

WÄRTSILÄ CORPORATION

Moderator: Jaakko Eskola

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Operator: This is conference # 37473381.

Jaakko Eskola: Good morning, and welcome to Wärtsilä second-quarter result presentation. As usual, I will give a short presentation, and then we have time for questions. And with me today I have the whole Board of Management; and Head of Investor Relations, Natalia Valtasaari, with me to answer all the questions.

First of all, the development of the first-half of 2016 was satisfactory, given the prevailing conditions or challenges in our operating environment.

The highlights of the second quarter 2016. Order intake grew 3 percent; that's a good development and in these markets. Net sales, a bit down, 3 percent. Book-to-bill still 1. Result, 10.2 percent, and compared to last year, a bit down. And earnings per share, EUR0.19.

And here, I think it's good to remember also what we announced about the write-downs of approximately EUR42 million related to some divestments of our 2-stroke business joint venture, and some realized exchange rate losses from our Brazilian projects, and some other receivables.

Cash flow, very good, EUR202 million. And order book, still over EUR5 billion at the end of June.

Moving on to the order intake development, it was quite solid. A highlight, of course, was the extremely good development in energy solutions. And if you look at the six months' development, only a 2 percent decrease compared to last year.

Net sales at a stable level. A highlight here was the marine solutions second-quarter net sales increase.

And moving on to the businesses now, services is actually 48 percent of our Group net sales. Of course, energy solutions a bit down, so that might change the situation going forward.

Book-to-bill 1.14.

When you look at the order book distribution, here you can see the delivery of the current year being a little bit less than the first six months. But here, I want to highlight that we are still getting some important energy solutions orders, which will be also delivered at the fourth quarter; and that will also change this picture.

As said, operating result was lower, and that was affected by lower sales in energy solutions but also the tight competition, where the margins on earlier deals have been lower than before.

Moving on to the businesses, energy solutions' quotation level very good. And also, when you look at the orders, that has developed very well; a lot of IPPs, and still a lot of oil-fuelled power plants.

When you look at the different markets, you can see here now, first of all, the new Argentinean deals in Americas; some highlights in Europe with our Turkish customer. And again, as we have earlier explained, many of those power plants are not going to Turkey, they are going to different areas, like Indonesia and Africa. And Asia, a quite sizeable deal in Bangladesh on the second -- during the second quarter.

If you look at our market shares on power plants which are smaller than 500 megawatts, we have increased the market share from 15 percent to over 20 percent.

The market volume has dropped also at the same time. And it's good to remember from the energy market that if you look at the bigger power plant markets, over 500 megawatts, there has been a lot of activity also by our competitors, GE, Siemens and Mitsubishi Heavy.

As announced, we were awarded five major power plant projects in Argentina. They are today equipment contracts, so no EPC. And three of those have already been included in our order intake, and two additional projects are expected to be in Q3 order book.

The projects are really supporting the development in the Argentina national grid electricity policy there, and here, we have been able to sell our multi-fuel or dual-fuel technology where the benefit is, of course, to change the engines running on gas whenever the gas infrastructure is in place.

Marine solutions; and let me start by highlighting this picture, Harmony of the Seas, the latest ships in our CCL fleet where Wärtsilä was actually developed, I think, in May or June -- was delivered to the customer. It has Wärtsilä engines, propeller systems, scrubbers, navigation systems, electrical and automation system from Wärtsilä, CCTVs and so on.

It also has been included in our service portfolio, so it's an extremely good package of Wärtsilä product, and as a good example of the broad portfolio and our services competencies going forward.

Vessel contracting; the right number I think after six months is 241, which is historically extremely low and you have to go back many years to see so low numbers.

Forecast for this year is also going to be low but here it's important also to look at the vessels which have been contracted. So far, cruise liners, ferries, ro-ros, special vessels, which are, as you can see from the order intake development in marine solutions, important for Wärtsilä.

And here, I have to say that we are happy to see how the development so far this year has been. It's actually higher than last year, and a lot of cruise and ferry orders and some are other special segment orders. Offshore, very much down; only 4 percent in the review period.

Joint venture activity very low, and that's mainly because of almost no LNG carrier orders for our Korean joint venture factory, but there is good activity again in our newest joint venture in China where they are building engines for big merchant vessel for the auxiliary use.

And a highlight in second quarter was a complete electrical and automation order for a ro-ro ferry from the last year acquired MSI entity and where we can see definitely Wärtsilä's position being extremely good in electrical and automation system packages.

So far, strong position in marine engine market, main engines, and that's because of the cruise line orders, but also, good stable development in auxiliary engines side.

And then moving on to services. Net sales development stable, and it's at the good level. And if you look at six months' development, actually there was a small increase, and bearing in mind it has a negative ForEx rate impact, so taking that into account, we actually saw 3 percent higher increase.

Sales distribution similar; a little bit less agreements here, as you see here in this picture. But moving on to the next one, you can see that the development of the installed base and where we have then agreements is going to the right direction. I think it's a historically high number today, which is good, of course, going forward.

We also announced two acquisitions. The one, American Hydro, which is supporting our expansion in renewables and in services business, was actually concluded at the last day of June. And the other one, acquisition of Eniram, a Finnish marine digital company which was concluded July 1.

Eniram is a key step for Wärtsilä going even further in the digital development where we can now strengthen our competence in data analytics, modeling and performance optimization.

Some numbers about -- comments about the financials. Cash flow improved very well in the second quarter and it should be improving also going forward.

We still have quite high inventories which is, of course, now also helping us to deliver the whole year. And gearing, 0.25, same as last year.

Looking at the markets. In energy, there is activity at the moment; we have a good quotation level and a good pipeline going forward. There are definitely certain megatrends; one is investments also in renewables, and solar means a lot for us going forward. But also, these distributed flexible and gas-fired power plants continue going forward.

Marine; a challenging market still, as you saw from the vessel ordering and there is an over-capacity. And definitely, when you look at the merchant segment, it doesn't look good. Oil price is still low, so we need to wait for offshore ordering. But so far, the cruise and ferry has been developing in the right direction and helping us also in our order intake numbers.

Services market look is positive. There is a pipeline going forward, and I think this is the moment also to comment on when the orders have been a little bit less than last year. The pipeline is really supporting that to change, and there is a healthy interest in signing also long-term agreements.

But at the same time, it's good to remember that we have transactional businesses with our customers every day, so either the customer signs the long-term agreement or we deal with the customer every day, and the numbers still look very healthy.

With these comments, we keep the prospects for 2016 unchanged. We expect the net sales to grow by 0 percent to 5 percent; and the profitability to be 12.5 percent to 13 percent.

Here it's good to remember now, which I already mentioned again, that we need a couple of energy solutions orders. And those orders are from our existing inventory, so they will be delivered in quarter 4, and that's important for us. It looks like we will sign them in coming months, and with those we will reach the guided numbers.

So thank you, and now we have time for questions.

Operator: Ladies and gentlemen, if you wish to ask a question on the telephone lines, please press star and one. That's star and one to ask a question. Please continue, sir.

Jaakko Eskola: Anybody from the audience? Or from the lines?

Operator: Thank you, sir. We do have questions from the telephone lines. Would you like to take these questions now, sir?

Jaakko Eskola: Yes please.

Operator: Thank you, your first question comes from the line of Max Yates, of Credit Suisse. Please ask your question.

Max Yates: Just three questions from me. Just firstly on the guidance, I was just trying to understand what kind of magnitude of orders you would need to win in Q3 in order to hit this guidance? And given we've had half the year already done, what the range of outcomes are if we do or don't get those orders?

Are we now talking about just meeting the bottom end of the guidance or having to cut it? Or is there a scenario where you win orders and actually you get well into the guidance and are actually closer to 13 percent margins? So just trying to understand the variability around that firstly.

Jaakko Eskola: First of all, as I said, we need a couple of new deals in energy solutions and, as I said, they are from our inventory, so they are fast-track projects.

The volume of those, I'm not going to guide any more. But looking at -- you can see from the numbers, they are similar size of orders we have lately been getting from different places. And then we will hit the guidance, whether it's the lowest end or close to the lowest end, let us see going also forward.

Max Yates: OK, thank you. And just the second question was on -- you mentioned a tougher pricing environment in energy solutions. Could you just give us a little bit of idea of how pricing pressure is running in that business? So when we think about orders being delivered next year, what kind of impact that might have on profitability. I've seen in larger turbine markets, pricing pressure could be as much as 3 percent to 4 percent on new orders.

Jaakko Eskola: There has been a price pressure already, starting I think last year, and of course it has affected the numbers, as you saw from the first six months. But why don't you ask also Javier Cavada, Head of our Energy Solutions, a little bit to come to talk about the market; how does it look like? Please.

Javier Cavada: Excellent. Indeed, market condition is under big pressure regarding pricing, but already from the last four quarters, already more than one year ago.

And what I can say is that we are really working hard on bringing our value to our customers, and the customers globally are getting the benefit from Wärtsilä technology and we are being able to win projects still with good prices. But we cannot deny that the competition, and the slow decision-making process for investment is making the price conditions tougher and tougher.

But as said, we are working hard on succeeding and confident forward to maintain good prices and maintain a healthy business, as we are doing.

Max Yates: Would you say prices on new orders are below where they were this time last year?

Javier Cavada: We are being able, as said, by bringing value, proposition, technology proposition not selling single equipment, or by selling a solution, we are being able to defend our prices and our margins. And in energy solutions, let's say the low profitability in the business is coming from the low volumes especially, so not from the fact that we are succeeding and we are confident forward to win projects with good prices.

Max Yates: OK, thank you. And just one final question for Jaakko. I just wanted to know, given the weak marine environments, how you were thinking about your cost base as we move into 2017?

Obviously, you have the two existing programs, and those will be helping, taking out around EUR90 million of cost. Do you think there's more that needs to be done given what we're seeing in the shipyard contracting, or do you expect that contracting eventually to normalize and you'll just see it through and the current cost savings balance is sufficient?

Jaakko Eskola: So far, of course, those two plans, last year and this year, they were very much done because of what we saw the market developing, also beginning of the year, and they have definitely helped us.

But I think today, when you look at the market situation and when the vessel ordering is so low, that you need to be even more flexible; you need to be agile. And then we need to look at how the market develops. Today, I would say that what we have done is enough but let's see how the market develops. If it stays for long as low as it is, I'm sure that we need to do something else.

Max Yates: OK, thank you very much.

Operator: Your next question comes from the line of Ben Maslen, of Morgan Stanley. Please ask your question.

Ben Maslen: Firstly, on marine. Can you just give an outlook for the second-half in terms of the level of orders you'd expect to win given contracting has been weaker and that affects you with a lag I guess?

Can the strength in the cruise markets that we've seen over recent quarters keep offsetting the weakness that you see in other areas? How does your pipeline of cruise and ferry orders look for the second-half of this year? That's the first question. Thank you.

Jaakko Eskola: Of course, we are not guiding the quarters on order intake going forward, and how much do we need, or how much we don't need. But of course it looks challenging. When it comes to the cruise, let me ask Roger Holm, the Head of Marine Solutions, to cover a little bit where we are with cruise and the market going forward.

Roger Holm: If I start from general markets, we saw in beginning of July, Clarkson took down their contracting estimates from more than 900, now they say 650 to 850. What we see is we have difficulties to see contracting in the high end of this range. To add on to that the visibility is quite poor at the moment in the market.

From cruise point of view, we believe the cruise market will stay active going forward, and we look positively on that segment going forward. So that is, as you have seen already in the figures, is supporting us going forward as well.

Ben Maslen: Thank you. Then maybe on services, I think it was a negative surprise for us that that was weaker this quarter in terms of orders. What level of confidence do you have that we'll see a reacceleration of service orders as we go through the second-half? How confident are you that you'll put enough in the order funnel to drive 5 percent organic growth which is the target? Thank you.

Jaakko Eskola: First of all, the organic growth is in our sales, and whether we get it through the transactional sales or through agreements, basically it's the same thing. We are confident, and let me ask Pierpaolo Barbone, the Head of Services, also to confirm that one please.

Pierpaolo Barbone: Four considerations from my side.

The first one is that the pipeline is solid, and is solid also for contracts, and especially for contracts. The second consideration is also underlying what Jaakko was saying before. For contracts we have this quarter the highest percentage of installed base covered by long-term agreement ever. This fact is also due to two specific agreements that were signed late June, and are included in the agreement portfolio so in the megawatts that we were showing before in the slide, but they are not yet included in the order book and the order intake.

The last consideration is related to the type of contract. The type of contract is influencing the order book and the order intake, so a maintenance agreement is influencing. We accrue 24 months, as you know in our order book, but when the agreement is a long-term spare parts agreement, for example, we accrue the orders as they come, one by one.

These are the main aspects related to the figures this quarter, but the pipeline is solid including for contracts.

Ben Maslen: Many thanks.

Operator: Your next question comes from the line of Antti Suttelin, of Danske Bank. Please ask your question.

Antti Suttelin: On the services orders, and you may just have answered this, I heard the later part of your answer, but I wonder, if you consider the order intake what is missing from the order intake compared to a year ago? We are down something like 10 percent to date. What is the component missing when we compare to a year ago in services orders?

Jaakko Eskola: Pierpaolo, do you want to comment again?

Pierpaolo Barbone: Yes, the order intake is fluctuating, as you know, is according to the business situation. Our transactional business, we have visibility for three months; on a long-term agreement we have longer visibility. Mainly, the specific delta is related to some contracts.

Antti Suttelin: I recall that a year ago, especially in Q1, you had refurbishment orders. Is it these kind of orders that didn't recur this year?

Pierpaolo Barbone: Well for project or refurbishment, in terms of sales, we are better than expected. In terms of order intake, we believe that they will -- that we have many, many businesses under development, and many agreements under negotiation, so it is just time -- a timing issue.

Antti Suttelin: But basically, it's not because of your contractual business would have gone down, it's just the transactional business like refurbishment is just temporarily down in (this quarter)?

Pierpaolo Barbone: Yes, if you consider transactional or refurbishment can be also linked to projects, so the amount is considered under project, but if it is more it can be considered transactional, but if it is a big reconditioning or a big refurbishment or a big conversion is under project. That today is higher compared to last year in sales and for the order intake it is seasonal.

Antti Suttelin: OK. All right, that's all from me at this time. Thank you.

Operator: Your next question comes from the line of Glen Liddy, of JPMorgan. Please ask your question.

Glen Liddy: The service business, you flagged up a while ago that there were a couple of contracts that were cancelled in Brazil because they were unprofitable, but I think you were in discussions with the customer about re-signing them on different contracts. Is that already completed and happened or is that ongoing?

Jaakko Eskola: No, they are not. Actually, we cancelled finally four contracts in Brazil because they were not -- they were lossmaking. We are dealing with the customer daily, so we changed the contract to be a transactional daily business, so the customer is still our customer and we are negotiating new agreements with them but they have not signed yet.

We want to do something which is profitable with the customer, otherwise we deal with them transactionally.

Glen Liddy: Do you have any other lossmaking contracts that need to be addressed?

Jaakko Eskola: No.

Glen Liddy: And the refurbishment business; if you're booking orders there, if they're large orders, what sort of magnitude of order would that be?

Jaakko Eskola: From EUR10 million to EUR40 million.

Glen Liddy: And on L-3 MSI, can you give us an update in terms of how that's being progressed in terms of integration and getting customers to buy larger packages from you now you've got the better offering?

Jaakko Eskola: It's actually developing extremely well and it's a well developing entity. It's included now in our electrical and automation business line in marine solutions where we included the existing -- the old functions we had in Norway.

You can also see from the numbers it's actually developing very well, and combining in the prevailing market where we have cruise and ferry where MSI was a very strong player, it has actually definitely helped us doing business.

Of course, vessel orders are so low that you can't see yet the whole -- all the positive elements of MSI. But so far, it's doing very well and integration is as planned.

Glen Liddy: The margin was very low when it was acquired. Has that moved up materially?

Jaakko Eskola: We are improving that step by step.

Glen Liddy: OK. Thank you very much.

Operator: Your next question comes from the line of Manu Rimpelä, of Nordea. Please ask your question.

Manu Rimpelä: Firstly, you mentioned that you expect to book some orders in the power plant business and sell them from inventory. So can you just explain to me what this means? And does it mean that you already have the engines or the equipment already built and you just -- you don't have a buyer for it? Or how should we think about it?

Jaakko Eskola: Yes, the equipment is in our stock. So they will be fast-track projects. We don't need to build them.

Manu Rimpelä: Is this something that's -- do you normally do this? Do you build equipment into the stock that you don't have already contracted out to somebody or?

Jaakko Eskola: No, that's not normal business and, as we have commented earlier, that in our energy solutions we, unfortunately -- and now I would actually say fortunately, finally, but unfortunately earlier we build engines into the stock and now we can finally sell them.

Manu Rimpelä: OK. And does this have an impact on the margins? Are you less -- increasingly likely to just rather sell them at the lower margin instead of having them [burdening] there in the working capital?

Jaakko Eskola: As you see from the guidance, of course, we will deliver them and that will help on our margins also.

Manu Rimpelä: OK. Secondly, on the guidance, can you just help me understand?

If I compare just the first-half margin that is running at about 10 percent on EBIT and compare that with the in-flight range of your lower end of the guidance, I get the 15 percent margin that you expect for the second-half of the year. And I don't think you've ever done that high of a margin in the

second-half of the year. In a couple of Q4s you've been able to do it, so what's going to change this year second-half of the year, compared to the history that's going to make those margins so high?

Jaakko Eskola: First of all, as already mentioned, we have realignment plans going forward; the second one we started this year and that will definitely give us savings. And there will be savings both in -- actually in every division but mainly, it has affected the marine solutions and energy solutions going forward.

And this year is a specific because some of these transactions, as already mentioned, they are lowering the inventory. They are deliveries from the stock which is where -- we don't even have time to build them. Our factories are in a good capacity going forward, and they deliver the normal engine orders. But these couple of highlighted transactions, they will make the change. Plus, of course, the saving programs we have in our plans.

Manu Rimpelä: So is it fair to say that you booked already the cost for those engines and the sales that you are going to be able to will be pure profit?

Jaakko Eskola: Yes.

Manu Rimpelä: OK, that helps to explain it. Finally, on the marine side, what are you -- if you look at the shipyard orders done and your order intake, so are you in the second quarter? What part -- when were you taking on those orders in terms of shipyard orders? So were you still delivering the Q4 2015 -- taking orders from the Q4 2015 shipyard orders, or are you already seeing in your order in marine the fall we saw from January onwards?

Jaakko Eskola: If I understand right your questions, the lead time is actually shorter than we have normally said. So we are taking orders this year and some of them delivering -- some of the orders are from the vessel orders of this year. And the low ordering of the vessels you have seen we already have orders from those lower levels.

Manu Rimpelä: If I rephrase myself [badly that way] -- if I rephrase the question, so are you delivering -- are you getting the orders in the second quarter already reflecting the weak state of this year's shipyard orders? Or is that going to still get weaker in Q3?

Jaakko Eskola: Let's see how the ordering develops. If it continues as we have seen with cruise and ferries and so on, it will stay at the same level, but if it doesn't, then we need to come back with the numbers.

Manu Rimpelä: OK. No further questions, thank you.

Operator: Your next question comes from the line of Sean McLoughlin, of HSBC. Please ask your question.

Sean McLoughlin: On the power segment, can I just understand; are we talking about the El Salvador contract here?

Jaakko Eskola: No.

Sean McLoughlin: No. So this a completely different contract?

Jaakko Eskola: That's completed, yes.

Sean McLoughlin: Right. And the fact that you've built the engines already, is this a project that has been delayed? And if so, what makes you confident that you will be able to book it in, in the coming quarters? Just looking for reassurance that this is not subject to further delay.

Jaakko Eskola: Whether it has been -- those projects we are now talking about are not projects which have been delayed, they are new projects. The engines we have in our stocks, those are for different reasons and I'm not going to open all the reasons, but unfortunately, we have a stock portfolio of -- and a high inventory and we are now able to use it.

Actually, when you look at some of the energy markets, there is a need for fast-track projects, and any player who is in a position to deliver fast can actually get a beneficial treatment.

Sean McLoughlin: Thank you. And just -- if I think back to Q1, you'd said that you prefer to stand back from some orders rather than to chase low margin projects and that you'd lost market share. I see your quotation activity has come up quite significantly quarter on quarter. Is there any change in strategy on your side?

Jaakko Eskola: No, I don't think we have changed any strategy. We have been able to improve the margin levels as Javier Cavada told that. We are able to actually bring value to the customer and keep the margins, and that has been mainly the reason why the development is so good at the moment.

Sean McLoughlin: Thank you.

Operator: Your next question comes from the line of Andreas Koski, of Deutsche Bank. Please ask your question.

Andreas Koski: Most of my questions have been answered, but I just want to clarify one thing about the margin decline we have seen year over year during the first half. Is that only related to energy solutions or are you also seeing lower margins in service?

Jaakko Eskola: No, not in service, but I would say that a little bit lower in marine solutions. The market, as you see from the low vessel ordering, it has also affected a bit in that market but mainly, it's coming from the energy solutions.

Andreas Koski: Great, thank you very much.

Operator: Your next question comes from the line of Michael Kaloghiros, of BofA Merrill Lynch. Please ask your question.

Michael Kaloghiros: A question first on marine solutions. If I look at the LNG, LPG orders, they are clearly down quite a bit in the first-half. I think, if I look at your market comments you say it's a bit of a more challenged market.

If we don't see a material pickup in that market, how should we think for 2017? Because if I look in the last year you were -- I mean for the past couple of years, you were probably at around EUR600 million; [for the] year you are probably delivering sales in the region of [EUR50 million] to [EUR500 million] and that could go down to maybe a couple of hundred next year.

So I'm just wondering what are your view on these markets and what you are ready to do maybe to offset some of this pressure?

Jaakko Eskola: Yes, we are also worried about the LNG and LPG market but there are other gas-related businesses also moving. And let me ask Roger again, if you could tell a little bit about more the gas market?

Roger Holm: Yes, we have seen nine gas carrier orders so far year to date, so slow, and we believe that short term it will continue slow on the gas carriers. Still we see activities in certain pockets, especially in the receiving end, so if we talk about FSRUs for example, there are good activities on that end. So when we look at the total gas side, there are still positive activities going on.

Still back on the gas carriers, more activities we see at the moment on the smaller side of the LNG carriers, but as said, short term we believe it will be quite slow.

Michael Kaloghiros: OK. Just to get back on cruise, just based on the indication that the builders are telling you, what's the kind of rate increase, what kind of a growth we are -- we should be expecting in the coming couple of years in the cruise segment in terms of deliveries not order intake?

Roger Holm: This is a tricky question because if you order a cruise vessel today you will have very long delivery time, but at the same time we also see activities on

growing the capacity in cruise building, both in Germany and in China, and it will depend quite a lot on how fast those activities will ramp up.

So as we said before, we believe the activities will continue strong and we see that more capacity is coming into the market to build cruise ships.

Jaakko Eskola: And the cruise industry is growing a little bit less than 10 percent, 8 percent. So it's growing quite well and that definitely means that they need more vessels, and China is the next question mark, actually, in the market. They have promised that they will start building next year –

Roger Holm: Next year, first one.

Jaakko Eskola: First ones, and that will definitely also bring new players in the market.

Michael Kaloghiros: Got it, thank you. Just turning to energy solutions, I just wanted to come back to your comments regarding the orders you need to book in the third quarter in order to make the guidance. I think a few months ago we were supposed to get those orders in Q3 -- in Q2 sorry. Now you're expecting those in Q3 to maintain the guidance. Are you about to finalize these orders? What is driving your confidence in the guidance in getting those orders?

Jaakko Eskola: The transactions are there, the deals are there, the customer is there. We are finalizing the contracts and whether it was in June, July, August, now, those are the months now we are dealing with. We are confident that we will get the deals. And if we don't, then of course we have a different situation.

Michael Kaloghiros: OK. And just last then to come back to those questions on inventories and deliveries.

Cash flow in Q2 was very strong; it hasn't been the case for a number of quarters before. If I look at the different moving parts in your balance sheet, for me, inventories have done OK in the first-half of the year, and probably especially in Q2 I guess. Have you already delivered equipment to some clients from your inventories in Q2?

And just looking at the volumes in the energy division in the quarter, are you seeing maybe other clients delaying deliveries at the moment for which you're probably more prepared than you were in the previous quarters?

Jaakko Eskola: We haven't seen any customers delaying orders at the moment. We have seen good developments on our customer payments so that has helped in the cash flow situation. And inventory level is going also down; at the same time we are building some engines in both marine and energy solutions if you look at the inventory numbers.

So it's growing because we need to deliver a lot of equipment out this year. But it's definitely-- we have been pushing and paying a lot of attention to the cash flow situation and the working capital and now we are seeing the results.

Michael Kaloghiros: [Potentially] you've done very well. Just a final question; I guess this situation is not brand new. You've had in the past situations where you have to transfer the delivery from one customer to the other. When you talk to your customers and tell them we've got these engines on hand and are you happy to take this, what's the normal discussion? Are they asking for maybe a bigger discount or because it's the same engine and it will be the same usage of the (and), they don't mind? How do you do commercially with your clients (around this)?

Jaakko Eskola: We shouldn't talk too much about our strategy and our way of dealing with our customers, but we are doing well, both in marine and in energy now what comes to these situations when the market is moving and the volatility is there. So there are ways to handle the transactions.

Michael Kaloghiros: Understood. Thanks very much.

Operator: Your next question comes from the line of Pia Rosqvist, of SEB. Please ask your question.

Tomi Railo: Tomi, SEB. Still on the needed bulk orders. I also think that in the second quarter, you mentioned that you need those towards the end of June in order to deliver those towards the end of the year. Again, repeating one earlier question, has there been a delay?

And second question would be that, will we see the announcement? Will you announce something in early part of third quarter or during the third quarter so that we can see if you really booked the order and you would be able to meet the guidance?

Jaakko Eskola: I'm really sorry if we have given or indicated that we needed them in June. I hope we have said all the time that we needed fast-track projects and those fast-track projects are there. They will be signed.

Announcing a project and a transaction is totally dependent on the customer we see, and whether the customer accepts this and so on. Let's come back to that one when we have finally signed the deals and if and when we can actually announce that.

Tomi Railo: Then can you give any divisional revenue guidance? What's the level of service growth, for example, for 2016? You have been mentioning earlier a targeted 5 percent level. Would you think that you would be able to meet that growth level? And if you still assume, or if you assume that your marine business is growing or being flat or down this year.

Jaakko Eskola: We have told that our services business will grow at least 5 percent; that's the comment we have been giving on the cycle and we are confident that it will grow. We haven't told anything about marine solutions business so far, and let's see where we end up this year.

Of course, looking at the numbers today, they are performing well, but the market is extremely challenging. So let's see where we end up at the end of the year. The order book is still good.

Tomi Railo: Then, apologies, if you have been overly commenting this, but did you give a number for cost savings, what you aim to achieve in the second half of 2016?

Jaakko Eskola: EUR65 million was now for the second half, yes. Marco Wirén, why don't you tell about the whole program so we have the different numbers?

Marco Wirén: Our target is to get savings until the end of this year an amount of EUR65 million, including the EUR17 million we gained the first-half year this year and the EUR7 million that we gained last year already. The costs that we booked so far this year is EUR27 million, including EUR17 million which is write-offs, non-cash costs. And during the second half we estimate that we will get additional EUR20 million cost. So in total this year, about EUR47 million.

Jaakko Eskola: And also some savings next year.

Marco Wirén: Next year as well.

Jaakko Eskola: EUR25 million.

Marco Wirén: Yes. Because the total savings amount is EUR90 million, so from the start of program until the end of this year, we will gain about EUR65 million and then we have additional next year.

Operator: Your next question comes from the line of Sven Weier, of UBS. Please ask your question.

Sven Weier: Three questions from my side. The first one is on emissions; if you could give us an update on your situation in Trieste, how that was proceeding?

The second one is also on emissions. You mentioned in the market outlook the potential implementation of new emission regulations with regards to ferries. Are you referring there to the new sulfur rules potentially from 2018, or what exactly do you mean there?

And the last question is the contract cancellations that you've mentioned on service. Did you actually book that as a negative order intake in Q2 and that's why also the order intake was down? Or some color on that. Thank you.

Jaakko Eskola: Let me start by the fuel test case in Trieste. So far, we have, of course, been contacting our customers, all the related customers, and also informed everybody else who has been involved or has been interest of the case. And we are dealing customer by customer what has happened and how to go forward.

So it's proceeding as we expected; minimal effect to that Wärtsilä so far. And of course, as we announced earlier, we have checked all our facilities and also have hired a third-party company to check the procedures going forward. So that's moving as planned.

Emission regulations; now I don't exactly know what might be there but it must be the CO2 regulation -- SOx regulation in a global forum which basically will be decided 2018. It might be that they decided earlier and whether it's going to be global 2020 or 2025. But then of course already this year there was NOx regulation and there will be definitely some discussions going forward with the CO2 regulation which is again -- goes back to the efficiency of the ship.

Sven Weier: You mentioned that rather as a structural driver, not that you see really concrete enquiries for that yet.

Jaakko Eskola: No. There is no concrete on SOx regulations which then basically means whether you need to order a scrubber or you need to go for LNG; we haven't seen anything there yet. But it will come later on, depending on the timing.

Sven Weier: Have you seen some more activity on scrubbers as well? Because Alfa Laval was mentioning some more activity the other day.

Jaakko Eskola: We have actually seen quite low activity in the scrubber market and it's so far based again -- there is a lot of cruise ships and ferry orders and many of those

have -- cruise lines have not gone to LNG though, so they order scrubbers. Some of the ferries have gone to LNG so they don't need a scrubber. But it has been quite limited, scrubber orders so far.

Many of our customers are waiting for the global regulation, but of course, if you are in a SECA area, you need to buy scrubber or go for LNG.

And environmental side, I think it's good to mention that ballast water management convention has not yet been finalized. The understanding we have is that the counties are there, the number of the fleet is 35.0 or 34.9; which one is the right one will finally depend -- I mean define it, and let's see when IMO comes out later this month.

And the last one, last question was -- sorry, Sven, what was it?

Sven Weier: I think that was mentioned that you had those contract cancellations in Brazil.

Jaakko Eskola: No, we actually cancelled the contracts with services but we are dealing with the customer every day.

Pierpaolo Barbone: These contracts are dynamic. As soon as -- we need to have profitable growth so as soon as the growth or the profitability is limited or we can be more efficient in terms of bottom line, then we act immediately. That's the point.

Sven Weier: It was more of a technical question. Was that a contract you had in the backlog and that's why taking it out had a negative order book?

Jaakko Eskola: No. It wasn't.

Sven Weier: OK, clear. Thank you.

Operator: Your next question comes from the line of Austin Earl, of Marshall Wace. Please ask your question.

Austin Earl: I just had a few questions. First of all, can I just clarify on the accounting on the restructuring charge. If I've understood correctly from the note, what it's saying is there's EUR26 million charge but EUR17 million of that EUR26 million appears under the depreciation line. Is that correct?

Jaakko Eskola: Marco Wirén, our CFO, can explain a little bit more about that, please.

Marco Wirén: We have booked that in our P&L in non-comparable costs. So if you look at the comparable EBIT, it's not included there, that EUR17 million. It's write-offs of different kind of things in our (costs).

Austin Earl: Sure. I'm just trying to understand, the EUR26 million obviously appears within the expenses of the profit and loss account, but I'm just wondering the allocation that -- is it that some of it is within depreciation and some of it is in just the other expenses?

Marco Wirén: Yes, most of that is in depreciations. That's correct.

Austin Earl: OK. Understood. Great. The second question was just, if I could clarify, there was a comment saying that adjusted for currency, that services sales grew 3 percent. But was that in the second quarter or the first half?

Pierpaolo Barbone: The sales increase in absolute term now is 1 percent. If we would sterilize the FX factor, let's say, in the first-half of the year, it would be 4 percent. So 1 percent plus 3 percent, 4 percent.

Austin Earl: So 4 percent excluding currency in the first-half?

Pierpaolo Barbone: Yes.

Austin Earl: OK, that's a half number.

And then I just want to understand, on the -- within energy, the building for inventory of engines. When did you make that decision to actually start building? Because I find [just to correct you] saying this was a relatively new

policy. Is that in the last 12 months or 18 months or so that you've decided to do this?

Jaakko Eskola: First of all, it has not been a policy. I think it has been more what has been happening there. So we haven't changed our policies anywhere except that today we are very much following our inventory and working capital. So we don't build engines in stock any more. But it has happened and that's history.

Austin Earl: But was this something where you had an order and then it was cancelled and so you'd had it inventory, now you can deliver it very quickly to a client if there is an order?

Jaakko Eskola: Yes. Different reasons or building inventory and finally the customer disappeared.

Austin Earl: OK, so it was just, let's say in inverted commas, an accident as such, but now what you're saying is you hope that you can then fast-track and you hope that that'll be able to be fast-tracked in the second half of this year?

Jaakko Eskola: Yes, correct. Exactly.

Austin Earl: OK. And you were saying this is two engines or -- I didn't quite understand the volume that your value --.

Jaakko Eskola: No. It's a lot of engines.

Austin Earl: OK. And the fact that they can fast-track is just because what, there's a lot of bidding that's potential in terms of fast-track that gives you the confidence or has that already been signed?

Jaakko Eskola: We are very well with the negotiations with the customer and so that's why we are confident that the deals will be there. And we have the engines which, in this case, is beneficial to us.

Austin Earl: OK. Got you. That's great. Thank you very much for your help.

Operator: Thank you. There are no further questions, sir.

Jaakko Eskola: Any further questions from the audience? No? All right. Then thank you for attending the result presentation and let's see you then in three months. Thank you. Bye-bye.

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