year. I guess firstly what was the cost savings contribution in the quarter to EBIT?

Jaakko Eskola: Regarding the old Marine Solutions restructuring program?

Max Yates: Yes.

Jaakko Eskola: Do you --?

Roger Holm: Regarding the old restructuring program we are progressing according to plan. We said we have EUR7 million now of those savings. We expect that to continue to be finalized according to our earlier indications.

Jaakko Eskola: When you look at the Q1 profitability, it's purely Energy Solutions delay and there, of course, the competitive situation in Energy Solutions, not from Marine or Services.

Max Yates: Then just trying to understand, if we had a EUR7 million contribution from sales growth -- from cost savings, then that means underlying profits were down from Energy Solutions by EUR24 million. Could you just give us an idea of how to split that between delays on contracts and then also how much of that was related to pricing?

Jaakko Eskola: No, I cannot give the specific numbers on those, but if you look at -- part of the delays in Energy Solutions, of course, if we would have those projects in Q1 that would have helped the profitability. But you cannot calculate it from different projects, or postponements, or margins.

Max Yates: OK. Maybe just finally on the pricing issue in Energy Solutions. Are the contracts that have come through into Q1 particularly worse priced, and the pricing and the backlog from here should improve? Or is this very much the sort of pricing on contracts being delivered now is very much in line with contracts that will be delivered in Q3/Q4 of this year?

Jaakko Eskola: Difficult to say because every contract is priced differently. Depending on the customer, the project situation, and how competitive the situation is. We comment on the overall situation that the pricing and the competitive situation has increased, because many of the marine engine makers, MAN, MAK, Rolls-Royce, HiMSEN, they're all in the market. We don't -- we rather lose a deal than we finally go into the lousy project. But, of course, the overall situation has come more competitive.

Max Yates: OK, thank you very much.

Jaakko Eskola: Thank you.

Operator: Your next question is from the line of Michael Kaloghiros, please go ahead.

Michael Kaloghiros: Just a follow-up question on the Energy Solutions delays. Just wondering are these delays coming from few specific customers, are they across the board? What's the reason for these delays, is it financing, is it the customers are struggling with the outlook and not taking the deliveries, so that will be question one?

Jaakko Eskola: I think it's overall. You cannot mention one project here or another, or one country, or one type of project, because of the global situation in the market. There is -- we see this activity going on in every market. In Marine Solutions you see customers trying to postpone and trying to get the delivery a bit later.

So you have to negotiate customer by customer, month by month. Then when the quarter comes, whether you have the deal or it moves to the next month it's always a challenge for us.

But you cannot draw any final conclusions. Globally, the world is in a challenging situation and that has affected. Their financing might be one reason for some customers.

Michael Kaloghiros: OK. Second question just on the guidance for sales, so 0 percent to 5 percent growth this year. Q1 sales a bit down; then if I look at the backlog for delivery it looks to be down year on year. You mentioned, I think, just before that if El Salvador comes you don't get any sales from that this year.

If I look at the quotation activity in Energy, it doesn't look like Q2 is going to be a very strong quarter for orders just from that specific chart. So how -- what is going to get you to maybe the higher end of the guidance in terms of what -- what are the drivers in that guidance?

Jaakko Eskola: We are confident with our guidance today and it's based on, of course, the order book we have in Marine. So it's at a very good level also in Energy Solutions.

But with our guidance, it's good to remember that we also have our Services and the Services today is developing well, positively; and if it develops well and positively, the guidance remains.

Also, at the same time, we need still some orders from -- in Energy Solutions to be able to keep the guidance. So the order book is not yet full for this year and that's why the Energy Solutions need to be active also in Q2, and then we should be all ready for the year.

Michael Kaloghiros: Great. Just very last one on maybe the follow-up after a few weeks on the consumption tests and your discussions with customers. Anything specific to report or that's all done and customers are fine with all the process?

Jaakko Eskola: I didn't get your -- could you repeat your question?

Michael Kaloghiros: Sorry. Yes, sorry, Jaakko. Just on -- relating to the consumption tests issue that you had and now that it's been a few weeks and I guess that you probably wish to all of your customers just if you had anything specific or -- to report on that, whether customers are just fine with the process, because I'm interested.

Jaakko Eskola: Yes. We have been, of course, contacting every customer who has so-called affected engine and, at the same time, we have almost contacted every customer in Marine Solutions and some of our Energy Solutions and Services customers have been also in discussions with us.

So far, these customers are going as expected; neutral opinion about what has happened. Most of the customers, of course, want to know what happened and what have we done so that it will never happen again. So that's the normal discussions now with the customers, how to deal with these issues.

Michael Kaloghiros: OK.

Jaakko Eskola: We remain with the comment that it has no -- very minor effect to any numbers today, as far as we know. We don't have any monetary claims from any customers.

Michael Kaloghiros: Excellent, thanks very much.

Operator: Your next question is from the line of Antti Suttelin. Please go ahead.

Antti Suttelin: Yes, thank you. I struggle to understand the power plant or energy situation in the sense that if I look at the market order intake, it seems that clients ordered a lot more power plants last year than in 2014, but what you say is that your clients don't want to get deliveries.

So I find it hard to understand; they order more, but then they don't want the delivery that they have ordered. What's going on really?

Jaakko Eskola: Antti, I will let Javier to comment on that one.

Javier Cavada Camino: Thank you for the question, Antti. Indeed, if we look at the overall global market last year, 2015 has been growing compared to 2014.

But we need to highlight that this is related to projects over 500 megawatts that are cluster, making bigger power plants than what we are being able to quote and to beat. In those markets, we are not being able to be. If you look at the global order intake and our order intake; and has happened also in countries, which today are not our targeted focus countries.

But in that sense, that's why we feel very confident if we look at our target countries and the scope of plants that we can quote for.

Antti Suttelin: So you are confident that there is nothing wrong with Wärtsilä offering in power plants?

Javier Cavada Camino: Yes, yes. I'm very confident towards the future, absolutely, Antti.

Antti Suttelin: Then on the personnel side, I observe that service personnel has fallen year over year. Why is that?

Jaakko Eskola: Personnel -- service personnel has fallen --

Pierpaolo Barbone: Hi Antti, thanks for your question. Of course, we want to be more efficient and we are adjusting our footprint and our competencies any minute.

The digitalization is also taking a lot of space and then we are more efficient; we are more online; we are more digitalized. We need different type of resources and competencies. This is the reason why we continue to grow, but we want to grow in a profitable way as well.

Antti Suttelin: Yes, and this reduction hasn't been part of the announced restructuring programs that you have made in the past.

Pierpaolo Barbone: No, not at all. We -- in Service we are not announcing -- because it is a continuous; we do it daily. It's based also on contracts that we have long-term agreement, that are then renew, (start) and we change continuously. We are very flexible.

Antti Suttelin: OK, thank you. Then on this subject, would you now be ready to comment about the margins across different businesses, because now the equipment business is so weak that it will help a lot if you could state how much of Group EBIT is deriving from Services.

Jaakko Eskola: No, Antti, we will not do it. We continue telling you that Services is the best one, if you look at the profitability. Today, Marine and Energy they are at the same level.

Antti Suttelin: OK. Then on ship contracting, do you think that the weaker and weaker contracting that we have seen here over the past quarters is still to become

visible in Wärtsilä? Or do you think you see the weakness in the first quarter global contracting already?

Jaakko Eskola: Not yet. Roger can also comment on that one. But not yet and, of course, if it continues at so low level and as Clarkson has estimated that it could be even less than a thousand vessels this year, and as, by the way, if you go with this rate, we will not reach 1,000 vessels, we will reach something like 400 vessels. Then it will definitely affect.

But, Roger, you want to comment more on that one?

Roger Holm: And the effect comes with different delays. If we take main engines or gas equipment, that's usually decided quite quickly or even agreed in connection with the vessel contract. If you take other components, it can be six months' delay after contract or even longer. So this will have different impacts on different product lines also in the contracting.

Of course, we are following carefully now the contracting and, as we have seen earlier, we try to adjust to the segments as much as possible where there are activities. In this quarter, we saw a lot of cruise and we will continue to use that flexibility.

Antti Suttelin: Yes. And then finally, sorry, going back to power plants in the sense that, yes, I think you mentioned between the lines that you may have some terminals business on the cards. Is that correctly understood?

Jaakko Eskola: LNG terminals.

Antti Suttelin: Yes, receiving terminal.

Jaakko Eskola: There is one we are constructing in Tornio and we are fighting for the next ones. I don't know when we'll -- later this year, we will probably announce the next LNG terminal, which is Wärtsilä developed.

But, at the same time, we are selling LNG liquefaction and gas solutions to terminals, which are developed by somebody else. And which is now growing area is the biogas terminals, which they are not developed by Wärtsilä in many cases, but they might be developed by a local authority and in different places, but including and having the Wärtsilä technology.

Antti Suttelin: And should expect orders too?

Jaakko Eskola: Yes. We expect orders and we have already got the orders. We don't -- we would like to announce every order we get, but many times, our customers, they don't allow us to announce them, or we can only announce them later on. But you will see activity there and, as much as we can, we will also inform about those.

Antti Suttelin: OK. That's all. Thanks a lot. Bye.

Jaakko Eskola: Thank you.

Operator: Your next question is from the line of Tomi Railo. Please go ahead.

Tomi Railo: Some of my questions have been answered. Maybe on the Energy quoting levels, if you could maybe talk a little bit about that. where have the prospects disappeared? It seems that the quote levels are down from the fourth quarter, but also down year on year.

Jaakko Eskola: I'll let Javier to talk about it.

Javier Cavada Camino: Yes, thank you. Thank you for the question, which enables me to clarify that the quoting level has been in a satisfactory level and in a healthy level.

We need to take into account that each case requires different effort and different time and different forces and resources to be quoted. If you look at the amount of quotes and quotation activity we had in all the areas globally we have, we had a pretty good quarter.

We also expect to continue and increase along 2016. But we can state very, very confident that the quoting activity has been good in quarter 1 and will continue and will improve.

Tomi Railo: And then, perhaps on the first quarter as such, can you give any indication if there's plenty or a couple of bigger order announcements still to be made after the report, in order to touch the level of unannounced orders for the quarter?

Javier Cavada Camino: As Jaakko mentioned very well, we have orders to announce, but we cannot announce orders until customer is approving and supporting that we go out.

There will be announcements about orders that happen in quarter 1, but that is the normal timing in our long-term business. They will come and that will be the normal speed in announcements.

Jaakko Eskola: And in Marine Solutions, we definitely have cruise orders, but as far as I remember our history, we have almost never been able to announce anything from those transactions; so no major change, no, no.

Tomi Railo: OK, thank you. And lastly maybe this -- apologies, maybe this was already talked about. But if I strip out from the Marine orders in the first quarter MSI contribution, it seems that orders went down something like 28 percent. Is this a good run rate for the year as a whole, or would you expect that due to the weak start for the year that would actually accelerate -- the decline would accelerate towards the end of the year?

Jaakko Eskola: Tomi, thank you for the question and you calculated it right. Yes, but we don't guidance the year. I cannot do it; I don't know.

Tomi Railo: OK, thank you.

Operator: Your next question is from the line of Ben Maslen. Please go ahead.

Ben Maslen: Can you talk a little bit about your move into solar and what you're offering in this segment and what your competitive advantage is?

And then just maybe how big is the business opportunity? Do you see the opportunity to win business on the solar side, or is this more a way of selling backup power plants for the solar? Thank you.

Jaakko Eskola: Thank you, excellent question. Javier, now you can tell the whole story.

Javier Cavada Camino: I can tell, absolutely. So thank you for the question, indeed, which is excellent and very, very suitable.

Solar is an enormous opportunity. Solar market is booming, is going from 100 gigawatts in the market to 450 gigawatts in the market in 10 years; so we talk about 35 gigawatts growth every single year. We see our position in there as an EPC global provider. So we have global footprint making EPCs in every part of the globe.

We see our customers requiring that Wärtsilä can partner with them and can deliver to them Energy Solutions that can save fuel. When we say fuel, gas, biofuel, and also reduce the carbon footprint for them. So it's about saving money for the customers and improving their environmental footprint.

So indeed, we see a very big market. We see a potential for us to act; seems that nobody else has, like our global EPC capabilities. Indeed, our potential and capacity to make a hybrid plant between our -- as Jaakko was mentioning, our Smart Power Generation mix in gas engines or engine power and solar power, it's a competitive edge that today nobody has, and we want to build on that.

Ben Maslen: Thank you. So it's more an EPC offering that you would have on the solar side at this stage?

Javier Cavada Camino: Absolutely. We will be a turnkey offering like we do today with our Smart Power Generation and we will go with engine and solar, as a Smart Power Generation solution, correct.

Ben Maslen: Thank you. And then a question on the new cost cutting program in terms of the timing of it.

Was this something that you were perhaps always considering as you got to the mid-point of the last savings program? Or is this being driven by the extra weakness you've seen in the end markets over the last few quarters?

And then of the EUR50 million how much would you expect to realize of the savings this year? Thank you.

Jaakko Eskola: It's not in the mid of any other historical projects, and you saw it already from the order, vessel order history from the first three months. The market is weakening heavily.

At the same time, we mentioned that energy market competition is getting tougher and tougher. So those were the real decision -- the reasons for the decisions.

EUR50 million savings some probably will be this year. Marco, I don't know any number -- EUR15 million, Marco says, will be this year and the rest next year.

Ben Maslen: Got it. Thank you very much.

Jaakko Eskola: Thank you.

Operator: Your next question is from the line of Johan Eliason. Please go ahead.

Johan Eliason: Johan Eliason, Kepler Cheuvreux. Just a question on this pricing. You said that the ranking between the divisions, in terms of profitability, Service is the highest, and Marine and Energy is now basically the same.

Now, if you look into this negative pricing you talk about in the Energy side. Is that sort of what you are reporting right now in the sales? Or is that what you expect in the backlog, going forward?

Jaakko Eskola: That's today the situation. Of course, we need to do something to keep at least that level.

Johan Eliason: So going forward it might be a situation, because of pricing and energy, that the ranking will change a little bit, that power might be the lowest (model), if you disregard the aftermarket opportunities.

Jaakko Eskola: No, I will -- looking at Javier and Roger they are fighting heavily, who will be the better division. So I would expect they will do everything to get better pricing from the market.

Johan Eliason: Good. And then on this new solar offering. Is that diluting the margin vis-a-vis if you would only sell your existing product offering?

Jaakko Eskola: No. Our aim is to go with the same levels and we are not diluting with any new businesses our existing business.

Johan Eliason: But do you have enough technology content in the solar part of that type of project?

Jaakko Eskola: Yes. Javier you want to comment specifically?

Javier Cavada Camino: Absolutely. Indeed, we are going to build on our EPC -- global EPC capabilities and we are partnering with leading companies, global, that have this technology, cutting edge, so competitive edge. That knowledge we will not build in-house; we are partnering and we are making so that we have a cooperation agreement with leading -- absolutely, one and two leading companies globally in terms of solar PV technology.

So in that sense, very confident as Jaakko mentioned, that we are not diluting the (multiple speakers).

Jaakko Eskola: And the first deal we signed in (Jordania) is at that -- those levels.

Javier Cavada Camino: Exactly, the first deal signed in Jordania is keeping the target profitability levels that we're having. In this case, we are installing a solar PV plant, making it hybrid with an existing power -- engine-fired power plant that we have already installed and delivered in 2014. The customer is going to, as I said, save fuel quite consistently and the carbon footprint of these big global utilities is going to be reduced. So it's win-win.

As I said, in the technology side, we're partnered with the best of the best and, EPC, we can say we are the best of the best.

Johan Eliason: OK, excellent. Then there's the final question on the Services growth, did you say that currency-adjusted the sales were growing 5 percent or was it even above in the quarter?

Pierpaolo Barbone: Yes. If we consider -- if you don't consider the -- if we consider the exchange rate, the growth -- the net growth we had in 2015 is very close to the growth that we had in the first quarter. So they are the same range, let's say.

So the pace is that and we -- our target is to grow, on long term, on what we have guided.

Johan Eliason: OK, excellent, thank you very much.

Pierpaolo Barbone: And if I want -- a small comment, I answered a question that has not been made related to the slide of the long-term agreement.

If you see the peak, we had in coverage of long-term agreement was 13.2 percent of our total engine base. Today, we are 12.7 percent, so we are talking about peanuts.

But in terms of the decrease on the power plant, it's just 2 points down from 24 percent to 22 percent. But the main point is that you know the situation in Brazil. You know the market in Brazil -- the market situation in Brazil; the economical situation in Brazil. You know that the reservoirs in Brazil in the hydropower plants are full.

Then we need to -- our growth is profitable growth. We need to substitute those contracts with other contracts and we are managing those activities in Brazil differently.

Johan Eliason: OK.

Jaakko Eskola: Thank you.

Operator: Your next question is from the line of Sven Weier. Please go ahead.

Sven Weier: One question from my side. I'm just curious about your evaluation of the pre-buy effect that we saw on the global shipyards in the second half of last year relating to the NOx emission rules. Probably I guess the weak January and February was probably paying a little bit the price for this pre-buy. So would you consider the March contracting as more representative of what you see now going forward, or what's your overall sense of this pre-buy effect? Was it material for you or what's your evaluation on that? Thank you.

Jaakko Eskola: Roger, please.

Roger Holm: Yes, we saw -- in October, we the saw the peak of the contracting related to this. On the other hand, I think, these were much related also to vessel types where we, in general, have had less scope.

So I think this was a one-time -- one-time peak and what we see now is then, so-called, normal business at the moment.

Sven Weier: Would you say that the March level is more representative of what you saw in January/February, just looked at the Clarkson data here, or is it going to remain a roller coaster, in your view, on a monthly basis?

Roger Holm: I think this is an impossible question to ask. This is now related to the forecasting on the vessel contracting, which we commented earlier is very challenging. Of course, Clarkson made their last estimate in March, which is not seen yet in the Q1, but, as said, we follow this carefully.

Sven Weier: OK, thank you.

Operator: Your next question is from the line of Sean Mcloughlin. Please go ahead.

Sean Mcloughlin: Two questions. I'm just trying firstly to square the circle on power. We've seen lower quotation activities; it looks like it's at a three-year low. But then you're saying that you're very confident of continuing an order growth trend through 2016. What drives your confidence on high conversion rates of quotes into orders?

And secondly, in solar, I would just -- if you're targeting any specific markets? Thank you.

Jaakko Eskola: Javier, please.

Javier Cavada Camino: Thank you for the good question. Indeed, the quotation activity, as I said, we feel satisfactory, healthy. We plan to continue and even further improve. If we look at the market, we see a slight improvement; a slight -- very slight.

We are, for that reason, confident that contracts, and projects, and sales will start to materialize. For that reason, we are confident towards 2016. One example is quarter 1, we are 9 percent higher order intake than quarter 1 of the previous year.

If I go to the second question about solar. Indeed, as we were mentioning, we are going to build on our competitive highest advantage that we are the only global EPC company operating in all the continents. If we look at in which continents we are more present and we are having bigger and bigger customer entrants, and customer contacts, are the places where there is more sun in the planet, like Africa; Middle East; Southeast Asia; South America.

So we are going to be focusing on that. Let's never underestimate that we need a lot of sun for solar business.

Sean Mcloughlin: Thanks.

Jaakko Eskola: Thank you.

Operator: Your next question is from the line of Manu Rimpelae. Please go ahead.

Manu Rimpelä: Three questions from me. Firstly, can I just double-check what you said earlier on the guidance and the need for Energy orders. So, do you need the Energy orders still this year to meet the low end of the guidance or was it for the high end of the guidance?

Jaakko Eskola: I didn't comment on whether it's a low or high. But to reach our guidance we need still orders in Energy Solutions in Q2.

Manu Rimpelä: OK, very clear. Then secondly, on the Service orders, so you mentioned that there were some comparables. But can you just give us an understanding of how much was the impact of the large orders or projects in Services you had in Q1 last year, in order to get a sense of what was actually underlying comparable ex-large order growth in the quarter?

Jaakko Eskola: Pierpaolo, you're going to comment on the –

Pierpaolo Barbone: Well, we had specifically three big orders and the order of magnitude is or was around EUR60 million/EUR70 million.

Manu Rimpelä: OK. And then, finally on the working capital, how confident are you that the working capital situation is going to change, or are you seeing differences in the way customers behave that they are delaying orders, maybe they're delaying payment as well? Is there changes in the advances received related to future projects? Or what gives you the confidence that you're going to be able to improve the working capital situation as the year goes forward?

Jaakko Eskola: Yes, we are working very heavily on, of course, improving it. Now, Q1 you saw the effect of, of course, the Energy Solutions delay. Looking at how we are delivering the rest of the year, we will also improve the working capital situation. We have been building the inventory for the deliveries for the Q2 and Q3 now.

Manu Rimpelä: Is there any possible guidance you can give on how do you expect the net debt situation at the end of the year to be?

Jaakko Eskola: I will let Marco to answer to that one; he's a specialist in working capital.

Marco Wirén: Hello, of course, we believe that our cash flow will continue at normal levels that we've seen in previous years. Of course, last year we built up a lot of working capital and we believe that we will not do the same this year.

If you look at the inventories, for example, we have a lot of inventories right now to be able to deliver a lot of this year's deliveries. Thank you.

Manu Rimpelä: Thank you.

Operator: You have a follow up question from the line of Max Yates, Credit Suisse.

Max Yates: Just two follow-ups for me. I think just, firstly, on the potential for contract delays in offshore; I think that was something you mentioned within the restructuring release. Currently -- or at the yearend, offshore ships was about 17 percent of your backlog in Marine. Could you just give us some idea of how much of this could be at risk of being delayed? That was the first question.

Jaakko Eskola: I don't think we know any numbers, any percentages. Some of the offshore transactions are moving as planned. But then we also, of course, have some specific country-related offshore transactions where there are risks. But it's totally difficult to quantify them today.

Max Yates: Do you have any exposure to Sete Brasil, because obviously that was the announcement overnight that they've now agreed to go bankrupt with their shareholders. I was wondering whether you had any exposure in your backlog to that?

Jaakko Eskola: I don't think we have direct link to Sete, but we have something related to the Petrobras developments there. So your comment on the latest news, we don't know the result on that one. We also need to look at where we are and who is actually the customer.

You know we normally, almost in every Marine Solution, transaction, we sell to the shipyard, and then the shipyard delivers the final, in this case, (industrial) ship to the end customer. So, of course, we are dealing with the shipyard, and we need to calculate and look at that one, what it actually means for us.

Max Yates: Sure. And just a second follow-up was obviously the growth environment -- or the organic growth environment is fairly tough currently.

You obviously have an unlevered balance sheet. In this kind of environment do you see it as a good time to make acquisitions, to balance the growth headwinds, and how is the pipeline? Do you see in this depressed environment more opportunities for M&A?

Jaakko Eskola: Yes, it's a good question. And yes, we have a lot of possibilities. We have a good pipeline, and as we have commented earlier, the pipeline is coming from the organization. Three business divisions are looking at the possibilities, (come) with ideas.

But, you know, you need two to tango. You need also the one who is willing to sell that you finally close the transaction. So let's see how it develops. But I would say that it's probably a better pipeline than it used to be.

Max Yates: OK, very interesting. Thank you very much.

Jaakko Eskola: Thank you.

Operator: Thank you very much and there's no further phone questions.

Jaakko Eskola: Anything -- last question from the audience? No? OK. Thank you. Thank you for this time and see you then in July. Thank you.

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